From: Opal Kandelas
To: Opal Kandelas
Subject: 2017-18 Debt Plan
Date: Monday, May 08, 2017 5:29:21 PM
Attachments: OFA and OEFC Debt Plan 2017-18.docx

2017-18 Debt plan attached

Report to the Board of Directors

APPROVED: OFA BOARD – APRIL 21, 2017
OEFC BOARD – MAY 4, 2017

April 21, 2017

CONFIDENTIAL

PROVINCE OF ONTARIO & ONTARIO ELECTRICITY FINANCIAL CORPORATION
2017 – 2018
FINANCING, DEBT & ELECTRICITY MANAGEMENT PLAN

REASON FOR REPORT: To report on and seek approval of the Financing, Debt & Electricity Management Plan for the Province of Ontario & the Ontario Electricity Financial Corporation for the fiscal year ending March 31, 2018.

Submitted by:

Gadi Mayman
Chief Executive Officer
Ontario Financing Authority
Ontario Electricity Financial Corporation

CONFIDENTIAL

TABLE OF CONTENTS

EXECUTIVE SUMMARY 3

I. YEAR IN REVIEW: 2016-17 9

II. BORROWING REQUIREMENTS (ONTARIO AND OEFC) 13

III. STRATEGY 18
- A. LONG TERM BORROWING PROGRAM 18
  - 1. Market Background 19
  - 2. Term Structure 19
    - a) Debt Issuance Constraints 20
    - b) Borrowing Program Profile 21
    - c) Borrowing Program Scenarios 21
    - d) Costing Considerations 25
    - e) Recommended Term Structure 26
  - 3. Long-Term Borrowing Plan 27
    - a) Overview 27
    - b) Strategic Financing 29
    - c) Markets and Sectors 30
  - 4. Risk Factors and Contingencies 34
    - a) Completion of Long-Term Borrowing Program 34
    - b) Minimize Cost of Long-Term Borrowing Program 35
    - c) Minimize Refinancing Risk and Extend Term of New Debt 35
    - d) Credit Rating Risk 36
- B. SHORT-TERM BORROWING PROGRAM 37
- C. BORROWING AUTHORITY 39
- D. LIQUIDITY RISK MANANGEMENT 41
  - 1. Short-Term Liquidity Management 41
  - 2. Medium-Term Liquidity Management 50
- E. INTEREST RATE RISK MANAGEMENT 55
  - 1. Portfolio Attributes 55
  - 2. Interest Rate Environment 56
  - 3. Interest Rate Risk 56
  - 4. Interest Rate Management 57
- F. FOREIGN EXCHANGE RISK MANAGEMENT 59
  - 1. Province of Ontario 60
  - 2. Ontario Electricity Financial Corporation (OEFC) 61
  - 3. Foreign Exchange Risk 61
- G. INTEREST-ON-DEBT MANAGEMENT PLAN 62
- H. DERIVATIVES RISK MANAGEMENT 63
- I. CLIENT INVESTMENT MANAGEMENT 67
  - 1. Segregated Funds 67
  - 2. Ontario Nuclear Funds 69
  - 3. Other Financial Services 72
- J. COMMODITY RISK MANAGEMENT 75
  - 1. Non-Utility Generation (NUG) Portfolio 75
  - 2. Diesel Price Risk (Metrolinx) 75

IV. PERFORMANCE MEASUREMENT 76

V. ACCOUNTING UPDATE 76

CONFIDENTIAL

APPENDICES

APPENDIX 1 - Comparison of Government FX & Floating Rate Exposures & Borrowing Requirements 79
APPENDIX 2 - Economic Outlook and Risks..... 80
APPENDIX 3 - Documentation, Regulatory and Disclosure Requirements for Debt Issuance and Derivatives..... 82
APPENDIX 4 - Analysis of Interest Rates and Yield Curves..... 97
APPENDIX 5 - Interest Rate Scenarios and Floating Rate Exposure Strategies..... 103
APPENDIX 6 - Ontario and OEFC Debt Portfolios..... 104
APPENDIX 7 - Foreign Exchange Analysis..... 110
APPENDIX 8 - Stress Testing..... 116
APPENDIX 9 - Assumptions for Derivatives Portfolio Stress Tests..... 117
APPENDIX 10 - Derivative Exposure Value at Risk..... 118
APPENDIX 11- Investment Objectives & Performance of Segregated Funds..... 119
APPENDIX 12 - Energy Market Analysis..... 120
APPENDIX 13 - Performance Measures..... 122
APPENDIX 14 - Investor Relations (IR) Annual Plan 2017-18..... 124
APPENDIX 15 - 2017-18 Procurement Process for Underwriting Services..... 148

CONFIDENTIAL

EXECUTIVE SUMMARY

There are two major changes to this year's Plan. An increase in liquid reserves of $6 billion is planned for 2017-18 to meet the cash requirements associated with the large benchmark debt maturities commencing in 2019-20. A target of being approximately one quarter ahead of pace in the borrowing program is also planned, with a limit for pre-borrowing up to one half of the 2018-19 borrowing requirements once the 2017-18 borrowing program has been completed. These features of the Plan are covered in items 7 and 8 of the Executive Summary below.

1. As outlined in the review of 2016-17 [Section I - YEAR IN REVIEW: 2016-17, pages 9-12], $27.0 billion of long-term borrowing was completed in 2016-17 which includes pre-borrowing of $3.2 billion for 2017-18. This is down from $32.1 billion borrowed the previous year. 74% was completed in domestic markets, and all borrowing, investing and debt management activities were consistent with the 2016-17 Financing, Debt & Electricity Management Plan.

2. Based on the 2016 Ontario Economic Outlook and Fiscal Review (FES), the estimated 2017-18 long-term public borrowing requirement for Ontario and OEFC is $23.3 billion. The major components of the requirement are debt maturities and redemptions of $17.6 billion, and investment in capital assets of $12.4 billion, partially offset by $6.1 billion in non-cash adjustments, the majority of which is amortization. There will likely be some changes to the borrowing requirement once the 2017 Budget has been completed. For example, a planned increase in liquid reserves of $6.0 billion will use the pre-borrowing completed in 2016-17 and additional borrowing in 2017-18. In addition, recent announcements about reducing the size of the electricity global adjustment could also put upward pressure on funding requirements in future years. Relevant updates to recommendations made in this Plan will be reported back to the OFA and OEFC Boards at the following regularly scheduled Board meetings. [Section II – Borrowing Requirements (Ontario and OEFC), pages 13-17]

3. The expectation for fiscal stimulus and rising inflation in the United States has pushed long-term interest rates higher in recent months. According to private-sector forecasts, both short-term and long-term interest rates are expected to rise through 2017-18. The yield on 3-month government of Canada treasury bills is expected to increase slightly from 0.54% as of March 31, 2017 to 0.60% by the end of 2017-18. The 10-year government of Canada bond yield is expected to increase from 1.73% as of Mar 31, 2017 to 2.20% over the same period. The Canadian dollar is forecast to remain weak and depreciate slightly from 75.2 cents U.S. as of March 31, 2017 to 74.5 cents U.S. by the end of the fiscal year[5]. Interest rate risk remains high, and there will be upward pressure on interest costs in 2017-18 if interest rates increase more than currently forecast. Costs can be reduced by issuing more floating rate or shorter dated debt, although this will increase interest rate risk in future years. [Appendix 2 – Economic Outlook and Risks, pages 80-81]

[5] See Appendix 2 for details of the Ontario Ministry of Finance forecast.

4. The 2017-18 borrowing program is the smallest since 2007-08, and reflects the impact of lower deficits and term extension of the borrowing program over the past 7 years. This lower borrowing requirement provides the capacity for the planned increase in liquid reserves in advance of the large benchmark debt maturities starting in 2019-20. The borrowing programs will remain relatively large going forward due to the rollover of increasing levels of debt and planned investments in capital assets. Given the substantial size of future borrowing programs, a multi-year approach will be used to provide direction on appropriate term structure.

   Diversification of borrowing will be required to complete the program, and the Province will strive to stay approximately one quarter ahead of pace in borrowing to provide flexibility for times when market access will be curtailed. This includes market disruptions as well as other more predictable events such as Ontario quarterly financial updates.

   The OFA has a preference for domestic funding over international funding due to its greater cost-effectiveness, normally longer duration, relative ease of execution, and reduced swap counterparty credit exposure and accounting risk going forward. Given these factors, the OFA will strive to complete approximately 75% of the borrowing program in the domestic market. This would correspond to $17.5 billion of domestic borrowing which is below the record $31.4 billion in domestic funding achieved in 2014-15. International funding, which is usually more costly, enables the OFA to access other markets when demand in the domestic market is curtailed. [Section III (A) – Long Term Borrowing Program, pages 18-36]

5. **OFA BOARD APPROVAL** – Approval is requested for a range of 6.5 to 14.7 years for the average term of Ontario new borrowing for 2017-18, and approval is requested for exceeding the high end of the range if this can be achieved cost-effectively within existing policy parameters. Last year's approved range was 6.4 to 15.1 years, with the same approval to exceed the top end of the range. The preference will be to get closer to the top of the range given historically low interest rates and a desire to reduce refinancing risk in future years. The recommended range reflects estimated investor demand and a constraint in the maximum size of future borrowing programs to reduce refinancing risks in the future. We will report back to the Board if it appears that the average term will fall outside the approved range by the end of the year. It is estimated the overall term of outstanding debt for the Province will range between 10.2 and 11.2 years on March 31, 2018 (11.2 years currently). [Section III (A)(2) – Term Structure, pages 19-26]

6. **OEFC BOARD APPROVAL** - Approval is requested for OEFC to borrow in 2017-18 for amounts and tenors similar to the loans advanced to OPG. No new borrowing is projected for OEFC in 2017-18 related to operational requirements, however, OEFC is projected to borrow

in 2017-18 to fund new loans to OPG. OEFC typically funds new loans to OPG by issuing debt of a similar tenor for asset/liability management purposes.

OEFC is forecast to have a cash surplus of $2.5 billion on March 31, 2017, and $3.3 billion on March 31, 2018, primarily due to the proceeds related to the broadening of ownership of Hydro One. Cash balances are invested with the Province to meet OEFC's upcoming cash requirements, including maturing long-term debt. Maturing long-term debt totals $2.1 billion in 2017-18, $0.7 billion in 2018-19, and $1.4 billion in 2019-20. The cash surplus plus other payments from the Province will be used to reduce OEFC's debt.

OEFC is currently in the process of amending the existing credit facility for OPG to extend the term of the credit facility to December 31, 2018, and to allow OPG to borrow up to $1.5 billion in 2017 and $850 million in 2018. OPG has also requested the ability to borrow up to terms of 30 years for the duration of the credit facility. It is expected that OPG will utilize the credit facility fully which would result in OEFC borrowing up to $1.55 billion for fiscal 2017-18, and $600 million in 2018-19 if the amendments become finalized. OPG is expected to utilize 30-year borrowing for this requirement.

It is estimated the overall term of outstanding debt for OEFC will be 9.9 years on March 31, 2018 (7.9 years currently). [Section II Borrowing Requirements (Ontario and OEFC), pages 15-17]

7. Liquid reserves in conjunction with short-term borrowing are used to manage liquidity risk, although the pace of long-term borrowing will also have a major impact on the level of liquid reserves throughout the year. Higher levels of liquid reserves have been maintained in recent years given the combination of large borrowing programs, higher debt levels and the implementation of collateralized swaps. The credit rating agencies also place a high value on liquidity levels in determining their credit ratings. For 2017-18, a minimum liquid reserve threshold will be maintained throughout the year to ensure sufficient cash is available to meet requirements. This threshold will be calculated as the net cash outflow within a rolling one-month time horizon, plus a provision for potential CSA collateral requirements. Liquid reserves are projected to remain above the minimum threshold in 2017-18 assuming even-paced long term borrowing. If the borrowing program was to fall three-months behind pace, liquid reserves could be as low as $13.4 billion. If the borrowing program was to get three months ahead of pace, liquid reserves could be as high as $29.6 billion.

   The maturity of larger benchmark debt issues is an important consideration in overall liquidity management. Coming out of the financial crisis, the Province began a strategy of creating large, liquid 10- and 30-year benchmark domestic bond issues in 2009-10 in response to investor demand. This strategy has been very successful and continues to lower Ontario's

borrowing costs and enhance the Province's access to capital. Starting in 2019-20, the maturity of these larger benchmark debt issues on June 2nd each year in combination with the large semi-annual June 2nd coupon payment will shift a larger proportion of annual cash requirements to the first quarter of the fiscal year. As a result, a higher level of liquid reserves will need to be maintained early in the fiscal year to cover these cash outflows. Lower borrowing requirements in 2017-18 provide an opportunity to start building up reserves this year. We plan to increase liquid reserves by $6 billion in 2017-18, and where possible, buy back some of the larger debt maturities starting in June 2019, or purchase other government securities of similar maturities to smooth the maturity and cash flow profile. We will strive to reduce any carrying costs related to the increase in liquid reserves by minimizing any term mismatch on borrowings and related buy-backs or investments, and by issuing additional floating rate debt as required. Debt issued specifically for this purpose may be reported separately from the regular borrowing program for average term calculation purposes. Overall, the potential cost of higher liquid reserves is largely offset by higher levels of floating rate debt. [Section III (D) –Liquidity Risk Management, pages 41-54]

8. **OFA BOARD APPROVAL** – In response to the relatively high potential for reduced market access relating to the 2018 Ontario election which must be held by June 7, 2018, and the risks associated with a likely restructuring of the North America Free Trade Agreement (NAFTA) and an elevated Canadian housing market, a target of getting one quarter ahead of pace in the borrowing program is recommended, and approval is requested to be able to pre-borrow up to one half of the 2018-19 borrowing requirements once the 2017-18 borrowing program has been completed. [Section III (A)/ (3) (a) – Overview, pages 27-28]

9. **OFA BOARD APPROVAL** – Approval is requested to provide for up to $5.2 billion of international strategic financing for the 2017-18 borrowing program, and the objective will be to minimize both the amount and cost of strategic financing. Strategic financing is measured as a component of the fixed rate borrowing benchmark, and excludes core foreign exchange and floating rate borrowing. Strategic financing of $3.2 billion was completed last year. [Section III(A)(3)(b) - Strategic Financing, pages 29-30]

10. **OFA BOARD APPROVAL** – Approval is requested for the Investor Relations (IR) Annual Plan for 2017-18. In 2017-18, IR will continue to meet with domestic and international investors, with roadshows planned for North America, Europe, Latin America (LATAM) and Asia. [Appendix 14 – Investor Relations Annual Plan 2017-18, pages 124-147]

11. Ontario Infrastructure and Lands Corporation (OILC) provides loans for infrastructure development to the broader public sector. In 2015-16, OILC started borrowing directly from the Province through a long-term credit facility on the same general terms as the loans it makes to its clients. A total of 143 loans were made in 2016-17 with total notional of approximately $826.9 million. For 2017-18, it is projected there will be approximately 100 loans executed for

total notional of approximately $600 million. This new process relieves OILC from having to hedge its borrowing in the swap market. While the Province's borrowing requirement increases in order to fund OILC's loans, net debt remains unchanged since any increase in the Province's borrowing is offset by loans issued to OILC. [Section III (I) (3) – Other Financial Services, pages 72-74].

12. **OFA BOARD APPROVAL** – Approval is requested for a range of 11.4% to 15.4% in Ontario's gross floating rate exposure for March 31, 2018. This is higher than last year's approved range of 10.4% to 14.4%. A target of 13.4% is planned, which would be an increase from estimated exposure of 12.6% on March 31, 2017. The higher range and increased exposure is recommended to manage potential carrying costs related to the planned increase in liquid reserves. Floating rate exposure may be increased further to reduce interest costs in 2017-18 if current market conditions were to change. [Section III (E) – Interest Rate Risk Management, pages 55-58]

13. **OEFC BOARD APPROVAL** – Approval is requested for a range of 3.3% to 7.3% in OEFC's gross floating rate exposure for March 31, 2018, with a target of 5.3%. This is lower than last year's approved range of 4.9% to 8.9%, and estimated exposure of 7.8% on March 31, 2016. The reduction in gross floating rate exposure arises from the maturity of floating rate debt in 2017-18. [Section III (E) – Interest Rate Risk Management, pages 55-58]

14. **OFA BOARD APPROVAL** – Approval is requested for a range of 0.0% to 1.25% in foreign exchange exposure. This is slightly lower than last year's range of 0.0% to 2.5%. This range would allow for an increase in exposure from the current level of 0.2% through the issuance of unhedged foreign debt should attractive market or funding opportunities arise. It would also allow for the continued hedging of existing exposure maturing within three years for IOD management purposes if market conditions were considered appropriate. [Section III (F) – Foreign Exchange Risk Management, pages 59-61]

15. The Interest on Debt (IOD) forecast for 2017-18 is $11.7 billion based on the 2016 Ontario FES. There may be more risk to IOD this year given the potential for a greater than forecast increase in interest rates. For 2017-18, the impact of a one percentage point increase in interest rates is estimated to be an additional $350 million in interest costs for the Province. IOD will be closely monitored and reported to the Board on a regular basis. [Section III (G) – Interest on Debt Management, page 62]

16. Credit exposures will continue to be monitored on a daily basis and actively managed. Counterparty credit limits are based on the credit quality of each entity which is based on credit ratings, the regulatory capital base and credit quality assessments. Collateralized swap agreements (CSAs) have been signed with ten counterparties. These agreements reduce

credit exposure through the mutual exchange of collateral between Ontario and its counterparties to offset changes in the market value of the related swaps. We will continue efforts to execute collateralized swap agreements where possible, although no new agreements are expected at this time. Derivative market reforms are expected to increase the Province's costs of derivative transactions due to the asymmetrical thresholds of our CSAs. The OFA plans to review the CSA thresholds this year and may consider moving to symmetrical thresholds if lower transaction costs and greater liquidity can be achieved. The trade-off would be the additional collateral the Province may potentially have to post if the thresholds were equal, which could be up to $2.5 billion in certain situations based on our current credit rating. [Section III (H) – Derivative Risk Management, pages 63-66]

17. The Public Sector Accounting Board (PSAB) extended the effective date of their financial instruments accounting standards issued in July 2011 from April 1, 2016 to April 1, 2019 at their meeting in June 2015. In October 2016, the OFA engaged the services of Deloitte Inc. to assist in assessing the fiscal and operational impact of PS 3450 and PS 2601 on the Province as well as engage with PSAB and other stakeholders with the aim of amending the standards to address the concerns of the Province and borrowing community. The Public Sector Accounting Board's new standard on Financial Instruments, if implemented in its current form, would have a major impact on the risk management activities of the Province. Hedging activities such as the use of foreign exchange forward contracts to hedge long term debt and rate setting transactions to manage the borrowing program would introduce significant volatility and unpredictability in the Province's interest costs (IOD), net debt, and deficit under the proposed standards. If adopted, the use of these types of risk management strategies would have to be re-evaluated in the context of IOD volatility. [Section V – Accounting Update, pages 76-77]

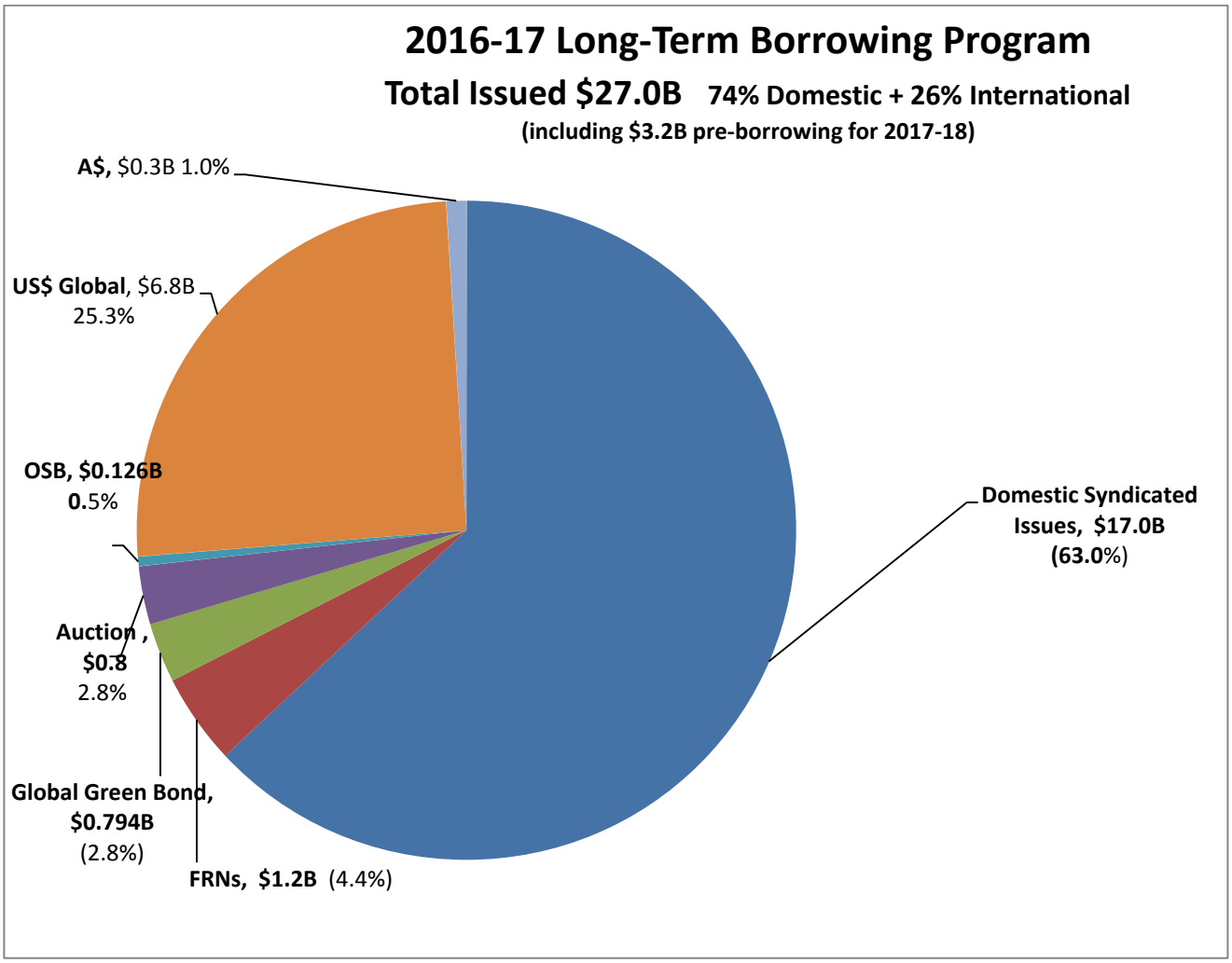
18. **OEFC BOARD APPROVAL** – Approval is requested to continue to enter into transactions related to the operational management of the NUG contracts that reduce costs of the NUG contracts for electricity ratepayers. [Section III (J) –Commodity Risk Management, page 75]

19. **OFA BOARD APPROVAL** – The procurement process established five years ago for underwriting services will be followed again this year. It is recommended that procurement for underwriting services be approved for 2017-18 and up to two quarters for 2018-19 based on the underwriting services procurement framework included in this Plan. [Appendix 15 – 2017-18 Procurement Process for Underwriting Services, pages 148-149]

I. YEAR IN REVIEW: 2016-17

Ontario and OEFC's borrowing, investment and debt management activities and program results for 2016-17 were consistent with the objectives approved in the 2016-17 Financing, Debt & Electricity Management Plan.

The long-term borrowing for last year was $27.0 billion which includes pre-borrowing of $3.2 billion for 2017-18.



- Strong demand for domestic bonds allowed approximately 74% domestic funding. As in previous years, syndicated issues accounted for a large majority (86%) of domestic funding and a high proportion (63%) of over-all borrowing.

Domestic Funding $19.9 billion

Issue Type	Tenor	# Issues	Amount Issued
Syndicated	5-year	2	$ 1,976M
Syndicated	10-year	9	$ 7,528M
Syndicated	30-year	11	$ 7,519M
Total Syndicated	5,10,30-year	22	$ 17,023M
Floating Rate Notes	5-year	1	$ 1,200M
Global Green Bond	6-year	1	$ 794M
Auction	3-year	1	$ 767M
Ontario Saving Bonds	3,5 & 10-year	4	$ 126M

- International funding accounted for approximately 26% of the borrowing program.

International Funding $7.1 billion

Issue Type	Tenor	# Issues	Local Currency	Amount Issued C$
US$ Global	10-year	1	US$ 1,000M	$ 1,263M
US$ Global	3-year	1	US$ 1,750M	$ 2,284M
US$ Global	5-year	1	US$ 2,500M	$ 3,286M
Total US$ Global	3,5,10-year	3	US$ 5,250M	$ 6,833M
Kangaroo	10-year	8	A$ 300M	$ 296M

- Last year's base case economic forecast was for 3-month Canada treasury bill yields to increase slightly to 0.57% by the end of the fiscal year. 3-month Canada treasury bill yields were unchanged from March 31, 2016 at 0.54% on March 31, 2017. The forecast was for 10-year Canada bond yields to increase to 2.05% by March 31, 2017. 10-year Canada bond yields have actually increased from 1.23% on March 31, 2016 to 1.73% on March 31, 2017. 10-year Ontario rates increased from 2.30% to 2.49% over the same period and reflect a narrowing of the 10-year Ontario spread. Interim 2016-17 IOD is projected to be $11.4 billion, which is $0.4 billion lower than forecast in the 2016 Budget.

The 2016-17 program results for Ontario and OEFC are summarized in the following table:

Indicator	Approved in 2016-2017 Financing, Debt & Electricity Management Plan		Estimated Results March 31, 2017	
	ONTARIO	OEFC	ONTARIO	OEFC
Gross Floating Rate Exposure	10.4% - 14.4% Target 12.4% (No Change)	4.9% - 8.9% Target 6.9% (Decrease)	12.6%	7.8%
Foreign Exchange Exposure	0.0% - 2.5%	0.0%	0.2%	0.0%
Average Term of New Borrowing	6.4 to 15.1+ Years[1]	No Borrowing Projected	13.9 Years[2]	No Borrowing
Pre-borrowing	Up to 1 Quarter of the 2017-2018 Requirements	Up to 1 Quarter of the 2017-2018 Requirements	$3.2 Bln[3]	None

1. Includes approval to exceed the high end of the range if it can be achieved cost-effectively within existing policy parameters.
2. Includes pre-borrowing of $3.2 billion. Excluding pre-borrowing the average term was 14.1 years.
3. As of March 31, 2017.

- Gross floating rate exposure for the Province was within the approved range at an estimated 12.6%, slightly above the target of 12.4%. Gross floating rate exposure for OEFC was also within the approved range at an estimated 7.8%, slightly above the target of 6.9%. The yield curve from 3-month interbank rates (CDOR) to Ontario 10-year rates steepened from 140 basis points on March 31, 2016 to 155 basis points on March 31, 2017. The 3-month interbank rate (CDOR) increased slightly from 0.90% on March 31, 2016 to 0.94% on March 31, 2017.

- Foreign exchange exposure for the Province was within the approved range at an estimated 0.2% on March 31, 2017. This is a decrease from 0.3% in the previous year and reflects the hedging of Yen 17.0 billion exposure (CAD$ 193 million) maturing June 8, 2020. Foreign exchange exposure for OEFC was maintained at 0% as planned.

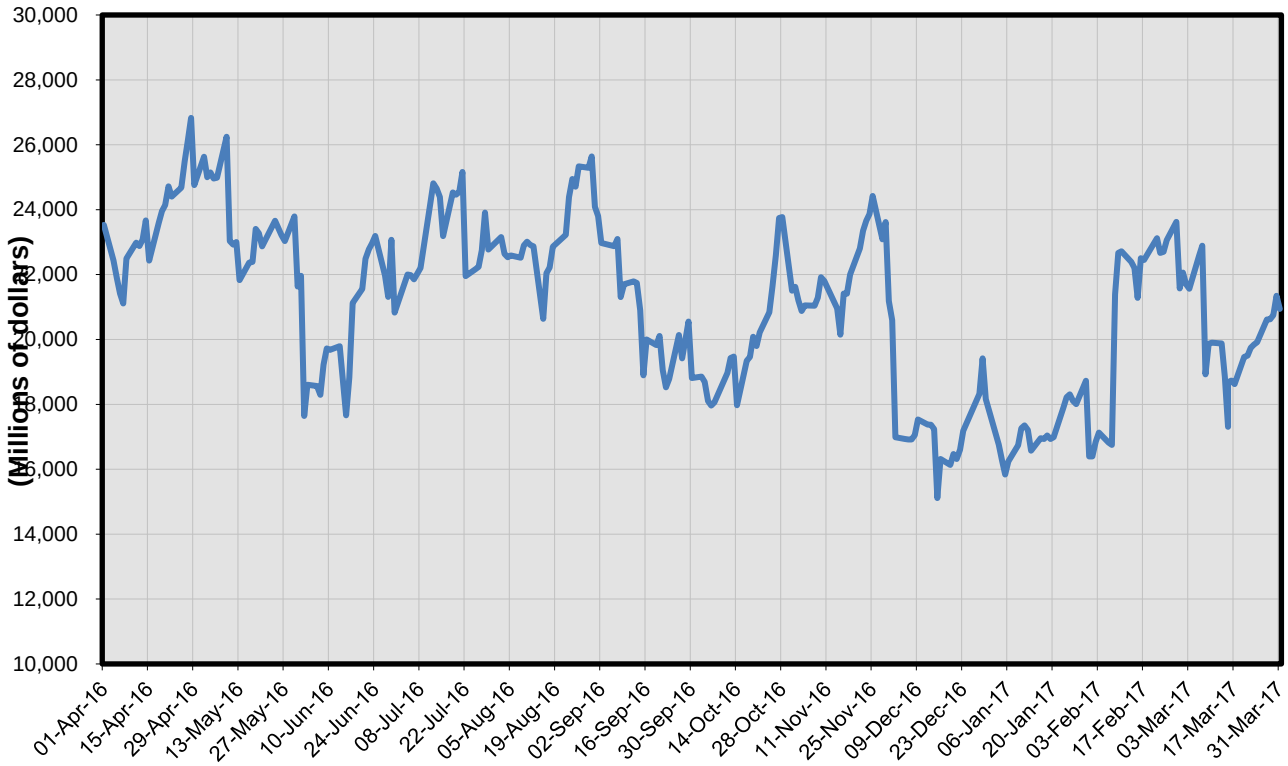
- The average term of new borrowing was 13.9 years for Ontario (including pre-borrowing of $3.2 billion). Excluding pre-borrowing, the average term of new borrowing for Ontario was 14.1 years. Ontario's borrowing term was within the approved range. No borrowing was required for OEFC.

- Unrestricted liquid reserves (liquid reserves excluding net collateral received from derivative counterparties) decreased from $23.6 billion on March 31, 2016, to a projected $18.6 billion (excluding pre-borrowing for 2017-18) on March 31, 2017, based on the 2016 Ontario FES. Net collateral received from derivative counterparties was $2.1 billion on March 31, 2017, compared to $1.8 billion on March 31, 2016.

- Daily unrestricted liquid reserve levels for 2016-17 are provided in the following graph to March 31, 2017. Over this period, unrestricted liquid reserves averaged about $21.1 billion.

The average daily change in unrestricted liquid reserves was about $663 million, with a maximum daily change of approximately $4.6 billion occurring on February 8th due to the settlement proceeds of several bond issues. There were 59 days when the daily change in unrestricted liquid reserves exceeded $1 billion.

Net Daily Liquid Reserves (incl. pledged CSA's only)
(April 1, 2016 - March 31, 2017)



	Amount ($ billion)	Date
Average	21.1	April 1, 2016 - March 31,2017
High	26.8	April 28, 2016
Low	15.1	December 15, 2016

- Total combined Ontario/OEFC short-term debt outstanding (i.e., Ontario treasury bills and U.S. commercial paper) is estimated at $21.8 billion on March 31, 2017, unchanged from March 31, 2016. The combined program authority for Ontario and OEFC treasury bill and U.S. commercial paper was $48.0 billion on March 31, 2017.

II. BORROWING REQUIREMENTS (ONTARIO AND OEFC)

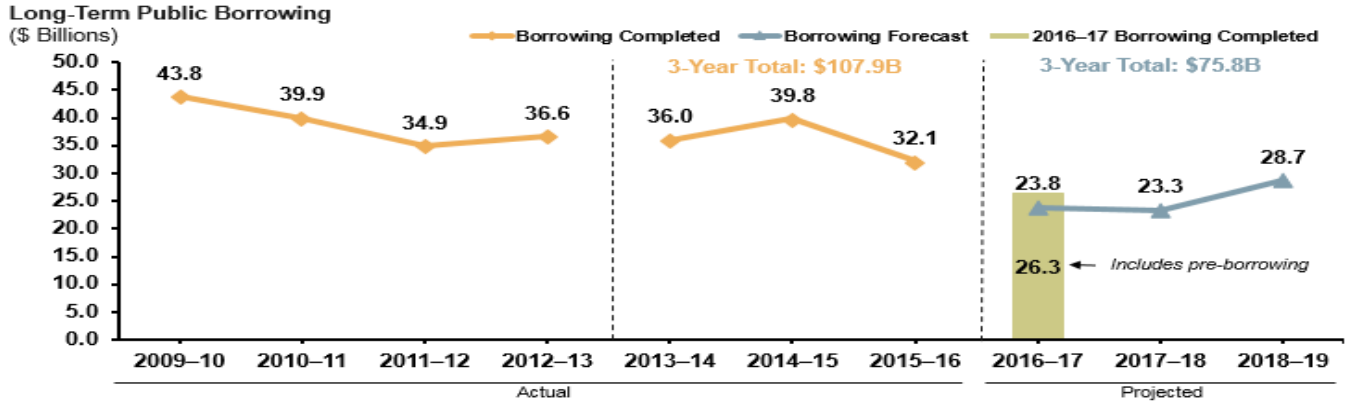
ESTIMATE OF LONG-TERM PUBLIC BORROWING REQUIREMENT ($ billion)				
Consolidated Province and OEFC	**2016-17**	**2017-18**	**2018-19**	**2019-20**
Deficit / (Surplus)	4.3	-	-	
Investment in Capital Assets	11.7	12.4	14.2	
Non-Cash Adjustments	(7.4)	(6.1)	(6.3)	
Loans to Infrastructure Ontario	-	0.3	0.1	
Other Net Loans / Investments	(0.9)	(0.8)	(1.2)	
Debt Maturities: Province	18.2	15.4	21.4	
OEFC	3.0	2.1	0.7	
Debt Redemptions	0.0	0.1	0.1	
Total Funding Requirement	**28.9**	**23.3**	**28.8**	
Canada Pension Plan Borrowing	(0.1)	-	-	
Decrease / (Increase) in Short-Term Borrowing	-	-	-	
Increase / (Decrease) in Cash and Cash	(5.0)	-	-	
Total Long-term Public Borrowing Requirement	**23.8**	**23.3**	**28.7**	

Notes: Numbers may not add due to rounding. Based on the 2016 Ontario FES.

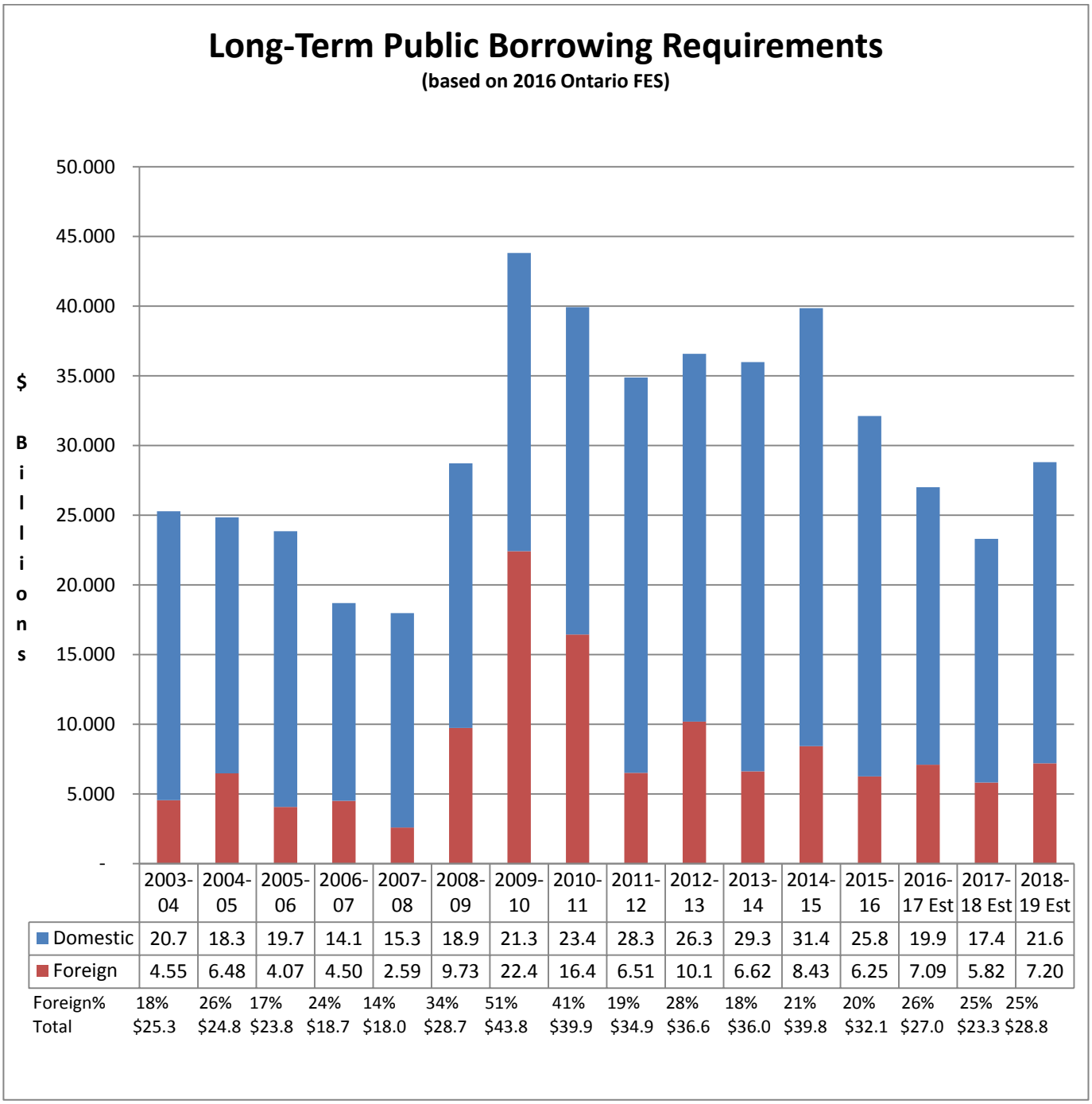
The 2017-18 long-term public borrowing program is the smallest since 2007-08. Based on the 2016 Ontario FES, the Province is projected to borrow $75.8 billion over the three-year period in the medium-term borrowing outlook, down from the $107.9 billion borrowed over the previous three-year period. This $32.1 billion decline in borrowing reflects the impact of lower deficits, pre-borrowing, term extension and the Province's asset optimization activities. Historical borrowing requirements as well as projected borrowing requirements for the next two years are provided in the chart and table below. The lower borrowing requirement in 2017-18 provides the opportunity to increase liquid reserves in advance of the larger benchmark debt maturities starting in 2019-20.

Total Long-Term Borrowing Forecast

(Based on 2016 Ontario FES – as of March 15, 2017)



The Ontario borrowing program remains the largest of the Canadian provinces, and is approximately 30% of the total borrowing programs for all provinces combined. The borrowing requirements and financial risk exposures of the federal government and provinces are provided in Appendix 1.



	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17 Est	2017-18 Est	2018-19 Est
Domestic	20.7	18.3	19.7	14.1	15.3	18.9	21.3	23.4	28.3	26.3	29.3	31.4	25.8	19.9	17.4	21.6
Foreign	4.55	6.48	4.07	4.50	2.59	9.73	22.4	16.4	6.51	10.1	6.62	8.43	6.25	7.09	5.82	7.20
Foreign%	18%	26%	17%	24%	14%	34%	51%	41%	19%	28%	18%	21%	20%	26%	25%	25%
Total	$25.3	$24.8	$23.8	$18.7	$18.0	$28.7	$43.8	$39.9	$34.9	$36.6	$36.0	$39.8	$32.1	$27.0	$23.3	$28.8

OEFC's borrowing requirements are considered separately for operational cash requirements and for new loans to OPG. For 2017-18, no borrowing is projected for OEFC related to operations, as requirements can be met with cash balances on hand as well as cash generated from operations. OEFC is projected to have a cash surplus balance of approximately $2.5 billion on March 31, 2017, and $3.3 billion on March 31, 2018 based on the 2016 Ontario FES. These positive cash balances are primarily due to the cash proceeds related to the broadening of ownership of Hydro One. Cash balances are invested with the Province and are used to meet OEFC's upcoming cash requirements, which include maturing long-term debt. Maturing long-term debt totals $2.1 billion in 2017-18, $0.7 billion in 2018-19, and $1.4 billion in 2019-20.

OEFC generally funds new loans to OPG by issuing debt of a similar tenor for asset/liability management purposes. The existing credit facility with OPG, and a breakdown of OPG debt payable to OEFC are listed in the tables below.

OPG Credit Facility				
Project	**Amount Authorized**	**Total Borrowing to Date**	**Outstanding Commitment**	**Maturity Date of Loan Agreement**
General Corporate (incl. Darlington Refurbishment)	$700 million	$200 million	$500 million	Dec. 31, 2017

OPG Debt Payable to OEFC	
General Corporate Requirements (2007)	$500 million maturing 2017 ($500 million approved)
General Corporate (incl. Darlington Refurbishment) Requirements	$300 million maturing 2026 – 2047
Niagara Tunnel Project	$855 million maturing 2017 – 2023 ($1.6 billion approved, $1,065 million borrowed)
Portlands	$300 million maturing 2017 – 2019 ($400 million approved, $390 million borrowed)
Lac Seul	$30 million maturing 2017 and 2019 ($50 million approved, $50 million borrowed)
Debt Refinanced (2007-2011)	$1,460 million maturing 2016 - 2042
Total Debt Outstanding	**$3,445 million**

OEFC is currently in the process of amending the credit facility for OPG to extend the term of the facility to December 31, 2018, and to allow OPG to borrow up to $1.5 billion in 2017 and $850 million in 2018. OPG has also requested the ability to borrow up to tenors of 30 years for the term of the credit facility. It is expected that OPG will utilize the credit facility fully which would result in OEFC borrowing up to $1.55 billion for fiscal 2017-18, and $600 million in 2018-19. OPG is expected to borrow in the 30 year term during 2017 which would result in 30 year borrowing for OEFC. Since these particular OEFC borrowings are term matched to underlying OPG loans, they are excluded from the borrowing program performance for measurement purposes.

The detailed OEFC Borrowing Plan Forecast for 2017-18, 2018-19, and 2019-20 based on the 2016 Ontario FES is provided in the table below. These results do not reflect the planned amendments to the credit facility with OPG, as these amendments are not yet finalized.

OEFC Borrowing Plan Forecast			
	2017-18 ($ Million)	**2018-19 ($ Million)**	**2019-20 ($ Million)**
Revenue:			
Debt Retirement Charge	623	0	0
Payments-in-lieu of tax (PILs):			
➢ OPG	419	387	343
➢ HOI	30	32	33
➢ MEUs	68	86	105
Interest:			
➢ OPG	168	153	135
➢ IESO	3	3	3
➢ Province	492	492	492
➢ Other	5	5	5
Power supply contract recoveries	494	429	298
Amortization on NUG liability	74	41	30
Electricity sector dedicated income	591	0	0
Other	3	3	3
Total Revenue:	**2,970**	**1,631**	**1,447**
Expense:			
Debt interest	1,090	1,027	977
Power supply contract costs	494	429	298
Debt Guarantee Fee	102	91	88
Demand management support costs	10	0	0
Operating	6	6	6
Total Expense:	**1,702**	**1,553**	**1,369**
Excess of Revenue over Expense:	**1,268**	**78**	**78**
Non-Cash Adjustments:			
Amortization of NUG liability	(74)	(41)	(30)
Electricity sector dedicated income	(591)	0	0
HO BV share proceeds allocated to OEFC	1,353	1,385	0
PILs & IOD cash vs accrual	(196)	(147)	(116)
Cash Generated (Required) in Operations	**1,760**	**1,275**	**(68)**
Other Sources (Uses) of Cash:			
OPG Loan Repayment	1,125	260	505
Long Term Debt Maturities	(2,119)	(717)	(1,384)

Total Cash Surplus/(Requirement) Excluding New Loans to OPG	**766**	**818**	**(947)**
Increase / (Decrease) in Short-Term Borrowing	0	0	0
Decrease / (Increase) in Cash and Cash Equivalents	(766)	(818)	947
Total Long-term Public Borrowing Requirement Excluding New Loans to OPG	**0**	**0**	**0**
OPG New Loans	(1,125)		
Total Long-term Public Borrowing Requirement Including New Loans to OPG	**1,125**	**0**	**0**
Cash and Temporary Investment Balance, Y/E Estimate (assumes Long-term Borrowing to fund new OPG Loans)	**3,290**	**4,108**	**3,161**

Notes: Numbers may not add due to rounding.
Based on the 2016 Ontario FES.

In addition to providing financing to OPG, OEFC has provided financing to the Independent Electricity System Operator (IESO). Both the fixed term loan and the revolving credit facility with OEFC are expected to be extended for an additional 3 years, and IESO has indicated they will need additional financing. With the merger of the Ontario Power Authority and the IESO, IESO has also retained their original revolving credit facility with the OFA for up to $975 million.

IESO Financing from OEFC			
Type of Loan	**Amount Borrowed**	**Amount Drawn on Credit Facility**	**Maturity Date of Loan Agreement**
Refinancing	$90 million	n/a	April 30, 2017
Revolving Credit Facility	$95 million	-	April 30, 2017

The impact of these additional loans for OEFC from an asset/liability management perspective is also considered, and where necessary hedging strategies will be implemented to manage potential interest rate risk.

III. STRATEGY

The objective of the plan is to manage the borrowing, debt, investment and electricity management activities of the Province and OEFC in a prudent, timely, and cost-effective manner within approved policies and limits.

A. LONG-TERM BORROWING PROGRAM

Introduction

The 2017-18 borrowing program is estimated at $23.3 billion based on the 2016 Ontario FES. Market access has been generally good, but there were a few challenging periods in 2016-17 around Brexit and the U.S. election. In 2016-17 we experienced heightened competition for funding windows from other Provinces, most notably Quebec and Alberta. Alberta is expected to borrow $18.7B in 2017-18 and Quebec is expected to borrow heavily next year in order to prefund a heavy redemption calendar. Like Quebec, we also have a heavy redemption calendar in the first half of 2019. We plan to increase our prefunding while market conditions are favourable and interest rates remain at historically low levels. This year's program of $23.3B is manageable and we have scope to increase our funding. The quantitative easing (QE) actions by the ECB have forced core European investors to search for yield in non-euro denominated debt. Ontario may benefit from this but the expected incremental Canadian dollar demand is expected to be fairly modest. In late 2016 we saw an increase in demand for Canadian dollar denominated debt from Japanese investors. Demand for Canadian Provincial debt has been growing in Japan and this may prove to be a valuable new investor class for us. We expect that this demand will partially offset other large Asian investors who have been sellers of their Canadian dollar assets. Under normal conditions, regulatory blackouts for the Budget, quarterly updates and filings preclude international borrowing for up to a third of the year. In addition, geopolitical risk remains high, and capital market disruptions from events in Europe, the Middle East and Asia cannot be ruled out. In addition, the Ontario provincial election which must be held by June 7, 2018 has the potential to negatively impact market access.

Interest rates have bounced from the historical lows and there are expectations that we will see a rise in U.S. interest rates as U.S. economic growth picks up. Canadian rates are expected to rise gradually. Low interest rates with a general bias for rate increases reduce investor demand and make it more difficult to extend term.

Given market access concerns, it is recommended that the Province strive to remain one quarter ahead of pace in the borrowing program. We will attempt to accelerate the program in the second half of the year as we approach the 2018 election. This may involve borrowing in less than optimal market conditions at times and will also require diversification in our sources of funds. A sizable borrowing program in conjunction with reduced foreign issuance windows puts pressure on us to issue larger less frequent foreign bond issues even if arbitrage conditions are not optimal.

1) Market Background

- Quebec, Ontario, Alberta, Saskatchewan, BC were able to start pre-borrowing for 2017-18. Indications are that total provincial borrowings with the exception of Ontario will increase from previous years and will be concentrated between Ontario, Quebec and Alberta. Competition from our provincial counterparts for borrowing opportunities is expected to remain high as was seen last year with multiple domestic provincial bond issues often occurring on days when market tone was good and U.S. dollar provincial issues being priced in close succession when fully hedged U.S. borrowing costs became attractive.

- Ontario has been successful in extending term and reducing borrowing requirements in recent years, and Ontario's annual borrowing requirements are expected to be less than $30 billion for the next year, before it ramps up again as re-financing needs increase requirements. In addition, there is the potential for other factors such as OPG borrowing for nuclear refurbishment to increase borrowing requirements. Recent announcements about reducing the size of the Global Adjustment could also put upward pressure on our funding requirements.

- There are currently numerous geopolitical risks, including international conflicts and economic dislocations, which have the potential to disrupt Ontario's borrowing program at various times during 2017-18. Recent indications from the new U.S. administration surrounding trade and repeal of the Dodd Frank Act could also disrupt normal market activities.

- Ontario's international funding for 2016-17 included issues in the U.S. and Australian markets. Other foreign markets were either too expensive or had insufficient investor demand. It is expected that the U.S. market will be utilized for most of the 2017-18 international borrowing, and in order to complete the program it may be necessary to do a Euro issue even if arbitrage conditions are not optimal. Demand for Ontario euro denominated debt is expected to be very strong in 2017-18 which would allow us to expand our investor base. Swiss, Sterling, Yen and Australian markets will continue to be monitored for issuance opportunities.

2) Term Structure

The recommended term structure for the 2017-18 borrowing program has been developed using the following inputs and analysis:

1. estimates of investor demand for benchmark maturities;
2. an assessment of the maximum acceptable size of future annual borrowing programs;

3. an analysis of the size of future borrowing requirements under a range of different term structure scenarios for 2017-18 and future years;
4. a costing analysis for various scenarios; and
5. development of a recommended term structure for the 2017-18 borrowing program which reflects investor demand constraints, cost of borrowing considerations and which also manages and limits market access and refinancing risks in future years.

a. Debt Issuance Constraints

An estimate of the maximum potential borrowing for various maturities has been developed based on historical experience. This was done to provide an assessment of investor demand constraints for specific maturities and reflects an upper estimate of potential new borrowing for each tenor. The investor constraints are provided in the following table as well as the term structure of the 2016-17 borrowing program for comparison purposes.

Tenor of New Borrowing	**Estimated Market Borrowing Constraints**	2016-17 Borrowing Program* ($)	2016-17 Borrowing Program (%)
3-years	**$14.0 billion**	$ 3.1 billion	12
5-years	**$16.5 billion**	$ 6.5 billion	24
7-years	**$ 6.0 billion**	$ 0.8 billion	3
10-years	**$16.0 billion**	$ 9.1 billion	34
30-years	**$10.0 billion**	$ 7.5 billion	28

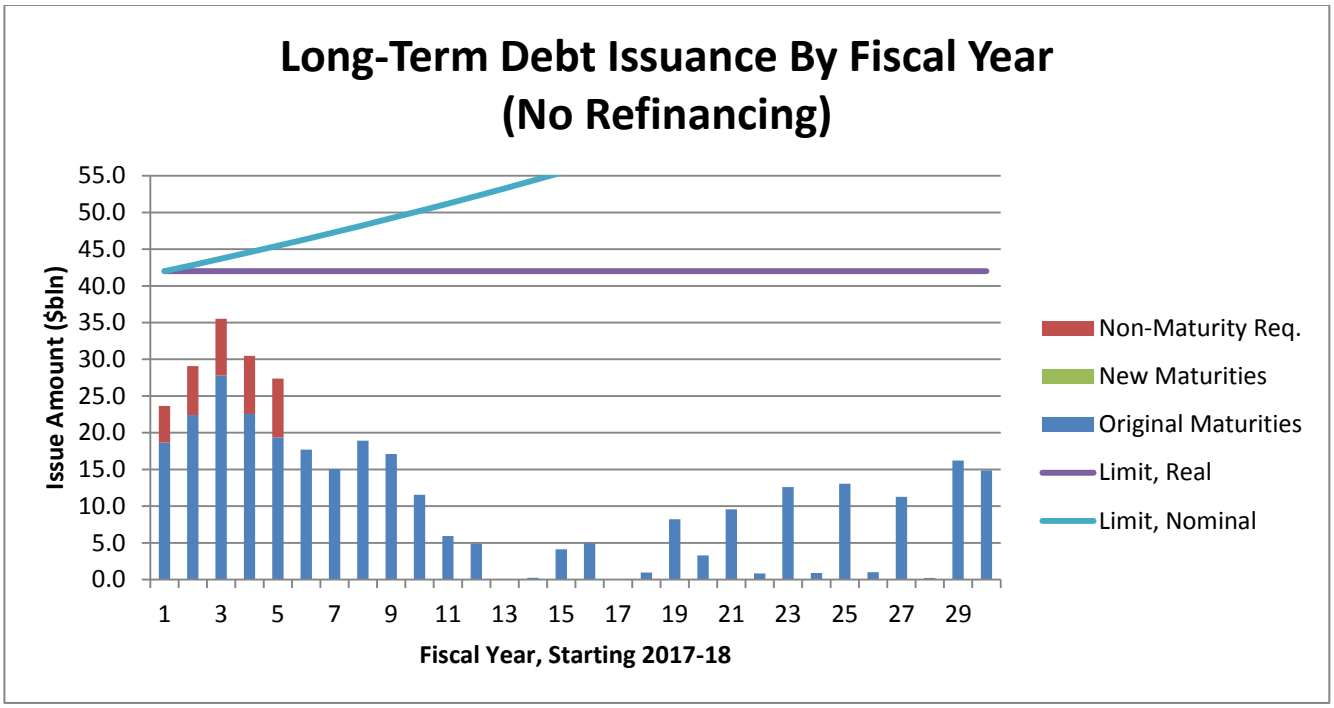
*as of March 23, 2017, excludes OSBs

The market constraints in the above table are estimates based on market experience, and are meant to be indicative rather than precise in nature.

Given the large borrowing requirements in recent years and the expectation that borrowing requirements will remain relatively high in future years as they decrease next year before increasing afterwards, the borrowing program for the current year cannot be developed in isolation of its impact on future years borrowing programs. In essence, term decisions for the current year create maturities and thus borrowing requirements in subsequent years which must be managed to limit refinancing risk in those later years. With this in mind, an annual borrowing limit of $42 billion is used as a guideline. It is slightly less than the 2009-10 borrowing program of $43.8 billion and reflects that there was historically high availability of funds in 2009-10 as the Province was able to approximately double its benchmark issue sizes in the U.S. and Euro bond markets and significantly increase them in the domestic market. This reflected an extreme flight to quality at the time of the financial crises and the positive perception of Canadian public sector borrowers in international markets. Market access was also exceptional in 2016-17, and we were able to borrow $27.0 billion. The $42 billion limit is prescriptive as it may be necessary to deviate from it if market conditions warrant. It is also recognized that the limit should increase over time and a 2% growth rate based on inflation is provided as well.

b. Borrowing Program Profile

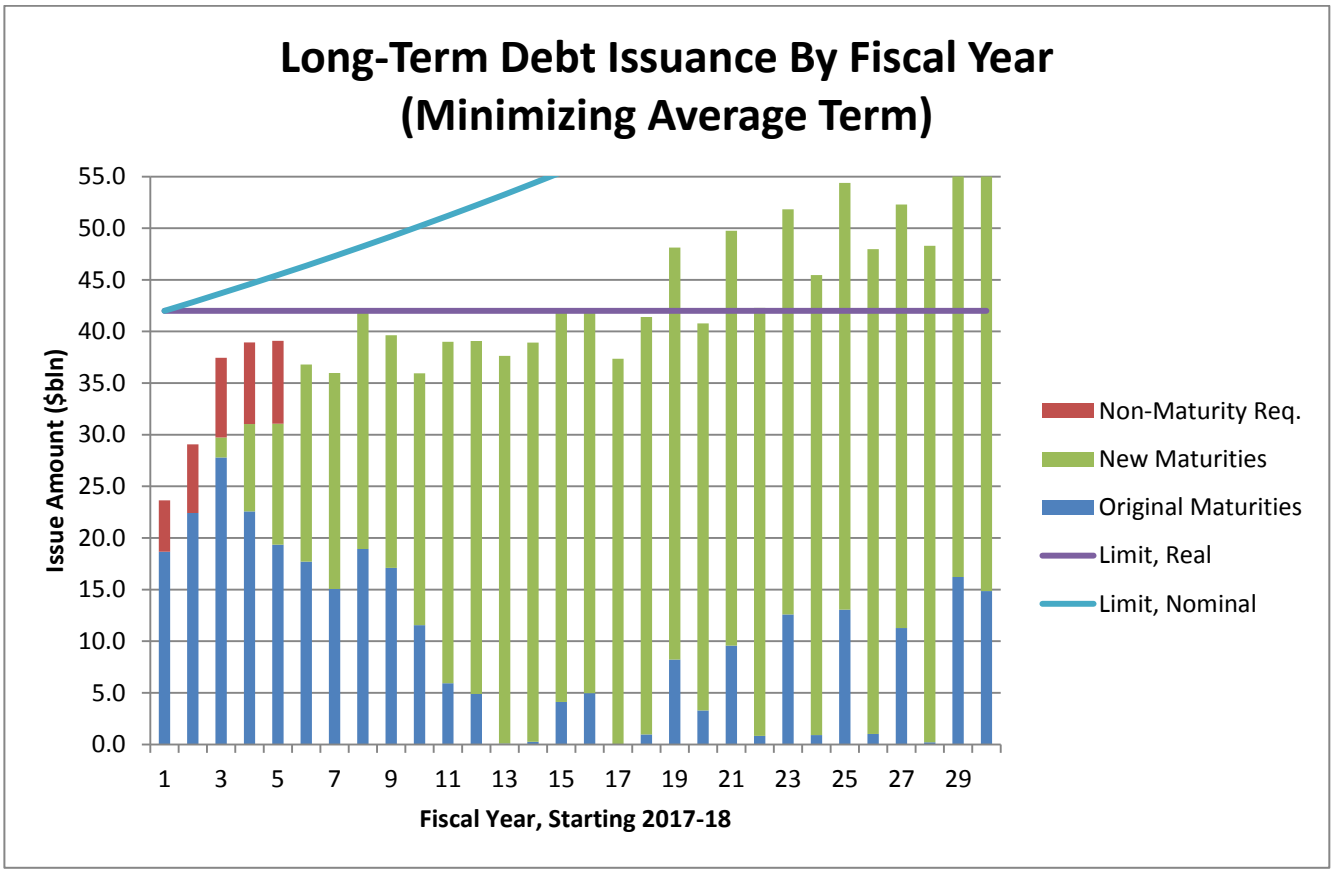
The debt maturity profile has always been an important consideration in managing the borrowing program. This remains the case, but it is now necessary to also focus on other requirements such as future deficits and capital expenditures to get a more comprehensive picture of future annual borrowing requirements. The estimated future borrowing requirements prior to any term structure decisions in 2017-18 and beyond are provided in the following graph, and thus this graph does not include the impact of the refinancing of future borrowing programs.



c. Borrowing Program Scenarios

A series of borrowing program scenarios have been created to assist in developing a borrowing strategy for 2017-18 and to provide guidance for future years. Scenarios have been developed to determine minimum and maximum average terms. The model operates in a similar manner as in last year's plan and develops minimum and maximum average terms based on the constraints.

The Minimum Average Term Scenario for 2017-18 still remains within the investor demand and $42 billion borrowing program constraints. It has an average term of 6.5 years for 2017-18 and thereafter and is illustrated in the following chart and table. It shows a relatively smooth borrowing profile over the next twenty years, with some spikes in borrowing above the $42 billion limit in later years but well below the limit on a nominal basis using a 2% inflation rate for the $42 billion limit.



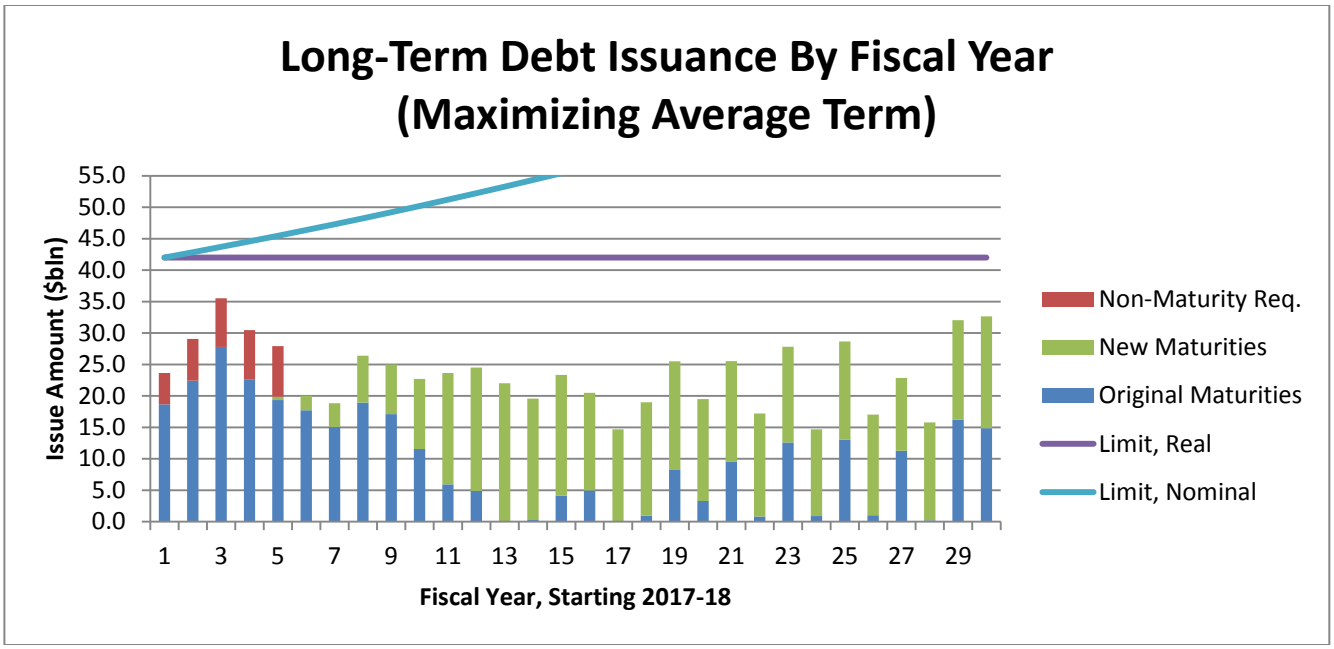
The hypothetical borrowing scenarios for minimum average terms are provided in the following table with the model generating constant allocations.

Assumptions: We assume a constant new term allocations as shown below:

Term	3y	5y	7y	10y	30y
Allocation	35.8%	24.0%	0.1%	39.0%	1.2%

Average Term 6.5 Years

Another critical scenario is one which maximizes the average term of the 2017-18 borrowing program while still remaining within the constraints. As with the minimum average term, the model generated constant allocations. The assumptions are provided in the table below the following graph. It has an average term of 14.7 years.



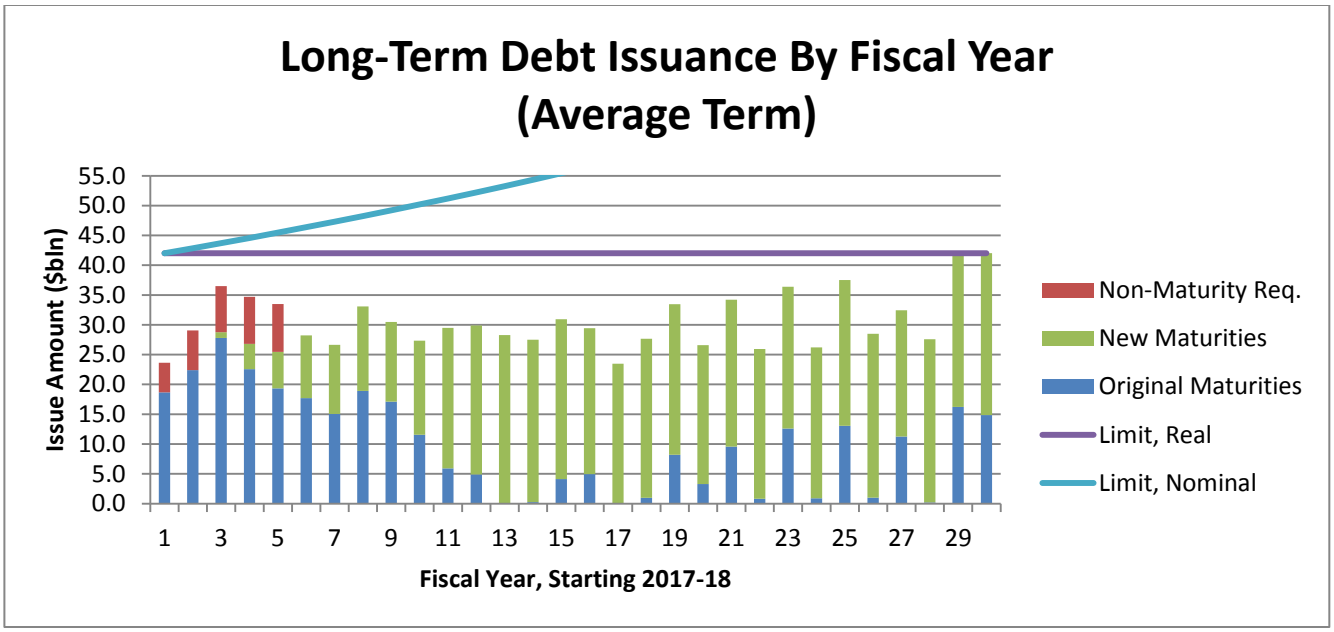
Assumptions: We assume a constant new term allocations as shown below:

Term	3y	5y	7y	10y	30y
Allocation	0.0%	9.8%	16.8%	45.0%	24.4%

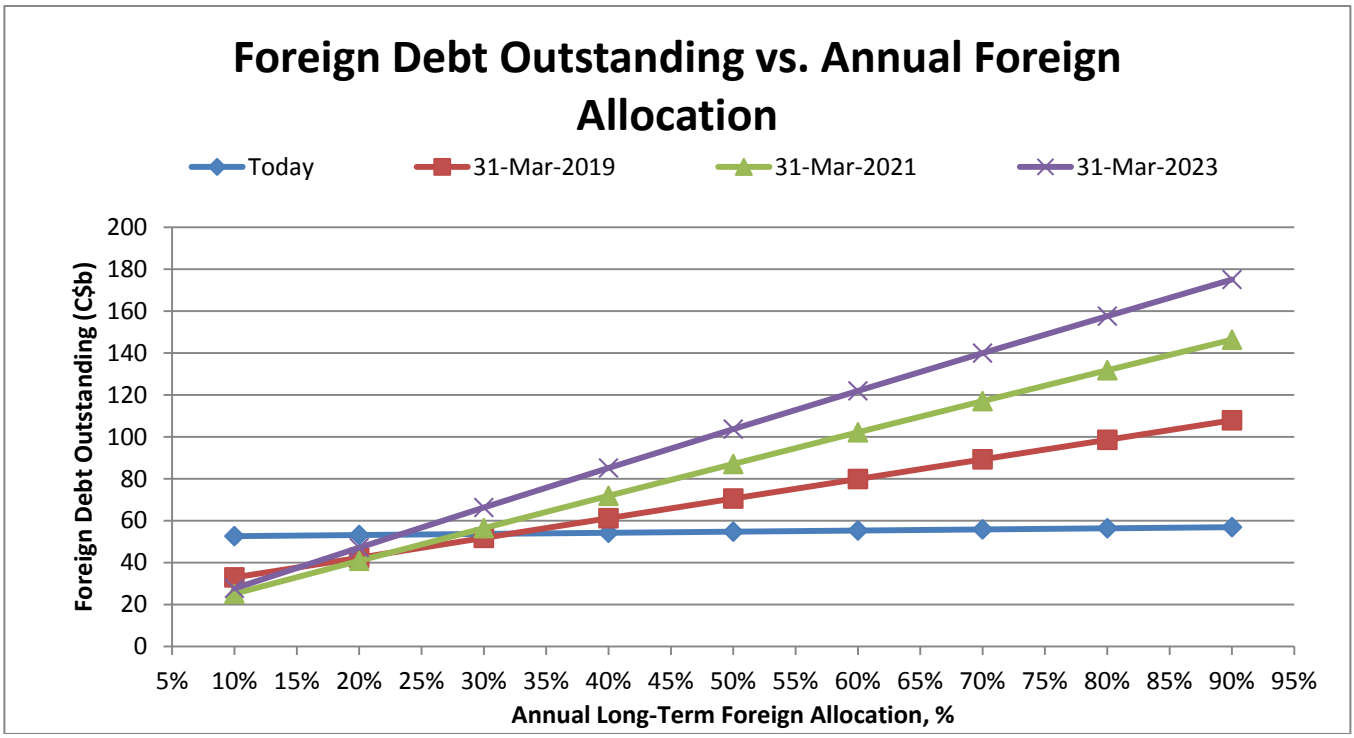
Average Term 14.7 Years

The Maximizing Average Term Scenario provides a cushion below the $42 billion limit for all future borrowing programs over the next 30 years.

An Average Term Scenario has also been developed which is derived from the midpoint of the Minimizing Average Term Scenario (6.5 years) and Maximizing Average Term Scenario (14.7 years), with an average term of 10.6 years. This scenario also has a cushion below the $42 billion limit for all borrowing programs over the next 30 years.



Another major consideration of the borrowing program is the domestic capacity issue and the potential for growing foreign debt outstanding. Foreign debt typically has a shorter maturity than domestic debt and thus creates more refinancing risk. The following graph illustrates how much foreign currency denominated debt could increase over time as the proportion of foreign debt is increased in future years. At a 25% foreign allocation, the amount for foreign debt is projected to remain at or below the current level over the next six years as new debt would essentially be replacing foreign debt maturities.

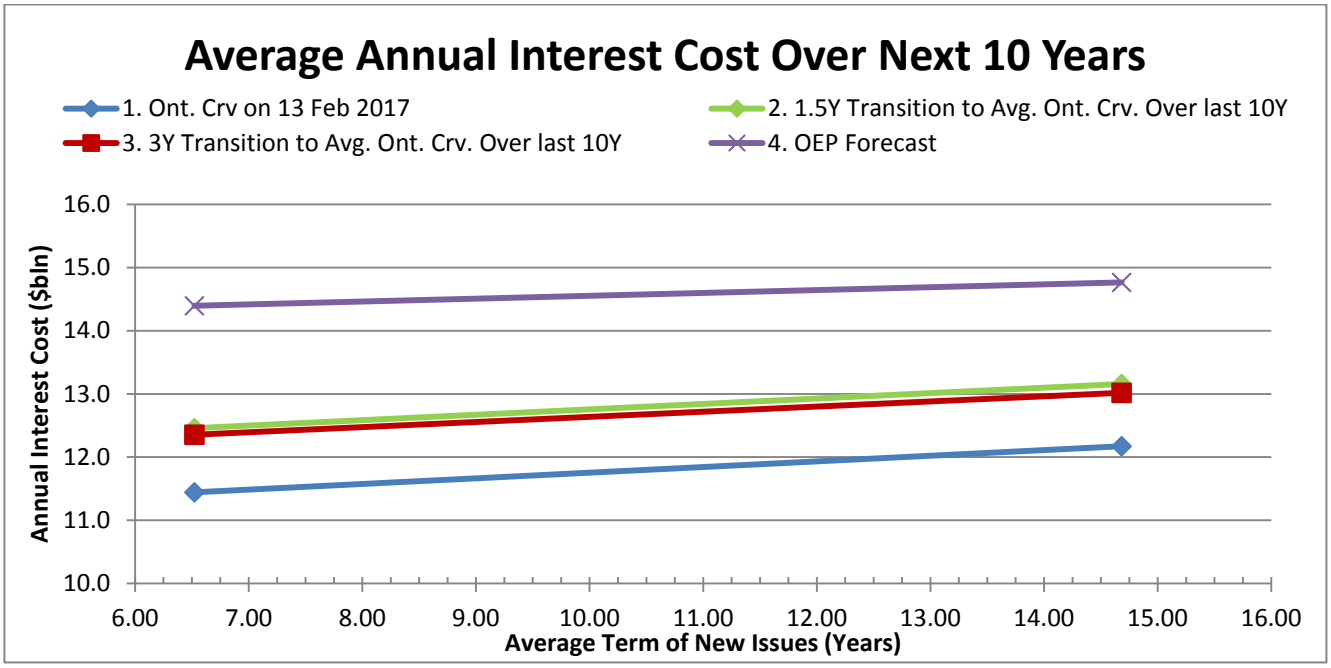


d. Costing Considerations

Future interest costs for new borrowing have been estimated over a ten year time horizon using four different scenarios under both minimum and maximum term borrowing assumptions. The results are provided in the following graph which shows average annual borrowing costs over the next ten years for new debt under the following four scenarios: 1) interest rates remain unchanged at current levels; 2) interest rates rise to the average levels experienced during the past ten years over a one and a half year time period; 3) interest rates increase to the ten year averages over a three year time period; and 4) interest rates rise as per the OEP consensus forecast. The interest rate averages for the four scenarios are provided in the following table.

Term (years)	Scenario 1- Current Rates (%)	Scenario 2- Rates rise to 10 year average over 1.5 years (%)	Scenario 3- Rates rise to 10 year average over 3.0 years (%)	Scenario 4- OEP (Consensus) Forecast (%)
3	1.35	1.96	1.91	3.51
5	1.75	2.45	2.40	3.96
7	2.17	2.91	2.85	4.30
10	2.60	3.38	3.32	4.63
30	3.33	3.95	3.90	5.06

Costs were determined for minimum term (i.e., 6.5 years) and maximum term (i.e., 14.7 years) borrowing programs for each scenario to isolate the impact of term selection.



The following can be concluded:

- Annual interest costs are extremely sensitive to the path of future interest rates as shown by the wide divergence in interest costs for each scenario. This high level of interest rate risk arises from the large volume of both refinancing and new debt to be issued in future years.
- The term selection of future borrowing using the long term range in average term from 6.5 to 14.7 years also has an impact on average annual interest costs, although the impact is much less than the impact of rising interest rates under the different scenarios.

e. Recommended Term Structure

- An average term of new borrowing from 6.5 to 14.7 years is recommended for the Province for 2017-18. The range reflects an assessment of debt issuance constraints and the need to smooth future annual borrowing requirements. Although there are minor cost savings associated with a shorter average term for new borrowing, the reduction in refinancing and market access risk from longer term financing is considered more important. A bias towards the upper end of the range is recommended, although this may be difficult to achieve if investors have a strong preference for shorter maturities. Cost pressures may also mitigate the ability to extend term. The term assumptions for the Province's range of borrowing for the 2017-18 borrowing program are provided below:

	Borrowing Amount ($billions)		
Term (years)	**Minimum Term**	**Mid-Point**	**Maximum Term**
3	8.4	4.2	0.0
5	5.6	3.97	2.3
7	0.0	2.0	3.9
10	9.1	9.8	10.5
30	0.3	3.4	6.6
Total Amount	$23.3	$23.3	$23.3
Average Term(years)	6.5	10.6	14.7

- Given that interest rates are currently low by historical standards and there is a high degree of interest rate risk going forward, the Province should strive to remain ahead of pace in the borrowing program and pre-borrow for 2018-19 to the extent there are opportunities.

3) Long-Term Borrowing Plan

a) Overview

The 2017-18 long-term public borrowing program is forecast to be similar to last year's borrowing program (excluding pre-borrowing). There will be a high degree of competition for funds in both the international and domestic bond markets. In addition, markets are likely to remain volatile as credit and geopolitical events may occur. The main elements of the plan are as follows:

- Given the relatively high potential for market access disruptions, it is recommended that the Province attempt to remain ahead of pace in its borrowing program, acknowledging that this may not be possible due to longer than expected blackout periods or other factors. It is recommended that the Province target to be one quarter ahead of even pace.

- A primary goal will be to diversify the sources of financing to ensure ongoing access to bond markets. International diversification is required since the domestic market may be strained to cost-effectively accommodate the Province's annual borrowing needs and is also useful when receptivity for Ontario bonds in the domestic market is poor. Large foreign issues are almost always more costly than domestic issues but serve a useful purpose in relieving supply pressures in the domestic market to achieve lower interest costs than would otherwise occur. The major challenge will be balancing the need for foreign strategic financing against the goal of minimizing the additional cost associated with this type of financing. International financing is typically hedged back into Canadian dollars which increases the use of counterparty credit and can also increase the amount and volatility of collateral needed to fulfill collateralized swap agreement (CSA) requirements. Strategic financing is planned for the U.S. dollar market and may occur in the Euro although there could be issuance in other markets as well.

- The domestic market will remain the most important component of the program, with benchmark syndicated issues being the most important component by far. Domestic issues are almost always the most cost-effective and offer the major advantage of not requiring derivatives and incurring their associated credit charges and exposures. In addition, there are opportunities to diversify within the domestic market. For example, floating rate notes and medium term notes can be issued almost independently of syndicated bonds when opportunities arise. Given these advantages, we will continue to maximize the issuance of domestic bonds. We are targeting approximately 75 per cent borrowing in the domestic market for 2017-18. This compares to last year's domestic issuance which was approximately 74%.

- Given continued low long-term interest rates, costing and refinancing considerations, it is recommended that the average term of the borrowing be maximized to the extent possible

within the approved range for 2017-18. This is consistent with greater use of the domestic market which offers more 30-year and longer financing opportunities relative to other markets. Interest rate risk remains elevated and the additional cost associated with extending term is small in comparison to costs incurred under interest rate normalization scenarios. Although we have been successful in extending term in recent years, we are largely dependent on the desired term structure of our investors and there may be some investor resistance and increased risk of poorly received transactions in extending term in 2017-18.

- Approval is requested to pre-borrow up to one half of the borrowing requirements for 2018-19 once the 2017-18 borrowing program has been completed. Although borrowing requirements are lower in 2017-18, there are still challenges in getting one quarter ahead of pace.

- Investor Relations (IR) is an important activity in both maintaining contact and dialogue with current investors and building relationships with new investors in existing or new markets. This is accomplished through the provision of targeted information products and call program activities. IR objectives for 2017-18 are detailed in the Investor Relations Annual Plan, contained in Appendix 14 of this report.

Green Bonds

On January 26, 2017, Ontario successfully priced its third Green Bond, with a global Canadian dollar bond issue of $800 million, our largest issue size yet. The six-year green bond was a re-opening of our January 2023 Global Green Bond first issued in 2016 and was available through Ontario's current dealer group and sold to investors in Canada, the United States, Europe and Asia. Approximately 1% of the issue was available to retail investors through Canadian financial institutions. The Province expects to continue to build on the current Green Bond program and issue again in fiscal 2017-18 potentially expanding into currencies other than the CAD, if the opportunity arises. As of January 2017, Ontario remained the only Canadian province to issue Green Bonds, with $2.05B currently outstanding. The following month, Quebec issued their inaugural Green Bond, $500 million, 5 year term, employing the same format as Ontario.

CICERO (Center for International Climate and Environmental Research – Oslo), an independent, not-for-profit research institute, provided a second opinion on Ontario's Green Bond framework, prior to launch of the program in 2014-15. This opinion applies to the program as a whole and remains in place as long as the Province continues to use its existing Green Bond framework.

An amount equal to the net proceeds of this second Green Bond was recorded in a designated account in the Province of Ontario financial records. This designated account is used to track the use and allocation of funds to Eligible Projects. So long as bonds are outstanding and the designated account has a positive balance, amounts will be deducted from the balance of the account as funds are allocated to Eligible Projects.

"Eligible Projects" means all projects, exclusive of fossil fuel and nuclear projects, funded by the Province of Ontario that have environmental benefits. A basket of twelve projects, from 3 different ministries, have been selected to receive funding from the Province's third Green Bond: The Eglinton Crosstown LRT, vivaNext BRT, Regional Express Rail, Finch West LRT, Hamilton LRT, Hurontario LRT, ErinoakKids Centre for Treatment and Development, St. Joseph's Healthcare – West 5th, St. Joseph's Healthcare – Parkwood, Waypoint Centre, CAMH and Woodstock General Hospital. This basket approach allows a level of flexibility of funding, should some of the chosen projects experience different spending patterns than those currently anticipated. These projects fall into either the clean transportation or energy efficiency and conservation categories of the green bond framework.

The identification of eligible green projects from across the Province is an ongoing challenge. This past year, the OFA with the assistance of the Deputy Minister of Finance, was able to compile a list of ministry and agency contacts who are designated as the Green Bond program leaders within their organizations. This contact list was helpful in streamlining communication and the identification of eligible projects and will be relied upon again in 2017-18.

An Annual Newsletter on the OFA website shows the allocation of funds from the Province's first two green bonds along with project updates/status reports for all of the eight chosen projects, along with performance indicators related to Green House Gas reduction and Water and Energy Efficiency and Conservation. The Auditor General of Ontario has provided an assurance audit to verify amounts allocated to the selected projects and the drawdown of Green Bond issue proceeds invested short-term as the projects progress. The second assurance audit was completed December 8, 2016. An Annual Newsletter and assurance audit for the Province's third Green Bond is expected to be completed and available in the last quarter of 2017-18.

b) Strategic Financing

The following factors must be considered when evaluating the use of strategic international funding for 2017-18:

- The 2017-18 borrowing program is estimated to be $23.3 billion, which is slightly smaller than last year's program but is still sizable. Borrowing requirements are also large when compared to other provinces and sub-national jurisdictions around the world.

- It is estimated that the Province will need to utilize international markets for about 25% of the 2017-18 borrowing program to avoid over-saturating the core domestic market and complete the program. This equates to international borrowing of approximately $5.8 billion, which compares to last year's international funding of $7.1 billion or 26% of the program.

- International borrowing windows are substantially reduced by the Province's regulatory requirements and updates (e.g., quarterly and annual updates of programs, filings of disclosure documents, 18-K filings, etc.). Based on the experience over the past three

years, there are at least 36 business days every year when the Province cannot access international markets due to regulatory concerns and statutory holidays. Additionally, access is reduced due to statutory holidays in Asia/Europe/US, political events, financial/economic events and releases equating to up to a third of the year when the Province cannot access international markets.

- International borrowing is also affected by the competition for funds by other borrowers and the need for the Province to space out its strategic issues. Competing supply and lack of investor demand are major factors which rule out international borrowing on a continuous basis throughout the year. There is a limit on the ability of international bond markets to absorb foreign issues from the Province. The U.S. market can typically accommodate about four to six benchmark deals per year, and we are assuming one or two benchmark Euro issues and one U.K sterling issue for the fiscal year.

- There is a strong tendency for strategic international borrowing to be more costly than domestic funding. Arbitrage opportunities are extremely rare and tend to be limited more to smaller issues in currencies such as the Swiss franc, Norwegian Kroner and Australian dollar. In addition, the volatility in bond and derivatives markets is extremely high, and hedging a foreign currency back into Canadian dollars is much more difficult and costly to execute than in previous years. This is largely due to increased regulatory costs for the dealer community.

  For 2017-18, it is recommended that up to $5.2 billion be allowed for strategic international financing for performance measurement purposes. This is based on an estimate assuming 25% international borrowing on the portion of the borrowing program which is used for fixed rate setting and pacing purposes. It excludes borrowing for Ontario Savings Bonds, core floating and core foreign exchange which are excluded for performance measurement purposes. The upper limit for international strategic financing was $5.4 billion last year, and $3.2 billion was completed. A total of $6.8 billion of large international bond issues were executed in 2016-17. Strategic financing is included in performance measurement.

c) Markets and Sectors

- Smoothing the debt maturity and borrowing requirement profile will be taken into consideration when executing the borrowing plan.

- The OFA will continue to buy back and retire outstanding Province of Ontario and Ontario Hydro bonds when it is possible to replace these bonds with lower yielding bonds of a similar term in accordance with current practice. Based on recent experience, few longer term buybacks are expected.

More detailed information for each sector of the borrowing program is provided below:

- **Domestic Syndicated Issues** – Benchmark 5-, 10-, and 30- year issues are the most important component of the domestic borrowing program. The Province benefits from

the liquidity of these issues, and it will be necessary to continue to encourage Ontario's domestic underwriting syndicate to actively trade these bonds in the secondary market.

- We will continue to issue larger sized publicly syndicated transactions and adjust the size of the issues to meet market demand. We will continue to use $600 million as a minimum size for 30-year, $750 million as the minimum size of 10-year issues and $1 billion as the minimum size of 5-year issues, and we will also look at dual-tranche issues. Ontario strives to re-open its existing benchmark bonds to build up larger and more liquid issues over time. The Federal government targets specific issue sizes for its benchmark bonds. For example, the targets are $14 to $20 billion for its 5-year bonds; $12-18 billion for its 10-year bonds; and $10 to $16 billion for 30-year bonds. By comparison, Ontario's benchmark bonds typically get up to $2 to $5 billion for 5-year bonds; $7 to $14 billion for 10-year bonds; and $9 to $16 billion for its 30-year bonds. In recognition of the cash management complications involved in large benchmark bond issues, the Province will look to reduce the size of benchmarks while still ensuring high liquidity for the bonds. For example, the previous 10-year benchmark was limited to $7.5 billion this year, whereas the previous 10-year benchmark achieved a size of $13.6 billion.

- Unlike the Federal government, the Province does not have a regular issuance schedule, and in order to maintain maximum flexibility it cannot commit to minimum benchmark sizes. Nevertheless, current benchmark issue sizes are reasonable indicators for the future, and the OFA will carefully manage the borrowing program to build up appropriately sized issues along the yield curve in an efficient and timely manner. In 2016-17 the Province issued $17.0 billion in syndicated issues, and it is expected that we will be able to borrow more in this sector in 2017-18.

- In order to provide more flexibility to accommodate large individual orders, a new larger order syndication procedure was initiated in October of 2011 and revised in May 2013. This process was used five times (no 5-year, no 7-year, two 10-year and three 30-year) during the 2016-17 year out of a total of twenty-two syndicated deals. It is expected that the large order process will drive some new issues again in 2017-18, but the size is difficult to predict.

- **Domestic Floating Rate Notes (FRNs)** - The OFA will issue FRNs when cost-effective opportunities become available. Competing supply from other large borrowers such as CMHC, Quebec and other provinces limits the opportunities, but issuance can be relatively large when demand materializes. Last year the Province issued $1.2 billion 5-year FRNs.

- **Auctions**
  We have the ability to do auctions in 2017-18 since we have passed the peak debt maturity years. We did one auction in 2016-17 raising $750 million. The ability to do auctions has been enhanced by extending the term of debt issued in recent years.

- **Ontario Savings Bonds** – A new campaign is planned for June 2017 with the following range of products (3-year variable, 3-year fixed, 5-year step-up and 10-year fixed). Last year's campaign raised about $127 million, and it is difficult to predict the size of this year's campaign. Increased competition by banks for retail money may be offset by the safety provided by government bonds. We may review the Ontario Savings Bond Program next year. The Federal government has announced that they will be discontinuing their Canada Savings Bond Program in 2017.

- **Domestic Medium Term Notes (MTNs)/Ultra long dated bonds** – We did not issue any domestic MTNs this year. There is limited demand for this kind of long maturity. The majority of the bonds that are sold into this term are stripped. In our opinion the marginal additional funding must be balanced against the negative spread pressure on our 30-year bonds. There could be increased competition as the Bank of Canada is also looking at issuing ultra-longs. We will continue to issue ultra-long bonds when demand permits and costing targets can be achieved.

  - Ontario was one of the first Canadian Governments to issue ultra-long debt (i.e., bond issues with maturities greater than 30 years) and has been very supportive of the development of this market.

  - Given the low historical interest rates experienced in recent years, Ontario has also been pro-active in extending the term of its borrowing program. The combined average term of borrowing for Ontario and OEFC in 2016-17 is approximately 13.9 years (including pre-borrowing), and was 14.2 years in 2015-16, 14.1 years in 2014-15, 13.6 years in 2013-14, 12.4 years in 2012-13 and 13.0 years in 2011-12. This is much longer than the 8.1 years achieved in 2009-10.

  - Ontario will continue to support the ultra-long sector and access this market when cost-effective opportunities become available, it must be used judiciously as a complement to our 30-year borrowing program. Given the uncertain demand and risks associated with ultra-long borrowing, no change in approach for accessing this sector is recommended at this time. The OFA will continue to closely monitor the ultra-long sector and execute trades when market conditions are appropriate. Last year, there were only three ultra-long deals amounting to $175 million done.

- **Real Return Bonds (RRBs)** - There was no issuance of Ontario real return bonds in 2016-17, and the last Ontario RRB was issued in November 2009.

- **U.S. Dollar Issues** – U.S. dollar borrowing is expected to be the major component of international borrowing. Three US global issues were completed last year to raise $6.8

billion. Since U.S. dollar issues are normally more expensive and opportunities are limited due to more complex disclosure requirements, it is very likely that costs will be higher than in the domestic market. U.S. dollar investors continue to prefer shorter maturities.

- **Euro Issues** – The Province will again attempt to issue one or two benchmark sized issues in Euros in 2017-18. Last year we launched a Euro benchmark deal and had to pull the deal as markets were not receptive at that time – we did not issue a benchmark Euro deal during the year. We will continue to look for opportunities to maintain our presence in that market. Euro issues provide a good platform to both diversify and expand the investor base to a large pool of new investors.

- **U.K. Sterling Issue** - We did not issue in U.K. sterling in 2016-17. It has been selected as a core currency and is expected to be less cost-effective than the domestic market.

- **Japanese Yen Issues** – Last year we did not issue in the Yen markets as the funding costs were significantly higher than domestic funding levels. The Province has a long history of issuing Yen denominated debt, and we will continue to monitor and seek any opportunities.

- **Euro Medium Term Note (EMTN) Issues** – This was not an active sector over the past year as the European credit crisis made funding levels higher than domestic costs. Last year, we did issue Euro 52 million of 25-year bonds but were not able to re-open the bond in 2016-17. EMTN covers a host of markets including the Japanese yen, Australian dollar, Euro, Norwegian Kroner, British pound Sterling, Swiss francs and Hong Kong dollars. It is expected that there may be opportunities for EMTN issuance in 2017-18. We will continue to look at issuing longer term Euros in German registered note format.

- **Kangaroo Market** – This market has a preference for AAA issuers and the Province would like to become a regular borrower in this market. Ontario was able to complete two small re-openings of an older issue and start a new 10-year bond with five re-openings to raise $296 million in total. We will continue to monitor this market for opportunities, and it has the advantage of offering arbitrage opportunities.

- **Other Foreign Markets** – Other markets which will be monitored include the Nordic currencies, New Zealand dollar, and South African rand markets. The OFA Market Risk Policy allows foreign exchange exposures solely in the G7 and Swiss franc currencies, and issuance in other currencies must be hedged back into Canadian dollars.

4) Risk Factors and Contingencies

a) Completion of Long-term Borrowing Program (Accessing Markets & Meeting Investor Demand)

Strengths	Challenges
• The borrowing program is manageable and well below the peak of $43.8 billion borrowed in 2009-10, and $39.8 billion borrowed in 2014-15. • Ontario has a highly diversified borrowing program which provides access to a large number of domestic and international markets and many different types of investors in those markets. • Ontario's relatively low proportions of floating rate and foreign exchange exposures provide some flexibility to increase floating rate debt and foreign currency debt if increases in these types of debt are required to complete the borrowing program or are required to reduce borrowing costs. • Ontario domestic issues are highly liquid which often results in more issuing opportunities than smaller borrowers. • The Ontario credit is generally positively perceived in the financial markets. • Geopolitical and credit crises often increase safe haven demand for Ontario securities. • Increased investor relations efforts in recent years have allowed Ontario to both keep in contact with existing investors and reach out to new ones. • Ontario has developed a fiscal plan to achieve a balanced budget by 2017-18.	• Borrowing opportunities throughout the year will be reduced due to regular financial and regulatory updates (e.g., Budget blackout, SEC updates, etc.) • Event risks (e.g., turmoil in the Ukraine, Europe sovereign risk, Middle East and Asia political risk, and other unknown risks) are likely to interfere with borrowing at times during the year. • The potential for changes to the North American Free Trade Agreement (NAFTA), and a potential correction to the elevated housing market in Toronto and Vancouver may reduce the "halo" effect from international investors for Canadian and Ontario government borrowers. • Investor receptivity can be low when interest rates are low (i.e., the current situation) and can also be constrained when interest rates are increasing which is the forecast. • Currently there is some reliance on particular investors in certain markets and some vulnerability to reduced demand if these investors were to reduce or stop purchasing Ontario bonds. • Fiscal challenges remain substantial over the next several years and there is limited tolerance from investors for fiscal disappointments. • Elections in general tend to create uncertainty and are met with investor caution. We expect that the 2018 Ontario election will result in reduced market access.

Conclusion

Diversification of borrowing in recent years has provided the Province with increased borrowing flexibility going forward. It is expected that the 2017-18 long-term borrowing requirements will be met, but it is likely that it will not be possible to borrow in desired markets and maturities at all times during the year as market access and/or investor demand fluctuates. This will entail higher costs if more costly markets are accessed or strategic borrowing increases, and higher interest rate, refinancing, or foreign exchange risk may be required to complete the borrowing program. The impact of any setbacks in

Ontario's fiscal plan would likely be negative, especially if the credit ratings were to come under further pressure.

b) Minimize Cost of Long-term Borrowing Program

Strengths	Challenges
• Interest rates are still historically low. • The yield curve is somewhat steep which provides the opportunity for lower costs by borrowing more floating rate debt or issuing debt with shorter maturities. • Over the past several years, interest rates have often increased less than forecast or declined, and this may occur again in 2017-18.	• Interest rate risk will remain high for several years due to large ongoing debt maturities, and investments in capital assets. • Interest rates are more likely to increase in 2017-18 relative to recent years as the economic recovery progresses and the U.S. Fed continues with its tightening. • The cost of foreign currency and strategic borrowing is difficult to predict and could be more expensive than current levels.

Conclusion

Interest rate risk remains high. Interest cost increases can be mitigated by increased issuance of debt with shorter maturities or more floating rate debt but with resulting higher refinancing and interest rate risks which are already at elevated levels.

c) Minimize Refinancing Risk and Extend Term of New Debt

Strengths	Challenges
• The demand for longer dated maturities in the domestic market is likely to remain relatively strong due to the trend towards liability driven investment (LDI) by many pension fund investors. • US dollar, Euro, AUD and Swiss franc bond markets may provide opportunities for longer term debt issuance (i.e., 10-years and longer).	• It will be difficult to complete the 2017-18 borrowing program without the addition of some shorter term debt, and this will increase refinancing risk. • Investor demand for longer dated maturities may be reduced in 2017-18 if interest rates are trending higher. • Term extension opportunities in the domestic market for 2017-18 are likely to be less than those available in 2016-17.

Conclusion

Refinancing risk remains high over the next several years and it will be extremely difficult to cap it entirely, especially if market access is constrained or investor demand declines. The ability to extend term will likely be lower in 2017-18 relative to last year and is likely to be negatively impacted if interest rates are increasing. It may be necessary to increase

refinancing risk in 2017-18 to mitigate increasing interest costs in an increasing interest rate environment.

d) Credit Rating Risk

Ontario is currently rated Aa2 by Moody's and A+ by S&P. In April 2016, Moody's removed the negative outlook on Ontario's credit rating which it had placed on July 2, 2014.

It is expected that the credit rating agencies will be monitoring the fiscal performance of the Province very closely.

B. SHORT-TERM BORROWING PROGRAM

- The short-term borrowing program is comprised of treasury bill issuance in Canadian dollars (T-Bills) and commercial paper issuance in U.S. dollars (USCP). The Province also issues T-Bills on behalf of OEFC, and on-lends the proceeds to OEFC. The estimated outstanding amounts and program authorities as of March 31, 2017 are summarized in the table below. It is extremely important to maintain excess capacity in the program for contingency purposes.

	March 31, 2017		
	Amount Outstanding ($ billion)	**Program Authority ($ billion)**	**Remaining Capacity ($ billion)**
T-Bills - Ontario	15.9	27.0	11.3
- OEFC	0.7	6.0	5.3
USCP - Ontario	5.2	15.0	9.8
TOTAL	**21.8**	**48.0**	**26.2**

- It is projected that the combined Ontario/OEFC short-term debt outstanding will be $21.8 billion on March 31, 2018, unchanged from March 31, 2017. Individually, Ontario and OEFC's short-term debt outstanding are projected to remain constant at $21.2 billion and $0.6 billion respectively. The amount of short-term debt outstanding throughout the year will fluctuate and depend on the pace of the long-term borrowing program, the timing of cash flows, and CSA collateral requirements. The following table summarizes the year-end program authorities and combined outstanding amounts over the past 6 years and 3 years forward.

Short Term Debt Program Authority and Amount Outstanding									
	2011-12 ($ Bln)	**2012-13 ($ Bln)**	**2013-14 ($ Bln))**	**2014-15 ($ Bln)**	**2015-16 ($ Bln)**	**2016-17 ($ Bln) Outlook**	**2017-18 ($ Bln) Outlook**	**2018-19 ($ Bln) Outlook**	**2019-20 ($ Bln) Outlook**
Program Authority									
T-Bills - Ontario	24.5	24.5	24.5	24.5	27.0	27.0	27.0	27.0	27.0
- OEFC	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Total	30.5	30.5	30.5	30.5	33.0	33.0	33.0	33.0	33.0
USCP - Ontario	5.0	8.5	11.5	11.5	15.0	15.0	15.0	15.0	15.0
Combined Total	**35.5**	**39.0**	**42.0**	**42.0**	**48.0**	**48.0**	**48.0**	**48.0**	**48.0**
Program Outstanding									
T-Bills	12.6	13.8	13.2	15.5	15.5	15.5	15.5	15.5	15.5
USCP	4.7	6.5	8.6	6.3	6.3	6.3	6.3	6.3	7.3
Combined Total	**17.3**	**20.3**	**21.8**	**21.8**	**21.8**	**21.8**	**21.8**	**21.8**	**21.8**

- The Province has continued to hold scheduled weekly T-Bill auctions which have proven to be a successful borrowing strategy. These regular dated auctions have resulted in a more complete maturity spectrum of outstanding Ontario T-Bills and have served to promote greater transparency and increased secondary trading in the Treasury Bill Program. The weekly auction size depends on upcoming funding requirements which are reviewed each week, and typically includes a combination of 3-month, 6-month, and 1-year T-bills. In addition to the weekly T-Bill auction, the Province can also utilize one-off cash management auctions and reverse enquiries when appropriate. The USCP program is generally utilized when USCP can be issued and hedged back to Canadian dollars below the cost of domestic Treasury Bills. The term restriction for the USCP Program is 270 days, although most of the issuance is for 1 to 3 months

- We have continued to experience strong demand for Ontario's USCP over the past year, and arbitrage levels averaged approximately 25 basis points below treasury bill funding which provided estimated savings of $15.3 million for 2016-17 as of March 15, 2017. The average amount of USCP outstanding during the year was $6.3 billion, with a high of $8.2 billion.

C. BORROWING AUTHORITY

Borrowing authority is required for long term and short term borrowing. Ontario has two sources of borrowing authority for Provincial debt, the *Financial Administration Act* (FAA) and the Ontario Loan Act. OEFC's borrowing authority is pursuant to section 68 of the *Electricity Act, 1998* in the manner provided by the *Financial Administration Act*.

The FAA primarily authorizes the refinancing of matured and maturing debt. The Loan Act authorizes borrowing up to the limit specified in the Loan Act for that year, and is usually used for the purpose of financing new debt but can also be used for any borrowing program requirements such as Treasury Bills, and the U.S. shelf.

The OFA requests approval throughout each fiscal year for several Orders in Council ("OICs") to complete the Province's borrowing requirements. There are a number of OICs under the *Financial Administration Act* ("FAA") allowing the refinancing of matured and maturing debt and an OIC pursuant to that year's Loan Act for any new borrowing. The amount of borrowing authority available under each OIC is drawn down with each bond issuance and is monitored to ensure that there is always sufficient borrowing authority.

The OICs under the Loan Act authorizing short term borrowing for the issuance of treasury bills and U.S. Commercial Paper (USCP) are revolving due to the short term and frequency of issuance of these types of instruments. Currently the Province has authority to issue up to $27 billion in treasury bills and $15 billion in USCP. OEFC has authority to issue $6.0 billion in treasury bills.

An OIC is an order, recommended by the Minister of Finance, concurred by the Chair of Cabinet and approved and ordered by the Lieutenant Governor that, pursuant to the *Financial Administration Act* and the specific Ontario Loan Act, authorizes the Province to borrow an amount not exceeding the amount specified in the Loan Act.

The following tables provide a summary of long term borrowing authority by current Orders in Council and the allocation of the borrowing authority to the borrowing programs.

SUMMARY OF PROVINCIAL LONG TERM BORROWING PROGRAM BY CURRENT ORDERS IN COUNCIL

OIC#	Original Authority	Blanket Authority	DMTN Program	EMTN Program	ADI Program	US MTN Program		Remaining Authority
OIC 1549/2010[1]	5.0					0.3		0.3
OIC 1334/2012[1]	26.5			0.2		1.0		1.2
OIC 965/2013[1]	21.4			3.0				3.0
OIC 458/2015[1]	13.5		1.7	1.0	0.2			2.9
OIC 1241/2015[1]	14.7		9.5		0.2			9.7
OIC 1164/2016[1]	10.0	10.0						10.0
OIC 521/2017[2]	13.3	9.8	3.5					13.3
Totals	**104.4**	**19.8**	**14.7**	**4.2**	**0.4**	**1.3**		**40.4**
								(figures as of March 29, 2017)
[1]Loan Act Authority (CAD, billions)								
[2]FAA Authority (CAD, billions)								

As market demand and borrowing opportunities change, the borrowing authority can be reallocated between Ontario's various borrowing programs (see table above). The Province is not permitted to borrow for a particular program unless there is sufficient authority available in the relevant borrowing program.

In order to preserve the authority of maturing debt as prescribed by the FAA, it is planned to apply in the spring for additional borrowing authority to refinance matured and maturing debt.

As is the usual practice, should the Loan Act be authorized in the 2017-18 Budget, the Province will seek approval from the legislature for an OIC for the amount specified in the Loan Act. An OIC may be requested for borrowing authority for OEFC if needed to meet OEFC's borrowing requirements for fiscal 2017-18.

SUMMARY OF OEFC LONG TERM BORROWING PROGRAM BY CURRENT ORDERS IN COUNCIL

CAD (billions)						
OIC#	**Original Authority**	**Blanket Authority**	**DMTN Program**	**EMTN Program**	**ADI Program**	**Remaining Authority**
OIC 967/2013	2.0			0.1		0.1
OIC 956/2014	2.3		0.5			0.5
OIC 949/2015	1.0		1.0			1.0
Totals	**5.3**		**1.5**	**0.1**		**1.6**
						(figures as of March 29, 2017)

D. LIQUIDITY RISK MANAGEMENT

1. Short-Term Liquidity Management

The goal of liquidity management is to maintain sufficient cash and liquid investments to meet the Province's daily operating requirements and to withstand a range of stress events, including those involving the loss or impairment of funding sources. Liquidity is managed through the use of short-term and long-term borrowing, and the maintenance of liquid reserves. Operational cash flow projections are monitored on a daily basis to ensure that sufficient liquid reserves are available to meet upcoming cash requirements and debt maturities over the fiscal year. In 2017-18, we will continue to monitor cash requirements to fund large debt maturities for the Province and OEFC and when possible, we will buy back the debt issue as part of our liquid reserve and cash management strategy. The largest debt maturities (i.e. > $2.0 billion) over the next two years are listed in the table below. The amount bought back and held in liquid reserves for cash management purposes is also provided in the table as of March 15, 2017. The maturity of larger benchmark debt issues will continue to be an important consideration in overall liquidity management.

Fiscal Year	Maturity Date	Amount ($ Billions)	Type	Amount held in Liquid Reserves ($ Billions)
2017-18	Sep 8, 2017	6.4	Domestic	3.5
"	Oct 25, 2017	2.6	Global US	-
"	Mar 8, 2018	3.0	Domestic	0.6
2018-19	Sep 8, 2018	8.0	Domestic	-
"	Sep 27, 2018	2.1	Global US	-
"	Jan 18, 2019	3.4	Global US	-
"	Jan 30, 2019	2.6	Global US	-

Note: Amount held in Liquid Reserves as of March 15, 2017.

The movement of collateral between Ontario and its derivative counterparties under CSAs will also impact liquidity management and increase the volatility in the level of the liquid reserves. In 2016-17, Ontario was a net receiver of collateral with a range of $1.3 billion to $3.3 billion. Regular analysis of potential counterparty credit exposure related to derivatives is performed for the purpose of assessing potential collateral requirements related to the CSAs. The CSA and related exposure analysis are discussed more fully in Section H – Derivative Risk Management.

The combination of large borrowing programs and CSA collateral requirements will continue to require the maintenance of high levels of liquid reserves and sufficient short-term borrowing capacity. For operational purposes, Capital Markets focuses on the level of liquid reserves adjusted for collateral positions to conservatively represent the net funds available to meet cash requirements. For example, when the Province is a net receiver of CSA collateral, this amount is not added to the level of liquid reserves. However, in those cases where the Province is a net pledger of CSA collateral, liquid reserves are reduced by the net collateral pledged.

(i) Year-End Liquid Reserve Projection:

- The level of the liquid reserves is projected to be $18.6 billion on March 31, 2017 based on the 2016 FES, and does not include any pre-borrowing. This figure excludes any net collateral received from CSA counterparties which was $1.5 billion as of February 28, 2017. The collateral position will fluctuate throughout the year based on changes to exchange rates and interest rates, and is monitored regularly. No change to the year-end level liquid reserves is projected for 2017-18 based on the 2016 Ontario FES. However, this projection will be updated in the 2017 Ontario Budget and reflect the plan to increase liquid reserves over the next year in advance of the larger benchmark debt maturities occurring in the first quarter of the fiscal year starting in 2019-20. This plan is discussed more fully in Section 2 – Medium Term Liquidity Management. The liquid reserve level will fluctuate throughout the year based on the pace of the long-term borrowing program, the timing of cash flows, and the impact of collateral requirements under CSAs.

(ii) Minimum liquid reserve level:

- A minimum liquid reserve threshold will be maintained throughout the year to ensure sufficient cash is available to meet cash and collateral requirements. This minimum threshold will be comprised of an operational cash component, and a CSA collateral component. If the level of liquid reserves drops below the minimum threshold, a short-term funding strategy will be developed and implemented to increase the liquid reserves to at least the minimum recommended level.

- The operational cash threshold is established as the net cash outflow within a rolling one-month time horizon. This essentially represents the net funding requirement over the next month and would include all short-term and long-term debt maturities, any deficit and related cash flows, investments in capital assets, other net loans/investments, and any other operational cash flows. In past years, the minimum had been calculated using an average of annual cash requirements adjusted by a daily volatility factor. This enhanced approach has been established to capture the actual timing of the larger benchmark debt maturities which will soon be occurring earlier in the fiscal year. The inclusion of one month's short-term debt maturities in the minimum threshold will also provide a contingency in the event of a market disruption that temporarily affects the rolling over of short-term debt. In the unlikely event that such a market disruption were to last longer than one month, an alternative funding plan would be developed. This approach to liquidity risk management is also consistent with the Basel liquidity coverage ratio (LCR) guideline for Financial Institutions which essentially requires banks to hold minimum liquid assets to cover cash-outflows over a 30-day time horizon.

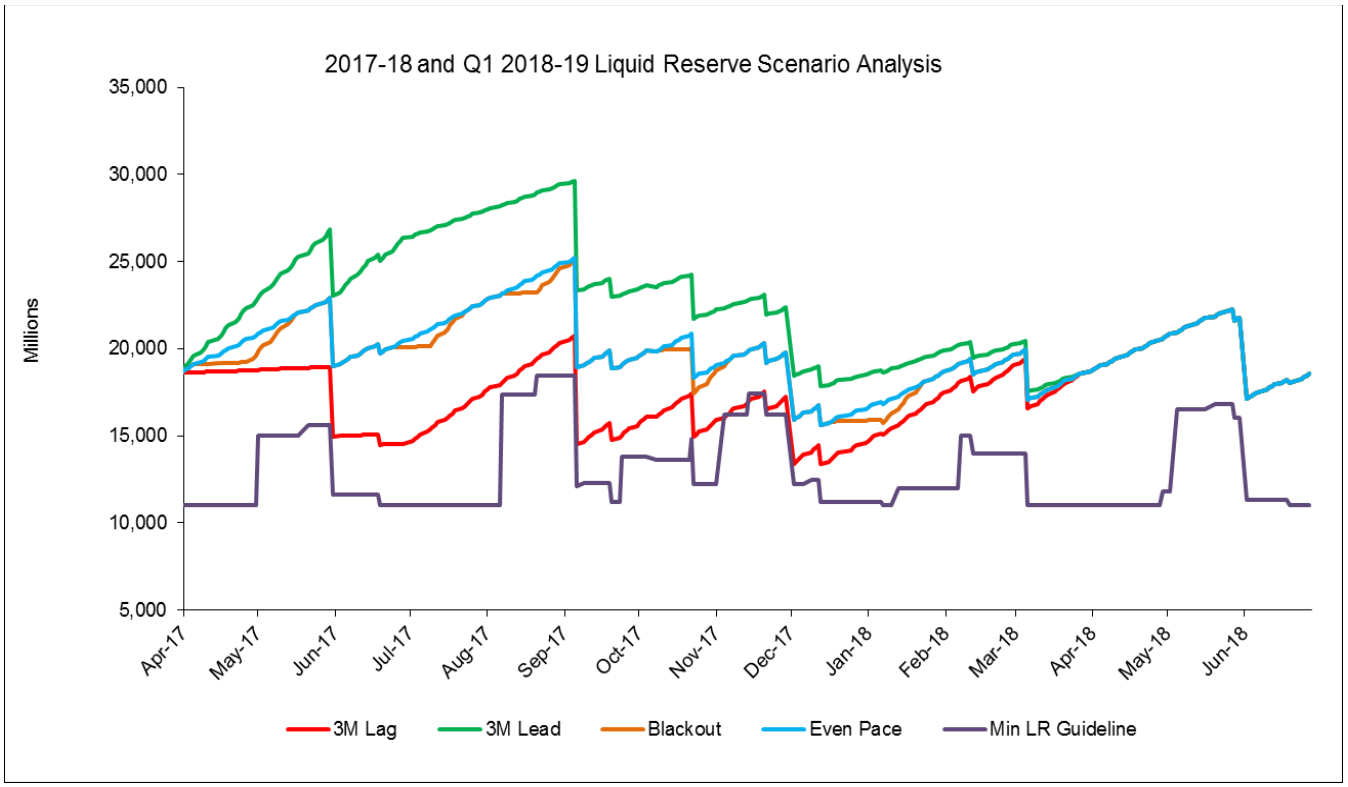
- The CSA collateral threshold represents an estimate of the incremental collateral the Province may have to potentially post to CSA counterparties in the near term, and would also include potential cash flows associated with rolling over foreign exchange contracts. The potential collateral requirement is estimated using a value-at-risk (VAR) based

statistical measure minus any net collateral the Province may already hold from its CSA counterparties. Currently, a three-month 95% confidence statistic is monitored as a guideline for estimating potential collateral requirements in the near-term. As at February 28, 2017, this statistical measure yielded an estimated $3.2 billion potential collateral requirement. Subtracting the net $1.5 billion collateral received from CSA counterparties on February 28, 2017, the CSA collateral threshold would have been calculated as $1.7 billion on that date. As the CSA process evolves, other statistical measures may be substituted over the course of the year should they be considered more suitable in the management of the minimum liquid reserve level. Both the collateral position and the CSA collateral threshold will change throughout the year in response to changes in interest rates, exchange rates, and volatility assumptions. The current plan is to fund the CSA collateral requirements through increased short-term borrowing as required, given the volatility inherent in daily collateral flows.

- The minimum liquid reserve threshold and related short-term funding strategies are discussed at the weekly Risk Management Committee meetings.

(iii) Forecast in-year level of the liquid reserves and scenario analysis for fiscal year 2017-18 and Q1 2018-19

- The following graph depicts the forecast level of liquid reserves excluding collateral impacts. It is based on known fiscal year 2017-18 and Q1 2018-19 debt maturities, even paced short-term borrowing and cash deficit requirement assumption, and varying long-term borrowing program pacing assumptions. A starting liquid reserve level of $18.6 billion is used as per the 2016 Ontario FES.



The following scenarios are included in the graph:

- o Even Pace: Assumes that all long-term borrowing, short-term borrowing, and cash deficit requirements are even paced throughout the period.
- o 3M Lag: Three month lag in long-term borrowing; even paced short-term borrowing and cash deficit requirements.
- o 3M Lead: Three month lead in long-term borrowing; even paced short-term borrowing and cash deficit requirements.
- o Blackout: Even Pace scenario adjusted for potential blackout periods. A blackout period occurs when the Province of Ontario is restricted from any long term debt issuance on account of pending quarterly finance, budgetary releases or other factors such as rating agency releases.
- o Min LR Guideline: Represents the minimum liquid reserve threshold which is based on the net cash outflow within a rolling 30-day time horizon, plus a provision for potential CSA collateral requirements.

- The results show the level of liquid reserves is projected to remain above the minimum threshold over the next year if the long-term borrowing program is on even-pace. If the borrowing program were to fall behind pace by 3-months, the level of liquid reserves are projected to only temporarily drop below the minimum for about six days by up to $500 million in November.

- The following table summarizes the minimum, maximum and average level of the liquid reserves under the aforementioned scenarios. These results illustrate the potential wide range in liquid reserves under the various scenarios, and project a potential decrease to $13.4 billion if the borrowing program fell three months behind pace (3M Lag), and a potential increase to $29.6 billion if the borrowing program moved three months ahead of pace (3M Lead). These results exclude collateral so the liquid reserve projections could be reduced if any net collateral is pledged to CSA counterparties.

Scenario Analysis Ontario's Liquid Reserve (C$ billion) Excluding Collateral Held				
	Even Pace	**3M Lag**	**3M Lead**	**Blackout**
Minimum	15.6	13.4	17.5	15.6
Maximum	25.2	20.8	29.6	25.2
Average	19.8	16.9	22.8	19.7

(iv) Planned long and short-term borrowing:

- Ontario's planned long and short term borrowing is presented in Section III (A) – Long Term Borrowing Program and (B) Short Term Borrowing Program.

- Should unexpected requirements or loss or impairment of long-term funding sources arise that draw the liquid reserves below the minimum recommended level, a short-term funding strategy will be developed and implemented to increase the liquid reserves to at least the minimum recommended level.

- The current short-term authority of $48.0 billion is deemed to be sufficient to maintain the minimum level of liquid reserves under the above stress-test scenarios.

(v) Liquid Reserve Investment Management Strategy:

- Management of the Province's liquid reserves and money market portfolio are governed by the OFA's Risk Policies and Procedures and the Liquid Reserve Statement of Investment Policy and Procedures (SIPP).

- In addition to the Credit Risk Policy, credit risk is being managed through stringent operational credit constraints that have been developed to incorporate changes in credit conditions. These limits are reviewed and updated on a regular basis. Currently, the money market portfolio is invested in federal and provincial government securities and reverse repurchase agreements. Investments may also be made in the six Schedule 1 banks. It is intended that this asset mix will be maintained for the portfolio in order to maximize the availability of eligible collateral to meet the Province's CSA collateral requirements. The credit management strategy is an evolving process based on developments in the credit

and financial markets. It is expected that credit risk will continue to be managed very conservatively for the foreseeable future.

- Market risk relates to the risk of adverse movements in interest rates on the money market portfolio. Market risk is managed primarily through the term of the portfolio (benchmark of 60 days), by targeting shorter term investments, and cash-flow matching investments to the extent possible.

- In addition to investments made within the money market portfolio to meet operational cash requirements, the purchase and sale of bonds for hedging purposes has a direct impact on the Province's overall liquidity and asset mix of the liquid reserves. When developing hedging strategies, the impact on liquidity and overall asset mix must be considered.

- Weekly Risk Management Committee meetings are held which include discussions on liquidity, risk exposures, the outlook for long-term and short-term borrowing, and liquid reserves investment management strategies.

(vi) Cost of maintaining liquid reserves:

- The SIPP for Liquid Reserves states that liquid reserves will be funded with floating rate exposure to reduce the potential cost of holding liquid reserves, as well as following best practices in terms of asset/liability management. Floating rate exposure includes short-term debt which is comprised of Ontario treasury bills and USCP, and long-term floating rate debt which is comprised of long-term debt issues swapped to floating and portfolio overlay swaps and bonds.

- A challenge when calculating the cost of liquid reserves is to identify and calculate the appropriate cost of the underlying floating rate debt funding liquid reserves. This calculation requires various simplifying assumptions to be made. For example, the cost of Ontario treasury bills, USCP, and long-term debt swapped to floating is based on accounting data using average month-end outstanding amounts and assumes the accrual method. In contrast, the return on liquid reserve investments is based on the rate of return on the performance measured money market portfolio as calculated by Risk Control division. These calculations are based on daily outstanding amounts and calculated on a mark-to-market basis. Although the individual calculation methodologies may be slightly different, the overall calculation for the cost of liquid reserves should provide a reasonable estimate.

(a) Rate of Return on Liquid Reserve Investments

- The rate of return on liquid reserve investments is based on the annual return of the performance measured money market portfolio. At roughly 60 days, the benchmark term-to-maturity of the money market portfolio will be slightly less than the term of floating rate debt.

(b) Cost of Floating Rate Debt

(i) Short-term Debt

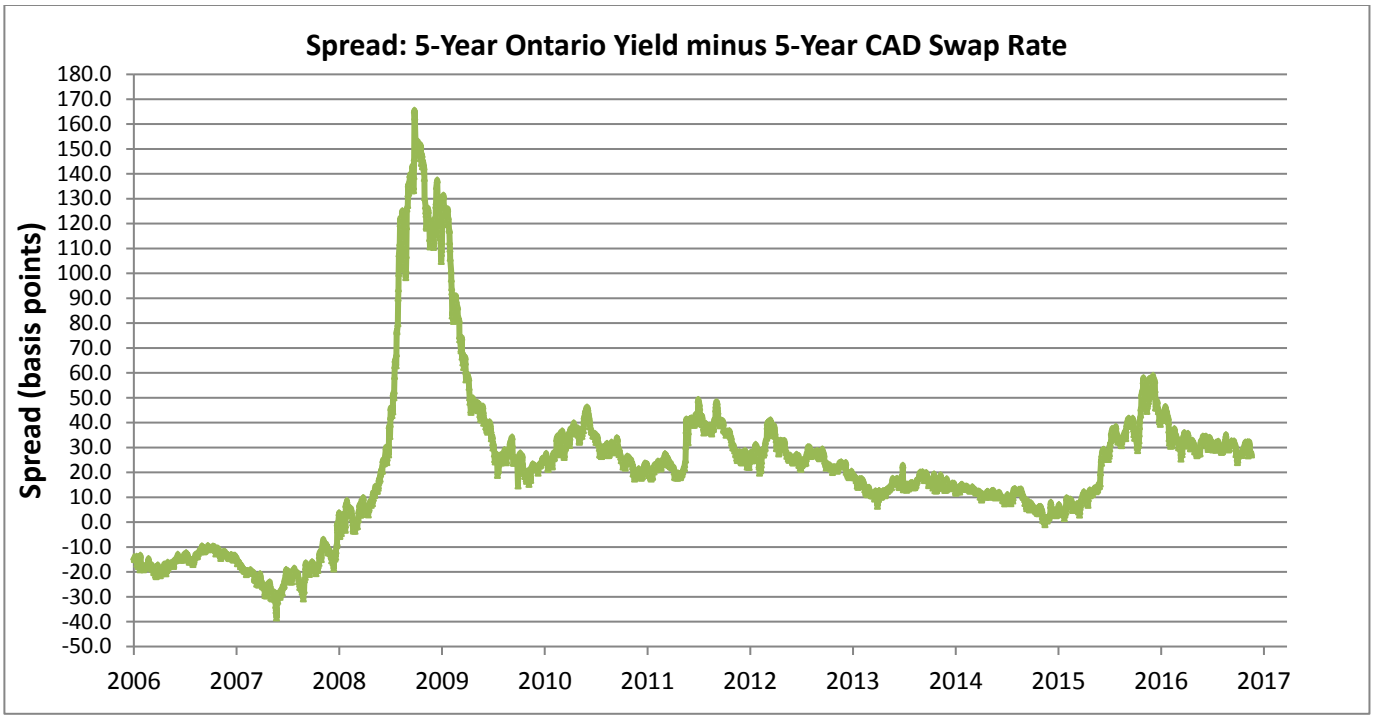
- Short term debt is comprised of Ontario treasury bills and USCP. Ontario treasury bills are extremely cost efficient. Rates as of February 28, 2017 were 0.61%, 0.66%, and 0.75% for 3, 6, and 12 month terms, respectively, and represent spreads of approximately 12, 14, and 15 basis points over the respective Government of Canada treasury bills. USCP can also be extremely cost-efficient, as it can often be hedged back to Canadian dollars at levels favourable to our domestic treasury bills. Rates in the 3 month term as of February 28, 2017 were 0.82% in US terms, and approximately 0.47% when hedged back to Canadian dollars. USCP is generally utilized on an arbitrage basis and therefore will not always be cost effective. However, in the last several years we have continued to experience a combination of favourable arbitrage opportunities and strong investor demand.

(ii) Long-term Floating Rate Debt

- Long-term floating rate debt is also used to manage overall floating rate exposure and is comprised of long-term debt issues swapped to floating as well as portfolio overlay swaps and bonds. The portfolio overlay of swaps and bonds are not included in the calculation of floating rate debt this year as the total notional has decreased in recent years (approximately $500 million outstanding by March 31, 2018), and they are not material to the calculations. To include these swaps and bonds would require numerous spread assumptions to be made as they are not tied to specific debt issues but rather the overall debt portfolio.

- Long-term floating rate debt carries a premium associated with term borrowing, as it reduces refinancing risk in the near term. The floating premium will vary over time as the spread between Ontario debt and interest rate swaps changes. Generally, as Ontario spreads widen relative to swap spreads, the floating premium relative to CDOR (BA reference rate) will increase. As of February 28, 2017, the term premiums for 2, 5, 10, and 30-year floating rate debt relative to CDOR were approximately -6, +26, +62, and +90, respectively.

- The premium for term debt increased significantly following the financial crisis in 2007 as issuer credit spreads increased relative to swap spreads. Since peaking in early 2009, this premium has narrowed but still remains well above pre-2007 levels. The graph below charts the spread between Ontario 5-year bonds and 5-year Canadian interest rate swaps over the last eleven years. These results illustrate how the equivalent floating cost of 5-year Ontario debt has increased from approximately 3-month CDOR minus 20 basis points in 2007 when Ontario rates were below swap rates, to approximately 3-month CDOR plus 26 basis points currently as Ontario rates have risen above swap rates.


Spread: 5-Year Ontario Yield minus 5-Year CAD Swap Rate
Spread (basis points)
180.0
170.0
160.0
150.0
140.0
130.0
120.0
110.0
100.0
90.0
80.0
70.0
60.0
50.0
40.0
30.0
20.0
10.0
0.0
-10.0
-20.0
-30.0
-40.0
-50.0
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017

(c) Calculation of Cost of Carry

- A cost of maintaining liquid reserves is estimated as the difference between the rate of return on liquid reserve investments versus the cost of floating rate borrowing. This approach is similar to the Government of Canada's cost measurement of Receiver General cash balances which measures the difference between the return on government balances auctioned to financial institutions (typically around the overnight rate) and the average yield paid on Treasury Bills.

The cost of liquid reserves will be influenced by several factors:

- The slope of the yield curve between the average investment term rate of 60 days and floating borrowing rates of 1 month to 1 year. Generally, an upward sloping yield curve will increase the cost whereas an inverted yield curve will decrease the cost.
- The direction of short-term interest rates will have a more immediate impact on investments which are reset more frequently than the floating rate debt. Also, the return on investments is on a mark-to-market basis whereas the cost of floating rate debt is on an accrual basis.
- The credit spread between Government of Canada investments and Ontario's cost of floating rate debt.
- The term premium associated with long-term floating rate debt as reflected in the spread to CDOR.

The key assumptions and calculations in estimating the carrying costs of liquid reserves are summarized in the table below. These are annualized using actual data from April 1, 2016 to February 28, 2017. Based on these results, the estimated carry on total liquid reserves range from a saving of 4.7 basis points ($9.9 million) to a cost of 24.8 basis points ($52.4 million) on average total reserves of $21.2 billion. Positive factors in minimizing the cost of carry have been the relatively flat yield curve from overnight out to 1 year, narrow spreads between Ontario and Canada T-Bills, and the favourable arbitrage on USCP. USCP issuance was approximately 25 basis below equivalent Canadian issuance on average throughout 2016-17 which reduced carrying costs. A negative factor in minimizing the cost of carry has been the higher premium associated with long-term floating rate debt in the past eight years.

Average Liquid Reserves Outstanding (1) Apr 1/16 to Feb 28/17 ($ Billions)	Return on Investment (2) Apr 1/16 to Feb 28/17 (Annualized)	Cost on Float Apr 1/16 to Feb 28/17 (Annualized)	Estimated Carry Positive/(Negative) (Basis Points)
21.2	0.6401%	0.5933% (3)	4.7
21.2	0.6401%	0.8879% (4)	(24.8)

(1) The average level of liquid reserves is net of collateral.
(2) The return on liquid reserves is calculated on a mark-to-market basis and based on the performance measured money market portfolio.
(3) The cost of floating uses all Ontario T-Bills/USCP ($19.1 billion) and the remainder in long-term floating rate debt ($2.1 billion).
(4) The cost of floating uses the average rate of all floating rate debt.

2. Medium-Term Liquidity Management

A prudent level of liquid reserves must be maintained for operational and contingency purposes. In recent years, higher levels of liquid reserves have been maintained as expenditures, deficits, debt and borrowing programs have increased in response to the 2008-09 financial crisis. The implementation of CSAs over the last seven years has also increased the need for higher liquid reserves. The table below provides a summary of these key variables over the last six years and a two year projection.

	2011-12 ($ Bln)	2012-13 ($ Bln)	2013-14 ($ Bln)	2014-15 ($ Bln)	2015-16 ($ Bln)	2016-17 ($ Bln) (2) Outlook	2017-18 ($ Bln) (2) Outlook	2018-19 ($ Bln) (2) Outlook	2019-20 ($ Bln) Outlook
Expenditures	122.7	122.6	126.4	128.9	133.4	136.6	139.4	144.1	Note (5)
Surplus/(Deficit)	(13.0)	(9.2)	(10.5)	(10.3)	(5.0)	(4.3)	0.0	0.0	Note (5)
Funding Requirement	38.5	36.0	41.7	37.6	31.9	28.9	23.3	28.8	Note (5)
Total Debt (Y/E)	257.3	281.1	295.8	315.0	327.4	328.6	Note (5)	Note (5)	Note (5)
Net Debt (Y/E)	235.6	252.1	267.2	284.6	305.2	317.9	Note (5)	Note (5)	Note (5)
Liquid Reserves (Y/E) (1)	17.1	24.3	20.9	22.8	23.6	18.6 (3)	18.6	18.6	18.6
Liquid Reserves (Average)	20.2	23.3	24.9	23.5	21.7	21.1	19.8 (4)	18.5 (4)	13.8(4)

(1) Reduced by net collateral posted to CSA counterparties; 2011-12 $1.1 billion, 2012-13 $1.7 billion, 2013-14 $0.0 billion, 2014-15 $0.0 billion, 2015-16 $0.0 billion, 2016-17 $0.0 billion, and 2017-18 to 2019-20 assumed at $0.0 billion. Excludes collateral received from counterparties.

(2) Based on the 2016 Ontario FES.

(3) Assumes decrease of $5.0 billion per the 2016 FES ($2.0 drawdown of 16-17 pre-borrowing and $3.0 reduction of cash).

(4) Assumes even-paced borrowing program

(5) Will be updated using the 2017 Budget

- There has been a trend in recent years for Canadian governments to increase their liquidity levels. The Federal government announced plans in its 2011 Budget to increase its liquidity holdings, comprised of both domestic cash balances and foreign reserve assets, by $35 billion by the end of 2013-14. Quebec announced in its 2012 Budget that it would be increasing its prudential liquidity by $6 billion, borrowing $3 billion in each of 2012-13 and 2013-14 for that purpose.

- Both S&P and Moody's have indicated that the maintenance of liquid reserves in proportion to financing needs, including both short-term and long-term debt maturities, is an important factor in maintaining Ontario's credit rating. S&P has also indicated that liquid reserves should be sufficient to cover at least 50 per cent of the next 12 months of debt service to be considered adequate.

- As a guide for planning purposes, the sum of net cash outflows over a rolling one-month time horizon and a provision for potential CSA collateral requirements are used to estimate potential liquidity requirements, and are considered when determining year-end liquid reserve levels for future years. The following table summarizes this estimate for the past five years as well a four year projection. The results show liquidity requirements increase from an estimated $17.3 billion during 2016-17 to $26.9 billion during 2020-21 on this basis.

	2012-13 ($ Bln)	2013-14 ($ Bln)	2014-15 ($ Bln)	2015-16 ($ Bln)	2016-17 ($ Bln)	2017-18 ($ Bln) Outlook	2018-19 ($ Bln) Outlook	2019-20 ($ Bln) Outlook	2020-21 ($ Bln) Outlook
Annual Estimates									
Funding Requirement (excluding Debt Maturities)	18.5	17.9	15.9	10.8	7.7	5.8	6.7	8.6	8.5
TBill/USCP Debt Maturities	20.3	21.8	21.8	21.8	21.8	21.8	21.8	21.8	21.8
Long Term Debt Maturities	17.5	23.8	21.7	21.1	21.2	17.5	22.1	27.9	24.2
Monthly Estimate									
1M TBill/USCP Debt Maturities	6.8	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3
1M Average Funding Requirement excluding Debt Maturities	1.5	1.5	1.3	0.9	0.6	0.5	0.6	0.7	0.7
3M CSA 95% Confidence	2.6	2.9	4.0	4.0	3.9	3.9	3.9	3.9	3.9
1M Maximum Long Term Debt Maturities	9.0	8.0	5.5	9.5	5.5	7.6	10.7	10.7	15.0
Total - Liquidity Measure using 1M Maximum Debt Maturities	**19.9**	**19.7**	**18.1**	**21.7**	**17.3**	**19.3**	**22.5**	**22.6**	**26.9**

Notes: Based on debt outstanding as of February 22, 2017. Foreign debt converted at blended exchange rate. Excludes re-financing of new debt in future years.

- A projected increase in liquidity requirements arises in future years with the maturity of larger benchmark debt issues earlier in the fiscal year. Starting in 2019-20, the maturity of larger benchmark debt issues on June 2nd each year in combination with the large semi-annual June 2nd coupon payment will shift a greater proportion of annual cash requirements to the first quarter of the fiscal year. Given the borrowing program is generally completed over the course of the fiscal year, a higher level of liquid reserves will need to be maintained early in the year to cover these cash outflows.

- The table below summarizes long-term debt maturities on a monthly basis over the next 9 years, as well as the estimated June 2nd debt maturity and coupon payment each year. The results show the estimated cash outflow in the first quarter of the fiscal year (April to June) related to long-term debt maturities and an estimated June 2nd coupon will increase from $4.6 billion in 2017 to $16.9 billion in 2019, and to over $21.0 billion in 2020. The results also show the estimated single day cash outflow on June 2nd will increase from $4.0 billion in 2017 to $12.0 billion in 2019, and to over $15.0 billion in 2020.

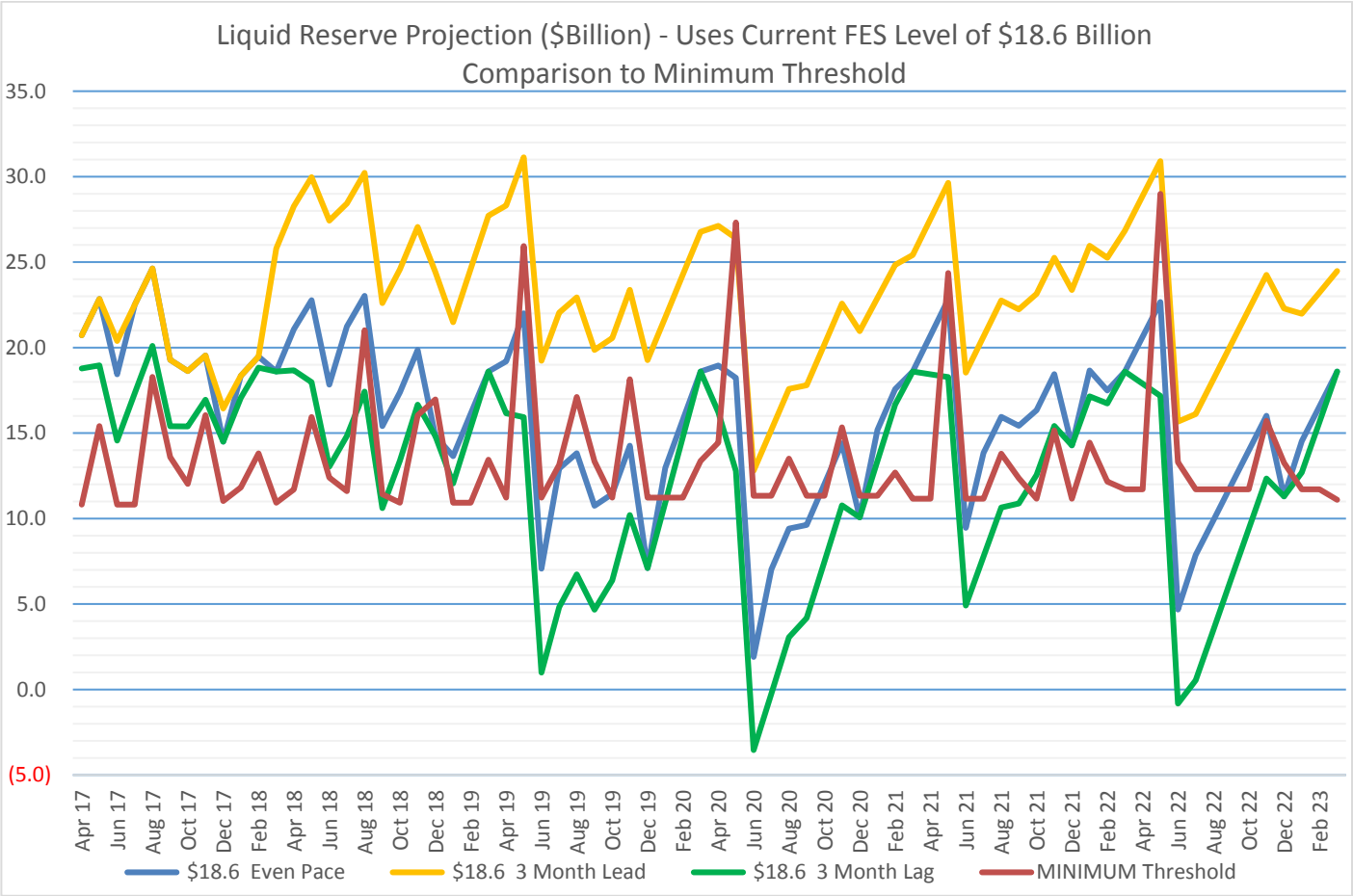
LONG-TERM DEBT MATURITIES ($ Billions) (Estimated as of February 22, 2017)									
	2017-18	**2018-19**	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**2025-26**
April	-	-	2.2	2.0	-	-	-	-	-
May	-	0.8	-	3.1	-	-	-	4.5	-
June	0.6	1.0	10.7	12.0	9.2	13.3	12.1	11.6	14.1
July	-	1.5	-	-	-	1.6	-	-	-
August	-	0.7	1.9	-	-	-	-	0.4	0.3
September	7.5	10.1	5.9	2.2	2.6	-	1.1	-	-
October	2.8	0.5	2.1	-	1.2	-	-	-	-
November	1.2	-	-	-	-	-	-	-	-
December	1.2	1.1	2.9	-	-	-	-	-	1.0
January	0.2	6.0	-	-	-	1.6	-	1.9	-
February	1.0	-	-	-	3.3	-	1.1	-	-
March	3.0	-	-	1.4	1.0	-	-	-	-
Total	**17.5**	**21.7**	**25.8**	**20.7**	**17.3**	**16.4**	**14.3**	**18.4**	**15.4**
1st Quarter Debt Maturities	0.6	1.8	12.9	17.1	9.2	13.3	12.1	16.1	14.1
June 2 Coupon Estimate	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Total > 1st Quarter Outflow	**4.6**	**5.8**	**16.9**	**21.1**	**13.2**	**17.3**	**16.1**	**20.7**	**18.1**
June 2 Debt Maturity	-	0.7	8.0	11.4	9.1	12.3	12.1	11.6	14.1
June 2 Coupon Estimate	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Total > June 2 Outflow	**4.0**	**4.7**	**12.0**	**15.4**	**13.1**	**16.3**	**16.1**	**15.6**	**18.1**

Notes: Based on debt outstanding as of February 22, 2017. Foreign debt converted at blended exchange rate. Excludes re-financing of new debt in future years.

- The graph below charts monthly projections for the level of liquid reserves over the next six years assuming an even-paced borrowing program, a three-month lead where the borrowing program is continuously one quarter ahead of pace, a three-month lag where there is no borrowing in the first three months of the fiscal year, as well as the projected minimum liquid reserve threshold based on one-month net cash outflows and potential collateral requirements. The scenarios assume the current $18.6 billion liquid reserve level based on the FES. The three-month lag scenario is used to illustrate a situation where there may be an extended budget blackout period early in the fiscal year as the budget is often released in April.

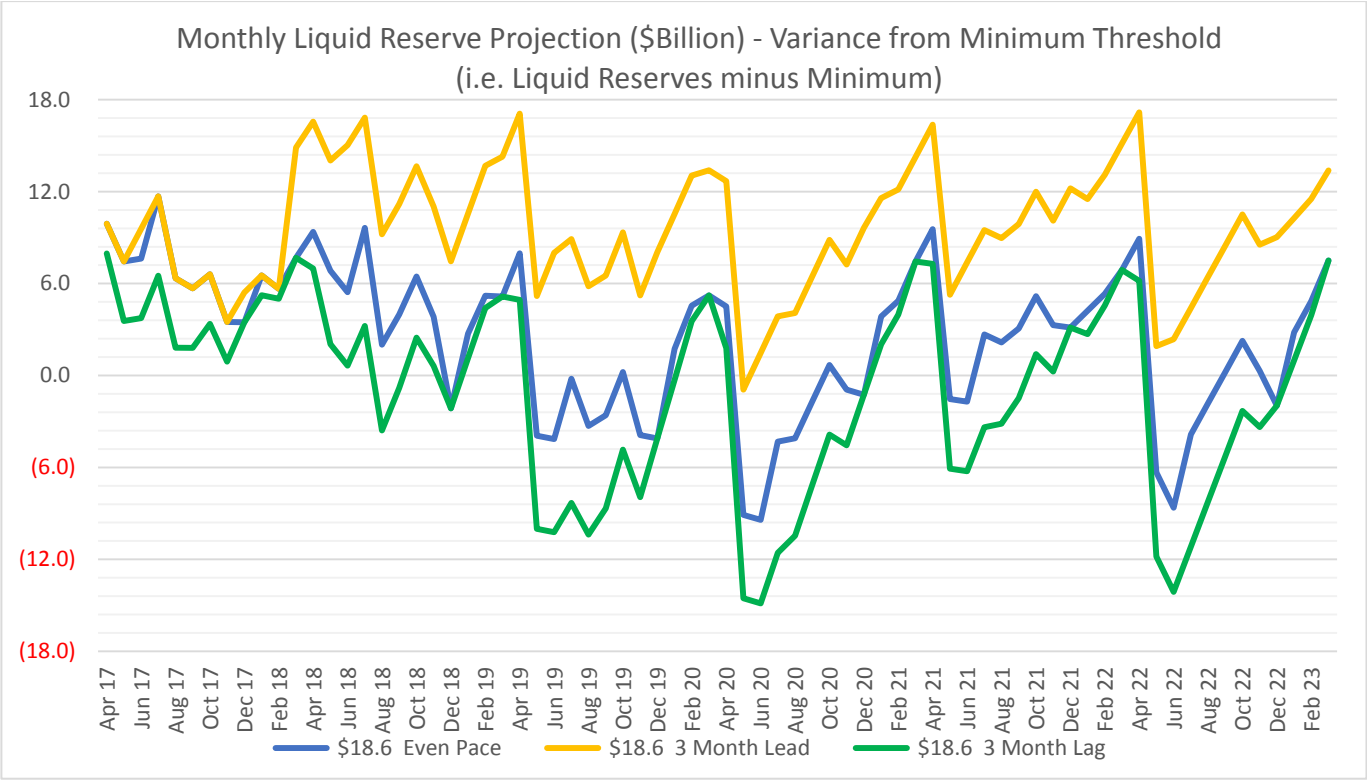
- The results highlight the sharp drop in liquid reserves in June each year attributable to the large June 2nd debt maturity and semi-annual coupon payment, followed by a gradual increase for the balance of the year as the borrowing program is completed. Without an increase in the level of liquid reserves by the end of 2018-19, liquid reserves are projected to drop below the minimum threshold each June in both scenarios. To remain above the threshold assuming even-paced borrowing, liquid reserves would need to be increased to an estimated $23.0 billion at the start of 2019-20, and $28.0 billion at the start of 2020-21. If the borrowing program fell 3 months behind pace, liquid reserves would need to be increased to an estimated $29.0 billion at the start of 2019-20, and $33.5 billion at the start of 2020-21 to stay above the minimum. Ideally for planning

purposes, the level of liquid reserves should remain above the minimum with even-paced borrowing. The differential in estimated liquid reserves between the even-paced and three month lag scenarios would likely be funded with a temporary increase in short-term debt to increase the level of liquid reserves to the minimum threshold.



Liquid Reserves Using $18.6 B based on FES	2017-18 ($Bln)	2018-19 ($Bln)	2019-20 ($Bln)	2020-21 ($Bln)	2021-22 ($Bln)	2022-23 ($Bln)	2023-24 ($Bln)	2024-25 ($Bln)
Even Pace								
Average	19.8	18.5	13.8	12.7	16.8	14.1	14.8	13.3
Low	14.5	13.7	7.1	1.9	9.5	4.7	6.1	2.8
High	24.6	23.0	22.0	18.9	22.8	22.7	22.3	20.8
3 Month Lead								
Average	20.7	26.4	23.3	21.1	24.3	22.4	21.2	19.6
Low	16.4	21.5	19.2	12.8	18.5	15.7	13.9	12.1
High	25.8	30.2	31.1	27.1	29.6	30.9	28.2	27.8
3 Month Lag								
Average	17.2	15.3	9.8	9.1	13.8	10.4	12.2	10.2
Low	14.5	10.6	1.0	(3.5)	4.9	(0.8)	2.2	(1.9)
High	20.1	18.7	18.6	18.6	18.6	18.6	18.6	18.6

Notes: Figures do not take into account potential collateral that may be posted to swap counterparties under the CSAs. Therefore, the projected levels of liquid reserves would be reduced by the net amount of any collateral posted to CSA counterparties. Projected liquid reserves based on the FES which does not reflect the planned increase of $6 billion.



- Based on the future cash flow profile, an increase in the level of liquid reserves will be required over the next two years. Lower borrowing requirements in 2017-18 provide the capacity to start building up reserves this year. We plan to increase liquid reserves by $6 billion in 2017-18, and buy-back some of the larger debt maturities starting in June 2019, where possible, or purchase other government securities of similar maturities to smooth the maturity and cash flow profile. We will strive to reduce any carrying costs related to the increase in liquid reserves by minimizing any term mismatch on borrowings and related buy-backs or investments, and by issuing floating rate debt as necessary. Debt issued specifically for this purpose may be reported separately from the regular borrowing program for average term calculation purposes.

E. INTEREST RATE RISK MANAGEMENT

1. Portfolio Attributes

The major attributes of the Ontario and OEFC debt portfolios are provided in the following table:

ONTARIO'S PORTFOLIO ATTRIBUTES

	March 31, 2017	March 31, 2018 (Estimated)
Total Debt[1]	$317.5 Bln	$325.3 Bln
Interest Rate Resetting Exposure:	$34.8 Bln, 11.0% of debt (limit: 35%)	$42.0 Bln, 12.9% of debt (limit: 35%)
➔ Fixed Rate Debt Maturing in 1 Year	$13.1 Bln, 4.1% of debt	$15.9 Bln, 4.9% of debt
➔ Gross Floating Rate[2]	$40.1 Bln, 12.6% of debt	$43.7 Bln, 13.4% of debt
➔ Net Floating Rate	$21.7 Bln, 6.8% of debt	$26.1 Bln, 8.0% of debt
Average Maturity of Debt	11.2 Years	10.6 Years
Foreign Exchange Exposure	$0.8 Bln, 0.2% of debt (limit: 5 %)	$0.8 Bln, 0.2% of debt (limit: 5 %)
Liquid Reserves[3]	$18.6 Bln	$18.6 Bln

1. Estimated outstanding as at March 31, 2016. Includes total debt issued for Provincial purposes plus the $7.763 bln OEFC debt-for-equity swaps.
2. Includes unhedged RRB exposure of $2.25 billion for Ontario.
3. Includes OEFC liquid reserves of $2.5 bln as at March 31, 2017 and $3.3 bln as at March 31, 2018

OEFC'S PORTFOLIO ATTRIBUTES

	March 31, 2017	March 31, 2018 (Estimated)
Total Debt	$20.4 Bln	$19.4 Bln
Interest Rate Resetting Exposure:	$(0.6) Bln, (3.0)% of debt (limit: 35%)	$(2.1) Bln, (10.7)% of debt (limit: 35%)
➔ Fixed Rate Debt Maturing in 1 Year	$1.6 Bln, 7.6% of debt	$0.5 Bln, 2.4% of debt
➔ Gross Floating Rate[1]	$1.6 Bln, 7.8% of debt	$1.0 Bln, 5.3% of debt
➔ Net Floating Rate	($2.2) Bln, (10.6)% of debt	$(2.5) Bln, (13.1)% of debt
Average Maturity of Debt	7.9 years	9.9 years
Foreign Exchange Exposure	$0.0 Bln, 0.0% of debt (limit: 5 %)	$0.00 Bln, 0.00% of debt (limit: 5 %)
Liquid Reserves[2]	$2.5 Bln	$3.3 Bln

1. Includes $0.8 billion unhedged RRB exposure.

2. Interest Rate Environment

- Appendix 4 presents an overview of historical interest rates. Interest rates have remained at historically low levels, although they have increased by approximately 85 basis points since the all-time low achieved during the 2016-17 fiscal year, and the slope of yield curve is near the historical 20-year average. The yield curve from 3-month banker's acceptance rates to Ontario 10-year rates is positively sloped by approximately 161 basis points. This is roughly the same as this time last year and is trading slightly below the 10-year historical average for this spread.

- Appendix 5 provides an analysis using a matrix approach which was put in place in 2007-08. It attempts to indicate the best conditions for adding floating rate exposure from a historical perspective. The two main variables utilized in the matrix are long-term interest rates and the slope of the yield curve, and there are four quadrants of potential market conditions. Current conditions are shown in quadrant 1 (i.e., historically low long-term rates and an upward sloping yield curve). The recommendation pertaining to current conditions is to maintain or increase floating rate exposure moderately (by 0% to 1% of debt).

3. Interest Rate Risk

- The debt portfolio characteristics and interest rate exposures for both the Province and OEFC are provided in Appendix 6.

- Interest rate risk arises from the potential impact of higher interest rates on both new long-term borrowing and interest rate resetting on floating rate exposure. The current estimate of the impact of a one percent increase in interest rates on IOD for 2017-18 is $350 million.

- As outlined in Appendix 6, the interest costs on $43.7 billion of gross floating rate exposure are estimated to be $418 million for the Province. A one standard deviation increase in short-term interest rates, which corresponds to an increase in interest rates of 1.20%, would increase interest costs by $526 million. A more significant increase in interest rates corresponding to the 99% confidence interval would increase interest costs by $1.2 billion from the base case.

- Interest costs for OEFC on $1.0 billion of gross floating rate exposure are approximately $9.8 million. A one standard deviation increase in interest rates of 1.20% increases interest costs by a further $12.4 million. An extreme increase in rates at the 99% confidence interval would result in a $28.7 million increase in interest costs.

4. Interest Rate Management

Ontario:

- Gross floating rate exposure is projected to be 12.6% of debt outstanding (or $40.1 billion) on March 31, 2017. This is within the 10.4% to 14.4% approved range from the 2016-17 plan.

- A higher range for gross floating rate exposure is recommended to manage the potential carrying costs related to the planned increase in liquid reserves and is consistent with the matrix approach analysis provided in Appendix 5. A range of 11.4% to 15.4% in gross floating rate exposure is recommended for March 31, 2018, with a target of 13.4%. Floating rate exposure may be increased further to reduce interest costs in 2017-18 if current market conditions were to change. Gross floating rate exposure is used as the floating rate target because it is much less volatile than net interest rate resetting exposure, which includes fixed rate maturities occurring within 12 months and liquid reserves.

- Net floating rate debt (gross floating rate debt net of liquid reserves) as of March 31, 2017 is estimated to be 6.8% of debt outstanding and is expected to increase to 8.0% as at March 31, 2018 with an expected range of 6.0% to 10.0%.

- Net Interest Rate Reset exposure is expected to increase from an estimated 11.0% as of March 31, 2017 to 12.9% as of March 31, 2018, with an expected range of 10.9% to 14.9%.

- In addition to projected Interest Rate Reset Exposure of 11.0% of debt outstanding as at March 31, 2017, the Province will also be setting interest rates on $7.8 billion of new debt due to financing requirements other than those relating to maturing debt. This represents 2.5% of projected debt outstanding as at March 31, 2017.

- An average term for new borrowing in the range of 6.5 to 14.7 years is recommended for Ontario for 2017-18. This will provide flexibility to manage term structure and take into consideration investor demand. It is estimated the average term of Ontario's overall debt will range from 10.2 to 11.2 years on March 31, 2018 (versus 11.2 currently).

OEFC:

- Gross floating rate exposure is estimated to be $1.6 billion as at March 31, 2017, or 7.8% of outstanding debt, which is within the approved range of 4.9% to 8.9%. Gross floating rate exposure is expected to fall to $1.0 billion, or 5.3% of debt outstanding as at March 31, 2018. A range of 3.3% to 7.3% in gross floating range exposure for March 31, 2018 is planned.

- Interest rate resetting exposure is estimated to decrease from (3.0)% as at March 31, 2017 to (10.7)% by March 31, 2018. Interest Rate Reset exposure is negative due to increased liquid reserves arising from the proceeds from broadening of ownership of

Hydro One. These liquid reserves are invested with the Province and are projected to be drawn down over time to meet upcoming cash requirements which include maturing long-term debt.

- OEFC is planning to borrow to fund loans to OPG in 2017-18. Based on the FES, these loans were estimated at $1.125 billion and assumed to be 30 years, although these assumptions will change in the 2017 Ontario Budget. It is estimated the average term of OEFC's overall debt will be 9.9 years on March 31, 2018.

F. FOREIGN EXCHANGE RISK MANAGEMENT[6]

The Province's foreign exchange exposure arises from the issuance of unhedged foreign currency denominated debt, or through the use of currency overlay programs on existing debt. In general, exposure is targeted to those currencies that offer an interest rate advantage over domestic borrowing costs and are considered overvalued based on longer term fundamental and technical factors. It is estimated that Ontario will have foreign exchange (FX) exposure of approximately 0.2% of total debt as of March 31, 2017 compared to 0.3% in the previous year. The slight decrease in exposure reflects the hedging of JPY 17.0 billion (CAD 193 million) exposure maturing June 8, 2020. A profile of Ontario's FX exposure is provided in the table below.

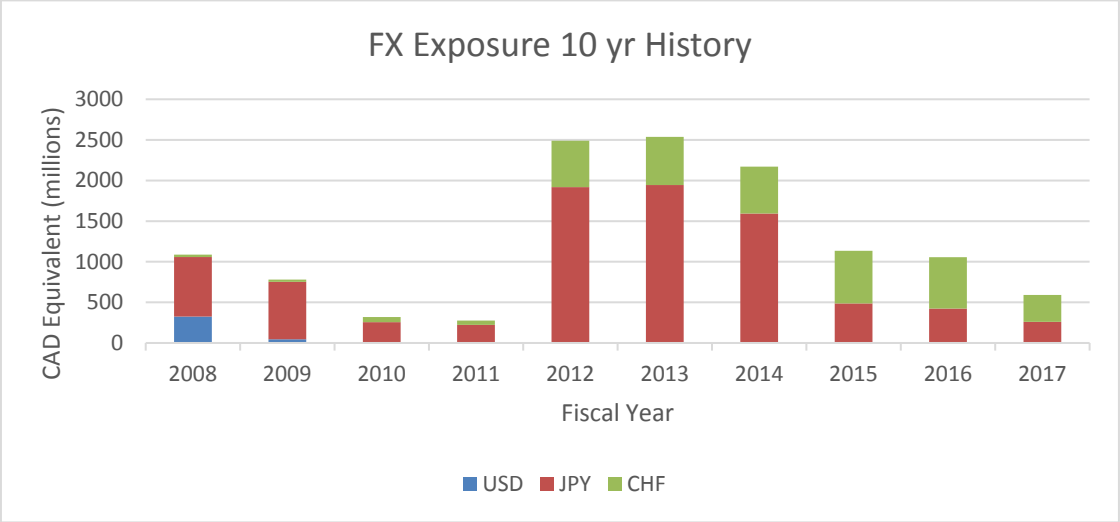
ONTARIO'S FOREIGN EXCHANGE EXPOSURE
Million

Fiscal Year Ending	JPY		CHF		EURO		TOTAL	
	Debt Principal (JPY)	Debt Interest (JPY)	Debt Principal (CHF)	Debt Interest (CHF)	Debt Principal (EUR)	Debt Interest (EUR)**	Debt Principal (CAD)*	Debt Interest (CAD)*
2018		609		9.5		46		**84.5**
2019		609		9.5		46		**84.5**
2020		609		9.5		46		**84.5**
2021	19,900	304	400	9.5			**765.9**	**16.2**
TOTAL	**19,900.0**	**2,131**	**400**	**38.0**	**0**	**138.0**	**765.9**	**269.8**

* Based on Feb 28, 2017 exchange rates: CAD 0.01184 per JPY (JPY 84.43 per CAD), CAD 1.3254 per CHF, CAD 1.4070 per EUR.
** This interest expense relates to fixed € coupons which are not hedged with a € interest rate swap and are partially offset by the receipt of Euribor based swap payments.

6 To simplify presentation, the currencies of the following countries are expressed in acronyms as follows: Canada, "CAD" United States, "USD"; United Kingdom, "GBP"; Switzerland, "CHF"; Japan, "JPY"; and European Economic and Monetary Union, "EUR". A dollar symbol without any qualification will continue to mean Canadian dollar.

The following chart shows a 10 year history of the Province's Foreign Exchange exposures.



A more detailed analysis of the Province's FX exposure is provided in Appendix 7.

1. Province of Ontario

- Foreign exchange exposure is undertaken with the primary objective of reducing borrowing costs over the long term.

- Exposure is managed against a 3% IOD loss limit constraint and within an overall 5% foreign exchange policy limit.

- Under the Province's foreign exchange management policy, exposure is restricted to the EUR, JPY, USD, GBP and CHF (hereafter referred to as "policy currencies").

- A range of 0.0% to 1.25% is recommended for 2017-18.

- If the Canadian dollar appreciates over the course of the year, or as total debt increases, the exposure as a percentage of debt would be reduced further without any changes in notional exposure. The recommended limit will accommodate this possibility. Also, it allows for the continued reduction of existing exposure maturing within 3 years if market conditions are considered appropriate. The potential impact of foreign exchange gains/(losses) on IOD is becoming greater for the existing exposure as the term to maturity of the unhedged debt is now approaching three years. This means any foreign exchange impacts would be amortized over a shorter period which will be considered when managing the exposure.

- The upper limit of 1.25% allows for an increase from the current level of 0.2% should attractive market or funding opportunities arise. The most likely currency candidates are the JPY, EUR, and CHF. Any increase in exposure would have to take into account the potential changes in accounting treatment, as discussed in Section 4 below.

2. Ontario Electricity Financial Corporation (OEFC)

- OEFC's foreign exchange exposure remains at zero and no addition of exposure is recommended.

3. Foreign Exchange Risk

- Movements in foreign exchange rates can lead to large foreign exchange gains or losses from year to year, especially if gains or losses are reported on a mark-to-market basis.

- Foreign exchange gains or losses are currently reported on an amortized basis, with gains or losses deferred and amortized over the remaining life of the debt. The Public Sector Accounting Board (PSAB) new standard on financial instruments (PS 3450) would require the immediate recognition of unrealized foreign exchange gains and losses in a separate statement called Remeasurement Gains and Losses. The cumulative balance would be re-classified to the surplus/(deficit) account of the Province upon maturity of the unhedged debt. The revised implementation date of this new standard, applicable to both the Province and OEFC, has been extended from April 1, 2016 to April 1, 2019 (see Section V – Accounting Update). These new accounting requirements, in their current form, would likely result in a significant increase in the volatility of foreign exchange gains or losses, flowing through to greater volatility in IOD. There will also be impacts to net debt and the resulting ratios that are taken into consideration by rating agencies in their assessment of the Province's credit rating. The OFA along with the Office of the Provincial Controller is continuing to discuss these issues with PSAB as well as monitoring these accounting changes on our foreign exchange risk management.

- The Province is currently rolling approximately $21.0 billion in the FX forwards market. Due to the large borrowing programs and the resulting large amount of foreign debt issuance, the Province relies heavily on the FX forwards market to hedge foreign exchange exposure, especially when swap credit is constrained and FX forward levels are attractively priced. FX forwards are currently estimated to provide savings in the range of 15 to 20 basis points compared to swaps. It should be noted that rolling a hedge in the FX forwards does not create FX exposure. The risk lies in the level at which the basis spread will be locked-in on each FX roll or when a long-term basis swap is eventually entered into.

G. INTEREST-ON-DEBT MANAGEMENT PLAN

- Stress testing[5] of interest rates and exchange rates has been performed by Risk Control Division to determine impacts of extreme market movements on interest-on-debt (IOD), the borrowing program and potential losses from a weak counterparty default. More details are provided in Appendix 8.

- The IOD forecast for 2017-18 is $11.7 billion which compares to a Q3 estimate for 2016-17 of $11.4 billion. Interest on debt as a percentage of government revenue declined from a peak of 15.5% in 1999-2000 to 8.3% projected in 2017-18.

- A sustained one percentage point increase in both short-term and long-term interest rates at the beginning of 2017-18 would increase IOD by approximately $350 million for 2017-18.

- IOD-at-risk[6] for 2017-18 is estimated at $104 million at 95% confidence interval. However, with much higher levels of volatility, IOD-at-risk could increase by as much as $250 million under different yield curve scenarios.

- IOD stress testing is based on three distinct market scenarios: changes to interest rates; changes in FX; and changes to CPI. This represents a potential increase in IOD of about $500 million. A potential default loss component is also estimated based on the stressed market scenarios. The potential default loss for 2017-18 is estimated at about $50 million.

- The IOD loss limit for 2017-18 is $351 million. This is established in the OFA Market Risk Policy as 3% of budgeted IOD for the fiscal year.

- Increases in floating rate or foreign exchange exposures executed in 2017-18 will further increase potential losses, and adoption of new accounting standards, especially for foreign exchange, has the potential to appreciably increase IOD volatility if these new standards are adopted over the next few years.

---

5 Stress testing can be defined as the examination of the potential effects on an entity's financial condition arising from a set of specified changes in risk factors corresponding to exceptional but plausible events.

6 Interest on Debt (IOD)-at-risk is Value-at-Risk (VaR) applied to IOD. IOD-at-Risk is an IOD loss amount which would not be expected to be exceeded at the 95% confidence level over a one year time horizon.

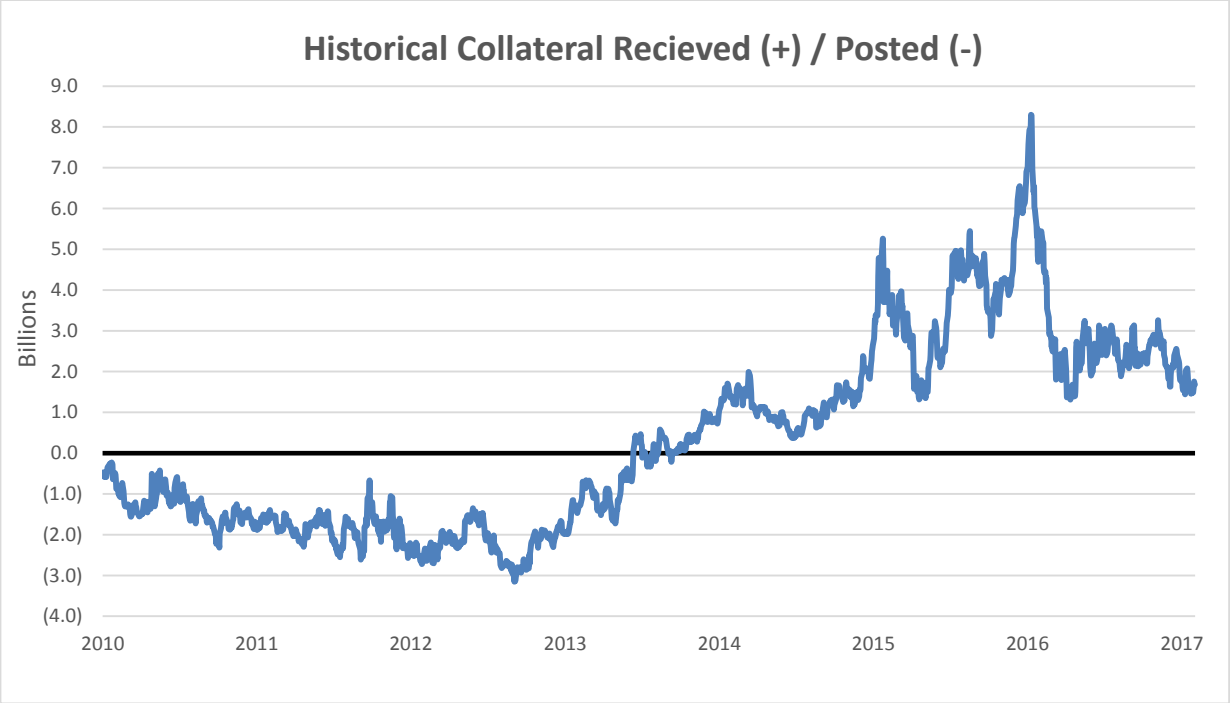
H. DERIVATIVES RISK MANAGEMENT

- The Province of Ontario uses derivatives to manage its financial risks. Interest rate and currency swaps are used extensively to hedge foreign debt issues back to Canadian dollars.

- As of December 31, 2016, foreign debt outstanding was $53.9 billion for the Province. The notional value of the derivative portfolio was $153.3 billion, which consisted of $82.7 billion in interest rate swaps, $39.5 billion in cross-currency swaps, and $31.1 billion in foreign exchange contracts.

- Ontario's hedging transactions related to international borrowing result in credit risk to our derivative counterparties. The Province has been implemented CSA's with derivative counterparties to mitigate this counterparty credit risk. In addition to reducing counterparty credit risk, CSA's also enhance market liquidity, efficiency and pricing for derivative transactions. We have signed CSA's with 10 counterparties, and no new CSA's have been added in the last year. Ideally we would like to have CSA's signed with all of our major derivative counterparties, but this is unlikely as some counterparties have found the Province's thresholds to be too aggressive.

- Although the use of CSAs will mitigate counterparty credit exposure related to derivative transactions, there will also be an impact on the Province's liquid reserve portfolio and liquidity risk management as the movement of collateral is two-way. The chart below shows collateral movement since the CSAs were first implemented 7 years ago. From 2010 to 2013, Ontario was posting net collateral up to a maximum of approximately $3 billion, whereas from 2014 to 2017, Ontario was in receipt of net collateral up to a maximum of approximately $8 billion. These results illustrate the volatility and magnitude of collateral being exchanged with CSA counterparties.



- Risk Control division stress tests the existing derivatives portfolio using various scenarios to determine potential changes to the mark-to-market value of the swap portfolio. These results are summarized in the table below, and illustrate the potential credit exposure the Province could encounter in the absence of CSA's. With the Province having executed CSA's with the majority of its counterparties, the credit exposure risk has been mitigated with the receipt of collateral. However, liquidity risk has been increased as the Province will have to post collateral in certain situations. A more detailed listing of the foreign currency and interest rate assumptions used in the analysis are provided in Appendix 9. Appendix 10 is a more detailed analysis of exposure changes for each of our derivative counterparties at various confidence levels for different terms.

Change in Derivative Portfolio Market Value (CAD million)

(As of January 31, 2017)

Currency Scenario	10%	20%	30%	1D VaR @ 95% Confidence	1yr VaR @ 95% Confidence
CAD appreciates vs all currencies	(5,612)	(11,225)	(16,837)	(546)	(8,842)
CAD depreciates vs all currencies	5,612	11,225	16,837	546	8,842

Interest Rate Scenario	1D VaR @ 95% Confidence	1yr VaR @ 95% Confidence
CAD Curve shifts up	123	1,908
CAD Curve shifts down	(124)	(2,118)

	CAD Curve	All Curves
Up 125 bps	2,330	570
Down 125 bps	(2,623)	(729)

Positive figures in the table above represent an increase in credit exposure whereas negative figures represent a decrease in exposure. Ontario's credit exposure to derivative counterparties generally increases when the Canadian dollar depreciates, Canadian interest rates rise, or foreign interest rates decline. In contrast, credit exposure generally decreases as the Canadian dollar appreciates, Canadian interest rates decline, or foreign interest rates rise. For example, if the Canadian dollar appreciates by 20%, total credit exposure would decrease by $11.225 billion assuming all other factors stay constant. With CSA's in place, we would need to post an additional $11.225 billion comprised of collateral related to swaps and/or cash related to the rolling of FX contracts in this scenario. The table also provides stress tests using Value-at-Risk (VAR) to determine 95% confidence intervals for 1 day and 1 year potential changes in credit exposure.

The results show the large changes to potential credit exposure given the large size of the derivatives portfolio as well as the potential collateral the Province may have to post in certain situations. In addition to collateral for swaps, the potential cash flows associated with rolling over foreign exchange contracts are also captured in the results. These impacts are considered in overall liquidity management and result in a higher level of liquid reserves being necessary.

Another potential demand on collateral could arise from a credit rating downgrade. The CSA has varying collateral thresholds based on Ontario's credit rating. A one notch downgrade from the current S&P rating of A+ to A could have a potential impact of posting an additional $550 million of collateral. However, based on the current mark-to-market exposure, an additional $50 million of collateral would only need to be posted.

Any future increase in the amount of foreign debt outstanding and the size of the derivatives portfolio could result in greater potential collateral requirements in the future. These potential increases would need to be considered in overall liquidity management and the level of liquid reserves in the future years.

Proposed Derivative Reforms

The regulatory response to the financial crisis has been a key driver of changes in the over-the-counter derivatives (OTCD) market. These reforms are being driven by G20 commitments, the development of Basel III and changes to capital charges by financial institutions, along with the passage of the Dodd-Frank Wall Street and Consumer Protection Act in the United States ("Dodd-Frank"), the European Market Infrastructure Regulation (EMIR) and the proposed rules and requirements by Canadian Securities Administrators, which are adopted by the provincial and territorial regulators in Canada. (Please see Appendix 3 for a more in depth analysis)

Derivative market reforms will increase cost pressures for the Province's derivative transactions going forward due to the asymmetrical nature of our CSA thresholds. The Province's derivative counterparties have been incurring increased regulatory charges such as the Credit Value Adjustment (CVA) and the Funding Value Adjustment (FVA) due to the asymmetrical CSA thresholds. Fewer of our derivative counterparties are still willing and/or able to absorb these increased regulatory charges when pricing swap transactions. As a result, we will likely be incurring additional costs to access the swap liquidity we required going forward. The OFA plans to review the CSA thresholds this year, and may consider moving to symmetrical thresholds if lower transaction costs and greater liquidity can be achieved. The trade-off would be increased liquidity risk arising from the additional collateral the Province may potentially need to post if the thresholds were equal, which could be up to $2.5 billion in certain situations based on our current credit rating.

Although the use of derivatives cannot be eliminated given the size of the Province's borrowing program, the use of derivatives will be reduced where possible given the potential increased cost and liquidity risk of using derivatives.

I. CLIENT INVESTMENT MANAGEMENT

1. Segregated Funds

- The OFA provides discretionary and non-discretionary investment services to seven public bodies. Discretionary clients are those that have contracted the OFA to make investment decisions on their behalf. Non-discretionary clients are those that make their own investment decisions primarily based on their cash-flow expectations. Currently, the OFA provides discretionary services to five investment clients and non-discretionary services to three investment clients.

- The objectives of assisting public bodies invest money on a segregated basis include:

  - ensuring that public bodies have consistent investment management structures that follow industry best practices;
  - producing cost savings arising from economies of scale, low custodial and investment management fees; and
  - managing investments as per the investment policies and maximizing return by applying the appropriate risk/return trade-offs.

  - The portfolio sizes for discretionary and non-discretionary clients as of January 31,2017 are as follows:

Portfolio	Assets ($ Millions)
Pension Benefits Guarantee Fund	561
Deposit Insurance Corporation of Ontario	230
Ontario Trillium Foundation	173
Ontario Infrastructure Lands Corporation	184
Ontario Capital Growth Corporation	35
Subtotal Discretionary	**1,183**
Ontario Immigrant Investor Corporation	666
Northern Ontario Heritage Fund	201
Ontario Capital Growth Corporation 2	55
Subtotal Non-Discretionary	**922**
Total Assets	**2,105**

  - The Investment objectives, risk tolerances and performance of the discretionary accounts are provided in Appendix 11.

Investment and Performance Monitoring Process

Discretionary Clients

- The public body develops a Statement of Investment Policy & Procedures (SIPP) for management of investments. The SIPP outlines risk/return parameters including income objectives, liquidity requirements, security of capital considerations and applicable performance benchmarks. The SIPP is then approved by the Board of Directors of the public body.

- An investment management agreement (IMA) between the client and the OFA is established to outline the roles and responsibilities of the OFA. The OFA utilizes Ministry of Finance Legal Services Division to finalize the IMA.

- Capital Market staff manage investments as per the approved SIPP and communicate with public body staff.

- Risk Control Division calculates and reports the actual performance versus the relevant benchmark on a monthly basis.

- OFA provides Quarterly Performance and Compliance Reports to clients (reports are sent to their respective Boards or Audit & Finance Committees).

    - OFA presents the Quarterly Report at PBGF Management Committee meeting.
    - OFA attends the DICO and OTF Audit & Finance Committee meetings at least once a year and the Quarterly Report is included in the Audit & Finance Committee package.
    - OFA provides Quarterly Report to OCGC with respect to the commitment fund for the Ontario Venture Capital Fund and the Northleaf Venture Catalyst Fund.

Non-Discretionary Clients

- Funds are invested in Ontario treasury bills and bonds with maturity dates determined by the public body.
- Finance & Treasury Division sends monthly statements of outstanding positions to the public body staff.
- Public body staff review investment holdings, performance and report to their respective Boards, committees, etc.

For 2017-18, the plans for the segregated funds include:

- continuing to work with existing investment management clients to review their investment management objectives and strategies;

- identifying and advising other public bodies that could benefit from the OFA's investment expertise with segregated funds;

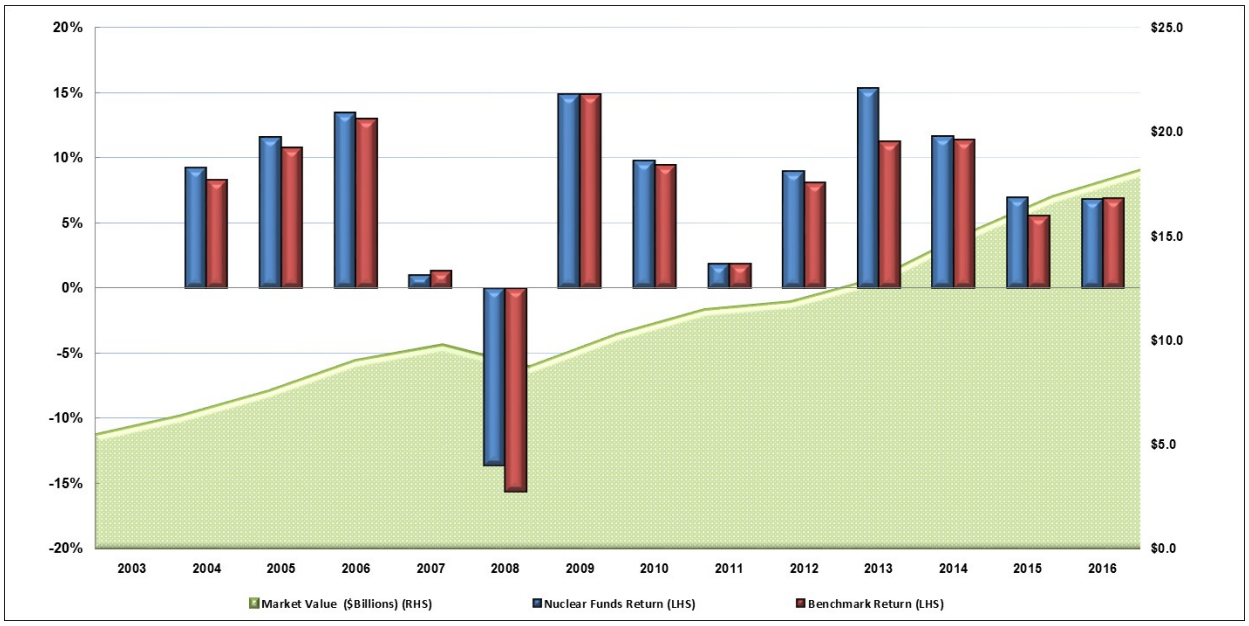
- Evaluating the conversion from non-discretionary management to discretionary management where appropriate.

2. Ontario Nuclear Funds

- The Ontario Nuclear Funds Agreement (ONFA) was signed in March 2002 by the Province and Ontario Power Generation Inc. (OPG). The main objective of ONFA is to ensure sufficient funds are available to pay for the future costs of decommissioning nuclear stations and disposing of nuclear waste and used fuel. ONFA came into force in July 2003 with the creation of two segregated funds, the Decommissioning Segregated Fund and the Used Fuel Segregated Fund, which are jointly managed by OPG and OFA, on behalf of the Province.

- In order to meet the long-term target rate of return of 3.25% real, the Nuclear Funds have been invested using a diversified asset class strategy with external investment managers. The current target asset mix for the Nuclear Funds is 45% equity, 35% fixed income and 20% real assets.

Nuclear Funds Historical Performance and Market Value

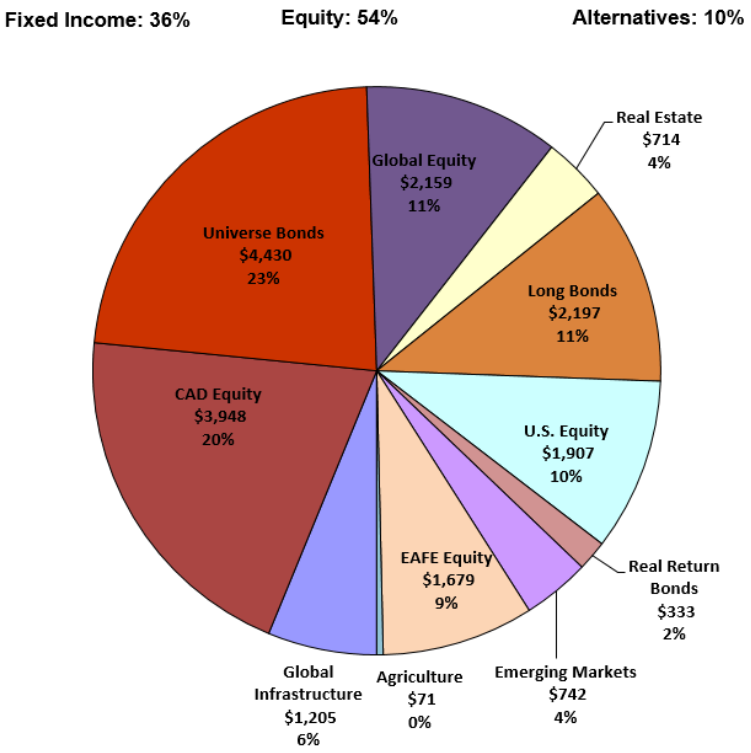


- For the year ending December 31, 2016 the Nuclear Funds returned 6.87%, underperforming the benchmark return of 6.95%. Most asset classes, with exception of EAFE Equity, provided positive absolute returns during 2016. Since inception, the Nuclear Funds have outperformed the benchmark by 79 bps (7.57% versus 6.78%) annualized.

- Since inception, the Used Fuel Segregated Fund has outperformed its long-term rate of return target by 265 bps (7.75% versus 5.10%) and the Decommissioning Segregated Fund has outperformed its long-term rate of return target by 218 bps (7.49% versus 5.30%) annualized.

- The assets of the Nuclear Funds have grown from $4.9 billion at inception to $19.4 billion at December 31, 2016, through a combination of asset appreciation and OPG contributions. Although there are currently modest disbursements out of the Nuclear Funds, there are no major disbursements expected prior to 2018.

Nuclear Funds Asset Mix as at December 31, 2016 ($ millions)



Objectives for 2017-18

- During 2017-18, investment staff will complete implementation of a fixed income overlay and hire a dedicated corporate bond manager for the fixed income portfolio.

- During 2017-18, investment staff will undertake an asset-liability study based on the approved Reference Plan.

- Investment staff will continue to evaluate potential investment opportunities in real estate, infrastructure and agriculture in order to increase the exposure within the real asset class allocation. Since December 31, 2015, the Nuclear Funds' allocation to real assets increased by a total of $398 million.

    - *Real Estate* – Evaluate potential investments globally to further diversify the asset class and complement the current core real estate managers.

    - *Infrastructure* – Staff will evaluate potential investment opportunities, evaluating potential fund investments and co-investment opportunities to further diversify the portfolio.

    - *Agriculture* - Continue to monitor and evaluate potential investments to further diversify the real asset portfolio.

3. Other Financial Services

- Ontario Infrastructure and Lands Corporation (OILC) provides loans for infrastructure development to the broader public service including municipalities.

- In 2014-15, OILC started borrowing directly from the Province through a short-term credit facility. Previously, the OFA had conducted bi-weekly auctions of OILC commercial paper. The limit on the short-term credit facility is $900 million, and as of February 28, 2017, there was $445 million that had been borrowed.

- In 2015-16, OILC started borrowing long-term funds from the Province through a long-term credit facility. Under the long-term credit facility, OILC borrows funds from the Province that match the term and structure of the loans provided to OILC's clients. The details of the long-term credit facility are provided in the following table.

OILC Long-Term Credit Facility				
Facility	**Effective Date**	**Maturity Date**	**Amount Authorized**	**Amount Borrowed (As of Feb 28/17)**
1524/2014	March 30, 2015	November 14, 2016	$2,818,658,341	$1,646,535,463
1566/2016	November 14, 2016	November 14 ,2018	$2,500,000,000	$406,951,599

- The loans to OILC are funded through the Province's borrowing program, and represent only a small component of the Province's overall borrowing program and debt portfolio. While the Province's borrowing requirement will increase in order to fund OILC's loans, net debt remains unchanged since any increase in the Province's borrowing is offset by loans issued to OILC.

- This new funding model is a relatively large undertaking for the OFA as indicative pricing is provided to OILC twice a week, and a total of 125 transactions per year had originally been projected. The table below provides summary statistics for the actual loans made in 2016-17. As a comparison, a total of 121 loans totaling $1.3 billion were completed in 2015-16.

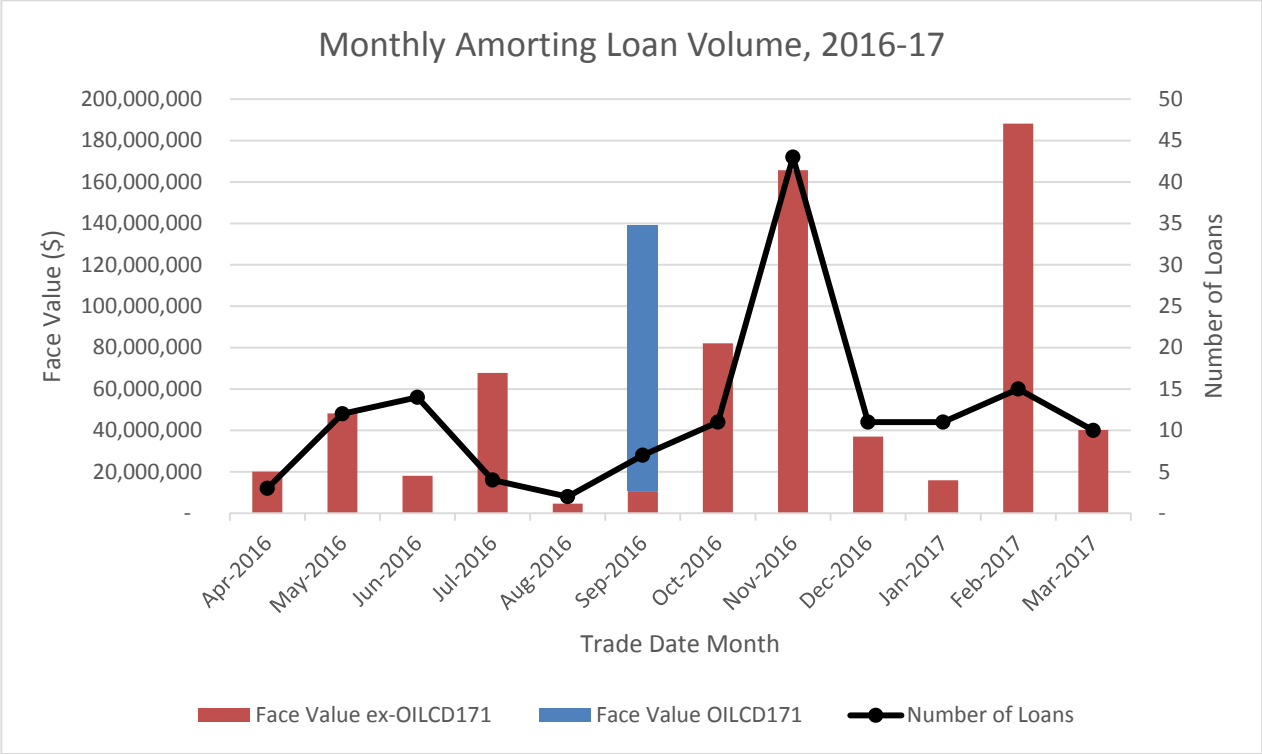
OILC Loans From Province 2016-17				
	# of Transactions	**Loan Notional ($billions)**	**Final Term (Years)**	**Average Life (Years)**
Amortizing Loans				
Total	143	826.9		
Average		5.8	20.4	11.8
Minimum		0.04	5.0	2.5
Maximum		128.4	30.0	17.7
Non Amortizing Loans				
Total	0	0	na	na

- For comparative purposes, statistics for Ontario's overall borrowing program are also provided in the table below. These results show that the loans provided to OILC fall within the terms of borrowing achieved by the Province in 2016-17.

Province Borrowing Summary 2016-17				
	# of Transactions	**Borrowing Notional ($billions)**	**Final Term (Years)**	**Average Life (Years)**
Non-Amortizing Loans (1)				
Total	65	27.0		
Average			13.9	13.9
Minimum			2.6	2.6
Maximum			32.0	32.0
Amortizing Loans				
Total	0	0	na	na

Notes: (1) Includes Ontario Savings Bonds (OSBs) and Ontario Immigrant Investor Corporation (OIIC).

- The chart below shows the monthly loan volume by notional amount and number of transactions for 2016-17. These results illustrate that loans were generally spaced out through the year, with exceptions being September 2016, November 2016, and February 2017. In September, a single loan of $128.4 million was transacted. In November 2016, 43 loans totaling $166.7 million were transacted. In February 2017, total loans of $188.2 million were transacted.



- For 2017-18, it is projected there will be approximately 100 loans executed for total notional of approximately $600 million.

Other services provided to OILC related to Capital Markets include;

- Execute financial transactions for OILC related to their risk management and investment programs as requested. Transactions have included money market, bonds, and swaps;
- Provide benchmark swap and bond rates for Infrastructure Project (AFP) transactions;
- Assist OILC with financial market related queries, structuring of derivatives and indicative pricing of various swap/swaption structures as requested.

J. COMMODITY RISK MANAGEMENT

1. Non-Utility Generation (NUG) Portfolio

- OEFC manages long-term power purchase agreements (PPA's) with a number of non-utility generators (NUGs). The number of contracts have declined in recent years as the contracts expire. In 2016, the Independent Electricity System Operator under the direction of the Ministry of Energy, executed agreements with a number of the gas-fired NUGs which incentivizes them to operate in a manner that is better aligned with the integrated power system's needs, reducing costs to ratepayers and lowering carbon emissions. In terms of the contracts OEFC manages, the contracts were either terminated or suspended, depending on the agreement IESO reached with the NUG. As of February 1, 2017, there are currently 20 NUGs for a total capacity of 471 MWs. OEFC will continue to implement short-term curtailment transactions to reduce OEFC costs while also reducing supply during off-peak periods but the number of transactions and curtailment cost-savings is expected to be significantly lower as the number of gas-fired NUGs have declined. Appendix 12 provides additional information on the NUG supply.

2. Diesel Price Risk (Metrolinx)

- Metrolinx continues to look at fixing the price they pay for fuel, used in their day to day operations, by entering into commodity swaps. The OFA continues to work with Metrolinx on this commodity hedging initiative. The decision to hedge fuel prices will rest exclusively with Metrolinx and they will provide instructions to the OFA to transact with the market on their behalf. Commodity swaps are not a typical instrument the OFA undertakes, as such a new pricing model has been developed for this purpose. Outstanding legal issues and Metrolinx bylaw amendments have been addressed. ISDA negotiations with five of Canada's largest banks have been completed. It is now projected that this commodity hedging program will become fully operational in the current fiscal year. At this time, Metrolinx uses approximately 80,000,000 litres of diesel per year. Metrolinx may hedge up to 80% of this amount in the commodity swap market, subject to market conditions.

IV. PERFORMANCE MEASUREMENT

- Capital Markets Programs have well-defined performance benchmarks approved by the Board of Directors on an annual basis at the beginning of each fiscal year. Performance results measured against the benchmarks are reviewed by Internal Audit Division and reported to the Board of Directors by Risk Control Division.

- A summary of the existing Performance Measures for 2016-17 is provided in Appendix 13 (Performance Measures). The 2017-18 Performance Measures will be approved at the June 2017 Board Meeting.

V. ACCOUNTING UPDATE

- At the June 2015 Public Sector Accounting Board (PSAB) meeting the effective date of the financial instruments accounting standards issued by PSAB in July 2011 was extended to April 1, 2019 from April 1, 2016. In 2016, PSAB staff met with stakeholders from senior governments to get feedback on the proposed standards and reported back their findings to the board in December 2016. PSAB staff are conducting further stakeholder meetings with Not-for-Profits and Municipalities in 2017.

- The standards require immediate recognition of the following in a separate statement called Remeasurement Gains and Losses:

    - Unrealized foreign exchange gains and losses of foreign currency debt; and
    - Unrealized changes in fair value of derivatives.

- Unrealized gains and losses and changes in fair value are an approximation of what would happen if the debt, derivative or asset currently held was sold, even though the Province intends to hold the instrument to maturity.

- When derivatives and foreign currency debt mature, the accumulated balance in the Statement of Remeasurement Gains and Losses pertaining to that instrument will be reclassified to the annual surplus/deficit of the Province. If the foreign currency debt and the derivatives are in a hedging relationship with similar terms, the realized gains or losses should offset each other. However, when term of the derivative is less than that of the underlying foreign currency debt, the realized gain or loss when the derivative matures will impact Interest on Debt (IOD) with no offset from the change in value of the debt. The recognition of fair value of derivatives will contribute to fluctuations to Net Debt that cannot be accurately forecast.

- The standard should reflect the economic substance of the use of derivatives. Derivatives are generally used for hedging, thus reducing volatility that might otherwise occur in a diverse borrowing program whose debt issuance includes both floating rate and foreign currency denominated instruments.

- In February 2015, the OFA coordinated a second memo to PSAB from the provincial borrowing communities indicating their disappointment with a previous Exposure Draft issued by PSAB and echoing Ontario's request that the standard be amended to include hedge accounting as an option. In March 2015, a special PSAB meeting for the financial instruments standards was held and Murray Lindo, the Provincial controller and PSAB member, based on briefing by the OFA outlined the concerns of Ontario and the other provinces. As a result in June 2015, PSAB approved an amendment to the transitional provisions to extend the effective date to April 1, 2019.

- In October 2016, the OFA engaged the services of Deloitte Inc. to assist in assessing the fiscal and operational impact of PS 3450 and PS 2601 on the Province as well as engage with PSAB and other stakeholders with the aim of amending the standards to address the concerns of the Province and borrowing community.

APPENDICES 1-14

APPENDIX 1 - COMPARISON OF GOVERNMENT FX & FLOATING RATE EXPOSURES, AND BORROWING REQUIREMENTS

COMPARISON OF GOVERNMENT FX & FLOATING RATE EXPOSURES, and BORROWING REQUIREMENTS			
	Projected as of March 31, 2016		2017-18
	Foreign-Currency Exposure[1]	Floating-Rate Exposure[1,2]	Borrowing Requirements ($ bln)
British Columbia	0.0%	21.0%	5.4
Alberta[4]	11.0%	12.0%	18.7
Saskatchewan[7]	4.3%	13.1%	2.7 X[7]
Manitoba	0.0%	18.0%	Apr11
Ontario[3]	**0.3%**	**19.9%**	**23.3 (FES)**
Québec[5]	0.0%	12.0%	11.3
New Brunswick[6]	0.0%	10.0%	<2.4 est>TBA
Nova Scotia	2.0%	13.0%	<0.9 est>Apr 27
Prince Edward Island	0.0%	9.5%	0
Newfoundland	7.4%	20.3%	0.4
Government of Canada	3.1%	33.62%	142

[1] Tax–Supported. Net of hedges. Calculated as a % of gross market debt.
[2] Floating rate debt is defined as all debt maturing or being repriced within 12 months.
[3] Based on 2016 Ontario FES. Direct debt only.
[4] This figure includes ACFA's 3.05B, ATB's $2.5B, APMC $481M and AFSC $315M borrowing requirement.
[5] Includes Financement Quebec $1.2 B and does not include approx. Hydro Quebec $1.5B.
[6] Includes NB Electric Finance Corp $XXXB and Municipal Finance Corporations $XXXM.
[7] the borrowing for Saskatchewan Includes Crown Corporations

Sources: Dec 2016 DBRS (FX & Floating-Rate Exposures), BMO Capital Markets (Provincial Borrowing Requirements), Department of Finance Canada (Canada Borrowing Requirement).

APPENDIX 2 - ECONOMIC OUTLOOK AND RISKS

Ontario real GDP increased 2.6 per cent annualized in the third quarter of 2016, after rising 0.7 per cent annualized in the second quarter. In the *2016 Economic Outlook and Fiscal Review,* real GDP is projected to grow by 2.5 per cent in 2016, 2.2 per cent in 2017, 2.1 per cent in 2018 and 1.9 per cent in 2019. Exports and business investment are expected to be key drivers of Ontario's economic growth over the forecast period.

Long-term interest rates in many countries, including Canada, have risen markedly in recent months. U.S. treasury yields have lead the increases, reflecting an anticipated fiscal policy boost and Federal Reserve rate hikes. The U.S. Federal Reserve raised interest rates in December 2016, following an increase in December 2015. Meanwhile, the Bank of Canada, like many other central banks, has not started to raise interest rates. The yield on a three-month Canadian treasury bill is expected to be 0.5 per cent in 2017, unchanged from 2015 and 2016. The three-month treasury bill yield is projected to average 0.8 per cent in 2018 and gradually increase to 1.9 per cent in 2020. Long-term Government of Canada bond yields are expected to average 1.9 per cent in 2017, up from 1.3 per cent in 2016, and rise steadily to reach 3.2 per cent in 2020.

Private-sector forecast averages for interest rates and the Canadian dollar are provided below.

		Private-Sector Average				
	Market Rates (Mar 31, 2017)	**Period Average**				
		17Q2	**17Q3**	**17Q4**	**18Q1**	**FY16/17**
US ¢ per C$ C ¢ per US$	75.2 1.3297	74.0 1.3514	74.0 1.3514	74.5 1.3423	74.5 1.3423	74.3 1.3459
GOC 3MTB (%)	0.54	0.49	0.52	0.55	0.60	0.54
GOC 10Y (%)	1.73	1.85	2.00	2.10	2.20	2.04

RISKS AND CONTINGENCIES

GLOBAL ECONOMIC UNCERTAINTY

Global economic growth is projected to improve over the 2017-18 period, with rising output in advanced economies such as the United States and Canada as well as emerging market and developing economies. However, a heightened level of uncertainty surrounds this outlook.
The slow economic recovery following the 2008-09 global financial crisis has contributed to a shift towards inward-looking policy platforms and trade protectionism.
The new U.S. administration has indicated its intention to alter international trade agreements, including the North American Free Trade Agreement (NAFTA). A rise in protectionist measures in the U.S. would not only directly impact export and investment prospects for Ontario, but have ramifications for global economic activity.
Policy moves have also been announced to tighten immigration policy in the United States. A significantly restrictive approach to immigration policy could dampen labour supply and long-term U.S. economic growth. This would lower Ontario`s export potential and likely hinder investment activity.

U.S. ECONOMIC GROWTH

Real GDP growth in the United States rebounded in the second half of 2016, following a slowdown earlier in the year, largely due to weakness in business investment. The U.S. labour market continues to make solid gains, supporting rising wage gains and household spending. Additionally, growth is expected to be boosted by tax cuts and infrastructure spending. According to the February forecast from *Blue Chip Economic Indicators,* U.S. real GDP growth is projected to expand by 2.3 per cent in 2017, following growth of 1.6 per cent in 2016. U.S. real GDP growth is forecast at 2.4% in 2018 and 2.1% in 2019. The strengthening U.S. economy should have a positive impact on the Ontario economy. Solid U.S. demand and a low Canadian dollar will help support export activity.

OIL PRICES

Oil prices have risen in recent months, following the agreement among Organization of the Petroleum Exporting Countries (OPEC) and some non-OPEC members to lower oil production. With these cuts, global oil demand will likely exceed supply, which will result in declines in elevated inventories and upward pressure on prices. Continued firming of oil prices will be determined in large part by OPEC production decisions and whether U.S. suppliers will increase output. However, oil prices are expected to stay well below the $100 US per barrel reached three years ago. Private sector forecasters expect the price of West Texas Intermediate (WTI) oil to average $55 US per barrel in 2017 and gradually increase over the medium term, reaching $65 US by 2020.

Since Ontario is an oil importing jurisdiction, lower-priced oil reduces input costs for industry and puts money into consumers' pockets.

CANADIAN DOLLAR EXCHANGE RATE

The Canadian dollar has recently strengthened, supported by higher oil prices. Gradually rising oil prices are expected to support a rising exchange rate over the next few years. However, the differing path of U.S. and Canadian monetary policy could limit near-term gains in the Canadian dollar. The Canadian dollar is expected to average 74.5 cents US in 2017, modestly lower than 75.5 cents US in 2016. The Canadian exchange rate is expected to remain well below parity with the U.S. dollar, reaching 80.0 cents US by 2020.

HOUSEHOLD DEBT AND CREDIT CONDTIONS

In recent years, resale home price appreciation has outpaced income gains, fueling mortgage debt accumulation. The high level of household debt remains one of the key risks for the outlook. Despite historically low mortgage rates, monthly carrying costs are elevated relative to long-term trends. High levels of debt, combined with elevated resale prices, leave Ontario households potentially more vulnerable in the event of an economic downturn.

APPENDIX 3 - DOCUMENTATION, REGULATORY AND DISCLOSURE REQUIREMENTS FOR DEBT ISSUANCE AND DERIVATIVES

DOCUMENTATION AND DISCLOSURE REQUIREMENTS

DEBT ISSUANCE

DOMESTIC MARKET

The Province of Ontario as a government issuer of debt securities such as Domestic Medium-Term Notes, Ontario Savings Bonds, CPP Program and T-bills, is exempt from prospectus requirements and registration requirements in Canada and as such is not required to file any financial or material change information with the Ontario Securities Commission ("OSC") or other domestic securities regulators.

Although not legally required, from a market credibility perspective, it is important that all material information be disclosed to investors before launching a bond issue. Disclosure of information is provided to investors through the publication of the Province's financial releases such as the Ontario Budget, Quarterly Ontario Finances and Public Accounts.

INTERNATIONAL MARKETS

The Province as a sub-sovereign issuer of debt securities in foreign markets such as the U.S, the EU, Luxembourg and Australia, is subject to international securities laws and the applicable prospectus, registration and disclosure requirements in each jurisdiction and is required to file financial information with or report any material change to the applicable securities regulator or self-regulatory organizations.

More importantly, the Province is required to make timely and adequate disclosure of all material information to investors.

Information is judged to be material if a reasonably informed investor would view it as relevant in making an investment decision (i.e., material adverse changes in revenues, expenditures, deficit levels, economic outlook, and major policy changes).

- In general, legal counsel would have disclosure concerns (and concerns about legal liability) for any total variance in the range of $500 million to $1.0 billion on either revenues or expenditures. Any net impact on the bottom line in the similar range would also raise concerns.

- If a material adverse event occurs between the time of launching a bond issue and the closing date (typically 5-10 days), this would be detrimental to the success of the bond issue as the underwriters would have the right to refuse to close the transaction.

- If after the bond issue closed (for example, within 60 days), it is determined that the Province did not provide full disclosure or made a material misstatement in its statutory disclosure documents, investors have a legal right to sue the Province and its representatives for either

damage or the right to return the bonds. This could also result in substantial liability under the anti-fraud provisions of U.S. securities laws.

U.S. MARKET

In order to raise funds either through Global Bond offerings or through U.S. Medium-Term Note private placements to U.S. investors, the Province is required to file a Shelf Registration Statement under U.S. securities laws. Since 1993, the Province has filed Registration Statements with the U.S. Securities and Exchange Commission ("SEC") using a "shelf registration process", the most recent being in April of 2016 which allowed the Province to offer on a continuous basis up to US$20 billion aggregate principal amount of securities which constitutes an estimate of how much the Province expects to sell in the U.S. market in the next 2-3 fiscal years. With each issuance, the amount registered is drawn down by the dollar amount of sales to U.S. investors. As at February 14, 2017, there is currently US$15.7 billion remaining on the U.S. shelf. A new shelf registration is initiated when the amount remaining is approximately US$5 billion or less, thereby ensuring there is sufficient room for the Province to continue to borrow in the U.S. market while the documentation for the new shelf is finalized and registered by the SEC with the assistance of the Province's U.S. legal counsel.

The Shelf Registration Statement filing is comprised of a Base Prospectus which provides a general description of the Province, the securities that may be offered and the documents incorporated by reference such as the Ontario Budget, Quarterly Ontario Finances, Public Accounts, Exhibit (d) to Ontario's Annual Report on Form 18-K and associated amendments. Whenever the Province issues securities into the US, it must ensure that its Shelf Registration Statement and all supplements and amendments filed with the SEC provide full disclosure of all current and relevant financial information or material changes about the Province to its investors.

Although the Province as a foreign government is not subject to the periodic reporting requirements of U.S. securities law, the Province has agreed (as is the market practice for sovereign issuers) to file on a voluntary ongoing basis, material disclosure (i.e., Ontario Budget, Quarterly Ontario Finances, Public Accounts, Exhibit (d) to Ontario's Annual Report on Form 18-K and Form 18-K/A amendments) and other material information promptly. This includes annually filing a full update of Exhibit (d) to Ontario's Annual Report on Form 18-K with the SEC within 9 months after the Province's fiscal year end. Material information must be disclosed and disseminated electronically by filing via the SEC's Electronic Data Gathering, Analysis, and Retrieval ("EDGAR") system so all investors can access it.

With the pending release to the public of material announcements and financial releases such as the Budget, Quarterly Ontario Finances, Public Accounts, etc., black-out periods are put in place during which the Province cannot issue in the markets. This ensures that the Province is not required to disclose information to investors that is not yet public or that new material information is not released in the middle of an issue. After the release of the information, the blackout period extends until such time as all regulatory filings of the released information are complete. The Province was in blackout for 36 days as shown in the notes following the 2016 Ontario Disclosure and Filing Calendar.

With each Global Bond offering and in accordance with SEC requirements, the Province prepares a Preliminary Prospectus Supplement (general information about the issue), a Free Writing Prospectus (a form of terms agreement with the underwriters), and a Final Prospectus Supplement (full and final details of the issue) and files on EDGAR.

Each Prospectus Supplement must ensure that all material information has been disclosed and that there has been no material change or omission. Additionally, the Province must also comply with the rules and regulations of the Luxembourg Stock Exchange with respect to the admission of the Bonds to the Official List and to trading on the Euro MTF Market by preparing a Luxembourg Prospectus.

After the closing of each issue, the Fiscal Agency Agreement, Underwriting Agreement, SEC Legal Opinion and Schedule of Expenses in connection with a deal are also filed on EDGAR.

STOCK EXCHANGE LISTINGS

The Province's debt securities are listed on a number of international stock exchanges, namely the Main Market of the London Stock Exchange, the Euro MTF Market of the Luxembourg Stock Exchange, the Luxembourg Green Exchange ("LGX"), the SIX Swiss Exchange, the Hong Kong Stock Exchange and the Singapore Exchange Limited.

The disclosure requirements vary depending on the securities laws of each of those jurisdictions. At a minimum, the Province must file its annual audited financial statements for as long as the securities remain outstanding. In some cases, the Province also has continuous disclosure obligations to report material changes for the life of the issue.

DEBT ISSUANCE PROGRAMS

The Province has established several programs under which securities may be issued from time to time and therefore require continuous disclosure. The disclosure must be kept current as long as the program is active and securities issued under the program remain outstanding.

MONEY MARKET SECURITIES

T-BILL PROGRAM

To assist with management of its liquid reserves, the Province maintains a T-bill Program with a current program limit of C$27.0 billion and a limit of C$6.0 billion for OEFC. Provincial T-bills are money market securities (generally with a term of under 1 year, although legislation permits terms of up to 3 years) which are currently issued weekly. If required, the T-bill program limit may be adjusted to ensure sufficient flexibility to effectively manage liquid reserves. While there are no regulatory disclosure requirements associated with T-bills, the Province is required to coordinate documentation with its T-bill issuing and paying agent and the domestic clearing and settlement system where the T-bills are lodged.

U.S. COMMERCIAL PAPER (USCP) PROGRAM

The Province maintains a USCP program, which provides for offerings of short-term debt securities issued at a discount to participating dealers. The USCP program is exempt from the registration requirements under U.S. securities law provided the securities have a maturity of up to 270 days and meet specific criteria determined by the regulators. The current USCP Program limit is set at C$15.0 billion, which may be adjusted if deemed necessary for prudent management of the Province's liquid reserves. USCP is hedged to Canadian dollars using foreign exchange to eliminate the currency risk.

LONG-TERM DEBT SECURITIES

DOMESTIC MEDIUM-TERM NOTE (DMTN) PROGRAM

Established in 2000, the DMTN program is the most significant source of long-term funding for the Province, accounting for up to 75% of the long-term funding requirement in any given fiscal year. While there are no formal prospectus or disclosure requirements under domestic securities laws, the Province prepares an overview of each offering containing the economic attributes of the offering, called "Bond Issue Details", which is published on the OFA website for the benefit of investors.

GREEN BOND PROGRAM

In accordance with the government's commitment to issue Green Bonds, the Province successfully launched a Green Bond Program on October 2, 2014 with an inaugural global Canadian dollar bond of C$500 million. The Province has since offered two additional Green Bonds, the second in January 2016 and the third in January 2017.

The Province's Green Bond Program is governed by a Green Bond Framework which established the types of projects which may be eligible under the Program. The Province publishes an annual newsletter reporting on the selected projects, their funding, progress and environmental performance.

The Province has adopted a Canadian dollar-denominated global format for its Green Bonds, whereby the securities are lodged in the domestic system but the disclosure process follows an approach similar to Global Bond offerings in the U.S. market and also provides a listing on the Luxembourg Stock Exchange. This ensures that international Green Bond investors are provided with access to fulsome disclosure information about eligible Green Bond projects and the Province's Green Bond Framework.

US MEDIUM-TERM NOTE (MTN) PROGRAM

In 2011, the Province established a United States Dollar Medium-Term Note Program ("USMTN Program") which provides for the issuance of Notes with a term of 9 months or more in the US market and was required to file a Prospectus Supplement to the Base Prospectus with the SEC on EDGAR. With each offer of Notes, the Province is required to file a Pricing Supplement.

EURO MEDIUM-TERM NOTE (EMTN) PROGRAMME

In 1992, the Province established an EMTN Programme to issue euro medium term-notes outside of Canada and the U.S. and to meet investor requirements in the European zone. The instruments are issued for terms ranging from 3 months to 50 years.

The Province uses an “Offering Circular” for EMTN instruments issued under the Programme which is updated annually, approved by the Luxembourg Stock Exchange and then valid for one year.

The Offering Circular incorporates by reference the Province’s Budget, the Public Accounts, Annual Report on Form 18-K and amendments thereto and supplement material information. With each new issue under the Programme, the Province files the Pricing Supplement of the deal.

In the event of a significant new factor, material mistake or inaccuracy relating to the information included in the Offering Circular which is capable of affecting the assessment of any instruments, the Province must file a supplement to the Offering Circular with the Luxembourg Stock Exchange.

The Offering Circular is a "prospectus" for the purposes of the admission to listing on the Official List of the Luxembourg Stock Exchange and to trading of the instruments on the Euro MTF market in accordance with the rules and regulations of the Luxembourg Stock Exchange. The Offering Circular does not constitute a prospectus for the purposes of the EU Prospectus Directive and accordingly does not provide a passport for the Province to make offers to the public across the EU on the basis of a prospectus subject to requirements prescribed by EU regulations and local securities law in those jurisdictions.

AUSTRALIAN DEBT ISSUANCE PROGRAMME (“KANGAROO PROGRAM”)

The Province’s Kangaroo Program provides for the issuance of Australian dollar denominated bonds “Kangaroo Bonds”. The Province filed an Information Memorandum in 2005 which incorporates by reference its filings with the SEC as well as Ontario’s Budget and its audited financial statements. There is no annual update for the Kangaroo Program documentation.

GERMAN REGISTERED NOTES

To diversify its funding sources, the Province has completed documentation for the issuance of German law registered notes Namensschuldverschreibungen (“NSV”) which are to be issued in Germany and governed by German law. NSV issuance will be of interest to German banks, insurance companies and pension funds. Disclosure of financial information will be provided to NSV investors through the publication of the Province’s Public Accounts on its website.

DUE DILIGENCE

The Province conducts due diligence conference calls with the Province's underwriters and their legal counsel after the release of the Ontario Budget, Quarterly Ontario Finances, Public Accounts, Exhibit (d) to Ontario's Annual Report on Form 18-K or other material information requiring disclosure and "bring-down" update - conference calls before each Global Bond offering is priced and closed. The call consists of detailed questions on the Province's economic and fiscal position that are addressed by OFA and Ministry of Finance staff. In the spring of 2016, the Province moved away from providing the exact number of claims outstanding against the Crown on any given due diligence call in favour of making a more general representation confirming that it is not involved in any claims which would materially affect the financial position of the Province. Should a material claim arise, it would be disclosed by MOF legal counsel.

- Conducting due diligence calls establishes a defense for the underwriters and their counsel under U.S. securities laws to liability for inaccuracies or omissions in the prospectus. Due diligence enables the underwriters to show that they had, after reasonable investigation, reasonable grounds to believe and did believe that the statements in the prospectus were true and that there was no omission to state a material fact required to be stated or necessary to make the statement not misleading.

Due diligence and bring down conference calls also permit the Province's representatives and their counsel to ensure that all material information has been disclosed and that all public information is accurate and complete. The Province, as an issuer, is strictly liable for any materially misleading or inaccurate information in the Prospectus or for any material omissions, regardless of any due diligence investigation.

DERIVATIVES

INTERNATIONAL SWAPS AND DERIVATIVES ASSOCIATION ("ISDA") MASTER AGREEMENTS AND CREDIT SUPPORT ANNEXES ("CSAS")

Existing ISDA Master Agreements are updated and new agreements negotiated as required. All swap confirmations are reviewed and processed within "best practice" timeframes recommended by ISDA, ensuring they correctly document the terms of the trade and are in accordance with the provisions of the corresponding Master Agreement. To date, the OFA has executed ten CSAs with its swap counterparties. Given the Province's large borrowing program, CSAs, by mitigating credit risks with its swap counterparties, are instrumental in facilitating better access for the Province to a broader range of domestic and international derivatives counterparties with whom it may transact to hedge the market risks associated with its debt issuances.

TRADE REPORTING

Trade reporting requirements are now effective in Canada, the U.S. and Europe where the swap transaction-level data must be reported to the prescribed trade repositories in each jurisdiction. All swap market participants must obtain a Legal Entity Identifier ("LEI") to transact in OTC derivatives. The Province and OEFC each obtained LEIs, which are maintained on an annual

basis. To comply with the requirements in all jurisdictions, the Province's derivatives trades are being reported by its dealer counterparties.

PUBLIC DISSEMINATION OF TRANSACTION DATA

OSC Rule 91-507 Trade Repositories and Derivatives Data Reporting Trade Reporting (the "Reporting Rule") came into force in Ontario, with respect to public dissemination of transaction-level data in April 2015. The OSC introduced certain measures in the November 2015 amendment to the Reporting Rule to protect the anonymity of OTC derivatives participants; however, such provisions were not sufficient to protect the anonymity of the Province when transacting in the Canadian OTC derivatives market. In consultation with the OSC, the OFA moved forward in the 2016 Budget, the required amendments to the Ontario Securities Act ("OSA") to provide exemptions for the Crown from the requirements of public dissemination of, or public access to, its transaction-level data.

WITHHOLDING TAX

Swap transactions and transactions under repurchase agreements entered into between the Province and a foreign counterparty may give a rise to withholding tax issues in regard to the interest, distribution and coupon payments from such transactions. In order to protect the Province from such unwanted foreign withholding tax issues and comply with the relevant requirements appropriately, the OFA has been proactively monitoring the changes in withholding tax laws and regulations applicable to the Province.

The Province's derivatives-related tax documentation is up-to-date in accordance with the U.S. Foreign Account Tax Compliance Act ("FATCA"), the Canada-United States Enhanced Information Exchange Agreement ("FATCA Agreement"), and OECD Common Reporting Standard for Entity Tax Residency.

REGULATORY DEVELOPMENTS AFFECTING THE PROVINCE

DEBT ISSUANCE

COOPERATIVE CAPITAL MARKETS REGULATORY SYSTEM

Currently, British Columbia, Ontario, Saskatchewan, New Brunswick, Prince Edward Island, Yukon and Canada (collectively, the "CMR Jurisdictions") are engaged in the development of a new Cooperative Capital Markets Regulatory System (the Cooperative System) under which a common regulator, the Capital Markets Regulatory Authority ("CMRA"), will be created to regulate financial markets in the CMR Jurisdictions. Under a Memorandum of Agreement, enactment of a uniform Capital Markets Act ("CMA") by the CMR Jurisdictions is targeted to occur in early 2018. In order to ensure the smooth transition to the Cooperative System without disrupting its continued access to the capital markets, the Province is working to carry forward the existing exemptions for the Crown in respect of its capital markets activities into the new regulatory regime.

NEW CDS FEES

On December 22, 2016, the Canadian Depository for Securities ("CDS") advised issuers that it had received regulatory approval to expand the scope of its fees, a process which CDS initiated in November 2014 in the face of significant concerns from various market participants, including several municipal and provincial issuers across Canada. The OFA undertook considerable advocacy efforts with CDS, its regulators and other government issuers in order to clarify the scope and applicability of these new fees. Specifically, CDS began charging issuers on March 1, 2017 in connection with the introduction of two new fee proposals: 1) changes to existing ISIN and eligibility fees and the creation of fees for Book-entry Only Global bonds, and 2) the introduction of fees for all interest, maturity payments (including money market securities) and bond optionality. Discussions with CDS are on-going, particularly in regard to retail debt (Ontario Savings Bonds) and what changes will need to take place to accommodate the new fees and the elimination of physical certificates by August 31, 2017, pursuant to a CDS rule change published on December 15, 2016.

The Province is currently engaged in discussions with the domestic dealer syndicate in regard to CDS fees and has requested that the dealers reimburse all issuer-related fees for the Province's securities. It is expected that this agreement will be finalized in the near future. The Province is continuing to explore operational alternatives in consultation with CDS which may help further reduce fees.

TRANSITION TO T+2 SETTLEMENT CYCLE

The global markets, including Canada, are continuing to move to a T+2 settlement cycle for secondary market issues. Canadian market stakeholders and participants are likewise preparing to shorten the settlement cycle from the current T+3 standard to T+2. The Canadian Securities Administrators (CSA) have affirmed that Canada will move to T+2 settlement at the same time as U.S. markets. It is expected that will take place on the target date of September 5, 2017. The Province is actively looking at how this will impact its domestic issuances and what operational changes may be required if the Province moves to issue new securities on a T+2 basis in the Canadian market.

MARKET ABUSE DIRECTIVE (EUROPE)

The European Union ("EU") Market Abuse Regulation ("MAR") came into effect in all EU Member States on July 3, 2016, replacing the existing Market Abuse Directive and the national laws implementing the Directive. The MAR imposes market abuse rules on EU markets that were exempt from previous EU market abuse rules, including the Luxembourg Stock Exchange Euro MTF Market ("Luxembourg MTF"). The Province of Ontario ("Province") issues debt in the European capital markets through the Euro Medium Term Note Programme and Global Bonds, which are listed on the Luxembourg MTF. The MAR imposes new obligations on the Province for current and future debt securities issued by it that are or will be listed on the Luxembourg MTF. The competent authority in Luxembourg, the Commission de Surveillance du Secteur Financier

("CSSF"), is obligated to ensure the MAR is applied on its territory regarding all actions carried out on its territory and abroad related to instruments traded on the Luxembourg MTF. The MAR rules focus predominantly on 'market sounding' and 'insider information' and the Province remains in frequent consultation with external legal counsel to ensure compliance with MAR.

DERIVATIVES

GLOBAL REFORM

With the on-going global regulatory reform of the derivatives markets, the Province continues to assess the complex issues that implementation of the reform will have on the Province's derivatives activities in the global derivatives markets. Under the Dodd-Frank Act ("Dodd-Frank") in the United States and under European Market Infrastructure Regulation ("EMIR"), many swap market participants are required to centrally clear prescribed categories of swaps, and will be required to pledge margin for uncleared swaps. As a sovereign, the Province is exempt from central clearing and margin requirements under Dodd-Frank and EMIR.

Although exempt from clearing under Dodd-Frank and EMIR, the Province continues to evaluate the relative costs of clearing versus not clearing its swaps. For example, the global implementation of the Basel III regulatory framework resulted in some of the Province's counterparties proposing to charge higher pricing on its uncleared and/or under collateralized swaps in order to recover new regulatory and business charges (i.e., Credit Value Adjustment ("CVA"), and Funding Value Adjustment ("FVA") charges). If these charges become unavoidable, it may be beneficial for the Province to consider voluntarily clearing its derivatives transactions. The Province has already investigated the operational and legal requirements associated with clearing its derivatives transactions, and will continue to assess on an ongoing basis the desirability of centrally clearing derivatives transactions. In the event that clearing swaps becomes advantageous from a cost perspective, the Province will engage clearing brokers in formal discussions for clearing services.

The Province continues to monitor other key aspects of global regulatory reform and implements the necessary measures and amendments to swap agreements to ensure compliance with international regulatory regimes. The Province is also following developments in Europe under Markets in Financial Instruments Directive II ("MiFID II") and Markets in Financial Instruments Regulation ("MiFIR").

In the U.S. and Europe, a one-business day stay for contractual termination rights on any swap agreements in the event of bankruptcy of a counterparty is being adopted. The purpose of this contractual rights stay is give the regulators the time to transfer the failed institution's financial contracts to a solvent third party or to a bridge bank, despite the fact that the right to terminate contracts immediately following an event of default may be embedded in existing agreements such as ISDA Agreements. In the United States, in May 2016, the Board of Governors of the U.S. Federal Reserve System issued a proposed rules concerning the special resolution regimes. In Europe, Article 55 of the Bank Recovery and Resolution Directive (2014/59/EU) (the "BRRD"), which has been implemented by a number of European countries, requires market participants to insert a clause concerning the contractual recognition of bail-in and contractual stay. The OFA is considering appropriate amendments to its ISDA Master Agreements to reflect the stay provisions.

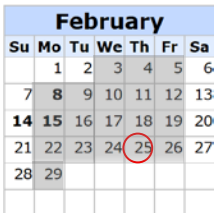
DOMESTIC REFORM

In Canada, derivatives regulatory reform is being effected through each of the provincial and territorial regulators, with the process being coordinated through the Canadian Securities Administrators. The Canadian Securities Administrators continue to develop "Model Rules" for key aspects of derivatives regulation (i.e., clearing, registration, trade reporting), for eventual implementation in each of the provinces and territories. The Province is exempt from many of the proposed rules under the OSA. Nonetheless, the Province continues to evaluate the impact of each of the proposed rules on its and certain Crown Agents' (OEFC, OILC, and Metrolinx) derivatives activities and, as appropriate, consults with the OSC to discuss any potential issues so that they may continue carrying out their capital market activities and without creating or imposing any new obligations resulting from new derivatives regulations. In fall 2015, the OFA worked to secure amendments to the OSA to ensure that the existing exemptions for the Province and the OFA from key aspects of derivatives regulations could also be extended to Crown Agents, as prescribed by the Lieutenant Governor in Council ("Prescribed Crown Agents"). Currently, the OFA is working to designate OEFC, OILC, and Metrolinx to be Prescribed Crown Agents by summer 2017. The OSA amendments also included exemptions for the Province, the OFA and Prescribed Crown Agents from any registration requirements or requirements to provide disclosure documents in connection with derivatives trading.

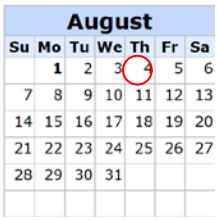
2016 Ontario Disclosure Calendar and Filings in the U.S., U.K., Australia, Switzerland, Singapore and Luxembourg
(As of December 31, 2016)

Abbreviations:

ASX = Australian Securities Exchange
LuxSE= Luxembourg Stock Exchange
NSM = National Storage Mechanism is the official mechanism for the storage of regulated information in the UK
OECD = Organisation for Economic Co-operation and Development
RNS = Regulatory News Service of the London Stock Exchange
SGX = Singapore Stock Exchange
SEC = U.S. Securities and Exchange Commission
SIX = SIX Swiss Exchange
UKLA = United Kingdom Listing Authority
▢ = Government release blackout up to release date PLUS Regulatory filing blackout (after ○ release date)
○ = Release date

MONTH[1]	RELEASE	PROGRAM UPDATES[2] AND DELIVERY OF DOCUMENTS	REGULATORY FILINGS[3]	DUE DILIGENCE CONFERENCE CALLS[4]
			– Jan. 15: Form 18-K/A 1 – Ontario Green Bond Program Information. – Jan. 19: Form 18-K/A 2 – amends the Ontario Green Bond Program Information filed January 15, 2016 to add additional eligible projects for consideration under the Province of Ontario's Green Bond Framework. – Jan. 21: Form 18-K/A 3 – Global G71. – Jan. 22: G71 Prospectus Supplement. Approved by the LuxSE. – Jan. 29: Form 18-K/A 4 – Global G72. – Jan. 29: EMTN112 Pricing Supplement. Filed with LuxSE.	– Jan. 13 (& Jan. 21 for closing): Bring-down Due Diligence conference call with underwriting syndicate and external counsel to confirm any new material changes and litigation before the pricing (& closing) of Global Bond Issue G71. – Jan. 22 (& Jan. 29 for closing): Bring-down Due Diligence conference call with underwriting syndicate and external counsel to confirm any new material changes and litigation before the pricing (& closing) of Global Bond Issue G72.
	No Release **Q3 Finances**: released (must be released on or before Feb. 15 of each year) **February 25** **Budget**: released (must be released on or before May 15 of each year)	– Feb. 25: 2016 Budget delivered pursuant to contractual obligations under bond issuance agreements.	– Feb. 1: G72 Prospectus Supplement. Approved by the LuxSE. – Feb. 26: 2016 Ontario Budget lodged with ASX's Company Announcements Office and published on www.asx.com.au. – Feb. 26: 2016 Ontario Budget published on RNS/NSM.	

MONTH[1]	RELEASE	PROGRAM UPDATES[2] AND DELIVERY OF DOCUMENTS	REGULATORY FILINGS[3]	DUE DILIGENCE CONFERENCE CALLS[4]
		– Mar. 4: Programme for the Issuance of Debt Instruments Offering Circular (/Prospectus). Approved by the LuxSE.	– Mar. 1: Form 18-K/A 5 – 2016 Ontario Budget. – Mar. 23: Form 18-K/A 6 – Maps of the Province of Ontario's Location in Canada and the Province of Ontario's Location in the World re US Shelf Registration.	– Mar. 1: Due Diligence conference call with external counsel and underwriting syndicates to discuss the 2016 Ontario Budget, and blackout period ended for issuance of Globals and U.S. MTN.
			– Apr. 12: Form 18-K/A 7 – US MTN program documentation update – Apr. 27: Form 18-K/A 8 – Global G69. – Apr. 28: G69 Prospectus Supplement. Approved by the LuxSE.	– Apr. 12: Due Diligence conference call with external counsel and program dealers to provide an update to potential dealers or underwriters of the Province's Notes under the US MTN Program. – Apr. 19 (& Apr. 26 for closing): Bring-down Due Diligence conference call with underwriting syndicate and external counsel to confirm any new material changes and litigation before the pricing (& closing) of Global Bond Issue G69.
			– Jun. 17: Form 18-K/A 9 – Global G73. – Jun. 20: G73 Prospectus Supplement. Approved by the LuxSE.	– Jun. 8 (& Jun. 17 for closing): Bring-down Due Diligence conference call with underwriting syndicate and external counsel to confirm any new material changes and litigation before the pricing (& closing) of Global Bond Issue G73.

MONTH[1]	RELEASE	PROGRAM UPDATES[2] AND DELIVERY OF DOCUMENTS	REGULATORY FILINGS[3]	DUE DILIGENCE CONFERENCE CALLS[4]
	**August 4** **Q1 Finances**: released (must be released on or before Aug. 15 of each year)	– Aug. 4: 2016-17 Q1 delivery pursuant to contractual obligations under bond issuance agreements.	– Aug. 5: 2016-17 Q1 Finances lodged with ASX's Company Announcements Office and published on www.asx.com.au. – Aug. 4: Form 18-K/A 10 – 2016-17 Q1 Finances. – Aug. 4: 2016-17 Q1 Finances published on RNS/NSM.	
	October 6, 2016 **Public Accounts**: (must be released on or before Sep.30 of each year)	Oct. 6: 2015-16 Public Accounts delivered pursuant to contractual obligations under bond issuance agreements.	– Oct 6: Link to the published 2015-16 Public Accounts e-mailed to SIX. – Oct 7: 2015-16 Public Accounts e-mailed to SGX. – Oct 7: 2015-16 Public Accounts lodged with ASX's Company Announcements Office and published on www.asx.com.au (must be published on ASX no later than 10 business days after the release of annual accounts). – Oct 7: 2015-16 Public Accounts e-mailed to LuxSE (listings). – Oct 7: 2015-16 Public Accounts published on RNS/NSM. – Oct 7: Form 18-K/A 11 – 2015-16 Public Accounts.	
	November 14, 2016 **Economic Outlook & Fiscal Review Q2:** (must be released on or before Nov. 15 of each year)	– Nov. 14: 2016 Ontario Economic Outlook and Fiscal Review (Q2) delivered pursuant to contractual obligations under bond issuance agreements.	– Nov. 15: 2016 Ontario Economic Outlook and Fiscal Review (Q2) lodged with ASX's Company Announcements Office and published on www.asx.com.au. – Nov. 15: 2016 Ontario Economic Outlook and Fiscal Review (Q2) published on RNS/NSM. – Nov. 17: Form 18-K/A 12 – 2016 Ontario Economic Outlook and Fiscal Review (Q2).	– Nov. 17: Due Diligence conference call with underwriting syndicates and external counsel to discuss 2016 Ontario Economic Outlook and Fiscal Review (Q2).

MONTH[1]	RELEASE	PROGRAM UPDATES[2] AND DELIVERY OF DOCUMENTS	REGULATORY FILINGS[3]	DUE DILIGENCE CONFERENCE CALLS[4]
			– Dec. 5: Form 18-K – Annual Report dated Dec.5, 2016 filed with SEC (mandatory Dec. 31). – Dec. 5: Annual Report on Form 18-K dated Dec. 5, 2016 published on RNS/NSM.	

Notes:

(1) Total number of blackout days due to government release and regulatory filings: 36 business days.

(2) The Province has a number of programs under which bonds may be issued from time to time and, therefore, require continuous ongoing disclosure. This disclosure must be kept up to date as long as the program is active and any bond issue remains outstanding.

(3) There were 40 regulatory filings submitted in 2016.

- The Province was required to lodge its Budget, Quarterly Ontario Finances, Public Accounts and Form 18-K with the ASX's Company Announcements Office and publish the documents on www.asx.com.au. There were 4 such filings in 2016. The requirement to make future filings ceased upon the expiry of the Province's listed Australian dollar debt on November 30, 2016.

- Although the Province as a local/regional authority of an OECD Member is not required to communicate its annual accounts to the LuxSE under the Rules and Regulations of the Luxembourg Stock Exchange, the LuxSE advised that the Province may communicate its accounts to the LuxSE (listings). There was 1 such filing. Additionally, the LuxSE advised that publication in Luxembourg is not necessarily required since the information is available to interested investors on the SEC website.

- In accordance with the UKLA Disclosure and Transparency Rules (DTRs), the Province publishes its most recent financial reports to comply with the continuing obligations that apply to the Province with primary listings of debt securities on the London Stock Exchange's Main Market. There were 5 such filings.

- With each global issue and in accordance with SEC requirements, the Province files a Preliminary Prospectus Supplement, a Free Writing Prospectus and a Final Prospectus Supplement. Additional information, such as the Fiscal Agency Agreement, Underwriting Agreement, Opinion and Schedule of Expenses, is also filed on a Form 18-K/A. There were 16 such filings related to the issuance of 4 Global Bonds, and there were 5 such filings related to the Province's Budget, Quarterly Ontario Finances, Public Accounts, and Form 18-K.

- The Province also files the Prospectus Supplement and all related documents for each new Global Bond issue with the Luxembourg Stock Exchange for the listing on its official list and admission to trading on the Euro MTF market. There were 4 such filings related to the issuance of 4 Global Bonds.

- In addition to the bond issues, the Offering Circular and associated documents incorporated by reference for the Province's Programme for the Issuance of Debt Instruments 2016 were filed with

the LuxSE. The Province also filed a Pricing Supplement for 1 new EMTN issue with the programme.

- The Province has to provide SIX with the path to its Public Accounts each time when they are published on the website so that SIX can publish the Public Accounts on its own website.

- The Province must provide the SGX with its annual report and all documents annexed thereto as soon as it is issued via e-mail for publication on SGX's website.

- The Province's Luxembourg paying agent, transfer agent and listing agent for the LuxSE has delivered the Province's audited accounts to the LuxSE relating to Global Bond Series HS that the Province has listed on the LuxSE.

(4) The Province conducts scheduled "Due Diligence" conference calls 2-3 times per year and prior to the pricing and closing of a Global Bond and U.S. MTN issuance. If a call related to an issuance is to be held shortly after a scheduled Due Diligence conference call, an abridged Due Diligence conference call or "Bring-down" Due Diligence conference call will be held.

Credit Rating Agency	Date of Meeting with OFA	Credit Rating Decision
Standard & Poor's Ratings Services	Post-Budget Meeting on March 22, 2016	A+ and A-1+ short-term rating confirmed on June 1, 2016.
Moody's Investors Service	Post-Budget Meeting on March 23, 2016	Outlook changed to stable from negative on Aa2 long-term rating and P-1 short-term ratings confirmed on April 26, 2016.
Fitch	Post-Budget Meeting on March 10, 2016	AA- long-term and F1+ short-term ratings confirmed on June 22, 2016.
DBRS	Post-Budget Meeting on March 21, 2016	AA (low) long-term and R-1 (mid) short- term ratings confirmed on May 20, 2016.

APPENDIX 4 - ANALYSIS OF INTEREST RATES AND YIELD CURVES

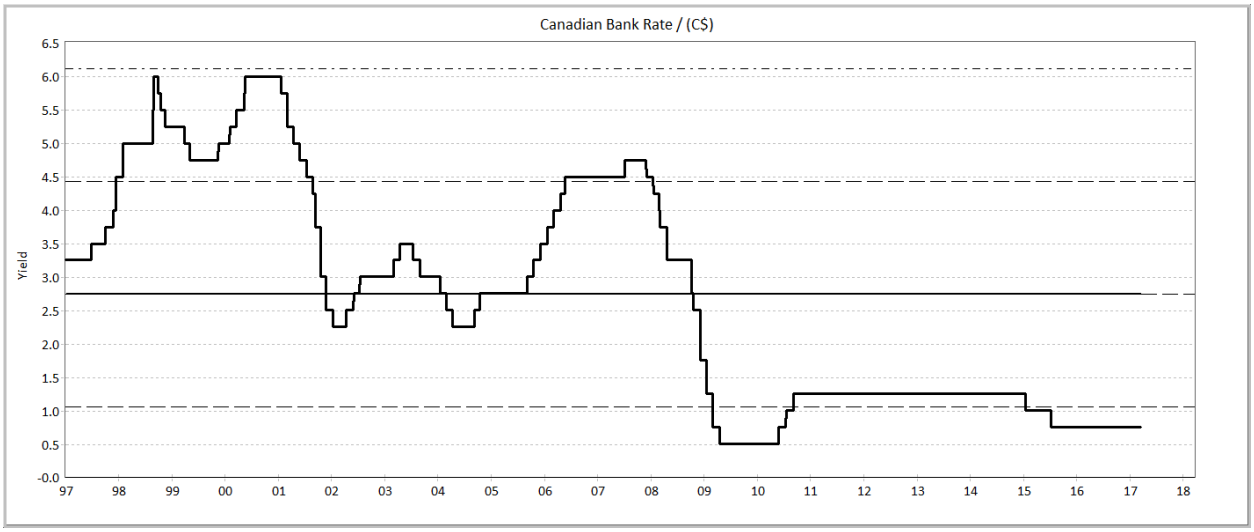
The following observations are made from the historical interest rate charts on the following pages:

i Short-term (i.e., the Bank of Canada rate) is trading below its historical average over the last 20 years by approximately 1.2 standard deviations.

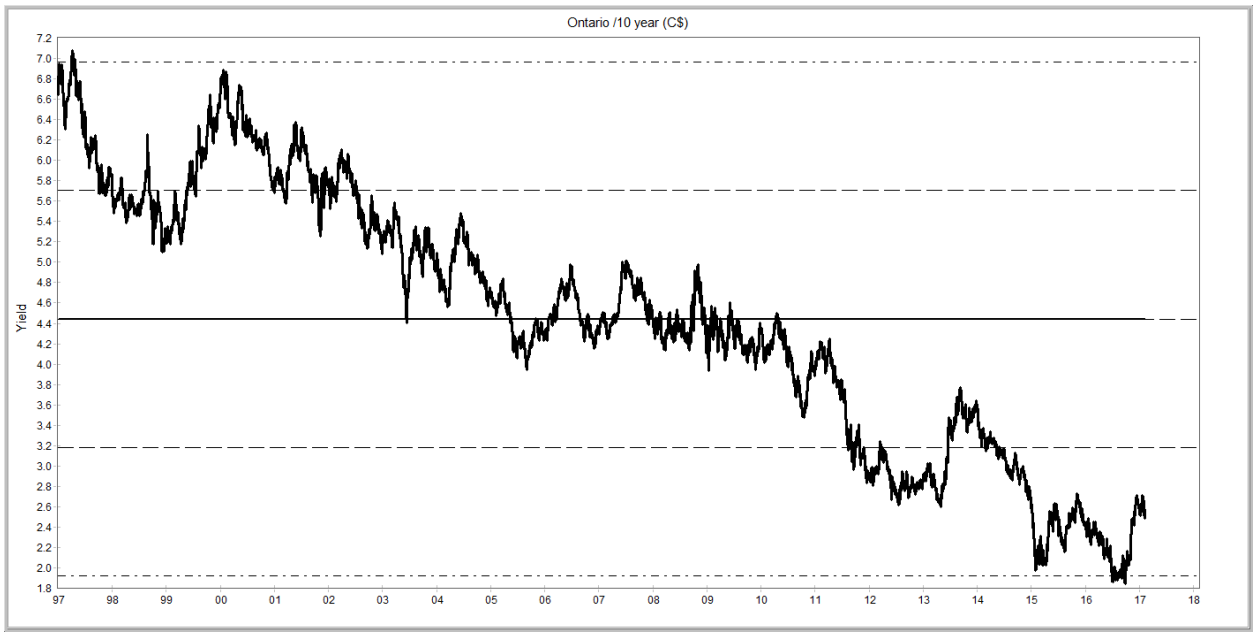
ii Province of Ontario bond yields in the 2-year, 10-year and 30-year tenors are all trading well below their historical averages over the last 20 years by approximately 1.3, 1.5 and 1.4 standard deviations, respectively.

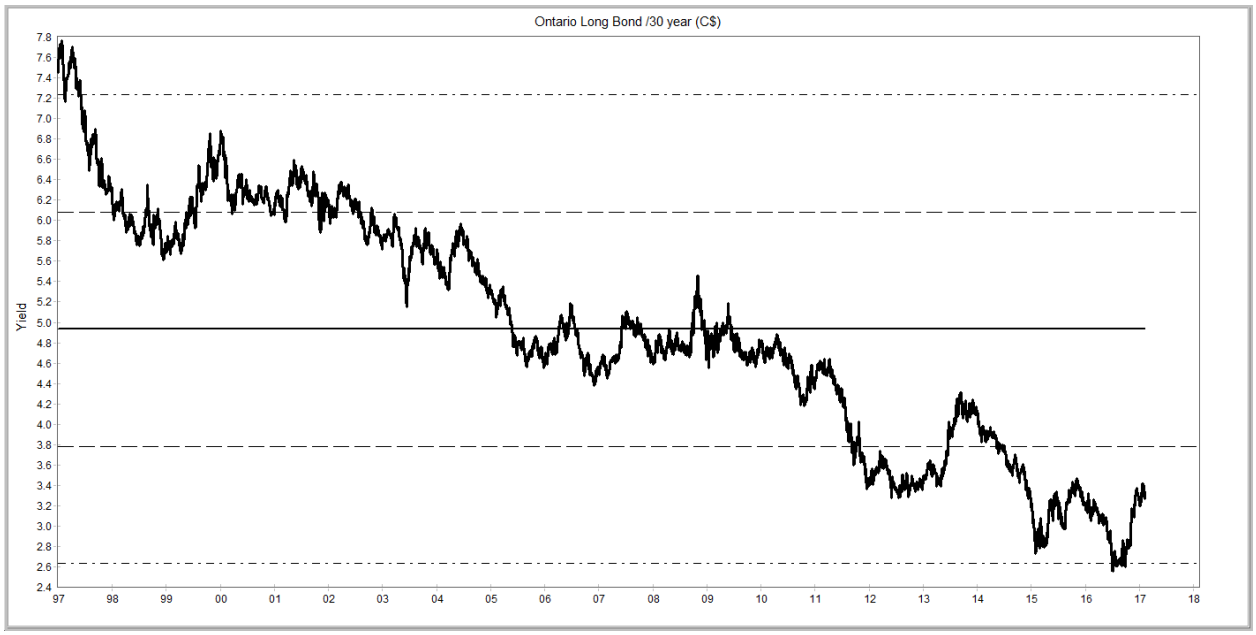
iii The Ontario 30-year bond yield is currently trading roughly 236 basis points above the Ontario 2-year bond yield. This represents approximately 0.5 standard deviations above the 20 year historical average spread. The 10 to 30-year Ontario yield curve is positive by approximately 77 basis points which is 1.3 standard deviations above the 20-year historical average.

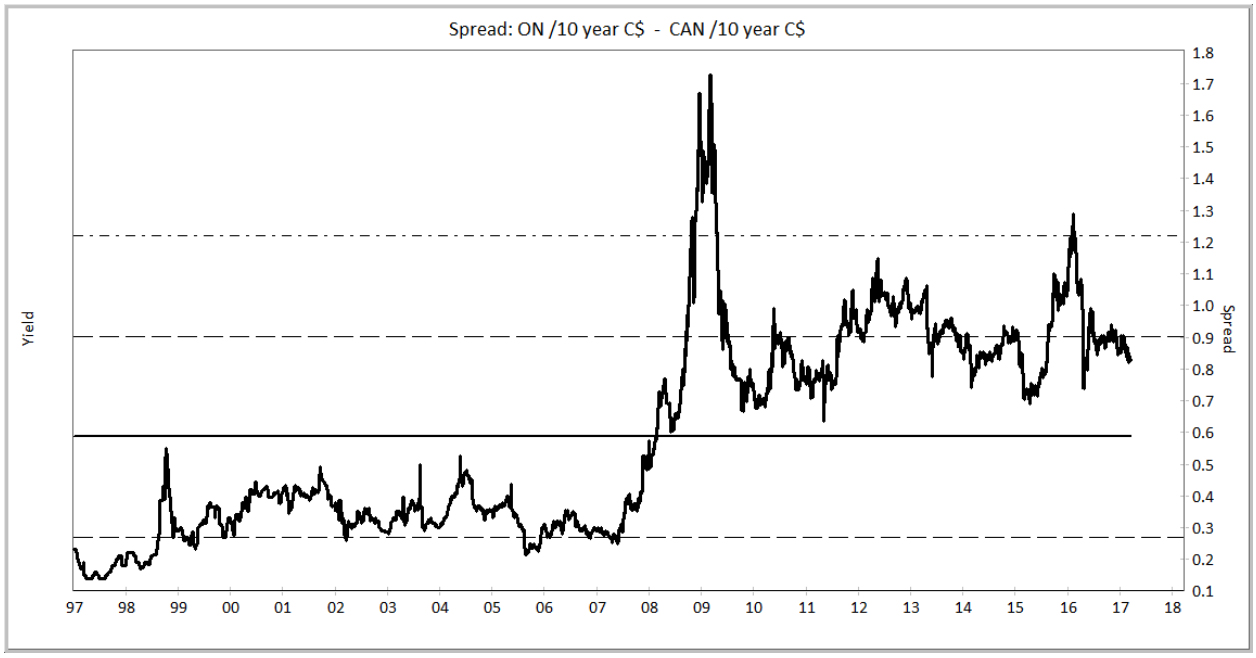
Historically low long-term yields combined with an upward sloping yield curve suggests that the Province should continue to take advantage of low long-term fixed borrowing rates while looking for opportunities to increase floating rate exposure.

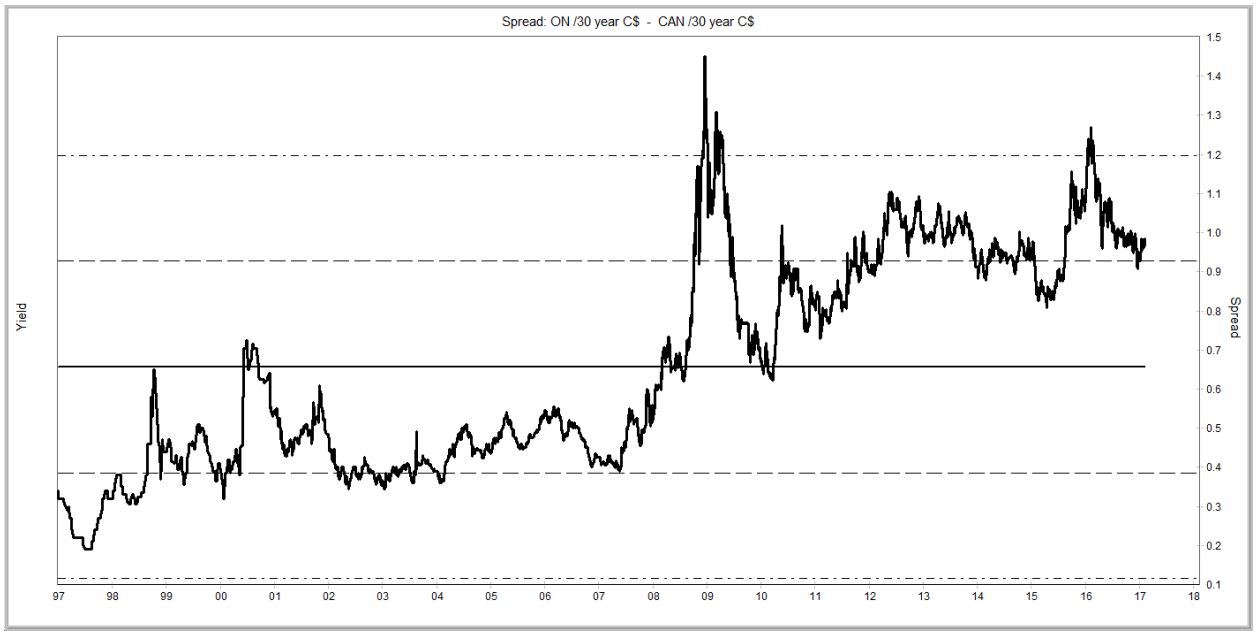


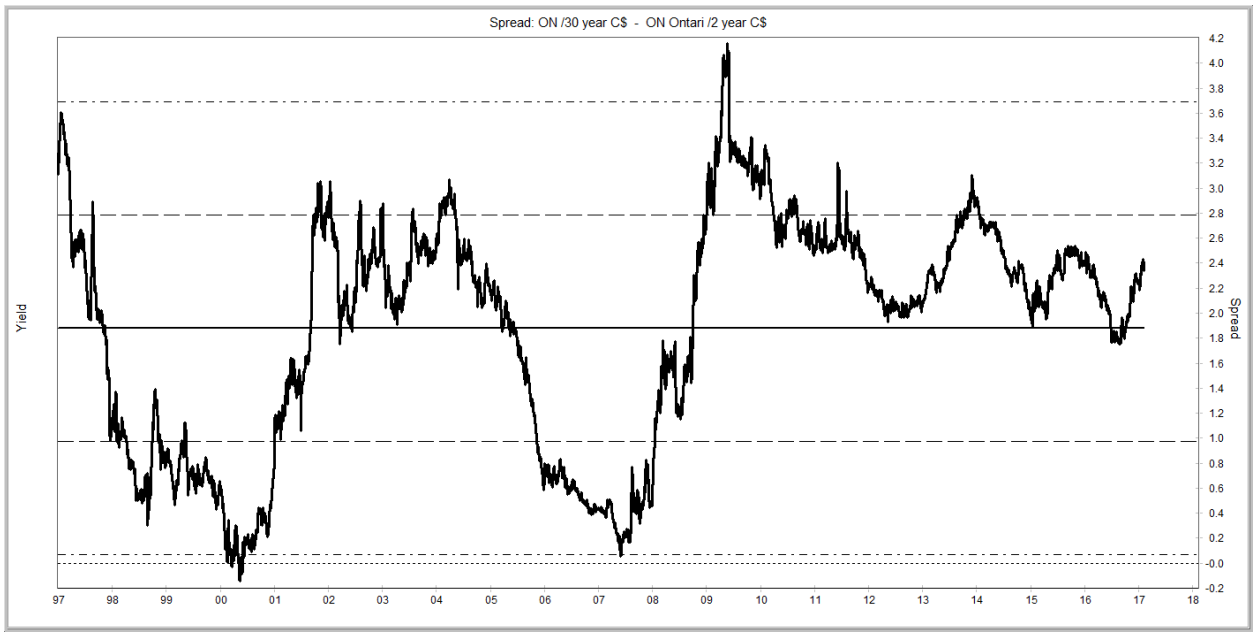
Ontario /2 year (C$)
Yield
6.6
6.4
6.2
6.0
5.8
5.6
5.4
5.2
5.0
4.8
4.6
4.4
4.2
4.0
3.8
3.6
3.4
3.2
3.0
2.8
2.6
2.4
2.2
2.0
1.8
1.6
1.4
1.2
1.0
0.8
0.6
97 98 99 00 01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17 18

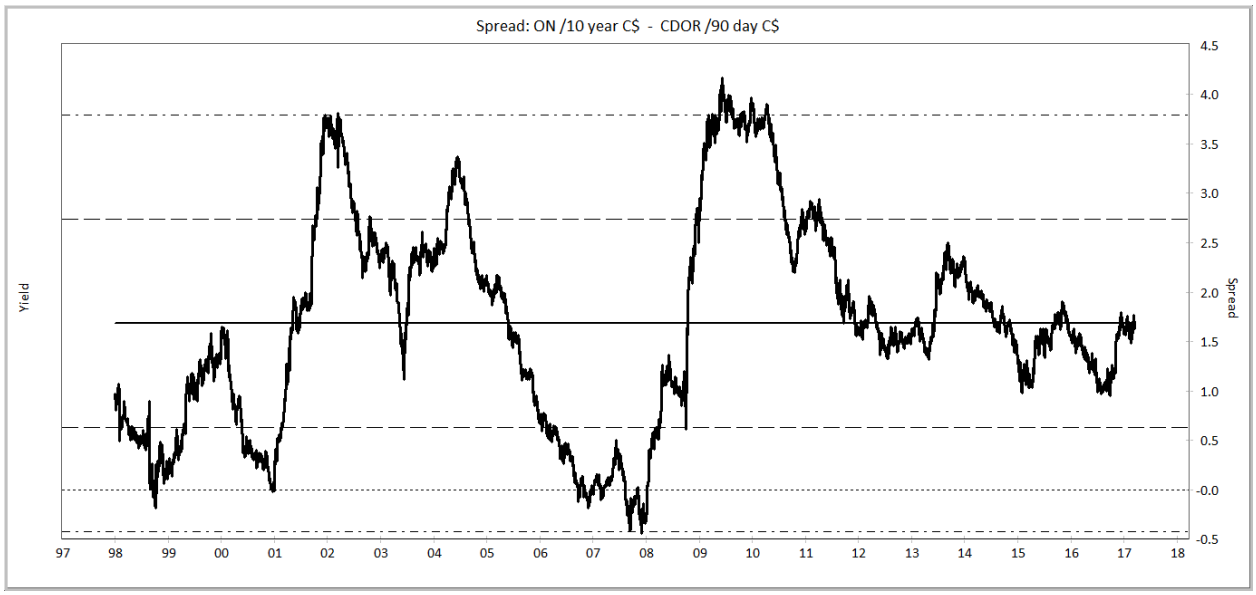

Ontario /10 year (C$)
Yield
7.2
7.0
6.8
6.6
6.4
6.2
6.0
5.8
5.6
5.4
5.2
5.0
4.8
4.6
4.4
4.2
4.0
3.8
3.6
3.4
3.2
3.0
2.8
2.6
2.4
2.2
2.0
1.8
97 98 99 00 01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17 18

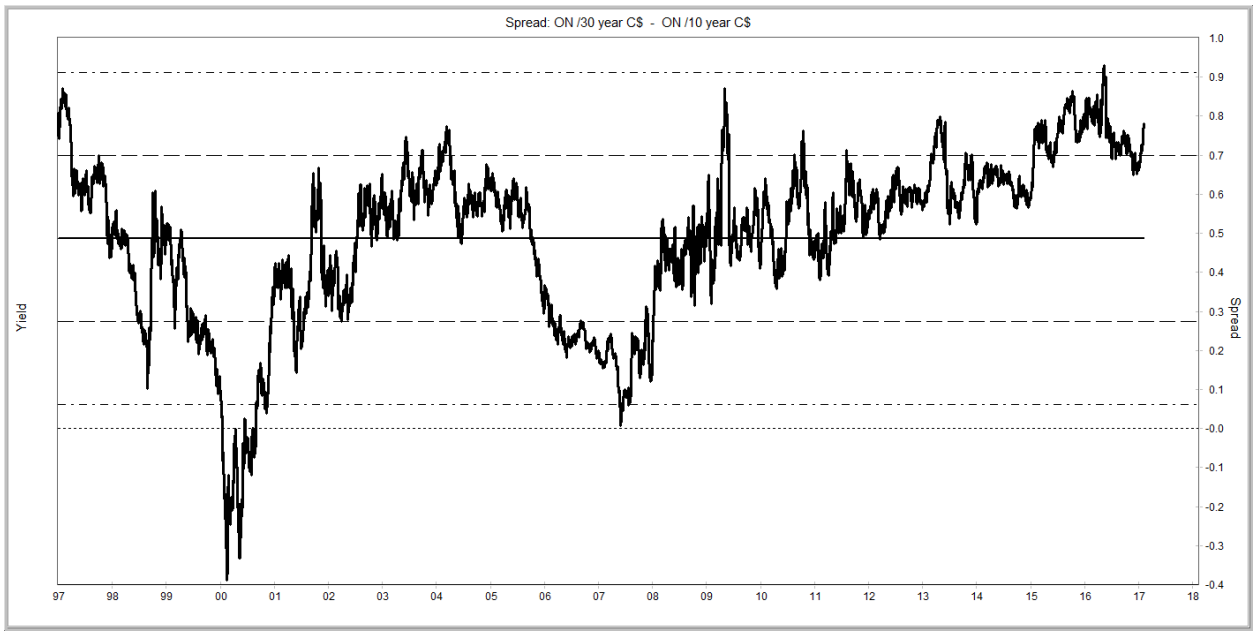

Ontario Long Bond /30 year (C$)
Yield
7.8
7.6
7.4
7.2
7.0
6.8
6.6
6.4
6.2
6.0
5.8
5.6
5.4
5.2
5.0
4.8
4.6
4.4
4.2
4.0
3.8
3.6
3.4
3.2
3.0
2.8
2.6
2.4
97 98 99 00 01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17 18

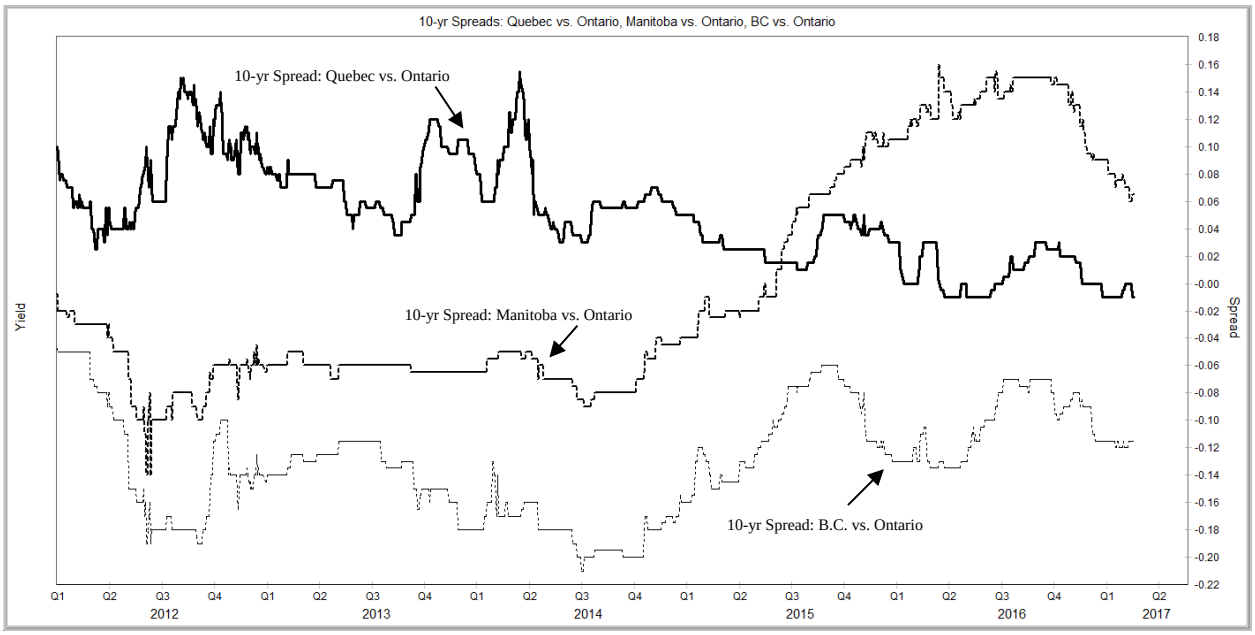

Spread: ON /10 year C$ - CAN /10 year C$
Yield
Spread
1.8
1.7
1.6
1.5
1.4
1.3
1.2
1.1
1.0
0.9
0.8
0.7
0.6
0.5
0.4
0.3
0.2
0.1
97 98 99 00 01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17 18


Spread: ON /30 year C$ - CAN /30 year C$
Yield
Spread
1.5
1.4
1.3
1.2
1.1
1.0
0.9
0.8
0.7
0.6
0.5
0.4
0.3
0.2
0.1
97 98 99 00 01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17 18


Spread: ON /30 year C$ - ON Ontari /2 year C$
Yield
Spread
4.2
4.0
3.8
3.6
3.4
3.2
3.0
2.8
2.6
2.4
2.2
2.0
1.8
1.6
1.4
1.2
1.0
0.8
0.6
0.4
0.2
-0.0
-0.2
97 98 99 00 01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17 18


Spread: ON /10 year C$ - CDOR /90 day C$
Yield
Spread
4.5
4.0
3.5
3.0
2.5
2.0
1.5
1.0
0.5
-0.0
-0.5
97 98 99 00 01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17 18


Spread: ON /30 year C$ - ON /10 year C$
Yield
Spread
1.0
0.9
0.8
0.7
0.6
0.5
0.4
0.3
0.2
0.1
-0.0
-0.1
-0.2
-0.3
-0.4
97 98 99 00 01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17 18


10-yr Spreads: Quebec vs. Ontario, Manitoba vs. Ontario, BC vs. Ontario
10-yr Spread: Quebec vs. Ontario
10-yr Spread: Manitoba vs. Ontario
10-yr Spread: B.C. vs. Ontario
Yield
Spread
0.18
0.16
0.14
0.12
0.10
0.08
0.06
0.04
0.02
-0.00
-0.02
-0.04
-0.06
-0.08
-0.10
-0.12
-0.14
-0.16
-0.18
-0.20
-0.22
Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2
2012
2013
2014
2015
2016
2017

APPENDIX 5 – INTEREST RATE SCENARIOS AND FLOATING RATE EXPOSURE STRATEGIES

<table>
<tr><th colspan="2">Interest Rate Scenarios and Floating Rate Exposure Strategies</th></tr>
<tr><td>1. Historically Low Long-term Rates and Upward Sloping Yield Curve

Raise long-term funds at attractive rates but also maintain or increase floating exposure moderately (by 0 to 1% of debt).

Interest cost savings may be achieved due to positive term spreads under these conditions. This is the condition that prevails today.</td><td>2. Historically High Long-term Rates and Upward Sloping Yield Curve

Increase floating rate exposure (by 5 to 10% of debt).

This condition is similar to the mid-1980s when both short and long rates fell as a result of falling inflation after tightening by the Bank of Canada in early 1980s.</td></tr>
<tr><td>3. Historically Low Long-term Rates and Flat or Downward Sloping Yield Curve

Maintain or decrease floating rate exposure (by 0 to 1% of debt) until conditions allow for cost savings to be realized through an increase in floating rate exposure.

There is virtually no cost advantage but high risk in adding more floating rate exposure.</td><td>4. Historically High Long Rates and Flat or Downward Sloping Yield Curve

Increase floating rate exposure moderately (by 2 to 4% of debt).

This condition is similar to the conditions which prevailed in the early 1980s and early 1990s. A gradual increase in floating exposure would have resulted in significant interest cost savings with a substantial decline in short rates restoring a normal yield curve in the mid-1980s.</td></tr>
<tr><td colspan="2">As of Feb 10, 2017, the 10-year Ontario rate was 2.56%. This is roughly 1.5 standard deviations below the average of 4.44% for the past 20 years.

As of Feb 10, 2017, the yield curve from 3-month banker’s acceptance rates to Ontario 10-year rates was positively sloped by roughly 161 basis points, which is slightly below the average over the last 10 years.

Note: The above are not intended to be exhaustive, and chosen strategies may depend upon market conditions and other circumstances.</td></tr>
</table>

APPENDIX 6 - ONTARIO AND OEFC DEBT PORTFOLIOS

The projected debt portfolio characteristics for Ontario and OEFC based on the recommended borrowing programs are summarized in the tables below.

ONTARIO
DEBT PORTFOLIO CHARACTERISTICS

DEBT PORTFOLIO[1] as of	YEARS		EXPOSURE Expressed as a % of total debt		
	Duration[2]	Term[2]	Net Floating[3]	Gross Floating	Interest Rate Resetting
March 31, 2017: Estimate	9.7	11.2	6.8%	12.6%	11.0%
March 31, 2018: Minimum[4]	8.9	10.2	10.0%	15.4%	14.9%
March 31, 2018: Target[5]	9.2	10.6	8.0%	13.4%	12.9%
March 31, 2018: Maximum[6]	9.6	11.2	6.0%	11.4%	10.9%

[1]Based on estimated debt outstanding as at Mar. 31, 2017 of $317.5 billion and $325.3 billion as at Mar 31, 2018, which includes the OEFC debt-for-equity swap in the amount of $7.763 million.
[2]Duration and Term calculations do not include debt-for-equity swap.
[3]Assumes $18.6 billion in liquid reserves as at March 31, 2017 and $18.6 billion March 31, 2018.
[4]Assumes $50.2 billion in gross floating rate debt and the minimum term of 6.5 years for new borrowing.
[5]Assumes $43.7 billion in gross floating rate debt and 10.6 years (i.e., middle of the range) for new borrowing.
[6]Assumes $37.2 billion in gross floating rate debt and the maximum term of 14.7 years for new borrowing.

OEFC
DEBT PORTFOLIO CHARACTERISTICS

DEBT PORTFOLIO[1] as of	YEARS		EXPOSURE Expressed as a % of total debt		
	Duration	Term	Net Floating[2]	Gross Floating	Interest Rate Resetting
March 31, 2017: Estimate	7.0	7.9	-10.6%	7.8%	-3.0%
March 31, 2018: Minimum[3]	8.5	9.9	-11.1%	7.3%	-8.7%
March 31, 2018: Target[4]	8.5	9.9	-13.1%	5.3%	-10.7%
March 31, 2018: Maximum[5]	8.5	9.9	-15.1%	3.3%	-12.7%

[1]Based on estimated debt outstanding as at Mar 31, 2017 of $20.4 billion and $19.4 billion as at Mar 31, 2018.
[2]Assumes $2.5 billion in liquid reserves at March 31, 2017 and $3.3 billion as at March 31, 2018.
[3]Assumes $1.4 billion in gross floating rate debt and 30 year term for new borrowing.
[4]Assumes $1.0 billion in gross floating rate debt and 30 year term for new borrowing borrowing.
[5]Assumes $0.6 billion in gross floating rate debt and 30 year term for new borrowing.

ONTARIO
PROJECTED INTEREST RATE RESETTING EXPOSURE
(amounts are in $ billions except as otherwise indicated)

ITEM	March 31 2017	2018	2019	2020	2021
Gross floating rate exposure[1]	40.1	43.7	44.2	45.5	46.7
Net floating rate exposure[2]	21.7	26.1	27.4	27.7	28.0
Fixed rate maturities within 12 months[3]	13.1	15.9	16.1	19.6	22.8
Interest rate resetting exposure	34.8	42.0	43.6	47.3	50.8
Interest rate resetting exposure as % of total debt[4]	**11.0%**	**12.9%**	**13.2%**	**14.0%**	**14.6%**
Non-maturity financing exposure as % of total debt[5]	2.5%	2.3%	3.0%	-	-
Interest rate setting exposure including non-maturity financing as % of total debt	13.5%	15.2%	16.2%	-	-

[1]Includes $2.25 billion, or 0.7% of debt outstanding, of unhedged RRB exposure.
[2]Assumes gross floating rate debt percentage is held constant for all future years at the March 31, 2018 target level and liquid reserves of $18.6 billion as at March 31, 2017 and assumed constant at that level thereafter. Assumes floating maturities are rolled over into new floating.
[3]Based on the following annual refinancing assumptions: 3-yr 10%
[4]Based on estimated debt for provincial purposes outstanding as at Mar. 31, 2017 of $317.5 billion, $325.3 billion as at Mar 31, 2018, $329.4 billion as at March 31, 2019 and $338.5 billion as at March 31, 2020 which includes OEFC debt-for-equity swap.
[5]Based on non-maturity financing assumptions of $7.8 billion in 2017-18, $7.4 billion in 2018-19 and $9.9 billion in 2019-20.

OEFC
PROJECTED INTEREST RATE RESETTING EXPOSURE
(amounts are in $ billions except as otherwise indicated)

ITEM	March 31 2017	2018	2019	2020	2021
Gross floating rate exposure[1]	1.6	1.0	1.0	0.9	0.8
Net floating rate exposure[2]	-2.2	-2.5	-3.6	-2.7	-1.5
Fixed rate maturities within 12 months	1.6	0.5	1.4	1.4	1.8
Interest rate resetting exposure	-0.6	-2.1	-2.3	-1.3	0.3
Interest rate resetting exposure as % of total debt[3]	**-3.0%**	**-10.7%**	**-12.0%**	**-7.6%**	**1.8%**

[1]Includes $0.8 billion, or 4.1% of debt outstanding, of unhedged RRB exposure.
[2]Assumes gross floating rate exposure is held constant for all future years at the March 31, 2018 target level and liquid reserves of $2.5 billion as at March 31, 2017, $3.3 billion as at March 31, 2018, $4.1 billion as at March 31, 2019, $3.2 billion as at March 31, 2020 and $2.2 billion as at March 31, 2021. Assumes floating maturities are rolled over into new floating.
[3]Based on debt estimated outstanding as at Mar. 31, 2017 of $20.4 billion, $19.4 billion as at Mar 31, 2018, $18.7 billion as at March 31, 2019, $17.3 billion as at March 31, 2020.

2017-18 IMPACT OF SHORT-TERM INTEREST RATE VOLATILITY ON GROSS FLOATING DEBT INTEREST COSTS[1]

	ONTARIO $43.7 bln Gross Floating Rate Exposure	OEFC $1.0 bln Gross Floating Rate Exposure
Gross Floating Rate Debt Interest Cost at Average CDOR	$418 mln	$9.8 mln
Interest cost increase of a 1 standard deviation adverse move in short term interest rates.[2]	$526 mln	$12 mln
Interest cost increase at 99% Confidence Interval.	$1,223 mln	$28.7 mln

[1]Assumes no change in long-term interest rates (i.e., only impact of increase in short-term rates).
[2]1 Year average CDOR rate of 0.96% with a 10 year standard deviation of 1.20%

2017-18 Debt Maturities

ONTARIO & OEFC 2017-18 MATURITY SCHEDULE ($ millions)						
				MONTHLY TOTALS		
DATE	ONTARIO	OEFC	ISSUE ID	MONTH	ONTARIO	OEFC
3-Apr-17	1.1		NPD			
24-Apr-17	8.2		NPD	Apr	9	-
1-May-17	0.7		NPD	May	1	-
1-Jun-17	1.3		NPD			
21-Jun-17	587.7		OSB	Jun	589	-
4-Jul-17	1.7		NPD			
10-Jul-17	0.1		JA	Jul	2	-
1-Aug-17	1.3		NPD	Aug	1	-
1-Sep-17	1.3		NPD			
8-Sep-17	6,350.0		DMTN213			
22-Sep-17	1,119.5		DMTN219	Sep	7,471	-
2-Oct-17	1.0		NPD			
10-Oct-17		179.3	OEFC83-Partially floating			
25-Oct-17	1,879.0		G60-Partially floating			
25-Oct-17	736.9		G60a-Floating	Oct	2,617	179
1-Nov-17	0.7		NPD			
23-Nov-17	254.0		USMTN2			
23-Nov-17	750.0		DMTN217			
23-Nov-17		205.0	OEFC100-Floating	Nov	1,005	205
1-Dec-17	1.3		NPD			
15-Dec-17	1,230.6		G52-Floating	Dec	1,232	-
1-Jan-18	1.7		NPD			
9-Jan-18	206.2		G39-Partially floating			
10-Jan-18	0.1		JA			
25-Jan-18	6.1		NPD	Jan	214	-
1-Feb-18	1.3		NPD			
14-Feb-18	705.0		G62-Floating			
14-Feb-18		295.0	OEFC101-Floating	Feb	706	295
1-Mar-18	1.1		NPD			
8-Mar-18	1,560.0		DMTN183			

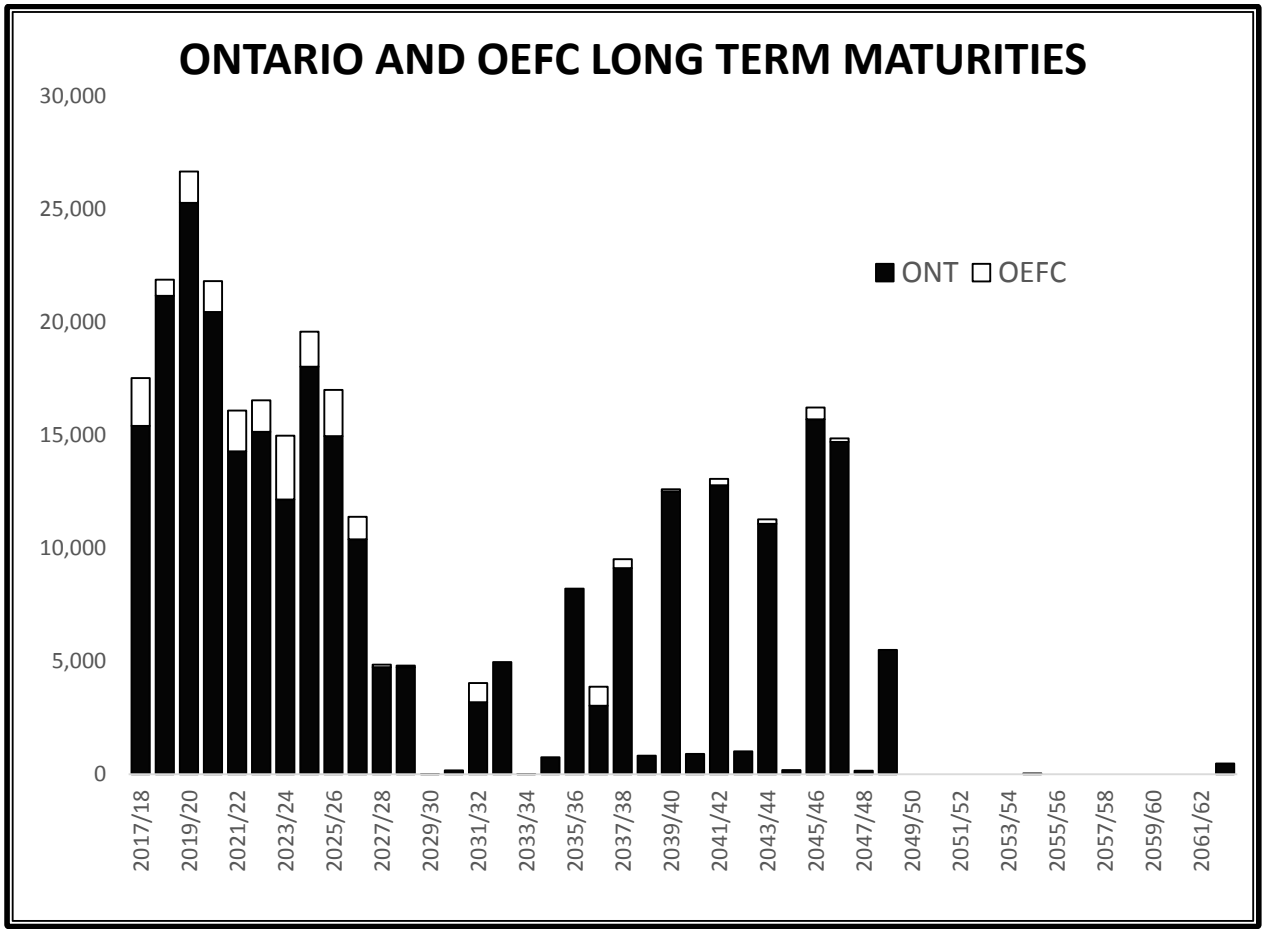
8-Mar-18	1,440.0	OEFC78		Mar	1,561	1,440
Totals					15,408	2,119

2018-19 Debt Maturities

ONTARIO & OEFC
2018-19 MATURITY SCHEDULE
($ millions)

DATE	ONTARIO	OEFC	ISSUE ID	MONTHLY TOTALS MONTH	ONTARIO	OEFC
2-Apr-18	0.8		NPD	Apr	1	-
1-May-18	0.5		NPD			
25-May-18	8.7		NPD			
30-May-18	775.0		DMTN221 ($300 mln Float)	May	784	-
1-Jun-18	0.8		NPD			
4-Jun-18	605.0		DMTN079 ($125 mln Float)			
4-Jun-18		110.0	OEFC66			
21-Jun-18	299.5		OSB			
25-Jun-18	14.4		NPD	Jun	920	110
2-Jul-18	1.7		NPD			
10-Jul-18	0.1		JA			
16-Jul-18	993.6		G55 ($28.6 mln Float)			
25-Jul-18	1.4		NPD			
30-Jul-18	101.7		CHF1			
30-Jul-18	219.5		EMTN82			
30-Jul-18		157.7	OEFC80	Jul	1,318	158
1-Aug-18	1.2		NPD			
7-Aug-18	75.6		YL16			
28-Aug-18	600.8		DMTN222 ($70 mln Float)			
28-Aug-18	0.4		NPD	Aug	678	-
3-Sep-18	1.1		NPD			
10-Sep-18	7,628.0		DMTN218			
10-Sep-18		372.0	OEFC102			
24-Sep-18	0.1		NPD			
27-Sep-18	2,109.4		G63 ($270.6 mln Float)	Sep	9,739	372
1-Oct-18	0.6		NPD			
9-Oct-18	500.0		G68			
25-Oct-18	8.2		NPD	Oct	509	-
1-Nov-18	0.5		NPD			
26-Nov-18	11.9		NPD	Nov	12	-
3-Dec-18	937.0		DMTN224			
3-Dec-18	0.7		NPD			
14-Dec-18	101.7		CHF2			
18-Dec-18		73.7	OEFC81			
21-Dec-18	0.1		NPD	Dec	1,040	74
1-Jan-19	1.7		NPD			
10-Jan-19	0.0		JA			
18-Jan-19	3,404.5		G71			
25-Jan-19	0.4		NPD			

30-Jan-19	1,347.7	G65 ($188.525 mln Float)			
30-Jan-19	1,347.7	G65a ($1,301.4 mln Float)	Jan	6,102	-
1-Feb-19	1.2	NPD			
22-Feb-19	5.3	NPD	Feb	6	-
1-Mar-19	1.1	NPD			
5-Mar-19	40.0	NPD			
8-Mar-19	5.3	NPD			
25-Mar-19	6.2	NPD	Mar	53	-
				21,161	713



OUTSTANDING EMBEDDED OPTIONS

The table below contains a listing of all Ontario and OEFC debt having embedded options.

DEBT ISSUES WITH EMBEDDED OPTIONS						
OPTION DATE	**SIZE ($ millions)**	**ISSUE ID**	**COUPON (%)**	**MATURITY DATE**	**EMBEDDED OPTION**	**PROBABILITY OF EXERCISE**
No outstanding debt issues with embedded options						

APPENDIX 7 - FOREIGN EXCHANGE ANALYSIS

A. CURRENCY VALUATIONS ANALYSIS

Ten Year Trading Range

Ten-year historical currency charts are provided in Attachment 1 to this Appendix.

These charts illustrate that the Canadian dollar appreciated against the USD, JPY, EUR, CHF and GBP over the last fiscal year. Three of the policy currencies are currently stronger than their historical 10-year averages against the Canadian dollar.

TEN-YEAR TRADING RANGE HISTORY					
ITEM	**USD**	**JPY**	**EUR**	**CHF**	**GBP**
CAD/ Unit of Foreign Currency Feb 28-17	**1.3285**	**0.01184 (84.43)**	**1.4070**	**1.3254**	**1.6490**
10-yr historical average	1.1059	0.011247 [88.91]	1.4341	1.1156	1.7730
Foreign currency compared to 10-yr average	Stronger	Stronger	Weaker	Stronger	Weaker
Standard deviation from 10-yr average	1.82	0.47	-0.28	1.44	-0.66
YEAR-OVER-YEAR CHANGE					
1 foreign currency => CAD on Feb 18-16	**1.3749**	**0.01206 (82.92)**	**1.5219**	**1.3801**	**1.9664**
Foreign currency yr-over-yr change	-3.4%	-1.8%	-7.5%	-4.0%	-16.1%

Currency Forecasts

One-year currency forecasts are provided for each of the policy currencies in the following table. The consensus outlook is for the Canadian dollar to appreciate against the JPY, CHF, and GBP, while depreciating against the USD and EUR over the next year.

CURRENCY FORECASTS					
ITEM	**USD**	**JPY**	**EUR**	**CHF**	**GBP**
CAD/ Unit of Foreign Currency Feb 28-17	**1.3285**	**0.01184 (84.43)**	**1.4070**	**1.3254**	**1.6490**
1-year forecast (Forecast 2018 – end of period)	1.3405[1]	0.0114 [87.40][2]	1.4088[2]	1.3081[2]	1.6046[2]
% appreciation/(depreciation) of foreign ccy	1.2%	(3.2%)	0.3%	(0.9%)	(2.5%)

[1] Source: March 2017 Ministry of Finance Survey of Forecasts
[2] Source: February 2017 Consensus Economics Inc.

Interest Rate Differentials

Interest rate differentials between the Canadian dollar and the policy currencies are summarized below. Global floating rates have trended lower in JPY, EUR and GBP but higher in CAD, USD and CHF. Fixed rates have trended higher in CAD, USD and JPY and lower in CHF and GBP with the EUR largely unchanged year over year. The table highlights that the JPY, EUR, CHF and GBP currently offer significantly lower fixed borrowing rates compared with the Province's domestic funding cost. Significant interest savings can be achieved in JPY and CHF as Ontario's ten-year borrowing cost in these currencies is currently 202 and 251 basis points lower, respectively. The EUR and GBP ten-year rates also offer attractive borrowing costs that are 151 and 81 basis points lower than the domestic rate.

INTEREST RATE DIFFERENTIALS %						
ITEM	**CAD**	**USD**	**JPY**	**EUR**	**CHF**	**GBP**
Floating (3-month LIBOR)* **Feb 28 -17**	**0.95300**	1.05456	(0.00986)	(0.35214)	(0.7272)	0.35369
Differential vs CAD	---	0.1016	(0.9629)	(1.3051)	(1.6802)	(0.5993)
10-yr Ontario rates **Feb 28 -17**	**2.49**	2.99	0.47	0.98	(0.02)	1.68
Differential vs CAD	---	0.50	(2.02)	(1.51)	(2.51)	(0.81)
* CDOR is used for CAD						

The accumulated interest rate savings provide a cushion against an unexpected appreciation in the foreign currency versus the Canadian dollar. The extent of this cushion depends on the magnitude of the interest rate differential and the tenor of the debt issue, and is generally quantified through the calculation of currency break-even rates.

Break-Even FX Rates

Break-even rates are provided in the following table on a once-and-for-all basis (i.e., where the foreign currency moves to the break-even rate immediately and stays there until debt maturity), and on a straight-line basis (i.e., a steady movement of the foreign currency to the break-even rate by the debt maturity date). Using a hypothetical Yen issue, the Japanese Yen would have to appreciate above CAD 0.014401 per JPY (69.44 JPY per CAD) on a once-and-for-all basis or above CAD 0.014472 per JPY (69.10 JPY per CAD) on a straight-line basis before the cost of a ten-year unhedged JPY debt issue would exceed an equivalent CAD borrowing.

10-YEAR CURRENCY BREAK-EVEN RATES					
ITEM	**USD**	**JPY**	**EUR**	**CHF**	**GBP**
CAD/ Unit of Foreign Currency Feb 28 -17	**1.3285**	**0.01184 (84.43)**	**1.4070**	**1.3254**	**1.6490**
10-yr historical average	1.1059	0.011247 [88.91]	1.4341	1.1156	1.7730
Once-and-for-all change	1.2725	0.014401 [69.44]	1.6230	1.7014	1.7756
Straight-line change	1.2645	0.014472 [69.10]	1.6340	1.7010	1.7865

These results show that the JPY, EUR, CHF, and GBP, provide attractive ten-year borrowing opportunities as their break-even rates are well above the current spot levels, and above their 10-year historical average (see currency charts in Attachment 1).

B. SENSITIVITY ANALYSIS AND RISK ASSESSMENT

The more volatile a currency, the greater the risk of debt interest variability. Volatilities for each policy currency are summarized in the following table on a one-year and ten-year historical basis. These results show that the JPY and EUR have been the most volatile currencies over the past year and EUR and CHF the most volatile over the past ten years. USD and GBP have been the least volatile overall.

CURRENCY VOLATILITY					
VOLATILITY	**USD**	**JPY**	**EUR**	**CHF**	**GBP**
Over past year (%)	8.93	12.77	14.80	8.82	8.85
Over past 10 years (%)	10.43	11.25	16.09	14.35	10.36

The sensitivity of IOD to exchange rate volatility is presented in the following table against two widely used statistical measures: a 1 standard deviation, and a 99% confidence level. The results are based on a hypothetical 1% notional exposure for each policy currency (i.e., $3.157 billion). Debt interest impacts have been calculated on both a ten-year amortized basis and on a mark-to-market basis. Under current public sector accounting principles, foreign exchange gains and losses are deferred and amortized over the remaining life of the related debt.

DEBT INTEREST SENSITIVITY PER 1% FOREIGN CURRENCY EXPOSURE INCREASE/(DECREASE) IN IOD IN CAD MILLIONS					
ITEM	**1% USD**	**1% JPY**	**1% EUR**	**1% CHF**	**1% GBP**
CAD/ Unit of Foreign Currency Feb 28-17	**1.3285**	**0.01184 (84.43)**	**1.4070**	**1.3254**	**1.6490**
+1 Standard Deviation					
Exchange Rate	1.4471	0.01336 [74.87]	1.6152	1.4423	1.7949
Amortized Impact (yr 1)	52	(22)	4	(51)	7
Amortized Impact (subsequent yrs)	36	42	51	28	33
Mark-to-Market Impact	306	341	424	199	259
99% Confidence Level					
Exchange Rate	1.6043	0.01536 [65.10]	1.8911	1.5972	1.9883
Amortized Impact (yr 1)	101	34	72	(14)	50
Amortized Impact (subsequent yrs)	85	98	119	65	76
Mark-to-Market Impact	691	878	1,049	568	635
Note: Current year debt interest includes the impact of the coupon differential against Canada: i.e., cost/(saving) in CAD million=> USD:15.8 ; JPY: (63.7); EUR: (47.7); CHF (79.2); GBP: (25.6). Future year over year debt interest impact will differ from the economic impact to the extent that coupon savings are included in base debt interest.					

The results for CHF have normalized since the 2015-2016 debt plan as the one year volatility for this currency is now roughly half that of the years prior to 2015. All currencies are once again in a fairly narrow range with respect to their impact on IOD. The results favour the USD, CHF and GBP on an amortized (after 1 year) basis and on a mark to market basis, due to their lower volatilities.

Although the results do show a relatively small risk to current IOD on an amortized basis, as the debt moves closer to maturity and the amortization period becomes shorter, the volatility transmitted to IOD will become much greater. In fact, during the maturity year, the amortized results will equal the mark-to-market impact.

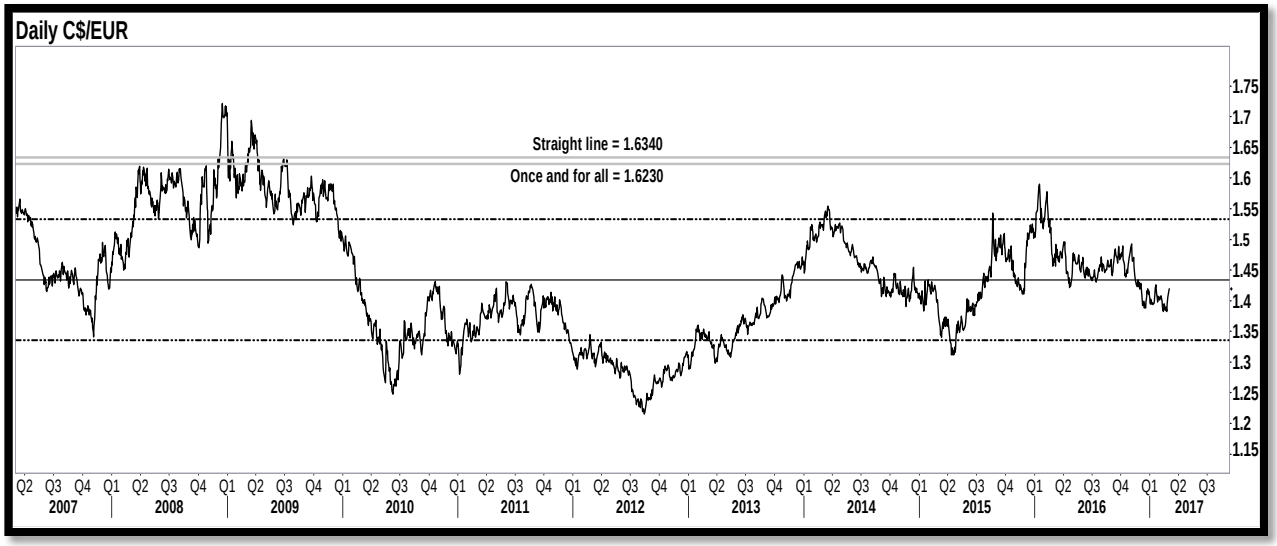
The following table shows the sensitivity of IOD to existing foreign exchange principal exposure assuming a once-and-for-all move from spot to the one year forecast, the one standard deviation, and the 99% confidence level.

SENSITIVITY OF IOD TO CURRENT FOREIGN CURRENCY PRINCIPAL EXPOSURE INCREASE/(DECREASE) IN IOD IN CAD MILLIONS			
ITEM	**0.075% JPY**	**0.17% CHF**	**TOTAL**
CAD/ Unit of Foreign Currency Feb 28 -17	**0.01184 (84.43)**	**1.3254**	
1 Yr Forecast			
Exchange Rate	0.0114 [87.40]	1.3081	
Amortized Impact	(2.6)	(2.3)	**(4.9)**
Mark-to-Market Impact	(8.1)	(7.1)	**(15.2)**
+1 Standard Deviation			
Exchange Rate	0.01336 [74.87]	1.4423	
Amortized Impact	9.7	15.8	**25.5**
Mark-to-Market Impact	30.6	47.9	**78.5**
99% Confidence Level			
Exchange Rate	0.01536 [65.10]	1.5972	
Amortized Impact	22.5	36.7	**59.2**
Mark-to-Market Impact	71.1	111.3	**182.4**

The 1 year forecast sensitivity of IOD has increased slightly after moderating for the past few years, trending towards levels seen prior to 2015, when extreme volatility in CHF impacted IOD sensitivity. The 1 standard deviation and 99 percent confidence level of CHF IOD sensitivity is roughly half that of the previous year, while JPY levels are roughly unchanged for 1 standard deviation and higher at the 99% confidence level.

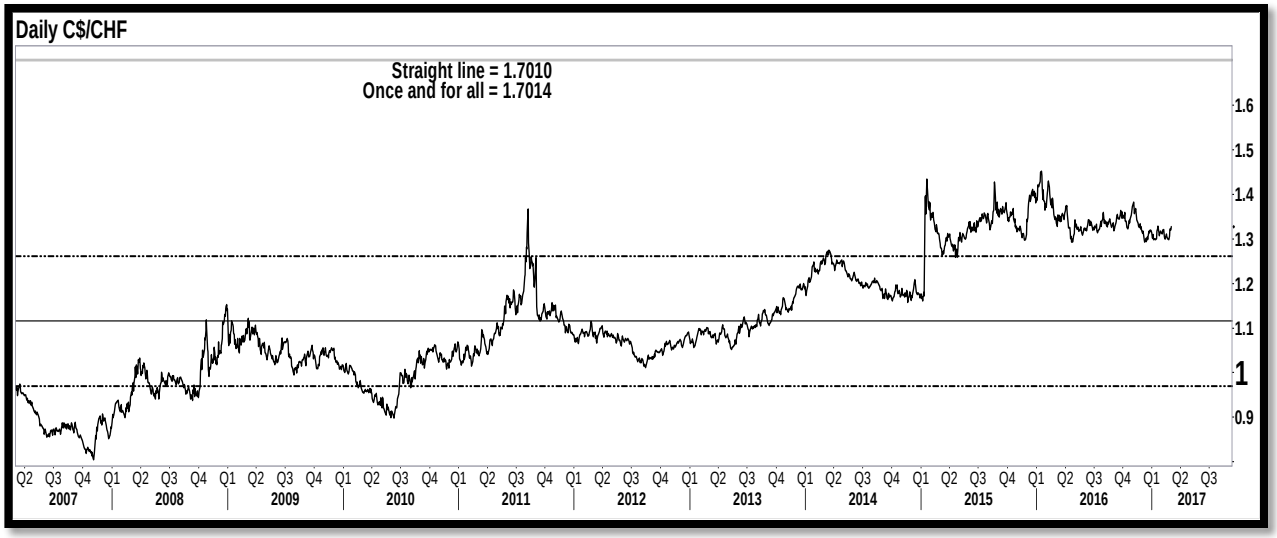
ATTACHMENT 1 – FX Historical Charts

In the following historical foreign exchange rate charts, the vertical axis represents the Canadian dollar price of one foreign exchange currency unit. This means that the foreign currency strengthens when the point in the curve goes up the scale and weakens when the point goes down the scale. The solid horizontal line represents the 10-year average, while the dotted lines represent 1 standard deviation. The two break-even points are also shown on the charts.



EUR Stronger

EUR Weaker



CHF Stronger

CHF Weaker

GBP Stronger

GBP Weaker

APPENDIX 8 - STRESS TESTING

STRESS TEST SCENARIOS USED						
VARIABLE	BASE CASE (Jan 31, 2017)		Parallel Yield Curve Shift		Yield Curve Pivoting	
CAD Bond Yields	3 mo 5 yrs 10 yrs 30 yrs	0.455% 1.111% 1.754% 2.408%	increase (+ 125 bps)	decrease (- 125 bps)	50 bps steepening between O/N and 10-year term	50bps flattening between O/N and 10-year term
Swap Rates	3 mo 5 yrs 10 yrs 30 yrs	0.900% 1.463% 1.984% 2.440%	increase (+ 125 bps)	decrease (- 125 bps)	50 bps steepening between O/N and 10-year term	50 bps flattening between O/N and 10-year term
Option and Cap/Floor Volatilities			increase (+20%)			

STRESS TESTING RESULTS (Positions, interest and FX rates, volatilities and correlations as of January 31 , 2017; in $ million)						
IMPACT ON:	SCENARIOS					
	BASE CASE		#1	#2	#3	#4
			Parallel Yield Curve Shift		Yield Curve Pivoting	
IOD Base Case [a] (2017-18)	11,700		+350	-350	not applicable	
95% IOD-at-Risk (2017-18)	104	229 [b]	250 [b]	210 [b]	233 [b]	226 [b]
IOD stress testing scenarios [c]	About $500M for stressed market scenarios and about $50M for the potential default scenario.					
Counterparties with MTM Exposures Exceeding Credit Limit	none		none	none	none	none

a. Sensitivity to a 100 bps parallel shift only.

b. RiskMetrics Volatilities doubled; Correlations set to +1.

c. Stress testing includes +125 bps upward parallel yield curve shift, 20% depreciation of the CAD dollar, a 1.25 points increase to the projected CPI level, and a potential default loss estimate. The potential default loss is estimated based on the default of the weakest counterparty with a recovery rate of 30% under a stress scenario of +125 bps upward parallel yield curve shift and a 20% depreciation of the CAD dollar.

APPENDIX 9 - ASSUMPTIONS FOR DERIVATIVES PORTFOLIO STRESS TESTS

(As at January 31, 2017)

Major FX Currency Assumptions

	CAD Appreciates by			Base	CAD Depreciates by		
	30%	20%	10%		10%	20%	30%
CAD/AUD	0.6908	0.7895	0.8882	0.9869	1.0855	1.1842	1.2829
CAD/USD	0.9110	1.0411	1.1713	1.3014	1.4315	1.5617	1.6918
CAD/CHF	0.9206	1.0522	1.1837	1.3152	1.4467	1.5783	1.7098
CAD/EUR	0.9835	1.1240	1.2645	1.4050	1.5455	1.6860	1.8265
CAD/GBP	1.1462	1.3100	1.4737	1.6375	1.8012	1.9650	2.1287
CAD/JPY	0.0081	0.0092	0.0104	0.0115	0.0127	0.0138	0.0150

	VaR Assumptions - CAD Swap Rates				
	1y VaR Up	1D VaR Up	Base Rate	1D VaR Down	1y VaR Down
2Y	1.6503	1.1335	1.0997	1.0659	0.5491
5Y	2.4129	1.5215	1.4632	1.4049	0.5135
10Y	3.1881	2.0583	1.9844	1.9104	0.7806
30Y	3.5343	2.5072	2.4400	2.3728	1.3457

	VaR Assumptions - CAD FX Rates				
	1y VaR CAD Appreciate	1D VaR CAD Appreciate	Base Rate	1D VaR CAD Depreciate	1y VaR CAD Depreciate
CAD/AUD	0.8439	0.9780	0.9869	0.9957	1.1298
CAD/USD	1.0947	1.2886	1.3014	1.3142	1.5081
CAD/CHF	1.1368	1.3042	1.3152	1.3262	1.4936
CAD/EUR	1.1863	1.3915	1.4050	1.4185	1.6237
CAD/GBP	1.3266	1.6183	1.6375	1.6567	1.9484
CAD/JPY	0.0091	0.0114	0.0115	0.0117	0.0140

APPENDIX 10 - DERIVATIVE EXPOSURE VALUE AT RISK

The following table illustrates a 95% Confidence VaR measure and a 84% Confidence VaR measure (i.e., 1 standard deviation) for each derivative counterparty for 3 month to 1 year based on changes to interest rates and foreign exchange rates. The impact of CSA's are not factored into these calculations.

Derivative Exposure Value at Risk for Jan 31, 2017

Counterparty	3M 95% VaR	6M 95% VaR	1Y 95% VaR	3M 84% VaR	6M 84% VaR	1Y 84% VaR
Canadian Imperial Bank of Commerce	1,032.92	1,478.62	2,091.09	570.04	816.02	1,154.02
Bank of Montreal	990.06	1,417.27	2,004.32	546.39	782.16	1,106.14
Royal Bank of Canada	680.13	973.60	1,376.88	375.35	537.31	759.87
Bank of Nova Scotia	590.26	844.96	1,194.96	325.75	466.31	659.47
The Toronto-Dominion Bank	478.51	684.99	968.72	264.08	378.03	534.62
National Bank of Canada	418.04	598.43	846.31	230.71	330.26	467.06
Deutsche Bank AG	334.38	478.48	680.59	184.54	264.06	375.60
JPMorgan Chase & Co.	95.22	135.74	191.96	52.55	74.91	105.94
Credit Suisse Group	50.05	71.62	101.87	27.62	39.52	56.22
BNP Paribas	47.47	67.13	95.90	26.20	37.05	52.93
HSBC Holdings PLC	29.35	42.00	59.74	16.20	23.18	32.97
Bank of America Corp.	0.18	0.25	0.36	0.10	0.14	0.20

APPENDIX 11 - INVESTMENT OBJECTIVES & PERFORMANCE OF SEGREGATED FUNDS

Investment Objectives and Benchmarks

	Security of Capital	Income	Liquidity	Benchmark
PBGF & PBGFB	Low sensitivity to adverse developments in the Capital Markets to meet unforeseen demand for capital in the short-term.	The minimum return target is to achieve the rate of return on 91 day Canada T-Bills. Effective Returns should be consistent with the returns on funds with a similar risk profile	Ability to meet sudden and unforeseen claims.	100% FTSE TMX Canada 91-day T-Bill index for the Money Market Portfolio Customized Buy & Hold Canadian Government Bond Ladder Benchmark for the Government Bond Ladder Portfolio
DICO & DICOB	Preserve capital and achieve an appropriate balance between investment security, liquidity and yield. Zero tolerance for net investment losses in any year and is willing to accept the possible reduction in overall return to ensure this outcome	Obtain a reasonable return within policy guidelines and risk tolerance	Accumulate sufficient assets to provide a 95% confidence level that it will have sufficient funds to meet deposit insurance claims	100% FTSE TMX Canada 91-day T-Bill Index for the Money Market Portfolio Customized Buy & Hold Canadian Government Bond Ladder Benchmark for the Government Bond Ladder Portfolio Performance Target: 5 basis points over the benchmarks
OTF & OTFB	Safety of principal by investing in fixed income securities and decreasing the volatility of returns by diversifying investments	Providing reasonable rates of return, consistent with available market opportunities, quality standard of investment and appropriate levels of risk	Providing sufficient liquidity to meet obligations	100% FTSE TMX Canada 91-day T-Bill Index for the Money Market Portfolio Customized Buy & Hold Canadian Government Bond Ladder Benchmark for the Government Bond Ladder Portfolio Performance Target: 5 basis points over the benchmarks
OILC	Maintain an acceptable level of safety of principal by restricting the amount of duration mismatch and resulting sensitivity to changes in interest rates	Reduce the fiscal impact by generating investment income to mitigate the cost of the subsidy on the municipal loans and operating expenses	Maintain necessary liquidity to meet obligations	None - due to matching strategy
OCGC	Preservation of capital and extremely low tolerance for capital losses	Providing reasonable rates of return with appropriate levels of risk	Providing sufficient liquidity to meet capital calls	None - due to cash flow matching strategy to fund capital calls

Performance

	2013-14			2014-15			2015-16			2016-17 *		
	Portfolio Return Annualized	Benchmark Return Annualized	Return over Benchmark Annualized	Portfolio Return Annualized	Benchmark Return Annualized	Return over Benchmark Annualized	Portfolio Return Annualized	Benchmark Return Annualized	Return over Benchmark Annualized	Portfolio Return Annualized	Benchmark Return Annualized	Return over Benchmark Annualized
PBGF	1.10%	1.00%	**0.10%**	1.05%	0.94%	**0.12%**	0.73%	0.52%	**0.22%**	0.74%	0.50%	**0.24%**
PBGFB**	-	-	-	1.21%	1.08%	**0.13%**	1.26%	1.04%	**0.21%**	1.22%	0.90%	**0.32%**
DICO	1.10%	1.00%	**0.10%**	1.05%	0.94%	**0.12%**	0.69%	0.52%	**0.17%**	0.71%	0.50%	**0.20%**
DICOB	1.32%	1.15%	**0.17%**	1.36%	1.18%	**0.19%**	1.30%	1.02%	**0.27%**	1.13%	0.79%	**0.35%**
OTF	1.11%	1.00%	**0.11%**	1.06%	0.94%	**0.12%**	0.71%	0.52%	**0.19%**	0.70%	0.50%	**0.19%**
OTFB	1.76%	1.46%	**0.30%**	1.56%	1.25%	**0.31%**	1.41%	1.08%	**0.33%**	1.23%	0.85%	**0.38%**
OILC	1.09%	N/A	-	1.07%	N/A	-	0.85%	N/A	-	0.66%	N/A	-
OCGC	1.37%	N/A	-	1.37%	N/A	-	0.99%	N/A	-	0.70%	N/A	-

* **The performance for 2016-17 is for a period of 10 months except for OILC which is for a period of 9 months**

** **The performance for 2014-15 is for a period of 6 months**

APPENDIX 12 - ENERGY MARKET ANALYSIS

NUG SUPPLY

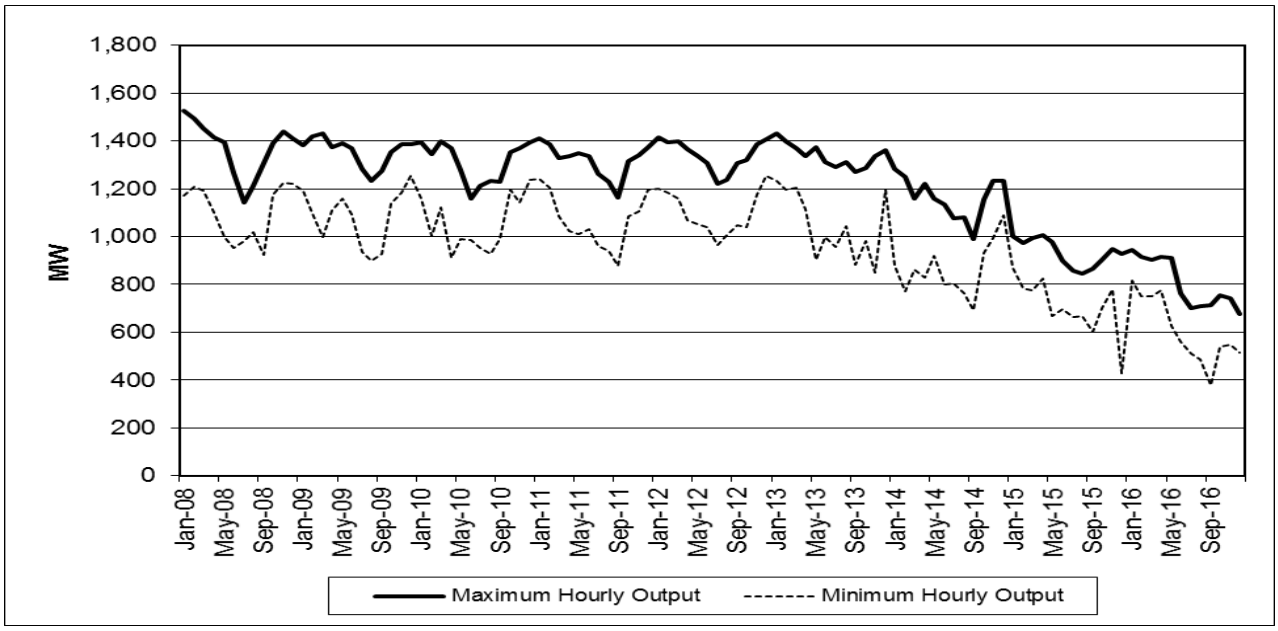
Hourly Data for 2016	Min Hourly Output (MW)	Max Hourly Output (MW)	Mean Hourly Output (MW)
All Hours	138	943	653
Peak Hours	378	943	736
Off-Peak Hours	138	903	585

	Min (MW)	Max (MW)
95% Confidence Interval for All Hours	248	943

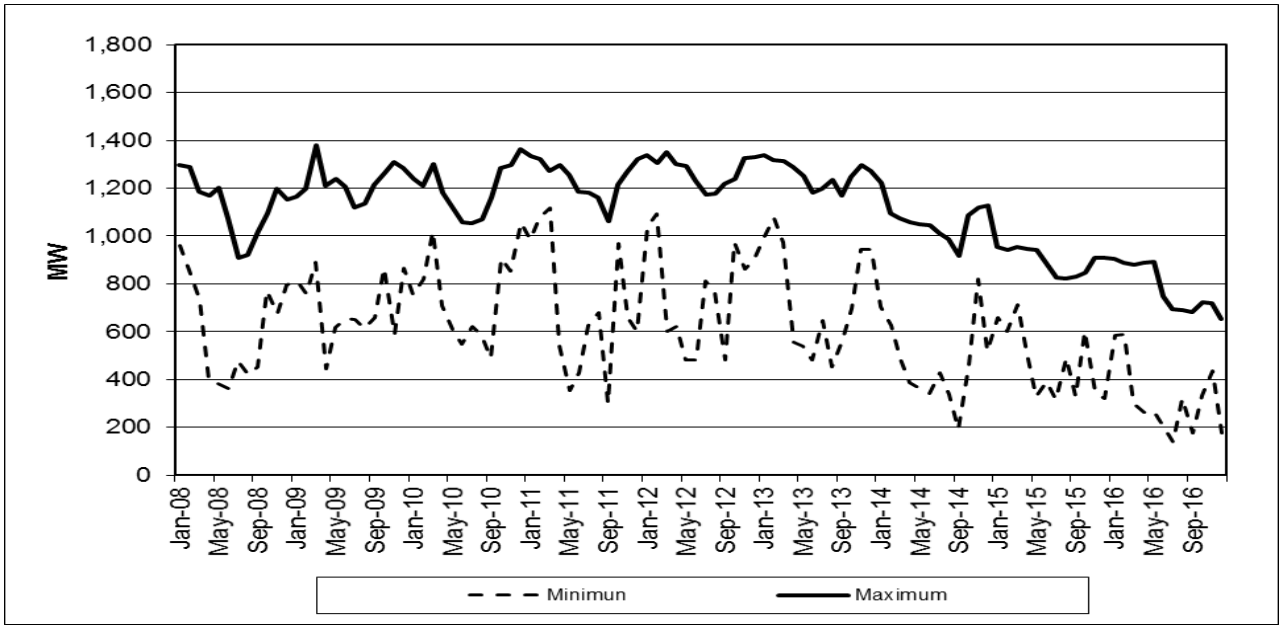
The NUG PPAs are long term fixed price contracts for electricity and are thus not influenced by the market price for power. With the existence of surplus baseload generation events over the past few years, OEFC has been working with the IESO to assist in reducing NUG output during off-peak periods when SBG is the highest. From April 1, 2016 to December 31, 2017, total cost-savings through curtailments were $13.5 million

As of February 1, 2017, there is a total of 471 MWs in NUG capacity, 63% from natural gas, 24% from hydro and 13% from heat and wood waste sources. Of the 298 MWs in gas-fired capacity, two contracts with NUGs have been suspended. Iroquios Falls (126 MWs in capacity) has been suspended until April 2017 and Nipigon (32 MWs in capacity) has been suspended until October 2018. During 2017, OEFC will continue to implement curtailments, both contractual and paid, to reduce NUG supply during off-peak periods.

Low and High Hourly Output during Peak Hours



Low and High Output During Off Peak Hours



APPENDIX 13 - PERFORMANCE MEASURES

PERFORMANCE CRITERIA FOR AOFA AND XOFA POSITIONS (Transactional Staff - Funding)		
1. MERIT CRITERIA		
Evaluation of each employee's performance conducted by the person responsible for evaluating the performance of the employee, based on the achievement by the employee of commitments contained in a pre-existing individual performance contract for the employee for 2016-17 including consideration of skills and competencies as well as ethical and professional behavior and compliance with applicable policies in the performance of the employee's commitments. These commitments will include performance of the OFA Investor Relations Plan, as applicable for employees who are active in supporting this plan.		
2. PERFORMANCE PAY CRITERIA		
a. Team-Based Component - 65% (for directors) and 70% (for others) of performance pay		
i)	Timing of Regular Borrowing (65% of team-based component)	Percentile Rank: Ranking of the Province's cost of long-term regular borrowing for the year within the distribution of the daily benchmark cost of funds observed during the year. Issues are grouped by term, and the percentile ranks are weighted by the amount of borrowing done at each term to determine a weighted average percentile rank. The target range for 2016-17 is 45 to 55 percentile, unchanged from last year. Regular borrowing consists of domestic issues and small foreign issues. It excludes Strategic Foreign Borrowing having a defined large size that varies by market. US issues of USD 1 billion or more are deemed to be Strategic. The long term borrowing costs do not include the cost of carry.
ii)	Timing of Strategic Borrowing (10% of team-based component)	Percentile Rank: A ranking similar to the above, capturing the cost of Strategic Foreign Borrowing only. The target range for 2016-17 is 50 to 75 percentile, unchanged from last year.
iii)	Program Execution (20% of team-based component)	An assessment of • The appropriateness of the size of debt issues to keep the program ahead of pace without detracting from the ability to execute future issues; • The appropriateness of the selection of term and market to ensure the market remains receptive to further issues and to manage the maturity schedule; and • Completion of the borrowing program on a timely basis; and • Whether the Province's borrowing for the year falls within the appropriate term range set out in the Financing, Electricity and Debt Management Plan for the year ("Range"). This assessment will include consideration of the reason for any deviations from the Range.

iv)	Investment Return (5% of team-based component)	Actual return for the year on the Province's short-term investment portfolio as compared to the weighted average of four market indices. The weighted average is computed to provide a composite index having approximately a 61-day average term. The target range for 2016-17 is an investment return of-2 to +2 basis points relative to the benchmark, unchanged from the previous year. The following types of investment will be measured: (i) instruments directly issued or guaranteed by the Government of Canada (ii) Canada Mortgage Bonds issued by Canada Housing Trust, (iii) Province of Ontario debt together with (iv) internal and external repos of the foregoing measured investments. Currency exchange contracts may be used to convert eligible short term investments denominated in a foreign currency to Canadian dollars. Interest rate swaps may also be used, provided a CSA agreement with the counterparty is also in place, to reduce credit risk.
b. Individual Component - 35% (for directors) and 30% (for others) of performance pay		
An evaluation by the CEO in consultation with the Executive Director, Capital Markets, of the contribution of the individual to the above results (timing of borrowing, debt management, investment return, program execution) in the areas in which the individual has responsibility.		

APPENDIX 14

Ontario Financing Authority

INVESTOR RELATIONS ANNUAL PLAN

2017–18

Appendix to

Financing, Debt & Electricity Management Plan for the Province of Ontario and Ontario Electricity Financial Corporation for the fiscal year ending March 31, 2018

TABLE OF CONTENTS

PLAN SUMMARY	126
2016–17 YEAR IN REVIEW	126
Marketing and Communications	126
2016–17 Call Program	127
Benchmarking	129
2017–18 PLAN	130
2017–18 Proposed Call Program	131
Benchmarking	141
APPENDIX	142
Ontario International Bonds – Investor Analysis	142
2016–17 Investor Meetings	144
2017–18 Estimated Budget for Planned Investor Relations Activities	147

PLAN SUMMARY

The OFA's Investor Relations (IR) group supports Ontario's funding program by developing and executing the Province's investor relations strategy, comprised of two components – marketing and communications, and call program activities. Both components target current and prospective fixed-income investors to inform them of the Province's economic and fiscal policies and outlook, borrowing program (i.e., size, progress, types of issuance) and credit ratings.

In 2016–17, IR call program activities focused on targeting new and existing investors in North America, Europe and Asia. As at March 31, 2017 the Province will have held meetings with 143 investors, compared to 135 in 2015–16 and an average 77 meetings a year from 2009–10 to 2014–15. This was the highest number of meetings in a year since IR benchmarking began in 2009. In 2017–18, IR will continue to meet with domestic and international investors, with roadshows planned for North America, Europe, Latin America (LATAM) and Asia.

The proposed call program will remain flexible to changes in the political landscape and market conditions which may affect the amount of time devoted to IR activities.

2016–17 YEAR IN REVIEW

Marketing and Communications

OFA Website

The OFA website is one of the most important tools IR has to market and communicate the Province's economic, fiscal and borrowing status to current and prospective investors. IR continues to receive positive feedback regarding the OFA website from dealers who indicated that the website is best-in-class compared to other provincial issuers.

A website section that received significant attention in 2016–17 was Green Bonds. Throughout the year, the Green Bonds section was updated with multiple materials, including the OFA's second Green Bond newsletter, updated project information, an updated Green Bond presentation and a case study following the launch of Ontario's third Green Bond in February 2017.

As of December 31, 2016, there were 363 subscribers on the OFA e-mail alert list. The website's e-mail subscription service is promoted in IR products and the CEO's Corner. Individuals representing investment dealers and institutional investors comprised the largest group of subscribers, followed by private individuals. Individuals representing various public sector organizations, credit rating agencies and financial media also subscribe.

Most visitors to the OFA website were from North America. The Homepage section has become the most viewed part of the OFA website followed by the Bond Issues Database, Green Bonds and the Borrowing Program sections. The CEO's Corner, Green Bonds (FAQ, Presentation and Framework), Bond Profiles, Investor Fact Sheet, IR Presentation, Schedule of Debt and OFA Annual Report comprise the list of most downloaded materials.

Below is a summary of OFA website statistics for calendar year 2016:

	Q1-2016	Q2-2016	Q3-2016	Q4-2016	2016 TOTAL
Sessions*	14,834	10,190	9,146	9,633	43,803
Users**	12,068	8,152	7,341	7,231	34,792
Pageviews***	34,807	24,500	22,938	25,391	107,636
Downloads	3,869	2,244	2,045	2,204	10,362
Most Active Date	February 25	June 9	August 4	November 14	February 25

* Total number of Sessions within the date range. A session is the period time a user is actively engaged with the website. All usage data (Screen Views, Events, etc.) is associated with a session. As soon as one session ends, there is then an opportunity to start a new session. A session ends after the visitor either closes the browser, is inactive for 30 minutes or after midnight.

** Users that have had at least one session within the selected date range. Includes both new and returning users.

*** Pageviews is the total number of pages viewed. Repeated views of a single page are counted.

Information Products

The IR Presentation continued to evolve as investors' information needs changed amidst topical concerns. For 2016–17, the presentation emphasized the liquidity and performance of Ontario's Bonds, and Ontario's lower borrowing requirements over the medium term. The Presentation received positive feedback from dealers and investors for its content.

IR continued to produce quarterly Investor Fact Sheets. IR also continued publishing bond profiles ("One-Pagers") on the OFA website to highlight large international and Green Bond issues. IR contributed substantively to the development and coordination of the Ministry of Finance's quarterly finances (e.g., *Budget and Fall Economic Outlook and Fiscal Review*) by ensuring these communication materials aligned to the government's messages while meeting the information needs of the fixed-income community. Additionally, IR produced a second Green Bond newsletter reporting on the Province's Green Bond program.

Media Relations and Conferences

Gadi Mayman presented at the BMO 12th Annual Government Finance Conference in Toronto. Members of the OFA's technical team participated at the 2016 RBC Green Bond conference in Toronto, the Bloomberg Canadian Fixed Income Conference in New York, the Environmental Finance: Green Bonds America 2016 Conference also in New York, the Euromoney Global Borrowers and Bond Investors Forum, the Responsible Investors 2016 Conference and the Environmental Finance: Green Bonds Europe 2016 in London, U.K., as well as the HSBC 11th Annual AAA Issuer and Investor Summit 2016 in Vienna.

In addition, Environmental Finance profiled Ontario's Green Bond program in January 2017. The OFA also put together a case study showcasing Ontario's Green Bond program for a publication coordinated by SEB. Most recently, Mike Manning attended the G7 Financial Centres for Green and Sustainable Finance program in Milan.

2016–17 Call Program

In 2016–17, the OFA had a record number of meetings with domestic and international investors (see "2016–17 Investor Meetings" in the Appendix for a complete list). Similar

to recent years, the pace of call program activity remained robust. The OFA met with a variety of investors, including asset managers, banks and pension plans, interested in the relative safety and liquidity of Ontario bonds. In addition to regular roadshows, IR conducted Green Bond roadshows in Western Canada, Montreal, Toronto and New York. For the Canadian Green Bond roadshows, the OFA included senior staff from the Ministry of Environment and Climate Change to provide enhanced information on the Province's environmental policies and initiatives.

Roadshows and meetings were held in North America, Europe and Asia, aimed primarily at maintaining relationships with new and existing investors. This included two Ministerial-led trips to New York City and Europe (London and Paris). The Province's technical team travelled to the U.S., Europe, Asia, Western Canada and Montreal. CEO's IR activities included investor meetings in Toronto, presentations to the salesforces of Ontario's domestic syndicate, a presentation at the 2016 BMO Capital Markets 12th Annual Government Finance Conference in Toronto, as well as a presentation at TD's Central Bank Luncheon in the fall.

As at February 28, 2017, the Province held 143 investor meetings (See "Benchmarking" below for additional information).

Please refer to the table below for highlights of investor relations call program activities held during the year, and the Appendix for a full list of the investors with whom the Province met:

Date	2016–17 Call Program Activities
26-April-2016	Minister's Trip to London and Paris
3 May 2016	U.S. Roadshow: New Jersey (Morristown) and Pennsylvania (Philadelphia)
3-May-2016	Investor Meeting with Swiss National Bank
11 May 2016	BMO Capital Markets 12th Annual Government Finance Conference
18-May-2016	CEO's Salesforce meetings
13-June-2016	Minister's New York City Roadshow
14-June-2016	Investor Meeting with PIMCO
20-June-2016	Responsible Investor Europe 2016 – U.K. (London)
21-June-2016	Euromoney: The Global Borrowers & Bond Investors Forum – U.K. (London)
23-June-2016	Environmental Finance: Green Bonds Europe 2016 – U.K. (London)
30-June-2016	Investor Meeting with SAFE
30-August-2016	Investor Meeting with RBC Treasury
13-September -2016	U.S. Roadshow: New York (New York), Connecticut (Hartford) and Massachusetts (Boston)
13-September-2016	Investor Meeting with TIAA-CREF
14-October -2016	Investor Meeting with Abu Dhabi Investment Authority
17-October-2016	Responsible Investment Association Conference
24-October-2016	Asia Roadshow: Japan (Tokyo) and Korea (Seoul)
24-October-2016	Environmental Finance: Green Bonds Americas 2016
25-October-2016	Investor meeting with Daiwa Asset Management
28-October-2016	TD Central Bank Luncheon

Date	2016–17 Call Program Activities
21-November-2016	Investor Meeting with Shinkin Asset Management
21-November-2016	Western Canada (Vancouver, Victoria, Winnipeg) Green Bond Roadshow
22-November-2016	Investor Meeting with Phillips, Hager & North Investment Management
9-November-2016	Bank of America Roundtable
16-November-2016	Investor meeting with Great West Life
29-November-2016	Montreal Green Bond Roadshow
2-December-2016	Toronto Green Bond Roadshow
7-December-2016	Investor Meeting with CIBC
7-December-2016	RBC Global Capital Roundtable
7-Decenber-2016	Investor Meeting with Industrial Alliance
9-February-2017	Investor Meeting with Axa Frankfurt
22-February-2017	G7 Financial Centres for Green and Sustainable Finance – Italy (Milan)

As at March 31, 2017, the total amount budgeted for IR activities in 2016–17 was $160,500.00, which included travel, as well as shipping, printing and translation services. Actual travel-related expenses amounted to $40,471.50, while the actual cost of printing, shipping and translation was $10,173.86. Accordingly, total expenses amounted to $50,645.36, which was $109,854.64 below the initial budgeted amount.

Minister's Events

In April 2016, the Minister, Chief of Staff, Deputy Minister, and the CEO of the OFA travelled to London and Paris to meet with fixed income and direct investors to promote Ontario's bonds, as well as investment in the Province. The Minister, Chief of Staff, Deputy Minister and CEO of the OFA also travelled to New York City to meet with some of Ontario's largest investors. The Minister also met with Ontario's syndicate in the fall.

Benchmarking

As of March 31, 2017 the Province will have held meetings with 143 investors, compared to 135 in 2015–16 and an average of 77 meetings a year from 2009–10 to 2014–15. This would be the highest number of meetings in a year since IR benchmarking began in 2009.

2017–18 PLAN

Introduction

Ontario's long-term borrowing is forecast to be $23.3 billion for 2017–18 and $28.7 billion for 2018–19, as of the Province's Third Quarter Finances. As borrowing requirements are expected to remain sizeable over the medium term, IR will continue to monitor global financial market conditions and be flexible to ensure roadshows remain viable for both the Province and its investors.

To maintain and expand the existing investor base, the focus for 2017–18 will be on technical team roadshows in North America (Canada and the U.S.), as well as roadshows to Europe, LATAM and Asia. The OFA will attempt to take advantage of opportunities where several investors meet at one location. Examples include the BMO Government Finance Conference where investors attend from around the world. Roadshows will be led by a senior member of the Province's funding team and a senior economist or a fiscal representative. Technical team initiatives will be transaction-focused to support the borrowing program. IR will also look for opportunities to meet with investors interested in the Province's Green Bond program. IR will continue to produce communication products to keep investors and other members of the global financial community apprised of Green Bond developments and issuances as necessary, and further adapt its outreach efforts to Green Bond investors to meet the needs of this new program.

Finally, IR will continue to provide investor information products, investigate opportunities to ensure investor information expectations are met, and work to increase the Province's visibility in the capital markets.

Marketing and Communications

OFA Website

IR will continue to look at how to increase on the volume of visitors to the website.

Information Products

The IR Presentation will continue to be message-driven in 2017–18, and remain current and consistent with economic and fiscal developments, borrowing climate and audience needs (e.g., domestic versus international). Borrowing messaging will focus on strategy, performance, and liquidity.

Based on feedback from investors and the fixed income community, IR products will continue to evolve to ensure investors' needs are met. Products will continue to highlight specific attributes of bond transactions, inaugural issues, and general borrowing program commentary. Products will be uploaded onto the OFA website simultaneously with an e-mail sent to subscribers alerting them of the posting.

Media Relations

IR will continue to investigate opportunities to participate in media publications' roundtables or other media events (e.g. Euromoney, International Financing Review, EuroWeek, Bloomberg, Thomson/Reuters, Institutional Investor, and KangaNews). These indirect marketing options provide an effective way to supplement roadshows.

Calls could be led by the CEO or funding managers, and focus on the attributes of new bond issues.

Exposure has also been received through tombstone ads published by underwriters following bond issues or announcements. Accordingly, IR will continue to encourage dealers to include Ontario in their advertisements.

Green Bonds

IR maintained an active participation in the Green bond program. In January 2017, the Province of Ontario successfully priced its third Global Canadian Dollar (CAD) Green Bond for $800 million. In preparation for the issue, IR updated the Green Bonds section of the website with new project information and a presentation for a net roadshow, as well as a case study following pricing of the bond.

In December 2016, as a follow up to the province's second Green Bond, IR published its second annual Green Bond Newsletter to the OFA's website. These products proved to be popular with investors and those seeking more information on Green Bonds. IR also coordinated the communications strategy with Ministry of Finance.

2017–18 Proposed Call Program

Canada

The Province will continue to meet with domestic investors in Toronto, Western Canada and Montreal. In April, we will present at RBC's Green Bond conference in Toronto. Post-Budget, we will present at BMO's Government Finance Conferences in both Montreal and Toronto. The Province will also present at TD's Central Bank event in Toronto in the fall. The Minister will meet with Ontario's domestic syndicate in the fall.

U.S.

Roadshows are planned to the U.S. to continue to support USD Global issuance. U.S. investor participation in U.S. Globals since 2002 has averaged about 45 per cent. The fiscal year will start with a Ministerial roadshow to New York. We anticipate visiting New York for a Green Conference in the fall, as well as potentially participating in Bloomberg's Canadian Fixed Income conference in September. Later in the year, we will cover the mid-west with two potential roadshows to Minneapolis, and Ohio and Michigan.

It should be noted that the current uncertainty in the political landscape may hinder the ability to complete all proposed roadshows.

Summary of U.S. Priorities:

1. Minister's trip to New York City
2. Bloomberg Canadian Fixed Income Conference – New York
3. Environmental Finance Green Bonds Americas Conference
4. Technical team trip to Minneapolis

5. Technical team trip to Ohio and Michigan

Asia

Investors from Asia continue to represent an important market for Ontario bond investors. A technical roadshow to Seoul and Tokyo to meet with key investors in the region is being considered. The trip will allow for technical meetings with major investors, and those not previously met in 2016.

Alternatively, a trip to Beijing, Hong Kong, Kuala Lumpur and Jakarta is also under consideration. While we've visited investors in Beijing and Hong Kong previously, it would be the first time meeting with investors in Kuala Lumpur and Jakarta. Of note, Bank Indonesia bought $400 million of the 5-year USD 2.5 billion we issued in February 2017.

Europe

Europe remains a target market for the OFA. Based on meetings in 2016–17, and recent purchase data, European investors continue to show significant demand for Ontario bonds. The Annual Plan includes a Minister-led trip planned to London and Frankfurt, and a technical roadshow to Amsterdam, The Hague, Paris, Geneva and Zurich. In June, we plan on attending a number of conferences ahead of the Euromoney conference in London, one is a one-day event organized by TD, and the other is a Green conference organized by Environmental Finance.

LATAM

The Province will attend a conference in Panama targeting central banks, sovereign wealth funds, public institutions and pension funds from the LATAM region. This would be the Province's first technical roadshow to the region and will be an efficient venue to meet several LATAM investors rather than travelling to individual countries.

Year at a Glance: 2017–18 Call Program Activities

March 17	April 17	May 17	June 17	July 17	August 17
	RBC Green Bond conference – April 10th BUDGET 2017	BMO Government Finance Conference – Montreal & Toronto, May 2nd, 3rd Europe Roadshow – Amsterdam, Hague, Paris, Zurich, Geneva (5 days, starts May 8th) Minister's roadshow New York City, May 16th-17th Minister's roadshow - London, U.K. & Frankfurt, May 23dr - 26th	Latam Institutional Investors Conference – Panama City (1 day), June 8th Women in Fixed Income – Toronto, June 14th TD Event – London, June 19th Env. Finance GB Europe – London, June 19th Euromoney conference – London, June 20-21st		

September 17	October 17	November 17	December 17	January 18	February 18
Asia Roadshow: Seoul & Tokyo or Beijing, Hong Kong, Kuala Lumpur, Jakarta (5+ days) Bloomberg Canadian Fixed Income Conference – New York (Sept. 26th)	Western Canada (Victoria, Vancouver, Winnipeg) / Quebec Green Bond IR TD Central Bank event – Toronto (1 day) Environmental Finance Green Bonds Americas conference (Date & location TBC)	FALL ECONOMIC STATEMENT Minister Domestic Underwriter Group Meeting – Toronto		U.S. – Midwest #1: Winnipeg Minneapolis (2+ days) U.S. – Midwest #2 Ohio & Michigan (2 days)	**March 18** HSBC Annual AAA Issuer and Investor Summit 2018 BUDGET

Detailed 2017–18 Call Program Activities

Legend

"TT": Technical Team (comprised of a senior member of the funding team and a senior economist from the Ministry of Finance, Office of Economic Policy)

"CEO": CEO's outreach (comprised of the CEO and in some cases a senior economist from the Ministry of Finance, Office of Economic Policy)

"MIN": Minister Trip (accompanying the Minister could be the Deputy Minister or Associate Deputy Minister, the CEO or Executive Director of the OFA, and the Minister's Chief of Staff or Director of Policy)

Lead	Region	Key Investors	Last Outreach	Activity	Timing	Duration (not including travel time)
TT	**Ontario** (Toronto)	RBC Green Bond Conference	2016	Deal/Marketing	April 2017	1 day
TT	**Quebec** (Montreal)	**BMO Capital Markets Government Finance Conference**	2016	Deal/Marketing	May 2017	1 day
TT	**Ontario** (Toronto)	**BMO Capital Markets Government Finance Conference**	2016	Deal/Marketing	May 2017	1 day

Lead	Region	Key Investors	Last Outreach	Activity	Timing	Duration (not including travel time)
TT	**Europe** (Amsterdam, The Hague, Paris, Geneva, Zurich)	APG, BNP, Robeco, Univest, Amundi, Banque de France, Banque Postale, BNP Paribas Asset Management, Natixis Asset Management, Pictet & Cie Asset Mgmt, Bank for International Settlements, Bank Julius Baer, Credit Suisse Asset Management, Lombard Odier, Swiss National Bank, Swissca Portfolio Management, Swiss Life, UBS Global Asset, Management, Zuercher Kantonalbank	2010	Deal/Marketing	May 2017	5 days
MIN	**New York** (New York)	Meetings with investors of Ontario U.S. dollar bonds. Meetings with executive management of one or two Canadian or U.S. investment dealers in New York. A reception with the Province's U.S. underwriters.	2016	Post-Budget Update	May 2017	2 days
MIN	**Europe** (London, Frankfurt)	Meetings with investors of Ontario global bonds. Meetings with executive management of major investment dealers. Receptions with the Province's underwriters.	2016	Post-Budget Update	May 2017	4 days

Lead	Region	Key Investors	Last Outreach	Activity	Timing	Duration (not including travel time)
TT	**Panama** (Panama City)	**LATAM Institutional Investors Conference** Meetings with institutional investors from central banks, sovereign wealth funds, public institutions and pension funds.	-	Deal/Marketing	June 2017	1 day
TT	**Ontario** (Toronto)	**Women in Fixed Income** Presentation on Green Bonds.	-	Deal/Marketing	June 2017	1 day
TT	**Europe** (London)	**TD Dollar Bloc Conference** **Environmental Finance: Green Bonds Europe** **Euromoney: Global Borrowers and Bond Investors Forum**	2016	Deal/Marketing	June 2017	5 days

Lead	Region	Key Investors	Last Outreach	Activity	Timing	Duration (not including travel time)
TT	**Asia – option 1** (Seoul, Tokyo)	Bank of Korea, Korea Investment Corporation, Korea National Pension, Hana Bank, Daiwa, Resona Bank, Tokio Marine, Mistubishi, Bank of Japan, Dai-Ichi Asset Management, DIAM, Fukoku Mutual Life Insurance, Mizuho, Missay	2016	Deal/Marketing	September 2017	5 days
TT	**Asia – option 2** (Beijing, Hong Kong, Kuala Lumpur, Jakarta)	SAFE, Bank of China, China Construction Bank, Industrial and Commercial Bank of China, Hong Kong Monetary Authority, Hang Seng Treasury & Asset Management, Bank Negara Malaysia, Bank Indonesia	2015	Deal/Marketing	September 2017	5 days
TT	**New York** (New York)	**Bloomberg Canadian Fixed Income Conference**	2016	Deal/Marketing	September 2017	1 day

Lead	Region	Key Investors	Last Outreach	Activity	Timing	Duration (not including travel time)
TT	**Western Canada** (Victoria, Vancouver, Winnipeg)	**Green Bond IR**	2016	Deal/Marketing	October 2017	1 day
TT	**Quebec** (Montreal)	**Green Bond IR**	2016	Deal/Marketing	October 2017	1 day
TT	**Ontario** (Toronto)	**TD Central Bank event**	2016	Deal/Marketing	October 2017	1 day

Lead	Region	Key Investors	Last Outreach	Activity	Timing	Duration (not including travel time)
TT	**North America** (Location TBD)	**Environmental Finance Green Bonds Americas conference**	2016	Deal/Marketing	October 2017	1 day
MIN	**Ontario** (Toronto)	**Minister's Underwriters Meeting** Meetings with Ontario's domestic syndicate to provide an economic update	2016	Post-Fall Statement Update	November 2017	1 day
TT	**U.S. Midwest #1** (Minneapolis)	Advantus, Galliard, RBC GAM, Thrivent, St. Paul Travelers Companies Inc.	2013	Deal/Marketing	January 2018	2 days

Lead	Region	Key Investors	Last Outreach	Activity	Timing	Duration (not including travel time)
TT	**U.S. Midwest #2** (Ohio and Michigan)	City of Detroit, Ford Motor, General Motors, Ohio Public Employees Retirement System, Ohio Teachers, State of Ohio, State of Michigan	2011	Deal/Marketing	January 2018	2 days
TT	**Europe**	HSBC Annual AAA Issuer and Investor Summit	2016	Deal/Marketing	March 2018	5 days

Benchmarking

Benchmarks will continue to be used to track the success of IR's initiatives. Specific objectives are defined in this annual plan and will be measured against actual results throughout the year.

Three key benchmarks will continue be used, as described below. These benchmarks will be assessed at the end of the year, and consideration will be given to adding new benchmarks if appropriate.

Targeting New Investors

Performance is measured by the number of new investors met throughout the year. IR also measures the number of new investors in each target investor type (e.g., asset manager, central bank) and tracks bond purchases after meetings, however, this is not included as a benchmark given the number of variables investors consider in purchasing securities. As in the past, IR will track investor feedback from meetings, including purchase activity influenced by the meetings.

IR will continue to produce distribution statistics based on investment reports received from dealers for Global bonds and Green Bonds. These statistics are used to track investor purchases, and to determine priorities in the annual IR plan.

Effectiveness of Communications

To benchmark IR's success in providing the type and frequency of information investors desire when deciding to purchase Ontario bonds, feedback from dealers will be solicited regularly and after roadshows, as in previous years. Messages, supporting materials and the website will be assessed against research undertaken to determine investor information preferences.

Website Usage

Benchmarks on website usage will continue to be used in 2017–18. Privacy constraints limit the ability to measure who is accessing the website and what information is being viewed. Specifically, IR will aim to increase the overall amount of traffic year-over-year, and the number of subscribers. Other data being tracked include traffic following significant events (e.g., Budget) and posting of new information (e.g., CEO's Corner video) to identify the most popular products on the website. IR will seek to increase the subscriber base by continuing to promote the service on IR materials and by offering new services through the website to drive traffic. IR will also more actively promote the e-mail alert service in investor meetings by explicitly asking people to subscribe.

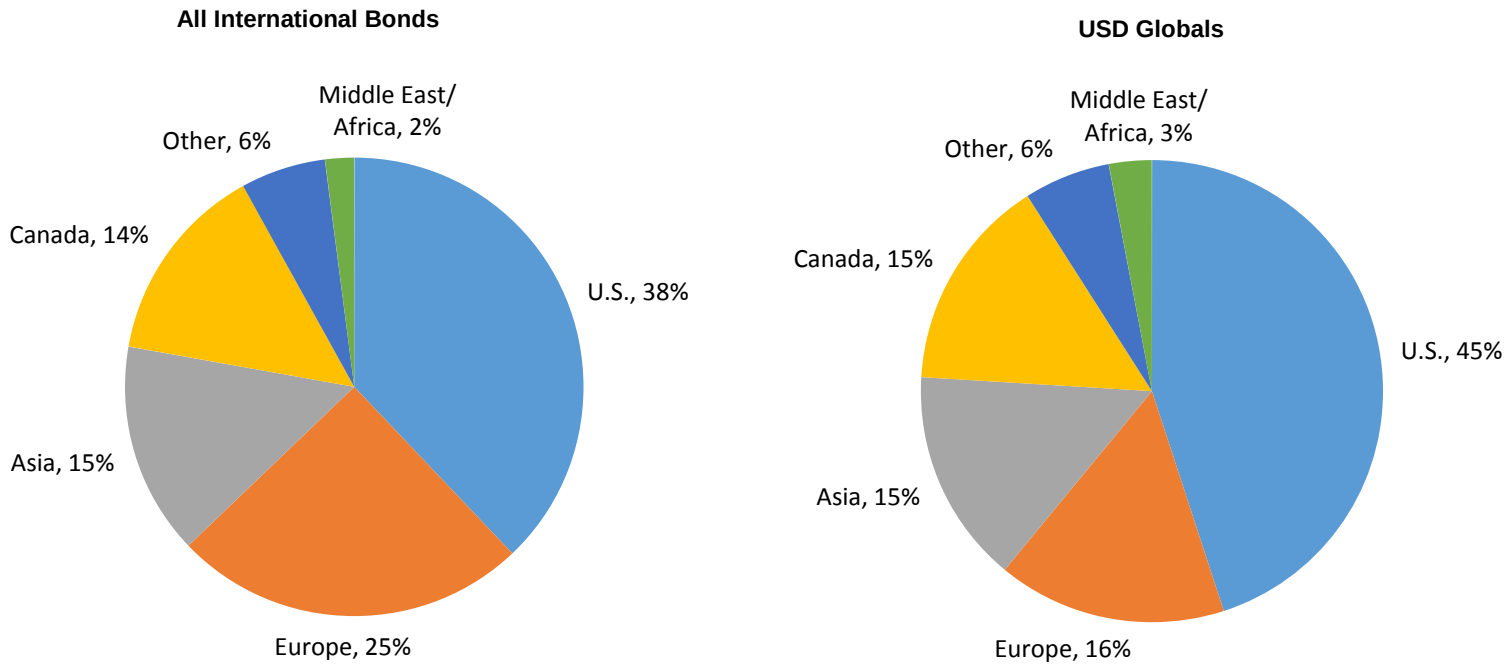
APPENDIX

Ontario International Bonds – Investor Analysis

The following estimates are based on Investor Relations' internal database of purchase allocations for select Ontario international bonds (USD Globals, EMTNs) issued in the primary market since July 2002.

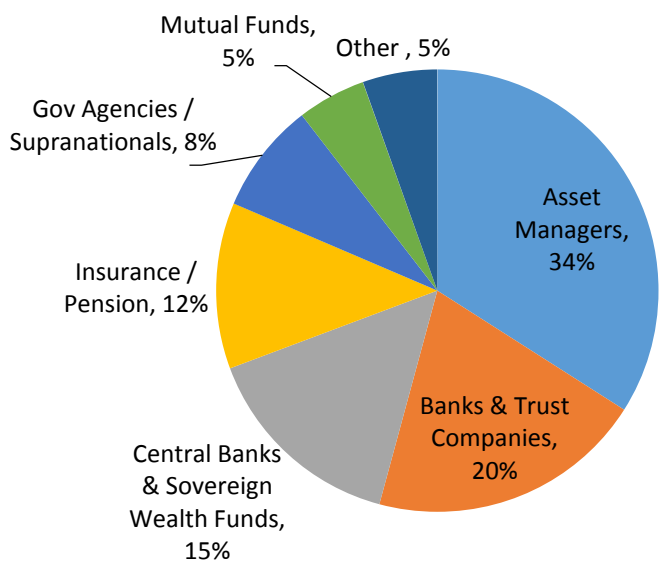
As of February 10, 2017

Investor Purchases of Global Bonds – By Region

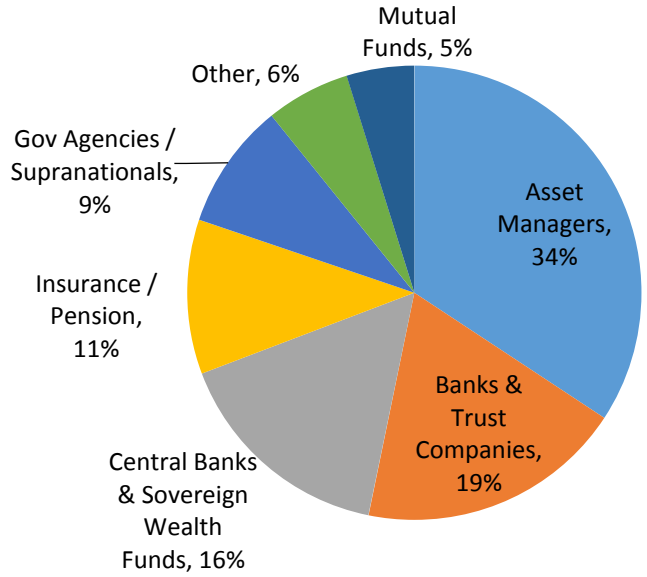


Investor Purchases of Global Bonds – By Type

All International Bonds



USD Globals



2016–17 Investor Meetings

The following table lists investors with whom the Province had meetings during fiscal 2016–17, there were a total of 143 investor meetings, of which 11 were new investors:

Location	Investor
Montreal	Addenda Capital Desjardins Asset Management Alphafixe Alliance Bernstein Baker Gilmore Caisse Centrale Desjardins Treasury Financière des Professionnels Hydro Québec Intact Manulife Asset Management Montrusco Optimum Public Sector Pension Treasury Gestion Sodagep Inc. Societé de Transport Montréal Ville de Montréal Air Canada Caisse de depot et Placement du Québec

Location	Investor
Toronto	Swiss National Bank Oregon State Treasury Sun Life of Canada / Sun Life Assurance Company (SUNIMCO) Fidelity Investments (Fidelity Management and Research LLC) Letko, Brosseau & Associates Bank Of Canada Municipality Financial Magyar Nemzeti Bank (The Central Bank of Hungary) Central Bank of Russia 1832 Asset Management L.P. BMO TD RBC National Bank Financial Desjardins Scotia Capital CIBC SAFE RBC Treasury Abu Dhabi Investment Authority Responsible Investment Association Conference Central Bank Luncheon Bank of America Roundtable Great West Life Shinkin Asset Management Foresters Acuity (AGF) Investor Lunch Sun Life CIBC RBC Global Capital Roundtable

Location	Investor
Vancouver	Insurance Corporation of British Columbia Translink Central 1 Credit Union Connor, Clark & Lunn Phllips, Hager & North Investment Management Leith Wheeler Investment Counsel Ltd. HSBC Global Asset Management (Canada)
Winnipeg	Wawanesca Insurance Credit Union Central Manitoba Manitoba Civil Service Superannuation Board Great West Life Investor's Group
Tokyo	RBC Capital Markets Fukoku Life Nochu Zenkyoren Daiwa AM Kampo Nippon Life
London	Scotia Capital Legal & General Investment Management Insight Tesco Pension T. Rowe Price Lloyd's of London

Location	Investor
	Industrial Alliance Axa Frankfurt
Victoria	BC Investment Management Corporation
Paris	La Banque Postale BNP Treasury BRED Banque Populaire
Seoul	Korean Development Bank Korean Exchange Bank (Hana) Korean Investment Corporation Bank of Korea National Pension Service of Korea Korean Export Import Bank
New York	United Nations AIG Investments Bank of China, Taiwan Intesa Sanpaolo J.P. Morgan Investment Management Inc. Lazard Asset Management LLC PartnerRe Blackrock Financial Ontario Teachers' Pension Plan Board Bank of America Merrill Lynch BNP Paribas Goldman Sachs TSE Capital Management Oppenheimer Medley Global Advisors Pacific Investment Management Company (PIMCO) AIG Global Asset Management Bank of Thailand

Location	Investor
Philadelphia	MetLife TD Bank Balance Sheet Delaware Investments Logan Circle Vanguard
Merrimack	Fidelity

Location	Investor
	Teachers Insurance and Annuity Association - (TIAA) Schroders Bloomberg Fixed Income Conference Andra Ap-Fonden Standish Asset Management Alliance Bernstein Pax World California State Retirement System Everence/Praxis Nikko Asset Management Rockefeller & Co. Brown Investment Advisory & Trust Co. Merrill Lynch Wealth Management Trillium Asset Management APG Asset Management Breckinridge Capital Advisors NY State Common Retirement UN Pension Swiss Re UBS Treasury Prudential Financial
Boston	State Street Global Advisors Loomis Sayles & Company Standish Mellon Asset Management Liberty Mutual Insurance Company Manulife Asset Management
New Haven	Knights of Columbus Hartford Investment Management Co. (HIMCO) Conning and Company Cigna

2017–18 Estimated Budget for Planned Investor Relations Activities

All proposed IR activities outlined in this annual plan are tentative and subject to market conditions, investor demand and technical team availability.

EXPENSE	COST
Shipping	$ 2,000.00
Printing (OFA Annual Report)	$ 13,000.00
Translations/Proofreading (French translation of IR Products, including OFA Annual Report)	$ 5,500.00
TOTAL Shipping, Printing & Translation	$ 20,500.00
TOTAL Travel	$ 140,000.00
TOTAL ESTIMATED IR 2017–18 BUDGET	**$ 160,500.00**

APPENDIX 15 - 2017-18 PROCUREMENT PROCESS FOR UNDERWRITING SERVICES

Selection of Underwriters

Domestic Syndicate:

There is a three-stage process involving (i) identification of appropriate dealers; (ii) annual evaluation of identified dealers to determine the percentage allocation of commissions as between them; and (iii) selection of appropriate dealers for each transaction.

(i) Identification:

- Syndicate selected using independent statistical information published by the Investment Industry Regulatory Organization of Canada (IIROC) to identify dealers who are the major traders in Ontario bonds based on volume (volume levels must be in the multi-billions of dollars).

(ii) Evaluation:

- The OFA conducts an annual review of the dealers in the domestic syndicate using fifteen quantitative and qualitative scoring categories;
- The scoring of each dealer relative to the syndicate group is used to allocate commissions for the following fiscal year.

(iii) Allocation of Transactions

- During the fiscal year, dealers from the syndicate are selected for the individual bond issues based on factors relevant at the time including performance on previous issues, investor demand and orders dealer recommendations for issuance, including term and new issue spreads. In addition, transactions are allocated so that the total commissions paid to each dealer for issues over the course of the year corresponds to its allocation as determined by the results of the annual evaluation scores.
- The OFA reserves the right to reduce or eliminate use of a dealer in-year, based on performance or unsuitable conduct.
- Green bonds will use the domestic syndicate for domestic issues but will use a separate domestic dealer selection process. For the first three Ontario green bond issues, syndicate selection was based on a scoring system based on deal structure, marketing plans and other factors.

Commissions:

- There is a standardized commission schedule for syndicated domestic provincial bond issues used by all provinces in Canada. The OFA will continue to use its influence to reduce the standardized commissions where in its opinion this can be done without compromising service and cooperation.
- Commissions will be tracked on a continuous basis throughout the year and independently verified by OFA staff to ensure that they are correct and consistent with the commission allocations determined at the beginning of the fiscal year.

Domestic Non-syndicated:

- For non-syndicated transactions the OFA contacts some or all members of the domestic syndicate to gauge market interest.
- The dealers respond with offers and the OFA selects the transactions it wants based on the best terms and pricing offered, up to the volume required. The OFA has no obligation to accept an offer. It evaluates each offer on its merits based on its terms, costs, market conditions and borrowing requirements.

Reverse Inquiry/Unsolicited:

- Investor approaches the Province on a confidential basis through a dealer (generally a reverse inquiry deal is a Canadian deal done by a member of the domestic syndicate).
- The OFA has no obligation to accept any offer. It evaluates each offer on its merits based on its terms, costs, market conditions and borrowing requirements. It may also negotiate improved terms.

International Market Transactions:

- International dealers are selected from the major international and domestic firms that have capability in the target market and capacity for the volumes required.
- International dealer selection is based on information obtained from the dealers and from independent data including: strength of dealer sales force and ability to place Ontario bonds with end investors; mitigation of credit risk; cost-effective swap capability; and a successful track record on similar bond issues.
- Consideration is given to dealers with a proven distribution capacity and a platform in the prospective market.
- Availability of attractive swap terms is also assessed as part of the selection process.
- Competitive pricing is a key criterion.
- There is no standardized commission schedule for international transactions.
- The OFA will benchmark commissions against the lowest commission structure used by comparable borrowers in the relevant international markets, so only the lowest available commission is paid.

Approvals:

- The underwriting services procurement framework is approved annually in the Financing, Debt & Electricity Management Plan.
- Approvals for individual deals is obtained in accordance with trading limits established by the OFA which designate approval levels based on the value of the issue and its term.
- Increasing levels of authority are required for approval as the size of the bond issue increases.
- Director level approval is required for any transaction valued at above $750 Million.

In-Year Changes:

In the event of a significant change in the OFA's procurement process described above for underwriting services, OFA management will report back to the OFA Board.

From: Opal Kandelas
To: Opal Kandelas
Subject: 2017-18 Debt Plan
Date: Monday, May 08, 2017 5:29:29 PM
Attachments: OFA and OEFC Debt Plan 2017-18.docx

2017-18 Debt plan attached

Report to the Board of Directors

APPROVED: OFA BOARD – APRIL 21, 2017
OEFC BOARD – MAY 4, 2017

April 21, 2017

CONFIDENTIAL

PROVINCE OF ONTARIO & ONTARIO ELECTRICITY FINANCIAL CORPORATION
2017 – 2018
FINANCING, DEBT & ELECTRICITY MANAGEMENT PLAN

REASON FOR REPORT: To report on and seek approval of the Financing, Debt & Electricity Management Plan for the Province of Ontario & the Ontario Electricity Financial Corporation for the fiscal year ending March 31, 2018.

Submitted by:

Gadi Mayman
Chief Executive Officer
Ontario Financing Authority
Ontario Electricity Financial Corporation

CONFIDENTIAL

TABLE OF CONTENTS

EXECUTIVE SUMMARY 3

I. YEAR IN REVIEW: 2016-17 9

II. BORROWING REQUIREMENTS (ONTARIO AND OEFC) 13

III. STRATEGY 18
- A. LONG TERM BORROWING PROGRAM 18
  - 1. Market Background 19
  - 2. Term Structure 19
    - a) Debt Issuance Constraints 20
    - b) Borrowing Program Profile 21
    - c) Borrowing Program Scenarios 21
    - d) Costing Considerations 25
    - e) Recommended Term Structure 26
  - 3. Long-Term Borrowing Plan 27
    - a) Overview 27
    - b) Strategic Financing 29
    - c) Markets and Sectors 30
  - 4. Risk Factors and Contingencies 34
    - a) Completion of Long-Term Borrowing Program 34
    - b) Minimize Cost of Long-Term Borrowing Program 35
    - c) Minimize Refinancing Risk and Extend Term of New Debt 35
    - d) Credit Rating Risk 36
- B. SHORT-TERM BORROWING PROGRAM 37
- C. BORROWING AUTHORITY 39
- D. LIQUIDITY RISK MANANGEMENT 41
  - 1. Short-Term Liquidity Management 41
  - 2. Medium-Term Liquidity Management 50
- E. INTEREST RATE RISK MANAGEMENT 55
  - 1. Portfolio Attributes 55
  - 2. Interest Rate Environment 56
  - 3. Interest Rate Risk 56
  - 4. Interest Rate Management 57
- F. FOREIGN EXCHANGE RISK MANAGEMENT 59
  - 1. Province of Ontario 60
  - 2. Ontario Electricity Financial Corporation (OEFC) 61
  - 3. Foreign Exchange Risk 61
- G. INTEREST-ON-DEBT MANAGEMENT PLAN 62
- H. DERIVATIVES RISK MANAGEMENT 63
- I. CLIENT INVESTMENT MANAGEMENT 67
  - 1. Segregated Funds 67
  - 2. Ontario Nuclear Funds 69
  - 3. Other Financial Services 72
- J. COMMODITY RISK MANAGEMENT 75
  - 1. Non-Utility Generation (NUG) Portfolio 75
  - 2. Diesel Price Risk (Metrolinx) 75

IV. PERFORMANCE MEASUREMENT 76

V. ACCOUNTING UPDATE 76

CONFIDENTIAL

APPENDICES

APPENDIX 1 - Comparison of Government FX & Floating Rate Exposures & Borrowing Requirements 79
APPENDIX 2 - Economic Outlook and Risks..... 80
APPENDIX 3 - Documentation, Regulatory and Disclosure Requirements for Debt Issuance and Derivatives..... 82
APPENDIX 4 - Analysis of Interest Rates and Yield Curves..... 97
APPENDIX 5 - Interest Rate Scenarios and Floating Rate Exposure Strategies..... 103
APPENDIX 6 - Ontario and OEFC Debt Portfolios..... 104
APPENDIX 7 - Foreign Exchange Analysis..... 110
APPENDIX 8 - Stress Testing..... 116
APPENDIX 9 - Assumptions for Derivatives Portfolio Stress Tests..... 117
APPENDIX 10 - Derivative Exposure Value at Risk..... 118
APPENDIX 11- Investment Objectives & Performance of Segregated Funds..... 119
APPENDIX 12 - Energy Market Analysis..... 120
APPENDIX 13 - Performance Measures..... 122
APPENDIX 14 - Investor Relations (IR) Annual Plan 2017-18..... 124
APPENDIX 15 - 2017-18 Procurement Process for Underwriting Services..... 148

CONFIDENTIAL

EXECUTIVE SUMMARY

There are two major changes to this year's Plan. An increase in liquid reserves of $6 billion is planned for 2017-18 to meet the cash requirements associated with the large benchmark debt maturities commencing in 2019-20. A target of being approximately one quarter ahead of pace in the borrowing program is also planned, with a limit for pre-borrowing up to one half of the 2018-19 borrowing requirements once the 2017-18 borrowing program has been completed. These features of the Plan are covered in items 7 and 8 of the Executive Summary below.

1. As outlined in the review of 2016-17 [Section I - YEAR IN REVIEW: 2016-17, pages 9-12], $27.0 billion of long-term borrowing was completed in 2016-17 which includes pre-borrowing of $3.2 billion for 2017-18. This is down from $32.1 billion borrowed the previous year. 74% was completed in domestic markets, and all borrowing, investing and debt management activities were consistent with the 2016-17 Financing, Debt & Electricity Management Plan.

2. Based on the 2016 Ontario Economic Outlook and Fiscal Review (FES), the estimated 2017-18 long-term public borrowing requirement for Ontario and OEFC is $23.3 billion. The major components of the requirement are debt maturities and redemptions of $17.6 billion, and investment in capital assets of $12.4 billion, partially offset by $6.1 billion in non-cash adjustments, the majority of which is amortization. There will likely be some changes to the borrowing requirement once the 2017 Budget has been completed. For example, a planned increase in liquid reserves of $6.0 billion will use the pre-borrowing completed in 2016-17 and additional borrowing in 2017-18. In addition, recent announcements about reducing the size of the electricity global adjustment could also put upward pressure on funding requirements in future years. Relevant updates to recommendations made in this Plan will be reported back to the OFA and OEFC Boards at the following regularly scheduled Board meetings. [Section II – Borrowing Requirements (Ontario and OEFC), pages 13-17]

3. The expectation for fiscal stimulus and rising inflation in the United States has pushed long-term interest rates higher in recent months. According to private-sector forecasts, both short-term and long-term interest rates are expected to rise through 2017-18. The yield on 3-month government of Canada treasury bills is expected to increase slightly from 0.54% as of March 31, 2017 to 0.60% by the end of 2017-18. The 10-year government of Canada bond yield is expected to increase from 1.73% as of Mar 31, 2017 to 2.20% over the same period. The Canadian dollar is forecast to remain weak and depreciate slightly from 75.2 cents U.S. as of March 31, 2017 to 74.5 cents U.S. by the end of the fiscal year[5]. Interest rate risk remains high, and there will be upward pressure on interest costs in 2017-18 if interest rates increase more than currently forecast. Costs can be reduced by issuing more floating rate or shorter dated debt, although this will increase interest rate risk in future years. [Appendix 2 – Economic Outlook and Risks, pages 80-81]

[5] See Appendix 2 for details of the Ontario Ministry of Finance forecast.

4. The 2017-18 borrowing program is the smallest since 2007-08, and reflects the impact of lower deficits and term extension of the borrowing program over the past 7 years. This lower borrowing requirement provides the capacity for the planned increase in liquid reserves in advance of the large benchmark debt maturities starting in 2019-20. The borrowing programs will remain relatively large going forward due to the rollover of increasing levels of debt and planned investments in capital assets. Given the substantial size of future borrowing programs, a multi-year approach will be used to provide direction on appropriate term structure.

   Diversification of borrowing will be required to complete the program, and the Province will strive to stay approximately one quarter ahead of pace in borrowing to provide flexibility for times when market access will be curtailed. This includes market disruptions as well as other more predictable events such as Ontario quarterly financial updates.

   The OFA has a preference for domestic funding over international funding due to its greater cost-effectiveness, normally longer duration, relative ease of execution, and reduced swap counterparty credit exposure and accounting risk going forward. Given these factors, the OFA will strive to complete approximately 75% of the borrowing program in the domestic market. This would correspond to $17.5 billion of domestic borrowing which is below the record $31.4 billion in domestic funding achieved in 2014-15. International funding, which is usually more costly, enables the OFA to access other markets when demand in the domestic market is curtailed. [Section III (A) – Long Term Borrowing Program, pages 18-36]

5. **OFA BOARD APPROVAL** – Approval is requested for a range of 6.5 to 14.7 years for the average term of Ontario new borrowing for 2017-18, and approval is requested for exceeding the high end of the range if this can be achieved cost-effectively within existing policy parameters. Last year's approved range was 6.4 to 15.1 years, with the same approval to exceed the top end of the range. The preference will be to get closer to the top of the range given historically low interest rates and a desire to reduce refinancing risk in future years. The recommended range reflects estimated investor demand and a constraint in the maximum size of future borrowing programs to reduce refinancing risks in the future. We will report back to the Board if it appears that the average term will fall outside the approved range by the end of the year. It is estimated the overall term of outstanding debt for the Province will range between 10.2 and 11.2 years on March 31, 2018 (11.2 years currently). [Section III (A)(2) – Term Structure, pages 19-26]

6. **OEFC BOARD APPROVAL** - Approval is requested for OEFC to borrow in 2017-18 for amounts and tenors similar to the loans advanced to OPG. No new borrowing is projected for OEFC in 2017-18 related to operational requirements, however, OEFC is projected to borrow

in 2017-18 to fund new loans to OPG. OEFC typically funds new loans to OPG by issuing debt of a similar tenor for asset/liability management purposes.

OEFC is forecast to have a cash surplus of $2.5 billion on March 31, 2017, and $3.3 billion on March 31, 2018, primarily due to the proceeds related to the broadening of ownership of Hydro One. Cash balances are invested with the Province to meet OEFC's upcoming cash requirements, including maturing long-term debt. Maturing long-term debt totals $2.1 billion in 2017-18, $0.7 billion in 2018-19, and $1.4 billion in 2019-20. The cash surplus plus other payments from the Province will be used to reduce OEFC's debt.

OEFC is currently in the process of amending the existing credit facility for OPG to extend the term of the credit facility to December 31, 2018, and to allow OPG to borrow up to $1.5 billion in 2017 and $850 million in 2018. OPG has also requested the ability to borrow up to terms of 30 years for the duration of the credit facility. It is expected that OPG will utilize the credit facility fully which would result in OEFC borrowing up to $1.55 billion for fiscal 2017-18, and $600 million in 2018-19 if the amendments become finalized. OPG is expected to utilize 30-year borrowing for this requirement.

It is estimated the overall term of outstanding debt for OEFC will be 9.9 years on March 31, 2018 (7.9 years currently). [Section II Borrowing Requirements (Ontario and OEFC), pages 15-17]

7. Liquid reserves in conjunction with short-term borrowing are used to manage liquidity risk, although the pace of long-term borrowing will also have a major impact on the level of liquid reserves throughout the year. Higher levels of liquid reserves have been maintained in recent years given the combination of large borrowing programs, higher debt levels and the implementation of collateralized swaps. The credit rating agencies also place a high value on liquidity levels in determining their credit ratings. For 2017-18, a minimum liquid reserve threshold will be maintained throughout the year to ensure sufficient cash is available to meet requirements. This threshold will be calculated as the net cash outflow within a rolling one-month time horizon, plus a provision for potential CSA collateral requirements. Liquid reserves are projected to remain above the minimum threshold in 2017-18 assuming even-paced long term borrowing. If the borrowing program was to fall three-months behind pace, liquid reserves could be as low as $13.4 billion. If the borrowing program was to get three months ahead of pace, liquid reserves could be as high as $29.6 billion.

   The maturity of larger benchmark debt issues is an important consideration in overall liquidity management. Coming out of the financial crisis, the Province began a strategy of creating large, liquid 10- and 30-year benchmark domestic bond issues in 2009-10 in response to investor demand. This strategy has been very successful and continues to lower Ontario's

borrowing costs and enhance the Province's access to capital. Starting in 2019-20, the maturity of these larger benchmark debt issues on June 2nd each year in combination with the large semi-annual June 2nd coupon payment will shift a larger proportion of annual cash requirements to the first quarter of the fiscal year. As a result, a higher level of liquid reserves will need to be maintained early in the fiscal year to cover these cash outflows. Lower borrowing requirements in 2017-18 provide an opportunity to start building up reserves this year. We plan to increase liquid reserves by $6 billion in 2017-18, and where possible, buy back some of the larger debt maturities starting in June 2019, or purchase other government securities of similar maturities to smooth the maturity and cash flow profile. We will strive to reduce any carrying costs related to the increase in liquid reserves by minimizing any term mismatch on borrowings and related buy-backs or investments, and by issuing additional floating rate debt as required. Debt issued specifically for this purpose may be reported separately from the regular borrowing program for average term calculation purposes. Overall, the potential cost of higher liquid reserves is largely offset by higher levels of floating rate debt. [Section III (D) –Liquidity Risk Management, pages 41-54]

8. **OFA BOARD APPROVAL** – In response to the relatively high potential for reduced market access relating to the 2018 Ontario election which must be held by June 7, 2018, and the risks associated with a likely restructuring of the North America Free Trade Agreement (NAFTA) and an elevated Canadian housing market, a target of getting one quarter ahead of pace in the borrowing program is recommended, and approval is requested to be able to pre-borrow up to one half of the 2018-19 borrowing requirements once the 2017-18 borrowing program has been completed. [Section III (A)/ (3) (a) – Overview, pages 27-28]

9. **OFA BOARD APPROVAL** – Approval is requested to provide for up to $5.2 billion of international strategic financing for the 2017-18 borrowing program, and the objective will be to minimize both the amount and cost of strategic financing. Strategic financing is measured as a component of the fixed rate borrowing benchmark, and excludes core foreign exchange and floating rate borrowing. Strategic financing of $3.2 billion was completed last year. [Section III(A)(3)(b) - Strategic Financing, pages 29-30]

10. **OFA BOARD APPROVAL** – Approval is requested for the Investor Relations (IR) Annual Plan for 2017-18. In 2017-18, IR will continue to meet with domestic and international investors, with roadshows planned for North America, Europe, Latin America (LATAM) and Asia. [Appendix 14 – Investor Relations Annual Plan 2017-18, pages 124-147]

11. Ontario Infrastructure and Lands Corporation (OILC) provides loans for infrastructure development to the broader public sector. In 2015-16, OILC started borrowing directly from the Province through a long-term credit facility on the same general terms as the loans it makes to its clients. A total of 143 loans were made in 2016-17 with total notional of approximately $826.9 million. For 2017-18, it is projected there will be approximately 100 loans executed for

total notional of approximately $600 million. This new process relieves OILC from having to hedge its borrowing in the swap market. While the Province's borrowing requirement increases in order to fund OILC's loans, net debt remains unchanged since any increase in the Province's borrowing is offset by loans issued to OILC. [Section III (I) (3) – Other Financial Services, pages 72-74].

12. **OFA BOARD APPROVAL** – Approval is requested for a range of 11.4% to 15.4% in Ontario's gross floating rate exposure for March 31, 2018. This is higher than last year's approved range of 10.4% to 14.4%. A target of 13.4% is planned, which would be an increase from estimated exposure of 12.6% on March 31, 2017. The higher range and increased exposure is recommended to manage potential carrying costs related to the planned increase in liquid reserves. Floating rate exposure may be increased further to reduce interest costs in 2017-18 if current market conditions were to change. [Section III (E) – Interest Rate Risk Management, pages 55-58]

13. **OEFC BOARD APPROVAL** – Approval is requested for a range of 3.3% to 7.3% in OEFC's gross floating rate exposure for March 31, 2018, with a target of 5.3%. This is lower than last year's approved range of 4.9% to 8.9%, and estimated exposure of 7.8% on March 31, 2016. The reduction in gross floating rate exposure arises from the maturity of floating rate debt in 2017-18. [Section III (E) – Interest Rate Risk Management, pages 55-58]

14. **OFA BOARD APPROVAL** – Approval is requested for a range of 0.0% to 1.25% in foreign exchange exposure. This is slightly lower than last year's range of 0.0% to 2.5%. This range would allow for an increase in exposure from the current level of 0.2% through the issuance of unhedged foreign debt should attractive market or funding opportunities arise. It would also allow for the continued hedging of existing exposure maturing within three years for IOD management purposes if market conditions were considered appropriate. [Section III (F) – Foreign Exchange Risk Management, pages 59-61]

15. The Interest on Debt (IOD) forecast for 2017-18 is $11.7 billion based on the 2016 Ontario FES. There may be more risk to IOD this year given the potential for a greater than forecast increase in interest rates. For 2017-18, the impact of a one percentage point increase in interest rates is estimated to be an additional $350 million in interest costs for the Province. IOD will be closely monitored and reported to the Board on a regular basis. [Section III (G) – Interest on Debt Management, page 62]

16. Credit exposures will continue to be monitored on a daily basis and actively managed. Counterparty credit limits are based on the credit quality of each entity which is based on credit ratings, the regulatory capital base and credit quality assessments. Collateralized swap agreements (CSAs) have been signed with ten counterparties. These agreements reduce

credit exposure through the mutual exchange of collateral between Ontario and its counterparties to offset changes in the market value of the related swaps. We will continue efforts to execute collateralized swap agreements where possible, although no new agreements are expected at this time. Derivative market reforms are expected to increase the Province's costs of derivative transactions due to the asymmetrical thresholds of our CSAs. The OFA plans to review the CSA thresholds this year and may consider moving to symmetrical thresholds if lower transaction costs and greater liquidity can be achieved. The trade-off would be the additional collateral the Province may potentially have to post if the thresholds were equal, which could be up to $2.5 billion in certain situations based on our current credit rating. [Section III (H) – Derivative Risk Management, pages 63-66]

17. The Public Sector Accounting Board (PSAB) extended the effective date of their financial instruments accounting standards issued in July 2011 from April 1, 2016 to April 1, 2019 at their meeting in June 2015. In October 2016, the OFA engaged the services of Deloitte Inc. to assist in assessing the fiscal and operational impact of PS 3450 and PS 2601 on the Province as well as engage with PSAB and other stakeholders with the aim of amending the standards to address the concerns of the Province and borrowing community. The Public Sector Accounting Board's new standard on Financial Instruments, if implemented in its current form, would have a major impact on the risk management activities of the Province. Hedging activities such as the use of foreign exchange forward contracts to hedge long term debt and rate setting transactions to manage the borrowing program would introduce significant volatility and unpredictability in the Province's interest costs (IOD), net debt, and deficit under the proposed standards. If adopted, the use of these types of risk management strategies would have to be re-evaluated in the context of IOD volatility. [Section V – Accounting Update, pages 76-77]

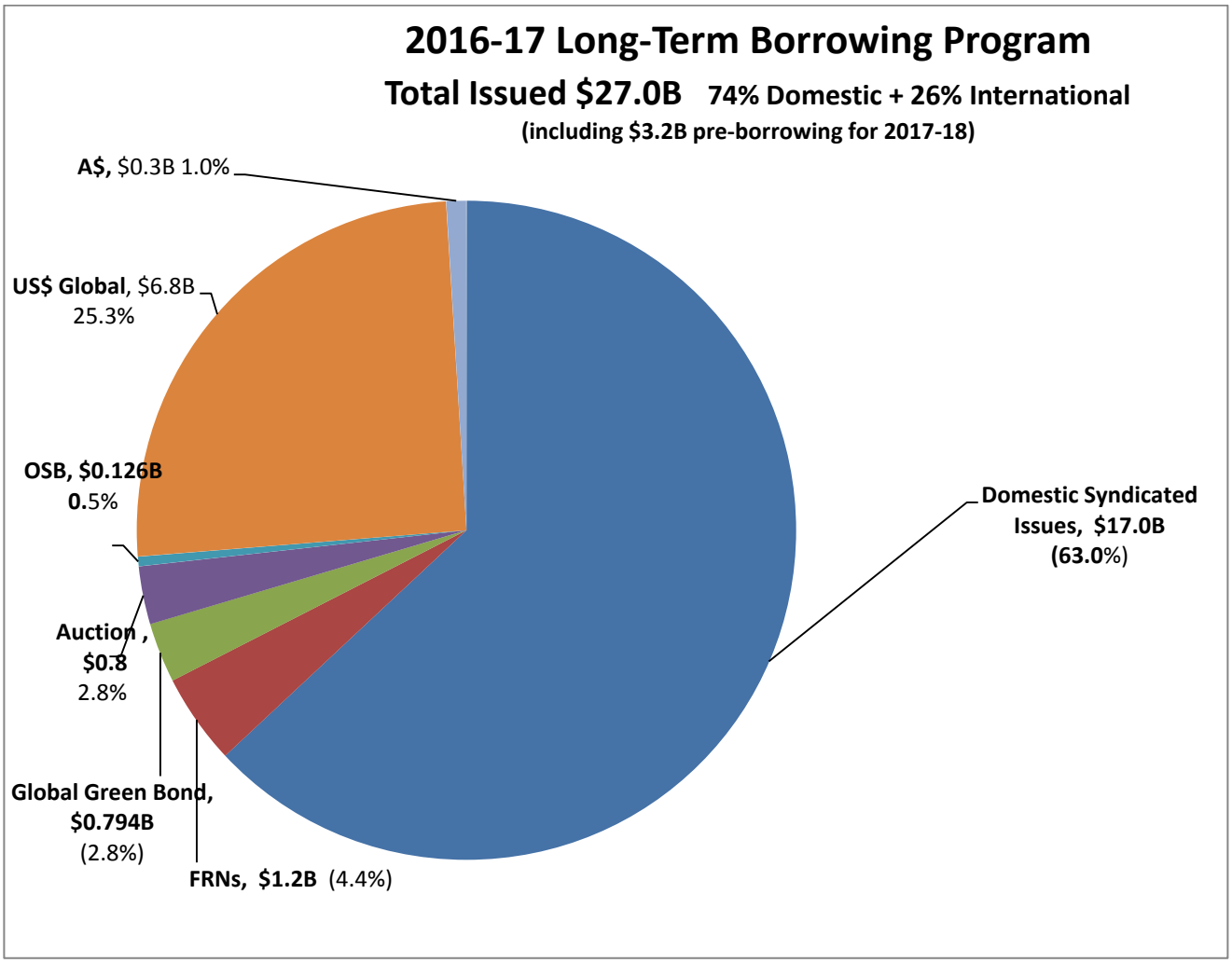
18. **OEFC BOARD APPROVAL** – Approval is requested to continue to enter into transactions related to the operational management of the NUG contracts that reduce costs of the NUG contracts for electricity ratepayers. [Section III (J) –Commodity Risk Management, page 75]

19. **OFA BOARD APPROVAL** – The procurement process established five years ago for underwriting services will be followed again this year. It is recommended that procurement for underwriting services be approved for 2017-18 and up to two quarters for 2018-19 based on the underwriting services procurement framework included in this Plan. [Appendix 15 – 2017-18 Procurement Process for Underwriting Services, pages 148-149]

I. YEAR IN REVIEW: 2016-17

Ontario and OEFC's borrowing, investment and debt management activities and program results for 2016-17 were consistent with the objectives approved in the 2016-17 Financing, Debt & Electricity Management Plan.

The long-term borrowing for last year was $27.0 billion which includes pre-borrowing of $3.2 billion for 2017-18.



- Strong demand for domestic bonds allowed approximately 74% domestic funding. As in previous years, syndicated issues accounted for a large majority (86%) of domestic funding and a high proportion (63%) of over-all borrowing.

Domestic Funding $19.9 billion

Issue Type	Tenor	# Issues	Amount Issued
Syndicated	5-year	2	$ 1,976M
Syndicated	10-year	9	$ 7,528M
Syndicated	30-year	11	$ 7,519M
Total Syndicated	5,10,30-year	22	$ 17,023M
Floating Rate Notes	5-year	1	$ 1,200M
Global Green Bond	6-year	1	$ 794M
Auction	3-year	1	$ 767M
Ontario Saving Bonds	3,5 & 10-year	4	$ 126M

- International funding accounted for approximately 26% of the borrowing program.

International Funding $7.1 billion

Issue Type	Tenor	# Issues	Local Currency	Amount Issued C$
US$ Global	10-year	1	US$ 1,000M	$ 1,263M
US$ Global	3-year	1	US$ 1,750M	$ 2,284M
US$ Global	5-year	1	US$ 2,500M	$ 3,286M
Total US$ Global	3,5,10-year	3	US$ 5,250M	$ 6,833M
Kangaroo	10-year	8	A$ 300M	$ 296M

- Last year's base case economic forecast was for 3-month Canada treasury bill yields to increase slightly to 0.57% by the end of the fiscal year. 3-month Canada treasury bill yields were unchanged from March 31, 2016 at 0.54% on March 31, 2017. The forecast was for 10-year Canada bond yields to increase to 2.05% by March 31, 2017. 10-year Canada bond yields have actually increased from 1.23% on March 31, 2016 to 1.73% on March 31, 2017. 10-year Ontario rates increased from 2.30% to 2.49% over the same period and reflect a narrowing of the 10-year Ontario spread. Interim 2016-17 IOD is projected to be $11.4 billion, which is $0.4 billion lower than forecast in the 2016 Budget.

The 2016-17 program results for Ontario and OEFC are summarized in the following table:

Indicator	Approved in 2016-2017 Financing, Debt & Electricity Management Plan		Estimated Results March 31, 2017	
	ONTARIO	OEFC	ONTARIO	OEFC
Gross Floating Rate Exposure	10.4% - 14.4% Target 12.4% (No Change)	4.9% - 8.9% Target 6.9% (Decrease)	12.6%	7.8%
Foreign Exchange Exposure	0.0% - 2.5%	0.0%	0.2%	0.0%
Average Term of New Borrowing	6.4 to 15.1+ Years[1]	No Borrowing Projected	13.9 Years[2]	No Borrowing
Pre-borrowing	Up to 1 Quarter of the 2017-2018 Requirements	Up to 1 Quarter of the 2017-2018 Requirements	$3.2 Bln[3]	None

1. Includes approval to exceed the high end of the range if it can be achieved cost-effectively within existing policy parameters.
2. Includes pre-borrowing of $3.2 billion. Excluding pre-borrowing the average term was 14.1 years.
3. As of March 31, 2017.

- Gross floating rate exposure for the Province was within the approved range at an estimated 12.6%, slightly above the target of 12.4%. Gross floating rate exposure for OEFC was also within the approved range at an estimated 7.8%, slightly above the target of 6.9%. The yield curve from 3-month interbank rates (CDOR) to Ontario 10-year rates steepened from 140 basis points on March 31, 2016 to 155 basis points on March 31, 2017. The 3-month interbank rate (CDOR) increased slightly from 0.90% on March 31, 2016 to 0.94% on March 31, 2017.

- Foreign exchange exposure for the Province was within the approved range at an estimated 0.2% on March 31, 2017. This is a decrease from 0.3% in the previous year and reflects the hedging of Yen 17.0 billion exposure (CAD$ 193 million) maturing June 8, 2020. Foreign exchange exposure for OEFC was maintained at 0% as planned.

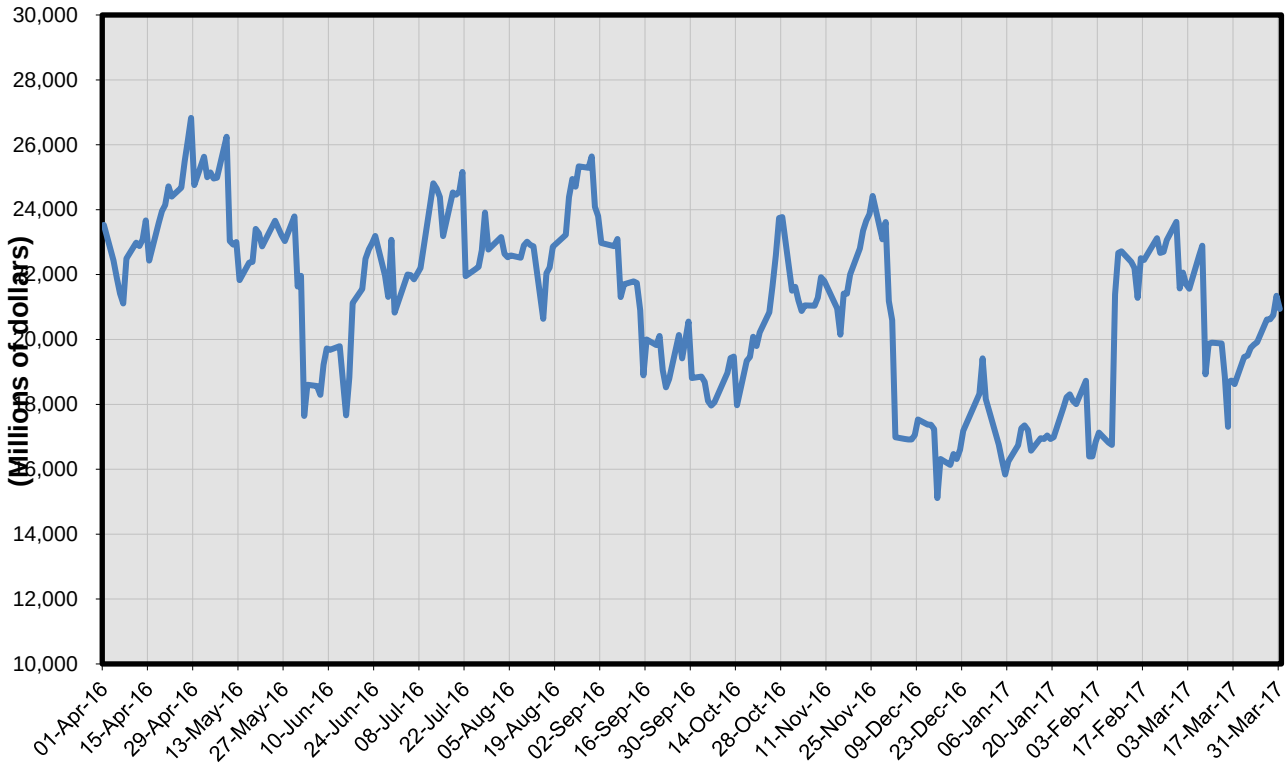
- The average term of new borrowing was 13.9 years for Ontario (including pre-borrowing of $3.2 billion). Excluding pre-borrowing, the average term of new borrowing for Ontario was 14.1 years. Ontario's borrowing term was within the approved range. No borrowing was required for OEFC.

- Unrestricted liquid reserves (liquid reserves excluding net collateral received from derivative counterparties) decreased from $23.6 billion on March 31, 2016, to a projected $18.6 billion (excluding pre-borrowing for 2017-18) on March 31, 2017, based on the 2016 Ontario FES. Net collateral received from derivative counterparties was $2.1 billion on March 31, 2017, compared to $1.8 billion on March 31, 2016.

- Daily unrestricted liquid reserve levels for 2016-17 are provided in the following graph to March 31, 2017. Over this period, unrestricted liquid reserves averaged about $21.1 billion.

The average daily change in unrestricted liquid reserves was about $663 million, with a maximum daily change of approximately $4.6 billion occurring on February 8th due to the settlement proceeds of several bond issues. There were 59 days when the daily change in unrestricted liquid reserves exceeded $1 billion.

Net Daily Liquid Reserves (incl. pledged CSA's only)
(April 1, 2016 - March 31, 2017)



	Amount ($ billion)	Date
Average	21.1	April 1, 2016 - March 31,2017
High	26.8	April 28, 2016
Low	15.1	December 15, 2016

- Total combined Ontario/OEFC short-term debt outstanding (i.e., Ontario treasury bills and U.S. commercial paper) is estimated at $21.8 billion on March 31, 2017, unchanged from March 31, 2016. The combined program authority for Ontario and OEFC treasury bill and U.S. commercial paper was $48.0 billion on March 31, 2017.

II. BORROWING REQUIREMENTS (ONTARIO AND OEFC)

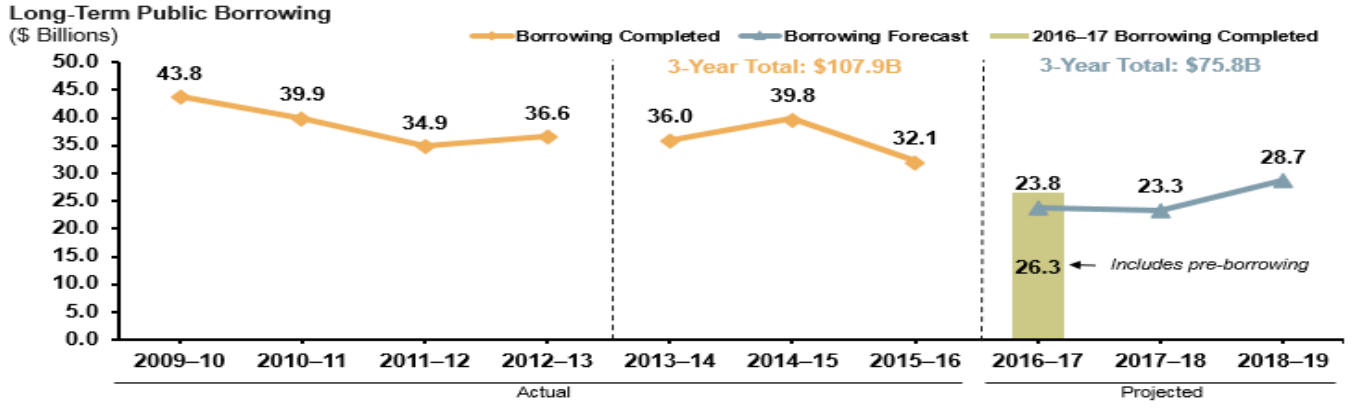
ESTIMATE OF LONG-TERM PUBLIC BORROWING REQUIREMENT ($ billion)				
Consolidated Province and OEFC	**2016-17**	**2017-18**	**2018-19**	**2019-20**
Deficit / (Surplus)	4.3	-	-	
Investment in Capital Assets	11.7	12.4	14.2	
Non-Cash Adjustments	(7.4)	(6.1)	(6.3)	
Loans to Infrastructure Ontario	-	0.3	0.1	
Other Net Loans / Investments	(0.9)	(0.8)	(1.2)	
Debt Maturities: Province	18.2	15.4	21.4	
OEFC	3.0	2.1	0.7	
Debt Redemptions	0.0	0.1	0.1	
Total Funding Requirement	**28.9**	**23.3**	**28.8**	
Canada Pension Plan Borrowing	(0.1)	-	-	
Decrease / (Increase) in Short-Term Borrowing	-	-	-	
Increase / (Decrease) in Cash and Cash	(5.0)	-	-	
Total Long-term Public Borrowing Requirement	**23.8**	**23.3**	**28.7**	

Notes: Numbers may not add due to rounding. Based on the 2016 Ontario FES.

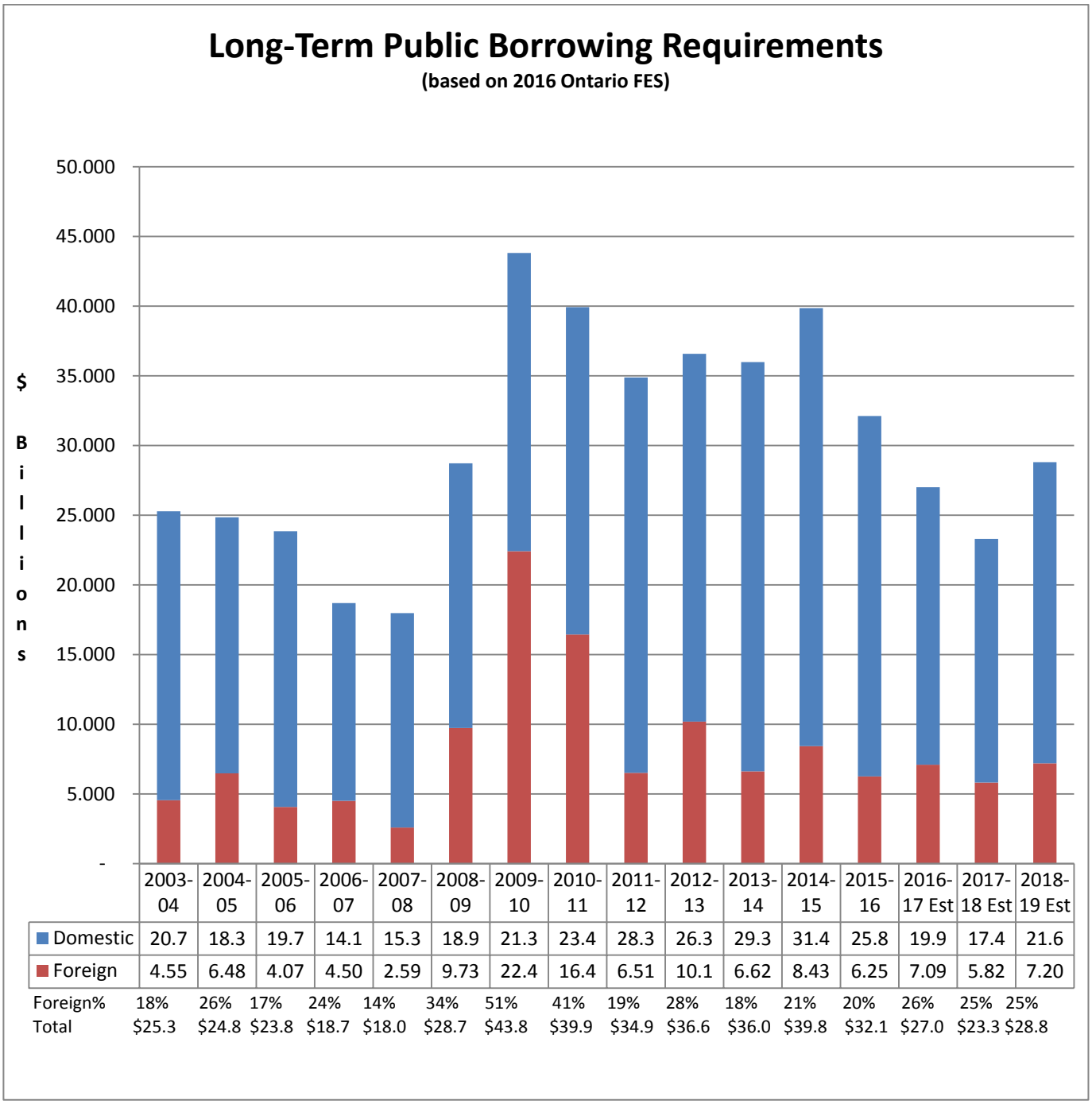
The 2017-18 long-term public borrowing program is the smallest since 2007-08. Based on the 2016 Ontario FES, the Province is projected to borrow $75.8 billion over the three-year period in the medium-term borrowing outlook, down from the $107.9 billion borrowed over the previous three-year period. This $32.1 billion decline in borrowing reflects the impact of lower deficits, pre-borrowing, term extension and the Province's asset optimization activities. Historical borrowing requirements as well as projected borrowing requirements for the next two years are provided in the chart and table below. The lower borrowing requirement in 2017-18 provides the opportunity to increase liquid reserves in advance of the larger benchmark debt maturities starting in 2019-20.

Total Long-Term Borrowing Forecast

(Based on 2016 Ontario FES – as of March 15, 2017)



The Ontario borrowing program remains the largest of the Canadian provinces, and is approximately 30% of the total borrowing programs for all provinces combined. The borrowing requirements and financial risk exposures of the federal government and provinces are provided in Appendix 1.



	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17 Est	2017-18 Est	2018-19 Est
Domestic	20.7	18.3	19.7	14.1	15.3	18.9	21.3	23.4	28.3	26.3	29.3	31.4	25.8	19.9	17.4	21.6
Foreign	4.55	6.48	4.07	4.50	2.59	9.73	22.4	16.4	6.51	10.1	6.62	8.43	6.25	7.09	5.82	7.20
Foreign%	18%	26%	17%	24%	14%	34%	51%	41%	19%	28%	18%	21%	20%	26%	25%	25%
Total	$25.3	$24.8	$23.8	$18.7	$18.0	$28.7	$43.8	$39.9	$34.9	$36.6	$36.0	$39.8	$32.1	$27.0	$23.3	$28.8

OEFC's borrowing requirements are considered separately for operational cash requirements and for new loans to OPG. For 2017-18, no borrowing is projected for OEFC related to operations, as requirements can be met with cash balances on hand as well as cash generated from operations. OEFC is projected to have a cash surplus balance of approximately $2.5 billion on March 31, 2017, and $3.3 billion on March 31, 2018 based on the 2016 Ontario FES. These positive cash balances are primarily due to the cash proceeds related to the broadening of ownership of Hydro One. Cash balances are invested with the Province and are used to meet OEFC's upcoming cash requirements, which include maturing long-term debt. Maturing long-term debt totals $2.1 billion in 2017-18, $0.7 billion in 2018-19, and $1.4 billion in 2019-20.

OEFC generally funds new loans to OPG by issuing debt of a similar tenor for asset/liability management purposes. The existing credit facility with OPG, and a breakdown of OPG debt payable to OEFC are listed in the tables below.

OPG Credit Facility				
Project	**Amount Authorized**	**Total Borrowing to Date**	**Outstanding Commitment**	**Maturity Date of Loan Agreement**
General Corporate (incl. Darlington Refurbishment)	$700 million	$200 million	$500 million	Dec. 31, 2017

OPG Debt Payable to OEFC	
General Corporate Requirements (2007)	$500 million maturing 2017 ($500 million approved)
General Corporate (incl. Darlington Refurbishment) Requirements	$300 million maturing 2026 – 2047
Niagara Tunnel Project	$855 million maturing 2017 – 2023 ($1.6 billion approved, $1,065 million borrowed)
Portlands	$300 million maturing 2017 – 2019 ($400 million approved, $390 million borrowed)
Lac Seul	$30 million maturing 2017 and 2019 ($50 million approved, $50 million borrowed)
Debt Refinanced (2007-2011)	$1,460 million maturing 2016 - 2042
Total Debt Outstanding	**$3,445 million**

OEFC is currently in the process of amending the credit facility for OPG to extend the term of the facility to December 31, 2018, and to allow OPG to borrow up to $1.5 billion in 2017 and $850 million in 2018. OPG has also requested the ability to borrow up to tenors of 30 years for the term of the credit facility. It is expected that OPG will utilize the credit facility fully which would result in OEFC borrowing up to $1.55 billion for fiscal 2017-18, and $600 million in 2018-19. OPG is expected to borrow in the 30 year term during 2017 which would result in 30 year borrowing for OEFC. Since these particular OEFC borrowings are term matched to underlying OPG loans, they are excluded from the borrowing program performance for measurement purposes.

The detailed OEFC Borrowing Plan Forecast for 2017-18, 2018-19, and 2019-20 based on the 2016 Ontario FES is provided in the table below. These results do not reflect the planned amendments to the credit facility with OPG, as these amendments are not yet finalized.

OEFC Borrowing Plan Forecast			
	2017-18 ($ Million)	**2018-19 ($ Million)**	**2019-20 ($ Million)**
Revenue:			
Debt Retirement Charge	623	0	0
Payments-in-lieu of tax (PILs):			
➢ OPG	419	387	343
➢ HOI	30	32	33
➢ MEUs	68	86	105
Interest:			
➢ OPG	168	153	135
➢ IESO	3	3	3
➢ Province	492	492	492
➢ Other	5	5	5
Power supply contract recoveries	494	429	298
Amortization on NUG liability	74	41	30
Electricity sector dedicated income	591	0	0
Other	3	3	3
Total Revenue:	**2,970**	**1,631**	**1,447**
Expense:			
Debt interest	1,090	1,027	977
Power supply contract costs	494	429	298
Debt Guarantee Fee	102	91	88
Demand management support costs	10	0	0
Operating	6	6	6
Total Expense:	**1,702**	**1,553**	**1,369**
Excess of Revenue over Expense:	**1,268**	**78**	**78**
Non-Cash Adjustments:			
Amortization of NUG liability	(74)	(41)	(30)
Electricity sector dedicated income	(591)	0	0
HO BV share proceeds allocated to OEFC	1,353	1,385	0
PILs & IOD cash vs accrual	(196)	(147)	(116)
Cash Generated (Required) in Operations	**1,760**	**1,275**	**(68)**
Other Sources (Uses) of Cash:			
OPG Loan Repayment	1,125	260	505
Long Term Debt Maturities	(2,119)	(717)	(1,384)

Total Cash Surplus/(Requirement) Excluding New Loans to OPG	**766**	**818**	**(947)**
Increase / (Decrease) in Short-Term Borrowing	0	0	0
Decrease / (Increase) in Cash and Cash Equivalents	(766)	(818)	947
Total Long-term Public Borrowing Requirement Excluding New Loans to OPG	**0**	**0**	**0**
OPG New Loans	(1,125)		
Total Long-term Public Borrowing Requirement Including New Loans to OPG	**1,125**	**0**	**0**
Cash and Temporary Investment Balance, Y/E Estimate (assumes Long-term Borrowing to fund new OPG Loans)	**3,290**	**4,108**	**3,161**

Notes: Numbers may not add due to rounding.
Based on the 2016 Ontario FES.

In addition to providing financing to OPG, OEFC has provided financing to the Independent Electricity System Operator (IESO). Both the fixed term loan and the revolving credit facility with OEFC are expected to be extended for an additional 3 years, and IESO has indicated they will need additional financing. With the merger of the Ontario Power Authority and the IESO, IESO has also retained their original revolving credit facility with the OFA for up to $975 million.

IESO Financing from OEFC			
Type of Loan	**Amount Borrowed**	**Amount Drawn on Credit Facility**	**Maturity Date of Loan Agreement**
Refinancing	$90 million	n/a	April 30, 2017
Revolving Credit Facility	$95 million	-	April 30, 2017

The impact of these additional loans for OEFC from an asset/liability management perspective is also considered, and where necessary hedging strategies will be implemented to manage potential interest rate risk.

III. STRATEGY

The objective of the plan is to manage the borrowing, debt, investment and electricity management activities of the Province and OEFC in a prudent, timely, and cost-effective manner within approved policies and limits.

A. LONG-TERM BORROWING PROGRAM

Introduction

The 2017-18 borrowing program is estimated at $23.3 billion based on the 2016 Ontario FES. Market access has been generally good, but there were a few challenging periods in 2016-17 around Brexit and the U.S. election. In 2016-17 we experienced heightened competition for funding windows from other Provinces, most notably Quebec and Alberta. Alberta is expected to borrow $18.7B in 2017-18 and Quebec is expected to borrow heavily next year in order to prefund a heavy redemption calendar. Like Quebec, we also have a heavy redemption calendar in the first half of 2019. We plan to increase our prefunding while market conditions are favourable and interest rates remain at historically low levels. This year's program of $23.3B is manageable and we have scope to increase our funding. The quantitative easing (QE) actions by the ECB have forced core European investors to search for yield in non-euro denominated debt. Ontario may benefit from this but the expected incremental Canadian dollar demand is expected to be fairly modest. In late 2016 we saw an increase in demand for Canadian dollar denominated debt from Japanese investors. Demand for Canadian Provincial debt has been growing in Japan and this may prove to be a valuable new investor class for us. We expect that this demand will partially offset other large Asian investors who have been sellers of their Canadian dollar assets. Under normal conditions, regulatory blackouts for the Budget, quarterly updates and filings preclude international borrowing for up to a third of the year. In addition, geopolitical risk remains high, and capital market disruptions from events in Europe, the Middle East and Asia cannot be ruled out. In addition, the Ontario provincial election which must be held by June 7, 2018 has the potential to negatively impact market access.

Interest rates have bounced from the historical lows and there are expectations that we will see a rise in U.S. interest rates as U.S. economic growth picks up. Canadian rates are expected to rise gradually. Low interest rates with a general bias for rate increases reduce investor demand and make it more difficult to extend term.

Given market access concerns, it is recommended that the Province strive to remain one quarter ahead of pace in the borrowing program. We will attempt to accelerate the program in the second half of the year as we approach the 2018 election. This may involve borrowing in less than optimal market conditions at times and will also require diversification in our sources of funds. A sizable borrowing program in conjunction with reduced foreign issuance windows puts pressure on us to issue larger less frequent foreign bond issues even if arbitrage conditions are not optimal.

1) Market Background

- Quebec, Ontario, Alberta, Saskatchewan, BC were able to start pre-borrowing for 2017-18. Indications are that total provincial borrowings with the exception of Ontario will increase from previous years and will be concentrated between Ontario, Quebec and Alberta. Competition from our provincial counterparts for borrowing opportunities is expected to remain high as was seen last year with multiple domestic provincial bond issues often occurring on days when market tone was good and U.S. dollar provincial issues being priced in close succession when fully hedged U.S. borrowing costs became attractive.

- Ontario has been successful in extending term and reducing borrowing requirements in recent years, and Ontario's annual borrowing requirements are expected to be less than $30 billion for the next year, before it ramps up again as re-financing needs increase requirements. In addition, there is the potential for other factors such as OPG borrowing for nuclear refurbishment to increase borrowing requirements. Recent announcements about reducing the size of the Global Adjustment could also put upward pressure on our funding requirements.

- There are currently numerous geopolitical risks, including international conflicts and economic dislocations, which have the potential to disrupt Ontario's borrowing program at various times during 2017-18. Recent indications from the new U.S. administration surrounding trade and repeal of the Dodd Frank Act could also disrupt normal market activities.

- Ontario's international funding for 2016-17 included issues in the U.S. and Australian markets. Other foreign markets were either too expensive or had insufficient investor demand. It is expected that the U.S. market will be utilized for most of the 2017-18 international borrowing, and in order to complete the program it may be necessary to do a Euro issue even if arbitrage conditions are not optimal. Demand for Ontario euro denominated debt is expected to be very strong in 2017-18 which would allow us to expand our investor base. Swiss, Sterling, Yen and Australian markets will continue to be monitored for issuance opportunities.

2) Term Structure

The recommended term structure for the 2017-18 borrowing program has been developed using the following inputs and analysis:

1. estimates of investor demand for benchmark maturities;
2. an assessment of the maximum acceptable size of future annual borrowing programs;

3. an analysis of the size of future borrowing requirements under a range of different term structure scenarios for 2017-18 and future years;
4. a costing analysis for various scenarios; and
5. development of a recommended term structure for the 2017-18 borrowing program which reflects investor demand constraints, cost of borrowing considerations and which also manages and limits market access and refinancing risks in future years.

a. Debt Issuance Constraints

An estimate of the maximum potential borrowing for various maturities has been developed based on historical experience. This was done to provide an assessment of investor demand constraints for specific maturities and reflects an upper estimate of potential new borrowing for each tenor. The investor constraints are provided in the following table as well as the term structure of the 2016-17 borrowing program for comparison purposes.

Tenor of New Borrowing	**Estimated Market Borrowing Constraints**	2016-17 Borrowing Program* ($)	2016-17 Borrowing Program (%)
3-years	**$14.0 billion**	$ 3.1 billion	12
5-years	**$16.5 billion**	$ 6.5 billion	24
7-years	**$ 6.0 billion**	$ 0.8 billion	3
10-years	**$16.0 billion**	$ 9.1 billion	34
30-years	**$10.0 billion**	$ 7.5 billion	28

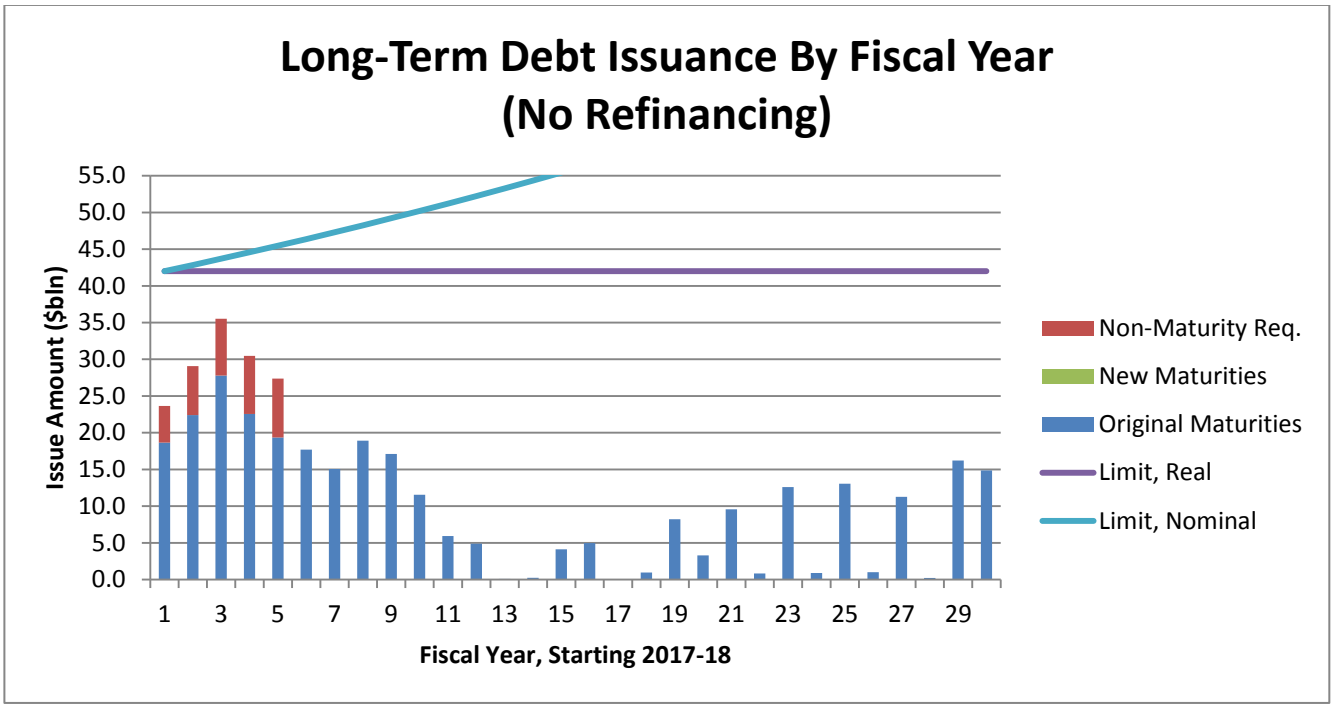
*as of March 23, 2017, excludes OSBs

The market constraints in the above table are estimates based on market experience, and are meant to be indicative rather than precise in nature.

Given the large borrowing requirements in recent years and the expectation that borrowing requirements will remain relatively high in future years as they decrease next year before increasing afterwards, the borrowing program for the current year cannot be developed in isolation of its impact on future years borrowing programs. In essence, term decisions for the current year create maturities and thus borrowing requirements in subsequent years which must be managed to limit refinancing risk in those later years. With this in mind, an annual borrowing limit of $42 billion is used as a guideline. It is slightly less than the 2009-10 borrowing program of $43.8 billion and reflects that there was historically high availability of funds in 2009-10 as the Province was able to approximately double its benchmark issue sizes in the U.S. and Euro bond markets and significantly increase them in the domestic market. This reflected an extreme flight to quality at the time of the financial crises and the positive perception of Canadian public sector borrowers in international markets. Market access was also exceptional in 2016-17, and we were able to borrow $27.0 billion. The $42 billion limit is prescriptive as it may be necessary to deviate from it if market conditions warrant. It is also recognized that the limit should increase over time and a 2% growth rate based on inflation is provided as well.

b. Borrowing Program Profile

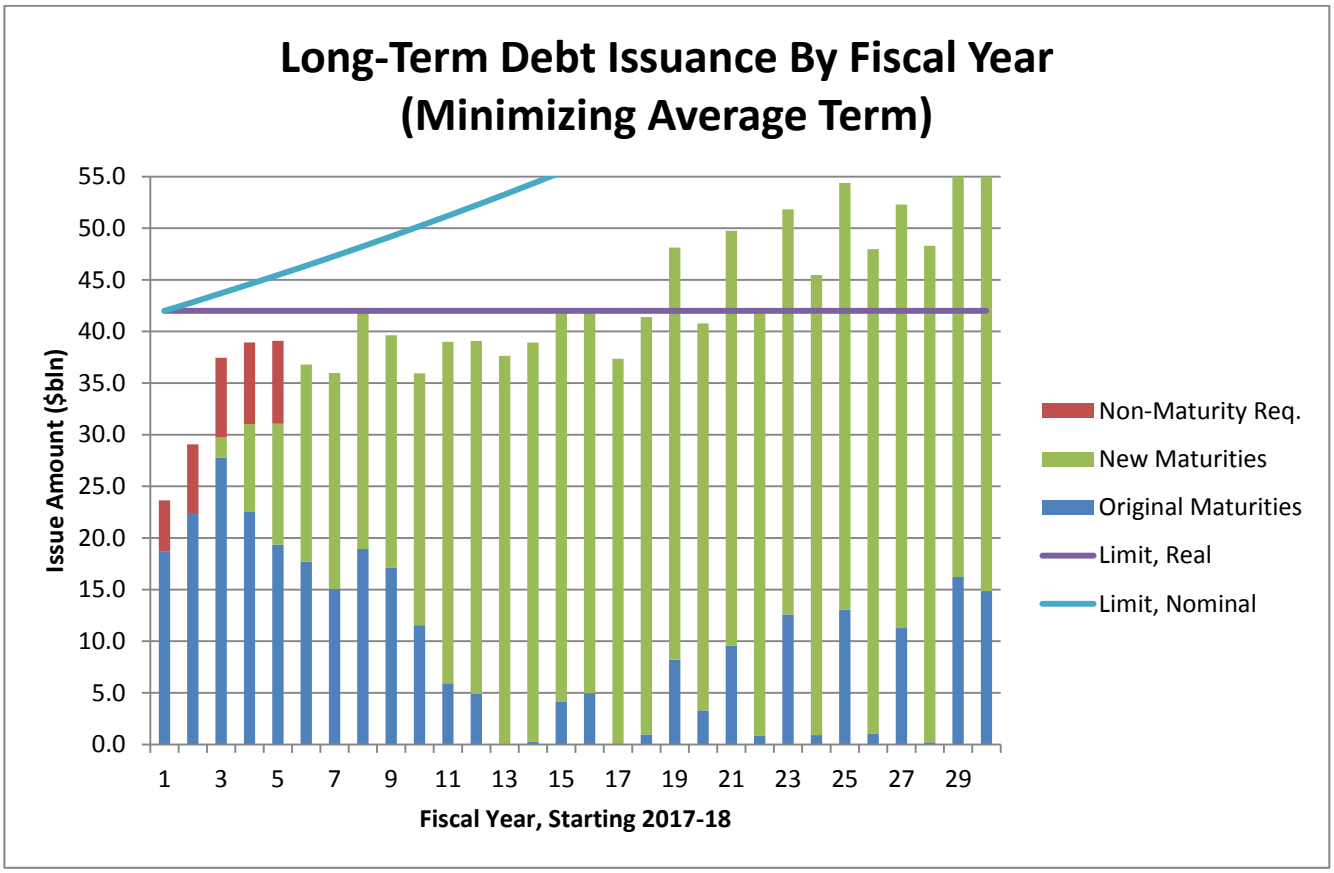
The debt maturity profile has always been an important consideration in managing the borrowing program. This remains the case, but it is now necessary to also focus on other requirements such as future deficits and capital expenditures to get a more comprehensive picture of future annual borrowing requirements. The estimated future borrowing requirements prior to any term structure decisions in 2017-18 and beyond are provided in the following graph, and thus this graph does not include the impact of the refinancing of future borrowing programs.



c. Borrowing Program Scenarios

A series of borrowing program scenarios have been created to assist in developing a borrowing strategy for 2017-18 and to provide guidance for future years. Scenarios have been developed to determine minimum and maximum average terms. The model operates in a similar manner as in last year's plan and develops minimum and maximum average terms based on the constraints.

The Minimum Average Term Scenario for 2017-18 still remains within the investor demand and $42 billion borrowing program constraints. It has an average term of 6.5 years for 2017-18 and thereafter and is illustrated in the following chart and table. It shows a relatively smooth borrowing profile over the next twenty years, with some spikes in borrowing above the $42 billion limit in later years but well below the limit on a nominal basis using a 2% inflation rate for the $42 billion limit.



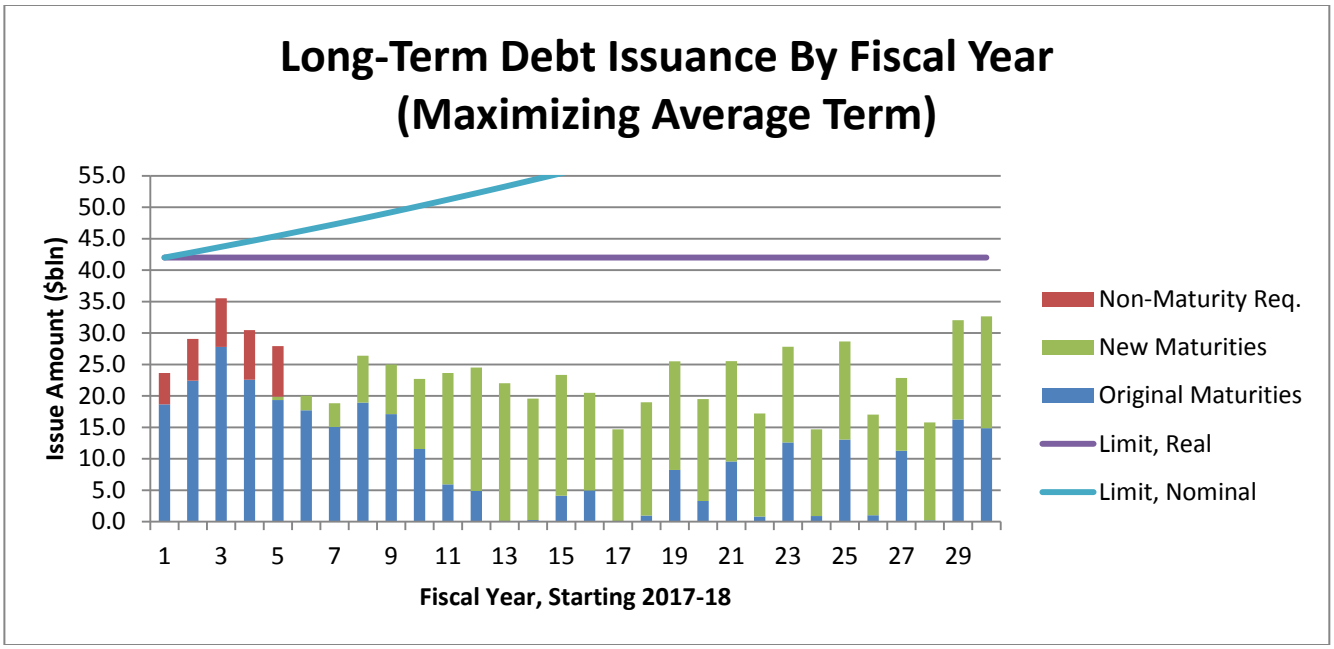
The hypothetical borrowing scenarios for minimum average terms are provided in the following table with the model generating constant allocations.

Assumptions: We assume a constant new term allocations as shown below:

Term	3y	5y	7y	10y	30y
Allocation	35.8%	24.0%	0.1%	39.0%	1.2%

Average Term 6.5 Years

Another critical scenario is one which maximizes the average term of the 2017-18 borrowing program while still remaining within the constraints. As with the minimum average term, the model generated constant allocations. The assumptions are provided in the table below the following graph. It has an average term of 14.7 years.



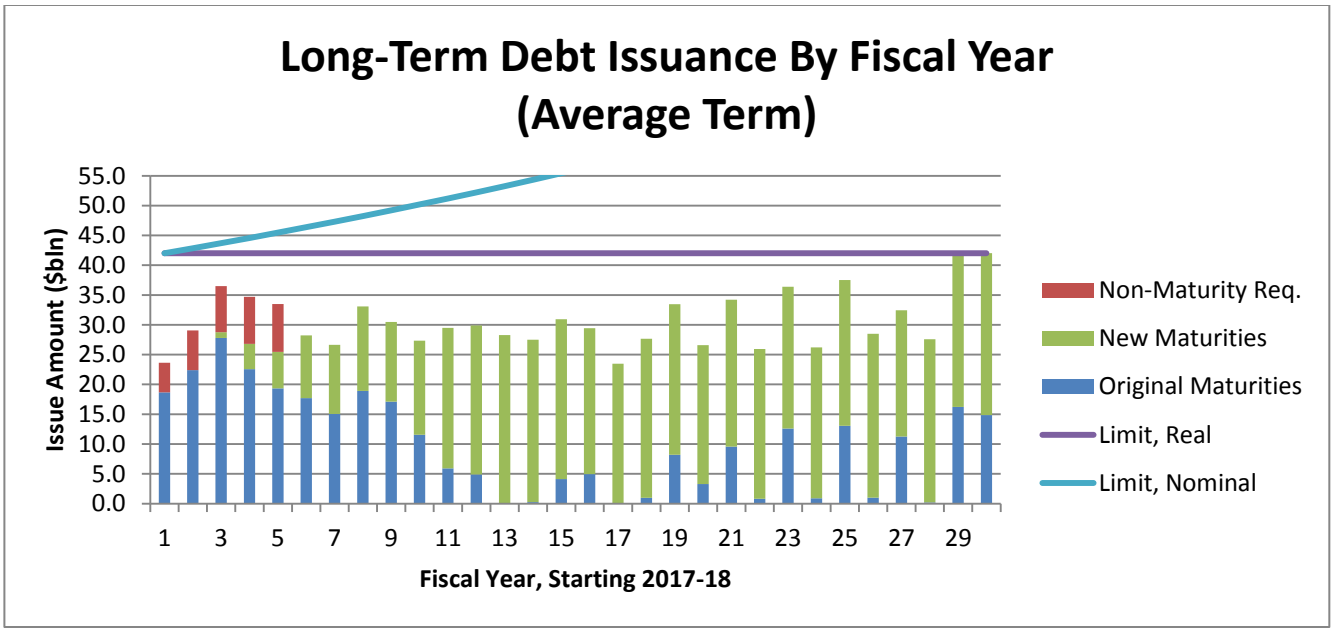
Assumptions: We assume a constant new term allocations as shown below:

Term	3y	5y	7y	10y	30y
Allocation	0.0%	9.8%	16.8%	45.0%	24.4%

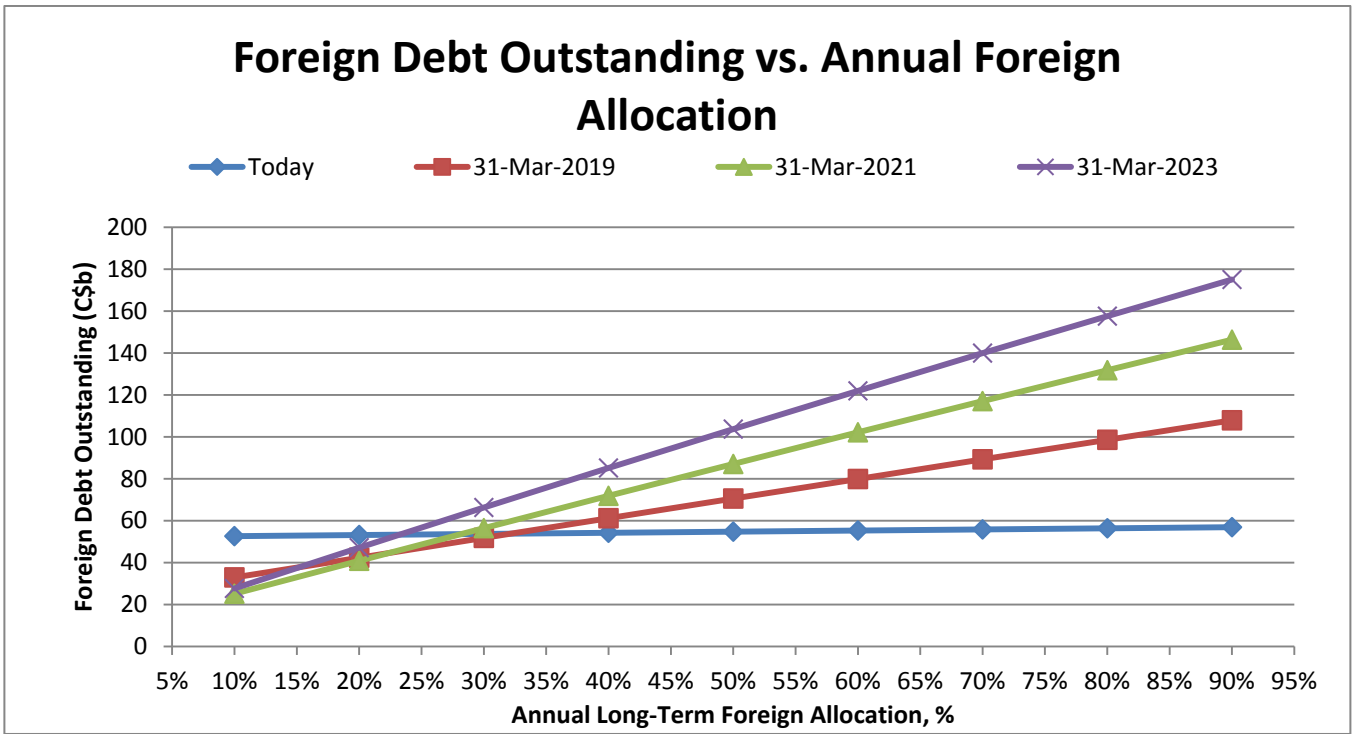
Average Term 14.7 Years

The Maximizing Average Term Scenario provides a cushion below the $42 billion limit for all future borrowing programs over the next 30 years.

An Average Term Scenario has also been developed which is derived from the midpoint of the Minimizing Average Term Scenario (6.5 years) and Maximizing Average Term Scenario (14.7 years), with an average term of 10.6 years. This scenario also has a cushion below the $42 billion limit for all borrowing programs over the next 30 years.



Another major consideration of the borrowing program is the domestic capacity issue and the potential for growing foreign debt outstanding. Foreign debt typically has a shorter maturity than domestic debt and thus creates more refinancing risk. The following graph illustrates how much foreign currency denominated debt could increase over time as the proportion of foreign debt is increased in future years. At a 25% foreign allocation, the amount for foreign debt is projected to remain at or below the current level over the next six years as new debt would essentially be replacing foreign debt maturities.

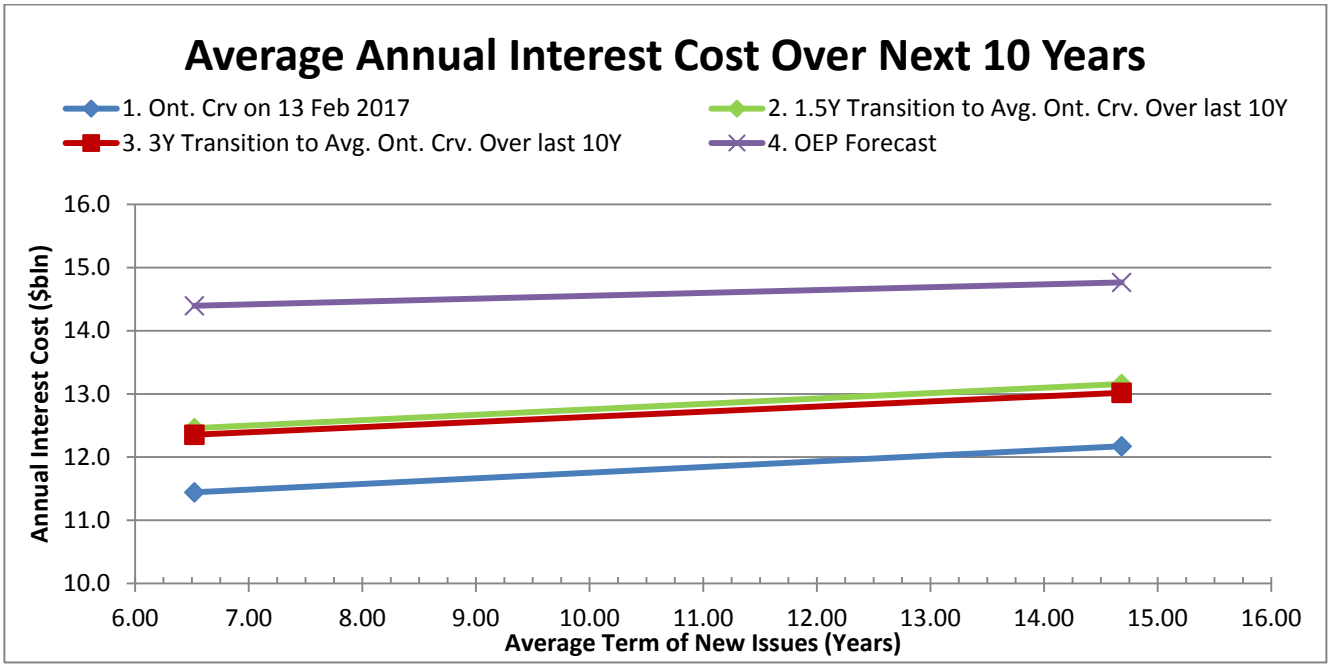


d. Costing Considerations

Future interest costs for new borrowing have been estimated over a ten year time horizon using four different scenarios under both minimum and maximum term borrowing assumptions. The results are provided in the following graph which shows average annual borrowing costs over the next ten years for new debt under the following four scenarios: 1) interest rates remain unchanged at current levels; 2) interest rates rise to the average levels experienced during the past ten years over a one and a half year time period; 3) interest rates increase to the ten year averages over a three year time period; and 4) interest rates rise as per the OEP consensus forecast. The interest rate averages for the four scenarios are provided in the following table.

Term (years)	Scenario 1- Current Rates (%)	Scenario 2- Rates rise to 10 year average over 1.5 years (%)	Scenario 3- Rates rise to 10 year average over 3.0 years (%)	Scenario 4- OEP (Consensus) Forecast (%)
3	1.35	1.96	1.91	3.51
5	1.75	2.45	2.40	3.96
7	2.17	2.91	2.85	4.30
10	2.60	3.38	3.32	4.63
30	3.33	3.95	3.90	5.06

Costs were determined for minimum term (i.e., 6.5 years) and maximum term (i.e., 14.7 years) borrowing programs for each scenario to isolate the impact of term selection.



The following can be concluded:

- Annual interest costs are extremely sensitive to the path of future interest rates as shown by the wide divergence in interest costs for each scenario. This high level of interest rate risk arises from the large volume of both refinancing and new debt to be issued in future years.
- The term selection of future borrowing using the long term range in average term from 6.5 to 14.7 years also has an impact on average annual interest costs, although the impact is much less than the impact of rising interest rates under the different scenarios.

e. Recommended Term Structure

- An average term of new borrowing from 6.5 to 14.7 years is recommended for the Province for 2017-18. The range reflects an assessment of debt issuance constraints and the need to smooth future annual borrowing requirements. Although there are minor cost savings associated with a shorter average term for new borrowing, the reduction in refinancing and market access risk from longer term financing is considered more important. A bias towards the upper end of the range is recommended, although this may be difficult to achieve if investors have a strong preference for shorter maturities. Cost pressures may also mitigate the ability to extend term. The term assumptions for the Province's range of borrowing for the 2017-18 borrowing program are provided below:

	Borrowing Amount ($billions)		
Term (years)	**Minimum Term**	**Mid-Point**	**Maximum Term**
3	8.4	4.2	0.0
5	5.6	3.97	2.3
7	0.0	2.0	3.9
10	9.1	9.8	10.5
30	0.3	3.4	6.6
Total Amount	$23.3	$23.3	$23.3
Average Term(years)	6.5	10.6	14.7

- Given that interest rates are currently low by historical standards and there is a high degree of interest rate risk going forward, the Province should strive to remain ahead of pace in the borrowing program and pre-borrow for 2018-19 to the extent there are opportunities.

3) Long-Term Borrowing Plan

a) Overview

The 2017-18 long-term public borrowing program is forecast to be similar to last year's borrowing program (excluding pre-borrowing). There will be a high degree of competition for funds in both the international and domestic bond markets. In addition, markets are likely to remain volatile as credit and geopolitical events may occur. The main elements of the plan are as follows:

- Given the relatively high potential for market access disruptions, it is recommended that the Province attempt to remain ahead of pace in its borrowing program, acknowledging that this may not be possible due to longer than expected blackout periods or other factors. It is recommended that the Province target to be one quarter ahead of even pace.

- A primary goal will be to diversify the sources of financing to ensure ongoing access to bond markets. International diversification is required since the domestic market may be strained to cost-effectively accommodate the Province's annual borrowing needs and is also useful when receptivity for Ontario bonds in the domestic market is poor. Large foreign issues are almost always more costly than domestic issues but serve a useful purpose in relieving supply pressures in the domestic market to achieve lower interest costs than would otherwise occur. The major challenge will be balancing the need for foreign strategic financing against the goal of minimizing the additional cost associated with this type of financing. International financing is typically hedged back into Canadian dollars which increases the use of counterparty credit and can also increase the amount and volatility of collateral needed to fulfill collateralized swap agreement (CSA) requirements. Strategic financing is planned for the U.S. dollar market and may occur in the Euro although there could be issuance in other markets as well.

- The domestic market will remain the most important component of the program, with benchmark syndicated issues being the most important component by far. Domestic issues are almost always the most cost-effective and offer the major advantage of not requiring derivatives and incurring their associated credit charges and exposures. In addition, there are opportunities to diversify within the domestic market. For example, floating rate notes and medium term notes can be issued almost independently of syndicated bonds when opportunities arise. Given these advantages, we will continue to maximize the issuance of domestic bonds. We are targeting approximately 75 per cent borrowing in the domestic market for 2017-18. This compares to last year's domestic issuance which was approximately 74%.

- Given continued low long-term interest rates, costing and refinancing considerations, it is recommended that the average term of the borrowing be maximized to the extent possible

within the approved range for 2017-18. This is consistent with greater use of the domestic market which offers more 30-year and longer financing opportunities relative to other markets. Interest rate risk remains elevated and the additional cost associated with extending term is small in comparison to costs incurred under interest rate normalization scenarios. Although we have been successful in extending term in recent years, we are largely dependent on the desired term structure of our investors and there may be some investor resistance and increased risk of poorly received transactions in extending term in 2017-18.

- Approval is requested to pre-borrow up to one half of the borrowing requirements for 2018-19 once the 2017-18 borrowing program has been completed. Although borrowing requirements are lower in 2017-18, there are still challenges in getting one quarter ahead of pace.

- Investor Relations (IR) is an important activity in both maintaining contact and dialogue with current investors and building relationships with new investors in existing or new markets. This is accomplished through the provision of targeted information products and call program activities. IR objectives for 2017-18 are detailed in the Investor Relations Annual Plan, contained in Appendix 14 of this report.

Green Bonds

On January 26, 2017, Ontario successfully priced its third Green Bond, with a global Canadian dollar bond issue of $800 million, our largest issue size yet. The six-year green bond was a re-opening of our January 2023 Global Green Bond first issued in 2016 and was available through Ontario's current dealer group and sold to investors in Canada, the United States, Europe and Asia. Approximately 1% of the issue was available to retail investors through Canadian financial institutions. The Province expects to continue to build on the current Green Bond program and issue again in fiscal 2017-18 potentially expanding into currencies other than the CAD, if the opportunity arises. As of January 2017, Ontario remained the only Canadian province to issue Green Bonds, with $2.05B currently outstanding. The following month, Quebec issued their inaugural Green Bond, $500 million, 5 year term, employing the same format as Ontario.

CICERO (Center for International Climate and Environmental Research – Oslo), an independent, not-for-profit research institute, provided a second opinion on Ontario's Green Bond framework, prior to launch of the program in 2014-15. This opinion applies to the program as a whole and remains in place as long as the Province continues to use its existing Green Bond framework.

An amount equal to the net proceeds of this second Green Bond was recorded in a designated account in the Province of Ontario financial records. This designated account is used to track the use and allocation of funds to Eligible Projects. So long as bonds are outstanding and the designated account has a positive balance, amounts will be deducted from the balance of the account as funds are allocated to Eligible Projects.

"Eligible Projects" means all projects, exclusive of fossil fuel and nuclear projects, funded by the Province of Ontario that have environmental benefits. A basket of twelve projects, from 3 different ministries, have been selected to receive funding from the Province's third Green Bond: The Eglinton Crosstown LRT, vivaNext BRT, Regional Express Rail, Finch West LRT, Hamilton LRT, Hurontario LRT, ErinoakKids Centre for Treatment and Development, St. Joseph's Healthcare – West 5th, St. Joseph's Healthcare – Parkwood, Waypoint Centre, CAMH and Woodstock General Hospital. This basket approach allows a level of flexibility of funding, should some of the chosen projects experience different spending patterns than those currently anticipated. These projects fall into either the clean transportation or energy efficiency and conservation categories of the green bond framework.

The identification of eligible green projects from across the Province is an ongoing challenge. This past year, the OFA with the assistance of the Deputy Minister of Finance, was able to compile a list of ministry and agency contacts who are designated as the Green Bond program leaders within their organizations. This contact list was helpful in streamlining communication and the identification of eligible projects and will be relied upon again in 2017-18.

An Annual Newsletter on the OFA website shows the allocation of funds from the Province's first two green bonds along with project updates/status reports for all of the eight chosen projects, along with performance indicators related to Green House Gas reduction and Water and Energy Efficiency and Conservation. The Auditor General of Ontario has provided an assurance audit to verify amounts allocated to the selected projects and the drawdown of Green Bond issue proceeds invested short-term as the projects progress. The second assurance audit was completed December 8, 2016. An Annual Newsletter and assurance audit for the Province's third Green Bond is expected to be completed and available in the last quarter of 2017-18.

b) Strategic Financing

The following factors must be considered when evaluating the use of strategic international funding for 2017-18:

- The 2017-18 borrowing program is estimated to be $23.3 billion, which is slightly smaller than last year's program but is still sizable. Borrowing requirements are also large when compared to other provinces and sub-national jurisdictions around the world.

- It is estimated that the Province will need to utilize international markets for about 25% of the 2017-18 borrowing program to avoid over-saturating the core domestic market and complete the program. This equates to international borrowing of approximately $5.8 billion, which compares to last year's international funding of $7.1 billion or 26% of the program.

- International borrowing windows are substantially reduced by the Province's regulatory requirements and updates (e.g., quarterly and annual updates of programs, filings of disclosure documents, 18-K filings, etc.). Based on the experience over the past three

years, there are at least 36 business days every year when the Province cannot access international markets due to regulatory concerns and statutory holidays. Additionally, access is reduced due to statutory holidays in Asia/Europe/US, political events, financial/economic events and releases equating to up to a third of the year when the Province cannot access international markets.

- International borrowing is also affected by the competition for funds by other borrowers and the need for the Province to space out its strategic issues. Competing supply and lack of investor demand are major factors which rule out international borrowing on a continuous basis throughout the year. There is a limit on the ability of international bond markets to absorb foreign issues from the Province. The U.S. market can typically accommodate about four to six benchmark deals per year, and we are assuming one or two benchmark Euro issues and one U.K sterling issue for the fiscal year.

- There is a strong tendency for strategic international borrowing to be more costly than domestic funding. Arbitrage opportunities are extremely rare and tend to be limited more to smaller issues in currencies such as the Swiss franc, Norwegian Kroner and Australian dollar. In addition, the volatility in bond and derivatives markets is extremely high, and hedging a foreign currency back into Canadian dollars is much more difficult and costly to execute than in previous years. This is largely due to increased regulatory costs for the dealer community.

  For 2017-18, it is recommended that up to $5.2 billion be allowed for strategic international financing for performance measurement purposes. This is based on an estimate assuming 25% international borrowing on the portion of the borrowing program which is used for fixed rate setting and pacing purposes. It excludes borrowing for Ontario Savings Bonds, core floating and core foreign exchange which are excluded for performance measurement purposes. The upper limit for international strategic financing was $5.4 billion last year, and $3.2 billion was completed. A total of $6.8 billion of large international bond issues were executed in 2016-17. Strategic financing is included in performance measurement.

c) Markets and Sectors

- Smoothing the debt maturity and borrowing requirement profile will be taken into consideration when executing the borrowing plan.

- The OFA will continue to buy back and retire outstanding Province of Ontario and Ontario Hydro bonds when it is possible to replace these bonds with lower yielding bonds of a similar term in accordance with current practice. Based on recent experience, few longer term buybacks are expected.

More detailed information for each sector of the borrowing program is provided below:

- **Domestic Syndicated Issues** – Benchmark 5-, 10-, and 30- year issues are the most important component of the domestic borrowing program. The Province benefits from

the liquidity of these issues, and it will be necessary to continue to encourage Ontario's domestic underwriting syndicate to actively trade these bonds in the secondary market.

- We will continue to issue larger sized publicly syndicated transactions and adjust the size of the issues to meet market demand. We will continue to use $600 million as a minimum size for 30-year, $750 million as the minimum size of 10-year issues and $1 billion as the minimum size of 5-year issues, and we will also look at dual-tranche issues. Ontario strives to re-open its existing benchmark bonds to build up larger and more liquid issues over time. The Federal government targets specific issue sizes for its benchmark bonds. For example, the targets are $14 to $20 billion for its 5-year bonds; $12-18 billion for its 10-year bonds; and $10 to $16 billion for 30-year bonds. By comparison, Ontario's benchmark bonds typically get up to $2 to $5 billion for 5-year bonds; $7 to $14 billion for 10-year bonds; and $9 to $16 billion for its 30-year bonds. In recognition of the cash management complications involved in large benchmark bond issues, the Province will look to reduce the size of benchmarks while still ensuring high liquidity for the bonds. For example, the previous 10-year benchmark was limited to $7.5 billion this year, whereas the previous 10-year benchmark achieved a size of $13.6 billion.

- Unlike the Federal government, the Province does not have a regular issuance schedule, and in order to maintain maximum flexibility it cannot commit to minimum benchmark sizes. Nevertheless, current benchmark issue sizes are reasonable indicators for the future, and the OFA will carefully manage the borrowing program to build up appropriately sized issues along the yield curve in an efficient and timely manner. In 2016-17 the Province issued $17.0 billion in syndicated issues, and it is expected that we will be able to borrow more in this sector in 2017-18.

- In order to provide more flexibility to accommodate large individual orders, a new larger order syndication procedure was initiated in October of 2011 and revised in May 2013. This process was used five times (no 5-year, no 7-year, two 10-year and three 30-year) during the 2016-17 year out of a total of twenty-two syndicated deals. It is expected that the large order process will drive some new issues again in 2017-18, but the size is difficult to predict.

- **Domestic Floating Rate Notes (FRNs)** - The OFA will issue FRNs when cost-effective opportunities become available. Competing supply from other large borrowers such as CMHC, Quebec and other provinces limits the opportunities, but issuance can be relatively large when demand materializes. Last year the Province issued $1.2 billion 5-year FRNs.

- **Auctions**
  We have the ability to do auctions in 2017-18 since we have passed the peak debt maturity years. We did one auction in 2016-17 raising $750 million. The ability to do auctions has been enhanced by extending the term of debt issued in recent years.

- **Ontario Savings Bonds** – A new campaign is planned for June 2017 with the following range of products (3-year variable, 3-year fixed, 5-year step-up and 10-year fixed). Last year's campaign raised about $127 million, and it is difficult to predict the size of this year's campaign. Increased competition by banks for retail money may be offset by the safety provided by government bonds. We may review the Ontario Savings Bond Program next year. The Federal government has announced that they will be discontinuing their Canada Savings Bond Program in 2017.

- **Domestic Medium Term Notes (MTNs)/Ultra long dated bonds** – We did not issue any domestic MTNs this year. There is limited demand for this kind of long maturity. The majority of the bonds that are sold into this term are stripped. In our opinion the marginal additional funding must be balanced against the negative spread pressure on our 30-year bonds. There could be increased competition as the Bank of Canada is also looking at issuing ultra-longs. We will continue to issue ultra-long bonds when demand permits and costing targets can be achieved.

  - Ontario was one of the first Canadian Governments to issue ultra-long debt (i.e., bond issues with maturities greater than 30 years) and has been very supportive of the development of this market.

  - Given the low historical interest rates experienced in recent years, Ontario has also been pro-active in extending the term of its borrowing program. The combined average term of borrowing for Ontario and OEFC in 2016-17 is approximately 13.9 years (including pre-borrowing), and was 14.2 years in 2015-16, 14.1 years in 2014-15, 13.6 years in 2013-14, 12.4 years in 2012-13 and 13.0 years in 2011-12. This is much longer than the 8.1 years achieved in 2009-10.

  - Ontario will continue to support the ultra-long sector and access this market when cost-effective opportunities become available, it must be used judiciously as a complement to our 30-year borrowing program. Given the uncertain demand and risks associated with ultra-long borrowing, no change in approach for accessing this sector is recommended at this time. The OFA will continue to closely monitor the ultra-long sector and execute trades when market conditions are appropriate. Last year, there were only three ultra-long deals amounting to $175 million done.

- **Real Return Bonds (RRBs)** - There was no issuance of Ontario real return bonds in 2016-17, and the last Ontario RRB was issued in November 2009.

- **U.S. Dollar Issues** – U.S. dollar borrowing is expected to be the major component of international borrowing. Three US global issues were completed last year to raise $6.8

billion. Since U.S. dollar issues are normally more expensive and opportunities are limited due to more complex disclosure requirements, it is very likely that costs will be higher than in the domestic market. U.S. dollar investors continue to prefer shorter maturities.

- **Euro Issues** – The Province will again attempt to issue one or two benchmark sized issues in Euros in 2017-18. Last year we launched a Euro benchmark deal and had to pull the deal as markets were not receptive at that time – we did not issue a benchmark Euro deal during the year. We will continue to look for opportunities to maintain our presence in that market. Euro issues provide a good platform to both diversify and expand the investor base to a large pool of new investors.

- **U.K. Sterling Issue** - We did not issue in U.K. sterling in 2016-17. It has been selected as a core currency and is expected to be less cost-effective than the domestic market.

- **Japanese Yen Issues** – Last year we did not issue in the Yen markets as the funding costs were significantly higher than domestic funding levels. The Province has a long history of issuing Yen denominated debt, and we will continue to monitor and seek any opportunities.

- **Euro Medium Term Note (EMTN) Issues** – This was not an active sector over the past year as the European credit crisis made funding levels higher than domestic costs. Last year, we did issue Euro 52 million of 25-year bonds but were not able to re-open the bond in 2016-17. EMTN covers a host of markets including the Japanese yen, Australian dollar, Euro, Norwegian Kroner, British pound Sterling, Swiss francs and Hong Kong dollars. It is expected that there may be opportunities for EMTN issuance in 2017-18. We will continue to look at issuing longer term Euros in German registered note format.

- **Kangaroo Market** – This market has a preference for AAA issuers and the Province would like to become a regular borrower in this market. Ontario was able to complete two small re-openings of an older issue and start a new 10-year bond with five re-openings to raise $296 million in total. We will continue to monitor this market for opportunities, and it has the advantage of offering arbitrage opportunities.

- **Other Foreign Markets** – Other markets which will be monitored include the Nordic currencies, New Zealand dollar, and South African rand markets. The OFA Market Risk Policy allows foreign exchange exposures solely in the G7 and Swiss franc currencies, and issuance in other currencies must be hedged back into Canadian dollars.

4) Risk Factors and Contingencies

a) Completion of Long-term Borrowing Program (Accessing Markets & Meeting Investor Demand)

Strengths	Challenges
• The borrowing program is manageable and well below the peak of $43.8 billion borrowed in 2009-10, and $39.8 billion borrowed in 2014-15. • Ontario has a highly diversified borrowing program which provides access to a large number of domestic and international markets and many different types of investors in those markets. • Ontario's relatively low proportions of floating rate and foreign exchange exposures provide some flexibility to increase floating rate debt and foreign currency debt if increases in these types of debt are required to complete the borrowing program or are required to reduce borrowing costs. • Ontario domestic issues are highly liquid which often results in more issuing opportunities than smaller borrowers. • The Ontario credit is generally positively perceived in the financial markets. • Geopolitical and credit crises often increase safe haven demand for Ontario securities. • Increased investor relations efforts in recent years have allowed Ontario to both keep in contact with existing investors and reach out to new ones. • Ontario has developed a fiscal plan to achieve a balanced budget by 2017-18.	• Borrowing opportunities throughout the year will be reduced due to regular financial and regulatory updates (e.g., Budget blackout, SEC updates, etc.) • Event risks (e.g., turmoil in the Ukraine, Europe sovereign risk, Middle East and Asia political risk, and other unknown risks) are likely to interfere with borrowing at times during the year. • The potential for changes to the North American Free Trade Agreement (NAFTA), and a potential correction to the elevated housing market in Toronto and Vancouver may reduce the "halo" effect from international investors for Canadian and Ontario government borrowers. • Investor receptivity can be low when interest rates are low (i.e., the current situation) and can also be constrained when interest rates are increasing which is the forecast. • Currently there is some reliance on particular investors in certain markets and some vulnerability to reduced demand if these investors were to reduce or stop purchasing Ontario bonds. • Fiscal challenges remain substantial over the next several years and there is limited tolerance from investors for fiscal disappointments. • Elections in general tend to create uncertainty and are met with investor caution. We expect that the 2018 Ontario election will result in reduced market access.

Conclusion

Diversification of borrowing in recent years has provided the Province with increased borrowing flexibility going forward. It is expected that the 2017-18 long-term borrowing requirements will be met, but it is likely that it will not be possible to borrow in desired markets and maturities at all times during the year as market access and/or investor demand fluctuates. This will entail higher costs if more costly markets are accessed or strategic borrowing increases, and higher interest rate, refinancing, or foreign exchange risk may be required to complete the borrowing program. The impact of any setbacks in

Ontario's fiscal plan would likely be negative, especially if the credit ratings were to come under further pressure.

b) Minimize Cost of Long-term Borrowing Program

Strengths	Challenges
• Interest rates are still historically low. • The yield curve is somewhat steep which provides the opportunity for lower costs by borrowing more floating rate debt or issuing debt with shorter maturities. • Over the past several years, interest rates have often increased less than forecast or declined, and this may occur again in 2017-18.	• Interest rate risk will remain high for several years due to large ongoing debt maturities, and investments in capital assets. • Interest rates are more likely to increase in 2017-18 relative to recent years as the economic recovery progresses and the U.S. Fed continues with its tightening. • The cost of foreign currency and strategic borrowing is difficult to predict and could be more expensive than current levels.

Conclusion

Interest rate risk remains high. Interest cost increases can be mitigated by increased issuance of debt with shorter maturities or more floating rate debt but with resulting higher refinancing and interest rate risks which are already at elevated levels.

c) Minimize Refinancing Risk and Extend Term of New Debt

Strengths	Challenges
• The demand for longer dated maturities in the domestic market is likely to remain relatively strong due to the trend towards liability driven investment (LDI) by many pension fund investors. • US dollar, Euro, AUD and Swiss franc bond markets may provide opportunities for longer term debt issuance (i.e., 10-years and longer).	• It will be difficult to complete the 2017-18 borrowing program without the addition of some shorter term debt, and this will increase refinancing risk. • Investor demand for longer dated maturities may be reduced in 2017-18 if interest rates are trending higher. • Term extension opportunities in the domestic market for 2017-18 are likely to be less than those available in 2016-17.

Conclusion

Refinancing risk remains high over the next several years and it will be extremely difficult to cap it entirely, especially if market access is constrained or investor demand declines. The ability to extend term will likely be lower in 2017-18 relative to last year and is likely to be negatively impacted if interest rates are increasing. It may be necessary to increase

refinancing risk in 2017-18 to mitigate increasing interest costs in an increasing interest rate environment.

d) Credit Rating Risk

Ontario is currently rated Aa2 by Moody's and A+ by S&P. In April 2016, Moody's removed the negative outlook on Ontario's credit rating which it had placed on July 2, 2014.

It is expected that the credit rating agencies will be monitoring the fiscal performance of the Province very closely.

B. SHORT-TERM BORROWING PROGRAM

- The short-term borrowing program is comprised of treasury bill issuance in Canadian dollars (T-Bills) and commercial paper issuance in U.S. dollars (USCP). The Province also issues T-Bills on behalf of OEFC, and on-lends the proceeds to OEFC. The estimated outstanding amounts and program authorities as of March 31, 2017 are summarized in the table below. It is extremely important to maintain excess capacity in the program for contingency purposes.

	March 31, 2017		
	Amount Outstanding ($ billion)	**Program Authority ($ billion)**	**Remaining Capacity ($ billion)**
T-Bills - Ontario	15.9	27.0	11.3
- OEFC	0.7	6.0	5.3
USCP - Ontario	5.2	15.0	9.8
TOTAL	**21.8**	**48.0**	**26.2**

- It is projected that the combined Ontario/OEFC short-term debt outstanding will be $21.8 billion on March 31, 2018, unchanged from March 31, 2017. Individually, Ontario and OEFC's short-term debt outstanding are projected to remain constant at $21.2 billion and $0.6 billion respectively. The amount of short-term debt outstanding throughout the year will fluctuate and depend on the pace of the long-term borrowing program, the timing of cash flows, and CSA collateral requirements. The following table summarizes the year-end program authorities and combined outstanding amounts over the past 6 years and 3 years forward.

Short Term Debt Program Authority and Amount Outstanding									
	2011-12 ($ Bln)	**2012-13 ($ Bln)**	**2013-14 ($ Bln))**	**2014-15 ($ Bln)**	**2015-16 ($ Bln)**	**2016-17 ($ Bln) Outlook**	**2017-18 ($ Bln) Outlook**	**2018-19 ($ Bln) Outlook**	**2019-20 ($ Bln) Outlook**
Program Authority									
T-Bills - Ontario	24.5	24.5	24.5	24.5	27.0	27.0	27.0	27.0	27.0
- OEFC	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Total	30.5	30.5	30.5	30.5	33.0	33.0	33.0	33.0	33.0
USCP - Ontario	5.0	8.5	11.5	11.5	15.0	15.0	15.0	15.0	15.0
Combined Total	**35.5**	**39.0**	**42.0**	**42.0**	**48.0**	**48.0**	**48.0**	**48.0**	**48.0**
Program Outstanding									
T-Bills	12.6	13.8	13.2	15.5	15.5	15.5	15.5	15.5	15.5
USCP	4.7	6.5	8.6	6.3	6.3	6.3	6.3	6.3	7.3
Combined Total	**17.3**	**20.3**	**21.8**	**21.8**	**21.8**	**21.8**	**21.8**	**21.8**	**21.8**

- The Province has continued to hold scheduled weekly T-Bill auctions which have proven to be a successful borrowing strategy. These regular dated auctions have resulted in a more complete maturity spectrum of outstanding Ontario T-Bills and have served to promote greater transparency and increased secondary trading in the Treasury Bill Program. The weekly auction size depends on upcoming funding requirements which are reviewed each week, and typically includes a combination of 3-month, 6-month, and 1-year T-bills. In addition to the weekly T-Bill auction, the Province can also utilize one-off cash management auctions and reverse enquiries when appropriate. The USCP program is generally utilized when USCP can be issued and hedged back to Canadian dollars below the cost of domestic Treasury Bills. The term restriction for the USCP Program is 270 days, although most of the issuance is for 1 to 3 months

- We have continued to experience strong demand for Ontario's USCP over the past year, and arbitrage levels averaged approximately 25 basis points below treasury bill funding which provided estimated savings of $15.3 million for 2016-17 as of March 15, 2017. The average amount of USCP outstanding during the year was $6.3 billion, with a high of $8.2 billion.

C. BORROWING AUTHORITY

Borrowing authority is required for long term and short term borrowing. Ontario has two sources of borrowing authority for Provincial debt, the *Financial Administration Act* (FAA) and the Ontario Loan Act. OEFC's borrowing authority is pursuant to section 68 of the *Electricity Act, 1998* in the manner provided by the *Financial Administration Act*.

The FAA primarily authorizes the refinancing of matured and maturing debt. The Loan Act authorizes borrowing up to the limit specified in the Loan Act for that year, and is usually used for the purpose of financing new debt but can also be used for any borrowing program requirements such as Treasury Bills, and the U.S. shelf.

The OFA requests approval throughout each fiscal year for several Orders in Council ("OICs") to complete the Province's borrowing requirements. There are a number of OICs under the *Financial Administration Act* ("FAA") allowing the refinancing of matured and maturing debt and an OIC pursuant to that year's Loan Act for any new borrowing. The amount of borrowing authority available under each OIC is drawn down with each bond issuance and is monitored to ensure that there is always sufficient borrowing authority.

The OICs under the Loan Act authorizing short term borrowing for the issuance of treasury bills and U.S. Commercial Paper (USCP) are revolving due to the short term and frequency of issuance of these types of instruments. Currently the Province has authority to issue up to $27 billion in treasury bills and $15 billion in USCP. OEFC has authority to issue $6.0 billion in treasury bills.

An OIC is an order, recommended by the Minister of Finance, concurred by the Chair of Cabinet and approved and ordered by the Lieutenant Governor that, pursuant to the *Financial Administration Act* and the specific Ontario Loan Act, authorizes the Province to borrow an amount not exceeding the amount specified in the Loan Act.

The following tables provide a summary of long term borrowing authority by current Orders in Council and the allocation of the borrowing authority to the borrowing programs.

SUMMARY OF PROVINCIAL LONG TERM BORROWING PROGRAM BY CURRENT ORDERS IN COUNCIL

OIC#	Original Authority	Blanket Authority	DMTN Program	EMTN Program	ADI Program	US MTN Program		Remaining Authority
OIC 1549/2010[1]	5.0					0.3		0.3
OIC 1334/2012[1]	26.5			0.2		1.0		1.2
OIC 965/2013[1]	21.4			3.0				3.0
OIC 458/2015[1]	13.5		1.7	1.0	0.2			2.9
OIC 1241/2015[1]	14.7		9.5		0.2			9.7
OIC 1164/2016[1]	10.0	10.0						10.0
OIC 521/2017[2]	13.3	9.8	3.5					13.3
Totals	**104.4**	**19.8**	**14.7**	**4.2**	**0.4**	**1.3**		**40.4**
								(figures as of March 29, 2017)
[1]Loan Act Authority (CAD, billions)								
[2]FAA Authority (CAD, billions)								

As market demand and borrowing opportunities change, the borrowing authority can be reallocated between Ontario's various borrowing programs (see table above). The Province is not permitted to borrow for a particular program unless there is sufficient authority available in the relevant borrowing program.

In order to preserve the authority of maturing debt as prescribed by the FAA, it is planned to apply in the spring for additional borrowing authority to refinance matured and maturing debt.

As is the usual practice, should the Loan Act be authorized in the 2017-18 Budget, the Province will seek approval from the legislature for an OIC for the amount specified in the Loan Act. An OIC may be requested for borrowing authority for OEFC if needed to meet OEFC's borrowing requirements for fiscal 2017-18.

SUMMARY OF OEFC LONG TERM BORROWING PROGRAM BY CURRENT ORDERS IN COUNCIL

CAD (billions)						
OIC#	**Original Authority**	**Blanket Authority**	**DMTN Program**	**EMTN Program**	**ADI Program**	**Remaining Authority**
OIC 967/2013	2.0			0.1		0.1
OIC 956/2014	2.3		0.5			0.5
OIC 949/2015	1.0		1.0			1.0
Totals	**5.3**		**1.5**	**0.1**		**1.6**
						(figures as of March 29, 2017)

D. LIQUIDITY RISK MANAGEMENT

1. Short-Term Liquidity Management

The goal of liquidity management is to maintain sufficient cash and liquid investments to meet the Province's daily operating requirements and to withstand a range of stress events, including those involving the loss or impairment of funding sources. Liquidity is managed through the use of short-term and long-term borrowing, and the maintenance of liquid reserves. Operational cash flow projections are monitored on a daily basis to ensure that sufficient liquid reserves are available to meet upcoming cash requirements and debt maturities over the fiscal year. In 2017-18, we will continue to monitor cash requirements to fund large debt maturities for the Province and OEFC and when possible, we will buy back the debt issue as part of our liquid reserve and cash management strategy. The largest debt maturities (i.e. > $2.0 billion) over the next two years are listed in the table below. The amount bought back and held in liquid reserves for cash management purposes is also provided in the table as of March 15, 2017. The maturity of larger benchmark debt issues will continue to be an important consideration in overall liquidity management.

Fiscal Year	Maturity Date	Amount ($ Billions)	Type	Amount held in Liquid Reserves ($ Billions)
2017-18	Sep 8, 2017	6.4	Domestic	3.5
"	Oct 25, 2017	2.6	Global US	-
"	Mar 8, 2018	3.0	Domestic	0.6
2018-19	Sep 8, 2018	8.0	Domestic	-
"	Sep 27, 2018	2.1	Global US	-
"	Jan 18, 2019	3.4	Global US	-
"	Jan 30, 2019	2.6	Global US	-

Note: Amount held in Liquid Reserves as of March 15, 2017.

The movement of collateral between Ontario and its derivative counterparties under CSAs will also impact liquidity management and increase the volatility in the level of the liquid reserves. In 2016-17, Ontario was a net receiver of collateral with a range of $1.3 billion to $3.3 billion. Regular analysis of potential counterparty credit exposure related to derivatives is performed for the purpose of assessing potential collateral requirements related to the CSAs. The CSA and related exposure analysis are discussed more fully in Section H – Derivative Risk Management.

The combination of large borrowing programs and CSA collateral requirements will continue to require the maintenance of high levels of liquid reserves and sufficient short-term borrowing capacity. For operational purposes, Capital Markets focuses on the level of liquid reserves adjusted for collateral positions to conservatively represent the net funds available to meet cash requirements. For example, when the Province is a net receiver of CSA collateral, this amount is not added to the level of liquid reserves. However, in those cases where the Province is a net pledger of CSA collateral, liquid reserves are reduced by the net collateral pledged.

(i) Year-End Liquid Reserve Projection:

- The level of the liquid reserves is projected to be $18.6 billion on March 31, 2017 based on the 2016 FES, and does not include any pre-borrowing. This figure excludes any net collateral received from CSA counterparties which was $1.5 billion as of February 28, 2017. The collateral position will fluctuate throughout the year based on changes to exchange rates and interest rates, and is monitored regularly. No change to the year-end level liquid reserves is projected for 2017-18 based on the 2016 Ontario FES. However, this projection will be updated in the 2017 Ontario Budget and reflect the plan to increase liquid reserves over the next year in advance of the larger benchmark debt maturities occurring in the first quarter of the fiscal year starting in 2019-20. This plan is discussed more fully in Section 2 – Medium Term Liquidity Management. The liquid reserve level will fluctuate throughout the year based on the pace of the long-term borrowing program, the timing of cash flows, and the impact of collateral requirements under CSAs.

(ii) Minimum liquid reserve level:

- A minimum liquid reserve threshold will be maintained throughout the year to ensure sufficient cash is available to meet cash and collateral requirements. This minimum threshold will be comprised of an operational cash component, and a CSA collateral component. If the level of liquid reserves drops below the minimum threshold, a short-term funding strategy will be developed and implemented to increase the liquid reserves to at least the minimum recommended level.

- The operational cash threshold is established as the net cash outflow within a rolling one-month time horizon. This essentially represents the net funding requirement over the next month and would include all short-term and long-term debt maturities, any deficit and related cash flows, investments in capital assets, other net loans/investments, and any other operational cash flows. In past years, the minimum had been calculated using an average of annual cash requirements adjusted by a daily volatility factor. This enhanced approach has been established to capture the actual timing of the larger benchmark debt maturities which will soon be occurring earlier in the fiscal year. The inclusion of one month's short-term debt maturities in the minimum threshold will also provide a contingency in the event of a market disruption that temporarily affects the rolling over of short-term debt. In the unlikely event that such a market disruption were to last longer than one month, an alternative funding plan would be developed. This approach to liquidity risk management is also consistent with the Basel liquidity coverage ratio (LCR) guideline for Financial Institutions which essentially requires banks to hold minimum liquid assets to cover cash-outflows over a 30-day time horizon.

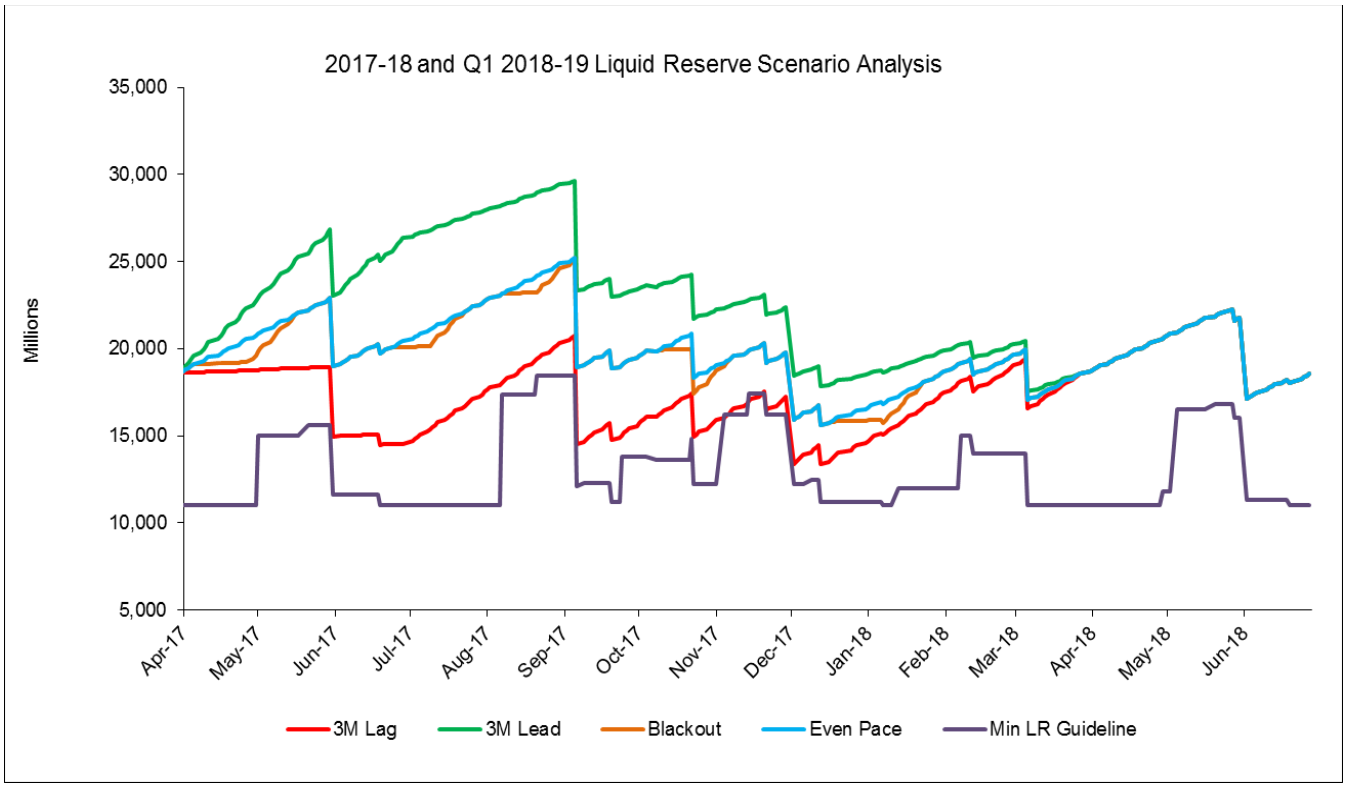
- The CSA collateral threshold represents an estimate of the incremental collateral the Province may have to potentially post to CSA counterparties in the near term, and would also include potential cash flows associated with rolling over foreign exchange contracts. The potential collateral requirement is estimated using a value-at-risk (VAR) based

statistical measure minus any net collateral the Province may already hold from its CSA counterparties. Currently, a three-month 95% confidence statistic is monitored as a guideline for estimating potential collateral requirements in the near-term. As at February 28, 2017, this statistical measure yielded an estimated $3.2 billion potential collateral requirement. Subtracting the net $1.5 billion collateral received from CSA counterparties on February 28, 2017, the CSA collateral threshold would have been calculated as $1.7 billion on that date. As the CSA process evolves, other statistical measures may be substituted over the course of the year should they be considered more suitable in the management of the minimum liquid reserve level. Both the collateral position and the CSA collateral threshold will change throughout the year in response to changes in interest rates, exchange rates, and volatility assumptions. The current plan is to fund the CSA collateral requirements through increased short-term borrowing as required, given the volatility inherent in daily collateral flows.

- The minimum liquid reserve threshold and related short-term funding strategies are discussed at the weekly Risk Management Committee meetings.

(iii) Forecast in-year level of the liquid reserves and scenario analysis for fiscal year 2017-18 and Q1 2018-19

- The following graph depicts the forecast level of liquid reserves excluding collateral impacts. It is based on known fiscal year 2017-18 and Q1 2018-19 debt maturities, even paced short-term borrowing and cash deficit requirement assumption, and varying long-term borrowing program pacing assumptions. A starting liquid reserve level of $18.6 billion is used as per the 2016 Ontario FES.



The following scenarios are included in the graph:

- o Even Pace: Assumes that all long-term borrowing, short-term borrowing, and cash deficit requirements are even paced throughout the period.
- o 3M Lag: Three month lag in long-term borrowing; even paced short-term borrowing and cash deficit requirements.
- o 3M Lead: Three month lead in long-term borrowing; even paced short-term borrowing and cash deficit requirements.
- o Blackout: Even Pace scenario adjusted for potential blackout periods. A blackout period occurs when the Province of Ontario is restricted from any long term debt issuance on account of pending quarterly finance, budgetary releases or other factors such as rating agency releases.
- o Min LR Guideline: Represents the minimum liquid reserve threshold which is based on the net cash outflow within a rolling 30-day time horizon, plus a provision for potential CSA collateral requirements.

- The results show the level of liquid reserves is projected to remain above the minimum threshold over the next year if the long-term borrowing program is on even-pace. If the borrowing program were to fall behind pace by 3-months, the level of liquid reserves are projected to only temporarily drop below the minimum for about six days by up to $500 million in November.

- The following table summarizes the minimum, maximum and average level of the liquid reserves under the aforementioned scenarios. These results illustrate the potential wide range in liquid reserves under the various scenarios, and project a potential decrease to $13.4 billion if the borrowing program fell three months behind pace (3M Lag), and a potential increase to $29.6 billion if the borrowing program moved three months ahead of pace (3M Lead). These results exclude collateral so the liquid reserve projections could be reduced if any net collateral is pledged to CSA counterparties.

Scenario Analysis Ontario's Liquid Reserve (C$ billion) Excluding Collateral Held				
	Even Pace	**3M Lag**	**3M Lead**	**Blackout**
Minimum	15.6	13.4	17.5	15.6
Maximum	25.2	20.8	29.6	25.2
Average	19.8	16.9	22.8	19.7

(iv) Planned long and short-term borrowing:

- Ontario's planned long and short term borrowing is presented in Section III (A) – Long Term Borrowing Program and (B) Short Term Borrowing Program.

- Should unexpected requirements or loss or impairment of long-term funding sources arise that draw the liquid reserves below the minimum recommended level, a short-term funding strategy will be developed and implemented to increase the liquid reserves to at least the minimum recommended level.

- The current short-term authority of $48.0 billion is deemed to be sufficient to maintain the minimum level of liquid reserves under the above stress-test scenarios.

(v) Liquid Reserve Investment Management Strategy:

- Management of the Province's liquid reserves and money market portfolio are governed by the OFA's Risk Policies and Procedures and the Liquid Reserve Statement of Investment Policy and Procedures (SIPP).

- In addition to the Credit Risk Policy, credit risk is being managed through stringent operational credit constraints that have been developed to incorporate changes in credit conditions. These limits are reviewed and updated on a regular basis. Currently, the money market portfolio is invested in federal and provincial government securities and reverse repurchase agreements. Investments may also be made in the six Schedule 1 banks. It is intended that this asset mix will be maintained for the portfolio in order to maximize the availability of eligible collateral to meet the Province's CSA collateral requirements. The credit management strategy is an evolving process based on developments in the credit

and financial markets. It is expected that credit risk will continue to be managed very conservatively for the foreseeable future.

- Market risk relates to the risk of adverse movements in interest rates on the money market portfolio. Market risk is managed primarily through the term of the portfolio (benchmark of 60 days), by targeting shorter term investments, and cash-flow matching investments to the extent possible.

- In addition to investments made within the money market portfolio to meet operational cash requirements, the purchase and sale of bonds for hedging purposes has a direct impact on the Province's overall liquidity and asset mix of the liquid reserves. When developing hedging strategies, the impact on liquidity and overall asset mix must be considered.

- Weekly Risk Management Committee meetings are held which include discussions on liquidity, risk exposures, the outlook for long-term and short-term borrowing, and liquid reserves investment management strategies.

(vi) Cost of maintaining liquid reserves:

- The SIPP for Liquid Reserves states that liquid reserves will be funded with floating rate exposure to reduce the potential cost of holding liquid reserves, as well as following best practices in terms of asset/liability management. Floating rate exposure includes short-term debt which is comprised of Ontario treasury bills and USCP, and long-term floating rate debt which is comprised of long-term debt issues swapped to floating and portfolio overlay swaps and bonds.

- A challenge when calculating the cost of liquid reserves is to identify and calculate the appropriate cost of the underlying floating rate debt funding liquid reserves. This calculation requires various simplifying assumptions to be made. For example, the cost of Ontario treasury bills, USCP, and long-term debt swapped to floating is based on accounting data using average month-end outstanding amounts and assumes the accrual method. In contrast, the return on liquid reserve investments is based on the rate of return on the performance measured money market portfolio as calculated by Risk Control division. These calculations are based on daily outstanding amounts and calculated on a mark-to-market basis. Although the individual calculation methodologies may be slightly different, the overall calculation for the cost of liquid reserves should provide a reasonable estimate.

(a) Rate of Return on Liquid Reserve Investments

- The rate of return on liquid reserve investments is based on the annual return of the performance measured money market portfolio. At roughly 60 days, the benchmark term-to-maturity of the money market portfolio will be slightly less than the term of floating rate debt.

(b) Cost of Floating Rate Debt

(i) Short-term Debt

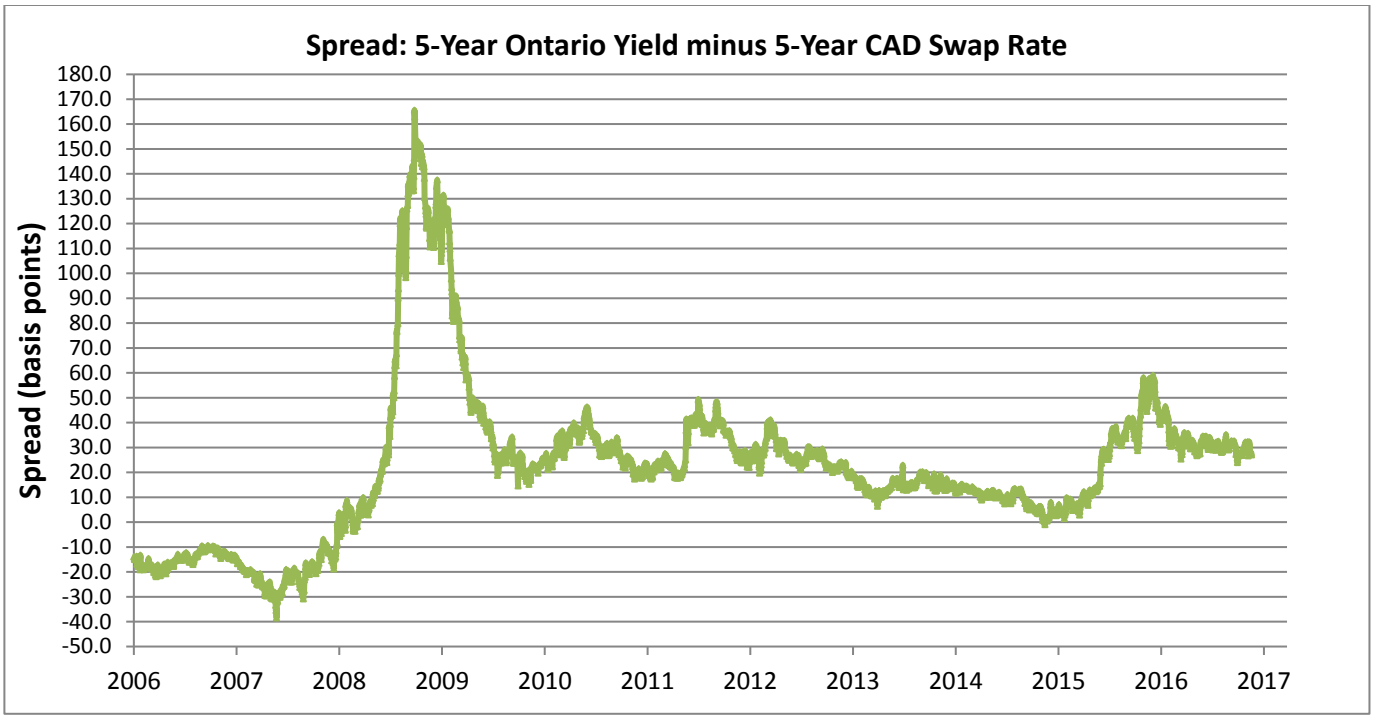
- Short term debt is comprised of Ontario treasury bills and USCP. Ontario treasury bills are extremely cost efficient. Rates as of February 28, 2017 were 0.61%, 0.66%, and 0.75% for 3, 6, and 12 month terms, respectively, and represent spreads of approximately 12, 14, and 15 basis points over the respective Government of Canada treasury bills. USCP can also be extremely cost-efficient, as it can often be hedged back to Canadian dollars at levels favourable to our domestic treasury bills. Rates in the 3 month term as of February 28, 2017 were 0.82% in US terms, and approximately 0.47% when hedged back to Canadian dollars. USCP is generally utilized on an arbitrage basis and therefore will not always be cost effective. However, in the last several years we have continued to experience a combination of favourable arbitrage opportunities and strong investor demand.

(ii) Long-term Floating Rate Debt

- Long-term floating rate debt is also used to manage overall floating rate exposure and is comprised of long-term debt issues swapped to floating as well as portfolio overlay swaps and bonds. The portfolio overlay of swaps and bonds are not included in the calculation of floating rate debt this year as the total notional has decreased in recent years (approximately $500 million outstanding by March 31, 2018), and they are not material to the calculations. To include these swaps and bonds would require numerous spread assumptions to be made as they are not tied to specific debt issues but rather the overall debt portfolio.

- Long-term floating rate debt carries a premium associated with term borrowing, as it reduces refinancing risk in the near term. The floating premium will vary over time as the spread between Ontario debt and interest rate swaps changes. Generally, as Ontario spreads widen relative to swap spreads, the floating premium relative to CDOR (BA reference rate) will increase. As of February 28, 2017, the term premiums for 2, 5, 10, and 30-year floating rate debt relative to CDOR were approximately -6, +26, +62, and +90, respectively.

- The premium for term debt increased significantly following the financial crisis in 2007 as issuer credit spreads increased relative to swap spreads. Since peaking in early 2009, this premium has narrowed but still remains well above pre-2007 levels. The graph below charts the spread between Ontario 5-year bonds and 5-year Canadian interest rate swaps over the last eleven years. These results illustrate how the equivalent floating cost of 5-year Ontario debt has increased from approximately 3-month CDOR minus 20 basis points in 2007 when Ontario rates were below swap rates, to approximately 3-month CDOR plus 26 basis points currently as Ontario rates have risen above swap rates.


Spread: 5-Year Ontario Yield minus 5-Year CAD Swap Rate
Spread (basis points)
180.0
170.0
160.0
150.0
140.0
130.0
120.0
110.0
100.0
90.0
80.0
70.0
60.0
50.0
40.0
30.0
20.0
10.0
0.0
-10.0
-20.0
-30.0
-40.0
-50.0
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017

(c) Calculation of Cost of Carry

- A cost of maintaining liquid reserves is estimated as the difference between the rate of return on liquid reserve investments versus the cost of floating rate borrowing. This approach is similar to the Government of Canada's cost measurement of Receiver General cash balances which measures the difference between the return on government balances auctioned to financial institutions (typically around the overnight rate) and the average yield paid on Treasury Bills.

The cost of liquid reserves will be influenced by several factors:

- The slope of the yield curve between the average investment term rate of 60 days and floating borrowing rates of 1 month to 1 year. Generally, an upward sloping yield curve will increase the cost whereas an inverted yield curve will decrease the cost.
- The direction of short-term interest rates will have a more immediate impact on investments which are reset more frequently than the floating rate debt. Also, the return on investments is on a mark-to-market basis whereas the cost of floating rate debt is on an accrual basis.
- The credit spread between Government of Canada investments and Ontario's cost of floating rate debt.
- The term premium associated with long-term floating rate debt as reflected in the spread to CDOR.

The key assumptions and calculations in estimating the carrying costs of liquid reserves are summarized in the table below. These are annualized using actual data from April 1, 2016 to February 28, 2017. Based on these results, the estimated carry on total liquid reserves range from a saving of 4.7 basis points ($9.9 million) to a cost of 24.8 basis points ($52.4 million) on average total reserves of $21.2 billion. Positive factors in minimizing the cost of carry have been the relatively flat yield curve from overnight out to 1 year, narrow spreads between Ontario and Canada T-Bills, and the favourable arbitrage on USCP. USCP issuance was approximately 25 basis below equivalent Canadian issuance on average throughout 2016-17 which reduced carrying costs. A negative factor in minimizing the cost of carry has been the higher premium associated with long-term floating rate debt in the past eight years.

Average Liquid Reserves Outstanding (1) Apr 1/16 to Feb 28/17 ($ Billions)	Return on Investment (2) Apr 1/16 to Feb 28/17 (Annualized)	Cost on Float Apr 1/16 to Feb 28/17 (Annualized)	Estimated Carry Positive/(Negative) (Basis Points)
21.2	0.6401%	0.5933% (3)	4.7
21.2	0.6401%	0.8879% (4)	(24.8)

(1) The average level of liquid reserves is net of collateral.
(2) The return on liquid reserves is calculated on a mark-to-market basis and based on the performance measured money market portfolio.
(3) The cost of floating uses all Ontario T-Bills/USCP ($19.1 billion) and the remainder in long-term floating rate debt ($2.1 billion).
(4) The cost of floating uses the average rate of all floating rate debt.

2. Medium-Term Liquidity Management

A prudent level of liquid reserves must be maintained for operational and contingency purposes. In recent years, higher levels of liquid reserves have been maintained as expenditures, deficits, debt and borrowing programs have increased in response to the 2008-09 financial crisis. The implementation of CSAs over the last seven years has also increased the need for higher liquid reserves. The table below provides a summary of these key variables over the last six years and a two year projection.

	2011-12 ($ Bln)	2012-13 ($ Bln)	2013-14 ($ Bln)	2014-15 ($ Bln)	2015-16 ($ Bln)	2016-17 ($ Bln) (2) Outlook	2017-18 ($ Bln) (2) Outlook	2018-19 ($ Bln) (2) Outlook	2019-20 ($ Bln) Outlook
Expenditures	122.7	122.6	126.4	128.9	133.4	136.6	139.4	144.1	Note (5)
Surplus/(Deficit)	(13.0)	(9.2)	(10.5)	(10.3)	(5.0)	(4.3)	0.0	0.0	Note (5)
Funding Requirement	38.5	36.0	41.7	37.6	31.9	28.9	23.3	28.8	Note (5)
Total Debt (Y/E)	257.3	281.1	295.8	315.0	327.4	328.6	Note (5)	Note (5)	Note (5)
Net Debt (Y/E)	235.6	252.1	267.2	284.6	305.2	317.9	Note (5)	Note (5)	Note (5)
Liquid Reserves (Y/E) (1)	17.1	24.3	20.9	22.8	23.6	18.6 (3)	18.6	18.6	18.6
Liquid Reserves (Average)	20.2	23.3	24.9	23.5	21.7	21.1	19.8 (4)	18.5 (4)	13.8(4)

(1) Reduced by net collateral posted to CSA counterparties; 2011-12 $1.1 billion, 2012-13 $1.7 billion, 2013-14 $0.0 billion, 2014-15 $0.0 billion, 2015-16 $0.0 billion, 2016-17 $0.0 billion, and 2017-18 to 2019-20 assumed at $0.0 billion. Excludes collateral received from counterparties.

(2) Based on the 2016 Ontario FES.

(3) Assumes decrease of $5.0 billion per the 2016 FES ($2.0 drawdown of 16-17 pre-borrowing and $3.0 reduction of cash).

(4) Assumes even-paced borrowing program

(5) Will be updated using the 2017 Budget

- There has been a trend in recent years for Canadian governments to increase their liquidity levels. The Federal government announced plans in its 2011 Budget to increase its liquidity holdings, comprised of both domestic cash balances and foreign reserve assets, by $35 billion by the end of 2013-14. Quebec announced in its 2012 Budget that it would be increasing its prudential liquidity by $6 billion, borrowing $3 billion in each of 2012-13 and 2013-14 for that purpose.

- Both S&P and Moody's have indicated that the maintenance of liquid reserves in proportion to financing needs, including both short-term and long-term debt maturities, is an important factor in maintaining Ontario's credit rating. S&P has also indicated that liquid reserves should be sufficient to cover at least 50 per cent of the next 12 months of debt service to be considered adequate.

- As a guide for planning purposes, the sum of net cash outflows over a rolling one-month time horizon and a provision for potential CSA collateral requirements are used to estimate potential liquidity requirements, and are considered when determining year-end liquid reserve levels for future years. The following table summarizes this estimate for the past five years as well a four year projection. The results show liquidity requirements increase from an estimated $17.3 billion during 2016-17 to $26.9 billion during 2020-21 on this basis.

	2012-13 ($ Bln)	2013-14 ($ Bln)	2014-15 ($ Bln)	2015-16 ($ Bln)	2016-17 ($ Bln)	2017-18 ($ Bln) Outlook	2018-19 ($ Bln) Outlook	2019-20 ($ Bln) Outlook	2020-21 ($ Bln) Outlook
Annual Estimates									
Funding Requirement (excluding Debt Maturities)	18.5	17.9	15.9	10.8	7.7	5.8	6.7	8.6	8.5
TBill/USCP Debt Maturities	20.3	21.8	21.8	21.8	21.8	21.8	21.8	21.8	21.8
Long Term Debt Maturities	17.5	23.8	21.7	21.1	21.2	17.5	22.1	27.9	24.2
Monthly Estimate									
1M TBill/USCP Debt Maturities	6.8	7.3	7.3	7.3	7.3	7.3	7.3	7.3	7.3
1M Average Funding Requirement excluding Debt Maturities	1.5	1.5	1.3	0.9	0.6	0.5	0.6	0.7	0.7
3M CSA 95% Confidence	2.6	2.9	4.0	4.0	3.9	3.9	3.9	3.9	3.9
1M Maximum Long Term Debt Maturities	9.0	8.0	5.5	9.5	5.5	7.6	10.7	10.7	15.0
Total - Liquidity Measure using 1M Maximum Debt Maturities	**19.9**	**19.7**	**18.1**	**21.7**	**17.3**	**19.3**	**22.5**	**22.6**	**26.9**

Notes: Based on debt outstanding as of February 22, 2017. Foreign debt converted at blended exchange rate. Excludes re-financing of new debt in future years.

- A projected increase in liquidity requirements arises in future years with the maturity of larger benchmark debt issues earlier in the fiscal year. Starting in 2019-20, the maturity of larger benchmark debt issues on June 2nd each year in combination with the large semi-annual June 2nd coupon payment will shift a greater proportion of annual cash requirements to the first quarter of the fiscal year. Given the borrowing program is generally completed over the course of the fiscal year, a higher level of liquid reserves will need to be maintained early in the year to cover these cash outflows.

- The table below summarizes long-term debt maturities on a monthly basis over the next 9 years, as well as the estimated June 2nd debt maturity and coupon payment each year. The results show the estimated cash outflow in the first quarter of the fiscal year (April to June) related to long-term debt maturities and an estimated June 2nd coupon will increase from $4.6 billion in 2017 to $16.9 billion in 2019, and to over $21.0 billion in 2020. The results also show the estimated single day cash outflow on June 2nd will increase from $4.0 billion in 2017 to $12.0 billion in 2019, and to over $15.0 billion in 2020.

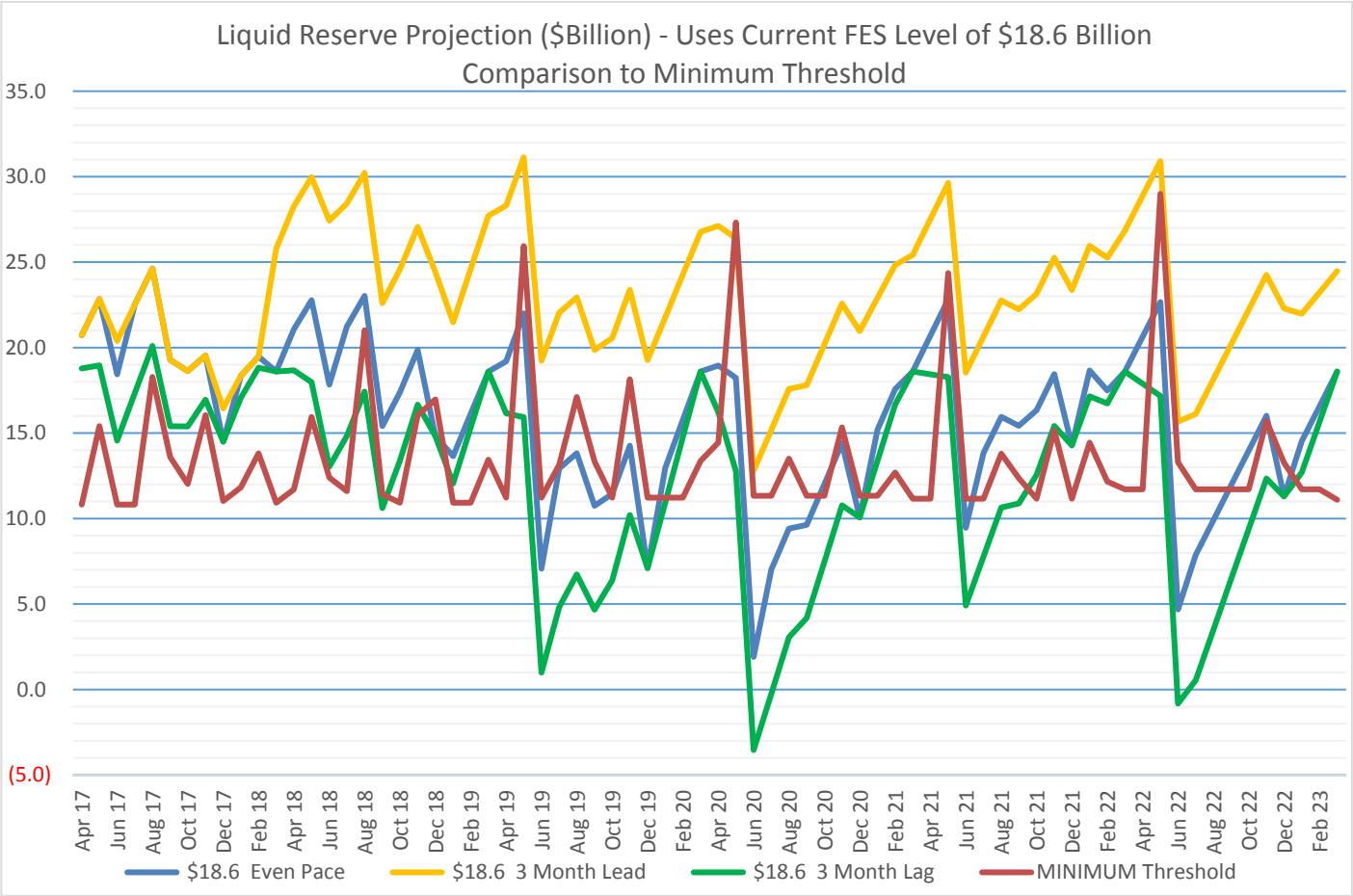
LONG-TERM DEBT MATURITIES ($ Billions) (Estimated as of February 22, 2017)									
	2017-18	**2018-19**	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**2025-26**
April	-	-	2.2	2.0	-	-	-	-	-
May	-	0.8	-	3.1	-	-	-	4.5	-
June	0.6	1.0	10.7	12.0	9.2	13.3	12.1	11.6	14.1
July	-	1.5	-	-	-	1.6	-	-	-
August	-	0.7	1.9	-	-	-	-	0.4	0.3
September	7.5	10.1	5.9	2.2	2.6	-	1.1	-	-
October	2.8	0.5	2.1	-	1.2	-	-	-	-
November	1.2	-	-	-	-	-	-	-	-
December	1.2	1.1	2.9	-	-	-	-	-	1.0
January	0.2	6.0	-	-	-	1.6	-	1.9	-
February	1.0	-	-	-	3.3	-	1.1	-	-
March	3.0	-	-	1.4	1.0	-	-	-	-
Total	**17.5**	**21.7**	**25.8**	**20.7**	**17.3**	**16.4**	**14.3**	**18.4**	**15.4**
1st Quarter Debt Maturities	0.6	1.8	12.9	17.1	9.2	13.3	12.1	16.1	14.1
June 2 Coupon Estimate	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Total > 1st Quarter Outflow	**4.6**	**5.8**	**16.9**	**21.1**	**13.2**	**17.3**	**16.1**	**20.7**	**18.1**
June 2 Debt Maturity	-	0.7	8.0	11.4	9.1	12.3	12.1	11.6	14.1
June 2 Coupon Estimate	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Total > June 2 Outflow	**4.0**	**4.7**	**12.0**	**15.4**	**13.1**	**16.3**	**16.1**	**15.6**	**18.1**

Notes: Based on debt outstanding as of February 22, 2017. Foreign debt converted at blended exchange rate. Excludes re-financing of new debt in future years.

- The graph below charts monthly projections for the level of liquid reserves over the next six years assuming an even-paced borrowing program, a three-month lead where the borrowing program is continuously one quarter ahead of pace, a three-month lag where there is no borrowing in the first three months of the fiscal year, as well as the projected minimum liquid reserve threshold based on one-month net cash outflows and potential collateral requirements. The scenarios assume the current $18.6 billion liquid reserve level based on the FES. The three-month lag scenario is used to illustrate a situation where there may be an extended budget blackout period early in the fiscal year as the budget is often released in April.

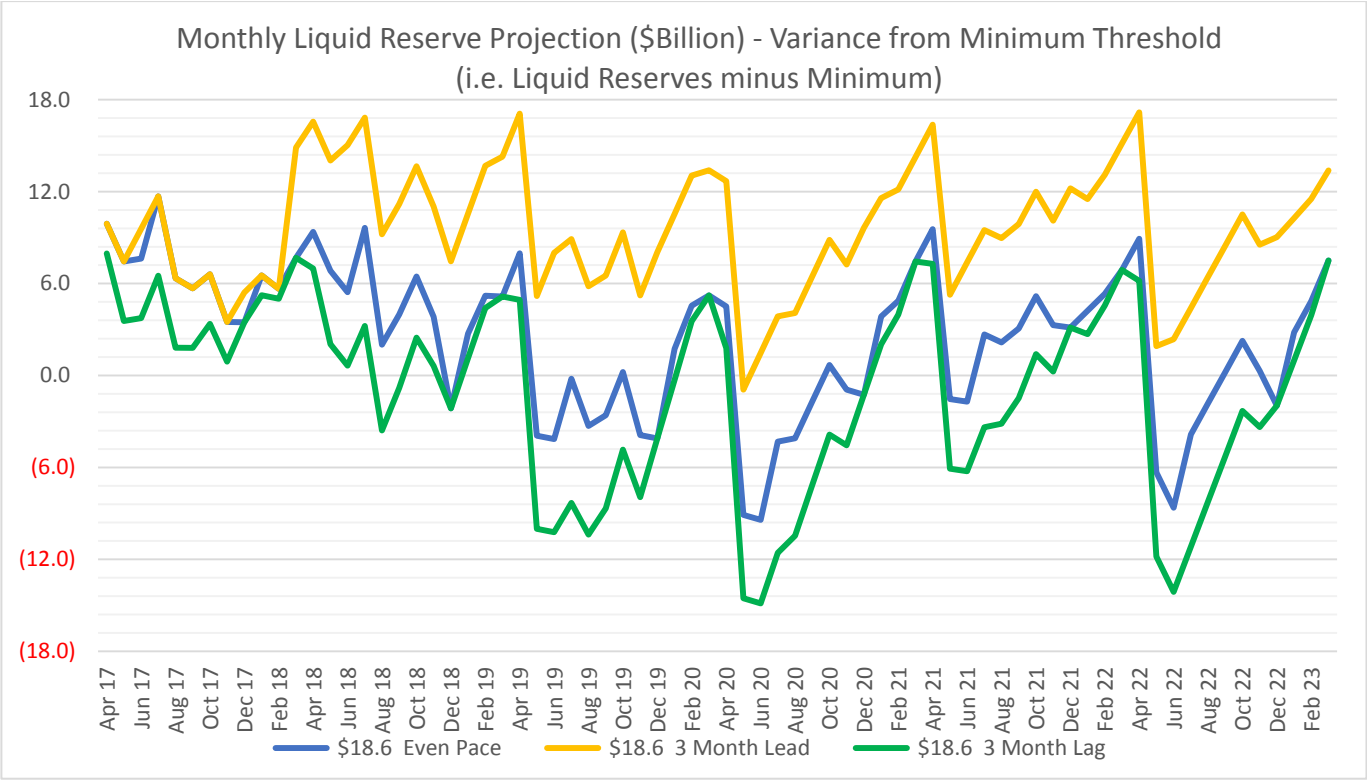
- The results highlight the sharp drop in liquid reserves in June each year attributable to the large June 2nd debt maturity and semi-annual coupon payment, followed by a gradual increase for the balance of the year as the borrowing program is completed. Without an increase in the level of liquid reserves by the end of 2018-19, liquid reserves are projected to drop below the minimum threshold each June in both scenarios. To remain above the threshold assuming even-paced borrowing, liquid reserves would need to be increased to an estimated $23.0 billion at the start of 2019-20, and $28.0 billion at the start of 2020-21. If the borrowing program fell 3 months behind pace, liquid reserves would need to be increased to an estimated $29.0 billion at the start of 2019-20, and $33.5 billion at the start of 2020-21 to stay above the minimum. Ideally for planning

purposes, the level of liquid reserves should remain above the minimum with even-paced borrowing. The differential in estimated liquid reserves between the even-paced and three month lag scenarios would likely be funded with a temporary increase in short-term debt to increase the level of liquid reserves to the minimum threshold.



Liquid Reserves Using $18.6 B based on FES	2017-18 ($Bln)	2018-19 ($Bln)	2019-20 ($Bln)	2020-21 ($Bln)	2021-22 ($Bln)	2022-23 ($Bln)	2023-24 ($Bln)	2024-25 ($Bln)
Even Pace								
Average	19.8	18.5	13.8	12.7	16.8	14.1	14.8	13.3
Low	14.5	13.7	7.1	1.9	9.5	4.7	6.1	2.8
High	24.6	23.0	22.0	18.9	22.8	22.7	22.3	20.8
3 Month Lead								
Average	20.7	26.4	23.3	21.1	24.3	22.4	21.2	19.6
Low	16.4	21.5	19.2	12.8	18.5	15.7	13.9	12.1
High	25.8	30.2	31.1	27.1	29.6	30.9	28.2	27.8
3 Month Lag								
Average	17.2	15.3	9.8	9.1	13.8	10.4	12.2	10.2
Low	14.5	10.6	1.0	(3.5)	4.9	(0.8)	2.2	(1.9)
High	20.1	18.7	18.6	18.6	18.6	18.6	18.6	18.6

Notes: Figures do not take into account potential collateral that may be posted to swap counterparties under the CSAs. Therefore, the projected levels of liquid reserves would be reduced by the net amount of any collateral posted to CSA counterparties. Projected liquid reserves based on the FES which does not reflect the planned increase of $6 billion.



- Based on the future cash flow profile, an increase in the level of liquid reserves will be required over the next two years. Lower borrowing requirements in 2017-18 provide the capacity to start building up reserves this year. We plan to increase liquid reserves by $6 billion in 2017-18, and buy-back some of the larger debt maturities starting in June 2019, where possible, or purchase other government securities of similar maturities to smooth the maturity and cash flow profile. We will strive to reduce any carrying costs related to the increase in liquid reserves by minimizing any term mismatch on borrowings and related buy-backs or investments, and by issuing floating rate debt as necessary. Debt issued specifically for this purpose may be reported separately from the regular borrowing program for average term calculation purposes.

E. INTEREST RATE RISK MANAGEMENT

1. Portfolio Attributes

The major attributes of the Ontario and OEFC debt portfolios are provided in the following table:

ONTARIO'S PORTFOLIO ATTRIBUTES

	March 31, 2017	March 31, 2018 (Estimated)
Total Debt[1]	$317.5 Bln	$325.3 Bln
Interest Rate Resetting Exposure:	$34.8 Bln, 11.0% of debt (limit: 35%)	$42.0 Bln, 12.9% of debt (limit: 35%)
➔ Fixed Rate Debt Maturing in 1 Year	$13.1 Bln, 4.1% of debt	$15.9 Bln, 4.9% of debt
➔ Gross Floating Rate[2]	$40.1 Bln, 12.6% of debt	$43.7 Bln, 13.4% of debt
➔ Net Floating Rate	$21.7 Bln, 6.8% of debt	$26.1 Bln, 8.0% of debt
Average Maturity of Debt	11.2 Years	10.6 Years
Foreign Exchange Exposure	$0.8 Bln, 0.2% of debt (limit: 5 %)	$0.8 Bln, 0.2% of debt (limit: 5 %)
Liquid Reserves[3]	$18.6 Bln	$18.6 Bln

1. Estimated outstanding as at March 31, 2016. Includes total debt issued for Provincial purposes plus the $7.763 bln OEFC debt-for-equity swaps.
2. Includes unhedged RRB exposure of $2.25 billion for Ontario.
3. Includes OEFC liquid reserves of $2.5 bln as at March 31, 2017 and $3.3 bln as at March 31, 2018

OEFC'S PORTFOLIO ATTRIBUTES

	March 31, 2017	March 31, 2018 (Estimated)
Total Debt	$20.4 Bln	$19.4 Bln
Interest Rate Resetting Exposure:	$(0.6) Bln, (3.0)% of debt (limit: 35%)	$(2.1) Bln, (10.7)% of debt (limit: 35%)
➔ Fixed Rate Debt Maturing in 1 Year	$1.6 Bln, 7.6% of debt	$0.5 Bln, 2.4% of debt
➔ Gross Floating Rate[1]	$1.6 Bln, 7.8% of debt	$1.0 Bln, 5.3% of debt
➔ Net Floating Rate	($2.2) Bln, (10.6)% of debt	$(2.5) Bln, (13.1)% of debt
Average Maturity of Debt	7.9 years	9.9 years
Foreign Exchange Exposure	$0.0 Bln, 0.0% of debt (limit: 5 %)	$0.00 Bln, 0.00% of debt (limit: 5 %)
Liquid Reserves[2]	$2.5 Bln	$3.3 Bln

1. Includes $0.8 billion unhedged RRB exposure.

2. Interest Rate Environment

- Appendix 4 presents an overview of historical interest rates. Interest rates have remained at historically low levels, although they have increased by approximately 85 basis points since the all-time low achieved during the 2016-17 fiscal year, and the slope of yield curve is near the historical 20-year average. The yield curve from 3-month banker's acceptance rates to Ontario 10-year rates is positively sloped by approximately 161 basis points. This is roughly the same as this time last year and is trading slightly below the 10-year historical average for this spread.

- Appendix 5 provides an analysis using a matrix approach which was put in place in 2007-08. It attempts to indicate the best conditions for adding floating rate exposure from a historical perspective. The two main variables utilized in the matrix are long-term interest rates and the slope of the yield curve, and there are four quadrants of potential market conditions. Current conditions are shown in quadrant 1 (i.e., historically low long-term rates and an upward sloping yield curve). The recommendation pertaining to current conditions is to maintain or increase floating rate exposure moderately (by 0% to 1% of debt).

3. Interest Rate Risk

- The debt portfolio characteristics and interest rate exposures for both the Province and OEFC are provided in Appendix 6.

- Interest rate risk arises from the potential impact of higher interest rates on both new long-term borrowing and interest rate resetting on floating rate exposure. The current estimate of the impact of a one percent increase in interest rates on IOD for 2017-18 is $350 million.

- As outlined in Appendix 6, the interest costs on $43.7 billion of gross floating rate exposure are estimated to be $418 million for the Province. A one standard deviation increase in short-term interest rates, which corresponds to an increase in interest rates of 1.20%, would increase interest costs by $526 million. A more significant increase in interest rates corresponding to the 99% confidence interval would increase interest costs by $1.2 billion from the base case.

- Interest costs for OEFC on $1.0 billion of gross floating rate exposure are approximately $9.8 million. A one standard deviation increase in interest rates of 1.20% increases interest costs by a further $12.4 million. An extreme increase in rates at the 99% confidence interval would result in a $28.7 million increase in interest costs.

4. Interest Rate Management

Ontario:

- Gross floating rate exposure is projected to be 12.6% of debt outstanding (or $40.1 billion) on March 31, 2017. This is within the 10.4% to 14.4% approved range from the 2016-17 plan.

- A higher range for gross floating rate exposure is recommended to manage the potential carrying costs related to the planned increase in liquid reserves and is consistent with the matrix approach analysis provided in Appendix 5. A range of 11.4% to 15.4% in gross floating rate exposure is recommended for March 31, 2018, with a target of 13.4%. Floating rate exposure may be increased further to reduce interest costs in 2017-18 if current market conditions were to change. Gross floating rate exposure is used as the floating rate target because it is much less volatile than net interest rate resetting exposure, which includes fixed rate maturities occurring within 12 months and liquid reserves.

- Net floating rate debt (gross floating rate debt net of liquid reserves) as of March 31, 2017 is estimated to be 6.8% of debt outstanding and is expected to increase to 8.0% as at March 31, 2018 with an expected range of 6.0% to 10.0%.

- Net Interest Rate Reset exposure is expected to increase from an estimated 11.0% as of March 31, 2017 to 12.9% as of March 31, 2018, with an expected range of 10.9% to 14.9%.

- In addition to projected Interest Rate Reset Exposure of 11.0% of debt outstanding as at March 31, 2017, the Province will also be setting interest rates on $7.8 billion of new debt due to financing requirements other than those relating to maturing debt. This represents 2.5% of projected debt outstanding as at March 31, 2017.

- An average term for new borrowing in the range of 6.5 to 14.7 years is recommended for Ontario for 2017-18. This will provide flexibility to manage term structure and take into consideration investor demand. It is estimated the average term of Ontario's overall debt will range from 10.2 to 11.2 years on March 31, 2018 (versus 11.2 currently).

OEFC:

- Gross floating rate exposure is estimated to be $1.6 billion as at March 31, 2017, or 7.8% of outstanding debt, which is within the approved range of 4.9% to 8.9%. Gross floating rate exposure is expected to fall to $1.0 billion, or 5.3% of debt outstanding as at March 31, 2018. A range of 3.3% to 7.3% in gross floating range exposure for March 31, 2018 is planned.

- Interest rate resetting exposure is estimated to decrease from (3.0)% as at March 31, 2017 to (10.7)% by March 31, 2018. Interest Rate Reset exposure is negative due to increased liquid reserves arising from the proceeds from broadening of ownership of

Hydro One. These liquid reserves are invested with the Province and are projected to be drawn down over time to meet upcoming cash requirements which include maturing long-term debt.

- OEFC is planning to borrow to fund loans to OPG in 2017-18. Based on the FES, these loans were estimated at $1.125 billion and assumed to be 30 years, although these assumptions will change in the 2017 Ontario Budget. It is estimated the average term of OEFC's overall debt will be 9.9 years on March 31, 2018.

F. FOREIGN EXCHANGE RISK MANAGEMENT[6]

The Province's foreign exchange exposure arises from the issuance of unhedged foreign currency denominated debt, or through the use of currency overlay programs on existing debt. In general, exposure is targeted to those currencies that offer an interest rate advantage over domestic borrowing costs and are considered overvalued based on longer term fundamental and technical factors. It is estimated that Ontario will have foreign exchange (FX) exposure of approximately 0.2% of total debt as of March 31, 2017 compared to 0.3% in the previous year. The slight decrease in exposure reflects the hedging of JPY 17.0 billion (CAD 193 million) exposure maturing June 8, 2020. A profile of Ontario's FX exposure is provided in the table below.

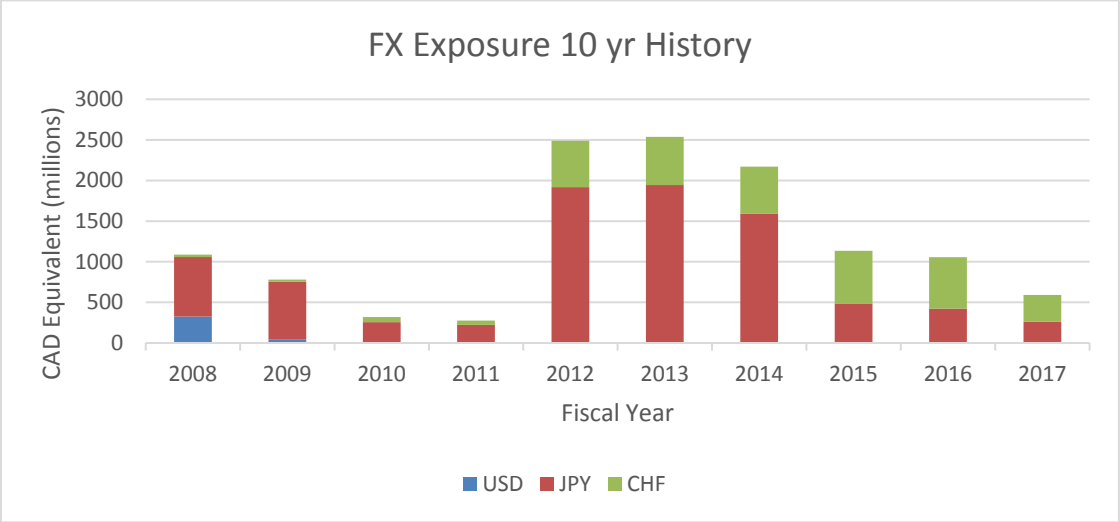
ONTARIO'S FOREIGN EXCHANGE EXPOSURE
Million

Fiscal Year Ending	JPY		CHF		EURO		TOTAL	
	Debt Principal (JPY)	Debt Interest (JPY)	Debt Principal (CHF)	Debt Interest (CHF)	Debt Principal (EUR)	Debt Interest (EUR)**	Debt Principal (CAD)*	Debt Interest (CAD)*
2018		609		9.5		46		**84.5**
2019		609		9.5		46		**84.5**
2020		609		9.5		46		**84.5**
2021	19,900	304	400	9.5			**765.9**	**16.2**
TOTAL	**19,900.0**	**2,131**	**400**	**38.0**	**0**	**138.0**	**765.9**	**269.8**

* Based on Feb 28, 2017 exchange rates: CAD 0.01184 per JPY (JPY 84.43 per CAD), CAD 1.3254 per CHF, CAD 1.4070 per EUR.
** This interest expense relates to fixed € coupons which are not hedged with a € interest rate swap and are partially offset by the receipt of Euribor based swap payments.

6 To simplify presentation, the currencies of the following countries are expressed in acronyms as follows: Canada, "CAD" United States, "USD"; United Kingdom, "GBP"; Switzerland, "CHF"; Japan, "JPY"; and European Economic and Monetary Union, "EUR". A dollar symbol without any qualification will continue to mean Canadian dollar.

The following chart shows a 10 year history of the Province's Foreign Exchange exposures.



A more detailed analysis of the Province's FX exposure is provided in Appendix 7.

1. Province of Ontario

- Foreign exchange exposure is undertaken with the primary objective of reducing borrowing costs over the long term.

- Exposure is managed against a 3% IOD loss limit constraint and within an overall 5% foreign exchange policy limit.

- Under the Province's foreign exchange management policy, exposure is restricted to the EUR, JPY, USD, GBP and CHF (hereafter referred to as "policy currencies").

- A range of 0.0% to 1.25% is recommended for 2017-18.

- If the Canadian dollar appreciates over the course of the year, or as total debt increases, the exposure as a percentage of debt would be reduced further without any changes in notional exposure. The recommended limit will accommodate this possibility. Also, it allows for the continued reduction of existing exposure maturing within 3 years if market conditions are considered appropriate. The potential impact of foreign exchange gains/(losses) on IOD is becoming greater for the existing exposure as the term to maturity of the unhedged debt is now approaching three years. This means any foreign exchange impacts would be amortized over a shorter period which will be considered when managing the exposure.

- The upper limit of 1.25% allows for an increase from the current level of 0.2% should attractive market or funding opportunities arise. The most likely currency candidates are the JPY, EUR, and CHF. Any increase in exposure would have to take into account the potential changes in accounting treatment, as discussed in Section 4 below.

2. Ontario Electricity Financial Corporation (OEFC)

- OEFC's foreign exchange exposure remains at zero and no addition of exposure is recommended.

3. Foreign Exchange Risk

- Movements in foreign exchange rates can lead to large foreign exchange gains or losses from year to year, especially if gains or losses are reported on a mark-to-market basis.

- Foreign exchange gains or losses are currently reported on an amortized basis, with gains or losses deferred and amortized over the remaining life of the debt. The Public Sector Accounting Board (PSAB) new standard on financial instruments (PS 3450) would require the immediate recognition of unrealized foreign exchange gains and losses in a separate statement called Remeasurement Gains and Losses. The cumulative balance would be re-classified to the surplus/(deficit) account of the Province upon maturity of the unhedged debt. The revised implementation date of this new standard, applicable to both the Province and OEFC, has been extended from April 1, 2016 to April 1, 2019 (see Section V – Accounting Update). These new accounting requirements, in their current form, would likely result in a significant increase in the volatility of foreign exchange gains or losses, flowing through to greater volatility in IOD. There will also be impacts to net debt and the resulting ratios that are taken into consideration by rating agencies in their assessment of the Province's credit rating. The OFA along with the Office of the Provincial Controller is continuing to discuss these issues with PSAB as well as monitoring these accounting changes on our foreign exchange risk management.

- The Province is currently rolling approximately $21.0 billion in the FX forwards market. Due to the large borrowing programs and the resulting large amount of foreign debt issuance, the Province relies heavily on the FX forwards market to hedge foreign exchange exposure, especially when swap credit is constrained and FX forward levels are attractively priced. FX forwards are currently estimated to provide savings in the range of 15 to 20 basis points compared to swaps. It should be noted that rolling a hedge in the FX forwards does not create FX exposure. The risk lies in the level at which the basis spread will be locked-in on each FX roll or when a long-term basis swap is eventually entered into.

G. INTEREST-ON-DEBT MANAGEMENT PLAN

- Stress testing[5] of interest rates and exchange rates has been performed by Risk Control Division to determine impacts of extreme market movements on interest-on-debt (IOD), the borrowing program and potential losses from a weak counterparty default. More details are provided in Appendix 8.

- The IOD forecast for 2017-18 is $11.7 billion which compares to a Q3 estimate for 2016-17 of $11.4 billion. Interest on debt as a percentage of government revenue declined from a peak of 15.5% in 1999-2000 to 8.3% projected in 2017-18.

- A sustained one percentage point increase in both short-term and long-term interest rates at the beginning of 2017-18 would increase IOD by approximately $350 million for 2017-18.

- IOD-at-risk[6] for 2017-18 is estimated at $104 million at 95% confidence interval. However, with much higher levels of volatility, IOD-at-risk could increase by as much as $250 million under different yield curve scenarios.

- IOD stress testing is based on three distinct market scenarios: changes to interest rates; changes in FX; and changes to CPI. This represents a potential increase in IOD of about $500 million. A potential default loss component is also estimated based on the stressed market scenarios. The potential default loss for 2017-18 is estimated at about $50 million.

- The IOD loss limit for 2017-18 is $351 million. This is established in the OFA Market Risk Policy as 3% of budgeted IOD for the fiscal year.

- Increases in floating rate or foreign exchange exposures executed in 2017-18 will further increase potential losses, and adoption of new accounting standards, especially for foreign exchange, has the potential to appreciably increase IOD volatility if these new standards are adopted over the next few years.

---

5 Stress testing can be defined as the examination of the potential effects on an entity's financial condition arising from a set of specified changes in risk factors corresponding to exceptional but plausible events.

6 Interest on Debt (IOD)-at-risk is Value-at-Risk (VaR) applied to IOD. IOD-at-Risk is an IOD loss amount which would not be expected to be exceeded at the 95% confidence level over a one year time horizon.

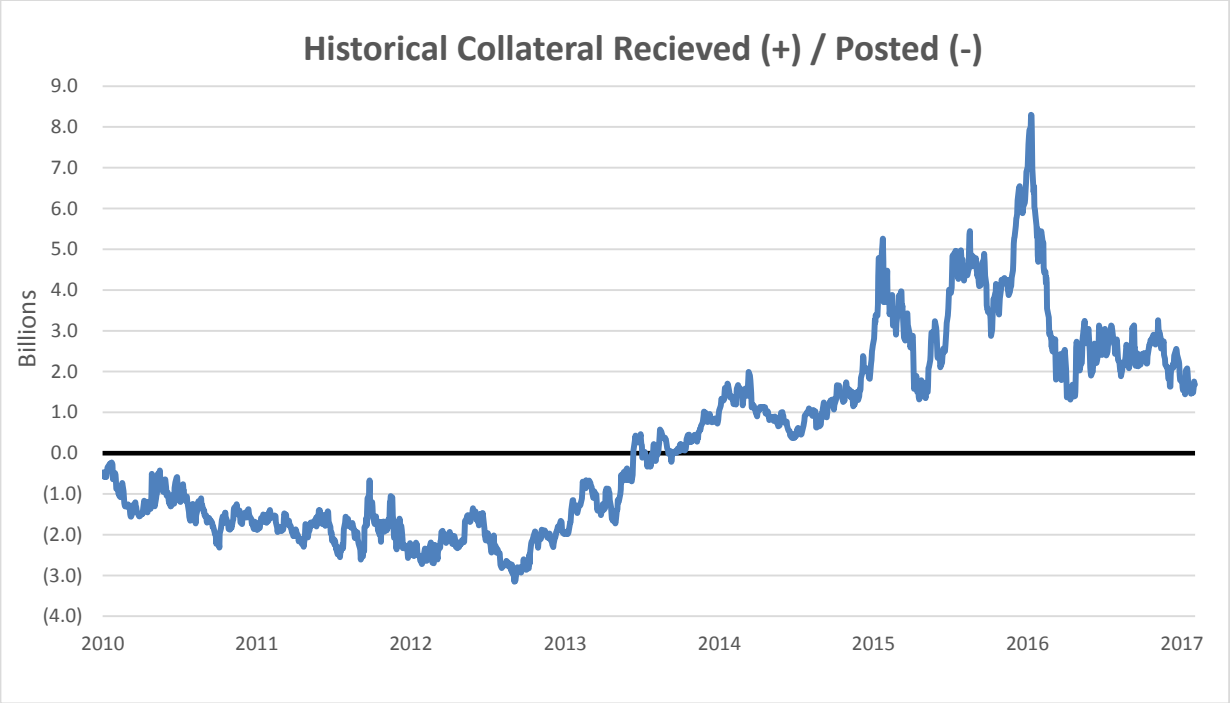
H. DERIVATIVES RISK MANAGEMENT

- The Province of Ontario uses derivatives to manage its financial risks. Interest rate and currency swaps are used extensively to hedge foreign debt issues back to Canadian dollars.

- As of December 31, 2016, foreign debt outstanding was $53.9 billion for the Province. The notional value of the derivative portfolio was $153.3 billion, which consisted of $82.7 billion in interest rate swaps, $39.5 billion in cross-currency swaps, and $31.1 billion in foreign exchange contracts.

- Ontario's hedging transactions related to international borrowing result in credit risk to our derivative counterparties. The Province has been implemented CSA's with derivative counterparties to mitigate this counterparty credit risk. In addition to reducing counterparty credit risk, CSA's also enhance market liquidity, efficiency and pricing for derivative transactions. We have signed CSA's with 10 counterparties, and no new CSA's have been added in the last year. Ideally we would like to have CSA's signed with all of our major derivative counterparties, but this is unlikely as some counterparties have found the Province's thresholds to be too aggressive.

- Although the use of CSAs will mitigate counterparty credit exposure related to derivative transactions, there will also be an impact on the Province's liquid reserve portfolio and liquidity risk management as the movement of collateral is two-way. The chart below shows collateral movement since the CSAs were first implemented 7 years ago. From 2010 to 2013, Ontario was posting net collateral up to a maximum of approximately $3 billion, whereas from 2014 to 2017, Ontario was in receipt of net collateral up to a maximum of approximately $8 billion. These results illustrate the volatility and magnitude of collateral being exchanged with CSA counterparties.



- Risk Control division stress tests the existing derivatives portfolio using various scenarios to determine potential changes to the mark-to-market value of the swap portfolio. These results are summarized in the table below, and illustrate the potential credit exposure the Province could encounter in the absence of CSA's. With the Province having executed CSA's with the majority of its counterparties, the credit exposure risk has been mitigated with the receipt of collateral. However, liquidity risk has been increased as the Province will have to post collateral in certain situations. A more detailed listing of the foreign currency and interest rate assumptions used in the analysis are provided in Appendix 9. Appendix 10 is a more detailed analysis of exposure changes for each of our derivative counterparties at various confidence levels for different terms.

Change in Derivative Portfolio Market Value (CAD million)

(As of January 31, 2017)

Currency Scenario	10%	20%	30%	1D VaR @ 95% Confidence	1yr VaR @ 95% Confidence
CAD appreciates vs all currencies	(5,612)	(11,225)	(16,837)	(546)	(8,842)
CAD depreciates vs all currencies	5,612	11,225	16,837	546	8,842

Interest Rate Scenario	1D VaR @ 95% Confidence	1yr VaR @ 95% Confidence
CAD Curve shifts up	123	1,908
CAD Curve shifts down	(124)	(2,118)

	CAD Curve	All Curves
Up 125 bps	2,330	570
Down 125 bps	(2,623)	(729)

Positive figures in the table above represent an increase in credit exposure whereas negative figures represent a decrease in exposure. Ontario's credit exposure to derivative counterparties generally increases when the Canadian dollar depreciates, Canadian interest rates rise, or foreign interest rates decline. In contrast, credit exposure generally decreases as the Canadian dollar appreciates, Canadian interest rates decline, or foreign interest rates rise. For example, if the Canadian dollar appreciates by 20%, total credit exposure would decrease by $11.225 billion assuming all other factors stay constant. With CSA's in place, we would need to post an additional $11.225 billion comprised of collateral related to swaps and/or cash related to the rolling of FX contracts in this scenario. The table also provides stress tests using Value-at-Risk (VAR) to determine 95% confidence intervals for 1 day and 1 year potential changes in credit exposure.

The results show the large changes to potential credit exposure given the large size of the derivatives portfolio as well as the potential collateral the Province may have to post in certain situations. In addition to collateral for swaps, the potential cash flows associated with rolling over foreign exchange contracts are also captured in the results. These impacts are considered in overall liquidity management and result in a higher level of liquid reserves being necessary.

Another potential demand on collateral could arise from a credit rating downgrade. The CSA has varying collateral thresholds based on Ontario's credit rating. A one notch downgrade from the current S&P rating of A+ to A could have a potential impact of posting an additional $550 million of collateral. However, based on the current mark-to-market exposure, an additional $50 million of collateral would only need to be posted.

Any future increase in the amount of foreign debt outstanding and the size of the derivatives portfolio could result in greater potential collateral requirements in the future. These potential increases would need to be considered in overall liquidity management and the level of liquid reserves in the future years.

Proposed Derivative Reforms

The regulatory response to the financial crisis has been a key driver of changes in the over-the-counter derivatives (OTCD) market. These reforms are being driven by G20 commitments, the development of Basel III and changes to capital charges by financial institutions, along with the passage of the Dodd-Frank Wall Street and Consumer Protection Act in the United States ("Dodd-Frank"), the European Market Infrastructure Regulation (EMIR) and the proposed rules and requirements by Canadian Securities Administrators, which are adopted by the provincial and territorial regulators in Canada. (Please see Appendix 3 for a more in depth analysis)

Derivative market reforms will increase cost pressures for the Province's derivative transactions going forward due to the asymmetrical nature of our CSA thresholds. The Province's derivative counterparties have been incurring increased regulatory charges such as the Credit Value Adjustment (CVA) and the Funding Value Adjustment (FVA) due to the asymmetrical CSA thresholds. Fewer of our derivative counterparties are still willing and/or able to absorb these increased regulatory charges when pricing swap transactions. As a result, we will likely be incurring additional costs to access the swap liquidity we required going forward. The OFA plans to review the CSA thresholds this year, and may consider moving to symmetrical thresholds if lower transaction costs and greater liquidity can be achieved. The trade-off would be increased liquidity risk arising from the additional collateral the Province may potentially need to post if the thresholds were equal, which could be up to $2.5 billion in certain situations based on our current credit rating.

Although the use of derivatives cannot be eliminated given the size of the Province's borrowing program, the use of derivatives will be reduced where possible given the potential increased cost and liquidity risk of using derivatives.

I. CLIENT INVESTMENT MANAGEMENT

1. Segregated Funds

- The OFA provides discretionary and non-discretionary investment services to seven public bodies. Discretionary clients are those that have contracted the OFA to make investment decisions on their behalf. Non-discretionary clients are those that make their own investment decisions primarily based on their cash-flow expectations. Currently, the OFA provides discretionary services to five investment clients and non-discretionary services to three investment clients.

- The objectives of assisting public bodies invest money on a segregated basis include:

  - ensuring that public bodies have consistent investment management structures that follow industry best practices;
  - producing cost savings arising from economies of scale, low custodial and investment management fees; and
  - managing investments as per the investment policies and maximizing return by applying the appropriate risk/return trade-offs.

  - The portfolio sizes for discretionary and non-discretionary clients as of January 31,2017 are as follows:

Portfolio	Assets ($ Millions)
Pension Benefits Guarantee Fund	561
Deposit Insurance Corporation of Ontario	230
Ontario Trillium Foundation	173
Ontario Infrastructure Lands Corporation	184
Ontario Capital Growth Corporation	35
Subtotal Discretionary	**1,183**
Ontario Immigrant Investor Corporation	666
Northern Ontario Heritage Fund	201
Ontario Capital Growth Corporation 2	55
Subtotal Non-Discretionary	**922**
Total Assets	**2,105**

  - The Investment objectives, risk tolerances and performance of the discretionary accounts are provided in Appendix 11.

Investment and Performance Monitoring Process

Discretionary Clients

- The public body develops a Statement of Investment Policy & Procedures (SIPP) for management of investments. The SIPP outlines risk/return parameters including income objectives, liquidity requirements, security of capital considerations and applicable performance benchmarks. The SIPP is then approved by the Board of Directors of the public body.

- An investment management agreement (IMA) between the client and the OFA is established to outline the roles and responsibilities of the OFA. The OFA utilizes Ministry of Finance Legal Services Division to finalize the IMA.

- Capital Market staff manage investments as per the approved SIPP and communicate with public body staff.

- Risk Control Division calculates and reports the actual performance versus the relevant benchmark on a monthly basis.

- OFA provides Quarterly Performance and Compliance Reports to clients (reports are sent to their respective Boards or Audit & Finance Committees).

    - OFA presents the Quarterly Report at PBGF Management Committee meeting.
    - OFA attends the DICO and OTF Audit & Finance Committee meetings at least once a year and the Quarterly Report is included in the Audit & Finance Committee package.
    - OFA provides Quarterly Report to OCGC with respect to the commitment fund for the Ontario Venture Capital Fund and the Northleaf Venture Catalyst Fund.

Non-Discretionary Clients

- Funds are invested in Ontario treasury bills and bonds with maturity dates determined by the public body.
- Finance & Treasury Division sends monthly statements of outstanding positions to the public body staff.
- Public body staff review investment holdings, performance and report to their respective Boards, committees, etc.

For 2017-18, the plans for the segregated funds include:

- continuing to work with existing investment management clients to review their investment management objectives and strategies;

- identifying and advising other public bodies that could benefit from the OFA's investment expertise with segregated funds;

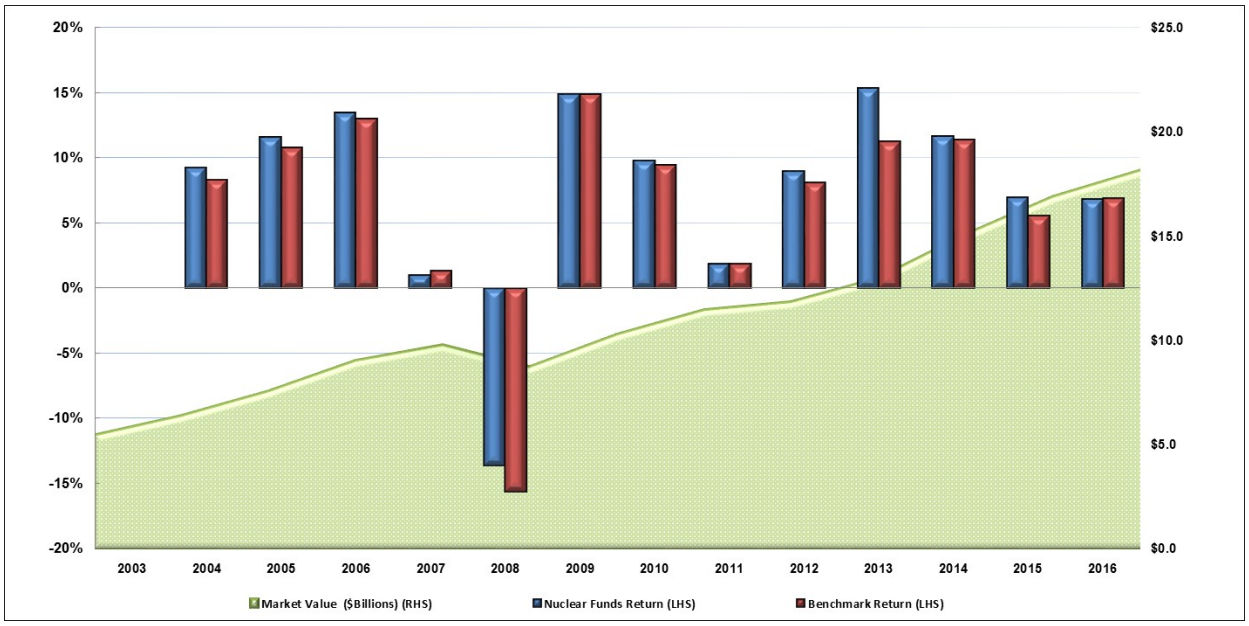
- Evaluating the conversion from non-discretionary management to discretionary management where appropriate.

2. Ontario Nuclear Funds

- The Ontario Nuclear Funds Agreement (ONFA) was signed in March 2002 by the Province and Ontario Power Generation Inc. (OPG). The main objective of ONFA is to ensure sufficient funds are available to pay for the future costs of decommissioning nuclear stations and disposing of nuclear waste and used fuel. ONFA came into force in July 2003 with the creation of two segregated funds, the Decommissioning Segregated Fund and the Used Fuel Segregated Fund, which are jointly managed by OPG and OFA, on behalf of the Province.

- In order to meet the long-term target rate of return of 3.25% real, the Nuclear Funds have been invested using a diversified asset class strategy with external investment managers. The current target asset mix for the Nuclear Funds is 45% equity, 35% fixed income and 20% real assets.

Nuclear Funds Historical Performance and Market Value

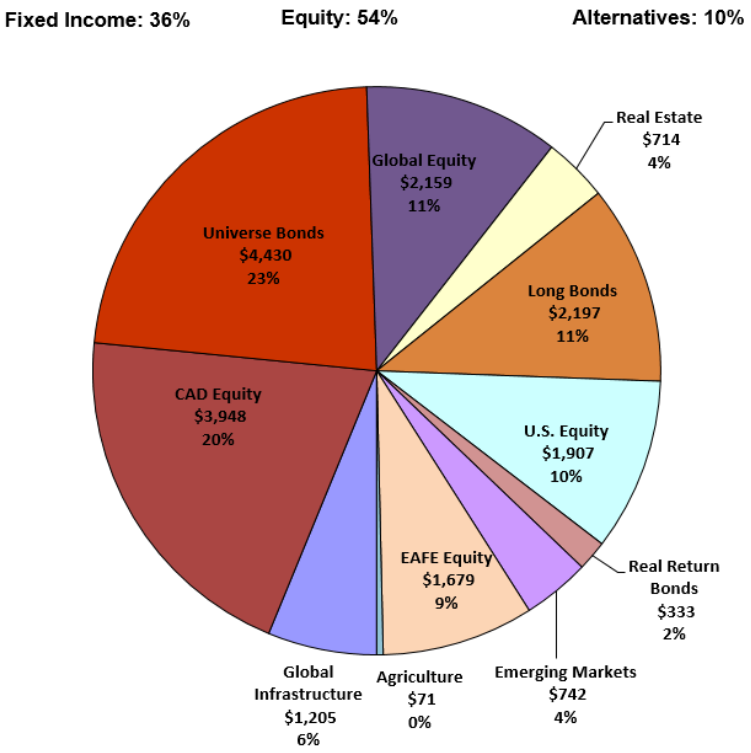


- For the year ending December 31, 2016 the Nuclear Funds returned 6.87%, underperforming the benchmark return of 6.95%. Most asset classes, with exception of EAFE Equity, provided positive absolute returns during 2016. Since inception, the Nuclear Funds have outperformed the benchmark by 79 bps (7.57% versus 6.78%) annualized.

- Since inception, the Used Fuel Segregated Fund has outperformed its long-term rate of return target by 265 bps (7.75% versus 5.10%) and the Decommissioning Segregated Fund has outperformed its long-term rate of return target by 218 bps (7.49% versus 5.30%) annualized.

- The assets of the Nuclear Funds have grown from $4.9 billion at inception to $19.4 billion at December 31, 2016, through a combination of asset appreciation and OPG contributions. Although there are currently modest disbursements out of the Nuclear Funds, there are no major disbursements expected prior to 2018.

Nuclear Funds Asset Mix as at December 31, 2016 ($ millions)



Objectives for 2017-18

- During 2017-18, investment staff will complete implementation of a fixed income overlay and hire a dedicated corporate bond manager for the fixed income portfolio.

- During 2017-18, investment staff will undertake an asset-liability study based on the approved Reference Plan.

- Investment staff will continue to evaluate potential investment opportunities in real estate, infrastructure and agriculture in order to increase the exposure within the real asset class allocation. Since December 31, 2015, the Nuclear Funds' allocation to real assets increased by a total of $398 million.

    - *Real Estate* – Evaluate potential investments globally to further diversify the asset class and complement the current core real estate managers.

    - *Infrastructure* – Staff will evaluate potential investment opportunities, evaluating potential fund investments and co-investment opportunities to further diversify the portfolio.

    - *Agriculture* - Continue to monitor and evaluate potential investments to further diversify the real asset portfolio.

3. Other Financial Services

- Ontario Infrastructure and Lands Corporation (OILC) provides loans for infrastructure development to the broader public service including municipalities.

- In 2014-15, OILC started borrowing directly from the Province through a short-term credit facility. Previously, the OFA had conducted bi-weekly auctions of OILC commercial paper. The limit on the short-term credit facility is $900 million, and as of February 28, 2017, there was $445 million that had been borrowed.

- In 2015-16, OILC started borrowing long-term funds from the Province through a long-term credit facility. Under the long-term credit facility, OILC borrows funds from the Province that match the term and structure of the loans provided to OILC's clients. The details of the long-term credit facility are provided in the following table.

OILC Long-Term Credit Facility				
Facility	**Effective Date**	**Maturity Date**	**Amount Authorized**	**Amount Borrowed (As of Feb 28/17)**
1524/2014	March 30, 2015	November 14, 2016	$2,818,658,341	$1,646,535,463
1566/2016	November 14, 2016	November 14 ,2018	$2,500,000,000	$406,951,599

- The loans to OILC are funded through the Province's borrowing program, and represent only a small component of the Province's overall borrowing program and debt portfolio. While the Province's borrowing requirement will increase in order to fund OILC's loans, net debt remains unchanged since any increase in the Province's borrowing is offset by loans issued to OILC.

- This new funding model is a relatively large undertaking for the OFA as indicative pricing is provided to OILC twice a week, and a total of 125 transactions per year had originally been projected. The table below provides summary statistics for the actual loans made in 2016-17. As a comparison, a total of 121 loans totaling $1.3 billion were completed in 2015-16.

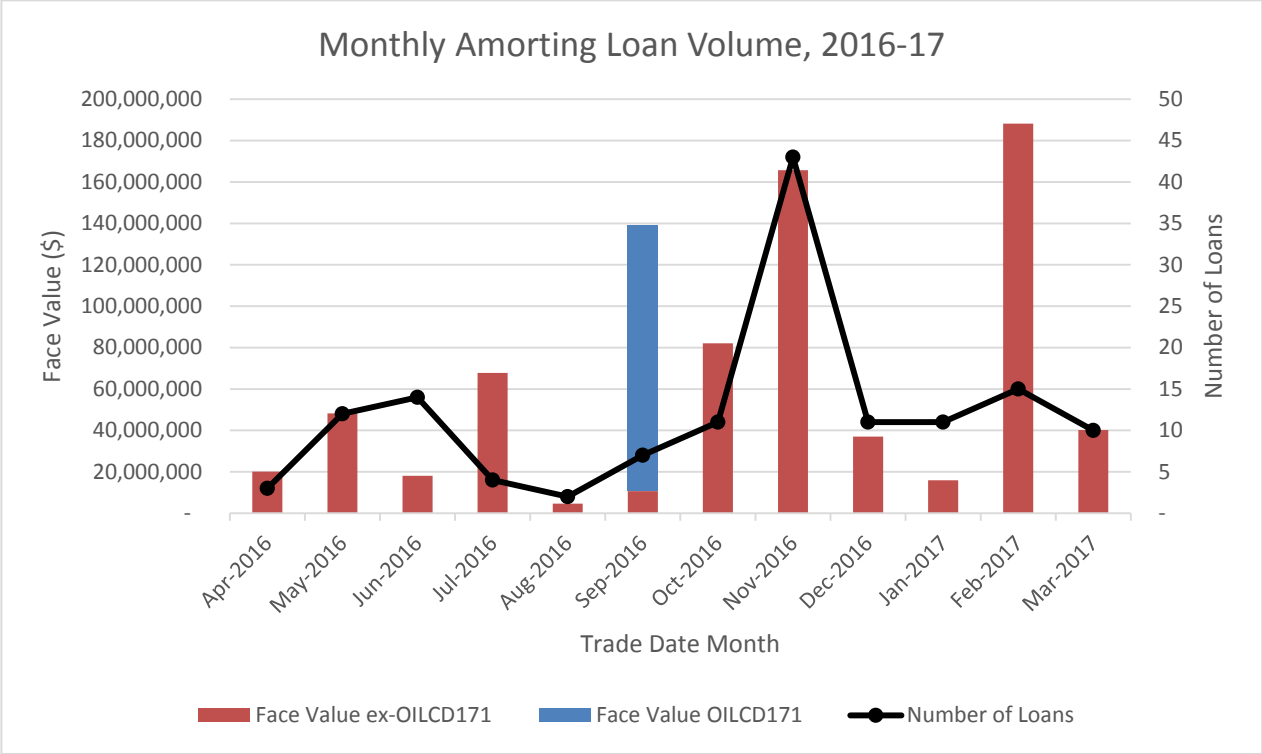
OILC Loans From Province 2016-17				
	# of Transactions	**Loan Notional ($billions)**	**Final Term (Years)**	**Average Life (Years)**
Amortizing Loans				
Total	143	826.9		
Average		5.8	20.4	11.8
Minimum		0.04	5.0	2.5
Maximum		128.4	30.0	17.7
Non Amortizing Loans				
Total	0	0	na	na

- For comparative purposes, statistics for Ontario's overall borrowing program are also provided in the table below. These results show that the loans provided to OILC fall within the terms of borrowing achieved by the Province in 2016-17.

Province Borrowing Summary 2016-17				
	# of Transactions	**Borrowing Notional ($billions)**	**Final Term (Years)**	**Average Life (Years)**
Non-Amortizing Loans (1)				
Total	65	27.0		
Average			13.9	13.9
Minimum			2.6	2.6
Maximum			32.0	32.0
Amortizing Loans				
Total	0	0	na	na

Notes: (1) Includes Ontario Savings Bonds (OSBs) and Ontario Immigrant Investor Corporation (OIIC).

- The chart below shows the monthly loan volume by notional amount and number of transactions for 2016-17. These results illustrate that loans were generally spaced out through the year, with exceptions being September 2016, November 2016, and February 2017. In September, a single loan of $128.4 million was transacted. In November 2016, 43 loans totaling $166.7 million were transacted. In February 2017, total loans of $188.2 million were transacted.



- For 2017-18, it is projected there will be approximately 100 loans executed for total notional of approximately $600 million.

Other services provided to OILC related to Capital Markets include;

- Execute financial transactions for OILC related to their risk management and investment programs as requested. Transactions have included money market, bonds, and swaps;
- Provide benchmark swap and bond rates for Infrastructure Project (AFP) transactions;
- Assist OILC with financial market related queries, structuring of derivatives and indicative pricing of various swap/swaption structures as requested.

J. COMMODITY RISK MANAGEMENT

1. Non-Utility Generation (NUG) Portfolio

- OEFC manages long-term power purchase agreements (PPA's) with a number of non-utility generators (NUGs). The number of contracts have declined in recent years as the contracts expire. In 2016, the Independent Electricity System Operator under the direction of the Ministry of Energy, executed agreements with a number of the gas-fired NUGs which incentivizes them to operate in a manner that is better aligned with the integrated power system's needs, reducing costs to ratepayers and lowering carbon emissions. In terms of the contracts OEFC manages, the contracts were either terminated or suspended, depending on the agreement IESO reached with the NUG. As of February 1, 2017, there are currently 20 NUGs for a total capacity of 471 MWs. OEFC will continue to implement short-term curtailment transactions to reduce OEFC costs while also reducing supply during off-peak periods but the number of transactions and curtailment cost-savings is expected to be significantly lower as the number of gas-fired NUGs have declined. Appendix 12 provides additional information on the NUG supply.

2. Diesel Price Risk (Metrolinx)

- Metrolinx continues to look at fixing the price they pay for fuel, used in their day to day operations, by entering into commodity swaps. The OFA continues to work with Metrolinx on this commodity hedging initiative. The decision to hedge fuel prices will rest exclusively with Metrolinx and they will provide instructions to the OFA to transact with the market on their behalf. Commodity swaps are not a typical instrument the OFA undertakes, as such a new pricing model has been developed for this purpose. Outstanding legal issues and Metrolinx bylaw amendments have been addressed. ISDA negotiations with five of Canada's largest banks have been completed. It is now projected that this commodity hedging program will become fully operational in the current fiscal year. At this time, Metrolinx uses approximately 80,000,000 litres of diesel per year. Metrolinx may hedge up to 80% of this amount in the commodity swap market, subject to market conditions.

IV. PERFORMANCE MEASUREMENT

- Capital Markets Programs have well-defined performance benchmarks approved by the Board of Directors on an annual basis at the beginning of each fiscal year. Performance results measured against the benchmarks are reviewed by Internal Audit Division and reported to the Board of Directors by Risk Control Division.

- A summary of the existing Performance Measures for 2016-17 is provided in Appendix 13 (Performance Measures). The 2017-18 Performance Measures will be approved at the June 2017 Board Meeting.

V. ACCOUNTING UPDATE

- At the June 2015 Public Sector Accounting Board (PSAB) meeting the effective date of the financial instruments accounting standards issued by PSAB in July 2011 was extended to April 1, 2019 from April 1, 2016. In 2016, PSAB staff met with stakeholders from senior governments to get feedback on the proposed standards and reported back their findings to the board in December 2016. PSAB staff are conducting further stakeholder meetings with Not-for-Profits and Municipalities in 2017.

- The standards require immediate recognition of the following in a separate statement called Remeasurement Gains and Losses:

    - Unrealized foreign exchange gains and losses of foreign currency debt; and
    - Unrealized changes in fair value of derivatives.

- Unrealized gains and losses and changes in fair value are an approximation of what would happen if the debt, derivative or asset currently held was sold, even though the Province intends to hold the instrument to maturity.

- When derivatives and foreign currency debt mature, the accumulated balance in the Statement of Remeasurement Gains and Losses pertaining to that instrument will be reclassified to the annual surplus/deficit of the Province. If the foreign currency debt and the derivatives are in a hedging relationship with similar terms, the realized gains or losses should offset each other. However, when term of the derivative is less than that of the underlying foreign currency debt, the realized gain or loss when the derivative matures will impact Interest on Debt (IOD) with no offset from the change in value of the debt. The recognition of fair value of derivatives will contribute to fluctuations to Net Debt that cannot be accurately forecast.

- The standard should reflect the economic substance of the use of derivatives. Derivatives are generally used for hedging, thus reducing volatility that might otherwise occur in a diverse borrowing program whose debt issuance includes both floating rate and foreign currency denominated instruments.

- In February 2015, the OFA coordinated a second memo to PSAB from the provincial borrowing communities indicating their disappointment with a previous Exposure Draft issued by PSAB and echoing Ontario's request that the standard be amended to include hedge accounting as an option. In March 2015, a special PSAB meeting for the financial instruments standards was held and Murray Lindo, the Provincial controller and PSAB member, based on briefing by the OFA outlined the concerns of Ontario and the other provinces. As a result in June 2015, PSAB approved an amendment to the transitional provisions to extend the effective date to April 1, 2019.

- In October 2016, the OFA engaged the services of Deloitte Inc. to assist in assessing the fiscal and operational impact of PS 3450 and PS 2601 on the Province as well as engage with PSAB and other stakeholders with the aim of amending the standards to address the concerns of the Province and borrowing community.

APPENDICES 1-14

APPENDIX 1 - COMPARISON OF GOVERNMENT FX & FLOATING RATE EXPOSURES, AND BORROWING REQUIREMENTS

COMPARISON OF GOVERNMENT FX & FLOATING RATE EXPOSURES, and BORROWING REQUIREMENTS			
	Projected as of March 31, 2016		2017-18
	Foreign-Currency Exposure[1]	Floating-Rate Exposure[1,2]	Borrowing Requirements ($ bln)
British Columbia	0.0%	21.0%	5.4
Alberta[4]	11.0%	12.0%	18.7
Saskatchewan[7]	4.3%	13.1%	2.7 X[7]
Manitoba	0.0%	18.0%	Apr11
Ontario[3]	**0.3%**	**19.9%**	**23.3 (FES)**
Québec[5]	0.0%	12.0%	11.3
New Brunswick[6]	0.0%	10.0%	<2.4 est>TBA
Nova Scotia	2.0%	13.0%	<0.9 est>Apr 27
Prince Edward Island	0.0%	9.5%	0
Newfoundland	7.4%	20.3%	0.4
Government of Canada	3.1%	33.62%	142

[1] Tax–Supported. Net of hedges. Calculated as a % of gross market debt.
[2] Floating rate debt is defined as all debt maturing or being repriced within 12 months.
[3] Based on 2016 Ontario FES. Direct debt only.
[4] This figure includes ACFA's 3.05B, ATB's $2.5B, APMC $481M and AFSC $315M borrowing requirement.
[5] Includes Financement Quebec $1.2 B and does not include approx. Hydro Quebec $1.5B.
[6] Includes NB Electric Finance Corp $XXXB and Municipal Finance Corporations $XXXM.
[7] the borrowing for Saskatchewan Includes Crown Corporations

Sources: Dec 2016 DBRS (FX & Floating-Rate Exposures), BMO Capital Markets (Provincial Borrowing Requirements), Department of Finance Canada (Canada Borrowing Requirement).

APPENDIX 2 - ECONOMIC OUTLOOK AND RISKS

Ontario real GDP increased 2.6 per cent annualized in the third quarter of 2016, after rising 0.7 per cent annualized in the second quarter. In the *2016 Economic Outlook and Fiscal Review,* real GDP is projected to grow by 2.5 per cent in 2016, 2.2 per cent in 2017, 2.1 per cent in 2018 and 1.9 per cent in 2019. Exports and business investment are expected to be key drivers of Ontario's economic growth over the forecast period.

Long-term interest rates in many countries, including Canada, have risen markedly in recent months. U.S. treasury yields have lead the increases, reflecting an anticipated fiscal policy boost and Federal Reserve rate hikes. The U.S. Federal Reserve raised interest rates in December 2016, following an increase in December 2015. Meanwhile, the Bank of Canada, like many other central banks, has not started to raise interest rates. The yield on a three-month Canadian treasury bill is expected to be 0.5 per cent in 2017, unchanged from 2015 and 2016. The three-month treasury bill yield is projected to average 0.8 per cent in 2018 and gradually increase to 1.9 per cent in 2020. Long-term Government of Canada bond yields are expected to average 1.9 per cent in 2017, up from 1.3 per cent in 2016, and rise steadily to reach 3.2 per cent in 2020.

Private-sector forecast averages for interest rates and the Canadian dollar are provided below.

		Private-Sector Average				
	Market Rates (Mar 31, 2017)	**Period Average**				
		17Q2	**17Q3**	**17Q4**	**18Q1**	**FY16/17**
US ¢ per C$ C ¢ per US$	75.2 1.3297	74.0 1.3514	74.0 1.3514	74.5 1.3423	74.5 1.3423	74.3 1.3459
GOC 3MTB (%)	0.54	0.49	0.52	0.55	0.60	0.54
GOC 10Y (%)	1.73	1.85	2.00	2.10	2.20	2.04

RISKS AND CONTINGENCIES

GLOBAL ECONOMIC UNCERTAINTY

Global economic growth is projected to improve over the 2017-18 period, with rising output in advanced economies such as the United States and Canada as well as emerging market and developing economies. However, a heightened level of uncertainty surrounds this outlook.
The slow economic recovery following the 2008-09 global financial crisis has contributed to a shift towards inward-looking policy platforms and trade protectionism.
The new U.S. administration has indicated its intention to alter international trade agreements, including the North American Free Trade Agreement (NAFTA). A rise in protectionist measures in the U.S. would not only directly impact export and investment prospects for Ontario, but have ramifications for global economic activity.
Policy moves have also been announced to tighten immigration policy in the United States. A significantly restrictive approach to immigration policy could dampen labour supply and long-term U.S. economic growth. This would lower Ontario`s export potential and likely hinder investment activity.

U.S. ECONOMIC GROWTH

Real GDP growth in the United States rebounded in the second half of 2016, following a slowdown earlier in the year, largely due to weakness in business investment. The U.S. labour market continues to make solid gains, supporting rising wage gains and household spending. Additionally, growth is expected to be boosted by tax cuts and infrastructure spending. According to the February forecast from *Blue Chip Economic Indicators,* U.S. real GDP growth is projected to expand by 2.3 per cent in 2017, following growth of 1.6 per cent in 2016. U.S. real GDP growth is forecast at 2.4% in 2018 and 2.1% in 2019. The strengthening U.S. economy should have a positive impact on the Ontario economy. Solid U.S. demand and a low Canadian dollar will help support export activity.

OIL PRICES

Oil prices have risen in recent months, following the agreement among Organization of the Petroleum Exporting Countries (OPEC) and some non-OPEC members to lower oil production. With these cuts, global oil demand will likely exceed supply, which will result in declines in elevated inventories and upward pressure on prices. Continued firming of oil prices will be determined in large part by OPEC production decisions and whether U.S. suppliers will increase output. However, oil prices are expected to stay well below the $100 US per barrel reached three years ago. Private sector forecasters expect the price of West Texas Intermediate (WTI) oil to average $55 US per barrel in 2017 and gradually increase over the medium term, reaching $65 US by 2020.

Since Ontario is an oil importing jurisdiction, lower-priced oil reduces input costs for industry and puts money into consumers' pockets.

CANADIAN DOLLAR EXCHANGE RATE

The Canadian dollar has recently strengthened, supported by higher oil prices. Gradually rising oil prices are expected to support a rising exchange rate over the next few years. However, the differing path of U.S. and Canadian monetary policy could limit near-term gains in the Canadian dollar. The Canadian dollar is expected to average 74.5 cents US in 2017, modestly lower than 75.5 cents US in 2016. The Canadian exchange rate is expected to remain well below parity with the U.S. dollar, reaching 80.0 cents US by 2020.

HOUSEHOLD DEBT AND CREDIT CONDTIONS

In recent years, resale home price appreciation has outpaced income gains, fueling mortgage debt accumulation. The high level of household debt remains one of the key risks for the outlook. Despite historically low mortgage rates, monthly carrying costs are elevated relative to long-term trends. High levels of debt, combined with elevated resale prices, leave Ontario households potentially more vulnerable in the event of an economic downturn.

APPENDIX 3 - DOCUMENTATION, REGULATORY AND DISCLOSURE REQUIREMENTS FOR DEBT ISSUANCE AND DERIVATIVES

DOCUMENTATION AND DISCLOSURE REQUIREMENTS

DEBT ISSUANCE

DOMESTIC MARKET

The Province of Ontario as a government issuer of debt securities such as Domestic Medium-Term Notes, Ontario Savings Bonds, CPP Program and T-bills, is exempt from prospectus requirements and registration requirements in Canada and as such is not required to file any financial or material change information with the Ontario Securities Commission ("OSC") or other domestic securities regulators.

Although not legally required, from a market credibility perspective, it is important that all material information be disclosed to investors before launching a bond issue. Disclosure of information is provided to investors through the publication of the Province's financial releases such as the Ontario Budget, Quarterly Ontario Finances and Public Accounts.

INTERNATIONAL MARKETS

The Province as a sub-sovereign issuer of debt securities in foreign markets such as the U.S, the EU, Luxembourg and Australia, is subject to international securities laws and the applicable prospectus, registration and disclosure requirements in each jurisdiction and is required to file financial information with or report any material change to the applicable securities regulator or self-regulatory organizations.

More importantly, the Province is required to make timely and adequate disclosure of all material information to investors.

Information is judged to be material if a reasonably informed investor would view it as relevant in making an investment decision (i.e., material adverse changes in revenues, expenditures, deficit levels, economic outlook, and major policy changes).

- In general, legal counsel would have disclosure concerns (and concerns about legal liability) for any total variance in the range of $500 million to $1.0 billion on either revenues or expenditures. Any net impact on the bottom line in the similar range would also raise concerns.

- If a material adverse event occurs between the time of launching a bond issue and the closing date (typically 5-10 days), this would be detrimental to the success of the bond issue as the underwriters would have the right to refuse to close the transaction.

- If after the bond issue closed (for example, within 60 days), it is determined that the Province did not provide full disclosure or made a material misstatement in its statutory disclosure documents, investors have a legal right to sue the Province and its representatives for either

damage or the right to return the bonds. This could also result in substantial liability under the anti-fraud provisions of U.S. securities laws.

U.S. MARKET

In order to raise funds either through Global Bond offerings or through U.S. Medium-Term Note private placements to U.S. investors, the Province is required to file a Shelf Registration Statement under U.S. securities laws. Since 1993, the Province has filed Registration Statements with the U.S. Securities and Exchange Commission ("SEC") using a "shelf registration process", the most recent being in April of 2016 which allowed the Province to offer on a continuous basis up to US$20 billion aggregate principal amount of securities which constitutes an estimate of how much the Province expects to sell in the U.S. market in the next 2-3 fiscal years. With each issuance, the amount registered is drawn down by the dollar amount of sales to U.S. investors. As at February 14, 2017, there is currently US$15.7 billion remaining on the U.S. shelf. A new shelf registration is initiated when the amount remaining is approximately US$5 billion or less, thereby ensuring there is sufficient room for the Province to continue to borrow in the U.S. market while the documentation for the new shelf is finalized and registered by the SEC with the assistance of the Province's U.S. legal counsel.

The Shelf Registration Statement filing is comprised of a Base Prospectus which provides a general description of the Province, the securities that may be offered and the documents incorporated by reference such as the Ontario Budget, Quarterly Ontario Finances, Public Accounts, Exhibit (d) to Ontario's Annual Report on Form 18-K and associated amendments. Whenever the Province issues securities into the US, it must ensure that its Shelf Registration Statement and all supplements and amendments filed with the SEC provide full disclosure of all current and relevant financial information or material changes about the Province to its investors.

Although the Province as a foreign government is not subject to the periodic reporting requirements of U.S. securities law, the Province has agreed (as is the market practice for sovereign issuers) to file on a voluntary ongoing basis, material disclosure (i.e., Ontario Budget, Quarterly Ontario Finances, Public Accounts, Exhibit (d) to Ontario's Annual Report on Form 18-K and Form 18-K/A amendments) and other material information promptly. This includes annually filing a full update of Exhibit (d) to Ontario's Annual Report on Form 18-K with the SEC within 9 months after the Province's fiscal year end. Material information must be disclosed and disseminated electronically by filing via the SEC's Electronic Data Gathering, Analysis, and Retrieval ("EDGAR") system so all investors can access it.

With the pending release to the public of material announcements and financial releases such as the Budget, Quarterly Ontario Finances, Public Accounts, etc., black-out periods are put in place during which the Province cannot issue in the markets. This ensures that the Province is not required to disclose information to investors that is not yet public or that new material information is not released in the middle of an issue. After the release of the information, the blackout period extends until such time as all regulatory filings of the released information are complete. The Province was in blackout for 36 days as shown in the notes following the 2016 Ontario Disclosure and Filing Calendar.

With each Global Bond offering and in accordance with SEC requirements, the Province prepares a Preliminary Prospectus Supplement (general information about the issue), a Free Writing Prospectus (a form of terms agreement with the underwriters), and a Final Prospectus Supplement (full and final details of the issue) and files on EDGAR.

Each Prospectus Supplement must ensure that all material information has been disclosed and that there has been no material change or omission. Additionally, the Province must also comply with the rules and regulations of the Luxembourg Stock Exchange with respect to the admission of the Bonds to the Official List and to trading on the Euro MTF Market by preparing a Luxembourg Prospectus.

After the closing of each issue, the Fiscal Agency Agreement, Underwriting Agreement, SEC Legal Opinion and Schedule of Expenses in connection with a deal are also filed on EDGAR.

STOCK EXCHANGE LISTINGS

The Province's debt securities are listed on a number of international stock exchanges, namely the Main Market of the London Stock Exchange, the Euro MTF Market of the Luxembourg Stock Exchange, the Luxembourg Green Exchange ("LGX"), the SIX Swiss Exchange, the Hong Kong Stock Exchange and the Singapore Exchange Limited.

The disclosure requirements vary depending on the securities laws of each of those jurisdictions. At a minimum, the Province must file its annual audited financial statements for as long as the securities remain outstanding. In some cases, the Province also has continuous disclosure obligations to report material changes for the life of the issue.

DEBT ISSUANCE PROGRAMS

The Province has established several programs under which securities may be issued from time to time and therefore require continuous disclosure. The disclosure must be kept current as long as the program is active and securities issued under the program remain outstanding.

MONEY MARKET SECURITIES

T-BILL PROGRAM

To assist with management of its liquid reserves, the Province maintains a T-bill Program with a current program limit of C$27.0 billion and a limit of C$6.0 billion for OEFC. Provincial T-bills are money market securities (generally with a term of under 1 year, although legislation permits terms of up to 3 years) which are currently issued weekly. If required, the T-bill program limit may be adjusted to ensure sufficient flexibility to effectively manage liquid reserves. While there are no regulatory disclosure requirements associated with T-bills, the Province is required to coordinate documentation with its T-bill issuing and paying agent and the domestic clearing and settlement system where the T-bills are lodged.

U.S. COMMERCIAL PAPER (USCP) PROGRAM

The Province maintains a USCP program, which provides for offerings of short-term debt securities issued at a discount to participating dealers. The USCP program is exempt from the registration requirements under U.S. securities law provided the securities have a maturity of up to 270 days and meet specific criteria determined by the regulators. The current USCP Program limit is set at C$15.0 billion, which may be adjusted if deemed necessary for prudent management of the Province's liquid reserves. USCP is hedged to Canadian dollars using foreign exchange to eliminate the currency risk.

LONG-TERM DEBT SECURITIES

DOMESTIC MEDIUM-TERM NOTE (DMTN) PROGRAM

Established in 2000, the DMTN program is the most significant source of long-term funding for the Province, accounting for up to 75% of the long-term funding requirement in any given fiscal year. While there are no formal prospectus or disclosure requirements under domestic securities laws, the Province prepares an overview of each offering containing the economic attributes of the offering, called "Bond Issue Details", which is published on the OFA website for the benefit of investors.

GREEN BOND PROGRAM

In accordance with the government's commitment to issue Green Bonds, the Province successfully launched a Green Bond Program on October 2, 2014 with an inaugural global Canadian dollar bond of C$500 million. The Province has since offered two additional Green Bonds, the second in January 2016 and the third in January 2017.

The Province's Green Bond Program is governed by a Green Bond Framework which established the types of projects which may be eligible under the Program. The Province publishes an annual newsletter reporting on the selected projects, their funding, progress and environmental performance.

The Province has adopted a Canadian dollar-denominated global format for its Green Bonds, whereby the securities are lodged in the domestic system but the disclosure process follows an approach similar to Global Bond offerings in the U.S. market and also provides a listing on the Luxembourg Stock Exchange. This ensures that international Green Bond investors are provided with access to fulsome disclosure information about eligible Green Bond projects and the Province's Green Bond Framework.

US MEDIUM-TERM NOTE (MTN) PROGRAM

In 2011, the Province established a United States Dollar Medium-Term Note Program ("USMTN Program") which provides for the issuance of Notes with a term of 9 months or more in the US market and was required to file a Prospectus Supplement to the Base Prospectus with the SEC on EDGAR. With each offer of Notes, the Province is required to file a Pricing Supplement.

EURO MEDIUM-TERM NOTE (EMTN) PROGRAMME

In 1992, the Province established an EMTN Programme to issue euro medium term-notes outside of Canada and the U.S. and to meet investor requirements in the European zone. The instruments are issued for terms ranging from 3 months to 50 years.

The Province uses an “Offering Circular” for EMTN instruments issued under the Programme which is updated annually, approved by the Luxembourg Stock Exchange and then valid for one year.

The Offering Circular incorporates by reference the Province’s Budget, the Public Accounts, Annual Report on Form 18-K and amendments thereto and supplement material information. With each new issue under the Programme, the Province files the Pricing Supplement of the deal.

In the event of a significant new factor, material mistake or inaccuracy relating to the information included in the Offering Circular which is capable of affecting the assessment of any instruments, the Province must file a supplement to the Offering Circular with the Luxembourg Stock Exchange.

The Offering Circular is a "prospectus" for the purposes of the admission to listing on the Official List of the Luxembourg Stock Exchange and to trading of the instruments on the Euro MTF market in accordance with the rules and regulations of the Luxembourg Stock Exchange. The Offering Circular does not constitute a prospectus for the purposes of the EU Prospectus Directive and accordingly does not provide a passport for the Province to make offers to the public across the EU on the basis of a prospectus subject to requirements prescribed by EU regulations and local securities law in those jurisdictions.

AUSTRALIAN DEBT ISSUANCE PROGRAMME (“KANGAROO PROGRAM”)

The Province’s Kangaroo Program provides for the issuance of Australian dollar denominated bonds “Kangaroo Bonds”. The Province filed an Information Memorandum in 2005 which incorporates by reference its filings with the SEC as well as Ontario’s Budget and its audited financial statements. There is no annual update for the Kangaroo Program documentation.

GERMAN REGISTERED NOTES

To diversify its funding sources, the Province has completed documentation for the issuance of German law registered notes Namensschuldverschreibungen (“NSV”) which are to be issued in Germany and governed by German law. NSV issuance will be of interest to German banks, insurance companies and pension funds. Disclosure of financial information will be provided to NSV investors through the publication of the Province’s Public Accounts on its website.

DUE DILIGENCE

The Province conducts due diligence conference calls with the Province's underwriters and their legal counsel after the release of the Ontario Budget, Quarterly Ontario Finances, Public Accounts, Exhibit (d) to Ontario's Annual Report on Form 18-K or other material information requiring disclosure and "bring-down" update - conference calls before each Global Bond offering is priced and closed. The call consists of detailed questions on the Province's economic and fiscal position that are addressed by OFA and Ministry of Finance staff. In the spring of 2016, the Province moved away from providing the exact number of claims outstanding against the Crown on any given due diligence call in favour of making a more general representation confirming that it is not involved in any claims which would materially affect the financial position of the Province. Should a material claim arise, it would be disclosed by MOF legal counsel.

- Conducting due diligence calls establishes a defense for the underwriters and their counsel under U.S. securities laws to liability for inaccuracies or omissions in the prospectus. Due diligence enables the underwriters to show that they had, after reasonable investigation, reasonable grounds to believe and did believe that the statements in the prospectus were true and that there was no omission to state a material fact required to be stated or necessary to make the statement not misleading.

Due diligence and bring down conference calls also permit the Province's representatives and their counsel to ensure that all material information has been disclosed and that all public information is accurate and complete. The Province, as an issuer, is strictly liable for any materially misleading or inaccurate information in the Prospectus or for any material omissions, regardless of any due diligence investigation.

DERIVATIVES

INTERNATIONAL SWAPS AND DERIVATIVES ASSOCIATION ("ISDA") MASTER AGREEMENTS AND CREDIT SUPPORT ANNEXES ("CSAS")

Existing ISDA Master Agreements are updated and new agreements negotiated as required. All swap confirmations are reviewed and processed within "best practice" timeframes recommended by ISDA, ensuring they correctly document the terms of the trade and are in accordance with the provisions of the corresponding Master Agreement. To date, the OFA has executed ten CSAs with its swap counterparties. Given the Province's large borrowing program, CSAs, by mitigating credit risks with its swap counterparties, are instrumental in facilitating better access for the Province to a broader range of domestic and international derivatives counterparties with whom it may transact to hedge the market risks associated with its debt issuances.

TRADE REPORTING

Trade reporting requirements are now effective in Canada, the U.S. and Europe where the swap transaction-level data must be reported to the prescribed trade repositories in each jurisdiction. All swap market participants must obtain a Legal Entity Identifier ("LEI") to transact in OTC derivatives. The Province and OEFC each obtained LEIs, which are maintained on an annual

basis. To comply with the requirements in all jurisdictions, the Province's derivatives trades are being reported by its dealer counterparties.

PUBLIC DISSEMINATION OF TRANSACTION DATA

OSC Rule 91-507 Trade Repositories and Derivatives Data Reporting Trade Reporting (the "Reporting Rule") came into force in Ontario, with respect to public dissemination of transaction-level data in April 2015. The OSC introduced certain measures in the November 2015 amendment to the Reporting Rule to protect the anonymity of OTC derivatives participants; however, such provisions were not sufficient to protect the anonymity of the Province when transacting in the Canadian OTC derivatives market. In consultation with the OSC, the OFA moved forward in the 2016 Budget, the required amendments to the Ontario Securities Act ("OSA") to provide exemptions for the Crown from the requirements of public dissemination of, or public access to, its transaction-level data.

WITHHOLDING TAX

Swap transactions and transactions under repurchase agreements entered into between the Province and a foreign counterparty may give a rise to withholding tax issues in regard to the interest, distribution and coupon payments from such transactions. In order to protect the Province from such unwanted foreign withholding tax issues and comply with the relevant requirements appropriately, the OFA has been proactively monitoring the changes in withholding tax laws and regulations applicable to the Province.

The Province's derivatives-related tax documentation is up-to-date in accordance with the U.S. Foreign Account Tax Compliance Act ("FATCA"), the Canada-United States Enhanced Information Exchange Agreement ("FATCA Agreement"), and OECD Common Reporting Standard for Entity Tax Residency.

REGULATORY DEVELOPMENTS AFFECTING THE PROVINCE

DEBT ISSUANCE

COOPERATIVE CAPITAL MARKETS REGULATORY SYSTEM

Currently, British Columbia, Ontario, Saskatchewan, New Brunswick, Prince Edward Island, Yukon and Canada (collectively, the "CMR Jurisdictions") are engaged in the development of a new Cooperative Capital Markets Regulatory System (the Cooperative System) under which a common regulator, the Capital Markets Regulatory Authority ("CMRA"), will be created to regulate financial markets in the CMR Jurisdictions. Under a Memorandum of Agreement, enactment of a uniform Capital Markets Act ("CMA") by the CMR Jurisdictions is targeted to occur in early 2018. In order to ensure the smooth transition to the Cooperative System without disrupting its continued access to the capital markets, the Province is working to carry forward the existing exemptions for the Crown in respect of its capital markets activities into the new regulatory regime.

NEW CDS FEES

On December 22, 2016, the Canadian Depository for Securities ("CDS") advised issuers that it had received regulatory approval to expand the scope of its fees, a process which CDS initiated in November 2014 in the face of significant concerns from various market participants, including several municipal and provincial issuers across Canada. The OFA undertook considerable advocacy efforts with CDS, its regulators and other government issuers in order to clarify the scope and applicability of these new fees. Specifically, CDS began charging issuers on March 1, 2017 in connection with the introduction of two new fee proposals: 1) changes to existing ISIN and eligibility fees and the creation of fees for Book-entry Only Global bonds, and 2) the introduction of fees for all interest, maturity payments (including money market securities) and bond optionality. Discussions with CDS are on-going, particularly in regard to retail debt (Ontario Savings Bonds) and what changes will need to take place to accommodate the new fees and the elimination of physical certificates by August 31, 2017, pursuant to a CDS rule change published on December 15, 2016.

The Province is currently engaged in discussions with the domestic dealer syndicate in regard to CDS fees and has requested that the dealers reimburse all issuer-related fees for the Province's securities. It is expected that this agreement will be finalized in the near future. The Province is continuing to explore operational alternatives in consultation with CDS which may help further reduce fees.

TRANSITION TO T+2 SETTLEMENT CYCLE

The global markets, including Canada, are continuing to move to a T+2 settlement cycle for secondary market issues. Canadian market stakeholders and participants are likewise preparing to shorten the settlement cycle from the current T+3 standard to T+2. The Canadian Securities Administrators (CSA) have affirmed that Canada will move to T+2 settlement at the same time as U.S. markets. It is expected that will take place on the target date of September 5, 2017. The Province is actively looking at how this will impact its domestic issuances and what operational changes may be required if the Province moves to issue new securities on a T+2 basis in the Canadian market.

MARKET ABUSE DIRECTIVE (EUROPE)

The European Union ("EU") Market Abuse Regulation ("MAR") came into effect in all EU Member States on July 3, 2016, replacing the existing Market Abuse Directive and the national laws implementing the Directive. The MAR imposes market abuse rules on EU markets that were exempt from previous EU market abuse rules, including the Luxembourg Stock Exchange Euro MTF Market ("Luxembourg MTF"). The Province of Ontario ("Province") issues debt in the European capital markets through the Euro Medium Term Note Programme and Global Bonds, which are listed on the Luxembourg MTF. The MAR imposes new obligations on the Province for current and future debt securities issued by it that are or will be listed on the Luxembourg MTF. The competent authority in Luxembourg, the Commission de Surveillance du Secteur Financier

("CSSF"), is obligated to ensure the MAR is applied on its territory regarding all actions carried out on its territory and abroad related to instruments traded on the Luxembourg MTF. The MAR rules focus predominantly on 'market sounding' and 'insider information' and the Province remains in frequent consultation with external legal counsel to ensure compliance with MAR.

DERIVATIVES

GLOBAL REFORM

With the on-going global regulatory reform of the derivatives markets, the Province continues to assess the complex issues that implementation of the reform will have on the Province's derivatives activities in the global derivatives markets. Under the Dodd-Frank Act ("Dodd-Frank") in the United States and under European Market Infrastructure Regulation ("EMIR"), many swap market participants are required to centrally clear prescribed categories of swaps, and will be required to pledge margin for uncleared swaps. As a sovereign, the Province is exempt from central clearing and margin requirements under Dodd-Frank and EMIR.

Although exempt from clearing under Dodd-Frank and EMIR, the Province continues to evaluate the relative costs of clearing versus not clearing its swaps. For example, the global implementation of the Basel III regulatory framework resulted in some of the Province's counterparties proposing to charge higher pricing on its uncleared and/or under collateralized swaps in order to recover new regulatory and business charges (i.e., Credit Value Adjustment ("CVA"), and Funding Value Adjustment ("FVA") charges). If these charges become unavoidable, it may be beneficial for the Province to consider voluntarily clearing its derivatives transactions. The Province has already investigated the operational and legal requirements associated with clearing its derivatives transactions, and will continue to assess on an ongoing basis the desirability of centrally clearing derivatives transactions. In the event that clearing swaps becomes advantageous from a cost perspective, the Province will engage clearing brokers in formal discussions for clearing services.

The Province continues to monitor other key aspects of global regulatory reform and implements the necessary measures and amendments to swap agreements to ensure compliance with international regulatory regimes. The Province is also following developments in Europe under Markets in Financial Instruments Directive II ("MiFID II") and Markets in Financial Instruments Regulation ("MiFIR").

In the U.S. and Europe, a one-business day stay for contractual termination rights on any swap agreements in the event of bankruptcy of a counterparty is being adopted. The purpose of this contractual rights stay is give the regulators the time to transfer the failed institution's financial contracts to a solvent third party or to a bridge bank, despite the fact that the right to terminate contracts immediately following an event of default may be embedded in existing agreements such as ISDA Agreements. In the United States, in May 2016, the Board of Governors of the U.S. Federal Reserve System issued a proposed rules concerning the special resolution regimes. In Europe, Article 55 of the Bank Recovery and Resolution Directive (2014/59/EU) (the "BRRD"), which has been implemented by a number of European countries, requires market participants to insert a clause concerning the contractual recognition of bail-in and contractual stay. The OFA is considering appropriate amendments to its ISDA Master Agreements to reflect the stay provisions.

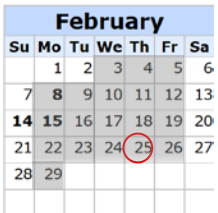
DOMESTIC REFORM

In Canada, derivatives regulatory reform is being effected through each of the provincial and territorial regulators, with the process being coordinated through the Canadian Securities Administrators. The Canadian Securities Administrators continue to develop "Model Rules" for key aspects of derivatives regulation (i.e., clearing, registration, trade reporting), for eventual implementation in each of the provinces and territories. The Province is exempt from many of the proposed rules under the OSA. Nonetheless, the Province continues to evaluate the impact of each of the proposed rules on its and certain Crown Agents' (OEFC, OILC, and Metrolinx) derivatives activities and, as appropriate, consults with the OSC to discuss any potential issues so that they may continue carrying out their capital market activities and without creating or imposing any new obligations resulting from new derivatives regulations. In fall 2015, the OFA worked to secure amendments to the OSA to ensure that the existing exemptions for the Province and the OFA from key aspects of derivatives regulations could also be extended to Crown Agents, as prescribed by the Lieutenant Governor in Council ("Prescribed Crown Agents"). Currently, the OFA is working to designate OEFC, OILC, and Metrolinx to be Prescribed Crown Agents by summer 2017. The OSA amendments also included exemptions for the Province, the OFA and Prescribed Crown Agents from any registration requirements or requirements to provide disclosure documents in connection with derivatives trading.

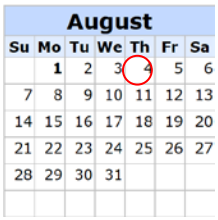
2016 Ontario Disclosure Calendar and Filings in the U.S., U.K., Australia, Switzerland, Singapore and Luxembourg
(As of December 31, 2016)

Abbreviations:

ASX = Australian Securities Exchange
LuxSE= Luxembourg Stock Exchange
NSM = National Storage Mechanism is the official mechanism for the storage of regulated information in the UK
OECD = Organisation for Economic Co-operation and Development
RNS = Regulatory News Service of the London Stock Exchange
SGX = Singapore Stock Exchange
SEC = U.S. Securities and Exchange Commission
SIX = SIX Swiss Exchange
UKLA = United Kingdom Listing Authority
▢ = Government release blackout up to release date PLUS Regulatory filing blackout (after ○ release date)
○ = Release date

MONTH[1]	RELEASE	PROGRAM UPDATES[2] AND DELIVERY OF DOCUMENTS	REGULATORY FILINGS[3]	DUE DILIGENCE CONFERENCE CALLS[4]
			– Jan. 15: Form 18-K/A 1 – Ontario Green Bond Program Information. – Jan. 19: Form 18-K/A 2 – amends the Ontario Green Bond Program Information filed January 15, 2016 to add additional eligible projects for consideration under the Province of Ontario's Green Bond Framework. – Jan. 21: Form 18-K/A 3 – Global G71. – Jan. 22: G71 Prospectus Supplement. Approved by the LuxSE. – Jan. 29: Form 18-K/A 4 – Global G72. – Jan. 29: EMTN112 Pricing Supplement. Filed with LuxSE.	– Jan. 13 (& Jan. 21 for closing): Bring-down Due Diligence conference call with underwriting syndicate and external counsel to confirm any new material changes and litigation before the pricing (& closing) of Global Bond Issue G71. – Jan. 22 (& Jan. 29 for closing): Bring-down Due Diligence conference call with underwriting syndicate and external counsel to confirm any new material changes and litigation before the pricing (& closing) of Global Bond Issue G72.
	No Release **Q3 Finances**: released (must be released on or before Feb. 15 of each year) **February 25** **Budget**: released (must be released on or before May 15 of each year)	– Feb. 25: 2016 Budget delivered pursuant to contractual obligations under bond issuance agreements.	– Feb. 1: G72 Prospectus Supplement. Approved by the LuxSE. – Feb. 26: 2016 Ontario Budget lodged with ASX's Company Announcements Office and published on www.asx.com.au. – Feb. 26: 2016 Ontario Budget published on RNS/NSM.	

MONTH[1]	RELEASE	PROGRAM UPDATES[2] AND DELIVERY OF DOCUMENTS	REGULATORY FILINGS[3]	DUE DILIGENCE CONFERENCE CALLS[4]
		– Mar. 4: Programme for the Issuance of Debt Instruments Offering Circular (/Prospectus). Approved by the LuxSE.	– Mar. 1: Form 18-K/A 5 – 2016 Ontario Budget. – Mar. 23: Form 18-K/A 6 – Maps of the Province of Ontario's Location in Canada and the Province of Ontario's Location in the World re US Shelf Registration.	– Mar. 1: Due Diligence conference call with external counsel and underwriting syndicates to discuss the 2016 Ontario Budget, and blackout period ended for issuance of Globals and U.S. MTN.
			– Apr. 12: Form 18-K/A 7 – US MTN program documentation update – Apr. 27: Form 18-K/A 8 – Global G69. – Apr. 28: G69 Prospectus Supplement. Approved by the LuxSE.	– Apr. 12: Due Diligence conference call with external counsel and program dealers to provide an update to potential dealers or underwriters of the Province's Notes under the US MTN Program. – Apr. 19 (& Apr. 26 for closing): Bring-down Due Diligence conference call with underwriting syndicate and external counsel to confirm any new material changes and litigation before the pricing (& closing) of Global Bond Issue G69.
			– Jun. 17: Form 18-K/A 9 – Global G73. – Jun. 20: G73 Prospectus Supplement. Approved by the LuxSE.	– Jun. 8 (& Jun. 17 for closing): Bring-down Due Diligence conference call with underwriting syndicate and external counsel to confirm any new material changes and litigation before the pricing (& closing) of Global Bond Issue G73.

MONTH[1]	RELEASE	PROGRAM UPDATES[2] AND DELIVERY OF DOCUMENTS	REGULATORY FILINGS[3]	DUE DILIGENCE CONFERENCE CALLS[4]
	**August 4** **Q1 Finances**: released (must be released on or before Aug. 15 of each year)	– Aug. 4: 2016-17 Q1 delivery pursuant to contractual obligations under bond issuance agreements.	– Aug. 5: 2016-17 Q1 Finances lodged with ASX's Company Announcements Office and published on www.asx.com.au. – Aug. 4: Form 18-K/A 10 – 2016-17 Q1 Finances. – Aug. 4: 2016-17 Q1 Finances published on RNS/NSM.	
	October 6, 2016 **Public Accounts**: (must be released on or before Sep.30 of each year)	Oct. 6: 2015-16 Public Accounts delivered pursuant to contractual obligations under bond issuance agreements.	– Oct 6: Link to the published 2015-16 Public Accounts e-mailed to SIX. – Oct 7: 2015-16 Public Accounts e-mailed to SGX. – Oct 7: 2015-16 Public Accounts lodged with ASX's Company Announcements Office and published on www.asx.com.au (must be published on ASX no later than 10 business days after the release of annual accounts). – Oct 7: 2015-16 Public Accounts e-mailed to LuxSE (listings). – Oct 7: 2015-16 Public Accounts published on RNS/NSM. – Oct 7: Form 18-K/A 11 – 2015-16 Public Accounts.	
	November 14, 2016 **Economic Outlook & Fiscal Review Q2:** (must be released on or before Nov. 15 of each year)	– Nov. 14: 2016 Ontario Economic Outlook and Fiscal Review (Q2) delivered pursuant to contractual obligations under bond issuance agreements.	– Nov. 15: 2016 Ontario Economic Outlook and Fiscal Review (Q2) lodged with ASX's Company Announcements Office and published on www.asx.com.au. – Nov. 15: 2016 Ontario Economic Outlook and Fiscal Review (Q2) published on RNS/NSM. – Nov. 17: Form 18-K/A 12 – 2016 Ontario Economic Outlook and Fiscal Review (Q2).	– Nov. 17: Due Diligence conference call with underwriting syndicates and external counsel to discuss 2016 Ontario Economic Outlook and Fiscal Review (Q2).

MONTH[1]	RELEASE	PROGRAM UPDATES[2] AND DELIVERY OF DOCUMENTS	REGULATORY FILINGS[3]	DUE DILIGENCE CONFERENCE CALLS[4]
			– Dec. 5: Form 18-K – Annual Report dated Dec.5, 2016 filed with SEC (mandatory Dec. 31). – Dec. 5: Annual Report on Form 18-K dated Dec. 5, 2016 published on RNS/NSM.	

Notes:

(1) Total number of blackout days due to government release and regulatory filings: 36 business days.

(2) The Province has a number of programs under which bonds may be issued from time to time and, therefore, require continuous ongoing disclosure. This disclosure must be kept up to date as long as the program is active and any bond issue remains outstanding.

(3) There were 40 regulatory filings submitted in 2016.

- The Province was required to lodge its Budget, Quarterly Ontario Finances, Public Accounts and Form 18-K with the ASX's Company Announcements Office and publish the documents on www.asx.com.au. There were 4 such filings in 2016. The requirement to make future filings ceased upon the expiry of the Province's listed Australian dollar debt on November 30, 2016.

- Although the Province as a local/regional authority of an OECD Member is not required to communicate its annual accounts to the LuxSE under the Rules and Regulations of the Luxembourg Stock Exchange, the LuxSE advised that the Province may communicate its accounts to the LuxSE (listings). There was 1 such filing. Additionally, the LuxSE advised that publication in Luxembourg is not necessarily required since the information is available to interested investors on the SEC website.

- In accordance with the UKLA Disclosure and Transparency Rules (DTRs), the Province publishes its most recent financial reports to comply with the continuing obligations that apply to the Province with primary listings of debt securities on the London Stock Exchange's Main Market. There were 5 such filings.

- With each global issue and in accordance with SEC requirements, the Province files a Preliminary Prospectus Supplement, a Free Writing Prospectus and a Final Prospectus Supplement. Additional information, such as the Fiscal Agency Agreement, Underwriting Agreement, Opinion and Schedule of Expenses, is also filed on a Form 18-K/A. There were 16 such filings related to the issuance of 4 Global Bonds, and there were 5 such filings related to the Province's Budget, Quarterly Ontario Finances, Public Accounts, and Form 18-K.

- The Province also files the Prospectus Supplement and all related documents for each new Global Bond issue with the Luxembourg Stock Exchange for the listing on its official list and admission to trading on the Euro MTF market. There were 4 such filings related to the issuance of 4 Global Bonds.

- In addition to the bond issues, the Offering Circular and associated documents incorporated by reference for the Province's Programme for the Issuance of Debt Instruments 2016 were filed with

the LuxSE. The Province also filed a Pricing Supplement for 1 new EMTN issue with the programme.

- The Province has to provide SIX with the path to its Public Accounts each time when they are published on the website so that SIX can publish the Public Accounts on its own website.

- The Province must provide the SGX with its annual report and all documents annexed thereto as soon as it is issued via e-mail for publication on SGX's website.

- The Province's Luxembourg paying agent, transfer agent and listing agent for the LuxSE has delivered the Province's audited accounts to the LuxSE relating to Global Bond Series HS that the Province has listed on the LuxSE.

(4) The Province conducts scheduled "Due Diligence" conference calls 2-3 times per year and prior to the pricing and closing of a Global Bond and U.S. MTN issuance. If a call related to an issuance is to be held shortly after a scheduled Due Diligence conference call, an abridged Due Diligence conference call or "Bring-down" Due Diligence conference call will be held.

Credit Rating Agency	Date of Meeting with OFA	Credit Rating Decision
Standard & Poor's Ratings Services	Post-Budget Meeting on March 22, 2016	A+ and A-1+ short-term rating confirmed on June 1, 2016.
Moody's Investors Service	Post-Budget Meeting on March 23, 2016	Outlook changed to stable from negative on Aa2 long-term rating and P-1 short-term ratings confirmed on April 26, 2016.
Fitch	Post-Budget Meeting on March 10, 2016	AA- long-term and F1+ short-term ratings confirmed on June 22, 2016.
DBRS	Post-Budget Meeting on March 21, 2016	AA (low) long-term and R-1 (mid) short- term ratings confirmed on May 20, 2016.

APPENDIX 4 - ANALYSIS OF INTEREST RATES AND YIELD CURVES

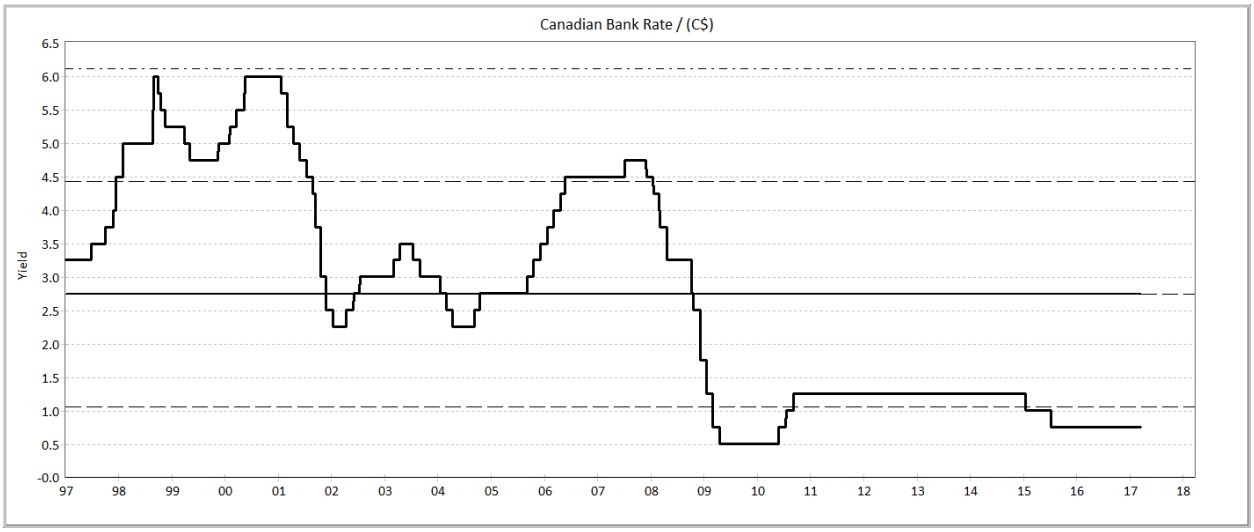
The following observations are made from the historical interest rate charts on the following pages:

i Short-term (i.e., the Bank of Canada rate) is trading below its historical average over the last 20 years by approximately 1.2 standard deviations.

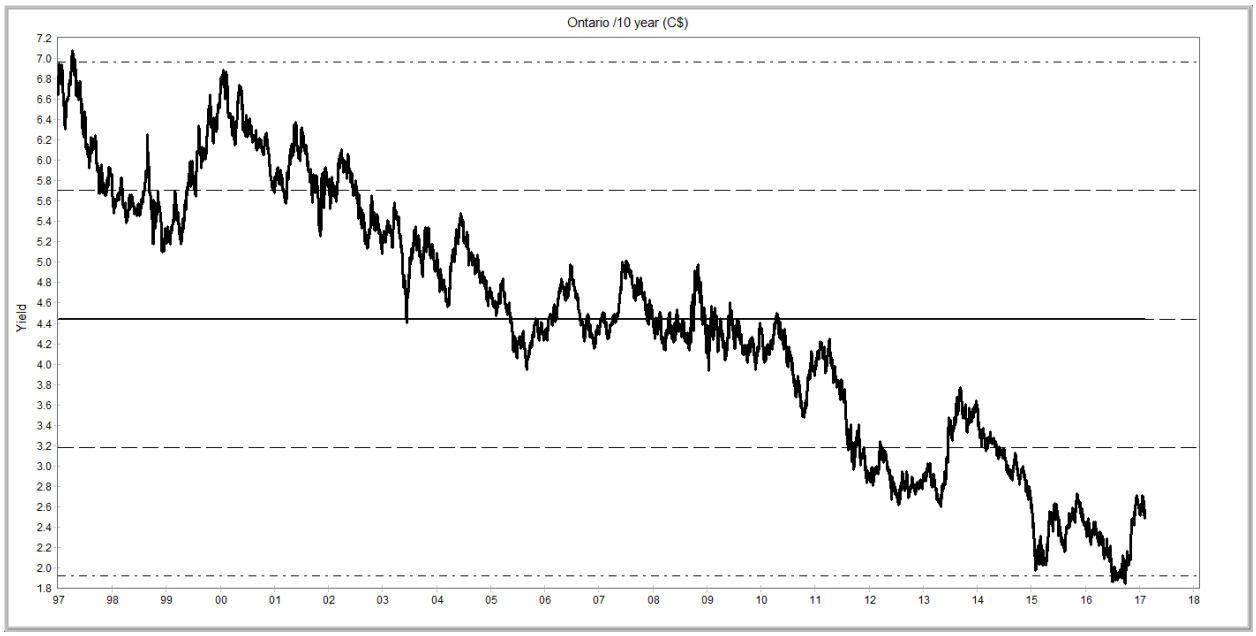
ii Province of Ontario bond yields in the 2-year, 10-year and 30-year tenors are all trading well below their historical averages over the last 20 years by approximately 1.3, 1.5 and 1.4 standard deviations, respectively.

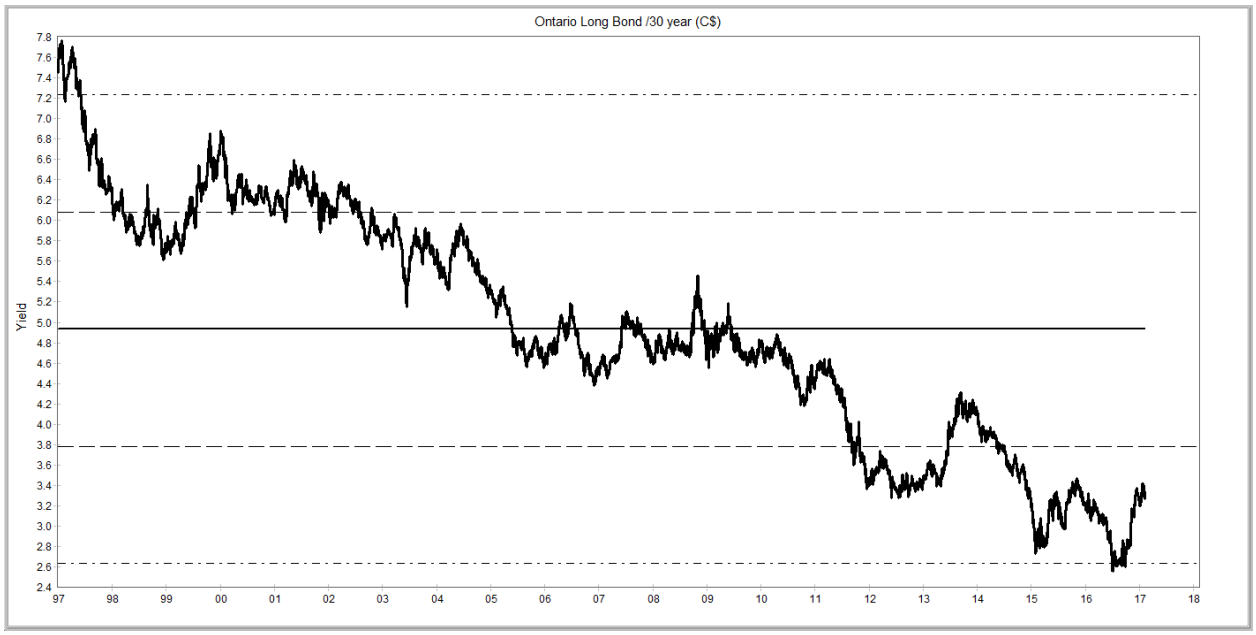
iii The Ontario 30-year bond yield is currently trading roughly 236 basis points above the Ontario 2-year bond yield. This represents approximately 0.5 standard deviations above the 20 year historical average spread. The 10 to 30-year Ontario yield curve is positive by approximately 77 basis points which is 1.3 standard deviations above the 20-year historical average.

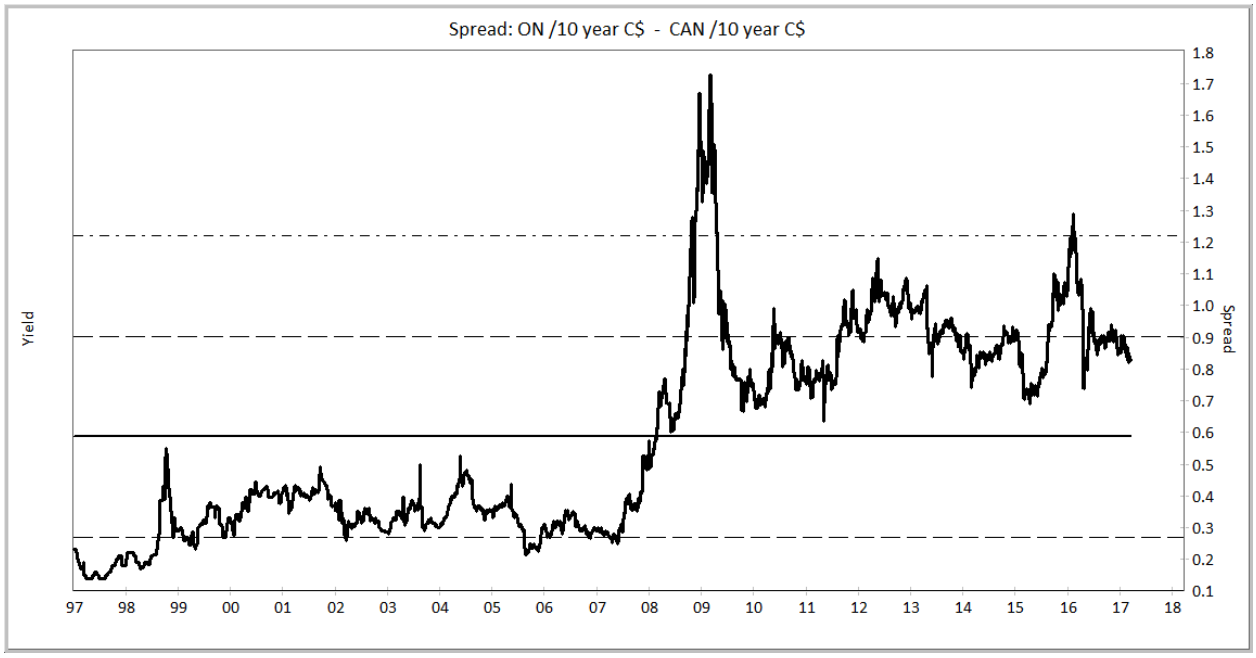
Historically low long-term yields combined with an upward sloping yield curve suggests that the Province should continue to take advantage of low long-term fixed borrowing rates while looking for opportunities to increase floating rate exposure.

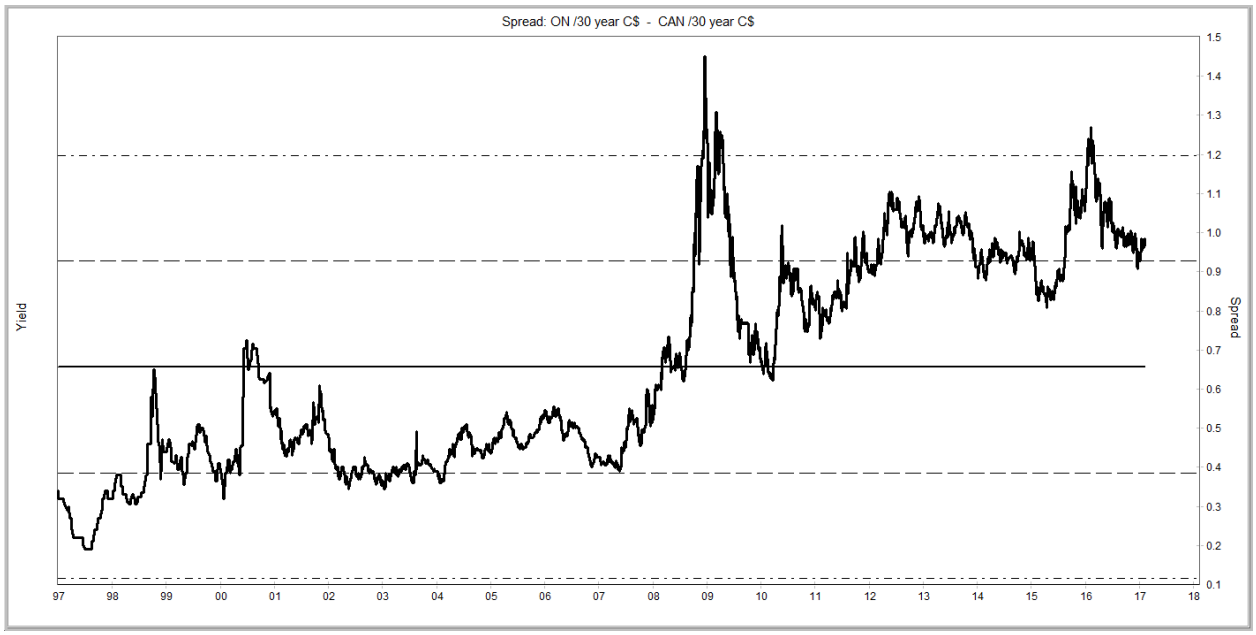


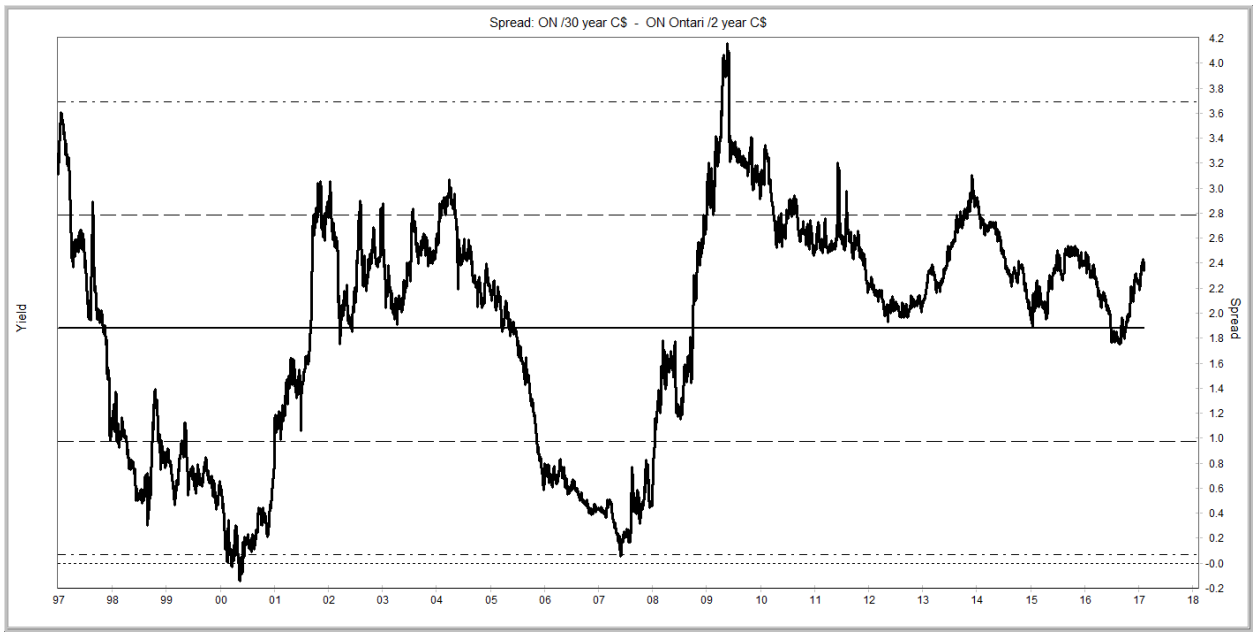
Ontario /2 year (C$)
Yield
6.6
6.4
6.2
6.0
5.8
5.6
5.4
5.2
5.0
4.8
4.6
4.4
4.2
4.0
3.8
3.6
3.4
3.2
3.0
2.8
2.6
2.4
2.2
2.0
1.8
1.6
1.4
1.2
1.0
0.8
0.6
97 98 99 00 01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17 18

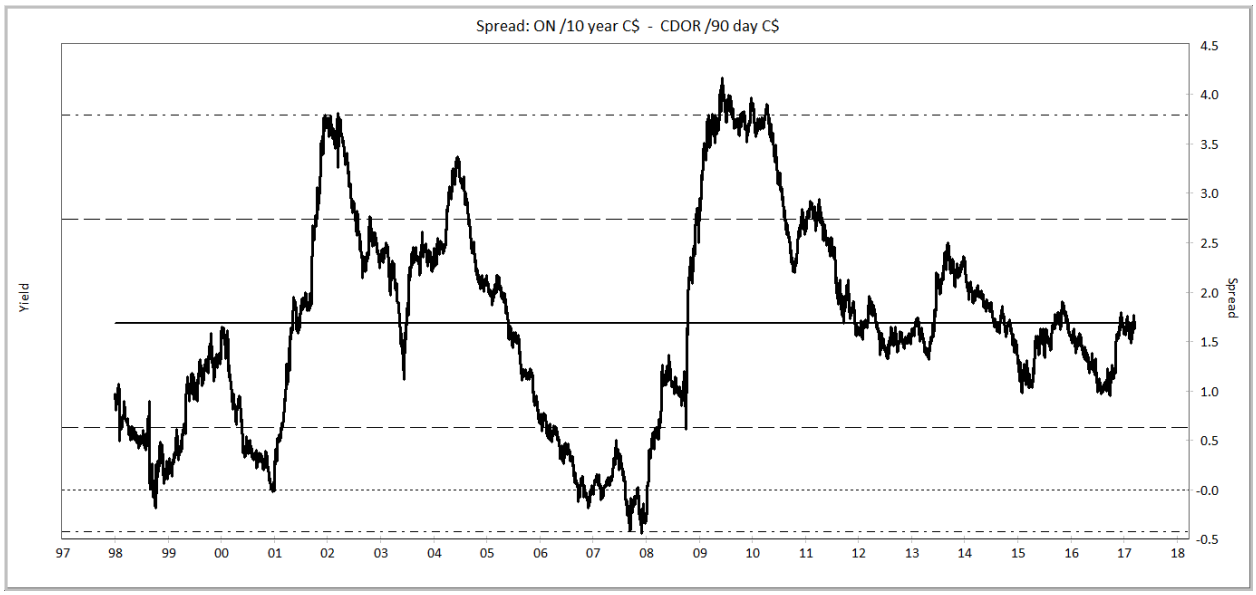

Ontario /10 year (C$)
Yield
7.2
7.0
6.8
6.6
6.4
6.2
6.0
5.8
5.6
5.4
5.2
5.0
4.8
4.6
4.4
4.2
4.0
3.8
3.6
3.4
3.2
3.0
2.8
2.6
2.4
2.2
2.0
1.8
97 98 99 00 01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17 18

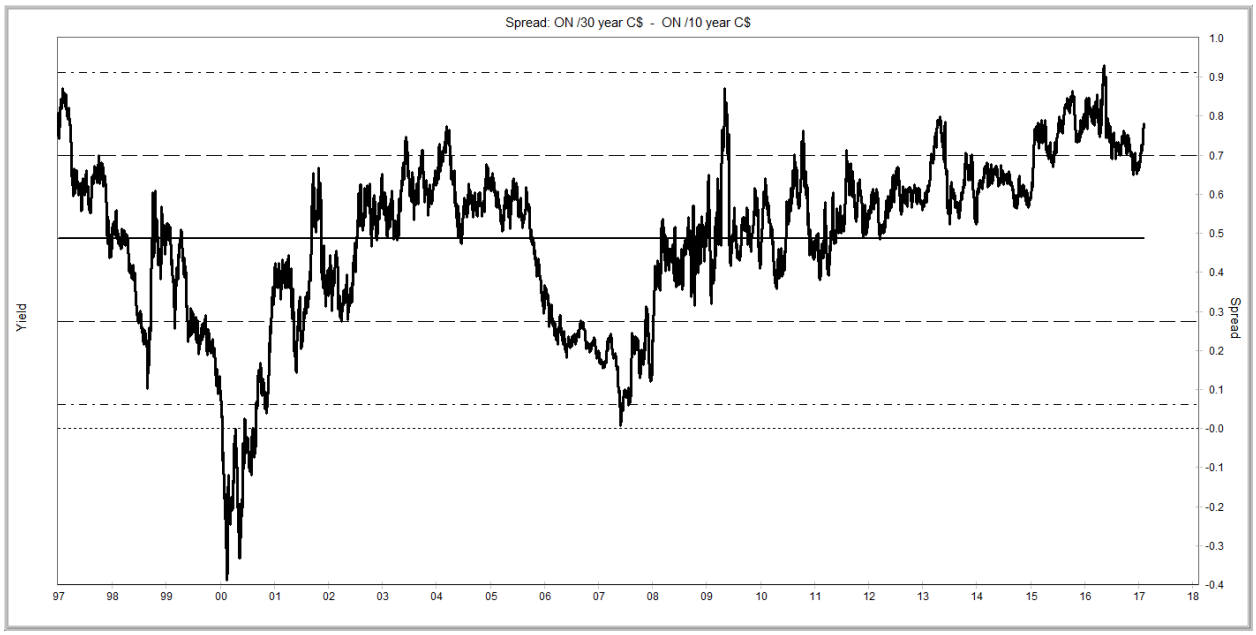

Ontario Long Bond /30 year (C$)
Yield
7.8
7.6
7.4
7.2
7.0
6.8
6.6
6.4
6.2
6.0
5.8
5.6
5.4
5.2
5.0
4.8
4.6
4.4
4.2
4.0
3.8
3.6
3.4
3.2
3.0
2.8
2.6
2.4
97 98 99 00 01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17 18

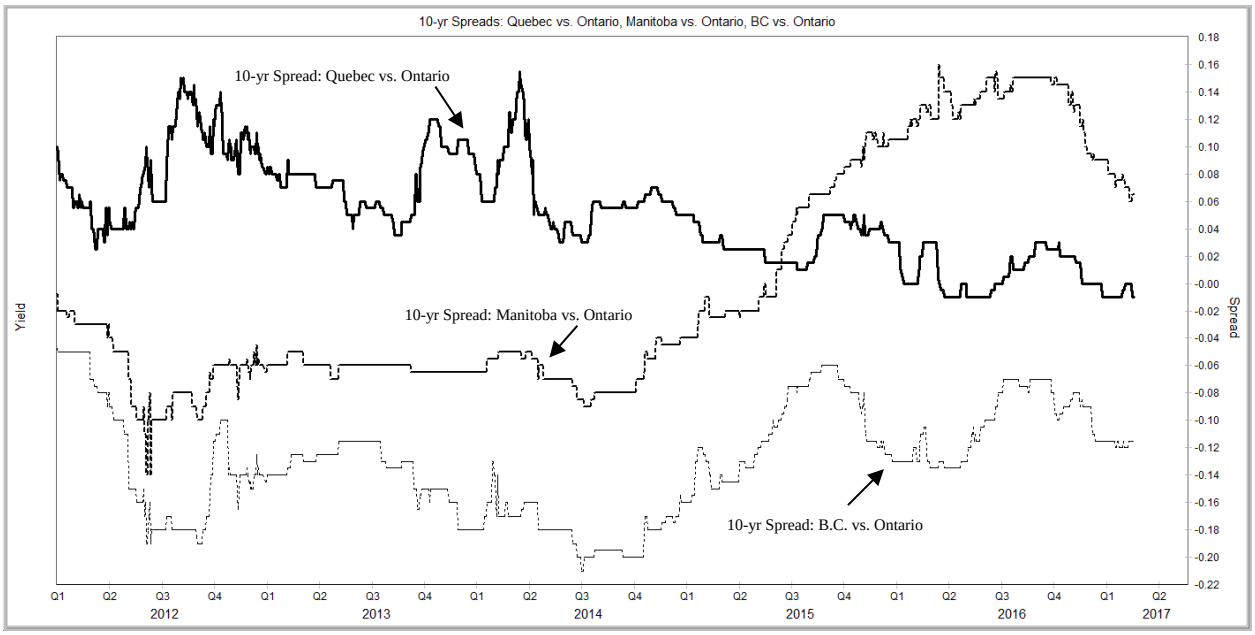

Spread: ON /10 year C$ - CAN /10 year C$
Yield
Spread
1.8
1.7
1.6
1.5
1.4
1.3
1.2
1.1
1.0
0.9
0.8
0.7
0.6
0.5
0.4
0.3
0.2
0.1
97 98 99 00 01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17 18


Spread: ON /30 year C$ - CAN /30 year C$
Yield
Spread
1.5
1.4
1.3
1.2
1.1
1.0
0.9
0.8
0.7
0.6
0.5
0.4
0.3
0.2
0.1
97 98 99 00 01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17 18


Spread: ON /30 year C$ - ON Ontari /2 year C$
Yield
Spread
4.2
4.0
3.8
3.6
3.4
3.2
3.0
2.8
2.6
2.4
2.2
2.0
1.8
1.6
1.4
1.2
1.0
0.8
0.6
0.4
0.2
-0.0
-0.2
97 98 99 00 01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17 18


Spread: ON /10 year C$ - CDOR /90 day C$
Yield
Spread
4.5
4.0
3.5
3.0
2.5
2.0
1.5
1.0
0.5
-0.0
-0.5
97 98 99 00 01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17 18


Spread: ON /30 year C$ - ON /10 year C$
Yield
Spread
1.0
0.9
0.8
0.7
0.6
0.5
0.4
0.3
0.2
0.1
-0.0
-0.1
-0.2
-0.3
-0.4
97 98 99 00 01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17 18


10-yr Spreads: Quebec vs. Ontario, Manitoba vs. Ontario, BC vs. Ontario
10-yr Spread: Quebec vs. Ontario
10-yr Spread: Manitoba vs. Ontario
10-yr Spread: B.C. vs. Ontario
Yield
Spread
0.18
0.16
0.14
0.12
0.10
0.08
0.06
0.04
0.02
-0.00
-0.02
-0.04
-0.06
-0.08
-0.10
-0.12
-0.14
-0.16
-0.18
-0.20
-0.22
Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2
2012
2013
2014
2015
2016
2017

APPENDIX 5 – INTEREST RATE SCENARIOS AND FLOATING RATE EXPOSURE STRATEGIES

<table>
<tr><th colspan="2">Interest Rate Scenarios and Floating Rate Exposure Strategies</th></tr>
<tr><td>1. Historically Low Long-term Rates and Upward Sloping Yield Curve

Raise long-term funds at attractive rates but also maintain or increase floating exposure moderately (by 0 to 1% of debt).

Interest cost savings may be achieved due to positive term spreads under these conditions. This is the condition that prevails today.</td><td>2. Historically High Long-term Rates and Upward Sloping Yield Curve

Increase floating rate exposure (by 5 to 10% of debt).

This condition is similar to the mid-1980s when both short and long rates fell as a result of falling inflation after tightening by the Bank of Canada in early 1980s.</td></tr>
<tr><td>3. Historically Low Long-term Rates and Flat or Downward Sloping Yield Curve

Maintain or decrease floating rate exposure (by 0 to 1% of debt) until conditions allow for cost savings to be realized through an increase in floating rate exposure.

There is virtually no cost advantage but high risk in adding more floating rate exposure.</td><td>4. Historically High Long Rates and Flat or Downward Sloping Yield Curve

Increase floating rate exposure moderately (by 2 to 4% of debt).

This condition is similar to the conditions which prevailed in the early 1980s and early 1990s. A gradual increase in floating exposure would have resulted in significant interest cost savings with a substantial decline in short rates restoring a normal yield curve in the mid-1980s.</td></tr>
<tr><td colspan="2">As of Feb 10, 2017, the 10-year Ontario rate was 2.56%. This is roughly 1.5 standard deviations below the average of 4.44% for the past 20 years.

As of Feb 10, 2017, the yield curve from 3-month banker’s acceptance rates to Ontario 10-year rates was positively sloped by roughly 161 basis points, which is slightly below the average over the last 10 years.

Note: The above are not intended to be exhaustive, and chosen strategies may depend upon market conditions and other circumstances.</td></tr>
</table>

APPENDIX 6 - ONTARIO AND OEFC DEBT PORTFOLIOS

The projected debt portfolio characteristics for Ontario and OEFC based on the recommended borrowing programs are summarized in the tables below.

ONTARIO
DEBT PORTFOLIO CHARACTERISTICS

DEBT PORTFOLIO[1] as of	YEARS		EXPOSURE Expressed as a % of total debt		
	Duration[2]	Term[2]	Net Floating[3]	Gross Floating	Interest Rate Resetting
March 31, 2017: Estimate	9.7	11.2	6.8%	12.6%	11.0%
March 31, 2018: Minimum[4]	8.9	10.2	10.0%	15.4%	14.9%
March 31, 2018: Target[5]	9.2	10.6	8.0%	13.4%	12.9%
March 31, 2018: Maximum[6]	9.6	11.2	6.0%	11.4%	10.9%

[1]Based on estimated debt outstanding as at Mar. 31, 2017 of $317.5 billion and $325.3 billion as at Mar 31, 2018, which includes the OEFC debt-for-equity swap in the amount of $7.763 million.
[2]Duration and Term calculations do not include debt-for-equity swap.
[3]Assumes $18.6 billion in liquid reserves as at March 31, 2017 and $18.6 billion March 31, 2018.
[4]Assumes $50.2 billion in gross floating rate debt and the minimum term of 6.5 years for new borrowing.
[5]Assumes $43.7 billion in gross floating rate debt and 10.6 years (i.e., middle of the range) for new borrowing.
[6]Assumes $37.2 billion in gross floating rate debt and the maximum term of 14.7 years for new borrowing.

OEFC
DEBT PORTFOLIO CHARACTERISTICS

DEBT PORTFOLIO[1] as of	YEARS		EXPOSURE Expressed as a % of total debt		
	Duration	Term	Net Floating[2]	Gross Floating	Interest Rate Resetting
March 31, 2017: Estimate	7.0	7.9	-10.6%	7.8%	-3.0%
March 31, 2018: Minimum[3]	8.5	9.9	-11.1%	7.3%	-8.7%
March 31, 2018: Target[4]	8.5	9.9	-13.1%	5.3%	-10.7%
March 31, 2018: Maximum[5]	8.5	9.9	-15.1%	3.3%	-12.7%

[1]Based on estimated debt outstanding as at Mar 31, 2017 of $20.4 billion and $19.4 billion as at Mar 31, 2018.
[2]Assumes $2.5 billion in liquid reserves at March 31, 2017 and $3.3 billion as at March 31, 2018.
[3]Assumes $1.4 billion in gross floating rate debt and 30 year term for new borrowing.
[4]Assumes $1.0 billion in gross floating rate debt and 30 year term for new borrowing borrowing.
[5]Assumes $0.6 billion in gross floating rate debt and 30 year term for new borrowing.

ONTARIO
PROJECTED INTEREST RATE RESETTING EXPOSURE
(amounts are in $ billions except as otherwise indicated)

ITEM	March 31 2017	2018	2019	2020	2021
Gross floating rate exposure[1]	40.1	43.7	44.2	45.5	46.7
Net floating rate exposure[2]	21.7	26.1	27.4	27.7	28.0
Fixed rate maturities within 12 months[3]	13.1	15.9	16.1	19.6	22.8
Interest rate resetting exposure	34.8	42.0	43.6	47.3	50.8
Interest rate resetting exposure as % of total debt[4]	**11.0%**	**12.9%**	**13.2%**	**14.0%**	**14.6%**
Non-maturity financing exposure as % of total debt[5]	2.5%	2.3%	3.0%	-	-
Interest rate setting exposure including non-maturity financing as % of total debt	13.5%	15.2%	16.2%	-	-

[1]Includes $2.25 billion, or 0.7% of debt outstanding, of unhedged RRB exposure.
[2]Assumes gross floating rate debt percentage is held constant for all future years at the March 31, 2018 target level and liquid reserves of $18.6 billion as at March 31, 2017 and assumed constant at that level thereafter. Assumes floating maturities are rolled over into new floating.
[3]Based on the following annual refinancing assumptions: 3-yr 10%
[4]Based on estimated debt for provincial purposes outstanding as at Mar. 31, 2017 of $317.5 billion, $325.3 billion as at Mar 31, 2018, $329.4 billion as at March 31, 2019 and $338.5 billion as at March 31, 2020 which includes OEFC debt-for-equity swap.
[5]Based on non-maturity financing assumptions of $7.8 billion in 2017-18, $7.4 billion in 2018-19 and $9.9 billion in 2019-20.

OEFC
PROJECTED INTEREST RATE RESETTING EXPOSURE
(amounts are in $ billions except as otherwise indicated)

ITEM	March 31 2017	2018	2019	2020	2021
Gross floating rate exposure[1]	1.6	1.0	1.0	0.9	0.8
Net floating rate exposure[2]	-2.2	-2.5	-3.6	-2.7	-1.5
Fixed rate maturities within 12 months	1.6	0.5	1.4	1.4	1.8
Interest rate resetting exposure	-0.6	-2.1	-2.3	-1.3	0.3
Interest rate resetting exposure as % of total debt[3]	**-3.0%**	**-10.7%**	**-12.0%**	**-7.6%**	**1.8%**

[1]Includes $0.8 billion, or 4.1% of debt outstanding, of unhedged RRB exposure.
[2]Assumes gross floating rate exposure is held constant for all future years at the March 31, 2018 target level and liquid reserves of $2.5 billion as at March 31, 2017, $3.3 billion as at March 31, 2018, $4.1 billion as at March 31, 2019, $3.2 billion as at March 31, 2020 and $2.2 billion as at March 31, 2021. Assumes floating maturities are rolled over into new floating.
[3]Based on debt estimated outstanding as at Mar. 31, 2017 of $20.4 billion, $19.4 billion as at Mar 31, 2018, $18.7 billion as at March 31, 2019, $17.3 billion as at March 31, 2020.

2017-18 IMPACT OF SHORT-TERM INTEREST RATE VOLATILITY ON GROSS FLOATING DEBT INTEREST COSTS[1]

	ONTARIO $43.7 bln Gross Floating Rate Exposure	OEFC $1.0 bln Gross Floating Rate Exposure
Gross Floating Rate Debt Interest Cost at Average CDOR	$418 mln	$9.8 mln
Interest cost increase of a 1 standard deviation adverse move in short term interest rates.[2]	$526 mln	$12 mln
Interest cost increase at 99% Confidence Interval.	$1,223 mln	$28.7 mln

[1]Assumes no change in long-term interest rates (i.e., only impact of increase in short-term rates).
[2]1 Year average CDOR rate of 0.96% with a 10 year standard deviation of 1.20%

2017-18 Debt Maturities

ONTARIO & OEFC 2017-18 MATURITY SCHEDULE ($ millions)						
				MONTHLY TOTALS		
DATE	ONTARIO	OEFC	ISSUE ID	MONTH	ONTARIO	OEFC
3-Apr-17	1.1		NPD			
24-Apr-17	8.2		NPD	Apr	9	-
1-May-17	0.7		NPD	May	1	-
1-Jun-17	1.3		NPD			
21-Jun-17	587.7		OSB	Jun	589	-
4-Jul-17	1.7		NPD			
10-Jul-17	0.1		JA	Jul	2	-
1-Aug-17	1.3		NPD	Aug	1	-
1-Sep-17	1.3		NPD			
8-Sep-17	6,350.0		DMTN213			
22-Sep-17	1,119.5		DMTN219	Sep	7,471	-
2-Oct-17	1.0		NPD			
10-Oct-17		179.3	OEFC83-Partially floating			
25-Oct-17	1,879.0		G60-Partially floating			
25-Oct-17	736.9		G60a-Floating	Oct	2,617	179
1-Nov-17	0.7		NPD			
23-Nov-17	254.0		USMTN2			
23-Nov-17	750.0		DMTN217			
23-Nov-17		205.0	OEFC100-Floating	Nov	1,005	205
1-Dec-17	1.3		NPD			
15-Dec-17	1,230.6		G52-Floating	Dec	1,232	-
1-Jan-18	1.7		NPD			
9-Jan-18	206.2		G39-Partially floating			
10-Jan-18	0.1		JA			
25-Jan-18	6.1		NPD	Jan	214	-
1-Feb-18	1.3		NPD			
14-Feb-18	705.0		G62-Floating			
14-Feb-18		295.0	OEFC101-Floating	Feb	706	295
1-Mar-18	1.1		NPD			
8-Mar-18	1,560.0		DMTN183			

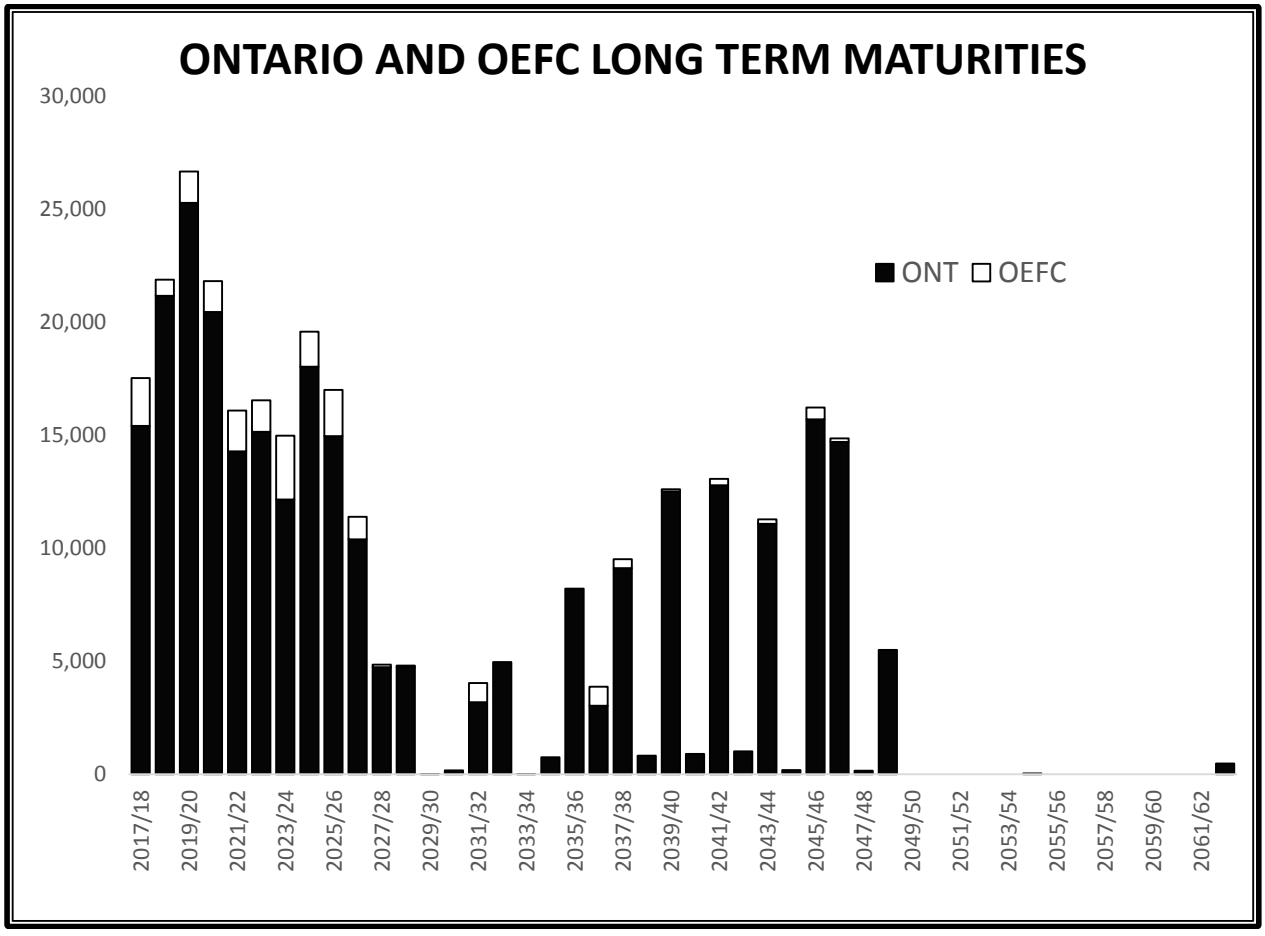
8-Mar-18	1,440.0	OEFC78		Mar	1,561	1,440
Totals					15,408	2,119

2018-19 Debt Maturities

ONTARIO & OEFC
2018-19 MATURITY SCHEDULE
($ millions)

DATE	ONTARIO	OEFC	ISSUE ID	MONTHLY TOTALS MONTH	ONTARIO	OEFC
2-Apr-18	0.8		NPD	Apr	1	-
1-May-18	0.5		NPD			
25-May-18	8.7		NPD			
30-May-18	775.0		DMTN221 ($300 mln Float)	May	784	-
1-Jun-18	0.8		NPD			
4-Jun-18	605.0		DMTN079 ($125 mln Float)			
4-Jun-18		110.0	OEFC66			
21-Jun-18	299.5		OSB			
25-Jun-18	14.4		NPD	Jun	920	110
2-Jul-18	1.7		NPD			
10-Jul-18	0.1		JA			
16-Jul-18	993.6		G55 ($28.6 mln Float)			
25-Jul-18	1.4		NPD			
30-Jul-18	101.7		CHF1			
30-Jul-18	219.5		EMTN82			
30-Jul-18		157.7	OEFC80	Jul	1,318	158
1-Aug-18	1.2		NPD			
7-Aug-18	75.6		YL16			
28-Aug-18	600.8		DMTN222 ($70 mln Float)			
28-Aug-18	0.4		NPD	Aug	678	-
3-Sep-18	1.1		NPD			
10-Sep-18	7,628.0		DMTN218			
10-Sep-18		372.0	OEFC102			
24-Sep-18	0.1		NPD			
27-Sep-18	2,109.4		G63 ($270.6 mln Float)	Sep	9,739	372
1-Oct-18	0.6		NPD			
9-Oct-18	500.0		G68			
25-Oct-18	8.2		NPD	Oct	509	-
1-Nov-18	0.5		NPD			
26-Nov-18	11.9		NPD	Nov	12	-
3-Dec-18	937.0		DMTN224			
3-Dec-18	0.7		NPD			
14-Dec-18	101.7		CHF2			
18-Dec-18		73.7	OEFC81			
21-Dec-18	0.1		NPD	Dec	1,040	74
1-Jan-19	1.7		NPD			
10-Jan-19	0.0		JA			
18-Jan-19	3,404.5		G71			
25-Jan-19	0.4		NPD			

30-Jan-19	1,347.7	G65 ($188.525 mln Float)			
30-Jan-19	1,347.7	G65a ($1,301.4 mln Float)	Jan	6,102	-
1-Feb-19	1.2	NPD			
22-Feb-19	5.3	NPD	Feb	6	-
1-Mar-19	1.1	NPD			
5-Mar-19	40.0	NPD			
8-Mar-19	5.3	NPD			
25-Mar-19	6.2	NPD	Mar	53	-
				21,161	713



OUTSTANDING EMBEDDED OPTIONS

The table below contains a listing of all Ontario and OEFC debt having embedded options.

DEBT ISSUES WITH EMBEDDED OPTIONS						
OPTION DATE	**SIZE ($ millions)**	**ISSUE ID**	**COUPON (%)**	**MATURITY DATE**	**EMBEDDED OPTION**	**PROBABILITY OF EXERCISE**
No outstanding debt issues with embedded options						

APPENDIX 7 - FOREIGN EXCHANGE ANALYSIS

A. CURRENCY VALUATIONS ANALYSIS

Ten Year Trading Range

Ten-year historical currency charts are provided in Attachment 1 to this Appendix.

These charts illustrate that the Canadian dollar appreciated against the USD, JPY, EUR, CHF and GBP over the last fiscal year. Three of the policy currencies are currently stronger than their historical 10-year averages against the Canadian dollar.

TEN-YEAR TRADING RANGE HISTORY					
ITEM	**USD**	**JPY**	**EUR**	**CHF**	**GBP**
CAD/ Unit of Foreign Currency Feb 28-17	**1.3285**	**0.01184 (84.43)**	**1.4070**	**1.3254**	**1.6490**
10-yr historical average	1.1059	0.011247 [88.91]	1.4341	1.1156	1.7730
Foreign currency compared to 10-yr average	Stronger	Stronger	Weaker	Stronger	Weaker
Standard deviation from 10-yr average	1.82	0.47	-0.28	1.44	-0.66
YEAR-OVER-YEAR CHANGE					
1 foreign currency => CAD on Feb 18-16	**1.3749**	**0.01206 (82.92)**	**1.5219**	**1.3801**	**1.9664**
Foreign currency yr-over-yr change	-3.4%	-1.8%	-7.5%	-4.0%	-16.1%

Currency Forecasts

One-year currency forecasts are provided for each of the policy currencies in the following table. The consensus outlook is for the Canadian dollar to appreciate against the JPY, CHF, and GBP, while depreciating against the USD and EUR over the next year.

CURRENCY FORECASTS					
ITEM	**USD**	**JPY**	**EUR**	**CHF**	**GBP**
CAD/ Unit of Foreign Currency Feb 28-17	**1.3285**	**0.01184 (84.43)**	**1.4070**	**1.3254**	**1.6490**
1-year forecast (Forecast 2018 – end of period)	1.3405[1]	0.0114 [87.40][2]	1.4088[2]	1.3081[2]	1.6046[2]
% appreciation/(depreciation) of foreign ccy	1.2%	(3.2%)	0.3%	(0.9%)	(2.5%)

[1] Source: March 2017 Ministry of Finance Survey of Forecasts
[2] Source: February 2017 Consensus Economics Inc.

Interest Rate Differentials

Interest rate differentials between the Canadian dollar and the policy currencies are summarized below. Global floating rates have trended lower in JPY, EUR and GBP but higher in CAD, USD and CHF. Fixed rates have trended higher in CAD, USD and JPY and lower in CHF and GBP with the EUR largely unchanged year over year. The table highlights that the JPY, EUR, CHF and GBP currently offer significantly lower fixed borrowing rates compared with the Province's domestic funding cost. Significant interest savings can be achieved in JPY and CHF as Ontario's ten-year borrowing cost in these currencies is currently 202 and 251 basis points lower, respectively. The EUR and GBP ten-year rates also offer attractive borrowing costs that are 151 and 81 basis points lower than the domestic rate.

INTEREST RATE DIFFERENTIALS %						
ITEM	**CAD**	**USD**	**JPY**	**EUR**	**CHF**	**GBP**
Floating (3-month LIBOR)* **Feb 28 -17**	**0.95300**	1.05456	(0.00986)	(0.35214)	(0.7272)	0.35369
Differential vs CAD	---	0.1016	(0.9629)	(1.3051)	(1.6802)	(0.5993)
10-yr Ontario rates **Feb 28 -17**	**2.49**	2.99	0.47	0.98	(0.02)	1.68
Differential vs CAD	---	0.50	(2.02)	(1.51)	(2.51)	(0.81)
* CDOR is used for CAD						

The accumulated interest rate savings provide a cushion against an unexpected appreciation in the foreign currency versus the Canadian dollar. The extent of this cushion depends on the magnitude of the interest rate differential and the tenor of the debt issue, and is generally quantified through the calculation of currency break-even rates.

Break-Even FX Rates

Break-even rates are provided in the following table on a once-and-for-all basis (i.e., where the foreign currency moves to the break-even rate immediately and stays there until debt maturity), and on a straight-line basis (i.e., a steady movement of the foreign currency to the break-even rate by the debt maturity date). Using a hypothetical Yen issue, the Japanese Yen would have to appreciate above CAD 0.014401 per JPY (69.44 JPY per CAD) on a once-and-for-all basis or above CAD 0.014472 per JPY (69.10 JPY per CAD) on a straight-line basis before the cost of a ten-year unhedged JPY debt issue would exceed an equivalent CAD borrowing.

10-YEAR CURRENCY BREAK-EVEN RATES					
ITEM	**USD**	**JPY**	**EUR**	**CHF**	**GBP**
CAD/ Unit of Foreign Currency Feb 28 -17	**1.3285**	**0.01184 (84.43)**	**1.4070**	**1.3254**	**1.6490**
10-yr historical average	1.1059	0.011247 [88.91]	1.4341	1.1156	1.7730
Once-and-for-all change	1.2725	0.014401 [69.44]	1.6230	1.7014	1.7756
Straight-line change	1.2645	0.014472 [69.10]	1.6340	1.7010	1.7865

These results show that the JPY, EUR, CHF, and GBP, provide attractive ten-year borrowing opportunities as their break-even rates are well above the current spot levels, and above their 10-year historical average (see currency charts in Attachment 1).

B. SENSITIVITY ANALYSIS AND RISK ASSESSMENT

The more volatile a currency, the greater the risk of debt interest variability. Volatilities for each policy currency are summarized in the following table on a one-year and ten-year historical basis. These results show that the JPY and EUR have been the most volatile currencies over the past year and EUR and CHF the most volatile over the past ten years. USD and GBP have been the least volatile overall.

CURRENCY VOLATILITY					
VOLATILITY	**USD**	**JPY**	**EUR**	**CHF**	**GBP**
Over past year (%)	8.93	12.77	14.80	8.82	8.85
Over past 10 years (%)	10.43	11.25	16.09	14.35	10.36

The sensitivity of IOD to exchange rate volatility is presented in the following table against two widely used statistical measures: a 1 standard deviation, and a 99% confidence level. The results are based on a hypothetical 1% notional exposure for each policy currency (i.e., $3.157 billion). Debt interest impacts have been calculated on both a ten-year amortized basis and on a mark-to-market basis. Under current public sector accounting principles, foreign exchange gains and losses are deferred and amortized over the remaining life of the related debt.

DEBT INTEREST SENSITIVITY PER 1% FOREIGN CURRENCY EXPOSURE INCREASE/(DECREASE) IN IOD IN CAD MILLIONS					
ITEM	**1% USD**	**1% JPY**	**1% EUR**	**1% CHF**	**1% GBP**
CAD/ Unit of Foreign Currency Feb 28-17	**1.3285**	**0.01184 (84.43)**	**1.4070**	**1.3254**	**1.6490**
+1 Standard Deviation					
Exchange Rate	1.4471	0.01336 [74.87]	1.6152	1.4423	1.7949
Amortized Impact (yr 1)	52	(22)	4	(51)	7
Amortized Impact (subsequent yrs)	36	42	51	28	33
Mark-to-Market Impact	306	341	424	199	259
99% Confidence Level					
Exchange Rate	1.6043	0.01536 [65.10]	1.8911	1.5972	1.9883
Amortized Impact (yr 1)	101	34	72	(14)	50
Amortized Impact (subsequent yrs)	85	98	119	65	76
Mark-to-Market Impact	691	878	1,049	568	635
Note: Current year debt interest includes the impact of the coupon differential against Canada: i.e., cost/(saving) in CAD million=> USD:15.8 ; JPY: (63.7); EUR: (47.7); CHF (79.2); GBP: (25.6). Future year over year debt interest impact will differ from the economic impact to the extent that coupon savings are included in base debt interest.					

The results for CHF have normalized since the 2015-2016 debt plan as the one year volatility for this currency is now roughly half that of the years prior to 2015. All currencies are once again in a fairly narrow range with respect to their impact on IOD. The results favour the USD, CHF and GBP on an amortized (after 1 year) basis and on a mark to market basis, due to their lower volatilities.

Although the results do show a relatively small risk to current IOD on an amortized basis, as the debt moves closer to maturity and the amortization period becomes shorter, the volatility transmitted to IOD will become much greater. In fact, during the maturity year, the amortized results will equal the mark-to-market impact.

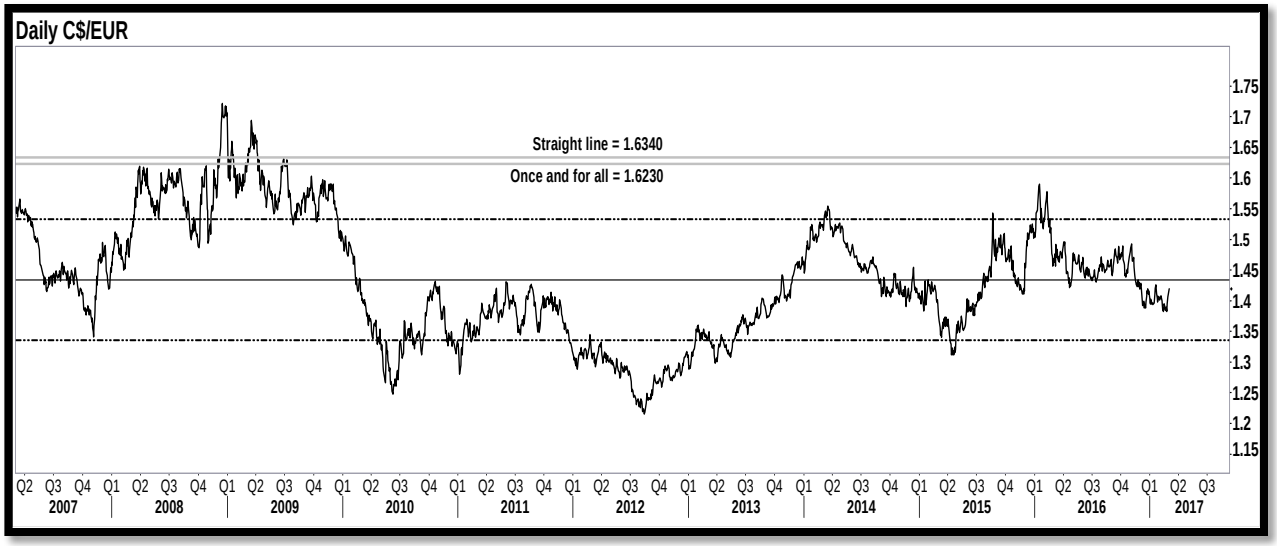
The following table shows the sensitivity of IOD to existing foreign exchange principal exposure assuming a once-and-for-all move from spot to the one year forecast, the one standard deviation, and the 99% confidence level.

SENSITIVITY OF IOD TO CURRENT FOREIGN CURRENCY PRINCIPAL EXPOSURE INCREASE/(DECREASE) IN IOD IN CAD MILLIONS			
ITEM	**0.075% JPY**	**0.17% CHF**	**TOTAL**
CAD/ Unit of Foreign Currency Feb 28 -17	**0.01184 (84.43)**	**1.3254**	
1 Yr Forecast			
Exchange Rate	0.0114 [87.40]	1.3081	
Amortized Impact	(2.6)	(2.3)	**(4.9)**
Mark-to-Market Impact	(8.1)	(7.1)	**(15.2)**
+1 Standard Deviation			
Exchange Rate	0.01336 [74.87]	1.4423	
Amortized Impact	9.7	15.8	**25.5**
Mark-to-Market Impact	30.6	47.9	**78.5**
99% Confidence Level			
Exchange Rate	0.01536 [65.10]	1.5972	
Amortized Impact	22.5	36.7	**59.2**
Mark-to-Market Impact	71.1	111.3	**182.4**

The 1 year forecast sensitivity of IOD has increased slightly after moderating for the past few years, trending towards levels seen prior to 2015, when extreme volatility in CHF impacted IOD sensitivity. The 1 standard deviation and 99 percent confidence level of CHF IOD sensitivity is roughly half that of the previous year, while JPY levels are roughly unchanged for 1 standard deviation and higher at the 99% confidence level.

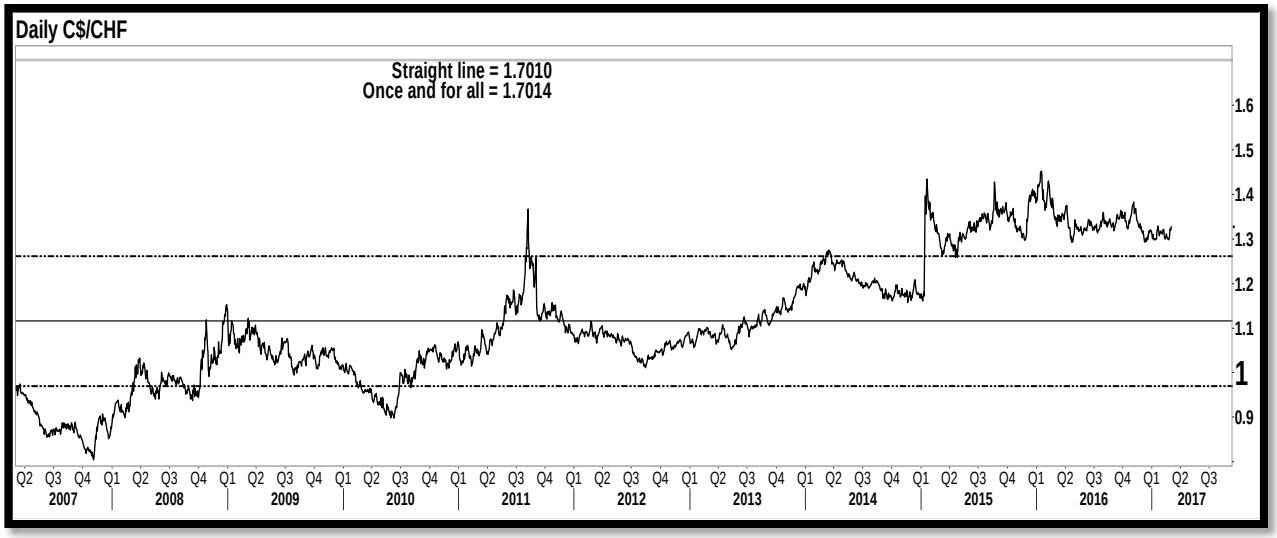
ATTACHMENT 1 – FX Historical Charts

In the following historical foreign exchange rate charts, the vertical axis represents the Canadian dollar price of one foreign exchange currency unit. This means that the foreign currency strengthens when the point in the curve goes up the scale and weakens when the point goes down the scale. The solid horizontal line represents the 10-year average, while the dotted lines represent 1 standard deviation. The two break-even points are also shown on the charts.



EUR Stronger

EUR Weaker



CHF Stronger

CHF Weaker

GBP Stronger

GBP Weaker

APPENDIX 8 - STRESS TESTING

STRESS TEST SCENARIOS USED						
VARIABLE	BASE CASE (Jan 31, 2017)		Parallel Yield Curve Shift		Yield Curve Pivoting	
CAD Bond Yields	3 mo 5 yrs 10 yrs 30 yrs	0.455% 1.111% 1.754% 2.408%	increase (+ 125 bps)	decrease (- 125 bps)	50 bps steepening between O/N and 10-year term	50bps flattening between O/N and 10-year term
Swap Rates	3 mo 5 yrs 10 yrs 30 yrs	0.900% 1.463% 1.984% 2.440%	increase (+ 125 bps)	decrease (- 125 bps)	50 bps steepening between O/N and 10-year term	50 bps flattening between O/N and 10-year term
Option and Cap/Floor Volatilities			increase (+20%)			

STRESS TESTING RESULTS (Positions, interest and FX rates, volatilities and correlations as of January 31 , 2017; in $ million)						
IMPACT ON:	SCENARIOS					
	BASE CASE		#1	#2	#3	#4
			Parallel Yield Curve Shift		Yield Curve Pivoting	
IOD Base Case [a] (2017-18)	11,700		+350	-350	not applicable	
95% IOD-at-Risk (2017-18)	104	229 [b]	250 [b]	210 [b]	233 [b]	226 [b]
IOD stress testing scenarios [c]	About $500M for stressed market scenarios and about $50M for the potential default scenario.					
Counterparties with MTM Exposures Exceeding Credit Limit	none		none	none	none	none

a. Sensitivity to a 100 bps parallel shift only.

b. RiskMetrics Volatilities doubled; Correlations set to +1.

c. Stress testing includes +125 bps upward parallel yield curve shift, 20% depreciation of the CAD dollar, a 1.25 points increase to the projected CPI level, and a potential default loss estimate. The potential default loss is estimated based on the default of the weakest counterparty with a recovery rate of 30% under a stress scenario of +125 bps upward parallel yield curve shift and a 20% depreciation of the CAD dollar.

APPENDIX 9 - ASSUMPTIONS FOR DERIVATIVES PORTFOLIO STRESS TESTS

(As at January 31, 2017)

Major FX Currency Assumptions

	CAD Appreciates by			Base	CAD Depreciates by		
	30%	20%	10%		10%	20%	30%
CAD/AUD	0.6908	0.7895	0.8882	0.9869	1.0855	1.1842	1.2829
CAD/USD	0.9110	1.0411	1.1713	1.3014	1.4315	1.5617	1.6918
CAD/CHF	0.9206	1.0522	1.1837	1.3152	1.4467	1.5783	1.7098
CAD/EUR	0.9835	1.1240	1.2645	1.4050	1.5455	1.6860	1.8265
CAD/GBP	1.1462	1.3100	1.4737	1.6375	1.8012	1.9650	2.1287
CAD/JPY	0.0081	0.0092	0.0104	0.0115	0.0127	0.0138	0.0150

	VaR Assumptions - CAD Swap Rates				
	1y VaR Up	1D VaR Up	Base Rate	1D VaR Down	1y VaR Down
2Y	1.6503	1.1335	1.0997	1.0659	0.5491
5Y	2.4129	1.5215	1.4632	1.4049	0.5135
10Y	3.1881	2.0583	1.9844	1.9104	0.7806
30Y	3.5343	2.5072	2.4400	2.3728	1.3457

	VaR Assumptions - CAD FX Rates				
	1y VaR CAD Appreciate	1D VaR CAD Appreciate	Base Rate	1D VaR CAD Depreciate	1y VaR CAD Depreciate
CAD/AUD	0.8439	0.9780	0.9869	0.9957	1.1298
CAD/USD	1.0947	1.2886	1.3014	1.3142	1.5081
CAD/CHF	1.1368	1.3042	1.3152	1.3262	1.4936
CAD/EUR	1.1863	1.3915	1.4050	1.4185	1.6237
CAD/GBP	1.3266	1.6183	1.6375	1.6567	1.9484
CAD/JPY	0.0091	0.0114	0.0115	0.0117	0.0140

APPENDIX 10 - DERIVATIVE EXPOSURE VALUE AT RISK

The following table illustrates a 95% Confidence VaR measure and a 84% Confidence VaR measure (i.e., 1 standard deviation) for each derivative counterparty for 3 month to 1 year based on changes to interest rates and foreign exchange rates. The impact of CSA's are not factored into these calculations.

Derivative Exposure Value at Risk for Jan 31, 2017

Counterparty	3M 95% VaR	6M 95% VaR	1Y 95% VaR	3M 84% VaR	6M 84% VaR	1Y 84% VaR
Canadian Imperial Bank of Commerce	1,032.92	1,478.62	2,091.09	570.04	816.02	1,154.02
Bank of Montreal	990.06	1,417.27	2,004.32	546.39	782.16	1,106.14
Royal Bank of Canada	680.13	973.60	1,376.88	375.35	537.31	759.87
Bank of Nova Scotia	590.26	844.96	1,194.96	325.75	466.31	659.47
The Toronto-Dominion Bank	478.51	684.99	968.72	264.08	378.03	534.62
National Bank of Canada	418.04	598.43	846.31	230.71	330.26	467.06
Deutsche Bank AG	334.38	478.48	680.59	184.54	264.06	375.60
JPMorgan Chase & Co.	95.22	135.74	191.96	52.55	74.91	105.94
Credit Suisse Group	50.05	71.62	101.87	27.62	39.52	56.22
BNP Paribas	47.47	67.13	95.90	26.20	37.05	52.93
HSBC Holdings PLC	29.35	42.00	59.74	16.20	23.18	32.97
Bank of America Corp.	0.18	0.25	0.36	0.10	0.14	0.20

APPENDIX 11 - INVESTMENT OBJECTIVES & PERFORMANCE OF SEGREGATED FUNDS

Investment Objectives and Benchmarks

	Security of Capital	Income	Liquidity	Benchmark
PBGF & PBGFB	Low sensitivity to adverse developments in the Capital Markets to meet unforeseen demand for capital in the short-term.	The minimum return target is to achieve the rate of return on 91 day Canada T-Bills. Effective Returns should be consistent with the returns on funds with a similar risk profile	Ability to meet sudden and unforeseen claims.	100% FTSE TMX Canada 91-day T-Bill index for the Money Market Portfolio Customized Buy & Hold Canadian Government Bond Ladder Benchmark for the Government Bond Ladder Portfolio
DICO & DICOB	Preserve capital and achieve an appropriate balance between investment security, liquidity and yield. Zero tolerance for net investment losses in any year and is willing to accept the possible reduction in overall return to ensure this outcome	Obtain a reasonable return within policy guidelines and risk tolerance	Accumulate sufficient assets to provide a 95% confidence level that it will have sufficient funds to meet deposit insurance claims	100% FTSE TMX Canada 91-day T-Bill Index for the Money Market Portfolio Customized Buy & Hold Canadian Government Bond Ladder Benchmark for the Government Bond Ladder Portfolio Performance Target: 5 basis points over the benchmarks
OTF & OTFB	Safety of principal by investing in fixed income securities and decreasing the volatility of returns by diversifying investments	Providing reasonable rates of return, consistent with available market opportunities, quality standard of investment and appropriate levels of risk	Providing sufficient liquidity to meet obligations	100% FTSE TMX Canada 91-day T-Bill Index for the Money Market Portfolio Customized Buy & Hold Canadian Government Bond Ladder Benchmark for the Government Bond Ladder Portfolio Performance Target: 5 basis points over the benchmarks
OILC	Maintain an acceptable level of safety of principal by restricting the amount of duration mismatch and resulting sensitivity to changes in interest rates	Reduce the fiscal impact by generating investment income to mitigate the cost of the subsidy on the municipal loans and operating expenses	Maintain necessary liquidity to meet obligations	None - due to matching strategy
OCGC	Preservation of capital and extremely low tolerance for capital losses	Providing reasonable rates of return with appropriate levels of risk	Providing sufficient liquidity to meet capital calls	None - due to cash flow matching strategy to fund capital calls

Performance

	2013-14			2014-15			2015-16			2016-17 *		
	Portfolio Return Annualized	Benchmark Return Annualized	Return over Benchmark Annualized	Portfolio Return Annualized	Benchmark Return Annualized	Return over Benchmark Annualized	Portfolio Return Annualized	Benchmark Return Annualized	Return over Benchmark Annualized	Portfolio Return Annualized	Benchmark Return Annualized	Return over Benchmark Annualized
PBGF	1.10%	1.00%	**0.10%**	1.05%	0.94%	**0.12%**	0.73%	0.52%	**0.22%**	0.74%	0.50%	**0.24%**
PBGFB**	-	-	-	1.21%	1.08%	**0.13%**	1.26%	1.04%	**0.21%**	1.22%	0.90%	**0.32%**
DICO	1.10%	1.00%	**0.10%**	1.05%	0.94%	**0.12%**	0.69%	0.52%	**0.17%**	0.71%	0.50%	**0.20%**
DICOB	1.32%	1.15%	**0.17%**	1.36%	1.18%	**0.19%**	1.30%	1.02%	**0.27%**	1.13%	0.79%	**0.35%**
OTF	1.11%	1.00%	**0.11%**	1.06%	0.94%	**0.12%**	0.71%	0.52%	**0.19%**	0.70%	0.50%	**0.19%**
OTFB	1.76%	1.46%	**0.30%**	1.56%	1.25%	**0.31%**	1.41%	1.08%	**0.33%**	1.23%	0.85%	**0.38%**
OILC	1.09%	N/A	-	1.07%	N/A	-	0.85%	N/A	-	0.66%	N/A	-
OCGC	1.37%	N/A	-	1.37%	N/A	-	0.99%	N/A	-	0.70%	N/A	-

* **The performance for 2016-17 is for a period of 10 months except for OILC which is for a period of 9 months**

** **The performance for 2014-15 is for a period of 6 months**

APPENDIX 12 - ENERGY MARKET ANALYSIS

NUG SUPPLY

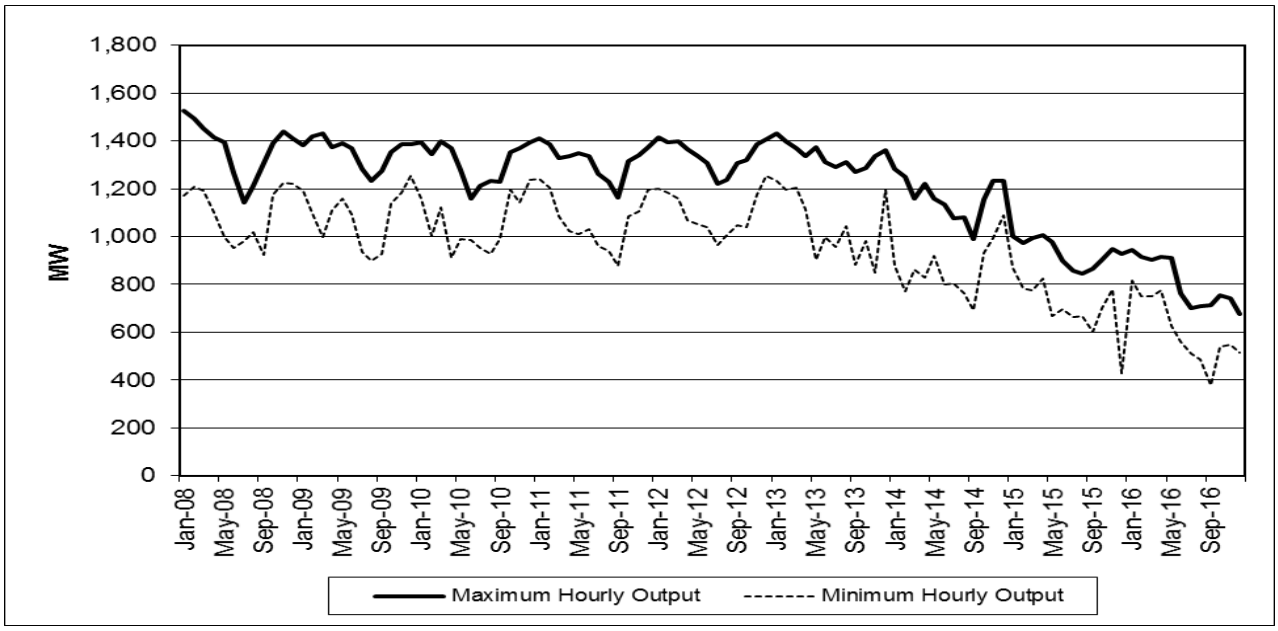
Hourly Data for 2016	Min Hourly Output (MW)	Max Hourly Output (MW)	Mean Hourly Output (MW)
All Hours	138	943	653
Peak Hours	378	943	736
Off-Peak Hours	138	903	585

	Min (MW)	Max (MW)
95% Confidence Interval for All Hours	248	943

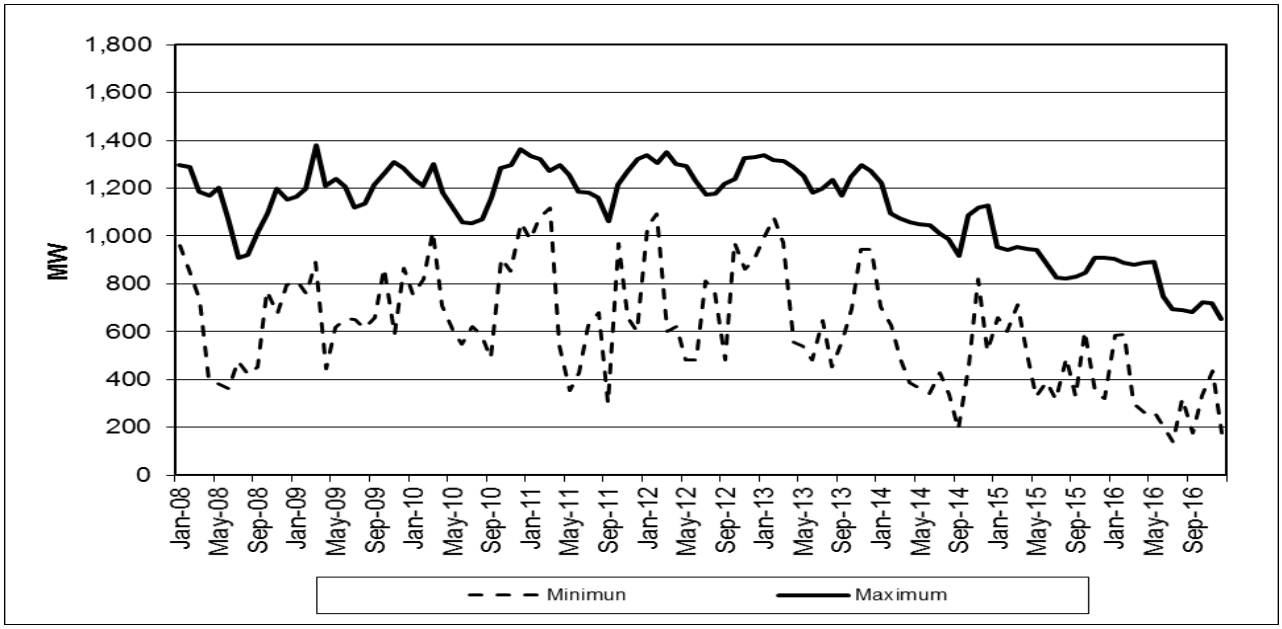
The NUG PPAs are long term fixed price contracts for electricity and are thus not influenced by the market price for power. With the existence of surplus baseload generation events over the past few years, OEFC has been working with the IESO to assist in reducing NUG output during off-peak periods when SBG is the highest. From April 1, 2016 to December 31, 2017, total cost-savings through curtailments were $13.5 million

As of February 1, 2017, there is a total of 471 MWs in NUG capacity, 63% from natural gas, 24% from hydro and 13% from heat and wood waste sources. Of the 298 MWs in gas-fired capacity, two contracts with NUGs have been suspended. Iroquios Falls (126 MWs in capacity) has been suspended until April 2017 and Nipigon (32 MWs in capacity) has been suspended until October 2018. During 2017, OEFC will continue to implement curtailments, both contractual and paid, to reduce NUG supply during off-peak periods.

Low and High Hourly Output during Peak Hours



Low and High Output During Off Peak Hours



APPENDIX 13 - PERFORMANCE MEASURES

PERFORMANCE CRITERIA FOR AOFA AND XOFA POSITIONS (Transactional Staff - Funding)		
1. MERIT CRITERIA		
Evaluation of each employee's performance conducted by the person responsible for evaluating the performance of the employee, based on the achievement by the employee of commitments contained in a pre-existing individual performance contract for the employee for 2016-17 including consideration of skills and competencies as well as ethical and professional behavior and compliance with applicable policies in the performance of the employee's commitments. These commitments will include performance of the OFA Investor Relations Plan, as applicable for employees who are active in supporting this plan.		
2. PERFORMANCE PAY CRITERIA		
a. Team-Based Component - 65% (for directors) and 70% (for others) of performance pay		
i)	Timing of Regular Borrowing (65% of team-based component)	Percentile Rank: Ranking of the Province's cost of long-term regular borrowing for the year within the distribution of the daily benchmark cost of funds observed during the year. Issues are grouped by term, and the percentile ranks are weighted by the amount of borrowing done at each term to determine a weighted average percentile rank. The target range for 2016-17 is 45 to 55 percentile, unchanged from last year. Regular borrowing consists of domestic issues and small foreign issues. It excludes Strategic Foreign Borrowing having a defined large size that varies by market. US issues of USD 1 billion or more are deemed to be Strategic. The long term borrowing costs do not include the cost of carry.
ii)	Timing of Strategic Borrowing (10% of team-based component)	Percentile Rank: A ranking similar to the above, capturing the cost of Strategic Foreign Borrowing only. The target range for 2016-17 is 50 to 75 percentile, unchanged from last year.
iii)	Program Execution (20% of team-based component)	An assessment of • The appropriateness of the size of debt issues to keep the program ahead of pace without detracting from the ability to execute future issues; • The appropriateness of the selection of term and market to ensure the market remains receptive to further issues and to manage the maturity schedule; and • Completion of the borrowing program on a timely basis; and • Whether the Province's borrowing for the year falls within the appropriate term range set out in the Financing, Electricity and Debt Management Plan for the year ("Range"). This assessment will include consideration of the reason for any deviations from the Range.

iv)	Investment Return (5% of team-based component)	Actual return for the year on the Province's short-term investment portfolio as compared to the weighted average of four market indices. The weighted average is computed to provide a composite index having approximately a 61-day average term. The target range for 2016-17 is an investment return of-2 to +2 basis points relative to the benchmark, unchanged from the previous year. The following types of investment will be measured: (i) instruments directly issued or guaranteed by the Government of Canada (ii) Canada Mortgage Bonds issued by Canada Housing Trust, (iii) Province of Ontario debt together with (iv) internal and external repos of the foregoing measured investments. Currency exchange contracts may be used to convert eligible short term investments denominated in a foreign currency to Canadian dollars. Interest rate swaps may also be used, provided a CSA agreement with the counterparty is also in place, to reduce credit risk.
b. Individual Component - 35% (for directors) and 30% (for others) of performance pay		
An evaluation by the CEO in consultation with the Executive Director, Capital Markets, of the contribution of the individual to the above results (timing of borrowing, debt management, investment return, program execution) in the areas in which the individual has responsibility.		

APPENDIX 14

Ontario Financing Authority

INVESTOR RELATIONS ANNUAL PLAN

2017–18

Appendix to

Financing, Debt & Electricity Management Plan for the Province of Ontario and Ontario Electricity Financial Corporation for the fiscal year ending March 31, 2018

TABLE OF CONTENTS

PLAN SUMMARY	126
2016–17 YEAR IN REVIEW	126
Marketing and Communications	126
2016–17 Call Program	127
Benchmarking	129
2017–18 PLAN	130
2017–18 Proposed Call Program	131
Benchmarking	141
APPENDIX	142
Ontario International Bonds – Investor Analysis	142
2016–17 Investor Meetings	144
2017–18 Estimated Budget for Planned Investor Relations Activities	147

PLAN SUMMARY

The OFA's Investor Relations (IR) group supports Ontario's funding program by developing and executing the Province's investor relations strategy, comprised of two components – marketing and communications, and call program activities. Both components target current and prospective fixed-income investors to inform them of the Province's economic and fiscal policies and outlook, borrowing program (i.e., size, progress, types of issuance) and credit ratings.

In 2016–17, IR call program activities focused on targeting new and existing investors in North America, Europe and Asia. As at March 31, 2017 the Province will have held meetings with 143 investors, compared to 135 in 2015–16 and an average 77 meetings a year from 2009–10 to 2014–15. This was the highest number of meetings in a year since IR benchmarking began in 2009. In 2017–18, IR will continue to meet with domestic and international investors, with roadshows planned for North America, Europe, Latin America (LATAM) and Asia.

The proposed call program will remain flexible to changes in the political landscape and market conditions which may affect the amount of time devoted to IR activities.

2016–17 YEAR IN REVIEW

Marketing and Communications

OFA Website

The OFA website is one of the most important tools IR has to market and communicate the Province's economic, fiscal and borrowing status to current and prospective investors. IR continues to receive positive feedback regarding the OFA website from dealers who indicated that the website is best-in-class compared to other provincial issuers.

A website section that received significant attention in 2016–17 was Green Bonds. Throughout the year, the Green Bonds section was updated with multiple materials, including the OFA's second Green Bond newsletter, updated project information, an updated Green Bond presentation and a case study following the launch of Ontario's third Green Bond in February 2017.

As of December 31, 2016, there were 363 subscribers on the OFA e-mail alert list. The website's e-mail subscription service is promoted in IR products and the CEO's Corner. Individuals representing investment dealers and institutional investors comprised the largest group of subscribers, followed by private individuals. Individuals representing various public sector organizations, credit rating agencies and financial media also subscribe.

Most visitors to the OFA website were from North America. The Homepage section has become the most viewed part of the OFA website followed by the Bond Issues Database, Green Bonds and the Borrowing Program sections. The CEO's Corner, Green Bonds (FAQ, Presentation and Framework), Bond Profiles, Investor Fact Sheet, IR Presentation, Schedule of Debt and OFA Annual Report comprise the list of most downloaded materials.

Below is a summary of OFA website statistics for calendar year 2016:

	Q1-2016	Q2-2016	Q3-2016	Q4-2016	2016 TOTAL
Sessions*	14,834	10,190	9,146	9,633	43,803
Users**	12,068	8,152	7,341	7,231	34,792
Pageviews***	34,807	24,500	22,938	25,391	107,636
Downloads	3,869	2,244	2,045	2,204	10,362
Most Active Date	February 25	June 9	August 4	November 14	February 25

* Total number of Sessions within the date range. A session is the period time a user is actively engaged with the website. All usage data (Screen Views, Events, etc.) is associated with a session. As soon as one session ends, there is then an opportunity to start a new session. A session ends after the visitor either closes the browser, is inactive for 30 minutes or after midnight.

** Users that have had at least one session within the selected date range. Includes both new and returning users.

*** Pageviews is the total number of pages viewed. Repeated views of a single page are counted.

Information Products

The IR Presentation continued to evolve as investors' information needs changed amidst topical concerns. For 2016–17, the presentation emphasized the liquidity and performance of Ontario's Bonds, and Ontario's lower borrowing requirements over the medium term. The Presentation received positive feedback from dealers and investors for its content.

IR continued to produce quarterly Investor Fact Sheets. IR also continued publishing bond profiles ("One-Pagers") on the OFA website to highlight large international and Green Bond issues. IR contributed substantively to the development and coordination of the Ministry of Finance's quarterly finances (e.g., *Budget and Fall Economic Outlook and Fiscal Review*) by ensuring these communication materials aligned to the government's messages while meeting the information needs of the fixed-income community. Additionally, IR produced a second Green Bond newsletter reporting on the Province's Green Bond program.

Media Relations and Conferences

Gadi Mayman presented at the BMO 12th Annual Government Finance Conference in Toronto. Members of the OFA's technical team participated at the 2016 RBC Green Bond conference in Toronto, the Bloomberg Canadian Fixed Income Conference in New York, the Environmental Finance: Green Bonds America 2016 Conference also in New York, the Euromoney Global Borrowers and Bond Investors Forum, the Responsible Investors 2016 Conference and the Environmental Finance: Green Bonds Europe 2016 in London, U.K., as well as the HSBC 11th Annual AAA Issuer and Investor Summit 2016 in Vienna.

In addition, Environmental Finance profiled Ontario's Green Bond program in January 2017. The OFA also put together a case study showcasing Ontario's Green Bond program for a publication coordinated by SEB. Most recently, Mike Manning attended the G7 Financial Centres for Green and Sustainable Finance program in Milan.

2016–17 Call Program

In 2016–17, the OFA had a record number of meetings with domestic and international investors (see "2016–17 Investor Meetings" in the Appendix for a complete list). Similar

to recent years, the pace of call program activity remained robust. The OFA met with a variety of investors, including asset managers, banks and pension plans, interested in the relative safety and liquidity of Ontario bonds. In addition to regular roadshows, IR conducted Green Bond roadshows in Western Canada, Montreal, Toronto and New York. For the Canadian Green Bond roadshows, the OFA included senior staff from the Ministry of Environment and Climate Change to provide enhanced information on the Province's environmental policies and initiatives.

Roadshows and meetings were held in North America, Europe and Asia, aimed primarily at maintaining relationships with new and existing investors. This included two Ministerial-led trips to New York City and Europe (London and Paris). The Province's technical team travelled to the U.S., Europe, Asia, Western Canada and Montreal. CEO's IR activities included investor meetings in Toronto, presentations to the salesforces of Ontario's domestic syndicate, a presentation at the 2016 BMO Capital Markets 12th Annual Government Finance Conference in Toronto, as well as a presentation at TD's Central Bank Luncheon in the fall.

As at February 28, 2017, the Province held 143 investor meetings (See "Benchmarking" below for additional information).

Please refer to the table below for highlights of investor relations call program activities held during the year, and the Appendix for a full list of the investors with whom the Province met:

Date	2016–17 Call Program Activities
26-April-2016	Minister's Trip to London and Paris
3 May 2016	U.S. Roadshow: New Jersey (Morristown) and Pennsylvania (Philadelphia)
3-May-2016	Investor Meeting with Swiss National Bank
11 May 2016	BMO Capital Markets 12th Annual Government Finance Conference
18-May-2016	CEO's Salesforce meetings
13-June-2016	Minister's New York City Roadshow
14-June-2016	Investor Meeting with PIMCO
20-June-2016	Responsible Investor Europe 2016 – U.K. (London)
21-June-2016	Euromoney: The Global Borrowers & Bond Investors Forum – U.K. (London)
23-June-2016	Environmental Finance: Green Bonds Europe 2016 – U.K. (London)
30-June-2016	Investor Meeting with SAFE
30-August-2016	Investor Meeting with RBC Treasury
13-September -2016	U.S. Roadshow: New York (New York), Connecticut (Hartford) and Massachusetts (Boston)
13-September-2016	Investor Meeting with TIAA-CREF
14-October -2016	Investor Meeting with Abu Dhabi Investment Authority
17-October-2016	Responsible Investment Association Conference
24-October-2016	Asia Roadshow: Japan (Tokyo) and Korea (Seoul)
24-October-2016	Environmental Finance: Green Bonds Americas 2016
25-October-2016	Investor meeting with Daiwa Asset Management
28-October-2016	TD Central Bank Luncheon

Date	2016–17 Call Program Activities
21-November-2016	Investor Meeting with Shinkin Asset Management
21-November-2016	Western Canada (Vancouver, Victoria, Winnipeg) Green Bond Roadshow
22-November-2016	Investor Meeting with Phillips, Hager & North Investment Management
9-November-2016	Bank of America Roundtable
16-November-2016	Investor meeting with Great West Life
29-November-2016	Montreal Green Bond Roadshow
2-December-2016	Toronto Green Bond Roadshow
7-December-2016	Investor Meeting with CIBC
7-December-2016	RBC Global Capital Roundtable
7-Decenber-2016	Investor Meeting with Industrial Alliance
9-February-2017	Investor Meeting with Axa Frankfurt
22-February-2017	G7 Financial Centres for Green and Sustainable Finance – Italy (Milan)

As at March 31, 2017, the total amount budgeted for IR activities in 2016–17 was $160,500.00, which included travel, as well as shipping, printing and translation services. Actual travel-related expenses amounted to $40,471.50, while the actual cost of printing, shipping and translation was $10,173.86. Accordingly, total expenses amounted to $50,645.36, which was $109,854.64 below the initial budgeted amount.

Minister's Events

In April 2016, the Minister, Chief of Staff, Deputy Minister, and the CEO of the OFA travelled to London and Paris to meet with fixed income and direct investors to promote Ontario's bonds, as well as investment in the Province. The Minister, Chief of Staff, Deputy Minister and CEO of the OFA also travelled to New York City to meet with some of Ontario's largest investors. The Minister also met with Ontario's syndicate in the fall.

Benchmarking

As of March 31, 2017 the Province will have held meetings with 143 investors, compared to 135 in 2015–16 and an average of 77 meetings a year from 2009–10 to 2014–15. This would be the highest number of meetings in a year since IR benchmarking began in 2009.

2017–18 PLAN

Introduction

Ontario's long-term borrowing is forecast to be $23.3 billion for 2017–18 and $28.7 billion for 2018–19, as of the Province's Third Quarter Finances. As borrowing requirements are expected to remain sizeable over the medium term, IR will continue to monitor global financial market conditions and be flexible to ensure roadshows remain viable for both the Province and its investors.

To maintain and expand the existing investor base, the focus for 2017–18 will be on technical team roadshows in North America (Canada and the U.S.), as well as roadshows to Europe, LATAM and Asia. The OFA will attempt to take advantage of opportunities where several investors meet at one location. Examples include the BMO Government Finance Conference where investors attend from around the world. Roadshows will be led by a senior member of the Province's funding team and a senior economist or a fiscal representative. Technical team initiatives will be transaction-focused to support the borrowing program. IR will also look for opportunities to meet with investors interested in the Province's Green Bond program. IR will continue to produce communication products to keep investors and other members of the global financial community apprised of Green Bond developments and issuances as necessary, and further adapt its outreach efforts to Green Bond investors to meet the needs of this new program.

Finally, IR will continue to provide investor information products, investigate opportunities to ensure investor information expectations are met, and work to increase the Province's visibility in the capital markets.

Marketing and Communications

OFA Website

IR will continue to look at how to increase on the volume of visitors to the website.

Information Products

The IR Presentation will continue to be message-driven in 2017–18, and remain current and consistent with economic and fiscal developments, borrowing climate and audience needs (e.g., domestic versus international). Borrowing messaging will focus on strategy, performance, and liquidity.

Based on feedback from investors and the fixed income community, IR products will continue to evolve to ensure investors' needs are met. Products will continue to highlight specific attributes of bond transactions, inaugural issues, and general borrowing program commentary. Products will be uploaded onto the OFA website simultaneously with an e-mail sent to subscribers alerting them of the posting.

Media Relations

IR will continue to investigate opportunities to participate in media publications' roundtables or other media events (e.g. Euromoney, International Financing Review, EuroWeek, Bloomberg, Thomson/Reuters, Institutional Investor, and KangaNews). These indirect marketing options provide an effective way to supplement roadshows.

Calls could be led by the CEO or funding managers, and focus on the attributes of new bond issues.

Exposure has also been received through tombstone ads published by underwriters following bond issues or announcements. Accordingly, IR will continue to encourage dealers to include Ontario in their advertisements.

Green Bonds

IR maintained an active participation in the Green bond program. In January 2017, the Province of Ontario successfully priced its third Global Canadian Dollar (CAD) Green Bond for $800 million. In preparation for the issue, IR updated the Green Bonds section of the website with new project information and a presentation for a net roadshow, as well as a case study following pricing of the bond.

In December 2016, as a follow up to the province's second Green Bond, IR published its second annual Green Bond Newsletter to the OFA's website. These products proved to be popular with investors and those seeking more information on Green Bonds. IR also coordinated the communications strategy with Ministry of Finance.

2017–18 Proposed Call Program

Canada

The Province will continue to meet with domestic investors in Toronto, Western Canada and Montreal. In April, we will present at RBC's Green Bond conference in Toronto. Post-Budget, we will present at BMO's Government Finance Conferences in both Montreal and Toronto. The Province will also present at TD's Central Bank event in Toronto in the fall. The Minister will meet with Ontario's domestic syndicate in the fall.

U.S.

Roadshows are planned to the U.S. to continue to support USD Global issuance. U.S. investor participation in U.S. Globals since 2002 has averaged about 45 per cent. The fiscal year will start with a Ministerial roadshow to New York. We anticipate visiting New York for a Green Conference in the fall, as well as potentially participating in Bloomberg's Canadian Fixed Income conference in September. Later in the year, we will cover the mid-west with two potential roadshows to Minneapolis, and Ohio and Michigan.

It should be noted that the current uncertainty in the political landscape may hinder the ability to complete all proposed roadshows.

Summary of U.S. Priorities:

1. Minister's trip to New York City
2. Bloomberg Canadian Fixed Income Conference – New York
3. Environmental Finance Green Bonds Americas Conference
4. Technical team trip to Minneapolis

5. Technical team trip to Ohio and Michigan

Asia

Investors from Asia continue to represent an important market for Ontario bond investors. A technical roadshow to Seoul and Tokyo to meet with key investors in the region is being considered. The trip will allow for technical meetings with major investors, and those not previously met in 2016.

Alternatively, a trip to Beijing, Hong Kong, Kuala Lumpur and Jakarta is also under consideration. While we've visited investors in Beijing and Hong Kong previously, it would be the first time meeting with investors in Kuala Lumpur and Jakarta. Of note, Bank Indonesia bought $400 million of the 5-year USD 2.5 billion we issued in February 2017.

Europe

Europe remains a target market for the OFA. Based on meetings in 2016–17, and recent purchase data, European investors continue to show significant demand for Ontario bonds. The Annual Plan includes a Minister-led trip planned to London and Frankfurt, and a technical roadshow to Amsterdam, The Hague, Paris, Geneva and Zurich. In June, we plan on attending a number of conferences ahead of the Euromoney conference in London, one is a one-day event organized by TD, and the other is a Green conference organized by Environmental Finance.

LATAM

The Province will attend a conference in Panama targeting central banks, sovereign wealth funds, public institutions and pension funds from the LATAM region. This would be the Province's first technical roadshow to the region and will be an efficient venue to meet several LATAM investors rather than travelling to individual countries.

Year at a Glance: 2017–18 Call Program Activities

March 17	April 17	May 17	June 17	July 17	August 17
	RBC Green Bond conference – April 10th BUDGET 2017	BMO Government Finance Conference – Montreal & Toronto, May 2nd, 3rd Europe Roadshow – Amsterdam, Hague, Paris, Zurich, Geneva (5 days, starts May 8th) Minister's roadshow New York City, May 16th-17th Minister's roadshow - London, U.K. & Frankfurt, May 23dr - 26th	Latam Institutional Investors Conference – Panama City (1 day), June 8th Women in Fixed Income – Toronto, June 14th TD Event – London, June 19th Env. Finance GB Europe – London, June 19th Euromoney conference – London, June 20-21st		

September 17	October 17	November 17	December 17	January 18	February 18
Asia Roadshow: Seoul & Tokyo or Beijing, Hong Kong, Kuala Lumpur, Jakarta (5+ days) Bloomberg Canadian Fixed Income Conference – New York (Sept. 26th)	Western Canada (Victoria, Vancouver, Winnipeg) / Quebec Green Bond IR TD Central Bank event – Toronto (1 day) Environmental Finance Green Bonds Americas conference (Date & location TBC)	FALL ECONOMIC STATEMENT Minister Domestic Underwriter Group Meeting – Toronto		U.S. – Midwest #1: Winnipeg Minneapolis (2+ days) U.S. – Midwest #2 Ohio & Michigan (2 days)	**March 18** HSBC Annual AAA Issuer and Investor Summit 2018 BUDGET

Detailed 2017–18 Call Program Activities

Legend

"TT": Technical Team (comprised of a senior member of the funding team and a senior economist from the Ministry of Finance, Office of Economic Policy)

"CEO": CEO's outreach (comprised of the CEO and in some cases a senior economist from the Ministry of Finance, Office of Economic Policy)

"MIN": Minister Trip (accompanying the Minister could be the Deputy Minister or Associate Deputy Minister, the CEO or Executive Director of the OFA, and the Minister's Chief of Staff or Director of Policy)

Lead	Region	Key Investors	Last Outreach	Activity	Timing	Duration (not including travel time)
TT	**Ontario** (Toronto)	RBC Green Bond Conference	2016	Deal/Marketing	April 2017	1 day
TT	**Quebec** (Montreal)	**BMO Capital Markets Government Finance Conference**	2016	Deal/Marketing	May 2017	1 day
TT	**Ontario** (Toronto)	**BMO Capital Markets Government Finance Conference**	2016	Deal/Marketing	May 2017	1 day

Lead	Region	Key Investors	Last Outreach	Activity	Timing	Duration (not including travel time)
TT	**Europe** (Amsterdam, The Hague, Paris, Geneva, Zurich)	APG, BNP, Robeco, Univest, Amundi, Banque de France, Banque Postale, BNP Paribas Asset Management, Natixis Asset Management, Pictet & Cie Asset Mgmt, Bank for International Settlements, Bank Julius Baer, Credit Suisse Asset Management, Lombard Odier, Swiss National Bank, Swissca Portfolio Management, Swiss Life, UBS Global Asset, Management, Zuercher Kantonalbank	2010	Deal/Marketing	May 2017	5 days
MIN	**New York** (New York)	Meetings with investors of Ontario U.S. dollar bonds. Meetings with executive management of one or two Canadian or U.S. investment dealers in New York. A reception with the Province's U.S. underwriters.	2016	Post-Budget Update	May 2017	2 days
MIN	**Europe** (London, Frankfurt)	Meetings with investors of Ontario global bonds. Meetings with executive management of major investment dealers. Receptions with the Province's underwriters.	2016	Post-Budget Update	May 2017	4 days

Lead	Region	Key Investors	Last Outreach	Activity	Timing	Duration (not including travel time)
TT	**Panama** (Panama City)	**LATAM Institutional Investors Conference** Meetings with institutional investors from central banks, sovereign wealth funds, public institutions and pension funds.	-	Deal/Marketing	June 2017	1 day
TT	**Ontario** (Toronto)	**Women in Fixed Income** Presentation on Green Bonds.	-	Deal/Marketing	June 2017	1 day
TT	**Europe** (London)	**TD Dollar Bloc Conference** **Environmental Finance: Green Bonds Europe** **Euromoney: Global Borrowers and Bond Investors Forum**	2016	Deal/Marketing	June 2017	5 days

Lead	Region	Key Investors	Last Outreach	Activity	Timing	Duration (not including travel time)
TT	**Asia – option 1** (Seoul, Tokyo)	Bank of Korea, Korea Investment Corporation, Korea National Pension, Hana Bank, Daiwa, Resona Bank, Tokio Marine, Mistubishi, Bank of Japan, Dai-Ichi Asset Management, DIAM, Fukoku Mutual Life Insurance, Mizuho, Missay	2016	Deal/Marketing	September 2017	5 days
TT	**Asia – option 2** (Beijing, Hong Kong, Kuala Lumpur, Jakarta)	SAFE, Bank of China, China Construction Bank, Industrial and Commercial Bank of China, Hong Kong Monetary Authority, Hang Seng Treasury & Asset Management, Bank Negara Malaysia, Bank Indonesia	2015	Deal/Marketing	September 2017	5 days
TT	**New York** (New York)	**Bloomberg Canadian Fixed Income Conference**	2016	Deal/Marketing	September 2017	1 day

Lead	Region	Key Investors	Last Outreach	Activity	Timing	Duration (not including travel time)
TT	**Western Canada** (Victoria, Vancouver, Winnipeg)	**Green Bond IR**	2016	Deal/Marketing	October 2017	1 day
TT	**Quebec** (Montreal)	**Green Bond IR**	2016	Deal/Marketing	October 2017	1 day
TT	**Ontario** (Toronto)	**TD Central Bank event**	2016	Deal/Marketing	October 2017	1 day

Lead	Region	Key Investors	Last Outreach	Activity	Timing	Duration (not including travel time)
TT	**North America** (Location TBD)	**Environmental Finance Green Bonds Americas conference**	2016	Deal/Marketing	October 2017	1 day
MIN	**Ontario** (Toronto)	**Minister's Underwriters Meeting** Meetings with Ontario's domestic syndicate to provide an economic update	2016	Post-Fall Statement Update	November 2017	1 day
TT	**U.S. Midwest #1** (Minneapolis)	Advantus, Galliard, RBC GAM, Thrivent, St. Paul Travelers Companies Inc.	2013	Deal/Marketing	January 2018	2 days

Lead	Region	Key Investors	Last Outreach	Activity	Timing	Duration (not including travel time)
TT	**U.S. Midwest #2** (Ohio and Michigan)	City of Detroit, Ford Motor, General Motors, Ohio Public Employees Retirement System, Ohio Teachers, State of Ohio, State of Michigan	2011	Deal/Marketing	January 2018	2 days
TT	**Europe**	HSBC Annual AAA Issuer and Investor Summit	2016	Deal/Marketing	March 2018	5 days

Benchmarking

Benchmarks will continue to be used to track the success of IR's initiatives. Specific objectives are defined in this annual plan and will be measured against actual results throughout the year.

Three key benchmarks will continue be used, as described below. These benchmarks will be assessed at the end of the year, and consideration will be given to adding new benchmarks if appropriate.

Targeting New Investors

Performance is measured by the number of new investors met throughout the year. IR also measures the number of new investors in each target investor type (e.g., asset manager, central bank) and tracks bond purchases after meetings, however, this is not included as a benchmark given the number of variables investors consider in purchasing securities. As in the past, IR will track investor feedback from meetings, including purchase activity influenced by the meetings.

IR will continue to produce distribution statistics based on investment reports received from dealers for Global bonds and Green Bonds. These statistics are used to track investor purchases, and to determine priorities in the annual IR plan.

Effectiveness of Communications

To benchmark IR's success in providing the type and frequency of information investors desire when deciding to purchase Ontario bonds, feedback from dealers will be solicited regularly and after roadshows, as in previous years. Messages, supporting materials and the website will be assessed against research undertaken to determine investor information preferences.

Website Usage

Benchmarks on website usage will continue to be used in 2017–18. Privacy constraints limit the ability to measure who is accessing the website and what information is being viewed. Specifically, IR will aim to increase the overall amount of traffic year-over-year, and the number of subscribers. Other data being tracked include traffic following significant events (e.g., Budget) and posting of new information (e.g., CEO's Corner video) to identify the most popular products on the website. IR will seek to increase the subscriber base by continuing to promote the service on IR materials and by offering new services through the website to drive traffic. IR will also more actively promote the e-mail alert service in investor meetings by explicitly asking people to subscribe.

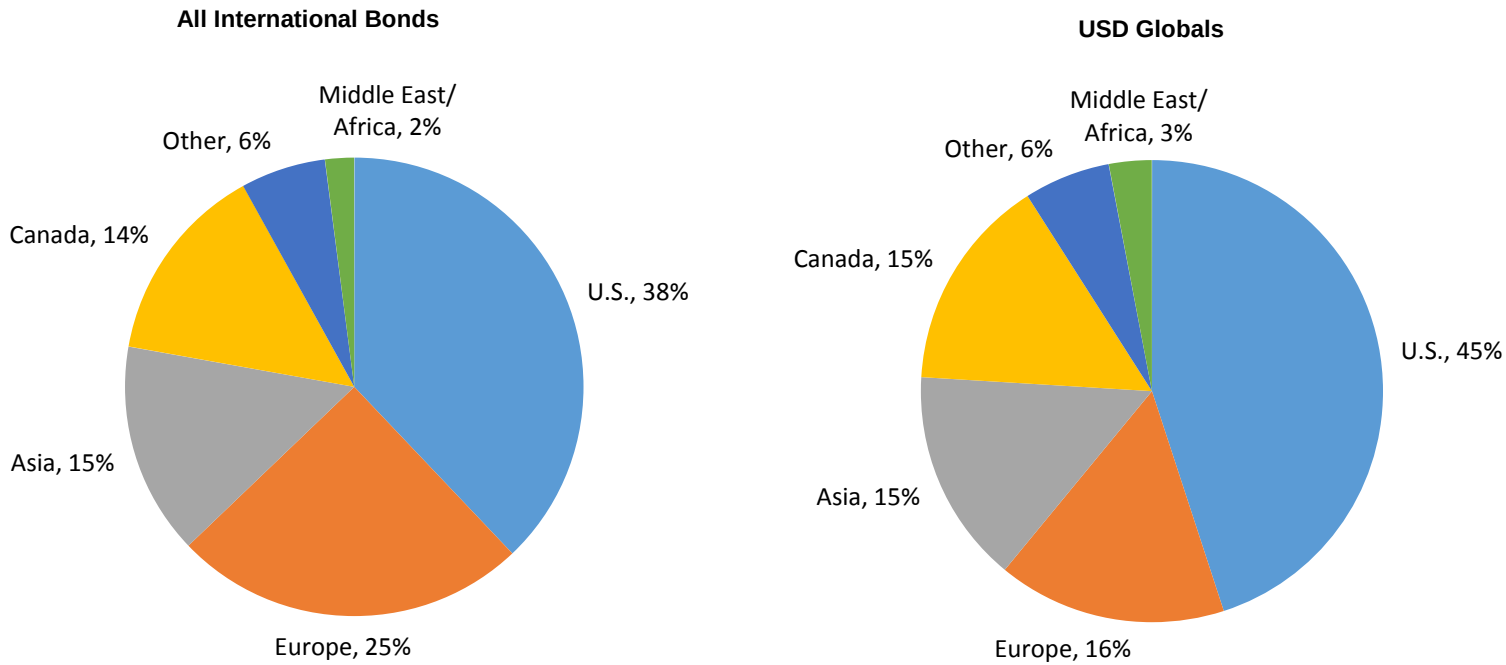
APPENDIX

Ontario International Bonds – Investor Analysis

The following estimates are based on Investor Relations' internal database of purchase allocations for select Ontario international bonds (USD Globals, EMTNs) issued in the primary market since July 2002.

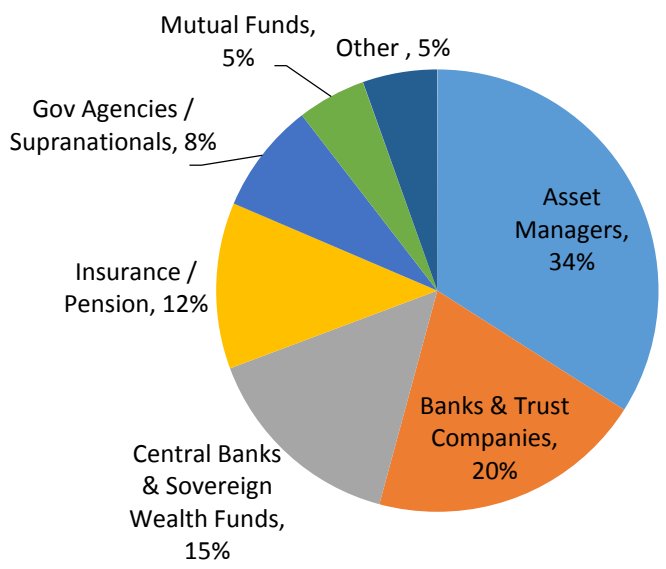
As of February 10, 2017

Investor Purchases of Global Bonds – By Region

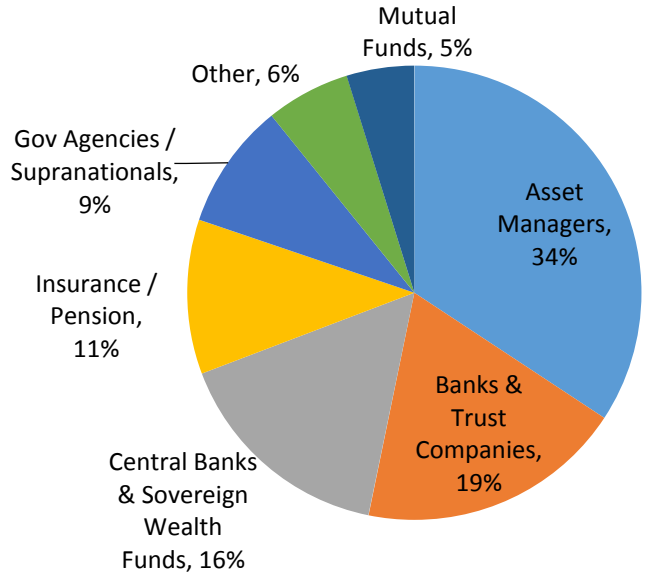


Investor Purchases of Global Bonds – By Type

All International Bonds



USD Globals



2016–17 Investor Meetings

The following table lists investors with whom the Province had meetings during fiscal 2016–17, there were a total of 143 investor meetings, of which 11 were new investors:

Location	Investor
Montreal	Addenda Capital Desjardins Asset Management Alphafixe Alliance Bernstein Baker Gilmore Caisse Centrale Desjardins Treasury Financière des Professionnels Hydro Québec Intact Manulife Asset Management Montrusco Optimum Public Sector Pension Treasury Gestion Sodagep Inc. Societé de Transport Montréal Ville de Montréal Air Canada Caisse de depot et Placement du Québec

Location	Investor
Toronto	Swiss National Bank Oregon State Treasury Sun Life of Canada / Sun Life Assurance Company (SUNIMCO) Fidelity Investments (Fidelity Management and Research LLC) Letko, Brosseau & Associates Bank Of Canada Municipality Financial Magyar Nemzeti Bank (The Central Bank of Hungary) Central Bank of Russia 1832 Asset Management L.P. BMO TD RBC National Bank Financial Desjardins Scotia Capital CIBC SAFE RBC Treasury Abu Dhabi Investment Authority Responsible Investment Association Conference Central Bank Luncheon Bank of America Roundtable Great West Life Shinkin Asset Management Foresters Acuity (AGF) Investor Lunch Sun Life CIBC RBC Global Capital Roundtable

Location	Investor
Vancouver	Insurance Corporation of British Columbia Translink Central 1 Credit Union Connor, Clark & Lunn Phllips, Hager & North Investment Management Leith Wheeler Investment Counsel Ltd. HSBC Global Asset Management (Canada)
Winnipeg	Wawanesca Insurance Credit Union Central Manitoba Manitoba Civil Service Superannuation Board Great West Life Investor's Group
Tokyo	RBC Capital Markets Fukoku Life Nochu Zenkyoren Daiwa AM Kampo Nippon Life
London	Scotia Capital Legal & General Investment Management Insight Tesco Pension T. Rowe Price Lloyd's of London

Location	Investor
	Industrial Alliance Axa Frankfurt
Victoria	BC Investment Management Corporation
Paris	La Banque Postale BNP Treasury BRED Banque Populaire
Seoul	Korean Development Bank Korean Exchange Bank (Hana) Korean Investment Corporation Bank of Korea National Pension Service of Korea Korean Export Import Bank
New York	United Nations AIG Investments Bank of China, Taiwan Intesa Sanpaolo J.P. Morgan Investment Management Inc. Lazard Asset Management LLC PartnerRe Blackrock Financial Ontario Teachers' Pension Plan Board Bank of America Merrill Lynch BNP Paribas Goldman Sachs TSE Capital Management Oppenheimer Medley Global Advisors Pacific Investment Management Company (PIMCO) AIG Global Asset Management Bank of Thailand

Location	Investor
Philadelphia	MetLife TD Bank Balance Sheet Delaware Investments Logan Circle Vanguard
Merrimack	Fidelity

Location	Investor
	Teachers Insurance and Annuity Association - (TIAA) Schroders Bloomberg Fixed Income Conference Andra Ap-Fonden Standish Asset Management Alliance Bernstein Pax World California State Retirement System Everence/Praxis Nikko Asset Management Rockefeller & Co. Brown Investment Advisory & Trust Co. Merrill Lynch Wealth Management Trillium Asset Management APG Asset Management Breckinridge Capital Advisors NY State Common Retirement UN Pension Swiss Re UBS Treasury Prudential Financial
Boston	State Street Global Advisors Loomis Sayles & Company Standish Mellon Asset Management Liberty Mutual Insurance Company Manulife Asset Management
New Haven	Knights of Columbus Hartford Investment Management Co. (HIMCO) Conning and Company Cigna

2017–18 Estimated Budget for Planned Investor Relations Activities

All proposed IR activities outlined in this annual plan are tentative and subject to market conditions, investor demand and technical team availability.

EXPENSE	COST
Shipping	$ 2,000.00
Printing (OFA Annual Report)	$ 13,000.00
Translations/Proofreading (French translation of IR Products, including OFA Annual Report)	$ 5,500.00
TOTAL Shipping, Printing & Translation	$ 20,500.00
TOTAL Travel	$ 140,000.00
TOTAL ESTIMATED IR 2017–18 BUDGET	**$ 160,500.00**

APPENDIX 15 - 2017-18 PROCUREMENT PROCESS FOR UNDERWRITING SERVICES

Selection of Underwriters

Domestic Syndicate:

There is a three-stage process involving (i) identification of appropriate dealers; (ii) annual evaluation of identified dealers to determine the percentage allocation of commissions as between them; and (iii) selection of appropriate dealers for each transaction.

(i) Identification:

- Syndicate selected using independent statistical information published by the Investment Industry Regulatory Organization of Canada (IIROC) to identify dealers who are the major traders in Ontario bonds based on volume (volume levels must be in the multi-billions of dollars).

(ii) Evaluation:

- The OFA conducts an annual review of the dealers in the domestic syndicate using fifteen quantitative and qualitative scoring categories;
- The scoring of each dealer relative to the syndicate group is used to allocate commissions for the following fiscal year.

(iii) Allocation of Transactions

- During the fiscal year, dealers from the syndicate are selected for the individual bond issues based on factors relevant at the time including performance on previous issues, investor demand and orders dealer recommendations for issuance, including term and new issue spreads. In addition, transactions are allocated so that the total commissions paid to each dealer for issues over the course of the year corresponds to its allocation as determined by the results of the annual evaluation scores.
- The OFA reserves the right to reduce or eliminate use of a dealer in-year, based on performance or unsuitable conduct.
- Green bonds will use the domestic syndicate for domestic issues but will use a separate domestic dealer selection process. For the first three Ontario green bond issues, syndicate selection was based on a scoring system based on deal structure, marketing plans and other factors.

Commissions:

- There is a standardized commission schedule for syndicated domestic provincial bond issues used by all provinces in Canada. The OFA will continue to use its influence to reduce the standardized commissions where in its opinion this can be done without compromising service and cooperation.
- Commissions will be tracked on a continuous basis throughout the year and independently verified by OFA staff to ensure that they are correct and consistent with the commission allocations determined at the beginning of the fiscal year.

Domestic Non-syndicated:

- For non-syndicated transactions the OFA contacts some or all members of the domestic syndicate to gauge market interest.
- The dealers respond with offers and the OFA selects the transactions it wants based on the best terms and pricing offered, up to the volume required. The OFA has no obligation to accept an offer. It evaluates each offer on its merits based on its terms, costs, market conditions and borrowing requirements.

Reverse Inquiry/Unsolicited:

- Investor approaches the Province on a confidential basis through a dealer (generally a reverse inquiry deal is a Canadian deal done by a member of the domestic syndicate).
- The OFA has no obligation to accept any offer. It evaluates each offer on its merits based on its terms, costs, market conditions and borrowing requirements. It may also negotiate improved terms.

International Market Transactions:

- International dealers are selected from the major international and domestic firms that have capability in the target market and capacity for the volumes required.
- International dealer selection is based on information obtained from the dealers and from independent data including: strength of dealer sales force and ability to place Ontario bonds with end investors; mitigation of credit risk; cost-effective swap capability; and a successful track record on similar bond issues.
- Consideration is given to dealers with a proven distribution capacity and a platform in the prospective market.
- Availability of attractive swap terms is also assessed as part of the selection process.
- Competitive pricing is a key criterion.
- There is no standardized commission schedule for international transactions.
- The OFA will benchmark commissions against the lowest commission structure used by comparable borrowers in the relevant international markets, so only the lowest available commission is paid.

Approvals:

- The underwriting services procurement framework is approved annually in the Financing, Debt & Electricity Management Plan.
- Approvals for individual deals is obtained in accordance with trading limits established by the OFA which designate approval levels based on the value of the issue and its term.
- Increasing levels of authority are required for approval as the size of the bond issue increases.
- Director level approval is required for any transaction valued at above $750 Million.

In-Year Changes:

In the event of a significant change in the OFA's procurement process described above for underwriting services, OFA management will report back to the OFA Board.

From: Opal Kandelas
To: Sarah Harris
Subject: Accepted: OFA OIC for FHP

From:	Opal Kandelas
To:	William Tan
Subject:	Amending Agreement (IESO/OFA)
Date:	Thursday, July 27, 2017 1:28:32 PM
Attachments:	FW IESO $975M Credit Facility (RPP Loan) - Notice for Jul 2117 .msg FW IESO $975M Credit Facility (RRRP Loan) - Notice for July 2117 .msg

---

Hi Will,

Does the IESO amending agreement account for what seems to be 2 kinds of advances (RPP & RRRP) being requested? See attached.

Thanks,
Opal.

From: Carlos Yep []
To: Opal Kandelas [Opal.Kandelas@ofina.on.ca]
Subject: FW: IESO $975M Credit Facility (RPP Loan) - Notice for Jul 21/17
Date: Wednesday, July 26, 2017 13:52:13
Attachment 1: Rollover Notice with advance.pdf
Attachment 2: ATT00001.htm

---

fyi

From: Carlos Yep
Sent: Tuesday, July 18, 2017 4:40 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Bruno Amara <Bruno.Amara@ofina.on.ca>; David Peters <David.Peters@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>
Subject: FW: IESO $975M Credit Facility (RPP Loan) - Notice for Jul 21/17

John,

IESO has requested $246,567,897.99 for July 21 under RPP

I will be inputting a rollover of $109,986,030.30 and new advance of $136,581,867.69

Regards

Carlos

From: Nurudin Kaba
Sent: Tuesday, July 18, 2017 3:53 PM
To: Carlos Yep <Carlos.Yep@ofina.on.ca>
Cc: SETTLEMENT <SETTLEMENT@ofina.on.ca>
Subject: Fwd: IESO $975M Credit Facility (RPP Loan) - Notice for Jul 21/17

FYI

Begin forwarded message:

> **From:** Olga Whiteley <Olga.Whiteley@ieso.ca>
> **Date:** July 18, 2017 at 2:47:01 PM EDT

To: CASHP <CASHP@ofina.on.ca>, SETTLEMENT <SETTLEMENT@ofina.on.ca>
Cc: Anthony Martinello <Anthony.Martinello@ieso.ca>
Subject: IESO $975M Credit Facility (RPP Loan) - Notice for Jul 21/17

See attached notice for July 21, 2017 regarding IESO's $975million facility for the RPP Loan.

Please send the funds to IESO RPP account:

Beneficiary:	Independent Electricity System Operator - RPP
Bank:	TD Bank
Bank ID:	0004
Transit Number:	10202
Account Number:	5509622

Thanks,

Olga Whiteley | Treasury and Pension Operations

Independent Electricity System Operator (IESO) | T: (905) 403-6917 | F: (905) 403-6913

Station A, Box 4474, Toronto, ON M5W 4E5

Web: www.ieso.ca[ieso.ca] | Email: olga.whiteley@ieso.ca

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential

and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

ieso
Connecting Today.
Powering Tomorrow.

Independent Electricity System Operator
Station A, Box 4474
Toronto, ON M5W 4E5
t 905.403.6900
www.ieso.ca

SCHEDULE 2
FORM OF ELECTION NOTICE*

Date: July 19, 2017

Ontario Financing Authority ("OFA")
1 Dundas Street West, Suite 1400
Toronto, Ontario
M7AIY7

Attention: Cash Management

Dear Sirs:

The undersigned, the Independent Electricity System Operator ("**IESO**"), refers to the credit agreement between the IESO and the OFA dated January 1, 2005 (as amended, supplemented or restated from time to time, the" **Agreement**", the terms defined therein being used herein as therein defined), and gives you notice pursuant to Section 3.3 of the Agreement that the IESO elects to continue all or a portion of an Advance for an additional term, and in that connection with such election, sets forth below the information relating to such election as required by Section 3.3(2) of the Agreement:

(a) The date of the proposed election, being a Business Day is July 21, 2017
(b) The aggregate amount of the new loan is $246,567,897.99
    i. previous principal amount: $109,986,030.30
    ii. advance: $136,581,867.69
(c) The new Repayment Date applicable to such Advance is August 21, 2017

IESO confirms it will also be paying interest in the amount of $73,796.11.
This transaction relates to the settlement of the Regulated Price Plan (RPP) variance.

Such election shall be confirmed by the IESO by a telephone call to OFA Cash· Management (416) 325-8108.

The IESO hereby certifies that:

The representations and warranties of the IESO contained in the Agreement are true and correct as at the date hereof.

No Event of Default has occurred or is continuing and no event or condition has occurred, which, with the lapse of time or the giving of notice or both would constitute an Event of Default.

The IESO has complied or is complying with all terms, covenants and conditions contained in the Agreement.

Any and all funds received under the Agreement are being used solely as authorized under the Agreement, and are not being used for any other purpose.

Yours truly,
INDEPENDENT ELECTRICITY SYSTEM OPERATOR

Per: K Marshall

Kimberly Marshall
VP Corporate Services, CFO and Treasurer

From: Carlos Yep []
To: Opal Kandelas [Opal.Kandelas@ofina.on.ca]
Subject: FW: IESO $975M Credit Facility (RRRP Loan) - Notice for July 21/17
Date: Wednesday, July 26, 2017 13:55:08
Attachment 1: Rollover Notice with advance.pdf
Attachment 2: ATT00001.htm

FYI

From: Carlos Yep
Sent: Tuesday, July 18, 2017 4:40 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Bruno Amara <Bruno.Amara@ofina.on.ca>; David Peters <David.Peters@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>
Subject: FW: IESO $975M Credit Facility (RRRP Loan) - Notice for July 21/17

John,

IESO has requested $6,629,013.88 for July 21 under RRRP

I will be inputting 2 rollovers totalling $4,397,101.10 and new advance of $2,231,912.78

Regards

Carlos

From: Nurudin Kaba
Sent: Tuesday, July 18, 2017 3:52 PM
To: Carlos Yep <Carlos.Yep@ofina.on.ca>
Cc: SETTLEMENT <SETTLEMENT@ofina.on.ca>
Subject: Fwd: IESO $975M Credit Facility (RRRP Loan) - Notice for July 21/17

FYI

Begin forwarded message:

From: Olga Whiteley <Olga.Whiteley@ieso.ca>
Date: July 18, 2017 at 2:58:08 PM EDT
To: CASHP <CASHP@ofina.on.ca>, SETTLEMENT <SETTLEMENT@ofina.on.ca>
Cc: Anthony Martinello <Anthony.Martinello@ieso.ca>
Subject: IESO $975M Credit Facility (RRRP Loan) - Notice for July 21/17

See attached notice for July 21, 2017 regarding IESO's $975million facility for the RRRP Loan.

Please send the funds to IESO RRRP account:

Beneficiary:	Independent Electricity System Operator - RRRP
Bank:	TD Bank
Bank ID:	0004
Transit Number:	10202
Account Number:	5500617

Thanks.

Olga Whiteley | Treasury and Pension Operations

Independent Electricity System Operator (IESO) | T: (905) 403-6917 | F: (905) 403-6913

Station A, Box 4474, Toronto, ON M5W 4E5

Web: www.ieso.ca[ieso.ca] | Email: olga.whiteley@ieso.ca

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

ieso
Connecting Today.
Powering Tomorrow.

Independent Electricity System Operator
Station A, Box 4474
Toronto, ON M5W 4E5
t 905.403.6900
www.ieso.ca

SCHEDULE 2
FORM OF ELECTION NOTICE*

Date: July 19, 2017

Ontario Financing Authority ("OFA")
1 Dundas Street West, Suite 1400
Toronto, Ontario
M7AIY7

Attention: Cash Management

Dear Sirs:

The undersigned, the Independent Electricity System Operator ("**IESO**"), refers to the credit agreement between the IESO and the OFA dated January 1, 2005 (as amended, supplemented or restated from time to time, the" **Agreement**", the terms defined therein being used herein as therein defined), and gives you notice pursuant to Section 3.3 of the Agreement that the IESO elects to continue all or a portion of an Advance for an additional term, and in that connection with such election, sets forth below the information relating to such election as required by Section 3.3(2) of the Agreement:

(a) The date of the proposed election, being a Business Day is July 21, 2017
(b) The aggregate amount of the new loan is $6,629,013.88
    i. previous principal amount: $4,397,101.10
    ii. advance: $2,231,912.78
(c) The new Repayment Date applicable to such Advance is August 21, 2017

IESO confirms it will also be paying interest in the amount of $2,950.27. This transaction relates to the settlement of the Rural or Remote Electricity Rate Protection (RRRP) variance.

Such election shall be confirmed by the IESO by a telephone call to OFA Cash· Management (416) 325-8108.

The IESO hereby certifies that:

The representations and warranties of the IESO contained in the Agreement are true and correct as at the date hereof.

No Event of Default has occurred or is continuing and no event or condition has occurred, which, with the lapse of time or the giving of notice or both would constitute an Event of Default.

The IESO has complied or is complying with all terms, covenants and conditions contained in the Agreement.

Any and all funds received under the Agreement are being used solely as authorized under the Agreement, and are not being used for any other purpose.

Yours truly,
INDEPENDENT ELECTRICITY SYSTEM OPERATOR

Per: K Marshall

Kimberly Marshall
VP Corporate Services, CFO and Treasurer

From: ASXMarket.AnnouncementsOffice@asx.com.au
To: ASXMarket.AnnouncementsOffice@asx.com.au
Subject: Confirmation of Release - PON - Public Accounts of Ontario 2015-2016
Date: Thursday, October 06, 2016 5:28:23 PM
Attachments: 1602390.pdf

ASX confirms the release to the market of Doc ID: 1602390 as follows:
Release Time: 07-OCT-2016 08:28:06
ASX Code: PON
Related ASX Codes:
Announcement Title: Public Accounts of Ontario 2015-2016

ASX Market Announcement Office | ASX Limited
20 Bridge Street, Sydney, NSW 2000
INTL:+61 2 8298 8044 | T: 1800 021 965 | F: 1300 135 638
MAOgroup@asx.com.au | www.asx.com.au
Please consider the environment before printing this email

The information in this email is confidential, it may also be privileged and is intended for the exclusive use of the addressee(s). If you have received this email in error, please do not distribute it, notify me and destroy the original message and all copies. The unauthorised use of this email may result in liability for breach of confidentiality, privilege or copyright. E-mail transmissions cannot be guaranteed to be secure or error-free as information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete or contain viruses. The sender does not accept liability for errors or omissions in the contents of this message which arise as a result of e-mail transmission.

Ontario

Treasury Board Secretariat

PUBLIC ACCOUNTS OF ONTARIO

Annual Report and Consolidated Financial Statements

2015-2016

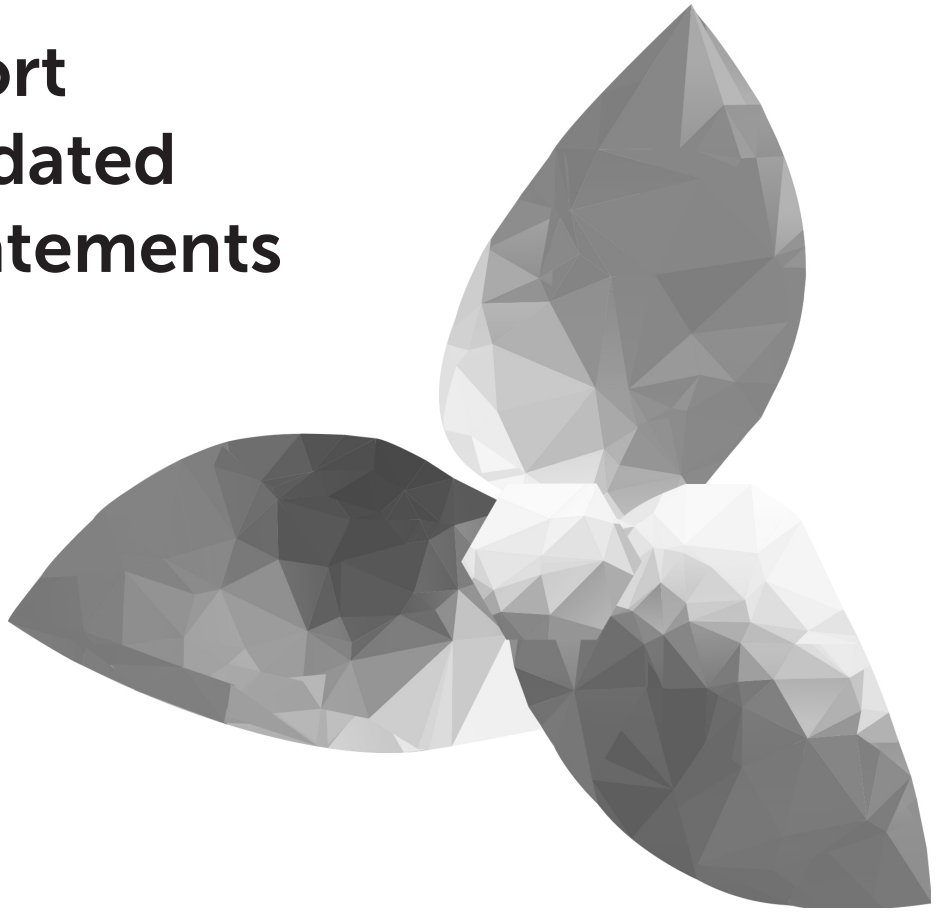
Ontario

Treasury Board Secretariat

PUBLIC ACCOUNTS OF ONTARIO

Annual Report and Consolidated Financial Statements

2015-2016



Treasury Board Secretariat
Office of the Minister

99 Wellesley Street West
Room 4320, Whitney Block
Toronto, ON M7A 1W3
Tel.: 416-327-2333
Fax: 416-327-3790

Ministry of Finance
Office of the Minister

7th Floor, Frost Building South
7 Queen's Park Crescent
Toronto ON M7A 1Y7
Telephone: 416-325-0400
Facsimile: 416-325-0374

Secrétariat du Conseil du Trésor
Bureau du ministre

99, rue Wellesley Ouest
Édifice Whitney, bureau 4320
Toronto (Ontario) M7A 1W3
Tél. : 416 327-2333
Téléc. : 416 327-3790

Ministère des Finances
Bureau du ministre

7 étage, Édifice Frost Sud
7 Queen's Park Crescent
Toronto ON M7A 1Y7
Téléphone: 416-325-0400
Télécopieur:416-325-0374

Ontario

The Honourable Elizabeth Dowdeswell, OC, OOnt
Lieutenant Governor of Ontario
Legislative Building
Queen's Park
Toronto, ON M7A 1A1

May It Please Your Honour:

The undersigned have the privilege to present the Public Accounts of the Province of Ontario for the fiscal year ended March 31, 2016, in accordance with the requirements of the *Financial Administration Act*.

Respectfully submitted,

Original signed by

The Honourable Liz Sandals
President of the Treasury Board
Toronto, October 2016

Original signed by

The Honourable Charles Sousa
Minister of Finance
Toronto, October 2016

Contents

Foreword ..... **iii**
Introduction **1**
Guide to the Public Accounts **2**
Financial Statement Discussion and Analysis 2
The Consolidated Financial Statements 2
Other elements of the Annual Report 4
Supporting volumes 4
Statement of Responsibility **5**

FINANCIAL STATEMENT DISCUSSION AND ANALYSIS

Highlights **9**
Analysis of 2015–16 Results **12**
Revenue 12
Expense 17
Statement of Financial Position analysis 23
Infrastructure expenditures 26
Liabilities 27
Risks and risk management 29
Key Financial Ratios **31**
Responsible Fiscal Management **34**
Non-Financial Activities **37**
Health care 37
Education 38
Post-secondary education and training 38
Condition of provincial tangible capital assets 38
Transparency and Accountability **40**
Recent developments in public sector accounting standards 40
The C.D. Howe Institute Fiscal Accountability Report 40
Trillium Trust 41
Data visualization 41

CONSOLIDATED FINANCIAL STATEMENTS

Auditor's Report 45
Consolidated Statement of Operations 47
Consolidated Statement of Financial Position 48
Consolidated Statement of Change in Net Debt 49
Consolidated Statement of Change in Accumulated Deficit 50
Consolidated Statement of Cash Flow 51
Notes to the Consolidated Financial Statements 52
Schedules to the Consolidated Financial Statements 87
Glossary 106
Sources of Additional Information 112

Foreword

Each year, the Province releases the Public Accounts to update Ontarians on our end-of-year financial position. The Annual Report that accompanies the financial statements provides transparency and accountability for the dollars we spend. Ontario is a recognized leader in financial reporting. The C.D. Howe Institute, an independent research organization that focuses on support for economically sound public policy practices, has acknowledged the consistent basis used by Ontario for our Budget, Estimates and Public Accounts as a best practice for supporting transparency and accountability.

I am pleased to present the Public Accounts for the year 2015–16, which confirm that our government's plan to achieve fiscal balance by 2017–18 is working.

At $5.0 billion, Ontario's deficit is $3.5 billion lower than projected in the 2015 Budget. This marks the seventh year in a row that Ontario has beaten its deficit target.

When the global economic recession hit, our government made a deliberate choice to invest in our economy and stimulate growth. Since then, Ontario has created almost 600,000 net new jobs and the unemployment rate declined to an eight-year low of 6.4 per cent in July 2016. Ontario's economy continues to grow and is expected to remain one of the fastest growing in Canada over the next two years.

Although we have made considerable progress since the recession, there is still hard work ahead to eliminate the deficit. Our government will make the tough but necessary decisions needed to ensure our province continues to grow. As President of the Treasury Board, it is my role to lead this effort and to help create a modern and open government — one that is fiscally responsible, uses evidence to track performance and is focused on results.

In the spirit of openness and increased transparency, this year we have created new visualization tools to help Ontarians understand the Province's finances. To access these new tools, and to see the full Public Accounts online, visit Ontario.ca/publicaccounts.

Making every dollar count

In 2014, we implemented a new fiscal planning and expenditure management approach. Through the Program Review, Renewal, and Transformation (PRRT) process, we are looking across ministries to achieve better value for money.

We have deliberately taken a fair and equitable approach, allowing us to continue to make strategic investments in physical infrastructure such as roads and transit, as well as in social capital through the talents and skills of Ontarians, all while protecting the services on which Ontarians rely.

By prioritizing cross-ministry collaboration in our planning and policy development, we are undertaking major transformation and efficiency initiatives that will help free up resources and allow us to invest in key priorities. This means asking tough questions and making tough choices about services that are not linked to government priorities, serve no clear public interest or fail to achieve their desired outcomes.

For example, transfer payments to organizations including consolidated broader public sector organizations account for approximately 82 per cent of the government's expenditures. The Transfer Payment Administration Modernization (TPAM) project will streamline government transfers to hospitals, school boards, municipalities, non-profits and all other transfer payment recipients. It will not only improve the way we work with these organizations, but will also make their jobs easier by reducing their administrative burdens. TPAM will also help us get better value for our money by emphasizing data and evidence when making funding decisions.

Making services simpler, faster and easier

Through Ontario's Digital Government strategy, we are modernizing government for the digital age, using technology to make services simpler, easier and more convenient for people. This work will improve citizens' online experience with government and deliver better value for public money.

We are also finding innovative ways to support how we drive change across the government. In 2015, we established the Centre of Excellence for Evidence-Based Decision Making. The centre is setting standards for the use of evidence. Its mandate is to build capacity to assess program performance, using evidence to inform choices and lead change in critical public services.

Modern infrastructure and a dynamic business climate

Ontario must build and maintain its infrastructure to remain economically strong and competitive.

The Province is continuing to pursue opportunities to unlock economic value from its assets. Unlocking value from provincial assets is providing resources to invest in new transit and transportation infrastructure, and is helping to expand the economy and improve competitiveness and productivity. In short, it will help to create jobs for Ontarians.

We're investing more than $137 billion over the next 10 years in public infrastructure such as roads, bridges, public transit, hospitals and schools. This investment builds on previous commitments, resulting in a total of approximately $160 billion in public infrastructure investments over 12 years, starting in 2014–15. This is the largest investment in public infrastructure in the Province's history. Planned investments will support more than 110,000 jobs, on average, each year.

The government is building the infrastructure that is needed today and tomorrow. These investments will help manage congestion, connect people, and improve the economy and Ontarians' quality of life.

In addition, our government continues to create a dynamic and innovative business climate. As of August 31, 2016, the 10-year, $2.7 billion Jobs and Prosperity Fund is helping to create and retain more than 22,000 jobs and is attracting more than $2.2 billion in investments. Our government is reducing business costs, keeping tax rates competitive, building strategic partnerships, helping businesses go global, strengthening the financial services sector and investing in training and education.

We have an ambitious agenda to Build Ontario Up. Our balanced budget plan is vitally important, and Public Accounts is the tool by which we report our progress. Working to eliminate the deficit and taking a balanced and disciplined approach to our fiscal plan over the last three and a half years has allowed us to deliver better services and outcomes to Ontarians, and help people in their everyday lives. We are striving to build a province that is the best place to live, from childhood to retirement — a place where everyone has the opportunity to realize their full potential.

Original signed by

The Honourable Liz Sandals
President of the Treasury Board

Introduction

The Annual Report is a key element of the Public Accounts of the Province of Ontario and is central to demonstrating the Province's transparency in reporting its financial activities and position as well as its accountability for financial resources.

This Annual Report presents Ontario's financial results and position for the year ending March 31, 2016, against the approved 2015 Budget. Specifically, it compares the Province's actual financial results for the 2015–16 fiscal year to the Budget plan presented in April 2015 and explains major variances.

This year, in addition to providing a comparison of actual to planned results, the Annual Report has been enhanced in several areas to further support transparency and accountability for readers:

- It expands the comparison of the current year's results to those of the prior year, and includes analysis of the trends over a five-year period as related to several financial items, including an expanded discussion on balance sheet items.

- It provides a description of the Province's capital assets, reflecting their importance in service delivery and their impact on the Province's financial condition.

- It includes a discussion of key risks that could impact the Province's financial results.

As in previous years, the Annual Report sets out and analyzes trends in a number of key financial ratios over the past several years.

The additional discussion and analysis included in this year's Annual Report will help users of the Consolidated Financial Statements better understand the impacts of economic conditions and government decisions on the Province's financial results and position.

Producing the Public Accounts of Ontario requires the teamwork and collaboration of many stakeholders across Ontario's public sector. The Office of the Auditor General plays a critical role in auditing and reporting on the Province's financial statements, and the Standing Committee on the Public Accounts also plays an important role in providing legislative oversight and guidance. I would like to thank everyone for their contributions.

We welcome your comments on the Public Accounts. Please share your thoughts by email at infoTBS@ontario.ca, or by writing to the Office of the Provincial Controller,
Re: Annual Report, Treasury Board Secretariat, Second Floor, Frost Building South,
7 Queen's Park Crescent, Toronto, Ontario M7A 1Y7.

Original signed by

Nadine Petsche, MBA, CPA, CA
Director, Accounting Policy and Financial Reporting
Treasury Board Secretariat

Guide to the Public Accounts

The Public Accounts of the Province of Ontario comprise this Annual Report and three supporting volumes.

The Annual Report includes a Financial Statement Discussion and Analysis, the Consolidated Financial Statements of the Province and other supporting schedules and disclosures.

Financial Statement Discussion and Analysis

The first section of the Annual Report is the Financial Statement Discussion and Analysis section, which:

- Compares the Province's financial results to both the approved Budget for the year and results for the previous year;
- Shows trends in key financial items and indicators of financial condition;
- Sets out key potential risks to financial results and explains how the government manages them;
- Includes descriptions of various assets and liabilities on the statement of financial position; and
- Presents non-financial activities results and discusses important initiatives related to enhancing transparency and accountability.

The Consolidated Financial Statements

The Consolidated Financial Statements show the Province's financial position at the end of the previous fiscal year, its financial activities during the reporting period and its financial position at the end of the fiscal year. The statements are linked, and figures that appear in one statement may affect another.

The Province's financial statements are presented on a consolidated basis, meaning that the Province's statement of financial position and statement of operations reflect the combination of ministry results as well as financial results for entities that are controlled by the government. Therefore, reported revenues and expenses of the Province can be affected directly by the activities of ministries as well as the performance of controlled entities such as government business enterprises (GBEs) and broader public sector (BPS) organizations such as hospitals, school boards and colleges. In addition, the Province's results are also affected by transfer payments made to non-consolidated entities, such as municipalities and universities.

The financial statements comprise:

- The Consolidated Statement of Operations, which provides a summary of the government's revenue for the period less its expenses, and shows whether the government incurred an operating deficit or surplus for the year, in comparison to its approved Budget plan as presented on April 23, 2015, as well as the financial results for the prior fiscal period. The annual surplus/deficit has an impact on the Province's financial position.

- The Consolidated Statement of Financial Position, which reports the Province's assets and liabilities and is also known as the balance sheet. The Province's total liabilities include debt and other long-term financing. Financial assets include cash, short-term investments and investment in GBEs. The difference between total liabilities and financial assets is the Province's net debt, which provides a measure of the future government revenues that will be required to pay for the government's past transactions. Non-financial assets, mainly tangible capital assets such as highways, bridges and buildings, are subtracted from net debt to arrive at the accumulated deficit. An operating deficit in the year increases the accumulated deficit.

- The Consolidated Statement of Change in Net Debt, which shows how the Province's net debt position changed during the year. The main factors increasing net debt are the annual deficit and additions to tangible capital assets, which increase liabilities.

- The Consolidated Statement of Change in Accumulated Deficit, which is a cumulative total of all the Province's annual deficits and surpluses to date. It is mainly impacted by the annual surplus or deficit in a year.

- The Consolidated Statement of Cash Flow, which shows the sources and uses of cash and cash equivalents over the year. Two major sources of cash are revenues and borrowings. Uses of cash include funding for operating costs, investments in capital assets and debt repayment. The statement is presented in what is referred to as the indirect method, meaning that it starts with the annual surplus or deficit and reconciles that to the cash flow from operations by adding or subtracting non-cash items, such as amortization of tangible capital assets. As well, it also shows cash used to acquire tangible capital assets and investments, as well as cash generated from financing activities.

When reading the Consolidated Financial Statements, it is essential to also read the accompanying notes and schedules, which summarize the Province's significant accounting policies and give more information on underlying financial activities, market value of investments, contractual obligations and risks. Commentary is also provided on possible future changes to accounting standards.

Other elements of the Annual Report

- In management's Statement of Responsibility, the government acknowledges its responsibility for the Consolidated Financial Statements and the Financial Statement Discussion and Analysis. The Statement, which appears on page 5, outlines the accounting policies and practices used in preparing the financial statements and acknowledges the government's responsibility for financial management systems and controls.

- For the 2015–16 Public Accounts, the government legislated the accounting treatment for pension assets of its jointly sponsored pension plans. Note 18 to the Consolidated Financial Statements includes additional information about this change.

- The Auditor General's Report, which appears on page 45, expresses an opinion under the *Auditor General Act* as to whether the statements present fairly the annual financial results and financial position of the government in accordance with Canadian Public Sector Accounting Standards.

Supporting volumes

Volume 1 contains ministry statements and detailed schedules of debt and other items. Individual ministry statements compare actual expenses to the amounts appropriated by the Legislative Assembly. Appropriations are made through the Estimates, Supplementary Estimates and annual *Supply Act* (as modified by any Treasury Board Orders), other statutes and any special warrants. The ministry statements include amounts appropriated to fund certain provincial organizations, including hospitals, school boards and colleges. The financial results of all provincial organizations included in the government reporting entity in accordance with Public Sector Accounting Standards are consolidated with those of the Province to produce the Consolidated Financial Statements in accordance with the accounting policies described in Note 1 to the statements.

Volume 2 contains the individual financial statements of significant provincial corporations, boards and commissions that are part of the government's reporting entity, as well as other miscellaneous financial statements.

Volume 3 contains the details of payments made by ministries to vendors (including sales tax) and transfer payment recipients that exceed certain thresholds, including payments to suppliers of temporary help services; payments made directly to a supplier by the ministry for employee benefits; travel payments for employees; total payments for grants, subsidies or assistance to persons, businesses, non-commercial institutions and other government bodies; other payments to suppliers of goods and services; and statutory payments.

Statement of Responsibility

The Consolidated Financial Statements are prepared by the Government of Ontario in accordance with legislation and the accounting principles for governments recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA Canada).

The government accepts responsibility for the objectivity and integrity of these Consolidated Financial Statements and the Financial Statement Discussion and Analysis.

The government is also responsible for maintaining systems of financial management and internal control to provide reasonable assurance that transactions recorded in the Consolidated Financial Statements are within statutory authority, assets are properly safeguarded and reliable financial information is available for preparation of these Consolidated Financial Statements.

The Consolidated Financial Statements have been audited by the Auditor General of Ontario in accordance with the *Auditor General Act* and Canadian Auditing Standards. Her report appears on page 45 of this document.

Original signed by	Original signed by	Original signed by
Scott Thompson Deputy Minister Ministry of Finance	Greg Orencsak Deputy Minister, Treasury Board Secretariat and Secretary of Treasury Board and Management Board of Cabinet	Nadine Petsche Director, Accounting Policy and Financial Reporting Treasury Board Secretariat
October 5, 2016	October 5, 2016	October 5, 2016

FINANCIAL STATEMENT DISCUSSION AND ANALYSIS

Highlights

2015–16 Financial Highlights — Table 1
($ Billions)

Consolidated Statement of Operations For the fiscal year ended March 31	2015 Budget	2015–16 Actual	2014–15 Actual	Change from 2015 Budget	Change from 2014–15 Actual
Total Revenue	124.4	128.4	118.5	4.0	9.8
Expense					
Programs	120.5	122.4	118.2	1.9	4.2
Interest on debt	11.4	11.0	10.6	(0.4)	0.4
Total Expense	131.9	133.4	128.8	1.5	4.6
Reserve	1.0	-	-	(1.0)	-
Annual Deficit	(8.5)	(5.0)	(10.3)	(3.5)	(5.3)
Consolidated Statement of Financial Position As at March 31					
Financial Assets		83.5	82.5		1.0
Liabilities		388.7	367.1		21.6
Net Debt		(305.2)	(284.6)		20.6
Non-Financial Assets		102.5	97.1		5.4
Accumulated Deficit		(202.7)	(187.5)		15.2

Note: Numbers may not add due to rounding.

Comparison to the 2015 Budget plan

The Province of Ontario recorded a deficit of $5.0 billion for the 2015–16 fiscal year, an improvement of $3.5 billion from the $8.5 billion projected in the 2015 Budget plan (see Table 1).

The improvement over plan was due to revenues that were $4.0 billion above forecast, at $128.4 billion. This was largely due to higher-than-expected taxation revenues and net revenues from the first phase of broadening Hydro One ownership.

Despite the challenges stemming from an uncertain global economic setting, Ontario's economy grew, with real gross domestic product (GDP) increasing by 2.6 per cent in 2015, slightly below the forecast of 2.7 per cent in the 2015 Budget.

Total spending for 2015–16 came in at $133.4 billion, which was $1.5 billion higher than forecast in the 2015 Budget plan. This increase from plan was due mainly to the change in the Province's accounting treatment for pension assets of jointly sponsored pension plans.

The government identified and acted on a number of initiatives in the 2015 Budget to modernize public services, improve outcomes for Ontarians and support the Province's fiscal objectives. Savings from these and other initiatives identified through Program Review, Renewal and Transformation (PRRT) are reflected in all of the program expense lines in the 2015–16 results.

Comparison to the 2014–15 fiscal year

Provincial revenues were up $9.8 billion, or 8.3 per cent, from the previous year (see Table 1). This increase was due in part to nominal GDP growth of 3.5 per cent, which contributed to higher taxation revenues. Higher transfers from the federal government, particularly Canada Health Transfer, Canada Social Transfer and Equalization payments, also increased revenues.

Also contributing to year-over-year revenue growth was the completion of the first phase of Hydro One share sales in 2015–16 through an initial public offering (IPO). This transaction and its fiscal impacts are discussed in more detail in "Broadening Hydro One ownership" on page 14.

Year-over-year, total spending rose by $4.6 billion, or 3.5 per cent, going from $128.8 billion to $133.4 billion. Increases in the health care, children's and social services, and justice sectors, as well as other program areas, accounted for most of the increase. Interest on debt rose by 3.1 per cent, from $10.6 billion to $11.0 billion, reflecting financing costs for the Province's debt. In addition, the change in the Province's accounting treatment for pension assets accounted for $1.5 billion of the year-over-year variance.

As a result of stronger relative growth in revenue than in spending, the annual deficit fell from $10.3 billion in 2014–15 to $5.0 billion in 2015–16, reflecting an improvement of 51.2 per cent.

For the 2015-16 Public Accounts, the Province's opening pension asset balance was adjusted to reflect a legislated change in accounting treatment for pension assets of jointly sponsored pension plans[1]. As a result, net debt — the difference between the Province's liabilities and financial assets — grew by $20.6 billion during the year. Excluding the $10.7 billion impact of this change in accounting treatment for pension assets related to jointly sponsored pension plans, total liabilities increased by $10.9 billion which was partially offset by a $1.0 billion increase in financial assets.

The net book value of capital assets such as roads and bridges owned by the Province grew by $5.4 billion during the year, reflecting new capital investments. The accumulated deficit rose by $6.1 billion, mainly as a result of the annual deficit of $5.0 billion and other adjustments.

[1] See Note 18 to the Consolidate Financial Statement.

Cash flow during the year was used to fund the annual deficit of $5.0 billion, provide $10.9 billion for investment in capital assets, repay maturing debt of $21.9 billion and cover other cash items. These needs were partially covered with funds borrowed before the end of 2014–15, including pre-borrowing for 2015–16, for a total of $12.4 billion in new financing.

Analysis of 2015–16 Results

Details of 2015–16 Actual Results[1]
($ Billions)

Table 2

	2015 Budget	2015–16 Actual	2014–15 Actual	Change from 2015 Budget	Change from 2014–15 Actual
Revenue					
Taxation	87.4	91.8	82.3	4.4	9.5
Government of Canada	22.9	22.9	21.6	-	1.2
Income from government business enterprises	4.8	4.9	5.6	0.1	(0.7)
Other non-tax revenue	9.3	8.8	9.0	(0.5)	(0.2)
Total Revenue	124.4	128.4	118.5	4.0	9.8
Expense					
Health sector	50.8	51.1	50.0	0.3	1.1
Education sector[2]	25.2	25.0	24.6	(0.2)	0.4
Post-secondary and training sector	7.8	7.6	7.7	(0.2)	(0.1)
Children's and social services sector	15.4	15.6	14.7	0.1	0.9
Justice	4.4	4.5	4.3	0.1	0.2
Other programs[3]	16.8	18.6	16.9	1.8	1.7
Total Program Expense	120.5	122.4	118.2	1.9	4.2
Interest on debt	11.4	11.0	10.6	(0.4)	0.4
Total Expense	131.9	133.4	128.8	1.5	4.6
Reserve	1.0	-	-	(1.0)	-
Annual Deficit	(8.5)	(5.0)	(10.3)	(3.5)	(5.3)

Notes:
[1] Numbers may not add due to rounding.
[2] Teachers' Pension Plan expense is included in Other programs. In the Consolidated Financial Statements, this expense item appears under the Ministry of Education. Schedule 4 to the financial statements provides details.
[3] The 2015 Budget included a Program Review Savings Target of $490 million and Year End Savings of $1.0 billion.

Revenue

Comparison to the 2015 Budget plan

In the 2015 calendar year, Ontario's real GDP grew by a solid 2.6 per cent, driven by a boost from exports, business investments and sustained growth in household spending. Growth was very close to the 2.7 per cent forecast in the 2015 Budget.

The robust growth was supported by solid economic expansion in the United States and favourable shifts in key external factors, including reduced oil prices, a more competitive Canadian dollar and low interest rates.

Revenues for 2015–16 came in at $128.4 billion, or 3.2 per cent higher than forecast in the 2015 Budget. See Chart 1 for a breakdown of revenues by source.

Excluding the impacts of the sale of Hydro One shares, as discussed on page 14:

- Taxation revenues were $1.7 billion, or 2.0 per cent higher than projected in the 2015 Budget. Personal income tax revenues were $0.8 billion higher, reflecting stronger-than-projected 2015 tax assessments. The strong housing market in 2015 contributed to a $0.8 billion increase in combined sales tax and land transfer tax revenues.

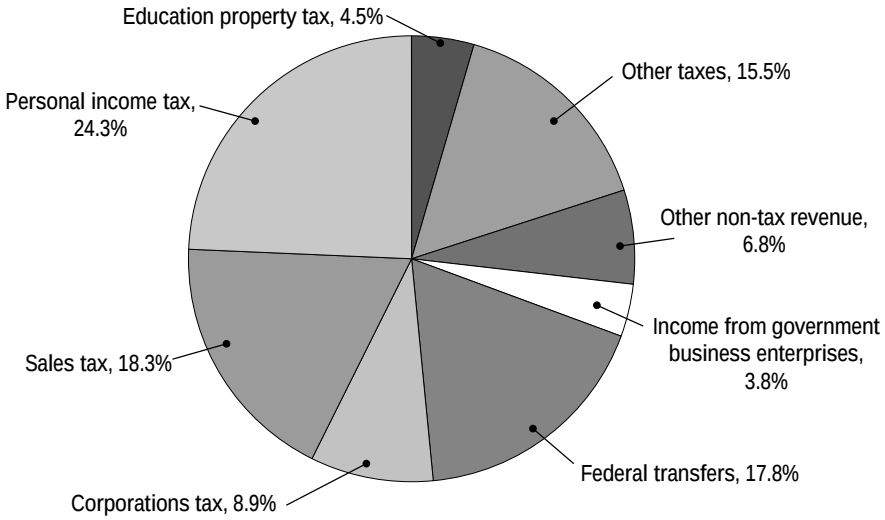
- Income from GBEs was $0.6 billion higher, reflecting higher-than-projected returns from Ontario Power Generation Inc., the Ontario Lottery and Gaming Corporation and the Liquor Control Board of Ontario.

- Other non-tax revenues were $0.3 billion higher on a net basis, mainly reflecting higher recoveries of prior year expenditures and higher fiscally neutral Power Supply Contract Recoveries.

Another factor was an increase from plan of $1.5 billion in net revenues arising from the completion of the first phase of broadening Hydro One ownership.

Transfers from the Government of Canada were close to the 2015 Budget estimate.

2015–16 revenue by source ($128.4 billion) Chart 1



Percentages may not add to 100 per cent due to rounding.

Comparison to prior year and earlier years

Total revenues were up $9.8 billion, or 8.3 per cent, from the previous year.

Excluding the impacts of the sale of Hydro One shares, as discussed below:

- Taxation revenues grew by $6.8 billion, or 8.3 per cent, reflecting economic growth, including a strong 2015 housing market. Prior year adjustments that lowered 2014–15 corporations tax revenues and boosted 2015–16 Harmonized Sales Tax (HST) revenues also contributed to stronger year-over-year growth.

- Net income from GBEs declined in 2015–16 by $0.2 billion, mainly due to lower net income from Ontario Power Generation after a one-time gain from 2014–15. This was partially offset by higher net income growth from the Ontario Lottery and Gaming Corporation and the Liquor Control Board of Ontario.

Higher net revenues from asset optimization arising from the first phase of broadening Hydro One ownership accounted for $2.0 billion of the increase in Provincial revenues.

Higher transfers under the Canada Health Transfer, Canada Social Transfer and Equalization programs accounted for most of the $1.2 billion year-over-year increase in Government of Canada transfers.

Broadening Hydro One ownership

In November 2015, the Province completed the first phase of its plan to broaden Hydro One ownership. It sold approximately 16 per cent of the Province's outstanding Hydro One common shares at a price of $20.50 per share through an IPO and through related share sales to electricity sector union trusts. As a result, as at March 31, 2016, the Province owned about 84 per cent of the outstanding common shares in Hydro One.

The Province reported a gain of $0.8 billion from the sale of Hydro One shares as well as a deferred gain of $48 million in connection with sales to electricity sector union trusts.

The Hydro One IPO had additional impacts. Prior to the IPO, Hydro One was exempt from taxation under the federal *Income Tax Act* and the provincial *Taxation Act, 2007*, and instead made payments in lieu of corporate taxes (corporate PILs) to the Province.

Hydro One's tax-exempt status ended as a result of the IPO, and it exited the corporate PILs regime to become subject to federal and provincial taxes. Immediately before that occurred, the entity was deemed to have disposed of its assets for proceeds equal to the assets' fair market value.

As a result of this deemed disposition, before exiting the corporate PILs regime Hydro One had to make a payment to the Province through the Ontario Electricity Financial Corporation under the *Electricity Act, 1998*, related to the income and capital gains arising from the difference between the assets' fair value and tax value. This one-time payment to the Province, referred to as the departure tax, was $2.6 billion. Hydro One also paid the Province $0.2 billion in additional corporate PILs in connection with leaving the corporate PILs regime.

These one-time payments did not affect the Province's annual deficit, as the additional revenue was offset by an equal reduction in Hydro One's net income, which is consolidated in the Province's financial statements. The Province continues to consolidate Hydro One according to its proportionate share ownership.

Hydro One is now subject to corporate income taxes. The transition into the corporate income tax regime also resulted in Hydro One recognizing a deferred tax recovery based on the fair market value of its assets that increased the Province's reported revenues by $2.4 billion. The deferred tax asset reflects the fact that cash taxes payable by Hydro One, including those payable to the Province, will be reduced for some period into the future.

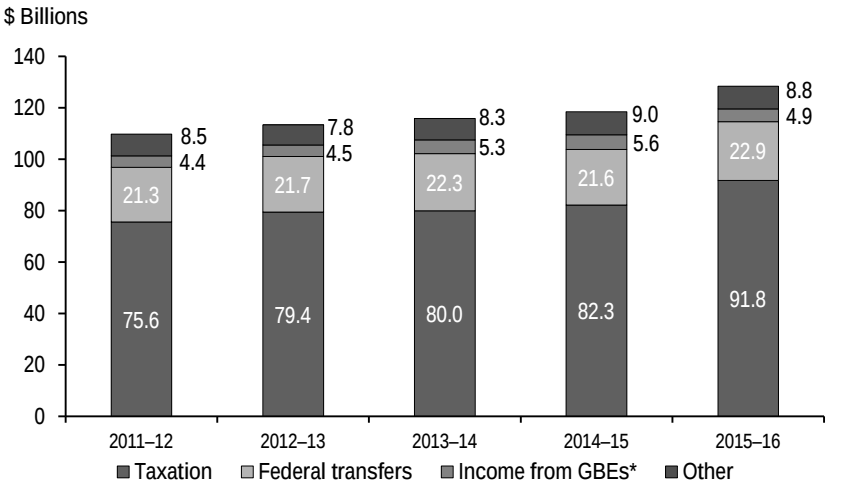
Under the *Trillium Trust Act, 2014,* net revenue gains from the disposition of Hydro One shares are allocated to the Trillium Trust. See "Transparency and Accountability" on page 40, and Volume 1 of the Public Accounts for more details.

Revenue trend

Chart 2 shows the recent trends in revenue for the Province's major revenue sources.

Revenue by source — 5-year comparison

Chart 2



* Government business enterprises (Liquor Control Board of Ontario, Ontario Lottery and Gaming Corporation, Ontario Power Generation Inc., Hydro One Limited and Brampton Distribution Holdco Inc.).

Taxation revenue

Between 2011–12 and 2015–16, taxation revenue grew at an annual average rate of 5.0 per cent, higher than the average annual nominal GDP growth of 3.2 per cent over the same period.

Although economic growth and increases in taxation revenue are clearly linked, the relationship is affected by several factors. Growth in some revenue sources, such as corporations tax and mining tax, can diverge significantly from economic growth in any given year, due to the inherent volatility of business profits as well as the use of tax provisions such as the option to carry losses forward or backward. The impact of housing completions and re-sales on HST and Land Transfer Tax revenue is proportionately greater than their contribution to GDP. As well, changes in such sources as volume-based gasoline and fuel taxes are more closely aligned to growth in real as opposed to nominal GDP, as these revenue sources are less influenced by price changes.

Much of the rising trend in taxation revenues between 2011–12 and 2015–16 reflects a growing economy and the impact of tax measures, as well as measures aimed at tax fairness and addressing the underground economy.

Other taxation revenues increased significantly in 2015–16 compared to the prior year. The increase largely reflects one-time payments in lieu of taxes from Hydro One associated with the Hydro One IPO. This transition resulted in a one-time $2.6 billion departure tax payment, in addition to $0.2 billion in one-time payments in lieu of taxes from Hydro One to the Province. These one-time payments were revenue neutral to the Province, as they also reduced the Province's revenues from Hydro One's net income by an equal amount. The Province's relative share of Hydro One's net income is reported in the Consolidated Financial Statements as income from GBEs.

Federal government transfers

Government of Canada transfers are based on existing federal–provincial funding arrangements and formulas. These include major federal transfer programs such as the Canada Health Transfer, Canada Social Transfer and Equalization programs, as well as transfers for social housing, infrastructure and labour market programs. There are also a number of smaller federal transfers to the Province, which are largely program-specific. Some transfers are ongoing, while others are time-limited.

Between 2011–12 and 2015–16, Government of Canada transfers grew at an annual average rate of 1.8 per cent. Higher entitlements under the Canada Health Transfer, Canada Social Transfer and Equalization payments were partially offset by several time-limited transfers that wound down over that time period.

Income from government business enterprises

Revenues for the Province include the net income of five GBEs: the Ontario Lottery and Gaming Corporation, the Liquor Control Board of Ontario, Ontario Power Generation Inc., Hydro One Limited and Brampton Distribution Holdco Inc. (Before August 31, 2015, Hydro One Brampton Networks Inc., a subsidiary of Brampton Distribution Holdco Inc., was a subsidiary of Hydro One and its results were included in those of Hydro One on the Province's financial reports.)

After growing between 2011–12 and 2014–15, net income from GBEs declined in 2015–16. This was mainly due to the impact on Hydro One's net income from the one-time, final payments in lieu of taxes to the Province triggered by the Hydro One IPO.

Other non-tax revenues

Other non-tax revenues arise from a number of sources, including vehicle and driver registration fees; sales and rentals of goods and services; other fees, licences and permits; reimbursements of provincial expenditures in delivering certain services; royalties for the use of Crown resources; and such revenue sources from the electricity sector as the Debt Retirement Charge, Power Supply Contract Recoveries and Net Reduction of Power Purchase Contract Liability.

Other non-tax revenues grew moderately, at an annual average rate of 1.0 per cent, between 2011–12 and 2015–16. Two major factors were responsible for most of the growth in revenues:

- Increases in licensing and vehicle validation fees to maintain and expand provincial roads and highways; and
- The Province's asset-optimization strategy, particularly the gain on the sale and redemption of General Motors shares in 2013–14 and 2014–15 and the gain on the sale of Hydro One common shares in 2015–16.

These gains were partially offset by lower non-tax revenues from the electricity sector.

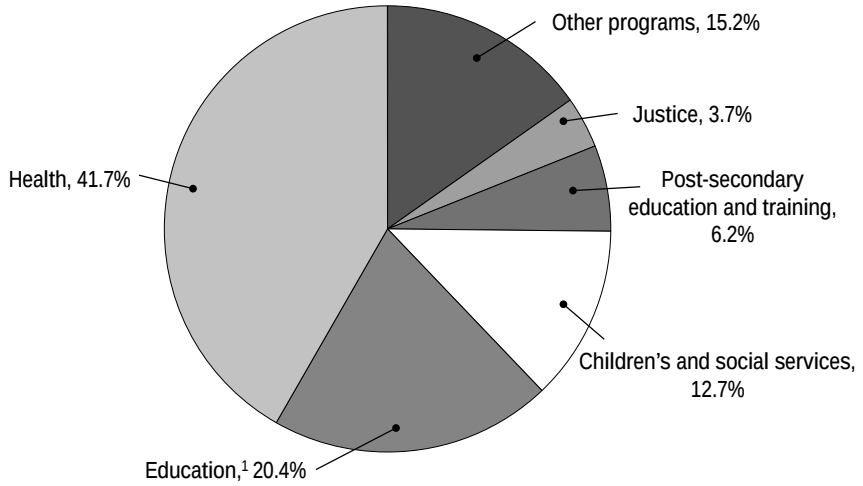
Expense

Comparison to the 2015 Budget plan

Total expense in 2015–16 was $133.4 billion, which was higher than forecast in the 2015 Budget plan. Program spending was $122.4 billion, up $1.9 billion from a planned spending of $120.5 billion. Spending in the health, children's and social services, and justice sectors, as well as in other programs, was higher than planned (see Table 2). See Chart 3 for a breakdown of program expense by sector.

2015–16 program expense by sector ($122.4 billion)

Chart 3



Percentages may not add to 100 per cent due to rounding.

[1] Teachers' Pension Plan is included in Other programs.

Total program spending was $1.9 billion higher than the Budget plan, resulting in actual program expense of $122.4 billion. The increases were attributable to:

- Health sector expense that was $294 million, or about 0.6 per cent, above plan. Higher spending resulted from increased drug costs as well as higher hospital sector expense, which was partially offset by underspending in agencies.
- Children's and social services sector expense that was $124 million higher than planned, due mainly to additional spending to address demand for the Ontario Disability Support Program, and the cost of prescription drugs for social assistance recipients.
- Justice sector expense increases of $120 million, mainly due to settlements under the *Proceedings Against the Crown Act* and higher-than-expected bad debt provisions related to unpaid fines.
- Other programs expense was $1.8 billion higher than expected, mainly due to a change in the accounting treatment for pension assets of jointly sponsored pension plans, higher-than-anticipated expense for the Ontario Production Services Tax Credit and costs related to the Hydro One IPO.

Increases in these sectors and programs were partially offset by:

- Education sector expense that was $233 million lower than expected, due in part to a higher share of funding spent on capital projects that are capitalized and amortized instead of expensed, higher-than-forecasted revenues from education development charges and slightly lower-than-projected enrolment.

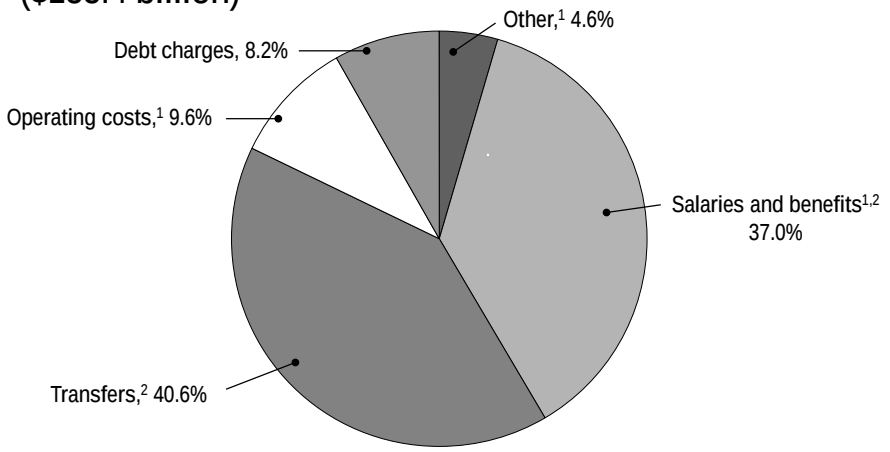
- Post-secondary and training sector expense that was $176 million lower than expected, mainly due to lower spending on post-secondary operating grants and lower student financial assistance as a result of lower-than-forecast enrolment. As well, spending on employment and training programs was below plan, partially offset by higher expense on tax credits to employers to support training.

As noted in the footnote to Table 2, the 2015 Budget included two savings targets that together totalled $1.49 billion as part of other programs expense. Ministries achieved $1.1 billion in savings against these targets which were reallocated to the ministries that achieved savings — notably in both the education and post-secondary and training sectors, as highlighted above. Program expense was $1.9 billion higher than planned as a result of $0.4 billion higher ministry spending and the impact of the change in accounting treatment for pension assets in jointly sponsored pension plans, which increased other program expense by $1.5 billion for the year.

Chart 4 shows spending by type of expense instead of spending by sector. A significant share of government spending goes directly to salaries and benefits across ministries in the Ontario Public Service and BPS organizations, including hospitals, school boards and colleges that are consolidated in its accounts. Note that the share labelled “Transfers” in Chart 4 includes payments to doctors for physician services, but does not include transfers to consolidated BPS organizations; these are reflected in the other expense types.

2015–16 spending by type of expense ($133.4 billion)

Chart 4



[1] Salaries and benefits, Operating costs and Other include consolidated BPS organizations and are net of third-party revenues from the BPS organizations. Information on BPS results can be found in Schedule 10 of the Consolidated Financial Statements.

[2] Compensation related costs for non-consolidated entities (e.g., Children’s Aid Societies, Community Care Access Centres, Universities) and payments to doctors for physician services are included in Transfers.

The transfers category reflects payments to a variety of third parties, mainly in the public sector, to support the delivery of public services. These third parties include, for example, child care providers, social service agencies and health care professionals. As service providers, a large share of the spending of these third parties typically goes to salaries and benefits.

Comparison to prior year and earlier years

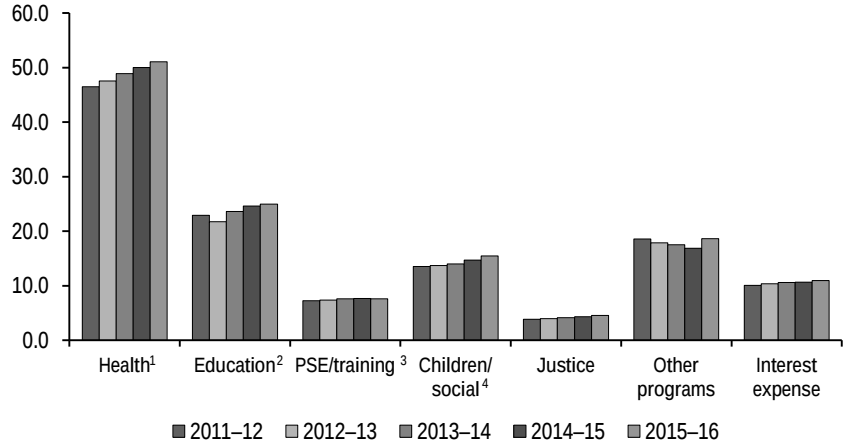
Year-over-year, program spending grew by 3.6 per cent in 2015–16.

Health care represents the largest share of government program spending. Transformation efforts to make the sector more effective and sustainable are vital to managing overall spending growth and to achieving better outcomes for patients in a better integrated system. These continuing efforts moderated the year-over-year growth in health sector spending to 2.1 per cent in 2015–16. Prior to this transformation, the sector had been experiencing an average annual growth rate of over 6.0 per cent.

Chart 5 shows the recent trends in spending for major program areas.

Expense by sector — 5-year comparison

Chart 5



[1] Includes payments to Community Care Access Centres
[2] Teachers' Pension Plan is included in Other programs.
[3] Post-secondary education and training.
[4] Children's and social services includes Children's Aid Societies.

- Health sector expense increased from $46.5 billion in 2011–12 to $51.1 billion in 2015–16, or on average by 2.4 per cent per year between 2011–12 and 2015–16. These increases are due in part to increasing demands for health care services from an aging and growing population, along with other factors. Increases also include new investments in home and community care as well as specialized services such as cancer care. Expense increases in the health sector have been moderated by ongoing transformation of the sector to focus on patients while reducing costs such as the prices of generic prescription drugs.

- Education sector expense increased from $22.9 billion in 2011–12 to $25.0 billion in 2015–16, or on average by 2.2 per cent per year between 2011–12 and 2015–16. The increase is mainly due to the introduction of full-day kindergarten, which has been made available to every four- and five-year-old in Ontario since September 2014. Expense was lower in 2012–13 due to the impact of $1.3 billion in one-time savings from reducing liabilities carried by school boards for sick-day banking and retirement gratuities.

- Post-secondary education and training sector expense increased from $7.3 billion in 2011–12 to $7.6 billion in 2015–16, or on average by 1.3 per cent per year between 2011–12 and 2015–16. The increase is mainly due to continued funding to support enrolment growth in post-secondary institutions, growth in student financial assistance programs and support for employment and training programs.

- Children's and social services sector expense increased from $13.5 billion in 2011–12 to $15.6 billion in 2015–16, or on average by 3.5 per cent per year between 2011–12 and 2015–16. This increase reflects annual social assistance rate increases, caseload growth in the Ontario Disability Support Program and investments in developmental services and the Ontario Child Benefit.

- Justice sector expense increased from $3.9 billion in 2011–12 to $4.5 billion in 2015–16, or on average by 4.1 per cent per year between 2011–12 and 2015–16. These increases are mainly due to the provincial upload of court security costs from municipalities, costs incurred mainly in 2015–16 for the security services for the 2015 Pan/Parapan American Games and improved access to legal aid for low-income Ontarians.

- Other programs expense was $18.6 billion in 2015–16, including a $1.5 billion increase in pension expense. This brought other programs expense back to about where it was in 2011–12. Excluding the increase in pension expense, other programs expense for 2015–16 would have been $17.1 billion, contributing to an average decrease of 2.0 per cent per year between 2011–12 and 2015–16.

Interest costs

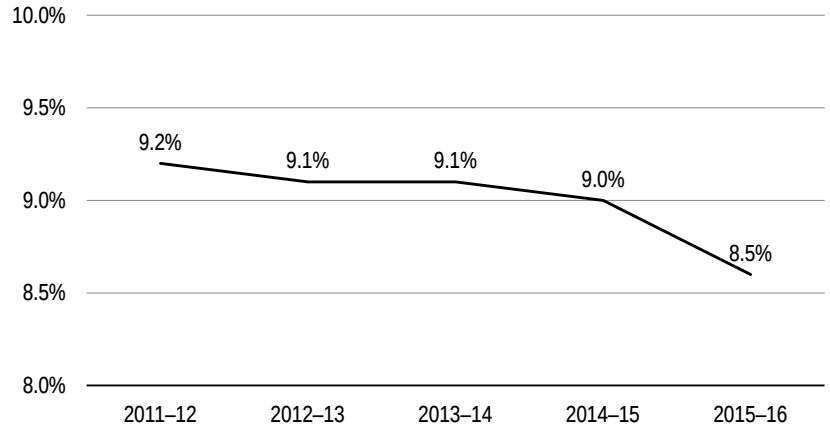
Interest on debt expense was $0.4 billion below plan in 2015–16, as a result mainly of lower-than-forecast interest rates, the lower-than-planned deficit and cost-effective borrowing and debt management.

Interest expense grew from $10.6 billion in 2014–15 to $11.0 billion in 2015–16 (see Table 2).

Between 2011–12 and 2015–16, interest expense has trended upward, reflecting higher borrowings required to fund the deficit and investments in infrastructure. Chart 6 shows that although interest costs have grown in absolute terms, they have steadily fallen as a percentage of the Province's revenues. The interest on debt-to-revenue ratio is now at its lowest level since 1990–91. This is mainly due to historically low interest rates, coupled with cost-effective debt management.

Debt servicing costs to total revenue — 5-year trend

Chart 6



Statement of Financial Position analysis

Financial assets

Financial Assets
($ Billions)

Table 3

	2015–16 Actual	% of Total	2014–15 Actual	% of Total	Variance Increase (Decrease)
Cash and cash equivalents	13.6	16.3%	15.2	18.4%	(1.6)
Investments	21.8	26.1%	20.4	24.7%	1.4
Accounts receivable	11.1	13.3%	10.3	12.5%	0.8
Loans receivable	11.5	13.8%	11.1	13.5%	0.4
Other assets	1.9	2.3%	2.0	2.4%	(0.1)
Investment in government business enterprises	23.6	28.2%	23.5	28.5%	0.1
Total Financial Assets	83.5	100.0%	82.5	100.0%	1.0

Financial assets consist of items such as cash and cash equivalents, and investments that are available to the Province to meet its expenditure needs; accounts and loans receivable, which are amounts it expects to receive from third parties; and other items, including investment in GBEs.

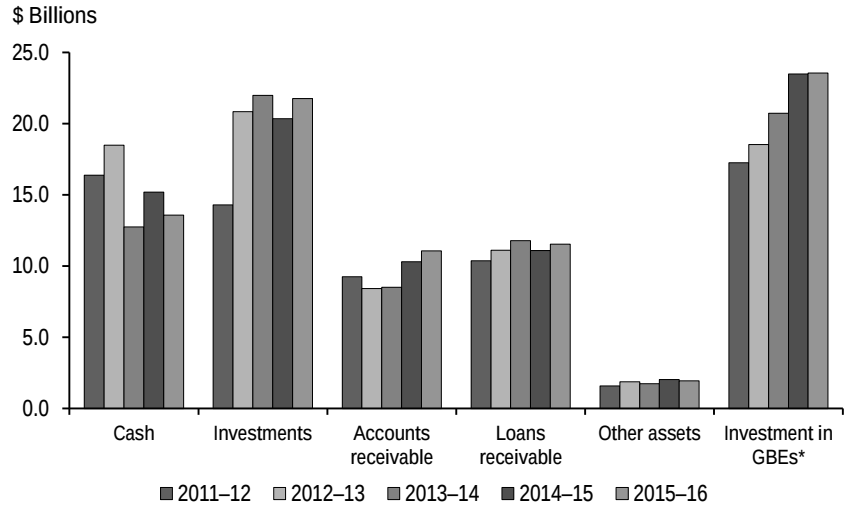
The Province's financial assets increased by $1.0 billion in 2015–16 over the prior year to $83.5 billion. This increase was mainly due to a $1.4 billion increase in investments and a $0.8 billion increase in accounts receivable, which was offset by a $1.6 billion decrease in cash and cash equivalents (see Table 3):

- Investments went up by $1.4 billion, mainly due to the pre-borrowing at year-end for 2016–17 spending requirements.
- Accounts receivable, which shows amounts owing to the Province by third parties, increased by $0.8 billion, mainly due to an increase in tax receivable at year-end.
- Cash and cash equivalents, which are financial instruments that can be easily converted to cash, decreased by $1.6 billion as a result of operating, investing, capital and financing activities.

Chart 7 shows the recent trends in financial assets for the Province.

Financial assets — 5-year comparison

Chart 7



* Government business enterprises (Liquor Control Board of Ontario, Ontario Lottery and Gaming Corporation, Ontario Power Generation Inc., Hydro One Limited and Brampton Distribution Holdco Inc.).

The five-year trend shows a steady gain in investment in GBEs from 2011–12 to 2014–15, reflecting an increase in net assets reported for these entities. The same upward trend did not continue in 2015–16, mainly due to the Province's decreased ownership interest in Hydro One.

The level of other financial assets, including cash, accounts receivable and investments, tends to be more variable, since these assets often reflect specific circumstances at year-end, such as pre-borrowing for the following period's needs.

Tangible capital assets

The government is responsible for a large portfolio of non-financial assets, which is almost entirely made up of tangible capital assets.

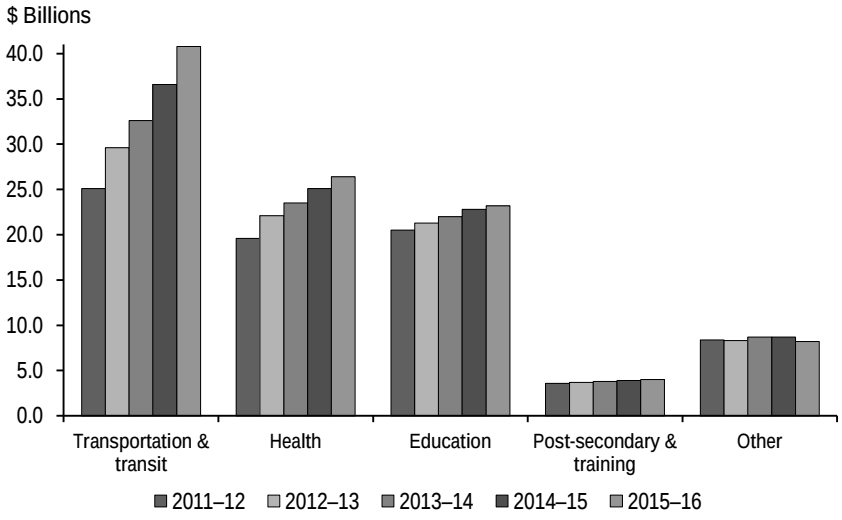
Tangible capital assets owned by the Province and its consolidated entities represent the largest component of the Province's infrastructure investments. These assets include those it owns directly, such as provincial highways, as well as the assets of school boards, hospitals, colleges and agencies that are consolidated in its financial statements. The assets of GBEs are reflected in the Province's statement of financial position as an investment in government business enterprises.

The reported net book value of Ontario's tangible capital assets exceeded $102.5 billion in 2015–16, increasing by $5.4 billion over the prior year. Buildings, including schools, hospitals and college facilities, made up the single largest share, at $53.4 billion. The total also includes assets under construction, whether these are being built using the Alternative Financing Procurement (AFP) model, which the private sector finances during construction, or by other means. The balance sheet includes AFP assets under construction in accordance with the Province's accounting policy. The impacts of AFPs on balance sheet liabilities are discussed in "Other long-term financing" on page 28.

Growth in the net book value of capital assets has averaged 7.4 per cent annually over the past five years. Most of the growth has been in new and renewed buildings and in transportation infrastructure, including provincial highways, bridges and the transit network owned by Metrolinx, an agency of the Government of Ontario. See Chart 8 for the recent trends in provincial tangible capital assets.

Trends in the net book value of provincial tangible capital assets — 5-year comparison

Chart 8



Infrastructure expenditures

One of the goals of investing in capital is to improve the economic growth of the province. A 2015 report from The Centre for Spatial Economics, entitled *The Economic Benefits of Public Infrastructure Spending in Canada*, found that, on average, investing $1.00 in public infrastructure in Canada raises GDP by $1.43 in the short term and up to $3.83 in the long term. The full report is available at www.broadbentinstitute.ca/infrastructure.

The Province's infrastructure spending in 2015–16 was $12.8 billion (see Table 4). This included $10.4 billion invested in assets owned by the Province and its consolidated entities, as discussed in "Tangible capital assets" on page 24 and $2.4 billion provided to non-consolidated partners such as universities and municipalities, and other infrastructure expenditures. The total was slightly less than the $13.9 billion set out in the 2015 Budget plan because of lower-than-forecast construction activity for the period.

Infrastructure expenditures, 2015–16[1] Table 4
($ Billions)

Sector	Investment in Capital Assets[2]	Transfers and Other Infrastructure Expenditures[3]	Total Infrastructure Expenditures
Transportation and transit	5.7	0.6	6.3
Health	2.8	0.4	3.2
Education	1.5	0.0	1.6
Post-secondary and training	0.4	0.2	0.6
Other sectors[4]	(0.1)	1.1	1.0
Totals[5]	10.4	2.4	12.8

Notes:

1 Numbers may not add due to rounding.

2 Includes adjustments for the net book value of assets disposed during the year, as well as changes in valuation.

3 Mainly transfers for capital purposes to municipalities and universities and expenditure for capital repairs. Transfers for capital-related purposes and other infrastructure expenditures are recorded as expenses in the Province's Consolidated Statement of Operations.

4 Includes government administration, natural resources, and culture and tourism sectors. A negative investment in capital assets is due to the transfer of Pan/Parapan American Games assets to third parties.

5 Includes third-party investments in consolidated entities such as hospitals, colleges and schools.

Liabilities

The Province's liabilities consist of debt and other financial obligations, including accounts payable, funds it has received from the federal government but not yet spent and the estimated cost of future payments, including net pension liabilities, owing to current and former employees (see Table 5).

Liabilities
($ Billions)

Table 5

	2015–16 Actual	% of Total	2014–15 Actual	% of Total	Variance Increase (Decrease)
Accounts payable and accrued liabilities	19.4	5.0%	20.1	5.5%	(0.7)
Debt	327.4	84.2%	315.0	85.8%	12.4
Other long-term financing	14.1	3.6%	13.9	3.8%	0.2
Deferred revenue and capital contributions	10.8	2.8%	10.1	2.8%	0.7
Pensions and other employee future benefits liability	12.1	3.1%	3.2	0.9%	9.0
Other liabilities	4.9	1.3%	4.9	1.3%	0.0
Total Liabilities	388.7	100.0%	367.1	100.0%	21.6

Debt

Debt and other long-term financing make up the largest share of liabilities. Debt grew by $12.4 billion in 2015–16 to $327.4 billion by year-end, primarily to finance the operating deficit and to invest in infrastructure. The change in Province's accounting treatment for pensions, while increasing net debt, had no impact on the Province's borrowing requirements. Hence total debt remained unchanged by this adjustment.

Net debt as at March 31, 2016, was $305.2 billion, $6.3 billion higher than forecast in the 2015 Budget. Table 6 summarizes how the Province used its net new financing in 2015–16.

Use of new financing by the Province, 2015–16
($ Billions)

Table 6

Operating deficit and other transactions[1]	1.4
Cash invested in capital assets owned by the Province and its consolidated organizations, including hospitals, school boards and colleges[2]	10.7
Increase in the Province's cash and investments	0.5
	12.6
Increase in other long-term financing[3]	(0.2)
Net new financing	12.4

[1] The Province's operating deficit of $5.0 billion was offset by a net $3.6 billion in changes to assets and liabilities that provided cash for operating purposes. See the Consolidated Statement of Cash Flow.

[2] New investments of $10.9 billion less proceeds of $0.2 billion from the sale of tangible capital assets.

[3] Including net increase in financing of capital projects through AFP. See Note 4 to the Consolidated Financial Statements.

The government completed an annual borrowing program of $32.1 billion in 2015–16. This yielded net new financing of $12.4 billion after adjustments and repayment of $21.9 billion in existing debt that matured.

Other long-term financing

This category includes debt incurred to finance construction for public assets, including those procured through the AFP model and other means. All assets that are owned by the Province and its consolidated entities, and the associated financing liabilities, are reflected on the Province's balance sheet as the assets are constructed and the liabilities incurred. For information on asset investments, refer to "Tangible capital assets" on page 24.

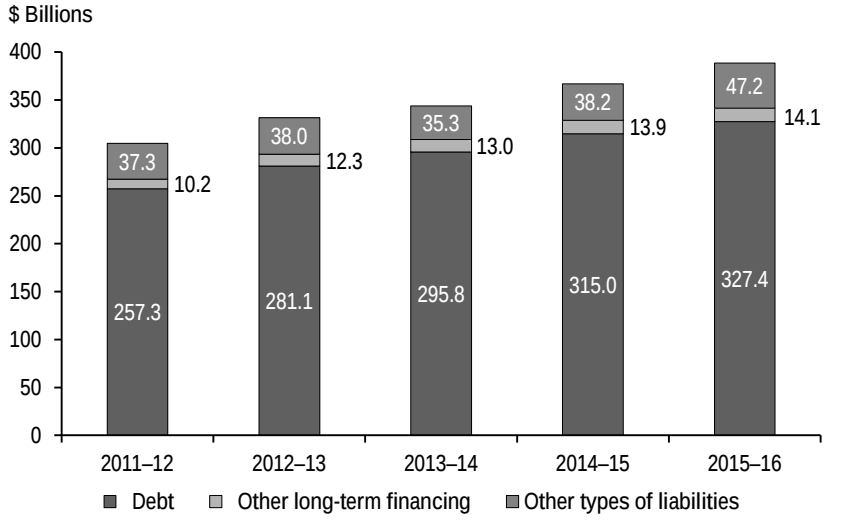
Other types of liabilities

Other types of liabilities include accounts payable, pensions and other employee future benefits, transfers received from the federal government representing deferred revenues, and other liabilities. This category increased by $9.0 billion in 2015–16 over the prior year, mainly due to an adjustment to the opening pension asset balance.

Chart 9 shows the recent trends in liabilities for the Province. This trend over the period between 2011–12 and 2015–16 shows public debt rising, mainly to fund capital investments and the annual deficit, as well as the impact in 2015-16 of the change in accounting treatment for pension assets of jointly sponsored pension plans. The upward trend in other long-term financing indicates increased capital related activities through AFPs. Other types of liabilities, including accounts payable and deferred revenue, tend to be more variable, since they often reflect specific circumstances at year-end, such as accrued liabilities for goods and services.

Liabilities — 5-year trend

Chart 9



Risks and risk management

The Province's financial results and financial reporting are subject to risks and uncertainties over which the government has limited or no control. These include:

- Actual economic and/or revenue growth that differs from forecast;
- Significant changes in financial statement items, especially taxation revenues, arising from actual results that differ from accounting estimates;
- Unforeseen changes in transfer payments from the federal government;
- Demand for entitlement-based public services or a change in other expense, including pension expense, that reflects actual experience that is significantly different than forecast;
- Unusual weather patterns, extreme weather events and natural disasters with major financial impacts;
- Security breaches or other malicious behaviour that could interrupt services, result in loss of information, compromise privacy and/or damage equipment or facilities;
- The outcomes of legal settlements, arbitration and negotiations, and possible defaults on projects and potential defaults affecting loan and funding guarantees;
- Financial market conditions, including access to capital markets, currency exchange rates and interest rates, that differ from expectations; and
- Changes in accounting standards.

Ontario manages risks to the revenue forecast by consulting with private sector economists and tracking their forecasts to inform the government's planning assumptions. For prudent fiscal planning, the Ministry of Finance's real GDP growth projections are slightly below the average private sector forecast.

The Province monitors information flows about revenues on an ongoing basis to assess potential risks to its finances. It also works constantly to enhance information flows for the same purpose. Collaboration with the Canada Revenue Agency, which administers roughly 75 per cent of Ontario's taxation revenues, is essential to achieving this. As well, Ontario is currently leading a federal, provincial and territorial working group that is exploring ways to enhance corporate income tax revenue forecasting and monitoring.

The possible impacts on tax revenue of actual growth in the economy and other parameters differing from the assumptions used in the Budget is disclosed on pages 273–277 of the 2015 Budget, which is available at: http://www.fin.gov.on.ca/en/budget/ontariobudgets/2015/papers_all.pdf.

There are also risks arising from other sources of revenue, such as federal transfers and income from GBEs. Because these represent a smaller share of total revenue, the risks they present are generally less material to the revenue forecast and, in any event, are difficult or impossible to predict or quantify. Note 1 to the Consolidated Financial Statements provides additional details on measurement uncertainty.

On the expense side, the fiscal plan includes contingency funds to help mitigate risks. In the 2015 Budget, these totalled $650 million: $550 million for operating risks and $100 million for capital. Funds were used to support initiatives such as emergency forest firefighting and supporting social assistance recipients.

Provisions for losses that are likely to occur as a result of contingent liabilities, such as ongoing litigation, and that can be reasonably estimated, are expensed and reported as liabilities. Note 13 to the Consolidated Financial Statements provide further details.

Note 3 to the Consolidated Financial Statements explains the Province's risk management strategies, which are intended to ensure that exposure to borrowing-related risk is managed in a prudent and cost-effective manner.

Changes in Canadian generally accepted accounting principles for the public sector made by the Public Sector Accounting Board (PSAB) can have an impact on the Province's budgets, estimates and actual results. Treasury Board Secretariat actively monitors proposed changes and provides input to standard setters to support development of standards that support sound public policy decision-making and transparency and accountability in reporting.

As required under the *Fiscal Transparency and Accountability Act, 2004*, a reserve is included in the projected surplus/deficit each year to guard against unforeseen revenue and expense changes that could have a negative impact on the Province's fiscal performance. The 2015 Budget plan included a $1.0 billion reserve for 2015–16. Excluding this reserve, the 2015 Budget projected a deficit of $7.5 billion. Because the reserve is a forecast provision, and the fiscal results for 2015–16 are now finalized, a reserve is not reflected in the Province's financial statements. The final deficit for the 2015–16 fiscal year is $5.0 billion, a $3.5 billion improvement compared with the 2015 Budget projection of $8.5 billion, which included the reserve.

Key Financial Ratios

The use of key measures of financial position helps readers of the Annual Report assess the financial position of the Province. Through the levels and trends of these measures, readers are able to gauge the impacts of economic and other events on the Province's finances, as well as how the government has responded.

The Public Sector Accounting Board recommends a series of ratios that help financial statement users better understand the sustainability, flexibility and vulnerability of a reporting entity.

For greater transparency and accountability, the Province has expanded the number of ratios on which it reports. The ratio, and the level of each, over the past five years are outlined in Table 7.

Key Financial Ratios — Table 7

as at the end of the fiscal period

		2011–12	2012–13	2013–14	2014–15	2015–16
Sustainability	Net Debt to GDP (%)	35.7%	37.1%	38.5%	39.4%	40.9%
	Net Debt to Total Revenue (%)	214.6%	222.4%	230.5%	240.1%	237.8%
	Net Debt per Capita ($)	$ 17,626	$ 18,667	$ 19,591	$ 20,693	$ 21,926
Flexibility	Debt Charges to Total Revenue (%)	9.2%	9.1%	9.1%	9.0%	8.5%
	Own-Source Revenue to GDP (%)	13.4%	13.5%	13.5%	13.4%	14.1%
Vulnerability	Federal Transfers to Total Revenue (%)	19.4%	19.1%	19.2%	18.2%	17.8%
	Foreign Currency Debt to Total Debt (%)	25.4%	24.3%	22.9%	20.9%	18.8%
	Unhedged Foreign Currency Debt (%)	0.9%	0.7%	0.5%	0.3%	0.3%

Measures of sustainability

Net debt provides a measure of the future government revenues that will be required to pay for the government's past transactions. Net debt as a percentage of the Province's GDP shows the financial demands on the economy resulting from the government's spending and taxation policies. A lower ratio of net debt-to-GDP indicates higher sustainability.

The Province's net debt-to-GDP ratio was 40.9 per cent at the end of fiscal year 2015–16. In 2011–12, it was 35.7 per cent. Over this period, the deficit and other adjustments, including the 2015–16 legislated change in the Province's accounting treatment for pension assets of jointly sponsored pension plans, contributed to 64 per cent of the increase in net debt, with investments in capital assets accounting for the balance. Between 2011–12 and 2014–15, because net debt grew more quickly than GDP, the ratio increased from 35.7 per cent to 39.4 per cent. The ratio increased to 40.9 per cent in 2015–16, mainly as a result of the change in accounting treatment for pension assets of jointly sponsored pension plans. If not for this change, this ratio would have remained level.

The government continues to maintain a target of returning net debt to GDP to the pre-recession level of 27 per cent. The first key step in achieving this is to balance the budget. Debt is incurred for two main reasons: to finance deficits and to invest in capital assets. The government plans to invest $137 billion in capital over 10 years. These capital investments will be amortized over a period of time that corresponds to the useful life of the assets. After balancing the budget, increases in debt will be limited to the difference between the cash investment to build the assets and the amortization, which is a non-cash amount.

The government's plan to reduce the ratio of net debt to GDP therefore hinges on both balancing the budget and investing in capital assets to help the economy grow, both of which will help achieve the 27 per cent target.

The ratio of net debt to total revenue is another measure of sustainability, since it shows the future revenue that is required to pay for past transactions and events. A lower net debt-to-revenue ratio indicates higher sustainability. In 2011–12, the ratio was 214.6 per cent. It rose to 240.1 per cent in 2014–15, as net debt grew more quickly than revenue. Even with the change in the accounting treatment for pension assets, the ratio fell to 237.8 per cent in 2015–16, indicating that total revenues increased at a greater rate than did net debt.

Measures of flexibility

The ratio of interest on debt to total revenue shows the share of provincial revenue that is being used to pay borrowing costs and is thus not available for programs. A lower ratio indicates that a government has more flexibility to direct its revenues to programs. The ratio has steadily fallen for Ontario over the past five years, from a high of 9.2 per cent in 2011–12 to the current level of 8.5 per cent. The Province's strategy of extending the term of its borrowing program and locking in low interest rates for a longer period has also contributed to lower interest costs. This strategy has extended the weighted average term to maturity of provincially issued debt from approximately 8 years in 2009–10 to 14 years in 2015–16.

Own-source revenue as a share of the provincial GDP shows the extent to which the government is using funds from the provincial economy collected through taxation, user fees and other revenue sources it controls. Too high a taxation burden makes a jurisdiction uncompetitive, so increases in the ratio can reduce future revenue flexibility. Ontario's ratio was stable between 2011–12 and 2014–15. The increase from 13.4 per cent in 2014–15 to 14.1 per cent in 2015–16 was largely due to the strong growth in tax and other revenues. This caused own-source revenues to increase more sharply than GDP.

Measures of vulnerability

Transfers from the federal government as a percentage of total revenue are an indicator of the degree to which the Province relies on the federal government for revenue. A very high ratio shows that a provincial government is very reliant on federal transfers, a source of revenue over which it has limited or no control, and therefore vulnerable to shifts in federal policy on transfers. Ontario's highest share of revenue from federal transfers in the past five years was 19.4 per cent, in 2011–12. The lowest was 17.8 per cent, in 2015–16. The gradual decline largely represents the expiration of time-limited federal transfers, including the HST transition payment, and the maturing of federal stimulus programs put in place following the global economic crisis in 2008.

Foreign currency debt to total debt is a measure of vulnerability to changes in foreign currency exchange rates. Accessing borrowing opportunities in foreign currencies allows Ontario to diversify its investor base and take advantage of lower borrowing costs. It also ensures that the Province will continue to have access to capital in the event that domestic market conditions become more challenging. Ontario manages foreign currency risk by hedging its exposure to Canadian dollars through the use of financial instruments, which is called hedging. Effective hedging has allowed the Province to consistently limit its exposure to foreign currency fluctuations to 0.9 per cent of debt issued for provincial purposes in 2011–12, declining to 0.3 per cent in 2015–16.

Responsible Fiscal Management

The 2015–16 annual deficit of $5.0 billion was an improvement of $3.5 billion from the $8.5 billion deficit target laid out in the 2015 Budget. As a result, Ontario has achieved better-than-planned results in each of the last seven years.

The government's record of strong fiscal management is due to an ongoing focus on managing growth in spending, as well as stimulating the economy and protecting revenue.

After declines in revenue in 2008–09 and 2009–10, paralleled by poor economic conditions in those years, Ontario's economic and revenue performance have shown steady gains. Ontario's economic recovery from the global recession has been driven by solid economic fundamentals, supported by long-term job recovery efforts such as significant infrastructure investments. Over the past four years, revenue has grown at an average annual rate of 4.0 per cent, while nominal GDP has grown at an average annual rate of 3.2 per cent.

To protect provincial revenues, better support consumer and work safety, and provide a level playing field for legitimate businesses, the government has focused on fighting underground economic activities. As noted in the 2016 Budget, Ontario has generated over $930 million since 2013–14 through ongoing enhanced compliance-focused measures.

Government action to manage growth in spending has achieved results. Program expense fell to 16.4 per cent of GDP in 2015–16, lower than the 17.9 per cent reached in 2009–10. Ontario also consistently has the lowest per-capita program spending among all Canadian provinces, and is projected to remain the lowest in 2015–16.

Program Review, Renewal and Transformation

Part of the reason for this success has been the Program Review, Renewal and Transformation initiative, the government's ongoing fiscal planning and expenditure management approach and a continuous review of programs. PRRT is helping the government achieve better program outcomes while also lowering costs.

To improve programs, PRRT focuses on evidence-based decision-making, gathering and analyzing the best available information to improve how planned outcomes are identified and achieved across government. This may mean redesigning policies to support greater efficiency and cooperation within government, modernizing program delivery and changing or ending programs that do not meet people's needs. The government met the $490 million program review savings target for 2015–16. To meet this target, the government achieved a number of efficiencies to make programs more sustainable, such as negotiating lower prices for goods and services and managing compensation.

Some examples of program transformation from PRRT that have resulted in savings include:

- Making changes to the Ontario Drug Benefit Program to improve program efficiency, effectiveness and sustainability. This has enabled the government to achieve savings of approximately $100 million in 2015–16 and will enable over $200 million in annual savings when fully implemented. Changes include optimizing the quantities of medication dispensed and maximizing the use of generic drugs. Savings are reflected in the Ministry of Health and Long-Term Care and Ministry of Community and Social Services expense lines for 2015–16 results.

- Continuing to reduce the government's office footprint, to optimize the use of government real estate and drive government-wide cost reductions, achieving savings of approximately $24 million in 2015–16. Savings are reflected in various ministry expense lines for 2015–16 results.

- Undertaking a series of initiatives that are lowering information technology (IT) costs and improving how technology supports the delivery of government programs and services, based most recently on a 2015 third-party independent benchmarking review of the government's IT capability. Savings in the amount of $56 million (including consolidation of data centres, early vendor payments and lower contract costs, including for software and IT consulting services, laboratory supplies and security services) are reflected in various ministry expense lines for 2015–16 results.

- Reduced costs associated with managing under-utilized schools, by encouraging school boards to consolidate schools, share space with other boards and foster community partnerships.

- Better targeted funding through business support programs such as the Ontario Interactive Digital Media Tax Credit, in which the government narrowed the broad eligibility criteria to improve the ability of the credit to support innovative products.

- Changes to the Second Career program by removing client targets for service providers, while ensuring that funding supports all eligible clients. These changes are generating approximately $40 million per year in ongoing savings and will enable the government to invest in the Canada–Ontario Job Grant and the renewed Ontario Youth Jobs Strategy.

The government has also established a new Centre of Excellence for Evidence-Based Decision Making to build capacity to assess how programs are performing, using evidence to inform choices and lead change in critical public services.

Managing compensation

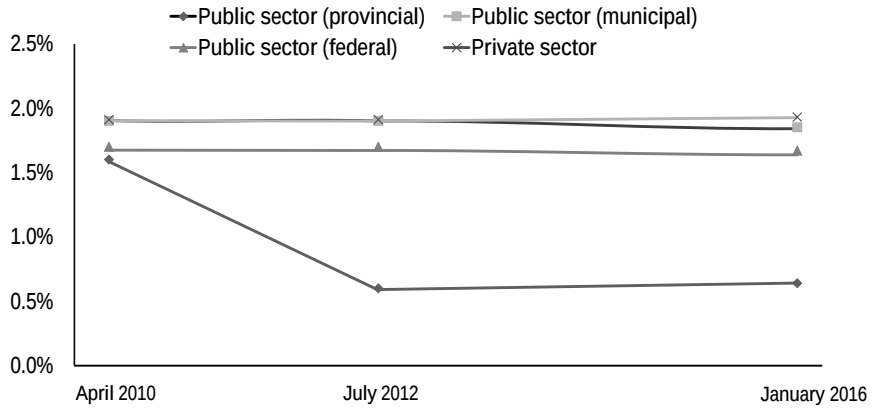
With a significant share of resources going to salaries and benefits, managing compensation costs is critical to balancing the budget.

The 2015 Budget stated that compensation costs must be addressed within Ontario's fiscal framework, which does not include additional funding for wage increases. Collective bargaining during this fiscal year continued to be subject to the principles of the net-zero compensation framework, in which any modest wage increases were required to be offset.

Chart 10 shows that the average percentage annual wage increase of the Provincial public sector has trended lower than increases in the municipal and federal public sectors and the private sector.

Ontario public/private wage settlement trends

Chart 10



Note: Based on agreements with over 150 employees, ratified between April 1, 2010, and January 13, 2016. April 2010 represents the start of the government's compensation restraint mandate. The period from July 2012 to January 2016 represents the most complete picture of a full bargaining cycle across the public sector. The provincial public sector includes the Ontario Public Service, government business enterprises, provincial utilities and all other provincially funded public employers.

In addition, the interest on debt expense of $11.0 billion reported for 2015–16 was an improvement of $0.4 billion over the forecast in the 2015 Budget. Through a combination of lower deficits and borrowing requirements, lower-than-forecast interest rates and cost-effective debt management, interest on debt has consistently come in below forecast in each year since the 2010 Budget.

With the economy expected to continue to grow, and the government's ongoing commitment to transform programs and services, Ontario remains committed to balancing the budget by 2017–18 and remaining balanced in 2018–19.

Non-Financial Activities

This section discusses key non-financial performance in major sectors. The purpose is to allow readers of the Annual Report to understand how the government is using the funds available to it to achieve specific outcomes.

Health care

The government is committed to transforming Ontario's health care system to become more patient-centred and focused on better access to care, quality and value. Ontario's *Patients First: Action Plan for Health Care*, launched in 2015, aims to achieve four goals: increase access to health care, improve care coordination, better inform Ontarians to support their health care decisions, and protect patients and the Province's health care system for the future.

In 2015–16, the Province made progress toward all four goals.

- Access: The Province has continued to reduce wait times for key service areas such as surgeries and diagnostic imaging.

- Connect: To improve access to integrated primary, home and community care, the government has begun planning to implement an expanded role for the Province's 14 Local Health Integration Networks, pending legislation. Ontario has increased investment in home and community care by 5 per cent annually, amounting to $250 million in 2015–16, for a total of $750 million over three years. It has also increased the hourly wages of publicly funded personal support workers caring for patients at home and in the community by $1.50 per hour in 2015–16 to at least $15.50 per hour, in the second of three annual increases totalling up to $4.00 over three years to at least $16.50 per hour by April 1, 2016.

- Inform: The government passed the *Healthy Menu Choices Act, 2015*, requiring calorie information to be posted in numerous food service locations, to inform Ontarians about healthier food choices. Ontario has also passed regulations to help reduce smoking rates by making it harder for youth to obtain tobacco products and by banning the sale of electronic cigarettes to anyone under the age of 19.

- Protect: Ontario is funding a nasal spray flu vaccine to better protect young children against the flu, made prescription refills more convenient and less expensive for people with chronic conditions, and helped ensure that Ontarians get good value for drug costs now and in the future through the efforts of the pan-Canadian Pharmaceutical Alliance (pCPA). The government appointed Ontario's first-ever Patient Ombudsman to help address patients' otherwise unresolved concerns about their care by a health organization.

Education

Ontario's publicly funded early years and education system is focused on ensuring that Ontarians have the education and skills needed to lead in the global economy.

Outcomes reported in 2015–16 included the following:

- More high school students graduating. In 2015, 85.5 per cent of students graduated from high school, compared to 68 per cent in 2004. This is an increase of more than 17 percentage points.

- Improving child care. Through the introduction of the *Child Care and Early Years Act, 2014*, which came into effect in August 2015, the government is modernizing the legislative and regulatory framework for child care.

Post-secondary education and training

Post-secondary education and training play a critical role in preparing people for the workforce. This will be increasingly important as Ontario moves further toward a more knowledge-based economy. Besides having better employment prospects, Ontarians with higher levels of education and skills earn higher wages and have better health and longevity.

Outcomes reported in 2015–16 included:

- Helping people in Ontario achieve higher levels of education. In 2015, the most recent year for which information is available, 67 per cent of adults in Ontario aged 25 to 64 had a post-secondary degree, diploma or certificate. This is higher than the average of any country in the Organisation for Economic Co-operation and Development. This positions Ontario well to meet or exceed its 70 per cent target by 2020.

- Investments in student financial assistance between 2009–10 and 2014–15 resulted in a 50 per cent increase in the number of students qualifying for aid (approximately 125,000 additional students). During this same time period, enrolment increased by 8 per cent. Rates of participation in post-secondary education among Ontario's young people are higher than for the rest of Canada.

Condition of provincial tangible capital assets

As part of the annual budgeting process, each ministry that owns and operates infrastructure is required to prepare and update a plan to properly maintain its assets. Examples of recent asset management practices include:

- In the transportation sector, over the last five years, there has been a significant improvement in highway pavement and bridge conditions throughout the province as a result of continued investments in these assets.

- In the health sector, the Facility Condition Assessment Program has been conducting standardized technical audits of hospital infrastructure to provide comparable and reliable data about the current stock and condition of public hospital assets. This allows the Province to better target renewal funding and develop a long-term outlook for capital investment requirements.

- In the education sector, the School Condition Improvement Program addresses renewal needs, focusing on ensuring that facilities are in good condition, energy efficient, accessible and meet modern service standards.

- Since 2011, the Province has been working with colleges to create a comprehensive space inventory, develop space standards and assess the condition of their facilities. With improved inventory and facilities condition data, the Province is better able to support asset management initiatives, including forecasting needs and developing a provincial infrastructure asset inventory.

- Other provincially owned capital assets include buildings within the government's General Real Estate Portfolio, which consists of offices and special-purpose buildings such as courthouses and detention centres. Facility condition index targets are set for the buildings, and most buildings are currently within the acceptable ranges.

Going forward, the *Infrastructure for Jobs and Prosperity Act, 2015*, which came into force on May 1, 2016, requires that the Province publish a long-term infrastructure plan within three years and that subsequent plans be tabled at least once every five years. The Act also:

- Establishes principles that must be considered by the government and broader public sector entities when making infrastructure decisions, as well as prioritization criteria to be used by the government when considering infrastructure projects.

- Creates regulatory authorities related to broader public sector asset management plans, supporting the use of apprentices on provincial infrastructure projects and promoting design excellence in public works.

- Emphasizes the importance of minimizing environmental impacts and ensuring climate change resiliency in infrastructure planning and investment.

The Act aligns infrastructure investments with Ontario's economic development priorities through long-term planning, while strengthening the Province's competitive edge globally.

Transparency and Accountability

Recent developments in public sector accounting standards

The Province's financial reports are in accordance with the accounting principles for governments recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada (CPA Canada).

PSAB's project on concepts underlying financial performance remains a work in progress. Ontario, along with the federal, territorial and other provincial governments, continues to monitor the work of the project's task force and to provide input to support high-quality Canadian public sector accounting standards, which are integral to achieving the Province's transparency and accountability reporting objectives. As described in Note 16 to the Consolidated Financial Statements, additional future changes in accounting standards may affect how assets, liabilities, revenues and expenses are reported in the Province's future financial reports.

The Province will continue to work with standard setters, other jurisdictions, the Auditor General's Office and the accounting community on matters related to transparency and accountability in public sector financial reporting.

The C.D. Howe Institute Fiscal Accountability Report

Each year, the C.D. Howe Institute, an independent research organization that focuses on support for economically sound public policies, assesses the fiscal planning and reporting of governments in Canada.

Consistency and comparability of planned and actual results in the Budget, Estimates and summary financial statements of the Province are essential to allow users to compare performance against the approved Budget and to understand longer-term trends. The institute has again recognized that Ontario's practices, which align the Budget, Estimates and financial reporting, demonstrate a high level of accountability and transparency.

In the most recent C.D. Howe report on Canadian provinces, territories and the federal government, Ontario also scored consistently highly on the general accuracy of its spending plans and for not over-estimating its revenue forecast. See https://www.cdhowe.org/sites/default/files/attachments/research_papers/mixed/commentary_448.pdf.

Trillium Trust

The *Trillium Trust Act, 2014*, provides for an account to be maintained in the Public Accounts that records the prescribed amounts of financial benefits to Ontario from the disposition of qualifying assets under the Act. The Act also requires the account to record all expenditures made under the Act to support infrastructure investments. A report on the financial activities of the Trillium Trust is included as a schedule in Volume 1 of the Public Accounts.

Volume 1 shows that $1.35 billion was allocated to the Trillium Trust as at March 31, 2016, in relation to the sale and redemption of the Province's shares in General Motors in earlier years.

Subsequent to year end, in August 2016, the Province filed a regulation crediting an additional $3.2 billion to the Trillium Trust related to the sale of Hydro One common shares which occurred in 2015–16.

Data visualization

Last year, the government created its first interactive data visualization tool to graphically present details on the information contained in Volume 1 of the 2014–15 Public Accounts. This year, additional data visualization tools and data tables have been created and are now available on the Ontario.ca website. The government has also increased the number of Public Accounts open data sets available for download from two to seven.

CONSOLIDATED FINANCIAL STATEMENTS

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Independent Auditor's Report

To the Legislative Assembly of the Province of Ontario

I have audited the accompanying consolidated financial statements of the Province of Ontario, which comprise the consolidated statement of financial position as at March 31, 2016, and the consolidated statements of operations, change in net debt, change in accumulated deficit and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

The Government of Ontario (Government) is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as the Government determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Government, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

.../2

Box 105, 15th Floor
20 Dundas Street West
Toronto, Ontario
M5G 2C2
416-327-2381
fax 416-327-9862
tty 416-327-6123

B.P. 105, 15e étage
20, rue Dundas ouest
Toronto (Ontario)
M5G 2C2
416-327-2381
télécopieur 416-327-9862
ats 416-327-6123

www.auditor.on.ca

Basis for Qualified Opinion

As at April 1, 2015, the Province increased the opening accumulated deficit by $9.154 billion to correct for an error in prior periods in its valuation allowance for an accrued benefit pension asset included in the liability for pensions and other employee future benefits. As reflected in the consolidated financial statements and described in Note 18, the Province has not restated its 2015 comparative period to reflect the correction of the error which constitutes a departure from Public Sector Accounting Standards. Accordingly, in the comparative period, opening accumulated deficit would have increased by $8.201 billion, education expense would have increased by $956 million, general government and other expense would have decreased by $3 million, annual deficit would have increased by $953 million and ending accumulated deficit would have increased by $9.154 billion.

Qualified Opinion

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Province of Ontario as at March 31, 2016, and the consolidated results of its operations, change in its net debt, change in its accumulated deficit and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matter

I draw attention to the Province's Financial Statement Discussion and Analysis that has also not been restated for the effects on the comparative periods of the error in the valuation allowance for an accrued benefit pension asset included in the liability for pensions and other employee future benefits, as discussed in the Basis for Qualified Opinion paragraph above.

Toronto, Ontario
October 5, 2016

Bonnie Lysyk, MBA, CPA, CA, LPA
Auditor General

Province of Ontario
Consolidated Statement of Operations

($ Millions)	2015–16 Budget[1]	2015–16 Actual	2014–15 Actual
Revenue *(Schedules 1 and 2)*			
Personal Income Tax	30,377	31,141	29,313
Sales Tax	22,982	23,455	21,689
Corporations Tax	11,342	11,428	9,557
Education Property Tax	5,715	5,839	5,561
Employer Health Tax	5,680	5,649	5,415
Ontario Health Premium	3,458	3,453	3,366
Gasoline and Fuel Taxes	3,209	3,210	3,186
Other Taxes *(Note 11)*	4,634	7,643	4,188
Total Taxation	87,397	91,818	82,275
Transfers from Government of Canada	22,890	22,857	21,615
Income from Investment in Government Business Enterprises *(Schedule 9 and Note 11)*	4,812	4,909	5,615
Other	9,291	8,793	9,041
	124,390	128,377	118,546
Expense *(Schedules 3 and 4)*			
Health	50,773	51,067	50,039
Education[2]	25,302	26,588	25,194
Children's and Social Services	15,431	15,555	14,683
Environment, Resources and Economic Development	12,987	12,612	11,682
Interest on Debt	11,410	10,967	10,635
Post-Secondary Education and Training	7,810	7,634	7,660
Justice	4,429	4,549	4,351
General Government and Other	3,760	4,434	4,617
	131,902	133,406	128,861
Reserve	1,000	–	–
Annual Deficit	(8,512)	(5,029)	(10,315)

[1] Amounts reported as "Plan" in 2015 Budget.
[2] Teachers' Pension Plan expense is included in Education (Schedule 4).
See accompanying Notes and Schedules to the Consolidated Financial Statements.

Province of Ontario
Consolidated Statement of Financial Position

As at March 31 ($ Millions)	2016	2015
Liabilities		
Accounts Payable and Accrued Liabilities *(Schedule 5)*	19,361	20,055
Debt *(Note 2)*	327,413	314,960
Other Long-Term Financing *(Note 4)*	14,145	13,935
Deferred Revenue and Capital Contributions *(Note 5)*	10,779	10,110
Pensions and Other Employee Future Benefits *(Note 6)*	12,107	3,151
Other Liabilities *(Note 7)*	4,905	4,878
	388,710	367,089
Financial Assets		
Cash and Cash Equivalents	13,600	15,193
Investments *(Note 8)*	21,765	20,366
Accounts Receivable *(Schedule 6)*	11,059	10,306
Loans Receivable *(Schedule 7)*	11,545	11,125
Other Assets	1,936	2,021
Investment in Government Business Enterprises *(Schedule 9)*	23,572	23,502
	83,477	82,513
Net Debt	(305,233)	(284,576)
Non-Financial Assets		
Tangible Capital Assets *(Note 9)*	102,536	97,065
Accumulated Deficit	(202,697)	(187,511)

Contingent Liabilities (Note 13) and Contractual Obligations (Note 14).
See accompanying Notes and Schedules to the Consolidated Financial Statements.

Province of Ontario
Consolidated Statement of Change in Net Debt

For the year ended March 31 ($ Millions)		2016		2015
Annual Deficit		(5,029)		(10,315)
Acquisition of Tangible Capital Assets *(Note 9)*	(10,922)		(11,183)	
Amortization of Tangible Capital Assets *(Note 9)*	4,913		4,544	
Proceeds on Sale of Tangible Capital Assets	175		140	
Loss/(Gain) on Sale of Tangible Capital Assets	363		(10)	
		(5,471)		(6,509)
(Decrease)/Increase in Fair Value of Ontario Nuclear Funds *(Note 10)*		(1,003)		1,121
Increase in Net Debt		(11,503)		(15,703)
Net Debt at Beginning of Year		(284,576)		(268,873)
Pension Asset Valuation Allowance *(Note 18)*		(9,154)		–
Restated Net Debt at Beginning of Year		(293,730)		(268,873)
Net Debt at End of Year		(305,233)		(284,576)

See accompanying Notes and Schedules to the Consolidated Financial Statements.

Province of Ontario
Consolidated Statement of Change in Accumulated Deficit

For the year ended March 31 ($ Millions)	2016	2015
Accumulated Deficit at Beginning of Year	(187,511)	(178,317)
Pension Asset Valuation Allowance *(Note 18)*	(9,154)	–
Restated Accumulated Deficit at Beginning of Year	(196,665)	(178,317)
Annual Deficit	(5,029)	(10,315)
(Decrease)/Increase in Fair Value of Ontario Nuclear Funds *(Note 10)*	(1,003)	1,121
Accumulated Deficit at End of Year	(202,697)	(187,511)

See accompanying Notes and Schedules to the Consolidated Financial Statements.

Province of Ontario
Consolidated Statement of Cash Flow

For the year ended March 31 ($ Millions)	2016	2015
Operating Transactions		
Annual Deficit	(5,029)	(10,315)
Non-Cash Items:		
Amortization of Tangible Capital Assets *(Note 9)*	4,913	4,544
Loss/(Gain) on Sale of Tangible Capital Assets	363	(10)
Gain on Sale of Shares of Hydro One Limited *(Note 11)*	(783)	–
Income from Investment in Government Business Enterprises *(Schedule 9)*	(4,909)	(5,615)
PSAB Adjustment for Liabilities for Contaminated Sites	–	(1,683)
Increase in Pension Asset Valuation Allowance *(Note 6)*	1,514	–
Cash Items:		
Increase in Accounts Receivable *(Schedule 6)*	(753)	(1,793)
(Increase)/Decrease in Loans Receivable *(Schedule 7)*	(420)	1
(Decrease)/Increase in Accounts Payable and Accrued Liabilities *(Schedule 5)*	(694)	1,460
Decrease in Liability for Pensions and Other Employee Future Benefits *(Note 6)*	(1,712)	(752)
Increase in Other Liabilities *(Note 7)*	27	1,604
Increase in Deferred Revenue and Capital Contributions *(Note 5)*	669	629
Remittances from Investment in Government Business Enterprises *(Schedule 9)*	5,365	3,964
Decrease/(Increase) in Other Assets	85	(280)
Cash Applied to Operating Transactions	(1,364)	(8,246)
Capital Transactions		
Acquisition of Tangible Capital Assets *(Note 9)*	(10,922)	(11,183)
Proceeds from Sale of Tangible Capital Assets	175	140
Cash Applied to Capital Transactions	(10,747)	(11,043)
Investing Transactions		
(Increase)/Decrease in Investments *(Note 8)*	(1,399)	1,623
Capital Contribution to Hydro One Limited *(Schedule 9)*	(2,600)	–
Net Proceeds from Sale of Shares of Hydro One Limited *(Note 11)*	1,854	–
Cash (Applied)/Provided by Investing Transactions	(2,145)	1,623
Financing Transactions		
Long-Term Debt Issued	34,362	41,543
Long-Term Debt Retired	(21,882)	(22,322)
Net Change in Short-Term Debt	(27)	(19)
Increase in Other Long-Term Financing *(Note 4)*	210	913
Cash Provided by Financing Transactions	12,663	20,115
Net (Decrease)/Increase in Cash and Cash Equivalents	(1,593)	2,449
Cash and Cash Equivalents at Beginning of Year	15,193	12,744
Cash and Cash Equivalents at End of Year	13,600	15,193

See accompanying Notes and Schedules to the Consolidated Financial Statements.

1. Summary of Significant Accounting Policies

(a) Basis of Accounting

The Consolidated Financial Statements are prepared by the Government of Ontario in accordance with legislation and the accounting standards for governments recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA Canada).

(b) Reporting Entity

These financial statements report the activities of the Consolidated Revenue Fund combined with those organizations that are controlled by the Province.

Government business enterprises (GBEs), broader public sector (BPS) organizations (i.e., hospitals, school boards and colleges) and other government organizations controlled by the Province are included in these financial statements. Controlled organizations are consolidated if they meet one of the following criteria: i) their revenues, expenses, assets or liabilities are greater than $50 million; or ii) their outside sources of revenue, deficit or surplus are greater than $10 million. In accordance with PSAB, the Province also applies the “benefit versus cost constraint” in determining which organizations should be consolidated in the Province’s financial statements. A listing of consolidated government organizations is provided in Schedule 8. For those organizations that do not meet the PSAB benefit versus cost constraint standard, such as Children’s Aid Societies and Community Care Access Centres, they are reflected as government transfer payment expense in these financial statements through the accounts of the ministries responsible for them.

Trusts administered by the Province on behalf of other parties are excluded from the reporting entity, but are disclosed in Note 15.

(c) Principles of Consolidation

Government business enterprises are defined as those government organizations that i) are separate legal entities with the power to contract in their own name and that can sue and be sued; ii) have the financial and operating authority to carry on a business; iii) have as their principal activity and source of revenue the selling of goods and services to individuals and non-government organizations; and iv) are able to maintain their operations and meet their obligations from revenues generated outside the government reporting entity. The activities of GBEs are recorded in the financial statements using the modified equity method. Under this method, GBEs are reported in accordance with the accounting principles generally accepted for government business enterprises. Their combined net assets are included in the financial statements as Investment in Government Business Enterprises on the Consolidated Statement of Financial Position, and their net income is shown as a separate item, Income from Investment in Government Business Enterprises (GBEs), on the Consolidated Statement of Operations. Less than wholly owned GBEs (e.g., Hydro One Limited) are reflected using the modified equity method based on the percentage of ownership government held during the fiscal year.

The assets and liabilities of the BPS organizations are consolidated with those of the Province on a line-by-line basis on the Consolidated Statement of Financial Position. As such, the net debt of hospitals, school boards and colleges is included in the consolidated net debt of the Province. The total annual expenses of these BPS organizations, net of third party revenues they receive directly from the public, such as tuition fees, patient fees, donations and other recoveries, are included in the consolidated expenses of the Province. The expenses of hospitals are included in Health expenses, school boards in Education expenses, and colleges in Post-Secondary Education and Training expenses on the Consolidated Statement of Operations. Where appropriate, adjustments are made to present the accounts of these organizations on a basis consistent with the accounting policies of the Province to eliminate significant inter-organizational accounts on the Consolidated Statement of Financial Position and to remove inter-organizational gains/losses from the Consolidated Statement of Operations.

Other government organizations controlled by the Province are consolidated on a line-by-line basis with the assets, liabilities, revenues and expenses of the Province based on the percentage of ownership the government held as at the end of the fiscal year. Where appropriate, adjustments are also made to present the accounts of these organizations on a basis consistent with the accounting policies of the Province, and to eliminate significant inter-organizational accounts and transactions.

(d) Measurement Uncertainty

The preparation of financial statements requires the Province to make estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenses during the reporting period. Uncertainty in the determination of the amounts at which an item is recognized or disclosed in the financial statements is known as measurement uncertainty.

Measurement uncertainty that is material to these financial statements exists in the valuation of pensions and other employee future benefits obligations, the value of tangible capital assets, the estimation of personal income tax, corporations tax and harmonized sales tax revenue accruals, the valuation of the Canada Health Transfer, Canada Social Transfer Equalization Payment entitlements, and the estimation of liabilities for contaminated sites.

Pensions and other employee future benefits liability of $12,107 million (2015, $3,151 million), see Note 6, is subject to measurement uncertainty because actual results may differ significantly from the Province's best long-term estimate of expected results (for example, the difference between actual results and actuarial assumptions regarding return on investment of pension fund assets and health care cost trend rates for retiree benefits).

The net book value of tangible capital assets of $102,536 million (2015, $97,065 million), see Note 9, is subject to uncertainty because of differences between estimated useful lives of the assets and their actual useful lives.

Personal income tax revenue estimate of $31,141 million (2015, $29,313 million), see Schedule 1, may be subject to subsequent revisions based on information available in the future related to past-year tax return processing. Corporations tax revenues of $11,428 million (2015, $9,557 million), see Schedule 1, and Harmonized Sales Tax revenues of $23,455 million (2015, $21,689 million), are also subject to uncertainty for similar reasons.

The estimation of the Canada Health Transfer of $13,089 million (2015, $12,408 million) and Canada Social Transfer of $4,984 million (2015, $4,847 million), and Equalization Payments entitlements of $2,363 million (2015, $1,988 million), see Schedule 1, is subject to uncertainty because of variances between the estimated and actual Ontario shares of the Canada-wide personal income and corporations tax base and population.

There is measurement uncertainty surrounding the estimation of liabilities for contaminated sites of $1,751 million as at March 31, 2016 (2015, $1,792 million), see Note 7. The Province may be responsible for cleanup costs that cannot be reasonably estimated due to several factors, including: insufficient information related to the nature and extent of contamination, timing of costs well into the future (e.g., unknown impacts of future technological advancements), the challenges of remote locations and unique contaminations.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. By their very nature, estimates are subject to measurement uncertainty. Therefore, actual results may differ materially from the Province's estimates.

(e) Significant Accounting Policies

Revenue

Revenues are recognized in the fiscal year that the events giving rise to the revenues occur and they are earned. Amounts received prior to the end of the year, which relate to revenues that will be earned in a subsequent fiscal year, are deferred and reported as liabilities.

Expense

Expenses are recognized in the fiscal year that the events giving rise to the expenses occur and resources are consumed.

Transfer payments are recognized in the year that the transfer is authorized and all eligibility criteria have been met by the recipient. Any transfers paid in advance are deemed to have met all eligibility criteria.

Interest on debt includes: i) interest on outstanding debt net of interest income on investments and loans; ii) amortization of foreign exchange gains or losses; iii) amortization of debt discounts, premiums and commissions; iv) amortization of deferred hedging gains and losses; and v) debt servicing costs and other costs. Interest income earned on investments and loans is netted with interest expense incurred on debt.

Employee future benefits, such as pensions, other retirement benefits and entitlements upon termination, are recognized as expenses over the years in which the benefits are earned by employees. These expenses are the government's share of the current year's cost of benefits, interest on the net benefits' liability or asset, amortization of actuarial gains or losses, cost/gain on plan amendments and other adjustments.

Other employee future benefits are recognized in the period when the event that obligates the government occurs or in the period when the benefits are earned by employees.

The costs of buildings, transportation infrastructure, vehicles, aircraft, leased assets, machinery, equipment and information technology infrastructure and systems owned by the Province and its consolidated organizations are amortized and recognized as expenses over their estimated useful lives on a straight-line basis.

Liabilities

Liabilities are recorded to the extent that they represent present obligations of the government to outside parties as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in the sacrifice of economic benefits in the future.

Liabilities include obligations to make transfer payments to organizations and individuals, present obligations for environmental costs, probable losses on loan guarantees issued by the government and contingencies when it is likely that a loss will be realized and the amount can be reasonably determined.

Liabilities also include obligations to GBEs.

Deferred revenue represents unspent externally restricted receipts from the federal government or other third parties. Amounts received prior to year-end that relate to funding for a subsequent fiscal year are reported as deferred revenue. Deferred revenues are recorded into revenue in the period in which the amounts received are used for the purposes specified or all external restrictions are satisfied. Deferred capital contributions represent the unamortized amount of contributions received from the federal government and other third parties to construct or acquire tangible capital assets. These contributions are recognized as deferred capital contributions and recorded into revenue over the useful life of the tangible capital assets based on the relevant stipulations of the contributions taken together with the actions and communications of the Province.

Alternative Financing and Procurement (AFP) refers to the Province using private-sector partners to procure and finance infrastructure assets. Assets procured via AFP are recognized as tangible capital assets and the related obligations are recognized as other long-term financing liabilities in these financial statements as the assets are constructed.

Debt

Debt consists of treasury bills, commercial paper, medium- and long-term notes, savings bonds, debentures and loans.

Debt denominated in foreign currencies that has been hedged is recorded at the Canadian dollar equivalent using the rates of exchange established by the terms of the hedge agreements. Other foreign currency-denominated debt is translated to Canadian dollars at year-end rates of exchange and any exchange gains or losses are amortized over the remaining term to maturity.

Derivatives are financial contracts, the value of which is derived from underlying instruments. The Province uses derivatives for the purpose of managing risk associated with interest cost. The Province does not use derivatives for speculative purposes. Gains or losses arising from derivative transactions are deferred and amortized over the remaining life of the related debt issue.

Pensions and Other Employee Future Benefits

The liabilities for pensions and other employee future benefits are calculated on an actuarial basis using the government's best estimates of future inflation rates, investment returns, employee salary levels and other underlying assumptions, and, where applicable, the government's borrowing rate. When actual plan experience of pensions, other retirement benefits and termination pay differs from that expected, or when assumptions are revised, actuarial gains and losses arise. These gains and losses are amortized over the expected average remaining service life of plan members for each respective plan.

Liabilities for selected employee future benefits (such as pensions, other retirement benefits and termination pay) represent the government's share of the actuarial present values of benefits attributed to services rendered by employees and former employees, less its share of the assets of the plans. In addition, the liability includes the Province's share of the unamortized balance of actuarial gains or losses, and other adjustments primarily for differences between the fiscal year-end of the pension plans and that of the Province.

The Province has legislated the accounting required when a pension plan is in an asset position on the financial statements such that the asset is determined to have NIL value (see Note 18).

Assets

Assets are resources controlled by the government from which it has reasonable expectation of deriving future benefit. Assets are recognized in the year the transaction or event gives rise to the government's control of the benefit.

Financial Assets

Financial assets are resources that can be used to discharge existing liabilities or finance future operations. They include cash and cash equivalents, investments, accounts receivable, loans receivable, advances and investments in government business enterprises.

Investments include temporary investments and portfolio investments. Temporary investments are recorded at the lower of cost or market value. Portfolio investments are recorded at the lower of cost or their estimated net realizable value.

Accounts receivables are recorded at cost. A valuation allowance is recorded when collection of the receivable is considered doubtful.

Loans receivable include loans to GBEs and loans under the student loans program and advanced manufacturing investment program. Loans receivable with significant concessionary terms are considered in part to be grants and are recorded on the date of issuance at face value discounted by the amount of the grant portion. The grant portion is recognized as an expense at the date of issuance of the loan or when the concession is provided. The amount of the loan discount is amortized to revenue over the term of the loan.

Investment in GBEs represents the net assets of GBEs recorded on the modified equity basis as described under Principles of Consolidation.

Tangible Capital Assets

Tangible capital assets are recorded at historical cost less accumulated amortization. Historical cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of tangible capital assets. Cost includes overheads directly attributable to construction and development, as well as interest related to financing during construction. Tangible capital assets, except land, are amortized over the estimated useful lives of the assets on a straight-line basis.

Maintenance and repair costs are recognized as an expense when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a tangible capital asset are capitalized. External contributions for acquisition of tangible capital assets are recorded as deferred capital contributions and amortized to revenue consistent with the amortization to expense of the related tangible capital assets, reflecting the intent of the external contributors that the grants be used to construct or acquire assets that will provide public services over the useful lives of the underlying assets.

2. Debt

The Province borrows in both domestic and international markets. Debt of $327.4 billion, as at March 31, 2016 (2015, $315.0 billion), is composed mainly of bonds and debentures issued in the short- and long-term domestic- and international-public capital markets and non-public debt held by certain federal and provincial public-sector pension funds. Debt comprises Debt Issued for Provincial Purposes of $303.1 billion (2015, $289.6 billion) and Ontario Electricity Financial Corporation (OEFC) Debt of $24.4 billion (2015, $25.3 billion). The following table presents the maturity schedule of the Province's outstanding debt, by currency of repayment, expressed in Canadian dollars, and reflects the effects of related derivative contracts.

Debt

As at March 31
($ Millions)

Currency	Canadian Dollar	U.S. Dollar	Japanese Yen	Euro	Other Currencies[1]	2016 Total	2015 Total
Maturing in:							
2016	–	–	–	–	–	–	$42,819
2017	25,167	17,086	–	–	499	$42,752	21,583
2018	12,227	5,183	–	385	–	17,795	17,648
2019	12,144	9,556	76	–	576	22,352	17,683
2020	15,312	3,746	–	4,811	532	24,401	24,280
2021	14,138	4,662	425	1,651	1,046	21,922	–
1–5 years	78,988	40,233	501	6,847	2,653	129,222	124,013
6–10 years	71,248	5,160	–	5,326	604	82,338	78,886
11–15 years	14,598	–	–	–	–	14,598	20,739
16–20 years	17,732	–	–	–	–	17,732	10,210
21–25 years	27,879	–	–	–	–	27,879	34,648
26–50[2] years	55,564	–	–	80	–	55,644	46,464
Total[3, 4]	266,009	45,393	501	12,253	3,257	$327,413	$314,960
Debt Issued for Provincial Purposes[5]	242,837	45,024	501	12,074	2,619	303,055	289,619
OEFC Debt	23,172	369	–	179	638	24,358	25,341
Total	266,009	45,393	501	12,253	3,257	$327,413	$314,960
Effective Interest Rates (Weighted Average)							
2016	3.92%	1.98%	2.06%	3.37%	3.71%	3.62%	–
2015	4.03%	2.28%	1.99%	3.48%	3.80%	–	3.73%

[1] Other currencies comprise the Australian dollar, Swiss franc and South African rand.

[2] The longest term to maturity is to June 2, 2062.

[3] Total foreign currency-denominated debt as at March 31, 2016, was $61.4 billion (2015, $66.0 billion). Of that, $60.4 billion or 98.4 per cent (2015, $65.0 billion or 98.6 per cent) was fully hedged to Canadian dollars. The remaining 1.6 per cent (2015, 1.4 per cent) of foreign debt was unhedged as follows: $425 million (2015, $389 million) Japanese yen-denominated debt, $540 million (2015, $547 million) Swiss franc-denominated debt and $2 million (2015, nil) Euro-denominated debt. Unhedged foreign currency debt as a percentage of total debt was 0.3% (2015, 0.3%).

[4] Total debt includes issues totalling $0.5 billion (2015, $0.5 billion), which have embedded options exercisable by either the Province or the bondholder under specific conditions.

[5] As at March 31, 2016, debt issued for provincial purposes purchased and held by the Province denominated in Canadian and U.S. dollars at its Canadian dollar equivalent, includes long-term debt of $4.3 billion (2015, $2.2 billion) and $1.3 billion (2015, $0.5 billion), and short-term debt of $2.0 billion (2015, $1.2 billion) and nil (2015, nil).

Debt As at March 31 ($ Millions)	2016	2015
Debt Payable to/of:		
Public Investors	$315,443	$302,644
Canada Pension Plan Investment Board	10,233	10,233
Ontario Immigrant Investor Corporation	709	959
School Board Trust Debt	674	696
Canada Mortgage and Housing Corporation	354	428
Total	$327,413	$314,960

Fair value of debt outstanding approximates the amounts at which debt instruments could be exchanged in a current transaction between willing parties. In valuing the Province's debt, fair value is estimated using discounted cash flows and other valuation techniques and is compared to public market quotations where available. These estimates are affected by the assumptions made concerning discount rates and the amount and timing of future cash flows.

The estimated fair value of debt as at March 31, 2016, was $375.6 billion (2015, 374.8 billion). This is higher than the book value of $327.4 billion (2015, $315.0 billion) because current interest rates are generally lower than the interest rates at which some of the debt was issued. The fair value of debt does not reflect the effect of related derivative contracts.

School Board Trust Debt

A School Board Trust was created in June 2003 to permanently refinance debt incurred by 55 school boards. The Trust issued 30-year sinking fund debentures amounting to $891 million, and provided $882 million of the proceeds to the 55 school boards in exchange for the irrevocable right to receive future transfer payments from the Province related to this debt. An annual transfer payment is made by the Ministry of Education to the Trust's sinking fund under the School Board Operating Grant program to retire the debt over 30 years. This debt, recorded net of the sinking fund, is reflected in the Province's debt.

3. Risk Management and Derivative Financial Instruments

The Province employs various risk management strategies and operates within strict risk exposure limits to ensure that exposure to financial risk is managed in a prudent and cost-effective manner. A variety of strategies are used, including the use of derivative financial instruments ("derivatives").

Derivatives are financial contracts, the value of which is derived from underlying instruments. The Province uses derivatives to hedge and to minimize interest cost volatility. Hedges are created primarily through swaps, which are legal contracts under which the Province agrees with another party to exchange cash flows based on one or more notional amounts using stipulated reference interest rates for a specified period. Swaps allow the Province to offset its existing obligations and thereby effectively convert them into obligations with more cost-effective characteristics. Other derivative instruments used by the Province include forward foreign exchange contracts, forward rate agreements, futures and options.

Foreign exchange or currency risk is the risk that foreign currency debt principal and interest payments and foreign currency transactions will vary in Canadian dollar terms due to fluctuations in foreign exchange rates. To manage currency risk, the Province uses derivative contracts including forward foreign exchange contracts, futures, options and swaps to convert foreign currency cash flows into Canadian dollar cash flows. Most of the derivative contracts hedge the underlying debt by matching all the critical terms to achieve effectiveness. In instances where the term of forward foreign exchange contracts used for hedging is shorter than the term of the underlying debt, hedge effectiveness is maintained by continuously rolling the forward foreign exchange contract over the remaining term of the underlying debt, or until replaced with a long-term derivative contract.

The current market risk policy allows the amount of unhedged foreign currency debt principal net of foreign currency holdings to reach a maximum of 5 per cent of Total Debt Issued for Provincial Purposes and OEFC. At March 31, 2016, the respective unhedged levels were 0.3 and nil per cent (2015, 0.3 and nil per cent). As of March 31, 2016, unhedged debt was limited to debt issued in Japanese yen, Swiss francs and Euros. A one-Japanese yen appreciation of the Japanese currency, relative to the Canadian dollar, would result in unhedged debt denominated in Japanese yen increasing by $5.0 million (2015, $4.2 million) and a corresponding increase in interest on debt of $1.3 million (2015, $1.0 million). A one-Swiss rappen appreciation of the Swiss currency, relative to the Canadian dollar, would result in unhedged debt denominated in Swiss francs increasing by $7.4 million (2015, $7.2 million) and a corresponding increase in interest on debt of $2.1 million (2015, $1.8 million). Total foreign exchange gains/losses recognized in the Statement of Operations for 2015–16 were losses of $5.1 million (2014–15, gains of $63.9 million).

Interest on debt expense may also vary as a result of changes in interest rates. In respect of Debt Issued for Provincial Purposes and OEFC debt, the risk is measured as interest rate resetting risk, which is the floating rate exposure plus fixed rate debt maturing within the next 12-month period net of liquid reserves as a percentage of Debt Issued for Provincial Purposes and OEFC debt, respectively.

The current market risk policy limits net interest rate resetting risk for Debt Issued for Provincial Purposes and OEFC debt to a maximum of 35 per cent. At March 31, 2016, the net interest rate resetting risk for Debt Issued for Provincial Purposes and OEFC debt was 10.9 per cent and 7.6 per cent, respectively (2015, 11.0 per cent and 20.4 per cent). Based on net floating rate exposure at March 31, 2016, plus planned refinancing of maturing fixed rate debt to March 31, 2017, a one per cent (100 basis point) increase in interest rates would result in an increase in interest on debt of approximately $350 million (2015, $377 million).

Liquidity risk is the risk that the Province will not be able to meet its current short-term financial obligations. To reduce liquidity risk, the Province maintains liquid reserves: that is, cash and temporary investments (Note 8), adjusted for collateral (Note 13), at levels that are expected to meet future cash requirements and give the Province flexibility in the timing of issuing debt. Pledged assets are considered encumbered for liquidity purposes while collateral held that can be sold or repledged is a source of liquidity. In addition, the Province has short-term note programs as alternative sources of liquidity.

The table below presents a maturity schedule of the Province's derivatives, by type, outstanding as at March 31, 2016, based on the notional amounts of the contracts. Notional amounts represent the volume of outstanding derivative contracts and are not indicative of credit risk, market risk or actual cash flows.

Derivative Portfolio Notional Value and Fair Value of Derivatives
As at March 31

($ Millions)								*Notional Value*		*Fair Value*	
								2016	2015	2016	2015
Maturity in Fiscal Year	2017	2018	2019	2020	2021	6–10 Years	Over 10 Years	Total	Total	Total	Total
Swaps:											
Interest Rate[1]	27,955	12,131	16,311	13,482	8,958	14,380	7,582	100,799	112,466	(2,589)	(2,747)
Cross Currency	10,036	4,567	4,528	11,998	8,096	8,320	80	47,625	53,214	6,366	6,196
Forward Foreign Exchange Contracts	31,027	–	–	–	–	–	–	31,027	31,958	(1,776)	362
Swaptions[2]	500	–	–	–	–	–	–	500	500	–	2
Total	$69,518	$16,698	$20,839	$25,480	$17,054	$22,700	$7,662	$179,951	$198,138	$2,001	$3,813

[1] Includes $4.0 billion (2015, $4.3 billion) of interest rate swaps related to loans receivable held by a consolidated entity and $4.9 billion (2015, $2.0 billion) related to short-term investments held by the Province.

[2] See glossary for definition.

The use of derivatives introduces credit risk, which is the risk of a counterparty defaulting on contractual derivative obligations in which the Province has an unrealized gain. The table below presents the credit risk associated with the derivative financial instrument portfolio, measured through the replacement value of derivative contracts, as at March 31, 2016.

Credit Risk Exposure As at March 31 ($ Millions)	2016	2015
Gross Credit Risk Exposure	$9,774	$10,861
Less: Netting	(7,252)	(6,739)
Net Credit Risk Exposure	2,522	4,122
Less: Collateral Received *(Note 13)*	(1,712)	(3,277)
Net Credit Risk Exposure (Net of Collateral)	$810	$845

The Province manages its credit risk exposure from derivatives by, among other things, dealing only with high-credit-quality counterparties and regularly monitoring compliance to credit limits. In addition, the Province enters into contractual agreements ("master agreements") that provide for termination netting and, if applicable, payment netting with most of its counterparties. Gross Credit Risk Exposure represents the loss that the Province would incur if every counterparty to which the Province had credit risk exposure were to default at the same time, and the contracted netting provisions were not exercised or could not be enforced. Net Credit Risk Exposure is the loss including the mitigating impact of these netting provisions. Net Credit Risk Exposure (Net of Collateral) is the potential loss to the Province further mitigated by the collateral received from counterparties.

4. Other Long-Term Financing

Other long-term financing comprises the total debt of the BPS organizations and obligations under AFP arrangements.

Other Long-Term Financing of $14.1 billion, as at March 31, 2016 (2015, $13.9 billion) includes BPS debt of $5.0 billion (2015, $5.5 billion), BPS AFP obligations of $5.4 billion (2015, $5.5 billion) and direct provincial AFP obligations of $3.7 billion (2015, $2.9 billion).

5. Deferred Revenue and Capital Contributions

In 2010–11, the Province renewed its long-standing business partnership with Teranet Inc. by extending Teranet's exclusive licences to provide electronic land registration and writs services in Ontario for an additional 50 years. The Province received approximately a $1.0 billion upfront payment for the transaction, which is amortized into revenue over the life of the contract.

The Province provides a two-year vehicle licence plate renewal option and multi-year driver licence renewals (two years for seniors and five years for all others). Amounts received under these multi-year renewals are recognized as revenue over the periods covered by the licences.

Deferred capital contributions represent the unamortized portion of tangible capital assets or liabilities to construct or acquire tangible capital assets from specific-purpose funding received from the Government of Canada, municipalities or third parties. Deferred capital contributions are recorded in revenue over the estimated useful life of the underlying tangible capital asset when the tangible capital asset is placed in service.

Deferred Revenue and Capital Contributions As at March 31 ($ Millions)	2016	2015
Deferred Revenue:		
Teranet	$923	$956
Vehicle and Driver Licences	972	908
Other	1,973	1,917
Total Deferred Revenue	3,868	3,781
Deferred Capital Contributions[1]	6,911	6,329
Total	$10,779	$10,110

[1] Federal transfers have been reclassified to deferred capital contributions.

6. Pensions and Other Employee Future Benefits

Pensions and Other Employee Future Benefits Liability (Asset)

As at March 31 ($ Millions)	2016 Pensions	2016 Other Employee Future Benefits	2016 Total	2015 Total
Obligation for benefits	$117,542	$10,999	$128,541	$124,726
Less: plan fund assets	(141,749)	(562)	(142,311)	(129,880)
Unamortized actuarial gains	12,649	305	12,954	6,084
Adjustments[1]	2,246	9	2,255	2,221
Accrued liability (asset)	(9,312)	10,751	1,439	3,151
Valuation Allowance[2]	10,668	–	10,668	–
Total	$1,356	$10,751	$12,107	$3,151

[1] Adjustments for pensions consist of:
i) differences for amounts reported by the pension plans at December 31, instead of the Province's year-end of March 31;
ii) unamortized difference between employer and employee contributions for jointly sponsored pension plans; and
iii) amounts payable by the Province that are reflected as contributions in the pension plan assets.

[2] Valuation allowances are related to the pension assets for the Ontario Teachers' Pension Plan and for the OPSEU Pension Plan (Note 18).

Information on pension plans with accrued benefit obligation in excess of plan fund assets is as follows:

Pensions Benefit Plans

As at March 31 ($ Millions)	2016	2015
Obligation for benefits	$26,607	$25,547
Less: plan fund assets	(25,919)	(24,144)
Plan Liability	$688	$1,403

Pensions and Other Employee Future Benefits Expense

For the year ended March 31 ($ Millions)	2016 Pensions	2016 Other Employee Future Benefits	2016 Total	2015 Total
Cost of benefits	$2,265	$240	$2,505	$2,542
Amortization of actuarial (gains) losses	(145)	(2)	(147)	106
Employee contributions	(318)	–	(318)	(310)
Gain on plan amendment or curtailment	–	(98)	(98)	(39)
Recognition of unamortized experience gains	–	(22)	(22)	(5)
Interest (income) expense	(870)	238	(632)	(333)
Adjustments[1]	(126)	–	(126)	(126)
Valuation Allowance[4]	1,514	–	1,514	–
Total[2,3]	$2,320	$356	$2,676	$1,835

[1] Adjustments for pensions consist of amortization of:
i) the difference between employer and employee contributions for jointly sponsored pension plans; and
ii) employee contribution reductions for solely sponsored plans.

[2] Total Pensions and Other Employee Future Benefits Expense is reported in Schedule 3. The Teachers' Pension expense of $1,590 million (2014–15, $564 million) is included in the Education expense in the Consolidated Statement of Operations and is disclosed separately in Schedule 4. The Public Service and OPSEU Pension expense of $730 million (2014–15, $787 million) and Other Employee Future Benefits — Retirement Benefits expense of $393 million (2014–15, $319 million) are included in the General Government and Other expense in the Consolidated Statement of Operations, and is under Employee and Pensioner Benefits in Schedule 4.The remainder of Other Employee Future Benefits expense is included in the relevant ministries' expenses in Schedule 4.

[3] The Pensions and Other Employee Future Benefits Expenses for the hospitals, school boards and colleges sectors (except for the Ontario Teachers' Pension Plan [OTPP]) are not included in the table above. The expenses for HOOPP of $747 million (2014–15, $843 million) and CAATPP of $190 million (2014–15, $199 million) are included in the Salaries, Wages and Benefits expenses of the hospitals and colleges sectors, respectively (Schedule 10) and in the expenses of the BPS ministries (Education, Health and Long-Term Care, and Training, Colleges and Universities) in Schedule 4.

[4.] Valuation allowances are related to the pension assets for the Ontario Teachers' Pension Plan and for the OPSEU Pension Plan (Note 18).

Pensions

The Province sponsors several pension plans. It is the sole sponsor of the Public Service Pension Plan (PSPP) and joint sponsor of the Ontario Public Service Employees Union (OPSEU) Pension Plan and the Ontario Teachers' Pension Plan (OTPP).

These three plans are contributory defined benefit plans that provide Ontario government employees and elementary and secondary school teachers and administrators with a guaranteed amount of retirement income. Benefits are based primarily on the best five-year average salary of members and their length of service, and are indexed to changes in the Consumer Price Index to provide protection against inflation. Plan members normally contribute 7 to 11 per cent of their salaries to these plans. The Province matches these contributions.

The Province is also responsible for sponsoring the Public Service Supplementary Benefits Plan and the Ontario Teachers' Retirement Compensation Arrangement. Expenses and liabilities of these plans are included in the Pensions Expense and Pensions Liability reported in the above tables.

In addition to the Provincial sponsored plans, pension benefits for employees in the hospital and colleges sectors are provided by the Healthcare of Ontario Pension Plan (HOOPP) and the Colleges of Applied Arts and Technology Pension Plan (CAATPP) respectively, and are included in these financial statements.

HOOPP is a multi-employer pension plan covering employees of Ontario's health care community. CAATPP is a multi-employer pension plan covering employees of the Colleges of Applied Arts and Technology in Ontario, the Board of Trustees, the Ontario College Application Services and the Ontario College Library Services. Both of these plans are accounted for as joint contributory defined benefit plans that provide eligible members with a retirement income based on a formula that takes into account a member's earnings history and length of service in the plan. The plans are financed by contributions from participating members and employers, and by investment earnings. Because organizations covered under these plans are in the government's reporting entity, the Province includes 56 per cent of BPS organizations' portion[1] of the net obligation of HOOPP and includes 50 per cent of the net obligation of CAATPP.

The obligation for benefits and plan fund assets of the above plans is based on actuarial accounting valuations that are performed annually. Funding of these plans is based on statutory actuarial funding valuations undertaken at least once every three years.

[1] BPS organizations are represented in HOOPP at 85 per cent in 2015–16 (2014–15, 84 per cent).

Information on contributory defined benefit plans is as follows:

	OTPP	PSPP	OPSEU	HOOPP[1]	CAATPP
Government's Best Estimates as of December 31, 2015					
Inflation rate	2.00%	2.00%	2.00%	2.00%	2.00%
Salary escalation rate	3.00%	3.00%	3.00%	4.25%	3.00%
Discount rate and expected rate of return on pension assets	6.25%	6.00%	6.25%	5.75%	6.00%
Actual return on pension assets	13.00%	6.14%	8.00%	5.12%	8.10%
Accounting Actuarial Valuation as of December 31, 2015					
Market value of pension fund assets ($ millions)	171,440	23,075	18,399	63,924	8,592
Employer contributions[2] ($ millions)	1,600	361	214	930	202
Employee contributions[3] ($ millions)	1,615	318	241	911	206
Benefit payments (including transfers to other plans) ($ millions)	5,548	1,176	897	1,924	410
Number of active members (approximately)	183,000	42,000	44,000	196,000	26,000
Average age of active members	42.5	45.6	46.1	44.8	48.0
Expected remaining service life of the employees (years)	15.3	10.8	12.2	12.8	13.7
Number of pensioners including survivors (approximately)	133,000	36,000	34,000	87,000	14,000
Government's Best Estimates as of December 31, 2014					
Inflation rate	2.25%	2.25%	2.25%	2.25%	2.25%
Salary escalation rate	3.25%	3.25%	3.25%	4.50%	3.25%
Discount rate and expected rate of return on pension assets	6.50%	6.25%	6.50%	6.00%	6.25%
Accounting Actuarial Valuation as of December 31, 2014					
Market value of pension fund assets ($ millions)	154,476	22,231	17,481	60,848	7,965
Employer contributions[2] ($ millions)	1,531	355	218	899	196
Employee contributions[3] ($ millions)	1,578	310	248	889	202
Benefit payments (including transfers to other plans) ($ millions)	5,315	1,083	798	1,702	372

1 HOOPP employer contributions only include the BPS organizations. The market value of pension fund assets, benefit payments (including transfers to other plans), employee contributions, number of active members, average age of active members, and number of pensioners including survivors, represent the entire HOOPP plan, including non-BPS organizations.

2 Employer contributions paid during the Province's fiscal year. Employer contributions excludes other employers' contributions made by agencies participating in PSPP and OPSEU, and excludes other employers' contributions to OTPP. PSPP employer contributions include special payments of $99 million (2014–15, $99 million).

3 Employee contributions paid during the calendar year.

Other Employee Future Benefits

Other Employee Future Benefits are non-pension retirement benefits, post-employment benefits, compensated absences and termination benefits.

Non-Pension Retirement Benefits

The Province provides dental, basic life insurance, supplementary health and hospital benefits to retired employees through a self-insured, unfunded defined benefit plan. Changes to eligibility criteria and premium cost-sharing terms announced in 2014 will take effect as of January 1, 2017. Certain Public Service Pension Plan members, and OPSEU Pension Plan members who do not meet the current 10-year eligibility criteria by January 1, 2017, would be required to have 20 years of pension service and retire to an immediate unreduced pension to be eligible to receive the post-retirement insured benefits. Further, any eligible members who commence receipt of a pension on or after January 1, 2017, would be required to pay 50 per cent of the premium costs in order to participate in the post-retirement insured benefits plan.

Notwithstanding the changes described in the previous paragraph, an arbitration decision resulting from the Association of Law Officers of the Crown/Ontario Crown Attorneys Associations (ALOC/OCAA) policy grievance precluded the application of these announced changes to associations' members for the balance of the term of the current collective agreement. In addition, in 2015–16, the Province updated the OPSEU retiree's supplementary health benefits to align with changes negotiated for active OPSEU members. These two amendments resulted in a $30 million past service cost that is included in the results for the 2015–16 fiscal year.

The liability for non-pension retirement benefits of $8.3 billion as at March 31, 2016 (2015, $8.1 billion), is included in the Other Employee Future Benefits Liability. The expense for 2015–16 of $393 million (2014–15, $319 million) (excluding the expense for BPS organizations) is included in the Other Employee Future Benefits Expense. The BPS expense of $29 million in 2015–16 (2014–15, $41 million) is included in the Salaries, Wages and Benefits expense of BPS organizations (Schedule 10) and in the expenses of the related ministries (Schedule 4).

The discount rate used in the non-pension retirement benefits calculation for 2015–16 is 3.40 per cent (2014–15, 3.70 per cent). The discount rate used by BPS organizations in the non-pension retirement benefits calculation for 2015–16 ranges from 2.35 per cent to 5.75 per cent (2014–15, 2.80 per cent to 5.75 per cent).

Post-Employment Benefits, Compensated Absences and Termination Benefits

The Province provides, on a self-insured basis, workers' compensation benefits, long-term disability benefits and regular benefits to employees who are on long-term disability.

In 2015, the Province eliminated termination pay entitlement upon retirement for the Ontario Public Service Employee Union (OPSEU) employees hired on or after January 1, 2013. For current OPSEU employees who retire after December 31, 2016, service accrued will be capped up to December 31, 2016, and any termination payments on retirement after January 1, 2016, will be paid based on salary in effect on December 31, 2016. A plan curtailment gain of $128 million and recognition of net unamortized gains of $22 million are included in the fiscal year 2015–16 Other Employee Future Benefits.

During the previous year, the Province eliminated severance entitlement upon retirement for the Association of Management, Administrative and Professional Crown Employees of Ontario (AMAPCEO) employees hired on or after April 1, 2014. For current AMAPCEO employees who retire after January 1, 2016, service accrued will be capped up to December 31, 2015, and any termination payments on retirement after January 1, 2016, will be paid based on salary in effect on December 31, 2015. A plan curtailment gain of $39 million and recognition of net unamortized gains of $5 million is included in fiscal year 2014–15 Other Employee Future Benefits.

For all other employees subject to terms set out in collective agreements, with the exception of management-excluded staff who have completed five years of service, the Province provides termination pay equal to one week's salary for each year of service up to a maximum of 50 per cent of their annual salary. Employees who have completed one year of service but less than five years are also entitled to termination pay in the event of death, retirement or release from employment. All employees who resign are not eligible for any severance pay in respect to service after December 2011.

The total post-employment benefits liability of $2.5 billion as at March 31, 2016 (2015, $2.7 billion), is included in the Other Employee Future Benefits Liability. The total post-employment benefits recovery of $37 million in 2015–16 (2014–15, $165 million post-employment benefit expense, excluding the expense for BPS organizations) is included in the Other Employee Future Benefits Expense. The BPS post-employment benefits expense of $471 million in 2015–16 (2014–15, $527 million) is included in the Salaries, Wages and Benefits expense of BPS organizations (Schedule 10) and in the expenses of the related ministries (Schedule 4).

The discount rate used in the post-employment benefits, compensated absences and termination benefits calculations for 2015–16 is 2.70 per cent (2014–15, 3.15 per cent). The discount rate used by BPS organizations in the post-employment benefits for 2015–16 ranges from 2.35 per cent to 6.75 per cent (2014–15, 2.75 per cent to 8.00 per cent).

7. Other Liabilities

Other Liabilities As at March 31 ($ Millions)	2016	2015
Power Purchase Contracts	$307	$479
Liabilities for Contaminated Sites	1,751	1,792
Other Funds and Liabilities	2,847	2,607
Total	$4,905	$4,878

Power Purchase Contracts

Power supply contracts include both power purchase contracts and power supply support agreements. Power purchase contracts and related loan agreements were entered into by the former Ontario Hydro with non-utility generators (NUGs) located in Ontario. As the legal continuation of Ontario Hydro, Ontario Electricity Financial Corporation (OEFC), a consolidated government organization, is the counterparty to these contracts. The contracts, expiring on various dates to 2048, provided for the purchase of power at prices that were expected to be in excess of the future market price. Accordingly, a liability was recorded at $4.3 billion on a discounted cash-flow basis when Ontario Hydro was continued as OEFC on April 1, 1999.

Under legislated reforms to the electricity market, OEFC began receiving actual contract prices for power from ratepayers effective January 1, 2005, and no longer incurs losses on these contracts. At that time, the Ministry of Finance estimated the bulk of the liability would be eliminated over 12 years as existing electricity contracts expire. As a result, the OEFC is amortizing the bulk of the liability to revenue over that period. The decrease in the liability for power purchase contracts was $172 million (2014–15, $217 million), resulting in a liability of $307 million as at March 31, 2016 (2015, $479 million).

In addition, effective January 1, 2009, OEFC entered into a support contract, the Contingency Support Agreement (CSA), with Ontario Power Generation Inc. (OPG), whereby OPG agreed to maintain the reliability and availability of Lambton and Nanticoke coal-fired stations following implementation of a greenhouse gas emissions-reduction strategy. Under the contract, OEFC agreed to ensure OPG would recover the actual costs of operating the stations after implementing this strategy. Any costs to OEFC under this agreement are fully recovered from electricity ratepayers. As at December 31, 2013, OEFC triggered an early termination clause in the CSA to reflect the advanced closure of these plants by one year to the end of 2013. OPG is allowed to recover actual costs that cannot reasonably be avoided or mitigated, during the period from the early shutdown date until December 31, 2014, consistent with the original end date of the CSA.

During the year ended March 31, 2016, OEFC's cost under power supply contracts totalled $875 million (2014–15, $950 million), including purchases of power from NUGs of $865 million (2014–15, $902 million) and OPG support contract costs of $10 million (2014–15, $48 million). These costs were recovered from electricity ratepayers (as shown in Schedules 1, 3 and 4).

Liabilities for Contaminated Sites

The Province reports environmental liabilities related to the management and remediation of contaminated sites where the Province is obligated or likely obligated to incur such costs. A contaminated sites liability of $1,751 million (2015, $1,792 million) has been recorded based on environmental assessments or estimations for those sites where an assessment has not been conducted.

The Province's ongoing efforts to assess contaminated sites may result in additional environmental remediation liabilities related to newly identified sites, or changes in the assessments or intended use of existing sites, including mine sites. Any changes to the Province's liabilities for contaminated sites will be accrued in the year in which they are assessed as likely and reasonably estimable.

Other Funds and Liabilities

Other funds and liabilities include pension and benefit funds related to the Provincial Judges' Pension Fund, the Public Service and the Deputy Ministers' Supplementary Benefit Accounts, externally restricted funds and other long-term liabilities.

8. Investments

Investments As at March 31 ($ Millions)	2016	2015
Temporary Investments	$16,112	$14,743
Add: Assets Purchased under Resale Agreements	4,657	5,942
Less: Assets Sold under Repurchase Agreements	(1,008)	(1,994)
Total Temporary Investments	$19,761	$18,691
Other Investments	2,004	1,675
Total Investments	$21,765	$20,366

Temporary Investments

Temporary investments primarily consist of investments in government bonds. The fair value of temporary investments, including assets purchased and sold under resale and repurchase agreements at March 31, 2016, is $19.8 billion (2015, $18.7 billion). Fair value is determined using quoted market prices.

A resale agreement is an agreement between two parties where the Province purchases and subsequently resells a security at a specified price on a specified date. A repurchase agreement is an agreement between two parties where the Province sells and subsequently repurchases a security at a specified price on a specified date.

Other Investments

Other investments represent the investments held by BPS organizations. These investments primarily consist of fixed-income securities. The fair value of these investments approximates book value.

9. Tangible Capital Assets

Tangible Capital Assets
As at March 31
($ Millions)

	Land	Buildings	Transportation Infrastructure	Machinery and Equipment	Information Technology	Other	2016	2015
Cost								
Opening Balance	13,801	73,621	30,740	11,630	5,483	5,781	141,056	131,299
Additions	896	3,965	3,439	874	763	985	10,922	11,183
Disposals	46	672	1,410	340	149	19	2,636	1,426
Closing Balance	14,651	76,914	32,769	12,164	6,097	6,747	149,342	141,056
Accumulated Amortization								
Opening Balance	–	21,496	9,100	8,771	2,992	1,632	43,991	40,743
Additions	–	2,189	1,217	721	547	239	4,913	4,544
Disposals	–	201	1,410	321	147	19	2,098	1,296
Closing Balance	–	23,484	8,907	9,171	3,392	1,852	46,806	43,991
Net Book Value								
2016	14,651	53,430	23,862	2,993	2,705	4,895	102,536	–
2015	13,801	52,125	21,640	2,859	2,491	4,149	–	97,065

Land includes land acquired for transportation infrastructure, parks, buildings and other program use, and land improvements that have an indefinite life and are not being amortized. Land excludes Crown lands acquired by right.

Buildings include administrative and service structures, and dams and engineering structures.

Transportation Infrastructure includes provincial highways, railways, bridges and related structures and facilities, but excludes land and buildings.

Machinery and Equipment consists mainly of hospital equipment.

Information Technology consists of computer hardware and software.

Other includes leased assets, vehicles, aircraft and other miscellaneous tangible capital assets owned by the government and its consolidated organizations.

Works of art and historical treasures are excluded from tangible capital assets.

Assets under construction have been included within the various asset categories presented above. The total value of assets under construction as at March 31, 2016, is $11.8 billion (2015, $14.2 billion).

All tangible capital assets, except assets under construction, land and land improvements with an indefinite life, are being amortized on a straight-line basis over their estimated useful lives. Amortization expense for the fiscal year 2015–16 totalled $4.9 billion (2014-15, $4.5 billion) of which $2.0 billion (2014–15, $1.8 billion) relates to the Province and $2.9 billion (2014–15, $2.7 billion) relates to the BPS. The latter expense is included under the BPS expense reported on Schedule 10. The useful lives of the Province's tangible capital assets have been estimated as:

Buildings	20 to 40 years
Dams and Engineering Structures	20 to 80 years
Transportation Infrastructure	10 to 75 years
Machinery and Equipment	3 to 20 years
Information Technology	3 to 15 years
Other	3 to 30 years

10. Changes in the Fair Value of Ontario Nuclear Funds

The Ontario Nuclear Funds Agreement (ONFA) Funds were established by Ontario Power Generation Inc. (OPG) and the Province to ensure that sufficient funds will be available to pay for the costs of nuclear station decommissioning and nuclear used fuel waste management.

Since April 1, 2007, the fair value of ONFA Funds has been reflected in the Province's Consolidated Financial Statements. Unrealized gains and losses of ONFA Funds are included in Investment in Government Business Enterprises and recorded as an Increase (Decrease) in Fair Value of Ontario Nuclear Funds in the Consolidated Statement of Change in Net Debt and the Consolidated Statement of Change in Accumulated Deficit. Realized gains and losses of ONFA Funds are included in Income from Investment in Government Business Enterprises. Inter-organizational balances related to ONFA Funds are eliminated.

ONFA Funds incurred unrealized losses in 2015–16 of $1,003 million (2014–15, unrealized gain of $1,121 million) that resulted in a decrease in Investment in Government Business Enterprises and a corresponding increase in Net Debt and Accumulated Deficit.

11. Sale of Hydro One Common Shares

In November 2015, the Province sold approximately 16 per cent of Hydro One's common shares at a price of $20.50 per common share, through a public offering and through related share sales. As of March 31, 2016, the Province owned approximately 84 per cent of Hydro One's common shares.

In August 2015, prior to the sale of Hydro One common shares, Hydro One transferred all of the issued and outstanding shares of Hydro One Brampton to the Province as a dividend-in-kind. Hydro One also transferred all of the long-term intercompany debt plus accrued interest owed by Hydro One Brampton to Hydro One as a return of stated capital. The transfers were made to the newly formed Brampton Distribution Holdco Inc., creating a new government business enterprise. Also, prior to the sale of the Hydro One Shares, Hydro One declared and paid a special dividend to the Province of $800 million. This amount is reported in the Remittances to Consolidated Fund in Schedule 9 and was considered in the book value calculation of the shares sold.

An accounting gain of $783 million was recognized in the 2015–16 financial results in connection with the sale of Hydro One shares. An additional gain of $48 million was deferred in connection with a sale of shares to electricity sector union trusts during the year and will be recognized as revenue as the loans provided to the trusts to purchase the shares are repaid.

In conjunction with the disposition of Hydro One shares, Hydro One exited the Province's payments in lieu of corporate income tax regime (corporate PILs regime) and is now subject to federal and provincial corporate income taxes. Immediately before exiting the corporate PILs regime, Hydro One was deemed to have disposed of its assets for proceeds equal to the assets' fair market value. As a result of this deemed disposition, before exiting the corporate PILs regime Hydro One had to make a payment under the *Electricity Act, 1998*, related to the income and capital gains arising from the difference between the assets' fair value and tax value. This one-time payment to the Province, referred to as the "departure tax," was $2.6 billion. Hydro One also paid the Province $191 million in additional corporate PILs in connection with leaving the corporate PILs regime. These one-time payments did not affect the Province's annual deficit as the additional revenue recognized by the Province was offset by an equal reduction in Hydro One's net income, which is consolidated in the Province's financial statements.

The transition into the federal and provincial corporate income tax regime also resulted in Hydro One eliminating a deferred tax liability and recognizing a deferred tax asset in 2015–16, which reflects reduced cash taxes payable by Hydro One for some period in the future. The Province's proportionate share of the deferred tax benefit increased the Province's revenues by $2.4 billion, and is reflected in Income from Government Business Enterprises.

A summary of key direct components of the Hydro One transactions include:

($ Millions)	
Total proceeds from the sale of shares	$1,945
Deferred gain on sale of shares to electricity union trusts	($48)
Transaction costs	($43)
Net Proceeds from sale of Hydro One shares (Net of transaction cost and gain on sale of shares to electricity union trusts)	$1,854
Book value of shares sold (Schedule 9)	($1,071)
Gain on sale of shares recognized in 2015–16	$783
Electricity PILs Revenue (Schedule 1)	$2,791
Hydro One departure tax expense and one-time PILs payment (offset to PILs Revenue) reflected in Income from GBEs	($2,791)
Portion of Hydro One deferred tax benefit recorded by the Province through HOL consolidation, reflected in Income from GBEs	$2,392
Net impact on annual deficit	$3,175

12. Hydro One and Ontario Power Generation use of US GAAP

Hydro One Limited and Ontario Power Generation Inc. prepare their stand-alone financial statements on a US GAAP basis as permitted under current securities legislation. The entities are consolidated on the Province's books, using the modified equity method, on the same basis on which they report their stand-alone financial reports. As government business enterprises, in the Introduction to the Public Sector Accounting Standards, for purposes of consolidation, Hydro One Limited and Ontario Power Generation Inc. are directed to prepare their financial statements in accordance with accounting standards used by publicly accountable enterprises, which under Part I of the Accounting Standards Handbook would be International Financial Reporting Standards (IFRS). If the results for Hydro One Limited and Ontario Power Generation Inc. were consolidated with those of the Province using IFRS, Financial Assets would be $473 million lower, Income from Investment in Government Business Enterprises would be $34 million lower and Opening Accumulated Deficit would be $439 million higher.

13. Contingent Liabilities

Obligations Guaranteed by the Province

The authorized limit for loans guaranteed by the Province as at March 31, 2016, was $1.4 billion (2015, $2.0 billion). The outstanding loans guaranteed and other contingencies amounted to $1.0 billion as at March 31, 2016 (2015, $1.4 billion). A provision of $3.4 million (2015, $4.0 million), based on an estimate of the likely loss arising from guarantees under the Student Support Programs, has been reflected in these financial statements.

Ontario Nuclear Funds Agreement

Under ONFA, the Province is liable to make payments should the cost estimate for nuclear used fuel waste management rise above specified thresholds, for a fixed volume of used fuel. The likelihood and amount by which the cost estimate could rise above these thresholds cannot be determined at this time. The cost estimate will be updated periodically to reflect new developments in the management of nuclear used fuel waste.

As well, under ONFA, the Province guarantees a return of 3.25 per cent over the Ontario Consumer Price Index for the portion of the nuclear used fuel waste management segregated fund related to the fixed volume of used fuel. If the earnings on assets in that fund related to the fixed volume exceed the guaranteed rate, the Province is entitled to the excess.

Two agreements are in place to satisfy the Canadian Nuclear Safety Commission (CNSC) licensing requirements for financial guarantees in respect of OPG's nuclear station decommissioning and nuclear waste management obligations. One agreement gives the CNSC access (in prescribed circumstances) to the segregated funds established under ONFA. The other agreement between the Province and the CNSC provides a direct provincial guarantee to the CNSC on behalf of OPG. This guarantee relates to the portion of the decommissioning and waste management obligations not funded by the estimated value of ONFA funds as at January 1, 2013. In return, the Province receives from OPG an annual fee equal to 0.5 per cent of the value of the guarantee. The provincial guarantee, for up to $1,551 million, is in effect from January 1, 2013, through the end of 2017, when the next reference plan for the CNSC is planned to be approved. In each of January 2015 and 2016, OPG paid a guarantee fee of $8 million to the Province based on the guarantee amount of $1,551 million.

Social Housing — Loan Insurance Agreements

For all non-profit housing projects in the provincial portfolio, the Province is liable to indemnify and reimburse the Canada Mortgage and Housing Corporation (CMHC) for any net costs, including any environmental liabilities, incurred as a result of project defaults through the Ministry of Municipal Affairs and Housing or the Ontario Mortgage and Housing Corporation.

At March 31, 2016, there were $5.0 billion (2015, $5.4 billion) of mortgage loans outstanding. As operating subsidies provided by the Province are sufficient to ensure that all mortgage payments can be made when due, default is unlikely. To date, there have been no claims for defaults on insured mortgage loans.

Claims Against the Crown

There are claims outstanding against the Crown, of which 70 (2015, 58) are for amounts over $50 million. These claims arise from legal action, either in progress or threatened, in respect of Aboriginal land claims, breach of contract, damages to persons and property, and like items. The cost to the Province, if any, cannot be determined because the financial outcome of these actions is uncertain. For a detailed listing of claims against the ministries, refer to Public Accounts Volume 1, “Claims Against the Crown.”

Subsequent to year end, on April 20, 2016, the Ontario Superior Court determined that Bill 115, the *Putting Students First Act, 2012*, was in contravention of the unions’ right to collective bargaining under the Charter of Rights and Freedoms. The Court did not impose a penalty on the Province, and directed that the parties attempt to negotiate a remedy. The impact on the March 31, 2016, consolidated financial statements of the related accrual is based on the Province’s best estimation of the remedy amount on information available, the extent of which is not disclosed given that an agreement has not been reached.

Canadian Blood Services

The provincial and territorial governments of Canada have entered into a Canadian Blood Services Excess Insurance Captive Support Agreement (the “Captive Support Agreement”) with Canadian Blood Services (CBS) and Canadian Blood Services Captive Insurance Company Limited (CBSI), a wholly owned subsidiary of CBS. Under the Captive Support Agreement, each government indemnifies CBSI for its pro-rata share of any payments that CBSI becomes obliged to make under a comprehensive blood risks insurance policy it provides to CBS. The policy has an overall limit of $750 million, which may cover settlements, judgments and defence costs. The policy is in excess of, and secondary to, a $250 million comprehensive insurance policy underwritten by CBS Insurance Company Limited, a subsidiary of CBS. Given current populations, Ontario’s maximum potential liability under the Captive Support Agreement is approximately $376 million. The Province is not aware of any proceedings that could lead to a claim against it under the Captive Support Agreement.

Legal Aid Ontario — Certificates

Legal Aid Ontario (LAO) issues certificates to individuals seeking legal aid assistance. Each certificate issued authorizes legal services to be performed within the tariff guidelines. At March 31, 2016, a potential $51.9 million (2015, $55.6 million) could still be incurred on certificates issued on or before March 31, 2016, over and above the billings received to date.

Contaminated Sites

The Province has identified contingent liabilities related to 125 sites (2015, 76 sites) that may have potential liabilities of $365 million (2015, $383 million). A liability has not been recorded for these sites because either the likelihood of the government becoming responsible for the site is not determinable, the amount of the liability cannot be estimated, or both.

General Real Estate Portfolio — Lease Obligation

Prior to the amalgamation of Stadium Corporation of Ontario Limited (STADCO) with Infrastructure Ontario and the Ontario Realty Corporation on June 6, 2011, all assets, liabilities and operations of STADCO were transferred to the General Real Estate Portfolio (GREP), including ground leases dated June 3, 1989, with Canada Lands Company (CLC) for the SkyDome Lands and the sublease to Rogers Stadium Limited Partnership (sub-tenant). Under the terms of the ground lease, GREP is responsible for base rent, realty taxes, utilities and certain operating costs, which are assumed by the sub-tenant under the terms of the sub-lease. In the event of a default by the sub-tenant, the potential financial impact to GREP is estimated to be the base rent, in the range of $300 million to $400 million annually, plus realty taxes, utilities and certain operating costs.

Collateral

The Province has entered into securities repurchase agreements and collateralized swap agreements with certain counterparties. Under the terms of those agreements, the Province may be required to pledge and/or receive assets relating to obligations to the counterparties. In the normal course of business, these pledged securities will be returned to the pledgor when there are no longer any outstanding obligations.

As at March 31, 2016, the Province pledged assets in the carrying amount of $33 million (2015, $35 million), which are included in Investments and/or Cash and Cash Equivalents.

14. Contractual Obligations

Contractual Obligations as at March 31 ($ Millions)	2016	2015	Minimum Payments to be made in: 2017	2018	2019	2020	2021	2022 and thereafter
Transfer Payments	$10,965	$7,872	$6,701	$2,777	$732	$364	$139	$252
Alternative Financing Contracts	27,528	24,210	11,715	773	849	651	548	12,992
Ontario Power Generation	6,499	5,286	1,982	538	504	505	293	2,677
Leases	4,391	4,139	670	557	491	421	358	1,894
Construction Contracts	4,980	4,654	1,800	848	453	302	256	1,321
Other	8,987	7,204	1,573	1,179	983	823	664	3,765
Total Contractual Obligations	$63,350	$53,365	$24,441	$6,672	$4,012	$3,066	$2,258	$22,901

Ontario Power Generation Inc.'s contractual obligations include future contributions under ONFA of $3.2 billion and fuel-supply agreements of $783 million.

The Province has entered into a number of multiple-year alternative financing contracts for the construction of assets and delivery of services. The contractual obligations represent the unperformed capital and operating portion of the contracts and will become liabilities in the future when the terms of the contracts are met.

15. Trust Funds Under Administration

Summary financial information from the most recent financial statements of trust funds under administration is provided below.

Workplace Safety and Insurance Board (WSIB)[1] As at December 31 ($ Millions)	2015	2014[2]
Assets	$28,305	$25,779
Liabilities	32,102	31,025
Deficiency of Assets	(3,797)	(5,246)
Unfunded Liability attributable to WSIB stakeholders	($6,599)	($7,890)

[1] The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

[2] The 2014 results were restated by WSIB in March 2016.

Other Trust Funds As at March 31 ($ Millions)			2016	2015
	Assets	Liabilities	Fund Balance (Unfunded Liability)	Fund Balance (Unfunded Liability)
The Public Guardian and Trustee for Province of Ontario	$1,734	$54	$1,680	$1,623
Motor Vehicle Accident Claims Fund	64	230	(166)	(161)
Pension Benefits Guarantee Fund	600	159	441	372

As at December 31	Assets	Liabilities	2015 Fund Balance	2014 Fund Balance
Deposit Insurance Corporation of Ontario	$219	$13	$206	$185

Unfunded liabilities of trusts under administration are not included in the Province's consolidated financial statements as it is intended that they will be discharged by external parties. The most recent financial statements of these trusts are reproduced in Volume 2 of the Public Accounts of Ontario.

16. Future Changes in Accounting Standards

PSAB 3450 — Financial Instruments and PSAB 2601 — Foreign Currency Translation

PSAB has introduced new sections on Financial Instruments and Foreign Currency Translation that categorize items to be accounted for at either fair value, cost or amortized cost. Fair value measurement applies to derivatives and portfolio investments in equity instruments that are quoted in an active market. Other financial assets and financial liabilities will generally be measured at cost or amortized cost. Until an item is derecognized (for example, through disposition), any gains and losses arising due to changes in fair value (remeasurements) will be reported in the Statement of Remeasurement Gains and Losses. PSAB has agreed to further explore the views of the stakeholders in the areas of hedge accounting and linkage to the Concepts Underlying Financial Performance project. PSAB has extended the effective date of these standards until fiscal year 2019–20.

PSAB 2200 — Related Party Disclosures

PSAB has issued a new standard on Related Party Disclosures. This standard requires disclosure of related party transactions if they have a material financial effect on the Consolidated Financial Statements and only if those transactions occur at a value different from what would have been arrived at if the parties were unrelated. Transactions involving key management personnel and their close family members may be required to be disclosed if they meet certain criteria. The standard is effective in fiscal year 2017–18 or earlier. The Province is currently assessing the impact of this standard on its Consolidated Financial Statements.

PSAB 3420 — Inter-Entity Transactions

PSAB has issued a new standard on Inter-Entity Transactions. It establishes standards on how to account for and report transactions between public-sector entities that comprise a government's reporting entity from both a provider and recipient perspective. This standard covers recognition and measurement and references disclosure of information about Inter-Entity Transactions, in accordance with the Related Party Disclosure, Section PS 2200. The standard is effective in fiscal year 2017–18 or earlier. The Province is currently assessing the impact of this standard on its Consolidated Financial Statements.

Concepts Underlying Financial Performance

PSAB is currently in the process of revisiting its conceptual framework, which establishes principles for the development of standards used for financial reporting by the public–sector entities in Canada. The conceptual framework is important to ensure public–sector standards appropriately reflect the economic substance of government transactions and to support transparency and accountability in public-sector reporting. PSAB continues with stakeholder communication activities and is currently deliberating on comments received on their latest consultation paper.

Asset Retirement Obligations

PSAB is currently developing an exposure draft for a new accounting standard that addresses the reporting of legal obligations associated with the retirement of long-lived tangible capital assets currently in productive use. The Province will be responding to the exposure draft, which is expected in the first quarter of 2017.

Revenue

PSAB is currently developing an exposure draft for revenue recognition principles that apply to revenues of governments and government organizations other than government transfers and tax revenue. The Province will be responding to the exposure draft, which is expected in the first quarter of 2017.

17. Subsequent Event

Subsequent to the Province's fiscal year end, on April 14, 2016, the Province sold 72,434,800 common shares of Hydro One Limited at $23.65 per share through a secondary share offering, generating approximately $1.7 billion in gross proceeds.

The Province also granted an over-allotment option to the underwriters to purchase up to an additional 10,865,200 common shares, under the same terms and conditions as the base offering. The underwriters exercised this over-allotment option in full on April 29, 2016. Including the over-allotment option, the Province generated approximately $2 billion in gross proceeds from the offering.

Subsequent to this sale, the Province owns approximately 70 per cent of the outstanding, common shares of Hydro One Limited.

18. Change in Accounting for Pension Assets of Jointly Sponsored Pension Plans

For the 2015–16 Public Accounts, the government legislated the accounting treatment for pension assets of its jointly sponsored pension plans. The legislation impacts the accounting for both the Ontario Teachers' Pension Plan and the Ontario Public Service Employees' Union Pension Plan. The legislation requires a full valuation allowance be recorded against the pension assets, therefore writing off the value of the assets.

As described in Public Sector Accounting Standards (PSAS), a pension asset arises when the government's total contributions to a plan, including income earned thereon, are greater than the cumulative retirement benefit expense recognized since the start of the plan. Contributions reflect the funding objectives of the plan. The benefit expense reflects the estimated cost of the pensions earned during the year that will be paid out to retirees in the future. In prior years, the government recorded pension assets to the extent the government expected to benefit from the asset through future reductions in contributions to the plan.

These plans are now accounted for in accordance with PSAS and legislation requiring a full valuation allowance be recorded. The change was made to reflect the Auditor General of Ontario's view that a full valuation allowance is required if the government does not have the legally enforceable right to unilaterally access the assets of the jointly sponsored pension plans, or in absence of that right, an irrevocable agreement in place at year-end with the joint sponsors of the plans to reduce contributions.

19. Comparative Figures

The comparative figures have been reclassified as necessary to conform to the 2016 presentation.

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Schedule 1	Revenue by Source	88
Schedule 2	Revenue by Sector	90
Schedule 3	Expense by Sector	92
Schedule 4	Expense by Ministry	94
Schedule 5	Accounts Payable and Accrued Liabilities	95
Schedule 6	Accounts Receivable	95
Schedule 7	Loans Receivable	96
Schedule 8	Government Organizations	98
Schedule 9	Government Business Enterprises	103
Schedule 10	Broader Public Sector Organizations	105

Province of Ontario
Schedule 1: Revenue by Source

($ Millions)	2015–16 Budget[1]	2015–16 Actual	2014–15 Actual
Taxation			
Personal Income Tax	30,377	31,141	29,313
Sales Tax	22,982	23,455	21,689
Corporations Tax	11,342	11,428	9,557
Education Property Tax	5,715	5,839	5,561
Employer Health Tax	5,680	5,649	5,415
Ontario Health Premium	3,458	3,453	3,366
Electricity Payments-In-Lieu of Taxes (Note 11)	524	3,247	180
Gasoline Tax	2,457	2,459	2,447
Land Transfer Tax	1,782	2,118	1,765
Tobacco Tax	1,262	1,226	1,163
Fuel Tax	752	751	739
Beer and Wine Tax	575	582	560
Other Taxes	491	470	520
	87,397	91,818	82,275
Transfers from Government of Canada			
Canada Health Transfer	13,065	13,089	12,408
Canada Social Transfer	4,976	4,984	4,847
Equalization Payments	2,363	2,363	1,988
Labour Market Development Agreement	632	632	628
Social Housing	448	455	465
Indian Welfare Services Agreement	243	259	246
Job Fund Agreement	192	205	179
Infrastructure Programs	308	146	137
Bilingualism Development	83	85	86
Labour Market Agreement for Persons with Disabilities	76	76	76
Youth Criminal Justice	52	52	52
Legal Aid Criminal	51	51	53
Other	401	460	450
	22,890	22,857	21,615

Province of Ontario
Schedule 1: Revenue by Source (cont'd)

($ Millions)	2015–16 Budget[1]	2015–16 Actual	2014–15 Actual
Income from Investment in Government Business Enterprises *(Schedule 9)*	4,812	4,909	5,615
Other			
Sales and Rentals	2,803	2,102	2,336
Vehicle and Driver Registration Fees	1,592	1,565	1,433
Electricity Debt Retirement Charge	865	859	956
Power Supply Contract Recoveries (Note 7)	793	875	950
Other Fees and Licences	745	743	693
Royalties	262	274	275
Independent Electricity System Operation Revenue	234	221	240
Net Reduction of Power Purchase Contracts (Note 7)	172	172	217
Local Services Realignment	117	125	106
Miscellaneous	1,708	1,857	1,835
	9,291	8,793	9,041
Total Revenue	124,390	128,377	118,546

[1] Amounts reported as "Plan" in 2015 Budget.

Province of Ontario
Schedule 2: Revenue by Sector

Sectors	Health[1]		Education[2]		Children's and Social Services[3]		Environment, Resources and Economic Development[4]	
For the year ended March 31 ($ Millions)	2016	2015	2016	2015	2016	2015	2016	2015
Revenue								
Taxation *(Schedule 1)*	–	–	–	–	–	–	1	2
Transfers from Government of Canada *(Schedule 1)*	49	55	79	80	360	346	883	913
Income from Investment in Government Business Enterprises	–	–	–	–	–	–	719	1,963
Other *(Schedule 1)*	232	229	32	26	88	64	4,020	3,748
Total	281	284	111	106	448	410	5,623	6,626

[1] Includes the activities of the Ministry of Health and Long-Term Care.

[2] Includes the activities of the Ministry of Education.

[3] Includes the activities of the Ministries of Children and Youth Services, and Community and Social Services.

[4] Includes the activities of the Ministries of Aboriginal Affairs; Agriculture, Food and Rural Affairs; Citizenship, Immigration and International Trade; Economic Development, Employment and Infrastructure/Research and Innovation; Energy; Environment and Climate Change; Labour; Municipal Affairs and Housing; Natural Resources and Forestry; Northern Development and Mines; Tourism, Culture and Sport; and Transportation.

Post-Secondary Education and Training[5]		Justice[6]		General Government and Other[7]		Total	
2016	2015	2016	2015	2016	2015	2016	2015
–	–	–	–	91,817	82,273	91,818	82,275
909	868	103	100	20,474	19,253	22,857	21,615
–	–	–	–	4,190	3,652	4,909	5,615
55	54	735	727	3,631	4,193	8,793	9,041
964	922	838	827	120,112	109,371	128,377	118,546

[5] Includes the activities of the Ministry of Training, Colleges and Universities.

[6] Includes the activities of the Ministries of Attorney General, and Community Safety and Correctional Services.

[7] Includes the activities of the Ministries of Government and Consumer Services, Finance, the Board of Internal Economy, Executive Offices, the Office of Francophone Affairs and Treasury Board Secretariat.

Province of Ontario
Schedule 3: Expense by Sector[1]

Sectors	Health[2]		Education[3]		Children's and Social Services[4]		Environment, Resources and Economic Development[5]	
For the year ended March 31 ($ Millions)	2016	2015	2016	2015	2016	2015	2016	2015
Expense								
Transfer Payments	48,299[10]	47,912[10]	24,974	24,909	14,692	13,899[11]	6,045	5,436
Interest on Debt	–	–	–	–	–	–	–	–
Salaries and Wages	654	639	212	204	444	429	1,820	1,802
Services	1,877	1,740	153	138	230	186	1,499	1,238
Pensions and Employee Future Benefits *(Note 6)*	5	6	1,590	565	6	7	9	11
Power Supply Contract Costs	–	–	–	–	–	–	–	–
Amortization of Tangible Capital Assets	63	54	9	9	36	23	1,868	1,678
Employee Benefits	124	120	34	33	69	69	346	349
Supplies and Equipment	422	396	7	8	9	9	228	231
Transportation and Communication	61	60	14	15	19	20	130	116
Net Impact of Broader Public Sector Organizations on Provincial Expenses *(Schedule 10)*	(495)	(1,042)	(436)	(717)	–	–	–	–
Other	57	154	31	30	50	41	667	821
Total[12]	51,067	50,039	26,588	25,194	15,555	14,683	12,612	11,682

[1] The information in the sectors' columns represents activities of ministries and consolidated agencies after adjustments to eliminate transactions between sectors.

[2] Includes the activities of the Ministry of Health and Long-Term Care.

[3] Includes the activities of the Ministry of Education.

[4] Includes the activities of the Ministries of Children and Youth Services, and Community and Social Services.

[5] Includes the activities of the Ministries of Aboriginal Affairs; Agriculture, Food and Rural Affairs; Citizenship, Immigration and International Trade; Economic Development, Employment and Infrastructure/Research and Innovation; Energy; Environment and Climate Change; Labour; Municipal Affairs and Housing; Natural Resources and Forestry; Northern Development and Mines; Tourism, Culture and Sport; and Transportation.

Post-Secondary Education and Training[6]		Justice[7]		General Government and Other[8]		Interest on Debt[9]		Total	
2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
7,515	7,521	446	391	720	789	–	–	102,691	100,857
–	–	–	–	–	–	10,967	10,635	10,967	10,635
93	91	2,321	2,246	948	917	–	–	6,492	6,328
62	65	978	962	380	366	–	–	5,179	4,695
–	–	20	18	1,046	1,228	–	–	2,676	1,835
–	–	–	–	875	950	–	–	875	950
5	2	15	12	61	63	–	–	2,057	1,841
15	14	306	299	122	101	–	–	1,016	985
1	1	165	171	38	37	–	–	870	853
4	4	96	93	43	44	–	–	367	352
(120)	(102)	–	–	–	–	–	–	(1,051)	(1,861)
59	64	202	159	201	122	–	–	1,267	1,391
7,634	7,660	4,549	4,351	4,434	4,617	10,967	10,635	133,406	128,861

[6] Includes the activities of the Ministry of Training, Colleges and Universities.

[7] Includes the activities of the Ministries of Attorney General, and Community Safety and Correctional Services.

[8] Includes the activities of the Ministries of Government Services and Consumer Services, Finance, the Board of Internal Economy, Executive Offices, the Office of Francophone Affairs and Treasury Board Secretariat.

[9] Includes the activities related to the management of the debt of the Province.

[10] Includes transfers of $2,587 million (2014–15, $2,495 million) to Community Care Access Centres.

[11] Includes transfers of $1,504 million (2014–15, $1,490 million) to Children's Aid Societies.

[12] The comparative figures have been reclassified to conform to the 2015–2016 presentation.

Province of Ontario
Schedule 4: Expense by Ministry

($ Millions)	2015–16 Budget[1]	2015–16 Actual	2014–15 Actual
Aboriginal Affairs	74	79	71
Agriculture, Food and Rural Affairs	1,041	1,026	943
Attorney General	1,780	1,860	1,783
Board of Internal Economy	210	205	264
Children and Youth Services	4,316	4,260	4,132
Citizenship, Immigration and International Trade	159	169	157
Community and Social Services	11,115	11,295	10,551
Community Safety and Correctional Services	2,649	2,689	2,568
Economic Development, Employment and Infrastructure/Research and Innovation	1,453	1,134	1,076
Education	25,231	24,998	24,630
Teachers' Pension *(Note 6)*	71	1,590	564
Energy	1,183	1,232	1,404
Environment and Climate Change	503	503	486
Executive Offices	34	37	43
Finance	860	951	827
Interest on Debt	11,410	10,967	10,635
Municipal Partnership Fund	513	513	542
Power Supply Contract Costs	793	875	950
Government Services and Consumer Services	602	608	573
Health and Long-Term Care	50,773	51,067	50,039
Labour	311	304	305
Municipal Affairs and Housing	1,080	1,088	1,050
Natural Resources and Forestry	790	819	792
Northern Development and Mines	757	701	804
Office of Francophone Affairs	8	8	5
Tourism, Culture and Sport	2,179	2,270	1,650
Training, Colleges and Universities	7,810	7,634	7,660
Transportation	3,457	3,287	2,944
Treasury Board Secretariat	291	216	227
Contingency Fund[2]	650	–	–
Employee and Pensioner Benefits	1,289	1,021	1,186
Program Review Savings Target[3]	(490)	–	–
Year-End Savings[3]	(1,000)	–	–
Total Expense	131,902	133,406	128,861

[1] Amounts reported as "Plan" in 2015 Budget.

[2] See glossary for definition.

[3] For Budget purposes, these items were not allocated to individual ministries.

Province of Ontario
Schedule 5: Accounts Payable and Accrued Liabilities

As at March 31 ($ Millions)	2016	2015
Transfer Payments	4,825	4,094
Interest on Debt	3,610	3,874
Salaries, Wages and Benefits	2,917	2,788
Other	8,009	9,299
Total Accounts Payable and Accrued Liabilities	19,361	20,055

Province of Ontario
Schedule 6: Accounts Receivable

As at March 31 ($ Millions)	2016	2015
Taxes	6,579	5,552
Transfer Payments[1]	597	573
Other Accounts Receivable[2]	4,337	4,335
	11,513	10,460
Less: Allowance for Doubtful Accounts[3]	(1,226)	(1,298)
	10,287	9,162
Government of Canada	772	1,144
Total Accounts Receivable	11,059	10,306

[1] The Transfer Payment receivable consists primarily of recoverables of $573 million (2015, $612 million) for the Ontario Disability Support Program — Financial Assistance.

[2] Other Accounts Receivable includes trade receivables.

[3] The Allowance for Doubtful Accounts includes a provision of $493 million (2015, $532 million) for the Ontario Disability Support Program — Financial Assistance.

Province of Ontario
Schedule 7: Loans Receivable

As at March 31 ($ Millions)	2016	2015
Government Business Enterprises[1]	3,499	3,695
Municipalities[2]	5,407	5,067
Students[3]	2,655	2,521
Industrial and Commercial[4]	554	492
Pension Benefit Guarantee Fund[5]	198	209
Universities[6]	14	22
Other[7]	508	402
	12,835	12,408
Unamortized Concession Discounts[8]	(262)	(277)
Allowance for Doubtful Accounts[9]	(1,028)	(1,006)
Total Loans Receivable	11,545	11,125

[1] Loans to government business enterprises bear interest at rates of 2.32 per cent to 6.33 per cent (2015, 2.32 per cent to 6.33 per cent).
[2] Loans to municipalities bear interest at rates of up to 10.00 per cent (2015, 10.52 per cent).
[3] Loans to students bear interest at rates of 0.99 per cent to 3.85 per cent (2015, 1.23 per cent to 4.00 per cent).
[4] Loans to industrial and commercial enterprises bear interest at rates of up to 6.30 per cent (2015, 6.56 per cent).
[5] The loan to the Pension Benefit Guarantee Fund is interest-free.
[6] Loans to universities are mortgages bearing interest at rates of 2.77 per cent to 7.00 per cent (2015, 2.77 per cent to 7.00 per cent).
[7] Loans to other include loan for MaRS Phase 2 of $290 million (2015, $294 million) and loans to electricity sector union trusts of $111 million (2015, nil).
[8] Unamortized concession discounts related to loans made to municipalities of $75 million (2015, $71 million), loans to the Pension Benefit Guarantee Fund of $97 million (2015, $102 million) and loans to industrial and commercial enterprises and other of $90 million (2015, $104 million).
[9] Allowance for doubtful accounts related to loans made to students of $616 million (2015, $604 million), municipalities of $69 million (2015, $158 million), industrial and commercial enterprises and other of $242 million (2015, $137 million) and the Pension Benefit Guarantee Fund of $101 million (2015, $107 million).

Repayment Terms As at March 31 ($ Millions)	Principal Repayment	
Years to Maturity	2016	2015
1 year	1,511	1,284
2 years	1,639	799
3 years	820	1,601
4 years	1,211	761
5 years	915	1,164
1–5 years	6,096	5,609
6–10 years	2,542	2,831
11–15 years	1,512	1,305
16–20 years	585	513
21–25 years	352	282
Over 25 years	1,591	1,618
Subtotal	12,678	12,158
No fixed maturity	157	250
Total	12,835	12,408

Province of Ontario
Schedule 8: Government Organizations[1]

Government Business Enterprises[2]	Responsible Ministry
Brampton Distribution Holdco Inc.	Energy
Hydro One Limited	Energy
Liquor Control Board of Ontario	Finance
Ontario Lottery and Gaming Corporation	Finance
Ontario Power Generation Inc.	Energy
Other Government Organizations[2]	**Responsible Ministry**
Agricorp	Agriculture, Food and Rural Affairs
Agricultural Research Institute of Ontario	Agriculture, Food and Rural Affairs
Algonquin Forestry Authority	Natural Resources and Forestry
Cancer Care Ontario	Health and Long-Term Care
Education Quality and Accountability Office	Education
eHealth Ontario	Health and Long-Term Care
Forest Renewal Trust	Natural Resources and Forestry
General Real Estate Portfolio	Economic Development, Employment and Infrastructure/Research and Innovation
Independent Electricity System Operator	Energy
Legal Aid Ontario	Attorney General
Local Health Integration Networks	
Central East Local Health Integration Network	Health and Long-Term Care
Central Local Health Integration Network	Health and Long-Term Care
Central West Local Health Integration Network	Health and Long-Term Care
Champlain Local Health Integration Network	Health and Long-Term Care
Erie St. Clair Local Health Integration Network	Health and Long-Term Care
Hamilton Niagara Haldimand Brant Local Health Integration Network	Health and Long-Term Care
Mississauga Halton Local Health Integration Network	Health and Long-Term Care
North East Local Health Integration Network	Health and Long-Term Care
North Simcoe Muskoka Local Health Integration Network	Health and Long-Term Care
North West Local Health Integration Network	Health and Long-Term Care
South East Local Health Integration Network	Health and Long-Term Care
South West Local Health Integration Network	Health and Long-Term Care
Toronto Central Local Health Integration Network	Health and Long-Term Care
Waterloo Wellington Local Health Integration Network	Health and Long-Term Care
Metrolinx	Transportation
Metropolitan Toronto Convention Centre Corporation	Tourism, Culture and Sport
Niagara Parks Commission	Tourism, Culture and Sport
Northern Ontario Heritage Fund Corporation	Northern Development and Mines
Ontario Agency for Health Protection and Promotion (Public Health Ontario)	Health and Long-Term Care
Ontario Capital Growth Corporation	Economic Development, Employment and Infrastructure/Research and Innovation
Ontario Clean Water Agency	Environment and Climate Change
Ontario Educational Communications Authority (TVO)	Education
Ontario Electricity Financial Corporation	Finance
Ontario Energy Board	Energy
Ontario Financing Authority	Finance
Ontario French-Language Educational Communications Authority (TFO)	Education
Ontario Immigrant Investor Corporation	Economic Development, Employment and Infrastructure/Research and Innovation

[1] The schedule of government organizations is updated on an annual basis to reflect any amalgamations or dissolutions of consolidated organizations in the year. This listing represents all consolidated organizations included in the Province's financial statements as at March 31, 2016. Other controlled organizations that do not meet the consolidation threshold of materiality and cost-benefit (per PSAB standards), such as Children's Aid Societies and Community Care Access Centres, are instead reflected as government transfer payment expense in these financial statements through the accounts of the ministries responsible for them.

[2] The most recent audited financial statements of these organizations are included in Public Accounts of Ontario, Volume 2.

Province of Ontario
Schedule 8: Government Organizations[1]

Other Government Organizations[2] (cont'd)	Responsible Ministry (cont'd)
Ontario Infrastructure and Lands Corporation (Infrastructure Ontario)	Economic Development, Employment and Infrastructure/Research and Innovation
Ontario Mortgage and Housing Corporation	Municipal Affairs and Housing
Ontario Northland Transportation Commission	Northern Development and Mines
Ontario Place Corporation	Tourism, Culture and Sport
Ontario Racing Commission	Agriculture, Food and Rural Affairs
Ontario Securities Commission	Finance
Ontario Tourism Marketing Partnership Corporation	Tourism, Culture and Sport
Ontario Trillium Foundation	Tourism, Culture and Sport
Ornge	Health and Long-Term Care
Ottawa Convention Centre Corporation	Tourism, Culture and Sport
Province of Ontario Council for the Arts (Ontario Arts Council)	Tourism, Culture and Sport
The Centennial Centre of Science and Technology (Ontario Science Centre)	Tourism, Culture and Sport
The Royal Ontario Museum	Tourism, Culture and Sport
Toronto Organizing Committee for the 2015 Pan American and Parapan American Games (Toronto 2015)	Tourism, Culture and Sport
Toronto Waterfront Revitalization Corporation (Waterfront Toronto)[3]	Economic Development, Employment and Infrastructure/Research and Innovation
Transmission Corridor Program	Economic Development, Employment and Infrastructure/Research and Innovation
Broader Public Sector Organizations	
Public Hospitals — Ministry of Health and Long-Term Care	
Alexandra Hospital Ingersoll	Groves Memorial Community Hospital
Alexandra Marine & General Hospital	Guelph General Hospital
Almonte General Hospital	Haldimand War Memorial Hospital
Anson General Hospital	Haliburton Highlands Health Services Corporation
Arnprior Regional Health	Halton Healthcare Services Corporation
Atikokan General Hospital	Hamilton Health Sciences Corporation
Baycrest Centre for Geriatric Care	Hanover & District Hospital
Bingham Memorial Hospital	Headwaters Health Care Centre
Blind River District Health Centre	Health Sciences North
Bluewater Health	Holland Bloorview Kids Rehabilitation Hospital
Brant Community Healthcare System	Hôpital Général de Hawkesbury and District General Hospital Inc.
Brockville General Hospital	Hôpital Glengarry Memorial Hospital
Bruyère Continuing Care Inc.	Hôpital Montfort
Cambridge Memorial Hospital	Hôpital Notre Dame Hospital (Hearst)
Campbellford Memorial Hospital	Hornepayne Community Hospital
Carleton Place and District Memorial Hospital	Hospital for Sick Children
Casey House Hospice	Hôtel-Dieu Grace Healthcare
Chatham-Kent Health Alliance	Hôtel-Dieu Hospital, Cornwall
Children's Hospital of Eastern Ontario	Humber River Regional Hospital
Clinton Public Hospital	Joseph Brant Hospital
Collingwood General and Marine Hospital	Kemptville District Hospital
Cornwall Community Hospital	Kingston General Hospital
Deep River and District Hospital Corporation	Kirkland and District Hospital
Dryden Regional Health Centre	Lady Dunn Health Centre
Englehart and District Hospital Inc.	Lady Minto Hospital at Cochrane
Espanola General Hospital	Lake of the Woods District Hospital
Four Counties Health Services	Lakeridge Health
Georgian Bay General Hospital	Leamington District Memorial Hospital
Geraldton District Hospital	Lennox and Addington County General Hospital

[3] Toronto Waterfront Revitalization Corporation (Waterfront Toronto) is a government partnership with the Province having one-third interest.

Public Hospitals — Ministry of Health and Long-Term Care (cont'd)

Grand River Hospital
Grey Bruce Health Services
Listowel Memorial Hospital
London Health Sciences Centre
Mackenzie Health
Manitoulin Health Centre
Manitouwadge General Hospital
Markham Stouffville Hospital
Mattawa General Hospital
McCausland Hospital
Muskoka Algonquin Healthcare
Niagara Health System
Nipigon District Memorial Hospital
Norfolk General Hospital
North Bay Regional Health Centre
North Wellington Health Care Corporation
North York General Hospital
Northumberland Hills Hospital
Orillia Soldiers' Memorial Hospital
Ottawa Hospital
Pembroke Regional Hospital Inc.
Perth and Smiths Falls District Hospital
Peterborough Regional Health Centre
Providence Care Centre (Kingston)
Providence Healthcare
Queensway-Carleton Hospital
Quinte Healthcare Corporation
Red Lake Margaret Cochenour Memorial Hospital Corporation
Religious Hospitallers of St. Joseph of the Hôtel Dieu of Kingston
Religious Hospitallers of St. Joseph of the Hotel Dieu of St. Catharines
Renfrew Victoria Hospital
Riverside Health Care Facilities Inc.
Ross Memorial Hospital
Rouge Valley Health System
Royal Victoria Regional Health Centre
Runnymede Healthcare Centre
Salvation Army Toronto Grace Health Centre
Sault Area Hospital
Scarborough Hospital
Seaforth Community Hospital
Sensenbrenner Hospital
Services de santé de Chapleau Health Services
Sinai Health System
Sioux Lookout Meno-Ya-Win Health Centre
Smooth Rock Falls Hospital
South Bruce Grey Health Centre
South Huron Hospital Association
Southlake Regional Health Centre
St. Francis Memorial Hospital
St. Joseph's Care Group
St. Joseph's Continuing Care Centre of Sudbury
St. Joseph's General Hospital, Elliot Lake
St. Joseph's Health Care, London
St. Joseph's Health Centre (Guelph)
St. Joseph's Health Centre (Toronto)
St. Joseph's Healthcare Hamilton
St. Mary's General Hospital
St. Mary's Memorial Hospital
St. Michael's Hospital
St. Thomas - Elgin General Hospital
Stevenson Memorial Hospital
Stratford General Hospital
Strathroy Middlesex General Hospital
Sunnybrook Health Sciences Centre
Temiskaming Hospital
Thunder Bay Regional Health Sciences Centre
Tillsonburg District Memorial Hospital
Timmins and District Hospital
Toronto East General Hospital
Trillium Health Partners
University Health Network
University of Ottawa Heart Institute
Weeneebayko Area Health Authority
West Haldimand General Hospital
West Nipissing General Hospital
West Park Healthcare Centre
West Parry Sound Health Centre
William Osler Health System
Wilson Memorial General Hospital
Winchester District Memorial Hospital
Windsor Regional Hospital
Wingham and District Hospital
Women's College Hospital
Woodstock General Hospital Trust

Specialty Psychiatric Hospitals — Ministry of Health and Long-Term Care

Centre for Addiction and Mental Health
Ontario Shores Centre for Mental Health Sciences
Royal Ottawa Health Care Group
Waypoint Centre for Mental Health Care

Province of Ontario
Schedule 8: Government Organizations[1]

School Boards — Ministry of Education

Algoma District School Board
Algonquin and Lakeshore Catholic District School Board
Avon Maitland District School Board
Bloorview MacMillan School Authority
Bluewater District School Board
Brant Haldimand Norfolk Catholic District School Board
Bruce-Grey Catholic District School Board
Campbell Children's School Authority
Catholic District School Board of Eastern Ontario
Conseil des écoles publiques de l'Est de l'Ontario
Conseil scolaire catholique Providence
Conseil scolaire de district catholique Centre-Sud
Conseil scolaire de district catholique de l'Est ontarien
Conseil scolaire de district catholique des Aurores boréales
Conseil scolaire de district catholique des Grandes Rivières
Conseil scolaire de district catholique du Centre-Est de l'Ontario
Conseil scolaire de district catholique du Nouvel-Ontario
Conseil scolaire de district catholique Franco-Nord
Conseil scolaire de district du Grand Nord de l'Ontario
Conseil scolaire de district du Nord-Est de l'Ontario
Conseil scolaire Viamonde
District School Board of Niagara
District School Board Ontario North East
Dufferin-Peel Catholic District School Board
Durham Catholic District School Board
Durham District School Board
Grand Erie District School Board
Greater Essex County District School Board
Halton Catholic District School Board
Halton District School Board
Hamilton-Wentworth Catholic District School Board
Hamilton-Wentworth District School Board
Hastings and Prince Edward District School Board
Huron-Perth Catholic District School Board
Huron-Superior Catholic District School Board
James Bay Lowlands Secondary School Board
John McGivney Children's Centre School Authority
Kawartha Pine Ridge District School Board
Keewatin-Patricia District School Board
Kenora Catholic District School Board
KidsAbility School Authority
Lakehead District School Board
Lambton Kent District School Board
Limestone District School Board
London District Catholic School Board
Moose Factory Island District School Area Board
Moosonee District School Area Board
Near North District School Board
Niagara Catholic District School Board
Niagara Peninsula Children's Centre School Authority
Nipissing-Parry Sound Catholic District School Board
Northeastern Catholic District School Board
Northwest Catholic District School Board
Ottawa Catholic District School Board
Ottawa Children's Treatment Centre School Authority
Ottawa-Carleton District School Board
Peel District School Board
Penetanguishene Protestant Separate School Board
Peterborough Victoria Northumberland and Clarington Catholic District School Board
Rainbow District School Board
Rainy River District School Board
Renfrew County Catholic District School Board
Renfrew County District School Board
Simcoe County District School Board
Simcoe Muskoka Catholic District School Board
St. Clair Catholic District School Board
Sudbury Catholic District School Board
Superior North Catholic District School Board
Superior-Greenstone District School Board
Thames Valley District School Board
Thunder Bay Catholic District School Board
Toronto Catholic District School Board
Toronto District School Board
Trillium Lakelands District School Board
Upper Canada District School Board
Upper Grand District School Board
Waterloo Catholic District School Board
Waterloo Region District School Board
Wellington Catholic District School Board
Windsor-Essex Catholic District School Board
York Catholic District School Board
York Region District School Board

Province of Ontario
Schedule 8: Government Organizations[1]

Colleges — Ministry of Training, Colleges and Universities

Algonquin College of Applied Arts and Technology
Cambrian College of Applied Arts and Technology
Canadore College of Applied Arts and Technology
Centennial College of Applied Arts and Technology
Collège Boréal d'arts appliqués et de technologie
Collège d'arts appliqués et de technologie La Cité collégiale
Conestoga College Institute of Technology and Advanced Learning
Confederation College of Applied Arts and Technology
Durham College of Applied Arts and Technology
Fanshawe College of Applied Arts and Technology
George Brown College of Applied Arts and Technology
Georgian College of Applied Arts and Technology
Humber College Institute of Technology and Advanced Learning
Lambton College of Applied Arts and Technology
Loyalist College of Applied Arts and Technology
Mohawk College of Applied Arts and Technology
Niagara College of Applied Arts and Technology
Northern College of Applied Arts and Technology
Sault College of Applied Arts and Technology
Seneca College of Applied Arts and Technology
Sheridan College Institute of Technology and Advanced Learning
Sir Sandford Fleming College of Applied Arts and Technology
St. Clair College of Applied Arts and Technology
St. Lawrence College of Applied Arts and Technology

Province of Ontario
Schedule 9: Government Business Enterprises

Summary financial information of Government Business Enterprises is provided below.

For the year ended March 31, 2016 ($ Millions)	Brampton Distribution Holdco Inc.[1]	Hydro One Limited[2, 3]	Liquor Control Board of Ontario[1]	Ontario Lottery and Gaming Corporation[1]	Ontario Power Generation Inc.[2]	Total
Assets						
Cash and Temporary Investments	47	213	273	489	540	1,562
Accounts Receivable	70	715	61	157	549	1,552
Inventories	–	–	433	30	428	891
Prepaid Expenses	–	–	9	56	–	65
Fixed Assets	365	15,269	388	1225	20,778	38,025
Other Assets	99	4,409	8	2	25,221	29,739
Total Assets	581	20,606	1,172	1,959	47,516	71,834
Liabilities						
Accounts Payable	71	782	628	307	1,291	3,079
Deferred Revenue	–	–	–	16	271	287
Long-Term Debt	–	8,028	105	66	5,459	13,658
Other Liabilities	39	3,449	2	258	27,490	31,238
Total Liabilities	110	12,259	735	647	34,511	48,262
Net Assets (liabilities)	471	8,347	437	1,312	13,005	23,572
Revenue	345	5,707	5,620	7,779	5,526	24,977
Expenses	325	5,471[4]	3,664	5,545	5,063	20,068
Net Income (loss)	20	236	1,956	2,234	463	4,909
Net Assets at Beginning of Year	–	8,072	416	1,469	13,545	23,502
Decrease in Fair Value of Ontario Nuclear Funds *(Note 10)*	–	–	–	–	(1,003)	(1,003)
Hydro One Brampton transfer *(Note 11)*	451	(451)	–	–	–	–
Capital Contribution to Hydro One	–	2,600	–	–	–	2,600
Book value of Hydro One Shares Sold *(Note 11)*	–	(1,071)	–	–	–	(1,071)
Remittances (to) Consolidated Revenue Fund	–	(1,039)	(1,935)	(2,391)	–	(5,365)
Net Assets	471	8,347	437	1,312	13,005	23,572

[1] Amounts reported using IFRS.

[2] Amounts reported in the standalone financial statements of Hydro One Limited and Ontario Power Generation are prepared in accordance with US GAAP. The differences between US GAAP and IFRS are not material to the consolidated financial statements of the Province (*Note 12*).

[3] As at March 31, 2016, the Province owned approximately 84 per cent of Hydro One Limited.

[4] Reflects the amount of the revaluation of the tax basis of the assets of formerly Hydro One Inc. and its subsidiaries to fair market value, which resulted in a net deferred tax recovery of $2.6 billion recorded in 2015 by Hydro One Ltd.

Brampton Distribution Holdco Inc.

The principal business of Brampton Distribution Holdco Inc. is the ownership, operation and management of electricity distribution systems and facilities. It is regulated by the Ontario Energy Board.

Hydro One Limited

The principal business of Hydro One Limited is the transmission and distribution of electricity to customers within Ontario. It is regulated by the Ontario Energy Board.

Liquor Control Board of Ontario

The Liquor Control Board of Ontario regulates the purchase, sale and distribution of liquor for home consumption and liquor sales to licensed establishments through Liquor Control Board stores, Brewers Retail stores and winery retail stores throughout Ontario. The Board buys wine and liquor products for resale to the public, tests all products sold and establishes prices for beer, wine and spirits.

Ontario Lottery and Gaming Corporation

The Corporation conducts lottery games and operates commercial casinos, charity casinos and slot machines at Ontario racetracks.

Ontario Power Generation Inc.

The principal business of Ontario Power Generation Inc. is the generation and sale of electricity in the Ontario wholesale market and in the interconnected markets of Quebec, Manitoba and the northeast and midwest United States.

Province of Ontario
Schedule 10: Broader Public Sector Organizations

Summary financial information of Broader Public Sector Organizations is provided below.

For the year ended March 31, 2016 ($ Millions)	Hospitals	School Boards	Colleges	Total
Expense				
Salaries, Wages and Benefits	17,684	19,016	2,465	39,165
Amortization Expense	1,531	1,054	273	2,858
Interest Expense[1]	220	386	15	621
Other Expense	7,349	4,034	1,178	12,561
Fees, Donations and Other Revenues	(4,143)	(1,374)	(2,263)	(7,780)
Total Sector Expense	**22,641**	**23,116**	**1,668**	**47,425**
Transfers from the Province	(23,136)	(23,552)	(1,788)	(48,476)
Net Impact on Provincial Expense – (Decrease)	**(495)**	**(436)**	**(120)**	**(1,051)**

[1] Interest Revenue of $156 million is netted with Interest Expense.

GLOSSARY

Note: The descriptions of the terms in the glossary are provided for the purpose of assisting readers of the 2015–16 Public Accounts. The descriptions do not affect or alter the meaning of any term under law. The glossary does not form part of the audited consolidated financial statements.

Accumulated Amortization: the total amortization that has been recorded over the life of an asset to date. The asset's total cost less the accumulated amortization gives the asset's net book value.

Accumulated Deficit: the difference between liabilities and assets. It represents the total of all past annual deficits minus all past annual surpluses, including prior-period adjustments.

Amortization: expensing a portion of an asset's cost in an accounting period by allocating its cost over its estimated useful life. This is applicable to tangible capital assets and items such as expenses relating to a debt issue.

Appropriation: an authority of the Legislative Assembly to pay money out of the Consolidated Revenue Fund or to incur a non-cash expense.

Broader Public Sector (BPS): public hospitals, specialty psychiatric hospitals, school boards and colleges. For financial statement purposes, universities and other organizations such as municipalities are excluded because they do not meet the criteria of government organizations as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

Canada Health Transfer (CHT): a federal transfer provided to each province and territory in support of health care.

Canada Social Transfer (CST): a federal transfer provided to each province and territory in support of post-secondary education, social assistance and social services, including early childhood development, early learning and child care.

Capital Gain: the profit arising from the sale or transfer of capital assets or investments. For accounting purposes, it is the proceeds or market value received less the net book value of the capital asset or investment.

Capital Lease: a lease that, from the point of view of the lessee, transfers substantially all the benefits and risks incident to ownership of property to the lessee.

Cash and Cash Equivalents: cash or other short-term liquid low-risk instruments that are readily convertible to cash, typically within three months or less.

Consolidated Revenue Fund (CRF): the aggregate of all public monies on deposit to the credit of the Minister of Finance or in the name of any agency of the Crown approved by the Lieutenant Governor in Council. Payments made from the CRF must be appropriated by a statute. *See* Appropriation.

Consolidation: the inclusion of the financial results of government-controlled organizations in the Province's consolidated financial statements.

Consumer Price Index (CPI): a broad measure of the cost of living. Through the monthly CPI, Statistics Canada tracks the retail price of a representative shopping basket of goods and services from an average household's expenditure: food, housing, transportation, furniture, clothing, and recreation. The percentage of the total basket that any item occupies is termed the "weight" and reflects typical consumer spending patterns. Since people tend to spend more on food than clothing, changes in the price of food have a bigger impact on the index than, for example, changes in the price of clothing and footwear.

Contingency Fund: an amount of expense that is approved by the Legislative Assembly at the beginning of the year to cover higher spending due to unforeseen events. This approved spending limit is allocated during the year to ministries for their programs and activities. The actual costs incurred are charged to the respective programs and activities and not to the contingency fund. Therefore, the contingency fund as at the end of the Province's fiscal year is nil. *See* Reserve.

Contingent Liabilities: possible obligations that may result in the future sacrifice of economic benefits arising from existing conditions or situations involving uncertainty, which will ultimately be resolved when one or more future events not wholly within the government's control occur or fail to occur. Resolution of the uncertainty will confirm the incurrence or non-incurrence of a liability.

Contractual Obligations: obligations of a government to others that will become liabilities when the terms of any contract or agreement, which the government had entered into, are met.

Debenture: a debt instrument where the issuer promises to pay interest and repay the principal by the maturity date. It is unsecured, meaning there is no lien on any specific asset.

Debt: an obligation resulting from the borrowing of money.

Deferred Capital Contribution: the unamortized portion of tangible capital assets or liabilities to construct or acquire tangible capital assets from specific funding received from other levels of government or third parties. Deferred capital contribution is recorded in revenue over the estimated useful life of the underlying tangible capital assets once constructed or acquired by the Province.

Deferred Revenue: unspent externally restricted grants from other levels of government and third parties for operating activities. Deferred revenues are recorded into revenue in the period in which the amount received is used for the purposes specified.

Deficit: the amount by which government expenses exceed revenues in any given year. On a forecast basis, a reserve may be included.

Derivatives: financial contracts that derive their value from other underlying instruments. The Province uses derivatives including swaps, forward foreign exchange contracts, forward rate agreements, futures and options to hedge and minimize interest costs.

Expected Average Remaining Service Life: total number of years of future services expected to be rendered by that group of employees divided by the number of employees in the group.

Fair Value: the price that would be agreed upon in an arm's-length transaction and in an open market between knowledgeable, willing parties who are under no compulsion to act. It is not the effect of a forced or liquidation sale.

Financial Assets: assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets include cash; an asset that is convertible to cash; a contractual right to receive cash or another financial asset from another party; a temporary or portfolio investment; a financial claim on an outside organization or individual; and inventory.

Financial Instrument: liquid asset, equity security in an entity, or a contract that gives rise to a financial asset of one contracting party and a financial liability or equity instrument of the other contracting party.

Fiscal Plan: an outline of the government's consolidated revenue and expense plan for the upcoming fiscal year and the medium term, including information on the projected surplus/deficit. The plan is formally presented in the Budget, which the government presents in the spring of each year and is updated, as required, during the year. The fiscal plan numbers can be different from the expenditures outlined in the Printed Estimates.

Fiscal Year: the Province of Ontario's fiscal year runs from April 1 of a year to March 31 of the following year.

Floating Rate Notes (FRNs): debt instruments that bear a variable rate of interest.

Forgivable Loan: advances where the terms and conditions of the loan agreement allow for the non-repayment of the principal or accrued interest when certain conditions are met.

Forward Contract: a contract that obligates one party to buy, and another party to sell, a specified amount of a particular asset at a specified price, on a given date in the future.

Forward Rate Agreement: a forward contract that specifies the rate of interest, usually short term, to be paid or received on an obligation beginning at a future start date.

Fund: fiscal and accounting entity segregated for the purpose of carrying on specific activities, or attaining certain objectives in accordance with special regulations, restrictions or limitations.

Futures: an exchange-traded contract that confers an obligation to buy or sell a physical or financial commodity at a specified price and amount on a future date.

Gross Domestic Product (GDP): the total unduplicated value of the goods and services produced in the economy of a country or region during a given period, such as a quarter or a year. Gross domestic product can be measured three ways: as total income earned in current production, as total final expenditures or as total net value added in current production.

Hedging: a strategy to minimize the risk of loss on an asset (or a liability) from market fluctuations such as interest rate or foreign exchange rate changes. This is accomplished by entering into offsetting commitments with the expectation that a future change in the value of the hedging instrument will offset the change in the value of the asset (or the liability).

Indemnity: an agreement whereby one party agrees to compensate another party for any loss suffered by that party. The Province can either seek or provide indemnification.

Infrastructure: the facilities, systems and equipment required to provide public services and support private-sector economic activity including network infrastructure (e.g., roads, bridges, water and wastewater systems, large information technology systems), buildings (e.g., hospitals, schools, courts), and machinery and equipment (e.g., medical equipment, research equipment).

Liquid Reserve: comprises cash and short-term investments managed before consolidation with other government entities. It includes cash in the Province's bank accounts, money market securities and long-term bonds which have not been lent out through a sale and re-purchase agreement, adjusted for net pledged collateral.

Loan Guarantee: an agreement to pay all or part of the amount due on a debt obligation in the event of default by the borrower.

Net Book Value of Tangible Capital Assets: historical cost of tangible capital assets less both the accumulated amortization and the amount of any write-downs.

Net Debt: the difference between the Province's total liabilities and financial assets. It represents the Province's future revenue requirements to pay for past transactions and events.

Nominal: an amount expressed in dollar terms without adjusting for changes in prices due to inflation or deflation. It is not a good basis for comparing values of GDP in different years, for which a "real" value expressed in constant dollars (i.e., adjusted for price changes) is needed. *See* Real GDP.

Non-Financial Assets: assets that normally do not generate cash capable of being used to repay existing debts. The non-financial assets of the Province are tangible capital assets.

Non-Tax Revenue: revenue received by the government from external sources. This also includes revenues from the sale of goods and services, fines and penalties associated with the enforcement of government regulations and laws; fees and licence; royalties; profits from a self-sustaining Crown agency; and asset sales.

Ontario Disability Support Program (ODSP): a program designed to meet the unique needs of people with disabilities who are in financial need, or who want and are able to work and need support. Ontarians aged 65 years or older who are ineligible for Old Age Security may also qualify for ODSP supports if they are in financial need.

Option: a contract that confers the right, but not the obligation, to buy or sell a specific amount of a commodity, currency or security at a specific price, on a certain future date.

Pension Actuarial Accounting Valuation: a valuation performed by an actuary to measure the pension benefit obligations at the end of the period or a point in time. The valuation attributes the cost of the pension benefit obligations to the period the related services are rendered by the members.

Pension Statutory Actuarial Funding Valuation: a valuation performed by an actuary to determine whether a pension plan has sufficient money to pay for its obligations when they become due. The valuation determines the contributions required to meet the pension benefit obligations.

Present Value: the current worth of one or more future cash payments, determined by discounting the payments using a given rate of interest.

Program Expense: total expense excluding interest on debt.

Public Accounts: the Consolidated Financial Statements of the Province along with supporting statements and schedules as required by the *Financial Administration Act*.

Real GDP: gross domestic product measured to exclude the impact of changing prices.

Recognition: the process of including an item in the financial statements of an entity.

Reserve: an amount included in the fiscal plan to protect the plan against unforeseen adverse changes in the economic outlook, or in the Provincial revenue and expense. Actual costs incurred by the ministry, which pertain to the reserve, are recorded as expenses of that ministry. *See* Contingency Fund.

Segment: a distinguishable activity or group of activities of a government for which it is appropriate to separately report financial information to help users of the financial statements identify the resources allocated to support the major activities of the government.

Sinking Fund Debenture: a debenture that is secured by periodic payments into a fund established to retire long-term debt.

Straight-Line Basis of Amortization: a method whereby the annual amortization expense is computed by dividing i) the historical cost of the asset by ii) the number of years the asset is expected to be used.

Surplus: the amount by which revenues exceed government expenses in any given year. On a forecast basis, a reserve may be included.

Swaption: an option granting its owner the right but not the obligation to enter into an underlying swap. Although options can be traded on a variety of swaps, the term swaption typically refers to options on interest rate swaps.

Tangible Capital Assets: physical assets including land, buildings, transportation infrastructure, vehicles, leased assets, machinery, furniture, equipment and information technology infrastructure and systems, and construction in progress.

Temporary Investments: investments that are transitional or current in nature and generally capable of reasonably prompt liquidation.

Total Debt: the Province's total borrowings outstanding.

Total Expense: sum of program expense and interest on debt expense.

Transfer Payments: grants to individuals, organizations or other levels of government for which the government making the transfer does not:

- receive any goods or services directly in return, as would occur in a purchase or sale transaction;
- expect to be repaid, as would be expected in a loan; or
- expect a financial return, as would be expected in an investment.

Treasury Bills: short-term debt instrument issued by governments on a discount basis.

Unrealized Gain or Loss: an increase or decrease in the fair value of an asset accruing to the holder. Once the asset is disposed of or written off, the gain or loss is realized.

SOURCES OF ADDITIONAL INFORMATION

The Ontario Budget

The Ontario government presents a Budget each year, usually in the early spring. This document outlines expected expense and revenue for the upcoming fiscal year. For an electronic copy of the Ontario Budget, visit the Ministry of Finance website at www.fin.gov.on.ca.

The Estimates of the Province of Ontario

The government's spending Estimates for the fiscal year commencing April 1 are presented to members of the Legislative Assembly following the presentation of the Ontario Budget by the Minister of Finance. The Estimates outline the spending plans of each ministry and are submitted for approval to the Legislative Assembly according to the *Supply Act*. For electronic access, go to: www.fin.gov.on.ca.

Ontario Finances

This is a quarterly report on the performance of the government's Budget for the fiscal year. It covers developments during a quarter and provides a revised outlook for the remainder of the year. For electronic access, go to: www.fin.gov.on.ca.

Ontario Economic Accounts

This quarterly report contains data on Ontario's economic activity. For electronic access, go to: www.fin.gov.on.ca.

Please address your comments on this report to:
The Honourable Liz Sandals
President of the Treasury Board
Room 4320, Fourth Floor, Whitney Block
99 Wellesley Street West
Toronto, Ontario
M7A 1W3

You can also send your comments to the Minister
by electronic mail to: infotbs@ontario.ca
To access this document online, visit Ontario.ca/publicaccounts

© Queen's Printer for Ontario, 2016
ISSN 0381-2375 (Print)
ISSN 1913-5556 (Online)

From: Sarah Harris
To: Opal Kandelas
Subject: Draft for review
Date: Thursday, August 10, 2017 10:05:37 AM
Attachments: OFA Lending Policy Final (April 16 2010).pdf

Hi Ken,

Yesterday we held an internal meeting to discuss issues identified by Lisa and Toby regarding inclusion of an intercept provision in the new $2B FHP Credit Facility, as well the factors that the OFA needs to consider on whether or not to seek a security interest in the Regulatory Asset. We will need to obtain further information from IESO to inform the OFA's final determination on these matters, and also require your input on certain items below.

Security Interest - Background

In reference to Bruno's comments and your comments below, if the OFA were to take a security interest in the Regulatory Asset, any security interest would only be applicable while the IESO was the holder of the asset, and only while it is being held by the IESO with money borrowed from the OFA.

The steps of the transaction would be:

1 – The IESO makes payments to electricity producers at the contracted rate, but charges consumers a rate that is set by the FHP, which leaves a shortfall that must be made up;
2 – The IESO borrows money from the OFA to finance the shortfall – it is at this stage that the OFA would consider taking a security interest in the asset, up to the amount that the OFA lends to the IESO;
3 – The IESO bundles the right to charge consumers for the shortfall in the future through the GA into the Regulatory Asset, which is sold to the OPG SPV, which sale can be of the asset free and clear of any security interest;
4 – The IESO repays the OFA for the loan.

Steps 3 and 4 can happen simultaneously. If it is deemed to be something that the OFA would like to do, the security interest would only apply while the IESO holds the assets that it creates using the OFA loan to finance the purchase of electricity that it does not charge for. Once the asset is sold to the OPG SPV, the loan can be repaid and the security interest that the OFA had in the asset can be discharged.

Intercept Provision - Background

Regarding the inclusion of the intercept provision, the OFA Lending Policy (attached, see p. 4 "Security" section), stipulates the OFA must include an intercept provision, unless the OFA either receives an exemption form the OFA Board OR receives direction from the Minister, Cabinet or Treasury Board.

The intercept provision provides that in the event of non-payment by IESO to the OFA under the Credit Facility, the Minister may take funds appropriated by the Legislature for IESO, and may instead use the funds to repay the OFA (in the amount that IESO has defaulted under the facility).

Question for Ken: Are you aware of how we might determine if the Legislature has appropriated funds for IESO? If the amounts are minimal, there would seem token benefit to include the intercept provision in the new FHP credit facility agreement

Draft E-mail to IESO

We would like to ensure that we obtain from IESO all the information that would be required to make a risk assessment as to whether an intercept provision and/or a security interest by the OFA in the Regulatory Asset would be required.

Request for Ken: We are drafting an e-mail to send to IESO today (below) to request information that is pertinent for an analysis regarding these matters. We would appreciate if you could please review the draft and amend it to include all key questions that would be required to make a risk assessment.

> *"Dear Anthony,*
>
> *My apologies for the delay in providing the next turn of the FHP Credit Facility Agreement. We became aware of a potential requirement under the OFA's lending policy which needs to be considered internally for inclusion in the agreement, for which we require additional information. Would you kindly provide answers to the following questions?*
>
> - *Does IESO have other financial obligations (such as but not limited to swap agreements, other financial obligations etc.) that could become due and adversely impact IESO's ability to pay its debts when they become due?*
> - *Does IESO have any other financial obligations or security interests that could attach to the Regulator Asset/Special Purpose Vehicle?*
> - *[Include additional questions]*
>
> *I also want to make you aware that due to the internal assessment that must be made in respect of the OFA's lending policy, we will likely not be able to execute the new FHP facility prior to IESO's next funding request (for which IESO will be providing notice on August 17th, for funding on August 21st). Accordingly, the August FHP draw will be made under the existing $975 million credit facility. At the time we execute the new $2B facility, we would be able to transfer any amount of loans exceeding $475 million (being the reduced facility limit under the draft amending agreement) under the existing facility to the new facility.*
>
> *Best regards,"*

In reference to the last sentence above in the draft e-mail to IESO, the intended financing structure

for IESO credit facilities is to (i) execute a new $2B FHP facility and (ii) simultaneously reduce the existing $975 million facility by $500 million to $475 million. This would create a total aggregated limit of $2.475 billion. Ideally these 2 agreements would have been executed simultaneously prior to the August draw from IESO (since IESO's August draw will likely bring the balance of the existing credit facility to approx. $500M, exceeding the intended revised limit of $475 million).

Question for Ken: When we do execute both agreements, are there any obstacles from an operational perspective (settlement, cash, accounting, risk) with transferring any 'excess loan amount' from the existing credit facility to the new FHP credit facility? We would be looking to re-allocate certain loans from the existing facility to the new facility, without any cash flow impact. From a legal perspective we expect this should be fine, as we can work out the legal particulars with IESO.

General Note re: Timing Impact of Intercept Provision

Regardless of whether the OFA decides to include or exclude the intercept provision, the execution of the FHP facility will be delayed, likely for a number of weeks.

If the decision is made not to include the intercept provision, a directive will need to be obtained from the Minister to this effect, potentially taking a few weeks.

If it is a determined an intercept provision is required, then this will likely even take longer than getting a directive from the Minister. In this case, the OFA would need to go back to the Ministry of Energy to effect the following: (i)Ministry of Energy will need to agree with IESO on acceptance of the inclusion of intercept provision in the FHP credit facility agreement and (ii) the OFA and Ministry of will require an MOU whereby the parties agree on the inclusion of a the intercept provision in the FHP credit facility agreement.

Thanks
Sarah

OFA LENDING POLICY

Approved:	**April 11, 2008**
Revised and approved:	**April 16, 2010**

SCOPE

The Ontario Financing Authority (OFA) is a crown corporation that has the statutory authority to lend to public bodies under the *Capital Investment Plan Act (CIPA).*

Public bodies are defined in CIPA as Crown agencies, hospitals and any other facilities receiving capital funding from the Minister of Health and Long-Term Care, municipalities, universities that receive operating funds from the Province, colleges of applied arts and technology, school boards, and any other entity named or described as a public body in the regulations which as of this date include the Deposit Insurance Corporation of Ontario, the Ontario Pension Benefits Guarantee Fund and the Law Society of Upper Canada and the Ontario Power Authority.

This policy addresses lending activities to public bodies undertaken where the OFA is acting as an intermediary on behalf of the Province.

AMENDMENTS

This policy replaces the OFA lending policy that was approved by the OFA Board of Directors on April 11, 2008.

Any amendments or exceptions to this policy must be approved by the OFA Board of Directors.

POLICY FRAMEWORK

On June 21, 2007, the government approved a new framework for financing public bodies that are consolidated on the Province's financial statements. Consolidated public bodies include school boards, colleges, hospitals and corporations, boards and commissions.

Generally, the policy framework mandates the OFA to provide long-term financing for capital purposes to school boards, colleges and hospitals, as well as to Provincial corporations, boards and commissions who borrow as agents of the Crown, where the financing is recommended by the responsible ministry.

The policy framework also mandates the OFA to charge a cost recovery rate for all loans to public bodies, and a proxy commercial rate where the project is deemed to be commercial in nature. Determinations as to the nature of the project are to be made by the OFA in consultation with the recommending ministry.

TYPE OF FINANCING

The policy framework mandates the OFA to provide long-term financing to public bodies, which will be undertaken on a fixed rate or variable rate basis. Except where the Minister of Finance, Treasury Board or Cabinet determines there is a significant benefit to the public body or to the Province, the OFA will not provide:

1. Short-term financing for operating or working capital purposes.

2. Construction financing where capital projects require significant project monitoring expertise to keep construction running on time and on budget.

3. Financing to consolidated corporations, boards and commissions that are not Crown agents.

LOAN APPROVALS

1. The OFA will only advance a loan to a public body where the Minister of Finance, Treasury Board or Cabinet expressly directs or approves the OFA to advance a loan to a public body.

2. Where the Minister of Finance, Treasury Board or Cabinet expressly directs or approves the OFA to advance a loan to a public body, no further Board approval is required.

3. The OFA Board shall annually review a borrowing and on-lending plan (the OFA's Annual Borrowing and On-Lending Plan), which shall include the OFA's annual borrowing requirements from the Province and projected on-lending activities to Ontario public bodies for the year. As part of its review, the OFA Board shall approve the OFA's cost recovery spread and proxy commercial interest rate spreads related to the OFA's annual lending activities to public bodies.

4. The OFA Board will be advised at its next regularly scheduled meeting of any deviations from the OFA's Annual Borrowing and On-Lending Plan.

LENDING DIRECTIVE

The OFA will prepare an annual lending directive for the Minister of Finance's consideration based on the proposed loans in the OFA's Annual Borrowing and On-Lending Plan which require consent under Section 28 of the *Financial Administration Act* ("FAA") or which are to be made to School Boards. The lending directive will expressly direct or approve the OFA to advance these loans to public bodies for the fiscal year. The lending directive will include the maximum authorized amount of the loans to individual borrowers or the maximum amount of all the loans to a group of borrowers, such as School Boards or Community Colleges, and where possible, the borrower's name and the specific purpose(s) for which the loans are required, with the other terms and

conditions of the loans being delegated to the CEO of the OFA or the Assistant Deputy Minister, Corporate and Electricity Finance Division, OFA, or a person designated by either of them for approval.

The OFA will prepare specific lending directives for consideration by Minister of Finance for proposed loans in the the OFA's Annual Borrowing and On-Lending Plan which do not require consent under Section 28 of the FAA, other than loans to School Boards, at the time that the requests for the OFA to enter into such loans are being processed.

CONDITIONS PRECEDENT

Except where otherwise directed by the Minister of Finance, Treasury Board or Cabinet, and prior to the OFA making any loan to a public body, the OFA will:

1. Receive and review the public body's loan request as submitted and recommended by the responsible ministry.

2. Determine the public body's ability to repay the loan by relying on information submitted by the responsible ministry and public body, which may include information on the capital project, business case, cash flow projections and audited financial statements, and such other information as may be required.

3. Where required, ensure that the responsible ministry or public body has obtained prior written approval for the proposed loan pursuant to Section 28 of the FAA. The CEO of the OFA will not act as the delegate of the Minister of Finance to provide approval under Section 28 of the FAA for a loan when the OFA is the lender.

4. Evaluate the underlying risk of the project in order to determine if the project is commercial in nature, and if so establish an appropriate proxy commercial basis points spread to charge the public body as approved by the OFA Board (see "Proxy Commercial Rate").

5. Enter into a loan agreement with the public body containing terms and conditions consistent with the lending directive and satisfactory to the CEO of the OFA or the Assistant Deputy Minister, Corporate and Electricity Finance Division, OFA, or a person designated by either of them , including appropriate (i) positive and negative covenants of the public body, (ii) representations and warranties by the public body, (iii) conditions precedent, (iv) remedies upon default provisions, (v) reporting provisions, (vi) event of default provisions, and (vii) intercept provisions.

6. Ensure that it has an appropriate intercept in place for the loan (see "Intercept").

SECURITY

Except where otherwise directed by the Minister of Finance, Treasury Board or Cabinet, the OFA will generally lend on an unsecured basis (apart from the intercept provision, as provided below) in respect of loans made by the OFA to public bodies.

INTERCEPT

Except where otherwise directed by the Minister of Finance, Treasury Board or Cabinet:

1. Pursuant to section 23 of the *Capital investment Plan Act* and prior to any loan agreement entered into between the OFA and a public body, such public body and its responsible ministry are to agree that the Minister of Finance is entitled to deduct from money appropriated by the Legislature for payment to the public body amounts equal to any amounts that the public body fails to pay to the OFA on account of indebtedness under its loan agreement with the OFA. In addition, the public body is to agree that any notice from the OFA to the Minister of Finance in relation to its failure to pay under its loan agreement may be relied upon by the Minister of Finance without further inquiry or verification by the Minister of Finance.

2. Prior to recommending to the Minister of Finance that the intercept be exercised, the OFA will raise the issue with the responsible ministry and seek the ministry's support in getting the public body to pay the amounts owing within a reasonable cure period.

3. Should the public body not cure the default within a reasonable period of time, the OFA will give written notice to the Minister of Finance, with a copy to the responsible ministry, of a public body's failure to pay under its loan agreement and requesting the deduction of amounts equal to the amounts that a public body has failed to pay under its loan agreement.

4. Prior to any loan agreement entered into between the OFA and a public body, the responsible ministry is to covenant and agree that, upon receipt of notice from the OFA that a public body has failed to pay in accordance with the provisions of its loan agreement, the responsible ministry will provide all information requested by the OFA respecting amounts appropriated by the Legislature for payment to the public body including the intended purpose and expected timing of such payments to be made by the responsible ministry. Upon request, the responsible ministry agrees to provide similar information to the Minister of Finance.

5. Prior to any loan agreement entered into between the OFA and a public body, the responsible ministry is to acknowledge and agree that, upon receipt of a direction from the Minister of Finance, that an amount is to be deducted from

money appropriated by the Legislature for payment to the public body, the responsible ministry will take all necessary action required by it in order to effect such deduction in accordance with the Minister of Finance's direction and pay the amount to the OFA at the time specified.

COST RECOVERY

1. The OFA will recover its lending costs by charging public bodies a rate equal to the **Province's total cost of funds**, which will include the Province's direct borrowing costs (including commissions) as well as a spread to cover all costs related to the upfront and ongoing loan monitoring and administration of the OFA's lending activities.

2. The OFA will use a **basis-points-spread (bps) based cost recovery methodology** to recover the costs of its direct borrowing and on-lending activities. The costs relate to both the upfront and ongoing loan monitoring and administration and are expressed in terms of basis points per annum and will be recovered over the term of the loan.

3. The annual basis-point spread charged to public bodies for cost recovery shall be approved by the OFA Board and included in the OFA's Annual Borrowing and On-Lending Plan. The Capital Markets Treasury Division of the OFA, with the assistance of Internal Audit, will conduct an annual review to ensure that the cost recovery methodology is appropriate and that there are no significant under/over- recoveries that may require management's corrective action.

PROXY COMMERCIAL RATE

1. In addition to charging the Province's total cost of funds, the OFA will charge a proxy commercial basis points spread for projects that are commercial in nature in order to better reflect the costs of the underlying risk for financing of such projects. The proxy commercial basis points spread will be added to the Province's total cost of funds and recovered over the term of the loan. Loans are deemed to be commercial in nature where generally less than 50% of the operating revenues generated by the underlying project are attributable to government sources.

2. The methodology for determining proxy commercial basis points spreads (including the amount(s) of these spreads) charged to public bodies for projects deemed commercial in nature shall be approved by the OFA Board and included in the OFA's Annual Borrowing and On-Lending Plan. Proxy commercial basis points spreads will also be re-evaluated (and, if deemed necessary, reset upon approval of the OFA Board) in situations where there are significant changes to fixed income credit spreads. The OFA Corporate Finance Branch is responsible for recommending any changes to the

methodology or spread resets to the OFA Board, while the Capital Markets Division is responsible for informing the Corporate Finance Branch of any significant changes to fixed income credit spreads.

REPORTING REQUIREMENTS

1. A report outlining the status of all outstanding loans will be tabled with the OFA Board annually (the OFA's Annual Borrowing and On-Lending Plan) and at such other times as the OFA Board requests.

2. For each loan outstanding, such report will identify: the borrower, the purpose of the loan, the principal amount outstanding, and such other information as the OFA Board may request.

3. All OFA loans to public bodies will continue to be annually reported in the notes to the OFA's audited financial statements as disclosed in the OFA's Annual Report.

From:	William Tan
To:	Opal Kandelas
Cc:	Sarah Harris
Subject:	Executed - $2B FHP Credit Facility and Existing $975M Credit Facility.
Date:	Friday, November 17, 2017 12:33:45 PM
Attachments:	FHP Credit Agreement OFA IESO - Nov 6, 2017 - OFA Signed.pdf OFA IESO Amending Agreement No. to Jan 1, 2005 Credit Facility Nov 6,2017 - OFA signed.pdf

---

Hello Opal,

Please find the attachments for the executed $2B FHP Revolving Credit Facility Agreement and Existing $975M Amending Agreement No. 10 . Please let me know if you require any additional documents. The history for the existing credit facility will follow as soon as I update it.

Folder locations.
Z:\Users\CMB\Documentation\IESO-OPA Merger\OFHP IESO OFA Credit Facility
Z:\Users\CMB\Documentation\IESO-OPA Merger\ONTARIO POWER AUTHORITY\Credit Agreement\Amendment No. 10

Best regards,

Will Tan| *Documentation & Analysis Specialist*
Capital Markets Division | Ontario Financing Authority
1 Dundas Street West, Suite 1400
Toronto, Ontario M5G 1Z3, CANADA
Tel. (416) 325-8090 | Fax: (416) 860-8346
william.tan@ofina.on.ca

This message, including any attachments, is intended only for the use of the individual(s) to which it is addressed and may contain information that is privileged and confidential. Any other distribution, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message including any attachments, without reading it or making a copy. Thank you

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

as Borrower

and

ONTARIO FINANCING AUTHORITY

as Lender

REVOLVING CREDIT FACILITY AGREEMENT

Date: November 6, 2017

REVOLVING CREDIT FACILITY AGREEMENT

THIS AGREEMENT is made as of the 6 day of November 2017,

BETWEEN:

INDEPENDENT ELECTRICITY SYSTEM OPERATOR, a statutory corporation without share capital existing under Part II of the *Electricity Act, 1998* (the "**IESO**")
(as Borrower)

AND

ONTARIO FINANCING AUTHORITY, a Crown agency established under the *Capital Investment Plan Act, 1993* (the "**OFA**" and together with the IESO, the "**Parties**")
(as Lender)

RECITALS:

WHEREAS the IESO has requested a revolving credit facility for up to a maximum principal amount of $2 billion from the OFA for the purpose of supporting the IESO's role in the implementation and administration of the *Ontario Fair Hydro Plan Act, 2017*.

THEREFORE in consideration of the mutual agreements contained herein (the receipt and adequacy of which are acknowledged), the Parties agree as follows:

ARTICLE 1

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

Section 1.1 Definitions.

For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires, the following terms shall have the meanings assigned to them below:

"**Advances**" means advances made by the OFA to the IESO under Article 3 and "Advance" means any one of such advances, and in the case of an election by the IESO under Section 3.3, includes a "Continued Advance", as defined in Section 3.3(1), as applicable.

"Advances Outstanding" means, at any time, an amount equal to the aggregate principal amount of all Advances outstanding at such time.

"Agreement", "herein", "hereby", "hereor', "hereunder" and similar expressions mean and refer to this agreement and all schedules hereto and all instruments in amendment or confirmation of this agreement and such schedules and not to any particular article or section; and the expression "Article" or "Section" followed by a number means the specified Article or Section of this Agreement.

"Borrowing Notice" has the meaning specified in Section 3.2(1).

"Business Day" means any day that is not a day on which banks are generally authorized or required by law or executive order to be closed in the City of Toronto.

"Clean Energy Adjustment" has the same meaning as that term is defined in the OFHP.

"Commitment" means, at any time, an amount equal to $2 billion.

"Consolidated Assets" means, at any time, the book value of the assets of the IESO and the Subsidiaries, determined as of such time on a consolidated basis in accordance with GAAP.

"Continued Advance" has the meaning specified in Section 3.3(1).

"Credit Facility" means the revolving credit facility to be made available to the IESO by the OFA under this Agreement for the purposes specified in Section 2.2.

"Current Repayment Date" has the meaning specified in Section 3.3(2).

"Default" means any event which, after the giving of notice, or passage of time, or both, would be an Event of Default.

"Dollars" or **"$"** means lawful currency of Canada.

"Election Notice" has the meaning specified in Section 3.3(2).

"Event of Default" has the meaning specified in Section 5.1.

"First Advance" has the meaning specified in Section 3.2(3).

"GAAP" means accounting policies and standards as established by the Chartered Professional Accountants of Canada, at the relevant time and applied on a consistent basis.

"Grid Note" has the meaning specified in Section 3.2(2).

"Indebtedness" means (without duplication), with respect to any Person, whether recourse is to all or a portion of the assets of such Person and whether or not contingent:

(a) every obligation of such Person for borrowed money;

(b) every obligation of such Person evidenced by bonds, debentures, notes or other similar instruments;

(c) every reimbursement obligation of such Person with respect to letters of credit, bankers' acceptances or similar instruments;

(d) every obligation of such Person issued or assumed as the deferred purchase price of property or services (but excluding trade accounts payable or expenses accrued in the ordinary course of business which are not overdue or which are being contested in good faith);

(e) every capital lease obligation of such Person;

(f) the Swap Termination Value of each Swap Contract of such Person; and

(g) every obligation of the type referred to in paragraphs (a) through (f) of another Person and all dividends of another Person the payment of which, in each case, such Person has guaranteed or is responsible or liable for, directly or indirectly, as obligor, guarantor or otherwise.

"Lien" means any assignment, hypothec, mortgage, lien, pledge, security interest, encumbrance, title retention agreement or other agreement or arrangement to secure the performance of any obligation (including the payment of Indebtedness).

"Material Subsidiary" means, at any time, a Subsidiary which has consolidated assets with a book value of more than $25 million determined in accordance with GAAP.

"**New Repayment Date**" has the meaning specified in Section 3.3(2).

"**OFHP**" means the *Ontario Fair Hydro Plan Act, 2017*, S.O. 2017, c. 16, Schedule 1, including any regulations made thereunder, and all as amended from time to time.

"Permitted Liens" means:

(a) Liens for taxes and assessments not at the time overdue or any Liens securing workmen's compensation assessments, unemployment insurance or other social security obligations not at the time overdue;

(b) any Liens or rights of distress reserved in or exercisable under any lease for rent and for compliance with the terms of such lease;

(c) any obligations or duties, affecting the property of the IESO to any municipality or governmental, statutory or public authority, with respect to any franchise, grant, license

or permit and any defects in title to structures or other facilities arising solely from the fact that such structures or facilities are constructed or installed on lands held by the IESO or such Material Subsidiary under government permits, leases or other grants, which obligations, duties and defects in the aggregate do not materially impair the use of such property, structures or facilities for the purpose for which they are held by the IESO or such Material Subsidiary;

(d) any deposits or Liens in connection with building contracts, bids or tenders, expropriation proceedings, surety or appeal bonds, costs of litigation when required by law, and public and statutory obligations, Liens or claims incidental to current construction, builders', mechanics', labourers', materialmen's, warehousemen's, carriers' and other similar Liens;

(e) the right reserved to or vested in any municipality or governmental or other public authority by any statutory provision or by the terms of any lease, license, franchise, grant or permit, that affects any lands, to terminate any such lease, license, franchise, grant or permit or to require annual or their periodic payments as a condition to the continuance thereof;

(f) any undetermined or inchoate Liens and charges incidental to the current operations of the IESO or a Material Subsidiary that have not at the time been filed against the IESO or such Material Subsidiary; provided, however, that if any such Lien or charge shall have been filed, the IESO or such Material Subsidiary shall be prosecuting an appeal or proceedings for review with respect to which it shall have secured a stay in the enforcement of any such Lien or charge;

(g) any Lien the validity of which is being contested at the time by the IESO or a Material Subsidiary in good faith and the enforcement of which has been stayed;

(h) any easements, rights-of-way and servitudes that in the opinion of the IESO will not in the aggregate materially and adversely impair the use or value of the land for the purpose for which it is held or occupied by the IESO or a Material Subsidiary;

(i) any Liens and privileges arising out of judgments or awards with respect to which the IESO or a Material Subsidiary shall be prosecuting an appeal or proceedings for review and with respect to which it shall have secured a stay of execution pending such appeal or proceedings for review;

(j) any other Liens of a nature similar to the foregoing which do not in the opinion of the IESO, acting reasonably, materially impair the use of the property subject thereto or the operation of the business of the IESO or any Material Subsidiary or the value of such property for the purpose of any such business; and

(k) any Lien arising from the IESO's role and obligations under the OFHP, including with respect to any amount received or receivable by the IESO (such as, without limitation, amounts received or receivable in respect of the Clean Energy Adjustment), or any other

lien, whether arising from the action or inaction of IESO, that is created in connection with the OFHP.

"Person" means any individual, corporation, partnership joint venture, association, trust or unincorporated organization or any government or agency or political subdivision thereof.

"Purchase Money Mortgage" means any Lien on property, granted in connection with financing, assumed or given back in payment of, or created or arising by operation of law to secure, the whole or part of the purchase price of such property, or granted in connection with financing the cost in whole or in part of construction or installation of or improvements to any property, provided that such Lien is incurred or assumed at the time or within 12 months after the purchase of such property or the completion of such construction, installation or improvements, as the case may be, and includes any extension, renewal or replacement thereof on the same property if the principal amount of the Indebtedness secured thereby at the time of such extension, renewal or replacement is not increased and if such Lien is not extended to any other property.

"Repayment Date" means, in respect of the repayment of Advances, the repayment date contained in the most recent Borrowing Notice or Election Notice.

"Stated Maturity" when used with respect to any Indebtedness or any installment of interest thereon, means the date specified in or on the agreement or instrument evidencing such Indebtedness as the fixed date on which any principal amount of such Indebtedness or such installment of interest is due and payable.

"Subsidiary" means:

(a) a corporation more than 50% of the voting power or the outstanding Voting Shares of which is owned, directly or indirectly, by the IESO or by one or more other Subsidiaries or by the IESO and one or more other Subsidiaries; or

(b) any Person (other than a corporation) in which the IESO, or one or more other Subsidiaries, directly or indirectly, has at least a majority ownership and power to direct the policies, management and affairs thereof.

"Swap Contract" means any agreement whether or not in writing, relating to any transaction or derivative transaction including a rate swap, basis swap, forward rate transaction, commodity swap, commodity option, commodity future, equity or equity index swap or option, bond, note or bill option, interest rate option, forward foreign exchange transaction, cap, collar or floor transaction currency swap, cross-currency rate swap, swaption, currency option or other similar transaction (including any option to enter into any of the foregoing) or any combination of the foregoing, and, unless the context otherwise clearly requires, any master agreement relating to or governing any or all of the foregoing.

"Swap Termination Value" means, in respect of any one or more Swap Contracts entered into by a Person, after taking into account the effect of any legally enforceable netting agreement relating to such Swap contracts:

(a) for any date on or after the date such Swap Contracts have been closed out and termination value(s) for such Person have been determined in accordance therewith, such termination value(s); and

(b) for any date prior to the date referred to in paragraph (a), the net amount determined pursuant to the terms of such Swap Contracts that would be payable by such Person if such Swap Contracts were terminated as of such date.

"Voting Shares" of any Person means securities of such Person which ordinarily carry a right to vote for the election of directors (or Persons performing similar functions) of such Person.

Section 1.2 Effect of Headings.

The division of this Agreement into Articles and Sections and the insertion of headings are for convenient reference only and shall not affect the construction or interpretation hereof.

Section 1.3 Singular, Plural, Gender, Certain Phrases, etc.

Where the context permits and unless such interpretation would be inappropriate, words importing the singular only shall include the plural and vice versa and words importing gender may include any gender. In this Agreement, (a) the words "including" and "includes" mean "including (or includes) without limitation", and (b) in the computation of periods of time from a specified date to a later specified date, unless otherwise expressly stated, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding".

Section 1.4 Accounting.

Except as otherwise specifically provided herein, all accounting terms shall be applied and construed in accordance with GAAP.

Section 1.5 Non-Business Days.

Whenever any payment to be made hereunder shall be due, any period of time would end, any calculation is to be made or any other action is to be taken on or as of, a day other than a Business Day, such payment shall be made, such period of time shall end, such calculation shall be made and such other actions shall be taken, as the case may be, unless otherwise specifically provided for herein, on or as of the next succeeding Business Day.

ARTICLE 2
REVOLVING CREDIT FACILITY

Section 2.1 Availability.

The OFA agrees, on the terms and conditions of this Agreement, to make Advances to the IESO. The OFA shall make each Advance in Dollars.

Section 2.2 Use of Proceeds.

The IESO shall use the proceeds of Advances for the purposes for which it is authorized to borrow funds pursuant to Regulation 280/14 made under the *Electricity Act, 1998*, as such regulation may be amended or replaced from time to time, subject to the condition that proceeds of Advances may be used only for IESO's financing needs and requirements of any kind arising in connection with the IESO's role with respect to and obligations under the OFHP.

Section 2.3 Credit Facility Limit.

The Advances Outstanding shall not at any time exceed the Commitment. The Credit Facility shall revolve and no payment under the Credit Facility shall reduce the Commitment.

Section 2.4 Mandatory Repayment.

Subject to Sections 2.5 and 5.2, the IESO shall repay each Advance together with the interest accrued thereon on the applicable Repayment Date, and, in any event, shall repay all Advances Outstanding, together with all accrued interest and all other amounts owing hereunder on September 30, 2022.

Section 2.5 Prepayments.

The IESO is not entitled to prepay any part of the Advances Outstanding or the interest accrued thereon without the prior written consent of the OFA.

Section 2.6 Payments under this Agreement.

(1) The OFA shall make Advances to the IESO under this Agreement to or to the order of the IESO by wire transfer of immediately available funds in accordance with wire transfer instructions given by the IESO to the OFA from time to time, or in such other manner as the IESO may specify to the OFA from time to time.

(2) The IESO shall make any payment required hereunder to be made by it to the OFA, to or to the order of the OFA, by wire transfer of immediately available funds in accordance with wire transfer instruction given by the OFA to the IESO from time to time, or in such other manner as the OFA may specify to the IESO from time to time. The IESO shall make each such payment in Canadian Dollars.

Section 2.7 Computations of Interest.

(1) All computations of interest shall be made by the OFA taking into account the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest is payable on the basis of a year of 365 days or 366 days, as the case may be.

(2) For the purposes of disclosure pursuant to the *Interest Act* (Canada), the yearly rate of interest which is equivalent to a rate of interest payable under this Agreement for any period of less than a year may be determined by multiplying the rate of interest for such period by a fraction, the numerator of which is the actual number of days in a year commencing on and including the first day in such period and ending on but excluding the corresponding day in the next calendar year and the denominator of which is the actual number of days in such period.

Section 2.8 Limit on Rate of Interest.

(1) Notwithstanding any provision contained in this Agreement, the IESO shall not be obliged to make any payments of interest or other amounts payable to the OFA hereunder in excess of the amount or rate which would be prohibited by applicable law or would result in the receipt by the OFA of interest at a criminal rate (as such terms are construed under the *Criminal Code* (Canada)).

(2) In the event that any such payments are limited or prohibited as provided in Section 2.8(1), the OFA shall have no further obligation to make any Advances available hereunder and the Advances Outstanding, together with all accrued interest and all other amounts owing hereunder, shall become immediately due and payable.

Section 2.9 Application of Payments.

All payments made by the IESO under this Agreement shall be applied firstly to the payment of interest payable to the OFA on late payments of principal or interest hereunder, secondly, to the payment of accrued and unpaid interest payable to the OFA hereunder and thirdly, to the payment of the outstanding principal amount of any Advances payable to the OFA.

ARTICLE 3
ADVANCES

Section 3.1 Advances.

The OFA agrees, on the terms and conditions of this Agreement, to make Advances to the IESO under the Credit Facility from time to time on any Business Day prior to September 23, 2022.

Section 3.2 Procedure for Advances.

(1) Subject to Section 3.3(5), each Advance shall be made subject to two Business Days' prior notice given not later than 10:00 a.m. (Toronto time) by the IESO to the OFA. Each notice of an Advance (a "**Borrowing Notice**") shall be substantially in the form of Schedule 1, other than a Borrowing Notice that is included in an Election Notice as permitted by Section 3.3(3). Each Borrowing Notice shall be irrevocable and binding on the IESO and shall specify (a) the requested date of the Advance; (b) the principal amount of the Advance, and (c) the Repayment Date of the Advance which shall not be earlier than 5 days and not later than 95 days after the date of the requested Advance. Each Borrowing Notice shall also certify the use of proceeds of the Advance which shall in any case be in accordance with Section 2.2. The OFA will make the principal amount of each Advance available to the IESO in accordance with Article 2.

(2) On or before the date of the first Advance hereunder, the IESO shall execute and deliver to the OFA a grid promissory note in respect of Advances substantially in the form of Schedule 3 (the "**Grid Note**"). The IESO authorizes the OFA to record on the Grid Note (a) the date and amount of each Advance or Continued Advance; (b) the applicable rate of interest for each Advance or Continued Advance; (c) the Repayment Date of each Advance or Continued Advance; (d) the date and amount of each payment of interest and each payment of principal or portion thereof in respect of each Advance or Continued Advance; and (e) Advances Outstanding. Such notations, in the absence of manifest error, shall be *prima facie* evidence of such Advances and repayments; provided that the failure of the OFA to record any amount, rate or date shall not affect the obligation of the IESO to pay the Advances Outstanding and all interest accrued thereon and any other amounts due under this Agreement.

(3) Respecting the first Advance to be made under this Agreement (the "**First Advance**"), a specified portion thereof (the "**Repayment Amount**") shall be used to repay a portion of the IESO's outstanding indebtedness to the OFA under the credit agreement between the Parties dated January 1, 2005, as amended (the "**Existing Credit Facility**"). The amount of the Repayment Amount shall be detailed in the Borrowing Notice issued in respect of the First Advance. Concurrently with the First Advance, OFA shall provide to IESO an updated grid in respect of the grid note issued under the Existing Credit Facility evidencing the repayment of the Repayment Amount thereunder.

Section 3.3 Elections Regarding Advances.

(1) The IESO may elect to continue all or a portion of the principal amount of any Advance and any amount of interest on such Advance (together, the "**Continued Advance**") for a further period of at least 5 days and up to a maximum of 95 days beginning on the then current Repayment Date in accordance with Section 3.3(2).

(2) Each notice to continue an Advance for a further period (an "**Election Notice**") shall be provided by the IESO to the OFA at least two Business Days prior to the Repayment Date of the Advance (the "**Current Repayment Date**"), and in each case, not later than

10:00 a.m. (Toronto time). Each such Election Notice shall be given substantially in the form of Schedule 2 and shall be irrevocable and binding upon the IESO and shall specify: (a) the Current Repayment Date; (b) the new aggregate total amount of the proposed Continued Advance; (c) the amount of interest or principal, if any, to be paid or re-paid by the IESO with respect to such Advance on the Current Repayment Date; and (d) the new Repayment Date of the proposed Continued Advance, which shall be no earlier than 5 days and not later than 95 days after the current Repayment Date (the "**New Repayment Date**"). If the IESO fails to deliver an Election Notice to the OFA for any Advance as provided herein, such Advance shall be repayable on the applicable Repayment Date.

(3) An Election Notice with respect to a proposed Continued Advance may include a Borrowing Notice for a further Advance proposed to be made on the Current Repayment Date. The Repayment Date of such further Advance shall be the New Repayment Date of the Continued Advance that is specified in the Election Notice. Such Borrowing Notice shall be given substantially in the form of Schedule 2.

(4) The calculation of interest on a Continued Advance shall be determined in the same manner as an Advance under Section 3.4 and shall be recorded on the Grid Note in accordance with Section 3.2(2).

(5) Any portion of an Advance not continued for a further period in accordance with Section 3.3(2) shall be repayable on the applicable Repayment Date.

(6) The Credit Facility shall at all times rank *pari passu* with all other unsubordinated and unsecured Indebtedness of the IESO, subject to the existence of any Liens that secure Indebtedness, as permitted by subections 4.6 (a) through (e) hereof.

(7) All amounts owing in respect of the Advances shall be paid without exercising any right of set off or counterclaim by the IESO.

Section 3.4 Interest on Advances.

(1) The IESO shall pay interest on the unpaid principal amount of each Advance in accordance with this Section 3.4 from and including the date of such Advance until the principal amount of such Advance is repaid in full.

(2) Interest shall accrue on the principal amount of each Advance from and including the date of the Advance to but excluding the Repayment Date of such Advance, at an annual rate equal to the Province of Ontario's cost of funds for borrowings with a similar term as determined by the OFA plus 0.25 percent per annum, before as well as after the date such principal amount or interest thereon becomes due hereunder and both before and after Default and shall be payable on the Repayment Date for such Advance. Any amount of interest arising hereunder which is not paid when due shall bear interest at the same rate compounded monthly at which it accrued from the due date for payment until the date of actual payment. The amount of interest payable on an Advance will be calculated by the

OFA by dividing the interest rate applicable to the Advance by 365 or 366, as the case may be, and multiplying the result by the principal amount of the Advance and further multiplying the result by the number of days in the period from the date of the Advance to the Repayment Date of the Advance.

(3) If the IESO elects to continue an Advance in accordance with Section 3.3(2), the OFA shall determine the interest rate applicable after the original Repayment Date of the Advance and endorse the said rate on the grid forming part of the Grid Note in respect of Advances held by it.

Section 3.5 Conditions Precedent

The obligation of the OFA to make the Advances to the IESO pursuant to Section 2.1 is subject to the following conditions being satisfied to the OFA's satisfaction at the time of making each Advance:

(a) that the representations and warranties of the IESO contained in this Agreement are true and correct as at the date of making the Advance;

(b) that no Event of Default has occurred and is continuing;

(c) that there shall, in the reasonable opinion of the OFA, have been no material adverse change in the financial condition of the IESO or a Material Subsidiary; and

(d) that the OFA has received such other documentation which it has reasonably requested to ensure that the IESO is in compliance with the terms and conditions of this Agreement, including certified true copies of any necessary resolutions, a written legal opinion from counsel to the IESO confirming that the borrowing is within the legal powers of the IESO and that the Agreement is a direct, unsecured obligation of the IESO enforceable against the IESO in form satisfactory to the OFA.

ARTICLE 4
COVENANTS OF THE IESO

Section 4.1 Repayment of Advances.

The IESO will duly and punctually pay all amounts owing under this Agreement in accordance with the terms and subject to the conditions of this Agreement.

Section 4.2 IESO will Maintain its Corporate Existence.

The IESO will at all times maintain its corporate existence.

Section 4.3 Maintenance of Properties.

The IESO will cause all property owned by the IESO or any Material Subsidiary to be maintained and kept in good condition, repair and working order, all as in the judgment of the IESO or any Material Subsidiary may be necessary for the proper operation of such property, except as and to the extent that the IESO or any Material Subsidiary may be prevented from doing so by fire, strikes, lockouts, walkouts, labour unrest, acts of God, inability to obtain labour or materials, enemy action, governmental restrictions, civil commotion, or unavoidable casualty or similar causes; provided, however, that nothing in this Section 4.3 shall prevent the IESO or any Material Subsidiary from discontinuing the maintenance of any such property or decommissioning any such property if such discontinuance or decommissioning is, in the judgment of the IESO or any such Material Subsidiary, desirable in the conduct of its business or the business of any such Material Subsidiary, or has been directly or indirectly requested or required by the Province of Ontario.

Section 4.4 Insurance.

The IESO will cause all property owned by the IESO or any Material Subsidiary which is of a character usually insured by companies operating similar businesses to be insured and kept insured with reputable insurers (which may include associations or other organizations for mutual or reciprocal insurance) against loss or damage by fire or other hazards or risks of the mature and to the extent that such property is usually insured by companies operating similar businesses.

Section 4.5 Conduct of Business.

The IESO will, and will cause the Subsidiaries to, carry on and conduct their respective businesses in accordance with good business practice.

Section 4.6 Negative Pledge.

The IESO will not, and will not permit any Material Subsidiary to, create, incur or assume any Lien, charging the interest of the IESO or any Material Subsidiary in any property, to secure any obligations (including any Indebtedness) unless, at or prior to the time such Lien is created, incurred or assumed, all amounts owing under this Agreement are secured equally and rateably with any and all such obligations secured or to be secured by such Lien, for so long as such obligations shall be secured, provided, however, that the foregoing covenant shall not prevent, restrict or apply to any of the following:

(a) the creation, incurrence or assumption of any Purchase Money Mortgage;

(b) the grant of any Lien in the normal course of business to any banks or financial institutions for present or future Indebtedness of the IESO or any Material Subsidiary to such banks or financial institutions payable on demand or having an original term to maturity less than 18 months;

(c) Permitted Liens;

(d) any extension, renewal or replacement of any of the Liens referred to in Sections 4.6(a), (b) or (c), provided that the principal amount secured by any such Lien outstanding immediately before such extension, renewal or replacement or refunding is not thereby increased; and

(e) any Lien charging the interest of the IESO or any Material Subsidiary in any property to secure any Indebtedness, other than any Lien referred to in Sections 4.6(a), (b) or (c), provided that, at the time such Lien is created, incurred or assumed, the principal amount of such Indebtedness, together with the aggregate principal amount of all other Indebtedness secured by Liens permitted pursuant to this Section 4.6(e) which is outstanding at such time does not exceed 10% of Consolidated Assets at such time.

Section 4.7 Payment of OFA Expenses

In addition to any liability of the IESO to the OFA under any other provision of this Agreement, the IESO will, on demand, reimburse and indemnify OFA for all reasonable costs, charges and expenses, including reasonable fees and disbursements of its agents and counsel, incurred by OFA in connection with the Agreement (including those services incurred in the preservation of rights under or enforcement of this Agreement at any time during the continuance of a Default or Event of Default and for any reasonable loss or expense incurred by OFA as a result of any failure by the IESO to fulfill any of its obligations under this Agreement). All such costs, charges and expenses shall bear interest at the Province of Ontario's cost of funds plus 0.25 percent per annum (as determined by the OFA) calculated and payable monthly not in advance from in each case from the date on which the OFA incurs the cost, charge or expense until the date on which the IESO reimbursement the OFA therefor. The OFA agrees, acting reasonably, to invoice the IESO for any such costs, charges and expense as they are incurred, together with interest at the aforesaid rate (with interest on overdue interest).

Section 4.8 Reporting.

The IESO will promptly provide to the OFA any reports or supporting documents that the OFA may request from time to time.

Section 4.9 Late Repayment of Advance.

In the event that the IESO fails to repay the principal amount of any Advance and all interest accrued thereon when due, the IESO shall pay interest on the unpaid amount of such Advance at the same rate compounded monthly at which it accrued from the due date for payment until the date of actual payment.

ARTICLE 5
EVENTS OF DEFAULT AND REMEDIES

Section 5.1 Event of Default.

Wherever used in this Agreement, the term "Event of Default" means any of the following:

(a) the IESO's failure to pay any interest upon any Advance when it becomes due and payable, if such failure continues for a period of 3 Business Days;

(b) failure to pay the principal amount of any Advance on the applicable Repayment Date or the Advances Outstanding, all interest accrued thereon and all other amounts owing under this Agreement on September 30, 2022;

(c) failure on the part of the IESO to observe or perform its obligations set forth in Section 4.1;

(d) failure on the part of the IESO to observe or perform any of the other covenants or agreements on its part contained in this Agreement for a period of 20 days after the date on which written notice of such failure shall have been given to the IESO by the OFA;

(e) any representation or warranty made by the IESO in this Agreement or in any certificate or other document at any time delivered hereunder to the OFA was incorrect or misleading in any material respect;

(f) one or more breaches by the IESO of its covenants under one or more evidences of Indebtedness or instruments governing or securing the same with a principal amount then outstanding, individually or in the aggregate, of at least $5 million, which breaches:

(i) constitute a failure to pay such Indebtedness when due and payable at its final Stated Maturity, continue after any applicable grace period and have not been cured or waived or ceased to exist, or

(ii) have resulted in such Indebtedness becoming or being declared due and payable prior to its final Stated Maturity (and which acceleration or declaration has not been waived or rescinded);

(g) the IESO or any Material Subsidiary:

(i) becomes unable to meet its obligations as they generally become due or has ceased paying its current obligations in the ordinary course of business as they generally become due;

(ii) admits in writing its inability to pay its debts generally or makes a general assignment for the benefit its creditors or files a proposal or other scheme

of arrangement involving the rescheduling or composition of its Indebtedness;

(iii) institutes or has instituted against it any proceeding seeking:

(A) to adjudicate it as bankrupt or insolvent,

(B) liquidation, winding-up or reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency, reorganization or relief of debtors including any plan of compromise or arrangement or other corporate proceeding involving or affecting its creditors, or

(C) the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its assets,

and in the case of any such proceeding instituted against it (but not instituted by it), either the proceeding remains undismissed or unstayed for a period of 30 days, or any remedy sought in any such proceeding (including the entry of order for relief against it or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its properties and assets) occurs; or

(iv) takes any corporate action to authorize any of the actions in Sections 5.1 (g)(i) to (iii); or

(h) if there shall be rendered against the IESO or any Material Subsidiary a final judgment or judgments for the payment of money in an aggregate amount in excess of $5 million by a court or courts of competent jurisdiction, and the IESO or any Material Subsidiary shall have failed to satisfy such judgments or to appeal therefrom (or from the order, decree or process pursuant to which such judgments were granted, passed, entered or affirmed) and to obtain a stay of execution thereof within the period prescribed by law for appeals, and to have such judgments discharged within 30 days after the expiration of such period or the period of any such stay, whichever shall later expire.

Section 5.2 Acceleration of Maturity; Rescission and Annulment.

If an Event of Default occurs and is continuing, then and in every such case the OFA may at its option, in addition to any other remedy available to the OFA at law, by written notice to the IESO, take any or all of the following actions:

(a) suspend the right of the IESO to request any further Advance until the Event of Default has been cured to the OFA's satisfaction or, if the Event of Default is not

cured within three (3) Business Days after the date on which written notice of such Event of Default shall have been given to the IESO by the OFA, declare all amounts owing hereunder including all interest accrued to be due and payable immediately, by a notice in writing to the IESO, and upon any such declaration all such amounts shall become immediately due and payable.

(b) invoke the Intercept pursuant to section 5.7 of this Agreement to require payment of any amount due and payable under this Agreement.

Section 5.3 Suits for Enforcement by the OFA.

If an Event of Default occurs and is continuing, the OFA may proceed to protect and enforce the rights vested in it by this Agreement either by suit in equity or by action at law or by proceedings in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in this Agreement or in aid of the exercise of any power granted in this Agreement, or to enforce any other legal or equitable right vested in the OFA by this Agreement or by law.

Section 5.4 OFA May File Proof of Claim.

If proceedings for the receivership, insolvency, liquidation, bankruptcy, winding-up, reorganization, arrangement or composition of the IESO under any applicable law are pending, or if a receiver, trustee, custodian or other similar official shall have been appointed for the property of the IESO, or if any other judicial proceedings relative to the IESO, its creditors or its property are pending, the OFA shall be entitled and empowered, by intention in such proceeding or otherwise:

(a) to file and prove a claim for all amounts owing under this Agreement and to file such other papers or documents as may be necessary or advisable in order to have the claims of the OFA (including any claim for fees and disbursements of the OFA, its agents and counsel) allowed in such judicial proceeding; and

(b) to collect and receive any monies or other property payable or deliverable on any such claim.

Section 5.5 Rights and Remedies Cumulative.

No right or remedy herein conferred upon or reserved to the OFA is intended to be exclusive of any other such right or remedy, and every such right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 5.6 Delay or Omission not Waiver.

No delay or omission of the OFA to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right or remedy given by this Article 5 or by law to OFA may be exercised from time to time, and as often as may be deemed expedient, by the OFA.

Section 5.7 Intercept

(a) The IESO hereby acknowledges that, in accordance with the terms of the letter agreement of even date herewith entered between the Ministry of Energy, the IESO and the OFA made pursuant to Section 23 of the *Capital Investment Plan Act, 1993* (the "**Intercept Letter**"), the Minister of Finance is entitled to deduct only from those monies appropriated by the Legislature for payment through the Ministry of Energy to the IESO ("**Appropriated Funds**"), amounts equal to any amounts that the IESO fails to pay to the OFA on account of indebtedness under this Agreement. On the occurrence of an Event of Default relating to a failure by IESO to pay when due any amounts owing hereunder, subject to the OFA's compliance with any relevant provisions hereof and as set out in the Intercept Letter, the Minister of Finance is irrevocably authorized to deduct from the Appropriated Funds amounts equal to any amounts that the IESO has failed to pay to the OFA in accordance with the provisions of this Agreement and to pay such amounts directly to the OFA ("**Intercept**").

(b) If, after following the process specified in the Intercept Letter (including, without limitation, allowing for a reasonable cure period on the terms specified therein), the OFA determines that it is necessary to request the Minister of Finance to exercise the Intercept, the OFA will give written notice to the Minister of Finance, with a copy to the Ministry of Energy, detailing the IESO's failure to pay when due any amounts owing hereunder and requesting the deduction from the Appropriated Funds of amounts equal to the amounts that the IESO has failed to pay to the OFA under this Agreement.

(c) The IESO agrees that any notice from the OFA to the Minister of Finance in relation to this section 5.7 (Intercept) may be relied upon by the Minister of Finance without further inquiry or verification by the Minister of Finance and, upon receipt of such notice, an amount equal to the amount that the IESO has failed to pay when due to the OFA on account of indebtedness under this Agreement shall be deducted from the Appropriated Funds and paid to the OFA.

(d) For further certainty, the OFA acknowledges and agrees that the Intercept as provided for herein and in the Intercept Letter shall not apply with respect to any funds appropriated by the Legislature for payment to the IESO through ministries other than the Ministry of Energy or through Ontario Climate Change Solutions Deployment Corporation.

(e) The parties agree that, with respect to the exercise of the Intercept generally, the terms of this section 5.7 shall be applied consistently with the terms set out in the Intercept Letter which shall apply in full. Notwithstanding the foregoing, in the event of a conflict or

inconsistency between the terms and conditions of the Intercept Letter and the terms and conditions contained in this Agreement, the terms and conditions contained in this Agreement shall prevail.

ARTICLE 6
REPRESENTATIONS AND WARRANTIES OF IESO

Section 6.1 Representations and Warranties of IESO

The IESO represents and warrants to the OFA that:

(a) the borrowing of money (including principal and accrued interest) by the IESO and the execution, delivery and performance of this Agreement are within the powers and capacities of the IESO and have been duly authorized by all necessary legal action and proper proceedings;

(b) the execution and delivery of this Agreement, the consummation of the transactions contemplated by this Agreement and the compliance with the terms and conditions of this Agreement will not conflict with or result in a breach of any of the terms or provisions of the constituting documents or by-laws of the IESO, laws of Ontario, including laws of Canada applicable therein, applicable to the IESO or any contractual or other obligation binding on the IESO;

(c) this Agreement will, when executed and delivered, constitute the legal, valid and binding obligation of the IESO enforceable against it in accordance with its terms; and

(d) the monies advanced under this Agreement shall be used only by the IESO for the purposes set out in Section 2.2.

Section 6.2 Continuation of Representation and Warranties

The representations and warranties set out in Section 6.1 herein shall survive the execution and delivery of this Agreement, the making of each Advance by the OFA, notwithstanding any investigations or examinations which may be made by counsel for the OFA.

ARTICLE 7
GENERAL

Section 7.1 Notices.

Any notice, direction or other communication to be given under this Agreement shall be in writing and given by personally delivering it or sending it by telecopy or other means of electronic communication addressed:

If to the IESO, to it at:

Independent Electricity System Operator
120 Adelaide Street West, Suite 1600
Toronto, ON M5H 1T1

Attention: Chief Financial Officer
Telephone: (416)969-6232
Facsimile: (905)403-6913

If to the OFA, to it at:

Ontario Financing Authority 1 Dundas Street West
Suite 1400 Toronto, Ontario M7A 1Y7

Attention: Executive Director & Chief Investment Officer – Capital Markets Division
Telephone: (416)325-8930
Facsimile: (416)860-8346

provided that any Borrowing Notice or Election Notice shall be addressed as indicated on Schedule 1 or Schedule 2 respectively.

Any communication hereunder shall be deemed to have been validly and effectively given if (a) personally delivered, on the date of such delivery if such date is a Business Day and such delivery was made prior to 4:00 p.m. (Toronto time), otherwise on the next Business Day, (b) transmitted by facsimile or other means of electronic communication, on the Business Day following the date of transmission provided that, on the date of transmission, the addressee of such communication was notified by telephone of such transmission. Any party may from time to time change its address for communications hereunder by notice give in accordance with this Section 7.1 and until changed by like notice, such changed address shall be such party's address for purposes of this Section 7.1.

Section 7.2 Successors and Assigns.

This Agreement shall be binding on and enure to the benefit of the OFA and the IESO and their respective successors and permitted assigns, except that the IESO shall not, without the

prior written consent of the OFA assign, pledge or hypothecate any rights or obligations with respect to this Agreement.

Section 7.3 Amendments.

This Agreement may only be amended or otherwise modified by written agreement executed by each of the Parties.

Section 7.4 Waiver.

(1) No waiver of any provisions of this Agreement shall be deemed to constitute a waiver of any other provision (whether or not similar) of this Agreement nor shall such waiver be binding unless executed in writing by the party to be bound by the waiver.

(2) No failure on the part of a party to exercise, and no delay in exercising, any right under this Agreement shall operate as a waiver of such right and any single or partial exercise of such right shall not preclude another or further exercise of such right or the exercise of any other right.

Section 7.5 Further Assurances.

Each of the IESO and the OFA shall, from time to time, do all such acts and things and execute and deliver all such instruments as may be reasonably required to give effect to, and carry out the terms of, this Agreement

Section 7.6 Severability.

In case any provision in this Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions in this Agreement shall not in any way be affected or impaired thereby.

Section 7.7 Governing Law.

This Agreement shall be construed in accordance with and governed by the laws of the Province of Ontario and the laws of Canada applicable therein.

Section 7.8 Entire Agreement.

This Agreement, including the schedules hereto and any other agreements expressly referred to herein, constitutes the whole agreement between the Parties with respect to the matters dealt with in it, and it supersedes any prior agreement, undertakings, discussions and the like respecting the matters dealt with in this Agreement and entered into by the Parties before the date the OFA signs this Agreement.

Section 7.9 Counterparts.

This Agreement may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same Agreement.

IN WITNESS WHEREOF the Parties have executed this Agreement as of the date first written above.

ONTARIO FINANCING AUTHORITY

Per: _____

Name: Michael D. Manning
Title: Executive Director & Chief Investment Officer, Capital Markets Division

I have authority to bind the corporation.

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

Per: _____

Name: Kimberly Marshall
Title: Vice President, Corporate Services; Chief Financial Officer; Treasurer

I have authority to bind the corporation.

SCHEDULE 1

FORM OF BORROWING NOTICE

Delivered Via Email: CASHP@ofina.on.ca

Ontario Financing Authority ("OFA")
1 Dundas Street West, Suite 1400
Toronto, Ontario
M7A 1Y7

Date: [insert date]

Attention: Cash Management

Dear Sirs:

The undersigned, the Independent Electricity System Operator ("IESO"), refers to the Revolving Credit Facility Agreement between the IESO and the OFA dated October (·), 2017 (as amended, supplemented or restated from time to time, the "Agreement", the terms defined therein being used herein as therein defined), and gives you notice pursuant to Section 3.2 of the Agreement that the IESO requests an Advance under the Agreement, and, in connection with such request, sets forth below the information relating to such Advance (the "Proposed Advance"), as required by Section 3.2(1) of the Agreement:

(a) The date of the Proposed Advance, being a Business Day is _____;
(b) The principal amount of the Proposed Advance is $_____;
(c) The Repayment Date of the Proposed Advance is _____. [Not earlier than 5 days and not later than 95 days after the date of the Proposed Advance.]

Such request of the Proposed Advance shall be confirmed by the IESO by a telephone call to OFA Cash Management at 416-325-8108.

Use of Funds

The IESO hereby certifies that the funds comprising the Proposed Advance requested pursuant to this Notice will be used for the following purpose(s): [specify purpose(s) and any sub-categories of borrowing purposes, as applicable]

The IESO hereby certifies that:

The representations and warranties of the IESO contained in the Agreement are true and correct as at the date hereof.

No Event of Default has occurred or is continuing and no event or condition has occurred, which, with the lapse of time or the giving of notice or both would constitute an Event of Default.

The IESO has complied or is complying with all terms, covenants and conditions contained in the Agreement.

Any and all funds received under the Agreement will be expended or held solely for the purpose for which they are authorized to be used under the Agreement; no part of the funds to be received pursuant to this Notice shall be used for any other purpose.

Yours truly,

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

Per: _____

Name:

Authorized Signatory

SCHEDULE 2

FORM OF ELECTION NOTICE

Delivered Via Email: CASHP@ofina.on.ca

Ontario Financing Authority ("OFA")
1 Dundas Street West, Suite 1400
Toronto, Ontario
M7A 1Y7

Date: [insert date]

Attention: Cash Management

Dear Sirs:

I. ELECTION NOTICE

The undersigned, the Independent Electricity System Operator ("IESO"), refers to the Revolving Credit Facility Agreement between the IESO and the OFA dated October (·), 2017 (as amended, supplemented or restated from time to time, the "Agreement", the terms defined therein being used herein as therein defined), and gives you notice pursuant to Section 3.3 of the Agreement that the IESO elects to continue for an additional term all or a portion of an Advance or a Continued Advance, as the case may be, and in connection with such election sets forth below the information relating to such election as required by Section 3.3(2) of the Agreement:

(a) The date of the proposed election, being a Business Day (being the Current Repayment Date) is _____.

(b) The aggregate amount of the proposed Continued Advance is $_____, which is comprised of:
   i. principal amount (or portion thereof) of Advance which is to be continued $_____; and
   ii. accrued interest on Advance which will not be paid on or before the Current Repayment Date $_____;

(c) The IESO will pay on the Current Repayment Date the following amount with respect to the Advance (if any): $ _____

(d) The New Repayment Date, being a Business Day, applicable to such proposed Continued Advance is _____. [Insert date not earlier than 5 days and not later than 95 days after the current Repayment Date for the Advance.]

Such election shall be confirmed by the IESO by a telephone call to OFA Cash Management at 416-325-8108.

II. BORROWING NOTICE [to be included if applicable]

The IESO gives you notice pursuant to Section 3.3(3) of the Agreement that the IESO requests a further Advance under the Agreement on the Current Repayment Date, with a Repayment Date of the New Repayment Date as specified above, and in connection with such request, sets forth below the information relating to such Advance (the "Proposed Advance"):

Amount of the Proposed Advance: $_____
The total aggregate amount of the proposed Continued Advance and Proposed Advance pursuant to this Notice is: $_____

Such request of the Proposed Advance shall be confirmed by the IESO by a telephone call to OFA Cash Management at 416-325-8108.

Use of Funds

The IESO hereby certifies that the funds comprising the Proposed Advance requested pursuant to this Notice, if any, will be used for the following purpose(s): [specify purpose(s) and any sub-categories of borrowing purposes, as applicable]

The IESO hereby certifies that:

The representations and warranties of the IESO contained in the Agreement are true and correct as at the date hereof.

No Event of Default has occurred or is continuing and no event or condition has occurred, which, with the lapse of time or the giving of notice or both would constitute an Event of Default.

The IESO has complied or is complying with all terms, covenants and conditions contained in the Agreement.

Any and all funds received under the Agreement are being used solely as authorized under the Agreement and are not being used for any other purpose.

Yours truly,

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

Per: _____
Name:

Authorized Signatory

SCHEDULE 3 – FORM OF GRID NOTE

INDEPENDENT ELECTRICITY SYSTEM OPERATOR GRID NOTE

Principal Amount: Up to $2,000,000,000 Date:

FOR VALUE RECEIVED, INDEPENDENT ELECTRICITY SYSTEM OPERATOR (the "**IESO**"), incorporated under the laws of the Province of Ontario and having its principal office and place of business at Toronto, Ontario, **PROMISES TO PAY** to or to the order of **ONTARIO FINANCING AUTHORITY** ("**OFA**") at its offices at Toronto, Ontario or at such other place as the OFA may designate, the principal amount of each and all Advances made by the OFA to the IESO, all as recorded by the OFA on the grid attached to and forming part of this Grid Note, in lawful money of Canada, with interest on each Advance at the rate, calculated in the manner and payable at the times specified in the Revolving Credit Facility Agreement (as defined below).

OFA shall and is unconditionally and absolutely authorized and directed by the IESO to record on the Grid Note (i) the date and amount of each Advance, including any Advance all or a portion of which is continued by election under Section 3.3; (ii) the applicable rate of interest for each Advance; (iii) the repayment date of each Advance; (iv) the date and amount of each payment of interest and each payment of principal in respect of each Advance; and (v) the outstanding principal amount of the Grid Note. Such notations, in the absence of manifest error, shall be *prima facie* evidence of such advances and repayments; provided that the failure of the OFA to record the same shall not affect the obligations of the Borrower to pay such amounts to the OFA.

The outstanding principal amount of each Advance under this Grid Note together with all interest accrued thereon shall become due and payable as specified in the Revolving Credit Facility Agreement dated **[INSERT DATE]** as amended, supplemented or restated from time to time, between the Borrower and the OFA (the "Agreement"). All capitalized terms used herein and not otherwise defined herein shall have the meanings given to such terms in the Agreement.

This Grid Note is issued pursuant to, and is subject to and payable in accordance with the provisions of, the Agreement.

This Grid Note is not transferable or negotiable without the prior written consent of the IESO.

The IESO waives presentment for payment and notice of non-payment.

This Grid Note shall be governed by and interpreted and enforced in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

IN WITNESS WHEREOF the IESO has executed this Grid Note.

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

Per: _____

Name:
Authorized Signatory

Revolving Credit Facility Grid Note

Ontario Financing Authority
Line of Credit Grid Note

Entity : Independent Electricity System Operator
Loan Limit:

Project:
Schedule of loan transactions to:
Loan Advanced to:

New Loan and/or Rollover					Actual Repayment				
New Loan or Rollover Date	Principal Advanced or Rollover Amount	Interest Rate	Repayment Date	Total No. Of Days	Interest Amount	Actual Repayment	Principal	Interest	Actual Repayment Date	Actual No. Of Days

AMENDING AGREEMENT NO. 10

This Amending Agreement No. 10 (this "**Amending Agreement**") is made as of the 21st day of November, 2017 (the "**Effective Date**")

BETWEEN:

INDEPENDENT ELECTRICITY SYSTEM OPERATOR, a statutory corporation without share capital existing under Part II of the *Electricity Act, 1998* ("**IESO**")

-and-

ONTARIO FINANCING AUTHORITY, a Crown agency established under the *Capital Investment Plan Act, 1993* ("**OFA**")

(together, the "**Parties**")

WHEREAS the Ontario Power Authority ("**OPA**") and the OFA entered into a credit agreement dated January 1, 2005 (the "**Original Agreement**");

AND WHEREAS effective January 1, 2015, the OPA and the then existing Independent Electricity System Operator amalgamated and continued as a corporation without share capital under Part II of the *Electricity Act, 1998* with the name "Independent Electricity System Operator" (**"IESO"**), and the obligations of the OPA became obligations of the IESO;

AND WHEREAS pursuant to the amending agreements dated February 14, 2005, October 11, 2005 (titled, "Amending Agreement No. 3"), September 27, 2006 (titled, "Amending Agreement No. 4"), July 13, 2007 (titled, "Amending Agreement No. 5"), November 9, 2010 (titled, "Amending Agreement No. 6"), December 20, 2013 (titled, "Amending Agreement No. 7"), December 19, 2014 (titled, "Amending Agreement No. 8") and November 30, 2016 (titled, "Amending Agreement No. 9"), the OPA or IESO (as applicable) and the OFA amended the Original Agreement (as so amended, the "**Credit Agreement**", the terms defined therein being used herein as therein defined);

AND WHEREAS the Parties have now agreed to: (i) at the request of the IESO, decrease the total principal amount available under the Credit Agreement from $975,000,000 to a total principal amount of up to $475,000,000; (ii) amend the use of proceeds under the Credit Agreement; (iii) amend the Form of Election Notice and related provisions under the Credit Agreement; and (iv) make other amendments required as a consequence of the implementation of the OFHP (as defined below);

AND WHEREAS pursuant to Section 7.3 of the Credit Agreement, the Credit Agreement may only be amended or otherwise modified by written agreement executed by the Parties.

THEREFORE, in consideration of the mutual covenants and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which is hereby

acknowledged, and subject to the terms and conditions hereafter set out, the Parties agree that, as of the Effective Time (as defined below):

1. The definition of "Advances" in Section 1.1 of the Credit Agreement is deleted and replaced by the following:

   "**Advances**" means advances made by the OFA to the IESO under Article 3 and "Advance" means any one of such advances, and in the case of an election by the IESO under Section 3.3, includes a "Continued Advance", as defined in Section 3.3(1), as applicable."

2. The definition of "**Commitment**" in Section 1.1 of the Credit Agreement is amended by deleting "$975,000,000" and substituting "$475,000,000" therefor.

3. The definition of "**Permitted Liens**" is amended by deleting the word "and" at the end of subsection (i); replacing the "." at the end of subsection (j) and replacing it with "; and" ; and adding the following subsection (k):

   "(k) any Lien arising from the IESO's role and obligations under the OFHP, including with respect to any amount received or receivable by the IESO (such as, without limitation, amounts received or receivable in respect of the Clean Energy Adjustment), or any other lien, whether arising from the action or inaction of IESO, that is created in connection with the OFHP."

4. The following definitions are added to Section 1.1 of the Credit Agreement:

   "Clean Energy Adjustment" has the same meaning as that term is defined in the OFHP.

   "**Continued Advance"** has the meaning specified in Section 3.3(1).

   "**Current Repayment Date**" has the meaning specified in Section 3.3(2).

   "**New Repayment Date**" has the meaning specified in Section 3.3(2).

   "OFHP" means the *Ontario Fair Hydro Plan Act, 2017*, S.O. 2017, c. 16, Schedule 1, including any regulations made thereunder, and all as amended from time to time.

5. Section 2.3 "Use of Proceeds" of the Credit Agreement is deleted in its entirety (with the exception of the title of the section, which exception also applies regarding the amendments made under sections 6, 7 and 8 hereof) and replaced by the following:

   "The IESO shall use the proceeds of Advances for the purposes for which it is authorized to borrow funds pursuant to Regulation 280/14 made under the *Electricity Act, 1998,* as such regulation may be amended or replaced from time to time, provided that Advances may be used only for liquidity purposes."

6. Section 3.2 "Procedures for Advances" of the Credit Agreement is deleted in its entirety and replaced by the following:

"(1) Subject to Section 3.3(5), each Advance shall be made subject to two Business Days' prior notice given not later than 10:00 a.m. (Toronto time) by the IESO to the OFA. Each notice of an Advance (a "**Borrowing Notice**") shall be substantially in the form of Schedule 1, other than a Borrowing Notice that is included in an Election Notice as permitted by Section 3.3(3). Each Borrowing Notice shall be irrevocable and binding on the IESO and shall specify (a) the requested date of the Advance; (b) the principal amount of the Advance, and (c) the Repayment Date of the Advance which shall be no earlier than 28 days and not later than 95 days after the date of the requested Advance. Each Borrowing Notice shall also certify the use of proceeds of the Advance which shall in any case be in accordance with Section 2.3. The OFA will make the principal amount of each Advance available to the IESO in accordance with Article 2.

(2) On or before the date of the first Advance hereunder, the IESO shall execute and deliver to the OFA a grid promissory note in respect of Advances substantially in the form of Schedule 3 (the **"Grid Note"**). The IESO authorizes the OFA to record on the Grid Note (a) the date and amount of each Advance or Continued Advance; (b) the applicable rate of interest for each Advance or Continued Advance; (c) the Repayment Date of each Advance or Continued Advance; (d) the date and amount of each payment of interest and each payment of principal or portion thereof in respect of each Advance or Continued Advance; and (e) Advances Outstanding. Such notations, in the absence of manifest error, shall be *prima facie* evidence of such Advances and repayments; provided that the failure of the OFA to record any amount, rate or date shall not affect the obligation of the IESO to pay the Advances Outstanding and all interest accrued thereon and any other amounts due under this Agreement."

7. Section 3.3 "Elections Regarding Advances" of the Credit Agreement is deleted in its entirety and replaced by the following:

"(1) The IESO may elect to continue all or a portion of the principal amount of any Advance and any amount of interest on such Advance (together, the "**Continued Advance**") for a further period of at least 28 days and up to a maximum of 95 days beginning on the then current Repayment Date in accordance with Section 3.3(2).

(2) Each notice to continue an Advance for a further period (an "**Election Notice**") shall be provided by the IESO to the OFA at least two Business Days prior to the Repayment Date of the Advance (the "**Current Repayment Date**"), and in each case, not later than 10:00 a.m. (Toronto time). Each such Election Notice shall be given substantially in the form of Schedule 2 and shall be irrevocable and binding upon the IESO and shall specify: (a) the Current Repayment Date; (b) the new aggregate total amount of the proposed Continued Advance; (c) the amount of interest or principal, if any, to be paid or re-paid by the IESO with respect to such Advance on the Current Repayment Date; and (d) the new Repayment Date of the proposed Continued Advance, which shall be no earlier than 28 days and not later than 95 days after the Current Repayment Date (the "**New Repayment Date**"). If the IESO fails to deliver an Election Notice to the OFA for any Advance as provided herein, such Advance shall be repayable on the applicable Repayment Date.

(3) An Election Notice with respect to a proposed Continued Advance may include a Borrowing Notice for a further Advance proposed to be made on the Current Repayment

Date. The Repayment Date of such further Advance shall be the New Repayment Date of the Continued Advance that is specified in the Election Notice. Such Borrowing Notice shall be given substantially in the form of Schedule 2.

(4) The calculation of interest on a Continued Advance shall be determined in the same manner as an Advance under Section 3.4 and shall be recorded on the grid promissory note in respect of Advances in accordance with Section 3.2(2).

(5) Any portion of an Advance not continued for a further period in accordance with Section 3.3(2) shall be repayable on the applicable Repayment Date."

8. Section 5.2 "Acceleration of Maturity; Recission and Annulement" of the Credit Agreement is deleted in its entirety and replaced by the following:

"If an Event of Default occurs and is continuing, then and in every such case the OFA may at its option, in addition to any other remedy available to the OFA at law, by written notice to the IESO, take any or all of the following actions:

(a) suspend the right of the IESO to request any further Advance until the Event of Default has been cured to the OFA's satisfaction or, if the Event of Default is not cured within three (3) Business Days after the date on which written notice of such Event of Default shall have been given to the IESO by the OFA, declare all amounts owing hereunder including all interest accrued to be due and payable immediately, by a notice in writing to the IESO, and upon any such declaration all such amounts shall become immediately due and payable.

(b) invoke the Intercept pursuant to section 5.7 of this Agreement to require payment of any amount due and payable under this Agreement."

9. Section 5.7 "Intercept" is added to the Credit Agreement, stating as follows:

"Section 5.7 Intercept

(a) The IESO hereby acknowledges that, in accordance with the terms of the letter agreement of November 6th , 2017 herewith entered between the Ministry of Energy, the IESO and the OFA made pursuant to Section 23 of the *Capital Investment Plan Act, 1993* (the "**Intercept Letter**"), the Minister of Finance is entitled to deduct only from those monies appropriated by the Legislature for payment through the Ministry of Energy to the IESO ("**Appropriated Funds**"), amounts equal to any amounts that the IESO fails to pay to the OFA on account of indebtedness under this Agreement. On the occurrence of an Event of Default relating to a failure by IESO to pay when due any amounts owing hereunder, subject to the OFA's compliance with any relevant provisions hereof and as set out in the Intercept Letter, the Minister of Finance is irrevocably authorized to deduct from the Appropriated Funds amounts equal to any amounts that the IESO has failed to pay to the OFA in accordance with the provisions of this Agreement and to pay such amounts directly to the OFA ("**Intercept**").

(b) If, after following the process specified in the Intercept Letter (including, without limitation, allowing for a reasonable cure period on the terms specified therein), the OFA determines that it is necessary to request the Minister of Finance to exercise the Intercept, the OFA will give written notice to the Minister of Finance, with a copy to the Ministry of Energy, detailing the IESO's failure to pay when due any amounts owing hereunder and requesting the deduction from the Appropriated Funds of amounts equal to the amounts that the IESO has failed to pay to the OFA under this Agreement.

(c) The IESO agrees that any notice from the OFA to the Minister of Finance in relation to this section 5.7 (Intercept) may be relied upon by the Minister of Finance without further inquiry or verification by the Minister of Finance and, upon receipt of such notice, an amount equal to the amount that the IESO has failed to pay when due to the OFA on account of indebtedness under this Agreement shall be deducted from the Appropriated Funds and paid to the OFA.

(d) For further certainty, the OFA acknowledges and agrees that the Intercept as provided for herein and in the Intercept Letter shall not apply with respect to any funds appropriated by the Legislature for payment to the IESO through ministries other than the Ministry of Energy or through Ontario Climate Change Solutions Deployment Corporation.

The parties agree that, with respect to the exercise of the Intercept generally, the terms of this section 5.7 shall be applied consistently with the terms set out in the Intercept Letter which shall apply in full. Notwithstanding the foregoing, in the event of a conflict or inconsistency between the terms and conditions of the Intercept Letter and the terms and conditions contained in this Agreement, the terms and conditions contained in this Agreement shall prevail."

10. Section 7.9 "Entire Agreement' is added to the Credit Agreement, stating as follows:

"Section 7.9 Entire Agreement

This Agreement as amended from time to time and including the schedules hereto and any other agreements expressly referred to herein, constitutes the whole agreement between the Parties with respect to the matters dealt with in it, and it supersedes any prior agreement, undertakings, discussions and the like respecting the matters dealt with in this Agreement and entered into by the Parties before the date the OFA signs this Agreement."

11. Schedule 1 of the Credit Agreement, Form of Borrowing Notice, is deleted in its entirety and replaced by the Form of Borrowing Notice attached hereto as Schedule 1.

12. Schedule 2 of the Credit Agreement, Form of Election Notice, is deleted in its entirety and replaced by the Form of Election Notice attached hereto as Schedule 2.

13. Schedule 3 of the Credit Agreement, IESO Grid Note, is deleted in its entirety and replaced by the Form of Grid Note attached hereto as Schedule 3.

14. For the purposes of this Amending Agreement and its coming into effect:

a. "**Effective Time**" means the time on the Effective Date by which the Transfers of Funds (defined below) have been completed; or such other time as the Parties may subsequently agree to in writing as being the "Effective Time";

b. "**Transfers of Funds**" means those transfers of funds to be completed between the Parties on the Effective Date, being:

   i. the First Advance as defined under section 3.2(3) of the credit agreement between the Parties in relation to the IESO's role in the implementation of the OFHP dated November 6, 2017; and,

   ii. the completion of all Advances described in the Election Notice to be provided by the IESO to the OFA no later than November 17, 2017 (such terms having the meanings defined in the Credit Agreement) that are to be funded under the Credit Agreement on the Effective Date; and,

   iii. the repayment by the IESO of all Advances Outstanding (as defined in the Credit Agreement) exceeding $475 million; and,

   iv. the payment by the IESO to OFA of the interest then owing under the Credit Agreement.

15. The Parties shall endeavour to complete and exchange all usual documentation relating to the Transfers of Funds, and to any other related matters occurring on the Effective Date, prior to 5:00 p.m. on the Effective Date, and in any case no later than the next business day.

16. After the Effective Time, and prior to any further Advances under the Credit Agreement, the IESO shall execute and deliver to the OFA a new grid promissory note in the principal amount of up to $475,000,000 substantially in the form attached hereto as Schedule 3 (the **"Grid Note"**) and indicating a total principal amount of Advances Outstanding as of the Effective Time. Upon receipt of the new Grid Note delivered hereunder, the OFA will cancel and return the grid promissory note dated November 30, 2016 to the IESO.

17. This Amending Agreement may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same Amending Agreement.

IN ALL OTHER RESPECTS, the Credit Agreement is confirmed by the Parties.

[*signature page follows*]

IN WITNESS WHEREOF the Parties hereto have executed and delivered this Amending Agreement on the dates set out below, which shall come into effect as of the Effective Time as defined herein.

ONTARIO FINANCING AUTHORITY

Per: _____ Date: November 6, 2017.

Name: Michael D. Manning
Title: Executive Director & Chief
Investment Officer
Capital Markets Division

I have authority to bind the corporation.

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

Per: _____ Date: November_____, 2017.

Name: Kimberly Marshall
Title: Vice President, Corporate Services;
Chief Financial Officer; Treasurer

I have authority to bind the corporation.

SCHEDULE 1 TO AMENDING AGREEMENT NO. 10

FORM OF BORROWING NOTICE

Delivered Via Email: CASHP@ofina.on.ca

Ontario Financing Authority ("OFA")
1 Dundas Street West, Suite 1400
Toronto, Ontario
M7A 1Y7

Date: [insert date]

Attention: Cash Management

Dear Sirs:

The undersigned, the Independent Electricity System Operator ("IESO"), refers to the credit agreement between the IESO and the OFA dated January 1, 2005 (as amended, supplemented or restated from time to time, the "**Agreement**", the terms defined therein being used herein as therein defined), and gives you notice pursuant to Section 3.2 of the Agreement that the IESO requests an Advance under the Agreement, and, in connection with such request, sets forth below the information relating to such Advance (the "**Proposed Advance**"), as required by Section 3.2(1) of the Agreement:

(a) The date of the Proposed Advance, being a Business Day is _____;
(b) The principal amount of the Proposed Advance is $_____;
(c) The Repayment Date of the Proposed Advance is _____. [Not earlier than 28 days and not later than 95 days after the date of the Proposed Advance.]

Such request of the Proposed Advance shall be confirmed by the IESO by a telephone call to OFA Cash Management at 416-325-8108.

Use of Funds

The IESO hereby certifies that the funds comprising the Proposed Advance requested pursuant to this Notice will be used for the following purpose(s): [specify purpose(s) and any sub-categories of borrowing purposes, as applicable]

The IESO hereby certifies that:

The representations and warranties of the IESO contained in the Agreement are true and correct as at the date hereof.

No Event of Default has occurred or is continuing and no event or condition has occurred, which, with the lapse of time or the giving of notice or both would constitute an Event of Default.

The IESO has complied or is complying with all terms, covenants and conditions contained in the Agreement.

Any and all funds received under the Agreement will be expended or held solely for the purpose for which they are authorized to be used under the Agreement; no part of the funds to be received pursuant to this Notice shall be used for any other purpose.

Yours truly,

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

Per: _____

Name:

Authorized Signatory

SCHEDULE 2 TO AMENDING AGREEMENT NO. 10

FORM OF ELECTION NOTICE

Delivered Via Email: CASHP@ofina.on.ca

Ontario Financing Authority ("OFA")
1 Dundas Street West, Suite 1400
Toronto, Ontario
M7A 1Y7

Date: [insert date]

Attention: Cash Management

Dear Sirs:

I. ELECTION NOTICE

The undersigned, the Independent Electricity System Operator ("IESO"), refers to the credit agreement between the IESO and the OFA dated January 1, 2005 (as amended, supplemented or restated from time to time, the "Agreement", the terms defined therein being used herein as therein defined), and gives you notice pursuant to Section 3.3 of the Agreement that the IESO elects to continue for an additional term all or a portion of an Advance or a Continued Advance, as the case may be, and in connection with such election sets forth below the information relating to such election as required by Section 3.3(2) of the Agreement:

(a) The date of the proposed election, being a Business Day (being the Current Repayment Date) is _____;

(b) The aggregate amount of the proposed Continued Advance is $_____, which is comprised of:

i. principal amount (or portion thereof) of Advance which is to be continued $_____; and
ii. accrued interest on Advance which will not be paid on or before the Current Repayment Date $_____;

(c) The IESO will pay on the Current Repayment Date the following amount with respect to the Advance (if any): $ _____

(d) The New Repayment Date, being a Business Day, applicable to such proposed Continued Advance is _____. [Insert date no earlier than 28 days and not later than 95 days after the Current Repayment Date for the Advance.]

Such election shall be confirmed by the IESO by a telephone call to OFA Cash Management at 416-325-8108.

II. BORROWING NOTICE [to be included if applicable]

The IESO gives you notice pursuant to Section 3.3(3) of the Agreement that the IESO requests a further Advance under the Agreement on the Current Repayment Date, with a Repayment Date of the New Repayment Date as specified above, and in connection with such request, sets forth below the information relating to such Advance (the "Proposed Advance"):

Amount of the Proposed Advance: $_____

The total aggregate amount of the proposed Continued Advance and Proposed Advance pursuant to this Notice is: $_____

Such request of the Proposed Advance shall be confirmed by the IESO by a telephone call to OFA Cash Management at 416-325-8108.

Use of Funds

The IESO hereby certifies that the funds comprising the Proposed Advance requested pursuant to this Notice, if any, will be used for the following purpose(s): [specify purpose(s) and any sub-categories of borrowing purposes, as applicable]

The IESO hereby certifies that:

The representations and warranties of the IESO contained in the Agreement are true and correct as at the date hereof.

No Event of Default has occurred or is continuing and no event or condition has occurred, which, with the lapse of time or the giving of notice or both would constitute an Event of Default.

The IESO has complied or is complying with all terms, covenants and conditions contained in the Agreement.

Any and all funds received under the Agreement are being used solely as authorized under the Agreement and are not being used for any other purpose.

Yours truly,

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

Per: _____

Name:
Authorized Signatory

SCHEDULE 3 TO AMENDING AGREEMENT NO. 10

FORM OF GRID NOTE

INDEPENDENT ELECTRICITY SYSTEM OPERATOR GRID NOTE

Principal Amount: Up to $475,000,000 Date:

FOR VALUE RECEIVED, INDEPENDENT ELECTRICTY SYSTEM OPERATOR (the **"IESO"**), incorporated under the laws of the Province of Ontario and having its principal office and place of business at Toronto, Ontario, **PROMISES TO PAY** to or to the order of **ONTARIO FINANCING AUTHORITY ("OFA")** at its offices at Toronto, Ontario or at such other place as the OFA may designate, the principal amount of each and all Advances made by the OFA to the IESO, all as recorded by the OFA on the grid attached to and forming part of this Grid Note, in lawful money of Canada, with interest on each Advance at the rate, calculated in the manner and payable at the times specified in the Credit Agreement (as defined below). All capitalized terms used herein and not otherwise defined herein shall have the meanings given to such terms in the Credit Agreement.

OFA shall and is unconditionally and absolutely authorized and directed by the IESO to record on the Grid Note (i) the date and amount of each Advance, including any Advance all or a portion of which is continued by election under Section 3.3; (ii) the applicable rate of interest for each Advance; (iii) the repayment date of each Advance; (iv) the date and amount of each payment of interest and each payment of principal in respect of each Advance; and (v) the outstanding principal amount of the Grid Note. Such notations, in the absence of manifest error, shall be *prima facie* evidence of such advances and repayments; provided that the failure of the OFA to record the same shall not affect the obligations of the Borrower to pay such amounts to the OFA.

The outstanding principal amount of each Advance under this Grid Note together with all interest accrued thereon shall become due and payable as specified in the credit agreement dated January 1, 2005 as amended, supplemented or restated from time to time, between the Borrower and the OFA (the **"Credit Agreement"**).

This Grid Note is issued pursuant to, and is subject to and payable in accordance with the provisions of, the Credit Agreement.

This Grid Note is not transferable or negotiable without the prior written consent of the IESO.

The IESO waives presentment for payment and notice of non-payment.

This Grid Note shall be governed by and interpreted and enforced in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

IN WITNESS WHEREOF the IESO has executed this Grid Note.

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

Per: _____
Name:
Authorized Signatory

Line of Credit Grid Note

Entity : Independent Electricity System Operator
Loan Limit: $475,000,000

Project:
Schedule of loan transactions to:
Loan Advanced to:

New Loan and/or Rollover					Actual Repayment					
New Loan or Rollover Date	Principal Advanced or Rollover Amount	Interest Rate	Repayment Date	Total No. Of Days	Interest Amount	Actual Repayment	Principal	Interest	Actual Repayment Date	Actual No. Of Days

From: William Tan
To: Opal Kandelas
Subject: Existing $975M Credit Facility.
Date: Friday, November 17, 2017 1:11:25 PM
Attachments: History of IESO OFA Amending Agreements.doc

Hello Opal,

Please find the updated History of IESO OFA Amending Agreements.

Thanks,

Will

From: William Tan
Sent: Friday, November 17, 2017 12:34 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: Executed - $2B FHP Credit Facility and Existing $975M Credit Facility.

Hello Opal,

Please find the attachments for the executed $2B FHP Revolving Credit Facility Agreement and Existing $975M Amending Agreement No. 10 . Please let me know if you require any additional documents. The history for the existing credit facility will follow as soon as I update it.

Folder locations.
Z:\Users\CMB\Documentation\IESO-OPA Merger\OFHP IESO OFA Credit Facility
Z:\Users\CMB\Documentation\IESO-OPA Merger\ONTARIO POWER AUTHORITY\Credit Agreement\Amendment No. 10

Best regards,

Will Tan| *Documentation & Analysis Specialist*
Capital Markets Division | Ontario Financing Authority
1 Dundas Street West, Suite 1400
Toronto, Ontario M5G 1Z3, CANADA
Tel. (416) 325-8090 | Fax: (416) 860-8346
william.tan@ofina.on.ca

This message, including any attachments, is intended only for the use of the individual(s) to which it is addressed and may contain information that is privileged and confidential. Any other distribution, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message including any attachments, without reading it or making a copy. Thank you

OFA-IESO (Formerly OPA) AMENDING AGREEMENTS

(1) Credit Agreement dated January 1, 2005-proved for $500 million line of credit-provides for repayment dates of 1 month, 2 month or 3 month from the Advance Date; Advances to be made any day prior to November 30, 2006. Mandatory Repayment Date December 31, 2006;

(2) Amending Letter- dated February 14, 2005- Clause 4.7 amended by substituting the word "Agreement" for the word "Services;

(3) Amending Agreement No. 3 dated October 11, 2005-line of credit increased to $975,000,000;

(4) Amending Agreement No. 4 dated September 27, 2006-Mandatory Repayment Date extended from December 31, 2006 to December 31, 2010;

(5) Amending Agreement No. 5 dated July 13, 2007 – amended the Advances to OPA from November 20, 2006 to November 30, 2010; amended date re all interest accrued in Event of Default from December 31, 2006 to December 31, 2010 *(this point added by Karin)*

(6) Amending Agreement No. 6 dated November 9, 2010 – Mandatory Repayment Date extended from Dec 31, 2010 (per Amending Agreement No. 4) to December 31, 2013; Advances to OPA extended to November 30, 2013; amended date in the Event of Default (all interest accrued and amounts owing) from December 31, 2010 (per Amending Agreement No. 5) to December 31, 2013.

(7) Amending Agreement No. 7 dated December 20, 2013 – Mandatory Repayment Date extended from December 31, 2013 to December 31, 2016; Advances to OPA extended to November 30, 2016.

(8) Amending Agreement No. 8 dated December 19, 2014 – OPA and IESO amalgamation pursuant to Schedule 7 of the *Building Opportunity and Securing Our Future Act (Budget Measures), 2014*. The new merged entity "IESO" assumes all rights and obligations under the existing OFA - OPA $975 million credit facility agreement.

(9) Amending Agreement No. 9 dated November 30, 2016 – Definition update; References to IESO update; Mandatory Repayment Date extended from December 31, 2016 to December 31, 2019; Advances to IESO extended from November 30, 2016 to November 30, 2019; Amended Notice for Advancements extended from One business day to Two business days; Amended from previous terms of Advance from not later than 1 month, 2 months and 3 months after the requested date of the Advance period to a period of 28 days and up to a maximum of 95 days for the initial period and recurring period; Amended address and contact information;

(10) Amending Agreement No. 10 dated November 21, 2017 – Revolving Credit Facility decrease to from $975,000,000 to $475,000,000; Definition update to include Ontario Fair Hydro Plan related language; Permitted Liens updated to include any lien arising from the IESO's role and obligations under the OFHP; Use of Proceeds – Advances may be used only for liquidity purposes; Restated section on Acceleration of Maturity; Recission and Annulment; Procedures for Advances; Addition

of Intercept Provision language; Amended Borrowing Notice, Amended Election Notice; Amended Form of Grid Note.

A. Pivnick
July 25, 2007

Lenin Alvarez-Bravo
August 17, 2016

Updated William Tan
November 17, 2017

From:	Opal Kandelas
To:	Sarah Harris
Subject:	FHP
Date:	Wednesday, May 31, 2017 9:36:24 AM
Attachments:	Financing Trust - Performance Fee Recommendation.doc FW Draft GA Sub debt term sheet - Performance Fee Recommendations.msg Fwd Draft GA Sub debt term sheet.msg FW OFHP - Outstanding business issues - new note#5 IESO.msg FW Equity Injection Term Sheet.msg RE Provincial Support Term Sheet.msg FW EXTERNAL RE Term Sheet - Provincial Support Agreement relating to the Fair Hydro Trust.msg

---

Hi Sarah,

The FHP seems to be taking shape but (as should be reasonably expected) much of the information is coming to me in bits and pieces. Would be good to have a Doc staff familiar with this as more info becomes available or is being developed. It's being kept at a fairly high level at this time, but don't want to be surprised if Documentation is needed to jump in. I've included the emails on the subject to help provide some context – they aren't all helpful though. What I've sent is for review and provide opportunity to comment as well as to ask questions.

Docs for review/comment/question:
Financing Trust- Performance Fee Recommendation
Subordinated Debt Term Sheet
Outstanding Business Issues Ontario Fair Hydro Plan markup_cy1
Term Sheet Master Subscription draft May 26
Provincial Support Agreement May 12 MOF draft comments
Term Sheet – Provincial Support Agreement May 12
Compare Term Sheet Provincial Support Agreement Term Sheet

Thanks,
Opal.

FINANCING TRUST – PERFORMANCE FEE TO OPG

BACKGROUND

Ontario Power Generation Inc. (OPG) has been appointed the Financial Services Manager under the Fair Hydro Plan Act, 2017 to, among other things evaluate whether funding obligations should be incurred by the Trust for the purpose of acquiring and financing an investment interest. A performance fee relating to the funding obligations will be meaningful and allow OPG to make decisions that will significantly impact its return. The Act as drafted enables OPG to achieve its accounting objective of consolidation of the Trust with OPG, and the ability to earn a return and take on risk, through its control of the Trust.. The objective therefore is to recommend a reasonable variable performance fee structure for OPG to earn a return from the Trust, and meet the accounting requirement.

ANALYSIS OF ACCOUNTING REQUIREMENT

To support the accounting consolidation, OPG's variable performance return will be accomplished through the followings:

a. The cash flow from the investment asset shall include interest determined based on a relevant benchmark that is appropriate relative to the investment asset, plus an appropriate margin consistent with the relevant market and other risks
b. OPG shall have the authority to determine the financing strategy, which will vary the financing costs with the objective of enabling the Trust to achieve a more favorable return compared to the benchmark for interest on the investment asset
c. The Trust shall establish different classes of debt (senior, subordinated and the most subordinated). The classes would allow the Trust to delineate financing of lower risk investment and investment that would bear higher residual risk. The delineation would limit OPG's self-funded investment to a reasonable level in order to allow OPG to remain a self-sustaining entity.
d. OPG shall, through its ownership of the most subordinated liability, be able to capture and retain the pricing difference between cost of financing and benchmark for interest on the investment asset, or any residual risk of investment asset. The targeted return of the subordinated debt should be reflective of the underlying risks and compensate holders for active management that would be required.

PERFORMANCE FEE ANALYSIS

Based on the accounting requirements, the recommendation is for OPG to establish a variable performance fee structure as follows:

As the Trust may issue both long term bonds and medium term notes, benchmarks based on various terms, will be established on an annual basis, subject to the following methodology:

- Benchmarks will be established as the sum of (1) reference rate, and (2) spread
    - Both reference rate and spread will be term dependant

- For bond/note issuance, reference rate will be GOC rate of equivalent term
- Reference rate will be based on consensus forecast provided by various financial institutions

- Benchmarks will be established based on the weighted average rate of incremental debt issuance at the Trust level
- If the actual weighted average rate is lower than the corresponding benchmark, OPG will realize a gain, otherwise a loss
- Variable performance fee, i.e. gain/loss, is applicable only to OPG's investment in the Trust (5% of the funding requirement), and is capped at benchmark weighted average rate +/-1%

An example illustrating this structure is detailed in Appendix 1

APPENDIX 1

The illustration is based on the expected Trust debt structure as follows:

	Risk Profile	Source	% of Total Funding Requirement
Tranche A Senior Debt	the least risky	Capital Markets	51%
Tranche B Sub Debt	In between A&C	OPG via OEFC	39%
Tranche C Sub Debt	the most risky	OPG via OEFC	5%
		OPG via Capital Markets	5%

1. Benchmark is to be established at each year end for Trust issuance next year. In this example, assuming the following benchmark is established as of end of Yr 1

		Benchmark
Tranche A	51%	4.25%
Tranche B Sub Debt	39%	5.50%
Tranche C Sub Debt	10%	6.50%
Weighted Average Rate		**5.0%**

2. By the end of Yr 2, OPG will calculate the actual weighted average rate for all incremental issuance for the year. If the actual weighted average rate is lower than the corresponding benchmark, OPG will realize a gain, otherwise a loss.

	Allocation	Benchmark	Actual
Tranche A	51%	4.25%	5.0%
Tranche B Sub Debt	39%	5.50%	5.60%
Tranche C Sub Debt	10%	6.50%	6.60%
Weighted Average Rate		**5.0%**	5.4%
		Loss	0.4%

3. Variable management fee, i.e. gain/loss, is applicable only to OPG's investment (5% of the Trust funding requirement), and is capped at benchmark weighted average rate +/-1%.

   Based on the example above and assume incremental Trust issuance is $2B, OPG will realize loss of variable performance fee of 0.4M ($2B*5%*0.4%)

From: Carlos Yep []
To: Mike Manning [Mike.Manning@ofina.on.ca]; James Devine [James.Devine@ofina.on.ca]; Opal Kandelas [Opal.Kandelas@ofina.on.ca]; Ken Kandeepan [Ken.Kandeepan@ofina.on.ca]; John Psinas [John.Psinas@ofina.on.ca]; John Kim [John.Kim@ofina.on.ca]; Bruno Amara [Bruno.Amara@ofina.on.ca]; 'Montgomery, Kaitlin (MOF)' [Kaitlin.Montgomery@ontario.ca]
Subject: FW: Draft GA Sub debt term sheet - Performance Fee Recommendations
Date: Wednesday, May 31, 2017 09:05:46
Attachment 1: Financing Trust - Performance Fee Recommendation.doc

---

fyi

From: LIU Sheen -TREASURY [mailto:sheen.liu@opg.com]
Sent: Wednesday, May 31, 2017 9:03 AM
To: Carlos Yep <Carlos.Yep@ofina.on.ca>
Cc: LEE John -TREASURY <john.s.lee@opg.com>; RYFA Ken -TREASURY <ken.ryfa@opg.com>; PRESTON Stuart -TREASURY <stuart.preston@opg.com>; HAHN PARKER Janet -TREASURY <j.hahnparker@opg.com>
Subject: RE: Draft GA Sub debt term sheet

Carlos,

Attached for your review please also find the recommended structure of variable performance fee and benchmark relating to GA financing. We can discuss it at our meeting with OFA as well.

Sheen

From: LIU Sheen -TREASURY
Sent: Tuesday, May 30, 2017 4:26 PM
To: 'Carlos Yep'
Cc: LEE John -TREASURY; RYFA Ken -TREASURY; PRESTON Stuart -TREASURY; HAHN PARKER Janet -TREASURY
Subject: Draft GA Sub debt term sheet

Carlos,

Further to our discussions re establishing GA financing benchmark. Attached please find the draft term sheet of the subordinated debt (from Province equity injection). Could you please review and circulate it to the appropriate contacts/group on your side. We'd also like to set up a meeting with OFA, at your earliest convenience, to go over the document and get your feedback. Please let us know your availability.

Thanks

Sheen

<< File: Draft Subordianted Debt Term Sheet.doc >>

THIS MESSAGE IS ONLY INTENDED FOR THE USE OF THE INTENDED RECIPIENT(S) AND MAY CONTAIN INFORMATION THAT IS PRIVILEGED, PROPRIETARY AND/OR CONFIDENTIAL. If you are not the intended recipient, you are hereby notified that any review, retransmission, dissemination, distribution, copying, conversion to hard copy or other use of this communication is strictly prohibited. If you are not the intended recipient and have received this message in error, please notify me by return e-mail and delete this message from your system. Ontario Power Generation Inc.

FINANCING TRUST – PERFORMANCE FEE TO OPG

BACKGROUND

Ontario Power Generation Inc. (OPG) has been appointed the Financial Services Manager under the Fair Hydro Plan Act, 2017 to, among other things evaluate whether funding obligations should be incurred by the Trust for the purpose of acquiring and financing an investment interest. A performance fee relating to the funding obligations will be meaningful and allow OPG to make decisions that will significantly impact its return. The Act as drafted enables OPG to achieve its accounting objective of consolidation of the Trust with OPG, and the ability to earn a return and take on risk, through its control of the Trust.. The objective therefore is to recommend a reasonable variable performance fee structure for OPG to earn a return from the Trust, and meet the accounting requirement.

ANALYSIS OF ACCOUNTING REQUIREMENT

To support the accounting consolidation, OPG's variable performance return will be accomplished through the followings:

a. The cash flow from the investment asset shall include interest determined based on a relevant benchmark that is appropriate relative to the investment asset, plus an appropriate margin consistent with the relevant market and other risks
b. OPG shall have the authority to determine the financing strategy, which will vary the financing costs with the objective of enabling the Trust to achieve a more favorable return compared to the benchmark for interest on the investment asset
c. The Trust shall establish different classes of debt (senior, subordinated and the most subordinated). The classes would allow the Trust to delineate financing of lower risk investment and investment that would bear higher residual risk. The delineation would limit OPG's self-funded investment to a reasonable level in order to allow OPG to remain a self-sustaining entity.
d. OPG shall, through its ownership of the most subordinated liability, be able to capture and retain the pricing difference between cost of financing and benchmark for interest on the investment asset, or any residual risk of investment asset. The targeted return of the subordinated debt should be reflective of the underlying risks and compensate holders for active management that would be required.

PERFORMANCE FEE ANALYSIS

Based on the accounting requirements, the recommendation is for OPG to establish a variable performance fee structure as follows:

As the Trust may issue both long term bonds and medium term notes, benchmarks based on various terms, will be established on an annual basis, subject to the following methodology:

- Benchmarks will be established as the sum of (1) reference rate, and (2) spread
    - Both reference rate and spread will be term dependant

- For bond/note issuance, reference rate will be GOC rate of equivalent term
- Reference rate will be based on consensus forecast provided by various financial institutions

- Benchmarks will be established based on the weighted average rate of incremental debt issuance at the Trust level
- If the actual weighted average rate is lower than the corresponding benchmark, OPG will realize a gain, otherwise a loss
- Variable performance fee, i.e. gain/loss, is applicable only to OPG's investment in the Trust (5% of the funding requirement), and is capped at benchmark weighted average rate +/-1%

An example illustrating this structure is detailed in Appendix 1

APPENDIX 1

The illustration is based on the expected Trust debt structure as follows:

	Risk Profile	Source	% of Total Funding Requirement
Tranche A Senior Debt	the least risky	Capital Markets	51%
Tranche B Sub Debt	In between A&C	OPG via OEFC	39%
Tranche C Sub Debt	the most risky	OPG via OEFC	5%
		OPG via Capital Markets	5%

1. Benchmark is to be established at each year end for Trust issuance next year. In this example, assuming the following benchmark is established as of end of Yr 1

		Benchmark
Tranche A	51%	4.25%
Tranche B Sub Debt	39%	5.50%
Tranche C Sub Debt	10%	6.50%
Weighted Average Rate		**5.0%**

2. By the end of Yr 2, OPG will calculate the actual weighted average rate for all incremental issuance for the year. If the actual weighted average rate is lower than the corresponding benchmark, OPG will realize a gain, otherwise a loss.

	Allocation	Benchmark	Actual
Tranche A	51%	4.25%	5.0%
Tranche B Sub Debt	39%	5.50%	5.60%
Tranche C Sub Debt	10%	6.50%	6.60%
Weighted Average Rate		**5.0%**	5.4%
		Loss	0.4%

3. Variable management fee, i.e. gain/loss, is applicable only to OPG's investment (5% of the Trust funding requirement), and is capped at benchmark weighted average rate +/-1%.

   Based on the example above and assume incremental Trust issuance is $2B, OPG will realize loss of variable performance fee of 0.4M ($2B*5%*0.4%)

From: Carlos Yep []
To: Mike Manning [Mike.Manning@ofina.on.ca]; James Devine [James.Devine@ofina.on.ca]; Opal Kandelas [Opal.Kandelas@ofina.on.ca]; Ken Kandeepan [Ken.Kandeepan@ofina.on.ca]; John Psinas [John.Psinas@ofina.on.ca]; John Kim [John.Kim@ofina.on.ca]; Bruno Amara [Bruno.Amara@ofina.on.ca]; Kaitlin.Montgomery@ontario.ca [Kaitlin.Montgomery@ontario.ca]
Subject: Fwd: Draft GA Sub debt term sheet
Date: Tuesday, May 30, 2017 16:32:25
Attachment 1: Draft Subordianted Debt Term Sheet.doc
Attachment 2: ATT00001.htm

Begin forwarded message:

From: LIU Sheen -TREASURY <sheen.liu@opg.com>
Date: May 30, 2017 at 4:26:00 PM EDT
To: 'Carlos Yep' <Carlos.Yep@ofina.on.ca>
Cc: LEE John -TREASURY <john.s.lee@opg.com>, RYFA Ken -TREASURY <ken.ryfa@opg.com>, PRESTON Stuart -TREASURY <stuart.preston@opg.com>, "HAHN PARKER Janet -TREASURY" <j.hahnparker@opg.com>
Subject: Draft GA Sub debt term sheet

Carlos,

Further to our discussions re establishing GA financing benchmark. Attached please find the draft term sheet of the subordinated debt (from Province equity injection). Could you please review and circulate it to the appropriate contacts/group on your side. We'd also like to set up a meeting with OFA, at your earliest convenience, to go over the document and get your feedback. Please let us know your availability.

Thanks

Sheen

THIS MESSAGE IS ONLY INTENDED FOR THE USE OF THE INTENDED RECIPIENT(S) AND MAY CONTAIN INFORMATION THAT IS PRIVILEGED, PROPRIETARY AND/OR CONFIDENTIAL. If you are not the intended recipient, you are hereby notified that any review, retransmission, dissemination, distribution, copying, conversion to hard copy or other use of this communication is strictly prohibited. If you are not the intended recipient and have received this message in error, please notify me by return e-mail and delete this message from your system. Ontario Power Generation Inc.

Fair Hydro Plan – Subordinated Debt Loan Arrangement
Term Sheet

- Parties: OPG, Fair Hydro Trust, OFA

- In accordance with the Master Subscription Agreement among OPG, OFA and Ministry of Energy, the Province agrees to inject 44% of total funding of GA asset by way of equity subscriptions in OPG, and OPG agrees to use the equity subscription amounts solely for funding the Fair Hydro Trust's subordinated debt (Equity Injection Plan) requirements as part of the Fair Hydro Plan

- OPG will lend the equity injection from the Province to Fair Hydro Trust by way of subordinated debt (one or more mezzanine level)

- Initial credit rating will be assigned to the subordinated debt of Fair Hydro Trust

- Based on monthly funding requirement of GA asset, the Trust will use short term financing, such as bank facilities, and take out bonds once accumulative short term funding reaches certain levels.

- The mechanism to implement Equity Injection Plan will be based on monthly equity injections reflecting funding requirements of GA asset

- Interest rates on the subordinated debt will be established as follows:

    - During the Trust short term financing period when bank facilities are used as funding vehicles, the interest rate on subordinated debt will be the sum of (1) funding rate on senior debt, and (2) additional spread margin of [xx], reflecting the credit rating difference between the senior and subordinated debt

    - At the time when senior bonds are being issued to take out (term out) the short term financing, OPG will seek indicative coupon rates on the subordinated debt from dealers, reflecting the sum of underlying Government of Government of Canada yield of equivalent term and the appropriate credit spread. The average indicative coupon rate from dealers will be calculated and set as the subordinated debt rate. The process will be similar to the one established for pricing of OPG debt drawn from OEFC facilities.

From: Carlos Yep []
To: Opal Kandelas [Opal.Kandelas@ofina.on.ca]
CC: Mike Manning [Mike.Manning@ofina.on.ca]
Subject: FW: OFHP - Outstanding business issues - new note#5 IESO
Date: Tuesday, May 30, 2017 14:27:56
Attachment 1: Outstanding Business Issues Ontario Fair Hydro Plan markup_cy1.docx

---

-----Original Message-----
From: Carlos Yep
Sent: Tuesday, May 30, 2017 12:21 PM
To: Mike Manning <Mike.Manning@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; John Psinas <John.Psinas@ofina.on.ca>
Cc: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: FW: OFHP - Outstanding business issues

fyi

-----Original Message-----
From: Montgomery, Kaitlin (MOF) [mailto:Kaitlin.Montgomery@ontario.ca]
Sent: Tuesday, May 30, 2017 11:28 AM
To: John Kim <John.Kim@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>
Subject: OFHP - Outstanding business issues

Hi all,

ENE MO asked for a quick note on 4 of the outstanding business issues that are being worked through and are hoping to see something tomorrow morning.

I've pulled together a high level explanation of each of the items and next steps/timing (to the extent I know).

Would greatly appreciate if you guys could take a look and provide any edits/comments today/early tomorrow if possible. I'm also not too involved in a few of these discussions so if there's others within OFA you think should review feel free to pass along.

Thanks in advance,
Kaitlin

Outstanding Business Issues – Ontario Fair Hydro Plan
Briefing Note

PURPOSE
Provide an overview of a few of the key remaining outstanding business issues that OPG and the Province are working through

BUSINESS ISSUES

1. **Provincial Support Agreement Term Sheet (~~Service and~~ Performance and Payment Guarantees)**
   - As part of the OFHP, the IESO will create and sell a regulatory asset to the OPG financing entity
   - In order to provide assurances to those with claims against the Financing Entity (eg. Holders of debt), and support credit ratings, the Province is providing both a Service Guarantee and a Performance Guarantee to ensure that the obligations of the IESO are carried out including obligations related to collecting and remitting clean energy adjustments.
   - **Next Steps:**
     - OPG and OFA and working towards the development of a term sheet
     - Timing: Guarantees are required to support rating agency review which is expected by the end of July

2. **Payments in Lieu of Taxes (PILs) Exemption**
   - The Province would like to minimize to the extent possible , the PILs payable by the OPG financing vehicle, as those costs will be recovered from ratepayers
   - The Province is considering regulation changes to exempt the income arising as a consequence of the Fair Hydro Plan from PILs
   - As part of the OFHP, the financing entity will raise debt and acquire "investment assets" from the IESO. Given the unique nature of the investment assets, there are no specific rules which govern the manner which investment assets should be treated for tax purposes, and further analysis is required to ensure the cost of the investment assets are appropriately recognized as a deduction or offset in computing the income of the financing entity
   - **Next Steps:**
     - The Ministries of Finance, OFA and OPG are working together to determine required regulation changes
     - Timing: [Next steps for a decision / when is a decision required / when would these regulation changes occur]

3. **Fair Hydro Plan - Master Subscription Agreement Term Sheet (Equity Injection Process)**

- OPG will require equity injections on a monthly basis in order to maintain its capital structure, and will require flexibility in order to issue shares as needed by the Province
- The Ministry of Energy received appropriation for $1.1B through PRRT to support equity injections for the 2017-18 period, and will continue to provide multi-year forecasts each year through PRRT
- **Next Steps:**
    - The Ministry of Energy, OFA and OPG are working through the short term mechanics of this process which will ultimately feed into a Master Subscription Agreement. A draft term sheet is underway.
    - Timing: OPG will require the ability to issue equity in July, so mechanics and agreements should be finalized in June

4. Management Fees

- OPG will be providing all required services to the Trust as part of the OFHP, including planning, strategy, financing, deal execution etc.
- The legislation allows OPG to establish and charge a management fee for those services in accordance with the regulations which are currently in development
- OPG and OEB are currently working together on a management fee structure that balances the interests of minimizing costs and satisfying accounting consolidation requirements
- **Next Steps:**
    - OPG and OEB will bring forward a recommended framework for developing management fees
    - Timing: For incorporation into regulations being brought forward in June

5. IESO – Increased Credit Facilities

- The OPG financing entity has the right to purchase the regulatory asset from IESO but does not have to purchase it.
- IESO is working with the OFA to increase the credit facilities in the event that the OPG financing entity does not purchase the regulatory asset
- **Next Steps:**
    - OFA is …..
    - Timing: ……

Formatted

Formatted: Font: +Headings (Calibri)

From: Carlos Yep []
To: Opal Kandelas [Opal.Kandelas@ofina.on.ca]
Subject: FW: Equity Injection Term Sheet
Date: Tuesday, May 30, 2017 12:16:51
Attachment 1: Term Sheet_Master Subscription_draftMay26.docx

---

fyi

From: Carlos Yep
Sent: Tuesday, May 30, 2017 8:30 AM
To: Mike Manning <Mike.Manning@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; John Psinas <John.Psinas@ofina.on.ca>
Subject: FW: Equity Injection Term Sheet

From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Tuesday, May 30, 2017 8:23 AM
To: Carlos Yep <Carlos.Yep@ofina.on.ca>
Cc: Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Subject: RE: Equity Injection Term Sheet

Thanks Carlos.

In the previous H1 related loans, the Minister of Energy signed the share purchase agreement and the Minister of Finance signed the loan agreement under the authority of an OIC. OFA staff act on behalf of the Minister of Finance in taking certain actions related to the loan. I am not sure that the Minister of Energy can delegate authority under the share purchase agreement for this equity injection (i.e. to make a decision to purchase shares) in the same way that OFA staff would deal with actions under a loan agreement. It may be that if there needs to be some quick turn-around in relation to funding OPG via the equity injection that maybe there might be a services agreement between the OFA and the Ministry of Energy. Perhaps, this only refers to how the money is being flowed and is more of a back-office function, and someone at the Ministry of Energy directs the OFA to take the action.

We will take a look at this term sheet too and provide some comments and questions.

Thanks.

Malle

From: Carlos Yep [mailto:Carlos.Yep@ofina.on.ca]
Sent: May 30, 2017 7:58 AM
To: Hanslep, Malle (MOF)
Cc: Whitfield, Tobias P. (MOF)
Subject: FW: Equity Injection Term Sheet

fyi

From: Montgomery, Kaitlin (MOF) [mailto:Kaitlin.Montgomery@ontario.ca]
Sent: Monday, May 29, 2017 1:56 PM
To: John Kim <John.Kim@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>
Cc: Thomas Leung (MEDTE/MRI) <Thomas.Leung@ontario.ca>
Subject: Equity Injection Term Sheet

Hey John, Carlos,

Attached is a term sheet from OPG that would form the basis of the Equity Injection Agreement. I think this would be an agreement between ENE/OPG and OFA. While it currently says 5 business days in this document Clara flagged that the IESO may be looking for it to be settled in as quickly as 1 day. Given how quick this needs to happen I've included a line about ENE delegating authority to the OFA to manage this monthly process. I think ENE would want to be kept in the loop but I don't think they would need to sign off each month. That being said I haven't run this up the chain at ENE yet or discussed with ENE controllership.

Id defer to you guys for short term mechanics for the most part as you have the experience on the borrowing side. If you could take a look and mark-up where desired then maybe we can chat?

Let me know if you have any questions.
Kaitlin

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

Fair Hydro Plan –Master Subscription Agreement
Term Sheet

- Parties: OPG, OFA, Ministry of Energy
- The Province agrees to inject 44% of total funding of GA asset by way of equity subscription in OPG, which amount OPG in turn will invest in the Fair Hydro Trust as subordinated debt (**Equity Injection Plan**)
- Minister of Energy/Province approves Equity Injection Plan, and initial equity injection amount for 2017/18 fiscal year, and delegates to appropriate ministry staff authority to implement Equity Injection Plan (**Delegated Authority**)
- Long term, OPG equity requirements will form part of the business planning process in place between OPG and Ministry of Energy, ie, annually OPG to include forecasts of its equity requirements for the upcoming 3 years in its business plan submission -- NOTE: this portion of the business plan is not subject to concurrence by the shareholder
- Ministry of Energy will seek appropriation on an annual basis through PRRT for the amounts requested by OPG for its equity requirements-- NOTE: amount of annual appropriation to cover OPG multi year forecasts
- The Ministry of Energy will delegate authority to the Ontario Financing Authority to manage the monthly settlement process
- OPG agrees use the equity subscription amounts solely for funding the Fair Hydro Trust's subordinated debt requirements as part of the Fair Hydro Plan
- OPG will amend its Articles to create an additional class of shares – Class A Shares – which will be non-voting and redeemable at OPG's option
- OPG will issue Class A Shares to the Province monthly at a value per share equal to book value, as determined from OPG's last approved quarterly financial statements -- Value of first Class A shares issued to Province will be based on book value of OPG common shares – ie, existing shareholder's equity
- OPG will have the right to repay equity to the Province, through exercise of its right to redeem the Class A Shares, as principal repayment of the subordinated debt is made commencing in 2027
- Redemption value of the Class A Shares to be based on book value on the redemption date, ie, the equity value per Class A share at the end of the prior financial quarter as set out in OPG's approved financial statements

Formatted: Indent: Left: 0.5", No bullets or numbering

Monthly Process/Mechanics of Share Subscriptions:

a) OPG notifies OFA and Ministry of Energy of required equity injection and number of shares

Timing: [same day as notice from Fair Hydro Trust]

Documents/steps:

(i) share subscription form,
(ii) supporting documentation/invoice from Fair Hydro Trust, confirming amount of GA asset purchase for the month

b) OFA and OPG settle equity injection amounts

Timing: [five] business days from notice to OFA to payment/settlement with OPG [NOTE: timing to be confirmed based on IESO/Trust process requirements]

Documents/steps:

(i) completed/signed share subscription form from OFA~~/Province~~ to OPG

(ii) funds transfer from OFA to OPG account)

(iii) OPG receipt, together with secretary's certificate confirming issue of shares/update of share register sent to both OFA and ENE

Commented [KC1]: OFA: any details we can add based on your experience on the loan side? Who signs off at the OFA? Should we just make it the same process and delegate authority from ENE so OfA can execute?

Longer term Process/Approvals:

1. Equity Requirements Estimates:
   a. Business Plan Submissions
   b. OPG Board Approvals
      - [Bi-annual] Board of Directors' resolutions authorizing equity requirement for period
      - [Bi-annual Shareholder's resolutions authorizing equity requirement for period][NOTE: TBD if needed]

   c. Ministry of Energy appropriations
      ~~[describe annual process]~~Ministry of Energy will seek appropriation through PRRT process, including 3-year estimates that OPG provides through its business plan submission

Share Redemption Process

- TBD -- process to be determined at a later date and appended as Appendix to Master Subscription Agreement

From: Malle Hanslep (MOF) []
To: Mike Manning [Mike.Manning@ofina.on.ca]; James Devine [James.Devine@ofina.on.ca]; Carlos Yep [Carlos.Yep@ofina.on.ca]; Opal Kandelas [Opal.Kandelas@ofina.on.ca]; Ken Kandeepan [Ken.Kandeepan@ofina.on.ca]; Ronald Kwan [Ronald.Kwan@ofina.on.ca]
CC: Tobias P. Whitfield (MOF) [Tobias.Whitfield@ontario.ca]
Subject: RE: Provincial Support Term Sheet
Date: Monday, May 29, 2017 12:40:25
Attachment 1: Prov Support Agt May 12 MOF draft comments.docx

---

Hi all,

Here is our issues list.

Malle

From: Hanslep, Malle (MOF)
Sent: May 29, 2017 9:18 AM
To: Manning, Mike (OFA); Devine, James (OFA); Yep, Carlos (OFA); Kandelas, Opal (OFA); Kandeepan, Ken (OFA); Kwan, Ronald (OFA)
Cc: Whitfield, Tobias P. (MOF)
Subject: RE: Provincial Support Term Sheet

Hi all,

We are also putting together an issues list for discussion with Energy Legal and Blakes and will share it with you as well.

Is there any type of draft term sheet for the proposed financing transaction itself or the master sales and servicing agreement? Any general description of the proposed transaction would be helpful to us.

Thank you.

Malle

From: Hanslep, Malle (MOF)
Sent: May 26, 2017 3:16 PM
To: Manning, Mike (OFA); Devine, James (OFA); Yep, Carlos (OFA); Kandelas, Opal (OFA); Kandeepan, Ken (OFA); Kwan, Ronald (OFA)
Cc: Whitfield, Tobias P. (MOF)
Subject: Provincial Support Term Sheet

Hi all,

Further to our meeting on Wednesday, Toby and I have now been in touch with Energy Legal regarding the term sheet and will be attending a meeting with counsel at Blakes next Wednesday morning.

Best,

Malle

Malle Hanslep
Deputy Director
Ministry of the Attorney General
Ministry of Finance Legal Services Branch
Telephone: 416-325-1457

Notice: This communication may be solicitor/client privileged and contain confidential information intended only for the person(s) to whom it is addressed. If you have received this message in error please notify the writer and permanently delete the message and all attachments. Thank you.

CONFIDENTIAL AND PRIVILEGED LEGAL ADVICE

ISSUES LIST – PROVINCIAL SUPPORT AGREEMENT DRAFT MAY 12, 2017

1. Guarantor will be the Minister of Energy and the Minister of Finance on behalf of the Province (see. 5(3) of proposed Fair Hydro Act, 2017).

2. Description of proposed beneficiaries of guarantee is very broad. Provides that beneficiary is Indenture trustee under master trust indenture on behalf of itself and all persons that have claims against a Financing Entity secured under the master trust indenture. Persons range from the Financial Services Manager (OPG) to holders of various types of debt and hedge counterparties. Need to clarify which obligations the Province is being requested to guarantee and under what various agreements to determine scope and limit of guarantee. Is there a term sheet for the proposed financing to be issued by the Financing Entity? Is there a request for a guarantee of payment on other back-up or ancillary borrowing and obligations other than those issued in the market? Is there a draft of the Master Trust Indenture?

3. Why does the term of the guarantee continue for one year after the obligations have been repaid?

4. Performance Guarantee – This is also a very broad guarantee of performance of the IESO and all electricity services providers in favour of the same broad group of beneficiaries. How can the Province ensure that these entities perform their obligations practically? Also the Province is to protect beneficiaries from any commingling risk. It is noted that in the event the performance guarantee is unenforceable against the Province, there would be a separate legal obligation in the provincial support agreement to indemnify beneficiaries for any losses. Would there be any trigger events applicable to the obligation to indemnify as there are for the payment guarantee. If not, is this an issue for accounting treatment purposes? Also, is there an overlap between the performance and payment guarantee? So long as the funding obligations are paid on time by the financing entity, is there a need for other guarantees from the Province? Note that the Province does have immunity from specific types of enforcement under the Proceedings against the Crown Act. Is there a sample term sheet for the Master Sale and Servicing Agreement? Which provisions of the proposed bill are being relied on for this – is it section 5(2)? section 33. There doesn't seem to be a mechanism in the Act to replace the IESO as servicer. Should the Guarantee specify that the Province can appoint a replacement servicer?

5. Payment Guarantee Event – Regarding (B) and (C), the interpretation of when the triggering event has occurred will be an issue – is there a way to make it more objective or how can this be handled if there is a dispute? Regarding (D), think that there is going to be more discussion of the need for this provision from a business perspective. However, is this assuming, that the Province is guaranteeing both long term and short

term funding obligations? Need to clarify when and which obligations the province will be guaranteeing?

6. Payment Guarantee – Again it will be necessary to clarify which obligations the province is guaranteeing to understand what the range of payments to be made are. Also, (y) does not seem acceptable to the Province from a business perspective.

7. Limits under Guarantee – The guarantee wording should be clear so that the Province is guaranteeing payment of certain debt or specific obligations only and the Province's liability should be capped. Province should not be exposed to the risk of any other types of damages or losses.

8. Priority of Payments – Until we know who the beneficiaries are and with respect to what obligations, it is difficult to comment on this.

9. Subrogation – Need to ensure that the Province has appropriate recovery rights and not sure that it is appropriate that all beneficiaries are paid in full before Province gets subrogation rights. Also there is no acceleration here and Province really pays on an ongoing basis so how should subrogation work in such a case.

10. Conditions Precedent – Need to know what they are proposed to be.

11. Representations – Need to know what they are proposed to be as Province does not typically provide representations in connection with guarantees it provides.

12. Confidentiality Obligations – Thought the guarantee is part of a public financing so wouldn't the terms all be known?

13. Legal Opinions – Content, who will be providing them and to whom would they be provided.

General Questions on proposed legislation and interaction with guarantee:

14. General review of relevant sections would be appreciated and how the provisions fit with the requirements of the financing. In particular, s. 5, 13, 19, 21, 22, 33, 41 par 7

Ministry of Finance LSB
May 29, 2017

From: Mike Manning []
To: Opal Kandelas [Opal.Kandelas@ofina.on.ca]
Subject: FW: EXTERNAL – RE: Term Sheet - Provincial Support Agreement relating to the Fair Hydro Trust
Date: Tuesday, May 16, 2017 14:55:36
Attachment 1: image001.jpg
Attachment 2: Term Sheet - Provincial Support Agreement - May 12.docx
Attachment 3: Compare_Term Sheet - Provincial Support Agreement (2) - Term Sheet - Pro....pdf

---

From: LEE John -TREASURY [mailto:john.s.lee@opg.com]
Sent: Monday, May 15, 2017 2:01 PM
To: Mike Manning <Mike.Manning@ofina.on.ca>
Cc: Scott Nelms (ENERGY) <Scott.Nelms@ontario.ca>; WONG Leslie -LAWDIV <leslie.wong@opg.com>; RYFA Ken -TREASURY <ken.ryfa@opg.com>; PRESTON Stuart -TREASURY <stuart.preston@opg.com>
Subject: FW: EXTERNAL – RE: Term Sheet - Provincial Support Agreement relating to the Fair Hydro Trust

Mike:

Attached is the Dealers latest markup for the Provincial Support Agreement. Their changes center primarily with the Market Disruption.

We can arrange a call to discuss the dealer position.

John

From: Sebastiano, Rocco [mailto:RSebastiano@osler.com]
Sent: Friday, May 12, 2017 6:10 PM
To: WONG Leslie -LAWDIV; LEE John -TREASURY; RYFA Ken -TREASURY; Hill, Krista; Ramchandani, Rima; mfeldman@torys.com
Cc: Peric, Christiane; Persaud, Donnie - Debt Capital Markets; Fullerton, Rick; Innes, Michael; Smith, Elliot; Maciel, Andrew; Adalja, Sunil; Alvi, Shariq; "Benaiah, Ian' (ian.benaiah@rbccm.com)'; "vickie.turnbull@rbccm.com' (vickie.turnbull@rbccm.com)'; "david.dalbello@rbccm.com' (david.dalbello@rbccm.com)'; Milligan, Peter; 'Murray, Tim (tim.murray@rbccm.com)'; Khanna, Raj - Corporate Banking; 'Niehaus, Katrina'; 'Mullen, Max M.'; 'Collins, Patrick J (Patrick.Collins@gs.com)'; 'Delaney, Brian (Brian.Delaney@gs.com)'
Subject: EXTERNAL – RE: Term Sheet - Provincial Support Agreement relating to the Fair Hydro Trust

*** Exercise caution. This is an EXTERNAL email. DO NOT open attachments or click

links from unknown senders or unexpected email. ***

Please find enclosed a revised draft of the Term Sheet for the Provincial Support Agreement.

Regards, Rocco

From: Persaud, Donnie - Debt Capital Markets [mailto:Donnie.Persaud@cibc.com]
Sent: Tuesday, April 25, 2017 6:34 PM
To: Sebastiano, Rocco <RSebastiano@osler.com>; Fullerton, Rick <RFullerton@osler.com>; Innes, Michael <MInnes@osler.com>; Smith, Elliot <ESmith@osler.com>; Maciel, Andrew <Andrew.Maciel@cibc.com>; Adalja, Sunil <Sunil.Adalja@cibc.com>; Alvi, Shariq <Shariq.Alvi@cibc.com>; ''Benaiah, Ian' (ian.benaiah@rbccm.com)' <ian.benaiah@rbccm.com>; ''vickie.turnbull@rbccm.com' (vickie.turnbull@rbccm.com)' <vickie.turnbull@rbccm.com>; ''david.dalbello@rbccm.com' (david.dalbello@rbccm.com)' <david.dalbello@rbccm.com>; Milligan, Peter <PMilligan@osler.com>; 'Murray, Tim (tim.murray@rbccm.com)' <tim.murray@rbccm.com>; Khanna, Raj - Corporate Banking <Raj.Khanna@CIBC.ca>; 'Niehaus, Katrina' <Katrina.Niehaus@gs.com>; 'Mullen, Max M.' <Max.Mullen@gs.com>; 'Collins, Patrick J (Patrick.Collins@gs.com)' <Patrick.Collins@gs.com>; 'Delaney, Brian (Brian.Delaney@gs.com)' <Brian.Delaney@gs.com>
Cc: Peric, Christiane <Christiane.Peric@cibc.com>
Subject: FW: Term Sheet - Provincial Support Agreement relating to the Fair Hydro Trust

Please see attached.

Donnie Persaud | Executive Director | Debt Capital Markets | CIBC Capital Markets | CIBC World Markets Inc.
161 Bay Street, 5th Floor, Toronto ON M5J 2S8 | Tel: 416-594-7511 | Fax: 416-594-7760 | donnie.persaud@cibc.com

From: LEE John -TREASURY [mailto:john.s.lee@opg.com]
Sent: Tuesday, April 25, 2017 4:54 PM
To: Persaud, Donnie - Debt Capital Markets
Cc: WONG Leslie -LAWDIV; PRESTON Stuart -TREASURY; RYFA Ken -TREASURY; LIU Sheen -TREASURY
Subject: FW: Term Sheet - Provincial Support Agreement relating to the Fair Hydro Trust

Donnie:

Further to our discussion last week, please find attached the draft term sheet relating to the Provincial Support. In this draft the Province will assume the obligations of the debt under certain conditions. This draft document reflects the Province initial thoughts. Stu will coordinate this agreement from our end.

John

THIS MESSAGE IS ONLY INTENDED FOR THE USE OF THE INTENDED RECIPIENT(S) AND MAY CONTAIN INFORMATION THAT IS PRIVILEGED, PROPRIETARY AND/OR CONFIDENTIAL. If you are not the intended recipient, you are hereby notified that any review, retransmission, dissemination, distribution, copying, conversion to hard copy or other use of this communication is strictly prohibited. If you are not the intended recipient and have received this message in error, please notify me by return e-mail and delete this message from your system. Ontario Power Generation Inc.

This message, including any attachments, is intended only for the use of the individual(s) to which it is addressed and may contain information that is privileged/confidential. Any other distribution, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply email and permanently delete this message including any attachments, without reading it or making a copy.

You are receiving this email because our records show that you have a relationship with one or more of the CIBC Capital Markets lines of business of Canadian Imperial Bank of Commerce (CIBC) or CIBC World Markets Inc., which includes Investment and Corporate Banking and Global Markets. If you believe you are receiving this message in error or you no longer wish to receive electronic messages from us, you may unsubscribe[cibc.com] at any time. If you experience challenges with the unsubscribe link, reply to this email with the Subject Line "Unsubscribe" and Cc: Mailbox.CASLUnsubscribe@cibc.com. Please note that by selecting unsubscribe, we will only be able to send you emails that are required or permitted by law. Our mailing address is : CIBC CASL Unsubscribe, 161 Bay St, 9th Floor, Toronto, Ontario, M5J 2W5

****

This e-mail message is privileged, confidential and subject to copyright. Any unauthorized use or disclosure is prohibited.

Le contenu du présent courriel est privilégié, confidentiel et soumis à des droits d'auteur. Il est interdit de l'utiliser ou de le divulguer sans autorisation.

****

THIS MESSAGE IS ONLY INTENDED FOR THE USE OF THE INTENDED RECIPIENT(S) AND MAY CONTAIN INFORMATION THAT IS PRIVILEGED, PROPRIETARY AND/OR CONFIDENTIAL. If you are not the intended recipient, you are hereby notified that any review, retransmission, dissemination, distribution, copying, conversion to hard copy or other use of this communication is strictly prohibited. If you are not the intended recipient and have received this message in error, please notify me by return e-mail and delete this message from your system. Ontario Power Generation Inc.

CIBC

Provincial Support Agreement Term Sheet

Fair Hydro Plan Act, 2017

*This term sheet (the "**Term Sheet**") is provided exclusively to the parties listed herein in connection with the draft Fair Hydro Plan Act, 2017 and the regulations to be made thereunder (the "**Act**"). This Term Sheet is to be held confidential. Defined terms used herein have the meanings ascribed to them in the Act. The provincial support agreement (the "**Provincial Support Agreement**") will contain the terms and conditions set out in this Term Sheet in addition to such other representations, warranties, indemnities, and other terms and conditions as the Guarantor and the Beneficiaries (each as defined below) may reasonably require.*

Guarantor:	Her Majesty the Queen in right of Ontario, as represented by the Minister of Energy.
Beneficiaries:	The indenture trustee (together with its successors, the "**Indenture Trustee**") under the master trust indenture (the "**Master Trust Indenture**") on behalf of itself and all other persons having debt or other claims against a Financing Entity secured under the Master Trust Indenture (collectively, the "**Beneficiaries**") including, without limitation, holders of senior and subordinated notes, senior and subordinated lenders, hedge counterparties, credit enhancers, liquidity providers, the Financial Services Manager, the Indenture Trustee, the trustee of the Financing Entity if the Financing Entity is a trust, and any other administrator of the Financing Entity.
Term:	The Guarantor's obligations under the Provincial Support Agreement will continue until **[one year]**[1] after all funding obligations (to be defined to include principal, interest, fees, hedge settlement and termination obligations and other related amounts) of all Financing Entities have been repaid.

[1] This mirrors the requirement expected to be in the Regulations under the Act not to wind up, dissolve or liquidate a Financing Entity until at least one year after all of its Funding Obligations have been repaid.

Performance Guarantee:	Under the Master Sale and Servicing Agreement to be entered into by IESO and the Financing Entity, **[and OPG as Financial Services Manager]** ("**MSSA**"), IESO will have obligations both as a seller and as a servicer. Pursuant to a performance guarantee, the Guarantor will guarantee in favour of the Beneficiaries to perform, or cause the performance of (which may be by way of the appointment of a replacement servicer), the obligations of IESO as servicer under the MSSA and the Act including the obligations of any replacement servicer. The Guarantor will also guarantee the servicing obligations of the electricity vendors under the Act. The servicing obligations covered will include all obligations related to the collecting and remitting of clean energy adjustments and will protect the Beneficiaries from any risks arising from collections of clean energy adjustments being commingled with other amounts. In the event that the performance guarantee is unenforceable against the Guarantor, the Provincial Support Agreement will contemplate a separate legal obligation by the Guarantor to indemnify the Beneficiaries for any losses that result.
Payment Guarantee Event:	A Payment Guarantee Event will occur if: (A) the Legislative Assembly of Ontario repeals the Act; or (B) the Legislative Assembly of Ontario amends the Act or a Regulation thereunder is amended in a way that adversely impacts the ability of a Financing Entity to fully recover an investment interest in order to fully pay all funding obligations and other obligations incurred by such Financing Entity in respect of such investment interest; or (C) a court of competent jurisdiction (i) determines all or a portion of the Act to be *ultra vires* in a way that adversely impacts the ability of a Financing Entity to fully recover an investment interest in order to fully pay all funding obligations and other obligations incurred by such Financing Entity in respect of such investment interest or (ii) declares any funding obligations to be invalid or unenforceable; or (D) funding obligations are due and payable at a time when a market disruption (a period of [six months or more] when capital markets term funding is not available to effect refinancings of funding obligations) is occurring and, in the case of long term funding obligations only, a moratorium or limitation on the imposition and collection of clean energy adjustments to repay such funding obligations is in effect under the Act.

Payment Guarantee:	Upon the occurrence of a Payment Guarantee Event under clauses (A), (B) or (C) of the above definition: (x) the Guarantor shall assume and pay when due (without acceleration) all funding obligations and all other obligations of the Financing Entities to the Beneficiaries by paying all regularly scheduled amounts in respect thereof during the term of each Financing Entity's contractual obligation to such Beneficiaries; and (y) Beneficiaries holding funding obligations consisting of bonds [with a remaining term to maturity of greater than one year] shall have the option to put the bonds to the Financing Entity for a put price equal to 101% of the principal amount thereof plus accrued and unpaid interest. In connection with any put under this clause (y), the Guarantor shall guarantee payment of the put price and any related hedge breakage but shall not be responsible for any other default, penalty, prepayment or make whole amounts.
Limits under Guarantees:	Under no circumstances shall the Guarantor be obligated to indemnify any Beneficiary for special or punitive damages, or loss of profits.
Priority of Payments:	The priority of the Beneficiaries to any payment made by the Guarantor under the Provincial Support Agreement shall be governed by the priority provisions in the Master Trust Indenture.
Subrogation:	Where the Guarantor has repaid all Beneficiaries in full, to the extent of such payments the Guarantor shall be subrogated in and to all the rights of recovery of the Beneficiaries in respect of their applicable indebtedness and obligations and the security granted by a Financing Entity to the Indenture Trustee. After repayment by the Guarantor of all indebtedness and obligations owing to the Beneficiaries, the Indenture Trustee will acknowledge and agree on behalf of the Beneficiaries that the Guarantor is entitled to exercise all of the rights, powers and privileges that the Beneficiaries have or may exercise in respect of the repaid indebtedness and obligations, all in accordance with the terms of the Master Trust Indenture. Prior to the repayment in full of the indebtedness and obligations owed to the Beneficiaries, the Guarantor shall have no rights of subrogation.
Notice Requirements:	The Indenture Trustee will be required to provide notice to the Guarantor of a Payment Guarantee Event and may in such notice demand payment or performance of the Guarantor's obligation under the Provincial Support Agreement, as applicable.

Closing:	Date to be determined but no later than **[**■, 2017**]**. The Closing is the date on which the documents in respect of the MSSA, the Master Trust Indenture and all related documentation are executed and delivered.
Reporting Requirements of a Financing Entity:	The Guarantor will be entitled to receive all reports received by the Indenture Trustee under the Master Trust Indenture.
Conditions Precedent to Closing:	Conditions precedent to Closing shall be those conditions set out in the Master Trust Indenture.[2]
Representations:	Customary representations and warranties of the Guarantor.
FIPPA:	Acknowledgement that the Guarantor is bound by the *Freedom of Information and Protection of Privacy Act (Ontario)* and that any information provided to the Guarantor or its agents or representatives in connection with the Transaction Documents may be subject to disclosure in accordance with that act or as otherwise required by law.
Confidentiality Obligations:	Customary confidentiality obligations to be negotiated and included. A Financing Entity and the Beneficiaries shall not, subject to applicable law, issue any press releases and other public announcements in respect of the Provincial Support Agreement without the prior written consent of the Guarantor.
Governing Law:	Province of Ontario

[2] Opinions on the validity and enforceability of Provincial Support Agreement will be required.

Provincial Support Agreement Term Sheet~~—~~

Fair Hydro Plan Act, 2017

*This term sheet (the "**Term Sheet**") is provided exclusively to the parties listed herein in connection with the draft Fair Hydro Plan Act, 2017 and the regulations to be made thereunder (the "**Act**"). This Term Sheet is to be held confidential. Defined terms used herein have the meanings ascribed to them in the Act. The provincial support agreement (the "**Provincial Support Agreement**") will contain the terms and conditions set out in this Term Sheet in addition to such other representations, warranties, indemnities, and other terms and conditions as the Guarantor and the Beneficiaries (each as defined below) may reasonably require.*

Guarantor:	Her Majesty the Queen in right of Ontario, as represented by the Minister of Energy.
Beneficiaries:	The ~~trust company acting as~~ indenture trustee (together with its successors, the "**Indenture Trustee**") under the master trust indenture (the "**Master Trust Indenture**") ~~acting for the benefit of~~on behalf of itself and all other persons ~~who may have contractual~~having debt or other claims against a Financing Entity secured under the Master Trust Indenture (collectively, the "**Beneficiaries**") ~~(~~including, without limitation, holders of senior and subordinated notes, senior and subordinated lenders, hedge counterparties, credit enhancers, liquidity providers, the Financial Services Manager, the Indenture Trustee~~ and~~, the trustee of the Financing Entity[1]~~)~~ if the Financing Entity is a trust, and any other administrator of the Financing Entity.
Term:	The Guarantor's obligations under the Provincial Support Agreement will continue until **[one year]**[2]1 after all ~~Funding Obligations~~funding obligations (to be defined to include principal, interest, fees, hedge settlement and termination obligations and other related amounts) of all Financing Entities have been repaid.
Performance Guarantee:	~~**[Upon the occurrence of a Performance Guarantee Event]**, the Indenture Trustee will be entitled to require the Guarantor to appoint a replacement servicer who will perform IESO's duties as servicer under~~Under the Master Sale and Servicing Agreement ~~between IESO, as seller and servicer,~~to be entered into by IESO and the Financing Entity~~, as purchaser~~, **[and OPG as Financial Services Manager]** ("**MSSA**")~~.~~, IESO will have obligations both

[1] ~~We have assumed that the initial Financing Entity will be a trust.~~

[2]1 This mirrors the requirement expected to be in the Regulations under the Act not to wind up, dissolve or liquidate a Financing Entity until at least one year after all of its Funding Obligations have been repaid.

	as a seller and as a servicer. Pursuant to a performance guarantee, the Guarantor will guarantee in favour of the Beneficiaries to perform, or cause the performance of (which may be by way of the appointment of a replacement servicer), the obligations of IESO as servicer under the MSSA and the Act including the obligations of any replacement servicer. The Guarantor will also guarantee the servicing obligations of the electricity vendors under the Act. The servicing obligations covered will include all obligations related to the collecting and remitting of clean energy adjustments and will protect the Beneficiaries from any risks arising from collections of clean energy adjustments being commingled with other amounts. In the event that the performance guarantee is unenforceable against the Guarantor, the Provincial Support Agreement will contemplate a separate legal obligation by the Guarantor to indemnify the ~~Indenture Trustee~~Beneficiaries for any losses that result.
~~**Performance Guarantee Event:**~~	~~A "Servicer Default" occurs under the MSSA[3]~~
~~**Payment Guarantee:**~~	~~**[Upon the occurrence of a Payment Guarantee Event and within [5/10] business days after receiving a demand from the Indenture Trustee]**, the Guarantor shall **[guarantee and indemnify the Indenture Trustee (for and on behalf of the Beneficiaries) by paying all regularly scheduled interest and principal payments during the term of a Financing Entity's contractual obligation to such Beneficiary]/[assume the contractual obligations of a Financing Entity to the Beneficiaries]**[4], which for greater certainty shall not include any default, penalty, prepayment, or make whole amounts.~~
Payment Guarantee Event:	A Payment Guarantee Event will occur if: (A) ~~if~~ the Legislative Assembly of Ontario repeals the Act; or (B) ~~if~~ the Legislative Assembly of Ontario amends the Act or a Regulation thereunder is amended in a way that adversely impacts the ability of a Financing Entity to fully recover an investment interest in order to fully pay all funding obligations and other obligations incurred by such Financing Entity in respect of such investment interest; or (C) ~~if~~ a court of competent jurisdiction (i) determines all or a portion of the Act to be *ultra vires* in a way that adversely impacts the ability of a Financing Entity to fully recover an investment

[3] ~~Each Servicer Default will include its own cure period before the event becomes a Servicer Default.~~
[4] ~~To confirm if Province will become the debtor under the applicable debt documentation or if the Financing Entity will continue to be the primary obligor with the Province acting as secondary obligor.~~

	interest in order to fully pay all funding obligations and other obligations incurred by such Financing Entity in respect of such investment interest or (ii) declares any funding obligations to be invalid or unenforceable; or (D) funding obligations are due and payable at a time when a market disruption (a period of [six months or more] when capital markets term funding is not available to effect refinancings of funding obligations) is occurring and, in the case of long term funding obligations only, a moratorium or limitation on the imposition and collection of clean energy adjustments to repay such funding obligations is in effect under the Act.
Payment Guarantee:	Upon the occurrence of a Payment Guarantee Event under clauses (A), (B) or (C) of the above definition: (x) the Guarantor shall assume and pay when due (without acceleration) all funding obligations and all other obligations of the Financing Entities to the Beneficiaries by paying all regularly scheduled amounts in respect thereof during the term of each Financing Entity's contractual obligation to such Beneficiaries; and (y) Beneficiaries holding funding obligations consisting of bonds [with a remaining term to maturity of greater than **one year]** shall have the option to put the bonds to the Financing Entity for a put price equal to 101% of the principal amount thereof plus accrued and unpaid interest. In connection with any put under this clause (y), the Guarantor shall guarantee payment of the put price and any related hedge breakage but shall not be responsible for any other default, penalty, prepayment or make whole amounts.
Limits under Guarantees:	Under no circumstances shall the Guarantor be obligated to indemnify any Beneficiary for special or punitive damages, or loss of profits.
Priority of Payments:	The priority of the Beneficiaries to any payment made by the Guarantor under the Provincial Support Agreement shall be governed by the priority provisions in the Master Trust Indenture.
Subrogation:	Where the Guarantor has repaid ~~a Beneficiary~~all Beneficiaries in full, to the extent of such ~~payment,~~payments the Guarantor ~~is~~shall be subrogated in and to all the rights of recovery of ~~such~~the Beneficiar~~y~~ies in respect of their applicable indebtedness and obligations and the security granted by a Financing Entity to the Indenture Trustee. After repayment by the Guarantor of all ~~amounts~~indebtedness and obligations owing to ~~a~~the Beneficiar~~y~~ies,

	the Indenture Trustee will acknowledge and agree on behalf of ~~such~~the Beneficiar~~y~~ies that the Guarantor is entitled to exercise all of the rights, powers and privileges that the Beneficiar~~y~~ies ha~~s~~ve or may exercise in respect of the repaid indebtedness and obligations, all in accordance with the terms of the Master Trust Indenture. Prior to the repayment in full of the indebtedness and obligations owed to the Beneficiaries, the Guarantor shall have no rights of subrogation.
Notice Requirements:	The Indenture Trustee will be required to provide notice to the Guarantor of a ~~Performance Guarantee Event or~~ Payment Guarantee Event and may in such notice demand payment or performance of the Guarantor's obligation under the Provincial Support Agreement, as applicable.
Closing:	Date to be determined but no later than **[**■, 2017**]**. The Closing is the date on which the documents in respect of the MSSA, the Master Trust Indenture and all related documentation are executed and delivered.
Reporting Requirements of a Financing Entity:	The Guarantor will be entitled to receive all reports received by the Indenture Trustee under the Master Trust Indenture.
Conditions Precedent to Closing:	Conditions precedent to Closing shall be those conditions set out in the Master Trust Indenture.~~5~~[2]
Representations:	Customary representations and warranties of the Guarantor.
FIPPA:	Acknowledgement that the Guarantor is bound by the *Freedom of Information and Protection of Privacy Act (Ontario)* and that any information provided to the Guarantor or its agents or representatives in connection with the Transaction Documents may be subject to disclosure in accordance with that act or as otherwise required by law.
Confidentiality Obligations:	Customary confidentiality obligations to be negotiated and included. A Financing Entity and the Beneficiaries shall not, subject to applicable law, issue any press releases and other public announcements in respect of the Provincial Support Agreement without the prior written consent of the Guarantor.
Governing Law:	Province of Ontario

~~5~~[2] Opinions on the validity and enforceability of Provincial Support Agreement will be required.

From:	Opal Kandelas
To:	Sarah Harris
Bcc:	Opal Kandelas
Subject:	FHP
Date:	Wednesday, May 31, 2017 9:36:24 AM
Attachments:	Financing Trust - Performance Fee Recommendation.doc FW Draft GA Sub debt term sheet - Performance Fee Recommendations.msg Fwd Draft GA Sub debt term sheet.msg FW OFHP - Outstanding business issues - new note#5 IESO.msg FW Equity Injection Term Sheet.msg RE Provincial Support Term Sheet.msg FW EXTERNAL RE Term Sheet - Provincial Support Agreement relating to the Fair Hydro Trust.msg

---

Hi Sarah,

The FHP seems to be taking shape but (as should be reasonably expected) much of the information is coming to me in bits and pieces. Would be good to have a Doc staff familiar with this as more info becomes available or is being developed. It's being kept at a fairly high level at this time, but don't want to be surprised if Documentation is needed to jump in. I've included the emails on the subject to help provide some context – they aren't all helpful though. What I've sent is for review and provide opportunity to comment as well as to ask questions.

Docs for review/comment/question:
Financing Trust- Performance Fee Recommendation
Subordinated Debt Term Sheet
Outstanding Business Issues Ontario Fair Hydro Plan markup_cy1
Term Sheet Master Subscription draft May 26
Provincial Support Agreement May 12 MOF draft comments
Term Sheet – Provincial Support Agreement May 12
Compare Term Sheet Provincial Support Agreement Term Sheet

Thanks,
Opal.

FINANCING TRUST – PERFORMANCE FEE TO OPG

BACKGROUND

Ontario Power Generation Inc. (OPG) has been appointed the Financial Services Manager under the Fair Hydro Plan Act, 2017 to, among other things evaluate whether funding obligations should be incurred by the Trust for the purpose of acquiring and financing an investment interest. A performance fee relating to the funding obligations will be meaningful and allow OPG to make decisions that will significantly impact its return. The Act as drafted enables OPG to achieve its accounting objective of consolidation of the Trust with OPG, and the ability to earn a return and take on risk, through its control of the Trust.. The objective therefore is to recommend a reasonable variable performance fee structure for OPG to earn a return from the Trust, and meet the accounting requirement.

ANALYSIS OF ACCOUNTING REQUIREMENT

To support the accounting consolidation, OPG's variable performance return will be accomplished through the followings:

a. The cash flow from the investment asset shall include interest determined based on a relevant benchmark that is appropriate relative to the investment asset, plus an appropriate margin consistent with the relevant market and other risks
b. OPG shall have the authority to determine the financing strategy, which will vary the financing costs with the objective of enabling the Trust to achieve a more favorable return compared to the benchmark for interest on the investment asset
c. The Trust shall establish different classes of debt (senior, subordinated and the most subordinated). The classes would allow the Trust to delineate financing of lower risk investment and investment that would bear higher residual risk. The delineation would limit OPG's self-funded investment to a reasonable level in order to allow OPG to remain a self-sustaining entity.
d. OPG shall, through its ownership of the most subordinated liability, be able to capture and retain the pricing difference between cost of financing and benchmark for interest on the investment asset, or any residual risk of investment asset. The targeted return of the subordinated debt should be reflective of the underlying risks and compensate holders for active management that would be required.

PERFORMANCE FEE ANALYSIS

Based on the accounting requirements, the recommendation is for OPG to establish a variable performance fee structure as follows:

As the Trust may issue both long term bonds and medium term notes, benchmarks based on various terms, will be established on an annual basis, subject to the following methodology:

- Benchmarks will be established as the sum of (1) reference rate, and (2) spread
    - Both reference rate and spread will be term dependant

- For bond/note issuance, reference rate will be GOC rate of equivalent term
- Reference rate will be based on consensus forecast provided by various financial institutions

- Benchmarks will be established based on the weighted average rate of incremental debt issuance at the Trust level
- If the actual weighted average rate is lower than the corresponding benchmark, OPG will realize a gain, otherwise a loss
- Variable performance fee, i.e. gain/loss, is applicable only to OPG's investment in the Trust (5% of the funding requirement), and is capped at benchmark weighted average rate +/-1%

An example illustrating this structure is detailed in Appendix 1

APPENDIX 1

The illustration is based on the expected Trust debt structure as follows:

	Risk Profile	Source	% of Total Funding Requirement
Tranche A Senior Debt	the least risky	Capital Markets	51%
Tranche B Sub Debt	In between A&C	OPG via OEFC	39%
Tranche C Sub Debt	the most risky	OPG via OEFC	5%
		OPG via Capital Markets	5%

1. Benchmark is to be established at each year end for Trust issuance next year. In this example, assuming the following benchmark is established as of end of Yr 1

		Benchmark
Tranche A	51%	4.25%
Tranche B Sub Debt	39%	5.50%
Tranche C Sub Debt	10%	6.50%
Weighted Average Rate		**5.0%**

2. By the end of Yr 2, OPG will calculate the actual weighted average rate for all incremental issuance for the year. If the actual weighted average rate is lower than the corresponding benchmark, OPG will realize a gain, otherwise a loss.

	Allocation	Benchmark	Actual
Tranche A	51%	4.25%	5.0%
Tranche B Sub Debt	39%	5.50%	5.60%
Tranche C Sub Debt	10%	6.50%	6.60%
Weighted Average Rate		**5.0%**	5.4%
		Loss	0.4%

3. Variable management fee, i.e. gain/loss, is applicable only to OPG's investment (5% of the Trust funding requirement), and is capped at benchmark weighted average rate +/-1%.

   Based on the example above and assume incremental Trust issuance is $2B, OPG will realize loss of variable performance fee of 0.4M ($2B*5%*0.4%)

From: Carlos Yep []
To: Mike Manning [Mike.Manning@ofina.on.ca]; James Devine [James.Devine@ofina.on.ca]; Opal Kandelas [Opal.Kandelas@ofina.on.ca]; Ken Kandeepan [Ken.Kandeepan@ofina.on.ca]; John Psinas [John.Psinas@ofina.on.ca]; John Kim [John.Kim@ofina.on.ca]; Bruno Amara [Bruno.Amara@ofina.on.ca]; 'Montgomery, Kaitlin (MOF)' [Kaitlin.Montgomery@ontario.ca]
Subject: FW: Draft GA Sub debt term sheet - Performance Fee Recommendations
Date: Wednesday, May 31, 2017 09:05:46
Attachment 1: Financing Trust - Performance Fee Recommendation.doc

---

fyi

From: LIU Sheen -TREASURY [mailto:sheen.liu@opg.com]
Sent: Wednesday, May 31, 2017 9:03 AM
To: Carlos Yep <Carlos.Yep@ofina.on.ca>
Cc: LEE John -TREASURY <john.s.lee@opg.com>; RYFA Ken -TREASURY <ken.ryfa@opg.com>; PRESTON Stuart -TREASURY <stuart.preston@opg.com>; HAHN PARKER Janet -TREASURY <j.hahnparker@opg.com>
Subject: RE: Draft GA Sub debt term sheet

Carlos,

Attached for your review please also find the recommended structure of variable performance fee and benchmark relating to GA financing. We can discuss it at our meeting with OFA as well.

Sheen

From: LIU Sheen -TREASURY
Sent: Tuesday, May 30, 2017 4:26 PM
To: 'Carlos Yep'
Cc: LEE John -TREASURY; RYFA Ken -TREASURY; PRESTON Stuart -TREASURY; HAHN PARKER Janet -TREASURY
Subject: Draft GA Sub debt term sheet

Carlos,

Further to our discussions re establishing GA financing benchmark. Attached please find the draft term sheet of the subordinated debt (from Province equity injection). Could you please review and circulate it to the appropriate contacts/group on your side. We'd also like to set up a meeting with OFA, at your earliest convenience, to go over the document and get your feedback. Please let us know your availability.

Thanks

Sheen

<< File: Draft Subordianted Debt Term Sheet.doc >>

THIS MESSAGE IS ONLY INTENDED FOR THE USE OF THE INTENDED RECIPIENT(S) AND MAY CONTAIN INFORMATION THAT IS PRIVILEGED, PROPRIETARY AND/OR CONFIDENTIAL. If you are not the intended recipient, you are hereby notified that any review, retransmission, dissemination, distribution, copying, conversion to hard copy or other use of this communication is strictly prohibited. If you are not the intended recipient and have received this message in error, please notify me by return e-mail and delete this message from your system. Ontario Power Generation Inc.

FINANCING TRUST – PERFORMANCE FEE TO OPG

BACKGROUND

Ontario Power Generation Inc. (OPG) has been appointed the Financial Services Manager under the Fair Hydro Plan Act, 2017 to, among other things evaluate whether funding obligations should be incurred by the Trust for the purpose of acquiring and financing an investment interest. A performance fee relating to the funding obligations will be meaningful and allow OPG to make decisions that will significantly impact its return. The Act as drafted enables OPG to achieve its accounting objective of consolidation of the Trust with OPG, and the ability to earn a return and take on risk, through its control of the Trust.. The objective therefore is to recommend a reasonable variable performance fee structure for OPG to earn a return from the Trust, and meet the accounting requirement.

ANALYSIS OF ACCOUNTING REQUIREMENT

To support the accounting consolidation, OPG's variable performance return will be accomplished through the followings:

a. The cash flow from the investment asset shall include interest determined based on a relevant benchmark that is appropriate relative to the investment asset, plus an appropriate margin consistent with the relevant market and other risks
b. OPG shall have the authority to determine the financing strategy, which will vary the financing costs with the objective of enabling the Trust to achieve a more favorable return compared to the benchmark for interest on the investment asset
c. The Trust shall establish different classes of debt (senior, subordinated and the most subordinated). The classes would allow the Trust to delineate financing of lower risk investment and investment that would bear higher residual risk. The delineation would limit OPG's self-funded investment to a reasonable level in order to allow OPG to remain a self-sustaining entity.
d. OPG shall, through its ownership of the most subordinated liability, be able to capture and retain the pricing difference between cost of financing and benchmark for interest on the investment asset, or any residual risk of investment asset. The targeted return of the subordinated debt should be reflective of the underlying risks and compensate holders for active management that would be required.

PERFORMANCE FEE ANALYSIS

Based on the accounting requirements, the recommendation is for OPG to establish a variable performance fee structure as follows:

As the Trust may issue both long term bonds and medium term notes, benchmarks based on various terms, will be established on an annual basis, subject to the following methodology:

- Benchmarks will be established as the sum of (1) reference rate, and (2) spread
    - Both reference rate and spread will be term dependant

- For bond/note issuance, reference rate will be GOC rate of equivalent term
- Reference rate will be based on consensus forecast provided by various financial institutions

- Benchmarks will be established based on the weighted average rate of incremental debt issuance at the Trust level
- If the actual weighted average rate is lower than the corresponding benchmark, OPG will realize a gain, otherwise a loss
- Variable performance fee, i.e. gain/loss, is applicable only to OPG's investment in the Trust (5% of the funding requirement), and is capped at benchmark weighted average rate +/-1%

An example illustrating this structure is detailed in Appendix 1

APPENDIX 1

The illustration is based on the expected Trust debt structure as follows:

	Risk Profile	Source	% of Total Funding Requirement
Tranche A Senior Debt	the least risky	Capital Markets	51%
Tranche B Sub Debt	In between A&C	OPG via OEFC	39%
Tranche C Sub Debt	the most risky	OPG via OEFC	5%
		OPG via Capital Markets	5%

1. Benchmark is to be established at each year end for Trust issuance next year. In this example, assuming the following benchmark is established as of end of Yr 1

		Benchmark
Tranche A	51%	4.25%
Tranche B Sub Debt	39%	5.50%
Tranche C Sub Debt	10%	6.50%
Weighted Average Rate		**5.0%**

2. By the end of Yr 2, OPG will calculate the actual weighted average rate for all incremental issuance for the year. If the actual weighted average rate is lower than the corresponding benchmark, OPG will realize a gain, otherwise a loss.

	Allocation	Benchmark	Actual
Tranche A	51%	4.25%	5.0%
Tranche B Sub Debt	39%	5.50%	5.60%
Tranche C Sub Debt	10%	6.50%	6.60%
Weighted Average Rate		**5.0%**	5.4%
		Loss	0.4%

3. Variable management fee, i.e. gain/loss, is applicable only to OPG's investment (5% of the Trust funding requirement), and is capped at benchmark weighted average rate +/-1%.

   Based on the example above and assume incremental Trust issuance is $2B, OPG will realize loss of variable performance fee of 0.4M ($2B*5%*0.4%)

From: Carlos Yep []
To: Mike Manning [Mike.Manning@ofina.on.ca]; James Devine [James.Devine@ofina.on.ca]; Opal Kandelas [Opal.Kandelas@ofina.on.ca]; Ken Kandeepan [Ken.Kandeepan@ofina.on.ca]; John Psinas [John.Psinas@ofina.on.ca]; John Kim [John.Kim@ofina.on.ca]; Bruno Amara [Bruno.Amara@ofina.on.ca]; Kaitlin.Montgomery@ontario.ca [Kaitlin.Montgomery@ontario.ca]
Subject: Fwd: Draft GA Sub debt term sheet
Date: Tuesday, May 30, 2017 16:32:25
Attachment 1: Draft Subordianted Debt Term Sheet.doc
Attachment 2: ATT00001.htm

Begin forwarded message:

From: LIU Sheen -TREASURY <sheen.liu@opg.com>
Date: May 30, 2017 at 4:26:00 PM EDT
To: 'Carlos Yep' <Carlos.Yep@ofina.on.ca>
Cc: LEE John -TREASURY <john.s.lee@opg.com>, RYFA Ken -TREASURY <ken.ryfa@opg.com>, PRESTON Stuart -TREASURY <stuart.preston@opg.com>, "HAHN PARKER Janet -TREASURY" <j.hahnparker@opg.com>
Subject: Draft GA Sub debt term sheet

Carlos,

Further to our discussions re establishing GA financing benchmark. Attached please find the draft term sheet of the subordinated debt (from Province equity injection). Could you please review and circulate it to the appropriate contacts/group on your side. We'd also like to set up a meeting with OFA, at your earliest convenience, to go over the document and get your feedback. Please let us know your availability.

Thanks

Sheen

THIS MESSAGE IS ONLY INTENDED FOR THE USE OF THE INTENDED RECIPIENT(S) AND MAY CONTAIN INFORMATION THAT IS PRIVILEGED, PROPRIETARY AND/OR CONFIDENTIAL. If you are not the intended recipient, you are hereby notified that any review, retransmission, dissemination, distribution, copying, conversion to hard copy or other use of this communication is strictly prohibited. If you are not the intended recipient and have received this message in error, please notify me by return e-mail and delete this message from your system. Ontario Power Generation Inc.

Fair Hydro Plan – Subordinated Debt Loan Arrangement
Term Sheet

- Parties: OPG, Fair Hydro Trust, OFA

- In accordance with the Master Subscription Agreement among OPG, OFA and Ministry of Energy, the Province agrees to inject 44% of total funding of GA asset by way of equity subscriptions in OPG, and OPG agrees to use the equity subscription amounts solely for funding the Fair Hydro Trust's subordinated debt (Equity Injection Plan) requirements as part of the Fair Hydro Plan

- OPG will lend the equity injection from the Province to Fair Hydro Trust by way of subordinated debt (one or more mezzanine level)

- Initial credit rating will be assigned to the subordinated debt of Fair Hydro Trust

- Based on monthly funding requirement of GA asset, the Trust will use short term financing, such as bank facilities, and take out bonds once accumulative short term funding reaches certain levels.

- The mechanism to implement Equity Injection Plan will be based on monthly equity injections reflecting funding requirements of GA asset

- Interest rates on the subordinated debt will be established as follows:

    - During the Trust short term financing period when bank facilities are used as funding vehicles, the interest rate on subordinated debt will be the sum of (1) funding rate on senior debt, and (2) additional spread margin of [xx], reflecting the credit rating difference between the senior and subordinated debt

    - At the time when senior bonds are being issued to take out (term out) the short term financing, OPG will seek indicative coupon rates on the subordinated debt from dealers, reflecting the sum of underlying Government of Government of Canada yield of equivalent term and the appropriate credit spread. The average indicative coupon rate from dealers will be calculated and set as the subordinated debt rate. The process will be similar to the one established for pricing of OPG debt drawn from OEFC facilities.

From: Carlos Yep []
To: Opal Kandelas [Opal.Kandelas@ofina.on.ca]
CC: Mike Manning [Mike.Manning@ofina.on.ca]
Subject: FW: OFHP - Outstanding business issues - new note#5 IESO
Date: Tuesday, May 30, 2017 14:27:56
Attachment 1: Outstanding Business Issues Ontario Fair Hydro Plan markup_cy1.docx

---

-----Original Message-----
From: Carlos Yep
Sent: Tuesday, May 30, 2017 12:21 PM
To: Mike Manning <Mike.Manning@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; John Psinas <John.Psinas@ofina.on.ca>
Cc: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: FW: OFHP - Outstanding business issues

fyi

-----Original Message-----
From: Montgomery, Kaitlin (MOF) [mailto:Kaitlin.Montgomery@ontario.ca]
Sent: Tuesday, May 30, 2017 11:28 AM
To: John Kim <John.Kim@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>
Subject: OFHP - Outstanding business issues

Hi all,

ENE MO asked for a quick note on 4 of the outstanding business issues that are being worked through and are hoping to see something tomorrow morning.

I've pulled together a high level explanation of each of the items and next steps/timing (to the extent I know).

Would greatly appreciate if you guys could take a look and provide any edits/comments today/early tomorrow if possible. I'm also not too involved in a few of these discussions so if there's others within OFA you think should review feel free to pass along.

Thanks in advance,
Kaitlin

Outstanding Business Issues – Ontario Fair Hydro Plan
Briefing Note

PURPOSE
Provide an overview of a few of the key remaining outstanding business issues that OPG and the Province are working through

BUSINESS ISSUES

1. **Provincial Support Agreement Term Sheet (~~Service and~~ Performance and Payment Guarantees)**
   - As part of the OFHP, the IESO will create and sell a regulatory asset to the OPG financing entity
   - In order to provide assurances to those with claims against the Financing Entity (eg. Holders of debt), and support credit ratings, the Province is providing both a Service Guarantee and a Performance Guarantee to ensure that the obligations of the IESO are carried out including obligations related to collecting and remitting clean energy adjustments.
   - **Next Steps:**
     - OPG and OFA and working towards the development of a term sheet
     - Timing: Guarantees are required to support rating agency review which is expected by the end of July

2. **Payments in Lieu of Taxes (PILs) Exemption**
   - The Province would like to minimize to the extent possible , the PILs payable by the OPG financing vehicle, as those costs will be recovered from ratepayers
   - The Province is considering regulation changes to exempt the income arising as a consequence of the Fair Hydro Plan from PILs
   - As part of the OFHP, the financing entity will raise debt and acquire "investment assets" from the IESO. Given the unique nature of the investment assets, there are no specific rules which govern the manner which investment assets should be treated for tax purposes, and further analysis is required to ensure the cost of the investment assets are appropriately recognized as a deduction or offset in computing the income of the financing entity
   - **Next Steps:**
     - The Ministries of Finance, OFA and OPG are working together to determine required regulation changes
     - Timing: [Next steps for a decision / when is a decision required / when would these regulation changes occur]

3. **Fair Hydro Plan - Master Subscription Agreement Term Sheet (Equity Injection Process)**

- OPG will require equity injections on a monthly basis in order to maintain its capital structure, and will require flexibility in order to issue shares as needed by the Province
- The Ministry of Energy received appropriation for $1.1B through PRRT to support equity injections for the 2017-18 period, and will continue to provide multi-year forecasts each year through PRRT
- **Next Steps:**
    - The Ministry of Energy, OFA and OPG are working through the short term mechanics of this process which will ultimately feed into a Master Subscription Agreement. A draft term sheet is underway.
    - Timing: OPG will require the ability to issue equity in July, so mechanics and agreements should be finalized in June

4. Management Fees

- OPG will be providing all required services to the Trust as part of the OFHP, including planning, strategy, financing, deal execution etc.
- The legislation allows OPG to establish and charge a management fee for those services in accordance with the regulations which are currently in development
- OPG and OEB are currently working together on a management fee structure that balances the interests of minimizing costs and satisfying accounting consolidation requirements
- **Next Steps:**
    - OPG and OEB will bring forward a recommended framework for developing management fees
    - Timing: For incorporation into regulations being brought forward in June

5. IESO – Increased Credit Facilities

- The OPG financing entity has the right to purchase the regulatory asset from IESO but does not have to purchase it.
- IESO is working with the OFA to increase the credit facilities in the event that the OPG financing entity does not purchase the regulatory asset
- **Next Steps:**
    - OFA is …..
    - Timing: ……

Formatted

Formatted: Font: +Headings (Calibri)

From: Carlos Yep []
To: Opal Kandelas [Opal.Kandelas@ofina.on.ca]
Subject: FW: Equity Injection Term Sheet
Date: Tuesday, May 30, 2017 12:16:51
Attachment 1: Term Sheet_Master Subscription_draftMay26.docx

---

fyi

From: Carlos Yep
Sent: Tuesday, May 30, 2017 8:30 AM
To: Mike Manning <Mike.Manning@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; John Psinas <John.Psinas@ofina.on.ca>
Subject: FW: Equity Injection Term Sheet

From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Tuesday, May 30, 2017 8:23 AM
To: Carlos Yep <Carlos.Yep@ofina.on.ca>
Cc: Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Subject: RE: Equity Injection Term Sheet

Thanks Carlos.

In the previous H1 related loans, the Minister of Energy signed the share purchase agreement and the Minister of Finance signed the loan agreement under the authority of an OIC. OFA staff act on behalf of the Minister of Finance in taking certain actions related to the loan. I am not sure that the Minister of Energy can delegate authority under the share purchase agreement for this equity injection (i.e. to make a decision to purchase shares) in the same way that OFA staff would deal with actions under a loan agreement. It may be that if there needs to be some quick turn-around in relation to funding OPG via the equity injection that maybe there might be a services agreement between the OFA and the Ministry of Energy. Perhaps, this only refers to how the money is being flowed and is more of a back-office function, and someone at the Ministry of Energy directs the OFA to take the action.

We will take a look at this term sheet too and provide some comments and questions.

Thanks.

Malle

From: Carlos Yep [mailto:Carlos.Yep@ofina.on.ca]
Sent: May 30, 2017 7:58 AM
To: Hanslep, Malle (MOF)
Cc: Whitfield, Tobias P. (MOF)
Subject: FW: Equity Injection Term Sheet

fyi

From: Montgomery, Kaitlin (MOF) [mailto:Kaitlin.Montgomery@ontario.ca]
Sent: Monday, May 29, 2017 1:56 PM
To: John Kim <John.Kim@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>
Cc: Thomas Leung (MEDTE/MRI) <Thomas.Leung@ontario.ca>
Subject: Equity Injection Term Sheet

Hey John, Carlos,

Attached is a term sheet from OPG that would form the basis of the Equity Injection Agreement. I think this would be an agreement between ENE/OPG and OFA. While it currently says 5 business days in this document Clara flagged that the IESO may be looking for it to be settled in as quickly as 1 day. Given how quick this needs to happen I've included a line about ENE delegating authority to the OFA to manage this monthly process. I think ENE would want to be kept in the loop but I don't think they would need to sign off each month. That being said I haven't run this up the chain at ENE yet or discussed with ENE controllership.

Id defer to you guys for short term mechanics for the most part as you have the experience on the borrowing side. If you could take a look and mark-up where desired then maybe we can chat?

Let me know if you have any questions.
Kaitlin

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

Fair Hydro Plan –Master Subscription Agreement
Term Sheet

- Parties: OPG, OFA, Ministry of Energy
- The Province agrees to inject 44% of total funding of GA asset by way of equity subscription in OPG, which amount OPG in turn will invest in the Fair Hydro Trust as subordinated debt (**Equity Injection Plan**)
- Minister of Energy/Province approves Equity Injection Plan, and initial equity injection amount for 2017/18 fiscal year, and delegates to appropriate ministry staff authority to implement Equity Injection Plan (**Delegated Authority**)
- Long term, OPG equity requirements will form part of the business planning process in place between OPG and Ministry of Energy, ie, annually OPG to include forecasts of its equity requirements for the upcoming 3 years in its business plan submission -- NOTE: this portion of the business plan is not subject to concurrence by the shareholder
- Ministry of Energy will seek appropriation on an annual basis through PRRT for the amounts requested by OPG for its equity requirements-- NOTE: amount of annual appropriation to cover OPG multi year forecasts
- The Ministry of Energy will delegate authority to the Ontario Financing Authority to manage the monthly settlement process
- OPG agrees use the equity subscription amounts solely for funding the Fair Hydro Trust's subordinated debt requirements as part of the Fair Hydro Plan
- OPG will amend its Articles to create an additional class of shares – Class A Shares – which will be non-voting and redeemable at OPG's option
- OPG will issue Class A Shares to the Province monthly at a value per share equal to book value, as determined from OPG's last approved quarterly financial statements -- Value of first Class A shares issued to Province will be based on book value of OPG common shares – ie, existing shareholder's equity
- OPG will have the right to repay equity to the Province, through exercise of its right to redeem the Class A Shares, as principal repayment of the subordinated debt is made commencing in 2027
- Redemption value of the Class A Shares to be based on book value on the redemption date, ie, the equity value per Class A share at the end of the prior financial quarter as set out in OPG's approved financial statements

Formatted: Indent: Left: 0.5", No bullets or numbering

Monthly Process/Mechanics of Share Subscriptions:

a) OPG notifies OFA and Ministry of Energy of required equity injection and number of shares

Timing: [same day as notice from Fair Hydro Trust]

Documents/steps:

(i) share subscription form,
(ii) supporting documentation/invoice from Fair Hydro Trust, confirming amount of GA asset purchase for the month

b) OFA and OPG settle equity injection amounts

Timing: [five] business days from notice to OFA to payment/settlement with OPG [NOTE: timing to be confirmed based on IESO/Trust process requirements]

Documents/steps:

(i) completed/signed share subscription form from OFA~~/Province~~ to OPG

(ii) funds transfer from OFA to OPG account)

(iii) OPG receipt, together with secretary's certificate confirming issue of shares/update of share register sent to both OFA and ENE

Commented [KC1]: OFA: any details we can add based on your experience on the loan side? Who signs off at the OFA? Should we just make it the same process and delegate authority from ENE so OfA can execute?

Longer term Process/Approvals:

1. Equity Requirements Estimates:
   a. Business Plan Submissions
   b. OPG Board Approvals
      - [Bi-annual] Board of Directors' resolutions authorizing equity requirement for period
      - [Bi-annual Shareholder's resolutions authorizing equity requirement for period][NOTE: TBD if needed]

   c. Ministry of Energy appropriations
      ~~[describe annual process]~~Ministry of Energy will seek appropriation through PRRT process, including 3-year estimates that OPG provides through its business plan submission

Share Redemption Process

- TBD -- process to be determined at a later date and appended as Appendix to Master Subscription Agreement

From: Hanslep, Malle (MOF) [Malle.Hanslep@ontario.ca]
To: Mike Manning [Mike.Manning@ofina.on.ca]; James Devine [James.Devine@ofina.on.ca]; Carlos Yep [Carlos.Yep@ofina.on.ca]; Opal Kandelas [Opal.Kandelas@ofina.on.ca]; Ken Kandeepan [Ken.Kandeepan@ofina.on.ca]; Ronald Kwan [Ronald.Kwan@ofina.on.ca]
CC: Tobias P. Whitfield (MOF) [Tobias.Whitfield@ontario.ca]
Subject: RE: Provincial Support Term Sheet
Date: Monday, May 29, 2017 12:40:25
Attachment 1: Prov Support Agt May 12 MOF draft comments.docx

---

Hi all,

Here is our issues list.

Malle

From: Hanslep, Malle (MOF)
Sent: May 29, 2017 9:18 AM
To: Manning, Mike (OFA); Devine, James (OFA); Yep, Carlos (OFA); Kandelas, Opal (OFA); Kandeepan, Ken (OFA); Kwan, Ronald (OFA)
Cc: Whitfield, Tobias P. (MOF)
Subject: RE: Provincial Support Term Sheet

Hi all,

We are also putting together an issues list for discussion with Energy Legal and Blakes and will share it with you as well.

Is there any type of draft term sheet for the proposed financing transaction itself or the master sales and servicing agreement? Any general description of the proposed transaction would be helpful to us.

Thank you.

Malle

From: Hanslep, Malle (MOF)
Sent: May 26, 2017 3:16 PM
To: Manning, Mike (OFA); Devine, James (OFA); Yep, Carlos (OFA); Kandelas, Opal (OFA); Kandeepan, Ken (OFA); Kwan, Ronald (OFA)
Cc: Whitfield, Tobias P. (MOF)
Subject: Provincial Support Term Sheet

Hi all,

Further to our meeting on Wednesday, Toby and I have now been in touch with Energy Legal regarding the term sheet and will be attending a meeting with counsel at Blakes next Wednesday morning.

Best,

Malle

Malle Hanslep
Deputy Director
Ministry of the Attorney General
Ministry of Finance Legal Services Branch
Telephone: 416-325-1457

Notice: This communication may be solicitor/client privileged and contain confidential information intended only for the person(s) to whom it is addressed. If you have received this message in error please notify the writer and permanently delete the message and all attachments. Thank you.

CONFIDENTIAL AND PRIVILEGED LEGAL ADVICE

ISSUES LIST – PROVINCIAL SUPPORT AGREEMENT DRAFT MAY 12, 2017

1. Guarantor will be the Minister of Energy and the Minister of Finance on behalf of the Province (see. 5(3) of proposed Fair Hydro Act, 2017).

2. Description of proposed beneficiaries of guarantee is very broad. Provides that beneficiary is Indenture trustee under master trust indenture on behalf of itself and all persons that have claims against a Financing Entity secured under the master trust indenture. Persons range from the Financial Services Manager (OPG) to holders of various types of debt and hedge counterparties. Need to clarify which obligations the Province is being requested to guarantee and under what various agreements to determine scope and limit of guarantee. Is there a term sheet for the proposed financing to be issued by the Financing Entity? Is there a request for a guarantee of payment on other back-up or ancillary borrowing and obligations other than those issued in the market? Is there a draft of the Master Trust Indenture?

3. Why does the term of the guarantee continue for one year after the obligations have been repaid?

4. Performance Guarantee – This is also a very broad guarantee of performance of the IESO and all electricity services providers in favour of the same broad group of beneficiaries. How can the Province ensure that these entities perform their obligations practically? Also the Province is to protect beneficiaries from any commingling risk. It is noted that in the event the performance guarantee is unenforceable against the Province, there would be a separate legal obligation in the provincial support agreement to indemnify beneficiaries for any losses. Would there be any trigger events applicable to the obligation to indemnify as there are for the payment guarantee. If not, is this an issue for accounting treatment purposes? Also, is there an overlap between the performance and payment guarantee? So long as the funding obligations are paid on time by the financing entity, is there a need for other guarantees from the Province? Note that the Province does have immunity from specific types of enforcement under the Proceedings against the Crown Act. Is there a sample term sheet for the Master Sale and Servicing Agreement? Which provisions of the proposed bill are being relied on for this – is it section 5(2)? section 33. There doesn't seem to be a mechanism in the Act to replace the IESO as servicer. Should the Guarantee specify that the Province can appoint a replacement servicer?

5. Payment Guarantee Event – Regarding (B) and (C), the interpretation of when the triggering event has occurred will be an issue – is there a way to make it more objective or how can this be handled if there is a dispute? Regarding (D), think that there is going to be more discussion of the need for this provision from a business perspective. However, is this assuming, that the Province is guaranteeing both long term and short

term funding obligations? Need to clarify when and which obligations the province will be guaranteeing?

6. Payment Guarantee – Again it will be necessary to clarify which obligations the province is guaranteeing to understand what the range of payments to be made are. Also, (y) does not seem acceptable to the Province from a business perspective.

7. Limits under Guarantee – The guarantee wording should be clear so that the Province is guaranteeing payment of certain debt or specific obligations only and the Province's liability should be capped. Province should not be exposed to the risk of any other types of damages or losses.

8. Priority of Payments – Until we know who the beneficiaries are and with respect to what obligations, it is difficult to comment on this.

9. Subrogation – Need to ensure that the Province has appropriate recovery rights and not sure that it is appropriate that all beneficiaries are paid in full before Province gets subrogation rights. Also there is no acceleration here and Province really pays on an ongoing basis so how should subrogation work in such a case.

10. Conditions Precedent – Need to know what they are proposed to be.

11. Representations – Need to know what they are proposed to be as Province does not typically provide representations in connection with guarantees it provides.

12. Confidentiality Obligations – Thought the guarantee is part of a public financing so wouldn't the terms all be known?

13. Legal Opinions – Content, who will be providing them and to whom would they be provided.

General Questions on proposed legislation and interaction with guarantee:

14. General review of relevant sections would be appreciated and how the provisions fit with the requirements of the financing. In particular, s. 5, 13, 19, 21, 22, 33, 41 par 7

Ministry of Finance LSB
May 29, 2017

From: Mike Manning []
To: Opal Kandelas [Opal.Kandelas@ofina.on.ca]
Subject: FW: EXTERNAL – RE: Term Sheet - Provincial Support Agreement relating to the Fair Hydro Trust
Date: Tuesday, May 16, 2017 14:55:36
Attachment 1: image001.jpg
Attachment 2: Term Sheet - Provincial Support Agreement - May 12.docx
Attachment 3: Compare_Term Sheet - Provincial Support Agreement (2) - Term Sheet - Pro....pdf

---

From: LEE John -TREASURY [mailto:john.s.lee@opg.com]
Sent: Monday, May 15, 2017 2:01 PM
To: Mike Manning <Mike.Manning@ofina.on.ca>
Cc: Scott Nelms (ENERGY) <Scott.Nelms@ontario.ca>; WONG Leslie -LAWDIV <leslie.wong@opg.com>; RYFA Ken -TREASURY <ken.ryfa@opg.com>; PRESTON Stuart -TREASURY <stuart.preston@opg.com>
Subject: FW: EXTERNAL – RE: Term Sheet - Provincial Support Agreement relating to the Fair Hydro Trust

Mike:

Attached is the Dealers latest markup for the Provincial Support Agreement. Their changes center primarily with the Market Disruption.

We can arrange a call to discuss the dealer position.

John

From: Sebastiano, Rocco [mailto:RSebastiano@osler.com]
Sent: Friday, May 12, 2017 6:10 PM
To: WONG Leslie -LAWDIV; LEE John -TREASURY; RYFA Ken -TREASURY; Hill, Krista; Ramchandani, Rima; mfeldman@torys.com
Cc: Peric, Christiane; Persaud, Donnie - Debt Capital Markets; Fullerton, Rick; Innes, Michael; Smith, Elliot; Maciel, Andrew; Adalja, Sunil; Alvi, Shariq; "Benaiah, Ian' (ian.benaiah@rbccm.com)'; "vickie.turnbull@rbccm.com' (vickie.turnbull@rbccm.com)'; "david.dalbello@rbccm.com' (david.dalbello@rbccm.com)'; Milligan, Peter; 'Murray, Tim (tim.murray@rbccm.com)'; Khanna, Raj - Corporate Banking; 'Niehaus, Katrina'; 'Mullen, Max M.'; 'Collins, Patrick J (Patrick.Collins@gs.com)'; 'Delaney, Brian (Brian.Delaney@gs.com)'
Subject: EXTERNAL – RE: Term Sheet - Provincial Support Agreement relating to the Fair Hydro Trust

*** Exercise caution. This is an EXTERNAL email. DO NOT open attachments or click

links from unknown senders or unexpected email. ***

Please find enclosed a revised draft of the Term Sheet for the Provincial Support Agreement.

Regards, Rocco

From: Persaud, Donnie - Debt Capital Markets [mailto:Donnie.Persaud@cibc.com]
Sent: Tuesday, April 25, 2017 6:34 PM
To: Sebastiano, Rocco <RSebastiano@osler.com>; Fullerton, Rick <RFullerton@osler.com>; Innes, Michael <MInnes@osler.com>; Smith, Elliot <ESmith@osler.com>; Maciel, Andrew <Andrew.Maciel@cibc.com>; Adalja, Sunil <Sunil.Adalja@cibc.com>; Alvi, Shariq <Shariq.Alvi@cibc.com>; ''Benaiah, Ian' (ian.benaiah@rbccm.com)' <ian.benaiah@rbccm.com>; ''vickie.turnbull@rbccm.com' (vickie.turnbull@rbccm.com)' <vickie.turnbull@rbccm.com>; ''david.dalbello@rbccm.com' (david.dalbello@rbccm.com)' <david.dalbello@rbccm.com>; Milligan, Peter <PMilligan@osler.com>; 'Murray, Tim (tim.murray@rbccm.com)' <tim.murray@rbccm.com>; Khanna, Raj - Corporate Banking <Raj.Khanna@CIBC.ca>; 'Niehaus, Katrina' <Katrina.Niehaus@gs.com>; 'Mullen, Max M.' <Max.Mullen@gs.com>; 'Collins, Patrick J (Patrick.Collins@gs.com)' <Patrick.Collins@gs.com>; 'Delaney, Brian (Brian.Delaney@gs.com)' <Brian.Delaney@gs.com>
Cc: Peric, Christiane <Christiane.Peric@cibc.com>
Subject: FW: Term Sheet - Provincial Support Agreement relating to the Fair Hydro Trust

Please see attached.

Donnie Persaud | Executive Director | Debt Capital Markets | CIBC Capital Markets | CIBC World Markets Inc.
161 Bay Street, 5th Floor, Toronto ON M5J 2S8 | Tel: 416-594-7511 | Fax: 416-594-7760 | donnie.persaud@cibc.com

From: LEE John -TREASURY [mailto:john.s.lee@opg.com]
Sent: Tuesday, April 25, 2017 4:54 PM
To: Persaud, Donnie - Debt Capital Markets
Cc: WONG Leslie -LAWDIV; PRESTON Stuart -TREASURY; RYFA Ken -TREASURY; LIU Sheen -TREASURY
Subject: FW: Term Sheet - Provincial Support Agreement relating to the Fair Hydro Trust

Donnie:

Further to our discussion last week, please find attached the draft term sheet relating to the Provincial Support. In this draft the Province will assume the obligations of the debt under certain conditions. This draft document reflects the Province initial thoughts. Stu will coordinate this agreement from our end.

John

THIS MESSAGE IS ONLY INTENDED FOR THE USE OF THE INTENDED RECIPIENT(S) AND MAY CONTAIN INFORMATION THAT IS PRIVILEGED, PROPRIETARY AND/OR CONFIDENTIAL. If you are not the intended recipient, you are hereby notified that any review, retransmission, dissemination, distribution, copying, conversion to hard copy or other use of this communication is strictly prohibited. If you are not the intended recipient and have received this message in error, please notify me by return e-mail and delete this message from your system. Ontario Power Generation Inc.

This message, including any attachments, is intended only for the use of the individual(s) to which it is addressed and may contain information that is privileged/confidential. Any other distribution, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply email and permanently delete this message including any attachments, without reading it or making a copy.

You are receiving this email because our records show that you have a relationship with one or more of the CIBC Capital Markets lines of business of Canadian Imperial Bank of Commerce (CIBC) or CIBC World Markets Inc., which includes Investment and Corporate Banking and Global Markets. If you believe you are receiving this message in error or you no longer wish to receive electronic messages from us, you may unsubscribe[cibc.com] at any time. If you experience challenges with the unsubscribe link, reply to this email with the Subject Line "Unsubscribe" and Cc: Mailbox.CASLUnsubscribe@cibc.com. Please note that by selecting unsubscribe, we will only be able to send you emails that are required or permitted by law. Our mailing address is : CIBC CASL Unsubscribe, 161 Bay St, 9th Floor, Toronto, Ontario, M5J 2W5

****

This e-mail message is privileged, confidential and subject to copyright. Any unauthorized use or disclosure is prohibited.

Le contenu du présent courriel est privilégié, confidentiel et soumis à des droits d'auteur. Il est interdit de l'utiliser ou de le divulguer sans autorisation.

****

THIS MESSAGE IS ONLY INTENDED FOR THE USE OF THE INTENDED RECIPIENT(S) AND MAY CONTAIN INFORMATION THAT IS PRIVILEGED, PROPRIETARY AND/OR CONFIDENTIAL. If you are not the intended recipient, you are hereby notified that any review, retransmission, dissemination, distribution, copying, conversion to hard copy or other use of this communication is strictly prohibited. If you are not the intended recipient and have received this message in error, please notify me by return e-mail and delete this message from your system. Ontario Power Generation Inc.

CIBC

Provincial Support Agreement Term Sheet

Fair Hydro Plan Act, 2017

*This term sheet (the "**Term Sheet**") is provided exclusively to the parties listed herein in connection with the draft Fair Hydro Plan Act, 2017 and the regulations to be made thereunder (the "**Act**"). This Term Sheet is to be held confidential. Defined terms used herein have the meanings ascribed to them in the Act. The provincial support agreement (the "**Provincial Support Agreement**") will contain the terms and conditions set out in this Term Sheet in addition to such other representations, warranties, indemnities, and other terms and conditions as the Guarantor and the Beneficiaries (each as defined below) may reasonably require.*

Guarantor:	Her Majesty the Queen in right of Ontario, as represented by the Minister of Energy.
Beneficiaries:	The indenture trustee (together with its successors, the "**Indenture Trustee**") under the master trust indenture (the "**Master Trust Indenture**") on behalf of itself and all other persons having debt or other claims against a Financing Entity secured under the Master Trust Indenture (collectively, the "**Beneficiaries**") including, without limitation, holders of senior and subordinated notes, senior and subordinated lenders, hedge counterparties, credit enhancers, liquidity providers, the Financial Services Manager, the Indenture Trustee, the trustee of the Financing Entity if the Financing Entity is a trust, and any other administrator of the Financing Entity.
Term:	The Guarantor's obligations under the Provincial Support Agreement will continue until **[one year]**[1] after all funding obligations (to be defined to include principal, interest, fees, hedge settlement and termination obligations and other related amounts) of all Financing Entities have been repaid.

[1] This mirrors the requirement expected to be in the Regulations under the Act not to wind up, dissolve or liquidate a Financing Entity until at least one year after all of its Funding Obligations have been repaid.

Performance Guarantee:	Under the Master Sale and Servicing Agreement to be entered into by IESO and the Financing Entity, **[and OPG as Financial Services Manager]** ("**MSSA**"), IESO will have obligations both as a seller and as a servicer. Pursuant to a performance guarantee, the Guarantor will guarantee in favour of the Beneficiaries to perform, or cause the performance of (which may be by way of the appointment of a replacement servicer), the obligations of IESO as servicer under the MSSA and the Act including the obligations of any replacement servicer. The Guarantor will also guarantee the servicing obligations of the electricity vendors under the Act. The servicing obligations covered will include all obligations related to the collecting and remitting of clean energy adjustments and will protect the Beneficiaries from any risks arising from collections of clean energy adjustments being commingled with other amounts. In the event that the performance guarantee is unenforceable against the Guarantor, the Provincial Support Agreement will contemplate a separate legal obligation by the Guarantor to indemnify the Beneficiaries for any losses that result.
Payment Guarantee Event:	A Payment Guarantee Event will occur if: (A) the Legislative Assembly of Ontario repeals the Act; or (B) the Legislative Assembly of Ontario amends the Act or a Regulation thereunder is amended in a way that adversely impacts the ability of a Financing Entity to fully recover an investment interest in order to fully pay all funding obligations and other obligations incurred by such Financing Entity in respect of such investment interest; or (C) a court of competent jurisdiction (i) determines all or a portion of the Act to be *ultra vires* in a way that adversely impacts the ability of a Financing Entity to fully recover an investment interest in order to fully pay all funding obligations and other obligations incurred by such Financing Entity in respect of such investment interest or (ii) declares any funding obligations to be invalid or unenforceable; or (D) funding obligations are due and payable at a time when a market disruption (a period of [six months or more] when capital markets term funding is not available to effect refinancings of funding obligations) is occurring and, in the case of long term funding obligations only, a moratorium or limitation on the imposition and collection of clean energy adjustments to repay such funding obligations is in effect under the Act.

Payment Guarantee:	Upon the occurrence of a Payment Guarantee Event under clauses (A), (B) or (C) of the above definition: (x) the Guarantor shall assume and pay when due (without acceleration) all funding obligations and all other obligations of the Financing Entities to the Beneficiaries by paying all regularly scheduled amounts in respect thereof during the term of each Financing Entity's contractual obligation to such Beneficiaries; and (y) Beneficiaries holding funding obligations consisting of bonds [with a remaining term to maturity of greater than one year] shall have the option to put the bonds to the Financing Entity for a put price equal to 101% of the principal amount thereof plus accrued and unpaid interest. In connection with any put under this clause (y), the Guarantor shall guarantee payment of the put price and any related hedge breakage but shall not be responsible for any other default, penalty, prepayment or make whole amounts.
Limits under Guarantees:	Under no circumstances shall the Guarantor be obligated to indemnify any Beneficiary for special or punitive damages, or loss of profits.
Priority of Payments:	The priority of the Beneficiaries to any payment made by the Guarantor under the Provincial Support Agreement shall be governed by the priority provisions in the Master Trust Indenture.
Subrogation:	Where the Guarantor has repaid all Beneficiaries in full, to the extent of such payments the Guarantor shall be subrogated in and to all the rights of recovery of the Beneficiaries in respect of their applicable indebtedness and obligations and the security granted by a Financing Entity to the Indenture Trustee. After repayment by the Guarantor of all indebtedness and obligations owing to the Beneficiaries, the Indenture Trustee will acknowledge and agree on behalf of the Beneficiaries that the Guarantor is entitled to exercise all of the rights, powers and privileges that the Beneficiaries have or may exercise in respect of the repaid indebtedness and obligations, all in accordance with the terms of the Master Trust Indenture. Prior to the repayment in full of the indebtedness and obligations owed to the Beneficiaries, the Guarantor shall have no rights of subrogation.
Notice Requirements:	The Indenture Trustee will be required to provide notice to the Guarantor of a Payment Guarantee Event and may in such notice demand payment or performance of the Guarantor's obligation under the Provincial Support Agreement, as applicable.

Closing:	Date to be determined but no later than **[**■, 2017**]**. The Closing is the date on which the documents in respect of the MSSA, the Master Trust Indenture and all related documentation are executed and delivered.
Reporting Requirements of a Financing Entity:	The Guarantor will be entitled to receive all reports received by the Indenture Trustee under the Master Trust Indenture.
Conditions Precedent to Closing:	Conditions precedent to Closing shall be those conditions set out in the Master Trust Indenture.[2]
Representations:	Customary representations and warranties of the Guarantor.
FIPPA:	Acknowledgement that the Guarantor is bound by the *Freedom of Information and Protection of Privacy Act (Ontario)* and that any information provided to the Guarantor or its agents or representatives in connection with the Transaction Documents may be subject to disclosure in accordance with that act or as otherwise required by law.
Confidentiality Obligations:	Customary confidentiality obligations to be negotiated and included. A Financing Entity and the Beneficiaries shall not, subject to applicable law, issue any press releases and other public announcements in respect of the Provincial Support Agreement without the prior written consent of the Guarantor.
Governing Law:	Province of Ontario

[2] Opinions on the validity and enforceability of Provincial Support Agreement will be required.

Provincial Support Agreement Term Sheet~~—~~

Fair Hydro Plan Act, 2017

*This term sheet (the "**Term Sheet**") is provided exclusively to the parties listed herein in connection with the draft Fair Hydro Plan Act, 2017 and the regulations to be made thereunder (the "**Act**"). This Term Sheet is to be held confidential. Defined terms used herein have the meanings ascribed to them in the Act. The provincial support agreement (the "**Provincial Support Agreement**") will contain the terms and conditions set out in this Term Sheet in addition to such other representations, warranties, indemnities, and other terms and conditions as the Guarantor and the Beneficiaries (each as defined below) may reasonably require.*

Guarantor:	Her Majesty the Queen in right of Ontario, as represented by the Minister of Energy.
Beneficiaries:	The ~~trust company acting as~~ indenture trustee (together with its successors, the "**Indenture Trustee**") under the master trust indenture (the "**Master Trust Indenture**") ~~acting for the benefit of~~on behalf of itself and all other persons ~~who may have contractual~~having debt or other claims against a Financing Entity secured under the Master Trust Indenture (collectively, the "**Beneficiaries**") ~~(~~including, without limitation, holders of senior and subordinated notes, senior and subordinated lenders, hedge counterparties, credit enhancers, liquidity providers, the Financial Services Manager, the Indenture Trustee~~ and~~, the trustee of the Financing Entity[1]~~)~~ if the Financing Entity is a trust, and any other administrator of the Financing Entity.
Term:	The Guarantor's obligations under the Provincial Support Agreement will continue until **[one year]**[2]1 after all ~~Funding Obligations~~funding obligations (to be defined to include principal, interest, fees, hedge settlement and termination obligations and other related amounts) of all Financing Entities have been repaid.
Performance Guarantee:	~~**[Upon the occurrence of a Performance Guarantee Event]**, the Indenture Trustee will be entitled to require the Guarantor to appoint a replacement servicer who will perform IESO's duties as servicer under~~Under the Master Sale and Servicing Agreement ~~between IESO, as seller and servicer,~~to be entered into by IESO and the Financing Entity~~, as purchaser~~, **[and OPG as Financial Services Manager]** ("**MSSA**")~~.~~, IESO will have obligations both

[1] ~~We have assumed that the initial Financing Entity will be a trust.~~

[2]1 This mirrors the requirement expected to be in the Regulations under the Act not to wind up, dissolve or liquidate a Financing Entity until at least one year after all of its Funding Obligations have been repaid.

	as a seller and as a servicer. Pursuant to a performance guarantee, the Guarantor will guarantee in favour of the Beneficiaries to perform, or cause the performance of (which may be by way of the appointment of a replacement servicer), the obligations of IESO as servicer under the MSSA and the Act including the obligations of any replacement servicer. The Guarantor will also guarantee the servicing obligations of the electricity vendors under the Act. The servicing obligations covered will include all obligations related to the collecting and remitting of clean energy adjustments and will protect the Beneficiaries from any risks arising from collections of clean energy adjustments being commingled with other amounts. In the event that the performance guarantee is unenforceable against the Guarantor, the Provincial Support Agreement will contemplate a separate legal obligation by the Guarantor to indemnify the ~~Indenture Trustee~~Beneficiaries for any losses that result.
~~**Performance Guarantee Event:**~~	~~A "Servicer Default" occurs under the MSSA[3]~~
~~**Payment Guarantee:**~~	~~**[Upon the occurrence of a Payment Guarantee Event and within [5/10] business days after receiving a demand from the Indenture Trustee]**, the Guarantor shall **[guarantee and indemnify the Indenture Trustee (for and on behalf of the Beneficiaries) by paying all regularly scheduled interest and principal payments during the term of a Financing Entity's contractual obligation to such Beneficiary]/[assume the contractual obligations of a Financing Entity to the Beneficiaries]**[4], which for greater certainty shall not include any default, penalty, prepayment, or make whole amounts.~~
Payment Guarantee Event:	A Payment Guarantee Event will occur if: (A) ~~if~~ the Legislative Assembly of Ontario repeals the Act; or (B) ~~if~~ the Legislative Assembly of Ontario amends the Act or a Regulation thereunder is amended in a way that adversely impacts the ability of a Financing Entity to fully recover an investment interest in order to fully pay all funding obligations and other obligations incurred by such Financing Entity in respect of such investment interest; or (C) ~~if~~ a court of competent jurisdiction (i) determines all or a portion of the Act to be *ultra vires* in a way that adversely impacts the ability of a Financing Entity to fully recover an investment

[3] ~~Each Servicer Default will include its own cure period before the event becomes a Servicer Default.~~
[4] ~~To confirm if Province will become the debtor under the applicable debt documentation or if the Financing Entity will continue to be the primary obligor with the Province acting as secondary obligor.~~

	interest in order to fully pay all funding obligations and other obligations incurred by such Financing Entity in respect of such investment interest or (ii) declares any funding obligations to be invalid or unenforceable; or (D) funding obligations are due and payable at a time when a market disruption (a period of [six months or more] when capital markets term funding is not available to effect refinancings of funding obligations) is occurring and, in the case of long term funding obligations only, a moratorium or limitation on the imposition and collection of clean energy adjustments to repay such funding obligations is in effect under the Act.
Payment Guarantee:	Upon the occurrence of a Payment Guarantee Event under clauses (A), (B) or (C) of the above definition: (x) the Guarantor shall assume and pay when due (without acceleration) all funding obligations and all other obligations of the Financing Entities to the Beneficiaries by paying all regularly scheduled amounts in respect thereof during the term of each Financing Entity's contractual obligation to such Beneficiaries; and (y) Beneficiaries holding funding obligations consisting of bonds [with a remaining term to maturity of greater than **one year]** shall have the option to put the bonds to the Financing Entity for a put price equal to 101% of the principal amount thereof plus accrued and unpaid interest. In connection with any put under this clause (y), the Guarantor shall guarantee payment of the put price and any related hedge breakage but shall not be responsible for any other default, penalty, prepayment or make whole amounts.
Limits under Guarantees:	Under no circumstances shall the Guarantor be obligated to indemnify any Beneficiary for special or punitive damages, or loss of profits.
Priority of Payments:	The priority of the Beneficiaries to any payment made by the Guarantor under the Provincial Support Agreement shall be governed by the priority provisions in the Master Trust Indenture.
Subrogation:	Where the Guarantor has repaid ~~a Beneficiary~~all Beneficiaries in full, to the extent of such ~~payment,~~payments the Guarantor ~~is~~shall be subrogated in and to all the rights of recovery of ~~such~~the Beneficiar~~y~~ies in respect of their applicable indebtedness and obligations and the security granted by a Financing Entity to the Indenture Trustee. After repayment by the Guarantor of all ~~amounts~~indebtedness and obligations owing to ~~a~~the Beneficiar~~y~~ies,

	the Indenture Trustee will acknowledge and agree on behalf of ~~such~~the Beneficiar~~y~~ies that the Guarantor is entitled to exercise all of the rights, powers and privileges that the Beneficiar~~y~~ies ha~~s~~ve or may exercise in respect of the repaid indebtedness and obligations, all in accordance with the terms of the Master Trust Indenture. Prior to the repayment in full of the indebtedness and obligations owed to the Beneficiaries, the Guarantor shall have no rights of subrogation.
Notice Requirements:	The Indenture Trustee will be required to provide notice to the Guarantor of a ~~Performance Guarantee Event or~~ Payment Guarantee Event and may in such notice demand payment or performance of the Guarantor's obligation under the Provincial Support Agreement, as applicable.
Closing:	Date to be determined but no later than **[**■, 2017**]**. The Closing is the date on which the documents in respect of the MSSA, the Master Trust Indenture and all related documentation are executed and delivered.
Reporting Requirements of a Financing Entity:	The Guarantor will be entitled to receive all reports received by the Indenture Trustee under the Master Trust Indenture.
Conditions Precedent to Closing:	Conditions precedent to Closing shall be those conditions set out in the Master Trust Indenture.~~5~~[2]
Representations:	Customary representations and warranties of the Guarantor.
FIPPA:	Acknowledgement that the Guarantor is bound by the *Freedom of Information and Protection of Privacy Act (Ontario)* and that any information provided to the Guarantor or its agents or representatives in connection with the Transaction Documents may be subject to disclosure in accordance with that act or as otherwise required by law.
Confidentiality Obligations:	Customary confidentiality obligations to be negotiated and included. A Financing Entity and the Beneficiaries shall not, subject to applicable law, issue any press releases and other public announcements in respect of the Provincial Support Agreement without the prior written consent of the Guarantor.
Governing Law:	Province of Ontario

~~5~~[2] Opinions on the validity and enforceability of Provincial Support Agreement will be required.

From: Sarah Harris
To: Opal Kandelas
Subject: FHP
Date: Wednesday, October 25, 2017 2:54:22 PM
Attachments: FW OIC PDF.msg
FW Fair Hydro -- Revised MTSA and IESO Security Agreement.msg
FW Fair Hydro -- Change of Law Assumption Agreement.msg
FW Fair Hydro -- Change of Law Assumption Agreement.msg
FW Fair Hydro -- Change of Law Assumption Agreement.msg

Hi Opal,

In relation to the Fair Hydro Plan, Malle thought it was a good idea for Documentation to be involved in reviewing the agreements, particularly with a view of structuring the Crown's guarantee as a contingent liability in the event that the funding from rate payers is no longer available to the OPG Asset.

Lot of fun, I'm sure!

Sarah

From: Malle Hanslep (MOF) []
To: Sarah Harris [Sarah.Harris@ofina.on.ca]
CC: Tobias P. Whitfield (MOF) [Tobias.Whitfield@ontario.ca]
Subject: FW: OIC PDF
Date: Wednesday, October 25, 2017 14:46:43
Attachment 1: DOC.PDF

-----Original Message-----
From: Whitfield, Tobias P. (MOF)
Sent: September 19, 2017 1:33 PM
To: Strathy, Anna (OFA); Hanslep, Malle (MOF)
Subject: OIC PDF

PDF of OIC attached.

Tobias Whitfield
Counsel, Legal Services Branch
Ministry of Finance
777 Bay Street, 11th Floor
Toronto, ON, M5G 2C8
tobias.whitfield@ontario.ca
Phone: 416-325-1456

Original Message
From: ONP2F00851305@ontario.ca
Sent: Tuesday, September 19, 2017 12:35 PM
To: Whitfield, Tobias P. (MOF)
Reply To: ONP2F00851305@ontario.ca
Subject: Scan from a Xerox WorkCentre

Please open the attached document. It was scanned and sent to you using a Xerox WorkCentre.

Attachment File Type: PDF, Multi-Page

WorkCentre Location: machine location not set
Device Name: ONP2F00851305

Ontario

Executive Council of Ontario
Order in Council

On the recommendation of the undersigned, the Lieutenant Governor of Ontario, by and with the advice and concurrence of the Executive Council of Ontario, orders that:

Conseil exécutif de l'Ontario
Décret

Sur la recommandation de la personne soussignée, la lieutenante-gouverneure de l'Ontario, sur l'avis et avec le consentement du Conseil exécutif de l'Ontario, décrète ce qui suit :

WHEREAS pursuant to subsection 5(3) of the *Ontario Fair Hydro Plan Act, 2017* (the "Act"), the Lieutenant Governor in Council may by order authorize the Minister of Energy and the Minister of Finance, acting together on behalf of the Province to agree to guarantee or indemnify any debts, obligations, securities or undertakings associated with an investment interest as described under the Act;

AND WHEREAS pursuant to subsection 22(2) of the Act, Ontario Power Generation Inc. as financial services manager, may establish or cause to be established one or more financing entities (a "Financing Entity") that may incur funding obligations in connection with investment interests;

AND WHEREAS it is considered desirable to authorize the Minister of Energy and the Minister of Finance to agree to guarantee or indemnify debts, obligations, securities or undertakings of a Financing Entity associated with investment interests acquired by a Financing Entity;

NOW THEREFORE:

1. Pursuant to subsection 5(3) of the *Ontario Fair Hydro Plan Act, 2017*, the Minister of Energy and the Minister of Finance, acting together on behalf of Ontario, are authorized to enter into one or more agreements to guarantee or indemnify the debts, obligations securities or undertakings of a Financing Entity associated with investment interests acquired by a Financing Entity.

2. The Minister of Energy and the Minister of Finance, acting together on behalf of Ontario are authorized to determine terms and conditions of the guarantee or indemnity and the maximum liability for the guarantee and indemnity authorized under paragraph 1 of this Order.

- - - - - - -

ATTENDU QU'en vertu du paragraphe 5 (3) de la *Loi de 2017 sur le Plan ontarien pour des frais d'électricité équitables* (la « Loi »), le lieutenant-gouverneur en conseil peut, par décret, autoriser le ministre de l'Énergie et le ministre des Finances, agissant de concert au nom de la province, à accepter de garantir ou de rembourser les dettes, obligations, valeurs mobilières ou engagements associés à une participation d'investissement et prévus dans la Loi;

ATTENDU QU'en vertu du paragraphe 22 (2) de la Loi, Ontario Power Generation Inc., en tant que gestionnaire des services financiers, peut créer ou faire créer une ou plusieurs entités de

Authority Verified/Compétence vérifiée: _____

Please print name/Nom en lettres moulées s.v.p.: Tobias Whitfield

Telephone/Téléphone: 416-325-1456

Recommended by the Treasury Board/Management Board of Cabinet on:
Recommandé par le Conseil du Trésor / Conseil de gestion du gouvernement le : _____

Secretary/Secrétaire: _____

financement (une « entité de financement ») qui peuvent contracter des obligations de financement dans le cadre de la participation d'investissement;

ATTENDU QU'il est jugé souhaitable d'autoriser le ministre de l'Énergie et le ministre des Finances à accepter de garantir ou de rembourser les dettes, obligations, valeurs mobilières ou engagements d'une entité de financement qui sont associés à une participation d'investissement acquise par cette dernière;

EN CONSÉQUENCE :

1. En vertu du paragraphe 5 (3) de la *Loi de 2017 sur le Plan ontarien pour des frais d'électricité équitables*, le ministre de l'Énergie et le ministre des Finances, agissant de concert au nom de la province, sont autorisés à accepter de garantir ou de rembourser les dettes, obligations, valeurs mobilières ou engagements d'une entité de financement qui sont associés à une participation d'investissement acquise par cette dernière.

2. Le ministre de l'Énergie et le ministre des Finances, agissant de concert au nom de la province, sont autorisés à fixer les conditions et le plafond de la garantie ou du remboursement qu'autorise l'article 1 du présent décret.

_____

Recommended: Minister of Finance
Recommandé par : Le ministre des Finances

_____

Recommended: Minister of Energy
Recommandé par : Le ministre de l'Énergie

_____

Concurred: Chair of Cabinet
Appuyé par : Le président/la présidente du Conseil des ministres

Approved and Ordered:
Approuvé et décrété le :

_____

Lieutenant Governor
La lieutenante-gouverneure

From: Malle Hanslep (MOF) []
To: Sarah Harris [Sarah.Harris@ofina.on.ca]
CC: Tobias P. Whitfield (MOF) [Tobias.Whitfield@ontario.ca]
Subject: FW: Fair Hydro -- Revised MTSA and IESO Security Agreement
Date: Wednesday, October 25, 2017 14:45:30
Attachment 1: image1df5da.JPG
Attachment 2: #24367979v3_TorysAtWork_ - Fair Hydro - MTSA (Osler Oct 20 Draft).DOCX
Attachment 3: Blackline_Fair Hydro - Master Transfer Servicing Agreement (Alternative Funding Rebate Regulation Version) - 24367979v3.pdf
Attachment 4: IESO Security Agreement.docx

Hi – These are a lot of documents.

From: Ramchandani, Rima [mailto:rramchandani@torys.com]
Sent: October 25, 2017 12:12 PM
To: Mansoori, Nina; Thouin, Alena (ENERGY); Hanslep, Malle (MOF); Whitfield, Tobias P. (MOF); McKinlay, Tom (MAG); STEPHEN.ASHBOURNE@blakes.com
Cc: Feldman, Michael; Olusoga, Yinka; Saulnier, Brett; Ramchandani, Rima; WONG Leslie -LAWDIV; 'LEE John -TREASURY'; RYFA Ken -TREASURY
Subject: RE: Fair Hydro -- Revised MTSA and IESO Security Agreement

Malle and team, attached is a revised draft of the MTSA (clean and blacklined to the prior draft circulated to Steve), together with an initial draft of the IESO security agreement (as a reminder, in order to achieve a AAA rating in light of the moratorium period, it has been proposed that IESO enter into this security agreement in favour of the financing entity as security for the performance of its regulatory obligation to pay carrying costs during the moratorium).

FYI, these documents are currently under review by the IESO and Stikeman.

Rima

Rima Ramchandani

P. 416.865.7666 | F. 416.865.7380 | 1.800.505.8679

79 Wellington St. W., 30th Floor, Box 270, TD South Tower
Toronto, Ontario M5K 1N2 Canada | www.torys.com[torys.com]

[torys.com]

From: Mansoori, Nina
Sent: October-24-17 5:21 PM
To: Thouin, Alena (ENERGY) <Alena.Thouin@ontario.ca>; 'Hanslep, Malle (MOF)' <Malle.Hanslep@ontario.ca>; Whitfield, Tobias P. (MOF) <Tobias.Whitfield@ontario.ca>; McKinlay, Tom (MAG) <Tom.McKinlay@ontario.ca>; STEPHEN.ASHBOURNE@blakes.com
Cc: Feldman, Michael <mfeldman@torys.com>; Ramchandani, Rima <rramchandani@torys.com>; Olusoga, Yinka <yolusoga@torys.com>; Saulnier, Brett <bsaulnier@torys.com>; Mansoori, Nina <nmansoori@torys.com>
Subject: RE: Fair Hydro -- Form of ISDA Schedule

All,

We attach a draft Schedule for an ISDA Master Agreement to be used for hedging purposes in connection with the issuance of Fair Hydro debt. This draft is subject to the working group's review and comment.

Best Regards,

Nina

Nina Mansoori

P. 416.865.7332

This email and any attachments are for the sole use of the intended recipients and may be privileged or confidential. Any distribution, printing or other use by anyone else is prohibited. If you are not an intended recipient, please contact the sender immediately, and permanently delete this email and attachments.

Le présent courriel et les documents qui y sont joints sont exclusivement réservés à l'utilisation des destinataires concernés et peuvent être de nature privilégiée ou confidentielle. Toute distribution, impression ou autre utilisation est interdite aux autres personnes. Si vous ne faites pas partie des destinataires concernés, veuillez en informer immédiatement l'expéditeur, ainsi que supprimer ce courriel et les documents joints de manière permanente.

TORYS
LLP

MASTER TRANSFER AND SERVICING AGREEMENT

between

[FINANCING ENTITY]
as Issuer

- and -

INDEPENDENT ELECTRICITY SYSTEM OPERATOR
as Transferor and Servicer

- and -

■
as Indenture Trustee

Dated as of ■, 2017

TABLE OF CONTENTS

Page

ARTICLE 1 INTERPRETATION 2
1.1 Definitions 2
1.2 Sections and Headings 8
1.3 Extended Meanings 8

ARTICLE 2 TRANSFER OF SPECIFIED PORTIONS OF THE REGULATORY ASSET 9
2.1 Transfer Notices and Agreement to Transfer a Specified Portion of the Regulatory Asset 9
2.2 Conditions Precedent to each Transfer of a Specified Portion of the Regulatory Asset 10

ARTICLE 3 ROLE OF THE SERVICER 11
3.1 Designation of Servicer 11
3.2 Forecast of Electricity Consumption 12
3.3 ISO Deferral 12
3.4 Clean Energy Adjustments and Electricity Vendors 12
3.5 Reporting 14
3.6 Remittances 15
3.7 Limits to Obligations 15
3.8 Servicing and Maintenance Standards 16
3.9 Appointments 16
3.10 Term 16
3.11 Resignation of Servicer 17
3.12 Mergers 17
3.13 The IESO Not to Resign as Servicer 17
3.15 IESO Security for CEA Remittances 18

ARTICLE 4 REPRESENTATIONS AND WARRANTIES OF THE IESO 18
4.1 Representations and Warranties 18
4.2 Survival 20
4.3 Limitations on Representations and Warranties 21

ARTICLE 5 COVENANTS OF THE IESO 21
5.1 Existence 21
5.2 No Transfer or Liens 21
5.3 Notice of Liens 21
5.4 Compliance with Law 21
5.5 Covenants Related to the Investment Interest 21
5.6 Non-petition Covenants 22
5.7 Disclosure 22
5.8 Further Assurances 22
5.9 Access to Certain Records and Information Regarding Investment Interest 23
5.10 Maintenance of Operations 23

ARTICLE 6 IESO INDEMNITIES 23

TABLE OF CONTENTS
(continued)

Page

6.1 Liability of the IESO; Indemnities 23

ARTICLE 7 SERVICER DEFAULT 25
7.1 Servicer Default 25
7.2 Appointment of Successor Servicer 26
7.3 Waiver of Past Defaults 27
7.4 Notice of Servicer Default 27
7.5 Cooperation with Successor Servicer 28

ARTICLE 8 MISCELLANEOUS 28
8.1 Amendment 28
8.2 Withholding Rights 28
8.3 No Partnership 28
8.4 Notices 28
8.5 Assignment 29
8.6 Limitations on Rights of Third Parties 29
8.7 Severability 30
8.8 Separate Counterparts; Electronic Delivery 30
8.9 Governing Law 30
8.10 Grant of Security Interest to Indenture Trustee 30
8.11 Limitation of Liability of Indenture Trustee 30
8.12 Limitation of Liability of the Issuer Trustee 30
8.13 Waivers 31

EXHIBIT

Exhibit A – Form of Transfer Notice

Exhibit B – Form of Monthly Report

Exhibit C – Form of Monthly Carrying Costs Statement

MASTER TRANSFER AND SERVICING AGREEMENT

THIS AGREEMENT made as of ■, 2017.

BETWEEN:

[FINANCING ENTITY], a trust formed under the laws of the Province of Ontario

(the "**Issuer**")

- and -

INDEPENDENT ELECTRICITY SYSTEM OPERATOR, a statutory corporation without share capital amalgamated under the laws of the Province of Ontario

(the "**Transferor**" in its capacity as transferor, the "**Servicer**", in its capacity as servicer, and the "**IESO**" in its capacity as both Transferor and Servicer)

- and -

[INDENTURE TRUSTEE], a trust company existing under the laws of Canada and duly authorized to carry on the business of a trust company in all of the provinces and territories of Canada, as indenture trustee

(the "**Indenture Trustee**")

WHEREAS the Government of Ontario has enacted the *Ontario Fair Hydro Act, 2017* (the "**Act**") for the purpose of, among other things, ensuring that clean energy costs and clean energy benefits (each as defined in the Act) are fairly allocated among present and future Specified Consumers;

AND WHEREAS, under the Act, the IESO is required to establish and maintain the Fair Hydro Variance Account, and has the right under the Act and the Regulations to record certain amounts in the Fair Hydro Variance Account and recover the balance from time to time of the Fair Hydro Variance Account from Specified Consumers (such right, the "**Regulatory Asset**");

AND WHEREAS the IESO may from time to time, in accordance with the Act, Transfer a Specified Portion of the Regulatory Asset to the Issuer on a fully-serviced basis, and pursuant to Section 26(3) of the Act, such a Transfer results in (i) a reduction in the balance in the Fair Hydro Variance Account, (ii) the corresponding adjustment of the Regulatory Asset, and (iii) the acquisition by the Issuer of an Investment Interest corresponding to the Specified Portion of the Regulatory Asset;

AND WHEREAS the Issuer may finance the acquisition from the IESO, from time to time, of an Investment Interest through the incurrence of Funding Obligations under the Indenture;

AND WHEREAS the Issuer will grant a security interest over all of the Issuer Investment Interest to and in favour of the Indenture Trustee on behalf of all Specified Creditors;

AND WHEREAS in connection with its ownership of the Issuer Investment Interest and in order to collect the associated Clean Energy Adjustments in accordance with the Act, the Issuer desires to engage the Servicer to carry out the services described herein and the Servicer desires to be so engaged;

AND WHEREAS the Indenture Trustee has been appointed pursuant to the Indenture to act on behalf of all Specified Creditors (as defined in the Indenture) and wishes to acknowledge and accept the rights and obligations granted to it thereby, including, but not limited to, its rights set forth in this Agreement.

NOW THEREFORE in consideration of the foregoing and the mutual covenants and agreements contained herein (the receipt and adequacy of which are hereby acknowledged), the parties hereto agree as follows:

ARTICLE 1
INTERPRETATION

1.1 Definitions

In this Agreement, the following terms have the following meanings:

"**Act**" has the meaning ascribed thereto in the recitals;

"**Agreement**" means this master transfer and servicing agreement, as amended, supplemented, modified, restated or replaced from time to time, and the expressions "herein", "hereof", "hereto", "hereunder" and similar expressions refer to this Agreement and not to any Article, Section, paragraph, subparagraph or clause hereof;

"**Billing Period**" means a calendar month in which the Clean Energy Adjustment is billed to Specified Consumers;

"**Board**" means the Ontario Energy Board, a statutory corporation without share capital continued under the *Ontario Energy Board Act, 1998*, S.O., 1998;

"**Business Day**" means any day other than a Saturday, a Sunday or a day on which banking institutions in Toronto, Ontario are authorized or obligated by law, regulation or executive order to be closed;

"**Carrying Costs**" has the meaning ascribed to the term "carrying costs" in the Regulations;

"**CEA Consumer Invoice Amounts**" means amounts invoiced by an Electricity Vendor to Specified Consumers in respect of the Clean Energy Adjustment based on the rates established by the Board;

"**Clean Energy Adjustment**" has the meaning ascribed to the term "clean energy adjustment" in the Act;

"**Closing Date**" means the date on which a Transfer is completed as specified in the applicable Transfer Notice;

"**Co-Owner Agreement**" means any agreement between, *inter alia*, the parties hereto and any other owner or owners of an Investment Interest as contemplated by Section 29(5) of the Act in form and substance satisfactory to the parties hereto, acting reasonably;

"**Co-Owner Implementation Date**" means the date, if any, upon which the Issuer Investment Interest ceases to be the only Investment Interest outstanding representing the full Investment Asset;

"**Collection Account**" has the meaning ascribed thereto in Section **[8.02(a)]**[1] of the Indenture;

"**Daily Remittance Event**" means the occurrence of either: (i) a Servicer Default or (ii) the IESO (or any successor thereto) ceasing to have the Required Servicer Rating;

"**Declaration of Trust**" means the declaration of trust made as of ■, 2017 under which the Issuer was established, as may be supplemented, amended, replaced or amended and restated from time to time;

"**Electricity Vendor**" has the meaning ascribed to the term "electricity vendor" in the Act;

"**Electricity Vendor CEA Collections**" means payments actually received by Electricity Vendors from Specified Consumers in respect of Clean Energy Adjustments;

"**Electricity Vendor Billing Period Report**" means a report as contemplated by Section 17(s) of the Act from each Electricity Vendor in respect of each Billing Period where Clean Energy Adjustments are billed to Specified Consumers containing:

(a) its total CEA Consumer Invoice Amounts in such Billing Period;

(b) its total Electricity Vendor CEA Collections during such Billing Period; and

(c) such other information as may be agreed to.

"**Eligible Deposit Account**" means an account in Canada with an Eligible Institution;

"**Eligible Institution**" means:

1 All cross-references to the Indenture to be conformed to the final version of the Indenture.

(a) at any time before the Co-Owner Implementation Date, an "Eligible Institution" as defined in the Indenture; and

(b) at any time on or after the Co-Owner Implementation Date, an "Eligible Institution" as defined in the applicable Co-Owner Agreement;

"**Fair Hydro Variance Account**" means the variance account established by the IESO pursuant to Section 24(1) of the Act;

"**Financing Entity**" has the meaning ascribed to the term "financing entity" in the Act;

"**Funding Obligation**" has the meaning ascribed to the term "funding obligation" in the Act;

"**Governmental Authority**" means any nation or government, any federal, state, provincial, local or other political subdivision thereof and any court, administrative agency or other instrumentality or entity exercising executive, legislative, judicial, regulatory or administrative functions of government;

"**IESO**" or "**Independent Electricity System Operator**" means the Independent Electricity System Operator, a statutory corporation without share capital established by the *Electricity Act, 1998*, SO, 1998;

[NTD: The Issuer may at some point have to publicly file this Agreement, and a copy of it will be circulated to the rating agencies. Therefore, it seems prudent not to include IESO bank account details in the Agreement.]

"**IESO Deferral**" has the meaning ascribed to the term "IESO deferral" in the Act;

"**IESO Disclosure**" has the meaning ascribed thereto in Section 5.7;

"**IESO Segregated Account**" has the meaning ascribed thereto in Section means the account established under Section 3.4(a);

"**Indemnified Losses**" has the meaning ascribed thereto in Section 6.1(a);

"**Indemnified Party**" has the meaning ascribed thereto in Section 6.1(a);

"**Indenture**" means the master trust indenture dated ■, 2017 between the Indenture Trustee and the Issuer;

"**Indenture Trustee**" means ■, a trust company existing under the laws of Canada and duly authorized to carry on the business of a trust company in all of the provinces and territories of Canada, as indenture trustee for the benefit of Specified Creditors, or any successor thereto, under the Indenture;

"**Insolvency Event**" means, with respect to a specified Person, the specified Person admits the inability of such specified Person to pay its liabilities generally as they become due or makes a general assignment for the benefit of the creditors of such specified Person or otherwise

acknowledges the insolvency of such specified Person or any proceeding shall be instituted by or against such specified Person seeking to adjudicate it a bankrupt or insolvent or seeking liquidation, winding up, dissolution, reorganization, arrangement, adjustment, protection, relief or composition of its debts under any law relating to bankruptcy, insolvency, reorganization, moratorium or relief of debtors or seeking the entry of an order for relief by the appointment of a receiver, trustee or other similar official for such specified Person or for any substantial part of its property and if such proceeding has been instituted against such specified Person either such proceeding has not been stayed or dismissed within **[45]** days or any of the actions sought in such proceeding (including the entry of an order for relief or the appointment of a receiver) are granted in whole or in part, or if a receiver is privately appointed in respect of such specified Person or of the property of such specified Person or any substantial part thereof;

"**Investment Asset**" has the meaning ascribed to the term "investment asset" in the Act;

"**Investment Interest**" has the meaning ascribed to the term "investment interest" in the Act;

"**Issuer**" means ■, a trust formed under the laws of the Province of Ontario;

"**Issuer Funding Obligations**" means the Funding Obligations of the Issuer;

"**Issuer Investment Interest**" means, initially, the Investment Interest acquired by the Issuer pursuant to the first Transfer completed under this Agreement and, upon the completion of each Transfer thereafter, the cumulative Investment Interest acquired by the Issuer;

"**Issuer Share**" means:

(a) at any time before the Co-Owner Implementation Date, 100%; and

(b) at any time on or after the Co-Owner Implementation Date, the percentage determined in accordance with the applicable Co-Owner Agreement;

"**Issuer Trustee**" means, at any time, the Person who is, in accordance with the Declaration of Trust, the trustee of the Issuer at such time;

"**Lien**" means a security interest, lien, mortgage, charge, pledge, claim or encumbrance of any kind;

"**Management Agreement**" means the management agreement dated ■, 2017 between the Manager and the Issuer;

"**Manager**" means OPG, in its capacity as manager of the Issuer, and any successor appointed in accordance with the Management Agreement;

"**Minister**" means the Minister of Energy or such other member of the Executive Council as may be assigned the administration of the Act under the *Executive Council Act*;

"**Monthly Carrying Costs**" has the meaning ascribed thereto in Section 3.14(b);

"**Monthly Carrying Costs Statement**" has the meaning ascribed thereto in Section 3.14(b);

"**Monthly Report**" has the meaning ascribed thereto in Section 3.5(a);

"**Officer's Certificate**" means a certificate signed by a Responsible Officer of the Issuer under the circumstances described in, and otherwise complying with, the applicable requirements of Section **[10.01]** of the Indenture, and delivered to the Indenture Trustee;

"**OPG**" means Ontario Power Generation Inc., a corporation established under the laws of the Province of Ontario;

"**Opinion of Counsel**" means one or more written opinions of counsel, which counsel shall be reasonably acceptable to the party receiving such opinion of counsel, and shall be in form and substance reasonably acceptable to such party;

"**Permitted Successor**" means any successor to the IESO under the Act, whether pursuant to any bankruptcy, reorganization or other insolvency proceeding or pursuant to any merger, conversion, acquisition, sale or transfer, by operation of law, as a result of any restructuring, or otherwise, but only to the extent such successor is approved by the Minister;

"**Permitted Transfer**" means (i) a Transfer to the Issuer pursuant to this Agreement; and (ii) a Transfer to a person who has entered into a Co-Owner Agreement with, inter alia, the Issuer.

"**Person**" means any individual, corporation, limited liability company, estate, partnership, joint venture, association, joint stock company, trust (including any beneficiary thereof), unincorporated organization or Governmental Authority;

"**Proceeding**" means any suit in equity, action at law or other judicial or administrative proceeding;

"**Program Agreements**" has the meaning ascribed thereto in the Indenture;

"**Purchase Price**" has the meaning ascribed thereto in Section 2.1(a);

"**Rating Agency**" has the meaning ascribed thereto in the Indenture;

"**Rating Agency Condition**" has the meaning ascribed thereto in the Indenture;

"**Records**" has the meaning ascribed thereto in Section 7.1;

"**Regulations**" means Ontario Regulation 206/17: General, together with any other regulations promulgated under the Act;

"**Regulatory Asset**" has the meaning ascribed thereto in the recitals;

"**Released Parties**" has the meaning ascribed thereto in Section 6.1(f);

"**Remittance Date**" means, in respect of each Billing Period, the **[3rd]** Business Day following the last day of each Billing Period;

"**Required Servicer Rating**" means ■; **[NTD: Definition to tie to loss of investment grade credit rating.]**

"**Requirement of Law**" means any foreign, Canadian federal, provincial or local laws, statutes, regulations, rules, codes or ordinances enacted, adopted, issued or promulgated by any Governmental Authority or common law;

"**Responsible Officer**" means, with respect to: (a) the Issuer, any authorized director or officer of the Manager; (b) the Servicer, any authorized director or officer of the IESO; (c) a Successor Servicer, any authorized director or officer of the Successor Servicer; and (d) the Indenture Trustee, any officer of such trustee (including the President, any Vice President, any Assistant Vice President, any Secretary, any Assistant Treasurer or any other officer of the Indenture Trustee customarily performing functions similar to those performed by persons who at the time shall be such officers, respectively, and that has direct responsibility for the administration of the Indenture and also, with respect to a particular matter, any other officer to whom such matter is referred to because of such officer's knowledge and familiarity with the particular subject);

"**Servicer**" means the Independent Electricity System Operator, as Servicer under this Agreement, or any Successor Servicer to the extent permitted under this Agreement;

"**Servicer CEA Receipts**" has the meaning ascribed thereto in Section 3.4(e);

"**Servicer Default**" has the meaning ascribed thereto in Section 7.1;

"**Specified Consumer**" has the meaning ascribed to the term "specified consumer" in the Act;

"**Specified Creditors**" has the meaning ascribed thereto in the Indenture;

"**Specified Portion**" means, in respect of the Regulatory Asset and any Transfer, the portion of the Regulatory Asset subject to such Transfer, as set out in the applicable Transfer Notice.

"**Successor Servicer**" has the meaning ascribed thereto in Section **[3.07(e)]** of the Indenture;

"**Supplemental Indenture**" means an indenture supplemental to the Indenture that authorizes the incurrence of Funding Obligations;

"**Termination Event**" has the meaning ascribed thereto in Section ■;

"**Termination Notice**" has the meaning ascribed thereto in Section 7.1;

"**Transfer**" has the meaning ascribed to the term "transfer" in the Act, and "**Transferred**" has a corresponding meaning;

"**Transfer Notice**" means a Transfer Notice in respect of a Transfer substantially in the form of Exhibit A to this Agreement and delivered pursuant to Section 2.1(a) of this Agreement; and

"**Transferor**" means the Independent Electricity System Operator, as transferor under this Agreement;

1.2 Sections and Headings[2]

The table of contents does not form part of this Agreement. The division of this Agreement into Articles and Sections and the insertion of headings are for convenience of reference only and will not affect the construction or interpretation of this Agreement. Unless something in the subject matter or context is inconsistent therewith, references herein to Articles and Sections are to Articles and Sections of this Agreement.

1.3 Extended Meanings

(a) Words importing the singular number only will include the plural and vice versa and words importing the masculine gender will include the feminine and neuter genders and vice versa. A reference to any agreement, instrument or declaration means such agreement, instrument or declaration as the same may be amended, supplemented, modified, restated or replaced from time to time.

(b) The term "**including**" means "including without limitation", and other forms of the verb "**include**" have correlative meanings.

(c) All references to any Person shall include such Person's permitted successors and assigns, and any reference to a Person in a particular capacity excludes such Person in other capacities.

(d) Unless otherwise stated, in the computation of a period of time from a specified date to a later specified date, the word "**from**" means "**from and including**" and each of the words "**to**" and "**until**" means "**to but excluding**".

(e) The words "**hereof**", "**herein**" and "**hereunder**" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, unless otherwise specified. References to Articles, Sections, Appendices and Exhibits in this Agreement are references to Articles, Sections, Appendices and Exhibits in or to this Agreement unless otherwise specified.

(f) References to any law, rule, regulation or order of a Governmental Authority shall include such law, rule, regulation or order as from time to time in effect, including any amendment, modification, codification, replacement or reenactment thereof or any substitution therefor.

(g) The word "**will**" shall be construed to have the same meaning and effect as the word "**shall**". The word "**or**" is not exclusive.

2 Torys to conform boilerplate provisions, as applicable, across all transaction documents.

ARTICLE 2
TRANSFER OF SPECIFIED PORTIONS OF THE REGULATORY ASSET

2.1 Transfer Notices and Agreement to Transfer a Specified Portion of the Regulatory Asset

(a) The Transferor may, no more frequently than monthly and no later than the 8th Business Day of any calendar month, offer to Transfer to the Issuer a Specified Portion of the Regulatory Asset by providing to the Issuer a Transfer Notice executed by the Transferor and setting out (i) the Specified Portion of the Regulatory Asset that the Transferor is offering to Transfer to the Issuer, (ii) the consideration to be paid to the Transferor by the Issuer for the Transfer (the "**Purchase Price**") which shall be equal to the amount of such Specified Portion of the Regulatory Asset, (iii) the Closing Date to effect such transfer which shall be no earlier than the **[5th]** Business Day after the delivery of the Transfer Notice and no later than the last Business Day of the calendar month in which the Transfer Notice was delivered, or such other Business Day as may be agreed by the Transferor and the Issuer, and (iv) such other information as required in the form of Transfer Notice attached as Exhibit A hereto.

(b) On or before the 2nd Business Day following receipt of a Transfer Notice, the Issuer shall have the right, but not the obligation, to accept the Transferor's offer to Transfer the Specified Portion of the Regulatory Asset subject to the Transfer Notice by executing and returning such Transfer Notice to the Transferor. Upon acceptance by the Issuer of the Transfer Notice, there shall be a binding agreement for IESO to Transfer the Specified Portion of the Regulatory Asset and for the Issuer to pay the Purchase Price, subject to satisfaction of all conditions precedent in Section 2.2.

(c) Provided that all conditions precedent set out in Section 2.2 have been satisfied on or prior to the applicable Closing Date, on the applicable Closing Date, the Issuer shall deliver or cause to be delivered to the Transferor, by bank wire transfer or bank electronic funds transfer, in immediately available funds, an amount in Canadian dollars equal to the Purchase Price set forth in the applicable Transfer Notice. The Transferor agrees that receipt by the Transferor of the payment referred to in this Section 2.1(c) is receipt by the Transferor of a payment referred to in Section 26(3) of the Act.

(d) Upon receipt by the Transferor of the payment referred to in Section 2.1(c), the Transferor shall reduce the balance of the Fair Hydro Variance Account by an amount equal to the Purchase Price received and shall retain no further right, title or interest in the corresponding Issuer Investment Interest.

(e) The parties intend that this Agreement, together with each Transfer Notice accepted by the Issuer, constitute an agreement, for purposes of Section 27(2) of the Act for the Transferor to dispose, upon receipt by the Transferor of the payment referred to

in Section 2.1(d), of a Specified Portion of the Regulatory Asset and to assign, convey or sell a corresponding Investment Interest to the Issuer.

2.2 Conditions Precedent to each Transfer of a Specified Portion of the Regulatory Asset

(a) The obligation of the Issuer to pay the Purchase Price related to the initial Transfer of a Specified Portion of the Regulatory Asset shall be subject to the satisfaction by the Transferor, or waiver by the Issuer and the Indenture Trustee, of the following conditions:

(i) the Issuer and the Indenture Trustee shall have received from the Transferor the following documents, in form and substance satisfactory to each of the Issuer and the Indenture Trustee:

(A) a certificate of an officer of the IESO, dated the initial Closing Date certifying (1) that attached thereto is a true and complete copy of the by-laws of the IESO, each as in effect on the date of such certificate, (2) that attached thereto is a true and complete copy of a resolution adopted by the IESO's board of directors authorizing the execution, delivery and performance of this Agreement and the performance by the IESO of its obligations hereunder, and that such resolution has not been modified, rescinded or amended and is in full force and effect, and (3) as to the incumbency and true specimen signature of each of the IESO officers or delegates executing this Agreement and authorized to give notices and instructions hereunder (which can be changed by notice hereunder); and

(B) the Transferor shall have delivered to the Indenture Trustee, the Rating Agencies and the Issuer any Opinions of Counsel reasonably required by them. **[NTD: Scope of opinions required to be confirmed by the Dealers and their counsel]**

(b) The obligation of the Issuer to pay the Purchase Price related to each Transfer of a Specified Portion of the Regulatory Asset (including the initial Transfer) shall be subject to the satisfaction or waiver by the Issuer and the Indenture Trustee of each of the following conditions:

(i) as of the applicable Closing Date, all Program Agreements shall have been entered into on terms and conditions satisfactory to the Issuer and the Indenture Trustee and shall be in full force and effect as of such Closing Date;

(ii) as of the applicable Closing Date, no Insolvency Event in respect of the Transferor shall have occurred and the Transferor is not aware of any pending Insolvency Event with respect to itself;

(iii) as of the applicable Closing Date, (A) the representations and warranties of the IESO in this Agreement must be true and correct with the same force and effect as if made on that date (except to the extent they relate to an earlier date), (B) no breach of any covenant or agreement of the IESO contained in this Agreement shall have occurred be continuing, and (C) no Servicer Default shall have occurred and be continuing;

(iv) on or prior to the applicable Closing Date, the Transferor shall have taken all action required to provide for the Transfer, upon payment of the Purchase Price, of the Specified Portion of the Regulatory Asset as set forth in the applicable Transfer Notice on the Closing Date, free and clear of all Liens other than Liens created by the Issuer pursuant to the Program Agreements;

(v) the Transferor shall have delivered to the Indenture Trustee and the Issuer an Officer's Certificate confirming the satisfaction of each condition precedent specified in Sections 2.2(b)(i), (ii), (iii) and (iv);

(vi) as of the applicable Closing Date, (A) the Issuer shall have sufficient funds available to pay the Purchase Price as set forth in the applicable Transfer Notice, (B) all conditions to any incurrence of Funding Obligations intended to provide such funds set forth in the Indenture (and any applicable Supplemental Indenture) or other instrument shall have been satisfied or waived, (C) the Rating Agency Condition in respect of the issuance of the Funding Obligations funding the payment of the Purchase Price shall have been satisfied, and (D) the Funding Obligation required to fund the payment of the Purchase Price shall have been issued at the same time as, or prior to, the Transfer; and

(vii) after giving effect to the Transfer, each of the Fair Hydro Variance Account and the Regulatory Asset will have a balance or amount, as applicable, equal to or greater than zero.

ARTICLE 3
ROLE OF THE SERVICER

3.1 Designation of Servicer

Each Transfer of a specified portion of the Regulatory Asset shall be made on the basis that the related Issuer Investment Interest shall be serviced by the Servicer in accordance with this Article 3, and the IESO or any Permitted Successor of the IESO that is the Servicer shall not be entitled to receive any further compensation from the Issuer for its services in connection therewith. The Servicer agrees to perform the duties and obligations of the Servicer pursuant to the terms hereof at no additional cost to the Issuer.

3.2 Forecast of Electricity Consumption

The IESO shall:

(a) provide to the Board and the Financial Services Manager the forecasts of electricity consumption by Specified Consumers as contemplated by Section 8(3) of the Regulations; and

(b) provide to the Board and the Financial Services Manager such other information and reports as the Board or the Financial Services Manager may reasonably request in connection with the calculation of the Clean Energy Adjustments and which is reasonably available to the Transferor without incurring material incremental expense.

3.3 ISO Deferral

The IESO shall:

(a) determine the IESO Deferral as required by Section 23 of the Act and the Regulations; and

(b) maintain the Fair Hydro Variance Account as required by Section 24 of the Act and the Regulations.

3.4 Clean Energy Adjustments and Electricity Vendors

The Servicer shall:

(a) prior to receiving Servicer CEA Receipts, establish an Eligible Deposit Account (the "**IESO Segregated Account**") bearing a designation indicating that the funds deposited therein are held in trust for the benefit of the Issuer and, after the Co-Owner Implementation Date, for the benefit of any other owner or owners of an Investment Interest. If at any time the IESO Segregated Account ceases to be an Eligible Deposit Account, the Servicer shall within 30 days establish a new IESO Segregated Account as an Eligible Deposit Account and shall transfer any cash and/or any investments held in the former account to such new account and make all future deposits to such new account;

(b) prior to the first Billing Period when amounts are invoiced to Specified Consumers in respect of Clean Energy Adjustments, make reasonable efforts to work with each Electricity Vendor to:

(i) establish a segregated account into which Electricity Vendor CEA Collections are to be deposited as required by Section 10(2) of the Regulations;

(ii) settle a form of Electricity Vendor Billing Period Report to be used by such Electricity Vendor; and

(iii) establish procedures for the invoicing by such Electricity Vendor of amounts in respect of the Clean Energy Adjustment, the identification, deposit and segregation of Electricity Vendor CEA Collections, the remittance of Electricity Vendor CEA Collections to the Servicer and reporting to the Servicer; **[NTD: Generally, someone will need to take responsibility for educating the Electricity Vendors and we believe the IESO is best positioned to take on this role given its existing relationships and opportunities to interact with the EVs.]**

(c) request certification from each Electricity Vendor that the segregated account required by Section 10(2) of the Regulations has been established by that Electricity Vendor;

(d) as agent of the Issuer and, after the Co-Owner Implementation Date, as agent of any other owner or owners of an Investment Interest, receive Electricity Vendor CEA Collections from Electricity Vendors;

(e) as agent of the Issuer and, after the Co-Owner Implementation Date, as agent of any other owner or owners of an Investment Interest, receive any amounts in respect of Clean Energy Adjustments payable directly by Specified Consumers to the Servicer (such amounts, together with the amounts referred to in Section 3.4(d), the "**Servicer CEA Receipts**");

(f) deposit the Servicer CEA Receipts into the IESO Segregated Account promptly following receipt by the Servicer and, in any event, within [two Business Days] of receipt by the Servicer and the Issuer Share of such Servicer CEA Receipts shall remain in the IESO Segregated Account until remitted in accordance with Section 3.6;

(g) respond to inquiries by Electricity Vendors with respect to the Clean Energy Adjustment and amounts payable in respect thereof;

(h) request from each Electricity Vendor an Electricity Vendor Billing Period Report in respect of each Billing Period during which Clean Energy Adjustments are billed to Specified Consumers; such report to be requested to be delivered within ■ Business Days of the end of each Billing Period;

(i) review each Electricity Vendor Billing Period Report received by the Servicer for material manifest discrepancies including any discrepancy between the Electricity Vendor CEA Collections reported in respect of the Billing Period and the amount remitted pursuant to Section 3.4(d);

(j) make reasonable efforts to contact each Electricity Vendor that:

(i) does not deliver an Electricity Vendor Billing Period Report in respect of a Billing Period where Clean Energy Adjustments were payable by Specified Consumers;

(ii) does not remit any Electricity Vendor CEA Collections in accordance with Section 3.4(d) or remits Electricity Vendor CEA Collections that do not match the amount thereof reported in its Electricity Vendor Billing Period Report,

(iii) delivers an Electricity Vendor Billing Period Report that has any other material manifest discrepancy detected by the Servicer, or

(iv) does not certify that it has established the segregated account required by Section 10(2) of the Regulations,

and attempt to resolve the applicable issue;

(k) on a periodic basis as requested by the Issuer, review, pursuant to its rights under Section 10(4) of the Regulations, the records maintained by each Electricity Vendor with respect to Clean Energy Adjustments; provided that in the absence of evidence of material non-compliance by an Electricity Vendor with its duties and obligations in respect of Clean Energy Adjustments, the Servicer shall not be required to review the records of a Electricity Vendor more often than ■.

(l) hold the Issuer Share of Servicer CEA Receipts and the Issuer Share of any other proceeds in respect of the Clean Energy Adjustment received by it in trust for the benefit of the Issuer and remit such amounts in accordance with this Section 3.6 without any surcharge, fee, offset, charge or other deduction.

3.5 Reporting

The Servicer shall:

(a) on or before the **[8th Business Day]** following the end of each Billing Period, prepare and deliver to the Issuer a written report substantially in the form of Exhibit B (a "**Monthly Report**");

(b) report to the Issuer any delinquencies by Electricity Vendors in respect of the CEA amounts collected and the remittance of Electricity Vendor CEA Collections;

(c) report to the Issuer any unresolved matters referred to in Section 3.4(j);

(d) promptly notify the Issuer in writing of any Requirement of Law hereafter adopted or announced or the occurrence of any other event or circumstance of which it becomes aware that has a material adverse effect on the Servicer's ability to perform its duties and obligations under this Agreement; and

(e) upon the reasonable request of the Issuer, the Indenture Trustee or any Rating Agency, provide to the Issuer, the Indenture Trustee or such Rating Agency, as the case may be, any public financial information in respect of the Servicer, or any material information regarding the Issuer Investment Interest or the Regulatory Asset, to the extent it is reasonably available to the Servicer and as may be

reasonably necessary and permitted by law, to enable the Issuer, the Indenture Trustee or the Rating Agencies to monitor the performance by the Servicer of its duties and obligations hereunder.

3.6 Remittances

(a) Absent the occurrence of a Daily Remittance Event, the Issuer Share of Servicer CEA Receipts received by the Servicer during a Billing Period and any interest earned thereon shall be remitted by the Servicer to the Collection Account no later than the Remittance Date immediately following such Billing Period.

(b) Following the occurrence of a Daily Remittance Event, the Issuer Share of all Servicer CEA Receipts on deposit in the IESO Segregated Account and any interest earned thereon shall be remitted by the Servicer to the Collection Account on each Business Day.

3.7 Limits to Obligations

Without in any way limiting the duties and obligations of the Servicer arising under the Act or the Regulations, the parties hereto agree the duties and obligations of the Servicer under this Agreement are limited as provided in this Section 3.7.

(a) The Servicer is not responsible for, or in respect of, any amounts not collected by Electricity Vendors from their customers or not remitted by Electricity Vendors to the Servicer.

(b) The Servicer is not responsible for enforcing the obligations of Specified Consumers or Electricity Vendors to invoice, collect or remit Clean Energy Adjustments or any other amounts.

(c) The Servicer shall not be responsible or liable for the performance by Electricity Vendors of their duties and responsibilities under the Act or the Regulations including (i) the invoicing of Specified Consumers in respect of the Clean Energy Adjustment and ancillary matters related thereto; (ii) the collection from Specified Consumers of amounts due in respect of such invoices and the remittance of such payments to the Servicer; (iii) the accuracy of any information provided by the Electricity Vendors; and (iv) any reporting by the Electricity Vendors, including the reporting to the Servicer of the total CEA Consumer Invoice Amounts invoiced by such Electricity Vendor to its Specified Consumers in respect of the Clean Energy Adjustment, the total Electricity Vendor CEA Collections received by such Electricity Vendor and the Issuer Share of Electricity Vendor CEA Collections received by such Electricity Vendor.

(d) The Servicer is under no responsibility or obligation to the Issuer with respect to whether the Clean Energy Adjustments funds remitted by the Servicer to Issuer during any or all periods is sufficient to satisfy the Issuer's obligations.

(e) The Servicer is under no obligation to initiate or prosecute any legal action relating to the collection of the Issuer Investment Interest.

3.8 Servicing and Maintenance Standards

(a) The Servicer shall discharge its duties, responsibilities and obligations hereunder with reasonable care and in material compliance the Requirements of Law, including the Act and the Regulations and shall follow standards, policies and procedures in performing its duties as Servicer hereunder that are customary for an electricity market operator and administrator that regularly performs settlement functions. In furtherance of the foregoing, the Servicer hereby agrees that it shall also have, and shall comply with reasonable care and in material compliance with applicable Requirement of Laws, including the Act and the Regulations, using the same degree of care and diligence that the Servicer exercises with respect to similar settlement activities on its own account.

(b) The Servicer may rely in good faith on the advice of counsel or on any document of any kind, prima facie properly executed and submitted by any Person, respecting any matters arising under this Agreement.

(c) Neither the Servicer nor any of the directors, officers, employees or agents of the Servicer shall be liable to the Issuer or any other Person for any action taken or for refraining from the taking of any action pursuant to this Agreement or for good faith errors in judgment.

3.9 Appointments

The Servicer may at any time appoint any Person to act as its agent to perform all or any portion of its obligations as Servicer hereunder; provided however, that the Rating Agency Condition shall have been satisfied in connection therewith; and provided further that the Servicer shall remain obligated and be liable for the performance of its obligations under this Agreement without diminution of such obligation and liability by virtue of the appointment of such Person and to the same extent and under the same terms and conditions as if the Servicer alone were performing such obligations. The fees and expenses of any such Person shall be as agreed between the Servicer and such Person from time to time, and the Issuer shall not have any responsibility therefor or right or claim thereto. Any such appointment shall not constitute a resignation of the Servicer under Section 3.11.

3.10 Term

The Servicer's appointment as Servicer under this Agreement shall become effective as of the execution hereof and shall continue in full force and effect until the earlier of (a) the effective date of resignation of the Servicer in accordance with the provisions of this Agreement, (b) termination of all of the rights and obligations of the Servicer under Article 7, and (c) the date on which all Issuer Funding Obligations have been paid in full and all CEA Consumer Invoice Amounts have been received or written off (in each case, a "**Termination Event**"). The appointment of the Servicer as servicer under this Agreement shall be terminated effective as of the date of the Termination Event.

3.11 Resignation of Servicer

The IESO shall not resign from the obligations and duties imposed on it as Servicer under this Agreement except upon a determination that the performance of its duties under this Agreement shall no longer be permissible under applicable Requirements of Law. Notice of any such determination permitting the resignation of the IESO as Servicer shall be communicated to the Issuer, the Indenture Trustee and the Rating Agencies at the earliest practicable time (and, if such communication is not in writing, shall be confirmed in writing at the earliest practicable time), and any such determination shall be evidenced by an Opinion of Counsel to such effect delivered to the Issuer, the Indenture Trustee and the Rating Agencies concurrently with or promptly after such notice. No such resignation shall become effective until a Successor Servicer that is a Permitted Successor has assumed the servicing obligations and duties hereunder of the Servicer in accordance with Section 7.2.

3.12 Mergers

Any Person (a) into which the Servicer may be merged, converted or amalgamated and that is a Permitted Successor, (b) that may result from any merger, conversion or amalgamation to which the Servicer shall be a party and that is a Permitted Successor, (c) that may succeed to the properties and assets of the Servicer substantially as a whole and that is a Permitted Successor, or (d) that otherwise is a Permitted Successor, which Person in any of the foregoing cases executes an agreement of assumption to perform all of the obligations of the Servicer hereunder, shall be the successor to the Servicer under this Agreement without further act on the part of any of the parties to this Agreement; provided, however, that (i) immediately after giving effect to such transaction, no representation or warranty made pursuant to Section 4.1 shall have been breached and no Servicer Default and no event that, after notice or lapse of time, or both, would become a Servicer Default shall have occurred and be continuing, (ii) the Servicer shall have delivered to the Issuer and the Indenture Trustee an Officer's Certificate and an Opinion of Counsel from external counsel stating that such consolidation, conversion, merger or succession and such agreement of assumption complies with this Section 3.12 and that all conditions precedent, if any, provided for in this Agreement relating to such transaction have been complied with, and (iii) the Servicer shall have given to the Issuer prior written notice of such transaction. When any Person that is a Permitted Successor acquires the properties and assets of the Servicer substantially as a whole or otherwise becomes the successor, by merger, conversion, consolidation, sale, transfer, lease or otherwise, to all or substantially all the assets of the Servicer in accordance with the terms of this Section 3.12, then, upon satisfaction of all of the other conditions of this Section 3.12, the preceding Servicer shall automatically and without further notice be released from all of its obligations hereunder (except for responsibilities for its actions prior to such release).

3.13 The IESO Not to Resign as Servicer

Subject to the provisions of Section 3.12, the IESO shall not resign from the obligations and duties imposed on it as Servicer under this Agreement except upon a determination that the performance of its duties under this Agreement shall no longer be permissible under applicable Requirements of Law. Notice of any such determination permitting the resignation of the IESO as Servicer shall be communicated to the Issuer, the Indenture Trustee and each Rating Agency at the earliest practicable time (and, if such communication is not in writing, shall be

confirmed in writing at the earliest practicable time), and any such determination shall be evidenced by an Opinion of Counsel to such effect delivered to the Issuer, the Indenture Trustee and each Rating Agency concurrently with or promptly after such notice. No such resignation shall become effective until a Successor Servicer that is a Permitted Successor has assumed the servicing obligations and duties hereunder of the Servicer in accordance with Section 7.2.

3.14 IESO Regulatory Obligation to Pay Carrying Costs

(a) During the period beginning on December 1, 2017 and ending on July 31, 2021, the IESO shall, as required under the Regulations, pay and remit to the Issuer any amounts charged to the IESO by the Issuer in respect of Carrying Costs during the period beginning on June 1, 2017 and ending on July 31, 2021.

(b) On or before the 4th Business Day of each calendar month, the Issuer shall prepare and deliver to the IESO a written statement substantially in the form of Exhibit C (a "**Monthly Carrying Costs Statement**") setting out the amount of Carrying Costs in respect of the preceding calendar month ("**Monthly Carrying Costs**").

(c) On or before the 8th Business Day following receipt by the IESO of the Monthly Carrying Costs Statement, the IESO shall, as required under the Regulations, deliver or cause to be delivered to the Issuer, by wire transfer or electronic funds transfer in immediately available funds, an amount in Canadian dollars equal to the Monthly Carrying Costs set forth in the applicable Monthly Carrying Costs Statement.

3.15 IESO Security for CEA Remittances

If required by the Issuer, the IESO shall provide to the Issuer, on or prior to the first day of the first Billing Period when amounts are invoiced to Specified Consumers in respect of Clean Energy Adjustments, a letter of credit in an amount equal to $■, or such other form of security as may be acceptable to the Issuer and the Indenture Trustee, as security for any failure of Electricity Vendors, following [July 31, 2021], to remit the Electricity Vendor CEA Collections.

ARTICLE 4
REPRESENTATIONS AND WARRANTIES OF THE IESO

4.1 Representations and Warranties

Subject to Section 4.3, the IESO makes the following representations and warranties as of the date hereof and as of each applicable Closing Date, and the IESO acknowledges that the Issuer and the Indenture Trustee will rely thereon in paying the Purchase Price related to Transfers of Specified Portions of the Regulatory Asset, and the Issuer has relied thereon in entering into this Agreement relating to the servicing of the corresponding Investment Interests.

(a) Organization and Good Standing. The IESO is a statutory corporation amalgamated under the laws of the Province of Ontario, with requisite corporate power and

authority to own its properties, to conduct its business as such properties are currently owned and such business is presently conducted by it.

(b) Due Qualification. The IESO has obtained all necessary licences and approvals, in all jurisdictions in which the ownership or lease of property or the conduct of its business (including acting as Servicer under this Agreement) shall require such licences or approvals, except where the failure to so qualify or obtain such licences and approvals would not be reasonably likely to have a material adverse effect on the IESO's business, operations, assets, revenues or properties, the Regulatory Asset or the servicing of related Investment Interests.

(c) Power and Authority. The IESO has the requisite corporate power and authority to execute and deliver this Agreement and to carry out its terms. The IESO has full corporate power and authority to hold the Regulatory Asset and to Transfer Specified Portions of the Regulatory Asset to the Issuer and the IESO has duly authorized such Transfer to the Issuer by all necessary corporate action. The execution, delivery and performance of all obligations under this Agreement have been duly authorized by all necessary corporate action on the part of the IESO under all applicable laws.

(d) Binding Obligation. This Agreement constitutes a legal, valid and binding obligation of the IESO, enforceable against the IESO in accordance with its terms, subject to bankruptcy, receivership, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally from time to time in effect and to general principles of equity (including concepts of materiality, reasonableness, good faith and fair dealing).

(e) No Violation. The consummation of the transactions contemplated by this Agreement and the fulfillment of the terms hereof by the IESO do not conflict with, result in any breach of any of the terms and provisions of, or constitute (with or without notice or lapse of time, or both) a default under, the IESO's by-laws, or any indenture, or other material agreement or instrument to which the IESO is a party or by which it is bound, result in the creation or imposition of any Lien upon any of the IESO's properties pursuant to the terms of any such indenture, agreement or other instrument or violate any existing law or any order, rule or regulation applicable to the IESO issued by any Governmental Authority having jurisdiction over the IESO or its properties.

(f) No Proceedings. To the IESO's knowledge, there are no Proceedings pending or threatened against the IESO or its properties: (a) asserting the invalidity of this Agreement or the Act, (b) seeking to prevent the consummation of any of the transactions contemplated by this Agreement or the Act, or (c) seeking a determination or ruling that could reasonably be expected to materially and adversely affect the performance by the IESO of its obligations under, or the validity or enforceability of, this Agreement or the Act.

(g) Approvals. No approvals, authorizations, consents, orders or other actions or filings with any Governmental Authority are required for the IESO to execute, deliver and perform its obligations under this Agreement except those which have previously been obtained or made.

(h) Information. At the date hereof and as of each applicable Closing Date, except in respect of information provided by a third party, all written information, as amended or supplemented from time to time, provided by the Transferor to the Issuer with respect to the Regulatory Asset is true and correct in all material respects and does not omit any material facts.

(i) The Transfer. After the completion of the Transfer on the applicable Closing Date, the IESO will have no right, title or interest in the Investment Interest related to the Specified Portion of the Regulatory Assets as set forth in the applicable Transfer Notice and the related Investment Interest shall not form part of the estate of the IESO in the event of an Insolvency Event in respect of the IESO.

(j) No Transfer. Except for Permitted Transfers, the IESO has not sold, transferred, assigned or otherwise conveyed any interest in the Regulatory Asset to any Person.

(k) Liens. IESO has not pledged or otherwise granted a Lien to any Person in the Regulatory Asset and to the IESO's knowledge (after due inquiry), there is no registered financing statement listing the IESO as debtor covering or extending to the Regulatory Asset.

(l) Tax Liens. The IESO (i) is not aware, after due inquiry, of any judgment or tax lien filing against the IESO, and (ii) is not a non-resident of Canada for purposes of the *Income Tax Act* (Canada).

(m) Solvency. On the date hereof and after giving effect to each Transfer, the IESO:

(i) reasonably believes that it will be able to pay its debts as they come due; and

(ii) is able to pay its debts as they mature and does not intend to incur, or believes that it will not incur, indebtedness that it will not be able to repay at its maturity.

(n) No Court Order. There is no order by any court that seeks to enjoin the performance of any obligations of the IESO under the Act or this Agreement.

4.2 Survival

The representations and warranties set forth in Section 4.1 shall survive the execution and delivery of this Agreement, each Transfer of an Investment Interest to the Issuer and the pledge thereof to the Indenture Trustee pursuant to the Indenture and may not be waived by any party hereto except pursuant to a written agreement executed in accordance with Section 8.1 and as to which the Rating Agency Condition has been satisfied.

4.3 Limitations on Representations and Warranties

Notwithstanding anything in this Agreement to the contrary, the IESO makes no representation or warranty with respect to the collectability of the Issuer Share of Servicer CEA Receipts or that the Issuer Share of Servicer CEA Receipts be sufficient to satisfy the Issuer's Funding Obligations.

ARTICLE 5
COVENANTS OF THE IESO

5.1 Existence

So long as any Issuer Funding Obligations are outstanding, the IESO (a) will keep in full force and effect its existence and remain validly existing under the laws of the Province of Ontario, and (b) will obtain and preserve its qualifications to do business in each jurisdiction in which such qualification is or will be necessary to protect the validity and enforceability of this Agreement and each other instrument or agreement to which the IESO is a party necessary for the proper administration of this Agreement and the transactions contemplated hereby.

5.2 No Transfer or Liens

Except for Transfers under this Agreement to the Issuer or Permitted Transfers, the IESO will not Transfer the Regulatory Asset or any portion thereof to any person. The IESO will not grant, create, incur, assume or suffer to exist any Lien on the Regulatory Asset or any portion thereof. The IESO will not at any time assert any Lien against or with respect to the Issuer Investment Interest, and will defend the right, title and interest of the Issuer and of the Indenture Trustee, on behalf of the Specified Creditors, in, to and under the Issuer Investment Interest against all claims of third parties claiming through or under the Transferor.

5.3 Notice of Liens

The IESO shall notify the Issuer and the Indenture Trustee promptly after becoming aware of any Lien on any portion of the Regulatory Asset.

5.4 Compliance with Law

The IESO will comply with all Requirements of Law applicable to, and binding upon, the IESO or relating to the Regulatory Asset, the Investment Asset or Investment Interests, except to the extent that failure to so comply would not materially adversely affect the Issuer's or the Indenture Trustee's interests in the Issuer Investment Interest, the value of the Issuer Investment Interest, the timing or amount of Clean Energy Adjustments payable by Specified Consumers or the IESO's performance of its obligations under this Agreement; provided, however, that the foregoing is not intended to, and shall not, impose any liability on the IESO for non-compliance with any Requirement of Law that the IESO is contesting in good faith in accordance with its customary standards and procedures.

5.5 Covenants Related to the Investment Interest

(a) So long as any Issuer Funding Obligations are outstanding, the IESO shall treat the Issuer Investment Interest as the Issuer's property for all purposes.

(b) Except for passive investments held for employee benefit purposes, the IESO shall not at any time become a holder of Issuer Funding Obligations.

(c) The IESO shall disclose the effects of all transactions between the IESO and the Issuer in accordance with generally accepted accounting principles (for government entities).

(d) (i) In all Proceedings relating directly or indirectly to the Issuer Investment Interest, the IESO shall affirmatively certify and confirm that it has Transferred all of its rights and interests in and to the Specified Portion of the Regulatory Asset giving rise to the Issuer Investment Interest, (ii) the IESO shall not make any statement or reference in respect of the Issuer Investment Interest that is inconsistent with the ownership interest of the Issuer, and (iii) the IESO shall not take any action in respect of the Issuer Investment Interest except solely in its capacity as the Servicer thereof pursuant to this Agreement.

5.6 Non-petition Covenants

Notwithstanding any prior termination of this Agreement or the Indenture, the IESO shall not, prior to the date that is one year plus one day after termination of the Indenture and the payment in full of all Issuer Funding Obligations and any other amounts owed under the Indenture, petition or otherwise invoke the process of any Governmental Authority for the purpose of commencing or sustaining a Proceeding against the Issuer under any Canadian bankruptcy, insolvency or similar law, appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official or any substantial part of the property of the Issuer.

5.7 Disclosure

The IESO shall provide such non-confidential information regarding IESO, the Regulatory Asset and the services provided by the Servicer hereunder (collectively, the "**IESO Disclosure**") as may be reasonably requested by the Issuer for inclusion in any offering document of the Issuer from time to time, including but not limited to offering memoranda, prospectuses, registration statements and continuous disclosure documents and represents that, except in respect information provided by a third party, all such information is, as at the respective dates of delivery to the Issuer, true and correct in all material respects, contains no misrepresentation and constitutes full, true and plain disclosure of all material facts relating to the IESO Disclosure.

5.8 Further Assurances

Upon the request of the Issuer, the IESO shall execute and deliver such further instruments and do such further acts as may reasonably be necessary to carry out the provisions and purposes of this Agreement.

5.9 Access to Certain Records and Information Regarding Investment Interest

The IESO shall provide to the Issuer and the Indenture Trustee access to all records relating to the IESO Deferral, the Fair Hydro Variance Account, the IESO Segregated Account and Servicer CEA Receipts, as is reasonably required for the Issuer and the Indenture Trustee to confirm compliance by the IESO with its obligations under this Agreement. Access shall be afforded without charge, but only upon reasonable request and during normal business hours at the offices of the IESO. Nothing in this Section 5.9 shall affect the obligation of the IESO to comply with any Requirement of Law prohibiting disclosure of information, and the failure of the IESO to provide access to such information as a result of such obligation shall not constitute a breach of this Section 5.9.

5.10 Maintenance of Operations

Subject to Section 3.12, the IESO agrees to continue, unless prevented by circumstances beyond its control, to operate as the electricity system operator in the Province of Ontario so long as it is acting as the Servicer under this Agreement.

ARTICLE 6
IESO INDEMNITIES

6.1 Liability of the IESO; Indemnities

(a) The IESO shall indemnify the Issuer, the Indenture Trustee (for itself and for the benefit of the Specified Creditors), the Manager and each of their respective trustees, officers, directors, employees and agents (each, an "**Indemnified Party**"), for, and defend and hold harmless each such Person from and against, any and all liabilities, obligations, losses, damages, payments and claims, and reasonable costs or expenses, of any kind whatsoever (collectively, "**Indemnified Losses**") imposed on, incurred by or asserted against any such Person as a result of (i) the failure of the IESO to perform its covenants and other obligations under this Agreement, any Co-Owner Agreement and any other Program Agreement to which the IESO is a party; and (ii) the IESO's breach of any of its representations or warranties under this Agreement, any Co-Owner Agreement and any other Program Agreement to which the IESO is a party; and, except to the extent of Indemnified Losses resulting from the willful misconduct, bad faith or gross negligence of such Person seeking indemnification hereunder; provided that, in each case, the IESO shall not be required to indemnify an Indemnified Party for any amount paid or payable by such Indemnified Party in the settlement of any Proceeding or investigation without the written consent of the IESO, which consent shall not be unreasonably withheld. Promptly after receipt by an Indemnified Party of notice of the commencement of any Proceeding or investigation, such Indemnified Party shall, if a claim in respect thereof is to be made against the IESO under this Section 6.1(a), notify the IESO in writing of the commencement thereof. Failure by an Indemnified Party to so notify the IESO shall relieve the IESO from the obligation to indemnify and hold harmless such Indemnified Party under this Section 6.1(a) only to the extent that the IESO

suffers actual prejudice as a result of such failure. With respect to any Proceeding or investigation brought by a third party for which indemnification may be sought under this Section 6.1(a), the IESO shall be entitled to conduct and control, at its expense and with counsel of its choosing that is reasonably satisfactory to such Indemnified Party, the defence of any such Proceeding or investigation (in which case the IESO shall not thereafter be responsible for the fees and expenses of any separate counsel retained by the Indemnified Party except as set forth below); provided, that the Indemnified Party shall have the right to participate in such Proceeding or investigation through counsel chosen by it and at its own expense. Notwithstanding the IESO's election to assume the defence of any Proceeding or investigation, the Indemnified Party shall have the right to employ separate counsel, and the IESO shall bear the reasonable fees, costs and expenses of such separate counsel, if (i) the defendants in any such action include both the Indemnified Party and the IESO and the Indemnified Party shall have reasonably concluded that there may be legal defences available to it that are different from or additional to those available to the IESO, (ii) the IESO shall not have employed counsel reasonably satisfactory to the Indemnified Party to represent the Indemnified Party within a reasonable time after notice of the institution of such action, (iii) the IESO authorizes the Indemnified Party to employ separate counsel at the expense of the IESO, or (iv) in the case of the Indenture Trustee, such action exposes the Indenture Trustee to a material risk of criminal liability or forfeiture or a Servicer Default has occurred and is continuing. Notwithstanding the foregoing, the IESO shall not be obligated to pay for the fees, costs and expenses of more than one separate counsel for the Indemnified Parties other than one local counsel, if appropriate. The IESO will not, without the prior written consent of the Indemnified Party, settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim or Proceeding in respect of which indemnification may be sought under this Section 6.1(a) (whether or not the Indemnified Party is an actual or potential party to such claim or action) unless such settlement, compromise or consent includes an unconditional release of the Indemnified Party from all liability arising out of such claim or Proceeding.

(b) For purposes of Section 6.1(a), in the event of the termination of the rights and obligations of the IESO (or any successor thereto pursuant to Section 3.12) as Servicer pursuant to Section 7.1, or a resignation by such Servicer pursuant to Section 3.11 of this Agreement, the IESO shall be deemed to be the Servicer pending appointment of a Successor Servicer pursuant to Section 7.2.

(c) Indemnification under Section 6.1(a) shall include reasonable out-of-pocket fees and expenses of investigation and litigation (including reasonable legal fees and expenses), except as otherwise expressly provided in this Agreement.

(d) Indemnification under this Section 6.1 shall survive any repeal of, modification of, or supplement to, or judicial invalidation of, the Act and shall survive the resignation or removal of the Indenture Trustee or the termination of this Agreement and will rank *pari passu* with other general, unsecured obligations of the IESO.

(e) The IESO shall not be required to indemnify any party under this Section 6.1 for any losses resulting from changes in law after the date hereof, whether such changes in law are effected by means of any legislative enactment or any final and non-appealable judicial decision.

(f) Except to the extent expressly provided in this Agreement (including the payment of the Purchase Price), the IESO hereby releases and discharges the Issuer and each of its trustees, officers, directors and agents (collectively, the "**Released Parties**"), from any and all actions, claims and demands whatsoever, whenever arising, which the IESO, in its capacity as Servicer or otherwise, shall or may have against any such Person relating to the Investment Interest or the IESO's activities with respect thereto, other than any actions, claims and demands arising out of the willful misconduct, bad faith or gross negligence of the Released Parties.

ARTICLE 7
SERVICER DEFAULT

7.1 Servicer Default

If any one or more of the following events (each, a "**Servicer Default**") shall occur and be continuing:

(a) any failure by the Servicer to remit to the Collection Account any required remittance that shall continue unremedied for a period of **[two/three] [NTD: Rating Agencies will expect 2-3 days]** Business Days after written notice of such failure is received by the Servicer from the Issuer or the Indenture Trustee or after discovery of such failure by a Responsible Officer of the Servicer;

(b) any failure on the part of the Servicer or, so long as the Servicer is the IESO, any failure on the part of the IESO, as the case may be, duly to observe or to perform in any respect any covenants or agreements of the Servicer or the IESO, as the case may be, set forth in this Agreement (other than as provided in Section 7.1(a)) or any other Program Agreement to which it is a party, which failure shall (i) materially and adversely affect the rights of the Specified Creditors and (ii) continue unremedied for a period of 30 days after the date on which (A) written notice of such failure, requiring the same to be remedied, shall have been given to the Servicer or the IESO, as the case may be, by the Issuer or to the Servicer or the IESO, as the case may be, by the Indenture Trustee or (B) such failure is discovered by a Responsible Officer of the Servicer;

(c) any representation or warranty made by the Servicer in this Agreement, any other Program Agreement or in any Monthly Report, shall prove to have been incorrect when made, which has a material adverse effect on the Issuer, the Indenture Trustee or any other Specified Creditor and which remains unremedied for a period of 30 days after the date on which (i) written notice thereof, requiring the same to be remedied, shall have been delivered to the Servicer (with a copy to the Indenture

Trustee) by the Issuer or the Indenture Trustee or (ii) such failure is discovered by a Responsible Officer of the Servicer;

(d) an Insolvency Event occurs with respect to the Servicer or the IESO; or

(e) any additional "Servicer Default" as specified in any Co-Owner Agreement occurs;

then, and in each and every case, the Indenture Trustee shall, upon the instruction of the Specified Creditors as provided for under the Trust Indenture, subject to the terms of any Co-Owner Agreement, by notice then given in writing to the Servicer (and to the Indenture Trustee if given by the Specified Creditors) (a "**Termination Notice**"), terminate all the rights and obligations (other than the obligations set forth in Section 6.1 and the obligation under Section 7.2 to continue performing its functions as Servicer until a Successor Servicer is appointed) of the Servicer under this Agreement and under the Co-Owner Agreement. In addition, upon a Servicer Default described in Section 7.1(a), the Specified Creditors and the Indenture Trustee (or any of their representatives) shall be entitled to apply to a court of appropriate jurisdiction for an order for sequestration and payment of revenues arising with respect to the Issuer. On or after the receipt by the Servicer of a Termination Notice, all authority and power of the Servicer under this Agreement, whether with respect to the Investment Interest, the Clean Energy Adjustments or otherwise, shall, without further action, pass to and be vested in such Successor Servicer as may be appointed under Section 7.2; and, without limitation, the Indenture Trustee is hereby authorized and empowered to execute and deliver, on behalf of the predecessor Servicer, as attorney-in-fact or otherwise, any and all documents and other instruments, and to do or accomplish all other acts or things necessary or appropriate to effect the purposes of such Termination Notice, whether to complete the transfer of all documents and records related to the Regulatory Asset, the Fair Hydro Variance Account and related documents or records, or otherwise (the "**Records**"). The predecessor Servicer shall cooperate with the Successor Servicer, the Issuer and the Indenture Trustee in effecting the termination of the responsibilities and rights of the predecessor Servicer under this Agreement, including the transfer to the Successor Servicer for administration by it of all Records and all cash amounts that shall at the time be held by the predecessor Servicer for remittance, or shall thereafter be received by it with respect to the Investment Interest or the Clean Energy Adjustment. As soon as practicable after receipt by the Servicer of such Termination Notice, the Servicer shall deliver the Records to the Successor Servicer. If a Successor Servicer has been appointed as a result of a Servicer Default, all reasonable costs and expenses (including reasonable legal fees and expenses) incurred in connection with transferring the Records to the Successor Servicer and amending this Agreement and any Co-Owner Agreement to reflect such succession as Servicer pursuant to this Section 7.1 shall be paid by the predecessor Servicer upon presentation of reasonable documentation of such costs and expenses. Termination of the IESO as Servicer shall not terminate the IESO's rights or obligations under this Agreement (except rights thereunder deriving from its rights as the Servicer hereunder).

7.2 Appointment of Successor Servicer

(a) Upon the Servicer's receipt of a Termination Notice pursuant to Section 7.1 or the Servicer's resignation or removal in accordance with the terms of this Agreement, the predecessor Servicer shall continue to perform its functions as Servicer under this Agreement, until a Successor Servicer shall have assumed in writing the

obligations of the Servicer hereunder as described below. In the event of the Servicer's removal or resignation hereunder, the Indenture Trustee may, and at the written direction and with the consent of the Specified Creditors as provided for under the Trust Indenture shall, but subject to the provisions of the applicable Co-Owner Agreement, appoint a Successor Servicer with the Issuer's prior written consent thereto (which consent shall not be unreasonably withheld), and the Successor Servicer shall accept its appointment by a written assumption in form reasonably acceptable to the Issuer. If, within 30 days after the delivery of the Termination Notice, a Successor Servicer shall not have been appointed, the Indenture Trustee may, at the direction of Specified Creditors as provided for under the Trust Indenture, petition a court of competent jurisdiction to appoint a Successor Servicer under this Agreement. A Person shall qualify as a Successor Servicer only if (i) such Person is permitted under the Act to perform the duties of the Servicer, (ii) the Rating Agency Condition shall have been satisfied with respect to such appointment, (iii) such Person enters into a master transfer and servicing agreement with the Issuer having substantially the same provisions as this Agreement and (iv) such Person agrees to perform the obligations of the Servicer under any Co-Owner Agreement. In no event shall the Indenture Trustee be liable for its appointment of a Successor Servicer. The Indenture Trustee's expenses incurred under this Section 7.2(a) shall be at the sole expense of the Issuer and payable from the Collection Account as provided in **[Section 8.02]** of the Indenture.

(b) Upon appointment, the Successor Servicer shall be the successor in all respects to the predecessor Servicer and shall be subject to all the responsibilities, duties and liabilities arising thereafter placed on the predecessor Servicer and shall be entitled to all the rights granted to the predecessor Servicer by the terms and provisions of this Agreement.

7.3 Waiver of Past Defaults

The Indenture Trustee, with the written consent of Specified Creditors as provided for under the Trust Indenture, may waive in writing any default by the Servicer in the performance of its obligations hereunder and its consequences, except a default in making any required deposits to the Collection Account in accordance with this Agreement. Upon any such waiver of a past default, such default shall cease to exist, and any Servicer Default arising therefrom shall be deemed to have been remedied for every purpose of this Agreement. No such waiver shall extend to any subsequent or other default or impair any right consequent thereto.

7.4 Notice of Servicer Default

The Servicer shall deliver to the Issuer, the Manager, the Indenture Trustee and the Rating Agencies promptly after having obtained knowledge thereof, but in no event later than five Business Days thereafter, written notice of any event that, with the giving of notice or lapse of time, or both, would become a Servicer Default under Section 7.1.

7.5 Cooperation with Successor Servicer

The Servicer covenants and agrees with the Issuer that it will, on an ongoing basis, cooperate with the Successor Servicer and provide whatever information is, and take whatever actions are, reasonably necessary to assist the Successor Servicer in performing its obligations hereunder.

ARTICLE 8
MISCELLANEOUS

8.1 Amendment

This Agreement may be amended in writing by the IESO, the Issuer and the Indenture Trustee and with satisfaction of the Rating Agency Condition. Promptly after the execution of any such amendment, the Issuer shall furnish copies of such amendment to each of the Rating Agencies.

8.2 Withholding Rights

The parties shall be entitled to deduct and withholding from amounts payable under this Agreement such amounts as each is required to deduct and withhold with respect to such payment under the *Income Tax Act* (Canada) or any provision of any applicable federal, provincial, territorial, state, local or foreign tax law. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes as having been paid to the recipient of the payment in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted in accordance with applicable law to the appropriate taxing authority.

8.3 No Partnership

Each party expressly disclaims any intention to create a partnership, and none of the Issuer, the IESO or the Indenture Trustee will be deemed to be carrying on business in partnership by reason of its execution and delivery of this Agreement or the exercise or performance by it of its respective rights and obligations hereunder.

8.4 Notices

Any notice, report or other communication given hereunder shall be in writing and shall be effective (a) upon receipt when sent through the mails, registered or certified mail, return receipt requested, postage prepaid, with such receipt to be effective the date of delivery indicated on the return receipt, (b) upon receipt when sent by an overnight courier, (c) on the date personally delivered to an authorized officer of the party to which sent, or (d) on the date transmitted by electronic transmission with a confirmation of receipt in all cases, addressed as follows:

(a) in the case of the IESO, in its capacity as Transferor or Servicer:

Independent Electricity System Operator
120 Adelaide Street West, Suite 1600
Toronto, Ontario M5H 1T1

Attention: Chief Financial Officer, General Counsel and Associate General Counsel
Email: ■

(b) in the case of the Issuer or the Manager (on behalf of the Issuer):

[Financing Entity]
c/o Ontario Power Generation Inc., as Manager
700 University Avenue
Toronto, Ontario
M5G 1X6

Attention: ■
Email: ■

(c) in the case of the Indenture Trustee:

■
[Address]

Attention: ■
Email: ■

Each party hereto may, by notice given in accordance herewith to the other party or parties hereto, designate any further or different address to which subsequent notices, reports and other communications shall be sent. Any notice, report or communication required to be given by the IESO hereunder to a Rating Agency shall be given to the address provided by the Issuer from time to time.

8.5 Assignment

Notwithstanding anything to the contrary contained herein, except as provided in the provisions of this Agreement concerning the resignation of the Servicer, this Agreement may not be assigned by the IESO.

8.6 Limitations on Rights of Third Parties

The provisions of this Agreement are solely for the benefit of the IESO, the Issuer and, to the extent provided herein or in the other Program Agreements, the Indenture Trustee (for its own benefit and for the benefit of the Specified Creditors) and the other Persons expressly referred to herein, and such Persons shall have the right to enforce the relevant provisions of this Agreement. Nothing in this Agreement, whether express or implied, shall be construed to give to any other Person any legal or equitable right, remedy or claim in the Issuer Investment Interest or under or in respect of this Agreement or any covenants, conditions or provisions contained herein.

8.7 Severability

Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remainder of such provision (if any) or the remaining provisions hereof (unless such construction shall be unreasonable), and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

8.8 Separate Counterparts; Electronic Delivery

This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument. Delivery of an executed signature page to this Agreement by a party by electronic transmission will be as effective as delivery of a manually executed copy of this Agreement by such party.

8.9 Governing Law

This Agreement shall be construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein, and each party to this Agreement attorns to the non-exclusive jurisdiction of the courts of the Province of Ontario.

8.10 Grant of Security Interest to Indenture Trustee

The IESO hereby acknowledges and consents to the grant of a Lien by the Issuer to the Indenture Trustee pursuant to the Indenture for the benefit of the Specified Creditors against all right, title and interest of the Issuer in, to and under this Agreement, the Investment Interest and the proceeds thereof and the assignment of any or all of the Issuer's rights hereunder to the Indenture Trustee for the benefit of the Specified Creditors.

8.11 Limitation of Liability of Indenture Trustee

It is expressly understood and agreed by the parties hereto that this Agreement is executed and delivered by the Indenture Trustee, not individually or personally but solely as Indenture Trustee on behalf of the Specified Creditors, in the exercise of the powers and authority conferred and vested in it. The Indenture Trustee in acting hereunder is entitled to all rights, benefits, protections, immunities and indemnities accorded to it under the Indenture.

8.12 Limitation of Liability of the Issuer Trustee

(a) It is expressly understood and agreed by the parties hereto that the Issuer Trustee is acting solely in its capacity as trustee of the Issuer, and not in any other capacity. The Issuer solely shall be responsible for the performance of the Issuer's obligations hereunder and the assets of the Issuer solely shall be subject to levy or execution in satisfaction of such obligations.

(b) The Issuer Trustee will not be subject to any liability whatsoever, in tort, in contract or otherwise, in connection with the Issuer's property or the Issuer's activities, to the Issuer's beneficiaries or to any other Person, for any action taken or permitted by the Issuer Trustee to be taken, or the Issuer Trustee's failure to compel in any way any former or acting Issuer Trustee to redress any breach of trust with respect to the execution of the duties of its office or in respect of the Issuer's property or the Issuer's activities, provided that the foregoing limitation will not apply in respect of action or failure to act arising from or in connection with dishonesty, bad faith, willful misconduct, gross negligence or reckless disregard of a duty by the Issuer Trustee. The Issuer Trustee, in doing anything or permitting anything to be done in respect of the execution of the duties of its office or in respect of the Issuer's property or the Issuer's activities, is, and will be conclusively deemed to be, acting as trustee of the Issuer and not in any other capacity. Except as to the extent provided in this Section 8.12, the Issuer Trustee will not be subject to any liability for any debts, liabilities, obligations, claims, demands, judgments, costs, charges or expenses against or with respect to the Issuer, arising out of anything done or permitted by it to be done or its failure to take any action in respect of the execution of the duties of its office or for or in respect of the Issuer's property or the Issuer's activities and resort will be had solely to the Issuer's property for the payment or performance thereof. No property or assets of the Issuer Trustee owned in its personal capacity will be subject to levy, execution or other enforcement procedure with regard to any obligation under this Agreement.

(c) The holders of the units of the Issuer will not be subject to any liability whatsoever, in tort, in contract or otherwise, in connection with the Issuer's property or the Issuer's activities, to the Issuer's beneficiaries or to any other Person, for any action taken or permitted by it to be taken. The holders of the units of the Issuer will not be subject to any liability for any debts, liabilities, obligations, claims, demands, judgments, costs, charges or expenses against or with respect to the Issuer, arising out of anything done or permitted by it to be done or its failure to take any action in respect of the execution of the duties of its office or for or in respect of the Issuer's property or the Issuer's activities and resort will be had solely to the Issuer's property for the payment or performance thereof. No property or assets of the holders of the units of the Issuer owned in their personal capacity will be subject to levy, execution or other enforcement procedure with regard to any obligation under this Agreement.

8.13 Waivers

Any term or provision of this Agreement may be waived, or the time for its performance may be extended, by the party or parties entitled to the benefit thereof; provided, however, that no such waiver delivered by the Issuer shall be effective unless the Indenture Trustee has given its prior written consent thereto. Any such waiver shall be validly and sufficiently authorized for the purposes of this Agreement if, as to any party, it is authorized in writing by an authorized representative of such party, with prompt written notice of any such waiver to be provided to the Rating Agencies. The failure of any party hereto to enforce at any time any provision of this Agreement shall not be construed to be a waiver of such provision, nor in any

way to affect the validity of this Agreement or any part hereof or the right of any party thereafter to enforce each and every such provision. No waiver of any breach of this Agreement shall be held to constitute a waiver of any other or subsequent breach.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective officers as of the day and year first above written.

[FINANCING ENTITY], by its Manager,
ONTARIO POWER GENERATION INC.

By: _____
Name:
Title:

By: _____
Name:
Title:

INDEPENDENT ELECTRICITY SYSTEM OPERATOR
as Transferor and Servicer

By: _____
Name:
Title:

By: _____
Name:
Title:

[INDENTURE TRUSTEE]
as Indenture Trustee

By: _____
Name:
Title:

By: _____
Name:
Title:

EXHIBIT A

FORM OF TRANSFER NOTICE

See attached

TRANSFER NOTICE

TO: **[FINANCING ENTITY]**
c/o Ontario Power Generation Inc., as Manager
700 University Avenue
Toronto, Ontario
M5G 1X6

Attention: ■
Email: ■

This Transfer Notice is delivered to you pursuant to Section 2.1 of a master transfer and servicing agreement made as of ■, 2017 (as the same may be amended, restated, supplemented or otherwise modified from time to time, the "**Master Transfer and Servicing Agreement**") between **[FINANCING ENTITY]**, a trust formed under the laws of the Province of Ontario (the "**Issuer**"), the **INDEPENDENT ELECTRICITY SYSTEM OPERATOR** ("**Transferor**" in its capacity as transferor, "**Servicer**", in its capacity as servicer, and "**IESO**" in its capacity as both Transferor and Servicer), a statutory corporation without share capital amalgamated under the laws of the Province of Ontario, and **[INDENTURE TRUSTEE]**, a trust company existing under the laws of Canada and duly authorized to carry on the business of a trust company in all of the provinces and territories of Canada, as indenture trustee (the "**Indenture Trustee**"). All capitalized terms used but not otherwise defined herein shall have the respective meanings ascribed to such terms in the Master Transfer and Servicing Agreement.

The Transferor hereby gives notice to the Issuer of its offer to transfer to the Issuer on the Closing Date set out below, on a fully serviced basis, the Specified Portion of the Regulatory Asset set out below, all in accordance with the terms and conditions of the Master Transfer and Servicing Agreement. In consideration for (i) the Transferor's Transfer to the Issuer of the Specified Portion of the Regulatory Asset set out below, on a fully serviced basis, the Issuer shall deliver or cause to be delivered to the Transferor on the Closing Date set out below, by wire transfer in immediately available funds, an amount in Canadian dollars equal to the Purchase Price set out below.

Upon receipt by the Transferor of the Purchase Price on the Closing Date, (i) the Transferor shall reduce the balance of the Fair Hydro Variance Account by an amount equal to the Purchase Price, and the Regulatory Asset shall be adjusted accordingly; and (ii) the corresponding Investment Interest shall immediately vest in the Issuer, free and clear of any adverse claim, and shall constitute a valid and enforceable absolute assignment, conveyance and sale of the corresponding Investment Interest.

Specified portion of Regulatory Asset: $■

Purchase Price: $■

Closing Date: ■

The Transferor hereby represents, warrants and confirms that:

(i) each of the representations and warranties on the part of the Transferor contained in the Master Transfer and Servicing Agreement are true and correct in all respects on the date hereof as if made on the date hereof;

(ii) the Transferor is not in breach of any of its covenants in the Master Transfer and Servicing Agreement; and

(iii) as of the date hereof, each condition precedent that must be satisfied by the Transferor under Section 2.2 of the Master Transfer and Servicing Agreement is capable of being satisfied prior to Closing Date.

The closing shall take place at ■ (Toronto time) on the Closing Date referred to above at the offices of ■, except as may be otherwise mutually agreed. The Purchase Price shall be paid on that date by bank wire transfer to [insert IESO bank account details].

DATED this ■ day of ■, 20■.

[FINANCING ENTITY], by its Manager,
ONTARIO POWER GENERATION INC.

By: _____
Name:
Title:

By: _____
Name:
Title:

The undersigned hereby accepts the foregoing offer.

DATED this ■ day of ■, 20■.

INDEPENDENT ELECTRICITY SYSTEM OPERATOR
as Transferor

By: _____
Name:
Title:

By: _____
Name:
Title:

EXHIBIT B

FORM OF MONTHLY REPORT

See Attached

MONTHLY REPORT

[NTD: Subject to continuing review by the Dealers and their counsel.]

TO: **[FINANCING ENTITY]**
c/o Ontario Power Generation Inc., as Manager
700 University Avenue
Toronto, Ontario
M5G 1X6

Attention: ■
Email: ■

Reference is made to the master transfer and servicing agreement made as of ■, 2017 (as the same may be amended, restated, supplemented or otherwise modified from time to time, the "**Master Transfer and Servicing Agreement**") between **[FINANCING ENTITY]**, a trust formed under the laws of the Province of Ontario (the "**Issuer**"), the **INDEPENDENT ELECTRICITY SYSTEM OPERATOR** ("**Transferor**" in its capacity as transferor, "**Servicer**", in its capacity as servicer, and "**IESO**" in its capacity as both Transferor and Servicer), a statutory corporation without share capital amalgamated under the laws of the Province of Ontario, and by **[INDENTURE TRUSTEE]**, a trust company existing under the laws of Canada and duly authorized to carry on the business of a trust company in all of the provinces and territories of Canada, as indenture trustee (the "**Indenture Trustee**"). Capitalized terms used but not defined in this Monthly Report have their respective meanings as set forth in the Master Transfer and Servicing Agreement.

Pursuant to Section ■ of the Master Transfer and Servicing Agreement the Servicer hereby certifies in respect of the Billing Period corresponding to the calendar month of ■, ■, as follows:

	Item	**Amount**
(A)	Servicer CEA Receipts:	$■
(B)	Balance of Collection Account:	$■

[NTD: Any additional information considered necessary for OPG/IESO to be included.]

DATED this ■ day of ■, 20■.

INDEPENDENT ELECTRICITY SYSTEM OPERATOR
as Servicer

By: _____
Name:
Title:

By: _____
Name:
Title:

EXHIBIT C

FORM OF MONTHLY CARRYING COSTS STATEMENT

See Attached

MONTHLY CARRYING COSTS STATEMENT

TO: INDEPENDENT ELECTRICITY SYSTEM OPERATOR
[Address]

Attention: ■
Email: ■

Reference is made to the master transfer and servicing agreement made as of ■, 2017 (as the same may be amended, restated, supplemented or otherwise modified from time to time, the "**Master Transfer and Servicing Agreement**") between **[FINANCING ENTITY]**, a trust formed under the laws of the Province of Ontario (the "**Issuer**"), the **INDEPENDENT ELECTRICITY SYSTEM OPERATOR** ("**Transferor**" in its capacity as transferor, "**Servicer**", in its capacity as servicer, and "**IESO**" in its capacity as both Transferor and Servicer), a statutory corporation without share capital amalgamated under the laws of the Province of Ontario, and **[INDENTURE TRUSTEE]**, a trust company existing under the laws of Canada and duly authorized to carry on the business of a trust company in all of the provinces and territories of Canada, as indenture trustee (the "**Indenture Trustee**"). Capitalized terms used but not defined in this Monthly Carrying Costs Statement have their respective meanings as set forth in the Master Transfer and Servicing Agreement.

Pursuant to Section 3.14 of the Master Transfer and Servicing Agreement, the undersigned hereby certifies that the Monthly Carrying Costs in respect of the calendar month of ■, ■ are as follows:

		Amount
Funding costs:		$■
Derivative payments to be made:		$■
Amounts deposited into accounts other than capital accounts:		$■
Financing entity expenses:		$■
Tax liabilities:		$■
	Subtotal:	**$■**
LESS:		
Amounts withdrawn from accounts other than capital accounts:		
Derivative payments to be received:		
Tax refunds:		**$■**
	Subtotal:	**$■**
Monthly Carrying Costs		**$■**

In accordance with Section 3.14(b) of the Master Transfer and Servicing Agreement, the undersigned hereby directs you to deliver to the Issuer, by wire transfer to the account set forth below, an amount in Canadian dollars equal to the Monthly Carrying Costs set forth above on or before ■, 20■, and this shall be your good and valid authority for so doing.

[NTD: Wire transfer instructions to be provided by OPG.]

DATED this ■ day of ■, 20■.

[FINANCING ENTITY], by its Manager,
ONTARIO POWER GENERATION INC.

By: _____
Name:
Title:

By: _____
Name:
Title:

MASTER TRANSFER AND SERVICING AGREEMENT

between

[FINANCING ENTITY]
as Issuer

- and -

INDEPENDENT ELECTRICITY SYSTEM OPERATOR
as Transferor and Servicer

~~Acknowledged~~ and ~~Accepted by~~

■
as Indenture Trustee

Dated as of ■, 2017

TABLE OF CONTENTS

Page

ARTICLE 1 INTERPRETATION **2**

1.1 Definitions 2

1.2 Sections and Headings 8

1.3 Extended Meanings 8

ARTICLE 2 TRANSFER OF SPECIFIED PORTIONS OF THE REGULATORY ASSET **9**

2.1 Transfer Notices and Agreement to Transfer a Specified Portion of the Regulatory Asset 9

2.2 Conditions Precedent to each Transfer of a Specified Portion of the Regulatory Asset ~~11~~10

ARTICLE 3 ROLE OF THE SERVICER ~~13~~11

3.1 Designation of Servicer ~~13~~11

3.2 ~~Duties of Servicer Generally~~ ~~13~~Forecast of Electricity Consumption 12

3.3 ~~Remittances~~ ~~14~~ISO Deferral 12

3.4 ~~[Funding Rebates]~~ ~~15~~Clean Energy Adjustments and Electricity Vendors 12

3.5 Reporting ~~Functions~~ ~~16~~ 14

3.6 Remittances 15

3.7 Limits to Obligations 15

3.8 Servicing and Maintenance Standards 16

~~3.7~~ ~~Binding Effect of Servicing Obligations~~ ~~16~~3.9 Appointme

3.10 Term 16

~~3.8~~ ~~Limitation on Liability~~3.11 Resignation of Servicer ~~and Others~~ 17

3.12 Mergers 17

~~3.9~~3.13 The IESO Not to Resign as Servicer 17

3.15 IESO Security for CEA Remittances 18

~~3.10~~ ~~Appointments~~ ~~18~~

~~3.11~~ ~~Effective Period and Termination~~ ~~19~~

ARTICLE 4 REPRESENTATIONS AND WARRANTIES OF THE IESO ~~19~~18

4.1 Representations and Warranties ~~19~~18

4.2 Survival ~~21~~20

4.3 Limitations on Representations and Warranties ~~22~~21

ARTICLE 5 COVENANTS OF THE IESO ~~22~~21

5.1 Existence ~~22~~21

5.2 No Transfer or Liens ~~22~~21

5.3 Notice of Liens ~~22~~21

5.4 Compliance with Law ~~22~~21

5.5 Covenants Related to the Investment Interest ~~23~~21

5.6 Non-petition Covenants ~~23~~22

5.7 Disclosure ~~24~~22

5.8 Further Assurances ~~24~~22

TABLE OF CONTENTS
(continued)

Page

5.9 ~~Co-Owner Agreements~~ ~~24~~
~~5.10~~ Access to Certain Records and Information Regarding Investment Interest ~~24~~23
~~5.11~~5.10 Maintenance of Operations ~~24~~23
ARTICLE 6 IESO INDEMNITIES ~~25~~23
6.1 Liability of the IESO; Indemnities ~~25~~23
ARTICLE 7 SERVICER DEFAULT ~~27~~25
7.1 Servicer Default ~~27~~25
7.2 Appointment of Successor Servicer ~~28~~26
7.3 Waiver of Past Defaults ~~29~~27
7.4 Notice of Servicer Default ~~29~~27
7.5 Cooperation with Successor Servicer ~~29~~28
ARTICLE 8 MISCELLANEOUS ~~30~~28
8.1 Amendment ~~30~~28
8.2 ~~Notices~~ ~~30~~Withholding Rights 28
8.3 ~~Assignment~~ ~~31~~No Partnership 28
8.4 Notices 28
8.5 Assignment 29
8.6 Limitations on Rights of Third Parties ~~31~~29
~~8.5~~8.7 Severability ~~31~~30
~~8.6~~8.8 Separate Counterparts; Electronic Delivery ~~31~~30
~~8.7~~8.9 Governing Law ~~32~~30
~~8.8~~ ~~Assignment~~8.10 Grant of Security Interest to Indenture Trustee ~~32~~30
~~8.9~~ ~~Limitation of Liability of Indenture Trustee~~ ~~32~~
~~8.10~~ ~~Limitation of Liability of the Issuer Trustee~~ ~~32~~
8.11 ~~Waivers~~ ~~33~~Limitation of Liability of Indenture Trustee 30
8.12 ~~Indenture Trustee Actions~~ ~~33~~
~~8.13~~ Limitation of Liability of the Issuer Trustee ~~34~~30
8.13 Waivers 31

EXHIBIT

Exhibit A – Form of Transfer Notice
Exhibit B – Form of Monthly Report
Exhibit C – Form of Monthly ~~Funding Rebate~~Carrying Costs Statement

TABLE OF CONTENTS
(continued)

Page

MASTER TRANSFER AND SERVICING AGREEMENT

THIS AGREEMENT made as of ■, 2017.

BETWEEN:

[FINANCING ENTITY], a trust formed under the laws of the Province of Ontario

(the "**Issuer**")

- and -

INDEPENDENT ELECTRICITY SYSTEM OPERATOR, a statutory corporation without share capital amalgamated under the laws of the Province of Ontario

(the "**Transferor**" in its capacity as transferor, the "**Servicer**", in its capacity as servicer, and the "**IESO**" in its capacity as both Transferor and Servicer)

- ~~acknowledged~~ and ~~accepted by~~ -

[INDENTURE TRUSTEE], a trust company existing under the laws of Canada and duly authorized to carry on the business of a trust company in all of the provinces and territories of Canada, as indenture trustee

(the "**Indenture Trustee**")

WHEREAS the Government of Ontario has enacted the *Ontario Fair Hydro Act, 2017* (the "**Act**") for the purpose of, among other things, ensuring that clean energy costs and clean energy benefits (each as defined in the Act) are fairly allocated among present and future Specified Consumers;

AND WHEREAS, under the Act, the IESO is required to establish and maintain the Fair Hydro Variance Account, and has the right under the Act and the Regulations to record certain amounts in the Fair Hydro Variance Account and recover the balance from time to time of the Fair Hydro Variance Account from Specified Consumers (such right, the "**Regulatory Asset**");

AND WHEREAS the IESO may from time to time, in accordance with the Act, Transfer a ~~specified portion~~**Specified Portion** of the Regulatory Asset to the Issuer on a fully-serviced

basis, and pursuant to Section 26(3) of the Act, such a Transfer ~~shall result~~results in (i) a reduction in the balance in the Fair Hydro Variance Account, (ii) the corresponding adjustment of the Regulatory Asset, and (iii) the acquisition by the Issuer of an Investment Interest corresponding to the ~~specified portion~~Specified Portion of the Regulatory Asset;

AND WHEREAS the Issuer may finance the acquisition from the IESO, from time to time, of an Investment Interest through the incurrence of Funding Obligations under the Indenture;

AND WHEREAS the Issuer will grant a security interest over all of the Issuer Investment Interest to and in favour of the Indenture Trustee on behalf of all Specified Creditors;

AND WHEREAS in connection with its ownership of the Issuer Investment Interest and in order to collect the associated Clean Energy Adjustments in accordance with the Act, the Issuer desires to engage the Servicer to carry out the services described herein and the Servicer desires to be so engaged;

AND WHEREAS the Indenture Trustee has been appointed pursuant to the Indenture to act on behalf of all Specified Creditors (as defined in the Indenture) and wishes to acknowledge and accept the rights and obligations granted to it thereby, including, but not limited to, its rights set forth in this Agreement.

NOW THEREFORE in consideration of the foregoing and the mutual covenants and agreements contained herein (the receipt and adequacy of which are hereby acknowledged), the parties hereto agree as follows:

ARTICLE 1
INTERPRETATION

1.1 Definitions

In this Agreement, the following terms have the following meanings:

"**Act**" has the meaning ascribed thereto in the recitals;

~~"**Administrative Agent**" means OPG, in its capacity as administrative agent of the Issuer;~~

~~"**Administrative Services Agreement**" means the administrative services agreement dated ■, 2017 between the Administrative Agent and the Issuer concerning the reimbursement of certain costs incurred by the Administrative Agent in connection with the administration of the Issuer;~~

~~"**Affiliate**" means, with respect to any specified Person, any other Person controlling or controlled by or under common control with such specified Person. For the purposes of this definition, "**control**" when used with respect to any specified Person means the power to direct the management and policies of such specified Person, directly or indirectly, whether through the~~

~~ownership of voting securities, by contract or otherwise, and the terms "**controlling**" and "**controlled**" have meanings correlative to the foregoing;~~

"**Agreement**" means this master transfer and servicing agreement, as amended, supplemented, modified, restated or replaced from time to time, and the expressions "herein", "hereof", "hereto", "hereunder" and similar expressions refer to this Agreement and not to any Article, Section, paragraph, subparagraph or clause hereof;

"**Billing Period**" means a calendar month in which the Clean Energy Adjustment is billed to Specified Consumers;

"**Board**" means the Ontario Energy Board, a statutory corporation without share capital continued under the *Ontario Energy Board Act, 1998*, S.O., 1998;

"**Business Day**" means any day other than a Saturday, a Sunday or a day on which banking institutions in Toronto, Ontario are~~, or the office of the Indenture Trustee is,~~ authorized or obligated by law, regulation or executive order to be closed;

"Carrying Costs" has the meaning ascribed to the term "carrying costs" in the Regulations;

"**CEA Consumer Invoice Amounts**" means amounts invoiced by an Electricity Vendor to Specified Consumers in respect of the Clean Energy Adjustment based on the rates established by the Board;

"**Clean Energy Adjustment**" has the meaning ascribed to the term "clean energy adjustment" in the Act;

"**Closing Date**" means the date on which a Transfer is completed as specified in the applicable Transfer Notice;

"**Co-Owner Agreement**" means any agreement between, *inter alia*, the ~~Issuer~~**parties hereto** and any other owner or owners of an Investment Interest as contemplated by ~~subsection~~**Section** 29(5) of the Act **in form and substance satisfactory to the parties hereto, acting reasonably**;

"**Co-Owner Implementation Date**" means the date, if any, upon which the Issuer Investment Interest ceases to be the only Investment Interest outstanding representing the full Investment Asset;

"**Collection Account**" has the meaning ascribed thereto in Section **[8.02(a)]**[1] of the Indenture;

~~"**Corporate Trust Office**" means the office of the Indenture Trustee at which, at any particular time, its corporate trust business shall be administered, which office as of the date hereof is located at ■; Telephone: ■; Email: ■, or at such other address as the Indenture Trustee may designate from time to time by notice to the Specified Creditors and the Issuer, or the principal corporate trust office of any successor trustee designated by like notice;~~

[1] All cross-references to the Indenture to be conformed to the final version of the Indenture.

"**Daily Remittance Event**" means ~~■ [NTD: Definition to be tied to the loss of investment grade ratings of the IESO]~~the occurrence of either: (i) a Servicer Default or (ii) the IESO (or any successor thereto) ceasing to have the Required Servicer Rating;

"**Declaration of Trust**" means the declaration of trust made as of ■, 2017 under which the Issuer was established, as may be supplemented, amended, replaced or amended and restated from time to time;

~~"**Electricity Act**" means the *Electricity Act, 1998*, SO, 1998;~~

"**Electricity Vendor**" has the meaning ascribed to the term "electricity vendor" in the Act;

"**Electricity Vendor CEA Collections**" means payments actually received by Electricity Vendors from Specified Consumers in respect of Clean Energy Adjustments;

"**Electricity Vendor Billing Period Report" means a report as contemplated by Section 17(s) of the Act from each Electricity Vendor in respect of each Billing Period where Clean Energy Adjustments are billed to Specified Consumers containing:**

(a) **its total CEA Consumer Invoice Amounts in such Billing Period;**

(b) **its total Electricity Vendor CEA Collections during such Billing Period; and**

(c) **such other information as may be agreed to.**

"Eligible Deposit Account" means an account in Canada with an Eligible Institution;

"**Eligible Institution**" means:

(a) at any time before the Co-Owner Implementation Date, an "Eligible Institution" as defined in the Indenture; and

(b) at any time on or after the Co-Owner Implementation Date, an "Eligible Institution" as defined in the applicable Co-Owner Agreement;

"**Fair Hydro Variance Account**" means the variance account established by the IESO pursuant to ~~subsection~~**Section** 24(1) of the Act;

~~"**Finance Reserve Deposit**" has the meaning ascribed to the term "finance reserve deposit" in the Regulations;~~

"**Financing Entity**" has the meaning ascribed to the term "financing entity" in the Act;

~~"**Financing Entity Expenses**" has the meaning ascribed to the term "financing entity expense" in the Regulations;~~

~~"**Funding Cost**" has the meaning ascribed to the term "funding cost" in the Regulations;~~

"**Funding Obligation**" has the meaning ascribed to the term "funding obligation" in the Act;

~~["**Funding Rebate**" has the meaning ascribed thereto in Section 3.4(b);]~~**[NTD: Terminology and provisions relating to IESO payment of carrying costs during the moratorium period subject to finalization of regulations creating this obligation.]**

"**Governmental Authority**" means any nation or government, any federal, state, provincial, local or other political subdivision thereof and any court, administrative agency or other instrumentality or entity exercising executive, legislative, judicial, regulatory or administrative functions of government;

"**IESO**" or "**Independent Electricity System Operator**" means the Independent Electricity System Operator, a statutory corporation without share capital established by the *Electricity Act*, *1998*, SO, 1998;

[NTD: The Issuer may at some point have to publicly file this Agreement, and a copy of it will be circulated to the rating agencies. Therefore, it seems prudent not to include IESO bank account details in the Agreement.]

"**IESO Deferral**"~~, at any time, means the amount determined by the IESO under subsection 23(1) of the Act and sections 15 and 16 of the Regulations and recorded by the IESO under subsection 24(1) of the Act in the Fair Hydro Variance Account at such time~~ **has the meaning ascribed to the term "IESO deferral" in the Act**;

"**IESO Disclosure**" has the meaning ascribed thereto in Section 5.7;

"**IESO Segregated Account**" **has the meaning ascribed thereto in Section** means the account established under Section ~~3.3~~**3.4**(a);

"**Indemnified Losses**" has the meaning ascribed thereto in Section 6.1(a);

"**Indemnified Party**" has the meaning ascribed thereto in Section 6.1(a);

"**Indenture**" means the master trust indenture dated ■, 2017 between the Indenture Trustee and the Issuer;

"**Indenture Trustee**" means ■, a trust company existing under the laws of Canada and duly authorized to carry on the business of a trust company in all of the provinces and territories of Canada, as indenture trustee for the benefit of Specified Creditors, or any successor thereto, under the Indenture;

"**Insolvency Event**" means, with respect to a specified Person, the specified Person admits the inability of such specified Person to pay its liabilities generally as they become due or makes a general assignment for the benefit of the creditors of such specified Person or otherwise acknowledges the insolvency of such specified Person or any proceeding shall be instituted by or against such specified Person seeking to adjudicate it a bankrupt or insolvent or seeking liquidation, winding up, dissolution, reorganization, arrangement, adjustment, protection, relief or composition of its debts under any law relating to bankruptcy, insolvency, reorganization,

moratorium or relief of debtors or seeking the entry of an order for relief by the appointment of a receiver, trustee or other similar official for such specified Person or for any substantial part of its property and if such proceeding has been instituted against such specified Person either such proceeding has not been stayed or dismissed within **[45]** days or any of the actions sought in such proceeding (including the entry of an order for relief or the appointment of a receiver) are granted in whole or in part, or if a receiver is privately appointed in respect of such specified Person or of the property of such specified Person or any substantial part thereof;

"**Investment Asset**" has the meaning ascribed to the term "investment asset" in the Act;

"**Investment Interest**" has the meaning ascribed to the term "investment interest" in the Act;

"**Issuer**" means ■, a trust formed under the laws of the Province of Ontario;

"**Issuer Funding Obligations**" means the Funding Obligations of the Issuer;

"**Issuer Investment Interest**" means, initially, the Investment Interest acquired by the Issuer pursuant to the first Transfer completed under this Agreement and, upon the completion of each Transfer thereafter, the cumulative Investment Interest acquired by the Issuer;

"**Issuer Share**" means:

(a) at any time before the Co-Owner Implementation Date, 100%; and

(b) at any time on or after the Co-Owner Implementation Date, the percentage determined in accordance with the applicable Co-Owner Agreement;

"**Issuer Trustee**" means, at any time, the Person who is, in accordance with the Declaration of Trust, the trustee of the Issuer at such time;

"**Lien**" means a security interest, lien, mortgage, charge, pledge, claim or encumbrance of any kind;

"**Management Agreement**" means the management agreement dated ■, 2017 between the Manager and the Issuer;

"**Manager**" means OPG, in its capacity as manager of the Issuer, and any successor appointed in accordance with the Management Agreement;

"**Minister**" means the Minister of Energy or such other member of the Executive Council as may be assigned the administration of the Act under the *Executive Council Act*;

"**Monthly ~~Funding Expenses~~Carrying Costs**" has the meaning ascribed thereto in Section ~~3.4~~3.14(~~a~~b);

"**Monthly ~~Funding Rebate~~Carrying Costs Statement**" has the meaning ascribed thereto in Section ~~3.4~~3.14(~~a~~b);

~~25847049.5~~**24817972.2**

"**Monthly Report**" has the meaning ascribed thereto in Section ~~3.3~~**3.5**(~~e~~**a**);

"**Officer's Certificate**" means a certificate signed by a Responsible Officer of the Issuer under the circumstances described in, and otherwise complying with, the applicable requirements of Section **[10.01]** of the Indenture, and delivered to the Indenture Trustee;

"**OPG**" means Ontario Power Generation Inc., a corporation established under the laws of the Province of Ontario;

"**Opinion of Counsel**" means one or more written opinions of counsel, ~~who may, except as otherwise expressly provided in the Program Agreements, be employees of or counsel to the party providing such opinion of counsel,~~ which counsel shall be reasonably acceptable to the party receiving such opinion of counsel, and shall be in form and substance reasonably acceptable to such party;

~~"**Outstanding Amount**" means the aggregate principal amount of all Funding Obligations outstanding at the date of determination;~~

"**Permitted Successor**" means any successor to the IESO under the Act, whether pursuant to any bankruptcy, reorganization or other insolvency proceeding or pursuant to any merger, conversion, acquisition, sale or transfer, by operation of law, as a result of any restructuring, or otherwise, but only to the extent such successor is approved by the Minister;

"Permitted Transfer" means (i) a Transfer to the Issuer pursuant to this Agreement; and (ii) a Transfer to a person who has entered into a Co-Owner Agreement with, inter alia, the Issuer.

"**Person**" means any individual, corporation, limited liability company, estate, partnership, joint venture, association, joint stock company, trust (including any beneficiary thereof), unincorporated organization or Governmental Authority;

"**Proceeding**" means any suit in equity, action at law or other judicial or administrative proceeding;

"**Program Agreements**" ~~means the Indenture, each Supplemental Indenture, the Declaration of Trust, the Management Agreement, the Administrative Services Agreement, this Agreement, each Transfer Notice, any Co-Owner Agreements, the Provincial Protection and Assurances Agreement and any hedging agreements, credit enhancement agreements, loan agreements and underwriting or agency agreements in effect at such time and all other documents and certificates delivered in connection therewith;~~**has the meaning ascribed thereto in the Indenture;**

~~"**Provincial Protection and Assurances Agreement**" means the Provincial Protection and Assurances Agreement dated as of ■, 2017 between **[Her Majesty the Queen in Right of Ontario, as represented by the Minister, the Indenture Trustee and the Issuer]**[NTD: **Subject to finalization of agreement**];~~

"**Purchase Price**" has the meaning ascribed thereto in Section 2.1(a);

"**Rating Agency**" has the meaning ascribed thereto in the Indenture;

"**Rating Agency Condition**" has the meaning ascribed thereto in the Indenture;

"**Records**" has the meaning ascribed thereto in Section 7.1;

~~"**Reference Period**" has the meaning ascribed to the term "reference period" in the Act;~~

"**Regulations**" means Ontario Regulation 206/17: General, together with any other regulations promulgated under the Act;

"**Regulatory Asset**" has the meaning ascribed thereto in the recitals;

"**Released Parties**" has the meaning ascribed thereto in Section 6.1(~~e~~**f**);

"**Remittance Date**" means, in respect of each Billing Period, the **[3rd]**[2] ~~Servicer~~ Business Day following the last day of each Billing Period;

"Required Servicer Rating" means ■; [NTD: Definition to tie to loss of investment grade credit rating.]

"**Requirement of Law**" means any foreign, Canadian federal, provincial or local laws, statutes, regulations, rules, codes or ordinances enacted, adopted, issued or promulgated by any Governmental Authority or common law;

"**Responsible Officer**" means, with respect to: (a) the Issuer, any authorized director or officer of the Manager; (b) the Servicer, any authorized director or officer of the IESO; (c) a Successor Servicer, any authorized director or officer of the Successor Servicer; and (d) the Indenture Trustee, any officer ~~within the Corporate Trust Office~~ of such trustee (including the President, any Vice President, any Assistant Vice President, any Secretary, any Assistant Treasurer or any other officer of the Indenture Trustee customarily performing functions similar to those performed by persons who at the time shall be such officers, respectively, and that has direct responsibility for the administration of the Indenture and also, with respect to a particular matter, any other officer to whom such matter is referred to because of such officer's knowledge and familiarity with the particular subject);

"**Servicer**" means the Independent Electricity System Operator, as Servicer under this Agreement, or any Successor Servicer to the extent permitted under this Agreement;

~~"**Servicer Business Day**" means any day other than a Saturday, a Sunday or a day on which banking institutions in Toronto, Ontario are authorized or obligated by law, regulation or executive order to be closed, on which the Servicer maintains normal office hours and conducts business;~~

"**Servicer CEA ~~Collections~~Receipts**" has the meaning ascribed thereto in Section ~~3.2(a)(ii~~**3.4(e**);

[2] ~~Based on the monthly payment cycle charts prepared by OPG.~~

"**Servicer Default**" has the meaning ascribed thereto in Section 7.1;

"**Specified Consumer**" has the meaning ascribed to the term "specified consumer" in the Act;

"**Specified Creditors**" has the meaning ascribed thereto in the Indenture;

"**Specified Portion**" means, in respect of the Regulatory Asset and any Transfer, the portion of the Regulatory Asset subject to such Transfer, as set out in the applicable Transfer Notice.

"**Successor Servicer**" has the meaning ascribed thereto in Section **[3.07(e)]** of the Indenture;

"**Supplemental Indenture**" means an indenture supplemental to the Indenture that authorizes the incurrence of Funding Obligations;

~~"**Tax Liability**" has the meaning ascribed to the term "tax liability" in the Regulations;~~

~~"**Tax Refund**" has the meaning ascribed to the term "tax refund" in the Regulations;~~

"**Termination Event**" has the meaning ascribed thereto in Section ~~3.11~~■;

"**Termination Notice**" has the meaning ascribed thereto in Section 7.1;

"**Transfer**" has the meaning ascribed to the term "transfer" in the Act, and "**Transferred**" has a corresponding meaning;

"**Transfer Notice**" means a Transfer Notice in respect of a Transfer substantially in the form of Exhibit A to this Agreement and delivered pursuant to Section 2.1(a) of this Agreement; and

"**Transferor**" means the Independent Electricity System Operator, as transferor under this Agreement;

1.2 Sections and Headings[~~3~~2]

The table of contents does not form part of this Agreement. The division of this Agreement into Articles and Sections and the insertion of headings are for convenience of reference only and will not affect the construction or interpretation of this Agreement. Unless something in the subject matter or context is inconsistent therewith, references herein to Articles and Sections are to Articles and Sections of this Agreement.

1.3 Extended Meanings

(a) Words importing the singular number only will include the plural and vice versa and words importing the masculine gender will include the feminine and neuter genders and vice versa. A reference to any agreement, instrument or declaration

[~~3~~2] Torys to conform boilerplate provisions, as applicable, across all transaction documents.

means such agreement, instrument or declaration as the same may be amended, supplemented, modified, restated or replaced from time to time.

(b) The term "**including**" means "including without limitation", and other forms of the verb "**include**" have correlative meanings.

(c) All references to any Person shall include such Person's permitted successors and assigns, and any reference to a Person in a particular capacity excludes such Person in other capacities.

(d) Unless otherwise stated, in the computation of a period of time from a specified date to a later specified date, the word "**from**" means "**from and including**" and each of the words "**to**" and "**until**" means "**to but excluding**".

(e) The words "**hereof**", "**herein**" and "**hereunder**" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, unless otherwise specified. References to Articles, Sections, Appendices and Exhibits in this Agreement are references to Articles, Sections, Appendices and Exhibits in or to this Agreement unless otherwise specified.

(f) References to any law, rule, regulation or order of a Governmental Authority shall include such law, rule, regulation or order as from time to time in effect, including any amendment, modification, codification, replacement or reenactment thereof or any substitution therefor.

(g) The word "**will**" shall be construed to have the same meaning and effect as the word "**shall**". The word "**or**" is not exclusive.

ARTICLE 2
TRANSFER OF SPECIFIED PORTIONS OF THE REGULATORY ASSET

2.1 Transfer Notices and Agreement to Transfer a Specified Portion of the Regulatory Asset

(a) The Transferor may, no more frequently than monthly and no later than the 8th Business Day of ~~each~~**any** calendar month, ~~provide~~**offer** to **Transfer to** the Issuer a **Specified Portion of the Regulatory Asset by providing to the Issuer a** Transfer Notice executed by the Transferor and setting out (i) the ~~specified~~

~~portion~~**Specified Portion** of the Regulatory Asset that the Transferor ~~desires~~**is offering** to Transfer to the Issuer, (ii) the consideration to be paid to the Transferor by the Issuer for the Transfer (the "**Purchase Price**") which shall be equal to the amount of ~~the specified portion~~**such Specified Portion** of the Regulatory Asset ~~that the Transferor proposes to Transfer to the Issuer~~, (iii) the Closing Date to effect such transfer which shall be **no earlier than** the ~~10~~**[5th]** Business Day ~~following~~**after the** delivery of the **Transfer Notice and no later than the last Business Day of the calendar month in which the** Transfer Notice **was delivered**, or such other ~~date~~**Business Day** as may be agreed ~~upon~~ by the Transferor and the Issuer, and (iv) such other information as required in the form of Transfer Notice attached as Exhibit A hereto.

~~(b)~~ ~~**[The Issuer shall use commercially reasonable efforts to provide reasonable notice to the Transferor if the Issuer has reasonable cause to believe that it will not accept a Transfer Notice sent by the Transferor or that the conditions precedent in Sections 2.2(b)(i), (v), (vi), (vii), (viii) and (vii) will not be satisfied on the relevant Closing Date.][NTD: Subject to review by OPG.]**~~

(b) ~~(c)~~ On or before the 2nd Business Day following receipt of a Transfer Notice, the Issuer shall have the right, but not the obligation, to accept the Transferor's offer to Transfer the ~~portion~~**Specified Portion** of the Regulatory Asset subject to the Transfer Notice by executing and returning such Transfer Notice to the Transferor. Upon acceptance by the Issuer of the Transfer Notice, there shall be a binding agreement for IESO to Transfer the ~~specified portion~~**Specified Portion** of the Regulatory Asset and for the Issuer to pay the Purchase Price, subject to satisfaction of all conditions precedent in Section 2.2.

~~(d) In consideration and as an inducement for the Issuer to acquire the Investment Interest at the Purchase Price, the Transferor shall, concurrently with each such Transfer and in accordance with Section 3.4, agree to pay to the Issuer all Monthly Funding Expenses that are incurred by or on behalf of the Issuer in connection with each applicable Transfer in respect of each calendar month in which there are no Clean Energy Adjustments billed to Specified Consumers.~~

(c) ~~(e)~~ Provided that all conditions precedent set out in Section 2.2 have been satisfied on or prior to the applicable Closing Date, on the applicable Closing Date, the Issuer shall deliver or cause to be delivered to the Transferor, by **bank** wire transfer **or bank electronic funds transfer,** in immediately available funds, an amount in Canadian dollars equal to the Purchase Price set forth in the applicable Transfer Notice. **The Transferor agrees that receipt by the Transferor of the payment referred to in this Section 2.1(c) is receipt by the Transferor of a payment referred to in Section 26(3) of the Act.**

(d) ~~(f) Upon receipt by the Transferor of the payment referred to in Section 2.1(e):~~ **Upon receipt by the Transferor of the payment referred to in Section 2.1(c),** the Transferor shall reduce the balance of the Fair Hydro Variance Account by an

amount equal to the Purchase Price **received and shall retain no further right, title or interest in the corresponding Issuer Investment Interest.**

~~(i) the Transferor shall reduce the balance of the Fair Hydro Variance Account by an amount equal to the Purchase Price and, as a consequence, the Regulatory Asset shall be adjusted accordingly; and~~

~~(ii) the corresponding Investment Interest shall immediately vest in the Issuer, free and clear of any adverse claim, and in accordance with section 27(1) of the Act, shall constitute a valid and enforceable absolute assignment, conveyance and sale of the corresponding Investment Interest to the Issuer.~~

~~(g) Any Transfer of a specified portion of the Regulatory Asset by the Transferor pursuant to this Agreement shall constitute a valid and enforceable absolute assignment, conveyance and sale of the corresponding Investment Interest to the Issuer, shall be treated as a true sale and not as a pledge of or secured transaction relating to the Transferor's right, title, and interest in, to, and under the specified portion of the Regulatory Asset. After giving effect to a Transfer contemplated hereby, the Transferor shall have no right, title or interest in, to or under the corresponding Investment Interest because (i) it has Transferred all of its right, title and interest in and to the corresponding specified portion of the Regulatory Asset to the Issuer, (ii) as provided in the Act, all right, title and interest to the corresponding Investment Interest shall be vested in the Issuer, (iii) as provided in the Act, such Transfer is perfected, vested, valid and binding as against the Transferor and all other Persons who may have claims of any kind against the Transferor, regardless of whether the Persons who have claims have received notice of the Transfer, and (iv) the property rights and interests acquired by the Issuer shall be free and clear of any Liens arising through the IESO.~~

(e) The parties intend that this Agreement, together with each Transfer Notice accepted by the Issuer, constitute an agreement, for purposes of Section 27(2) of the Act for the Transferor to dispose, upon receipt by the Transferor of the payment referred to in Section 2.1(d), of a Specified Portion of the Regulatory Asset and to assign, convey or sell a corresponding Investment Interest to the Issuer.

2.2 Conditions Precedent to each Transfer of a Specified Portion of the Regulatory Asset

(a) The obligation of the Issuer to pay the Purchase Price related to the initial Transfer of a ~~specified portion~~**Specified Portion** of the Regulatory Asset shall be subject to the satisfaction by the Transferor, or waiver by the Issuer and the Indenture Trustee, of the following ~~condition~~**conditions**:

(i) the Issuer and the Indenture Trustee shall have received from the Transferor the following documents, in form and substance satisfactory to each of the Issuer and the Indenture Trustee:

(A) a certificate of an officer of the IESO, dated the initial Closing Date certifying (1) that attached thereto is a true and complete copy of the by-laws of the IESO, each as in effect on the date of such certificate, (2) that attached thereto is a true and complete copy of a resolution adopted by the IESO's board of directors authorizing the execution, delivery and performance of this Agreement and the ~~Program Agreements to which~~**performance by** the IESO ~~is party~~**of its obligations hereunder**, and that such resolution has not been modified, rescinded or amended and is in full force and effect, and (3) as to the incumbency and true specimen signature of each of the IESO officers **or delegates** executing this Agreement ~~or any of the Program Agreements to which the IESO is party~~**and authorized to give notices and instructions hereunder (which can be changed by notice hereunder)**; and

(B) ~~reports showing the results of searches conducted against the IESO under applicable personal property security registers in the Province of Ontario together with executed copies of all discharges or releases of prior security interests relating to the Regulatory Asset subject to the Transfer; provided that the IESO may establish that any particular registration does not affect the Regulatory Asset by delivering a letter or acknowledgment signed by the applicable secured party.~~the Transferor shall have delivered to the Indenture Trustee, the Rating Agencies and the Issuer any Opinions of Counsel reasonably required by them**. [NTD: Scope of opinions required to be confirmed by the Dealers and their counsel]**

(b) The obligation of the Issuer to pay the Purchase Price related to each Transfer of a ~~specified portion~~**Specified Portion** of the Regulatory Asset (including the initial Transfer) shall be subject to the satisfaction or waiver by the Issuer and the Indenture Trustee of each of the following conditions:

(i) as of the applicable Closing Date, all Program Agreements shall have been entered into on terms and conditions satisfactory to the Issuer and the Indenture Trustee and shall be in full force and effect as of such Closing Date;

(ii) as of the applicable Closing Date, no Insolvency Event in respect of the Transferor shall have occurred and the Transferor ~~is not insolvent and will not have been made insolvent by such Transfer and the Transferor~~ is not aware of any pending ~~insolvency~~**Insolvency Event** with respect to itself;

(iii) as of the applicable Closing Date, (A) the representations and warranties of the IESO in this Agreement must be true and correct with the same force and effect as if made on that date (except to the extent they relate to an earlier date), (B) no breach of any covenant or agreement of the IESO contained in this Agreement shall have occurred ~~and not been waived~~**be continuing**, and (C) no Servicer Default shall have occurred and ~~not been waived~~**be continuing**;

(iv) on or prior to the applicable Closing Date, the Transferor shall have taken all action required to provide for the Transfer, upon payment of the Purchase Price, of the ~~specified portion~~**Specified Portion** of the Regulatory Asset as set forth in the applicable Transfer Notice on the Closing Date, free and clear of all Liens other than Liens created by the Issuer pursuant to the Program Agreements;

(v) the Transferor shall have delivered to the Indenture Trustee and the Issuer an Officer's Certificate confirming the satisfaction of each condition precedent specified in Sections 2.2(b)(i), (ii), (iii) and (iv);

~~(vi) the Transferor shall have delivered to the Indenture Trustee, the Rating Agencies and the Issuer any Opinions of Counsel reasonably required by them [NTD: Scope of opinions required to be confirmed by the Dealers and their counsel];~~

(vi) ~~(vii)~~ as of the applicable Closing Date, (A) the Issuer shall have sufficient funds available to pay the Purchase Price as set forth in the applicable Transfer Notice, (B) all conditions to any incurrence of Funding Obligations intended to provide such funds set forth in the Indenture (and any applicable Supplemental Indenture) or other instrument shall have been satisfied or waived, (C) the Rating Agency Condition in respect of the issuance of the Funding Obligations funding the payment of the Purchase Price shall have been satisfied, and (D) the Funding Obligation required to fund the payment of the Purchase Price shall have been issued at the same time as, or prior to, the Transfer; and

(vii) ~~(viii)~~ after giving effect to the Transfer, each of the Fair Hydro Variance Account and the Regulatory Asset will have a balance or amount, as applicable, equal to or greater than zero.

ARTICLE 3
ROLE OF THE SERVICER

3.1 Designation of Servicer

Each Transfer of a specified portion of the Regulatory Asset shall be made on the basis that the related Issuer Investment Interest shall be ~~fully~~ serviced by the Servicer **in**

accordance with this Article 3, and the IESO or any Permitted Successor of the IESO that is the Servicer shall not be entitled to receive any further compensation from the Issuer ~~or the Indenture Trustee~~ for its services in connection therewith. The Servicer ~~acknowledges the responsibility of the Servicer for servicing the related Issuer Investment Interest corresponding to the specified portion of the Regulatory Asset Transferred by the Transferor under this Agreement and hereby~~ agrees to perform the duties and obligations of the Servicer pursuant to the terms hereof at no additional cost to the Issuer.

3.2 ~~**Duties of Servicer Generally**~~**Forecast of Electricity Consumption**

~~(a)~~ ~~The Servicer shall:~~

~~(i)~~ ~~issue settlement statements to Electricity Vendors that include amounts in respect of the Clean Energy Adjustment as prescribed by the Act and the Regulations;~~

~~(ii)~~ ~~receive from Electricity Vendors amounts in respect of Electricity Vendor CEA Collections including payments made directly to the IESO as an Electricity Vendor (such amounts received being "**Servicer CEA Collections**");~~

~~(iii)~~ ~~hold and remit Servicer CEA Collections in accordance with Section 3.3;~~

~~(iv)~~ ~~receive information from Electricity Vendors in respect of CEA Consumer Invoice Amounts and Electricity Vendor CEA Collections and such other information as the IESO may reasonably request for the purposes of determining the IESO Deferral or such further information as may be required;~~

~~(v)~~ ~~determine and record the IESO Deferral for each month and make any necessary corrections thereto in accordance with the Act and the Regulations;~~

~~(vi)~~ ~~forecast electricity demand by Specified Consumers for Reference Periods;~~

The IESO shall:

(a) ~~(vii)~~ provide ~~information~~ to the Board ~~in respect of forecast electricity demand or any other information the Board may require from the Servicer to facilitate the Board's determination of the rates at which~~**and the Financial Services Manager the forecasts of electricity consumption by** Specified Consumers ~~are to be invoiced so as to enable full recovery of the Clean Energy Adjustment in respect of any Reference Period;~~ **as contemplated by Section 8(3) of the Regulations; and**

~~(viii)~~ ~~respond to inquiries by Electricity Vendors, the Board or any other Governmental Authority with respect to the Clean Energy Adjustment;~~

~~(ix) investigate and handle delinquencies by Electricity Vendors regarding Servicer CEA Collections (and furnish reports with respect to such delinquencies to the Issuer);~~

~~(x) process and deposit Servicer CEA Collections and make periodic remittances to the Issuer in accordance with Section 3.3;~~

~~(xi) furnish periodic and current reports to the Issuer, the Board, the Indenture Trustee and the Rating Agencies, as may reasonably be required by the Issuer;~~

~~(xii) take all necessary action in connection with Funding Rebates as set forth herein and in the Regulations; and~~

~~(xiii) perform such other duties as may be reasonably required from time to time to be performed by it.~~

(b) ~~Without limiting the generality of Section 3.2(a), in furtherance of the foregoing, the Servicer hereby agrees that it shall also have, and shall comply with, the duties and responsibilities relating to data acquisition, consumption and settlement statement calculation, settlement, collections, posting, payment processing and remittance with reasonable care and in material compliance with each applicable Requirement of Law, including the Act and the Regulations, using the same degree of care and diligence that the Servicer exercises with respect to similar assets for its own account and, if applicable, for others.~~**provide to the Board and the Financial Services Manager such other information and reports as the Board or the Financial Services Manager may reasonably request in connection with the calculation of the Clean Energy Adjustments and which is reasonably available to the Transferor without incurring material incremental expense.**

~~(c) Notwithstanding anything to the contrary in this Agreement, the duties of the Servicer set forth in this Agreement shall be qualified and limited in their entirety by the Act, the Regulations, all applicable laws and the rules and regulations promulgated thereunder as in effect at the time such duties are to be performed.~~

3.3 ~~Remittances~~ISO Deferral

~~(a)~~ The **IESO shall:**

(a) determine the IESO Deferral as required by Section 23 of the Act and the Regulations; and

(b) maintain the Fair Hydro Variance Account as required by Section 24 of the Act and the Regulations.

~~25847649.5~~

3.4 Clean Energy Adjustments and Electricity Vendors

The Servicer shall:

(a) **prior to receiving** Servicer ~~shall~~**CEA Receipts,** establish an Eligible Deposit Account (the "**IESO Segregated Account**") bearing a designation ~~clearly~~ indicating that the funds deposited therein are held in trust for the benefit of the **Issuer and, after the Co-Owner Implementation Date, for the benefit of any other owner or** owners of **an** Investment ~~Interests~~**Interest**. If at any time the IESO Segregated Account ceases to be an Eligible Deposit Account, the Servicer shall within 30 days establish a new IESO Segregated Account as an Eligible Deposit Account and shall transfer any cash and/or any investments held in the former account to such new account and make all future deposits to such new account~~.~~**;**

(b) **prior to the first Billing Period when amounts are invoiced to Specified Consumers in respect of Clean Energy Adjustments, make reasonable efforts to work with each Electricity Vendor to:**

(i) **establish a segregated account into which Electricity Vendor CEA Collections are to be deposited as required by Section 10(2) of the Regulations;**

(ii) **settle a form of Electricity Vendor Billing Period Report to be used by such Electricity Vendor; and**

(iii) **establish procedures for the invoicing by such Electricity Vendor of amounts in respect of the Clean Energy Adjustment, the identification, deposit and segregation of Electricity Vendor CEA Collections, the remittance of Electricity Vendor CEA Collections to the Servicer and reporting to the Servicer; [NTD: Generally, someone will need to take responsibility for educating the Electricity Vendors and we believe the IESO is best positioned to take on this role given its existing relationships and opportunities to interact with the EVs.]**

(c) **request certification from each Electricity Vendor that the segregated account required by Section 10(2) of the Regulations has been established by that Electricity Vendor;**

(d) **as agent of the Issuer and, after the Co-Owner Implementation Date, as agent of any other owner or owners of an Investment Interest, receive Electricity Vendor CEA Collections from Electricity Vendors;**

(e) **as agent of the Issuer and, after the Co-Owner Implementation Date, as agent of any other owner or owners of an Investment Interest, receive any amounts in respect of Clean Energy Adjustments payable directly by Specified Consumers to the Servicer (such amounts, together with the amounts referred to in Section 3.4(d), the "Servicer CEA Receipts");**

(f) ~~(b) The Servicer shall~~ deposit ~~all~~**the** Servicer CEA ~~Collections~~**Receipts** into the IESO Segregated Account promptly following receipt by the Servicer and, in any event, within **[**two ~~Servicer~~ Business Days**]** of receipt by the Servicer and **the Issuer Share of** such Servicer CEA ~~Collections~~**Receipts** shall remain in the IESO Segregated Account until remitted in accordance with Section ~~3.3(d)~~ **3.6;**

(g) respond to inquiries by Electricity Vendors **with respect to the Clean Energy Adjustment and amounts payable in respect thereof;**

(h) **request from each Electricity Vendor an Electricity Vendor Billing Period Report in respect of each Billing Period during which Clean Energy Adjustments are billed to Specified Consumers; such report to be requested to be delivered within ■ Business Days of the end of each Billing Period;**

(i) **review each Electricity Vendor Billing Period Report received by the Servicer for material manifest discrepancies including any discrepancy between the Electricity Vendor CEA Collections reported in respect of the Billing Period and the amount remitted pursuant to Section 3.4(d);**

(j) **make reasonable efforts to contact each Electricity Vendor that:**

(i) **does not deliver an Electricity Vendor Billing Period Report in respect of a Billing Period where Clean Energy Adjustments were payable by Specified Consumers;**

(ii) **does not remit any Electricity Vendor CEA Collections in accordance with Section 3.4(d) or remits Electricity Vendor CEA Collections that do not match the amount thereof reported in its Electricity Vendor Billing Period Report,**

(iii) **delivers an Electricity Vendor Billing Period Report that has any other material manifest discrepancy detected by the Servicer, or**

(iv) **does not certify that it has established the segregated account required by Section 10(2) of the Regulations,**

and attempt to resolve the applicable issue;

(k) **on a periodic basis as requested by the Issuer, review, pursuant to its rights under Section 10(4) of the Regulations, the records maintained by each Electricity Vendor with respect to Clean Energy Adjustments; provided that in the absence of evidence of material non-compliance by an Electricity Vendor with its duties and obligations in respect of Clean Energy Adjustments, the Servicer shall not be required to review the records of a Electricity Vendor more often than ■.**

(l) ~~(c) The IESO agrees and acknowledges that it holds all~~**hold the Issuer Share of** Servicer CEA ~~Collections~~**Receipts** and **the Issuer Share of** any other proceeds in

respect of the Clean Energy Adjustment received by it in trust for the benefit of the Issuer, any other owner of Investment Interests, the Indenture Trustee and the Specified Creditors and that all such amounts will be remitted by the Servicer and remit such amounts in accordance with this Section 3.3 3.6 without any surcharge, fee, offset, charge or other deduction.

3.5 Reporting

The IESO further agrees not to make any claim to reduce its obligation to remit all Servicer CEA Collections received by it in accordance with this Agreement. Servicer shall:

(d) Absent the occurrence of a Daily Remittance Event, the Issuer Share of Servicer CEA Collections received by the Servicer during a Billing Period and any interest earned thereon shall be remitted by the Servicer to the Collection Account no later than the Remittance Date immediately following such Billing Period. Following the occurrence of a Daily Remittance Event, the Issuer Share of all Servicer CEA Collections on deposit in the IESO Segregated Account and any interest earned thereon shall be remitted by the Servicer to the Collection Account on each Servicer Business Day.

(a) (e) On on or before the **[2nd] Servicer 8th Business Day]** following the end of each Billing Period, the Servicer shall prepare and deliver to the Issuer, the Indenture Trustee and the Rating Agencies a written report substantially in the form of Exhibit B (a "**Monthly Report**"). ;

3.4 [Funding Rebates]

[NTD: Terminology and provisions relating to IESO payment of carrying costs during the moratorium period subject to finalization of regulations creating this obligation.]

(b) report to the Issuer any delinquencies by Electricity Vendors in respect of the CEA amounts collected and the remittance of Electricity Vendor CEA Collections;

(c) (a) On or before the **[4th]** Servicer Business Day following the end of each calendar month in which no Clean Energy Adjustment is billed to Specified Consumers, the Issuer shall prepare and deliver to the IESO a written statement substantially in the form of Exhibit C (a "**Monthly Funding Rebate Statement**") setting out the aggregate amount of all (i) Funding Costs, (ii) Finance Reserve Deposits, (iii) Financing Entity Expenses, and (iv) Tax Liabilities (net of Tax Refunds), that were incurred by or on behalf of the Issuer during the previous calendar month ("**Monthly Funding Expenses**"). report to the Issuer any unresolved matters referred to in Section 3.4(j);

(b) On or before the **[10th]** Servicer Business Day following receipt by the IESO of the Monthly Funding Rebate Statement, the IESO shall, as required by the Regulations, deliver or cause to be delivered to the Issuer, by wire transfer in

~~immediately available funds, an amount in Canadian dollars equal to the Monthly Funding Expenses set forth in the applicable Monthly Funding Rebate Statement (the "**Funding Rebate**").~~

~~**3.5 Reporting Functions**~~

(d) ~~(a) Notification of Laws and Regulations. The Servicer shall~~ promptly notify the Issuer in writing of any Requirement of Law hereafter adopted or announced or the occurrence of any other event or circumstance **of which it becomes aware** that has a material adverse effect on the Servicer's ability to perform its duties and obligations under this Agreement~~.~~**; and**

(e) ~~(b) Other Information. Upon~~**upon** the reasonable request of the Issuer, the Indenture Trustee or any Rating Agency, ~~the Servicer shall~~ provide to the Issuer, the Indenture Trustee or such Rating Agency, as the case may be, any public financial information in respect of the Servicer, or any material information regarding the **Issuer** Investment Interest or the Regulatory Asset**,** to the extent it is reasonably available to the Servicer~~,~~ **and** as may be reasonably necessary and permitted by law**,** to enable the Issuer, the Indenture Trustee or the Rating Agencies to monitor the performance by the Servicer of its duties and obligations hereunder. ~~In addition, the Servicer shall provide the Issuer and the Indenture Trustee, within a reasonable time after written request therefor, any information available to the Servicer or reasonably obtainable by it that is necessary to calculate the Clean Energy Adjustment.~~

3.6 Remittances

(a) Absent the occurrence of a Daily Remittance Event, the Issuer Share of Servicer CEA **Receipts** received by the Servicer during a Billing Period and any interest earned thereon shall be remitted by the Servicer to the Collection Account no later than the Remittance Date immediately following such Billing Period.

(b) Following the occurrence of a Daily Remittance Event, the Issuer Share of all Servicer CEA **Receipts** on deposit in the IESO Segregated Account and any interest earned thereon shall be remitted by the Servicer to the Collection Account **on each Business Day.**

3.7 Limits to Obligations

Without in any way limiting the duties and obligations of the Servicer arising under the Act or the Regulations, the parties hereto agree the duties and obligations of the Servicer under this Agreement are limited as provided in this Section 3.7.

(a) **The Servicer is not responsible for, or in respect of, any amounts not collected by Electricity Vendors from their customers or not remitted by Electricity Vendors to the Servicer.**

(b) **The Servicer is not responsible for enforcing the obligations of Specified Consumers or Electricity Vendors to invoice, collect or remit Clean Energy Adjustments or any other amounts.**

(c) **The Servicer shall not be responsible or liable for the performance by Electricity Vendors of their duties and responsibilities under the Act or the Regulations including (i) the invoicing of** Specified Consumers in respect of the Clean Energy Adjustment and ancillary matters related thereto; (ii) **the collection from Specified Consumers of amounts due** in respect of such invoices and **the remittance of such payments to the Servicer; (iii) the accuracy of any information provided by the Electricity Vendors; and (iv) any reporting by the Electricity Vendors, including the reporting to the Servicer of the total CEA Consumer Invoice Amounts invoiced by such Electricity Vendor to its Specified Consumers in respect of the Clean Energy Adjustment, the total Electricity Vendor CEA Collections received by such Electricity Vendor and the Issuer Share of Electricity Vendor CEA Collections received by such Electricity Vendor.**

(d) **The Servicer is under no responsibility or obligation to the Issuer with respect to whether the Clean Energy Adjustments funds remitted by the Servicer to Issuer during any or all periods is sufficient to satisfy the Issuer's obligations.**

(e) **The Servicer is under no obligation to initiate or prosecute any legal action relating to the collection of the Issuer Investment Interest.**

3.8 ~~3.6~~ **Servicing and Maintenance Standards**

(a) The Servicer shall ~~monitor payments and impose collection policies on Electricity Vendors with respect to Electricity Vendor CEA Collections. On behalf of the Issuer, the Servicer shall: (a) manage, service, administer, collect and receive Servicer CEA Collections with reasonable care and in material compliance with each applicable Requirement of Law, including the Act and the Regulations, using the same degree of care and diligence that the Servicer exercises with respect to the collection of other amounts from Electricity Vendors for its own account and, if applicable, for others; (b) follow standards, policies and procedures in performing its duties as Servicer that are customary for an electricity market operator and administrator that regularly performs settlement functions; (c) use all reasonable efforts, consistent with its customary servicing procedures, to receive and hold Servicer CEA Collections in trust for the benefit of the Issuer; (d) comply with each Requirement of Law, including all regulations and guidelines, applicable to and binding on it relating to its duties hereunder; and (e) provide all information to the Board as required by the Act and the Regulations. The Servicer shall follow such customary and usual practices and procedures as it shall deem necessary or advisable in its servicing of all or any portion of the Investment Asset and the Issuer Investment Interest, which may include, at the direction of the Issuer, the taking of legal action, at the Issuer's expense but subject to the priority~~

~~of payments set forth in **[Section 8.02(e)]** of the Indenture. In no event shall the Issuer Investment Interest be set off at any time by the IESO or any Permitted Successor thereof in connection with any default by such Person or otherwise.~~**discharge its duties, responsibilities and obligations hereunder with reasonable care and in material compliance the Requirements of Law, including the Act and the Regulations and shall follow standards, policies and procedures in performing its duties as Servicer hereunder that are customary for an electricity market operator and administrator that regularly performs settlement functions. In** furtherance of the foregoing, the Servicer hereby agrees that it shall also have, and shall comply with **reasonable care and in material compliance with applicable Requirement of Laws**, including the Act and the Regulations, using the same degree of care and diligence that the Servicer exercises with respect to **similar settlement activities on its own account.**

~~**3.7 Binding Effect of Servicing Obligations**~~

(b) **The** Servicer may rely in good faith on the advice of counsel or on any document of any kind, prima facie properly executed and submitted by any Person, respecting any matters arising under this Agreement.

(c) **Neither** the Servicer nor any of the directors, officers, employees or agents of the Servicer shall be liable to the Issuer or any other Person for any action taken or for refraining from the taking of any action pursuant to this Agreement or for good faith errors in judgment**.**

3.9 Appointments

The Servicer may at any time appoint any Person to **act as its agent to perform all or any portion of its obligations as Servicer hereunder; provided** however, that the Rating Agency Condition shall have been satisfied in connection therewith; and provided **further that the Servicer shall remain obligated and be liable for the performance of its obligations under this Agreement** without diminution of such obligation and liability by virtue of the appointment of such Person and to the same extent and under the same terms and conditions as if the Servicer alone were **performing such obligations**. The fees and expenses of any such Person shall be as agreed between the Servicer and such Person from time to time, **and the Issuer shall not** have any responsibility therefor or right or claim thereto. Any such appointment shall not constitute a resignation of the Servicer under Section **3.11.**

3.10 Term

The Servicer's appointment as Servicer under this Agreement shall become effective as of the execution hereof and shall continue in full force and effect until the earlier of (a) the effective date of resignation of the Servicer in accordance with the provisions of this Agreement, (b) termination of all of the rights and obligations of the Servicer under **Article 7, and (c) the date on which all Issuer Funding Obligations have been paid in full and all CEA Consumer Invoice Amounts have been received or written off** (in each case, a "**Termination**

~~25847049.5~~**24817972.2**

Event"). The appointment of the Servicer as servicer under this Agreement shall be terminated effective as of the date of the Termination Event.

3.11 Resignation of Servicer

The IESO shall not resign from the obligations and duties imposed on it as Servicer under this Agreement except upon a determination that the performance of its duties under this Agreement shall no longer be permissible under applicable Requirements of Law. Notice of any such determination permitting the resignation of the IESO as Servicer shall be communicated to the Issuer, the Indenture Trustee and the Rating Agencies at the earliest practicable time (and, if such communication is not in writing, shall be confirmed in writing at the earliest practicable time), and any such determination shall be evidenced by an Opinion of Counsel to such effect delivered to the Issuer, the Indenture Trustee and the Rating Agencies concurrently with or promptly after such notice. No such resignation shall become effective until a Successor Servicer that is a Permitted Successor has assumed the servicing obligations and duties hereunder of the Servicer in accordance with Section 7.2.

3.12 Mergers

~~The obligations to continue to provide services and to receive and account for Servicer CEA Collections and related amounts will be binding upon the Servicer and any Permitted Successor so long as the Servicer CEA Collections have not been fully received and posted.~~ Any Person (a) into which the Servicer may be merged, converted or amalgamated and that is a Permitted Successor, (b) that may result from any merger, conversion or amalgamation to which the Servicer shall be a party and that is a Permitted Successor, (c) that may succeed to the properties and assets of the Servicer substantially as a whole and that is a Permitted Successor, or (d) that otherwise is a Permitted Successor, which Person in any of the foregoing cases executes an agreement of assumption to perform all of the obligations of the Servicer hereunder, shall be the successor to the Servicer under this Agreement without further act on the part of any of the parties to this Agreement; provided, however, that (i) immediately after giving effect to such transaction, no representation or warranty made pursuant to Section 4.1 shall have been breached and no Servicer Default and no event that, after notice or lapse of time, or both, would become a Servicer Default shall have occurred and be continuing, (ii) the Servicer shall have delivered to the Issuer and the Indenture Trustee an Officer's Certificate and an Opinion of Counsel from external counsel stating that such consolidation, conversion, merger or succession and such agreement of assumption complies with this Section ~~3.7~~**3.12** and that all conditions precedent, if any, provided for in this Agreement relating to such transaction have been complied with, and (iii) the Servicer shall have given to the Issuer prior written notice of such transaction. When any Person that is a Permitted Successor acquires the properties and assets of the Servicer substantially as a whole or otherwise becomes the successor, by merger, conversion, consolidation, sale, transfer, lease or otherwise, to all or substantially all the assets of the Servicer in accordance with the terms of this Section ~~3.7~~**3.12**, then, upon satisfaction of all of the other conditions of this Section ~~3.7~~**3.12**, the preceding Servicer shall automatically and without further notice be released from all of its obligations hereunder (except for responsibilities for its actions prior to such release).

~~25847049.5~~[illegible]

~~**3.8 Limitation on Liability of Servicer and Others**~~

~~(a) Except as otherwise provided under this Agreement, including Section 6.1, neither the Servicer nor any of the directors, officers, employees or agents of the Servicer shall be liable to the Issuer or any other Person for any action taken or for refraining from the taking of any action pursuant to this Agreement or for good faith errors in judgment; provided, however, that this provision shall not protect the Servicer or any such Person against any liability that would otherwise be imposed by reason of negligence, recklessness or willful misconduct in the performance of duties or by reason of reckless disregard of obligations and duties under this Agreement. The Servicer and any director, officer, employee or agent of the Servicer may rely in good faith on the advice of counsel or on any document of any kind, *prima facie* properly executed and submitted by any Person, respecting any matters arising under this Agreement.~~

~~(b) Except as provided in this Agreement, the Servicer shall not be under any obligation to appear in, prosecute or defend any legal action relating to the Issuer Investment Interest that is not directly related to one of the Servicer's enumerated duties in this Agreement or related to its obligation to pay indemnification, and that in its reasonable opinion may cause it to incur any expense or liability; provided, however, that the Servicer will, at the direction of the Issuer, in respect of any Proceeding, undertake any action that is not specifically identified in this Agreement as a duty of the Servicer but that the Issuer reasonably determines is necessary or desirable in order to protect the rights and duties of the Issuer or the Indenture Trustee under this Agreement and the interests of Specified Creditors under the Indenture.~~

3.13 ~~3.9~~ The IESO Not to Resign as Servicer

Subject to the provisions of Section ~~3.7~~**3.12**, the IESO shall not resign from the obligations and duties imposed on it as Servicer under this Agreement except upon a determination that the performance of its duties under this Agreement shall no longer be permissible under applicable Requirements of Law. Notice of any such determination permitting the resignation of the IESO as Servicer shall be communicated to the Issuer, the Indenture Trustee and each Rating Agency at the earliest practicable time (and, if such communication is not in writing, shall be confirmed in writing at the earliest practicable time), and any such determination shall be evidenced by an Opinion of Counsel to such effect delivered to the Issuer, the Indenture Trustee and each Rating Agency concurrently with or promptly after such notice. No such resignation shall become effective until a Successor Servicer that is a Permitted Successor has assumed the servicing obligations and duties hereunder of the Servicer in accordance with Section 7.2.

~~**3.10 Appointments**~~

3.14 IESO Regulatory Obligation to Pay Carrying Costs

(a) ~~Subject to Section 3.10(b), the~~ Servicer ~~may at any time appoint any Person to perform all or any portion of its obligations as Servicer hereunder; provided, however, that the Rating Agency Condition shall have been satisfied in connection therewith; and provided, further, that the Servicer shall remain obligated and be liable under this Agreement for the servicing and administering of the Issuer Investment Interest in accordance with the provisions hereof without diminution of such obligation and liability by virtue of the appointment of such Person and to the same extent and under the same terms and conditions as if the Servicer alone were servicing and administering the Investment Interest. The fees and expenses of any such Person shall be as agreed between the Servicer and such Person from time to time, and none of the Issuer, the Indenture Trustee, Specified Creditors or any other Person shall have any responsibility therefor or right or claim thereto. Any such appointment shall not constitute a resignation of the Servicer under Section 3.9.~~ **During the period beginning on December 1, 2017 and ending on July 31, 2021, the IESO shall, as required under the Regulations, pay and remit to the Issuer any amounts charged to the IESO by the Issuer in respect of Carrying Costs during the period beginning on June 1, 2017 and ending on July 31, 2021.**

(b) ~~The following matters shall be performed by the Electricity Vendors in accordance with the Act and shall not be considered an "appointment" for purposes of Section 3.10(a): (i) invoicing~~ Specified Consumers ~~in respect of the~~ Clean Energy Adjustment and ancillary matters related thereto; ~~(ii) collection from Specified Consumers of payments in respect of such invoices and remittance of such payments to the Servicer; and (iii) reporting to the Servicer the total CEA Consumer Invoice Amounts invoiced by such Electricity Vendor to its Specified Consumers in respect of the Clean Energy Adjustment, the total Electricity Vendor CEA Collections received by such Electricity Vendor and such other information the IESO may reasonably request for the purposes of determining the IESO Deferral or such further information as may be required. The Servicer shall not be responsible or liable for the performance by Electricity Vendors of their duties and responsibilities under the Act or the Regulations or in respect of the matters set out in this Section 3.10(b).~~ **On or before the 4th Business Day of each calendar month**, the Issuer shall prepare and deliver to the IESO a written statement substantially in the form of **Exhibit C (a "Monthly Carrying Costs Statement") setting out the amount of Carrying Costs in respect of the preceding calendar month ("Monthly Carrying Costs").**

~~**3.11 Effective Period and Termination**~~

(c) **On or before the 8th Business Day following receipt by the IESO of the Monthly Carrying Costs Statement, the IESO shall, as required under** the Regulations, deliver or cause to be delivered to the Issuer, by wire **transfer or electronic funds** transfer in immediately available funds, an amount in Canadian dollars equal to the Monthly **Carrying Costs set forth in the applicable Monthly Carrying Costs Statement.**

3.15 IESO Security for CEA Remittances

~~The Servicer's appointment as Servicer under this Agreement shall become effective as of the execution hereof and shall continue in full force and effect until the earlier of (a) the effective date of resignation of the Servicer in accordance with the provisions of this Agreement, (b) termination of all of the rights and obligations of the Servicer under Article 7, and (c) the date on which all Issuer Funding Obligations have been paid in full and all CEA Consumer Invoice Amounts have been received or written off (in each case, a "**Termination Event**"). The appointment of the Servicer as servicer under this Agreement shall be terminated effective as of the date of the Termination Event.~~**If required by the Issuer, the IESO shall provide to the Issuer, on or prior to the first day of the first Billing Period when amounts are invoiced to Specified Consumers in respect of Clean Energy Adjustments, a letter of credit in an amount equal to $■, or such other form of security as may be acceptable to the Issuer and the Indenture Trustee, as security for any failure of Electricity Vendors, following [July 31, 2021], to remit the Electricity Vendor CEA Collections.**

ARTICLE 4
REPRESENTATIONS AND WARRANTIES OF THE IESO

4.1 Representations and Warranties

Subject to Section 4.3, the IESO makes the following representations and warranties as of the date hereof and as of each applicable Closing Date, and the IESO acknowledges that the Issuer and the Indenture Trustee will rely thereon in paying the Purchase Price related to Transfers of ~~specified portions~~**Specified Portions** of the Regulatory Asset, and the Issuer has relied thereon in entering into this Agreement relating to the servicing of the corresponding Investment Interests.

(a) Organization and Good Standing. The IESO is a statutory corporation amalgamated under the laws of the Province of Ontario, with requisite **corporate** power and authority to own its properties, to conduct its business as such properties are currently owned and such business is presently conducted by it~~, and to execute, deliver and carry out the terms of this Agreement, including, for greater certainty, acting as Servicer in accordance with this Agreement~~.

(b) Due Qualification. The IESO has obtained all necessary licences and approvals, in all jurisdictions in which the ownership or lease of property or the conduct of its business (including acting as Servicer under this Agreement) shall require such licences or approvals, except where the failure to so qualify or obtain such licences and approvals would not be reasonably likely to have a material adverse effect on the IESO's business, operations, assets, revenues or properties, the Regulatory Asset~~,~~ **or** the servicing of related Investment Interests~~, the Issuer or the repayment when due of the Funding Obligations~~.

(c) Power and Authority. The IESO has the requisite **corporate** power and authority to execute and deliver this Agreement and to carry out its terms. The IESO has full corporate power and authority to hold the Regulatory Asset and to Transfer ~~specified portions~~**Specified Portions** of the Regulatory Asset to the Issuer and the IESO has duly authorized such Transfer to the Issuer by all necessary **corporate** action. The execution, delivery and performance of all obligations under this Agreement have been duly authorized by all necessary **corporate** action on the part of the IESO under all applicable laws.

(d) Binding Obligation. This Agreement constitutes a legal, valid and binding obligation of the IESO, enforceable against the IESO in accordance with its terms, subject to bankruptcy, receivership, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally from time to time in effect and to general principles of equity (including concepts of materiality, reasonableness, good faith and fair dealing).

(e) No Violation. The consummation of the transactions contemplated by this Agreement and the fulfillment of the terms hereof by the IESO do not conflict with, result in any breach of any of the terms and provisions of, or constitute (with or without notice or lapse of time, or both) a default under, the IESO's by-laws, or any indenture, or other material agreement or instrument to which the IESO is a party or by which it is bound, result in the creation or imposition of any Lien upon any of the IESO's properties pursuant to the terms of any such indenture, agreement or other instrument or violate any existing law or any order, rule or regulation applicable to the IESO issued by any Governmental Authority having jurisdiction over the IESO or its properties.

(f) No Proceedings. ~~There are no Proceedings or, to~~**To** the IESO's knowledge, ~~investigations~~**there are no Proceedings** pending or ~~Proceedings~~ threatened~~, before any Governmental Authority having jurisdiction over~~ **against** the IESO or its properties: (a) asserting the invalidity of this Agreement or the Act, (b) seeking to prevent the consummation of any of the transactions contemplated by this Agreement or the Act, or (c) seeking a determination or ruling that could reasonably be expected to materially and adversely affect the performance by the IESO of its obligations under, or the validity or enforceability of, this Agreement or the Act.

(g) Approvals. No approvals, authorizations, consents, orders or other actions or filings with any Governmental Authority are required for the IESO to execute, deliver and perform its obligations under this Agreement except those which have previously been obtained or made.

(h) Information.~~(i)~~ At the date hereof and as of each applicable Closing Date, **except in respect of information provided by a third party,** all written information, as amended or supplemented from time to time, provided by the Transferor to the Issuer with respect to the Regulatory Asset is true and correct in all material respects and does not omit any material facts.

~~(ii) Each report and certificate delivered in connection with any filing made or information provided to the Board by the IESO in connection with the Act, including on behalf of the Issuer with respect to Clean Energy Adjustments, will constitute a representation and warranty by the IESO that each such report or certificate, as the case may be, is true and correct in all material respects; provided, however, that, to the extent any such report or certificate is based in part upon or contains assumptions, forecasts or other predictions of future events, the representation and warranty of the IESO with respect thereto will be limited to the representation and warranty that such assumptions, forecasts or other predictions of future events are reasonable based upon historical performance (and facts known to the IESO on the date such report or certificate is delivered).~~

(i) The Transfer. ~~On~~**After the completion of the Transfer on** the applicable Closing Date, the ~~specified portion of the Regulatory Asset as set forth in the applicable Transfer Notice shall be validly Transferred to the Issuer and the~~ IESO will have no right, title or interest in the ~~related~~ Investment Interest **related to the Specified Portion of the Regulatory Assets** as set forth in the applicable Transfer Notice and the related Investment Interest shall not form part of the estate of the IESO in the event of an Insolvency Event in respect of the IESO.

(j) No Transfer. Except ~~pursuant to any Co-Owner Agreement, no portion of~~**for Permitted Transfers,** the ~~Regulatory Asset~~**IESO** has ~~been~~**not** sold, transferred, assigned~~,~~ **or otherwise conveyed any interest in the Regulatory Asset to any Person.**

(k) Liens. IESO has not pledged or otherwise ~~conveyed by the IESO~~**granted a Lien** to any Person ~~other than the Issuer or the Indenture Trustee, and,~~**in the Regulatory Asset and** to the IESO's knowledge (after due inquiry), ~~no security agreement,~~**there is no registered** financing statement ~~or equivalent security or lien instrument~~ listing the IESO as debtor covering ~~all or a portion of the Regulatory Asset (or the corresponding Investment Interest upon the Transfer thereof) is on file or of record in any jurisdiction, except such as may have been filed or recorded in favour of the Issuer or the Indenture Trustee in connection with the Program Agreements.~~(k) ~~Title. The IESO is the sole owner of the specified portion of the Regulatory Asset that is to be Transferred to the Issuer on~~

~~the applicable Closing Date, free and clear of all Liens~~**or extending to the Regulatory Asset**.

(l) Tax Liens. ~~After due inquiry, the~~**The** IESO **(i)** is not aware**, after due inquiry,** of any judgment or tax lien filing against the IESO**, and (ii) is not a non-resident of Canada for purposes of the *Income Tax Act* (Canada)**.

(m) Solvency. On the date hereof and after giving effect to each Transfer, the IESO:

~~(i) is solvent and expects to remain solvent;~~

(i) ~~(ii)~~ reasonably believes that it will be able to pay its debts as they come due; and

(ii) ~~(iii)~~ is able to pay its debts as they mature and does not intend to incur, or believes that it will not incur, indebtedness that it will not be able to repay at its maturity.

(n) No Court Order. There is no order by any court that seeks to enjoin the performance of any obligations of the IESO under the Act or this Agreement.

4.2 Survival

The representations and warranties set forth in Section 4.1 shall survive the execution and delivery of this Agreement, each Transfer of an Investment Interest to the Issuer and the pledge thereof to the Indenture Trustee pursuant to the Indenture and may not be waived by any party hereto except pursuant to a written agreement executed in accordance with Section 8.1 and as to which the Rating Agency Condition has been satisfied.

4.3 Limitations on Representations and Warranties

Notwithstanding anything in this Agreement to the contrary, the IESO makes no representation or warranty **with respect to the collectability of the Issuer Share of Servicer CEA Receipts or** that the Issuer~~'s~~ Share of Servicer CEA ~~Collections will~~**Receipts** be sufficient to satisfy ~~in full~~ the Issuer's Funding Obligations.

ARTICLE 5
COVENANTS OF THE IESO

5.1 Existence

~~Subject to Section 3.9, so~~**So** long as any **Issuer** Funding Obligations are outstanding, the IESO (a) will keep in full force and effect its existence and remain validly

existing under the laws of the Province of Ontario, and (b) will obtain and preserve its qualifications to do business in each jurisdiction in which such qualification is or will be necessary to protect the validity and enforceability of this Agreement and each other instrument or agreement to which the IESO is a party necessary for the proper administration of this Agreement and the transactions contemplated hereby.

5.2 No Transfer or Liens

Except for ~~(a) the~~ Transfers under this Agreement to the Issuer or ~~any Lien for the benefit of the Specified Creditors or the Indenture Trustee, and (b) following the Co-Owner Implementation Date, Transfers to other Financing Entities who enter into a Co-Owner Agreement with the Issuer and Liens granted in connection therewith to Persons advancing Funding Obligations to such other Financing Entities, the IESO will not sell, pledge, assign or transfer to any other Person, or~~ **Permitted Transfers, the IESO will not Transfer the Regulatory Asset or any portion thereof to any person. The IESO will not** grant, create, incur, assume or suffer to exist any Lien on~~, any portion of~~ the Regulatory Asset~~, whether existing as of the applicable Closing Date or thereafter created, or any interest therein~~ **or any portion thereof**. The IESO will not at any time assert any Lien against or with respect to the Issuer Investment Interest, and will defend the right, title and interest of the Issuer and of the Indenture Trustee, on behalf of the Specified Creditors, in, to and under the Issuer Investment Interest against all claims of third parties claiming through or under the Transferor.

5.3 Notice of Liens

The IESO shall notify the Issuer and the Indenture Trustee promptly after becoming aware of any Lien on any portion of the Regulatory Asset~~, other than the Transfers hereunder and any Lien pursuant to the Program Agreements~~.

5.4 Compliance with Law

The IESO will comply with all Requirements of Law applicable to, and binding upon, the IESO or relating to the Regulatory Asset~~,~~ the Investment Asset or Investment Interests, except to the extent that failure to so comply would not materially adversely affect the Issuer's~~,~~ **or** the Indenture Trustee's ~~or the Specified Creditors'~~ interests in the Issuer Investment Interest~~ under any of the Program Agreements~~, the value of the Issuer Investment Interest, the timing or amount of Clean Energy Adjustments payable by Specified Consumers or the IESO's performance of its obligations under this Agreement; provided, however, that the foregoing is not intended to, and shall not, impose any liability on the IESO for non-compliance with any Requirement of Law that the IESO is contesting in good faith in accordance with its customary standards and procedures.

5.5 Covenants Related to the Investment Interest

(a) So long as any Issuer Funding Obligations are outstanding, the IESO shall treat the Issuer Investment Interest as the Issuer's property for all purposes.

(b) Except for passive investments held for employee benefit purposes, the IESO shall not at any time become a holder of Issuer Funding Obligations ~~other than Funding Rebates~~.

(c) The IESO shall disclose the effects of all transactions between the IESO and the Issuer in accordance with generally accepted accounting principles (for government entities).

~~(d) The IESO agrees that upon completion of a Transfer, the IESO shall reduce the balance in the Fair Hydro Variance Account by the Purchase Price and will adjust the Regulatory Asset accordingly.~~

(d) ~~(e)~~ (i) ~~in~~**In** all Proceedings relating directly or indirectly to the Issuer Investment Interest, the IESO shall affirmatively certify and confirm that it has Transferred all of its rights and interests in and to the ~~specified portion~~**Specified Portion** of the Regulatory Asset giving rise to the Issuer Investment Interest, (ii) the IESO shall not make any statement or reference in respect of the Issuer Investment Interest that is inconsistent with the ownership interest of the Issuer, **and** (iii) the IESO shall not take any action in respect of the Issuer Investment Interest except solely in its capacity as the Servicer thereof pursuant to this Agreement~~, and (iv) the IESO shall not sell any portion of the Regulatory Asset pursuant to the Act to any other Person unless a Co-Owner Agreement has been entered into and the Rating Agency Condition has been satisfied with respect thereto~~.

5.6 Non-petition Covenants

Notwithstanding any prior termination of this Agreement or the Indenture, the IESO shall not, prior to the date that is one year plus one day after termination of the Indenture and the payment in full of all Issuer Funding Obligations and any other amounts owed under the Indenture, petition or otherwise invoke the process of any Governmental Authority for the purpose of commencing or sustaining a Proceeding against the Issuer under any Canadian bankruptcy, insolvency or similar law, appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official or any substantial part of the property of the Issuer.

5.7 Disclosure

The IESO shall provide ~~all~~**such non-confidential** information regarding ~~the~~ IESO, the ~~IESO Deferral, the~~ Regulatory Asset ~~or~~**and** the services provided by the Servicer hereunder (collectively, the "**IESO Disclosure**") as may be reasonably requested by the Issuer for

inclusion in any offering document of the Issuer from time to time, including but not limited to offering memoranda, prospectuses, registration statements and continuous disclosure documents and represents that**, except in respect information provided by a third party,** all such information is, **as** at the respective dates of delivery to the Issuer, true and correct in all material respects, contains no misrepresentation and constitutes full, true and plain disclosure of all material facts relating to the IESO Disclosure.

5.8 Further Assurances

Upon the request of the Issuer, the IESO shall execute and deliver such further instruments and do such further acts as may reasonably be necessary to carry out the provisions and purposes of this Agreement.

~~5.9 Co-Owner Agreements~~

~~The IESO shall not continue as or become a party to any purchase and sale agreement or similar arrangement (other than this Agreement) under which it sells all or any portion of the Regulatory Asset unless (i) the Rating Agency Condition shall have been satisfied, (ii) the Indenture Trustee, the Transferor and the other parties to such additional arrangement shall have entered into a Co-Owner Agreement in connection therewith, and (iii) the terms of the documentation evidencing such purchase and sale arrangement or similar arrangement shall expressly exclude the Issuer Investment Interest (including the Issuer Share of any Servicer CEA Collections) from any receivables, rights or other assets pledged or sold under such arrangement and unless the purchaser under such arrangement is a Financing Entity.~~

5.9 ~~5.10~~ Access to Certain Records and Information Regarding Investment Interest

The IESO shall provide to the Issuer and the Indenture Trustee access to all records relating to the IESO Deferral, the Fair Hydro Variance Account, the IESO Segregated Account and Servicer CEA ~~Collections~~**Receipts**, as is reasonably required for the Issuer and the Indenture Trustee to confirm compliance by the IESO with its obligations under this Agreement~~ and any other Program Agreements to which the IESO is a party~~. Access shall be afforded without charge, but only upon reasonable request and during normal business hours at the offices of the IESO. Nothing in this Section ~~5.10~~**5.9** shall affect the obligation of the IESO to comply with any Requirement of Law prohibiting disclosure of information, and the failure of the IESO to provide access to such information as a result of such obligation shall not constitute a breach of this Section ~~5.10~~**5.9**.

5.10 ~~5.11~~ Maintenance of Operations

Subject to Section ~~3.7~~**3.12**, the IESO agrees to continue, unless prevented by circumstances beyond its control, to operate as the electricity system operator in the Province of Ontario ~~in order to provide service~~ so long as it is acting as the Servicer under this Agreement.

ARTICLE 6
IESO INDEMNITIES

6.1 Liability of the IESO; Indemnities

(a) The IESO shall indemnify the Issuer, the Indenture Trustee (for itself and for the benefit of the Specified Creditors), the Manager~~, the Administrative Agent~~ and each of their respective trustees, officers, directors, employees and agents (each, an "**Indemnified Party**"), for, and defend and hold harmless each such Person from and against, any and all liabilities, obligations, losses, damages, payments and claims, and reasonable costs or expenses, of any kind whatsoever (collectively, "**Indemnified Losses**") imposed on, incurred by or asserted against any such Person as a result of (i) the failure of the IESO to perform its covenants and other obligations under this Agreement, any Co-Owner Agreement and any other Program Agreement to which the IESO is a party; **and** (ii) the IESO's breach of any of its representations or warranties under this Agreement, any Co-Owner Agreement and any other Program Agreement to which the IESO is a party; and ~~(iii) any litigation and related expenses relating to the IESO's status and obligations as Servicer (other than any Proceeding the IESO is required to institute under this Agreement)~~, except to the extent of Indemnified Losses resulting from the willful misconduct, bad faith or gross negligence of such Person seeking indemnification hereunder; provided that, in each case, the IESO shall not be required to indemnify an Indemnified Party for any amount paid or payable by such Indemnified Party in the settlement of any Proceeding or investigation without the written consent of the IESO, which consent shall not be unreasonably withheld. Promptly after receipt by an Indemnified Party of notice ~~(or, in the case of the Indenture Trustee, receipt of notice by a Responsible Officer only)~~ of the commencement of any Proceeding or investigation, such Indemnified Party shall, if a claim in respect thereof is to be made against the IESO under this Section 6.1(a), notify the IESO in writing of the commencement thereof. Failure by an Indemnified Party to so notify the IESO shall relieve the IESO from the obligation to indemnify and hold harmless such Indemnified Party under this Section 6.1(a) only to the extent that the IESO suffers actual prejudice as a result of such failure. With respect to any Proceeding or investigation brought by a third party for which indemnification may be sought under this Section 6.1(a), the IESO shall be entitled to conduct and control, at its expense and with counsel of its choosing that is reasonably satisfactory to such Indemnified Party, the defence of any such Proceeding or investigation (in which case the IESO shall not thereafter be responsible for the fees and expenses of any separate counsel retained by the Indemnified Party except as set forth below); provided, that the Indemnified Party shall have the right to participate in such Proceeding or investigation through counsel chosen by it and at its own expense. Notwithstanding the IESO's election to assume the defence of any Proceeding or investigation, the Indemnified Party

shall have the right to employ separate counsel, and the IESO shall bear the reasonable fees, costs and expenses of such separate counsel, if (i) the defendants in any such action include both the Indemnified Party and the IESO and the Indemnified Party shall have reasonably concluded that there may be legal defences available to it that are different from or additional to those available to the IESO, (ii) the IESO shall not have employed counsel reasonably satisfactory to the Indemnified Party to represent the Indemnified Party within a reasonable time after notice of the institution of such action, (iii) the IESO ~~shall authorize~~**authorizes** the Indemnified Party to employ separate counsel at the expense of the IESO, or (iv) in the case of the Indenture Trustee, such action exposes the Indenture Trustee to a material risk of criminal liability or forfeiture or a Servicer Default has occurred and is continuing. Notwithstanding the foregoing, the IESO shall not be obligated to pay for the fees, costs and expenses of more than one separate counsel for the Indemnified Parties other than one local counsel, if appropriate. The IESO will not, without the prior written consent of the Indemnified Party, settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim or Proceeding in respect of which indemnification may be sought under this Section 6.1(a) (whether or not the Indemnified Party is an actual or potential party to such claim or action) unless such settlement, compromise or consent includes an unconditional release of the Indemnified Party from all liability arising out of such claim or Proceeding.

(b) For purposes of Section 6.1(a), in the event of the termination of the rights and obligations of the IESO (or any successor thereto pursuant to Section ~~3.7~~**3.12**) as Servicer pursuant to Section 7.1, or a resignation by such Servicer pursuant to **Section 3.11 of** this Agreement, the IESO shall be deemed to be the Servicer pending appointment of a Successor Servicer pursuant to Section 7.2.

(c) Indemnification under Section 6.1(a) shall include reasonable out-of-pocket fees and expenses of investigation and litigation (including reasonable legal fees and expenses), except as otherwise expressly provided in this Agreement.

(d) Indemnification under this Section 6.1 shall survive any repeal of, modification of, or supplement to, or judicial invalidation of, the Act and shall survive the resignation or removal of the Indenture Trustee or the termination of this Agreement and will rank *pari passu* with other general, unsecured obligations of the IESO. ~~Other than provided in the preceding sentence, the~~

(e) **The** IESO shall not **be required to** indemnify any party under this Section 6.1 for any **losses resulting from** changes in law after the date hereof, whether such changes in law are effected by means of any legislative enactment or any final and non-appealable judicial decision.

~~25847049.5~~

(f) ~~(e)~~ Except to the extent expressly provided in this Agreement (including the payment of the Purchase Price), the IESO hereby releases and discharges the Issuer ~~and the Indenture Trustee,~~ and each of ~~their respective~~**its** trustees, officers, directors and agents (collectively, the "**Released Parties**"), from any and all actions, claims and demands whatsoever, whenever arising, which the IESO, in its capacity as Servicer or otherwise, shall or may have against any such Person relating to the Investment Interest or the IESO's activities with respect thereto, other than any actions, claims and demands arising out of the willful misconduct, bad faith or gross negligence of the Released Parties.

ARTICLE 7
SERVICER DEFAULT

7.1 Servicer Default

If any one or more of the following events (each, a "**Servicer Default**") shall occur and be continuing:

(a) any failure by the Servicer to remit to the Collection Account ~~on behalf of the Issuer~~ any required remittance that shall continue unremedied for a period of **[two/three] [NTD: Rating Agencies will expect 2-3 days]** Business Days after written notice of such failure is received by the Servicer from the Issuer ~~(with a copy to the Indenture Trustee)~~ or the Indenture Trustee or after discovery of such failure by a Responsible Officer of the Servicer;

(b) any failure on the part of the Servicer or, so long as the Servicer is the IESO, any failure on the part of the IESO, as the case may be, duly to observe or to perform in any respect any covenants or agreements of the Servicer or the IESO, as the case may be, set forth in this Agreement (other than as provided in Section 7.1(a)) or any other Program Agreement to which it is a party, which failure shall (i) materially and adversely affect the rights of the Specified Creditors and (ii) continue unremedied for a period of 30 days after the date on which (A) written notice of such failure, requiring the same to be remedied, shall have been given to the Servicer or the IESO, as the case may be, by the Issuer ~~(with a copy to the Indenture Trustee)~~ or to the Servicer or the IESO, as the case may be, by the Indenture Trustee or (B) such failure is discovered by a Responsible Officer of the Servicer;

(c) any representation or warranty made by the Servicer in this Agreement, any other Program Agreement or in any Monthly Report, shall prove to have been incorrect when made, which has a material adverse effect on the Issuer, the Indenture Trustee or any other Specified Creditor and which remains unremedied for a period of 30 days after the date on which (i) written notice thereof, requiring the

same to be remedied, shall have been delivered to the Servicer (with a copy to the Indenture Trustee) by the Issuer or the Indenture Trustee or (ii) such failure is discovered by a Responsible Officer of the Servicer;

(d) an Insolvency Event occurs with respect to the Servicer or the IESO; **or**

(e) any additional "Servicer Default" as specified in any Co-Owner Agreement occurs; ~~or~~

~~(f) the termination or withdrawal of the "Servicing Guarantee" under the Provincial Protection and Assurances Agreement. **[NTD: Subject to finalization of the Provincial Protection and Assurances Agreement.]**~~

then, and in each and every case, the Indenture Trustee shall, upon the instruction of the Specified Creditors ~~evidencing a majority of the Outstanding Amount of the Issuer's Funding Obligations~~**as provided for under the Trust Indenture**, subject to the terms of any Co-Owner Agreement, by notice then given in writing to the Servicer (and to the Indenture Trustee if given by the Specified Creditors) (a "**Termination Notice**"), terminate all the rights and obligations (other than the obligations set forth in Section 6.1 and the obligation under Section 7.2 to continue performing its functions as Servicer until a Successor Servicer is appointed) of the Servicer under this Agreement and under the Co-Owner Agreement. In addition, upon a Servicer Default described in Section 7.1(a), the Specified Creditors and the Indenture Trustee (or any of their representatives) shall be entitled to apply to a court of appropriate jurisdiction for an order for sequestration and payment of revenues arising with respect to the ~~Investment Interest.~~**Issuer.** On or after the receipt by the Servicer of a Termination Notice, all authority and power of the Servicer under this Agreement, whether with respect to the Investment Interest, the Clean Energy Adjustments or otherwise, shall, without further action, pass to and be vested in such Successor Servicer as may be appointed under Section 7.2; and, without limitation, the Indenture Trustee is hereby authorized and empowered to execute and deliver, on behalf of the predecessor Servicer, as attorney-in-fact or otherwise, any and all documents and other instruments, and to do or accomplish all other acts or things necessary or appropriate to effect the purposes of such Termination Notice, whether to complete the transfer of all documents and records related to the Regulatory Asset, ~~the IESO Deferral,~~ the Fair Hydro Variance Account and related documents or records, or otherwise (the "**Records**"). The predecessor Servicer shall cooperate with the Successor Servicer, the Issuer and the Indenture Trustee in effecting the termination of the responsibilities and rights of the predecessor Servicer under this Agreement, including the transfer to the Successor Servicer for administration by it of all Records and all cash amounts that shall at the time be held by the predecessor Servicer for remittance, or shall thereafter be received by it with respect to the Investment Interest or the Clean Energy Adjustment. As soon as practicable after receipt by the Servicer of such Termination Notice, the Servicer shall deliver the Records to the Successor Servicer. If a Successor Servicer has been appointed as a result of a Servicer Default, all reasonable costs and expenses (including reasonable legal fees and expenses) incurred in connection with transferring the Records to the Successor Servicer and amending this Agreement and any Co-Owner Agreement to reflect such succession as Servicer pursuant to this Section 7.1 shall be paid by the predecessor Servicer upon presentation of reasonable documentation of such costs and expenses. Termination of the IESO as Servicer shall

not terminate the IESO's rights or obligations under this Agreement (except rights thereunder deriving from its rights as the Servicer hereunder).

7.2 Appointment of Successor Servicer

(a) Upon the Servicer's receipt of a Termination Notice pursuant to Section 7.1 or the Servicer's resignation or removal in accordance with the terms of this Agreement, the predecessor Servicer shall continue to perform its functions as Servicer under this Agreement, until a Successor Servicer shall have assumed in writing the obligations of the Servicer hereunder as described below. In the event of the Servicer's removal or resignation hereunder, the Indenture Trustee may, and at the written direction and with the consent of the Specified Creditors ~~evidencing a majority of the Outstanding Amount of the Issuer's Funding Obligations~~**as provided for under the Trust Indenture** shall, but subject to the provisions of the applicable Co-Owner Agreement, appoint a Successor Servicer with the Issuer's prior written consent thereto (which consent shall not be unreasonably withheld), and the Successor Servicer shall accept its appointment by a written assumption in form reasonably acceptable to the Issuer. If, within 30 days after the delivery of the Termination Notice, a Successor Servicer shall not have been appointed, the Indenture Trustee may, at the direction of Specified Creditors ~~evidencing a majority of the Outstanding Amount of the Issuer's Funding Obligations~~**as provided for under the Trust Indenture**, petition a court of competent jurisdiction to appoint a Successor Servicer under this Agreement. A Person shall qualify as a Successor Servicer only if (i) such Person is permitted under the Act to perform the duties of the Servicer, (ii) the Rating Agency Condition shall have been satisfied with respect to such appointment, (iii) such Person enters into a master transfer and servicing agreement with the Issuer having substantially the same provisions as this Agreement and (iv) such Person agrees to perform the obligations of the Servicer under any Co-Owner Agreement. In no event shall the Indenture Trustee be liable for its appointment of a Successor Servicer. The Indenture Trustee's expenses incurred under this Section 7.2(a) shall be at the sole expense of the Issuer and payable from the Collection Account as provided in **[Section 8.02]** of the Indenture.

(b) Upon appointment, the Successor Servicer shall be the successor in all respects to the predecessor Servicer and shall be subject to all the responsibilities, duties and liabilities arising thereafter placed on the predecessor Servicer and shall be entitled to all the rights granted to the predecessor Servicer by the terms and provisions of this Agreement.

7.3 Waiver of Past Defaults

The Indenture Trustee, with the written consent of Specified Creditors ~~evidencing a majority of the Outstanding Amount of the Issuer's Funding Obligations~~**as provided for under the Trust Indenture**, may waive in writing any default by the Servicer in the performance of its obligations hereunder and its consequences, except a default in making any required deposits to the Collection Account in accordance with this Agreement. Upon any such waiver of a past

default, such default shall cease to exist, and any Servicer Default arising therefrom shall be deemed to have been remedied for every purpose of this Agreement. No such waiver shall extend to any subsequent or other default or impair any right consequent thereto.

7.4 Notice of Servicer Default

The Servicer shall deliver to the Issuer, the Manager, the Indenture Trustee and the Rating Agencies promptly after having obtained knowledge thereof, but in no event later than five Business Days thereafter, written notice of any event that, with the giving of notice or lapse of time, or both, would become a Servicer Default under Section 7.1.

7.5 Cooperation with Successor Servicer

The Servicer covenants and agrees with the Issuer that it will, on an ongoing basis, cooperate with the Successor Servicer and provide whatever information is, and take whatever actions are, reasonably necessary to assist the Successor Servicer in performing its obligations hereunder.

ARTICLE 8
MISCELLANEOUS

8.1 Amendment

~~(a)~~ This Agreement may be amended in writing by the IESO ~~and~~, the Issuer ~~with (i) the prior written consent of~~ **and** the Indenture Trustee~~, and (ii) the~~ **and with** satisfaction of the Rating Agency Condition. Promptly after the execution of any such amendment ~~or consent~~, the Issuer shall furnish copies of such amendment ~~or consent~~ to each of the Rating Agencies.

8.2 Withholding Rights

The parties shall be entitled to deduct and withholding from amounts payable under this Agreement such amounts as each is required to deduct and withhold with respect to such payment under the *Income Tax Act* (Canada) or any provision of any applicable federal, provincial, territorial, state, local or foreign tax law. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes as having been paid to the recipient of the payment in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted in accordance with applicable law to the appropriate taxing authority.

8.3 No Partnership

Each party expressly disclaims any intention to create a partnership, and none of the Issuer, the **IESO or the Indenture Trustee will be deemed to be carrying on business in partnership by reason of its execution and delivery of this Agreement or the exercise or performance by it of its respective rights and obligations hereunder.**

~~(b) Prior to the execution of any amendment to this Agreement, the Issuer and the Indenture Trustee shall be entitled to receive and rely upon an Opinion of Counsel, which counsel may be an employee of or counsel to the Issuer or the IESO and which shall be reasonably satisfactory to the Indenture Trustee, or, in the Indenture Trustee's sole judgment, external counsel of the IESO stating that the execution of such amendment is authorized and permitted by this Agreement and that all conditions precedent provided for in this Agreement relating to such amendment have been complied with. The Issuer and the Indenture Trustee may, but shall not be obligated to, enter into any such amendment that affects their own rights, duties, indemnities or immunities under this Agreement or otherwise.~~

8.4 ~~8.2~~ Notices

Any notice, report or other communication given hereunder shall be in writing and shall be effective (a) upon receipt when sent through the mails, registered or certified mail, return receipt requested, postage prepaid, with such receipt to be effective the date of delivery indicated on the return receipt, (b) upon receipt when sent by an overnight courier, (c) on the date personally delivered to an authorized officer of the party to which sent, or (d) on the date transmitted by electronic transmission with a confirmation of receipt in all cases, addressed as follows:

(a) in the case of the IESO, in its capacity as Transferor or Servicer:

Independent Electricity System Operator
~~[Address]~~**120 Adelaide Street West, Suite 1600**
Toronto, Ontario M5H 1T1

Attention: ~~■~~
Chief Financial Officer, General Counsel and Associate General Counsel
Email: ■

(b) in the case of the Issuer or the Manager (on behalf of the Issuer):

[Financing Entity]
c/o Ontario Power Generation Inc., as Manager
700 University Avenue
Toronto, Ontario
M5G 1X6

Attention: ■
Email: ■

(c) in the case of the Indenture Trustee:

■
[Address]

Attention: ■
Email: ■

Each party hereto may, by notice given in accordance herewith to the other party or parties hereto, designate any further or different address to which subsequent notices, reports and other communications shall be sent. Any notice, report or communication required to be given by the IESO hereunder to a Rating Agency shall be given to the address provided by the Issuer from time to time.

8.5 ~~8.3~~ Assignment

Notwithstanding anything to the contrary contained herein, except as provided in the provisions of this Agreement concerning the resignation of the Servicer, this Agreement may not be assigned by the IESO.

8.6 ~~8.4~~ Limitations on Rights of Third Parties

The provisions of this Agreement are solely for the benefit of the IESO, the Issuer and, to the extent provided herein or in the other Program Agreements, the Indenture Trustee (for its own benefit and for the benefit of the Specified Creditors) and the other Persons expressly referred to herein, and such Persons shall have the right to enforce the relevant provisions of this Agreement. Nothing in this Agreement, whether express or implied, shall be construed to give to any other Person any legal or equitable right, remedy or claim in the Issuer Investment Interest or under or in respect of this Agreement or any covenants, conditions or provisions contained herein.

8.7 ~~8.5~~ Severability

Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remainder of such provision (if any) or the remaining provisions hereof (unless such construction shall be unreasonable), and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

8.8 ~~8.6~~ Separate Counterparts; Electronic Delivery

This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument. Delivery of an executed signature page to this Agreement by a party by electronic transmission will be as effective as delivery of a manually executed copy of this Agreement by such party.

8.9 ~~8.7~~ Governing Law

This Agreement shall be construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein, and each party to this Agreement attorns to the non-exclusive jurisdiction of the courts of the Province of Ontario.

8.10 ~~8.8 Assignment~~Grant of Security Interest to Indenture Trustee

The IESO hereby acknowledges and consents to ~~any mortgage, pledge, assignment and~~the grant of a ~~security interest~~Lien by the Issuer to the Indenture Trustee pursuant to the Indenture for the benefit of the Specified Creditors ~~of~~against all right, title and interest of the Issuer in, to and under this Agreement, the Investment Interest and the proceeds thereof and the assignment of any or all of the Issuer's rights hereunder to the Indenture Trustee for the benefit of the Specified Creditors. ~~In no event shall the Indenture Trustee have any liability for the representations, warranties, covenants, agreements or other obligations of the Issuer hereunder or in any of the certificates delivered pursuant hereto, as to all of which any recourse shall be had solely to the assets of the Issuer subject to the availability of funds therefor under Section [8.02] of the Indenture.~~

8.11 ~~8.9~~ Limitation of Liability of Indenture Trustee

It is expressly understood and agreed by the parties hereto that this Agreement is executed and delivered by the Indenture Trustee, not individually or personally but solely as Indenture Trustee on behalf of the Specified Creditors, in the exercise of the powers and authority conferred and vested in it. The Indenture Trustee in acting hereunder is entitled to all rights, benefits, protections, immunities and indemnities accorded to it under the Indenture.

8.12 ~~8.10~~ Limitation of Liability of the Issuer Trustee

(a) It is expressly understood and agreed by the parties hereto that the Issuer Trustee is acting solely in its capacity as trustee of the Issuer, and not in any other capacity. The Issuer solely shall be responsible for the performance of the Issuer's obligations hereunder and the assets of the Issuer solely shall be subject to levy or execution in satisfaction of such obligations.

(b) The Issuer Trustee will not be subject to any liability whatsoever, in tort, in contract or otherwise, in connection with the Issuer's property or the Issuer's

activities, to the Issuer's beneficiaries or to any other Person, for any action taken or permitted by the Issuer Trustee to be taken, or the Issuer Trustee's failure to compel in any way any former or acting Issuer Trustee to redress any breach of trust with respect to the execution of the duties of its office or in respect of the Issuer's property or the Issuer's activities, provided that the foregoing limitation will not apply in respect of action or failure to act arising from or in connection with dishonesty, bad faith, willful misconduct, gross negligence or reckless disregard of a duty by the Issuer Trustee. The Issuer Trustee, in doing anything or permitting anything to be done in respect of the execution of the duties of its office or in respect of the Issuer's property or the Issuer's activities, is, and will be conclusively deemed to be, acting as trustee of the Issuer and not in any other capacity. Except as to the extent provided in this Section ~~8.10~~**8.12**, the Issuer Trustee will not be subject to any liability for any debts, liabilities, obligations, claims, demands, judgments, costs, charges or expenses against or with respect to the Issuer, arising out of anything done or permitted by it to be done or its failure to take any action in respect of the execution of the duties of its office or for or in respect of the Issuer's property or the Issuer's activities and resort will be had solely to the Issuer's property for the payment or performance thereof. No property or assets of the Issuer Trustee owned in its personal capacity will be subject to levy, execution or other enforcement procedure with regard to any obligation under this Agreement.

(c) The holders of the units of the Issuer will not be subject to any liability whatsoever, in tort, in contract or otherwise, in connection with the Issuer's property or the Issuer's activities, to the Issuer's beneficiaries or to any other Person, for any action taken or permitted by it to be taken. The holders of the units of the Issuer will not be subject to any liability for any debts, liabilities, obligations, claims, demands, judgments, costs, charges or expenses against or with respect to the Issuer, arising out of anything done or permitted by it to be done or its failure to take any action in respect of the execution of the duties of its office or for or in respect of the Issuer's property or the Issuer's activities and resort will be had solely to the Issuer's property for the payment or performance thereof. No property or assets of the holders of the units of the Issuer owned in their personal capacity will be subject to levy, execution or other enforcement procedure with regard to any obligation under this Agreement.

8.13 ~~**8.11**~~ **Waivers**

Any term or provision of this Agreement may be waived, or the time for its performance may be extended, by the party or parties entitled to the benefit thereof; provided, however, that no such waiver delivered by the Issuer shall be effective unless the Indenture Trustee has given its prior written consent thereto. Any such waiver shall be validly and sufficiently authorized for the purposes of this Agreement if, as to any party, it is authorized in writing by an authorized representative of such party, with prompt written notice of any such waiver to be provided to the Rating Agencies. The failure of any party hereto to enforce at any time any provision of this Agreement shall not be construed to be a waiver of such provision, nor

in any way to affect the validity of this Agreement or any part hereof or the right of any party thereafter to enforce each and every such provision. No waiver of any breach of this Agreement shall be held to constitute a waiver of any other or subsequent breach.

~~**8.12 Indenture Trustee Actions**~~

~~In acting hereunder, the Indenture Trustee shall have the rights, protections and immunities granted to it under the Indenture.~~

~~**8.13 Issuer Trustee**~~

~~In acting hereunder, the Issuer Trustee shall have the rights, protections and immunities granted to it under the Declaration of Trust.~~

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective officers as of the day and year first above written.

[FINANCING ENTITY], by its Manager,
ONTARIO POWER GENERATION INC.

By:
Name:
Title:

By:
Name:
Title:

INDEPENDENT ELECTRICITY SYSTEM OPERATOR
as Transferor and Servicer

By:
Name:
Title:

By:
Name:
Title:

~~**ACKNOWLEDGED AND ACCEPTED:**~~

[INDENTURE TRUSTEE]
as Indenture Trustee

By:
Name:
Title:

By:
Name:
Title:

EXHIBIT A

FORM OF TRANSFER NOTICE

See attached

TRANSFER NOTICE

TO: **[FINANCING ENTITY]**
c/o Ontario Power Generation Inc., as Manager
700 University Avenue
Toronto, Ontario
M5G 1X6

Attention: ■
Email: ■

This Transfer Notice is delivered to you pursuant to Section 2.1 of a master transfer and servicing agreement made as of ■, 2017 (as the same may be amended, restated, supplemented or otherwise modified from time to time, the "**Master Transfer and Servicing Agreement**") between **[FINANCING ENTITY]**, a trust formed under the laws of the Province of Ontario (the "**Issuer**"), ~~and~~ the **INDEPENDENT ELECTRICITY SYSTEM OPERATOR** ("**Transferor**" in its capacity as transferor, "**Servicer**", in its capacity as servicer, and "**IESO**" in its capacity as both Transferor and Servicer), a statutory corporation without share capital amalgamated under the laws of the Province of Ontario, and ~~acknowledged and accepted by~~ **[INDENTURE TRUSTEE]**, a trust company existing under the laws of Canada and duly authorized to carry on the business of a trust company in all of the provinces and territories of Canada, as indenture trustee (the "**Indenture Trustee**"). All capitalized terms used but not otherwise defined herein shall have the respective meanings ascribed to such terms in the Master Transfer and Servicing Agreement.

The Transferor hereby gives notice to the Issuer of its ~~desire~~**offer** to transfer to the Issuer on the Closing Date set out below, on a fully serviced basis, the ~~specified portion~~**Specified Portion** of the Regulatory Asset set out below, all in accordance with the terms and conditions of the Master Transfer and Servicing Agreement. In consideration for (i) the Transferor's Transfer to the Issuer of the ~~specified portion~~**Specified Portion** of the Regulatory Asset set out below, on a fully serviced basis, ~~**[and (ii) the Transferor's agreement to pay to the Issuer all (a) Funding Costs, (b) Finance Reserve Deposits, (c) Financing Entity Expenses, and (d) Tax Liabilities (net of Tax Refunds) that are incurred by the Issuer in connection with such Transfer,]**~~[4] the Issuer shall deliver or cause to be delivered to the Transferor on the Closing Date set out below, by wire transfer in immediately available funds, an amount in Canadian dollars equal to the Purchase Price set out below.

Upon receipt by the Transferor of the Purchase Price on the Closing Date, (i) the Transferor shall reduce the balance of the Fair Hydro Variance Account by an amount equal to the Purchase Price**,** and the Regulatory Asset shall be adjusted accordingly; and (ii) the corresponding Investment Interest shall immediately vest in the Issuer, free and clear of any

[4] ~~Funding Rebate language to be included in Transfer Notice only when Clean Energy Adjustment is not being charged.~~

adverse claim, and shall constitute a valid and enforceable absolute assignment, conveyance and sale of the corresponding Investment Interest.

Specified portion of Regulatory Asset: $■

Purchase Price: $■

Closing Date: ■

The Transferor hereby represents, warrants and confirms that:

(i) each of the representations and warranties on the part of the Transferor contained in the Master Transfer and Servicing Agreement are true and correct in all respects on the date hereof as if made on the date hereof;

(ii) the Transferor is not in breach of any of its covenants in the Master Transfer and Servicing Agreement; and

(iii) as of the date hereof, each condition precedent that must be satisfied by the Transferor under Section 2.2 of the Master Transfer and Servicing Agreement is capable of being satisfied prior to Closing Date.

The closing shall take place at ■ (Toronto time) on the Closing Date referred to above at the offices of ■, except as may be otherwise mutually agreed. **The Purchase Price shall be paid on that date by bank wire transfer to [insert IESO bank account details].**

DATED this ■ day of ■, 20■.

[FINANCING ENTITY], by its Manager,
ONTARIO POWER GENERATION INC.

By: _____
Name:
Title:

By: _____
Name:
Title:

The undersigned hereby accepts the foregoing offer.

DATED this ■ day of ■, 20■.

INDEPENDENT ELECTRICITY SYSTEM OPERATOR
as Transferor

By: _____
Name:
Title:

By: _____
Name:
Title:

EXHIBIT B

FORM OF MONTHLY REPORT

See Attached

MONTHLY REPORT

[NTD: Subject to continuing review by the Dealers and ~~Counsel to confirm form of Monthly IESO Report~~their counsel.]

TO: **[FINANCING ENTITY]**
c/o Ontario Power Generation Inc., as Manager
700 University Avenue
Toronto, Ontario
M5G 1X6

Attention: ■
Email: ■

Reference is made to the master transfer and servicing agreement made as of ■, 2017 (as the same may be amended, restated, supplemented or otherwise modified from time to time, the "**Master Transfer and Servicing Agreement**") between **[FINANCING ENTITY]**, a trust formed under the laws of the Province of Ontario (the "**Issuer**"), ~~and~~ the **INDEPENDENT ELECTRICITY SYSTEM OPERATOR** ("**Transferor**" in its capacity as transferor, "**Servicer**", in its capacity as servicer, and "**IESO**" in its capacity as both Transferor and Servicer), a statutory corporation without share capital amalgamated under the laws of the Province of Ontario, and ~~acknowledged and accepted~~ by **[INDENTURE TRUSTEE]**, a trust company existing under the laws of Canada and duly authorized to carry on the business of a trust company in all of the provinces and territories of Canada, as indenture trustee (the "**Indenture Trustee**"). Capitalized terms used but not defined in this Monthly Report have their respective meanings as set forth in the Master Transfer and Servicing Agreement.

Pursuant to Section ~~3.3~~■ of the Master Transfer and Servicing Agreement the Servicer hereby certifies in respect of the Billing Period corresponding to the calendar month of ■, ■, as follows:

	Item	**Amount**
(A)	Servicer CEA ~~Collections~~**Receipts**:	$■
(B)	Balance of Collection Account:	$■

[NTD: Any additional information considered necessary for OPG/IESO to be included.]

DATED this ■ day of ■, 20■.

INDEPENDENT ELECTRICITY SYSTEM OPERATOR
as Servicer

By: _____
Name:
Title:

By: _____
Name:
Title:

EXHIBIT C

FORM OF MONTHLY ~~FUNDING REBATE~~CARRYING COSTS STATEMENT

See Attached

MONTHLY ~~FUNDING REBATE~~CARRYING COSTS STATEMENT

TO: INDEPENDENT ELECTRICITY SYSTEM OPERATOR
[Address]

Attention: ■
Email: ■

Reference is made to the master transfer and servicing agreement made as of ■, 2017 (as the same may be amended, restated, supplemented or otherwise modified from time to time, the "**Master Transfer and Servicing Agreement**") between **[FINANCING ENTITY]**, a trust formed under the laws of the Province of Ontario (the "**Issuer**"), ~~and~~ the **INDEPENDENT ELECTRICITY SYSTEM OPERATOR** ("**Transferor**" in its capacity as transferor, "**Servicer**", in its capacity as servicer, and "**IESO**" in its capacity as both Transferor and Servicer), a statutory corporation without share capital amalgamated under the laws of the Province of Ontario, and ~~acknowledged and accepted by~~ **[INDENTURE TRUSTEE]**, a trust company existing under the laws of Canada and duly authorized to carry on the business of a trust company in all of the provinces and territories of Canada, as indenture trustee (the "**Indenture Trustee**"). Capitalized terms used but not defined in this Monthly ~~Funding Rebate~~**Carrying Costs** Statement have their respective meanings as set forth in the Master Transfer and Servicing Agreement.

Pursuant to Section ~~3.4(a)~~**3.14** of the Master Transfer and Servicing Agreement, the undersigned hereby certifies that the Monthly ~~Funding Expenses incurred by the Issuer~~**Carrying Costs** in respect of the calendar month of ■, ■ are as follows:

~~Monthly Funding Expense~~	**Amount**
Funding ~~Costs~~**costs**:	$■
~~Finance Reserve Deposits~~**Derivative payments to be made**:	$■
Amounts deposited into accounts other than capital accounts:	**$■**
Financing ~~Entity Expenses~~**entity expenses**:	$■
Tax ~~Liabilities (net of Tax Refunds)~~**liabilities**:	$■
~~Total Monthly Funding Expense~~**Subtotal**:	$■
LESS:	
Amounts withdrawn from accounts other than capital accounts:	
Derivative payments to be received:	
Tax refunds:	**$■**
Subtotal:	**$■**
Monthly Carrying Costs	**$■**

~~**[NTD: Any additional information considered necessary for OPG/IESO to be included.]**~~

In accordance with Section ~~3.4~~**3.14**(b) of the Master Transfer and Servicing Agreement, the undersigned hereby directs you to deliver to the Issuer, by wire transfer to the account set forth below, an amount in Canadian dollars equal to the ~~Total~~ Monthly ~~Funding Expense~~**Carrying Costs** set forth above on or before ■, 20■, and this shall be your good and valid authority for so doing.

[NTD: Wire transfer instructions to be provided by OPG.]

DATED this ■ day of ■, 20■.

[FINANCING ENTITY], by its Manager,
ONTARIO POWER GENERATION INC.

By: _____
Name:
Title:

By: _____
Name:
Title:

Document comparison by Workshare Compare on October-25-17 12:04:10 PM

Input:	
Document 1 ID	file://C:\Users\rramchan\Desktop\Fair Hydro - Master Transfer Servicing Agreement (Alternative Funding Rebate Regulation Version).docx
Description	Fair Hydro - Master Transfer Servicing Agreement (Alternative Funding Rebate Regulation Version)
Document 2 ID	interwovenSite://INVENTORYS1/TorysAtWork/24367979/3
Description	#24367979v3<TorysAtWork> - Fair Hydro - MTSA (Osler Oct 20 Draft)
Rendering set	Firm_Standard

Legend:	
Insertion	
~~Deletion~~	
~~Moved from~~	
Moved to	
Style change	
Format change	
~~Moved deletion~~	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	437
Deletions	421
Moved from	29
Moved to	29
Style change	0
Format changed	0

Total changes	916

SECURITY AGREEMENT

THIS AGREEMENT made as of the ____ day of December, 2017,

BETWEEN:

INDEPENDENT ELECTRICITY SYSTEM OPERATOR, a statutory corporation without share capital established by the *Electricity Act, 1998*, SO, 1998,

(hereinafter referred to as the "**Grantor**"),

IN FAVOUR OF: -

[FINANCING ENTITY], a trust formed under the laws of the Province of Ontario,

(hereinafter referred to as the "**Secured Party**"),

ACKNOWLEDGED AND ACCEPTED BY:

[INDENTURE TRUSTEE], a trust company existing under the laws of Canada and duly authorized to carry on the business of a trust company in all of the provinces and territories of Canada, as indenture trustee,

(hereinafter referred to as the "**Indenture Trustee**"),

WHEREAS under Regulation 206/17 made under the *Ontario Fair Hydro Plan Act, 2017* (the "**Regulation**"), the Grantor is required to pay and remit to the Secured Party any amounts charged to the Grantor by the Secured Party in respect of Carrying Costs of the Secured Party during the period beginning on April 1, 2017 and ending on June 30, 2021 (the "**Statutory Obligation**");

AND WHEREAS the Grantor (collectively referred to as the "**Parties**") has agreed to enter into a security agreement in favour of the Secured Party as security for, inter alia, the performance of the Statutory Obligation;

AND WHEREAS this Agreement has been assigned by the Secured Party, by way of security, to the Indenture Trustee and the Indenture Trustee wishes to acknowledge and accept the terms of this Agreement;

NOW THEREFORE THIS AGREEMENT WITNESSES that, for and in consideration of the premises, mutual covenants and conditions herein contained and such other lawful and valuable consideration the receipt of sufficiency of which is hereby acknowledged, the Parties hereby agree as follows:

1. INTERPRETATION

1.1 Defined Terms

In this Agreement, unless there is something in the context or subject matter inconsistent therewith,

(a) "**Account**" shall have the meaning attributed to such term in the PPSA;

(b) "**Appropriation**" shall have the meaning ascribed to such term in the *Financial Administration Act*, R.S.O. 1990, c. F-12, as amended;

(c) "**Breach**" shall have the meaning attributed to such term in Section 6.1;

(d) "**Business Day**" means any day other than a Saturday or a Sunday on which banks generally are open for business in Toronto, Ontario;

(e) "**Carrying Costs**" shall have the meaning attributed to such term in the Regulation;

(f) "**Collateral**" shall have the meaning attributed to such term in Section 2.1;

(g) "**Excluded Accounts**" means all amounts payable to the Grantor pursuant to Appropriations;

(h) "**Money**" shall have the meaning attributed to such term in the PPSA;

(i) "**Permitted Liens**" means liens approved in writing by the Secured Party and the Indenture Trustee ;

(j) "**PPSA**" means the *Personal Property Security Act* (Ontario), as amended from time to time, and any regulations thereto;

(k) "**Proceeds**" shall have the meaning attributed to such term in the PPSA;

(l) **"Receiver"** shall have the meaning attributed to such term in Section 6.2 of this Agreement;

(m) "**Regulation**" shall have the meaning attributed to such term in the recitals hereto;

(n) "**Statutory Obligation**" shall have the meaning attributed to such term in the recitals hereto.

1.2 Other Usages

References to "this Agreement", "hereof", "herein", "hereto" and like references refer to this Security Agreement and not to any particular Article, Section or other subdivision of this Agreement.

1.3 Plural and Singular

Where the context so requires, the words importing the singular number shall include the plural and vice versa.

1.4 Headings

The division of this Agreement into Articles and Sections and the insertion of headings in this Agreement are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

1.5 Applicable Law

This Agreement and all documents delivered pursuant hereto shall be governed by and construed and interpreted in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein and the Parties do hereby attorn to the non-exclusive jurisdiction of the courts of the Province of Ontario.

1.6 Prohibited Provisions

In the event that any provision or any part of any provision hereof is deemed to be invalid by reason of the operation of any law or by reason of the interpretation placed thereon by a court, this Agreement shall be construed as not containing such provision or such part of such provision and the invalidity of such provision or such part shall not affect the validity of any other provision or the remainder of such provision hereof, and all other provisions hereof which are otherwise lawful and valid shall remain in full force and effect.

1.7 Time of the Essence

Time shall in all respects be of the essence of this Agreement.

1.8 Recitals and Schedules

Each and every one of the recitals and schedules which are referred to in this Agreement and attached to this Agreement shall form an integral part of this Agreement.

2. SECURITY INTEREST

2.1 Grant of Security Interest

As general and continuing security for the payment and performance of the Statutory Obligation, the Grantor hereby assigns, transfers, sets over and grants a first-priority security interest to the Secured Party in the following (collectively, the "**Collateral**"):

(a) all Accounts, debts, choses in action and demands of every nature and kind, which are now due, owing or accruing or growing due to or owned by or which may hereafter become due, owing or accruing or growing due to or owned by the Grantor, excluding Excluded Accounts;

(b) all deeds, documents, writings, papers and books relating to or being records of the property described in Section 2.1(a); and

(c) all Proceeds and renewals of the foregoing, in whatever form, together with all substitutions therefore.

Whenever used elsewhere in this Agreement, the expression "**security interest**" refers to the security interest created in this Section 2.1.

2.2 Attachment of Security Interest

The Grantor acknowledges and agrees that (i) value has been given, (ii) the Grantor has rights in the Collateral, and (iii) the security interest shall attach to existing Collateral upon execution of this Agreement by the Grantor and to each item of after-acquired Collateral at the time that the Grantor acquires any rights therein.

3. COVENANTS OF THE GRANTOR

3.1 Covenants

The Grantor hereby covenants and agrees with the Secured Party as follows:

(a) Not to pay any other obligations of the Grantor at any time when its Statutory Obligation to pay Carrying Costs is in arrears, except to the extent that such other obligations are satisfied from amounts payable to the Grantor pursuant to Appropriations.

(b) To promptly pay all taxes, assessments, rates, levies, payroll deductions, vacation pay, workers' compensation assessments, and any other charges which could result in the creation of a statutory lien or deemed trust in respect of the Collateral.

(c) To defend the Collateral against the claims and demands of all other persons claiming the same or an interest therein and to promptly notify the Secured Party of any such claim or demand.

(d) To deliver to the Secured Party such information concerning the Collateral or the Grantor as the Secured Party may reasonably request from time to time.

(e) To do, make, execute and deliver such further and other assignments, transfers, deeds, agreements and other documents as may be required by the Secured Party to establish in favour of the Secured Party the security interest intended to be created hereby and to accomplish the intention of this Agreement.

3.2 Performance of Covenants by the Secured Party

The Secured Party may, in its sole discretion and upon notice to and at the expense of the Grantor, perform any covenant of the Grantor under this Agreement that the Grantor fails to perform and that the Secured Party is capable of performing, provided that the Secured Party will not be obligated to perform any such covenant on behalf of the Grantor and no such performance by the

Secured Party will require the Secured Party further to perform the Grantor's covenants nor operate as a derogation of the rights and remedies of the Secured Party under this Agreement.

4. DEALING WITH COLLATERAL

4.1 Grantor's Rights before Breach

Until the occurrence of a Breach and subject to the terms hereof, the Grantor shall be entitled to deal with the Collateral in the ordinary course of business, provided however, that no such action shall be taken which would impair the effectiveness of the security interests created hereby or the value of the Collateral or which would be inconsistent with or violate the Regulation, the provisions of this Agreement or any other written agreement between the Secured Party and the Grantor.

4.2 General Restrictions

The Grantor shall not, without the prior written consent of the Secured Party:

(a) sell, lease or otherwise dispose of the Collateral or any part thereof except in the ordinary course of business;

(b) release, surrender or abandon possession of the Collateral or any part thereof; or

(c) enter into or grant, create, assume or suffer to exist any mortgage, charge, hypothec, assignment, pledge, lien or other security interest or encumbrance affecting any of the Collateral except the Permitted Liens.

4.3 Release by the Secured Party

The Secured Party may, at its discretion but subject to the written approval of the Indenture Trustee, at any time release from the security interest created by this Agreement any part or parts of the Collateral or any other security or any surety for the Statutory Obligation either with or without sufficient consideration therefor without thereby releasing any other part of the Collateral or any person from this Agreement.

5. REPRESENTATIONS AND WARRANTIES

5.1 Representations and Warranties

The Grantor hereby represents and warrants to the Secured Party, the matters set out below:

(a) **Incorporation and Qualifications** – The Grantor is a statutory corporation amalgamated under the laws of the Province of Ontario, with requisite power and authority to own its properties, to conduct its business as such properties are currently owned and such business is presently conducted by it, and to execute, deliver and carry out the terms of this Agreement.

(b) **Corporate Authority and Power** – The Grantor has the requisite power and authority to execute and deliver this Agreement and to carry out its terms. The

execution, delivery and performance of all obligations under this Agreement have been duly authorized by all necessary action on the part of the Grantor under all applicable laws.

(c) **No Other Business Names or Styles** – The Grantor does not carry on business under or use any name or style other than the name(s) specified in Schedule A to this Agreement including.

(d) **Non-Conflict** – Neither the execution nor the performance of this Agreement requires the approval of any regulatory agency having jurisdiction over the Grantor nor is this Agreement in contravention of or in conflict with the by-laws or resolutions of the directors or shareholders of the Grantor or of the provisions of any agreement to which the Grantor is a party or by which any of its property may be bound or of any statute, regulation, by-law, ordinance or other law, or to the best of its knowledge of any judgement, decree, award, ruling or order to which the Grantor or any of its property may be subject, other than approvals that have been obtained.

(e) **Ownership of Collateral Free of Liens** – The Grantor is the owner of or has rights in the Collateral free and clear of any liens other than Permitted Liens.

(f) **Grantor Information** – Schedule A sets forth (a) the Grantor's jurisdiction of incorporation, (b) the location of the Grantor's registered office and business operations and records, and (c) the Grantor's exact legal name (in English and French).

(g) **Enforceability** – This Agreement constitutes a valid and legally binding obligation of the Grantor enforceable against it in accordance with its terms, subject to general equitable principles, including the fact that the availability of equitable remedies, such as injunctive relief and specific performance, is in the discretion of the court.

5.2 Reliance and Survival

All representations and warranties of the Grantor made in this Agreement or in any certificate or other document delivered by or on behalf of the Grantor to or for the benefit of the Secured Party are material, shall survive the execution and delivery of this Agreement and shall continue in full force and effect without time limit. The Secured Party shall be deemed to have relied upon each such representation and warranty notwithstanding any investigation made by or on behalf of the Secured Party at any time.

6. BREACH AND ENFORCEMENT

6.1 Enforceability of Security

The security hereby constituted shall become enforceable upon the occurrence of any of the following events each of which shall constitute a "**Breach**":

(a) the Grantor is in breach of the Statutory Obligation;

(b) any representation or warranty made or deemed made by or on behalf of the Grantor to the Secured Party under or in connection with this Agreement shall be materially false on the date as of which made; or

(c) any breach by the Grantor of any of the covenants, terms or provisions of Article 3 of this Agreement.

6.2 Remedies

At any time after the happening of any Breach, the Secured Party shall have the following rights, powers and remedies:

(a) to appoint any person to be an agent or any person to be a receiver, manager or receiver and manager (herein called the "**Receiver**") of the Collateral and to remove any Receiver so appointed and to appoint another if the Secured Party so desires; it being agreed that any Receiver appointed pursuant to the provisions of this Agreement shall have all of the powers of the Secured Party hereunder;

(b) to make payments to parties having prior charges or encumbrances on the Collateral;

(c) to preserve, protect and maintain the Collateral;

(d) to enjoy and exercise all powers necessary or incidental to the performance of all functions provided for in this Agreement;

(e) to sell or dispose of all or any part of the Collateral whether by public or private sale or otherwise and on any terms so long as every aspect of the disposition is commercially reasonable, including without limitation, terms that provide time for payment on credit;

(f) to enjoy and exercise all of the rights and remedies of a secured party under the PPSA;

(g) to notify the account debtors or obligors under any Accounts (other than Excluded Accounts) of the assignment of such Accounts to the Secured Party and to direct such account debtors or obligors to make payment of all amounts due or to become due to the Grantor thereunder directly to the Secured Party and to give valid and binding receipts and discharges therefor and in respect thereof and, upon such notification and at the expense of the Grantor, to enforce collection of any such Accounts, and to adjust, settle or compromise the amount or payment thereof, in the same manner and to the same extent as the Grantor might have done; and

(h) to commence, continue or defend proceedings in any court of competent jurisdiction in the name of the Secured Party, the Receiver or the Grantor for the purpose of exercising any of the rights, powers and remedies set out in this Section, including the institution of proceedings for the appointment of a receiver, manager or receiver and manager of the Collateral.

6.3 Special Rules re Accounts

After the security hereby constituted becomes enforceable,

(a) all Money or other form of payment received by the Grantor in respect of all of its Accounts shall be received in trust for the benefit of the Secured Party hereunder, shall be segregated from other funds of the Grantor and shall be forthwith paid over to the Secured Party in the same form as so received (with any necessary endorsement) to be held as cash collateral and applied as provided by Section 6.8; and

(b) the Grantor shall not adjust, settle or compromise the amount or payment of any Accounts, or release wholly or partly any account debtor or obligor thereof, or allow any credit or discount thereon.

6.4 Receiver as Agent

The Receiver shall be deemed to be the agent of the Grantor for the purpose of establishing liability for the acts or omissions of the Receiver and the Secured Party shall not be liable for such acts or omissions and, without restricting the generality of the foregoing, the Grantor hereby irrevocably authorizes the Secured Party to give instructions to the Receiver relating to the performance of its duties as set out herein.

6.5 Expenses of Enforcement

The Grantor shall pay to the Receiver the remuneration of the Receiver and all costs and expenses (including, without limitation, legal fees and disbursements on a full indemnity basis) properly incurred by the Receiver pursuant to its appointment and the exercise of its powers hereunder, and shall pay to the Secured Party and the Receiver as required all amounts of Money (including interest thereon) borrowed or advanced by either of them pursuant to the powers set out herein, and the obligations of the Grantor to the Secured Party and the Receiver pursuant to this Section 6.5 shall be payable on demand.

6.6 Indulgences and Releases

Either the Secured Party or the Receiver may grant extensions of time and other indulgences, take and give up securities, accept compositions, grant releases and discharges, release any part of the Collateral to third parties and otherwise deal with the Grantor, debtors of the Grantor, sureties and others and with the Collateral and other security as the Secured Party or the Receiver may see fit without prejudice to the Statutory Obligation or the right of the Secured Party and the Receiver to repossess, hold, collect and realize the Collateral.

6.7 No Liability for Failure to Exercise Remedies

The Secured Party and the Receiver shall not be liable or accountable to the Grantor or to any other person for any failure to exercise any of the rights, powers and remedies set out in this Agreement, and shall not be bound to commence, continue or defend proceedings for the purpose of preserving or protecting any rights of the Secured Party, the Receiver, the Grantor or any other party in respect of the same.

6.8 Proceeds of Disposition

All Moneys received by the Secured Party or by the Receiver pursuant to Section 6.2 shall be applied as follows:

(a) first, in payment of all costs and expenses incurred by the Secured Party in the exercise of all or any of the powers granted to it under this Agreement and in payment of all of the remuneration of the Receiver and all costs and expenses properly incurred by the Receiver in the exercise of all or any of the powers granted to it under this Agreement, including, without limitation, the remuneration, costs and expenses referred to in Section 6.5;

(b) second, in payment of all amounts of Money borrowed or advanced by either of the Secured Party or the Receiver pursuant to the powers set out in this Agreement and any interest thereon;

(c) third, in payment of the Statutory Obligation, provided that if there are not sufficient Moneys to fully pay and perform the Statutory Obligation, the Secured Party may apply the Moneys available to such part or parts thereof as the Secured Party, in its sole discretion, may determine; and

(d) fourth, in payment of any surplus in accordance with applicable law.

6.9 Grantor Liable for Deficiency

If the Moneys received by the Secured Party or the Receiver pursuant to Section 6.2 are not sufficient to pay the claims set out in Section 6.8, the Grantor shall immediately pay the Secured Party the amount of such deficiency.

6.10 Restriction on Grantor

Upon the Secured Party taking possession of the Collateral or the appointment of a Receiver, all the powers, functions, rights and privileges of the Grantor or any officer, director, servant or agent of the Grantor with respect to the Collateral shall, to the extent permitted by applicable law, be suspended unless specifically continued by the written consent of the Secured Party; however, all other powers, functions, rights and privileges of the Grantor or any officer, director, servant or agent of the Grantor shall be unaffected by such events.

6.11 Rights Cumulative

All rights and remedies of the Secured Party set out in this Agreement shall be cumulative and no right or remedy contained herein is intended to be exclusive but each shall be in addition to every other right or remedy contained herein or in any existing or future security document or now or hereafter existing at law or in equity or by statute.

6.12 Care by the Secured Party

The Secured Party shall be deemed to have exercised reasonable care in the custody and preservation of any of the Collateral in the Secured Party's possession if it takes such action for

that purpose as the Grantor requests in writing, but failure of the Secured Party to comply with any such request shall not be deemed to be (or to be evidence of) a failure to exercise reasonable care, and no failure of the Secured Party to preserve or protect any rights with respect to such Collateral against prior parties, or to do any act with respect to the preservation of such Collateral not so requested by the Grantor, shall be deemed a failure to exercise reasonable care in the custody or preservation of such Collateral.

6.13 Application by Grantor re: Receiver

The Grantor hereby irrevocably waives its right to make an application to any court with respect to the appointment, powers or remuneration of the Receiver.

7. GENERAL

7.1 Waiver

Any breach by the Grantor of any of the provisions contained in this Agreement or any default by the Grantor in the observance or performance of any covenant or condition required to be observed or performed by the Grantor hereunder, may only be waived by the Secured Party in writing, provided that no such waiver by the Secured Party shall extend to or be taken in any manner to affect any subsequent breach or default or the rights resulting therefrom.

7.2 The Secured Party as Attorney

The Grantor hereby irrevocably appoints the Secured Party and any person further designated by the Secured Party to be the attorney of the Grantor for and in the name of the Grantor to execute and do any deeds, documents, transfers, demands, assignments, assurances, consents and things which the Grantor is obliged to sign, execute or do hereunder and, after the happening of any Breach, to commence, continue and defend any proceedings authorized to be taken hereunder and generally to use the name of the Grantor in the exercise of all or any of the powers hereby conferred on the Secured Party. These powers are coupled with an interest, have been given for valuable consideration (the receipt and adequacy of which is acknowledged), survive, and do not terminate upon, the bankruptcy, dissolution, winding up or insolvency of the Grantor, and are irrevocable until the Statutory Obligation has been satisfied in full and this Agreement is terminated and the security interest created herein has been released. This power of attorney extends to and is binding upon the Grantor's successors and permitted assigns. The Grantor authorizes the Secured Party to delegate in writing to another person any power and authority of the Secured Party under this power of attorney as may be necessary or desirable in the opinion of the Secured Party, and to revoke or suspend such delegation.

7.3 Further Assurances

The Grantor shall do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered, such further acts, deeds, mortgages, transfers and assurances as the Secured Party shall reasonably require for the better assuring, charging, assigning and conferring unto the Secured Party a security interest in the Collateral, or which the Grantor may hereafter become bound to charge in favour of the Secured Party, for the purpose of accomplishing and effecting the intention of this Agreement.

7.4 Amalgamation of the Grantor

The Grantor acknowledges and agrees that in the event that it amalgamates with any other persons, then (i) the Collateral and the security interest shall extend to and include all of the property and undertaking that any of the amalgamating corporations then owns, all of the property and undertaking that the amalgamated corporation thereafter acquires, all of the property and undertaking in which any of the amalgamating corporations then has any interest, and all of the property and undertaking in which the amalgamated corporation thereafter acquires any interest, and (ii) all references herein to the Grantor shall extend to and include the amalgamated corporation.

7.5 Continuing Security

The security interest constituted hereby shall be deemed to be a continuing security for the Statutory Obligation until the Statutory Obligation is paid and performed in full.

7.6 Notices

All notices and other communications provided for herein shall be in writing and shall be personally delivered to an officer or other responsible employee of the addressee or sent by facsimile, charges prepaid, at or to the applicable address or facsimile number, as the case may be, of the party set opposite its name below or at or to such other address or addresses or facsimile number or numbers as either party may from time to time designate to the other party in such manner. Any communication which is personally delivered as aforesaid shall be deemed to have been validly and effectively given on the date of such delivery if such date is a Business Day and such delivery was made during normal business hours of the recipient; otherwise, it shall be deemed to have been validly and effectively given on the Business Day next following such date of delivery. Any communication which is transmitted by facsimile as aforesaid shall be deemed to have been validly and effectively given on the date of transmission if such date is a Business Day and such transmission was made during normal business hours of the recipient; otherwise, it shall be deemed to have been validly and effectively given on the Business Day next following such date of transmission.

In the case of the Grantor:

Independent Electricity System Operator
[Address]

Attention: ■
Email: ■
Facsimile: ■

In the case of the Secured Party:

[Financing Entity]
c/o Ontario Power Generation Inc., as Manager
700 University Avenue
Toronto, Ontario
M5G 1X6

Attention: ■
Email: ■
Facsimile: ■

7.7 Assignment

The Secured Party may from time to time upon notice to, but without the consent of the Grantor, assign or transfer this Agreement to any other person (the "**Assignee**"). The Assignee shall, to the extent of the interest so assigned or transferred, be entitled to the benefit of and the right to enforce this Agreement to the same extent as if the Assignee were the Secured Party. The Grantor shall not be entitled to assign or transfer this Agreement or any of the Grantor's rights, duties or obligations hereunder without the prior written consent of the Secured Party.

7.8 Successors and Assigns

This Agreement shall enure to the benefit of the Secured Party and its successors and assigns and shall be binding upon the Grantor and its successors and permitted assigns.

7.9 Amendments

This Agreement may not be amended or otherwise modified except by an instrument in writing executed by all the Parties.

7.10 Entire Agreement

This Agreement and the agreements referred to herein and any document, agreement or instrument delivered pursuant to such agreements constitute the entire agreement between the Parties and supersede any prior agreements, undertakings, declarations, representations and undertakings, both written and verbal, in respect of the subject matter hereof.

7.11 Receipt of Agreement and Financing Statement.

The Grantor hereby acknowledges receipt of an executed copy of this Agreement and of the financing statement registered under the PPSA evidencing the security interest created hereby.

7.12 Counterpart

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which taken together shall be deemed to constitute one and the same instrument, and it shall not be necessary in making proof of this Agreement to produce or account for more than one such counterpart.

7.13 Delivery by Facsimile or Electronic Transmission

This Agreement may be executed and delivered by facsimile or electronic transmission and each of the Parties may rely on such facsimile or electronic signature as though such facsimile signature were an original signature.

[NEXT PAGE IS SIGNATURE PAGE]

IN WITNESS WHEREOF the Parties have duly executed this Agreement as of the date first written above.

[FINANCING ENTITY], by its Manager,
ONTARIO POWER GENERATION INC., as Secured Party

By: _____
Name:
Title:

By: _____
Name:
Title:

INDEPENDENT ELECTRICITY SYSTEM OPERATOR
as Grantor

By: _____
Name:
Title:

By: _____
Name:
Title:

ACKNOWLEDGED AND ACCEPTED:

[INDENTURE TRUSTEE]
as Indenture Trustee

By: _____
Name:
Title:

By: _____
Name:
Title:

SCHEDULE A

GRANTOR INFORMATION

1. **Grantor's exact legal name: Independent Electricity System Operator**

   ■ [French]

2. **Grantor's jurisdiction of incorporation: Ontario**

3. **Grantor's registered office address: ■**

4. **Location of Grantor's business operations and records: ■**

From: Malle Hanslep (MOF) []
To: Sarah Harris [Sarah.Harris@ofina.on.ca]
CC: Tobias P. Whitfield (MOF) [Tobias.Whitfield@ontario.ca]
Subject: FW: Fair Hydro -- Change of Law Assumption Agreement
Date: Wednesday, October 25, 2017 14:44:42
Attachment 1: image001.jpg
Attachment 2: Response to OPG comments on Change of Law Protection Agreement.docx

---

From: Whitfield, Tobias P. (MOF)
Sent: October 13, 2017 4:47 PM
To: Mansoori, Nina
Cc: LEE John -TREASURY; RYFA Ken -TREASURY; 'WONG Leslie -LAWDIV'; Ramchandani, Rima; Feldman, Michael; Olusoga, Yinka; Donaldson, Mark (TBS); Manning, Mike (OFA); Mayman, Gadi (OFA); Kwan, Ronald (OFA); Kandeepan, Ken (OFA); Nelms, Scott (MOF); Devine, James (OFA); Yep, Carlos (OFA); Strathy, Anna (OFA); Cengarle, John (MOF); Kwan, Ronald (OFA); Katona, Keley (MOF); He, Gavin (OFA); Hirani, Anis (OFA); Kim, John (OFA); Veinot, Cindy (TBS); Hanslep, Malle (MOF); Thouin, Alena (ENERGY); McKinlay, Tom (MAG); 'STEPHEN.ASHBOURNE@blakes.com'; 'LADAK Lubna -TREASURY'
Subject: RE: Fair Hydro -- Change of Law Assumption Agreement

Please find attached our comments on your response of October 6. We have moved the text of your email to the attached document and responded inline in square brackets for ease of review.

We recognize that we are running out of time, and that we should discuss and move this forward at the beginning of next week.

We also generally recognize that, although there are still some gaps in our respective approaches, we would find it helpful to have some more specific suggestions and comments on our Sept. 27 draft in order to help move this forward. This might include also the timing issues, with some indication of where, if OPG finds the timing does not work, some alternatives can be suggested for consideration.

Best

Toby

Tobias Whitfield

Counsel, Legal Services Branch

Ministry of Finance

tobias.whitfield@ontario.ca

Phone: 416-325-1456

From: Mansoori, Nina [mailto:nmansoori@torys.com]
Sent: October 6, 2017 5:58 PM
To: Whitfield, Tobias P. (MOF)
Cc: LEE John -TREASURY; RYFA Ken -TREASURY; 'WONG Leslie -LAWDIV'; Ramchandani, Rima; Feldman, Michael; Olusoga, Yinka; Donaldson, Mark (TBS); Manning, Mike (OFA); Mayman, Gadi (OFA); Kwan, Ronald (OFA); Kandeepan, Ken (OFA); Nelms, Scott (MOF); Devine, James (OFA); Yep, Carlos (OFA); Strathy, Anna (OFA); Cengarle, John (MOF); Kwan, Ronald (OFA); Katona, Keley (MOF); He, Gavin (OFA); Hirani, Anis (OFA); Kim, John (OFA); Veinot, Cindy (TBS); Hanslep, Malle (MOF); Thouin, Alena (ENERGY); McKinlay, Tom (MAG); 'STEPHEN.ASHBOURNE@blakes.com'; 'LADAK Lubna -TREASURY'
Subject: RE: Fair Hydro -- Change of Law Assumption Agreement

Toby,

Thank you for your draft proposal; we have set out below our conceptual comments and concerns on it. Please note that the points below remain subject to the continuing review of OPG. Please also note that we have not yet sought the dealers' views on the proposal. We think it is premature to do so until we settle these points amongst ourselves and a revised draft of the proposal is circulated reflecting our agreement.

As further discussed below, your proposal deviates in some key ways from what we proposed in our email of September 19 (attached) and raises the accounting and

operational issues we tried to avoid in the September 19th proposal. Given the need to settle the Protection Agreement as soon as possible, we'd appreciate if we could discuss these points early next week.

Best Regards,

Nina

Accounting Issues:

E&Y has concerns from an accounting perspective with the level of Provincial oversight and input on certain parts of the process, namely:

-that OPG will likely have to go back to the Province on each incurrence of debt and they will have to do so prior to that incurrence

-that OPG must certify and provide a lot of detailed reporting with respect to each incurrence of debt
-the level of frequency of reporting in general (not just the certifications/information noted above but also the contemplated annual forecasts and quarterly updates of those forecasts)

-the negative pledge with respect to the exercise of certain options on the debt

-the fact that OPG must give notice to the Province when incurring funding obligations that are expressly excluded from the Protection Agreement

Taken as a whole, we understand that E&Y sees all of this as the Province exerting a level of control on the debt that no typical guarantor would have. Please also advise if the Province's accountants have reviewed the proposal.

Practical Issues:

- The procedural steps to bind the Province are lengthy and complicated. From our perspective, as drafted, OPG will likely have to seek Provincial approval on each debt issuance (which weakens the accounting as discussed above). The dealers

and their counsel will have a reaction to the proposed adherence conditions but query whether there is value in setting out the adherence conditions in the Protection Agreement itself. Setting aside the mechanics of how we get there, the dealers want comfort that the incurrence of obligations by the financing entity will be covered by the Protection Agreement. We would propose that the mechanics of any approval process (once we settle the terms of that process) be the subject of a separate procedures agreement or memo from the Province to OPG, whereby the Province delegates to OPG the ability to bind the Province under the Protection Agreement with respect to an incurrence of obligations so long as the adherence conditions in the procedures agreement or memo have been met. The Protection Agreement would then simply state that, upon OPG certifying to the indenture trustee that the adherence conditions have been satisfied under the procedures agreement/memo, the Province will be deemed to be bound under the Protection Agreement with respect to the specific obligations incurred at the time of the certification.

- In addition to the accounting concerns, the level of detail and frequency of reporting required present timing and operational issues. For example, as part of the adherence conditions, you are asking for details on the interest rate. However, pricing will in part be driven off whether that specific incurrence will have the benefits of the Protection Agreement.

Drafting Issues:

- Please refer to the existing terminology of the Act to ensure there is certainty on the obligations covered under the Protection Agreement. We think the best way for you to approach this would be to refer to all finance amounts and then expressly carve out what you are proposing not be covered.
- We'd like to understand the reason OPG's management fees have been excluded. We assume you do not intend for OPG's reimbursement costs (costs incurred by OPG on behalf of the Financing Entity) to be excluded? Please advise why taxes are being excluded?
- There are a few references to "exceed the maximum amount specified therefor in the applicable governing document". Please advise what is being contemplated here.
- We have a number of other drafting comments which we'll revisit once we've settled on the conceptual points above and have reviewed a revised draft of the document.

Nina Mansoori

P. 416.865.7332 | F. 416.865.7380 | 1.800.505.8679

From: Whitfield, Tobias P. (MOF) [mailto:Tobias.Whitfield@ontario.ca]
Sent: September-27-17 4:21 PM
To: Ramchandani, Rima <rramchandani@torys.com>; Feldman, Michael <mfeldman@torys.com>; Mansoori, Nina <nmansoori@torys.com>; 'WONG Leslie -LAWDIV' <leslie.wong@opg.com>; LEE John -TREASURY <john.s.lee@opg.com>; RYFA Ken -TREASURY <ken.ryfa@opg.com>
Cc: Donaldson, Mark (TBS) <Mark.Donaldson@ontario.ca>; Manning, Mike (OFA) <Mike.Manning@ofina.on.ca>; Mayman, Gadi (OFA) <Gadi.Mayman@ofina.on.ca>; Kwan, Ronald (OFA) <Ronald.Kwan@ofina.on.ca>; Kandeepan, Ken (OFA) <Ken.Kandeepan@ofina.on.ca>; Nelms, Scott (MOF) <Scott.Nelms@ontario.ca>; Devine, James (OFA) <James.Devine@ofina.on.ca>; Yep, Carlos (OFA) <Carlos.Yep@ofina.on.ca>; Strathy, Anna (OFA) <Anna.Strathy@ofina.on.ca>; Cengarle, John (MOF) <John.Cengarle@ontario.ca>; Kwan, Ronald (OFA) <Ronald.Kwan@ofina.on.ca>; Katona, Keley (MOF) <Keley.Katona@ontario.ca>; He, Gavin (OFA) <Gavin.He@ofina.on.ca>; Hirani, Anis (OFA) <Anis.Hirani@ofina.on.ca>; Kim, John (OFA) <John.Kim@ofina.on.ca>; Veinot, Cindy (TBS) <Cindy.Veinot@ontario.ca>; Hanslep, Malle (MOF) <Malle.Hanslep@ontario.ca>; Thouin, Alena (ENERGY) <Alena.Thouin@ontario.ca>; McKinlay, Tom (MAG) <Tom.McKinlay@ontario.ca>; 'STEPHEN.ASHBOURNE@blakes.com' <STEPHEN.ASHBOURNE@blakes.com>
Subject: RE: Fair Hydro -- Change of Law Assumption Agreement

Rima,

Further to our earlier conversations, please find attached our proposed process for confirmation of application of the Protection Agreement.

We would be happy to discuss further when you have had a chance to review.

Best

Toby

Tobias Whitfield

Counsel, Legal Services Branch

Ministry of Finance

tobias.whitfield@ontario.ca

Phone: 416-325-1456

From: Ramchandani, Rima [mailto:rramchandani@torys.com]
Sent: September 25, 2017 12:21 PM
To: 'STEPHEN.ASHBOURNE@blakes.com'; Hanslep, Malle (MOF); Whitfield, Tobias P. (MOF); Thouin, Alena (ENERGY)
Cc: LEE John -TREASURY; RYFA Ken -TREASURY; 'WONG Leslie -LAWDIV'; Feldman, Michael; Mansoori, Nina
Subject: RE: Fair Hydro -- Change of Law Assumption Agreement

Good morning all, just following up on our email below. Please let us know when we should expect your feedback.

Many thanks,

Rima

Rima Ramchandani

P. 416.865.7666 | F. 416.865.7380 | 1.800.505.8679

79 Wellington St. W., 30th Floor, Box 270, TD South Tower
Toronto, Ontario M5K 1N2 Canada | www.torys.com[torys.com]

[torys.com]

From: Ramchandani, Rima
Sent: September-19-17 9:55 PM
To: 'STEPHEN.ASHBOURNE@blakes.com' <STEPHEN.ASHBOURNE@blakes.com>; Hanslep, Malle (MOF) <Malle.Hanslep@ontario.ca>; 'Whitfield, Tobias P. (MOF)' <Tobias.Whitfield@ontario.ca>
Cc: LEE John -TREASURY <john.s.lee@opg.com>; RYFA Ken -TREASURY <ken.ryfa@opg.com>; 'WONG Leslie -LAWDIV' <leslie.wong@opg.com>; Feldman, Michael <mfeldman@torys.com>; Ramchandani, Rima <rramchandani@torys.com>; Mansoori, Nina <nmansoori@torys.com>
Subject: Fair Hydro -- Change of Law Assumption Agreement

Steve, Malle and Toby, further to our meeting the other day, set out below for your review is a proposal on the Provincial approval process under the Change of Law Assumption Agreement. Once we have your feedback on this, we will need to share it with Osler and the accountants and as John mentioned, we are under some time pressure to bring this to a resolution prior to the upcoming June 29 OPG Board meeting. We look forward to your comments, and feel free to reach out if you have any questions. -- Rima

Obligor Approval

The Change of Law Assumption Agreement will apply to all Specified Claims relating to Funding Obligations that are incurred by an Eligible Financing Entity in accordance with the Obligor's approval process. The definition of Specified Claims to be mutually agreed by all parties.

In order for a Financing Entity to become designated as an Eligible Financing Entity by the Obligor, prior to the initial issuance of Funding Obligations by such Financing Entity, the Obligor will be provided with copies of the following documents (collectively the "Program Documents") for review:

(i) the constating documents of such Financing Entity;

(ii) the management agreement between the Financing Entity and OPG;

(iii) the master transfer and servicing agreement between the Financing Entity and the IESO;

(iv) the master trust indenture governing the issuance of Funding Obligations by the Financing Entity;

(v) a form of supplemental indenture governing the issuance of bonds, issuable in series, by the Financing Entity;

(vi) a form of note purchase agreement or credit agreement governing the issuance of short term Funding Obligations by the Financing Entity;

(vii) a form of schedule to an ISDA Master Agreement governing derivative transactions that may be entered into the Financing Entity from time to time; and

(viii) such other documents as may be requested by the Obligor.

Once a Financing Entity is designated by the Obligor as an Eligible Financing Entity, it will not be necessary for the Obligor to approve the documentation related to specific issuances of Funding Obligations; however, OPG will be expected to notify the Obligor of any new material program documentation or any material amendments to existing program documentation before such new documentation or amendments become effective. The failure of OPG to provide any such notice will not invalidate the application of the Change of Law Assumption Agreement to any Specified Claims.

It will not be necessary for the Obligor to approve each new issuance of Funding Obligations provided that such Funding Obligations are issued in accordance with following:

(1) The Funding Obligations are issued in accordance with agreements that contain: (a) covenants of the Eligible Financing Entity that are no more onerous in any material respect and (b) events of default that are consistent in all material respects, respectively, with the covenants of the Eligible Financing Entity and events of default contained in the draft Program Documents.

(2) At least [30 days] prior to the initial issuance of Funding Obligations by an Eligible Financing Entity, OPG will provide the Obligor with a forecast of the principal amount and expected term of the Funding Obligations that OPG expects such Eligible Financing Entity to issue in accordance with the Financing Plan in the next two years (a “Two Year Forecast”). The execution of the Change of Law Assumption Agreement in respect of such Eligible Financing Entity shall constitute the Obligor’s approval of the issuance of Funding Obligations by such Eligible Financing Entity in accordance with the Two Year Forecast.

(3) OPG shall provide the Obligor with an updated Two Year Forecast between 9 and 12 months prior to the expiry of each current Two Year Forecast.

(4) Unless the Obligor provides OPG with a written notice no later than 3 months prior to the date following receipt of the current Two Year Forecast that the Change of Law Assumption Agreement will be inapplicable with respect to new Funding Obligations incurred following the expiry of the current Two Year Forecast, the Obligor will be deemed to approve the application of the Change of Law Assumption Agreement to all Funding Obligations incurred up to the expiry of the new Two Year Forecast.

At the time of issuance of Funding Obligations by an Eligible Financing Entity, the Financing Entity will provide (i) any required certifications to the underwriters/agents that such Funding Obligations are covered by the Change of Law Assumption Agreement; and (ii) notice to the Obligor of the material terms of the Funding Obligations issued, together with electronic copies of the final executed Program Documents.

P. 416.865.7666

This email and any attachments are for the sole use of the intended recipients and may be privileged or confidential. Any distribution, printing or other use by anyone else is prohibited. If you are not an intended recipient, please contact the sender immediately, and permanently delete this email and attachments.

Le présent courriel et les documents qui y sont joints sont exclusivement réservés à l'utilisation des destinataires concernés et peuvent être de nature privilégiée ou

confidentielle. Toute distribution, impression ou autre utilisation est interdite aux autres personnes. Si vous ne faites pas partie des destinataires concernés, veuillez en informer immédiatement l'expéditeur, ainsi que supprimer ce courriel et les documents joints de manière permanente.

This email and any attachments are for the sole use of the intended recipients and may be privileged or confidential. Any distribution, printing or other use by anyone else is prohibited. If you are not an intended recipient, please contact the sender immediately, and permanently delete this email and attachments.

Le présent courriel et les documents qui y sont joints sont exclusivement réservés à l'utilisation des destinataires concernés et peuvent être de nature privilégiée ou confidentielle. Toute distribution, impression ou autre utilisation est interdite aux autres personnes. Si vous ne faites pas partie des destinataires concernés, veuillez en informer immédiatement l'expéditeur, ainsi que supprimer ce courriel et les documents joints de manière permanente.

TORYS
LLP

[NOTE TO DRAFT: CONFIRM THAT TORYS IS REFERRING TO THE OFA/MOE PROPOSAL FROM SEPTEMBER 27TH.]

Toby,

Thank you for your draft proposal; we have set out below our conceptual comments and concerns on it. Please note that the points below remain subject to the continuing review of OPG. Please also note that we have not yet sought the dealers' views on the proposal. We think it is premature to do so until we settle these points amongst ourselves and a revised draft of the proposal is circulated reflecting our agreement.

As further discussed below, your proposal deviates in some key ways from what we proposed in our email of September 19 (attached) and raises the accounting and operational issues we tried to avoid in the September 19th proposal. Given the need to settle the Protection Agreement as soon as possible, we'd appreciate if we could discuss these points early next week.

Best Regards,
Nina

Accounting Issues:
E&Y has concerns from an accounting perspective with the level of Provincial oversight and input on certain parts of the process, namely:

[There is minimal oversight and input from the Province so long as the pre-agreed scope and parameters are adhered to.]

-that OPG will likely have to go back to the Province on each incurrence of debt and they will have to do so prior to that incurrence

[The proposal is that basic information regarding an incurrence will be provided to enable the province to (1) understand the nature and scope of the incurrence, to enable the Province to address internal governance considerations and (2) to be satisfied that the proposed incurrences are in-line with the pre-agreed parameters (the "Parameters"). The intention is not to curtail incurrences that follow the pre-agreed approach. The timing of the notice to the Province may be a point of discussion.]

-that OPG must certify and provide a lot of detailed reporting with respect to each incurrence of debt
[As the entity running the program, OPG will be expected to provide the province with information sufficient to enable the province to make sure any incurrence falls inside the Parameters. The delivery of a certificate in an agreed form, just prior to the time of the incurrence, is meant to create a brightline test for the financing entity's counterparties to know that, so long as the certificate has been delivered (even if it's inaccurate), the Province will be bound. As you suggest below, any inaccuracy will give rise to considerations between the province and OPG. The delivery of the certificate at the time of an incurrence is considered an important due diligence confirmation for the province.
What is the basis for E&Y expressing a reservation regarding the province having access to underlying information about the "approved obligations", which in turn will define the scope of the

province's own obligations if called upon under the change of law protection agreement (CLPA)?]
-the level of frequency of reporting in general (not just the certifications/information noted above but also the contemplated annual forecasts and quarterly updates of those forecasts)
[Any surety in a similar circumstance would want to know the nature and extent of the obligations incurred and to be incurred. That information is intended to allow the province to ensure compliance with the Parameters. Please provide an alternative proposal that meets OPGs requirements and still provides adequate information for the Province.]
-the negative pledge with respect to the exercise of certain options on the debt
[The idea is that if there is optionality in favour of the financing entity, and the exercise would affect the payment profile under the CLPA, such an exercise following a Protection Event should not affect the Province's payment obligations. In effect, the payment schedule will crystalize and cannot be accelerated or extended once the province becomes obligated to pay, following a Protection Event.]
-the fact that OPG must give notice to the Province when incurring funding obligations that are expressly excluded from the Protection Agreement
[The Province needs to understand the overall credit picture of the financing entity since it will become a creditor (through subrogation) if it is called on to perform. Exclusions are narrowly defined and should be minimal in practice.]

Taken as a whole, we understand that E&Y sees all of this as the Province exerting a level of control on the debt that no typical guarantor would have.
[These checks and balances are in-line with the province not writing a "blank cheque" in relation to future incurrences. Prudent sureties would be expected to exercise diligence - indeed to do less could be evidence of interdependence and non-arm's length terms, which presumably would be unhelpful to E&Y's analysis.] Please also advise if the Province's accountants have reviewed the proposal.
[The Province's accountants are involved in this process and are also reviewing the proposal]

Practical Issues:

- The procedural steps to bind the Province are lengthy and complicated.

[The OFHPA will involve very significant and complex financings. The process is intended to provide an appropriate level of third party enquiry given the size and scale of the financing program to the province and in order to ensure the issuances are within the Parameters.] From our perspective, as drafted, OPG will likely have to seek Provincial approval
[No approval is contemplated or expected by the Province, except if the incurrence is outside of the pre-agreed boundaries.] on each debt issuance (which weakens the accounting as discussed above)
[An explanation of the relevant accounting principles that E&Y has expressed concern about would assist the province to understand E&Y'S concerns. Also, a detailed list of any particular troublesome requirements would be helpful, with drafting suggestions as appropriate] [The dealers and their counsel will have a reaction to the proposed adherence conditions but query whether there is value in setting out the adherence conditions in the Protection Agreement itself.
[From the dealers' perspective, the three listed requirements (namely, (1) quantum under the program limit (2) delivery of the OPG certificate (3) absence of contrary notice from the Province) can be easily and objectively verified by the dealers. These process requirements should be reflected in the incurrence procedures as a check/balance at the relevant time, given that the province will not otherwise be directly involved in the incurrence process but will be obligated under the CLPA] Setting aside the mechanics of how we get there, the dealers want

comfort that the incurrence of obligations by the financing entity will be covered by the Protection Agreement.

[As noted above, the three listed requirements can be easily and objectively confirmed by the dealers prior to a closing. inaccuracies or other failures within the certification process will not negate the Province's obligations] We would propose that the mechanics of any approval process (once we settle the terms of that process) be the subject of a separate procedures agreement or memo from the Province to OPG, whereby the Province delegates to OPG the ability to bind the Province under the Protection Agreement with respect to an incurrence of obligations so long as the adherence conditions in the procedures agreement or memo have been met.

[As noted, this due diligence check/balance is how the province will ensure the issuances satisfy the Parameters. It is anticipated that the Ministers will see this process as significant to the exercise of their authorities under OFHPA 5(3). Ultimately, the Province will depend on OPG, which is why the delivery of a certificate, without being impugned by an accuracy, is the contemplated adherence condition - rather than making the confirmation of certificate accuracy a condition, which we assume would be unwelcome by the underwriters.] The Protection Agreement would then simply state that, upon OPG certifying to the indenture trustee that the adherence conditions have been satisfied under the procedures agreement/memo, the Province will be deemed to be bound under the Protection Agreement with respect to the specific obligations incurred at the time of the certification.

[The Province wants an actual certificate to be delivered to it (not just the indenture trustee) as part of the closing process. Also, the program limit and failsafe disapproval notice are considered to be important safeguards for the province]

- In addition to the accounting concerns, the level of detail and frequency of reporting required present timing and operational issues. For example, as part of the adherence conditions, you are asking for details on the interest rate. However, pricing will in part be driven off whether that specific incurrence will have the benefits of the Protection Agreement.
- [In the case of details not known at the time the OPG certificate is to be delivered (which will be expected to occur close to closing), it should be sufficient to indicate the process by which those details will be finalized. For example, it would be sufficient to say "interest rates to be set on or about [date] based on underwriting syndicate pricing indications".]

Drafting Issues:

- Please refer to the existing terminology of the Act to ensure there is certainty on the obligations covered under the Protection Agreement. We think the best way for you to approach this would be to refer to all finance amounts and then expressly carve out what you are proposing not be covered.
- [The proposal uses the specific defined terms from the OFHPA and regulation, in order to tie back to the statute and appropriately narrow the scope to the obligations that are reasonably known to require protection from the province. Considerable thought has been given to the approach reflected in the province's proposal. The Province wishes to focus on each inclusion that requires the support arrangements, which should then be net of available/free cash flows, set-offs, etc. Please provide specific comments on any specific items of concerns.]
- We'd like to understand the reason OPG's management fees have been excluded. [This is still an open question under consideration.] We assume you do not intend for OPG's

reimbursement costs (costs incurred by OPG on behalf of the Financing Entity) to be excluded? [Under consideration] Please advise why taxes are being excluded?

[CRA does not require/is not entitled by law to the benefit of the protection arrangement. Please explain the logic of the request to include taxes]

- There are a few references to "exceed the maximum amount specified therefor in the applicable governing document". Please advise what is being contemplated here.

[For the Province's support arrangement to apply to an obligation, the quantum of the obligation must be factored into the program maximum test. if the obligation is a contingent obligation, the province's obligations must be capped so that the amount of the cap can be factored into the program limit test]

- We have a number of other drafting comments which we'll revisit once we've settled on the conceptual points above and have reviewed a revised draft of the document.

[In the interest of time, please provide any other detailed comments you may have on the September 27th version of the proposal as soon as possible]

From: Malle Hanslep (MOF) []
To: Sarah Harris [Sarah.Harris@ofina.on.ca]
CC: Tobias P. Whitfield (MOF) [Tobias.Whitfield@ontario.ca]
Subject: FW: Fair Hydro -- Change of Law Assumption Agreement
Date: Wednesday, October 25, 2017 14:44:02
Attachment 1: Warehouse Supplement - October 17, 2017.doc

FYI

-----Original Message-----

From: Mansoori, Nina [mailto:nmansoori@torys.com]

Sent: October 21, 2017 11:28 PM

To: Whitfield, Tobias P. (MOF)

Cc: 'LEE John -TREASURY'; 'RYFA Ken -TREASURY'; 'WONG Leslie -LAWDIV'; Ramchandani, Rima; Feldman, Michael; Olusoga, Yinka; Donaldson, Mark (TBS); Manning, Mike (OFA); Mayman, Gadi (OFA); Kwan, Ronald (OFA); Kandeepan, Ken (OFA); Nelms, Scott (MOF); Devine, James (OFA); Yep, Carlos (OFA); Strathy, Anna (OFA); Cengarle, John (MOF); Kwan, Ronald (OFA); Katona, Keley (MOF); He, Gavin (OFA); Hirani, Anis (OFA); Kim, John (OFA); Veinot, Cindy (TBS); Hanslep, Malle (MOF); Thouin, Alena (ENERGY); McKinlay, Tom (MAG); 'STEPHEN.ASHBOURNE@blakes.com'; 'LADAK Lubna -TREASURY'; Emes, Aaron; Mansoori, Nina

Subject: RE: Fair Hydro -- Change of Law Assumption Agreement

Toby,

Thanks for your email. Based on the term sheet, since the Province isn't guaranteeing the obligations under these agreements but only stepping in if there is a change of law "protection event", we did not expect the drafting of the Change of Law Protection Agreement would be implicated by these other agreements (particularly now that we have proposed dealing with the Province's approval of the various program agreements in a separate procedures document). We also understand that in order to be in a position to close on a financing before year end, the Change of Law Protection Agreement needs to be substantially settled by early November. If that is still the case, then we expect the dealers and their counsel will need to see a draft in this coming week.

In the interest of time, we have attached an initial draft of the supplemental indenture for the warehouse facility which, as noted previously, has not yet been reviewed by OPG and Torys. The supplemental for the long term financing will be a simpler document - with mechanics for issuing the notes and pricing information but likely no additional covenants and events of default and no drawdown mechanics like the warehouse facility.

We will start copying the Province and Blakes on circulations of all documents going forward. Please let

us know if the entire team on this email should be copied or only Blakes and the Provincial legal team.

Best Regards,

Nina

P. 416.865.7332 | F. 416.865.7380 | 1.800.505.8679

Torys LLP

79 Wellington St. W., 30th Floor, Box 270, TD South Tower Toronto, Ontario M5K 1N2 Canada | www.torys.com

-----Original Message-----

From: Whitfield, Tobias P. (MOF) [mailto:Tobias.Whitfield@ontario.ca]

Sent: October-21-17 8:53 AM

To: Mansoori, Nina <nmansoori@torys.com>

Cc: 'LEE John -TREASURY' <john.s.lee@opg.com>; 'RYFA Ken -TREASURY' <ken.ryfa@opg.com>; 'WONG Leslie -LAWDIV' <leslie.wong@opg.com>; Ramchandani, Rima <rramchandani@torys.com>; Feldman, Michael <mfeldman@torys.com>; Olusoga, Yinka <yolusoga@torys.com>; Donaldson, Mark (TBS) <Mark.Donaldson@ontario.ca>; Manning, Mike (OFA) <Mike.Manning@ofina.on.ca>; Mayman, Gadi (OFA) <Gadi.Mayman@ofina.on.ca>; Kwan, Ronald (OFA) <Ronald.Kwan@ofina.on.ca>; Kandeepan, Ken (OFA) <Ken.Kandeepan@ofina.on.ca>; Nelms, Scott (MOF) <Scott.Nelms@ontario.ca>; Devine, James (OFA) <James.Devine@ofina.on.ca>; Yep, Carlos (OFA) <Carlos.Yep@ofina.on.ca>; Strathy, Anna (OFA) <Anna.Strathy@ofina.on.ca>; Cengarle, John (MOF) <John.Cengarle@ontario.ca>; Kwan, Ronald (OFA) <Ronald.Kwan@ofina.on.ca>; Katona, Keley (MOF) <Keley.Katona@ontario.ca>; He, Gavin (OFA) <Gavin.He@ofina.on.ca>; Hirani, Anis (OFA) <Anis.Hirani@ofina.on.ca>; Kim, John (OFA) <John.Kim@ofina.on.ca>; Veinot, Cindy (TBS) <Cindy.Veinot@ontario.ca>; Hanslep, Malle (MOF) <Malle.Hanslep@ontario.ca>; Thouin, Alena (ENERGY) <Alena.Thouin@ontario.ca>; McKinlay, Tom (MAG) <Tom.McKinlay@ontario.ca>; 'STEPHEN.ASHBOURNE@blakes.com' <STEPHEN.ASHBOURNE@blakes.com>; 'LADAK Lubna -TREASURY' <lubna.ladak@opg.com>; Emes, Aaron <aemes@torys.com>; Mansoori, Nina <nmansoori@torys.com>

Subject: Re: Fair Hydro -- Change of Law Assumption Agreement

Nina,

We are working on a draft of the Change of Law Protection Agreement, but cannot complete the drafting until we have seen a draft of the Supplemental Indenture and the other instruments that are to be guaranteed.

We are also working on drafting some responses and comments to your comments from Wednesday on the approval process document, and will get back to you with those soon.

Best

Toby

Tobias Whitfield

Counsel, Legal Services Branch

Ministry of Finance

777 Bay Street, 11th Floor

Toronto, ON, M5G 2C8

tobias.whitfield@ontario.ca

Phone: 416-325-1456

From: Mansoori, Nina

Sent: Friday, October 20, 2017 10:23 AM

To: Whitfield, Tobias P. (MOF)

Cc: 'LEE John -TREASURY'; 'RYFA Ken -TREASURY'; 'WONG Leslie -LAWDIV'; Ramchandani, Rima; Feldman, Michael; Olusoga, Yinka; Donaldson, Mark (TBS); Manning, Mike (OFA); Mayman, Gadi (OFA); Kwan, Ronald (OFA); Kandeepan, Ken (OFA); Nelms, Scott (MOF); Devine, James (OFA); Yep, Carlos (OFA); Strathy, Anna (OFA); Cengarle, John (MOF); Kwan, Ronald (OFA); Katona, Keley (MOF); He, Gavin (OFA); Hirani, Anis (OFA); Kim, John (OFA); Veinot, Cindy (TBS); Hanslep, Malle (MOF); Thouin, Alena (ENERGY); McKinlay, Tom (MAG); 'STEPHEN.ASHBOURNE@blakes.com'; 'LADAK Lubna -TREASURY'; Emes, Aaron; Mansoori, Nina

Subject: RE: Fair Hydro -- Change of Law Assumption Agreement

Toby,

In the interest of time, we have drafted a procedures agreement incorporating the approval mechanics we circulated below. As noted in previous correspondence, we think the approval process should be the subject of a separate agreement and not included in the Change of Law Protection Agreement you are drafting. Please note that the attached remains subject to the continuing review of OPG and Torys.

Can you please also let us know when we can expect to see a draft of the Change of Law Protection Agreement?

Many thanks,

Nina

Nina Mansoori

P. 416.865.7332 | F. 416.865.7380 | 1.800.505.8679

From: Mansoori, Nina

Sent: October-18-17 9:53 AM

To: 'Whitfield, Tobias P. (MOF)' <Tobias.Whitfield@ontario.ca>

Cc: LEE John -TREASURY <john.s.lee@opg.com>; RYFA Ken -TREASURY <ken.ryfa@opg.com>; 'WONG Leslie -LAWDIV' <leslie.wong@opg.com>; Ramchandani, Rima <rramchandani@torys.com>; Feldman, Michael <mfeldman@torys.com>; Olusoga, Yinka <yolusoga@torys.com>; Donaldson, Mark (TBS) <Mark.Donaldson@ontario.ca>; Manning, Mike (OFA) <Mike.Manning@ofina.on.ca>; Mayman, Gadi (OFA) <Gadi.Mayman@ofina.on.ca>; Kwan, Ronald (OFA) <Ronald.Kwan@ofina.on.ca>; Kandeepan, Ken (OFA) <Ken.Kandeepan@ofina.on.ca>; Nelms, Scott (MOF) <Scott.Nelms@ontario.ca>; Devine, James (OFA) <James.Devine@ofina.on.ca>; Yep, Carlos (OFA) <Carlos.Yep@ofina.on.ca>; Strathy, Anna (OFA) <Anna.Strathy@ofina.on.ca>; Cengarle, John (MOF) <John.Cengarle@ontario.ca>; Kwan, Ronald (OFA) <Ronald.Kwan@ofina.on.ca>; Katona, Keley (MOF) <Keley.Katona@ontario.ca>; He, Gavin (OFA) <Gavin.He@ofina.on.ca>; Hirani, Anis (OFA) <Anis.Hirani@ofina.on.ca>; Kim, John (OFA) <John.Kim@ofina.on.ca>; Veinot, Cindy (TBS) <Cindy.Veinot@ontario.ca>; Hanslep, Malle (MOF) <Malle.Hanslep@ontario.ca>; Thouin, Alena (ENERGY) <Alena.Thouin@ontario.ca>; McKinlay, Tom (MAG) <Tom.McKinlay@ontario.ca>; 'STEPHEN.ASHBOURNE@blakes.com' <STEPHEN.ASHBOURNE@blakes.com>; 'LADAK Lubna -TREASURY' <lubna.ladak@opg.com>; Mansoori, Nina <nmansoori@torys.com>

Subject: RE: Fair Hydro -- Change of Law Assumption Agreement

Toby – further to discussions between OPG and the Province, please find attached comments on the draft proposal under the Change of Law Protection Agreement (blacklined to the draft circulated below). The attached reflects our comments from accounting, operational and financeability perspectives. In

particular, the financeability of the program will turn on whether there is a clear and concise way for investors to determine that an incurrence of funding obligations will be covered under the Change of Law Protection Agreement and that, once confirmed, the confirmation is irrevocable. Accordingly, we have proposed in the attached that a simple confirmation from OPG to a third party binds the Province in respect of the incurrence of the applicable funding obligations provided that OPG has satisfied the requirements of the approval process (which we propose be the subject of a separate procedures agreement or memo). Please note that the attached remains subject to the review of the working group including the dealers and the rating agencies.

Best Regards,

Nina

Nina Mansoori

From: Whitfield, Tobias P. (MOF) [mailto:Tobias.Whitfield@ontario.ca]

Sent: October-13-17 4:47 PM

To: Mansoori, Nina <nmansoori@torys.com<mailto:nmansoori@torys.com>>

Cc: LEE John -TREASURY <john.s.lee@opg.com<mailto:john.s.lee@opg.com>>; RYFA Ken -TREASURY <ken.ryfa@opg.com<mailto:ken.ryfa@opg.com>>; 'WONG Leslie -LAWDIV' <leslie.wong@opg.com<mailto:leslie.wong@opg.com>>; Ramchandani, Rima <rramchandani@torys.com<mailto:rramchandani@torys.com>>; Feldman, Michael <mfeldman@torys.com<mailto:mfeldman@torys.com>>; Olusoga, Yinka <yolusoga@torys.com<mailto:yolusoga@torys.com>>; Donaldson, Mark (TBS) <Mark.Donaldson@ontario.ca<mailto:Mark.Donaldson@ontario.ca>>; Manning, Mike (OFA) <Mike.Manning@ofina.on.ca<mailto:Mike.Manning@ofina.on.ca>>; Mayman, Gadi (OFA) <Gadi.Mayman@ofina.on.ca<mailto:Gadi.Mayman@ofina.on.ca>>; Kwan, Ronald (OFA) <Ronald.Kwan@ofina.on.ca<mailto:Ronald.Kwan@ofina.on.ca>>; Kandeepan, Ken (OFA) <Ken.Kandeepan@ofina.on.ca<mailto:Ken.Kandeepan@ofina.on.ca>>; Nelms, Scott (MOF) <Scott.Nelms@ontario.ca<mailto:Scott.Nelms@ontario.ca>>; Devine, James (OFA) <James.Devine@ofina.on.ca<mailto:James.Devine@ofina.on.ca>>; Yep, Carlos (OFA) <Carlos.Yep@ofina.on.ca<mailto:Carlos.Yep@ofina.on.ca>>; Strathy, Anna (OFA) <Anna.Strathy@ofina.on.ca<mailto:Anna.Strathy@ofina.on.ca>>; Cengarle, John (MOF) <John.Cengarle@ontario.ca<mailto:John.Cengarle@ontario.ca>>; Kwan, Ronald (OFA) <Ronald.Kwan@ofina.on.ca<mailto:Ronald.Kwan@ofina.on.ca>>; Katona, Keley (MOF) <Keley.Katona@ontario.ca<mailto:Keley.Katona@ontario.ca>>; He, Gavin (OFA) <Gavin.He@ofina.on.ca<mailto:Gavin.He@ofina.on.ca>>; Hirani, Anis (OFA) <Anis.Hirani@ofina.on.ca<mailto:Anis.Hirani@ofina.on.ca>>; Kim, John (OFA) <John.Kim@ofina.on.ca<mailto:John.Kim@ofina.on.ca>>; Veinot, Cindy (TBS) <Cindy.Veinot@ontario.ca<mailto:Cindy.Veinot@ontario.ca>>; Hanslep, Malle (MOF) <Malle.Hanslep@ontario.ca<mailto:Malle.Hanslep@ontario.ca>>; Thouin, Alena (ENERGY) <Alena.Thouin@ontario.ca<mailto:Alena.Thouin@ontario.ca>>; McKinlay, Tom (MAG) <Tom.McKinlay@ontario.ca<mailto:Tom.McKinlay@ontario.ca>>; 'STEPHEN.ASHBOURNE@blakes.com' <STEPHEN.ASHBOURNE@blakes.com<mailto:STEPHEN.ASHBOURNE@blakes.com>>; 'LADAK Lubna -TREASURY' <lubna.ladak@opg.com<mailto:lubna.ladak@opg.com>>

Subject: RE: Fair Hydro -- Change of Law Assumption Agreement

Please find attached our comments on your response of October 6. We have moved the text of your email to the attached document and responded inline in square brackets for ease of review.

We recognize that we are running out of time, and that we should discuss and move this forward at the beginning of next week.

We also generally recognize that, although there are still some gaps in our respective approaches, we would find it helpful to have some more specific suggestions and comments on our Sept. 27 draft in order to help move this forward. This might include also the timing issues, with some indication of where, if OPG finds the timing does not work, some alternatives can be suggested for consideration.

Best

Toby

Tobias Whitfield

Counsel, Legal Services Branch

Ministry of Finance

tobias.whitfield@ontario.ca<mailto:tobias.whitfield@ontario.ca>

Phone: 416-325-1456

From: Mansoori, Nina [mailto:nmansoori@torys.com]

Sent: October 6, 2017 5:58 PM

To: Whitfield, Tobias P. (MOF)

Cc: LEE John -TREASURY; RYFA Ken -TREASURY; 'WONG Leslie -LAWDIV'; Ramchandani, Rima; Feldman, Michael; Olusoga, Yinka; Donaldson, Mark (TBS); Manning, Mike (OFA); Mayman, Gadi (OFA); Kwan, Ronald (OFA); Kandeepan, Ken (OFA); Nelms, Scott (MOF); Devine, James (OFA); Yep, Carlos (OFA); Strathy, Anna (OFA); Cengarle, John (MOF); Kwan, Ronald (OFA); Katona, Keley (MOF); He, Gavin (OFA); Hirani, Anis (OFA); Kim, John (OFA); Veinot, Cindy (TBS); Hanslep, Malle (MOF); Thouin, Alena (ENERGY); McKinlay, Tom (MAG); 'STEPHEN.ASHBOURNE@blakes.com'; 'LADAK Lubna -TREASURY'

Subject: RE: Fair Hydro -- Change of Law Assumption Agreement

Toby,

Thank you for your draft proposal; we have set out below our conceptual comments and concerns on it. Please note that the points below remain subject to the continuing review of OPG. Please also note that we have not yet sought the dealers' views on the proposal. We think it is premature to do so until we settle these points amongst ourselves and a revised draft of the proposal is circulated reflecting our agreement.

As further discussed below, your proposal deviates in some key ways from what we proposed in our email of September 19 (attached) and raises the accounting and operational issues we tried to avoid in the September 19th proposal. Given the need to settle the Protection Agreement as soon as possible, we'd appreciate if we could discuss these points early next week.

Best Regards,

Nina

Accounting Issues:

E&Y has concerns from an accounting perspective with the level of Provincial oversight and input on certain parts of the process, namely:

-that OPG will likely have to go back to the Province on each incurrence of debt and they will have to do so prior to that incurrence -that OPG must certify and provide a lot of detailed reporting with respect to each incurrence of debt -the level of frequency of reporting in general (not just the certifications/information noted above but also the contemplated annual forecasts and quarterly updates of those forecasts) -the negative pledge with respect to the exercise of certain options on the debt -the fact that OPG must give notice to the Province when incurring funding obligations that are expressly excluded from the Protection Agreement

Taken as a whole, we understand that E&Y sees all of this as the Province exerting a level of control on the debt that no typical guarantor would have. Please also advise if the Province's accountants have reviewed the proposal.

Practical Issues:

* The procedural steps to bind the Province are lengthy and complicated. From our perspective, as drafted, OPG will likely have to seek Provincial approval on each debt issuance (which weakens the accounting as discussed above). The dealers and their counsel will have a reaction to the proposed

adherence conditions but query whether there is value in setting out the adherence conditions in the Protection Agreement itself. Setting aside the mechanics of how we get there, the dealers want comfort that the incurrence of obligations by the financing entity will be covered by the Protection Agreement. We would propose that the mechanics of any approval process (once we settle the terms of that process) be the subject of a separate procedures agreement or memo from the Province to OPG, whereby the Province delegates to OPG the ability to bind the Province under the Protection Agreement with respect to an incurrence of obligations so long as the adherence conditions in the procedures agreement or memo have been met. The Protection Agreement would then simply state that, upon OPG certifying to the indenture trustee that the adherence conditions have been satisfied under the procedures agreement/memo, the Province will be deemed to be bound under the Protection Agreement with respect to the specific obligations incurred at the time of the certification.

* In addition to the accounting concerns, the level of detail and frequency of reporting required present timing and operational issues. For example, as part of the adherence conditions, you are asking for details on the interest rate. However, pricing will in part be driven off whether that specific incurrence will have the benefits of the Protection Agreement.

Drafting Issues:

* Please refer to the existing terminology of the Act to ensure there is certainty on the obligations covered under the Protection Agreement. We think the best way for you to approach this would be to refer to all finance amounts and then expressly carve out what you are proposing not be covered.

* We'd like to understand the reason OPG's management fees have been excluded. We assume you do not intend for OPG's reimbursement costs (costs incurred by OPG on behalf of the Financing Entity) to be excluded? Please advise why taxes are being excluded?

* There are a few references to "exceed the maximum amount specified therefor in the applicable governing document". Please advise what is being contemplated here.

* We have a number of other drafting comments which we'll revisit once we've settled on the conceptual points above and have reviewed a revised draft of the document.

Nina Mansoori

P. 416.865.7332 | F. 416.865.7380 | 1.800.505.8679

From: Whitfield, Tobias P. (MOF) [mailto:Tobias.Whitfield@ontario.ca]

Sent: September-27-17 4:21 PM

To: Ramchandani, Rima <rramchandani@torys.com<mailto:rramchandani@torys.com>>; Feldman, Michael <mfeldman@torys.com<mailto:mfeldman@torys.com>>; Mansoori, Nina <nmansoori@torys.com<mailto:nmansoori@torys.com>>; 'WONG Leslie -LAWDIV'

<leslie.wong@opg.com<mailto:leslie.wong@opg.com>>; LEE John -TREASURY <john.s.lee@opg.com<mailto:john.s.lee@opg.com>>; RYFA Ken -TREASURY <ken.ryfa@opg.com<mailto:ken.ryfa@opg.com>>

Cc: Donaldson, Mark (TBS) <Mark.Donaldson@ontario.ca<mailto:Mark.Donaldson@ontario.ca>>; Manning, Mike (OFA) <Mike.Manning@ofina.on.ca<mailto:Mike.Manning@ofina.on.ca>>; Mayman, Gadi (OFA) <Gadi.Mayman@ofina.on.ca<mailto:Gadi.Mayman@ofina.on.ca>>; Kwan, Ronald (OFA) <Ronald.Kwan@ofina.on.ca<mailto:Ronald.Kwan@ofina.on.ca>>; Kandeepan, Ken (OFA) <Ken.Kandeepan@ofina.on.ca<mailto:Ken.Kandeepan@ofina.on.ca>>; Nelms, Scott (MOF) <Scott.Nelms@ontario.ca<mailto:Scott.Nelms@ontario.ca>>; Devine, James (OFA) <James.Devine@ofina.on.ca<mailto:James.Devine@ofina.on.ca>>; Yep, Carlos (OFA) <Carlos.Yep@ofina.on.ca<mailto:Carlos.Yep@ofina.on.ca>>; Strathy, Anna (OFA) <Anna.Strathy@ofina.on.ca<mailto:Anna.Strathy@ofina.on.ca>>; Cengarle, John (MOF) <John.Cengarle@ontario.ca<mailto:John.Cengarle@ontario.ca>>; Kwan, Ronald (OFA) <Ronald.Kwan@ofina.on.ca<mailto:Ronald.Kwan@ofina.on.ca>>; Katona, Keley (MOF) <Keley.Katona@ontario.ca<mailto:Keley.Katona@ontario.ca>>; He, Gavin (OFA) <Gavin.He@ofina.on.ca<mailto:Gavin.He@ofina.on.ca>>; Hirani, Anis (OFA) <Anis.Hirani@ofina.on.ca<mailto:Anis.Hirani@ofina.on.ca>>; Kim, John (OFA) <John.Kim@ofina.on.ca<mailto:John.Kim@ofina.on.ca>>; Veinot, Cindy (TBS) <Cindy.Veinot@ontario.ca<mailto:Cindy.Veinot@ontario.ca>>; Hanslep, Malle (MOF) <Malle.Hanslep@ontario.ca<mailto:Malle.Hanslep@ontario.ca>>; Thouin, Alena (ENERGY) <Alena.Thouin@ontario.ca<mailto:Alena.Thouin@ontario.ca>>; McKinlay, Tom (MAG) <Tom.McKinlay@ontario.ca<mailto:Tom.McKinlay@ontario.ca>>; 'STEPHEN.ASHBOURNE@blakes.com' <STEPHEN.ASHBOURNE@blakes.com<mailto:STEPHEN.ASHBOURNE@blakes.com>>

Subject: RE: Fair Hydro -- Change of Law Assumption Agreement

Rima,

Further to our earlier conversations, please find attached our proposed process for confirmation of application of the Protection Agreement.

We would be happy to discuss further when you have had a chance to review.

Best

Toby

Tobias Whitfield

Counsel, Legal Services Branch

Ministry of Finance

tobias.whitfield@ontario.ca<mailto:tobias.whitfield@ontario.ca>

Phone: 416-325-1456

From: Ramchandani, Rima [mailto:rramchandani@torys.com]

Sent: September 25, 2017 12:21 PM

To: 'STEPHEN.ASHBOURNE@blakes.com'; Hanslep, Malle (MOF); Whitfield, Tobias P. (MOF); Thouin, Alena (ENERGY)

Cc: LEE John -TREASURY; RYFA Ken -TREASURY; 'WONG Leslie -LAWDIV'; Feldman, Michael; Mansoori, Nina

Subject: RE: Fair Hydro -- Change of Law Assumption Agreement

Good morning all, just following up on our email below. Please let us know when we should expect your feedback.

Many thanks,

Rima

Rima Ramchandani

P. 416.865.7666 | F. 416.865.7380 | 1.800.505.8679

79 Wellington St. W., 30th Floor, Box 270, TD South Tower Toronto, Ontario M5K 1N2 Canada | www.torys.com<https://urldefense.proofpoint.com/v2/url?u=http-3A__www.torys.com&d=DwIGaQ&c=qG_YucLTZOaBAapRaQkKEgrMWFFI0Cr1_eykjn9FtiQ&r=UKMqIrEhOd5FohQQ_i9mGM0DWcS8WVSb-i_5BYugB90&m=LUBzr7krDi-parEHITBDWPUwyenLLaJJXZ4chFSPzFE&s=g-BXF30BpTI6upJw-YRv5wKfIlQFQVwjIWe5dUF22Pw&e= >

[Torys LLP]<https://urldefense.proofpoint.com/v2/url?u=http-3A__www.torys.com_&d=DwIGaQ&c=qG_YucLTZOaBAapRaQkKEgrMWFFI0Cr1_eykjn9FtiQ&r=UKMqIrEhOd5FohQQ_i9mGM0DWcS8WVSb-i_5BYugB90&m=LUBzr7krDi-parEHITBDWPUwyenLLaJJXZ4chFSPzFE&s=L2Q6u9gmTig_RhsiD5echtI-iY4ykmWhbqTG3J5Cq9o&e= >

From: Ramchandani, Rima

Sent: September-19-17 9:55 PM

To: 'STEPHEN.ASHBOURNE@blakes.com' <STEPHEN.ASHBOURNE@blakes.com<mailto:STEPHEN.ASHBOURNE@blakes.com>>; Hanslep, Malle (MOF) <Malle.Hanslep@ontario.ca<mailto:Malle.Hanslep@ontario.ca>>; 'Whitfield, Tobias P. (MOF)' <Tobias.Whitfield@ontario.ca<mailto:Tobias.Whitfield@ontario.ca>>

Cc: LEE John -TREASURY <john.s.lee@opg.com<mailto:john.s.lee@opg.com>>; RYFA Ken -TREASURY <ken.ryfa@opg.com<mailto:ken.ryfa@opg.com>>; 'WONG Leslie -LAWDIV' <leslie.wong@opg.com<mailto:leslie.wong@opg.com>>; Feldman, Michael <mfeldman@torys.com<mailto:mfeldman@torys.com>>; Ramchandani, Rima <rramchandani@torys.com<mailto:rramchandani@torys.com>>; Mansoori, Nina <nmansoori@torys.com<mailto:nmansoori@torys.com>>

Subject: Fair Hydro -- Change of Law Assumption Agreement

Steve, Malle and Toby, further to our meeting the other day, set out below for your review is a proposal on the Provincial approval process under the Change of Law Assumption Agreement. Once we have your feedback on this, we will need to share it with Osler and the accountants and as John mentioned, we are under some time pressure to bring this to a resolution prior to the upcoming June 29 OPG Board meeting. We look forward to your comments, and feel free to reach out if you have any questions. -- Rima

Obligor Approval

The Change of Law Assumption Agreement will apply to all Specified Claims relating to Funding Obligations that are incurred by an Eligible Financing Entity in accordance with the Obligor's approval process. The definition of Specified Claims to be mutually agreed by all parties.

In order for a Financing Entity to become designated as an Eligible Financing Entity by the Obligor, prior to the initial issuance of Funding Obligations by such Financing Entity, the Obligor will be provided with copies of the following documents (collectively the "Program Documents") for review:

(i) the constating documents of such Financing Entity;

(ii) the management agreement between the Financing Entity and OPG;

(iii) the master transfer and servicing agreement between the Financing Entity and the IESO;

(iv) the master trust indenture governing the issuance of Funding Obligations by the Financing Entity;

(v) a form of supplemental indenture governing the issuance of bonds, issuable in series, by the Financing Entity;

(vi) a form of note purchase agreement or credit agreement governing the issuance of short term Funding Obligations by the Financing Entity;

(vii) a form of schedule to an ISDA Master Agreement governing derivative transactions that may be entered into the Financing Entity from time to time; and

(viii) such other documents as may be requested by the Obligor.

Once a Financing Entity is designated by the Obligor as an Eligible Financing Entity, it will not be necessary for the Obligor to approve the documentation related to specific issuances of Funding Obligations; however, OPG will be expected to notify the Obligor of any new material program documentation or any material amendments to existing program documentation before such new documentation or amendments become effective. The failure of OPG to provide any such notice will not invalidate the application of the Change of Law Assumption Agreement to any Specified Claims.

It will not be necessary for the Obligor to approve each new issuance of Funding Obligations provided that such Funding Obligations are issued in accordance with following:

(1) The Funding Obligations are issued in accordance with agreements that contain: (a) covenants of the Eligible Financing Entity that are no more onerous in any material respect and (b) events of default that are consistent in all material respects, respectively, with the covenants of the Eligible Financing Entity and events of default contained in the draft Program Documents.

(2) At least [30 days] prior to the initial issuance of Funding Obligations by an Eligible Financing Entity, OPG will provide the Obligor with a forecast of the principal amount and expected term of the Funding Obligations that OPG expects such Eligible Financing Entity to issue in accordance with the Financing Plan in the next two years (a “Two Year Forecast”). The execution of the Change of Law Assumption Agreement in respect of such Eligible Financing Entity shall constitute the Obligor’s approval of the issuance of Funding Obligations by such Eligible Financing Entity in accordance with the Two Year Forecast.

(3) OPG shall provide the Obligor with an updated Two Year Forecast between 9 and 12 months prior to the expiry of each current Two Year Forecast.

(4) Unless the Obligor provides OPG with a written notice no later than 3 months prior to the date following receipt of the current Two Year Forecast that the Change of Law Assumption Agreement will be inapplicable with respect to new Funding Obligations incurred following the expiry of the current Two Year Forecast, the Obligor will be deemed to approve the application of the Change of Law Assumption Agreement to all Funding Obligations incurred up to the expiry of the new Two Year Forecast.

At the time of issuance of Funding Obligations by an Eligible Financing Entity, the Financing Entity will provide (i) any required certifications to the underwriters/agents that such Funding Obligations are

covered by the Change of Law Assumption Agreement; and (ii) notice to the Obligor of the material terms of the Funding Obligations issued, together with electronic copies of the final executed Program Documents.

P. 416.865.7666

This email and any attachments are for the sole use of the intended recipients and may be privileged or confidential. Any distribution, printing or other use by anyone else is prohibited. If you are not an intended recipient, please contact the sender immediately, and permanently delete this email and attachments.

Le présent courriel et les documents qui y sont joints sont exclusivement réservés à l'utilisation des destinataires concernés et peuvent être de nature privilégiée ou confidentielle. Toute distribution, impression ou autre utilisation est interdite aux autres personnes. Si vous ne faites pas partie des destinataires concernés, veuillez en informer immédiatement l'expéditeur, ainsi que supprimer ce courriel et les documents joints de manière permanente.

This email and any attachments are for the sole use of the intended recipients and may be privileged or confidential. Any distribution, printing or other use by anyone else is prohibited. If you are not an intended recipient, please contact the sender immediately, and permanently delete this email and attachments.

Le présent courriel et les documents qui y sont joints sont exclusivement réservés à l'utilisation des destinataires concernés et peuvent être de nature privilégiée ou confidentielle. Toute distribution, impression ou autre utilisation est interdite aux autres personnes. Si vous ne faites pas partie des destinataires concernés, veuillez en informer immédiatement l'expéditeur, ainsi que supprimer ce courriel et les documents joints de manière permanente.

This email and any attachments are for the sole use of the intended recipients and may be privileged or confidential. Any distribution, printing or other use by anyone else is prohibited. If you are not an intended recipient, please contact the sender immediately, and permanently delete this email and attachments.

Le présent courriel et les documents qui y sont joints sont exclusivement réservés à l'utilisation des destinataires concernés et peuvent être de nature privilégiée ou confidentielle. Toute distribution,

impression ou autre utilisation est interdite aux autres personnes. Si vous ne faites pas partie des destinataires concernés, veuillez en informer immédiatement l'expéditeur, ainsi que supprimer ce courriel et les documents joints de manière permanente.

This email and any attachments are for the sole use of the intended recipients and may be privileged or confidential. Any distribution, printing or other use by anyone else is prohibited. If you are not an intended recipient, please contact the sender immediately, and permanently delete this email and attachments.

Le présent courriel et les documents qui y sont joints sont exclusivement réservés à l'utilisation des destinataires concernés et peuvent être de nature privilégiée ou confidentielle. Toute distribution, impression ou autre utilisation est interdite aux autres personnes. Si vous ne faites pas partie des destinataires concernés, veuillez en informer immédiatement l'expéditeur, ainsi que supprimer ce courriel et les documents joints de manière permanente.

SERIES 2017-1 SUPPLEMENTAL INDENTURE

between

[ISSUER] TRUST

by

● TRUST COMPANY OF CANADA
as Issuer Trustee

and

● TRUST COMPANY OF CANADA
as Indenture Trustee

and

●
as Administrative Agent

and

CERTAIN CP CONDUIT PURCHASERS,
CERTAIN NON-CONDUIT PURCHASERS
CERTAIN FUNDING AGENTS
and CERTAIN GROUP BANKS

Made as of ●, 2017

TABLE OF CONTENTS

Page

ARTICLE 1 INTERPRETATION 1
1.1 Definitions 1
1.2 Interpretation 1
1.3 Application of this Supplemental Indenture 2

ARTICLE 2 PRINCIPAL TERMS 2
2.1 Creation of Series 2017-1 Senior Notes 2
2.2 Principal Terms 2

ARTICLE 3 NOTE PURCHASE FACILITY 3
3.1 Purchase of Notes by the Purchasers 3
3.2 Delivery 4
3.3 Procedure for Initial Issuance and for Increasing the Series 2017-1 Principal Amount 4
3.4 Procedure for Decreasing the Series 2017-1 Principal Amount; Optional Termination 8
3.5 Increases and Reductions of the Commitments, Extension of Scheduled Maturity Date 8
3.6 Interest; Fees and Other Amounts 9
3.7 Repayment of Principal 10
3.8 Indemnification by the Issuer 10
3.9 Funding Agents 11
3.10 Taxes 11
3.11 Increased Costs 12

ARTICLE 4 CONDITIONS PRECEDENT 14
4.1 Conditions Precedent to Initial Purchase of Series 2017-1 Senior Notes 14
4.2 Conditions Precedent to Each Increase under Series 2017-1 Senior Notes 16

ARTICLE 5 ESTABLISHMENT OF ACCOUNTS 16
5.1 Establishment of Series 2017-1 Cash Reserve Account 16
5.2 Establishment of Series 2017-1 Note Distribution Account **Error! Bookmark not defined.**
5.3 Series Accounts 17
5.4 Waterfall Deposits to Series 2017-1 Cash Reserve Account 17

ARTICLE 6 REPRESENTATIONS AND WARRANTIES 17
6.1 Representations and Warranties of the Issuer 17
6.2 Representations and Warranties of the Purchasers 18
6.3 Survival 18

ARTICLE 7 COVENANTS 18
7.1 Covenants of the Issuer 18

TABLE OF CONTENTS
(continued)

Page

ARTICLE 8 AGENTS 19
8.1 Administrative Agent 19
8.2 Funding Agents 21

ARTICLE 9 GENERAL 23
9.1 Successor and Assigns 23
9.2 Waiver 26
9.3 Notice 26
9.4 No Waiver: Remedies 27
9.5 Entire Agreement 27
9.6 Governing Law and Attornment 27
9.7 Acknowledgment of Trust Indenture and No Proceedings 27
9.8 Expenses 27
9.9 Further Assurances 28
9.10 Confidentiality 28
9.11 Acknowledgement and Consent to Bail-In of EEA Financial Institutions 29
9.12 Limitation of Liability of Issuer Trustee 29
9.13 Execution in Counterparts 30
9.14 Delivery of Executed Copies 30

FLOATING RATE VARIABLE FUNDING SENIOR NOTES, SERIES 2017-1

SUPPLEMENTAL INDENTURE made as of ●, 2017, between ● **Trust Company of Canada**, a trust company established under the laws of Canada (the "**Issuer Trustee**"), in its capacity as trustee of ●, a trust existing under the laws of the Province of Ontario (in such capacity, the "**Issuer**"), ● **Trust Company of Canada**, a trust company established under the laws of Canada (the "**Indenture Trustee**"), ●, in its capacity as the administrative agent for the Purchaser Groups (the "**Administrative Agent**"), the **Non-Conduit Purchasers** from time to time party hereto, the **CP Conduit Purchasers** from time to time party hereto, and the **Funding Agents** for the CP Conduit Purchaser Groups from time to time party hereto.

WHEREAS pursuant to the Trust Indenture, provision was made for the issuance of Notes from time to time;

AND WHEREAS pursuant to the Trust Indenture, the Notes may be issued in one or more Series by the execution and delivery of a Supplemental Indenture;

AND WHEREAS the parties hereto are entering into this Supplemental Indenture to provide for the creation and issuance of the Series 2017-1 Senior Notes;

NOW THEREFORE THIS SUPPLEMENTAL INDENTURE WITNESSES and it is hereby covenanted, agreed and declared as follows:

ARTICLE 1
INTERPRETATION

1.1 Definitions

(a) For all purposes of this Supplemental Indenture, except as otherwise expressly provided or unless the context otherwise requires, the terms defined in Schedule A hereto have the meanings assigned to them in Schedule A and include the plural as well as the singular.

(b) The provisions of Section 1.1 of the Trust Indenture are applicable to this Supplemental Indenture. All terms used herein which are defined in the Trust Indenture, either directly or by reference therein, have the meanings assigned to them therein.

1.2 Interpretation

Subject to the next following sentences, this Supplemental Indenture is supplemental to the Trust Indenture and the Trust Indenture shall be read in conjunction with this Supplemental Indenture and all of the provisions of the Trust Indenture shall apply to and shall have effect in connection with this Supplemental Indenture in the same manner as if all of the provisions of the Trust Indenture and of this Supplemental Indenture were contained in one instrument. This Supplemental Indenture shall, unless the context otherwise requires, be subject to the interpretative provisions contained in Article 1 of the Trust Indenture. If any terms of the Trust Indenture are inconsistent with the express terms or provisions hereof, the terms and provisions of the Trust Indenture shall be, solely in respect of the Series 2017-1 Senior Notes, amended and supplemented so as to be consistent herewith. The provisions of this Supplemental Indenture are

applicable only in respect of the Series 2017-1 Senior Notes and not the Notes of any other Series.

1.3 Application of this Supplemental Indenture

With respect to the Series 2017-1 Senior Notes only, the terms of the Trust Indenture are amended, supplemented, modified, restated and replaced to the extent applicable by the terms of this Supplemental Indenture in respect of the Series 2017-1 Senior Notes in accordance with Section 1.2 above.

ARTICLE 2
PRINCIPAL TERMS

2.1 Creation of Series 2017-1 Senior Notes

There is hereby created a Series of Notes to be issued pursuant to the Trust Indenture and this Supplemental Indenture designated as the "**Floating Rate Variable Funding Senior Notes, Series 2017-1**."

2.2 Principal Terms

In addition to and without limiting all of the provisions of this Supplemental Indenture, the Series 2017-1 Senior Notes:

(a) will be designated as set out in Section 2.1;

(b) will be Senior Notes;

(c) will have a Stated Principal Amount equal to the Series 2017-1 Maximum Principal Amount;

(d) will not be issued in Classes or Tranches;

(e) will be denominated in Canadian dollars;

(f) will not be listed on any securities exchange;

(g) will have an Initial Dollar Principal Amount equal to the Series 2017-1 Initial Principal Amount;

(h) will be issued as definitive notes and will not be in the form of a Global Note;

(i) will be issued as Registered Notes and will be without coupons;

(j) will be Senior Notes and will not be subordinated to any other Series, Class or Tranche of Notes;

(k) will be substantially in the form of Schedule B, with such appropriate insertions, omissions, substitutions and variations as may be approved by the Issuer Trustee;

(l) will have a Principal Payment Due Date that is the Series 2017-1 Principal Payment Due Date;

(m) will have a Principal Payment Default Date that is the Series 2017-1 Principal Payment Default Date; and

(n) will have no minimum issue amount.

ARTICLE 3
NOTE PURCHASE FACILITY

3.1 Purchase of Notes by the Purchasers

(a) ***Initial Purchases***. Subject to the terms and conditions of this Supplemental Indenture, including delivery of notice in accordance with Section 3.3, (i) each Non-Conduit Purchaser shall purchase, and each CP Conduit Purchaser may, in its sole discretion, purchase a Series 2017-1 Senior Note in an amount equal to all or a portion of its Commitment Percentage of the Series 2017-1 Initial Principal Amount on any Business Day during the period from the date hereof to and including **[December 15, 2017]**, and if any such CP Conduit Purchaser shall have notified the Administrative Agent and the Funding Agent with respect to such CP Conduit Purchaser that it has elected not to fund a Series 2017-1 Senior Note in an amount equal to its Commitment Percentage of the Series 2017-1 Initial Principal Amount on the Series 2017-1 Closing Date, the Group Bank with respect to such CP Conduit Purchaser shall fund on the Series 2017-1 Closing Date that portion of such Series 2017-1 Senior Note not to be funded by such CP Conduit Purchaser; and (ii) thereafter, (A) each Non-Conduit Purchaser shall maintain its Series 2017-1 Senior Note, subject to increase or decrease during the period from the Series 2017-1 Closing Date to and including the Commitment Expiry Date, in accordance with the provisions of this Supplemental Indenture, (B) if a CP Conduit Purchaser shall have purchased a Series 2017-1 Senior Note on the Series 2017-1 Closing Date, such CP Conduit Purchaser may, in its sole discretion, maintain its Series 2017-1 Senior Note, subject to increase or decrease during the period from the Series 2017-1 Closing Date to and including the Commitment Expiry Date, in accordance with the provisions of this Supplemental Indenture, and (C) the Group Bank shall maintain its Series 2017-1 Senior Note with respect to its Related Purchaser Group, subject to increase or decrease during the period from the Series 2017-1 Closing Date to and including the Commitment Expiry Date, in accordance with the provisions of this Supplemental Indenture. Payments by the Non-Conduit Purchasers, the CP Conduit Purchasers and/or the Group Bank with respect to the CP Conduit Purchasers shall be made in immediately available funds on the Series 2017-1 Closing Date in accordance with Section 3.3(d).

(b) ***Maximum Purchaser Group Principal Amounts***. Notwithstanding anything to the contrary contained in this Supplemental Indenture, at no time shall a Purchaser Group be required to make the initial purchase of a Series 2017-1 Senior Note or increase its Purchaser Group Principal Amount if the sum of (x) Purchaser Group Principal Amount with respect to such Purchaser Group, after giving effect to such purchase or increase, and (y) the sum of any unfunded Delayed Amounts with respect to such Purchaser Group, would exceed the Maximum Purchaser Group Principal Amount with respect to such Purchaser Group at such time.

3.2 Delivery

(a) On the Series 2017-1 Closing Date (or on any later date that any Purchaser Group becomes a party to this Supplemental Indenture), Series 2017-1 Senior Notes shall be executed, authenticated and delivered by the Issuer in accordance with Section 4.03 of the Trust Indenture (i) in the case of a CP Conduit Purchaser Group, in the name of the Funding Agent with respect to such CP Conduit Purchaser Group (or as otherwise requested by such CP Conduit Purchaser Group and agreed to by the Issuer) in an amount equal to the Maximum Purchaser Group Principal Amount with respect to such CP Conduit Purchaser Group and delivered to such Funding Agent; or (ii) in the case of a Non-Conduit Purchaser Group, in the name of the Related Non-Conduit Purchaser in an amount equal to the Maximum Purchaser Group Principal Amount with respect to such Related Non-Conduit Purchaser Group and delivered to such Related Non-Conduit Purchaser.

(b) The Administrative Agent shall maintain a record of the actual Purchaser Group Principal Amount outstanding with respect to each Purchaser Group and the actual Series 2017-1 Principal Amount outstanding on any date of determination, which, absent manifest error, shall constitute prima facie evidence of the outstanding Purchaser Group Principal Amounts and outstanding Series 2017-1 Principal Amount from time to time. Upon a written request from the Indenture Trustee, the Administrative Agent shall provide in writing the identity of the Purchaser Groups, the related Funding Agents for each CP Conduit Purchaser Group, the Purchaser Group Principal Amount for each Purchaser Group and the Commitment Percentage with respect to such Purchaser Group to the Indenture Trustee.

3.3 Procedure for Initial Issuance and for Increasing the Series 2017-1 Principal Amount

(a) (i) On any Business Day prior to [**December 15, 2017**], in the case of a Non-Conduit Purchaser Group, the Related Non-Conduit Purchaser hereby agrees, or in the case of a CP Conduit Purchaser Group, the CP Conduit Purchaser in such CP Conduit Purchaser Group may agree, in its sole discretion, and the Group Bank with respect to such CP Conduit Purchaser hereby agrees, that it will purchase a Series 2017-1 Senior Note for an initial purchase price equal to the Commitment Percentage with respect to such Purchaser Group of the Series 2017-1 Initial Principal Amount upon the request of the Issuer (the date on which the initial purchase occurs being referred to as the "**Series 2017-1 Closing Date**"); provided, however, that the Issuer shall have given the Administrative Agent (with a copy to the Indenture Trustee) irrevocable written notice (effective upon receipt), by telecopy (receipt confirmed), substantially in the form of Schedule C no later than **[3:00 p.m.]** (Toronto time) on the third Business Day prior to the Series 2017-1 Closing Date. The written notice of the initial purchase of the Series 2017-1 Senior Notes shall state (x) the Series 2017-1 Closing Date, and (y) the initial total purchase price to be paid for the Series 2017-1 Senior Notes (the "**Series 2017-1 Initial Principal Amount**"); and (ii) subject to Section 3.3(e), on any Business Day during the period from the initial purchase of the Series 2017-1 Senior Notes hereunder to and including the Commitment Expiry Date, in the case of a Non-Conduit Purchaser Group, the Related Non-Conduit Purchaser hereby agrees, or in the case of a CP Conduit Purchaser Group, the CP Conduit Purchaser in such CP Conduit Purchaser Group may agree, in its sole discretion, and the Group Bank with respect to such CP Conduit Purchaser hereby agrees that the Purchaser Group Principal Amount with respect to such Purchaser Group may be increased by an amount equal to the Commitment Percentage with respect to such Purchaser Group of the Increase Amount (an

"**Increase**"), upon the request of the Issuer (each date on which an increase in the Series 2017-1 Principal Amount occurs hereunder being herein referred to as the "**Increase Date**" applicable to such Increase); provided, however, that the Issuer shall have given the Administrative Agent (with a copy to the Indenture Trustee) irrevocable (other than as specified in Section 3.3(e)) written notice (effective upon receipt), by telecopy (receipt confirmed), substantially in the form of Schedule C (an "**Increase Notice**") no later than **[3:00 p.m.]** (Toronto time) on (A) with respect to a Deferrable Increase Notice, the third Business Day prior to such Increase Date, or (B) with respect to a Non-Deferrable Increase Notice, the second Business Day prior to such Increase Date. Each Increase Notice shall state (x) the Increase Date, (y) the proposed amount of the increase in the Series 2017-1 Principal Amount (an "**Increase Amount**"), (z) whether a Delayed Funding Notice may be delivered in connection with such Increase pursuant to Section 3.3(e) and whether the Increase is to fund a Transfer (a "**Transfer Increase**") or is in respect of a Refinancing (a "**Refinancing Increase**"). The Commitment Percentage with respect to any Purchaser Group of the Increase Amount set forth in any Non-Deferrable Increase Notice shall not exceed such Purchaser Group's Non-Deferrable Draw Amount as of the related Increase Date.

(b) If a CP Conduit Purchaser elects not to fund the full amount of its Commitment Percentage of a requested Increase, such CP Conduit Purchaser shall notify the Administrative Agent and the Funding Agent with respect to such CP Conduit Purchaser, and the Group Bank with respect to such CP Conduit Purchaser shall fund the portion of the Commitment Percentage with respect to such Related Purchaser Group of such Increase not funded by such CP Conduit Purchaser.

(c) No Purchaser Group shall be required to increase its Purchaser Group Principal Amount on any Increase Date hereunder unless:

(i) such Purchaser Group's Commitment Percentage of such Increase Amount is equal to (A) $**[1,000,000]** or more, or (B) if less, the excess of the Maximum Purchaser Group Principal Amount with respect to such Purchaser Group over the Purchaser Group Principal Amount with respect to such Purchaser Group; and

(ii) after giving effect to such Increase Amount, the sum of the (x) the Purchaser Group Principal Amount, and (y) any unfunded Delayed Amounts with respect to such Purchaser Group would not exceed the Maximum Purchaser Group Principal Amount with respect to such Purchaser Group;

(d) Upon receipt of any notice required by Section 3.3(a) or permitted by Section 3.3(e) from the Issuer, the Administrative Agent shall forward (by telecopy or electronic messaging system) a copy of such notice to each Non-Conduit Purchaser and the Funding Agent with respect to each CP Conduit Purchaser Group (or, with respect to any notice pursuant to Section 3.3(e) requiring a Delayed Funding Purchaser Group to decrease its Delayed Amount, the applicable Non-Conduit Purchaser or Funding Agent), no later than **[5:00 p.m.]** (Toronto time) on the day received. After receipt by any Funding Agent with respect to a CP Conduit Purchaser Group of such notice from the Administrative Agent, such Funding Agent shall, so long as the conditions set forth in Sections 3.3(a) and (c) and Article 4 are satisfied, promptly provide telephonic notice to the related CP Conduit Purchaser and the related Group Bank, of the Increase Date and of such CP Conduit Purchaser Group's Commitment Percentage of the Series 2017-1 Closing Date or Increase Amount, as applicable. Subject to Section 3.3(e), if such CP Conduit Purchaser

elects to fund all or a portion of its Commitment Percentage of the Series 2017-1 Initial Principal Amount or the Increase Amount, as applicable, such CP Conduit Purchaser shall pay in immediately available funds its Commitment Percentage (or any portion thereof) of the amount of the Series 2017-1 Initial Principal Amount or Increase Amount, as applicable, on the Series 2017-1 Closing Date or the related Increase Date, as applicable, to the Funding Agent with respect to such CP Conduit Purchaser Group for remittance to the Indenture Trustee for application in accordance with Section 3.3(h). Subject to Section 3.3(e), if such CP Conduit Purchaser does not fund the full amount of the Commitment Percentage of such CP Conduit Purchaser Group of the Series 2017-1 Initial Principal Amount or an Increase Amount, as applicable, and the related Group Bank is required to fund the portion thereof not funded by the CP Conduit Purchaser, such Group Bank shall pay in immediately available funds such portion on the Series 2017-1 Closing Date or the related Increase Date, as applicable, to the Funding Agent with respect to such CP Conduit Purchaser Group. Each Funding Agent shall remit the amounts received by it from its CP Conduit Purchaser or the related Group Bank pursuant to this Section 3.3(d) to the Indenture Trustee for application in accordance with Section 3.3(h). Subject to Section 3.3(e), so long as the conditions set forth in Sections 3.3(a) and (c) and Article 4 are satisfied, each Non-Conduit Purchaser shall pay in immediately available funds the Commitment Percentage of such Non-Conduit Purchaser of the amount of the Series 2017-1 Initial Principal Amount or Increase Amount, as applicable, on the Series 2017-1 Closing Date or the Increase Date, as applicable, to the Indenture Trustee for application in accordance with Section 3.3(h).

(e) Notwithstanding any of the foregoing, any Group Bank or Non-Conduit Purchaser who shall have previously notified the Issuer in writing that it or any related Program Support Provider may, in the absence of the Group Bank or Non-Conduit Purchaser having the ability to deliver Delayed Funding Notices hereunder, incur charges under, or in anticipation of, Basel III (which may include external charges incurred by the Group Bank, Non-Conduit Purchaser or Program Support Provider or internal charges incurred by any of their businesses) in respect of its Commitment hereunder or any agreement to support such Commitment, or in respect of its interest in the Series 2017-1 Senior Notes, based on its "liquidity coverage ratio" calculated under Basel III, may, upon receipt of any Deferrable Increase Notice pursuant to Section 3.3(a), notify the Issuer in writing (a "**Delayed Funding Notice**") on or prior to **[12:00 noon]** (Toronto time) on the second Business Day preceding the related Increase Date, of its intent to fund an amount up to its Commitment Percentage of the related Increase Amount (such amount, subject to any adjustment described below, the "**Delayed Amount**") on a Business Day that is on or before the thirty-third (33rd) day following the Increase Date specified in such Deferrable Increase Notice (the "**Delayed Funding Date**") rather than on such Increase Date. If any Group Bank or Non-Conduit Purchaser provides a Delayed Funding Notice to the Issuer following the Issuer's delivery of an Increase Notice pursuant to Section 3.3(a), the Issuer may with written notice to the Administrative Agent delivered prior to 3:00 pm on the second Business Day preceding such Increase Date, (x) decrease the Increase Amount with respect to such Deferrable Increase Notice (or revoke such Deferrable Increase Notice by decreasing the Increase Amount to zero), and/or (y) require any Group Bank or Non-Conduit Purchaser who has provided a Delayed Funding Notice to reduce the Delayed Amount with respect to such Increase by an amount no greater than the Non-Deferrable Draw Amount with respect to such Purchaser Group as of the related Increase Date. In the event that the Increase Amount with respect to such Deferrable Increase Notice is reduced, but not to zero, then any Delayed Amount with respect to any Purchaser Group shall be reduced on a pro rata basis unless otherwise specified by the Issuer

pursuant to clause (y) above. No Purchaser Group that has provided a Delayed Funding Notice in respect of an Increase (each a "**Delayed Funding Purchaser Group**") shall be considered to be in default of its obligation to fund its Delayed Amount pursuant to this Section 3.3 unless and until it has failed to fund the Delayed Amount (and/or the Delayed Funding Reimbursement Amount with respect to such Delayed Amount) on or before the Delayed Funding Date.

(f) If (i) one or more Delayed Funding Purchaser Groups provides a Delayed Funding Notice to the Issuer in respect of any Increase Date; and (ii) the Issuer shall not have decreased the related Increase Amount to zero or required each such Delayed Funding Purchaser Group to reduce the Delayed Amount with respect to such Increase to zero, in each case, pursuant to Section 3.3(e), the Administrative Agent shall, by no later than **[12:00 noon]** (Toronto time) on the Business Day preceding such Increase Date, direct each Purchaser Group that is not a Delayed Funding Purchaser Group with respect to such Increase Date (each a "**Non-Delayed Funding Purchaser Group**") to fund an additional portion of such Increase Amount on such Increase Date equal to such Non-Delayed Funding Purchaser Group's proportionate share (based upon the Maximum Purchaser Group Principal Amount with respect to such Non-Delayed Funding Purchaser Group relative to the sum of the Maximum Purchaser Group Principal Amounts with respect to all Non-Delayed Funding Purchaser Groups) of the aggregate Delayed Amounts with respect to such Increase Date; provided that no Non-Delayed Funding Purchaser Group shall be required to fund any portion of the aggregate Delayed Amounts that would cause its Purchaser Group Principal Amount to exceed its Maximum Purchaser Group Principal Amount. Subject to Section 3.3(a), in the case of a Non-Delayed Funding Purchaser Group that is a Non-Conduit Purchaser, such Non-Conduit Purchaser hereby agrees, or, in the case of a Non-Delayed Funding Purchaser Group that is a CP Conduit Purchaser Group, the CP Conduit in such CP Conduit Purchaser Group may agree, in its sole discretion, and the Group Bank in such CP Conduit Purchaser Group hereby agrees, to fund such portion of the Increase Amount on such Increase Date.

(g) After the Non-Delayed Funding Purchaser Groups fund a Delayed Amount on any Increase Date in accordance with Section 3.3(f), the Delayed Funding Purchaser Group in respect of such Delayed Amount will be obligated to fund the Delayed Funding Reimbursement Amount with respect to such Delayed Amount on or before its Delayed Funding Date, irrespective of whether the Scheduled Commitment Expiry Date shall have occurred on or prior to such Delayed Funding Date or the Issuer would be able to satisfy the conditions set forth in Section 3.3(c) to an Increase in an amount equal to such Delayed Funding Reimbursement Amount on such Delayed Funding Date. Such Delayed Funding Purchaser Group shall fund such Delayed Funding Reimbursement Amount on such Delayed Funding Date by paying such amount to the Administrative Agent in immediately available funds, and the Administrative Agent shall distribute such funds to each such Non-Delayed Funding Purchaser Group, *pro rata* based on the relative amount of such Delayed Amount funded by such Non-Delayed Funding Purchaser Group on such Increase Date pursuant to Section 3.3(f).

(h) The Indenture Trustee shall apply amounts paid to it pursuant to Section 3.3(d) in the following order of priority:

(i) As to an amount equal to the Series 2017-1 Cash Reserve Required Amount, by deposit to the Series 2017-1 Cash Reserve Account; and

(ii) as to the balance, in respect of the proceeds of the initial purchase of the Series 2017-1 Notes or a Transfer Increase, by application to payment of the purchase price payable by the Issuer to the IESO under the Master Transfer and Servicing Agreement in respect of the related Transfer and, in respect of the proceeds of a Refinancing Increase, by deposit to the Refinancing Account.

3.4 Procedure for Decreasing the Series 2017-1 Principal Amount; Optional Termination

(a) In the case of a Non-Conduit Purchaser Group, the Related Non-Conduit Purchaser hereby agrees, and in the case of a CP Conduit Purchaser Group, each of the CP Conduit Purchasers and the Group Bank in such CP Conduit Purchaser Group hereby agrees, that the Purchaser Group Principal Amount with respect to such Purchaser Group may be decreased by an amount equal to the Commitment Percentage with respect to such Purchaser Group of a Decrease Amount (a "**Decrease**"), upon the request of the Issuer. Each date on which a Decrease in the Series 2017-1 Principal Amount occurs hereunder being herein referred to as the"**Decrease Date**" applicable to such Decrease; provided, however, that the Issuer shall have given the Administrative Agent (with a copy to the Indenture Trustee) irrevocable written notice (effective upon receipt), by telecopy (receipt confirmed), substantially in the form of Schedule D (a "**Decrease Notice**") no later than **[3:00 p.m.]** (Toronto time) on the second Business Day prior to such Decrease Date. Each Decrease Notice shall state (x) the Decrease Date, (y) the proposed amount of the decrease in the Series 2017-1 Principal Amount (a "**Decrease Amount**"), and (z) whether the Decrease is being funded with the proceeds of a Refinancing (a "**Refinancing Decrease**") or pursuant to the application of collected Clean Energy Adjustments (a "**CEA Decrease**").

(b) Upon each Decrease, the Administrative Agent shall indicate in its records such Decrease and the Purchaser Group Principal Amount outstanding with respect to each Purchaser Group after giving effect to such Decrease. Upon receipt of any notice required by this Section 3.4(a) from the Issuer, the Administrative Agent shall forward (by telecopy or electronic messaging system) a copy of such notice to each Non-Conduit Purchaser and the Funding Agent with respect to each CP Conduit Purchaser Group, no later than **[1:00 p.m.]** (Toronto time) on the Business Day received.

(c) On any Business Day, the Issuer shall have the right to deliver an irrevocable written notice (an "**Optional Termination Notice**") to the Administrative Agent in which the Issuer declares that the Commitments shall terminate on the date (the "**Optional Termination Date**") set forth in such notice (which date, in any event, shall be a Payment Date not less than twenty Business Days from the date on which such notice is delivered). Upon receipt of any Optional Termination Notice from the Issuer, the Administrative Agent shall promptly notify each Non-Conduit Purchaser and the Funding Agent with respect to each CP Conduit Purchaser Group thereof.

3.5 Increases and Reductions of the Commitments

(a) The Issuer may from time to time request that any Purchaser Group agree to increase its Maximum Purchaser Group Principal Amount. An increase in such amount shall be effective hereunder if such Purchaser Group shall have agreed in its sole discretion to such increase.

(b) On any Business Day, the Issuer may, upon two (2) Business Days' prior written notice to the Administrative Agent (effective upon receipt) (with copies to the Indenture Trustee) reduce the Series 2017-1 Maximum Principal Amount in an amount equal to $**[10,000,000]** or a whole multiple of $**[1,000,000]** in excess thereof; provided that no such termination or reduction shall be permitted if, after giving effect thereto and to any reduction in the Series 2017-1 Principal Amount on such date, the Purchaser Group Principal Amount with respect to any Purchaser Group would exceed the Maximum Purchaser Group Principal Amount with respect to such Purchaser Group then in effect. Any reduction in the Series 2017-1 Maximum Principal Amount shall be made on a pro rata basis to the Maximum Purchaser Group Principal Amounts with respect to the Purchaser Groups, based on the Maximum Purchaser Group Principal Amount with respect to each Purchaser Group. Once reduced, the Maximum Purchaser Group Principal Amounts may not be subsequently reinstated without each such Purchaser Group's prior written consent, which consent shall be granted or not in the sole discretion of such Purchaser Group.

(c) The Issuer may extend the Scheduled Commitment Expiry Date only with the prior written consent of the Administrative Agent, each Non-Conduit Purchaser and each Funding Agent.

3.6 Interest; Fees and Other Amounts

(a) Interest shall be payable on the Series 2017-1 Senior Notes on each Payment Date.

(b) The Issuer shall pay to each CP Conduit Purchaser Group and each Non-Conduit Purchaser, on each Payment Date, a commitment fee with respect to the preceding Billing Period (the "**Commitment Fee**") during the period from the Series 2017-1 Closing Date to and including the Commitment Expiry Date in an amount equal to the sum of the following amounts calculated for each day during such Billing Period: (x) the Commitment Fee Rate, multiplied by (y) the amount by which Maximum Purchaser Group Principal Amount with respect to such Purchaser Group on such day exceeds the Purchaser Group Principal Amount with respect to such Purchaser Group on such day, and divided by (z) 365. The Commitment Fees shall be payable monthly in arrears on each Payment Date.

(c) The Funding Agent with respect to each CP Conduit Purchaser Group and each Non-Conduit Purchaser shall provide written notice to the Issuer no later than two Business Days prior to each Payment Date, setting forth the Monthly Interest, Fees and Other Amounts with respect to its Related Purchaser Group with respect to the preceding Billing Period.

(d) On each Payment Date, the Monthly Interest, Fees and Other Amounts shall be the amount payable in respect of the Series 2017-1 Notes pursuant to Section 7.04(e)(ii)(A) of the Trust Indenture or Section 8.13(b)(A) of the Trust Indenture, as applicable. On each Payment Date the Indenture Trustee shall, subject to availability of funds, pay to each CP Conduit Purchaser Group and each Non-Conduit Purchaser its Monthly Interest, Fees and Other Amounts with respect to the preceding Billing Period.

(e) If on any Payment Date when distributions of collections are being made under Section 7.04(e)(ii)(A) of the Trust Indenture the amount available to pay Monthly Interest, Fees and Other Amounts under such section is less the Monthly Interest, Fees and Other Amounts, an amount equal to the lesser of (x) such deficiency, and (y) the balance on deposit in the Series

2017-1 Cash Reserve Account shall be withdrawn from the Series 2017-1 Cash Reserve Account and applied to the payment of Monthly Interest, Fees and Other Amounts pursuant to Section 3.6(d).

(f) If the amounts deposited to the Series 2017-1 Distribution Account pursuant to Section 3.6(d) and amounts available pursuant to Section 3.6(e) are insufficient to pay all such amounts in full, the amount available shall be applied in the following order of priority:

(i) Firstly, in respect of Monthly Interest and if insufficient funds are available to pay Monthly Interest in full, to all Purchaser Groups, *pro rata* based on the amount of Monthly Interest owing to each Purchaser Group;

(ii) Secondly, in respect of Commitment Fees and if insufficient funds are available to pay Commitment Fees in full to all Purchaser Groups, *pro rata* based on the amount of Commitment Fees owing to each Purchaser Group; and

(iii) Thirdly, in respect of all other amounts owing to the Purchaser Groups and if insufficient funds are available to pay all other amounts owing in full to all Purchaser Groups, *pro rata* based on the amount of the other amounts owing to each Purchaser Group.

3.7 Repayment of Principal

(a) On each Payment Date, the Payment Date Waterfall Principal Amount shall be the principal amount payable in respect of the Series 2017-1 Senior Notes pursuant to Section 7.04(e)(iii)(A) of the Trust Indenture or Section 8.13(c)(A) of the Trust Indenture, as applicable. On each Payment Date the Indenture Trustee shall, subject to availability of funds, pay to each Non-Conduit Purchaser and each Funding Agent with respect to its Related Purchaser Group, such Purchaser Group's Pro Rata Share of the funds allocated to the Series 2017-1 Senior Notes pursuant to Section 7.04(e)(iii)(A) of the Trust Indenture or Section 8.13(c)(A) of the Trust Indenture, as applicable in repayment of the principal amount of the Series 2017-1 Notes.

(b) If on any Payment Date the amount available to the Purchaser Groups pursuant to Section 7.04(e)(iii)(A) of the Trust Indenture or Section 8.13(c)(A) of the Trust Indenture, as applicable, is less than the Payment Date Waterfall Principal Amount, an amount equal to the lesser of (x) such deficiency, and (y) the balance on deposit in the Series 2017-1 Cash Reserve Account shall be withdrawn from the Series 2017-1 Cash Reserve Account and applied to the repayment of principal amount of the Series 2017-1 Notes.

(c) On each Decrease Date in respect of a Refinancing Decrease Date, the Issuer shall pay to each Non-Conduit Purchaser and each Funding Agent with respect to its Related Purchaser Group, such Purchaser Group's Pro Rata Share of the Decrease Amount.

3.8 Indemnification by the Issuer

The Issuer agrees to indemnify and hold harmless the Indenture Trustee, the Administrative Agent, each Funding Agent, each CP Conduit Purchaser, the Group Bank, each Non-Conduit Purchaser and each of their respective officers, directors, agents and employees (each, an "**Issuer indemnified person**") from and against any loss, liability, expense, damage or injury suffered or

sustained by such Issuer indemnified person by reason of (a) any acts, omissions or alleged acts or omissions arising out of, or relating to, activities of the Issuer pursuant to the Program Agreements to which it is a party; (b) a breach of any representation or warranty made or deemed made by the Issuer (or any of its officers) in any Program Agreement; or (c) a failure by the Issuer to comply with any applicable law or regulation or to perform its covenants, agreements, duties or obligations required to be performed or observed by it in accordance with the provisions of the Program Agreements, including, but not limited to, any judgment, award, settlement, reasonable attorneys' fees and other reasonable costs or expenses incurred in connection with the defense of any actual or threatened action, proceeding or claim, except to the extent such loss, liability, expense, damage or injury resulted from the gross negligence, bad faith or willful misconduct of such Issuer indemnified person or its officers, directors, agents, principals, employees or employers or includes any Excluded Taxes; provided that any payments made by the Issuer pursuant to this Section 3.8 shall be made solely from funds available pursuant to Section **[7.04]** of the Trust Indenture, shall be non-recourse other than with respect to such funds, and shall not constitute a claim against the Issuer to the extent that such funds are insufficient to make such payment.

3.9 Funding Agents

(a) The Funding Agent with respect to each CP Conduit Purchaser Group is hereby authorized to determine the Monthly Interest and Fees with respect to each Billing Period and such CP Conduit Purchaser Group. Any such determination by a Funding Agent, absent manifest error, shall constitute prima facie evidence of the accuracy of the calculation. Furthermore, the Funding Agent with respect to each CP Conduit Purchaser Group will maintain records sufficient to identify the percentage interest of the related CP Conduit Purchaser and the Group Bank with respect to such CP Conduit Purchaser Group holding an interest in the Series 2017-1 Senior Note registered in the name of such Funding Agent and any amounts owing thereunder.

(b) Upon receipt of funds on each Payment Date and the date of any Decrease, each Funding Agent shall pay such funds to the related CP Conduit Purchaser and/or the related Group Bank owed such funds. If a Funding Agent shall have paid to any CP Conduit Purchaser or Group Bank any funds that (i) must be returned for any reason (including bankruptcy); or (ii) exceeds that which such CP Conduit Purchaser or Group Bank was entitled to receive, such amount shall be promptly repaid to such Funding Agent by such CP Conduit Purchaser or Group Bank.

3.10 Taxes

(a) All payments by or on account of any obligation of the Issuer hereunder shall, to the extent allowed by law, be made free and clear of, and without deduction or withholding for or on account of, any present or future income, stamp or other taxes, levies, imposts, duties, charges, fees, deductions or withholdings, now or hereafter imposed, levied, collected, withheld or assessed by any Governmental Authority (collectively, "**Taxes**"), excluding (i) income taxes (including branch profit taxes, minimum taxes and taxes computed under alternative methods, at least one of which is based on or measured by net income), franchise taxes (imposed in lieu of income taxes), or any other taxes based on or measured by the net income of the Purchaser (but specifically excluding any taxes required to be withheld under Section 1446 of the *Internal Revenue Code* of 1986 (as amended, the "**Code**")) as a result of a present or former connection between the recipient and the jurisdiction of the governmental authority imposing such tax (other

than any such connection arising solely from the recipient having executed, delivered or performed its obligations or received a payment under, disposed of, or enforced, this Supplemental Indenture); and (ii) any Taxes imposed under FATCA (as defined below) (including in the case of (i) and (ii), any interest, penalties and additions to tax) (all such excluded taxes being hereinafter called "**Excluded Taxes**"). If any Taxes, other than Excluded Taxes, are required to be withheld from any amounts payable to a recipient hereunder, the amounts so payable to the recipient shall be increased, and the recipient shall be entitled to be paid by the Issuer the amount of such increase to the extent necessary to yield to the recipient (after payment of all such Taxes other than Excluded Taxes) interest or any such other amounts payable hereunder or thereunder at the rates or in the amounts specified hereunder. Where the amount payable by the Issuer is increased in accordance with the previous sentence, the Monthly Interest and Fees shall be increased by the amount of such increase. Whenever any Taxes are payable on or with respect to amounts distributed to a recipient, as promptly as possible thereafter the Issuer shall send to such recipient a certified copy of an original official receipt showing payment thereof.

(b) If a payment by or on account of any obligation of the Issuer hereunder would be subject to U.S. federal withholding Tax imposed by provisions of Chapter 4 of the Code ("**FATCA**") if the recipient of such payment were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such recipient shall deliver to the Issuer at the time or times prescribed by law and at such time or times reasonably requested by the Issuer such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Issuer as may be necessary for the Issuer to comply with their obligations under FATCA and to determine that such recipient has complied with it's obligations under FATCA or to determine the amount to deduct and withhold from such payment. If any form or certification it previously delivered by a recipient expires or becomes obsolete or inaccurate in any respect, the recipient shall update such form or certification or promptly notify the Issuer in writing of its legal inability to do so.

(c) If a recipient is legally entitled to receive a refund of any Taxes (other than Excluded Taxes) as to which it has been indemnified or with respect to which additional amounts have been paid to it hereunder or it is legally entitled to receive a credit or deduction with respect to such Taxes or with respect to such additional amounts that have been paid hereunder (in each case pursuant to Section 3.10(a)), it shall use commercially reasonable efforts to obtain or claim such refund, credit or deduction and pay over such refund or the value of such credit or deduction to the Issuer, together with any interest thereon.

3.11 Increased Costs

(a) (i) If any Regulatory Change (x) subjects any Non-Conduit Purchaser, CP Conduit Purchaser, Group Bank Purchaser or any Program Support Party (an "**Affected Person**") to any charge or withholding on or with respect to any Support Facility or this Supplemental Indenture or an Affected Person's obligations under a Support Facility or this Supplemental Indenture, or changes the basis of taxation of payments to any Affected Person of any amounts payable under any Support Facility or this Supplemental Indenture Agreement (except for changes in the rate of tax on the overall net income of an Affected Person or Excluded Taxes) or (y) imposes, modifies or deems applicable any reserve, assessment, fee, tax, insurance charge, special deposit or similar requirement against assets of, deposits with or for the account of, or liabilities of an Affected

Person, or credit extended by an Affected Person pursuant to a Support Facility or this Supplemental Indenture or (z) imposes any other condition the result of which is to increase the cost to an Affected Person of performing its obligations under a Support Facility or this Supplemental Indenture, or to reduce the rate of return on an Affected Person's capital or assets as a consequence of its obligations under a Support Facility or this Supplemental Indenture, or to reduce the amount of any sum received or receivable by an Affected Person under a Support Facility or this Supplemental Indenture, or to require any payment calculated by reference to the amount of interests or loans held or interest received by it, then, upon written request by such Affected Party (through the Funding Agent for its Purchaser Group if the Affected Party is a Program Support Provider, CP Conduit Purchaser or Group Bank) of a written request therefore to the Issuer, such Affected Party (through the Funding Agent for its Purchaser Group if the Affected Party is a Program Support Provider, CP Conduit Purchaser or Group Bank) shall be entitled to be paid, such amounts charged to such Affected Party or such amounts to otherwise compensate such Affected for such increased cost or such reduction, no later than the Payment Date following receipt by the Issuer of such request for compensation under this Section 3.11(a)(i), if such request is received by the Issuer no later than five (5) Business Days prior to the end of the Billing Period related to such Payment Date, and otherwise on the following Payment Date.

(ii) The Issuer acknowledges that any Affected Party may implement, as an internal institutional matter, measures in anticipation of a final or proposed Regulatory Change (including, without limitation, the imposition of internal charges on such Affected Party's interest or obligations under any Support Agreement or this Supplemental Indenture) and may commence recognizing the incurrence of charges by and seeking compensation under Section 3.11(a)(i) in connection with such measures, in advance of the effective date of such final or proposed Regulatory Change, and the Issuer agrees that such charges or compensation shall be payable, to the related Funding Agent, for the benefit of Affected Party, following demand therefor without regard to whether such proposed Regulatory Change has been adopted or whether such effective date has occurred; provided, that (I) the Affected Party shall provide sixty (60) days prior written notice to the Issuer of its intent to impose or incur any such charges or compensation, (II) an Affected Party shall not be compensated for any such amount pursuant to this subsection 3.11(a)(ii) relating to any period ending, and of which such Affected Party has had knowledge, more than ninety (90) days prior to the date that such Affected Party provided the Issuer with the written notice contemplated by the preceding clause (I) of this subsection 3.11(a)(ii), (III) if, after the payment by the Trust of any charges or compensation pursuant to this subsection 3.11(a)(ii), either (A) the Issuer requests in writing that the applicable Affected Party recompute any such charge or compensation in light of differences between a proposed Regulatory Change and the final effective version thereof or (B) the applicable Affected Party determines that the amount of the charge imposed on and required to be compensated by the Issuer exceeds the amount necessary to compensate it for the applicable Regulatory Change as contemplated by subsection 3.11(a)(i), then (x) the amount of such charge or compensation shall, from and after such determination, be reduced by the amount of such excess and (y) such Affected Party shall, within thirty (30) days of such determination, either repay the amount of such excess or credit the amount of such excess against future charges under this subsection 3.11(a)(ii). The Issuer further acknowledges that any charge or compensation demanded hereunder may take the form of a monthly charge to be assessed by such Affected Party.

(b) Each Affected Party claiming increased amounts described in subsection 3.11(a) of this Supplemental Indenture will furnish to the Issuer (together with its request for compensation) a certificate prepared in good faith setting forth the basis and the calculation of the amount (in reasonable detail) of each request by such Affected Party for any such increased amounts referred to in subsection 3.11(a) hereof. Any such certificate shall be conclusive absent manifest error. Failure on the part of any Affected Party to demand compensation for any amount pursuant to subsection 3.11(a) hereof with respect to any period shall not constitute a waiver of such Affected Party's right to demand compensation with respect to such period.

ARTICLE 4
CONDITIONS PRECEDENT

4.1 Conditions Precedent to Initial Purchase of Series 2017-1 Senior Notes

On or prior to the initial purchase of Series 2017-1 Senior Notes hereunder, the following conditions precedent shall be satisfied:

(a) Each of the conditions precedent set forth in Section 5.01 of the Trust Indenture in respect of the incurrence of Funding Obligations under this Supplemental Indenture shall have been satisfied.

(b) The Administrative Agent and each of the Funding Agents shall have received:

(i) executed copies of the Fee Letter, this Supplemental Indenture, the Manager Indemnity and copies of each of the other Program Agreements certified by an Authorized Officer of the Manager;

(ii) evidence that each of the Issuer Trustee, the IESO and the Manager is validly existing pursuant to the laws of the jurisdiction of their respective establishment or incorporation;

(iii) a copy of the incorporating documents and all amendments thereto and applicable by-laws of each of the Issuer Trustee, the IESO and the Manager certified by an Authorized Officer of the applicable entity;

(iv) a copy of the Declaration of Trust certified by an Authorized Officer of the Manager;

(v) copies of resolutions of the board of directors of the IESO and the Manager approving and authorizing the execution, delivery and performance of each Program Agreement they are party to, in each case certified by an Authorized Officer of the applicable entity;

(vi) incumbency certificates for each of the Issuer Trustee, the Manager and the IESO executing this Supplemental Indenture and any other Program Agreements and the other documents to be delivered by either the Issuer Trustee, the Manager or the IESO thereunder, in each case showing their names, offices and specimen signatures on which certificates the Administrative Agent and the Purchaser Groups shall be entitled to conclusively rely until such time as the Administrative

Agent and the Funding Agents receive a replacement certificate meeting the requirements of this Section 4.1(b)(vi);

(vii) the following Opinions of Counsel:

(A) the opinion of external counsel to the Manager as to the non-consolidation of the Issuer with the Manager in the event of the insolvency of the Manager in form and substance satisfactory to the Administrative Agent and the Funding Agents;

(B) the opinion of external counsel to the IESO as to the Investment Asset acquired by the Issuer not being subject to the claims of creditors of the IESO in form and substance satisfactory to the Administrative Agent and the Funding Agents;

(C) favourable opinions of external counsel to the Manager covering general corporate matters, the due execution and delivery of, and the enforceability of, each of the Program Agreements to which the Manager, the Issuer and the Issuer Trustee are party which opinion, as to certain matters, may rely on opinion of internal counsel to the Manager and the Issuer Trustee; and

(D) a favourable opinion of external counsel to the Province with respect to the due authorization, execution, delivery and enforceability of the Provincial Protection and Assurances Agreement in form and substance satisfactory to the Administration Agent and the Funding Agents;

(viii) a certificate of an Authorized Officer of the Manager confirming that the representations and warranties set forth in Section 12.01 of the Trust Indenture and Section 6.1 of this Supplemental Indenture are true and correct in all material respects, that the Issuer is in compliance in all material respects with all of its covenants and obligations under the Program Agreements to which it is a party and that no Termination Event has occurred; and

(ix) such additional documents, instruments, certificates or letters as the Administrative Agent or any Funding Agent may reasonably request.

(c) The Series 2017-1 Cash Reserve Account shall have been established.

(d) The representations and warranties set forth in Section 12.01 of the Trust Indenture and Section 6.1 of this Supplemental Indenture shall be true and correct in all material respects, the Issuer shall be compliance in all material respects with all of its covenants and obligations under the Program Agreements to which it is a party and no Termination Event shall have occurred.

(e) The Series 2017-1 Senior Notes shall have been duly issued in accordance with the Trust Indenture and each Funding Agent and Non-Conduit Purchaser shall have received its Series 2017-1 Senior Note registered in its name or a nominee in a face amount equal to its Maximum Purchaser Group Principal Amount.

(f) An amount equal to the Series 2017-1 Cash Reserve Required Amount shall have been deposited to the Series 2017-1 Cash Reserve Account.

(g) After giving effect to the purchase, the covenant of the Issuer in Section 7.1(d) will be satisfied.

(h) All fees payable on or before the Series 2017-1 Closing Date pursuant to the Fee Letter shall have been paid in full.

(i) The Rating Agency Condition shall have been satisfied in respect of the initial purchase.

4.2 Conditions Precedent to Each Increase under Series 2017-1 Senior Notes

On or prior to each Increase, the following conditions precedent shall be satisfied:

(a) the Administrative Agent shall have received an Increase Notice;

(b) no Termination Event shall have occurred or would occur after giving effect to such Increase;

(c) the Increase Date in respect of the Increase is prior to the Commitment Expiry Date;

(d) if the Increase is identified as a Transfer Increase in the Increase Notice, then the related Transfer under the Master Transfer and Servicing Agreement shall have been completed.

(e) after giving effect to the Increase, the covenant of the Issuer in Section 7.1(d) will be satisfied.

The Issuer's acceptance of funds in connection with each Increase occurring on any Increase Date shall constitute a representation and warranty by the Issuer to the Administrative Agent and the Purchaser Groups as of such Increase Date that all of the conditions contained in Section 3.3(a) and this Section 4.2 are satisfied.

ARTICLE 5
ESTABLISHMENT OF ACCOUNTS

5.1 Establishment of Series 2017-1 Cash Reserve Account

On or before the Series 2017-1 Closing Date, the Issuer shall cause to be established and maintained an Eligible Deposit Account (the "**Series 2017-1 Cash Reserve Account**") in the name of the Indenture Trustee, bearing a designation clearly indicating that the funds and other property credited thereto are held for the benefit of the Indenture Trustee and the Series 2017-1 Specified Creditors. The Series 2017-1 Cash Reserve Account shall be under the control of the Indenture Trustee for the benefit of the Indenture Trustee and the Series 2017-1 Specified Creditors. If, at any time, the institution holding the Series 2017-1 Cash Reserve Account ceases to be an Eligible Institution, the Manager shall notify the Indenture Trustee, and the Indenture Trustee upon being notified in writing of such ineligibility (or the Manager on its behalf) shall within 30 calendar days (or such longer period, not to exceed 45 calendar days, so long as the Rating Agency Condition is satisfied) establish a new Series 2017-1 Cash Reserve Account that is an Eligible Deposit Account and shall transfer any funds or other property from such

Series 2017-1 Cash Reserve Account to such new Series 2017-1 Cash Reserve Account. From the date each such new Series 2017-1 Cash Reserve Account is established, it shall be the "Series 2017-1 Cash Reserve Account." The Series 2017-1 Cash Reserve Account is a Finance Reserve Account for the purposes of the Trust Indenture.

5.2 Series Account

The Series 2017-1 Cash Reserve Account is established solely for the benefit of the Series 2017-1 Notes and the holders thereof.

5.3 Waterfall Deposits to Series 2017-1 Cash Reserve Account

On each Payment Date when distributions of collections are being made under Section 7.04(e) of the Trust Indenture, the Paying Agent shall deposit to the Series 2017-1 Cash Reserve Account an amount equal to the Cash Reserve Required Deposit Amount pursuant to Section 7.04(e)(iv) of the Trust Indenture.

ARTICLE 6
REPRESENTATIONS AND WARRANTIES

6.1 Representations and Warranties of the Issuer

The Issuer hereby represents and warrants to the Administrative Agent and the Purchaser Groups as of the Series 2017-1 Closing Date, and shall be deemed to represent and warrant to the Administrative Agent and the Purchaser Groups on each Increase Date, that:

(a) no Termination Event has occurred or would result from the initial purchase of the Issuer Investment Interest on the Series 2017-1 Closing Date or any increase in the Issuer Investment Interest on an Increase Date, as applicable;

(b) the Issuer Trustee and the Issuer are not non-residents of Canada within the meaning of the *Income Tax Act* (Canada);

(c) all tax returns (federal, provincial and local) required to be filed with respect to the Issuer have been filed and there has been paid or adequate provision made for the payment of all material taxes, assessments and other governmental charges in respect of the Issuer;

(d) the Issuer has not changed its name and the Declaration of Trust has neither been amended nor rescinded other than as consented to by the holders of the Series 2017-1 Senior Notes;

(e) the Issuer has complied in all material respects with all laws in respect of the conduct of its business and ownership of its property including the Issuer Investment Interest;

(f) all information provided to the Administrative Agent and the Purchaser Groups by or on behalf of the Issuer in respect of the Issuer Investment Interest is and will be true and accurate in all material respects;

(g) there has been no material adverse change in the condition (financial or otherwise), business, operations, results of operations, or the property of the Issuer; and

(h) the Issuer does not own or hold, directly or indirectly, any shares or equity security of, or any equity interest in, any Person.

6.2 Representations and Warranties of the Purchasers

Each Purchaser represents and warrants to the Issuer as of the Series 2017-1 Closing Date, and shall be deemed to represent and warrant to the Issuer on each Increase Date, that:

(a) it is resident in Ontario or is otherwise subject to the securities legislation of the Province of Ontario;

(b) it is purchasing the applicable Series 2017-1 Senior Notes (i) as principal for its own account and not for the benefit of any other "person" (as defined in the *Securities Act* (Ontario)) or company; and (ii) for cash consideration in excess of $150,000; and

(c) it was not created and is not being used solely to purchase or hold securities in reliance on the exemption from the prospectus and dealer registration requirements contained in Section 2.10 of National Instrument 45-106 − Prospectus and Registration Exemptions.

6.3 Survival

The representations and warranties set out in this Article 4 shall survive the execution hereof.

ARTICLE 7
COVENANTS

7.1 Covenants of the Issuer

(a) The Issuer shall provide to the Administrative Agent, each Funding Agent and each Non-Conduit Purchaser (in multiple copies if requested) as soon as possible, copies of all reports, notices, financial statements and other documents delivered by the IESO to the Issuer with respect to the Issuer Investment Interest or pursuant to the Master Transfer and Servicing Agreement.

(b) The Issuer shall provide to the Administrative Agent, each Funding Agent and each Non-Conduit Purchaser (in multiple copies, if requested) such other information, documents, records or reports respecting the Issuer Investment Interest, the Issuer or the IESO which is in the possession or under the control of the Issuer or the Manager as the Administrative Agent, a Funding Agent or a Non-Conduit Purchaser may from time to time reasonably request.

(c) The Issuer shall furnish to the Administrative Agent, each Funding Agent and each Non-Conduit Purchaser promptly after known to the Issuer or the Manager, information with respect to any action, suit or proceeding involving the Manager, the Issuer or the IESO or any of their respective Affiliates by or before any court or any Governmental Authority which, if adversely determined, would have a material and adverse effect on such party or the transactions contemplated by, or such party's ability to perform its obligations under, this Supplemental Indenture or the other Program Agreements.

(d) The Issuer will, at all time, cause the aggregate outstanding principal amount of Subordinated Funding Obligations and Junior Subordinated Funding Obligations to be not less than [**49**]% of the aggregate outstanding principal amount of all Issuer Funding Obligations.

(e) The Issuer will not make any amendments to the agreements governing any outstanding Subordinated Funding Obligations or Junior Subordinated Funding Obligations without the prior written consent of the Requisite Series 2017-1 Noteholders.

(f) The Issuer confirms that this Supplemental Indenture is a Warehouse Facility Agreement. The Issuer will not enter into any other Warehouse Facility Agreement creating Senior Funding Obligations without the prior written consent of the Requisite Series 2017-1 Noteholders unless the Commitment Expiry Date has occurred.

ARTICLE 8
AGENTS

8.1 Administrative Agent

(a) Each of the Non-Conduit Purchasers, CP Conduit Purchasers, the Group Banks and the Funding Agents hereby irrevocably designates and appoints the Administrative Agent as the agent of such Person under this Supplemental Indenture and irrevocably authorizes the Administrative Agent, in such capacity, to take such action on its behalf under the provisions of this Supplemental Indenture and to exercise such powers and perform such duties as are expressly delegated to the Administrative Agent by the terms of this Supplemental Indenture, together with such other powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary elsewhere in this Supplemental Indenture, the Administrative Agent shall not have any duties or responsibilities except those expressly set forth herein, or any fiduciary relationship with any Non-Conduit Purchaser, any CP Conduit Purchaser, any Group Bank or any Funding Agent, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Supplemental Indenture or otherwise exist against the Administrative Agent.

(b) The Administrative Agent may execute any of its duties under this Supplemental Indenture by or through agents or attorneys in fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Administrative Agent shall not be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by it with reasonable care.

(c) Neither the Administrative Agent nor any of its officers, directors, employees, agents, attorneys in fact or Affiliates shall be (i) liable for any action lawfully taken or omitted to be taken by it or such Person under or in connection with the Trust Indenture, this Supplemental Indenture or any other Program Agreement (except to the extent that any of the foregoing are found by a final and nonappealable decision of a court of competent jurisdiction to have resulted from its or such Person's own gross negligence or willful misconduct) or (ii) responsible in any manner to any of the Non-Conduit Purchasers, the CP Conduit Purchasers, the Group Banks or the Funding Agents for any recitals, statements, representations or warranties made by the Issuer, the IESO, the Manager or any officer thereof contained in this Supplemental Indenture or any other Program Agreement or in any certificate, report, statement or other document referred to or provided for in, or received by the Administrative Agent under or in connection with, this

Supplemental Indenture or any other Program Agreement or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Supplemental Indenture, any other Program Agreement, or for any failure of any of the Issuer, the Manager or the IESO to perform its obligations hereunder or thereunder. The Administrative Agent shall not be under any obligation to any Non-Conduit Purchaser, any CP Conduit Purchaser, any Group Bank or any Funding Agent to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Supplemental Indenture, any other Program Agreement or to inspect the properties, books or records of the Issuer, the Manager or the IESO.

(d) The Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any writing, resolution, notice, consent, certificate, affidavit, letter or telecopy message, statement, order or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, counsel to the Issuer, the Manager or the IESO), independent accountants and other experts selected by the Administrative Agent.

(e) The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Termination Event unless the Administrative Agent has received written notice from a Non-Conduit Purchaser, a CP Conduit Purchaser, a Group Bank, a Funding Agent, the Issuer or the Manager referring to the Trust Indenture or this Supplemental Indenture, describing such Termination Event and stating that such notice is a "notice of a Termination Event". In the event that the Administrative Agent receives such a notice, the Administrative Agent shall give notice thereof to the Non-Conduit Purchasers, the Funding Agents, the Issuer Trustee and the Manager.

(f) Each of the Non-Conduit Purchasers, the CP Conduit Purchasers, the Group Banks and the Funding Agents expressly acknowledges that neither the Administrative Agent nor any of its officers, directors, employees, agents, attorneys in fact or Affiliates has made any representations or warranties to it and that no act by the Administrative Agent hereinafter taken, including any review of the affairs of the Issuer, the Manager or the IESO shall be deemed to constitute any representation or warranty by the Administrative Agent to any such Person. Each of the Non-Conduit Purchasers, the CP Conduit Purchasers, the Group Banks and the Funding Agents represents to the Administrative Agent that it has, independently and without reliance upon the Administrative Agent or any other Non-Conduit Purchaser, CP Conduit Purchaser, Group Bank or Funding Agent and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, financial and other condition and creditworthiness of the Issuer, the Manager and the IESO and made its own decision to enter into this Supplemental Indenture. Each of the Non-Conduit Purchasers, the CP Conduit Purchasers, the Group Banks and the Funding Agents also represents that it will, independently and without reliance upon the Administrative Agent or any other Non-Conduit Purchaser, CP Conduit Purchaser, Group Bank or Funding Agent, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Supplemental Indenture and the other Program Agreements, and to make such investigation as it deems necessary to inform itself as to the business, operations, property, financial and other condition and creditworthiness of the Issuer, the Manager and the IESO. Except for notices, reports and other documents expressly required to be furnished to the Non-Conduit Purchasers and the Funding Agents by the Administrative Agent hereunder, the Administrative Agent shall have no duty or responsibility to

provide any Non-Conduit Purchaser, any CP Conduit Purchaser, any Group Bank or any Funding Agent with any credit or other information concerning the business, operations, property, condition (financial or otherwise), prospects or creditworthiness of the Issuer, the Manager or the IESO which may come into the possession of the Administrative Agent or any of its officers, directors, employees, agents, attorneys in fact or Affiliates.

(g) The Administrative Agent and its Affiliates may make loans to, accept deposits from and generally engage in any kind of business with the Issuer, the Manager and the IESO as though the Administrative Agent were not the Administrative Agent hereunder. With respect to any Series 2017-1 Senior Note held by the Administrative Agent, the Administrative Agent shall have the same rights and powers under this Supplemental Indenture and the other Program Agreements as any Group Bank or Funding Agent and may exercise the same as though it were not the Administrative Agent, and the terms "Group Bank," and "Funding Agent" shall include the Administrative Agent in its individual capacity.

(h) The Administrative Agent may resign as Administrative Agent at any time by giving 30 days' notice to the Non-Conduit Purchasers, the Funding Agents, the Indenture Trustee, the Issuer and the Manager. If ● shall resign as Administrative Agent under this Supplemental Indenture, then the Requisite Series 2017-1 Noteholders shall appoint a successor administrative agent from among the Non-Conduit Purchasers and Funding Agents, whereupon such successor agent shall succeed to the rights, powers and duties of the Administrative Agent, and the term "Administrative Agent" shall mean such successor agent effective upon such appointment and approval, and the former Administrative Agent's rights, powers and duties as Administrative Agent shall be terminated, without any other or further act or deed on the part of such former Administrative Agent or any of the parties to this Supplemental Indenture. If no successor administrative agent has accepted appointment as Administrative Agent prior to the effective date of the resignation of the Administrative Agent, the retiring Administrative Agent may appoint, after consulting with the Non-Conduit Purchasers and the Funding Agents, a successor Administrative Agent from among the Non-Conduit Purchasers and the Funding Agents. If no successor administrative agent has accepted appointment by the date which is thirty (30) days following a retiring Administrative Agent's notice of resignation, the retiring Administrative Agent's resignation shall nevertheless thereupon become effective and Manager shall assume and perform all of the duties of the Administrative Agent hereunder until such time, if any, as the Requisite Series 2017-1 Noteholders appoint a successor administrative agent as provided for above. After any retiring Administrative Agent's resignation as Administrative Agent, the provisions of this Article 8 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Supplemental Indenture.

8.2 Funding Agents

(a) Each CP Conduit Purchaser and each Group Bank with respect to such CP Conduit Purchaser hereby irrevocably designates and appoints the Funding Agent set forth next to such CP Conduit Purchaser's name on Schedule E as the agent of such Person under this Supplemental Indenture and irrevocably authorizes such Funding Agent, in such capacity, to take such action on its behalf under the provisions of this Supplemental Indenture and to exercise such powers and perform such duties as are expressly delegated to such Funding Agent by the terms of this Supplemental Indenture, together with such other powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary elsewhere in this Supplemental Indenture, each Funding Agent shall not have any duties or responsibilities except those

expressly set forth herein, or any fiduciary relationship with any CP Conduit Purchaser or Group Bank and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Supplemental Indenture or otherwise exist against each Funding Agent.

(b) Each Funding Agent may execute any of its duties under this Supplemental Indenture by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. Each Funding Agent shall not be responsible to the CP Conduit Purchaser or any Group Bank in its CP Conduit Purchaser Group for the negligence or misconduct of any agents or attorneys in fact selected by it with reasonable care.

(c) Each Funding Agent and any of its officers, directors, employees, agents, attorneys in fact or Affiliates shall not be (i) liable for any action lawfully taken or omitted to be taken by it or such Person under or in connection with the Trust Indenture, this Supplemental Indenture or any other Program Agreement (except to the extent that any of the foregoing are found by a final and nonappealable decision of a court of competent jurisdiction to have resulted from its or such Person's own gross negligence or willful misconduct) or (ii) responsible in any manner to any of the CP Conduit Purchasers and/or Group Banks for any recitals, statements, representations or warranties made by the Issuer, the Manager or the IESO, or any officer thereof contained in this Supplemental Indenture or any other Program Agreement or in any certificate, report, statement or other document referred to or provided for in, or received by such Funding Agent under or in connection with, this Supplemental Indenture or any other Program Agreement or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Supplemental Indenture, any other Program Agreement, or for any failure of any of the Issuer, the Manager or the IESO to perform its obligations hereunder or thereunder. Each Funding Agent shall not be under any obligation to the CP Conduit Purchaser or any Group Bank in its CP Conduit Purchaser Group to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Supplemental Indenture, any other Program Agreement or to inspect the properties, books or records of the Issuer, the Manager or the IESO.

(d) Each Funding Agent shall be entitled to rely, and shall be fully protected in relying, upon any writing, resolution, notice, consent, certificate, affidavit, letter or telecopy message, statement, order or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, counsel to the Issuer, the Manager or the IESO), independent accountants and other experts selected by such Funding Agent. Each Funding Agent shall be fully justified in failing or refusing to take any action under this Supplemental Indenture or any other Program Agreement unless it shall first receive such advice or concurrence of the Related Purchaser Group, as it deems appropriate or it shall first be indemnified to its satisfaction by the Related Purchaser Group against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action.

(e) Each Funding Agent shall not be deemed to have knowledge or notice of the occurrence of any Termination Event unless such Funding Agent has received written notice from a Non-Conduit Purchaser, a CP Conduit Purchaser, a Group Bank, the Issuer, the Manager or the Administrative Agent referring to the Trust Indenture or this Supplemental Indenture, describing such Termination Event and stating that such notice is a "notice of a Termination Event," as the case may be. In the event that any Funding Agent receives such a notice, such Funding Agent shall give notice thereof to the CP Conduit Purchaser and Group Bank in its CP Conduit Purchaser Group. Such Funding Agent shall take such action with respect to such event as shall

be reasonably directed by the CP Conduit Purchaser and Group Bank in its CP Conduit Purchaser Group, provided that unless and until such Funding Agent shall have received such directions, such Funding Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such event as it shall deem advisable in the best interests of the CP Conduit Purchaser and Group Bank in its CP Conduit Purchaser Group.

(f) Each CP Conduit Purchaser and each of the related Group Banks expressly acknowledge that neither its Funding Agent nor any of its officers, directors, employees, agents, attorneys in fact or Affiliates has made any representations or warranties to it and that no act by such Funding Agent hereinafter taken, including any review of the affairs of the Issuer, the Manager or the IESO shall be deemed to constitute any representation or warranty by such Funding Agent to any such Person. Each CP Conduit Purchaser and each of the related Group Banks represents to its Funding Agent that it has, independently and without reliance upon such Funding Agent and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, financial and other condition and creditworthiness of the Issuer, the Manager and the IESO and made its own decision to enter into this Supplemental Indenture. Each CP Conduit Purchaser and each of the related Group Banks also represents that it will, independently and without reliance upon its Funding Agent and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Supplemental Indenture and the other Program Agreements, and to make such investigation as it deems necessary to inform itself as to the business, operations, property, financial and other conditions and creditworthiness of the Issuer, the Manager and the IESO.

(g) Each Group Bank in a CP Conduit Purchaser Group agrees to indemnify its Funding Agent in its capacity as such (to the extent not reimbursed by the Issuer and without limiting the obligation of the Issuer to do so), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind whatsoever which may at any time be imposed on, incurred by or asserted against such Funding Agent in any way relating to or arising out of this Supplemental Indenture, any of the other Program Agreements or any documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby or any action taken or omitted by such Funding Agent under or in connection with any of the foregoing; provided that no Group Bank shall be liable for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements that are found by a final and nonappealable decision of a court of competent jurisdiction to have resulted from such related Funding Agent's gross negligence or willful misconduct. The agreements in this Section shall survive the payment of all amounts payable hereunder.

ARTICLE 9
GENERAL

9.1 Successor and Assigns

(a) This Supplemental Indenture shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that (i) the Issuer may not assign or transfer any of its rights under this Supplemental Indenture without the prior written consent of all of the Series 2017-1 Noteholders; (ii) no Non-Conduit Purchaser may assign or transfer any of its rights under this Supplemental Indenture other than pursuant to paragraph (e) or (f) below;

(iii) no CP Conduit Purchaser may assign or transfer any of its rights under this Supplemental Indenture other than to the Group Bank with respect to such CP Conduit Purchaser or a Program Support Provider with respect to such CP Conduit Purchaser or pursuant to clause (b) or (e) below of this Section 9.1; and (iv) no Group Bank may assign or transfer any of its rights or obligations under this Supplemental Indenture except to a Program Support Provider or pursuant to clause (c), (d) or (e) below of this Section 9.1.

(b) Without limiting the foregoing, each CP Conduit Purchaser may assign all or a portion of the Purchaser Group Principal Amount with respect to such CP Conduit Purchaser and its rights and obligations under this Supplemental Indenture to a Conduit Assignee with respect to such CP Conduit Purchaser. Prior to or concurrently with the effectiveness of any such assignment (or if impracticable, immediately thereafter), the assigning CP Conduit Purchaser shall notify the Administrative Agent and the Issuer. Upon such assignment by a CP Conduit Purchaser to a Conduit Assignee, (i) such Conduit Assignee shall be the owner of the Purchaser Group Principal Amount or such portion thereof with respect to such CP Conduit Purchaser; (ii) the related administrative or managing agent for such Conduit Assignee will act as the administrative agent for such Conduit Assignee hereunder, with all corresponding rights and powers, express or implied, granted to the Funding Agent hereunder; (iii) such Conduit Assignee and its liquidity support provider(s) and credit support provider(s) and other related parties shall have the benefit of all the rights and protections provided to such CP Conduit Purchaser herein (including, without limitation, any limitation on recourse against such Conduit Assignee as provided in this paragraph); (iv) such Conduit Assignee shall assume all of such CP Conduit Purchaser's obligations, if any, hereunder with respect to such portion of the Purchaser Group Principal Amount and such CP Conduit Purchaser shall be released from such obligations; (v) all distributions in respect of the Purchaser Group Principal Amount or such portion thereof with respect to such CP Conduit Purchaser shall be made to the applicable agent or administrative agent, as applicable, on behalf of such Conduit Assignee; and (vi) if requested by the Administrative Agent or the agent or administrative agent with respect to the Conduit Assignee, the parties will execute and deliver such further agreements and documents and take such other actions as the Administrative Agent or such agent or administrative agent may reasonably request to evidence and give effect to the foregoing. No assignment by any CP Conduit Purchaser to a Conduit Assignee of the Purchaser Group Principal Amount with respect to such CP Conduit Purchaser shall in any way diminish the obligations of the Group Bank with respect to such CP Conduit Purchaser under Section 3.3 to fund any Increase.

(c) Any Group Bank may, in the ordinary course of its business and in accordance with applicable law, at any time sell all or any part of its rights and obligations under this Supplemental Indenture and the Series 2017-1 Senior Notes, with the prior written consent of the Administrative Agent and the Issuer (in each case, which consent shall not be unreasonably withheld), to one or more banks (an "**Acquiring Group Bank**") pursuant to a transfer supplement, substantially in the form of Exhibit H (the "**Transfer Supplement**"), executed by such Acquiring Group Bank, such assigning Group Bank, the Funding Agent with respect to such Group Bank, the Administrative Agent and the Issuer and delivered to the Administrative Agent. Notwithstanding the foregoing, no Group Bank shall so sell its rights hereunder if such Acquiring Group Bank is not an Eligible Assignee.

(d) Any Group Bank may, in the ordinary course of its business and in accordance with applicable law, at any time sell to one or more financial institutions or other entities ("**Group**

Bank Participants") participations in its Commitment Amount with respect to its related CP Conduit Purchaser Group, its Series 2017-1 Senior Note and its rights hereunder pursuant to documentation in form and substance satisfactory to such Group Bank and the Group Bank Participant; provided, however, that (i) in the event of any such sale by a Group Bank to a Group Bank Participant, (A) such Group Bank's obligations under this Supplemental Indenture shall remain unchanged, (B) such Group Bank shall remain solely responsible for the performance thereof, and (C) the Issuer and the Administrative Agent shall continue to deal solely and directly with such Group Bank in connection with its rights and obligations under this Supplemental Indenture; and (ii) no Group Bank shall sell any participating interest under which the Group Bank Participant shall have rights to approve any amendment to, or any consent or waiver with respect to, this Supplemental Indenture, the Trust Indenture or any Program Agreement, except to the extent that the approval of such amendment, consent or waiver otherwise would require the unanimous consent of all Group Banks hereunder. A Group Bank Participant shall have the right to receive compensation pursuant to Section 3.11 but only to the extent that the related selling Group Bank would have had such right absent the sale of the related participation and, with respect to amounts due pursuant to Section 3.11, only to the extent such Group Bank Participant shall have complied with the provisions of Section 3.11 as if such Group Bank Participant were a Group Bank.

(e) Any CP Conduit Purchaser and the Group Bank with respect to such CP Conduit Purchaser may at any time sell all or any part of their respective rights and obligations, and any Non-Conduit Purchaser may at any time sell all or any part of its rights and obligations, under this Supplemental Indenture and the Series 2017-1 Senior Notes, with the prior written consent of the Administrative Agent and the Issuer (in each case, which consent shall not be unreasonably withheld), (x) to a multi-seller commercial paper conduit and one or more banks providing support to such multi-seller commercial paper conduit, or (y) to a financial institution or other entity (an "**Acquiring Purchaser Group**") pursuant to a transfer supplement, substantially in the form of Exhibit I (the "**Purchaser Group Supplement**"), executed by such Acquiring Purchaser Group (including the CP Conduit Purchaser and the Group Banks, if any, with respect to such Acquiring Purchaser Group), the Funding Agent, if any, with respect to such Acquiring Purchaser Group, such assigning Purchaser Group (including the Group Banks, if any, with respect to such assigning Purchaser Group), the Funding Agent, if any, with respect to such assigning Purchaser Group and the Administrative Agent and the Issuer and delivered to the Administrative Agent.

(f) Any Non-Conduit Purchaser may, in the ordinary course of its business and in accordance with applicable law, at any time sell to one or more financial institutions or other entities ("**Non-Conduit Purchaser Participants**") participations in its Commitment, its Series 2017-1 Senior Note and its rights hereunder pursuant to documentation in form and substance satisfactory to such Non-Conduit Purchaser and the Non-Conduit Purchaser Participant; provided, however, that (i) in the event of any such sale by a Non-Conduit Purchaser to a Non-Conduit Purchaser Participant, (A) such Non-Conduit Purchaser's obligations under this Supplemental Indenture shall remain unchanged, (B) such Non-Conduit Purchaser shall remain solely responsible for the performance thereof, and (C) the Issuer and the Administrative Agent shall continue to deal solely and directly with such Non-Conduit Purchaser in connection with its rights and obligations under this Supplemental Indenture; and (ii) no Non-Conduit Purchaser shall sell any participating interest under which the Non-Conduit Purchaser Participant shall have rights to approve any amendment to, or any consent or waiver with respect to, this Supplemental

Indenture, the Trust Indenture or any Program Agreement, except to the extent that the approval of such amendment, consent or waiver otherwise would require the unanimous consent of all Series 2017-1 Noteholders hereunder. A Non-Conduit Purchaser Participant shall have the right to receive compensation under Section 3.11 but only to the extent that the related selling Non-Conduit Purchaser would have had such right absent the sale of the related participation and, with respect to amounts due pursuant to Section 3.11, only to the extent such Non-Conduit Purchaser Participant shall have complied with the provisions of Section 3.11 as if such Non-Conduit Purchaser Participant were a Non-Conduit Purchaser.

(g) The Issuer authorizes each Group Bank and Non-Conduit Purchaser to disclose to any Group Bank Participant, Acquiring Group Bank, Non-Conduit Purchaser Participant or Acquiring Purchaser Group (each, a "**Transferee**") and any prospective Transferee any and all financial information in such Group Bank's or Non-Conduit Purchaser's possession concerning the Issuer, the Issuer Investment Asset and the Program Agreements which has been delivered to such Group Bank by the Issuer or the Manager in connection with such Group Bank's credit evaluation of the Issuer and the Issuer Investment Asset.

(h) Notwithstanding any other provision of this Supplemental Indenture to the contrary, any Non-Conduit Purchaser, any Group Bank or any Program Support Provider may at any time pledge or grant a security interest in all or any portion of its rights under its Series 2017-1 Senior Note and this Supplemental Indenture to secure obligations of such Non-Conduit Purchaser, such Group Bank or such Program Support Provider to a Federal Reserve Bank or the Bank of Canada, without notice to or consent of the Administrative Agent, the Issuer or the Administrator; provided that no such pledge or grant of a security interest shall release a Non-Conduit Purchaser or an Group Bank from any of its obligations hereunder or substitute any such pledgee or grantee for such Non-Conduit Purchaser or such Group Bank as a party hereto.

9.2 Waiver

Without limiting the requirements of Section 11.02 of the Trust Indenture which shall be applicable to this Supplemental Indenture, no waiver of any provision of this Supplemental Indenture or consent to any departure by the Issuer from any provision of this Supplemental Indenture will be effective (in whole or in part) unless in writing and signed by the Requisite Series 2017-1 Noteholders. Such waiver will be effective only in the specific instance, for the specific purpose and for the specific length of time for which it is given by the Requisite Series 2017-1 Noteholders.

9.3 Notice

All notices, requests, instructions and demands to or upon any party hereto to be effective shall be given (a) in the case of the Issuer and the Indenture Trustee, in the manner set forth in Article 16 of the Trust Indenture; and (b) in the case of the Administrative Agent, the Non-Conduit Purchasers, the CP Conduit Purchasers, the Group Banks and the Funding Agents, in writing, and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when delivered by hand or three days after being deposited in the mail, postage prepaid, in the case of facsimile notice, when received, or in the case of overnight air courier, one Business Day after the date such notice is delivered to such overnight courier, addressed as follows in the case of the Administrative Agent and to the addresses therefor set forth in Schedule E, in the case of the Non-Conduit Purchasers, the CP Conduit Purchasers, the Group

Banks and the Funding Agents; or to such other address as may be hereafter notified by the respective parties hereto:

Administrative Agent:

●

9.4 No Waiver: Remedies

No failure on the part of any party to exercise, and no delay in exercising, any power, right or remedy hereunder will operate as a waiver thereof; nor will any single or partial exercise of any such power, right or remedy hereunder preclude any other or further exercise thereof or the exercise of any other power, right or remedy. The rights and remedies herein provided are cumulative and not exclusive of any remedies provided by applicable law.

9.5 Entire Agreement

This Supplemental Indenture, the Fee Letter, the Trust Indenture and the other Program Agreements contain the entire agreement between the parties relative to the subject matter hereof and supersede all prior and contemporaneous agreements, term sheets, commitments, understandings, negotiations and discussions, whether oral or written. There are no warranties, representations or other agreements between the parties in connection with the subject matter hereof except as specifically set forth in this Supplemental Indenture, the Fee Letter, the Trust Indenture and the other Program Agreements.

9.6 Governing Law and Attornment

This Supplemental Indenture shall be governed by, and construed in accordance with, the laws of the Province of Ontario and the parties hereby attorn to the jurisdiction of the courts of Ontario.

9.7 Acknowledgment of Trust Indenture and No Proceedings

The Administrative Agent, each Non-Conduit Purchaser, each CP Conduit Purchaser, each Group Bank and each Funding Agent hereby acknowledges and agrees in favour of the Indenture Trustee that it is a Specified Creditor under the Trust Indenture and its entitlements as a Specified Creditor are subject to the provisions applicable to Specified Creditors under the Trust Indenture including, without limitation, Section 7.06 (Payments Held in Trust), Section 8.12 (Limitation on Suits), Sections 7.04 and 8.13 (Payment Priorities), Section 8.15 (Limited Recourse) and Section 17.01 (No Petition).

9.8 Expenses

The Issuer agrees to pay on demand (a) to the Indenture Trustee, the Administrative Agent and the Purchaser Groups all reasonable costs and expenses in connection with the preparation, execution, and delivery of this Supplemental Indenture and the other documents to be delivered hereunder or in connection herewith, including, the reasonable fees and out-of-pocket expenses of counsel for the Administrative Agent and the Purchaser Groups, with respect thereto, and the reasonable fees and out-of-pocket expenses incurred by the CP Conduit Purchasers in connection

with the review by each rating agency then rating the Commercial Paper of such CP Conduit Purchaser of the transactions contemplated by this Supplemental Indenture and the Program Agreements; (b) to the Indenture Trustee, the Administrative Agent and each Purchaser Group all reasonable costs and expenses in connection with any amendments of or waivers or consents under this Supplemental Indenture or the Program Agreements, including in each case the reasonable fees and out-of-pocket expenses of counsel with respect thereto, and the reasonable fees and out-of-pocket expenses incurred by the CP Conduit Purchasers in connection with the review by any rating agency then rating the Commercial Paper of such CP Conduit Purchasers; and (c) to the Indenture Trustee, the Administrative Agent and each Purchaser Group, on demand, all reasonable costs and expenses (including reasonable fees and expenses of counsel to the Administrative Agent and each Purchaser Group), if any, in connection with the enforcement of this Supplemental Indenture or any of the Program Agreements, and the other documents delivered thereunder or in connection therewith.

9.9 Further Assurances

Each of the parties hereto upon the request of the other party or parties hereto shall do, execute, acknowledge and deliver or cause to be done, executed acknowledged or delivered all such further acts, deeds, documents, assignments, transfers, conveyances, powers of attorney and assurances as may be reasonably necessary or desirable to effect or complete the consummation of the transactions contemplated by this Supplemental Indenture.

9.10 Confidentiality

(a) Each Purchaser Group and the Administrative Agent covenants and agrees that any Nonpublic Information (as defined herein) obtained by it pursuant to this Supplemental Indenture and the other Program Agreements shall be held in confidence except that the Purchaser Groups or Administrative Agent may disclose such information (i) pursuant to the order of any court or administrative agency or in any pending legal or administrative proceeding (whether or not having the force or effect of law) provided that, unless prohibited by applicable law, a Purchaser Group or the Administrative Agent, as applicable, shall provide prompt notice of such order to the affected party; (ii) upon the request or demand of any regulatory authority having or claiming jurisdiction over any Purchaser Group or the Administrative Agent; (iii) as required by applicable law; (iv) to the extent that such information becomes publicly available other than by reason of improper disclosure by a Purchaser Group or the Administrative Agent; (v) to its affiliates, officers, directors, employees, legal counsel, independent auditors, accountants, advisors, investors, potential investors, commercial paper dealers, providers of surety, guaranty, credit or liquidity enhancement (including the directors, officers and accountants of such surety, guaranty, credit or liquidity enhancement provider), legal counsel of any of the foregoing and other experts or agents who need to know such information and are informed of the confidential nature of such information (provided that the Persons permitted to make such disclosures under clauses (i), (ii) and (iii) of this Section 9.10 shall also include credit or liquidity enhancers of a CP Conduit Purchaser); (vi) for purposes of establishing a "due diligence" defense; (vii) which was available to a Purchaser Group or the Administrative Agent on a non-confidential basis from a source other than the affected party, provided that such source was not to the knowledge of the Purchaser Group or the Administrative Agent, as applicable, bound by a confidentiality agreement with the affected party; (viii) has been independently acquired or developed by a Purchaser Group or the Administrative Agent without violating any of the Purchaser Group's or the Administrative Agent's obligations under this Supplemental Indenture; (ix) if such disclosure

has been approved in writing in advance by the Issuer or the Manager; or (x) regarding the existence of this Supplemental Indenture, but not the financial terms thereof.

(b) The Issuer covenants and agrees to hold in confidence, and not disclose to any Person, the terms of this Supplemental Indenture (including any fees payable in connection with this Supplemental Indenture or the identity of any CP Conduit Purchaser under this Supplemental Indenture), except as the applicable Purchaser Group may have consented to in writing prior to any proposed disclosure and except (i) it may also disclose such information (A) to its officers, employees, agents and legal advisors who are directly involved in the consideration of this Supplemental Indenture (and then only on a confidential basis), (B) as required by applicable law or compulsory legal process, and (C) as expressly permitted by the terms of the Program Agreements; provided, that, in the case of clause (B), the Issuer will use all reasonable efforts to maintain confidentiality and will (unless otherwise prohibited by law) notify the affected Administrative Agent or Purchaser Group of its intention to make any such disclosure prior to making such disclosure; and (ii) it may also disclose the existence (but not the financial terms) of this Supplemental Indenture, including to any actual or prospective purchaser of other Notes.

9.11 Acknowledgement and Consent to Bail-In of EEA Financial Institutions

Notwithstanding anything to the contrary in this Supplemental Indenture or in any other Program Agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any EEA Financial Institution arising under this Supplemental Indenture or any other Program Agreement, to the extent such liability is unsecured, may be subject to the write-down and conversion powers of an EEA Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

(a) the application of any Write-Down and Conversion Powers by an EEA Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an EEA Financial Institution; and

(b) the effects of any Bail-in Action on any such liability, including, if applicable

(i) a reduction in full or in part or cancellation of any such liability;

(ii) a conversion of all, or a portion of, such liability into shares or other instruments or ownership in such EEA Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Supplemental Indenture or any other Facility Agreement; or

(iii) the variation of the terms of such liability in connection with the exercise of the write-down and conversion powers of any EEA Resolution Authority.

9.12 Limitation of Liability of Issuer Trustee

Each party hereto other than the Issuer acknowledges that the Issuer is a trust, and that ● Trust Company of Canada is the Issuer Trustee. The other parties hereto agree that the Issuer Trustee will not be subject to any liability whatsoever to them, in tort, contract or otherwise, in

connection with the Issuer's assets or the trust activities, for any action taken or permitted by it to be taken, or for its failure to take any action; provided that the foregoing limitation will not apply in respect of any action or failure to act arising from or in connection with wilful misconduct, negligence or reckless disregard of a duty by the Issuer Trustee. The Issuer Trustee in doing anything or permitting anything to be done in respect of assets or the trust activities is, and shall be conclusively deemed to be, acting as trustee of the Issuer and not in any other capacity. Except as to the extent provided in this Section 9.12, the Issuer Trustee will not be subject to any debts, liabilities, obligations, claims, demands, judgments, costs, charges or expenses against or with respect to the Issuer, arising out of anything done or permitted by it to be done or its failure to take any action in respect of the Issuer's assets or the trust activities and resort will be had solely to the Collateral for the payment or performance thereof. No property or assets of the Issuer Trustee, whether owned in its personal capacity or otherwise, will be subject to levy, execution or other enforcement procedure with regard to any obligation under this Supplemental Indenture. Nothing contained in this Section 9.12 shall be construed so as to limit the liability of the Issuer under this Supplemental Indenture. This Supplemental Indenture, and every deed, transfer, assignment, agreement or other instrument made pursuant hereto including, without limitation, the Series 2017-1 Senior Notes, made or purporting to be made by or creating an obligation of the Issuer or the Issuer Trustee on behalf of, or as trustee of, the Issuer shall be deemed and construed for all purposes as if made by the Issuer Trustee, in and only in its capacity as trustee of the Issuer. Any obligations of the Issuer Trustee hereunder or thereunder are non-recourse to the Issuer Trustee in its personal capacity.

9.13 Execution in Counterparts

This Supplemental Indenture may be executed in several counterparts, each of which when so executed shall be deemed to be an original and the counterparts together shall constitute one and the same instrument. This Supplemental Indenture may be executed and delivered by facsimile or other electronic transmission of a manually signed counterpart.

9.14 Delivery of Executed Copies

Each party acknowledges delivery of an executed copy of this Supplemental Indenture.

[signature page follows]

IN WITNESS WHEREOF the parties hereto have duly executed this Trust Indenture as of the date first above written.

● **TRUST**, by ● **TRUST COMPANY OF CANADA**, as Issuer Trustee

By: _____
Name:
Title:

By: _____
Name:
Title:

● **TRUST COMPANY OF CANADA**, as Indenture Trustee

By: _____
Name:
Title:

By: _____
Name:
Title:

●,

By: _____
Name:
Title:

[NTD: Detailed signing pages to be prepared.]

SCHEDULE A

DEFINITIONS

"**Acceleration Event**" means the outstanding Dollar Principal Amount of all Funding Obligations of the Series 2017-1 Senior Notes have been declared or automatically become due and payable pursuant to Section 8.02 of the Trust Indenture.

"**Administrative Agent**" shall have the meaning specified in the preamble to this Supplemental Indenture.

"**Affected Party**" means any Non-Conduit Purchaser, CP Conduit Purchaser and any Program Support Provider with respect to any CP Conduit Purchaser.

"**Applicable Margin**" is defined in the Fee Letter.

"**Bail-In Action**" shall mean the exercise of any Write-Down and Conversion Powers by the applicable EEA Resolution Authority in respect of any liability of an EEA Financial Institution.

"**Bail-In Legislation**" shall mean, with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule.

"**Basel II**" means the revised Basel Accord prepared by the Basel Committee on Banking Supervision as set out in the publication entitled "International Convergence of Capital Measurements and Capital Standards: a Revised Framework," as updated from time to time, and any rules, regulations, guidance, requests, interpretations or directives from any Official Body relating thereto (whether or not having the force of law).

"**Basel III**" means the revised Basel Accord prepared by the Basel Committee on Banking Supervision as set out in the publication entitled "A Global Regulatory Framework for More Resilient Banks and Banking Systems" developed by the Basel Committee on Banking Supervision, initially published in December 2010, as updated from time to time, and any rules, regulations, guidance, requests, interpretations or directives from any Official Body relating thereto (whether or not having the force of law).

"**Cash Reserve Required Deposit Amount**" means, on any day, the amount by which the balance on deposit in the Series 2017-1 Cash Reserve Account is less than the Series 2017-1 Cash Reserve Required Amount.

"**CDOR**" means, on any day, an annual rate of interest equal to the average rate applicable to Canadian dollar bankers' acceptances for a 1 month period appearing on the "Reuters Screen CDOR Page" (as defined in the International Swaps and Derivatives Association, Inc. 2000 definitions, as modified and amended from time to time) at approximately 10:00 a.m. on such day, or if such day is not a Business Day, then on the immediately preceding Business Day, provided that if such rate does not appear on the Reuters Screen CDOR Page on such day as contemplated, then CDOR on such day shall be calculated as the average of the rates for such

period applicable to Canadian dollar bankers' acceptances quoted by the banks listed in Schedule I of the *Bank Act* (Canada) as of 10:00 a.m. on such day or, if such day is not a Business Day, then on the immediately preceding Business Day.

"**CEA Decrease**" is defined in Section 3.4(a).

"**Code**" is defined in Section 3.10(a).

"**Commercial Paper**" means, with respect to any CP Conduit Purchaser, the promissory notes issued by, or for the benefit of, such CP Conduit Purchaser in the commercial paper market.

"**Commitment**" means, with respect to (a) the Group Bank included in any CP Conduit Purchaser Group, the obligation of such Group Bank to purchase a Series 2017-1 Senior Note on the Series 2017-1 Closing Date and, thereafter, to maintain and, subject to certain conditions, increase the Purchaser Group Principal Amount with respect to such CP Conduit Purchaser Group, in each case, in an amount up to the Maximum Purchaser Group Principal Amount with respect to such CP Conduit Purchaser Group; or (b) any Non-Conduit Purchaser Group, the obligation of the Related Non-Conduit Purchaser to purchase a Series 2017-1 Senior Note on the Series 2017-1 Closing Date and, thereafter, to maintain and, subject to certain conditions, increase the Purchaser Group Principal Amount with respect to such Non-Conduit Purchaser Group, in each case, in an amount up to the Maximum Purchaser Group Principal Amount with respect to such Non-Conduit Purchaser Group.

"**Commitment Expiry Date**" means the earlier of (a) the Scheduled Commitment Expiry Date; and (b) the date on which an Event of Default shall have been declared or automatically occurred.

"**Commitment Fee**" is defined in Section 3.6(b).

"**Commitment Fee Rate**" is defined in the Fee Letter.

"**Commitment Percentage**" means, on any date of determination, with respect to any Purchaser Group, the ratio, expressed as a percentage, which such Purchaser Group's Maximum Purchaser Group Principal Amount bears to the Series 2017-1 Maximum Principal Amount on such date.

"**Conduit Assignee**" means, with respect to any CP Conduit Purchaser, any commercial paper conduit administered by the Funding Agent with respect to such CP Conduit Purchaser and designated by such Funding Agent to accept an assignment from such CP Conduit Purchaser of the Purchaser Group Principal Amount or a portion thereof with respect to such CP Conduit Purchaser pursuant to Section 9.1(b).

"**CP Conduit Funded Amount**" means, with respect to any CP Conduit Purchaser Group for any day, the portion of the Purchaser Group Principal Amount with respect to such CP Conduit Purchaser Group funded by the CP Conduit Purchaser in respect of such CP Conduit Purchaser Group.

"**CP Conduit Purchaser**" means each commercial paper conduit listed on Schedule E or party to a Purchaser Group Supplement pursuant to which such commercial paper conduit became a party to this Supplemental Indenture

"**CP Conduit Purchaser Group**" means, collectively, a CP Conduit Purchaser and the Group Bank with respect to such CP Conduit Purchaser.

"**CP Conduit Rating Agencies**" means, with respect to any CP Conduit Purchaser, each of DBRS and Moody's and any other nationally recognized statistical rating organization which may, from time to time, rate the Commercial Paper of the CP Conduit Purchaser at the request of the CP Conduit Purchaser.

"**CP Rate**" means with respect to any CP Conduit Purchaser for any day during a Billing Period, the weighted average annual rate of interest applicable to all Commercial Paper of the CP Conduit Purchaser; and provided further that (x) any such Commercial Paper may be issued in either United States dollars or Canadian dollars with the appropriate market rate currency swap agreements being entered into to match such issuance to the funding requirements of such CP Conduit Purchaser, and (y) such weighted average annual rate of interest shall be calculated to reflect any costs incurred by such Purchaser in connection with such swap transactions or in connection with any redemption or repurchase transaction between such Purchaser and the holders of such commercial paper; provided that no amount shall be included in the calculation of the CP Rate which reflects any termination amounts payable by such CP Conduit Purchaser in respect of the early termination of any market rate currency swap referred to in this definition.

"**Decrease**" is defined in Section 3.4(a).

"**Decrease Amount**" is defined in Section 3.4(a).

"**Deferrable Increase Notice**" means a notice of Increase that provides that a Delayed Funding Notice may be provided by any Purchaser Group with respect to such Increase in accordance with Section 3.3(e).

"**Delayed Amount**" is defined in Section 3.3(e).

"**Delayed Funding Date**" is defined in Section 3.3(e).

"**Delayed Funding Notice**" is defined in Section 3.3(e).

"**Delayed Funding Purchaser Group**" is defined in Section 3.3(e).

"**Delayed Funding Reimbursement Amount**" means, with respect to any Delayed Amount of a Delayed Funding Purchaser Group funded by Non-Delayed Funding Purchaser Groups on an Increase Date, an amount equal to the excess, if any, of (a) such Delayed Amount; over (b) the amount, if any, by which the portion of any principal payment made by the Issuer to such Non-Delayed Funding Purchaser Group pursuant to Section 3.7 on any date during the period from and including such Increase Date to but excluding the Delayed Funding Date for such Delayed Amount, was greater than what it would have been had such Delayed Amount been funded by such Delayed Funding Purchaser Group on such Increase Date.

"**EEA Financial Institution**" shall mean (a) any credit institution or investment firm established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority; (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition; or (c) any financial institution established in an EEA Member Country which is a subsidiary of an institution described in clause (a) or (b) of this definition and is subject to consolidated supervision with its parent.

"**EEA Member Country**" shall mean any of the member states of the European Union, Iceland, Liechtenstein and Norway.

"**EEA Resolution Authority**" shall mean any public administrative authority or any person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

"**Eligible Assignee**" means a financial institution having short-term debt ratings of at least "A-1" from Standard & Poor's and "P-1" from Moody's.

"**EU Bail-In Legislation Schedule**" shall mean the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor person), as in effect from time to time.

"**Excluded Taxes**" shall have the meaning specified in Section 3.10(a) of this Supplemental Indenture.

"**Fee Letter**" means the letter dated the date hereof, from the Issuer addressed to the Administrative Agent, each Non-Conduit Purchaser and each of the CP Conduit Purchasers, the Funding Agents and the Group Banks, setting forth certain fees payable from time to time to the Purchaser Groups, as such letter may be amended or replaced from time to time.

"**Funding Agent**" means, with respect to each CP Conduit Purchaser and its CP Conduit Purchaser Group, the agent bank set forth opposite the name of such CP Conduit Purchaser on Schedule E or in the Purchaser Group Supplement pursuant to which such CP Conduit Purchaser became a party to this Supplemental Indenture.

"**Group Bank**" means, with respect to a CP Conduit Purchaser, the bank or other Person set forth opposite the name of such CP Conduit Purchaser on Schedule E or in the Purchaser Group Supplement pursuant to which such CP Conduit Purchaser became a party to this Supplemental Indenture and any assignee thereof, to the extent such assignee has assumed all or a portion of the Commitments of the Group Bank pursuant to a Transfer Supplement entered into in accordance with Section 9.1(c).

"**Group Bank Funded Amount**" means, with respect to any CP Conduit Purchaser Group for any day, the excess, if any, of the Purchaser Group Principal Amount with respect to such CP Conduit Purchaser Group over the CP Conduit Funded Amount with respect to such CP Conduit Purchaser Group for such day.

"**Group Bank Participants**" is defined in Section 9.1(d).

"**Increase**" is defined in Section 3.3(a).

"**Increase Amount**" is defined in Section 3.3(a).

"**Increase Date**" is defined in Section 3.3(a).

"**Increase Notice**" is defined in Section 3.3(a).

"**Issuer indemnified person**" is defined in Section 3.8

"**Manager Indemnity**" means an indemnity agreement from the Manager in favour of the Purchaser Groups, the Funding Agents and the Administrative Agent with respect to losses resulting from the failure of the Issuer to perform its obligations under the Program Agreements other than losses resulting from insufficient funds being transferred to the Issuer, in form and substance satisfactory to the Purchaser Groups, the Funding Agents and the Administrative Agent.

"**Maximum Purchaser Group Principal Amount**" means, with respect to (a) any CP Conduit Purchaser Group, the amount set forth opposite the name of the CP Conduit Purchaser included in such CP Conduit Purchaser Group on Schedule E or in the Purchaser Group Supplement pursuant to which such CP Conduit Purchaser Group became a party to this Supplemental Indenture; or (b) any Non-Conduit Purchaser Group, the amount set forth opposite the name of such Non-Conduit Purchaser Group on Schedule E or in the Purchaser Group Supplement pursuant to which such Non-Conduit Purchaser Group became a party to this Supplemental Indenture, in each case, as such amount may be increased or reduced from time to time as provided in Section 3.5.

"**Monthly Interest**" means, with respect to each Billing Period and:

(a) any CP Conduit Purchaser Group, the sum of:

(i) for each day during such Billing Period, the product of (x) the portion of the CP Conduit Funded Amount with respect to the CP Conduit Purchaser Group on such day funded through the issuance of Commercial Paper outstanding on such day, times (y) the sum of the CP Rate for such day plus the Applicable Margin, divided by (z) 365; plus

(ii) for each day during such Billing Period, the product of (x) the portion of the CP Conduit Funded Amount with respect to the CP Conduit Purchaser in such GP Conduit Purchaser Group on such day not funded through the issuance of Commercial Paper outstanding on such day, times (y) the sum of CDOR for such day plus the Applicable Margin, divided by (z) 365; plus

(iii) for each day during such Billing Period the product of (x) the Group Bank Funded Amount with respect to such Purchaser Group on such day, times (y) the sum of CDOR for such day plus the Applicable Margin, divided by (x) 365.

(b) any Non-Conduit Purchaser Group, the sum for each day during such Billing Period of the product of (i) the Purchaser Group Principal Amount with respect to such Non-

Conduit Purchaser Group on such day; times (ii) the sum of CDOR for such day plus the Applicable Margin, divided by (iii) 365

"**Monthly Interest, Fees and Other Amounts**" shall mean, for any Payment Date, the aggregate for all Purchaser Groups of the sum of (a) Monthly Interest for the related Billing Period for each Purchaser Group; plus (b) the Commitment Fee with respect to the related Billing Period for each Purchaser Group; plus (c) any amounts payable pursuant to a Purchaser Group hereunder including, without limitation, pursuant to Sections 3.8, 3.10, 3.11 and 9.8, for each Purchaser Group; plus (d) the Monthly Interest Shortfall for such Payment Date for each Purchaser Group.

"**Monthly Interest Shortfall**" means, for any Payment Date and a Purchaser Group, if the amount of the Monthly Interest, Fees and Other Amounts for the preceding Payment Date was greater than the amount distributed to the payment of such amounts pursuant to Section 3.6(f), an amount equal to the Monthly Interest, Commitment Fees and other amounts owing to such Purchaser Group which were unpaid on the preceding Payment Date plus interest on such unpaid amount for the period from the preceding Payment Date to the current Payment Date at a rate equal to the Prime Rate plus ●% per annum.

"**Non-Conduit Purchaser**" means each financial institution or other entity (other than a commercial paper conduit, Group Bank or Funding Agent) listed on Schedule E or party to a Purchaser Group Supplement pursuant to which such financial institution or entity became a party to this Supplemental Indenture.

"**Non-Conduit Purchaser Group**" means a Non-Conduit Purchaser.

"**Non-Conduit Purchaser Participants**" is defined in Section 9.1(f).

"**Non-Deferrable Draw Amount**" means, with respect to any Purchaser Group as of any Increase Date, an amount equal to the lesser of (a) the excess, if any, of (x) **[10]**% of the Maximum Purchaser Group Principal Amount with respect to such Purchaser Group over (y) the portion of any Increase Amounts funded by such Purchaser Group during the preceding thirty-five (35) days pursuant to a Non-Deferrable Increase Notice or, to the extent of any decrease pursuant to Section 3.3(e) in the Delayed Amount set forth in a Delayed Funding Notice delivered by such Purchaser Group, a Deferrable Increase Notice; and (b) the excess, if any, of (x) the Maximum Purchaser Group Principal Amount with respect to such Purchaser Group, over (y) the sum of (i) the Purchaser Group Principal Amount with respect to such Purchaser Group; and (ii) any unfunded Delayed Amounts with respect to such Purchaser Group, in each case as of such Increase Date. [**NTD: The percentage in (a)(x) above is intended to represent the non-deferrable amount.]**

"**Non-Deferrable Increase Notice**" means a notice of Increase that provides that a Delayed Funding Notice may not be provided by any Purchaser Group with respect to such Increase in accordance with Section 3.3(a).

"**Non-Delayed Funding Purchaser Group**" is defined in Section 3.3(f).

"**Optional Termination Date**" is defined in Section 3.4.

"**Optional Termination Notice**" is defined in Section 3.4.

["Other Taxes" means any and all current or future stamp or documentary taxes or other excise or property taxes, charges or similar levies arising from any payment made under this Supplemental Indenture, the Trust Indenture, or any other Program Agreement or from the execution, delivery or enforcement of, or otherwise with respect to, this Supplemental Indenture, the Trust Indenture or any other Program Agreement.]

"**Payment Date Waterfall Principal Amount**" means, in respect of the Series 2017-1 Notes:

(a) on any Payment Date that is a Decrease Date in respect of a CEA Decrease before the earlier of (i) the Series 2017-1 Principal Payment Due Date; and (ii) the occurrence of an Acceleration Event, the Decrease Amount of the CEA Decrease occurring on such Payment Date;

(b) on any Payment Date that is not a Decrease Date in respect of a CEA Decrease before the earlier of (i) the Series 2017-1 Principal Payment Due Date; and (ii) the occurrence of an Acceleration Event, nil; and

(c) on any Payment Date occurring on or after the earlier of (i) the Series 2017-1 Principal Payment Due Date; and (ii) the occurrence of an Acceleration Event, the Series 2017-1 Principal Amount.

"**Prime Rate**" means the annual rate of interest announced by ● from time to time as being its reference rate for the determination of interest rates on Canadian dollar denominated commercial loans made by it and commonly referred to by ● as its "prime rate."

["Privacy Laws" shall mean, collectively (a) *An Act Respecting the Protection of Personal Information in the Private Sector* (Quebec); (b) *Personal Information Protection and Electronic Documents Act* (Canada); (c) *Personal Information Protection Act* (British Columbia); and (d) such other similar statutes of Canada or any province in force from time to time and any principles of common or civil law applicable therein, which restrict, control, regulate or otherwise govern the collection, holding, use or communication of personal information.]

"**Pro Rata Share**" means, with respect to any Purchaser Group, on any date, the ratio, expressed as a percentage, which the Purchaser Group Principal Amount with respect to such Purchaser Group bears to the Series 2017-1 Principal Amount on such date.

"**Program Support Provider**" means, with respect to any CP Conduit Purchaser, the Group Bank with respect to such CP Conduit Purchaser and any other or additional Person now or hereafter extending credit, or having a commitment to extend credit to or for the account of, or to make purchases from, such CP Conduit Purchaser or issuing a letter of credit, surety bond or other instrument to support any obligations arising under or in connection with such CP Conduit Purchaser's securitization program.

"**Purchaser Group**" means a CP Conduit Purchaser Group or a Non-Conduit Purchaser Group.

"**Purchaser Group Increase Amount**" means, with respect to any Purchaser Group, for any Business Day, such Purchaser Group's Commitment Percentage of the Increase Amount, if any, on such Business Day.

"**Purchaser Group Principal Amount**" means, with respect to any Purchaser Group, (a) when used with respect to the Series 2017-1 Closing Date, such Purchaser Group's Commitment Percentage of the Series 2017-1 Initial Principal Amount; and (b) when used with respect to any other date, an amount equal to (i) the Purchaser Group Principal Amount with respect to such Purchaser Group on the immediately preceding Business Day; plus (ii) the Purchaser Group Increase Amount with respect to such Purchaser Group on such date; minus (iii) the amount of principal payments made to such Purchaser Group pursuant to Section 3.7(c) on such date. For the avoidance of doubt, (x) so long as any Purchaser Group has failed to fund any portion of its Purchaser Group Increase Amount with respect to any Increase Date (including any Delayed Amount), such unfunded amount shall not be included in the Purchaser Group Principal Amount for such Purchaser Group unless and until such amount has been funded (including by Funding any Delayed Funding Reimbursement Amount, if applicable), and (y) any Delayed Amounts funded on an Increase Date by a Non-Delayed Funding Purchaser Group shall be included in the Purchaser Group Principal Amount for such Non-Delayed Funding Purchaser Group until the related Delayed Funding Reimbursement Amount has been funded.

"**Purchaser Group Supplement**" is defined in Section 9.1(e).

"**Rating Agency Condition**" means, with respect to any action in respect of the Series 2017-1 Senior Notes subject to such condition, each of the CP Conduit Purchasers shall deliver written notice of the proposed action to the CP Conduit Rating Agencies at least 10 Business Days prior to the effective date of such action (or if 10 Business Days prior notice is impractical, such advance notice as is practicable) and the CP Conduit Rating Agencies (i) shall not have informed any CP Conduit Purchaser prior to the effective date of such action that such action will result in the reduction or withdrawal of the rating in effect with respect to the Commercial Paper of the CP Conduit Purchaser immediately before the taking of such action, or (ii) in the case of DBRS, or any successor thereto, when it is a CP Conduit Rating Agency, DBRS shall have informed each of the CP Conduit Purchasers in writing prior to the effective date of such action that such action will not result in the reduction or withdrawal of the rating of any Commercial Paper of such CP Conduit Purchasers immediately before the taking of such action. For purposes of the Trust Indenture, this Supplemental Indenture and the Master Transfer and Servicing Agreement, the Indenture Trustee shall receive, and shall be entitled to rely on, a certificate of a CP Conduit Purchaser confirming the satisfaction of the Rating Agency Condition.

"**Refinancing Decrease**" is defined in Section 3.4(a).

"**Refinancing Increase**" is defined in Section 3.3(a).

"**Regulatory Change**" shall mean (i) the adoption after the date hereof of any applicable law, rule or regulation (including any applicable law, rule or regulation regarding capital adequacy, deposits, reserves or liquidity coverage) or any change therein after the date hereof, (ii) any change after the date hereof in the interpretation, administration, scope or timing of implementation thereof by any governmental authority, central bank, self-regulating professional

body or comparable agency or authority charged with the interpretation or administration thereof, or compliance with any guidance, request or directive (whether or not having the force of law) of any such authority, central bank, self-regulating professional body or comparable agency or authority; provided that for purposes of this definition, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder, issued in connection therewith or in implementation thereof, and (y) all requests, rules, guidelines and directives (whether or not having the force of law) promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or Canadian or United States or other foreign regulatory authorities, shall in each case be deemed to be a "Regulatory Change", regardless of the date enacted, adopted, issued or implemented.

"**Related Non-Conduit Purchaser**" means, with respect to any Non-Conduit Purchaser Group, the Non-Conduit Purchaser that constitutes such Non-Conduit Purchaser Group.

"**Related Purchaser Group**" means, with respect to (a) any Funding Agent, the CP Conduit Purchaser identified next to such Funding Agent on Schedule E and the Group Bank identified on Schedule I next to such CP Conduit Purchaser or the CP Conduit Purchaser and Group Bank party to the Purchaser Group Supplement pursuant to which such Funding Agent became a party to this Supplemental Indenture; (b) any CP Conduit Purchaser, the CP Conduit Purchaser Group of which such CP Conduit Purchaser is a member; and (c) any Non-Conduit Purchaser, the Non-Conduit Purchaser Group that such Non-Conduit Purchaser constitutes.

"**Requisite Series 2017-1 Noteholders**" means Purchaser Groups having Commitment Percentages aggregating more than 50% (or if all Commitments have terminated, Purchaser Groups whose aggregate Purchaser Group Principal Amounts exceed 50% of the Series 2017-1 Principal Amount).

"**Scheduled Commitment Expiry Date**" means, ●, as such date may be extended in accordance with Section 3.5(c). [**NTD: two years out.]**

"**Series 2017-1 Cash Reserve Account**" is defined in Section 5.1.

"**Series 2017-1 Cash Reserve Required Amount**" means ●.

"**Series 2017-1 Closing Date**" is defined in Section 3.3(a).

"**Series 2017-1 Initial Principal Amount**" is defined in Section 3.3(a).

"**Series 2017-1 Maximum Principal Amount**" means, on any date of determination, the sum of the Maximum Purchaser Group Principal Amounts with respect to each of the Purchaser Groups on such date.

"**Series 2017-1 Noteholder**" means a Person in whose name a Series 2017-1 Senior Note is registered in the Note Register.

"**Series 2017-1 Principal Amount**" means, on any date of determination, the sum of the Purchaser Group Principal Amounts with respect to each of the Purchaser Groups on such date.

"**Series 2017-1 Principal Payment Due Date**" means ●. [**NTD: the date upon which the Series 2017-1 Senior Notes become due and payable – a date after May 1, 2021?**]

"**Series 2017-1 Principal Payment Default Date**" means ●. [**NTD: the "cure period" number of days after the Series 2017-1 Principal Payment Due Date when an Event of Default will occur if the Series 2017-1 Senior Notes are not paid in full.]**

"**Series 2017-1 Senior Note**" means any one of the Series 2017-1 Variable Funding Senior Notes, executed by the Issuer and authenticated and delivered by or on behalf of the Indenture Trustee, substantially in the form of Exhibit B.

"**Standard & Poor's**" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc.

"**Supplemental Indenture**" means this Amended and Restated Supplemental Indenture, together with the Schedules hereto, as amended, supplemented, modified, restated or replaced from time to time, together with all schedules hereto and the expressions "hereof," "herein," "hereto," "hereunder," "hereby" and similar expressions refer to this Supplemental Indenture and not to any Article, Section, paragraph, subparagraph or clause hereof.

"**Support Facility**" shall mean any liquidity or credit support agreement with a CP Conduit Purchaser which relates to, or is otherwise available to such CP Conduit Purchaser in relation to its funding activities under, this Supplemental Indenture.

"**Taxes**" is defined in Section 3.10(a).

"**Termination Event**" means any Event of Default or any event which with the giving of notice or the passage of time, or both, could become an Event of Default.

"**Transfer Increase**" is defined in Section 3.3(a).

"**Transfer Supplement**" is defined in Section 9.1(c).

"**Transferee**" is defined in Section 9.1(g).

"**Trust Indenture**" means the trust indenture dated as of ●, 2017 between the Issuer and the Indenture Trustee, as amended or restated from time to time.

"**Write-Down and Conversion Powers**" shall mean, with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule.

SCHEDULE B

[FORM OF NOTE]

SERIES 2017-1 SENIOR NOTE

●

SCHEDULE C

FORM OF INCREASE NOTICE

●

SCHEDULE D

FORM OF DECREASE NOTICE

●

SCHEDULE E

PURCHASER GROUPS

From: Malle Hanslep (MOF) []
To: Sarah Harris [Sarah.Harris@ofina.on.ca]
CC: Tobias P. Whitfield (MOF) [Tobias.Whitfield@ontario.ca]
Subject: FW: Fair Hydro -- Change of Law Assumption Agreement
Date: Wednesday, October 25, 2017 14:43:00
Attachment 1: image001.jpg
Attachment 2: 12917730-v1-Questions (Adherence Conditions).docx

---

This will help with some background.

From: Whitfield, Tobias P. (MOF)
Sent: October 24, 2017 1:00 PM
To: Mayman, Gadi (OFA); Kandeepan, Ken (OFA); Hanslep, Malle (MOF); Veinot, Cindy (TBS); Strathy, Anna (OFA); Manning, Mike (OFA); Kwan, Ronald (OFA); Nelms, Scott (MOF); Devine, James (OFA); Yep, Carlos (OFA); Cengarle, John (MOF); Katona, Keley (MOF); Donaldson, Mark (TBS); Zahid, Usman (OFA); Hirani, Anis (OFA); Kim, John (OFA); McKinlay, Tom (MAG); Thouin, Alena (ENERGY); 'stephen.ashbourne@blakes.com'; Gavaris, Hresa (OFA); John Psinas
Subject: RE: Fair Hydro -- Change of Law Assumption Agreement

Further to OPG's response to our proposals, please find attached a discussion document drafted by our outside legal counsel Stephen Ashbourne and based on discussions amongst our Provincial legal teams.

This document sets out a number of questions that we need to consider and answer in order to respond to OPG with the Province's position.

A meeting amongst this group would be useful to discuss these issues and to inform a response to OPG.

Best

Toby

Tobias Whitfield

Counsel, Legal Services Branch

Ministry of Finance

tobias.whitfield@ontario.ca

Phone: 416-325-1456

From: Mansoori, Nina [mailto:nmansoori@torys.com]
Sent: October 18, 2017 9:53 AM
To: Whitfield, Tobias P. (MOF)
Cc: LEE John -TREASURY; RYFA Ken -TREASURY; 'WONG Leslie -LAWDIV'; Ramchandani, Rima; Feldman, Michael; Olusoga, Yinka; Donaldson, Mark (TBS); Manning, Mike (OFA); Mayman, Gadi (OFA); Kwan, Ronald (OFA); Kandeepan, Ken (OFA); Nelms, Scott (MOF); Devine, James (OFA); Yep, Carlos (OFA); Strathy, Anna (OFA); Cengarle, John (MOF); Kwan, Ronald (OFA); Katona, Keley (MOF); He, Gavin (OFA); Hirani, Anis (OFA); Kim, John (OFA); Veinot, Cindy (TBS); Hanslep, Malle (MOF); Thouin, Alena (ENERGY); McKinlay, Tom (MAG); 'STEPHEN.ASHBOURNE@blakes.com'; 'LADAK Lubna -TREASURY'; Mansoori, Nina
Subject: RE: Fair Hydro -- Change of Law Assumption Agreement

Toby – further to discussions between OPG and the Province, please find attached comments on the draft proposal under the Change of Law Protection Agreement (blacklined to the draft circulated below). The attached reflects our comments from accounting, operational and financeability perspectives. In particular, the financeability of the program will turn on whether there is a clear and concise way for investors to determine that an incurrence of funding obligations will be covered under the Change of Law Protection Agreement and that, once confirmed, the confirmation is irrevocable. Accordingly, we have proposed in the attached that a simple confirmation from OPG to a third party binds the Province in respect of the incurrence of the applicable funding obligations provided that OPG has satisfied the requirements of the approval process (which we propose be the subject of a separate procedures agreement or memo). Please note that the attached remains subject to the review of the working group including the dealers and the rating agencies.

Best Regards,

Nina

Nina Mansoori

P. 416.865.7332 | F. 416.865.7380 | 1.800.505.8679

From: Whitfield, Tobias P. (MOF) [mailto:Tobias.Whitfield@ontario.ca]
Sent: October-13-17 4:47 PM
To: Mansoori, Nina <nmansoori@torys.com>
Cc: LEE John -TREASURY <john.s.lee@opg.com>; RYFA Ken -TREASURY <ken.ryfa@opg.com>; 'WONG Leslie -LAWDIV' <leslie.wong@opg.com>; Ramchandani, Rima <rramchandani@torys.com>; Feldman, Michael <mfeldman@torys.com>; Olusoga, Yinka <yolusoga@torys.com>; Donaldson, Mark (TBS) <Mark.Donaldson@ontario.ca>; Manning, Mike (OFA) <Mike.Manning@ofina.on.ca>; Mayman, Gadi (OFA) <Gadi.Mayman@ofina.on.ca>; Kwan, Ronald (OFA) <Ronald.Kwan@ofina.on.ca>; Kandeepan, Ken (OFA) <Ken.Kandeepan@ofina.on.ca>; Nelms, Scott (MOF) <Scott.Nelms@ontario.ca>; Devine, James (OFA) <James.Devine@ofina.on.ca>; Yep, Carlos (OFA) <Carlos.Yep@ofina.on.ca>; Strathy, Anna (OFA) <Anna.Strathy@ofina.on.ca>; Cengarle, John (MOF) <John.Cengarle@ontario.ca>; Kwan, Ronald (OFA) <Ronald.Kwan@ofina.on.ca>; Katona, Keley (MOF) <Keley.Katona@ontario.ca>; He, Gavin (OFA) <Gavin.He@ofina.on.ca>; Hirani, Anis (OFA) <Anis.Hirani@ofina.on.ca>; Kim, John (OFA) <John.Kim@ofina.on.ca>; Veinot, Cindy (TBS) <Cindy.Veinot@ontario.ca>; Hanslep, Malle (MOF) <Malle.Hanslep@ontario.ca>; Thouin, Alena (ENERGY) <Alena.Thouin@ontario.ca>; McKinlay, Tom (MAG) <Tom.McKinlay@ontario.ca>; 'STEPHEN.ASHBOURNE@blakes.com' <STEPHEN.ASHBOURNE@blakes.com>; 'LADAK Lubna -TREASURY' <lubna.ladak@opg.com>
Subject: RE: Fair Hydro -- Change of Law Assumption Agreement

Please find attached our comments on your response of October 6. We have moved the text of your email to the attached document and responded inline in square brackets for ease of review.

We recognize that we are running out of time, and that we should discuss and move this forward at the beginning of next week.

We also generally recognize that, although there are still some gaps in our respective

approaches, we would find it helpful to have some more specific suggestions and comments on our Sept. 27 draft in order to help move this forward. This might include also the timing issues, with some indication of where, if OPG finds the timing does not work, some alternatives can be suggested for consideration.

Best

Toby

Tobias Whitfield

Counsel, Legal Services Branch

Ministry of Finance

tobias.whitfield@ontario.ca

Phone: 416-325-1456

From: Mansoori, Nina [mailto:nmansoori@torys.com]
Sent: October 6, 2017 5:58 PM
To: Whitfield, Tobias P. (MOF)
Cc: LEE John -TREASURY; RYFA Ken -TREASURY; 'WONG Leslie -LAWDIV'; Ramchandani, Rima; Feldman, Michael; Olusoga, Yinka; Donaldson, Mark (TBS); Manning, Mike (OFA); Mayman, Gadi (OFA); Kwan, Ronald (OFA); Kandeepan, Ken (OFA); Nelms, Scott (MOF); Devine, James (OFA); Yep, Carlos (OFA); Strathy, Anna (OFA); Cengarle, John (MOF); Kwan, Ronald (OFA); Katona, Keley (MOF); He, Gavin (OFA); Hirani, Anis (OFA); Kim, John (OFA); Veinot, Cindy (TBS); Hanslep, Malle (MOF); Thouin, Alena (ENERGY); McKinlay, Tom (MAG); 'STEPHEN.ASHBOURNE@blakes.com'; 'LADAK Lubna -TREASURY'
Subject: RE: Fair Hydro -- Change of Law Assumption Agreement

Toby,

Thank you for your draft proposal; we have set out below our conceptual comments and concerns on it. Please note that the points below remain subject to the continuing

review of OPG. Please also note that we have not yet sought the dealers' views on the proposal. We think it is premature to do so until we settle these points amongst ourselves and a revised draft of the proposal is circulated reflecting our agreement.

As further discussed below, your proposal deviates in some key ways from what we proposed in our email of September 19 (attached) and raises the accounting and operational issues we tried to avoid in the September 19th proposal. Given the need to settle the Protection Agreement as soon as possible, we'd appreciate if we could discuss these points early next week.

Best Regards,

Nina

Accounting Issues:

E&Y has concerns from an accounting perspective with the level of Provincial oversight and input on certain parts of the process, namely:

-that OPG will likely have to go back to the Province on each incurrence of debt and they will have to do so prior to that incurrence

-that OPG must certify and provide a lot of detailed reporting with respect to each incurrence of debt
-the level of frequency of reporting in general (not just the certifications/information noted above but also the contemplated annual forecasts and quarterly updates of those forecasts)

-the negative pledge with respect to the exercise of certain options on the debt

-the fact that OPG must give notice to the Province when incurring funding obligations that are expressly excluded from the Protection Agreement

Taken as a whole, we understand that E&Y sees all of this as the Province exerting a level of control on the debt that no typical guarantor would have. Please also advise if the Province's accountants have reviewed the proposal.

Practical Issues:

- The procedural steps to bind the Province are lengthy and complicated. From our perspective, as drafted, OPG will likely have to seek Provincial approval on each debt issuance (which weakens the accounting as discussed above). The dealers and their counsel will have a reaction to the proposed adherence conditions but query whether there is value in setting out the adherence conditions in the Protection Agreement itself. Setting aside the mechanics of how we get there, the dealers want comfort that the incurrence of obligations by the financing entity will be covered by the Protection Agreement. We would propose that the mechanics of any approval process (once we settle the terms of that process) be the subject of a separate procedures agreement or memo from the Province to OPG, whereby the Province delegates to OPG the ability to bind the Province under the Protection Agreement with respect to an incurrence of obligations so long as the adherence conditions in the procedures agreement or memo have been met. The Protection Agreement would then simply state that, upon OPG certifying to the indenture trustee that the adherence conditions have been satisfied under the procedures agreement/memo, the Province will be deemed to be bound under the Protection Agreement with respect to the specific obligations incurred at the time of the certification.
- In addition to the accounting concerns, the level of detail and frequency of reporting required present timing and operational issues. For example, as part of the adherence conditions, you are asking for details on the interest rate. However, pricing will in part be driven off whether that specific incurrence will have the benefits of the Protection Agreement.

Drafting Issues:

- Please refer to the existing terminology of the Act to ensure there is certainty on the obligations covered under the Protection Agreement. We think the best way for you to approach this would be to refer to all finance amounts and then expressly carve out what you are proposing not be covered.
- We'd like to understand the reason OPG's management fees have been excluded. We assume you do not intend for OPG's reimbursement costs (costs incurred by OPG on behalf of the Financing Entity) to be excluded? Please advise why taxes are being excluded?
- There are a few references to "exceed the maximum amount specified therefor in the applicable governing document". Please advise what is being contemplated here.
- We have a number of other drafting comments which we'll revisit once we've settled on the conceptual points above and have reviewed a revised draft of the document.

Nina Mansoori

P. 416.865.7332 | F. 416.865.7380 | 1.800.505.8679

From: Whitfield, Tobias P. (MOF) [mailto:Tobias.Whitfield@ontario.ca]
Sent: September-27-17 4:21 PM
To: Ramchandani, Rima <rramchandani@torys.com>; Feldman, Michael <mfeldman@torys.com>; Mansoori, Nina <nmansoori@torys.com>; 'WONG Leslie -LAWDIV' <leslie.wong@opg.com>; LEE John -TREASURY <john.s.lee@opg.com>; RYFA Ken -TREASURY <ken.ryfa@opg.com>
Cc: Donaldson, Mark (TBS) <Mark.Donaldson@ontario.ca>; Manning, Mike (OFA) <Mike.Manning@ofina.on.ca>; Mayman, Gadi (OFA) <Gadi.Mayman@ofina.on.ca>; Kwan, Ronald (OFA) <Ronald.Kwan@ofina.on.ca>; Kandeepan, Ken (OFA) <Ken.Kandeepan@ofina.on.ca>; Nelms, Scott (MOF) <Scott.Nelms@ontario.ca>; Devine, James (OFA) <James.Devine@ofina.on.ca>; Yep, Carlos (OFA) <Carlos.Yep@ofina.on.ca>; Strathy, Anna (OFA) <Anna.Strathy@ofina.on.ca>; Cengarle, John (MOF) <John.Cengarle@ontario.ca>; Kwan, Ronald (OFA) <Ronald.Kwan@ofina.on.ca>; Katona, Keley (MOF) <Keley.Katona@ontario.ca>; He, Gavin (OFA) <Gavin.He@ofina.on.ca>; Hirani, Anis (OFA) <Anis.Hirani@ofina.on.ca>; Kim, John (OFA) <John.Kim@ofina.on.ca>; Veinot, Cindy (TBS) <Cindy.Veinot@ontario.ca>; Hanslep, Malle (MOF) <Malle.Hanslep@ontario.ca>; Thouin, Alena (ENERGY) <Alena.Thouin@ontario.ca>; McKinlay, Tom (MAG) <Tom.McKinlay@ontario.ca>; 'STEPHEN.ASHBOURNE@blakes.com' <STEPHEN.ASHBOURNE@blakes.com>
Subject: RE: Fair Hydro -- Change of Law Assumption Agreement

Rima,

Further to our earlier conversations, please find attached our proposed process for confirmation of application of the Protection Agreement.

We would be happy to discuss further when you have had a chance to review.

Best

Toby

Tobias Whitfield

Counsel, Legal Services Branch

Ministry of Finance

tobias.whitfield@ontario.ca

Phone: 416-325-1456

From: Ramchandani, Rima [mailto:rramchandani@torys.com]
Sent: September 25, 2017 12:21 PM
To: 'STEPHEN.ASHBOURNE@blakes.com'; Hanslep, Malle (MOF); Whitfield, Tobias P. (MOF); Thouin, Alena (ENERGY)
Cc: LEE John -TREASURY; RYFA Ken -TREASURY; 'WONG Leslie -LAWDIV'; Feldman, Michael; Mansoori, Nina
Subject: RE: Fair Hydro -- Change of Law Assumption Agreement

Good morning all, just following up on our email below. Please let us know when we should expect your feedback.

Many thanks,

Rima

Rima Ramchandani

P. 416.865.7666 | F. 416.865.7380 | 1.800.505.8679

79 Wellington St. W., 30th Floor, Box 270, TD South Tower
Toronto, Ontario M5K 1N2 Canada | www.torys.com[torys.com]

[torys.com]

From: Ramchandani, Rima
Sent: September-19-17 9:55 PM
To: 'STEPHEN.ASHBOURNE@blakes.com' <STEPHEN.ASHBOURNE@blakes.com>; Hanslep, Malle (MOF) <Malle.Hanslep@ontario.ca>; 'Whitfield, Tobias P. (MOF)' <Tobias.Whitfield@ontario.ca>
Cc: LEE John -TREASURY <john.s.lee@opg.com>; RYFA Ken -TREASURY <ken.ryfa@opg.com>; 'WONG Leslie -LAWDIV' <leslie.wong@opg.com>; Feldman, Michael <mfeldman@torys.com>; Ramchandani, Rima <rramchandani@torys.com>; Mansoori, Nina <nmansoori@torys.com>
Subject: Fair Hydro -- Change of Law Assumption Agreement

Steve, Malle and Toby, further to our meeting the other day, set out below for your review is a proposal on the Provincial approval process under the Change of Law Assumption Agreement. Once we have your feedback on this, we will need to share it with Osler and the accountants and as John mentioned, we are under some time pressure to bring this to a resolution prior to the upcoming June 29 OPG Board meeting. We look forward to your comments, and feel free to reach out if you have any questions. -- Rima

Obligor Approval

The Change of Law Assumption Agreement will apply to all Specified Claims relating to Funding Obligations that are incurred by an Eligible Financing Entity in accordance with the Obligor's approval process. The definition of Specified Claims to be mutually agreed by all parties.

In order for a Financing Entity to become designated as an Eligible Financing Entity by the Obligor, prior to the initial issuance of Funding Obligations by such Financing Entity, the Obligor will be provided with copies of the following documents (collectively the "Program Documents") for review:

(i) the constating documents of such Financing Entity;

(ii) the management agreement between the Financing Entity and OPG;

(iii) the master transfer and servicing agreement between the Financing Entity and the IESO;

(iv) the master trust indenture governing the issuance of Funding Obligations by the Financing Entity;

(v) a form of supplemental indenture governing the issuance of bonds, issuable in series, by the Financing Entity;

(vi) a form of note purchase agreement or credit agreement governing the issuance of short term Funding Obligations by the Financing Entity;

(vii) a form of schedule to an ISDA Master Agreement governing derivative transactions that may be entered into the Financing Entity from time to time; and

(viii) such other documents as may be requested by the Obligor.

Once a Financing Entity is designated by the Obligor as an Eligible Financing Entity, it will not be necessary for the Obligor to approve the documentation related to specific issuances of Funding Obligations; however, OPG will be expected to notify the Obligor of any new material program documentation or any material amendments to existing program documentation before such new documentation or amendments become effective. The failure of OPG to provide any such notice will not invalidate the application of the Change of Law Assumption Agreement to any Specified Claims.

It will not be necessary for the Obligor to approve each new issuance of Funding Obligations provided that such Funding Obligations are issued in accordance with following:

(1) The Funding Obligations are issued in accordance with agreements that contain: (a) covenants of the Eligible Financing Entity that are no more onerous in any material respect and (b) events of default that are consistent in all material respects, respectively, with the covenants of the Eligible Financing Entity and events of default contained in the draft Program Documents.

(2) At least [30 days] prior to the initial issuance of Funding Obligations by an Eligible Financing Entity, OPG will provide the Obligor with a forecast of the principal amount and expected term of the Funding Obligations that OPG expects such Eligible Financing Entity to issue in accordance with the Financing Plan in the next two years (a “Two Year Forecast”). The execution of the Change of Law Assumption Agreement in respect of such Eligible Financing Entity shall constitute the Obligor’s approval of the issuance of Funding Obligations by such Eligible Financing Entity in accordance with the Two Year Forecast.

(3) OPG shall provide the Obligor with an updated Two Year Forecast between 9 and 12 months prior to the expiry of each current Two Year Forecast.

(4) Unless the Obligor provides OPG with a written notice no later than 3 months prior to the date following receipt of the current Two Year Forecast that the Change of Law Assumption Agreement will be inapplicable with respect to new Funding Obligations incurred following the expiry of the current Two Year Forecast, the Obligor will be deemed to approve the application of the Change of Law Assumption Agreement to all Funding Obligations incurred up to the expiry of the new Two Year Forecast.

At the time of issuance of Funding Obligations by an Eligible Financing Entity, the Financing Entity will provide (i) any required certifications to the underwriters/agents that such Funding Obligations are covered by the Change of Law Assumption Agreement; and (ii) notice to the Obligor of the material terms of the Funding Obligations issued, together with electronic copies of the final executed Program Documents.

P. 416.865.7666

This email and any attachments are for the sole use of the intended recipients and may be privileged or confidential. Any distribution, printing or other use by anyone else is prohibited. If you are not an intended recipient, please contact the sender immediately, and permanently delete this email and attachments.

Le présent courriel et les documents qui y sont joints sont exclusivement réservés à l'utilisation des destinataires concernés et peuvent être de nature privilégiée ou confidentielle. Toute distribution, impression ou autre utilisation est interdite aux autres personnes. Si vous ne faites pas partie des destinataires concernés, veuillez en informer immédiatement l'expéditeur, ainsi que supprimer ce courriel et les documents joints de manière permanente.

This email and any attachments are for the sole use of the intended recipients and may be privileged or confidential. Any distribution, printing or other use by anyone else is prohibited. If you are not an intended recipient, please contact the sender immediately, and permanently delete this email and attachments.

Le présent courriel et les documents qui y sont joints sont exclusivement réservés à l'utilisation des destinataires concernés et peuvent être de nature privilégiée ou confidentielle. Toute distribution, impression ou autre utilisation est interdite aux autres personnes. Si vous ne faites pas partie des destinataires concernés, veuillez en informer immédiatement l'expéditeur, ainsi que supprimer ce courriel et les documents joints de manière permanente.

This email and any attachments are for the sole use of the intended recipients and may be privileged or confidential. Any distribution, printing or other use by anyone else is prohibited. If you are not an intended recipient, please contact the sender immediately, and permanently delete this email and attachments.

Le présent courriel et les documents qui y sont joints sont exclusivement réservés à l'utilisation des destinataires concernés et peuvent être de nature privilégiée ou confidentielle. Toute distribution, impression ou autre utilisation est interdite aux autres personnes. Si vous ne faites pas partie des destinataires concernés, veuillez en informer immédiatement l'expéditeur, ainsi que supprimer ce courriel et les documents joints de manière permanente.

TORYS
LLP

Confidential legal advice subject to solicitor-client privilege

October 23, 2017

Questions for MOE and OFA to consider regarding OPG's Proposed Adherence Terms

A. Scope of Province's Obligations under the Change of Law Protection Agreement (**CLPA**)

1. On a Protection Event, should the Province become responsible for the payment of taxes (if any) owing by the Financing Entity?

2. On a Protection Event, should the Province become liable to pay amounts owing by the Financing Entity to OPG (e.g., FSM fees and expenses)?

3. On a Protection Event, should all available funds (e.g., funds accumulated in sinking funds) be immediately applied to reduce the amount that the Province would be liable for under the CLPA?

4. Should the Province set a "Protection Agreement Maximum" (previously called the "Program Maximum") that measures and relates only to "principal amounts"? In other words, should the limitation be tied only to principal obligations, while the Province's actual obligations would automatically extend, without specific quantum limits, to the other payment obligations under "funding obligations" (e.g., interest, swaps, standby liquidity commitment fees, servicer fees and expenses)?

5. Is the Province comfortable guaranteeing contingent obligations (e.g., indemnity obligations) of the Financing Entity? If so, should the Province require that such contingent obligations be "capped" within the funding obligation itself or should the exposure of the Province be otherwise limited under the CLPA?

6. Should the Province be required to deposit funds to meet sinking fund or collateral deposits (i.e., deposit obligations incorporated in the financing structure on the basis that the "clean energy" cash flows will service the obligations, rather than the Province), notwithstanding that the Province would have become primarily liable for payment obligations under the CLPA?

B. Adhesion

7. Is the Province okay splitting the maximum exposure limitations and "process-related" matters (see below) into a separate agreement - away from the terms of the agreement under which the Province's payment obligations would bind the Province opposite the Indenture Trustee? OPG proposes this in order to keep the optics of the CLPA as simple and straightforward as possible. In other words, is the Province prepared to leave all of the important details regarding what OPG is supposed to do before incurring an obligation that binds the Province to a side agreement with OPG, that is opaque to the Indenture Trustee and Underwriters at the time a funding obligation is incurred and not requiring any third party to have notice or regard to the Province's requirements?

8. OPG proposes that delivery of an officers' certificate to a third party, in OPG's capacity as FSM, will in and of itself bind the Province under the CLPA. That certificate would simply indicate that the Province is bound under the CLPA with respect to the specified funding obligation. It would not be addressed to the Province (although a pre-closing certificate is contemplated to be delivered to the Province) and the "Protection Agreement Maximum" concept would not be incorporated as a specific condition (other

than to the extent that OPG is bound to the Province under the side agreement with the Province). Is this acceptable to the Province? Does this raise any governance/authority issues for the Province (e.g., limit on incurrence needing to be specifically confirmed at closing? scope of permitted delegation to bind? FAA compliance?)

C. "Protection Agreement Maximum" (formerly "Program Maximum" (**PAM**)

9. OPG proposes that the PAM will be determined based on a mechanical calculation and without any real discretion on the part of the Province to set or object to the PAM. Is this acceptable to the Province?

10. OPG's proposed mechanical process to determine PAM would be based on OPG's 24 month forecast (estimate) of payments to be made by the Financing Entity. So long as that forecast (and any refresh) is consistent with the "Financing Plan" (also prepared by OPG) and is "reasonably expected to align with the fair allocation amount", the Province will be required to accept the PAM based on OPG's forecast – i.e., no discretion to reject or modify the aggregate amount of the Province's commitment initially or from time to time. Is the Province prepared to tie its CLPA obligation automatically to the operation of the OFHPA in this way, without review and with perpetual effect?

11. Is the proposed mechanical link to the OFHPA calculations consistent with the OIC or other governance requirements applicable to the Province's authority to approve the CLPA?

12. Is the initial 24 month forecast period appropriate (e.g., 2.5B x 2 – large)? Is OPG's proposed refresh of the PAM (mechanically tied to the new forecast), 9 to 12 months prior to the end of the 24 month forecast period, appropriate?

D. "Process-Related" Matters

13. Assuming the Province is okay with the arrangements described in question 7, above, we would envision a mechanism where the Province could give the Indenture Trustee notice of a breach (if known) by OPG of the PAM or process-related side agreement, and that such a notice would have the effect of cutting off the application of the CLPA for any future incurrences unless the Province further agrees otherwise. Does the Province agree that this sort of failsafe is essential? Note that OPG's suggestion has been that no pre-incurrence non-adherence/failsafe provision be provided, in order to allow the Province to provide notice that the CLPA will not apply to a pending/proposed incurrence.

14. Does the Province need to contemplate other scenarios where the CLPA would become ineffective in respect of future incurrences, such as:

    a. an OPG change of control

    b. a policy-based determination by a future government

    c. an unanticipated circumstance, such as the incurrence by the Financing Entity of assessed tax liabilities, indemnity payments, "increased costs", rating downgrades, offering disclosure-based claims, defaults under the program,

insolvency of a major counterparty (e.g., swap counterparty or services provider), etc.

d. a discretionary circumstance where the Province decides it no longer wishes to be liable under the CLPA?

We expect that OPG would push back so that any suspension of new obligations by the Province would not hamper OPG's ability to complete an anticipated/needed refinancing.

15. Does the Province have any reservations about letting OPG at any time provide a binding certificate to third parties regarding adherence, which would be determinative of the Province's obligations. What conditions for this sort of certificate would make sense (e.g., preview and consent by the Province)? Does this proposal raise any governance/authority issues for the Province (e.g., scope of delegation; FAA compliance)?

16. If the Province is prepared to be liable for taxes owing by the Financing Entity (see question 1, above), what oversight, assurances, documentation and reporting regarding the potential for entity-level taxes should the Province require (if any)?

17. OPG is proposing that the Province will receive a certificate prior to the Financing Entity incurring a funding obligation, that sets out "the material terms of the funding obligations pertaining to the principal amount, pricing and third party fees". Is that a sufficient amount of detail, or would the Province like to specifically itemize its information expectations, to cover things such as:

    a. details respecting any principal obligation, such as:

        i. the amount, timing and conditions of repayments (including any redemption or extension rights)

        ii. the basis for OPG's expectations regarding the availability of any related refinancings

        iii. any required deposits to be made into a capital account or a finance reserve account in order to provide for payment of the principal obligation

        iv. the rating (if any) contemplated to be attributed to the principal repayment of the funding obligation

        v. details respecting any redemption rights, including the nature and conditions applicable to any exercise and OPG's expected basis for determining whether or not to exercise a redemption right, option or privilege;

    b. details respecting interest obligations, such as:

        i. the anticipated interest or discount rate or rates (including default rates)

        ii. the timing/frequency/conditions of coupon payments

iii. any required deposits to be made into a finance reserve account or supplemental account

iv. the availability of any funding rebates in order to provide for payment of interest

v. the rating (if any) contemplated to be attributed to the interest obligation;

c. details respecting any hedging obligation (e.g., interest or FX swaps, options or other derivatives), such as:

i. the name of the counterparty and credit details

ii. the credit ratings (if any) of the payor(s)

iii. the risks sought to be mitigated by the derivative

iv. anticipated circumstances (if any) in which the derivative may not achieve such mitigation or be subject to early termination

v. whether collateral posting requirements will apply;

d. details respecting other funding obligations, such as:

i. the payee

ii. the timing and any conditions of payments

iii. any required deposits to be made into a finance reserve account or supplemental account or the availability of any funding rebates in order to provide for payment of such obligations

iv. in the case of a contingent obligation (e.g., indemnities), the nature and extent of any contingency affecting the payment obligation, the circumstances in which a payment obligation may arise and any specified maximum claim amount

e. assuming that the Province would be liable for capital, reserve or supplementary account deposit obligations (see question 6, above), details respecting the schedule for such deposits and the conditions for the application of such amounts to pay such amounts and the related priorities for application.

18. OPG (and presumably OPG's accountants) is contemplating that the Province will be provided transaction documentation "in substantially final form" and that the Province will not be entitled to provide input "other than in its capacity as obligor under the [CLPA]". In other words, assuming that the CLPA is signed in advance, the Province will have no real opportunity to comment on the forms of transaction documents to be used, and will

have a limited opportunity to "not accept" [1] the documentation. Can the Province live with these limitations?

19. The proposed OPG certificate (pre-incurrence) would include an attestation by OPG regarding the use of pre-reviewed documentation. The test for conformity of the to-be-used documentation, compared to the pre-reviewed documentation, would focus only on whether "the covenants of the Financing Entity are no more onerous in any material respect" and that the "events of default" are consistent "in all material respects". Is the limited scope of this conformity test acceptable, or should it be broadened and cover specific items such as:

    a. no differences in the timing of or circumstances under which payments are or may become due (for example, as a result of any termination, wind-up, liquidation or realization)

    b. no differences that could affect the Province's rights of subrogation or interests as a subrogee

    c. with respect to the anticipated form of series specific documents (as opposed to the upfront terms of program-wide "master" documents), confirming that the variable terms set forth in the proposed documents are as reasonably contemplated in the reviewed forms, having regard to such matters as:

        i. the type of instrument to be issued (i.e., debt (bullet vs. amortizing), equity-linked, pass-through instruments, etc.)

        ii. the scope of the related obligations (e.g., redemption or extension features or other optionality)

        iii. the extent of the related obligations (e.g., limited recourse features, limitations on indemnities, etc.)

        iv. the timing, conditions and circumstances in which payment obligations may arise,

    but making it clear that conformity would not include a comparison to the particular financial terms, rates, levels and parameters of the obligations other than if the reviewed forms specify specific requirements, limitations or parameters.

20. How much time is sufficient for the Province:

    a. to do an initial review of the main transaction documentation (including forms of series-specific documents), which would set the acceptable pattern for future

---

[1] Note that the proposed OPG language is not crystal clear that the Province can reject the reviewed documentation, which we expect is merely drafting, but that will need to be confirmed assuming the Province wishes to work within the OPG/Tory mark-up.

issuances? The proposal is 15 BDs, although that does not seem to make sense given that OPG proposes that the Province must confirm acceptance of the terms within 15 BDs of receipt of the documentation

b. to do a review of any changes to the main transaction documentation (including forms of series-specific documents), which would reset the acceptable pattern for future issuances? The proposal is to receive proposed amendments at least 15 BDs prior to first use, and the Province would confirm acceptance of the terms within 15 BDs of receipt of the documentation

c. to review applicable details of a proposed funding obligation in advance of an incurrence (proposal is 10BDs)?

21. What other items should be incorporated into the timeline from the Province's perspective?

E. Information, Reporting and Other Covenants

22. OPG proposes to provide the Province with an applicable "Financing Plan" only after an incurrence. Does the Province need to see this document as it is issued and changed, rather than only after the time of an incurrence?

23. OPG proposes to provide the Province with any actual offering/disclosure documents only after it is used. Does the Province need to have input into offering/disclosure document before use or dissemination (e.g., the description of the CLPA)?

24. OPG has limited its negative covenant on elections by the Financing Entity following a Protection Event to actions that would accelerate obligations. Should this be broader to cover extensions or other consensual changes that could affect the obligations (e.g., creditor concessions).

F. Parties

25. Will it be sufficient for the CLPA (and any procedural side-letter) to be signed by OPG, acting solely in its capacity as "financial services manager" (i.e., with OPG's liability being limited by the terms of the related management or administrative agreement)? How does this interplay with any other indemnities or exculpatory provisions that the Province is anticipating for OPG (corporate) and its officers?

26. Who from OPG should sign the officer's certificate? The OPG proposal is 2 "executive officers".

27. OPG proposes that a failure to comply with the PAM or "approval process" will not result in any breach. Assuming that OPG is in fact proposing that its failure would have no consequences, including as between the Province and OPG whatsoever, are the process aspects of the OPG proposal even meaningful to the Province?

From:	Sarah Harris
To:	Malle Hanslep (MOF)
Cc:	Garth Parish; Andrea Dalgarno; Opal Kandelas
Subject:	FW: BN - Lending Directive for Loan to OCRC.docx
Date:	Tuesday, March 27, 2018 12:20:40 PM
Attachments:	FW Public Service Responsibilities and Procedures Leading Up to and During the Election Period.msg

Hello Malle,

I am writing to you to inquire about the timing for an approval for an OIC in relation to a loan that the OFA may be making to St. Michael's, as detailed below.

In short, the OFA has the available room under its existing lending OICs (i.e. the OICs where the OFA borrows from Her Majesty, and then in turn makes loans to public bodies), but the expiry dates of the existing OICs are shorter than the proposed maturity. The OICs expire in 2041 and the loan would mature in late 2054. In order for the St. Micheal's loan to occur, there has to be a binding assurance to HOOPP by April 30th that funds will be available to be advance in the summer of 2019. In order for us to provide this, we would need to get approval for an amending OIC to extend the expiry dates of the existing OICs to 2055.

Given that the last LRC scheduled is for April 16th, and the deadlines for providing materials has passed (March 20th), it doesn't seem possible to get approval for an amending OIC prior to April 30th. Do you know of any options that might make this possible?

Thanks,
Sarah

From: Andrea Dalgarno
Sent: Tuesday, March 27, 2018 11:46 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: FW: BN - Lending Directive for Loan to OCRC.docx

FYI

From: Garth Parish
Sent: Tuesday, March 27, 2018 11:43 AM
To: Andrea Dalgarno <Andrea.Dalgarno@ofina.on.ca>
Cc: Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Daki Proudfoot <Daki.Proudfoot@ofina.on.ca>; Mara Bakic <Mara.Bakic@ofina.on.ca>; Bonnie Lemcke <Bonnie.Lemcke@ofina.on.ca>; Bonnie Zhang <Bonnie.Zhang@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: BN - Lending Directive for Loan to OCRC.docx

Hi Andrea,

We are in discussions with St. Michael's Hospital to provide them with a $100M loan that would be amortized over 35 years. This is with regard to pension assets that they are transferring to HOOPP that need to be topped up by $100M.

A wrinkle is that they need to provide a binding assurance to HOOPP by April 30 that they have the funds although the effective date of the loan and the transfer of funds won't take place until July/August of 2019. This means that the loan wouldn't be paid off until late 2054.

We understand that the latest dated OIC is 844/2008 which ends June 1, 2041, so in order to make this loan we would need an OIC out to say, 2055 – although we may wish to make it later. A smaller request from Grand River hospital would be similar. Both loans would fit within the existing authorized amounts but not the repayment date.

Please advise the best way to proceed towards the required OIC amendment re timing.

Thanks. I will call to follow up.

Thanks,
Garth

From: Andrea Dalgarno
Sent: December-06-17 2:10 PM
To: Garth Parish <Garth.Parish@ofina.on.ca>
Cc: Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Daki Proudfoot <Daki.Proudfoot@ofina.on.ca>; Mara Bakic <Mara.Bakic@ofina.on.ca>; Bonnie Lemcke <Bonnie.Lemcke@ofina.on.ca>
Subject: RE: BN - Lending Directive for Loan to OCRC.docx

Hi,

I have a place holder for when we do the next joint update to add the new 2 billion OIC 1279/2017 and the associated 2 billion line of credit (IESO-OFA credit facility FHP related). Also note the IESO 975m one will be removed while the IESO 475M will remain- it will be one line representing 475M.

Regards,

Andrea

From: Garth Parish
Sent: Wednesday, December 06, 2017 1:52 PM
To: Andrea Dalgarno <Andrea.Dalgarno@ofina.on.ca>
Cc: Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Daki Proudfoot <Daki.Proudfoot@ofina.on.ca>; Mara Bakic

<Mara.Bakic@ofina.on.ca>; Bonnie Lemcke <Bonnie.Lemcke@ofina.on.ca>
Subject: RE: BN - Lending Directive for Loan to OCRC.docx

Hi Andrea,

That's great. Thank you very much.

We may have some updates/comments to follow.

Thanks,
Garth

From: Andrea Dalgarno
Sent: December-06-17 12:30 PM
To: Garth Parish <Garth.Parish@ofina.on.ca>
Cc: Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Daki Proudfoot <Daki.Proudfoot@ofina.on.ca>
Subject: RE: BN - Lending Directive for Loan to OCRC.docx

Hi Garth,
I have been asked to respond to your query. Attached is the most current listing we have available of the OFA loans under the two OIC's. This listing was finalized in conjunction with Daki in Corporate Finance.
Based on this July 11, 2017 listing, the remaining authority under the two OIC's are as follows:

1) OIC 675/97 (the currently active one) has remaining authority of $721,594,955.57 as of July 11, 2017

2) OIC 767/99 has authority in the amount of $656,000,000.00 as of July 11, 2017

So it seems, we should be able to draw on OIC 675/97 for the additional loans you reference given it was noted in the BN you attached that the 2017-2018 OFA Borrowing and On-lending Plan was set at $486 million and apparently $250 million of that was postponed to 2018-2019.

Let me know should you have any further question or concerns.

Regards,

Andrea

From: Garth Parish
Sent: Tuesday, December 05, 2017 3:37 PM

To: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: Bonnie Zhang <Bonnie.Zhang@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: FW: BN - Lending Directive for Loan to OCRC.docx

Hi Jean-Francois,

You will see in the highlighted section below that Lisa is asking that we confirm that 2 OFA loans we are working on:

- $150 million to the Ontario Cannabis Retail Corporation
- $100 million to St Michael's hospital

are covered by the "existing on-lending OIC's".

I don't know who would keep a registry of the OICs and what loans they cover. Would your group have this registry?

Thanks,
Garth

From: Lisa Stein
Sent: December-04-17 1:25 PM
To: Garth Parish <Garth.Parish@ofina.on.ca>
Cc: Bonnie Zhang <Bonnie.Zhang@ofina.on.ca>
Subject: BN - Lending Directive for Loan to OCRC.docx

Hi Garth,

Please find attached some comments and suggested amendments to the draft briefing note, attached. I did not review the attachments; however, as discussed on Friday, they still reference the loan to St. Michael's hospital as well (and these references should be deleted).

I'm still working on the directive for the OCRC loan. In the meantime, can you please confirm that this loan is covered by the existing on-lending OICs (as referenced in the draft note)?

Thank you,

Lisa

Lisa N. Stein
Legal Counsel
Ontario Financing Authority
416-325-2320

****
This message, including any attachments, is intended only for the use of the individual(s) to which it is addressed and contains information that is privileged/confidential. Any other distribution, copying or disclosure is strictly prohibited. If you are not the intended

recipient or have received this message in error, please notify the sender immediately by reply e-mail and permanently delete this message, including any attachments, without reading it or making a copy. Thank you.
****

From: Anna Strathy []
To: OFA_STAFF [OFA_STAFF@ofina.on.ca]
Subject: FW: Public Service Responsibilities and Procedures Leading Up to and During the Election Period
Date: Thursday, March 01, 2018 09:47:54
Attachment 1: image001.jpg
Attachment 2: DMs - Public Service Responsibilities During Election Period - February 28 2018.docx
Attachment 3: image002.jpg

FYI, a memo from the Secretary of Cabinet outlining our responsibilities during the writ and election period. As the Secretary outlines below, "the long-held practice in Ontario is for the government to assume a "caretaker role" as soon as the writ for a general election is issued [Wednesday, May 9] … The essential element of the caretaker practice is that only routine, non-controversial, or urgent business is conducted".

From May 9 onward, all Cabinet and committee meetings, including Treasury Board and Management Board of Cabinet, are suspended unless required to ensure the continuation of government operations and public services during the writ period. Furthermore, regulations should not be filed during the caretaker period even if previously approved by Cabinet and signed by the Lieutenant Governor.

Please see below for further details.

From: McLean, David (MOF) [mailto:David.McLean@ontario.ca]
Sent: Wednesday, February 28, 2018 5:34 PM
To: @FIN-L-O-SMC-ADMs <FIN-L-O-SMC-ADMs@msgov.gov.on.ca>
Cc: @FIN-L-O-SMC-EAs <FIN-L-O-SMC-EAs@msgov.gov.on.ca>
Subject: FW: Public Service Responsibilities and Procedures Leading Up to and During the Election Period

Please share this memo with staff within your divisions.

From: Bosco, Pina (CAB) **On Behalf Of** Orsini, Steve (CAB)
Sent: February 28, 2018 11:20 AM
To: Adamson, Maureen (MTCS); Angus, Helen (TBS); Bell, Robert (MOHLTC); Betzner, Lynn (CAB); Bezzina, Alexander (MCI); Boniferro, Paul (MAG); Davidson, Steven (CAB); de Launay, David (MNDM); Dennis, Sophie (MOL); Erry, Sam (MCSCS); Evans, Paul (MOECC); Fougère, Marie-Lison (MFA); French, Kevin (MGCS); Gherson, Giles (MEDG/MRIS); Hartley, Hillary (CAB); Imbrogno, Serge (ENERGY); LeBlanc, Laurie (MMA/MHO); Matthews, Nancy (MCYS); Menard, Janet (MCSS); Meredith, Greg (OMAFRA); Orencsak, Greg (MAESD); Orsini, Steve (CAB); Phillips, Shirley (MIT); Rhodes, Stephen (MTO); Richardson, Deborah (MIRR); Rodrigues, Bruce (EDU); Thompson, Scott (MOF); Thornton, Bill (MNRF); Torigian, Matthew (MCSCS); Zegarac, George (MOI)
Cc: Bevan, Andrew (OPO); Bromm, William (CAB); Kwamena, Boafoa (CAB); @CAB-DM-EAs
Subject: Public Service Responsibilities and Procedures Leading Up to and During the Election Period

Sent on behalf of Secretary Steve Orsini.

The Cabinet Office	**Bureau du Conseil des ministres**
Secretary of the Cabinet Head of the Ontario Public Service	Secrétaire du Conseil des ministres Chef de la fonction publique de l'Ontario

Clerk of the Executive Council

99 Wellesley Street West
6th Floor, Whitney Block
Toronto, Ontario
M7A 1A1
Telephone: 416 325-7641
Fax: 416 314-8980

Greffier du Conseil exécutif

99, rue Wellesley Ouest
Édifice Whitney, 6e étage
Toronto (Ontario)
M7A 1A1
Téléphone : 416 325-7641
Télécopieur : 416 314-8980

February 28, 2018

MEMORANDUM TO: Deputy Ministers

SUBJECT: Public Service Responsibilities and Procedures Leading Up to and During the Election Period

As you know, pursuant to the *Election Act*, Ontario's 2018 general election is scheduled to take place on Thursday, June 7. In accordance with the Act, the election period will officially begin when the Chief Electoral Officer issues the writ of election on Wednesday, May 9 in accordance with an order of the Lieutenant Governor in Council.

This memorandum is a reminder of several key election-related procedures and our responsibilities as public servants during the election period. I would request that you share this memo with all of your staff and with the Chairs and CEOs of your agencies, boards and commissions, who have traditionally applied the same rules and procedures to their operations during this period. A similar memo will be sent by the Premier's Office to Ministers, Parliamentary Assistants and Ministry Chiefs of Staff.

Role of the Public Service

We must always be mindful of our *Public Service of Ontario Act* obligations to provide professional, neutral and non-partisan service. This obligation is never more important than during an election period.

The public service continues to be committed to supporting the government in fulfilling its mandate prior to the election. The public service also has an important role to play in overseeing the uninterrupted delivery of programs and services during the election campaign while preparing for a smooth transition for a returning or new government following an election.

Regardless of the election outcome, there will be a new Parliament – Ontario's 42nd – consisting of both returning and newly elected MPPs. The Lieutenant Governor will also swear in a new Executive Council on the recommendation of the Premier or Premier-elect.

Government Operations During the Election Period

The long-held practice in Ontario is for the government to assume a “caretaker role” as soon as the writ for a general election is issued. The caretaker period will commence with the dissolution of the Legislative Assembly scheduled for Wednesday, May 9, and can generally be expected to continue until the swearing-in of a returning or new government.

The essential element of the caretaker practice is that only routine, non-controversial, or urgent business is conducted. The caretaker role requires that there be no new policy or program initiatives, and restricts ongoing work, consultations, appointments, regulatory postings, public engagement, announcements and ministry events. Prior approval to engage in these activities does not provide authority to continue once the caretaker period has begun. Except for the normal implementation of routine government services and programs, any activity or action that would not reasonably be perceived as routine, non-controversial, urgent or time sensitive, should be suspended once the writ is issued.

In assessing whether ongoing work is consistent with the caretaker role of government, ask the following relevant questions:

- Is the proposed work truly routine or urgent?
- Is there a potential for the work to be raised as a political issue during the election?
- Have all the necessary policy, funding and human resource approvals been received?
- Is there a legislative or legal requirement to provide the program or service?
- Do any of the next steps require further political decision or direction?
- Is there any reason why the activity cannot wait?
- Does the program or service need to be communicated to the public?
- Would the work limit or impair the decision-making freedom of a future government?
- Would any future government agree the work was necessary during the writ period?

All Cabinet and committee meetings, including Treasury Board and Management Board of Cabinet, are suspended unless required to ensure the continuation of government operations and public services during the writ period. This would include any meetings required to respond to urgent or unforeseen circumstances. Should circumstances require a decision of Cabinet, the Cabinet Office will work with the Office of the Premier to determine the appropriate steps to take to convene Cabinet in a manner consistent with the caretaker role.

Regulations should not be filed during the caretaker period even if previously approved by Cabinet and signed by the Lieutenant Governor. If you believe there are urgent circumstances that may require the filing of a regulation during this time, the situation should be discussed with my office well in advance of the caretaker period. Otherwise

approved regulations should be held until after the election, at which time a returning or new Minister's office should be asked for direction. Please keep in mind that unfiled regulations will automatically "expire" four months from the day of approval unless the filing date is extended by the Lieutenant Governor in Council.

There may be some items that will require a careful consideration of these caretaker principles before a decision can be made on whether they should proceed. In assessing these issues, it is very important to avoid planning any activity that would require a Minister's or Cabinet's decision during or immediately after the election period unless absolutely necessary or critical to ongoing government operations. To help resolve these matters, I will be Chairing a Caretaker Committee of Central Agency Deputy Ministers to review areas that are deemed to be significant enough to warrant central agency review. If you have any questions, please contact Steven Davidson, Deputy Minister for Policy and Delivery, Cabinet Office on policy-related matters or Helen Angus, Secretary of the Treasury Board on matters related to funding or human resources. If necessary, they will be bringing these matters forward to the Committee for consideration.

Communication Activities

Pursuant to the provisions of the *Government Advertising Act*, government advertising will be restricted effective March 10, 2018. Details on this restriction have been communicated to you by Deputy Minister of Communications and Associate Secretary of the Cabinet, Lynn Betzner.

Once the writ period begins, these advertising restrictions will continue as part of the caretaker role of government. Further, additional restrictions will be placed on all other government events, communications activities and announcements. Deputy Betzner will forward a communications protocol for the writ period to you and your Director of Communications.

In accordance with these restrictions, communications activities and announcements by the government will be suspended unless related to a recognized activity such as:

- **An emergency situation** that needs to be communicated to the public, e.g. public health emergency.
- **A revenue-generating** communication by a government or government agency program intended to support revenue generating activities in Ontario, e.g. Foodland Ontario.
- **A time-sensitive, statutory, or seasonal** communication.
- **An Agency Mandate** communication necessary to support a scheduled agency's mandate, such as the LCBO.

Issues management support should continue as usual to address any issues where the public interest might require comment by your Minister. Such support should be consistent with the caretaker role of government during this period. The Premier's Office will be reminding Ministers, Parliamentary Assistants and Chiefs of Staff that the public

service must not support candidates in an election and that requests for information and support must continue to respect the neutral, non-partisan role of the public service.

Your ministry staff should work with their Cabinet Office policy and communications contacts and staff remaining in your Minister's office to ensure that issues are managed appropriately.

Members of the Legislative Assembly

The Legislative Assembly provides information to all MPPs regarding their rights and obligations as Members of the Assembly during the election period. For example, while MPPs technically no longer hold office once the Assembly is dissolved for the election, their constituency offices remain open during the election period to support the citizens of these ridings. It is entirely appropriate for the public service to work with your Ministers' Offices to support constituency offices with public information in the same professional, non-partisan manner as we would at any other time.

Role of Ministers and Parliamentary Assistants

Ministers remain members of the Executive Council until the Premier submits, and the Lieutenant Governor accepts, their resignations. Any minister who is not re-elected remains a member of the Executive Council until their resignation is submitted to the Lieutenant Governor. This means that Ministers retain the rights, privileges and responsibilities of their office during and after an election, although these rights, privileges and responsibilities must now be exercised in accordance with the caretaker role of government. It is our responsibility as public servants to continue to serve them in that capacity.

The Premier's Office will be sending out a memo regarding the roles and responsibilities of Ministers, Parliamentary Assistants and political staff during the election period that you should review closely. In that regard, Cabinet Office will work with the Premier's Office and you will work with your Minister's Office to ensure these instructions are properly understood and implemented.

Ministers will be asked to exercise care and avoid any perception that they are using their ministerial offices, resources or portfolios for political purposes. While most government events are postponed during the election period, should any such event be approved to proceed during this time, Ministers and Parliamentary Assistants will be advised not to attend. Other local MPPs or candidates will also not be invited to attend any such events. However, there may be circumstances where a particular situation or protocol requires a Minister's involvement. Such circumstances might include a provincial emergency or a national or international event or occurrence where protocol would reasonably require a statement by the Premier or a responsible Minister. Any such involvement will need to be cleared in advanced with the Premier's Office in consultation with my Office.

Ministers will be advised that their cars and drivers should not be used during the writ period, and will be asked to ensure that their government vehicles are parked in their reserved parking space and that the keys are given to Executive Transportation Services. Ministers will also be advised that they cannot use a car or driver from the government pool during the writ period unless it is in relation to a government activity that has been approved by the Premier's Office, in consultation with Cabinet Office.

Parliamentary Assistants are appointed by Order-in-Council and technically retain their positions until the order is revoked. However, Ministers have been asked to make sure that Parliamentary Assistant assignments or responsibilities are suspended during the writ period.

Political Staff

Ministers' office staff will receive instructions on their activities during the election period, including political activity rules and the appropriate use of government resources and equipment (e.g., computers, photocopiers, BlackBerrys, cell phones, faxes, etc.).

Most Ministers' offices will maintain only core staff during the writ period. You will play an important role in working with staff remaining in your Ministers' offices to support your Ministers as members of the Executive Council during the election.

Political Activity Rules for the Ontario Public Service

The *Public Service of Ontario Act* sets out specific rules outlining the political activities that are permissible by employees in all ministries, Ministers' offices and public bodies. Special rules apply in the case of elections, and it is important that we respect these rules and the political activity rights of all public servants during this time. The Secretary of the Treasury Board Helen Angus will provide detailed information on these rules and guidelines.

Minister's Correspondence

As will be set out in Deputy Betzner's memorandum, Ministers' correspondence should continue to be answered during the election period according to quality service standards. In some circumstances, it may be more appropriate for policy or program-related correspondence to be answered by a Deputy Minister, Assistant Deputy Minister or program area.

In cases where a Minister's reply is required, an acknowledgement letter should indicate that the correspondence will be brought to the Minister's attention immediately after the election.

Where appropriate, certain letters can be brought to the attention of your Minister's office throughout the writ period.

Deputy Betzner will be sending you additional information to provide further guidance on these issues. If you have any questions, please contact her office.

Freedom of Information Requests

The statutory obligation to respond to all *Freedom of Information and Protection of Privacy Act* requests within 30 days is not altered by an election call. These requests should continue to be processed as usual during the election period, and you should continue to advise your Minister's office contact as appropriate.

Preservation of Government Records

Records that were received or created in a Ministry, by a Minister, or in a Minister's office in connection with the official activities of the government are public records subject to the *Archives and Recordkeeping Act*, *2006* and the applicable records schedules approved by the Archivist of Ontario. The approved records schedules contain provisions regarding these recordkeeping obligations as they relate to general elections.

The Premier's Office has been and will be providing communications to all Ministers' offices and the offices of Parliamentary Assistants on the importance of meeting these requirements. We must also continue to ensure that we meet our own recordkeeping obligations under the *Archives and Recordkeeping Act*, *2006.*

I know you will work with your Minister's office and your staff to ensure plans are in place to meet these obligations. Additional guidance on recordkeeping during and after the election period will be provided by the Archivist of Ontario, John Roberts. Staff from the Archives of Ontario can offer detailed information and assistance. For assistance please contact:

Greg Brown
Archives of Ontario
Ministry of Government Services
Tel: (416) 327-1457
E-Mail: greg.brown@ontario.ca

Works of Art on Loan from the Government of Ontario Art Collection

Artwork in Ministers' offices is often part of the Government of Ontario Art Collection and is Crown property. The curator must be informed of any impending changes, moves or renovations to loan locations. Artworks must not be moved without the approval and assistance of the curator. The curator can be contacted as follows:

Lani Wilson
Curator, Government of Ontario Art Collection
Archives of Ontario
Tel: 416-327-2808
E-mail: lani.wilson@ontario.ca

Election Preparation Planning

As you know, planning to support a returning or new government following the election is an important part of our work leading up to and during an election period. As part of this process, and to avoid duplication, Cabinet Office will be tracking all commitments made by each party during the election. It is critical that no costing of platform commitments be undertaken during the election period. Cabinet Office will be providing you with relevant tools to support our commitment tracking exercise.

In addition, Cabinet Office will be requesting assistance from your ministries in the development of Election Preparation Planning documents required to support the government following the election. My office will work directly with your lead representative on these requests, and I would ask you to pay particular attention to the due date for these materials.

To assist in these matters, please identify one designated lead person from your office to work with William Bromm (416-325-7378) or Boafoa Kwamena (416-325-4400).

Our Best Advice

The application of the rules outlined in this memo and the preparations undertaken by the public service during this time is an important part of the democratic process. It ensures the public service is in a position to offer our best, non-partisan advice leading up to and following the election, and is an important part of the continuity of government.

Given the importance of the issues outlined in this memo, I am asking that you ensure your Minister's office understands your ongoing commitment to implementing the government's mandate, while also reinforcing the importance of having the Minister's office flow all requests through your office to ensure enhanced coordination.

I know I can rely on your full support during the coming months, and want to encourage you to actively engage your ministries in these critical activities. Please do not hesitate to call me or my office at any time if you have any questions.

Original signed by:

Steve Orsini

c. Andrew Bevan, Chief of Staff and Principal Secretary to the Premier[intra.infogo.gov.on.ca]
William Bromm, Senior Director and General Counsel[intra.infogo.gov.on.ca], Cabinet Office
Boafoa Kwamena, Executive Assistant and Strategic Policy

Advisor[intra.infogo.gov.on.ca], Cabinet Office

Ontario

The Cabinet Office

Secretary of the Cabinet
Head of the Ontario Public Service
Clerk of the Executive Council

99 Wellesley Street West
6th Floor, Whitney Block
Toronto, Ontario
M7A 1A1

Telephone: 416 325-7641
Fax: 416 314-8980

Bureau du Conseil des ministres

Secrétaire du Conseil des ministres
Chef de la fonction publique de l'Ontario
Greffier du Conseil exécutif

99, rue Wellesley Ouest
Édifice Whitney, 6e étage
Toronto (Ontario)
M7A 1A1

Téléphone : 416 325-7641
Télécopieur : 416 314-8980

Ontario

February 28, 2018

MEMORANDUM TO: Deputy Ministers

SUBJECT: **Public Service Responsibilities and Procedures Leading Up to and During the Election Period**

As you know, pursuant to the *Election Act*, Ontario's 2018 general election is scheduled to take place on Thursday, June 7. In accordance with the Act, the election period will officially begin when the Chief Electoral Officer issues the writ of election on Wednesday, May 9 in accordance with an order of the Lieutenant Governor in Council.

This memorandum is a reminder of several key election-related procedures and our responsibilities as public servants during the election period. I would request that you share this memo with all of your staff and with the Chairs and CEOs of your agencies, boards and commissions, who have traditionally applied the same rules and procedures to their operations during this period. A similar memo will be sent by the Premier's Office to Ministers, Parliamentary Assistants and Ministry Chiefs of Staff.

Role of the Public Service

We must always be mindful of our *Public Service of Ontario Act* obligations to provide professional, neutral and non-partisan service. This obligation is never more important than during an election period.

The public service continues to be committed to supporting the government in fulfilling its mandate prior to the election. The public service also has an important role to play in overseeing the uninterrupted delivery of programs and services during the election campaign while preparing for a smooth transition for a returning or new government following an election.

Regardless of the election outcome, there will be a new Parliament – Ontario's 42nd – consisting of both returning and newly elected MPPs. The Lieutenant Governor will also swear in a new Executive Council on the recommendation of the Premier or Premier-elect.

…/2

Government Operations During the Election Period

The long-held practice in Ontario is for the government to assume a “caretaker role” as soon as the writ for a general election is issued. The caretaker period will commence with the dissolution of the Legislative Assembly scheduled for Wednesday, May 9, and can generally be expected to continue until the swearing-in of a returning or new government.

The essential element of the caretaker practice is that only routine, non-controversial, or urgent business is conducted. The caretaker role requires that there be no new policy or program initiatives, and restricts ongoing work, consultations, appointments, regulatory postings, public engagement, announcements and ministry events. Prior approval to engage in these activities does not provide authority to continue once the caretaker period has begun. Except for the normal implementation of routine government services and programs, any activity or action that would not reasonably be perceived as routine, non-controversial, urgent or time sensitive, should be suspended once the writ is issued.

In assessing whether ongoing work is consistent with the caretaker role of government, ask the following relevant questions:

- Is the proposed work truly routine or urgent?
- Is there a potential for the work to be raised as a political issue during the election?
- Have all the necessary policy, funding and human resource approvals been received?
- Is there a legislative or legal requirement to provide the program or service?
- Do any of the next steps require further political decision or direction?
- Is there any reason why the activity cannot wait?
- Does the program or service need to be communicated to the public?
- Would the work limit or impair the decision-making freedom of a future government?
- Would any future government agree the work was necessary during the writ period?

All Cabinet and committee meetings, including Treasury Board and Management Board of Cabinet, are suspended unless required to ensure the continuation of government operations and public services during the writ period. This would include any meetings required to respond to urgent or unforeseen circumstances. Should circumstances require a decision of Cabinet, the Cabinet Office will work with the Office of the Premier to determine the appropriate steps to take to convene Cabinet in a manner consistent with the caretaker role.

Regulations should not be filed during the caretaker period even if previously approved by Cabinet and signed by the Lieutenant Governor. If you believe there are urgent circumstances that may require the filing of a regulation during this time, the situation should be discussed with my office well in advance of the caretaker period. Otherwise approved regulations should be held until after the election, at which time a returning or new Minister’s office should be asked for direction. Please keep in mind that unfiled regulations will automatically “expire” four months from the day of approval unless the filing date is extended by the Lieutenant Governor in Council.

…/3

There may be some items that will require a careful consideration of these caretaker principles before a decision can be made on whether they should proceed. In assessing these issues, it is very important to avoid planning any activity that would require a Minister's or Cabinet's decision during or immediately after the election period unless absolutely necessary or critical to ongoing government operations. To help resolve these matters, I will be Chairing a Caretaker Committee of Central Agency Deputy Ministers to review areas that are deemed to be significant enough to warrant central agency review. If you have any questions, please contact Steven Davidson, Deputy Minister for Policy and Delivery, Cabinet Office on policy-related matters or Helen Angus, Secretary of the Treasury Board on matters related to funding or human resources. If necessary, they will be bringing these matters forward to the Committee for consideration.

Communication Activities

Pursuant to the provisions of the *Government Advertising Act*, government advertising will be restricted effective March 10, 2018. Details on this restriction have been communicated to you by Deputy Minister of Communications and Associate Secretary of the Cabinet, Lynn Betzner.

Once the writ period begins, these advertising restrictions will continue as part of the caretaker role of government. Further, additional restrictions will be placed on all other government events, communications activities and announcements. Deputy Betzner will forward a communications protocol for the writ period to you and your Director of Communications.

In accordance with these restrictions, communications activities and announcements by the government will be suspended unless related to a recognized activity such as:

- **An emergency situation** that needs to be communicated to the public, e.g. public health emergency.
- **A revenue-generating** communication by a government or government agency program intended to support revenue generating activities in Ontario, e.g. Foodland Ontario.
- **A time-sensitive, statutory, or seasonal** communication.
- **An Agency Mandate** communication necessary to support a scheduled agency's mandate, such as the LCBO.

Issues management support should continue as usual to address any issues where the public interest might require comment by your Minister. Such support should be consistent with the caretaker role of government during this period. The Premier's Office will be reminding Ministers, Parliamentary Assistants and Chiefs of Staff that the public service must not support candidates in an election and that requests for information and support must continue to respect the neutral, non-partisan role of the public service.

Your ministry staff should work with their Cabinet Office policy and communications contacts and staff remaining in your Minister's office to ensure that issues are managed appropriately.

…/4

Members of the Legislative Assembly

The Legislative Assembly provides information to all MPPs regarding their rights and obligations as Members of the Assembly during the election period. For example, while MPPs technically no longer hold office once the Assembly is dissolved for the election, their constituency offices remain open during the election period to support the citizens of these ridings. It is entirely appropriate for the public service to work with your Ministers' Offices to support constituency offices with public information in the same professional, non-partisan manner as we would at any other time.

Role of Ministers and Parliamentary Assistants

Ministers remain members of the Executive Council until the Premier submits, and the Lieutenant Governor accepts, their resignations. Any minister who is not re-elected remains a member of the Executive Council until their resignation is submitted to the Lieutenant Governor. This means that Ministers retain the rights, privileges and responsibilities of their office during and after an election, although these rights, privileges and responsibilities must now be exercised in accordance with the caretaker role of government. It is our responsibility as public servants to continue to serve them in that capacity.

The Premier's Office will be sending out a memo regarding the roles and responsibilities of Ministers, Parliamentary Assistants and political staff during the election period that you should review closely. In that regard, Cabinet Office will work with the Premier's Office and you will work with your Minister's Office to ensure these instructions are properly understood and implemented.

Ministers will be asked to exercise care and avoid any perception that they are using their ministerial offices, resources or portfolios for political purposes. While most government events are postponed during the election period, should any such event be approved to proceed during this time, Ministers and Parliamentary Assistants will be advised not to attend. Other local MPPs or candidates will also not be invited to attend any such events. However, there may be circumstances where a particular situation or protocol requires a Minister's involvement. Such circumstances might include a provincial emergency or a national or international event or occurrence where protocol would reasonably require a statement by the Premier or a responsible Minister. Any such involvement will need to be cleared in advanced with the Premier's Office in consultation with my Office.

Ministers will be advised that their cars and drivers should not be used during the writ period, and will be asked to ensure that their government vehicles are parked in their reserved parking space and that the keys are given to Executive Transportation Services. Ministers will also be advised that they cannot use a car or driver from the government pool during the writ period unless it is in relation to a government activity that has been approved by the Premier's Office, in consultation with Cabinet Office.

Parliamentary Assistants are appointed by Order-in-Council and technically retain their positions until the order is revoked. However, Ministers have been asked to make sure that Parliamentary Assistant assignments or responsibilities are suspended during the writ period.

Political Staff

Ministers' office staff will receive instructions on their activities during the election period, including political activity rules and the appropriate use of government resources and equipment (e.g., computers, photocopiers, BlackBerrys, cell phones, faxes, etc.).

Most Ministers' offices will maintain only core staff during the writ period. You will play an important role in working with staff remaining in your Ministers' offices to support your Ministers as members of the Executive Council during the election.

Political Activity Rules for the Ontario Public Service

The *Public Service of Ontario Act* sets out specific rules outlining the political activities that are permissible by employees in all ministries, Ministers' offices and public bodies. Special rules apply in the case of elections, and it is important that we respect these rules and the political activity rights of all public servants during this time. The Secretary of the Treasury Board Helen Angus will provide detailed information on these rules and guidelines.

Minister's Correspondence

As will be set out in Deputy Betzner's memorandum, Ministers' correspondence should continue to be answered during the election period according to quality service standards. In some circumstances, it may be more appropriate for policy or program-related correspondence to be answered by a Deputy Minister, Assistant Deputy Minister or program area.

In cases where a Minister's reply is required, an acknowledgement letter should indicate that the correspondence will be brought to the Minister's attention immediately after the election.

Where appropriate, certain letters can be brought to the attention of your Minister's office throughout the writ period.

Deputy Betzner will be sending you additional information to provide further guidance on these issues. If you have any questions, please contact her office.

Freedom of Information Requests

The statutory obligation to respond to all *Freedom of Information and Protection of Privacy Act* requests within 30 days is not altered by an election call. These requests should continue to be processed as usual during the election period, and you should continue to advise your Minister's office contact as appropriate.

Preservation of Government Records

Records that were received or created in a Ministry, by a Minister, or in a Minister's office in connection with the official activities of the government are public records subject to the *Archives and Recordkeeping Act*, *2006* and the applicable records schedules approved by the Archivist of Ontario. The approved records schedules contain provisions regarding these recordkeeping obligations as they relate to general elections.

The Premier's Office has been and will be providing communications to all Ministers' offices and the offices of Parliamentary Assistants on the importance of meeting these requirements. We must also continue to ensure that we meet our own recordkeeping obligations under the *Archives and Recordkeeping Act*, *2006.*

I know you will work with your Minister's office and your staff to ensure plans are in place to meet these obligations. Additional guidance on recordkeeping during and after the election period will be provided by the Archivist of Ontario, John Roberts. Staff from the Archives of Ontario can offer detailed information and assistance. For assistance please contact:

Greg Brown
Archives of Ontario
Ministry of Government Services
Tel: (416) 327-1457
E-Mail: greg.brown@ontario.ca

Works of Art on Loan from the Government of Ontario Art Collection

Artwork in Ministers' offices is often part of the Government of Ontario Art Collection and is Crown property. The curator must be informed of any impending changes, moves or renovations to loan locations. Artworks must not be moved without the approval and assistance of the curator. The curator can be contacted as follows:

Lani Wilson
Curator, Government of Ontario Art Collection
Archives of Ontario
Tel: 416-327-2808
E-mail: lani.wilson@ontario.ca

…/7

Election Preparation Planning

As you know, planning to support a returning or new government following the election is an important part of our work leading up to and during an election period. As part of this process, and to avoid duplication, Cabinet Office will be tracking all commitments made by each party during the election. It is critical that no costing of platform commitments be undertaken during the election period. Cabinet Office will be providing you with relevant tools to support our commitment tracking exercise.

In addition, Cabinet Office will be requesting assistance from your ministries in the development of Election Preparation Planning documents required to support the government following the election. My office will work directly with your lead representative on these requests, and I would ask you to pay particular attention to the due date for these materials.

To assist in these matters, please identify one designated lead person from your office to work with William Bromm (416-325-7378) or Boafoa Kwamena (416-325-4400).

Our Best Advice

The application of the rules outlined in this memo and the preparations undertaken by the public service during this time is an important part of the democratic process. It ensures the public service is in a position to offer our best, non-partisan advice leading up to and following the election, and is an important part of the continuity of government.

Given the importance of the issues outlined in this memo, I am asking that you ensure your Minister’s office understands your ongoing commitment to implementing the government's mandate, while also reinforcing the importance of having the Minister’s office flow all requests through your office to ensure enhanced coordination.

I know I can rely on your full support during the coming months, and want to encourage you to actively engage your ministries in these critical activities. Please do not hesitate to call me or my office at any time if you have any questions.

Original signed by:

Steve Orsini

c. Andrew Bevan, Chief of Staff and Principal Secretary to the Premier
William Bromm, Senior Director and General Counsel, Cabinet Office
Boafoa Kwamena, Executive Assistant and Strategic Policy Advisor, Cabinet Office

Ontario

From: Sarah Harris on behalf of William Tan
To: Opal Kandelas; Sarah Harris; Lisa Stein; Bruno Amara; John Kim; Gavin He; Tobias P. Whitfield (MOF)
Subject: FW: Conference call re FHP Agreement
Attachments: conference call re FHP Agreement.msg

-----Original Appointment-----
From: William Tan
Sent: Tuesday, August 08, 2017 6:55 PM
To: William Tan; Sarah Harris; Lisa Stein; Bruno Amara; John Kim; Gavin He; Tobias P. Whitfield (MOF)
Subject: Conference call re FHP Agreement
When: Wednesday, August 09, 2017 2:00 PM-3:00 PM (UTC-05:00) Eastern Time (US & Canada).
Where: Boardroom CEO

The conference line is provided below.
(416) 933-3853
Conference ID: 2406927 followed by #
To reach an operator during the call press * 0

Best regards,

Will Tan| Documentation & Analysis Specialist
Capital Markets Division | Ontario Financing Authority
1 Dundas Street West, Suite 1400
Toronto, Ontario M5G 1Z3, CANADA
Tel. (416) 325-8090 | Fax: (416) 860-8346
william.tan@ofina.on.ca <mailto:william.tan@ofina.on.ca>

This message, including any attachments, is intended only for the use of the individual(s) to which it is addressed and may contain information that is privileged and confidential. Any other distribution, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message including any attachments, without reading it or making a copy. Thank you

From: Lisa Stein []
To: William Tan [William.Tan@ofina.on.ca]
CC: Sarah Harris [Sarah.Harris@ofina.on.ca]; Bruno Amara [Bruno.Amara@ofina.on.ca]; John Kim [John.Kim@ofina.on.ca]; Tobias P. Whitfield (MOF) [Tobias.Whitfield@ontario.ca]; Jean-Francois Beaupre [Jean-Francois.Beaupre@ofina.on.ca]
Subject: conference call re FHP Agreement
Date: Tuesday, August 08, 2017 11:06:17

Hi Will,

After discussing this matter further with Toby this morning we've decided that arranging an internal call would be appropriate to discuss outstanding issues. Can you please set up a call with everyone on this e-mail for this afternoon (and anyone else who may be required)? In the meantime I'm still tweaking the latest draft to include intercept provisions (in the event that they are required) and Toby is going to put together a list of remaining questions/issues based on our discussions.

Thank you,

Lisa

From: Sarah Harris
To: Ken Kandeepan
Cc: Salman Qadir; Opal Kandelas; Linda Smith
Subject: FW: DRAFT IESO FH credit letter
Date: Thursday, May 11, 2017 12:45:09 PM
Attachments: IESO_OFA FEP 2017 Credit Letter v3 draft_CEFDmarkup3.docx

---

Hello Ken,

As you were a recipient on this original e-mail from Anthony Martinello at IESO, I thought I would run CMD and CEFD's comments by you so far. I understand from Salman that Ron will be providing some additional comments shortly.

Ken, do you have any comments on IESO's letter? IESO has requested a response by today.

Thanks,
Sarah

From: Salman Qadir
Sent: Thursday, May 11, 2017 11:22 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: RE: DRAFT IESO FH credit letter

Hi Sarah,

Attached is CEFD comments/markup. Was waiting for one last confirmation but might as well send this out to you to which you seemed to have incorporated already.

For your 2 comments, highlighted below, the first question we need confirmed from IESO is their requirement. We prefer to go the route of doing the FHP requirement separately as well, so we need confirmation on if the requirement is $1.5 billion or is there anything else they would have used the $975M one for. We may need to reduce the $975M one.

Would you have LRC dates for June/July? Just trying to see how the timelines would fit in. You had mentioned you may have a table with some dates, just so we can work backwards.

Thanks,
Salman

From: Sarah Harris
Sent: Thursday, May 11, 2017 11:16 AM
To: Salman Qadir <Salman.Qadir@ofina.on.ca>
Subject: RE: DRAFT IESO FH credit letter

Thank you, Salman

I asked Mike Manning about the changing the draw period from the current 28-95 days, to 7-95 days, and he is fine with that change.

Mike also is fine with the proposed "interest charge to be Province's cost of funds for borrowing with a similar term as determined by OFA plus 0.25 percent per annum", as it exactly matches the rate on the current $975M facility.

Just so we agree on IESO's requested in terms of setting up the credit facility, is it also your understanding that IESO wishes to:

1) amend the $975M to allow for FHP draws and to reduce the draw period to 7-95 days, but the expiry date will remain unchanged at **December 31, 2019**, and;
2) have a new FHP exclusive facility for the requested additional $1,500M commitment expiring September 30, 2022, with the terms outlined in the letter.

Have you also received confirmation that OFA will be funding the new $1,500M commitment?

Thanks,
Sarah

From: Salman Qadir
Sent: Thursday, May 11, 2017 10:15 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: RE: DRAFT IESO FH credit letter

Hi Sarah,

I'll be getting some comments on the letter back to you shortly. Mostly likely the same ones we discussed and which you also had.

Salman

From: Sarah Harris
Sent: Tuesday, May 09, 2017 4:15 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Salman Qadir <Salman.Qadir@ofina.on.ca>; Linda Smith <Linda.Smith@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: FW: DRAFT IESO FH credit letter

Hello John,

I'm not sure if you've seen the attached letter as of yet. We have received this request from IESO to set-up a credit facility for IESO to borrow $1,500M to fund the Fair Hydro Program.

IESO indicates that they either wish to have the existing $975M credit facility between the OFA and IESO increased by $1,500M (incorporating their proposed provisions) or to have a separate $1,500M credit facility altogether. I'm aware that there have some discussions around this. Do you know if it has been decided if OFA or OEFC should provide this facility?

Thanks,
Sarah
5-8193

From: Opal Kandelas
Sent: Tuesday, May 09, 2017 11:54 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: FW: DRAFT IESO FH credit letter
Importance: High

From: Mike Manning
Sent: Tuesday, May 09, 2017 11:21 AM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: FW: DRAFT IESO FH credit letter
Importance: High

As discussed.
Mike

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Tuesday, May 09, 2017 10:26 AM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; John Psinas <John.Psinas@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>
Subject: DRAFT IESO FH credit letter

See attached draft letter we hope to issue this week – for your comments (will appreciate by Thursday this week if any).

I did speak with Moody's on April 28 to obtain their feedback.

Call me @ 905.403.6944 to discuss (…Ken can we discuss the interest exp/income flows when you have a moment).

As mentioned the current $975M supports the RPP today which will be transitioned to the new FH going forward – for this draft as discussed with my CFO I have left the $975M as is but will seek to use for FH too.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

ieso
Connecting Today.
Powering Tomorrow.

Independent Electricity System Operator
Station A, Box 4474
Toronto, ON M5W 4E5
t 905.403.6900
www.ieso.ca

May 8, 2017.

Mr. Gadi Mayman
Chief Executive Officer
Ontario Financing Authority
1 Dundas Street West, Suite 1400
Toronto, Ontario, M7A 1Y7

Re: **IESO Credit Requirements for the 2017 Fair Hydro Plan~~rogram~~**

Dear Mr. Mayman,

As you are aware the Ontario government has announced its inten~~s~~tion to implement the proposed Fair Hydro Plan~~program~~ (FHP) to reduce electricity prices for eligible consumers in the province. Proposed l~~L~~egislation ~~is expected to be~~was introduced this month for the program. The Independent Electricity System Operator (IESO) is preparing to implement the FHP and has determined that to support the IESO's role in implementation it will need greater credit liquidity than currently exists.

The existing credit facility between the IESO and the Ontario Financing Authority~~'s~~ (OFA) is $975 million. The IESO proposes that an additional facility/commitment be provided in the amount of $1,500 million. This would enable the IESO to provide interim financing for the FHP's spreading out of global adjustment costs~~smoothing~~ for a period of several months, if needed.

We suggest the OFA's current $975 million agreement and the new separate (or co-mingled) FHP agreement consider the following key provisions:

- FHP: 5 year term to align with the FHP's initial period of deferral of electricity prices~~, period~~ plus a few months of contingency (i.e., to September 30, 2022);
- FHP: interest charge to be Province's cost of funds for borrowing with a similar term as determined by OFA plus 0.25 per cent per annum;
- FHP: drawings to be based on minimum of 7 days to a maximum of 95 days, to minimize interest costs and permit efficient FHP asset transfers;
- Existing $975 million facility: draws to permit for FHP purposes until the credit agreement for FHP purposes has been made available; and

Commented [A1]: Please confirm that the requirement is $1.5 billion as it is preferred to keep the $975M separate from FHP.

Commented [A2]: It is preferred that a separate credit facility be set up for FHP purposes. OFA is working to obtain the appropriate approvals required. Option to use the existing facility may be exercised if timing does not permit putting in place a new credit facility.

Commented [A3]: This is rate is the same as in the existing $975M Credit Facility and is acceptable.

Commented [A4]: Overall, would it be better to purely separate out the FHP borrowing – so a larger than $1.5 bn new facility, and potentially shrink the existing $975 facility?

Commented [A5]: $975 million agreement is for purposes outlined under section 25.33 of the Electricity Act. Seems FHP would fall under that but legal to confirm. Either way, agreement purpose would need to be amended.

- $975 million: a reduction in the 28 days minimum draw for the existing facility to a minimum of 7 days to a maximum of 95 days;

Commented [A6]: Agree that 28 minimum draw may be reduced to 7 days.

Should the IESO find that there is persistent~~consistent~~ usage of these facilities we will contact the OFA for further arrangements.

Upon your reply to this letter, the IESO will seek any necessary IESO Board of Directors' approval for the above credit facility(ies) and we will provide such evidence for the OFA's records.

We appreciate the OFA's continue support and look forward to working with you. Please contact me should you need anything further.

Sincerely,

DRAFT

Kimberly Marshall
Vice President Corporate Services, Chief Financial Officer and Treasurer
416-969-6232

From:	Sarah Harris
To:	John Kim
Cc:	Salman Qadir; Linda Smith; Opal Kandelas; Bruno Amara
Subject:	FW: DRAFT IESO FH credit letter
Date:	Tuesday, May 09, 2017 4:15:16 PM
Attachments:	IESO_OFA FEP 2017 Credit Letter v3 draft.docx

Hello John,

I'm not sure if you've seen the attached letter as of yet. We have received this request from IESO to set-up a credit facility for IESO to borrow $1,500M to fund the Fair Hydro Program.

IESO indicates that they either wish to have the existing $975M credit facility between the OFA and IESO increased by $1,500M (incorporating their proposed provisions) or to have a separate $1,500M credit facility altogether. I'm aware that there have some discussions around this. Do you know if it has been decided if OFA or OEFC should provide this facility?

Thanks,
Sarah
5-8193

From: Opal Kandelas
Sent: Tuesday, May 09, 2017 11:54 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: FW: DRAFT IESO FH credit letter
Importance: High

From: Mike Manning
Sent: Tuesday, May 09, 2017 11:21 AM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: FW: DRAFT IESO FH credit letter
Importance: High

As discussed.
Mike

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Tuesday, May 09, 2017 10:26 AM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; John Psinas <John.Psinas@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>
Subject: DRAFT IESO FH credit letter

See attached draft letter we hope to issue this week – for your comments (will appreciate by Thursday this week if any).

I did speak with Moody's on April 28 to obtain their feedback.

Call me @ 905.403.6944 to discuss (…Ken can we discuss the interest exp/income flows when you have a moment).

As mentioned the current $975M supports the RPP today which will be transitioned to the new FH going forward – for this draft as discussed with my CFO I have left the $975M as is but will seek to use for FH too.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

Connecting Today.
Powering Tomorrow.

Independent Electricity System Operator
Station A, Box 4474
Toronto, ON M5W 4E5
t 905.403.6900
www.ieso.ca

May 8, 2017.

Mr. Gadi Mayman
Chief Executive Officer
Ontario Financing Authority
1 Dundas Street West, Suite 1400
Toronto, Ontario, M7A 1Y7

Re: **IESO Credit Requirements for the 2017 Fair Hydro Program**

Dear Mr. Mayman,

As you are aware the Ontario government has announced its intension to implement the Fair Hydro program (FHP) to reduce electricity prices for consumers in the province. Legislation is expected to be introduced this month for the program. The Independent Electricity System Operator (IESO) is preparing to implement the FHP and has determined that to support the IESO's role in implementation it will need greater credit liquidity than currently exists.

The existing credit facility between the IESO and the Ontario Financing Authority's (OFA) is $975 million. The IESO proposes that an additional facility/commitment be provided in the amount of $1,500 million. This would enable the IESO to provide interim financing for the FHP's global adjustment smoothing for a period of several months if needed.

We suggest the OFA's current $975 million agreement and the new separate (or co-mingled) FHP agreement consider the following key provisions:

- FHP: 5 year term to align with the FHP's deferral of electricity prices period plus a few months of contingency (i.e. September 30, 2022);
- FHP: interest charge to be Province's cost of funds for borrowing with a similar term as determined by OFA plus 0.25 percent per annum;
- FHP: drawings to be based on minimum of 7 days to a maximum of 95 days, to minimize interest costs and permit efficient FHP asset transfers;
- $975 million: draws to permit for FHP purposes; and
- $975 million: a reduction in the 28 days minimum draw for the existing facility to a minimum of 7 days to a maximum of 95 days;

Should the IESO find that there is consistent usage of these facilities we will contact the OFA

for further arrangements.

Upon your reply to this letter, the IESO will seek any necessary IESO Board of Directors' approval for the above credit facility(ies) and we will provide such evidence for the OFA's records.

We appreciate the OFA's continue support and look forward to working with you. Please contact me should you need anything further.

Sincerely,

DRAFT

Kimberly Marshall
Vice President Corporate Services, Chief Financial Officer and Treasurer
416-969-6232

From:	Opal Kandelas
To:	Sarah Harris
Subject:	FW: DRAFT IESO FH credit letter
Date:	Tuesday, May 09, 2017 11:54:02 AM
Attachments:	IESO_OFA FEP 2017 Credit Letter v3 draft.docx
Importance:	High

From: Mike Manning
Sent: Tuesday, May 09, 2017 11:21 AM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: FW: DRAFT IESO FH credit letter
Importance: High

As discussed.
Mike

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Tuesday, May 09, 2017 10:26 AM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; John Psinas <John.Psinas@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>
Subject: DRAFT IESO FH credit letter

See attached draft letter we hope to issue this week – for your comments (will appreciate by Thursday this week if any).

I did speak with Moody's on April 28 to obtain their feedback.

Call me @ 905.403.6944 to discuss (…Ken can we discuss the interest exp/income flows when you have a moment).

As mentioned the current $975M supports the RPP today which will be transitioned to the new FH going forward – for this draft as discussed with my CFO I have left the $975M as is but will seek to use for FH too.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

Connecting Today.
Powering Tomorrow.

Independent Electricity System Operator
Station A, Box 4474
Toronto, ON M5W 4E5
t 905.403.6900
www.ieso.ca

May 8, 2017.

Mr. Gadi Mayman
Chief Executive Officer
Ontario Financing Authority
1 Dundas Street West, Suite 1400
Toronto, Ontario, M7A 1Y7

Re: **IESO Credit Requirements for the 2017 Fair Hydro Program**

Dear Mr. Mayman,

As you are aware the Ontario government has announced its intension to implement the Fair Hydro program (FHP) to reduce electricity prices for consumers in the province. Legislation is expected to be introduced this month for the program. The Independent Electricity System Operator (IESO) is preparing to implement the FHP and has determined that to support the IESO's role in implementation it will need greater credit liquidity than currently exists.

The existing credit facility between the IESO and the Ontario Financing Authority's (OFA) is $975 million. The IESO proposes that an additional facility/commitment be provided in the amount of $1,500 million. This would enable the IESO to provide interim financing for the FHP's global adjustment smoothing for a period of several months if needed.

We suggest the OFA's current $975 million agreement and the new separate (or co-mingled) FHP agreement consider the following key provisions:

- FHP: 5 year term to align with the FHP's deferral of electricity prices period plus a few months of contingency (i.e. September 30, 2022);
- FHP: interest charge to be Province's cost of funds for borrowing with a similar term as determined by OFA plus 0.25 percent per annum;
- FHP: drawings to be based on minimum of 7 days to a maximum of 95 days, to minimize interest costs and permit efficient FHP asset transfers;
- $975 million: draws to permit for FHP purposes; and
- $975 million: a reduction in the 28 days minimum draw for the existing facility to a minimum of 7 days to a maximum of 95 days;

Should the IESO find that there is consistent usage of these facilities we will contact the OFA

for further arrangements.

Upon your reply to this letter, the IESO will seek any necessary IESO Board of Directors' approval for the above credit facility(ies) and we will provide such evidence for the OFA's records.

We appreciate the OFA's continue support and look forward to working with you. Please contact me should you need anything further.

Sincerely,

DRAFT

Kimberly Marshall
Vice President Corporate Services, Chief Financial Officer and Treasurer
416-969-6232

From:	Mike Manning
To:	Opal Kandelas
Subject:	FW: DRAFT IESO FH credit letter
Date:	Tuesday, May 09, 2017 11:20:35 AM
Attachments:	IESO_OFA FEP 2017 Credit Letter v3 draft.docx
Importance:	High

As discussed.
Mike

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Tuesday, May 09, 2017 10:26 AM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; John Psinas <John.Psinas@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>
Subject: DRAFT IESO FH credit letter

See attached draft letter we hope to issue this week – for your comments (will appreciate by Thursday this week if any).

I did speak with Moody's on April 28 to obtain their feedback.

Call me @ 905.403.6944 to discuss (…Ken can we discuss the interest exp/income flows when you have a moment).

As mentioned the current $975M supports the RPP today which will be transitioned to the new FH going forward – for this draft as discussed with my CFO I have left the $975M as is but will seek to use for FH too.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

Connecting Today.
Powering Tomorrow.

Independent Electricity System Operator
Station A, Box 4474
Toronto, ON M5W 4E5
t 905.403.6900
www.ieso.ca

May 8, 2017.

Mr. Gadi Mayman
Chief Executive Officer
Ontario Financing Authority
1 Dundas Street West, Suite 1400
Toronto, Ontario, M7A 1Y7

Re: **IESO Credit Requirements for the 2017 Fair Hydro Program**

Dear Mr. Mayman,

As you are aware the Ontario government has announced its intension to implement the Fair Hydro program (FHP) to reduce electricity prices for consumers in the province. Legislation is expected to be introduced this month for the program. The Independent Electricity System Operator (IESO) is preparing to implement the FHP and has determined that to support the IESO's role in implementation it will need greater credit liquidity than currently exists.

The existing credit facility between the IESO and the Ontario Financing Authority's (OFA) is $975 million. The IESO proposes that an additional facility/commitment be provided in the amount of $1,500 million. This would enable the IESO to provide interim financing for the FHP's global adjustment smoothing for a period of several months if needed.

We suggest the OFA's current $975 million agreement and the new separate (or co-mingled) FHP agreement consider the following key provisions:

- FHP: 5 year term to align with the FHP's deferral of electricity prices period plus a few months of contingency (i.e. September 30, 2022);
- FHP: interest charge to be Province's cost of funds for borrowing with a similar term as determined by OFA plus 0.25 percent per annum;
- FHP: drawings to be based on minimum of 7 days to a maximum of 95 days, to minimize interest costs and permit efficient FHP asset transfers;
- $975 million: draws to permit for FHP purposes; and
- $975 million: a reduction in the 28 days minimum draw for the existing facility to a minimum of 7 days to a maximum of 95 days;

Should the IESO find that there is consistent usage of these facilities we will contact the OFA

for further arrangements.

Upon your reply to this letter, the IESO will seek any necessary IESO Board of Directors' approval for the above credit facility(ies) and we will provide such evidence for the OFA's records.

We appreciate the OFA's continue support and look forward to working with you. Please contact me should you need anything further.

Sincerely,

DRAFT

Kimberly Marshall
Vice President Corporate Services, Chief Financial Officer and Treasurer
416-969-6232

From:	Sarah Harris
To:	Salman Qadir
Cc:	Opal Kandelas
Subject:	FW: DRAFT IESO FH credit letter
Date:	Thursday, May 11, 2017 2:53:53 PM
Attachments:	IESO_OFA FEP 2017 Credit Letter v3 draft_CEFDmarkup4.docx

Hi Salman,

I spoke with Mike. Seems that the big guys have been talking and it's all sorted out. It looks like Mike had communicated our two points on the interest rate (it's ok) and the draw period (ok to reduce minimum to 7 days).

We'll wait to hear back from Ron.

Thanks,
Sarah

From: Mike Manning
Sent: Thursday, May 11, 2017 2:49 PM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>; Linda Smith <Linda.Smith@ofina.on.ca>
Subject: FW: DRAFT IESO FH credit letter

For your info.
Mike

From: Ronald Kwan
Sent: Thursday, May 11, 2017 12:38 PM
To: Mike Manning <Mike.Manning@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; John Psinas <John.Psinas@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Subject: RE: DRAFT IESO FH credit letter

Hi,

Following a call with Mike, I made some edits. I can send this back to Anthony.

Ron

From: Ronald Kwan
Sent: May-11-17 12:21
To: Mike Manning <Mike.Manning@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; John Psinas <John.Psinas@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Subject: RE: DRAFT IESO FH credit letter

Hi Mike, Ken,

Did you have comments on the letter? Staff here have made some initial comments. IESO wanted to issue this this week.

I think on the last call, we had talked about it being cleaner to have a separate facility for the FHP. The draft letter seems to have a potential for IESO drawing both on the new facility and the existing one. Does that work for you?

Do the timelines and spread wording work for you?

Ron

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: May-09-17 10:26
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; John Psinas <John.Psinas@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>
Subject: DRAFT IESO FH credit letter

See attached draft letter we hope to issue this week – for your comments (will appreciate by Thursday this week if any).

I did speak with Moody's on April 28 to obtain their feedback.

Call me @ 905.403.6944 to discuss (…Ken can we discuss the interest exp/income flows when you have a moment).

As mentioned the current $975M supports the RPP today which will be transitioned to the new FH going forward – for this draft as discussed with my CFO I have left the $975M as is but will seek to use for FH too.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

ieso
Connecting Today.
Powering Tomorrow.

Independent Electricity System Operator
Station A, Box 4474
Toronto, ON M5W 4E5
t 905.403.6900
www.ieso.ca

May 8, 2017.

Mr. Gadi Mayman
Chief Executive Officer
Ontario Financing Authority
1 Dundas Street West, Suite 1400
Toronto, Ontario, M7A 1Y7

Re: **IESO Credit Requirements for the 2017 Fair Hydro Plan~~rogram~~**

Dear Mr. Mayman,

As you are aware the Ontario government has announced its inten~~s~~tion to implement the proposed Fair Hydro Plan~~program~~ (FHP) to reduce electricity prices for eligible consumers in the province. Proposed l~~L~~egislation ~~is expected to be~~was introduced this month for the program. The Independent Electricity System Operator (IESO) is preparing to implement the FHP and has determined that to support the IESO's role in implementation it will need greater credit liquidity than currently exists.

The existing credit facility between the IESO and the Ontario Financing Authority~~'s~~ (OFA) is $975 million. The IESO proposes that an additional facility/commitment be provided in the amount of $1,500 million. This would enable the IESO to provide interim financing for the FHP's spreading out of global adjustment costs~~smoothing~~ for a period of several months, if needed.

We suggest the OFA's current $975 million agreement and the new separate (or co-mingled) FHP agreement consider the following key provisions:

- FHP: 5 year term to align with the FHP's initial period of deferral of electricity prices, ~~period~~ plus a few months of contingency (i.e., to September 30, 2022);
- FHP: interest charge to be Province's cost of funds for borrowing with a similar term as determined by OFA plus 0.25 per cent per annum;
- FHP: drawings to be based on minimum of 7 days to a maximum of 95 days, to minimize interest costs and permit efficient FHP asset transfers;
- Existing $975 million facility: draws to permit for FHP purposes until the credit agreement for FHP purposes has been made available; and

Commented [A1]: Please confirm that the requirement is $1.5 billion as it is preferred to keep the $975M separate from FHP. And see comment below.

Commented [A2]: It is preferred that a separate credit facility be set up for FHP purposes. OFA is working to obtain the appropriate approvals required. Option to use the existing facility on an interim basis may be exercised if timing does not permit putting in place a new credit facility by the time IESO needs to make a first draw.

Commented [A3]: Overall, would it be better to purely separate out the FHP borrowing – so a larger than $1.5 bn new facility, and potentially shrink the existing $975 facility?

- $975 million: a reduction in the 28 days minimum draw for the existing facility to a minimum of 7 days to a maximum of 95 days;

Should the IESO find that there is persistent~~consistent~~ usage of these facilities we will contact the OFA for further arrangements.

Upon your reply to this letter, the IESO will seek any necessary IESO Board of Directors' approval for the above credit facility(ies) and we will provide such evidence for the OFA's records.

We appreciate the OFA's continue support and look forward to working with you. Please contact me should you need anything further.

Sincerely,

DRAFT

Kimberly Marshall
Vice President Corporate Services, Chief Financial Officer and Treasurer
416-969-6232

From: Sarah Harris
To: Opal Kandelas
Subject: FW: Documentation Agreements in the Portal
Date: Tuesday, January 16, 2018 11:28:48 AM
Attachments: TEST Copy of Agreement Due Date Tracker (20-Dec-2017).xlsx

---

Hi Opal,

To discuss during our weekly meeting.

Thanks,
Sarah

From: Karin Sze
Sent: Wednesday, January 03, 2018 2:13 PM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: FW: Documentation Agreements in the Portal

	Category	Parties	Amount	File Folder	Agreement Expiry Date	Date to be notified before Agreement Expiry Date
	Credit Facilities Agreements					
1	**Credit Agreement**	IESO (formerly OPA), OFA	$475,000,000	1. Credit Agmts	31-Dec-2019	(IT project lead to insert datepicker to send alert)
2	**Revolving Credit Facility Agreement**	IESO, OEFC	$160,000,000	2. Revolving Cr Facility Agmt	30-Jun-2020	(IT project lead to insert datepicker to send alert)
3	**Agreement Providing for Issuance of a Note**	IESO (formerly IEMO, Ontario Hydro), OEFC	$120,000,000	3. Agmt providg for Iss of Note	30-Jun-2020	(IT project lead to insert datepicker to send alert)
4	**General Corporate Requirements Credit Facility Agreement**	OPG, OEFC	$2,350,000,000	4. Gen Corp req Cr Facility Agm	31-Dec-2018	(IT project lead to insert datepicker to send alert)
5	**Long Term Non-Revolving Credit Facility Agreement**	OILC, Province	$2,500,000,000	5. L-T Non-Rev Cr Fac Agmt	14-Nov-2018	(IT project lead to insert datepicker to send alert)
6	**Short-Term Revolving Credit Facility Agreement**	OILC, Province	$900,000,000	6. S-T Rev Cr Fac Agmt	26-May-2020	(IT project lead to insert datepicker to send alert)
7	**Revolving Credit Facility Agreement (Line of Credit)**	OILC (formerly OIPC), OFA	$200,000,000	7. Rev Cr Fac Agmt (Line of Cr)	29-Jun-2019	(IT project lead to insert datepicker to send alert)
8	**Revolving Credit Facility Agreement**	IESO, OFA	$2,000,000,000	8. Rev Cr Fac Agmt	30-Sep-2022	(IT project lead to insert datepicker to send alert)
	Service Agreements					
9	**Services (Level) Agreement**	OILC, OFA	N/A	9. Services (Level) Agmt	31-Mar-2020	(IT project lead to insert datepicker to send alert)
10	**Treasury Bill Issuing & Paying Agency Agreement**	TD, Province	$3,500,000,000	10.T-Bill Iss & Pay Agency Agmt	10-Jun-2019	(IT project lead to insert datepicker to send alert)
11	**Financial Services Agreement**	OCGC, OFA	$165,000,000	11.Fin Services Agmt OCGC & OFA	As long as OCGC has an investment in any of the Funds, or on such other date as agreed to by the Parties.	(IT project lead to insert datepicker to send alert)
	Investment Management Agreements					
12		OFA, DICO	N/A	12.Inv Mgt Agmt OFA & DICO	Termination: ▪ <30 days by writing; or ▪ mutual agreement	(IT project lead to insert datepicker to send alert)
13		OFA, PBGF	N/A	13. Inv Mgt Agmt OFA & PBGF	Termination: ▪ <30 days by writing; or ▪ mutual agreement	(IT project lead to insert datepicker to send alert)
14		OFA, OTF	N/A	14.Inv Mgt Agmt OFA & OTF	Termination: ▪ <30 days by writing; or ▪ mutual agreement	(IT project lead to insert datepicker to send alert)

Credit Agreement	Parties	Agreement/ Amendment Date	Amount	Notes	Link to Site
Original	OPA, OFA	1-Jan-2005	$500,000,000	▪ Advances: 30-Nov-2006. ▪ Manadatory Repayment: 31-Dec-2006.	S:\Users\CMB\Documentation\IESO-OPA Merger\ONTARIO POWER AUTHORITY\Credit Agreement\OFA-OPA Original Credit Agreement.pdf
Amendment No. 1 (letter)		14-Feb-2005		▪ clause 4.7 substituting the word "Agreement" for the "Services".	S:\Users\CMB\Documentation\IESO-OPA Merger\ONTARIO POWER AUTHORITY\Credit Agreement\Amendment No. 1\Amendment No. 1.pdf
Amending Agreement No. 3	OPA, OFA	11-Oct-2005	$975,000,000	▪ Increased credit amount.	S:\Users\CMB\Documentation\IESO-OPA Merger\ONTARIO POWER AUTHORITY\Credit Agreement\Amendment No. 3\(Signed) Aendment 3.Final.pdf
Amending Agreement No. 4	OPA, OFA	27-Sep-2006		▪ Mandatory Repayment: 31-Dec-2010.	S:\Users\CMB\Documentation\IESO-OPA Merger\ONTARIO POWER AUTHORITY\Credit Agreement\Amendment No. 4\(Signed) Amendment 4.Final.pdf
Amending Agreement No. 5	OPA, OFA	13-Jul-2007		▪ Advances: 30-Nov-2010.	S:\Users\CMB\Documentation\IESO-OPA Merger\ONTARIO POWER AUTHORITY\Credit Agreement\Amendment No. 5\(Signed) Amendment 5.Final.pdf
Amending Agreement No. 6	OPA, OFA	9-Nov-2010		▪ Mandatory Repayment: 31-Dec-2013. ▪ Advances: 30-Nov-2013.	S:\Users\CMB\Documentation\IESO-OPA Merger\ONTARIO POWER AUTHORITY\Credit Agreement\Amendment No. 6\Amendmen #6 (Executed).pdf
Amending Agreement No. 7	OPA, OFA	20-Dec-2013		▪ Mandatory Repayment: 31-Dec-2016. ▪ Advances: 30-Nov-2016.	S:\Users\CMB\Documentation\IESO-OPA Merger\ONTARIO POWER AUTHORITY\Credit Agreement\Amendment No. 7\(Executed) OPA Amending Agreement No 7.pdf
Amending Agreement No. 8	Amalgamation	19-Dec-2014		▪ OPA and Pre-Amalgamation IESO effective 1-Ja-2015.	S:\Users\CMB\Documentation\IESO-OPA Merger\ONTARIO POWER AUTHORITY\Credit Agreement\Amendment No. 8 (Amalgamation with IESO)\OFA-OPA Amending Agreement No. 8 (Executed).PDF
Amending Agreement No. 9	IESO, OFA	30-Nov-2016		▪ 1-Jan-2015: OPA amalgamated with IESO and OPA became obligations of the IESO. ▪ Mandatory Repayment: 31-Dec-2019. ▪ Advances: 30-Nov-2019.	S:\Users\CMB\Documentation\IESO-OPA Merger\ONTARIO POWER AUTHORITY\Credit Agreement\Amendment No. 9\OPA IESO Amendment No 9 (Executed).pdf
Amending Agreement No. 10	IESO, OFA	21-Nov-2017	$475,000,000.00	▪ Decrease credit amount. ▪ Add "Intercept" clause.	S:\Users\CMB\Documentation\IESO-OPA Merger\ONTARIO POWER AUTHORITY\Credit Agreement\Amendment No. 10\OFA IESO Amending Agreement No. to Jan 1, 2005 Credit Facility Nov 6,2007 - OFA signed.pdf

Revolving Credit Facility Agreement	Parties	Agreement/ Amendment Date	Amount	Notes	Link to Site
Original	IESO, OEFC	23-Apr-2010	$60,000,000		S:\Users\CMB\Documentation\IESO-OPA Merger\IESO(IMO)\OEFC - Revolving Credit Facility 2010\Credit Facility Agreement. April 23. 2010. executed..pdf
Amending Agreement No. 1		21-Jul-2010		▪ Commitment and facility limits. ▪ Repayments conditions.	S:\Users\CMB\Documentation\IESO-OPA Merger\IESO(IMO)\OEFC - Revolving Credit Facility 2010\Amending Agreement No. 1\Amending Agreement #1 (Executed).pdf
Amending Agreement No. 2		14-Oct-2011	$110,000,000	▪ Interest Rate 30-day term: up to $60M (+ 0.25% p.a.); in excess of $60M (+0.5% p.a.) ▪ A new Grid Promissory Note of $110M.	S:\Users\CMB\Documentation\IESO-OPA Merger\IESO(IMO)\OEFC - Revolving Credit Facility 2010\Amending Agreement No. 2\(executed) Amending Agreement No. 2 14-Oct-11.pdf
Amending Agreement No. 3		30-Apr-2013		▪ Interest Rate 30-day term: +0.5% p.a. ▪ Mandatory Repayment: 30-Apr-2014.	S:\Users\CMB\Documentation\IESO-OPA Merger\IESO(IMO)\OEFC - Revolving Credit Facility 2010\Amending Agreement No. 3\IESO $110 M credit facility Amending Agreement No. 3 (executed copy).PDF
Amending Agreement No. 4		30-Apr-2014	$95,000,000	▪ Interest Rate 30-day term: +0.5% p.a. ▪ Mandatory Repayment: 30-Apr-2017.	S:\Users\CMB\Documentation\IESO-OPA Merger\IESO(IMO)\OEFC - Revolving Credit Facility 2010\Amending Agreement No. 4\IESO $95 M Credit Facility Amending Agreement No. 4 Executed Copy.PDF
Amending Agreement No. 5	Amalgamation	19-Dec-2014	N/A	▪ Amalgamation of IESO with OPA effective as of 1-Jan-2015. *Note* : No executed copy. The Amending Agreement date was obtained from the first paragraph in the Amending Agreement No. 6.	S:\Users\CMB\Documentation\IESO-OPA Merger\IESO(IMO)\OEFC - Revolving Credit Facility 2010\Amending Agreement No. 5 (Amalgamation)\IESO Amending Agreement No 5 (Amalgamation) (Draft).doc
Amending Agreement No. 6	IESO, OEFC	30-Apr-2017	$160,000,000	▪ Mandatory Repayment: 30-Jun-2020. ▪ Advances: up to a maximum of 12 times per year.	S:\Users\CMB\Documentation\IESO-OPA Merger\IESO(IMO)\OEFC - Revolving Credit Facility 2010\Amending Agreement No. 6\Amending Agrt no.6 - Revolving Credit Facility - OEFC_IESO_IESO Signed.pdf

Agreement Providing for Issuance of a Note	Parties	Agreement/ Amendment Date	Amount	Notes	Link to Site
Original	IEMO, OEFC	1-Apr-1999	$70,300,000	Transferring staff, assets, liabilities, rights and obligations of Ontario Hydroto IEMO. ▪ Term of loan maturity: 1-May-2009. ▪ Interest: 7.9% p.a.	S:\Users\CMB\Documentation\IESO-OPA Merger\IESO(IMO)\OEFC - Loan Refinancing May 2011\Original Agreement.pdf
Amending Agreement No. 1		23-Mar-2000	$78,200,000	▪ Increased principal amount by $7.9M.	S:\Users\CMB\Documentation\IESO-OPA Merger\IESO(IMO)\OEFC - Loan Refinancing May 2011\Amending Agreement NO 1.pdf
Amending Agreement No. 2	IESO (formerly IEMO) , OEFC	23-Apr-2009		▪ Term of the loan maturity: 1-May-2011.	S:\Users\CMB\Documentation\IESO-OPA Merger\IESO(IMO)\OEFC - Loan Refinancing May 2011\Amending Agreement#2 (ExecutedCopy).pdf
Amending Agreement No. 3		1-May-2011		▪ Issuance of a 2nd Refinancing Note maturing 1-May-2013 and to delete the prepayment provisions.	S:\Users\CMB\Documentation\IESO-OPA Merger\IESO(IMO)\OEFC - Loan Refinancing May 2011\Amending Agreement No. 3\[Executed] Amending Agreement No. 3.pdf
Amending Agreement No. 4		1-May-2013		▪ Issuance of a 3rd Refinancing Note maturing 30-Apr-2014.	S:\Users\CMB\Documentation\IESO-OPA Merger\IESO(IMO)\OEFC - Loan Refinancing May 2011\Amending Agreement No. 4\IESO Amending Agreement No. 4 for $78.2M loan (executed copy).PDF
Amending Agreement No. 5		30-Apr-2014	$90,000,000	▪ Issuance of a 4th Refinancing Note maturing 30-Apr-2017. ▪ OEFC advanced loans to IESO: $11.8M.	S:\Users\CMB\Documentation\IESO-OPA Merger\IESO(IMO)\OEFC - Loan Refinancing May 2011\Amending Agreement No. 5\IESO Amending Agreement No. 5 Executed Copy.PDF
Amending Agreement No. 6		30-Apr-2017	$120,000,000	▪ Issuance of a 5th Refinancing Note maturing 30-Jun-2020. ▪ OEFC advanced loans to IESO: $30M. ▪ Extend maturity date to 30-Jun-2020.	S:\Users\CMB\Documentation\IESO-OPA Merger\IESO(IMO)\OEFC - Loan Refinancing May 2011\Amending Agreement No. 6\Amending Agrt no.6 re Issuance of Note - OEFC_IESO - IESO SignedCounterpart.pdf also in: S:\Users\CMB\Documentation\IESO-OPA Merger\IESO(IMO)\OEFC - Loan Refinancing May 2011\Amending Agreement No. 6\IESOExecutedCopyAgreement.pdf S:\Users\CMB\Documentation\IESO-OPA Merger\IESO(IMO)\OEFC - Loan Refinancing May 2011\Amending Agreement No. 6\OEFCExecutedPageCounterpart.pdf

General Corporate Requirements Credit Facility Agreement	Parties	Agreement/ Amendment Date	Amount	Notes	Link to Site
Original	OPG, OEFC	17-Jun-2016	$700,000,000	▪ Financing for the period 1-Jun-2016 to 31-Dec-2017 re Darlington Refurbishment Project.	S:\Users\CMB\Documentation\OPG Loans from OEFC\Loans to OPG\2017 OPG $700 Million CF\$700 million OEFC-OPG Credit Facility (Executed Original).pdf also in: S:\Users\CMB\Documentation\OPG Loans from OEFC\Loans to OPG\2017 OPG $700 Million CF\$700 million OEFC-OPG Credit Facility (Executed).pdf
Amending Agreement No. 1		7-Sep-2016		▪ Financing for the period 1-Jan-2017 to 31-Dec-2017.	S:\Users\CMB\Documentation\OPG Loans from OEFC\Loans to OPG\2017 OPG $700 Million CF\Amending Agreement\2017 $700 Million Facility Amending Agreement 1 (Executed original).pdf also in: S:\Users\CMB\Documentation\OPG Loans from OEFC\Loans to OPG\2017 OPG $700 Million CF\Amending Agreement\2017 $700 Million Facility Amending Agreement 1 (Executed).pdf
Amending Agreement No. 2		2-Feb-2017		▪ Proposed advances may be for a term of up to 30 years.	S:\Users\CMB\Documentation\OPG Loans from OEFC\Loans to OPG\2017 OPG $700 Million CF\Amending Agreement\Amending No 2 (executed).pdf
Amending Agreement No. 3		6-Sep-2017	$2,350,000,000	▪ No more than $1.5B to be advanced prior to 1-Jan-2018. ▪ Advances occurred for the period 1-Jan-2017 to 31-Dec-2018.	S:\Users\CMB\Documentation\OPG Loans from OEFC\Loans to OPG\2017 OPG $700 Million CF\Amending Agreement\Amendment No 3 (executed).pdf

Long-Term Non-Revolving Credit Facility Agreement	Parties	Agreement/ Amendment Date	Amount	Notes	Link to Site
Original	OILC, Province	14-Nov-2016	$2,500,000,000	▪ Pursuant to OILC By-law 3U. ▪ Borrowing authoity may be exercised is for 2 years from the date of approval of this By-law 3U. ▪ No funds is to remain outstanding after 42 years from the date of approval of this By-law or November 14, 2016, whichever is later.	S:\Users\CMB\Documentation\OILC (formerly OIPC)\OILC Credit facility Agreement 2016-2018\Current Version\OILC2016-18 Long-Term Credit Facility Agreement - Executed.pdf also in: S:\Users\CMB\Documentation\OILC (formerly OIPC)\OILC Credit facility Agreement 2016-2018\OILC2016-18 Long-Term Credit Facility Agreement - Executed.pdf S:\Users\CMB\Documentation\OILC (formerly OIPC)\By-laws\By-Law 3U

Short-Term Revolving Credit Facility Agreement	Parties	Agreement/ Amendment Date	Amount	Notes	Link to Site
Original	OILC, Province	26-May-2014	$900,000,000	▪ 5-year period beginning on the effective date of By-Law 3Q. ▪ OIC 631/2014. ▪ Mandatory Repayment: 26-May-2020.	S:\Users\CMB\Documentation\OILC (formerly OIPC)\2014 Short Term Revolving Credit Facility (OILC-PROV)\{Executed) Agreement-OILC Short Term Revolving Credit Facility-May 26, 2014.pdf

Revolving Credit Facility Agreement	Parties	Agreement/ Amendment Date	Amount	Notes	Link to Site
Original	OILC (formerly OIPC), OFA	23-Jun-2006	$200,000,000	▪ Mandatory Repayment: 23-Jun-2016. ▪ May prepay any advances outstanding or interest accrued upon 5 business days' notice to OFA. ▪ Advances: 23-Jun-2011.	● Z:\Users\CMB\Documentation\OILC (formerly OIPC)\Credit Facility 2006\Revolving Credit Facility Agreement.pdf
Amending Agreement		5-Jul-2011		▪ OIPC, the Ontario Realty Corporation and the Stadium Corporation of Ontario Limited were amalgamated and continued as a coporation under the name OILC. ▪ Mandatory Repayment: 29-Jun-2019. ▪ Advances: 29-Jun-2016.	● S:\Users\CMB\Documentation\OILC (formerly OIPC)\Credit Facility 2006\Amending Agreement 2011 Expires June 2016\Signed Amending Agreemen July 5_2011.pdf

Revolving Credit Facility Agreement	Parties	Agreement/ Amendment Date	Amount	Notes	Link to Site
Original	IESO, OFA	6-Nov-2017	$2,000,000,000	▪ Advances: 23-Sep-2017. ▪ Mandatory Repayment: 30-Sep-2022.	S:\Users\CMB\Documentation\IESO-OPA Merger\OFHP IESO OFA Credit Facility\FHP Credit Agreement OFA IESO - Nov 6, 2017 - OFA Signed.pdf

Services (Level) Agreement	Parties	Agreement/ Amendment Date	Program and Authorized Amount	Notes	Link to Site
Services Level Agreement	OIPC, OFA	1-Apr-2007	N/A	Background: Ontario Infrastructure Projects Corporation Act, 2006 (the "OIPC Act"), which amalgamated Infrastructure Ontario and the Ontario Strategic Infrastructure Financing Authority ("OSIFA") to form the Ontario Infrastructure Projects Corporation was proclaimed into force on July 17, 2006. Expired: 31-March-2012.	● S:\Users\CMB\Documentation\INVESTMENT MANAGEMENT AGREEMENTS\Discretionary\OILC Ontario Infrastructure and Lands Corporation\OIPC Service Level Agreement\OIPC.Final Executed SLA.pdf also in: ● S:\Users\CMB\Documentation\Service Level Agreement\OIPC Service Level Agreement with OFA.pdf
Services Agreement	OILC, OFA	1-Feb-2015	N/A	Background: The Ontario Infrastructure and Lands Corporation Act, 2011 (the "OILC Act"), which amalgamated OIPC, Ontario Realty Corporation and Stadium Corporation of Ontario Limited to form Infrastructure Ontario was proclaimed into force on June 6, 2011. Extended the above Service Level Agreement between OILC and OFA until 31-Jan-2015.	● S:\Users\CMB\Documentation\INVESTMENT MANAGEMENT AGREEMENTS\Discretionary\OILC Ontario Infrastructure and Lands Corporation\Service Level Agreements\SLA February 2015\Services Agreement between OFA and OILC effective February 1, 2015.pdf also in: ● S:\Users\CMB\Documentation\OILC (formerly OIPC)\SLA February 2015\ervices Agreement between OFA and OILC effective February 1, 2015.pdf ● S:\Users\CMB\Documentation\INVESTMENT MANAGEMENT AGREEMENTS\Discretionary\OILC Ontario Infrastructure and Lands Corporation\Service Level Agreements\SLA February 2015\SLA Feb 1, 2015.pdf

Issuing and Paying Agency Agreement	Parties	Agreement/ Amendment Date	Program and Authorized Amount	Notes	Link to Site
Original	BMO, Province	18-Dec-2001	various amounts under various OICs	So long as the Global Treasury Bill is outstanding, there shall at all times be an issuing agent, registrar and paying agent.	S:\Users\CMB\Documentation\Treasury Bills\Treasury Bill Issuing & Paying Agency Agreement Related\Issue and Paying Agency Agreement (2003)\Issuing and Paying Agency Agrt with BMO 2001.pdf
Original	TD, Province	10-Jun-2003	various amounts under various OICs	▪ Terminated BMO. ▪ New agreement with TD.	S:\Users\CMB\Documentation\Treasury Bills\Treasury Bill (T-Bill) services\Termination letter to BMO\Treasury Bills Termination Letter to BMO 2003.wpd S:\Users\CMB\Documentation\Treasury Bills\Treasury Bill Issuing & Paying Agency Agreement Related\Issue and Paying Agency Agreement (2003)\(signed) Issuing & Paying Agency Agmt 2003.pdf
1st Extension (Letter)	TD, Province	8-Jun-2010		▪ 1 year term ended 10-Jun-2010. ▪ Extended 2 years term from 10-Jun-2010 to 10-Jun-2012.	S:\Users\CMB\Documentation\Treasury Bills\Treasury Bill Issuing & Paying Agency Agreement Related\Approval for Extension of 2003 Contract to 2012\Approval TD contract extension (exe Gadi).pdf S:\Users\CMB\Documentation\Treasury Bills\Treasury Bill Issuing & Paying Agency Agreement Related\Approval for Extension of 2003 Contract to 2012\A&R IPAA Extension letter exe 2010 - 10Jun2012.PDF
1st Amendment	TD, Province	10-Jun-2010	various amounts under various OICs	▪ Retained TD to provide certain services.	S:\Users\CMB\Documentation\Treasury Bills\Treasury Bill Issuing & Paying Agency Agreement Related\Amended and Restated IPA (2010)\Amended Restated Issuing Paying Agency Agrt and TD cert of incumbency.PDF
2nd Amendment	TD, Province	6-Jun-2011	$30,500,000,000	▪ Cancelled Global T-bill 21-July-2010. ▪ Issued new Global T-Bill 6-Jun-2011. ▪ Amended s. 20(7) of FAA. ▪ Deleted reference of 25-year borrowing period.	S:\Users\CMB\Documentation\Treasury Bills\Treasury Bill Issuing & Paying Agency Agreement Related\Amended and Restated IPA -to remove expiry dates (2011)\Execution Copies\AR-IPAA exe 6Jun11.PDF
2nd Extension (Approval Note)	TD, Province	8-Aug-2011		▪ Extended additional 2 years term from 10-Jun-2012 to 10-Jun-2014.	S:\Users\CMB\Documentation\Treasury Bills\Treasury Bill Issuing & Paying Agency Agreement Related\Approval for Extension of 2003 Contract to 2014\Approval (exe Gadi) and briefing note - TD contract extension to 2014.pdf S:\Users\CMB\Documentation\Treasury Bills\Treasury Bill Issuing & Paying Agency Agreement Related\Approval for Extension of 2003 Contract to 2014\Second Extension. Extension LEtte Executed Sept 2011 to extend to 2014. TD Letter of Incumbency.pdf
3rd Extension (Letter)	TD, Province	28-May-2014		▪ Extended additional 5 years term from 10-Jun-2014 to 10-Jun-2019.	S:\Users\CMB\Documentation\Treasury Bills\Treasury Bill Issuing & Paying Agency Agreement Related\Approval for Extension of 2003 Contract to 2019\TD Treasury Bill Services Extension Letter May 28, 2014 (Fully Executed).PDF

Financial Services Agreement	Parties	Agreement/ Amendment Date	Program and Authorized Amount	Notes	Link to Site
Original	OCGC, OFA	27-Feb-2009	$90,000,000	Background: OCGC's Ontario Venture Capital Fund Agreement in Ontario Venture Capital Fund LP. ▪ OFA to provide investment and cash mgt services for the admin of Ontario's Venture Capital Fund LP.	S:\Users\CMB\Documentation\INVESTMENT MANAGEMENT AGREEMENTS\Discretionary\OCGC Financial Services Agreement\FSA, Financial Services Agreement\OCGC Financial Services Agreement October 1, 2014\OCGC.Financial Services Agrmt.pdf
		1-Oct-2014	$50,000,000	▪ Province committed $90M to OVCF LP; OCGC committed $50M to Northleaf Venture Catalyst Fund LP.	S:\Users\CMB\Documentation\INVESTMENT MANAGEMENT AGREEMENTS\Discretionary\OCGC Financial Services Agreement\FSA, Financial Services Agreement\OCGC Financial Services Agreement October 1, 2014\OCGC Financial Sservices Agreement October 1, 2014 (Executed).PDF
Amending Agreement No. 1		20-Mar-2017	$25,000,000	▪ $25M provincial commitment to ScaleUP Venture Fund I, LP.	S:\Users\CMB\Documentation\INVESTMENT MANAGEMENT AGREEMENTS\Discretionary\OCGC Financial Services Agreement\Amendments\Amending Agreement 1 (Scaleup Fund Addition)\OCGC FSA Amend 1 March 20, 2017.pdf also in: S:\Users\CMB\Documentation\INVESTMENT MANAGEMENT AGREEMENTS\Discretionary\OCGC Financial Services Agreement\Amendments\OCGC FSA Amend 1 March 20, 2017.pdf

Investment Management Agreement	Parties	Agreement/ Amendment Date	Amount	Notes	Link to Site
Original	OFA, DICO	28-Sep-2005	N/A	Background: DICO to maintain the Deposite Insurance Reserve Fund (DIRF), a fund which exists to provide for the funding of deposite insurance claims and other purposes as specified under the CUCPA.	S:\Users\CMB\Documentation\INVESTMENT MANAGEMENT AGREEMENTS\Discretionary\DICO\IMA\IMA_DICO OFA_2005Sep28.pdf
Amending Agreement No. 1		30-Mar-2012	N/A	▪ Revised Investment Management Mandate (IMM) and the Transaction and Custody Fees by replacing a few schedules.	S:\Users\CMB\Documentation\INVESTMENT MANAGEMENT AGREEMENTS\Discretionary\DICO\Amending Agreements\Amending Agreement No. 1 (laddered investments)\Amending Agreement No 1 April 12 2012 (Executed) .PDF also in: S:\Users\CMB\Documentation\INVESTMENT MANAGEMENT AGREEMENTS\Discretionary\DICO\Amending Agreements\Amending Agreement No. 1 (laddered investments)\DICO Amending Agrmt No 1 March 30 2012 (Execution Copy).PDF
Amending Agreement No. 2		29-Aug-2012	N/A	▪ Revised SIPP by replacing existing schedules.	S:\Users\CMB\Documentation\INVESTMENT MANAGEMENT AGREEMENTS\Discretionary\DICO\Amending Agreements\Amending Agreement No. 2 (updated SIPP)\Amending Agreement No. 2 August 29 2012 (Executed).pdf
Amending Agreement No. 3		22-Jul-2014	N/A	▪ Revised Investment Policy and changed existing schedules.	S:\Users\CMB\Documentation\INVESTMENT MANAGEMENT AGREEMENTS\Discretionary\DICO\Amending Agreements\Amending Agreement No. 3\DICO Amending Agreement #3 Executed Copy.pdf
Amending Agreement No. 4		4-Jul-2016	N/A	▪ Changes to DICO representatives.	S:\Users\CMB\Documentation\INVESTMENT MANAGEMENT AGREEMENTS\Discretionary\DICO\Amending Agreements\Amending Agreement No. 3\DICO Amending Agreement #4 Executed Copy.pdf

Investment Management Agreement	Parties	Agreement/ Amendment Date	Amount	Notes	Link to Site
Original	OFA, PBGF	1-Apr-2005	N/A	Background: ▪ FSCO as administrator of PBGF. ▪ FSCO appointed OFA as investment manager.	S:\Users\CMB\Documentation\INVESTMENT MANAGEMENT AGREEMENTS\Discretionary\PBGF\IMA\IMA_PBGF OFA_01April2005.doc
Amending Agreement No. 1		24-Mar-2014	N/A	▪ Revised Statement of Investment Policies and Guidelines to provide a different asset mix (Revised SIPG). ▪ New transaction and custody fees. ▪ Replaced appendices accordingly.	S:\Users\CMB\Documentation\INVESTMENT MANAGEMENT AGREEMENTS\Discretionary\PBGF\Amending Agreements\Amending Agreement No. 1 (laddered investments)\PBGF Amending Agreement No.1 March 2014 (Executed).PDF
Amending Agreement No. 2		25-Sep-2015	N/A	▪ Revised Appendix B (FSCO as administrator of the Pension Benefits Guarantee Fund) representatives and specimen signatures.	S:\Users\CMB\Documentation\INVESTMENT MANAGEMENT AGREEMENTS\Discretionary\PBGF\Amending Agreements\Amending Agreement No. 2 (Appendix B-current representatives)\PBGF Amending Armt No 2 (Final-Executed).pdf

Investment Management Agreement	Parties	Agreement/ Amendment Date	Amount	Notes	Link to Site
Original	OFA, OTF	26-Apr-2007	N/A	Background: OTF provides grants to eligible charitable and not-for-profit organizations.	S:\Users\CMB\Documentation\INVESTMENT MANAGEMENT AGREEMENTS\Discretionary\ONTARIO TRILLIUM FOUNDATION\IMA\Executed.OTF IMA 2007.pdf
Amending Agreement No. 1		22-Mar-2011	N/A	▪ Revised Statement of Investment Policies and Procedures to provide a different asset mix (Revised SIPP). ▪ New transaction and custody fees. ▪ Replaced schedules accordingly.	S:\Users\CMB\Documentation\INVESTMENT MANAGEMENT AGREEMENTS\Discretionary\ONTARIO TRILLIUM FOUNDATION\Amending Agreements\Amending Agreement No. 1 (laddered investments)\Amending Agreement & Schedules March 22, 2011.PDF also in: S:\Users\CMB\Documentation\INVESTMENT MANAGEMENT AGREEMENTS\Discretionary\ONTARIO TRILLIUM FOUNDATION\Amending Agreements\Amending Agreement No. 1 (laddered investments)\Amending Agreement No. 1.pdf
Amending Agreement No. 2		28-May-2012	N/A	▪ Change in name of Ministry under which OTF operates. ▪ Revised SIPP, replaced schedule accordingly.	S:\Users\CMB\Documentation\INVESTMENT MANAGEMENT AGREEMENTS\Discretionary\ONTARIO TRILLIUM FOUNDATION\Amending Agreements\Amending Agreement No. 2 (Ministry Name Change and new SIPP)\Amending Agreement No. 2 (executed).pdf also in: S:\Users\CMB\Documentation\INVESTMENT MANAGEMENT AGREEMENTS\Discretionary\ONTARIO TRILLIUM FOUNDATION\Amending Agreements\Amending Agreement No. 3 (Signature Change and new SIPP)\Amending Agreement No. 2 (executed).pdf
Amending Agreement No. 3		6-Oct-2015	N/A	▪ Revised Statement of Investment Policies and Procedures (Revised SIPP). ▪ New transaction and custody fees. ▪ Replaced schedules accordingly.	S:\Users\CMB\Documentation\INVESTMENT MANAGEMENT AGREEMENTS\Discretionary\ONTARIO TRILLIUM FOUNDATION\Amending Agreements\Amending Agreement No. 3 (Signature Change and new SIPP)\Amending Agreement No. 3 (executed).pdf
Amending Agreement No. 4		21-Oct-2016	N/A	▪ Revised list of OTF representatives. ▪ Revised SIPP.	S:\Users\CMB\Documentation\INVESTMENT MANAGEMENT AGREEMENTS\Discretionary\ONTARIO TRILLIUM FOUNDATION\Amending Agreements\Amending Agreement No. 4 (New signatory and new SIPP)\Amending Agreement No.4.pdf also in: S:\Users\CMB\Documentation\INVESTMENT MANAGEMENT AGREEMENTS\Discretionary\ONTARIO TRILLIUM FOUNDATION\Amending Agreements\Amending Agreement No. 4 (New signatory and new SIPP)\Amending Agreement, Sch B & E, signature specimen and SIPP (final signed).pdf

3 months
6 months
9 months
1 year

From:	Carlos Yep
To:	Mike Manning; James Devine; Opal Kandelas; Ken Kandeepan; John Psinas; John Kim; Bruno Amara; "Montgomery, Kaitlin (MOF)"
Subject:	FW: Draft GA Sub debt term sheet - Performance Fee Recommendations
Date:	Wednesday, May 31, 2017 9:05:47 AM
Attachments:	Financing Trust - Performance Fee Recommendation.doc

fyi

From: LIU Sheen -TREASURY [mailto:sheen.liu@opg.com]
Sent: Wednesday, May 31, 2017 9:03 AM
To: Carlos Yep <Carlos.Yep@ofina.on.ca>
Cc: LEE John -TREASURY <john.s.lee@opg.com>; RYFA Ken -TREASURY <ken.ryfa@opg.com>; PRESTON Stuart -TREASURY <stuart.preston@opg.com>; HAHN PARKER Janet -TREASURY <j.hahnparker@opg.com>
Subject: RE: Draft GA Sub debt term sheet

Carlos,

Attached for your review please also find the recommended structure of variable performance fee and benchmark relating to GA financing. We can discuss it at our meeting with OFA as well.

Sheen

From: LIU Sheen -TREASURY
Sent: Tuesday, May 30, 2017 4:26 PM
To: 'Carlos Yep'
Cc: LEE John -TREASURY; RYFA Ken -TREASURY; PRESTON Stuart -TREASURY; HAHN PARKER Janet -TREASURY
Subject: Draft GA Sub debt term sheet

Carlos,

Further to our discussions re establishing GA financing benchmark. Attached please find the draft term sheet of the subordinated debt (from Province equity injection). Could you please review and circulate it to the appropriate contacts/group on your side. We'd also like to set up a meeting with OFA, at your earliest convenience, to go over the document and get your feedback. Please let us know your availability.

Thanks

Sheen

<< File: Draft Subordianted Debt Term Sheet.doc >>

THIS MESSAGE IS ONLY INTENDED FOR THE USE OF THE INTENDED RECIPIENT(S) AND MAY CONTAIN INFORMATION THAT IS PRIVILEGED, PROPRIETARY AND/OR CONFIDENTIAL. If you are not the intended recipient, you are hereby notified that any review, retransmission, dissemination, distribution, copying, conversion to hard copy or other use of this communication is strictly prohibited. If you are not the intended recipient and have received this message in error, please notify me by return e-mail and delete this message from your system. Ontario Power Generation Inc.

FINANCING TRUST – PERFORMANCE FEE TO OPG

BACKGROUND

Ontario Power Generation Inc. (OPG) has been appointed the Financial Services Manager under the Fair Hydro Plan Act, 2017 to, among other things evaluate whether funding obligations should be incurred by the Trust for the purpose of acquiring and financing an investment interest. A performance fee relating to the funding obligations will be meaningful and allow OPG to make decisions that will significantly impact its return. The Act as drafted enables OPG to achieve its accounting objective of consolidation of the Trust with OPG, and the ability to earn a return and take on risk, through its control of the Trust.. The objective therefore is to recommend a reasonable variable performance fee structure for OPG to earn a return from the Trust, and meet the accounting requirement.

ANALYSIS OF ACCOUNTING REQUIREMENT

To support the accounting consolidation, OPG's variable performance return will be accomplished through the followings:

a. The cash flow from the investment asset shall include interest determined based on a relevant benchmark that is appropriate relative to the investment asset, plus an appropriate margin consistent with the relevant market and other risks
b. OPG shall have the authority to determine the financing strategy, which will vary the financing costs with the objective of enabling the Trust to achieve a more favorable return compared to the benchmark for interest on the investment asset
c. The Trust shall establish different classes of debt (senior, subordinated and the most subordinated). The classes would allow the Trust to delineate financing of lower risk investment and investment that would bear higher residual risk. The delineation would limit OPG's self-funded investment to a reasonable level in order to allow OPG to remain a self-sustaining entity.
d. OPG shall, through its ownership of the most subordinated liability, be able to capture and retain the pricing difference between cost of financing and benchmark for interest on the investment asset, or any residual risk of investment asset. The targeted return of the subordinated debt should be reflective of the underlying risks and compensate holders for active management that would be required.

PERFORMANCE FEE ANALYSIS

Based on the accounting requirements, the recommendation is for OPG to establish a variable performance fee structure as follows:

As the Trust may issue both long term bonds and medium term notes, benchmarks based on various terms, will be established on an annual basis, subject to the following methodology:

- Benchmarks will be established as the sum of (1) reference rate, and (2) spread
    - Both reference rate and spread will be term dependant

- For bond/note issuance, reference rate will be GOC rate of equivalent term
- Reference rate will be based on consensus forecast provided by various financial institutions

- Benchmarks will be established based on the weighted average rate of incremental debt issuance at the Trust level
- If the actual weighted average rate is lower than the corresponding benchmark, OPG will realize a gain, otherwise a loss
- Variable performance fee, i.e. gain/loss, is applicable only to OPG's investment in the Trust (5% of the funding requirement), and is capped at benchmark weighted average rate +/-1%

An example illustrating this structure is detailed in Appendix 1

APPENDIX 1

The illustration is based on the expected Trust debt structure as follows:

	Risk Profile	Source	% of Total Funding Requirement
Tranche A Senior Debt	the least risky	Capital Markets	51%
Tranche B Sub Debt	In between A&C	OPG via OEFC	39%
Tranche C Sub Debt	the most risky	OPG via OEFC	5%
		OPG via Capital Markets	5%

1. Benchmark is to be established at each year end for Trust issuance next year. In this example, assuming the following benchmark is established as of end of Yr 1

		Benchmark
Tranche A	51%	4.25%
Tranche B Sub Debt	39%	5.50%
Tranche C Sub Debt	10%	6.50%
Weighted Average Rate		**5.0%**

2. By the end of Yr 2, OPG will calculate the actual weighted average rate for all incremental issuance for the year. If the actual weighted average rate is lower than the corresponding benchmark, OPG will realize a gain, otherwise a loss.

	Allocation	Benchmark	Actual
Tranche A	51%	4.25%	5.0%
Tranche B Sub Debt	39%	5.50%	5.60%
Tranche C Sub Debt	10%	6.50%	6.60%
Weighted Average Rate		**5.0%**	5.4%
		Loss	0.4%

3. Variable management fee, i.e. gain/loss, is applicable only to OPG's investment (5% of the Trust funding requirement), and is capped at benchmark weighted average rate +/-1%.

   Based on the example above and assume incremental Trust issuance is $2B, OPG will realize loss of variable performance fee of 0.4M ($2B*5%*0.4%)

From:	Carlos Yep
To:	Sarah Neville
Subject:	FW: EXTERNAL – RE: Fair Hydro Plan Protocol Agreement - Subordinated and Junior Subordinated Debt
Date:	Tuesday, December 12, 2017 9:49:54 AM
Attachments:	Interest Protocol Agreement (OPG 12-11- Incremental Blackline).doc Interest Protocol Agreement (OPG 12-11).doc

Sarah
FYI – here are the 2 documents
C

From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Tuesday, December 12, 2017 9:46 AM
To: Carlos Yep <Carlos.Yep@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Cc: Sarah Neville <Sarah.Neville@ofina.on.ca>
Subject: RE: EXTERNAL – RE: Fair Hydro Plan Protocol Agreement - Subordinated and Junior Subordinated Debt

We can discuss this but unfortunately will be caught up on a protection agreement call for awhile. Would you please ask them why they think the OFA should be included and what the OFA's obligations should be. I'm copying Sarah Neville here as well as she should review where OFA is to be a party.

From: Carlos Yep [mailto:Carlos.Yep@ofina.on.ca]
Sent: December 12, 2017 9:34 AM
To: Hanslep, Malle (MOF); Whitfield, Tobias P. (MOF)
Subject: FW: EXTERNAL – RE: Fair Hydro Plan Protocol Agreement - Subordinated and Junior Subordinated Debt

Hi Malle,
I just received the latest draft of the pricing protocol document and notice that OPG has inserted the OFA as the counterparty.

Can we discuss?

Thanks
Carlos

From: LIU Sheen -TREASURY [mailto:sheen.liu@opg.com]
Sent: Tuesday, December 12, 2017 9:27 AM
To: Carlos Yep <Carlos.Yep@ofina.on.ca>
Cc: LEE John -TREASURY <john.s.lee@opg.com>; Mike Manning <Mike.Manning@ofina.on.ca>; RYFA Ken -TREASURY <ken.ryfa@opg.com>
Subject: FW: EXTERNAL – RE: Fair Hydro Plan Protocol Agreement - Subordinated and Junior Subordinated Debt

Carlos,

Please find attached a clean and incremental blackline of the revised Subordinated Debt Pricing Protocol. This reflects comments received from the MOE late last week. We have revised the document to appear less formal (changed from Protocol Agreement to Protocol) and also changed the counterparty to be the OFA. We have also added an obligation for the FSM to share the inputs (ie Indicative Spreads, and Credit Ratings) with the OFA, within a reasonable time period.

Please let us know if you have any additional comments or concerns.

Thanks

Sheen

THIS MESSAGE IS ONLY INTENDED FOR THE USE OF THE INTENDED RECIPIENT(S) AND MAY CONTAIN INFORMATION THAT IS PRIVILEGED, PROPRIETARY AND/OR CONFIDENTIAL. If you are not the intended recipient, you are hereby notified that any review, retransmission, dissemination, distribution, copying, conversion to hard copy or other use of this communication is strictly prohibited. If you are not the intended recipient and have received this message in error, please notify me by return e-mail and delete this message from your system. Ontario Power Generation Inc.

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

Subordinated Debt Pricing Protocol~~ Agreement~~

~~THIS AGREEMENT is made as of •, 2017~~

~~BETWEEN~~

ONTARIO POWER GENERATION INC., a corporation incorporated under the laws of Ontario (**"OPG"**), solely in its capacity as financial services manager (the "**FSM**") of the Fair Hydro Trust (the "**Issuer**"), a trust existing under the laws of the Province of Ontario

~~–~~and ~~–~~

~~**HER MAJESTY THE QUEEN IN RIGHT OF** the~~ ONTARIO~~, (the "~~ FINANCING AUTHORITY, **[a crown agency of the Province**~~") as represented by the Minister of Energy~~

~~WHEREAS the Issuer and BNY Trust Company~~ **of** ~~Canada entered into that certain trust indenture (as supplemented from time to time, the "**Trust Indenture**") dated ■, 2017;~~

~~AND WHEREAS pursuant to the Trust Indenture the Issuer may issue, from time to time, certain Subordinated Notes and Junior Subordinated Notes;~~

~~AND WHEREAS the FSM and the Province~~**Ontario]** have agreed to ~~establish herein the~~enter into this subordinated debt pricing protocol (the "**Protocol**") wherein they have agreed to certain procedures for establishing the interest rate applicable to each Series of Subordinated Notes and Junior Subordinated Notes where such Notes are to be issued only to OPG or its Affiliates~~;~~.

~~NOW THEREFORE, in consideration of the premises and the covenants and agreements herein contained, the parties agree as follows:~~

~~Article 2 –~~ ARTICLE 1 - INTERPRETATION

~~2.01~~1.01 Definitions

In this ~~Agreement~~Protocol, unless something in the subject matter or context is inconsistent therewith terms used herein have the meanings ascribed in the Trust Indenture. In addition, the following terms shall have the following meanings:

(a) "**Applicable Spread**" has the meaning ascribed to such term in section 2.04(c);

(b) "**Base Rate**" has the meaning ascribed to such term in section 2.03(a) or (b), as applicable;

(c) "**Junior Subordinated Term Note**" means a Junior Subordinated Note that is not incurred pursuant to a Warehouse Facility Agreement;

(d) "**Junior Subordinated Warehouse Note**" means a Junior Subordinated Note that is incurred pursuant to a Warehouse Facility Agreement;

Formatted: Left: 0.88", Right: 0.81"
Formatted: Font: Not Bold
Formatted: Font: Bold
Formatted: Font: Bold
Formatted: Font: Not Bold
Formatted: Font: Bold
Formatted: Font: Bold
Formatted: Right: -0.06"
Formatted: Font: Bold
Formatted: Indent: Left: 0.5"

(e) "**Subordinated Term Note**" means a Subordinated Note that is not incurred pursuant to a Warehouse Facility Agreement; ~~and~~

(f) "**Subordinated Warehouse Note**" means a Subordinated Note that is incurred pursuant to a Warehouse Facility Agreement~~.~~;

~~2.02 **Headings**~~

~~The division of this Agreement into Articles and Sections and the insertion of headings are for convenience of reference only and do not affect the construction or interpretation of this Agreement. The terms "hereof", "hereunder" and similar expressions refer to this Agreement and not to any particular Article, Section or other portion hereof.~~ (g) **"Trust Indenture"** means that certain trust indenture entered into between the Issuer and BNY Trust Company of Canada on ☐,2017 (as supplemented from time to time).

Formatted: Indent: Left: 0.5", First line: 0"

~~Article 3 –~~ ARTICLE 2 - INTERIM INTEREST RATE PROTOCOLS

~~3.01~~2.01 **Interest Rate Protocols**

The interest rate applicable to each Series of Subordinated Notes and Junior Subordinated Notes that are issued only to OPG or its Affiliates shall be established by the FSM in accordance with the procedures set out herein.

~~3.02~~2.02 **Composite Interest Rate**

For any Series of Subordinated Notes or Junior Subordinated Notes that are issued only to OPG or its Affiliates, the interest rate shall be the aggregate of the applicable Base Rate and the Applicable Spread.

~~3.03~~2.03 **Base Rate**

(a) For Subordinated Term Notes and Junior Subordinated Term Notes, the "Base Rate" shall be an annual rate of interest comprised of the applicable yield for the Benchmark Government of Canada bonds listed at the time and with the same term as that of the Series of Subordinated Notes or Series of Junior Subordinated Notes, as applicable. In the event that there are no such Benchmark Government of Canada bonds listed at the time of issuance, the applicable Base Rate of interest shall be established by interpolating on a straight line basis the terms of the two Benchmark Government of Canada bonds that are closest to the term of the applicable Series of Subordinated Term Notes or Series of Junior Subordinated Term Notes, as applicable, one being for a longer term and the other being for a shorter term; and

(b) For Subordinated Warehouse Notes and Junior Subordinated Warehouse Notes, the "Base Rate" shall be an annual interest rate equal to the all-in funding costs under the related Warehouse Obligations, expressed as a rate per annum, as determined by the FSM acting reasonably, or at any time when there are no Warehouse Obligations

outstanding the "Base Rate" shall be the average of the posted "prime rate of interest" published by the five largest Canadian banks at such time.

~~3.04~~2.04 **Applicable Spread**

(a) Prior to the issuance of any new Subordinated Term Notes or Junior Subordinated Term Notes, the FSM will solicit from at least five investment dealers in Canada, a survey of indicative spreads over the applicable Base Rate (collectively, the "**Indicative Spreads**" and each an "**Indicative Spread**") applicable to capital market debt issuances having features comparable to each of the proposed Series of Subordinated Term Notes and Junior Subordinated Term Notes, having regard to the expected credit rating and tenor. Such solicitation of Indicative Spreads shall occur on the pricing date of the applicable Series of Subordinated Term Notes and Junior Subordinated Term Notes and may, at the FSM's option, also occur on other dates selected by the FSM provided that no such date is more than **one week** prior to the pricing date. The Applicable Spread for Subordinated Term Notes or Junior Subordinated Term Notes, as applicable, will be the simple average of the respective Indicative Spreads after excluding the highest and the lowest Indicative Spread for each day (not more than one week prior to the pricing date) that Indicative Spreads were provided;

(b) For Subordinated Warehouse Notes the FSM will solicit from time to time, but no less frequently than on an annual basis, from at least five investment dealers in Canada, a survey of Indicative Spreads over the applicable Base Rate applicable to commercial paper issuances having features comparable to the Subordinated Warehouse Notes including credit rating and tenor. The Applicable Spread for Subordinated Warehouse Notes will be the simple average of the respective Indicative Spreads, after excluding the highest and the lowest Indicative Spread;

(c) The Applicable Spread for Junior Subordinated Warehouse Notes shall be equal to the Applicable Spread derived from Section 2.04(b) for the Subordinated Warehouse Notes, provided the Junior Subordinated Term Notes are rated Investment Grade. If the Junior Subordinated Term Notes are rated below Investment Grade, the Applicable Spread for the Junior Subordinated Warehouse Notes will equal to the Applicable Spread for the Subordinated Warehouse Notes plus 100 bps.

For the purposes of this section "Investment Grade" means an "approved rating" from at least one "designated rating organization" (as such terms are defined for securities law purposes).

Formatted: Indent: First line: 0.56"

~~3.05~~2.05 **Credit Ratings**

In order to facilitate the survey of Indicative Spreads, the FSM will solicit from time to time, from an approved rating organization (as such term is defined for securities laws purposes), a credit rating, which may include a shadow rating, for the Subordinated Notes and the Junior Subordinated Notes.

~~**Article 4 - GENERAL**~~

~~4.01 **Benefit of the Agreement**~~

~~This Agreement will enure to the benefit of and be binding upon the respective successors and permitted assigns of the parties.~~

~~4.02 **Entire Agreement**~~

~~This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and cancel and supersede any prior understandings and agreements between the parties with respect thereto. There are no representations, warranties, terms, conditions, undertakings or collateral agreements, express, implied or statutory, between the parties other than as expressly set forth in this Agreement.~~

~~4.03 **Assignment, Amendments and Waivers**~~

~~No assignment or amendment to this Agreement will be valid or binding unless set forth in writing and duly executed by all of the parties. No waiver of any breach of any provision of this Agreement will be effective or binding unless made in writing and signed by the party purporting to give the same and, unless otherwise provided in the written waiver, will be limited to the specific breach waived.~~

~~4.04 **Severability**~~

~~If any provision of this Agreement is determined to be invalid or unenforceable in whole or in part, such invalidity or unenforceability will attach only to such provision or part thereof and the remaining part of such provision and all other provisions hereof will continue in full force and effect.~~

2.06 **Reporting**

The FSM will share with the OFA, within a reasonable time period following receipt, a copy of all Indicative Spreads obtained pursuant to Section 2.04 and all Credit Ratings obtained pursuant to Section 2.05.

~~4.05~~2.07 **Governing Law**

This ~~Agreement~~Protocol is governed by and will be construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein. For the purpose of all legal proceedings this ~~Agreement~~Protocol will be deemed to have been performed in the Province of Ontario and the courts of the Province of Ontario will have exclusive jurisdiction to entertain any action arising under this ~~Agreement~~Protocol. The parties hereby attorn to the exclusive jurisdiction of the courts of the Province of Ontario.

~~4.06~~2.08 **Counterparts**

This ~~Agreement~~Protocol may be executed in any number of counterparts, each of which will be deemed to be an original and all of which taken together will be deemed to constitute one and the same instrument.

~~4.07~~2.09 **Electronic Execution**

Any party may deliver an executed signature page to this ~~Agreement~~Protocol by electronic transmission and such delivery will be as effective as delivery of a manually executed copy of the ~~Agreement~~Protocol by such party.

~~[SIGNATURE PAGES FOLLOW]~~

~~IN WITNESS WHEREOF the parties have executed this Agreement.~~

ONTARIO POWER GENERATION INC.
solely in its capacity as Financial Services Manager of the Fair Hydro Trust

Per: _____
Ken Hartwick
Chief Financial Officer and Senior Vice President

Per: _____
John Lee
Vice President- Treasurer

~~**HER MAJESTY THE QUEEN IN RIGHT OF ONTARIO**, as represented by the Minister of Energy~~**THE ONTARIO FINANCING AUTHORITY**

Per: _____
~~[Name]~~
~~[Position]~~Michael Manning
Executive Director & Chief Investment Officer, Capital Markets

Subordinated Debt Pricing Protocol

ONTARIO POWER GENERATION INC., a corporation incorporated under the laws of Ontario (**"OPG"**), solely in its capacity as financial services manager (the "**FSM**") of the Fair Hydro Trust (the "**Issuer**"), a trust existing under the laws of the Province of Ontario and the ONTARIO FINANCING AUTHORITY, **[a crown agency of the Province of Ontario]** have agreed to enter into this subordinated debt pricing protocol (the "**Protocol**") wherein they have agreed to certain procedures for establishing the interest rate applicable to each Series of Subordinated Notes and Junior Subordinated Notes where such Notes are to be issued only to OPG or its Affiliates.

ARTICLE 1 - INTERPRETATION

1.01 Definitions

In this Protocol, unless something in the subject matter or context is inconsistent therewith terms used herein have the meanings ascribed in the Trust Indenture. In addition, the following terms shall have the following meanings:

(a) "**Applicable Spread**" has the meaning ascribed to such term in section 2.04(c);

(b) "**Base Rate**" has the meaning ascribed to such term in section 2.03(a) or (b), as applicable;

(c) "**Junior Subordinated Term Note**" means a Junior Subordinated Note that is not incurred pursuant to a Warehouse Facility Agreement;

(d) "**Junior Subordinated Warehouse Note**" means a Junior Subordinated Note that is incurred pursuant to a Warehouse Facility Agreement;

(e) "**Subordinated Term Note**" means a Subordinated Note that is not incurred pursuant to a Warehouse Facility Agreement;

(f) "**Subordinated Warehouse Note**" means a Subordinated Note that is incurred pursuant to a Warehouse Facility Agreement;

(g) "**Trust Indenture"** means that certain trust indenture entered into between the Issuer and BNY Trust Company of Canada on □**,**2017 (as supplemented from time to time).

ARTICLE 2 - INTEREST RATE PROTOCOLS

2.01 Interest Rate Protocols

The interest rate applicable to each Series of Subordinated Notes and Junior Subordinated Notes that are issued only to OPG or its Affiliates shall be established by the FSM in accordance with the procedures set out herein.

2.02 **Composite Interest Rate**

For any Series of Subordinated Notes or Junior Subordinated Notes that are issued only to OPG or its Affiliates, the interest rate shall be the aggregate of the applicable Base Rate and the Applicable Spread.

2.03 **Base Rate**

(a) For Subordinated Term Notes and Junior Subordinated Term Notes, the "Base Rate" shall be an annual rate of interest comprised of the applicable yield for the Benchmark Government of Canada bonds listed at the time and with the same term as that of the Series of Subordinated Notes or Series of Junior Subordinated Notes, as applicable. In the event that there are no such Benchmark Government of Canada bonds listed at the time of issuance, the applicable Base Rate of interest shall be established by interpolating on a straight line basis the terms of the two Benchmark Government of Canada bonds that are closest to the term of the applicable Series of Subordinated Term Notes or Series of Junior Subordinated Term Notes, as applicable, one being for a longer term and the other being for a shorter term; and

(b) For Subordinated Warehouse Notes and Junior Subordinated Warehouse Notes, the "Base Rate" shall be an annual interest rate equal to the all-in funding costs under the related Warehouse Obligations, expressed as a rate per annum, as determined by the FSM acting reasonably, or at any time when there are no Warehouse Obligations outstanding the "Base Rate" shall be the average of the posted "prime rate of interest" published by the five largest Canadian banks at such time.

2.04 **Applicable Spread**

(a) Prior to the issuance of any new Subordinated Term Notes or Junior Subordinated Term Notes, the FSM will solicit from at least five investment dealers in Canada, a survey of indicative spreads over the applicable Base Rate (collectively, the "**Indicative Spreads**" and each an "**Indicative Spread**") applicable to capital market debt issuances having features comparable to each of the proposed Series of Subordinated Term Notes and Junior Subordinated Term Notes, having regard to the expected credit rating and tenor. Such solicitation of Indicative Spreads shall occur on the pricing date of the applicable Series of Subordinated Term Notes and Junior Subordinated Term Notes and may, at the FSM's option, also occur on other dates selected by the FSM provided that no such date is more than **one week** prior to the pricing date. The Applicable Spread for Subordinated Term Notes or Junior Subordinated Term Notes, as applicable, will be the simple average of the respective Indicative Spreads after excluding the highest and the lowest Indicative Spread for each day (not more than one week prior to the pricing date) that Indicative Spreads were provided;

(b) For Subordinated Warehouse Notes the FSM will solicit from time to time, but no less frequently than on an annual basis, from at least five investment dealers in Canada, a survey of Indicative Spreads over the applicable Base Rate applicable to commercial

paper issuances having features comparable to the Subordinated Warehouse Notes including credit rating and tenor. The Applicable Spread for Subordinated Warehouse Notes will be the simple average of the respective Indicative Spreads, after excluding the highest and the lowest Indicative Spread;

(c) The Applicable Spread for Junior Subordinated Warehouse Notes shall be equal to the Applicable Spread derived from Section 2.04(b) for the Subordinated Warehouse Notes, provided the Junior Subordinated Term Notes are rated Investment Grade. If the Junior Subordinated Term Notes are rated below Investment Grade, the Applicable Spread for the Junior Subordinated Warehouse Notes will equal to the Applicable Spread for the Subordinated Warehouse Notes plus 100 bps.

For the purposes of this section "Investment Grade" means an "approved rating" from at least one "designated rating organization" (as such terms are defined for securities law purposes).

2.05 **Credit Ratings**

In order to facilitate the survey of Indicative Spreads, the FSM will solicit from time to time, from an approved rating organization (as such term is defined for securities laws purposes), a credit rating, which may include a shadow rating, for the Subordinated Notes and the Junior Subordinated Notes.

2.06 **Reporting**

The FSM will share with the OFA, within a reasonable time period following receipt, a copy of all Indicative Spreads obtained pursuant to Section 2.04 and all Credit Ratings obtained pursuant to Section 2.05.

2.07 **Governing Law**

This Protocol is governed by and will be construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein. For the purpose of all legal proceedings this Protocol will be deemed to have been performed in the Province of Ontario and the courts of the Province of Ontario will have exclusive jurisdiction to entertain any action arising under this Protocol. The parties hereby attorn to the exclusive jurisdiction of the courts of the Province of Ontario.

2.08 **Counterparts**

This Protocol may be executed in any number of counterparts, each of which will be deemed to be an original and all of which taken together will be deemed to constitute one and the same instrument.

2.09 **Electronic Execution**

Any party may deliver an executed signature page to this Protocol by electronic transmission and such delivery will be as effective as delivery of a manually executed copy of the Protocol by such party.

ONTARIO POWER GENERATION INC.
solely in its capacity as Financial Services Manager of the Fair Hydro Trust

Per: _____
Ken Hartwick
Chief Financial Officer and Senior Vice President

Per: _____
John Lee
Vice President- Treasurer

THE ONTARIO FINANCING AUTHORITY

Per: _____
Michael Manning
Executive Director & Chief Investment Officer, Capital Markets

From:	Carlos Yep
To:	Mike Manning; James Devine
Cc:	Opal Kandelas
Subject:	FW: EXTERNAL – RE: Fair Hydro Plan Protocol Agreement - Subordinated and Junior Subordinated Debt
Date:	Tuesday, December 12, 2017 12:44:56 PM

fyi

From: Sarah Neville
Sent: Tuesday, December 12, 2017 12:41 PM
To: Carlos Yep <Carlos.Yep@ofina.on.ca>
Cc: Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Subject: RE: EXTERNAL – RE: Fair Hydro Plan Protocol Agreement - Subordinated and Junior Subordinated Debt

Hello Carlos – I have never seen this protocol before and don't have any background or context. I have reached out to Ken Russell who has been working on an MOU with MOE regarding the services being provided to MOE in regard to the equity injection process, to see if this has crossed his desk or come up in discussion. I am waiting for his response but this does not seem related to that.

I agree with Malle that MOE should provide information as to the rationale of making the OFA the counterparty.

Based on a cursory review, I note that the language in the document has been changed from "agreement" to "protocol". I didn't identify any positive obligations of the OFA to do anything under the protocol. The only mention of the OFA is with respect to OPG's reporting obligations:

2.06Reporting

The FSM will share with the OFA, within a reasonable time period following receipt, a copy of all Indicative Spreads obtained pursuant to Section 2.04 and all Credit Ratings obtained pursuant to Section 2.05.

I don't see why OFA needs to be the sole counter-party to this protocol for S. 2.06 to be included/effective (reporting to the Province can be agreed to be done through reporting to the Province's agent, the OFA). I would think that the Province would want to be the counterparty to the extent it wants to enforce the protocol directly, rather than doing so through the OFA (to the extent a Protocol is enforceable, I note that there is no clause indicating that OPG is bound by the protocol and there is no clause outlining any remedies for breach, or process for dispute resolution. I also note that the time periods in 2.05 and 2.06 are vague – "from time to time" and "within a reasonable time" respectively, not sure if this is appropriate for the Provnce's/OFA's needs).

I have no comments on the clauses dealing with interest rate setting and spreads as these are technical. I am assuming that Capital Markets is reviewing and commenting on the appropriateness of these clauses.

Absent more context, background, understanding of the purpose of this protocol, I don't think I can add anything further at this point. Please let me know if you would like to discuss or if you have any questions.

Thanks very much,

Sarah

From: Carlos Yep
Sent: Tuesday, December 12, 2017 9:50 AM
To: Sarah Neville <Sarah.Neville@ofina.on.ca>
Subject: FW: EXTERNAL – RE: Fair Hydro Plan Protocol Agreement - Subordinated and Junior Subordinated Debt

Sarah
FYI – here are the 2 documents
C

From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Tuesday, December 12, 2017 9:46 AM
To: Carlos Yep <Carlos.Yep@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Cc: Sarah Neville <Sarah.Neville@ofina.on.ca>
Subject: RE: EXTERNAL – RE: Fair Hydro Plan Protocol Agreement - Subordinated and Junior Subordinated Debt

We can discuss this but unfortunately will be caught up on a protection agreement call for awhile. Would you please ask them why they think the OFA should be included and what the OFA's obligations should be. I'm copying Sarah Neville here as well as she should review where OFA is to be a party.

From: Carlos Yep [mailto:Carlos.Yep@ofina.on.ca]
Sent: December 12, 2017 9:34 AM
To: Hanslep, Malle (MOF); Whitfield, Tobias P. (MOF)
Subject: FW: EXTERNAL – RE: Fair Hydro Plan Protocol Agreement - Subordinated and Junior Subordinated Debt

Hi Malle,
I just received the latest draft of the pricing protocol document and notice that OPG has inserted the OFA as the counterparty.

Can we discuss?

Thanks
Carlos

From: LIU Sheen -TREASURY [mailto:sheen.liu@opg.com]
Sent: Tuesday, December 12, 2017 9:27 AM
To: Carlos Yep <Carlos.Yep@ofina.on.ca>
Cc: LEE John -TREASURY <john.s.lee@opg.com>; Mike Manning <Mike.Manning@ofina.on.ca>; RYFA Ken -TREASURY <ken.ryfa@opg.com>
Subject: FW: EXTERNAL – RE: Fair Hydro Plan Protocol Agreement - Subordinated and Junior Subordinated Debt

Carlos,

Please find attached a clean and incremental blackline of the revised Subordinated Debt Pricing Protocol. This reflects comments received from the MOE late last week. We have revised the document to appear less formal (changed from Protocol Agreement to Protocol) and also changed the counterparty to be the OFA. We have also added an obligation for the FSM to share the inputs (ie Indicative Spreads, and Credit Ratings) with the OFA, within a reasonable time period.

Please let us know if you have any additional comments or concerns.

Thanks

Sheen

THIS MESSAGE IS ONLY INTENDED FOR THE USE OF THE INTENDED RECIPIENT(S) AND MAY CONTAIN INFORMATION THAT IS PRIVILEGED, PROPRIETARY AND/OR CONFIDENTIAL. If you are not the intended recipient, you are hereby notified that any review, retransmission, dissemination, distribution, copying, conversion to hard copy or other use of this communication is strictly prohibited. If you are not the intended recipient and have received this message in error, please notify me by return e-mail and delete this message from your system. Ontario Power Generation Inc.

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From:	Mike Manning
To:	Opal Kandelas
Subject:	FW: EXTERNAL – RE: Term Sheet - Provincial Support Agreement relating to the Fair Hydro Trust
Date:	Tuesday, May 16, 2017 2:55:37 PM
Attachments:	Term Sheet - Provincial Support Agreement - May 12.docx Compare_Term Sheet - Provincial Support Agreement (2) - Term Sheet - Pro....pdf
Importance:	High

From: LEE John -TREASURY [mailto:john.s.lee@opg.com]
Sent: Monday, May 15, 2017 2:01 PM
To: Mike Manning <Mike.Manning@ofina.on.ca>
Cc: Scott Nelms (ENERGY) <Scott.Nelms@ontario.ca>; WONG Leslie -LAWDIV <leslie.wong@opg.com>; RYFA Ken -TREASURY <ken.ryfa@opg.com>; PRESTON Stuart -TREASURY <stuart.preston@opg.com>
Subject: FW: EXTERNAL – RE: Term Sheet - Provincial Support Agreement relating to the Fair Hydro Trust

Mike:
Attached is the Dealers latest markup for the Provincial Support Agreement. Their changes center primarily with the Market Disruption.
We can arrange a call to discuss the dealer position.
John

From: Sebastiano, Rocco [mailto:RSebastiano@osler.com]
Sent: Friday, May 12, 2017 6:10 PM
To: WONG Leslie -LAWDIV; LEE John -TREASURY; RYFA Ken -TREASURY; Hill, Krista; Ramchandani, Rima; mfeldman@torys.com
Cc: Peric, Christiane; Persaud, Donnie - Debt Capital Markets; Fullerton, Rick; Innes, Michael; Smith, Elliot; Maciel, Andrew; Adalja, Sunil; Alvi, Shariq; "Benaiah, Ian' (ian.benaiah@rbccm.com)'; "vickie.turnbull@rbccm.com' (vickie.turnbull@rbccm.com)'; "david.dalbello@rbccm.com' (david.dalbello@rbccm.com)'; Milligan, Peter; 'Murray, Tim (tim.murray@rbccm.com)'; Khanna, Raj - Corporate Banking; 'Niehaus, Katrina'; 'Mullen, Max M.'; 'Collins, Patrick J (Patrick.Collins@gs.com)'; 'Delaney, Brian (Brian.Delaney@gs.com)'
Subject: EXTERNAL – RE: Term Sheet - Provincial Support Agreement relating to the Fair Hydro Trust
*** Exercise caution. This is an EXTERNAL email. DO NOT open attachments or click links from unknown senders or unexpected email. ***

Please find enclosed a revised draft of the Term Sheet for the Provincial Support Agreement.
Regards, Rocco

From: Persaud, Donnie - Debt Capital Markets [mailto:Donnie.Persaud@cibc.com]
Sent: Tuesday, April 25, 2017 6:34 PM
To: Sebastiano, Rocco <RSebastiano@osler.com>; Fullerton, Rick <RFullerton@osler.com>; Innes, Michael <MInnes@osler.com>; Smith, Elliot <ESmith@osler.com>; Maciel, Andrew <Andrew.Maciel@cibc.com>; Adalja, Sunil <Sunil.Adalja@cibc.com>; Alvi, Shariq <Shariq.Alvi@cibc.com>; "Benaiah, Ian' (ian.benaiah@rbccm.com)' <ian.benaiah@rbccm.com>; "vickie.turnbull@rbccm.com' (vickie.turnbull@rbccm.com)'

<vickie.turnbull@rbccm.com>; "david.dalbello@rbccm.com' (david.dalbello@rbccm.com)' <david.dalbello@rbccm.com>; Milligan, Peter <PMilligan@osler.com>; 'Murray, Tim (tim.murray@rbccm.com)' <tim.murray@rbccm.com>; Khanna, Raj - Corporate Banking <Raj.Khanna@CIBC.ca>; 'Niehaus, Katrina' <Katrina.Niehaus@gs.com>; 'Mullen, Max M.' <Max.Mullen@gs.com>; 'Collins, Patrick J (Patrick.Collins@gs.com)' <Patrick.Collins@gs.com>; 'Delaney, Brian (Brian.Delaney@gs.com)' <Brian.Delaney@gs.com>
Cc: Peric, Christiane <Christiane.Peric@cibc.com>
Subject: FW: Term Sheet - Provincial Support Agreement relating to the Fair Hydro Trust
Please see attached.
Donnie Persaud | Executive Director | Debt Capital Markets | CIBC Capital Markets | CIBC World Markets Inc.
161 Bay Street, 5th Floor, Toronto ON M5J 2S8 | Tel: 416-594-7511 | Fax: 416-594-7760 | donnie.persaud@cibc.com

---

From: LEE John -TREASURY [mailto:john.s.lee@opg.com]
Sent: Tuesday, April 25, 2017 4:54 PM
To: Persaud, Donnie - Debt Capital Markets
Cc: WONG Leslie -LAWDIV; PRESTON Stuart -TREASURY; RYFA Ken -TREASURY; LIU Sheen -TREASURY
Subject: FW: Term Sheet - Provincial Support Agreement relating to the Fair Hydro Trust
Donnie:
Further to our discussion last week, please find attached the draft term sheet relating to the Provincial Support. In this draft the Province will assume the obligations of the debt under certain conditions. This draft document reflects the Province initial thoughts. Stu will coordinate this agreement from our end.
John

THIS MESSAGE IS ONLY INTENDED FOR THE USE OF THE INTENDED RECIPIENT(S) AND MAY CONTAIN INFORMATION THAT IS PRIVILEGED, PROPRIETARY AND/OR CONFIDENTIAL. If you are not the intended recipient, you are hereby notified that any review, retransmission, dissemination, distribution, copying, conversion to hard copy or other use of this communication is strictly prohibited. If you are not the intended recipient and have received this message in error, please notify me by return e-mail and delete this message from your system. Ontario Power Generation Inc.

This message, including any attachments, is intended only for the use of the individual(s) to which it is addressed and may contain information that is privileged/confidential. Any other distribution, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply email and permanently delete this message including any attachments, without reading it or making a copy.

You are receiving this email because our records show that you have a relationship with one or

more of the CIBC Capital Markets lines of business of Canadian Imperial Bank of Commerce (CIBC) or CIBC World Markets Inc., which includes Investment and Corporate Banking and Global Markets. If you believe you are receiving this message in error or you no longer wish to receive electronic messages from us, you may unsubscribe[cibc.com] at any time. If you experience challenges with the unsubscribe link, reply to this email with the Subject Line "Unsubscribe" and Cc: Mailbox.CASLUnsubscribe@cibc.com. Please note that by selecting unsubscribe, we will only be able to send you emails that are required or permitted by law. Our mailing address is : CIBC CASL Unsubscribe, 161 Bay St, 9th Floor, Toronto, Ontario, M5J 2W5

****

This e-mail message is privileged, confidential and subject to copyright. Any unauthorized use or disclosure is prohibited.

Le contenu du présent courriel est privilégié, confidentiel et soumis à des droits d'auteur. Il est interdit de l'utiliser ou de le divulguer sans autorisation.

****

THIS MESSAGE IS ONLY INTENDED FOR THE USE OF THE INTENDED RECIPIENT(S) AND MAY CONTAIN INFORMATION THAT IS PRIVILEGED, PROPRIETARY AND/OR CONFIDENTIAL. If you are not the intended recipient, you are hereby notified that any review, retransmission, dissemination, distribution, copying, conversion to hard copy or other use of this communication is strictly prohibited. If you are not the intended recipient and have received this message in error, please notify me by return e-mail and delete this message from your system. Ontario Power Generation Inc.

Provincial Support Agreement Term Sheet

Fair Hydro Plan Act, 2017

*This term sheet (the "**Term Sheet**") is provided exclusively to the parties listed herein in connection with the draft Fair Hydro Plan Act, 2017 and the regulations to be made thereunder (the "**Act**"). This Term Sheet is to be held confidential. Defined terms used herein have the meanings ascribed to them in the Act. The provincial support agreement (the "**Provincial Support Agreement**") will contain the terms and conditions set out in this Term Sheet in addition to such other representations, warranties, indemnities, and other terms and conditions as the Guarantor and the Beneficiaries (each as defined below) may reasonably require.*

Guarantor:	Her Majesty the Queen in right of Ontario, as represented by the Minister of Energy.
Beneficiaries:	The indenture trustee (together with its successors, the "**Indenture Trustee**") under the master trust indenture (the "**Master Trust Indenture**") on behalf of itself and all other persons having debt or other claims against a Financing Entity secured under the Master Trust Indenture (collectively, the "**Beneficiaries**") including, without limitation, holders of senior and subordinated notes, senior and subordinated lenders, hedge counterparties, credit enhancers, liquidity providers, the Financial Services Manager, the Indenture Trustee, the trustee of the Financing Entity if the Financing Entity is a trust, and any other administrator of the Financing Entity.
Term:	The Guarantor's obligations under the Provincial Support Agreement will continue until **[one year]**[1] after all funding obligations (to be defined to include principal, interest, fees, hedge settlement and termination obligations and other related amounts) of all Financing Entities have been repaid.

[1] This mirrors the requirement expected to be in the Regulations under the Act not to wind up, dissolve or liquidate a Financing Entity until at least one year after all of its Funding Obligations have been repaid.

Performance Guarantee:	Under the Master Sale and Servicing Agreement to be entered into by IESO and the Financing Entity, **[and OPG as Financial Services Manager]** ("**MSSA**"), IESO will have obligations both as a seller and as a servicer. Pursuant to a performance guarantee, the Guarantor will guarantee in favour of the Beneficiaries to perform, or cause the performance of (which may be by way of the appointment of a replacement servicer), the obligations of IESO as servicer under the MSSA and the Act including the obligations of any replacement servicer. The Guarantor will also guarantee the servicing obligations of the electricity vendors under the Act. The servicing obligations covered will include all obligations related to the collecting and remitting of clean energy adjustments and will protect the Beneficiaries from any risks arising from collections of clean energy adjustments being commingled with other amounts. In the event that the performance guarantee is unenforceable against the Guarantor, the Provincial Support Agreement will contemplate a separate legal obligation by the Guarantor to indemnify the Beneficiaries for any losses that result.
Payment Guarantee Event:	A Payment Guarantee Event will occur if: (A) the Legislative Assembly of Ontario repeals the Act; or (B) the Legislative Assembly of Ontario amends the Act or a Regulation thereunder is amended in a way that adversely impacts the ability of a Financing Entity to fully recover an investment interest in order to fully pay all funding obligations and other obligations incurred by such Financing Entity in respect of such investment interest; or (C) a court of competent jurisdiction (i) determines all or a portion of the Act to be *ultra vires* in a way that adversely impacts the ability of a Financing Entity to fully recover an investment interest in order to fully pay all funding obligations and other obligations incurred by such Financing Entity in respect of such investment interest or (ii) declares any funding obligations to be invalid or unenforceable; or (D) funding obligations are due and payable at a time when a market disruption (a period of [six months or more] when capital markets term funding is not available to effect refinancings of funding obligations) is occurring and, in the case of long term funding obligations only, a moratorium or limitation on the imposition and collection of clean energy adjustments to repay such funding obligations is in effect under the Act.

Payment Guarantee:	Upon the occurrence of a Payment Guarantee Event under clauses (A), (B) or (C) of the above definition: (x) the Guarantor shall assume and pay when due (without acceleration) all funding obligations and all other obligations of the Financing Entities to the Beneficiaries by paying all regularly scheduled amounts in respect thereof during the term of each Financing Entity's contractual obligation to such Beneficiaries; and (y) Beneficiaries holding funding obligations consisting of bonds [with a remaining term to maturity of greater than one year] shall have the option to put the bonds to the Financing Entity for a put price equal to 101% of the principal amount thereof plus accrued and unpaid interest. In connection with any put under this clause (y), the Guarantor shall guarantee payment of the put price and any related hedge breakage but shall not be responsible for any other default, penalty, prepayment or make whole amounts.
Limits under Guarantees:	Under no circumstances shall the Guarantor be obligated to indemnify any Beneficiary for special or punitive damages, or loss of profits.
Priority of Payments:	The priority of the Beneficiaries to any payment made by the Guarantor under the Provincial Support Agreement shall be governed by the priority provisions in the Master Trust Indenture.
Subrogation:	Where the Guarantor has repaid all Beneficiaries in full, to the extent of such payments the Guarantor shall be subrogated in and to all the rights of recovery of the Beneficiaries in respect of their applicable indebtedness and obligations and the security granted by a Financing Entity to the Indenture Trustee. After repayment by the Guarantor of all indebtedness and obligations owing to the Beneficiaries, the Indenture Trustee will acknowledge and agree on behalf of the Beneficiaries that the Guarantor is entitled to exercise all of the rights, powers and privileges that the Beneficiaries have or may exercise in respect of the repaid indebtedness and obligations, all in accordance with the terms of the Master Trust Indenture. Prior to the repayment in full of the indebtedness and obligations owed to the Beneficiaries, the Guarantor shall have no rights of subrogation.
Notice Requirements:	The Indenture Trustee will be required to provide notice to the Guarantor of a Payment Guarantee Event and may in such notice demand payment or performance of the Guarantor's obligation under the Provincial Support Agreement, as applicable.

Closing:	Date to be determined but no later than **[**■, 2017**]**. The Closing is the date on which the documents in respect of the MSSA, the Master Trust Indenture and all related documentation are executed and delivered.
Reporting Requirements of a Financing Entity:	The Guarantor will be entitled to receive all reports received by the Indenture Trustee under the Master Trust Indenture.
Conditions Precedent to Closing:	Conditions precedent to Closing shall be those conditions set out in the Master Trust Indenture.[2]
Representations:	Customary representations and warranties of the Guarantor.
FIPPA:	Acknowledgement that the Guarantor is bound by the *Freedom of Information and Protection of Privacy Act (Ontario)* and that any information provided to the Guarantor or its agents or representatives in connection with the Transaction Documents may be subject to disclosure in accordance with that act or as otherwise required by law.
Confidentiality Obligations:	Customary confidentiality obligations to be negotiated and included. A Financing Entity and the Beneficiaries shall not, subject to applicable law, issue any press releases and other public announcements in respect of the Provincial Support Agreement without the prior written consent of the Guarantor.
Governing Law:	Province of Ontario

[2] Opinions on the validity and enforceability of Provincial Support Agreement will be required.

Provincial Support Agreement Term Sheet~~—~~

Fair Hydro Plan Act, 2017

*This term sheet (the "**Term Sheet**") is provided exclusively to the parties listed herein in connection with the draft Fair Hydro Plan Act, 2017 and the regulations to be made thereunder (the "**Act**"). This Term Sheet is to be held confidential. Defined terms used herein have the meanings ascribed to them in the Act. The provincial support agreement (the "**Provincial Support Agreement**") will contain the terms and conditions set out in this Term Sheet in addition to such other representations, warranties, indemnities, and other terms and conditions as the Guarantor and the Beneficiaries (each as defined below) may reasonably require.*

Guarantor:	Her Majesty the Queen in right of Ontario, as represented by the Minister of Energy.
Beneficiaries:	The ~~trust company acting as~~ indenture trustee (together with its successors, the "**Indenture Trustee**") under the master trust indenture (the "**Master Trust Indenture**") ~~acting for the benefit of~~on behalf of itself and all other persons ~~who may have contractual~~having debt or other claims against a Financing Entity secured under the Master Trust Indenture (collectively, the "**Beneficiaries**") ~~(~~including, without limitation, holders of senior and subordinated notes, senior and subordinated lenders, hedge counterparties, credit enhancers, liquidity providers, the Financial Services Manager, the Indenture Trustee~~ and~~, the trustee of the Financing Entity[1]~~)~~ if the Financing Entity is a trust, and any other administrator of the Financing Entity.
Term:	The Guarantor's obligations under the Provincial Support Agreement will continue until **[one year]**[2]1 after all ~~Funding Obligations~~funding obligations (to be defined to include principal, interest, fees, hedge settlement and termination obligations and other related amounts) of all Financing Entities have been repaid.
Performance Guarantee:	~~**[Upon the occurrence of a Performance Guarantee Event]**, the Indenture Trustee will be entitled to require the Guarantor to appoint a replacement servicer who will perform IESO's duties as servicer under~~Under the Master Sale and Servicing Agreement ~~between IESO, as seller and servicer,~~to be entered into by IESO and the Financing Entity~~, as purchaser~~, **[and OPG as Financial Services Manager]** ("**MSSA**")~~.~~, IESO will have obligations both

[1] ~~We have assumed that the initial Financing Entity will be a trust.~~

[2]1 This mirrors the requirement expected to be in the Regulations under the Act not to wind up, dissolve or liquidate a Financing Entity until at least one year after all of its Funding Obligations have been repaid.

	as a seller and as a servicer. Pursuant to a performance guarantee, the Guarantor will guarantee in favour of the Beneficiaries to perform, or cause the performance of (which may be by way of the appointment of a replacement servicer), the obligations of IESO as servicer under the MSSA and the Act including the obligations of any replacement servicer. The Guarantor will also guarantee the servicing obligations of the electricity vendors under the Act. The servicing obligations covered will include all obligations related to the collecting and remitting of clean energy adjustments and will protect the Beneficiaries from any risks arising from collections of clean energy adjustments being commingled with other amounts. In the event that the performance guarantee is unenforceable against the Guarantor, the Provincial Support Agreement will contemplate a separate legal obligation by the Guarantor to indemnify the ~~Indenture Trustee~~Beneficiaries for any losses that result.
~~**Performance Guarantee Event:**~~	~~A "Servicer Default" occurs under the MSSA[3]~~
~~**Payment Guarantee:**~~	~~**[Upon the occurrence of a Payment Guarantee Event and within [5/10] business days after receiving a demand from the Indenture Trustee]**, the Guarantor shall **[guarantee and indemnify the Indenture Trustee (for and on behalf of the Beneficiaries) by paying all regularly scheduled interest and principal payments during the term of a Financing Entity's contractual obligation to such Beneficiary]/[assume the contractual obligations of a Financing Entity to the Beneficiaries]**[4], which for greater certainty shall not include any default, penalty, prepayment, or make whole amounts.~~
Payment Guarantee Event:	A Payment Guarantee Event will occur if: (A) ~~if~~ the Legislative Assembly of Ontario repeals the Act; or (B) ~~if~~ the Legislative Assembly of Ontario amends the Act or a Regulation thereunder is amended in a way that adversely impacts the ability of a Financing Entity to fully recover an investment interest in order to fully pay all funding obligations and other obligations incurred by such Financing Entity in respect of such investment interest; or (C) ~~if~~ a court of competent jurisdiction (i) determines all or a portion of the Act to be *ultra vires* in a way that adversely impacts the ability of a Financing Entity to fully recover an investment

[3] ~~Each Servicer Default will include its own cure period before the event becomes a Servicer Default.~~
[4] ~~To confirm if Province will become the debtor under the applicable debt documentation or if the Financing Entity will continue to be the primary obligor with the Province acting as secondary obligor.~~

	interest in order to fully pay all funding obligations and other obligations incurred by such Financing Entity in respect of such investment interest or (ii) declares any funding obligations to be invalid or unenforceable; or (D) funding obligations are due and payable at a time when a market disruption (a period of [six months or more] when capital markets term funding is not available to effect refinancings of funding obligations) is occurring and, in the case of long term funding obligations only, a moratorium or limitation on the imposition and collection of clean energy adjustments to repay such funding obligations is in effect under the Act.
Payment Guarantee:	Upon the occurrence of a Payment Guarantee Event under clauses (A), (B) or (C) of the above definition: (x) the Guarantor shall assume and pay when due (without acceleration) all funding obligations and all other obligations of the Financing Entities to the Beneficiaries by paying all regularly scheduled amounts in respect thereof during the term of each Financing Entity's contractual obligation to such Beneficiaries; and (y) Beneficiaries holding funding obligations consisting of bonds [with a remaining term to maturity of greater than **one year]** shall have the option to put the bonds to the Financing Entity for a put price equal to 101% of the principal amount thereof plus accrued and unpaid interest. In connection with any put under this clause (y), the Guarantor shall guarantee payment of the put price and any related hedge breakage but shall not be responsible for any other default, penalty, prepayment or make whole amounts.
Limits under Guarantees:	Under no circumstances shall the Guarantor be obligated to indemnify any Beneficiary for special or punitive damages, or loss of profits.
Priority of Payments:	The priority of the Beneficiaries to any payment made by the Guarantor under the Provincial Support Agreement shall be governed by the priority provisions in the Master Trust Indenture.
Subrogation:	Where the Guarantor has repaid ~~a Beneficiary~~all Beneficiaries in full, to the extent of such ~~payment,~~payments the Guarantor ~~is~~shall be subrogated in and to all the rights of recovery of ~~such~~the Beneficiar~~y~~ies in respect of their applicable indebtedness and obligations and the security granted by a Financing Entity to the Indenture Trustee. After repayment by the Guarantor of all ~~amounts~~indebtedness and obligations owing to ~~a~~the Beneficiar~~y~~ies,

	the Indenture Trustee will acknowledge and agree on behalf of ~~such~~the Beneficiar~~y~~ies that the Guarantor is entitled to exercise all of the rights, powers and privileges that the Beneficiar~~y~~ies ha~~s~~ve or may exercise in respect of the repaid indebtedness and obligations, all in accordance with the terms of the Master Trust Indenture. Prior to the repayment in full of the indebtedness and obligations owed to the Beneficiaries, the Guarantor shall have no rights of subrogation.
Notice Requirements:	The Indenture Trustee will be required to provide notice to the Guarantor of a ~~Performance Guarantee Event or~~ Payment Guarantee Event and may in such notice demand payment or performance of the Guarantor's obligation under the Provincial Support Agreement, as applicable.
Closing:	Date to be determined but no later than **[**■, 2017**]**. The Closing is the date on which the documents in respect of the MSSA, the Master Trust Indenture and all related documentation are executed and delivered.
Reporting Requirements of a Financing Entity:	The Guarantor will be entitled to receive all reports received by the Indenture Trustee under the Master Trust Indenture.
Conditions Precedent to Closing:	Conditions precedent to Closing shall be those conditions set out in the Master Trust Indenture.~~5~~[2]
Representations:	Customary representations and warranties of the Guarantor.
FIPPA:	Acknowledgement that the Guarantor is bound by the *Freedom of Information and Protection of Privacy Act (Ontario)* and that any information provided to the Guarantor or its agents or representatives in connection with the Transaction Documents may be subject to disclosure in accordance with that act or as otherwise required by law.
Confidentiality Obligations:	Customary confidentiality obligations to be negotiated and included. A Financing Entity and the Beneficiaries shall not, subject to applicable law, issue any press releases and other public announcements in respect of the Provincial Support Agreement without the prior written consent of the Guarantor.
Governing Law:	Province of Ontario

~~5~~[2] Opinions on the validity and enforceability of Provincial Support Agreement will be required.

From: Sarah Harris
To: Mike Manning
Cc: Opal Kandelas; Jean-Francois Beaupre
Subject: FW: Energy"s PRRT
Date: Wednesday, October 18, 2017 9:56:00 AM

Hi Mike,

Just letting you that Ken K. will be discussing with Gadi this morning whether a Ministerial directive will once again be sought for the IESO intercept provision exemption, or to keep pursuing the tripartite letter between IESO-Energy-OFA to include the intercept.

Thanks,
Sarah

From: Ken Kandeepan
Sent: Wednesday, October 18, 2017 9:46 AM
To: John Kim <John.Kim@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>
Cc: Sarah Neville <Sarah.Neville@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: RE: Energy's PRRT

Will confirm this AM.

Thanks

Ken k

From: John Kim
Sent: Wednesday, October 18, 2017 9:45 AM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>
Cc: Sarah Neville <Sarah.Neville@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: RE: Energy's PRRT

Absolutely it is Gadi. Do we have his instruction?

From: Ken Kandeepan
Sent: Wednesday, October 18, 2017 9:44 AM
To: John Kim <John.Kim@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>
Cc: Sarah Neville <Sarah.Neville@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>

Subject: RE: Energy's PRRT

Thanks John, who is making this decision and shouldn't that be Gadi

Let me know
Ken k

From: John Kim
Sent: Tuesday, October 17, 2017 1:57 PM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>
Cc: Sarah Neville <Sarah.Neville@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: RE: Energy's PRRT

Hi Ken,

From the start, the exemption had been the advocated path. I will keep this interception option open until the decision is made to pursue Minister's directive or when we have that directive signed. We can always walk away from this option.

Thanks,

John

From: Ken Kandeepan
Sent: Tuesday, October 17, 2017 1:44 PM
To: John Kim <John.Kim@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>
Cc: Sarah Neville <Sarah.Neville@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: RE: Energy's PRRT

Hi John

Based on a conversation with Gadi, any solution that continues with the intercept provision will most likely be unacceptable from OPG's perspective. They are concerned that despite the intercept being toothless on a practical basis it may send the wrong message to DBRS as it assess the credit-worthiness of the OFHP debt.

It appears that the only solution is have the Minister sign an exemption and we should focus on getting that in place.

Thanks

Ken k

From: John Kim
Sent: Tuesday, October 17, 2017 1:37 PM
To: Lisa Stein <Lisa.Stein@ofina.on.ca>
Cc: Sarah Neville <Sarah.Neville@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: FW: Energy's PRRT

Hi Lisa and everyone,

Along with comments from Ken over the weekend, just circling everyone in on the latest information from TBS. Pls. advise if your assessment changes but to me, TBS appears to be advising that Green ON Fund is not IESO's operation expense/allocation but allocation from MOECC to Green ON Fund.

Also, IESO staff have thus far signalled positively on the letter agreement. We are potentially looking about 2 days to conclude the process.

One caveat is that OPG is requesting that the trust be given first priority/security over all IESO assets. While the issue is still being discussed, if this is to proceed, the IESO will have to amend its current facilities. I would consider this almost as a separate issue in that if the scenario plays out, then we would need to look at and potentially open up all existing facilities.

John

From: Strang, James (TBS) [mailto:James.Strang@ontario.ca]
Sent: Tuesday, October 17, 2017 11:18 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Chris Skubel (MGS) <Chris.Skubel@ontario.ca>; Afshin Malekzadeh (MOHLTC) <Afshin.Malekzadeh@ontario.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: Energy's PRRT

John, I checked with our MOECC analyst, Green ON Fund is an agency of MOECC and is flowing funding to IESO.

James

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: October 13, 2017 4:49 PM
To: Strang, James (TBS)
Cc: Skubel, Chris (TBS); Malekzadeh, Afshin (TBS); Bruno Amara; He, Gavin (OFA)

Subject: RE: Energy's PRRT

Hi James,

The Green ON Fund…am I correct to think that this is also not part of IESO's operating expense/allocation? As for the items below (for Energy), it is a program expense facilitated through the IESO?

Thanks,

John

From: Strang, James (TBS) [mailto:James.Strang@ontario.ca]
Sent: Friday, August 18, 2017 1:29 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Chris Skubel (MGS) <Chris.Skubel@ontario.ca>; Afshin Malekzadeh (MOHLTC) <Afshin.Malekzadeh@ontario.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: RE: Energy's PRRT

You are correct.

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: August 18, 2017 1:28 PM
To: Strang, James (TBS)
Cc: Skubel, Chris (TBS); Malekzadeh, Afshin (TBS); Bruno Amara
Subject: RE: Energy's PRRT

Thanks. OREC is not IESO's operating expense/allocation, right? It's a program expense facilitated through the IESO.

Agree?

From: Strang, James (TBS) [mailto:James.Strang@ontario.ca]
Sent: Friday, August 18, 2017 1:19 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Chris Skubel (MGS) <Chris.Skubel@ontario.ca>; Afshin Malekzadeh (MOHLTC) <Afshin.Malekzadeh@ontario.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: RE: Energy's PRRT

Sorry for the delay, had to dig in the email archives.

There is no IESO allocation in Printed Estimates. There is an OREC transfer payment. In the 17-18 PRRT workbook for OREC is the following:

- Electricity utilities are reimbursed by submitting and receiving claims which are netted against their other monthly transactions from the IESO, and the IESO

submits and receives one monthly amount from the Ontario Financing Authority on behalf of the Ministry of Energy – this process is streamlined and leverages an already existing reimbursement process, thereby minimizing costs.

The second attachment, email, contains the consolidation worksheet from OPCD. For IESO, I don't see any Transfer Payment flows in from the Province.

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: August 18, 2017 12:57 PM
To: Strang, James (TBS)
Subject: RE: Energy's PRRT

Is there a way to quickly see if any allocations were made for the IESO? Whichever way is good. We just want to confirm there is no appropriation for the IESO's operation or operating expense.

From: Strang, James (TBS) [mailto:James.Strang@ontario.ca]
Sent: Friday, August 18, 2017 12:55 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: Energy's PRRT

So do you want the final minutes, their submission, the assessment note?

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: August 18, 2017 12:55 PM
To: Strang, James (TBS)
Cc: Bruno Amara
Subject: RE: Energy's PRRT

Last year's?

From: Strang, James (TBS) [mailto:James.Strang@ontario.ca]
Sent: Friday, August 18, 2017 12:54 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: RE: Energy's PRRT

20-18-19 PRRT hasn't started as yet.

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: August 18, 2017 12:53 PM
To: Strang, James (TBS)
Cc: Bruno Amara
Subject: Energy's PRRT

Hi James,

Hope all's well.

Can you share Energy's approved PRRT? Have some urgent stuff we are dealing with.

Thanks,

John

Y. John Kim
Director, Electricity Finance Branch
Ontario Financing Authority
e-mail: john.kim@ofina.on.ca
Ph: 416-212-6996

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From:	Sarah Harris
To:	Mike Manning
Cc:	Jean-Francois Beaupre; William Tan; Opal Kandelas
Subject:	FW: Energy"s PRRT
Date:	Tuesday, October 17, 2017 1:50:17 PM

Hello Mike,

As a follow up to our conversation on Friday regarding IESO intercept letter and possible pushback from OPG, it looks like there will need to be a re-think on the Ministerial Directive.

We'll keep you posted.

Thanks,
Saraj

From: Ken Kandeepan
Sent: Tuesday, October 17, 2017 1:44 PM
To: John Kim <John.Kim@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>
Cc: Sarah Neville <Sarah.Neville@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: RE: Energy's PRRT

Hi John

Based on a conversation with Gadi, any solution that continues with the intercept provision will most likely be unacceptable from OPG's perspective. They are concerned that despite the intercept being toothless on a practical basis it may send the wrong message to DBRS as it assess the credit-worthiness of the OFHP debt.

It appears that the only solution is have the Minister sign an exemption and we should focus on getting that in place.

Thanks

Ken k

From: John Kim
Sent: Tuesday, October 17, 2017 1:37 PM
To: Lisa Stein <Lisa.Stein@ofina.on.ca>
Cc: Sarah Neville <Sarah.Neville@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>

Subject: FW: Energy's PRRT

Hi Lisa and everyone,

Along with comments from Ken over the weekend, just circling everyone in on the latest information from TBS. Pls. advise if your assessment changes but to me, TBS appears to be advising that Green ON Fund is not IESO's operation expense/allocation but allocation from MOECC to Green ON Fund.

Also, IESO staff have thus far signalled positively on the letter agreement. We are potentially looking about 2 days to conclude the process.

One caveat is that OPG is requesting that the trust be given first priority/security over all IESO assets. While the issue is still being discussed, if this is to proceed, the IESO will have to amend its current facilities. I would consider this almost as a separate issue in that if the scenario plays out, then we would need to look at and potentially open up all existing facilities.

John

From: Strang, James (TBS) [mailto:James.Strang@ontario.ca]
Sent: Tuesday, October 17, 2017 11:18 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Chris Skubel (MGS) <Chris.Skubel@ontario.ca>; Afshin Malekzadeh (MOHLTC) <Afshin.Malekzadeh@ontario.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: Energy's PRRT

John, I checked with our MOECC analyst, Green ON Fund is an agency of MOECC and is flowing funding to IESO.

James

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: October 13, 2017 4:49 PM
To: Strang, James (TBS)
Cc: Skubel, Chris (TBS); Malekzadeh, Afshin (TBS); Bruno Amara; He, Gavin (OFA)
Subject: RE: Energy's PRRT

Hi James,

The Green ON Fund…am I correct to think that this is also not part of IESO's operating expense/allocation? As for the items below (for Energy), it is a program expense facilitated through the IESO?

Thanks,

John

From: Strang, James (TBS) [mailto:James.Strang@ontario.ca]
Sent: Friday, August 18, 2017 1:29 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Chris Skubel (MGS) <Chris.Skubel@ontario.ca>; Afshin Malekzadeh (MOHLTC) <Afshin.Malekzadeh@ontario.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: RE: Energy's PRRT

You are correct.

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: August 18, 2017 1:28 PM
To: Strang, James (TBS)
Cc: Skubel, Chris (TBS); Malekzadeh, Afshin (TBS); Bruno Amara
Subject: RE: Energy's PRRT

Thanks. OREC is not IESO's operating expense/allocation, right? It's a program expense facilitated through the IESO.

Agree?

From: Strang, James (TBS) [mailto:James.Strang@ontario.ca]
Sent: Friday, August 18, 2017 1:19 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Chris Skubel (MGS) <Chris.Skubel@ontario.ca>; Afshin Malekzadeh (MOHLTC) <Afshin.Malekzadeh@ontario.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: RE: Energy's PRRT

Sorry for the delay, had to dig in the email archives.

There is no IESO allocation in Printed Estimates. There is an OREC transfer payment. In the 17-18 PRRT workbook for OREC is the following:

- Electricity utilities are reimbursed by submitting and receiving claims which are netted against their other monthly transactions from the IESO, and the IESO submits and receives one monthly amount from the Ontario Financing Authority on behalf of the Ministry of Energy – this process is streamlined and leverages an already existing reimbursement process, thereby minimizing costs.

The second attachment, email, contains the consolidation worksheet from OPCD. For IESO, I don't see any Transfer Payment flows in from the Province.

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: August 18, 2017 12:57 PM
To: Strang, James (TBS)
Subject: RE: Energy's PRRT

Is there a way to quickly see if any allocations were made for the IESO? Whichever way is good. We just want to confirm there is no appropriation for the IESO's operation or operating expense.

From: Strang, James (TBS) [mailto:James.Strang@ontario.ca]
Sent: Friday, August 18, 2017 12:55 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: Energy's PRRT

So do you want the final minutes, their submission, the assessment note?

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: August 18, 2017 12:55 PM
To: Strang, James (TBS)
Cc: Bruno Amara
Subject: RE: Energy's PRRT

Last year's?

From: Strang, James (TBS) [mailto:James.Strang@ontario.ca]
Sent: Friday, August 18, 2017 12:54 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: RE: Energy's PRRT

20-18-19 PRRT hasn't started as yet.

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: August 18, 2017 12:53 PM
To: Strang, James (TBS)
Cc: Bruno Amara
Subject: Energy's PRRT

Hi James,

Hope all's well.

Can you share Energy's approved PRRT? Have some urgent stuff we are dealing with.

Thanks,

John

Y. John Kim
Director, Electricity Finance Branch
Ontario Financing Authority
e-mail: john.kim@ofina.on.ca
Ph: 416-212-6996

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From: Sarah Harris
To: Jean-Francois Beaupre
Cc: Opal Kandelas
Subject: FW: Energy"s PRRT
Date: Tuesday, October 17, 2017 1:41:20 PM

FYI update on IESO…

From: John Kim
Sent: Tuesday, October 17, 2017 1:37 PM
To: Lisa Stein <Lisa.Stein@ofina.on.ca>
Cc: Sarah Neville <Sarah.Neville@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: FW: Energy's PRRT

Hi Lisa and everyone,

Along with comments from Ken over the weekend, just circling everyone in on the latest information from TBS. Pls. advise if your assessment changes but to me, TBS appears to be advising that Green ON Fund is not IESO's operation expense/allocation but allocation from MOECC to Green ON Fund.

Also, IESO staff have thus far signalled positively on the letter agreement. We are potentially looking about 2 days to conclude the process.

One caveat is that OPG is requesting that the trust be given first priority/security over all IESO assets. While the issue is still being discussed, if this is to proceed, the IESO will have to amend its current facilities. I would consider this almost as a separate issue in that if the scenario plays out, then we would need to look at and potentially open up all existing facilities.

John

From: Strang, James (TBS) [mailto:James.Strang@ontario.ca]
Sent: Tuesday, October 17, 2017 11:18 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Chris Skubel (MGS) <Chris.Skubel@ontario.ca>; Afshin Malekzadeh (MOHLTC) <Afshin.Malekzadeh@ontario.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: Energy's PRRT

John, I checked with our MOECC analyst, Green ON Fund is an agency of MOECC and is flowing funding to IESO.

James

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: October 13, 2017 4:49 PM
To: Strang, James (TBS)
Cc: Skubel, Chris (TBS); Malekzadeh, Afshin (TBS); Bruno Amara; He, Gavin (OFA)
Subject: RE: Energy's PRRT

Hi James,

The Green ON Fund…am I correct to think that this is also not part of IESO's operating expense/allocation? As for the items below (for Energy), it is a program expense facilitated through the IESO?

Thanks,

John

From: Strang, James (TBS) [mailto:James.Strang@ontario.ca]
Sent: Friday, August 18, 2017 1:29 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Chris Skubel (MGS) <Chris.Skubel@ontario.ca>; Afshin Malekzadeh (MOHLTC) <Afshin.Malekzadeh@ontario.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: RE: Energy's PRRT

You are correct.

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: August 18, 2017 1:28 PM
To: Strang, James (TBS)
Cc: Skubel, Chris (TBS); Malekzadeh, Afshin (TBS); Bruno Amara
Subject: RE: Energy's PRRT

Thanks. OREC is not IESO's operating expense/allocation, right? It's a program expense facilitated through the IESO.

Agree?

From: Strang, James (TBS) [mailto:James.Strang@ontario.ca]
Sent: Friday, August 18, 2017 1:19 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Chris Skubel (MGS) <Chris.Skubel@ontario.ca>; Afshin Malekzadeh (MOHLTC) <Afshin.Malekzadeh@ontario.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: RE: Energy's PRRT

Sorry for the delay, had to dig in the email archives.

There is no IESO allocation in Printed Estimates. There is an OREC transfer

payment. In the 17-18 PRRT workbook for OREC is the following:

- Electricity utilities are reimbursed by submitting and receiving claims which are netted against their other monthly transactions from the IESO, and the IESO submits and receives one monthly amount from the Ontario Financing Authority on behalf of the Ministry of Energy – this process is streamlined and leverages an already existing reimbursement process, thereby minimizing costs.

The second attachment, email, contains the consolidation worksheet from OPCD. For IESO, I don't see any Transfer Payment flows in from the Province.

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: August 18, 2017 12:57 PM
To: Strang, James (TBS)
Subject: RE: Energy's PRRT

Is there a way to quickly see if any allocations were made for the IESO? Whichever way is good. We just want to confirm there is no appropriation for the IESO's operation or operating expense.

From: Strang, James (TBS) [mailto:James.Strang@ontario.ca]
Sent: Friday, August 18, 2017 12:55 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: Energy's PRRT

So do you want the final minutes, their submission, the assessment note?

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: August 18, 2017 12:55 PM
To: Strang, James (TBS)
Cc: Bruno Amara
Subject: RE: Energy's PRRT

Last year's?

From: Strang, James (TBS) [mailto:James.Strang@ontario.ca]
Sent: Friday, August 18, 2017 12:54 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: RE: Energy's PRRT

20-18-19 PRRT hasn't started as yet.

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: August 18, 2017 12:53 PM
To: Strang, James (TBS)
Cc: Bruno Amara
Subject: Energy's PRRT

Hi James,

Hope all's well.

Can you share Energy's approved PRRT? Have some urgent stuff we are dealing with.

Thanks,

John

Y. John Kim
Director, Electricity Finance Branch
Ontario Financing Authority
e-mail: john.kim@ofina.on.ca
Ph: 416-212-6996

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From:	Sarah Harris
To:	Mike Manning
Cc:	Opal Kandelas; William Tan
Subject:	FW: Energy"s PRRT
Date:	Thursday, October 19, 2017 9:54:32 AM

Hello Mike,

Just a quick update on IESO intercept provision issue…I followed up with John on the status of Ken's meeting with Gadi yesterday, and we're going to continue seeking execution of the tripartite (IESO-Energy-OFA) letter for now.

Thanks,
Sarah

From: John Kim
Sent: Thursday, October 19, 2017 9:50 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: RE: Energy's PRRT

Hi Sarah,

It is still on….waiting on IESO side now.

I didn't think it made sense to shut down an option at this point and they agreed to it.

John

From: Sarah Harris
Sent: Thursday, October 19, 2017 9:49 AM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: Energy's PRRT

Hi John,

Just wondering if you heard from Ken re: his meeting with Gadi and any further direction on the Ministerial Directive vs. the tripartite letter approach?

Thanks,
Sarah

From: Ken Kandeepan
Sent: Wednesday, October 18, 2017 9:59 AM
To: John Kim <John.Kim@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>
Cc: Sarah Neville <Sarah.Neville@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>; Sarah

Harris <Sarah.Harris@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: RE: Energy's PRRT

My meeting with Gadi on this and other issues has been rescheduled to 4PM today so will get back to you immediately after that.

Thanks

Ken k

From: John Kim
Sent: Wednesday, October 18, 2017 9:57 AM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>
Cc: Sarah Neville <Sarah.Neville@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: RE: Energy's PRRT

Ok, thanks….all along this group had recommended the exemption directive option. That said, my advice would be to leave both options open but pls. let us know. I have spoken to Ron as well and he is onside with either approach.

From: Ken Kandeepan
Sent: Wednesday, October 18, 2017 9:46 AM
To: John Kim <John.Kim@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>
Cc: Sarah Neville <Sarah.Neville@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: RE: Energy's PRRT

Will confirm this AM.

Thanks

Ken k

From: John Kim
Sent: Wednesday, October 18, 2017 9:45 AM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>
Cc: Sarah Neville <Sarah.Neville@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: RE: Energy's PRRT

Absolutely it is Gadi. Do we have his instruction?

From: Ken Kandeepan
Sent: Wednesday, October 18, 2017 9:44 AM
To: John Kim <John.Kim@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>
Cc: Sarah Neville <Sarah.Neville@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: RE: Energy's PRRT

Thanks John, who is making this decision and shouldn't that be Gadi

Let me know
Ken k

From: John Kim
Sent: Tuesday, October 17, 2017 1:57 PM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>
Cc: Sarah Neville <Sarah.Neville@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: RE: Energy's PRRT

Hi Ken,

From the start, the exemption had been the advocated path. I will keep this interception option open until the decision is made to pursue Minister's directive or when we have that directive signed. We can always walk away from this option.

Thanks,

John

From: Ken Kandeepan
Sent: Tuesday, October 17, 2017 1:44 PM
To: John Kim <John.Kim@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>
Cc: Sarah Neville <Sarah.Neville@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: RE: Energy's PRRT

Hi John

Based on a conversation with Gadi, any solution that continues with the intercept provision will most likely be unacceptable from OPG's perspective. They are concerned that despite the intercept being toothless on a practical basis it may send the wrong message to DBRS as it assess the credit-worthiness of the OFHP debt.

It appears that the only solution is have the Minister sign an exemption and we should focus on getting that in place.

Thanks

Ken k

From: John Kim
Sent: Tuesday, October 17, 2017 1:37 PM
To: Lisa Stein <Lisa.Stein@ofina.on.ca>
Cc: Sarah Neville <Sarah.Neville@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: FW: Energy's PRRT

Hi Lisa and everyone,

Along with comments from Ken over the weekend, just circling everyone in on the latest information from TBS. Pls. advise if your assessment changes but to me, TBS appears to be advising that Green ON Fund is not IESO's operation expense/allocation but allocation from MOECC to Green ON Fund.

Also, IESO staff have thus far signalled positively on the letter agreement. We are potentially looking about 2 days to conclude the process.

One caveat is that OPG is requesting that the trust be given first priority/security over all IESO assets. While the issue is still being discussed, if this is to proceed, the IESO will have to amend its current facilities. I would consider this almost as a separate issue in that if the scenario plays out, then we would need to look at and potentially open up all existing facilities.

John

From: Strang, James (TBS) [mailto:James.Strang@ontario.ca]
Sent: Tuesday, October 17, 2017 11:18 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Chris Skubel (MGS) <Chris.Skubel@ontario.ca>; Afshin Malekzadeh (MOHLTC) <Afshin.Malekzadeh@ontario.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>

Subject: RE: Energy's PRRT

John, I checked with our MOECC analyst, Green ON Fund is an agency of MOECC and is flowing funding to IESO.

James

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: October 13, 2017 4:49 PM
To: Strang, James (TBS)
Cc: Skubel, Chris (TBS); Malekzadeh, Afshin (TBS); Bruno Amara; He, Gavin (OFA)
Subject: RE: Energy's PRRT

Hi James,

The Green ON Fund…am I correct to think that this is also not part of IESO's operating expense/allocation? As for the items below (for Energy), it is a program expense facilitated through the IESO?

Thanks,

John

From: Strang, James (TBS) [mailto:James.Strang@ontario.ca]
Sent: Friday, August 18, 2017 1:29 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Chris Skubel (MGS) <Chris.Skubel@ontario.ca>; Afshin Malekzadeh (MOHLTC) <Afshin.Malekzadeh@ontario.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: RE: Energy's PRRT

You are correct.

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: August 18, 2017 1:28 PM
To: Strang, James (TBS)
Cc: Skubel, Chris (TBS); Malekzadeh, Afshin (TBS); Bruno Amara
Subject: RE: Energy's PRRT

Thanks. OREC is not IESO's operating expense/allocation, right? It's a program expense facilitated through the IESO.

Agree?

From: Strang, James (TBS) [mailto:James.Strang@ontario.ca]
Sent: Friday, August 18, 2017 1:19 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Chris Skubel (MGS) <Chris.Skubel@ontario.ca>; Afshin Malekzadeh (MOHLTC)

<Afshin.Malekzadeh@ontario.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: RE: Energy's PRRT

Sorry for the delay, had to dig in the email archives.

There is no IESO allocation in Printed Estimates. There is an OREC transfer payment. In the 17-18 PRRT workbook for OREC is the following:

- Electricity utilities are reimbursed by submitting and receiving claims which are netted against their other monthly transactions from the IESO, and the IESO submits and receives one monthly amount from the Ontario Financing Authority on behalf of the Ministry of Energy – this process is streamlined and leverages an already existing reimbursement process, thereby minimizing costs.

The second attachment, email, contains the consolidation worksheet from OPCD. For IESO, I don't see any Transfer Payment flows in from the Province.

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: August 18, 2017 12:57 PM
To: Strang, James (TBS)
Subject: RE: Energy's PRRT

Is there a way to quickly see if any allocations were made for the IESO? Whichever way is good. We just want to confirm there is no appropriation for the IESO's operation or operating expense.

From: Strang, James (TBS) [mailto:James.Strang@ontario.ca]
Sent: Friday, August 18, 2017 12:55 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: Energy's PRRT

So do you want the final minutes, their submission, the assessment note?

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: August 18, 2017 12:55 PM
To: Strang, James (TBS)
Cc: Bruno Amara
Subject: RE: Energy's PRRT

Last year's?

From: Strang, James (TBS) [mailto:James.Strang@ontario.ca]
Sent: Friday, August 18, 2017 12:54 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: RE: Energy's PRRT

20-18-19 PRRT hasn't started as yet.

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: August 18, 2017 12:53 PM
To: Strang, James (TBS)
Cc: Bruno Amara
Subject: Energy's PRRT

Hi James,

Hope all's well.

Can you share Energy's approved PRRT? Have some urgent stuff we are dealing with.

Thanks,

John

Y. John Kim
Director, Electricity Finance Branch
Ontario Financing Authority
e-mail: john.kim@ofina.on.ca
Ph: 416-212-6996

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From:	Carlos Yep
To:	Opal Kandelas
Subject:	FW: Equity Injection Term Sheet
Date:	Tuesday, May 30, 2017 12:16:52 PM
Attachments:	Term Sheet_Master Subscription_draftMay26.docx

fyi

From: Carlos Yep
Sent: Tuesday, May 30, 2017 8:30 AM
To: Mike Manning <Mike.Manning@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; John Psinas <John.Psinas@ofina.on.ca>
Subject: FW: Equity Injection Term Sheet

From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Tuesday, May 30, 2017 8:23 AM
To: Carlos Yep <Carlos.Yep@ofina.on.ca>
Cc: Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Subject: RE: Equity Injection Term Sheet

Thanks Carlos.

In the previous H1 related loans, the Minister of Energy signed the share purchase agreement and the Minister of Finance signed the loan agreement under the authority of an OIC. OFA staff act on behalf of the Minister of Finance in taking certain actions related to the loan. I am not sure that the Minister of Energy can delegate authority under the share purchase agreement for this equity injection (i.e. to make a decision to purchase shares) in the same way that OFA staff would deal with actions under a loan agreement. It may be that if there needs to be some quick turn-around in relation to funding OPG via the equity injection that maybe there might be a services agreement between the OFA and the Ministry of Energy. Perhaps, this only refers to how the money is being flowed and is more of a back-office function, and someone at the Ministry of Energy directs the OFA to take the action.

We will take a look at this term sheet too and provide some comments and questions.

Thanks.

Malle

From: Carlos Yep [mailto:Carlos.Yep@ofina.on.ca]
Sent: May 30, 2017 7:58 AM
To: Hanslep, Malle (MOF)
Cc: Whitfield, Tobias P. (MOF)

Subject: FW: Equity Injection Term Sheet

fyi

From: Montgomery, Kaitlin (MOF) [mailto:Kaitlin.Montgomery@ontario.ca]
Sent: Monday, May 29, 2017 1:56 PM
To: John Kim <John.Kim@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>
Cc: Thomas Leung (MEDTE/MRI) <Thomas.Leung@ontario.ca>
Subject: Equity Injection Term Sheet

Hey John, Carlos,

Attached is a term sheet from OPG that would form the basis of the Equity Injection Agreement. I think this would be an agreement between ENE/OPG and OFA. While it currently says 5 business days in this document Clara flagged that the IESO may be looking for it to be settled in as quickly as 1 day. Given how quick this needs to happen I've included a line about ENE delegating authority to the OFA to manage this monthly process. I think ENE would want to be kept in the loop but I don't think they would need to sign off each month. That being said I haven't run this up the chain at ENE yet or discussed with ENE controllership.

Id defer to you guys for short term mechanics for the most part as you have the experience on the borrowing side. If you could take a look and mark-up where desired then maybe we can chat?

Let me know if you have any questions.
Kaitlin

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

Fair Hydro Plan –Master Subscription Agreement
Term Sheet

- Parties: OPG, OFA, Ministry of Energy
- The Province agrees to inject 44% of total funding of GA asset by way of equity subscription in OPG, which amount OPG in turn will invest in the Fair Hydro Trust as subordinated debt (**Equity Injection Plan**)
- Minister of Energy/Province approves Equity Injection Plan, and initial equity injection amount for 2017/18 fiscal year, and delegates to appropriate ministry staff authority to implement Equity Injection Plan (**Delegated Authority**)
- Long term, OPG equity requirements will form part of the business planning process in place between OPG and Ministry of Energy, ie, annually OPG to include forecasts of its equity requirements for the upcoming 3 years in its business plan submission -- NOTE: this portion of the business plan is not subject to concurrence by the shareholder
- Ministry of Energy will seek appropriation on an annual basis through PRRT for the amounts requested by OPG for its equity requirements-- NOTE: amount of annual appropriation to cover OPG multi year forecasts
- The Ministry of Energy will delegate authority to the Ontario Financing Authority to manage the monthly settlement process
- OPG agrees use the equity subscription amounts solely for funding the Fair Hydro Trust's subordinated debt requirements as part of the Fair Hydro Plan
- OPG will amend its Articles to create an additional class of shares – Class A Shares – which will be non-voting and redeemable at OPG's option
- OPG will issue Class A Shares to the Province monthly at a value per share equal to book value, as determined from OPG's last approved quarterly financial statements -- Value of first Class A shares issued to Province will be based on book value of OPG common shares – ie, existing shareholder's equity
- OPG will have the right to repay equity to the Province, through exercise of its right to redeem the Class A Shares, as principal repayment of the subordinated debt is made commencing in 2027
- Redemption value of the Class A Shares to be based on book value on the redemption date, ie, the equity value per Class A share at the end of the prior financial quarter as set out in OPG's approved financial statements

Formatted: Indent: Left: 0.5", No bullets or numbering

Monthly Process/Mechanics of Share Subscriptions:

a) OPG notifies OFA and Ministry of Energy of required equity injection and number of shares

Timing: [same day as notice from Fair Hydro Trust]

Documents/steps:

(i) share subscription form,
(ii) supporting documentation/invoice from Fair Hydro Trust, confirming amount of GA asset purchase for the month

b) OFA and OPG settle equity injection amounts

Timing: [five] business days from notice to OFA to payment/settlement with OPG [NOTE: timing to be confirmed based on IESO/Trust process requirements]

Documents/steps:

(i) completed/signed share subscription form from OFA~~/Province~~ to OPG

(ii) funds transfer from OFA to OPG account)

(iii) OPG receipt, together with secretary's certificate confirming issue of shares/update of share register sent to both OFA and ENE

Commented [KC1]: OFA: any details we can add based on your experience on the loan side? Who signs off at the OFA? Should we just make it the same process and delegate authority from ENE so OfA can execute?

Longer term Process/Approvals:

1. Equity Requirements Estimates:
   a. Business Plan Submissions
   b. OPG Board Approvals
      - [Bi-annual] Board of Directors' resolutions authorizing equity requirement for period
      - [Bi-annual Shareholder's resolutions authorizing equity requirement for period][NOTE: TBD if needed]

   c. Ministry of Energy appropriations
      ~~[describe annual process]~~Ministry of Energy will seek appropriation through PRRT process, including 3-year estimates that OPG provides through its business plan submission

Share Redemption Process

- TBD -- process to be determined at a later date and appended as Appendix to Master Subscription Agreement

From: William Tan
To: Opal Kandelas
Subject: FW: FHP & AA10 time table update
Date: Wednesday, July 26, 2017 9:06:55 AM

---

fyi

From: William Tan
Sent: Wednesday, July 26, 2017 9:07 AM
To: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>; Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Cc: Sarah Neville <Sarah.Neville@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: FHP & AA10 time table update

Update:

I emailed Anthony yesterday to better understand his cashflow requirements for mid-August. IESO is a day late in providing the FHP Credit Facility Agreement. I have moved the dates down by one business day but kept the same deadline of August 4.

Time Table v2

Date	Action	Action required by Group
~~July 24~~	~~Amending Agreement 10 (AA10), reply for "Use of Proceeds"~~	~~IESO~~
~~July 25~~	~~Check-in with IESO that the Resolution of the Board of Directors, Certificate of Incumbency and Delegation of Authority (IESO Statement of Policy) is being completed.~~ -	~~Documentation~~
~~July 25~~	~~AA10 set up and attended call. Small legal editorial matters.~~	~~Documentation/OFA Legal/IESO Legal~~
~~July 25~~	~~Reviewed Resolution of the Board of Directors, Certificate of Incumbency.~~	~~Documentation/OFA Legal~~
July 25	Cashflow requirements, contacted Anthony to understand his cashflow requirements for mid-Aug.	Documentation
July 26	FHP Credit Facility, receive comments from IESO.	IESO
July 27	AA10, Request for updated Grid note amounts and request IESO for original signatures.	Documentation
July 27	FHP Credit Facility, comment and forward to OFA Legal. Documentation.	Documentation

July 28, 31	FHP Credit Facility, back and forth between Documentation and OFA Legal.	Documentation/OFA Legal
Aug 1	FHP Credit Facility, draft 2 back to IESO.	Documentation/OFA Legal
August 2	AA10, executed by IESO and send physical signatures OFA for counter signature. Resolution of the Board of Directors, Certificate of Incumbency and Delegation of Authority (IESO Statement of Policy).	IESO
August 4	FHP Credit Facility, executed by IESO and physical sent OFA for counter signature. Resolution of the Board of Directors, Certificate of Incumbency and Delegation of Authority (IESO Statement of Policy).	IESO

Best regards,

Will Tan| *Documentation & Analysis Specialist*
Capital Markets Division | Ontario Financing Authority
1 Dundas Street West, Suite 1400
Toronto, Ontario M5G 1Z3, CANADA
Tel. (416) 325-8090 | Fax: (416) 860-8346
william.tan@ofina.on.ca

This message, including any attachments, is intended only for the use of the individual(s) to which it is addressed and may contain information that is privileged and confidential. Any other distribution, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message including any attachments, without reading it or making a copy. Thank you

From:	Sarah Harris
To:	Opal Kandelas
Subject:	FW: FHP Credit Facility Agreement
Date:	Friday, November 10, 2017 11:53:35 AM

From: Sarah Harris
Sent: Friday, November 10, 2017 9:02 AM
To: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: William Tan <William.Tan@ofina.on.ca>
Subject: FW: FHP Credit Facility Agreement

From: William Tan
Sent: Friday, August 04, 2017 4:32 PM
To: 'Victor Buza' <Victor.Buza@ieso.ca>; Anthony Martinello <Anthony.Martinello@ieso.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Kelly Listoe <Kelly.Listoe@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: FHP Credit Facility Agreement

Hello,

we expect to have a draft for you to review early next week.

Thanks,

Will

From: Victor Buza [mailto:Victor.Buza@ieso.ca]
Sent: Wednesday, July 26, 2017 1:02 PM
To: William Tan <William.Tan@ofina.on.ca>
Cc: Anthony Martinello <Anthony.Martinello@ieso.ca>
Subject: RE: FHP Credit Facility Agreement

Hi Will. Attached you will find IESO's mark-up of the FHP Credit Facility Agreement. Most of the changes are self-explanatory, but it may be helpful if I provide a few words of explanation about the more substantive changes:

1. We added paragraph (k) to the definition of "Permitted Liens" to address the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien, and we did not want to be inadvertently in default. (Please note that, assuming this addition to the definition of "Permitted Liens" is acceptable, the same or similar language should also be added to the definition of Permitted Liens in Amending Agreement #10 to the existing OFA line of credit that

we discussed yesterday.)

2. We amended Section 2.2 Use of Proceeds as shown in the draft because: (i) there is a possibility that the funding provided under the FHP Credit Agreement may accumulate and be outstanding for an extended period of time (i.e. in excess of 12 months); and (ii) the use of the terminology "cash flow timing differences" does not seem appropriate given its implication of a shorter-term funding requirement (something on the order of month-to-month), taking into account all of the obligations of IESO under the FHP.

3. We amended the exceptions to the *pari passu* requirement under Section 3.3(5) to avoid a conflict with the different list of exceptions in s.4.6, the negative pledge. An alternative, and arguably cleaner, way of avoiding the conflict between s.3.3(5) and s.4.6 would be to delete the *pari passu* requirement in s.3.3(5) altogether, since the negative pledge in s.4.6 already contains more tailored language that performs essentially the same function.

In addition to the above changes marked-up directly on the document, in general with respect to all revolving lines, it seems that the definition of "Advances" should probably also include Continued Advances where an Election Notice is used (though I didn't make any changes to reflect this). I say this because Advances can become Continued Advances through an initial Election Notice, and then those Continued Advances can be continued again as further Continued Advances, and so on. In other words, the practice and intent of IESO and OFA has been and continues to be that an original Advance can be Continued (rolled-over) many times but, unless I am missing something, the language and definitions do not quite capture that intent. It might be easier if I were to discuss what is essentially a drafting point with your Legal Counsel assigned to this – as I say, it's entirely possible that I am simply missing something here.

I didn't know who would be reviewing this from your Legal group, so did not copy anyone else at OFA – I will rely on you to forward it as required.

Regards,
Victor

Victor Buza | Senior Counsel
Independent Electricity System Operator (IESO) | T: 416-969-6079
1600-120 Adelaide Street West, Toronto, ON M5H 1T1
Web: www.ieso.ca[ieso.ca] | Twitter: IESO_Tweets[twitter.com] | LinkedIn: IESO[linkedin.com]

This email message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution, or copying of this email message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this email message.

From: William Tan [mailto:William.Tan@ofina.on.ca]
Sent: July 25, 2017 12:23 PM
To: Victor Buza
Cc: Anthony Martinello
Subject: FHP Credit Facility Agreement

Hello Victor,

I'm checking-in on the status of the FHP Credit Facility Agreement. I understand there was a couple matters you needed to clear up with management before sending us your comments.

Best regards,

Will Tan| *Documentation & Analysis Specialist*
Capital Markets Division | Ontario Financing Authority
1 Dundas Street West, Suite 1400
Toronto, Ontario M5G 1Z3, CANADA
Tel. (416) 325-8090 | Fax: (416) 860-8346
william.tan@ofina.on.ca

This message, including any attachments, is intended only for the use of the individual(s) to which it is addressed and may contain information that is privileged and confidential. Any other distribution, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message including any attachments, without reading it or making a copy. Thank you

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

From:	Sarah Harris
To:	Opal Kandelas
Subject:	FW: FHP Revolving Credit Facility Agreement 2017-2022 Version v7 Revised by IESO Oct 31
Date:	Wednesday, November 01, 2017 10:40:06 AM
Attachments:	FHP Revolving Credit Facility Agreement 2017-2022 Execution Version v7 IESO Comments Oct 31.docx
Importance:	High

From: Lisa Stein
Sent: Wednesday, November 01, 2017 10:16 AM
To: Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Subject: FW: FHP Revolving Credit Facility Agreement 2017-2022 Version v7 Revised by IESO Oct 31
Importance: High

Hi Toby,

What are your thoughts on the IESO's amendment to s. 3.2(3)? I believe it reflects the discussion from our conference call yesterday.

In terms of the intercept letter, we cannot amend the opening paragraph as the OFA Lending Policy requirement is that this agreement must be in place "prior to entering into a loan agreement….".

Subject to any comments from documentation and CEFD, I am okay with the IESO's other proposed amendments.

Lisa

Lisa N. Stein
Legal Counsel
Ontario Financing Authority
416-325-2320

****
This message, including any attachments, is intended only for the use of the individual(s) to which it is addressed and contains information that is privileged/confidential. Any other distribution, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify the sender immediately by reply e-mail and permanently delete this message, including any attachments, without reading it or making a copy. Thank you.
****

From: Victor Buza [mailto:Victor.Buza@ieso.ca]
Sent: Tuesday, October 31, 2017 5:49 PM
To: Lisa Stein <Lisa.Stein@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Anthony Martinello <Anthony.Martinello@ieso.ca>
Subject: RE: FHP Revolving Credit Facility Agreement 2017-2022 Version v7 Revised by IESO Oct 31

Following our conference call this afternoon, please find attached a revised draft of the FHP Credit Facility. Main changes are to s.3.2(3) and to the Intercept provision. See also minor tweaks to the new Entire Agreement Clause (s.7.8) and to the Form of Grid Note (Schedule 3). Other than for s. 3.2(3), I accepted all of your changes so any changes you see are mine.

Anthony has not had a chance to review this so he may have comments, though I am hoping this is pretty closely in keeping with our discussions.

Regarding the Intercept Letter, could you please consider amending the opening to the third paragraph to read: "Prior to or concurrent with entering into a loan agreement with the IESO for the New Credit Facility…"

Comments on AA#10 to follow tomorrow morning.

Regards,
Victor

Victor Buza | Senior Counsel
Independent Electricity System Operator (IESO) | T: 416-969-6079

This email message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution, or copying of this email message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this email message.

From: Lisa Stein [mailto:Lisa.Stein@ofina.on.ca]
Sent: October 30, 2017 4:19 PM
To: Victor Buza
Cc: Sarah Harris; William Tan; John Kim
Subject: FHP Revolving Credit Facility Agreement 2017-2022 Version v7

Hi Victor,

Please find attached the latest black-lined version of the FHP Credit Facility Agreement. In this version, we have made some additional amendments to section 5.7 (Intercept) and section 7.8 (Entire Agreement). We have also added a new sub-section – 3.2(3) to address the IESO's repayment of a portion of the existing credit facility using the first advance. Minor amendments were also made to the Definitions section and the heading in section 4.1.

Please let us know if you have any further comments or if you would like to discuss further. If you are satisfied with this version, we will prepare an execution version and also send over AA#10 for your review.

Thank you,

Lisa

Lisa N. Stein
Legal Counsel
Ontario Financing Authority
416-325-2320

****
This message, including any attachments, is intended only for the use of the individual(s) to which it is addressed and contains information that is privileged/confidential. Any other distribution, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify the sender immediately by reply e-mail and permanently delete this message, including any attachments, without reading it or making a copy. Thank you.
****

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

as Borrower

and

ONTARIO FINANCING AUTHORITY

as Lender

REVOLVING CREDIT FACILITY AGREEMENT

Date: November~~October~~ ___, 2017

REVOLVING CREDIT FACILITY AGREEMENT

THIS AGREEMENT is made as of the ____ day of October 2017,

BETWEEN:

INDEPENDENT ELECTRICITY SYSTEM OPERATOR, a statutory corporation without share capital existing under Part II of the *Electricity Act, 1998* (the "**IESO**")
(as Borrower)

AND

ONTARIO FINANCING AUTHORITY, a Crown agency established under the *Capital Investment Plan Act, 1993* (the "**OFA**" and together with the IESO, the "**Parties**")
(as Lender)

RECITALS:

WHEREAS the IESO has requested a revolving credit facility for up to a maximum principal amount of $2 billion from the OFA for the purpose of supporting the IESO's role in the implementation and administration of the *Ontario Fair Hydro Plan Act, 2017*.

THEREFORE in consideration of the mutual agreements contained herein (the receipt and adequacy of which are acknowledged), the Parties agree as follows:

ARTICLE 1

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

Section 1.1 Definitions.

For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires, the following terms shall have the meanings assigned to them below:

"Advances" means advances made by the OFA to the IESO under Article 3 and "Advance" means any one of such advances, and in the case of an election by the IESO under Section 3.3, includes a "Continued Advance", as defined in Section 3.3(1), as applicable.

"Advances Outstanding" means, at any time, an amount equal to the aggregate principal amount of all Advances outstanding at such time.

"Agreement", "herein", "hereby", "hereor', "hereunder" and similar expressions mean and refer to this agreement and all schedules hereto and all instruments in amendment or confirmation of this agreement and such schedules and not to any particular article or section; and the expression "Article" or "Section" followed by a number means the specified Article or Section of this Agreement.

"Borrowing Notice" has the meaning specified in Section 3.2(1).

"Business Day" means any day that is not a day on which banks are generally authorized or required by law or executive order to be closed in the City of Toronto.

"**Clean Energy Adjustment"** has the same meaning as that term is defined in the OFHP.

"Commitment" means, at any time, an amount equal to $2 billion.

"Consolidated Assets" means, at any time, the book value of the assets of the IESO and the Subsidiaries, determined as of such time on a consolidated basis in accordance with GAAP.

"**Continued Advance"** has the meaning specified in Section 3.3(1).

"Credit Facility" means the revolving credit facility to be made available to the IESO by the OFA under this Agreement for the purposes specified in Section 2.2.

"**Current Repayment Date**" has the meaning specified in Section 3.3(2).

"Default" means any event which, after the giving of notice, or passage of time, or both, would be an Event of Default.

"Dollars" or **"$**" means lawful currency of Canada.

"Election Notice" has the meaning specified in Section 3.3(2).

"Event of Default" has the meaning specified in Section 5.1.

"**First Advance**" has the meaning specified in Section 3.2(3).

"GAAP" means accounting policies and standards as established by the Chartered Professional Accountants of Canada, at the relevant time and applied on a consistent basis.

"Grid Note" has the meaning specified in Section 3.2(2).

"Indebtedness" means (without duplication), with respect to any Person, whether recourse is to all or a portion of the assets of such Person and whether or not contingent:

(a) every obligation of such Person for borrowed money;

(b) every obligation of such Person evidenced by bonds, debentures, notes or other similar instruments;

(c) every reimbursement obligation of such Person with respect to letters of credit, bankers' acceptances or similar instruments;

(d) every obligation of such Person issued or assumed as the deferred purchase price of property or services (but excluding trade accounts payable or expenses accrued in the ordinary course of business which are not overdue or which are being contested in good faith);

(e) every capital lease obligation of such Person;

(f) the Swap Termination Value of each Swap Contract of such Person; and

(g) every obligation of the type referred to in paragraphs (a) through (f) of another Person and all dividends of another Person the payment of which, in each case, such Person has guaranteed or is responsible or liable for, directly or indirectly, as obligor, guarantor or otherwise.

"Lien" means any assignment, hypothec, mortgage, lien, pledge, security interest, encumbrance, title retention agreement or other agreement or arrangement to secure the performance of any obligation (including the payment of Indebtedness).

"Material Subsidiary" means, at any time, a Subsidiary which has consolidated assets with a book value of more than $25 million determined in accordance with GAAP.

"**New Repayment Date**" has the meaning specified in Section 3.3(2).

"**OFHP**" means the *Ontario Fair Hydro Plan Act, 2017*.

"Permitted Liens" means:

(a) Liens for taxes and assessments not at the time overdue or any Liens securing workmen's compensation assessments, unemployment insurance or other social security obligations not at the time overdue;

(b) any Liens or rights of distress reserved in or exercisable under any lease for rent and for compliance with the terms of such lease;

(c) any obligations or duties, affecting the property of the IESO to any municipality or governmental, statutory or public authority, with respect to any franchise, grant, license or permit and any defects in title to structures or other facilities arising solely from the

fact that such structures or facilities are constructed or installed on lands held by the IESO or such Material Subsidiary under government permits, leases or other grants, which obligations, duties and defects in the aggregate do not materially impair the use of such property, structures or facilities for the purpose for which they are held by the IESO or such Material Subsidiary;

(d) any deposits or Liens in connection with building contracts, bids or tenders, expropriation proceedings, surety or appeal bonds, costs of litigation when required by law, and public and statutory obligations, Liens or claims incidental to current construction, builders', mechanics', labourers', materialmen's, warehousemen's, carriers' and other similar Liens;

(e) the right reserved to or vested in any municipality or governmental or other public authority by any statutory provision or by the terms of any lease, license, franchise, grant or permit, that affects any lands, to terminate any such lease, license, franchise, grant or permit or to require annual or their periodic payments as a condition to the continuance thereof;

(f) any undetermined or inchoate Liens and charges incidental to the current operations of the IESO or a Material Subsidiary that have not at the time been filed against the IESO or such Material Subsidiary; provided, however, that if any such Lien or charge shall have been filed, the IESO or such Material Subsidiary shall be prosecuting an appeal or proceedings for review with respect to which it shall have secured a stay in the enforcement of any such Lien or charge;

(g) any Lien the validity of which is being contested at the time by the IESO or a Material Subsidiary in good faith and the enforcement of which has been stayed;

(h) any easements, rights-of-way and servitudes that in the opinion of the IESO will not in the aggregate materially and adversely impair the use or value of the land for the purpose for which it is held or occupied by the IESO or a Material Subsidiary;

(i) any Liens and privileges arising out of judgments or awards with respect to which the IESO or a Material Subsidiary shall be prosecuting an appeal or proceedings for review and with respect to which it shall have secured a stay of execution pending such appeal or proceedings for review;

(j) any other Liens of a nature similar to the foregoing which do not in the opinion of the IESO, acting reasonably, materially impair the use of the property subject thereto or the operation of the business of the IESO or any Material Subsidiary or the value of such property for the purpose of any such business; and

(k) any Lien arising from the IESO's role and obligations under the OFHP, including with respect to any amount received or receivable by the IESO (such as, without limitation, amounts received or receivable in respect of the Clean Energy Adjustment), or any other lien, whether arising from the action or inaction of IESO, that is created in connection with the OFHP.

"Person" means any individual, corporation, partnership joint venture, association, trust or unincorporated organization or any government or agency or political subdivision thereof.

"Purchase Money Mortgage" means any Lien on property, granted in connection with financing, assumed or given back in payment of, or created or arising by operation of law to secure, the whole or part of the purchase price of such property, or granted in connection with financing the cost in whole or in part of construction or installation of or improvements to any property, provided that such Lien is incurred or assumed at the time or within 12 months after the purchase of such property or the completion of such construction, installation or improvements, as the case may be, and includes any extension, renewal or replacement thereof on the same property if the principal amount of the Indebtedness secured thereby at the time of such extension, renewal or replacement is not increased and if such Lien is not extended to any other property.

"Repayment Date" means, in respect of the repayment of Advances, the repayment date contained in the most recent Borrowing Notice or Election Notice.

"Stated Maturity" when used with respect to any Indebtedness or any installment of interest thereon, means the date specified in or on the agreement or instrument evidencing such Indebtedness as the fixed date on which any principal amount of such Indebtedness or such installment of interest is due and payable.

"Subsidiary" means:

(a) a corporation more than 50% of the voting power or the outstanding Voting Shares of which is owned, directly or indirectly, by the IESO or by one or more other Subsidiaries or by the IESO and one or more other Subsidiaries; or

(b) any Person (other than a corporation) in which the IESO, or one or more other Subsidiaries, directly or indirectly, has at least a majority ownership and power to direct the policies, management and affairs thereof.

"Swap Contract" means any agreement whether or not in writing, relating to any transaction or derivative transaction including a rate swap, basis swap, forward rate transaction, commodity swap, commodity option, commodity future, equity or equity index swap or option, bond, note or bill option, interest rate option, forward foreign exchange transaction, cap, collar or floor transaction currency swap, cross-currency rate swap, swaption, currency option or other similar transaction (including any option to enter into any of the foregoing) or any combination of the foregoing, and, unless the context otherwise clearly requires, any master agreement relating to or governing any or all of the foregoing.

"Swap Termination Value" means, in respect of any one or more Swap Contracts entered into by a Person, after taking into account the effect of any legally enforceable netting agreement relating to such Swap contracts:

(a) for any date on or after the date such Swap Contracts have been closed out and termination value(s) for such Person have been determined in accordance therewith, such termination value(s); and

(b) for any date prior to the date referred to in paragraph (a), the net amount determined pursuant to the terms of such Swap Contracts that would be payable by such Person if such Swap Contracts were terminated as of such date.

"Voting Shares" of any Person means securities of such Person which ordinarily carry a right to vote for the election of directors (or Persons performing similar functions) of such Person.

Section 1.2 Effect of Headings.

The division of this Agreement into Articles and Sections and the insertion of headings are for convenient reference only and shall not affect the construction or interpretation hereof.

Section 1.3 Singular, Plural, Gender, Certain Phrases, etc.

Where the context permits and unless such interpretation would be inappropriate, words importing the singular only shall include the plural and vice versa and words importing gender may include any gender. In this Agreement, (a) the words "including" and "includes" mean "including (or includes) without limitation", and (b) in the computation of periods of time from a specified date to a later specified date, unless otherwise expressly stated, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding".

Section 1.4 Accounting.

Except as otherwise specifically provided herein, all accounting terms shall be applied and construed in accordance with GAAP.

Section 1.5 Non-Business Days.

Whenever any payment to be made hereunder shall be due, any period of time would end, any calculation is to be made or any other action is to be taken on or as of, a day other than a Business Day, such payment shall be made, such period of time shall end, such calculation shall be made and such other actions shall be taken, as the case may be, unless otherwise specifically provided for herein, on or as of the next succeeding Business Day.

ARTICLE 2
REVOLVING CREDIT FACILITY

Section 2.1 Availability.

The OFA agrees, on the terms and conditions of this Agreement, to make Advances to the IESO. The OFA shall make each Advance in Dollars.

Section 2.2 Use of Proceeds.

The IESO shall use the proceeds of Advances for the purposes for which it is authorized to borrow funds pursuant to Regulation 280/14 made under the *Electricity Act, 1998*, as such regulation may be amended or replaced from time to time, subject to the condition that proceeds of Advances may be used only for IESO's financing needs and requirements of any kind arising in connection with the IESO's role with respect to and obligations under the OFHP.

Section 2.3 Credit Facility Limit.

The Advances Outstanding shall not at any time exceed the Commitment. The Credit Facility shall revolve and no payment under the Credit Facility shall reduce the Commitment.

Section 2.4 Mandatory Repayment.

Subject to Sections 2.5 and 5.2, the IESO shall repay each Advance together with the interest accrued thereon on the applicable Repayment Date, and, in any event, shall repay all Advances Outstanding, together with all accrued interest and all other amounts owing hereunder on September 30, 2022.

Section 2.5 Prepayments.

The IESO is not entitled to prepay any part of the Advances Outstanding or the interest accrued thereon without the prior written consent of the OFA.

Section 2.6 Payments under this Agreement.

(1) The OFA shall make Advances to the IESO under this Agreement to or to the order of the IESO by wire transfer of immediately available funds in accordance with wire transfer instructions given by the IESO to the OFA from time to time, or in such other manner as the IESO may specify to the OFA from time to time.

(2) The IESO shall make any payment required hereunder to be made by it to the OFA, to or to the order of the OFA, by wire transfer of immediately available funds in accordance with wire transfer instruction given by the OFA to the IESO from time to time, or in such other manner as the OFA may specify to the IESO from time to time. The IESO shall make each such payment in Canadian Dollars.

Section 2.7 Computations of Interest.

(1) All computations of interest shall be made by the OFA taking into account the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest is payable on the basis of a year of 365 days or 366 days, as the case may be.

(2) For the purposes of disclosure pursuant to the *Interest Act* (Canada), the yearly rate of interest which is equivalent to a rate of interest payable under this Agreement for any period of less than a year may be determined by multiplying the rate of interest for such period by a fraction, the numerator of which is the actual number of days in a year commencing on and including the first day in such period and ending on but excluding the corresponding day in the next calendar year and the denominator of which is the actual number of days in such period.

Section 2.8 Limit on Rate of Interest.

(1) Notwithstanding any provision contained in this Agreement, the IESO shall not be obliged to make any payments of interest or other amounts payable to the OFA hereunder in excess of the amount or rate which would be prohibited by applicable law or would result in the receipt by the OFA of interest at a criminal rate (as such terms are construed under the *Criminal Code* (Canada)).

(2) In the event that any such payments are limited or prohibited as provided in Section 2.8(1), the OFA shall have no further obligation to make any Advances available hereunder and the Advances Outstanding, together with all accrued interest and all other amounts owing hereunder, shall become immediately due and payable.

Section 2.9 Application of Payments.

All payments made by the IESO under this Agreement shall be applied firstly to the payment of interest payable to the OFA on late payments of principal or interest hereunder, secondly, to the payment of accrued and unpaid interest payable to the OFA hereunder and thirdly, to the payment of the outstanding principal amount of any Advances payable to the OFA.

ARTICLE 3
ADVANCES

Section 3.1 Advances.

The OFA agrees, on the terms and conditions of this Agreement, to make Advances to the IESO under the Credit Facility from time to time on any Business Day prior to September 23, 2022.

Section 3.2 Procedure for Advances.

(1) Subject to Section 3.3(5), each Advance shall be made subject to two Business Days' prior notice given not later than 10:00 a.m. (Toronto time) by the IESO to the OFA. Each notice of an Advance (a "**Borrowing Notice**") shall be substantially in the form of Schedule 1, other than a Borrowing Notice that is included in an Election Notice as permitted by Section 3.3(3). Each Borrowing Notice shall be irrevocable and binding on the IESO and shall specify (a) the requested date of the Advance; (b) the principal amount of the Advance, and (c) the Repayment Date of the Advance which shall not be earlier than 5 days and not later than 95 days after the date of the requested Advance. Each Borrowing Notice shall also certify the use of proceeds of the Advance which shall in any case be in accordance with Section 2.2. The OFA will make the principal amount of each Advance available to the IESO in accordance with Article 2.

(2) On or before the date of the first Advance hereunder, the IESO shall execute and deliver to the OFA a grid promissory note in respect of Advances substantially in the form of Schedule 3 (the "**Grid Note**"). The IESO authorizes the OFA to record on the Grid Note (a) the date and amount of each Advance or Continued Advance; (b) the applicable rate of interest for each Advance or Continued Advance; (c) the Repayment Date of each Advance or Continued Advance; (d) the date and amount of each payment of interest and each payment of principal or portion thereof in respect of each Advance or Continued Advance; and (e) Advances Outstanding. Such notations, in the absence of manifest error, shall be *prima facie* evidence of such Advances and repayments; provided that the failure of the OFA to record any amount, rate or date shall not affect the obligation of the IESO to pay the Advances Outstanding and all interest accrued thereon and any other amounts due under this Agreement.

(3) ~~For the purposes of~~Respecting the first Advance to be made under this Agreement (the "**First Advance**"), ~~the purpose of which shall include the repayment of a~~ specified portion thereof (the "**Repayment Amount**") shall be used to repay a portion of the IESO's outstanding indebtedness to the OFA under the c~~C~~redit a~~A~~greement between the Parties dated January 1, 2005, as amended~~,~~ (the "**Existing Credit Facility**"). The amount of the Repayment Amount shall be detailed in the Borrowing Notice issued in respect of the First Advance, and ~~the IESO and the OFA agree that a specified portion of the entry of the First Advance~~ shall also be noted on the grid of the Grid Note. Concurrently with the First Advance, OFA shall provide to IESO an updated grid in respect of the grid note issued under the Existing Credit Facility evidencing the~~, as indicated in the Borrowing~~

Formatted: Font: Bold

~~Notice, shall constitute a~~ repayment ~~under the Existing Credit Facility~~of the Repayment Amount thereunder.~~.~~

Commented [LS1]: NTD: To be included the "Use of Funds" section

Formatted: Font: Times New Roman, 12 pt

Formatted: List Paragraph

Section 3.3 Elections Regarding Advances.

(1) The IESO may elect to continue all or a portion of the principal amount of any Advance and any amount of interest on such Advance (together, the "**Continued Advance**") for a further period of at least 5 days and up to a maximum of 95 days beginning on the then current Repayment Date in accordance with Section 3.3(2).

(2) Each notice to continue an Advance for a further period (an "**Election Notice**") shall be provided by the IESO to the OFA at least two Business Days prior to the Repayment Date of the Advance (the "**Current Repayment Date**"), and in each case, not later than 10:00 a.m. (Toronto time). Each such Election Notice shall be given substantially in the form of Schedule 2 and shall be irrevocable and binding upon the IESO and shall specify: (a) the Current Repayment Date; (b) the new aggregate total amount of the proposed Continued Advance; (c) the amount of interest or principal, if any, to be paid or re-paid by the IESO with respect to such Advance on the Current Repayment Date; and (d) the new Repayment Date of the proposed Continued Advance, which shall be no earlier than 5 days and not later than 95 days after the current Repayment Date (the "**New Repayment Date"**). If the IESO fails to deliver an Election Notice to the OFA for any Advance as provided herein, such Advance shall be repayable on the applicable Repayment Date.

(3) An Election Notice with respect to a proposed Continued Advance may include a Borrowing Notice for a further Advance proposed to be made on the Current Repayment Date. The Repayment Date of such further Advance shall be the New Repayment Date of the Continued Advance that is specified in the Election Notice. Such Borrowing Notice shall be given substantially in the form of Schedule 2.

(4) The calculation of interest on a Continued Advance shall be determined in the same manner as an Advance under Section 3.4 and shall be recorded on the Grid Note in accordance with Section 3.2(2).

(5) Any portion of an Advance not continued for a further period in accordance with Section 3.3(2) shall be repayable on the applicable Repayment Date.

(6) The Credit Facility shall at all times rank *pari passu* with all other unsubordinated and unsecured Indebtedness of the IESO, subject to the existence of any Liens that secure Indebtedness, as permitted by subections 4.6 (a) through (e) hereof.

(7) All amounts owing in respect of the Advances shall be paid without exercising any right of set off or counterclaim by the IESO.

Section 3.4 Interest on Advances.

(1) The IESO shall pay interest on the unpaid principal amount of each Advance in accordance with this Section 3.4 from and including the date of such Advance until the principal amount of such Advance is repaid in full.

(2) Interest shall accrue on the principal amount of each Advance from and including the date of the Advance to but excluding the Repayment Date of such Advance, at an annual rate equal to the Province of Ontario's cost of funds for borrowings with a similar term as determined by the OFA plus 0.25 percent per annum, before as well as after the date such principal amount or interest thereon becomes due hereunder and both before and after Default and shall be payable on the Repayment Date for such Advance. Any amount of interest arising hereunder which is not paid when due shall bear interest at the same rate compounded monthly at which it accrued from the due date for payment until the date of actual payment. The amount of interest payable on an Advance will be calculated by the OFA by dividing the interest rate applicable to the Advance by 365 or 366, as the case may be, and multiplying the result by the principal amount of the Advance and further multiplying the result by the number of days in the period from the date of the Advance to the Repayment Date of the Advance.

(3) If the IESO elects to continue an Advance in accordance with Section 3.3(2), the OFA shall determine the interest rate applicable after the original Repayment Date of the Advance and endorse the said rate on the grid forming part of the Grid Note in respect of Advances held by it.

Section 3.5 Conditions Precedent

The obligation of the OFA to make the Advances to the IESO pursuant to Section 2.1 is subject to the following conditions being satisfied to the OFA's satisfaction at the time of making each Advance:

(a) that the representations and warranties of the IESO contained in this Agreement are true and correct as at the date of making the Advance;

(b) that no Event of Default has occurred and is continuing;

(c) that there shall, in the reasonable opinion of the OFA, have been no material adverse change in the financial condition of the IESO or a Material Subsidiary; and

(d) that the OFA has received such other documentation which it has reasonably requested to ensure that the IESO is in compliance with the terms and conditions of this Agreement, including certified true copies of any necessary resolutions, a written legal opinion from counsel to the IESO confirming that the borrowing is within the legal powers of the IESO and that the Agreement is a direct, unsecured obligation of the IESO enforceable against the IESO in form satisfactory to the OFA.

ARTICLE 4

COVENANTS OF THE IESO

Section 4.1 Repayment of Advances.

The IESO will duly and punctually pay all amounts owing under this Agreement in accordance with the terms and subject to the conditions of this Agreement.

Section 4.2 IESO will Maintain its Corporate Existence.

The IESO will at all times maintain its corporate existence.

Section 4.3 Maintenance of Properties.

The IESO will cause all property owned by the IESO or any Material Subsidiary to be maintained and kept in good condition, repair and working order, all as in the judgment of the IESO or any Material Subsidiary may be necessary for the proper operation of such property, except as and to the extent that the IESO or any Material Subsidiary may be prevented from doing so by fire, strikes, lockouts, walkouts, labour unrest, acts of God, inability to obtain labour or materials, enemy action, governmental restrictions, civil commotion, or unavoidable casualty or similar causes; provided, however, that nothing in this Section 4.3 shall prevent the IESO or any Material Subsidiary from discontinuing the maintenance of any such property or decommissioning any such property if such discontinuance or decommissioning is, in the judgment of the IESO or any such Material Subsidiary, desirable in the conduct of its business or the business of any such Material Subsidiary, or has been directly or indirectly requested or required by the Province of Ontario.

Section 4.4 Insurance.

The IESO will cause all property owned by the IESO or any Material Subsidiary which is of a character usually insured by companies operating similar businesses to be insured and kept insured with reputable insurers (which may include associations or other organizations for mutual or reciprocal insurance) against loss or damage by fire or other hazards or risks of the mature and to the extent that such property is usually insured by companies operating similar businesses.

Section 4.5 Conduct of Business.

The IESO will, and will cause the Subsidiaries to, carry on and conduct their respective businesses in accordance with good business practice.

Section 4.6 Negative Pledge.

The IESO will not, and will not permit any Material Subsidiary to, create, incur or assume any Lien, charging the interest of the IESO or any Material Subsidiary in any property, to secure any obligations (including any Indebtedness) unless, at or prior to the time such Lien is created, incurred or assumed, all amounts owing under this Agreement are secured equally and rateably with any and all such obligations secured or to be secured by such Lien, for so long as such obligations shall be secured, provided, however, that the foregoing covenant shall not prevent, restrict or apply to any of the following:

(a) the creation, incurrence or assumption of any Purchase Money Mortgage;

(b) the grant of any Lien in the normal course of business to any banks or financial institutions for present or future Indebtedness of the IESO or any Material Subsidiary to such banks or financial institutions payable on demand or having an original term to maturity less than 18 months;

(c) Permitted Liens;

(d) any extension, renewal or replacement of any of the Liens referred to in Sections 4.6(a), (b) or (c), provided that the principal amount secured by any such Lien outstanding immediately before such extension, renewal or replacement or refunding is not thereby increased; and

(e) any Lien charging the interest of the IESO or any Material Subsidiary in any property to secure any Indebtedness, other than any Lien referred to in Sections 4.6(a), (b) or (c), provided that, at the time such Lien is created, incurred or assumed, the principal amount of such Indebtedness, together with the aggregate principal amount of all other Indebtedness secured by Liens permitted pursuant to this Section 4.6(e) which is outstanding at such time does not exceed 10% of Consolidated Assets at such time.

Section 4.7 Payment of OFA Expenses

In addition to any liability of the IESO to the OFA under any other provision of this Agreement, the IESO will, on demand, reimburse and indemnify OFA for all reasonable costs, charges and expenses, including reasonable fees and disbursements of its agents and counsel, incurred by OFA in connection with the Agreement (including those services incurred in the preservation of rights under or enforcement of this Agreement at any time during the continuance of a Default or Event of Default and for any reasonable loss or expense incurred by OFA as a result of any failure by the IESO to fulfill any of its obligations under this Agreement). All such costs, charges and expenses shall bear interest at the Province of Ontario's cost of funds plus 0.25 percent per annum (as determined by the OFA) calculated and payable monthly not in advance from in each case from the date on which the OFA incurs the cost, charge or expense until the date on which the IESO reimbursement the OFA therefor. The OFA agrees, acting reasonably, to invoice the IESO for any such costs, charges and expense as they are incurred, together with interest at the aforesaid rate (with interest on overdue interest).

Section 4.8 Reporting.

The IESO will promptly provide to the OFA any reports or supporting documents that the OFA may request from time to time.

Section 4.9 Late Repayment of Advance.

In the event that the IESO fails to repay the principal amount of any Advance and all interest accrued thereon when due, the IESO shall pay interest on the unpaid amount of such Advance at the same rate compounded monthly at which it accrued from the due date for payment until the date of actual payment.

ARTICLE 5
EVENTS OF DEFAULT AND REMEDIES

Section 5.1 Event of Default.

Wherever used in this Agreement, the term "Event of Default" means any of the following:

(a) the IESO's failure to pay any interest upon any Advance when it becomes due and payable, if such failure continues for a period of 3 Business Days;

(b) failure to pay the principal amount of any Advance on the applicable Repayment Date or the Advances Outstanding, all interest accrued thereon and all other amounts owing under this Agreement on September 30, 2022;

(c) failure on the part of the IESO to observe or perform its obligations set forth in Section 4.1;

(d) failure on the part of the IESO to observe or perform any of the other covenants or agreements on its part contained in this Agreement for a period of 20 days after the date on which written notice of such failure shall have been given to the IESO by the OFA;

(e) any representation or warranty made by the IESO in this Agreement or in any certificate or other document at any time delivered hereunder to the OFA was incorrect or misleading in any material respect;

(f) one or more breaches by the IESO of its covenants under one or more evidences of Indebtedness or instruments governing or securing the same with a principal amount then outstanding, individually or in the aggregate, of at least $5 million, which breaches:

(i) constitute a failure to pay such Indebtedness when due and payable at its final Stated Maturity, continue after any applicable grace period and have not been cured or waived or ceased to exist, or

(ii) have resulted in such Indebtedness becoming or being declared due and payable prior to its final Stated Maturity (and which acceleration or declaration has not been waived or rescinded);

(g) the IESO or any Material Subsidiary:

(i) becomes unable to meet its obligations as they generally become due or has ceased paying its current obligations in the ordinary course of business as they generally become due;

(ii) admits in writing its inability to pay its debts generally or makes a general assignment for the benefit its creditors or files a proposal or other scheme of arrangement involving the rescheduling or composition of its Indebtedness;

(iii) institutes or has instituted against it any proceeding seeking:

(A) to adjudicate it as bankrupt or insolvent,

(B) liquidation, winding-up or reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency, reorganization or relief of debtors including any plan of compromise or arrangement or other corporate proceeding involving or affecting its creditors, or

(C) the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its assets,

and in the case of any such proceeding instituted against it (but not instituted by it), either the proceeding remains undismissed or unstayed for a period of 30 days, or any remedy sought in any such proceeding (including the entry of order for relief against it or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its properties and assets) occurs; or

(iv) takes any corporate action to authorize any of the actions in Sections 5.l (g)(i) to (iii); or

(h) if there shall be rendered against the IESO or any Material Subsidiary a final judgment or judgments for the payment of money in an aggregate amount in excess of $5 million by a court or courts of competent jurisdiction, and the IESO or any Material Subsidiary shall have failed to satisfy such judgments or to appeal therefrom (or from the order, decree or process pursuant to which such judgments were granted, passed, entered or affirmed) and to obtain a stay of execution thereof within the period prescribed by law for appeals, and to have such judgments discharged within 30 days after the expiration of such period or the period of any such stay, whichever shall later expire.

Section 5.2 Acceleration of Maturity; Rescission and Annulment.

If an Event of Default occurs and is continuing, then and in every such case the OFA may at its option, in addition to any other remedy available to the OFA at law, by written notice to the IESO, take any or all of the following actions:

(a) suspend the right of the IESO to request any further Advance until the Event of Default has been cured to the OFA's satisfaction or, if the Event of Default is not cured within three (3) Business Days after the date on which written notice of such Event of Default shall have been given to the IESO by the OFA, declare all amounts owing hereunder including all interest accrued to be due and payable immediately, by a notice in writing to the IESO, and upon any such declaration all such amounts shall become immediately due and payable.

(b) invoke the Intercept pursuant to section 5.7 of this Agreement to require payment of any amount due and payable under this Agreement.

Section 5.3 Suits for Enforcement by the OFA.

If an Event of Default occurs and is continuing, the OFA may proceed to protect and enforce the rights vested in it by this Agreement either by suit in equity or by action at law or by proceedings in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in this Agreement or in aid of the exercise of any power granted in this Agreement, or to enforce any other legal or equitable right vested in the OFA by this Agreement or by law.

Section 5.4 OFA May File Proof of Claim.

If proceedings for the receivership, insolvency, liquidation, bankruptcy, winding-up, reorganization, arrangement or composition of the IESO under any applicable law are pending, or if a receiver, trustee, custodian or other similar official shall have been appointed for the property of the IESO, or if any other judicial proceedings relative to the IESO, its creditors or its property are pending, the OFA shall be entitled and empowered, by intention in such proceeding or otherwise:

(a) to file and prove a claim for all amounts owing under this Agreement and to file such other papers or documents as may be necessary or advisable in order to have the claims of the OFA (including any claim for fees and disbursements of the OFA, its agents and counsel) allowed in such judicial proceeding; and

(b) to collect and receive any monies or other property payable or deliverable on any such claim.

Section 5.5 Rights and Remedies Cumulative.

No right or remedy herein conferred upon or reserved to the OFA is intended to be exclusive of any other such right or remedy, and every such right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 5.6 Delay or Omission not Waiver.

No delay or omission of the OFA to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right or remedy given by this Article 5 or by law to OFA may be exercised from time to time, and as often as may be deemed expedient, by the OFA.

Section 5.7 Intercept

(a) The IESO hereby acknowledges that, in accordance with the terms of the letter agreement of even date herewith entered between the Ministry of Energy, the IESO and the OFA made pursuant to Section 23 of the *Capital Investment Plan Act, 1993* (the "**Intercept Letter**"), the Minister of Finance is entitled to deduct only from those monies appropriated by the Legislature for payment through the Ministry of Energy to the IESO ("**Appropriated Funds**"), amounts equal to any amounts that the IESO fails to pay to the OFA on account of indebtedness under this Agreement. On the occurrence of an Event of Default relating to a failure by IESO to pay when due any amounts owing hereunder, subject to the OFA's compliance with any relevant provisions hereof and as set out in the Intercept Letter, the Minister of Finance is irrevocably authorized to deduct from the Appropriated Funds amounts equal to any amounts that the IESO has failed to pay to the OFA in accordance with the provisions of this Agreement and to pay such amounts directly to the OFA ("**Intercept**").

(b) If, after following the process specified in the Intercept Letter (including, without limitation, allowing for a reasonable cure period on the terms specified therein), the OFA determines that it is necessary to request the Minister of Finance to exercise the Intercept, the OFA will give written notice to the Minister of Finance, with a copy to the Ministry of Energy, detailing the IESO's failure to pay when due any amounts owing hereunder

Commented [LS2]: Once confirmed, will track language in AA#10 as well.

Formatted: Line spacing: single

Commented [LS3]: Assumes letter signed on same date as agreement

and requesting the deduction from the Appropriated Funds of amounts equal to the amounts that the IESO has failed to pay to the OFA under this Agreement.

(c) The IESO agrees that any notice from the OFA to the Minister of Finance in relation to this section 5.7 (Intercept) may be relied upon by the Minister of Finance without further inquiry or verification by the Minister of Finance and, upon receipt of such notice, an amount equal to the amount that the IESO has failed to pay when due to the OFA on account of indebtedness under this Agreement shall be deducted from the Appropriated Funds and paid to the OFA.

~~(c)~~(d) For further certainty, the OFA acknowledges and agrees that the Intercept as provided for herein and in the Intercept Letter shall not apply with respect to any funds appropriated by the Legislature for payment to the IESO through ministries other than ENERGY or through Ontario Climate Change Solutions Deployment Corporation.

~~(d)~~(e) The parties agree that, with respect to the exercise of the Intercept generally, the terms of this section 5.7 shall be applied consistently with the terms set out in the Intercept Letter which shall apply in full. Notwithstanding the foregoing, in the event of a conflict or inconsistency between the terms and conditions of the Intercept Letter and the terms and conditions contained in this Agreement, the terms and conditions contained in this Agreement shall prevail.

Formatted: Indent: Left: 0.5", No bullets or numbering

Formatted: Font: Times New Roman, 12 pt

ARTICLE 6
REPRESENTATIONS AND WARRANTIES OF IESO

Section 6.1 Representations and Warranties of IESO

The IESO represents and warrants to the OFA that:

(a) the borrowing of money (including principal and accrued interest) by the IESO and the execution, delivery and performance of this Agreement are within the powers and capacities of the IESO and have been duly authorized by all necessary legal action and proper proceedings;

(b) the execution and delivery of this Agreement, the consummation of the transactions contemplated by this Agreement and the compliance with the terms and conditions of this Agreement will not conflict with or result in a breach of any of the terms or provisions of the constituting documents or by-laws of the IESO, laws of Ontario, including laws of Canada applicable therein, applicable to the IESO or any contractual or other obligation binding on the IESO;

(c) this Agreement will, when executed and delivered, constitute the legal, valid and binding obligation of the IESO enforceable against it in accordance with its terms; and

(d) the monies advanced under this Agreement shall be used only by the IESO for the purposes set out in Section 2.2.

Section 6.2 Continuation of Representation and Warranties

The representations and warranties set out in Section 6.1 herein shall survive the execution and delivery of this Agreement, the making of each Advance by the OFA, notwithstanding any investigations or examinations which may be made by counsel for the OFA.

ARTICLE 7
GENERAL

Section 7.1 Notices.

Any notice, direction or other communication to be given under this Agreement shall be in writing and given by personally delivering it or sending it by telecopy or other means of electronic communication addressed:

If to the IESO, to it at:

Independent Electricity System Operator
120 Adelaide Street West, Suite 1600
Toronto, ON M5H 1T1

Attention: Chief Financial Officer
Telephone: (416)969-6232
Facsimile: (905)403-6913

If to the OFA, to it at:

Ontario Financing Authority 1 Dundas Street West
Suite 1400 Toronto, Ontario M7A 1Y7

Attention: Executive Director & Chief Investment Officer – Capital Markets Division
Telephone: (416)325-8930
Facsimile: (416)860-8346

provided that any Borrowing Notice or Election Notice shall be addressed as indicated on Schedule 1 or Schedule 2 respectively.

Any communication hereunder shall be deemed to have been validly and effectively given if (a) personally delivered, on the date of such delivery if such date is a Business Day and such delivery was made prior to 4:00 p.m. (Toronto time), otherwise on the next Business Day, (b) transmitted by facsimile or other means of electronic communication, on the Business Day following the date of transmission provided that, on the date of transmission, the addressee of such communication was notified by telephone of such transmission. Any party may from time to time change its address for communications hereunder by notice give in accordance with this Section 7.1 and until changed by like notice, such changed address shall be such party's address for purposes of this Section 7.1.

Section 7.2 Successors and Assigns.

This Agreement shall be binding on and enure to the benefit of the OFA and the IESO and their respective successors and permitted assigns, except that the IESO shall not, without the prior written consent of the OFA assign, pledge or hypothecate any rights or obligations with respect to this Agreement.

Section 7.3 Amendments.

This Agreement may only be amended or otherwise modified by written agreement executed by each of the Parties.

Section 7.4 Waiver.

(1) No waiver of any provisions of this Agreement shall be deemed to constitute a waiver of any other provision (whether or not similar) of this Agreement nor shall such waiver be binding unless executed in writing by the party to be bound by the waiver.

(2) No failure on the part of a party to exercise, and no delay in exercising, any right under this Agreement shall operate as a waiver of such right and any single or partial exercise of such right shall not preclude another or further exercise of such right or the exercise of any other right.

Section 7.5 Further Assurances.

Each of the IESO and the OFA shall, from time to time, do all such acts and things and execute and deliver all such instruments as may be reasonably required to give effect to, and carry out the terms of, this Agreement

Section 7.6 Severability.

In case any provision in this Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions in this Agreement shall not in any way be affected or impaired thereby.

Section 7.7 Governing Law.

This Agreement shall be construed in accordance with and governed by the laws of the Province of Ontario and the laws of Canada applicable therein.

Section 7.8 Entire Agreement.

Commented [LS4]: Okay; tracked language in AA#10

This Agreement, including the schedules hereto and any other agreements expressly referred to herein, constitutes the whole agreement between the Parties with respect to the

matters dealt with in it, and it supersedes any prior agreement, undertakings, discussions and the like respecting the matters dealt with in this Agreement and entered into by the Parties before the date the OFA signs this Agreement.

Section 7.9 Counterparts.

This Agreement may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same Agreement.

IN WITNESS WHEREOF the Parties have executed this Agreement as of the date first written above.

ONTARIO FINANCING AUTHORITY

Per: _____

Name: Michael D. Manning
Title: Executive Director & Chief Investment Officer, Capital Markets Division

I have authority to bind the corporation.

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

Per: _____

Name: Kimberly Marshall
Title: Vice President, Corporate Services; Chief Financial Officer; Treasurer

I have authority to bind the corporation.

SCHEDULE 1

FORM OF BORROWING NOTICE

Delivered Via Email: CASHP@ofina.on.ca

Ontario Financing Authority ("OFA")
1 Dundas Street West, Suite 1400
Toronto, Ontario
M7A 1Y7

Date: [insert date]

Attention: Cash Management

Dear Sirs:

The undersigned, the Independent Electricity System Operator ("IESO"), refers to the Revolving Credit Facility Agreement between the IESO and the OFA dated October (·), 2017 (as amended, supplemented or restated from time to time, the "Agreement", the terms defined therein being used herein as therein defined), and gives you notice pursuant to Section 3.2 of the Agreement that the IESO requests an Advance under the Agreement, and, in connection with such request, sets forth below the information relating to such Advance (the "Proposed Advance"), as required by Section 3.2(1) of the Agreement:

(a) The date of the Proposed Advance, being a Business Day is _____;
(b) The principal amount of the Proposed Advance is $_____;
(c) The Repayment Date of the Proposed Advance is _____. [Not earlier than 5 days and not later than 95 days after the date of the Proposed Advance.]

Such request of the Proposed Advance shall be confirmed by the IESO by a telephone call to OFA Cash Management at 416-325-8108.

Use of Funds

The IESO hereby certifies that the funds comprising the Proposed Advance requested pursuant to this Notice will be used for the following purpose(s): [specify purpose(s) and any sub-categories of borrowing purposes, as applicable]

The IESO hereby certifies that:

The representations and warranties of the IESO contained in the Agreement are true and correct as at the date hereof.

No Event of Default has occurred or is continuing and no event or condition has occurred, which, with the lapse of time or the giving of notice or both would constitute an Event of Default.

The IESO has complied or is complying with all terms, covenants and conditions contained in the Agreement.

Any and all funds received under the Agreement will be expended or held solely for the purpose for which they are authorized to be used under the Agreement; no part of the funds to be received pursuant to this Notice shall be used for any other purpose.

Yours truly,

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

Per: _____

Name:

Authorized Signatory

SCHEDULE 2

FORM OF ELECTION NOTICE

Delivered Via Email: CASHP@ofina.on.ca

Ontario Financing Authority ("OFA")
1 Dundas Street West, Suite 1400
Toronto, Ontario
M7A 1Y7

Date: [insert date]

Attention: Cash Management

Dear Sirs:

I. ELECTION NOTICE

The undersigned, the Independent Electricity System Operator ("IESO"), refers to the Revolving Credit Facility Agreement between the IESO and the OFA dated October (·), 2017 (as amended, supplemented or restated from time to time, the "Agreement", the terms defined therein being used herein as therein defined), and gives you notice pursuant to Section 3.3 of the Agreement that the IESO elects to continue for an additional term all or a portion of an Advance or a Continued Advance, as the case may be, and in connection with such election sets forth below the information relating to such election as required by Section 3.3(2) of the Agreement:

(a) The date of the proposed election, being a Business Day (being the Current Repayment Date) is _____.

(b) The aggregate amount of the proposed Continued Advance is $_____, which is comprised of:
   i. principal amount (or portion thereof) of Advance which is to be continued $_____; and
   ii. accrued interest on Advance which will not be paid on or before the Current Repayment Date $_____;

(c) The IESO will pay on the Current Repayment Date the following amount with respect to the Advance (if any): $ _____

(d) The New Repayment Date, being a Business Day, applicable to such proposed Continued Advance is _____. [Insert date not earlier than 5 days and not later than 95 days after the current Repayment Date for the Advance.]

Such election shall be confirmed by the IESO by a telephone call to OFA Cash Management at 416-325-8108.

II. BORROWING NOTICE [to be included if applicable]

The IESO gives you notice pursuant to Section 3.3(3) of the Agreement that the IESO requests a further Advance under the Agreement on the Current Repayment Date, with a Repayment Date of the New Repayment Date as specified above, and in connection with such request, sets forth below the information relating to such Advance (the "Proposed Advance"):

Amount of the Proposed Advance: $_____
The total aggregate amount of the proposed Continued Advance and Proposed Advance pursuant to this Notice is: $_____

Such request of the Proposed Advance shall be confirmed by the IESO by a telephone call to OFA Cash Management at 416-325-8108.

Use of Funds

The IESO hereby certifies that the funds comprising the Proposed Advance requested pursuant to this Notice, if any, will be used for the following purpose(s): [specify purpose(s) and any sub-categories of borrowing purposes, as applicable]

The IESO hereby certifies that:

The representations and warranties of the IESO contained in the Agreement are true and correct as at the date hereof.

No Event of Default has occurred or is continuing and no event or condition has occurred, which, with the lapse of time or the giving of notice or both would constitute an Event of Default.

The IESO has complied or is complying with all terms, covenants and conditions contained in the Agreement.

Any and all funds received under the Agreement are being used solely as authorized under the Agreement and are not being used for any other purpose.

Yours truly,

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

Per: _____
Name:

Authorized Signatory

SCHEDULE 3 – FORM OF GRID NOTE

INDEPENDENT ELECTRICITY SYSTEM OPERATOR GRID NOTE

Principal Amount: Up to $2,000,000,000 Date:

FOR VALUE RECEIVED, INDEPENDENT ELECTRICITY SYSTEM OPERATOR (the "**IESO**"), incorporated under the laws of the Province of Ontario and having its principal office and place of business at Toronto, Ontario, **PROMISES TO PAY** to or to the order of **ONTARIO FINANCING AUTHORITY** ("**OFA**") at its offices at Toronto, Ontario or at such other place as the OFA may designate, the principal amount of each and all Advances made by the OFA to the IESO, all as recorded by the OFA on the grid attached to and forming part of this Grid Note, in lawful money of Canada, with interest on each Advance at the rate, calculated in the manner and payable at the times specified in the Revolving Credit Facility Agreement (as defined below).

OFA shall and is unconditionally and absolutely authorized and directed by the IESO to record on the Grid Note (i) the date and amount of each Advance, including any Advance all or a portion of which is continued by election under Section 3.3; (ii) the applicable rate of interest for each Advance; (iii) the repayment date of each Advance; (iv) the date and amount of each payment of interest and each payment of principal in respect of each Advance; and (v) the outstanding principal amount of the Grid Note. Such notations, in the absence of manifest error, shall be *prima facie* evidence of such advances and repayments; provided that the failure of the OFA to record the same shall not affect the obligations of the Borrower to pay such amounts to the OFA.

The outstanding principal amount of each Advance under this Grid Note together with all interest accrued thereon shall become due and payable as specified in the Revolving Credit Facility Agreement dated **[INSERT DATE]**~~October (·), 2017~~ as amended, supplemented or restated from time to time, between the Borrower and the OFA (the "Agreement"). All capitalized terms used herein and not otherwise defined herein shall have the meanings given to such terms in the Agreement.

Formatted: Font: Bold

Formatted: Font: Bold

This Grid Note is issued pursuant to, and is subject to and payable in accordance with the provisions of, the Agreement.

This Grid Note is not transferable or negotiable without the prior written consent of the IESO.

The IESO waives presentment for payment and notice of non-payment.

This Grid Note shall be governed by and interpreted and enforced in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

IN WITNESS WHEREOF the IESO has executed this Grid Note.

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

Per: _____

Name:
Authorized Signatory

Revolving Credit Facility Grid Note

Ontario Financing Authority
Line of Credit Grid Note

Entity : Independent Electricity System Operator
Loan Limit:

Project:
Schedule of loan transactions to:
Loan Advanced to:

New Loan and/or Rollover						Actual Repayment				
New Loan or Rollover Date	Principal Advanced or Rollover Amount	Interest Rate	Repayment Date	Total No. Of Days	Interest Amount	Actual Repayment	Principal	Interest	Actual Repayment Date	Actual No. Of Days

From: Sarah Harris
To: Opal Kandelas
Subject: FW: FHP Status Update
Date: Friday, October 13, 2017 5:22:47 PM

FYI

From: William Tan
Sent: Friday, October 13, 2017 5:19 PM
To: Carlos Yep <Carlos.Yep@ofina.on.ca>; Risa Thau <Risa.Thau@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Alfonso Soriano <Alfonso.Soriano@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: FHP Status Update

Hello All,

This is to provide a status update for the existing $975 million OFA IESO Credit Facility (to be reduced to $475 million) and new $2 Billion FHP Credit Facility agreements. The agreements will be executed immediately after certain approvals have been made.

Currently, FHP related advances are being drawn on the existing $975 million OFA IESO Credit Facility. Once the agreements are in place, the intention is to have IESO draw primarily from the new $2 Billion FHP Credit Facility and reduce the existing $975 million OFA IESO Credit Facility down to the $475 million.

According to IESO the next draw will occur on October 20, for $840 million (outstanding loan + new advance).

The amount for the subsequent draw on November 21, is currently unknown but is expected to exceed the existing $975 million OFA IESO Credit Facility limit.

Assuming the $2 Billion FHP Credit Facility agreement is signed before November 21, we are considering two options for the November 21 advances:

(1) IESO will submit a borrowing notice for the November draw to be drawn entirely from the $2 Billion FHP Credit Facility.

Or

(2) IESO will submit a borrowing notice to draw a portion from the $2 Billion FHP Credit Facility in combination with an election notice to draw a portion of the remaining outstanding amount to allow for the existing OFA IESO Credit Facility to be reduced to a level below $475 million.

I will be consulting with IESO to determine which of these options will be chosen and will advise as to the option selected. I understand these facilities will need to be updated in OLMS. I am providing this information to all parties so that they may determine what arrangements are necessary in this regard.

Thanks,

Best regards,

Will Tan| *Documentation & Analysis Specialist*
Capital Markets Division | Ontario Financing Authority
1 Dundas Street West, Suite 1400
Toronto, Ontario M5G 1Z3, CANADA
Tel. (416) 325-8090 | Fax: (416) 860-8346
william.tan@ofina.on.ca

This message, including any attachments, is intended only for the use of the individual(s) to which it is addressed and may contain information that is privileged and confidential. Any other distribution, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message including any attachments, without reading it or making a copy. Thank you

From: Sarah Harris
To: Opal Kandelas
Subject: FW: FHP and Amending Agreement No. 10 - Order of Events
Date: Monday, October 30, 2017 9:29:20 AM

Hi Opal,

For our discussion…

Sarah

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Monday, October 30, 2017 9:09 AM
To: William Tan <William.Tan@ofina.on.ca>; Victor Buza <Victor.Buza@ieso.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: FHP and Amending Agreement No. 10 - Order of Events

Why not sign all docs on the same day this week including:
-intercept letter
-$2B facility
-the $975M non-rollover notice (this would confirm that in mid-Nov IESO will not rollover the $825M (the RRRP will continue to rollover with this facility) due on Nov 21)
-issue a rollover notice for $2B facility to say the $825M is being rolled over – note that I will need to borrow another approx. $225M too
-the AA # 10

This way all is in place by this week's end. Let me know or call me to discuss 905-403-6944.

From: William Tan [mailto:William.Tan@ofina.on.ca]
Sent: October 27, 2017 5:05 PM
To: Anthony Martinello; Victor Buza
Cc: Sarah Harris; Lisa Stein
Subject: FHP and Amending Agreement No. 10 - Order of Events

Hello Anthony and Victor,

Pending the execution of the intercept letter agreement next week, we can certainly target executing the FHP credit facility at that same time, however, we propose holding off the execution of the amending agreement until November 22nd .

Currently there is $840M outstanding under the existing credit facility agreement; we cannot reduce the limit of the $975M to $475M while the $840M is still outstanding. As per our discussion with Anthony, we understand that it is IESO's intention that the next draw for the whole balance of $840M (plus any new advancement) will be entirely funded through the new FHP facility (i.e. that is move all funding for next draw on November 21st from the existing $975 million Credit Facility to

the $2 Billion FHP Credit Facility).

-

In order to achieve this with least disruption we propose:

- Sign the FHP Credit Facility agreement first next week (assuming intercept letter will be signed prior to or at the same time).
- For next advance, Prior to November 21st funding date, IESO sends to the OFA the FHP Borrowing Notice under the new Facility specifying the amount of the next advance ($840 million + new advance).
- Allow the $840 million outstanding under the existing $975 million Credit Facility to mature on November 21st and OFA will fund the November 21st advance (whereby OFA will send any net difference of funds above the $840M to IESO) under the new Facility.
- Arrange to execute Amending Agreement No. 10, on November 22 to reduce the existing credit facility on $475M.

Please provide your thoughts if this is suitable.

Best regards,

Will Tan| *Documentation & Analysis Specialist*
Capital Markets Division | Ontario Financing Authority
1 Dundas Street West, Suite 1400
Toronto, Ontario M5G 1Z3, CANADA
Tel. (416) 325-8090 | Fax: (416) 860-8346
william.tan@ofina.on.ca

This message, including any attachments, is intended only for the use of the individual(s) to which it is addressed and may contain information that is privileged and confidential. Any other distribution, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message including any attachments, without reading it or making a copy. Thank you

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

From: Sarah Harris
To: Malle Hanslep (MOF)
Cc: Tobias P. Whitfield (MOF); Opal Kandelas; Mike Manning; Dean Hwang
Subject: FW: Fair Hydro -- Form of ISDA Schedule
Date: Wednesday, October 25, 2017 2:31:55 PM

Hi Malle,

When you're available to discuss, please let me know. If it is possible for you to share the draft schedule in advance, that would be helpful.

Thanks,
Sarah

From: Mike Manning
Sent: Tuesday, October 24, 2017 6:49 PM
To: Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>
Cc: Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: Re: Fair Hydro -- Form of ISDA Schedule

I think that is a good idea. We may need all hands on deck.
Thanks, Mike

Sent from my iPhone

On Oct 24, 2017, at 5:36 PM, Hanslep, Malle (MOF) <Malle.Hanslep@ontario.ca> wrote:

> Hi Mike
>
> Although we are not really going to give much input to the terms of the, various agreements etc I am wondering whether it makes sense to have the documentation group involved in this project. I know that Opal came to one of the early meetings as there are going to be quite a few agreements to review.
>
> Perhaps we can discuss this tomorrow?
>
> Thanks
> Sent from my BlackBerry 10 smartphone on the Rogers network.
> From: Mansoori, Nina <nmansoori@torys.com>
> Sent: Tuesday, October 24, 2017 17:21
> To: Thouin, Alena (ENERGY); Hanslep, Malle (MOF); Whitfield, Tobias P. (MOF); McKinlay, Tom (MAG); STEPHEN.ASHBOURNE@blakes.com
> Cc: Feldman, Michael; Ramchandani, Rima; Olusoga, Yinka; Saulnier, Brett; Mansoori, Nina
> Subject: RE: Fair Hydro -- Form of ISDA Schedule

All,

We attach a draft Schedule for an ISDA Master Agreement to be used for hedging purposes in connection with the issuance of Fair Hydro debt. This draft is subject to the working group's review and comment.

Best Regards,
Nina

Nina Mansoori
P. 416.865.7332 | F. 416.865.7380 | 1.800.505.8679
79 Wellington St. W., 30th Floor, Box 270, TD South Tower
Toronto, Ontario M5K 1N2 Canada |
www.torys.com<https://urldefense.proofpoint.com/v2/url?u=http-3A__www.torys.com&d=DwIF-g&c=qG_YucLTZOaBAapRaQkKEgrMWFFI0Cr1_eykjn9FtiQ&r=gV-xgZHI0tggSwOPXBdMOr4DyITzOyaIKJLqH9Oy-40&m=1VTa1zXh4KcvkaKlO9-ARX4ZdAPchHFOUlZrzzbEKu8&s=WV1r2al3I6I7hp4_ENGNsOCi-ONgrumWNDvMZJ5snis&e= >
[Torys LLP]<https://urldefense.proofpoint.com/v2/url?u=http-3A__www.torys.com&d=DwIF-g&c=qG_YucLTZOaBAapRaQkKEgrMWFFI0Cr1_eykjn9FtiQ&r=gV-xgZHI0tggSwOPXBdMOr4DyITzOyaIKJLqH9Oy-40&m=1VTa1zXh4KcvkaKlO9-ARX4ZdAPchHFOUlZrzzbEKu8&s=WV1r2al3I6I7hp4_ENGNsOCi-ONgrumWNDvMZJ5snis&e= >

This email and any attachments are for the sole use of the intended recipients and may be privileged or confidential. Any distribution, printing or other use by anyone else is prohibited. If you are not an intended recipient, please contact the sender immediately, and permanently delete this email and attachments.

Le présent courriel et les documents qui y sont joints sont exclusivement réservés à l'utilisation des destinataires concernés et peuvent être de nature privilégiée ou confidentielle. Toute distribution, impression ou autre utilisation est interdite aux autres personnes. Si vous ne faites pas partie des destinataires concernés, veuillez en informer immédiatement l'expéditeur, ainsi que supprimer ce courriel et les documents joints de manière permanente.

<Fair Hydro – Form of ISDA Schedule.docx>

From: Sarah Harris
To: Opal Kandelas
Subject: FW: Fair Hydro -- Supplemental Indenture for Long Term Debt
Date: Friday, October 27, 2017 10:41:01 AM
Attachments: 46490618_1.doc

More fair hydro stuff...

-----Original Message-----
From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Thursday, October 26, 2017 6:48 PM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: Fw: Fair Hydro -- Supplemental Indenture for Long Term Debt

Sent from my BlackBerry 10 smartphone on the Rogers network.
From: Hanslep, Malle (MOF) <Malle.Hanslep@ontario.ca>
Sent: Thursday, October 26, 2017 18:47
To: Kandeepan, Ken (OFA); Manning, Mike (OFA); Mayman, Gadi (OFA); Yep, Carlos (OFA); Kwan, Ronald (OFA); Devine, James (OFA); Kim, John (OFA); Strathy, Anna (OFA); Katona, Keley (MOF); John Psinas; Nelms, Scott (MOF); Montgomery, Kaitlin (MOF); Veinot, Cindy (TBS); Donaldson, Mark (TBS)
Cc: Whitfield, Tobias P. (MOF); McKinlay, Tom (MAG)
Subject: Fw: Fair Hydro -- Supplemental Indenture for Long Term Debt

I might not have covered everyone with this email

Sent from my BlackBerry 10 smartphone on the Rogers network.
From: Saulnier, Brett <bsaulnier@torys.com>
Sent: Thursday, October 26, 2017 18:36
To: Thouin, Alena (ENERGY); Hanslep, Malle (MOF); Whitfield, Tobias P. (MOF); McKinlay, Tom (MAG); STEPHEN.ASHBOURNE@blakes.com
Cc: 'leslie.wong@opg.com'; dup-john.s.lee@opg.com; 'ken.ryfa@opg.com'; Feldman, Michael; Ramchandani, Rima; Mansoori, Nina; Olusoga, Yinka
Subject: Fair Hydro -- Supplemental Indenture for Long Term Debt

All,

Please find attached a first draft of the supplemental indenture for the long term debt, which we just received from Osler. Osler has advised that this draft remains subject to review and comment by the dealers. Please note that Torys/OPG have not yet reviewed.

Thanks,
Brett

Brett Saulnier

P. 416.865.8148 | F. 416.865.7380 | 1.800.505.8679
79 Wellington St. W., 30th Floor, Box 270, TD South Tower Toronto, Ontario M5K 1N2 Canada |
www.torys.com<https://urldefense.proofpoint.com/v2/url?u=http-3A__www.torys.com&d=DwIFAw&c=qG_YucLTZOaBAapRaQkKEgrMWFFI0Cr1_eykjn9FtiQ&r=UKMqIrEhOd5FohQQ_i9mGM0DWcS8WVSb-i_5BYugB90&m=m9uxRqfLA5yr_CMZYg9HBdElshL_qDwJdd5FpugGX5s&s=X_kZViRP7OlTKG678gBpESlmCnRJE2wdd5ldv1ZSb9g&e= >
[Torys LLP]<https://urldefense.proofpoint.com/v2/url?u=http-3A__www.torys.com&d=DwIFAw&c=qG_YucLTZOaBAapRaQkKEgrMWFFI0Cr1_eykjn9FtiQ&r=UKMqIrEhOd5FohQQ_i9mGM0DWcS8WVSb-i_5BYugB90&m=m9uxRqfLA5yr_CMZYg9HBdElshL_qDwJdd5FpugGX5s&s=X_kZViRP7OlTKG678gBpESlmCnRJE2wdd5ldv1ZSb9g&e= >

This email and any attachments are for the sole use of the intended recipients and may be privileged or confidential. Any distribution, printing or other use by anyone else is prohibited. If you are not an intended recipient, please contact the sender immediately, and permanently delete this email and attachments.

Le présent courriel et les documents qui y sont joints sont exclusivement réservés à l'utilisation des destinataires concernés et peuvent être de nature privilégiée ou confidentielle. Toute distribution, impression ou autre utilisation est interdite aux autres personnes. Si vous ne faites pas partie des destinataires concernés, veuillez en informer immédiatement l'expéditeur, ainsi que supprimer ce courriel et les documents joints de manière permanente.

FIRST [SENIOR NOTES] SUPPLEMENTAL INDENTURE

between

[ISSUER] TRUST

by

● TRUST COMPANY OF CANADA
as Issuer Trustee

and

● TRUST COMPANY OF CANADA
as Indenture Trustee

SUPPLEMENTING THE TRUST INDENTURE DATED AS OF ●, 2017

AND PROVIDING FOR THE ISSUE OF
●% SENIOR NOTES DUE ● (SENIOR NOTES SERIES 2017-1)
OF [ISSUER] TRUST

Made as of ●, 2017

TABLE OF CONTENTS

Page

ARTICLE 1 INTERPRETATION 1
1.1 Definitions 1
1.2 Interpretation 1
1.3 Application of this Supplemental Indenture 2

ARTICLE 2 SERIES 2017-1 SENIOR NOTES 2
2.1 Creation of Series 2017-1 Senior Notes 2
2.2 Principal Terms 2
2.3 Delivery 3
2.4 Payment of Interest 3
2.5 Payment of Principal 3
2.6 [Redemption and Repurchase 4
2.7 Indemnification by the Issuer 4
2.8 Taxes 5
2.9 Conditions Precedent to Issuance of Series 2017-1 Senior Notes 6

ARTICLE 3 REPRESENTATIONS AND WARRANTIES 6
3.1 Representations and Warranties of the Issuer 6
3.2 Survival 7

ARTICLE 4 GENERAL 7
4.1 Acceptance of Trust 7
4.2 Confirmation of Trust Indenture 7
4.3 Indenture Trustee Not Bound to Act 7
4.4 Successor and Assigns 7
4.5 Specified Creditors 8
4.6 Waiver 8
4.7 Notice 8
4.8 No Waiver: Remedies 8
4.9 Entire Agreement 8
4.10 Governing Law and Attornment 8
4.11 Expenses 9
4.12 Further Assurances 9
4.13 Limitation of Liability of Issuer Trustee 9
4.14 Execution in Counterparts 10
4.15 Delivery of Executed Copies 10

●% SENIOR NOTES DUE ● (SENIOR NOTES SERIES 2007-1)

THIS FIRST [SENIOR NOTES] SUPPLEMENTAL INDENTURE (this "**Supplemental Indenture**") is made as of ●, 2017, between ●, a trust existing under the laws of the Province of Ontario (the "**Issuer**") and ● **Trust Company of Canada**, a trust company existing under the laws of **[Canada]** (the "**Indenture Trustee**").

WHEREAS pursuant to the Trust Indenture dated as of ●, 2017 between the Issuer and the Indenture Trustee (as amended or restated from time to time, the "**Trust Indenture**"), provision was made for the issuance of Senior Notes from time to time in one or more Series by the execution and delivery of a Supplemental Indenture;

AND WHEREAS the parties hereto are entering into this Supplemental Indenture to provide for the creation and issuance of a Series of Senior Notes designated as the ●% Senior Notes due ● (Series 2017-1) (the "**Series 2017-1 Senior Notes**");

AND WHEREAS the foregoing recitals are made as statements of fact by the Issuer and not by the Indenture Trustee.

NOW THEREFORE THIS SUPPLEMENTAL INDENTURE WITNESSES and it is hereby covenanted, agreed and declared as follows:

ARTICLE 1
INTERPRETATION

1.1 Definitions

(a) For all purposes of this Supplemental Indenture, except as otherwise expressly provided or unless the context otherwise requires, the terms defined in Schedule A hereto have the meanings assigned to them in Schedule A and include the plural as well as the singular.

(b) The provisions of Section 1.1 of the Trust Indenture are applicable to this Supplemental Indenture. All terms used herein which are defined in the Trust Indenture, either directly or by reference therein, have the meanings assigned to them therein.

1.2 Interpretation

Subject to the next following sentences, this Supplemental Indenture is supplemental to the Trust Indenture and the Trust Indenture shall be read in conjunction with this Supplemental Indenture and all of the provisions of the Trust Indenture shall apply to and shall have effect in connection with this Supplemental Indenture in the same manner as if all of the provisions of the Trust Indenture and of this Supplemental Indenture were contained in one instrument. This Supplemental Indenture shall, unless the context otherwise requires, be subject to the interpretative provisions contained in Article I of the Trust Indenture. If any terms of the Trust Indenture are inconsistent with the express terms or provisions hereof, the terms and provisions of the Trust Indenture shall be, solely in respect of the Series 2017-1 Senior Notes, amended and supplemented so as to be consistent herewith. The provisions of this Supplemental Indenture are applicable only in respect of the Series 2017-1 Senior Notes and not the Senior Notes of any other Series.

1.3 Application of this Supplemental Indenture

With respect to the Series 2017-1 Senior Notes only, the terms of the Trust Indenture are amended, supplemented, modified, restated and replaced to the extent applicable by the terms of this Supplemental Indenture in respect of the Series 2017-1 Senior Notes in accordance with Section 1.2 above.

ARTICLE 2
SERIES 2017-1 SENIOR NOTES

2.1 Creation of Series 2017-1 Senior Notes

There is hereby created a Series of Senior Notes to be issued pursuant to the Trust Indenture and this Supplemental Indenture designated as the "**●% Senior Notes due ● (Series 2017-1)**."

2.2 Principal Terms

In addition to and without limiting all of the provisions of this Supplemental Indenture, the Series 2017-1 Senior Notes will:

(a) be designated as set out in Section 2.1;

(b) be a Series of Senior Notes as contemplated by the Trust Indenture;

(c) not be divided into Tranches;

(d) be unlimited in principal amount but initially will have an aggregate principal amount of $● to be issued on the date hereof, provided that the principal amount of the Series 2017-1 Senior Notes may be increased after the date hereof without the consent of any holder of Series 2017-1 Senior Notes or any holder of any Notes of any other Class, Series or Tranche;

(e) be denominated in Canadian dollars;

(f) not be listed on any securities exchange;

(g) be issued in the form of a Global Note;

(h) be Senior Notes and will not be subordinated to any other Series, Class or Tranche of Notes;

(i) be substantially in the form of Schedule B, with such appropriate insertions, omissions, substitutions and variations as may be approved by the Indenture Trustee;

(j) bear interest at a rate of ●% per annum;

(k) accrue interest from the later of: (i) ●, 2017 and (ii) the last Interest Payment Date on which interest has been paid or made available for payment on the Notes;

(l) have interest paid in equal semi-annual instalments **[(except the initial interest payment)]** on ● and ● each year (each, an "**Interest Payment Date**") commencing ●, 2018 in

respect of the Series 2017-1 Senior Notes issued prior to such date **[NTD: Interest Payment Dates to be considered in context of model]**;

(m) **[have an initial interest payment in the amount of $● per $1,000 principal amount payable on ●, 2018;]**

(n) mature on, and have ●, as their Principal Payment Due Date;

(o) have ● as their Principal Payment Default Date;

(p) have ● as their Principal Accumulation Commencement Date;

(q) have a Record Date for each Interest Payment Date that is the ● day preceding each Interest Payment Date;

(r) **[be redeemable and subject to repurchase as provided in Section 2.6 below]**; and

(s) **[not be subject to defeasance and covenant defeasance as contemplated by Section ● of the Trust Indenture] [be subject to defeasance and covenant defeasance in accordance with Section ● of the Trust Indenture].**

2.3 Delivery

On the date of issuance of the Series 2017-1 Senior Notes, Series 2017-1 Senior Notes shall be executed, authenticated and delivered by the Issuer in accordance with Section 4.03 of the Trust Indenture.

2.4 Payment of Interest

The Issuer (except in case of payment of interest at maturity or as otherwise provided in the Trust Indenture, at which time payment of interest, less any taxes required by law to be deducted or withheld, may at the option of the Issuer be made upon presentation and surrender of the certificate representing the Series 2017-1 Senior Notes) will (i) on each Interest Payment Date, make payment of such interest, less any taxes required by law to be deducted or withheld, by wire transfer to each holder of a Series 2017-1 Senior Note as of the Record Date, or (ii) on the day that is two Business Days before each Interest Payment Date, forward or cause to be forwarded to the registered address of each holder of a Series 2017-1 Senior Note as of the Record Date a cheque for such interest, less any taxes required by law to be deducted or withheld, payable to the order of such holder. The payment by such wire transfer or forwarding of such cheque will satisfy and discharge the liability for interest upon such Series 2017-1 Senior Note to the extent of the sum represented thereby (plus the amount of any taxes deducted or withheld as aforesaid) unless any such cheque is not paid on presentation. Notwithstanding the foregoing, the Issuer, at its option, may cause the amount payable in respect of interest to be paid to a Noteholder in any other manner reasonably acceptable to the Indenture Trustee.

2.5 Payment of Principal

[On the] [At least one Business Day prior to the] Principal Payment Due Date, the Issuer will deposit with the Indenture Trustee all amounts required to be paid to the order of holders of Series 2017-1 Senior Notes on maturity on account of principal. The deposit of such funds will

satisfy and discharge the liability for principal of the Series 2017-1 Senior Notes to the extent of the sum represented thereby.

2.6 [Redemption and Repurchase

[**NTD: Customary redemption/repurchase mechanics to be added to Trust Indenture as per OPG MTN indenture. Redemption below contemplates a par call]**

(a) At its option, at any time prior to ● **[par call date]**, the Issuer may redeem the Series 2017-1 Senior Notes in whole or, from time to time, in part, on payment of a redemption price equal to the greater of (i) the Series 2017-1 Canada Yield Price and (ii) par, together in each case with accrued and unpaid interest to the Series 2017-1 Redemption Date. At any time on or after ● **[par call date]**, the Issuer may redeem the Series 2017-1 Senior Notes in whole or, from time to time, in part, on payment of a redemption price equal to par, together with accrued and unpaid interest to the Series 2017-1 Redemption Date. The Issuer will give notice of redemption not more than 60 days and not less than 15 days before the date fixed for redemption. Less than all of the Series 2017-1 Senior Notes may be redeemed, if so redeemed, in accordance with Section ● of the Trust Indenture.

(b) The Issuer will be entitled at any time and from time to time to purchase for cancellation Series 2017-1 Senior Notes in the market (which may include purchases from or through an investment dealer or a firm holding membership on a recognized stock exchange) or by tender or by private contract at any price. Series 2017-1 Senior Notes that are so purchased will be cancelled and will not be re-issued. Less than all of the Series 2017-1 Senior Notes may be purchased, if so purchased, for cancellation in accordance with Section ● of the Trust Indenture.

(c) The Series 2017-1 Senior Notes will not be subject to repurchase pursuant to any sinking fund or any other required repayment provisions].

2.7 Indemnification by the Issuer

The Issuer agrees to indemnify and hold harmless the Indenture Trustee and each Series 2017-1 Noteholder and each of their respective officers, directors, agents and employees (each, an "**Issuer Indemnified Person**") from and against any loss, liability, expense, damage or injury suffered or sustained by such Issuer indemnified person by reason of (a) any acts, omissions or alleged acts or omissions arising out of, or relating to, activities of the Issuer pursuant to the Program Agreements to which it is a party; (b) a breach of any representation or warranty made or deemed made by the Issuer (or any of its officers) in any Program Agreement; or (c) a failure by the Issuer to comply with any applicable law or regulation or to perform its covenants, agreements, duties or obligations required to be performed or observed by it in accordance with the provisions of the Program Agreements, including, but not limited to, any judgment, award, settlement, reasonable attorneys' fees and other reasonable costs or expenses incurred in connection with the defense of any actual or threatened action, proceeding or claim, except to the extent such loss, liability, expense, damage or injury resulted from the gross negligence, bad faith or willful misconduct of such Issuer indemnified person or its officers, directors, agents, principals, employees or employers or includes any Excluded Taxes; provided that any payments made by the Issuer pursuant to this Section 2.7 shall be made solely from funds available pursuant to Section **[7.04]** or Section **[8.13]** of the Trust Indenture, shall be non-recourse other

than with respect to such funds, and shall not constitute a claim against the Issuer to the extent that such funds are insufficient to make such payment.

2.8 Taxes

[NTD: Subject to tax review]

(a) All payments by or on account of any obligation of the Issuer hereunder shall, to the extent allowed by law, be made free and clear of, and without deduction or withholding for or on account of, any present or future income, stamp or other taxes, levies, imposts, duties, charges, fees, deductions or withholdings, now or hereafter imposed, levied, collected, withheld or assessed by any Governmental Authority (collectively, "**Taxes**"), excluding (i) income taxes (including branch profit taxes, minimum taxes and taxes computed under alternative methods, at least one of which is based on or measured by net income), franchise taxes (imposed in lieu of income taxes), or any other taxes based on or measured by the net income of any Series 2017-1 Noteholder (but specifically excluding any taxes required to be withheld under Section 1446 of the *Internal Revenue Code* of 1986 (as amended, the "**Code**")) as a result of a present or former connection between the recipient and the jurisdiction of the governmental authority imposing such tax (other than any such connection arising solely from the recipient having executed, delivered or performed its obligations or received a payment under, disposed of, or enforced, this Supplemental Indenture); and (ii) any Taxes imposed under FATCA (as defined below) (including in the case of (i) and (ii), any interest, penalties and additions to tax) (all such excluded taxes being hereinafter called "**Excluded Taxes**"). If any Taxes, other than Excluded Taxes, are required to be withheld from any amounts payable to a recipient hereunder, the amounts so payable to the recipient shall be increased, and the recipient shall be entitled to be paid by the Issuer the amount of such increase to the extent necessary to yield to the recipient (after payment of all such Taxes other than Excluded Taxes) interest or any such other amounts payable hereunder or thereunder at the rates or in the amounts specified hereunder. Where the amount payable by the Issuer is increased in accordance with the previous sentence, the Monthly Interest and Fees shall be increased by the amount of such increase. Whenever any Taxes are payable on or with respect to amounts distributed to a recipient, as promptly as possible thereafter the Issuer shall send to such recipient a certified copy of an original official receipt showing payment thereof.

(b) If a payment by or on account of any obligation of the Issuer hereunder would be subject to U.S. federal withholding Tax imposed by provisions of Chapter 4 of the Code ("**FATCA**") if the recipient of such payment were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such recipient shall deliver to the Issuer at the time or times prescribed by law and at such time or times reasonably requested by the Issuer such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Issuer as may be necessary for the Issuer to comply with their obligations under FATCA and to determine that such recipient has complied with it's obligations under FATCA or to determine the amount to deduct and withhold from such payment. If any form or certification it previously delivered by a recipient expires or becomes obsolete or inaccurate in any respect, the recipient shall update such form or certification or promptly notify the Issuer in writing of its legal inability to do so.

(c) If a recipient is legally entitled to receive a refund of any Taxes (other than Excluded Taxes) as to which it has been indemnified or with respect to which additional amounts have been paid to it hereunder or it is legally entitled to receive a credit or deduction with respect to such Taxes or with respect to such additional amounts that have been paid hereunder (in each case pursuant to Section 2.8(a)), it shall use commercially reasonable efforts to obtain or claim such refund, credit or deduction and pay over such refund or the value of such credit or deduction to the Issuer, together with any interest thereon.

2.9 Conditions Precedent to Issuance of Series 2017-1 Senior Notes

On or prior to the initial issuance of Series 2017-1 Senior Notes hereunder, the following conditions precedent shall be satisfied:

(a) Each of the conditions precedent set forth in Section 5.01 of the Trust Indenture in respect of the incurrence of Funding Obligations under this Supplemental Indenture shall have been satisfied.

(b) The representations and warranties set forth in Section 12.01 of the Trust Indenture and Section 3.1 of this Supplemental Indenture shall be true and correct in all material respects, the Issuer shall be compliance in all material respects with all of its covenants and obligations under the Program Agreements to which it is a party.

(c) The Series 2017-1 Senior Notes shall have been duly issued in accordance with the Trust Indenture and the Global Note representing the Series 2017-1 Senior Notes shall have been executed and delivered to the Depository (or as it may direct) for deposit into its [**Book-Based System**] for the benefit of the [**Beneficial Holders**] upon receipt by the Indenture Trustee of a [**Written Order**].

ARTICLE 3
REPRESENTATIONS AND WARRANTIES

3.1 Representations and Warranties of the Issuer

The Issuer hereby represents and warrants to the Indenture Trustee and each Series 2017-1 Noteholder that:

(a) no Termination Event has occurred or would result from the initial purchase of the Issuer Investment Interest on the date hereof;

(b) the Issuer Trustee and the Issuer are not non-residents of Canada within the meaning of the *Income Tax Act* (Canada);

(c) all tax returns (federal, provincial and local) required to be filed with respect to the Issuer have been filed and there has been paid or adequate provision made for the payment of all material taxes, assessments and other governmental charges in respect of the Issuer;

(d) the Issuer has not changed its name and the Declaration of Trust has neither been amended nor rescinded other than as consented to by the holders of the Series 2017-1 Senior Notes;

(e) the Issuer has complied in all material respects with all laws in respect of the conduct of its business and ownership of its property including the Issuer Investment Interest;

(f) all information provided to the Administrative Agent and the Purchaser Groups by or on behalf of the Issuer in respect of the Issuer Investment Interest is and will be true and accurate in all material respects;

(g) there has been no material adverse change in the condition (financial or otherwise), business, operations, results of operations, or the property of the Issuer; and

(h) the Issuer does not own or hold, directly or indirectly, any shares or equity security of, or any equity interest in, any Person.

3.2 Survival

The representations and warranties set out in this Article 3 shall survive the execution hereof.

ARTICLE 4
GENERAL

4.1 Acceptance of Trust

The Indenture Trustee accepts the trusts in this Supplemental Indenture and agrees to carry out and discharge the same upon the terms and conditions set out in this Supplemental Indenture and in accordance with the Trust Indenture.

4.2 Confirmation of Trust Indenture

The Trust Indenture, as amended and supplemented by this Supplemental Indenture, is in all respects confirmed.

4.3 Indenture Trustee Not Bound to Act

The Indenture Trustee shall retain the right not to act and shall not be liable for refusing to act if, due to a lack of information or for any other reason whatsoever, the Indenture Trustee, in its sole judgment, acting reasonably, determines that such act may cause it to be in non-compliance with any applicable anti-money laundering, anti-terrorism or economic sanction legislation, regulation or guideline. Further, should the Indenture Trustee, in its sole judgment, acting reasonably, determine at any time that its acting under this Supplemental Indenture has resulted in non-compliance with any applicable anti-money laundering, anti-terrorism or economic sanction legislation, regulation or guideline, then it shall have the right to resign pursuant to the terms of Section ● of the Trust Indenture, provided that (i) the Indenture Trustee's written notice of resignation shall describe the circumstances of such non-compliance; and (ii) if such circumstances are rectified to the Indenture Trustee's satisfaction within 15 Business Days of the receipt of such notice of resignation, then such notice shall not be effective.

4.4 Successor and Assigns

This Supplemental Indenture shall be binding upon and inure to the benefit of the parties hereto and their respective permitted successors and assigns.

4.5 Specified Creditors

The Issuer and the Indenture Trustee (on behalf of the Series 2017-1 Noteholders) acknowledge and agree that the Series 2017-1 Noteholders are Specified Creditors under the Trust Indenture and their entitlements as a Specified Creditor are subject to the provisions applicable to Specified Creditors under the Trust Indenture including, without limitation, Section 7.06 (Payments Held in Trust), Section 8.12 (Limitation on Suits), Sections 7.04 and 8.13 (Payment Priorities), Section 8.15 (Limited Recourse) and Section 17.01 (No Petition).

4.6 Waiver

Without limiting the requirements of Section 11.02 of the Trust Indenture, no waiver of any provision of this Supplemental Indenture or consent to any departure by the Issuer from any provision of this Supplemental Indenture will be effective (in whole or in part) unless in writing and signed by the Requisite Series 2017-1 Noteholders. Such waiver will be effective only in the specific instance, for the specific purpose and for the specific length of time for which it is given by the Requisite Series 2017-1 Noteholders.

4.7 Notice

All notices, requests, instructions and demands to or upon any party hereto to be effective shall be given in the case of the Issuer and the Indenture Trustee, in the manner set forth in Article 16 of the Trust Indenture.

4.8 No Waiver: Remedies

No failure on the part of any party to exercise, and no delay in exercising, any power, right or remedy hereunder will operate as a waiver thereof; nor will any single or partial exercise of any such power, right or remedy hereunder preclude any other or further exercise thereof or the exercise of any other power, right or remedy. The rights and remedies herein provided are cumulative and not exclusive of any remedies provided by applicable law.

4.9 Entire Agreement

This Supplemental Indenture, the Trust Indenture and the other Program Agreements contain the entire agreement between the parties relative to the subject matter hereof and supersede all prior and contemporaneous agreements, term sheets, commitments, understandings, negotiations and discussions, whether oral or written. There are no warranties, representations or other agreements between the parties in connection with the subject matter hereof except as specifically set forth in this Supplemental Indenture, the Trust Indenture and the other Program Agreements.

4.10 Governing Law and Attornment

This Supplemental Indenture shall be governed by, and construed in accordance with, the laws of the Province of Ontario and the parties hereby attorn to the jurisdiction of the courts of Ontario.

4.11 Expenses

The Issuer agrees to pay on demand to the Indenture Trustee: (a) all reasonable costs and expenses in connection with the preparation, execution, and delivery of this Supplemental Indenture; (b) all reasonable costs and expenses in connection with any amendments of or waivers or consents under this Supplemental Indenture or the Program Agreements, including in each case the reasonable fees and out-of-pocket expenses of counsel with respect thereto, and (iii) all reasonable costs and expenses (including reasonable fees and expenses of counsel), if any, in connection with the enforcement of this Supplemental Indenture or any of the Program Agreements, and the other documents delivered thereunder or in connection therewith.

4.12 Further Assurances

Each of the parties hereto upon the request of the other party or parties hereto shall do, execute, acknowledge and deliver or cause to be done, executed acknowledged or delivered all such further acts, deeds, documents, assignments, transfers, conveyances, powers of attorney and assurances as may be reasonably necessary or desirable to effect or complete the consummation of the transactions contemplated by this Supplemental Indenture.

4.13 Limitation of Liability of Issuer Trustee

Each party hereto other than the Issuer acknowledges that the Issuer is a trust, and that ● Trust Company of Canada is the Issuer Trustee. The other parties hereto agree that the Issuer Trustee will not be subject to any liability whatsoever to them, in tort, contract or otherwise, in connection with the Issuer's assets or the trust activities, for any action taken or permitted by it to be taken, or for its failure to take any action; provided that the foregoing limitation will not apply in respect of any action or failure to act arising from or in connection with wilful misconduct, negligence or reckless disregard of a duty by the Issuer Trustee. The Issuer Trustee in doing anything or permitting anything to be done in respect of assets or the trust activities is, and shall be conclusively deemed to be, acting as trustee of the Issuer and not in any other capacity. Except as to the extent provided in this Section 4.13, the Issuer Trustee will not be subject to any debts, liabilities, obligations, claims, demands, judgments, costs, charges or expenses against or with respect to the Issuer, arising out of anything done or permitted by it to be done or its failure to take any action in respect of the Issuer's assets or the trust activities and resort will be had solely to the Collateral for the payment or performance thereof. No property or assets of the Issuer Trustee, whether owned in its personal capacity or otherwise, will be subject to levy, execution or other enforcement procedure with regard to any obligation under this Supplemental Indenture. Nothing contained in this Section 4.13 shall be construed so as to limit the liability of the Issuer under this Supplemental Indenture. This Supplemental Indenture, and every deed, transfer, assignment, agreement or other instrument made pursuant hereto including, without limitation, the Series 2017-1 Senior Notes, made or purporting to be made by or creating an obligation of the Issuer or the Issuer Trustee on behalf of, or as trustee of, the Issuer shall be deemed and construed for all purposes as if made by the Issuer Trustee, in and only in its capacity as trustee of the Issuer. Any obligations of the Issuer Trustee hereunder or thereunder are non-recourse to the Issuer Trustee in its personal capacity.

4.14 Execution in Counterparts

This Supplemental Indenture may be executed in several counterparts, each of which when so executed shall be deemed to be an original and the counterparts together shall constitute one and the same instrument. This Supplemental Indenture may be executed and delivered by facsimile or other electronic transmission of a manually signed counterpart.

4.15 Delivery of Executed Copies

Each party acknowledges delivery of an executed copy of this Supplemental Indenture.

[signature page follows]

IN WITNESS WHEREOF the parties hereto have duly executed this Trust Indenture as of the date first above written.

● **TRUST**, by ● **TRUST COMPANY OF CANADA**, as Issuer Trustee

By: _____
Name:
Title:

By: _____
Name:
Title:

● **TRUST COMPANY OF CANADA**, as Indenture Trustee

By: _____
Name:
Title:

By: _____
Name:
Title:

[NTD: Detailed signing pages to be prepared.]

SCHEDULE A

DEFINITIONS

"**Code**" has the meaning specified in Section 2.8(a) of this Supplemental Indenture.

"**Excluded Taxes**" has the meaning specified in Section 2.8(a) of this Supplemental Indenture.

"**Government of Canada Yield**" on any date means, in respect of the Series 2017-1 Senior Notes to be redeemed, the yield from the Series 2017-1 Redemption Date to ● **[par call date]**, compounded semi-annually and calculated in accordance with generally accepted Canadian financial practice, which a non-callable Government of Canada bond would carry if issued in dollars in Canada, at 100% of its principal amount on such date with a term to maturity equal to, or if no Government of Canada bond having an equal term to maturity exists, as close as possible to, the remaining term to ● **[par call date]** (calculated from the Series 2017-1 Redemption Date) of the Series 2017-1 Senior Notes, such yield being the average of the yields provided by two major Canadian investment dealers specified by the Issuer;

"**Interest Payment Date**" has the meaning specified in Section 2.2(l) of this Supplemental Indenture.

"**Issuer Indemnified Person**" is defined in Section 2.7

"**Requisite Series 2017-1 Noteholders**" means Series 2017-1 Noteholders holding, in aggregate, at least **[50]**% of the Series 2017-1 Senior Notes then Outstanding.

"Series 2017-1 Canada Yield Price" means a price equal to the price of the Series 2017-1 Senior Notes calculated to provide a yield to ● [**par call date**], compounded semi-annually and calculated in accordance with generally accepted Canadian financial practice, equal to the Government of Canada Yield calculated at 10:00 a.m. (Toronto time) on the third Business Day preceding the Series 2017-1 Redemption Date specified in the notice of redemption delivered pursuant to Section ● of the Trust Indenture, plus ●%;

"**Series 2017-1 Noteholder**" means a Person in whose name a Series 2017-1 Senior Note is registered in the Note Register.

"**Series 2017-1 Redemption Date**" "means a date fixed for redemption of the Series 2017-1 Senior Notes pursuant to Section ● of the Trust Indenture.

"**Series 2017-1 Senior Note**" means any one of the Series 2017-1 Senior Notes, executed by the Issuer and authenticated and delivered by or on behalf of the Indenture Trustee, substantially in the form of Schedule B.

"**Supplemental Indenture**" means this Supplemental Indenture, together with the Schedules hereto, as amended, supplemented, modified, restated or replaced from time to time, together with all schedules hereto and the expressions "hereof," "herein," "hereto," "hereunder," "hereby" and similar expressions refer to this Supplemental Indenture and not to any Article, Section, paragraph, subparagraph or clause hereof.

"**Taxes**" has the meaning specified in Section 2.8(a) of this Supplemental Indenture.

"**Termination Event**" means any Event of Default or any event which with the giving of notice or the passage of time, or both, could become an Event of Default.

SCHEDULE B

[FORM OF NOTE]

SERIES 2017-1 SENIOR NOTE

●

From:	Anna Strathy
To:	Gadi Mayman; Ronald Kwan; Mike Manning; Ken Kandeepan
Cc:	Usman Zahid; Opal Kandelas
Subject:	FW: Fair Hydro Trust -- Term Closing
Date:	Tuesday, April 24, 2018 2:26:40 PM
Attachments:	Re Fair Hydro Plan - Deliveries under Change of Law Process Agreement.pdf

FYI

From: Krasic, Aida (MOF) [mailto:Aida.Krasic@ontario.ca]
Sent: Tuesday, April 24, 2018 1:06 PM
To: Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>
Cc: David McLean (MOF) <David.McLean@ontario.ca>; Paul Dupuis (MOF) <Paul.Dupuis@ontario.ca>; Peter Spadoni (MCYS) <Peter.Spadoni@ontario.ca>; Cook, Karen (MOF) <Karen.Cook@ontario.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: RE: Fair Hydro Trust -- Term Closing

Hello Male,
Please find attached fax that DMO received from TORYS LLP regarding the Fair Hydro Plan –Deliveries under Change of Law Process Agreement.
As per Paul's email from Feb 9th, I am copying all on this email as well.
Thanks
Aida

From: Dupuis, Paul (MOF)
Sent: February 9, 2018 10:35 AM
To: Hanslep, Malle (MOF) <Malle.Hanslep@ontario.ca>
Cc: Krasic, Aida (MOF) <Aida.Krasic@ontario.ca>; McLean, David (MOF) <David.McLean@ontario.ca>; Spadoni, Peter (MOF) <Peter.Spadoni@ontario.ca>; Cook, Karen (MOF) <Karen.Cook@ontario.ca>
Subject: FW: Fair Hydro Trust -- Term Closing

This message has been archived. View the original item

Hi Malle,

As requested please see attached. I have also copied Karen Cook (MO Office Mgr) and Peter Spadoni (Mgr of MoF Correspondence) as it may have also been sent to their fax machines as it i

Attachments:

image001.jpg	(5 KB)
FAX-Recd-2018-02-09_Torys-LLP_Fair-Hydro-Plan_Chg-of-Law-Process-Agreement.pdf	(1.3 MB)

900-1

TORYS LLP

FIN5167DM-2018-69

XRF: FIN5167DM-2018-15

79 Wellington St. W., 30th Floor
Box 270, TD South Tower
Toronto, Ontario M5K 1N2 Canada
P. 416.865.0040 | F. 416.865.7380
www.torys.com

Date	April 23, 2018		
From	Brett Saulnier	**Direct Tel**	416-865-8148
Page(s)	30 (including this cover page)		39953-2002

Recipient	Fax Number	Tel Number
Ministry of Finance (Minister)	(416) 325-0374	
Ministry of Finance (Deputy)	(416) 325-1595	
Ministry of Energy (Minister)	(416) 327-6754	
Ministry of Energy (Deputy)	(416) 327-6755	

Comments See attached

RECEIVED
APR 24 2018
MINISTRY OF FINANCE
DEPUTY MINISTER'S OFFICE

If there are problems with this transmission, please call the FAX department at 416.865.7692.

This communication, and any information or material transmitted with this communication, is intended only for the use of the intended recipients and it may be privileged and confidential. If you are not the intended recipient, you are hereby notified that any review, retransmission, conversion to hard copy, copying, circulation, publication, dissemination, distribution, reproduction or other use of this communication, information or material is prohibited and may be illegal. If you received this communication in error, please notify us immediately by telephone or by return email, and delete the communication, information and material from any computer, disk drive, diskette or other storage device or media. Thank you.

TORYS LLP

79 Wellington St. W., 30th Floor
Box 270, TD South Tower
Toronto, Ontario M5K 1N2 Canada
P. 416.865.0040 | F. 416.865.7380
www.torys.com

Brett Saulnier
bsaulnier@torys.com
P. 416.865.8148

April 23, 2018

CONFIDENTIAL

Ministry of Finance
7 Queen's Park Crescent, 7th Floor
Toronto, Ontario M7A 1Y7

Attention: Minister of Finance
Deputy Minister of Finance

Ministry of Energy
Hearst Block 4th Floor, 900 Bay Street
Toronto, Ontario M7A 2E1

Attention: Minister of Energy
Deputy Ministry of Energy

Dear Sirs/Mesdames:

Re: Fair Hydro Plan – Deliveries under Change of Law Process Agreement

Reference is made to the Change of Law Process Agreement dated as of December 21, 2017 between Her Majesty the Queen in Right of Ontario, as represented by the Minister of Energy and the Minister of Finance, and Ontario Power Generation Inc. (the "**Change of Law Process Agreement**"). Capitalized terms used and not defined herein shall have their respective meanings in the Change of Law Process Agreement.

On April 24, Fair Hydro Trust (the "**Issuer**") will issue (i) C$400,000,000 aggregate principal amount of 3.52% Senior Notes due May 15, 2038, Series 2018-2 in accordance with the terms of an agency agreement dated as of April 19, 2018 among the Issuer, Ontario Power Generation Inc. ("**OPG**") and the dealers named therein, (ii) C$305,882,000 aggregate principal amount of 3.834% Subordinated Notes due May 15, 2038, Series 2018-2 and (iii) C$78,431,000 aggregate principal amount of 4.214% Junior Subordinated Notes due May 15, 2038, Series 2018-2 (collectively, the "**Funding Obligations**").

On behalf of Ontario Power Generation Inc. and pursuant to section 3.01 of the Change of Law Process Agreement, please find enclosed a Process Certificate in respect of the Funding Obligations.

On behalf of Ontario Power Generation Inc. and pursuant to section 2.01(c) of the Change of Law Process Agreement, please find enclosed one Special Payment Date Agreement in respect of each of the Warehouse Senior Series 2017-1 Supplemental Indenture dated as of December 21, 2017 among, *inter alios*, the Issuer, Royal Bank of Canada and BNY Trust Company of Canada (the "**Indenture Trustee**"), the Warehouse Subordinated Series 2017-1 Supplemental

Indenture dated as of December 21, 2017 among the Issuer, OPG and the Indenture Trustee and the Warehouse Junior Subordinated Series 2017-1 Supplemental Indenture dated as of December 21, 2017 among the Issuer, OPG and the Indenture Trustee (collectively, the "**Warehouse Facilities**"). Such Special Payment Date Agreements permit a partial repayment of the Warehouse Facilities using proceeds from the Funding Obligations on a date that is not the 15th day of a given calendar month and allow the decrease notice to be delivered within two business days of such repayment (rather than five business days).

Yours truly,

Brett Saulnier

Encl.

cc: Rima Ramchandani, *Torys LLP*
John Lee, *Ontario Power Generation Inc.*
Lubna Ladak, *Ontario Power Generation Inc.*
Clara Greco, *Ontario Power Generation Inc.*

25407780.3

ONTARIO POWER GENERATION INC.,
in its capacity as FSM

PROCESS CERTIFICATE (2018-2)

Certificate of the CFO and Treasurer pursuant to section 3.01 of the Change of Law Process Agreement

TO: Her Majesty the Queen in Right of Ontario, as represented by the Minister of Energy and the Minister of Finance (the "**Province**")

RE: C$400,000,000 aggregate principal amount of 3.52% Senior Notes due May 15, 2038, Series 2018-2 (the "**Series 2018-2 Senior Notes**")

AND RE: C$305,882,000 aggregate principal amount of 3.834% Subordinated Notes due May 15, 2038, Series 2018-2 (the "**Series 2018-2 Subordinated Notes**")

AND RE: C$78,431,000 aggregate principal amount of 4.214% Junior Subordinated Notes due May 15, 2038, Series 2018-2 (the "**Series 2018-2 Junior Subordinated Notes**")

AND RE: Agency agreement between Fair Hydro Trust (the "**Issuer**"), Ontario Power Generation Inc., CIBC World Markets Inc., RBC Dominion Securities Inc., Goldman Sachs Canada Inc., BMO Nesbitt Burns Inc., Scotia Capital Inc., National Bank Financial Inc., TD Securities Inc., Morgan Stanley Canada Limited, HSBC Securities (Canada) Inc., Laurentian Bank Securities Inc., Desjardins Securities Inc. and Casgrain & Company Limited dated as of April 19, 2018 (the "**Agency Agreement**" and together with the Series 2018-2 Senior Notes, the Series 2018-2 Subordinated Notes and the Series 2018-2 Junior Subordinated Notes, the "**Funding Obligations**")

Reference is made to the Change of Law Process Agreement dated December 21, 2017 among the Province and Ontario Power Generation Inc. (the "**Change of Law Process Agreement**"). Capitalized terms used and not defined herein shall have the meanings ascribed to such terms in the Change of Law Process Agreement.

Each of the undersigned, being the Chief Financial Officer and Treasurer of OPG acting in its capacity as FSM and holding the offices set forth under their names and signatures below, pursuant to and accordance with section 3.01 of the Change of Law Process Agreement, hereby certifies for and on behalf of OPG, in its capacity as Financial Services Manager, and not in such officer's personal capacity and intending that this certificate may be relied on by the addressees hereof without independent inquiry, that:

1. I have read and understand the provisions of the Change of Law Process Agreement and all other documents and materials necessary to enable me to deliver this certificate.

2. The material terms of the Series 2018-2 Senior Notes are set forth in Schedule A.

3. The material terms of the Series 2018-2 Subordinated Notes are set forth in Schedule B.

4. The material terms of the Series 2018-2 Junior Subordinated Notes are set forth in Schedule C.

5. The material terms of the Agency Agreement are set forth in Schedule D.

6. The Funding Obligations:

   (a) will arise under terms and conditions that are Substantially in the Form of the Reference Documentation applicable thereto;

   (b) in my opinion, are reasonably incurred or effected in compliance with the Act, the General Regulation, any other enactments related thereto and the Financing Plan;

   (c) are of a type and are on terms that a reasonably prudent financial services manager would incur in similar circumstances; and

   (d) reflect, in all material respects, arm's length terms and conditions.

7. The Disclosure Document used in connection with the offering and sale of the Series 2018-2 Senior Notes is Substantially in the Form of the Reference Documentation. No Disclosure Document was used in connection with the offering and sale of the Series 2018-2 Subordinated Notes or Series 2018-2 Junior Subordinated Notes.

8. Any disclosure made in respect of any of the Funding Obligations (including any Disclosure Document, press release or other written communication prepared for dissemination to third parties in relation to any of the Funding Obligations) that refers to or describes the terms, effect or adherence of or to the Change of Law Process Agreement or the Change of Law Protection Agreement has been made available to the Province prior to use or dissemination, other than where such disclosure was substantially the same as a disclosure previously made.

9. No Breach Event has occurred on or prior to the date hereof, unless such Breach Event has been waived by the Province in writing.

10. At the time the Funding Obligations are incurred, the maximum aggregate payment amounts due or becoming due in the future in respect of Repayments under the Funding Obligations, together with all other outstanding amounts due or becoming due in the future in respect of Repayments under all Approved Obligations, do not exceed the Protection Agreement Maximum applicable on the date hereof.

[Remainder of page intentionally left blank.]

DATED as of the 24th day of April, 2018.

Name: Ken Hartwick
Title: Chief Financial Officer and Senior Vice President

Name: John Lee
Title: Vice President – Treasurer

[Signature page to Process Certificate (2018-2)]

SCHEDULE A

SERIES 2018-2 SENIOR NOTES TERM SHEET	
Principal Amount	Unlimited but initially C$400,000,000
Interest Rate	3.52% per annum (the "Series 2018-2 Senior Interest Rate")
Interest Payments	The "Interest Payment Dates" for the Series 2018-2 Senior Notes are as follows: (i) prior to the occurrence of an Amortization Event (as defined below), interest on the Series 2018-2 Senior Notes shall be payable in equal semi-annual instalments (except the first interest payment) in arrears on May 15 and November 15 of each year, commencing May 15, 2018 (short first coupon); and (ii) following the occurrence of an Amortization Event, interest will be payable in arrears on the outstanding principal amount of the Series 2018-2 Senior Notes on each Payment Date (as defined in the Master Trust Indenture dated December 21, 2017 between the Issuer and BNY Trust Company of Canada, as supplemented (the "MTI")) thereafter at a rate equal to the monthly equivalent of the Series 2018-2 Senior Interest Rate; that is, the interest rate that, when compounded monthly for six months on a stated outstanding principal amount, yields interest in an amount equal to the Series 2018-2 Senior Interest Rate, multiplied by such outstanding principal amount and divided by two. The first interest payment on the Series 2018-2 Senior Notes will include accrued and unpaid interest for the period from, and including, April 24, 2018 to, but excluding, the first Interest Payment Date. Subject to the occurrence of an Acceleration Event (as defined below), the first interest payment will be in an amount equal to C$2.02520548 per C$1,000 principal amount of Series 2018-2 Senior Notes. "Amortization Event" means either an Acceleration Event has occurred with respect to the Series 2018-2 Senior Notes, or the outstanding principal amount of the Series 2018-2 Senior Notes has not been paid in full on May 15, 2038. "Acceleration Event" means either (i) all Issuer Funding Obligations are declared due and payable in accordance with the provisions of the MTI, or (ii) the outstanding principal amount of the Series 2018-2 Senior Notes and all interest thereon is declared due and payable in accordance with the MTI as a result of the occurrence of certain events of default.
Issue Price	C$1,000.02 per C$1,000 principal amount of Series 2018-2 Senior Notes
Fees	See Schedule D under the heading "Fees"
Term to Maturity	20 years
Amortization	Subject to the occurrence of an Acceleration Event, the outstanding principal amount of the Series 2018-2 Senior Notes shall be due and payable on May 15, 2038. Following the occurrence of an Amortization Event, each Payment Date thereafter shall be a Principal Payment Date (as defined in the MTI) in respect of the Series 2018-2 Senior Notes and the then outstanding principal amount of the Series 2018-2 Senior Notes shall be due and payable on each such Payment Date. A failure to pay principal on May 15, 2038 for the Series 2018-2 Senior Notes will constitute an event of default upon the occurrence of which the holders of Series 2018-2 Senior Notes may declare the outstanding principal and all accrued and unpaid interest on the Series 2018-2 Senior Notes to be immediately due and payable. Subject to the occurrence of an Amortization Event, the Series 2018-2 Senior Notes shall have the Principal Accumulation Amounts for the Payment Dates specified in Appendix I hereto.
Extension	N/A
Redemption	The Series 2018-2 Senior Notes will be redeemable at the option of the Issuer, in whole or in part, at any time and from time to time, on not less than 15 nor more than 60 days' notice at the redemption price specified below. At any time prior to the Par Call Date (as defined below), the redemption price will be equal to the greater of (i) the Series 2018-2 Canada Yield Price (as defined below) and (ii) par, plus, in each case, accrued and unpaid interest to, but not including, the date of redemption. On or after the Par Call Date, the redemption price will be equal to par, plus accrued and unpaid interest to, but not including, the date of redemption. "Par Call Date" means November 15, 2037. "Series 2018-2 Canada Yield Price" means a price equal to the price of the Series 2018-2 Senior Notes calculated to provide a yield to the Par Call Date, compounded semi-annually and calculated in accordance with generally accepted Canadian financial practice, equal to the Government of Canada Yield (as defined below) calculated at 10:00 a.m. (Toronto time) on the third business day preceding the date of redemption, plus 0.265% per annum. "Government of Canada Yield" on any date means, in respect of the Series 2018-2 Senior Notes being redeemed, the yield from the redemption date to the Par Call Date compounded semi-annually and calculated in accordance with generally accepted Canadian financial practice, which a non-callable Government of Canada bond would carry if issued in Canadian dollars in Canada at 100% of its principal amount on such date with a term to maturity equal to the remaining term to the Par Call Date (calculated from the date of redemption), such yield being the average of the yields provided by two major Canadian investment dealers specified by the Issuer.

APPENDIX 1

PRINCIPAL ACCUMULATION AMOUNTS AND PAYMENT DATES

Payment Date	Principal Accumulation Amount
June 15, 2037	C$33,333,333.33
July 15, 2037	C$33,333,333.33
August 15, 2037	C$33,333,333.33
September 15, 2037	C$33,333,333.33
October 15, 2037	C$33,333,333.33
November 15, 2037	C$33,333,333.33
December 15, 2037	C$33,333,333.33
January 15, 2038	C$33,333,333.33
February 15, 2038	C$33,333,333.33
March 15, 2038	C$33,333,333.33
April 15, 2038	C$33,333,333.33
May 15, 2038	C$33,333,333.37

SCHEDULE B

SERIES 2018-2 SUBORDINATED NOTES TERM SHEET	
Principal Amount	Unlimited but initially C$305,882,000
Interest Rate	3.834% per annum (the "**Series 2018-2 Subordinated Interest Rate**")
Interest Payments	The "**Interest Payment Dates**" for the Series 2018-2 Subordinated Notes are as follows: (i) prior to the occurrence of an Amortization Event (as defined below), interest on the Series 2018-2 Subordinated Notes shall be payable in equal semi-annual instalments (except the first interest payment) in arrears on May 15 and November 15 of each year, commencing May 15, 2018 (short first coupon); and (ii) following the occurrence of an Amortization Event, interest will be payable in arrears on the outstanding principal amount of the Series 2018-2 Subordinated Notes on each Payment Date (as defined in the Master Trust Indenture dated December 21, 2017 between the Issuer and BNY Trust Company of Canada, as supplemented (the "**MTI**")) thereafter at a rate equal to the monthly equivalent of the Series 2018-2 Subordinated Interest Rate; that is, the interest rate that, when compounded monthly for six months on a stated outstanding principal amount, yields interest in an amount equal to the Series 2018-2 Subordinated Interest Rate, multiplied by such outstanding principal amount and divided by two. The first interest payment on the Series 2018-2 Subordinated Notes will include accrued and unpaid interest for the period from, and including, April 24 , 2018 to, but excluding, the first Interest Payment Date. Subject to the occurrence of an Acceleration Event (as defined below), the first interest payment will be in an amount equal to C$2.20586301 per C$1,000 principal amount of Series 2018-2 Subordinated Notes. "**Amortization Event**" means either an Acceleration Event has occurred with respect to the Series 2018-2 Subordinated Notes, or the outstanding principal amount of the Series 2018-2 Subordinated Notes has not been paid in full on May 15, 2038. "**Acceleration Event**" means either (i) all Issuer Funding Obligations are declared due and payable in accordance with the provisions of the MTI, or (ii) the outstanding principal amount of the Series 2018-2 Subordinated Notes and all interest thereon is declared due and payable in accordance with the MTI as a result of the occurrence of certain events of default.
Issue Price	C$1,000 per C$1,000 principal amount of Series 2018-2 Subordinated Notes
Fees	N/A
Term to Maturity	20 years
Amortization	Subject to the occurrence of an Acceleration Event, the outstanding principal amount of the Series 2018-2 Subordinated Notes shall be due and payable on May 15, 2038. Following the occurrence of an Amortization Event, each Payment Date thereafter shall be a Principal Payment Date (as defined in the MTI) in respect of the Series 2018-2 Subordinated Notes and the then outstanding principal amount of the Series 2018-2 Subordinated Notes shall be due and payable on each such Payment Date. A failure to pay principal on May 15, 2038 for the Series 2018-2 Subordinated Notes will constitute an event of default upon the occurrence of which the holders of Series 2018-2 Subordinated Notes may declare the outstanding principal and all accrued and unpaid interest on the Series 2018-2 Subordinated Notes to be immediately due and payable. Subject to the occurrence of an Amortization Event, the Series 2018-2 Subordinated Notes shall have the Principal Accumulation Amounts for the Payment Dates specified in Appendix 2 hereto.
Extension	N/A
Redemption	The Series 2018-2 Subordinated Notes will be redeemable at the option of the Issuer, in whole or in part, at any time and from time to time, on not less than 15 nor more than 60 days' notice at the redemption price specified below. At any time prior to the Par Call Date (as defined below), the redemption price will be equal to the greater of (i) the Series 2018-2 Canada Yield Price (as defined below) and (ii) par, plus, in each case, accrued and unpaid interest to, but not including, the date of redemption. On or after the Par Call Date, the redemption price will be equal to par, plus accrued and unpaid interest to, but not including, the date of redemption. "**Par Call Date**" means November 15, 2037. "**Series 2018-2 Canada Yield Price**" means a price equal to the price of the Series 2018-2 Subordinated Notes calculated to provide a yield to the Par Call Date, compounded semi-annually and calculated in accordance with generally accepted Canadian financial practice, equal to the Government of Canada Yield (as defined below) calculated at 10:00 a.m. (Toronto time) on the third business day preceding the date of redemption, plus 0.345% per annum. "**Government of Canada Yield**" on any date means, in respect of the Series 2018-2 Subordinated Notes being redeemed, the yield from the redemption date to the Par Call Date compounded semi-annually and calculated in accordance with generally accepted Canadian financial practice, which a non-callable Government of Canada bond would carry if issued in Canadian dollars in Canada at 100% of its principal amount on such date with a term to maturity equal to the remaining term to the Par Call Date (calculated from the date of redemption), such yield being the average of the yields provided by two major Canadian investment dealers specified by the Issuer.

APPENDIX 2

PRINCIPAL ACCUMULATION AMOUNTS AND PAYMENT DATES

Payment Date	Principal Accumulation Amount
June 15, 2037	C$25,490,166.67
July 15, 2037	C$25,490,166.67
August 15, 2037	C$25,490,166.67
September 15, 2037	C$25,490,166.67
October 15, 2037	C$25,490,166.67
November 15, 2037	C$25,490,166.67
December 15, 2037	C$25,490,166.67
January 15, 2038	C$25,490,166.67
February 15, 2038	C$25,490,166.67
March 15, 2038	C$25,490,166.67
April 15, 2038	C$25,490,166.67
May 15, 2038	C$25,490,166.63

SCHEDULE C

SERIES 2018-2 JUNIOR SUBORDINATED NOTES TERM SHEET	
Principal Amount	Unlimited but initially C$78,431,000
Interest Rate	4.214% per annum (the "Series 2018-2 Junior Subordinated Interest Rate")
Interest Payments	The "Interest Payment Dates" for the Series 2018-2 Junior Subordinated Notes are as follows: (i) prior to the occurrence of an Amortization Event (as defined below), interest on the Series 2018-2 Junior Subordinated Notes shall be payable in equal semi-annual instalments (except the first interest payment) in arrears on May 15 and November 15 of each year, commencing May 15, 2018 (short first coupon); and (ii) following the occurrence of an Amortization Event, interest will be payable in arrears on the outstanding principal amount of the Series 2018-2 Junior Subordinated Notes on each Payment Date (as defined in the Master Trust Indenture dated December 21, 2017 between the Issuer and BNY Trust Company of Canada, as supplemented (the "MTI")) thereafter at a rate equal to the monthly equivalent of the Series 2018-2 Junior Subordinated Interest Rate; that is, the interest rate that, when compounded monthly for six months on a stated outstanding principal amount, yields interest in an amount equal to the Series 2018-2 Junior Subordinated Interest Rate, multiplied by such outstanding principal amount and divided by two. The first interest payment on the Series 2018-2 Junior Subordinated Notes will include accrued and unpaid interest for the period from, and including, April 24, 2018 to, but excluding, the first Interest Payment Date. Subject to the occurrence of an Acceleration Event (as defined below), the first interest payment will be in an amount equal to C$2.424493.15 per C$1,000 principal amount of Series 2018-2 Junior Subordinated Notes. "Amortization Event" means either an Acceleration Event has occurred with respect to the Series 2018-2 Junior Subordinated Notes, or the outstanding principal amount of the Series 2018-2 Junior Subordinated Notes has not been paid in full on May 15, 2038. "Acceleration Event" means either (i) all Issuer Funding Obligations are declared due and payable in accordance with the provisions of the MTI, or (ii) the outstanding principal amount of the Series 2018-2 Junior Subordinated Notes and all interest thereon is declared due and payable in accordance with the MTI as a result of the occurrence of certain events of default.
Issue Price	C$1,000 per C$1,000 principal amount of Series 2018-2 Junior Subordinated Notes
Fees	N/A
Term to Maturity	20 years
Amortization	Subject to the occurrence of an Acceleration Event, the outstanding principal amount of the Series 2018-2 Junior Subordinated Notes shall be due and payable on May 15, 2038. Following the occurrence of an Amortization Event, each Payment Date thereafter shall be a Principal Payment Date (as defined in the MTI) in respect of the Series 2018-2 Junior Subordinated Notes and the then outstanding principal amount of the Series 2018-2 Junior Subordinated Notes shall be due and payable on each such Payment Date. A failure to pay principal on May 15, 2038 for the Series 2018-2 Junior Subordinated Notes will constitute an event of default upon the occurrence of which the holders of Series 2018-2 Junior Subordinated Notes may declare the outstanding principal and all accrued and unpaid interest on the Series 2018-2 Junior Subordinated Notes to be immediately due and payable. Subject to the occurrence of an Amortization Event, the Series 2018-2 Junior Subordinated Notes shall have the Principal Accumulation Amounts for the Payment Dates specified in Appendix 3 hereto.
Extension	N/A
Redemption	The Series 2018-2 Junior Subordinated Notes will be redeemable at the option of the Issuer, in whole or in part, at any time and from time to time, on not less than 15 nor more than 60 days' notice at the redemption price specified below. At any time prior to the Par Call Date (as defined below), the redemption price will be equal to the greater of (i) the Series 2018-2 Canada Yield Price (as defined below) and (ii) par, plus, in each case, accrued and unpaid interest to, but not including, the date of redemption. On or after the Par Call Date, the redemption price will be equal to par, plus accrued and unpaid interest to, but not including, the date of redemption. "Par Call Date" means November 15, 2037. "Series 2018-2 Canada Yield Price" means a price equal to the price of the Series 2018-2 Junior Subordinated Notes calculated to provide a yield to the Par Call Date, compounded semi-annually and calculated in accordance with generally accepted Canadian financial practice, equal to the Government of Canada Yield (as defined below) calculated at 10:00 a.m. (Toronto time) on the third business day preceding the date of redemption, plus 0.440% per annum. "Government of Canada Yield" on any date means, in respect of the Series 2018-2 Junior Subordinated Notes being redeemed, the yield from the redemption date to the Par Call Date compounded semi-annually and calculated in accordance with generally accepted Canadian financial practice, which a non-callable Government of Canada bond would carry if issued in Canadian dollars in Canada at 100% of its principal amount on such date with a term to maturity equal to the remaining term to the Par Call Date (calculated from the date of redemption), such yield being the average of the yields provided by two major Canadian investment dealers specified by the Issuer.

APPENDIX 3

PRINCIPAL ACCUMULATION AMOUNTS AND PAYMENT DATES

Payment Date	Principal Accumulation Amount
June 15, 2037	C$6,535,916.67
July 15, 2037	C$6,535,916.67
August 15, 2037	C$6,535,916.67
September 15, 2037	C$6,535,916.67
October 15, 2037	C$6,535,916.67
November 15, 2037	C$6,535,916.67
December 15, 2037	C$6,535,916.67
January 15, 2038	C$6,535,916.67
February 15, 2038	C$6,535,916.67
March 15, 2038	C$6,535,916.67
April 15, 2038	C$6,535,916.67
May 15, 2038	C$6,535,916.63

SCHEDULE D

AGENCY AGREEMENT TERMS	
Appointment	The Issuer appoints the Agents to act as its sole and exclusive agents to effect the solicitation and private placement of Series 2018-2 Senior Notes to "accredited investors", as such term is defined under applicable securities laws, in the Provinces of Canada (the "Offering").
Fees	In consideration of the services provided to the Issuer by the Agents, the Issuer agrees to pay the Agents a fee equal to 0.55% of the aggregate principal amount of Series 2018-2 Senior Notes sold in the Offering.
Representations and Warranties	Representations and warranties in favour of the Agents from each of the Issuer and OPG customary for a private placement of notes, including representations that the disclosure document used in connection with the Offering does not contain a "misrepresentation", as such term is defined under applicable securities laws.
Conditions to Closing	As conditions to the closing of the Offering, the Issuer must provide, or arrange to have provided, certain standard certificates, legal opinions and other deliverables to the Agents.
Termination	The Agents have customary rights to terminate their obligations on the occurrence of certain events, including legal or other proceedings resulting in a material adverse change, a material adverse change in respect of the Issuer and financial disasters.
Indemnity	Each of the Issuer and OPG provides an indemnity to each of the Agents for any losses resulting from, among other things, breaches of representations, warranties and covenants, breaches of securities laws or a "misrepresentation" in the disclosure document used in connection with the Offering.

SPECIAL PRINCIPAL PAYMENT DATE AGREEMENT (2018-2)
(Senior Warehouse Supplemental Indenture)

Reference is made to:

(a) the Trust Indenture dated as of December 21, 2017 (the "**Trust Indenture**") between Computershare Trust Company of Canada in its capacity as trustee of Fair Hydro Trust and BNY Trust Company of Canada, as indenture trustee;

(b) the Warehouse Senior Series 2017-1 Supplemental Indenture (the "**Senior Warehouse Supplemental Indenture**") made as of December 21, 2017 between the undersigned signatories to this Special Principal Payment Date Agreement;

(c) an expected issuance on or about April 24, 2018 of Senior Notes bearing the full designation "3.52% Senior Notes due May 15, 2038, Series 2018-2" pursuant to a new Supplemental Indenture to be entered into (the "**Expected Term Issuance**").

Terms with initial capital letters in this Special Principal Payment Date Agreement have the meanings given to them in, or for the purposes of, the Senior Warehouse Supplemental Indenture and the Trust Indenture.

The undersigned hereby agree as follows:

1. Notwithstanding the terms of the Senior Warehouse Supplemental Indenture, the date of issuance of the Senior Notes pursuant to the Expected Term Issuance (the "**Special Principal Payment Date**") will be a Principal Payment Date and a Decrease Date as such terms are defined under, and for the purposes of, the Senior Warehouse Supplemental Indenture.

2. Each of the Principal Payment Amount and the Decrease Amount for such Special Principal Payment Date shall be $400,000,000.

3. Proceeds of the Expected Term Issuance will be applied pursuant to the provisions of the Trust Indenture and the Senior Warehouse Supplemental Indenture to the payment of the Principal Payment Amount.

4. For greater certainty, it is acknowledged that the Special Principal Payment Date will not be an Interest Payment Date under the Senior Warehouse Supplemental Indenture and that accrued interest in respect of the principal amount of the Series 2017-1 Senior Notes repaid on the Special Principal Payment Date will be paid on the next Payment Date.

5. Notwithstanding Section 3.4(a) of the Senior Warehouse Supplemental Indenture, the Decrease Notice in respect of the Decrease occurring on the Special Principal Payment Date may be delivered no later than the second Business Day prior to the Special Principal Payment Date.

6. This Special Principal Payment Date Agreement applies only to the proceeds of the Expected Term Issuance and shall not be relied upon to complete any other repayment of principal of Series 2017-1 Senior Notes. If the Special Principal Payment Date has not

occurred by May 15, 2018 this Special Principal Payment Date Agreement shall cease to be of any force and effect.

7. Except as modified hereby, the provisions of the Senior Warehouse Supplemental Indenture remain in full force and effect unamended.

8. Each Series 2017-1 Senior Noteholder acknowledges and consents to the foregoing and directs the Indenture Trustee to enter into this Special Principal Payment Date Agreement.

[Signature Page Follows]

DATED this 20th day of April, 2018.

COMPUTERSHARE TRUST COMPANY OF CANADA, in its capacity as trustee of FAIR HYDRO TRUST, as Issuer by ONTARIO POWER GENERATION INC., not in its individual capacity but solely as Manager

By: _____
Name: Ken Hartwick
Title: Chief Financial Officer and Senior Vice President

By: _____
Name: John Lee
Title: Vice President – Treasurer

[Signature page to Special Principal Payment Date Agreement (2018-2) – Senior Warehouse]

S-2

BNY TRUST COMPANY OF CANADA, as Indenture Trustee

By: _____
Name: Ahmad Adam
Title: Vice-President

[Signature page to Special Principal Payment Date Agreement (2018-2) – Senior Warehouse]

ROYAL BANK OF CANADA, as Administrative Agent

By: _____
Name: Ian Benaiah
Title: Authorized Signatory

By: _____
Name:
Title: NUR KHAN
MANAGING DIRECTOR

CIBC MELLON TRUST COMPANY, in its capacity as trustee of **LAKESHORE TRUST**, by its Financial Services Agent, **ROYAL BANK OF CANADA**, as a CP Conduit Purchaser

By: _____
Name: Ian Benaiah
Title: Authorized Signatory

By: _____
Name:
Title: NUR KHAN
MANAGING DIRECTOR

ROYAL BANK OF CANADA, as a Group Bank

By: _____
Name: Ian Benaiah
Title: Authorized Signatory

By: _____
Name:
Title: NUR KHAN
MANAGING DIRECTOR

CANADIAN IMPERIAL BANK OF COMMERCE, as a Group Bank

By: _____
Name: Andrew Maciel
Title: Authorized Signatory

By: _____
Name: Sunil Adalja
Title: Authorized Signatory

COMPUTERSHARE TRUST COMPANY OF CANADA, in its capacity as trustee of **SOUND TRUST**, by its Financial Services Agent, **CANADIAN IMPERIAL BANK OF COMMERCE**, as a CP Conduit Purchaser

By: _____
Name: Andrew Maciel
Title: Authorized Signatory

By: _____
Name: Sunil Adalja
Title: Authorized Signatory

COMPUTERSHARE TRUST COMPANY OF CANADA, in its capacity as trustee of **SURE TRUST**, by its Financial Services Agent, **CANADIAN IMPERIAL BANK OF COMMERCE**, as a CP Conduit Purchaser

By: _____
Name: Andrew Maciel
Title: Authorized Signatory

By: _____
Name: Sunil Adalja
Title: Authorized Signatory

S-5

GOLDMAN SACHS BANK USA,
as a Non-Conduit Purchaser

By: _____
Name: Charles D. Johnston
Title: Authorized Signatory

By: _____
Name:
Title:

[Signature page to Special Principal Payment Date Agreement (2018-2) – Senior Warehouse]

SPECIAL PRINCIPAL PAYMENT DATE AGREEMENT (2018-2)
(Subordinated Warehouse Supplemental Indenture)

Reference is made to:

(a) the Trust Indenture dated as of December 21, 2017 (the "**Trust Indenture**") between Computershare Trust Company of Canada in its capacity as trustee of Fair Hydro Trust and BNY Trust Company of Canada, as indenture trustee;

(b) the Warehouse Subordinated Series 2017-1 Supplemental Indenture (the "**Subordinated Warehouse Supplemental Indenture**") made as of December 21, 2017 between the undersigned signatories to this Special Principal Payment Date Agreement;

(c) an expected issuance on or about April 24, 2018 of Subordinated Notes bearing the full designation "3.834% Subordinated Notes due May 15, 2038, Series 2018-2" pursuant to a new Supplemental Indenture to be entered into (the "**Expected Term Issuance**").

Terms with initial capital letters in this Special Principal Payment Date Agreement have the meanings given to them in, or for the purposes of, the Senior Warehouse Supplemental Indenture and the Trust Indenture.

The undersigned hereby agree as follows:

1. Notwithstanding the terms of the Subordinated Warehouse Supplemental Indenture, the date of issuance of the Subordinated Notes pursuant to the Expected Term Issuance (the "**Special Principal Payment Date**") will be a Principal Payment Date and a Decrease Date as such terms are defined under, and for the purposes of, the Subordinated Warehouse Supplemental Indenture.

2. Each of the Principal Payment Amount and the Decrease Amount for such Special Principal Payment Date shall be $305,882,000.

3. Proceeds of the Expected Term Issuance will be applied pursuant to the provisions of the Trust Indenture and the Subordinated Warehouse Supplemental Indenture to the payment of the Principal Payment Amount.

4. For greater certainty, it is acknowledged that the Special Principal Payment Date will not be an Interest Payment Date under the Subordinated Warehouse Supplemental Indenture and that accrued interest in respect of the principal amount of the Series 2017-1 Subordinated Notes repaid on the Special Principal Payment Date will be paid on the next Payment Date.

5. Notwithstanding Section 3.4 of the Subordinated Warehouse Supplemental Indenture, the Decrease Notice in respect of the Decrease occurring on the Special Principal Payment Date may be delivered no later than the second Business Day prior to the Special Principal Payment Date.

6. This Special Principal Payment Date Agreement applies only to the proceeds of the Expected Term Issuance and shall not be relied upon to complete any other repayment of principal of Series 2017-1 Subordinated Notes. If the Special Principal Payment Date has not occurred by May 15, 2018 this Special Principal Payment Date Agreement shall cease to be of any force and effect.

7. Except as modified hereby, the provisions of the Subordinated Warehouse Supplemental Indenture remain in full force and effect unamended.

8. Ontario Power Generation Inc. acknowledges and consents to the foregoing and directs the Indenture Trustee to enter into this Special Principal Payment Date Agreement.

[Signature Page Follows]

DATED this 20th day of April, 2018.

COMPUTERSHARE TRUST COMPANY OF CANADA, in its capacity as trustee of FAIR HYDRO TRUST, as Issuer by ONTARIO POWER GENERATION INC., not in its individual capacity but solely as Manager

By: _____
Name: Ken Hartwick
Title: Chief Financial Officer and Senior Vice President

By: _____
Name: John Lee
Title: Vice President - Treasurer

[Signature page to Special Principal Payment Date Agreement (2018-2) – Subordinated Warehouse]

BNY TRUST COMPANY OF CANADA, as Indenture Trustee

By: _____
Name: Ahmad Adam
Title: Vice-President

[Signature page to Special Principal Payment Date Agreement (2018-2) – Subordinated Warehouse]

ONTARIO POWER GENERATION INC.

By: _____
Name: Ken Hartwick
Title: Chief Financial Officer and Senior Vice President

By: _____
Name: John Lee
Title: Vice President – Treasurer

[Signature page to Special Principal Payment Date Agreement (2018-2) – Subordinated Warehouse]

SPECIAL PRINCIPAL PAYMENT DATE AGREEMENT (2018-2)
(Junior Subordinated Warehouse Supplemental Indenture)

Reference is made to:

(a) the Trust Indenture dated as of December 21, 2017 (the "**Trust Indenture**") between Computershare Trust Company of Canada in its capacity as trustee of Fair Hydro Trust and BNY Trust Company of Canada, as indenture trustee;

(b) the Warehouse Junior Subordinated Series 2017-1 Supplemental Indenture (the "**Junior Subordinated Warehouse Supplemental Indenture**") made as of December 21, 2017 between the undersigned signatories to this Special Principal Payment Date Agreement;

(c) an expected issuance on or about April 24, 2018 of Junior Subordinated Notes bearing the full designation "4.214% Junior Subordinated Notes due May 15, 2033, Series 2018-1" pursuant to a new Supplemental Indenture to be entered into (the "**Expected Term Issuance**").

Terms with initial capital letters in this Special Principal Payment Date Agreement have the meanings given to them in, or for the purposes of, the Senior Warehouse Supplemental Indenture and the Trust Indenture.

The undersigned hereby agree as follows:

1. Notwithstanding the terms of the Junior Subordinated Warehouse Supplemental Indenture, the date of issuance of the Junior Subordinated Notes pursuant to the Expected Term Issuance (the "**Special Principal Payment Date**") will be a Principal Payment Date and a Decrease Date as such terms are defined under, and for the purposes of, the Junior Subordinated Warehouse Supplemental Indenture.

2. Each of the Principal Payment Amount and the Decrease Amount for such Special Principal Payment Date shall be $78,431,000.

3. Proceeds of the Expected Term Issuance will be applied pursuant to the provisions of the Trust Indenture and the Junior Subordinated Warehouse Supplemental Indenture to the payment of the Principal Payment Amount.

4. For greater certainty, it is acknowledged that the Special Principal Payment Date will not be an Interest Payment Date under the Junior Subordinated Warehouse Supplemental Indenture and that accrued interest in respect of the principal amount of the Series 2017-1 Junior Subordinated Notes repaid on the Special Principal Payment Date will be paid on the next Payment Date.

5. Notwithstanding Section 3.4 of the Junior Subordinated Warehouse Supplemental Indenture, the Decrease Notice in respect of the Decrease occurring on the Special Principal Payment Date may be delivered no later than the second Business Day prior to the Special Principal Payment Date.

6. This Special Principal Payment Date Agreement applies only to the proceeds of the Expected Term Issuance and shall not be relied upon to complete any other repayment of principal of Series 2017-1 Junior Subordinated Notes. If the Special Principal Payment Date has not occurred by May 15, 2018 this Special Principal Payment Date Agreement shall cease to be of any force and effect.

7. Except as modified hereby, the provisions of the Junior Subordinated Warehouse Supplemental Indenture remain in full force and effect unamended.

8. Ontario Power Generation Inc. acknowledges and consents to the foregoing and directs the Indenture Trustee to enter into this Special Principal Payment Date Agreement.

[Signature Page Follows]

DATED this 20th day of April, 2018.

COMPUTERSHARE TRUST COMPANY OF CANADA, in its capacity as trustee of FAIR HYDRO TRUST, as Issuer by ONTARIO POWER GENERATION INC., not in its individual capacity but solely as Manager

By: _____
Name: Ken Hartwick
Title: Chief Financial Officer and Senior Vice President

By: _____
Name: John Lee
Title: Vice President - Treasurer

[Signature page to Special Principal Payment Date Agreement (2018-2) – Junior Subordinated Warehouse]

BNY TRUST COMPANY OF CANADA, as Indenture Trustee

By:

Name: Ahmad Adam
Title: Vice-President

[Signature page to Special Principal Payment Date Agreement(2018-2) – Junior Subordinated Warehouse]

ONTARIO POWER GENERATION INC.

By: _____
Name: Ken Hartwick
Title: Chief Financial Officer and
Senior Vice President

By: _____
Name: John Lee
Title: Vice President – Treasurer

[Signature page to Special Principal Payment Date Agreement (2018-2) – Junior Subordinated Warehouse]

From:	Sarah Harris
To:	William Tan; Tobias P. Whitfield (MOF)
Cc:	Opal Kandelas
Subject:	FW: IESO $2B Credit Facility - Minister"s Directive
Date:	Thursday, June 29, 2017 3:55:21 PM
Attachments:	Minister Directive for IESO Credit Facility Approval.pdf

Hi Gents,

The signed directive is attached.

Sarah

From: Salman Qadir
Sent: Thursday, June 29, 2017 2:48 PM
To: Lisa Stein <Lisa.Stein@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: IESO $2B Credit Facility - Minister's Directive

Hi Lisa,

The Minister of Finance approved the Minister's Directive for the OFA to lend to the IESO for up to $2 billion for FHP. Attached is the electronic copy. Do I provide the original to you or to Joan?

Thank you again for your help with this,
Salman

Ontario

Ministry of Finance

Approval Form

General Information

Item	Deputy Minister's Office Contact (Last Name, First Name)
IESO FAP Credit Facility	Tekle, Jonathan
Division **Corporate and Electricity Finance**	Branch Electricity Finance Branch
Date Prepared (yyyy/mm/dd) 2017/06/27	Prepared By (Last Name, First Name) He, Gavin
Minister's Approval Required ☑ Yes ☐ No	Date Approval Required (yyyy/mm/dd)
	Return To (Last Name, First Name) He, Gavin

Description

The IESO has requested a revolving credit facility from the OFA to support its role in the implementation and participation of the Ontario Fair Hydro Plan.

Standard Approval

Title	Name (Last Name, First Name)	Signature	Date (yyyy/mm/dd)
Manager	Amara, Bruno		2017/06/27
Director	Kim, John		2017/06/28
Assistant Deputy Minister	Kwan, Rowena		2017/06/28
Chief Executive Officer	Murgman, Gord		2017/06/29
Associate Deputy Minister			
Deputy Minister			

Supplemental Approvals

Area	Name (Last Name, First Name)	Signature	Date (yyyy/mm/dd)
Corporate Services FIN	Hanslep, Malle		2017/06/28
Legal Services OFA	Stein, Lis		2017/06/28
Communication Services			

Comments

Deputy Minister's Office Tracking

File Name	File Location

Key Words

DIRECTIVE

MINISTER OF FINANCE

INDEPENDENT ELECTRICITY SYSTEM OPERATOR CREDIT FACILITY

To: Ontario Financing Authority ("OFA")

Whereas:

Under the *Capital Investment Plan Act, 1993* ("CIPA"), the OFA provides financing to public bodies as directed by the Minister of Finance.

The Independent Electricity System Operator ("IESO"), a public body for the purposes of CIPA, has requested funding from the OFA to support the IESO's role in the implementation and administration of the *Ontario Fair Hydro Plan Act, 2017* (the "OFHP").

In order to fulfil the Province's commitments under the OFHP, it is desirable for the Minister of Finance to provide direction to the OFA to provide a revolving credit facility for the purposes of providing short to medium term financing related to the OFHP.

Therefore:

Pursuant to sub-section 16(2) of CIPA, the OFA is directed to lend to the IESO under a revolving credit facility (the "Line of Credit") for the purpose of short to medium term financing related to the IESO's implementation of the OFHP, an aggregate principal amount of up to CAD $2 billion.

The Line of Credit shall be subject to the following terms:

- The Line of Credit shall be evidenced by an agreement between the IESO and the OFA containing terms and conditions consistent with this Directive (the "Credit Agreement").

- Interest on the Line of Credit shall be payable at a rate equal to the Province's cost of funds based on the terms of the Credit Agreement, and as determined by the Chief Executive Officer of the OFA or the Assistant Deputy Minister, Corporate and Electricity Finance Division, OFA, or a person designated by either of them, plus a twenty-five (25) basis point spread.

../2

- All amounts outstanding under the Line of Credit shall be repaid in full on or before the date no later than September 30, 2022.

- The Line of Credit shall be subject to such other terms as the OFA deems appropriate from time to time.

Dated: JUN 2 9 2017

Charles Sousa
Minister of Finance

From: Sujeev Jegatheeswaran
To: Documentation
Subject: FW: IESO $2B Credit Facility - Notice for May 18
Date: Thursday, May 17, 2018 3:24:03 PM
Attachments: FH rollover notice with advance.pdf

FYI.

Thanks,

Sujeev

From: Olga Whiteley [mailto:Olga.Whiteley@ieso.ca]
Sent: Wednesday, May 16, 2018 9:08 AM
To: CASHP <CASHP@ofina.on.ca>; SETTLEMENT <SETTLEMENT@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>; Ricky Lai <Ricky.Lai@ofina.on.ca>
Cc: Anthony Martinello <Anthony.Martinello@ieso.ca>
Subject: IESO $2B Credit Facility - Notice for May 18

Please see attached notice for May 18 regarding IESO's $2B facility for the Fair Hydro Program.

Thanks.

Olga Whiteley | Treasury and Pension Operations
Independent Electricity System Operator (IESO) | T: (905) 403-6917 | F: (905) 403-6913
Station A, Box 4474, Toronto, ON M5W 4E5
Web: www.ieso.ca[ieso.ca] | Email: olga.whiteley@ieso.ca

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

ieso
Connecting Today.
Powering Tomorrow.

Independent Electricity System Operator
Station A, Box 4474
Toronto, ON M5W 4E5
t 905.403.6900
www.ieso.ca

SCHEDULE 2
ELECTION NOTICE

May 16, 2018

Ontario Financing Authority ("OFA")
1 Dundas Street West, Suite 1400
Toronto, Ontario
M7A 1Y7
Delivered Via Email: CASHP@ofina.on.ca

Attention: Cash Management

Dear Sirs:

I. ELECTION NOTICE

The undersigned, the Independent Electricity System Operator ("IESO"), refers to the Revolving Credit Facility Agreement between the IESO and the OFA dated November 21, 2017 (as amended, supplemented or restated from time to time, the "Agreement", the terms defined therein being used herein as therein defined), and gives you notice pursuant to Section 3.3 of the Agreement that the IESO elects to continue for an additional term all or a portion of an Advance or a Continued Advance, as the case may be, and in connection with such election sets forth below the information relating to such election as required by Section 3.3(2) of the Agreement:

(a) The date of the proposed election, being a Business Day (being the Current Repayment Date) is **May 18, 2018.**
(b) The aggregate amount of the proposed Continued Advance is **$852,203.09**, which is comprised of:
i. principal amount of Advance which is to be continued **$852,203.09**; and
ii. accrued interest on Advance which will not be paid on or before the Current Repayment Date **$0.00**;
(c) The IESO will pay on the Current Repayment Date the following amount with respect to the Advance (if any): **$0.00**;
(d) The New Repayment Date, being a Business Day, applicable to such proposed Continued Advance is **June 20, 2018**. [Insert date not earlier than 5 days and not later than 95 days after the current Repayment Date for the Advance.]

IESO confirms it will also be paying interest in the amount of **$993.69**.

Such election shall be confirmed by IESO by a telephone call to OFA Cash Management at 416-325-8108.

II. BORROWING NOTICE [to be included if applicable]

The IESO gives you notice pursuant to Section 3.3(3) of the Agreement that the IESO requests a further Advance under the Agreement on the Current Repayment Date, with a Repayment Date of the New Repayment Date as specified above, and in connection with such request, sets forth below the information relating to such Advance (the "Proposed Advance"):

Amount of the Proposed Advance: **$255,748,186.14**

The total aggregate amount of the proposed Continued Advance and Proposed Advance pursuant to this Notice is: **$256,600,389.23**

Such request of the Proposed Advance shall be confirmed by the IESO by a telephone call to OFA Cash Management at 416-325-8108.

Use of Funds

The IESO hereby certifies that the funds comprising the Proposed Advance requested pursuant to this Notice, if any, will be used for the following purpose(s): **This transaction relates to the Fair Hydro Program**.

The IESO hereby certifies that:

The representations and warranties of the IESO contained in the Agreement are true and correct as at the date hereof.

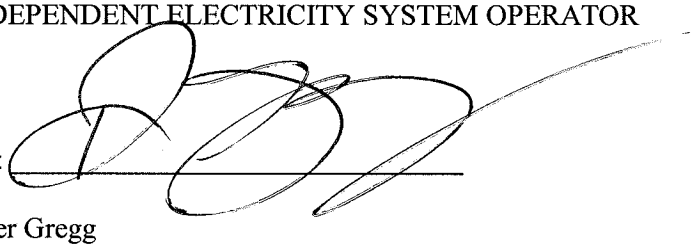
No Event of Default has occurred or is continuing and no event or condition has occurred, which, with the lapse of time or the giving of notice or both would constitute an Event of Default.

The IESO has complied or is complying with all terms, covenants and conditions contained in the Agreement.

Any and all funds received under the Agreement are being used solely as authorized under the Agreement and are not being used for any other purpose.

Yours truly,

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

Per: 

Peter Gregg
President & CEO

From:	Sujeev Jegatheeswaran
To:	Documentation
Subject:	FW: IESO $475M Credit Facility - Notice for May 18
Date:	Thursday, May 17, 2018 3:23:44 PM
Attachments:	RRRP rollover notice with advance.pdf

FYI.

Thanks,

Sujeev

From: Olga Whiteley [mailto:Olga.Whiteley@ieso.ca]
Sent: Wednesday, May 16, 2018 9:06 AM
To: CASHP <CASHP@ofina.on.ca>; SETTLEMENT <SETTLEMENT@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>; Ricky Lai <Ricky.Lai@ofina.on.ca>
Cc: Anthony Martinello <Anthony.Martinello@ieso.ca>
Subject: IESO $475M Credit Facility - Notice for May 18

See attached notice for May 18 regarding IESO's $475million facility for the RRRP Loan.

Thanks.

Olga Whiteley | Treasury and Pension Operations
Independent Electricity System Operator (IESO) | T: (905) 403-6917 | F: (905) 403-6913
Station A, Box 4474, Toronto, ON M5W 4E5
Web: www.ieso.ca[ieso.ca] | Email: olga.whiteley@ieso.ca

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

ieso
Connecting Today.
Powering Tomorrow.

Independent Electricity System Operator
Station A, Box 4474
Toronto, ON M5W 4E5
t 905 403.6900
www.ieso.ca

SCHEDULE 2 TO AMENDING AGREEMENT NO. 10
ELECTION NOTICE

May 16, 2018

Ontario Financing Authority ("OFA")
1 Dundas Street West, Suite 1400
Toronto, Ontario
M7A 1Y7
Delivered Via Email: CASHP@ofina.on.ca

Attention: Cash Management

Dear Sirs:

I. ELECTION NOTICE

The undersigned, the Independent Electricity System Operator ("IESO"), refers to the credit agreement between the IESO and the OFA dated January 1, 2005 (as amended, supplemented or restated from time to time, the "Agreement", the terms defined therein being used herein as therein defined), and gives you notice pursuant to Section 3.3 of the Agreement that the IESO elects to continue for an additional term all or a portion of an Advance or a Continued Advance, as the case may be, and in connection with such election sets forth below the information relating to such election as required by Section 3.3(2) of the Agreement:

(a) The date of the proposed election, being a Business Day (being the Current Repayment Date) is **May 18, 2018**;
(b) The aggregate amount of the proposed Continued Advance is **$14,118,028.50**, which is comprised of:
   i. principal amount of Advance which is to be continued **$14,118,028.50**; and
   ii. accrued interest on Advance which will not be paid on or before the Current Repayment Date **$0.00**;
(c) The IESO will pay on the Current Repayment Date the following amount with respect to the Advance (if any): **$0.00**;
(d) The New Repayment Date, being a Business Day, applicable to such proposed Continued Advance is **June 20, 2018**. [Insert date no earlier than 28 days and not later than 95 days after the Current Repayment Date for the Advance].

IESO confirms it will also be paying interest in the amount of **$16,462.01**.

Such election shall be confirmed by the IESO by a telephone call to OFA Cash Management at 416-325-8108.

II. BORROWING NOTICE [to be included if applicable]

The IESO gives you notice pursuant to Section 3.3(3) of the Agreement that the IESO requests a further Advance under the Agreement on the Current Repayment Date, with a Repayment Date of the New Repayment Date as specified above, and in connection with such request, sets forth below the information relating to such Advance (the "Proposed Advance"):

Amount of the Proposed Advance: **$838,764.93**

The total aggregate amount of the proposed Continued Advance and Proposed Advance pursuant to this Notice is: **$14,956,793.43**

Such request of the Proposed Advance shall be confirmed by the IESO by a telephone call to OFA Cash Management at 416-325-8108.

Use of Funds

The IESO hereby certifies that the funds comprising the Proposed Advance requested pursuant to this Notice, if any, will be used for the following purpose(s): **This transaction relates to the settlement of the Rural or Remote Electricity Rate Protection (RRRP) variance.**

The IESO hereby certifies that:

The representations and warranties of the IESO contained in the Agreement are true and correct as at the date hereof.

No Event of Default has occurred or is continuing and no event or condition has occurred, which, with the lapse of time or the giving of notice or both would constitute an Event of Default.

The IESO has complied or is complying with all terms, covenants and conditions contained in the Agreement.

Any and all funds received under the Agreement are being used solely as authorized under the Agreement and are not being used for any other purpose.

Yours truly,

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

Per: _____

Peter Gregg
President & CEO

From:	Carlos Yep
To:	Opal Kandelas
Subject:	FW: IESO $975M Credit Facility (RPP Loan) - Notice for Jul 21/17
Date:	Wednesday, July 26, 2017 1:52:14 PM
Attachments:	Rollover Notice with advance.pdf ATT00001.htm

---

fyi

From: Carlos Yep
Sent: Tuesday, July 18, 2017 4:40 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Bruno Amara <Bruno.Amara@ofina.on.ca>; David Peters <David.Peters@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>
Subject: FW: IESO $975M Credit Facility (RPP Loan) - Notice for Jul 21/17

John,
IESO has requested $246,567,897.99 for July 21 under RPP
I will be inputting a rollover of $109,986,030.30 and new advance of $136,581,867.69
Regards
Carlos

From: Nurudin Kaba
Sent: Tuesday, July 18, 2017 3:53 PM
To: Carlos Yep <Carlos.Yep@ofina.on.ca>
Cc: SETTLEMENT <SETTLEMENT@ofina.on.ca>
Subject: Fwd: IESO $975M Credit Facility (RPP Loan) - Notice for Jul 21/17

FYI

Begin forwarded message:

> **From:** Olga Whiteley <Olga.Whiteley@ieso.ca>
> **Date:** July 18, 2017 at 2:47:01 PM EDT
> **To:** CASHP <CASHP@ofina.on.ca>, SETTLEMENT <SETTLEMENT@ofina.on.ca>
> **Cc:** Anthony Martinello <Anthony.Martinello@ieso.ca>
> **Subject: IESO $975M Credit Facility (RPP Loan) - Notice for Jul 21/17**
>
> See attached notice for July 21, 2017 regarding IESO's $975million facility for the RPP Loan.
>
> Please send the funds to IESO RPP account:
>
> Beneficiary: Independent Electricity System Operator - RPP
> Bank: TD Bank
> Bank ID: 0004

Transit Number: 10202
Account Number: 5509622

Thanks,

Olga Whiteley | Treasury and Pension Operations
Independent Electricity System Operator (IESO) | T: (905) 403-6917 | F: (905) 403-6913
Station A, Box 4474, Toronto, ON M5W 4E5
Web: www.ieso.ca[ieso.ca] | Email: olga.whiteley@ieso.ca

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

ieso
Connecting Today.
Powering Tomorrow.

Independent Electricity System Operator
Station A, Box 4474
Toronto, ON M5W 4E5
t 905.403.6900
www.ieso.ca

SCHEDULE 2
FORM OF ELECTION NOTICE*

Date: July 19, 2017

Ontario Financing Authority ("OFA")
1 Dundas Street West, Suite 1400
Toronto, Ontario
M7AIY7

Attention: Cash Management

Dear Sirs:

The undersigned, the Independent Electricity System Operator ("**IESO**"), refers to the credit agreement between the IESO and the OFA dated January 1, 2005 (as amended, supplemented or restated from time to time, the" **Agreement**", the terms defined therein being used herein as therein defined), and gives you notice pursuant to Section 3.3 of the Agreement that the IESO elects to continue all or a portion of an Advance for an additional term, and in that connection with such election, sets forth below the information relating to such election as required by Section 3.3(2) of the Agreement:

(a) The date of the proposed election, being a Business Day is July 21, 2017
(b) The aggregate amount of the new loan is $246,567,897.99
    i. previous principal amount: $109,986,030.30
    ii. advance: $136,581,867.69
(c) The new Repayment Date applicable to such Advance is August 21, 2017

IESO confirms it will also be paying interest in the amount of $73,796.11.
This transaction relates to the settlement of the Regulated Price Plan (RPP) variance.

Such election shall be confirmed by the IESO by a telephone call to OFA Cash· Management (416) 325-8108.

The IESO hereby certifies that:

The representations and warranties of the IESO contained in the Agreement are true and correct as at the date hereof.

No Event of Default has occurred or is continuing and no event or condition has occurred, which, with the lapse of time or the giving of notice or both would constitute an Event of Default.

The IESO has complied or is complying with all terms, covenants and conditions contained in the Agreement.

Any and all funds received under the Agreement are being used solely as authorized under the Agreement, and are not being used for any other purpose.

Yours truly,
INDEPENDENT ELECTRICITY SYSTEM OPERATOR

Per: K Marshall

Kimberly Marshall
VP Corporate Services, CFO and Treasurer

From:	Carlos Yep
To:	Opal Kandelas
Subject:	FW: IESO $975M Credit Facility (RRRP Loan) - Notice for July 21/17
Date:	Wednesday, July 26, 2017 1:55:09 PM
Attachments:	Rollover Notice with advance.pdf ATT00001.htm

FYI

From: Carlos Yep
Sent: Tuesday, July 18, 2017 4:40 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Bruno Amara <Bruno.Amara@ofina.on.ca>; David Peters <David.Peters@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>
Subject: FW: IESO $975M Credit Facility (RRRP Loan) - Notice for July 21/17

John,
IESO has requested $6,629,013.88 for July 21 under RRRP
I will be inputting 2 rollovers totalling $4,397,101.10 and new advance of $2,231,912.78
Regards
Carlos

From: Nurudin Kaba
Sent: Tuesday, July 18, 2017 3:52 PM
To: Carlos Yep <Carlos.Yep@ofina.on.ca>
Cc: SETTLEMENT <SETTLEMENT@ofina.on.ca>
Subject: Fwd: IESO $975M Credit Facility (RRRP Loan) - Notice for July 21/17

FYI

Begin forwarded message:

> **From:** Olga Whiteley <Olga.Whiteley@ieso.ca>
> **Date:** July 18, 2017 at 2:58:08 PM EDT
> **To:** CASHP <CASHP@ofina.on.ca>, SETTLEMENT <SETTLEMENT@ofina.on.ca>
> **Cc:** Anthony Martinello <Anthony.Martinello@ieso.ca>
> **Subject: IESO $975M Credit Facility (RRRP Loan) - Notice for July 21/17**
>
> See attached notice for July 21, 2017 regarding IESO's $975million facility for the RRRP Loan.
>
> Please send the funds to IESO RRRP account:
>
> Beneficiary: Independent Electricity System Operator - RRRP
> Bank: TD Bank

Bank ID: 0004
Transit Number: 10202
Account Number: 5500617

Thanks.

Olga Whiteley | Treasury and Pension Operations
Independent Electricity System Operator (IESO) | T: (905) 403-6917 | F: (905) 403-6913
Station A, Box 4474, Toronto, ON M5W 4E5
Web: www.ieso.ca[ieso.ca] | Email: olga.whiteley@ieso.ca

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

ieso
Connecting Today.
Powering Tomorrow.

Independent Electricity System Operator
Station A, Box 4474
Toronto, ON M5W 4E5
t 905.403.6900
www.ieso.ca

SCHEDULE 2
FORM OF ELECTION NOTICE*

Date: July 19, 2017

Ontario Financing Authority ("OFA")
1 Dundas Street West, Suite 1400
Toronto, Ontario
M7AIY7

Attention: Cash Management

Dear Sirs:

The undersigned, the Independent Electricity System Operator ("**IESO**"), refers to the credit agreement between the IESO and the OFA dated January 1, 2005 (as amended, supplemented or restated from time to time, the" **Agreement**", the terms defined therein being used herein as therein defined), and gives you notice pursuant to Section 3.3 of the Agreement that the IESO elects to continue all or a portion of an Advance for an additional term, and in that connection with such election, sets forth below the information relating to such election as required by Section 3.3(2) of the Agreement:

(a) The date of the proposed election, being a Business Day is July 21, 2017
(b) The aggregate amount of the new loan is $6,629,013.88
    i. previous principal amount: $4,397,101.10
    ii. advance: $2,231,912.78
(c) The new Repayment Date applicable to such Advance is August 21, 2017

IESO confirms it will also be paying interest in the amount of $2,950.27. This transaction relates to the settlement of the Rural or Remote Electricity Rate Protection (RRRP) variance.

Such election shall be confirmed by the IESO by a telephone call to OFA Cash· Management (416) 325-8108.

The IESO hereby certifies that:

The representations and warranties of the IESO contained in the Agreement are true and correct as at the date hereof.

No Event of Default has occurred or is continuing and no event or condition has occurred, which, with the lapse of time or the giving of notice or both would constitute an Event of Default.

The IESO has complied or is complying with all terms, covenants and conditions contained in the Agreement.

Any and all funds received under the Agreement are being used solely as authorized under the Agreement, and are not being used for any other purpose.

Yours truly,
INDEPENDENT ELECTRICITY SYSTEM OPERATOR

Per: K Marshall

Kimberly Marshall
VP Corporate Services, CFO and Treasurer

From: Sarah Harris
To: Opal Kandelas
Cc: Lisa Stein
Subject: FW: IESO - OEFC Nov 27
Date: Monday, November 27, 2017 3:01:32 PM

Hi Opal,

Anthony is reaching out to provide drafts of the agreements. While we have started to work on them here, we haven't received word on final sign-off from Ron/Gadi. Any word?

I'm cc'ing Lisa, as she also wasn't cc'd on IESO's request.

Thanks,
Sarah

From: Jean-Francois Beaupre
Sent: Monday, November 27, 2017 2:55 PM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Subject: FW: IESO - OEFC Nov 27

Hi Sarah,

Do we have sign-off on the final briefing note and/or authorization to proceed?

Thanks,
J-F

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Monday, November 27, 2017 2:50 PM
To: Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Victor Buza <Victor.Buza@ieso.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: IESO - OEFC Nov 27

Ryan – are you able to send over draft documents for our review? I understand that we may start to work on them now.

Regards.

From: Anthony Martinello
Sent: November 07, 2017 4:07 PM

To: 'Ryan.Blackbyrne@ofina.on.ca'
Cc: 'Jean-Francois.Beaupre@ofina.on.ca'; William Tan; John Kim; Victor Buza
Subject: IESO - OEFC Nov 7

Ryan,

As discussed with Will today, I understand you will be co-ordinating the proposed 2 amendments to the existing IESO-OEFC credit facilities.

For starters, there are no expected changes being asked to the existing agreement's key business content (e.g. amounts, dates, interest, notices etc.), rather given that IESO-OFA have just finished two new agreements pertaining to the new fair hydro program, ….I suggest we just copy and paste the salient sections from these agreements that would now be relevant to the OEFC agreements for fair hydro namely;

1.DRAFT
The definition of "Permitted Liens" is amended by deleting the word "and" at the end of subsection (xx); replacing the "." at the end of subsection (xx) and replacing it with "; and" ; and adding the following subsection (xx):
"(xx) any Lien arising from the IESO's role and obligations under the OFHP, including with respect to any amount received or receivable by the IESO (such as, without limitation, amounts received or receivable in respect of the Clean Energy Adjustment), or any other lien, whether arising from the action or inaction of IESO, that is created in connection with the OFHP."

2.DRAFT
The OFA agreements had required an intercept provision, …..not sure if the same applies to OEFC if yes:

"Section 5.7 Intercept
(a) The IESO hereby acknowledges that, in accordance with the terms of the letter agreement of November 6th , 2017 herewith entered between the Ministry of Energy, the IESO and the OFA made pursuant to Section 23 of the Capital Investment Plan Act, 1993 (the "Intercept Letter"), the Minister of Finance is entitled to deduct only from those monies appropriated by the Legislature for payment through the Ministry of Energy to the IESO ("Appropriated Funds"), amounts equal to any amounts that the IESO fails to pay to the OFA on account of indebtedness under this Agreement. On the occurrence of an Event of Default relating to a failure by IESO to pay when due any amounts owing hereunder, subject to the OFA's compliance with any relevant provisions hereof and as set out in the Intercept Letter, the Minister of Finance is irrevocably authorized to deduct from the Appropriated Funds amounts equal to any amounts that the IESO has failed to pay to the OFA in accordance with the provisions of this Agreement and to pay such amounts directly to the OFA ("Intercept").
(b) If, after following the process specified in the Intercept Letter (including, without limitation, allowing for a reasonable cure period on the terms specified therein), the OFA determines that it is necessary to request the Minister of Finance to exercise the Intercept, the OFA will give written notice to the Minister of Finance, with a copy to the Ministry of Energy, detailing the IESO's failure to pay when due any amounts owing hereunder and requesting the deduction from the Appropriated Funds of amounts equal to the amounts that the IESO has failed to pay to the OFA under this

Agreement.
(c) The IESO agrees that any notice from the OFA to the Minister of Finance in relation to this section 5.7 (Intercept) may be relied upon by the Minister of Finance without further inquiry or verification by the Minister of Finance and, upon receipt of such notice, an amount equal to the amount that the IESO has failed to pay when due to the OFA on account of indebtedness under this Agreement shall be deducted from the Appropriated Funds and paid to the OFA.
(d) For further certainty, the OFA acknowledges and agrees that the Intercept as provided for herein and in the Intercept Letter shall not apply with respect to any funds appropriated by the Legislature for payment to the IESO through ministries other than the Ministry of Energy or through Ontario Climate Change Solutions Deployment Corporation.
The parties agree that, with respect to the exercise of the Intercept generally, the terms of this section 5.7 shall be applied consistently with the terms set out in the Intercept Letter which shall apply in full. Notwithstanding the foregoing, in the event of a conflict or inconsistency between the terms and conditions of the Intercept Letter and the terms and conditions contained in this Agreement, the terms and conditions contained in this Agreement shall prevail."

3.
If any… other relevant updates that make sense to do now……I do not anticipate any material ones.

We need your support to expedite the above in order to avoid delays in the Fair Hydro implementation.
Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

From: Opal Kandelas
To: Sarah Harris
Subject: FW: IESO - OEFC Nov 7
Date: Wednesday, November 08, 2017 8:23:43 AM

Hi Sarah,

Got your voicemail. I think Will explained below the chain of events. Given his explanation, I don't think further follow up is needed. All seems fine.

Opal.

From: John Kim
Sent: Tuesday, November 07, 2017 4:42 PM
To: William Tan <William.Tan@ofina.on.ca>
Cc: Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: IESO - OEFC Nov 7

Hi William,

Gavin will coordinate. Wait to hear from him.

John

From: William Tan
Sent: Tuesday, November 07, 2017 4:39 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: IESO - OEFC Nov 7

Hello John,

I agree that you were to speak with IESO this afternoon and we would hear from you afterwards. Anthony called me this afternoon and provided required changes to the existing credit facilities. We did not get into specific details. He did not mention if he spoke with Electricity Finance and I didn't ask him if he had contacted Electricity Finance either. I only stated that Ryan will be coordinating the update to the credit facilities and provide required changes in email. It was a very brief call. After you have discussed the proposed changes with IESO please schedule a convenient time for you to meet with Ryan, Jean-Francois and I.

Thanks,

Will

From: John Kim
Sent: Tuesday, November 07, 2017 4:15 PM
To: Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: IESO - OEFC Nov 7

Hi there,

I thought Sarah asked us to touch base with IESO on the policy side of things before you were going to talk to them on implementation?

John

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Tuesday, November 07, 2017 4:07 PM
To: Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Victor Buza <Victor.Buza@ieso.ca>
Subject: IESO - OEFC Nov 7

Ryan,

As discussed with Will today, I understand you will be co-ordinating the proposed 2 amendments to the existing IESO-OEFC credit facilities.

For starters, there are no expected changes being asked to the existing agreement's key business content (e.g. amounts, dates, interest, notices etc.), rather given that IESO-OFA have just finished two new agreements pertaining to the new fair hydro program, ….I suggest we just copy and paste the salient sections from these agreements that would now be relevant to the OEFC agreements for fair hydro namely;

1.DRAFT
The definition of "Permitted Liens" is amended by deleting the word "and" at the end of subsection (xx); replacing the "." at the end of subsection (xx) and replacing it with "; and" ; and adding the following subsection (xx):
"(xx) any Lien arising from the IESO's role and obligations under the OFHP, including with respect to any amount received or receivable by the IESO (such as, without limitation, amounts received or receivable in respect of the Clean Energy Adjustment), or any other lien, whether arising from the

action or inaction of IESO, that is created in connection with the OFHP."

2.DRAFT

The OFA agreements had required an intercept provision, …..not sure if the same applies to OEFC if yes:

"Section 5.7 Intercept

(a) The IESO hereby acknowledges that, in accordance with the terms of the letter agreement of November 6th , 2017 herewith entered between the Ministry of Energy, the IESO and the OFA made pursuant to Section 23 of the Capital Investment Plan Act, 1993 (the "Intercept Letter"), the Minister of Finance is entitled to deduct only from those monies appropriated by the Legislature for payment through the Ministry of Energy to the IESO ("Appropriated Funds"), amounts equal to any amounts that the IESO fails to pay to the OFA on account of indebtedness under this Agreement. On the occurrence of an Event of Default relating to a failure by IESO to pay when due any amounts owing hereunder, subject to the OFA's compliance with any relevant provisions hereof and as set out in the Intercept Letter, the Minister of Finance is irrevocably authorized to deduct from the Appropriated Funds amounts equal to any amounts that the IESO has failed to pay to the OFA in accordance with the provisions of this Agreement and to pay such amounts directly to the OFA ("Intercept").

(b) If, after following the process specified in the Intercept Letter (including, without limitation, allowing for a reasonable cure period on the terms specified therein), the OFA determines that it is necessary to request the Minister of Finance to exercise the Intercept, the OFA will give written notice to the Minister of Finance, with a copy to the Ministry of Energy, detailing the IESO's failure to pay when due any amounts owing hereunder and requesting the deduction from the Appropriated Funds of amounts equal to the amounts that the IESO has failed to pay to the OFA under this Agreement.

(c) The IESO agrees that any notice from the OFA to the Minister of Finance in relation to this section 5.7 (Intercept) may be relied upon by the Minister of Finance without further inquiry or verification by the Minister of Finance and, upon receipt of such notice, an amount equal to the amount that the IESO has failed to pay when due to the OFA on account of indebtedness under this Agreement shall be deducted from the Appropriated Funds and paid to the OFA.

(d) For further certainty, the OFA acknowledges and agrees that the Intercept as provided for herein and in the Intercept Letter shall not apply with respect to any funds appropriated by the Legislature for payment to the IESO through ministries other than the Ministry of Energy or through Ontario Climate Change Solutions Deployment Corporation.

The parties agree that, with respect to the exercise of the Intercept generally, the terms of this section 5.7 shall be applied consistently with the terms set out in the Intercept Letter which shall apply in full. Notwithstanding the foregoing, in the event of a conflict or inconsistency between the terms and conditions of the Intercept Letter and the terms and conditions contained in this Agreement, the terms and conditions contained in this Agreement shall prevail."

3.

If any… other relevant updates that make sense to do now……I do not anticipate any material ones.

We need your support to expedite the above in order to avoid delays in the Fair Hydro implementation.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

From:	John Kim
To:	Tobias P. Whitfield (MOF)
Cc:	Malle Hanslep (MOF); Opal Kandelas; Gavin He
Subject:	FW: IESO - OEFC credit facilities : permitted liens
Date:	Tuesday, November 21, 2017 11:02:25 AM
Attachments:	reg 207-17 seal.pdf

Fyi,

From: Lightbody, Ava (ENERGY) [mailto:Ava.Lightbody@ontario.ca]
Sent: Tuesday, November 21, 2017 10:24 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Tim Christie (ENERGY) <Tim.Christie@ontario.ca>; Daniel Cayley (ENERGY) <Daniel.Cayley@ontario.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Good morning John,

I understand you are looking to review a copy of the amendments to 206/17. Attached is the sealed regulation that went to LRC yesterday. Please let me know if you have any questions or concerns.

Thanks,

Ava

---------- Forwarded message ----------
From: "**John Kim**" <John.Kim@ofina.on.ca>
Date: Tue, Nov 21, 2017 at 10:08 AM -0500
Subject: RE: IESO - OEFC credit facilities : permitted liens
To: "Christie, Tim (ENERGY)" <Tim.Christie@ontario.ca>

Could you share the amendments?

-----Original Message-----
From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
Sent: Tuesday, November 21, 2017 10:06 AM
To: John Kim
Subject: Re: IESO - OEFC credit facilities : permitted liens

Amendments to 206/17 went to LRC yesterday, but they don't speak to amounts payable.

On Tue, Nov 21, 2017 at 10:04 AM -0500, "John Kim" <john.kim@ofina.on.ca> wrote:

Hi Tim,

Do you have the draft regulation as related to the CEA and how much is to be payable in each period, etc? Essentially, any draft regulation or changes to the O.Reg 206/17?

John

From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
Sent: Monday, November 20, 2017 10:46 AM
To: John Kim
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi John, yes the security issue came up in the Thursday morning meetings and we understand that the proposed solution is necessary to meeting financing requirements.

Tim

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: November-20-17 10:18 AM
To: Christie, Tim (ENERGY)
Subject: FW: IESO - OEFC credit facilities : permitted liens

Hi Tim,

This was the item....I wanted to run it by you that Energy had looked at the item and that it was aware of the discussion between the organizations.

Thanks,

John

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Friday, November 17, 2017 5:09 PM
To: John Kim <john.kim@ofina.on.ca>
Cc: Victor Buza <victor.buza@ieso.ca>; Gavin He <gavin.he@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

John - as discussed see attached most recent (likely final) security agreement (Nov 7th).

Let me know if you wish to discuss - this draft makes references to end date of June 2021 and the statute. Regards

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: November 15, 2017 7:26 AM
To: Anthony Martinello
Cc: Victor Buza; Gavin He
Subject: RE: IESO - OEFC credit facilities : permitted liens

Thanks Anthony. If we have follow up, we will reach out to you.

John

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Wednesday, November 15, 2017 6:49 AM
To: John Kim <john.kim@ofina.on.ca>
Cc: Victor Buza <victor.buza@ieso.ca>
Subject: IESO - OEFC credit facilities : permitted liens

John,

As discussed yesterday, it likely is best to add to the definition of "Permitted Liens" in the two OEFC facilities to address a) IESO granting security to the OPG Trust during the first 4 years of fair hydro program and b) the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently

in default.

Happy to discuss further. I am out of the office most of this week on IESO business matters but available by cell 289-795-9426, or if necessary you may connect with Victor.

Regards.
This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

_____

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.
</victor.buza@ieso.ca</john.kim@ofina.on.ca</gavin.he@ofina.on.ca</victor.buza@ieso.ca</john.kim@ofina.on.ca</john.kim@ofina.on.ca

Office of
Legislative Counsel

Suite 3600, Whitney Block
99 Wellesley Street West
Queen's Park
Toronto Ontario M7A 1A2

Tel (416) 326-2841
Fax (416) 326-2806

Bureau des
conseillers législatifs

Bureau 3600, Édifice Whitney
99, rue Wellesley ouest
Queen's Park
Toronto (Ontario) M7A 1A2

Tél. (416) 326-2841
Télécopieur (416) 326-2806

Ontario

Date : November 9, 2017

Re : ENE
Proposed regulation under the Ontario Fair Hydro Plan Act, 2017
Amending - O. Reg. 206/17
GENERAL
reg2017.0628.e05

This proposed regulation has been sealed under the authority of the Registrar of Regulations.

REGISTRAR OF REGULATIONS

Ontario

Executive Council
Conseil exécutif

Order in Council
Décret

On the recommendation of the undersigned, the Lieutenant Governor, by and with the advice and concurrence of the Executive Council, orders that:

Sur la recommandation de la personne soussignée, la lieutenante-gouverneure, sur l'avis et avec le consentement du Conseil exécutif, décrète ce qui suit :

the appended Regulation be made under the

Ontario Fair Hydro Plan Act, 2017.

Recommended _____
Minister of Energy

Concurred _____
Chair of Cabinet

Approved and Ordered _____
Date

_____
Lieutenant Governor

R.O.C./Décret (R)

Date : November 9, 2017

Re : ENE
Proposed regulation under the Ontario Fair Hydro Plan Act, 2017
Amending - O. Reg. 206/17
GENERAL
Reg2017.0628.e05

This appended regulation has been sealed under the authority of the Registrar of Regulations.

Authority Verified
Compétence vérifiée _____

Recommended by the Management Board of Cabinet on
Recommandé par le Conseil de gestion du gouvernement le _____

Please print name
Nom en lettres moulées s.v.p. _____

Secretary
Secrétaire _____

Telephone
Téléphone _____

CONFIDENTIAL **REG2017.0628.e**
Until filed with the **5-TP**
Registrar of Regulations

ONTARIO REGULATION

made under the

ONTARIO FAIR HYDRO PLAN ACT, 2017

Amending O. Reg. 206/17

(GENERAL)

1. (1) Subsection 1 (1) of Ontario Regulation 206/17 is amended by adding the following definition:

"acceleration of a funding obligation" means,

(a) a portion of the principal amount owing in respect of the funding obligation has become due and payable by a financing entity before the scheduled payment date, maturity date or redemption date, or

(b) a party to a derivative agreement in respect of the funding obligation has elected to close-out or terminate the agreement, resulting in an obligation on a financing entity to pay a termination amount, close-out amount or similar amount;

(2) Paragraph 2 of the definition of "readjustment amount" in subsection 1 (2) of the Regulation is amended by striking out "exceeds the fair allocation amount" and substituting "exceeds the absolute value of the fair allocation amount".

2. (1) Subsection 5 (1) of the Regulation is amended by adding "and section 6.1" after "subsection (2)" in the portion before paragraph 1.

(2) Subparagraph 2 ii of subsection 5 (1) of the Regulation is revoked and the following substituted:

ii. For any period before May 1, 2021, amounts received during the period in respect of funding rebates and carrying costs.

ii.1 For any period on and after May 1, 2021, amounts received during the period in respect of funding rebates.

3. Subsection 6 (3) of the Regulation is amended by adding "Subject to section 6.1" at the beginning.

4. The Regulation is amended by adding the following section:

Acceleration

6.1 (1) Despite the acceleration of a funding obligation at any time, the Financial Services Manager shall, for the purposes of determining the clean energy adjustment and the true up amount under section 15 of the Act, determine the estimated finance amount and the true up amount as if no acceleration had occurred.

(2) If the application of subsection (1) results in the estimated finance amount being less than what it would have otherwise been, the Financial Services Manager shall add an additional amount to the estimated finance amount determined under subsection (1), which additional amount shall be calculated as follows:

1. Estimate the sum of amounts that constitute the clean energy adjustment for each month during the reference period, determined in accordance with subsection (1).

2. Estimate the sum of amounts that would have, in the absence of subsection (1), constituted the clean energy adjustment for each month during the reference period.

3. Determine the lesser amount of the following:

    i. The sum estimated under paragraph 2.

    ii. The fair allocation amount for the reference period.

4. Determine the amount, if any, by which the amount determined under paragraph 3 exceeds the sum estimated under paragraph 1.

5. (1) Subsection 14 (2) of the Regulation is amended by adding the following paragraph:

3. Subject to subsection (2.1), if the fair allocation amount in respect of the reference period is either a negative amount or an amount that is less than the carrying costs of financing entities during the reference period, the Financial Services Manager may include all or a portion of the carrying costs in clean energy adjustments to be collected from specified consumers for the reference period.

(2) Section 14 of the Regulation is amended by adding the following subsection:

(2.1) Paragraph 3 of subsection (2) does not apply in respect of the carrying costs of financing entities that are paid by the IESO under section 9.1.

Commencement

6. This Regulation comes into force on the day it is filed.

From:	John Kim
To:	Mike Manning
Cc:	Opal Kandelas
Subject:	FW: IESO - OEFC credit facilities : permitted liens
Date:	Monday, November 20, 2017 10:58:34 AM
Attachments:	RE IESO - OEFC credit facilities permitted liens.msg RE IESO - OEFC credit facilities permitted liens.msg

Hi Mike,

Pls. see attached.

Thanks,

John

From: Christie, Tim (ENERGY) [mailto:Tim.Christie@ontario.ca]
Sent: Monday, November 20, 2017 10:46 AM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi John, yes the security issue came up in the Thursday morning meetings and we understand that the proposed solution is necessary to meeting financing requirements.

Tim

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: November-20-17 10:18 AM
To: Christie, Tim (ENERGY)
Subject: FW: IESO - OEFC credit facilities : permitted liens

Hi Tim,

This was the item….I wanted to run it by you that Energy had looked at the item and that it was aware of the discussion between the organizations.

Thanks,

John

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Friday, November 17, 2017 5:09 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

th

John – as discussed see attached most recent (likely final) security agreement (Nov 7).

Let me know if you wish to discuss – this draft makes references to end date of June 2021 and the statute. Regards

---

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: November 15, 2017 7:26 AM
To: Anthony Martinello
Cc: Victor Buza; Gavin He
Subject: RE: IESO - OEFC credit facilities : permitted liens

Thanks Anthony. If we have follow up, we will reach out to you.

John

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Wednesday, November 15, 2017 6:49 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>
Subject: IESO - OEFC credit facilities : permitted liens

John,

As discussed yesterday, it likely is best to add to the definition of "Permitted Liens" in the two OEFC facilities to address a) IESO granting security to the OPG Trust during the first 4 years of fair hydro program and b) the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

Happy to discuss further. I am out of the office most of this week on IESO business matters but available by cell 289-795-9426, or if necessary you may connect with Victor.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From: Anthony Martinello [Anthony.Martinello@ieso.ca]
To: John Kim [John.Kim@ofina.on.ca]
CC: Victor Buza [Victor.Buza@ieso.ca]; Gavin He [Gavin.He@ofina.on.ca]
Subject: RE: IESO - OEFC credit facilities : permitted liens
Date: Friday, November 17, 2017 18:09:25
Attachment 1: IESO Security Agreement (November 7th Rating Agency Draft).docx

---

John – as discussed see attached most recent (likely final) security agreement (Nov 7th).

Let me know if you wish to discuss – this draft makes references to end date of June 2021 and the statute. Regards

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: November 15, 2017 7:26 AM
To: Anthony Martinello
Cc: Victor Buza; Gavin He
Subject: RE: IESO - OEFC credit facilities : permitted liens

Thanks Anthony. If we have follow up, we will reach out to you.

John

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Wednesday, November 15, 2017 6:49 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>
Subject: IESO - OEFC credit facilities : permitted liens

John,

As discussed yesterday, it likely is best to add to the definition of "Permitted Liens" in the two OEFC facilities to address a) IESO granting security to the OPG Trust during the first 4 years of fair hydro program and b) the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

Happy to discuss further. I am out of the office most of this week on IESO business matters but available by cell 289-795-9426, or if necessary you may connect with Victor.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

Draft Date: November 7, 2017

SECURITY AGREEMENT

THIS AGREEMENT made as of the ____ day of _____, 2017,

BETWEEN:

INDEPENDENT ELECTRICITY SYSTEM OPERATOR, a statutory corporation without share capital established by the *Electricity Act, 1998*, SO, 1998,

(hereinafter referred to as the "**Grantor**"),

IN FAVOUR OF:

[FINANCING ENTITY], a trust formed under the laws of the Province of Ontario,

(hereinafter referred to as the "**Secured Party**"),

WHEREAS under Regulation 206/17 made under the *Ontario Fair Hydro Plan Act, 2017* (the "**Regulation**"), the Grantor is required to pay to the Secured Party the Carrying Costs of the Secured Party during the period beginning on April 1, 2017 and ending on June 30, 2021 (the "**Statutory Obligation**");

AND WHEREAS the Grantor (together with the Secured Party, collectively referred to as the "**Parties**") has agreed to enter into a security agreement in favour of the Secured Party to secure payment of the Statutory Obligation;

NOW THEREFORE THIS AGREEMENT WITNESSES that, for and in consideration of the premises, mutual covenants and conditions herein contained and such other lawful and valuable consideration the receipt of sufficiency of which is hereby acknowledged, the Parties hereby agree as follows:

1. INTERPRETATION

1.1 Defined Terms

In this Agreement, unless there is something in the context or subject matter inconsistent therewith,

(a) "**Account**" shall have the meaning attributed to such term in the PPSA;

(b) "**Business Day**" means any day other than a Saturday or a Sunday on which banks generally are open for business in Toronto, Ontario;

(c) "**Carrying Costs**" shall have the meaning attributed to the term "carrying costs" in the Regulation;

(d) "**Collateral**" shall have the meaning attributed to such term in Section 2.1;

(e) **"Electricity Vendor"** shall mean a licensed distributor and a licensed retailer, each as defined in the Ontario Fair Hydro Act.

(f) "**Money**" shall have the meaning attributed to such term in the PPSA;

(g) "**Permitted Liens**" means liens approved in writing by the Secured Party;

(h) "**PPSA**" means the *Personal Property Security Act* (Ontario), as amended from time to time, and any regulations thereto;

(i) "**Proceeds**" means "proceeds", as defined in the PPSA, of the Collateral;

(j) **"Receiver"** shall have the meaning attributed to such term in Section 6.2 of this Agreement;

(k) "**Regulation**" shall have the meaning attributed to such term in the recitals hereto;

(l) "**Statutory Obligation**" shall have the meaning attributed to such term in the recitals hereto.

1.2 Other Usages

References to "this Agreement", "hereof", "herein", "hereto" and like references refer to this Security Agreement and not to any particular Article, Section or other subdivision of this Agreement.

1.3 Plural and Singular

Where the context so requires, the words importing the singular number shall include the plural and vice versa.

1.4 Headings

The division of this Agreement into Articles and Sections and the insertion of headings in this Agreement are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

1.5 Applicable Law

This Agreement and all documents delivered pursuant hereto shall be governed by and construed and interpreted in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein and the Parties do hereby attorn to the non-exclusive jurisdiction of the courts of the Province of Ontario.

1.6 Prohibited Provisions

In the event that any provision or any part of any provision hereof is deemed to be invalid by reason of the operation of any law or by reason of the interpretation placed thereon by a court,

this Agreement shall be construed as not containing such provision or such part of such provision and the invalidity of such provision or such part shall not affect the validity of any other provision or the remainder of such provision hereof, and all other provisions hereof which are otherwise lawful and valid shall remain in full force and effect.

1.7 Time of the Essence

Time shall in all respects be of the essence of this Agreement.

1.8 Recitals and Schedules

Each and every one of the recitals and schedules which are referred to in this Agreement and attached to this Agreement shall form an integral part of this Agreement.

2. SECURITY INTEREST

2.1 Grant of Security Interest

As general and continuing security for the payment of the Statutory Obligation, the Grantor hereby grants a security interest to the Secured Party in the following (collectively, the "**Collateral**"):

(a) all Accounts, which are now due, owing or accruing or growing due to, or which may hereafter become due, owing or accruing or growing due, to the Grantor by an Electricity Vendor;

(b) all Proceeds and renewals of the foregoing, in whatever form, together with all substitutions therefore.

Whenever used elsewhere in this Agreement, the expression "**security interest**" refers to the security interest created in this Section 2.1.

2.2 Attachment of Security Interest

The Grantor acknowledges and agrees that (i) value has been given, (ii) the Grantor has rights in such of the Collateral as constitutes present property of the Grantor, and (iii) the security interest shall attach to existing Collateral upon execution of this Agreement by the Grantor and to each item of after-acquired Collateral at the time that the Grantor acquires any rights therein.

3. COVENANTS OF THE GRANTOR

3.1 Covenants

The Grantor hereby covenants and agrees with the Secured Party as follows:

(a) To promptly pay all taxes, assessments, rates, levies, payroll deductions, vacation pay, workers' compensation assessments, and any other charges which could result in the creation of a statutory lien or deemed trust in respect of the Collateral.

(b) To defend the Collateral against the claims and demands of all other persons claiming the same or an interest therein and to promptly notify the Secured Party of any such claim or demand.

(c) To do, make, execute and deliver such further and other assignments, transfers, deeds, agreements and other documents as may be required by the Secured Party to establish in favour of the Secured Party the security interest intended to be created hereby.

3.2 Performance of Covenants by the Secured Party

The Secured Party may, in its sole discretion and upon notice to and at the expense of the Grantor, perform any covenant of the Grantor under this Agreement that the Grantor fails to perform and that the Secured Party is capable of performing, provided that the Secured Party will not be obligated to perform any such covenant on behalf of the Grantor and no such performance by the Secured Party will require the Secured Party further to perform the Grantor's covenants nor operate as a derogation of the rights and remedies of the Secured Party under this Agreement.

4. DEALING WITH COLLATERAL

4.1 Grantor's Rights

Until the Secured Party is entitled to exercise its rights and remedies under Section 6.2, the Grantor shall be entitled to deal with the Collateral in the ordinary course of business, provided however, that no such action shall be taken which would impair the effectiveness of the security interests created hereby, the provisions of this Agreement or any other written agreement between the Secured Party and the Grantor.

4.2 General Restrictions

The Grantor shall not, without the prior written consent of the Secured Party:

(a) sell, lease or otherwise dispose of the Collateral or any part thereof except in the ordinary course of business; or

(b) enter into or grant, create, assume or suffer to exist any mortgage, charge, hypothec, assignment, pledge, lien or other security interest or encumbrance affecting any of the Collateral except the Permitted Liens.

4.3 Release by the Secured Party

The Secured Party may, at its discretion, at any time release from the security interest created by this Agreement any part or parts of the Collateral or any other security or any surety for the Statutory Obligation either with or without sufficient consideration therefor without thereby releasing any other part of the Collateral or any person from this Agreement.

5. REPRESENTATIONS AND WARRANTIES

5.1 Representations and Warranties

The Grantor hereby represents and warrants to the Secured Party, the matters set out below:

(a) **Incorporation and Qualifications** – The Grantor is a statutory corporation amalgamated under the laws of the Province of Ontario, with requisite power and authority to own its properties, to conduct its business as such properties are currently owned and such business is presently conducted by it, and to execute, deliver and carry out the terms of this Agreement.

(b) **Corporate Authority and Power** – The Grantor has the requisite power and authority to execute and deliver this Agreement and to carry out its terms. The execution, delivery and performance of all obligations under this Agreement have been duly authorized by all necessary action on the part of the Grantor under all applicable laws.

(c) **Non-Conflict** – Neither the execution nor the performance of this Agreement requires the approval of any regulatory agency having jurisdiction over the Grantor nor is this Agreement in contravention of or in conflict with the by-laws or resolutions of the directors or shareholders of the Grantor or of the provisions of any agreement to which the Grantor is a party or by which any of its property may be bound or of any statute, regulation, by-law, ordinance or other law, or to the best of its knowledge of any judgement, decree, award, ruling or order to which the Grantor or any of its property may be subject, other than approvals that have been obtained.

(d) **Ownership of Collateral Free of Liens** – The Grantor is the owner of or has rights in the existing Collateral free and clear of any liens other than Permitted Liens.

(e) **Grantor Information** – Schedule A sets forth (a) the Grantor's jurisdiction of incorporation, (b) the location of the Grantor's registered office and business operations and records, and (c) the Grantor's exact legal name (in English and French).

(f) **Enforceability** – This Agreement constitutes a valid and legally binding obligation of the Grantor enforceable against it in accordance with its terms, subject to general equitable principles, including the fact that the availability of equitable remedies, such as injunctive relief and specific performance, is in the discretion of the court.

5.2 Reliance and Survival

All representations and warranties of the Grantor made in this Agreement shall survive the execution and delivery of this Agreement and shall continue in full force and effect without time limit. The Secured Party shall be deemed to have relied upon each such representation and

warranty notwithstanding any investigation made by or on behalf of the Secured Party at any time.

6. ENFORCEMENT

6.1 Enforceability of Security

The security hereby constituted shall become enforceable only upon the failure of the Grantor to pay the Statutory Obligations when due, and then only to the extent of the Statutory Obligations not then paid when due. The Grantor acknowledges that it has no right in any circumstance to accelerate payment of the Statutory Obligations, to apply proceeds of Collateral on account of Statutory Obligations not yet due, or to reserve or hold proceeds of Collateral on account of Statutory Obligations not yet due.

6.2 Remedies

At any time that the security hereby constituted shall have become enforceable, the Secured Party may give notice of its intention to its exercise rights and remedies hereunder. At any time ten Business Days following the giving of such notice, and unless the amounts due and owing on account of the carrying Costs at the time of the Notice have been paid, the Secured Party shall have the following rights, powers and remedies:

(a) to appoint any person to be an agent or any person to be a receiver, manager or receiver and manager (herein called the "**Receiver**") of the Collateral and to remove any Receiver so appointed and to appoint another if the Secured Party so desires; it being agreed that any Receiver appointed pursuant to the provisions of this Agreement shall have all of the powers of the Secured Party hereunder;

(b) to make payments to parties having prior charges or encumbrances on the Collateral;

(c) to preserve, protect and maintain the Collateral;

(d) to enjoy and exercise all powers necessary or incidental to the performance of all functions provided for in this Agreement;

(e) to sell or dispose of all or any part of the Collateral whether by public or private sale or otherwise and on any terms so long as every aspect of the disposition is commercially reasonable, including without limitation, terms that provide time for payment on credit;

(f) to enjoy and exercise in respect of the Collateral all of the rights and remedies of a secured party under the PPSA;

(g) to notify the account debtors or obligors under any Accounts which constitute part of the Collateral of the assignment of such Accounts to the Secured Party and to direct such account debtors or obligors to make payment of all amounts due or to become due to the Grantor thereunder directly to the Secured Party and to give valid and binding receipts and discharges therefor and in respect thereof and,

upon such notification and at the expense of the Grantor, to enforce collection of any such Accounts, and to adjust, settle or compromise the amount or payment thereof, in the same manner and to the same extent as the Grantor might have done; and

(h) to commence, continue or defend proceedings in any court of competent jurisdiction in the name of the Secured Party, the Receiver or the Grantor for the purpose of exercising any of the rights, powers and remedies set out in this Section, including the institution of proceedings for the appointment of a receiver, manager or receiver and manager of the Collateral.

6.3 Special Rules re Accounts

At any time that the Secured Party is entitled to exercise its rights and remedies under Section 6.2,

(a) all Money or other form of payment received by the Grantor in respect of the Collateral shall be received in trust for the benefit of the Secured Party hereunder, shall be segregated from other funds of the Grantor and shall be forthwith paid over to the Secured Party in the same form as so received (with any necessary endorsement) to be held as cash collateral and applied as provided by Section 6.8; and

(b) the Grantor shall not adjust, settle or compromise the amount or payment of any Collateral.

6.4 Receiver as Agent

The Receiver shall be deemed to be the agent of the Grantor for the purpose of establishing liability for the acts or omissions of the Receiver and the Secured Party shall not be liable for such acts or omissions and, without restricting the generality of the foregoing, the Grantor hereby irrevocably authorizes the Secured Party to give instructions to the Receiver relating to the performance of its duties as set out herein.

6.5 Expenses of Enforcement

The Grantor shall pay to the Receiver the remuneration of the Receiver and all costs and expenses (including, without limitation, legal fees and disbursements on a full indemnity basis) properly incurred by the Receiver pursuant to its appointment and the exercise of its powers hereunder, and shall pay to the Secured Party and the Receiver as required all amounts of Money (including interest thereon) borrowed or advanced by either of them pursuant to the powers set out herein, and the obligations of the Grantor to the Secured Party and the Receiver pursuant to this Section 6.5 shall be payable on demand.

6.6 Indulgences and Releases

Either the Secured Party or the Receiver may grant extensions of time and other indulgences, take and give up securities, accept compositions, grant releases and discharges, release any part of the Collateral to third parties and otherwise deal with the Grantor, debtors of the Grantor,

sureties and others and with the Collateral and other security as the Secured Party or the Receiver may see fit without prejudice to the right of the Secured Party and the Receiver to repossess, hold, collect and realize the Collateral.

6.7 No Liability for Failure to Exercise Remedies

The Secured Party and the Receiver shall not be liable or accountable to the Grantor or to any other person for any failure to exercise any of the rights, powers and remedies set out in this Agreement, and shall not be bound to commence, continue or defend proceedings for the purpose of preserving or protecting any rights of the Secured Party, the Receiver, the Grantor or any other party in respect of the same.

6.8 Proceeds of Disposition

All Moneys received by the Secured Party or by the Receiver pursuant to Section 6.2 shall be promptly applied as follows:

(a) first, in payment of all costs and expenses incurred by the Secured Party in the exercise of all or any of the powers granted to it under this Agreement and in payment of all of the remuneration of the Receiver and all costs and expenses properly incurred by the Receiver in the exercise of all or any of the powers granted to it under this Agreement, including, without limitation, the remuneration, costs and expenses referred to in Section 6.5;

(b) second, in payment of all amounts of Money borrowed or advanced by either of the Secured Party or the Receiver pursuant to the powers set out in this Agreement and any interest thereon;

(c) third, in payment of the Statutory Obligation, provided that if there are not sufficient Moneys to fully pay and perform the Statutory Obligation, the Secured Party may apply the Moneys available to such part or parts thereof as the Secured Party, in its sole discretion, may determine; and

(d) fourth, in payment of any surplus in accordance with applicable law.

6.9 Grantor Liable for Deficiency

If the Moneys received by the Secured Party or the Receiver pursuant to Section 6.2 are not sufficient to pay the claims set out in Section 6.8, the Grantor shall immediately pay the Secured Party the amount of such deficiency.

6.10 Restriction on Grantor

Upon notification of the account debtors or obligors under any Accounts which constitute part of the Collateral of the assignment of such Accounts to the Secured Party or the appointment of a Receiver in respect of the Collateral, all the powers, functions, rights and privileges of the Grantor or any officer, director, servant or agent of the Grantor with respect to the Collateral shall, to the extent permitted by applicable law, be suspended unless specifically continued by the written consent of the Secured Party; however, all other powers, functions, rights and

privileges of the Grantor or any officer, director, servant or agent of the Grantor shall be unaffected by such events.

6.11 Rights Cumulative

All rights and remedies of the Secured Party set out in this Agreement shall be cumulative and no right or remedy contained herein is intended to be exclusive but each shall be in addition to every other right or remedy contained herein or in any existing or future security document or now or hereafter existing at law or in equity or by statute.

7. GENERAL

7.1 Waiver

Any default by the Grantor in the observance or performance of any covenant or condition required to be observed or performed by the Grantor hereunder, may only be waived by the Secured Party in writing, provided that no such waiver by the Secured Party shall extend to or be taken in any manner to affect any subsequent breach or default or the rights resulting therefrom.

7.2 The Secured Party as Attorney

At any time that the Secured Party is entitled to exercise its rights and remedies under Section 6.2, the Grantor hereby irrevocably appoints the Secured Party and any person further designated by the Secured Party to be the attorney of the Grantor for and in the name of the Grantor to execute and do any deeds, documents, transfers, demands, assignments, assurances, consents and things which the Grantor is obliged to sign, execute or do hereunder and, to commence, continue and defend any proceedings authorized to be taken hereunder and generally to use the name of the Grantor in the exercise of all or any of the powers hereby conferred on the Secured Party. These powers are coupled with an interest, have been given for valuable consideration (the receipt and adequacy of which is acknowledged), survive, and do not terminate upon, the bankruptcy, dissolution, winding up or insolvency of the Grantor, and are irrevocable until the Statutory Obligation has been satisfied in full and this Agreement is terminated and the security interest created herein has been released. This power of attorney extends to and is binding upon the Grantor's successors and permitted assigns. The Grantor authorizes the Secured Party to delegate in writing to another person any power and authority of the Secured Party under this power of attorney as may be necessary or desirable in the opinion of the Secured Party, and to revoke or suspend such delegation.

7.3 Further Assurances

The Grantor shall do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered, such further acts, deeds, mortgages, transfers and assurances as the Secured Party shall reasonably require for the better assuring, charging, assigning and conferring unto the Secured Party a security interest in the Collateral, or which the Grantor may hereafter become bound to charge in favour of the Secured Party, for the purpose of accomplishing and effecting the intention of this Agreement.

7.4 Amalgamation of the Grantor

The Grantor acknowledges and agrees that in the event that it amalgamates with any other persons, then (i) the Collateral and the security interest shall extend to and include all of the property and undertaking that any of the amalgamating corporations then owns, all of the property and undertaking that the amalgamated corporation thereafter acquires, all of the property and undertaking in which any of the amalgamating corporations then has any interest, and all of the property and undertaking in which the amalgamated corporation thereafter acquires any interest, and (ii) all references herein to the Grantor shall extend to and include the amalgamated corporation.

7.5 Continuing Security

The security interest constituted hereby shall be deemed to be a continuing security for the Statutory Obligation until the Statutory Obligation is paid and performed in full.

7.6 Notices

All notices and other communications provided for herein shall be in writing and shall be personally delivered to an officer or other responsible employee of the addressee or sent by facsimile, charges prepaid, at or to the applicable address or facsimile number, as the case may be, of the party set opposite its name below or at or to such other address or addresses or facsimile number or numbers as either party may from time to time designate to the other party in such manner. Any communication which is personally delivered as aforesaid shall be deemed to have been validly and effectively given on the date of such delivery if such date is a Business Day and such delivery was made during normal business hours of the recipient; otherwise, it shall be deemed to have been validly and effectively given on the Business Day next following such date of delivery. Any communication which is transmitted by facsimile as aforesaid shall be deemed to have been validly and effectively given on the date of transmission if such date is a Business Day and such transmission was made during normal business hours of the recipient; otherwise, it shall be deemed to have been validly and effectively given on the Business Day next following such date of transmission.

In the case of the Grantor:

Independent Electricity System Operator
[Address]

Attention: ■
Email: ■
Facsimile: ■

In the case of the Secured Party:

[Financing Entity]
c/o Ontario Power Generation Inc., as Manager
700 University Avenue
Toronto, Ontario
M5G 1X6

Attention: ■
Email: ■
Facsimile: ■

7.7 Assignment

The Secured Party may from time to time upon notice to, but without the consent of the Grantor, assign or transfer this Agreement to any other person. The Grantor shall not be entitled to assign or transfer this Agreement or any of the Grantor's rights, duties or obligations hereunder without the prior written consent of the Secured Party.

7.8 Successors and Assigns

This Agreement shall enure to the benefit of the Secured Party and its successors and assigns and shall be binding upon the Grantor and its successors and permitted assigns.

7.9 Amendments

This Agreement may not be amended or otherwise modified except by an instrument in writing executed by the Parties.

7.10 Entire Agreement

This Agreement and the agreements referred to herein and any document, agreement or instrument delivered pursuant to such agreements constitute the entire agreement between the Parties and supersede any prior agreements, undertakings, declarations, representations and undertakings, both written and verbal, in respect of the subject matter hereof.

7.11 Receipt of Agreement and Financing Statement.

The Grantor hereby acknowledges receipt of an executed copy of this Agreement and of the financing statement registered under the PPSA evidencing the security interest created hereby.

7.12 Counterpart

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which taken together shall be deemed to constitute one and the same instrument, and it shall not be necessary in making proof of this Agreement to produce or account for more than one such counterpart.

7.13 Delivery by Facsimile or Electronic Transmission

This Agreement may be executed and delivered by facsimile or electronic transmission and each of the Parties may rely on such facsimile or electronic signature as though such facsimile signature were an original signature.

[NEXT PAGE IS SIGNATURE PAGE]

IN WITNESS WHEREOF the Parties have duly executed this Agreement as of the date first written above.

[FINANCING ENTITY], by its Manager,
ONTARIO POWER GENERATION INC., as Secured Party

By: _____
Name:
Title:

By: _____
Name:
Title:

INDEPENDENT ELECTRICITY SYSTEM OPERATOR
as Grantor

By: _____
Name:
Title:

By: _____
Name:
Title:

SCHEDULE A

GRANTOR INFORMATION

1. **Grantor's exact legal name: Independent Electricity System Operator**

   ■ [French]

2. **Grantor's jurisdiction of incorporation: Ontario**

3. **Grantor's registered office address: ■**

4. **Location of Grantor's business operations and records: ■**

From: Anthony Martinello [Anthony.Martinello@ieso.ca]
To: John Kim [John.Kim@ofina.on.ca]
CC: Victor Buza [Victor.Buza@ieso.ca]; Gavin He [Gavin.He@ofina.on.ca]
Subject: RE: IESO - OEFC credit facilities : permitted liens
Date: Monday, November 20, 2017 11:21:53

John – the TD credit facility has "permitted lien" clause language similar to the OFA facilities' clauses specific for the fair hydro program.

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: November 20, 2017 10:19 AM
To: Anthony Martinello
Cc: Victor Buza; Gavin He
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi Anthony,

I found someone at Energy who is in the loop. Also, I know we talked on the phone last week but could you confirm that the same changes have been made with TD?

Thanks,

John

From: John Kim
Sent: Monday, November 20, 2017 8:56 AM
To: 'Anthony Martinello' <Anthony.Martinello@ieso.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi Anthony,

Would you have a sense of who at Energy is looped in on this agreement?

Thanks,

John

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Friday, November 17, 2017 5:09 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

John – as discussed see attached most recent (likely final) security agreement (Nov 7th).

Let me know if you wish to discuss – this draft makes references to end date of June 2021 and the statute. Regards

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: November 15, 2017 7:26 AM
To: Anthony Martinello
Cc: Victor Buza; Gavin He
Subject: RE: IESO - OEFC credit facilities : permitted liens

Thanks Anthony. If we have follow up, we will reach out to you.

John

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Wednesday, November 15, 2017 6:49 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>
Subject: IESO - OEFC credit facilities : permitted liens

John,

As discussed yesterday, it likely is best to add to the definition of "Permitted Liens" in the two OEFC facilities to address a) IESO granting security to the OPG Trust during the first 4 years of fair hydro program and b) the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

Happy to discuss further. I am out of the office most of this week on IESO business matters but available by cell 289-795-9426, or if necessary you may connect with Victor.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From: John Kim
To: Opal Kandelas
Subject: FW: IESO - OEFC credit facilities : permitted liens
Date: Thursday, November 16, 2017 4:46:40 PM

Hi Opal,

We will take it from here….we are used to drafting these things and will respect J-F's input but need to restructure the note a bit.

Thanks,

John

From: John Kim
Sent: Thursday, November 16, 2017 4:16 PM
To: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

H J-F,

I will reverse some of these edits as this is going into the policy realm and there are sensitivities that we need to be mindful of.

John

From: Jean-Francois Beaupre
Sent: Thursday, November 16, 2017 4:05 PM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: Re: IESO - OEFC credit facilities : permitted liens

Thanks Sarah, yes Opal will provide comments.

On Nov 16, 2017, at 4:02 PM, Sarah Harris <Sarah.Harris@ofina.on.ca> wrote:

> Hi JF,
>
> I only have one small edit on where FHP definition is introduced, otherwise looks good to me. Opal appears to be logged off for the day, but I expect she may take a look on

the Go Train.

Thanks,
Sarah

From: Jean-Francois Beaupre
Sent: Thursday, November 16, 2017 3:48 PM
To: Gavin He <Gavin.He@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: John Kim <John.Kim@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Dear all,

Please find attached for your review and consideration my suggested edits following our discussion. Happy to incorporate any additional comments you may have.

I did not cc OFA Legal on this draft.

Thanks,
J-F

From: Gavin He
Sent: Thursday, November 16, 2017 8:21 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi all,

We have confirmed with the IESO that the reason for their requested change to the definition of the “permitted liens” in the OEFC credit facility agreements are the same for the request to OFA. The IESO wants to be able to grant security to the OPG Trust, and address the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

We have drafted the attached BN for internal approval (Ron and Gadi) process. Could you please review and let us know if you have any concerns? It would be much appreciated if you could provide us your feedback around noon today, given the limited timeframe on this request.

This has been reviewed by Legal last night and I have incorporated the feedback from

Sarah N. (in Lisa's absence).

Please let me know if you have any questions.

Thanks,
Gavin He

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Wednesday, November 15, 2017 6:49 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>
Subject: IESO - OEFC credit facilities : permitted liens

John,

As discussed yesterday, it likely is best to add to the definition of "Permitted Liens" in the two OEFC facilities to address a) IESO granting security to the OPG Trust during the first 4 years of fair hydro program and b) the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

Happy to discuss further. I am out of the office most of this week on IESO business matters but available by cell 289-795-9426, or if necessary you may connect with Victor.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

<IESO-OEFC Note (Mark-up).docx>

From:	Sarah Harris
To:	Opal Kandelas; Jean-Francois Beaupre
Subject:	FW: IESO - OEFC credit facilities : permitted liens
Date:	Thursday, November 16, 2017 9:55:15 AM
Importance:	High

Opal and JF,

Are you available for quick call – just the three of us?

Thanks,
Sarah

From: Gavin He
Sent: Thursday, November 16, 2017 9:53 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi Sarah,

For the interest of time and also suggested by Sarah N., I am going to ask IESO to start working on a draft amendment and then share with us. Is it okay if I tell them that your team and Legal will be the lead contacts for updating the agreements?

Thanks,
Gavin He

From: Gavin He
Sent: Thursday, November 16, 2017 8:21 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi all,

We have confirmed with the IESO that the reason for their requested change to the definition of the "permitted liens" in the OEFC credit facility agreements are the same for the request to OFA. The IESO wants to be able to grant security to the OPG Trust, and address the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

We have drafted the attached BN for internal approval (Ron and Gadi) process. Could you please review and let us know if you have any concerns? It would be much appreciated if you could provide us your feedback around noon today, given the limited timeframe on this request.

This has been reviewed by Legal last night and I have incorporated the feedback from Sarah N. (in Lisa's absence).

Please let me know if you have any questions.

Thanks,
Gavin He

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Wednesday, November 15, 2017 6:49 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>
Subject: IESO - OEFC credit facilities : permitted liens

John,

As discussed yesterday, it likely is best to add to the definition of "Permitted Liens" in the two OEFC facilities to address a) IESO granting security to the OPG Trust during the first 4 years of fair hydro program and b) the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

Happy to discuss further. I am out of the office most of this week on IESO business matters but available by cell 289-795-9426, or if necessary you may connect with Victor.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

From: Sarah Harris
To: Opal Kandelas
Subject: FW: IESO - OEFC credit facilities : permitted liens
Date: Thursday, November 16, 2017 9:42:39 AM
Attachments: IESO-OEFC - FHP LoC_Nov 2017_v7.docx

HI Opal,

JF and I chatted and he is going to send me some comments on the note. In respect of OEFC, he still has concerns about the appropriateness and risk of exposure for OEFC, which I think has merit in pointing out. The OFA facilities make more sense to include FHP permitted liens which are more closely connected to FHP (although the 475m, now that is it reduced, is not being used for FHP purposes). He also mentioned the ability of the OFA to 'write off' loans (such as GM), which frankly I am not familiar with, since I was in Derivatives land at the time. OEFC may have a different risk/recourse profile, so that should be considered.

Once JF provides his comments, we can all discuss. All this being said, given the broader political initiative of carrying out the FHP and IESO's role in it, the OFA may be required to insert the changes in the OEFC agreements, but at least the risks will have been pointed out.

Sarah

From: Gavin He
Sent: Thursday, November 16, 2017 8:21 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi all,

We have confirmed with the IESO that the reason for their requested change to the definition of the "permitted liens" in the OEFC credit facility agreements are the same for the request to OFA. The IESO wants to be able to grant security to the OPG Trust, and address the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

We have drafted the attached BN for internal approval (Ron and Gadi) process. Could you please review and let us know if you have any concerns? It would be much appreciated if you could provide us your feedback around noon today, given the limited timeframe on this request.

This has been reviewed by Legal last night and I have incorporated the feedback from Sarah N. (in Lisa's absence).

Please let me know if you have any questions.

Thanks,
Gavin He

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Wednesday, November 15, 2017 6:49 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>
Subject: IESO - OEFC credit facilities : permitted liens

John,

As discussed yesterday, it likely is best to add to the definition of "Permitted Liens" in the two OEFC facilities to address a) IESO granting security to the OPG Trust during the first 4 years of fair hydro program and b) the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

Happy to discuss further. I am out of the office most of this week on IESO business matters but available by cell 289-795-9426, or if necessary you may connect with Victor.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

OEFC -- IESO CREDIT FACILITY AGREEMENT & THE PERMITTED LIENS

ISSUE

The Independent Electricity System Operator ("IESO") has requested OEFC to amend the existing credit facility agreements between OEFC and IESO (for $160M and $120M) to address the additional obligations the IESO is taking on under Ontario's Fair Hydro Plan.

CONTEXT

The Fair Hydro Plan will require the IESO and Ontario Power Generation (OPG) to work together to spread out the costs of Ontario's clean energy investments over a longer period of time, which ensures that the costs of these investments are allocated fairly among current and future ratepayers. This is being accomplished through refinancing a portion of the Global Adjustment (GA). The IESO and OPG are in a discussion to potentially grant the security/priority on IESO's assets to the OPG Trust for the period of the first four years of the GA deferral. The IESO will seek its Board approval on Nov 22, 2017 for the security agreement and this would be in conflict with OEFC's $160M and $120M credit facility agreements (the "OEFC Agreements") with the IESO without the requested amendments. Paragraph 4.7 – Negative Pledges – in both OEFC credit facility agreements does not allow IESO to grant such security/priority to the OPG Trust.

In order to address this issue, the IESO has requested OEFC to amend the definition of the "permitted liens" in both existing OEFC Agreements to include any liens related to the Fair Hydro Plan (FHP). Specifically, adding a clause in the existing OEFC Agreements that any lien related to OFHP will not be viewed as negative pledge by OEFC, so those liens can be used to secure the performance of IESO's obligations towards OPG. This would allow IESO to grant security to the OPG Trust during the first 4 years of implementing the GA deferral and also avoid the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want inadvertently to be in default.

To support IESO's role in the implementation and participation under the *Ontario Fair Hydro Plan Act, 2017* ("OFHP Act") in July 2017, the IESO had reached out to the Capital Market Division – Operations of the OFA to make the same request to the credit facility agreements with OFA in October. The OFA staff have recommended providing the requested amendments and amended the $475M and $2B credit facility agreements between OFA and the IESO on November 6th, 2017 (the "OFA Agreements"), as suggested by the IESO. One of the amendments to the agreement is to amend the definition of the permitted liens to include any lien arising from the IESO's role and obligations under the OFHP.

RECOMMENDATION

- To support IESO's role in the implementation and participation under the OFHP Act and also to be consistent with the approach OFA implemented , OFA staff are of the view that the exisiting OEFC Agreements require amendments to the permitted liens and negative covenant language to make it the same as, or very similar to, the language in the OFA Agreements that were signed recently.
- Although the OEFC credit facility is not used for OFHP's purpose, it is IESO's position that it wants to make such change to the definition of the permitted liens to make sure that the IESO is not inadvertently in default of its security obligations to OPG Trust ~~is still required in order for IESO to~~and meets its role and obligation under the OFHP Act.

BACKGROUND

- Currently, under the existing credit facility agreement between OEFC and the IESO, the definition of the "permitted liens" does not include any lien arising from the IESO's role and obligations under the OFHP, including with respect to any amount received or receivable by the IESO (such as, without limitation,

amounts received or receivable in respect of the Clean Energy Adjustment), or any other lien, whether arising from the action or inaction of IESO, that is created in connection with the OFHP.

- On November 6, 2017, OFA and IESO signed an updated OFA IESO credit facility agreement with respect to changes related to OFHP.

Electricity Finance Branch / Corporate and Electricity Finance Division / Ontario Financing Authority
November 15, 2017

From:	Sarah Harris
To:	Opal Kandelas
Subject:	FW: IESO - OEFC credit facilities : permitted liens
Date:	Thursday, November 16, 2017 8:33:18 AM
Attachments:	IESO-OEFC - FHP LoC_Nov 2017_v7.docx

From: Gavin He
Sent: Thursday, November 16, 2017 8:21 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi all,

We have confirmed with the IESO that the reason for their requested change to the definition of the "permitted liens" in the OEFC credit facility agreements are the same for the request to OFA. The IESO wants to be able to grant security to the OPG Trust, and address the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

We have drafted the attached BN for internal approval (Ron and Gadi) process. Could you please review and let us know if you have any concerns? It would be much appreciated if you could provide us your feedback around noon today, given the limited timeframe on this request.

This has been reviewed by Legal last night and I have incorporated the feedback from Sarah N. (in Lisa's absence).

Please let me know if you have any questions.

Thanks,
Gavin He

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Wednesday, November 15, 2017 6:49 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>
Subject: IESO - OEFC credit facilities : permitted liens

John,

As discussed yesterday, it likely is best to add to the definition of "Permitted Liens" in the two OEFC facilities to address a) IESO granting security to the OPG Trust during the first 4 years of fair hydro

program and b) the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

Happy to discuss further. I am out of the office most of this week on IESO business matters but available by cell 289-795-9426, or if necessary you may connect with Victor.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

OEFC -- IESO CREDIT FACILITY AGREEMENT & THE PERMITTED LIENS

ISSUE

The Independent Electricity System Operator ("IESO") has requested OEFC to amend the existing credit facility agreements between OEFC and IESO (for $160M and $120M) to address the additional obligations the IESO is taking on under Ontario's Fair Hydro Plan.

CONTEXT

The Fair Hydro Plan will require the IESO and Ontario Power Generation (OPG) to work together to spread out the costs of Ontario's clean energy investments over a longer period of time, which ensures that the costs of these investments are allocated fairly among current and future ratepayers. This is being accomplished through refinancing a portion of the Global Adjustment (GA). The IESO and OPG are in a discussion to potentially grant the security/priority on IESO's assets to the OPG Trust for the period of the first four years of the GA deferral. The IESO will seek its Board approval on Nov 22, 2017 for the security agreement and this would be in conflict with OEFC's $160M and $120M credit facility agreements (the "OEFC Agreements") with the IESO without the requested amendments. Paragraph 4.7 – Negative Pledges – in both OEFC credit facility agreements does not allow IESO to grant such security/priority to the OPG Trust.

In order to address this issue, the IESO has requested OEFC to amend the definition of the "permitted liens" in both existing OEFC Agreements to include any liens related to the Fair Hydro Plan (FHP). Specifically, adding a clause in the existing OEFC Agreements that any lien related to OFHP will not be viewed as negative pledge by OEFC, so those liens can be used to secure the performance of IESO's obligations towards OPG. This would allow IESO to grant security to the OPG Trust during the first 4 years of implementing the GA deferral and also avoid the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want inadvertently to be in default.

To support IESO's role in the implementation and participation under the *Ontario Fair Hydro Plan Act, 2017* ("OFHP Act") in July 2017, the IESO had reached out to the Capital Market Division – Operations of the OFA to make the same request to the credit facility agreements with OFA in October. The OFA staff have recommended providing the requested amendments and amended the $475M and $2B credit facility agreements between OFA and the IESO on November 6th, 2017 (the "OFA Agreements"), as suggested by the IESO. One of the amendments to the agreement is to amend the definition of the permitted liens to include any lien arising from the IESO's role and obligations under the OFHP.

RECOMMENDATION

- To support IESO's role in the implementation and participation under the OFHP Act and also to be consistent with the approach OFA implemented , OFA staff are of the view that the exisiting OEFC Agreements require amendments to the permitted liens and negative covenant language to make it the same as, or very similar to, the language in the OFA Agreements that were signed recently.
- Although the OEFC credit facility is not used for OFHP's purpose, it is IESO's position that it wants to make such change to the definition of the permitted liens to make sure that the IESO is not inadvertently in default of its security obligations to OPG Trust ~~is still required in order for IESO to~~and meets its role and obligation under the OFHP Act.

BACKGROUND

- Currently, under the existing credit facility agreement between OEFC and the IESO, the definition of the "permitted liens" does not include any lien arising from the IESO's role and obligations under the OFHP, including with respect to any amount received or receivable by the IESO (such as, without limitation,

amounts received or receivable in respect of the Clean Energy Adjustment), or any other lien, whether arising from the action or inaction of IESO, that is created in connection with the OFHP.

- On November 6, 2017, OFA and IESO signed an updated OFA IESO credit facility agreement with respect to changes related to OFHP.

Electricity Finance Branch / Corporate and Electricity Finance Division / Ontario Financing Authority
November 15, 2017

From: John Kim
To: Mike Manning; Opal Kandelas
Subject: FW: IESO - OEFC credit facilities : permitted liens
Date: Wednesday, November 22, 2017 11:16:42 AM

FYI, a bit more time.

I am comfortable with the jointly drafted note.

John

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Wednesday, November 22, 2017 11:13 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Thx. I will need a hard stop (final) on these OEFC docs no later than Nov 30 – the IESO intends to sign all agreements for the FH program including the security agreement by this date (at least this is what I know today).
If you cannot meet Nov 30, can we talk about some sort of OEFC to issue a waiver letter to not put the IESO offside on the existing OEFC credit facilities otherwise I may have a cross-default issue with TD bank.

Regards.

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: November 22, 2017 11:09 AM
To: Anthony Martinello
Cc: Victor Buza; Gavin He
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi Anthony,

Just to update you. I'm still working through this discussion here at the OFA.

Will keep you posted.

Thanks,

John

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]

Sent: Monday, November 20, 2017 10:22 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

John – the TD credit facility has "permitted lien" clause language similar to the OFA facilities' clauses specific for the fair hydro program.

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: November 20, 2017 10:19 AM
To: Anthony Martinello
Cc: Victor Buza; Gavin He
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi Anthony,

I found someone at Energy who is in the loop. Also, I know we talked on the phone last week but could you confirm that the same changes have been made with TD?

Thanks,

John

From: John Kim
Sent: Monday, November 20, 2017 8:56 AM
To: 'Anthony Martinello' <Anthony.Martinello@ieso.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi Anthony,

Would you have a sense of who at Energy is looped in on this agreement?

Thanks,

John

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Friday, November 17, 2017 5:09 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

John – as discussed see attached most recent (likely final) security agreement (Nov 7th).

Let me know if you wish to discuss – this draft makes references to end date of June 2021 and the statute. Regards

---

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: November 15, 2017 7:26 AM
To: Anthony Martinello
Cc: Victor Buza; Gavin He
Subject: RE: IESO - OEFC credit facilities : permitted liens

Thanks Anthony. If we have follow up, we will reach out to you.

John

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Wednesday, November 15, 2017 6:49 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>
Subject: IESO - OEFC credit facilities : permitted liens

John,

As discussed yesterday, it likely is best to add to the definition of "Permitted Liens" in the two OEFC facilities to address a) IESO granting security to the OPG Trust during the first 4 years of fair hydro program and b) the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

Happy to discuss further. I am out of the office most of this week on IESO business matters but available by cell 289-795-9426, or if necessary you may connect with Victor.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From:	Ken Kandeepan
To:	Sarah Neville
Cc:	Opal Kandelas; Siva Nathan; Robert Bozinoski
Subject:	FW: IESO Facilities Renewal
Date:	Wednesday, April 19, 2017 11:14:52 AM

Hi Sarah

As you can see from Rob's email the IESO has a facility with the OFA for almost a $1billion. This facility was given to the OPA and transferred when it merged with the IESO. The OFA financials for Dec 31, 2017 include the drawings to that date of $150M and this is the first time at least in a number of years that this facility has been drawn upon. There may be a question at ARMC as to why the facility was extended by the OFA as opposed to the OEFC.

Thanks

Ken k

From: Robert Bozinoski
Sent: Thursday, April 13, 2017 12:01 PM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Cc: Siva Nathan <Siva.Nathan@ofina.on.ca>
Subject: FW: IESO Facilities Renewal

Hi Ken,

IESO facilities with OFA and OEFC below. Documentation is currently working with IESO on increasing amount available under the OEFC facilities.

OFA
IESO (formerly with OPA) was provided a maximum $975 million credit facility to primarily fund the Regulated Price Plan variance account. This credit facility has been extended until November 30, 2019. Balance drawn at March 31, 2017 was $81 million.
Variable Rate – 1M OntTB plus 25 bp

OEFC
Note outstanding of $90 million expiring April 30, 2017. IESO is looking to increase to $120 million for another 3 years (original loan of $78 million originates from Hydro restructuring). Fixed rate 2.046%
Credit facility of $95 million expiring April 30, 2017, IESO looking to increase to $160 million for another 3 years. The facility is used for liquidity and general purposes. No amounts drawn as of March 31, 2017. Variable rate – Province 30 day plus 50 bp.

From: Kelly Listoe
Sent: Thursday, April 13, 2017 11:47 AM
To: Robert Bozinoski <Robert.Bozinoski@ofina.on.ca>
Subject: IESO Facilities Renewal

Hi Rob:

The existing agreements expire April 30. In the works is an increase in the Note Facility from $90MM to $120MM and an increase in the RCL from $95MM to $160MM. The RCL is for liquidity, general corp. purposes and costs related to the market renewals program. Other terms are the same. New facilities will mature June 30, 2020.

Regards,

Kelly Listoe
Documentation & Compliance Coordinator
Capital Markets
Ontario Financing Authority
1 Dundas Street West, Ste. 1400
Toronto, ON. M7A 1Y7
(416) 325 - 8053

From:	Opal Kandelas
To:	Sarah Harris
Subject:	FW: IESO Facilities Renewal
Date:	Wednesday, April 19, 2017 12:56:56 PM

FYI – see the highlighted text below. Coming to discuss.

From: Ken Kandeepan
Sent: Wednesday, April 19, 2017 11:15 AM
To: Sarah Neville <Sarah.Neville@ofina.on.ca>
Cc: Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Siva Nathan <Siva.Nathan@ofina.on.ca>; Robert Bozinoski <Robert.Bozinoski@ofina.on.ca>
Subject: FW: IESO Facilities Renewal

Hi Sarah

As you can see from Rob's email the IESO has a facility with the OFA for almost a $1billion. This facility was given to the OPA and transferred when it merged with the IESO. The OFA financials for Dec 31, 2017 include the drawings to that date of $150M and this is the first time at least in a number of years that this facility has been drawn upon. There may be a question at ARMC as to why the facility was extended by the OFA as opposed to the OEFC.

Thanks

Ken k

From: Robert Bozinoski
Sent: Thursday, April 13, 2017 12:01 PM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Cc: Siva Nathan <Siva.Nathan@ofina.on.ca>
Subject: FW: IESO Facilities Renewal

Hi Ken,

IESO facilities with OFA and OEFC below. Documentation is currently working with IESO on increasing amount available under the OEFC facilities.

OFA
IESO (formerly with OPA) was provided a maximum $975 million credit facility to primarily fund the Regulated Price Plan variance account. This credit facility has been extended until November 30, 2019. Balance drawn at March 31, 2017 was $81 million.
Variable Rate – 1M OntTB plus 25 bp

OEFC

Note outstanding of $90 million expiring April 30, 2017. IESO is looking to increase to $120 million for another 3 years (original loan of $78 million originates from Hydro restructuring). Fixed rate 2.046%
Credit facility of $95 million expiring April 30, 2017, IESO looking to increase to $160 million for another 3 years. The facility is used for liquidity and general purposes. No amounts drawn as of March 31, 2017. Variable rate – Province 30 day plus 50 bp.

-

From: Kelly Listoe
Sent: Thursday, April 13, 2017 11:47 AM
To: Robert Bozinoski <Robert.Bozinoski@ofina.on.ca>
Subject: IESO Facilities Renewal

Hi Rob:

The existing agreements expire April 30. In the works is an increase in the Note Facility from $90MM to $120MM and an increase in the RCL from $95MM to $160MM. The RCL is for liquidity, general corp. purposes and costs related to the market renewals program. Other terms are the same. New facilities will mature June 30, 2020.

Regards,

Kelly Listoe
Documentation & Compliance Coordinator
Capital Markets
Ontario Financing Authority
1 Dundas Street West, Ste. 1400
Toronto, ON. M7A 1Y7
(416) 325 - 8053

From:	Opal Kandelas
To:	Mike Manning
Subject:	FW: IESO Facility
Date:	Tuesday, April 25, 2017 11:35:52 AM
Attachments:	OPA IESO Amendment No 9 (Executed).pdf OFA-IESO-Minister Directive 2016 - signed.pdf

Hi Mike,

Please find attached the last amendment to the IESO credit facility and the Minister's directive.

Opal.

From: Kelly Listoe
Sent: Tuesday, April 25, 2017 11:29 AM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: IESO Facility

Hi Opal

Attached is the IESO Amendment from last November. I have also attached the Directive as it contains a brief synopsis. The main changes were that the maturity date was extended to Dec. 31, 2019 from 2016 and the length of time advances can be outstanding was lengthened.

Regards,

Kelly Listoe
Documentation & Compliance Coordinator
Capital Markets
Ontario Financing Authority
1 Dundas Street West, Ste. 1400
Toronto, ON. M7A 1Y7
(416) 325 - 8053

AMENDING AGREEMENT NO. 9

This Amending Agreement No. 9 (this "**Amending Agreement**") is made as of the 30 day of November, 2016

BETWEEN:

INDEPENDENT ELECTRICITY SYSTEM OPERATOR, a statutory corporation without share capital existing under the *Electricity Act, 1998* ("**IESO**") (as Borrower)

-and-

ONTARIO FINANCING AUTHORITY, a Crown agency established under the *Capital Investment Plan Act, 1993* ("**OFA**" and together with the IESO, the "**Parties**")
(as Lender)

WHEREAS the Ontario Power Authority ("OPA") and the OFA entered into a Credit Agreement dated January 1, 2005 (the "**Original Agreement**");

AND WHEREAS pursuant to the amending agreements dated February 14, 2005, October 11, 2005 (titled, "Amending Agreement No. 3"), September 27, 2006 (titled, "Amending Agreement No. 4"), July 13, 2007 (titled, "Amending Agreement No. 5"), November 9, 2010 (titled, "Amending Agreement No. 6"), December 20, 2013 (titled, "Amendding Agreement No. 7") and December 19, 2014 (titled, "Amending Agreement No. 8"), the parties amended the Original Agreement (as so amended, the "**Agreement**");

AND WHEREAS effective January 1, 2015, the OPA and the Independent Electricity System Operator amalgamated and continued as a corporation without share capital under Part II of the *Electricity Act, 1998* (the "**Amalgamation**") with the name Independent Electricity Sytem Operator;

AND WHEREAS under the Amalgamation the obligations of the OPA became obligations of the amalgamated corporation and the Parties wish to amend the Agreement to reflect the name of the amalgamated corporation;

AND WHEREAS the Parties now wish to further amend the Agreement pursuant to the terms of this Amending Agreement;

AND WHEREAS pursuant to Section 7.3 of the Agreement, the Agreement may only be amended or otherwise modified by written agreement executed by each of the OFA and the IESO.

NOW THEREFORE IN CONSIDERATION of the mutual agreements herein contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree to the following amendments, effective as of the date first written above.

Except as expressly provided herein or unless the context otherwise requires, capitalized terms not otherwise defined in this Amending Agreement have the respective meanings given to those terms in the Agreement.

1. The following definition is added to Section 1.1 of the Agreement:

   "IESO" means the Independent Electricity System Operator, a statutory corporation without share capital existing under Part II of the *Electricity Act, 1998.*

2. Section 1.6 is added to the Agreement as follows:

   "**Section 1.6 References to OPA**

   For the purposes of this Agreement, all references to the "Ontario Power Authority" or "OPA" in this Agreement shall be interpreted as referring to the IESO.

3. Section 2.4 of the Agreement is deleted in its entirety and replaced by the following:

   "Subject to Sections 2.9 and 5.1, the IESO shall repay each Advance on the applicable Repayment Date and, in any event, shall repay all Advances Oustanding, together with all accrued interest and all other amounts owing hereunder on December 31, 2019."

4. Section 3.1 of the Agreement is deleted in its entirety and replaced by the following:

   "The OFA agrees, on the terms and conditions of this Agreement, to make Advances to the IESO under the Operating Facility from time to time on any Business Day prior to November 30, 2019."

5. Section 3.2(1) of the Agreement is deleted in its entirety and replaced by the following:

   "Subject to Section 3.3(3), each Advance shall be made on two Business Days' prior notice given not later than 10:00 a.m. (Toronto time) by the IESO to the OFA. Each such notice of an Advance (each, a "**Borrowing Notice**") shall be given substantially in the form of Schedule 1, shall be irrevocable and binding on the IESO and shall specify (a) the requested date of the Advance, (b) the principal amount of the Advance, and (c) the Repayment Date of the Advance which shall be no earlier than 28 days and not later than 95 days after the date of the requested Advance. The OFA will make the principal amount of each Advance available to the IESO in accordance with Article 2."

6. Section 3.3(1) of the Agreement is deleted in its entirety and replaced by the following:

   "The IESO may elect to continue all or a portion of the principal amount of any Advance for a further period of a minimum of 28 days and up to a maximum of 95 days beginning on the then current Repayment Date in accordance with Section 3.3(2)."

7. Section 3.3(2) of the Agreement is deleted in its entirety and replaced by the following:

   "Each election to continue an Advance for a further period shall be made on one Business Day's prior notice, given, in each case, not later than 10:00 a.m. (Toronto time) by the IESO to the OFA. Each such notice (each, an "**Election Notice**") shall be given substantially in the form of Schedule 2, shall be irrevocable and binding upon the IESO and shall specify (a) the requested date of the proposed election, (b) the aggregate principal election amount, and (c) the new Repayment Date, which shall be no earlier than 28 days and not later than 95 days after the current Repayment Date. If the IESO fails to deliver an Election Notice to the OFA for any Advance as provided herein, such Advance shall be repayable on the applicable Repayment Date."

8. Section 5.1(b) of the Agreement is deleted in its entirety and replaced by the following:

"failure to pay the principal amount of any Advance on the applicable Repayment Date or the Advances Oustanding, all interest accrued thereon and all other amounts owing under this Agreement on December 31, 2019;"

9. The address and contact information of the OPA provided in Section 7.1 of the Agreement is deleted and replaced by the following:

   If to the IESO, to it at:

   Independent Electricity System Operator
   120 Adelaide Street West, Suite 1600
   Toronto, ON M5H 1T1

   Attention: Chief Financial Officer
   Telephone: 416-969-6232
   Fascimile: 905-403-6913

10. Schedule 1 of the Agreement, Form of Borrowing Notice, is deleted in its entirety and replaced by the Form of Borrowing Notice attached hereto as Schedule 1.

11. Schedule 2 of the Agreement, Form of Election Notice, is deleted in its entirety and replaced by the Form of Election Notice attached hereto as Schedule 2.

12. Schedule 3 of the Agreement, IESO Grid Note, is deleted in its entirety and replaced by the IESO Grid Note attached hereto as Schedule 3.

IN ALL OTHER RESPECTS, the said Agreement is confirmed by the Parties.

IN WITNESS WHEREOF the Parties have executed this Amending Agreement as of the date first written above.

ONTARIO FINANCING AUTHORITY

Per: _____
Name: Michael D. Manning
Title: Executive Director
Capital Markets Division

I have authorit to bind the corporation.

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

Per: _____
Name: Kimberly Marshall
Title: Vice President, Corporate Services;
Chief Financial Officer; Treasurer

I have authorit to bind the corporation.

SCHEDULE 1 TO AMENDING AGREEMENT NO. 9

FORM OF BORROWING NOTICE

Delivered Via Fax: 416-204-7920

Ontario Financing Authority ("**OFA**")
1 Dundas Street West, Suite 1400
Toronto, Ontario
M7A 1Y7

Date: [insert date]

Attention: Cash Management

Dear Sirs:

The undersigned, the Independent Electricity System Operator ("**IESO**"), refers to the credit agreement between the IESO and the OFA dated January 1, 2005 (as amended, supplemented or restated from time to time, the "**Agreement**", the terms defined therein being used herein as therein defined), and gives you notice pursuant to Section 3.2 of the Agreement that the IESO requests an Advance under the Agreement, and, in connection with such request, sets forth below the information relating to such Advance (the "**Proposed Advance**"), as required by Section 3.2(1) of the Agreement:

(a) The date of the Proposed Advance, being a Business Day is _____;
(b) The aggregate amount of the Proposed Advance is **$**_____;
(c) The Repayment Date of the Proposed Advance is _____. [no earlier than 28 days and not later than 95 days after the date of the Proposed Advance.]

Such request of the Proposed Advance shall be confirmed by the IESO by a telephone call to OFA Cash Management at 416-325-8108.

Use of Funds

The undersigned herby certifies that the funds comprising the Proposed Advance requested pursuant to this Notice will be used for the following purposes:

(1) [indicate amount and purpose of funds requested]
(2) [indicate amount and purpose of funds requested]

The IESO hereby certifies that:

The representations and warranties of the IESO contained in the Agreement are true and correct as at the date hereof.

No Event of Default has occurred or is continuing and no event or condition has occurred, which, with the lapse of time or the giving of notice or both would constitute an Event of Default.

The IESO has complied or is complying with all terms, covenants and conditions contained in the Agreement.

Any and all funds received under the Agreement will be expended or held solely for the purpose for which they are authorized to be used under the Agreement; no part of the funds to be received pursuant to this Notice shall be used for any other purpose.

Yours truly,

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

Per: _____

Name:

Authorized Signatory

SCHEDULE 2 TO AMENDING AGREEMENT NO. 9

FORM OF ELECTION NOTICE

Delivered Via Fax: 416-204-7920

Ontario Financing Authority ("**OFA**")
1 Dundas Street West, Suite 1400
Toronto, Ontario
M7A 1Y7

Date: [insert date]

Attention: Cash Management

Dear Sirs:

The undersigned, the Independent Electricity System Operator ("**IESO**"), refers to the credit agreement between the IESO and the OFA dated January 1, 2005 (as amended, supplemented or restated from time to time, the "**Agreement**", the terms defined therein being used herein as therein defined), and gives you notice pursuant to Section 3.3 of the Agreement that the IESO elects to continue all or a portion of an Advance for an additional term, and in connection with such election, sets forth below the information relating to such election as required by Section 3.3(2) of the Agreement:

(a) The date of the proposed election, being a Business Day is _____;
(b) The aggregate amount of the proposed election is $_____;
    i. previous principal amount $_____
    ii. interest $_____
(c) The new Repayment Date applicable to such Advance is _____. [no earlier than 28 days and not later than 95 days after the current Repayment Date for the Advance.]

Such election shall be confirmed by the IESO by a telephone call to OFA Cash Management at 416-325-8108.

The IESO hereby certifies that:

The representations and warranties of the IESO contained in the Agreement are true and correct as at the date hereof.

No Event of Default has occurred or is continuing and no event or condition has occurred, which, with the lapse of time or the giving of notice or both would constitute an Event of Default.

The IESO has complied or is complying with all terms, covenants and conditions contained in the Agreement.

Any and all funds received under the Agreement are being used solely as authorized under the Agreement and are not being used for any other purpose.

Yours truly,

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

Per:_____
Name:

Authorized Signatory

SCHEDULE 3 TO AMENDING AGREEMENT NO. 9

SCHEDULE 3

INDEPENDENT ELECTRICITY SYSTEM OPERATOR GRID NOTE

Principal Amount: Up to $975,000,000 Date: November 30, 2016

FOR VALUE RECEIVED, INDEPENDENT ELECTRICTY SYSTEM OPERATOR (the **"Company"**), incorporated under the laws of the Province of Ontario and having its principal office and place of business at Toronto, Ontario, **PROMISES TO PAY** to or to the order of **ONTARIO FINANCING AUTHORITY ("OFA")** at its offices at Toronto, Ontario or at such other place as the OFA may designate, the principal amount of each and all Advances made by the OFA to the Company, all as recorded by the OFA on the grid (the **"Grid"**) attached to and forming part of this Note, in lawful money of Canada, with interest on each Advance at the rate, calculated in the manner and payable at the times specified in the Credit Agreement (as defined below).

OFA shall and is unconditionally and absolutely authorized and directed by the Company to record on the Grid (i) the date and amount of each Advance, including any Advance all or a portion of which is continued by election under Section 3.3; (ii) the applicable rate of interest for each Advance; (iii) the repayment date of each Advance; (iv) the date and amount of each payment of interest and each payment of principal in respect of each Advance; and (v) the outstanding principal amount of the grid promissory note. Such notations, in the absence of manifest error, shall be *prima facie* evidence of such advances and repayments; provided that the failure of the OFA to record the same shall not affect the obligations of the Borrower to pay such amounts to the OFA.

The outstanding principal amount of each Advance under this Note together with all interest accrued thereon shall become due and payable as specified in the Credit Agreement dated January 1, 2005 as amended, supplemented or restated from time to time, between the Borrower and the OFA (the **"Credit Agreement"**). All capitalized terms used herein and not otherwise defined herein shall have the meanings given to such terms in the Credit Agreement.

This Note is issued pursuant to, and is subject to and payable in accordance with the provisions of, the Credit Agreement.

This Note is not transferable or negotiable without the prior written consent of the Company.

The Company waives presentment for payment and notice of non-payment.

This Note shall be governed by and interpreted and enforced in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

IN WITNESS WHEREOF the Company has executed this Note.

INDEPENDENT ELECTRICTY SYSTEM OPERARTOR

By: _____

Name: Bruce Campbell
Title: President & CEO

By: _____

Name: Kimberly Marshall
Title: VP, Corporate Services; CFO; Treasurer

ONTARIO FINANCING AUTHORITY
LINE OF CREDIT GRID NOTE

Borrower: Independent Electricity System Operator

Program: Regulated Price Plan Variance

Schedule of loan transactions to: 21-Nov-2016

Loan Limit: $975,000,000.00

Loan Advanced to: 21-Nov-2016

New Loan and/or Rollover						Actual Repayment				
New Loan or Rollover Date	Principal Advanced or Rollover Amount	Interest Rate	Repayment Date	Total No. Of Days	Interest Amount	Actual Repayment	Principal	Interest	Actual Repayment Date	Actual No. Of Days
19-Aug-2016	$94,951,024.00	0.8100%	19-Sep-2016	31	$65,321.10	$49,331,879.98	$49,266,558.88	$65,321.10	19-Sep-2016	31
19-Sep-2016	$45,684,465.12	0.8100%	19-Oct-2016	30	$30,414.59	$30,283,150.31	$30,252,735.72	$30,414.59	19-Oct-2016	30
19-Oct-2016	$15,431,729.40	0.7900%	21-Nov-2016	33	$11,022.06	$11,022.06	$0.00	$11,022.06	21-Nov-2016	33
21-Nov-2016	$64,793,065.20	0.7800%	21-Dec-2016	30	$41,538.57	$64,834,603.77	$64,793,065.20	$41,538.57	21-Dec-2016	30
21-Nov-2016	$15,431,729.40	0.7800%	21-Dec-2016	30	$9,893.22	$15,441,622.62	$15,431,729.40	$9,893.22	21-Dec-2016	30

DIRECTIVE
MINISTER OF FINANCE
INDEPENDENT ELECTRICITY SYSTEM OPERATOR CREDIT FACILITY

To: Ontario Financing Authority

WHEREAS pursuant to directives dated December 22nd 2004, October 3rd, 2005, July 28th, 2006, October 14th, 2010, and December 18th, 2013 (collectively, "the Prior Directives") the Minister of Finance approved and directed the Ontario Financing Authority (the "OFA") to make loans (the "Loans") to the Ontario Power Authority (the "OPA") from time to time in an aggregate amount not to exceed $975 million at any time, as considered necessary by the OPA to meets its purposes;

AND WHEREAS effective January 1, 2015, the OPA and the Independent Electricity System Operator amalgamated and continued as a corporation without share capital under Part II of the *Electricity Act, 1998* (the "Amalgamation") with the name Independent Electricity System Operator ("New IESO");

AND WHEREAS pursuant to the Prior Directives all amounts outstanding under the Loans are required to be repaid in full by December 31, 2016;

AND WHEREAS the terms of the Loans are set out in a Credit Agreement entered into between the OFA and the OPA dated January 1, 2005, as subsequently amended by amending agreements dated February 14, 2005, October 11, 20015, September 27, 2006, July 13, 2007, November 9, 2010, December 20, 2013, and December 19, 2014 (as so amended, the "Loan Agreement");

AND WHEREAS pursuant to the Amalgamation the obligations of the OPA under the Loan Agreement became the obligations of the New IESO;

AND WHEREAS the Loan Agreement provides that the OFA may make advances to the IESO on any Business Day (as defined in the Loan Agreement) prior to November 30, 2016;

AND WHEREAS it is appropriate to extend the period during which the OFA may make advances to the IESO under the Loan Agreement to any Business Day (as defined in the Loan Agreement) prior to November 30, 2019, and to extend the date by which all amounts outstanding under the Loan Agreement shall be repaid in full to December 31, 2019;

AND WHEREAS the Loan Agreement only permits advances to be outstanding for a period of one month, two months, or three months, at the option of the IESO;

AND WHEREAS it is appropriate in connection with the extension of the Loan Agreement to permit advances to be outstanding, for a minimum of twenty-eight days up to a maximum of ninety-five (95) days, at the option of the IESO;

AND WHEREAS it is appropriate in connection with the extension of the Loan Agreement to provide that the advances under the Loan Agreement be used by the IESO for liquidity purposes.

Therefore:

Pursuant to subsection 16(2) of the *Capital Investment Plan Act, 1993,* the OFA is directed to

- extend the period during which the OFA may make advances to the OPA under the Loan Agreement to any Business Day (as defined in the Loan Agreement) prior to November 30, 2019;

- extend the date by which all amounts outstanding under the Loan Agreement shall be repaid in full to December 31, 2019; and,

- permit advances to be outstanding for a minimum of twenty-eight days up to a maximum of ninety-five (95) days, at the option of the IESO.

- provide that effective as of December 31, 2016 advances under the Loan Agreement may be used only for liquidity purposes.

The Loans shall remain subject to all of the other terms and conditions set out in the Prior Directives.

Dated: NOV 2 8 2016

Charles Sousa
Minister of Finance

From:	William Tan
To:	Opal Kandelas
Cc:	Sarah Harris
Subject:	FW: IESO Notice for Nov 21/17
Date:	Friday, December 01, 2017 2:10:39 PM
Attachments:	Borrowing Notice.pdf FHP Revolving Credit Facility Agreement 2017-2022 Execution Version.docx

Hello Opal,

IESO is inquiring if they may prepay early (December 18), instead of their agreed upon date of December 20, for their most recent advancement. Anthony Martinello may be asking from a planning perspective regarding FHP asset sale to OPG. Section 2.5, does not allow for prepayment. Any exceptions maybe best suited for Trading (to calculate the make whole), Cash and Accounting to decide and conclude.
Your thoughts Opal?

FHP Revolving Credit Facility Agreement:

Section 2.5 Prepayments.

The IESO is not entitled to prepay any part of the Advances Outstanding or the interest accrued thereon without the prior written consent of the OFA."

Thanks,

Will

From: Risa Thau
Sent: Friday, December 01, 2017 1:43 PM
To: William Tan <William.Tan@ofina.on.ca>
Cc: CASHP <CASHP@ofina.on.ca>; SETTLEMENT <SETTLEMENT@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>
Subject: FW: IESO Notice for Nov 21/17

Hi Will,

Is IESO allowed to change the maturity date of their advance according to the agreement?

Thanks,

Risa Thau

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Friday, December 01, 2017 12:59 PM
To: CASHP <CASHP@ofina.on.ca>; SETTLEMENT <SETTLEMENT@ofina.on.ca>; Carlos Yep

<Carlos.Yep@ofina.on.ca>; Serena Ly <Serena.Ly@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>
Cc: Olga Whiteley <Olga.Whiteley@ieso.ca>
Subject: RE: IESO Notice for Nov 21/17

Just a question – will appreciate your reply.
I am discussing the first fair hydro purchase and resulting cash-flow timing with OPG.
Currently, the IESO's Repayment Date (see attached) is set for Dec 20th.
What are OFA comments if I were to ask OFA for this repayment date of Dec 20th 2017 to be changed to Dec 18th 2017?

Regards.

From: Olga Whiteley
Sent: November 16, 2017 5:53 PM
To: CASHP; SETTLEMENT; Carlos.Yep@ofina.on.ca; Serena.Ly@ofina.on.ca; James.Devine@ofina.on.ca
Cc: Anthony Martinello
Subject: IESO Notice for Nov 21/17

Please see attached two notices for November 21, 2017:

- Full repayment of RPP amount under IESO's $975 million facility;
- New borrowing of Fair Hydro amount under IESO's new $2 billion facility.

Please send us the net amount of **$179,900,804.31** (OFA to IESO $1,005,539,906.31 minus IESO to OFA $825,639,102.00).

Beneficiary:	Independent Electricity System Operator
Bank:	TD Bank
Bank ID:	0004
Transit Number:	10202
Account Number:	5509622

Thanks.

Olga Whiteley | Treasury and Pension Operations
Independent Electricity System Operator (IESO) | T: (905) 403-6917 | F: (905) 403-6913
Station A, Box 4474, Toronto, ON M5W 4E5
Web: www.ieso.ca[ieso.ca] | Email: olga.whiteley@ieso.ca

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named

recipient(s), please notify the sender immediately and delete this e-mail message.

SCHEDULE 1

FORM OF BORROWING NOTICE

November 17, 2017

Ontario Financing Authority ("OFA")
1 Dundas Street West, Suite 1400
Toronto, Ontario
M7A 1Y7

Attention: Cash Management
Delivered Via Email: CASHP@ofina.on.ca

Dear Sirs:

The undersigned, the Independent Electricity System Operator ("IESO"), refers to the Revolving Credit Facility Agreement between the IESO and the OFA dated November 6, 2017 (as amended, supplemented or restated from time to time, the "Agreement", the terms defined therein being used herein as therein defined), and gives you notice pursuant to Section 3.2 of the Agreement that the IESO requests an Advance under the Agreement, and, in connection with such request, sets forth below the information relating to such Advance (the "Proposed Advance"), as required by Section 3.2(1) of the Agreement:

(a) The date of the Proposed Advance, being a Business Day is November 21, 2017;
(b) The principal amount of the Proposed Advance is $1,005,539,906.31;
(c) The Repayment Date of the Proposed Advance is December 20, 2017.
[Not earlier than 5 days and not later than 95 days after the date of the Proposed Advance.]

Such request of the Proposed Advance shall be confirmed by the IESO by a telephone call to OFA Cash Management at 416-325-8108.

Use of Funds

The IESO hereby certifies that the funds comprising the Proposed Advance requested pursuant to this Notice will be used for the following purpose(s):
This transaction relates to the Fair Hydro Program.

The IESO hereby certifies that:

The representations and warranties of the IESO contained in the Agreement are true and correct as at the date hereof.

No Event of Default has occurred or is continuing and no event or condition has occurred, which, with the lapse of time or the giving of notice or both would constitute an Event of Default.

The IESO has complied or is complying with all terms, covenants and conditions contained in the Agreement.

Any and all funds received under the Agreement will be expended or held solely for the purpose for which they are authorized to be used under the Agreement; no part of the funds to be received pursuant to this Notice shall be used for any other purpose.

Yours truly,

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

Per: K Marshall

Kimberly Marshall
VP Corporate Services, CFO and Treasurer

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

as Borrower

and

ONTARIO FINANCING AUTHORITY

as Lender

REVOLVING CREDIT FACILITY AGREEMENT

Date: November ___, 2017

REVOLVING CREDIT FACILITY AGREEMENT

THIS AGREEMENT is made as of the ____ day of November 2017,

BETWEEN:

INDEPENDENT ELECTRICITY SYSTEM OPERATOR, a statutory corporation without share capital existing under Part II of the *Electricity Act, 1998* (the "**IESO**") (as Borrower)

AND

ONTARIO FINANCING AUTHORITY, a Crown agency established under the *Capital Investment Plan Act, 1993* (the "**OFA**" and together with the IESO, the "**Parties**") (as Lender)

RECITALS:

WHEREAS the IESO has requested a revolving credit facility for up to a maximum principal amount of $2 billion from the OFA for the purpose of supporting the IESO's role in the implementation and administration of the *Ontario Fair Hydro Plan Act, 2017*.

THEREFORE in consideration of the mutual agreements contained herein (the receipt and adequacy of which are acknowledged), the Parties agree as follows:

ARTICLE 1

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

Section 1.1 Definitions.

For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires, the following terms shall have the meanings assigned to them below:

"Advances" means advances made by the OFA to the IESO under Article 3 and "Advance" means any one of such advances, and in the case of an election by the IESO under Section 3.3, includes a "Continued Advance", as defined in Section 3.3(1), as applicable.

"Advances Outstanding" means, at any time, an amount equal to the aggregate principal amount of all Advances outstanding at such time.

"Agreement", "herein", "hereby", "hereor', "hereunder" and similar expressions mean and refer to this agreement and all schedules hereto and all instruments in amendment or confirmation of this agreement and such schedules and not to any particular article or section; and the expression "Article" or "Section" followed by a number means the specified Article or Section of this Agreement.

"Borrowing Notice" has the meaning specified in Section 3.2(1).

"Business Day" means any day that is not a day on which banks are generally authorized or required by law or executive order to be closed in the City of Toronto.

"**Clean Energy Adjustment"** has the same meaning as that term is defined in the OFHP.

"Commitment" means, at any time, an amount equal to $2 billion.

"Consolidated Assets" means, at any time, the book value of the assets of the IESO and the Subsidiaries, determined as of such time on a consolidated basis in accordance with GAAP.

"**Continued Advance"** has the meaning specified in Section 3.3(1).

"Credit Facility" means the revolving credit facility to be made available to the IESO by the OFA under this Agreement for the purposes specified in Section 2.2.

"**Current Repayment Date**" has the meaning specified in Section 3.3(2).

"Default" means any event which, after the giving of notice, or passage of time, or both, would be an Event of Default.

"Dollars" or **"$**" means lawful currency of Canada.

"Election Notice" has the meaning specified in Section 3.3(2).

"Event of Default" has the meaning specified in Section 5.1.

"**First Advance**" has the meaning specified in Section 3.2(3).

"GAAP" means accounting policies and standards as established by the Chartered Professional Accountants of Canada, at the relevant time and applied on a consistent basis.

"Grid Note" has the meaning specified in Section 3.2(2).

"Indebtedness" means (without duplication), with respect to any Person, whether recourse is to all or a portion of the assets of such Person and whether or not contingent:

(a) every obligation of such Person for borrowed money;

(b) every obligation of such Person evidenced by bonds, debentures, notes or other similar instruments;

(c) every reimbursement obligation of such Person with respect to letters of credit, bankers' acceptances or similar instruments;

(d) every obligation of such Person issued or assumed as the deferred purchase price of property or services (but excluding trade accounts payable or expenses accrued in the ordinary course of business which are not overdue or which are being contested in good faith);

(e) every capital lease obligation of such Person;

(f) the Swap Termination Value of each Swap Contract of such Person; and

(g) every obligation of the type referred to in paragraphs (a) through (f) of another Person and all dividends of another Person the payment of which, in each case, such Person has guaranteed or is responsible or liable for, directly or indirectly, as obligor, guarantor or otherwise.

"Lien" means any assignment, hypothec, mortgage, lien, pledge, security interest, encumbrance, title retention agreement or other agreement or arrangement to secure the performance of any obligation (including the payment of Indebtedness).

"Material Subsidiary" means, at any time, a Subsidiary which has consolidated assets with a book value of more than $25 million determined in accordance with GAAP.

"**New Repayment Date**" has the meaning specified in Section 3.3(2).

"**OFHP**" means the *Ontario Fair Hydro Plan Act, 2017*,S.O. 2017, c. 16, Schedule 1, including any regulations made thereunder, and all as amended from time to time.

"Permitted Liens" means:

(a) Liens for taxes and assessments not at the time overdue or any Liens securing workmen's compensation assessments, unemployment insurance or other social security obligations not at the time overdue;

(b) any Liens or rights of distress reserved in or exercisable under any lease for rent and for compliance with the terms of such lease;

(c) any obligations or duties, affecting the property of the IESO to any municipality or governmental, statutory or public authority, with respect to any franchise, grant, license

or permit and any defects in title to structures or other facilities arising solely from the fact that such structures or facilities are constructed or installed on lands held by the IESO or such Material Subsidiary under government permits, leases or other grants, which obligations, duties and defects in the aggregate do not materially impair the use of such property, structures or facilities for the purpose for which they are held by the IESO or such Material Subsidiary;

(d) any deposits or Liens in connection with building contracts, bids or tenders, expropriation proceedings, surety or appeal bonds, costs of litigation when required by law, and public and statutory obligations, Liens or claims incidental to current construction, builders', mechanics', labourers', materialmen's, warehousemen's, carriers' and other similar Liens;

(e) the right reserved to or vested in any municipality or governmental or other public authority by any statutory provision or by the terms of any lease, license, franchise, grant or permit, that affects any lands, to terminate any such lease, license, franchise, grant or permit or to require annual or their periodic payments as a condition to the continuance thereof;

(f) any undetermined or inchoate Liens and charges incidental to the current operations of the IESO or a Material Subsidiary that have not at the time been filed against the IESO or such Material Subsidiary; provided, however, that if any such Lien or charge shall have been filed, the IESO or such Material Subsidiary shall be prosecuting an appeal or proceedings for review with respect to which it shall have secured a stay in the enforcement of any such Lien or charge;

(g) any Lien the validity of which is being contested at the time by the IESO or a Material Subsidiary in good faith and the enforcement of which has been stayed;

(h) any easements, rights-of-way and servitudes that in the opinion of the IESO will not in the aggregate materially and adversely impair the use or value of the land for the purpose for which it is held or occupied by the IESO or a Material Subsidiary;

(i) any Liens and privileges arising out of judgments or awards with respect to which the IESO or a Material Subsidiary shall be prosecuting an appeal or proceedings for review and with respect to which it shall have secured a stay of execution pending such appeal or proceedings for review;

(j) any other Liens of a nature similar to the foregoing which do not in the opinion of the IESO, acting reasonably, materially impair the use of the property subject thereto or the operation of the business of the IESO or any Material Subsidiary or the value of such property for the purpose of any such business; and

(k) any Lien arising from the IESO’s role and obligations under the OFHP, including with respect to any amount received or receivable by the IESO (such as, without limitation, amounts received or receivable in respect of the Clean Energy Adjustment), or any other

lien, whether arising from the action or inaction of IESO, that is created in connection with the OFHP.

"Person" means any individual, corporation, partnership joint venture, association, trust or unincorporated organization or any government or agency or political subdivision thereof.

"Purchase Money Mortgage" means any Lien on property, granted in connection with financing, assumed or given back in payment of, or created or arising by operation of law to secure, the whole or part of the purchase price of such property, or granted in connection with financing the cost in whole or in part of construction or installation of or improvements to any property, provided that such Lien is incurred or assumed at the time or within 12 months after the purchase of such property or the completion of such construction, installation or improvements, as the case may be, and includes any extension, renewal or replacement thereof on the same property if the principal amount of the Indebtedness secured thereby at the time of such extension, renewal or replacement is not increased and if such Lien is not extended to any other property.

"Repayment Date" means, in respect of the repayment of Advances, the repayment date contained in the most recent Borrowing Notice or Election Notice.

"Stated Maturity" when used with respect to any Indebtedness or any installment of interest thereon, means the date specified in or on the agreement or instrument evidencing such Indebtedness as the fixed date on which any principal amount of such Indebtedness or such installment of interest is due and payable.

"Subsidiary" means:

(a) a corporation more than 50% of the voting power or the outstanding Voting Shares of which is owned, directly or indirectly, by the IESO or by one or more other Subsidiaries or by the IESO and one or more other Subsidiaries; or

(b) any Person (other than a corporation) in which the IESO, or one or more other Subsidiaries, directly or indirectly, has at least a majority ownership and power to direct the policies, management and affairs thereof.

"Swap Contract" means any agreement whether or not in writing, relating to any transaction or derivative transaction including a rate swap, basis swap, forward rate transaction, commodity swap, commodity option, commodity future, equity or equity index swap or option, bond, note or bill option, interest rate option, forward foreign exchange transaction, cap, collar or floor transaction currency swap, cross-currency rate swap, swaption, currency option or other similar transaction (including any option to enter into any of the foregoing) or any combination of the foregoing, and, unless the context otherwise clearly requires, any master agreement relating to or governing any or all of the foregoing.

“Swap Termination Value” means, in respect of any one or more Swap Contracts entered into by a Person, after taking into account the effect of any legally enforceable netting agreement relating to such Swap contracts:

(a) for any date on or after the date such Swap Contracts have been closed out and termination value(s) for such Person have been determined in accordance therewith, such termination value(s); and

(b) for any date prior to the date referred to in paragraph (a), the net amount determined pursuant to the terms of such Swap Contracts that would be payable by such Person if such Swap Contracts were terminated as of such date.

“Voting Shares” of any Person means securities of such Person which ordinarily carry a right to vote for the election of directors (or Persons performing similar functions) of such Person.

Section 1.2 Effect of Headings.

The division of this Agreement into Articles and Sections and the insertion of headings are for convenient reference only and shall not affect the construction or interpretation hereof.

Section 1.3 Singular, Plural, Gender, Certain Phrases, etc.

Where the context permits and unless such interpretation would be inappropriate, words importing the singular only shall include the plural and vice versa and words importing gender may include any gender. In this Agreement, (a) the words "including" and "includes" mean "including (or includes) without limitation", and (b) in the computation of periods of time from a specified date to a later specified date, unless otherwise expressly stated, the word "from" means "from and including" and the words "to" and "until" each mean “to but excluding".

Section 1.4 Accounting.

Except as otherwise specifically provided herein, all accounting terms shall be applied and construed in accordance with GAAP.

Section 1.5 Non-Business Days.

Whenever any payment to be made hereunder shall be due, any period of time would end, any calculation is to be made or any other action is to be taken on or as of, a day other than a Business Day, such payment shall be made, such period of time shall end, such calculation shall be made and such other actions shall be taken, as the case may be, unless otherwise specifically provided for herein, on or as of the next succeeding Business Day.

ARTICLE 2
REVOLVING CREDIT FACILITY

Section 2.1 Availability.

The OFA agrees, on the terms and conditions of this Agreement, to make Advances to the IESO. The OFA shall make each Advance in Dollars.

Section 2.2 Use of Proceeds.

The IESO shall use the proceeds of Advances for the purposes for which it is authorized to borrow funds pursuant to Regulation 280/14 made under the *Electricity Act, 1998*, as such regulation may be amended or replaced from time to time, subject to the condition that proceeds of Advances may be used only for IESO's financing needs and requirements of any kind arising in connection with the IESO's role with respect to and obligations under the OFHP.

Section 2.3 Credit Facility Limit.

The Advances Outstanding shall not at any time exceed the Commitment. The Credit Facility shall revolve and no payment under the Credit Facility shall reduce the Commitment.

Section 2.4 Mandatory Repayment.

Subject to Sections 2.5 and 5.2, the IESO shall repay each Advance together with the interest accrued thereon on the applicable Repayment Date, and, in any event, shall repay all Advances Outstanding, together with all accrued interest and all other amounts owing hereunder on September 30, 2022.

Section 2.5 Prepayments.

The IESO is not entitled to prepay any part of the Advances Outstanding or the interest accrued thereon without the prior written consent of the OFA.

Section 2.6 Payments under this Agreement.

(1) The OFA shall make Advances to the IESO under this Agreement to or to the order of the IESO by wire transfer of immediately available funds in accordance with wire transfer instructions given by the IESO to the OFA from time to time, or in such other manner as the IESO may specify to the OFA from time to time.

(2) The IESO shall make any payment required hereunder to be made by it to the OFA, to or to the order of the OFA, by wire transfer of immediately available funds in accordance with wire transfer instruction given by the OFA to the IESO from time to time, or in such other manner as the OFA may specify to the IESO from time to time. The IESO shall make each such payment in Canadian Dollars.

Section 2.7 Computations of Interest.

(1) All computations of interest shall be made by the OFA taking into account the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest is payable on the basis of a year of 365 days or 366 days, as the case may be.

(2) For the purposes of disclosure pursuant to the *Interest Act* (Canada), the yearly rate of interest which is equivalent to a rate of interest payable under this Agreement for any period of less than a year may be determined by multiplying the rate of interest for such period by a fraction, the numerator of which is the actual number of days in a year commencing on and including the first day in such period and ending on but excluding the corresponding day in the next calendar year and the denominator of which is the actual number of days in such period.

Section 2.8 Limit on Rate of Interest.

(1) Notwithstanding any provision contained in this Agreement, the IESO shall not be obliged to make any payments of interest or other amounts payable to the OFA hereunder in excess of the amount or rate which would be prohibited by applicable law or would result in the receipt by the OFA of interest at a criminal rate (as such terms are construed under the *Criminal Code* (Canada)).

(2) In the event that any such payments are limited or prohibited as provided in Section 2.8(1), the OFA shall have no further obligation to make any Advances available hereunder and the Advances Outstanding, together with all accrued interest and all other amounts owing hereunder, shall become immediately due and payable.

Section 2.9 Application of Payments.

All payments made by the IESO under this Agreement shall be applied firstly to the payment of interest payable to the OFA on late payments of principal or interest hereunder, secondly, to the payment of accrued and unpaid interest payable to the OFA hereunder and thirdly, to the payment of the outstanding principal amount of any Advances payable to the OFA.

ARTICLE 3
ADVANCES

Section 3.1 Advances.

The OFA agrees, on the terms and conditions of this Agreement, to make Advances to the IESO under the Credit Facility from time to time on any Business Day prior to September 23, 2022.

Section 3.2 Procedure for Advances.

(1) Subject to Section 3.3(5), each Advance shall be made subject to two Business Days' prior notice given not later than 10:00 a.m. (Toronto time) by the IESO to the OFA. Each notice of an Advance (a "**Borrowing Notice**") shall be substantially in the form of Schedule 1, other than a Borrowing Notice that is included in an Election Notice as permitted by Section 3.3(3). Each Borrowing Notice shall be irrevocable and binding on the IESO and shall specify (a) the requested date of the Advance; (b) the principal amount of the Advance, and (c) the Repayment Date of the Advance which shall not be earlier than 5 days and not later than 95 days after the date of the requested Advance. Each Borrowing Notice shall also certify the use of proceeds of the Advance which shall in any case be in accordance with Section 2.2. The OFA will make the principal amount of each Advance available to the IESO in accordance with Article 2.

(2) On or before the date of the first Advance hereunder, the IESO shall execute and deliver to the OFA a grid promissory note in respect of Advances substantially in the form of Schedule 3 (the "**Grid Note**"). The IESO authorizes the OFA to record on the Grid Note (a) the date and amount of each Advance or Continued Advance; (b) the applicable rate of interest for each Advance or Continued Advance; (c) the Repayment Date of each Advance or Continued Advance; (d) the date and amount of each payment of interest and each payment of principal or portion thereof in respect of each Advance or Continued Advance; and (e) Advances Outstanding. Such notations, in the absence of manifest error, shall be *prima facie* evidence of such Advances and repayments; provided that the failure of the OFA to record any amount, rate or date shall not affect the obligation of the IESO to pay the Advances Outstanding and all interest accrued thereon and any other amounts due under this Agreement.

(3) Respecting the first Advance to be made under this Agreement (the "**First Advance**"), a specified portion thereof (the "**Repayment Amount**") shall be used to repay a portion of the IESO's outstanding indebtedness to the OFA under the credit agreement between the Parties dated January 1, 2005, as amended (the "**Existing Credit Facility**"). The amount of the Repayment Amount shall be detailed in the Borrowing Notice issued in respect of the First Advance. Concurrently with the First Advance, OFA shall provide to IESO an updated grid in respect of the grid note issued under the Existing Credit Facility evidencing the repayment of the Repayment Amount thereunder.

Section 3.3 Elections Regarding Advances.

(1) The IESO may elect to continue all or a portion of the principal amount of any Advance and any amount of interest on such Advance (together, the "**Continued Advance**") for a further period of at least 5 days and up to a maximum of 95 days beginning on the then current Repayment Date in accordance with Section 3.3(2).

(2) Each notice to continue an Advance for a further period (an "**Election Notice**") shall be provided by the IESO to the OFA at least two Business Days prior to the Repayment Date of the Advance (the "**Current Repayment Date**"), and in each case, not later than

10:00 a.m. (Toronto time). Each such Election Notice shall be given substantially in the form of Schedule 2 and shall be irrevocable and binding upon the IESO and shall specify: (a) the Current Repayment Date; (b) the new aggregate total amount of the proposed Continued Advance; (c) the amount of interest or principal, if any, to be paid or re-paid by the IESO with respect to such Advance on the Current Repayment Date; and (d) the new Repayment Date of the proposed Continued Advance, which shall be no earlier than 5 days and not later than 95 days after the current Repayment Date (the "**New Repayment Date"**). If the IESO fails to deliver an Election Notice to the OFA for any Advance as provided herein, such Advance shall be repayable on the applicable Repayment Date.

(3) An Election Notice with respect to a proposed Continued Advance may include a Borrowing Notice for a further Advance proposed to be made on the Current Repayment Date. The Repayment Date of such further Advance shall be the New Repayment Date of the Continued Advance that is specified in the Election Notice. Such Borrowing Notice shall be given substantially in the form of Schedule 2.

(4) The calculation of interest on a Continued Advance shall be determined in the same manner as an Advance under Section 3.4 and shall be recorded on the Grid Note in accordance with Section 3.2(2).

(5) Any portion of an Advance not continued for a further period in accordance with Section 3.3(2) shall be repayable on the applicable Repayment Date.

(6) The Credit Facility shall at all times rank *pari passu* with all other unsubordinated and unsecured Indebtedness of the IESO, subject to the existence of any Liens that secure Indebtedness, as permitted by subections 4.6 (a) through (e) hereof.

(7) All amounts owing in respect of the Advances shall be paid without exercising any right of set off or counterclaim by the IESO.

Section 3.4 Interest on Advances.

(1) The IESO shall pay interest on the unpaid principal amount of each Advance in accordance with this Section 3.4 from and including the date of such Advance until the principal amount of such Advance is repaid in full.

(2) Interest shall accrue on the principal amount of each Advance from and including the date of the Advance to but excluding the Repayment Date of such Advance, at an annual rate equal to the Province of Ontario's cost of funds for borrowings with a similar term as determined by the OFA plus 0.25 percent per annum, before as well as after the date such principal amount or interest thereon becomes due hereunder and both before and after Default and shall be payable on the Repayment Date for such Advance. Any amount of interest arising hereunder which is not paid when due shall bear interest at the same rate compounded monthly at which it accrued from the due date for payment until the date of actual payment. The amount of interest payable on an Advance will be calculated by the

OFA by dividing the interest rate applicable to the Advance by 365 or 366, as the case may be, and multiplying the result by the principal amount of the Advance and further multiplying the result by the number of days in the period from the date of the Advance to the Repayment Date of the Advance.

(3) If the IESO elects to continue an Advance in accordance with Section 3.3(2), the OFA shall determine the interest rate applicable after the original Repayment Date of the Advance and endorse the said rate on the grid forming part of the Grid Note in respect of Advances held by it.

Section 3.5 Conditions Precedent

The obligation of the OFA to make the Advances to the IESO pursuant to Section 2.1 is subject to the following conditions being satisfied to the OFA's satisfaction at the time of making each Advance:

(a) that the representations and warranties of the IESO contained in this Agreement are true and correct as at the date of making the Advance;

(b) that no Event of Default has occurred and is continuing;

(c) that there shall, in the reasonable opinion of the OFA, have been no material adverse change in the financial condition of the IESO or a Material Subsidiary; and

(d) that the OFA has received such other documentation which it has reasonably requested to ensure that the IESO is in compliance with the terms and conditions of this Agreement, including certified true copies of any necessary resolutions, a written legal opinion from counsel to the IESO confirming that the borrowing is within the legal powers of the IESO and that the Agreement is a direct, unsecured obligation of the IESO enforceable against the IESO in form satisfactory to the OFA.

ARTICLE 4
COVENANTS OF THE IESO

Section 4.1 Repayment of Advances.

The IESO will duly and punctually pay all amounts owing under this Agreement in accordance with the terms and subject to the conditions of this Agreement.

Section 4.2 IESO will Maintain its Corporate Existence.

The IESO will at all times maintain its corporate existence.

Section 4.3 Maintenance of Properties.

The IESO will cause all property owned by the IESO or any Material Subsidiary to be maintained and kept in good condition, repair and working order, all as in the judgment of the IESO or any Material Subsidiary may be necessary for the proper operation of such property, except as and to the extent that the IESO or any Material Subsidiary may be prevented from doing so by fire, strikes, lockouts, walkouts, labour unrest, acts of God, inability to obtain labour or materials, enemy action, governmental restrictions, civil commotion, or unavoidable casualty or similar causes; provided, however, that nothing in this Section 4.3 shall prevent the IESO or any Material Subsidiary from discontinuing the maintenance of any such property or decommissioning any such property if such discontinuance or decommissioning is, in the judgment of the IESO or any such Material Subsidiary, desirable in the conduct of its business or the business of any such Material Subsidiary, or has been directly or indirectly requested or required by the Province of Ontario.

Section 4.4 Insurance.

The IESO will cause all property owned by the IESO or any Material Subsidiary which is of a character usually insured by companies operating similar businesses to be insured and kept insured with reputable insurers (which may include associations or other organizations for mutual or reciprocal insurance) against loss or damage by fire or other hazards or risks of the mature and to the extent that such property is usually insured by companies operating similar businesses.

Section 4.5 Conduct of Business.

The IESO will, and will cause the Subsidiaries to, carry on and conduct their respective businesses in accordance with good business practice.

Section 4.6 Negative Pledge.

The IESO will not, and will not permit any Material Subsidiary to, create, incur or assume any Lien, charging the interest of the IESO or any Material Subsidiary in any property, to secure any obligations (including any Indebtedness) unless, at or prior to the time such Lien is created, incurred or assumed, all amounts owing under this Agreement are secured equally and rateably with any and all such obligations secured or to be secured by such Lien, for so long as such obligations shall be secured, provided, however, that the foregoing covenant shall not prevent, restrict or apply to any of the following:

(a) the creation, incurrence or assumption of any Purchase Money Mortgage;

(b) the grant of any Lien in the normal course of business to any banks or financial institutions for present or future Indebtedness of the IESO or any Material Subsidiary to such banks or financial institutions payable on demand or having an original term to maturity less than 18 months;

(c) Permitted Liens;

(d) any extension, renewal or replacement of any of the Liens referred to in Sections 4.6(a), (b) or (c), provided that the principal amount secured by any such Lien outstanding immediately before such extension, renewal or replacement or refunding is not thereby increased; and

(e) any Lien charging the interest of the IESO or any Material Subsidiary in any property to secure any Indebtedness, other than any Lien referred to in Sections 4.6(a), (b) or (c), provided that, at the time such Lien is created, incurred or assumed, the principal amount of such Indebtedness, together with the aggregate principal amount of all other Indebtedness secured by Liens permitted pursuant to this Section 4.6(e) which is outstanding at such time does not exceed 10% of Consolidated Assets at such time.

Section 4.7 Payment of OFA Expenses

In addition to any liability of the IESO to the OFA under any other provision of this Agreement, the IESO will, on demand, reimburse and indemnify OFA for all reasonable costs, charges and expenses, including reasonable fees and disbursements of its agents and counsel, incurred by OFA in connection with the Agreement (including those services incurred in the preservation of rights under or enforcement of this Agreement at any time during the continuance of a Default or Event of Default and for any reasonable loss or expense incurred by OFA as a result of any failure by the IESO to fulfill any of its obligations under this Agreement). All such costs, charges and expenses shall bear interest at the Province of Ontario's cost of funds plus 0.25 percent per annum (as determined by the OFA) calculated and payable monthly not in advance from in each case from the date on which the OFA incurs the cost, charge or expense until the date on which the IESO reimbursement the OFA therefor. The OFA agrees, acting reasonably, to invoice the IESO for any such costs, charges and expense as they are incurred, together with interest at the aforesaid rate (with interest on overdue interest).

Section 4.8 Reporting.

The IESO will promptly provide to the OFA any reports or supporting documents that the OFA may request from time to time.

Section 4.9 Late Repayment of Advance.

In the event that the IESO fails to repay the principal amount of any Advance and all interest accrued thereon when due, the IESO shall pay interest on the unpaid amount of such Advance at the same rate compounded monthly at which it accrued from the due date for payment until the date of actual payment.

ARTICLE 5
EVENTS OF DEFAULT AND REMEDIES

Section 5.1 Event of Default.

Wherever used in this Agreement, the term "Event of Default" means any of the following:

(a) the IESO's failure to pay any interest upon any Advance when it becomes due and payable, if such failure continues for a period of 3 Business Days;

(b) failure to pay the principal amount of any Advance on the applicable Repayment Date or the Advances Outstanding, all interest accrued thereon and all other amounts owing under this Agreement on September 30, 2022;

(c) failure on the part of the IESO to observe or perform its obligations set forth in Section 4.1;

(d) failure on the part of the IESO to observe or perform any of the other covenants or agreements on its part contained in this Agreement for a period of 20 days after the date on which written notice of such failure shall have been given to the IESO by the OFA;

(e) any representation or warranty made by the IESO in this Agreement or in any certificate or other document at any time delivered hereunder to the OFA was incorrect or misleading in any material respect;

(f) one or more breaches by the IESO of its covenants under one or more evidences of Indebtedness or instruments governing or securing the same with a principal amount then outstanding, individually or in the aggregate, of at least $5 million, which breaches:

(i) constitute a failure to pay such Indebtedness when due and payable at its final Stated Maturity, continue after any applicable grace period and have not been cured or waived or ceased to exist, or

(ii) have resulted in such Indebtedness becoming or being declared due and payable prior to its final Stated Maturity (and which acceleration or declaration has not been waived or rescinded);

(g) the IESO or any Material Subsidiary:

(i) becomes unable to meet its obligations as they generally become due or has ceased paying its current obligations in the ordinary course of business as they generally become due;

(ii) admits in writing its inability to pay its debts generally or makes a general assignment for the benefit its creditors or files a proposal or other scheme

of arrangement involving the rescheduling or composition of its Indebtedness;

(iii) institutes or has instituted against it any proceeding seeking:

(A) to adjudicate it as bankrupt or insolvent,

(B) liquidation, winding-up or reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency, reorganization or relief of debtors including any plan of compromise or arrangement or other corporate proceeding involving or affecting its creditors, or

(C) the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its assets,

and in the case of any such proceeding instituted against it (but not instituted by it), either the proceeding remains undismissed or unstayed for a period of 30 days, or any remedy sought in any such proceeding (including the entry of order for relief against it or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its properties and assets) occurs; or

(iv) takes any corporate action to authorize any of the actions in Sections 5.l (g)(i) to (iii); or

(h) if there shall be rendered against the IESO or any Material Subsidiary a final judgment or judgments for the payment of money in an aggregate amount in excess of $5 million by a court or courts of competent jurisdiction, and the IESO or any Material Subsidiary shall have failed to satisfy such judgments or to appeal therefrom (or from the order, decree or process pursuant to which such judgments were granted, passed, entered or affirmed) and to obtain a stay of execution thereof within the period prescribed by law for appeals, and to have such judgments discharged within 30 days after the expiration of such period or the period of any such stay, whichever shall later expire.

Section 5.2 Acceleration of Maturity; Rescission and Annulment.

If an Event of Default occurs and is continuing, then and in every such case the OFA may at its option, in addition to any other remedy available to the OFA at law, by written notice to the IESO, take any or all of the following actions:

(a) suspend the right of the IESO to request any further Advance until the Event of Default has been cured to the OFA's satisfaction or, if the Event of Default is not

cured within three (3) Business Days after the date on which written notice of such Event of Default shall have been given to the IESO by the OFA, declare all amounts owing hereunder including all interest accrued to be due and payable immediately, by a notice in writing to the IESO, and upon any such declaration all such amounts shall become immediately due and payable.

(b) invoke the Intercept pursuant to section 5.7 of this Agreement to require payment of any amount due and payable under this Agreement.

Section 5.3 Suits for Enforcement by the OFA.

If an Event of Default occurs and is continuing, the OFA may proceed to protect and enforce the rights vested in it by this Agreement either by suit in equity or by action at law or by proceedings in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in this Agreement or in aid of the exercise of any power granted in this Agreement, or to enforce any other legal or equitable right vested in the OFA by this Agreement or by law.

Section 5.4 OFA May File Proof of Claim.

If proceedings for the receivership, insolvency, liquidation, bankruptcy, winding-up, reorganization, arrangement or composition of the IESO under any applicable law are pending, or if a receiver, trustee, custodian or other similar official shall have been appointed for the property of the IESO, or if any other judicial proceedings relative to the IESO, its creditors or its property are pending, the OFA shall be entitled and empowered, by intention in such proceeding or otherwise:

(a) to file and prove a claim for all amounts owing under this Agreement and to file such other papers or documents as may be necessary or advisable in order to have the claims of the OFA (including any claim for fees and disbursements of the OFA, its agents and counsel) allowed in such judicial proceeding; and

(b) to collect and receive any monies or other property payable or deliverable on any such claim.

Section 5.5 Rights and Remedies Cumulative.

No right or remedy herein conferred upon or reserved to the OFA is intended to be exclusive of any other such right or remedy, and every such right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 5.6 Delay or Omission not Waiver.

No delay or omission of the OFA to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right or remedy given by this Article 5 or by law to OFA may be exercised from time to time, and as often as may be deemed expedient, by the OFA.

Section 5.7 Intercept

(a) The IESO hereby acknowledges that, in accordance with the terms of the letter agreement of even date herewith entered between the Ministry of Energy, the IESO and the OFA made pursuant to Section 23 of the *Capital Investment Plan Act, 1993* (the "**Intercept Letter**"), the Minister of Finance is entitled to deduct only from those monies appropriated by the Legislature for payment through the Ministry of Energy to the IESO ("**Appropriated Funds**"), amounts equal to any amounts that the IESO fails to pay to the OFA on account of indebtedness under this Agreement. On the occurrence of an Event of Default relating to a failure by IESO to pay when due any amounts owing hereunder, subject to the OFA's compliance with any relevant provisions hereof and as set out in the Intercept Letter, the Minister of Finance is irrevocably authorized to deduct from the Appropriated Funds amounts equal to any amounts that the IESO has failed to pay to the OFA in accordance with the provisions of this Agreement and to pay such amounts directly to the OFA ("**Intercept**").

(b) If, after following the process specified in the Intercept Letter (including, without limitation, allowing for a reasonable cure period on the terms specified therein), the OFA determines that it is necessary to request the Minister of Finance to exercise the Intercept, the OFA will give written notice to the Minister of Finance, with a copy to the Ministry of Energy, detailing the IESO's failure to pay when due any amounts owing hereunder and requesting the deduction from the Appropriated Funds of amounts equal to the amounts that the IESO has failed to pay to the OFA under this Agreement.

(c) The IESO agrees that any notice from the OFA to the Minister of Finance in relation to this section 5.7 (Intercept) may be relied upon by the Minister of Finance without further inquiry or verification by the Minister of Finance and, upon receipt of such notice, an amount equal to the amount that the IESO has failed to pay when due to the OFA on account of indebtedness under this Agreement shall be deducted from the Appropriated Funds and paid to the OFA.

(d) For further certainty, the OFA acknowledges and agrees that the Intercept as provided for herein and in the Intercept Letter shall not apply with respect to any funds appropriated by the Legislature for payment to the IESO through ministries other than the Ministry of Energy or through Ontario Climate Change Solutions Deployment Corporation.

(e) The parties agree that, with respect to the exercise of the Intercept generally, the terms of this section 5.7 shall be applied consistently with the terms set out in the Intercept Letter which shall apply in full. Notwithstanding the foregoing, in the event of a conflict or

inconsistency between the terms and conditions of the Intercept Letter and the terms and conditions contained in this Agreement, the terms and conditions contained in this Agreement shall prevail.

ARTICLE 6
REPRESENTATIONS AND WARRANTIES OF IESO

Section 6.1 Representations and Warranties of IESO

The IESO represents and warrants to the OFA that:

(a) the borrowing of money (including principal and accrued interest) by the IESO and the execution, delivery and performance of this Agreement are within the powers and capacities of the IESO and have been duly authorized by all necessary legal action and proper proceedings;

(b) the execution and delivery of this Agreement, the consummation of the transactions contemplated by this Agreement and the compliance with the terms and conditions of this Agreement will not conflict with or result in a breach of any of the terms or provisions of the constituting documents or by-laws of the IESO, laws of Ontario, including laws of Canada applicable therein, applicable to the IESO or any contractual or other obligation binding on the IESO;

(c) this Agreement will, when executed and delivered, constitute the legal, valid and binding obligation of the IESO enforceable against it in accordance with its terms; and

(d) the monies advanced under this Agreement shall be used only by the IESO for the purposes set out in Section 2.2.

Section 6.2 Continuation of Representation and Warranties

The representations and warranties set out in Section 6.1 herein shall survive the execution and delivery of this Agreement, the making of each Advance by the OFA, notwithstanding any investigations or examinations which may be made by counsel for the OFA.

ARTICLE 7
GENERAL

Section 7.1 Notices.

Any notice, direction or other communication to be given under this Agreement shall be in writing and given by personally delivering it or sending it by telecopy or other means of electronic communication addressed:

If to the IESO, to it at:

Independent Electricity System Operator
120 Adelaide Street West, Suite 1600
Toronto, ON M5H 1T1

Attention: Chief Financial Officer
Telephone: (416)969-6232
Facsimile: (905)403-6913

If to the OFA, to it at:

Ontario Financing Authority 1 Dundas Street West
Suite 1400 Toronto, Ontario M7A 1Y7

Attention: Executive Director & Chief Investment Officer – Capital Markets Division
Telephone: (416)325-8930
Facsimile: (416)860-8346

provided that any Borrowing Notice or Election Notice shall be addressed as indicated on Schedule 1 or Schedule 2 respectively.

Any communication hereunder shall be deemed to have been validly and effectively given if (a) personally delivered, on the date of such delivery if such date is a Business Day and such delivery was made prior to 4:00 p.m. (Toronto time), otherwise on the next Business Day, (b) transmitted by facsimile or other means of electronic communication, on the Business Day following the date of transmission provided that, on the date of transmission, the addressee of such communication was notified by telephone of such transmission. Any party may from time to time change its address for communications hereunder by notice give in accordance with this Section 7.1 and until changed by like notice, such changed address shall be such party's address for purposes of this Section 7.1.

Section 7.2 Successors and Assigns.

This Agreement shall be binding on and enure to the benefit of the OFA and the IESO and their respective successors and permitted assigns, except that the IESO shall not, without the

prior written consent of the OFA assign, pledge or hypothecate any rights or obligations with respect to this Agreement.

Section 7.3 Amendments.

This Agreement may only be amended or otherwise modified by written agreement executed by each of the Parties.

Section 7.4 Waiver.

(1) No waiver of any provisions of this Agreement shall be deemed to constitute a waiver of any other provision (whether or not similar) of this Agreement nor shall such waiver be binding unless executed in writing by the party to be bound by the waiver.

(2) No failure on the part of a party to exercise, and no delay in exercising, any right under this Agreement shall operate as a waiver of such right and any single or partial exercise of such right shall not preclude another or further exercise of such right or the exercise of any other right.

Section 7.5 Further Assurances.

Each of the IESO and the OFA shall, from time to time, do all such acts and things and execute and deliver all such instruments as may be reasonably required to give effect to, and carry out the terms of, this Agreement

Section 7.6 Severability.

In case any provision in this Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions in this Agreement shall not in any way be affected or impaired thereby.

Section 7.7 Governing Law.

This Agreement shall be construed in accordance with and governed by the laws of the Province of Ontario and the laws of Canada applicable therein.

Section 7.8 Entire Agreement.

This Agreement, including the schedules hereto and any other agreements expressly referred to herein, constitutes the whole agreement between the Parties with respect to the matters dealt with in it, and it supersedes any prior agreement, undertakings, discussions and the like respecting the matters dealt with in this Agreement and entered into by the Parties before the date the OFA signs this Agreement.

Section 7.9 Counterparts.

This Agreement may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same Agreement.

IN WITNESS WHEREOF the Parties have executed this Agreement as of the date first written above.

ONTARIO FINANCING AUTHORITY

Per: _____

Name: Gadi Mayman
Title: Chief Executive Officer

I have authority to bind the corporation.

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

Per: _____

Name: Kimberly Marshall
Title: Vice President, Corporate Services; Chief Financial Officer; Treasurer

I have authority to bind the corporation.

SCHEDULE 1

FORM OF BORROWING NOTICE

Delivered Via Email: CASHP@ofina.on.ca

Ontario Financing Authority ("OFA")
1 Dundas Street West, Suite 1400
Toronto, Ontario
M7A 1Y7

Date: [insert date]

Attention: Cash Management

Dear Sirs:

The undersigned, the Independent Electricity System Operator ("IESO"), refers to the Revolving Credit Facility Agreement between the IESO and the OFA dated October (·), 2017 (as amended, supplemented or restated from time to time, the "Agreement", the terms defined therein being used herein as therein defined), and gives you notice pursuant to Section 3.2 of the Agreement that the IESO requests an Advance under the Agreement, and, in connection with such request, sets forth below the information relating to such Advance (the "Proposed Advance"), as required by Section 3.2(1) of the Agreement:

(a) The date of the Proposed Advance, being a Business Day is _____;
(b) The principal amount of the Proposed Advance is $_____;
(c) The Repayment Date of the Proposed Advance is _____. [Not earlier than 5 days and not later than 95 days after the date of the Proposed Advance.]

Such request of the Proposed Advance shall be confirmed by the IESO by a telephone call to OFA Cash Management at 416-325-8108.

Use of Funds

The IESO hereby certifies that the funds comprising the Proposed Advance requested pursuant to this Notice will be used for the following purpose(s): [specify purpose(s) and any sub-categories of borrowing purposes, as applicable]

The IESO hereby certifies that:

The representations and warranties of the IESO contained in the Agreement are true and correct as at the date hereof.

No Event of Default has occurred or is continuing and no event or condition has occurred, which, with the lapse of time or the giving of notice or both would constitute an Event of Default.

The IESO has complied or is complying with all terms, covenants and conditions contained in the Agreement.

Any and all funds received under the Agreement will be expended or held solely for the purpose for which they are authorized to be used under the Agreement; no part of the funds to be received pursuant to this Notice shall be used for any other purpose.

Yours truly,

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

Per: _____

Name:

Authorized Signatory

SCHEDULE 2

FORM OF ELECTION NOTICE

Delivered Via Email: CASHP@ofina.on.ca

Ontario Financing Authority ("OFA")
1 Dundas Street West, Suite 1400
Toronto, Ontario
M7A 1Y7

Date: [insert date]

Attention: Cash Management

Dear Sirs:

I. ELECTION NOTICE

The undersigned, the Independent Electricity System Operator ("IESO"), refers to the Revolving Credit Facility Agreement between the IESO and the OFA dated October (·), 2017 (as amended, supplemented or restated from time to time, the "Agreement", the terms defined therein being used herein as therein defined), and gives you notice pursuant to Section 3.3 of the Agreement that the IESO elects to continue for an additional term all or a portion of an Advance or a Continued Advance, as the case may be, and in connection with such election sets forth below the information relating to such election as required by Section 3.3(2) of the Agreement:

(a) The date of the proposed election, being a Business Day (being the Current Repayment Date) is _____.

(b) The aggregate amount of the proposed Continued Advance is $_____, which is comprised of:

i. principal amount (or portion thereof) of Advance which is to be continued $_____; and
ii. accrued interest on Advance which will not be paid on or before the Current Repayment Date $_____;

(c) The IESO will pay on the Current Repayment Date the following amount with respect to the Advance (if any): $ _____

(d) The New Repayment Date, being a Business Day, applicable to such proposed Continued Advance is _____. [Insert date not earlier than 5 days and not later than 95 days after the current Repayment Date for the Advance.]

Such election shall be confirmed by the IESO by a telephone call to OFA Cash Management at 416-325-8108.

II. BORROWING NOTICE [to be included if applicable]

The IESO gives you notice pursuant to Section 3.3(3) of the Agreement that the IESO requests a further Advance under the Agreement on the Current Repayment Date, with a Repayment Date of the New Repayment Date as specified above, and in connection with such request, sets forth below the information relating to such Advance (the "Proposed Advance"):

Amount of the Proposed Advance: $_____
The total aggregate amount of the proposed Continued Advance and Proposed Advance pursuant to this Notice is: $_____

Such request of the Proposed Advance shall be confirmed by the IESO by a telephone call to OFA Cash Management at 416-325-8108.

Use of Funds

The IESO hereby certifies that the funds comprising the Proposed Advance requested pursuant to this Notice, if any, will be used for the following purpose(s): [specify purpose(s) and any sub-categories of borrowing purposes, as applicable]

The IESO hereby certifies that:

The representations and warranties of the IESO contained in the Agreement are true and correct as at the date hereof.

No Event of Default has occurred or is continuing and no event or condition has occurred, which, with the lapse of time or the giving of notice or both would constitute an Event of Default.

The IESO has complied or is complying with all terms, covenants and conditions contained in the Agreement.

Any and all funds received under the Agreement are being used solely as authorized under the Agreement and are not being used for any other purpose.

Yours truly,

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

Per: _____
Name:

Authorized Signatory

SCHEDULE 3 – FORM OF GRID NOTE

INDEPENDENT ELECTRICITY SYSTEM OPERATOR GRID NOTE

Principal Amount: Up to $2,000,000,000 Date:

FOR VALUE RECEIVED, INDEPENDENT ELECTRICITY SYSTEM OPERATOR (the "**IESO**"), incorporated under the laws of the Province of Ontario and having its principal office and place of business at Toronto, Ontario, **PROMISES TO PAY** to or to the order of **ONTARIO FINANCING AUTHORITY** ("**OFA**") at its offices at Toronto, Ontario or at such other place as the OFA may designate, the principal amount of each and all Advances made by the OFA to the IESO, all as recorded by the OFA on the grid attached to and forming part of this Grid Note, in lawful money of Canada, with interest on each Advance at the rate, calculated in the manner and payable at the times specified in the Revolving Credit Facility Agreement (as defined below).

OFA shall and is unconditionally and absolutely authorized and directed by the IESO to record on the Grid Note (i) the date and amount of each Advance, including any Advance all or a portion of which is continued by election under Section 3.3; (ii) the applicable rate of interest for each Advance; (iii) the repayment date of each Advance; (iv) the date and amount of each payment of interest and each payment of principal in respect of each Advance; and (v) the outstanding principal amount of the Grid Note. Such notations, in the absence of manifest error, shall be *prima facie* evidence of such advances and repayments; provided that the failure of the OFA to record the same shall not affect the obligations of the Borrower to pay such amounts to the OFA.

The outstanding principal amount of each Advance under this Grid Note together with all interest accrued thereon shall become due and payable as specified in the Revolving Credit Facility Agreement dated **[INSERT DATE]** as amended, supplemented or restated from time to time, between the Borrower and the OFA (the "Agreement"). All capitalized terms used herein and not otherwise defined herein shall have the meanings given to such terms in the Agreement.

This Grid Note is issued pursuant to, and is subject to and payable in accordance with the provisions of, the Agreement.

This Grid Note is not transferable or negotiable without the prior written consent of the IESO.

The IESO waives presentment for payment and notice of non-payment.

This Grid Note shall be governed by and interpreted and enforced in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

IN WITNESS WHEREOF the IESO has executed this Grid Note.

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

Per: _____

Name:
Authorized Signatory

Revolving Credit Facility Grid Note

Ontario Financing Authority
Line of Credit Grid Note

Entity : **Independent Electricity System Operator**
Loan Limit:

Project:
Schedule of loan transactions to:
Loan Advanced to:

New Loan and/or Rollover						Actual Repayment				
New Loan or Rollover Date	Principal Advanced or Rollover Amount	Interest Rate	Repayment Date	Total No. Of Days	Interest Amount	Actual Repayment	Principal	Interest	Actual Repayment Date	Actual No. Of Days

From:	William Tan
To:	Mike Manning
Cc:	Opal Kandelas; Sarah Harris
Subject:	FW: IESO Notice for Nov 21/17
Date:	Friday, December 01, 2017 2:42:59 PM
Attachments:	Borrowing Notice.pdf FHP Revolving Credit Facility Agreement 2017-2022 Execution Version.docx

Hello Mike,

As discussed details of IESO's query is below. The relevant section with regards to the FHP Revolving Credit Facility Agreement is Section - 2.5 Prepayments

Section 2.5 Prepayments.

The IESO is not entitled to prepay any part of the Advances Outstanding or the interest accrued thereon without the prior written consent of the OFA.

Thanks,

Will

From: Risa Thau
Sent: Friday, December 01, 2017 1:43 PM
To: William Tan <William.Tan@ofina.on.ca>
Cc: CASHP <CASHP@ofina.on.ca>; SETTLEMENT <SETTLEMENT@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>
Subject: FW: IESO Notice for Nov 21/17

Hi Will,

Is IESO allowed to change the maturity date of their advance according to the agreement?

Thanks,

Risa Thau

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Friday, December 01, 2017 12:59 PM
To: CASHP <CASHP@ofina.on.ca>; SETTLEMENT <SETTLEMENT@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>; Serena Ly <Serena.Ly@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>
Cc: Olga Whiteley <Olga.Whiteley@ieso.ca>
Subject: RE: IESO Notice for Nov 21/17

Just a question – will appreciate your reply.

I am discussing the first fair hydro purchase and resulting cash-flow timing with OPG.

Currently, the IESO's Repayment Date (see attached) is set for Dec 20th.

What are OFA comments if I were to ask OFA for this repayment date of Dec 20th 2017 to be changed to Dec 18th 2017?

Regards.

From: Olga Whiteley
Sent: November 16, 2017 5:53 PM
To: CASHP; SETTLEMENT; Carlos.Yep@ofina.on.ca; Serena.Ly@ofina.on.ca; James.Devine@ofina.on.ca
Cc: Anthony Martinello
Subject: IESO Notice for Nov 21/17

Please see attached two notices for November 21, 2017:

- Full repayment of RPP amount under IESO's $975 million facility;
- New borrowing of Fair Hydro amount under IESO's new $2 billion facility.

Please send us the net amount of **$179,900,804.31** (OFA to IESO $1,005,539,906.31 minus IESO to OFA $825,639,102.00).

Beneficiary:	Independent Electricity System Operator
Bank:	TD Bank
Bank ID:	0004
Transit Number:	10202
Account Number:	5509622

Thanks.

Olga Whiteley | Treasury and Pension Operations
Independent Electricity System Operator (IESO) | T: (905) 403-6917 | F: (905) 403-6913
Station A, Box 4474, Toronto, ON M5W 4E5
Web: www.ieso.ca[ieso.ca] | Email: olga.whiteley@ieso.ca

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

SCHEDULE 1

FORM OF BORROWING NOTICE

November 17, 2017

Ontario Financing Authority ("OFA")
1 Dundas Street West, Suite 1400
Toronto, Ontario
M7A 1Y7

Attention: Cash Management
Delivered Via Email: CASHP@ofina.on.ca

Dear Sirs:

The undersigned, the Independent Electricity System Operator ("IESO"), refers to the Revolving Credit Facility Agreement between the IESO and the OFA dated November 6, 2017 (as amended, supplemented or restated from time to time, the "Agreement", the terms defined therein being used herein as therein defined), and gives you notice pursuant to Section 3.2 of the Agreement that the IESO requests an Advance under the Agreement, and, in connection with such request, sets forth below the information relating to such Advance (the "Proposed Advance"), as required by Section 3.2(1) of the Agreement:

(a) The date of the Proposed Advance, being a Business Day is November 21, 2017;
(b) The principal amount of the Proposed Advance is $1,005,539,906.31;
(c) The Repayment Date of the Proposed Advance is December 20, 2017.
[Not earlier than 5 days and not later than 95 days after the date of the Proposed Advance.]

Such request of the Proposed Advance shall be confirmed by the IESO by a telephone call to OFA Cash Management at 416-325-8108.

Use of Funds

The IESO hereby certifies that the funds comprising the Proposed Advance requested pursuant to this Notice will be used for the following purpose(s):
This transaction relates to the Fair Hydro Program.

The IESO hereby certifies that:

The representations and warranties of the IESO contained in the Agreement are true and correct as at the date hereof.

No Event of Default has occurred or is continuing and no event or condition has occurred, which, with the lapse of time or the giving of notice or both would constitute an Event of Default.

The IESO has complied or is complying with all terms, covenants and conditions contained in the Agreement.

Any and all funds received under the Agreement will be expended or held solely for the purpose for which they are authorized to be used under the Agreement; no part of the funds to be received pursuant to this Notice shall be used for any other purpose.

Yours truly,

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

Per: K Marshall

Kimberly Marshall
VP Corporate Services, CFO and Treasurer

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

as Borrower

and

ONTARIO FINANCING AUTHORITY

as Lender

REVOLVING CREDIT FACILITY AGREEMENT

Date: November ___, 2017

REVOLVING CREDIT FACILITY AGREEMENT

THIS AGREEMENT is made as of the ____ day of November 2017,

BETWEEN:

INDEPENDENT ELECTRICITY SYSTEM OPERATOR, a statutory corporation without share capital existing under Part II of the *Electricity Act, 1998* (the "**IESO**") (as Borrower)

AND

ONTARIO FINANCING AUTHORITY, a Crown agency established under the *Capital Investment Plan Act, 1993* (the "**OFA**" and together with the IESO, the "**Parties**") (as Lender)

RECITALS:

WHEREAS the IESO has requested a revolving credit facility for up to a maximum principal amount of $2 billion from the OFA for the purpose of supporting the IESO's role in the implementation and administration of the *Ontario Fair Hydro Plan Act, 2017*.

THEREFORE in consideration of the mutual agreements contained herein (the receipt and adequacy of which are acknowledged), the Parties agree as follows:

ARTICLE 1

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

Section 1.1 Definitions.

For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires, the following terms shall have the meanings assigned to them below:

"Advances" means advances made by the OFA to the IESO under Article 3 and "Advance" means any one of such advances, and in the case of an election by the IESO under Section 3.3, includes a "Continued Advance", as defined in Section 3.3(1), as applicable.

"Advances Outstanding" means, at any time, an amount equal to the aggregate principal amount of all Advances outstanding at such time.

"Agreement", "herein", "hereby", "hereor', "hereunder" and similar expressions mean and refer to this agreement and all schedules hereto and all instruments in amendment or confirmation of this agreement and such schedules and not to any particular article or section; and the expression "Article" or "Section" followed by a number means the specified Article or Section of this Agreement.

"Borrowing Notice" has the meaning specified in Section 3.2(1).

"Business Day" means any day that is not a day on which banks are generally authorized or required by law or executive order to be closed in the City of Toronto.

"**Clean Energy Adjustment"** has the same meaning as that term is defined in the OFHP.

"Commitment" means, at any time, an amount equal to $2 billion.

"Consolidated Assets" means, at any time, the book value of the assets of the IESO and the Subsidiaries, determined as of such time on a consolidated basis in accordance with GAAP.

"**Continued Advance"** has the meaning specified in Section 3.3(1).

"Credit Facility" means the revolving credit facility to be made available to the IESO by the OFA under this Agreement for the purposes specified in Section 2.2.

"**Current Repayment Date**" has the meaning specified in Section 3.3(2).

"Default" means any event which, after the giving of notice, or passage of time, or both, would be an Event of Default.

"Dollars" or **"$**" means lawful currency of Canada.

"Election Notice" has the meaning specified in Section 3.3(2).

"Event of Default" has the meaning specified in Section 5.1.

"**First Advance**" has the meaning specified in Section 3.2(3).

"GAAP" means accounting policies and standards as established by the Chartered Professional Accountants of Canada, at the relevant time and applied on a consistent basis.

"Grid Note" has the meaning specified in Section 3.2(2).

"Indebtedness" means (without duplication), with respect to any Person, whether recourse is to all or a portion of the assets of such Person and whether or not contingent:

(a) every obligation of such Person for borrowed money;

(b) every obligation of such Person evidenced by bonds, debentures, notes or other similar instruments;

(c) every reimbursement obligation of such Person with respect to letters of credit, bankers' acceptances or similar instruments;

(d) every obligation of such Person issued or assumed as the deferred purchase price of property or services (but excluding trade accounts payable or expenses accrued in the ordinary course of business which are not overdue or which are being contested in good faith);

(e) every capital lease obligation of such Person;

(f) the Swap Termination Value of each Swap Contract of such Person; and

(g) every obligation of the type referred to in paragraphs (a) through (f) of another Person and all dividends of another Person the payment of which, in each case, such Person has guaranteed or is responsible or liable for, directly or indirectly, as obligor, guarantor or otherwise.

"Lien" means any assignment, hypothec, mortgage, lien, pledge, security interest, encumbrance, title retention agreement or other agreement or arrangement to secure the performance of any obligation (including the payment of Indebtedness).

"Material Subsidiary" means, at any time, a Subsidiary which has consolidated assets with a book value of more than $25 million determined in accordance with GAAP.

"**New Repayment Date**" has the meaning specified in Section 3.3(2).

"**OFHP**" means the *Ontario Fair Hydro Plan Act, 2017*,S.O. 2017, c. 16, Schedule 1, including any regulations made thereunder, and all as amended from time to time.

"Permitted Liens" means:

(a) Liens for taxes and assessments not at the time overdue or any Liens securing workmen's compensation assessments, unemployment insurance or other social security obligations not at the time overdue;

(b) any Liens or rights of distress reserved in or exercisable under any lease for rent and for compliance with the terms of such lease;

(c) any obligations or duties, affecting the property of the IESO to any municipality or governmental, statutory or public authority, with respect to any franchise, grant, license

or permit and any defects in title to structures or other facilities arising solely from the fact that such structures or facilities are constructed or installed on lands held by the IESO or such Material Subsidiary under government permits, leases or other grants, which obligations, duties and defects in the aggregate do not materially impair the use of such property, structures or facilities for the purpose for which they are held by the IESO or such Material Subsidiary;

(d) any deposits or Liens in connection with building contracts, bids or tenders, expropriation proceedings, surety or appeal bonds, costs of litigation when required by law, and public and statutory obligations, Liens or claims incidental to current construction, builders', mechanics', labourers', materialmen's, warehousemen's, carriers' and other similar Liens;

(e) the right reserved to or vested in any municipality or governmental or other public authority by any statutory provision or by the terms of any lease, license, franchise, grant or permit, that affects any lands, to terminate any such lease, license, franchise, grant or permit or to require annual or their periodic payments as a condition to the continuance thereof;

(f) any undetermined or inchoate Liens and charges incidental to the current operations of the IESO or a Material Subsidiary that have not at the time been filed against the IESO or such Material Subsidiary; provided, however, that if any such Lien or charge shall have been filed, the IESO or such Material Subsidiary shall be prosecuting an appeal or proceedings for review with respect to which it shall have secured a stay in the enforcement of any such Lien or charge;

(g) any Lien the validity of which is being contested at the time by the IESO or a Material Subsidiary in good faith and the enforcement of which has been stayed;

(h) any easements, rights-of-way and servitudes that in the opinion of the IESO will not in the aggregate materially and adversely impair the use or value of the land for the purpose for which it is held or occupied by the IESO or a Material Subsidiary;

(i) any Liens and privileges arising out of judgments or awards with respect to which the IESO or a Material Subsidiary shall be prosecuting an appeal or proceedings for review and with respect to which it shall have secured a stay of execution pending such appeal or proceedings for review;

(j) any other Liens of a nature similar to the foregoing which do not in the opinion of the IESO, acting reasonably, materially impair the use of the property subject thereto or the operation of the business of the IESO or any Material Subsidiary or the value of such property for the purpose of any such business; and

(k) any Lien arising from the IESO’s role and obligations under the OFHP, including with respect to any amount received or receivable by the IESO (such as, without limitation, amounts received or receivable in respect of the Clean Energy Adjustment), or any other

lien, whether arising from the action or inaction of IESO, that is created in connection with the OFHP.

"Person" means any individual, corporation, partnership joint venture, association, trust or unincorporated organization or any government or agency or political subdivision thereof.

"Purchase Money Mortgage" means any Lien on property, granted in connection with financing, assumed or given back in payment of, or created or arising by operation of law to secure, the whole or part of the purchase price of such property, or granted in connection with financing the cost in whole or in part of construction or installation of or improvements to any property, provided that such Lien is incurred or assumed at the time or within 12 months after the purchase of such property or the completion of such construction, installation or improvements, as the case may be, and includes any extension, renewal or replacement thereof on the same property if the principal amount of the Indebtedness secured thereby at the time of such extension, renewal or replacement is not increased and if such Lien is not extended to any other property.

"Repayment Date" means, in respect of the repayment of Advances, the repayment date contained in the most recent Borrowing Notice or Election Notice.

"Stated Maturity" when used with respect to any Indebtedness or any installment of interest thereon, means the date specified in or on the agreement or instrument evidencing such Indebtedness as the fixed date on which any principal amount of such Indebtedness or such installment of interest is due and payable.

"Subsidiary" means:

(a) a corporation more than 50% of the voting power or the outstanding Voting Shares of which is owned, directly or indirectly, by the IESO or by one or more other Subsidiaries or by the IESO and one or more other Subsidiaries; or

(b) any Person (other than a corporation) in which the IESO, or one or more other Subsidiaries, directly or indirectly, has at least a majority ownership and power to direct the policies, management and affairs thereof.

"Swap Contract" means any agreement whether or not in writing, relating to any transaction or derivative transaction including a rate swap, basis swap, forward rate transaction, commodity swap, commodity option, commodity future, equity or equity index swap or option, bond, note or bill option, interest rate option, forward foreign exchange transaction, cap, collar or floor transaction currency swap, cross-currency rate swap, swaption, currency option or other similar transaction (including any option to enter into any of the foregoing) or any combination of the foregoing, and, unless the context otherwise clearly requires, any master agreement relating to or governing any or all of the foregoing.

“Swap Termination Value” means, in respect of any one or more Swap Contracts entered into by a Person, after taking into account the effect of any legally enforceable netting agreement relating to such Swap contracts:

(a) for any date on or after the date such Swap Contracts have been closed out and termination value(s) for such Person have been determined in accordance therewith, such termination value(s); and

(b) for any date prior to the date referred to in paragraph (a), the net amount determined pursuant to the terms of such Swap Contracts that would be payable by such Person if such Swap Contracts were terminated as of such date.

“Voting Shares” of any Person means securities of such Person which ordinarily carry a right to vote for the election of directors (or Persons performing similar functions) of such Person.

Section 1.2 Effect of Headings.

The division of this Agreement into Articles and Sections and the insertion of headings are for convenient reference only and shall not affect the construction or interpretation hereof.

Section 1.3 Singular, Plural, Gender, Certain Phrases, etc.

Where the context permits and unless such interpretation would be inappropriate, words importing the singular only shall include the plural and vice versa and words importing gender may include any gender. In this Agreement, (a) the words "including" and "includes" mean "including (or includes) without limitation", and (b) in the computation of periods of time from a specified date to a later specified date, unless otherwise expressly stated, the word "from" means "from and including" and the words "to" and "until" each mean “to but excluding".

Section 1.4 Accounting.

Except as otherwise specifically provided herein, all accounting terms shall be applied and construed in accordance with GAAP.

Section 1.5 Non-Business Days.

Whenever any payment to be made hereunder shall be due, any period of time would end, any calculation is to be made or any other action is to be taken on or as of, a day other than a Business Day, such payment shall be made, such period of time shall end, such calculation shall be made and such other actions shall be taken, as the case may be, unless otherwise specifically provided for herein, on or as of the next succeeding Business Day.

ARTICLE 2
REVOLVING CREDIT FACILITY

Section 2.1 Availability.

The OFA agrees, on the terms and conditions of this Agreement, to make Advances to the IESO. The OFA shall make each Advance in Dollars.

Section 2.2 Use of Proceeds.

The IESO shall use the proceeds of Advances for the purposes for which it is authorized to borrow funds pursuant to Regulation 280/14 made under the *Electricity Act, 1998*, as such regulation may be amended or replaced from time to time, subject to the condition that proceeds of Advances may be used only for IESO's financing needs and requirements of any kind arising in connection with the IESO's role with respect to and obligations under the OFHP.

Section 2.3 Credit Facility Limit.

The Advances Outstanding shall not at any time exceed the Commitment. The Credit Facility shall revolve and no payment under the Credit Facility shall reduce the Commitment.

Section 2.4 Mandatory Repayment.

Subject to Sections 2.5 and 5.2, the IESO shall repay each Advance together with the interest accrued thereon on the applicable Repayment Date, and, in any event, shall repay all Advances Outstanding, together with all accrued interest and all other amounts owing hereunder on September 30, 2022.

Section 2.5 Prepayments.

The IESO is not entitled to prepay any part of the Advances Outstanding or the interest accrued thereon without the prior written consent of the OFA.

Section 2.6 Payments under this Agreement.

(1) The OFA shall make Advances to the IESO under this Agreement to or to the order of the IESO by wire transfer of immediately available funds in accordance with wire transfer instructions given by the IESO to the OFA from time to time, or in such other manner as the IESO may specify to the OFA from time to time.

(2) The IESO shall make any payment required hereunder to be made by it to the OFA, to or to the order of the OFA, by wire transfer of immediately available funds in accordance with wire transfer instruction given by the OFA to the IESO from time to time, or in such other manner as the OFA may specify to the IESO from time to time. The IESO shall make each such payment in Canadian Dollars.

Section 2.7 Computations of Interest.

(1) All computations of interest shall be made by the OFA taking into account the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest is payable on the basis of a year of 365 days or 366 days, as the case may be.

(2) For the purposes of disclosure pursuant to the *Interest Act* (Canada), the yearly rate of interest which is equivalent to a rate of interest payable under this Agreement for any period of less than a year may be determined by multiplying the rate of interest for such period by a fraction, the numerator of which is the actual number of days in a year commencing on and including the first day in such period and ending on but excluding the corresponding day in the next calendar year and the denominator of which is the actual number of days in such period.

Section 2.8 Limit on Rate of Interest.

(1) Notwithstanding any provision contained in this Agreement, the IESO shall not be obliged to make any payments of interest or other amounts payable to the OFA hereunder in excess of the amount or rate which would be prohibited by applicable law or would result in the receipt by the OFA of interest at a criminal rate (as such terms are construed under the *Criminal Code* (Canada)).

(2) In the event that any such payments are limited or prohibited as provided in Section 2.8(1), the OFA shall have no further obligation to make any Advances available hereunder and the Advances Outstanding, together with all accrued interest and all other amounts owing hereunder, shall become immediately due and payable.

Section 2.9 Application of Payments.

All payments made by the IESO under this Agreement shall be applied firstly to the payment of interest payable to the OFA on late payments of principal or interest hereunder, secondly, to the payment of accrued and unpaid interest payable to the OFA hereunder and thirdly, to the payment of the outstanding principal amount of any Advances payable to the OFA.

ARTICLE 3
ADVANCES

Section 3.1 Advances.

The OFA agrees, on the terms and conditions of this Agreement, to make Advances to the IESO under the Credit Facility from time to time on any Business Day prior to September 23, 2022.

Section 3.2 Procedure for Advances.

(1) Subject to Section 3.3(5), each Advance shall be made subject to two Business Days' prior notice given not later than 10:00 a.m. (Toronto time) by the IESO to the OFA. Each notice of an Advance (a "**Borrowing Notice**") shall be substantially in the form of Schedule 1, other than a Borrowing Notice that is included in an Election Notice as permitted by Section 3.3(3). Each Borrowing Notice shall be irrevocable and binding on the IESO and shall specify (a) the requested date of the Advance; (b) the principal amount of the Advance, and (c) the Repayment Date of the Advance which shall not be earlier than 5 days and not later than 95 days after the date of the requested Advance. Each Borrowing Notice shall also certify the use of proceeds of the Advance which shall in any case be in accordance with Section 2.2. The OFA will make the principal amount of each Advance available to the IESO in accordance with Article 2.

(2) On or before the date of the first Advance hereunder, the IESO shall execute and deliver to the OFA a grid promissory note in respect of Advances substantially in the form of Schedule 3 (the "**Grid Note**"). The IESO authorizes the OFA to record on the Grid Note (a) the date and amount of each Advance or Continued Advance; (b) the applicable rate of interest for each Advance or Continued Advance; (c) the Repayment Date of each Advance or Continued Advance; (d) the date and amount of each payment of interest and each payment of principal or portion thereof in respect of each Advance or Continued Advance; and (e) Advances Outstanding. Such notations, in the absence of manifest error, shall be *prima facie* evidence of such Advances and repayments; provided that the failure of the OFA to record any amount, rate or date shall not affect the obligation of the IESO to pay the Advances Outstanding and all interest accrued thereon and any other amounts due under this Agreement.

(3) Respecting the first Advance to be made under this Agreement (the "**First Advance**"), a specified portion thereof (the "**Repayment Amount**") shall be used to repay a portion of the IESO's outstanding indebtedness to the OFA under the credit agreement between the Parties dated January 1, 2005, as amended (the "**Existing Credit Facility**"). The amount of the Repayment Amount shall be detailed in the Borrowing Notice issued in respect of the First Advance. Concurrently with the First Advance, OFA shall provide to IESO an updated grid in respect of the grid note issued under the Existing Credit Facility evidencing the repayment of the Repayment Amount thereunder.

Section 3.3 Elections Regarding Advances.

(1) The IESO may elect to continue all or a portion of the principal amount of any Advance and any amount of interest on such Advance (together, the "**Continued Advance**") for a further period of at least 5 days and up to a maximum of 95 days beginning on the then current Repayment Date in accordance with Section 3.3(2).

(2) Each notice to continue an Advance for a further period (an "**Election Notice**") shall be provided by the IESO to the OFA at least two Business Days prior to the Repayment Date of the Advance (the "**Current Repayment Date**"), and in each case, not later than

10:00 a.m. (Toronto time). Each such Election Notice shall be given substantially in the form of Schedule 2 and shall be irrevocable and binding upon the IESO and shall specify: (a) the Current Repayment Date; (b) the new aggregate total amount of the proposed Continued Advance; (c) the amount of interest or principal, if any, to be paid or re-paid by the IESO with respect to such Advance on the Current Repayment Date; and (d) the new Repayment Date of the proposed Continued Advance, which shall be no earlier than 5 days and not later than 95 days after the current Repayment Date (the "**New Repayment Date"**). If the IESO fails to deliver an Election Notice to the OFA for any Advance as provided herein, such Advance shall be repayable on the applicable Repayment Date.

(3) An Election Notice with respect to a proposed Continued Advance may include a Borrowing Notice for a further Advance proposed to be made on the Current Repayment Date. The Repayment Date of such further Advance shall be the New Repayment Date of the Continued Advance that is specified in the Election Notice. Such Borrowing Notice shall be given substantially in the form of Schedule 2.

(4) The calculation of interest on a Continued Advance shall be determined in the same manner as an Advance under Section 3.4 and shall be recorded on the Grid Note in accordance with Section 3.2(2).

(5) Any portion of an Advance not continued for a further period in accordance with Section 3.3(2) shall be repayable on the applicable Repayment Date.

(6) The Credit Facility shall at all times rank *pari passu* with all other unsubordinated and unsecured Indebtedness of the IESO, subject to the existence of any Liens that secure Indebtedness, as permitted by subections 4.6 (a) through (e) hereof.

(7) All amounts owing in respect of the Advances shall be paid without exercising any right of set off or counterclaim by the IESO.

Section 3.4 Interest on Advances.

(1) The IESO shall pay interest on the unpaid principal amount of each Advance in accordance with this Section 3.4 from and including the date of such Advance until the principal amount of such Advance is repaid in full.

(2) Interest shall accrue on the principal amount of each Advance from and including the date of the Advance to but excluding the Repayment Date of such Advance, at an annual rate equal to the Province of Ontario's cost of funds for borrowings with a similar term as determined by the OFA plus 0.25 percent per annum, before as well as after the date such principal amount or interest thereon becomes due hereunder and both before and after Default and shall be payable on the Repayment Date for such Advance. Any amount of interest arising hereunder which is not paid when due shall bear interest at the same rate compounded monthly at which it accrued from the due date for payment until the date of actual payment. The amount of interest payable on an Advance will be calculated by the

OFA by dividing the interest rate applicable to the Advance by 365 or 366, as the case may be, and multiplying the result by the principal amount of the Advance and further multiplying the result by the number of days in the period from the date of the Advance to the Repayment Date of the Advance.

(3) If the IESO elects to continue an Advance in accordance with Section 3.3(2), the OFA shall determine the interest rate applicable after the original Repayment Date of the Advance and endorse the said rate on the grid forming part of the Grid Note in respect of Advances held by it.

Section 3.5 Conditions Precedent

The obligation of the OFA to make the Advances to the IESO pursuant to Section 2.1 is subject to the following conditions being satisfied to the OFA's satisfaction at the time of making each Advance:

(a) that the representations and warranties of the IESO contained in this Agreement are true and correct as at the date of making the Advance;

(b) that no Event of Default has occurred and is continuing;

(c) that there shall, in the reasonable opinion of the OFA, have been no material adverse change in the financial condition of the IESO or a Material Subsidiary; and

(d) that the OFA has received such other documentation which it has reasonably requested to ensure that the IESO is in compliance with the terms and conditions of this Agreement, including certified true copies of any necessary resolutions, a written legal opinion from counsel to the IESO confirming that the borrowing is within the legal powers of the IESO and that the Agreement is a direct, unsecured obligation of the IESO enforceable against the IESO in form satisfactory to the OFA.

ARTICLE 4
COVENANTS OF THE IESO

Section 4.1 Repayment of Advances.

The IESO will duly and punctually pay all amounts owing under this Agreement in accordance with the terms and subject to the conditions of this Agreement.

Section 4.2 IESO will Maintain its Corporate Existence.

The IESO will at all times maintain its corporate existence.

Section 4.3 Maintenance of Properties.

The IESO will cause all property owned by the IESO or any Material Subsidiary to be maintained and kept in good condition, repair and working order, all as in the judgment of the IESO or any Material Subsidiary may be necessary for the proper operation of such property, except as and to the extent that the IESO or any Material Subsidiary may be prevented from doing so by fire, strikes, lockouts, walkouts, labour unrest, acts of God, inability to obtain labour or materials, enemy action, governmental restrictions, civil commotion, or unavoidable casualty or similar causes; provided, however, that nothing in this Section 4.3 shall prevent the IESO or any Material Subsidiary from discontinuing the maintenance of any such property or decommissioning any such property if such discontinuance or decommissioning is, in the judgment of the IESO or any such Material Subsidiary, desirable in the conduct of its business or the business of any such Material Subsidiary, or has been directly or indirectly requested or required by the Province of Ontario.

Section 4.4 Insurance.

The IESO will cause all property owned by the IESO or any Material Subsidiary which is of a character usually insured by companies operating similar businesses to be insured and kept insured with reputable insurers (which may include associations or other organizations for mutual or reciprocal insurance) against loss or damage by fire or other hazards or risks of the mature and to the extent that such property is usually insured by companies operating similar businesses.

Section 4.5 Conduct of Business.

The IESO will, and will cause the Subsidiaries to, carry on and conduct their respective businesses in accordance with good business practice.

Section 4.6 Negative Pledge.

The IESO will not, and will not permit any Material Subsidiary to, create, incur or assume any Lien, charging the interest of the IESO or any Material Subsidiary in any property, to secure any obligations (including any Indebtedness) unless, at or prior to the time such Lien is created, incurred or assumed, all amounts owing under this Agreement are secured equally and rateably with any and all such obligations secured or to be secured by such Lien, for so long as such obligations shall be secured, provided, however, that the foregoing covenant shall not prevent, restrict or apply to any of the following:

(a) the creation, incurrence or assumption of any Purchase Money Mortgage;

(b) the grant of any Lien in the normal course of business to any banks or financial institutions for present or future Indebtedness of the IESO or any Material Subsidiary to such banks or financial institutions payable on demand or having an original term to maturity less than 18 months;

(c) Permitted Liens;

(d) any extension, renewal or replacement of any of the Liens referred to in Sections 4.6(a), (b) or (c), provided that the principal amount secured by any such Lien outstanding immediately before such extension, renewal or replacement or refunding is not thereby increased; and

(e) any Lien charging the interest of the IESO or any Material Subsidiary in any property to secure any Indebtedness, other than any Lien referred to in Sections 4.6(a), (b) or (c), provided that, at the time such Lien is created, incurred or assumed, the principal amount of such Indebtedness, together with the aggregate principal amount of all other Indebtedness secured by Liens permitted pursuant to this Section 4.6(e) which is outstanding at such time does not exceed 10% of Consolidated Assets at such time.

Section 4.7 Payment of OFA Expenses

In addition to any liability of the IESO to the OFA under any other provision of this Agreement, the IESO will, on demand, reimburse and indemnify OFA for all reasonable costs, charges and expenses, including reasonable fees and disbursements of its agents and counsel, incurred by OFA in connection with the Agreement (including those services incurred in the preservation of rights under or enforcement of this Agreement at any time during the continuance of a Default or Event of Default and for any reasonable loss or expense incurred by OFA as a result of any failure by the IESO to fulfill any of its obligations under this Agreement). All such costs, charges and expenses shall bear interest at the Province of Ontario's cost of funds plus 0.25 percent per annum (as determined by the OFA) calculated and payable monthly not in advance from in each case from the date on which the OFA incurs the cost, charge or expense until the date on which the IESO reimbursement the OFA therefor. The OFA agrees, acting reasonably, to invoice the IESO for any such costs, charges and expense as they are incurred, together with interest at the aforesaid rate (with interest on overdue interest).

Section 4.8 Reporting.

The IESO will promptly provide to the OFA any reports or supporting documents that the OFA may request from time to time.

Section 4.9 Late Repayment of Advance.

In the event that the IESO fails to repay the principal amount of any Advance and all interest accrued thereon when due, the IESO shall pay interest on the unpaid amount of such Advance at the same rate compounded monthly at which it accrued from the due date for payment until the date of actual payment.

ARTICLE 5
EVENTS OF DEFAULT AND REMEDIES

Section 5.1 Event of Default.

Wherever used in this Agreement, the term "Event of Default" means any of the following:

(a) the IESO's failure to pay any interest upon any Advance when it becomes due and payable, if such failure continues for a period of 3 Business Days;

(b) failure to pay the principal amount of any Advance on the applicable Repayment Date or the Advances Outstanding, all interest accrued thereon and all other amounts owing under this Agreement on September 30, 2022;

(c) failure on the part of the IESO to observe or perform its obligations set forth in Section 4.1;

(d) failure on the part of the IESO to observe or perform any of the other covenants or agreements on its part contained in this Agreement for a period of 20 days after the date on which written notice of such failure shall have been given to the IESO by the OFA;

(e) any representation or warranty made by the IESO in this Agreement or in any certificate or other document at any time delivered hereunder to the OFA was incorrect or misleading in any material respect;

(f) one or more breaches by the IESO of its covenants under one or more evidences of Indebtedness or instruments governing or securing the same with a principal amount then outstanding, individually or in the aggregate, of at least $5 million, which breaches:

(i) constitute a failure to pay such Indebtedness when due and payable at its final Stated Maturity, continue after any applicable grace period and have not been cured or waived or ceased to exist, or

(ii) have resulted in such Indebtedness becoming or being declared due and payable prior to its final Stated Maturity (and which acceleration or declaration has not been waived or rescinded);

(g) the IESO or any Material Subsidiary:

(i) becomes unable to meet its obligations as they generally become due or has ceased paying its current obligations in the ordinary course of business as they generally become due;

(ii) admits in writing its inability to pay its debts generally or makes a general assignment for the benefit its creditors or files a proposal or other scheme

of arrangement involving the rescheduling or composition of its Indebtedness;

(iii) institutes or has instituted against it any proceeding seeking:

(A) to adjudicate it as bankrupt or insolvent,

(B) liquidation, winding-up or reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency, reorganization or relief of debtors including any plan of compromise or arrangement or other corporate proceeding involving or affecting its creditors, or

(C) the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its assets,

and in the case of any such proceeding instituted against it (but not instituted by it), either the proceeding remains undismissed or unstayed for a period of 30 days, or any remedy sought in any such proceeding (including the entry of order for relief against it or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its properties and assets) occurs; or

(iv) takes any corporate action to authorize any of the actions in Sections 5.l (g)(i) to (iii); or

(h) if there shall be rendered against the IESO or any Material Subsidiary a final judgment or judgments for the payment of money in an aggregate amount in excess of $5 million by a court or courts of competent jurisdiction, and the IESO or any Material Subsidiary shall have failed to satisfy such judgments or to appeal therefrom (or from the order, decree or process pursuant to which such judgments were granted, passed, entered or affirmed) and to obtain a stay of execution thereof within the period prescribed by law for appeals, and to have such judgments discharged within 30 days after the expiration of such period or the period of any such stay, whichever shall later expire.

Section 5.2 Acceleration of Maturity; Rescission and Annulment.

If an Event of Default occurs and is continuing, then and in every such case the OFA may at its option, in addition to any other remedy available to the OFA at law, by written notice to the IESO, take any or all of the following actions:

(a) suspend the right of the IESO to request any further Advance until the Event of Default has been cured to the OFA's satisfaction or, if the Event of Default is not

cured within three (3) Business Days after the date on which written notice of such Event of Default shall have been given to the IESO by the OFA, declare all amounts owing hereunder including all interest accrued to be due and payable immediately, by a notice in writing to the IESO, and upon any such declaration all such amounts shall become immediately due and payable.

(b) invoke the Intercept pursuant to section 5.7 of this Agreement to require payment of any amount due and payable under this Agreement.

Section 5.3 Suits for Enforcement by the OFA.

If an Event of Default occurs and is continuing, the OFA may proceed to protect and enforce the rights vested in it by this Agreement either by suit in equity or by action at law or by proceedings in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in this Agreement or in aid of the exercise of any power granted in this Agreement, or to enforce any other legal or equitable right vested in the OFA by this Agreement or by law.

Section 5.4 OFA May File Proof of Claim.

If proceedings for the receivership, insolvency, liquidation, bankruptcy, winding-up, reorganization, arrangement or composition of the IESO under any applicable law are pending, or if a receiver, trustee, custodian or other similar official shall have been appointed for the property of the IESO, or if any other judicial proceedings relative to the IESO, its creditors or its property are pending, the OFA shall be entitled and empowered, by intention in such proceeding or otherwise:

(a) to file and prove a claim for all amounts owing under this Agreement and to file such other papers or documents as may be necessary or advisable in order to have the claims of the OFA (including any claim for fees and disbursements of the OFA, its agents and counsel) allowed in such judicial proceeding; and

(b) to collect and receive any monies or other property payable or deliverable on any such claim.

Section 5.5 Rights and Remedies Cumulative.

No right or remedy herein conferred upon or reserved to the OFA is intended to be exclusive of any other such right or remedy, and every such right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 5.6 Delay or Omission not Waiver.

No delay or omission of the OFA to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right or remedy given by this Article 5 or by law to OFA may be exercised from time to time, and as often as may be deemed expedient, by the OFA.

Section 5.7 Intercept

(a) The IESO hereby acknowledges that, in accordance with the terms of the letter agreement of even date herewith entered between the Ministry of Energy, the IESO and the OFA made pursuant to Section 23 of the *Capital Investment Plan Act, 1993* (the "**Intercept Letter**"), the Minister of Finance is entitled to deduct only from those monies appropriated by the Legislature for payment through the Ministry of Energy to the IESO ("**Appropriated Funds**"), amounts equal to any amounts that the IESO fails to pay to the OFA on account of indebtedness under this Agreement. On the occurrence of an Event of Default relating to a failure by IESO to pay when due any amounts owing hereunder, subject to the OFA's compliance with any relevant provisions hereof and as set out in the Intercept Letter, the Minister of Finance is irrevocably authorized to deduct from the Appropriated Funds amounts equal to any amounts that the IESO has failed to pay to the OFA in accordance with the provisions of this Agreement and to pay such amounts directly to the OFA ("**Intercept**").

(b) If, after following the process specified in the Intercept Letter (including, without limitation, allowing for a reasonable cure period on the terms specified therein), the OFA determines that it is necessary to request the Minister of Finance to exercise the Intercept, the OFA will give written notice to the Minister of Finance, with a copy to the Ministry of Energy, detailing the IESO's failure to pay when due any amounts owing hereunder and requesting the deduction from the Appropriated Funds of amounts equal to the amounts that the IESO has failed to pay to the OFA under this Agreement.

(c) The IESO agrees that any notice from the OFA to the Minister of Finance in relation to this section 5.7 (Intercept) may be relied upon by the Minister of Finance without further inquiry or verification by the Minister of Finance and, upon receipt of such notice, an amount equal to the amount that the IESO has failed to pay when due to the OFA on account of indebtedness under this Agreement shall be deducted from the Appropriated Funds and paid to the OFA.

(d) For further certainty, the OFA acknowledges and agrees that the Intercept as provided for herein and in the Intercept Letter shall not apply with respect to any funds appropriated by the Legislature for payment to the IESO through ministries other than the Ministry of Energy or through Ontario Climate Change Solutions Deployment Corporation.

(e) The parties agree that, with respect to the exercise of the Intercept generally, the terms of this section 5.7 shall be applied consistently with the terms set out in the Intercept Letter which shall apply in full. Notwithstanding the foregoing, in the event of a conflict or

inconsistency between the terms and conditions of the Intercept Letter and the terms and conditions contained in this Agreement, the terms and conditions contained in this Agreement shall prevail.

ARTICLE 6
REPRESENTATIONS AND WARRANTIES OF IESO

Section 6.1 Representations and Warranties of IESO

The IESO represents and warrants to the OFA that:

(a) the borrowing of money (including principal and accrued interest) by the IESO and the execution, delivery and performance of this Agreement are within the powers and capacities of the IESO and have been duly authorized by all necessary legal action and proper proceedings;

(b) the execution and delivery of this Agreement, the consummation of the transactions contemplated by this Agreement and the compliance with the terms and conditions of this Agreement will not conflict with or result in a breach of any of the terms or provisions of the constituting documents or by-laws of the IESO, laws of Ontario, including laws of Canada applicable therein, applicable to the IESO or any contractual or other obligation binding on the IESO;

(c) this Agreement will, when executed and delivered, constitute the legal, valid and binding obligation of the IESO enforceable against it in accordance with its terms; and

(d) the monies advanced under this Agreement shall be used only by the IESO for the purposes set out in Section 2.2.

Section 6.2 Continuation of Representation and Warranties

The representations and warranties set out in Section 6.1 herein shall survive the execution and delivery of this Agreement, the making of each Advance by the OFA, notwithstanding any investigations or examinations which may be made by counsel for the OFA.

ARTICLE 7
GENERAL

Section 7.1 Notices.

Any notice, direction or other communication to be given under this Agreement shall be in writing and given by personally delivering it or sending it by telecopy or other means of electronic communication addressed:

If to the IESO, to it at:

Independent Electricity System Operator
120 Adelaide Street West, Suite 1600
Toronto, ON M5H 1T1

Attention: Chief Financial Officer
Telephone: (416)969-6232
Facsimile: (905)403-6913

If to the OFA, to it at:

Ontario Financing Authority 1 Dundas Street West
Suite 1400 Toronto, Ontario M7A 1Y7

Attention: Executive Director & Chief Investment Officer – Capital Markets Division
Telephone: (416)325-8930
Facsimile: (416)860-8346

provided that any Borrowing Notice or Election Notice shall be addressed as indicated on Schedule 1 or Schedule 2 respectively.

Any communication hereunder shall be deemed to have been validly and effectively given if (a) personally delivered, on the date of such delivery if such date is a Business Day and such delivery was made prior to 4:00 p.m. (Toronto time), otherwise on the next Business Day, (b) transmitted by facsimile or other means of electronic communication, on the Business Day following the date of transmission provided that, on the date of transmission, the addressee of such communication was notified by telephone of such transmission. Any party may from time to time change its address for communications hereunder by notice give in accordance with this Section 7.1 and until changed by like notice, such changed address shall be such party's address for purposes of this Section 7.1.

Section 7.2 Successors and Assigns.

This Agreement shall be binding on and enure to the benefit of the OFA and the IESO and their respective successors and permitted assigns, except that the IESO shall not, without the

prior written consent of the OFA assign, pledge or hypothecate any rights or obligations with respect to this Agreement.

Section 7.3 Amendments.

This Agreement may only be amended or otherwise modified by written agreement executed by each of the Parties.

Section 7.4 Waiver.

(1) No waiver of any provisions of this Agreement shall be deemed to constitute a waiver of any other provision (whether or not similar) of this Agreement nor shall such waiver be binding unless executed in writing by the party to be bound by the waiver.

(2) No failure on the part of a party to exercise, and no delay in exercising, any right under this Agreement shall operate as a waiver of such right and any single or partial exercise of such right shall not preclude another or further exercise of such right or the exercise of any other right.

Section 7.5 Further Assurances.

Each of the IESO and the OFA shall, from time to time, do all such acts and things and execute and deliver all such instruments as may be reasonably required to give effect to, and carry out the terms of, this Agreement

Section 7.6 Severability.

In case any provision in this Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions in this Agreement shall not in any way be affected or impaired thereby.

Section 7.7 Governing Law.

This Agreement shall be construed in accordance with and governed by the laws of the Province of Ontario and the laws of Canada applicable therein.

Section 7.8 Entire Agreement.

This Agreement, including the schedules hereto and any other agreements expressly referred to herein, constitutes the whole agreement between the Parties with respect to the matters dealt with in it, and it supersedes any prior agreement, undertakings, discussions and the like respecting the matters dealt with in this Agreement and entered into by the Parties before the date the OFA signs this Agreement.

Section 7.9 Counterparts.

This Agreement may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same Agreement.

IN WITNESS WHEREOF the Parties have executed this Agreement as of the date first written above.

ONTARIO FINANCING AUTHORITY

Per: _____

Name: Gadi Mayman
Title: Chief Executive Officer

I have authority to bind the corporation.

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

Per: _____

Name: Kimberly Marshall
Title: Vice President, Corporate Services; Chief Financial Officer; Treasurer

I have authority to bind the corporation.

SCHEDULE 1

FORM OF BORROWING NOTICE

Delivered Via Email: CASHP@ofina.on.ca

Ontario Financing Authority ("OFA")
1 Dundas Street West, Suite 1400
Toronto, Ontario
M7A 1Y7

Date: [insert date]

Attention: Cash Management

Dear Sirs:

The undersigned, the Independent Electricity System Operator ("IESO"), refers to the Revolving Credit Facility Agreement between the IESO and the OFA dated October (·), 2017 (as amended, supplemented or restated from time to time, the "Agreement", the terms defined therein being used herein as therein defined), and gives you notice pursuant to Section 3.2 of the Agreement that the IESO requests an Advance under the Agreement, and, in connection with such request, sets forth below the information relating to such Advance (the "Proposed Advance"), as required by Section 3.2(1) of the Agreement:

(a) The date of the Proposed Advance, being a Business Day is _____;
(b) The principal amount of the Proposed Advance is $_____;
(c) The Repayment Date of the Proposed Advance is _____. [Not earlier than 5 days and not later than 95 days after the date of the Proposed Advance.]

Such request of the Proposed Advance shall be confirmed by the IESO by a telephone call to OFA Cash Management at 416-325-8108.

Use of Funds

The IESO hereby certifies that the funds comprising the Proposed Advance requested pursuant to this Notice will be used for the following purpose(s): [specify purpose(s) and any sub-categories of borrowing purposes, as applicable]

The IESO hereby certifies that:

The representations and warranties of the IESO contained in the Agreement are true and correct as at the date hereof.

No Event of Default has occurred or is continuing and no event or condition has occurred, which, with the lapse of time or the giving of notice or both would constitute an Event of Default.

The IESO has complied or is complying with all terms, covenants and conditions contained in the Agreement.

Any and all funds received under the Agreement will be expended or held solely for the purpose for which they are authorized to be used under the Agreement; no part of the funds to be received pursuant to this Notice shall be used for any other purpose.

Yours truly,

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

Per: _____

Name:

Authorized Signatory

SCHEDULE 2

FORM OF ELECTION NOTICE

Delivered Via Email: CASHP@ofina.on.ca

Ontario Financing Authority ("OFA")
1 Dundas Street West, Suite 1400
Toronto, Ontario
M7A 1Y7

Date: [insert date]

Attention: Cash Management

Dear Sirs:

I. ELECTION NOTICE

The undersigned, the Independent Electricity System Operator ("IESO"), refers to the Revolving Credit Facility Agreement between the IESO and the OFA dated October (·), 2017 (as amended, supplemented or restated from time to time, the "Agreement", the terms defined therein being used herein as therein defined), and gives you notice pursuant to Section 3.3 of the Agreement that the IESO elects to continue for an additional term all or a portion of an Advance or a Continued Advance, as the case may be, and in connection with such election sets forth below the information relating to such election as required by Section 3.3(2) of the Agreement:

(a) The date of the proposed election, being a Business Day (being the Current Repayment Date) is _____.

(b) The aggregate amount of the proposed Continued Advance is $_____, which is comprised of:

i. principal amount (or portion thereof) of Advance which is to be continued $_____; and
ii. accrued interest on Advance which will not be paid on or before the Current Repayment Date $_____;

(c) The IESO will pay on the Current Repayment Date the following amount with respect to the Advance (if any): $ _____

(d) The New Repayment Date, being a Business Day, applicable to such proposed Continued Advance is _____. [Insert date not earlier than 5 days and not later than 95 days after the current Repayment Date for the Advance.]

Such election shall be confirmed by the IESO by a telephone call to OFA Cash Management at 416-325-8108.

II. BORROWING NOTICE [to be included if applicable]

The IESO gives you notice pursuant to Section 3.3(3) of the Agreement that the IESO requests a further Advance under the Agreement on the Current Repayment Date, with a Repayment Date of the New Repayment Date as specified above, and in connection with such request, sets forth below the information relating to such Advance (the "Proposed Advance"):

Amount of the Proposed Advance: $_____
The total aggregate amount of the proposed Continued Advance and Proposed Advance pursuant to this Notice is: $_____

Such request of the Proposed Advance shall be confirmed by the IESO by a telephone call to OFA Cash Management at 416-325-8108.

Use of Funds

The IESO hereby certifies that the funds comprising the Proposed Advance requested pursuant to this Notice, if any, will be used for the following purpose(s): [specify purpose(s) and any sub-categories of borrowing purposes, as applicable]

The IESO hereby certifies that:

The representations and warranties of the IESO contained in the Agreement are true and correct as at the date hereof.

No Event of Default has occurred or is continuing and no event or condition has occurred, which, with the lapse of time or the giving of notice or both would constitute an Event of Default.

The IESO has complied or is complying with all terms, covenants and conditions contained in the Agreement.

Any and all funds received under the Agreement are being used solely as authorized under the Agreement and are not being used for any other purpose.

Yours truly,

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

Per: _____
Name:

Authorized Signatory

SCHEDULE 3 – FORM OF GRID NOTE

INDEPENDENT ELECTRICITY SYSTEM OPERATOR GRID NOTE

Principal Amount: Up to $2,000,000,000 Date:

FOR VALUE RECEIVED, INDEPENDENT ELECTRICITY SYSTEM OPERATOR (the "**IESO**"), incorporated under the laws of the Province of Ontario and having its principal office and place of business at Toronto, Ontario, **PROMISES TO PAY** to or to the order of **ONTARIO FINANCING AUTHORITY** ("**OFA**") at its offices at Toronto, Ontario or at such other place as the OFA may designate, the principal amount of each and all Advances made by the OFA to the IESO, all as recorded by the OFA on the grid attached to and forming part of this Grid Note, in lawful money of Canada, with interest on each Advance at the rate, calculated in the manner and payable at the times specified in the Revolving Credit Facility Agreement (as defined below).

OFA shall and is unconditionally and absolutely authorized and directed by the IESO to record on the Grid Note (i) the date and amount of each Advance, including any Advance all or a portion of which is continued by election under Section 3.3; (ii) the applicable rate of interest for each Advance; (iii) the repayment date of each Advance; (iv) the date and amount of each payment of interest and each payment of principal in respect of each Advance; and (v) the outstanding principal amount of the Grid Note. Such notations, in the absence of manifest error, shall be *prima facie* evidence of such advances and repayments; provided that the failure of the OFA to record the same shall not affect the obligations of the Borrower to pay such amounts to the OFA.

The outstanding principal amount of each Advance under this Grid Note together with all interest accrued thereon shall become due and payable as specified in the Revolving Credit Facility Agreement dated **[INSERT DATE]** as amended, supplemented or restated from time to time, between the Borrower and the OFA (the "Agreement"). All capitalized terms used herein and not otherwise defined herein shall have the meanings given to such terms in the Agreement.

This Grid Note is issued pursuant to, and is subject to and payable in accordance with the provisions of, the Agreement.

This Grid Note is not transferable or negotiable without the prior written consent of the IESO.

The IESO waives presentment for payment and notice of non-payment.

This Grid Note shall be governed by and interpreted and enforced in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

IN WITNESS WHEREOF the IESO has executed this Grid Note.

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

Per: _____

Name:
Authorized Signatory

Revolving Credit Facility Grid Note

Ontario Financing Authority
Line of Credit Grid Note

Entity : **Independent Electricity System Operator**
Loan Limit:

Project:
Schedule of loan transactions to:
Loan Advanced to:

New Loan and/or Rollover						Actual Repayment				
New Loan or Rollover Date	Principal Advanced or Rollover Amount	Interest Rate	Repayment Date	Total No. Of Days	Interest Amount	Actual Repayment	Principal	Interest	Actual Repayment Date	Actual No. Of Days

From:	Opal Kandelas
To:	Sarah Harris
Subject:	FW: IESO Security Agreement (November 7th Rating Agency Draft).docx
Date:	Monday, November 20, 2017 3:11:40 PM
Attachments:	IESO Security Agreement (November 7th Rating Agency Draft).docx

---

From: John Kim
Sent: Friday, November 17, 2017 5:33 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: IESO Security Agreement (November 7th Rating Agency Draft).docx

Hi Opal,

I just got this draft security agreement.

Also, my understanding is that TD granted the requested amendment as we did with the OFA facilities.

Thanks,

John

Draft Date: November 7, 2017

SECURITY AGREEMENT

THIS AGREEMENT made as of the ____ day of _____, 2017,

BETWEEN:

INDEPENDENT ELECTRICITY SYSTEM OPERATOR, a statutory corporation without share capital established by the *Electricity Act, 1998*, SO, 1998,

(hereinafter referred to as the "**Grantor**"),

IN FAVOUR OF:

[FINANCING ENTITY], a trust formed under the laws of the Province of Ontario,

(hereinafter referred to as the "**Secured Party**"),

WHEREAS under Regulation 206/17 made under the *Ontario Fair Hydro Plan Act, 2017* (the "**Regulation**"), the Grantor is required to pay to the Secured Party the Carrying Costs of the Secured Party during the period beginning on April 1, 2017 and ending on June 30, 2021 (the "**Statutory Obligation**");

AND WHEREAS the Grantor (together with the Secured Party, collectively referred to as the "**Parties**") has agreed to enter into a security agreement in favour of the Secured Party to secure payment of the Statutory Obligation;

NOW THEREFORE THIS AGREEMENT WITNESSES that, for and in consideration of the premises, mutual covenants and conditions herein contained and such other lawful and valuable consideration the receipt of sufficiency of which is hereby acknowledged, the Parties hereby agree as follows:

1. INTERPRETATION

1.1 Defined Terms

In this Agreement, unless there is something in the context or subject matter inconsistent therewith,

(a) "**Account**" shall have the meaning attributed to such term in the PPSA;

(b) "**Business Day**" means any day other than a Saturday or a Sunday on which banks generally are open for business in Toronto, Ontario;

(c) "**Carrying Costs**" shall have the meaning attributed to the term "carrying costs" in the Regulation;

(d) "**Collateral**" shall have the meaning attributed to such term in Section 2.1;

(e) **"Electricity Vendor"** shall mean a licensed distributor and a licensed retailer, each as defined in the Ontario Fair Hydro Act.

(f) "**Money**" shall have the meaning attributed to such term in the PPSA;

(g) "**Permitted Liens**" means liens approved in writing by the Secured Party;

(h) "**PPSA**" means the *Personal Property Security Act* (Ontario), as amended from time to time, and any regulations thereto;

(i) "**Proceeds**" means "proceeds", as defined in the PPSA, of the Collateral;

(j) **"Receiver"** shall have the meaning attributed to such term in Section 6.2 of this Agreement;

(k) "**Regulation**" shall have the meaning attributed to such term in the recitals hereto;

(l) "**Statutory Obligation**" shall have the meaning attributed to such term in the recitals hereto.

1.2 Other Usages

References to "this Agreement", "hereof", "herein", "hereto" and like references refer to this Security Agreement and not to any particular Article, Section or other subdivision of this Agreement.

1.3 Plural and Singular

Where the context so requires, the words importing the singular number shall include the plural and vice versa.

1.4 Headings

The division of this Agreement into Articles and Sections and the insertion of headings in this Agreement are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

1.5 Applicable Law

This Agreement and all documents delivered pursuant hereto shall be governed by and construed and interpreted in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein and the Parties do hereby attorn to the non-exclusive jurisdiction of the courts of the Province of Ontario.

1.6 Prohibited Provisions

In the event that any provision or any part of any provision hereof is deemed to be invalid by reason of the operation of any law or by reason of the interpretation placed thereon by a court,

this Agreement shall be construed as not containing such provision or such part of such provision and the invalidity of such provision or such part shall not affect the validity of any other provision or the remainder of such provision hereof, and all other provisions hereof which are otherwise lawful and valid shall remain in full force and effect.

1.7 Time of the Essence

Time shall in all respects be of the essence of this Agreement.

1.8 Recitals and Schedules

Each and every one of the recitals and schedules which are referred to in this Agreement and attached to this Agreement shall form an integral part of this Agreement.

2. SECURITY INTEREST

2.1 Grant of Security Interest

As general and continuing security for the payment of the Statutory Obligation, the Grantor hereby grants a security interest to the Secured Party in the following (collectively, the "**Collateral**"):

(a) all Accounts, which are now due, owing or accruing or growing due to, or which may hereafter become due, owing or accruing or growing due, to the Grantor by an Electricity Vendor;

(b) all Proceeds and renewals of the foregoing, in whatever form, together with all substitutions therefore.

Whenever used elsewhere in this Agreement, the expression "**security interest**" refers to the security interest created in this Section 2.1.

2.2 Attachment of Security Interest

The Grantor acknowledges and agrees that (i) value has been given, (ii) the Grantor has rights in such of the Collateral as constitutes present property of the Grantor, and (iii) the security interest shall attach to existing Collateral upon execution of this Agreement by the Grantor and to each item of after-acquired Collateral at the time that the Grantor acquires any rights therein.

3. COVENANTS OF THE GRANTOR

3.1 Covenants

The Grantor hereby covenants and agrees with the Secured Party as follows:

(a) To promptly pay all taxes, assessments, rates, levies, payroll deductions, vacation pay, workers' compensation assessments, and any other charges which could result in the creation of a statutory lien or deemed trust in respect of the Collateral.

(b) To defend the Collateral against the claims and demands of all other persons claiming the same or an interest therein and to promptly notify the Secured Party of any such claim or demand.

(c) To do, make, execute and deliver such further and other assignments, transfers, deeds, agreements and other documents as may be required by the Secured Party to establish in favour of the Secured Party the security interest intended to be created hereby.

3.2 Performance of Covenants by the Secured Party

The Secured Party may, in its sole discretion and upon notice to and at the expense of the Grantor, perform any covenant of the Grantor under this Agreement that the Grantor fails to perform and that the Secured Party is capable of performing, provided that the Secured Party will not be obligated to perform any such covenant on behalf of the Grantor and no such performance by the Secured Party will require the Secured Party further to perform the Grantor's covenants nor operate as a derogation of the rights and remedies of the Secured Party under this Agreement.

4. DEALING WITH COLLATERAL

4.1 Grantor's Rights

Until the Secured Party is entitled to exercise its rights and remedies under Section 6.2, the Grantor shall be entitled to deal with the Collateral in the ordinary course of business, provided however, that no such action shall be taken which would impair the effectiveness of the security interests created hereby, the provisions of this Agreement or any other written agreement between the Secured Party and the Grantor.

4.2 General Restrictions

The Grantor shall not, without the prior written consent of the Secured Party:

(a) sell, lease or otherwise dispose of the Collateral or any part thereof except in the ordinary course of business; or

(b) enter into or grant, create, assume or suffer to exist any mortgage, charge, hypothec, assignment, pledge, lien or other security interest or encumbrance affecting any of the Collateral except the Permitted Liens.

4.3 Release by the Secured Party

The Secured Party may, at its discretion, at any time release from the security interest created by this Agreement any part or parts of the Collateral or any other security or any surety for the Statutory Obligation either with or without sufficient consideration therefor without thereby releasing any other part of the Collateral or any person from this Agreement.

5. REPRESENTATIONS AND WARRANTIES

5.1 Representations and Warranties

The Grantor hereby represents and warrants to the Secured Party, the matters set out below:

(a) **Incorporation and Qualifications** – The Grantor is a statutory corporation amalgamated under the laws of the Province of Ontario, with requisite power and authority to own its properties, to conduct its business as such properties are currently owned and such business is presently conducted by it, and to execute, deliver and carry out the terms of this Agreement.

(b) **Corporate Authority and Power** – The Grantor has the requisite power and authority to execute and deliver this Agreement and to carry out its terms. The execution, delivery and performance of all obligations under this Agreement have been duly authorized by all necessary action on the part of the Grantor under all applicable laws.

(c) **Non-Conflict** – Neither the execution nor the performance of this Agreement requires the approval of any regulatory agency having jurisdiction over the Grantor nor is this Agreement in contravention of or in conflict with the by-laws or resolutions of the directors or shareholders of the Grantor or of the provisions of any agreement to which the Grantor is a party or by which any of its property may be bound or of any statute, regulation, by-law, ordinance or other law, or to the best of its knowledge of any judgement, decree, award, ruling or order to which the Grantor or any of its property may be subject, other than approvals that have been obtained.

(d) **Ownership of Collateral Free of Liens** – The Grantor is the owner of or has rights in the existing Collateral free and clear of any liens other than Permitted Liens.

(e) **Grantor Information** – Schedule A sets forth (a) the Grantor's jurisdiction of incorporation, (b) the location of the Grantor's registered office and business operations and records, and (c) the Grantor's exact legal name (in English and French).

(f) **Enforceability** – This Agreement constitutes a valid and legally binding obligation of the Grantor enforceable against it in accordance with its terms, subject to general equitable principles, including the fact that the availability of equitable remedies, such as injunctive relief and specific performance, is in the discretion of the court.

5.2 Reliance and Survival

All representations and warranties of the Grantor made in this Agreement shall survive the execution and delivery of this Agreement and shall continue in full force and effect without time limit. The Secured Party shall be deemed to have relied upon each such representation and

warranty notwithstanding any investigation made by or on behalf of the Secured Party at any time.

6. ENFORCEMENT

6.1 Enforceability of Security

The security hereby constituted shall become enforceable only upon the failure of the Grantor to pay the Statutory Obligations when due, and then only to the extent of the Statutory Obligations not then paid when due. The Grantor acknowledges that it has no right in any circumstance to accelerate payment of the Statutory Obligations, to apply proceeds of Collateral on account of Statutory Obligations not yet due, or to reserve or hold proceeds of Collateral on account of Statutory Obligations not yet due.

6.2 Remedies

At any time that the security hereby constituted shall have become enforceable, the Secured Party may give notice of its intention to its exercise rights and remedies hereunder. At any time ten Business Days following the giving of such notice, and unless the amounts due and owing on account of the carrying Costs at the time of the Notice have been paid, the Secured Party shall have the following rights, powers and remedies:

(a) to appoint any person to be an agent or any person to be a receiver, manager or receiver and manager (herein called the "**Receiver**") of the Collateral and to remove any Receiver so appointed and to appoint another if the Secured Party so desires; it being agreed that any Receiver appointed pursuant to the provisions of this Agreement shall have all of the powers of the Secured Party hereunder;

(b) to make payments to parties having prior charges or encumbrances on the Collateral;

(c) to preserve, protect and maintain the Collateral;

(d) to enjoy and exercise all powers necessary or incidental to the performance of all functions provided for in this Agreement;

(e) to sell or dispose of all or any part of the Collateral whether by public or private sale or otherwise and on any terms so long as every aspect of the disposition is commercially reasonable, including without limitation, terms that provide time for payment on credit;

(f) to enjoy and exercise in respect of the Collateral all of the rights and remedies of a secured party under the PPSA;

(g) to notify the account debtors or obligors under any Accounts which constitute part of the Collateral of the assignment of such Accounts to the Secured Party and to direct such account debtors or obligors to make payment of all amounts due or to become due to the Grantor thereunder directly to the Secured Party and to give valid and binding receipts and discharges therefor and in respect thereof and,

upon such notification and at the expense of the Grantor, to enforce collection of any such Accounts, and to adjust, settle or compromise the amount or payment thereof, in the same manner and to the same extent as the Grantor might have done; and

(h) to commence, continue or defend proceedings in any court of competent jurisdiction in the name of the Secured Party, the Receiver or the Grantor for the purpose of exercising any of the rights, powers and remedies set out in this Section, including the institution of proceedings for the appointment of a receiver, manager or receiver and manager of the Collateral.

6.3 Special Rules re Accounts

At any time that the Secured Party is entitled to exercise its rights and remedies under Section 6.2,

(a) all Money or other form of payment received by the Grantor in respect of the Collateral shall be received in trust for the benefit of the Secured Party hereunder, shall be segregated from other funds of the Grantor and shall be forthwith paid over to the Secured Party in the same form as so received (with any necessary endorsement) to be held as cash collateral and applied as provided by Section 6.8; and

(b) the Grantor shall not adjust, settle or compromise the amount or payment of any Collateral.

6.4 Receiver as Agent

The Receiver shall be deemed to be the agent of the Grantor for the purpose of establishing liability for the acts or omissions of the Receiver and the Secured Party shall not be liable for such acts or omissions and, without restricting the generality of the foregoing, the Grantor hereby irrevocably authorizes the Secured Party to give instructions to the Receiver relating to the performance of its duties as set out herein.

6.5 Expenses of Enforcement

The Grantor shall pay to the Receiver the remuneration of the Receiver and all costs and expenses (including, without limitation, legal fees and disbursements on a full indemnity basis) properly incurred by the Receiver pursuant to its appointment and the exercise of its powers hereunder, and shall pay to the Secured Party and the Receiver as required all amounts of Money (including interest thereon) borrowed or advanced by either of them pursuant to the powers set out herein, and the obligations of the Grantor to the Secured Party and the Receiver pursuant to this Section 6.5 shall be payable on demand.

6.6 Indulgences and Releases

Either the Secured Party or the Receiver may grant extensions of time and other indulgences, take and give up securities, accept compositions, grant releases and discharges, release any part of the Collateral to third parties and otherwise deal with the Grantor, debtors of the Grantor,

sureties and others and with the Collateral and other security as the Secured Party or the Receiver may see fit without prejudice to the right of the Secured Party and the Receiver to repossess, hold, collect and realize the Collateral.

6.7 No Liability for Failure to Exercise Remedies

The Secured Party and the Receiver shall not be liable or accountable to the Grantor or to any other person for any failure to exercise any of the rights, powers and remedies set out in this Agreement, and shall not be bound to commence, continue or defend proceedings for the purpose of preserving or protecting any rights of the Secured Party, the Receiver, the Grantor or any other party in respect of the same.

6.8 Proceeds of Disposition

All Moneys received by the Secured Party or by the Receiver pursuant to Section 6.2 shall be promptly applied as follows:

(a) first, in payment of all costs and expenses incurred by the Secured Party in the exercise of all or any of the powers granted to it under this Agreement and in payment of all of the remuneration of the Receiver and all costs and expenses properly incurred by the Receiver in the exercise of all or any of the powers granted to it under this Agreement, including, without limitation, the remuneration, costs and expenses referred to in Section 6.5;

(b) second, in payment of all amounts of Money borrowed or advanced by either of the Secured Party or the Receiver pursuant to the powers set out in this Agreement and any interest thereon;

(c) third, in payment of the Statutory Obligation, provided that if there are not sufficient Moneys to fully pay and perform the Statutory Obligation, the Secured Party may apply the Moneys available to such part or parts thereof as the Secured Party, in its sole discretion, may determine; and

(d) fourth, in payment of any surplus in accordance with applicable law.

6.9 Grantor Liable for Deficiency

If the Moneys received by the Secured Party or the Receiver pursuant to Section 6.2 are not sufficient to pay the claims set out in Section 6.8, the Grantor shall immediately pay the Secured Party the amount of such deficiency.

6.10 Restriction on Grantor

Upon notification of the account debtors or obligors under any Accounts which constitute part of the Collateral of the assignment of such Accounts to the Secured Party or the appointment of a Receiver in respect of the Collateral, all the powers, functions, rights and privileges of the Grantor or any officer, director, servant or agent of the Grantor with respect to the Collateral shall, to the extent permitted by applicable law, be suspended unless specifically continued by the written consent of the Secured Party; however, all other powers, functions, rights and

privileges of the Grantor or any officer, director, servant or agent of the Grantor shall be unaffected by such events.

6.11 Rights Cumulative

All rights and remedies of the Secured Party set out in this Agreement shall be cumulative and no right or remedy contained herein is intended to be exclusive but each shall be in addition to every other right or remedy contained herein or in any existing or future security document or now or hereafter existing at law or in equity or by statute.

7. GENERAL

7.1 Waiver

Any default by the Grantor in the observance or performance of any covenant or condition required to be observed or performed by the Grantor hereunder, may only be waived by the Secured Party in writing, provided that no such waiver by the Secured Party shall extend to or be taken in any manner to affect any subsequent breach or default or the rights resulting therefrom.

7.2 The Secured Party as Attorney

At any time that the Secured Party is entitled to exercise its rights and remedies under Section 6.2, the Grantor hereby irrevocably appoints the Secured Party and any person further designated by the Secured Party to be the attorney of the Grantor for and in the name of the Grantor to execute and do any deeds, documents, transfers, demands, assignments, assurances, consents and things which the Grantor is obliged to sign, execute or do hereunder and, to commence, continue and defend any proceedings authorized to be taken hereunder and generally to use the name of the Grantor in the exercise of all or any of the powers hereby conferred on the Secured Party. These powers are coupled with an interest, have been given for valuable consideration (the receipt and adequacy of which is acknowledged), survive, and do not terminate upon, the bankruptcy, dissolution, winding up or insolvency of the Grantor, and are irrevocable until the Statutory Obligation has been satisfied in full and this Agreement is terminated and the security interest created herein has been released. This power of attorney extends to and is binding upon the Grantor's successors and permitted assigns. The Grantor authorizes the Secured Party to delegate in writing to another person any power and authority of the Secured Party under this power of attorney as may be necessary or desirable in the opinion of the Secured Party, and to revoke or suspend such delegation.

7.3 Further Assurances

The Grantor shall do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered, such further acts, deeds, mortgages, transfers and assurances as the Secured Party shall reasonably require for the better assuring, charging, assigning and conferring unto the Secured Party a security interest in the Collateral, or which the Grantor may hereafter become bound to charge in favour of the Secured Party, for the purpose of accomplishing and effecting the intention of this Agreement.

7.4 Amalgamation of the Grantor

The Grantor acknowledges and agrees that in the event that it amalgamates with any other persons, then (i) the Collateral and the security interest shall extend to and include all of the property and undertaking that any of the amalgamating corporations then owns, all of the property and undertaking that the amalgamated corporation thereafter acquires, all of the property and undertaking in which any of the amalgamating corporations then has any interest, and all of the property and undertaking in which the amalgamated corporation thereafter acquires any interest, and (ii) all references herein to the Grantor shall extend to and include the amalgamated corporation.

7.5 Continuing Security

The security interest constituted hereby shall be deemed to be a continuing security for the Statutory Obligation until the Statutory Obligation is paid and performed in full.

7.6 Notices

All notices and other communications provided for herein shall be in writing and shall be personally delivered to an officer or other responsible employee of the addressee or sent by facsimile, charges prepaid, at or to the applicable address or facsimile number, as the case may be, of the party set opposite its name below or at or to such other address or addresses or facsimile number or numbers as either party may from time to time designate to the other party in such manner. Any communication which is personally delivered as aforesaid shall be deemed to have been validly and effectively given on the date of such delivery if such date is a Business Day and such delivery was made during normal business hours of the recipient; otherwise, it shall be deemed to have been validly and effectively given on the Business Day next following such date of delivery. Any communication which is transmitted by facsimile as aforesaid shall be deemed to have been validly and effectively given on the date of transmission if such date is a Business Day and such transmission was made during normal business hours of the recipient; otherwise, it shall be deemed to have been validly and effectively given on the Business Day next following such date of transmission.

In the case of the Grantor:

Independent Electricity System Operator
[Address]

Attention: ■
Email: ■
Facsimile: ■

In the case of the Secured Party:

[Financing Entity]
c/o Ontario Power Generation Inc., as Manager
700 University Avenue
Toronto, Ontario
M5G 1X6

Attention: ■
Email: ■
Facsimile: ■

7.7 Assignment

The Secured Party may from time to time upon notice to, but without the consent of the Grantor, assign or transfer this Agreement to any other person. The Grantor shall not be entitled to assign or transfer this Agreement or any of the Grantor's rights, duties or obligations hereunder without the prior written consent of the Secured Party.

7.8 Successors and Assigns

This Agreement shall enure to the benefit of the Secured Party and its successors and assigns and shall be binding upon the Grantor and its successors and permitted assigns.

7.9 Amendments

This Agreement may not be amended or otherwise modified except by an instrument in writing executed by the Parties.

7.10 Entire Agreement

This Agreement and the agreements referred to herein and any document, agreement or instrument delivered pursuant to such agreements constitute the entire agreement between the Parties and supersede any prior agreements, undertakings, declarations, representations and undertakings, both written and verbal, in respect of the subject matter hereof.

7.11 Receipt of Agreement and Financing Statement.

The Grantor hereby acknowledges receipt of an executed copy of this Agreement and of the financing statement registered under the PPSA evidencing the security interest created hereby.

7.12 Counterpart

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which taken together shall be deemed to constitute one and the same instrument, and it shall not be necessary in making proof of this Agreement to produce or account for more than one such counterpart.

7.13 Delivery by Facsimile or Electronic Transmission

This Agreement may be executed and delivered by facsimile or electronic transmission and each of the Parties may rely on such facsimile or electronic signature as though such facsimile signature were an original signature.

[NEXT PAGE IS SIGNATURE PAGE]

IN WITNESS WHEREOF the Parties have duly executed this Agreement as of the date first written above.

[FINANCING ENTITY], by its Manager,
ONTARIO POWER GENERATION INC., as Secured Party

By: _____
Name:
Title:

By: _____
Name:
Title:

INDEPENDENT ELECTRICITY SYSTEM OPERATOR
as Grantor

By: _____
Name:
Title:

By: _____
Name:
Title:

SCHEDULE A

GRANTOR INFORMATION

1. **Grantor's exact legal name: Independent Electricity System Operator**

   ■ [French]

2. **Grantor's jurisdiction of incorporation: Ontario**

3. **Grantor's registered office address: ■**

4. **Location of Grantor's business operations and records: ■**

From:	Carlos Yep
To:	Opal Kandelas; James Devine; David Peters
Subject:	FW: IESO Treasury Policy - likely revising for June 2017
Date:	Friday, June 02, 2017 1:19:16 PM
Attachments:	Item 8(iii) BLACKLINED Treasury Policy June 14 2017.docx Item 8(iv) BLACKLINED Schedule A - IESO Treasury Policy.docx

---

From: Salman Qadir
Sent: Friday, June 02, 2017 12:02 PM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>
Cc: Bruno Amara <Bruno.Amara@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Subject: FW: IESO Treasury Policy - likely revising for June 2017

Hi Ken/Mike/Carlos,

Hope your week is going well.

We received the attached request to review IESO's latest update to their treasury policy which will require Minister of Finance's approval. As applicable, if your teams can review and provide comments, if any, we can consolidate and get back to IESO before they go to their Board in mid-June. We're hoping to get back to IESO early/mid next week.

Please let me know.

Thank you,
Salman

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Tuesday, May 30, 2017 11:29 AM
To: Salman Qadir <Salman.Qadir@ofina.on.ca>
Subject: RE: IESO Treasury Policy - likely revising for June 2017

Salman,

Attached is a preliminary draft of the Treasury Policy and Sch A for your review.

Two changes have been made:

1. Permitting Fair Hydro program borrowings – self explanatory rationale; and
2. Increase from $420 million to $500 million in Sch A's Cdn Banks max limit per counter party.

The key rationale for the requested increase from $420 million to $500 million per counterparty is as follows:

- The market price of electricity has increased between 2014 to 2016 by approximately

16%-19% which has continued to result in the IESO managing higher and higher cash-flows and therefore seeking risk appropriate investments in accordance with the Treasury Policy – a large limit will allow the IESO to have more flexibility while being efficient with its cash;

- Over the past few years and relevant today, the availability of short-term (generally 1 day to 7 days which is used a lot by the IESO, and including less than 30 days investment) products such as Treasury Bills, BAs and Term Deposits have been irregular and not reliable for the IESO to find. The IESO generally deals in large amounts (several hundreds of millions) and given the lack of short term products at the size the IESO needs, the Sch 1 banks have been generally offering Term Deposits for the IESO at very low interest rates because the Banks do not need the IESO monies. In fact, a few banks offer the IESO less than 10bps for Term Deposits – which is significantly lower than Bank of Canada overnight rate and BAs rates. Therefore, a Term Deposit with very low interest yield does not align with a resulting lower counterparty risk for the IESO; and

- The IESO's Transmission Rights balances have in general remained higher than $100 million on average over the last few years despite an IESO target of $20 million. This has resulted in the IESO managing higher cash-flows

- While the Fair Hydro program is likely to not impact the IESO's overall net cash balances (borrow / sell should generally align), the timing of these cash flows may be different at times and the IESO may hold more cash (short term basis) for a few days. The sales/service agreement with OPG Trust has not been completed, and I am just listing this as a contingency in case for some reason IESO holds larger cash balances before paying back the Fair Hydro loans.

Regards.

From: Salman Qadir [mailto:Salman.Qadir@ofina.on.ca]
Sent: May 23, 2017 3:11 PM
To: Anthony Martinello
Cc: John Kim; Bruno Amara; Shajee Kathirgamanathan
Subject: RE: IESO Treasury Policy - likely revising for June 2017

Thanks Anthony.

We are working on obtaining approvals to ensure the facility can be put in place. I assume we will follow the same process as for the $975m facility – I will touch base with our documentation team and get back to you – that being said, our priority at the moment is to secure certain approvals.

Regards,
Salman

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Monday, May 22, 2017 2:32 PM

To: Salman Qadir <Salman.Qadir@ofina.on.ca>
Cc: John Kim <John.Kim@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: RE: IESO Treasury Policy - likely revising for June 2017

Will do – trying for this week.
Can you update me on whether the IESO's $2B Fair Hydro credit facility is a go or no go – and if OFA will prepare the legal docs to start the process?

Regards.

From: Salman Qadir [mailto:Salman.Qadir@ofina.on.ca]
Sent: May 18, 2017 3:09 PM
To: Anthony Martinello
Cc: John Kim; Bruno Amara; Shajee Kathirgamanathan
Subject: RE: IESO Treasury Policy - likely revising for June 2017

Hi Anthony,

I wanted to circle back with you on this email, particularly regarding possibly updating the IESO's Treasury Policy. Since it does require the Minister of Finance's approval, the OFA would be involved in obtaining that approval from the Minister. When you do have a markup, please do share it with us. Any details on what the changes would be accomplishing etc would also be helpful.

Regards,
Salman

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Monday, May 15, 2017 3:13 PM
To: Salman Qadir <Salman.Qadir@ofina.on.ca>
Subject: IESO Treasury Policy - likely revising for June 2017

Salman,

As part of the Fair Hydro initiative, the IESO plans to ask government to permit FHP debt in an update to the O. Reg. 280/14.

In addition, IESO is likely to update its treasury policy (see attached – as approved by IESO Board and Min of Fin in 2015) to permit for the FHP draws/initiative.

I likely may also ask to increase the short term Cdn Sch I banks limits from $420million to $500million.

As part of the treasury policy update I wanted to give you/OFA a fyi and determine if you/OFA wish to comment back to me before I undertake the above changes.

Call me to discuss if easier.

Regards.

Anthony Martinello Director, Treasury & Pension Operations
Independent Electricity System Operator (IESO) | T: 905-403-6944
Station A, Box 4474, Toronto, ON, M5W 4E5
www.ieso.ca[ieso.ca][na01.safelinks.protection.outlook.com]

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

IESO Statement of Investment, Borrowing and Financial Management Policies and Procedures ("Treasury Policy")			
Office of Primary Responsibility	Treasury, Corporate Services	Policy #	**Treasury 01**
Subject.:	**IESO TREASURY POLICY**	Page:	1 of 4, and Schedule A
Approved by	Board of Directors	Effective	June 24, 2015
		Revised	June 14, 2017~~n / a~~

1. DEFINITIONS

CFO: means the IESO's Chief Financial Officer

IESO: means the Independent Electricity System Operator.

Treasury Policy: means this policy document, and means the Statement of Investment, Borrowing and Financial Management Policies and Procedures as referenced in Ontario Regulation 280 / 14.

2. PURPOSE:

The purpose of this Treasury Policy is as follows:

a) To adopt a policy for the sound and efficient management of the IESO's borrowing, investment, foreign exchange, financial affairs, and other treasury related activities;

b) To make investments when the investments are advisable for the sound and efficient management of the IESO's financial affairs;

c) To adhere to Ontario Regulation 280 / 14 made under the Electricity Act, 1998, as amended;

3. SCOPE

This Treasury Policy applies to all treasury related activities of the IESO (corporation) and the IESO's administered markets.

This Treasury Policy must be reviewed on an annual basis.

4. OUT OF SCOPE

This Treasury Policy does not apply to any activities pertaining to the IESO's pension plans[1].

Nothing in this Treasury Policy restricts the IESO's authority to enter into contracts referred to in section 25.32 or 25.35 of the Electricity Act.

5. RESPONSIBILITIES

5.01 **Manager, Treasury and Pension Operations (or equivalent)** is responsible for:

- Manage all day-to-day treasury activities and ensure adherence to this Treasury Policy;
- To establish documented treasury processes and procedures for internal control purposes;
- As necessary, recommend to the CFO any appropriate changes to Treasury Policy;
- Provide the CFO on a timely basis with any policy violations, concerns, or issues;
- To provide a report on the IESO's treasury activities to the CFO and IESO Board of Directors at least each quarter.

5.02 **Chief Financial Officer** is responsible for:

- Establish prudent and effective treasury and risk management practices;
- To manage the relationships between government and the IESO regarding all treasury matters;
- Reviewing any proposed changes to the Treasury Policy before submission to the IESO Board of Directors;

[1] Includes the IESO Registered Pension Plan and IESO Supplementary Employee Retirement Plan (SERP reserve).

5.03 **IESO Board of Directors** are responsible for:

- To adopt a Treasury Policy setting out policies for the IESO's borrowing, investment, foreign exchange, financial affairs, and other treasury related activities;
- To ensure any proposed change to the Treasury Policy is sent to the Minister of Finance for approval

6. PERMITTED ACTIVITIES

6.1 Permitted Borrowings:

a) All new borrowing facilities must be approved by the IESO Board of Directors.

b) The CFO will renew the annual SERP's letter of credit posted with the SERP trustee.

c) All borrowing facilities must be denominated in Canadian dollars.

d) The IESO shall establish bank accounts' overdraft capacity and services with its bank(s).

e) The IESO may only borrow from the following list of lenders:
   i. Government of Canada, Canadian provincial governments or any of their agencies; and
   ii. Canadian Schedule I or Schedule II or Schedule III financial institutions;

f) As determined by the CFO, the IESO may obtain a credit rating(s) to assist the IESO with establishing the IESO's creditworthiness to prospective lenders or counterparties.

g) Borrowing facilities shall only be utilized for the following purposes:
   i. To ensure the IESO corporation's operating liquidity and for purchases of IESO corporation's capital assets;
   ii. To ensure liquidity to complete the IESO's mandate for the Ontario electricity markets' settlements including the settlements for any Ontario government programs that the IESO is a service provider;
   iii. To ensure funding of any amounts, including variance accounts and timing differences, as prescribed by the Ontario Electricity Act and any Ontario regulation;
   ~~iii.~~iv. To ensure funding of any amounts pertaining the Ontario's Fair Hydro program;
   ~~iv.~~v. To ensure funding as may be necessary to manage timing differences between the receipts and payments with respect to IESO procurement contracts, electricity markets transactions, Smart Metering, and taxes; and
   ~~v.~~vi. As directed by the Minister of Energy;

6.2 **Permitted Investments and Forward Foreign Exchange Contracts:**

a) See **Schedule "A": Approved Financial Instruments Listing** for a listing of permitted investments and counterparties.
b) Investments or counterparties not listed in **Schedule "A"** are prohibited.
c) All investments must be denominated in either Canadian or US dollars.

End.

Schedule "A"
Independent Electricity System Operator ("IESO")
Approved Financial Instruments Listing

Permitted Categories of Investment Products or Hedging Financial Instrument	***Allowable Counterparties or Issuers***	***Minimum S&P's Rating or equivalent ([1])***	***Maximum Face Amounts per counterparty or issuer***	***Max Term Limit***
1. Deposits held in bank accounts *2. Term Deposits* *3. Bankers' Acceptances* *4. Bearer Deposit Notes* *5. Certificates of Deposit* *6. Guaranteed Investment Certificates*	*Canadian Schedule I Banks*	*Short term: **"A-1+"***	*$~~420~~500 million per counterparty;*	*65 days*
7. Treasury Bills *8. Bonds* *9. Debentures* *10. Promissory Notes*	*Government of Canada* *Or* *Canadian Provincial Government,* *Or* *Government Agency (fully guaranteed by the Government of Canada or Provincial government)*	*TBills and Promissory Notes: "**A-1+**"* *Bonds and Debentures: "**AA-**"*	*Government of Canada and Province of Ontario: unlimited* *Other: $500million*	*365 days*
11. US$: Spot Market Purchases	*Canadian Schedule I Banks*	*Short term: "**A-1+**"*	*The total estimated US$ expenditures within the next 100 days.* *Maximum of US$5million*	*100 days*
12. US $: Forward Foreign Exchange Contracts	*Canadian Schedule I Banks*	*Up to 1 year: "**A-1+**"* *Long term: **"AA-"***	*The total estimated US$ expenditures in the approved IESO business plan (annual expenses and capital expenditures to meet contractual obligations) less any US$ currency held by the IESO.* *Maximum of US$25million*	*25 months ([2])*

[1] All counterparties must have at least two (2) ratings that meet the IESO's minimum S&P's rating or equivalent (e.g. S&P, Moody or DBRS).

[2] US$ spot, and US$ Forward Foreign Exchange Contracts will be utilized to manage foreign exchange risk and not to engage in speculative trading.

From:	Opal Kandelas
To:	Sarah Harris
Subject:	FW: IESO Treasury Policy - likely revising for June 2017
Date:	Friday, June 02, 2017 2:02:19 PM
Attachments:	Item 8(iii) BLACKLINED Treasury Policy June 14 2017.docx Item 8(iv) BLACKLINED Schedule A - IESO Treasury Policy.docx

Not expecting to have any issues with this, but passing to you just in case.

From: Carlos Yep
Sent: Friday, June 02, 2017 1:19 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>; David Peters <David.Peters@ofina.on.ca>
Subject: FW: IESO Treasury Policy - likely revising for June 2017

From: Salman Qadir
Sent: Friday, June 02, 2017 12:02 PM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>
Cc: Bruno Amara <Bruno.Amara@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Subject: FW: IESO Treasury Policy - likely revising for June 2017

Hi Ken/Mike/Carlos,

Hope your week is going well.

We received the attached request to review IESO's latest update to their treasury policy which will require Minister of Finance's approval. As applicable, if your teams can review and provide comments, if any, we can consolidate and get back to IESO before they go to their Board in mid-June. We're hoping to get back to IESO early/mid next week.

Please let me know.

Thank you,
Salman

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Tuesday, May 30, 2017 11:29 AM
To: Salman Qadir <Salman.Qadir@ofina.on.ca>
Subject: RE: IESO Treasury Policy - likely revising for June 2017

Salman,

Attached is a preliminary draft of the Treasury Policy and Sch A for your review.

Two changes have been made:

1. Permitting Fair Hydro program borrowings – self explanatory rationale; and
2. Increase from $420 million to $500 million in Sch A's Cdn Banks max limit per counter party.

The key rationale for the requested increase from $420 million to $500 million per counterparty is as follows:

- The market price of electricity has increased between 2014 to 2016 by approximately 16%-19% which has continued to result in the IESO managing higher and higher cash-flows and therefore seeking risk appropriate investments in accordance with the Treasury Policy – a large limit will allow the IESO to have more flexibility while being efficient with its cash;

- Over the past few years and relevant today, the availability of short-term (generally 1 day to 7 days which is used a lot by the IESO, and including less than 30 days investment) products such as Treasury Bills, BAs and Term Deposits have been irregular and not reliable for the IESO to find. The IESO generally deals in large amounts (several hundreds of millions) and given the lack of short term products at the size the IESO needs, the Sch 1 banks have been generally offering Term Deposits for the IESO at very low interest rates because the Banks do not need the IESO monies. In fact, a few banks offer the IESO less than 10bps for Term Deposits – which is significantly lower than Bank of Canada overnight rate and BAs rates. Therefore, a Term Deposit with very low interest yield does not align with a resulting lower counterparty risk for the IESO; and

- The IESO's Transmission Rights balances have in general remained higher than $100 million on average over the last few years despite an IESO target of $20 million. This has resulted in the IESO managing higher cash-flows

- While the Fair Hydro program is likely to not impact the IESO's overall net cash balances (borrow / sell should generally align), the timing of these cash flows may be different at times and the IESO may hold more cash (short term basis) for a few days. The sales/service agreement with OPG Trust has not been completed, and I am just listing this as a contingency in case for some reason IESO holds larger cash balances before paying back the Fair Hydro loans.

Regards.

From: Salman Qadir [mailto:Salman.Qadir@ofina.on.ca]
Sent: May 23, 2017 3:11 PM
To: Anthony Martinello
Cc: John Kim; Bruno Amara; Shajee Kathirgamanathan
Subject: RE: IESO Treasury Policy - likely revising for June 2017

Thanks Anthony.

We are working on obtaining approvals to ensure the facility can be put in place. I assume we will follow the same process as for the $975m facility – I will touch base with our documentation team

and get back to you – that being said, our priority at the moment is to secure certain approvals.

Regards,
Salman

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Monday, May 22, 2017 2:32 PM
To: Salman Qadir <Salman.Qadir@ofina.on.ca>
Cc: John Kim <John.Kim@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: RE: IESO Treasury Policy - likely revising for June 2017

Will do – trying for this week.
Can you update me on whether the IESO's $2B Fair Hydro credit facility is a go or no go – and if OFA will prepare the legal docs to start the process?

Regards.

From: Salman Qadir [mailto:Salman.Qadir@ofina.on.ca]
Sent: May 18, 2017 3:09 PM
To: Anthony Martinello
Cc: John Kim; Bruno Amara; Shajee Kathirgamanathan
Subject: RE: IESO Treasury Policy - likely revising for June 2017

Hi Anthony,

I wanted to circle back with you on this email, particularly regarding possibly updating the IESO's Treasury Policy. Since it does require the Minister of Finance's approval, the OFA would be involved in obtaining that approval from the Minister. When you do have a markup, please do share it with us. Any details on what the changes would be accomplishing etc would also be helpful.

Regards,
Salman

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Monday, May 15, 2017 3:13 PM
To: Salman Qadir <Salman.Qadir@ofina.on.ca>
Subject: IESO Treasury Policy - likely revising for June 2017

Salman,

As part of the Fair Hydro initiative, the IESO plans to ask government to permit FHP debt in an update to the O. Reg. 280/14.

In addition, IESO is likely to update its treasury policy (see attached – as approved by IESO Board and Min of Fin in 2015) to permit for the FHP draws/initiative.

I likely may also ask to increase the short term Cdn Sch I banks limits from $420million to $500million.

As part of the treasury policy update I wanted to give you/OFA a fyi and determine if you/OFA wish to comment back to me before I undertake the above changes.

Call me to discuss if easier.

Regards.

Anthony Martinello Director, Treasury & Pension Operations
Independent Electricity System Operator (IESO) | T: 905-403-6944
Station A, Box 4474, Toronto, ON, M5W 4E5
www.ieso.ca[ieso.ca][na01.safelinks.protection.outlook.com]

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

IESO Statement of Investment, Borrowing and Financial Management Policies and Procedures ("Treasury Policy")			
Office of Primary Responsibility	Treasury, Corporate Services	Policy #	**Treasury 01**
Subject.:	**IESO TREASURY POLICY**	Page:	1 of 4, and Schedule A
Approved by	Board of Directors	Effective	June 24, 2015
		Revised	June 14, 2017~~n / a~~

1. DEFINITIONS

CFO: means the IESO's Chief Financial Officer

IESO: means the Independent Electricity System Operator.

Treasury Policy: means this policy document, and means the Statement of Investment, Borrowing and Financial Management Policies and Procedures as referenced in Ontario Regulation 280 / 14.

2. PURPOSE:

The purpose of this Treasury Policy is as follows:

a) To adopt a policy for the sound and efficient management of the IESO's borrowing, investment, foreign exchange, financial affairs, and other treasury related activities;

b) To make investments when the investments are advisable for the sound and efficient management of the IESO's financial affairs;

c) To adhere to Ontario Regulation 280 / 14 made under the Electricity Act, 1998, as amended;

3. SCOPE

This Treasury Policy applies to all treasury related activities of the IESO (corporation) and the IESO's administered markets.

This Treasury Policy must be reviewed on an annual basis.

4. OUT OF SCOPE

This Treasury Policy does not apply to any activities pertaining to the IESO's pension plans[1].

Nothing in this Treasury Policy restricts the IESO's authority to enter into contracts referred to in section 25.32 or 25.35 of the Electricity Act.

5. RESPONSIBILITIES

5.01 **Manager, Treasury and Pension Operations (or equivalent)** is responsible for:

- Manage all day-to-day treasury activities and ensure adherence to this Treasury Policy;
- To establish documented treasury processes and procedures for internal control purposes;
- As necessary, recommend to the CFO any appropriate changes to Treasury Policy;
- Provide the CFO on a timely basis with any policy violations, concerns, or issues;
- To provide a report on the IESO's treasury activities to the CFO and IESO Board of Directors at least each quarter.

5.02 **Chief Financial Officer** is responsible for:

- Establish prudent and effective treasury and risk management practices;
- To manage the relationships between government and the IESO regarding all treasury matters;
- Reviewing any proposed changes to the Treasury Policy before submission to the IESO Board of Directors;

[1] Includes the IESO Registered Pension Plan and IESO Supplementary Employee Retirement Plan (SERP reserve).

5.03 **IESO Board of Directors** are responsible for:

- To adopt a Treasury Policy setting out policies for the IESO's borrowing, investment, foreign exchange, financial affairs, and other treasury related activities;
- To ensure any proposed change to the Treasury Policy is sent to the Minister of Finance for approval

6. PERMITTED ACTIVITIES

6.1 Permitted Borrowings:

a) All new borrowing facilities must be approved by the IESO Board of Directors.

b) The CFO will renew the annual SERP's letter of credit posted with the SERP trustee.

c) All borrowing facilities must be denominated in Canadian dollars.

d) The IESO shall establish bank accounts' overdraft capacity and services with its bank(s).

e) The IESO may only borrow from the following list of lenders:
   i. Government of Canada, Canadian provincial governments or any of their agencies; and
   ii. Canadian Schedule I or Schedule II or Schedule III financial institutions;

f) As determined by the CFO, the IESO may obtain a credit rating(s) to assist the IESO with establishing the IESO's creditworthiness to prospective lenders or counterparties.

g) Borrowing facilities shall only be utilized for the following purposes:
   i. To ensure the IESO corporation's operating liquidity and for purchases of IESO corporation's capital assets;
   ii. To ensure liquidity to complete the IESO's mandate for the Ontario electricity markets' settlements including the settlements for any Ontario government programs that the IESO is a service provider;
   iii. To ensure funding of any amounts, including variance accounts and timing differences, as prescribed by the Ontario Electricity Act and any Ontario regulation;
   ~~iii.~~iv. To ensure funding of any amounts pertaining the Ontario's Fair Hydro program;
   ~~iv.~~v. To ensure funding as may be necessary to manage timing differences between the receipts and payments with respect to IESO procurement contracts, electricity markets transactions, Smart Metering, and taxes; and
   ~~v.~~vi. As directed by the Minister of Energy;

6.2 **Permitted Investments and Forward Foreign Exchange Contracts:**

a) See **Schedule "A": Approved Financial Instruments Listing** for a listing of permitted investments and counterparties.
b) Investments or counterparties not listed in **Schedule "A"** are prohibited.
c) All investments must be denominated in either Canadian or US dollars.

End.

Schedule "A"
Independent Electricity System Operator ("IESO")
Approved Financial Instruments Listing

Permitted Categories of Investment Products or Hedging Financial Instrument	***Allowable Counterparties or Issuers***	***Minimum S&P's Rating or equivalent ([1])***	***Maximum Face Amounts per counterparty or issuer***	***Max Term Limit***
1. Deposits held in bank accounts *2. Term Deposits* *3. Bankers' Acceptances* *4. Bearer Deposit Notes* *5. Certificates of Deposit* *6. Guaranteed Investment Certificates*	*Canadian Schedule I Banks*	*Short term: **"A-1+"***	*$~~420~~500 million per counterparty;*	*65 days*
7. Treasury Bills *8. Bonds* *9. Debentures* *10. Promissory Notes*	*Government of Canada* *Or* *Canadian Provincial Government,* *Or* *Government Agency (fully guaranteed by the Government of Canada or Provincial government)*	*TBills and Promissory Notes: "**A-1+**"* *Bonds and Debentures: "**AA-**"*	*Government of Canada and Province of Ontario: unlimited* *Other: $500million*	*365 days*
11. US$: Spot Market Purchases	*Canadian Schedule I Banks*	*Short term: "**A-1+**"*	*The total estimated US$ expenditures within the next 100 days.* *Maximum of US$5million*	*100 days*
12. US $: Forward Foreign Exchange Contracts	*Canadian Schedule I Banks*	*Up to 1 year: "**A-1+**"* *Long term: **"AA-"***	*The total estimated US$ expenditures in the approved IESO business plan (annual expenses and capital expenditures to meet contractual obligations) less any US$ currency held by the IESO.* *Maximum of US$25million*	*25 months ([2])*

[1] All counterparties must have at least two (2) ratings that meet the IESO's minimum S&P's rating or equivalent (e.g. S&P, Moody or DBRS).

[2] US$ spot, and US$ Forward Foreign Exchange Contracts will be utilized to manage foreign exchange risk and not to engage in speculative trading.

From:	Sarah Harris on behalf of Gavin He
To:	Opal Kandelas; Lisa Stein; Ryan Blackbyrne
Cc:	Sarah Harris; Jean-Francois Beaupre; William Tan; John Kim
Subject:	FW: IESO / OEFC - $120MM and $160MM Credit Facility Discussion
Attachments:	RE IESO OEFC - $120MM and $160MM.msg

-----Original Appointment-----
From: Gavin He
Sent: Friday, November 10, 2017 9:43 AM
To: Gavin He; Lisa Stein; Ryan Blackbyrne
Cc: Sarah Harris; Jean-Francois Beaupre; William Tan; John Kim
Subject: IESO / OEFC - $120MM and $160MM Credit Facility Discussion
When: Friday, November 10, 2017 2:30 PM-3:00 PM (UTC-05:00) Eastern Time (US & Canada).
Where: Boardroom 1443

Hi all,

I am just setting up a quick meeting to discuss the questions on the IESO credit facility agreements:

Thanks,
Gavin He

From: Gavin He []
To: Lisa Stein [Lisa.Stein@ofina.on.ca]; Ryan Blackbyrne [Ryan.Blackbyrne@ofina.on.ca]
CC: Sarah Harris [Sarah.Harris@ofina.on.ca]; Jean-Francois Beaupre [Jean-Francois.Beaupre@ofina.on.ca]; William Tan [William.Tan@ofina.on.ca]
Subject: RE: IESO / OEFC - $120MM and $160MM
Date: Thursday, November 09, 2017 18:49:52

Hi Lisa/Ryan,

Thank you very much for the responses and that's helpful!

I will go back to IESO to verify what's their rationale to for the request. But before I go back, I just want to make sure that I understand the concerns/suggestions from our side first.

The change we made for the OFA credit facility agreement was to allow IESO to take liens related to FHP in the event if IESO can't pay OFA back the loan, correct? What was the reason for this change? And wouldn't the same reason apply for the loans that IESO has with OEFC? And if IESO can't pay back the loans to OEFC, should they still be able to take any liens related to FHP, or not? But if they were able to do so under the OFA credit facility agreement, are there any reasons that they cannot do the same under the OEFC credit facility agreement?

I understand that the $120M and $160M credit facilities are not for FHP purposes, but I think this is a separate question from whether they can take liens related to FHP if IESO can't pay OEFC back the loans? Similarly, I believe the existing $475M IESO credit facility with OFA was not for the FHP purpose, but the agreement was amended by the amendment #10 to include the FHP lien clause in the actual agreement, right? So I am just a bit confused about this process and trying to find out whether we should apply a consistent approach for OEFC's credit facilities before I push this back to IESO.

Also, a separate question on the $160M credit facility agreement. Since it was amended to be used for FHP purpose previously, do we need to amend that now since a separate facility agreement was created specifically for FHP purposes? Or that amendment automatically expires when the $2B FHP credit facility was created, and for sure we don't need to update anything in the $160M credit facility agreement to that effect?

Thanks,
Gavin He

From: Lisa Stein
Sent: Thursday, November 09, 2017 12:49 PM
To: Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>
Subject: RE: IESO / OEFC - $120MM and $160MM

I also recommend asking the IESO for the exact details of the proposed amendments.

From: Ryan Blackbyrne

Sent: Thursday, November 09, 2017 12:19 PM
To: Gavin He <Gavin.He@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: IESO / OEFC - $120MM and $160MM

Hi Gavin,

Thank you for your note. After reviewing your note and the attached agreements we had a few comments:

- We understand that the $160M credit facility agreement will not be used for FHP purposes, although an amendment was made earlier in 2017 to allow advances for the purposes of FHP.
- It is our assumption that the $160M credit facility agreement was amended in April, 2017, pursuant to Reg. 280/14 as a potential temporary option for FHP funding requirements until such time as a separate facility agreement was created specifically for FHP purposes (i.e. the $2B OFA-IESO credit facility)
- There is an existing $120M loan agreement, maturing June 30, 2020, which is not a credit facility, but a fixed term loan. No amendments were made here in relation to FHP, as it is non-revolving and used for capital purposes.
- Since the $160M credit facility agreement will not be used for FHP purposes, it is not clear to us why the change to definition of Permitted Liens is required, and how not making this change would prevent IESO from performing its obligations under the OFHP Act. Please clarify.
- Kindly confirm with Anthony why IESO believes these amendments are necessary in respect of the $160M credit facility and $120M loan agreement.

We look forward to hearing back from you. Happy to discuss further as always.

Thank You,

Ryan Blackbyrne
Documentation & Analysis Specialist
Capital Markets Division
Ontario Financing Authority
1 Dundas Street West, Suite 1400
Toronto, ON M7A 1Y7
416-325-8143
ryan.blackbyrne@ofina.on.ca

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Tuesday, November 07, 2017 4:07 PM
To: Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; William Tan

<William.Tan@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Victor Buza <Victor.Buza@ieso.ca>
Subject: IESO - OEFC Nov 7

Ryan,

As discussed with Will today, I understand you will be co-ordinating the proposed 2 amendments to the existing IESO-OEFC credit facilities.

For starters, there are no expected changes being asked to the existing agreement's key business content (e.g. amounts, dates, interest, notices etc.), rather given that IESO-OFA have just finished two new agreements pertaining to the new fair hydro program, ….I suggest we just copy and paste the salient sections from these agreements that would now be relevant to the OEFC agreements for fair hydro namely;

1.DRAFT
The definition of "Permitted Liens" is amended by deleting the word "and" at the end of subsection (xx); replacing the "." at the end of subsection (xx) and replacing it with "; and" ; and adding the following subsection (xx):
"(xx) any Lien arising from the IESO's role and obligations under the OFHP, including with respect to any amount received or receivable by the IESO (such as, without limitation, amounts received or receivable in respect of the Clean Energy Adjustment), or any other lien, whether arising from the action or inaction of IESO, that is created in connection with the OFHP."

2.DRAFT
The OFA agreements had required an intercept provision, …..not sure if the same applies to OEFC if yes:

"Section 5.7 Intercept
(a) The IESO hereby acknowledges that, in accordance with the terms of the letter agreement of November 6th , 2017 herewith entered between the Ministry of Energy, the IESO and the OFA made pursuant to Section 23 of the Capital Investment Plan Act, 1993 (the "Intercept Letter"), the Minister of Finance is entitled to deduct only from those monies appropriated by the Legislature for payment through the Ministry of Energy to the IESO ("Appropriated Funds"), amounts equal to any amounts that the IESO fails to pay to the OFA on account of indebtedness under this Agreement. On the occurrence of an Event of Default relating to a failure by IESO to pay when due any amounts owing hereunder, subject to the OFA's compliance with any relevant provisions hereof and as set out in the Intercept Letter, the Minister of Finance is irrevocably authorized to deduct from the Appropriated Funds amounts equal to any amounts that the IESO has failed to pay to the OFA in accordance with the provisions of this Agreement and to pay such amounts directly to the OFA ("Intercept").
(b) If, after following the process specified in the Intercept Letter (including, without limitation, allowing for a reasonable cure period on the terms specified therein), the OFA determines that it is necessary to request the Minister of Finance to exercise the Intercept, the OFA will give written notice to the Minister of Finance, with a copy to the Ministry of Energy, detailing the IESO's failure to pay when due any amounts owing hereunder and requesting the deduction from the Appropriated Funds of amounts equal to the amounts that the IESO has failed to pay to the OFA under this Agreement.
(c) The IESO agrees that any notice from the OFA to the Minister of Finance in relation to this section 5.7 (Intercept) may be relied upon by the Minister of Finance without further inquiry or verification by the Minister of Finance and, upon receipt of such notice, an amount equal to the amount that the IESO has failed to pay when due to the OFA on account of indebtedness under this Agreement shall be deducted

from the Appropriated Funds and paid to the OFA.
(d) For further certainty, the OFA acknowledges and agrees that the Intercept as provided for herein and in the Intercept Letter shall not apply with respect to any funds appropriated by the Legislature for payment to the IESO through ministries other than the Ministry of Energy or through Ontario Climate Change Solutions Deployment Corporation.
The parties agree that, with respect to the exercise of the Intercept generally, the terms of this section 5.7 shall be applied consistently with the terms set out in the Intercept Letter which shall apply in full. Notwithstanding the foregoing, in the event of a conflict or inconsistency between the terms and conditions of the Intercept Letter and the terms and conditions contained in this Agreement, the terms and conditions contained in this Agreement shall prevail."

3.
If any… other relevant updates that make sense to do now……I do not anticipate any material ones.

We need your support to expedite the above in order to avoid delays in the Fair Hydro implementation.
Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From: Gavin He
Sent: Thursday, November 09, 2017 8:29 AM
To: Lisa Stein <Lisa.Stein@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>
Subject: RE: IESO / OEFC - $120MM and $160MM

Hi Lisa, Sarah, and William,

Following my email on Tuesday, EFB has drafted the attached note on the IESO's request on the OEFC credit facility, including the background information, our recommendation, and the rationale. Could you please review the accuracy of the note and would you be able to provide me with your feedback before noon today?

Sorry for the short turnaround time, but we all would like to move on this as soon as possible.

Thanks,

Gavin He

From: Lisa Stein
Sent: Wednesday, November 08, 2017 9:55 AM
To: Gavin He <Gavin.He@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: William Tan <William.Tan@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Sarah Neville <Sarah.Neville@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Subject: RE: IESO / OEFC - $120MM and $160MM

Thanks for the update Gavin.

From: Gavin He
Sent: Tuesday, November 07, 2017 4:02 PM
To: Lisa Stein <Lisa.Stein@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: William Tan <William.Tan@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Sarah Neville <Sarah.Neville@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Subject: RE: IESO / OEFC - $120MM and $160MM

Hi Lisa/Sarah H.,

We touched based with IESO and they told us that the OEFC agreements do not contemplate a general grant of security by IESO over its assets as is currently under discussion with the OPG Trust relative to the implementation of the OFHP. The changes required to allow for such a grant would be to amend the permitted liens and negative covenant language in the OEFC agreements so as to make it the same as, or very similar to, the language in the two OFA Agreements that were signed recently.

We will get a policy direction soon and will draft a note for you to review once it's ready.

Regards,
Gavin He

From: Lisa Stein
Sent: Monday, November 06, 2017 9:43 AM
To: John Kim <John.Kim@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: William Tan <William.Tan@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Sarah Neville <Sarah.Neville@ofina.on.ca>
Subject: RE: IESO / OEFC - $120MM and $160MM

No, I don't think the OFA Lending Policy would apply to these OEFC loans. The OFA Lending Policy addresses lending activities to public bodies undertaken where the OFA is acting as an intermediary on behalf of the Province.

From: John Kim
Sent: Sunday, November 05, 2017 1:55 PM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: William Tan <William.Tan@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>; Opal Kandelas

<Opal.Kandelas@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: Re: IESO / OEFC - $120MM and $160MM

Hi Sarah,

We will look at this but this is oefc so not sure if the same lending policy applies.

John

Sent from my iPhone

On Nov 5, 2017, at 12:06 PM, Sarah Harris <Sarah.Harris@ofina.on.ca> wrote:

Hi John,

We've received no internal direction on the nature of changes IESO is looking for in relation to existing OEFC credit facility with the IESO and the FHP. I surmise it may have to do with adjusting the agreement to allow FHP permitted liens (which we would need internal approval to do) or similar changes, but do you know if IESO communicated requirements to Gadi or Ron?

Thanks,
Sarah
Sent from my iPhone

Begin forwarded message:

From: Anthony Martinello <Anthony.Martinello@ieso.ca>
Date: November 5, 2017 at 11:02:50 AM EST
To: William Tan <William.Tan@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>, Sarah Harris <Sarah.Harris@ofina.on.ca>, Victor Buza <Victor.Buza@ieso.ca>
Subject: RE: IESO / OEFC - $120MM and $160MM

Will – unless any concerns, will appreciate if you please begin to draft the two OEFC amendments this week – given that the IESO is targeting to sign the OPG / IESO fair hydro agreement by this month's end,….we need to have the two OEFC's done before this.

Regards.

From: Anthony Martinello
Sent: November 01, 2017 12:56 PM
To: 'William Tan'
Cc: 'Lisa Stein'; 'Sarah Harris'; 'John Kim'; Victor Buza
Subject: IESO / OEFC - $120MM and $160MM

Once we have completed the 2 OFA facilities and the intercept letter – we then have to turn to the 2

outstanding IESO-OEFC credit facilities to contemplate any further amendments too.

Just ensuring that these 2 OEFC facilities are not missed.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

From:	Sarah Harris
To:	Opal Kandelas
Subject:	FW: IESO / OEFC - $120MM and $160MM Credit Facility Discussion
Date:	Friday, November 10, 2017 1:12:08 PM

Boardroom 1443 phone #:

(416) 212-3446

From: Gavin He
Sent: Friday, November 10, 2017 12:46 PM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: IESO / OEFC - $120MM and $160MM Credit Facility Discussion

Hi Sarah,

I am not aware of anyone else who is calling in, so I think Opal can call into the boardroom directly.

Regards,

Gavin He

From: Sarah Harris
Sent: Friday, November 10, 2017 12:15 PM
To: Gavin He <Gavin.He@ofina.on.ca>
Cc: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: IESO / OEFC - $120MM and $160MM Credit Facility Discussion

Hi Gavin,

Opal would like to participate in this meeting. Do you know if anyone else is calling in at a call in number, or should she call into the boardroom?

Thanks,

Sarah

-----Original Appointment-----
From: Gavin He
Sent: Friday, November 10, 2017 9:43 AM
To: Gavin He; Lisa Stein; Ryan Blackbyrne
Cc: Sarah Harris; Jean-Francois Beaupre; William Tan; John Kim

Subject: IESO / OEFC - $120MM and $160MM Credit Facility Discussion
When: Friday, November 10, 2017 2:30 PM-3:00 PM (UTC-05:00) Eastern Time (US & Canada).
Where: Boardroom 1443

Hi all,

I am just setting up a quick meeting to discuss the questions on the IESO credit facility agreements:

<< Message: RE: IESO / OEFC - $120MM and $160MM >>

Thanks,

Gavin He

From: Sarah Harris
To: Opal Kandelas
Subject: FW: IESO / OEFC - $120MM and $160MM
Date: Friday, November 10, 2017 10:17:14 AM
Attachments: IESO-OEFC - FHP LoC_Nov 2017_v2.docx

Hi Opal,

When you have two minutes to speak, I just want bring you up to date. Please let me know when we can chat.

Thanks,
Sarah

From: Gavin He
Sent: Thursday, November 09, 2017 5:50 PM
To: Lisa Stein <Lisa.Stein@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>
Subject: RE: IESO / OEFC - $120MM and $160MM

Hi Lisa/Ryan,

Thank you very much for the responses and that's helpful!

I will go back to IESO to verify what's their rationale to for the request. But before I go back, I just want to make sure that I understand the concerns/suggestions from our side first.

The change we made for the OFA credit facility agreement was to allow IESO to take liens related to FHP in the event if IESO can't pay OFA back the loan, correct? What was the reason for this change? And wouldn't the same reason apply for the loans that IESO has with OEFC? And if IESO can't pay back the loans to OEFC, should they still be able to take any liens related to FHP, or not? But if they were able to do so under the OFA credit facility agreement, are there any reasons that they cannot do the same under the OEFC credit facility agreement?

I understand that the $120M and $160M credit facilities are not for FHP purposes, but I think this is a separate question from whether they can take liens related to FHP if IESO can't pay OEFC back the loans? Similarly, I believe the existing $475M IESO credit facility with OFA was not for the FHP purpose, but the agreement was amended by the amendment #10 to include the FHP lien clause in the actual agreement, right? So I am just a bit confused about this process and trying to find out whether we should apply a consistent approach for OEFC's credit facilities before I push this back to IESO.

Also, a separate question on the $160M credit facility agreement. Since it was amended to be used for FHP purpose previously, do we need to amend that now since a separate facility agreement was created specifically for FHP purposes? Or that amendment automatically expires when the $2B FHP

credit facility was created, and for sure we don't need to update anything in the $160M credit facility agreement to that effect?

Thanks,
Gavin He

From: Lisa Stein
Sent: Thursday, November 09, 2017 12:49 PM
To: Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>
Subject: RE: IESO / OEFC - $120MM and $160MM

I also recommend asking the IESO for the exact details of the proposed amendments.

From: Ryan Blackbyrne
Sent: Thursday, November 09, 2017 12:19 PM
To: Gavin He <Gavin.He@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: IESO / OEFC - $120MM and $160MM

Hi Gavin,

Thank you for your note. After reviewing your note and the attached agreements we had a few comments:

- We understand that the $160M credit facility agreement will not be used for FHP purposes, although an amendment was made earlier in 2017 to allow advances for the purposes of FHP.
- It is our assumption that the $160M credit facility agreement was amended in April, 2017, pursuant to Reg. 280/14 as a potential temporary option for FHP funding requirements until such time as a separate facility agreement was created specifically for FHP purposes (i.e. the $2B OFA-IESO credit facility)
- There is an existing $120M loan agreement, maturing June 30, 2020, which is not a credit facility, but a fixed term loan. No amendments were made here in relation to FHP, as it is non-revolving and used for capital purposes.
- Since the $160M credit facility agreement will not be used for FHP purposes, it is not clear to us why the change to definition of Permitted Liens is required, and how not making this change would prevent IESO from performing its obligations under the OFHP Act. Please clarify.
- Kindly confirm with Anthony why IESO believes these amendments are necessary in respect

of the $160M credit facility and $120M loan agreement.

We look forward to hearing back from you. Happy to discuss further as always.

Thank You,

Ryan Blackbyrne
Documentation & Analysis Specialist
Capital Markets Division
Ontario Financing Authority
1 Dundas Street West, Suite 1400
Toronto, ON M7A 1Y7
416-325-8143
ryan.blackbyrne@ofina.on.ca

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Tuesday, November 07, 2017 4:07 PM
To: Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Victor Buza <Victor.Buza@ieso.ca>
Subject: IESO - OEFC Nov 7

Ryan,

As discussed with Will today, I understand you will be co-ordinating the proposed 2 amendments to the existing IESO-OEFC credit facilities.

For starters, there are no expected changes being asked to the existing agreement's key business content (e.g. amounts, dates, interest, notices etc.), rather given that IESO-OFA have just finished two new agreements pertaining to the new fair hydro program, ….I suggest we just copy and paste the salient sections from these agreements that would now be relevant to the OEFC agreements for fair hydro namely;

1.DRAFT
The definition of "Permitted Liens" is amended by deleting the word "and" at the end of subsection (xx); replacing the "." at the end of subsection (xx) and replacing it with "; and" ; and adding the following subsection (xx):
"(xx) any Lien arising from the IESO's role and obligations under the OFHP, including with respect to any amount received or receivable by the IESO (such as, without limitation, amounts received or receivable in respect of the Clean Energy Adjustment), or any other lien, whether arising from the action or inaction of IESO, that is created in connection with the OFHP."

2.DRAFT

The OFA agreements had required an intercept provision, …..not sure if the same applies to OEFC if yes:

"Section 5.7 Intercept

(a) The IESO hereby acknowledges that, in accordance with the terms of the letter agreement of November 6th , 2017 herewith entered between the Ministry of Energy, the IESO and the OFA made pursuant to Section 23 of the Capital Investment Plan Act, 1993 (the "Intercept Letter"), the Minister of Finance is entitled to deduct only from those monies appropriated by the Legislature for payment through the Ministry of Energy to the IESO ("Appropriated Funds"), amounts equal to any amounts that the IESO fails to pay to the OFA on account of indebtedness under this Agreement. On the occurrence of an Event of Default relating to a failure by IESO to pay when due any amounts owing hereunder, subject to the OFA's compliance with any relevant provisions hereof and as set out in the Intercept Letter, the Minister of Finance is irrevocably authorized to deduct from the Appropriated Funds amounts equal to any amounts that the IESO has failed to pay to the OFA in accordance with the provisions of this Agreement and to pay such amounts directly to the OFA ("Intercept").

(b) If, after following the process specified in the Intercept Letter (including, without limitation, allowing for a reasonable cure period on the terms specified therein), the OFA determines that it is necessary to request the Minister of Finance to exercise the Intercept, the OFA will give written notice to the Minister of Finance, with a copy to the Ministry of Energy, detailing the IESO's failure to pay when due any amounts owing hereunder and requesting the deduction from the Appropriated Funds of amounts equal to the amounts that the IESO has failed to pay to the OFA under this Agreement.

(c) The IESO agrees that any notice from the OFA to the Minister of Finance in relation to this section 5.7 (Intercept) may be relied upon by the Minister of Finance without further inquiry or verification by the Minister of Finance and, upon receipt of such notice, an amount equal to the amount that the IESO has failed to pay when due to the OFA on account of indebtedness under this Agreement shall be deducted from the Appropriated Funds and paid to the OFA.

(d) For further certainty, the OFA acknowledges and agrees that the Intercept as provided for herein and in the Intercept Letter shall not apply with respect to any funds appropriated by the Legislature for payment to the IESO through ministries other than the Ministry of Energy or through Ontario Climate Change Solutions Deployment Corporation.

The parties agree that, with respect to the exercise of the Intercept generally, the terms of this section 5.7 shall be applied consistently with the terms set out in the Intercept Letter which shall apply in full. Notwithstanding the foregoing, in the event of a conflict or inconsistency between the terms and conditions of the Intercept Letter and the terms and conditions contained in this Agreement, the terms and conditions contained in this Agreement shall prevail."

3.

If any… other relevant updates that make sense to do now……I do not anticipate any material ones.

We need your support to expedite the above in order to avoid delays in the Fair Hydro implementation.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From: Gavin He
Sent: Thursday, November 09, 2017 8:29 AM
To: Lisa Stein <Lisa.Stein@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>
Subject: RE: IESO / OEFC - $120MM and $160MM

Hi Lisa, Sarah, and William,

Following my email on Tuesday, EFB has drafted the attached note on the IESO's request on the OEFC credit facility, including the background information, our recommendation, and the rationale. Could you please review the accuracy of the note and would you be able to provide me with your feedback before noon today?

Sorry for the short turnaround time, but we all would like to move on this as soon as possible.

Thanks,
Gavin He

From: Lisa Stein
Sent: Wednesday, November 08, 2017 9:55 AM
To: Gavin He <Gavin.He@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: William Tan <William.Tan@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Sarah Neville <Sarah.Neville@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Subject: RE: IESO / OEFC - $120MM and $160MM

Thanks for the update Gavin.

From: Gavin He
Sent: Tuesday, November 07, 2017 4:02 PM
To: Lisa Stein <Lisa.Stein@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: William Tan <William.Tan@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Sarah Neville <Sarah.Neville@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>

Subject: RE: IESO / OEFC - $120MM and $160MM

Hi Lisa/Sarah H.,

We touched based with IESO and they told us that the OEFC agreements do not contemplate a general grant of security by IESO over its assets as is currently under discussion with the OPG Trust relative to the implementation of the OFHP. The changes required to allow for such a grant would be to amend the permitted liens and negative covenant language in the OEFC agreements so as to make it the same as, or very similar to, the language in the two OFA Agreements that were signed recently.

We will get a policy direction soon and will draft a note for you to review once it's ready.

Regards,
Gavin He

From: Lisa Stein
Sent: Monday, November 06, 2017 9:43 AM
To: John Kim <John.Kim@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: William Tan <William.Tan@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Sarah Neville <Sarah.Neville@ofina.on.ca>
Subject: RE: IESO / OEFC - $120MM and $160MM

No, I don't think the OFA Lending Policy would apply to these OEFC loans. The OFA Lending Policy addresses lending activities to public bodies undertaken where the OFA is acting as an intermediary on behalf of the Province.

From: John Kim
Sent: Sunday, November 05, 2017 1:55 PM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: William Tan <William.Tan@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: Re: IESO / OEFC - $120MM and $160MM

Hi Sarah,

We will look at this but this is oefc so not sure if the same lending policy applies.

John

Sent from my iPhone

On Nov 5, 2017, at 12:06 PM, Sarah Harris <Sarah.Harris@ofina.on.ca> wrote:

Hi John,

We've received no internal direction on the nature of changes IESO is looking for in relation to existing OEFC credit facility with the IESO and the FHP. I surmise it may have to do with adjusting the agreement to allow FHP permitted liens (which we would need internal approval to do) or similar changes, but do you know if IESO communicated requirements to Gadi or Ron?

Thanks,
Sarah
Sent from my iPhone

Begin forwarded message:

> **From:** Anthony Martinello <Anthony.Martinello@ieso.ca>
> **Date:** November 5, 2017 at 11:02:50 AM EST
> **To:** William Tan <William.Tan@ofina.on.ca>
> **Cc:** Lisa Stein <Lisa.Stein@ofina.on.ca>, Sarah Harris <Sarah.Harris@ofina.on.ca>, Victor Buza <Victor.Buza@ieso.ca>
> **Subject: RE: IESO / OEFC - $120MM and $160MM**
>
> Will – unless any concerns, will appreciate if you please begin to draft the two OEFC amendments this week – given that the IESO is targeting to sign the OPG / IESO fair hydro agreement by this month's end,….we need to have the two OEFC's done before this.
>
> Regards.

From: Anthony Martinello
Sent: November 01, 2017 12:56 PM
To: 'William Tan'
Cc: 'Lisa Stein'; 'Sarah Harris'; 'John Kim'; Victor Buza
Subject: IESO / OEFC - $120MM and $160MM

Once we have completed the 2 OFA facilities and the intercept letter – we then have to turn to the 2 outstanding IESO-OEFC credit facilities to contemplate any further amendments too.

Just ensuring that these 2 OEFC facilities are not missed.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under

applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

OEFC -- IESO CREDIT FACILITY AGREEMENT & THE PERMITTED LIENS

ISSUE

The IESO has requested OEFC to reopen the existing credit facility agreement between OEFC and IESO to make amendment to the definition of the permitted liens.

CONTEXT

To support IESO's role in the implementation and participation under the *Ontario Fair Hydro Plan Act, 2017* ("OFHP Act"), OFA recently amended the credit facility agreement between OFA and the IESO. One of the amendments to the agreement is to amend the definition of the permitted liens to include any lien arising from the IESO's role and obligations under the OFHP.

The OFA credit facility agreement was amended due to additional roles IESO is taking on under Ontario's Fair Hydro Plan. To fufil its obligation, the IESO will need a general grant of security on any lien arising from the IESO's role and obligations under the OFHP. Therefore, the OFA credit facility agreement was amended to allow for such a general grant of security.

For the same reason, the IESO has requested OEFC to reopen the existing credit facility agreement between OEFC and IESO to make the similar amendment. Specifically, adding a clause in the OEFC credit facility agreement that any lien related to OFHP will not be viewed as negative pledge by OEFC, so those liens can be used to secure the performance of IESO's obligations to OEFC.

RECOMMENDATION

- To maintain a consistent approach with IESO's credit facilities, CEFD staff and IESO are of the view that the exisiting OEFC credit facility should amend the permitted liens and negative covenant language to make it the same as, or very similar to, the language in the two OFA Agreements that were signed recently.
- Although the OEFC credit facility is not used for OFHP's purpose, such change to the permitted liens is still required in order for IESO to meet its role and obligation under the OFHP Act.

BACKGROUND

- Currently, under the existing credit facility agreement between OEFC and the IESO, the definition of the "permitted liens" does not include any lien arising from the IESO's role and obligations under the OFHP, including with respect to any amount received or receivable by the IESO (such as, without limitation, amounts received or receivable in respect of the Clean Energy Adjustment), or any other lien, whether arising from the action or inaction of IESO, that is created in connection with the OFHP.
- On November 6, 2017, OFA and IESO signed an updated OFA IESO credit facility agreement with respect to changes related to OFHP. Below are the related changes made to the OFA credit facility:

  Excerpt from the excuted OFA IESO Amending Agreement #10:

  > *The definition of "Permitted Liens" is amended by deleting the word "and" at the end of subsection (i); replacing the "." at the end of subsection (j) and replacing it with "; and" ; and adding the following subsection (k):*
  >
  > > *"(k) any Lien arising from the IESO's role and obligations under the OFHP, including with respect to any amount received or receivable by the IESO (such as, without limitation, amounts received or receivable in respect of the Clean Energy Adjustment), or any other lien, whether arising from the action or inaction of IESO, that is created in connection with the OFHP."*

Electricity Finance Branch / Corporate and Electricity Finance Division / Ontario Financing Authority
November 08, 2017

From: Sarah Harris
To: Opal Kandelas
Subject: FW: IESO : OFA new FH credit facility
Date: Thursday, July 13, 2017 10:27:45 AM
Attachments: RE IESO OFA OFHP Credit Facility - meeting with Anthony Martinello.msg

---

FYI…Nothing earth shattering, just making you aware.

Sarah

From: Sarah Harris
Sent: Thursday, July 13, 2017 9:02 AM
To: William Tan <William.Tan@ofina.on.ca>
Subject: RE: IESO : OFA new FH credit facility

Hi Will,

We never discussed with Anthony; it was an offline part of the conversation to which Anthony was not privy. When you sent your draft responses to me, I specifically noted, "…*however, you can't send Anthony the following phrase: " In the unlikely event, IESO IESO exceeds $475 million under its existing credit facility, it agrees to reduce the $2 billion OFHP Credit Facility by the amount that it exceeds $475 million." That is our internal back up and he would not be aware of it. In the event we see IESO heading in the direction of exceeding $475M, then we bring it up*."

This was not to be brought up with IESO until such possible time that IESO risked breaching the $475 million mark. Anthony indicated in the call that there was the other TD line of credit that they could use if funding needs started reaching the $475 million mark. Anthony, however, didn't 'guarantee' that would happen in the event the their funding needs exceeded $475M before the other facility was signed (as mentioned in his follow-up e-mail, which was what we were to confirm i.e. that Anthony had agreed to use the TD line). As part of our internal OFA contingency, we agreed that if we saw IESO heading in that direction, we could decrease the size $2B FHP facility to ensure the total borrowing didn't exceed $2.475B at any time.

We worked out an understanding on the phone re: 1) executing the amending agreement 1st to reduce the existing $975M credit facility to by $500M to $475 as quickly as possible first, before the new $2B FHP facility (that was because IESO's legal was bogged down and couldn't do both quickly) and 2) that IESO had a TD line of Credit that IESO could tap to bridge a funding gap if IESO saw itself exceeding the $475 million prior to the new $2B facility being signed. Given this understanding, from a relationship aspect with IESO, we don't pull out the 'big guns' (i.e. changing the proposed framework of the credit facilities), without first giving them the chance to live up to their agreed commitments.

Bear in mind that this is a high profile facility and you're not the only OFA employee having conversations with IESO. By introducing this surprise element to Anthony, he may start checking internally at IESO about the origins of this proposal, and this may be brought up to higher levels of the OFA through different channels. Had we kept this contingency internally, we could have briefed

all parties in the OFA (up to and including our CEO), so that they would be aware of any developments and there would be no surprises.

I will e-mail Anthony to provide some context, and to clarify the nature of the e-mail that you sent to him.

Sarah

From: William Tan
Sent: Wednesday, July 12, 2017 10:55 PM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: RE: IESO : OFA new FH credit facility

Hi Sarah,

I called him but couldn't reach him before I sent the email. I was fairly certain he agreed to it. Would you like me to reach him to see if he's still fine with it?

From: Sarah Harris
Sent: Wednesday, July 12, 2017 10:03 PM
To: William Tan <William.Tan@ofina.on.ca>
Subject: Re: IESO : OFA new FH credit facility

Will,

Did you speak to Anthony and did he agree to reduce the $2 billion FHP Credit Facility if IESO exceeds $475 million under the existing facility?

Thanks,
Sarah

From: William Tan
Sent: Wednesday, July 12, 2017 4:29 PM
To: 'Anthony Martinello'
Cc: Sarah Harris; Salman Qadir; Bruno Amara; Victor Buza; Lisa Stein
Subject: FW: IESO : OFA new FH credit facility

Hello Anthony,

Thank you for your email and sorry for the delay in replying. We look forward to getting

these agreements up and running. As discussed, IESO has a supplemental credit facility with TD bank. In the unlikely event, IESO exceeds $475 million under its existing credit facility, it agrees to reduce the $2 billion OFHP Credit Facility by the amount that it exceeds $475 million.

Best regards,

Will

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Wednesday, June 28, 2017 12:35 PM
To: William Tan <William.Tan@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Salman Qadir <Salman.Qadir@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; Victor Buza <Victor.Buza@ieso.ca>
Subject: RE: IESO : OFA new FH credit facility

Will,

As discussed, the IESO will work on completing amendment #10 followed then by the new FH $2B line.
The amendment #10 may take a few weeks to complete (mid-July), and then the new FH $2B line may need a few more additional weeks – likely end of July.

I am using the $975MM line today for FH (RPP) draws, and expect this will continue until the FH$2B line is up and running.

I would prefer to do both docs at the same time (i.e. signing on the same day both docs), but I understand that the OFA has been given direction to lower the $975MM to $475MM first.

Over the next few weeks in July I will be drawing on the $975MM again for the FH (RPP) amounts and I expect (but not 100% sure) that I should be under a total of $475MM.

Regards

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

From: Sarah Harris []
To: William Tan [William.Tan@ofina.on.ca]
Subject: RE: IESO OFA OFHP Credit Facility - meeting with Anthony Martinello
Date: Monday, July 10, 2017 12:28:41

Hi Will,

Please see below my changes.

You'll have to further change the first paragraph in 1., since IESO sent the comments on the amending agreement on Friday. Remember that #1 should only be circulated internally.

You'll be unable to send the #2 proposed e-mail, because IESO has also sent back the draft. You may be able to incorporate it into that information in your response to IESO when you provide our comments on the amending agreement, however, you can't send Anthony the following phrase: " In the unlikely event, IESO IESO exceeds $475 million under its existing credit facility, it agrees to reduce the $2 billion OFHP Credit Facility by the amount that it exceeds $475 million." That is our internal back up and he would not be aware of it. In the event we see IESO heading in the direction of exceeding $475M, then we bring it up.

Thanks,
Sarah

From: William Tan
Sent: Friday, July 07, 2017 10:11 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: IESO OFA OFHP Credit Facility - meeting with Anthony Martinello

Hello Sarah,

I have cleaned up some of the language recording the meeting with Anthony and the solutions agreed upon. I hope this suits you.

Thanks,

Will

1.
Hello all,

IESO has not completed its review of the documents relating to the new OFHP Credit Facility Agreement and Amending Agreement 10 (existing IESO OFA Credit Facility) by July 1. As a result, the new and existing credit facilities will not be in place in time of the targeted set-up date of July 1. According to

Anthony Martinello of IESO, their legal department has a number of competing issues and limited resources. Anthony, estimated that the Amending Agreement 10, would be completed mid-July and new credit facility would be completed by the end of July. IESO is currently drawing on the existing credit facility categorized as Regulated Price Plan (RPP) under the FHP related financing and does not plan to exceed $475 million.

IESO's request for a new FHP $2 billion Credit Facility was predicated on the reduction of the existing credit facility by $500 million dollars. This ~~term~~ information was included in the briefing ~~note~~ material ~~and~~ for the approval of the lending directive [and/or OIC?] [NTD: the information wasn't in the directive. Please confirm if it was Directive or OIC: I don't remember which one off hand] to assist the Ministry of Finance in its decision to approve the [order in council and directive NTD: confirm per previous comment] for the new $2B FHP Credit Facility. Accordingly, the total credit limit to be available under the combined facilities would be a total $2.475 billion ~~credit facility limit~~.

In order to ~~operate~~ proceed in a manner consistent with the FHP loan framework ~~approved~~ presented to ~~by~~ the Minister of Finance (i.e. an existing credit facility reduced to $475M plus a new $2B FHP credit facility, with a combined limit of $2.475 B) , IESO and OFA agreed that we will reduce the existing credit facility from $975 million down to $475 million before completing the new $2 billion credit facility. ~~This approach avoids violating the terms at which the OIC and lending was approved while facilitating each part of the process.~~

Reducing the $975M credit facility first mitigates~~, approach is based on~~ the ~~remote~~ possibility of IESO exceeding~~s~~ the $475 million ~~credit facility~~ revised borrowing limit requested by IESO on the existing credit facility, and ensures that the total $2.475B 'borrowing limit' for FHP purposes is not exceeded. Anthony has also noted that IESO has an existing credit facility with TD Bank. In the unlikely event of IESO exceeding borrowing requirements of $475 million between now and execution of the of the amending agreement , IESO indicated they would use their other credit facility at TD Bank instead to bridge the funding gap until such time as the new $2 billion credit facility is in place. It was also internally agreed that that in the event IESO does ~~Also, any amount~~ exceed~~ing~~ $475 million before the existing credit facility is reduced, the remedy ~~result~~ would be to reduce the $2 billion credit facility by the same amount.

Best regards,

Will

2.
Hello Anthony,

Thank you for your email. We look forward to getting these agreements up and running. As discussed, IESO has a supplemental credit facility with TD bank. In the unlikely event, IESO exceeds $475 million under its existing credit facility, it agrees to reduce the $2 billion OFHP Credit Facility by the amount that it exceeds $475 million.

Best regards,

Will

Best regards,

Will Tan| *Documentation & Analysis Specialist*
Capital Markets Division | Ontario Financing Authority
1 Dundas Street West, Suite 1400
Toronto, Ontario M5G 1Z3, CANADA
Tel. (416) 325-8090 | Fax: (416) 860-8346
william.tan@ofina.on.ca

This message, including any attachments, is intended only for the use of the individual(s) to which it is addressed and may contain information that is privileged and confidential. Any other distribution, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message including any attachments, without reading it or making a copy. Thank you

From:	Sarah Harris
To:	Opal Kandelas
Subject:	FW: IESO : OFA new FH credit facility
Date:	Thursday, July 13, 2017 10:27:59 AM

Related e-mail to Anthony.

Sarah

From: Sarah Harris
Sent: Thursday, July 13, 2017 9:41 AM
To: 'Anthony Martinello' <Anthony.Martinello@ieso.ca>
Cc: Salman Qadir <Salman.Qadir@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; Victor Buza <Victor.Buza@ieso.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>
Subject: RE: IESO : OFA new FH credit facility

Hello Anthony,

Will is currently away today, and I just wanted to follow up on the e-mail below.

We are fine reducing the minimum draw period from 7 to 5 days for the new $2B FHP facility.

Further, to clarify Will's e-mail below, from our conference call the week before last, you had mentioned that in the event that IESO's funding needs were to exceed the $475M before the current $975M facility is reduced, IESO had another line of credit with TD that it would be able to draw on to fund any potential gap before the $2B facility is up and running. I think some confusion may have been created in referencing IESO's agreement to reduce to the size of the $2B OFHP credit facility if IESO's funding needs exceed $475M before the new FHP facility is executed. This is not something we proposed to you on the call, but was part of OFA internal discussions on contingency options that might be available in the event that there were delays getting both the amending agreement and FHP facility in place. My apologies should there have been any misunderstanding.

We expect to have comments to you on the amending agreement tomorrow.

Best regards,

Sarah

From: William Tan
Sent: Wednesday, July 12, 2017 4:29 PM
To: 'Anthony Martinello' <Anthony.Martinello@ieso.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Salman Qadir <Salman.Qadir@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; Victor Buza <Victor.Buza@ieso.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: FW: IESO : OFA new FH credit facility

Hello Anthony,

Thank you for your email and sorry for the delay in replying. We look forward to getting these agreements up and running. As discussed, IESO has a supplemental credit facility with TD bank. In

the unlikely event, IESO exceeds $475 million under its existing credit facility, it agrees to reduce the $2 billion OFHP Credit Facility by the amount that it exceeds $475 million.

Best regards,

Will

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Wednesday, June 28, 2017 12:35 PM
To: William Tan <William.Tan@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Salman Qadir <Salman.Qadir@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; Victor Buza <Victor.Buza@ieso.ca>
Subject: RE: IESO : OFA new FH credit facility

Will,

As discussed, the IESO will work on completing amendment #10 followed then by the new FH $2B line.
The amendment #10 may take a few weeks to complete (mid-July), and then the new FH $2B line may need a few more additional weeks – likely end of July.

I am using the $975MM line today for FH (RPP) draws, and expect this will continue until the FH$2B line is up and running.

I would prefer to do both docs at the same time (i.e. signing on the same day both docs), but I understand that the OFA has been given direction to lower the $975MM to $475MM first.

Over the next few weeks in July I will be drawing on the $975MM again for the FH (RPP) amounts and I expect (but not 100% sure) that I should be under a total of $475MM.

Regards

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

From: Sarah Harris
To: Mike Manning
Cc: Opal Kandelas; Jean-Francois Beaupre
Subject: FW: IESO credit facility
Date: Friday, October 20, 2017 12:55:05 PM

Hi Mike,

As an update on IESO, according to John K "IESO has not provided any edits [to the Credit Facility Agreement] but seem to be indicating that they are getting close to being prepared to sign."

At the same time,"[OPG] Trust is looking for the IESO to give a 1st priority/security over all IESO assets including accounts receivables in favour of the Trust. This item is being discussed amongst all parties. If this proceeds, the IESO will have to amend/restructure its current credit facilities with TD Bank, OFA, and OEFC as all are unsecured pari-passu."

Will and I met with John K, Francisco, Sarah Neville, Lisa Stein and Toby from LSB to discuss this. The issues are as follows:

1 – Under the draft FHP draft facility, OFA ranks pari passu with all other unsubordinated debt and unsecured Indebtedness of IESO, subject to the existence of any Liens that secure Indebtedness. If the Trust has 1st priority/security over all IESO assets, this (as we currently understand OPG's request) renders the protection our Permitted Liens section moot, and also renders the Negative Pledge section moot since it states that

> *The IESO will not, and will not permit any Material Subsidiary to, create, incur or assume any Lien, charging the interest of the IESO or any Material Subsidiary in any property, to secure any obligations (including any Indebtedness) unless, at or prior to the time such Lien is created, incurred or assumed, all amounts owing under this Agreement are secured equally and rateably with any and all such obligations secured or to be secured by such Lien, for so long as such obligations shall be secured*

Based on my understanding, this would be a fundamental change in the OFA's approach if we permit the Trust to have 1st priority/security over all IESO assets.

2 – If IESO is close to execution, it would be important for the OFA not to give any undertaking to IESO that it would be willing to restructuring any existing facilities, and that any such change would be dependent at that time on analysis of the circumstances and any approvals.

3 – From a simplicity standpoint, the directive to exempt the intercept provision from the credit facility is still the most immediately simple option. However, within the next week it is thought that we should proceed with the tripartite letter PROVIDED that the OFA gives no undertaking to amend its credit facilities down the road. Our speculation is that IESO has some resistance to OPG taking 1st priority interest in all IESO assets and that it may be levering the inclusion of the intercept provision as a reason why OPG can't have a 1st priority claim in all IESO assets. There was also some

discussion as to whether the intercept provision could be "secured" by OPG Trust – on the face we don't think so, but more analysis would need to be done as to the legislature appropriations status under the PPSA and the ability for OPG Trust take a security into legislature appropriations.

4- Also, according to Francisco, following the AG's report there is sensitivity around the pricing of the OPG Asset. Particularly if it is thought that the exclusion of the intercept provision from the agreement will add to credit rating agencies view that IESO's assets and cashflows will be unencumbered, it adds suasion to the argument for the Minister to sign an exempting directive.

John Kim will update Ron Kwan who will hopefully in turn brief Gadi. Time is of the essence, since the next IESO draw is on November 21, and the existing credit facility limit would be exceeded by the next draw.

Thanks,
Sarah

From: John Kim
Sent: Friday, October 20, 2017 9:44 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: RE: IESO credit facility

Hi Sarah,

Do you see any issue with the priority of payment/asset part in implementing it?

Let me know what you think pls.

John.

From: John Kim
Sent: Friday, October 20, 2017 8:08 AM
To: Lisa Stein <Lisa.Stein@ofina.on.ca>; Sarah Neville <Sarah.Neville@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>; Sarah Neville <Sarah.Neville@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: FW: IESO credit facility

Hi,

Pls. take a look at this once again and let me know if you have any comments. Thus far, IESO has not provided any edits but seem to be indicating that they are getting close to being prepared to sign.

IESO has indicated the following and I will ask you to give it some thought:

"DRAFT - The Trust is looking for the IESO to give a 1st priority/security over all IESO assets including accounts receivables in favour of the Trust. This item is being discussed amongst all parties. If this

proceeds, the IESO will have to amend/restructure its current credit facilities with TD Bank, OFA, and OEFC as all are unsecured pari-passu."

Thanks,

John

From: John Kim
Sent: Friday, October 06, 2017 10:16 AM
To: Lisa Stein <Lisa.Stein@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>; Sarah Neville <Sarah.Neville@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: FW: IESO credit facility

Partial good news on Energy's side.

I will reach out to Anthony again to nudge things along on IESO side.

John

From: McKinlay, Tom (MAG) [mailto:Tom.McKinlay@ontario.ca]
Sent: Friday, October 06, 2017 10:07 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Thouin, Alena (ENERGY) <Alena.Thouin@ontario.ca>
Subject: RE: IESO credit facility

John,

I can now confirm that we are comfortable with the wording of the IESO intercept letter agreement (subject to the very minor revisions illustrated in the attached draft).

I am still working to determine who will sign for Energy and I'll let you know shortly.

Tom.

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: September 27, 2017 11:50 AM
To: McKinlay, Tom (MAG)
Subject: RE: IESO credit facility

Hi Tom,

Just following up on this one. Let me know pls. if it would be timely for us to follow up with your client at Energy.

Thanks,

John

From: John Kim
Sent: Monday, September 25, 2017 2:03 PM
To: Tom McKinlay (MAG) <Tom.McKinlay@ontario.ca>
Subject: RE: IESO credit facility

My apologies….this email was sent to the wrong address.

From: John Kim
Sent: Thursday, September 21, 2017 11:42 AM
To: Tom McKinlay (MAG) <Tom.McKinlay@ontario.ca>
Cc: Sarah Neville <Sarah.Neville@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: IESO credit facility

Hi Tom,

Pls. see attached draft letter agreement to get the discussion going. I believe you saw the short briefing note Ron shared with Steen on Tuesday.

We are available for a chat today to address any questions or comments.

Thanks,

John

Y. John Kim
Director, Electricity Finance Branch
Ontario Financing Authority
e-mail: john.kim@ofina.on.ca
Ph: 416-212-6996

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From:	Sarah Harris
To:	Opal Kandelas
Subject:	FW: IESO credit facility
Date:	Tuesday, October 03, 2017 11:52:06 AM
Attachments:	Intercept letter agreement IESO MOE OFA Sept 2017-rev_Markup4Clean.docx

---

From: John Kim
Sent: Tuesday, September 26, 2017 4:03 PM
To: Lisa Stein <Lisa.Stein@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; Sarah Neville <Sarah.Neville@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: RE: IESO credit facility

For Toby's information, attached the draft letter agreement.

From: John Kim
Sent: Tuesday, September 26, 2017 4:03 PM
To: Lisa Stein <Lisa.Stein@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; Sarah Neville <Sarah.Neville@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: RE: IESO credit facility

Hi Lisa, Toby,

I want to clarify that based on the approach we are moving forward with, the understanding of the OFA Lending Policy should be such that where there are no appropriation by Legislature, there is nothing contemplated by the OFA Lending Policy to intercept. Some of us in CEFD are a bit concerned about the wording 'carve-outs' and 'perhaps' below. I think Toby referred to 'carve-outs' to refer to exceptions to what is subject to the intercept. With the draft letter agreement, we are taking a position that there is nothing to intercept and that we are agreeing to put the intercept clause in as in the future there could be appropriations by Legislature for the IESO at which point, it would become necessary in the future which would be a prudent thing to have.

I was getting Ron in the loop as potentially ready to manage the process with OPG.

Let me know pls. if I am off base on any of the above.

John

From: Lisa Stein
Sent: Tuesday, September 26, 2017 11:34 AM
To: John Kim <John.Kim@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; Sarah Neville <Sarah.Neville@ofina.on.ca>

Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: RE: IESO credit facility

On p. 3, item #6 under "Conditions Precedent", the OFA Lending Policy provides that the OFA must ensure that it has an "appropriate" intercept in place. While the intercept wording in the Policy itself does not provide flexibility (as noted by Toby), perhaps this provision allows for 'carve-outs' in situations where the operation of the intercept would not be appropriate (such as those outlined by John below)?

Lisa

From: John Kim
Sent: Tuesday, September 26, 2017 11:24 AM
To: Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; Sarah Neville <Sarah.Neville@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: RE: IESO credit facility

Hi,

I'm happy to organize a call among us, if there is a need for it.

In an earlier note when we were seeking the Intercept Exemption Directive, we had the following bullets as part of the rationale section:

- While the IESO settlements system for the electricity sector may facilitate the flow of appropriations of the Ministry of Energy for energy-related programs such as the Ontario Rebate for Electricity Consumers (OREC), the Rural or Remote Rate Protection Program (RRRP), the Ontario Electricity Support Program (OESP) etc., these payments are for the benefit of various electricity consumers.

- Intercepting these program specific payments, which are appropriated by the Legislature for the Ministry of Energy, under which the IESO may only be providing a conduit to local distribution companies under the IESO settlement system to provide benefits to ratepayers, in order to recover loan payments would not be in alignment with the wording or intent of the OFA's Lending Policy.

Would these not relate to the carve-outs that Toby is referring to? Let me know pls. if I am mis-interpreting things.

John

From: Whitfield, Tobias P. (MOF) [mailto:Tobias.Whitfield@ontario.ca]
Sent: Tuesday, September 26, 2017 11:01 AM
To: John Kim <John.Kim@ofina.on.ca>; Sarah Neville <Sarah.Neville@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>

Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: RE: IESO credit facility

Although I am sympathetic to Anthony's concerns, I am not sure that the OFA lending policy leaves room for carve-outs for what is subject to the intercept.

Sarah and Lisa, do you see scope for doing so?

Toby

Tobias Whitfield
Counsel, Legal Services Branch
Ministry of Finance
tobias.whitfield@ontario.ca
Phone: 416-325-1456

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: September 26, 2017 10:44 AM
To: Neville, Sarah (OFA); Stein, Lisa (OFA)
Cc: Harris, Sarah (OFA); Strathy, Anna (OFA); Whitfield, Tobias P. (MOF)
Subject: RE: IESO credit facility

Anthony had very cursory comments along two points – some concern expressed by Stikeman and Elliott about priority over payments and that they have some MOECC dealings related to Cap and Trade(?). I mentioned to him that the intent is not to cover anything other than appropriation for IESO's own operational funding and that happy to receive edits to cover such concerns.

John

From: Sarah Neville
Sent: Tuesday, September 26, 2017 10:37 AM
To: John Kim <John.Kim@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Subject: RE: IESO credit facility

Hi –

I just spoke with Toby (I've copied him as an FYI) and he flagged that he doesn't know why IESO would need to share this with OPG in the first instance. The only issue/reason we could identify was that it may have something to do with the purchase by OPG of the "asset" (I'm using quotation marks because I don't know anything about this transaction or its structure other than how it is referred) from IESO and making sure that the "asset" is free of encumbrances. IESO may have reps or warranties in its dealings with OPG to this effect, and, I am guessing, but this may have been part of the rationale with respect to concerns that IESO had in earlier versions of the drafting in regard to definitions of "permitted liens" and ranking of debt. Our advice is to reach out to IESO and try to ascertain the reason for the request (John, as Anthony called you, perhaps you could call him back

with this request?)

I understand that we have been treating this loan as confidential, and OFA can waive confidentiality and allow disclosure to OPG (if this route is agree to I would recommend that disclosure be made by IESO on a confidential basis) but the risk/caution is that adding more layers outside of the immediate parties to the intercept (which now includes MOE), will add further delay and complexity in what is essentially an administrative issue and as noted we are not plugged into the broader discussions going on between the other parties with respect to other components of the FHP process.

Sarah

From: John Kim
Sent: Tuesday, September 26, 2017 10:16 AM
To: Sarah Neville <Sarah.Neville@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: RE: IESO credit facility

Hi Sarah,

Sounds good to me. Anthony gave me a call to give me the heads-up before the email.

I did also mention to him that we would be open to suggested edits to the draft to reflect any comments they may have.

John

From: Sarah Neville
Sent: Tuesday, September 26, 2017 10:13 AM
To: Lisa Stein <Lisa.Stein@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: RE: IESO credit facility

Hi John,

Off the top of my head I don't see any legal issues from the OFA perspective, but I defer to Lisa because she is closer to the documentation than I am so will ask her to weigh in.

We should also consider giving Toby a heads up because I think MOF Legal's been more involved in the OPG side of things, I don't know where things stand on the other various moving parts that are not directly within the mandate of the OFA. I will give him a quick call.

Sarah

From: Sarah Neville
Sent: Tuesday, September 26, 2017 10:05 AM
To: Lisa Stein (Lisa.Stein@ofina.on.ca) <Lisa.Stein@ofina.on.ca>
Cc: John Kim <John.Kim@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: FW: IESO credit facility

Hi Lisa – could you let us know if you see any concerns with this request?

Sarah

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Tuesday, September 26, 2017 10:04 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Victor Buza <Victor.Buza@ieso.ca>; Sarah Neville <Sarah.Neville@ofina.on.ca>
Subject: RE: IESO credit facility

John,

Thanks for this.
We have reviewed and before we comment back, we would like your ok to discuss/share this doc with OPG and their lawyers.

Regards.

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: September 21, 2017 4:07 PM
To: Anthony Martinello
Cc: Sarah Harris; Victor Buza; Sarah Neville
Subject: RE: IESO credit facility

Hi Anthony,

Pls. see attached draft letter agreement for IESO's consideration. We have shared with Energy Legal the draft as well to get their input/comments.

Thanks,

John

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Wednesday, September 20, 2017 9:58 AM
To: John Kim <John.Kim@ofina.on.ca>

Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Victor Buza <Victor.Buza@ieso.ca>
Subject: RE: IESO credit facility

Sure, before 11am today is preferred. Can you send call-in details. Regards.

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: September 20, 2017 9:44 AM
To: Anthony Martinello
Cc: Sarah Harris
Subject: RE: IESO credit facility

Hi Anthony,

Do you have time for a quick call this morning?

Thanks,

John

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Wednesday, August 23, 2017 8:42 AM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: IESO credit facility

Moody's (Gavin MacFarlane) has verbally raised their concern to me that the new $2B facility should be in place this month – main concern is that the IESO may/is rapidly burning through the $975M capacity at about $200M-$250M/month. Also, the first sale to Financing Entity is not expected until October(ish).
I am currently at about $405M utilized.
Also, both the IESO Board of Directors and Moody's were expecting these new facilities to be in place this month – and so, any delay would need to be explained.
Appreciate your efforts to co-ordinate a timely approval.
Call me to discuss if needed.

Regards.

Anthony Martinello Director, Treasury & Pension Operations
Independent Electricity System Operator (IESO) | T: 905-403-6944
Station A, Box 4474, Toronto, ON, M5W 4E5
www.ieso.ca[ieso.ca][na01.safelinks.protection.outlook.com]

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: August 22, 2017 5:22 PM
To: Anthony Martinello
Subject: IESO credit facility

Hi Anthony,

I am currently working on your request for the two facilities with the OFA.

I understand your main concern is your interactions with the ratings agencies, Moody's specifically. Is there a particular timeline that you have to meet? My estimation is that the required approvals can be obtained in the early part of next week or the week after. I know the week after is spilling into September.

I am happy to keep pushing for early next week but let me know if the first week of September works. I am confirming as some extraordinary steps are involved.

Thanks,

John

Y. John Kim
Director, Electricity Finance Branch
Ontario Financing Authority
e-mail: john.kim@ofina.on.ca
Ph: 416-212-6996

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

I am writing in relation to the Independent Electricity System Operator's (IESO) request to the Ontario Financing Authority (OFA) for a new revolving credit facility in an amount of up to $2 billion (the "New Credit Facility") to support the IESO's role in the implementation of and participation under the *Ontario Fair Hydro Plan Act, 2017.*

Under the OFA Lending Policy, the OFA requires an intercept provision in respect of loans made by the OFA to public bodies on an unsecured basis. The intercept provision allows the Minister of Finance to deduct from money appropriated by the Legislature for payment to the public body amounts equal to any amounts the public body fails to pay the OFA under a loan agreement. The OFA, IESO and the Ministry of Energy ("MOE") acknowledge and confirm that at this time there are no amounts appropriated by the Legislature for the IESO [Energy to confirm] and the intent of such intercept provision is that it would apply if and when amounts were to be appropriated for payment to the IESO in the future.

Prior to entering into a loan agreement with the IESO for the New Credit Facility (the "OFHP Credit Facility Agreement"), on an unsecured basis, the OFA requires the Ministry of Energy ("MOE") and the IESO to agree to the terms and conditions set out below in relation to the above OFA Lending Policy intercept provision requirement.

These terms and conditions shall also apply to the IESO's existing $975 million credit facility, established in a credit agreement entered into between the OFA and the Ontario Power Authority dated January 1, 2005, as amended (the "Original Credit Facility Agreement").

- The OFA, the IESO, and MOE agree as follows in respect of any advances made by the OFA to the IESO pursuant to the OFHP Credit Facility Agreement or the Original Credit Facility Agreement (each a "Loan Agreement"; together, the "Loan Agreements"):
    - Pursuant to section 23 of the *Capital Investment Plan Act, 1993*, the IESO and MOE agree that in the event that the Legislature appropriates any funds for payment to the IESO for any purpose ("Appropriated Funds"), the Minister of Finance would be entitled to deduct from such Appropriated Funds amounts equal to any amounts that the IESO fails to pay to the OFA on account of indebtedness under a Loan Agreement (the "intercept provision").
    - Under the intercept provision, which shall be included in the Loan Agreements, the IESO also agrees that any notice from the OFA to the Minister of Finance in relation to its failure to pay under a Loan Agreement may be relied upon by the Minister of Finance without further inquiry or verification by the Minister of Finance.
    - Prior to recommending to the Minister of Finance that the intercept provision be exercised, the OFA will raise the issue with MOE and seek MOE's support in getting the IESO to pay the amounts owing within a reasonable cure period.

DRAFT

- Upon receipt of notice from the OFA that the IESO has failed to pay in accordance with the provisions of a Loan Agreement, MOE will provide the OFA with all information requested by the OFA respecting amounts appropriated by the Legislature for payments to the IESO, including the intended purpose and expected timing of such payments to be made by MOE. Upon request, MOE will provide similar information to the Minister of Finance.

- MOE acknowledges and agrees that, upon receipt of a direction from the Minister of Finance that an amount is to be deducted from money appropriated by the Legislature for payment to the IESO, MOE will take all necessary action required by it in order to effect such deduction and payment to the OFA in accordance with the Minister of Finance's direction.

This letter agreement may be executed in counterparts. Therefore, if you are in agreement with the above terms and conditions in relation to the Loan Agreements, kindly sign this letter agreement below in triplicate and send back two copies to my attention.

DRAFT

From: Sarah Harris
To: Opal Kandelas; William Tan
Subject: FW: IESO credit facility
Date: Tuesday, October 03, 2017 10:10:52 AM

Hi,

An update – IESO will be sharing the intercept letter with OPG, so hopefully this moves things along.

Thanks,
Sarah

From: John Kim
Sent: Friday, September 29, 2017 11:49 AM
To: 'Victor Buza' <Victor.Buza@ieso.ca>; Anthony Martinello <Anthony.Martinello@ieso.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Sarah Neville <Sarah.Neville@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: IESO credit facility

Great, thanks Victor.

From: Victor Buza [mailto:Victor.Buza@ieso.ca]
Sent: Friday, September 29, 2017 10:32 AM
To: John Kim <John.Kim@ofina.on.ca>; Anthony Martinello <Anthony.Martinello@ieso.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Sarah Neville <Sarah.Neville@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: IESO credit facility

Thanks John - that will work.

We agree to treat the information as confidential. And we will require OPG to treat it as confidential, including a requirement that the information will only be distributed internally or to their advisors on a confidential need-to-know basis.

Victor

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: September 28, 2017 2:53 PM
To: Anthony Martinello
Cc: Sarah Harris; Victor Buza; Sarah Neville; Lisa Stein
Subject: RE: IESO credit facility

Hi Victor,

Could we get an assurance from your Legal, perhaps belatedly, to treat all items related to this confidentially and also to share with OPG counterparts on a confidential need to know basis?

On that basis, we are fine for IESO to proceed and discuss with OPG.

Thanks,

John

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Tuesday, September 26, 2017 1:58 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Victor Buza <Victor.Buza@ieso.ca>; Sarah Neville <Sarah.Neville@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: IESO credit facility

Please re-consider.
The IESO and OPG are currently negotiating terms for the fair hydro program and servicing – and OPG may consider this letter to impact their position on some aspects.
The point of sharing it with OPG is precisely to see if they do have any concerns as I wish to avoid any future unfavourable outcomes that may result by not sharing.

Regards.

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: September 26, 2017 11:48 AM
To: Anthony Martinello
Cc: Sarah Harris; Victor Buza; Sarah Neville; Lisa Stein
Subject: RE: IESO credit facility

Hi Anthony,

We had a quick internal discussion and we are not quite there on the need to share this with OPG and their lawyers. If you feel strongly about it then I will take it back to get that direction but would it be possible to manage any concerns via proposed edits to the draft letter agreement?

Thanks,

John

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Tuesday, September 26, 2017 10:04 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Victor Buza <Victor.Buza@ieso.ca>; Sarah Neville <Sarah.Neville@ofina.on.ca>
Subject: RE: IESO credit facility

John,

Thanks for this.
We have reviewed and before we comment back, we would like your ok to discuss/share this doc with OPG and their lawyers.

Regards.

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: September 21, 2017 4:07 PM
To: Anthony Martinello
Cc: Sarah Harris; Victor Buza; Sarah Neville
Subject: RE: IESO credit facility

Hi Anthony,

Pls. see attached draft letter agreement for IESO's consideration. We have shared with Energy Legal the draft as well to get their input/comments.

Thanks,

John

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Wednesday, September 20, 2017 9:58 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Victor Buza <Victor.Buza@ieso.ca>
Subject: RE: IESO credit facility

Sure, before 11am today is preferred. Can you send call-in details. Regards.

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: September 20, 2017 9:44 AM
To: Anthony Martinello
Cc: Sarah Harris
Subject: RE: IESO credit facility

Hi Anthony,

Do you have time for a quick call this morning?

Thanks,

John

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Wednesday, August 23, 2017 8:42 AM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: IESO credit facility

Moody's (Gavin MacFarlane) has verbally raised their concern to me that the new $2B facility should be in place this month – main concern is that the IESO may/is rapidly burning through the $975M capacity at about $200M-$250M/month. Also, the first sale to Financing Entity is not expected until October(ish).
I am currently at about $405M utilized.
Also, both the IESO Board of Directors and Moody's were expecting these new facilities to be in place this month – and so, any delay would need to be explained.
Appreciate your efforts to co-ordinate a timely approval.
Call me to discuss if needed.

Regards.

Anthony Martinello Director, Treasury & Pension Operations
Independent Electricity System Operator (IESO) | T: 905-403-6944
Station A, Box 4474, Toronto, ON, M5W 4E5
www.ieso.ca[ieso.ca][na01.safelinks.protection.outlook.com]

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: August 22, 2017 5:22 PM
To: Anthony Martinello
Subject: IESO credit facility

Hi Anthony,

I am currently working on your request for the two facilities with the OFA.

I understand your main concern is your interactions with the ratings agencies, Moody's specifically. Is there a particular timeline that you have to meet? My estimation is that the required approvals can be obtained in the early part of next week or the week after. I know the week after is spilling into September.

I am happy to keep pushing for early next week but let me know if the first week of September works. I am confirming as some extraordinary steps are involved.

Thanks,

John

Y. John Kim
Director, Electricity Finance Branch

Ontario Financing Authority
e-mail: john.kim@ofina.on.ca
Ph: 416-212-6996

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

From: Sarah Harris
To: Opal Kandelas; William Tan
Subject: FW: IESO credit facility
Date: Wednesday, September 27, 2017 11:53:02 AM

Keeping you in the (endless) loop…

Sarah

From: Lisa Stein
Sent: Tuesday, September 26, 2017 4:30 PM
To: John Kim <John.Kim@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; Sarah Neville <Sarah.Neville@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: RE: IESO credit facility

Hi John,

Yes, your understanding is correct. There are currently no "exceptions" to or specific "carve outs" from the intercept requirement in the Policy and I agree with Toby. I was trying to address the question you had raised in your earlier e-mail.

Lisa

From: John Kim
Sent: Tuesday, September 26, 2017 4:03 PM
To: Lisa Stein <Lisa.Stein@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; Sarah Neville <Sarah.Neville@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: RE: IESO credit facility

Hi Lisa, Toby,

I want to clarify that based on the approach we are moving forward with, the understanding of the OFA Lending Policy should be such that where there are no appropriation by Legislature, there is nothing contemplated by the OFA Lending Policy to intercept. Some of us in CEFD are a bit concerned about the wording 'carve-outs' and 'perhaps' below. I think Toby referred to 'carve-outs' to refer to exceptions to what is subject to the intercept. With the draft letter agreement, we are taking a position that there is nothing to intercept and that we are agreeing to put the intercept clause in as in the future there could be appropriations by Legislature for the IESO at which point, it would become necessary in the future which would be a prudent thing to have.

I was getting Ron in the loop as potentially ready to manage the process with OPG.

Let me know pls. if I am off base on any of the above.

John

From: Lisa Stein
Sent: Tuesday, September 26, 2017 11:34 AM
To: John Kim <John.Kim@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; Sarah Neville <Sarah.Neville@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: RE: IESO credit facility

On p. 3, item #6 under "Conditions Precedent", the OFA Lending Policy provides that the OFA must ensure that it has an "appropriate" intercept in place. While the intercept wording in the Policy itself does not provide flexibility (as noted by Toby), perhaps this provision allows for 'carve-outs' in situations where the operation of the intercept would not be appropriate (such as those outlined by John below)?

Lisa

From: John Kim
Sent: Tuesday, September 26, 2017 11:24 AM
To: Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; Sarah Neville <Sarah.Neville@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: RE: IESO credit facility

Hi,

I'm happy to organize a call among us, if there is a need for it.

In an earlier note when we were seeking the Intercept Exemption Directive, we had the following bullets as part of the rationale section:

- While the IESO settlements system for the electricity sector may facilitate the flow of appropriations of the Ministry of Energy for energy-related programs such as the Ontario Rebate for Electricity Consumers (OREC), the Rural or Remote Rate Protection Program (RRRP), the Ontario Electricity Support Program (OESP) etc., these payments are for the benefit of various electricity consumers.

- Intercepting these program specific payments, which are appropriated by the Legislature for the Ministry of Energy, under which the IESO may only be providing a conduit to local distribution companies under the IESO settlement system to provide benefits to ratepayers, in order to recover loan payments would not be in alignment with the wording or intent of the OFA's Lending Policy.

Would these not relate to the carve-outs that Toby is referring to? Let me know pls. if I am mis-interpreting things.

John

From: Whitfield, Tobias P. (MOF) [mailto:Tobias.Whitfield@ontario.ca]
Sent: Tuesday, September 26, 2017 11:01 AM
To: John Kim <John.Kim@ofina.on.ca>; Sarah Neville <Sarah.Neville@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: RE: IESO credit facility

Although I am sympathetic to Anthony's concerns, I am not sure that the OFA lending policy leaves room for carve-outs for what is subject to the intercept.

Sarah and Lisa, do you see scope for doing so?

Toby

Tobias Whitfield
Counsel, Legal Services Branch
Ministry of Finance
tobias.whitfield@ontario.ca
Phone: 416-325-1456

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: September 26, 2017 10:44 AM
To: Neville, Sarah (OFA); Stein, Lisa (OFA)
Cc: Harris, Sarah (OFA); Strathy, Anna (OFA); Whitfield, Tobias P. (MOF)
Subject: RE: IESO credit facility

Anthony had very cursory comments along two points – some concern expressed by Stikeman and Elliott about priority over payments and that they have some MOECC dealings related to Cap and Trade(?). I mentioned to him that the intent is not to cover anything other than appropriation for IESO's own operational funding and that happy to receive edits to cover such concerns.

John

From: Sarah Neville
Sent: Tuesday, September 26, 2017 10:37 AM
To: John Kim <John.Kim@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Subject: RE: IESO credit facility

Hi –

I just spoke with Toby (I've copied him as an FYI) and he flagged that he doesn't know why IESO would need to share this with OPG in the first instance. The only issue/reason we could identify was

that it may have something to do with the purchase by OPG of the "asset" (I'm using quotation marks because I don't know anything about this transaction or its structure other than how it is referred) from IESO and making sure that the "asset" is free of encumbrances. IESO may have reps or warranties in its dealings with OPG to this effect, and, I am guessing, but this may have been part of the rationale with respect to concerns that IESO had in earlier versions of the drafting in regard to definitions of "permitted liens" and ranking of debt. Our advice is to reach out to IESO and try to ascertain the reason for the request (John, as Anthony called you, perhaps you could call him back with this request?)

I understand that we have been treating this loan as confidential, and OFA can waive confidentiality and allow disclosure to OPG (if this route is agree to I would recommend that disclosure be made by IESO on a confidential basis) but the risk/caution is that adding more layers outside of the immediate parties to the intercept (which now includes MOE), will add further delay and complexity in what is essentially an administrative issue and as noted we are not plugged into the broader discussions going on between the other parties with respect to other components of the FHP process.

Sarah

From: John Kim
Sent: Tuesday, September 26, 2017 10:16 AM
To: Sarah Neville <Sarah.Neville@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: RE: IESO credit facility

Hi Sarah,

Sounds good to me. Anthony gave me a call to give me the heads-up before the email.

I did also mention to him that we would be open to suggested edits to the draft to reflect any comments they may have.

John

From: Sarah Neville
Sent: Tuesday, September 26, 2017 10:13 AM
To: Lisa Stein <Lisa.Stein@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: RE: IESO credit facility

Hi John,

Off the top of my head I don't see any legal issues from the OFA perspective, but I defer to Lisa because she is closer to the documentation than I am so will ask her to weigh in.

We should also consider giving Toby a heads up because I think MOF Legal's been more involved in the OPG side of things, I don't know where things stand on the other various moving parts that are not directly within the mandate of the OFA. I will give him a quick call.

Sarah

From: Sarah Neville
Sent: Tuesday, September 26, 2017 10:05 AM
To: Lisa Stein (Lisa.Stein@ofina.on.ca) <Lisa.Stein@ofina.on.ca>
Cc: John Kim <John.Kim@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: FW: IESO credit facility

Hi Lisa – could you let us know if you see any concerns with this request?

Sarah

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Tuesday, September 26, 2017 10:04 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Victor Buza <Victor.Buza@ieso.ca>; Sarah Neville <Sarah.Neville@ofina.on.ca>
Subject: RE: IESO credit facility

John,

Thanks for this.
We have reviewed and before we comment back, we would like your ok to discuss/share this doc with OPG and their lawyers.

Regards.

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: September 21, 2017 4:07 PM
To: Anthony Martinello
Cc: Sarah Harris; Victor Buza; Sarah Neville
Subject: RE: IESO credit facility

Hi Anthony,

Pls. see attached draft letter agreement for IESO's consideration. We have shared with Energy Legal the draft as well to get their input/comments.

Thanks,

John

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Wednesday, September 20, 2017 9:58 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Victor Buza <Victor.Buza@ieso.ca>
Subject: RE: IESO credit facility

Sure, before 11am today is preferred. Can you send call-in details. Regards.

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: September 20, 2017 9:44 AM
To: Anthony Martinello
Cc: Sarah Harris
Subject: RE: IESO credit facility

Hi Anthony,

Do you have time for a quick call this morning?

Thanks,

John

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Wednesday, August 23, 2017 8:42 AM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: IESO credit facility

Moody's (Gavin MacFarlane) has verbally raised their concern to me that the new $2B facility should be in place this month – main concern is that the IESO may/is rapidly burning through the $975M capacity at about $200M-$250M/month. Also, the first sale to Financing Entity is not expected until October(ish).
I am currently at about $405M utilized.
Also, both the IESO Board of Directors and Moody's were expecting these new facilities to be in place this month – and so, any delay would need to be explained.
Appreciate your efforts to co-ordinate a timely approval.
Call me to discuss if needed.

Regards.

Anthony Martinello Director, Treasury & Pension Operations
Independent Electricity System Operator (IESO) | T: 905-403-6944

Station A, Box 4474, Toronto, ON, M5W 4E5
www.ieso.ca[ieso.ca][na01.safelinks.protection.outlook.com]

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: August 22, 2017 5:22 PM
To: Anthony Martinello
Subject: IESO credit facility

Hi Anthony,

I am currently working on your request for the two facilities with the OFA.

I understand your main concern is your interactions with the ratings agencies, Moody's specifically. Is there a particular timeline that you have to meet? My estimation is that the required approvals can be obtained in the early part of next week or the week after. I know the week after is spilling into September.

I am happy to keep pushing for early next week but let me know if the first week of September works. I am confirming as some extraordinary steps are involved.

Thanks,

John

Y. John Kim
Director, Electricity Finance Branch
Ontario Financing Authority
e-mail: john.kim@ofina.on.ca
Ph: 416-212-6996

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

From: Sarah Harris
To: Opal Kandelas; William Tan
Subject: FW: IESO credit facility
Date: Tuesday, September 26, 2017 2:59:59 PM

Further developments…no answer from John yet.

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Tuesday, September 26, 2017 1:58 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Victor Buza <Victor.Buza@ieso.ca>; Sarah Neville <Sarah.Neville@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: IESO credit facility

Please re-consider.
The IESO and OPG are currently negotiating terms for the fair hydro program and servicing – and OPG may consider this letter to impact their position on some aspects.
The point of sharing it with OPG is precisely to see if they do have any concerns as I wish to avoid any future unfavourable outcomes that may result by not sharing.

Regards.

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: September 26, 2017 11:48 AM
To: Anthony Martinello
Cc: Sarah Harris; Victor Buza; Sarah Neville; Lisa Stein
Subject: RE: IESO credit facility

Hi Anthony,

We had a quick internal discussion and we are not quite there on the need to share this with OPG and their lawyers. If you feel strongly about it then I will take it back to get that direction but would it be possible to manage any concerns via proposed edits to the draft letter agreement?

Thanks,

John

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Tuesday, September 26, 2017 10:04 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Victor Buza <Victor.Buza@ieso.ca>; Sarah Neville <Sarah.Neville@ofina.on.ca>
Subject: RE: IESO credit facility

John,

Thanks for this.
We have reviewed and before we comment back, we would like your ok to discuss/share this doc with OPG and their lawyers.

Regards.

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: September 21, 2017 4:07 PM
To: Anthony Martinello
Cc: Sarah Harris; Victor Buza; Sarah Neville
Subject: RE: IESO credit facility

Hi Anthony,

Pls. see attached draft letter agreement for IESO's consideration. We have shared with Energy Legal the draft as well to get their input/comments.

Thanks,

John

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Wednesday, September 20, 2017 9:58 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Victor Buza <Victor.Buza@ieso.ca>
Subject: RE: IESO credit facility

Sure, before 11am today is preferred. Can you send call-in details. Regards.

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: September 20, 2017 9:44 AM
To: Anthony Martinello
Cc: Sarah Harris
Subject: RE: IESO credit facility

Hi Anthony,

Do you have time for a quick call this morning?

Thanks,

John

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Wednesday, August 23, 2017 8:42 AM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: IESO credit facility

Moody's (Gavin MacFarlane) has verbally raised their concern to me that the new $2B facility should be in place this month – main concern is that the IESO may/is rapidly burning through the $975M capacity at about $200M-$250M/month. Also, the first sale to Financing Entity is not expected until October(ish).
I am currently at about $405M utilized.
Also, both the IESO Board of Directors and Moody's were expecting these new facilities to be in place this month – and so, any delay would need to be explained.
Appreciate your efforts to co-ordinate a timely approval.
Call me to discuss if needed.

Regards.

Anthony Martinello Director, Treasury & Pension Operations
Independent Electricity System Operator (IESO) | T: 905-403-6944
Station A, Box 4474, Toronto, ON, M5W 4E5
www.ieso.ca[ieso.ca][na01.safelinks.protection.outlook.com]

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: August 22, 2017 5:22 PM
To: Anthony Martinello
Subject: IESO credit facility

Hi Anthony,

I am currently working on your request for the two facilities with the OFA.

I understand your main concern is your interactions with the ratings agencies, Moody's specifically. Is there a particular timeline that you have to meet? My estimation is that the required approvals can be obtained in the early part of next week or the week after. I know the week after is spilling into September.

I am happy to keep pushing for early next week but let me know if the first week of September works. I am confirming as some extraordinary steps are involved.

Thanks,

John

Y. John Kim
Director, Electricity Finance Branch

Ontario Financing Authority
e-mail: john.kim@ofina.on.ca
Ph: 416-212-6996

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

From:	Sarah Harris
To:	Opal Kandelas; William Tan
Subject:	FW: IESO credit facility
Date:	Tuesday, September 26, 2017 11:59:04 AM
Attachments:	RE IESO credit facility.msg

Hi,

IESO came back this morning asking to share the intercept letter with OPG. I attach the internal discussion preceding John's Kim's response below.

Sarah

From: John Kim
Sent: Tuesday, September 26, 2017 11:48 AM
To: 'Anthony Martinello' <Anthony.Martinello@ieso.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Victor Buza <Victor.Buza@ieso.ca>; Sarah Neville <Sarah.Neville@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: IESO credit facility

Hi Anthony,

We had a quick internal discussion and we are not quite there on the need to share this with OPG and their lawyers. If you feel strongly about it then I will take it back to get that direction but would it be possible to manage any concerns via proposed edits to the draft letter agreement?

Thanks,

John

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Tuesday, September 26, 2017 10:04 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Victor Buza <Victor.Buza@ieso.ca>; Sarah Neville <Sarah.Neville@ofina.on.ca>
Subject: RE: IESO credit facility

John,

Thanks for this.
We have reviewed and before we comment back, we would like your ok to discuss/share this doc with OPG and their lawyers.

Regards.

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: September 21, 2017 4:07 PM
To: Anthony Martinello
Cc: Sarah Harris; Victor Buza; Sarah Neville
Subject: RE: IESO credit facility

Hi Anthony,

Pls. see attached draft letter agreement for IESO's consideration. We have shared with Energy Legal the draft as well to get their input/comments.

Thanks,

John

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Wednesday, September 20, 2017 9:58 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Victor Buza <Victor.Buza@ieso.ca>
Subject: RE: IESO credit facility

Sure, before 11am today is preferred. Can you send call-in details. Regards.

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: September 20, 2017 9:44 AM
To: Anthony Martinello
Cc: Sarah Harris
Subject: RE: IESO credit facility

Hi Anthony,

Do you have time for a quick call this morning?

Thanks,

John

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Wednesday, August 23, 2017 8:42 AM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: IESO credit facility

Moody's (Gavin MacFarlane) has verbally raised their concern to me that the new $2B facility should be in place this month – main concern is that the IESO may/is rapidly burning through the $975M capacity at about $200M-$250M/month. Also, the first sale to Financing Entity is not expected until

October(ish).
I am currently at about $405M utilized.
Also, both the IESO Board of Directors and Moody's were expecting these new facilities to be in place this month – and so, any delay would need to be explained.
Appreciate your efforts to co-ordinate a timely approval.
Call me to discuss if needed.

Regards.

Anthony Martinello Director, Treasury & Pension Operations
Independent Electricity System Operator (IESO) | T: 905-403-6944
Station A, Box 4474, Toronto, ON, M5W 4E5
www.ieso.ca[ieso.ca][na01.safelinks.protection.outlook.com]

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: August 22, 2017 5:22 PM
To: Anthony Martinello
Subject: IESO credit facility

Hi Anthony,

I am currently working on your request for the two facilities with the OFA.

I understand your main concern is your interactions with the ratings agencies, Moody's specifically. Is there a particular timeline that you have to meet? My estimation is that the required approvals can be obtained in the early part of next week or the week after. I know the week after is spilling into September.

I am happy to keep pushing for early next week but let me know if the first week of September works. I am confirming as some extraordinary steps are involved.

Thanks,

John

Y. John Kim
Director, Electricity Finance Branch
Ontario Financing Authority
e-mail: john.kim@ofina.on.ca
Ph: 416-212-6996

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.
This e-mail message and any files transmitted with it are intended only for the named

recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

From: Lisa Stein []
To: John Kim [John.Kim@ofina.on.ca]; Tobias P. Whitfield (MOF) [Tobias.Whitfield@ontario.ca]; Sarah Neville [Sarah.Neville@ofina.on.ca]
CC: Sarah Harris [Sarah.Harris@ofina.on.ca]; Anna Strathy [Anna.Strathy@ofina.on.ca]
Subject: RE: IESO credit facility
Date: Tuesday, September 26, 2017 11:33:53

On p. 3, item #6 under "Conditions Precedent", the OFA Lending Policy provides that the OFA must ensure that it has an "appropriate" intercept in place. While the intercept wording in the Policy itself does not provide flexibility (as noted by Toby), perhaps this provision allows for 'carve-outs' in situations where the operation of the intercept would not be appropriate (such as those outlined by John below)?

Lisa
From: John Kim
Sent: Tuesday, September 26, 2017 11:24 AM
To: Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; Sarah Neville <Sarah.Neville@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: RE: IESO credit facility

Hi,

I'm happy to organize a call among us, if there is a need for it.

In an earlier note when we were seeking the Intercept Exemption Directive, we had the following bullets as part of the rationale section:

- While the IESO settlements system for the electricity sector may facilitate the flow of appropriations of the Ministry of Energy for energy-related programs such as the Ontario Rebate for Electricity Consumers (OREC), the Rural or Remote Rate Protection Program (RRRP), the Ontario Electricity Support Program (OESP) etc., these payments are for the benefit of various electricity consumers.

- Intercepting these program specific payments, which are appropriated by the Legislature for the Ministry of Energy, under which the IESO may only be providing a conduit to local distribution companies under the IESO settlement system to provide benefits to ratepayers, in order to recover loan payments would not be in alignment with the wording or intent of the OFA's Lending Policy.

Would these not relate to the carve-outs that Toby is referring to? Let me know pls. if I am mis-interpreting things.

John

From: Whitfield, Tobias P. (MOF) [mailto:Tobias.Whitfield@ontario.ca]
Sent: Tuesday, September 26, 2017 11:01 AM
To: John Kim <John.Kim@ofina.on.ca>; Sarah Neville <Sarah.Neville@ofina.on.ca>; Lisa Stein

<Lisa.Stein@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: RE: IESO credit facility

Although I am sympathetic to Anthony's concerns, I am not sure that the OFA lending policy leaves room for carve-outs for what is subject to the intercept.

Sarah and Lisa, do you see scope for doing so?

Toby

Tobias Whitfield
Counsel, Legal Services Branch
Ministry of Finance
tobias.whitfield@ontario.ca
Phone: 416-325-1456

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: September 26, 2017 10:44 AM
To: Neville, Sarah (OFA); Stein, Lisa (OFA)
Cc: Harris, Sarah (OFA); Strathy, Anna (OFA); Whitfield, Tobias P. (MOF)
Subject: RE: IESO credit facility

Anthony had very cursory comments along two points – some concern expressed by Stikeman and Elliott about priority over payments and that they have some MOECC dealings related to Cap and Trade(?). I mentioned to him that the intent is not to cover anything other than appropriation for IESO's own operational funding and that happy to receive edits to cover such concerns.

John

From: Sarah Neville
Sent: Tuesday, September 26, 2017 10:37 AM
To: John Kim <John.Kim@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Subject: RE: IESO credit facility

Hi –

I just spoke with Toby (I've copied him as an FYI) and he flagged that he doesn't know why IESO would need to share this with OPG in the first instance. The only issue/reason we could identify was that it may have something to do with the purchase by OPG of the "asset" (I'm using quotation marks because I don't know anything about this transaction or its structure other than how it is referred) from IESO and making sure that the "asset" is free of encumbrances. IESO may have reps or warranties in its dealings with OPG to this effect, and, I am guessing, but this may have been part of the rationale with respect to concerns that IESO had in earlier versions of the drafting in regard to definitions of "permitted liens" and ranking of debt. Our advice is to reach out to IESO and try to ascertain the reason for the request (John, as Anthony called you, perhaps you could call him back with this request?)

I understand that we have been treating this loan as confidential, and OFA can waive confidentiality and allow disclosure to OPG (if this route is agree to I would recommend that disclosure be made by IESO on a confidential basis) but the risk/caution is that adding more layers outside of the immediate parties to the intercept (which now includes MOE), will add further delay and complexity in what is essentially an administrative issue and as noted we are not plugged into the broader discussions going on between the other parties with respect to other components of the FHP process.

Sarah

From: John Kim
Sent: Tuesday, September 26, 2017 10:16 AM
To: Sarah Neville <Sarah.Neville@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: RE: IESO credit facility

Hi Sarah,

Sounds good to me. Anthony gave me a call to give me the heads-up before the email.

I did also mention to him that we would be open to suggested edits to the draft to reflect any comments they may have.

John

From: Sarah Neville
Sent: Tuesday, September 26, 2017 10:13 AM
To: Lisa Stein <Lisa.Stein@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: RE: IESO credit facility

Hi John,

Off the top of my head I don't see any legal issues from the OFA perspective, but I defer to Lisa because she is closer to the documentation than I am so will ask her to weigh in.

We should also consider giving Toby a heads up because I think MOF Legal's been more involved in the OPG side of things, I don't know where things stand on the other various moving parts that are not directly within the mandate of the OFA. I will give him a quick call.

Sarah

From: Sarah Neville
Sent: Tuesday, September 26, 2017 10:05 AM
To: Lisa Stein (Lisa.Stein@ofina.on.ca) <Lisa.Stein@ofina.on.ca>
Cc: John Kim <John.Kim@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Anna Strathy

<Anna.Strathy@ofina.on.ca>
Subject: FW: IESO credit facility

Hi Lisa – could you let us know if you see any concerns with this request?

Sarah

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Tuesday, September 26, 2017 10:04 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Victor Buza <Victor.Buza@ieso.ca>; Sarah Neville <Sarah.Neville@ofina.on.ca>
Subject: RE: IESO credit facility

John,

Thanks for this.
We have reviewed and before we comment back, we would like your ok to discuss/share this doc with OPG and their lawyers.

Regards.

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: September 21, 2017 4:07 PM
To: Anthony Martinello
Cc: Sarah Harris; Victor Buza; Sarah Neville
Subject: RE: IESO credit facility

Hi Anthony,

Pls. see attached draft letter agreement for IESO's consideration. We have shared with Energy Legal the draft as well to get their input/comments.

Thanks,

John

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Wednesday, September 20, 2017 9:58 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Victor Buza <Victor.Buza@ieso.ca>
Subject: RE: IESO credit facility

Sure, before 11am today is preferred. Can you send call-in details. Regards.

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: September 20, 2017 9:44 AM
To: Anthony Martinello
Cc: Sarah Harris
Subject: RE: IESO credit facility

Hi Anthony,

Do you have time for a quick call this morning?

Thanks,

John

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Wednesday, August 23, 2017 8:42 AM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: IESO credit facility

Moody's (Gavin MacFarlane) has verbally raised their concern to me that the new $2B facility should be in place this month – main concern is that the IESO may/is rapidly burning through the $975M capacity at about $200M-$250M/month. Also, the first sale to Financing Entity is not expected until October(ish).
I am currently at about $405M utilized.
Also, both the IESO Board of Directors and Moody's were expecting these new facilities to be in place this month – and so, any delay would need to be explained.
Appreciate your efforts to co-ordinate a timely approval.
Call me to discuss if needed.

Regards.

Anthony Martinello Director, Treasury & Pension Operations
Independent Electricity System Operator (IESO) | T: 905-403-6944
Station A, Box 4474, Toronto, ON, M5W 4E5
www.ieso.ca[ieso.ca][na01.safelinks.protection.outlook.com]

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: August 22, 2017 5:22 PM
To: Anthony Martinello
Subject: IESO credit facility

Hi Anthony,

I am currently working on your request for the two facilities with the OFA.

I understand your main concern is your interactions with the ratings agencies, Moody's specifically. Is there a particular timeline that you have to meet? My estimation is that the required approvals can be obtained in the early part of next week or the week after. I know the week after is spilling into

September.

I am happy to keep pushing for early next week but let me know if the first week of September works. I am confirming as some extraordinary steps are involved.

Thanks,

John

Y. John Kim
Director, Electricity Finance Branch
Ontario Financing Authority
e-mail: john.kim@ofina.on.ca
Ph: 416-212-6996

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

From:	Sarah Harris
To:	Mike Manning; Opal Kandelas
Cc:	Jean-Francois Beaupre; William Tan
Subject:	FW: IESO credit facility
Date:	Friday, October 20, 2017 2:00:32 PM

FYI…Further IESO update.

From: John Kim
Sent: Friday, October 20, 2017 1:56 PM
To: Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; Sarah Neville <Sarah.Neville@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>; Francisco Chinchon <Francisco.Chinchon@ofina.on.ca>
Subject: RE: IESO credit facility

Thanks everyone for joining the chat on short notice and also to Francisco for helping out. And sorry, didn't mean to leave out Sarah H. in my email this morning.

One of the takeaways from the meeting for me was that we need to let IESO know within reasonable timeframe that amending the existing facilities at any point would require appropriate approvals, likely involving a Directive and that we cannot actively or passively acquiesce [not sure if this is the appropriate word] by not responding. That it would require appropriate approvals when IESO has reasonably concluded its discussion on the matter. I just sent that in an email response following a phone call and also wanted to flag that IESO is expecting the next draft on Wednesday so I think we are looking at that as when we will have a sense of where the two entities stand.

All said, we are working on the Directive option in parallel.

John

From: Whitfield, Tobias P. (MOF) [mailto:Tobias.Whitfield@ontario.ca]
Sent: Friday, October 20, 2017 10:15 AM
To: Sarah Neville <Sarah.Neville@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: RE: IESO credit facility

I agree that Sarah's question is an important one. What is the purpose of the security interest? I didn't know that the Trust was going to be a creditor of IESO?

Is there some background on that issue?

Toby

Tobias Whitfield
Counsel, Legal Services Branch
Ministry of Finance
tobias.whitfield@ontario.ca
Phone: 416-325-1456

From: Sarah Neville [mailto:Sarah.Neville@ofina.on.ca]
Sent: October 20, 2017 10:13 AM
To: Stein, Lisa (OFA); Kim, John (OFA); Tan, William (OFA)
Cc: Strathy, Anna (OFA); Whitfield, Tobias P. (MOF)
Subject: RE: IESO credit facility

I agree with Lisa re intercept.

As a sidebar, not an OFA issue and way beyond my expertise, but is there any concern/discussion that the Trust, if given a first priority over ALL the asset of the IESO could potentially enforce a security interest and liquidate a significant entity responsible for overseeing the supply of electricity into Ontario? Is anyone weighing in on this question -IESO/MOE?

Sarah

From: Lisa Stein
Sent: Friday, October 20, 2017 10:02 AM
To: John Kim <John.Kim@ofina.on.ca>; Sarah Neville <Sarah.Neville@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>; Sarah Neville <Sarah.Neville@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Subject: RE: IESO credit facility

If the IESO gives the Trust a 1st priority over all IESO assets, it follows that the intercept provisions as drafted in the proposed credit facility agreement will not work. This further strengthens the case for a directive.
I've copied Toby from MOF Legal as a heads up.

Lisa

From: John Kim
Sent: Friday, October 20, 2017 8:08 AM
To: Lisa Stein <Lisa.Stein@ofina.on.ca>; Sarah Neville <Sarah.Neville@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>; Sarah Neville <Sarah.Neville@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: FW: IESO credit facility

Hi,

Pls. take a look at this once again and let me know if you have any comments. Thus far, IESO has not provided any edits but seem to be indicating that they are getting close to being prepared to sign.

IESO has indicated the following and I will ask you to give it some thought:

"DRAFT - The Trust is looking for the IESO to give a 1st priority/security over all IESO assets including accounts receivables in favour of the Trust. This item is being discussed amongst all parties. If this proceeds, the IESO will have to amend/restructure its current credit facilities with TD Bank, OFA, and OEFC as all are unsecured pari-passu."

Thanks,

John

From: John Kim
Sent: Friday, October 06, 2017 10:16 AM
To: Lisa Stein <Lisa.Stein@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>; Sarah Neville <Sarah.Neville@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: FW: IESO credit facility

Partial good news on Energy's side.

I will reach out to Anthony again to nudge things along on IESO side.

John

From: McKinlay, Tom (MAG) [mailto:Tom.McKinlay@ontario.ca]
Sent: Friday, October 06, 2017 10:07 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Thouin, Alena (ENERGY) <Alena.Thouin@ontario.ca>
Subject: RE: IESO credit facility

John,

I can now confirm that we are comfortable with the wording of the IESO intercept letter agreement (subject to the very minor revisions illustrated in the attached draft).

I am still working to determine who will sign for Energy and I'll let you know shortly.

Tom.

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: September 27, 2017 11:50 AM

To: McKinlay, Tom (MAG)
Subject: RE: IESO credit facility

Hi Tom,

Just following up on this one. Let me know pls. if it would be timely for us to follow up with your client at Energy.

Thanks,

John

From: John Kim
Sent: Monday, September 25, 2017 2:03 PM
To: Tom McKinlay (MAG) <Tom.McKinlay@ontario.ca>
Subject: RE: IESO credit facility

My apologies….this email was sent to the wrong address.

From: John Kim
Sent: Thursday, September 21, 2017 11:42 AM
To: Tom McKinlay (MAG) <Tom.McKinlay@ontario.ca>
Cc: Sarah Neville <Sarah.Neville@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: IESO credit facility

Hi Tom,

Pls. see attached draft letter agreement to get the discussion going. I believe you saw the short briefing note Ron shared with Steen on Tuesday.

We are available for a chat today to address any questions or comments.

Thanks,

John

Y. John Kim
Director, Electricity Finance Branch
Ontario Financing Authority
e-mail: john.kim@ofina.on.ca
Ph: 416-212-6996

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain

information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From: John Kim
To: Opal Kandelas
Subject: FW: IESO
Date: Tuesday, November 21, 2017 11:08:03 AM

Fyi

From: John Kim
Sent: Tuesday, November 21, 2017 11:08 AM
To: 'Anthony Martinello' <Anthony.Martinello@ieso.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>; Gavin He <Gavin.He@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>
Subject: RE: IESO

Hi Anthony,

Sure, but keep in mind that the request could be denied. We will provide a formal response.

Thanks,

John

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Tuesday, November 21, 2017 10:47 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>; Gavin He <Gavin.He@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>
Subject: RE: IESO

Please move forward and seek the necessary approvals. TD wants to read the $2B agreement to ensure IESO has FH liquidity during the 4 years.

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: November 20, 2017 5:17 PM
To: Anthony Martinello
Cc: Victor Buza; Gavin He; William Tan
Subject: RE: IESO

Hi Anthony,

I think the steps we would take to allow it, if at all, could be quite onerous and time-consuming. Are there any specific concern they have that we should be able to address without actually letting them see the agreement?

John

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Monday, November 20, 2017 5:05 PM
To: John Kim <John.Kim@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: IESO

John, William,

TD Bank has asked to review the $2B Fair Hydro credit facility executed between IESO and OFA.

TD wants to gain comfort (themselves) that the credit facility is going to support the IESO's fair hydro transactions during the next 4 years.

I have verbally assured them of the above, but they wish to review themselves.

Let me know if I may share and TD will treat the document as confidential.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From:	Sarah Harris
To:	Lisa Stein
Cc:	Opal Kandelas; William Tan
Subject:	FW: IESO
Date:	Tuesday, November 21, 2017 9:09:22 AM

Hi Lisa…Keeping you in the loop.

Sarah

From: William Tan
Sent: Tuesday, November 21, 2017 8:13 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: FW: IESO

fyi

From: John Kim
Sent: Monday, November 20, 2017 5:17 PM
To: 'Anthony Martinello' <Anthony.Martinello@ieso.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>; Gavin He <Gavin.He@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>
Subject: RE: IESO

Hi Anthony,

I think the steps we would take to allow it, if at all, could be quite onerous and time-consuming. Are there any specific concern they have that we should be able to address without actually letting them see the agreement?

John

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Monday, November 20, 2017 5:05 PM
To: John Kim <John.Kim@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: IESO

John, William,

TD Bank has asked to review the $2B Fair Hydro credit facility executed between IESO and OFA.

TD wants to gain comfort (themselves) that the credit facility is going to support the IESO's fair hydro transactions during the next 4 years.

I have verbally assured them of the above, but they wish to review themselves.

Let me know if I may share and TD will treat the document as confidential.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

From: John Kim
To: Opal Kandelas
Subject: FW: IESO
Date: Monday, November 20, 2017 5:17:46 PM

Fyi, not sure if you have any concern.

From: John Kim
Sent: Monday, November 20, 2017 5:17 PM
To: 'Anthony Martinello' <Anthony.Martinello@ieso.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>; Gavin He <Gavin.He@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>
Subject: RE: IESO

Hi Anthony,

I think the steps we would take to allow it, if at all, could be quite onerous and time-consuming. Are there any specific concern they have that we should be able to address without actually letting them see the agreement?

John

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Monday, November 20, 2017 5:05 PM
To: John Kim <John.Kim@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: IESO

John, William,

TD Bank has asked to review the $2B Fair Hydro credit facility executed between IESO and OFA.

TD wants to gain comfort (themselves) that the credit facility is going to support the IESO's fair hydro transactions during the next 4 years.

I have verbally assured them of the above, but they wish to review themselves.

Let me know if I may share and TD will treat the document as confidential.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

From: Opal Kandelas
To: Sarah Harris
Subject: FW: IESO
Date: Wednesday, November 29, 2017 4:29:00 PM

FYI.

From: John Kim
Sent: Wednesday, November 29, 2017 4:23 PM
To: 'Anthony Martinello' <Anthony.Martinello@ieso.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>; Gavin He <Gavin.He@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: IESO

HI Anthony,

We are OK to have you share the $2bn FHP facility agreement with TD, on the basis as you indicated that they will treat it strictly confidential.

Thanks,

John

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Tuesday, November 21, 2017 10:47 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>; Gavin He <Gavin.He@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>
Subject: RE: IESO

Please move forward and seek the necessary approvals. TD wants to read the $2B agreement to ensure IESO has FH liquidity during the 4 years.

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: November 20, 2017 5:17 PM
To: Anthony Martinello
Cc: Victor Buza; Gavin He; William Tan
Subject: RE: IESO

Hi Anthony,

I think the steps we would take to allow it, if at all, could be quite onerous and time-consuming. Are there any specific concern they have that we should be able to address without actually letting them see the agreement?

John

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Monday, November 20, 2017 5:05 PM
To: John Kim <John.Kim@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: IESO

John, William,

TD Bank has asked to review the $2B Fair Hydro credit facility executed between IESO and OFA.

TD wants to gain comfort (themselves) that the credit facility is going to support the IESO's fair hydro transactions during the next 4 years.

I have verbally assured them of the above, but they wish to review themselves.

Let me know if I may share and TD will treat the document as confidential.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From:	Sarah Harris
To:	John Kim
Cc:	Ken Kandeepan; Mike Manning; Opal Kandelas; William Tan
Subject:	FW: IESO/OFA - FH line
Date:	Wednesday, September 19, 2018 1:51:37 PM
Attachments:	FH rollover notice with advance.pdf

Hi John,

Anthony at IESO has approached us to begin discussions on an increase to the $2B cap to the FHP. Is this a discussion that you would initially be having with IESO?

Thanks,
Sarah

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Wednesday, September 19, 2018 12:56 PM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: William Tan <William.Tan@ofina.on.ca>; Victor Buza <Victor.Buza@ieso.ca>
Subject: RE: IESO/OFA - FH line

We need to begin discussions in Oct 2018 on making an amendment to increase the $2B cap.

The FH Trust did not purchase this month's variance and I have no further info on if or when a purchase will occur.

IESO will be at $1.175B drawn this month.

Should I set up time to talk?

From: Sarah Harris [mailto:Sarah.Harris@ofina.on.ca]
Sent: August 29, 2018 10:59 AM
To: Anthony Martinello
Cc: William Tan
Subject: RE: IESO/OFA - FH line

CAUTION: This email originated from outside of the organization. Exercise caution when clicking on links or opening attachments even if you recognize the sender.

Thank you, Anthony, for the head's up. I will communicate your message internally.

Thanks,
Sarah

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]

Sent: Wednesday, August 29, 2018 8:49 AM
To: William Tan <William.Tan@ofina.on.ca>
Cc: Olga Whiteley <Olga.Whiteley@ieso.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>; Victor Buza <Victor.Buza@ieso.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: IESO/OFA - FH line

Will

Just a courtesy email …nothing to do yet.

The IESO:OFA Fair Hydro line of credit is at about $1 billion drawn out of the $2 billion max capacity. We are drawing on avg about $200-300million/month.

The Fair Hydro Trust has not purchased the IESO's reg asset for a few months….if this continues I will be coming back to OFA to seek to increase the line of credit.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

ieso
Connecting Today.
Powering Tomorrow.

Independent Electricity System Operator
Station A, Box 4474
Toronto, ON M5W 4E5
t 905.403.6900
www.ieso.ca

SCHEDULE 2
ELECTION NOTICE

September 19, 2018

Ontario Financing Authority ("OFA")
1 Dundas Street West, Suite 1400
Toronto, Ontario
M7A 1Y7
Delivered Via Email: CASHP@ofina.on.ca

Attention: Cash Management

Dear Sirs:

I. ELECTION NOTICE

The undersigned, the Independent Electricity System Operator ("IESO"), refers to the Revolving Credit Facility Agreement between the IESO and the OFA dated November 21, 2017 (as amended, supplemented or restated from time to time, the "Agreement", the terms defined therein being used herein as therein defined), and gives you notice pursuant to Section 3.3 of the Agreement that the IESO elects to continue for an additional term all or a portion of an Advance or a Continued Advance, as the case may be, and in connection with such election sets forth below the information relating to such election as required by Section 3.3(2) of the Agreement:

(a) The date of the proposed election, being a Business Day (being the Current Repayment Date) is **September 21, 2018.**
(b) The aggregate amount of the proposed Continued Advance is **$999,892,928.53**, which is comprised of:
i. principal amount of Advance which is to be continued **$999,892,928.53**; and
ii. accrued interest on Advance which will not be paid on or before the Current Repayment Date **$0.00**;
(c) The IESO will pay on the Current Repayment Date the following amount with respect to the Advance (if any): **$0.00**;
(d) The New Repayment Date, being a Business Day, applicable to such proposed Continued Advance is **October 19, 2018**. [Insert date not earlier than 5 days and not later than 95 days after the current Repayment Date for the Advance.]

IESO confirms it will also be paying interest in the amount of **$1,528,603.44**.

Such election shall be confirmed by IESO by a telephone call to OFA Cash Management at 416-325-8108.

II. BORROWING NOTICE [to be included if applicable]

The IESO gives you notice pursuant to Section 3.3(3) of the Agreement that the IESO requests a further Advance under the Agreement on the Current Repayment Date, with a Repayment Date of the New Repayment Date as specified above, and in connection with such request, sets forth below the information relating to such Advance (the "Proposed Advance"):

Amount of the Proposed Advance: **$175,073,329.63**

The total aggregate amount of the proposed Continued Advance and Proposed Advance pursuant to this Notice is: **$1,174,966,258.16**

Such request of the Proposed Advance shall be confirmed by the IESO by a telephone call to OFA Cash Management at 416-325-8108.

Use of Funds

The IESO hereby certifies that the funds comprising the Proposed Advance requested pursuant to this Notice, if any, will be used for the following purpose(s): **This transaction relates to the Fair Hydro Program**.

The IESO hereby certifies that:

The representations and warranties of the IESO contained in the Agreement are true and correct as at the date hereof.

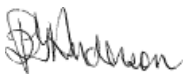
No Event of Default has occurred or is continuing and no event or condition has occurred, which, with the lapse of time or the giving of notice or both would constitute an Event of Default.

The IESO has complied or is complying with all terms, covenants and conditions contained in the Agreement.

Any and all funds received under the Agreement are being used solely as authorized under the Agreement and are not being used for any other purpose.

Yours truly,

INDEPENDENT ELECTRICITY SYSTEM OPERATOR



Per: _____

Barb Anderson
VP, Corporate Services & CFO

From: William Tan
To: Opal Kandelas; Mike Manning; John Kim
Cc: Ken Kandeepan; Lisa Stein; Carlos Yep; James Devine; Sarah Harris
Subject: FW: IESO/OFA - FH line
Date: Thursday, August 30, 2018 9:31:55 AM

Good morning,

Please see message below regarding additional information on the potential $2billion credit facility increase.

Thanks,

Will

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Thursday, August 30, 2018 9:10 AM
To: William Tan <William.Tan@ofina.on.ca>
Subject: Re: IESO/OFA - FH line

If no FH purchase is made during Sept....then we should talk in early Oct to begin the agreement amendment process.....assuming this will take 4-6 weeks.
Regards
Sent from my iPhone

On Aug 30, 2018, at 9:03 AM, William Tan <William.Tan@ofina.on.ca> wrote:

> **CAUTION:** This email originated from outside of the organization. Exercise caution when clicking on links or opening attachments even if you recognize the sender.
>
> Good morning Anthony,
>
> At what level would the line of credit have to reach before you begin the process of increasing the line of credit?
> Thanks for the notification.
>
> Will
>
> ---
>
> **From:** Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
> **Sent:** Wednesday, August 29, 2018 8:49 AM
> **To:** William Tan <William.Tan@ofina.on.ca>
> **Cc:** Olga Whiteley <Olga.Whiteley@ieso.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>; Victor Buza <Victor.Buza@ieso.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
> **Subject:** IESO/OFA - FH line
>
> Will

Just a courtesy email …nothing to do yet.

The IESO:OFA Fair Hydro line of credit is at about $1 billion drawn out of the $2 billion max capacity. We are drawing on avg about $200-300million/month.

The Fair Hydro Trust has not purchased the IESO's reg asset for a few months….if this continues I will be coming back to OFA to seek to increase the line of credit.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From:	Sarah Harris
To:	Opal Kandelas; Mike Manning; John Kim
Cc:	Ken Kandeepan; Lisa Stein; Carlos Yep; James Devine; William Tan
Subject:	FW: IESO/OFA - FH line
Date:	Wednesday, August 29, 2018 11:06:13 AM

Hello,

Please see message below from IESO. They may approach us looking to increase the $2 billion credit facility.

Thanks,
Sarah

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Wednesday, August 29, 2018 8:49 AM
To: William Tan <William.Tan@ofina.on.ca>
Cc: Olga Whiteley <Olga.Whiteley@ieso.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>; Victor Buza <Victor.Buza@ieso.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: IESO/OFA - FH line

Will

Just a courtesy email …nothing to do yet.

The IESO:OFA Fair Hydro line of credit is at about $1 billion drawn out of the $2 billion max capacity. We are drawing on avg about $200-300million/month.

The Fair Hydro Trust has not purchased the IESO's reg asset for a few months….if this continues I will be coming back to OFA to seek to increase the line of credit.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

From:	Sarah Harris
To:	Opal Kandelas
Subject:	FW: IESO/OFA - FH line
Date:	Wednesday, September 19, 2018 2:04:55 PM

FYI

From: Sarah Harris
Sent: Wednesday, September 19, 2018 2:04 PM
To: 'Anthony Martinello' <Anthony.Martinello@ieso.ca>
Cc: William Tan <William.Tan@ofina.on.ca>; Victor Buza <Victor.Buza@ieso.ca>; John Kim <John.Kim@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: RE: IESO/OFA - FH line

Hello Anthony,

Thanks for reaching out. In order to initially discuss the details of increasing the $2B, I am going to connect you with John Kim in Corporate &Electricity Finance at the OFA. John has been copied in this e-mail and can be reached at (416) 212-6996.

Additionally, Gavin He and Shajee Kathirgamanathan (both copied) from the same area may also be connecting with you.

Thanks,
Sarah

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Wednesday, September 19, 2018 12:56 PM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: William Tan <William.Tan@ofina.on.ca>; Victor Buza <Victor.Buza@ieso.ca>
Subject: RE: IESO/OFA - FH line

We need to begin discussions in Oct 2018 on making an amendment to increase the $2B cap.

The FH Trust did not purchase this month's variance and I have no further info on if or when a purchase will occur.

IESO will be at $1.175B drawn this month.

Should I set up time to talk?

From: Sarah Harris [mailto:Sarah.Harris@ofina.on.ca]
Sent: August 29, 2018 10:59 AM

To: Anthony Martinello
Cc: William Tan
Subject: RE: IESO/OFA - FH line

CAUTION: This email originated from outside of the organization. Exercise caution when clicking on links or opening attachments even if you recognize the sender.

Thank you, Anthony, for the head's up. I will communicate your message internally.

Thanks,
Sarah

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Wednesday, August 29, 2018 8:49 AM
To: William Tan <William.Tan@ofina.on.ca>
Cc: Olga Whiteley <Olga.Whiteley@ieso.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>; Victor Buza <Victor.Buza@ieso.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: IESO/OFA - FH line

Will

Just a courtesy email …nothing to do yet.

The IESO:OFA Fair Hydro line of credit is at about $1 billion drawn out of the $2 billion max capacity. We are drawing on avg about $200-300million/month.

The Fair Hydro Trust has not purchased the IESO's reg asset for a few months….if this continues I will be coming back to OFA to seek to increase the line of credit.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From:	Mike Manning
To:	Opal Kandelas
Subject:	FW: IESO_OFA FEP 2017 Credit Letter
Date:	Tuesday, May 16, 2017 2:48:27 PM
Attachments:	IESO_OFA FHP 2017 Credit Letter.docx ATT00001.htm
Importance:	High

As discussed.

Mike

From: Gadi Mayman
Sent: Friday, May 12, 2017 11:07 PM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Mike Manning <Mike.Manning@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: Fwd: IESO_OFA FEP 2017 Credit Letter

Begin forwarded message:

> **From:** Georgia Ritchie-Wust <georgia.ritchie-wust@ieso.ca>
> **Date:** May 12, 2017 at 2:07:32 PM EDT
> **To:** "gadi.mayman@ofina.on.ca" <gadi.mayman@ofina.on.ca>, "mike.manning@ofina.on.ca" <mike.manning@ofina.on.ca>, "Salman.Qadir@ofina.on.ca" <Salman.Qadir@ofina.on.ca>
> **Cc:** Anthony Martinello <Anthony.Martinello@ieso.ca>, Kim Marshall <Kim.Marshall@ieso.ca>
> **Subject: IESO_OFA FEP 2017 Credit Letter**
>
> Hi,
> At the request of Anthony Martinello, I'm forwarding a copy of the signed letter from Kim Marshall re the above-mentioned subject matter.
> If you have any questions please feel free to contact Anthony Martinello directly at anthony.martinello@ieso.ca
> Thanks,
> **Georgia Ritchie-Wust** | Executive Assistant to Kim Marshall, VP, Corporate Services & CFO
> Independent Electricity System Operator (IESO) | T: (905) 855-6379 | T: (416) 969-6012 | F: (905) 855-6459
> Postal Station A, Box 4474, Toronto, ON M5W 4E5
> Web: www.ieso.ca[ieso.ca] | Twitter: IESO_Tweets[twitter.com] | LinkedIn: IESO[linkedin.com]
>
> ***Corporate Services collaborates with you to deliver solutions and expertise that***

enable the IESO to achieve its goals.

Conservation: www.saveONenergy.ca[saveonenergy.ca] | Twitter: saveONenergyOnt[twitter.com] | LinkedIn: saveONenergy[linkedin.com]

Please consider our environmental responsibility before printing this email.

*"We are what we repeatedly do. **Excellence**, therefore, is not an act but a **habit**".*
…..(Aristotle)

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

Connecting Today.
Powering Tomorrow.

Independent Electricity System Operator
Station A, Box 4474
Toronto, ON M5W 4E5
t 905.403.6900
www.ieso.ca

May 12, 2017.

Mr. Gadi Mayman
Chief Executive Officer
Ontario Financing Authority
1 Dundas Street West, Suite 1400
Toronto, Ontario, M7A 1Y7

Re: **IESO Credit Requirements for the 2017 Fair Hydro Plan**

Dear Mr. Mayman,

As you are aware the Ontario government has announced its intension to implement the proposed Fair Hydro Plan (FHP) to reduce electricity prices for eligible consumers in the province. Proposed legislation was introduced this month for the FHP. The Independent Electricity System Operator (IESO) is preparing to implement the FHP and has determined that in order to support the IESO's role in FHP implementation it will need greater credit liquidity than currently exists.

An existing credit facility between the IESO and the Ontario Financing Authority (OFA) is currently available for $975 million which includes support for the current Regulated Price Plan (RPP) program. The IESO proposes that a separate and additional credit facility be provided by either the OFA or Ontario Electricity Financial Corporation (OEFC) to support only the FHP credit needs. A separate facility for the FHP is preferable to ensure operational efficiency and interest tracking.

IESO's FHP Credit Requirements and Rationale

Below we have outlined the IESO's expected credit needs including the current OFA facility as follows:

	OFA:IESO Facility	New FHP facility
Current credit facilities	$975 million	$ -
Reduction due to FHP	($500 million)	$ -
Increase due to FHP	$ -	$2,000 million
Totals Credit Facilities	$475 million	$2,000 million

The above $500 million reduction in the current OFA facility is to eliminate duplicate credit needs and reflect the replacement of the current RPP by the new FHP. In addition, the IESO has had recent discussions with OFA staff to explain the rationale to support the overall $2,000 million FHP commitment.

We suggest the new FHP credit facility consider the following key provisions:

- 5 year term - to align with the FHP's initial period of deferral of electricity prices plus a contingency period (i.e. to September 30, 2022);
- interest charge - to be Province's cost of funds for borrowing with a similar term as determined by OFA / OEFC plus 0.25 percent per annum;
- Draws - to be based on minimum of 7 days to a maximum of 95 days, to minimize interest costs and permit efficient FHP asset transfers; and
- Existing $975 million OFA facility : draws to permit for FHP purposes until a new separate credit agreement for FHP purposes has been made available;

Upon your reply to this letter, the IESO will seek any necessary IESO Board of Directors' approval for the above credit facilities and we will provide such evidence for your records.

We appreciate your continued support and look forward to working with you. Please contact me should you need anything further.

Sincerely,

Kimberly Marshall
Vice President Corporate Services, Chief Financial Officer and Treasurer
416-969-6232

From: Sarah Harris
To: Opal Kandelas; William Tan
Subject: FW: Intercept letter agreement IESO MOE OFA Sept 2017-rev_Markup3.docx
Date: Tuesday, September 26, 2017 9:55:49 AM

FYI – intercept letter still in the works with counsel for Energy and IESO…

From: John Kim
Sent: Monday, September 25, 2017 4:37 PM
To: Anna Strathy <Anna.Strathy@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>
Cc: Sarah Neville <Sarah.Neville@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: RE: Intercept letter agreement IESO MOE OFA Sept 2017-rev_Markup3.docx

Hi Anna,

Heard back from Tom McKinlay at Energy Legal. It was an email issue as he is now back at MAG but still working on FHP for Energy. I touched base with him on the phone and he will circle back with his clients, as well as IESO counterparts.

Sounded like he sees it as the cleanest path forward. So fingers crossed.

Thanks,

John

From: Anna Strathy
Sent: Monday, September 25, 2017 11:50 AM
To: John Kim <John.Kim@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>
Cc: Sarah Neville <Sarah.Neville@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: RE: Intercept letter agreement IESO MOE OFA Sept 2017-rev_Markup3.docx

Thanks John. Gadi is in NYC until Wednesday. Happy for Ron to escalate this to get the ball rolling. If you could let me know where things stand at the end of today, I'll include an update in my end of day email to Gadi.

Thanks, Anna

From: John Kim
Sent: Monday, September 25, 2017 11:43 AM
To: Anna Strathy <Anna.Strathy@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>
Cc: Sarah Neville <Sarah.Neville@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: RE: Intercept letter agreement IESO MOE OFA Sept 2017-rev_Markup3.docx

Hi Anna,

No update so far which isn't surprising. I think a bit of escalating might be helpful so I will chat with Ron today. You may want to give Gadi an update as well.

At least on the phone, IESO staff were receptive.

John

From: Anna Strathy
Sent: Monday, September 25, 2017 11:38 AM
To: John Kim <John.Kim@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>
Cc: Sarah Neville <Sarah.Neville@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: RE: Intercept letter agreement IESO MOE OFA Sept 2017-rev_Markup3.docx

Hi John, Lisa,

Any update on this letter? Has IESO reviewed?

Thanks, Anna

From: Sarah Neville
Sent: Friday, September 22, 2017 5:00 PM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: Intercept letter agreement IESO MOE OFA Sept 2017-rev_Markup3.docx

Hi All – As far as I am aware there were no developments on this today. I will be out of the office on Monday (back Tuesday), but Lisa will be back on Monday to handle this for Legal (although working from home so please reach her through email or messenger).

Have a good weekend everyone.

Sarah

From: Sarah Harris
Sent: Thursday, September 21, 2017 4:02 PM
To: Sarah Neville <Sarah.Neville@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: Intercept letter agreement IESO MOE OFA Sept 2017-rev_Markup3.docx

I'm fine with it too. I will also be working from home tomorrow. It must that kind of Friday.

John – would you kindly send draft directly to Anthony (and Victor?) for their consideration?

Sarah

From: Sarah Neville
Sent: Thursday, September 21, 2017 3:51 PM
To: John Kim <John.Kim@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: Intercept letter agreement IESO MOE OFA Sept 2017-rev_Markup3.docx

Sounds good to me. I will be online all day but working from home. Hope all is well with your family.

Sarah

From: John Kim
Sent: Thursday, September 21, 2017 3:48 PM
To: Sarah Neville <Sarah.Neville@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: Intercept letter agreement IESO MOE OFA Sept 2017-rev_Markup3.docx

Hi Sarah and Sarah,

Unfortunately, we haven't heard back from Energy Legal thus far. My suggestion, if OK with you, is that we share the draft with IESO staff as well.

I have some family obligations that came up for tomorrow so won't be in the office but will check my emails for this item.

Thanks,

John

From: Sarah Neville
Sent: Thursday, September 21, 2017 11:38 AM
To: John Kim <John.Kim@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: Anna Strathy <Anna.Strathy@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: Intercept letter agreement IESO MOE OFA Sept 2017-rev_Markup3.docx

Hi John – tweaked the acknowledgement to make it mutual as between all and to narrow the reference to appropriations so that it is clear it is not any MOE appropriation but only that destined for the IESO.

Sarah

From:	Kelly Listoe
To:	Malle Hanslep (MOF)
Cc:	Tobias P. Whitfield (MOF); Opal Kandelas; Sarah Harris
Subject:	FW: Message from "14-PRT06"
Date:	Thursday, March 30, 2017 2:29:14 PM

Hi Malle

Please see Carlos' responses below.

Regards,

Kelly Listoe
Documentation & Compliance Coordinator
Capital Markets
Ontario Financing Authority
1 Dundas Street West, Ste. 1400
Toronto, ON. M7A 1Y7
(416) 325 - 8090

-----Original Message-----
From: Carlos Yep
Sent: Thursday, March 30, 2017 2:28 PM
To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Subject: RE: Message from "14-PRT06"

Is the information being given to all 3 potential advisors or just the one that will be hired?
>only to one

What type of information is being given? Need a description.
>financial information associated with a special purpose vehicle being
>created and accompanying legislature being drafted

For what purpose is the advisor being given this information? What use will the advisor make of the information?
>to provide advice on the structure of financing alternatives for the
>special purpose vehicle

What is the advisor being hired to do? Pricing/financing issues about what? Need a description of the project or services Can the advisor talk to anyone about the information or the project? i.e. other ministry staff, ministry of energy, OFA, OEFC?
>to provide advice on the structure of financing alternatives for the
>special purpose vehicle primary contacts will be the OFA and Energy as
>well as others within Ontario govt External contacts will be lawyers
>hired by Energy to help draft legislation Ontario government
>agencies/related parties and regulators: OPG, IESO, etc

What about internal disclosure within the advisor's company?
>advisor will have own rules regarding sharing of confidential
>information within their own company

Is there a procurement process of any type to hire the advisor?
>there is no procurement

How much and how will the advisor be paid?
>there is no fee paid

Who are the parties to the agreement? Is it the Province that is hiring the advisor and giving them the information?
>province (OFA + Energy) and advisor

What is the consideration for the advisor's agreement for keeping it confidential? i.e. the advisor is being paid to give advice.
>advisor services are provided as part of domestic syndicate agreement

-----Original Message-----
From: Kelly Listoe
Sent: Thursday, March 30, 2017 1:50 PM
To: Carlos Yep <Carlos.Yep@ofina.on.ca>
Subject: FW: Message from "14-PRT06"

Thanks, Carlos. Below are Malle's questions about the non disclosure agreement prototype.

Kelly Listoe
Documentation & Compliance Coordinator
Capital Markets
Ontario Financing Authority
1 Dundas Street West, Ste. 1400
Toronto, ON. M7A 1Y7
(416) 325 - 8090

-----Original Message-----
From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Thursday, March 30, 2017 1:32 PM
To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Subject: RE: Message from "14-PRT06"

Hi Kelly,

I have some precedent non-disclosure agreements that I have drafted in the past, but we need some more information.

Here are some questions that will assist:

Is the information being given to all 3 potential advisors or just the one that will be hired?
What type of information is being given? Need a description.
For what purpose is the advisor being given this information? What use will the advisor make of the information?
What is the advisor being hired to do? Pricing/financing issues about what? Need a description of the project or services Can the advisor talk to anyone about the information or the project? i.e. other ministry staff, ministry of energy, OFA, OEFC?
What about internal disclosure within the advisor's company?
Is there a procurement process of any type to hire the advisor?
How much and how will the advisor be paid?
Who are the parties to the agreement? Is it the Province that is hiring the advisor and giving them the information?
What is the consideration for the advisor's agreement for keeping it confidential? i.e. the advisor is being paid to give advice.

I think if we can get some more information along these lines it would be helpful. Also, if the contracting party is the OFA or OEFC then I will need to speak to Sarah Neville.

Thanks.

Malle
-----Original Message-----
From: Kelly Listoe [mailto:Kelly.Listoe@ofina.on.ca]
Sent: March 30, 2017 12:56 PM
To: Hanslep, Malle (MOF)
Cc: Harris, Sarah (OFA); Kandelas, Opal (OFA); Whitfield, Tobias P. (MOF)
Subject: RE: Message from "14-PRT06"

Hi

Mike is just asking for an agreement for the dealer he hires to advise on pricing/ financing issues. I believe they are talking to RBC, TD and BMO. This request is confined to that. He wants it done by Monday I've been told.

Kelly

Kelly Listoe
Documentation & Compliance Coordinator
Capital Markets
Ontario Financing Authority
1 Dundas Street West, Ste. 1400
Toronto, ON. M7A 1Y7
(416) 325 - 8090

-----Original Message-----
From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Thursday, March 30, 2017 12:43 PM
To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Subject: RE: Message from "14-PRT06"

Hi Kelly,

I have read it over now. Should we have a short call about this. This is a significant project and does the Province/OFA/OEFC plan to hire a financial advisor to advise on aspects of it. Quite possibly there will be more than one advisory contract here as there seem to be capital markets, accounting, etc. issues involved here. Also, looking at the background information, I don't' know that it is necessarily clear who is going to the borrowing whether it's the Province or OEFC and which entity will provide the equity injection (Minister of Energy holds the shares in OPG). So we can't do a non-disclosure agreement in isolation. What information are we giving to the financial advisor and what are we asking them to do?

I think we need more context here and also if it is OEFC hiring the financial advisor, we should be speaking to Sarah Neville too. This is a project that Ronald Kwan's group is involved in.

Malle

-----Original Message-----
From: Hanslep, Malle (MOF)
Sent: March 30, 2017 12:18 PM

To: Listoe, Kelly (OFA)
Cc: Harris, Sarah (OFA); Kandelas, Opal (OFA); Whitfield, Tobias P. (MOF)
Subject: RE: Message from "14-PRT06"

In addition to the "non-disclosure" aspect, will there be a contract for OEFC to hire the advisor, ie. What the advisor will do, payment, etc. Sorry haven't read it yet.

-----Original Message-----
From: Kelly Listoe [mailto:Kelly.Listoe@ofina.on.ca]
Sent: March 30, 2017 12:14 PM
To: Hanslep, Malle (MOF)
Cc: Harris, Sarah (OFA); Kandelas, Opal (OFA)
Subject: RE: Message from "14-PRT06"

Ok - looking at the info on page 2 - looks like the OEFC will be looking to "hire" the advisor regarding pricing/ financing the amounts shown in the paper. This advisor will be a member of the current bond syndicate. Mike wants a non - disclosure for this advisor. Given the structure and all the items mentioned in the paper, I would say it should be pretty broad.

Regards,

Kelly Listoe
Documentation & Compliance Coordinator
Capital Markets
Ontario Financing Authority
1 Dundas Street West, Ste. 1400
Toronto, ON. M7A 1Y7
(416) 325 - 8090

-----Original Message-----
From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Thursday, March 30, 2017 11:59 AM
To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: Message from "14-PRT06"

Thanks. I have also passed it on to Toby to review because he may be involved in this project from another aspect.

-----Original Message-----
From: Kelly Listoe [mailto:Kelly.Listoe@ofina.on.ca]
Sent: March 30, 2017 10:57 AM
To: Hanslep, Malle (MOF)
Cc: Harris, Sarah (OFA); Kandelas, Opal (OFA)
Subject: FW: Message from "14-PRT06"

Hi Malle

I just met with Opal and Sarah. Attached is an overview of what is happening. I have not yet read it. Please have a read of it and see if there is an agreement template or something that would work for non - disclosure purposes.

Regards,

Kelly Listoe
Documentation & Compliance Coordinator

Capital Markets
Ontario Financing Authority
1 Dundas Street West, Ste. 1400
Toronto, ON. M7A 1Y7
(416) 325 - 8090

-----Original Message-----
From: Opal Kandelas
Sent: Thursday, March 30, 2017 10:51 AM
To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Subject: FW: Message from "14-PRT06"

Here you go....

-----Original Message-----
From: 14-PRT06@ofina.on.ca [mailto:14-PRT06@ofina.on.ca]
Sent: Thursday, March 30, 2017 10:32 AM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: Message from "14-PRT06"

This E-mail was sent from "14-PRT06" (MP C4503).

Scan Date: 03.30.2017 10:31:55 (-0400)
Queries to: 14-PRT06@ofina.on.ca

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From: Kelly Listoe
To: Opal Kandelas
Subject: FW: Message from "14-PRT06"
Date: Thursday, March 30, 2017 12:48:11 PM

Hi Opal

I think only Mike can give the kind of response Malle is asking for? What to tell her?

Kelly Listoe
Documentation & Compliance Coordinator
Capital Markets
Ontario Financing Authority
1 Dundas Street West, Ste. 1400
Toronto, ON. M7A 1Y7
(416) 325 - 8090

-----Original Message-----
From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Thursday, March 30, 2017 12:43 PM
To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Subject: RE: Message from "14-PRT06"

Hi Kelly,

I have read it over now. Should we have a short call about this. This is a significant project and does the Province/OFA/OEFC plan to hire a financial advisor to advise on aspects of it. Quite possibly there will be more than one advisory contract here as there seem to be capital markets, accounting, etc. issues involved here. Also, looking at the background information, I don't' know that it is necessarily clear who is going to the borrowing whether it's the Province or OEFC and which entity will provide the equity injection (Minister of Energy holds the shares in OPG). So we can't do a non-disclosure agreement in isolation. What information are we giving to the financial advisor and what are we asking them to do?

I think we need more context here and also if it is OEFC hiring the financial advisor, we should be speaking to Sarah Neville too. This is a project that Ronald Kwan's group is involved in.

Malle

-----Original Message-----
From: Hanslep, Malle (MOF)
Sent: March 30, 2017 12:18 PM
To: Listoe, Kelly (OFA)
Cc: Harris, Sarah (OFA); Kandelas, Opal (OFA); Whitfield, Tobias P. (MOF)
Subject: RE: Message from "14-PRT06"

In addition to the "non-disclosure" aspect, will there be a contract for OEFC to hire the advisor, ie. What the advisor will do, payment, etc. Sorry haven't read it yet.

-----Original Message-----
From: Kelly Listoe [mailto:Kelly.Listoe@ofina.on.ca]

Sent: March 30, 2017 12:14 PM
To: Hanslep, Malle (MOF)
Cc: Harris, Sarah (OFA); Kandelas, Opal (OFA)
Subject: RE: Message from "14-PRT06"

Ok - looking at the info on page 2 - looks like the OEFC will be looking to "hire" the advisor regarding pricing/ financing the amounts shown in the paper. This advisor will be a member of the current bond syndicate. Mike wants a non - disclosure for this advisor. Given the structure and all the items mentioned in the paper, I would say it should be pretty broad.

Regards,

Kelly Listoe
Documentation & Compliance Coordinator
Capital Markets
Ontario Financing Authority
1 Dundas Street West, Ste. 1400
Toronto, ON. M7A 1Y7
(416) 325 - 8090

-----Original Message-----
From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Thursday, March 30, 2017 11:59 AM
To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: Message from "14-PRT06"

Thanks. I have also passed it on to Toby to review because he may be involved in this project from another aspect.

-----Original Message-----
From: Kelly Listoe [mailto:Kelly.Listoe@ofina.on.ca]
Sent: March 30, 2017 10:57 AM
To: Hanslep, Malle (MOF)
Cc: Harris, Sarah (OFA); Kandelas, Opal (OFA)
Subject: FW: Message from "14-PRT06"

Hi Malle

I just met with Opal and Sarah. Attached is an overview of what is happening. I have not yet read it. Please have a read of it and see if there is an agreement template or something that would work for non - disclosure purposes.

Regards,

Kelly Listoe
Documentation & Compliance Coordinator
Capital Markets
Ontario Financing Authority
1 Dundas Street West, Ste. 1400
Toronto, ON. M7A 1Y7
(416) 325 - 8090

-----Original Message-----
From: Opal Kandelas
Sent: Thursday, March 30, 2017 10:51 AM

To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Subject: FW: Message from "14-PRT06"

Here you go....

-----Original Message-----
From: 14-PRT06@ofina.on.ca [mailto:14-PRT06@ofina.on.ca]
Sent: Thursday, March 30, 2017 10:32 AM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: Message from "14-PRT06"

This E-mail was sent from "14-PRT06" (MP C4503).

Scan Date: 03.30.2017 10:31:55 (-0400)
Queries to: 14-PRT06@ofina.on.ca

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From: Sarah Harris
To: Opal Kandelas
Subject: FW: Message from "14-PRT06"
Date: Thursday, March 30, 2017 4:26:50 PM

Hi Opal,

I have to run. Could you please possibly touch base with Malle and Toby.

Malle is away tomorrow most of the day.

Thanks,
Sarah
-----Original Message-----
From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Thursday, March 30, 2017 4:23 PM
To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Subject: RE: Message from "14-PRT06"

Hi - We just left a message for Sarah as we would like to discuss possible procurement and conflicts issues. I think that we will still need more information about the broader context here in order to advise on this.

-----Original Message-----
From: Kelly Listoe [mailto:Kelly.Listoe@ofina.on.ca]
Sent: March 30, 2017 3:55 PM
To: Hanslep, Malle (MOF)
Cc: Harris, Sarah (OFA)
Subject: RE: Message from "14-PRT06"

Hi Malle

Carlos is saying that there will be no financial compensation for the advisor. The benefit to it, is that it will gain insight into how the new structure works and experience with the spv which may be beneficial in obtaining work from the spv in the future. They won't provide for any compensation in the NDA itself.

Regards,

Kelly Listoe
Documentation & Compliance Coordinator
Capital Markets
Ontario Financing Authority
1 Dundas Street West, Ste. 1400
Toronto, ON. M7A 1Y7
(416) 325 - 8090

-----Original Message-----
From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Thursday, March 30, 2017 3:13 PM
To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Cc: Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: RE: Message from "14-PRT06"

Thanks. Is there a domestic syndicate agreement?

-----Original Message-----
From: Kelly Listoe [mailto:Kelly.Listoe@ofina.on.ca]
Sent: March 30, 2017 2:29 PM
To: Hanslep, Malle (MOF)
Cc: Whitfield, Tobias P. (MOF); Kandelas, Opal (OFA); Harris, Sarah (OFA)
Subject: FW: Message from "14-PRT06"

Hi Malle

Please see Carlos' responses below.

Regards,

Kelly Listoe
Documentation & Compliance Coordinator
Capital Markets
Ontario Financing Authority
1 Dundas Street West, Ste. 1400
Toronto, ON. M7A 1Y7
(416) 325 - 8090

-----Original Message-----
From: Carlos Yep
Sent: Thursday, March 30, 2017 2:28 PM
To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Subject: RE: Message from "14-PRT06"

Is the information being given to all 3 potential advisors or just the one that will be hired?
>only to one

What type of information is being given? Need a description.
>financial information associated with a special purpose vehicle being
>created and accompanying legislature being drafted

For what purpose is the advisor being given this information? What use will the advisor make of the information?
>to provide advice on the structure of financing alternatives for the
>special purpose vehicle

What is the advisor being hired to do? Pricing/financing issues about what? Need a description of the project or services Can the advisor talk to anyone about the information or the project? i.e. other ministry staff, ministry of energy, OFA, OEFC?
>to provide advice on the structure of financing alternatives for the
>special purpose vehicle primary contacts will be the OFA and Energy as
>well as others within Ontario govt External contacts will be lawyers
>hired by Energy to help draft legislation Ontario government
>agencies/related parties and regulators: OPG, IESO, etc

What about internal disclosure within the advisor's company?
>advisor will have own rules regarding sharing of confidential
>information within their own company

Is there a procurement process of any type to hire the advisor?
>there is no procurement

How much and how will the advisor be paid?
>there is no fee paid

Who are the parties to the agreement? Is it the Province that is hiring the advisor and giving them the information?
>province (OFA + Energy) and advisor

What is the consideration for the advisor's agreement for keeping it confidential? i.e. the advisor is being paid to give advice.
>advisor services are provided as part of domestic syndicate agreement

-----Original Message-----
From: Kelly Listoe
Sent: Thursday, March 30, 2017 1:50 PM
To: Carlos Yep <Carlos.Yep@ofina.on.ca>
Subject: FW: Message from "14-PRT06"

Thanks, Carlos. Below are Malle's questions about the non disclosure agreement prototype.

Kelly Listoe
Documentation & Compliance Coordinator
Capital Markets
Ontario Financing Authority
1 Dundas Street West, Ste. 1400
Toronto, ON. M7A 1Y7
(416) 325 - 8090

-----Original Message-----
From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Thursday, March 30, 2017 1:32 PM
To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Subject: RE: Message from "14-PRT06"

Hi Kelly,

I have some precedent non-disclosure agreements that I have drafted in the past, but we need some more information.

Here are some questions that will assist:

Is the information being given to all 3 potential advisors or just the one that will be hired?
What type of information is being given? Need a description.
For what purpose is the advisor being given this information? What use will the advisor make of the information?
What is the advisor being hired to do? Pricing/financing issues about what? Need a description of the project or services Can the advisor talk to anyone about the information or the project? i.e. other ministry staff, ministry of energy, OFA, OEFC?
What about internal disclosure within the advisor's company?
Is there a procurement process of any type to hire the advisor?
How much and how will the advisor be paid?
Who are the parties to the agreement? Is it the Province that is hiring the advisor and giving them the information?

What is the consideration for the advisor's agreement for keeping it confidential? i.e. the advisor is being paid to give advice.

I think if we can get some more information along these lines it would be helpful. Also, if the contracting party is the OFA or OEFC then I will need to speak to Sarah Neville.

Thanks.

Malle
-----Original Message-----
From: Kelly Listoe [mailto:Kelly.Listoe@ofina.on.ca]
Sent: March 30, 2017 12:56 PM
To: Hanslep, Malle (MOF)
Cc: Harris, Sarah (OFA); Kandelas, Opal (OFA); Whitfield, Tobias P. (MOF)
Subject: RE: Message from "14-PRT06"

Hi

Mike is just asking for an agreement for the dealer he hires to advise on pricing/ financing issues. I believe they are talking to RBC, TD and BMO. This request is confined to that. He wants it done by Monday I've been told.

Kelly

Kelly Listoe
Documentation & Compliance Coordinator
Capital Markets
Ontario Financing Authority
1 Dundas Street West, Ste. 1400
Toronto, ON. M7A 1Y7
(416) 325 - 8090

-----Original Message-----
From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Thursday, March 30, 2017 12:43 PM
To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Subject: RE: Message from "14-PRT06"

Hi Kelly,

I have read it over now. Should we have a short call about this. This is a significant project and does the Province/OFA/OEFC plan to hire a financial advisor to advise on aspects of it. Quite possibly there will be more than one advisory contract here as there seem to be capital markets, accounting, etc. issues involved here. Also, looking at the background information, I don't' know that it is necessarily clear who is going to the borrowing whether it's the Province or OEFC and which entity will provide the equity injection (Minister of Energy holds the shares in OPG). So we can't do a non-disclosure agreement in isolation. What information are we giving to the financial advisor and what are we asking them to do?

I think we need more context here and also if it is OEFC hiring the financial advisor, we should be speaking to Sarah Neville too. This is a project that Ronald Kwan's group is involved in.

Malle

-----Original Message-----

From: Hanslep, Malle (MOF)
Sent: March 30, 2017 12:18 PM
To: Listoe, Kelly (OFA)
Cc: Harris, Sarah (OFA); Kandelas, Opal (OFA); Whitfield, Tobias P. (MOF)
Subject: RE: Message from "14-PRT06"

In addition to the "non-disclosure" aspect, will there be a contract for OEFC to hire the advisor, ie. What the advisor will do, payment, etc. Sorry haven't read it yet.

-----Original Message-----
From: Kelly Listoe [mailto:Kelly.Listoe@ofina.on.ca]
Sent: March 30, 2017 12:14 PM
To: Hanslep, Malle (MOF)
Cc: Harris, Sarah (OFA); Kandelas, Opal (OFA)
Subject: RE: Message from "14-PRT06"

Ok - looking at the info on page 2 - looks like the OEFC will be looking to "hire" the advisor regarding pricing/ financing the amounts shown in the paper. This advisor will be a member of the current bond syndicate. Mike wants a non - disclosure for this advisor. Given the structure and all the items mentioned in the paper, I would say it should be pretty broad.

Regards,

Kelly Listoe
Documentation & Compliance Coordinator
Capital Markets
Ontario Financing Authority
1 Dundas Street West, Ste. 1400
Toronto, ON. M7A 1Y7
(416) 325 - 8090

-----Original Message-----
From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Thursday, March 30, 2017 11:59 AM
To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: Message from "14-PRT06"

Thanks. I have also passed it on to Toby to review because he may be involved in this project from another aspect.

-----Original Message-----
From: Kelly Listoe [mailto:Kelly.Listoe@ofina.on.ca]
Sent: March 30, 2017 10:57 AM
To: Hanslep, Malle (MOF)
Cc: Harris, Sarah (OFA); Kandelas, Opal (OFA)
Subject: FW: Message from "14-PRT06"

Hi Malle

I just met with Opal and Sarah. Attached is an overview of what is happening. I have not yet read it. Please have a read of it and see if there is an agreement template or something that would work for non - disclosure purposes.

Regards,

Kelly Listoe
Documentation & Compliance Coordinator
Capital Markets
Ontario Financing Authority
1 Dundas Street West, Ste. 1400
Toronto, ON. M7A 1Y7
(416) 325 - 8090

-----Original Message-----
From: Opal Kandelas
Sent: Thursday, March 30, 2017 10:51 AM
To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Subject: FW: Message from "14-PRT06"

Here you go....

-----Original Message-----
From: 14-PRT06@ofina.on.ca [mailto:14-PRT06@ofina.on.ca]
Sent: Thursday, March 30, 2017 10:32 AM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: Message from "14-PRT06"

This E-mail was sent from "14-PRT06" (MP C4503).

Scan Date: 03.30.2017 10:31:55 (-0400)
Queries to: 14-PRT06@ofina.on.ca

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From:	Kelly Listoe
To:	Opal Kandelas; Sarah Harris
Subject:	FW: NDA Agreement
Date:	Monday, April 03, 2017 3:06:56 PM
Attachments:	GA NDA April 3(1).doc

Sorry – there was a small change to the doc that doesn't look like it was saved into the one I just sent. This draft has it, so you can delete the last one!

Kelly

From: Kelly Listoe
Sent: Monday, April 03, 2017 3:03 PM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: NDA Agreement

Hi Opal and Sarah

Attached is a draft of the NDA. I discussed the 3 bullet points with Carlos and found the following:

- The advice is regarding the financing structure and alternatives for the spv given the legislation that eventually is drafted. On page 2 of the OPG White Paper, it indicates that all of the percentages shown are "indicative and will be highly dependent on the legislation"… this gives rise to the need for an advisor once the legislation is known.
- Carlos says the OFA will sign the NDA. Sarah - Do you want to send it to the appropriate lawyer in OFA legal?
- The banks/ dealers have the appropriate Chinese Walls in place to deal with conflicts of interest.

I agree with Sarah that the NDA itself should suffice in this instance.

Regards,

Kelly

From: Sarah Harris
Sent: Monday, April 03, 2017 2:49 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Cc: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Subject: FW: NDA Agreement

Hi Opal,

Kelly is looking into the first 3 bullet points as the relate to the NDA.

The attached advisory agreement seems to be overkill for the what I understand to be a very narrow scope of advice being given. It seems to me that as long as we state the type of advice being provided in the NDA, with *possibly* a conflict of interest rep in the NDA, I think that would cover what is needed.

Sarah

From: Whitfield, Tobias P. (MOF) [mailto:Tobias.Whitfield@ontario.ca]
Sent: Monday, April 03, 2017 11:58 AM
To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>
Subject: NDA Agreement

Please find attached a draft of a Non-Disclosure Agreement respecting obtaining advice from a financial adviser with respect to the Ontario Fair Hydro Plan.

Please note that this draft is preliminary, and we have a number of questions and concerns that are set out in the draft. We would like to point out that there is no agreement setting out the scope or nature of the services and the basis on which those services would be provided including the standard that is required from the adviser as well as conflict of interest requirements and other issues, and that the NDA does not replace such an agreement.

We have also attached a scan of an agreement that the OFA negotiated in 2004 to hire an adviser for a project relating to electricity finance as an example of such an agreement and the types of provisions that could be considered for inclusion in such an agreement.

Best
Toby

Tobias Whitfield
Counsel, Legal Services Branch
Ministry of Finance
777 Bay Street, 11th Floor
Toronto, ON, M5G 2C8
tobias.whitfield@ontario.ca
Phone: 416-325-1456

Confidential and Privileged Legal Advice – April 1, 2017 – MOF LSB
Note regarding this NDA and the retention of an adviser:

We have a number of questions relating to this NDA, and issues that should be considered in retaining an adviser:

- We have not been able to confirm what the scope of the advice being sought is. If the advice is restricted to advising on market timing and potential demand for certain securities, this is more limited than broader advice relating to structuring the transaction;
- We think it should be clear who the adviser is working for, and how the advice will be presented to the Province. If the advice is going to be to the Ministry of Energy or the Minister of Finance, will be given through the OFA?;
- Are there potential conflicts of interest between the adviser's role as an adviser and as a potential underwriter or other business of the adviser?

In addition, it should be considered whether it is appropriate to have an adviser without an agreement for the services that the adviser would be providing. The NDA protects the Province with respect to the disclosure of the information to third parties, but it does not set out the role, responsibilities or other matters relating to conflicts or other duties of the adviser. Terms of such an agreement that may be considered in such a context include:

- Scope of engagement;
- Performance Warranty – setting out the standard to which the adviser is to carry out the work and provide advice;
- Copyright and IP provisions;
- Conflict of interest provisions – setting out the primary duties of the adviser and how they must conduct themselves with respect to any potential conflicts;
- Indemnities – setting out the adviser's indemnities to the OFA for certain risks.

Non-Disclosure Agreement

This Agreement is made effective this day of

BETWEEN:

~~[~~ONTARIO FINANCING AUTHORITY~~]~~ ~~**[NTD: WHO WILL BE THE CONTRACTING PARTY?]**~~
(hereinafter called "OFA")

- and -

[ADVISER/DEALER]
(hereinafter called "**[Adviser/Dealer]**")

WHEREAS OFA intends to provide to **[Adviser/Dealer]**, on a confidential basis, certain information, materials and documentation (the "Project Information") concerning or relevant to a proposed initiative relating to a electricity prices in the Province of Ontario and measures to mitigate such prices, (the "Project") for the limited purposes of conducting discussions with **[Adviser/Dealer]** and receiving ~~an **[informal]**[NTD: Need to consider scope of retainer]~~ ~~assessment/~~advice from **[Adviser/Dealer]** in relation thereto;

NOW THEREFORE, in consideration of the payment of $2.00 ~~Canadian~~ and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by **[Adviser/Dealer]**, the parties agree as follows:

1. **Project Information**
   The term "Project Information" shall include the data, information, specifications, plans, criteria, strategies, materials, notes, analyses, studies, interpretations and other documents regarding the Project which is provided to **[Adviser/Dealer]** by or on behalf of ~~[~~**OFA**~~]~~ ~~[or Her Majesty in right of Ontario (the "Province")]~~ for the purposes of this Agreement, verbally or in any medium whatsoever, as the case may be, and includes any copies, summaries, restatements or extracts thereof.

2. **Non-Disclosure of the Project Information**
   Without the prior written consent of ~~[~~**OFA**~~]~~, which consent may be withheld in ~~[~~**OFA**~~]~~**'s** unfettered discretion, **[Adviser/Dealer]** will not disclose to any person or entity:

(a) the Project Information, or any portion thereof, provided to it under this Agreement;

(b) the fact that the Province and the ~~[~~**OFA**~~]~~ are considering the Project identified in the Project Information; or

(c) the fact that the Project lnformation has been made available by ~~[~~**OFA**~~]~~ to **[Adviser/Dealer]** or others.

3. **Use of the Project Information**
[Adviser/Dealer] acknowledges that the Project Information to be provided to it under this Agreement is confidential and proprietary information of ~~[~~**OFA**~~]~~ and/or the Province ~~[NTD: Could it also be information of OPG?]~~ and may be privileged. **[Adviser/Dealer]** agrees that the Project Information will be used by **[Adviser/Dealer]** only to facilitate discussions between **[Adviser/Dealer]** and ~~[~~**OFA**~~]~~ regarding the Project identified therein, and to provide advice and/or further information to ~~[~~**OFA**~~]~~ in connection therewith and will not use the Project Information, directly or indirectly, for any other purpose.

4. **Recording and Copying**
[Adviser/Dealer] shall track and control all hard copies and electronic copies of the Project Information.

5. **Restriction on Disclosure**
[Adviser/Dealer] shall not disclose, transfer or provide access to any of the Project Information to any person or entity, other than to those employees, partners, ~~,~~ ~~,~~directors or officers of **[Adviser/Dealer]** who need to know the Project Information in furtherance of the purposes of this Agreement.

6. **Internal Personnel**
Prior to disclosing any of the Project Information to any of its employees, partners,~~,~~ directors or officers, **[Adviser/Dealer]** shall inform each such person of all of the obligations contained in this Agreement. Prior to commencing work, ~~T~~the Adviser/Dealer shall identify in writing to the OFA those individuals who will be primarily responsible for providing the advice/assessment to the OFA as set out in paragraph 3 and shall not replace or substitute those individuals without the prior written approval of OFA. The Adviser/Dealer shall keep a list of all such employees, partners, director or officers to whom the Project Information is disclosed and provide it to the OFA upon request. **[Adviser/Dealer]** agrees to enforce such obligations to the extent required to prevent the unauthorized disclosure or use of the Project Information or other contravention of this Agreement and agrees to be responsible for and to indemnity and save harmless the OFA and the Province from and against any loss, cost, damage, expense and liability suffered or incurred by the OFA and/or the Province arising out of any breach of confidentiality by its employees, partners,~~,~~ directors or officers. The Adviser/Dealer acknowledges that the OFA holds the benefit of this indemnity in

trust for itself and the Province and that the OFA can enforce such indemnity on behalf of the Province.

7. **Security**

[Adviser/Dealer] shall take reasonable steps to keep the Project Information secure. The Project Information shall be maintained, in the case of hard copies, in a locked cabinet when not in use, and in a secure location when in use, and maintained, in the case of electronic information, including back-up copies, in a database that is only accessible to employees, officers, partners or directors of Adviser/Dealer to whom the Information can be disclosed under this Agreement.

~~8. **Retention, Return or Destruction of Project Information**~~

~~[Suggest we do not include this unless requested to.]~~

~~**Adviser/Dealer]** shall return to **[OFA]** all of the Project Information in the custody or control of **[Adviser/Dealer]** or its employees, , partners, directors or officers, that was provided to **[Adviser/Dealer]** whether it is in hard copy form, on disk or contained in any other medium whatsoever, immediately upon **[OFA]**'s written request, and any copies or extracts of the Project Information in written form, in electronic form or in any medium whatsoever, shall be deleted permanently or destroyed in accordance with **[OFA]**'s instructions. If no request is made by **[OFA]** for the return or destruction of the Project Information, the Project Information shall be returned to **[OFA]** within [twenty (20) business days] [NTD: 20 days is probably too soon – possibly we can delete this sentence and just rely on OFA to tell Dealer when to destroy or return.] after the date of this Agreement and any copy or extract, will be deleted permanently or destroyed by **[Adviser/Dealer]** and **[Adviser/Dealer]** shall, if requested by **[OFA]**, provide a certificate certifying such deletion or destruction.~~

~~9~~8. **Breach**

[Adviser/Dealer] acknowledges that a breach of any provision of this Agreement will result in immediate and irreparable harm to the ~~[~~**OFA**~~]~~ **and the Province** and that monetary damages will not provide a sufficient remedy for any breach and agrees that in the event of such breach the ~~[~~**OFA**~~]~~ and the Province shall, in addition to any other relief, be entitled to seek equitable relief including without limitation relief by way of temporary or permanent injunction and to such other relief that any court of competent jurisdiction may deem just or appropriate. Any breach known to **[Adviser/Dealer]** of the obligation(s) in this Agreement, including any breach by an employee, partner, ~~,~~ director or officer, shall be reported to the ~~[~~**OFA**~~]~~ by **[Adviser/Dealer]**.

~~9~~10. **Applicable Laws**

The laws of the Province of Ontario and the applicable laws of Canada shall govern this Agreement, and **[Adviser/Dealer]** hereby attorns to the jurisdiction of the courts of the Province of Ontario in respect hereof.

10~~1~~. **FIPPA**

No information, records or documents containing personal information shall be provided to **[Adviser/Dealer]** pursuant to this Agreement. **[Adviser/Dealer]** acknowledges that ~~[~~**OFA**~~]~~ is bound by the Ontario *Freedom of Information and Protection of Privacy Act* ("FIPPA"). If a request is made under FIPPA for access to information or records provided by ~~[~~**OFA**~~]~~ under this Agreement, **[Adviser/Dealer]** will cooperate with ~~[~~**OFA**~~]~~ in identifying records responsive to the request and responding to it in a timely manner.

11~~2~~. **Survival**

The terms and obligations pertaining to confidentiality and limitations as to the use of the Project Information in this Agreement shall remain in full force and effect and shall survive the return to the OFA (or the destruction) of the Project Information provided or made available under this Agreement.

The obligations of **[Adviser/Dealer]** after the return to ~~[~~**OFA**~~]~~ of the Project Information shall not apply to any part of the Project Information which is, or becomes, generally available to the public other than as a result of: (i) a violation of this Agreement; or (ii) disclosure pursuant to any applicable law, rule or regulation, or by order of a court or governmental body or agency or authority of competent jurisdiction, provided that **[Adviser/Dealer]** shall notify ~~[~~**OFA**~~]~~ of such disclosure promptly and comply with paragraph (Compelled Disclosure) before making the disclosure.

Compelled Disclosure

If the Adviser/Dealer or any of its employees, officers, partners, or directors becomes legally compelled to disclose any of the Project Information, the Adviser/Dealer will provide the OFA with prompt written notice and particulars so that the OFA may, within the timeframe legally required, seek a protective order or other appropriate order or remedy to prevent or limit such disclosure. The Adviser/Dealer shall consent to and assist (and shall cause any of its employees, officers, partners and directors to consent and assist) the OFA and its legal counsel in obtaining any protective order or other appropriate remedy that the OFA may seek for the purpose of preventing disclosure of any of the Project Information. If such protective order or other remedy is not obtained, the Adviser/Dealer will disclose (and cause its employees, officers, partners and directors to disclose) only that portion of the Project Information which the Proponent is legally compelled to disclose as advised by written opinion of its legal counsel addressed to the OFA, the Adviser/Dealer or its employees, officer, partner or directors) is legally required to disclose and the Adviser/Dealer will exercise all reasonable efforts to obtain reliable assurances that confidential

treatment, to the extent available and practicable, will be accorded all disclosed Project Information.

Notice. Any notice or other communication to be given under this Agreement shall be addressed to:

(a) in the case of notice to the OFA:

~~[Insert contact details]~~Mr. Michael Manning
Executive Director
Ontario Financing Authority
One Dundas Street West, Suite 1400
Toronto, Ontario
M7A 1Y7
Canada

Formatted: Font: (Default) Times New Roman, Font color: Auto, English (United Kingdom)

(b) In the case of notice to the Adviser/Dealer:

[Insert contact details]

Any notice, demand or other communication required or permitted to be given or made under this Agreement shall be in writing and unless delivered personally to a responsible officer of the addressee, shall be sent by facsimile transmission or e-mail to the above addresses.

Each notice so given shall be deemed to have been received on the day of delivery, if so delivered or on the day of sending if sent by facsimile transmission or email or on the first business day thereafter if it was not sent on a business day during business hours of the recipient.

12~~3~~. **Enurement**

The provisions of this Agreement shall enure to the benefit of, and be binding upon, the parties and their successors and permitted assigns.

This Agreement may only be amended, modified or supplemented by a written agreement signed by both of the parties hereto.

No waiver of or consent to depart from the requirements of any provision of this Agreement shall be binding against either party hereto unless it is in writing and is signed by the party giving it. No failure on the part of either party hereto exercise, and to delay in exercising, any right under this Agreement shall operate as a waiver of such right.

13~~4~~. **Counterparts**
This Agreement may be executed in counterparts.

In witness whereof the parties have executed this Agreement as of the date first written above.

~~[~~**ONTARIO FINANCING AUTHORITY**~~]~~
by:

_____
Name: Michael Manning
Title: Executive Director

[ADVISER/DEALER]
by:

_____
Name:
Title:
I have the authority to bind the company.

Formatted: Font: Not Bold

From:	Sarah Harris
To:	Opal Kandelas
Cc:	Kelly Listoe
Subject:	FW: NDA Agreement
Date:	Monday, April 03, 2017 2:49:14 PM
Attachments:	GA NDA April 3.doc Sample Advisory Agreement.PDF

Hi Opal,

Kelly is looking into the first 3 bullet points as the relate to the NDA.

The attached advisory agreement seems to be overkill for the what I understand to be a very narrow scope of advice being given. It seems to me that as long as we state the type of advice being provided in the NDA, with *possibly* a conflict of interest rep in the NDA, I think that would cover what is needed.

Sarah

From: Whitfield, Tobias P. (MOF) [mailto:Tobias.Whitfield@ontario.ca]
Sent: Monday, April 03, 2017 11:58 AM
To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>
Subject: NDA Agreement

Please find attached a draft of a Non-Disclosure Agreement respecting obtaining advice from a financial adviser with respect to the Ontario Fair Hydro Plan.

Please note that this draft is preliminary, and we have a number of questions and concerns that are set out in the draft. We would like to point out that there is no agreement setting out the scope or nature of the services and the basis on which those services would be provided including the standard that is required from the adviser as well as conflict of interest requirements and other issues, and that the NDA does not replace such an agreement.

We have also attached a scan of an agreement that the OFA negotiated in 2004 to hire an adviser for a project relating to electricity finance as an example of such an agreement and the types of provisions that could be considered for inclusion in such an agreement.

Best
Toby

Tobias Whitfield
Counsel, Legal Services Branch
Ministry of Finance
777 Bay Street, 11th Floor
Toronto, ON, M5G 2C8
tobias.whitfield@ontario.ca

Phone: 416-325-1456

Confidential and Privileged Legal Advice – April 1, 2017 – MOF LSB
Note regarding this NDA and the retention of an adviser:

We have a number of questions relating to this NDA, and issues that should be considered in retaining an adviser:

- We have not been able to confirm what the scope of the advice being sought is. If the advice is restricted to advising on market timing and potential demand for certain securities, this is more limited than broader advice relating to structuring the transaction;
- We think it should be clear who the adviser is working for, and how the advice will be presented to the Province. If the advice is going to be to the Ministry of Energy or the Minister of Finance, will be given through the OFA?;
- Are there potential conflicts of interest between the adviser's role as an adviser and as a potential underwriter or other business of the adviser?

In addition, it should be considered whether it is appropriate to have an adviser without an agreement for the services that the adviser would be providing. The NDA protects the Province with respect to the disclosure of the information to third parties, but it does not set out the role, responsibilities or other matters relating to conflicts or other duties of the adviser. Terms of such an agreement that may be considered in such a context include:

- Scope of engagement;
- Performance Warranty – setting out the standard to which the adviser is to carry out the work and provide advice;
- Copyright and IP provisions;
- Conflict of interest provisions – setting out the primary duties of the adviser and how they must conduct themselves with respect to any potential conflicts;
- Indemnities – setting out the adviser's indemnities to the OFA for certain risks.

Non-Disclosure Agreement

This Agreement is made effective this day of

BETWEEN:

[ONTARIO FINANCING AUTHORITY][NTD: WHO WILL BE THE CONTRACTING PARTY?]
(hereinafter called "OFA")

- and -

[ADVISER/DEALER]
(hereinafter called "**[Adviser/Dealer]**")

WHEREAS OFA intends to provide to **[Adviser/Dealer]**, on a confidential basis, certain information, materials and documentation (the "Project Information") concerning or relevant to a proposed initiative relating to a electricity prices in the Province and measures to mitigate such prices, (the "Project") for the limited purposes of conducting discussions with **[Adviser/Dealer]** and receiving an [**informal][NTD: Need to consider scope of retainer]** assessment/advice from **[Adviser/Dealer]** in relation thereto;

NOW THEREFORE, in consideration of the payment of $2.00 Canadian and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by **[Adviser/Dealer]**, the parties agree as follows:

1. **Project Information**
The term "Project Information" shall include the data, information, specifications, plans, criteria, strategies, materials, notes, analyses, studies, interpretations and other documents regarding the Project which is provided to **[Adviser/Dealer]**by or on behalf of [**OFA]** [or Her Majesty in right of Ontario (the "Province")] for the purposes of this Agreement, verbally or in any medium whatsoever, as the case may be, and includes any copies, summaries, restatements or extracts thereof.

2. **Non-Disclosure of the Project Information**
Without the prior written consent of **[OFA]**, which consent may be withheld in [**OFA]'s** unfettered discretion, **[Adviser/Dealer]** will not disclose to any person or entity:

(a) the Project Information, or any portion thereof, provided to it under this Agreement;

(b) the fact that the Province and the **[OFA]** are considering the Project identified in the Project Information; or

(c) the fact that the Project lnformation has been made available by **[OFA]** to **[Adviser/Dealer]** or others.

3. **Use of the Project Information**

[Adviser/Dealer] acknowledges that the Project Information to be provided to it under this Agreement is confidential and proprietary information of **[OFA]** and/or the Province [NTD: Could it also be information of OPG?] and may be privileged. **[Adviser/Dealer]** agrees that the Project Information will be used by **[Adviser/Dealer]** only to facilitate discussions between **[Adviser/Dealer]** and **[OFA]** regarding the Project identified therein, and to provide advice and/or further information to **[OFA]** in connection therewith and will not use the Project Information, directly or indirectly, for any other purpose.

4. **Recording and Copying**

[Adviser/Dealer] shall track and control all hard copies and electronic copies of the Project Information.

5. **Restriction on Disclosure**

[Adviser/Dealer] shall not disclose, transfer or provide access to any of the Project Information to any person or entity, other than to those employees, partners, , directors or officers of **[Adviser/Dealer]** who need to know the Project Information in furtherance of the purposes of this Agreement.

6. **Internal Personnel**

Prior to disclosing any of the Project Information to any of its employees, partners,, directors or officers, **[Adviser/Dealer]** shall inform each such person of all of the obligations contained in this Agreement. The Adviser/Dealer shall identify in writing to the OFA those individuals who will be primarily responsible for providing the advice/assessment to the OFA as set out in paragraph 3 and shall not replace or substitute those individuals without the prior written approval of OFA. The Adviser/Dealer shall keep a list of all such employees, partners, director or officers to whom the Project Information is disclosed and provide it to the OFA upon request. **[Adviser/Dealer]** agrees to enforce such obligations to the extent required to prevent the unauthorized disclosure or use of the Project Information or other contravention of this Agreement and agrees to be responsible for and to indemnity and save harmless the OFA and the Province from and against any loss, cost, damage, expense and liability suffered or incurred by the OFA and/or the Province arising out of any breach of confidentiality by its employees, partners, , directors or officers. The Adviser/Dealer acknowledges that the OFA holds the benefit of this indemnity in trust for itself and the Province and that the OFA can enforce such indemnity on behalf of the Province.

7. **Security**

[Adviser/Dealer] shall take reasonable steps to keep the Project Information secure. The Project Information shall be maintained, in the case of hard copies, in a locked cabinet when not in use, and in a secure location when in use, and maintained, in the case of electronic information, including back-up copies, in a database that is only accessible to employees, officers, partners or directors of Adviser/Dealer to whom the Information can be disclosed under this Agreement.

8. **Retention, Return or Destruction of Project Information**

[Suggest we do not include this unless requested to.]

Adviser/Dealer] shall return to **[OFA]** all of the Project Information in the custody or control of **[Adviser/Dealer]** or its employees, , partners, directors or officers, that was provided to **[Adviser/Dealer]** whether it is in hard copy form, on disk or contained in any other medium whatsoever, immediately upon **[OFA]**'s written request, and any copies or extracts of the Project Information in written form, in electronic form or in any medium whatsoever, shall be deleted permanently or destroyed in accordance with **[OFA]**'s instructions. If no request is made by **[OFA]** for the return or destruction of the Project Information, the Project Information shall be returned to **[OFA]** within [twenty (20) business days] [NTD: 20 days is probably too soon – possibly we can delete this sentence and just rely on OFA to tell Dealer when to destroy or return.] after the date of this Agreement and any copy or extract, will be deleted permanently or destroyed by **[Adviser/Dealer]** and **[Adviser/Dealer]** shall, if requested by **[OFA]**, provide a certificate certifying such deletion or destruction.

9. **Breach**

[Adviser/Dealer] acknowledges that breach of any provision of this Agreement will result in immediate and irreparable harm to **[OFA] and the Province** and that monetary damages will not provide a sufficient remedy for any breach and agrees that in the event of such breach **[OFA]** and the Province shall, in addition to any other relief, be entitled to seek equitable relief including without limitation relief by way of temporary or permanent injunction and to such other relief that any court of competent jurisdiction may deem just or appropriate. Any breach known to **[Adviser/Dealer]** of the obligation(s) in this Agreement, including any breach by an employee, partner, , director or officer, shall be reported to **[OFA]** by **[Adviser/Dealer]**.

10. **Applicable Laws**

The laws of the Province of Ontario and the applicable laws of Canada shall govern this Agreement, and **[Adviser/Dealer]** hereby attorns to the jurisdiction of the courts of the Province of Ontario in respect hereof.

11. **FIPPA**

No information, records or documents containing personal information shall be provided to **[Adviser/Dealer]** pursuant to this Agreement. **[Adviser/Dealer]** acknowledges that **[OFA]** is bound by the Ontario *Freedom of Information and Protection of Privacy Act* ("FIPPA"). If a request is made under FIPPA for access to information or records provided by **[OFA]** under this Agreement, **[Adviser/Dealer]** will cooperate with **[OFA]** in identifying records responsive to the request and responding to it in a timely manner.

12. **Survival**

The terms and obligations pertaining to confidentiality and limitations as to the use of the Project Information in this Agreement shall remain in full force and effect and shall survive the return to the OFA (or the destruction) of the Project Information provided or made available under this Agreement.
The obligations of **[Adviser/Dealer]** after the return to **[OFA]** of the Project Information shall not apply to any part of the Project Information which is, or becomes, generally available to the public other than as a result of: (i) a violation of this Agreement; or (ii) disclosure pursuant to any applicable law, rule or regulation, or by order of a court or governmental body or agency or authority of competent jurisdiction, provided that **[Adviser/Dealer]** shall notify **[OFA]** of such disclosure promptly and comply with paragraph (Compelled Disclosure) before making the disclosure.

Compelled Disclosure

If the Adviser/Dealer or any of its employees, officers, partners, or directors becomes legally compelled to disclose any of the Project Information, the Adviser/Dealer will the OFA with prompt written notice and particulars so that the OFA may, within the timeframe legally required, seek a protective order or other appropriate order or remedy to prevent or limit such disclosure. The Adviser/Dealer shall consent to and assist (and shall cause any of its employees, officers, partners and directors to consent and assist) the OFA and its legal counsel in obtaining any protective order or other appropriate remedy that the OFA may seek for the purpose of preventing disclosure of any of the Project Information. If such protective order or other remedy is not obtained, the Adviser/Dealer will disclose (and cause its employees, officers, partners and directors to disclose) only that portion of the Project Information which the Proponent is legally compelled to disclose as advised by written opinion of its legal counsel addressed to the OFA, the Adviser/Dealer or its employees, officer, partner or directors) is legally required to disclose and the Adviser/Dealer will exercise all reasonable efforts to obtain reliable assurances that confidential treatment, to the extent available and practicable, will be accorded all disclosed Project Information.

Notice. Any notice or other communication to be given under this Agreement shall be addressed to:

(a) in the case of notice to the OFA:

[Insert contact details]

(b) In the case of notice to the Adviser/Dealer:

[Insert contact details]

Any notice, demand or other communication required or permitted to be given or made under this Agreement shall be in writing and unless delivered personally to a responsible officer of the addressee, shall be sent by facsimile transmission or e-mail to the above addresses.

Each notice so given shall be deemed to have been received on the day of delivery, if so delivered or on the day of sending if sent by facsimile transmission or email or on the first business day thereafter if it was not sent on a business day during business hours of the recipient.

13. **Enurement**

The provisions of this Agreement shall enure to the benefit of, and be binding upon, the parties and their successors and permitted assigns.

This Agreement may only be amended, modified or supplemented by a written agreement signed by both of the parties hereto.

No waiver of or consent to depart from the requirements of any provision of this Agreement shall be binding against either party hereto unless it is in writing and is signed by the party giving it. No failure on the part of either party hereto exercise, and to delay in exercising, any right under this Agreement shall operate as a waiver of such right.

14. **Counterparts**

This Agreement may be executed in counterparts.

In witness whereof the parties have executed this Agreement as of the date first written above.

[ONTARIO FINANCING AUTHORITY]
by:

_____

Name: ●
Title: ●

[ADVISER/DEALER]
by:

_____

Name:
Title:
I have the authority to bind the company.

FINANCIAL ADVISORY SERVICES

AGREEMENT

THIS AGREEMENT ("the Agreement"), made in duplicate, for Financial Advisory Services is effective as of the **16th of August, 2004.**

BETWEEN:

Ontario Financing Authority

(referred to as "OFA")

AND:

CIBC World Markets Inc.

(referred to as the "Supplier")

In consideration of their respective agreements set out below, the parties covenant and agree as follows:

ARTICLE 1 – INTERPRETATION AND GENERAL PROVISIONS

1.01 **Defined Terms**

When used in the Agreement, the following words or expressions have the following meanings:

"Authority" means any government authority, agency, body or department, whether federal, provincial or municipal, having or claiming jurisdiction over the Agreement; and **"Authorities"** means all such authorities, agencies, bodies and departments;

"**Business Day**" means 8:00 a.m. to 5:00 p.m. any working day, Monday to Friday inclusive, excluding statutory and other holidays, namely: New Year's Day; Good Friday; Easter Monday; Victoria Day; Canada Day; Civic Holiday; Labour Day; Thanksgiving Day; Remembrance Day; Christmas Day; Boxing Day and any other day which the OFA has elected to be closed for business;

"Confidential Information" means all information of the Province (including the OFA and OEFC) and OPG that is of a confidential nature, including all confidential information in the custody or control of OFA, the Province and OPG, regardless of whether it is identified as confidential or not, and whether recorded or not, and however fixed, stored, expressed or embodied, which comes into the knowledge, possession or control of the Supplier in connection with the Agreement. For the purposes or greater certainty, Confidential Information shall:

(a) include: (i) all new information derived at any time from any such information whether created by OFA, the Province or OPG, the Supplier or any third-party; (ii) all information (including Personal Information) that OFA, the Province and OPG is obliged, or has the discretion, not to disclose under provincial or federal legislation; (iii) the fact that Confidential Information has been made available to the Supplier; (iv) the Deliverables;

(b) not include information that: (i) is or becomes generally available to the public without fault or breach on the part of the Supplier of any duty of confidentiality owed by the Supplier to OFA, the Province or OPG or to any third-party; (ii) the Supplier can demonstrate to have been rightfully obtained by the Supplier, without any obligation of confidence, from a third-party who had the right to transfer or disclose it to the Supplier free of any obligation of confidence; (iii) the Supplier can demonstrate to have been rightfully known to or in the possession of the Supplier at the time of disclosure, free of any obligation of confidence when disclosed; or (iv) is independently developed by the Supplier; but the exclusions in this subparagraph shall in no way limit the meaning of Personal Information or the obligations attaching thereto under the Agreement or at law;

"**Conflict of Interest**" includes, but is not limited to, any situation or circumstance where:

(a) in relation to the RFP process, the proponent has an unfair advantage or engages in conduct, directly or indirectly, that may give it an unfair advantage, including but not limited to (i) having or having access to information in the preparation of its Proposal that is confidential to the OFA and not available to other proponents; (ii) communicating with any person with a view to influencing preferred treatment in the RFP process; or (iii) engaging in conduct that compromises or could be seen to compromise the integrity of the competitive RFP process and render that process non-competitive and unfair; or;

(b) in relation to the performance of its contractual obligations in this Agreement, the Supplier's other commitments, relationships or financial interests (i) could or could be seen to exercise an improper influence over the objective, unbiased and impartial exercise of its independent judgement; or (ii) could or could be seen to compromise, impair or be incompatible with the effective performance of its contractual obligations;

"Deliverables" means everything developed for or provided to the OFA in the course of performing under the Agreement or agreed to be provided to the OFA under the Agreement, by the Supplier or its partners, employees, volunteers, agents or subcontractors, as further defined, but not limited by Schedule 1, including but not limited to any goods or services or any and all Intellectual Property and any and all concepts, techniques, ideas, information, documentation and other materials, however recorded, developed or provided;

"Derivative Work" means a work based on the Supplier's Intellectual Property including, without limitation, an adaptation, modification, translation, expansion, condensation or transformation, that if prepared without authorization, would constitute copyright infringement or infringement of any other Intellectual Property right;

"FIPPA" means the *Freedom of Information and Protection of Privacy Act*, R.S.O. 1990, c. F.31, as amended.

"Fiscal Year" means the period running from April 1 in one calendar year to, and including, March 31 in the next calendar year.

"Government" means the Government of Ontario;

"Indemnified Parties" means OFA, directors, appointees and employees of the OFA, and Her Majesty the Queen in right of Ontario, her Ministers, appointees and employees;

"Industry Standards" include, but are not limited to (a) the provision of any and all labour, supplies, equipment and other goods or services that are necessary and can reasonably be understood or inferred to be included within the scope of the Agreement or customarily furnished by Persons providing Deliverables of the type provided hereunder in similar situations in Ontario and; (b) adherence to commonly accepted norms of ethical business practices, which shall include the Supplier establishing, and ensuring adherence to, precautions to prevent its employees or agents from providing or offering gifts or hospitality of greater than nominal value to any person acting on behalf of or employed by OFA and the Province.

"Intellectual Property" means any intellectual, industrial or other proprietary right of any type in any form protected or protectable under the laws of Canada, any foreign country, or any political subdivision of any country, including, without limitation, any intellectual, industrial or proprietary rights protected or protectable by legislation, by common law or at equity;

"Newly Created Intellectual Property" means any Intellectual Property created by the Supplier in the course of performance of its obligations under the Agreement;

"OFA" means Ontario Financing Authority;

"OFA Address" means 1 Dundas Street West, Suite 1400, Toronto, Ontario, M7A 1Y7;

"OFA Representative" means Chief Executive Officer (CEO), OFA;

"OPG" means Ontario Power Generation Inc. and its subsidiaries;

"Person" if the context allows, includes any persons, firms, partnerships or corporations or any combination thereof;

"Personal Information" has the same definition as in subsection 2(1) of FIPPA, that is, recorded information about an identifiable individual or that may identify an individual and includes all such information obtained by the Supplier from the OFA or the Province or OPG or their respective agents or created by the Supplier pursuant to the Agreement;

"Proceeding" means any action, claim, demand, lawsuit, or other proceeding;

"Proposal" means all the documentation submitted by the Supplier in response to the Request for Proposal;

"Province" means Her Majesty the Queen in right of Ontario including any ministries and agencies of the Province including OEFC and OFA and "Provincial" has a corresponding meaning;

"Rates" means the applicable price, in Canadian funds, to be charged for the applicable Deliverables, as set out in Schedule 1, representing the full amount chargeable by the Supplier for the provision of the Deliverables, including but not limited to (a) all applicable duties and taxes, including Goods and Services Tax; (b) all labour and material costs; (c) all travel and carriage costs (d) all insurance costs; and (e) all other overhead including any fees or other charges required by law;

"Record", for the purposes of the Agreement, means any recorded information, including any Personal Information, in any form: (a) provided by OFA or the Province to the Supplier, or provided by the Supplier to OFA, for the purposes of the Agreement; or (b) created by the Supplier in the performance of the Agreement for delivery or presentation to the OFA or use by the OFA;

"Requirements of Law" mean all applicable requirements, laws, statutes, codes, acts, ordinances, orders, decrees, injunctions, by-laws, rules, regulations, official plans, permits, licences, authorisations, directions, and agreements with all Authorities that now or at any time hereafter may be applicable to either the Agreement or the Deliverables or any part of them;

"RFP" means the Request for Proposals dated **[*insert date*]** for **[*insert name of RFP*]**, reference number **[*insert reference number*]** issued by OFA for the Deliverables and any addenda to it;

"Supplier Address" and **"Supplier Representative,"** mean:

CIBC World Markets Inc.
161 Bay Street, 6th Floor
Toronto, ON M5J 2S8
Attention: Ron Munkley
Phone No: (416) 594 7863
Facsimile No. (416) 956 6334

"Supplier's Intellectual Property" means Intellectual Property owned by the Supplier prior to its performance under the Agreement or created by the Supplier during the Term of the Agreement independently of the performance of its obligations under the Agreement;

"Term" means the period of time from the effective date first above written to the satisfactory provision of all Deliverables unless this Agreement is terminated early in accordance with the provisions of this Agreement in which case the Term shall end on the expiry or termination date, as the case may be;

"Third-Party Intellectual Property" means any Intellectual Property owned by a party other than OFA or the Province or the Supplier.

1.02 **Entire Agreement**

The Agreement, including the Schedules, embodies the entire agreement between the parties with regard to the provision of Deliverables and supersedes any prior understanding or agreement, collateral, oral or otherwise, existing between the parties at the date of execution of the Agreement.

1.03 **Severability**
If any term or condition of the Agreement, or the application thereof to the parties or to any Persons or circumstances, is to any extent invalid or unenforceable, the remainder of the Agreement, and the application of such term or condition to the parties, Persons or circumstances other than those to which it is held invalid or unenforceable, shall not be affected thereby.

1.04 **Interpretive Value of Documents**
In the event of a conflict or inconsistency in any provisions in the Agreement, the main body of the Agreement shall govern over the Schedules to the Agreement.

1.05 **Interpretive Value of Headings**
The headings in the Agreement are for convenience of reference only and in no manner modify, interpret or construe the Agreement.

1.06 **Force Majeure**
Neither party shall be liable for damages caused by delay or failure to perform its obligations under the Agreement where such delay or failure is caused by an event beyond its reasonable control. The parties agree that an event shall not be considered beyond one's reasonable control if a reasonable business person applying due diligence in the same or similar circumstances under the same or similar obligations as those contained in the Agreement would have put in place contingency plans to either materially mitigate or negate the effects of such event. Without limiting the generality of the foregoing, the parties agree that force majeure events shall include natural disasters and acts of war, insurrection and terrorism but shall not include shortages or delays relating to supplies or services. If a party seeks to excuse itself from its obligations under this Agreement due to a force majeure event, that party shall immediately notify the other party of the delay or non-performance, the reason for such delay or non-performance and the anticipated period of delay or non-performance. If the anticipated or actual delay or non-performance exceeds fifteen (15) Business Days, the other party may immediately terminate the Agreement by giving notice of termination and such termination shall be in addition to the other rights and remedies of the terminating party under the Agreement, at law or in equity.

1.07 **Notices**
Notices shall be in writing and shall be delivered by postage-prepaid envelope, personal delivery or facsimile and shall be addressed to, respectively, the OFA Address to the attention of the OFA Representative and to the Supplier Address to the attention of the Supplier Representative. Notices shall be deemed to have been given (a) in the case of postage-prepaid envelope, five (5) Business Days after such notice is mailed; or (b) in the case of personal delivery or facsimile one (1) Business Day after such notice is received by the other party. In the event of a postal disruption, notices must be given by personal delivery or by facsimile. Unless the parties expressly agree in writing to additional methods of notice, notices may only be provided by the methods contemplated in this paragraph.

1.08 **Governing Law**
The Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

1.09 **Survival**
All warranties and representations about quality, skills, qualifications and experience, the intellectual property provisions, the confidentiality provisions, the indemnity provisions, document retention and audit provisions, termination provisions, and any clauses about remedies shall remain in force after the Term of the Agreement.

ARTICLE 2 – LEGAL RELATIONSHIP BETWEEN OFA, SUPPLIER AND THIRD-PARTIES

2.01 **Supplier's Power to Contract**
The Supplier represents and warrants that it has the full right and power to enter into the Agreement and there is no agreement with any other Person which would in any way interfere with the rights of OFA under this Agreement.

2.02 **Representatives May Bind the Parties**
The parties represent that their respective representatives have the authority to legally bind them to the extent permissible by the Requirements of Law.

2.03 **Responsibility of Supplier**

The Supplier agrees that it is liable for the acts and omissions of its directors, officers, employees, agents, partners, volunteers and subcontractors. This paragraph is in addition to any and all of the Supplier's liabilities under the Agreement and under the general application of law. The Supplier shall advise these individuals and entities of its obligations under the Agreement and, without limiting the generality of the foregoing, shall take appropriate action to ensure compliance with (a) the Agreement generally and (b) with the requirements of Article 5 (Confidentiality and FIPPA) of the Agreement. In addition to any other liabilities of the Supplier pursuant to the Agreement or otherwise at law or in equity, the Supplier shall be liable for all damages, costs, expenses, losses, claims or actions arising from any breach of the Agreement resulting from the actions of the above mentioned individuals and entities.

2.04 **No Subcontracting or Assignment**

The Supplier shall not subcontract or assign the whole or any part of the Agreement or any monies due under it without the prior written consent of OFA. Such consent shall be in the sole discretion of OFA and subject to the terms and conditions that may be imposed OFA. Without limiting the generality of the conditions which OFA may require prior to consenting to the Supplier's use of a subcontractor, every contract entered into by the Supplier with a subcontractor shall adopt all of the terms and conditions of this Agreement as far as applicable to those parts of the Deliverables provided by the subcontractor. Nothing contained in the Agreement shall create a contractual relationship between any subcontractor or its employees and OFA.

2.05 **Duty to Disclose Change of Control**

In the event that the Supplier undergoes a change in control the Supplier shall immediately disclose such change in control to OFA and shall comply with any terms and conditions subsequently prescribed by OFA resulting from the disclosure.

2.06 **Agreement Binding**

The Agreement shall enure to the benefit of and be binding upon the parties and their successors, executors, administrators and their permitted assigns.

ARTICLE 3 - PERFORMANCE BY SUPPLIER

3.01 **Commencement of Performance**

The Supplier shall commence performance upon receipt of instructions and advice from OFA.

3.02 **Performance Warranty**

The Supplier hereby represents and warrants that the Deliverables shall be provided fully and diligently in a professional and competent manner by persons qualified and skilled in their occupations and furthermore that all Deliverables will be provided in accordance with (a) the Agreement; (b) Industry Standards; and (c) Requirements of Law. If any of the Deliverables, in the opinion of OFA, are inadequately provided or require corrections, the Supplier shall forthwith make the necessary corrections at its own expense as specified by OFA in a rectification notice.

3.03 **Notification by Supplier to OFA**

During the Term, the Supplier shall notify OFA promptly of (a) any contradictions, discrepancies or errors found or noted in the Agreement; (b) supplementary details, instructions or directions that do not correspond with those contained in the Agreement; and (c) any omissions or other faults that become evident and should be corrected in order to provide the Deliverables in accordance with the Agreement and Requirements of Law.

3.04 **Condonation Not a Waiver**

Any failure by OFA to insist in one or more instances upon strict performance by the Supplier of any of the terms or conditions of the Agreement shall not be construed as a waiver by OFA of its right to require strict performance of any such terms or conditions, and the obligations of the Supplier with respect to such performance shall continue in full force and effect.

3.05 **Changes By Written Amendment Only**

Any changes to the Agreement shall be by written amendment executed by the parties. No changes shall be effective or shall be carried out in the absence of such an amendment.

3.06 **Supplier to Comply With Reasonable Change Requests**

OFA may, in writing, request changes to the Agreement, which may include altering, adding to, or deleting any of the Deliverables. The Supplier shall comply with all reasonable OFA change requests and the performance of such request shall be in accordance with the terms and conditions of the Agreement. If the Supplier is unable to comply with the change request, it shall promptly notify OFA and provide reasons for such non-compliance. In any event, any such change request shall not be effective until a written amendment reflecting the change has been executed by the parties.

3.07 **Pricing for Requested Changes**

Where an OFA change request includes an increase in the scope of the previously contemplated Deliverables, OFA shall set out, in its change request, the proposed prices for the contemplated changes. Where the Rates in effect at the time of the change request:

(i) includes pricing for the type of goods or services contemplated in the change request, the Supplier shall not unreasonably refuse to provide those goods or services at prices consistent with those Rates; or

(ii) are silent to the applicable price for the particular goods or services contemplated in the change request, the price shall be negotiated between the OFA and the Supplier within a reasonable period of time;

and in any event, such change request shall not become effective until a written amendment reflecting the change has been executed by the parties.

3.08 **Work Volumes**

The Supplier acknowledges that it is providing the Deliverables to OFA on a non-exclusive basis. OFA makes no representation regarding the volume of goods and services required under the Agreement. OFA reserves the right to contract with other parties for the same or similar goods and services as those provided by the Supplier and reserves the right to obtain the same or similar goods and services internally or to not acquire such services from the Supplier.

3.09 **Performance by Specified Individuals Only**

The Supplier agrees that to the extent that specific individuals are named in Schedule 1 (Proposal) as being responsible for the provision of the Deliverables, only those individuals shall provide the Deliverables under the Agreement. The Supplier shall not replace or substitute any of the individuals named in Schedule 1 (Proposal) without the prior written approval of OFA, which may not arbitrarily or unreasonably be withheld. Should the Supplier require the substitution or replacement of any of the individuals named in Schedule 1 (Proposal), it is understood and agreed that any proposed replacement must possess similar or greater qualifications than the individual named in Schedule 1 (Proposal). The Supplier shall not claim fees for any replacement individual greater than the Rates established under Schedule 1 (Proposal). The Supplier shall replace any of its personnel if they are unacceptable to OFA because of security risk, incompetence, conflict of interest, breach of confidentiality or improper conduct upon receiving written notice from OFA.

3.10 **Facility Rules**

Should the Supplier be required to attend on OFA or Provincial property, the Supplier shall obey all fire, safety and other applicable rules of the facility. All damage to an OFA or Provincial facility and/or equipment, or any mishaps or accidents involving OFA and/or Provincial personnel, facilities and/or equipment shall be reported immediately to the OFA Representative.

3.11 **OFA Rights and Remedies and Supplier Obligations Not Limited to Agreement**

The express rights and remedies of OFA and obligations of the Supplier set out in the Agreement are in addition to and shall not limit any other rights and remedies available to OFA or any other obligations of the Supplier at law or in equity.

ARTICLE 4 - PAYMENT FOR PERFORMANCE

4.01 **Payment of Rates Including Approved Disbursements and Expenses**

OFA shall, subject to the Supplier's compliance with the provisions of the Agreement, pay the Supplier for the Deliverables provided at the Rates established under the Agreement. All disbursements or expenses shall be reasonable and air travel and accommodation expenses be approved in advance by the OFA, acting reasonably.

4.02 **Default Billing and Payment Process**
Unless the parties expressly set out an alternative billing and payment process in Schedule 1, the following process shall govern:

(a) the Supplier shall provide the OFA with a monthly billing statement no later than ten (10) Business Days after the end of each month and that billing statement shall include (i) the reference number assigned to the Agreement by the OFA; (ii) a brief description of the Deliverables provided for the relevant month; and (iii) any disbursements, expenses or taxes, if payable by OFA, identified as separate items;

(b) the OFA shall approve or reject the billing statement within fifteen (15) Business Days and in the event that the OFA rejects the billing statement, it shall so advise the Supplier promptly in writing and the Supplier shall provide additional information as required by the OFA to substantiate the billing statement; and

(c) each billing statement must be approved by the OFA before any payment is released and payment shall be made within thirty (30) Business Days of such approval;

and any subparagraph set out above that is not expressly replaced in Schedule 1 with an alternative provision shall remain in full force and effect.

4.03 **Hold Back or Set Off**
OFA may hold back payment or set off against payment if, in the opinion of the OFA acting reasonably, the Supplier has failed to comply with any requirements of the Agreement.

4.04 **Additional Charges**
There shall be no other charges payable by OFA under the Agreement to the Supplier other than the Rates established under the Agreement.

4.05 **Payment of Taxes and Duties**
Unless otherwise stated, the Supplier shall pay all applicable taxes, including excise taxes incurred by or on the Supplier's behalf with respect to the Agreement.

4.06 **OFA GST Exempt**
The OFA hereby certifies that the Deliverables are required for the use of the Crown and are therefore not subject to the federal Goods and Services Tax.

4.07 **Document Retention and Audit**
For seven (7) years after the expiration of the Term the Supplier shall maintain all necessary records to substantiate (a) all charges and payments under the Agreement and (b) that the Deliverables were provided in accordance with the Agreement and with Requirements of Law. During the Term, and for seven (7) years after the end of the Term, the Supplier shall permit and assist OFA in conducting audits of the operations of the Supplier to verify (a) and (b) above. OFA shall provide the Supplier with at least ten (10) Business Days prior notice of its requirement for such audit.

The provisions of this Article shall survive any termination or expiry of the Agreement.

ARTICLE 5 - CONFIDENTIALITY AND FIPPA

5.01 **Confidentiality and Promotion Restrictions**
Any publicity or publications related to the Agreement shall be at the sole discretion of the OFA. The OFA may, in its sole discretion, acknowledge the Deliverables provided by the Supplier in any such publicity or publication. The Supplier shall not make use of its association with the OFA without the prior written consent of the OFA. Without limiting the generality of this paragraph, the Supplier shall not, among other things, at any time directly or indirectly communicate with the media in relation to the Agreement unless it has first obtained the express written authorization to do so by the OFA.

5.02 **OFA, OPG, and the Government Confidential Information**

During and following the Term, the Supplier shall (a) keep all Confidential Information confidential and secure; (b) limit the disclosure of Confidential Information to only (i) those employees who have a need to know it and who have been specifically authorized to have such disclosure (ii) and to the other suppliers that have been retained subject to similar confidentiality obligations by OFA and identified by OFA to the Supplier for the sole purpose of providing to OFA or assisting the Supplier in providing to OFA the Deliverables pursuant to the Agreement and then only to the extent they need to know the Confidential Information for such purpose; (c) not directly or indirectly disclose, destroy, exploit or use any Confidential Information (except for the purpose of providing the Deliverables, or except if required by order of a court or tribunal), without first obtaining: (i) the written consent of OFA and (ii) in respect of any Confidential Information about any third-party, the written consent of such third-party; (d) provide Confidential Information to OFA on demand; and (e) deliver all Confidential Information to OFA before the termination or expiry of the Term, with no copy or portion kept by the Supplier, except that the Supplier may retain one copy for due diligence defence purposes, which copy shall be held securely and in accordance with the terms of this Agreement.

5.03 **Restrictions on Copying**

The Supplier shall not copy any Confidential Information, in whole or in part, unless copying is essential for the provision of the Deliverables. On each copy made by the Supplier, the Supplier must reproduce all notices which appear on the original.

5.04 **Injunctive and Other Relief**

The Supplier acknowledges that breach of any provisions of this Article may cause irreparable harm to OFA, the Province or to any third-party to whom OFA owes a duty of confidence, and that the injury to OFA, the Province or to any third-party may be difficult to calculate and inadequately compensable in damages. The Supplier agrees that each of OFA and the Province is entitled to obtain injunctive relief (without proving any damage sustained by it or by any third-party) or any other remedy against any actual or potential breach of the provisions of this Article.

5.05 **Notice and Protective Order**

If the Supplier or any of its directors, officers, employees, agents, representatives or advisors become legally compelled to disclose any Confidential Information, the Supplier will provide OFA with prompt notice to that effect in order to allow OFA or the Province, as the case may be, to seek one or more protective orders or other appropriate remedies to prevent or limit such disclosure, and it shall co-operate with OFA and the Province and their respective legal counsel to the fullest extent. If such protective orders or other remedies are not obtained, the Supplier will disclose only that portion of Confidential Information which the Supplier is legally compelled to disclose, only to such person or persons to which the Supplier is legally compelled to disclose, and the Supplier shall provide notice to each such recipient (in co-operation with legal counsel for OFA or the Province, as the case may be) that such Confidential Information is confidential and subject to non-disclosure on terms and conditions equal to those contained in the Agreement and, if possible, shall obtain each recipient's written agreement to receive and use such Confidential Information subject to those terms and conditions.

5.06 **Notification of Confidentiality Provisions**

The Supplier shall notify each of its partners, employees, directors, and officers and subcontractors who have access to any of the Confidential Information ("the Notified Parties") of the obligations contained in the Agreement with respect to the confidentiality of the Confidential Information and the restrictions on disclosure and use of the Confidential Information. The Supplier has advised or will advise, as the case may be, the Notified Parties of their obligations concerning the confidentiality of the Confidential Information and shall obtain the agreement of each of the Notified Parties to abide by the terms and conditions of the Agreement. The Supplier agrees to enforce such obligations to the extent required to prevent unauthorised disclosure of Confidential Information and to prevent any partner, employee, director, or officer (the "Representatives") from making unauthorised use of Confidential Information. The Supplier agrees to be responsible for any breach of confidentiality by any of the Representatives and agrees to indemnify OFA and the Province and OPG for all damages, costs, expenses, losses, claims or actions arising from any failure by the Supplier or any of the Representatives to comply with the confidentiality obligations in the Agreement. The Supplier acknowledges that OFA holds the benefit of the indemnity in trust for itself and the Province and that OFA can enforce such indemnity on behalf of the Province. The Supplier also acknowledges and agrees that the Province can enforce such indemnity directly against the Supplier.

5.07 **FIPPA Records and Compliance**
The Supplier and OFA acknowledge and agree that FIPPA applies to and governs all Records and may require the disclosure of such Records to third parties. Furthermore, the Supplier agrees:

(a) to keep Records secure;

(b) to provide Records to OFA within five (5) Business Days of being directed to do so by OFA for any reason including an access request or privacy issue;

(c) not to access any Personal Information unless OFA determines, in its sole discretion, that access is permitted under FIPPA and is necessary in order to provide the Deliverables;

(d) not to directly or indirectly use, collect, disclose or destroy any Personal Information for any purposes that are not authorized by OFA;

(e) to ensure the security and integrity of Personal Information and keep it in a physically secure and separate location safe from loss, alteration, destruction or intermingling with other records and databases and to implement, use and maintain the most appropriate products, tools, measures and procedures to do so;

(f) to restrict access to Personal Information to those of its employees who have a need to know it and who have been specifically authorized to have such access for the purpose of providing the Deliverables;

(g) to implement other specific security measures that in the reasonable opinion of OFA would improve the adequacy and effectiveness of the Supplier's measures to ensure the security and integrity of Personal Information and Records generally; and

(h) that any confidential information supplied to OFA or the Province may be disclosed by OFA or the Province where it is obligated to do so under FIPPA, by an order of a court or tribunal or pursuant to a legal proceeding.

5.08 The provisions of this Article shall survive any termination or expiry of the Agreement.

ARTICLE 6 – INTELLECTUAL PROPERTY

6.01 **OFA Intellectual Property**
The Supplier agrees that all Intellectual Property and every other right, title and interest in and to all concepts, techniques, ideas, information and materials, however recorded, (including images and data) provided by OFA or the Province to the Supplier shall remain the sole property of OFA or the Province, as the case may be, at all times.

6.02 **No Use of Insignia**
The Supplier shall not use any insignia or logo of OFA or the Province.

6.03 **Ownership of Intellectual Property**
OFA on behalf of the Province shall be the sole owner of any Newly Created Intellectual Property. The Supplier irrevocably assigns to and in favour of OFA and OFA accepts every right, title and interest in and to all Newly Created Intellectual Property in the Deliverables, immediately following the creation thereof, for all time. OFA grants to the Province a perpetual, world-wide, non-exclusive, irrevocable, transferable, royalty-free, fully paid-up right and licence: (a) to use, execute, display, distribute, perform and reproduce, in any form, the Newly Created Intellectual Property in the Deliverables (b) to use, execute, make, have made, have used, display, distribute perform, reproduce and prepare, in any form, Derivative Work based on the Newly Created Intellectual Property in the Deliverables and (c) to practise and have practised any process or method (or both) associated with such Derivative Work;

To the extent that any of the Deliverables include, in whole or in part, the Supplier's Intellectual Property, the Supplier grants to OFA and the Province a licence to use that Supplier Intellectual

Property in the manner contemplated in this Article, the total consideration for which shall be payment of the Rates on the terms and to the Supplier by OFA.

6.04 **Presumption Governing Ownership**

The presumption governing the Agreement shall be that OFA on behalf of the Province shall be the sole owner of any Intellectual Property in any form contained in any of the Deliverables. If the Supplier's Intellectual Property forms any part of the Deliverables, the Supplier shall notify OFA of such prior to the delivery of the particular Deliverable containing any such Supplier Intellectual Property. In the absence of any such notice the presumption shall remain that OFA is the sole owner of any Intellectual Property contained in the Deliverables.

6.05 **Supplier's Grant of Licence**

For those parts of the Deliverables that are Supplier Intellectual Property, the Supplier grants to OFA and the Province, a perpetual, world-wide, non-exclusive, irrevocable, transferable, royalty-free, fully paid-up right and licence: (a) to use, execute, display, distribute, perform and reproduce, in any form, copies of those Deliverables and to practice and have practised any process or method (or both) associated with such Deliverables; and (b) to use, execute, make, have made, have used, display, distribute, perform, reproduce and prepare, in any form, Derivative Work based on those Deliverables and to practise and have practised any process or method (or both) associated with such Derivative Work; and (c) authorize other Persons including agents, contractors or sub-contractors to do any of the former on behalf of OFA or the Province, provided that the OFA and the Province shall be entitled to use and authorize other Persons to use the Supplier Intellectual Property for the purposes of the Province only and not for resale or other commercial exploitation thereof.

6.06 **No Restrictive Material in Deliverables**

The Supplier waives, and shall not incorporate into any Deliverables anything that would restrict the right of OFA or the Province to modify, further develop or otherwise use the Deliverables in any way that OFA or the Province deems necessary, or that would prevent OFA or the Province from entering into any contract with any contractor other than the Supplier for the modification, further development of or other use of the Deliverables. However, to the extent that any of the Deliverables constitutes any professional opinion, judgement or financial advice of the Supplier, the preceding sentence will not restrict or prevent the Supplier from addressing such opinions, judgements and financial advice solely to the OFA and the Province or from including customary assumptions, qualifications and limitations respecting reliance by parties other than the Indemnified Parties in such Deliverables.

6.07 **Supplier Representation and Warranty Regarding Third-Party Intellectual Property**

The Supplier represents and warrants that the provision of the Deliverables shall not infringe or induce the infringement of any Third-Party Intellectual Property rights. The Supplier further represents and warrants that it has obtained assurances with respect to any Third-Party Intellectual Property that any rights of integrity or any other moral rights associated therewith have been waived.

6.08 **Moral Rights**

The Supplier shall obtain waivers of all rights of integrity and any other moral rights in relation to the Deliverables from its employees, volunteers, agents and subcontractors and from any other party in the position to assert such rights in relation to any of the Deliverables, which waivers may be invoked without restriction by any person authorized by OFA or the Province to use the Deliverables.

6.09 **Copyright Notice**

The Supplier shall place a copyright notice in the following form on all recorded Deliverables it provides to OFA:

"© Queen's Printer for Ontario, 2004"

6.10 **Further Assurances Regarding Copyright**

At the request of OFA, at any time or from time to time, the Supplier shall execute and agrees to cause anyone in the position to assert rights of integrity or any other moral right (including its employees, volunteers, agents and subcontractors) to execute a written assignment of copyright and waiver of moral rights in the applicable Deliverable to the OFA in the forms set out in Schedule 2. The Supplier shall assist OFA in preparing any Canadian copyright registration that OFA considers appropriate. The Supplier will obtain or execute any other document reasonably required by OFA to protect the Intellectual Property of OFA.

6.11 **OFA May Prescribe Further Compliance**
OFA reserves the right to prescribe the specific manner in which the Supplier shall perform its obligations relating to this Article.

6.12 The provisions of this Article shall survive any termination or expiry of the Agreement.

ARTICLE 7 – CONFLICT OF INTEREST

7.01 The Supplier acknowledges it owes the OFA and the Province of Ontario a duty to promote the interests of OFA and the Province of Ontario in carrying out the Services. The overriding obligation the Supplier is to avoid actual or perceived conflicts between its private interests and those of OFA and the Province (including OFA and OEFC).

7.02 The Supplier shall not, in its provision of the Deliverables, engage in any activity, business or undertaking, whether as Supplier or otherwise, that could create a conflict of interest or potential conflict of interest. Included in the prohibitions on the Supplier are the following:

(a) engaging in any activity, business or undertaking that may conflict or be perceived as conflicting with the performance by the Supplier of the duties and obligations under this Agreement;

(b) directly or indirectly benefiting from any activity related to this Agreement otherwise than as specifically contemplated by this Agreement;

(c) circumstances where the supplier's other commitments, relationships or financial interests (i) could or could be seen to exercise an improper influence over the objective, unbiased and impartial exercise of its independent judgement; or (ii) could or could be seen to compromise, impair or be incompatible with the effective performance of its contractual obligations;

7.03 If required by the OFA for the purpose of complying with section 7.02 , the Supplier agrees to:

(a) file with the OFA a Plan to Prevent Conflict of Interest in respect of any particular actual or potential conflict of interest;

(b) file and cause its partners, directors, officers or employees who are providing the Services under this Agreement to file with the OFA declarations disclosing their interests in a manner equivalent to that set out in Section 13 of O.Reg 435/97 and their personal relationships (if any) with the firms and named individuals employed by or affiliated with OPG or any OEB licensed wholesale or retail electricity market participant in Ontario; and

(c) cause its partners, directors, officers or employees who are providing the Deliverables under this Agreement to execute confidentiality undertakings and provide copies to the OFA.

Upon the occurrence of any change in circumstance that renders any certificate or information filed or provided by the Supplier either incorrect or incomplete, the Supplier shall forthwith notify the OFA as set out in this Article of the change in circumstance in detail.

7.04 If any activities or prior activities of the Supplier could constitute an actual or potential conflict of interest in respect of this Agreement, the Supplier shall without delay make full, true and plain disclosure to the OFA of all relevant information about the particular activity, business or undertaking in question to the satisfaction of the OFA or its agent and abide by the decision of the OFA.

7.05 Upon any disclosure made by a Supplier or any other person in relation to the activities of the Supplier, of any activity, business or undertaking that could create a conflict of interest in respect of this Agreement, the OFA may, in its sole discretion:

(a) require that the Supplier:
  (i) deliver further and detailed particulars of the activity, business or undertaking;
  (ii) elect between the continuation of the Agreement and the continuation of the activity, business or undertaking concerned; and/or

(iii) institute measures which in the opinion of the OFA eliminate, resolve, isolate, diminish or nullify any perceived conflict of interest;

(b) terminate the Agreement effective upon written notice to such effect, and/or

(c) take such other steps as may be necessary to address the conflict including the institution of proceedings.

Where the OFA recommends that the Supplier take certain action, or refrain from taking certain action, the Supplier shall abide by the recommendation. The Supplier's failure to do so may result in the termination of the Supplier's Agreement in the sole discretion of the OFA.

7.06 Information disclosed by the Supplier to the OFA as contemplated under section 7.05 is confidential and shall not be disclosed to any person, except:

(a) on the consent of all parties;
(b) as required by law or by the order of a tribunal or court;
(c) such persons, if any, as the Supplier or the OFA may consult in respect of the conflict of interest; or
(d) in any proceedings between the OFA and the Supplier for breach of obligations under Article 7.

ARTICLE 8 – INDEMNITY AND INSURANCE

8.01 **Supplier Indemnity**
The Supplier hereby agrees to indemnify and hold harmless the Indemnified Parties from and against any and all liability, loss, costs, damages and expenses (including legal, expert and consultant fees), causes of action, actions, claims, demands, lawsuits or other proceedings, (collectively, "Claims"), by whomever made, sustained, brought or prosecuted, including for third party bodily injury (including death), personal injury and property damage arising from the negligence, errors, omissions or wilful misconduct of the Supplier, its subcontractors or their respective directors, partners, officers, agents, employees or independent contractors in the course of performance of the Supplier's obligations under, or otherwise in connection with, the Agreement. The Supplier acknowledges that OFA holds the benefit of the indemnity in trust for itself and the Province and that OFA can enforce such indemnity on behalf of the Province. The Supplier also acknowledges and agrees that the Province can enforce such indemnity directly against the Supplier.

8.02 **Supplier's Insurance**
The Supplier shall maintain errors & omissions liability insurance (external coverage and/or self-insured coverage), insuring liability for errors and omissions in the performance or failure to perform the services contemplated in this agreement, in the amount not less than $5,000,000 per claim and in the annual aggregate.

8.03 **Supplier Participation in Proceedings**
The Supplier shall, at its expense, to the extent requested by OFA or the Province participate in or conduct the defence of any Claim against any Indemnified Parties referred to in this Article and any negotiations for their settlement. OFA or the Province may elect to participate in or conduct the defence of any such Claim by notifying the Supplier in writing of such election without prejudice to any other rights or remedies of OFA or the Province under the Agreement, at law or in equity. Each party participating in the defence shall do so by actively participating with the other's counsel. No settlement shall be entered into by the Supplier unless it has obtained the prior written approval of OFA or the Province, as the case may be. If the Supplier is requested by OFA or the Province to participate in or conduct the defence of any such Claim, OFA or the Province agrees to co-operate with and assist the Supplier to the fullest extent possible in the Claim and any related settlement negotiations. If OFA or the Province conducts the defence of any such Claim, the Supplier agrees to co-operate with and assist OFA or the Province to the fullest extent possible in the Claim and any related settlement negotiations; provided that no settlement of such Claim shall be entered into by any Indemnified Party unless it has obtained the prior written consent of the Supplier, such consent not to be unreasonably withheld.

8.04 The provisions of this Article survive the termination or expiry of the Agreement.

ARTICLE 9 – TERMINATION, EXPIRY AND EXTENSION

9.01 **Immediate Termination of Agreement**
OFA may immediately terminate the Agreement upon giving notice to the Supplier where:

(a) the Supplier is adjudged bankrupt, is insolvent, makes a general assignment for the benefit of its creditors or a receiver, liquidator or similar official is appointed on account of the Supplier's insolvency;

(b) the Supplier breaches any provision in Article 5 (Confidentiality and FIPPA) of the Agreement;

(c) the Supplier breaches any provision in Article 7 (Conflict of Interest) of the Agreement;

(d) the Supplier, prior to or after executing the Agreement, makes a material misrepresentation or omission or provides materially inaccurate information to OFA;

(e) the Supplier undergoes a change in control which, in the sole opinion of OFA, adversely affects the Supplier's ability to satisfy some or all of its obligations under the Agreement;

(f) the Supplier subcontracts for the provision of part or all of the Deliverables or assigns the Agreement without first obtaining the written approval of OFA; or

(g) the Supplier's acts or omissions constitute a substantial failure of performance;

and the above rights of termination are in addition to all other rights of termination available at law, or events of termination by operation of law.

9.02 **Dispute Resolution by Rectification Notice**
Subject to section 9.01, where the Supplier fails to comply with any of its obligations under the Agreement, OFA may issue a rectification notice to the Supplier setting out the manner and timeframe for rectification. Within seven (7) Business Days of receipt of that notice the Supplier shall either (a) comply with that rectification notice; or (b) provide a rectification plan satisfactory to OFA. If the Supplier fails to either comply with that rectification notice or provide a satisfactory rectification plan, OFA may immediately terminate the Agreement. Where the Supplier has been given a prior rectification notice, the same subsequent type of non-compliance by the Supplier shall allow OFA to immediately terminate the Agreement.

9.03 **Termination on Notice**
OFA reserves the right to terminate the Agreement, without cause, upon five (5) days written notice with or without cause.

9.04 **Termination for Non-Appropriation**
If this Agreement extends into a Fiscal Year subsequent to its execution, continuation of the Agreement is conditional upon an appropriation of moneys by the Legislature of Ontario (the "Legislature") sufficient to satisfy payments due under the Agreement. In the event that such moneys are not available as a result of: (i) non-appropriation by the Legislature for the Fiscal Year in which payment becomes due; and (ii) the payment being neither charged nor chargeable to an appropriation of the Legislature for a previous Fiscal Year, the OFA may terminate the Agreement upon giving notice to the Supplier and such termination shall be effective on the date of the beginning of the first Fiscal Year for which funds have not been appropriated.

9.05 **Supplier's Obligations on Termination**
The Supplier shall, in addition to its other obligations under the Agreement and at law:

(a) provide OFA with a report detailing (i) the current state of the provision of Deliverables by the Supplier at the date of termination; and (ii) any other information requested by OFA pertaining to the provision of the Deliverables and performance of the Agreement;

(b) execute such documentation as may be required by OFA to give effect to the termination of the Agreement;

(c) comply with any other instructions provided by OFA, including but not limited to instructions for facilitating the transfer of its obligations to another Person; and

(d) return or destroy Confidential Information under secure conditions, as requested by the OFA and provide a certificate of an officer of the Supplier confirming that all Confidential Information has been returned or destroyed, subject to the right to retain one copy as set out in Section 5.02.

9.06 **Supplier's Payment Upon Termination**
OFA shall only be responsible for the payment of the Deliverables provided under the Agreement up to and including the effective date of any termination. Termination shall not relieve the Supplier of its warranties and other responsibilities relating to the Deliverables performed or money paid. In addition to its other rights of hold back or set off, OFA may hold back payment or set off against any payments owed if the Supplier fails to comply with its obligations on termination.

9.07 **Termination in Addition to Other Rights**
The express rights of termination in the Agreement are in addition to and shall in no way limit any rights or remedies of OFA under the Agreement, at law or in equity

9.08 **Expiry of Agreement**
The Agreement shall expire at the end of the Term.

9.09 The provisions of this Article survive the termination or expiry of the Agreement.

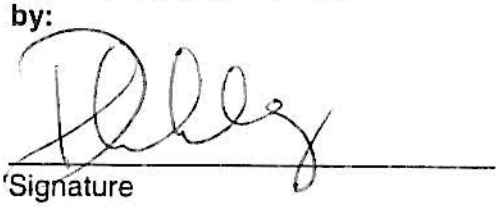
IN WITNESS WHEREOF the parties hereto have executed the Agreement effective as of the date first above written.

Ontario Financing Authority
by:

Signature

Name: Gadi Mayman
Title: Chief Executive Officer
Date of Signature: August 30, 2004

CIBC World Markets Inc.
by:



Signature

Name: Don Munkley
Title: Vice Chairman and Head of Power & Utility
Date of Signature: Aug. 30, 2004

I have authority to bind the Supplier.

From:	Whitfield, Tobias P. (MOF)
To:	Sarah Neville
Cc:	Kelly Listoe; Opal Kandelas; Sarah Harris; Malle Hanslep (MOF)
Subject:	FW: NDA Agreement
Date:	Monday, April 03, 2017 4:46:40 PM
Attachments:	GA NDA April 3(1).doc

Thanks, Kelly.

I am forwarding this to Sarah Neville as well, as the OFA is the party to the agreement, so OFA Legal needs to review this as well.

Toby

Tobias Whitfield
Counsel, Legal Services Branch
Ministry of Finance
tobias.whitfield@ontario.ca
Phone: 416-325-1456

From: Kelly Listoe [mailto:Kelly.Listoe@ofina.on.ca]
Sent: April 3, 2017 3:21 PM
To: Whitfield, Tobias P. (MOF)
Subject: RE: NDA Agreement

Hi Toby

I made a few small additions/ changes to the attached draft based on what I learned from Carlos. We are told that the OFA will sign it (Mike). It is fairly straightforward. Page 2 of the OPG white paper outlines a structure, but the ultimate draft of the legislation will impact it and advice will be needed once what is in the legislation is clearer. Advice needed is regarding financing alternatives/ structure for the spv. In addition, the banks/ advisor have their own Chinese Walls in place to deal with potential conflicts of interest.

Please confirm if the changes are ok.

Thanks,

Kelly

From: Whitfield, Tobias P. (MOF) [mailto:Tobias.Whitfield@ontario.ca]
Sent: Monday, April 03, 2017 11:58 AM
To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>
Subject: NDA Agreement

Please find attached a draft of a Non-Disclosure Agreement respecting obtaining advice from a financial adviser with respect to the Ontario Fair Hydro Plan.

Please note that this draft is preliminary, and we have a number of questions and concerns that are set out in the draft. We would like to point out that there is no agreement setting out the scope or nature of the services and the basis on which those services would be provided including the standard that is required from the adviser as well as conflict of interest requirements and other issues, and that the NDA does not replace such an agreement.

We have also attached a scan of an agreement that the OFA negotiated in 2004 to hire an adviser for a project relating to electricity finance as an example of such an agreement and the types of provisions that could be considered for inclusion in such an agreement.

Best
Toby

Tobias Whitfield
Counsel, Legal Services Branch
Ministry of Finance
777 Bay Street, 11th Floor
Toronto, ON, M5G 2C8
tobias.whitfield@ontario.ca
Phone: 416-325-1456

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

Confidential and Privileged Legal Advice – April 1, 2017 – MOF LSB
Note regarding this NDA and the retention of an adviser:

We have a number of questions relating to this NDA, and issues that should be considered in retaining an adviser:

- We have not been able to confirm what the scope of the advice being sought is. If the advice is restricted to advising on market timing and potential demand for certain securities, this is more limited than broader advice relating to structuring the transaction;
- We think it should be clear who the adviser is working for, and how the advice will be presented to the Province. If the advice is going to be to the Ministry of Energy or the Minister of Finance, will be given through the OFA?;
- Are there potential conflicts of interest between the adviser's role as an adviser and as a potential underwriter or other business of the adviser?

In addition, it should be considered whether it is appropriate to have an adviser without an agreement for the services that the adviser would be providing. The NDA protects the Province with respect to the disclosure of the information to third parties, but it does not set out the role, responsibilities or other matters relating to conflicts or other duties of the adviser. Terms of such an agreement that may be considered in such a context include:

- Scope of engagement;
- Performance Warranty – setting out the standard to which the adviser is to carry out the work and provide advice;
- Copyright and IP provisions;
- Conflict of interest provisions – setting out the primary duties of the adviser and how they must conduct themselves with respect to any potential conflicts;
- Indemnities – setting out the adviser's indemnities to the OFA for certain risks.

Non-Disclosure Agreement

This Agreement is made effective this day of

BETWEEN:

~~[~~ONTARIO FINANCING AUTHORITY~~]~~ ~~**[NTD: WHO WILL BE THE CONTRACTING PARTY?]**~~
(hereinafter called "OFA")

- and -

[ADVISER/DEALER]
(hereinafter called "**[Adviser/Dealer]**")

WHEREAS OFA intends to provide to **[Adviser/Dealer]**, on a confidential basis, certain information, materials and documentation (the "Project Information") concerning or relevant to a proposed initiative relating to a electricity prices in the Province of Ontario and measures to mitigate such prices, (the "Project") for the limited purposes of conducting discussions with **[Adviser/Dealer]** and receiving ~~an **[informal]**[NTD: Need to consider scope of retainer]~~ ~~assessment/~~advice from **[Adviser/Dealer]** in relation thereto;

NOW THEREFORE, in consideration of the payment of $2.00 ~~Canadian~~ and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by **[Adviser/Dealer]**, the parties agree as follows:

1. **Project Information**
   The term "Project Information" shall include the data, information, specifications, plans, criteria, strategies, materials, notes, analyses, studies, interpretations and other documents regarding the Project which is provided to **[Adviser/Dealer]** by or on behalf of ~~[~~**OFA**~~]~~ ~~[or Her Majesty in right of Ontario (the "Province")]~~ for the purposes of this Agreement, verbally or in any medium whatsoever, as the case may be, and includes any copies, summaries, restatements or extracts thereof.

2. **Non-Disclosure of the Project Information**
   Without the prior written consent of ~~[~~**OFA**~~]~~, which consent may be withheld in ~~[~~**OFA**~~]~~**'s** unfettered discretion, **[Adviser/Dealer]** will not disclose to any person or entity:

(a) the Project Information, or any portion thereof, provided to it under this Agreement;

(b) the fact that the Province and the ~~[~~**OFA**~~]~~ are considering the Project identified in the Project Information; or

(c) the fact that the Project lnformation has been made available by ~~[~~**OFA**~~]~~ to **[Adviser/Dealer]** or others.

3. **Use of the Project Information**
[Adviser/Dealer] acknowledges that the Project Information to be provided to it under this Agreement is confidential and proprietary information of ~~[~~**OFA**~~]~~ and/or the Province ~~[NTD: Could it also be information of OPG?]~~ and may be privileged. **[Adviser/Dealer]** agrees that the Project Information will be used by **[Adviser/Dealer]** only to facilitate discussions between **[Adviser/Dealer]** and ~~[~~**OFA**~~]~~ regarding the Project identified therein, and to provide advice and/or further information to ~~[~~**OFA**~~]~~ in connection therewith and will not use the Project Information, directly or indirectly, for any other purpose.

4. **Recording and Copying**
[Adviser/Dealer] shall track and control all hard copies and electronic copies of the Project Information.

5. **Restriction on Disclosure**
[Adviser/Dealer] shall not disclose, transfer or provide access to any of the Project Information to any person or entity, other than to those employees, partners, ~~,~~ ~~,~~directors or officers of **[Adviser/Dealer]** who need to know the Project Information in furtherance of the purposes of this Agreement.

6. **Internal Personnel**
Prior to disclosing any of the Project Information to any of its employees, partners,~~,~~ directors or officers, **[Adviser/Dealer]** shall inform each such person of all of the obligations contained in this Agreement. Prior to commencing work, ~~T~~the Adviser/Dealer shall identify in writing to the OFA those individuals who will be primarily responsible for providing the advice/assessment to the OFA as set out in paragraph 3 and shall not replace or substitute those individuals without the prior written approval of OFA. The Adviser/Dealer shall keep a list of all such employees, partners, director or officers to whom the Project Information is disclosed and provide it to the OFA upon request. **[Adviser/Dealer]** agrees to enforce such obligations to the extent required to prevent the unauthorized disclosure or use of the Project Information or other contravention of this Agreement and agrees to be responsible for and to indemnity and save harmless the OFA and the Province from and against any loss, cost, damage, expense and liability suffered or incurred by the OFA and/or the Province arising out of any breach of confidentiality by its employees, partners,~~,~~ directors or officers. The Adviser/Dealer acknowledges that the OFA holds the benefit of this indemnity in

trust for itself and the Province and that the OFA can enforce such indemnity on behalf of the Province.

7. **Security**

[Adviser/Dealer] shall take reasonable steps to keep the Project Information secure. The Project Information shall be maintained, in the case of hard copies, in a locked cabinet when not in use, and in a secure location when in use, and maintained, in the case of electronic information, including back-up copies, in a database that is only accessible to employees, officers, partners or directors of Adviser/Dealer to whom the Information can be disclosed under this Agreement.

~~8. **Retention, Return or Destruction of Project Information**~~

~~[Suggest we do not include this unless requested to.]~~

~~**Adviser/Dealer]** shall return to **[OFA]** all of the Project Information in the custody or control of **[Adviser/Dealer]** or its employees, , partners, directors or officers, that was provided to **[Adviser/Dealer]** whether it is in hard copy form, on disk or contained in any other medium whatsoever, immediately upon **[OFA]**'s written request, and any copies or extracts of the Project Information in written form, in electronic form or in any medium whatsoever, shall be deleted permanently or destroyed in accordance with **[OFA]**'s instructions. If no request is made by **[OFA]** for the return or destruction of the Project Information, the Project Information shall be returned to **[OFA]** within [twenty (20) business days] [NTD: 20 days is probably too soon – possibly we can delete this sentence and just rely on OFA to tell Dealer when to destroy or return.] after the date of this Agreement and any copy or extract, will be deleted permanently or destroyed by **[Adviser/Dealer]** and **[Adviser/Dealer]** shall, if requested by **[OFA]**, provide a certificate certifying such deletion or destruction.~~

~~9~~8. **Breach**

[Adviser/Dealer] acknowledges that a breach of any provision of this Agreement will result in immediate and irreparable harm to the ~~[~~**OFA**~~]~~ **and the Province** and that monetary damages will not provide a sufficient remedy for any breach and agrees that in the event of such breach the ~~[~~**OFA**~~]~~ and the Province shall, in addition to any other relief, be entitled to seek equitable relief including without limitation relief by way of temporary or permanent injunction and to such other relief that any court of competent jurisdiction may deem just or appropriate. Any breach known to **[Adviser/Dealer]** of the obligation(s) in this Agreement, including any breach by an employee, partner, ~~,~~ director or officer, shall be reported to the ~~[~~**OFA**~~]~~ by **[Adviser/Dealer]**.

~~9~~10. **Applicable Laws**

The laws of the Province of Ontario and the applicable laws of Canada shall govern this Agreement, and **[Adviser/Dealer]** hereby attorns to the jurisdiction of the courts of the Province of Ontario in respect hereof.

10~~1~~. **FIPPA**

No information, records or documents containing personal information shall be provided to **[Adviser/Dealer]** pursuant to this Agreement. **[Adviser/Dealer]** acknowledges that ~~[~~**OFA**~~]~~ is bound by the Ontario *Freedom of Information and Protection of Privacy Act* ("FIPPA"). If a request is made under FIPPA for access to information or records provided by ~~[~~**OFA**~~]~~ under this Agreement, **[Adviser/Dealer]** will cooperate with ~~[~~**OFA**~~]~~ in identifying records responsive to the request and responding to it in a timely manner.

11~~2~~. **Survival**

The terms and obligations pertaining to confidentiality and limitations as to the use of the Project Information in this Agreement shall remain in full force and effect and shall survive the return to the OFA (or the destruction) of the Project Information provided or made available under this Agreement.

The obligations of **[Adviser/Dealer]** after the return to ~~[~~**OFA**~~]~~ of the Project Information shall not apply to any part of the Project Information which is, or becomes, generally available to the public other than as a result of: (i) a violation of this Agreement; or (ii) disclosure pursuant to any applicable law, rule or regulation, or by order of a court or governmental body or agency or authority of competent jurisdiction, provided that **[Adviser/Dealer]** shall notify ~~[~~**OFA**~~]~~ of such disclosure promptly and comply with paragraph (Compelled Disclosure) before making the disclosure.

Compelled Disclosure

If the Adviser/Dealer or any of its employees, officers, partners, or directors becomes legally compelled to disclose any of the Project Information, the Adviser/Dealer will provide the OFA with prompt written notice and particulars so that the OFA may, within the timeframe legally required, seek a protective order or other appropriate order or remedy to prevent or limit such disclosure. The Adviser/Dealer shall consent to and assist (and shall cause any of its employees, officers, partners and directors to consent and assist) the OFA and its legal counsel in obtaining any protective order or other appropriate remedy that the OFA may seek for the purpose of preventing disclosure of any of the Project Information. If such protective order or other remedy is not obtained, the Adviser/Dealer will disclose (and cause its employees, officers, partners and directors to disclose) only that portion of the Project Information which the Proponent is legally compelled to disclose as advised by written opinion of its legal counsel addressed to the OFA, the Adviser/Dealer or its employees, officer, partner or directors) is legally required to disclose and the Adviser/Dealer will exercise all reasonable efforts to obtain reliable assurances that confidential

treatment, to the extent available and practicable, will be accorded all disclosed Project Information.

Notice. Any notice or other communication to be given under this Agreement shall be addressed to:

(a) in the case of notice to the OFA:

~~[Insert contact details]~~Mr. Michael Manning
Executive Director
Ontario Financing Authority
One Dundas Street West, Suite 1400
Toronto, Ontario
M7A 1Y7
Canada

Formatted: Font: (Default) Times New Roman, Font color: Auto, English (United Kingdom)

(b) In the case of notice to the Adviser/Dealer:

[Insert contact details]

Any notice, demand or other communication required or permitted to be given or made under this Agreement shall be in writing and unless delivered personally to a responsible officer of the addressee, shall be sent by facsimile transmission or e-mail to the above addresses.

Each notice so given shall be deemed to have been received on the day of delivery, if so delivered or on the day of sending if sent by facsimile transmission or email or on the first business day thereafter if it was not sent on a business day during business hours of the recipient.

12~~3~~. **Enurement**

The provisions of this Agreement shall enure to the benefit of, and be binding upon, the parties and their successors and permitted assigns.

This Agreement may only be amended, modified or supplemented by a written agreement signed by both of the parties hereto.

No waiver of or consent to depart from the requirements of any provision of this Agreement shall be binding against either party hereto unless it is in writing and is signed by the party giving it. No failure on the part of either party hereto exercise, and to delay in exercising, any right under this Agreement shall operate as a waiver of such right.

13~~4~~. **Counterparts**
This Agreement may be executed in counterparts.

In witness whereof the parties have executed this Agreement as of the date first written above.

~~[~~**ONTARIO FINANCING AUTHORITY**~~]~~
by:

_____
Name: Michael Manning
Title: Executive Director

[ADVISER/DEALER]
by:

_____
Name:
Title:
I have the authority to bind the company.

Formatted: Font: Not Bold

From: Opal Kandelas
To: Sarah Harris
Subject: FW: OFA 2017-20 Business Plan
Date: Thursday, February 02, 2017 2:36:29 PM
Attachments: Draft 2017-20 OFA Business Plan - Board.pdf
2017-20 OFA Business Plan BOARD Meeting.docx

FYI.

From: Serena Ly
Sent: Thursday, February 02, 2017 11:11 AM
To: Joan Dougherty <Joan.Dougherty@ofina.on.ca>
Cc: Sarah Neville <Sarah.Neville@ofina.on.ca>; Lynsey Wynberg <Lynsey.Wynberg@ofina.on.ca>; Erica Wieder <Erica.Wieder@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: OFA 2017-20 Business Plan

Hi Joan,

Please find attached the OFA Business Plan for the Board Meeting. I've included a word and PDF copy.

Thanks,
Serena

Draft 2017–20 Business Plan

Table of Contents

EXECUTIVE SUMMARY 3

OVERVIEW OF 2016–17 RESULTS (TO DATE) 4

2017–20 OBJECTIVES 10

Total Revenues and Expenditures 10

MANDATE AND GOVERNING LEGISLATION 11

OVERVIEW OF CURRENT AND FUTURE PROGRAM AND ACTIVITIES AND IMPLEMENTATION PLAN: 2017–20 12

1. Execute the Province's borrowing program 12
2. Manage the Province's debt, investments, ONFA and financial risk, and contribute to the development of the Province's fiscal plan and outlook 12
3. Manage key financial relationships 13
4. Provide services related to cash management, banking, settlement, payment and financial and reporting 14
5. Advise on and implement corporate and electricity finance projects and policies 15
6. Ensure the successful activation of OFA's decentralized Business Continuity Plan (BCP). 16

RISK IDENTIFICATION AND ASSESMENT 17

ENVIRONMENTAL SCAN 36

Economic Conditions 36

Financial Markets 37

Government Initiatives 37

Regulatory Compliance 37

PERFORMANCE MEASURES 38

HUMAN RESOURCES 48

FINANCIAL BUDGET 49

OFA Multi-Year Operating Expenditure Forecast 49

OFA - Income Statement Projections 50

STRATEGIC CORPORATE SERVICES 51

INITIATIVES INVOLVING THIRD PARTIES 53

IMPLEMENTATION PLAN 53

COMMUNICATION PLAN 53

Business Plan 53

Other Communications 53

ORGANIZATIONAL CHART 54

EXECUTIVE SUMMARY

The Ontario Financing Authority (OFA) is a Provincial Crown agency established by the *Capital Investment Plan Act, 1993* (CIPA). The initiatives in the OFA's *2017–20 Business Plan* will focus on achieving the objectives set out in CIPA and the objectives set out in the OFA's mandate letter from the Minister of Finance, dated October 1, 2016 over a three year planning horizon, as well as reporting on results of the previous year's Business Plan. Initiatives for the 2017–20 Plan include:

1. Executing the Province's borrowing program through development and implementation of the annual Financing, Debt & Electricity Management Plan. The Plan will provide critical details on the borrowing program, including term structure and diversification objectives, as well as investor relations, liquidity, floating rate, foreign exchange and credit risk strategies, and also outline major risks and risk mitigation strategies.

2. Managing the Province's debt, investments, Ontario Nuclear Funds Agreement (ONFA) and financial risk, and contributing to the development of the Province's fiscal plan and outlook by working to generate savings from liquid reserve investment activities within prudent risk exposure limits, as well as centralized/segregated investment funds for various public bodies. This also involves managing ONFA-related investments, working together with Ontario Power Generation Inc. (OPG), to ensure interest rate, foreign exchange and credit exposures are within approved policy limits, as well as contributing to the Province's annual Budget, Fall Statement and quarterly finances.

3. Managing key financial relationships by building and maintaining connections with investors in both existing and new markets, as well as relationships with banks, financial service providers and investment dealers. This includes providing Investor Relations information products and updates on the OFA website. Maintaining close relationships and ongoing dialogue with credit rating agencies to keep them informed of the Province's financial status, priorities, and initiatives, and complete regulatory filings with the U.S. Securities & Exchange Commission (SEC) and any other applicable securities regulators.

4. Providing cash management and banking services on a centralized basis to all ministries and settlement, payment, financial and reporting, loan administration, information technology and client services to the Treasury Program by implementing effective treasury solutions for the Province and client agencies. Ensuring that the Province has sufficient cash available at all times to meet its financial obligations, and continuing to work with the other ministries to advise on banking and cash management components of government initiatives as well as on changes to accounting standards and their impact on the Province's debt and interest on debt.

5. Advising on and implementing corporate and electricity finance projects and policies by providing analysis and advice on cost-effective borrowing, investing and risk management by public bodies and other financing proposals, and on business cases for business supports. This includes providing advice on transactions that may affect the indebtedness or contingent liabilities of Ontario, including provincial guarantees. In addition, undertaking policy and financial analysis, modelling support and implementation, as required, for electricity financings, policies and initiatives, including ONFA, which could have fiscal, financial and/or economic implications for the Province and/or Ontario Electricity Financial Corporation (OEFC).

6. Ensuring the successful activation of OFA's decentralized Business Continuity Plan (BCP) by reviewing and updating the Corporate BCP Framework and Business Unit plans, as well as conducting corporate-wide BCP test exercises.

OVERVIEW OF 2016–17 RESULTS (TO DATE)

The Ontario Financing Authority (OFA) accomplished the following in support of the overall strategic directions outlined in the 2016–19 Business Plan[1]:

1. *Execute the Province's borrowing program*

- As of January 31, 2017, the OFA had completed $20.3 billion (85 per cent) of its $23.8 billion (as per the 2016 Fall Economic Statement) long-term borrowing requirement for 2016–17. Approximately 82 per cent of long-term borrowing was completed in the Canadian dollar market.
- The 2016–17 Ontario Savings Bond (OSB) campaign raised $127 million.
- The objectives set out in the 2016–17 Financing, Debt & Electricity Management Plan, approved by the OFA Board, are on track and expected to be successfully completed by fiscal year end.
- Sufficient liquidity has been available over the fiscal year to ensure the Province has been able to meet all of its financial commitments and payment obligations, largely reflecting the long-term borrowing program being consistently ahead of pace.
- Successfully executed five carve-out deals[2] to-date for the 2016–17 fiscal year (as of January 31, 2017). Held in-depth discussions with individual carve-out investors.
- On January 26, 2017, the Province successfully priced an $800 million re-opening of its January 2023 Global Green Bond. The six year bond will help fund twelve green infrastructure projects, with an emphasis on clean transportation and energy efficiency and conservation. The transaction represents the third and largest ever Green Bond offering from the Province of Ontario.
- Provided expertise in accounting for Green Bonds, and set up financial accounting and reporting for these investment vehicles that met the requirements outlined by the investor community. Developed and released a second Green Bond newsletter on December 12, 2016, updating investors on the second Green Bond's use of proceeds, project selection process, as well as, providing project updates on the eight projects selected.
- Analyzed the scope and impact of the Markets in Financial Instruments Directive (MiFID) II and the Bank Recovery and Resolution Directive (BRRD) on the Province and implemented required documentation changes to ensure the Province's continued, uninterrupted access to European capital markets.

2. *Manage the Province's debt, investments, ONFA and financial risk, and contribute to the development of the Province's fiscal plan and outlook*

- As of January 24, 2017, through the timing of debt issues and related hedging, the cost of regular borrowing for the Province based on the traditional methodology translated to a percentile ranking of 58th percentile against a statistical distribution of benchmark interest rates. As such the percentile ranking for regular borrowings is outside the designated target band of 45 to 55 percentile. The OFA has introduced a more accurate and comprehensive performance measurement methodology based on the tenor of individual debt issues. Applying this methodology, the cost of regular borrowing for the Province for the same date translated to a percentile ranking of 53rd percentile, falling within the target band of 45 to 55 percentile. The cost of strategic foreign borrowing as of January 24, 2017 translated into a percentile ranking of 54th percentile falling within the designated target band for strategic foreign borrowings of 50 to 75 percentile. The new methodology is yet to be extended to cover strategic foreign borrowings. There were no borrowings on behalf of OEFC.

[1] The OFA's fiscal year end is March 31, 2017, but quantitative performance results are as of December 31, 2016, unless otherwise noted.

[2] In order to accommodate large bond purchases by a single buyer, a large order procedure was implemented on October 14, 2011. The "carve-out" procedure allows for a portion of a bond issue to be sold to a single buyer.

- The money market performance was $ $21.6 million or thirteen basis points (bps) better than the benchmark as of December 31, 2016. The performance is eleven bps better than the upper limit of the target band which is plus or minus two bps of the benchmark.
- The interest-on-debt (IOD) expense for 2016–17 is currently forecast at $11,375 million, $381 million lower than forecast in the *2016 Budget*, primarily as a result of lower than forecast interest rates.
- Funds were managed on a discretionary basis on behalf of the Pension Benefits Guarantee Fund, Deposit Insurance Corporation of Ontario, Ontario Trillium Foundation, Infrastructure Ontario, and a commitment fund for the Ontario Capital Growth Corporation.
- Funds were managed on a non-discretionary basis on behalf of the Ontario Immigrant Investor Corporation and Northern Ontario Heritage Fund.
- With OPG, the Used Fuel and Decommissioning Segregated Funds' investments were managed under ONFA. The Funds have grown from $16.9 billion at January 1, 2015 to about $19.2 billion at September 30, 2016. As of November 30, 2016, the rate of return for the Used Fuel Fund for one year was 6.88 per cent compared to the market benchmark of 6.89 per cent and a target rate of return of 5.04 per cent. The rate of return for the Decommissioning Fund for one year was 6.79 per cent compared to the market benchmark of 7.07 per cent and a target rate of return of 5.15 per cent.
- Contributed to the Province's annual Budget and quarterly finances, including the electricity sector outlook and assets; advised on the potential implications of initiatives on interest on debt, borrowing objectives, credit ratings and financial markets' reactions.
- As part of the Pooled Asset Management Working Group, provided technical investment management expertise on the modelling, design and implementation of a pooled asset management entity for institutions in Ontario's broader public sector. In February 2015, a final report was presented to the Minister of Finance. The OFA has continued to assist the Ministry of Finance (MOF) in implementing the Investment Management Corporation of Ontario (IMCO).
- Administered borrowing authority obtained under the *Financial Administration Act* (FAA) which is required to carry out the Province's borrowing program. Effected changes to the FAA to better align the foreign currency conversion of debt maturities to be refinanced with the methodology used in calculating the Province's annual borrowing requirement.

3. *Manage key financial relationships*

- Held road shows, investor meetings and conference calls to meet with investors in Canada, the United States, Europe and Asia, and hosted meetings at the OFA offices. Held 139 investor meetings and events as of December 31, 2016, including meetings with 10 new accounts. Provided keynote speakers and panelists at industry conferences in Toronto and New York City. Promoted Toronto as a global financial centre.
- Continued development of the OFA website to improve functionality, add additional information for investors and provide full mobile accessibility. As part of Ontario's *Open Data Directive,* the OFA published an Open Data Inventory List on its website, which includes all of the datasets the OFA creates, collects and/or manages. The website continues to be an important tool for communicating with investors and the public, receiving 34,792 visitors during the 2016 calendar year. Three CEO's Corner updates were posted over this time. The OFA email alert list had 363 subscribers as of December 31, 2016.
- Maintained close relationships and held ongoing discussions with credit rating agencies and the banks which underwrite and distribute the Province's bonds in Canada and around the world to keep them apprised of government priorities and initiatives, the *2016 Budget*, the 2015–2016 Public Accounts, the *2016 Ontario Economic Outlook and Fiscal Review* (Fall Statement), the secondary offering of Hydro One upon its public announcement and other quarterly finance releases.
- Managed increasingly more rigorous regulatory and disclosure requirements, and maintained close relationships with the regulatory bodies in the global capital markets.
- Monitored credit exposures to banks with which the OFA has relationships. Executed 10 collateralized swap agreements with bank counterparties and are working toward executing additional agreements in order to mitigate credit risk with bank counterparties.

- Conducted comprehensive reviews of potential rule changes affecting the Province domestically and internationally such as the Market Abuse Directive (MAR) in the European Economic Area (EEA) and fee-based changes with Canada's primary central securities depository (CDS), consulting securities regulators and other capital market participants, as appropriate.
- Monitored and fully complied with international withholding tax requirements in respect of its financial agreements under FATCA and OECD Common Reporting Standard for Entity Tax Residency.

4. *Provide cash management and banking services as well as settlement, payment services, loan administration and financial and reporting services and client services*

- Provided centralized banking services to the Province by strategically managing banking relationships, as well as providing efficient centralized cash management services to the Province, minimizing interest on debt.
- Continued to provide cash management services to five client agencies and crown corporations, including the Pension Benefits Guarantee Fund, Ontario Capital Growth Corporation and the Deposit Insurance Corporation of Ontario.
- Managed the complex cash flows and settlement requirements associated with the secondary offering of Hydro One ensuring that these very large and time sensitive transactions were completed on a timely and accurate basis.
- Continued to advise ministries on the application of the Cash Management Directive with regard to Government priorities including the proposed cap and trade mechanism for Ontario.
- Continued strategic participation and advice to the cross-ministry Working Group, Executive Governance Committee and Payment Card Industry (PCI) Enterprise Coordination Office to assist ministries in maintaining compliance with mandatory security requirements for debit/credit card acceptance.
- After concluding a successful pilot, continued to work with the Ministry of Community and Social Services to replace social benefits payments made by cheque with a reloadable prepaid card product for all unbanked individuals providing both cost efficiencies, and improved services to Ontarians.
- Provided analysis and advice to Ministry of the Environment and Climate Change (MOECC) on the structuring of the Province's proposed Cap and Trade auction program, which will be linked with those of California and Quebec, to ensure its sound financial management and protection of the Province's interests.
- Provided advice to MOECC regarding the selection and management of a Financial Services Administrator to support the auction process, and control structure for the auction-related financial services and receipt of public money aspects.
- Provided advice to the Ministry of Government and Consumer Services (MGCS) on their procurement of corporate purchasing / travel cards as well as analysis of related *Financial Administration Act* considerations.
- Provided analysis and advice to ministries on payment options for new programs and program changes e.g. Ministry of Transportation Drive Clean program collections via Pre-Authorized Debit, Ministry of Advanced Education and Skills Development online collection of childcare license fees, and online Program Approval and Registration Information System.
- Based on an in-depth risk and efficiency analysis the Province determined to no longer accept American Express cards as a payment mechanism. The decision generated savings through the elimination of a parallel infrastructure as well as reduced risk by streamlining PCI data security requirements.
- Working closely with MOF to develop an e-services strategy for tax collection.
- Continue to engage with provincial and federal counterparts on treasury and cash management program issues throughout the year.
- Continued to provide timely and efficient settlement and payment services in managing the Provincial and OEFC debt portfolios and Non-Utility Generator (NUG) power purchase contracts.
- Continued to work with MOF, MGCS and Treasury Board Secretariat (TBS) in advancing the OFA initiative to move pension plan assets that are currently part of the Consolidated Revenue Fund into

more appropriate asset management structures that have the potential to release up to $50 million in annualized savings.

- The Integrity Commissioner has graduated the OFA from having to submit the travel expenses of the Board, the CEO and his direct reports and the top five employees in a fiscal year, for review by his office. The graduation is a testament to the timeliness and accuracy exhibited by the OFA in providing this information to the Office of the Commissioner over the past few years.
- As next steps in providing feedback to the Public Sector Accounting Board (PSAB) with regards to its new standard on Financial Instruments, the OFA has retained Deloitte Inc. to consult with other provinces and provide feedback to PSAB on provincial concerns with the proposed standard.
- Continued to provide accurate agency financial statements, as well as reported provincial debt, derivatives and investments in accordance with strict legislated timelines. As in past years, the OFA's 2015–16 Financial Statements received an unqualified opinion from the Office of the Auditor General. The Auditor General's annual review of the OFA's financial reporting of the Province's debt and interest on debt presented in the 2015–16 Public Accounts continued to be free of material issues.
- Renewed and administered long and short term credit facilities between the Province and Ontario Infrastructure and Land Corporation ("OILC").

5. *Advise on and implement corporate and electricity finance projects and policies*

- Advised on capital projects and financing options for ministries and public sector entities.
- Continued the review of business cases for OFA borrowing requests from public bodies including a number of Ontario colleges, school boards and corporations, expected to result in a total of $400 million in new long-term loans. Loan program annual savings are estimated to be at least $30 million per year for a total of approximately $230 million in cumulative savings to date.
- Continued to provide advice on municipal debt issuance and investment activities, including the expansion of the Prudent Investor standard to other large municipalities and on the Ministry of Municipal Affairs and Housing new municipal revenue tools strategy.
- Monitored terms and conditions of loans and loan guarantees and reviewed proposals and provided advice to the Deputy Minister and the Minister on proposed options to amend the loan guarantees and associated loan and contracts.
- Provided analysis and advice on the Province's investment in the Ontario Venture Capital Fund, the Northleaf Venture Catalyst Fund, Ontario Emerging Technologies Fund and the ScaleUp Ventures Fund. The CEO serves on the Board of Directors, and is a Vice-Chair of, the Ontario Capital Growth Corporation (OCGC), which manages the Province's interests in these four funds.
- Advised on and reviewed proposed contingent liabilities and indemnity agreements put forward by ministries and public bodies that would increase the indebtedness of the Province, including contingent liabilities and indemnities for major infrastructure projects, accommodation leases or broader public sector borrowing.
- Provided analysis and advice to the MOECC on the design of the Province's cap and trade auction program as well as the procurement of a financial services provider to the WCI Inc. to provide administrative support to that program.
- Provided analysis and advice to the MOECC on the establishment of a new climate change agency tasked with the implementation of the ministry's carbon reduction programs.
- Providing analysis and advice on the application of Section 28 of the *Financial Administration Act* to contracts entered into by public entities that would increase the indebtedness or contingent liabilities of the Province.
- Led the development of a new protocol for the sharing of powers and responsibilities under Section 28 of the *Financial Administration Act* between the Minister of Finance and the President of Treasury Board.
- Provided advice to the Ministry of Research, Innovation and Science (MRIS) on private sector refinancing of the MRIS-MaRS Phase 2 loan.
- Provided advice to ministries, Crown agencies and other public entities on loan structuring and credit enhancement strategies.

- Provided advice to the MOF's Office of Economic Policy regarding the Bank of Canada's proposal to extend an Emergency Lending Facility to all provincial credit unions.
- Provided analysis and advice in support of the Ministry of Energy moving forward with secondary offerings of Hydro One shares including, in 2016-17, the secondary offering executed in April 2016.
- Provided advice alongside MOF to help facilitate discussion and progress regarding the agreement-in-principle with First Nations – in support of broadening the ownership of Hydro One by the Province.
- Through a working group, working with Infrastructure Ontario and other areas of government, provided analysis and advice in support of unlocking the value of the Province's real estate assets, including the sale of the LCBO's head office lands in June 2016, and the sales process for OPG headquarters properties.
- Provided policy analysis and advice on the implementation of the Trillium Trust, and proposed framework for making disbursements from the Trillium Trust to receiving ministries in support of public infrastructure investments.
- Provided financial analysis and advice on continuous management and implementation of the commercial agreement with Borealis/Teranet for the electronic land registry system.
- CEO served on the Assistant Deputy Ministers' review committee of the Jobs and Prosperity Fund.
- Provided analysis, advice, and the fiscal impact of the electricity sector and asset optimization initiatives for the Province's annual Budget, Fall Statement, Public Accounts and quarterly finances.
- Supported electricity policies and initiatives, focusing on potential fiscal, financial, and economic impacts on the Province and OEFC, including analysis and advice to support implementation and expansion of the Industrial Electricity Incentive (IEI); expanding the Industrial Conservation Initiative (ICI); ongoing implementation of the Northern Industrial Electricity Rate (NIER) program and its review process, the rebate for residential, small business and farm electricity bills of an amount equal to the eight per cent provincial portion of the Harmonized Sales Tax (HST) or the Ontario Rebate for Electricity Consumers (OREC); and providing analysis and advice on the stranded debt of the electricity sector.
- Provided analysis and advice on proposed new loans facilities and continued to implement new and existing loan agreements between OEFC and OPG related to supply projects and refinancing debt maturities.
- Renewed and continued to implement a credit facility between OFA and the Independent Electricity System Operator (IESO) for liquidity purposes and also provided analysis and advice to ensure financial oversight / governance of these credit facilities following the merger of the OPA and IESO.
- Continued to implement the Aboriginal Loan Guarantee Program (ALGP) to facilitate Aboriginal equity participation in renewable energy and transmission projects. As of December 31, 2016, eight guarantees totalling almost $240 million have been approved under the ALGP. All applications are reviewed in conjunction with one or more third party due diligence providers.
- Continued to implement the ONFA, including monitoring the segregated fund values, monitoring, reviewing and providing analysis and advice on the Province's approval of OPG's ONFA Reference Plan submission in 2016 and related submissions, reviewing for approval OPG's ONFA Annual Budget submissions and disbursement eligibility and requests, and monitoring the provincial guarantee provided under ONFA to the Canadian Nuclear Safety Commission (CNSC) as part of OPG's financial guarantee requirement to the CNSC.
- Provided analysis and advice on electricity supply initiatives, including nuclear refurbishments.
- Provided continuous support on discussions related to developing infrastructure and projects in the Ring of Fire.
- Provided analysis and advice on policies to support the consolidation of Ontario's electricity Local Distribution Company sector.

6. *Ensure the successful execution of the OFA's decentralized Business Continuity Plan (BCP)*

- Reviewed and updated the Corporate BCP Framework.
- Business Units conducted monthly tests, ensuring their respective plans are reviewed and updated.

- Carried out two corporate-wide BCP test exercises, and implemented improvements to the Plan based on the results of these tests.
- Reviewed corporate BCP Command and Support Team membership.

2017–20 OBJECTIVES

Key objectives for 2017–20 include the following, as set out in the OFA's mandate letter from the Minister of Finance, dated October 1, 2016:

1. Execute the Province's borrowing program
2. Manage the Province's debt, investments, ONFA and financial risk, and contribute to the development of the Province's fiscal plan and outlook
3. Manage key financial relationships
4. Provide services related to cash management, banking, settlement, payment, financial and reporting, and client services
5. Advise on and implement corporate and electricity finance projects and policies

In addition to the foregoing, the OFA has also identified the following additional key objective:

6. Ensure the successful execution of OFA's decentralized Business Continuity Plan

Total Revenues and Expenditures

(in thousands of dollars)	**2016–17**		**Forecasts***		
	Budgeted	**Interim Forecast**	**2017-18**	**2018-19**	**2019-20**
Total Revenue	30,071	30,117	30,804	30,856	31,290
Total Expenditure	27,068	27,050	27,499	28,009	28,575
Net Income	**3,003**	**3,067**	**3,305**	**2,847**	**2,715**

Further detail can be found in the Financial Budget contained in this plan.

*Forecasts represent the submission through 2017–18 Program Review, Renewal & Transformation (PRRT) process to the Treasury Board. Subject to Treasury Board approval. Note that as part of the 2016–17 PRRT process, Treasury Board disallowed the OFA request for a two per cent inflationary increase in its budgeted allocations for the out years.

MANDATE AND GOVERNING LEGISLATION

The Ontario Financing Authority (OFA) is a Provincial Crown agency established by the *Capital Investment Plan Act, 1993* (CIPA). CIPA sets out the objectives of the OFA. The OFA:

- conducts borrowing and investment for the Province of Ontario and manages the Provincial debt;
- provides cash management and other financial services for the Province;
- advises ministries, Crown agencies, and other public bodies on financial matters; and
- assists Crown agencies and other public bodies to borrow and invest money through external sources or through the OFA.

The OFA also provides a broad range of financial services to Ontario Electricity Financial Corporation (OEFC) and Ontario Infrastructure and Lands Corporation (Infrastructure Ontario or OILC).

The FAA also sets out certain financial powers which OFA employees exercise on behalf of the Minister of Finance to carry out the Province's borrowing, manage the Province's debt and invest its liquid reserves.

OVERVIEW OF CURRENT AND FUTURE PROGRAM AND ACTIVITIES AND IMPLEMENTATION PLAN: 2017–20

Activities will focus on supporting the following strategic directions:

1. *Execute the Province's borrowing program*

Overview

The OFA endeavours to ensure that borrowing by the Province and OEFC is cost-effective. Total long-term public borrowing is forecast at $23.3 billion in 2017–18 and $28.7 billion in 2018–19. This year's objectives may be challenging to implement due to the state of the global economy/market and the resource constraints within which the OFA is operating. Furthermore, borrowing blackouts can limit the amount of time in which the OFA can access the market. This may require borrowing in excess of $3 billion per month when these blackouts are not in effect in order to complete the annual borrowing requirement. Other challenges include:

- continued high amount of borrowing required for the Province, including the amount that will have to be undertaken outside Canada;
- competition in the markets from other large domestic and international borrowers;
- evolving regulatory requirements such as Basel III, Dodd-Frank and EMIR that continue to make hedging of foreign debt more expensive and a challenge to execute in the size required by the Province;
- potential challenges for Ontario's credit rating. A downgrade may result in borrowing costs increasing; and
- management of downgrading or failure of counterparties, and continued implementation of collateralized swaps to mitigate credit risk.

Implementation Plan

- Develop the annual Financing, Debt & Electricity Management Plans for OFA Board approval and transmission to the Minister. These plans provide detail on the borrowing program, including term structure and diversification objectives, as well as investor relations, liquidity, floating rate, foreign exchange and credit risk strategies, and also outline major risks and risk mitigation strategies.
- Meet the Province's funding requirements, anticipated to average about $25 billion annually for the business plan period, in a cost-effective and prudent manner.
- Manage the Ontario Savings Bond campaign.
- Continue to monitor the Green Bond market to identify future issuance opportunities under its Green Bond Program.

2. *Manage the Province's debt, investments, ONFA and financial risk, and contribute to the development of the Province's fiscal plan and outlook*

Overview

The OFA manages the debt and liquid reserve portfolios, as well as centralized/segregated investment funds, for various public bodies, and jointly manages the Ontario Nuclear Funds with OPG. Financial risks associated with capital market activities are mitigated by adhering to prudent risk management policies which minimize financial risk by ensuring exposures and losses remain within approved limits. Risk management policies and program exposure limits are approved by the OFA Board of Directors. The OFA also contributes interest on debt, borrowing and debt management objectives, and electricity sector fiscal impact projections to the Budget, Fall Statement and other quarterly financial updates.

Implementation Plan

- Generate savings from liquid reserve investment activities within prudent risk exposure limits, as well as centralized/segregated investment funds, for various public bodies. Manage ONFA-related investments, working together with OPG.
- Ensure interest rate, foreign exchange and credit exposures are within approved policy limits.
- Contribute to the Province's annual Budget, Fall Statement and quarterly finances, including the electricity sector outlook; advise on the potential impact of initiatives on interest on debt, borrowing objectives, credit ratings and financial markets' reactions. Continue playing an important role in the development of the Province's annual Budget and quarterly statements through the provision of timely and accurate financial information, and preparation of the Borrowing and Debt Management section of the Budget and Fall Statement.
- Continue with the implementation of the new methodology based on assessing individual debt issues by tenor, to measure the performance of the borrowing program.
- Continue to implement applicable changes as per financial and regulatory reform requirements including evolving effects from Basel III, EMIR and Dodd-Frank. These regulations are expected to continue to make the OFA's hedging process more complex. Hedging may also continue to become more expensive if proposals such as financial transaction taxes or mark-to-market derivatives taxes are legislated and implemented in Europe or the United States.

3. *Manage key financial relationships*

Overview

The OFA ensures investors and the financial community in Canada and abroad receive financial updates on a timely basis to make informed decisions about Province of Ontario debt securities. Investor Relations activities support borrowing program objectives by maintaining and broadening the Province's investor base. The OFA also ensures credit rating agencies understand government policies, budget, and fiscal performance, properly reflecting these factors in their reports and rating decisions.

The OFA manages the government's relationships with financial institutions, primarily the major Canadian and global banks, their investment dealer subsidiaries, and custodial and fiscal agents. This involves the acquisition and oversight of cost-effective products and services for the Province and certain Crown corporations.

Implementation Plan

- Support the Province's borrowing program by building and maintaining relationships with investors in existing and new markets. Provide Investor Relations information products, including updates to the OFA website, on a timely basis.
- Maintain close relationships and ongoing dialogue with credit rating agencies to keep them informed of the Province's financial status, priorities, and initiatives.
- Manage Ontario's relationships with banks, financial service providers and investment dealers.
- Complete regulatory filings with the U.S. Securities & Exchange Commission (SEC), United Kingdom Listing Authority (UKLA), Luxembourg Stock Exchange (LuxSE), Australian Securities Exchange (ASX) and any other applicable securities regulator. Conduct due diligence conference calls, as required, with the dealers and underwriters of the Province's debt securities offerings and their legal counsel.
- Implement and maintain collateralized swap agreements with bank counterparties to limit potential financial losses as a result of a credit event.
- Manage changes in financial and regulatory reform, liaising with regulators and legal counsel, as required.

4. *Provide services related to cash management, banking, settlement, payment and financial and reporting*

Overview

The OFA provides centralized banking and cash management services to the Province. The effective provision of these services allows for the efficient delivery of provincial services and contributes towards minimizing interest on debt expenditures. The OFA is responsible for settlements, payments and accounting/reporting functions associated with the Province's and OEFC's debt management programs, as well as agency financial reporting.

Implementation Plan

- Identify and implement effective treasury solutions for the Province and client agencies.
- Ensure that the Province has sufficient cash available at all times to meet its financial obligations.
- While compliance with PCI Data Security Standards is now in its sustainment phase, the OFA will continue to work with the other OPS stakeholders and the credit/debit card acquirer to ensure that the mandatory external reviews continue to report that that Province is in compliance with all applicable PCI standards.
- Continue to work with American Express and TD Merchant Services, the Province's card acquirer, to explore options for the continued acceptance of American Express cards via the acquirer's existing systems for Visa and MasterCard. The new arrangement would enable Amex cards to be used to obtain Provincial goods and services in a way that mitigates risk and increases efficiency for the Province.
- After the completion of a successful pilot, continue to work with the Ministry of Community and Social Services on the rollout of a reloadable payment card for unbanked benefit recipients under the Ontario Disability Support Program.
- Continue to advise ministries and agencies on the banking and cash management components of government initiatives including modernization and suitable banking options, as well as associated legal and regulatory aspects.
- Continue to collaborate with industry associations and provincial and federal jurisdictions on modernization initiatives and issues unique to the public sector.
- Continue the delivery of timely and accurate settlement/payment services for the Province and OEFC, including OEFC power supply contract settlements.
- Continue to work on the replacement of the Public Bodies Financing System with a new, internally developed/externally sourced system capable of handling all loans issued by the OFA and the Province. Progress is expected to proceed according to schedule and it is anticipated that the new system will be operational in 2017–18.
- Continue to work with the Ontario Pension Board, MOF Income Security and Pension Policy Division and TBS on the first phase of regularizing the management of various pension plans whose assets reside in the Consolidated Revenue Fund. The first phase is aimed at transferring the regulated portion of the assets of the Judges' Pension Plan to the IMCO generating annualized savings estimated to be $15 million.
- Work with the Office of the Provincial Controller and OPG to develop options to address the potential under PSAB for Public Accounts consolidation adjustment impacts from OPG and Hydro One results under the International Financial Reporting Standards.
- Provide timely and reliable net debt and total debt estimates for the 2017 Annual Budget and the Province's quarterly reports during the fiscal year including the Fall Economic Statement.
- Continue to provide timely and accurate financial reporting for the Province on debt, derivatives and investments. Continue to provide timely and accurate agency financial statements that pass scrutiny of the OFA Board and the Office of the Auditor General.

- Continue to work with the Office of the Provincial Controller on providing value-added feedback on Chapter 2 of the Annual Report of the Auditor General of Ontario that deals with Ontario's Public Accounts.
- Continue to monitor and assess any new accounting developments of the International Accounting Standards Board, the Financial Accounting Standards Board in the U.S., the Accounting Standards Board and the PSAB of the Chartered Professional Accountants of Canada that affect reporting for the Province and its agencies.
- Continue to work with Deloitte Inc. in consulting with the accounting and borrowing communities of the other provinces towards providing PSAB with concerns expressed by these jurisdictions and Ontario. Also with Deloitte Inc., collaborate on developing options that address the provinces' concerns. Continue to liaise with the Office of the Provincial Controller and, where required, the Office of the Auditor General of Ontario in communicating with PSAB.

5. *Advise on and implement corporate and electricity finance projects and policies*

Overview

The OFA provides financial modelling, analysis and advice to the Ministry of Finance, other ministries, OEFC, Crown agencies, and other public bodies, on financial policies and projects, electricity sector policies and initiatives, and borrowing from capital markets. The OFA also provides assistance in structuring and completing financial transactions, and securing and using private sector financial advisers. The OFA has been leading the implementation of the Trillium Trust and will also continue to work with the Ministry of Finance, other ministries, and Infrastructure Ontario on on-going asset optimization initiatives, including unlocking the value of certain real estate assets. The OFA is providing analysis and support as the Province moves forward in selling up to 60 per cent of its shares of Hydro One over time.

The OFA will also continue to support and facilitate the implementation of a number of other government initiatives, including the Cap and Trade Program and investing in Ontario's venture capital sector.

Implementation Plan

- Provide analysis and advice on business cases and other financing proposals. Develop the structure and negotiate the detailed terms and conditions of transactions to minimize costs and best meet market expectations.
- Provide advice on cost-effective borrowing, investing and risk management by public bodies.
- Provide advice on transactions requiring a provincial guarantee or those that may otherwise increase the indebtedness or contingent liabilities of Ontario.
- Develop interest rate and other borrowing, investing and risk management policies, and advise ministries, agencies and public bodies on interest rates and other financing issues.
- Support initiatives for Ontario's various industry sectors.
- Provide continued support for the government initiative on OFA loans to public bodies.
- Provide support to the government on Ministry of Finance loans and loan guarantees as required.
- Continue to provide advice to ministries, Crown agencies and other public bodies on financing, loan structuring and credit enhancement strategies.
- Provide advice as required on evaluating the Province's assets, including investments in its business enterprises, and analysis and advice on asset optimization to enhance efficiency and maximize value.
- Provide policy and financial analysis, and modelling support, as required, for electricity policies and initiatives that could have fiscal, financial and/or economic implications for the Province and/or OEFC, including the following:
  - *The Ontario Rebate for Electricity Consumers Act, 2016.*
  - Ongoing implementation of the Industrial Electricity Incentive program.

  - Ongoing implementation of the NIER program.
  - Expanding the Industrial Conservation Initiative.
  - Electricity supply and conservation initiatives.
- Provide financial due diligence and advice to the Minister of Finance on applications received under the ALGP.
- Monitor and provide electricity sector fiscal and financial projections for the Province and OEFC, including analysis and advice to the Minister of Finance on the stranded debt, as well as continued reporting on OEFC's revenue sources (e.g. the debt retirement charge (DRC) for non-residential users, now legislated to end on April 1, 2018, and payments in lieu of taxes) and expenses (e.g. interest on debt).
- Provide analysis and advice to support the effective administration of ONFA and other initiatives related to nuclear liabilities, including monitoring and reviewing OPG's implementation of its ONFA Reference Plan as updated from time-to-time, approval of yearly ONFA budgets including investment related expenses, reviewing OPG's expected financial guarantee submission to the CNSC expected in 2017, including reviewing, monitoring, and seeking approval on any implications on a Provincial guarantee to the CNSC, as provided for under ONFA.
- Provide analysis and advice on nuclear supply, financing and cost recovery issues, including for nuclear refurbishments.
- Continue to monitor, review and support policy discussions on developing the Ring-of-Fire.
- Continue to work closely with staff at the MRIS and OCGC on approaches for managing the Province's investment in the Ontario venture capital sector. Support the CEO's role as Vice Chair of the OCGC Board.
- Provide analysis and due diligence related to Jobs and Prosperity Fund applications and relevant Eastern Ontario Development Fund and Southwestern Ontario Development Fund applications.
- Continue to support the government's asset optimization initiative of broadening the ownership of Hydro One by providing financial analysis and advice, and dedication of net revenue gains from these transactions to the Trillium Trust to support investments in infrastructure.
- Provide coordination and oversight of certain real estate asset optimization initiatives, such as, the divestment of OPG's head office properties, and Seaton and Lakeview lands.
- Lead implementation of the Trillium Trust to help support investments in transit, transportation and other priority infrastructure.

6. *Ensure the successful activation of OFA's decentralized Business Continuity Plan (BCP).*

Overview

The BCP remains in place and is updated as required to be successfully activated so staff can complete critical time-sensitive tasks in the event of a business disruption.

Implementation Plan

- Review and update the Corporate BCP Framework.
- Review and update Business Unit plans.
- Plan and conduct corporate-wide BCP test exercises.
- Review corporate BCP Command and Support Team membership.

Implementation of the above strategic directions will require regulatory compliance and reliable information technology.

RISK IDENTIFICATION AND ASSESMENT

Accountability	Risk Assessment	
P Primary	L Low	H High
X Additional	M Medium	EH Extremely High

Summary Table

Risk Assessment Summary		Accountable Business Division						Risk Assessment		
		Capital Markets	Corporate & Electricity Finance	Finance and Treasury	Legal	Risk Control	Strategic Corporate Services	Likelihood	Impact	Overall Assessment
Strategic Risks	Strategic / Policy Risk	P	X			X		L	EH	H
	Meeting Stakeholder Expectations	P		X				M	EH	H
	Public Image	P		X				L	H	M
	Quality of Relationship with Stakeholders	P		X		X		L	H	M
Accountability / Governance	Governance, Information, and Regulatory Compliance	X		P	X			L	H	M
	Risk and Issue Management			X		P	X	L	H	M
	Statutory Requirements are met				P			L	H	M
	Reliability of Financial Systems			P				L	H	M
Operational	An economic slowdown straining the fiscal plan, thus affecting the borrowing program	P						M	H	H
	Financial Market Risk	X				P		M	H	H
	Inability to complete the borrowing program due to market breakdown or loss of faith in the Province's ability to repay debt	P						L	EH	H
	Risk of credit rating downgrade	X				P		M	H	H
	Credit Risk	X				P		L	H	M
	Electricity Policy and Price Risk		P					M	M	M
	Operational, including systems, internal control, and reputation risks	X	X	X	X	X	P	L	H	M
	Service Providers (e.g. custodians, fiscal agents, banks, etc.)			P				L	M	L
	Low investment returns or inadequate investment controls on nuclear funds	P						M	H	H
	Default on Loans to Public Bodies		P					L	L	L
	Default on Guarantees under the ALGP		P					L	L	L
	Increased borrowing to fund loans to public bodies		P					L	L	L
	Government Cost Constraints			P				M	H	H
Workforce	Employee Fraud			P				L	M	L
	Human Resource Risk	X	X	P	X	X	X	M	EH	H
Information Technology and Infrastructure	Privacy and Security						P	L	M	L
	Business Continuity						P	L	H	M
	Procurement			X			P	M	M	M

Risk Identification, Assessment, Mitigation Strategies

The following section identifies potential risks that could impact the entire organization in its ability to successfully deliver its programs and activities on behalf of the Province.

Risk Element or Classification	Identification of Risk / Risk Description	Likelihood and Rationale	Impact and Rationale	Overall Assessment of Risk Element	Mitigation Strategy
Risk Category: STRATEGIC **RISK AREA: Strategic:** Risks related to implementing (or not implementing) new policies or changes to existing policies (e.g., misalignment of agency policies with those of the OPS). The risk that strategies and policies will fail to achieve required/targeted results. The risk of failing to provide value for money or cost-effectiveness. This can include existing policies that may be affected by changes in external factors including the economy, technology and political environment.					
Strategic/ Policy Risk Primary Accountability: Capital Markets Division	Strategies and policies fail to achieve required results. Prime examples are failing to meet the borrowing requirements and failures in implementing core risk management strategies.	LOW Past experience indicates that the likelihood of major strategic failures is relatively **low** as they cannot always be eliminated. There are elements of borrowing and risk management which are outside the Province's control which can negatively impact required results. For example, financial conditions could result in higher interest costs or interest rate risk than anticipated or refinancing risk in future years may be much higher than desired if investor demand for longer term bonds is substantially reduced.	EXTREMELY HIGH The financial consequences of strategic failures in borrowing or risk management strategies and associated policies can be **extremely high**, and the annual Financing, Debt & Electricity Management Plan outlines strategies which attempt to address the challenges, including contingencies for unexpected events. In addition, management monitors major market and policy developments throughout the year very closely and will develop and implement new strategies and policies if conditions warrant. Even though the likelihood of major strategic failures is low, the impact remains extremely high resulting in an overall high risk assessment.	HIGH	Strategic plans and policies to mitigate strategic and policy risk are initially developed and implemented in a thorough manner as outlined in the OFA's annual Financing, Debt & Electricity Management Plan ("the Plan"). This includes an analysis of risk factors and contingency plans. The Plan is approved by the respective Boards (OFA and OEFC) and receives input from Board members. Market conditions and policy developments are monitored on a continual basis throughout the year to identify new and emerging developments which could impact strategic and/or policy risks. Existing control strategies are modified as required to mitigate adverse developments. Procedures are in place to ensure that staff are aware of relevant policies. Policy violations are rare, and a robust control framework exists to identify violations quickly. Most violations would not have a large enough impact to threaten achieving required strategic results.
Meeting stakeholder expectations	The risk that the OFA may fail to meet stakeholder expectations, including those of the Province and other public bodies.	MEDIUM There is a **medium** likelihood of failure to meet stakeholder expectations and performance	EXTREMELY HIGH Given that the impact of not meeting stakeholder expectations can be **extremely high**, combined with a	HIGH	An analysis of risk factors and contingencies is included in the OFA's annual Financing, Debt & Electricity Management Plan. This analysis is revisited throughout the year.

Risk Element or Classification	Identification of Risk / Risk Description	Likelihood and Rationale	Impact and Rationale	Overall Assessment of Risk Element	Mitigation Strategy
Primary Accountability: Capital Markets Division	Stakeholder expectations include strategic/policy risk factors as well as the risk of failing to meet performance benchmarks.	benchmarks. Market factors tend to be relatively unpredictable and many factors are out of OFA's control. The current environment of expanding service requirements and constrained resources adds some risk; however, it is expected to be minimal. Based on past experience, it is expected that most stakeholder expectations will be met.	medium likelihood the net result is a high risk assessment. The impact of a one percentage point increase in yields was estimated to be $350 million for 2016–17. Although the OFA has been able to extend the borrowing term in recent years, interest rate risk will remain elevated for several years. Continuous communication with the Deputy Minister and Minister ensures that expectations for the Province are clearly understood. Commitments are made after thorough and careful analysis to ensure that resources and expertise are in place to meet those expectations. Close and continuous communication and meetings with relevant public bodies (e.g. Agencies) who use our services ensures that expectations and service requirements are clearly understood. In addition, formal service level agreements (e.g. investment management agreements) have been developed which clearly outline the services and benchmark performance standards.		Given the relatively unpredictable nature of market factors, ongoing monitoring of market and policy factors provides a level of risk mitigation. Continuous dialogue with stakeholders and regular reporting are also useful in keeping abreast of both expectations and performance. Emerging issues which may affect expectations are identified and are regularly reported to the Deputy/Chair as well as the Board (OFA and OEFC). This provides greater assurance that expectations will be met or managed through approved mitigation strategies. Meeting performance benchmarks for the Province and other public bodies also depends on adequate resources being available to maximize performance. This includes information systems services, and most importantly, staff. A highly educated and experienced workforce provides a higher likelihood that stakeholder expectations will be met. The OFA works to attract and retain highly qualified staff.
Public image Primary Accountability: Capital Markets Division	The risk that the OFA may damage its reputation with stakeholders and third party service providers.	LOW The likelihood of reputational risk to the OFA is **low.** There are extensive policies to govern staff conduct including, with respect to conflicts of interest, procurement and workplace harassment. In addition,	HIGH The impact of image problems can be **high** which combined with a low likelihood results in an overall medium risk assessment.	MEDIUM	Public image risk is mitigated through a host of strategies: i) a strong policy framework to provide greater information to staff to make them aware of potential public image problems; ii) strong internal controls to reduce the risk of policy violations and adverse information releases; iii) public communication protocols to reduce the risk of incorrect and damaging information releases; iv) an

Risk Element or Classification	Identification of Risk / Risk Description	Likelihood and Rationale	Impact and Rationale	Overall Assessment of Risk Element	Mitigation Strategy
		procedures are in place to ensure that staff are aware of all policies. There are also regular reporting requirements and internal controls to reduce the potential for policy violations. Dealings with the press are handled through official MOF communication staff and investor and other stakeholder information is handled with extreme care. Accordingly, the likelihood of reputational risk problems with stakeholders and service providers is **low**, although mistakes can happen and there are certain factors which the OFA cannot control.			investor relations program which is responsive to investor needs and responds to investor requests for information promptly; v) ongoing dialogue with dealers to keep abreast of information in the marketplace relating to both Ontario and the OFA; and vi) a management structure and culture which promotes security of information and extreme care in disclosing information in a public forum. Strategies iii-v involve constant communication with external stakeholders. This feedback loop provides the OFA with a method of assessing the organization's public image. The OFA has a comprehensive procurement policy that ensures that its suppliers and service providers are selected in a fair manner. When appropriate, the OFA requires that service providers obtain security clearance. OFA contracts with service providers address confidentiality and contract precedents generally require approval before a contractor may use its association with the OFA for any purpose. All substantive contracts that Capital Markets enters into in the name of the OFA must be reviewed by the OFA Legal Branch. All substantive contracts that Capital Markets enters into in the name of the Province, must be reviewed by MOF Legal.
Quality of relationship with stakeholders Primary Accountability: Capital Markets Division	The risk that the OFA's stakeholder relationships are poorly managed.	LOW The likelihood of failure managing OFA's stakeholder relationships is **low** as the OFA strives to deal with all of its stakeholders in a fair, transparent and responsive manner.	HIGH The quality of the business relationships with stakeholders that the OFA is engaged in such as investors, credit rating agencies, dealers and employees can have a high impact on the success and cost of OFA activities. However, the likelihood of failure in these activities is	MEDIUM	The OFA provides relevant, non-confidential information to investors in a fair and transparent manner, including information pertaining to the Budget and quarterly finances. Confidential information is handled in a manner consistent with laws and regulations, such as the *Public Services Ontario Act, 2006* and the *Securities Act, 1990*. The annual Investor Relations Plan is developed each year with the goal of providing updates to investors, both domestic and international, on a regular basis through outreach and information products. Requests for information or meetings from investors are responded to

Risk Element or Classification	Identification of Risk / Risk Description	Likelihood and Rationale	Impact and Rationale	Overall Assessment of Risk Element	Mitigation Strategy
			relatively **low** which results in an overall medium risk assessment.		very promptly. The quality of the Province's relationships with stakeholders is constantly monitored. Should the strategies in the annual Investor Relations Plan fail to achieve the desired relationship levels, the OFA can choose to engage additional financial dealers or more senior Ministry of Finance representatives to participate in its investor outreach activities. Dealers are utilized in a fair and objective manner for bond issues. A syndicate evaluation is used to rank domestic dealers objectively, and commissions for domestic bond issues are based on this annual evaluation. Dealers thus know the OFA's service priorities and understand their bond issue allocations for the year. International issues also utilize dealers based on their level of service and strengths they bring to particular markets and issuance opportunities. The OFA continuously communicates with its dealers and also has regular meetings with them, and thus relationship issues tend to be dealt with quickly. Given the high importance of Ontario's credit ratings to its borrowing program, the OFA has very well established relationships with the credit ratings agencies. The OFA has regular meetings with the agencies, responds promptly to requests for information, and facilitates participation of more specialized or senior government officials as required.
Risk Category: ACCOUNTABILITY / GOVERNANCE **Governance/ Accountability/ Organizational Risk**: Risk that the organizational structure, accountabilities or responsibilities are not defined, designed, communicated or implemented to meet the organization's objectives, and/or that culture and management commitments do not support the formal structures. Risk of conflict of interest for board members. Inadequate ethics / codes of conduct. Inadequate definitions of roles and responsibilities. Risk of failure to comply with administrative requirements, such as directives. **Legal/ Contractual Compliance Risk:** Risk related to the potential cost of complying with a contractual agreement, or of litigation (including established policy and procedure) against the agency or government. Risk that a government initiative or action will contravene a contract, Memorandum of Understanding or policy. The costs/risks related to changing legislation could include lawsuits, settlements, fines, penalties and legal fees. Risk of failure to comply with administrative requirements such as directives.					
Governance, Information and Regulatory Compliance	The risk that oversight and governance responsibilities are not clearly defined; the risk that internal and	LOW The likelihood of failing in this area is **low**. Various policies and procedures	HIGH The impact of failing in this area is **high;** however, combined with the low	MEDIUM	Regular and special meetings of the OFA Board and its Committees, comprised of the Audit and Risk Management Committee (ARMC), Human Resources and Governance Committee (HRGC)

Risk Element or Classification	Identification of Risk / Risk Description	Likelihood and Rationale	Impact and Rationale	Overall Assessment of Risk Element	Mitigation Strategy
Primary Accountability: Finance and Treasury Division	external information produced or used is incomplete, out-of-date, inaccurate, irrelevant or inappropriately disclosed.	define roles and responsibilities required for effective governance, including oversight by the OFA Board, chaired by the Deputy Minister of Finance, and largely comprised of independent, external members; and reporting requirements to the Minister of Finance. Furthermore, the audits by Internal Audit Division that cycle over all major functions of the OFA include a review of the associated policies and procedures and to date no material gaps have been identified. All audit recommendations are presented to the OFA ARMC and addressed within reasonable timeframes.	likelihood of this happening results in a medium risk assessment		and the ONFA Investment Committees (ONFA IC). The Deputy Minister of Finance is, pursuant to CIPA, the Chair of the OFA Board, which establishes a clear governance framework for OFA management and accountability to the Minister of Finance. The OFA uses secure communication procedures with internal and external parties; it also undertakes effective oversight of service providers, reconciliation processes, stringent disclosure policies, staff learning and development, and timely filing of regulatory reports.
Risk and issue management Primary Accountability: Risk Control Division Secondary Accountability: Finance and Treasury Division	The risk that the OFA may not effectively manage and mitigate financial risks including fraud risk.	LOW A review process established at the OFA that includes daily compliance monitoring, division of responsibilities, and a highly-developed and rehearsed response plan for emergencies results in a **low** likelihood.	HIGH The OFA is a major participant in capital markets and has extensive dealings with banks on behalf of the Ontario government. As a result, the potential impact for errors and omissions having a high dollar value is **high.** The mitigation strategies employed by the OFA reduce the overall assessed risk to Medium.	MEDIUM	Financial risks associated with the OFA capital market activities are managed through the OFA risk management framework, which includes policies that are updated, reviewed by the Ontario Internal Audit Division and approved by the Board on an annual basis. Compliance with policies is monitored through a daily reporting cycle including where applicable on a real time basis, and credit risks are also monitored in real time. Fraud: Division of responsibilities between divisions to create a separate front, middle and back office for capital markets transactions and appropriate separation of duties and signing authorizations within divisions reduce risk of fraud. All staff is

Risk Element or Classification	Identification of Risk / Risk Description	Likelihood and Rationale	Impact and Rationale	Overall Assessment of Risk Element	Mitigation Strategy
					encouraged to report any wrongdoing at all times and senior management is asked to confirm quarterly whether they are aware of any wrongdoing. Issues management: In addition to a monthly Capital Markets update letter, the CEO also reports on any issues or concerns quarterly to the Board and has regular meetings with the Chair. Division Heads/Directors report quarterly to the Board on their area's progress in achieving the objectives identified under the Annual Business Plan. The OFA's financial statements are prepared and presented on a quarterly basis to the ARMC and the Board. They are also shared with senior staff of the Office of the Auditor General. The OFA provides the interest-on-debt, debt and derivative information that is presented in the Public Accounts of the Province. The numbers and the process including the underlying internal controls are audited annually by the Office of the Auditor General. Up to now, no material issues have been identified as part of this audit. OFA prepares issues notes, and feeds into the Ministry's communications branch for issues management and to address contentious issues. The Ontario Internal Audit Division develops a three year audit plan for the OFA that is updated annually. Audits under this plan, as well as special reviews as and when required provide an overall comfort level. The ARMC conducts in camera sessions with internal audit, staff of the Office of the Auditor General and the OFA's Chief Financial and Risk Officer at each quarterly meeting during which they are free to candidly raise any concerns about overall risk and issues management issues at the OFA.

Risk Element or Classification	Identification of Risk / Risk Description	Likelihood and Rationale	Impact and Rationale	Overall Assessment of Risk Element	Mitigation Strategy
					To avoid financial risk resulting from an inability to function during an emergency, the OFA has a highly-developed and rehearsed response plan for emergencies, addressing key risks such as fire, terrorist attack, pandemic or other threat. The work of the OFA can be carried out with all staff working from home. The OFA also maintains a collocate site at a remote location that houses a continuously available, mirrored IT infrastructure. Staff are subject to randomly declared, OFA-wide, work-from-home drills at least annually. OIAD reviews and comments on business continuity test results.
Statutory requirements are met Primary Accountability: Legal Division	Risk of non-compliance with statutory requirements	LOW The likelihood of non-compliance is considered **low** because OFA staff have experience and awareness regarding legal compliance in relation to the performance of their jobs. While regulation in some areas (such as in capital markets and the banking and payment card industry) is complex and continues to evolve, program areas have ready access to legal advice.	HIGH Impact is considered **high** since failure to comply with a statutory requirement could negatively affect the reputation of the OFA and the Government. Also, violations relating to capital markets operations could have serious financial implications. Combined with a **low** likelihood, the resulting overall risk assessment is medium.	MEDIUM	Currently, the OFA and Ministry of Finance Legal Branches advise of statutory requirements and changes affecting OFA operations and also are available to advise on steps to effectively address any non-compliance. Information on legal requirements relating to Public Servants is distributed to staff using the Policy and Procedure Management system. Non-compliance with laws, regulations and directives is reported to the Legal Director, who reports it to the CEO and the Board of Directors. CEO/Board direct remedial action (which may include learning and development). Education is encouraged and Divisions budget for necessary learning.
Reliability of financial systems Primary Accountability: Finance and Treasury Division	The risk that the OFA's financial information and reporting system is not reliable or fails to meet quality standards.	LOW The review process that the OFA has established including audits by the Internal Audit Division and the Office of Auditor General of Ontario ensures that the likelihood of occurrence is **low**.	HIGH While the impact of less than reliable financial information is indeed **high**, the low likelihood of this happening results in an overall medium risk assessment.	MEDIUM	The OFA has well-established processes and procedures for monitoring and reporting on its financial performance to its ARMC and Board of Directors and to the ministry as well as the Office of the Treasury Board. OFA financials are prepared on a quarterly basis for discussion, and shared with the staff of the Office of the Auditor General and approval by the ARMC and Board of Directors. In addition the OFA financials are audited annually by

Risk Element or Classification	Identification of Risk / Risk Description	Likelihood and Rationale	Impact and Rationale	Overall Assessment of Risk Element	Mitigation Strategy
					the Office of the Auditor General who has provided unqualified opinions on all past financials. Staff of the Office of the Auditor General also audit, on an annual basis, the OFA's work on the Province's debt and interest on debt. This annual audit includes reviewing the underlying systems and internal controls. Up to now, no material issues have been identified and the OFA has implemented all recommendations arising from this audit. Changes to accounting pronouncements are also addressed during the quarterly discussions with the ARMC and the Office of the Auditor General. Annual budgets and audited financials are submitted to the Ministry as per TBS requirements. A further level of assurance exists as a result of the work carried out by the Ontario Internal Audit Division (OIAD). OIAD develops a 3 year audit plan with consultation from Division heads and all finding and recommendations are presented to the Audit and Risk Management Committee of the OFA Board. The OFA's progress in implementing recommendations are also presented on a quarterly basis to the same committee.
Debt and Risk Management Risk Category: OPERATIONAL **RISK AREA:** Program Caseload/ Utilization: Change in demand for services or entitlements or increased claims/case load that can be deferred. Assumes no policy or legislative changes.					
An economic slowdown straining the fiscal plan, thus affecting the borrowing program.	Fiscal strain stemming from a significant economic slowdown would likely result in higher borrowing requirements. This could be experienced as much larger borrowing requirements over a fairly short time horizon or consistently	MEDIUM The possibility of a major downturn in economic activity or longer term slow economic growth is given a **medium** likelihood due the historical frequency of such events. The last recession was approximately six years ago. Since then, the Ontario economy has	HIGH The impact on the borrowing program will depend in part on the extent of the economic slowdown. A large economic slowdown, perhaps a recession, would have a large impact on the borrowing program over a couple of years, but persistent sub-par growth would also be	HIGH	The Capital Markets Division is in constant contact with external economic experts who provide forecasts and analysis on the Province's economy as well as other major economies around the globe (including Canada's). In addition, the OFA is provided with a wealth of forecasts and economic insight from the Ministry of Finance.

Risk Element or Classification	Identification of Risk / Risk Description	Likelihood and Rationale	Impact and Rationale	Overall Assessment of Risk Element	Mitigation Strategy
Primary Accountability: Capital Markets Division	higher requirements over a longer time period.	had only modest growth in recent years, with MOF projections showing a continued trend of low to medium economic growth.	painful. The impact of a one percentage point change in real GDP was estimated to be $845 million for 2014-15. The world economy is currently highly reliant on U.S. economic growth and would be at risk if that fades. Given that Ontario's borrowing requirements are already quite large, the impact would likely be high, meaning that interest costs could increase appreciably. One result could be a reduced average term of borrowing to reduce borrowing costs or respond to reduced demand for longer term debt which would increase refinancing and floating rate risk. There could also be pressure to increase foreign exchange or counterparty credit exposures in order to reduce costs. The overall assessment of this risk is **high**.		The OFA undertakes its borrowing strategically to reduce the effects of forecasted events. The OFA can also engage third party experts to provide advice on how to reduce any adverse events that may have an impact on the borrowing program.
Financial market risk Primary Accountability: Risk Control Division	Higher-than- forecast borrowing requirement and/or interest rates, resulting in higher annual interest-on-debt (IOD) charges. Financial loss attributable to changes in interest rates, credit spreads, foreign exchange and liquidity risk.	MEDIUM Higher-than- forecast borrowing requirement and/or interest rates is given a **medium** likelihood due the historical frequency of interest rate changes, and the current medium-term forecast of provincial borrowing requirements.	HIGH The size of the province's annual borrowing requirement creates a **high** degree of sensitivity to market conditions, especially interest rates. IOD has generally produced cost savings compared to budget forecasts due to cost effective debt management, as well as interest rates that have been trending down for about 35 years. This experience may not be expected to continue, so financial market risk is assessed as being high. In the *2016 Budget,* it was estimated that a one percentage point increase in interest	HIGH	Sound and effective risk management infrastructure, including policies, procedures, risk management reporting, and Information Technology (IT) systems. Conservative risk limited approach to forecasting interest on debt expenses using interest rate forecasts provided by the Office of Economic Policy for the two out years and a 15 year interest rate average for the third out year. Accurately measure and assess portfolio exposures and ensure compliance with the related limits as approved by the Board, including foreign exchange and net interest rate resetting exposure limits and IOD. Maximum foreign exchange exposure of five per cent. Maximum net interest rate resetting exposure

Risk Element or Classification	Identification of Risk / Risk Description	Likelihood and Rationale	Impact and Rationale	Overall Assessment of Risk Element	Mitigation Strategy
			rates would have impacted IOD by approximately $350 million for 2016–17.		of 35 per cent. Maximum loss policy on IOD of three per cent of budgeted IOD. The OFA has reduced the sensitivity of IOD to interest rates by extending the term of recent borrowings. It also maintains exposure to foreign currency at levels far below the five per cent limit. While the policy limit for net interest rate resetting exposure is 35 per cent, the annual debt management plan sets out ranges that are usually considerably lower thus further limiting the risk.
Inability to complete the borrowing program due to market breakdown or loss of faith in the Province's ability to repay debt Primary Accountability: Capital Markets Division	Unable to achieve the borrowing program target of a particular fiscal year.	LOW The likelihood of not completing the borrowing program is **low** and would be based on a major market disruption or a major adverse credit situation at the Province. Both events are considered to have a low likelihood.	EXTREMELY HIGH The consequences of a major market disruption or a major adverse credit situation at the Province would obviously be **extremely high**, and thus overall risk is high.	HIGH	The OFA continually monitors demand for its bonds and has a strong relationship with its financial dealers. The OFA is aware, through external forecasts, Ministry of Finance advice, and its own analysis of bond markets, of the faith investors place in its bond offerings. The Capital Markets Division employs financial strategies, to reduce the effects of forecasted events. The OFA can also engage third party experts to provide advice on how to reduce any adverse events that may have an impact on the borrowing program. The OFA has very well established relationships with the credit ratings agencies. The OFA has regular meetings with the agencies, responds promptly to request for information, and facilitates participation of more specialized or senior government officials as required.

Risk Element or Classification	Identification of Risk / Risk Description	Likelihood and Rationale	Impact and Rationale	Overall Assessment of Risk Element	Mitigation Strategy
Risk of credit rating downgrade Primary Accountability: Risk Control Division	Risk that a credit rating downgrade from a major credit rating agency results in increased costs to borrowing program and/or reduced market access.	MEDIUM The likelihood of a credit rating downgrade is **medium.** The OFA has regular meetings with the agencies, and is regularly advised of rating agency concerns.	HIGH A credit rating downgrade, could reduce the pool of investors able to buy Government of Ontario bonds. As a worst-case, investors might be forced to sell, creating competition for our primary distribution, therefore resulting in a **high** impact for the Province. Note: This risk is assessed as high. The best mitigating strategy, reducing the size of the provincial deficit, is not a variable that is under the control of the OFA.	HIGH	Maintain close relationships and ongoing dialogue with credit rating agencies to keep them informed of the Province's financial status priorities, and initiatives. Diversify funding sources. Increase investor relations activities. Ensure that decision-makers at Queen's Park continue to be mindful of the serious consequences of the Province not meeting or beating its deficit targets.
Credit Risk Primary Accountability: Risk Control Division	Risk that a counterparty does not meet, or defaults, on its obligations to the Province.	LOW The size of Ontario's borrowing program requires the OFA to be open to borrowing opportunities in a variety of currencies. As the OFA has opted to keep currency risk at very low levels, this requires that hedging transactions be entered into with bank counterparties, creating credit risk. A bank default is considered to be a **low** probability event.	HIGH A bank default would be a **high** impact event, leading to an overall medium assessment.	MEDIUM	Ensure compliance with a sound and effective credit risk management infrastructure, including: an overarching credit risk policy that is reviewed and approved by the OFA Board on an annual basis, transacting with highly rated counterparties, limiting credit exposure concentration, and ongoing monitoring of key indicators of credit and market conditions. The Province will continue to enter into collateralized swap agreements with more of its swap counterparties to limit its credit risk. Such agreements allow the Province to cap its credit risk by requiring counterparties to post collateral when marked-to-market exposures exceed specific thresholds.
Electricity related policy, price and other risk	Government policy, accounting or regulatory decisions, electricity sector structure, and potential	MEDIUM The likelihood of this risk is deemed **medium.** The fiscal contributions of	MEDIUM While the electricity sector has a significant fiscal impact, it is not large	MEDIUM	Provide financial analysis and advice to senior Ministry of Finance officials and government on electricity policy options and initiatives, and maintain

Risk Element or Classification	Identification of Risk / Risk Description	Likelihood and Rationale	Impact and Rationale	Overall Assessment of Risk Element	Mitigation Strategy
Primary Accountability: Corporate & Electricity Finance Division	electricity price and market events may have an impact on the financial performance of the Province, including reduced payments to the OEFC from, for example, the Province, Ontario Hydro successor companies and municipal electricity utilities, or price mitigation measures such as the new Ontario Rebate for Electricity Consumers, thus affecting the borrowing program.	the electricity sector can fluctuate for many reasons, including the performance of OPG and Hydro One vs forecast, policy decisions including the timing of Hydro One share sales, regulatory decisions and volatility in electricity demand/prices. Fiscal expenses are largely determined by policy decisions. Volatility and policy change impacts can be both upward and/or downward.	compared to the total size of the Provincial Budget. In addition, certain fluctuations are within the government's control and borrowing issues should be manageable within the larger envelope of the Province's total borrowing program. Therefore the impact is rated as **medium**, leading to an overall medium assessment.		relationships and work with other ministries and agencies. Monthly meetings, and as needed, with OPG to monitor and report on financial performance and updated projections versus plan, as well as monitoring of policy, accounting and regulatory issues that may have fiscal implications upon consolidation of OPG and Hydro One in Public Accounts.
Operational, including systems, internal control and reputation risks Primary Accountability: Strategic Corporate Services Division	Risk from inadequate or failed internal processes and IT systems or from external events. The possibility that internal controls may not safeguard assets or prevent errors or fraud. The risk that negative publicity about the OFA's business practices may lead to financial or reputation costs or litigation.	LOW The likelihood of this risk is deemed **low**. The OFA makes extensive use of information technology as an offset to staffing constraints. This dependence gives rise to the risk that IT systems may be poorly specified, operate incorrectly, or that the use of combinations of systems may have unintended consequences.	HIGH The financial impact of such risks could be compounded by harm to the OFA's reputation, therefore its impact is deemed **high.** This risk, reduced by the mitigating strategy, is assessed as medium.	MEDIUM	Maintain state-of-the-art IT systems, conduct daily back up, frequent update and testing of BCP involving remote desktop and co-locate. Appropriate documentation and timely reporting; update financial controls based on best practices; continued involvement of Internal Audit in developing new functions and reviewing existing financial policies; ensure oversight of service providers. As part of its annual audit, the Office of the Auditor General issues recommendations on areas where they feel internal controls can be tightened. Monitor print media to identify OFA-specific issues to protect OFA's reputation. Centralized external communication strategy. Early involvement of legal counsel.
Service providers (e.g. custodians,	Poor service from existing providers and/or lack of qualified service providers.	LOW The likelihood of this risk is deemed **low.** Service providers are selected	MEDIUM	LOW	All existing service providers provide services under a formal contract. Continue to implement and monitor service level agreements with existing providers.

Risk Element or Classification	Identification of Risk / Risk Description	Likelihood and Rationale	Impact and Rationale	Overall Assessment of Risk Element	Mitigation Strategy
fiscal agents, banks etc.) Primary Accountability: Finance and Treasury Division		through a rigorous competitive process that includes the submission of proposals covering performance standards and measures, followed by consistent internal monitoring of service quality.	Consistent internal monitoring ensures a **medium** impact for a low overall risk assessment.		Continue to comply with selection criteria and contract management requirements in OFA procurement policy
Low investment returns or inadequate investment controls on nuclear funds. Primary Accountability: Capital Markets Division	If funds are not properly invested or general financial market returns are low or negative, substantial contributions could be required by one or both of the Province and OPG. In addition, the Province's reputation may be damaged if controls or investment policies deviate from industry best practices.	MEDIUM Prolonged poorer than targeted performance of the nuclear funds over the medium-term is given a **medium** likelihood. The nuclear funds have a very long time horizon and would be expected to have poor returns over some time periods but are required to earn real returns in excess of 3.25 per cent in the long run. The funds have exceeded the 3.25 per cent annualised real return benchmark on average since their inception in 2003, but there is some risk that cumulative average annualised returns may be inadequate in future or that the costs of decommissioning and used fuel disposal could well exceed current projections. Returns will be driven to a large extent by asset allocation and general investment returns in financial markets -- e.g., prolonged poor performance in equity returns or a general decline in the financial markets could be a driver of poor performance.	HIGH The financial impact of poor performance could be quite substantial and is rated **high** given the size of the funds, and could result in substantial unexpected contributions from one or both of the Province and OPG. The overall risk assessment is high. Given the current size of the funds, a one percentage point decline in annual performance would equate to $170 million in reduced value for the funds, which could affect future funding requirements. Such loss, however, will not translate dollar-to-dollar on the Province's annual statement of operations at consolidation, as the Province's revenue recognition related to the nuclear funds is based on historical cost, not fair value, and some of the impact is also mitigated by OPG's regulatory accounts for the funds related to the Bruce stations, under the Province's current accounting standards.	HIGH	The funds are diversified across asset classes and managers to reduce overall risk. Further diversification is being achieved as the funds move into alternative investments. The funds are also long-lived, and can be adjusted and returns recover over the long term, which result in the recovery of past Provincial contributions to cover investment return shortfalls, if any. In addition, a Statement of Investment Policies and Procedures (SIPP) and Statement of Investment Risk Policies (SIRP) are in place which outline basic policies which to a large extent address many of the risk factors. An extensive asset-liability study is undertaken every five years to attempt to optimize the asset allocation to meet the funds objectives to meet the cost requirements. Significant progress has been made in developing a comprehensive risk management framework which is expected to be implemented in 2017. In addition, the funds are closely monitored up to the respective Board levels by both the OFA and OPG including, for the OFA, by the ONFA IC. Unfortunately, the risk of sub-par returns cannot be entirely eliminated as it will be largely driven by the future market developments. Decommissioning and waste disposal costs and liability risk surprises are largely mitigated by the quinquennial ONFA Reference Plan update. The contribution schedules can be adjusted following a reference plan update to allow for

Risk Element or Classification	Identification of Risk / Risk Description	Likelihood and Rationale	Impact and Rationale	Overall Assessment of Risk Element	Mitigation Strategy
		Resourcing for the nuclear funds is relatively tight, although it is considered adequate. The likelihood of inadequate controls on the funds is assessed to be low.	In addition, the reputational impact of underperformance would also be **high**. The overall assessment of inadequate controls is high.		returns in the funds to help cover liability revisions and past target rate of return shortfalls. The funds are audited on a regular basis which reduces the potential for fraud or other control problems. Staff monitor the funds very closely and are looking for irregularities. In addition, the funds are monitored up to the respective Board levels by both the OFA and OPG. The internal auditors of both OPG and the OFA are also proactive in examining control issues. The funds rely largely on external managers, and efforts are made to select highly professional managers who follow investment industry best practices.
Default on Loans to Public Bodies Primary Accountability: Corporate & Electricity Finance Division	Risk of default by public bodies on OFA loans	LOW Although the OFA has restructured or provided a loan deferral in the past, this has been relatively rare, so an "unlikely" scenario (less than 20 per cent probability) is reasonable, and its likelihood is rated as **low.**	LOW Impact of a default may be "noticeable" and public, but loan write-downs to public bodies that are consolidated on the Province's financial statements would likely not create a fiscal impact, and, therefore, its impact is deemed **low** resulting in an overall low risk assessment.	LOW	Prior due diligence and analysis of debt repayment ability of public bodies on OFA loans. Ensure grant intercept mechanisms continue to be included in loan agreements. Early detection through loan monitoring by line ministry and restructuring of loan repayment terms.
Default on Guarantees under the Aboriginal Loan Guarantee Program (ALGP) Primary Accountability: Corporate & Electricity Finance Division	In the event of a call on an ALGP guarantee arising from a default on the underlying loan, the fiscal impact would be recorded in the fiscal year in which the claim was paid.	LOW Debt service reserve account, ongoing monitoring, bank account controls are in place to mitigate risk of default.	LOW Any default would have a negative fiscal impact on the Province in the year in which the Province paid a claim pursuant to the guarantee. As guarantees are limited to a maximum of $50 million (unless Treasury Board approves an exception), and the average is smaller, the impact is small in the Provincial context. However, there may be a reputational impact for the Province/OFA as well.	LOW	Ongoing monitoring of approved loan guarantees, including project performance and compliance with loan and guarantee agreements.

Risk Element or Classification	Identification of Risk / Risk Description	Likelihood and Rationale	Impact and Rationale	Overall Assessment of Risk Element	Mitigation Strategy
Increased borrowing to fund loans to public bodies Primary Accountability: Corporate & Electricity Finance Division	Risk of unexpected loans that were not included in the OFA Annual Borrowing and On-Lending Plan.	LOW Over the past five years, only one unanticipated non-school board loan caused the OFA to breach its loan contingency reserve. An "unlikely" rating of less than 20 per cent probability of occurrence is, therefore, prudent, resulting in a **low** likelihood.	LOW In the overall borrowing plan, any unexpected loans would likely not have a "noticeable" effect, as most incremental borrowing is not material in the context of the whole borrowing program and therefore can usually be accommodated. This results in a **low** impact and a low overall risk assessment.	LOW	Ensure there exists an unassigned contingency equal to 10 per cent of forecasted loans to public bodies. Push off less urgent loans for execution in the following fiscal year. For OLG and LCBO, request business updates from Regulatory Agency Oversight Division (RAOD) to identify potential borrowing requirements (e.g. for site expansion); include estimates in Borrowing and On-lending Plan. Where a policy decision is taken requiring the OFA to provide funding for a strategic project, facilitate private sector financing, especially if interest cost savings are only deemed to be minimal.
Government cost constraints Primary Accountability: Finance and Treasury Division	Cost constraints may limit the OFA's ability to provide services in a timely manner.	MEDIUM While good budgeting process and budget to actual comparison exists, the OFA is not insulated against budgetary constraints. The likelihood is deemed **medium.**	HIGH If budgetary constraints are severe enough the delivery of core services will be impacted justifying a **high** impact and high overall risk assessment.	HIGH	Timely budget preparation in accordance with PRRT requirements. The budget preparation process is aimed at allocating resources according to priorities. Detailed planning and monitoring to meet priorities within cost constrained environment. Comparison on a quarterly basis between budget and actual to ensure that priorities are being met within approved expenditures. Effective financial management on a year by year basis that ensures minimal variances between budget and actual. The OFA also retains its surplus which can act as a source of funds to meet non salary related expenses upon approval from the Ministry of Finance.
Risk Category: WORKFORCE **RISK AREA**: Workforce: Operational Workforce Risks.					

Risk Element or Classification	Identification of Risk / Risk Description	Likelihood and Rationale	Impact and Rationale	Overall Assessment of Risk Element	Mitigation Strategy
Employee Fraud Primary Accountability: Finance and Treasury Division	Risk that losses will be incurred because an employee is dishonest.	LOW The likelihood is **low** due to stringent internal controls and systems that cannot be easily circumvented.	MEDIUM The impact is deemed to be **medium** resulting in an overall low risk assessment.	LOW	Continue to communicate code of values and measures for disclosing wrongdoing to OFA staff. Strong system of internal controls, including segregation of duties, which are regularly reviewed by internal auditors as well as the Office of the Auditor General. While no material issues have been identified to date from these audits that essentially cover the full fiscal year, all audit recommendations have been implemented. Detailed and timely exception reporting with managerial oversight.
Human Resource Risk Primary Accountability: Each Hiring Division, with support from the Strategic Corporate Services Division	Risk that highly trained and specialized staff will not be available due to resignations, retirements, turnover, inability to hire, lack of skills, illness, etc.	MEDIUM The likelihood is deemed **medium**. The issue has gained traction due to the disparity between pay scales in other agencies and pension funds compared to their OFA counterparts. As a result, overall, the pool of applicants to positions at the OFA has diminished over the past few years. Although most positions have adequate backup and succession planning, there are some areas within the OFA that are tightly staffed and some positions are highly specialized which creates vulnerability. In addition, compensation constraints have limited the ability to adequately replace staff externally at comparable experience and skill levels.	EXTREMELY HIGH The impact is deemed **extremely high** resulting in an overall high risk assessment.	HIGH	Hire qualified staff; develop and implement staff retention strategies with assistance from the OFA Board and Human Resources Committee, provide support and training, where feasible provide competitive salary and benefits, foster a good and efficient working environment, set out performance plans and monitor, recognize and value achievements, good communications and teamwork, and implement employee engagement strategies. Offer results-based pay for performance, and a comprehensive and flexible benefits package. Maintain unique compensation structure for A/XOFA positions. At the end of 2016, consistent with OPS compensation, salary increases occurred for certain OFA employees, and the OPS has announced a restructuring of its non-bargaining and management compensation to be implemented over a four-year period. It is too early to tell whether these changes are sufficient to reverse the recent trend of

Risk Element or Classification	Identification of Risk / Risk Description	Likelihood and Rationale	Impact and Rationale	Overall Assessment of Risk Element	Mitigation Strategy
					disappointing responses to positions advertised externally and an inability to attract qualified candidates for positions in the A/XOFA classification and others including those requiring accounting designations and specialized formal education in financial engineering and information technology or investment and corporate finance experience.
Risk Category: INFORMATION TECHNOLOGY & INFRASTRUCTURE **RISK AREA:** Information and Information Technology (I & IT): The risk that information produced or used (e.g., performance data) is incomplete, out-of-date, inaccurate, irrelevant or inadequately protected from inappropriate disclosure. Risk that information or other technology (e.g., architecture, hardware, software) does not support business requirements, and/or does not support availability, access, integrity, relevance and security of data. Includes business continuity risk. Risk related to information or technology (e.g. upgrading or replacing of IT systems, etc.) Should include privacy and security risks.					
Privacy and security Primary Accountability: Strategic Corporate Services Division	Risk related to the agency's handling of sensitive/ confidential information on behalf of the government Potential compromise of confidential information or personal data through identity theft, or unauthorized electronic or physical access of information	LOW The risk is considered **low**, as management ensures that staff are cognizant of the importance of information security.	MEDIUM The impact is deemed **medium,** resulting in an overall low risk assessment	LOW	Access to all electronic data requires authentication. Security of electronic and hard copy information is provided by enterprise IT perimeter security solutions, key card locked main doors, safes, and security cameras. Third Party Security Assessment audits are completed on a regular basis, including audits of electronic and physical security. Security policies are also in place and all staff are required to comply. New staff who work on the government's Budget are provided with training on the importance of budget security.
Business continuity	Risk that the processes in place to ensure that critical I&IT systems are not available for operation to	LOW The risk is considered **low**, as the OFA has a comprehensive Business	HIGH The consequences for the OFA not being able to carry out its business,	MEDIUM	As part of the OFA BCP, Strategic Corporate Services Division (SCSD) ensures that all critical systems, information and IT infrastructure are highly available and replicated to the OFA's DR Site.

Risk Element or Classification	Identification of Risk / Risk Description	Likelihood and Rationale	Impact and Rationale	Overall Assessment of Risk Element	Mitigation Strategy
Primary Accountability: Strategic Corporate Services Division	support business requirements (disaster recovery & business continuity planning)	Continuity Plan (BCP) which is regularly tested.	even for one day, would be severe, therefore its impact is deemed **high.** As a result, the OFA maintains a twin of its IT infrastructure in a separate disaster recovery location (DR Site), which reduces the overall assessed risk to medium.		Critical production systems are routinely run out of the DR Site in order to verify the system operates properly in the BCP environment. Furthermore, SCSD maintains the technical infrastructure to support the OFA decentralized recovery plan. This includes mobile devices and remote access services. Periodic drills are held to ensure that staff are able to use the OFA's BCP infrastructure in a productive manner.
Procurement Primary Accountability: Strategic Corporate Services Division	The procurement process has intensified in the past year causing significant project delays. The workload required to manage the process has not been offset with additional resources, annual budgeting has been impacted as projects timelines are difficult to determine and the organization is challenged to keep pace with changes in technology.	MEDIUM The likelihood is deemed **medium.** The OFA operates within the government procurement framework, adapted to its own unique requirements. The requirement to adhere to complex public sector procurement rules, as set out in the OFA's Procurement Policy has the potential of slowing down urgently needed IT infrastructure, creating a degree of risk. Some streamlining of the process has been carried out, reducing the assessed risk to medium.	MEDIUM The impact is deemed **medium,** resulting in a medium overall risk assessment	MEDIUM	Standardized approval forms and RFX (Request for Information, Proposal or Quotation) precedent templates streamline the procurement process. Establishing Service Level Agreements within the organization to ensure consistent timelines for document review and approvals will help ensure project deadlines are achieved. When project and procurement plans are hindered by lengthy standard procurement process, priorities will be revisited. In some circumstances, CEO approval of an exemption or a different process may be requested, if available.

ENVIRONMENTAL SCAN

Economic Conditions

The economic outlook for Ontario as described below is based on the average private sector view as of January 2017. As with all projections, there are positive and negative risks to the outlook. The most significant immediate risks to the outlook are rising interest rates and uncertainty regarding future U.S. economic policy. For business planning purposes, the OFA recognizes that it may confront increased demands to provide financing and other services.

Ontario's economy continues to grow in an uncertain global economic environment. Ontario real GDP increased 2.5 per cent in 2015. Private-sector forecasters, on average, estimate Ontario real GDP will grow by 2.6 per cent in 2016, 2.3 per cent in 2017, 2.2 per cent in 2018 and 2.0 per cent in 2019. The economic outlook is influenced by external factors, such as U.S. economic growth, oil prices and the Canadian dollar. Steady growth in the U.S. economy, along with the ongoing impacts of a more competitive Canadian dollar and low oil prices, continues to support Ontario's economic growth. Ontario's economy is expected to strengthen as growth broadens across major sectors of the economy, including household spending and exports. The recent increase in interest rates and the uncertainty tied to U.S. trade policy represents a downside risk to the Ontario economic outlook.

The United States is Ontario's largest trading partner, accounting for 80 per cent of the Province's international merchandise exports in 2015. Economic growth in the U.S. strengthened to 2.6 per cent in 2015 after rising by 2.4 per cent in 2014. According to the January 2017 Blue Chip consensus outlook, the U.S. economy is expected to grow by 1.6 per cent in 2016, 2.3 per cent in 2017 and 2.4 per cent in 2018.

The price of WTI (West Texas Intermediate) crude oil fell by over 70 per cent from its June 2014 peak of $108 US per barrel to below $30 US per barrel in early 2016, a reflection of strong supply and weaker global demand. WTI oil prices averaged $43 US per barrel in 2016, down from $49 US per barrel in 2015.The recent agreement between the Organization of the Petroleum Exporting Countries (OPEC) and other oil producers to reduce output has led to a rise in the price of oil. The current private-sector forecast average for the WTI price of oil is $54 US in 2017 – well below levels recorded over the 2010-14 period.

Sharply lower oil prices and diverging monetary policy between Canada and the United States contributed to a depreciation of the Canadian dollar to an average of 78.2 cents US in 2015, down from 90.5 cents US in 2014. The Canadian dollar declined further in 2016, averaging 75.4 cents US. On average, private-sector forecasters expect the Canadian dollar will average 74.5 cents US in 2017.

Ontario`s housing market continued to strengthen in 2016 alongside solid increases in the number of households and incomes. Sales of existing homes and resale prices rose 9.4 per cent and 15 per cent, respectively in 2016. Ontario housing starts also increased in 2016. Private-sector economists expect a soft landing in the Ontario housing market. Home resales and prices are projected to stabilize over the next few years as gradually rising interest rates, historically high valuations and mortgage debt temper healthy demographic-related demand.

There are risks surrounding the housing market outlook. Home price gains in Ontario have outstripped incomes in recent years, fuelling mortgage debt accumulation. As a result, affordability in Ontario's housing market has eroded. Despite historically low mortgage rates, monthly carrying costs are elevated relative to long-term trends. High levels of debt combined with elevated resale prices leave Ontario households potentially vulnerable in the event of an adverse economic shock.

Financial Markets

Moderate economic growth and headline inflation still operating below the 2 per cent target has prompted the Bank of Canada to hold the target overnight rate at 0.5 per cent since mid-2015. For the most part, private-sector economists do not expect the Bank of Canada to raise rates until mid-2018.

In the United States, the Federal Reserve raised rates at its December 2016 meeting, citing a strengthening labour market and rising inflation. It is expected that the Fed will continue to raise rates, though at a gradual pace. On the other hand, monetary policy in the European Union remains highly accommodative. In January, the European Central Bank announced that interest rates will remain unchanged and are expected to stay "at present or lower levels for an extended period of time, and well past the horizon of the net asset purchases."

In Canada, while long-term interest rates are expected to remain at historically low levels, they are projected to gradually rise over the next few years. The expected onset of interest rate hikes by the U.S. Federal Reserve combined with the result of the recent U.S. election has already put upward pressure on Canadian bond yields.

According to private-sector forecasters, the Canadian three-month Treasury bill rate is expected to rise gradually from an average of 0.5 per cent in 2016 to 0.6 per cent in 2017, and 0.9 per cent in 2018. According to the January 2017 Blue Chip consensus outlook, the three-month U.S. Treasury bill rate is expected to average 0.9 per cent in 2017, before rising to 1.6 per cent in 2018.

The 10-year Government of Canada bond rate averaged 1.3 per cent in 2016. According to private-sector forecasters, the 10-year Government of Canada bond rate is projected to rise, averaging 1.9 per cent in 2017 and 2.4 per cent in 2018. According to the Blue Chip consensus outlook, the yield on 10-year U.S. government notes is expected to average 2.7 per cent in 2017 and 3.1 per cent in 2018, up from 1.8 per cent in 2016.

Government Initiatives

Government policy developments and financial performance in Ontario's electricity sector, including OPG, Hydro One and municipal electricity utilities, may affect borrowing requirements through the cash flows to OEFC. In particular, the Province’s ongoing effort to broaden ownership of Hydro One will result in large cashflow impacts for OEFC.

The OFA will continue to monitor the Green Bond market to identify future issuance opportunities under its Green Bond Program. The OFA will lead the implementation of the Trillium Trust, for dedicated net revenue gains from qualifying asset sales to help fund infrastructure investments across Ontario. The OFA will also provide financial support to the Ministry of Environment and Climate Change in respect of the government’s Cap and Trade program, as well as in the establishment of a Greenhouse Gas Reduction Account and a climate change agency.

The OFA will also provide financial analysis and advice in support of the Province’s commitment to unlock the value of designated assets, and will continue to work with Infrastructure Ontario and other areas of government on optimizing certain holdings in the Province’s real estate portfolio, in particular, the sale of OPG headquarter properties, as well as Seaton and Lakeview lands.

Regulatory Compliance

The OFA will ensure that information required to be disclosed by the Province in its debt securities offerings related documents, periodic published reports (including the Ontario Budget, the quarterly finances, the Public Accounts of the Province of Ontario and the annual fall Economic Outlook and Fiscal Review) and other disclosures filed or submitted under applicable securities legislation, rules and

regulations in the United States, the United Kingdom, Luxembourg, Australia, Switzerland and Singapore is filed on time and otherwise in accordance with those requirements. Regulatory requirements will be monitored continually to ensure the Province has ongoing access to these markets.

PERFORMANCE MEASURES

1. Execute the Province's borrowing program

Objective	Performance Measure	Target
a. Complete the borrowing program while ensuring that the Province always has adequate liquidity.	Sufficient liquidity on hand at all times to ensure the Province can meet its financial obligations. Ensure borrowing is completed with minimal negative impact on the Province's reputation in the financial markets.	Borrowing program completed and cash requirements met on a timely basis.
b. Manage the borrowing program in a sound and cost-effective manner.	The performance measurement of the timing of the long-term fixed-rate borrowing program is expressed as a percentile ranking of the all-in borrowing cost against a statistical distribution of benchmark interest rates observed throughout the year.	Achieve a percentile ranking of 45 to 55 for regular borrowings and 50 to 75 for strategic foreign borrowings. All results are validated by the Ontario Internal Audit Division.
c. Ontario Savings Bonds (OSB) Program	Fund borrowing requirements at cost-effective rates for a broadly based retail program which allows individual investors in Ontario to participate in providing funding to the Province. OSBs reduce other borrowing requirements which, in turn, reduces pressure on new issue spreads.	Ensure the program is cost-effective in the context of a retail borrowing program. Maintain and review Service Level Agreement between OFA and Fiscal Agent on an annual basis.

2. Manage the Province's debt, investments, ONFA and financial risk, and contribute to the development of the Province's fiscal plan and outlook

Objective	Performance Measure	Target
a. Manage outstanding debt in a sound and cost-effective manner.	Dollar savings of debt management transactions on a realized and mark-to-market basis. This methodology utilizes a risk-budgeting approach adopted by some large pension plan investment managers.	Achieve first quartile performance relative to a risk budget. Results are validated by the Ontario Internal Audit Division.
b. Preservation of capital on money market investments. Manage liquid reserves in a sound	Credit losses on liquid reserves and investment portfolio of funds managed for other government bodies. The investment return on the portion of liquid reserves invested in Government of Canada Treasury bills and similar riskless	No credit losses on any investments. Generate actual returns that are within ±2 basis points of the 61-day benchmark portfolio.

Objective	Performance Measure	Target
and cost-effective manner.	instruments compared to an average 61-day portfolio benchmark. This benchmarking process is consistent with private sector industry practice. Maintain liquid reserve levels within a pre-determined range and provide an explanation to the Board of any deviations from that range.	Results are validated by the Ontario Internal Audit Division.
c. With OPG, prudently manage the Used Fuel and Decommissioning Segregated Funds' investments.	Ensure investment management is consistent with ONFA objectives.	Manage, monitor, and analyze the performance of the funds and the performance of investment managers. Continue refinement of investment strategies, risk management, policies and procedures. Meet the real return objective of 3.25 per cent, and exceed the market benchmark over the life of the funds.
d. Prudently manage funds for government bodies through the centralized/ segregated fund initiative.	Reduce investment costs. Ensure public bodies' funds are managed consistently with investment industry best practices.	Establish and continue to efficiently manage segregated funds with government public bodies that meet client requirements.
e. Minimize financial risk by ensuring risk exposures and program losses remain within approved exposure and loss limits.	Foreign exchange exposure. Net interest rate resetting exposure. Interest on debt losses as a percent of budgeted interest on debt. Credit exposures relative to approved policy limits.	Foreign exchange exposure not to be above five per cent of total debt. The 2016–17 Financing, Debt and Electricity Management Plan had an approved range of 0 per cent to 2.5 per cent in Foreign Exchange Exposure. Currently, the exposure of 0.3 per cent of debt. The 2017–18 Financing, Debt and Electricity Management Plan will have a recommended range subject to Board of Directors approval later in the year. Net interest rate resetting exposure not to be above 35 per cent of total debt. The 2016–17 Financing, Debt and Electricity Management Plan had an approved range of 10.4 per cent to 14.4 per cent in Ontario's

Objective	Performance Measure	Target
		Gross Floating Rate exposure, with a target of 12.4 per cent. Interest Rate Resetting Exposure is expected to be 11.2 per cent as of March 31, 2017, with an expected range of 9.2 per cent to 13.2 per cent. A new range and target for Floating Rate and Interest Rate Resetting Exposure will be approved in the 2017–18 Financing, Debt and Electricity Management Plan. IOD losses not to exceed three per cent of budgeted Interest on Debt. Credit exposures to be kept within approved policy limits.
f. Use risk control policies to ensure programs are managed in a prudent and cost-effective manner.	Risk management policies are kept current with industry best practices. Exposure limits established in the policies are reasonable and prudent. Exposures are monitored and reported in a timely and accurate manner.	Policies for market risk, credit risk, use of derivatives and other financial instruments and risk management reporting are to be reviewed annually, and amendments or decisions not to amend are to be approved by the Board of Directors. Review limits on net interest rate resetting, foreign exchange and credit exposures, and credit concentration. Calculate and report exposures daily. Perform monthly stress testing on the Province's market and credit exposures.
g. Measure and report performance of the Province's borrowing, debt management, and investment programs.	Timeliness and accuracy of performance measurement and reporting.	Report on borrowing and debt management performance daily, and on the money market program performance monthly.

Objective	Performance Measure	Target
h. Evaluate the potential impact of stressed capital market conditions on OFA programs and IOD.	Conduct stress tests of the credit exposures, and IOD, and report the results as described in the risk management policies.	Stress testing is performed and reported on a monthly basis as described in the risk management policies.
i. Forecast interest on debt (IOD) for the Province and the OEFC.	Forecasts for the current year and medium-term are provided for the Budget, Fall Statement and quarterly finances.	IOD forecasts for the current year and medium-term to be provided for the Budget, Fall Statement and quarterly finances in a timely manner.
j. Assess the credit quality of municipalities and other approved entities applying for Infrastructure Ontario loans and provide credit risk advice to the Credit Review Committee (CRC)	Review loan applications and analyze reports. Attend CRC meetings to provide advice and vote on each application.	Provide an advisory role at Infrastructure Ontario's CRC meetings.
k. Contribute to key ministry documents, including the Budget, Fall Statement, and quarterly finances; and advise on financial implications of government initiatives.	Advise on potential financial/treasury implications of government initiatives on IOD, borrowing objectives, credit ratings, and financial markets' reactions. Complete the Borrowing and Debt Management chapter, including the Financing Table, in the Budget and Fall Statement.	Ensure potential financial/treasury implications are considered in developing government financial objectives, including meeting the requirements of the *Fiscal Transparency and Accountability Act.* Provide the Borrowing and Debt Management chapter in the Budget and Fall Statement; and update Ontario's Financing Program in Ontario Finances (quarterly).

3. Manage key financial relationships

Objective	Performance Measure	Target
a. Manage Ontario's relationships with domestic and international investors.	Maintain dialogues with investors, investment dealers and the international investment community by providing timely financial updates, including investor publications and securities filing documents.	Continue to monitor fixed income markets, economic conditions, and investors' interests and requirements to ensure road shows are effective for both the Province and its investors. Investor Relations to continue to track meeting activity with investors. Program

Objective	Performance Measure	Target
		benchmarks to include number of meetings with new accounts, effectiveness of communications material and website usage. Provide IR information products, including updates to the OFA website, on a timely basis. Meet ongoing disclosure and regulatory filing requirements with the SEC, UKLA, LuxSE, ASX, SIX Exchange Regulation and the SGX. Provide panelists or speakers at domestic and international industry conferences.
b. Manage Ontario's relationships with the credit rating agencies.	Ensure that credit rating agencies understand government policies, budget, and fiscal performance, properly reflecting these in their reports and decisions.	Following the release of the Budget, senior OFA and Ministry of Finance staff will meet with the rating agencies. Throughout the year, agencies will be kept informed of the government's ongoing economic and fiscal progress.
c. Manage Ontario's relationships with banks, financial services providers, and investment dealers.	Maintain relationships with banks, financial services providers, and investment dealers who provide the Province with banking, underwriting, custodial and fiscal agency services, thereby maintaining the Province's reputation and supporting its strategic direction to provide financial and cash management services. Maintain relationships with swap counterparties.	Ensure banking, underwriting, custodial and fiscal agency services provided to the OFA are cost-effective with minimal impact on IOD. Promote Toronto as a global financial centre. Ensure compliance with existing collateralized swap agreements in a timely and accurate manner on a daily basis. The OFA will endeavour to enter into collateralized swap agreements with more swap counterparties to limit credit risk.

4. Provide services related to cash management, banking, settlement, payment, financial and reporting, and client services.

Objective	Performance Measure	Target
a. Arrange OPS-wide cost-effective banking services that minimize the Province's expenditures.	Acquire cost-effective banking products and services to support government ministries' program delivery, Crown agencies' banking activities and OFA's debt and investment management activities through	Issue, award and implement tenders for banking and financial services to ensure service continuity and program area needs are met. Monitor vendors' post-implementation performance.

Objective	Performance Measure	Target
	the government's tendering process.	Work with central agencies, ministry program areas, and financial service providers to increase take up of existing electronic payment mechanisms and identify industry trends and new banking technology, which can be leveraged to reduce costs and improve service delivery and back-office processes. Ensure continued compliance with mandatory requirements imposed by external parties such as Federal bodies and industry groups. Participate in government and industry working groups/task forces on developing innovative solutions to enhance banking and payment efficiencies. Provide comprehensive and timely banking advice to program areas and agencies supporting government initiatives.
b. Provide centralized cash management services that maximize liquid reserves returns.	Ensure the provision of timely and accurate cash information for the development of the Financing Table in the Annual Budget and Fall Economic Statements. High service standards on service contracts with client agencies to maintain client satisfaction.	Provide actual and forecast liquid reserve numbers for the Financing Table in the Province's Quarterly Statements and Annual Budget that stand up to scrutiny by internal and external stakeholders. Ensure relevant performance measures in client agency agreements are met or exceeded.
c. Timely and accurate forecasts to align borrowing with cash management requirements, helping to reduce IOD.	Reliable and accurate cash forecasts for the Province and client agencies.	Ensure that the Province has sufficient cash available at all times to meet its financial obligations. Continually enhance the Cash Management System, keeping it responsive to changing needs, technology, and the IT environment within the OPS, i.e. IFIS renewal and Hyperion.
d. Advocacy of best practices in cash management across the OPS	Policy advice where required to assist programs in complying with the Cash Management Directive.	Improved compliance with the Cash Management Directive; implementation of policies more in line with best practices.

Objective	Performance Measure	Target
e. Provide efficient, accurate and timely settlement and payment processes, and implement appropriate settlements industry best practices.	Ensure debt management, investments, derivatives, and loans are recorded and processed efficiently and accurately. Ensure that ITS, the OFA's system of record for debt, derivatives, and assets, continues to operate effectively. Adoption of industry best practices.	Make system and procedural enhancements to improve the efficiency and effectiveness of settlements' functions, and continue to mitigate operational risk. Replace the Public Bodies Financing System with a user friendly and efficient system that is either developed internally or sourced externally.
f. Provide timely and accurate financial reporting for the Province in relation to debt, derivatives and investments, and the agency financial statements.	Ensure security and proper records of transactions. Provide high quality financial information for publication in a timely and accurate manner.	Enhance internal controls on accounting records by applying best practices and staff training. Prepare internal reporting to ensure data integrity. Through research and continuous review, ensure that accounting records and financial reporting are prepared in accordance with applicable PSAB requirements. Provide timely and accurate information for the Province's Budget, Estimates, quarterly Finances and Public Accounts. Provide timely and accurate agency financial statements that pass the scrutiny of the OFA Board and its Audit and Risk Management Committee as well as the Office of the Provincial Auditor General.
g. Monitor and assess accounting developments that affect the financial reporting for the Province and its agencies.	Keep abreast of current accounting developments in various jurisdictions: the International Accounting Standards Board (IASB), the Financial Accounting Standards Board in the U.S. (FASB), and the Accounting Standards Board and the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada.	Continue to monitor developments in accounting standards set by PSAB and other standard setting bodies that may affect the Province and agency reporting. Provide advice to the Office of the Provincial Controller, on developments in accounting standards that impact debt and related areas. In coordination with other provinces, actively bring the collective concerns of Ontario and the other provinces on the Financial Instruments standard to PSAB. Continue to liaise effectively with the Office of the Provincial Controller and the Office of the Auditor General of Ontario in making recommendations and/or responses on PSAB's review of these standards.

5. Advise on and implement corporate and electricity finance projects and policies

Objective	Performance Measure	Target
a. Provide financial analysis and advice on financing and other proposals that have capital markets implications. Develop the structure and negotiate the detailed terms and conditions of any transactions to minimize costs and best meet market expectations.	Cost-effective leasing policies and structures. Appropriate due diligence on financing aspects of asset management projects. Comprehensive advice on structuring and completing financial transactions. Accurate determination of value for money benchmarks and evaluating and recommending interest rates.	Comprehensive, timely and accurate advice to support objectives. OFA to be viewed across the government as a centre of excellence in financial analysis and providing high quality financial advice.
b. Provide financial analysis and advice on cost- effective borrowing, investing, and risk management by public bodies. Negotiate the detailed terms and conditions of any loans to be guaranteed to minimize costs and best meet market expectations.	Borrowing and investing through financial markets as cost-effectively as possible and within appropriate risk management frameworks for each client.	Comprehensive, timely and accurate advice to consolidated public bodies.
c. Provide financial analysis and advice on transactions requiring a provincial guarantee or that may otherwise increase the indebtedness or contingent liabilities of Ontario.	Comprehensive, accurate and timely review and identification of risks and potential risk mitigation strategies.	Comprehensive, timely and accurate advice as required.

Objective	Performance Measure	Target
d. Provide analysis and advice on electricity policies and initiatives that have potential financial, fiscal, and/or economic implications on the Province and/or OEFC.	Early identification and development of options to effectively deal with opportunities, pressures and/or risks to the Province or OEFC.	Comprehensive, timely and accurate analysis and advice, as required, including on the following: • Electricity supply, conservation, transmission, distribution and other electricity price mitigation initiatives. • Nuclear supply, including nuclear refurbishments. • Ongoing implementation of the ALGP. • Ongoing implementation of IEI program, ICI, NIER program, and the OREC.
e. Analysis and modelling to support the OEFC's objectives, including monitoring of OPG and Hydro One results.	Concise, accurate and timely reports and briefings as required.	Provide analytical and modelling support, as required, for the OEFC annual audit and reporting process. Continue regular financial update meetings with OPG to monitor financial performance. Provide required analysis to support management of NUG contracts (e.g., contract/rate negotiations, and NUG litigation.)
f. Provide electricity sector projections for the Province and the OEFC.	Ensure projections are provided in a timely manner, using best available information and reasonable assumptions.	Provide projections for the current year and medium-term for the Province's Budget, Fall Statement and quarterly finances; as well as projections for OEFC on an annual and quarterly basis. Provide regular updates on projections versus plan.
g. Analysis and advice to support the effective administration of ONFA, including approving annual budgets, monitoring fund balances, managing the Provincial Guarantee provided to the Canadian Nuclear Safety Commission (CNSC), and monitoring policies and other initiatives related to nuclear liabilities.	Comprehensive and appropriate due diligence performed on annual budgets, reference plans, disbursements and financial documents.	Review and approve annual budgets, including investment related expenses, change requests, and disbursements as per ONFA timelines. Ensure budgets are consistent with approved reference plans and only eligible costs are funded. Ensure fund flows follow ONFA requirements through audits and review of financial documents. Review and monitor plans and projects related to managing nuclear liabilities for decommissioning and waste management. Monitor and review the ONFA Reference Plan and the required level of the Provincial

Objective	Performance Measure	Target
		Guarantee to the CNSC as nuclear liability estimates are revised and as segregated funds change in value. Provide analysis and advice on OPG's contribution schedules and the Provincial Guarantee that is provided under ONFA to the CNSC.
h. Provide advice, as required, on evaluating the Province's assets, including investments in its business enterprises and analysis and advice on optimisation to enhance efficiency and maximize value.	Ensure required analysis, advice, and briefings are comprehensive, timely and accurate.	Provide timely and highly reliable financial advisory services as required, including modeling, option development, and the identification of key considerations to support OFA, Ministry of Finance and Provincial decision-making. Provide financial analysis and advice related to the Province's holdings of Hydro One shares and the sale/merger of Hydro One Brampton. Provide analysis and advice related to optimizing the Province's real estate portfolio, in particular the sale of OPG headquarters properties, Seaton and Lakeview lands.
i. Provide financial analysis and advice on corporate issues and initiatives	Ensure required analysis, advice, and briefings are accurate, timely, and comprehensive.	Provide expert financial analysis and advice as required, including modeling proposals and structuring transactions. OFA CEO, or delegate, participation and leadership on Boards and Committees overseeing these initiatives.

6. Ensure the successful activation of OFA's decentralized Business Continuity Plan

Objective	Performance Measure	Target
a. Review and update the Corporate BCP framework and business unit plans.	Business units being able to successfully complete their identified critical time-sensitive tasks from decentralized locations.	Maintain staff awareness and readiness to implement the Corporate and business units' plans to meet business requirements in the event of a business disruption. Conduct and assess periodic BCP tests.

HUMAN RESOURCES

Staff allocation for 2016–17 is 166 positions, or full-time equivalents (FTEs), excluding leaves of absences. Between 2007–08 and 2016–17, the borrowing program is projected to increase by 32 per cent, from $18.0 billion to $23.8 billion, and the Province's net debt is projected to increase by 103 per cent, from $156.6 billion to $317.9 billion. The OFA's operating costs (forecasted) increased by 20 per cent, from $22.5 million to $27.1 million, and FTEs dropped by three per cent, from 172 to 166.

The OFA continually reviews its recruitment and retention strategies to ensure it is able to attract and retain qualified staff. Some of the initiatives that have been implemented include supporting flexible work arrangements, and implementing diversity, inclusion and accessibility strategies. Approximately 85 per cent of the OFA is on the government compensation plan, which is controlled centrally. All but five positions are excluded from collective bargaining.

The OFA will continue to work with the Human Resources and Governance Committee of the OFA Board and the Ministry of Finance Human Resources Branch to develop further initiatives to promote staff retention and skills development. The OFA will also continue to work with the OPS Recruitment Centre to enhance the OFA's ability to attract qualified candidates. This will ensure the OFA can meet its current and future business priorities. Initiatives may include providing opportunities for staff to participate in learning and development courses, job shadowing, secondments, and special projects to the extent feasible to enable continuous learning and enhance succession planning.

FINANCIAL BUDGET

OFA Multi-Year Operating Expenditure Forecast

(in thousands of dollars)	2016–17		Forecasts*		
	Budgeted	**Interim Forecast**	**2017–18**	**2018–19**	**2019–20**
Salaries	19,055	19,055	19,876	20,273	20,679
Benefits	2,195	2,195	2,299	2,345	2,392
ODOE	5,802	5,802	5,352	5,412	5,513
Sub-total Cash DOE	27,052	27,052	27,527	28,030	28,584
Add: Amortization	881	863	789	764	786
Less: Capital Expenditure	(865)	(865)	(817)	(785)	(795)
Direct Operating Expense	**27,068**	**27,050**	**27,499**	**28,009**	**28,575**

Staffing levels are forecast to remain at 166 positions (FTE basis) over the planning horizon.

The tables and financial statements included in this document have been prepared on an accrual basis of accounting to correspond with the OFA Financial Statements.

*Forecasts represent the submission through 2017–18 Program Review, Renewal & Transformation (PRRT) process to the Treasury Board. Subject to Treasury Board approval.

OFA - Income Statement Projections

(in thousands of dollars)	2016–17		Forecasts*		
	Budgeted	**Interim Forecast**	**2017–18**	**2018–19**	**2019–20**
Revenue					
Interest Revenue	3,003	3,067	3,305	2,847	2,715
Cost Recovery from the Province	22,207	22,206	22,640	23,034	23,485
Cost Recovery from agencies /related parties	4,861	4,844	4,859	4,975	5,090
Total	30,071	30,117	30,804	30,856	31,290
Expenditure					
Operating Expense	27,068	27,050	27,499	28,009	28,575
Total	27,068	27,050	27,499	28,009	28,575
Net Income	**3,003**	**3,067**	**3,305**	**2,847**	**2,715**

*Forecasts represent the submission through 2017–18 Program Review, Renewal & Transformation (PRRT) process to the Treasury Board. Subject to Treasury Board approval.

STRATEGIC CORPORATE SERVICES

Strategic Corporate Services Division (SCSD) is accountable for delivering robust Information Technology, Strategic Human Resources Management, Records and Information Management, Procurement and Policy Management, Facilities Management and Physical and Cyber Security Services. Enhancements to each of these areas drives efficiency, auditability and consistency throughout the organization. SCSD ensures the OFA's and OEFC's core business objectives are supported by reliable, dedicated, customized and integrated technology infrastructure, business applications, administrative process and access to external real-time data sources.

A major focus of SCSD is to support the OFA's core operational business processes. By actively assessing and adjusting the underlying functions that enable the day-to-day business needs, SCSD is able to provide streamlined solutions that increase the safety and wellbeing of the staff, further the OPS Diversity and Inclusion commitments, and provide transparency into procurement and human resource activities.

In addition, reliable and secure information technology is essential to the OFA's ability to deliver its mandate. To that end, SCSD strives to ensure that business applications and related services are not down more than four times a year for a period greater than 30 minutes for each occurrence during normal business hours. The OFA's financial business functions are powerfully supported by SCSD's technology infrastructure, providing availability, integrity, security, and capacity via high-performance, highly-redundant systems at a competitive cost. SCSD can effectively deliver and maintain state-of-the-art financial systems and services because of OFA's internal management of information technology.

The following initiatives will be carried out over the next three years to support the OFA's strategic direction and objectives:

Initiative	Duration	Contribution to key OFA activities
Automate and enhance structured, processes across the organization such as Asset and Inventory Management.	2017–18	Address the organization's increased focus on procurement practices.
Increase the effective management and delivery of IT projects through centralized, standardized processes and controls.	2017–18	Continue to enhance delivery and effectiveness of resources in project management efforts. Support OFA objectives in the delivery of technical initiatives.
Expand core systems to track new government initiatives, allow for greater flexibility in hedge portfolio group splitting, strengthen bond and swap pricing modules and Implement applicable changes as per financial and regulatory reform requirements.	2017–19	Support a large borrowing program and the corresponding large volume of associated hedging activity; provide flexibility to support the commodities hedging program conducted by the OFA for Metrolinx; and the continuation of new government initiatives, including Ontario Green Bonds, and the Trillium Trust.
Through iterative enhancements to technology and policy, ensure the security of information assets and infrastructure across multiple platforms.	2017–19	Address increased requirements for integrated communication solutions as well as data anytime, anywhere. Enhance support for the OFA's BCP.

Creating and enhancing OFA business dashboards to gain increased insight and enhance trading and portfolio management information.	2017–19	Provide OFA executives with timely information to support treasury and borrowing program activities.
Creating and enhancing KPIs and dashboards, reporting mechanisms to measure the performance of delivered corporate services.	2017–19	Provide OFA executives with timely information to support business activities.
Continuous IT infrastructure improvement that will enhance performance, increase capacity, and make the OFA's computing solution highly available.	2017–19	The OFA's financial business functions are well supported by its robust IT infrastructure, which is essential for the OFA to carry out its mandate.
Continuous IT security improvement that will ensure the integrity of the OFA's IT network and prevent any unintended data loss or unauthorized access. Review, revise, and develop IT policies and procedures based on emerging business or technology requirements.	2017–19	The OFA is proactive in ensuring that its systems are highly secure.
Continuous IT service delivery enhancement that will improve the process of incident management, change management, and problem management. Implement SCSD Service Catalogue and Configuration Management Database (CMDB).	2017–19	The OFA's financial business functions are well supported by various IT Services. A better service delivery framework is essential to deliver IT Services professionally and on a timely basis.
Streamline procurement through a centralized, process-driven methodology.	2017–20	Provides clear accountability, auditability and transparency.
Implementation of an Information Management Strategy that transitions the treatment of information from 'data' to an 'asset'.	2017–20	Promotes the retention of corporate knowledge within the organization.
Continuous Enterprise Project and Portfolio Management that will improve the ability to track, report and deliver on business and technology initiatives.	2017–19	Provides clear accountability, auditability and transparency.

INITIATIVES INVOLVING THIRD PARTIES

There are no third parties, other than the provincial government, with which the OFA is partnering or with which it has a funding relationship for the purpose of delivering OFA programs. Moreover, the OFA does not provide transfer payments (grants, subsidies, assistance to persons; the business sector; non-commercial institutions; and other government bodies) to third parties.

IMPLEMENTATION PLAN

For 2017–20, the OFA intends to implement its business plan using existing resources and allocations.

COMMUNICATION PLAN

Business Plan

The OFA Business Plan serves as an internal tool for management and staff in the development of program plans and, through the regular reporting of the status of initiatives to the Board of Directors, it serves as a performance measurement tool. The plan also communicates the OFA's business objectives to the Minister of Finance and the Ministry.

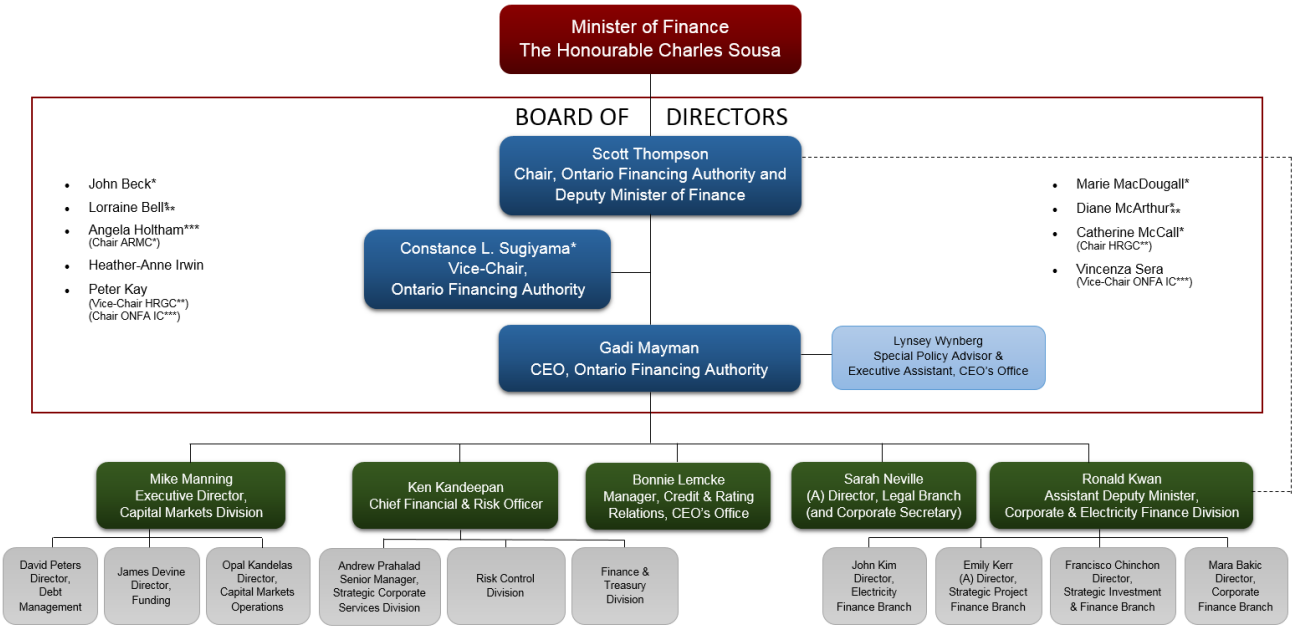
Other Communications

The OFA has a number of external stakeholders, including institutional and retail investors, investment dealers, banks, and credit rating agencies. In 2017–20, the OFA will communicate with stakeholders using various methods including:

1. Websites (including expense information): www.ofina.on.ca; www.ontariosavingsbonds.com; www.ofina.on.ca/algp;
2. Budget and quarterly updates: develop borrowing and debt management components;
3. Fact sheets, investor relations presentations, and other investor material (available on the website);
4. Annual Report (as required by the *Capital Investment Plan Act, 1993*);
5. Regulatory filings;
6. Business Plan; and
7. Memorandum of Understanding (MOU).

Other methods of communication to be used throughout the year are investor relations meetings and regular discussions with credit rating agencies. In addition, the OFA is responsible for the development of communications vehicles for OEFC and will continue to maintain the OEFC website, www.oefc.on.ca, and to produce the OEFC annual report.

ORGANIZATIONAL CHART



* ARMC = Audit & Risk Management Committee
** HRGC = Human Resources & Governance Committee
*** ONFA IC = Ontario Nuclear Funds Agreement Investment Committee

Draft 2017–20 Business Plan

Table of Contents

EXECUTIVE SUMMARY 3

OVERVIEW OF 2016–17 RESULTS (TO DATE) 4

2017–20 OBJECTIVES 10

Total Revenues and Expenditures 10

MANDATE AND GOVERNING LEGISLATION 11

OVERVIEW OF CURRENT AND FUTURE PROGRAM AND ACTIVITIES AND IMPLEMENTATION PLAN: 2017–20 12

1. Execute the Province's borrowing program 12
2. Manage the Province's debt, investments, ONFA and financial risk, and contribute to the development of the Province's fiscal plan and outlook 12
3. Manage key financial relationships 13
4. Provide services related to cash management, banking, settlement, payment and financial and reporting 14
5. Advise on and implement corporate and electricity finance projects and policies 15
6. Ensure the successful activation of OFA's decentralized Business Continuity Plan (BCP) 16

RISK IDENTIFICATION AND ASSESMENT 17

ENVIRONMENTAL SCAN 36

Economic Conditions 36

Financial Markets 37

Government Initiatives 37

Regulatory Compliance 37

PERFORMANCE MEASURES 38

HUMAN RESOURCES 48

FINANCIAL BUDGET 49

OFA Multi-Year Operating Expenditure Forecast 49

OFA - Income Statement Projections 50

STRATEGIC CORPORATE SERVICES 51

INITIATIVES INVOLVING THIRD PARTIES 53

IMPLEMENTATION PLAN 53

COMMUNICATION PLAN 53

Business Plan 53

Other Communications 53

ORGANIZATIONAL CHART 54

EXECUTIVE SUMMARY

The Ontario Financing Authority (OFA) is a Provincial Crown agency established by the *Capital Investment Plan Act, 1993* (CIPA). The initiatives in the OFA's *2017–20 Business Plan* will focus on achieving the objectives set out in CIPA and the objectives set out in the OFA's mandate letter from the Minister of Finance, dated October 1, 2016 over a three year planning horizon, as well as reporting on results of the previous year's Business Plan. Initiatives for the 2017–20 Plan include:

1. Executing the Province's borrowing program through development and implementation of the annual Financing, Debt & Electricity Management Plan. The Plan will provide critical details on the borrowing program, including term structure and diversification objectives, as well as investor relations, liquidity, floating rate, foreign exchange and credit risk strategies, and also outline major risks and risk mitigation strategies.

2. Managing the Province's debt, investments, Ontario Nuclear Funds Agreement (ONFA) and financial risk, and contributing to the development of the Province's fiscal plan and outlook by working to generate savings from liquid reserve investment activities within prudent risk exposure limits, as well as centralized/segregated investment funds for various public bodies. This also involves managing ONFA-related investments, working together with Ontario Power Generation Inc. (OPG), to ensure interest rate, foreign exchange and credit exposures are within approved policy limits, as well as contributing to the Province's annual Budget, Fall Statement and quarterly finances.

3. Managing key financial relationships by building and maintaining connections with investors in both existing and new markets, as well as relationships with banks, financial service providers and investment dealers. This includes providing Investor Relations information products and updates on the OFA website. Maintaining close relationships and ongoing dialogue with credit rating agencies to keep them informed of the Province's financial status, priorities, and initiatives, and complete regulatory filings with the U.S. Securities & Exchange Commission (SEC) and any other applicable securities regulators.

4. Providing cash management and banking services on a centralized basis to all ministries and settlement, payment, financial and reporting, loan administration, information technology and client services to the Treasury Program by implementing effective treasury solutions for the Province and client agencies. Ensuring that the Province has sufficient cash available at all times to meet its financial obligations, and continuing to work with the other ministries to advise on banking and cash management components of government initiatives as well as on changes to accounting standards and their impact on the Province's debt and interest on debt.

5. Advising on and implementing corporate and electricity finance projects and policies by providing analysis and advice on cost-effective borrowing, investing and risk management by public bodies and other financing proposals, and on business cases for business supports. This includes providing advice on transactions that may affect the indebtedness or contingent liabilities of Ontario, including provincial guarantees. In addition, undertaking policy and financial analysis, modelling support and implementation, as required, for electricity financings, policies and initiatives, including ONFA, which could have fiscal, financial and/or economic implications for the Province and/or Ontario Electricity Financial Corporation (OEFC).

6. Ensuring the successful activation of OFA's decentralized Business Continuity Plan (BCP) by reviewing and updating the Corporate BCP Framework and Business Unit plans, as well as conducting corporate-wide BCP test exercises.

OVERVIEW OF 2016–17 RESULTS (TO DATE)

The Ontario Financing Authority (OFA) accomplished the following in support of the overall strategic directions outlined in the 2016–19 Business Plan[1]:

1. *Execute the Province's borrowing program*

- As of January 31, 2017, the OFA had completed $20.3 billion (85 per cent) of its $23.8 billion (as per the 2016 Fall Economic Statement) long-term borrowing requirement for 2016–17. Approximately 82 per cent of long-term borrowing was completed in the Canadian dollar market.
- The 2016–17 Ontario Savings Bond (OSB) campaign raised $127 million.
- The objectives set out in the 2016–17 Financing, Debt & Electricity Management Plan, approved by the OFA Board, are on track and expected to be successfully completed by fiscal year end.
- Sufficient liquidity has been available over the fiscal year to ensure the Province has been able to meet all of its financial commitments and payment obligations, largely reflecting the long-term borrowing program being consistently ahead of pace.
- Successfully executed five carve-out deals[2] to-date for the 2016–17 fiscal year (as of January 31, 2017). Held in-depth discussions with individual carve-out investors.
- On January 26, 2017, the Province successfully priced an $800 million re-opening of its January 2023 Global Green Bond. The six year bond will help fund twelve green infrastructure projects, with an emphasis on clean transportation and energy efficiency and conservation. The transaction represents the third and largest ever Green Bond offering from the Province of Ontario.
- Provided expertise in accounting for Green Bonds, and set up financial accounting and reporting for these investment vehicles that met the requirements outlined by the investor community. Developed and released a second Green Bond newsletter on December 12, 2016, updating investors on the second Green Bond's use of proceeds, project selection process, as well as, providing project updates on the eight projects selected.
- Analyzed the scope and impact of the Markets in Financial Instruments Directive (MiFID) II and the Bank Recovery and Resolution Directive (BRRD) on the Province and implemented required documentation changes to ensure the Province's continued, uninterrupted access to European capital markets.

2. *Manage the Province's debt, investments, ONFA and financial risk, and contribute to the development of the Province's fiscal plan and outlook*

- As of January 24, 2017, through the timing of debt issues and related hedging, the cost of regular borrowing for the Province based on the traditional methodology translated to a percentile ranking of 58th percentile against a statistical distribution of benchmark interest rates. As such the percentile ranking for regular borrowings is outside the designated target band of 45 to 55 percentile. The OFA has introduced a more accurate and comprehensive performance measurement methodology based on the tenor of individual debt issues. Applying this methodology, the cost of regular borrowing for the Province for the same date translated to a percentile ranking of 53rd percentile, falling within the target band of 45 to 55 percentile. The cost of strategic foreign borrowing as of January 24, 2017 translated into a percentile ranking of 54th percentile falling within the designated target band for strategic foreign borrowings of 50 to 75 percentile. The new methodology is yet to be extended to cover strategic foreign borrowings. There were no borrowings on behalf of OEFC.

[1] The OFA's fiscal year end is March 31, 2017, but quantitative performance results are as of December 31, 2016, unless otherwise noted.

[2] In order to accommodate large bond purchases by a single buyer, a large order procedure was implemented on October 14, 2011. The "carve-out" procedure allows for a portion of a bond issue to be sold to a single buyer.

- The money market performance was $ $21.6 million or thirteen basis points (bps) better than the benchmark as of December 31, 2016. The performance is eleven bps better than the upper limit of the target band which is plus or minus two bps of the benchmark.
- The interest-on-debt (IOD) expense for 2016–17 is currently forecast at $11,375 million, $381 million lower than forecast in the *2016 Budget*, primarily as a result of lower than forecast interest rates.
- Funds were managed on a discretionary basis on behalf of the Pension Benefits Guarantee Fund, Deposit Insurance Corporation of Ontario, Ontario Trillium Foundation, Infrastructure Ontario, and a commitment fund for the Ontario Capital Growth Corporation.
- Funds were managed on a non-discretionary basis on behalf of the Ontario Immigrant Investor Corporation and Northern Ontario Heritage Fund.
- With OPG, the Used Fuel and Decommissioning Segregated Funds' investments were managed under ONFA. The Funds have grown from $16.9 billion at January 1, 2015 to about $19.2 billion at September 30, 2016. As of November 30, 2016, the rate of return for the Used Fuel Fund for one year was 6.88 per cent compared to the market benchmark of 6.89 per cent and a target rate of return of 5.04 per cent. The rate of return for the Decommissioning Fund for one year was 6.79 per cent compared to the market benchmark of 7.07 per cent and a target rate of return of 5.15 per cent.
- Contributed to the Province's annual Budget and quarterly finances, including the electricity sector outlook and assets; advised on the potential implications of initiatives on interest on debt, borrowing objectives, credit ratings and financial markets' reactions.
- As part of the Pooled Asset Management Working Group, provided technical investment management expertise on the modelling, design and implementation of a pooled asset management entity for institutions in Ontario's broader public sector. In February 2015, a final report was presented to the Minister of Finance. The OFA has continued to assist the Ministry of Finance (MOF) in implementing the Investment Management Corporation of Ontario (IMCO).
- Administered borrowing authority obtained under the *Financial Administration Act* (FAA) which is required to carry out the Province's borrowing program. Effected changes to the FAA to better align the foreign currency conversion of debt maturities to be refinanced with the methodology used in calculating the Province's annual borrowing requirement.

3. *Manage key financial relationships*

- Held road shows, investor meetings and conference calls to meet with investors in Canada, the United States, Europe and Asia, and hosted meetings at the OFA offices. Held 139 investor meetings and events as of December 31, 2016, including meetings with 10 new accounts. Provided keynote speakers and panelists at industry conferences in Toronto and New York City. Promoted Toronto as a global financial centre.
- Continued development of the OFA website to improve functionality, add additional information for investors and provide full mobile accessibility. As part of Ontario's *Open Data Directive,* the OFA published an Open Data Inventory List on its website, which includes all of the datasets the OFA creates, collects and/or manages. The website continues to be an important tool for communicating with investors and the public, receiving 34,792 visitors during the 2016 calendar year. Three CEO's Corner updates were posted over this time. The OFA email alert list had 363 subscribers as of December 31, 2016.
- Maintained close relationships and held ongoing discussions with credit rating agencies and the banks which underwrite and distribute the Province's bonds in Canada and around the world to keep them apprised of government priorities and initiatives, the *2016 Budget*, the 2015–2016 Public Accounts, the *2016 Ontario Economic Outlook and Fiscal Review* (Fall Statement), the secondary offering of Hydro One upon its public announcement and other quarterly finance releases.
- Managed increasingly more rigorous regulatory and disclosure requirements, and maintained close relationships with the regulatory bodies in the global capital markets.
- Monitored credit exposures to banks with which the OFA has relationships. Executed 10 collateralized swap agreements with bank counterparties and are working toward executing additional agreements in order to mitigate credit risk with bank counterparties.

- Conducted comprehensive reviews of potential rule changes affecting the Province domestically and internationally such as the Market Abuse Directive (MAR) in the European Economic Area (EEA) and fee-based changes with Canada's primary central securities depository (CDS), consulting securities regulators and other capital market participants, as appropriate.
- Monitored and fully complied with international withholding tax requirements in respect of its financial agreements under FATCA and OECD Common Reporting Standard for Entity Tax Residency.

4. *Provide cash management and banking services as well as settlement, payment services, loan administration and financial and reporting services and client services*

- Provided centralized banking services to the Province by strategically managing banking relationships, as well as providing efficient centralized cash management services to the Province, minimizing interest on debt.
- Continued to provide cash management services to five client agencies and crown corporations, including the Pension Benefits Guarantee Fund, Ontario Capital Growth Corporation and the Deposit Insurance Corporation of Ontario.
- Managed the complex cash flows and settlement requirements associated with the secondary offering of Hydro One ensuring that these very large and time sensitive transactions were completed on a timely and accurate basis.
- Continued to advise ministries on the application of the Cash Management Directive with regard to Government priorities including the proposed cap and trade mechanism for Ontario.
- Continued strategic participation and advice to the cross-ministry Working Group, Executive Governance Committee and Payment Card Industry (PCI) Enterprise Coordination Office to assist ministries in maintaining compliance with mandatory security requirements for debit/credit card acceptance.
- After concluding a successful pilot, continued to work with the Ministry of Community and Social Services to replace social benefits payments made by cheque with a reloadable prepaid card product for all unbanked individuals providing both cost efficiencies, and improved services to Ontarians.
- Provided analysis and advice to Ministry of the Environment and Climate Change (MOECC) on the structuring of the Province's proposed Cap and Trade auction program, which will be linked with those of California and Quebec, to ensure its sound financial management and protection of the Province's interests.
- Provided advice to MOECC regarding the selection and management of a Financial Services Administrator to support the auction process, and control structure for the auction-related financial services and receipt of public money aspects.
- Provided advice to the Ministry of Government and Consumer Services (MGCS) on their procurement of corporate purchasing / travel cards as well as analysis of related *Financial Administration Act* considerations.
- Provided analysis and advice to ministries on payment options for new programs and program changes e.g. Ministry of Transportation Drive Clean program collections via Pre-Authorized Debit, Ministry of Advanced Education and Skills Development online collection of childcare license fees, and online Program Approval and Registration Information System.
- Based on an in-depth risk and efficiency analysis the Province determined to no longer accept American Express cards as a payment mechanism. The decision generated savings through the elimination of a parallel infrastructure as well as reduced risk by streamlining PCI data security requirements.
- Working closely with MOF to develop an e-services strategy for tax collection.
- Continue to engage with provincial and federal counterparts on treasury and cash management program issues throughout the year.
- Continued to provide timely and efficient settlement and payment services in managing the Provincial and OEFC debt portfolios and Non-Utility Generator (NUG) power purchase contracts.
- Continued to work with MOF, MGCS and Treasury Board Secretariat (TBS) in advancing the OFA initiative to move pension plan assets that are currently part of the Consolidated Revenue Fund into

more appropriate asset management structures that have the potential to release up to $50 million in annualized savings.

- The Integrity Commissioner has graduated the OFA from having to submit the travel expenses of the Board, the CEO and his direct reports and the top five employees in a fiscal year, for review by his office. The graduation is a testament to the timeliness and accuracy exhibited by the OFA in providing this information to the Office of the Commissioner over the past few years.
- As next steps in providing feedback to the Public Sector Accounting Board (PSAB) with regards to its new standard on Financial Instruments, the OFA has retained Deloitte Inc. to consult with other provinces and provide feedback to PSAB on provincial concerns with the proposed standard.
- Continued to provide accurate agency financial statements, as well as reported provincial debt, derivatives and investments in accordance with strict legislated timelines. As in past years, the OFA's 2015–16 Financial Statements received an unqualified opinion from the Office of the Auditor General. The Auditor General's annual review of the OFA's financial reporting of the Province's debt and interest on debt presented in the 2015–16 Public Accounts continued to be free of material issues.
- Renewed and administered long and short term credit facilities between the Province and Ontario Infrastructure and Land Corporation ("OILC").

5. *Advise on and implement corporate and electricity finance projects and policies*

- Advised on capital projects and financing options for ministries and public sector entities.
- Continued the review of business cases for OFA borrowing requests from public bodies including a number of Ontario colleges, school boards and corporations, expected to result in a total of $400 million in new long-term loans. Loan program annual savings are estimated to be at least $30 million per year for a total of approximately $230 million in cumulative savings to date.
- Continued to provide advice on municipal debt issuance and investment activities, including the expansion of the Prudent Investor standard to other large municipalities and on the Ministry of Municipal Affairs and Housing new municipal revenue tools strategy.
- Monitored terms and conditions of loans and loan guarantees and reviewed proposals and provided advice to the Deputy Minister and the Minister on proposed options to amend the loan guarantees and associated loan and contracts.
- Provided analysis and advice on the Province's investment in the Ontario Venture Capital Fund, the Northleaf Venture Catalyst Fund, Ontario Emerging Technologies Fund and the ScaleUp Ventures Fund. The CEO serves on the Board of Directors, and is a Vice-Chair of, the Ontario Capital Growth Corporation (OCGC), which manages the Province's interests in these four funds.
- Advised on and reviewed proposed contingent liabilities and indemnity agreements put forward by ministries and public bodies that would increase the indebtedness of the Province, including contingent liabilities and indemnities for major infrastructure projects, accommodation leases or broader public sector borrowing.
- Provided analysis and advice to the MOECC on the design of the Province's cap and trade auction program as well as the procurement of a financial services provider to the WCI Inc. to provide administrative support to that program.
- Provided analysis and advice to the MOECC on the establishment of a new climate change agency tasked with the implementation of the ministry's carbon reduction programs.
- Providing analysis and advice on the application of Section 28 of the *Financial Administration Act* to contracts entered into by public entities that would increase the indebtedness or contingent liabilities of the Province.
- Led the development of a new protocol for the sharing of powers and responsibilities under Section 28 of the *Financial Administration Act* between the Minister of Finance and the President of Treasury Board.
- Provided advice to the Ministry of Research, Innovation and Science (MRIS) on private sector refinancing of the MRIS-MaRS Phase 2 loan.
- Provided advice to ministries, Crown agencies and other public entities on loan structuring and credit enhancement strategies.

- Provided advice to the MOF's Office of Economic Policy regarding the Bank of Canada's proposal to extend an Emergency Lending Facility to all provincial credit unions.
- Provided analysis and advice in support of the Ministry of Energy moving forward with secondary offerings of Hydro One shares including, in 2016-17, the secondary offering executed in April 2016.
- Provided advice alongside MOF to help facilitate discussion and progress regarding the agreement-in-principle with First Nations – in support of broadening the ownership of Hydro One by the Province.
- Through a working group, working with Infrastructure Ontario and other areas of government, provided analysis and advice in support of unlocking the value of the Province's real estate assets, including the sale of the LCBO's head office lands in June 2016, and the sales process for OPG headquarters properties.
- Provided policy analysis and advice on the implementation of the Trillium Trust, and proposed framework for making disbursements from the Trillium Trust to receiving ministries in support of public infrastructure investments.
- Provided financial analysis and advice on continuous management and implementation of the commercial agreement with Borealis/Teranet for the electronic land registry system.
- CEO served on the Assistant Deputy Ministers' review committee of the Jobs and Prosperity Fund.
- Provided analysis, advice, and the fiscal impact of the electricity sector and asset optimization initiatives for the Province's annual Budget, Fall Statement, Public Accounts and quarterly finances.
- Supported electricity policies and initiatives, focusing on potential fiscal, financial, and economic impacts on the Province and OEFC, including analysis and advice to support implementation and expansion of the Industrial Electricity Incentive (IEI); expanding the Industrial Conservation Initiative (ICI); ongoing implementation of the Northern Industrial Electricity Rate (NIER) program and its review process, the rebate for residential, small business and farm electricity bills of an amount equal to the eight per cent provincial portion of the Harmonized Sales Tax (HST) or the Ontario Rebate for Electricity Consumers (OREC); and providing analysis and advice on the stranded debt of the electricity sector.
- Provided analysis and advice on proposed new loans facilities and continued to implement new and existing loan agreements between OEFC and OPG related to supply projects and refinancing debt maturities.
- Renewed and continued to implement a credit facility between OFA and the Independent Electricity System Operator (IESO) for liquidity purposes and also provided analysis and advice to ensure financial oversight / governance of these credit facilities following the merger of the OPA and IESO.
- Continued to implement the Aboriginal Loan Guarantee Program (ALGP) to facilitate Aboriginal equity participation in renewable energy and transmission projects. As of December 31, 2016, eight guarantees totalling almost $240 million have been approved under the ALGP. All applications are reviewed in conjunction with one or more third party due diligence providers.
- Continued to implement the ONFA, including monitoring the segregated fund values, monitoring, reviewing and providing analysis and advice on the Province's approval of OPG's ONFA Reference Plan submission in 2016 and related submissions, reviewing for approval OPG's ONFA Annual Budget submissions and disbursement eligibility and requests, and monitoring the provincial guarantee provided under ONFA to the Canadian Nuclear Safety Commission (CNSC) as part of OPG's financial guarantee requirement to the CNSC.
- Provided analysis and advice on electricity supply initiatives, including nuclear refurbishments.
- Provided continuous support on discussions related to developing infrastructure and projects in the Ring of Fire.
- Provided analysis and advice on policies to support the consolidation of Ontario's electricity Local Distribution Company sector.

6. *Ensure the successful execution of the OFA's decentralized Business Continuity Plan (BCP)*

- Reviewed and updated the Corporate BCP Framework.
- Business Units conducted monthly tests, ensuring their respective plans are reviewed and updated.

- Carried out two corporate-wide BCP test exercises, and implemented improvements to the Plan based on the results of these tests.
- Reviewed corporate BCP Command and Support Team membership.

2017–20 OBJECTIVES

Key objectives for 2017–20 include the following, as set out in the OFA's mandate letter from the Minister of Finance, dated October 1, 2016:

1. Execute the Province's borrowing program
2. Manage the Province's debt, investments, ONFA and financial risk, and contribute to the development of the Province's fiscal plan and outlook
3. Manage key financial relationships
4. Provide services related to cash management, banking, settlement, payment, financial and reporting, and client services
5. Advise on and implement corporate and electricity finance projects and policies

In addition to the foregoing, the OFA has also identified the following additional key objective:

6. Ensure the successful execution of OFA's decentralized Business Continuity Plan

Total Revenues and Expenditures

(in thousands of dollars)	**2016–17**		**Forecasts***		
	Budgeted	**Interim Forecast**	**2017-18**	**2018-19**	**2019-20**
Total Revenue	30,071	30,117	30,804	30,856	31,290
Total Expenditure	27,068	27,050	27,499	28,009	28,575
Net Income	**3,003**	**3,067**	**3,305**	**2,847**	**2,715**

Further detail can be found in the Financial Budget contained in this plan.

*Forecasts represent the submission through 2017–18 Program Review, Renewal & Transformation (PRRT) process to the Treasury Board. Subject to Treasury Board approval. Note that as part of the 2016–17 PRRT process, Treasury Board disallowed the OFA request for a two per cent inflationary increase in its budgeted allocations for the out years.

MANDATE AND GOVERNING LEGISLATION

The Ontario Financing Authority (OFA) is a Provincial Crown agency established by the *Capital Investment Plan Act, 1993* (CIPA). CIPA sets out the objectives of the OFA. The OFA:

- conducts borrowing and investment for the Province of Ontario and manages the Provincial debt;
- provides cash management and other financial services for the Province;
- advises ministries, Crown agencies, and other public bodies on financial matters; and
- assists Crown agencies and other public bodies to borrow and invest money through external sources or through the OFA.

The OFA also provides a broad range of financial services to Ontario Electricity Financial Corporation (OEFC) and Ontario Infrastructure and Lands Corporation (Infrastructure Ontario or OILC).

The FAA also sets out certain financial powers which OFA employees exercise on behalf of the Minister of Finance to carry out the Province's borrowing, manage the Province's debt and invest its liquid reserves.

OVERVIEW OF CURRENT AND FUTURE PROGRAM AND ACTIVITIES AND IMPLEMENTATION PLAN: 2017–20

Activities will focus on supporting the following strategic directions:

1. *Execute the Province's borrowing program*

Overview

The OFA endeavours to ensure that borrowing by the Province and OEFC is cost-effective. Total long-term public borrowing is forecast at $23.3 billion in 2017–18 and $28.7 billion in 2018–19. This year's objectives may be challenging to implement due to the state of the global economy/market and the resource constraints within which the OFA is operating. Furthermore, borrowing blackouts can limit the amount of time in which the OFA can access the market. This may require borrowing in excess of $3 billion per month when these blackouts are not in effect in order to complete the annual borrowing requirement. Other challenges include:

- continued high amount of borrowing required for the Province, including the amount that will have to be undertaken outside Canada;
- competition in the markets from other large domestic and international borrowers;
- evolving regulatory requirements such as Basel III, Dodd-Frank and EMIR that continue to make hedging of foreign debt more expensive and a challenge to execute in the size required by the Province;
- potential challenges for Ontario's credit rating. A downgrade may result in borrowing costs increasing; and
- management of downgrading or failure of counterparties, and continued implementation of collateralized swaps to mitigate credit risk.

Implementation Plan

- Develop the annual Financing, Debt & Electricity Management Plans for OFA Board approval and transmission to the Minister. These plans provide detail on the borrowing program, including term structure and diversification objectives, as well as investor relations, liquidity, floating rate, foreign exchange and credit risk strategies, and also outline major risks and risk mitigation strategies.
- Meet the Province's funding requirements, anticipated to average about $25 billion annually for the business plan period, in a cost-effective and prudent manner.
- Manage the Ontario Savings Bond campaign.
- Continue to monitor the Green Bond market to identify future issuance opportunities under its Green Bond Program.

2. *Manage the Province's debt, investments, ONFA and financial risk, and contribute to the development of the Province's fiscal plan and outlook*

Overview

The OFA manages the debt and liquid reserve portfolios, as well as centralized/segregated investment funds, for various public bodies, and jointly manages the Ontario Nuclear Funds with OPG. Financial risks associated with capital market activities are mitigated by adhering to prudent risk management policies which minimize financial risk by ensuring exposures and losses remain within approved limits. Risk management policies and program exposure limits are approved by the OFA Board of Directors. The OFA also contributes interest on debt, borrowing and debt management objectives, and electricity sector fiscal impact projections to the Budget, Fall Statement and other quarterly financial updates.

Implementation Plan

- Generate savings from liquid reserve investment activities within prudent risk exposure limits, as well as centralized/segregated investment funds, for various public bodies. Manage ONFA-related investments, working together with OPG.
- Ensure interest rate, foreign exchange and credit exposures are within approved policy limits.
- Contribute to the Province's annual Budget, Fall Statement and quarterly finances, including the electricity sector outlook; advise on the potential impact of initiatives on interest on debt, borrowing objectives, credit ratings and financial markets' reactions. Continue playing an important role in the development of the Province's annual Budget and quarterly statements through the provision of timely and accurate financial information, and preparation of the Borrowing and Debt Management section of the Budget and Fall Statement.
- Continue with the implementation of the new methodology based on assessing individual debt issues by tenor, to measure the performance of the borrowing program.
- Continue to implement applicable changes as per financial and regulatory reform requirements including evolving effects from Basel III, EMIR and Dodd-Frank. These regulations are expected to continue to make the OFA's hedging process more complex. Hedging may also continue to become more expensive if proposals such as financial transaction taxes or mark-to-market derivatives taxes are legislated and implemented in Europe or the United States.

3. *Manage key financial relationships*

Overview

The OFA ensures investors and the financial community in Canada and abroad receive financial updates on a timely basis to make informed decisions about Province of Ontario debt securities. Investor Relations activities support borrowing program objectives by maintaining and broadening the Province's investor base. The OFA also ensures credit rating agencies understand government policies, budget, and fiscal performance, properly reflecting these factors in their reports and rating decisions.

The OFA manages the government's relationships with financial institutions, primarily the major Canadian and global banks, their investment dealer subsidiaries, and custodial and fiscal agents. This involves the acquisition and oversight of cost-effective products and services for the Province and certain Crown corporations.

Implementation Plan

- Support the Province's borrowing program by building and maintaining relationships with investors in existing and new markets. Provide Investor Relations information products, including updates to the OFA website, on a timely basis.
- Maintain close relationships and ongoing dialogue with credit rating agencies to keep them informed of the Province's financial status, priorities, and initiatives.
- Manage Ontario's relationships with banks, financial service providers and investment dealers.
- Complete regulatory filings with the U.S. Securities & Exchange Commission (SEC), United Kingdom Listing Authority (UKLA), Luxembourg Stock Exchange (LuxSE), Australian Securities Exchange (ASX) and any other applicable securities regulator. Conduct due diligence conference calls, as required, with the dealers and underwriters of the Province's debt securities offerings and their legal counsel.
- Implement and maintain collateralized swap agreements with bank counterparties to limit potential financial losses as a result of a credit event.
- Manage changes in financial and regulatory reform, liaising with regulators and legal counsel, as required.

4. *Provide services related to cash management, banking, settlement, payment and financial and reporting*

Overview

The OFA provides centralized banking and cash management services to the Province. The effective provision of these services allows for the efficient delivery of provincial services and contributes towards minimizing interest on debt expenditures. The OFA is responsible for settlements, payments and accounting/reporting functions associated with the Province's and OEFC's debt management programs, as well as agency financial reporting.

Implementation Plan

- Identify and implement effective treasury solutions for the Province and client agencies.
- Ensure that the Province has sufficient cash available at all times to meet its financial obligations.
- While compliance with PCI Data Security Standards is now in its sustainment phase, the OFA will continue to work with the other OPS stakeholders and the credit/debit card acquirer to ensure that the mandatory external reviews continue to report that that Province is in compliance with all applicable PCI standards.
- Continue to work with American Express and TD Merchant Services, the Province's card acquirer, to explore options for the continued acceptance of American Express cards via the acquirer's existing systems for Visa and MasterCard. The new arrangement would enable Amex cards to be used to obtain Provincial goods and services in a way that mitigates risk and increases efficiency for the Province.
- After the completion of a successful pilot, continue to work with the Ministry of Community and Social Services on the rollout of a reloadable payment card for unbanked benefit recipients under the Ontario Disability Support Program.
- Continue to advise ministries and agencies on the banking and cash management components of government initiatives including modernization and suitable banking options, as well as associated legal and regulatory aspects.
- Continue to collaborate with industry associations and provincial and federal jurisdictions on modernization initiatives and issues unique to the public sector.
- Continue the delivery of timely and accurate settlement/payment services for the Province and OEFC, including OEFC power supply contract settlements.
- Continue to work on the replacement of the Public Bodies Financing System with a new, internally developed/externally sourced system capable of handling all loans issued by the OFA and the Province. Progress is expected to proceed according to schedule and it is anticipated that the new system will be operational in 2017–18.
- Continue to work with the Ontario Pension Board, MOF Income Security and Pension Policy Division and TBS on the first phase of regularizing the management of various pension plans whose assets reside in the Consolidated Revenue Fund. The first phase is aimed at transferring the regulated portion of the assets of the Judges' Pension Plan to the IMCO generating annualized savings estimated to be $15 million.
- Work with the Office of the Provincial Controller and OPG to develop options to address the potential under PSAB for Public Accounts consolidation adjustment impacts from OPG and Hydro One results under the International Financial Reporting Standards.
- Provide timely and reliable net debt and total debt estimates for the 2017 Annual Budget and the Province's quarterly reports during the fiscal year including the Fall Economic Statement.
- Continue to provide timely and accurate financial reporting for the Province on debt, derivatives and investments. Continue to provide timely and accurate agency financial statements that pass scrutiny of the OFA Board and the Office of the Auditor General.

- Continue to work with the Office of the Provincial Controller on providing value-added feedback on Chapter 2 of the Annual Report of the Auditor General of Ontario that deals with Ontario's Public Accounts.
- Continue to monitor and assess any new accounting developments of the International Accounting Standards Board, the Financial Accounting Standards Board in the U.S., the Accounting Standards Board and the PSAB of the Chartered Professional Accountants of Canada that affect reporting for the Province and its agencies.
- Continue to work with Deloitte Inc. in consulting with the accounting and borrowing communities of the other provinces towards providing PSAB with concerns expressed by these jurisdictions and Ontario. Also with Deloitte Inc., collaborate on developing options that address the provinces' concerns. Continue to liaise with the Office of the Provincial Controller and, where required, the Office of the Auditor General of Ontario in communicating with PSAB.

5. *Advise on and implement corporate and electricity finance projects and policies*

Overview

The OFA provides financial modelling, analysis and advice to the Ministry of Finance, other ministries, OEFC, Crown agencies, and other public bodies, on financial policies and projects, electricity sector policies and initiatives, and borrowing from capital markets. The OFA also provides assistance in structuring and completing financial transactions, and securing and using private sector financial advisers. The OFA has been leading the implementation of the Trillium Trust and will also continue to work with the Ministry of Finance, other ministries, and Infrastructure Ontario on on-going asset optimization initiatives, including unlocking the value of certain real estate assets. The OFA is providing analysis and support as the Province moves forward in selling up to 60 per cent of its shares of Hydro One over time.

The OFA will also continue to support and facilitate the implementation of a number of other government initiatives, including the Cap and Trade Program and investing in Ontario's venture capital sector.

Implementation Plan

- Provide analysis and advice on business cases and other financing proposals. Develop the structure and negotiate the detailed terms and conditions of transactions to minimize costs and best meet market expectations.
- Provide advice on cost-effective borrowing, investing and risk management by public bodies.
- Provide advice on transactions requiring a provincial guarantee or those that may otherwise increase the indebtedness or contingent liabilities of Ontario.
- Develop interest rate and other borrowing, investing and risk management policies, and advise ministries, agencies and public bodies on interest rates and other financing issues.
- Support initiatives for Ontario's various industry sectors.
- Provide continued support for the government initiative on OFA loans to public bodies.
- Provide support to the government on Ministry of Finance loans and loan guarantees as required.
- Continue to provide advice to ministries, Crown agencies and other public bodies on financing, loan structuring and credit enhancement strategies.
- Provide advice as required on evaluating the Province's assets, including investments in its business enterprises, and analysis and advice on asset optimization to enhance efficiency and maximize value.
- Provide policy and financial analysis, and modelling support, as required, for electricity policies and initiatives that could have fiscal, financial and/or economic implications for the Province and/or OEFC, including the following:
  - *The Ontario Rebate for Electricity Consumers Act, 2016.*
  - Ongoing implementation of the Industrial Electricity Incentive program.

  - Ongoing implementation of the NIER program.
  - Expanding the Industrial Conservation Initiative.
  - Electricity supply and conservation initiatives.
- Provide financial due diligence and advice to the Minister of Finance on applications received under the ALGP.
- Monitor and provide electricity sector fiscal and financial projections for the Province and OEFC, including analysis and advice to the Minister of Finance on the stranded debt, as well as continued reporting on OEFC's revenue sources (e.g. the debt retirement charge (DRC) for non-residential users, now legislated to end on April 1, 2018, and payments in lieu of taxes) and expenses (e.g. interest on debt).
- Provide analysis and advice to support the effective administration of ONFA and other initiatives related to nuclear liabilities, including monitoring and reviewing OPG's implementation of its ONFA Reference Plan as updated from time-to-time, approval of yearly ONFA budgets including investment related expenses, reviewing OPG's expected financial guarantee submission to the CNSC expected in 2017, including reviewing, monitoring, and seeking approval on any implications on a Provincial guarantee to the CNSC, as provided for under ONFA.
- Provide analysis and advice on nuclear supply, financing and cost recovery issues, including for nuclear refurbishments.
- Continue to monitor, review and support policy discussions on developing the Ring-of-Fire.
- Continue to work closely with staff at the MRIS and OCGC on approaches for managing the Province's investment in the Ontario venture capital sector. Support the CEO's role as Vice Chair of the OCGC Board.
- Provide analysis and due diligence related to Jobs and Prosperity Fund applications and relevant Eastern Ontario Development Fund and Southwestern Ontario Development Fund applications.
- Continue to support the government's asset optimization initiative of broadening the ownership of Hydro One by providing financial analysis and advice, and dedication of net revenue gains from these transactions to the Trillium Trust to support investments in infrastructure.
- Provide coordination and oversight of certain real estate asset optimization initiatives, such as, the divestment of OPG's head office properties, and Seaton and Lakeview lands.
- Lead implementation of the Trillium Trust to help support investments in transit, transportation and other priority infrastructure.

6. *Ensure the successful activation of OFA's decentralized Business Continuity Plan (BCP).*

Overview

The BCP remains in place and is updated as required to be successfully activated so staff can complete critical time-sensitive tasks in the event of a business disruption.

Implementation Plan

- Review and update the Corporate BCP Framework.
- Review and update Business Unit plans.
- Plan and conduct corporate-wide BCP test exercises.
- Review corporate BCP Command and Support Team membership.

Implementation of the above strategic directions will require regulatory compliance and reliable information technology.

RISK IDENTIFICATION AND ASSESMENT

Accountability	Risk Assessment	
P Primary	L Low	H High
X Additional	M Medium	EH Extremely High

Summary Table

Risk Assessment Summary		Accountable Business Division						Risk Assessment		
		Capital Markets	Corporate & Electricity Finance	Finance and Treasury	Legal	Risk Control	Strategic Corporate Services	Likelihood	Impact	Overall Assessment
Strategic Risks	Strategic / Policy Risk	P	X			X		L	EH	H
	Meeting Stakeholder Expectations	P		X				M	EH	H
	Public Image	P		X				L	H	M
	Quality of Relationship with Stakeholders	P		X		X		L	H	M
Accountability / Governance	Governance, Information, and Regulatory Compliance	X		P	X			L	H	M
	Risk and Issue Management			X		P	X	L	H	M
	Statutory Requirements are met				P			L	H	M
	Reliability of Financial Systems			P				L	H	M
Operational	An economic slowdown straining the fiscal plan, thus affecting the borrowing program	P						M	H	H
	Financial Market Risk	X				P		M	H	H
	Inability to complete the borrowing program due to market breakdown or loss of faith in the Province's ability to repay debt	P						L	EH	H
	Risk of credit rating downgrade	X				P		M	H	H
	Credit Risk	X				P		L	H	M
	Electricity Policy and Price Risk		P					M	M	M
	Operational, including systems, internal control, and reputation risks	X	X	X	X	X	P	L	H	M
	Service Providers (e.g. custodians, fiscal agents, banks, etc.)			P				L	M	L
	Low investment returns or inadequate investment controls on nuclear funds	P						M	H	H
	Default on Loans to Public Bodies		P					L	L	L
	Default on Guarantees under the ALGP		P					L	L	L
	Increased borrowing to fund loans to public bodies		P					L	L	L
	Government Cost Constraints			P				M	H	H
Workforce	Employee Fraud			P				L	M	L
	Human Resource Risk	X	X	P	X	X	X	M	EH	H
Information Technology and Infrastructure	Privacy and Security						P	L	M	L
	Business Continuity						P	L	H	M
	Procurement			X			P	M	M	M

Risk Identification, Assessment, Mitigation Strategies
The following section identifies potential risks that could impact the entire organization in its ability to successfully deliver its programs and activities on behalf of the Province.

Risk Element or Classification	Identification of Risk / Risk Description	Likelihood and Rationale	Impact and Rationale	Overall Assessment of Risk Element	Mitigation Strategy
Risk Category: STRATEGIC **RISK AREA: Strategic:** Risks related to implementing (or not implementing) new policies or changes to existing policies (e.g., misalignment of agency policies with those of the OPS). The risk that strategies and policies will fail to achieve required/targeted results. The risk of failing to provide value for money or cost-effectiveness. This can include existing policies that may be affected by changes in external factors including the economy, technology and political environment.					
Strategic/ Policy Risk Primary Accountability: Capital Markets Division	Strategies and policies fail to achieve required results. Prime examples are failing to meet the borrowing requirements and failures in implementing core risk management strategies.	LOW Past experience indicates that the likelihood of major strategic failures is relatively **low** as they cannot always be eliminated. There are elements of borrowing and risk management which are outside the Province's control which can negatively impact required results. For example, financial conditions could result in higher interest costs or interest rate risk than anticipated or refinancing risk in future years may be much higher than desired if investor demand for longer term bonds is substantially reduced.	EXTREMELY HIGH The financial consequences of strategic failures in borrowing or risk management strategies and associated policies can be **extremely high**, and the annual Financing, Debt & Electricity Management Plan outlines strategies which attempt to address the challenges, including contingencies for unexpected events. In addition, management monitors major market and policy developments throughout the year very closely and will develop and implement new strategies and policies if conditions warrant. Even though the likelihood of major strategic failures is low, the impact remains extremely high resulting in an overall high risk assessment.	HIGH	Strategic plans and policies to mitigate strategic and policy risk are initially developed and implemented in a thorough manner as outlined in the OFA's annual Financing, Debt & Electricity Management Plan ("the Plan"). This includes an analysis of risk factors and contingency plans. The Plan is approved by the respective Boards (OFA and OEFC) and receives input from Board members. Market conditions and policy developments are monitored on a continual basis throughout the year to identify new and emerging developments which could impact strategic and/or policy risks. Existing control strategies are modified as required to mitigate adverse developments. Procedures are in place to ensure that staff are aware of relevant policies. Policy violations are rare, and a robust control framework exists to identify violations quickly. Most violations would not have a large enough impact to threaten achieving required strategic results.
Meeting stakeholder expectations	The risk that the OFA may fail to meet stakeholder expectations, including those of the Province and other public bodies.	MEDIUM There is a **medium** likelihood of failure to meet stakeholder expectations and performance	EXTREMELY HIGH Given that the impact of not meeting stakeholder expectations can be **extremely high**, combined with a	HIGH	An analysis of risk factors and contingencies is included in the OFA's annual Financing, Debt & Electricity Management Plan. This analysis is revisited throughout the year.

Risk Element or Classification	Identification of Risk / Risk Description	Likelihood and Rationale	Impact and Rationale	Overall Assessment of Risk Element	Mitigation Strategy
Primary Accountability: Capital Markets Division	Stakeholder expectations include strategic/policy risk factors as well as the risk of failing to meet performance benchmarks.	benchmarks. Market factors tend to be relatively unpredictable and many factors are out of OFA's control. The current environment of expanding service requirements and constrained resources adds some risk; however, it is expected to be minimal. Based on past experience, it is expected that most stakeholder expectations will be met.	medium likelihood the net result is a high risk assessment. The impact of a one percentage point increase in yields was estimated to be $350 million for 2016–17. Although the OFA has been able to extend the borrowing term in recent years, interest rate risk will remain elevated for several years. Continuous communication with the Deputy Minister and Minister ensures that expectations for the Province are clearly understood. Commitments are made after thorough and careful analysis to ensure that resources and expertise are in place to meet those expectations. Close and continuous communication and meetings with relevant public bodies (e.g. Agencies) who use our services ensures that expectations and service requirements are clearly understood. In addition, formal service level agreements (e.g. investment management agreements) have been developed which clearly outline the services and benchmark performance standards.		Given the relatively unpredictable nature of market factors, ongoing monitoring of market and policy factors provides a level of risk mitigation. Continuous dialogue with stakeholders and regular reporting are also useful in keeping abreast of both expectations and performance. Emerging issues which may affect expectations are identified and are regularly reported to the Deputy/Chair as well as the Board (OFA and OEFC). This provides greater assurance that expectations will be met or managed through approved mitigation strategies. Meeting performance benchmarks for the Province and other public bodies also depends on adequate resources being available to maximize performance. This includes information systems services, and most importantly, staff. A highly educated and experienced workforce provides a higher likelihood that stakeholder expectations will be met. The OFA works to attract and retain highly qualified staff.
Public image Primary Accountability: Capital Markets Division	The risk that the OFA may damage its reputation with stakeholders and third party service providers.	LOW The likelihood of reputational risk to the OFA is **low.** There are extensive policies to govern staff conduct including, with respect to conflicts of interest, procurement and workplace harassment. In addition,	HIGH The impact of image problems can be **high** which combined with a low likelihood results in an overall medium risk assessment.	MEDIUM	Public image risk is mitigated through a host of strategies: i) a strong policy framework to provide greater information to staff to make them aware of potential public image problems; ii) strong internal controls to reduce the risk of policy violations and adverse information releases; iii) public communication protocols to reduce the risk of incorrect and damaging information releases; iv) an

Risk Element or Classification	Identification of Risk / Risk Description	Likelihood and Rationale	Impact and Rationale	Overall Assessment of Risk Element	Mitigation Strategy
		procedures are in place to ensure that staff are aware of all policies. There are also regular reporting requirements and internal controls to reduce the potential for policy violations. Dealings with the press are handled through official MOF communication staff and investor and other stakeholder information is handled with extreme care. Accordingly, the likelihood of reputational risk problems with stakeholders and service providers is **low**, although mistakes can happen and there are certain factors which the OFA cannot control.			investor relations program which is responsive to investor needs and responds to investor requests for information promptly; v) ongoing dialogue with dealers to keep abreast of information in the marketplace relating to both Ontario and the OFA; and vi) a management structure and culture which promotes security of information and extreme care in disclosing information in a public forum. Strategies iii-v involve constant communication with external stakeholders. This feedback loop provides the OFA with a method of assessing the organization's public image. The OFA has a comprehensive procurement policy that ensures that its suppliers and service providers are selected in a fair manner. When appropriate, the OFA requires that service providers obtain security clearance. OFA contracts with service providers address confidentiality and contract precedents generally require approval before a contractor may use its association with the OFA for any purpose. All substantive contracts that Capital Markets enters into in the name of the OFA must be reviewed by the OFA Legal Branch. All substantive contracts that Capital Markets enters into in the name of the Province, must be reviewed by MOF Legal.
Quality of relationship with stakeholders Primary Accountability: Capital Markets Division	The risk that the OFA's stakeholder relationships are poorly managed.	LOW The likelihood of failure managing OFA's stakeholder relationships is **low** as the OFA strives to deal with all of its stakeholders in a fair, transparent and responsive manner.	HIGH The quality of the business relationships with stakeholders that the OFA is engaged in such as investors, credit rating agencies, dealers and employees can have a high impact on the success and cost of OFA activities. However, the likelihood of failure in these activities is	MEDIUM	The OFA provides relevant, non-confidential information to investors in a fair and transparent manner, including information pertaining to the Budget and quarterly finances. Confidential information is handled in a manner consistent with laws and regulations, such as the *Public Services Ontario Act, 2006* and the *Securities Act, 1990*. The annual Investor Relations Plan is developed each year with the goal of providing updates to investors, both domestic and international, on a regular basis through outreach and information products. Requests for information or meetings from investors are responded to

Risk Element or Classification	Identification of Risk / Risk Description	Likelihood and Rationale	Impact and Rationale	Overall Assessment of Risk Element	Mitigation Strategy
			relatively **low** which results in an overall medium risk assessment.		very promptly. The quality of the Province's relationships with stakeholders is constantly monitored. Should the strategies in the annual Investor Relations Plan fail to achieve the desired relationship levels, the OFA can choose to engage additional financial dealers or more senior Ministry of Finance representatives to participate in its investor outreach activities. Dealers are utilized in a fair and objective manner for bond issues. A syndicate evaluation is used to rank domestic dealers objectively, and commissions for domestic bond issues are based on this annual evaluation. Dealers thus know the OFA's service priorities and understand their bond issue allocations for the year. International issues also utilize dealers based on their level of service and strengths they bring to particular markets and issuance opportunities. The OFA continuously communicates with its dealers and also has regular meetings with them, and thus relationship issues tend to be dealt with quickly. Given the high importance of Ontario's credit ratings to its borrowing program, the OFA has very well established relationships with the credit ratings agencies. The OFA has regular meetings with the agencies, responds promptly to requests for information, and facilitates participation of more specialized or senior government officials as required.
Risk Category: ACCOUNTABILITY / GOVERNANCE **Governance/ Accountability/ Organizational Risk**: Risk that the organizational structure, accountabilities or responsibilities are not defined, designed, communicated or implemented to meet the organization's objectives, and/or that culture and management commitments do not support the formal structures. Risk of conflict of interest for board members. Inadequate ethics / codes of conduct. Inadequate definitions of roles and responsibilities. Risk of failure to comply with administrative requirements, such as directives. **Legal/ Contractual Compliance Risk:** Risk related to the potential cost of complying with a contractual agreement, or of litigation (including established policy and procedure) against the agency or government. Risk that a government initiative or action will contravene a contract, Memorandum of Understanding or policy. The costs/risks related to changing legislation could include lawsuits, settlements, fines, penalties and legal fees. Risk of failure to comply with administrative requirements such as directives.					
Governance, Information and Regulatory Compliance	The risk that oversight and governance responsibilities are not clearly defined; the risk that internal and	LOW The likelihood of failing in this area is **low**. Various policies and	HIGH The impact of failing in this area is **high;** however, combined with the	MEDIUM	Regular and special meetings of the OFA Board and its Committees, comprised of the Audit and Risk Management Committee (ARMC), Human Resources and Governance Committee (HRGC)

Risk Element or Classification	Identification of Risk / Risk Description	Likelihood and Rationale	Impact and Rationale	Overall Assessment of Risk Element	Mitigation Strategy
Primary Accountability: Finance and Treasury Division	external information produced or used is incomplete, out-of-date, inaccurate, irrelevant or inappropriately disclosed.	procedures define roles and responsibilities required for effective governance, including oversight by the OFA Board, chaired by the Deputy Minister of Finance, and largely comprised of independent, external members; and reporting requirements to the Minister of Finance. Furthermore, the audits by Internal Audit Division that cycle over all major functions of the OFA include a review of the associated policies and procedures and to date no material gaps have been identified. All audit recommendations are presented to the OFA ARMC and addressed within reasonable timeframes.	low likelihood of this happening results in a medium risk assessment		and the ONFA Investment Committees (ONFA IC). The Deputy Minister of Finance is, pursuant to CIPA, the Chair of the OFA Board, which establishes a clear governance framework for OFA management and accountability to the Minister of Finance. The OFA uses secure communication procedures with internal and external parties; it also undertakes effective oversight of service providers, reconciliation processes, stringent disclosure policies, staff learning and development, and timely filing of regulatory reports.
Risk and issue management Primary Accountability: Risk Control Division Secondary Accountability: Finance and Treasury Division	The risk that the OFA may not effectively manage and mitigate financial risks including fraud risk.	LOW A review process established at the OFA that includes daily compliance monitoring, division of responsibilities, and a highly-developed and rehearsed response plan for emergencies results in a **low** likelihood.	HIGH The OFA is a major participant in capital markets and has extensive dealings with banks on behalf of the Ontario government. As a result, the potential impact for errors and omissions having a high dollar value is **high.** The mitigation strategies employed by the OFA reduce the overall assessed risk to Medium.	MEDIUM	Financial risks associated with the OFA capital market activities are managed through the OFA risk management framework, which includes policies that are updated, reviewed by the Ontario Internal Audit Division and approved by the Board on an annual basis. Compliance with policies is monitored through a daily reporting cycle including where applicable on a real time basis, and credit risks are also monitored in real time. Fraud: Division of responsibilities between divisions to create a separate front, middle and back office for capital markets transactions and appropriate separation of duties and signing authorizations within divisions reduce risk of fraud. All staff is

Risk Element or Classification	Identification of Risk / Risk Description	Likelihood and Rationale	Impact and Rationale	Overall Assessment of Risk Element	Mitigation Strategy
					encouraged to report any wrongdoing at all times and senior management is asked to confirm quarterly whether they are aware of any wrongdoing. Issues management: In addition to a monthly Capital Markets update letter, the CEO also reports on any issues or concerns quarterly to the Board and has regular meetings with the Chair. Division Heads/Directors report quarterly to the Board on their area's progress in achieving the objectives identified under the Annual Business Plan. The OFA's financial statements are prepared and presented on a quarterly basis to the ARMC and the Board. They are also shared with senior staff of the Office of the Auditor General. The OFA provides the interest-on-debt, debt and derivative information that is presented in the Public Accounts of the Province. The numbers and the process including the underlying internal controls are audited annually by the Office of the Auditor General. Up to now, no material issues have been identified as part of this audit. OFA prepares issues notes, and feeds into the Ministry's communications branch for issues management and to address contentious issues. The Ontario Internal Audit Division develops a three year audit plan for the OFA that is updated annually. Audits under this plan, as well as special reviews as and when required provide an overall comfort level. The ARMC conducts in camera sessions with internal audit, staff of the Office of the Auditor General and the OFA's Chief Financial and Risk Officer at each quarterly meeting during which they are free to candidly raise any concerns about overall risk and issues management issues at the OFA.

Risk Element or Classification	Identification of Risk / Risk Description	Likelihood and Rationale	Impact and Rationale	Overall Assessment of Risk Element	Mitigation Strategy
					To avoid financial risk resulting from an inability to function during an emergency, the OFA has a highly-developed and rehearsed response plan for emergencies, addressing key risks such as fire, terrorist attack, pandemic or other threat. The work of the OFA can be carried out with all staff working from home. The OFA also maintains a collocate site at a remote location that houses a continuously available, mirrored IT infrastructure. Staff are subject to randomly declared, OFA-wide, work-from-home drills at least annually. OIAD reviews and comments on business continuity test results.
Statutory requirements are met Primary Accountability: Legal Division	Risk of non-compliance with statutory requirements	LOW The likelihood of non-compliance is considered **low** because OFA staff have experience and awareness regarding legal compliance in relation to the performance of their jobs. While regulation in some areas (such as in capital markets and the banking and payment card industry) is complex and continues to evolve, program areas have ready access to legal advice.	HIGH Impact is considered **high** since failure to comply with a statutory requirement could negatively affect the reputation of the OFA and the Government. Also, violations relating to capital markets operations could have serious financial implications. Combined with a **low** likelihood, the resulting overall risk assessment is medium.	MEDIUM	Currently, the OFA and Ministry of Finance Legal Branches advise of statutory requirements and changes affecting OFA operations and also are available to advise on steps to effectively address any non-compliance. Information on legal requirements relating to Public Servants is distributed to staff using the Policy and Procedure Management system. Non-compliance with laws, regulations and directives is reported to the Legal Director, who reports it to the CEO and the Board of Directors. CEO/Board direct remedial action (which may include learning and development). Education is encouraged and Divisions budget for necessary learning.
Reliability of financial systems Primary Accountability: Finance and Treasury Division	The risk that the OFA's financial information and reporting system is not reliable or fails to meet quality standards.	LOW The review process that the OFA has established including audits by the Internal Audit Division and the Office of Auditor General of Ontario ensures that the likelihood of occurrence is **low**.	HIGH While the impact of less than reliable financial information is indeed **high**, the low likelihood of this happening results in an overall medium risk assessment.	MEDIUM	The OFA has well-established processes and procedures for monitoring and reporting on its financial performance to its ARMC and Board of Directors and to the ministry as well as the Office of the Treasury Board. OFA financials are prepared on a quarterly basis for discussion, and shared with the staff of the Office of the Auditor General and approval by the ARMC and Board of Directors. In addition the OFA financials are audited annually by

Risk Element or Classification	Identification of Risk / Risk Description	Likelihood and Rationale	Impact and Rationale	Overall Assessment of Risk Element	Mitigation Strategy
					the Office of the Auditor General who has provided unqualified opinions on all past financials. Staff of the Office of the Auditor General also audit, on an annual basis, the OFA's work on the Province's debt and interest on debt. This annual audit includes reviewing the underlying systems and internal controls. Up to now, no material issues have been identified and the OFA has implemented all recommendations arising from this audit. Changes to accounting pronouncements are also addressed during the quarterly discussions with the ARMC and the Office of the Auditor General. Annual budgets and audited financials are submitted to the Ministry as per TBS requirements. A further level of assurance exists as a result of the work carried out by the Ontario Internal Audit Division (OIAD). OIAD develops a 3 year audit plan with consultation from Division heads and all finding and recommendations are presented to the Audit and Risk Management Committee of the OFA Board. The OFA's progress in implementing recommendations are also presented on a quarterly basis to the same committee.
Debt and Risk Management Risk Category: OPERATIONAL **RISK AREA:** Program Caseload/ Utilization: Change in demand for services or entitlements or increased claims/case load that can be deferred. Assumes no policy or legislative changes.					
An economic slowdown straining the fiscal plan, thus affecting the borrowing program.	Fiscal strain stemming from a significant economic slowdown would likely result in higher borrowing requirements. This could be experienced as much larger borrowing requirements over a fairly short time horizon or consistently	MEDIUM The possibility of a major downturn in economic activity or longer term slow economic growth is given a **medium** likelihood due the historical frequency of such events. The last recession was approximately six years ago. Since then, the Ontario economy has	HIGH The impact on the borrowing program will depend in part on the extent of the economic slowdown. A large economic slowdown, perhaps a recession, would have a large impact on the borrowing program over a couple of years, but persistent sub-par growth would also be	HIGH	The Capital Markets Division is in constant contact with external economic experts who provide forecasts and analysis on the Province's economy as well as other major economies around the globe (including Canada's). In addition, the OFA is provided with a wealth of forecasts and economic insight from the Ministry of Finance.

Risk Element or Classification	Identification of Risk / Risk Description	Likelihood and Rationale	Impact and Rationale	Overall Assessment of Risk Element	Mitigation Strategy
Primary Accountability: Capital Markets Division	higher requirements over a longer time period.	had only modest growth in recent years, with MOF projections showing a continued trend of low to medium economic growth.	painful. The impact of a one percentage point change in real GDP was estimated to be $845 million for 2014-15. The world economy is currently highly reliant on U.S. economic growth and would be at risk if that fades. Given that Ontario's borrowing requirements are already quite large, the impact would likely be high, meaning that interest costs could increase appreciably. One result could be a reduced average term of borrowing to reduce borrowing costs or respond to reduced demand for longer term debt which would increase refinancing and floating rate risk. There could also be pressure to increase foreign exchange or counterparty credit exposures in order to reduce costs. The overall assessment of this risk is **high**.		The OFA undertakes its borrowing strategically to reduce the effects of forecasted events. The OFA can also engage third party experts to provide advice on how to reduce any adverse events that may have an impact on the borrowing program.
Financial market risk Primary Accountability: Risk Control Division	Higher-than- forecast borrowing requirement and/or interest rates, resulting in higher annual interest-on-debt (IOD) charges. Financial loss attributable to changes in interest rates, credit spreads, foreign exchange and liquidity risk.	MEDIUM Higher-than- forecast borrowing requirement and/or interest rates is given a **medium** likelihood due the historical frequency of interest rate changes, and the current medium-term forecast of provincial borrowing requirements.	HIGH The size of the province's annual borrowing requirement creates a **high** degree of sensitivity to market conditions, especially interest rates. IOD has generally produced cost savings compared to budget forecasts due to cost effective debt management, as well as interest rates that have been trending down for about 35 years. This experience may not be expected to continue, so financial market risk is assessed as being high. In the *2016 Budget,* it was estimated that a one percentage point increase in interest	HIGH	Sound and effective risk management infrastructure, including policies, procedures, risk management reporting, and Information Technology (IT) systems. Conservative risk limited approach to forecasting interest on debt expenses using interest rate forecasts provided by the Office of Economic Policy for the two out years and a 15 year interest rate average for the third out year. Accurately measure and assess portfolio exposures and ensure compliance with the related limits as approved by the Board, including foreign exchange and net interest rate resetting exposure limits and IOD. Maximum foreign exchange exposure of five per cent. Maximum net interest rate resetting exposure

Risk Element or Classification	Identification of Risk / Risk Description	Likelihood and Rationale	Impact and Rationale	Overall Assessment of Risk Element	Mitigation Strategy
			rates would have impacted IOD by approximately $350 million for 2016–17.		of 35 per cent. Maximum loss policy on IOD of three per cent of budgeted IOD. The OFA has reduced the sensitivity of IOD to interest rates by extending the term of recent borrowings. It also maintains exposure to foreign currency at levels far below the five per cent limit. While the policy limit for net interest rate resetting exposure is 35 per cent, the annual debt management plan sets out ranges that are usually considerably lower thus further limiting the risk.
Inability to complete the borrowing program due to market breakdown or loss of faith in the Province's ability to repay debt Primary Accountability: Capital Markets Division	Unable to achieve the borrowing program target of a particular fiscal year.	LOW The likelihood of not completing the borrowing program is **low** and would be based on a major market disruption or a major adverse credit situation at the Province. Both events are considered to have a low likelihood.	EXTREMELY HIGH The consequences of a major market disruption or a major adverse credit situation at the Province would obviously be **extremely high**, and thus overall risk is high.	HIGH	The OFA continually monitors demand for its bonds and has a strong relationship with its financial dealers. The OFA is aware, through external forecasts, Ministry of Finance advice, and its own analysis of bond markets, of the faith investors place in its bond offerings. The Capital Markets Division employs financial strategies, to reduce the effects of forecasted events. The OFA can also engage third party experts to provide advice on how to reduce any adverse events that may have an impact on the borrowing program. The OFA has very well established relationships with the credit ratings agencies. The OFA has regular meetings with the agencies, responds promptly to request for information, and facilitates participation of more specialized or senior government officials as required.

Risk Element or Classification	Identification of Risk / Risk Description	Likelihood and Rationale	Impact and Rationale	Overall Assessment of Risk Element	Mitigation Strategy
Risk of credit rating downgrade Primary Accountability: Risk Control Division	Risk that a credit rating downgrade from a major credit rating agency results in increased costs to borrowing program and/or reduced market access.	MEDIUM The likelihood of a credit rating downgrade is **medium.** The OFA has regular meetings with the agencies, and is regularly advised of rating agency concerns.	HIGH A credit rating downgrade, could reduce the pool of investors able to buy Government of Ontario bonds. As a worst-case, investors might be forced to sell, creating competition for our primary distribution, therefore resulting in a **high** impact for the Province. Note: This risk is assessed as high. The best mitigating strategy, reducing the size of the provincial deficit, is not a variable that is under the control of the OFA.	HIGH	Maintain close relationships and ongoing dialogue with credit rating agencies to keep them informed of the Province's financial status priorities, and initiatives. Diversify funding sources. Increase investor relations activities. Ensure that decision-makers at Queen's Park continue to be mindful of the serious consequences of the Province not meeting or beating its deficit targets.
Credit Risk Primary Accountability: Risk Control Division	Risk that a counterparty does not meet, or defaults, on its obligations to the Province.	LOW The size of Ontario's borrowing program requires the OFA to be open to borrowing opportunities in a variety of currencies. As the OFA has opted to keep currency risk at very low levels, this requires that hedging transactions be entered into with bank counterparties, creating credit risk. A bank default is considered to be a **low** probability event.	HIGH A bank default would be a **high** impact event, leading to an overall medium assessment.	MEDIUM	Ensure compliance with a sound and effective credit risk management infrastructure, including: an overarching credit risk policy that is reviewed and approved by the OFA Board on an annual basis, transacting with highly rated counterparties, limiting credit exposure concentration, and ongoing monitoring of key indicators of credit and market conditions. The Province will continue to enter into collateralized swap agreements with more of its swap counterparties to limit its credit risk. Such agreements allow the Province to cap its credit risk by requiring counterparties to post collateral when marked-to-market exposures exceed specific thresholds.
Electricity related policy, price and other risk	Government policy, accounting or regulatory decisions, electricity sector structure, and potential	MEDIUM The likelihood of this risk is deemed **medium.** The fiscal	MEDIUM While the electricity sector has a significant fiscal impact, it is not large	MEDIUM	Provide financial analysis and advice to senior Ministry of Finance officials and government on electricity policy options and initiatives, and maintain

Risk Element or Classification	Identification of Risk / Risk Description	Likelihood and Rationale	Impact and Rationale	Overall Assessment of Risk Element	Mitigation Strategy
Primary Accountability: Corporate & Electricity Finance Division	electricity price and market events may have an impact on the financial performance of the Province, including reduced payments to the OEFC from, for example, the Province, Ontario Hydro successor companies and municipal electricity utilities, or price mitigation measures such as the new Ontario Rebate for Electricity Consumers, thus affecting the borrowing program.	contributions of the electricity sector can fluctuate for many reasons, including the performance of OPG and Hydro One vs forecast, policy decisions including the timing of Hydro One share sales, regulatory decisions and volatility in electricity demand/prices. Fiscal expenses are largely determined by policy decisions. Volatility and policy change impacts can be both upward and/or downward.	compared to the total size of the Provincial Budget. In addition, certain fluctuations are within the government's control and borrowing issues should be manageable within the larger envelope of the Province's total borrowing program. Therefore the impact is rated as **medium**, leading to an overall medium assessment.		relationships and work with other ministries and agencies. Monthly meetings, and as needed, with OPG to monitor and report on financial performance and updated projections versus plan, as well as monitoring of policy, accounting and regulatory issues that may have fiscal implications upon consolidation of OPG and Hydro One in Public Accounts.
Operational, including systems, internal control and reputation risks Primary Accountability: Strategic Corporate Services Division	Risk from inadequate or failed internal processes and IT systems or from external events. The possibility that internal controls may not safeguard assets or prevent errors or fraud. The risk that negative publicity about the OFA's business practices may lead to financial or reputation costs or litigation.	LOW The likelihood of this risk is deemed **low**. The OFA makes extensive use of information technology as an offset to staffing constraints. This dependence gives rise to the risk that IT systems may be poorly specified, operate incorrectly, or that the use of combinations of systems may have unintended consequences.	HIGH The financial impact of such risks could be compounded by harm to the OFA's reputation, therefore its impact is deemed **high.** This risk, reduced by the mitigating strategy, is assessed as medium.	MEDIUM	Maintain state-of-the-art IT systems, conduct daily back up, frequent update and testing of BCP involving remote desktop and co-locate. Appropriate documentation and timely reporting; update financial controls based on best practices; continued involvement of Internal Audit in developing new functions and reviewing existing financial policies; ensure oversight of service providers. As part of its annual audit, the Office of the Auditor General issues recommendations on areas where they feel internal controls can be tightened. Monitor print media to identify OFA-specific issues to protect OFA's reputation. Centralized external communication strategy. Early involvement of legal counsel.
Service providers (e.g. custodians,	Poor service from existing providers and/or lack of qualified service providers.	LOW The likelihood of this risk is deemed **low.** Service providers are	MEDIUM	LOW	All existing service providers provide services under a formal contract. Continue to implement and monitor service level agreements with existing providers.

Risk Element or Classification	Identification of Risk / Risk Description	Likelihood and Rationale	Impact and Rationale	Overall Assessment of Risk Element	Mitigation Strategy
fiscal agents, banks etc.) Primary Accountability: Finance and Treasury Division		selected through a rigorous competitive process that includes the submission of proposals covering performance standards and measures, followed by consistent internal monitoring of service quality.	Consistent internal monitoring ensures a **medium** impact for a low overall risk assessment.		Continue to comply with selection criteria and contract management requirements in OFA procurement policy
Low investment returns or inadequate investment controls on nuclear funds. Primary Accountability: Capital Markets Division	If funds are not properly invested or general financial market returns are low or negative, substantial contributions could be required by one or both of the Province and OPG. In addition, the Province's reputation may be damaged if controls or investment policies deviate from industry best practices.	MEDIUM Prolonged poorer than targeted performance of the nuclear funds over the medium-term is given a **medium** likelihood. The nuclear funds have a very long time horizon and would be expected to have poor returns over some time periods but are required to earn real returns in excess of 3.25 per cent in the long run. The funds have exceeded the 3.25 per cent annualised real return benchmark on average since their inception in 2003, but there is some risk that cumulative average annualised returns may be inadequate in future or that the costs of decommissioning and used fuel disposal could well exceed current projections. Returns will be driven to a large extent by asset allocation and general investment returns in financial markets -- e.g., prolonged poor performance in equity returns or a general decline in the financial markets could be a driver of poor performance.	HIGH The financial impact of poor performance could be quite substantial and is rated **high** given the size of the funds, and could result in substantial unexpected contributions from one or both of the Province and OPG. The overall risk assessment is high. Given the current size of the funds, a one percentage point decline in annual performance would equate to $170 million in reduced value for the funds, which could affect future funding requirements. Such loss, however, will not translate dollar-to-dollar on the Province's annual statement of operations at consolidation, as the Province's revenue recognition related to the nuclear funds is based on historical cost, not fair value, and some of the impact is also mitigated by OPG's regulatory accounts for the funds related to the Bruce stations, under the Province's current accounting standards.	HIGH	The funds are diversified across asset classes and managers to reduce overall risk. Further diversification is being achieved as the funds move into alternative investments. The funds are also long-lived, and can be adjusted and returns recover over the long term, which result in the recovery of past Provincial contributions to cover investment return shortfalls, if any. In addition, a Statement of Investment Policies and Procedures (SIPP) and Statement of Investment Risk Policies (SIRP) are in place which outline basic policies which to a large extent address many of the risk factors. An extensive asset-liability study is undertaken every five years to attempt to optimize the asset allocation to meet the funds objectives to meet the cost requirements. Significant progress has been made in developing a comprehensive risk management framework which is expected to be implemented in 2017. In addition, the funds are closely monitored up to the respective Board levels by both the OFA and OPG including, for the OFA, by the ONFA IC. Unfortunately, the risk of sub-par returns cannot be entirely eliminated as it will be largely driven by the future market developments. Decommissioning and waste disposal costs and liability risk surprises are largely mitigated by the quinquennial ONFA Reference Plan update. The contribution schedules can be adjusted following a reference plan update to allow for

Risk Element or Classification	Identification of Risk / Risk Description	Likelihood and Rationale	Impact and Rationale	Overall Assessment of Risk Element	Mitigation Strategy
		Resourcing for the nuclear funds is relatively tight, although it is considered adequate. The likelihood of inadequate controls on the funds is assessed to be low.	In addition, the reputational impact of underperformance would also be **high**. The overall assessment of inadequate controls is high.		returns in the funds to help cover liability revisions and past target rate of return shortfalls. The funds are audited on a regular basis which reduces the potential for fraud or other control problems. Staff monitor the funds very closely and are looking for irregularities. In addition, the funds are monitored up to the respective Board levels by both the OFA and OPG. The internal auditors of both OPG and the OFA are also proactive in examining control issues. The funds rely largely on external managers, and efforts are made to select highly professional managers who follow investment industry best practices.
Default on Loans to Public Bodies Primary Accountability: Corporate & Electricity Finance Division	Risk of default by public bodies on OFA loans	LOW Although the OFA has restructured or provided a loan deferral in the past, this has been relatively rare, so an "unlikely" scenario (less than 20 per cent probability) is reasonable, and its likelihood is rated as **low.**	LOW Impact of a default may be "noticeable" and public, but loan write-downs to public bodies that are consolidated on the Province's financial statements would likely not create a fiscal impact, and, therefore, its impact is deemed **low** resulting in an overall low risk assessment.	LOW	Prior due diligence and analysis of debt repayment ability of public bodies on OFA loans. Ensure grant intercept mechanisms continue to be included in loan agreements. Early detection through loan monitoring by line ministry and restructuring of loan repayment terms.
Default on Guarantees under the Aboriginal Loan Guarantee Program (ALGP) Primary Accountability: Corporate & Electricity Finance Division	In the event of a call on an ALGP guarantee arising from a default on the underlying loan, the fiscal impact would be recorded in the fiscal year in which the claim was paid.	LOW Debt service reserve account, ongoing monitoring, bank account controls are in place to mitigate risk of default.	LOW Any default would have a negative fiscal impact on the Province in the year in which the Province paid a claim pursuant to the guarantee. As guarantees are limited to a maximum of $50 million (unless Treasury Board approves an exception), and the average is smaller, the impact is small in the Provincial context. However, there may be a reputational impact for the Province/OFA as well.	LOW	Ongoing monitoring of approved loan guarantees, including project performance and compliance with loan and guarantee agreements.

Risk Element or Classification	Identification of Risk / Risk Description	Likelihood and Rationale	Impact and Rationale	Overall Assessment of Risk Element	Mitigation Strategy
Increased borrowing to fund loans to public bodies Primary Accountability: Corporate & Electricity Finance Division	Risk of unexpected loans that were not included in the OFA Annual Borrowing and On-Lending Plan.	LOW Over the past five years, only one unanticipated non-school board loan caused the OFA to breach its loan contingency reserve. An "unlikely" rating of less than 20 per cent probability of occurrence is, therefore, prudent, resulting in a **low** likelihood.	LOW In the overall borrowing plan, any unexpected loans would likely not have a "noticeable" effect, as most incremental borrowing is not material in the context of the whole borrowing program and therefore can usually be accommodated. This results in a **low** impact and a low overall risk assessment.	LOW	Ensure there exists an unassigned contingency equal to 10 per cent of forecasted loans to public bodies. Push off less urgent loans for execution in the following fiscal year. For OLG and LCBO, request business updates from Regulatory Agency Oversight Division (RAOD) to identify potential borrowing requirements (e.g. for site expansion); include estimates in Borrowing and On-lending Plan. Where a policy decision is taken requiring the OFA to provide funding for a strategic project, facilitate private sector financing, especially if interest cost savings are only deemed to be minimal.
Government cost constraints Primary Accountability: Finance and Treasury Division	Cost constraints may limit the OFA's ability to provide services in a timely manner.	MEDIUM While good budgeting process and budget to actual comparison exists, the OFA is not insulated against budgetary constraints. The likelihood is deemed **medium.**	HIGH If budgetary constraints are severe enough the delivery of core services will be impacted justifying a **high** impact and high overall risk assessment.	HIGH	Timely budget preparation in accordance with PRRT requirements. The budget preparation process is aimed at allocating resources according to priorities. Detailed planning and monitoring to meet priorities within cost constrained environment. Comparison on a quarterly basis between budget and actual to ensure that priorities are being met within approved expenditures. Effective financial management on a year by year basis that ensures minimal variances between budget and actual. The OFA also retains its surplus which can act as a source of funds to meet non salary related expenses upon approval from the Ministry of Finance.
Risk Category: WORKFORCE **RISK AREA**: Workforce: Operational Workforce Risks.					

Risk Element or Classification	Identification of Risk / Risk Description	Likelihood and Rationale	Impact and Rationale	Overall Assessment of Risk Element	Mitigation Strategy
Employee Fraud Primary Accountability: Finance and Treasury Division	Risk that losses will be incurred because an employee is dishonest.	LOW The likelihood is **low** due to stringent internal controls and systems that cannot be easily circumvented.	MEDIUM The impact is deemed to be **medium** resulting in an overall low risk assessment.	LOW	Continue to communicate code of values and measures for disclosing wrongdoing to OFA staff. Strong system of internal controls, including segregation of duties, which are regularly reviewed by internal auditors as well as the Office of the Auditor General. While no material issues have been identified to date from these audits that essentially cover the full fiscal year, all audit recommendations have been implemented. Detailed and timely exception reporting with managerial oversight.
Human Resource Risk Primary Accountability: Each Hiring Division, with support from the Strategic Corporate Services Division	Risk that highly trained and specialized staff will not be available due to resignations, retirements, turnover, inability to hire, lack of skills, illness, etc.	MEDIUM The likelihood is deemed **medium**. The issue has gained traction due to the disparity between pay scales in other agencies and pension funds compared to their OFA counterparts. As a result, overall, the pool of applicants to positions at the OFA has diminished over the past few years. Although most positions have adequate backup and succession planning, there are some areas within the OFA that are tightly staffed and some positions are highly specialized which creates vulnerability. In addition, compensation constraints have limited the ability to adequately replace staff externally at comparable experience and skill levels.	EXTREMELY HIGH The impact is deemed **extremely high** resulting in an overall high risk assessment.	HIGH	Hire qualified staff; develop and implement staff retention strategies with assistance from the OFA Board and Human Resources Committee, provide support and training, where feasible provide competitive salary and benefits, foster a good and efficient working environment, set out performance plans and monitor, recognize and value achievements, good communications and teamwork, and implement employee engagement strategies. Offer results-based pay for performance, and a comprehensive and flexible benefits package. Maintain unique compensation structure for A/XOFA positions. At the end of 2016, consistent with OPS compensation, salary increases occurred for certain OFA employees, and the OPS has announced a restructuring of its non-bargaining and management compensation to be implemented over a four-year period. It is too early to tell whether these changes are sufficient to reverse the recent trend of

Risk Element or Classification	Identification of Risk / Risk Description	Likelihood and Rationale	Impact and Rationale	Overall Assessment of Risk Element	Mitigation Strategy
					disappointing responses to positions advertised externally and an inability to attract qualified candidates for positions in the A/XOFA classification and others including those requiring accounting designations and specialized formal education in financial engineering and information technology or investment and corporate finance experience.
Risk Category: INFORMATION TECHNOLOGY & INFRASTRUCTURE **RISK AREA:** Information and Information Technology (I & IT): The risk that information produced or used (e.g., performance data) is incomplete, out-of-date, inaccurate, irrelevant or inadequately protected from inappropriate disclosure. Risk that information or other technology (e.g., architecture, hardware, software) does not support business requirements, and/or does not support availability, access, integrity, relevance and security of data. Includes business continuity risk. Risk related to information or technology (e.g. upgrading or replacing of IT systems, etc.) Should include privacy and security risks.					
Privacy and security Primary Accountability: Strategic Corporate Services Division	Risk related to the agency's handling of sensitive/ confidential information on behalf of the government Potential compromise of confidential information or personal data through identity theft, or unauthorized electronic or physical access of information	LOW The risk is considered **low**, as management ensures that staff are cognizant of the importance of information security.	MEDIUM The impact is deemed **medium,** resulting in an overall low risk assessment	LOW	Access to all electronic data requires authentication. Security of electronic and hard copy information is provided by enterprise IT perimeter security solutions, key card locked main doors, safes, and security cameras. Third Party Security Assessment audits are completed on a regular basis, including audits of electronic and physical security. Security policies are also in place and all staff are required to comply. New staff who work on the government's Budget are provided with training on the importance of budget security.
Business continuity	Risk that the processes in place to ensure that critical I&IT systems are not available for operation to	LOW The risk is considered **low**, as the OFA has a comprehensive Business	HIGH The consequences for the OFA not being able to carry out its business,	MEDIUM	As part of the OFA BCP, Strategic Corporate Services Division (SCSD) ensures that all critical systems, information and IT infrastructure are highly available and replicated to the OFA's DR Site.

Risk Element or Classification	Identification of Risk / Risk Description	Likelihood and Rationale	Impact and Rationale	Overall Assessment of Risk Element	Mitigation Strategy
Primary Accountability: Strategic Corporate Services Division	support business requirements (disaster recovery & business continuity planning)	Continuity Plan (BCP) which is regularly tested.	even for one day, would be severe, therefore its impact is deemed **high.** As a result, the OFA maintains a twin of its IT infrastructure in a separate disaster recovery location (DR Site), which reduces the overall assessed risk to medium.		Critical production systems are routinely run out of the DR Site in order to verify the system operates properly in the BCP environment. Furthermore, SCSD maintains the technical infrastructure to support the OFA decentralized recovery plan. This includes mobile devices and remote access services. Periodic drills are held to ensure that staff are able to use the OFA's BCP infrastructure in a productive manner.
Procurement Primary Accountability: Strategic Corporate Services Division	The procurement process has intensified in the past year causing significant project delays. The workload required to manage the process has not been offset with additional resources, annual budgeting has been impacted as projects timelines are difficult to determine and the organization is challenged to keep pace with changes in technology.	MEDIUM The likelihood is deemed **medium.** The OFA operates within the government procurement framework, adapted to its own unique requirements. The requirement to adhere to complex public sector procurement rules, as set out in the OFA's Procurement Policy has the potential of slowing down urgently needed IT infrastructure, creating a degree of risk. Some streamlining of the process has been carried out, reducing the assessed risk to medium.	MEDIUM The impact is deemed **medium,** resulting in a medium overall risk assessment	MEDIUM	Standardized approval forms and RFX (Request for Information, Proposal or Quotation) precedent templates streamline the procurement process. Establishing Service Level Agreements within the organization to ensure consistent timelines for document review and approvals will help ensure project deadlines are achieved. When project and procurement plans are hindered by lengthy standard procurement process, priorities will be revisited. In some circumstances, CEO approval of an exemption or a different process may be requested, if available.

ENVIRONMENTAL SCAN

Economic Conditions

The economic outlook for Ontario as described below is based on the average private sector view as of January 2017. As with all projections, there are positive and negative risks to the outlook. The most significant immediate risks to the outlook are rising interest rates and uncertainty regarding future U.S. economic policy. For business planning purposes, the OFA recognizes that it may confront increased demands to provide financing and other services.

Ontario's economy continues to grow in an uncertain global economic environment. Ontario real GDP increased 2.5 per cent in 2015. Private-sector forecasters, on average, estimate Ontario real GDP will grow by 2.6 per cent in 2016, 2.3 per cent in 2017, 2.2 per cent in 2018 and 2.0 per cent in 2019. The economic outlook is influenced by external factors, such as U.S. economic growth, oil prices and the Canadian dollar. Steady growth in the U.S. economy, along with the ongoing impacts of a more competitive Canadian dollar and low oil prices, continues to support Ontario's economic growth. Ontario's economy is expected to strengthen as growth broadens across major sectors of the economy, including household spending and exports. The recent increase in interest rates and the uncertainty tied to U.S. trade policy represents a downside risk to the Ontario economic outlook.

The United States is Ontario's largest trading partner, accounting for 80 per cent of the Province's international merchandise exports in 2015. Economic growth in the U.S. strengthened to 2.6 per cent in 2015 after rising by 2.4 per cent in 2014. According to the January 2017 Blue Chip consensus outlook, the U.S. economy is expected to grow by 1.6 per cent in 2016, 2.3 per cent in 2017 and 2.4 per cent in 2018.

The price of WTI (West Texas Intermediate) crude oil fell by over 70 per cent from its June 2014 peak of $108 US per barrel to below $30 US per barrel in early 2016, a reflection of strong supply and weaker global demand. WTI oil prices averaged $43 US per barrel in 2016, down from $49 US per barrel in 2015.The recent agreement between the Organization of the Petroleum Exporting Countries (OPEC) and other oil producers to reduce output has led to a rise in the price of oil. The current private-sector forecast average for the WTI price of oil is $54 US in 2017 – well below levels recorded over the 2010-14 period.

Sharply lower oil prices and diverging monetary policy between Canada and the United States contributed to a depreciation of the Canadian dollar to an average of 78.2 cents US in 2015, down from 90.5 cents US in 2014. The Canadian dollar declined further in 2016, averaging 75.4 cents US. On average, private-sector forecasters expect the Canadian dollar will average 74.5 cents US in 2017.

Ontario`s housing market continued to strengthen in 2016 alongside solid increases in the number of households and incomes. Sales of existing homes and resale prices rose 9.4 per cent and 15 per cent, respectively in 2016. Ontario housing starts also increased in 2016. Private-sector economists expect a soft landing in the Ontario housing market. Home resales and prices are projected to stabilize over the next few years as gradually rising interest rates, historically high valuations and mortgage debt temper healthy demographic-related demand.

There are risks surrounding the housing market outlook. Home price gains in Ontario have outstripped incomes in recent years, fuelling mortgage debt accumulation. As a result, affordability in Ontario's housing market has eroded. Despite historically low mortgage rates, monthly carrying costs are elevated relative to long-term trends. High levels of debt combined with elevated resale prices leave Ontario households potentially vulnerable in the event of an adverse economic shock.

Financial Markets

Moderate economic growth and headline inflation still operating below the 2 per cent target has prompted the Bank of Canada to hold the target overnight rate at 0.5 per cent since mid-2015. For the most part, private-sector economists do not expect the Bank of Canada to raise rates until mid-2018.

In the United States, the Federal Reserve raised rates at its December 2016 meeting, citing a strengthening labour market and rising inflation. It is expected that the Fed will continue to raise rates, though at a gradual pace. On the other hand, monetary policy in the European Union remains highly accommodative. In January, the European Central Bank announced that interest rates will remain unchanged and are expected to stay "at present or lower levels for an extended period of time, and well past the horizon of the net asset purchases."

In Canada, while long-term interest rates are expected to remain at historically low levels, they are projected to gradually rise over the next few years. The expected onset of interest rate hikes by the U.S. Federal Reserve combined with the result of the recent U.S. election has already put upward pressure on Canadian bond yields.

According to private-sector forecasters, the Canadian three-month Treasury bill rate is expected to rise gradually from an average of 0.5 per cent in 2016 to 0.6 per cent in 2017, and 0.9 per cent in 2018. According to the January 2017 Blue Chip consensus outlook, the three-month U.S. Treasury bill rate is expected to average 0.9 per cent in 2017, before rising to 1.6 per cent in 2018.

The 10-year Government of Canada bond rate averaged 1.3 per cent in 2016. According to private-sector forecasters, the 10-year Government of Canada bond rate is projected to rise, averaging 1.9 per cent in 2017 and 2.4 per cent in 2018. According to the Blue Chip consensus outlook, the yield on 10-year U.S. government notes is expected to average 2.7 per cent in 2017 and 3.1 per cent in 2018, up from 1.8 per cent in 2016.

Government Initiatives

Government policy developments and financial performance in Ontario's electricity sector, including OPG, Hydro One and municipal electricity utilities, may affect borrowing requirements through the cash flows to OEFC. In particular, the Province’s ongoing effort to broaden ownership of Hydro One will result in large cashflow impacts for OEFC.

The OFA will continue to monitor the Green Bond market to identify future issuance opportunities under its Green Bond Program. The OFA will lead the implementation of the Trillium Trust, for dedicated net revenue gains from qualifying asset sales to help fund infrastructure investments across Ontario. The OFA will also provide financial support to the Ministry of Environment and Climate Change in respect of the government’s Cap and Trade program, as well as in the establishment of a Greenhouse Gas Reduction Account and a climate change agency.

The OFA will also provide financial analysis and advice in support of the Province’s commitment to unlock the value of designated assets, and will continue to work with Infrastructure Ontario and other areas of government on optimizing certain holdings in the Province’s real estate portfolio, in particular, the sale of OPG headquarter properties, as well as Seaton and Lakeview lands.

Regulatory Compliance

The OFA will ensure that information required to be disclosed by the Province in its debt securities offerings related documents, periodic published reports (including the Ontario Budget, the quarterly finances, the Public Accounts of the Province of Ontario and the annual fall Economic Outlook and Fiscal Review) and other disclosures filed or submitted under applicable securities legislation, rules and

regulations in the United States, the United Kingdom, Luxembourg, Australia, Switzerland and Singapore is filed on time and otherwise in accordance with those requirements. Regulatory requirements will be monitored continually to ensure the Province has ongoing access to these markets.

PERFORMANCE MEASURES

1. Execute the Province's borrowing program

Objective	Performance Measure	Target
a. Complete the borrowing program while ensuring that the Province always has adequate liquidity.	Sufficient liquidity on hand at all times to ensure the Province can meet its financial obligations. Ensure borrowing is completed with minimal negative impact on the Province's reputation in the financial markets.	Borrowing program completed and cash requirements met on a timely basis.
b. Manage the borrowing program in a sound and cost-effective manner.	The performance measurement of the timing of the long-term fixed-rate borrowing program is expressed as a percentile ranking of the all-in borrowing cost against a statistical distribution of benchmark interest rates observed throughout the year.	Achieve a percentile ranking of 45 to 55 for regular borrowings and 50 to 75 for strategic foreign borrowings. All results are validated by the Ontario Internal Audit Division.
c. Ontario Savings Bonds (OSB) Program	Fund borrowing requirements at cost-effective rates for a broadly based retail program which allows individual investors in Ontario to participate in providing funding to the Province. OSBs reduce other borrowing requirements which, in turn, reduces pressure on new issue spreads.	Ensure the program is cost-effective in the context of a retail borrowing program. Maintain and review Service Level Agreement between OFA and Fiscal Agent on an annual basis.

2. Manage the Province's debt, investments, ONFA and financial risk, and contribute to the development of the Province's fiscal plan and outlook

Objective	Performance Measure	Target
a. Manage outstanding debt in a sound and cost-effective manner.	Dollar savings of debt management transactions on a realized and mark-to-market basis. This methodology utilizes a risk-budgeting approach adopted by some large pension plan investment managers.	Achieve first quartile performance relative to a risk budget. Results are validated by the Ontario Internal Audit Division.
b. Preservation of capital on money market investments. Manage liquid reserves in a sound	Credit losses on liquid reserves and investment portfolio of funds managed for other government bodies. The investment return on the portion of liquid reserves invested in Government of Canada Treasury bills and similar riskless	No credit losses on any investments. Generate actual returns that are within ±2 basis points of the 61-day benchmark portfolio.

Objective	Performance Measure	Target
and cost-effective manner.	instruments compared to an average 61-day portfolio benchmark. This benchmarking process is consistent with private sector industry practice. Maintain liquid reserve levels within a pre-determined range and provide an explanation to the Board of any deviations from that range.	Results are validated by the Ontario Internal Audit Division.
c. With OPG, prudently manage the Used Fuel and Decommissioning Segregated Funds' investments.	Ensure investment management is consistent with ONFA objectives.	Manage, monitor, and analyze the performance of the funds and the performance of investment managers. Continue refinement of investment strategies, risk management, policies and procedures. Meet the real return objective of 3.25 per cent, and exceed the market benchmark over the life of the funds.
d. Prudently manage funds for government bodies through the centralized/ segregated fund initiative.	Reduce investment costs. Ensure public bodies' funds are managed consistently with investment industry best practices.	Establish and continue to efficiently manage segregated funds with government public bodies that meet client requirements.
e. Minimize financial risk by ensuring risk exposures and program losses remain within approved exposure and loss limits.	Foreign exchange exposure. Net interest rate resetting exposure. Interest on debt losses as a percent of budgeted interest on debt. Credit exposures relative to approved policy limits.	Foreign exchange exposure not to be above five per cent of total debt. The 2016–17 Financing, Debt and Electricity Management Plan had an approved range of 0 per cent to 2.5 per cent in Foreign Exchange Exposure. Currently, the exposure of 0.3 per cent of debt. The 2017–18 Financing, Debt and Electricity Management Plan will have a recommended range subject to Board of Directors approval later in the year. Net interest rate resetting exposure not to be above 35 per cent of total debt. The 2016–17 Financing, Debt and Electricity Management Plan had an approved range of 10.4 per cent to 14.4 per cent in Ontario's

Objective	Performance Measure	Target
		Gross Floating Rate exposure, with a target of 12.4 per cent. Interest Rate Resetting Exposure is expected to be 11.2 per cent as of March 31, 2017, with an expected range of 9.2 per cent to 13.2 per cent. A new range and target for Floating Rate and Interest Rate Resetting Exposure will be approved in the 2017–18 Financing, Debt and Electricity Management Plan. IOD losses not to exceed three per cent of budgeted Interest on Debt. Credit exposures to be kept within approved policy limits.
f. Use risk control policies to ensure programs are managed in a prudent and cost-effective manner.	Risk management policies are kept current with industry best practices. Exposure limits established in the policies are reasonable and prudent. Exposures are monitored and reported in a timely and accurate manner.	Policies for market risk, credit risk, use of derivatives and other financial instruments and risk management reporting are to be reviewed annually, and amendments or decisions not to amend are to be approved by the Board of Directors. Review limits on net interest rate resetting, foreign exchange and credit exposures, and credit concentration. Calculate and report exposures daily. Perform monthly stress testing on the Province's market and credit exposures.
g. Measure and report performance of the Province's borrowing, debt management, and investment programs.	Timeliness and accuracy of performance measurement and reporting.	Report on borrowing and debt management performance daily, and on the money market program performance monthly.

Objective	Performance Measure	Target
h. Evaluate the potential impact of stressed capital market conditions on OFA programs and IOD.	Conduct stress tests of the credit exposures, and IOD, and report the results as described in the risk management policies.	Stress testing is performed and reported on a monthly basis as described in the risk management policies.
i. Forecast interest on debt (IOD) for the Province and the OEFC.	Forecasts for the current year and medium-term are provided for the Budget, Fall Statement and quarterly finances.	IOD forecasts for the current year and medium-term to be provided for the Budget, Fall Statement and quarterly finances in a timely manner.
j. Assess the credit quality of municipalities and other approved entities applying for Infrastructure Ontario loans and provide credit risk advice to the Credit Review Committee (CRC)	Review loan applications and analyze reports. Attend CRC meetings to provide advice and vote on each application.	Provide an advisory role at Infrastructure Ontario's CRC meetings.
k. Contribute to key ministry documents, including the Budget, Fall Statement, and quarterly finances; and advise on financial implications of government initiatives.	Advise on potential financial/treasury implications of government initiatives on IOD, borrowing objectives, credit ratings, and financial markets' reactions. Complete the Borrowing and Debt Management chapter, including the Financing Table, in the Budget and Fall Statement.	Ensure potential financial/treasury implications are considered in developing government financial objectives, including meeting the requirements of the *Fiscal Transparency and Accountability Act.* Provide the Borrowing and Debt Management chapter in the Budget and Fall Statement; and update Ontario's Financing Program in Ontario Finances (quarterly).

3. Manage key financial relationships

Objective	Performance Measure	Target
a. Manage Ontario's relationships with domestic and international investors.	Maintain dialogues with investors, investment dealers and the international investment community by providing timely financial updates, including investor publications and securities filing documents.	Continue to monitor fixed income markets, economic conditions, and investors' interests and requirements to ensure road shows are effective for both the Province and its investors. Investor Relations to continue to track meeting activity with investors. Program

Objective	Performance Measure	Target
		benchmarks to include number of meetings with new accounts, effectiveness of communications material and website usage. Provide IR information products, including updates to the OFA website, on a timely basis. Meet ongoing disclosure and regulatory filing requirements with the SEC, UKLA, LuxSE, ASX, SIX Exchange Regulation and the SGX. Provide panelists or speakers at domestic and international industry conferences.
b. Manage Ontario's relationships with the credit rating agencies.	Ensure that credit rating agencies understand government policies, budget, and fiscal performance, properly reflecting these in their reports and decisions.	Following the release of the Budget, senior OFA and Ministry of Finance staff will meet with the rating agencies. Throughout the year, agencies will be kept informed of the government's ongoing economic and fiscal progress.
c. Manage Ontario's relationships with banks, financial services providers, and investment dealers.	Maintain relationships with banks, financial services providers, and investment dealers who provide the Province with banking, underwriting, custodial and fiscal agency services, thereby maintaining the Province's reputation and supporting its strategic direction to provide financial and cash management services. Maintain relationships with swap counterparties.	Ensure banking, underwriting, custodial and fiscal agency services provided to the OFA are cost-effective with minimal impact on IOD. Promote Toronto as a global financial centre. Ensure compliance with existing collateralized swap agreements in a timely and accurate manner on a daily basis. The OFA will endeavour to enter into collateralized swap agreements with more swap counterparties to limit credit risk.

4. Provide services related to cash management, banking, settlement, payment, financial and reporting, and client services.

Objective	Performance Measure	Target
a. Arrange OPS-wide cost-effective banking services that minimize the Province's expenditures.	Acquire cost-effective banking products and services to support government ministries' program delivery, Crown agencies' banking activities and OFA's debt and investment management activities through	Issue, award and implement tenders for banking and financial services to ensure service continuity and program area needs are met. Monitor vendors' post-implementation performance.

Objective	Performance Measure	Target
	the government's tendering process.	Work with central agencies, ministry program areas, and financial service providers to increase take up of existing electronic payment mechanisms and identify industry trends and new banking technology, which can be leveraged to reduce costs and improve service delivery and back-office processes. Ensure continued compliance with mandatory requirements imposed by external parties such as Federal bodies and industry groups. Participate in government and industry working groups/task forces on developing innovative solutions to enhance banking and payment efficiencies. Provide comprehensive and timely banking advice to program areas and agencies supporting government initiatives.
b. Provide centralized cash management services that maximize liquid reserves returns.	Ensure the provision of timely and accurate cash information for the development of the Financing Table in the Annual Budget and Fall Economic Statements. High service standards on service contracts with client agencies to maintain client satisfaction.	Provide actual and forecast liquid reserve numbers for the Financing Table in the Province's Quarterly Statements and Annual Budget that stand up to scrutiny by internal and external stakeholders. Ensure relevant performance measures in client agency agreements are met or exceeded.
c. Timely and accurate forecasts to align borrowing with cash management requirements, helping to reduce IOD.	Reliable and accurate cash forecasts for the Province and client agencies.	Ensure that the Province has sufficient cash available at all times to meet its financial obligations. Continually enhance the Cash Management System, keeping it responsive to changing needs, technology, and the IT environment within the OPS, i.e. IFIS renewal and Hyperion.
d. Advocacy of best practices in cash management across the OPS	Policy advice where required to assist programs in complying with the Cash Management Directive.	Improved compliance with the Cash Management Directive; implementation of policies more in line with best practices.

Objective	Performance Measure	Target
e. Provide efficient, accurate and timely settlement and payment processes, and implement appropriate settlements industry best practices.	Ensure debt management, investments, derivatives, and loans are recorded and processed efficiently and accurately. Ensure that ITS, the OFA's system of record for debt, derivatives, and assets, continues to operate effectively. Adoption of industry best practices.	Make system and procedural enhancements to improve the efficiency and effectiveness of settlements' functions, and continue to mitigate operational risk. Replace the Public Bodies Financing System with a user friendly and efficient system that is either developed internally or sourced externally.
f. Provide timely and accurate financial reporting for the Province in relation to debt, derivatives and investments, and the agency financial statements.	Ensure security and proper records of transactions. Provide high quality financial information for publication in a timely and accurate manner.	Enhance internal controls on accounting records by applying best practices and staff training. Prepare internal reporting to ensure data integrity. Through research and continuous review, ensure that accounting records and financial reporting are prepared in accordance with applicable PSAB requirements. Provide timely and accurate information for the Province's Budget, Estimates, quarterly Finances and Public Accounts. Provide timely and accurate agency financial statements that pass the scrutiny of the OFA Board and its Audit and Risk Management Committee as well as the Office of the Provincial Auditor General.
g. Monitor and assess accounting developments that affect the financial reporting for the Province and its agencies.	Keep abreast of current accounting developments in various jurisdictions: the International Accounting Standards Board (IASB), the Financial Accounting Standards Board in the U.S. (FASB), and the Accounting Standards Board and the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada.	Continue to monitor developments in accounting standards set by PSAB and other standard setting bodies that may affect the Province and agency reporting. Provide advice to the Office of the Provincial Controller, on developments in accounting standards that impact debt and related areas. In coordination with other provinces, actively bring the collective concerns of Ontario and the other provinces on the Financial Instruments standard to PSAB. Continue to liaise effectively with the Office of the Provincial Controller and the Office of the Auditor General of Ontario in making recommendations and/or responses on PSAB's review of these standards.

5. Advise on and implement corporate and electricity finance projects and policies

Objective	Performance Measure	Target
a. Provide financial analysis and advice on financing and other proposals that have capital markets implications. Develop the structure and negotiate the detailed terms and conditions of any transactions to minimize costs and best meet market expectations.	Cost-effective leasing policies and structures. Appropriate due diligence on financing aspects of asset management projects. Comprehensive advice on structuring and completing financial transactions. Accurate determination of value for money benchmarks and evaluating and recommending interest rates.	Comprehensive, timely and accurate advice to support objectives. OFA to be viewed across the government as a centre of excellence in financial analysis and providing high quality financial advice.
b. Provide financial analysis and advice on cost- effective borrowing, investing, and risk management by public bodies. Negotiate the detailed terms and conditions of any loans to be guaranteed to minimize costs and best meet market expectations.	Borrowing and investing through financial markets as cost-effectively as possible and within appropriate risk management frameworks for each client.	Comprehensive, timely and accurate advice to consolidated public bodies.
c. Provide financial analysis and advice on transactions requiring a provincial guarantee or that may otherwise increase the indebtedness or contingent liabilities of Ontario.	Comprehensive, accurate and timely review and identification of risks and potential risk mitigation strategies.	Comprehensive, timely and accurate advice as required.

Objective	Performance Measure	Target
d. Provide analysis and advice on electricity policies and initiatives that have potential financial, fiscal, and/or economic implications on the Province and/or OEFC.	Early identification and development of options to effectively deal with opportunities, pressures and/or risks to the Province or OEFC.	Comprehensive, timely and accurate analysis and advice, as required, including on the following: • Electricity supply, conservation, transmission, distribution and other electricity price mitigation initiatives. • Nuclear supply, including nuclear refurbishments. • Ongoing implementation of the ALGP. • Ongoing implementation of IEI program, ICI, NIER program, and the OREC.
e. Analysis and modelling to support the OEFC's objectives, including monitoring of OPG and Hydro One results.	Concise, accurate and timely reports and briefings as required.	Provide analytical and modelling support, as required, for the OEFC annual audit and reporting process. Continue regular financial update meetings with OPG to monitor financial performance. Provide required analysis to support management of NUG contracts (e.g., contract/rate negotiations, and NUG litigation.)
f. Provide electricity sector projections for the Province and the OEFC.	Ensure projections are provided in a timely manner, using best available information and reasonable assumptions.	Provide projections for the current year and medium-term for the Province's Budget, Fall Statement and quarterly finances; as well as projections for OEFC on an annual and quarterly basis. Provide regular updates on projections versus plan.
g. Analysis and advice to support the effective administration of ONFA, including approving annual budgets, monitoring fund balances, managing the Provincial Guarantee provided to the Canadian Nuclear Safety Commission (CNSC), and monitoring policies and other initiatives related to nuclear liabilities.	Comprehensive and appropriate due diligence performed on annual budgets, reference plans, disbursements and financial documents.	Review and approve annual budgets, including investment related expenses, change requests, and disbursements as per ONFA timelines. Ensure budgets are consistent with approved reference plans and only eligible costs are funded. Ensure fund flows follow ONFA requirements through audits and review of financial documents. Review and monitor plans and projects related to managing nuclear liabilities for decommissioning and waste management. Monitor and review the ONFA Reference Plan and the required level of the Provincial

Objective	Performance Measure	Target
		Guarantee to the CNSC as nuclear liability estimates are revised and as segregated funds change in value. Provide analysis and advice on OPG's contribution schedules and the Provincial Guarantee that is provided under ONFA to the CNSC.
h. Provide advice, as required, on evaluating the Province's assets, including investments in its business enterprises and analysis and advice on optimisation to enhance efficiency and maximize value.	Ensure required analysis, advice, and briefings are comprehensive, timely and accurate.	Provide timely and highly reliable financial advisory services as required, including modeling, option development, and the identification of key considerations to support OFA, Ministry of Finance and Provincial decision-making. Provide financial analysis and advice related to the Province's holdings of Hydro One shares and the sale/merger of Hydro One Brampton. Provide analysis and advice related to optimizing the Province's real estate portfolio, in particular the sale of OPG headquarters properties, Seaton and Lakeview lands.
i. Provide financial analysis and advice on corporate issues and initiatives	Ensure required analysis, advice, and briefings are accurate, timely, and comprehensive.	Provide expert financial analysis and advice as required, including modeling proposals and structuring transactions. OFA CEO, or delegate, participation and leadership on Boards and Committees overseeing these initiatives.

6. Ensure the successful activation of OFA's decentralized Business Continuity Plan

Objective	Performance Measure	Target
a. Review and update the Corporate BCP framework and business unit plans.	Business units being able to successfully complete their identified critical time-sensitive tasks from decentralized locations.	Maintain staff awareness and readiness to implement the Corporate and business units' plans to meet business requirements in the event of a business disruption. Conduct and assess periodic BCP tests.

HUMAN RESOURCES

Staff allocation for 2016–17 is 166 positions, or full-time equivalents (FTEs), excluding leaves of absences. Between 2007–08 and 2016–17, the borrowing program is projected to increase by 32 per cent, from $18.0 billion to $23.8 billion, and the Province's net debt is projected to increase by 103 per cent, from $156.6 billion to $317.9 billion. The OFA's operating costs (forecasted) increased by 20 per cent, from $22.5 million to $27.1 million, and FTEs dropped by three per cent, from 172 to 166.

The OFA continually reviews its recruitment and retention strategies to ensure it is able to attract and retain qualified staff. Some of the initiatives that have been implemented include supporting flexible work arrangements, and implementing diversity, inclusion and accessibility strategies. Approximately 85 per cent of the OFA is on the government compensation plan, which is controlled centrally. All but five positions are excluded from collective bargaining.

The OFA will continue to work with the Human Resources and Governance Committee of the OFA Board and the Ministry of Finance Human Resources Branch to develop further initiatives to promote staff retention and skills development. The OFA will also continue to work with the OPS Recruitment Centre to enhance the OFA's ability to attract qualified candidates. This will ensure the OFA can meet its current and future business priorities. Initiatives may include providing opportunities for staff to participate in learning and development courses, job shadowing, secondments, and special projects to the extent feasible to enable continuous learning and enhance succession planning.

FINANCIAL BUDGET

OFA Multi-Year Operating Expenditure Forecast

(in thousands of dollars)	2016–17		Forecasts*		
	Budgeted	**Interim Forecast**	**2017–18**	**2018–19**	**2019–20**
Salaries	19,055	19,055	19,876	20,273	20,679
Benefits	2,195	2,195	2,299	2,345	2,392
ODOE	5,802	5,802	5,352	5,412	5,513
Sub-total Cash DOE	27,052	27,052	27,527	28,030	28,584
Add: Amortization	881	863	789	764	786
Less: Capital Expenditure	(865)	(865)	(817)	(785)	(795)
Direct Operating Expense	**27,068**	**27,050**	**27,499**	**28,009**	**28,575**

Staffing levels are forecast to remain at 166 positions (FTE basis) over the planning horizon.

The tables and financial statements included in this document have been prepared on an accrual basis of accounting to correspond with the OFA Financial Statements.

*Forecasts represent the submission through 2017–18 Program Review, Renewal & Transformation (PRRT) process to the Treasury Board. Subject to Treasury Board approval.

OFA - Income Statement Projections

(in thousands of dollars)	2016–17		Forecasts*		
	Budgeted	**Interim Forecast**	**2017–18**	**2018–19**	**2019–20**
Revenue					
Interest Revenue	3,003	3,067	3,305	2,847	2,715
Cost Recovery from the Province	22,207	22,206	22,640	23,034	23,485
Cost Recovery from agencies /related parties	4,861	4,844	4,859	4,975	5,090
Total	30,071	30,117	30,804	30,856	31,290
Expenditure					
Operating Expense	27,068	27,050	27,499	28,009	28,575
Total	27,068	27,050	27,499	28,009	28,575
Net Income	**3,003**	**3,067**	**3,305**	**2,847**	**2,715**

*Forecasts represent the submission through 2017–18 Program Review, Renewal & Transformation (PRRT) process to the Treasury Board. Subject to Treasury Board approval.

STRATEGIC CORPORATE SERVICES

Strategic Corporate Services Division (SCSD) is accountable for delivering robust Information Technology, Strategic Human Resources Management, Records and Information Management, Procurement and Policy Management, Facilities Management and Physical and Cyber Security Services. Enhancements to each of these areas drives efficiency, auditability and consistency throughout the organization. SCSD ensures the OFA's and OEFC's core business objectives are supported by reliable, dedicated, customized and integrated technology infrastructure, business applications, administrative process and access to external real-time data sources.

A major focus of SCSD is to support the OFA's core operational business processes. By actively assessing and adjusting the underlying functions that enable the day-to-day business needs, SCSD is able to provide streamlined solutions that increase the safety and wellbeing of the staff, further the OPS Diversity and Inclusion commitments, and provide transparency into procurement and human resource activities.

In addition, reliable and secure information technology is essential to the OFA's ability to deliver its mandate. To that end, SCSD strives to ensure that business applications and related services are not down more than four times a year for a period greater than 30 minutes for each occurrence during normal business hours. The OFA's financial business functions are powerfully supported by SCSD's technology infrastructure, providing availability, integrity, security, and capacity via high-performance, highly-redundant systems at a competitive cost. SCSD can effectively deliver and maintain state-of-the-art financial systems and services because of OFA's internal management of information technology.

The following initiatives will be carried out over the next three years to support the OFA's strategic direction and objectives:

Initiative	Duration	Contribution to key OFA activities
Automate and enhance structured, processes across the organization such as Asset and Inventory Management.	2017–18	Address the organization's increased focus on procurement practices.
Increase the effective management and delivery of IT projects through centralized, standardized processes and controls.	2017–18	Continue to enhance delivery and effectiveness of resources in project management efforts. Support OFA objectives in the delivery of technical initiatives.
Expand core systems to track new government initiatives, allow for greater flexibility in hedge portfolio group splitting, strengthen bond and swap pricing modules and Implement applicable changes as per financial and regulatory reform requirements.	2017–19	Support a large borrowing program and the corresponding large volume of associated hedging activity; provide flexibility to support the commodities hedging program conducted by the OFA for Metrolinx; and the continuation of new government initiatives, including Ontario Green Bonds, and the Trillium Trust.
Through iterative enhancements to technology and policy, ensure the security of information assets and infrastructure across multiple platforms.	2017–19	Address increased requirements for integrated communication solutions as well as data anytime, anywhere. Enhance support for the OFA's BCP.

Creating and enhancing OFA business dashboards to gain increased insight and enhance trading and portfolio management information.	2017–19	Provide OFA executives with timely information to support treasury and borrowing program activities.
Creating and enhancing KPIs and dashboards, reporting mechanisms to measure the performance of delivered corporate services.	2017–19	Provide OFA executives with timely information to support business activities.
Continuous IT infrastructure improvement that will enhance performance, increase capacity, and make the OFA's computing solution highly available.	2017–19	The OFA's financial business functions are well supported by its robust IT infrastructure, which is essential for the OFA to carry out its mandate.
Continuous IT security improvement that will ensure the integrity of the OFA's IT network and prevent any unintended data loss or unauthorized access. Review, revise, and develop IT policies and procedures based on emerging business or technology requirements.	2017–19	The OFA is proactive in ensuring that its systems are highly secure.
Continuous IT service delivery enhancement that will improve the process of incident management, change management, and problem management. Implement SCSD Service Catalogue and Configuration Management Database (CMDB).	2017–19	The OFA's financial business functions are well supported by various IT Services. A better service delivery framework is essential to deliver IT Services professionally and on a timely basis.
Streamline procurement through a centralized, process-driven methodology.	2017–20	Provides clear accountability, auditability and transparency.
Implementation of an Information Management Strategy that transitions the treatment of information from 'data' to an 'asset'.	2017–20	Promotes the retention of corporate knowledge within the organization.
Continuous Enterprise Project and Portfolio Management that will improve the ability to track, report and deliver on business and technology initiatives.	2017–19	Provides clear accountability, auditability and transparency.

INITIATIVES INVOLVING THIRD PARTIES

There are no third parties, other than the provincial government, with which the OFA is partnering or with which it has a funding relationship for the purpose of delivering OFA programs. Moreover, the OFA does not provide transfer payments (grants, subsidies, assistance to persons; the business sector; non-commercial institutions; and other government bodies) to third parties.

IMPLEMENTATION PLAN

For 2017–20, the OFA intends to implement its business plan using existing resources and allocations.

COMMUNICATION PLAN

Business Plan

The OFA Business Plan serves as an internal tool for management and staff in the development of program plans and, through the regular reporting of the status of initiatives to the Board of Directors, it serves as a performance measurement tool. The plan also communicates the OFA's business objectives to the Minister of Finance and the Ministry.

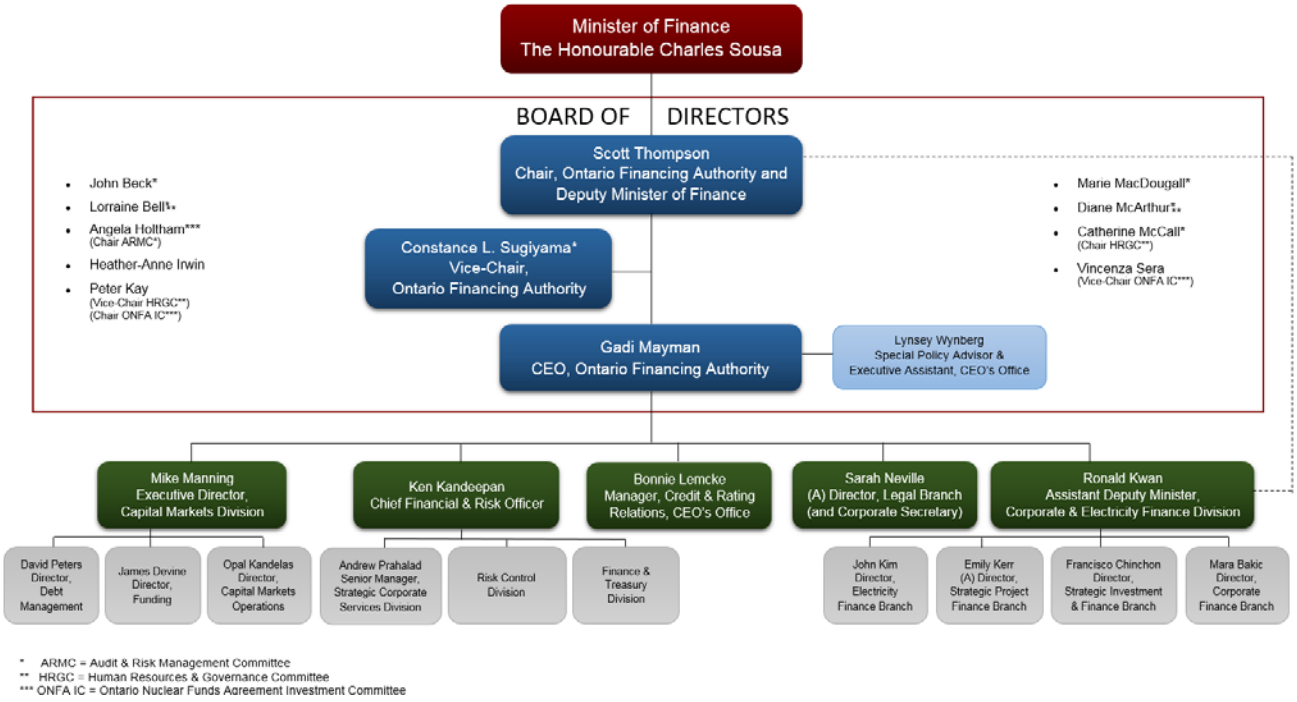
Other Communications

The OFA has a number of external stakeholders, including institutional and retail investors, investment dealers, banks, and credit rating agencies. In 2017–20, the OFA will communicate with stakeholders using various methods including:

1. Websites (including expense information): www.ofina.on.ca; www.ontariosavingsbonds.com; www.ofina.on.ca/algp;
2. Budget and quarterly updates: develop borrowing and debt management components;
3. Fact sheets, investor relations presentations, and other investor material (available on the website);
4. Annual Report (as required by the *Capital Investment Plan Act, 1993*);
5. Regulatory filings;
6. Business Plan; and
7. Memorandum of Understanding (MOU).

Other methods of communication to be used throughout the year are investor relations meetings and regular discussions with credit rating agencies. In addition, the OFA is responsible for the development of communications vehicles for OEFC and will continue to maintain the OEFC website, www.oefc.on.ca, and to produce the OEFC annual report.

ORGANIZATIONAL CHART



* ARMC = Audit & Risk Management Committee
** HRGC = Human Resources & Governance Committee
*** ONFA IC = Ontario Nuclear Funds Agreement Investment Committee

From:	Sarah Harris
To:	Opal Kandelas
Subject:	FW: OFA IESO Amending Agreement No 10 COMPARE OFA Draft July 25 - OFA legal.docx
Date:	Tuesday, August 15, 2017 11:23:59 AM

From: Lisa Stein
Sent: Tuesday, August 15, 2017 10:36 AM
To: William Tan <William.Tan@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: RE: OFA IESO Amending Agreement No 10 COMPARE OFA Draft July 25 - OFA legal.docx

Hi Will,

I believe business decisions regarding next steps are required before we can amend this agreement. I understand that the OFA may not be reducing the existing line by the amount previously contemplated? Alternatively, additional terms re: re-payment may be required. Please provide instructions as to the further amendments that are required, or provide me with a revised draft for review. Happy to discuss further.

Lisa

From: William Tan
Sent: Tuesday, August 15, 2017 10:30 AM
To: Lisa Stein <Lisa.Stein@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: RE: OFA IESO Amending Agreement No 10 COMPARE OFA Draft July 25 - OFA legal.docx

Hello Lisa,

I'm follow-up to make sure this is still on your radar. I know you're working hard on the new directive and was busy with the intercept provision and credit facility last week. As you know the directive is the priority right now.

Thanks,

Will

From: William Tan
Sent: Tuesday, August 08, 2017 6:43 PM
To: Lisa Stein <Lisa.Stein@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: FW: OFA IESO Amending Agreement No 10 COMPARE OFA Draft July 25 - OFA legal.docx

Hi Lisa,

1. I don't recall having OFA Legal sign-off on this. "Simple Markup" view has no data on the grid note.
   Perhaps changes in the FHP Credit Facility will incur more changes to the Amending Agreement 10?

2. I was able to confirm Anthony's outstanding grid note balance. Anthony will have the signatory sign the Grid Note effectively acknowledging the outstanding balance. I will change the "as of August 8" date to the signature date once we know the signature date. The numbers are also supported by the Rollover Notices provided on July 21. Please review and comment on the Grid Note.

Thanks,

Will

From: Lisa Stein
Sent: Wednesday, July 26, 2017 9:36 AM
To: William Tan <William.Tan@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: Sarah Neville <Sarah.Neville@ofina.on.ca>
Subject: RE: OFA IESO Amending Agreement No 10 COMPARE OFA Draft July 25 - OFA legal.docx

There still appears to be data in the grid on the last page. Can this also be removed?

From: William Tan
Sent: Tuesday, July 25, 2017 6:18 PM
To: Lisa Stein <Lisa.Stein@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: Sarah Neville <Sarah.Neville@ofina.on.ca>
Subject: RE: OFA IESO Amending Agreement No 10 COMPARE OFA Draft July 25 - OFA legal.docx

Hello Lisa,

Thank you very much for making the changes.
I have removed the data from the grid note. Please let me know if this is satisfactory.

Thanks,

Will

From: Lisa Stein
Sent: Tuesday, July 25, 2017 4:21 PM
To: William Tan <William.Tan@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: Sarah Neville <Sarah.Neville@ofina.on.ca>
Subject: OFA IESO Amending Agreement No 10 COMPARE OFA Draft July 25 - OFA legal.docx

Hi Will and JF,

Please see attached with the most recent edits, as discussed during our conference call. I was unable to delete the details from the grid on the last page – can one of you please do this and send the document back to me for final review.

Thank you,

Lisa

Lisa N. Stein
Legal Counsel
Ontario Financing Authority
416-325-2320

****
This message, including any attachments, is intended only for the use of the individual(s) to which it is addressed and contains information that is privileged/confidential. Any other distribution, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify the sender immediately by reply e-mail and permanently delete this message, including any attachments, without reading it or making a copy. Thank you.
****

From:	Sarah Harris
To:	Opal Kandelas
Subject:	FW: OFA IESO Amending Agreement No 10 COMPARE OFA Draft July 25 - OFA legal.docx
Date:	Tuesday, August 15, 2017 1:23:23 PM
Attachments:	RE Policy questions re OFHP Credit Facility Agreement .msg

FYI

From: Sarah Harris
Sent: Tuesday, August 15, 2017 1:20 PM
To: Lisa Stein <Lisa.Stein@ofina.on.ca>
Cc: William Tan <William.Tan@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Subject: RE: OFA IESO Amending Agreement No 10 COMPARE OFA Draft July 25 - OFA legal.docx

Hi Lisa,

The plan is still to reduce the existing facility to $475 million, but existing facility will be used for draws until such time that the new facility is in place. We informed Anthony that we would look to re-allocate loans from the existing facility to the new credit facility when the new facility is executed. We are confirming with the various OFA areas (Settlements, Risk, Accounting, Cash) regarding the operational requirements, but the idea is that there will be no impact from a cash flow standpoint (i.e. no actual transfer of funds for IESO to repay loans under one facility, and therefore no need for the OFA to transfer funds under the new facility. Ken K. and I have discussed this, but am cc'ing him so he is aware that I have communicated this direction.

We will need to have a call with IESO to identify which loans would be transferred from one facility to another; it would be beneficial for you and Victor to be on this call so the particulars regarding what legal approach may be taken can be considered (i.e. incorporate provisions into the amending agreement, I am thinking).

Thanks,
Sarah

From: Lisa Stein
Sent: Tuesday, August 15, 2017 10:36 AM
To: William Tan <William.Tan@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: RE: OFA IESO Amending Agreement No 10 COMPARE OFA Draft July 25 - OFA legal.docx

Hi Will,

I believe business decisions regarding next steps are required before we can amend this agreement. I understand that the OFA may not be reducing the existing line by the amount previously contemplated? Alternatively, additional terms re: re-payment may be required. Please provide instructions as to the further amendments that are required, or provide me with a revised draft for

review. Happy to discuss further.

Lisa

From: William Tan
Sent: Tuesday, August 15, 2017 10:30 AM
To: Lisa Stein <Lisa.Stein@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: RE: OFA IESO Amending Agreement No 10 COMPARE OFA Draft July 25 - OFA legal.docx

Hello Lisa,

I'm follow-up to make sure this is still on your radar. I know you're working hard on the new directive and was busy with the intercept provision and credit facility last week. As you know the directive is the priority right now.

Thanks,

Will

From: William Tan
Sent: Tuesday, August 08, 2017 6:43 PM
To: Lisa Stein <Lisa.Stein@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: FW: OFA IESO Amending Agreement No 10 COMPARE OFA Draft July 25 - OFA legal.docx

Hi Lisa,

1. I don't recall having OFA Legal sign-off on this. "Simple Markup" view has no data on the grid note.
   Perhaps changes in the FHP Credit Facility will incur more changes to the Amending Agreement 10?

2. I was able to confirm Anthony's outstanding grid note balance. Anthony will have the signatory sign the Grid Note effectively acknowledging the outstanding balance. I will change the "as of August 8" date to the signature date once we know the signature date.
   The numbers are also supported by the Rollover Notices provided on July 21. Please review and comment on the Grid Note.

Thanks,

Will

From: Lisa Stein
Sent: Wednesday, July 26, 2017 9:36 AM
To: William Tan <William.Tan@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: Sarah Neville <Sarah.Neville@ofina.on.ca>
Subject: RE: OFA IESO Amending Agreement No 10 COMPARE OFA Draft July 25 - OFA legal.docx

There still appears to be data in the grid on the last page. Can this also be removed?

From: William Tan
Sent: Tuesday, July 25, 2017 6:18 PM
To: Lisa Stein <Lisa.Stein@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: Sarah Neville <Sarah.Neville@ofina.on.ca>
Subject: RE: OFA IESO Amending Agreement No 10 COMPARE OFA Draft July 25 - OFA legal.docx

Hello Lisa,

Thank you very much for making the changes.
I have removed the data from the grid note. Please let me know if this is satisfactory.

Thanks,

Will

From: Lisa Stein
Sent: Tuesday, July 25, 2017 4:21 PM
To: William Tan <William.Tan@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: Sarah Neville <Sarah.Neville@ofina.on.ca>
Subject: OFA IESO Amending Agreement No 10 COMPARE OFA Draft July 25 - OFA legal.docx

Hi Will and JF,

Please see attached with the most recent edits, as discussed during our conference call. I was unable to delete the details from the grid on the last page – can one of you please do this and send the document back to me for final review.

Thank you,

Lisa

Lisa N. Stein

Legal Counsel
Ontario Financing Authority
416-325-2320

****
This message, including any attachments, is intended only for the use of the individual(s) to which it is addressed and contains information that is privileged/confidential. Any other distribution, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify the sender immediately by reply e-mail and permanently delete this message, including any attachments, without reading it or making a copy. Thank you.
****

From: Ken Kandeepan []
To: Sarah Harris [Sarah.Harris@ofina.on.ca]
CC: Lisa Stein [Lisa.Stein@ofina.on.ca]; Bruno Amara [Bruno.Amara@ofina.on.ca]; Mike Manning [Mike.Manning@ofina.on.ca]; Opal Kandelas [Opal.Kandelas@ofina.on.ca]; Tobias P. Whitfield (MOF) [Tobias.Whitfield@ontario.ca]; William Tan [William.Tan@ofina.on.ca]; John Kim [John.Kim@ofina.on.ca]; Gavin He [Gavin.He@ofina.on.ca]; Anna Strathy [Anna.Strathy@ofina.on.ca]
Subject: RE: Policy questions re OFHP Credit Facility Agreement
Date: Friday, August 11, 2017 09:39:57

Perfect, thank you very much

Ken k

From: Sarah Harris
Sent: Friday, August 11, 2017 9:35 AM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; William Tan <William.Tan@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: RE: Policy questions re OFHP Credit Facility Agreement

Hi Ken,

Thanks for clarifying the approach on this matter.

Based on this, we will not be seeking a security interest in the Regulatory Asset and will be seeking a directive ASAP for an exemption from inclusion of the intercept provision in the $2B FHP facility. We will inform IESO that current $975 million facility will be used for funding draws until such time as we are able execute the new $2B FHP facility.

Thanks,
Sarah

From: Ken Kandeepan
Sent: Thursday, August 10, 2017 5:12 PM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; William Tan <William.Tan@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: RE: Policy questions re OFHP Credit Facility Agreement

Hi Sarah

Thanks for clear detailed email with good questions, however, instead of responding to each of the questions, I am going back to my earlier premise that none of the loans currently on the OFA loan book have any kind of security attached to them. A good example is the current line of credit extended to

the IESO for $975 million. Given this I am very reluctant to impose a security requirement the proposed $2 billion facility to the IESO from the Province.

I understand that the security requirement which is part of the OFA lending policy can waived with ministerial approval, I suggest that it be obtained as soon as possible. If there are delays in obtaining this approval, especially since the minister will be on vacation from the end of this week onwards, I also suggest, if possible the previous facility of $975 million continue until the new facility is in place. This will allow IESO to fund any regulatory assets created in the intervening period.

I have discussed my proposed approach with Gadi, who is supportive.

Thanks

Ken k

From: Sarah Harris
Sent: Thursday, August 10, 2017 11:56 AM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; William Tan <William.Tan@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: Policy questions re OFHP Credit Facility Agreement

Hi Ken,

Yesterday we held an internal meeting to discuss issues identified by Lisa and Toby regarding inclusion of an intercept provision in the new $2B FHP Credit Facility, as well the factors that the OFA needs to consider on whether or not to seek a security interest in the Regulatory Asset. We will need to obtain further information from IESO to inform the OFA's final determination on these matters, and also require your input on certain items below.

Security Interest - Background

In reference to Bruno's comments and your comments below, if the OFA were to take a security interest in the Regulatory Asset, any security interest would only be applicable while the IESO was the holder of the asset, and only while it is being held by the IESO with money borrowed from the OFA.

The steps of the transaction would be:

1 – The IESO makes payments to electricity producers at the contracted rate, but charges consumers a rate that is set by the FHP, which leaves a shortfall that must be made up;
2 – The IESO borrows money from the OFA to finance the shortfall – it is at this stage that the OFA would consider taking a security interest in the asset, up to the amount that the OFA lends to the IESO;
3 – The IESO bundles the right to charge consumers for the shortfall in the future through the GA into the Regulatory Asset, which is sold to the OPG SPV, which sale can be of the asset free

and clear of any security interest;
4 – The IESO repays the OFA for the loan.

Steps 3 and 4 can happen simultaneously. If it is deemed to be something that the OFA would like to do, the security interest would only apply while the IESO holds the assets that it creates using the OFA loan to finance the purchase of electricity that it does not charge for. Once the asset is sold to the OPG SPV, the loan can be repaid and the security interest that the OFA had in the asset can be discharged.

Intercept Provision - Background

Regarding the inclusion of the intercept provision, the OFA Lending Policy (attached, see p. 4 "Security" section), stipulates the OFA must include an intercept provision, unless the OFA either receives an exemption from the OFA Board OR receives direction from the Minister, Cabinet or Treasury Board.

The intercept provision provides that in the event of non-payment by IESO to the OFA under the Credit Facility, the Minister may take funds appropriated by the Legislature for IESO, and may instead use the funds to repay the OFA (in the amount that IESO has defaulted under the facility).

Question for Ken: Are you aware of how we might determine if the Legislature has appropriated funds for IESO? If the amounts are minimal, there would seem token benefit to include the intercept provision in the new FHP credit facility agreement

Draft E-mail to IESO

We would like to ensure that we obtain from IESO all the information that would be required to make a risk assessment as to whether an intercept provision and/or a security interest by the OFA in the Regulatory Asset would be required.

Request for Ken: We are drafting an e-mail to send to IESO today (below) to request information that is pertinent for an analysis regarding these matters. We would appreciate if you could please review the draft and amend it to include all key questions that would be required to make a risk assessment.

"Dear Anthony,

My apologies for the delay in providing the next turn of the FHP Credit Facility Agreement. We became aware of a potential requirement under the OFA's lending policy which needs to be considered internally for inclusion in the agreement, for which we require additional information. Would you kindly provide answers to the following questions?

- *Does IESO have other financial obligations (such as but not limited to swap agreements, other financial obligations etc.) that could become due and adversely impact IESO's ability to pay its debts when they become due?*
- *Does IESO have any other financial obligations or security interests that could attach to the Regulator Asset/Special Purpose Vehicle?*
- *[Include additional questions]*

I also want to make you aware that due to the internal assessment that must be made in respect of the OFA's lending policy, we will likely not be able to execute the new FHP facility prior to IESO's next funding request (for which IESO will be providing notice on August 17th, for funding on August 21st). Accordingly, the August FHP draw will be made under the existing $975 million credit facility. At the time we execute the new $2B facility, we would be able to transfer (by incorporating into the agreements the required provisions or by another agreed mechanism) any amount of loans exceeding $475 million (being the reduced facility limit under the draft amending agreement) under the existing facility to the new facility.

Best regards,"

In reference to the last sentence above in the draft e-mail to IESO, the intended financing structure for IESO credit facilities is to (i) execute a new $2B FHP facility and (ii) simultaneously reduce the existing $975 million facility by $500 million to $475 million. This would create a total aggregated limit of $2.475 billion. Ideally these 2 agreements would have been executed simultaneously prior to the August draw from IESO (since IESO's August draw will likely bring the balance of the existing credit facility to approx. $500M, exceeding the intended revised limit of $475 million).

Question for Ken: When we do execute both agreements, are there any obstacles from an operational perspective (settlement, cash, accounting, risk) with transferring any 'excess loan amount' from the existing credit facility to the new FHP credit facility? We would be looking to re-allocate certain loans from the existing facility to the new facility, without any cash flow impact. From a legal perspective we expect this should be fine, as we can work out the legal particulars with IESO.

General Note re: Timing Impact of Intercept Provision

Regardless of whether the OFA decides to include or exclude the intercept provision, the execution of the FHP facility will take longer than expected, likely taking an additional number of weeks.

If the decision is made not to include the intercept provision, a directive will need to be obtained from the Minister to this effect, potentially taking a few weeks.

If it is a determined an intercept provision is required, then this will likely even take longer than getting a directive from the Minister. In this case, the OFA would need to go back to the Ministry of Energy to effect the following: (I)Ministry of Energy will need to agree with IESO on acceptance of the inclusion of intercept provision in the FHP credit facility agreement and (ii) the OFA and Ministry of Energy will require an MOU whereby the parties agree on the inclusion of a the intercept provision in the FHP credit facility agreement.

Thanks
Sarah

From: Ken Kandeepan
Sent: Wednesday, August 09, 2017 1:54 PM

To: Bruno Amara <Bruno.Amara@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; William Tan <William.Tan@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: Re: Policy questions re OFHP Credit Facility Agreement

Totally agree with Bruno, the province should not be taking a security intent in the reg asset, that would make the sale to the SPV or trust rather difficult.

It would also create issues in terms of the SPV's ability to obtain an appropriate credit rating as well as issue debt in the capital markets.

Thanks

Ken k

Sent from my iPhone

On Aug 9, 2017, at 1:46 PM, Bruno Amara <Bruno.Amara@ofina.on.ca> wrote:

Hi Sarah

Apologies for delay. I perceive differing levels of comfort with the issue of security so I'm OK with discussing the questions raised this afternoon. I am concerned whether we have people on the call that can answer all the questions.

But I have a basic question with respect to the issue of the Province taking a security interest in the asset and differences with this loan from others. Under the OFHP, the sale of the asset ultimately allows for payments to electricity generators. If the Province has a security interest in the asset, can we envisage a potential situation wherein the IESO would be repaying the OFA loan rather than paying generators, which would be problematic for OFHP?

I had discussed with Ron. In regard to Toby's last question, Ron was wondering if there might be a provision on use of proceeds from IESO's sale of the regulatory asset.
Ron had also asked whether OPCD had opined on any accounting issues, and whether OIC or Minister's directive gave any particular direction on this issue. In regard to the latter, I have checked. Minister's directive and OIC were fairly high level noting specific terms and conditions to be set out in the Agreement.

Bruno

From: Lisa Stein
Sent: Wednesday, August 09, 2017 10:58 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Cc: Mike Manning <Mike.Manning@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Opal

Kandelas <Opal.Kandelas@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; William Tan <William.Tan@ofina.on.ca>
Subject: RE: Policy questions re OFHP Credit Facility Agreement

Thank you Sarah. I should add that under the OFA Lending Policy, the intercept provision (and accompanying MOU, etc.) must be included in OFA loan agreements *except* where otherwise directed by the Minister of Finance, Treasury Board, or Cabinet. As such, if it is determined that the intercept provisions are not required/relevant in this case, Ministerial direction will be required. We can discuss further this afternoon.

Lisa

From: Sarah Harris
Sent: Wednesday, August 09, 2017 10:37 AM
To: Bruno Amara <Bruno.Amara@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Cc: Mike Manning <Mike.Manning@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; William Tan <William.Tan@ofina.on.ca>
Subject: FW: Policy questions re OFHP Credit Facility Agreement
Importance: High

Hello Bruno and John,

In advance of our internal call this afternoon, Lisa and Toby have prepared the following e-mail below to consider whether the OFA should consider taking a security interest in the Regulatory Asset as security for $2B credit facility, as well as the inclusion of the intercept provision. Ken Kandeepan expressed the following view yesterday:

> *"…[the $2B Facility] is unsecured but so is every loan issued by the OFA to a public body so not sure why the risk associated with this loan is greater or for that matter lower than the loans currently in the OFA's loan book.*
>
> *As such, this should be treated exactly like all the other loans. Note that the IESO is fully consolidated with that of the Province so loans issued by the OFA to IESO will be a wash upon consolidation."*

In light of this, could you please advise if there are there any additional considerations regarding the FHP structure that would could necessitate the inclusion of an intercept provision in the $2B facility and/or the OFA taking a security interest in the Regulatory Asset?

I am including Ken and Mike Manning in this e-mail, should they have any additional input or insight on this matter.

Thank you,
Sarah
From: Lisa Stein
Sent: Wednesday, August 09, 2017 10:09 AM

To: William Tan <William.Tan@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Subject: Policy questions re OFHP Credit Facility Agreement
Importance: High

Hi Sarah H. and Will,

Based on the e-mails to date, I understand that OFA staff held a conference call yesterday and based the OFA Lending Policy and past practices, may have concluded that it is appropriate for the loan to the IESO in relation to the OFHP to be unsecured, as per other OFA loans to public bodies. However, as neither Toby (from MOF Legal) nor I were part of the aforementioned call, we wanted to clarify that this loan is NOT necessarily the same as other OFA unsecured loans to public bodies, and as such, the protection provided by the "intercept" provisions of the standard OFA loan agreements have limited application in this particular case (which is likely the reason why these provisions were not included in the original drafts). Our understanding is that, although the intercept provisions are intended to allow the Minister of Finance to deduct from money appropriated by the Legislature for payment to the Borrower amounts equal to any amounts that a Borrower fails to pay to the OFA on account of indebtedness under the loan agreement, in the case of the IESO as Borrower, these amounts are likely to be minimal.

Before proceeding, we would like to ensure that the nature of the loan, the impact of intercept provisions, and the insolvency and operational risks, have all been considered. Toby has succinctly summarized the questions which still need to be addressed during our call this afternoon in the e-mail which I have forwarded below.

Lisa

From: Whitfield, Tobias P. (MOF) [mailto:Tobias.Whitfield@ontario.ca]
Sent: Tuesday, August 08, 2017 5:03 PM
To: Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: Policy question re OFHP Credit Facility Agreement

Lisa,

I have attempted to summarize my questions/issues in the below. Let me know if you have anything to add or have any edits.

The concerns I have with the IESO loan, and that should be considered are related to what could happen to the Regulatory Asset (the "Asset") if there are any credit or liquidity issues at the IESO. Because the Asset is something that it is possible to take security in, and that is an intangible that may be subject to a floating charge (ie, as a result of a GSA or from a financing agreement) I thought it would be prudent to consider whether the OFA should take a security interest in the Asset as security for the loan.

I am not familiar with the types of financial arrangements or other obligations that the IESO may be a party to, either as a result of its market operations or otherwise, but it may be possible that the IESO has entered into such arrangements, such as swaps or other derivatives agreements, loans or other financing arrangements for which security could be given.

I am not aware of what financial guarantees or other arrangements may be in place such that the Province may have guaranteed the IESO's obligations, but I don't believe that there are any. My understanding is that the IESO is consolidated with the Province's books, but that the IESO is not a crown agent, and the Province is not liable for the IESO's obligations to third parties. However, I am not sure about the underlying facts without more input from ENERGY and the IESO.

In light of these questions it may be worthwhile to consider some related issues:

- How does the proposed IESO loan compare to other OFA loans made to public bodies, such that it is appropriate to use the same requirements?
    - Size of loan – it is my understanding that there are not many loans that approach the size of the $2 billion loan that is proposed to the IESO.
    - Are the obligations of the IESO the obligations of the Province, and how does this compare to other public body loans?
    - What other financial obligations could the IESO have (such as swap agreements, other financial obligations) that could become due or create credit risk?
    - If in many public body loans, there is an intercept and an MOU with the appropriate ministry to create some security, does that make sense in this context? Are there significant transfers to the IESO?
    - Note that the OFA loan to the ROM was secured by pledges and an intercept, and that other Provincial loans to public bodies or other groups may be secured.
- Does the Province/OFA understand the financial obligations of the IESO such that it is confident that no other security interest could attach to the Asset?
- Given that the debt is specifically for the purpose of creating the Asset which will be "warehoused" at the IESO, once the Asset is sold to the financing entity, how will the Province ensure that the proceeds can only be used to repay the loan?

Tobias Whitfield
Counsel, Legal Services Branch
Ministry of Finance
tobias.whitfield@ontario.ca
Phone: 416-325-1456

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From:	Sarah Harris
To:	Opal Kandelas
Subject:	FW: OFA Loan Update from CFB
Date:	Monday, September 11, 2017 12:38:24 PM
Attachments:	OFA Loan OICs 11-July-17 am (Final).xlsx March 31, 2017 TAS Rec from Accounting.pdf OFA Loan OICs 11-July-17 am (Final).pdf

---

From: Andrea Dalgarno
Sent: Wednesday, July 19, 2017 1:53 PM
To: Daki Proudfoot <Daki.Proudfoot@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: RE: OFA Loan Update from CFB

Hi,

Attached is a somewhat cleaned up version of July 11 calculation (plus pdf version) of the available authority assuming capitalized interest is not included for now. I hid rows and columns pretty much.

Still cannot figure out how current Fanshawe balance makes sense to TAS as of March 31 adjusted for activity since March 31. My attempt is in the last sheet of the workbook. Note that TAS was out to PBFS by spread amounts (see attached acctng rec) at year end it seems so I expected the same. Not the case. I do not think this is of immediate consequence though.

For Bonnie's purpose I think the remaining authority is not materially impacted by this.

I think we are good to provide the. 1,377,594,955.57 figure as the remaining authority as of July 11. It will not be materially off even if capitalized interest is to be included.

Let me know you thoughts. Then hopefully it can be forwarded to Bonnie.

Regards,

Andrea

From: Daki Proudfoot
Sent: Tuesday, July 18, 2017 4:03 PM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>; Andrea Dalgarno <Andrea.Dalgarno@ofina.on.ca>
Cc: Bonnie Zhang <Bonnie.Zhang@ofina.on.ca>
Subject: RE: OFA Loan Update from CFB

Hello Sarah and Andrea,

For your reference, please find attached a copy of my check for the Borrowing Authority Allocated amounts. For construction loans, the capitalized interest was not included in the BA Allocated

amount. You'll find my review, along with notes, in the rightmost area of the spreadsheet. We can further discuss when you're able.

In addition, through my checks, I noticed that the original agreement between the OFA and OCC referenced "OIC 1420/2008" as the OIC that authorizes OCC to borrow the funds. I was wondering if you're familiar with this OIC and if you had a copy of it by any chance.

Thanks,

Daki

From: Daki Proudfoot
Sent: Friday, July 14, 2017 10:05 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>; Andrea Dalgarno <Andrea.Dalgarno@ofina.on.ca>
Subject: RE: OFA Loan Update from CFB

Hello Sarah and Andrea,

In regards to our discussion the other day, please see below for further information on the items highlighted red in the most recently shared Excel file.

1. Fanshawe College's Construction Loan Calculation
    - The difference between the outstanding BA Allocated amount (as at July 11, 2017) vs the "TAS 3/31/2017" amount is due to the principal payments made and the way in which capitalized interest is calculated for the advances drawn. I double-checked the calculations on OLMS, and if you would like, Andrea, I can show you the way in which capitalized interest is calculated for these agreements.
2. IESO
    - As per Risa's email, the two entries is a product for how OLMS, currently, cannot have two projects assigned to a line of credit entry. I was told the entries would be corrected soon so that both sum to $975M.
3. Ottawa Convention Centre Corporation
    - I'm still looking into this to get further details. I'll keep you posted.

As well, I mentioned how there's a correction needed for Confederation College's construction loan. In that particular agreement, there is another facility for a second project. That facility is a non-revolving, term loan set at a max of $1,050,000. This means we should have an Adjusted BA Allocated amount of $11,650,000 shown instead of the current $10,600,000. For the other agreements, I'm planning to look them over to ensure this isn't the case with the others.

If there is anything else I missed, please let me know. We'll see what Sarah and Malle advise for the capitalized interest.

Thanks,

Daki

From: Sarah Harris
Sent: Wednesday, July 12, 2017 10:42 AM
To: Daki Proudfoot <Daki.Proudfoot@ofina.on.ca>
Cc: Andrea Dalgarno <Andrea.Dalgarno@ofina.on.ca>
Subject: RE: OFA Loan Update from CFB

Sounds good, Daki.

Thanks,
Sarah

From: Daki Proudfoot
Sent: Wednesday, July 12, 2017 10:38 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: Andrea Dalgarno <Andrea.Dalgarno@ofina.on.ca>
Subject: RE: OFA Loan Update from CFB

Hello Sarah,

I can be available at 1:30 pm to discuss. Shall I head up to your floor for then?

Thanks,

Daki

From: Sarah Harris
Sent: Wednesday, July 12, 2017 10:19 AM
To: Daki Proudfoot <Daki.Proudfoot@ofina.on.ca>
Cc: Andrea Dalgarno <Andrea.Dalgarno@ofina.on.ca>
Subject: FW: OFA Loan Update from CFB

Hi Daki,

Thanks for following up. I think it is also a good idea to have a chat on this. We too are a little unclear on a couple of points, since Documentation is not familiar with the loan activity under these agreements

Would you be available at about 1:30 p.m. today to discuss, or sometime tomorrow? I am including Andrea Dalgarno, as she has been working with this spreadsheet to get a sense of the loan activity.

Thanks,
Sarah

From: Daki Proudfoot
Sent: Friday, July 07, 2017 1:47 PM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: OFA Loan Update from CFB

Hello Sarah,

Mara informed me that Documentation would like to have the attached file confirmed by our group. I'll review the document, but I was hoping to ask a few questions for what you need.

- Which date do we want these dollar values to reflect? Do we want these dollar values to still reflect the "as at May 5" date?
- For the Repaid and Capitalized Interest columns, shall we connect and discuss what kind of entries you're looking for here?

I'm available to discuss over the phone or I don't mind coming up to your floor either. Please let me know when a good time would be.

Thanks,

Daki Proudfoot
Economic Specialist

Ontario Financing Authority
1 Dundas Street West, Suite 300
Toronto, ON M7A 1Y7
Office: (416) 325 3074 | Mobile: (647) 534 4091
daki.proudfoot@ofina.on.ca

As of July 11, 2017 AM

	Loan Agreements									OIC			Adjusted BA Allocated (Construction Loans and LOC at max)	Notes
	Borrower	Initial Loan Amount / Maximum Availability	Effective Date	Maturity Date	Type	Revolving	Advances	Repaid	Capitalized Interest (Construction)	Available for Borrower under Agreement	OIC	Revolving	Borrowing Authority Allocated	
	Algonquin College of Applied Arts and Technology	$21,296,746.49	March 25, 2011	December 17, 2037		No	**$21,296,746.49**			$0.00			$18,842,922.97	$18,842,922.97	
	Boreal College	$5,000,180.82	June 15, 2009	January 21, 2036		No	**$5,000,180.82**			$0.00			$4,300,244.25	$4,300,244.25	
	Boreal College	$7,516,644.19		January 2, 2035		No	**$7,516,644.19**			$0.00			$6,161,335.70	$6,161,335.70	
	Cambrian College	$400,000.00	June 26, 2008	July 31, 2018		No	**$400,000.00**			$0.00	OIC 675/97	Yes	$53,177.26	$53,177.26	
	Cambrian College	$3,041,451.18	November 9, 2009	November 11, 2019		No	**$3,041,451.18**			$0.00	OIC 675/97	Yes	$805,228.41	$805,228.41	
	Cambrian College	$11,232,658.70	December 31, 2009	December 31, 2029		No	**$11,232,658.70**			$0.00	OIC 675/97	Yes	$8,314,608.62	$8,314,608.62	
	Canadore College of Applied Arts	$1,500,000.00	October 28, 2011	July 5, 2027		No	**$1,500,000.00**			$0.00			$1,077,454.85	$1,077,454.85	
	Canadore College of Applied Arts	$2,700,000.00	October 28, 2011	October 10, 2026		No	**$2,700,000.00**			$0.00			$1,867,570.41	$1,867,570.41	
	Canadore College of Applied Arts	$1,500,000.00	March 22, 2012	March 28, 2022		No	**$1,500,000.00**			$0.00			$800,395.27	$800,395.27	
	Centennial College	$17,197,491.22	March 19, 2010	November 30, 2026		No	**$17,197,491.22**			$0.00	OIC 675/97	Yes	$11,959,060.56	$11,959,060.56	
	Centennial College	$17,070,000.00		September 26, 2029		No	**$17,070,000.00**						$14,800,448.10	$14,800,448.10	
	City Of Windsor	$26,416,693.90	June 26, 1997	March 31, 2021		No	**$26,416,693.90**			$0.00	OIC 675/97	Yes	$8,171,389.87	$8,171,389.87	
	Conestoga College	$14,700,000.00	April 27, 2012	May 4, 2027		No	**$14,700,000.00**			$0.00			$10,623,908.59	$10,623,908.59	
	Conestoga College	$21,500,000.00		October 6, 2031		No	**$21,500,000.00**						$20,894,552.12	$20,894,552.12	
	Confederation College	$1,700,000.00	March 28, 2012	March 16, 2020		No	**$1,685,844.00**			$0.00			$757,167.55	$757,167.55	
	Confederation College	$10,600,000.00		December 15, 2017	Construction	No	**$,615,000.00**						$5,627,383.77	$11,650,000.00	Additional undrawn facility is part of agreement ($1,050,000)
	Durham College	$6,430,304.00		February 5, 2024		No	**$6,430,304.00**						$4,705,780.69	$4,705,780.69	
	Fanshawe College of Applied Arts and Technology	$20,000,000.00	February 1, 2010	February 1, 2040		No	**$20,000,000.00**			$0.00			$17,654,049.00	$17,654,049.00	
	Fanshawe College of Applied Arts and Technology	$22,300,000.00		July 31, 2017	Construction	No	**$14,900,000.00**						$19,012,970.96	$22,300,000.00	
	George Brown College	$35,000,000.00	May 13, 2013	May 22, 2020		No	**$35,000,000.00**			$0.00			$15,727,200.02	$15,727,200.02	
	George Brown College	$40,000,000.00		June 24, 2041		No	**$40,000,000.00**						$39,253,575.32	$39,253,575.32	
	Georgian College	$3,630,000.00	March 31, 2008	March 31, 2018		No	**$3,630,000.00**			$0.00	OIC 675/97	Yes	$430,213.30	$430,213.30	
	Georgian College	$2,245,600.00	March 27, 2009	March 27, 2019		No	**$2,245,600.00**			$0.00	OIC 675/97	Yes	$517,553.83	$517,553.83	
	Georgian College	$2,400,000.00	March 23, 2010	March 23, 2020		No	**$2,400,000.00**			$0.00	OIC 675/97	Yes	$812,514.61	$812,514.61	
	IESO	$975,000,000.00		December 31, 2019	Line of Credit	Yes	**$0.00**						$109,986,030.30	$500,000,000.00	As per Risa's email, this line of credit facility ($975M) was adjusted to accommodate multiple IESO projects [Adjustment still not reflected in OLMS]
NEW	IESO	$475,000,000.00		June 16, 2018	Line of Credit								$3,203,101.35	$475,000,000.00	
	Lambton College	$4,000,000.00	July 7, 2008	July 7, 2033		No	**$4,000,000.00**			$0.00	OIC 675/97	Yes	$3,106,850.13	$3,106,850.13	
	Loyalist College	$4,937,396.00	August 20, 2009	August 28, 2027		No	**$4,937,396.00**			$0.00	OIC 675/97	Yes	$3,376,004.08	$3,376,004.08	
	Loyalist College	$2,750,000.00		May 7, 2024		No	**$2,750,000.00**			$0.00			$1,999,345.97	$1,999,345.97	
	Mohawk College	$6,606,343.78	February 24, 2009	September 2, 2031		No	**$6,606,343.78**			$0.00	OIC 675/97	Yes	$5,210,243.30	$5,210,243.30	
	Mohawk College	$34,805,516.70		November 25, 2038		No	$34,805,516.70			$0.00			$32,027,184.16	$32,027,184.16	
	Mohawk College	$11,000,000.00		November 29, 2028		No	$11,000,000.00			$0.00			$8,965,667.72	$8,965,667.72	
	Niagara Parks Commission	$6,500,000.00	November 18, 2009	April 30, 2027		No	**$6,500,000.00**			$0.00	OIC 675/97	Yes	$4,553,428.59	$4,553,428.59	
	Ontario Infrastructure & Lands Corporation (formerly OIPC)	$200,000,000.00		June 29, 2019	Line of Credit	Yes	**$0.00**			$200,000,000.00	OIC 675/97	Yes	$0.00	$0.00	New LOC currently being negotiated for $200 million but not in place
Partial	Ontario Lottery & Gaming	$33,802,243.16	October 19, 2010	January 8, 2018		No	**$22,610,683.42**			$0.00			$3,043,699.30	$3,043,699.30	
	Ontario Lottery & Gaming	$89,150,000.00		October 2, 2017	Construction	No	**$28,700,000.00**						$28,700,000.00	$35,200,000.00	There is an error for how this was inputted in OLMS. It currently is being addressed but the max is $35.2M
	Ontario Northland Transportation Commission	$3,800,000.00	October 13, 2004	January 1, 2020		No	**$3,800,000.00**			$0.00	OIC 675/97	Yes	$855,791.17	$855,791.17	
	Ontario Northland Transportation Commission	$2,300,000.00	July 19, 2005	January 1, 2031		No	**$2,300,000.00**			$0.00	OIC 675/97	Yes	$1,575,351.16	$1,575,351.16	
	Ottawa Convention Centre Corporation	$40,000,000.00	August 11, 2011	September 1, 2036	Construction	No	**$40,000,000.00**			$0.00			$47,114,846.88	$47,114,846.88	Conservative approach would be to include accrued interest given OCC circumstances. For accurate amount accrued, please contact Accounting.Balance is as reported in TA March 31, 2017
	Royal Ontario Museum (ROM)	$27,000,000.00	July 4, 2011	March 31, 2027		No	**$27,000,000.00**			$0.00			$26,000,000.00	$26,000,000.00	
	Sheridan College	$40,180,436.04		March 31, 2042		No	**$40,180,436.04**						$40,180,436.04	$40,180,436.04	
	Sir Sanford Fleming College	$14,921,000.00	June 27, 2012	July 6, 2027		No	**$14,921,000.00**			$0.00			$10,716,887.37	$10,716,887.37	
	St Clair College	$3,300,000.00		May 14, 2017		No	**$3,300,000.00**						$1,114,514.58	$1,114,514.58	
	St Clair College	$3,600,000.00		May 14, 2025		No	**$3,600,000.00**						$2,940,154.72	$2,940,154.72	
	The Sault College of Applied A&T	$2,000,000.00		October 31, 2019		No	**$2,000,000.00**						$1,023,088.91	$1,023,088.91	
	The Sault College of Applied A&T	$3,000,000.00		October 31, 2029		No	**$3,000,000.00**						$2,597,483.05	$2,597,483.05	
	The Sault College of Applied A&T	$6,500,000.00		April 16, 2018	Construction	No	**$6,500,000.00**						$2,004,360.55	$6,500,000.00	
	University of Ontario Institute of Technology (UOIT)	$28,137,279.00	February 6, 2012	October 16, 2017		No	**$28,137,279.00**			$0.00			$2,823,716.00	$2,823,716.00	

OIC Summary						Adjusted (LOC and Construction at Max Available)	
	Opening Balance under OIC	Used portion of OIC under Loan Agreements	Remaining Balance Under OIC	Maturity	Revolving?	Used portion of OIC under Loan Agreements	Remaining Balance Under OIC
OIC 675/97	$2,160,000,000.00	$556,288,891.36	$1,603,711,108.64	June 1, 2041	Yes	$1,438,405,044.43	$721,594,955.57
OIC 767/99	$656,000,000.00	$0.00	$656,000,000.00	June 1, 2041	Yes	$0.00	$656,000,000.00
						Total Remaining Balance Under OICs	**$1,377,594,955.57**

ONTARIO FINANCING AUTHORITY
LOAN INFORMATION LIST

Entity Type: *** All Entity Types ***
Entity: College,Loyalist College,Mohawk College,Niagara Parks Commission,Ontario Infrastructure
Advance Date: All
Project: All
Loan Outstanding As Of: 11-Jul-2017

LoanID	Loan Type	Advance Date	Maturity Date	Allocated Amt
Algonquin College				
945	Term Loan	17-Dec-2012	17-Dec-2037	21,296,746.49
Boreal College				
429	Term Loan	30-Dec-2009	02-Jan-2035	7,516,644.19
636	Term Loan	21-Jan-2011	21-Jan-2036	5,000,180.82
Cambrian College				
430	Term Loan	09-Nov-2009	11-Nov-2019	3,041,451.18
392	Term Loan	31-Jul-2008	31-Jul-2018	400,000.00
431	Term Loan	31-Dec-2009	31-Dec-2029	11,232,658.70
Canadore College				
942	Term Loan	03-Jul-2012	05-Jul-2027	1,500,000.00
817	Term Loan	10-Nov-2011	10-Nov-2026	2,700,000.00
939	Term Loan	28-Mar-2012	28-Mar-2022	1,500,000.00
Centennial College				
818	Term Loan	30-Nov-2011	30-Nov-2026	17,197,491.22
1189	Term Loan	26-Sep-2014	26-Sep-2029	17,070,000.00

LOAN INFORMATION LIST

LoanID	Loan Type	Advance Date	Maturity Date	Allocated Amt
City of Windsor				
408	Term Loan	31-Mar-2001	31-Mar-2021	26,416,693.90

Conestoga College				
940	Term Loan	04-May-2012	04-May-2027	14,700,000.00
1283	Term Loan	05-Oct-2016	06-Oct-2031	21,500,000.00
Durham College Residence Refinancing				
1185	Term Loan	04-Feb-2014	05-Feb-2024	6,430,304.00
Fanshawe College				
427	Term Loan	01-Feb-2010	01-Feb-2040	20,000,000.00
1270	Construction Loan	09-Jun-2016	31-Jul-2017	22,300,000.00
1270	Construction Loan	01-Sep-2016	31-Jul-2017	22,300,000.00
1270	Construction Loan	01-Jun-2017	31-Jul-2017	22,300,000.00
1270	Construction Loan	01-Dec-2016	31-Jul-2017	22,300,000.00
1270	Construction Loan	29-Mar-2016	31-Jul-2017	22,300,000.00
Fleming College				
943	Term Loan	06-Jul-2012	06-Jul-2027	14,921,000.00
George Brown College				
1059	Term Loan	22-May-2013	22-May-2020	35,000,000.00
1274	Term Loan	24-Jun-2016	24-Jun-2041	40,000,000.00
Georgian College				

LOAN INFORMATION LIST

LoanID	Loan Type	Advance Date	Maturity Date	Allocated Amt
634	Term Loan	27-Mar-2009	27-Mar-2019	2,245,600.00
395	Term Loan	31-Mar-2008	31-Mar-2018	3,630,000.00
618	Term Loan	23-Mar-2010	23-Mar-2020	2,400,000.00
Independent Electricity System Operator				
1275	Line Of Credit	20-Jun-2017	31-Dec-2019	975,000,000.00

1590	Line Of Credit	20-Jun-2017		16-Jun-2018	475,000,000.00
Lambton College					
389	Term Loan	07-Jul-2008		07-Jul-2033	4,000,000.00
Loyalist College					
409	Term Loan	28-Aug-2009		30-Aug-2027	4,937,396.00
1186	Term Loan	07-May-2014		07-May-2024	2,750,000.00
Mohawk College					
763	Term Loan	31-Aug-2011		02-Sep-2031	6,606,343.78
1110	Term Loan	25-Nov-2013		25-Nov-2038	34,805,516.70
1111	Term Loan	29-Nov-2013		29-Nov-2028	11,000,000.00
Niagara Parks Commission					
426	Term Loan	18-Nov-2009		30-Apr-2027	6,500,000.00
Ontario Lottery & Gaming					

LOAN INFORMATION LIST

LoanID	Loan Type	Advance Date	Maturity Date		Allocated Amt
1183	Term Loan	10-Mar-2014		08-Jan-2018	22,610,683.42
1228	Construction Loan	29-May-2015		02-Oct-2017	1,000,000.00
1281	Construction Loan	30-Sep-2016		02-Oct-2017	1,500,000.00
1278	Construction Loan	30-Sep-2016		02-Oct-2017	1,750,000.00
1280	Construction Loan	30-Sep-2016		02-Oct-2017	1,750,000.00
1277	Construction Loan	30-Sep-2016		02-Oct-2017	2,000,000.00
1282	Construction Loan	29-Sep-2016		02-Oct-2017	2,000,000.00
1279	Construction Loan	30-Sep-2016		02-Oct-2017	2,250,000.00
1299	Construction Loan	24-Feb-2017		02-Oct-2017	3,000,000.00
1225	Construction	26-Mar-2015		02-Oct-2017	3,700,000.00

1276	Loan Construction Loan	30-Sep-2016		02-Oct-2017	6,500,000.00
1229	Loan Construction Loan	21-Aug-2015		02-Oct-2017	28,500,000.00
1188	Loan Construction Loan	28-Aug-2014		02-Oct-2017	35,200,000.00
Ontario Northland Transportation Commission					
405	Term Loan	01-Jan-2005		01-Jan-2020	3,800,000.00
404	Term Loan	01-Jan-2006		01-Jan-2031	2,300,000.00
Royal Ontario Museum					
1057	Term Loan	01-Apr-2013		31-Mar-2027	2,357,000.00
941	Term Loan	02-Apr-2012		31-Mar-2027	4,983,000.00
762	Term Loan	04-Jul-2011		31-Mar-2027	19,660,000.00
Sheridan College					
1301	Term Loan	31-Mar-2017		31-Mar-2042	40,180,436.04
St. Clair College					

LOAN INFORMATION LIST

LoanID	Loan Type	Advance Date	Maturity Date		Allocated Amt
1226	Term Loan	14-May-2015		14-May-2018	3,300,000.00
1227	Term Loan	14-May-2015		14-May-2025	3,600,000.00
The Confedration College of Applied Arts and Technology					
1056	Term Loan	14-Mar-2013		16-Mar-2020	1,685,844.00
1300	Construction Loan	07-Mar-2017		15-Dec-2017	10,600,000.00
The Sault College of Applied Arts and Technology					
1191	Term Loan	31-Oct-2014		31-Oct-2019	2,000,000.00
1192	Term Loan	31-Oct-2014		31-Oct-2029	3,000,000.00
1302	Construction Loan	03-Apr-2017		16-Apr-2018	6,500,000.00

University of Ontario Institute of Technology

819	Term Loan	06-Feb-2012	16-Oct-2017	28,137,279.00

LOAN INFORMATION LIST

Unused Allocation	Loan Or Advance Amount	Initial Fee Amount	OFA Retained Interest	All In Rate	Net Payment Amt	Loan Outstanding
	21,296,746.49	0.00	0.03	4.0080	21,296,746.49	18,842,922.97
	$21,296,746.49	**$0.00**			**$21,296,746.49**	**$18,842,922.97**
	7,516,644.19	0.00	0.05	5.1300	7,516,644.19	6,161,335.70
	5,000,180.82	0.00	0.05	5.0940	5,000,180.82	4,300,244.25
	$12,516,825.01	**$0.00**			**$12,516,825.01**	**$10,461,579.95**
	3,041,451.18	0.00	0.05	3.4200	3,041,451.18	805,228.41
	400,000.00	0.00	0.05	4.8140	400,000.00	53,177.26
	11,232,658.70	0.00	0.05	5.2600	11,232,658.70	8,314,608.62
	$14,674,109.88	**$0.00**			**$14,674,109.88**	**$9,173,014.29**
	1,500,000.00	0.00	0.03	3.2220	1,500,000.00	1,077,454.85
	2,700,000.00	0.00	0.03	3.4770	2,700,000.00	1,867,570.41
	1,500,000.00	0.00	0.03	2.7100	1,500,000.00	800,395.27
	$5,700,000.00	**$0.00**			**$5,700,000.00**	**$3,745,420.53**
	17,197,491.22	0.00	0.05	3.7080	17,197,491.22	11,959,060.56
	17,070,000.00	0.00	0.03	3.4730	17,070,000.00	14,800,448.10

Unused Allocation	Loan Or Advance Amount	Initial Fee Amount	OFA Retained Interest	All In Rate	Net Payment Amt	Loan Outstanding
	$34,267,491.22	**$0.00**			**$34,267,491.22**	**$26,759,508.66**
	26,416,693.90	0.00	0.00	6.4100	26,416,693.90	8,171,389.87
	$26,416,693.90	**$0.00**			**$26,416,693.90**	**$8,171,389.87**

	14,700,000.00	0.00	0.03	3.5110	14,700,000.00	10,623,908.59
	21,500,000.00	0.00	0.03	2.2730	21,500,000.00	20,894,552.12
	$36,200,000.00	**$0.00**			**$36,200,000.00**	**$31,518,460.71**
	6,430,304.00	0.00	0.03	3.1230	6,430,304.00	4,705,780.69
	$6,430,304.00	**$0.00**			**$6,430,304.00**	**$4,705,780.69**
	20,000,000.00	0.00	0.05	5.4900	20,000,000.00	17,654,049.00
15,400,000.00	2,750,000.00	0.00	0.03	0.2750		2,774,006.56
11,500,000.00	3,900,000.00	0.00	0.03	0.2750		3,925,336.81
3,400,000.00	4,000,000.00	0.00	0.03	0.2750		4,000,000.00
7,400,000.00	4,100,000.00	0.00	0.03	0.2750		4,117,858.33
18,150,000.00	4,150,000.00	0.00	0.03	0.2750		4,195,769.26
	$38,900,000.00	**$0.00**			**$20,000,000.00**	**$36,667,019.96**
	14,921,000.00	0.00	0.03	3.2180	14,921,000.00	10,716,887.37
	$14,921,000.00	**$0.00**			**$14,921,000.00**	**$10,716,887.37**
	35,000,000.00	0.00	0.03	2.4230	35,000,000.00	15,727,200.02
	40,000,000.00	0.00	0.03	5.7500	40,000,000.00	39,253,575.32
	$75,000,000.00	**$0.00**			**$75,000,000.00**	**$54,980,775.34**

Unused Allocation	Loan Or Advance Amount	Initial Fee Amount	OFA Retained Interest	All In Rate	Net Payment Amt	Loan Outstanding
	2,245,600.00	0.00	0.05	3.7150	2,245,600.00	517,553.83
	3,630,000.00	0.00	0.05	3.9540	3,630,000.00	430,213.30
	2,400,000.00	0.00	0.05	3.6260	2,400,000.00	812,514.61
	$8,275,600.00	**$0.00**			**$8,275,600.00**	**$1,760,281.73**
634,993,570.10	109,986,030.30	0.00	0.00	0.2500		109,986,030.30

470,602,898.90	3,203,101.35	0.00	0.00	0.2500		3,203,101.35
	$113,189,131.65	**$0.00**			**$0.00**	**$113,189,131.65**
	4,000,000.00	0.00	0.05	5.2240	4,000,000.00	3,106,850.13
	$4,000,000.00	**$0.00**			**$4,000,000.00**	**$3,106,850.13**
	4,937,396.00	0.00	0.05	4.8300	4,937,396.00	3,376,004.08
	2,750,000.00	0.00	0.03	2.6410	2,750,000.00	1,999,345.97
	$7,687,396.00	**$0.00**			**$7,687,396.00**	**$5,375,350.05**
	6,606,343.78	0.00	0.05	4.1830	6,606,343.78	5,210,243.30
	34,805,516.70	0.00	0.03	4.7620	34,805,516.70	32,027,184.16
	11,000,000.00	0.00	0.03	3.8550	11,000,000.00	8,965,667.72
	$52,411,860.48	**$0.00**			**$52,411,860.48**	**$46,203,095.17**
	6,500,000.00	0.00	0.05	5.0700	6,500,000.00	4,553,428.59
	$6,500,000.00	**$0.00**			**$6,500,000.00**	**$4,553,428.59**

Unused Allocation	Loan Or Advance Amount	Initial Fee Amount	OFA Retained Interest	All In Rate	Net Payment Amt	Loan Outstanding
	22,610,683.42	0.00	0.03	2.3200	22,610,683.42	3,043,699.30
	1,000,000.00	0.00	0.03	0.3250		1,000,000.00
	1,500,000.00	0.00	0.03	0.3250		1,500,000.00
	1,750,000.00	0.00	0.03	0.3250		1,750,000.00
	1,750,000.00	0.00	0.03	0.3250		1,750,000.00
	2,000,000.00	0.00	0.03	0.3250		2,000,000.00
	2,000,000.00	0.00	0.03	0.3250		2,000,000.00
	2,250,000.00	0.00	0.03	0.3250		2,250,000.00
	3,000,000.00	0.00	0.03	0.3250		3,000,000.00
	3,700,000.00	0.00	0.03	0.3250		3,700,000.00

	6,500,000.00	0.00		0.03	0.3250		6,500,000.00
27,250,000.00	1,250,000.00	0.00		0.03	0.3250		1,250,000.00
33,200,000.00	2,000,000.00	0.00		0.03	0.3250		2,000,000.00
	$51,310,683.42	**$0.00**				**$22,610,683.42**	**$31,743,699.30**
	3,800,000.00	0.00		0.00	5.2200	3,800,000.00	855,791.17
	2,300,000.00	0.00		0.00	4.9000	2,300,000.00	1,575,351.16
	$6,100,000.00	**$0.00**				**$6,100,000.00**	**$2,431,142.33**
	2,357,000.00	0.00		0.03	0.5300	2,357,000.00	1,357,000.00
	4,983,000.00	0.00		0.03	0.5300	4,983,000.00	4,983,000.00
	19,660,000.00	0.00		0.03	0.5300	19,660,000.00	19,660,000.00
	$27,000,000.00	**$0.00**				**$27,000,000.00**	**$26,000,000.00**
	40,180,436.04	0.00		0.25	3.4670	40,180,436.04	40,180,436.04
	$40,180,436.04	**$0.00**				**$40,180,436.04**	**$40,180,436.04**

Unused Allocation	Loan Or Advance Amount	Initial Fee Amount		OFA Retained Interest	All In Rate	Net Payment Amt	Loan Outstanding
	3,300,000.00	0.00		0.03	1.3210	3,300,000.00	1,114,514.58
	3,600,000.00	0.00		0.03	2.1470	3,600,000.00	2,940,154.72
	$6,900,000.00	**$0.00**				**$6,900,000.00**	**$4,054,669.31**
	1,685,844.00	0.00		0.03	2.4050	1,685,844.00	757,167.55
4,985,000.00	5,615,000.00	0.00		0.03	0.2750		5,627,383.77
	$7,300,844.00	**$0.00**				**$1,685,844.00**	**$6,384,551.32**
	2,000,000.00	0.00		0.03	1.8560	2,000,000.00	1,023,088.91
	3,000,000.00	0.00		0.03	3.3380	3,000,000.00	2,597,483.05
4,500,000.00	2,000,000.00	0.00		0.03	0.2750		2,004,360.55
	$7,000,000.00	**$0.00**				**$5,000,000.00**	**$5,624,932.51**

	28,137,279.00	0.00		0.03	2.7700	28,137,279.00	2,823,716.00
	$28,137,279.00	**$0.00**				**$28,137,279.00**	**$2,823,716.00**
Grand Total:	**$652,316,401.09**	**$0.00**				**$483,912,269.44**	**$509,174,044.48**

Fanshawe	Loan 1270		OLMS		
	A1	$ 4,150,000.00	$ 4,186,683.35	$ 36,683.35	
	A2	$ 2,750,000.00	$ 2,767,902.01	$ 17,902.01	
	A3	$ 3,900,000.00	$ 3,916,649.36	$ 16,649.36	
	A4	$ 4,100,000.00	$ 4,108,744.79	$ 8,744.79	
			$ 14,979,979.51	$ 79,979.51	
Fanshawe	Loan 472		$ 17,751,319.75		
Total March 31, 2017 OLMS			$ 32,731,299.26	$ 25,223.50	Close to dif

TAS March 31, 2017	$ 32,706,075.76		Spread Since March 31
New advance under Ln1270	$ 4,000,000.00		1808.22
Capitalized Int since March 31	$ 29,794.42		1861.5
Prin Payment Ln 427 since March 3	$ (97,270.75)		1774.47
Expected OLMS	$ 36,638,599.43		1086.8
OLMS Jul 11	$ 36,667,019.96		1011.58
Diff	$ 28,420.53	does not equal	$ 32,766.07

f PBFS to TAS March 31 attributable to spread

Monthly

ONTARIO FINANCING AUTHORITY
RECONCILIATION OF LOANS RECEIVABLE BETWEEN PBFS AND MOF TAS AS AT 31-Mar-17

Loans Receivable	MOF GL Accounts	Per PBFS as at 31-Mar-17	Per MOF TAS (IFIS) as at 31-Mar-17	Variance	Note #
Colleges					
Algonquin College	561AC	19,137,704.00	19,137,704.22	(0.22)	2
Boreal College	561BC	10,515,636.00	10,515,636.22	(0.22)	2
Cambrian College	561CC	9,411,678.00	9,411,678.06	(0.06)	2
Canadore College	561CANC	3,873,142.00	3,873,141.83	0.17	2
Centennial Centre of Science and Technology	561CENC	27,280,663.00	27,280,663.09	(0.09)	2
Conestoga College	561CONES	32,564,171.00	32,564,171.42	(0.42)	2
Durham College	561DUR	-	-	0.00	2
Durham College Residence Refinancing	561DUR RESID	4,705,781.00	4,705,780.69	0.31	2
Fanshawe College	561FC	32,731,299.00	32,706,075.76	25,223.24	2
Fleming College	561SSF	11,168,133.00	11,168,132.76	0.24	2
George Brown College	561GEOBR	56,619,152.00	56,619,151.90	0.10	2
Georgian College	561GC	1,760,282.00	1,760,205.03	76.97	1
Lambton College	561LC	3,147,936.00	3,147,935.78	0.22	2
Loyalist College	561LOY	5,504,598.00	5,504,597.74	0.26	2
Mohawk College	561MC	47,003,150.00	47,003,150.45	(0.45)	2
The Confederation College of Applied Arts and Technology	561CONFED	6,372,168.00	6,372,167.56	0.44	2
Sault College of Applied Arts and Technology	561SAULT	3,902,771.00	3,902,770.53	0.47	2
Sheridan College Institute of Technology and Advanced Learning	561SHERI	40,180,436.00	40,180,436.04	(0.04)	3
St. Clair College	561SCC	4,774,061.00	4,774,060.60	0.40	2
TOTAL - COLLEGES OUTSTANDING LOANS		320,652,761.00	320,627,459.65	25,301.35	
Universities					
University of Ontario Institute of Technology	561UOIT	5,501,179.00	5,501,179.00	0.00	4
TOTAL - UNIVERSITIES OUTSTANDING LOANS		5,501,179.00	5,501,179.00	0.00	
OILC					
Ontario Infrastructure & Lands Corporation - Line of Credit	555A	-	-	0.00	5
TOTAL -OILC		-	-	0.00	
Corporations					
Niagara Parks	555NPC	4,553,429.00	4,553,428.59	0.41	6
Ontario Lottery and Gaming Corporation (gone May 9)	558	33,769,123.00	33,769,122.82	0.18	6
Ontario Northland Transportation Commission	554	2,564,245.00	2,564,245.12	(0.12)	6
Ontario Power Authority	559	-	0.01	(0.01)	6
Centennial Centre of Science & Technology	552	-	-	0.00	6
Independent Electricity System Operator	559IESO	81,208,759.00	81,208,758.62	0.38	7
Ottawa Convention Centre	555OCC	-	47,114,846.88	(47,114,846.88)	6
Royal Ontario Museum	555ROM	26,000,000.00	26,000,000.00	0.00	6
TOTAL - CORPORATIONS OUTSTANDING LOANS		148,095,556.00	195,210,402.04	(47,114,846.04)	
Municipalities					
City of Windsor	553	8,171,390.00	8,171,389.88	0.12	8
TOTAL MUNICIPALITIES OUTSTANDING LOANS		8,171,390.00	8,171,389.88	0.12	
School Boards					
School Boards	560	5,473,074,520.00	5,473,074,519.29	0.71	9
TOTAL SCHOOL BOARDS OUTSTANDING LOANS		5,473,074,520.00	5,473,074,519.29	0.71	
		5,955,495,406.00	6,002,584,949.87	(47,089,543.87)	
Total		5,955,495,406.00	6,002,584,949.87	(47,089,543.87)	
		IFIS A/C: 131380	$6,505,588,017.48		
Government of Canada -Auto Sector (not in PBFS)	562 FED GOV	Diff FED Loan	(503,003,067.62) 503,003,067.62		

RECONCILIATION

Colleges:

Note 1: Georgian College

(i) Calculation difference between spreadsheet amortization and PBFS during transition to PBFS.	76.95

Note 2: Fanshawe College

(i) OFA Interest Spread :Fanshawe College Davis Campus STC Project: construction loan interest capitalization on June 29th, 2016	2,876.58
(ii) OFA Interest Spread: Fanshawe College Davis Campus STC Project: construction loan interest capitalization on Sept 9, 2016	1,906.16
(iii) OFA Interest Spread: Fanshawe College Davis Campus STC Project: construction loan interest capitalization Sept 29, 2016	2,883.14
(iv) OFA Interest Spread :Fanshawe College Davis Campus STC Project: construction loan interest capitalization on Dec 1, 2016	2,673.90
(v) OFA Interest Spread: Fanshawe College Davis Campus STC Project: construction loan interest capitalization on Dec 9, 2016	1,889.70
(vi) OFA Interest Spread: Fanshawe College Davis Campus STC Project: construction loan interest capitalization Dec 29, 2016	2,858.12
(vii) OFA Interest Spread: Fanshawe College Davis Campus STC Project: construction loan interest capitalization March 1, 2017	5,430.29
(vii) OFA Interest Spread: Fanshawe College Davis Campus STC Project: construction loan interest capitalization March 09, 2017	1,872.92
(ix) OFA Interest Spread: Fanshawe College Davis Campus STC Project: construction loan interest capitalization March 29, 2017	2,832.66
(x) Rounding	0.93
PBFS AND MOF TAS (IFIS) Total differences - Colleges	25,301.35

now 35006-86

0.00

Universities

Note 4: University of Ontario Institute of Technology

(i) Rounding	0.00
PBFS AND MOF TAS (IFIS) Total differences - Municipalities	0.00

-

OILC:

Note 5: Ontario Infrastructure and Lands Corporation

PBFS AND MOF TAS (IFIS) Total differences - OILC	0.00

-

Corporations:

Note 6: OCC Loan

i) OCC PBFS error - Loan is not in PBFS	(40,000,000.00)
ii) OCC Interest Capitalization - Sep 3/2013 not in PBFS (Total $1,868,800 - OFA Spread $210,000)	(1,658,800.00)
iii) OCC Interest capitalization- Sep 2/ 2014 not in PBFS (Total $1,956,110 - OFA Spread $219,811)	(1,736,299.00)
iv) OCC Interest capitalization- Sep 1/ 2015 not in PBFS (Total $2,047,500 - OFA Spread $230,080.97)	(1,817,419.03)
v) OCC Interest Capitalization- Sept 1/2016 not in PBFS (Total $ 2,143,159- OFA Spread $240,830.15)	(1,902,328.85)

Note 7: IESO Loan

IESO Interest capitalization on LOC Rollover on Feb 11/2016 (Total $9,202.83 - OFA Speread $5,411.61)	
iv) Rounding	0.84
PBFS AND MOF TAS (IFIS) Total differences - Corporations	(47,114,846.04)

(0.00)

Municipalities

As of July 11, 2017 AM

Loan Agreements										OIC				
Borrower	Initial Loan Amount / Maximum Availability	Effective Date	Maturity Date	Type	Revolving	Advances	Repaid	Capitalized Interest (Construction)	Available for Borrower under Agreement	OIC	Revolving	Borrowing Authority Allocated	Adjusted BA Allocated (Construction Loans and LOC at max)	Notes
Algonquin College of Applied Arts and Technology	$21,296,746.49	March 25, 2011	December 17, 2037		No	**$21,296,746.49**			$0.00			$18,842,922.97	$18,842,922.97	
Boreal College	$5,000,180.82	June 15, 2009	January 21, 2036		No	**$5,000,180.82**			$0.00			$4,300,244.25	$4,300,244.25	
Boreal College	$7,516,644.19		January 2, 2035		No	**$7,516,644.19**			$0.00			$6,161,335.70	$6,161,335.70	
Cambrian College	$400,000.00	June 26, 2008	July 31, 2018		No	**$400,000.00**			$0.00	OIC 675/97	Yes	$53,177.26	$53,177.26	
Cambrian College	$3,041,451.18	November 9, 2009	November 11, 2019		No	**$3,041,451.18**			$0.00	OIC 675/97	Yes	$805,228.41	$805,228.41	
Cambrian College	$11,232,658.70	December 31, 2009	December 31, 2029		No	**$11,232,658.70**			$0.00	OIC 675/97	Yes	$8,314,608.62	$8,314,608.62	
Canadore College of Applied Arts	$1,500,000.00	October 28, 2011	July 5, 2027		No	**$1,500,000.00**			$0.00			$1,077,454.85	$1,077,454.85	
Canadore College of Applied Arts	$2,700,000.00	October 28, 2011	October 10, 2026		No	**$2,700,000.00**			$0.00			$1,867,570.41	$1,867,570.41	
Canadore College of Applied Arts	$1,500,000.00	March 22, 2012	March 28, 2022		No	**$1,500,000.00**			$0.00			$800,395.27	$800,395.27	
Centennial College	$17,197,491.22	March 19, 2010	November 30, 2026		No	**$17,197,491.22**			$0.00	OIC 675/97	Yes	$11,959,060.56	$11,959,060.56	
Centennial College	$17,070,000.00		September 26, 2029		No	**$17,070,000.00**						$14,800,448.10	$14,800,448.10	
City Of Windsor	$26,416,693.90	June 26, 1997	March 31, 2021		No	**$26,416,693.90**			$0.00	OIC 675/97	Yes	$8,171,389.87	$8,171,389.87	
Conestoga College	$14,700,000.00	April 27, 2012	May 4, 2027		No	**$14,700,000.00**			$0.00			$10,623,908.59	$10,623,908.59	
Conestoga College	$21,500,000.00		October 6, 2031		No	**$21,500,000.00**						$20,894,552.12	$20,894,552.12	
Confederation College	$1,700,000.00	March 28, 2012	March 16, 2020		No	**$1,685,844.00**			$0.00			$757,167.55	$757,167.55	
Confederation College	$10,600,000.00		December 15, 2017	Construction	No	**5,615,000.00**						$5,627,383.77	$11,650,000.00	Additional undrawn facility is part of agreement ($1,050,000)
Durham College	$6,430,304.00		February 5, 2024		No	**$6,430,304.00**						$4,705,780.69	$4,705,780.69	
Fanshawe College of Applied Arts and Technology	$20,000,000.00	February 1, 2010	February 1, 2040		No	**$20,000,000.00**			$0.00			$17,654,049.00	$17,654,049.00	
Fanshawe College of Applied Arts and Technology	$22,300,000.00		July 31, 2017	Construction	No	**$14,900,000.00**						$19,012,970.96	$22,300,000.00	
George Brown College	$35,000,000.00	May 13, 2013	May 22, 2020		No	**$35,000,000.00**			$0.00			$15,727,200.02	$15,727,200.02	
George Brown College	$40,000,000.00		June 24, 2041		No	**$40,000,000.00**						$39,253,575.32	$39,253,575.32	
Georgian College	$3,630,000.00	March 31, 2008	March 31, 2018		No	**$3,630,000.00**			$0.00	OIC 675/97	Yes	$430,213.30	$430,213.30	
Georgian College	$2,245,600.00	March 27, 2009	March 27, 2019		No	**$2,245,600.00**			$0.00	OIC 675/97	Yes	$517,553.83	$517,553.83	
Georgian College	$2,400,000.00	March 23, 2010	March 23, 2020		No	**$2,400,000.00**			$0.00	OIC 675/97	Yes	$812,514.61	$812,514.61	
IESO	$975,000,000.00		December 31, 2019	Line of Credit	Yes	**$0.00**						$109,986,030.30	$500,000,000.00	As per Risa's email, this line of credit facility ($975M) was adjusted to accommodate multiple IESO projects [Adjustment still not reflected in OLMS]
NEW IESO	$475,000,000.00		June 16, 2018	Line of Credit								$3,203,101.35	$475,000,000.00	
Lambton College	$4,000,000.00	July 7, 2008	July 7, 2033		No	**$4,000,000.00**			$0.00	OIC 675/97	Yes	$3,106,850.13	$3,106,850.13	
Loyalist College	$4,937,396.00	August 20, 2009	August 28, 2027		No	**$4,937,396.00**			$0.00	OIC 675/97	Yes	$3,376,004.08	$3,376,004.08	
Loyalist College	$2,750,000.00		May 7, 2024		No	**$2,750,000.00**			$0.00			$1,999,345.97	$1,999,345.97	
Mohawk College	$6,606,343.78	February 24, 2009	September 2, 2031		No	**$6,606,343.78**			$0.00	OIC 675/97	Yes	$5,210,243.30	$5,210,243.30	
Mohawk College	$34,805,516.70		November 25, 2038		No	$34,805,516.70			$0.00			$32,027,184.16	$32,027,184.16	
Mohawk College	$11,000,000.00		November 29, 2028		No	$11,000,000.00			$0.00			$8,965,667.72	$8,965,667.72	
Niagara Parks Commission	$6,500,000.00	November 18, 2009	April 30, 2027		No	**$6,500,000.00**			$0.00	OIC 675/97	Yes	$4,553,428.59	$4,553,428.59	
Ontario Infrastructure & Lands Corporation (formerly OIPC)	$200,000,000.00		June 29, 2019	Line of Credit	Yes	**$0.00**			$200,000,000.00	OIC 675/97	Yes	$0.00	$0.00	New LOC currently being negotiated for $200 million but not in place
Partial Ontario Lottery & Gaming	$33,802,243.16	October 19, 2010	January 8, 2018		No	**$22,610,683.42**			$0.00			$3,043,699.30	$3,043,699.30	
Ontario Lottery & Gaming	$89,150,000.00		October 2, 2017	Construction	No	**$28,700,000.00**						$28,700,000.00	$35,200,000.00	There is an error for how this was inputted in OLMS. It currently is being addressed but the max is $35.2M
Ontario Northland Transportation Commission	$3,800,000.00	October 13, 2004	January 1, 2020		No	**$3,800,000.00**			$0.00	OIC 675/97	Yes	$855,791.17	$855,791.17	
Ontario Northland Transportation Commission	$2,300,000.00	July 19, 2005	January 1, 2031		No	**$2,300,000.00**			$0.00	OIC 675/97	Yes	$1,575,351.16	$1,575,351.16	
Ottawa Convention Centre Corporation	$40,000,000.00	August 11, 2011	September 1, 2036	Construction	No	**$40,000,000.00**			$0.00			$47,114,846.88	$47,114,846.88	Conservative approach would be to include accrued interest given OCC circumstances. For accurate amount accrued, please contact Accounting.Balance is as reported in TA March 31, 2017
Royal Ontario Museum (ROM)	$27,000,000.00	July 4, 2011	March 31, 2027		No	**$27,000,000.00**			$0.00			$26,000,000.00	$26,000,000.00	
Sheridan College	$40,180,436.04		March 31, 2042		No	**$40,180,436.04**						$40,180,436.04	$40,180,436.04	
Sir Sanford Fleming College	$14,921,000.00	June 27, 2012	July 6, 2027		No	**$14,921,000.00**			$0.00			$10,716,887.37	$10,716,887.37	
St Clair College	$3,300,000.00		May 14, 2017		No	**$3,300,000.00**						$1,114,514.58	$1,114,514.58	
St Clair College	$3,600,000.00		May 14, 2025		No	**$3,600,000.00**						$2,940,154.72	$2,940,154.72	
The Sault College of Applied A&T	$2,000,000.00		October 31, 2019		No	**$2,000,000.00**						$1,023,088.91	$1,023,088.91	
The Sault College of Applied A&T	$3,000,000.00		October 31, 2029		No	**$3,000,000.00**						$2,597,483.05	$2,597,483.05	
The Sault College of Applied A&T	$6,500,000.00		April 16, 2018	Construction	No	**$6,500,000.00**						$2,004,360.55	$6,500,000.00	
University of Ontario Institute of Technology (UOIT)	$28,137,279.00	February 6, 2012	October 16, 2017		No	**$28,137,279.00**			$0.00			$2,823,716.00	$2,823,716.00	

OIC Summary						Adjusted (LOC and Construction at Max Available)	
	Opening Balance under OIC	Used portion of OIC under Loan Agreements	Remaining Balance Under OIC	Maturity	Revolving?	Used portion of OIC under Loan Agreements	Remaining Balance Under OIC
OIC 675/97	$2,160,000,000.00	$556,288,891.36	$1,603,711,108.64	June 1, 2041	Yes	$1,438,405,044.43	$721,594,955.57
OIC 767/99	$656,000,000.00	$0.00	$656,000,000.00	June 1, 2041	Yes	$0.00	$656,000,000.00
						Total Remaining Balance Under OICs	**$1,377,594,955.57**

From: William Tan
To: Risa Thau; Sarah Harris; Alfonso Soriano; George Sakura; Graham Monroe; Tony Dong
Cc: Bruno Amara; William Tan; Opal Kandelas; Ken Kandeepan; Kevin Hwang
Subject: FW: OFA-IESO Credit Facilities
Date: Friday, September 22, 2017 10:41:08 AM

Hello,

Great to hear that there are no issues operationally to transfer the balance from the existing credit facility to the new credit facility when we are ready. From a preparation perspective what would your respective areas require to facilitate the balance transfer given the uniqueness of this transaction?

Thanks,

Will

From: John Psinas
Sent: Thursday, August 17, 2017 9:46 AM
To: Risa Thau <Risa.Thau@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Alfonso Soriano <Alfonso.Soriano@ofina.on.ca>; George Sakura <George.Sakura@ofina.on.ca>; Graham Monroe <Graham.Monroe@ofina.on.ca>; Tony Dong <Tony.Dong@ofina.on.ca>
Cc: Bruno Amara <Bruno.Amara@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Kevin Hwang <Kevin.Hwang@ofina.on.ca>
Subject: RE: OFA-IESO Credit Facilities

Sarah,

Similarly, accounting does not see any insurmountable obstacles. Accounting would just need to create a new TAS account for the new credit facility.

Thanks.

John

From: Risa Thau
Sent: Thursday, August 17, 2017 9:34 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>; Alfonso Soriano <Alfonso.Soriano@ofina.on.ca>; John Psinas <John.Psinas@ofina.on.ca>; George Sakura <George.Sakura@ofina.on.ca>; Graham Monroe <Graham.Monroe@ofina.on.ca>; Tony Dong <Tony.Dong@ofina.on.ca>
Cc: Bruno Amara <Bruno.Amara@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Subject: RE: OFA-IESO Credit Facilities

Hi Sarah,

From a Settlements perspective there is no issue, however since Capital Markets inputs these loans they will have to investigate if this is doable with Vivek, therefore I am copying Carlos, Selena, Jim and Craig.

Thanks,

Risa Thau

Carlos, Selena, Jim and Craig,

If you need any help with this issue I'd be happy to participate.

Thanks, Risa

From: Sarah Harris
Sent: Tuesday, August 15, 2017 11:53 AM
To: Alfonso Soriano <Alfonso.Soriano@ofina.on.ca>; John Psinas <John.Psinas@ofina.on.ca>; Risa Thau <Risa.Thau@ofina.on.ca>; George Sakura <George.Sakura@ofina.on.ca>; Graham Monroe <Graham.Monroe@ofina.on.ca>; Tony Dong <Tony.Dong@ofina.on.ca>
Cc: Bruno Amara <Bruno.Amara@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Subject: OFA-IESO Credit Facilities

Hello,

We are currently in the process of working on a new $2B OFA-IESO Credit Facility to provide funding in respect of the Ontario Fair Hydro Plan. Under this framework, the existing $975 million OFA-IESO Credit Facility is to be reduced to $475 million. Due to a required Ministerial approval, the new $2B facility will not be executed until mid-September (estimate).

Once the new $2B facility is in place, the OFA would be looking to re-allocate certain loans (TBD) from the existing $975M credit facility to the new $2B facility, in order to bring the existing facility under the new intended $475 million limit. Effectively, under the legal agreements, it would be transferring certain loans from the existing facility to the new facility. The intention is that there will be no movement of funds and therefore no cash impact (that is, IESO does not repay the existing loans, and the OFA does not fund the new loans).

Would you please confirm if there are any obstacles from an operational perspective (settlement, cash, accounting, risk) with transferring any 'excess loan amount' from the existing credit facility to the new FHP credit facility?

Thanks,

Sarah

From:	Ken Kandeepan
To:	Opal Kandelas; John Psinas; George Sakura; Risa Thau; John Kim; Alfonso Soriano
Cc:	Mike Manning; Carlos Yep
Subject:	FW: OFHP - Business Issue next steps
Date:	Sunday, July 09, 2017 11:38:34 AM
Attachments:	Fair Hydro - MasterSubscripAgt - June 22_OPG.DOCX

I went through this quickly and I don't have any comments; I believe that the actual transfer of funds to OPG for the equity injection will be governed by a SLA between OFA and the Ministry of Energy and we of course need to review that carefully. However, I would like you take a quick look and let me know if you have any comments.

Thanks

Ken k

From: Montgomery, Kaitlin (MOF) [mailto:Kaitlin.Montgomery@ontario.ca]
Sent: Thursday, July 06, 2017 9:12 AM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Subject: FW: OFHP - Business Issue next steps

As mentioned yesterday – this is a draft of the Master Subscription Agreement.

Please let me know if you have any suggested edits.

Kaitlin

From: Montgomery, Kaitlin (MOF)
Sent: June 28, 2017 9:55 AM
To: Kandeepan, Ken (OFA)
Cc: Kim, John (OFA); Manning, Mike (OFA)
Subject: RE: OFHP - Business Issue next steps

Thanks Ken – Are you aware how the potential timing issue with appropriations is handled on the credit side? OPG seemed to think that the OFA had some process in place so that even though only 1 year of appropriations is approved at a time there is always coverage post March 31, 2017 in the event the budget is delayed but OPG needs to borrow. I was just hoping to incorporate something similar on the ENE side so that we don't run into any issues.

OPG provided a draft Master Subscription Agreement based on the term sheet. I will run this by legal as well but please feel free to provide comments/edits.

Kaitlin

From: Ken Kandeepan [mailto:Ken.Kandeepan@ofina.on.ca]
Sent: June 24, 2017 11:45 AM
To: Montgomery, Kaitlin (MOF)
Cc: Kim, John (OFA); Manning, Mike (OFA)

Subject: RE: OFHP - Business Issue next steps

Hi Kaitlin

My apologies for the delay in responding, just going through my emails from last week, I am ok with the term sheet, you had however, raised a comment re the appropriations. Note that since the OFA will simply be a service provided in this arrangement, i.e.,
We will not be able to provide cash management services including the transfer of the funds from the Province to OPG for the equity injection until the appropriations are approved.

Thanks

Ken k

From
: Montgomery, Kaitlin (MOF) [mailto:Kaitlin.Montgomery@ontario.ca]
Sent: Wednesday, June 21, 2017 2:27 PM
To: John Kim <John.Kim@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>
Subject: RE: OFHP - Business Issue next steps

Hi all – just following up on the equity injection term sheet. I'm going to send this to ENE legal now so that they can start to digest given that the next step will be preparation of the Master Subscription Agreement. I'm assuming there aren't any major concerns but if there are items you'd like to modify if you could pass those along this week I'd appreciate it. Please note that there is a question embedded in the document regarding appropriations that I'm hoping one of you will have insight on.

At the meeting with OPG a few weeks back you had mentioned that there would likely need to be some sort of Service Level Agreement between OFA and ENE – is there a similar agreement you already have in place that we could work from?

Thanks,
Kaitlin

From: Montgomery, Kaitlin (MOF)
Sent: June 5, 2017 3:55 PM
To: Kim, John (OFA) (John.Kim@ofina.on.ca); Kandeepan, Ken (OFA) (Ken.Kandeepan@ofina.on.ca); Manning, Mike (OFA)
Subject: OFHP - Business Issue next steps

Hi everyone,

As a follow up to today's meeting there are a couple items I think can move forward at this point.

1. Equity Injection Mechanics (draft term sheet attached)
    a. If comfortable, OPG would draft Master Subscription agreement, OFA/ENE would

develop service level agreement for cash management services and ENE legal would move forward with amendment to OPG articles to facilitate new class of shares

2. Performance Fee Recommendation (OPG recommended approach attached)
    a. If comfortable, OPG would assist ENE in developing regulation language

My proposed next steps, subject to your agreement, would be to share these documents with ENE legal today and then table them at a Thursday morning meeting with ENE DMO/MO (along with an updated "business issues" note, which I'll send around for everyone's input in the next day or so). After that meeting I would send the same materials /update to MOF DMO along with any new updates received at that meeting.

Could you please confirm you have no further comments and that you agree with this approach and also that there's no other materials/terms that you think need to move up through approvals at this point in time?

Thanks in advance,
Kaitlin

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

DRAFT: JUNE 22, 2017

MASTER SHARE SUBSCRIPTION AGREEMENT

among

MINISTER OF ENERGY

- and –

ONTARIO POWER GENERATION

- and -

ONTARIO FINANCING AUTHORITY

Dated as of ■, 2017

EXHIBITS

Exhibit A	--	Share Subscription Form
Exhibit B	--	Subscription Supporting Information
Exhibit C	--	Receipt and Certificate
Exhibit D	--	Payment/Wire Transfer instructions
Exhibit E	--	Share Redemption Process

MASTER SHARE SUBSCRIPTION AGREEMENT

THIS AGREEMENT made as of ■, 2017.

AMONG:

HER MAJESTY THE QUEEN IN RIGHT OF ONTARIO, as represented by the Minister of Energy

(the "**Minister**")

- and -

ONTARIO POWER GENERATION INC., a corporation established under the laws of the Province of Ontario

("OPG")

- and -

ONTARIO FINANCING AUTHORITY, a [ ]

(the "**OFA**")

Background

1. The Government of Ontario enacted the *Ontario Fair Hydro Act, 2017* (the "Act") to implement its Fair Hydro Plan (the "FHP"). The Act's purpose is, among other things, to ensure that clean energy costs and clean energy benefits are fairly allocated among present and future specified consumers.

2. The Act and the regulations promulgated under the Act (the "Regulations") creates certain assets related to the deferral of electricity charges (the "Assets"), which Assets will be acquired from the Independent Electricity System Operator ("IESO") by the special purpose financing entity established by OPG to implement the financing plan to fund the deferral under the Act (the "Fair Hydro Trust") **[NTD: use "Financing Entity"??].**

3. The Fair Hydro Trust will acquire the Assets monthly from IESO and finance them in accordance with the financing plan, which includes both senior debt (minimum of 51%) from external sources and subordinated debt (up to 49%) from OPG.

4. The Minister has agreed to fund up to 44% of the total funding requirement for the Assets through equity injections in OPG and OPG has agreed to use the equity injections solely for funding the Fair Hydro Trust's subordinated debt (the "Equity Injection Plan").

5. For purposes of the Equity Injection Plan, OPG [will amend] [has amended] its articles to create a new class of non-voting, redeemable shares (the "Class A Shares"). The Minister will subscribe for Class A Shares monthly in accordance with the process set forth in this Agreement and OPG will in turn invest these amounts in subordinated debt of the Fair Hydro Trust.

6. OPG will be entitled from time to time to redeem or buy back outstanding Class A Shares in connection with repayment of the Fair Hydro Trust subordinated debt or other purposes as may be approved by the OPG board of directors.

7. The Minister and the OFA have entered into a service level agreement (the "SLA") which provides the OFA with authority to provide cash management services to facilitate the share purchases on an ongoing basis on behalf of the Minister.

8. The parties desire to set out in this Agreement the process and mechanisms by which the equity injections and share purchases will occur and their respective roles and responsibilities in the Equity Injection Plan.

NOW THEREFORE the parties hereto agree as follows:

1. Confirmation of Equity Injection and Use of Funds

1.1 The Minister commits to fund up to 44% of the total financing required by the Fair Hydro Trust, to acquire Assets from the IESO under the Act and Regulations, by way of equity subscriptions in OPG.

1.2 OPG agrees to use the equity received from the Minister solely to lend as subordinated debt to the Fair Hydro Trust to fund the Fair Hydro Trust's obligations under the [Master Sale and Servicing Agreement][**NTD: confirm name]** between the IESO and the Fair Hydro Trust, and the Act and Regulations.

2. Monthly Share Subscription Process

2.1 The Minister, through the OFA, will subscribe for and purchase Class A Shares from OPG monthly, in an amount, and for a value, as determined by OPG in accordance with paragraph 2.2 below.

2.2 Each month, coincident with the asset acquisition to be made by the Fair Hydro Trust from the IESO under the [Master Sale and Servicing Agreement], OPG will provide notice to the Minister and the OFA of the amount of equity injection required and the corresponding number of shares to be issued by OPG and subscribed by the Minister. This notice will be in the form of the Share Subscription attached as Exhibit A. OPG will also provide reasonable supporting information for the values and amounts set out in the Share Subscription, in the form of the Subscription Supporting Information attached as Exhibit B.

2.3 For purposes of providing the reasonable supporting information required under paragraph 2.2 above, OPG agrees:

(i) that the value of the monthly equity injection/share subscription amount will reflect the monthly funding requirements of the Fair Hydro Trust acquisitions under the [Master Sale and Servicing Agreement],; and

(ii) Class A Shares will be issued to the Minister at a value per share equal to their book value as determined from OPG's last approved quarterly financial statements. **[NTD: do we need any more specificity here?]**

2.4 Within [five] Business Days of receipt of the notice and supporting information described in paragraph 2.2, the OFA will deliver the executed Share Subscription to OPG and wire transfer, in immediately available funds, the required equity funds in accordance with the payment instructions set out in Exhibit D or as may be otherwise provided by OPG from time to time. For purposes of this Agreement, "Business Day" means any day other than a Saturday, a Sunday or a day on which banking institutions in Toronto, Ontario are authorized or obligated by law, regulation or executive order to be closed.

2.5 OPG will issue a receipt to the Minister and the OFA, in the form of Exhibit C attached, confirming receipt of the equity amount and certifying as to the update of OPG's corporate share register with issue of the shares in the name of the Minister.

2.6 The first equity injection/share subscription will occur [August x 2017] (the "Initial Equity Injection"). Equity injections will continue monthly so long as the Fair Hydro Trust is purchasing assets and incurring debt obligations, including subordinated debt in favour of OPG, pursuant to the Act and Regulations.

3. Equity Requirement Forecasts and Approvals

3.1 OPG will prepare and submit forecasts of equity requirements for the applicable business planning period as part of its business plan submissions to the Shareholder in accordance with the Memorandum of Agreement between the Minister and OPG effective July 17, 2015 (the "MOA") as amended, restated or replaced from time to time. For clarity, OPG will submit annually, as part of its business plan submissions, the FHP equity requirements forecast for the upcoming 3 years.

3.2 OPG's equity requirement forecast submissions will include all reasonable supporting information and documentation. **[NTD: any more specificity required?]**

3.3 The OFA and the Minister confirm that OPG's equity requirement forecasts submitted with OPG's business plans will not require concurrence by the Shareholder as set out in the MOA.

3.4 In accordance with the submissions made under paragraph 3.1 above, the Minister will update the appropriations for the upcoming 3 year cycle through the PRRT process, including 3 year rolling estimates along with supporting information as provided by OPG through its business planning process.**[NTD: clarify that purpose of this clause is to confirm Energy will seek out and obtain required appropriations]**

4. Share Redemption Process

5.1 The Minister and OPG agree to set out the required process for any future redemption by OPG of outstanding Class A Shares in an appendix to this Agreement and attach it as Exhibit E. Exhibit E will be finalized before the first share redemption [and in any case no later than [90] Business Days before the effective date of such redemption].**[NTD: confirm if need timeframe]**

6. Miscellaneous

6.1 Notices

Any notice, report or other communication to be given under this Agreement will be in writing and will be effective (a) upon receipt when sent by mail or courier, (b) on the date personally delivered to an authorized officer of the party to which sent, or (c) on the date transmitted by electronic transmission with a confirmation of receipt in all cases, addressed as follows:

in the case of the Minister:

■

in the case of the OFA:

■

in the case of OPG:

Ontario Power Generation Inc.
700 University Avenue

Toronto, Ontario
M5G 1X6

Attention: ■
Email: ■

and

Attention: ■
Email: ■

Each party may by notice given as above to the other party or parties hereto, designate any further or different address to which subsequent notices, reports and other communications will be sent.

6.2 Separate Counterparts; Electronic Delivery

This Agreement may be executed by the parties in separate counterparts, each of which when so executed and delivered will be considered an original, but all such counterparts together constitute but one and the same instrument. Delivery of an executed signature page to this Agreement by a party by electronic transmission will be as effective as delivery of a manually executed copy of this Agreement by such party.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective officers as of the day and year first above written.

MINISTER OF ENERGY

_____

ONTARIO POWER GENERATION INC.

By: _____
Name:
Title:

By: _____
Name:
Title:

ONTARIO FINANCING AUTHORITY

By: _____
Name:
Title:

By: _____
Name:
Title:

EXHIBIT A

SHARE SUBCRIPTION FORM

See attached

EXHIBIT B

SUBSCRIPTION SUPPORTING INFORMATION

[NTD: TBD what will support monthly equity injection calculation; for example Transfer Notice? Invoice?]

Exhibit C

FORM OF RECEIPT/OFFICER'S CERTIFICATE

EXHIBIT D

Payment/Wire Transfer Instructions

Bank: Bank of Nova Scotia
Address: 44 King Street West Toronto, Ontario MSH 1H1
SWIFT Code: NOSCCATT
Branch Transit: 47696
Bank Code: 002
Account Number: 476960302716

EXHIBIT E

SHARE REDEMPTION PROCESS

TBD

From: Carlos Yep
To: Opal Kandelas
Cc: Mike Manning
Subject: FW: OFHP - Outstanding business issues - new note#5 IESO
Date: Tuesday, May 30, 2017 2:27:57 PM
Attachments: Outstanding Business Issues Ontario Fair Hydro Plan markup_cy1.docx

---

-----Original Message-----
From: Carlos Yep
Sent: Tuesday, May 30, 2017 12:21 PM
To: Mike Manning <Mike.Manning@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; John Psinas <John.Psinas@ofina.on.ca>
Cc: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: FW: OFHP - Outstanding business issues

fyi

-----Original Message-----
From: Montgomery, Kaitlin (MOF) [mailto:Kaitlin.Montgomery@ontario.ca]
Sent: Tuesday, May 30, 2017 11:28 AM
To: John Kim <John.Kim@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>
Subject: OFHP - Outstanding business issues

Hi all,

ENE MO asked for a quick note on 4 of the outstanding business issues that are being worked through and are hoping to see something tomorrow morning.

I've pulled together a high level explanation of each of the items and next steps/timing (to the extent I know).

Would greatly appreciate if you guys could take a look and provide any edits/comments today/early tomorrow if possible. I'm also not too involved in a few of these discussions so if there's others within OFA you think should review feel free to pass along.

Thanks in advance,
Kaitlin

Outstanding Business Issues – Ontario Fair Hydro Plan
Briefing Note

PURPOSE
Provide an overview of a few of the key remaining outstanding business issues that OPG and the Province are working through

BUSINESS ISSUES

1. **Provincial Support Agreement Term Sheet (~~Service and~~ Performance and Payment Guarantees)**
   - As part of the OFHP, the IESO will create and sell a regulatory asset to the OPG financing entity
   - In order to provide assurances to those with claims against the Financing Entity (eg. Holders of debt), and support credit ratings, the Province is providing both a Service Guarantee and a Performance Guarantee to ensure that the obligations of the IESO are carried out including obligations related to collecting and remitting clean energy adjustments.
   - **Next Steps:**
     - OPG and OFA and working towards the development of a term sheet
     - Timing: Guarantees are required to support rating agency review which is expected by the end of July

2. **Payments in Lieu of Taxes (PILs) Exemption**
   - The Province would like to minimize to the extent possible , the PILs payable by the OPG financing vehicle, as those costs will be recovered from ratepayers
   - The Province is considering regulation changes to exempt the income arising as a consequence of the Fair Hydro Plan from PILs
   - As part of the OFHP, the financing entity will raise debt and acquire "investment assets" from the IESO. Given the unique nature of the investment assets, there are no specific rules which govern the manner which investment assets should be treated for tax purposes, and further analysis is required to ensure the cost of the investment assets are appropriately recognized as a deduction or offset in computing the income of the financing entity
   - **Next Steps:**
     - The Ministries of Finance, OFA and OPG are working together to determine required regulation changes
     - Timing: [Next steps for a decision / when is a decision required / when would these regulation changes occur]

3. **Fair Hydro Plan - Master Subscription Agreement Term Sheet (Equity Injection Process)**

- OPG will require equity injections on a monthly basis in order to maintain its capital structure, and will require flexibility in order to issue shares as needed by the Province
- The Ministry of Energy received appropriation for $1.1B through PRRT to support equity injections for the 2017-18 period, and will continue to provide multi-year forecasts each year through PRRT
- **Next Steps:**
    - The Ministry of Energy, OFA and OPG are working through the short term mechanics of this process which will ultimately feed into a Master Subscription Agreement. A draft term sheet is underway.
    - Timing: OPG will require the ability to issue equity in July, so mechanics and agreements should be finalized in June

4. Management Fees

- OPG will be providing all required services to the Trust as part of the OFHP, including planning, strategy, financing, deal execution etc.
- The legislation allows OPG to establish and charge a management fee for those services in accordance with the regulations which are currently in development
- OPG and OEB are currently working together on a management fee structure that balances the interests of minimizing costs and satisfying accounting consolidation requirements
- **Next Steps:**
    - OPG and OEB will bring forward a recommended framework for developing management fees
    - Timing: For incorporation into regulations being brought forward in June

5. IESO – Increased Credit Facilities

- The OPG financing entity has the right to purchase the regulatory asset from IESO but does not have to purchase it.
- IESO is working with the OFA to increase the credit facilities in the event that the OPG financing entity does not purchase the regulatory asset
- **Next Steps:**
    - OFA is …..
    - Timing: ……

Formatted

Formatted: Font: +Headings (Calibri)

From:	Carlos Yep
To:	Mike Manning; James Devine; Ken Kandeepan; John Psinas
Cc:	Opal Kandelas
Subject:	FW: OFHP - Outstanding business issues
Date:	Tuesday, May 30, 2017 12:20:54 PM
Attachments:	Outstanding Business Issues – Ontario Fair Hydro Plan.docx

---

fyi

-----Original Message-----
From: Montgomery, Kaitlin (MOF) [mailto:Kaitlin.Montgomery@ontario.ca]
Sent: Tuesday, May 30, 2017 11:28 AM
To: John Kim <John.Kim@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>
Subject: OFHP - Outstanding business issues

Hi all,

ENE MO asked for a quick note on 4 of the outstanding business issues that are being worked through and are hoping to see something tomorrow morning.

I've pulled together a high level explanation of each of the items and next steps/timing (to the extent I know).

Would greatly appreciate if you guys could take a look and provide any edits/comments today/early tomorrow if possible. I'm also not too involved in a few of these discussions so if there's others within OFA you think should review feel free to pass along.

Thanks in advance,
Kaitlin

Outstanding Business Issues – Ontario Fair Hydro Plan
Briefing Note

PURPOSE
Provide an overview of a few of the key remaining outstanding business issues that OPG and the Province are working through

BUSINESS ISSUES

1. **Service and Performance Guarantees**
   - As part of the OFHP, the IESO will create and sell a regulatory asset to the OPG financing entity
   - In order to provide assurances to those with claims against the Financing Entity (eg. Holders of debt), and support credit ratings, the Province is providing both a Service Guarantee and a Performance Guarantee to ensure that the obligations of the IESO are carried out including obligations related to collecting and remitting clean energy adjustments.
   - **Next Steps:**
     - OPG and OFA and working towards the development of a term sheet
     - Timing: Guarantees are required to support rating agency review which is expected by the end of July

2. **Payments in Lieu of Taxes (PILs) Exemption**
   - The Province would like to minimize to the extent possible , the PILs payable by the OPG financing vehicle, as those costs will be recovered from ratepayers
   - The Province is considering regulation changes to exempt the income arising as a consequence of the Fair Hydro Plan from PILs
   - As part of the OFHP, the financing entity will raise debt and acquire "investment assets" from the IESO. Given the unique nature of the investment assets, there are no specific rules which govern the manner which investment assets should be treated for tax purposes, and further analysis is required to ensure the cost of the investment assets are appropriately recognized as a deduction or offset in computing the income of the financing entity
   - **Next Steps:**
     - The Ministries of Finance, OFA and OPG are working together to determine required regulation changes
     - Timing: [Next steps for a decision / when is a decision required / when would these regulation changes occur]

3. **Equity Injection Process**
   - OPG will require equity injections on a monthly basis in order to maintain its capital structure, and will require flexibility in order to issue shares as needed by the Province

- The Ministry of Energy received appropriation for $1.1B through PRRT to support equity injections for the 2017-18 period, and will continue to provide multi-year forecasts each year through PRRT
- **Next Steps:**
    - The Ministry of Energy, OFA and OPG are working through the short term mechanics of this process which will ultimately feed into a Master Subscription Agreement. A draft term sheet is underway.
    - Timing: OPG will require the ability to issue equity in July, so mechanics and agreements should be finalized in June

4. Management Fees

- OPG will be providing all required services to the Trust as part of the OFHP, including planning, strategy, financing, deal execution etc.
- The legislation allows OPG to establish and charge a management fee for those services in accordance with the regulations which are currently in development
- OPG and OEB are currently working together on a management fee structure that balances the interests of minimizing costs and satisfying accounting consolidation requirements
- **Next Steps:**
    - OPG and OEB will bring forward a recommended framework for developing management fees
    - Timing: For incorporation into regulations being brought forward in June

From:	Sarah Harris
To:	Opal Kandelas
Subject:	FW: OIC Total Amount for OFA Loans as of Dec 31, 2017
Date:	Thursday, February 15, 2018 10:51:25 AM
Attachments:	Total OIC Amount (Decemeber 31 2017).xlsx OIC-1279-2017.pdf

---

From: Andrea Dalgarno
Sent: Tuesday, February 13, 2018 9:26 AM
To: John Kim <John.Kim@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; Mara Bakic <Mara.Bakic@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; John Psinas <John.Psinas@ofina.on.ca>; San Rajaratnam <San.Rajaratnam@ofina.on.ca>; Siva Nathan <Siva.Nathan@ofina.on.ca>
Subject: RE: OIC Total Amount for OFA Loans as of Dec 31, 2017

Hi,

I consulted Ken Kandeepan with respect to the appropriateness of including the IESO-OFA FHP related OIC in the reporting and he agrees it should be included.

The attached is the final report provided to Accounting for use in the financial statements as at Dec 31, 2017. I believe they pick up the total OIC amount which will jump by 2 billion and the date range which will be pushed to 2047 on the far end as a result of the addition of the FHP related OIC.

Regards,

Andrea

From: Andrea Dalgarno
Sent: Friday, February 02, 2018 11:14 AM
To: John Kim <John.Kim@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; Mara Bakic <Mara.Bakic@ofina.on.ca>
Cc: San Rajaratnam <San.Rajaratnam@ofina.on.ca>; Siva Nathan <Siva.Nathan@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: FW: OIC Total Amount for OFA Loans as of Dec 31, 2017

Hi,

I have tentatively updated a report of OFA OIC amounts we provide to Accounting quarterly for financial reporting purposes to include the OIC that supports the $2 billion dollar Credit Facility Agreement between the OFA and IESO related to the Fair Hydro Plan.

As this is a significant addition, I would like to give interested parties the opportunity to consider the

appropriateness of its inclusion.

Accounting should be able to provide you further details with respect to the nature of the reporting which is based on this input should it be needed.

Please let me know as soon as possible should there be an issue with its inclusion

Regards,

Andrea

From: San Rajaratnam
Sent: Friday, February 02, 2018 10:46 AM
To: Andrea Dalgarno <Andrea.Dalgarno@ofina.on.ca>
Cc: Siva Nathan <Siva.Nathan@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: OIC Total Amount for OFA Loans as of Dec 31, 2017

Hi Andrea,

For reporting in OFA's Dec 31, 2017 financial statements, We would like to check with you of any changes to OIC amounts as of Dec 31, 2017.

Thanks,
San

From: San Rajaratnam
Sent: Friday, October 20, 2017 9:17 AM
To: Andrea Dalgarno <Andrea.Dalgarno@ofina.on.ca>
Cc: Siva Nathan <Siva.Nathan@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: OIC Total Amount for OFA Loans as of Sep 30, 2017

Hi Andrea,

For reporting in OFA's Sep 30, 2017 financial statements We would like to check with you of any changes to OIC amounts as of Sep 30, 2017.

Thanks,
San

From: Andrea Dalgarno
Sent: Wednesday, July 19, 2017 10:10 AM
To: San Rajaratnam <San.Rajaratnam@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Siva Nathan <Siva.Nathan@ofina.on.ca>
Subject: RE: OIC Total Amount for OFA Loans as of June 30, 2017

Hi,

We confirm the authorized amounts for the OICs in the attached table are unchanged totalling $16,916,000,000 as at June 30 ,2017.

Regards,

Andrea

From: San Rajaratnam
Sent: Wednesday, July 19, 2017 9:56 AM
To: Andrea Dalgarno <Andrea.Dalgarno@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Siva Nathan <Siva.Nathan@ofina.on.ca>
Subject: OIC Total Amount for OFA Loans as of June 30, 2017

Hi Andrea,

For reporting in OFA's June 30, 2017 financial statements We would like to check with you of any changes to OIC amounts as of June 30, 2017.

Thanks,
San

From: Andrea Dalgarno
Sent: Wednesday, April 19, 2017 9:57 AM
To: San Rajaratnam <San.Rajaratnam@ofina.on.ca>
Cc: William Tan <William.Tan@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Siva Nathan <Siva.Nathan@ofina.on.ca>
Subject: RE: OIC Total Amount for OFA Loans as of Mar 31, 2017

Hi San,

Sarah asked me to address this request

The only changes are as follows:

OIC 1883/06 - $800,000,000 - the amended maturity date is June 1, 2041 (previously November 1, 2032).

OIC 2144/07 - $2,000,000,000 - the amended maturity date is June 1, 2041 (previously December 1, 2037).

and the changes have been made to the OFA Summary attached.

These updates take into account the amendment to the maturity dates incorporated in OIC 844/2008 (attached for your reference).

Other than that:

I can confirm that the total OIC amounts remains unchanged as of March 31, 2017. I can also confirm that there have been no additional OICs. I cannot however, comment on any loans or transactions undertaken under the OICs. Documentation does not keep track of this. If needed, I believe that Corporate Finance keeps track of this information. As such the supporting documentation provided is comprised of copies of the OIC's in question.

Regards,

Andrea

From: San Rajaratnam
Sent: Tuesday, April 18, 2017 2:51 PM
To: William Tan <William.Tan@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Siva Nathan <Siva.Nathan@ofina.on.ca>
Subject: OIC Total Amount for OFA Loans as of Mar 31, 2017

Hi William,

We would like to check with you of any changes to OIC amounts as of Mar 31, 2017? We require this info for reporting in OFA's Mar 31, 2017 Financial Statements.

Thanks,
San

From: William Tan
Sent: Friday, January 20, 2017 2:56 PM
To: San Rajaratnam <San.Rajaratnam@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: FW: OIC Total Amount for OFA Loans as of Dec 31,2016

Hello San,

We confirm the authorized amounts for the OICs in the attached table are unchanged totalling $16,916,000,000 as at Dec 31, 2016.
Please note the amended maturity dates for the following two OICs:

OIC 675/97 - $2,160,000,000 - the amended maturity date is June 1, 2041 (previously August 31, 2027).
OIC 767/99 - $656,000,000 - the amended maturity date is June 1, 2041 (previously August 31, 2029).

Thanks,

Will

From: Sarah Harris
Sent: Tuesday, January 17, 2017 4:14 PM
To: William Tan <William.Tan@ofina.on.ca>
Subject: FW: OIC Total Amount for OFA Loans as of Dec 31,2016

From: San Rajaratnam
Sent: Tuesday, January 17, 2017 3:39 PM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: Siva Nathan <Siva.Nathan@ofina.on.ca>
Subject: OIC Total Amount for OFA Loans as of Dec 31,2016

Hi Sarah,

We would like to check whether any changes to OIC amounts as of Dec 31, 2016? We require this info for reporting in OFA's Dec 31,2016 FS.

Lenin provided us the attached file (as of Sep 30,2016).

Thanks,
San

OIC Summary

As At: **Septemebr 30, 2017**

Regular Loans	**Total OIC Amount**
Under OIC 675/97 -	
Authorized:	$2,160,000,000
Repayment date:	June 1, 2041
Under OIC 767/99 -	
Authorized:	$656,000,000
Repayment date:	June 1, 2041
IESO FHP Credit Facility	
Under OIC 1279/2017 -	
Authorized:	$2,000,000,000
Repayment date:	December 31, 2047
School Board Loans	**Total OIC Amount**
Under OIC 1883/2006	
Authorized:	$800,000,000
Repayment date:	June 1, 2041
Under OIC 2144/2007	
Authorized:	$2,000,000,000
Repayment date:	June 1, 2041
Under OIC 300/2010	
Authorized:	$1,800,000,000
Repayment date:	May 15, 2036
Under OIC 163/2012	
Authorized:	$1,700,000,000
Repayment date:	Year 2040
Under OIC 354/2014	
Authorized:	$700,000,000
Repayment date:	March 5, 2044
Auto Loans	**Total OIC Amount**
Under OIC 2154/2008	$1,700,000,000
Under OIC 678/2009	$1,100,000,000
Under OIC 975/2009	$4,300,000,000
Total Amount	**$18,916,000,000**

Amount Issued		Remaining Authority	
$	1,700,000,000.00	$	-
$	480,818,602.74	$	619,181,397.26
$	1,983,345,267.75	$	2,316,654,732.25

Executive Council of Ontario/Conseil exécutif de l'Ontario **[Bilingual]**

Ontario

Order in Council
Décret

On the recommendation of the undersigned, the Lieutenant Governor of Ontario, by and with the advice and concurrence of the Executive Council of Ontario, orders that:

Sur la recommandation de la personne soussignée, la lieutenante-gouverneure de l'Ontario, sur l'avis et avec le consentement du Conseil exécutif de l'Ontario, décrète ce qui suit :

WHEREAS pursuant to subsection 22(1) of the *Capital Investment Plan Act, 1993* (the "Act"), the Minister of Finance may purchase securities of or make loans to corporations established under subsection 2(1) of the Act in such amounts, at such times and on such terms and conditions as the Lieutenant Governor in Council considers expedient;

AND WHEREAS the Ontario Financing Authority (the "OFA") is a corporation established under subsection 2(1) of the Act;

AND WHEREAS pursuant to subsection 6(3) of the Act, the power of a corporation established under subsection 2(1) of the Act to borrow and issue securities, among other things, may only be exercised under the authority of a by-law that has been approved by the Minister of Finance;

AND WHEREAS the OFA wishes to borrow up to Two Billion Dollars in lawful money of Canada from the Minister of Finance and has been authorized to do so by a borrowing by-law approved in accordance with the Act;

THEREFORE:

Pursuant to subsection 22 (1) of the Act, the Minister of Finance is authorized to lend a maximum of Two Billion Dollars in lawful money of Canada to the OFA on the following terms and conditions:

(a) the loan may be advanced in such amounts and at such time or times as required by the OFA;

(b) repayment of advances made under the loan plus accrued interest may be made in whole or in part at any time provided that the loan plus any accrued interest shall be fully repaid by December 31, 2047;

(c) each advance (an "Advance") made under the loan hereby authorized shall bear interest at a rate which is determined as follows:

(i) from the date of the Advance to (but excluding) the date of repayment the Advance shall bear interest at a per annum rate equivalent to the yield earned on

ninety day Province of Ontario treasury bills on the date before the Advance Date as determined by the Province, provided that if an Advance is outstanding for longer than ninety days, the interest rate shall be reset on the last day of each ninety day period (the "Reset Date") to the yield earned on ninety day Province of Ontario treasury bills immediately preceding the Reset Date for such ninety day period as determined by the Province;

(ii) in the event that moneys included in an Advance are used by the OFA for the purpose of funding loans to third parties (a "Third Party Loan"), the rate of interest payable by the OFA to the Province on the portion of the Advance so used shall be adjusted effective as of the date that the portion of the Advance is used to fund the Third Party Loan so that the per annum rate of interest payable by the OFA on such moneys is equivalent to the per annum rate of interest payable to the OFA under the Third Party Loan less an amount as may be determined by the Minister of Finance in respect of such Third Party Loan or a class of such Third Party Loans, until but excluding the date on which the Third Party Loan is repaid, at which time the interest rate set out in subparagraph (i) shall again be applicable to that portion of the Advance; and

(iii) in the event that moneys described in subparagraph (ii), once repaid, are subsequently used to fund loans to third parties, subparagraph (ii) shall again be applicable in determining the interest rate payable to the Province on that portion of the Advance used to fund such loan, and so on, until the Advance shall be repaid to the Province in full;

(iv) despite subparagraphs (ii) and (iii), in the event that no interest is payable to the OFA under a Third Party Loan, no interest shall be payable by the OFA on the portion of the Advance so used and to the extent that the terms of a Third Party Loan provide for the deferral of the payment of accrued interest for a period, the interest payment terms of an Advance or portion thereof shall also be deferred for a similar period.

(d) interest for any period of less than one year shall be payable for the actual number of days included in such period, computed on the basis of a 365-day year;

(e) despite paragraph (b) of this Order, interest on any portion of an Advance made to the OFA under the loan that is used by the OFA to fund a Third Party Loan shall accrue on the basis stated above but shall become payable only to the extent the OFA receives payment of interest under the relevant Third Party Loan;

(f) despite paragraph (b) of this Order, any portion of the principal of an Advance made to the OFA under the loan that is used by the OFA to fund a Third Party Loan shall become payable only to the extent the OFA receives repayment of principal under the relevant Third Party Loan; and

(g) the loan hereby authorized shall be evidenced by a promissory note.

ATTENDU QUE le ministre des Finances peut, en vertu du paragraphe 22 (1) de la *Loi de 1993 sur le plan d'investissement* (la « Loi »), acheter des valeurs mobilières des personnes morales

créées en vertu du paragraphe 2 (1) de la Loi ou leur consentir des prêts selon les montants, aux moments et aux conditions que le lieutenant-gouverneur en conseil estime opportuns;

ATTENDU QUE l'Office ontarien de financement (l'« OOF ») est une personne morale créée en vertu du paragraphe 2 (1) de la Loi;

ATTENDU QUE, conformément au paragraphe 6 (3) de la Loi, le pouvoir qu'ont les personnes morales créées en vertu du paragraphe 2 (1) de la Loi de contracter des emprunts et d'émettre des valeurs mobilières, entre autres, ne peut être exercé qu'aux termes d'un règlement administratif approuvé par le ministre des Finances;

ATTENDU QUE l'OOF souhaite emprunter jusqu'à concurrence de deux milliards de dollars en monnaie légale du Canada du ministre des Finances et qu'il a été autorisé à le faire par un règlement administratif d'emprunt approuvé conformément à la Loi;

PAR CONSÉQUENT :

en vertu du paragraphe 22 (1) de la Loi, le ministre des Finances est autorisé à prêter un montant maximal de deux milliards de dollars en monnaie légale du Canada à l'OOF, aux conditions suivantes :

a) le prêt peut être consenti selon les montants et aux moments qui conviennent à l'OOF;

b) le remboursement des avances consenties au titre du prêt, plus les intérêts courus, peut à tout moment être effectué en totalité ou en partie, pourvu que le prêt et les intérêts courus soient entièrement remboursés au plus tard le 31 décembre 2047;

c) chaque avance (« avance ») faite au titre du prêt autorisé par les présentes portera intérêt au taux est fixé comme suit :

(i) de la date où elle a été faite jusqu'à la date (non comprise) de son remboursement, l'avance portera intérêt à un taux annuel équivalant au rendement gagné sur des bons du Trésor de la province de l'Ontario de quatre-vingt-dix jours à la date précédant la date de l'avance fixée par la province, pourvu que ce taux d'intérêt soit rajusté le dernier jour de chaque période de quatre-vingt-dix jours (« date de rajustement ») selon le rendement gagné sur de tels bons du Trésor immédiatement avant la date de rajustement pour une période de quatre-vingt-dix jours décidée par la province, si l'avance est impayée pendant plus de quatre-vingt-dix jours;

(ii) dans l'éventualité où l'OOF se servirait de sommes comprises dans une avance pour financer des prêts à des tiers, le taux d'intérêt à payer par l'OOF à la province sur la partie de l'avance ainsi utilisée sera rajusté à la date à laquelle la partie de l'avance sera utilisée pour le financement du prêt à un tiers de façon que le taux d'intérêt annuel à payer par l'OOF sur de telles sommes soit équivalent à ce dernier taux moins un montant que pourra fixer le ministre des Finances à l'égard d'un tel prêt ou d'une telle catégorie de prêt, jusqu'à la date (non comprise) à laquelle le prêt à un tiers sera remboursé, date à laquelle le taux d'intérêt établi au sous-alinéa (i) s'appliquera de nouveau à cette partie de l'avance;

(iii) dans l'éventualité où les sommes décrites au sous-alinéa (ii), une fois remboursées, seraient ultérieurement utilisées pour le financement de prêts à des tiers, le sous-alinéa (ii) s'appliquera de nouveau dans l'établissement du taux d'intérêt à payer à la province sur la partie de l'avance utilisée à cette fin, et ainsi de suite, jusqu'à ce que l'avance ait été remboursée intégralement à la province;

(iv) malgré les sous-alinéas (ii) et (iii), dans l'éventualité où aucun intérêt ne serait payable à l'OOF au titre d'un prêt à un tiers, aucun intérêt ne sera à payer par l'OOF sur la partie de l'avance ainsi utilisée et dans la mesure où les conditions du prêt à un tiers prévoient le report du paiement d'intérêts courus pour une période, le paiement d'intérêts au titre d'une avance ou d'une partie d'une avance sera également reporté pour une période d'égale durée;

d) l'intérêt payable relativement à toute période de moins d'un an sera calculé en fonction du nombre de jours réellement compris dans cette période, par rapport à une année comptant 365 jours;

e) par dérogation à l'alinéa a) ci-dessus, l'intérêt sur toute partie d'une avance consentie à l'OOF dans le cadre du prêt que cette dernière utilise pour financer un prêt à un tiers est calculé comme il est indiqué ci-dessus, mais cet intérêt devient payable uniquement dans la mesure où l'OOF reçoit un paiement d'intérêts au titre du prêt à un tiers;

f) par dérogation à l'alinéa b) ci-dessus, toute partie du capital d'une avance consentie à l'OOF dans le cadre du prêt que cette dernière utilise pour financer un prêt à un tiers devient payable uniquement dans la mesure où l'OOF reçoit un remboursement du capital au titre du prêt à un tiers

g) le prêt autorisé en vertu des présentes sera attesté par un billet à ordre.

Recommended: Minister of Finance
Recommandé par : Le ministre des Finances

Deb Matthews

Concurred: Chair of Cabinet
Appuyé par : Le président/la présidente du Conseil des ministres

Approved and Ordered:
Approuvé et décrété le : JUN 28 2017

Lieutenant Governor
La lieutenante-gouverneure

From: Sarah Harris
To: Opal Kandelas
Subject: FW: OIC s22 CIPA - OFA-IESO
Date: Monday, May 29, 2017 9:47:59 AM
Attachments: 1 - CIPA - OIC s22 - OFA_FHP - LRC_MinistryApprovalForm v3_MH-TPW-PR Comments (2).doc
2 - CIPA - OIC s22 - OFA_FHP - LRC_Memo CEO to DM MH-PR(2).doc
3 - CIPA - OIC s22 - OFA_FHP - LRC_Memo DM to Minister PR.doc
CIPA OIC s.22 May 2017 (v.2) - ENG and FRE.DOCX

HI Opal,

Before I left on Thursday evening, you had mentioned that you thought the OIC should be in the amount of $3 billion and not $3.5 billion. I was wondering if on Friday you had reached out to CEFD to discuss this?

The package is due tomorrow, so we would need to sort this out today.

Thanks,
Sarah

From: Rundans, Patrick (MOF) [mailto:Patrick.Rundans@ontario.ca]
Sent: Friday, May 26, 2017 4:41 PM
To: Salman Qadir <Salman.Qadir@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Subject: RE: OIC s22 CIPA - OFA-IESO

Salman,

The MOF Legal comments on the LRC note and draft memos are attached for your review. Also attached is an updated draft of the OIC to include the amount and repayment date.

Please let us know if you have any questions.

Thanks,
Patrick

Patrick Rundans
Counsel
Ministry of the Attorney General
Ministry of Finance, Legal Services Branch

T: 416-212-4538
F: 416-325-1460

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any other distribution, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this

message in error, please notify us immediately by reply e-mail and permanently delete this message including any attachments, without reading it or making a copy. Thank you.

From: Salman Qadir [mailto:Salman.Qadir@ofina.on.ca]
Sent: May 23, 2017 5:16 PM
To: Harris, Sarah (OFA); Rundans, Patrick (MOF)
Cc: Kathirgamanathan,Shajee (OFA); Bruno Amara
Subject: OIC s22 CIPA - OFA-IESO

Hi Sarah/Patrick,

For your review, attached is the revised LRC note and draft memos. We've also asked DMO to let us know about timeline and obtaining an EVISTA number for this.

I'm not in the office rest of the week but will have limited access to my emails, but please do cc' Shajee and Bruno on emails in case there is something urgent.

Will keep you posted on any further developments.

Thank you,
Salman

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

LEGISLATION AND REGULATIONS COMMITTEE:
MINISTRY APPROVAL FORM

LRC Tracking #: (e.g. REG-8733, OICNA-11556, DLEG-488)
EVista Tracking #: (e.g. SUB-REG-2009-334)

Ministry of X

Capital Investment Plan Act

Order in Council

Profile at a Glance

Priority: Consequential to Commitment
Public Interest: Low
Key Stakeholder Interest: Very high
New Costs/Burdens: Yes for Government
New Savings/Opportunities: Yes for Government

Proposed Items for Review

1. Approval of Order in Council ("OIC") under section 22 of the *Capital Investment Plan Act, 1993 ("CIPA"),* authorizing the Minister of Finance to make a loan to the Ontario Financing Authority ("OFA").

Approvals required prior to LRC

	Committee and date	Cabinet Date
Policy		
TB/MBC		June 27, 2017

Deputy Minister _____ Date _____

Minister _____ Date _____

s. 1 Proposal and Context

- Approval is being sought for an OIC under section 22 of *Capital Investment Plan Act, 1993* ("CIPA"), which will authorize the Minister of Finance to provide loan(s) to the OFA in an amount of up to $3.5 billion. Under the proposed OIC, loan(s) could be advanced during the period ~~This authorization will be valid~~ between the effective date of the OIC and June 30, 2053.

- Subsection 22(1) of CIPA authorizes the Minister of Finance to make loans to the OFA in the amounts, times and on the terms and conditions authorized by Lieutenant Governor in Council ("LGIC"). Subsection 22(2) provides a statutory appropriation for loans made by the Minister to the OFA under subsection 22(1).

- This proposed OIC is required to allow the OFA to provide loans to the IESO and will help to fulfil the commitments under the proposed Fair Hydro Act, 2017. The timing of this OIC is critical to ensure borrowing authority for the OFA is available as it will be required to provide financing arrangements upon the enactment of the proposed *Fair Hydro ~~Plan~~ Act, 2017*. [NTD: This is the name of the proposed Act – do we sometimes want to refer to the Fair Hydro Plan versus the Act?]

s. 2 Approach and Intended Outcomes

- Under CIPA, ~~T~~the OFA provides financing to public bodies ~~government entities~~ as directed by the Minister of Finance. The OFA obtains the funds it needs for its lending program by borrowing from the Province. ~~For the OFA to on-lend, the OFA borrows from the Province.~~ This OIC would authorize the Minister of Finance under section 22 of CIPA to provide loans to the OFA.

- As per subsection 3(1) of CIPA, the Minister of Finance is responsible for the administration of CIPA with respect to the OFA.

- This proposed OIC is required to assist in fulfilling the commitments under the proposed *Fair Hydro Act, 2017*.

- It is expected that as part of the implementation of the proposed arrangements, the Minister of Finance will direct ~~T~~the OFA ~~will be required~~ to provide a revolving credit facility for ~~market~~ short term financing and liquidity purposes [NTD: is it for market liquidity purposes? Isn't it to cover any

shortfall?] related to the on-going *Fair Hydro Plan Act, 2017*. In particular, the OFA will be lending to the Independent Electricity System Operator ("IESO"). The IESO is a public body for the purposes of CIPA.

- A key element of the proposed Fair Hydro Plan Act results in the IESO ~~to incurring a~~incurring a funding shortfall. This funding shortfall arises because the IESO will not collect enough Global Adjustment amounts to fund the IESO's contractual obligations to electricity producers and service providers in the current period, but instead defer some of those amounts to be collected in the future. The Fair Hydro Plan allows the IESO to sell the right ~~[due to the deferral of collecting Global Adjustment amounts?]…[explain more accurately]. and The IESO unilaterally will selling that right~~ to recover ~~that~~those deferred amounts ~~shortfall~~ from specified consumers in the future ~~shortfall as an~~ (the "regulatory asset"). It is anticipated that the regulatory asset will be purchased by ~~to~~ the financing entity to be established by OPG ("OPG ~~Trust~~SPV") [NTD: My understanding is that it is expected to be a trust, but it is not certain yet and no benefit to narrowing here]. The proposed legislation does not require ~~compel~~ the OPG ~~Trust~~ SPV to purchase any portion of the regulatory asset. As a result, IESO requires short-term financing in place in the event ~~if~~ that ~~for some reason~~ the OPG ~~Trust~~SPV, at any time, does ~~chooses~~ not ~~to~~ purchase a portion of the regulatory asset ~~deferred Global Adjustment amounts~~ under the proposed *Fair Hydro ~~Plan~~ Act, 2017*.~~.~~ This short-term financing may also be required before the OPG SPV is operating and before it has its own financing in place to purchase the regulatory asset.~~-~~

- IESO has ~~currently~~ requested that the OFA provide a revolving credit facility of up to $2 billion to support its role in the *Fair Hydro Act ~~Plan~~, 2017* implementation. The $2 billion request from IESO is based on current data which could change in order to maintain the *Fair Hydro ~~Plan~~ Act, 2017* and it is proposed that the OIC authorization be~~is~~ $3.5 billion ~~is~~ to ensure there is sufficient contingency in place once the implementation begins..

- For the OFA to accommodate this request, the OFA requires additional borrowing authority from the Minister of Finance to ensure that it has sufficient funds to lend~~can only on-lend funds borrowed from the Minister of Finance, which are authorized under an OIC,~~ hence this request for an OIC.

- The Minister of Finance will be required to provide a Directive to the OFA to direct it to make loans to the IESO in an amount not to exceed ~~for any loans made as a result of this OIC and will subject to the of~~ $3.5 billion. ~~set by this OIC.~~

s. 3 Direction and Urgency

Note appendices here, or ERASE, e.g.
See Appendix X, Variance Memo

- As announced on March 2, 2017 and highlighted as a commitment in Budget 2017, the Province intends to implement the Fair Hydro Plan which would reduce electricity bills by 25 per cent on average for eligible households.
- The ability for the OFA to have the requisite borrowing and ~~on-~~lending capacity is instrumental in implementing the proposed Fair Hydro Plan.
- Subject to the approval of the Legislature of the *Fair Hydro Act, 2017*, t~~T~~he Fair Hydro Plan ~~Act are~~is expected to track for Cabinet approval by end of June 2017. [What is tracking to Cabinet? Not the legislation because it has already been approved by Cabinet? Is it regulations? What else?] It is expected that this OIC also be approved concurrently as it is a crucial component of the successfully implementing the Fair Hydro Plan.
- The related Cabinet Minute XXXXX is tracking for June 27, 2017 date. [can we get a copy?]

s. 4 Impact Assessment and Costs

- With this OIC, the Minister of Finance will be authorized to lend to the OFA. Subject to the terms and conditions of a Directive from the Minister of Finance, loans from the Minister of Finance to the OFA are expected to be at the Province's Cost of Funds.
- Loans advanced will result in increased borrowing in the debt markets by the Province.
- Loans are expected to be repaid and therefore, no fiscal impact is expected.

s. 5 Implementation

- If the OIC is approved and signed, the Minister of Finance will have authorization to provide a loan to the OFA. A Directive from the Minister will be required that will provide direction on how the OFA can use the proceeds of the loan.

s. 6 Delivery and Results Tracking

- As described in section 2 above, the requirement for this OIC is a result of the Province's proposed *Fair Hydro Act, 2017* ~~Plan~~ and is required to ensure the timely implementation and support for the success of the Fair Hydro Plan.

s.7 Stakeholder Consultations

- As described in section 2 above, the requirement for this OIC is a result of the Province's proposed Fair Hydro Plan. The related Cabinet note for the initiative should be referred to. [Can we get a copy of this related note?]

s.8 Other Jurisdictions and Harmonization

Note appendices here, or ERASE, e.g.
See Appendix X, Comparison with Quebec

- N/A

s. 9 Communications

Note appendices here, or ERASE, e.g.
See Appendix X, Communications Plan

- N/A

s. 10 Contacts and Appendices

Contacts

	Name	Phone Number
Ministry Policy/Program	[name] [Manager], Electricity Finance Branch Ontario Financing Authority	
Ministry Legal	Patrick Rundans Legal Counsel, Legal Services Branch Ministry of Finance	416-212-4538
Ministry Communications	N/A	N/A
Assistant or Deputy Minister's Office	[name] Policy Advisor Deputy Minister's Office	
Cabinet Office Policy	[name] [title] Cabinet Office	

Appendices

Appendix A: The Proposed OIC

Ontario Financing Authority
1 Dundas Street West
Suite 1400
Toronto ON M7A 1Y7
(416) 325-8000

Office ontarien de financement
1 rue Dundas ouest
Bureau 1400
Toronto ON M7A 1Y7

June , 2017

MEMORANDUM TO: Scott Thompson
Deputy Minister of Finance

FROM: Gadi Mayman
Chief Executive Officer

SUBJECT: **Approval of an Order in Council under section 22 of the *Capital Investment Plan Act* – ~~related to the proposed *Fair Hydro Act*~~**

Attached for the Minister's approval and signature is an Order in Council ("OIC") under section 22 of the *Capital Investment Plan Act* ("CIPA") for the purpose of authorizing the Minister of Finance to make loan(s) to the Ontario Financing Authority ("OFA"). The proceeds from these loans would~~will~~ allow the OFA to ~~on~~ lend to the Independent Electricity Systems Operator ("IESO") in connection with the implementation ~~as required under~~ of the Province's proposed *Fair Hydro Act*, *2017*, subject to the approval of the Legislature.

Under the mechanism in the proposed *Fair Hydro Act*, *2017*, the IESO would incur a funding shortfall because the IESO will not collect enough Global Adjustment amounts to fund the IESO's contractual obligations to electricity producers and service providers in the current period, but instead defer some of those amounts to be collected in the future. ~~as a result of [the deferral of the collection of Global Adjustment amounts related to clean energy costs.].~~ ~~t~~The IESO has requested ~~requires~~ a revolving credit facility to cover any such funding shortfalls ~~clean energy costs~~ if ~~for some reason~~ the financing entity to be established by OPG –("OPG SPV~~Trust~~"), at any time, chooses not to purchase a portion of the regulatory asset which would consist of the right to recover the funding shortfall from specified consumers in future as set out in the *Fair Hydro Act, 2017.*~~, . the deferred Global Adjustment amounts, .~~

The OFA obtains the funding it needs to carry out its lending program by borrowing from the Province~~;~~. ~~For the OFA to lend to the IESO, the OFA must be able to borrow from the Minister of Finance to on-lend.~~ This proposed OIC authorizes the Minister of Finance to lend up to Canadian $3.5 billion to the OFA. In addition, in order for the OFA

to make the loan to the IESO, a direction from the Minister of Finance under CIPA will be required in future. [NTD: will this come forward in future after June 27th?]

Attached for your signature is a memorandum from you to the Minister requesting that the Minister recommend ~~approve~~ the OIC. This OIC is on track to be considered~~approved~~ on June 27, 2017 together with proposed submission related to the proposed *Fair Hydro Act*, *2017*.

Staff are available to address any questions you may have regarding this matter.

Gadi Mayman

Attachment

Ministry of Finance
Office of the
Deputy Minister

Frost Building South
7 Queen's Park Cr
Toronto ON M7A 1Y7
Tel (416) 325-1590
Fax (416) 325-1595

Ministère des Finances
Bureau du
sous-ministre

Édifice Frost sud
7 Queen's Park Cr
Toronto ON M7A 1Y7
Tél (416) 325-1590
Téléc (416) 325-1595

Ontario

MEMORANDUM TO: The Honourable Charles Sousa
Minister of Finance

FROM: Scott Thompson
Deputy Minister of Finance

SUBJECT: **Approval of an Order in Council under section 22 of the *Capital Investment Plan Act*~~related to the proposed Fair Hydro Act~~**

Attached for your approval and signature is an Order in Council ("OIC") under section 22 of the *Capital Investment Plan Act* ("CIPA") for the purpose of authorizing the Minister of Finance ~~obtaining authorization~~ to make loan(s) to the Ontario Financing Authority ("OFA"). The proceeds from these loans would~~will~~ allow the OFA to on-lend to the Independent Electricity Systems Operator ("IESO") in connection with the implementation of~~as required under~~ the Province's proposed *Fair Hydro Act, 2017.*

Formatted: Font: Italic

Under the mechanism in the proposed *Fair Hydro Act, 2017*, the IESO would incur a funding shortfall because the IESO will not collect enough Global Adjustment amounts to fund the IESO's contractual obligations to electricity producers and service providers in the current period, but instead defer some of those amounts to be collected in the future. The IESO has requested a revolving credit facility to cover any such funding shortfalls if the financing entity to be established by OPG ("OPG SPV"), at any time, chooses not to purchase a portion of the regulatory asset which would consist of the right to recover the funding shortfall from specified consumers in future as set out in the *Fair Hydro Act, 2017*.

The OFA obtains the funding it needs to carry out its lending program by borrowing from the Province. This proposed OIC authorizes the Minister of Finance to lend up to Canadian $3.5 billion to the OFA. In addition, in order for the OFA to make the loan to the IESO, a direction from the Minister of Finance under CIPA will be required in future.

~~Under the mechanism in the proposed *Fair Hydro Act*, the IESO requires a revolving credit facility to cover clean energy costs if for some reason the Trust, at any time, chooses not to purchase a portion of the deferred Global Adjustment amounts. For the OFA to lend to the IESO, the OFA must be able to borrow from the Minister of Finance to on-lend. This proposed OIC authorizes the Minister of Finance to lend up to Canadian $3.5 billion to the OFA.~~

Formatted: Font: Italic

Staff of the Ontario Financing Authority are available to address any questions you may have regarding this matter.

Scott Thompson

Attachment
c. Gadi Mayman

Authority Verified/Compétence vérifiée: _____

Please print name/Nom en lettres moulées s.v.p.: _____

Telephone/Téléphone: _____

Recommended by the Treasury Board/Management Board of Cabinet on:
Recommandé par le Conseil du Trésor / Conseil de gestion du gouvernement le: _____

Secretary/Secrétaire: _____

Executive Council of Ontario/Conseil exécutif de l'Ontario **[Bilingual]**

[Bilingue]

Ontario

Order in Council
Décret

On the recommendation of the undersigned, the Lieutenant Governor of Ontario, by and with the advice and concurrence of the Executive Council of Ontario, orders that:

Sur la recommandation de la personne soussignée, la lieutenante-gouverneure de l'Ontario, sur l'avis et avec le consentement du Conseil exécutif de l'Ontario, décrète ce qui suit :

WHEREAS pursuant to subsection 22(1) of the *Capital Investment Plan Act, 1993* (the "Act"), the Minister of Finance may purchase securities of or make loans to corporations established under subsection 2(1) of the Act in such amounts, at such times and on such terms and conditions as the Lieutenant Governor in Council considers expedient;

AND WHEREAS the Ontario Financing Authority (the "OFA") is a corporation established under subsection 2(1) of the Act;

AND WHEREAS pursuant to subsection 6(3) of the Act, the power of a corporation established under subsection 2(1) of the Act to borrow and issue securities, among other things, may only be exercised under the authority of a by-law that has been approved by the Minister of Finance;

AND WHEREAS the OFA wishes to borrow up to Three Billion Five Hundred Million Dollars in lawful money of Canada from the Minister of Finance and has been authorized to do so by a borrowing by-law approved in accordance with the Act;

THEREFORE:

Pursuant to subsection 22 (1) of the Act, the Minister of Finance is authorized to lend a maximum of Three Billion Five Hundred Million Dollars in lawful money of Canada to the OFA on the following terms and conditions:

(a) the loan may be advanced in such amounts and at such time or times as required by the OFA;

(b) repayment of advances made under the loan plus accrued interest may be made in whole or in part at any time provided that the loan plus any accrued interest shall be fully repaid by June 30, 2053;

(c) each advance (an “Advance”) made under the loan hereby authorized shall bear interest at a rate which is determined as follows:

(i) from the date of the Advance to (but excluding) the date of repayment the Advance shall bear interest at a per annum rate equivalent to the yield earned on ninety day Province of Ontario treasury bills on the date before the Advance Date as determined by the Province, provided that if an Advance is outstanding for longer than ninety days, the interest rate shall be reset on the last day of each ninety day period (the “Reset Date”) to the yield earned on ninety day Province of Ontario treasury bills immediately preceding the Reset Date for such ninety day period as determined by the Province;

(ii) in the event that moneys included in an Advance are used by the OFA for the purpose of funding loans to third parties (a “Third Party Loan”), the rate of interest payable by the OFA to the Province on the portion of the Advance so used shall be adjusted effective as of the date that the portion of the Advance is used to fund the Third Party Loan so that the per annum rate of interest payable by the OFA on such moneys is equivalent to the per annum rate of interest payable to the OFA under the Third Party Loan less an amount as may be determined by the Minister of Finance in respect of such Third Party Loan or a class of such Third Party Loans, until but excluding the date on which the Third Party Loan is repaid, at which time the interest rate set out in subparagraph (i) shall again be applicable to that portion of the Advance; and

(iii) in the event that moneys described in subparagraph (ii), once repaid, are subsequently used to fund loans to third parties, subparagraph (ii) shall again be applicable in determining the interest rate payable to the Province on that portion of the Advance used to fund such loan, and so on, until the Advance shall be repaid to the Province in full;

(iv) despite subparagraphs (ii) and (iii), in the event that no interest is payable to the OFA under a Third Party Loan, no interest shall be payable by the OFA on the portion of the Advance so used and to the extent that the terms of a Third Party Loan provide for the deferral of the payment of accrued interest for a period, the interest payment terms of an Advance or portion thereof shall also be deferred for a similar period.

(d) interest for any period of less than one year shall be payable for the actual number of days included in such period, computed on the basis of a 365-day year;

(e) despite paragraph (b) of this Order, interest on any portion of an Advance made to the OFA under the loan that is used by the OFA to fund a Third Party Loan shall accrue on the basis stated above but shall become payable only to the extent the OFA receives payment of interest under the relevant Third Party Loan;

(f) despite paragraph (b) of this Order, any portion of the principal of an Advance made to the OFA under the loan that is used by the OFA to fund a Third Party Loan shall become payable only to the extent the OFA receives repayment of principal under the relevant Third Party Loan; and

(g) the loan hereby authorized shall be evidenced by a promissory note.

ATTENDU QUE le ministre des Finances peut, en vertu du paragraphe 22 (1) de la *Loi de 1993 sur le plan d'investissement* (la « Loi »), acheter des valeurs mobilières des personnes morales créées en vertu du paragraphe 2 (1) de la Loi ou leur consentir des prêts selon les montants, aux moments et aux conditions que le lieutenant-gouverneur en conseil estime opportuns;

ATTENDU QUE l'Office ontarien de financement (l'« OOF ») est une personne morale créée en vertu du paragraphe 2 (1) de la Loi;

ATTENDU QUE, conformément au paragraphe 6 (3) de la Loi, le pouvoir qu'ont les personnes morales créées en vertu du paragraphe 2 (1) de la Loi de contracter des emprunts et d'émettre des valeurs mobilières, entre autres, ne peut être exercé qu'aux termes d'un règlement administratif approuvé par le ministre des Finances;

ATTENDU QUE l'OOF souhaite emprunter jusqu'à concurrence de trois milliards cinq cent millions de dollars en monnaie légale du Canada du ministre des Finances et qu'il a été autorisé à le faire par un règlement administratif d'emprunt approuvé conformément à la Loi;

PAR CONSÉQUENT :

en vertu du paragraphe 22 (1) de la Loi, le ministre des Finances est autorisé à prêter un montant maximal de trois milliards cinq cent millions de dollars en monnaie légale du Canada à l'OOF, aux conditions suivantes :

a) le prêt peut être consenti selon les montants et aux moments qui conviennent à l'OOF;

b) le remboursement des avances consenties au titre du prêt, plus les intérêts courus, peut à tout moment être effectué en totalité ou en partie, pourvu que le prêt et les intérêts courus soient entièrement remboursés au plus tard le 30 juin 2053;

c) chaque avance (« avance ») faite au titre du prêt autorisé par les présentes portera intérêt au taux est fixé comme suit :

(i) de la date où elle a été faite jusqu'à la date (non comprise) de son remboursement, l'avance portera intérêt à un taux annuel équivalant au rendement gagné sur des bons du Trésor de la province de l'Ontario de quatre-vingt-dix jours à la date précédant la date de l'avance fixée par la province, pourvu que ce taux d'intérêt soit rajusté le dernier jour de chaque période de quatre-vingt-dix jours (« date de rajustement ») selon le rendement gagné sur de tels bons du Trésor immédiatement avant la date de rajustement pour une période de quatre-vingt-dix jours décidée par la province, si l'avance est impayée pendant plus de quatre-vingt-dix jours;

(ii) dans l'éventualité où l'OOF se servirait de sommes comprises dans une avance pour financer des prêts à des tiers, le taux d'intérêt à payer par l'OOF à la province sur la partie de l'avance ainsi utilisée sera rajusté à la date à laquelle la partie de l'avance sera utilisée pour le financement du prêt à un tiers de façon que le taux d'intérêt annuel à payer par l'OOF sur de telles sommes soit équivalent à ce

dernier taux moins un montant que pourra fixer le ministre des Finances à l'égard d'un tel prêt ou d'une telle catégorie de prêt, jusqu'à la date (non comprise) à laquelle le prêt à un tiers sera remboursé, date à laquelle le taux d'intérêt établi au sous-alinéa (i) s'appliquera de nouveau à cette partie de l'avance;

(iii) dans l'éventualité où les sommes décrites au sous-alinéa (ii), une fois remboursées, seraient ultérieurement utilisées pour le financement de prêts à des tiers, le sous-alinéa (ii) s'appliquera de nouveau dans l'établissement du taux d'intérêt à payer à la province sur la partie de l'avance utilisée à cette fin, et ainsi de suite, jusqu'à ce que l'avance ait été remboursée intégralement à la province;

(iv) malgré les sous-alinéas (ii) et (iii), dans l'éventualité où aucun intérêt ne serait payable à l'OOF au titre d'un prêt à un tiers, aucun intérêt ne sera à payer par l'OOF sur la partie de l'avance ainsi utilisée et dans la mesure où les conditions du prêt à un tiers prévoient le report du paiement d'intérêts courus pour une période, le paiement d'intérêts au titre d'une avance ou d'une partie d'une avance sera également reporté pour une période d'égale durée;

d) l'intérêt payable relativement à toute période de moins d'un an sera calculé en fonction du nombre de jours réellement compris dans cette période, par rapport à une année comptant 365 jours;

e) par dérogation à l'alinéa a) ci-dessus, l'intérêt sur toute partie d'une avance consentie à l'OOF dans le cadre du prêt que cette dernière utilise pour financer un prêt à un tiers est calculé comme il est indiqué ci-dessus, mais cet intérêt devient payable uniquement dans la mesure où l'OOF reçoit un paiement d'intérêts au titre du prêt à un tiers;

f) par dérogation à l'alinéa b) ci-dessus, toute partie du capital d'une avance consentie à l'OOF dans le cadre du prêt que cette dernière utilise pour financer un prêt à un tiers devient payable uniquement dans la mesure où l'OOF reçoit un remboursement du capital au titre du prêt à un tiers

g) le prêt autorisé en vertu des présentes sera attesté par un billet à ordre.

_____

Recommended: Minister of Finance
Recommandé par : Le ministre des Finances

_____

Concurred: Chair of Cabinet
Appuyé par : Le président/la présidente du Conseil des ministres

Approved and Ordered:
Approuvé et décrété le :

_____

Lieutenant Governor
La lieutenante-gouverneure

From:	Sarah Harris
To:	Opal Kandelas
Subject:	FW: OIC s22 CIPA - OFA-IESO
Date:	Tuesday, June 06, 2017 3:02:41 PM
Attachments:	1 - CIPA - OIC s22 - OFA_FHP - LRC Approval Form (MOF Legal Comments)_CEFD_v3_Clean.docx 2 - CIPA - OIC s22 - OFA_FHP - LRC_CEO to DM (MOF Legal)_CEFD_v3_Clean.docx 3 - CIPA - OIC s22 - OFA_FHP - LRC_DM to Minister (MOF Legal)_CEFD_v3_Clean.docx 4 - CIPA OIC s.22 May 2017 (v.3) - ENG and FRE (002).docx

Hi Opal,

Here is the final OIC package for your enjoyment and perusal (insert eye roll here).

Thanks,
Sarah

From: Gavin He
Sent: Friday, June 02, 2017 3:27 PM
To: Patrick Rundans (MOF) <Patrick.Rundans@ontario.ca>
Cc: John Kim <John.Kim@ofina.on.ca>; Salman Qadir <Salman.Qadir@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: RE: OIC s22 CIPA - OFA-IESO

Hi Patrick,

Please find attached the final version of the draft package. We will bring this over for your signature on the OIC once ready.

Thanks,
Gavin He

From: Rundans, Patrick (MOF) [mailto:Patrick.Rundans@ontario.ca]
Sent: Thursday, June 01, 2017 5:25 PM
To: Gavin He <Gavin.He@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: John Kim <John.Kim@ofina.on.ca>; Salman Qadir <Salman.Qadir@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Subject: RE: OIC s22 CIPA - OFA-IESO

The MOF Legal comments on the LRC approval form and memos are attached. Also attached is an updated OIC from the translators.

Patrick

Patrick Rundans
Counsel
Ministry of the Attorney General
Ministry of Finance, Legal Services Branch

T: 416-212-4538
F: 416-325-1460

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any other distribution, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message including any attachments, without reading it or making a copy. Thank you.

From: Gavin He [mailto:Gavin.He@ofina.on.ca]
Sent: May 31, 2017 5:33 PM
To: Rundans, Patrick (MOF); Harris, Sarah (OFA)
Cc: Kim, John (OFA); Salman Qadir; Bruno Amara
Subject: RE: OIC s22 CIPA - OFA-IESO

Hi all,

Sorry for the confusion. Please use the latest version of the LRC Approval Form instead.

Thanks,
Gavin He

From: Bruno Amara
Sent: Wednesday, May 31, 2017 5:23 PM
To: Patrick Rundans (MOF) <Patrick.Rundans@ontario.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Salman Qadir <Salman.Qadir@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Subject: FW: OIC s22 CIPA - OFA-IESO

Hi All,

As you may be aware The Fair Hydro Act was passed today. As a result we updated language in the materials. E.g., ~~*proposed*~~ *Ontario Fair Hydro Act, 2017.* No content changes. I think these updates affected the first three attached documents but not the 4th , i.e., the OIC.

Thanks
Bruno

From: Rundans, Patrick (MOF) [mailto:Patrick.Rundans@ontario.ca]
Sent: Wednesday, May 31, 2017 4:14 PM

To: Gavin He <Gavin.He@ofina.on.ca>
Subject: Re: OIC s22 CIPA - OFA-IESO

Gavin, I will let you know as soon as possible.

Sent with BlackBerry Work (www.blackberry.com)

From: [Gavin He <Gavin.He@ofina.on.ca>]
Sent: May 31, 2017 4:08 PM
To: ["Rundans, Patrick (MOF)" <Patrick.Rundans@ontario.ca>]
Subject: [RE: OIC s22 CIPA - OFA-IESO]
Cc: [Salman Qadir <Salman.Qadir@ofina.on.ca>]

Hi Patrick,

Hope your day is going well!

Just want to check in with you to see if you have got a chance to review the updated package that Salman sent you yesterday? Please let me know if you are good with the updated package.

Thanks,
Gavin He

From: Rundans, Patrick (MOF) [mailto:Patrick.Rundans@ontario.ca]
Sent: Wednesday, May 31, 2017 12:42 PM
To: Bruno Amara <Bruno.Amara@ofina.on.ca>
Cc: John Kim <John.Kim@ofina.on.ca>; Salman Qadir <Salman.Qadir@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: Re: OIC s22 CIPA - OFA-IESO

I will get the translators to confirm.

Sent with BlackBerry Work (www.blackberry.com)

From: [Bruno Amara <Bruno.Amara@ofina.on.ca>]
Sent: May 31, 2017 12:12 PM
To: ["Rundans, Patrick (MOF)" <Patrick.Rundans@ontario.ca>]
Subject: [FW: OIC s22 CIPA - OFA-IESO]
Cc: ["Kim, John (OFA)" <John.Kim@ofina.on.ca>, Salman Qadir <Salman.Qadir@ofina.on.ca>, "Harris, Sarah (OFA)" <Sarah.Harris@ofina.on.ca>, "He, Gavin (OFA)" <Gavin.He@ofina.on.ca>]

Hi Patrick

Apologies, regarding the French translation. 1) I had updated using my high school French and 2) in

the translation I had missed updating the change in date from June to December 31, 2017. I have revised in attached "4 – CIPA s.22…" , but of course, this should be reviewed.

Thanks
Bruno

From: Bruno Amara
Sent: Wednesday, May 31, 2017 10:56 AM
To: Patrick Rundans (MOF) <Patrick.Rundans@ontario.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Salman Qadir <Salman.Qadir@ofina.on.ca>
Subject: RE: OIC s22 CIPA - OFA-IESO

Hi Patrick

Per Salman's email attached are the revised materials. Note the amount changed to $2B per Salman's email, but also further direction to change repayment date to December 31, 2047. Let me know if you have any questions/concerns.

Thanks
Bruno

Bruno Amara
Sr. Manager, Financial and Regulatory Analysis
Electricity Finance Branch
Corporate and Electricity Finance Division
Ontario Financing Authority

Tel: 416-325-1489
Email: bruno.amara@ofina.on.ca

From: Rundans, Patrick (MOF) [mailto:Patrick.Rundans@ontario.ca]
Sent: Tuesday, May 30, 2017 5:51 PM
To: Salman Qadir <Salman.Qadir@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Subject: RE: OIC s22 CIPA - OFA-IESO

Will do Salman.

Patrick Rundans
Counsel

Ministry of the Attorney General
Ministry of Finance, Legal Services Branch

T: 416-212-4538
F: 416-325-1460

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any other distribution, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message including any attachments, without reading it or making a copy. Thank you.

From: Salman Qadir [mailto:Salman.Qadir@ofina.on.ca]
Sent: May 30, 2017 5:36 PM
To: Rundans, Patrick (MOF)
Cc: Harris, Sarah (OFA); Bruno Amara; Kim, John (OFA)
Subject: OIC s22 CIPA - OFA-IESO

Hi Patrick,

As the OIC package was going through our OFA approvals, we have now been directed that the OIC amount should be $2.0 billion, with an expiry date of June 30, 2047, to line up with the IESO request and the term of the FHP.

I'll recirculate the updated LRC package once I get a finalized version in place. Could we update the OIC to reflect this as I know it may take some time.

Let us know.

Thank you,
Salman

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

LEGISLATION AND REGULATIONS COMMITTEE:
MINISTRY APPROVAL FORM

LRC Tracking #: OICNA-13188
EVista Tracking #: SUB-NAOIC-2017-01004

Ministry of Finance

Capital Investment Plan Act

Order in Council

Profile at a Glance

Priority: Consequential to Commitment
Public Interest: Low
Key Stakeholder Interest: Very high
New Costs/Burdens: Yes for Government
New Savings/Opportunities: Yes for Government

Proposed Items for Review

1. Approval of Order in Council ("OIC") under section 22 of the *Capital Investment Plan Act, 1993 ("CIPA"),* authorizing the Minister of Finance to make a loan to the Ontario Financing Authority ("OFA").

Approvals required prior to LRC

	Committee and date	Cabinet Date
Policy		
TB/MBC	LRC, June 27, 2017	June 27, 2017

Deputy Minister _____ Date _____

Minister _____ Date _____

s. 1 Proposal and Context

- Approval is being sought for an OIC under section 22 of *Capital Investment Plan Act, 1993* ("CIPA"), which will authorize the Minister of Finance to provide loan(s) to the Ontario Financing Authority ("OFA") in an amount of up to $2.0 billion. Under the proposed OIC, repayment of advances made under the loan plus accrued interest may be made in whole or in part at any time provided that the loan plus any accrued interest shall be fully repaid by December 31, 2047.

- Subsection 22(1) of CIPA authorizes the Minister of Finance to make loans to the OFA in the amounts, times and on the terms and conditions authorized by Lieutenant Governor in Council ("LGIC"). Subsection 22(2) provides a statutory appropriation for loans made by the Minister to the OFA under subsection 22(1).

- Existing OICs authorize the Minister of Finance to provide loans to the OFA, and in turn the OFA has provided loans and credit facilities to colleges, school boards and other public bodies such as Infrastructure Ontario, IESO, Ontario Lottery and Gaming Corporation and Liquor Control Board of Ontario.

- This proposed OIC is required to increase the authority of the Minister of Finance to lend to the OFA which will provide the OFA with the capacity to provide additional loans to the Independent Electricity System Operator ("IESO").
    - This will help the IESO to fulfil the commitments under the *Fair Hydro Act, 2017* as the IESO will have to finance short to medium term funding shortfalls in the implementation of the Fair Hydro Plan.
    - The timing of this OIC is critical to ensure that borrowing authority for the OFA is available to provide the IESO its requested financing arrangements under the *Ontario Fair Hydro Plan Act, 2017.*

s. 2 Approach and Intended Outcomes

- Under CIPA, the OFA provides financing to public bodies as directed by the Minister of Finance. The OFA obtains the funds it needs for its lending program by borrowing from the Province. This OIC would authorize the Minister of Finance under section 22 of CIPA to provide additional loans to the OFA.

- As per subsection 3(1) of CIPA, the Minister of Finance is responsible for the administration of CIPA with respect to the OFA.

- This proposed OIC is required to assist in fulfilling the commitments under the *Ontario Fair Hydro Plan Act, 2017.*

- It is expected that as part of the implementation, the Minister of Finance will direct the OFA to provide a revolving credit facility for short term financing related to the *Ontario Fair Hydro Plan Act, 2017*. In particular, the OFA would be directed to provide a credit facility to the Independent Electricity System Operator ("IESO"). The IESO is a public body for the purposes of CIPA.

- Under the *Ontario Fair Hydro Plan Act, 2017,* the IESO will incur a monthly funding shortfall in the early years of the plan, as a portion of the Global Adjustment charge to ratepayers will be deferred to the future. During this period, Global Adjustment amounts collected from ratepayers will, therefore, be insufficient to fund the IESO's contractual obligations to electricity producers and service providers.

- The *Ontario Fair Hydro Plan Act, 2017* gives the IESO the right to recover those deferred amounts from specified consumers in the future (the "regulatory asset") and the ability to sell the regulatory asset to a financing entity.
    - It is anticipated that the regulatory asset will be purchased by the financing entity to be established by OPG ("OPG SPV", an OPG special purpose vehicle or trust).
    - The cash received from selling the regulatory asset will be used by the IESO to fund the current Global Adjustment shortfall.

- There is expected to be initial and potential ongoing IESO cash flow requirement timing differences. The OPG SPV is not anticipated to be established and able to borrow to finance the purchase of the regulatory asset from the IESO until later in 2017 (planned for later in summer 2017; however, exact timing is subject to actual implementation). Even once the SPV is set up to borrow, there is expected to be timing differences between the IESO's monthly settlement process when it has to pay generators and when the SPV purchases the asset from IESO. Also, under the legislation, OPG's SPV is not required to purchase any portion of the regulatory asset.

- As a result, IESO requires short-term financing to be in place for initial and expected monthly timing differences, or in the event that the OPG SPV, at any time, does not purchase a portion of the regulatory asset.

- IESO has requested that the OFA provide a revolving credit facility of $2.0 billion to support its role in the implementation of the *Ontario Fair Hydro Plan Act, 2017*.

- It is proposed that the OIC authorizes the OFA to borrow an additional $2.0 billion, which would be in addition to existing authority for the Minister of Finance to provide loans to the OFA, to ensure that there is sufficient borrowing authority in place for the OFA to meet the IESO requested requirements.

- If approved, the Minister of Finance will subsequently provide a Directive to the OFA to direct it to provide credit facilities to the IESO.
    - The OFA currently provides a credit facility to the IESO of $975 million.
    - The IESO has requested that the existing credit facility be reduced to $475 million, and a new credit facility be provided of $2.0 billion, for a total amount of $2.475 billion.

s. 3 Direction and Urgency

- The Province passed legislation on May 31, 2017 to implement the *Ontario Fair Hydro Plan Act, 2017,* which will reduce electricity bills by 25 per cent on average for eligible households.
- The ability for the OFA to have the requisite borrowing and lending capacity is instrumental in supporting implementation of the *Ontario Fair Hydro Plan Act, 2017*.
- Ministry of Energy proposed regulations under the *Ontario Fair Hydro Plan Act, 2017* are expected to track for Cabinet approval by end of June 2017. It is expected that this OIC also be submitted for approval concurrently as it supports a crucial component of the successfully implementation of the Fair Hydro Plan.
- A related Cabinet Minute from the Ministry of Energy is tracking for June 27, 2017 date.

s. 4 Impact Assessment and Costs

- With this OIC, the Minister of Finance will be authorized to lend an additional amount of $2.0 billion to the OFA. Subject to the terms and conditions of a

Directive from the Minister of Finance, loans from the Minister of Finance to the OFA are expected to be at the Province's cost of funds.
- Loans advanced will result in increased borrowing in the debt markets by the Province.
- Loans are expected to be repaid and, therefore, no fiscal impact is expected.

s. 5 Implementation

- If the OIC is approved and signed, the Minister of Finance will have authorization to provide a loan to the OFA. A Directive from the Minister may provide direction to the OFA on how it can use the proceeds of the loan.

s. 6 Delivery and Results Tracking

- As described in section 2 above, the requirement for this OIC is a result of the Province's *Ontario Fair Hydro Plan Act, 2017* and is required to ensure the timely implementation and support for the success of the Fair Hydro Plan. Upon approval, the Minister of Finance will have authorization to provide a loan to the OFA with a directive on how the loan can be used.

s.7 Stakeholder Consultations

- As described in section 2 above, the requirement for this OIC is a result of the Province's *Ontario Fair Hydro Plan Act, 2017*. The related Cabinet note for the initiative should be referred to.

s.8 Other Jurisdictions and Harmonization

- N/A

s. 9 Communications

- N/A

s. 10 Contacts and Appendices

Contacts

	Name	Phone Number
Ministry Policy/Program	Bruno Amara Snr Manager, Electricity Finance Branch Ontario Financing Authority	(416) 325-1489
Ministry Legal	Patrick Rundans Legal Counsel, Legal Services Branch Ministry of Finance	416-212-4538
Ministry Communications	N/A	N/A
Assistant or Deputy Minister's Office	Jonathan Tekle Policy Advisor Deputy Minister's Office	416-325-8736
Cabinet Office Policy	[name] [title] Cabinet Office	

Appendices

Appendix A: The Proposed OIC

Ontario Financing Authority
1 Dundas Street West
Suite 1400
Toronto ON M7A 1Y7

(416) 325-8000

Office ontarien de financement
1 rue Dundas ouest
Bureau 1400
Toronto ON M7A 1Y7

June , 2017

MEMORANDUM TO: Scott Thompson
Deputy Minister of Finance

FROM: Gadi Mayman
Chief Executive Officer

SUBJECT: **Approval of an Order in Council under section 22 of the *Capital Investment Plan Act***

Attached for the Minister's review and consideration is a submission for an Order in Council ("OIC") under section 22 of the *Capital Investment Plan Act* ("CIPA") for the purpose of authorizing the Minister of Finance to make loan(s) to the Ontario Financing Authority ("OFA"). The proceeds from these loans would allow the OFA to lend to the Independent Electricity Systems Operator ("IESO") in connection with the implementation of the Province's *Ontario Fair Hydro Plan Act, 2017*, subject to the approval of the Legislature.

IESO has requested that the OFA provide a revolving credit facility of $2.0 billion to support its role in the implementation of the *Ontario Fair Hydro Plan Act, 2017*.

Under the *Ontario Fair Hydro Plan Act, 2017,* the IESO will incur a monthly funding shortfall in the early years of the plan, as a portion of the Global Adjustment charge to ratepayers will be deferred to the future. During this period, Global Adjustment amounts collected from ratepayers will be insufficient to fund the IESO's contractual obligations to electricity producers and service providers. The *Ontario Fair Hydro Plan Act, 2017* gives the IESO the right to recover those deferred amounts from specified consumers in the future (the "regulatory asset") and the ability to sell the regulatory asset to a financing entity. It is anticipated that the regulatory asset would be purchased by the financing entity to be established by OPG ("OPG SPV"), an OPG special purpose vehicle or trust. The cash received from selling the regulatory asset would be used by the IESO to fund the current Global Adjustment shortfall.

../2

There is expected to be initial and ongoing IESO cash flow requirement timing differences. The OPG SPV is not anticipated to be established and able to borrow to finance the purchase of the regulatory asset from the IESO until later in 2017 (planned for later in summer 2017; however, exact timing is subject to actual implementation). Even once the SPV is set up to borrow, there is expected to be timing differences between the IESO's monthly settlement process when it has to pay generators and when the SPV purchases the asset from IESO. Also, under the proposed legislation, OPG's SPV is not required to purchase any portion of the regulatory asset.

As a result, IESO requires short-term financing to be in place for initial and expected monthly timing differences, or in the event that the OPG SPV, at any time, does not purchase a portion of the regulatory asset.

The OFA obtains the funding it needs to carry out its lending programs by borrowing from the Province. This proposed OIC authorizes the Minister of Finance to lend up to an additional Canadian $2.0 billion to the OFA. In addition, in order for the OFA to provide the IESO its requested credit facility, a direction from the Minister of Finance to the OFA under CIPA will also be required, which the OFA will seek following an approval of the OIC.

Attached for your signature is a memorandum from you to the Minister requesting that the Minister recommend the OIC. This OIC is on track to be considered at LRC on June 27, 2017 together with proposed Ministry of Energy submission for regulations related to the *Ontario Fair Hydro Plan Act, 2017.*

Staff are available to address any questions you may have regarding this matter.

Gadi Mayman

Attachment

c. Ronald Kwan
John Kim

Ministry of Finance
Office of the
Deputy Minister

Frost Building South
7 Queen's Park Cr
Toronto ON M7A 1Y7
Tel (416) 325-1590
Fax (416) 325-1595

Ministère des Finances
Bureau du
sous-ministre

Édifice Frost sud
7 Queen's Park Cr
Toronto ON M7A 1Y7
Tél (416) 325-1590
Téléc (416) 325-1595

Ontario

MEMORANDUM TO: The Honourable Charles Sousa
Minister of Finance

FROM: Scott Thompson
Deputy Minister of Finance

SUBJECT: **Approval of an Order in Council under section 22 of the *Capital Investment Plan Act***

Attached for your approval and signature is a submission for an Order in Council ("OIC") under section 22 of the *Capital Investment Plan Act* ("CIPA") for the purpose of authorizing the Minister of Finance to make loan(s) to the Ontario Financing Authority ("OFA"). The proceeds from these loans would allow the OFA to lend to the Independent Electricity Systems Operator ("IESO") in connection with the implementation of the Province's *Ontario Fair Hydro Plan Act, 2017.*

IESO has requested that the OFA provide a revolving credit facility of $2.0 billion to support its role in the implementation of the *Ontario Fair Hydro Plan Act, 2017*.

Under the *Ontario Fair Hydro Plan Act, 2017,* the IESO will incur a monthly funding shortfall in the early years of the plan, as a portion of the Global Adjustment charge to ratepayers will be deferred to the future. During this period, Global Adjustment amounts collected from ratepayers will be insufficient to fund the IESO's contractual obligations to electricity producers and service providers. The *Ontario Fair Hydro Plan Act, 2017* gives the IESO the right to recover those deferred amounts from specified consumers in the future (the "regulatory asset") and the ability to sell the regulatory asset to a financing entity. It is anticipated that the regulatory asset would be purchased by the financing entity to be established by OPG ("OPG SPV"), an OPG special purpose vehicle or trust. The cash received from selling the regulatory asset would be used by the IESO to fund the current Global Adjustment shortfall.

../2

There is expected to be initial and ongoing IESO cash flow requirement timing differences. The OPG SPV is not anticipated to be established and able to borrow to finance the purchase of the regulatory asset from the IESO until later in 2017 (planned for later in summer 2017; however, exact timing is subject to actual implementation). Even once the SPV is set up to borrow, there is expected to be timing differences between the IESO's monthly settlement process when it has to pay generators and when the SPV purchases the asset from IESO. Also, under the legislation, OPG's SPV is not required to purchase any portion of the regulatory asset.

As a result, IESO requires short-term financing to be in place for initial and expected monthly timing differences, or in the event that the OPG SPV, at any time, does not purchase a portion of the regulatory asset

The OFA obtains the funding it needs to carry out its lending programs by borrowing from the Province. This proposed OIC authorizes the Minister of Finance to lend up to an additional Canadian $2.0 billion to the OFA. In addition, in order for the OFA to provide the IESO its requested credit facility, a direction from the Minister of Finance to the OFA under CIPA will also be required, which the OFA will seek following an approval of the OIC.

Staff of the Ontario Financing Authority are available to address any questions you may have regarding this matter.

Scott Thompson

Attachment

c. Gadi Mayman
Ronald Kwan

Authority Verified/Compétence vérifiée: _____

Please print name/Nom en lettres moulées s.v.p.: _____

Telephone/Téléphone: _____

Recommended by the Treasury Board/Management Board of Cabinet on:
Recommandé par le Conseil du Trésor / Conseil de gestion du gouvernement le: _____

Secretary/Secrétaire: _____

Executive Council of Ontario/Conseil exécutif de l'Ontario **[Bilingual]**

[Bilingue]

Ontario

Order in Council
Décret

On the recommendation of the undersigned, the Lieutenant Governor of Ontario, by and with the advice and concurrence of the Executive Council of Ontario, orders that:

Sur la recommandation de la personne soussignée, la lieutenante-gouverneure de l'Ontario, sur l'avis et avec le consentement du Conseil exécutif de l'Ontario, décrète ce qui suit :

WHEREAS pursuant to subsection 22(1) of the *Capital Investment Plan Act, 1993* (the "Act"), the Minister of Finance may purchase securities of or make loans to corporations established under subsection 2(1) of the Act in such amounts, at such times and on such terms and conditions as the Lieutenant Governor in Council considers expedient;

AND WHEREAS the Ontario Financing Authority (the "OFA") is a corporation established under subsection 2(1) of the Act;

AND WHEREAS pursuant to subsection 6(3) of the Act, the power of a corporation established under subsection 2(1) of the Act to borrow and issue securities, among other things, may only be exercised under the authority of a by-law that has been approved by the Minister of Finance;

AND WHEREAS the OFA wishes to borrow up to Two Billion Dollars in lawful money of Canada from the Minister of Finance and has been authorized to do so by a borrowing by-law approved in accordance with the Act;

THEREFORE:

Pursuant to subsection 22 (1) of the Act, the Minister of Finance is authorized to lend a maximum of Two Billion Dollars in lawful money of Canada to the OFA on the following terms and conditions:

(a) the loan may be advanced in such amounts and at such time or times as required by the OFA;

(b) repayment of advances made under the loan plus accrued interest may be made in whole or in part at any time provided that the loan plus any accrued interest shall be fully repaid by December 31, 2047;

(c) each advance (an “Advance”) made under the loan hereby authorized shall bear interest at a rate which is determined as follows:

(i) from the date of the Advance to (but excluding) the date of repayment the Advance shall bear interest at a per annum rate equivalent to the yield earned on ninety day Province of Ontario treasury bills on the date before the Advance Date as determined by the Province, provided that if an Advance is outstanding for longer than ninety days, the interest rate shall be reset on the last day of each ninety day period (the “Reset Date”) to the yield earned on ninety day Province of Ontario treasury bills immediately preceding the Reset Date for such ninety day period as determined by the Province;

(ii) in the event that moneys included in an Advance are used by the OFA for the purpose of funding loans to third parties (a “Third Party Loan”), the rate of interest payable by the OFA to the Province on the portion of the Advance so used shall be adjusted effective as of the date that the portion of the Advance is used to fund the Third Party Loan so that the per annum rate of interest payable by the OFA on such moneys is equivalent to the per annum rate of interest payable to the OFA under the Third Party Loan less an amount as may be determined by the Minister of Finance in respect of such Third Party Loan or a class of such Third Party Loans, until but excluding the date on which the Third Party Loan is repaid, at which time the interest rate set out in subparagraph (i) shall again be applicable to that portion of the Advance; and

(iii) in the event that moneys described in subparagraph (ii), once repaid, are subsequently used to fund loans to third parties, subparagraph (ii) shall again be applicable in determining the interest rate payable to the Province on that portion of the Advance used to fund such loan, and so on, until the Advance shall be repaid to the Province in full;

(iv) despite subparagraphs (ii) and (iii), in the event that no interest is payable to the OFA under a Third Party Loan, no interest shall be payable by the OFA on the portion of the Advance so used and to the extent that the terms of a Third Party Loan provide for the deferral of the payment of accrued interest for a period, the interest payment terms of an Advance or portion thereof shall also be deferred for a similar period.

(d) interest for any period of less than one year shall be payable for the actual number of days included in such period, computed on the basis of a 365-day year;

(e) despite paragraph (b) of this Order, interest on any portion of an Advance made to the OFA under the loan that is used by the OFA to fund a Third Party Loan shall accrue on the basis stated above but shall become payable only to the extent the OFA receives payment of interest under the relevant Third Party Loan;

(f) despite paragraph (b) of this Order, any portion of the principal of an Advance made to the OFA under the loan that is used by the OFA to fund a Third Party Loan shall become payable only to the extent the OFA receives repayment of principal under the relevant Third Party Loan; and

(g) the loan hereby authorized shall be evidenced by a promissory note.

_____

ATTENDU QUE le ministre des Finances peut, en vertu du paragraphe 22 (1) de la *Loi de 1993 sur le plan d'investissement* (la « Loi »), acheter des valeurs mobilières des personnes morales créées en vertu du paragraphe 2 (1) de la Loi ou leur consentir des prêts selon les montants, aux moments et aux conditions que le lieutenant-gouverneur en conseil estime opportuns;

ATTENDU QUE l'Office ontarien de financement (l'« OOF ») est une personne morale créée en vertu du paragraphe 2 (1) de la Loi;

ATTENDU QUE, conformément au paragraphe 6 (3) de la Loi, le pouvoir qu'ont les personnes morales créées en vertu du paragraphe 2 (1) de la Loi de contracter des emprunts et d'émettre des valeurs mobilières, entre autres, ne peut être exercé qu'aux termes d'un règlement administratif approuvé par le ministre des Finances;

ATTENDU QUE l'OOF souhaite emprunter jusqu'à concurrence de deux milliards de dollars en monnaie légale du Canada du ministre des Finances et qu'il a été autorisé à le faire par un règlement administratif d'emprunt approuvé conformément à la Loi;

PAR CONSÉQUENT :

en vertu du paragraphe 22 (1) de la Loi, le ministre des Finances est autorisé à prêter un montant maximal de deux milliards de dollars en monnaie légale du Canada à l'OOF, aux conditions suivantes :

a) le prêt peut être consenti selon les montants et aux moments qui conviennent à l'OOF;

b) le remboursement des avances consenties au titre du prêt, plus les intérêts courus, peut à tout moment être effectué en totalité ou en partie, pourvu que le prêt et les intérêts courus soient entièrement remboursés au plus tard le 31 décembre 2047;

c) chaque avance (« avance ») faite au titre du prêt autorisé par les présentes portera intérêt au taux est fixé comme suit :

(i) de la date où elle a été faite jusqu'à la date (non comprise) de son remboursement, l'avance portera intérêt à un taux annuel équivalant au rendement gagné sur des bons du Trésor de la province de l'Ontario de quatre-vingt-dix jours à la date précédant la date de l'avance fixée par la province, pourvu que ce taux d'intérêt soit rajusté le dernier jour de chaque période de quatre-vingt-dix jours (« date de rajustement ») selon le rendement gagné sur de tels bons du Trésor immédiatement avant la date de rajustement pour une période de quatre-vingt-dix jours décidée par la province, si l'avance est impayée pendant plus de quatre-vingt-dix jours;

(ii) dans l'éventualité où l'OOF se servirait de sommes comprises dans une avance pour financer des prêts à des tiers, le taux d'intérêt à payer par l'OOF à la province sur la partie de l'avance ainsi utilisée sera rajusté à la date à laquelle la partie de l'avance sera utilisée pour le financement du prêt à un tiers de façon que le taux d'intérêt annuel à payer par l'OOF sur de telles sommes soit équivalent à ce

dernier taux moins un montant que pourra fixer le ministre des Finances à l'égard d'un tel prêt ou d'une telle catégorie de prêt, jusqu'à la date (non comprise) à laquelle le prêt à un tiers sera remboursé, date à laquelle le taux d'intérêt établi au sous-alinéa (i) s'appliquera de nouveau à cette partie de l'avance;

(iii) dans l'éventualité où les sommes décrites au sous-alinéa (ii), une fois remboursées, seraient ultérieurement utilisées pour le financement de prêts à des tiers, le sous-alinéa (ii) s'appliquera de nouveau dans l'établissement du taux d'intérêt à payer à la province sur la partie de l'avance utilisée à cette fin, et ainsi de suite, jusqu'à ce que l'avance ait été remboursée intégralement à la province;

(iv) malgré les sous-alinéas (ii) et (iii), dans l'éventualité où aucun intérêt ne serait payable à l'OOF au titre d'un prêt à un tiers, aucun intérêt ne sera à payer par l'OOF sur la partie de l'avance ainsi utilisée et dans la mesure où les conditions du prêt à un tiers prévoient le report du paiement d'intérêts courus pour une période, le paiement d'intérêts au titre d'une avance ou d'une partie d'une avance sera également reporté pour une période d'égale durée;

d) l'intérêt payable relativement à toute période de moins d'un an sera calculé en fonction du nombre de jours réellement compris dans cette période, par rapport à une année comptant 365 jours;

e) par dérogation à l'alinéa a) ci-dessus, l'intérêt sur toute partie d'une avance consentie à l'OOF dans le cadre du prêt que cette dernière utilise pour financer un prêt à un tiers est calculé comme il est indiqué ci-dessus, mais cet intérêt devient payable uniquement dans la mesure où l'OOF reçoit un paiement d'intérêts au titre du prêt à un tiers;

f) par dérogation à l'alinéa b) ci-dessus, toute partie du capital d'une avance consentie à l'OOF dans le cadre du prêt que cette dernière utilise pour financer un prêt à un tiers devient payable uniquement dans la mesure où l'OOF reçoit un remboursement du capital au titre du prêt à un tiers

g) le prêt autorisé en vertu des présentes sera attesté par un billet à ordre.

_____

Recommended: Minister of Finance
Recommandé par : Le ministre des Finances

_____

Concurred: Chair of Cabinet
Appuyé par : Le président/la présidente du Conseil des ministres

Approved and Ordered:
Approuvé et décrété le :

_____

Lieutenant Governor
La lieutenante-gouverneure

From:	Whitfield, Tobias P. (MOF)
To:	Mike Manning; Ken Kandeepan; Opal Kandelas
Cc:	Malle Hanslep (MOF); Ronald Kwan
Subject:	FW: OPG/IESO Indemnities - Section 28 Approvals
Date:	Wednesday, May 24, 2017 3:26:18 PM
Attachments:	OPG Indemnity - Torys, OPG Comments (May 17, 2017).docx Blackline OPG Indemnity.pdf 20170515-s.28 business case - IESO and OPG Indemnity OFHP -DRAFT FINALPK....docx 20170523-IESO Indemnity Agreement Confidential track changes -ENERGY LSB....docx

FYI,

Indemnity materials, as discussed.

Toby

Tobias Whitfield
Counsel, Legal Services Branch
Ministry of Finance
tobias.whitfield@ontario.ca
Phone: 416-325-1456

From: Kaufman, Paul (TBS)
Sent: May 24, 2017 11:25 AM
To: Hanslep, Malle (MOF); Whitfield, Tobias P. (MOF)
Cc: Compagnone, Lisa (TBS)
Subject: RE: OPG/IESO Indemnities - Section 28 Approvals

Hi again – the TBS DM has agreed with the staff recommendation here that it would be best if this request went to the Minister of Finance rather than the President of TB, since it primarily covers financing activities and since it fits in with/overlaps with some of the other activities that MOF and the OFA are more directly involved in.

I know this is coming somewhat late so wanted to check in with you both to make sure you're comfortable with that approach before I suggest to Harkamal that she and her clients direct their request to MOF. Happy to stay involved or help out, or discuss if you have concerns.

Thanks,

Paul

Paul Kaufman
Counsel
Ministry of the Attorney General | Legal Services Branch | Treasury Board Secretariat
9th Floor, 77 Wellesley Street West, Ferguson Block, Toronto, ON M7A 1N3
Phone: 416-327-7012 Fax: 416-325-9404

This email contains privileged and confidential information intended only for the personal and confidential use of the recipient(s) named above. If the reader of this email is not an intended recipient, you have received this email in error and any review, dissemination, distribution or copying is strictly prohibited. If you have received this email in error, please notify the sender immediately by return email and permanently delete the copy you received. Thank you.

From: Kaufman, Paul (TBS)
Sent: May-24-17 10:24 AM
To: Hanslep, Malle (MOF); Whitfield, Tobias P. (MOF)
Cc: Compagnone, Lisa (TBS)
Subject: FW: OPG/IESO Indemnities - Section 28 Approvals

Hi – as discussed with Malle just now, attached are the latest materials that we received through energy legal, and a note to the TBS client that summarizes a discussion I had this morning with Harkamal about this.

Thanks,

Paul

Paul Kaufman
Counsel
Ministry of the Attorney General | Legal Services Branch | Treasury Board Secretariat
9th Floor, 77 Wellesley Street West, Ferguson Block, Toronto, ON M7A 1N3
Phone: 416-327-7012 Fax: 416-325-9404

This email contains privileged and confidential information intended only for the personal and confidential use of the recipient(s) named above. If the reader of this email is not an intended recipient, you have received this email in error and any review, dissemination, distribution or copying is strictly prohibited. If you have received this email in error, please notify the sender immediately by return email and permanently delete the copy you received. Thank you.

From: Kaufman, Paul (TBS)
Sent: May-24-17 10:17 AM
To: Strang, James (TBS)
Cc: Fung, Felix (TBS); Compagnone, Lisa (TBS)
Subject: FW: OPG/IESO Indemnities - Section 28 Approvals

James, I spoke to counsel at Energy about the proposed revisions to the boilerplate indemnity agreements. I told her that some minor clarifications to the existing text likely wouldn't raise concerns here, but that even minor changes might add some time to the approvals process on our end.

The changes that OPG is proposing are more substantive in nature and in a number of cases seem like they would result in the province assuming more than a reasonable amount of risk. Energy legal agrees with this and it sounds like energy is going to push back pretty hard with OPG. They also understand that we'll need them to provide a rationale for any substantive deviations from the original draft agreements.

It sounds like Energy is hoping to finalize the agreements today or tomorrow and proceed with approvals on their end. They hope to get us a minister-signed request by early next week, but will share the materials that they send up the line in the interim.

I also flagged the appropriations issue and they are going to consider it further. I didn't note the section 22 option because, as discussed, it's not clear if MOF would be comfortable with it. Our branch is going to discuss this file with MOF legal today, and we understand they are also talking to the OFA today.

Paul

Paul Kaufman
Counsel
Ministry of the Attorney General | Legal Services Branch | Treasury Board Secretariat
9th Floor, 77 Wellesley Street West, Ferguson Block, Toronto, ON M7A 1N3
Phone: 416-327-7012 Fax: 416-325-9404

This email contains privileged and confidential information intended only for the personal and confidential use of the recipient(s) named above. If the reader of this email is not an intended recipient, you have received this email in error and any review, dissemination, distribution or copying is strictly prohibited. If you have received this email in error, please notify the sender immediately by return email and permanently delete the copy you received. Thank you.

From: Multani, Harkamal (ENERGY)
Sent: May-23-17 7:02 PM
To: Kaufman, Paul (TBS)
Cc: Strang, James (TBS); Montgomery, Kaitlin (MOF); Ho, Larissa (ENERGY)
Subject: RE: OPG/IESO Indemnities - Section 28 Approvals

Thanks for this Paul.

We received comments back from OPG and IESO on the Business case as well as on the indemnity agreements. I've attached the updated business case that includes changes to reflect your comments as well as OPG and IESO's comments. Please let us know if you have any further concerns.

On the indemnity agreements, we are working through the proposed changes that both IESO and OPG have proposed to them. The IESO indemnity agreement changes that the IESO has proposed appear to be okay, and I've just made some further edits/comments that I am in the process of clarifying with IESO. Could you please take a look at the attached and let us know if there are any concerns from your end on the changes?

The OPG changes to its indemnity agreement are much more substantial and we are working through them still, however, I am wondering whether you can take a look and let us know if you or your policy clients have any significant concerns as well in the interests of time. The changes seem to be more for clarity, but given that they differ from the standard template language just wanted to make sure TBS is comfortable. Both clean and tracked versions of the OPG indemnity agreement are attached.

If it is easier and would be quicker to have a call to discuss, I would be happy to set something up.

Thank you,

Harkamal

Harkamal Multani
Counsel
Legal Services Branch

ENERGY/MOI/MEDG/MRIS/ADO
Email: harkamal.multani@ontario.ca
Tel: 416-212-5409
THIS MESSAGE IS CONFIDENTIAL AND MAY CONTAIN INFORMATION THAT MAY BE SUBJECT TO SOLICITOR-CLIENT PRIVILEGE. If you are not the intended recipient, please delete this message together with any attachments.

From: Kaufman, Paul (TBS)
Sent: May-18-17 4:24 PM
To: Multani, Harkamal (ENERGY)
Cc: Strang, James (TBS); Montgomery, Kaitlin (MOF); Christie, Tim (ENERGY)
Subject: RE: OPG/IESO Indemnities - Section 28 Approvals

Thanks, Harkamal. I had a few fairly minor comments on the business case, set out in the attached. Let me know if you want to discuss.

Paul

Paul Kaufman
Counsel
Ministry of the Attorney General | Legal Services Branch | Treasury Board Secretariat
9th Floor, 77 Wellesley Street West, Ferguson Block, Toronto, ON M7A 1N3
Phone: 416-327-7012 Fax: 416-325-9404

This email contains privileged and confidential information intended only for the personal and confidential use of the recipient(s) named above. If the reader of this email is not an intended recipient, you have received this email in error and any review, dissemination, distribution or copying is strictly prohibited. If you have received this email in error, please notify the sender immediately by return email and permanently delete the copy you received. Thank you.

From: Multani, Harkamal (ENERGY)
Sent: May-17-17 5:27 PM
To: Kaufman, Paul (TBS)
Cc: Strang, James (TBS); Montgomery, Kaitlin (MOF); Christie, Tim (ENERGY)
Subject: RE: OPG/IESO Indemnities - Section 28 Approvals

Thanks very much Paul – we've asked OPG/IESO to provide us with specifics on the risks as they would be in the best position to advise on these. I am hoping to receive their input by tomorrow and will send to you accordingly.

On the timing of the security offerings, I am assuming you are asking about the security offerings to be made to the investors with respect to the special purpose entity. We don't have a certain date but generally I believe we are looking at some time in Fall 2017 (Tim/Kaitlin, please correct me if I am wrong on this).

If you have further questions, please let us know.

Best regards,

Harkamal

Harkamal Multani
Counsel
Legal Services Branch
ENERGY/MOI/MEDG/MRIS/ADO
Email: harkamal.multani@ontario.ca
Tel: 416-212-5409
THIS MESSAGE IS CONFIDENTIAL AND MAY CONTAIN INFORMATION THAT MAY BE SUBJECT TO SOLICITOR-CLIENT PRIVILEGE. If you are not the intended recipient, please delete this message together with any attachments.

From: Kaufman, Paul (TBS)
Sent: May-17-17 4:50 PM
To: Multani, Harkamal (ENERGY)
Cc: Strang, James (TBS); Montgomery, Kaitlin (MOF); Christie, Tim (ENERGY)
Subject: RE: OPG/IESO Indemnities - Section 28 Approvals

Hi Harkamal – we're still reviewing whether this might go to MOF instead of TBS, but in the interim had some questions from the information set out in the business case:

Can some examples of the risks associated with securities offerings (generally, typically)be provided, and on how Energy might mitigate those risks risk?

Also, can Energy provide info on timing of securities offerings (when expecting to be in the market)?

I'll have some more technical feedback that I'll likely get to you tomorrow.

Thanks,

Paul

Paul Kaufman
Counsel
Ministry of the Attorney General | Legal Services Branch | Treasury Board Secretariat
9th Floor, 77 Wellesley Street West, Ferguson Block, Toronto, ON M7A 1N3
Phone: 416-327-7012 Fax: 416-325-9404

This email contains privileged and confidential information intended only for the personal and confidential use of the recipient(s) named above. If the reader of this email is not an intended recipient, you have received this email in error and any review, dissemination, distribution or copying is strictly prohibited. If you have received this email in error, please notify the sender immediately by return email and permanently delete the copy you received. Thank you.

From: Multani, Harkamal (ENERGY)

Sent: May-16-17 3:12 PM
To: Kaufman, Paul (TBS)
Cc: Fung, Felix (TBS); Strang, James (TBS); Montgomery, Kaitlin (MOF); Christie, Tim (ENERGY)
Subject: OPG/IESO Indemnities - Section 28 Approvals

Hi Paul,

As discussed, I've attached our draft s.28 approval materials as well as the indemnity agreements for the IESO and OPG. We are also consulting further with OPG and IESO on providing input on the risks to them if the indemnities are not provided so there may be further changes to these materials based on comments from OPG/IESO. These materials are drafts for TBS legal/policy review and input before we finalize. Once we've addressed TBS' comments we will submit the finalized documents for formal s.28 approval.

As mentioned, we require the section 28 approval by June 1, 2017, so if there is anything we can do to assist with speeding things up, please let us know as we recognize these are tight timelines.

Also, I understand that this is to go to TBS for approval (this goes back to our conversation earlier, whether Finance or TBS needs to approve). Please let us know if you hear otherwise.

If you require anything else from us please let us know. I've copied our program area clients on this email as well.

Many thanks,

Harkamal

Harkamal Multani
Counsel
Legal Services Branch
ENERGY/MOI/MEDG/MRIS/ADO
Email: harkamal.multani@ontario.ca
Tel: 416-212-5409
THIS MESSAGE IS CONFIDENTIAL AND MAY CONTAIN INFORMATION THAT MAY BE SUBJECT TO SOLICITOR-CLIENT PRIVILEGE. If you are not the intended recipient, please delete this message together with any attachments.

Comments from OPG
May 18, 2017

CONFIDENTIAL DRAFT

INDEMNITY AGREEMENT

THIS INDEMNITY AGREEMENT effective as of this day of June, 2017.

BETWEEN: **Ontario Power Generation Inc.**
(hereinafter the "**Corporation**")

OF THE FIRST PART,

Her Majesty the Queen in Right of the Province of Ontario as Represented by the Minister of Energy

(hereinafter called the "**Province**")

OF THE SECOND PART

WHEREAS the Corporation and/or one or more of its subsidiaries may or, in certain circumstances is or will be required to, carry out certain activities with respect to (i) the *Ontario Fair Hydro Plan Act, 2017* (the "**Act**"), (ii) the regulations made pursuant to the Act, and/or (iii) the agreements (A) relating to any financing entity (as defined in the Act) and/or any debt issued by any such financing entity and/or (B) to which any such financing entity is a party (the Act, such regulations and agreements, collectively the "**Fair Hydro Plan**").

AND WHEREAS the Corporation, its subsidiaries and each of their respective directors, officers and employees may face risk of liability due to or as a result of the Fair Hydro Plan.

NOW THEREFORE, in consideration of the sum of $1.00 now paid by the Corporation to the Province and other good and valuable consideration (the receipt of which is hereby acknowledged), the Province hereby agrees:

1. To indemnify, defend and save harmless the Corporation, each of the Corporation's subsidiaries and each of their respective directors, officers, and employees (collectively the "**Protected Persons**" and individually, a "**Protected Person**") from and against all losses, costs, damages, charges, expenses, demands, liabilities, taxes, fines, penalties, statutory payments, judgments and/or settlement amounts directly or indirectly suffered, sustained or incurred by any Protected Person, including any special, indirect, incidental, punitive, exemplary and/or consequential damages and/or loss of profits and damages in respect of economic loss and/or loss of opportunity, and all legal and other professional fees and out-of-pocket expenses (collectively, "**Losses**"), in relation to any civil, criminal, administrative, investigative and/or other claim, demand, action, suit, application, litigation, charge, complaint, prosecution, assessment, reassessment, investigation (formal or informal), hearing and/or

other proceeding of any nature or kind whatsoever (any of the foregoing being a "**Claim**") arising, directly or indirectly, as a result of the Corporation's, any of the Corporation's subsidiaries and/or any such other Protected Person's activities, acts and/or omissions in the implementation of, or otherwise relating to, the Fair Hydro Plan (including, without limitation, where a Protected Person is acting, at the request of the Corporation, in a different capacity than as a director, officer or employee of the Corporation or a subsidiary of the Corporation).

2. This indemnity does not apply with respect to Losses of a Protected Person:

    (a) for which coverage is provided under an insurance policy but only to the extent that a Protected Person is actually paid under such insurance policy for those Losses; or

    (b) for which other indemnities are already provided to a Protected Person but only to the extent that the Protected Person is actually so indemnified for those Losses by such indemnities; or

    (c) if and to the extent that a court of competent jurisdiction in a final, non-appealable judgment determines that the Claim associated with such Losses resulted from the gross negligence or willful misconduct of the Protected Person claiming such indemnity; for greater certainty, and notwithstanding Section 2(d), the Province agrees that it does not intend that any failure by a Protected Person to conduct such reasonable investigation as necessary to provide the Corporation, a subsidiary of the Corporation or a financing entity, as applicable, with reasonable grounds for believing any prospectus, registration statement, offering document or any other document filed by, or on behalf of, a financing entity under applicable securities laws contained no misrepresentation shall constitute "gross negligence" or "wilful misconduct" for purposes of this Section 2(c) or otherwise disentitle a Protected Person from indemnification hereunder; or

    (d) to the extent arising from any circumstances in which a Protected Person did not have reasonable grounds for believing that the Protected Person's conduct was lawful in the case of a criminal or administrative action or proceeding that enforces a monetary penalty.

3. In order to be entitled to indemnification hereunder in respect of any Losses, the Protected Person shall:

    (a) as soon as practicable, deliver to the Province (through the Director of the Legal Services Branch of the Ministry of Energy) a notice setting forth in reasonable detail the particulars of any Claim;

    (b) upon written request of the Province, furnish to the Province copies of any document, or provide to the Province any information, that relates to the Claims that is in the possession or under the control of the Protected Person (except to the extent that provision of same would cause the Protected Party to lose its entitlement to claim privilege with respect to same);

DRAFT

(c) take all reasonable steps, at the expense of the Province, necessary to secure and preserve the rights of the Protected Person in respect of the Claim; and

(d) promptly take all reasonable steps to obtain indemnification to the fullest extent possible under insurance policies, or under indemnities provided by the Corporation, that are referred to in subsections 2(a) or (b) above.

A failure to give prompt notice as provided in this section 3 shall not affect the rights or obligations of any party to this indemnity unless and only to the extent that such failure to provide such prompt notice has actually prejudiced the Province.

4. The Province shall have the right to participate in or, where the Province has confirmed in writing to the applicable Protected Person(s) that all Losses in respect of a Claim will be fully indemnified under this indemnity agreement, assume control of the negotiation, settlement or defence of the Claim and in no event shall a Protected Person negotiate, settle, compromise or pay the Claim without the prior written consent of the Province, such consent not to be unreasonably withheld, delayed or conditioned. If the Province elects to so participate in or assume control of the negotiation, settlement or defence of the Claim, the applicable Protected Person(s) shall co-operate fully with the Province in connection with the same, and each applicable Protected Person shall agree to be represented by legal counsel chosen by the Province, unless, in the opinion of such legal counsel, there would arise a conflict of interest preventing such legal counsel from representing the applicable Protected Person. Where it is such legal counsel's opinion that a conflict of interest prevents that legal counsel representing a Protected Person, the Protected Person will be entitled, after consultation with the Province and acting reasonably, to obtain legal counsel of the Protected Person's choice, and the fees and expenses of the Protected Person's counsel incurred in the Protected Person's representation shall be Losses to which this indemnity extends. The Province shall not agree to any settlement of a Claim on behalf of a Protected Person without the Protected Person's written consent unless (i) the terms of such settlement require only the payment of money (by persons or entities other than the Protected Person) and include an unconditional, full release of the Protected Person, and do not require a Protected Person to admit any wrongdoing or take or refrain from taking any action and (ii) the Province has fully indemnified the Protected Person with respect to, and held the Protected Person harmless from and against, all Losses incurred by or on behalf of the Protected Person in connection with the Claim.

5. The Province shall reimburse or advance the funds necessary for the payment of Losses incurred in connection with any Claim, including without limitation, the investigation, monitoring, defence and appeal thereof, in advance of the final disposition of such Claim, within thirty (30) days of any request in writing by a Protected Person to the Province for such reimbursement or advance, accompanied by reasonable details and supporting documentation with respect to the Losses in respect of which such reimbursement or advance is requested. The Protected Person shall repay forthwith any advances that are ultimately in excess of amounts necessary for payment of any such Losses or for which it is judicially determined that the Protected Person is not entitled to indemnification hereunder.

DRAFT

6. The Province hereby waives any claim it, as the shareholder of the Corporation, could otherwise make against a Protected Person, whether now or in the future, relating in any way to the Corporation's, any of the Corporation's subsidiaries and/or any such other Protected Person's activities, acts and/or omissions in the implementation of, or otherwise relating to, the Fair Hydro Plan (including, without limitation, where a Protected Person is acting, at the request of the Corporation, in a different capacity than as a director, officer or employee of the Corporation or a subsidiary of the Corporation).

7. The Province represents and warrants to each Protected Person as follows and acknowledges that each Protected Person is relying on the following representations and warranties in connection with any and all of its activities, acts and/or omissions in the implementation of, or otherwise relating to, the Fair Hydro Plan (including where a Protected Person is acting, at the request of the Corporation, in a different capacity than as a director, officer or employee of the Corporation or a subsidiary of the Corporation):

    (a) the Province has all necessary power, authority and capacity to enter into this indemnity agreement and to perform its obligations hereunder;

    (b) all necessary actions have been taken by the Province or on the Province's part to authorize its execution and delivery of this indemnity agreement and the performance of its obligations hereunder, and without limiting the foregoing, the Province has received all necessary approvals under the *Financial Administration Act* (Ontario) (including approval of the Minister of Finance pursuant to Section 28 of the *Financial Administration Act* (Ontario)) and under the Act required for it to enter into this indemnity agreement and perform its obligations hereunder;

    (c) this indemnity agreement has been duly executed and delivered by the Province and is a legal, valid and binding obligation of it enforceable against it in accordance with its terms, except as that enforcement may be limited by the provisions of the *Proceedings Against the Crown Act* (Ontario), subject to bankruptcy, insolvency, reorganization, moratorium or similar laws now or hereinafter in effect relating to creditors' rights generally, to the application of equitable principles and except that equitable remedies may be granted only in the discretion of a court of competent jurisdiction, to section 11.3 of the *Financial Administration Act* (Ontario) and to section 43 of the *Financial Administration Act* (Ontario).

8. It is the intention of the Province to constitute the Corporation as trustee for the Protected Parties that are not party to this indemnity agreement of the covenants, waivers, representations, warranties and obligations of the Province under this indemnity agreement and the Corporation agrees to accept such trust and to hold and enforce such covenants, representations, warranties and obligations on behalf of such Protected Parties.

9. This indemnity agreement shall be interpreted and governed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

DRAFT

10. The provisions of this indemnity agreement and the benefit of all covenants, waivers, representations, warranties and other obligations herein contained shall enure to the benefit of the Protected Persons and the Protected Persons' heirs, administrators, executors and assigns as applicable.

NOW THEREFORE, the parties have executed this indemnity as of the day and year first above written.

ONTARIO POWER GENERATION INC.

By: _____

HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF ONTARIO, AS REPRESENTED BY THE MINISTER OF ENERGY

By: _____

Glenn Thibeault
Minister of Energy

DRAFT

Comments from OPG
May 18, 2017

CONFIDENTIAL DRAFT

INDEMNITY AGREEMENT

THIS INDEMNITY AGREEMENT effective as of this day of June, 2017.

BETWEEN: **Ontario Power Generation Inc.**
(hereinafter the "**Corporation**")

OF THE FIRST PART,

Her Majesty the Queen in Right of the Province of Ontario as Represented by the Minister of Energy

(hereinafter called the "**Province**")~~,~~

OF THE SECOND PART

WHEREAS the Corporation ~~is~~and/or one or more of its subsidiaries may or, in certain circumstances is or will be required to, carry out certain activities with respect to ~~the implementation of~~(i) the *Ontario Fair Hydro Plan Act* ~~(the "Act~~, *2017* (the "Act"), (ii) the regulations made pursuant to the Act, and/or (iii) the agreements (A) relating to any financing entity (as defined in the Act) and/or any debt issued by any such financing entity and/or (B) to which any such financing entity is a party (the Act, such regulations and agreements, collectively the "Fair Hydro Plan").

AND WHEREAS the Corporation, its subsidiaries and each of their respective directors, officers and employees may face risk of liability ~~which extends beyond the typical operations risk of the Corporation and which may arise solely due to the Corporation's role in the implementation~~due to or as a result of the ~~Act.~~Fair Hydro Plan.

NOW THEREFORE, in consideration of the sum of $1.00 now paid by the Corporation to the Province and other good and valuable consideration (the receipt of which is hereby acknowledged), the Province hereby agrees:

1. ~~to~~To indemnify, defend and save harmless the Corporation, each of the Corporation's subsidiaries and each of ~~its~~their respective directors, officers, and employees (collectively the "**Protected Persons**" and individually, a "**Protected Person**") from and against all losses, costs, damages, charges, expenses, ~~claims,~~ demands ~~and~~, liabilities, taxes, fines, penalties, statutory payments, judgments and/or settlement amounts directly or indirectly suffered, sustained or incurred by ~~the Protected Persons arising specifically~~any Protected Person, including any special, indirect, incidental, punitive, exemplary and/or consequential damages and/or loss

of profits and damages in respect of economic loss and/or loss of opportunity, and all legal and other professional fees and out-of-pocket expenses (collectively, "Losses"), in relation to any civil, criminal, administrative, investigative and/or other claim, demand, action, suit, application, litigation, charge, complaint, prosecution, assessment, reassessment, investigation (formal or informal), hearing and/or other proceeding of any nature or kind whatsoever (any of the foregoing being a "Claim") arising, directly or indirectly, as a result of the Corporation's, any of the Corporation's subsidiaries and/or any such other Protected ~~Persons' direct role in carrying out~~Person's activities ~~related to~~, acts and/or omissions in the implementation of, or otherwise relating to, the ~~Act (collectively, "Claims" and individually, a "Claim"),~~ Fair Hydro Plan (including, without limitation, where a Protected Person is acting, at the request of the Corporation, in a different capacity than as a director, officer or employee of the Corporation or a subsidiary of the Corporation).

2. This indemnity does not apply with respect to ~~Claims~~Losses of a Protected Person:

(a) for which coverage is provided under an insurance policy ~~or claims fund~~but only to the extent that a Protected Person is actually ~~so indemnified or covered~~paid under such insurance policy ~~or fund~~for those Losses; or

(b) for which other indemnities are already provided to a Protected Person but only to the extent that the Protected Person is actually so indemnified for those Losses by such indemnities; or

(c) ~~brought about or contributed to by a Protected Person's dishonesty, gross negligence or willful misconduct if a judgment or other final adjudication adverse to the Protected Person establishes that there was dishonesty, gross negligence or willful misconduct on the Protected Person's part which was material to the cause of action as adjudicated; or~~if and to the extent that a court of competent jurisdiction in a final, non-appealable judgment determines that the Claim associated with such Losses resulted from the gross negligence or willful misconduct of the Protected Person claiming such indemnity; for greater certainty, and notwithstanding Section 2(d), the Province agrees that it does not intend that any failure by a Protected Person to conduct such reasonable investigation as necessary to provide the Corporation, a subsidiary of the Corporation or a financing entity, as applicable, with reasonable grounds for believing any prospectus, registration statement, offering document or any other document filed by, or on behalf of, a financing entity under applicable securities laws contained no misrepresentation shall constitute "gross negligence" or "wilful misconduct" for purposes of this Section 2(c) or otherwise disentitle a Protected Person from indemnification hereunder; or

(d) to the extent arising from any circumstances in which a Protected Person did not have reasonable grounds for believing that the Protected Person's conduct was

lawful in the case of a criminal or administrative action or proceeding that enforces a monetary penalty.

3. In order to be entitled to indemnification hereunder in respect of any ~~notice of a Claim that the Protected Person receives~~Losses, the Protected Person ~~must~~shall:

   (a) ~~immediately and without delay~~as soon as practicable, deliver to the Province (through the Director of the Legal Services Branch of the Ministry of Energy) a notice setting forth in reasonable detail the particulars of ~~the~~any Claim~~(s)~~;

   (b) upon written request of the Province, furnish to the Province copies of any document, or provide to the Province any information, that relates to the Claims~~(s)~~ that is in the possession or under the control of the Protected Person (except to the extent that provision of same would cause the Protected Party to lose its entitlement to claim privilege with respect to same);

   (c) take all reasonable steps, at the expense of the Province, necessary to secure and preserve the rights of the Protected Person in respect of the Claim~~(s)~~; and

   (d) promptly take all ~~necessary~~reasonable steps to obtain indemnification ~~or coverage~~ to the fullest extent possible under insurance policies ~~or claims funds~~, or under indemnities provided by the Corporation, that are referred to in subsections 2(a) or (b) above.

   A failure to give prompt notice as provided in this section 3 shall not affect the rights or obligations of any party to this indemnity~~,~~ unless and only to the extent that~~, as a result of~~ such failure~~, the party which was entitled to receive~~ to provide such prompt notice ~~was~~has actually prejudiced the Province.

4. The Province shall have the right to participate in or, where the Province has confirmed in writing to the applicable Protected Person(s) that all Losses in respect of a Claim will be fully indemnified under this indemnity agreement, assume control of the negotiation, settlement or defence of the Claim~~(s)~~ and in no event shall a Protected Person negotiate, settle, compromise or pay the Claim~~(s)~~ without the prior written consent of the Province, such consent not to be unreasonably withheld, delayed or conditioned. If the Province elects to so participate in or assume control of the negotiation, settlement or defence of the Claim~~(s)~~, the applicable Protected Person(s) shall co-operate fully with the Province in connection with the same, and ~~the~~each applicable Protected Person shall agree to be represented by legal counsel chosen by the Province, unless, in the opinion of such legal counsel, there would arise a conflict of interest preventing such legal counsel from representing the applicable Protected Person. Where it is such legal counsel's opinion that a conflict of interest prevents that legal counsel representing ~~the~~a Protected Person, the Protected Person will be entitled, after consultation with the Province and acting reasonably, to obtain legal counsel of the Protected Person's choice, and the fees and expenses of the Protected Person's counsel incurred in the Protected Person's representation shall be ~~costs~~Losses to which this indemnity extends. The Province shall not agree to any settlement of a Claim on behalf of

a Protected Person without the Protected Person's written consent unless (i) the terms of such settlement require only the payment of money (by persons or entities other than the Protected Person) and include an unconditional, full release of the Protected Person, and do not require a Protected Person to admit any wrongdoing or take or refrain from taking any action and (ii) the Province has fully indemnified the Protected Person with respect to, and held the Protected Person harmless from and against, all Losses incurred by or on behalf of the Protected Person in connection with the Claim.

5. ~~For greater clarity, with respect to directors, officers and employees of the Corporation this indemnity shall only apply to Claim(s) that are referable to the period during which a director, officer or employee of the Corporation is actually a director, officer or employee (respectively) of the Corporation, and of which notice is received by the Province either during the period of time that the director, officer, or employee is a director officer, employee of the Corporation or after he or she ceases to be a director, officer, employee of the Corporation.~~ The Province shall reimburse or advance the funds necessary for the payment of Losses incurred in connection with any Claim, including without limitation, the investigation, monitoring, defence and appeal thereof, in advance of the final disposition of such Claim, within thirty (30) days of any request in writing by a Protected Person to the Province for such reimbursement or advance, accompanied by reasonable details and supporting documentation with respect to the Losses in respect of which such reimbursement or advance is requested. The Protected Person shall repay forthwith any advances that are ultimately in excess of amounts necessary for payment of any such Losses or for which it is judicially determined that the Protected Person is not entitled to indemnification hereunder.

6. The Province hereby waives any claim it, as the shareholder of the Corporation, could otherwise make against a Protected Person, whether now or in the future, relating in any way to the Corporation's, any of the Corporation's subsidiaries and/or any such other Protected Person's activities, acts and/or omissions in the implementation of, or otherwise relating to, the Fair Hydro Plan (including, without limitation, where a Protected Person is acting, at the request of the Corporation, in a different capacity than as a director, officer or employee of the Corporation or a subsidiary of the Corporation).

7. The Province represents and warrants to each Protected Person as follows and acknowledges that each Protected Person is relying on the following representations and warranties in connection with any and all of its activities, acts and/or omissions in the implementation of, or otherwise relating to, the Fair Hydro Plan (including where a Protected Person is acting, at the request of the Corporation, in a different capacity than as a director, officer or employee of the Corporation or a subsidiary of the Corporation):

   (a) the Province has all necessary power, authority and capacity to enter into this indemnity agreement and to perform its obligations hereunder;

   (b) all necessary actions have been taken by the Province or on the Province's part to authorize its execution and delivery of this indemnity agreement and the performance of its obligations hereunder, and without limiting the

foregoing, the Province has received all necessary approvals under the *Financial Administration Act* (Ontario) (including approval of the Minister of Finance pursuant to Section 28 of the *Financial Administration Act* (Ontario)) and under the Act required for it to enter into this indemnity agreement and perform its obligations hereunder;

(c) this indemnity agreement has been duly executed and delivered by the Province and is a legal, valid and binding obligation of it enforceable against it in accordance with its terms, except as that enforcement may be limited by the provisions of the *Proceedings Against the Crown Act* (Ontario), subject to bankruptcy, insolvency, reorganization, moratorium or similar laws now or hereinafter in effect relating to creditors' rights generally, to the application of equitable principles and except that equitable remedies may be granted only in the discretion of a court of competent jurisdiction, to section 11.3 of the *Financial Administration Act* (Ontario) and to section 43 of the *Financial Administration Act* (Ontario).

8. It is the intention of the Province to constitute the Corporation as trustee for the Protected Parties that are not party to this indemnity agreement of the covenants, waivers, representations, warranties and obligations of the Province under this indemnity agreement and the Corporation agrees to accept such trust and to hold and enforce such covenants, representations, warranties and obligations on behalf of such Protected Parties.

9. ~~6.~~ This indemnity agreement shall be interpreted and governed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

10. ~~7.~~ The provisions of this indemnity agreement and the benefit of all covenants, waivers, representations, warranties and other obligations herein contained shall enure to the benefit of the Protected Persons and the Protected Persons' heirs, administrators, executors and assigns as applicable.

NOW THEREFORE, the parties have executed this indemnity as of the day and year first above written.

~~SIGNED, SEALED AND DELIVERED~~) **ONTARIO**
POWER GENERATION INC.
~~in the presence of~~)

)

_____) By: _____
~~Name:~~)

HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF ONTARIO, AS REPRESENTED BY THE MINISTER OF ENERGY

By:_____

Glenn Thibeault
Minister of Energy

Document comparison by Workshare Compare on May-18-17 3:01:44 PM

Input:	
Document 1 ID	interwovenSite://INVENTORYS1/TorysAtWork/23514933/1
Description	#23514933v1<TorysAtWork> - OPG Indemnity - Torys, OPG Comments (May 17, 2017)
Document 2 ID	C:\NRPortbl\TorysAtWork\NDRAKE\23514933_5.docx
Description	C:\NRPortbl\TorysAtWork\NDRAKE\23514933_5.docx
Rendering set	Firm_Standard

Legend:	
Insertion	
~~Deletion~~	
~~Moved from~~	
Moved to	
Style change	
Format change	
~~Moved deletion~~	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	77
Deletions	47
Moved from	0
Moved to	0
Style change	0
Format changed	0
Total changes	124

Request for Approval
Pursuant to Section 28 of the *Financial Administration Act* (Ontario)

1. MINISTRY REQUEST

On March 2, 2017, the Premier announced Ontario's Fair Hydro Plan (the "ONFHP"), under which the government proposes to take steps to lower electricity bills on an after-tax basis by 25 per cent for a typical residential customer relative to what those bills would otherwise have been without the ONFHP. This proposed 25 per cent rate relief measure would be inclusive of the 8 per cent rebate that is already in effect under the *Ontario Rebate for Electricity Consumers Act, 2016* and the savings that are anticipated to result from the proposed shifting of the Ontario Electricity Support Program ("OESP") and the Rural or Remote Rate Protection program ("RRRP") costs from ratepayers to provincial revenues. Changes to the Global Adjustment ("GA") are also proposed to be a component of the 25 per cent rate relief under the ONFHP.

On May 11, 2017 t~~T~~he Government introduced Bill 132, which, if passed would ~~is proposing to enact introduce~~ legislation to enable the implementation of the ONFHP (the "Proposed Legislation"). If the Proposed Legislation is passed, the implementation of the ONFHP will require the participation of the Ontario Power Generation ("OPG") and the Independent Electricity System Operator ("IESO") among other government entities. Both the OPG and the IESO have each requested an indemnity covering their respective corporations, subsidiaries (in the case of OPG), agents (in the case of IESO), directors, officers and employees in relation to their respective roles in carrying out the implementation of the ONFHP if the Proposed Legislation is passed.

Commented [PMK1]: This seems out of date now.

Commented [HM2]: I've updated

The Ministry is seeking the approval pursuant to section 28 of the *Financial Administration Act* (Ontario) to provide these indemnities, in the forms attached as Appendix "A" and Appendix "B" (collectively the "Indemnities" and individually the "Indemnity"), on behalf of the Crown to the OPG and IESO, respectively.

Timing:

Approval is sought by June 1, 2017. The Indemnities are required in conjunction with the coming into force of the Proposed Legislation, if passed.

2. RECOMMENDATION

Approve the giving of the Indemnities to OPG and IESO on the condition that such Indemnities shall only come into effect at the date upon which the proposed legislation is passed.

3. BACKGROUND

~~***OPG – Role in Implementation of ONFHP***~~

OPG – Role in Implementation of Ontario's Fair Hydro Plan (ONFHP)

OPG will play a central role in the implementation of the ONFHP, particularly with respect to the implementation of the GA refinancing component of the ONFHP. As part of the ONFHP, it was announced that a portion of the GA would be refinanced in order to fairly allocate costs across present and future generations of electricity consumers with respect to investments made to decarbonize (i.e., phase-out coal) and modernize Ontario's electricity system (i.e., build and maintain a reliable electricity system). This would result in a deferred GA amount that a special purpose entity created by OPG (i.e. a financing entity) is expected to finance. Risks associated with carrying out this role would fall outside of the scope of OPG's usual business/operations risks and would arise solely due to the OPG's role in implementation of the ONFHP. Examples of these risks include, without limitation:

- liability as a promoter under Canadian securities laws (or the equivalent, if any, under other applicable securities laws);
- secondary market liability under Canadian and/or other applicable securities laws;
- liability the signatories to the prospectuses will have (i.e., the individuals signing the prospectus); and
- liability of OPG as the Financial Services Manager under any of the transaction agreements (e.g., the Financial Services Management Agreement, the Administration Agreement, the MSSA, the Master Trust Indenture and any Supplemental Indentures).

As a result, pre-existing indemnities and protections do not adequately protect OPG, its subsidiaries and each of their respective directors, officers and employees as explained further below.

Providing the requested Indemnity to OPG would help facilitate OPG undertaking its role with respect to the implementation of the ONFHP.

~~The OPG will play a central role in the implementation of the ONFHP, particularly with respect to the implementation of the GA refinancing component of the ONFHP.~~

~~As part of ONFHP, it was announced that a portion of the GA would be refinanced in order to fairly allocate costs across present and future generations of electricity consumers with respect to investments made to decarbonize (i.e., phase-out coal) and modernize Ontario's electricity system (i.e., build and maintain a reliable electricity system). This would result in a deferred GA amount that OPG is expected to fund from a special purpose entity that OPG creates (i.e. a financing entity). It is likely that risks associated with carrying out this role would fall outside of the scope of OPG's usual business/operations risks and would arise solely due to the OPG's role in implementation of the ONFHP. This is particularly true with respect to any securities offerings of OPG's financing entity. Products are expected to be offered into the Canadian and U.S. Markets. As a result, pre-existing indemnities and protections do not adequately protect OPG, its directors, officers and employees.~~

Formatted: Space After: 6 pt

Formatted: Right: 0"

Formatted: List Paragraph,Bullet List 1,Heading 4 test,Unordered List Level 1,Indented Paragraph, Bulleted + Level: 1 + Aligned at: 0.25" + Indent at: 0.5"

Draft

~~Providing the requested Indemnity to OPG would help facilitate OPG undertaking its role with respect to the implementation of the ONFHP.~~

IESO – *Role in Implementation of ONFHP*

The Proposed Legislation, if passed would impose certain obligations and requirements on IESO to carry out various activities in relation to the implementation of the ONFHP such as the deferral of costs related to the GA, the creation of a regulatory asset in relation to the GA financing component of the ONFHP, the conveyance of that asset to OPG's financing entity and providing a servicing role in recovering OPG's funding costs from future ratepayers. IESO may also be required to play a role in potential securities offerings of OPG's financing entity. If so, this may come with heightened exposure to liability for the IESO, particularly for offerings into the US market.~~.~~ IESO has expressed concern that all of this drives an increased risk of liability to the IESO, its directors, officers and employees, which is over and above typical operations risks and arises solely due to the ONFHP.

Providing the requested Indemnity would help facilitate the IESO's undertaking of the activities requested by the Minister in order to facilitate the implementation of the ONFHP.

4. ANALYSIS SUPPORTING RECOMMENDATION

(a) Why the Indemnities are being sought?

(i) Indemnities are required to facilitate IESO and OPG in carrying out their respective roles in implementing the ONFHP

Commented [HM3]: OPG/IESO input required on this regarding the specific risks they are concerned about.

~~The provision of the Indemnities to the IESO, OPG and their respective directors, officers and employees is required in order to facilitate the carrying out of implementation of the ONFHP in the event that the Proposed Legislation is passed. Both OPG and the IESO are anticipated to carry out activities that fall outside the scope of their typical business activities and corporate mandate. This creates the risk that such activities could be perceived as not being carried out in "good faith" or in the best interest of the corporation thereby exposing OPG and/or the IESO to increased liability (statutory protections from liability only extend to "good faith acts". This is further described in section (ii) below). If the indemnities are not provided, this could impact the OPG and IESO directors' willingness to undertake such activities jeopardizing the successful implementation of the ONFHP. Both the IESO and OPG have specifically asked for these Indemnities in order to allow them to carry out their roles in implementing the ONFHP.~~

~~Providing OPG and the IESO with the requested Indemnities will provide them with assurance against liability in order to allow them to comprehensively carry out their respective roles in the successful implementation of the ONFHP.~~

~~To the extent that a claim would be covered under any other indemnity provided to OPG or IESO by the Province, or provided by OPG or IESO to their directors, officers and employees, these Indemnities would not apply. Language to address any possible duplication is included in the attached Indemnities.~~

The provision of the Indemnities to the IESO, OPG, OPG's subsidiaries, and each of their respective directors, officers and employees, as well as IESO's agents is required in order to facilitate the carrying out of implementation of the ONFHP in the event that the Proposed Legislation is passed. Both OPG and the IESO are anticipated to carry out activities that fall outside the scope of their typical business activities and corporate mandate which existing indemnities would address. This creates the risk that such activities could be perceived as not being carried out in "good faith" or in the best interest of the corporation thereby exposing OPG and/or the IESO to increased liability (statutory protections from liability only extend to "good faith acts". In addition the statutory protections do not indemnify for costs relating to defending a claim. This is further described in section (ii) below). Examples of specific risks to OPG include, without limitation:

- liability as a promoter under Canadian securities laws (or the equivalent, if any, under other applicable securities laws);
- secondary market liability under Canadian and/or other applicable securities laws;
- liability that the signatories to the prospectuses will have (i.e., the individuals signing the prospectus); and
- liability of OPG as the Financial Services Manager under any of the transaction agreements (e.g., the Financial Services Management Agreement, the Administration Agreement, the MSSA, the Master Trust Indenture and any Supplemental Indentures).

Formatted: List Paragraph,Bullet List 1,Heading 4 test,Unordered List Level 1,Indented Paragraph, Bulleted + Level: 1 + Aligned at: 0.25" + Indent at: 0.5"

Examples of specific risks to the IESO include without limitation,

- liability for its role in potential securities offerings of OPG's financing entity. This may come with heightened exposure to liability for the IESO, particularly for offerings into the U.S. market. It is not clear whether the statutory protections would apply federally or in the U.S. context. If they would not extend to a U.S. claim, for example, it would support the need for a separate indemnity for the IESO.

Formatted: List Paragraph,Bullet List 1,Heading 4 test,Unordered List Level 1,Indented Paragraph, Bulleted + Level: 1 + Aligned at: 0.25" + Indent at: 0.5"

If the indemnities are not provided, this could impact OPG and the IESO's willingness to undertake such activities jeopardizing the successful implementation of the ONFHP.

Both the IESO and OPG have specifically asked for these Indemnities in order to allow them to carry out their roles in implementing the ONFHP. Providing OPG and the IESO with the requested Indemnities will provide them with assurance against liability in order to allow them to comprehensively carry out their respective roles in the successful implementation of the ONFHP.

To the extent that a claim would be covered under any other indemnity provided to OPG or IESO by the Province, or provided by OPG and IESO to any of its subsidiaries (in the case of OPG), agents (in the case of the IESO), directors, officers and employees, these Indemnities

Draft

would not apply. Language to address any possible duplication is included in the attached Indemnities.

Existing indemnities previously provided by the Province to OPG have been limited to specific directives provided to OPG by the Province (e.g., in connection with the Bruce Lease). Accordingly, the scope of the existing indemnities provided by the Province would not cover the ONFHP. The IESO does not have any other indemnity from the Province.

Formatted: Normal, None

(ii) Statutory Immunity does not preclude a person from bringing an action or other civil proceeding

Subsection 19(1) of the *Electricity Act, 1998* provides IESO directors, officers and employees with the following protection from liability:

> "No action or other civil proceeding shall be commenced against a director, officer, employee or agent of the IESO or a member of a committee or panel established by the board of directors of the IESO for any act done in good faith in the exercise or performance or the intended exercise or performance of a power or duty under any Act, the regulations under any Act, the IESO's licence, the IESO's by-laws or the market rules, or for any neglect or default in the exercise or performance in good faith of such a power or duty."

The *Electricity Act, 1998* does not contain a similar statutory immunity for OPG's directors, officers, employees or agents. However, under subsection 39(2) of the Proposed Legislation, a statutory immunity is provided to the OPG's employees. This provision states:

> "No action or other civil proceeding shall be commenced against any employee of the Province or Ontario Power Generation Inc. for any act done in good faith in the exercise or performance or the intended exercise or performance of a power or duty under [the Proposed Legislation], the regulations or for any alleged neglect or default in the exercise or performance in good faith of such a power or duty."

Subsection 39(2) of the Proposed Legislation provides that nothing in subsection 39(1) limits the effect of subsection 19(1) of the *Electricity Act, 1998.*

The statutory immunities provided under the *Electricity Act, 1998* and the Proposed Legislation prohibits/would prohibit an action or other civil proceeding from being commenced against the enumerated protected persons under the respective provisions for any act done in good faith in the exercise or performance of their duties. Nothing precludes a person from bringing an action

or other civil proceeding against these persons causing them to incur costs in defending the claim (for example, arguing that the act was not carried out in "good faith").

The immunity from suit provisions outlined above, are qualified by the words "for any act done in good faith in the exercise or performance or intended exercise or performance of a power or duty under this Act…" This is a question of fact that needs to be considered by a court of competent jurisdiction. As such, statutory immunity would not necessarily be a bar to litigation and does not ensure that the IESO and OPG's employees, officer or directors (as applicable) would not become embroiled in litigation.

In the case of OPG, there is no similar statutory immunity explicitly provided for its directors or officers, or each of its subsidiaries, their directors, officers, or employees so the risk of litigation is greater for these individuals in the even the Proposed Legislation is passed.

For the reasons mentioned above, the Indemnities requested under this application would ensure that if a claim is brought against ~~OPG or IESO's directors, officers, and employees~~the protected persons as a result of carrying out their roles in implementing the ONFHP (despite the statutory immunities provided or that will be provided if the Proposed Legislation is passed), they are protected for any costs, losses etc. subject to the limitations provided for in the Indemnities.

(b) Description of the risk and any risk mitigants.

The ONFHP is a novel program, the first of its kind in Canada. Because the work to be undertaken by OPG and IESO in carrying out their roles in implementing the ONFHP will fall outside of the usual operations/business risk that these corporation's face, there is a risk that these corporations may be subject to increased liability specifically due to their roles with the ONFHP. This risk arises in part because of the kind of market that OPG, and IESO indirectly, are to participate in, and the steps that investors could take to protect their investments.

The risk to the Province of giving the Indemnities is undeterminable at this time, but any such risk may be mitigated by the following factors:

1) In the case of the IESO, the existence of a statutory immunity under subsection 19(1) of the *Electricity Act, 1998* may mitigate against a liability arising against its directors, officers and employees, but as mentioned, does not eliminate such risk.

2) In the case of OPG, the proposed statutory immunity under subsection 39(1) of the Proposed Legislation may mitigate against a liability arising against its employees, but as mentioned, does not eliminate such risk.

3) The Indemnities is limited ~~specifically~~ to claims arising in relation

Draft

to IESO and OPG's respective role in implementing the ONFHP in the event that the Proposed Legislation is passed.

4) The Indemnities do not apply with respect to claims for which coverage is provided and paid under insurance, for which indemnity is already provided and paid to the OPG or IESO or its respective directors, officers or employees, or is brought about by the dishonesty, gross negligence or willful misconduct of the ~~director~~protected persons.

A contingent liability table is attached as Appendix "C"

(c) Scope of liability in the Indemnities

The Province would agree to indemnify and hold harmless the IESO and OPG as well as their respective directors, officers and employees from any claims, liabilities, costs or losses that might arise to the corporation, him or her (respectively) as a result of their direct roles in carrying out activities related to the implementation of the ONFHP.

The Indemnities would not apply with respect to ~~c~~lossesl~~aim~~s:

(a) for which coverage is provided under an insurance policy ~~or claims fund~~ to the extent that the protected person is actually s~~o indemnified or covered~~paid under such policy ~~or fund~~for those losses; or

(b) for which other indemnities are already provided to the protected person but only to the extent that the Protected Person is actually so indemnified for those losses by such indemnities;

(c) ~~brought about or contributed to by~~is the result of the~~a~~ Protected Person's dishonesty, gross negligence or willful misconduct, but only such ~~if a judgment or other final adjudication adverse to the Protected Person establishes that there was~~ dishonesty, gross negligence or willful misconduct on the Protected Person's part ~~which was material to the cause of action as adjudicated~~has been established by a final and non-appealable judgment or other final adjudication adverse to the Protected Person;~~;~~ or

(d) to the extent arising from any circumstances in which a Protected Person did not have reasonable grounds for believing that the Protected Person's conduct was lawful in the case of a criminal or administrative action or proceeding that enforces a monetary penalty.

Commented [PMK4]: Why is the carve out limited to 'gross' negligence vs just negligence?

Commented [HM5]: Gross negligence is used to be consistent with the OBCA requirement.

Commented [PMK6]: Small point, but I think this should say 'protected person' since people other than directors would be covered.

Commented [HM7]: I've changed the reference accordingly.

Draft

OPG's indemnity, with respect to clause (c) above, further provides that the Province agrees that it does not intend that any failure by a Protected Person to conduct a reasonable investigation with respect to advising the OPG about misrepresentations in any prospectus, registration statement or other securities/offering document, shall constitute "gross negligence" or "wilful misconduct" for this purposes of clause (c) above and does not disentitle the protected person from the Indemnity. This language has been included at the request of OPG in order to provide additional clarity to limit the OPG's liability with respect to carrying out any investigation of securities/offering documents.

The Indemnities would not apply with respect to ~~claims~~ losses for which coverage is provided and paid under insurance, or which are covered by another indemnity~~-~~under which the protected person is already so indemnified~~already provided~~;~~,~~ for claims brought about by the dishonesty, gross negligence or willful misconduct of the persons protected under the Indemnities;~~,~~ or for claims arising from circumstances where the ~~corporation, director, officer or employee~~protected persons did not have grounds for believing that their conduct was lawful in the case of a criminal or administrative action or proceeding that enforces a monetary penalty.

(d) Effect of failure to obtain section 28 approval

If the requested Indemnities are not provided, this could impact the OPG and IESO directors' willingness to fully undertake their roles in implementing the ONFHP thereby jeopardizing the successful implementation of this plan in the event the Proposed Legislation is passed. For example, IESO directors may not be willing to carry out certain activities that would fall outside of the scope of its typical business activities and mandate if they view these as creating a risk of liability. Providing the Indemnities, would give OPG and IESO, along with their directors, officers and employees to more confidently carry out their role in implementing the ONFHP.

Draft

APPENDIX "A"

PROPOSED INDEMNITY AGREEMENT FOR OPG
(Attached as a separate document)

Draft

APPENDIX "B"

PROPOSED INDEMNITY AGREEMENT FOR IESO
(Attached as a separate document)

Draft

APPENDIX "C"

CONTINGENT LIABILITY TABLE
(Attached as a separate document)

Draft

CONFIDENTIAL DRAFT

INDEMNITY

THIS INDEMNITY effective as of this day of June, 2017.

BETWEEN: **The Independent Electricity System Operator**
(hereinafter the "**Corporation**")

OF THE FIRST PART,

Her Majesty the Queen in Right of the Province of Ontario as Represented by the Minister of Energy

(hereinafter called the "**Province**"),

OF THE SECOND PART

WHEREAS the Corporation is required to carry out certain activities with respect to the implementation of the *Ontario Fair Hydro Plan Act* (the "Act").

A**ND WHEREAS** the Corporation, and its directors, officers and employees, may, as a result of the Corporation's role in the implementation of the Act, face ~~risk~~risks of liability which ~~extends~~extend beyond the typical operations risk of the Corporation ~~and which may arise solely due to the Corporation's role in the implementation of the Act~~.

NOW THEREFORE, in consideration of the sum of $1.00 now paid by the Corporation to the Province (the receipt of which is hereby acknowledged), the Province hereby agrees:

1. to indemnify and save harmless the Corporation and each of its directors, officers, ~~and employees~~employees or agents of the Corporation or a member of a committee or panel established by the directors of the Corporation (collectively the "Protected Persons" and individually, a "Protected Person") from and against all losses, costs, charges, expenses, claims, demands and liabilities directly or indirectly suffered, sustained or incurred by ~~the~~a Protected ~~Persons~~Person arising ~~specifically~~ as a result of, or in connection with, the ~~Protected Persons' direct~~IESO's role in carrying out activities related to the implementation of the Act (collectively, "Claims" and individually, a "Claim"), **[IESO note: we request that the indemnity not be limited to actions arising specifically as a result of a Persons' "direct" role. We request that the indemnity be broad enough to include actions that arise due to the IESO's role in implementing the Act. We prefer to not have to argue, if the indemnity is ever called on, whether something was "specifically" as a result of, or related to a "direct" role.]**

~~2. This indemnity does not apply with respect to Claims:~~

2. A Protected Person shall not be entitled to be indemnified in respect of a Claim, or a portion thereof:

(a) for which coverage is provided under an insurance policy or claims fund to the extent that ~~a~~ payment has been made thereunder to such Protected Person~~ is actually so indemnified or covered under such policy;~~ or~~ fund; or~~

(b) for which other indemnities are already provided to a Protected Person to the extent that ~~the~~ payment has been made to such Protected Person ~~is actually so indemnified by~~under such indemnities; or

(c) ~~brought about or contributed to by a~~is the result of such Protected Person's dishonesty, gross negligence or willful misconduct, but only if ~~a judgment or other final adjudication adverse to the Protected Person establishes that there was~~such dishonesty, gross negligence or willful misconduct on the Protected Person's part has been established by a final and non-appealable judgment or other final adjudication adverse to the Protected Person.

(d) To the extent arising from any circumstances in which a Protected Person did not have reasonable grounds for believing that the Protected Person's conduct was lawful in the case of a criminal or administrative action or proceeding that enforces a monetary penalty.

Commented [A1]: I've re-inserted this provision. This provision is part of the standard Indemnity Template that we typically use. We would like to include in order to ensure consistency with the OPG indemnity.

3. Each Protected Person shall:

~~(a)~~ upon becoming aware of a Claim for which ~~was material to the cause of action as adjudicated; or~~

~~4. In order to be entitled to~~ such Protected Person may seek indemnification hereunder~~ in respect of any notice of a Claim that the Protected Person receives, the Protected Person must:~~

~~(f)~~(a) ~~immediately and without delay~~, as soon as practicable deliver to the Province (through the Director of the Legal Services Branch of the Ministry of Energy) a notice setting forth in reasonable detail the particulars of the Claim~~(s)~~;

Commented [A2]: Change made to be consistent with OPG edits to its indemnity.

~~(g)~~(b) upon written request of the Province, acting reasonably, furnish to the Province copies of any document, or provide to the Province any information that relates to the Claims~~(s)~~ that is in the possession or under the control of the Protected Person;

~~(h)~~(c) take all reasonable steps necessary to secure and preserve the rights of the Protected Person in respect of the Claim; and

~~(i)~~(d) promptly take all ~~necessary~~ reasonable steps to obtain indemnification or coverage to the fullest extent possible under insurance policies or claims funds, or under indemnities provided by the Corporation, that are referred to in subsections 2(a) or (b) above.

A failure ~~to give prompt notice as provided in this section 3 shall not affect the rights or obligations~~on the part of a Protected Person to take any ~~party to this indemnity, and only~~of the actions provided in this section 3 shall not affect the rights of such Protected Person except to the extent that, as a result of such failure, ~~the party which was entitled to receive such notice~~~~Ontario~~ the Province was actually prejudiced. A failure on the part of a Protected Person to take any of the actions provided in this section 3 shall not affect the rights of any other Protected Person.

4. The Province shall have the right to participate in or assume control of the negotiation, settlement or defence of the Claim(s) and in no event shall a Protected Person negotiate, settle, compromise or pay the Claim(s) without the prior written consent of the Province. If the Province elects to participate in or assume control of the negotiation, settlement or defence of the Claim(s), ~~the~~each Protected Person shall co-operate fully with the Province in connection with the same, and ~~the~~each Protected Person shall agree to be represented by legal counsel chosen by the Province, unless, in the opinion of such legal counsel, there would arise a conflict of interest preventing such legal counsel from representing ~~the~~such Protected Person. Where it is such legal counsel's opinion that a conflict of interest prevents that legal counsel representing the Protected Person, the Protected Person will be entitled, after consultation with the Province and acting reasonably, to obtain legal counsel of the Protected Person's choice, and the fees and expenses of the Protected Person's counsel incurred in the Protected Person's representation shall be costs to which this indemnity extends.

5. For greater clarity, with respect to directors, officers and employees of the Corporation this indemnity shall only apply to Claim(s) that are referable to the period during which a director, officer or employee of the Corporation is actually a director, officer or employee (respectively) of the Corporation~~, and of which notice is received by the Province either during the period of time that the director, officer, or employee is a director officer, employee of the Corporation or after he or she ceases to be a director, officer, employee of the Corporation.~~.

6. This indemnity shall be interpreted and governed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

7. The provisions of this agreement and the benefit of all covenants herein contained shall enure to the benefit of the Protected Persons and the Protected Persons' heirs, administrators, executors and assigns as applicable.

Formatted: Indent: Left: 1.5"

Formatted: Font color: Green

Commented [A3]: Again – this is standard language we include in our indemnities. Please advise what the risk to IESO is with including this provision.

NOW THEREFORE, the parties have executed this indemnity as of the day and year first above written.

SIGNED, SEALED AND DELIVERED in the presence of	**THE INDEPENDENT ELECTRICITY SYSTEM OPERATOR**
_____ Name:	By: _____

HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF ONTARIO, AS REPRESENTED BY THE MINISTER OF ENERGY

By: _____

Glenn Thibeault
Minister of Energy

DRAFT

From:	Bruno Amara
To:	Carlos Yep; Mike Manning; James Devine; Ken Kandeepan; John Psinas; Malle Hanslep (MOF); Tobias P. Whitfield (MOF); Opal Kandelas; Ronald Kwan; John Kim
Subject:	FW: Ontario Passes Legislation to Lower Electricity Bills by 25 Per Cent
Date:	Wednesday, May 31, 2017 4:00:38 PM

See Background Information: Ontario Fair Hydro Act

From: Ronald Kwan
Sent: Wednesday, May 31, 2017 12:53 PM
To: John Kim <John.Kim@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>
Subject: FW: Ontario Passes Legislation to Lower Electricity Bills by 25 Per Cent

Hi,

Please note and adjust the wording in the OIC package, and other products.

Thanks,
Ron

From: Ontario News [mailto:newsroom@ontario.ca]
Sent: May-31-17 12:33
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Subject: Ontario Passes Legislation to Lower Electricity Bills by 25 Per Cent

Ontario Newsroom

News Release

Ontario Passes Legislation to Lower Electricity Bills by 25 Per Cent[news.ontario.ca]

May 31, 2017

Meaningful Savings for All Residential Households Coming this Summer

Ontario passed legislation today that will lower electricity bills by 25 per cent on average for all residential customers to provide significant rate relief and ensure greater fairness.

The Fair Hydro Act, 2017 reduces electricity bills for all residential consumers and as many as half a million small businesses and farms, starting this summer. Lower-income Ontarians and those living in eligible rural and northern communities will receive even greater reductions, as much as 40 to 50 per

cent. As part of this plan, rate increases will be held to the rate of inflation for four years.

These measures include the eight per cent rebate introduced in January[news.ontario.ca] and build on previously announced initiatives to deliver broad-based rate relief on all electricity bills. Taken together, these changes are delivering the largest reduction to electricity rates in Ontario's history. To facilitate these immediate savings, the legislation:

- Enables the Independent Electricity System Operator (IESO) and Ontario Power Generation (OPG) to work together to spread out the costs of Ontario's clean energy investments over a longer period of time, which ensures that the costs of these investments are allocated fairly among current and future ratepayers. This will be accomplished through refinancing a portion of the Global Adjustment (GA), resulting in significant and immediate rate reductions.
- Modifies and broadens the Ontario Electricity Support Program (OESP) to expand benefits and ensure it is funded by government instead of ratepayers, reducing bills for all.
- Enhances the Rural or Remote Rate Protection (RRRP) program to provide distribution charge relief to a total of approximately 800,000 customers and shift costs from ratepayers to provincial revenues. The enhancement will benefit customers served by local distribution companies (LDCs) with the highest distribution rates. These savings will begin July 1, 2017.
- Provides on-reserve First Nations households serviced by licensed distributors with a 100 per cent credit of the delivery line on their monthly electricity bills, starting July 1, 2017.

Reducing electricity costs is part of Ontario's plan to create jobs, grow our economy and help people in their everyday lives.

QUICK FACTS

- Ontario’s Fair Hydro Plan will improve energy sector efficiency and modernize the province’s electricity market, building on the collaboration of IESO and OEB.

- In April 2017, the Industrial Conservation Initiative (ICI) was expanded to include electricity consumers in the manufacturing and greenhouse sectors with an average monthly peak demand of greater than 500 kW and less than 1 MW.

- On May 1, 2017, the Ontario Energy Board (OEB) reduced electricity rates across the province, including a portion of the Fair Hydro Plan. The OEB will have 15 days after the legislation comes into force to update rates to reflect the full benefit of the Fair Hydro Plan – delivering the 25 per cent on average reduction for all households and half a million small business and farms. Royal Assent could be scheduled as early as June 1, 2017.

- The province has expanded the OESP, providing 50 per cent more support in the form of monthly credits for people with low incomes and increasing eligibility, effective May 1, 2017.

- The province is also establishing an Affordability Fund that will be accessible to electricity distributors for customers who do not qualify for low-income conservation programs and who are unable to undertake energy efficiency improvements without financial assistance. This program is set to launch this summer.

BACKGROUND INFORMATION

- Ontario's Fair Hydro Act, 2017 [news.ontario.ca]

ADDITIONAL RESOURCES

- Learn about Ontario's Fair Hydro Plan[ontario.ca]
- Read Premier Wynne's statement announcing Ontario's Fair Hydro Plan[news.ontario.ca]

QUOTES

"The savings coming this summer will help make life more affordable, including additional relief for the most vulnerable. The Fair Hydro Plan significantly lowers rates now for all Ontario families that pay an electricity bill and will bring fairer rates in the future."
— *Glenn Thibeault, Minister of Energy*

CONTACTS

Colin Nekolaichuk
Minister's Office
416-325-2690
Colin.Nekolaichuk@ontario.ca

Natasha Demetriades
Communications Branch
416 327-3855
Natasha.Demetriades@ontario.ca

Ministry of Energy
http://www.ontario.ca/energy[ontario.ca]

Questions about your subscription? Contact us. [ontario.ca]

Edit your subscription preferences. [subscription.news.ontario.ca]

Unsubscribe from News on Demand. [subscription.news.ontario.ca]

Follow Us On Twitter[twitter.com].

Visit the Newsroom. [news.ontario.ca]

Disponible en français. [news.ontario.ca]

© Queen's Printer for Ontario, 2008 - 2017[ontario.ca]

99 Wellesley Street West 4th floor, Room 4620 Toronto ON M7A 1A1

From: William Tan
To: Opal Kandelas
Cc: Sarah Harris
Subject: FW: Policy question re OFHP Credit Facility Agreement
Date: Tuesday, August 08, 2017 1:08:52 PM

Hi Opal,

Are you available this afternoon to join in a quick meeting with Mike, Sarah and I?
I think he's in a meeting from 2pm to 3pm.

Thanks,

Will

From: Mike Manning
Sent: Tuesday, August 08, 2017 1:01 PM
To: William Tan <William.Tan@ofina.on.ca>
Subject: RE: Policy question re OFHP Credit Facility Agreement

Hi William:
I was only looking to have a quick meeting with you and Opal, possibly Sarah as well.

Thanks, Mike

From: William Tan
Sent: Tuesday, August 08, 2017 12:51 PM
To: Mike Manning <Mike.Manning@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Siva Nathan <Siva.Nathan@ofina.on.ca>
Subject: FW: Policy question re OFHP Credit Facility Agreement

Hello Mike,

Based on Ken's response would you still like me to arrange a call?

Thanks,

Will

From: Ken Kandeepan
Sent: Tuesday, August 08, 2017 10:47 AM
To: William Tan <William.Tan@ofina.on.ca>

Cc: Siva Nathan <Siva.Nathan@ofina.on.ca>
Subject: RE: Policy question re OFHP Credit Facility Agreement

Hi Will

I am little confused here, yes its unsecured but so is every loan issued by the OFA to a public body so not sure why the risk associated with this loan is greater or for that matter lower than the loans currently in the OFA's loan book.

As such, this should be treated exactly like all the other loans. Note that the IESO is fully consolidated with that of the Province so loans issued by the OFA to IESO will be a wash upon consolidation.

Thanks and I am cc'ing Siva and John the former is responsible for the OFA and the latter for the implementation of the Fair Hydro plan.

Ken k

From: William Tan
Sent: Tuesday, August 08, 2017 10:21 AM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Subject: FW: Policy question re OFHP Credit Facility Agreement

Good morning Ken,

I hope you enjoyed the long weekend.
Do you agree with the current structure of the credit facility as unsecured?

Or would you like some additional back ground regarding this matter?

Thanks,

Will

From: John Kim
Sent: Friday, August 04, 2017 3:42 PM
To: William Tan <William.Tan@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Sarah Neville <Sarah.Neville@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>
Subject: RE: Policy question re OFHP Credit Facility Agreement

Hi Lisa, William,

I am OK as long as the proposed approach is consistent with OFA's lending policy and practices. We have generally not opined on the details of the lending agreement, as we have been communicating.

I do want to copy Ken and Mike to ensure that they are onside, as well.

Thanks,

John

From: William Tan
Sent: Friday, August 04, 2017 3:24 PM
To: Bruno Amara <Bruno.Amara@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Sarah Neville <Sarah.Neville@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: Policy question re OFHP Credit Facility Agreement

Hello Bruno and John,

If you wish, I can arrange a call between legal and CEFD today.

From: Lisa Stein
Sent: Friday, August 04, 2017 2:36 PM
To: Bruno Amara <Bruno.Amara@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Cc: William Tan <William.Tan@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Sarah Neville <Sarah.Neville@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Subject: Policy question re OFHP Credit Facility Agreement
Importance: High

Hi Bruno and John,

I have some additional information pertaining to the structure of the OFA loan to IESO re: OFHP. While this information adds context, it doesn't address the policy question of whether an unsecured loan is appropriate (based on the extent of the insolvency risk) for this regulatory asset.

The current draft FHP Credit Facility Agreement is consistent with the OFA Lending Policy (last revised and approved April 16, 2010 – *status TBC*), which provides that except where otherwise directed by the Minister of Finance, Treasury Board or Cabinet, the OFA will generally lend on an unsecured basis (apart from the intercept provision) in respect of loans made by the OFA to public bodies (IESO is a public body for the purposes of CIPA). As such, the structure of this loan is consistent with the Policy (subject to my note below re: intercept provision). In my review of the supporting policy documentation, including the LRC minute, I didn't see any reference to a secured

lending structure and I don't believe that there is any direction requiring this to be a secured loan. That being said, I query whether OFA CEFD staff are comfortable with this approach (see below).

In terms of the intercept provisions, which are required pursuant to s. 23 of CIPA, I have asked Toby from MOF Legal if they are aware of any agreement between the Ministry of Energy and the IESO agreeing that the Minister of Finance is entitled to deduct from money appropriated by the Legislature for payment to the IESO amounts equal to any amounts that the IESO fails to pay to the OFA on account of indebtedness under this loan agreement (as required by CIPA)? Are you aware of any such agreement? However, even if there were such an agreement in place, it is unclear to whether adding intercept provisions to the credit facility agreement, will provide further comfort. I plan to discuss this matter further with MOF Legal.

Based on the foregoing (and pending any additional information that Toby may obtain from his discussions with the Ministry of Energy), I defer the following question to CEFD staff:

> **Are you comfortable with the current structure of this loan as an unsecured loan (and the risk that this may entail)?** This decision ultimately needs to be made by business/policy people.
>
> - **If yes,** the next draft of the agreement will be available in the next day or so to send to IESO for review. I will work with MOF Legal to draft/leverage intercept provisions to mitigate this risk (as far as possible, based on the foregoing). We are also working on the permitted liens, *pari passu* and negative pledge provisions of the draft agreement, as previously discussed.
>
> - **If no,** additional Ministerial/TB direction, and a new legal agreement (likely with the assistance of external legal counsel) will be required. This will take additional time.

Please do not hesitate to contact me if you would like to discuss further.

Thank you,

Lisa

Lisa N. Stein
Legal Counsel
Ontario Financing Authority
416-325-2320

****
This message, including any attachments, is intended only for the use of the individual(s) to which it is addressed and contains information that is privileged/confidential. Any other distribution, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify the sender immediately by reply e-mail and permanently delete this message, including any attachments, without reading it or making a copy. Thank you.
****

From:	Sarah Harris
To:	Opal Kandelas
Subject:	FW: Policy question re OFHP Credit Facility Agreement
Date:	Tuesday, August 08, 2017 1:27:22 PM

From: William Tan
Sent: Tuesday, August 08, 2017 11:15 AM
To: Lisa Stein <Lisa.Stein@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: FW: Policy question re OFHP Credit Facility Agreement

---

From: Mike Manning
Sent: Tuesday, August 08, 2017 10:41 AM
To: William Tan <William.Tan@ofina.on.ca>
Subject: RE: Policy question re OFHP Credit Facility Agreement

It wouldn't hurt to have a quick discussion on this matter. I expect unsecured is ok.

Mike

From: William Tan
Sent: Tuesday, August 08, 2017 10:21 AM
To: Mike Manning <Mike.Manning@ofina.on.ca>
Subject: FW: Policy question re OFHP Credit Facility Agreement

Good morning Mike,

I hope you enjoyed the long weekend.
Do you agree with the current structure of the credit facility as unsecured?

Or would you like some additional back ground regarding this matter?

Thanks,

Will

From: John Kim
Sent: Friday, August 04, 2017 3:42 PM
To: William Tan <William.Tan@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Sarah Neville <Sarah.Neville@ofina.on.ca>; Jean-

Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>
Subject: RE: Policy question re OFHP Credit Facility Agreement

Hi Lisa, William,

I am OK as long as the proposed approach is consistent with OFA's lending policy and practices. We have generally not opined on the details of the lending agreement, as we have been communicating.

I do want to copy Ken and Mike to ensure that they are onside, as well.

Thanks,

John

From: William Tan
Sent: Friday, August 04, 2017 3:24 PM
To: Bruno Amara <Bruno.Amara@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Sarah Neville <Sarah.Neville@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: Policy question re OFHP Credit Facility Agreement

Hello Bruno and John,

If you wish, I can arrange a call between legal and CEFD today.

From: Lisa Stein
Sent: Friday, August 04, 2017 2:36 PM
To: Bruno Amara <Bruno.Amara@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Cc: William Tan <William.Tan@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Sarah Neville <Sarah.Neville@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Subject: Policy question re OFHP Credit Facility Agreement
Importance: High

Hi Bruno and John,

I have some additional information pertaining to the structure of the OFA loan to IESO re: OFHP. While this information adds context, it doesn't address the policy question of whether an unsecured loan is appropriate (based on the extent of the insolvency risk) for this regulatory asset.

The current draft FHP Credit Facility Agreement is consistent with the OFA Lending Policy (last revised and approved April 16, 2010 – *status TBC*), which provides that except where otherwise directed by the Minister of Finance, Treasury Board or Cabinet, the OFA will generally lend on an

unsecured basis (apart from the intercept provision) in respect of loans made by the OFA to public bodies (IESO is a public body for the purposes of CIPA). As such, the structure of this loan is consistent with the Policy (subject to my note below re: intercept provision). In my review of the supporting policy documentation, including the LRC minute, I didn't see any reference to a secured lending structure and I don't believe that there is any direction requiring this to be a secured loan. That being said, I query whether OFA CEFD staff are comfortable with this approach (see below).

In terms of the intercept provisions, which are required pursuant to s. 23 of CIPA, I have asked Toby from MOF Legal if they are aware of any agreement between the Ministry of Energy and the IESO agreeing that the Minister of Finance is entitled to deduct from money appropriated by the Legislature for payment to the IESO amounts equal to any amounts that the IESO fails to pay to the OFA on account of indebtedness under this loan agreement (as required by CIPA)? Are you aware of any such agreement? However, even if there were such an agreement in place, it is unclear to whether adding intercept provisions to the credit facility agreement, will provide further comfort. I plan to discuss this matter further with MOF Legal.

Based on the foregoing (and pending any additional information that Toby may obtain from his discussions with the Ministry of Energy), I defer the following question to CEFD staff:

> **Are you comfortable with the current structure of this loan as an unsecured loan (and the risk that this may entail)?** This decision ultimately needs to be made by business/policy people.
>
> - **If yes,** the next draft of the agreement will be available in the next day or so to send to IESO for review. I will work with MOF Legal to draft/leverage intercept provisions to mitigate this risk (as far as possible, based on the foregoing). We are also working on the permitted liens, *pari passu* and negative pledge provisions of the draft agreement, as previously discussed.
>
> - **If no,** additional Ministerial/TB direction, and a new legal agreement (likely with the assistance of external legal counsel) will be required. This will take additional time.

Please do not hesitate to contact me if you would like to discuss further.

Thank you,

Lisa

Lisa N. Stein
Legal Counsel
Ontario Financing Authority
416-325-2320

****
This message, including any attachments, is intended only for the use of the individual(s) to which it is addressed and contains information that is privileged/confidential. Any other distribution, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify the sender immediately by reply e-mail and permanently delete this message, including any attachments, without reading it or making a copy. Thank you.
****

From:	Sarah Harris
To:	Bruno Amara; John Kim
Cc:	Mike Manning; Ken Kandeepan; Opal Kandelas; Lisa Stein; Tobias P. Whitfield (MOF); William Tan
Subject:	FW: Policy questions re OFHP Credit Facility Agreement
Date:	Wednesday, August 09, 2017 10:37:30 AM
Importance:	High

Hello Bruno and John,

In advance of our internal call this afternoon, Lisa and Toby have prepared the following e-mail below to consider whether the OFA should consider taking a security interest in the Regulatory Asset as security for $2B credit facility, as well as the inclusion of the intercept provision. Ken Kandeepan expressed the following view yesterday:

> *"…[the $2B Facility] is unsecured but so is every loan issued by the OFA to a public body so not sure why the risk associated with this loan is greater or for that matter lower than the loans currently in the OFA's loan book.*
>
> *As such, this should be treated exactly like all the other loans. Note that the IESO is fully consolidated with that of the Province so loans issued by the OFA to IESO will be a wash upon consolidation."*

In light of this, could you please advise if there are there any additional considerations regarding the FHP structure that would could necessitate the inclusion of an intercept provision in the $2B facility and/or the OFA taking a security interest in the Regulatory Asset?

I am including Ken and Mike Manning in this e-mail, should they have any additional input or insight on this matter.

Thank you,
Sarah

From: Lisa Stein
Sent: Wednesday, August 09, 2017 10:09 AM
To: William Tan <William.Tan@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Subject: Policy questions re OFHP Credit Facility Agreement
Importance: High

Hi Sarah H. and Will,

Based on the e-mails to date, I understand that OFA staff held a conference call yesterday and based the OFA Lending Policy and past practices, may have concluded that it is appropriate for the loan to the IESO in relation to the OFHP to be unsecured, as per other OFA loans to public bodies. However, as neither Toby (from MOF Legal) nor I were part of the aforementioned call, we wanted to clarify that this loan is NOT necessarily the same as other OFA unsecured loans to public bodies, and as such, the protection provided by the "intercept" provisions of the standard OFA loan agreements

have limited application in this particular case (which is likely the reason why these provisions were not included in the original drafts). Our understanding is that, although the intercept provisions are intended to allow the Minister of Finance to deduct from money appropriated by the Legislature for payment to the Borrower amounts equal to any amounts that a Borrower fails to pay to the OFA on account of indebtedness under the loan agreement, in the case of the IESO as Borrower, these amounts are likely to be minimal.

Before proceeding, we would like to ensure that the nature of the loan, the impact of intercept provisions, and the insolvency and operational risks, have all been considered. Toby has succinctly summarized the questions which still need to be addressed during our call this afternoon in the e-mail which I have forwarded below.

Lisa

From: Whitfield, Tobias P. (MOF) [mailto:Tobias.Whitfield@ontario.ca]
Sent: Tuesday, August 08, 2017 5:03 PM
To: Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: Policy question re OFHP Credit Facility Agreement

Lisa,

I have attempted to summarize my questions/issues in the below. Let me know if you have anything to add or have any edits.

The concerns I have with the IESO loan, and that should be considered are related to what could happen to the Regulatory Asset (the "Asset") if there are any credit or liquidity issues at the IESO. Because the Asset is something that it is possible to take security in, and that is an intangible that may be subject to a floating charge (ie, as a result of a GSA or from a financing agreement) I thought it would be prudent to consider whether the OFA should take a security interest in the Asset as security for the loan.

I am not familiar with the types of financial arrangements or other obligations that the IESO may be a party to, either as a result of its market operations or otherwise, but it may be possible that the IESO has entered into such arrangements, such as swaps or other derivatives agreements, loans or other financing arrangements for which security could be given.

I am not aware of what financial guarantees or other arrangements may be in place such that the Province may have guaranteed the IESO's obligations, but I don't believe that there are any. My understanding is that the IESO is consolidated with the Province's books, but that the IESO is not a crown agent, and the Province is not liable for the IESO's obligations to third parties. However, I am not sure about the underlying facts without more input from ENERGY and the IESO.

In light of these questions it may be worthwhile to consider some related issues:

- How does the proposed IESO loan compare to other OFA loans made to public bodies, such

that it is appropriate to use the same requirements?
    - Size of loan – it is my understanding that there are not many loans that approach the size of the $2 billion loan that is proposed to the IESO.
    - Are the obligations of the IESO the obligations of the Province, and how does this compare to other public body loans?
    - What other financial obligations could the IESO have (such as swap agreements, other financial obligations) that could become due or create credit risk?
    - If in many public body loans, there is an intercept and an MOU with the appropriate ministry to create some security, does that make sense in this context? Are there significant transfers to the IESO?
    - Note that the OFA loan to the ROM was secured by pledges and an intercept, and that other Provincial loans to public bodies or other groups may be secured.
- Does the Province/OFA understand the financial obligations of the IESO such that it is confident that no other security interest could attach to the Asset?
- Given that the debt is specifically for the purpose of creating the Asset which will be "warehoused" at the IESO, once the Asset is sold to the financing entity, how will the Province ensure that the proceeds can only be used to repay the loan?

Tobias Whitfield
Counsel, Legal Services Branch
Ministry of Finance
tobias.whitfield@ontario.ca
Phone: 416-325-1456

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From: Opal Kandelas
To: Sarah Harris
Subject: FW: Post-Budget Commentaries by Moody"s and DBRS
Date: Thursday, March 29, 2018 1:28:18 PM
Attachments: Moody"s Ontario post-budget commentary.pdf
ON 2018 Budget Commentary DBRS.pdf
Moodys_Ontario_Budget2018_pressrelease.pdf

It's entirely possible that there may be an outlook or ratings change in the near future. Hopefully any new info won't come out in the middle of an issuance and cause concerns that the dealers would walk away from the deal. Either way, not in our control.
Opal

From: David Cross
Sent: Thursday, March 29, 2018 11:45 AM
To: Matthew Breadner <Matthew.Breadner@ofina.on.ca>; Alexander Kraas <Alexander.Kraas@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>; David Peters <David.Peters@ofina.on.ca>; Documentation <Documentation@ofina.on.ca>; Edwin Wong <Edwin.Wong@ofina.on.ca>; Elizabeth Wallace <Elizabeth.Wallace@ofina.on.ca>; Erica Wieder <Erica.Wieder@ofina.on.ca>; Gadi Mayman <Gadi.Mayman@ofina.on.ca>; Ingrid Vincent <Ingrid.Vincent@ofina.on.ca>; Ivy Wang <Ivy.Wang@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>; Jean-Paul Lamoureux <Jean-Paul.Lamoureux@ofina.on.ca>; Joe Pedota <Joe.Pedota@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Leo Oriotis <Leo.Oriotis@ofina.on.ca>; Linda Smith <Linda.Smith@ofina.on.ca>; Michael Smith <Michael.Smith@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Parvez Daruwalla <Parvez.Daruwalla@ofina.on.ca>; Ricky Lai <Ricky.Lai@ofina.on.ca>; Risa Thau <Risa.Thau@ofina.on.ca>; Shabina Hassan <Shabina.Hassan@ofina.on.ca>; Bonnie Lemcke <Bonnie.Lemcke@ofina.on.ca>; Christina Zhang <Christina.Zhang@ofina.on.ca>; RC_Opns <RC_Opns@ofina.on.ca>; Vivian Yan <Vivian.Yan@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>; David Cross <David.Cross@ofina.on.ca>; James Bentley <James.Bentley@ofina.on.ca>
Subject: Post-Budget Commentaries by Moody's and DBRS

Attached are the commentaries that DBRS and Moody's have just issued on Ontario following the release of the 2018 Ontario Budget.

DBRS expects the ratings to remain stable in the near term, however, the outlook for the medium to longer term appear less certain. "Without a concerted effort to rebuild flexibility in the credit profile, the Province's ratings appear increasingly likely to come under pressure during the next recession if past policy actions are any indication of the future policy response."

Moody's states that "the return to deficit is credit negative as it raises the likelihood that the province faces a structural deficit in addition to increasing our forecast of the debt burden to accommodate the associated new borrowing." Moody's notes that the rise in debt will also coincide with a period in which interest rates are expected to rise, both of which will impact the province's interest expense. They now expect interest expenses to exceed 9% of revenues in 2019/20, up from the recent low of 8.5% in 2016/17.

As noted previously, Fitch had expressed concern following the Minister's remarks at the Economic Club on March 8th. They indicated that "a return to deficit borrowing during a period of economic growth would be inconsistent with Fitch's current rating expectations". We should be prepared for a rating action from them, whether it's an outlook change from stable, or something more significant, following the release of the Budget.

We will be meeting or speaking to all of the rating agencies over the next few weeks.

MOODY'S INVESTORS SERVICE

ISSUER COMMENT
29 March 2018

Province of Ontario (Canada)

Spending drives province back into deficit, a credit negative

Analyst Contacts

Michael Yake +1.416.214.3865
VP-Senior Analyst
michael.yake@moodys.com

Adam Hardi CFA +1.416.214.3636
AVP-Analyst
adam.hardi@moodys.com

Alejandro Olivo +1.212.553.3837
Associate Managing Director
alejandro.olivo@moodys.com

David Rubinoff +44.20.7772.1398
MD-Sub Sovereigns
david.rubinoff@moodys.com

CLIENT SERVICES

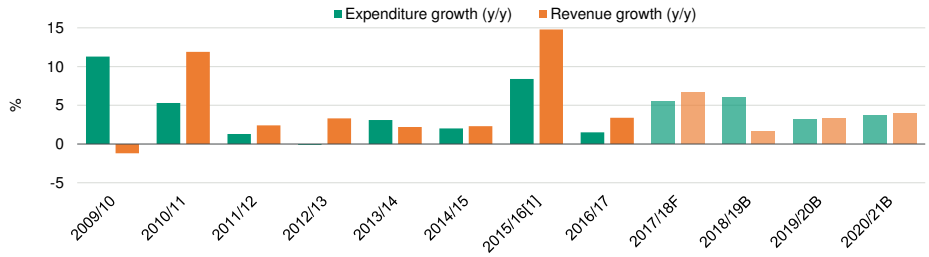
Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

In a pre-election budget released 28 March, the Province of Ontario (Aa2 stable) proposes returning to deficits beginning in 2018/19, after posting its first balanced budget in a decade in 2017/18. The 2018 budget forecasts a deficit of CAD6.7 billion for 2018/19 (4.4% of revenue), and marginally smaller deficits in 2019/20 and 2020/21 (4.2% and 4.0%, respectively). The return to deficit is credit negative as it raises the likelihood that the province faces a structural deficit in addition to increasing our forecast of the debt burden to accommodate the associated new borrowing.

The return to deficits is largely driven by proposed new spending initiatives. Total spending is expected to increase 6.0% in 2018/19, after rising 5.5% in 2017/18. These are the highest consecutive years of spending growth since 2010/11 when the province was undertaking stimulus to combat the global financial crisis (see Exhibit 1).

Exhibit 1

Ontario proposes increasing spending significantly more than revenue growth in 2018/19 followed by roughly equal growth rates in revenues and expenses in outer years



[1] 2015/16 not directly comparable to prior year due to consolidation of schools, hospitals and post secondary institutions
Source: Moody's Investors Service, Provincial public accounts and 2018 budget

While spending growth will slow to the pace of revenue growth in 2019/20, many of the new initiatives proposed by the province could face pressures to expand in scope. For example, the 2018 budget expands coverage of its pharmacare plan to include people aged 65 and over, which could cost nearly CAD1 billion over three years. Other new initiatives include CAD2.2 billion over three years for free preschool for children aged 2.5 years until they start kindergarten. Overall, spending on health and long-term care is expected to increase 5.1% and education 4.4% in 2018/19.

Not included in the above expenditure plans is capital spending. The province plans to spend CAD182 billion over the 10-year period 2018/19-2017/28 on infrastructure, which is a 16.7% increase over the CAD156 billion the province was forecasting to spend over 10 years in

This document has been prepared for the use of Bonnie Lemcke and is protected by law. It may not be copied, transferred or disseminated unless authorized under a contract with Moody's or otherwise authorized in writing by Moody's.

the 2017 budget. Over half of the capital plan will be spent on public transit and highway infrastructure.

With little new tax measures introduced in the budget (measuring CAD510 million in 2018/19), revenue growth in 2018/19 is expected to be 1.6% after a strong 6.7% increase in 2017/18. The province anticipates economic growth will drive revenue growth over the budget horizon. The province forecasts nominal GDP growth will average 4.0% over the years 2018-2021, just slightly above revenue growth forecasts in 2019/20 and 2020/21. Noticeably, however, the province is forecasting real economic growth to moderate over the medium-term. After posting an expected 2.7% growth in 2017, real GDP will moderate to 2.2% in 2018 and decline further to 1.7% in 2021. We previously indicated that Ontario would be one of the provinces most at risk from lower economic growth should NAFTA fail to be renegotiated. The province also lists NAFTA and the potential to disrupt trade patterns as a risk to its economic forecasts.

The province will require additional borrowings compared to previous plans to fund the new round of deficits and capital spending. Its borrowing forecast for 2018/19 is largely in line with last year's at CAD31.7 billion, but this also reflects CAD11.5 billion pre-borrowed in 2017/18. Over the three year period 2018/19-2020/21, the province will require borrowings of CAD109.7 billion, including refinancing requirements, CAD13 billion higher than the three year period 2017/18-2019/20 forecasted in 2017 budget. As a result, we have revised our debt forecasts upwards to around 237% of revenue through 2019/20.

The rise in debt will also coincide with a period in which interest rates are expected to rise, both of which will impact the province's interest expense. We now expect interest expenses to exceed 9% of revenues in 2019/20, up from the recent low of 8.5% in 2016/17.

Moody's related publications

» **Credit Opinion:** Province of Ontario (Canada): Update to credit analysis, 2 February 2018

» **Issuer Comment:** Province of Ontario: Ontario's planned return to deficits is credit negative, 12 March 2018

» **Sector Comment:** Regional & local governments – Canada: Increase in equalization payments is credit positive for recipient provinces, 13 February 2018

» **Sector In-Depth**: US and Canada: NAFTA exit would weigh on states and provinces more than national economies, 15 March 2018

» **Sector Outlook:** Regional and Local Governments - Canada: 2018 outlook stable on modest economic and revenue growth (Slides), 7 December 2017

» **Methodology:** Regional and Local Governments, 16 January 2018

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moodys.com for the most updated credit rating action information and rating history.

This document has been prepared for the use of Bonnie Lemcke and is protected by law. It may not be copied, transferred or disseminated unless authorized under a contract with Moody's or otherwise authorized in writing by Moody's.

© 2018 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. AND ITS RATINGS AFFILIATES ("MIS") ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MOODY'S PUBLICATIONS MAY INCLUDE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND MOODY'S OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. CREDIT RATINGS AND MOODY'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MOODY'S PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS AND PUBLISHES MOODY'S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS OR MOODY'S PUBLICATIONS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER. ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing the Moody's publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any rating, agreed to pay to Moody's Investors Service, Inc. for appraisal and rating services rendered by it fees ranging from $1,500 to approximately $2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moodys.com under the heading "Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors. It would be reckless and inappropriate for retail investors to use MOODY'S credit ratings or publications when making an investment decision. If in doubt you should contact your financial or other professional adviser.

Additional terms for Japan only: Moody's Japan K.K. ("MJKK") is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJKK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any rating, agreed to pay to MJKK or MSFJ (as applicable) for appraisal and rating services rendered by it fees ranging from JPY200,000 to approximately JPY350,000,000.

MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.

REPORT NUMBER 1118435

MOODY'S
INVESTORS SERVICE

This document has been prepared for the use of Bonnie Lemcke and is protected by law. It may not be copied, transferred or disseminated unless authorized under a contract with Moody's or otherwise authorized in writing by Moody's.

Commentary

Travis Shaw
Vice President
Public Finance
Global Corporates
+1 (416) 597 7582
tshaw@dbrs.com

Paul LeBane
Vice President
Public Finance
Global Corporates
+1 (416) 597 7478
plebane@dbrs.com

Brenda Lum
Managing Director
Real Estate & Public Finance
Global Corporates
+1 (416) 597 7569
blum@dbrs.com

DBRS
Insight beyond the rating.

Ontario's 2018 Budget: Billions for the Ballot

DBRS Limited (DBRS) is commenting on the Province of Ontario's (Ontario or the Province; rated AA (low) with a Stable trend by DBRS) 2018 budget, released on March 28, 2018.

After almost a decade of reiterating its commitment to a balanced budget and reducing the Province's debt-to-gross domestic product (GDP) ratio, the Province has introduced a plan that will see it ramp up spending ahead of the June 2018 provincial election, voluntarily pushing itself back into protracted deficit spending and halting the improvement in debt ratios.

The direction of fiscal policy adopted by the Province is distinctly negative for the Province's credit profile. Rather than shifting to a neutral or conservative fiscal policy stance and rebuilding budget and balance sheet flexibility, the Province has made a deliberate decision to pursue expansionary fiscal policy potentially near the peak of the economic cycle.

The budget proposes deficits in the range of $6.5 billion to $6.7 billion in each of the next three years. The plan to return to balance — aptly termed a "recovery plan" — sees the Province gradually reducing the deficit during a subsequent mandate with a target to balance the budget in 2024–25. In total, the budget projects about $32.0 billion in deficit spending and about $90.0 billion in debt-financed capital investment over the next six years. It demonstrates in the clearest terms that the Province is not committed to disciplined, countercyclical fiscal policy. The policy reversal also undermines the credibility of the government's future fiscal policy commitments, including its plan to return to balance.

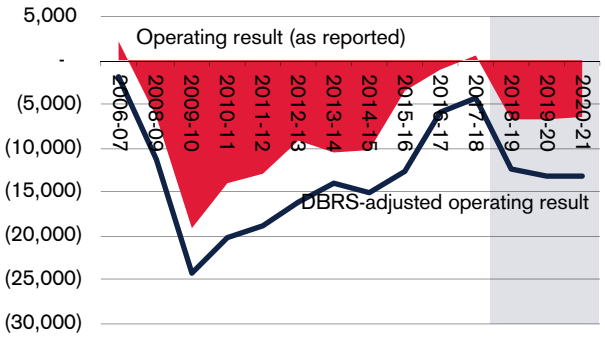
With no willingness to balance the budget at the peak of the business cycle and by systematically expanding government, a return to protracted deficit spending appears all but certain. With interest rates set to rise, economic growth expected to moderate and program spending entrenched, eliminating the budget deficit will prove challenging in the coming years.

Ontario's credit profile stabilized in recent years and was beginning to show modest signs of improvement. Progress will now likely stall or reverse. While DBRS expects the ratings to remain stable in the near term, the outlook for the medium to longer term appear less certain. Without a concerted effort to rebuild flexibility in the credit profile, the Province's ratings appear increasingly likely to come under pressure during the next recession if past policy actions are any indication of the future policy response.

Budget 2018 Take-Aways

- Ontario Liberals are no longer committed to balanced budgets or prudent, countercyclical fiscal policy.
- Credibility of Ontario's future fiscal policy commitments has been undermined by the dramatic fiscal policy reversal.
- Ontario has proposed $20.3 billion in new program spending over the next three years. The budget includes modest tax increases, with the bulk of new spending being debt-financed.
- Deficits are pegged at between $6.5 billion and $6.7 billion in each of the next three years.
- The "responsible fiscal recovery plan" — to a self-imposed problem — begins in 2021–22 and targets a balanced budget in 2024–25.
- Between 2007–08 and 2017–18, DBRS-adjusted debt will have risen by nearly $200 billion. The plan suggests debt will rise by a further $40 billion over the next three years.
- DBRS-adjusted debt-to-GDP appears likely to remain near current levels (42.0% to 43.0%) over the next three years, providing the economic expansion continues. Debt appears certain to remain permanently above pre-recession levels (26.0%) over the longer term.
- **Political uncertainty:** Current polling suggests a change in government may be possible with the June 7, 2018, election. If this were to occur, the fiscal plan could change significantly.
- **Economic risks:** Rising trade protectionism/isolationism, BREXIT, China's economic transition, household indebtedness, rising interest rates and U.S. fiscal policy all pose potential risks to the Ontario economy.

Exhibit 1: Fiscal Outlook
Reported and DBRS-Adjusted Operating Result ($ Millions)



Sources: Province of Ontario and DBRS.

Budget Outlook

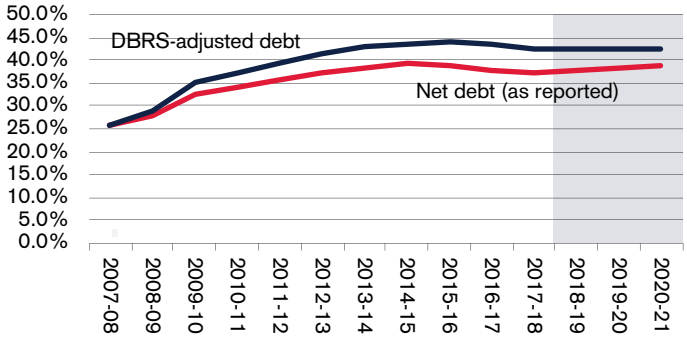
The Province's 2018 budget will not be passed ahead of the June 2018 general provincial election, but it does set out the incumbent Liberal's priorities if elected for another mandate.

Thematically, the focus of the budget is new spending measures consistent with the government's vision for creating fairness and opportunity. The budget includes more $20.3 billion in new spending over the next three years. There are no major economic or tax policy announcements.

The budget projects a deficit of $6.7 billion in 2018–19 or 0.8% of GDP, though, as in past years the budget does incorporate a general budgetary reserve ($700 million) and explicit expense contingencies ($1.6 billion). On a DBRS-adjusted basis (post-capex), this equates to a deficit of about $13.0 billion, or about 1.4% of GDP.

Exhibit 2: Debt Burden

Net Debt and DBRS-Adjusted Debt as a Share of GDP



Sources: Province of Ontario and DBRS.

Total revenue is set to rise modestly (+1.5%). Underlying tax (+4.3) and transfer (+2.7%) revenue growth are moderately strong, but are being offset by declines in government business enterprises' net income and other own-source revenue, both of which are related to policy actions that bumped up revenue in the prior year (e.g., one-time gains from Hydro One share sale, elimination of electricity debt retirement charge, etc.). The budget includes only modest tax policy changes, the most significant of which are changes to the personal income tax rate structure and surtax, which will provide about $500 million in incremental revenue in 2018–19 and between $700 and $800 million in the outer years. There is no concerted effort to increase taxes to pay for the new spending commitments.

Total expense is set to rise strongly (+6.0%) in 2018–19, which follows a similarly strong increase the year before (+5.5%). These are the fastest spending increases since the peak of the financial crisis (2009–10). The 2018 budget outlines $20.3 billion in major, new spending initiatives over three years. These include:

- Increased funding for hospitals/health care (+$1.3 billion);
- Improved services and access to mental health and addictions services (+$1.2 billion);
- Improved affordability/access to childcare, including free preschool for children two and a half and older (+$2.2 billion);
- Social assistance and income security reform (+$2.3 billion);
- Increased support for individuals with development disabilities (+$1.8 billion);
- Free prescription drugs (extension of OHIP+) for senior citizens (+$1.0 billion);
- Senior's healthy home program (+$0.7 billion);
- New drug and dental program for individuals without workplace coverage (+$0.8 billion); and
- More funding for economic development and similar activities (+$0.9 billion).

The new program spending is translating into significant growth in ministry budgets: Health and Long-Term Care (+5.1%), Education (+4.4%), Advanced Education and Skills Development (+5.9%) and Community and Social Services (+7.5%), as well as interest on debt (+4.8%).

Capital spending is set to rise strongly (+22.6%) in 2018–19, with growth in both grants and capital investment. Capital investment by the Province (not included in expense) is budgeted to rise by nearly $3.0 billion to $16.1 billion, which follows a similar-sized increase in the prior year.

The Province has projected deficits in the range of $6.5 billion to $6.7 billion for the 2018–19 to 2020–21 period. These estimates include contingencies and budget reserves. While spending growth is substantial in 2018–19, the Province projects moderation in both revenue and spending growth in subsequent years, with revenue and expense growth ranging between 3.0% and 4.0% annually.

The Province has outlined a plan to return to balance (responsible fiscal recovery plan) with the deficit gradually falling after 2020–21 and the budget eventually being balanced in 2024–25. Given the recent policy reversal and that deficit reduction is set to coincide with the 2022 general election, DBRS questions the credibility of the targets.

While the policy announcements are concerning, DBRS does note that Ontario has exceeded its deficit targets in recent years. The budget incorporates contingencies and the Province has over-estimated debt servicing costs in the past. Moreover, new in-year spending has often been offset by better-than-expected revenue and capital investment tends to be less than budgeted. Ultimately, this has translated into debt often being lower than forecast.

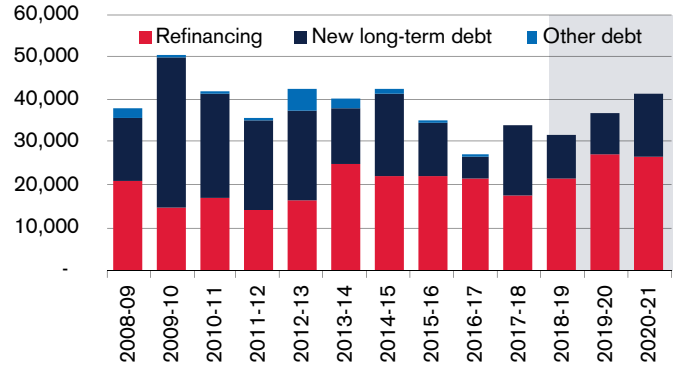
Debt Outlook

The budget suggests the Province's DBRS-adjusted debt burden will remain near current levels (42.0% to 43.0% of GDP) over the next three years. This halts the downward trend in the debt burden that began in 2016–17.

Ontario projects net debt, as reported in financial statements, will rise $16.8 billion (+5.5%) to $325.0 billion in 2018–19, or increase modestly to 37.6% of GDP. The Province announced last year that it would reduce the net debt-to-GDP ratio to 35.0% by 2023–24 and to pre-recession levels in 2030s. The debt reduction goal has now been abandoned, less than a year later.

Exhibit 3: Borrowing Program

Historical Financing Activity and Borrowing Program ($ Millions)



Source: Province of Ontario.

The Province's borrowing requirement for 2018–19 is $31.7 billion, after accounting for $11.5 billion in pre-borrowing completed in 2017–18. This includes $21.5 billion for refinancing, $14.2 billion for capital requirements and the remainder is for various other cash requirements, including the deficit. Over the medium term, the borrowing plan will remain elevated with rising refinancing requirements and persistent deficit spending.

Economic Outlook

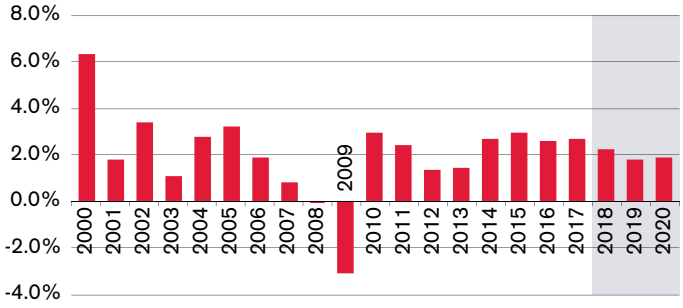
Ontario's economy has continued its broad-based expansion with real GDP growth estimated at 2.7% in 2017.

The Province expects economic expansion to continue over the medium term with household consumption, business investment and government spending driving growth. The labour market is forecast to tighten further over the medium term with unemployment tracking to 5.4% over the next two years. While residential investment has been a significant contributor to growth in recent years, the Province now expects residential investment to moderate, due in part to past policy measures, rising interest rates and the changes in Office of the Superintendent of Financial Institutions mortgage rules.

Economic growth is projected to be 2.2% in 2018 and average 1.9% over the medium term.

Exhibit 4: Economic Growth

Real GDP Growth (%)



Sources: Statistics Canada/Haver Analytics and Province of Ontario.

The economic outlook continues to be supported by a strong U.S. economy, though the Province does face a number of significant economic risks, including U.S. trade and fiscal policy, rising interest rates, Brexit, elevated sovereign indebtedness and China's economic transition.

Qualified Financial Statements

Ontario's budget presentation is broadly consistent with that of its audited public accounts. The Auditor General has, however, qualified the financial statements in each of the last two years and has indicated that she is likely to add a further qualification in 2017–18 if the Province accounts for the Fair Hydro Plan as is currently proposed.

The 2016–17 Audit Report indicated that the deficit was understated by $1.4 billion and that net debt was understated by $12.4 billion (equivalent to 1.6% of nominal GDP). The 2018 Budget does not provide disaggregated balance sheet data, but given the performance of the underlying pension plans in recent years and the budget projection for other net assets, the reported net pension asset appears likely to rise. With Ontario Fair Hydro Trust expected to borrow about $2.0 billion annually over the coming years, the Auditor General would likely argue that the deficit is understated by more than $3.0 billion in 2018–19 and that the net debt is likely understated by between $15.0 and $20.0 billion (1.7% to 2.3% of GDP).

In rating Canadian provinces, DBRS uses an adjusted measure for debt based on the liabilities reported by the Province. For Ontario, DBRS-adjusted debt includes a portion of the Fair Hydro-related borrowings and does not include the value of the net pension asset. For more detail on DBRS's calculation of debt, refer to the methodology, *Rating Canadian Provincial Governments*, available at www.dbrs.com.

June 2018 Provincial Election

The next provincial general election is scheduled for June 7, 2018. Current polls suggest a change in government may be possible, as is the possibility of a minority government. Neither of the opposition parties has yet to release a comprehensive election platform. It is not clear how fiscal policy would evolve under a different government.

The opposition parties have criticized government for the qualified audit opinion and the financing structure used for the Fair Hydro Plan. A change in government could lead to a change in the structure of the Fair Hydro financing or the accounting of the net pension asset. If this were to occur, the reported deficit would likely deteriorate further and net debt would step up. Depending on how a restructuring occurred, DBRS could adjust the DBRS-adjusted debt and deficit measures.

Ontario's *Fiscal Transparency and Accountability Act* requires the government release a pre-election report on the state of the Province's finances. The report, released concurrent with the 2018 budget, outlines the economic assumptions used to develop the Province's fiscal plan, an estimate of revenue and expenses and the Province's debt-to-GDP ratio. The report will be reviewed by the Auditor General for reasonableness. DBRS expects the Auditor General will issue a negative opinion on the report.

Preliminary Assessment

This commentary reflects a preliminary assessment of the Province's budget. DBRS will conduct a formal, in-depth review of the Province in the coming weeks and will publish a rating update at the conclusion of that process.

Appendix — Historical Budget Accuracy

Exhibit A1: Fiscal Projections — Budget vs. Actual
(As Presented by the Province; $ Millions)

	Budgeted					Actual					Variance (Actual to Budget)				
	2013–14	**2014–15**	**2015–16**	**2016–17**	**2017–18**	**2013–14**	**2014–15**	**2015–16**	**2016–17**	**2017–18**	**2013–14**	**2014–15**	**2015–16**	**2016–17**	**2017–18**
Revenue	116,845	118,871	124,390	138,482	150,019	115,911	118,546	128,377	140,734	150,136	(934)	(325)	3,987	2,252	117
Program Expense	117,983	120,366	121,492	130,376	137,773	115,792	118,226	122,439	130,016	137,529	(2,191)	(2,140)	947	(360)	(244)
Interest Expense	10,605	11,010	11,410	12,412	12,246	10,572	10,635	10,967	11,709	11,965	(33)	(375)	(443)	(703)	(281)
Total Expense	128,588	131,376	132,902	142,788	150,019	126,364	128,861	133,406	141,725	149,494	(2,224)	(2,515)	504	(1,063)	(525)
Surplus (Deficit)	**(11,743)**	**(12,505)**	**(8,512)**	**(4,306)**	**–**	**(10,453)**	**(10,315)**	**(5,029)**	**(991)**	**642**	**1,290**	**2,190**	**3,483**	**3,315**	**642**
Capital Investment	12,529	12,167	11,138	13,037	15,566	10,322	11,183	10,922	10,045	13,100	(2,207)	(984)	(216)	(2,992)	(2,466)
Net Debt	**272,810**	**289,251**	**298,864**	**308,315**	**311,921**	**267,190**	**284,576**	**305,233**	**301,648**	**308,203**	**(5,620)**	**(4,675)**	**6,369**	**(6,667)**	**(3,718)**

Budgetary results and debt are consistently better than projected.

Exhibit A2: Economic Assumptions — Budget vs. Actual
(Per Cent or Percentage Points (Variance))

	Budgeted (%)					Actual (%)					Variance (Ppts.)				
	2013	**2014**	**2015**	**2016**	**2017**	**2013**	**2014**	**2015**	**2016**	**2017**	**2013**	**2014**	**2015**	**2016**	**2017**
Nominal GDP Growth	3.0	3.5	4.2	4.0	4.3	2.4	4.1	4.9	4.3	4.4	(0.6)	0.6	0.7	0.3	0.1
Real GDP Growth	1.5	2.1	2.7	2.2	2.3	1.3	2.7	2.5	2.6	2.7	(0.2)	0.6	(0.2)	0.4	0.4

Exhibit A3: DBRS-Adjusted Operating Results and Debt
(As a Share of GDP)

	Budgeted (%)					Actual (%; First Statistics Canada Estimate)					Variance (Ppts.)				
	2013–14	**2014–15**	**2015–16**	**2016–17**	**2017–18**	**2013–14**	**2014–15**	**2015–16**	**2016–17**	**2017–18**	**2013–14**	**2014–15**	**2015–16**	**2016–17**	**2017–18**
DBRS-Adj. Operating Result	(2.7)	(2.1)	(1.7)	(2.6)	(2.3)	(2.2)	(2.0)	(2.8)	(2.4)	-	0.5	0.1	(1.1)	0.2	-
DBRS-Adj. Debt	37.3	38.6	39.6	44.1	44.0	38.2	38.2	42.0	43.0	-	0.9	(0.4)	2.4	(1.1)	-

Methodology and Data: Budgeted and actual amounts for 2013–14 to 2016–17 are taken from Ontario's public accounts. The budgeted reserve has been included in program expense. Budgeted amounts for 2017–18 are taken from the 2017 Budget and the actual amounts for 2017–18 are taken from the 2018 Budget. Budget GDP growth is taken from provincial budgets and the associated actuals are the first GDP estimate (expenditure basis) produced by Statistics Canada. The actual GDP growth for 2017 is the Province's projection in the 2018 Budget. The DBRS-adjusted figures are taken from rating reports, with the actual figure being the estimate/actual taken from the subsequent year's report.

Note:
All figures are in Canadian dollars unless otherwise noted.

The DBRS group of companies consists of DBRS, Inc. (Delaware, U.S.)(NRSRO, DRO affiliate); DBRS Limited (Ontario, Canada)(DRO, NRSRO affiliate); DBRS Ratings Limited (England and Wales)(CRA, NRSRO affiliate, DRO affiliate); and DBRS Ratings México, Institución Calificadora de Valores S.A. de C.V. (Mexico)(CRA, NRSRO affiliate, DRO affiliate). Please note that DBRS Ratings Limited was registered as an NRSRO affiliate on July 14, 2017. For more information on regulatory registrations, recognitions and approvals, please see: http://www.dbrs.com/research/225752/highlights.pdf.

© 2018, DBRS. All rights reserved. The information upon which DBRS ratings and other types of credit opinions and reports are based is obtained by DBRS from sources DBRS believes to be reliable. DBRS does not audit the information it receives in connection with the analytical process, and it does not and cannot independently verify that information in every instance. The extent of any factual investigation or independent verification depends on facts and circumstances. DBRS ratings, other types of credit opinions, reports and any other information provided by DBRS are provided "as is" and without representation or warranty of any kind. DBRS hereby disclaims any representation or warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability, fitness for any particular purpose or non-infringement of any of such information. In no event shall DBRS or its directors, officers, employees, independent contractors, agents and representatives (collectively, DBRS Representatives) be liable (1) for any inaccuracy, delay, loss of data, interruption in service, error or omission or for any damages resulting therefrom, or (2) for any direct, indirect, incidental, special, compensatory or consequential damages arising from any use of ratings and rating reports or arising from any error (negligent or otherwise) or other circumstance or contingency within or outside the control of DBRS or any DBRS Representative, in connection with or related to obtaining, collecting, compiling, analyzing, interpreting, communicating, publishing or delivering any such information. Ratings and other types of credit opinions issued by DBRS are, and must be construed solely as, statements of opinion and not statements of fact as to credit worthiness or recommendations to purchase, sell or hold any securities. A report with respect to a DBRS rating or other credit opinion is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. DBRS may receive compensation for its ratings and other credit opinions from, among others, issuers, insurers, guarantors and/or underwriters of debt securities. DBRS is not responsible for the content or operation of third party websites accessed through hypertext or other computer links and DBRS shall have no liability to any person or entity for the use of such third party websites. This publication may not be reproduced, retransmitted or distributed in any form without the prior written consent of DBRS. ALL DBRS RATINGS AND OTHER TYPES OF CREDIT OPINIONS ARE SUBJECT TO DISCLAIMERS AND CERTAIN LIMITATIONS. PLEASE READ THESE DISCLAIMERS AND LIMITATIONS AT http://www.dbrs.com/about/disclaimer. ADDITIONAL INFORMATION REGARDING DBRS RATINGS AND OTHER TYPES OF CREDIT OPINIONS, INCLUDING DEFINITIONS, POLICIES AND METHODOLOGIES, ARE AVAILABLE ON http://www.dbrs.com.

MOODY'S
INVESTORS SERVICE

Announcement: Moody's calls Ontario's planned return to deficits credit negative

Global Credit Research - 29 Mar 2018

Toronto, March 29, 2018 -- Moody's Investors Service notes in a recent report that the planned return to deficits by the Province of Ontario (Aa2 stable) is credit negative. As outlined in the province's recently released 2018 Budget, the forecasted deficit in 2018/19 will reach CAD6.7 billion, equivalent to 4.4% of revenue. This comes after the province recorded a balanced budget in 2017/18, its first since 2007/08. The three year budget horizon forecasts continued deficits with only modest annual improvements.

Moody's notes that the planned return to deficits is credit negative as it will raise borrowing requirements, adding to Ontario's already elevated debt burden, and raises the likelihood that the province is facing a structural deficit.

"The return to deficits is in sharp contrast to past messages the province had provided on maintaining balanced budgets once they were achieved in 2017/18 after a lengthy period of consecutive deficits," noted Michael Yake, Moody's Vice President / Senior Analyst. "Additionally, the deficits are driven primarily by planned new spending initiatives. The inability to accommodate new spending within a framework of maintaining or quickly returning to balanced budgets, at a time when the province's economy is performing well, suggests the province is facing a structural deficit."

After rising 5.5% in 2017/18, spending is forecast to rise 6.0% in 2018/19, which Moody's notes represents the two strongest consecutive years of spending growth since 2010/11 when the province was stimulating the economy after the 2009 financial crisis. Among the new spending initiatives proposed by the province are an expansion to its recently introduced pharmacare program and free preschool for children, initiatives that Moody's says could face future pressure to increase in scope.

The province also increased its 10 year spending plan on capital infrastructure, rising to CAD182 billion from a previous level of CAD156 billion.

Revenue growth is expected to be a modest 1.6% in 2018/19 after increasing 6.7% in 2017/18. Over the budget horizon, revenue growth should trend slightly below nominal GDP growth, which is expected to average 4.0% over the period 2018-2021.

To finance the new series of deficits as well as the increased capital plan, the province will increase its borrowing program from previous forecasts. Moody's forecasts that the province's debt burden, which is measured as net direct and indirect debt as a share of revenue, will remain around 237% through 2019/20.

The increase in debt will also lead to higher interest expense which Moody's forecasts will exceed 9% in 2019/20.

As part of its normal monitoring process, Moody's will evaluate the 2018/19 budget's assumptions, its potential for upside and downside risks and likely impacts on the province's debt burden and liquidity profile.

Moody's research subscribers can access the report "Province of Ontario (Canada): Spending drives province back into deficit, a credit negative" at

https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1118435

NOTE TO JOURNALISTS ONLY: For more information, please call one of our global press information hotlines: New York +1-212-553-0376, London +44-20-7772-5456, Tokyo +813-5408-4110, Hong Kong +852-3758-1350, Sydney +61-2-9270-8141, Mexico City 001-888-779-5833, São Paulo 0800-891-2518, or Buenos Aires 0800-666-3506. You can also email us at mediarelations@moodys.com or visit our web site at www.moodys.com.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moodys.com for the most updated credit rating

action information and rating history.

Michael Yake
Vice President - Senior Analyst
Sub-Sovereign Group
Moody's Canada Inc.
70 York Street
Suite 1400
Toronto, ON M5J 1S9
Canada
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

David Rubinoff
MD - Sub-Sovereigns
Sub-Sovereign Group
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454

Releasing Office:
Moody's Canada Inc.
70 York Street
Suite 1400
Toronto, ON M5J 1S9
Canada
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

© 2018 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. AND ITS RATINGS AFFILIATES ("MIS") ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MOODY'S PUBLICATIONS MAY INCLUDE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND MOODY'S OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. CREDIT RATINGS AND MOODY'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MOODY'S PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS AND PUBLISHES MOODY'S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE

MOODY'S CREDIT RATINGS OR MOODY'S PUBLICATIONS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing the Moody's publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any rating, agreed to pay to Moody's Investors Service, Inc. for appraisal and rating services rendered by it fees ranging from $1,500 to approximately $2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moodys.com under the heading "Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that

neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors. It would be reckless and inappropriate for retail investors to use MOODY'S credit ratings or publications when making an investment decision. If in doubt you should contact your financial or other professional adviser.

Additional terms for Japan only: Moody's Japan K.K. ("MJKK") is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJKK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any rating, agreed to pay to MJKK or MSFJ (as applicable) for appraisal and rating services rendered by it fees ranging from JPY200,000 to approximately JPY350,000,000.

MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.

From:	Anna Strathy
To:	Andrew Prahalad; David Peters; Francisco Chinchon; James Devine; Ken Kandeepan; Mara Bakic; Mike Manning; Opal Kandelas; Ronald Kwan; Sarah Neville; Linda Smith; John Kim; Emily Kerr
Subject:	FW: Post-Election Materials - Foundational 101s and Early Contacts: Part 2 of 2
Date:	Monday, May 07, 2018 11:15:02 AM
Attachments:	25-1.0 OFA Presentation.pdf 25-OFA 2018 Transition Binder.pdf MoF Early Contacts - MO Calls.docx MoF Early Contacts (Consolidated) April 2018 - By Group.docx

FYI – final transition materials attached, below.

From: Matsumura, Jordan (MOF) [mailto:Jordan.Matsumura@ontario.ca]
Sent: Thursday, May 03, 2018 2:19 PM
To: David McLean (MOF) <David.McLean@ontario.ca>
Cc: Michelle Bryant (MOF) <Michelle.Bryant@ontario.ca>; Marco Ciavatta (FSCO) <Marco.Ciavatta@fsco.gov.on.ca>; Cheryl Donais (MEDTE/MRI) <Cheryl.Donais@ontario.ca>; Gobeil, Diana (MOF) <Diana.Gobeil@ontario.ca>; Jayne Harten (ENE) <Jayne.Harten@ontario.ca>; Bridget Jeanes (MGS) <Bridget.Jeanes@ontario.ca>; Nisha Menon (MOHLTC) <Nisha.Menon@ontario.ca>; Patel, Lesley (MOF) <Lesley.Patel@ontario.ca>; Rowe, Alana (MOF) <Alana.Rowe@ontario.ca>; Sadruddin Salman (MOF) <Sadruddin.Salman@ontario.ca>; Maria Sapounas (MOF) <Maria.Sapounas@ontario.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>; Sukhdeo, Sharmila (MOF) <Sharmila.Sukhdeo@ontario.ca>; Ghufran Tarin (MOF) <Ghufran.Tarin@ontario.ca>; Krista Teichroeb (ENE) <Krista.Teichroeb@ontario.ca>; Wallace, Julia (MOF) <Julia.Wallace@ontario.ca>; Usman Zahid <Usman.Zahid@ofina.on.ca>; Brandon Chaput (MOF) <Brandon.Chaput@ontario.ca>; Helmut Zisser (MOF) <Helmut.Zisser@ontario.ca>; Michelle Henderson (MOF) <Michelle.Henderson@ontario.ca>; Daniel Tiburcio (MOF) <Daniel.Tiburcio@ontario.ca>
Subject: RE: Post-Election Materials - Foundational 101s and Early Contacts: Part 2 of 2

Part 2

Jordan Matsumura

A/Special Advisor and Executive Assistant

Office of the CAO

Phone: 905-433-5457/416-326-8222

From: Matsumura, Jordan (MOF)
Sent: May-03-18 2:14 PM
To: McLean, David (MOF)
Cc: Bryant, Michelle (TBS); Ciavatta, Marco (FSCO); Donais, Cheryl (MOF); Gobeil, Diana (MOF); Harten,

Jayne (MOF); Jeanes, Bridget (MOF); Menon, Nisha (MOF); Patel, Lesley (MOF); Rowe, Alana (MOF); Salman, Sadruddin (MOF); Sapounas, Maria (MOF); Strathy, Anna (OFA); Sukhdeo, Sharmila (MOF); Tarin, Ghufran (MOF); Teichroeb, Krista (MOF); Wallace, Julia (MOF); Zahid, Usman (OFA); Chaput, Brandon (MOF); Zisser, Helmut (MOF); Henderson, Michelle (MOF); Tiburcio, Daniel (MOF)
Subject: Post-Election Materials - Foundational 101s and Early Contacts: Part 1 of 2

Hi Dave,

As requested, please find the most current versions of our foundational 101s and the early contacts list. Due to the size of the files, I will be sending in two emails.

OEP has flagged that, as noted on the cover slides of their materials, the contents of their decks are outdated and currently being reviewed. They will update their materials closer to June 7th.

#	Material	Division	File
1.	Ontario Economic Update	OEP	Sent Previously
2.	Ontario Revenue Forecasting Primer	OEP	
3.	2018 Federal Budget Overview	OB	
4.	Financial Accountability Officer	OB	
5.	Fiscal Plan Overview	OB	
6.	Federal-Provincial Relations and Federal Revenue	OB	
7.	Canada's Equalization Program: Overview	OB	
8.	Office of Tax, Benefits and Local Finance: Foundational Overview	TBLF	
9.	Provincial-Local Finance Division: Foundational Overview	PLFD	
10.	Strategy, Stewardship and Program Policy Division: Foundational Overview	SSPPD	
11.	Tax Compliance and Benefits Division: Foundational Overview	TCBD	
12.	Taxation Policy Division: Foundational Overview	TPD	
13.	Government Business Enterprise Division & the Cannabis Retail Implementation Project: Foundational Overview	GBED/CRIP	
14.	Co-operative Capital Markets Regulator System: Foundational Overview	CCMR	
15.	Securities Regulation and Ontario Securities Commission: Foundational Overview	SRPPB/CCMR	
16.	Ontario's Credit Union and Caisse Populaire Sector: Foundational Overview	FSPD	
17.	Financial Services Regulatory Authority of Ontario (FSRA): Foundational Overview	FSPD	
18.	Ontario's Insurance Sector: Foundational Overview	FSPD	
19.	Mortgage Broker Sector: Foundational Overview	FSPD	
20	Co-operative Corporations in Ontario: Foundational Overview	FSPD	
21.	Financial Services Commission of Ontario: Foundational Overview	FSCO	
22.	Financial Services Commission of Ontario: Key Issues and Considerations	FSCO	
23.	Pension Regulation in Ontario: An Overview	ISPPD	

24. Retirement Income Security: An Overview with a Focus on Pillars 1 and 2 ISPPD

25. Ontario Financing Authority OFA

Early Contacts

Early Contacts for Minister
Other Contacts for MO

Jordan Matsumura

A/Special Advisor and Executive Assistant

Office of the Assistant Deputy Minister and Chief Administrative Officer

Corporate and Quality Services Division

Ministry of Finance

Phone: 905-433-5457/416-326-8222

Ontario Financing Authority

April 2018

www.ofina.on.ca

Mandate

The Ontario Financing Authority (OFA) was established by the *Capital Investment Plan Act, 1993*, and performs the following activities:

- Conducts borrowing, investment and financial risk management for the Province of Ontario;
- Manages the Provincial debt;
- Provides financial and centralized cash management services for the Province;
- Advises ministries, Crown agencies and other public bodies on financial policies and projects;
- Assists Crown agencies and other public bodies to borrow and invest money;
- Lends to certain public bodies at the direction of the Province;
- Invests on behalf of some public bodies;
- With Ontario Power Generation Inc. (OPG), manages the investment activities of OPG's Used Fuel Segregated Fund and Decommissioning Segregated Fund; and
- Carries out the day-to-day operations of Ontario Electricity Financial Corporation (OEFC) and provides a broad range of financial services to Ontario Infrastructure and Lands Corporation (Infrastructure Ontario).

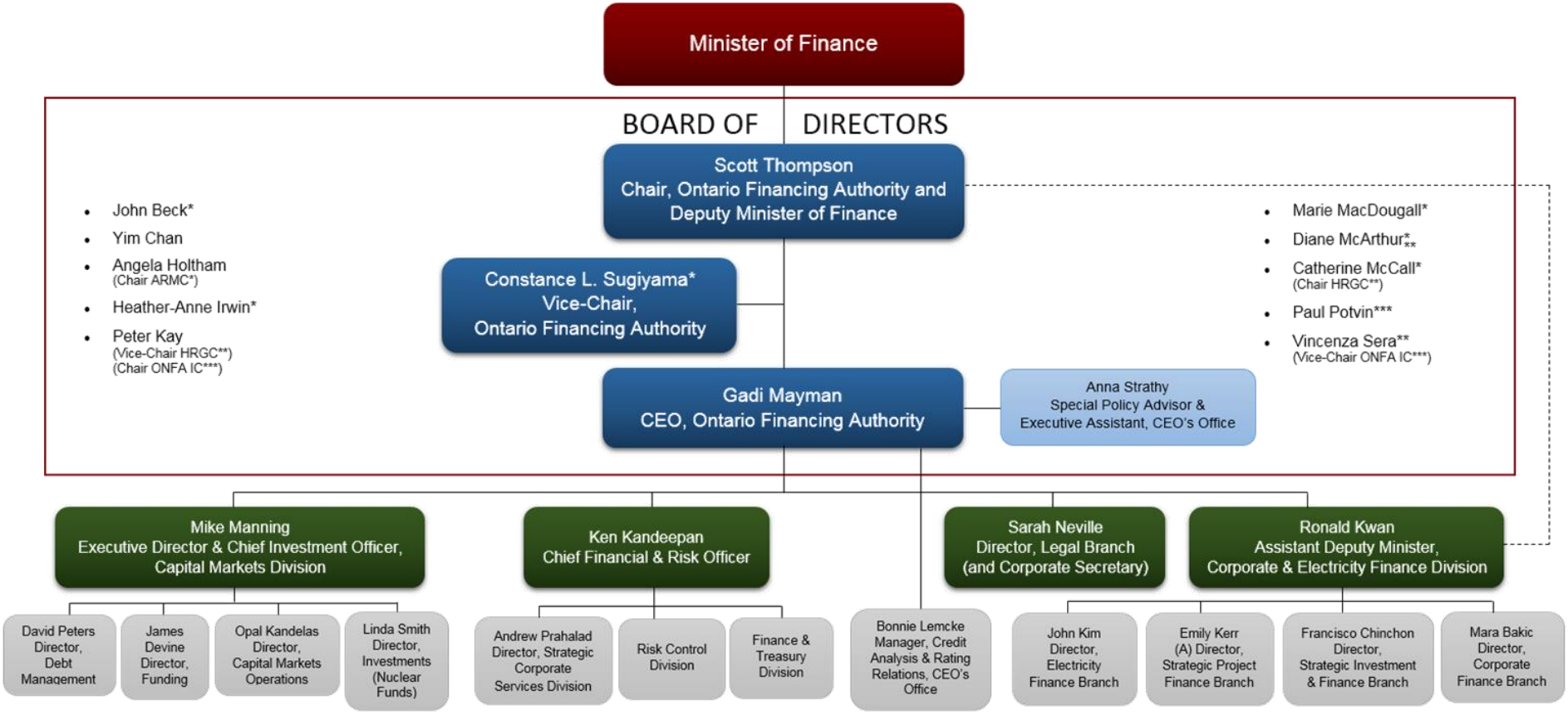
OEFC

Since April 1, 1999, pursuant to a directive from the Minister of Finance, the OFA has conducted borrowing and related debt and risk management activities, cash management, banking, accounting, financial reporting, forecasting and other related activities on a cost-recovery basis for the OEFC.

The OFA is also responsible for the corporate governance of OEFC.

Corporate Governance & Organizational Structure

- The OFA is an agent of the Crown and is classified by Management Board of Cabinet as an operational enterprise agency.
- Corporate governance at the OFA involves processes that permit the effective supervision and management of the OFA's activities by the Minister of Finance, Board of Directors and Senior Management.



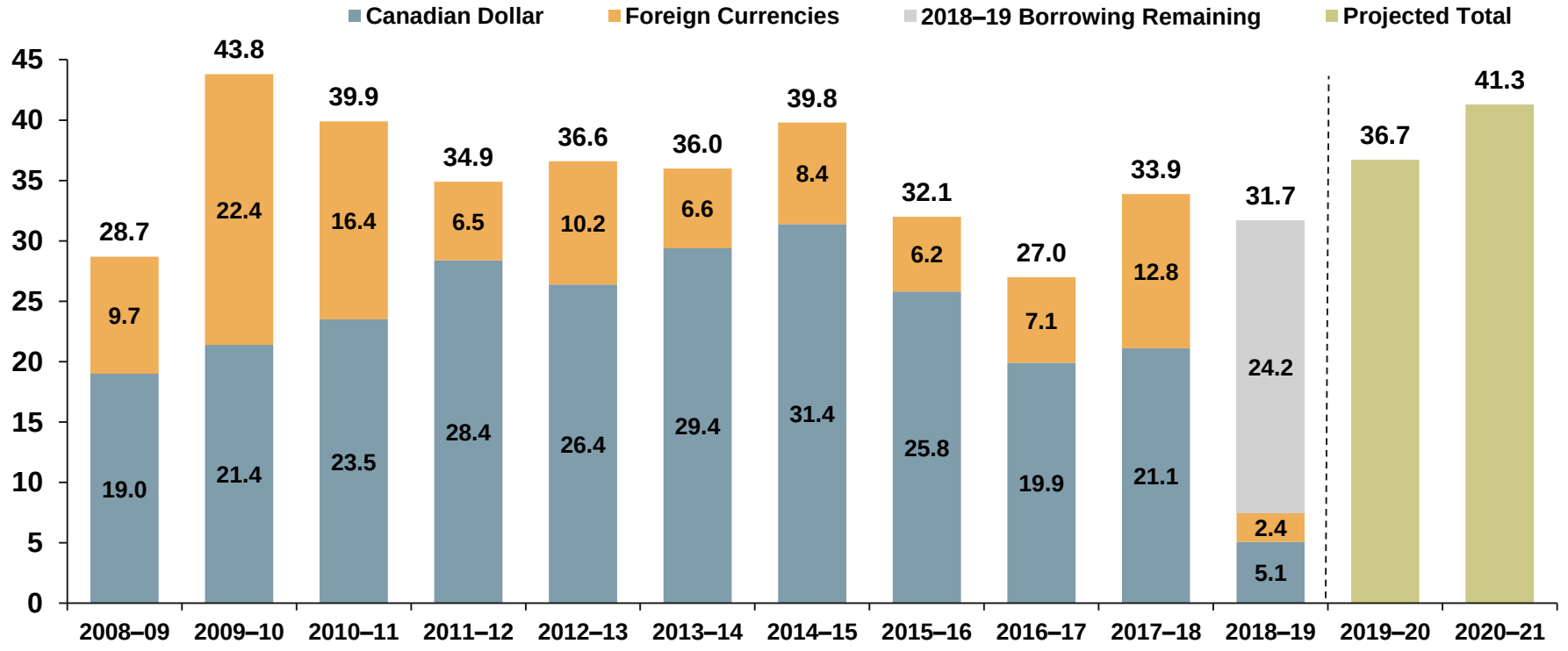
* ARMC = Audit & Risk Management Committee
** HRGC = Human Resources & Governance Committee
*** ONFA IC = Ontario Nuclear Funds Agreement Investment Committee

Note: As of April 20, 2018.

Domestic and International Borrowing

- Funding requirements must be met to allow the Province to pay its bills and meet its financial obligations.

Total Long-Term Borrowing
($ Billions)



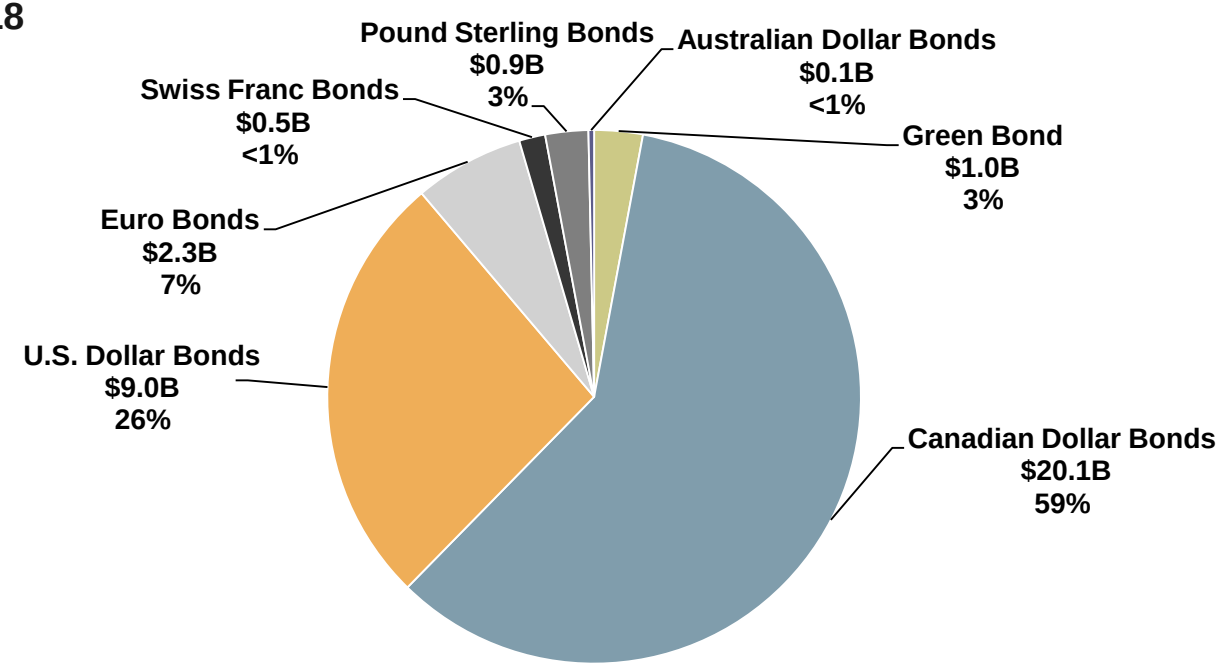
	2008–09	2009–10	2010–11	2011–12	2012–13	2013–14	2014–15	2015–16	2016–17	2017–18	2018–19	2019–20	2020–21
Foreign	34%	51%	41%	19%	28%	18%	21%	19%	27%	38%	32%	–	–
Domestic	66%	49%	59%	81%	72%	82%	79%	81%	73%	62%	68%	–	–

Note: As of April 27, 2018. Numbers may not add due to rounding.
Source: Ontario Financing Authority.

2017–18 Borrowing Completed: $33.9 Billion

- The Province completed its annual borrowing program of $33.9 billion in 2017–18, including $11.5 billion pre-borrowed for 2018–19.
- The Province regularly accesses borrowing opportunities in currencies other than Canadian dollars to relieve pressure on the domestic bond market. This helps reduce Ontario's overall borrowing costs and ensures that the Province will continue to have access to capital if domestic market conditions become more challenging.

As of March 31, 2018



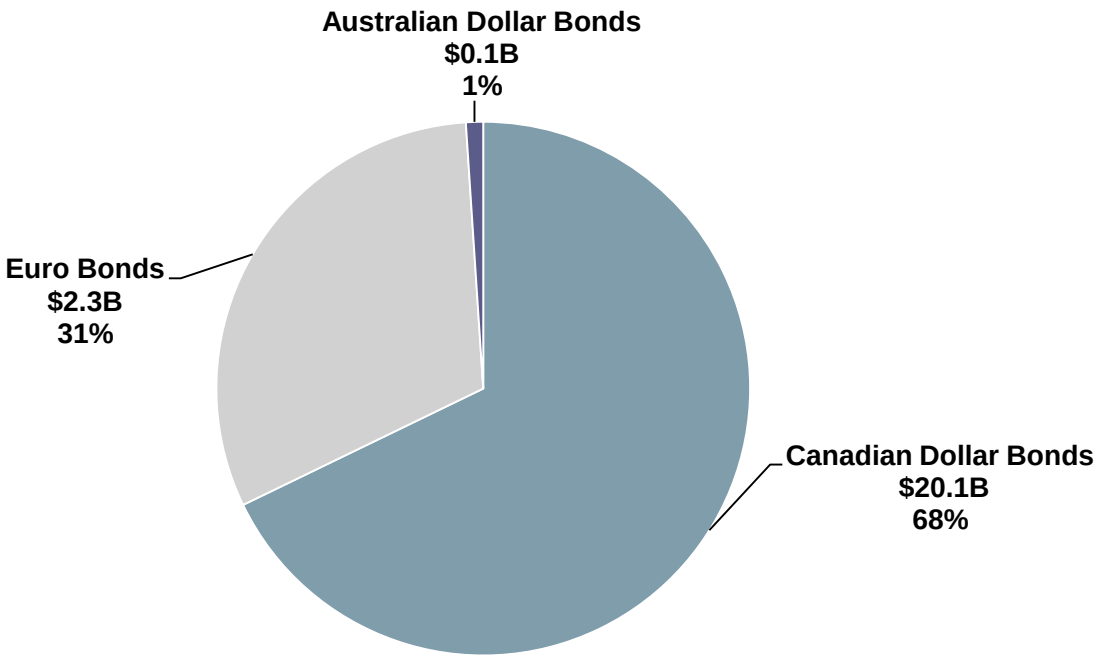
2017–18 Total Borrowing Requirement:	**$33.9B**
Domestic:	**62%**
International:	**38%**
Average Term:	**12.1 years**

Note: Numbers may not add due to rounding.

2018–19 Borrowing Completed: $7.5 Billion

- As outlined in the *2018 Budget*, the Province's total long-term public borrowing requirement for fiscal 2018–19 is currently forecast to be $31.7 billion.

As of April 27, 2018



2018–19 Total Borrowing Requirement:	**$31.7B**
2018–19 Total Borrowing Completed:	**$7.5B**
Domestic:	**68%**
International:	**32%**
Average Term:	**10.4 years**

Note: Numbers may not add due to rounding.

Credit Ratings

- The OFA maintains close relationships and ongoing dialogue with credit rating agencies throughout the year to keep them apprised of the government's financial status, policies and initiatives, and to ensure these are accurately reflected in the agencies' ratings and reports.
- Rating Agencies typically release their reports on the Province following the release of the Ontario Budget.
- A downgrade to the Province's credit ratings would result in higher interest rates on Ontario debt. Lower ratings could also lessen the number of investors able to buy Ontario bonds, or lower the amount of Ontario debt that each investor is allowed, by their internal limits, to hold.
- Ontario currently maintains a double A rating with three of the four agencies:

Rating Agencies	Long-term Rating	Short-term Rating	Outlook
Moody's	Aa2 (N)	P-1	negative
FitchRatings	AA-	F1+	stable
DBRS	AA (low)	R-1 (mid)	stable
Standard & Poor's	A+	A-1	stable

Key Debt Ratios

Rating agencies use a number of key debt ratios when assessing Ontario's rating:

- Deficit-to-Revenue
- After-Capital Deficit-to-Revenue
- Net Debt-to-GDP
- Net Debt-to-Revenue
- Interest on Debt-to-Revenue

Measuring Debt

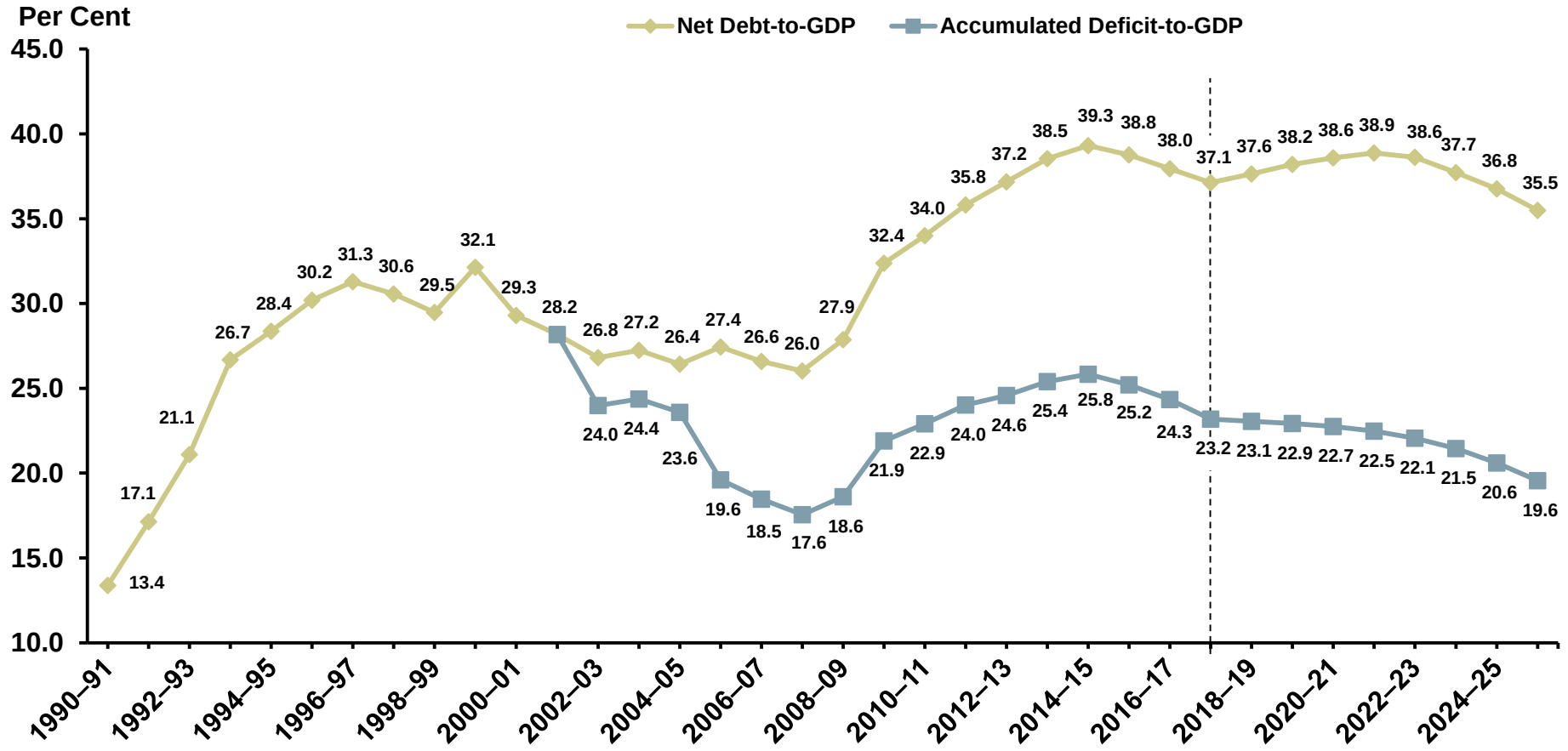
- Definitions of debt:
  - **Net Debt** is the Accumulated Deficit plus Net Investments in Capital Assets
  - **Accumulated Deficit** is the sum of all deficits and surpluses since Confederation
  - **Total Debt** is the full amount of outstanding debt the government has on its books
- Financial markets use Net Debt as their primary measure because it represents the Province's future revenue requirements to pay for past transactions and events.
- Accumulated Deficit and Net Debt were equal until 2001–02 when the accounting treatment changed to allow amortization of capital assets.
- Borrowing creates an obligation that has to be repaid in the future, which allows for lower taxes and sustained services today at the expense of lower services and/or higher taxes in the future.

Province's Debt History

($ Millions)	Outlook 2018–19	Interim 2017–18	2016–17	2015–16	2014–15	2013–14	2012–13	2011–12	2010–11	2009–10
Net Debt	325,041	308,203	301,648	295,372	285,403	267,968	252,823	236,230	214,511	193,589
Interest on Debt	12,543	11,965	11,709	11,589	11,221	11,155	10,878	10,587	10,005	9,119
Accumulated Deficit	199,153	192,449	193,510	192,029	187,511	176,634	167,132	158,410	144,573	130,957

Net Debt-to-GDP and Accumulated Deficit-to-GDP

- Ontario's net debt-to-GDP ratio peaked in 2014–15 at 39.3 per cent and is now forecast at 37.1 per cent in 2017–18, below the forecast of 37.5 per cent for 2017–18 contained in the *2017 Budget.*
- The net debt-to-GDP ratio is forecast to remain below the 2014–15 peak and resume a downward trend in 2022–23.

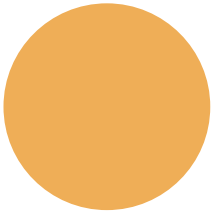


Note: Net Debt has been restated to include broader public sector net debt, starting in 2005–06.
Sources: Statistics Canada and Ontario Ministry of Finance.

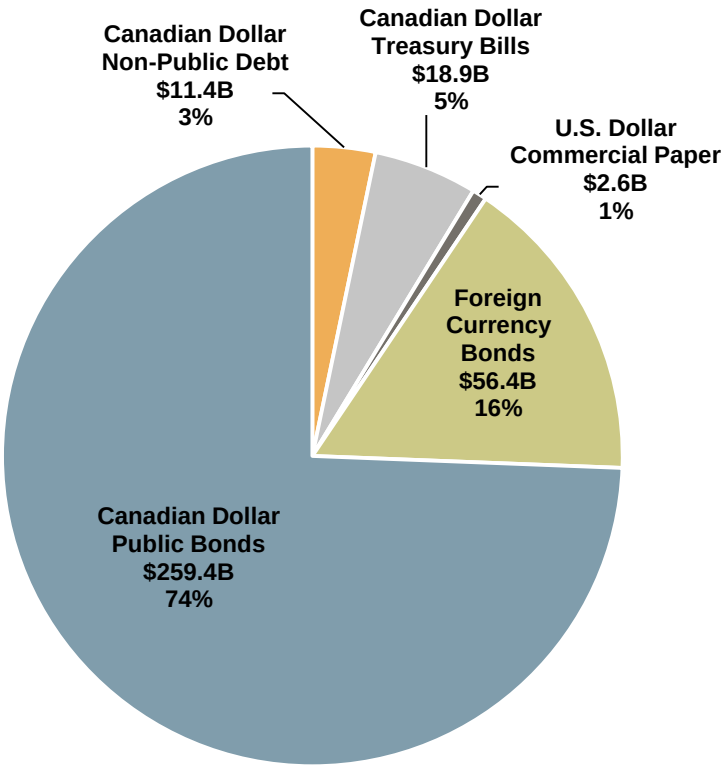
Total Debt Composition

- The Province's total debt is projected to be $348.8 billion as at March 31, 2018. The financial assets of the Province totalled $40.6 billion, bringing net debt to $308.2 billion.

Financial Assets
$40.6 Billion



Total Debt Outstanding
$348.8 Billion



Debt Outstanding by Currency

Currency	Debt Outstanding
Canadian Dollar Public Debt	$278.3B
Canadian Dollar Non-Public Debt	$11.4B
U.S. dollars	$40.4B
Euros	$13.6B
Swiss francs	$2.2B
Australian dollars	$1.5B
Pound Sterling	$0.9B
Japanese yen	$0.5B

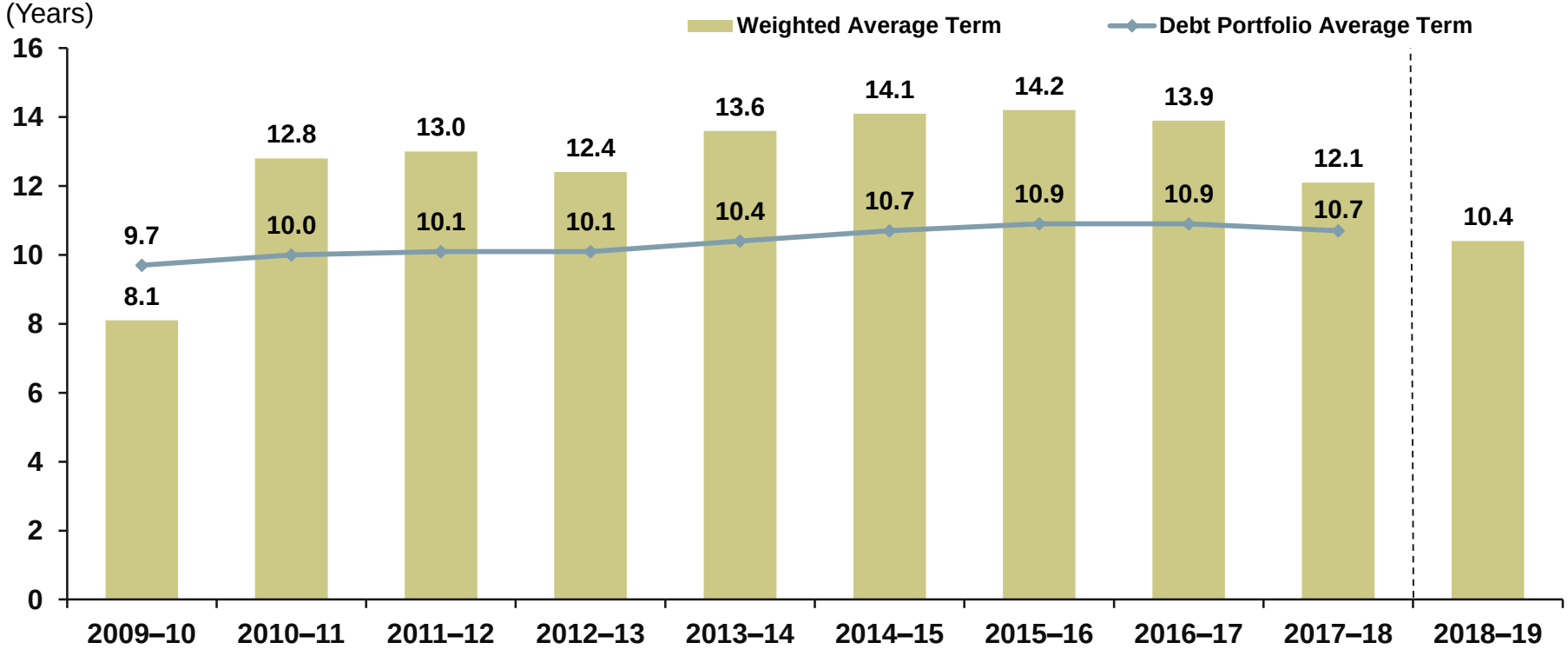
Canadian Dollar Public Bonds
- Syndicated Bonds
- Medium-term Notes
- Floating rate Notes
- Ontario Savings Bonds
- Bond Auctions
- Real Return Bonds
- Green Bonds

Note: Projected to March 31, 2018. Numbers may not add due to rounding.
Source: Ontario Financing Authority.

Weighted-Average Term of Borrowing

- Maintaining a long average term of the Province's debt portfolio ensures low interest rates remain locked in for a longer period. This reduces refinancing risks and helps offset the impact of expected higher interest rates on the Province's future interest on debt costs.
- Going back to the beginning of fiscal 2010–11, Ontario has issued $71.3 billion of bonds with terms longer than 30 years to lock in low interest rates.

As of April 27, 2018



Source: Ontario Financing Authority

Risk Exposure and Management

Risk Exposures

- **Market Risk:** risk of loss due to changes in interest and foreign exchange rates
- **Credit Risk:** risk of loss due to default of issuers, dealers, or derivatives counterparties
- **Operational Risk:** risk of loss due to failed models, systems, processes, people, etc.

Risk Management

- Monitor and manage debt maturity profile to limit refinancing risk
- Maintain a high level of liquid reserves and short term borrowing capacity
- Enforce strict credit limits for financial and investment counterparties
- Have collateralized swap agreements in place for most swap counterparties

	Exposure*	Policy Limit*
Foreign Exchange	0.2%	5.0%
Net Interest Rate Resetting	10.9%	35.0%

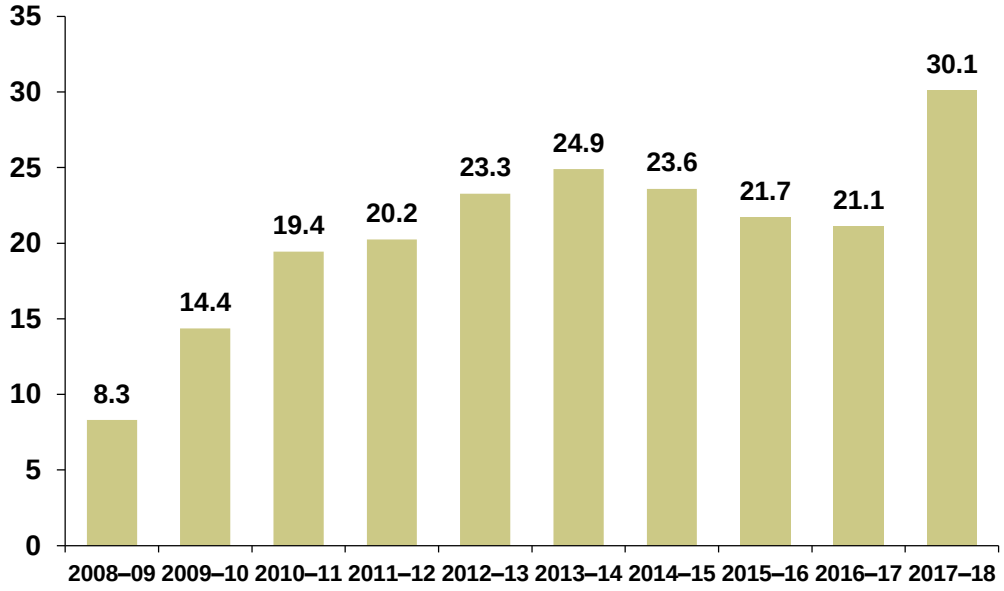
*Of outstanding debt, as of March 31, 2018.

Note: Excludes Ontario Electricity Financial Corporation debt.

Liquidity and Short-Term Borrowing Capacity

- The OFA manages the Province's liquid reserve portfolio (cash and short-term investments) to optimize investment returns and to ensure that sufficient funds are available to meet cash requirements.
- Starting in 2019–20, the Province will have large cash outflows on single days, rather than having debt maturities spread more evenly through the year. In anticipation of the need for cash reserves to meet these requirements for large outflows on a single day, the Province began building larger cash reserves in 2017–18.

Average Unrestricted Liquid Reserve Levels
($ Billions)



Note: As of March 31, 2018

($ Billions)	C$ T-Bill Program	U.S.$ Commercial Paper Program	Total
Currency	Canadian Dollars	U.S. Dollars	–
Maturity	1 day-3 years*	1-270 day(s)	–
Authorized	C$33.0	C$15.0	C$48.0
Outstanding	C$18.0	C$3.8	C$21.8
Available	C$15.0	C$11.2	C$26.2

**Regular issuance of 3M, 6M and 1Y T-Bills*
Note: As of March 31, 2018. Numbers may not add due to rounding.

Source: Ontario Financing Authority.

Ontario Electricity Financial Corporation

OEFC is one of five successor corporations to the former Ontario Hydro established by the *Electricity Act, 1998* as part of the restructuring of the former Ontario Hydro. OEFC is the legal continuation of the former Ontario Hydro.

- OEFC is an agent of the Crown and is classified by Management Board of Cabinet as a board-governed provincial agency.
- OEFC has no staff of its own and retains the services of the OFA to carry out its daily operations on a cost-recovery basis. In addition, the Office of Tax, Benefits and Local Finance of the Ministry of Finance collects certain payments on behalf of OEFC (e.g., PILs, GRC, and, for amounts owing for the period to March 31, 2018, DRC revenues).

OEFC Mandate:

- Managing its debt, financial risks and liabilities, including the debt and certain other liabilities of the former Ontario Hydro;
- Managing the former Ontario Hydro's non-utility generator (NUG) contracts;
- Receiving all payments and administering other assets, liabilities, rights and obligations of the Corporation that were not transferred to another of the former Ontario Hydro successor corporations and disposing of any of these items as it deems appropriate or as directed by the Minister of Finance;
- Providing financial assistance to the successor corporations of Ontario Hydro;
- Entering into financial and other agreements relating to the supply and demand management of electricity in Ontario; and
- Performing any additional objects specified by the Lieutenant Governor in Council.

Ontario Nuclear Funds Agreement

- In March 2002, the Province and OPG signed the Ontario Nuclear Funds Agreement (ONFA).
- ONFA's objective is to ensure sufficient funds are available to pay for the future costs of decommissioning nuclear stations and disposing of nuclear waste and used fuel.
- ONFA came into force in July 2003 with the creation of two segregated funds, the Decommissioning Segregated Fund and the Used Fuel Segregated Fund, which are jointly managed by OPG and OFA, on behalf of the Province.
  - The combined market value of the funds was $4.9 billion when they were formally established in 2003. As of December 31, 2017, the combined market value of the segregated funds had grown to over $21 billion.

As of December 31, 2017	Market Value ($ Millions)	Combined Market Value ($ Millions)
Used Fuel Segregated Fund	$12,087	$21,186
Decommissioning Segregated Fund	$9,099	

- The OFA has responsibility for implementing certain portions of the Province's role under ONFA. This involves:
  - Due diligence on ONFA Reference Plan (which is subject to Provincial approval by the Minister of Finance) on cost and liability estimates and related submissions from OPG.
  - Due diligence and approval on ONFA Annual Budgets, and subsequent review of disbursement requests from OPG, that require approval by the Province under ONFA.
  - Due diligence on OPG's financial guarantee to the Canadian Nuclear Safety Commission (CNSC), as well as on any direct provincial guarantee to the CNSC when required to support of OPG's financial guarantee to the CNSC.
  - Determining and implementing investment management strategies and monitoring investment performance together with OPG.
  - Policy analysis and advice on and monitoring of regulatory and technological changes that may affect OPG's and the Province's liabilities with respect to the of nuclear decommissioning and waste management.

Loans and Investments for Public Bodies

Loans

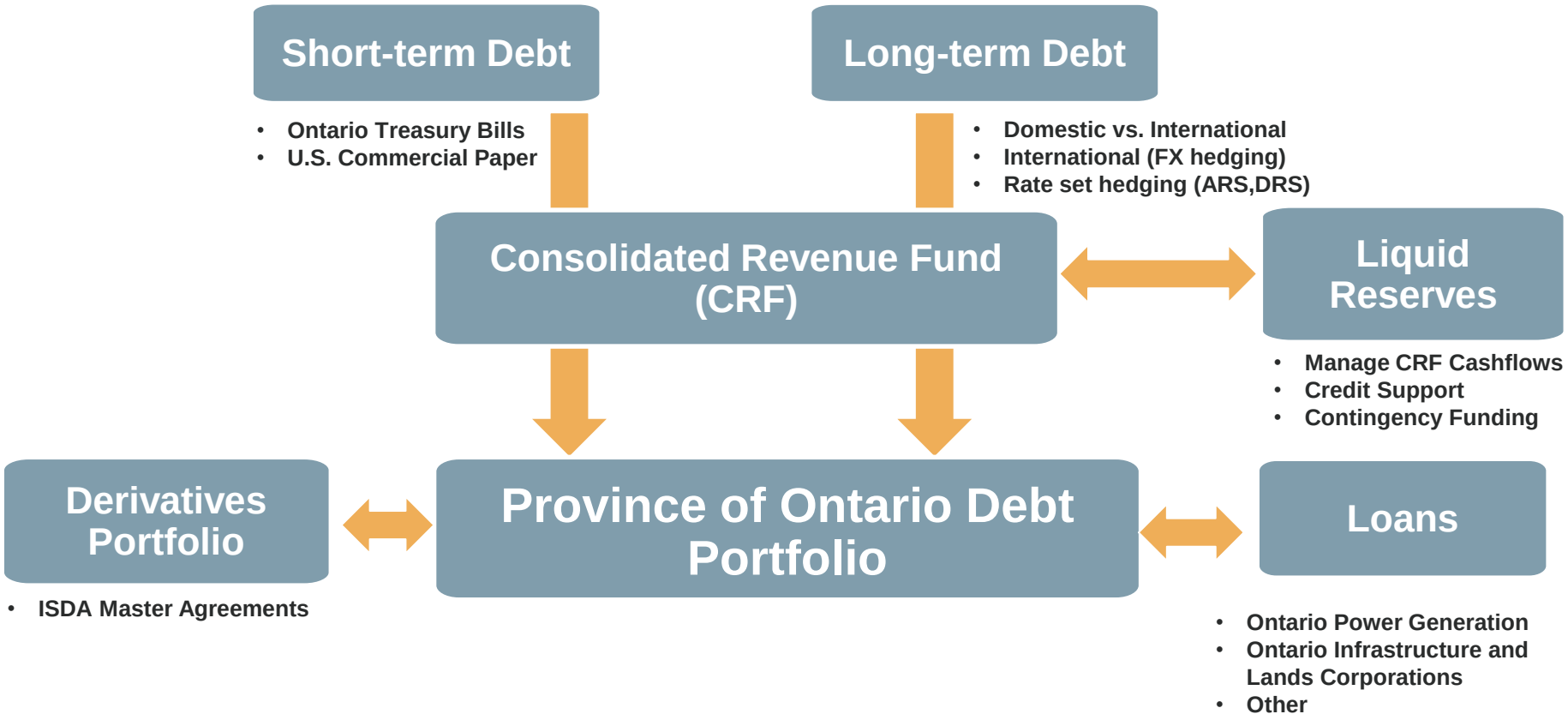
- The OFA is able to provide loans to Ontario public bodies such as colleges, school boards and hospitals, as well as provincial corporations, boards and commissions that are consolidated on the Province's financial statements.
- The OFA provided new loans to a number of public bodies in 2017–18, totalling $2,427 million.
- The outstanding balance of the loans to public bodies at March 31, 2018 was $5,742.6 million, a net decrease of $260 million from $6,002.8 million at March 31, 2017.

Investments

- The OFA also invests on behalf of certain public bodies to help increase their returns by streamlining investment processes and reducing investment costs.
- In 2017–18, the OFA continued to provide investment services to a number of public bodies, including Infrastructure Ontario, the Pension Benefits Guarantee Fund, Ontario Trillium Foundation, Ontario Capital Growth Corporation and the Deposit Insurance Corporation of Ontario. As of March 31, 2018, total funds managed were approximately $2.2 billion.

Appendix

Borrowing Flowchart



Financial Analysis and Advice: Corporate and Electricity Finance

- The OFA provides financial analysis and advice to the government, ministries and agencies on corporate finance and electricity issues, such as the following:

  - On government assets — Retaining, optimizing, investments in or divesting government assets:
    - The OFA has undertaken financial analysis and financial modelling in representing the government's interest as part of commercial discussions with private sector investors, management consultant and legal firms.
    - Working together with other ministries and agencies, the OFA has led reviews to assess the economic value and role of government owned assets including government business enterprises (GBEs), agencies, and real estate.

  - Provincial loans and loan guarantees, investments in venture capital, business supports.

  - Electricity sector policy options and initiatives.

Investor Relations
Ontario Financing Authority
1 Dundas Street West, Suite 1200
Toronto, Ontario M5G 1Z3
Canada

Telephone: (416) 325-8000

Visit www.ofina.on.ca & subscribe to our email alert service to receive the latest province of Ontario updates

MINISTER OF FINANCE

Transition Binder 2018

Ontario Financing Authority (OFA)

1) OFA Presentation

2) Key Issues

Borrowing Program 1
Provincial Debt 3
Credit Ratings 5
Value for Money Audit 7

3) Background

Financial Administration Act – Section 28 8
Risk Management 10
Interest on Debt (IOD) 12
Ontario's Green Bond Program 14
Ontario Savings Bonds (OSB) 16
Ontario Nuclear Funds Agreement 18
Aboriginal Loan Guarantee Program (ALGP) 20
Financing Public Bodies 21
Government Assets and Investments 23

BORROWING PROGRAM

CURRENT STATUS

The Province completed its annual borrowing program of $33.9 billion in 2017–18, including $11.5 billion pre-borrowed for 2018–19. Ontario's borrowing program remains the largest of the Canadian provinces, and was approximately 42% of the total borrowing programs for all provinces combined in 2017–18.

As outlined in the *2018 Budget,* the Province's total long-term public borrowing requirement for fiscal 2018–19 is currently forecast to be $31.7 billion. As of April 27, 2018, the Province has completed $7.5 billion of its 2018–19 borrowing requirement. The total long term borrowing for 2019–20 and 2020–21 is forecast at $36.7 billion and $41.3 billion, respectively (Chart 1). The projected increase in borrowing requirements is due to planned deficits, refinancing of maturing debt and continued large investments in capital assets.

The Province has sufficient borrowing authority available to complete this fiscal year's borrowing program and begin funding for 2019–20.

BACKGROUND

Historically, the OFA has demonstrated a preference for domestic funding over international funding due to its greater cost-effectiveness, normally longer duration, relative ease of execution, and reduced swap counterparty credit exposure and accounting risk.

The Province however, regularly accesses borrowing opportunities in currencies other than Canadian dollars to relieve pressure on the domestic bond market and diversify its investor base. This helps reduce Ontario's overall borrowing costs and ensures that the Province will continue to have access to capital if domestic market conditions become more challenging.

In 2017–18, the proportion of domestic funding was about 62% and reflected very favourable borrowing opportunities in international markets. This was roughly in line with the target announced in the *2017 Ontario Economic Outlook and Fiscal Review* to complete approximately two-thirds of total borrowing in the Canadian dollar market. Given the continued strong demand expected in the domestic market, the Province will maintain its Canadian dollar borrowing target of at least two-thirds of total borrowing in 2018–19.

Diversification of borrowing will be required to complete the program, and the Province will strive to stay ahead of pace to provide flexibility for times when access will be curtailed.

Borrowing Authority

The Province has three sources of borrowing authority: the *Financial Administration Act* ("*FAA*"), the *Ontario Loan Act* ("*Loan Act*") and the *Electricity Act, 1998* ("*Electricity Act*").

Source of Borrowing Authority	**Borrowing Authority Available** (As of April 27, 2018)
Financial Administration Act	$11.0 billion
Loan Act	$17.3 billion
Electricity Act	$1.1 billion

The *FAA* authority is primarily used for the purpose of refinancing maturing debt. The *Loan Act* authority is used to finance new debt, including anticipated deficit, if any, and investments in capital assets and cash requirements.

An Order-in-Council ("OIC") is an order, recommended by the Minister of Finance, concurred by the Chair of Cabinet, and approved and ordered by the Lieutenant Governor in Council that authorizes the Province to borrow up to a specific amount authorized under the OIC.

- An *FAA* refinancing OIC totaling approximately $17.5 billion was approved on March 27, 2018.

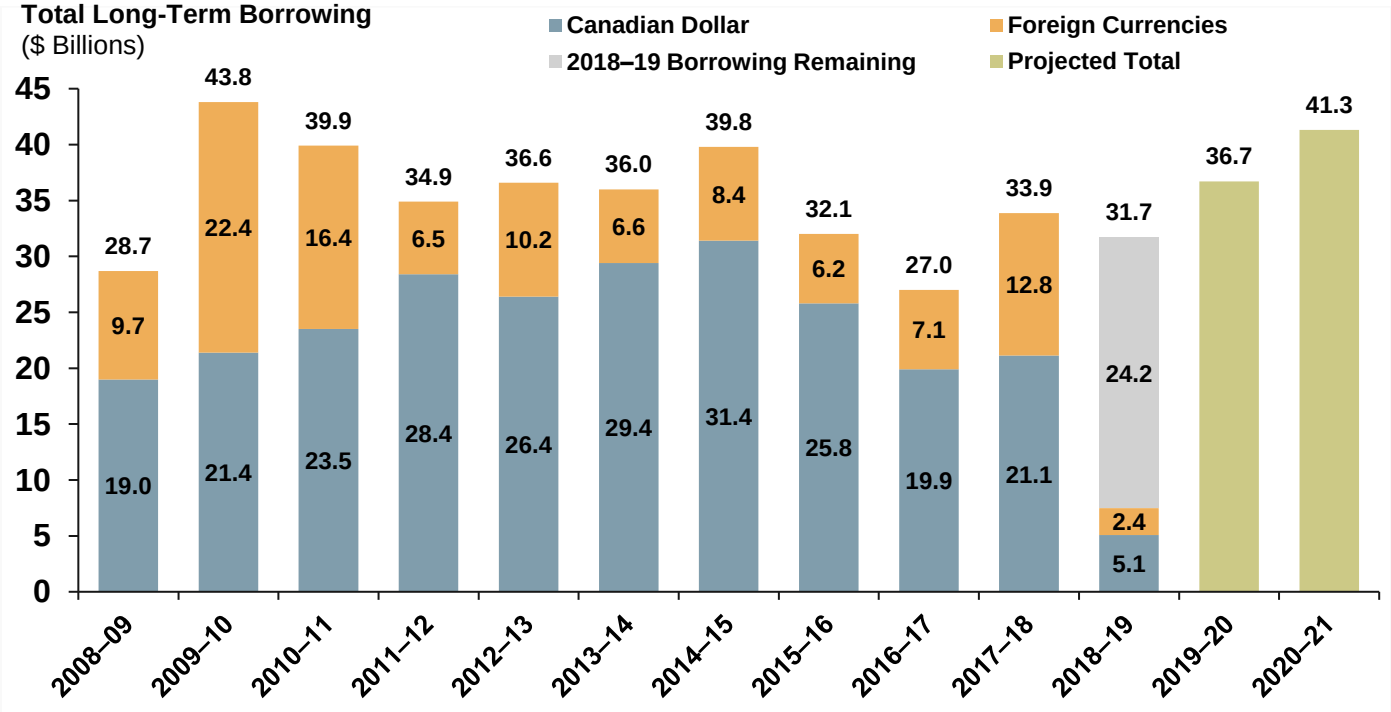
- The *Loan Act, 2017* for $6 billion received Royal Assent on May 17, 2017. Approval of one OIC under the *Loan Act* for long-term borrowing was received on October 18, 2017.

- Long-term borrowing is comprised of debt issuances with a maturity date usually greater than three years. Short-term borrowing includes debt issuance with a term of three years or less and is used to help manage the Province's liquid reserves.

Pursuant to section 68 of the *Electricity Act* and section 20 of the *FAA*, the Province borrows on behalf of OEFC and on-lends the proceeds to OEFC. The Province is able to provide an all-in lower cost of financing than if OEFC borrowed in its own name with a provincial guarantee.

OICs under the *FAA*, *Loan Act* and *Electricity Act* are routine business and are required to obtain the borrowing authority pursuant to these Acts. Without these OICs, the Province cannot issue any debt in the capital markets and would not be able to fulfill its borrowing requirements. Any significant delays in obtaining the requested OICs could result in insufficient borrowing authority and could jeopardize the Province's ability to fund health care, education, social programs and infrastructure projects and affect its ability to service existing debt and fund operating deficits.

Chart 1: Domestic and International Borrowing



Note: As of April 27, 2018.

PROVINCIAL DEBT

CURRENT STATUS

Total debt, which represents all borrowing without offsetting financial assets, is projected to be $348.8 billion as at March 31, 2018, compared to $333.1 billion as at March 31, 2017. Ontario's net debt is the difference between total liabilities and total financial assets. Ontario's net debt is projected to be $308.2 billion as at March 31, 2018. Net debt is the most commonly used measure by the investors in our bonds and other capital market participants, as it includes both financial liabilities and assets.

Debt Portfolio and Long-Term Average of Debt Portfolio

The global decline in interest rates over the past 25 years is already showing signs of modestly reversing. Maintaining a long average term of the Province's debt portfolio ensures low interest rates remain locked in for a longer period. This reduces refinancing risks and helps offset the impact of expected higher interest rates on the Province's future interest on debt costs.

Since the beginning of fiscal year 2010–11, Ontario has issued $71.3 billion of bonds with terms of longer than 30 years to lock in low interest rates. As a result, the average term of Ontario's debt portfolio has been extended, from 9.7 years in 2009–10 to 10.7 years, as of March 31, 2018 (Chart 1).

Net Debt-to-GDP

The Province's net debt-to-GDP ratio is forecast to be 37.6 per cent at the end of fiscal 2018–19, compared to the 37.3 per cent forecast in the *2017 Budget* and the 38.5 per cent forecast in the *2016 Budget*. Ontario's net debt-to-GDP ratio peaked in 2014–15 at 39.3 per cent and is forecast to remain below the 2014–15 peak and resume its downward trend in 2022–23 (Chart 2).

Investments in capital infrastructure have contributed over $99 billion to the increase of tangible capital assets, and thus net debt over the last 13 years. The government commenced recording of tangible capital assets in 2002–03. Over the budget outlook, net investments in capital assets will contribute over $32 billion to the total increase in net debt of $51.9 billion.

Interest on Debt

Interest on debt (IOD) is Ontario's fourth largest budgeted expenditure, after Health, Education and Children's and Social Services. Ontario's IOD for the year 2018–19 is projected to be $12,543 million, $578 million higher than interim IOD of $11,965 million in 2017–18.

The Province's exposure to interest rate fluctuations, both positive and negative, is significant. In 2018–19, a one percentage point change in interest rates would result in a change of $300 million in IOD costs for the Province.

BACKGROUND

The three commonly used indicators of a government's financial and debt position are net debt, total debt, and accumulated deficit. Credit rating agencies and investors place the greatest emphasis on net debt.

Net debt is the difference between the Province's total liabilities and financial assets. Ontario's net debt has been forecast to increase from $301.6 billion as at March 31, 2017 to $308.2 billion

as at March 31, 2018. It is projected to increase to $325.0 billion as at March 31, 2019 and to $342.8 billion as at March 31, 2020. The increase in net debt primarily reflects the increase in net tangible capital assets of the Province in 2017–18, partially offset by the projected surplus and, thereafter, increases in projected deficits and net tangible capital assets. Financial markets use net debt as their primary measure as it represents the Province's future revenue requirements to pay for past transactions and events.

Total debt is the sum of the Province's total borrowings including Ontario Electricity Financial Corporation and agencies. Ontario's total debt increased from $333.1 billion as at March 31, 2017 to $348.8 billion projected as at March 31, 2018. This increase was mainly due to deficits and the government's capital investments. Canadian dollar denominated debt represents 83 per cent of the Province's total debt as at March 31, 2018.

Accumulated deficit represents the sum of all deficits and surpluses. Accumulated deficit is projected to be $192.4 billion as of March 31, 2018, compared to a projection of $193.5 billion in the *2017 Budget*. The projected difference of $115.8 billion between net debt and accumulated deficit is mainly due to the Province's high level of investment in infrastructure.

Chart 1: Weighted- Average Term of Borrowing

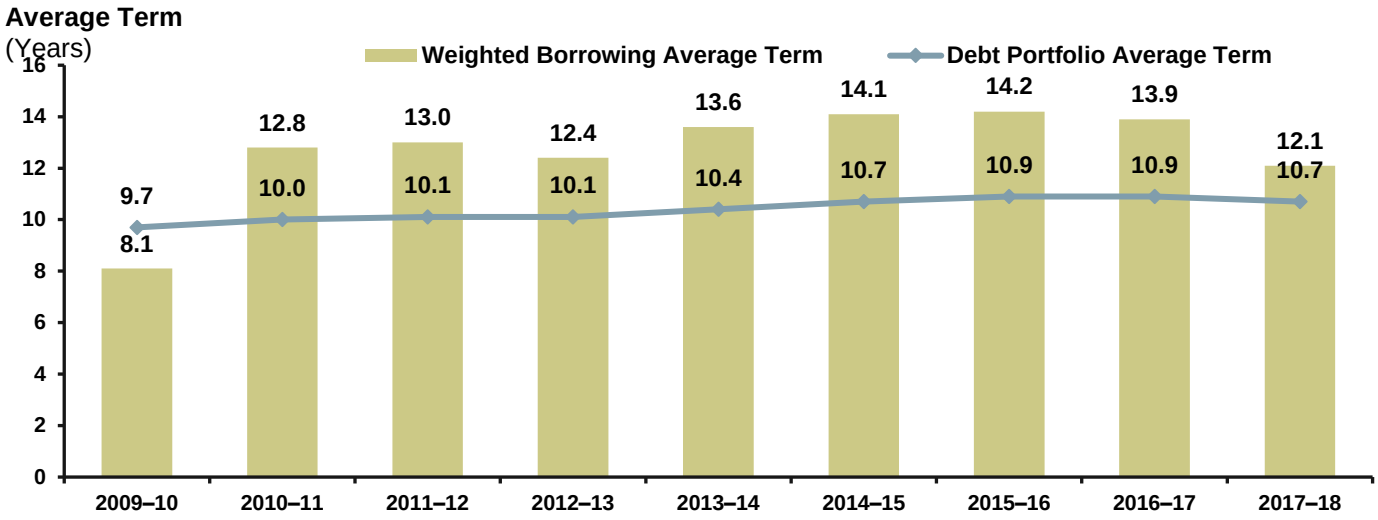
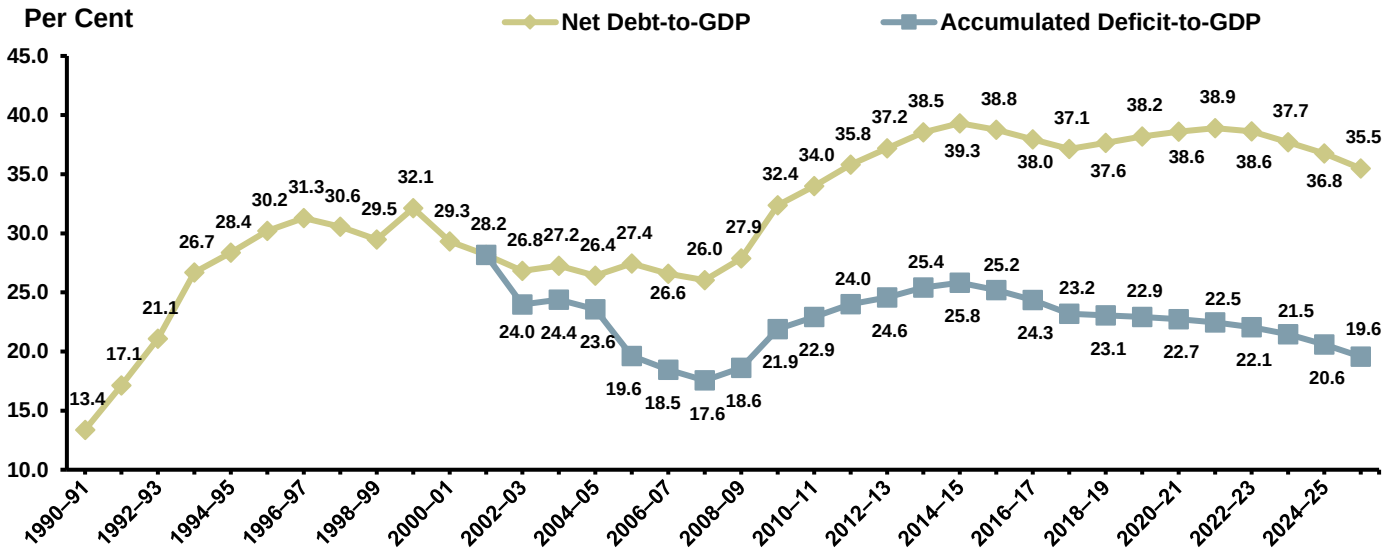


Chart 2: Net Debt-to-GDP and Accumulated Deficit-to-GDP



CREDIT RATINGS

CURRENT STATUS

The OFA maintains close relationships and ongoing dialogue with credit rating agencies throughout the year to keep them apprised of the government's financial status, policies and initiatives, and to ensure these are accurately reflected in the agencies' ratings and reports. Ontario currently maintains a double-A rating with three of its four credit rating agencies.

Table 1: Ontario's Current Long-term and Short-term Ratings

Agency	Long-Term Rating	Short-Term Rating	Most Recent Review
Moody's	Aa2 (N)	P-1	Negative Outlook April 17, 2018
DBRS	AA (low)	R-1 (mid)	Confirmed April 24, 2018
Fitch	AA-	F1+	Confirmed June 20, 2017
S&P	A+	A-1	Long-term rating confirmed; short-term rating lowered June 15, 2017

Credit rating agencies will be monitoring the fiscal plans of the government very closely. If deficits persist, the Province is likely at risk of being downgraded by credit rating agencies. The last downgrade from S&P was on July 6, 2015, after the *2015 Budget* was released on April 23, 2015. S&P had cited high deficits and a high debt burden versus domestic and international peers.

A downgrade to the Province's credit ratings would result in higher interest rates on Ontario debt. For 2018–19, the impact of a one percentage point change in interest rates on interest on debt is approximately $300 million.

BACKGROUND

Moody's notes that spending pressure will challenge the province's ability to achieve and maintain a balanced budgets. Financing to fund deficits and capital spending will continue to push the debt burden higher. Interest expense as a share of revenues is already the highest among the provinces and is expected to increase as interest rates rise.

Fitch noted that a return to deficit borrowing during a period of economic growth would be inconsistent with Fitch's current rating expectations. According to Fitch, the Stable Outlook at the current rating level assumes a continued focus on tabling balanced budgets and gradually lowering the burden of debt.

S&P notes that the province's very strong and diversified economy, strong financial management, very predictable and well-balanced institutional framework, and low contingent liabilities support the province's current rating. The ratings also reflect S&P's view of the province's weak budgetary performances and very high debt burden.

DBRS expects the ratings to remain stable in the near term, however, the outlook for the medium to longer term appear less certain. A downgrade could occur if debt were to rise sharply because of a downturn in the economy or a change in the government's fiscal policies.

Both S&P and Moody's have indicated that the maintenance of liquid reserves in proportion to financing needs, including both short-term and long-term debt maturities, is an important factor in maintaining Ontario's credit rating.

Table 2: Provincial Long-term Rating Comparison

Province	S&P	Moody's	DBRS	Fitch
Canada	AAA	Aaa	AAA	AAA
Ontario	**A+**	**Aa2 (N)**	**AA (low)**	**AA-**
British Columbia	AAA	Aaa	AA (high)	AAA
Saskatchewan	AA	Aaa	AA	AA
Quebec	AA-	Aa2	A (high)	AA-
Nova Scotia	A+ (P)	Aa2	A (high)	Not Rated
Alberta	A+	Aa1 (N)	AA (N)	Not Rated
Manitoba	A+	Aa2	A (high)	Not Rated
New Brunswick	A+	Aa2	A (high) (N)	Not Rated
PEI	A	Aa2	A (low)	Not Rated
Newfoundland & Labrador	A	Aa3 (N)	A (low)	Not Rated

Rating agencies use a number of key debt ratios when assessing Ontario's rating including Deficit-to-Revenue, After-Capital Deficit-to-Revenue, Net Debt-to-Revenue, Net Debt-to-GDP, and Interest on Debt-to-Revenue.

Chart 1: IOD-to-Revenue

(Per Cent)

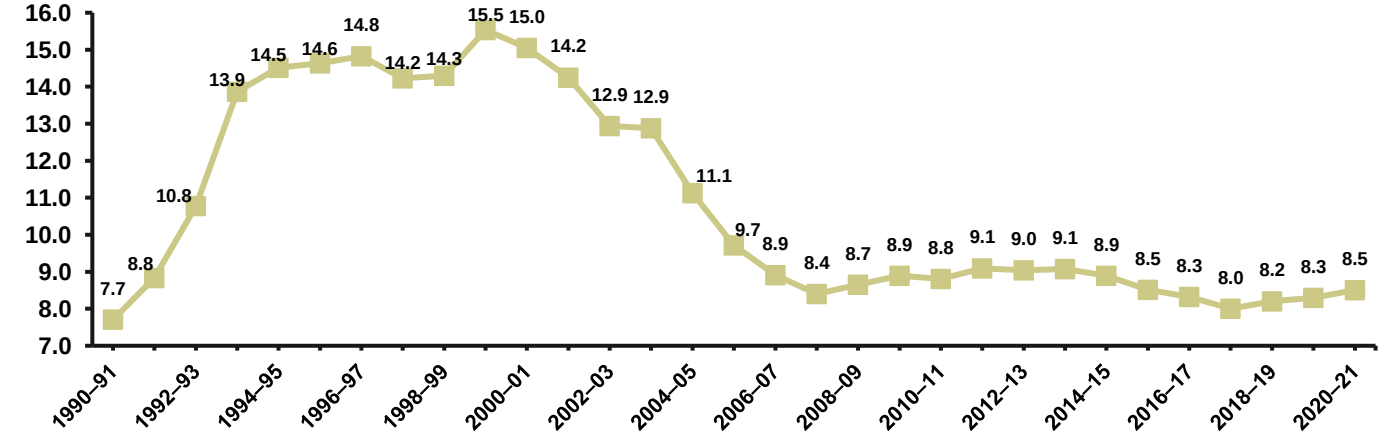
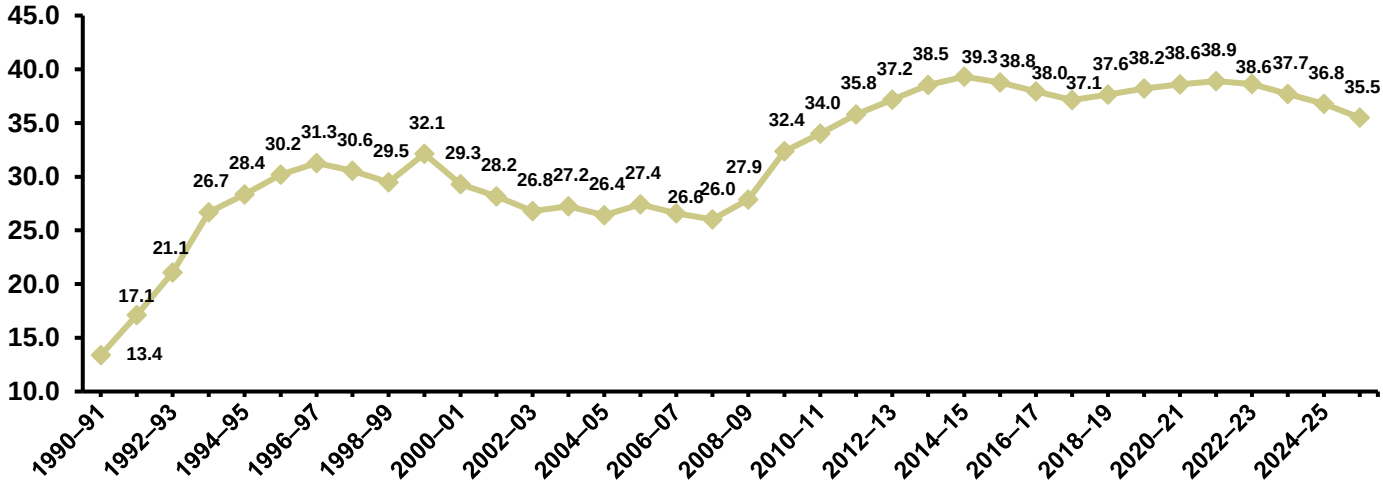


Chart 2: Net Debt–to-GDP

(Per Cent)



VALUE FOR MONEY AUDIT

CURRENT STATUS

From January to late March 2018, the OFA and the Office of the Auditor General of Ontario (OAGO) have been working together to prepare the groundwork for the Value-For-Money (VFM) audit on Borrowing and Debt Management to begin in May and likely end in September 2018.

The auditors have met with both senior management and individual staff, and have been briefed on the strategy and planning that goes into the borrowing and debt management activities and execution. A manager has been appointed to act as the audit coordinator to ensure that all information requests by the OAGA have been met in a timely manner.

In late March, the auditors concluded their preliminary field work. In early May they will return to the OFA to brief and obtain consensus with OFA senior management on what the actual audit scope and objectives will entail. From May to August, the field work will be done in earnest. In August and September, the OAG will inform the OFA of its findings and recommendations that will be published in the AG's Annual Report in 2018.The process also includes an opportunity for the OFA to respond to the findings and its responses will included in the published report.

BACKGROUND

On December 11, 2017, the Auditor General informed the Ministry of Finance Deputy Minister that the OFA's Borrowing and Debt Management Program would be subject to a VFM audit for the 2017–18 Fiscal year.

A VFM audit is part of the AG's mandate where government programs, agencies, and certain public-sector organizations are audited to see if their administrators have spent money with due regard for economy and efficiency and have satisfactory procedures for measuring and reporting on effectiveness. VFM audits are conducted along the assurance standards of CPA Canada.

The AG's VFM findings are published annually in the AG's Annual Report, typically in Chapter 3 of her report. VFM findings are high profile and in many cases generate larger media coverage than financial statement audits performed by the AG.

FINANCIAL ADMINISTRATION ACT – SECTION 28

BACKGROUND

Section 28 (s.28) of the FAA has been in force since 1991, and states that despite any other Act, a ministry or public entity shall not enter into any financial arrangement, financial commitment, guarantee, indemnity, or similar transaction that would increase, directly or indirectly, the indebtedness or contingent liabilities of Ontario, or seek the approval of the Lieutenant Governor in Council to enter into any such transaction, without the prior written approval of the Minister of Finance.

Currently the powers of the Minister under FAA section 28 are shared by the Minister of Finance and the President of Treasury Board as a result of OIC 216/2015 as amended by OIC 223/2016. These shared powers include the following:

- The approval of individual transactions s.28(1.1).
- The approval of a class of transactions s.28(1.2).
- The exemption of an individual transaction s.28(1.3).
- The exemption by regulation of a class of transactions s.28(1.4).
- The declaration that s.28 (2) does not apply; i.e., despite failure to comply with s.28 the transaction remains enforceable.

The Minister of Finance deals with requests from ministries and provincial agencies respecting financing, investing, and financial risk management activities, including borrowing by Crown agencies, guaranteeing of such borrowing, banking and financial services, Alternative Financing Projects (AFPs), custodial services and hedging contracts.

In addition, the Minister of Finance is responsible for responding to requests for section 28 approvals of contingent liabilities and financings contained in all agreements and transactions entered into by Ministry of Finance divisions and agencies.

The President of Treasury Board deals with section 28 approval requests from ministries and provincial agencies (other than the Ministry of Finance and its agencies) of all other contingent liabilities contained in non-financing related agreements and transactions, including contractual indemnities, government contribution agreements, real estate leases, and contracts for services required to meet day-to-day operations.

It is a ministry's or public entity's responsibility to identify which of their proposed transactions require s.28 approval under the FAA and submit the request to the appropriate Minister prior to entering into the transaction or seeking Cabinet approval for the transaction.

Submissions supporting requests for Section 28 approval should include a signed Minister's request letter as well as a business case for the transaction that would include:

- The description, business and legal rationale for assuming each specific contingent liability or increase in indebtedness;
- A quantification of the maximum dollar amount of the contingent liability or indebtedness, and if it is not possible to quantify, an explanation as to why that is the case;

- Any financial models developed in support of the project;
- An estimate of the duration of the contingent liability or indebtedness, the risk exposure and the likelihood of it materializing;
- A description of the measures taken to manage risk and minimize losses;
- A description of alternatives considered to the contingent liabilities or indebtedness;
- An explanation of how the responsible ministry proposes to pay for any contingent liabilities that may arise; and
- A description of the benefit to Ontario of taking on the contingent liability.

RISK MANAGEMENT

CURRENT STATUS

Coming out of the financial crisis in 2008–09, the Province began a strategy of creating large, liquid 10 and 30-year benchmark domestic bond issues in 2009–10 in response to investor demand. This strategy has been very successful and continues to lower Ontario's borrowing costs and enhance the Province's access to capital.

However, as a result of these large bond issues, the Province will have large cash outflows on single days commencing in 2019–20, rather than having maturities spread more evenly through the year. In anticipation of the need for cash reserves to meet these requirements for large outflows on a single day, the Province began building larger cash reserves in 2017–18. As of March 31, 2018, the Province's average unrestricted liquid reserve was $30.1 billion (Chart 1). Debt maturities are estimated at $21.5 billion for 2018–19.

Today, the OFA maintains a high level of liquid reserves and short term borrowing capacity.

BACKGROUND

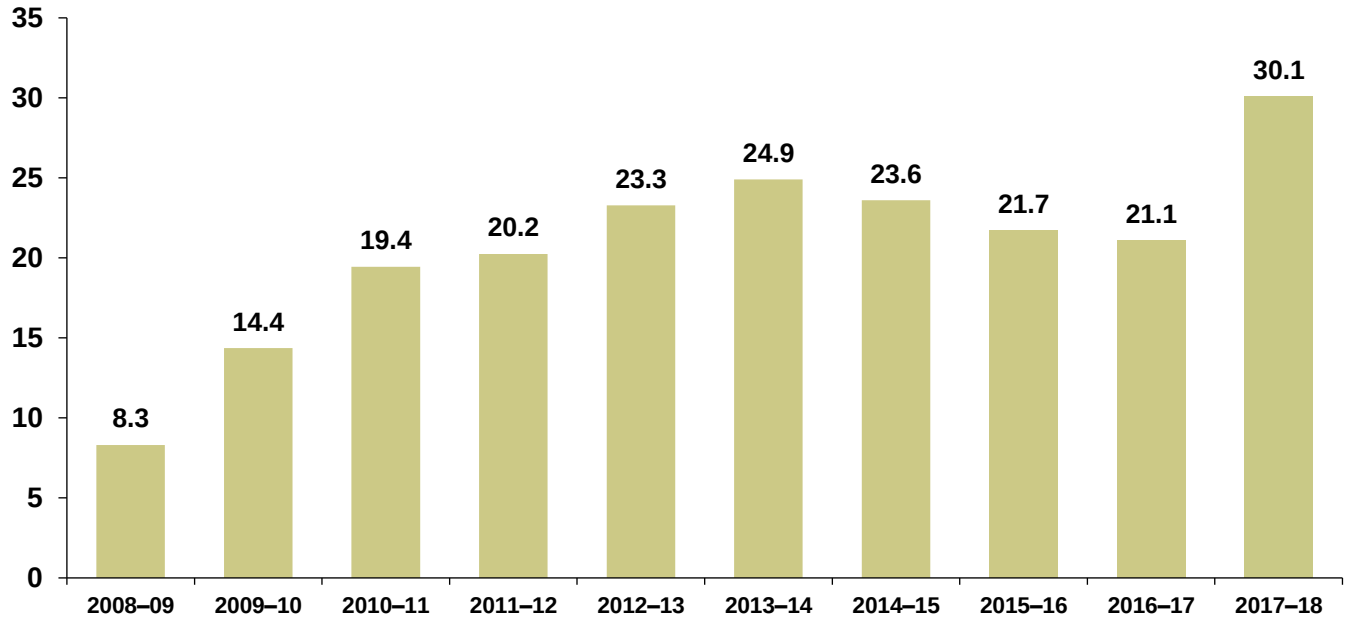
Market risk is the risk of loss due to changes in interest and foreign exchange rates. The OFA monitors and manages the debt maturity profile to limit refinancing risk. Term selection for new borrowing will be aimed for a smooth maturity schedule to diversify the interest resetting risk of refinancing debt maturities (Table 1).

Liquidity Risk is the risk that liquid reserves will not be sufficient to meet the Province's cash requirements. This risk is controlled through the management of operational cash flows, liquid reserve levels and the short-term borrowing program. The Province's Treasury bill and U.S. Commercial Paper programs have authorized limits of $33.0 billion and $15.0 billion, respectively.

Operational Risk is risk of loss due to failed models, systems, processes, people or external events.

Credit Risk is the risk of loss due to default of bond issuers or counterparties of derivatives or other financial transactions. Strict credit limits are enforced for financial and investment counterparties. The Province also has collateralized swap agreements in place for most swap counterparties.

Chart 1: Average Unrestricted Liquid Reserves
($ Billions)



Note: As of March 31, 2018.

Table 1: Net Interest Rate Resetting and Foreign Exchange Exposure

As of March 31, 2018	**Exposure**	**Policy Limit**
Foreign Exchange	0.2%	5.0%
Net Interest Rate Resetting	10.9%	35.0%

INTEREST ON DEBT (IOD)

CURRENT STATUS

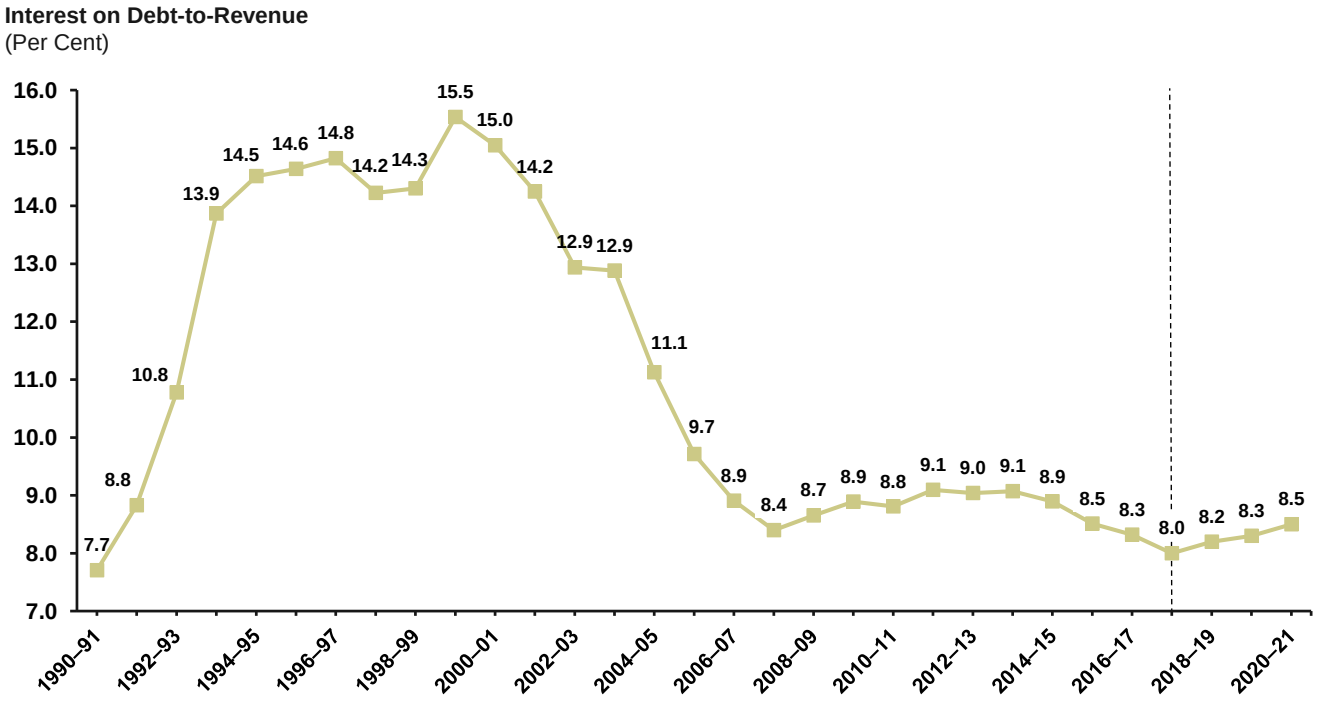
Interest on debt (IOD) is Ontario's fourth largest budgeted expenditure, after Health, Education and Children's and Social Services. Ontario's IOD is projected to be $12,543 million in 2018–19, $13,066 million in 2019–20 and $13,849 million in 2020–21.

IOD Savings and Affordability

The interim forecast for IOD expense in 2017-18 is $11,965 million, which is $281 million lower than the forecast in the *2017 Budget.* The 2017–18 savings continue a trend that has been in place for a number of years through a combination of lower deficits and borrowing requirements than Budget forecasts, lower-than-forecast interest rates and prudent and cost-effective debt management. It will be very challenging, however, to continue to generate such savings as the global decline in interest rates over the past 25 years has begun to reverse.

Historically low interest rates, and the resulting savings on IOD, have reduced the ratio of IOD to the Province's revenue in spite of a rising debt burden. Ontario's net debt has risen from $156.6 billion in fiscal 2007-08, before the financial crisis and global recession, to $308.2 billion at the end of fiscal 2017–18. However, over that period, the IOD-to-Revenue ratio, a key measure of debt affordability, has dropped from 8.4 cents of interest costs for every revenue dollar to 8.0 cents, as shown in Chart 1.

Chart 1: Interest on Debt-to-Revenue Ratio



Note: 2005–06 to 2019–20 have been restated for broader public sector line-by-line presentation.
Source: Ontario Financing Authority.

IOD Forecast and Sensitivity

As outlined in the *2018 Budget*, the IOD forecast over the outlook period to 2025-26 is highlighted in Table 1.

Table 1: IOD Forecast

	Interim 2017–18	Medium-Term Plan			Recovery Plan				
		2018–19	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26
Revenue	**150.1**	**152.5**	**157.6**	**163.8**	**169.5**	**174.9**	**180.4**	**186.5**	**192.9**
Expense									
Programs	137.5	145.9	150.4	155.8	159.5	162.7	166.0	169.3	172.7
IOD	12.0	12.5	13.1	13.8	14.9	15.5	16.3	16.5	16.9
Total Expense	**149.5**	**158.5**	**163.5**	**169.6**	**174.4**	**178.2**	**182.2**	**185.8**	**189.6**
Surplus/(Deficit) Before Reserve	**0.6**	**(6.0)**	**(5.9)**	**(5.8)**	**(4.9)**	**(3.3)**	**(1.8)**	**0.7**	**3.3**
Reserve	–	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Surplus/(Deficit)	**0.6**	**(6.7)**	**(6.6)**	**(6.5)**	**(5.6)**	**(4.0)**	**(2.5)**	**0.0**	**2.6**

Note: Numbers may not add due to rounding.

Any revisions to either the projected deficits or the investments in infrastructure may impact the amount of future debt required to be issued, and in turn, the IOD expense forecast.

The IOD forecast is also sensitive to changes in interest rate forecasts. Forecasts of interest rates and spreads are subject to risks arising from unforeseen economic conditions or other events. For 2018-19, the impact of a one percentage point change in interest rates would result in a change of approximately $300 million in IOD costs for the Province.

BACKGROUND

To forecast IOD, the OFA uses inputs primarily consisting of existing debt, expected future borrowing requirements, and interest and foreign exchange rate forecasts.

For existing debt, interest expense is based on the actual terms of each debt issue outstanding. Interest expense forecasts for debt projected to be issued in 2018–19 and 2019–20 are based on the private sector forecast of Government of Canada interest rates provided in the *2018 Ontario Budget,* together with assumptions on the number of basis points (hundredths of a percentage point) that investors require above the Government of Canada rates to purchase the Province's debt (this is called the "spread").

Very few private sector forecasters provide interest rate projections beyond two years. As a prudent assumption for debt to be issued in 2020–21 and beyond, interest expense forecasts are based on the average rates of Ontario debt over the past 20 years. The OFA used to look back 10 years for this model, and then 15 years, but given the historically low interest rate environment since the onset of the global recession a decade ago, it was determined to be sensible to extend this period to 20 years.

ONTARIO'S GREEN BOND PROGRAM

CURRENT STATUS

Ontario is currently the largest issuer of Canadian dollar Green Bonds, with four outstanding green issues totaling $3.05 billion (Table 1).

On January 25, the Province successfully launched its fourth Green Bond issue of $1.0 billion. This is not only the largest Green Bond offering from the Province of Ontario, but also the largest issue to be priced in the Canadian dollar Green Bond market. With this transaction, Ontario added eight new investors (that had never purchased Ontario bonds) and expanded its Canadian dollar investor base by eleven names (investors that had never purchased Ontario bonds in Canadian dollars).

BACKGROUND

The Province's Green Bond program commenced in 2014. As the first Canadian province to issue Green Bonds, Ontario is leading the way to establish and develop a Canadian dollar Green Bond market with investor participation from around the world. Ontario's Green Bonds capitalize on the Province's ability to raise funds at low interest rates and serve as an important tool to help Ontario finance transit and other environmentally friendly projects across the Province.

Ontario has a mature Green Bond program and expects Green Bonds to continue having an important role in the Province's annual borrowing.

Ontario strives to be a leader in its transparency and impact reporting efforts with the publication of its annual newsletter.

Use and Management of Proceeds

Green Bond proceeds are paid into the Consolidated Revenue Fund of Ontario. An amount equal to the net proceeds of each Green Bond issue is recorded in a designated account in the Province of Ontario's financial records. These designated accounts are used to track the use and allocation of funds to eligible projects.

Green Bond projects are expected to be funded within one year from the date of issue.

Green Bond Projects

Ontario's Green Bond Framework specifies five categories of eligible projects:

- Clean Transportation (e.g. public transportation)
- Energy Efficiency and Conservation (e.g. building efficiency improvement)
- Clean Energy and Technology (e.g. smart grid infrastructure and energy storage)
- Forestry, Agriculture and Land Management (e.g. sustainable forest management)
- Climate Adaptation and Resilience (e.g. flood protection and storm water management)

A total of 16 different projects have received or will receive funding from Ontario's four Green Bond issues. The projects selected as eligible to receive funding from the Green Bonds have an emphasis on clean transportation and energy efficiency and conservation (Table 2).

Table 1: Ontario's Green Bond Issues Summary

Green Bond Issue:	Inaugural	Second	Third	Fourth
Size:	C$500 Million	C$750 Million	C$800 Million	C$1,000 Million
Pricing Date:	October 2, 2014	January 22, 2016	January 26, 2017	January 25, 2018
Maturity Date:	October 9, 2018	January 27, 2023	January 27, 2023	February 5, 2025
Investors:	81	52	55	71
Green Mandates/ UN PRI Signatories:	85%	70%	78%	85%

Table 2: Projects Financed by Ontario's Green Bonds

	Green Bond Funding			
Clean Transportation Category	**1**	**2**	**3**	**4**
Eglinton Crosstown Light Rail Transit (LRT)	✓	✓	✓	✓
York Viva Bus Rapid Transit		✓	✓	✓
Regional Express Rail		✓	✓	
Finch West LRT			✓	✓
Hurontario LRT			✓	✓
Hamilton LRT			✓	
Energy Efficiency & Conservation Category				
Sheridan College		✓		
ErinoakKids Centre for Treatment and Development			✓	
Whitby Rail Maintenance Facility				✓
Seneca College King Campus Expansion				✓
Joseph Brant Hospital – Redevelopment Project Phase 1				✓
St. Joseph's Healthcare Hamilton – West 5th		✓	✓	
St. Joseph's Healthcare – London and St. Thomas		✓	✓	
Waypoint Centre for Mental Health		✓	✓	
Centre for Addiction and Mental Health – Queen Street		✓	✓	
Woodstock General Hospital			✓	

ONTARIO SAVINGS BONDS (OSB)

CURRENT STATUS

A new campaign is taking place from June 1–21, 2018 with the following range of products: 3-year variable, 5-year step-up, 3-year fixed, and 10-year fixed. The interest rates for the new series of OSBs are generally announced on the first day of sales.

The 2017 campaign raised approximately $64 million. It is difficult to predict the size of this year's campaign. Increased competition by banks for retail money may be offset by the safety provided by government bonds.

The Federal government, British Columbia, Alberta, Saskatchewan and Manitoba have discontinued their savings bond program (Table 1). The Province may review the Ontario Savings Bond Program next year.

BACKGROUND

OSBs were introduced in 1995 and are 100 per cent backed by the Province of Ontario. Since then, approximately $44 billion in OSBs have been sold with about $1.1 billion currently outstanding (amount as of February 28, 2018). The bonds are usually on sale during the first three weeks of June.

The bonds are available for purchase through dealers, banks and credit unions. The 2017 distribution of sales across the various agents was consistent with prior years with dealers accounting for 85 per cent of total sales and banks for 15 per cent of total sales.

Total sales per campaign for the OSBs are as follows:

2017	$ 64 million
2016	$ 127 million
2015	$ 66 million
2014	$ 553 million
2013	$ 445 million
2012	$ 774 million
2011	$ 572 million
2010	$1.147 billion
2009	$1.045 billion
2008	$ 455 million
2007	$1.272 billion
2006	$1.384 billion
2005	$1.832 billion
2004	$1.150 billion
2003	$3.770 billion
2002	$2.615 billion

2001	$4.167 billion
2000	$3.380 billion
1999	$2.049 billion
1998	$1.954 billion
1997	$1.537 billion
1996	$1.034 billion
1995	$1.607 billion
Total	**$44.340 billion**

Table 1: Status of Savings Bond Programs in Canada

Government	**Status**
Federal	Discontinued the Canada Savings Bond Program in 2017
Quebec	Issues savings bonds through Placements Quebec
Manitoba	Discontinued program in 2015
Alberta	Discontinued program in 2010
Saskatchewan	Discontinued program in 2007 (last outstanding issue matured in 2014)
British Columbia	Discontinued program (last outstanding issue matured in 2007)
PEI	N/A
New Brunswick	N/A
Nova Scotia	N/A
Newfoundland and Labrador	N/A

ONTARIO NUCLEAR FUNDS AGREEMENT

CURRENT STATUS

The Province and Ontario Power Generation (OPG) signed the Ontario Nuclear Funds Agreement (ONFA) in March 2002, effective as of April 1, 1999. The Ontario Financing Authority (OFA) manages the implementation of ONFA on behalf of the Province.

The main objective of ONFA is to ensure sufficient funds are available to pay for the future costs of nuclear waste management and nuclear station decommissioning for OPG's current nuclear stations, including the Bruce stations leased to Bruce Power.

ONFA came into force in July 2003 with the creation of two segregated funds, which are jointly managed by OPG and OFA, on behalf of the Province:

- The Decommissioning Segregated Fund (DSF) is to pay for the permanent shut down of nuclear stations, including security and monitoring, used fuel storage during decommissioning, dismantling of stations and site restoration, and storage of low and intermediate level waste.
- The Used Fuel Segregated Fund (UFSF) is to cover costs of dry storage and used fuel after station decommissioning, as well as long-term disposal costs. The UFSF includes the federally mandated "Ontario NFWA Trust" amounts (under the federal Nuclear Fuel Waste Act).

The combined market value of the funds was $4.9 billion when they were formally established in 2003. As of December 31, 2017, the combined market value of the segregated funds had grown to over $21 billion, consisting of about $9.1 billion in the DSF (including a "due to the Province" of about $1.9 billion) and about $12.1 billion in the UFSF (including a "due to the Province" of about $2.5 billion). Net of the "due (to) from Province" amounts, OPG recognises a net value for the ONFA funds of about $16.7 billion on its balance sheet (Table 1).

Role of the Minister of Finance:

ONFA was signed by the Minister of Finance, and the Minister of Finance has responsibility for ONFA, including the following:

- Approving Reference Plans submitted by OPG for cost and liability estimates for plant decommissioning and waste management at least once every five years. The current Reference Plan is effective January 1, 2017.
- Entering into agreements to satisfy the Canadian Nuclear Safety Commission (CNSC) financial guarantee requirements related to OPG's nuclear facilities. This includes providing the CNSC with access (in certain circumstances) to the ONFA segregated funds, or if required, providing a direct provincial guarantee.
- Approving any amendments to ONFA.

BACKGROUND

As part of the April 1, 1999, financial restructuring of the old Ontario Hydro, OPG began to set aside cash in segregated funds and recognize on its financial statements the present value of the incurred nuclear waste management and decommissioning obligations.

In light of the recognition of these obligations, the Province and OPG entered into the ONFA in March 2002. The agreement came into force on July 24, 2003, with an effective date of April 1, 1999.

ONFA has three main goals:

- To ensure sufficient funds are available to pay for costs of nuclear station decommissioning and long-term nuclear waste management (including used fuel and low and intermediate level waste after station shut down),
- To limit OPG's financial exposure to unforeseen increases in the cost of managing used fuel, and
- To permit OPG to satisfy the CNSC's financial guarantee requirements.

Table 1: Historical Segregated Fund Market Values

Fair Market Value ($ millions)	2017	2016	2015	2014	2013
DSF	9,099	8,317	7,834	7,346	6,591
Due (to) Province	(1,933)	(1,477)	(1,285)	(1,100)	(624)
Total Net DSF	7,166	6,840	6,549	6,246	5,967
UFSF	12,087	11,082	10,290	9,562	8,519
Due (to) from Province	(2,529)	(1,938)	(1,703)	(1,429)	(990)
Total Net UFSF	9,558	9,144	8,687	8,133	7,529
Total – Gross	**21,186**	**19,399**	**18,124**	**16,908**	**15,110**
Total - Due (to) from	(4,462)	(3,415)	(2,988)	(2,529)	(1,614)
Total – Net	16,724	15,984	15,136	13,496	13,496

Notes: "Due (to) from Province" amounts reflect the funds position at a certain point in time only and have fluctuated over time as presented in the table. The "Due to Province" amounts are reflected in this way on OPG's financial statements under accounting standards, primarily because of ONFA.

Under ONFA, if there are amounts left in the funds after all the liabilities have been dealt with (projected to be many decades away, up to the 22nd century), then those amounts go to the Province. Under ONFA, the Province provides a rate of return guarantee on a portion of the UFSF. If the actual rate of return on that portion of the UFSF, then OPG records that amount as "Due to Province".

ABORIGINAL LOAN GUARANTEE PROGRAM (ALGP)

CURRENT STATUS

The ALGP is a discretionary, non-entitlement, application-based program that provides loan guarantees to eligible applicants to support Aboriginal equity participation in the renewable energy sector and regulated transmission projects.

The program, as approved by Treasury Board, can provide a loan guarantee of up to 75 per cent of an Aboriginal community's investment in a renewable energy generation or transmission project, to a maximum of $50 million per project. Treasury Board approval of these parameters also allows the OFA to come forward for approvals above $50 million on a case-by-case basis. The total approved program envelope is $650 million.

Nine loan guarantees have been approved to-date, for a total of approximately $250 million. There are active applications for requested loan guarantees totalling over $300 million.

In conjunction with its third party due diligence service providers, the OFA administers the program, performs due diligence on the applications, seeks the necessary approvals from Cabinet (Order in Council) and the Minister of Finance (approval of the conditional offer of the guarantee and execution of the guarantee agreement), and negotiates the final legal agreements.

BACKGROUND

The ALGP was launched in 2009 to facilitate Aboriginal participation in renewable energy infrastructure projects. Eligible investments under the ALGP include key investments in transmission, wind, solar and hydroelectric projects across the province.

Loan guarantee offers are made on a case-by-case basis at the discretion of the Minister of Finance and Cabinet under the authority of section 22 of the *Financial Administration Act* and are disclosed as Contingent Liabilities in Volume 1 of the Public Accounts.

To be eligible for a loan guarantee under the program, projects are required to have:

- Agreements in place to purchase energy in the case of generation projects and regulatory approvals in the case of transmission projects
- Experienced proponents and project partners with track records in construction and operation
- Completion of the OFA's due diligence process
- A corporation that is wholly-owned by the Aboriginal Community which will be the applicant to the program and will take on all aspects of the project, such as signing contracts and entering into partnership agreements

If eligible, applicants could receive ALGP guarantees for up to 75 per cent of the Aboriginal community's equity in a project, to a maximum of $50 million, no earlier than at the point of financial close for the project, after regulatory approvals are in place and at the same time, or after, all other financing is put in place.

FINANCING PUBLIC BODIES

CURRENT STATUS

The OFA is able to provide loans to Ontario public bodies such as colleges, school boards and hospitals, as well as provincial corporations, boards and commissions that are consolidated on the Province's financial statements.

Under this framework, the OFA provided new loans to a number of public bodies in 2017–18, including Ontario colleges and crown corporations totalling $2.4 billion. As at March 31, 2018, the OFA had a total outstanding loan portfolio worth $5.7 billion, for a conservatively estimated saving of nearly $30 million in annual interest costs. Cumulative interest savings since inception of the program in 2007 are in excess of $260 million.

It is estimated that the OFA may provide a further $500 million in long-term loans to public bodies in 2018–19.

BACKGROUND

Higher financing costs of consolidated public bodies, increased demand for financing and the lack of expertise within public bodies led to the establishment of a provincial loan program for public bodies.

Under this framework, the Province, through the OFA, provides short and long-term financing to provincial public bodies. Most of the OFA loans are long-term. The cost of long-term debt of consolidated public bodies is conservatively estimated to be 25 to 75 basis points higher than the Province's cost of funds.

Through this program, the Interest on Debt cost associated with capital projects is transferred to some of the responsible organizations.

Key Framework Components

The key decisions in establishing the framework revolved around what type of financing to provide, which consolidated sectors to lend to and what interest rate to charge.

1. *Long-Term Financing*: The framework focuses on long-term financing and generally leaves administratively intensive short-term financing to financial institutions, except where the Minister of Finance determines there is a significant benefit to the public body or to the Province.

2. *Consolidated Sectors*: The OFA provides financing to sectors where their financial results are consolidated on the Province's balance sheet, including school boards, colleges, hospitals and other public bodies that borrow as crown agents. However, the OFA will generally not lend directly to the electricity sector (except for certain purposes of the Independent Electricity System Operator formerly under the mandate of the Ontario Power Authority prior to their merger), unless otherwise directed by Cabinet, Treasury Board or the Minister of Finance.

3. *Province's Total Cost of Funds or a Proxy Commercial Rate*: The OFA provides financing at either the Province's total cost of funds or a proxy commercial rate, depending on the nature of

the activity and debt repayment capacity of the public body. In some cases the rate charged to the borrower will be similar to the rate that would be charged on the loan by a commercial lender which would reflect the relative risk associated with the loan. The OFA will generally retain the spread, which includes the administrative costs of managing these loans.

GOVERNMENT ASSETS AND INVESTMENTS

The Ontario Financing Authority (OFA) provides financial analysis and advice to the government, ministries and agencies on government assets and investments.

Contributions from Provincially-owned assets can help meet fiscal plan targets or generate additional cash for reinvestment.

As the owner of these assets, the government has a responsibility to ensure that governance of these assets is sound and that optimal contribution to the fiscal plan is pursued.

Three main categories of options are available for potentially increasing the value that an asset delivers to the Province:

- Hold;
- Retain and Improve; and
- Divest.

The Province has a number of significant assets that do or can provide fiscal contributions, such as the following:

- Ownership interests in Government Business Enterprises (GBEs):
    - Ontario Power Generation Inc. (OPG),
    - Liquor Control Board of Ontario (LCBO) (with the Ontario Cannabis Retail Corporation (OCRC) as an LCBO subsidiary),
    - Ontario Lottery and Gaming Corporation (OLG), and
    - Hydro One Limited (Hydro One).
- In 2016–17, the Province reported net income from GBEs of about $5.6 billion, per 2016–17 Public Accounts of Ontario.
- The Province is the sole owner of OPG, LCBO (including OCRC), and OLG, and holds about 47 per cent ownership in Hydro One which is publicly traded on the Toronto Stock Exchange (TSX).

There are a number of other smaller organizations owned by the Province, which provide smaller amounts of revenue, or none in some cases, but which may still hold fiscal opportunities to improve performance or have opportunities to realise value.

The OFA also provides financial analysis and advice on government investments, such as venture capital investments and business supports, including loans and loan guarantees.

BACKGROUND

Options to Optimise Value:

1. Hold: For assets delivering core public services, where performance is excellent and/or non-organic improvement or divesting is not feasible today.

2. Retain and Improve: For assets delivering core public services, where transformation and/or growth would unlock fiscal or policy value. This could include
    - Improving governance and oversight,
    - Modernizing the operating model, through restructuring or outsourcing, and
    - Improving performance by pursuing opportunities for efficiency.

3. Divest: For non-core assets where divesting would allow for the capture of full value or where the government cannot improve performance without significant risk or where changes in society do not justify or require the existence or operation of the asset.

Early Contacts - MO

Name	Title	Organization	Address	Phone/ Fax/ Email	Reason for Contact	Timing (1st week or 1st month)	Division/ Branch
AGENCIES, BOARDS AND COMMISSIONS							
Patrick Ballantyne	Chief Executive Officer	Registered Insurance Brokers of Ontario (RIBO)	1200-401 Bay Street Toronto, ON M5H 2Y4	Phone: 416-365-1900 Email: patrick@ribo.com	Self-regulating organization that regulates insurance brokers in Ontario	1st week	

Name	Title	Organization	Address	Phone/ Fax/ Email	Reason for Contact	Timing (1st week or 1st month)	Division/ Branch
KEY STAKEHOLDERS							
Dave Bryans	CEO	Ontario Convenience Stores Association	466 Speers Road, Oakville, Ontario, Canada L6K 3W9	(905) 845-9152	Representative of the convenience stores in Ontario. Have called on the province to do more to address untaxed tobacco sales.	1st month	Strategy, Stewardship and Program Policy Division (SSPPD)
Aaron Dobbin	President and CEO	Winery and Grower Alliance of Ontario (WGAO)	4890 Victoria Ave N, Box 4000 Vineland Building, Suite 225 Vineland Station ON L0R 2E0	aaron.dobbin@wgao.ca	Key contact for issues affecting large, blending wineries.	1st month	Government Business Enterprise Division (GBED)
Richard Linley	President	Wine Council of Ontario (WCO)	4890 Victoria Ave N, PO Box 4000 Vineland Station ON L0R 2E0	905-562-8070 ext 225 richard.linley@winesofontario.org	Key contact for issues affecting small/medium VQA wineries.	1st month	Government Business Enterprise Division

Name	Title	Organization	Address	Phone/ Fax/ Email	Reason for Contact	Timing (1st week or 1st month)	Division/ Branch
							(GBED)
Debbie Zimmerman	Chief Executive Officer	Grape Growers of Ontario (GGO)	PO Box 100 Vineland Station ON L0R 2E0	905-688-0990 ext. 225 d.zimmerman@grapegrowersofontario.com	GGO is the official organization that represents over 500 grape growers in Ontario who produce grapes for processing.	1st month	Government Business Enterprise Division (GBED)
Charlie Angelakos	Chair	The Beer Store (TBS)	(Vice President, Legal and Corporate Affairs, Labatt Breweries of Canada) 207 Queen's Quay W, Suite 299 Toronto ON M5J 1A7	416-562-7904 charlie.angelakos@labatt.com	TBS is a privately-owned chain of retail outlets selling beer in Ontario.	1st month	Government Business Enterprise Division (GBED)
Jeff Newton	President and CEO	Canada's National Brewers	5900 Explorer Dr Mississauga ON L4W 5L2	905-361-4109 905-361-4290 JNewton@nationalbrewers.ca	Key contact for issues related to large brewers and beer retailing in Ontario.	1st month	Government Business Enterprise Division (GBED)
Scott Simmons	President	Ontario Craft Brewers (OCB)	75 Horner Ave Suite 1 Toronto ON M8Z 4X5	416-427-1490 ssimmons@ontariocraftbrewers.com	Key contact for craft beer issues.	1st month	Government Business Enterprise Division (GBED)
Jan Westcott	President and CEO	Spirits Canada	219 Dufferin St Suite 2B Toronto ON M6K 1Y9	416-626-0100 416-626-3998 janwestcott@acd.ca	Key contact for issues affecting large spirits manufacturers.	1st month	Government Business Enterprise Division (GBED)
Heather Macgregor Andrew Von	Executive Director President	Drinks Ontario	2579 Sixth Line, Unit 9 Oakville ON L6H 0H7	647-227-2031 heather.macgregor@drinksontario.com 416-968-7070 ext.	Key contact representing importers.	1st month	Government Business Enterprise Division (GBED)

Name	Title	Organization	Address	Phone/ Fax/ Email	Reason for Contact	Timing (1st week or 1st month)	Division/ Branch
Teichman				234 andrew@vonterra.com			
Gary Sands	Sr. Vice President, Public Policy & Advocacy	Canadian Federation of Independent Grocers (CFIG)	105 Gordon Baker Rd, Suite 401 North York ON M2H 3P8	416-492-2311 ext 230 gsands@cfig.ca	CFIG is a non-for-profit association that works to further the interests of Canada's independent and franchised grocers across Canada.	1st month	Government Business Enterprise Division (GBED)
Richard Liu	Chair	Ontario Craft Cider Association		richard@sunnybrookwine.com	Key contact for craft cider.	1st month	Government Business Enterprise Division (GBED)
Mike Heisz	President	Ontario Craft Distillers Association (OCDA)		mike@junction56.ca	Key contact for craft spirits.	1st month	Government Business Enterprise Division (GBED)
Gary Rygus	Director, Government Relations	Retail Council of Canada (RCC)	1881 Yonge St Suite 800 Toronto ON M4S 3C4	416-922-6678 ext. 225 grygus@retailcouncil.org	RCC is a not-for-profit, industry-funded association representing more than 45,000 store fronts of all retail formats across Canada, including department, specialty, discount, and independent stores, and online merchants.	1st month	Government Business Enterprise Division (GBED)
Bernard Brun	Vice President, Government Relations	La Fédération des caisses populaires de l'Ontario (Desjardins)	450 Rideau St Ottawa, ON K1N 5Z4	Tel: 613-789-2468 Email: bernard.brun@desjardins.com	Francophone Ontario league representing 11 caisses populaires affiliated with Desjardins Group in Québec	1st month	
Luc Racette	Vice President,	Caisse	1870 Bond St	Tel: 705-474-5634	Francophone caisse populaire	1st month	

Name	Title	Organization	Address	Phone/ Fax/ Email	Reason for Contact	Timing (1st week or 1st month)	Division/ Branch
	Finance and Risk	Populaire Alliance Limitée	P.O. Box 3500 North Bay, ON P1B 4V6	ext 229 Fax: 705-474-5326 Email: lracette@acpol.ca	operating primarily in Northern Ontario		
Erin Morgan	Executive Director	The Ontario Co-operative Association (On Co-op)	30 Douglas Street, Guelph, ON N1H 2S9	Tel: 519-763-8271, ext. 30 Mobile: 519-831-0850 Fax: 519-763-7239 Email : emorgan@ontario.coop	Association represents English speaking co-operative corporations in Ontario, which comprises about 85% of the sector.	1st month	
John L. Taylor	President and Chief Executive Officer	Ontario Mutual Insurance Association (OMIA)	350 Pinebush Rd Cambridge, ON N1T 1Z6	Phone: 519-622-9220 Email: jtaylor@omia.com	Association of the over 40 mutual insurance companies in Ontario	1st month	
Colin M. Simpson	Chief Executive Officer	Insurance Brokers Association of Ontario (IBAO)	1 Eglinton Ave East Toronto, ON M4P 3A1	Phone: 416-481-0799 Email: csimpson@ibao.on.ca	Represents over 12,000 independent insurance brokers in Ontario	1st month	
Alain Thibault	President and Chief Executive Officer	Canadian Association of Direct Relationship Insurers (CADRI)	301-250 Consumers Road Toronto, ON M2J 4V6	Phone: 416.773.0101 Email: athibault@cadri.com	Represents six leading direct relationship insurers: Aviva, belairdirect, CAA, Cooperators, Desjardins, and TD Insurance	1st month	

Early Contacts

List the top people your minister should contact in the 1st week and 1st month after being sworn in. You can identify as many contacts as you think appropriate.

Name	Title	Organization	Address	Phone/ Fax/ Email	Reason for Contact	Timing (1st week or 1st month)	Division/ Branch
FEDERAL GOVERNMENT							
Bill Morneau	Minister of Finance	Government of Canada	Minister of Finance Department of Finance Canada 90 Elgin Street Ottawa, Ontario K1A 0G5	Tel: (613) 369-3710 Fax: (613) 369-4065 Email: bill.morneau@canada.ca	Introductions to Minister-level colleagues and relationship building.	1st week	Office of the Budget (OB)
Diane Lebouthillier	Minister of National Revenue	Federal Government	7th Floor 555 MacKenzie Avenue Ottawa ON K1A 0L5	(613) 995-2960	The Canada Revenue Agency administers provincial taxes (personal income tax, corporations tax and harmonized sales tax), benefit and tax credit programs.	1st month	Strategy, Stewardship and Program Policy Division (SSPPD)
Bob Hamilton	Commissioner of Revenue	Federal Government	7th Floor 555 MacKenzie Avenue Ottawa ON K1A 0L5	(613) 957-3688	The Canada Revenue Agency administers provincial taxes (personal income tax, corporations tax and harmonized sales tax), benefit and tax credit programs.	1st month	Strategy, Stewardship and Program Policy Division (SSPPD)

Name	Title	Organization	Address	Phone/ Fax/ Email	Reason for Contact	Timing (1st week or 1st month)	Division/ Branch
FIRST NATIONS/INDIGENOUS							
Isadore Day	Ontario Regional Chief	Chiefs of Ontario	468 Queen St E, Toronto, ON M5A 1T7	416-597-1266	Representative of all First Nations in Ontario. Has had minimal involvement	1st month	Strategy, Stewardship and Program

Name	Title	Organization	Address	Phone/ Fax/ Email	Reason for Contact	Timing (1st week or 1st month)	Division/ Branch
					in provincial tobacco discussions.		Policy Division (SSPPD)
Grand Chief Patrick Madahbee	Grand Chief	Anishinabek Nation	1 Migizii Miikan PO Box 711 North Bay, Ontario P1B 8J8	705-497-9127	Political Territorial Organization that has had significant discussions with Ontario regarding tobacco and gasoline regulation	1st month	SSPPD
Grand Chief Joel Abram	Grand Chief	Association of Iroquois and Allied Indians	387 Princess Avenue London, Ontario N6B 2A7	519-434-2761	Representative of several First Nations in Southern Ontario. Many communities have significant tobacco economies.	1st month	SSPPD
Grand Chief Abram Benedict	Grand Chief	Mohawk Council of Akwesasne	Mohawk Council of Akwesasne PO Box 90 Akwesasne, QC H0M 1A0	Abram.benedict@akwesasne.ca 613-575-2348 Ext 2251	Grand Chief of the Mohawk Council of Akwesasne. Ontario and Akwesasne signed the first tobacco regulation agreement in Ontario's history on April x 2018.	1st month	SSPPD
Chief Myeengun Henry	Chief	Chippewas of the Thames First Nation	320 CHIPPEWA RD. MUNCEY, ONTARIO, N0L1Y0	myeengun@cottfn.com 519-289-5555	Ontario and the Chippewas of the Thames have been engaged in discussions on tobacco since 2013.	1st month	SSPPD
Chief Ava Hill	Chief	Six Nations of the Grand River	1695 Chiefswood Rd PO Box 5000 Ohsweken ON N0A 1M0	519 445-2201	Six Nations of the Grand River is the largest First Nation in Ontario. Chief Ava Hill has rejected offers from the province to discuss tobacco and revenue sharing.	1st month	SSPPD

Name	Title	Organization	Address	Phone/ Fax/ Email	Reason for Contact	Timing (1st week or 1st month)	Division/ Branch
PROVINCIAL GOVERNMENTS							
Tom Osborne	Minister of Finance, President of Treasury Board	Government of Newfoundland and Labrador	Minister's Office Department of Finance Main Floor, East Block, Confederation Building P.O. BOX 8700 St. John's, NL A1B 4J6	**Tel:** (709) 729-3775 **Fax:** (709) 729-1746 Email: financeminister@gov.nl.ca	Introductions to Minister-level colleagues and relationship building.	1st month (TBD)	Office of the Budget (OB)
J. Heath MacDonald	Minister of Finance	Government of Prince Edward Island	Shaw Building 95-105 Rochford Street South, 2nd Floor Charlottetown, PE C1A 7N8	Tel: (902) 368-4050 Fax: (902) 368-6575 Email: hmacdonald@gov.pe.ca	Introductions to Minister-level colleagues and relationship building.	1st month (TBD)	Office of the Budget (OB)
Karen Casey	Minister of Finance and Treasury Board Chair of Treasury Board and Policy Board Nova Scotia	Government of Nova Scotia	Department of Finance 7th Floor, Provincial Building 1723 Hollis Street P.O. BOX 187 Halifax, Nova Scotia B3J 2N3	Tel: (902) 424-5720 Fax: (902) 424-0635 Email: financeminister@gov.ns.ca	Introductions to Minister-level colleagues and relationship building.	1st month (TBD)	Office of the Budget (OB)
Cathy Rogers	Minister of Finance Minister of Transportation Minister of Infrastructure	Government of New Brunswick	Minister's Office Chancery Place P. O. BOX 6000 Fredericton, NB E3B 5H1	Tel: (506) 444-2627 Fax: (506) 457-4989 Email: Cathy.Rogers@gnb.ca	Introductions to Minister-level colleagues and relationship building.	1st month (TBD)	Office of the Budget (OB)
Carlos J. Leitão	Minister of Finance	Government of Quebec	Ministre des Finances et de	Tel: (418) 643-5270 Fax: (418) 646-1574	Introductions to Minister-level colleagues and relationship	1st month (TBD)	Office of the Budget (OB)

Name	Title	Organization	Address	Phone/ Fax/ Email	Reason for Contact	Timing (1st week or 1st month)	Division/ Branch
			l'Économie 12, rue Saint-Louis, 1er étage Québec (Québec) G1R 5L3	Email: ministre@finances.gouv.qc.ca	building.		
Cameron Friesen	Minister of Finance	Government of Manitoba	103 Legislative Building 450 Broadway Winnipeg, MB R3C 0V8	Tel: (204) 945-3952 Fax: (204) 945-6057 Email: minfin@leg.gov.mb.ca	Introductions to Minister-level colleagues and relationship building.	1st month (TBD)	Office of the Budget (OB)
Donna Harpauer	Minister of Finance	Government of Saskatchewan	Minister's Office Room 312, Legislative Building 2405 Legislative Drive Regina, SK S4S 0B3	Tel: (306) 787-6060 Fax: (306) 787-6055 Email: minister.fin@gov.sk.ca	Introductions to Minister-level colleagues and relationship building.	1st month (TBD)	Office of the Budget (OB)
Joe Ceci	Minister of Finance and President of Treasury Board	Government of Alberta	Legislature Office Finance and Treasury Board 323 Legislature Building 10800-97 Avenue Edmonton, AB T5K 2B6	Tel: (780) 415-4855 Fax: (780) 415-4853 Email: tbf.minister@gov.ab.ca	Introductions to Minister-level colleagues and relationship building.	1st month (TBD)	Office of the Budget (OB)
Carole James	Minister of Finance and Deputy Premier	Government of British Columbia	Minister's Office P.O. BOX 9048 STN PROV GOVT Victoria BC V8W 9E2	Tel: (250) 387-3751 Fax: (250) 387-5594 Email: fin.minister@gov.bc.ca	Introductions to Minister-level colleagues and relationship building.	1st month (TBD)	Office of the Budget (OB)
Sandy Silver	Premier,	Government	Premier's Office	Tel: (867) 667-8660	Introductions to Minister-level	1st month	Office of the

Name	Title	Organization	Address	Phone/ Fax/ Email	Reason for Contact	Timing (1st week or 1st month)	Division/ Branch
	Minister of Finance	of Yukon	Yukon Government Administration Building 2071 Second Avenue P.O. BOX 2703 Whitehorse, Yukon Y1A 2C6	Fax: (867) 393-6252 Email: premier@gov.yk.ca	colleagues and relationship building.	(TBD)	Budget (OB)
Robert C. McLeod	Deputy Premier, Minister of Finance	Government of North West Territories	Minister's Office P.O. BOX 1320 Yellowknife, NT X1A 2L9	Tel: (867) 767-9142 ext. 11128 Fax: (867) 873-0481 Email: Robert_C_McLeod@gov.nt.ca	Introductions to Minister-level colleagues and relationship building.	1st month (TBD)	Office of the Budget (OB)
David Akeeagok	Minister of Finance	Government of Nunavut	Office of the Minister Department of Finance P.O. BOX 1000, Station 330 Iqaluit, NU X0A 0H0	Tel: (867) 975-5026 Fax: (867) 975-5042 Email: dakeeagok@gov.nu.ca	Introductions to Minister-level colleagues and relationship building.	1st month (TBD)	Office of the Budget (OB)

Name	Title	Organization	Address	Phone/ Fax/ Email	Reason for Contact	Timing (1st week or 1st month)	Division/ Branch
AGENCIES, BOARDS AND COMMISSIONS							
Dan Mathieson	Board Chair	Municipal Property Assessment Corporation (MPAC)	1340 Pickering Parkway, Suite 101, Pickering, Ontario L1V 0C4	T: 519.271.0250 ext 236 F: 905.831.0040 E: dan.mathieson@mpac.ca	Courtesy call – MPAC Board members are appointed by the Minister and are important implementers of provincial assessment policies	1st month	Provincial Local Finance Division (PLFD)
George L. Cooke	Chair, Board of Directors	Ontario Lottery and	4120 Yonge Street, Suite 500	(416) 224-4988	Minister is responsible for agency oversight, Board of	1st week	Government Business

Name	Title	Organization	Address	Phone/ Fax/ Email	Reason for Contact	Timing (1st week or 1st month)	Division/ Branch
		Gaming Corporation			Directors is accountable to Minister		Enterprise Division (GBED)
Ed Clark	Chair, Board of Directors	Liquor Control Board of Ontario (LCBO)	55 Lakeshore Blvd East Toronto, ON M5E 1A4	Ed.Clark@ontario.ca	Minister is responsible for agency oversight, Board of Directors is accountable to Minister	1st week	Government Business Enterprise Division (GBED)
Maureen Jensen	Chair and CEO	Ontario Securities Commission (OSC)	20 Queen Street West, 22nd Floor Toronto, Ontario M5H 3S8	Tel: 416-593-8201 mjensen@osc.gov.on.ca	OSC is a government agency overseen by Ministry of Finance	1st month	Securities Reform Policy Branch (SRPB - including CCRM)
Bryan Davies	Chair of the Financial Services Regulatory Authority's Board of Directors	Financial Services Regulatory Authority of Ontario	130 Adelaide St. W., Suite 800, Toronto, ON M5H 3P5	Ph. (416) 327-2449 Bryan.Davies@fsrao.ca	Chair of FSRA, Ontario's new regulatory agency for financial services and pensions, which is expected to assume regulatory responsibility in 2019 *Note: Income Security and Pension Policy Division also identified Bryan Davies as a 1st week early contact*	1st week	Financial Services Regulation Modernization Secretariat
Ian McSweeney	Chair	Financial Services Tribunal *and* Financial Services Commission of Ontario	5160 Yonge St., 14th Floor, Toronto, ON M2N 6L9	Ph. (416) 226-7796 Ian.McSweeney@fstontario.ca	Chair of the FST, the adjudicative tribunal for FSCO and DICO regulatory decisions, which is expected to be transformed into an independent tribunal in 2019 Chair of FSCO, the current regulator of financial services	1st week	Financial Services Regulation Modernization Secretariat

Name	Title	Organization	Address	Phone/ Fax/ Email	Reason for Contact	Timing (1st week or 1st month)	Division/ Branch
					and pensions – please note that regulatory responsibility at FSCO resides with the Superintendent and CEO, Brian Mills		
Brian Mills	Chief Executive Officer & Superintendent	Financial Services Commission of Ontario (FSCO)	North York City Centre 17th Floor 5160 Yonge St Toronto, ON M2N 6L9	Tel: 416-590-7000 Fax:416-590-7078 Email: Brian.Mills@fsco.gov.on.ca	Regulator for the mortgage broker and co-operative sectors. Market conduct regulator for the credit union sector. *Note: Brian Mills was also identified as an early contact for regulating the insurance sector and by Income Security and Pension Policy Division in his role as regulator of financial services and pensions.*		Deposit Taking and Cooperative Policy Unit
Don Dalicandro	President & Chief Executive Officer	Deposit Insurance Corporation of Ontario	Suite 700 4711 Yonge St Toronto ON M2N 6K8	Tel: 905-637-2525 x210 Email: don_dalicandro@azertech.co	Deposit insurer and prudential regulator for the credit union sector.		Deposit Taking and Cooperative Policy Unit

Name	Title	Organization	Address	Phone/ Fax/ Email	Reason for Contact	Timing (1st week or 1st month)	Division/ Branch
KEY STAKEHOLDERS							
Craig Wright	Senior Vice President & Chief Economist	Royal Bank of Canada	--	craig.wright@rbc.com 416-974-7457	Economic consulting	1st month	Office of Economic Policy (OEP)
Beata Caranci	Vice President and Chief Economist	TD Bank of Financial Group	TD Bank Tower 66 Wellington Street West, 20th Floor	beata.caranci@td.com 416 982-8067	Economic consulting	1st month	Office of Economic Policy (OEP)

Name	Title	Organization	Address	Phone/ Fax/ Email	Reason for Contact	Timing (1st week or 1st month)	Division/ Branch
			Toronto, Ontario M5K 1A2				
Jean-François Perrault	Senior Vice-President & Chief Economist	Scotiabank	--	jean-francois.perrault@scotiabank.com 416.866.4214	Economic consulting	1st month	Office of Economic Policy (OEP)
Craig Alexander	Senior Vice-President and Chief Economist	Conference Board of Canada	255 chemin Smyth Road, Ottawa ON K1H 8M7	alexander@conferenceboard.ca T: 613-526-3090	Economic consulting	1st month	Office of Economic Policy (OEP)
Avery Shenfeld	Managing Director and Chief Economist	CIBC	161 Bay Street, Brookfield Place, Toronto, ON M5J 2S8	avery.shenfeld@cibc.com 416-594-7356	Economic consulting	1st month	Office of Economic Policy (OEP)
Douglas Porter	Chief Economist and Managing Director	BMO Capital Markets	100 King Street West, 3F, Toronto, ON M5X 1H3	douglas.porter@bmo.com T: 416-359-4887 F: 416-359-4922	Economic consulting	1st month	Office of Economic Policy (OEP)
William (Bill) Black	Chair, Board of Directors	Capital Markets Authority Implementation Organization (CMAIO)	3110 TD North Tower 77 King Street West P.O. Box 109 Toronto, ON M5K 1G8	Tel: 416-306-1063 or 902-422-4223 wblack@cmra-armc.ca	Implementing Capital Markets Regulatory Authority (CMRA)	1st month	Securities Reform Policy Branch (SRPB - including CCRM)
Kevan Cowan	CEO	Capital Markets Authority Implementation Organization (CMAIO)	1650 -701 West Georgia St. Vancouver, BC V7Y 1E4	Tel: 416-306-1089 Email: kcowan@cmra-armc.ca	Implementing Capital Markets Regulatory Authority (CMRA)	1st month	Securities Reform Policy Branch
Kim McKenney	President	Canadian	40 Winges Road,	Tel: 416-252-4622	Ontario chapter of group of	1st month	Deposit

Name	Title	Organization	Address	Phone/ Fax/ Email	Reason for Contact	Timing (1st week or 1st month)	Division/ Branch
		Mortgage Brokers Association - Ontario	Unit 7 Woodbridge, ON L4L 6B2	Fax: 416-981-8729 Email: kim@themortgagesource.ca	provincial industry associations representing the mortgage broker sector		Taking and Cooperative Policy Unit
Paul Taylor	President and CEO	Mortgage Professionals Canada	2005 Sheppard Ave, E, Suite 401 Toronto, ON M2J 5B4	Tel: 416-644-5465 Cell: 905-334-1165 Email: ptaylor@mortgageproscan.ca	National industry association representing the mortgage broker sector	1st month	Deposit Taking and Cooperative Policy Unit
Marylin Mauritx	Senior VP General Counsel and Corporate Secretary	Central 1 Credit Union	120 Adelaide St West Toronto, ON M5H 1T1	Tel: 905-238-9400 Email: mmauritz@central1.com	Credit union central that represents the majority of Ontario credit unions (67)	1st month	Deposit Taking and Cooperative Policy Unit
Don Forgeron	President and Chief Executive Officer	Insurance Bureau of Canada (IBC)	777 Bay Street Suite 2400 Toronto, ON M5G 2C8	Phone: 416-362-2031 Email: dforgeron@ibc.ca	Major insurance industry stakeholder representing 90% of the property and casualty insurance market in Canada	1st month	
Mr. Stephen Frank	President and Chief Executive Officer	Canadian Life and Health Insurance Association Inc. (CLHIA)	1700-1 Queen Street East Toronto, ON M5C2X9	Phone: 416-359-2037 Email: sfrank@clhia.ca	Represents 99 per cent of Canada's life and health insurance business	1st month	
Bernard Lord	Chair	Ontario Power Generation	700 University Avenue, 19th Floor	416-592-2115	Province is sole shareholder of OPG OPG financial results have a dollar for dollar fiscal impact Under the Electricity Act, Minister of Finance may request financial reports from the company	1st month	Ontario Financing Authority (OFA)
Jeffrey J. Lyash	President &	Ontario	700 University	416-592-2555	Province is sole shareholder of	1st month	Ontario

Name	Title	Organization	Address	Phone/ Fax/ Email	Reason for Contact	Timing (1st week or 1st month)	Division/ Branch
	CEO	Power Generation	Avenue, 19th Floor		OPG Minister of Finance is the signatory for the Province on the Ontario Nuclear Funds Agreement (ONFA) with OPG, to set aside and manage funds to pay for nuclear liabilities.		Financing Authority (OFA)
Jack Davis	Chair	Teranet	123 Front Street West, Suite 700	416-360-5263	Province has a long-term agreement (as negotiated by MOF/OFA on financial payments) with Teranet	1st month	Ontario Financing Authority (OFA)

Name	Title	Organization	Address	Phone/ Fax/ Email	Reason for Contact	Timing (1st week or 1st month)	Division/ Branch
OFFICERS OF THE ASSEMBLY							
Peter Weltman Catherine Robinson	Financial Accountability Officer (FAO) Executive Assistant to the FAO	Financial Accountability Office of Ontario	2 Bloor Street West, Suite 900 Toronto, Ontario M4W 3E2	To Be Confirmed 416-317-4935 crobinson@fao-on.org	To welcome and make initial contact with newly appointed FAO (Note: Peter Weltman will assume his responsibilities on May 7, 2018 and contact details are not yet known – contact details for his office are provided below).	1st month	Office of the Budget (OB)

From:	Sarah Harris
To:	Opal Kandelas
Subject:	FW: Prom Notes
Date:	Monday, June 12, 2017 1:05:47 PM
Attachments:	767 - 99 and 675 -97.pdf

FYI – we're on the search for a prom note.

From: Sarah Harris
Sent: Monday, June 12, 2017 12:26 PM
To: Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>; Sarah Neville <Sarah.Neville@ofina.on.ca>
Subject: Prom Notes

Hi Sarah and Malle,

As we have been working on the documents and OIC for the new OFA-IESO FHP credit facility, I was looking at the existing OFA OIC 675/97 (see page 10 of the attached .pdf) which underpins the existing 975M OFA-IESO credit facility as well as various other OFA loans. While there are no active IESO advances under this loan, there are other active OFA loans to third parties under this OIC.

Accompanying the 675/97 (on p. 14 of the attached .pdf) is a form of prom note issued by the OFA to the Minister of Finance on any loans the OFA borrows from the Minister in relation to that OIC. I am trying to locate the executed prom note for this OIC675/97. We have looked in the Documentation safe and it is not in there.

Would you have any record of this prom note having been executed?

Thanks,
Sarah

Ontario
Executive Council
Conseil des ministres

Order in Council
Décret

Corp. Finance
Borrowing Bylaw
for the OFA

On the recommendation of the undersigned, the Lieutenant Governor, by and with the advice and concurrence of the Executive Council, orders that:

Sur la recommandation du soussigné, le lieutenant-gouverneur, sur l'avis et avec le consentement du Conseil des ministres, décrète ce qui suit :

WHEREAS pursuant to subsection 22(1) of the *Capital Investment Plan Act, 1993* (the "Act"), the Minister of Finance may purchase securities of or make loans to corporations established under subsection 2(1) of the Act in such amounts, at such times and on such terms and conditions as the Lieutenant Governor in Council considers expedient;

AND WHEREAS the Ontario Financing Authority (the "OFA") is a corporation established under subsection 2(1) of the Act;

AND WHEREAS pursuant to subsection 6(3) of the Act, the power of a corporation to borrow and issue securities, among other things, may only be exercised under the authority of a by-law that has been approved by the Minister of Finance;

AND WHEREAS the OFA wishes to borrow Six Hundred and Fifty-six Million Dollars from the Minister of Finance and has been authorized to do so by a borrowing by-law in accordance with the Act and approved by the Minister of Finance;

THEREFORE:

Pursuant to subsection 22 (1) of the Act, the Minister of Finance is authorized to lend a maximum of Six Hundred and Fifty-six Million Dollars in lawful money of Canada to the OFA on the following terms and conditions:

(a) the loan may be advanced in such amounts and at such time or times as required by the OFA;

(b) repayment of advances made under the loan plus accrued interest may be made in whole or in part at any time provided that the loan plus accrued interest shall be fully repaid by August 31, 2029;

(c) the OFA shall be entitled to use the loan as a revolving credit facility allowing for successive advances of moneys repaid under the loan, provided that the maximum principal amount of the loan outstanding at any time shall not exceed Six Hundred and Fifty-six Million Dollars;

(d) each advance (an "Advance") made under the loan hereby authorized shall bear interest at a rate which is determined as follows:

(i) from the date of advance to (but excluding) the date of repayment, the Advance shall bear interest at a per annum rate equivalent to the interest rate paid on ninety day Province of Ontario treasury bills (determined as at the auction date immediately preceding the date of the Advance), provided that if an Advance is outstanding for longer than ninety days, the interest rate shall be reset on the last day of each ninety day period (the "Reset Date") to the interest rate paid on ninety day Province of Ontario treasury bills as at the auction date immediately preceding the Reset Date for such ninety day period;

(ii) in the event that moneys included in an Advance are subsequently loaned by the OFA to third parties for the purposes contemplated in the Act, (a "Third Party Loan") the rate of interest payable by the OFA to the Province on the portion of the Advance so loaned may be adjusted at the option of the OFA effective as of the date of the Third Party Loan so that the per annum rate of interest payable by the OFA on such moneys is equivalent to either:

(A) the per annum rate of interest payable to the OFA under the Third Party Loan, or

(B) the per annum rate of interest payable to the OFA under the Third Party Loan less 25 basis points,

until but excluding the date on which the Third Party Loan is repaid, at which time the interest rate set out in subparagraph (i) shall again be applicable to that portion of the Advance; and

(iii) in the event that moneys described in subparagraph (ii), once repaid, are subsequently loaned to third parties again, subparagraph (ii) shall again be applicable in determining the interest rate payable to the Province on that portion of the Advance included in any subsequent loan, and so on, until the Advance shall be repaid to the Province in full;

(e) interest for any period of less than one year shall be payable for the actual number of days included in such period, computed on the basis of a 365-day year;

(f) the loan hereby authorized shall be evidenced by a promissory note in a form acceptable to the Minister of Finance.

Recommended

Minister of Finance

Concurred

Chair of Cabinet

Approved and Ordered

APR 2 1 1999

Date

Lieutenant Governor

Ministry of Finance

Office of the Minister

Frost Building South
7 Queen' s Park Cres.
Toronto ON M7A 1Y7
Tel: (416) 325-0400
Fax: (416) 325-0374

Ministère des Finances

Bureau du ministre

Edifice Frost sud
7 Queen' s Park Cres.
Toronto ON M7A 1Y7
Tél: (416) 325-0400
Téléc: (416) 325-0374

Ontario

February 22, 1999

MEMORANDUM TO: The Honourable Ernie Eves
Minister of Finance

SUBJECT: **Ontario Financing Authority 1999-2000 Borrowing OIC**

Attached for your approval and signature is an Order in Council (OIC) authorizing the Province to lend up to $656 Million to the Ontario Financing Authority ("OFA").

The amount authorized to be borrowed by the OFA from the Province will provide financing to Ontario Housing Corporation, Ontario Northland Transportation Commission and other public bodies. The borrowed funds can only be on-lent to these public bodies by the OFA for projects that have received approval from Management Board of Cabinet or the Minister of Finance or for specific lines of credit for cash management purposes.

The attached material contains supporting briefing notes and schedules. Staff are available to brief you should you have any questions regarding the OIC.

If you approve this request, will you please sign the proposed OIC so that it may be place on the agenda for the Cabinet meeting scheduled for March 10, 1999.

Bryne Purchase
Deputy Minister

ONTARIO FINANCING AUTHORITY

Issue:

An Order in Council (OIC) authorizing the Ontario Financing Authority (OFA) to borrow up to $656 million from the Province.

Comments:

- The OIC for $656 million will fund the OFA's lending requirements for the 1999/2000 fiscal year.

- The $656 million will be loaned to meet Government committments to Ontario Housing Corporation, Ontario Northland Transportation Commission and other public bodies as per attached schedule showing the projected use of funds for these organizations as well as the previous fiscal year advances.

- The OFA lends funds to public bodies, as an intermediary of the Province subject to the conditions and restrictions of the OFA Lending Policy.

- The OFA Lending Policy requires that the OFA Board approve an annual borrowing plan for the OFA that identifies;

  (i) the OFA's borrowing requirements for the year from the Province and any other sources; and

  (ii) the projects or purposes for which the borrowed funds will be used, including loans to public bodies for specific projects and contingencies.

- All necessary OFA Board and Management Board approvals must be in place before the OFA will execute this borrowing authority and on-lend funds to any government agency.

- Interest will be paid by the OFA to the Province under one of the following rates:

  - the Provincial 90-day Treasury Bill rate,
  - the rates charged by OFA on the corresponding loans by the OFA to government agencies, or
  - less 25 basis points on the said loans.

  This flexibility will allow the OFA to match the terms of the loan from the Province to the terms of the loans made by the OFA to government agencies.

RECOMMENDATION:

- Approval of the OIC authorizing a loan up to $656 million to the OFA.

Tony Salerno
Gadi Mayman
Linda Smith (5-8142)/Irene Stich (5-8053)
Capital Markets Division
February 18,1999

Irene

1999-00 REVIEW OF OFA LENDING POLICY: FOR OFA LENDING UNDERTAKEN as an INTERMEDIARY of the PROVINCE

Issue

- Review of the OFA Lending Policy for lending activities undertaken where the OFA is acting as an intermediary of the Province.

Recommendation

- It is recommended that the OFA Board make no changes to the current OFA Lending Policy for the year 1999-00. No amendments are required to the Lending Policy since it still accurately reflects the lending activities of the OFA, and no change is anticipated in those lending activities.

Background

- Under the current Lending Policy, the OFA:

  (i) does not lend to public bodies, other than as an intermediary of the Province, without the prior approval of the OFA Board;

  (ii) advances loans to Crown Agencies and Other Public Bodies where the Province supports the provision of Provincial financing and it is advantageous to the Province for the OFA to provide the loan; and

  (iii) does not receive a fee from the Province or earn a profit for lending activities where it is acting as an intermediary on behalf of the Province.

- The Lending Policy requires that an annual borrowing plan for the OFA be provided to the OFA Board for approval along with a report outlining the status of all loans outstanding.

- Where Cabinet, Management Board of Cabinet or the Minister of Finance requests the OFA to advance a loan to a public body or authorizes the public body to borrow from the OFA, no further OFA Board approval is required.

- Where the Province has approved Provincial financing to a public body without specifying the role of the OFA, the OFA will advance the loan if:

  – the CEO of the OFA and the Director of Corporate Finance or a committee of the OFA Board or the Board has authorized the OFA to advance the loan; and

- there is sufficient allocation for the loan in the annual borrowing plan.

- The OFA will adhere to the lending terms and conditions outlined in the Lending Policy unless otherwise requested by Cabinet, Management Board of Cabinet or the Minister of Finance.

Bill Ralph (5-8057)/John McKendrick (5-9815)/Sophie Léger (5-9817)
Ontario Financing Authority
February 15, 1999

Total OFA Loans Outstanding

Borrower & Project	As of December 31, 1998 ($ million)		
	Principal Advanced	Accrued Interest	Total Outstanding
City of Toronto [1] Restructuring	100.0	0.0	100.0
City of Windsor Joint Justice Facility	16.8	0.7	17.5
Metropolitan Toronto Convention Centre [2] Convention Centre Expansion	137.4	16.0	153.4
Ontario Northland Transportation Commission Rails Cars and Spur Line	13.6	0.0	13.6
Ontario Science Centre OMNIMAX Theatre	1.6	0.0	1.6
Ontario Transportation Capital Corporation [3] Highway 407	1,400.3	106.7	1,507.0
Ontario Housing Corporation Prepayment of CMHC Debentures	0.0	0.0	0.0
Contingency Amount [4] As Required and Approved	0.0	0.0	0.0
Total	**1,669.7**	**123.4**	**1,793.1**

1. City of Toronto loan expected to be assigned to MMAH in March 1999; second $100 M will be provided by MMAH.
2. Refinancing of a portion of the MTCC loan is expected in April 1999.
3. Sales proceeds for the Highway 407 are expected in May 1999.
4. Use of Contingency amount is subject to the approvals required in the OFA lending policy.

Ontario Financing Authority, Corporate Finance Division
February 10, 1999
H:\ofa\1999-00 by-law\borrowing&onlending plan 99-00 2.wpd

OFA loan

Ontario

Executive Council
Conseil exécutif

O.C./Décret 675/97

I hereby certify that the attached is a true copy of an Order made on April 2nd, 1997, by Her Honour the Honourable Hilary M. Weston, Lieutenant Governor of the Province of Ontario in Council.

Deputy Clerk, Executive Council of Ontario

Dated at Toronto,
April 3rd, 1997

Ontario
Executive Council
Conseil des ministres

Order in Council
Décret

On the recommendation of the undersigned, the Lieutenant Governor, by and with the advice and concurrence of the Executive Council, orders that:

Sur la recommandation du soussigné, le lieutenant-gouverneur, sur l'avis et avec le consentement du Conseil des ministres, décrète ce qui suit :

WHEREAS pursuant to subsection 22(1) of the *Capital Investment Plan Act, 1993* (the "Act"), the Minister of Finance may purchase securities of or make loans to corporations established under subsection 2(1) of the Act in such amounts, at such times and on such terms and conditions as the Lieutenant Governor in Council considers expedient;

AND WHEREAS the Ontario Financing Authority (the "OFA") is a corporation established under subsection 2(1) of the Act;

AND WHEREAS pursuant to subsection 6(3) of the Act, the power of a corporation to borrow and issue securities, among other things, may only be exercised under the authority of a by-law that has been approved by the Minister of Finance;

AND WHEREAS the OFA wishes to borrow Two Billion One Hundred and Sixty Million Dollars from the Minister of Finance and has been authorized to do so by a borrowing by-law approved in accordance with the Act;

THEREFORE:

Pursuant to subsection 22 (1) of the Act, the Minister of Finance is authorized to lend a maximum of Two Billion One Hundred and Sixty Million Dollars in lawful money of Canada to the OFA on the following terms and conditions:

(a) the loan may be advanced in such amounts and at such time or times as required by the OFA;

(b) repayment of advances made under the loan plus accrued interest may be made in whole or in part at any time provided that the loan plus accrued interest shall be fully repaid by August 31, 2027;

(c) the OFA shall be entitled to use the loan as a revolving credit facility allowing for successive advances of moneys repaid under the loan; provided that the maximum principal amount of the loan outstanding at any time shall not exceed Two Billion One Hundred and Sixty Million Dollars;

(d) each advance (an "Advance") made under the loan hereby authorized shall bear interest at a rate which is determined as follows:

(i) from the date of advance to (but excluding) the date of repayment the Advance shall bear interest at a per annum rate equivalent to the yield earned on ninety day Province of Ontario treasury bills (determined as at the auction date immediately preceding the date of the Advance), provided that if an Advance is outstanding for longer than ninety days, the interest rate shall be reset on the last day of each ninety day period (the "Reset Date") to the yield earned on ninety day Province of Ontario treasury bills as at the auction date immediately preceding the Reset Date for such ninety day period;

(ii) in the event that moneys included in an Advance are subsequently loaned by the OFA to third parties for the purposes contemplated in the Act, (a "Third Party Loan") the rate of interest payable by the OFA to the Province on the portion of the Advance so loaned may be adjusted at the option of the OFA effective as of the date of the Third Party Loan so that the per annum rate of interest payable by the OFA on such moneys is equivalent to either:

(A) the per annum rate of interest payable to the OFA under the Third Party Loan, or

(B) the per annum rate of interest payable to the OFA under the Third Party Loan less 25 basis points,

until but excluding the date on which the Third Party Loan is repaid, at which time the interest rate set out in subparagraph (i) shall again be applicable to that portion of the Advance; and

(iii) in the event that moneys described in subparagraph (ii), once repaid, are subsequently loaned to third parties again, subparagraph (ii) shall again be applicable in determining the interest rate payable to the Province on that portion of the Advance included in any subsequent loan, and so on, until the Advance shall be repaid to the Province in full;

(e) interest for any period of less than one year shall be payable for the actual number of days included in such period, computed on the basis of a 365-day year;

(f) the loan hereby authorized shall be evidenced by a promissory note in a form acceptable to the Minister of Finance.

Recommended
Minister of Finance

Concurred
Chair of Cabinet

Approved and Ordered
APR - 2 1997
Date

Lieutenant Governor

Promissory Note

For value received, the Ontario Financing Authority (the "Borrower") promises to pay to Her Majesty the Queen in right of Ontario as represented by the Minister of Finance, Province of Ontario (the "Lender") at the City of Toronto in lawful money of Canada, the lesser of;

(i) Two Billion One Hundred and Sixty Million Dollars; and
(ii) the aggregate unpaid principal balance of all advances made by the Lender as recorded on the reverse of this note or on any attachment described below;

at such time and on such other terms and conditions including the payment of interest as follows;

(a) the Borrower shall be entitled to advances of the loan (an "Advance") in such amounts and at such times as it requires;

(b) the Borrower shall be entitled to repay Advances plus accrued interest either in whole or in part and at such time or times as it determines provided that all Advances plus accrued interest shall be fully repaid by August 31, 2027;

(c) the Borrower shall be entitled to use the loan as a revolving credit facility allowing for successive advances of moneys repaid under the loan; provided that the maximum principal amount of the loan outstanding at any time shall not exceed Two Billion One Hundred and Fifty-Five Million Dollars;

(d) the Borrower shall pay to the Lender interest on each Advance at a rate which is determined as follows:

(i) from the date of advance to (but excluding) the date of repayment the Borrower shall pay to the Lender interest on the Advance at a per annum rate equivalent to the yield earned on ninety day Province of Ontario treasury bills (determined as at the auction date immediately preceding the date of the Advance), provided that if an Advance is outstanding for longer than ninety days, the interest rate shall be reset on the last day of each ninety day period (the "Reset Date") to the yield earned on ninety day Province of Ontario treasury bills as at the auction date immediately preceding the Reset Date for such ninety day period;

(ii) in the event that moneys included in an Advance are subsequently loaned by the Borrower to third parties for the purposes contemplated in the Act, (a "Third Party Loan") the rate of interest payable by the Borrower to the Lender on the portion of the Advance so loaned may be adjusted at the option of the Borrower effective as of the date of the Third Party Loan so that the per annum rate of interest payable by the Borrower on such moneys is equivalent to either

(A) the per annum rate of interest payable to the Borrower under the Third Party Loan, or

(B) the per annum rate of interest payable to the Borrower under the Third Party Loan less 25 basis points,

rather than the rate specified in subparagraph (i), until but excluding the date on which the Third Party Loan is repaid, at which time the interest rate set out in subparagraph (i) shall again be applicable to that portion of the Advance;

(iii) in the event that moneys described in subparagraph (ii), once repaid, are subsequently loaned to third parties again, subparagraph (ii) shall again be applicable in determining the interest rate payable to the Lender on that portion of the Advance included in any subsequent loan, and so on, until the Advance shall be repaid to the Province in full; and

(e) interest for any period of less than one year shall be payable for the actual number of days included in such period, computed on the basis of a 365-day year.

The undersigned authorizes the Lender to record on the reverse of this note or on any attachment to this note all advances, repayments and prepayments of principal and interest and the unpaid balance of principal from time to time. The undersigned agrees that in the absence of manifest error the record kept by the Lender on this note or any attachment shall be conclusive evidence of the matters recorded, provided that the failure of the Lender to record or correctly record any amount or date shall not affect the obligation of the undersigned to pay the outstanding principal amount of the Advances and interest.

Dated this day of , 1997.

Ontario Financing Authority

per:_____
Executive Director

ADVANCES OF PRINCIPAL

TKT #	DOC #	TRADE DATE	INT RESET DATE	# DAYS	INT. REF: T-Bill or OFA Loan or OFA Loan less 25 bps	INT RATE	ADVANCE	ACCRUED INT.	TOTAL ADVANCES

From:	Jean-Francois Beaupre
To:	"Jonathan.Lelievre@gov.ab.ca"
Cc:	Opal Kandelas; Sarah Harris
Subject:	FW: Province of Ontario - Luxembourg Euro MTF
Date:	Thursday, June 29, 2017 2:26:03 PM
Attachments:	image001.png Global Bonds Change in Listing Memo (3Dec12 FINAL).pdf

Dear Jonathan,

Many thanks for your message.

Please find attached for your reference a note the OFA prepared in 2012 in connection with Ontario's change in listings from the Main Market of the London Stock Exchange to the Euro MTF Market of the Luxembourg Stock Exchange. If possible, we would ask that it please not be widely distributed and hope that it will prove useful with your research. Some of the listing costs have increased marginally since 2012 and would need to be updated.

Kind regards,
JF

Jean-François Beaupré
Documentation & Regulatory Compliance Coordinator
Capital Markets Division | Ontario Financing Authority
1 Dundas Street West, Suite 1400
Toronto, Ontario M5G 1Z3 CANADA
Tel. (416) 325-9657 | Fax: (416) 860-8346 | Mobile: (647) 292-5227
jean-francois.beaupre@ofina.on.ca

From: Jonathan Lelievre [mailto:Jonathan.Lelievre@gov.ab.ca]
Sent: Thursday, June 29, 2017 1:18 PM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: FW: Province of Ontario - Luxembourg Euro MTF

Hi Sarah,

Not sure if you can help to direct my inquiry below but any help would be appreciated. Thanks.

Jonathan LeLievre, MBA
Senior Treasury Analyst
Treasury and Risk Management
Alberta Treasury Board and Finance
(P): 780-643-0924
(E): jonathan.lelievre@gov.ab.ca

From: Jonathan Lelievre
Sent: June-29-17 11:17 AM
To: 'Opal Kandelas'
Subject: RE: Province of Ontario - Luxembourg Euro MTF

Hi Opal,

Just following up to see if you or someone in your group could enlighten me on Ontario's international listing authority?

Thanks.

-JL

From: Jonathan Lelievre
Sent: June-05-17 2:23 PM
To: 'Opal Kandelas'
Subject: Province of Ontario - Luxembourg Euro MTF

Hi Opal,

I've been tasked with investigating Alberta's listing authorities and was hoping you could provide some colour.

I believe Ontario switched from UKLA to Luxembourg Euro MTF in 2013. Could you describe your reasoning behind making the change and any positive/negative of Lux compared to UKLA?

Thanks.

Jonathan LeLievre, MBA
Senior Treasury Analyst
Treasury and Risk Management
Alberta Treasury Board and Finance
(P): 780-643-0924
(E): jonathan.lelievre@gov.ab.ca

This email and any files transmitted with it are confidential and intended solely for the use of the individual or entity to whom they are addressed. If you have received this email in error please notify the system manager. This message contains confidential information and is intended only for the individual named. If you are not the named addressee you should not disseminate, distribute or copy this e-mail.

Alberta
Government

PROPOSAL TO CHANGE THE LISTING OF THE PROVINCE'S GLOBAL BONDS FROM THE MAIN MARKET OF THE LONDON STOCK EXCHANGE TO THE EURO MTF MARKET OF THE LUXEMBOURG STOCK EXCHANGE

ISSUE

The listing application process for the Province's Global Bonds to be admitted to the Official List of the United Kingdom Listing Authority (UKLA) and London Stock Exchange (LSE) has become increasingly costly, onerous and uncertain.

BACKGROUND

- The Province's Global Bonds are registered with the Securities and Exchange Commission (SEC) in the United States and are not listed on any stock exchange in North America.

- Prior to 2005, the Province listed its Global Bonds on the Main Market of the Luxembourg Stock Exchange, an EU-regulated market. The Province has outstanding bonds listed on the Luxembourg Stock Exchange.

- The Province has been listing all of its Global Bonds on the Main Market of the LSE since 2005. The Main Market of the LSE is also an EU-regulated market as defined in European Directive 2004-39-EC.

- The change from the Main Market of the Luxembourg Stock Exchange to the Main Market of the LSE occurred at a time of regulatory uncertainty where Luxembourg authorities were perceived to be less responsive than UK authorities in implementing new EU requirements by capital market participants. These concerns no longer exist today.

- Between 2005 and 2007, the Province strived to list its Global Bonds on the Main Market of the LSE by the closing date. This approach proved challenging in terms of satisfying UKLA documentation requirements and an alternate approach was adopted in 2007.

- Since 2007, the Province's duty to its underwriters is to use all "reasonable efforts" to list its Global Bonds on the Main Market of the LSE as soon as possible after the closing date. The timing of the listing application process with the UKLA varies greatly, ranging from under two months to over five months.

CURRENT STATUS

- A number of retail issuances in the UK by other issuers have had inadequate investor disclosure which has resulted in increased scrutiny on the part of UK financial services regulators including the UKLA.

- Over the past two years approximately, the time period related to the listing application process with the UKLA has consistently exceeded reasonable expectations, taking over five months in certain cases (e.g. Global G57).

- We have been advised by the Province's U.S. counsel, some of the Province's underwriters and counsel for other provinces that other sovereign and corporate issuers are experiencing difficulty with the UKLA listing application process.

- The Province's U.S. counsel (UK Office) has entertained discussions with the UKLA on the Province's behalf to express concerns with the listing application process and the delays encountered, specifically:

    - There is often no legal basis to 50% of the comments received from UKLA readers;

    - UKLA readers are not bound by previous readers' comments or previously approved documentation which makes the process highly subjective as there is a different reader each time;

    - UKLA readers have contradicted each other and demonstrated a propensity for inconsistent interpretation of the rules, including EU directives and UKLA requirements;

    - In order to satisfy individual UKLA readers, the Province's UKLA prospectus documentation is often amended and revised several times which contributes to an unnecessarily slow listing application process; and

    - As of July 1, 2012, the Province has had to comply with amended regulatory requirements in connection with prospectus rules in the European market for its Global Bonds. The Province now provides information in a different format (compared to its SEC filings) as required by the regulatory authorities in the EU.

- Costs and resources allocated to the listing application process have risen significantly as UKLA prospectus documentation must be re-drafted and re-reviewed by Documentation staff, Ministry of Finance legal counsel and the Province's U.S. counsel until the UKLA reader is satisfied.

ANALYSIS

- It is not a legal requirement for the Province to list its Global Bonds on the Main Market of the LSE or any centralized exchange in the European market unless it intends to offers the bonds to the public (i.e. to retail investors).

- The Province's Global Bonds are not public offerings to retail investors and UKLA prospectus documentation is prepared solely to procure the listing. The Province's Global Bonds are sold to institutional investors, including insurance companies, pension funds and investment funds in the U.S., European and Asian markets.

- The Province's Global Bond underwriters have advised that is it important for the Province to maintain a listing as some investors require that the bonds be listed in order to buy them.

- The Province is relinquishing some control over the consistency of its disclosure documents filed with the SEC in order to comply with individual UKLA readers' preferences.

- Major European stock exchanges present issuers with two different listing options: 1) EU-regulated markets, and 2) exchange-regulated markets, also called Multilateral Trading Facilities (MTF's) which are a category of markets

recognized by EU legislation under the Markets in Financial Instruments Directive (MiFID).

- EU-regulated markets are subject to additional requirements including the Prospectus and Transparency Directives and are typically geared toward protecting retail level investors. MTF markets are subject to listing rules set by the stock exchanges and are bound by less costly and less stringent requirements while catering to sophisticated institutional investors. The requirements of the Prospectus and Transparency Directives do not apply, though certain provisions of the Directives may apply by virtue of the listing rules of the relevant exchange.

- The Province's underwriters and legal counsel for the underwriters have advised that it does not matter to investors whether the listing takes place on an EU-regulated market or an exchange-regulated market (MTF).

- Some issuers have opted to shift away from the UKLA process and mind-set as a result of the increased difficulty in dealing with the UKLA in recent years.

- The Euro MTF market of the Luxembourg Stock Exchange presents a viable and less costly listing alternative to the Main Market of the LSE for the Province. The listing application process on the Euro MTF market is expected to take approximately two weeks.

Listing Costs (per issue)	**Main Market of the LSE**	**Euro MTF Market**
LSE Listing fee	£4,200	€600
UKLA Vetting Fee	£2,500	–
UKLA Application Fee	£225	€625
News Announcement Fee	£150	–
Web Fee	£100	–
Maintenance Fee	–	€570 annually for each outstanding Global Bond (5yr deal = €2,850)
Total Fixed Costs	£7,175	€4,075
Canadian Dollar Equivalent	**$11,418**	**$5,242**
Legal Fees (listing only)	Approx. USD $25K-$50K	Est. USD $15,000

- The Euro MTF market was created in 2005 and is not an EU-regulated market. It is supervised by the Commission de Surveillance du Secteur Financier (CSSF) in Luxembourg and the rules and regulations of the Luxembourg Stock Exchange.

- Other prominent sovereign issuers have chosen the Euro MTF market including the Government of Canada, Export Development Canada (EDC), Canada Housing Trust, the Province of Nova Scotia, Brazil, Mexico, etc.

- Euro MTF listings are eligible to the Eurosystem operation (ECB) for collateral purposes.

  Note: In order for the Global Bonds to be ECB collateral-eligible, they must be denominated in EUR (no other currency is permitted since the Province is not domiciled in the European Economic Area (EEA)).

RECOMMENDATIONS

- Following discussions with the Province's traders, underwriters and legal counsel for the underwriters, it is recommended that the Province consider listing its future Global Bonds on the Euro MTF market of the Luxembourg Stock Exchange.

- In this way, the Province will continue to accommodate all investors wishing for the Global Bonds to be listed while simultaneously improving the timeliness of the listing application process and reducing costs.

- The transition from the Main Market of the LSE to the Euro MTF market will not affect investors or the outstanding Global Bonds on the Main Market of the LSE.

- The transition will involve primarily amendments to the current language found in the Province's Global Bond documentation and familiarization with a new process which is expected to be faster and simpler than the UKLA listing application process.

Prepared by: Jean-François Beaupré (5-9657)
Capital Markets Division, Ontario Financing Authority
December 3, 2012

From: Sarah Harris
To: Mike Manning
Cc: Opal Kandelas; Salman Qadir
Subject: FW: Question - OIC for new IESO Credit Facility
Date: Tuesday, May 30, 2017 11:13:54 AM
Attachments: CIPA OIC s.22 May 2017 (v.2) - ENG and FRE.DOCX

Hi Mike,

I originally sent this e-mail below to Linda and she thought it looked fine, but she thought I should also run it by you.

As part of putting in place the new credit facility between IESO and the OFA, a new OIC is required for the OFA to borrow from the Province, so the Province may in turn make loans to IESO. As matter of prudence, I am asking is for you to review the rates that the OFA pays to the Province in the OIC are still appropriate. The OIC package must go to the DMO today.

In short, the rates included in the OIC are effectively the same as the existing OIC underpinning the $975 million credit facility between the OFA and IESO. Specifically, section(c)(ii) of the OIC says if the OFA uses the borrowed monies to fund 3rd party loans, then the rate will **be equivalent to rate of interest payable to the OFA under 3rd party loan less an amount as may be determined by the Minister of Finance** in respect of such Third Party Loan or a class of such Third Party Loans.

The OIC also contains a more general borrowing rate. That is, Section (c)(i) says if the OFA simply borrows funds from the Minister (which have not been loaned to a third party), the OFA pays the rate equal to **the 90 day ONT T-Bill yield.** However, for the purposes of this OIC, it is unlikely that this section would ever be used.

Again, both rates above are consistent with existing OICs.

Please let me if these rates look okay.

Thanks,
Sarah

From: Sarah Harris
Sent: Tuesday, May 30, 2017 9:30 AM
To: Linda Smith <Linda.Smith@ofina.on.ca>
Cc: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: Question - OIC for new IESO Credit Facility

Hi Linda,

As a matter of prudence, I just wanted to check with you on one aspect of the draft OIC for OFA to make loans to IESO under the proposed credit facility in relation to the Fair Hydro Plan. The OIC package will be delivered today to the DMO, but I wanted to confirm with you that the rates that

under the Section (c) of the attached OIC are still appropriate (perhaps it is I should be asking Mike?, but since this is IESO related, I wanted to check with you first).

Section (c) deals with the rates the OFA pays to the Minister for any funds it borrows, and is essentially the same as the OFA's existing OIC from 1999. Section (c)(i) says if the OFA simply borrows funds from the Minister (which have not been loaned to a third party), the OFA pays the rate equal to **the 90 day ONT T-Bill yield.** Section(c)(ii) says that if the OFA uses the borrowed monies to fund 3rd party loans, then the rate will **be equivalent to rate of interest payable to the OFA under 3rd party loan less an amount as may be determined by the Minister of Finance** in respect of such Third Party Loan or a class of such Third Party Loans.

Please let me know your thoughts.

Thanks,
Sarah

Authority Verified/Compétence vérifiée: _____

Please print name/Nom en lettres moulées s.v.p.: _____

Telephone/Téléphone: _____

Recommended by the Treasury Board/Management Board of Cabinet on:
Recommandé par le Conseil du Trésor / Conseil de gestion du gouvernement le: _____

Secretary/Secrétaire: _____

Executive Council of Ontario/Conseil exécutif de l'Ontario **[Bilingual]**

[Bilingue]

Ontario

Order in Council
Décret

On the recommendation of the undersigned, the Lieutenant Governor of Ontario, by and with the advice and concurrence of the Executive Council of Ontario, orders that:

Sur la recommandation de la personne soussignée, la lieutenante-gouverneure de l'Ontario, sur l'avis et avec le consentement du Conseil exécutif de l'Ontario, décrète ce qui suit :

WHEREAS pursuant to subsection 22(1) of the *Capital Investment Plan Act, 1993* (the "Act"), the Minister of Finance may purchase securities of or make loans to corporations established under subsection 2(1) of the Act in such amounts, at such times and on such terms and conditions as the Lieutenant Governor in Council considers expedient;

AND WHEREAS the Ontario Financing Authority (the "OFA") is a corporation established under subsection 2(1) of the Act;

AND WHEREAS pursuant to subsection 6(3) of the Act, the power of a corporation established under subsection 2(1) of the Act to borrow and issue securities, among other things, may only be exercised under the authority of a by-law that has been approved by the Minister of Finance;

AND WHEREAS the OFA wishes to borrow up to Three Billion Five Hundred Million Dollars in lawful money of Canada from the Minister of Finance and has been authorized to do so by a borrowing by-law approved in accordance with the Act;

THEREFORE:

Pursuant to subsection 22 (1) of the Act, the Minister of Finance is authorized to lend a maximum of Three Billion Five Hundred Million Dollars in lawful money of Canada to the OFA on the following terms and conditions:

(a) the loan may be advanced in such amounts and at such time or times as required by the OFA;

(b) repayment of advances made under the loan plus accrued interest may be made in whole or in part at any time provided that the loan plus any accrued interest shall be fully repaid by June 30, 2053;

(c) each advance (an “Advance”) made under the loan hereby authorized shall bear interest at a rate which is determined as follows:

(i) from the date of the Advance to (but excluding) the date of repayment the Advance shall bear interest at a per annum rate equivalent to the yield earned on ninety day Province of Ontario treasury bills on the date before the Advance Date as determined by the Province, provided that if an Advance is outstanding for longer than ninety days, the interest rate shall be reset on the last day of each ninety day period (the “Reset Date”) to the yield earned on ninety day Province of Ontario treasury bills immediately preceding the Reset Date for such ninety day period as determined by the Province;

(ii) in the event that moneys included in an Advance are used by the OFA for the purpose of funding loans to third parties (a “Third Party Loan”), the rate of interest payable by the OFA to the Province on the portion of the Advance so used shall be adjusted effective as of the date that the portion of the Advance is used to fund the Third Party Loan so that the per annum rate of interest payable by the OFA on such moneys is equivalent to the per annum rate of interest payable to the OFA under the Third Party Loan less an amount as may be determined by the Minister of Finance in respect of such Third Party Loan or a class of such Third Party Loans, until but excluding the date on which the Third Party Loan is repaid, at which time the interest rate set out in subparagraph (i) shall again be applicable to that portion of the Advance; and

(iii) in the event that moneys described in subparagraph (ii), once repaid, are subsequently used to fund loans to third parties, subparagraph (ii) shall again be applicable in determining the interest rate payable to the Province on that portion of the Advance used to fund such loan, and so on, until the Advance shall be repaid to the Province in full;

(iv) despite subparagraphs (ii) and (iii), in the event that no interest is payable to the OFA under a Third Party Loan, no interest shall be payable by the OFA on the portion of the Advance so used and to the extent that the terms of a Third Party Loan provide for the deferral of the payment of accrued interest for a period, the interest payment terms of an Advance or portion thereof shall also be deferred for a similar period.

(d) interest for any period of less than one year shall be payable for the actual number of days included in such period, computed on the basis of a 365-day year;

(e) despite paragraph (b) of this Order, interest on any portion of an Advance made to the OFA under the loan that is used by the OFA to fund a Third Party Loan shall accrue on the basis stated above but shall become payable only to the extent the OFA receives payment of interest under the relevant Third Party Loan;

(f) despite paragraph (b) of this Order, any portion of the principal of an Advance made to the OFA under the loan that is used by the OFA to fund a Third Party Loan shall become payable only to the extent the OFA receives repayment of principal under the relevant Third Party Loan; and

(g) the loan hereby authorized shall be evidenced by a promissory note.

ATTENDU QUE le ministre des Finances peut, en vertu du paragraphe 22 (1) de la *Loi de 1993 sur le plan d'investissement* (la « Loi »), acheter des valeurs mobilières des personnes morales créées en vertu du paragraphe 2 (1) de la Loi ou leur consentir des prêts selon les montants, aux moments et aux conditions que le lieutenant-gouverneur en conseil estime opportuns;

ATTENDU QUE l'Office ontarien de financement (l'« OOF ») est une personne morale créée en vertu du paragraphe 2 (1) de la Loi;

ATTENDU QUE, conformément au paragraphe 6 (3) de la Loi, le pouvoir qu'ont les personnes morales créées en vertu du paragraphe 2 (1) de la Loi de contracter des emprunts et d'émettre des valeurs mobilières, entre autres, ne peut être exercé qu'aux termes d'un règlement administratif approuvé par le ministre des Finances;

ATTENDU QUE l'OOF souhaite emprunter jusqu'à concurrence de trois milliards cinq cent millions de dollars en monnaie légale du Canada du ministre des Finances et qu'il a été autorisé à le faire par un règlement administratif d'emprunt approuvé conformément à la Loi;

PAR CONSÉQUENT :

en vertu du paragraphe 22 (1) de la Loi, le ministre des Finances est autorisé à prêter un montant maximal de trois milliards cinq cent millions de dollars en monnaie légale du Canada à l'OOF, aux conditions suivantes :

a) le prêt peut être consenti selon les montants et aux moments qui conviennent à l'OOF;

b) le remboursement des avances consenties au titre du prêt, plus les intérêts courus, peut à tout moment être effectué en totalité ou en partie, pourvu que le prêt et les intérêts courus soient entièrement remboursés au plus tard le 30 juin 2053;

c) chaque avance (« avance ») faite au titre du prêt autorisé par les présentes portera intérêt au taux est fixé comme suit :

(i) de la date où elle a été faite jusqu'à la date (non comprise) de son remboursement, l'avance portera intérêt à un taux annuel équivalant au rendement gagné sur des bons du Trésor de la province de l'Ontario de quatre-vingt-dix jours à la date précédant la date de l'avance fixée par la province, pourvu que ce taux d'intérêt soit rajusté le dernier jour de chaque période de quatre-vingt-dix jours (« date de rajustement ») selon le rendement gagné sur de tels bons du Trésor immédiatement avant la date de rajustement pour une période de quatre-vingt-dix jours décidée par la province, si l'avance est impayée pendant plus de quatre-vingt-dix jours;

(ii) dans l'éventualité où l'OOF se servirait de sommes comprises dans une avance pour financer des prêts à des tiers, le taux d'intérêt à payer par l'OOF à la province sur la partie de l'avance ainsi utilisée sera rajusté à la date à laquelle la partie de l'avance sera utilisée pour le financement du prêt à un tiers de façon que le taux d'intérêt annuel à payer par l'OOF sur de telles sommes soit équivalent à ce

dernier taux moins un montant que pourra fixer le ministre des Finances à l'égard d'un tel prêt ou d'une telle catégorie de prêt, jusqu'à la date (non comprise) à laquelle le prêt à un tiers sera remboursé, date à laquelle le taux d'intérêt établi au sous-alinéa (i) s'appliquera de nouveau à cette partie de l'avance;

(iii) dans l'éventualité où les sommes décrites au sous-alinéa (ii), une fois remboursées, seraient ultérieurement utilisées pour le financement de prêts à des tiers, le sous-alinéa (ii) s'appliquera de nouveau dans l'établissement du taux d'intérêt à payer à la province sur la partie de l'avance utilisée à cette fin, et ainsi de suite, jusqu'à ce que l'avance ait été remboursée intégralement à la province;

(iv) malgré les sous-alinéas (ii) et (iii), dans l'éventualité où aucun intérêt ne serait payable à l'OOF au titre d'un prêt à un tiers, aucun intérêt ne sera à payer par l'OOF sur la partie de l'avance ainsi utilisée et dans la mesure où les conditions du prêt à un tiers prévoient le report du paiement d'intérêts courus pour une période, le paiement d'intérêts au titre d'une avance ou d'une partie d'une avance sera également reporté pour une période d'égale durée;

d) l'intérêt payable relativement à toute période de moins d'un an sera calculé en fonction du nombre de jours réellement compris dans cette période, par rapport à une année comptant 365 jours;

e) par dérogation à l'alinéa a) ci-dessus, l'intérêt sur toute partie d'une avance consentie à l'OOF dans le cadre du prêt que cette dernière utilise pour financer un prêt à un tiers est calculé comme il est indiqué ci-dessus, mais cet intérêt devient payable uniquement dans la mesure où l'OOF reçoit un paiement d'intérêts au titre du prêt à un tiers;

f) par dérogation à l'alinéa b) ci-dessus, toute partie du capital d'une avance consentie à l'OOF dans le cadre du prêt que cette dernière utilise pour financer un prêt à un tiers devient payable uniquement dans la mesure où l'OOF reçoit un remboursement du capital au titre du prêt à un tiers

g) le prêt autorisé en vertu des présentes sera attesté par un billet à ordre.

_____

Recommended: Minister of Finance
Recommandé par : Le ministre des Finances

_____

Concurred: Chair of Cabinet
Appuyé par : Le président/la présidente du Conseil des ministres

Approved and Ordered:
Approuvé et décrété le :

_____

Lieutenant Governor
La lieutenante-gouverneure

From: Sarah Harris
To: Opal Kandelas
Subject: FW: Review Draft Guarantee & Procedures Document | OFA, OPCD, MOF, Legal Counsel
Date: Thursday, November 02, 2017 10:44:42 AM
Attachments: 23239360-v8-CLPA - Protection Agreement.docx
23239361-v6-CLPA - Process Agreement.docx

Hi Opal,

I'm going to be tied up between 12 and 3 on the FHP meeting. Docs are attached.

Sarah

From: Sarah Harris
Sent: Thursday, November 02, 2017 10:43 AM
To: Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>
Cc: Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Subject: RE: Review Draft Guarantee & Procedures Document | OFA, OPCD, MOF, Legal Counsel

Thanks, Malle. I will try to attend most of it. I'm tied up with finalizing the IESO Fair Hydro Plan Agreements for execution tomorrow, and we're trying to organize a call today with IESO today. I may need to drop in and out.

Sarah

From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Thursday, November 02, 2017 10:39 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Subject: FW: Review Draft Guarantee & Procedures Document | OFA, OPCD, MOF, Legal Counsel

Hi Sarah, Meeting today from 12 to 3 to review this. Think it would be good if you can attend. Thanks.

From: Whitfield, Tobias P. (MOF)
Sent: November 2, 2017 9:41 AM
To: Strathy, Anna (OFA); Mayman, Gadi (OFA); Kandeepan, Ken (OFA); Hanslep, Malle (MOF); Veinot, Cindy (TBS); Manning, Mike (OFA); Kwan, Ronald (OFA); Nelms, Scott (MOF); Devine, James (OFA); Yep, Carlos (OFA); Cengarle, John (MOF); Katona, Keley (MOF); Donaldson, Mark (TBS); Zahid, Usman (OFA); Hirani, Anis (OFA); Kim, John (OFA); McKinlay, Tom (MAG); Thouin, Alena (ENERGY); 'stephen.ashbourne@blakes.com'; Gavaris, Hresa (OFA); John Psinas
Cc: Hume, Steen (ENERGY); Cayley, Daniel (ENERGY)
Subject: RE: Review Draft Guarantee & Procedures Document | OFA, OPCD, MOF, Legal Counsel

Please find attached preliminary drafts of the Protection Agreement and the Process Agreement for discussion at our meeting this afternoon.

Note that these drafts contain a number of issues that are still under consideration and up for

discussion.

Best
Toby

Tobias Whitfield
Counsel, Legal Services Branch
Ministry of Finance
tobias.whitfield@ontario.ca
Phone: 416-325-1456

-----Original Appointment-----
From: Anna Strathy [mailto:Anna.Strathy@ofina.on.ca]
Sent: November 2, 2017 8:31 AM
To: Anna Strathy; Whitfield, Tobias P. (MOF); Mayman, Gadi (OFA); Kandeepan, Ken (OFA); Hanslep, Malle (MOF); Veinot, Cindy (TBS); Manning, Mike (OFA); Kwan, Ronald (OFA); Nelms, Scott (MOF); Devine, James (OFA); Yep, Carlos (OFA); Cengarle, John (MOF); Katona, Keley (MOF); Donaldson, Mark (TBS); Zahid, Usman (OFA); Hirani, Anis (OFA); Kim, John (OFA); McKinlay, Tom (MAG); Thouin, Alena (ENERGY); 'stephen.ashbourne@blakes.com'; Gavaris, Hresa (OFA); John Psinas
Cc: Hume, Steen (ENERGY); Cayley, Daniel (ENERGY)
Subject: Review Draft Guarantee & Procedures Document | OFA, OPCD, MOF, Legal Counsel
When: November 2, 2017 12:00 PM-3:00 PM (UTC-05:00) Eastern Time (US & Canada).
Where: Executive Boardroom, 14th Floor, 1 Dundas OR Teleconference 1-866-602-5461 or 416-212-8011 | Conference ID: 4717656

Nov 2: Rescheduled from 10:00am to 12:00pm
MOF Legal is expecting a second draft between 9 and 10am today. The later meeting time will allow time to review prior to discussing.
Lunch will be provided

Toll-free dial-in number: 1-866-602-5461
Local dial-in number: 416-212-8011
Conference ID: 4717656
OFA to Moderate

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

HER MAJESTY THE QUEEN IN RIGHT OF ONTARIO, AS REPRESENTED BY THE MINISTER OF ENERGY AND THE MINISTER OF FINANCE

AND

[FINANCING ENTITY TRUSTEE] IN ITS CAPACITY AS TRUSTEE OF THE [FINANCING ENTITY]

AND

ONTARIO POWER GENERATION INC., AS FINANCIAL SERVICES MANAGER

AND

[NAME OF INDENTURE TRUSTEE], AS INDENTURE TRUSTEE

CHANGE OF LAW PROTECTION AGREEMENT

Dated as of [■], 2017

This **AGREEMENT**, among Her Majesty the Queen in Right of Ontario as represented by the Minister of Energy and the Minister of Finance (the "**Province**"), **[FINANCING ENTITY TRUSTEE]**, as the Financing Entity Trustee and in its capacity as trustee of the **[FINANCING ENTITY]**, a trust settled by the FSM under the laws of the Province of Ontario (the "**Financing Entity**"), Ontario Power Generation Inc. in its capacity as the Financial Services Manager in accordance with the Act (the "**FSM**") and **[INDENTURE TRUSTEE]**, a trust company existing under the laws of Canada, as Indenture Trustee and in its capacity as trustee for the in accordance with the Trust Indenture, is made and entered into as of [■], 2017.

RECITALS

Pursuant to Subsection 5(3) of the *Ontario Fair Hydro Plan Act, 2017* (the "**Act**"), the Lieutenant Governor in Council may by order, authorize the Minister of Energy and the Minister of Finance, acting together on behalf of the Province, to agree to guarantee or indemnify certain debts, obligations, securities or undertakings associated with an Investment Interest.

Pursuant to an Order in Council dated as of ■ (the "**OIC**"), the Lieutenant Governor in Council has, among other things, authorized the Minister of Energy and the Minister of Finance, acting together on behalf of Ontario, to enter into one or more agreements to guarantee or indemnify the debts, obligations secured or undertakings of one or more financing entities established or caused to be established pursuant to Subsection 22(2) of the Act by the FSM and that may incur Funding Obligations in connection with one or more Investment Interests.

Pursuant to a Declaration of Trust dated as of ■, 2017, the FSM [established] the Financing Entity as a "financing entity"[1] (as defined in the Act) for the purposes contemplated in the Act.

The trustee of the Financing Entity in its capacity as Financing Entity Trustee and the Indenture Trustee are parties to the Trust Indenture and propose to create and issue series of notes, bonds and other securities as contemplated therein, and to provide security over the assets and undertaking of the Financing Entity in respect of such notes, bonds and securities, as well as other Obligations Secured.

The Minister of Energy and the Minister of Finance, acting together on behalf of the Province, have determined to provide protections and assurances to the Indenture Trustee, for the benefit of the Beneficiaries, in respect of Obligations Secured that constitute Approved Obligations, in order to address concerns that would arise from a change or adverse determination of law, subject in each case to the satisfaction of the Adherence Conditions at the time the Approved Obligation is incurred or amended. This Agreement sets out the terms and conditions of such protections and assurances.

OPG and the Province will concurrently enter into the Process Agreement, under which OPG will agree to perform certain related activities and to provide certain assurances on which the Province will rely, including for the purposes of determining whether the Adherence

[1] Note to Draft: Consideration is being given by MOE to possible changes to the Regulation to accommodate the proposed use of a "trust", as a "financing entity".

Conditions have been satisfied in connection with the incurrence or amendment of an Approved Obligation and ensuring that the Province's assumption right may be exercised without impediment on the terms and conditions contemplated in this Agreement.

All things necessary to make this Agreement a valid and legally binding agreement of the Province, the Financing Entity Trustee, the FSM and the Indenture Trustee, in accordance with the Act, the OIC and the Trust Indenture, have been done.

AGREEMENT OF THE PARTIES

In consideration of the respective agreements herein contained, the parties hereto covenant and agree as follows:

ARTICLE I
DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

1.01 Interpretation

For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:

(a) the terms used in this Agreement that are defined in Schedule A have the meanings assigned to them in Schedule A;

(b) words importing the singular shall include the plural and vice versa, words importing general shall include all genders or the neuter, and words importing the neuter shall include all genders;

(c) all references to any Person shall include such Person's permitted successors and assigns, and any reference to a Person in a particular capacity excludes such Person in other capacities;

(d) references to any law, rule, regulation or order of a Governmental Authority (including, for greater certainty, references to the Act and the General Regulation) shall include such law, rule, regulation or order as from time to time in effect, including any amendment, modification, codification, replacement or reenactment thereof or any substitution therefor;

(e) the word "will" shall be construed to have the same meaning and effect as the word "shall". The word "or" is not exclusive;

(f) any reference to this Agreement or any other agreement, document or instrument shall be construed as a reference to this Agreement or, as the case may be, such other agreement, document or instrument as the same may have been, or may from time to time be, amended, varied, replaced, amended and restated, supplemented or otherwise modified;

(g) all references in this Agreement to designated "Articles", "Sections", "Subsections", "Schedules", "Exhibits" and other subdivisions are to the designated Articles, Sections, Subsections, Schedules, Exhibits and other subdivisions of this Agreement as originally executed. The words "herein", "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section, Subsection, Schedule, Exhibit or other subdivision;

(h) "including" and words of similar import will be deemed to be followed by "without limitation"; and

(i) with respect to the computation of periods of time from a specified date to a later specified date, unless otherwise expressly stated, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding".

1.02 Trustee to act in accordance with the Trust Indenture

Any action taken, required to be taken or permitted to be taken by the Indenture Trustee under this Agreement shall only be taken in the manner, at the times, for the purposes, subject to the prerequisites, conditions, requirements and limitations, and with the benefits, exculpations, indemnities and protections that are provided to the Indenture Trustee, in each case in respect of such action taken, required to be taken or permitted to be taken by it under the Trust Indenture.

1.03 Proof of Approved Obligations

The efficacy of any agreement, instrument or writing evidencing a Primary Obligation may, in the absence of manifest error, be conclusively proved in any manner that the Indenture Trustee deems to be sufficient.

Any statement of account prepared by the Indenture Trustee as regards the Primary Obligations shall constitute *prima facie* evidence of the amount which, as at the date of the statement so prepared, is due and payable by the Financing Entity to the Beneficiaries and/or the Indenture Trustee and the Province hereby acknowledges and agrees that, absent manifest error, it shall be bound by each such statement. The Indenture Trustee agrees to provide the Province with the computations and calculations used by the Indenture Trustee to prepare each such statement of account promptly following a request therefor.

1.04 Limitation on Rights of and Actions by Specified Creditors

Specified Creditors, as Beneficiaries, shall not have or be permitted to exercise any rights, interests, or elections under this Agreement, other than in the manner and to the extent effected and exercised through the Indenture Trustee under, in accordance with and subject to the limitations set forth in the Trust Indenture. No Specified Creditor will have any right to institute any proceeding, judicial or otherwise, with respect to this Agreement.

1.05 Province Retains Rights of Beneficiaries

Without limiting any rights of subrogation or succession that arise pursuant to applicable law or pursuant to the Province's rights as an assignee, subrogee or pursuant to Section 5.01, all of the rights, interests, elections and privileges that would arise in favour of a Beneficiary under the Trust Indenture or other agreement under which a related Primary Obligation arises shall automatically arise, vest in and be available to the Province upon performance by the Province of the Primary Obligation.

1.06 Effect of Headings

The Article and Section headings herein are for convenience only and will not affect the construction hereof.

1.07 Successors and Assigns

All covenants and agreements in this Agreement by the parties will bind their respective successors and permitted assigns, whether so expressed or not. All covenants and agreements of the Indenture Trustee or the FSM in this Agreement shall bind their respective successors, co-trustees and agents.

1.08 Severability

Each of the provisions contained in this Agreement is distinct and severable and a declaration of invalidity or unenforceability of any such provision or part thereof by a court of competent jurisdiction will not affect the validity or enforceability of any other provision hereof. To the extent permitted by applicable law, the parties waive any provision of law which renders any provision of this Agreement invalid or unenforceable in any respect. The parties will engage in good faith negotiations to replace any provision which is declared invalid or unenforceable with a valid and enforceable provision, the economic effect of which comes as close as possible to that of the invalid or unenforceable provision which it replaces.

1.09 Governing Law

THIS AGREEMENT WILL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE PROVINCE OF ONTARIO AND THE FEDERAL LAWS OF CANADA APPLICABLE THEREIN, AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.

1.10 Proceedings Against the Crown Act

NOTHING IN THIS AGREEMENT OR THE PROGRAM AGREEMENTS AFFECTS THE RIGHTS, PROTECTIONS AND IMMUNITIES OF THE CROWN UNDER THE PROCEEDINGS AGAINST THE CROWN ACT.

1.11 Attornment

EACH PARTY SUBMITS TO THE EXCLUSIVE JURISDICTION OF ANY ONTARIO COURTS SITTING IN TORONTO IN ANY ACTION, APPLICATION, REFERENCE OR OTHER PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT. THE PARTIES HERETO HEREBY WAIVE ANY RIGHT THEY MAY HAVE TO REQUIRE A TRIAL BY JURY OF ANY PROCEEDING COMMENCED IN CONNECTION WITH THIS AGREEMENT.

1.12 Counterparts; Electronic Delivery

This Agreement may be executed in any number of counterparts, each of which so executed will be deemed to be an original, but all such counterparts will together constitute one and the same instrument. Delivery of an executed signature page to this Agreement by a party by electronic transmission will be as effective as delivery of a manually executed copy of the Agreement by such party.

1.13 Change of Law Protection Agreement Referred to in the Trust Indenture

This Agreement is the "Change of Law Protection Agreement" referred to in the Trust Indenture.

1.14 Non-Business Days

Whenever any payment to be made hereunder shall be stated to be due, any period of time would begin or end, any calculation is to be made or any other action to be taken hereunder shall be stated to be required to be taken, on a day other than a Business Day, then (notwithstanding any other provision of this Agreement) such payment shall be made, such period of time shall begin or end, such calculations shall be made and such other action shall be taken on the next succeeding Business Day.

1.15 Waiver, Amendment

Except as expressly provided in this Agreement, no amendment or waiver of this Agreement will be binding unless executed in writing by the party to be bound thereby. No waiver of any provision of this Agreement will constitute a waiver of any other provision nor will any waiver of any provision of this Agreement constitute a continuing waiver unless otherwise expressly provided. A party's failure or delay in exercising any right under this Agreement will not operate as a waiver of that right. A single or partial exercise of any right will not preclude a party from any other or further exercise of that right or the exercise of any other right.

1.16 Interest Act

For the purpose of disclosure pursuant to the *Interest Act* (Canada), the yearly rate of interest to which any rate of interest payable under this Agreement that is calculated on any basis other than a full calendar year is equivalent may be determined by multiplying such rate by a fraction, the numerator of which is the actual number of days in the calendar year in which such

yearly rate of interest is to be ascertained and the denominator of which is the number of days comprising such other basis. The parties further agree that for the purposes of the *Interest Act* (Canada), (a) the principle of deemed reinvestment of interest shall not apply to any interest calculation under this Agreement, and (b) the rates of interest stipulated in this Agreement are intended to be nominal rates and not effective rates or yields.

1.17 Currency

Unless stated otherwise, all amounts herein are stated in Canadian Dollars.

1.18 References to Acts of the Financing Entity Trustee

For greater certainty, where any reference is made in this Agreement, or in any other instrument executed pursuant hereto or contemplated hereby to which the Financing Entity or the Financing Entity Trustee, as trustee of the Financing Entity, is party, to an act to be performed by, an appointment to be made by, an obligation or liability of, an asset or right of, a discharge or release to be provided by, a suit or proceeding to be taken by or against, or a covenant, representation or warranty (other than relating to the constitution or existence of the Financing Entity) by or with respect to (i) the Financing Entity or (ii) the Financing Entity Trustee, such reference shall be construed and applied for all purposes as if it referred to an act to be performed by, an appointment to be made by, an obligation or liability of, an asset or right of, a discharge or release to be provided by, a suit or proceeding to be taken by or against or a covenant, representation or warranty (other than relating to the constitution or existence of the Financing Entity) by or with respect to, the Financing Entity Trustee as trustee of the Financing Entity.

1.19 Judgment Currency

(a) If for the purpose of obtaining judgment in any court or for any other purposes (other than conversions specifically provided for in the agreement under which an Approved Obligation arises), it is necessary to convert any amount due under this Agreement from the currency in which it is due (the "**Original Currency**") into another currency (the "**Second Currency**"), the rate of exchange applied shall be that at which, in accordance with normal banking procedures, the purchaser could purchase, in the New York foreign exchange market, the Original Currency with the Second Currency on the date on which judgment is given. The obligation of the Province in respect of any Original Currency due from it to the Indenture Trustee under this Agreement shall, notwithstanding any judgment or payment in such other currency, be discharged only to the extent that, on the Business Day following receipt of any sum so paid or adjudged to be due under this Agreement in the Second Currency, the Indenture Trustee may, in accordance with normal banking procedures, purchase in the New York foreign exchange market the Original Currency with the amount of the Second Currency so paid or so adjudged to be due; and if the amount of the Original Currency so purchased is less than the amount originally due in the Original Currency, the Financing Entity shall indemnify the Indenture Trustee against such loss.

(b) The term "rate of exchange" in this Section 1.18 means the spot rate at which the Indenture Trustee, in accordance with normal practice, is able on the relevant date to purchase the Original Currency with the Second Currency and includes any premium and costs of exchange payable in connection with such purchase.

ARTICLE II
AGREEMENT TO PERFORM APPROVED OBLIGATIONS

2.01 Limited Guarantee

(a) Upon the occurrence of a Protection Event, the Indenture Trustee may provide a written demand, in the form attached as Exhibit A (a "**Payment Demand**") to the Province requiring the Province to pay the Approved Obligations owing from time to time by the Financing Entity to the Indenture Trustee as and when they become due and payable, without Acceleration. A Payment Demand will not be valid with respect to an Approved Obligation until the amount claimed becomes due and payable in respect of the Approved Obligation (without Acceleration) in accordance with the Trust Indenture and has not otherwise been paid by the Financing Entity.

(b) Following receipt of a valid Payment Demand under Subsection 2.01(a), the Province shall pay the amounts owing by the Financing Entity to the Indenture Trustee, on behalf of the applicable Beneficiaries, in respect of each Approved Obligation[2], in each case as and when the Approved Obligation becomes due and payable in accordance with its terms and on its scheduled, specified or determined payment date, as determined without regard to any Acceleration or rights of Acceleration arising under the Approved Obligation, in each case by the Province depositing or causing the deposit of the applicable payment amount into the Collection Account (the "**Limited Guarantee**"). For greater certainty, the Limited Guarantee will not apply to any amount or obligation of the Financing Entity that is not or does not arise under an Approved Obligation, including (i) any amounts that are or become payable as a result of the exercise of an option of the Financing Entity following a Protection Event, and [(ii) amounts required to be deposited by or on behalf of the Financing Entity into any Capital Account, Finance Reserve Account or a Supplemental Reserve Account.][3]

[2] Note: Under Subsection 5(3) of the Act, the Province can guarantee only obligations "associated with an investment interest". The guarantee in Section 2.01 of the draft agreement guarantees "Approved Obligations" which in turn relies on the definition of Primary Obligations. The connection between a Primary Obligation and an "investment interest" is therefore crucial. Unfortunately, the nexus is not straightforward. Blakes is considering how to more precisely connect these concepts.

[3] Note: OFA to confirm whether the Limited Guarantee will extend to require the Province to fill sinking fund and collateral accounts during the period when the Province is required to make payments. If not, then we will need to consider the impact on ratepayers and the potential impact on the CEA calculations, which will have been based originally on these deposits being made during particular reference periods.

(c) Except as expressly provided in this Agreement, the Province's obligation to provide and perform the Limited Guarantee shall be irrevocable, absolute and unconditional.

(d) Any amount payable by the Province under the Limited Guarantee in respect of an Approved Obligation that is not paid when required herein shall bear interest from the applicable due date until paid in full at the rate or rates expressed to be payable on the Approved Obligation.

(e) The right to deliver a Payment Demand and thereupon enforce the Limited Guarantee shall constitute the only remedy available to the Indenture Trustee under this Agreement. Under no circumstances shall the Province be obligated to pay or indemnify the Indenture Trustee or any Beneficiary for consequential, special or punitive damages, or for economic loss or loss of profits.

2.02 Gross-up

[All amounts payable by the Province under this Agreement shall be made free and clear of and without deduction for or on account of any present or future taxes, charges, fees, levies, duties or withholdings of any kind. If the Province is obliged to deduct or withhold an amount in respect of any such taxes, charges, fees, levies, duties or withholdings, then in such event the Province shall deposit into the Collection Account such additional amount as is necessary to ensure that the Indenture Trustee receives (on an after-tax basis, after payment of any and all income taxes on such additional amounts) an amount equal to the full amount otherwise due and payable in respect of the related Approved Obligation, net of any such taxes, charges, fees, levies, duties or withholdings.][4]

2.03 Absence of Set-off

The Province acknowledges and agrees that each payment to be made by the Province hereunder in respect of an Approved Obligation shall be made as required in whole, without application of any right of set-off and without regard to any equities as between or among any of the Province, the Beneficiaries and/or the Indenture Trustee.

2.04 Payment into Collection Account in Satisfaction

Notwithstanding the priority of payment requirements set forth in the Trust Indenture and any legal rule concerning the imputation of payments, the Indenture Trustee shall apply the full amount paid by the Province into the Collection Account in respect of an Approved Obligation to pay the corresponding amount due and payable to the applicable Beneficiaries under the Approved Obligation.[5] Upon a payment having been made by or on behalf of the Province into

[4] Province to advise on extension of a tax gross up. We assume this is necessary, although we have not discussed it specifically and it may be that we delete this provision on the basis that the determination of a tax gross up (and the Province's liability for it) will be based on the inclusion of that concept in the Trust Indenture itself.

[5] Note: This will need to operate in tandem with the Trust Indenture waterfall. The idea is that the Approved Obligations may not necessarily follow the sequence of the "payment waterfall" included in the Trust Indenture, and so amounts from the Province would need to operate independently. To be discussed with Torys.

the Collection Account in respect of an Approved Obligation, the amount so paid shall for all purposes be considered to have been applied to pay the applicable Beneficiaries and thereby reduce the amount due and payable under the Approved Obligation, whereupon an affected Beneficiary shall have no continuing rights, interests or entitlements (including rights as a secured party) in respect of the Approved Obligation to the extent so paid[6].

2.05 Certain Waivers

The Province hereby waives:

(a) any requirement, and any right to require, that any power be exercised or any action be taken against the Financing Entity or any Collateral for any of the Approved Obligations;

(b) all notices which may be required by applicable law to preserve any rights against the Province hereunder, including any notice of default, demand, dishonour, presentment and protest;

(c) diligence; and

(d) any defence based upon, arising out of or in any way related to any claim that any election of remedies by the Beneficiaries impaired, reduced, released or extinguished any rights that the Province might otherwise have had against the Financing Entity or any other surety.

The Province agrees that each such waiver is made with full knowledge of its significance and consequences and if any such waiver is determined to be contrary to any applicable law or public policy, such waiver shall be effective only to the maximum extent permitted by applicable law.

2.06 Additional Security

This Agreement shall be in addition to and without prejudice to any other security by whomsoever given, held at any time by the Indenture Trustee or for the benefit of any of the Beneficiaries.

2.07 Continuing Liability of the Province

The Approved Obligations shall be deemed not to have been paid, observed or performed, and the liability of the Province hereunder in respect thereof shall continue and not be discharged, to the extent that any payment, observance or performance thereof by the Financing Entity, or out of the proceeds of any Collateral, is recovered from or reimbursed by or for the account of any of the Beneficiaries for any reason, including a preference or fraudulent transfer or by virtue of any subordination (whether present or future or contractual or otherwise) of the

[6] Note: Consider if Beneficiary rights under Obligations Secured can in fact be affected in this way under an agreement to which a Beneficiary is not directly a party. To achieve a binding relationship, a corresponding provision should appear in the Trust Indenture, to the effect that the Beneficiaries will be deemed to be bound by the Indenture Trustee insofar as the Beneficiaries rights against the financing entity are to be affected.

Approved Obligations, whether such recovery or payment over is effected by any judgment, decree or order of any court or Governmental Authority, by any plan of reorganization or by settlement or compromise by any of the Beneficiaries (whether or not consented to by the Financing Entity or the Province) of any claim for any such recovery or payment over.

2.08 Continuance of the Limited Guarantee

Subject to Section 2.07, the Limited Guarantee shall continue in full force and effect until the indefeasible payment, observance and performance in full of the Approved Obligations.

2.09 Modifications of Approved Obligations

The Province expressly authorizes the Indenture Trustee, at any time and from time to time, without notice and without affecting the liability of the Province hereunder, but subject to compliance with the requirements of the Program Agreements and this Agreement, to:

(a) accept new, additional or replacement instruments, documents, agreements or security in connection with all or any part of the Approved Obligations;

(b) accept partial payments on the Approved Obligations; and

(c) waive, release, reconvey, terminate, abandon, subordinate, exchange, substitute, transfer, compound, compromise, liquidate and enforce all or any part of the Approved Obligations and any security or guarantee therefor, and apply any such security and direct the order or manner of sale thereof as the Indenture Trustee (for the benefit of the Beneficiaries) in its discretion may determine,

provided, however, that the Indenture Trustee shall not permit any change, modification, alteration, amendment, supplement, extension, renewal, compromise, novation, replacement, suspension or waiver of the terms of all or any part of the Approved Obligations or any Collateral therefor expect with the prior written consent of the Province having first been obtained.

ARTICLE III
THE INDENTURE TRUSTEE

3.01 The Indenture Trustee

This Agreement is made in favour of the Indenture Trustee in its capacity as trustee under the Trust Indenture. Accordingly, in the event of a new trustee being appointed under the Trust Indenture, such new trustee shall thereupon become and be the Indenture Trustee hereunder, but nevertheless, the Indenture Trustee shall forthwith assign, transfer and make over to the new trustee hereunder this Agreement. All provisions of the Trust Indenture for the protection of the Indenture Trustee or for facilitating the administration of the trusts or otherwise relating to the Indenture Trustee solely as to its holding of the rights thereunder shall apply *mutatis mutandis* to this Agreement and the Indenture Trustee's duties hereunder.

3.02 Acceptance of Trusts

The Indenture Trustee hereby accepts the trusts hereof and agrees to carry out and discharge the same unless and until a new trustee shall be appointed as contemplated in Section 3.01.

ARTICLE IV
APPROVED OBLIGATIONS

4.01 Approval Process

A Primary Obligation shall constitute an Approved Obligation if (a) the Adherence Conditions applicable thereto have been satisfied; or (b) the Province has specifically approved in writing the particular terms, conditions and documentation for the Primary Obligation.

4.02 Adherence Conditions

The following shall be the Adherence Conditions applicable in relation to a Primary Obligation:

(a) the Primary Obligation is contemplated under the Trust Indenture as an Obligation Secured;

(b) if the Primary Obligation is a [borrowing][7], at the time the Primary Obligation is incurred or amended, the maximum aggregate payment amounts due or becoming due in the future in respect of Repayments[8] under the Primary Obligation, together with all other outstanding amounts due or becoming due in the future in respect of Repayments under Approved Obligations,[9] do not exceed the Protection Agreement Maximum;

(c) the FSM delivers a notice to the Indenture Trustee, with a copy to the Province, not less than ■ Business Days and not more than ■ Business Days prior to the incurrence or any amendment of the Primary Obligation, setting out the Protection Agreement Maximum;

(d) the FSM delivers a certificate signed by the Chief Financial Officer and the Treasurer of OPG (or their respective designees, provided that such designees are executive officers of OPG) and addressed to the Province and the Indenture Trustee, not less than ■ Business Days and not more than ■ Business Days prior

[7] Under consideration. Need to ensure that non-conventional instruments (capital rather than debt) are caught in the maximum test.

[8] Note: The concept of "repayments" under the OFHPA take account of contemplated refinancings. There is some risk that an anticipated refinancing would not manifest as contemplated, in which case the amount financed (and subject to the Limited Guarantee) could exceed the Protection Agreement Maximum and result in a balloon payment obligation.

[9] Note: If certain financing entity obligations are guaranteed under a one-off agreement, the interaction between the one-off guaranteed amount and Approved Obligations that are looked at to determine if incurrence of a new Primary Obligation is within the Protection Agreement Maximum will need to be considered.

to the incurrence or any amendment of the Primary Obligation, setting out the following with respect to the Primary Obligation:

i. if the Primary Obligation is a [borrowing], confirmation that, at the time the Primary Obligation is incurred or amended, the maximum aggregate payment amounts due or becoming due in the future in respect of Repayments under the Primary Obligation, together with all other outstanding amounts due or becoming due in the future in respect of Repayments under Approved Obligations, do not and will not exceed the Protection Agreement Maximum; and

ii. confirmation that the FSM has delivered to the Province a certificate in accordance with the Process Agreement confirming, among other things, that the transaction documents in respect of the Primary Obligation are in substantially the form of the documentation reviewed by the Province; and

(e) the Province has not provided notice to the Indenture Trustee that a Breach Event has occurred and that the Limited Guarantee does not apply to any further Primary Obligations that are incurred.[10]

4.03 Evidence of Satisfaction

A closing certificate signed by at least two executive officers of OPG in connection with an incurrence or amendment of a Primary Obligation shall be determinative as to whether the applicable Adherence Conditions with respect thereto have been satisfied, notwithstanding that such certificate may include inaccuracies, be incomplete or otherwise be defect or deficient, and such closing certificate may be relied upon by any addressee as conclusive evidence of same.

ARTICLE V
RIGHTS OF THE PROVINCE

5.01 Assignment and Subrogation

Upon paying an amount in respect of an Approved Obligation

(a) to or at the direction of the Indenture Trustee in satisfaction of the Limited Guarantee; or

(b) as a result of assuming the Financing Entity's obligations in respect of all Obligations Secured under Article VI,

the Province (in addition to and without prejudice to any rights it otherwise has in law or equity) shall be subrogated and entitled to all of the applicable Beneficiary's rights and interests under and in respect of the Approved Obligation to the extent of such payment, including (a) the right and entitlement to be paid and receive distributions of such amount by the Financing Entity in accordance with and in the priority applicable to the Approved

[10] NTD: Carve-out for re-financings of Approved Obligations already in existence is under consideration.

Obligation applicable in respect of the payment under the Trust Indenture, (b) the benefits of the related Collateral and (c) all proceeds therefrom. The Province shall have and be entitled to enforce all rights and interests (including as a secured party under the Trust Indenture) under such Approved Obligation as an absolute assignee of the applicable Beneficiary, with effect from and after the time of such payment, without any further requirement for notice to or acceptance by the Financing Entity of such absolute assignment and without any reduction, set-off or counterclaim on account of any amounts that may, at or after the time of payment, be or become owing by the Beneficiary to the Financing Entity and unaffected by any other rights or equities that arise thereafter as between the Beneficiary and the Financing Entity. The Indenture Trustee shall recognize the Province as being entitled to all of the rights, interests and entitlements of the Beneficiary (including, if applicable, as a Noteholder) in respect and to the extent of the Approved Obligation so paid, determined as of the time of payment, for all purposes under the Trust Indenture, and the Province shall be treated as a Specified Creditor in respect thereof for all purposes under the Trust Indenture and any other agreement under which the Approved Obligation arises.

5.02 Priorities

For greater certainty, the rights, interests and entitlements of the Province as an assignee and subrogee of and with respect to an Approved Obligation shall rank equally with the rights, interests and entitlements of a Beneficiary for whom a Limited Guarantee payment is made in respect of, and to the extent of the payment made to satisfy, the Approved Obligation and the Province shall not be subject to postponement or subordination with respect thereto except to the extent of the priorities established in relation to the Approved Obligation under the Trust Indenture.

5.03 Voting Rights under "Outstanding Notes"

Notwithstanding the last three sentences of the definition of "Outstanding" in the Trust Indenture[11]:

(a) Notes in connection with Approved Obligations in respect of which the Province has rights and interest pursuant to Section 5.01 shall be regarded as "Outstanding" within the meaning of the Trust Indenture; and

(b) in determining whether Noteholders of the requisite principal amount of Notes that are Outstanding (as defined in the Trust Indenture) have taken any Action under the Trust Indenture, and for the purposes of Article X of the Trust Indenture, the Province shall be deemed to have the amount of Outstanding (as defined in the Trust Indenture) Notes in proportion to its interest in such Notes based on the amounts that the Province has paid in respect of Approved Obligations under this Agreement.

[11] Note: This concept should be reflected in the Trust Indenture to be effective. Additional scenarios where the Province's rights as an affiliate of OPG may differ from what is expected are to be identified in the underlying Program Agreements.

5.04 Province May Perform Other Program Agreement Covenants.

If the Financing Entity fails to perform any covenant under any Program Agreement, the Province may (but, except as expressly provided for under this Agreement, shall not be obligated to) perform such covenant on behalf of the Financing Entity. If the Province performs such a covenant on behalf of the Financing Entity, all sums expended or advanced by the Province in so performing the covenant will bear interest at the rate of interest determined by the Province to reflect market terms and conditions for a borrowing made by the Province at the relevant time from the date of expenditure until repayment by the Financing Entity [and will (together with such interest) be paid by the Financing Entity upon demand and will until paid form part of the Obligations Secured and constitute a Finance Amount.[12]

ARTICLE VIL
NOTICE OF ASSUMPTION OF OBLIGATIONS SECURED

6.01 Delivery of Assumption Notice

The Province may provide notice (in the form of Exhibit B) to the Indenture Trustee that, in accordance with the terms of the Process Agreement, the Province has elected to assume the Financing Entity's obligations in respect of all Obligations Secured, as obligor and debtor (the "**Assumption Notice**"). The Assumption Notice shall specify the date on which the assignment and assumption of the Obligations Secured will be effective (the "**Assumption Closing Date**").

6.02 Cooperation to Implement the Assignment and Assumption

The Indenture Trustee, the FSM, the Financing Entity and the Province will cooperate and use [commercially reasonable efforts] to complete the assignment and assumption of the Obligations Secured by and from the Financing Entity to and by the Province, by the Assumption Closing Date.[13]

6.03 Effect of Assumption

On the date that the assignment and assumption of the Obligations Secured by and from the Financing Entity to and by the Province becomes effective (the "**Assumption Effective Date**"), the Province shall no longer be required to provide and perform the Limited Guarantee.

6.04 Interim Period

Until the effective time of the assignment and assumption of the Obligations Secured by and from the Financing Entity to and by the Province on the Assumption Effective Date, the Province shall continue to perform and be obligated under the Limited Guarantee.

[12] Note: General Regulation must be revised such that "Finance Amount" picks up guarantor amounts. Under consideration by MOE.

[13] Note: Further details regarding obtaining of third party consents and rating agency approvals to be considered.

ARTICLE VII
INDENTURE TRUSTEE MATTERS

7.01 Limited Recourse

No recourse may be taken, directly or indirectly, with respect to the obligations of the Financing Entity under this Agreement, or any certificate or other writing delivered in connection herewith or therewith, against (a) the Financing Entity Trustee in its individual capacity, (b) any owner of a beneficial interest in the Financing Entity or (c) any partner, owner, beneficiary, agent, officer, director, employee or agent of the Financing Entity Trustee in its individual capacity, any holder of a beneficial interest in the Financing Entity or the Financing Entity Trustee or of any successor or assign of the Financing Entity Trustee in its individual capacity, except as any such Person may have expressly agreed (it being understood that the Financing Entity Trustee has no such obligations in its individual capacity).

7.02 Not Responsible for Recitals or Issuance of Notes

The recitals contained herein will be taken as the statements of the Province and the FSM, and the Indenture Trustee assumes no responsibility for their correctness. The Indenture Trustee makes no representations as to the validity or sufficiency of this Agreement.

7.03 Representations and Covenants of the Indenture Trustee

The Indenture Trustee represents, warrants and covenants that:

(a) the Indenture Trustee is a trust company organized, existing and in good standing under the laws of Canada;

(b) the Indenture Trustee has full power and authority to execute, deliver and perform this Agreement and has taken all necessary action to authorize the execution, delivery and performance by it of this Agreement and other documents to which it is a party;

(c) each of this Agreement and the other documents to which it is a party has been duly executed and delivered by the Indenture Trustee and constitutes its legal, valid and binding obligation in accordance with its terms; and

(d) the Indenture Trustee is authorized to carry on the business of a trust company in each of the provinces and territories of Canada.

7.04 Release of all Collateral

(a) The Indenture Trustee shall not execute instruments to release Collateral from the Security Interest of the Trust Indenture, or convey the Indenture Trustee's interest (which is held by the Indenture Trustee for the benefit of the Specified Creditors) in the same, unless and until the rights and interests of the Province under Section 5.01 or otherwise as an assignee of any of the Obligations Secured or as a

subrogee have been satisfied in full and the Province has no continuing obligations under this Agreement.

(b) The Province shall be entitled to receive at least 10 Business Days' written notice when the Indenture Trustee proposes to take any action pursuant to Subsection 7.04(a), accompanied by copies of any instruments involved.

7.05 Right to Notice and Attend Meetings

The Financing Entity shall ensure that the Province receives advance notice of any meeting or proposed written resolution of Specified Creditors (or any of them) and the Province and its legal advisers shall be permitted to attend and be represented at any meeting of such Specified Creditors.

ARTICLE VIII
SUSPENSION OF ADHERENCE FOR NEW PRIMARY OBLIGATIONS

8.01 Suspension Notice

A written notice in the form of Exhibit C (a "**Suspension Notice**"):

(a) shall be provided by the FSM to the Province and the Indenture Trustee promptly following the occurrence of a Program Breach; and

(b) may be provided by the Province to the Indenture Trustee, the FSM and the Financing Entity following the occurrence of a Breach Event.

8.02 Suspension

If a Suspension Notice has been provided under Section 8.01 (the provision of such notice being a "**Suspension Event**"), the Financing Entity shall not incur any new or additional Obligation Secured and shall not amend or terminate any existing Obligation Secured except with the prior written consent of the Province.

8.03 Termination Notice

On the occurrence of a Suspension Event, the Province may provide to the Indenture Trustee, the FSM and the Financing Entity a notice in the form of Exhibit D (a "**Termination Notice**").

8.04 No Impact on Adherence

For greater certainty, the occurrence of Suspension Event or a failure by the FSM or the Financing Entity to perform its covenants under this Agreement will not invalidate or extinguish the obligations of the Province under the Limited Guarantee in respect of Approved Obligations in existence prior to the occurrence of the Suspension Event.

ARTICLE IX
MISCELLANEOUS

9.01 Term of Agreement

This Agreement will continue until the later of:

(a) the date that no amount is or may become due and payable by the Province under the Limited Guarantee; and

(b) the date that a Termination Notice is received by the Indenture Trustee, the FSM and the Financing Entity.

9.02 Notices

Any notice or other communication required or permitted to be given hereunder will be in writing and will be given by prepaid first-class mail, by facsimile or other means of electronic communication or by hand-delivery as hereinafter provided. Any such notice or other communication, if mailed by prepaid first-class mail at any time other than during a general discontinuance of postal service due to strike, lockout or otherwise, will be deemed to have been received on the fourth Business Day after the post-marked date thereof, or if sent by facsimile or other means of electronic communication, will be deemed to have been received on the Business Day following the sending, or if delivered by hand will be deemed to have been received at the time it is delivered to the applicable address noted below either to the individual designated below or to an individual at such address having apparent authority to accept deliveries on behalf of the addressee. Notice of change of address will also be governed by this Section. In the event of a general discontinuance of postal service due to strike, lock-out or otherwise, notices or other communications will be delivered by hand or sent by facsimile or other means of electronic communication and will be deemed to have been received in accordance with this Section. Notices and other communications will be addressed as follows:

(a) if to the Financing Entity:

[Financing Entity]
c/o Ontario Power Generation Inc.
700 University Avenue
Toronto, Ontario M5G 1X6
Attention: [■]
Fax: (416) [■]
Email: [■]

with copies to:

[Financing Entity Trustee], in its capacity as Financing Entity Trustee for
[Financing Entity]
[Address]
Attention: [■]

Fax: (416) [■]
Email: [■]

[■]

(b) if to the FSM:

Ontario Power Generation Inc.
700 University Avenue
Toronto, Ontario M5G 1X6
Attention: [■]
Fax: (416) [■]
Email: [■]

(c) if to the Province:

Ministry of Finance
[Address]
Attention: [■]
Fax: (416) [■]
Email: [■]

and

Ministry of Energy
[Address]
Attention: [■]
Fax: (416) [■]
Email: [■]

(d) if to the Indenture Trustee:

[Address]
Attention: [■]
Fax: (416) [■]
Email: [■]

or to such other addresses as a party may from time to time notify the other parties in accordance with this Section 9.02.

9.03 Assignment

(a) None of the rights or obligations hereunder shall be assignable or transferable by any party without the prior written consent of the other parties.

(b) Any purported assignment of this Agreement in violation of this Section 9.03 shall be null and void.

9.04 Enurement

This Agreement will enure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns.

9.05 FIPPA

The parties acknowledge that the Province will be bound by the *Freedom of Information and Protection of Privacy Act* (Ontario) and that any information provided to the Province, or any agent or representative of the Province in connection with this Agreement may be subject to disclosure in accordance with the act or as otherwise required by law.

9.06 Confidentiality

[Note: To be considered based on what would be customary and appropriate for similar types of arrangements and would be acceptable to the Province. Note that this Agreement will become part of the package of rights acquired by investors and counterparties and so it is unclear to what extent confidentiality can or should be preserved in these circumstances.]

9.07 No Petition

The Province agrees, to the fullest extent permitted by applicable law, that at no time until one year and one day following repayment in full of all Primary Obligations shall it commence, or join in commencing, a bankruptcy case or other insolvency or similar proceeding under the laws of any jurisdiction against the Financing Entity.

9.08 Force Majeure

In no event shall the Indenture Trustee or the Financing Entity Trustee be responsible or liable for any failure or delay in the performance of its obligations hereunder arising out of or caused by, directly or indirectly, forces beyond its control, including, without limitation, strikes, work stoppages, accidents, acts of war or terrorism, civil or military disturbances, nuclear or natural catastrophes or acts of God, and interruptions, loss or malfunctions of utilities, communications or computer (software and hardware) services; it being understood that the Indenture Trustee and the Financing Entity Trustee shall use reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

9.09 Delivery of Executed Copies

Each party acknowledges delivery of a fully executed copy of this Agreement.

[Signature page to follow]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

HER MAJESTY THE QUEEN IN RIGHT OF ONTARIO, AS REPRESENTED BY THE MINISTER OF FINANCE

By: _____
Name:
Title:

HER MAJESTY THE QUEEN IN RIGHT OF ONTARIO, AS REPRESENTED BY THE MINISTER OF ENERGY

By: _____
Name:
Title:

ONTARIO POWER GENERATION INC., AS FSM

By: _____
Name:
Title:

By: _____
Name:
Title:

[FINANCING ENTITY TRUSTEE], IN ITS CAPACITY AS FINANCING ENTITY TRUSTEE FOR [FINANCING ENTITY]

By: _____
Name:
Title:

[INDENTURE TRUSTEE], AS INDENTURE TRUSTEE AND NOT IN ITS INDIVIDUAL CAPACITY

By: _____
Name:
Title:

SCHEDULE A
DEFINED TERMS

"**Acceleration**" has the meaning ascribed to the term "acceleration"[14] in the General Regulation.

"**Act**" has the meaning ascribed thereto in the first paragraph of the recitals in this Agreement.

"**Action**" has the meaning ascribed thereto under the Trust Indenture [as of the date of this Agreement or hereafter as may be confirmed by notice in writing from the Province to the Indenture Trustee].

"**Adherence Conditions**", in respect of a Primary Obligation, means the conditions set out in Section 4.02.

"**Approved Obligation**" means a Primary Obligation that constitutes an Approved Obligation pursuant to Section 4.01.

"**Assumption Closing Date**" has the meaning ascribed thereto in Section 6.01.

"**Assumption Effective Date**" has the meaning ascribed thereto in Section 6.03.

"**Assumption Notice**" has the meaning ascribed thereto in Section 6.01.

"**Beneficiaries**" means the Specified Creditors to whom the Financing Entity owes a payment obligation pursuant to one or more Approved Obligations from time to time.

"**Breach Event**" means the occurrence or existence of any one or more of the following: (a) a default in the performance, or breach, of any covenants of OPG under the Process Agreement; or (b) any representation or warranty made by OPG, or any certification made by OPG under the Process Agreement, proves to be incorrect in any material respect on the date made; or (c) OPG is no longer the FSM, the Administrative Agent or the Manager or actions have been taken by or on behalf of the Indenture Trustee to remove OPG as the FSM, the Administrative Agent or the Manager.

"**Business Day**" means (a) any day other than a Saturday, a Sunday or a day on which banking institutions in Toronto, Ontario are [, or the office of the Indenture Trustee is,] authorized or obligated by applicable law, regulation or executive order to be closed.

"**Capital Account**" has the meaning ascribed to the term "capital account" in the General Regulation.

"**Change of Law Protection Agreement**" means this Agreement.

[14] Note: A proposal to add this concept into the Regulation is under consideration by MOE. Further modifications to follow, depending on that process.

"**Collateral**" has the meaning ascribed thereto in the Trust Indenture [as of the date of this Agreement or hereafter as may be confirmed by notice in writing from the Province to the Indenture Trustee].

"**Collection Account**" has the meaning ascribed thereto in the Trust Indenture [as of the date of this Agreement or hereafter as may be confirmed by notice in writing from the Province to the Indenture Trustee].

"**Declaration of Trust**" means the declaration of trust made as of [■], 2017 under which the Financing Entity was established.

"**Derivative Agreement**" means any rate swap transaction, basis swap, forward rate transaction, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, currency option, total return swap transaction, credit default swap transaction or any other similar transaction (including any option with respect to any of those transactions) or any combination of these transactions entered into from time to time by the Financing Entity in connection with or related to Funding Obligations.

"**Finance Amount**" has the meaning ascribed to the term "finance amount" in the Act as of the date of this Agreement.

"**Finance Reserve Account**" has the meaning ascribed to the term "finance reserve account" in the General Regulation [as of the date of this Agreement].

"**Financing Entity**" has the meaning ascribed thereto in the first paragraph of this Agreement.

"**Financing Entity Trustee**" means, at any time, the Person who is, in accordance with the Declaration of Trust, the trustee of the Financing Entity at such time.

"**FSM**" has the meaning ascribed thereto in the first paragraph of this Agreement.

"**Funding Obligation**" has the meaning ascribed to the term "funding obligation" in the Act [as of the date of this Agreement].

"**General Regulation**" means O. Reg. 206/17 made under the Act.

"**Governmental Authority**" means any nation or government, any federal, state, provincial, local or other political subdivision thereof and any court, administrative agency or other instrumentality or entity exercising executive, legislative, judicial, regulatory or administrative functions of government.

"**IESO**" has the meaning ascribed thereto in the Act [as of the date of this Agreement].

"**Indenture Trustee**" means the Person named as the Indenture Trustee in the first paragraph of this Agreement until a successor Indenture Trustee shall have become such pursuant to the applicable provisions of the Trust Indenture and this Agreement, and thereafter "Indenture Trustee" means and includes such Person.

"**Investment Interest**" has the meaning ascribed to the term "Investment Interest" in the Act [as of the date of this Agreement].

"**Legislature**" means the Legislature of the Province of Ontario.

"**Limited Guarantee**" has the meaning ascribed thereto in Section 2.01(b).

"**Master Transfer and Servicing Agreement**" means the master transfer and servicing agreement dated [■], 2017 between the Financing Entity and IESO, and acknowledged and accepted by the Indenture Trustee.

"**Note**" or "**Notes**" has the meaning ascribed thereto under the Trust Indenture as of the date of this Agreement or hereafter as may be confirmed by notice in writing from the Province to the Indenture Trustee.

"**Noteholder**" has the meaning ascribed thereto under the Trust Indenture as of the date of this Agreement or hereafter as may be confirmed by notice in writing from the Province to the Indenture Trustee.

"**Obligations Secured**" has the meaning ascribed thereto in the Trust Indenture as of the date of this Agreement or hereafter as may be confirmed by notice in writing from the Province to the Indenture Trustee.

"**OIC**" has the meaning ascribed thereto in the second paragraph of the recitals in this Agreement.

"**OPG**" means Ontario Power Generation Inc., a corporation established under the laws of the Province of Ontario.

"**Original Currency**" has the meaning ascribed thereto in Section 1.18(a).

"**Payment Demand**" has the meaning ascribed thereto in Section 2.01(a).

"**Person**" means any individual, corporation, limited liability company, estate, partnership, joint venture, association, joint stock company, trust (including any beneficiary thereof), unincorporated organization or Governmental Authority.

"**Primary Obligations**" means any Obligation Secured that is a Funding Obligation, other than (a) any amounts that are or become payable as a result of the exercise of an option of the Financing Entity following a Protection Event; and [(b) any amounts required to be deposited by or on behalf of the Financing Entity into any Capital Account, Finance Reserve Account, or Supplemental Reserve Account.][15]

"**Process Agreement**" means the Change of Law Process Agreement dated [■], 2017 between the Province and OPG.

[15] Note: Possible simplification of definition structure under consideration.

"**Program Agreements**" has the meaning ascribed thereto in the Trust Indenture [as of the date of this Agreement or hereafter as may be confirmed by notice in writing from the Province to the Indenture Trustee].

"**Program Breach**" means an event of default, early amortization event, termination event or similar event or circumstance (including any event that with the passage of time or the giving of notice would become such an event) of or in respect of the obligations of any party under any Program Agreement, including under this Agreement, the Trust Indenture, the Master Transfer and Servicing Agreement or any Derivative Agreement.

"**Protection Agreement Maximum"** means the dollar amount determined by the Province and of which OPG is provided notice in accordance with the Process Agreement.[16]

"**Protection Event**" means the occurrence of any of the following events:

(a) (i) the Legislature repeals (and does not replace on an equivalent basis) or amends the Act or any portion thereof as in effect on the date hereof;

(ii) the Legislature enacts or amends any other statute;

(iii) the Lieutenant Governor in Council repeals (and does not replace on an equivalent basis) the regulations made under the Act or any portion thereof as in effect on the date hereof; or

(iv) the Lieutenant Governor in Council, a minister of the Crown, an official of the government or a board or commission all the members of which are appointed by the Lieutenant Governor in Council makes or amends any "regulation" (as defined in Part III of the *Legislation Act, 2006*) as in effect on the date hereof;

(v) there is a change in the organization or structure of the IESO or Ontario's electricity market[17] undertaken at the initiative of the Province or an entity controlled by the Province,

in each case, that materially and adversely affects (a) the ability of the Financing Entity to receive amounts on its Investment Interest so that it can pay Obligations Secured, or (b) this Agreement or any of the agreements under which Obligations Secured arise, other than if the Indenture Trustee has confirmed in writing that the effect under such agreements is otherwise acceptable; or

(b) a court of competent jurisdiction [in a final and non-appealable judgement][18] determines that all or a portion of the Act or the regulations made under the Act, as in effect on the date hereof, is *ultra vires* or invalid in a way that materially and

[16] Note: An alternative would be to expressly state the Program Agreement Maximum amount and the process by which this amount is determined in this Agreement.

[17] Note: Consider more clarity to "Ontario's electricity market".

[18] Under consideration to assess the marketability implications of this phrase.

adversely affects the ability of the Financing Entity to receive amounts on its Investment Interest so that it can pay Obligations Secured.

"**Province**" has the meaning ascribed thereto in the first paragraph of this Agreement.

"**Repayment**" has the meaning ascribed thereto in the General Regulation.

"**Second Currency**" has the meaning ascribed thereto in Section 1.18(b).

"**Security Interest**" has the meaning ascribed thereto in the Trust Indenture as of the date of this Agreement or hereafter as may be confirmed by notice in writing from the Province to the Indenture Trustee.

"**Specified Creditors**" has the meaning ascribed thereto in the Trust Indenture as of the date of this Agreement or hereafter as may be confirmed by notice in writing from the Province to the Indenture Trustee.

"**Supplemental Reserve Account**" has the meaning ascribed in the Trust Indenture as of the date of this Agreement or hereafter as may be confirmed by notice in writing from the Province to the Indenture Trustee.

"**Suspension Event**" has the meaning ascribed thereto in Section 8.02.

"**Suspension Notice**" has the meaning ascribed thereto in Section 8.01.

"**Termination Notice**" has the meaning ascribed thereto in Section 8.03.

"**this Agreement**" means this agreement, as amended, supplemented, restated or otherwise modified from time to time.

"**Trust Indenture**" means the trust indenture between the Financing Entity and the Indenture Trustee dated as of [■], 2017, as amended, supplemented, restated or otherwise modified from time to time.

EXHIBIT A
FORM OF PAYMENT DEMAND

EXHIBIT B
ASSUMPTION NOTICE

EXHIBIT C
SUSPENSION NOTICE

EXHIBIT D
TERMINATION NOTICE

Internal Draft: November 2, 2017

HER MAJESTY THE QUEEN IN RIGHT OF ONTARIO, AS REPRESENTED BY THE MINISTER OF ENERGY AND THE MINISTER OF FINANCE

AND

ONTARIO POWER GENERATION INC.

CHANGE OF LAW PROCESS AGREEMENT

Dated as of [■], 2017

This **CHANGE OF LAW PROCESS AGREEMENT**, between Her Majesty the Queen in Right of Ontario, as represented by the Minister of Energy and the Minister of Finance (the "**Province**"), and Ontario Power Generation Inc. ("**OPG**"), is made and entered into as of [■], 2017.

RECITALS

OPG is appointed as the Financial Services Manager under Section 18 of the *Ontario Fair Hydro Plan Act, 2017* (the "**Act**").

Pursuant to Section 22(2) of the Act, OPG, in its capacity as the Financial Services Manager (the "**FSM**"), may establish or cause to be established one or more financing entities (as defined in the Act), which may incur Funding Obligations in accordance with the Act.

Pursuant to a Declaration of Trust dated as of ■, 2017, the FSM [established] the Financing Entity as a "financing entity" (as defined in the Act) for the purposes contemplated in the Act.

Concurrent with this Agreement, the Province, the FSM, the Financing Entity and the Indenture Trustee will enter into the Change of Law Protection Agreement under which the Province will agree to provide protections and assurances to the Indenture Trustee, for the benefit of the Beneficiaries, in respect of Obligations Secured that constitute Approved Obligations, in order to address concerns that would arise from a change or adverse determination of law, subject in each case to the satisfaction of the Adherence Conditions at the time the Approved Obligation is incurred or amended.

This Agreement sets out the obligations OPG has agreed to perform and assurances OPG has agreed to provide and on which the Province will rely in entering into and implementing the Change of Law Protection Agreement, including for the purposes of determining whether the Adherence Conditions have been satisfied in connection with the incurrence or amendment of an Approved Obligation, maintaining information related to the Program Agreement and the Approved Obligations, and ensuring that the Province's assumption rights pursuant to Article VI of the Change of Law Protection Agreement may be exercised without impediment on the terms and conditions contemplated in this Agreement and the Change of Law Protection Agreement.

All things necessary to make this Agreement a valid and legally binding agreement of OPG, and of the Province in accordance with the Act and the OIC, have been done.

AGREEMENT OF THE PARTIES

In consideration of the respective agreements herein contained, the parties hereto covenant and agree as follows:

ARTICLE I
DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

1.01 Interpretation

For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:

(a) the terms used in this Agreement that are defined in Schedule A have the meanings assigned to them in Schedule A;

(b) the terms used in this Agreement that are not defined in this Agreement shall have the meanings assigned to them in the Change of Law Protection Agreement;

(c) words importing the singular shall include the plural and vice versa, words importing general shall include all genders or the neuter, and words importing the neuter shall include all genders;

(d) all references to any Person shall include such Person's permitted successors and assigns, and any reference to a Person in a particular capacity excludes such Person in other capacities;

(e) references to any law, rule, regulation or order of a Governmental Authority (including, for greater certainty, references to the Act and the General Regulation) shall include such law, rule, regulation or order as from time to time in effect, including any amendment, modification, codification, replacement or reenactment thereof or any substitution therefor;

(f) the word "will" shall be construed to have the same meaning and effect as the word "shall". The word "or" is not exclusive;

(g) any reference to this Agreement or any other agreement, document or instrument shall be construed as a reference to this Agreement or, as the case may be, such other agreement, document or instrument as the same may have been, or may from time to time be, amended, varied, replaced, amended and restated, supplemented or otherwise modified;

(h) all references in this Agreement to designated "Sections", "Subsections" "Schedules", "Exhibits" and other subdivisions are to the designated, Sections, Subsections, Schedules, Exhibits and other subdivisions of this Agreement as originally executed. The words "herein", "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Section, Subsection, Schedule, Exhibit or other subdivision;

(i) "including" and words of similar import will be deemed to be followed by "without limitation"; and

(j) with respect to the computation of periods of time from a specified date to a later specified date, unless otherwise expressly stated, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding".

1.02 References to the Financing Entity or the Financing Entity Trustee

For greater certainty, each reference to the Financing Entity or to the Financing Entity Trustee shall be construed as a reference to the Financing Entity Trustee, as trustee of the Financing Entity.

1.03 Effect of Headings

The Article and Section headings herein and are for convenience only and will not affect the construction hereof.

1.04 Successors and Assigns

All covenants and agreements in this Agreement by the parties will bind their respective successors and permitted assigns, whether so expressed or not.

1.05 Severability

Each of the provisions contained in this Agreement is distinct and severable and a declaration of invalidity or unenforceability of any such provision or part thereof by a court of competent jurisdiction will not affect the validity or enforceability of any other provision hereof. To the extent permitted by applicable law, the parties waive any provision of law which renders any provision of this Agreement invalid or unenforceable in any respect. The parties will engage in good faith negotiations to replace any provision which is declared invalid or unenforceable with a valid and enforceable provision, the economic effect of which comes as close as possible to that of the invalid or unenforceable provision which it replaces.

1.06 Governing Law

THIS AGREEMENT WILL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE PROVINCE OF ONTARIO AND THE FEDERAL LAWS OF CANADA APPLICABLE THEREIN, AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.

1.07 Proceedings Against the Crown Act

NOTHING IN THIS AGREEMENT OR THE PROGRAM AGREEMENTS AFFECTS THE RIGHTS, PROTECTIONS AND IMMUNITIES OF THE CROWN UNDER THE PROCEEDINGS AGAINST THE CROWN ACT.

1.08 Attornment

EACH PARTY SUBMITS TO THE EXCLUSIVE JURISDICTION OF ANY ONTARIO COURTS SITTING IN TORONTO IN ANY ACTION, APPLICATION, REFERENCE OR OTHER PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT. THE PARTIES HERETO HEREBY WAIVE ANY RIGHT THEY MAY HAVE TO REQUIRE A TRIAL BY JURY OF ANY PROCEEDING COMMENCED IN CONNECTION WITH THIS AGREEMENT.

1.09 Counterparts; Electronic Delivery

This Agreement may be executed in any number of counterparts, each of which so executed will be deemed to be an original, but all such counterparts will together constitute one and the same instrument. Delivery of an executed signature page to this Agreement by a party by electronic transmission will be as effective as delivery of a manually executed copy of the Agreement by such party.

1.01 Change of Law Process Agreement Referred to in the Change of Law Protection Agreement

This Agreement is the "Change of Law Process Agreement" referred to in the Change of Law Protection Agreement.

1.10 Non-Business Days

Whenever any period of time would begin or end or any other action to be taken hereunder shall be stated to be required to be taken, on a day other than a Business Day, then (notwithstanding any other provision of this Agreement) such period of time shall begin or end, and such other action shall be taken on the next succeeding Business Day.

1.11 Waiver, Amendment

Except as expressly provided in this Agreement, no amendment or waiver of this Agreement will be binding unless executed in writing by the party to be bound thereby. No waiver of any provision of this Agreement will constitute a waiver of any other provision nor will any waiver of any provision of this Agreement constitute a continuing waiver unless otherwise expressly provided. A party's failure or delay in exercising any right under this Agreement will not operate as a waiver of that right. A single or partial exercise of any right will not preclude a party from any other or further exercise of that right or the exercise of any other right.

ARTICLE II
COVENANTS OF OPG

2.01 Deliveries to the Province

(a) Not less than ■ Business Days prior to the initial issuance of any Funding Obligation by the Financing Entity, OPG shall deliver to the Province a copy of

the initial Financing Plan. Thereafter, OPG shall promptly deliver to the Province a copy of any proposed change to or replacement of the Financing Plan.

(b) Not less than ■ Business Days prior to the initial issuance of any Funding Obligation by the Financing Entity, OPG shall deliver to the Province an analysis and assessment of the tax position of the Financing Entity. Thereafter, OPG shall promptly deliver to the Province a copy of any proposed change to or replacement of such analysis and assessment.

(c) Not less than ■ Business Days prior to any proposed change, addition or supplement to a Transaction Document becoming effective or otherwise being used, OPG shall deliver to the Province a copy of such proposed change, addition or supplement to the Transaction Document.

(d) Promptly following any incurrence of a Funding Obligation or any amendment of a Funding Obligation, OPG shall provide the Province with electronic copies of all related Governing Documents and all other closing documents executed by or on behalf of the Financing Entity in connection with such incurrence or amendment that would affect the Financing Entity's assets or obligations (including, for greater certainty, any related Disclosure Document).

(e) Promptly upon request, OPG shall provide the Province with such additional information and documentation as the Province requests in order to enable the Province to assess the nature and extent of its obligations under the Change of Law Protection Agreement.

(f) OPG shall, as the FSM, cause the Financing Entity to deliver to the Province copies of the Financing Entity's annual tax returns and any related tax assessment not more than ■ Business Days after such a tax return or tax assessment is required to be filed under applicable law.[1]

2.02 Covenants

(a) OPG shall, as the FSM, cause the Financing Entity to:

(i) punctually perform and observe all of its obligations and agreements contained in the Program Agreements;

(ii) ensure that all Obligations Secured are incurred pursuant to and in accordance with the terms and conditions of the Trust Indenture;

(iii) ensure that no obligations other than the Obligations Secured are incurred by or on behalf of the Financing Entity;

[1] Note: The tax documents to be provided to the Province are under consideration.

(iv) not engage in any business other than as permitted under the Declaration of Trust or the other Program Agreements and activities ancillary thereto; and

(v) not, without the prior written consent of the Province:

(A) amend, supplement, modify, restate or replace or waive or consent to a postponement of compliance with the terms and conditions on the part of any other party to any of the Program Agreements, if any such supplementation, amendment, modification, restatement or replacement or waiver or consent could reasonably be considered to be materially prejudicial to the rights or interests of the Province under the Change of Law Protection Agreement;

(B) consent to the resignation of (1) the Administrative Agent under the Administrative Services Agreement; or (2) the Manager under the Management Agreement;

(C) consolidate or merge with or into any other Person;

(D) permit the validity or effectiveness of the Change of Law Protection Agreement to be impaired;

(E) permit any Lien (other than the Security Interest) to be created on or extend to or otherwise arise upon or burden the Collateral or any part thereof or any interest therein or the proceeds thereof;

(F) sell, transfer, exchange or otherwise dispose of any of the Collateral, other than as expressly permitted by the Trust Indenture;

(G) release any security or guarantee in respect of the Collateral other than as expressly permitted by the Trust Indenture; or

(H) voluntarily dissolve or liquidate.

(b) OPG shall:

(i) comply, and as the FSM cause compliance by the Financing Entity, with the Act, the General Regulation and any other enactment related thereto;

(ii) promptly notify the Province of the creation of any Funding Obligation that is not or would not be an Approved Obligation;

(iii) after the occurrence of any Protection Event (or any event that with the passage of time or the giving of notice would be a Protection Event), not, without the Province's prior written consent, permit the Financing Entity to exercise any redemption, pre-payment, early termination or extension

right in respect of any Approved Obligation or exercise any other election or privilege in respect of any Approved Obligation, in each case if as a result the obligations applicable to the Approved Obligation under this Agreement would be accelerated, delayed or otherwise affected; and

(iv) ensure that any disclosure (including any Disclosure Document) that refers to or describes the terms, effect or adherence of or to this Agreement will be subject to the prior review of the Province and such disclosure will not be made (and any such Disclosure Document shall not be used) without the prior written consent of the Province.

ARTICLE III
PROCESS CERTIFICATE

3.01 Process Certificate

OPG shall deliver a certificate (the "**Process Certificate**"), signed by the Chief Financial Officer and the Treasurer of OPG (or their respective designees, provided that such designees are also executive officers of OPG) and addressed to the Province, not less than ■ Business Days prior to the incurrence or any amendment of a Primary Obligation, setting out the following with respect to the Primary Obligation:

(a) the material terms of the Funding Obligations pertaining to principal amount, pricing and third party fees;[2]

(b) if an existing Primary Obligation is proposed to be amended, material details respecting such amendment and the anticipated effect of the amendment on or in relation to the affected terms and conditions of the Primary Obligation, including regarding the applicable details set forth in Subsection 3.01(a), as the context requires;

(c) a statement that: (i) the Primary Obligation to be incurred or amended (1) will arise under terms and conditions that are Substantially in the Form of the Reviewed Documentation applicable thereto; (2) in the opinion of the signatories to the Process Certificate, are reasonably incurred in compliance with the Act, the General Regulation, any other enactments related thereto and the applicable Financing Plan; (3) are of a type and are on terms that a reasonably prudent financial services manager would incur in similar circumstances; and (4) reflect, in all material respects, arm's length terms and conditions; and (ii) any Disclosure Document used in connection with the offering and sale of notes, bonds or other securities is Substantially in the Form of the Reviewed Documentation;

[2] Note: Level of detail required by the Province is under consideration. Province to consider whether it would like further details regarding Principal Obligations, Redemption Obligations, Interest Obligations, Hedging Obligations, Third Party Expense Obligations or Other Funding Obligations. In desirable, particulars regarding Hedging Obligations and the market in which notes are issued to be considered.

(d) a statement that no Breach Event has occurred on or prior to the date of the Process Certificate, unless such Breach Event has been waived by the Province in writing; and

(e) if the Primary Obligation is a [borrowing], confirmation that, at the time the Primary Obligation is incurred or amended, the maximum aggregate payment amounts due or becoming due in the future in respect of Repayments under the Primary Obligation, together with all other outstanding amounts due or becoming due in the future in respect of Repayments under Approved Obligations, do not and will not exceed the Protection Agreement Maximum.

3.02 Acknowledgment

The parties acknowledge that the Process Certificate is the certificate referred to in Subsection 4.02(d)(ii) of the Change of Law Protection Agreement.

3.03 Meaning of "Reviewed Documentation"

For the purposes of Subsection 3.01(c), the term "Reviewed Documentation" shall mean each Transaction Document (including any change, addition or supplement thereto) that, at the relevant time:

(a) has been provided to the Province in accordance with Subsection 2.01(c); and

(b) has been accepted by the Province, as confirmed by way of a written notice of acceptance from the Province delivered to OPG.

3.04 Meaning of "Substantially in the Form"

For the purposes of Subsection 3.01(c), the term "Substantially in the Form" shall mean:

(a) with respect to the Reviewed Documentation referred to in clauses (i) to (xi) of the definition of "Transaction Documents", that there are no differences between the proposed documents and such Reviewed Documentation that could result in a change in the material terms or conditions applicable to the applicable Primary Obligation, including regarding the timing of or circumstances under which related payments are or may become due or accrue (including as a result of any default, acceleration, termination, wind-up, liquidation or realization), or that would affect the Province's rights of subrogation or assignment (including pursuant to Section 5.01 of the Change of Law Protection Agreement) or its interests as a subrogee or an assignee, that would arise as a result of performing the Limited Guarantee in respect of the applicable Primary Obligation;

(b) with respect to the Reviewed Documentation referred to in clauses (v) to (ix) of the definition of "Transaction Documents", and, where applicable, clauses (x) and (xi) of the definition of "Transaction Documents" as the context requires, that the variable terms to be set forth in the proposed documents are as reasonably contemplated in the Reviewed Documentation, as to the type, scope and extent of

the Primary Obligations arising thereunder and as to the timing, conditions and circumstances in which payment obligations under such Primary Obligations may arise, but without regard to the particular financial terms, rates and levels set forth in the proposed documents other than to the extent that the forms of Reviewed Documentation themselves specify specific requirements, limitations or parameters with respect to such financial terms, rates, levels and parameters; and

(c) with respect to the Reviewed Documentation referred to in clause (xii) of the definition of "Transaction Documents", that there are no material differences between the form and substance of the proposed Disclosure Document and such form of Disclosure Document and that the proposed disclosure document complies in all material respects with all securities disclosure requirements relating to the Primary Obligation subject to distribution thereunder.

ARTICLE IV
PROTECTION AGREEMENT MAXIMUM

4.01 Protection Agreement Maximum

(a) The initial Protection Agreement Maximum shall be determined by the Province prior to the initial issuance of the first Funding Obligation. The initial Protection Agreement Maximum will be confirmed by the Province by notice in writing to OPG, as the FSM.

(b) Not less than ■ Business Days prior to the proposed incurrence of the first Funding Obligation, OPG shall, as the FSM, deliver to the Province a forecast setting out OPG's expectations regarding the aggregate maximum amount of Repayments that would arise in the future under Approved Obligations to be incurred during the next following 24 month period (the "**Initial Forecast Period**"), which expectations shall be consistent with the applicable Financing Plan (the "**Initial Forecast**"). In determining the initial Protection Agreement Maximum, the Province may have regard to (but not be bound by) the Initial Forecast.

(c) Between nine (9) and twelve (12) months prior to the end of the Initial Forecast Period, OPG shall, as the FSM, deliver to the Province an updated forecast setting out the sum of (1) the aggregate amount of Repayments that will arise in the future under Approved Obligations that are then outstanding and (2) OPG's expectations regarding the aggregate maximum amount of Repayments that would arise in the future under Approved Obligations to be incurred during the period ending 24 months following the Initial Forecast Period, which expectation shall be consistent with then applicable Financing Plan. Such updated forecast shall be further updated on a similar basis with respect to each successive 24 month period or more frequently if at any time OPG has knowledge that the most recent forecast is materially inaccurate (the Initial Forecast and each such updated forecast, each a "**Forecast**").

(d) Upon receiving an updated Forecast, the Province shall determine whether or not the Protection Agreement Maximum will be revised. In determining whether the Protection Agreement Maximum will be revised, the Province may have regard to (but not be bound by) such updated Forecast. Any determination by the Province to revise the Protection Agreement Maximum will be confirmed by setting out a new Protection Agreement Maximum in a written notice from the Province to the FSM and the Indenture Trustee, the delivery of which will be conclusive evidence that such new Protection Agreement Maximum will apply until it may be further so revised.

ARTICLE V
REPRESENTATIONS AND WARRANTIES

5.01 Representations and Warranties of OPG

OPG represents and warrants that on the date hereof and on each day that a Primary Obligation is incurred or amended:

(a) The Financing Entity is a trust duly constituted and validly existing under the laws of the Province of Ontario, is duly qualified to carry on its business in each jurisdiction in which it carries on business, and has the power and authority to perform the acts that OPG, as the FSM, shall cause it to perform pursuant to this Agreement and to own its property and carry on its business in accordance with the Program Agreements.

(b) OPG is a corporation duly constituted and validly existing under the laws of the Province of Ontario, is duly qualified to carry on its business in each jurisdiction in which it carries on business, has the power and authority to enter into and perform its obligations under this Agreement and all instruments and agreements delivered pursuant hereto and to own its property and carry on its business as currently conducted.

(c) OPG has been validly appointed, and has irremovably accepted such appointment, as the FSM in accordance with the Act. OPG has the power and authority to enter into and perform its obligations as the FSM under the Program Agreements and all instruments and agreements delivered pursuant thereto.

(d) The execution, delivery and performance of this Agreement and every instrument or agreement delivered pursuant hereto or in its capacity as the FSM has been or will be duly authorized by all requisite action by OPG and constitute a valid and binding obligation of OPG enforceable against OPG in accordance with its terms subject to (i) applicable bankruptcy, insolvency, moratorium and similar laws at the time in effect affecting the rights of creditors generally, and (ii) equitable principles which may limit the availability of certain remedies, including the remedy of specific performance.

(e) There are no actions, suits or proceedings pending or, to the knowledge of OPG, threatened against or affecting OPG (including in its capacity as the FSM) or the

Financing Entity at law or in equity or before or by any Governmental Authority, or before any arbitrator of any kind, which would result in any material adverse change in the business, operations, prospects, properties, assets or condition, financial or otherwise, of OPG or the Financing Entity or in the ability of OPG or the Financing Entity to perform their respective obligations under the Program Agreements.

(f) There are no actions, suits or proceedings pending or, to the knowledge of OPG, threatened against or affecting OPG at law or in equity or before or by any Governmental Authority, or before any arbitrator of any kind, which would result in any material adverse change in the business, operations, prospects, properties, assets or condition, financial or otherwise, of OPG or in the ability of the OPG to perform its obligations under this Agreement or the Program Agreements.

(g) The performance by the Financing Entity of the Program Agreements does not conflict with, will not conflict with, does not result in, and will not result in, any breach of, and does not constitute, a default under, the Declaration of Trust or any agreements or instruments to which the Financing Entity is a party or by which it or any of its property and assets are bound.

(h) Neither the execution nor delivery of this Agreement, the Program Agreements nor any agreements or instruments delivered pursuant hereto or thereto, the consummation of the transactions herein or therein, nor compliance with the terms, conditions and provisions hereof or thereof conflicts with or will conflict with, or results or will result in any breach of, or constitutes a default under, any of the provisions of the constating documents of OPG or any agreements or instruments to which OPG is a party or by which it or any of its property and assets are bound.

(i) No consent, approval or authorization of, or declaration, registration, filing or qualification with, or giving of notice to, or taking of any other action in respect of, any Governmental Authority on the part of OPG is required in connection with the execution and delivery of this Agreement, the Program Agreements or any agreements or instruments delivered pursuant hereto or thereto or the consummation of any of the transactions contemplated hereby or thereby or in connection with the enforcement of this Agreement, the Program Agreements or any agreements or instruments delivered pursuant hereto or thereto, except those which have been obtained.

ARTICLE VI
ELECTION TO ASSUME APPROVED OBLIGATIONS

6.01 Election by the Province

At any time following the occurrence of a Protection Event, the Province may (but shall not be obligated) to elect to assume the Financing Entity's obligations in respect of all Obligations Secured, as obligor and debtor. To make such election, the Province shall duly

complete and deliver to OPG a notice in the form of Exhibit A (an "**Election Notice**"), which in turn will set forth the form of agreement (an "**Assumption Agreement**") setting forth the material terms and conditions under which the Province would assume and become obligated under each of the Obligations Secured. The Election Notice shall, among other things, specify the date on which the Province proposes to assume the Obligations Secured, which date shall be no earlier than 20 Business Days following delivery of the Election Notice to OPG (the "**Proposed Assumption Date**").

6.02 Details regarding Obligations Secured

Promptly following the delivery of the Election Notice to OPG, OPG shall provide the following information and documentation to the Province:

(a) a summary of the amounts that will be owing under all Obligations Secured as of the Proposed Assumption Date, together with a detailed schedule setting out the dates on which such amounts will become due and payable under the Obligations Secured;

(b) a summary of the rights arising under the Obligations Secured that permit the Financing Entity to assign the Obligations Secured to the Province, including details regarding any conditions precedent to such assignment and the related assumption becoming effective and any notices, filings, consents or other actions that will be required in order to implement and effect such assignment and assumption;

(c) current versions of all documentation under which the Obligations Secured arise;

(d) copies of all correspondence exchanged between OPG, as the FSM, or the Financing Entity, on the one hand, and any Specified Creditor, Rating Agency or the Indenture Trustee, on the other hand, in each case that may reasonably be considered to be material to the assumption and performance of the Obligations Secured by the Province;

(e) all income tax returns and assessments, financial statements and notices of proceedings of or pertaining to the Financing Entity or its business and any documentation related thereto, including any pleadings, appeals, objections, qualifications or other similar materials in respect of the Financing Entity or any Program Agreement; and

(f) a draft version of the Assumption Agreement prepared in relation to each Obligation Secured, prepared in accordance with and having regard to the requirements of the relevant agreement(s) under which the Obligation Secured arises.

6.03 Settlement of Terms

Within ■ Business Days following receipt by the Province of the information and documentation to be provided under Section 6.02, the Province shall confirm in writing whether

or not it will proceed with the assignment and assumption of the Obligations Secured and, if it will be proceeding with the assignment and assumption, the date on which the Province intends that assignment and assumption will be effected, which may not be earlier than the Proposed Assumption Date. If it will be proceeding with such assignment and assumption, the Province will deliver an Assumption Notice as contemplated under Section 6.01 of the Change of Law Protection Agreement, which will specify such date as the "Assumption Closing Date" for the purposes thereof.

6.04 Cooperation to Implement the Assignment and Assumption

OPG shall cooperate with the Province and, as FSM, will cause the Financing Entity to cooperate to complete the assignment and assumption of the Obligations Secured by and from the Financing Entity to and by the Province, by the applicable Assumption Closing Date.[3]

6.05 Terms of Obligations Secured

In order to permit the Province to assume the Obligations Secured in the circumstances contemplated herein, OPG will, and as FSM, will cause the Financing Entity to, ensure that all Obligations Secured permit such an assignment to and assumption by the Province substantially in accordance with the terms and on the basis contemplated in the Assumption Agreement, without any penalty or make-whole payment, or any requirement for further consent, approval or agreement, or alternatively, in the case of any Obligations Secured entered into by or on behalf of the Financing Entity for the provision of on-going services to the Financing Entity, permitting the satisfaction and termination of such Obligations Secured on or prior to the effective time of such assumption without any acceleration of future fees, profits or other like amounts.[4]

ARTICLE VII
BREACH EVENTS

7.01 Breach Events

"**Breach Event**" shall mean the occurrence or existence of any one or more of the following:

(a) a default in the performance, or breach, of any covenants of OPG under this Agreement (including in respect of its role as FSM under any Program Agreement;

(b) any representation or warrant made by OPG in this Agreement, or any certification made in a Process Certificate, proves to be incorrect on the date made; or

[3] Note: Further details regarding obtaining of third party consents and rating agency approvals to be considered.

[4] Note: The Trust Indenture will need to include a clause providing that the obligations of the Financing Entity to the Indenture Trustee and the Noteholders may be assigned to the Province in accordance with an assumption agreement, substantially in the form set out in an exhibit to the Trust Indenture.

(c) OPG is no longer the FSM, the Administrative Agent or the Manager or actions have been taken by or on behalf of the Indenture Trustee to remove OPG as the FSM, the Administrative Agent or the Manager.

7.02 Notice on Breach Event

If any Breach Event shall have occurred and not been waived in writing by the Province, the Province shall have the right, upon written notice to OPG at its option, and in addition to and not in substitution for any other remedies available hereunder at law or equity, to provide notice to the Indenture Trustee that a Breach Event has occurred and, in accordance with the Change of Law Protection Agreement, that the Limited Guarantee does not and will not apply to any Primary Obligations that may thereafter be incurred or amended by or on behalf of the Financing Entity.[5]

ARTICLE VIII
MISCELLANEOUS

8.01 Term of Agreement

This Agreement will continue for the term of the Change of Law Protection Agreement.

8.02 Notices

Any notice or other communication required or permitted to be given hereunder will be in writing and will be given by prepaid first-class mail, by facsimile or other means of electronic communication or by hand-delivery as hereinafter provided. Any such notice or other communication, if mailed by prepaid first-class mail at any time other than during a general discontinuance of postal service due to strike, lockout or otherwise, will be deemed to have been received on the fourth Business Day after the post-marked date thereof, or if sent by facsimile or other means of electronic communication, will be deemed to have been received on the Business Day following the sending, or if delivered by hand will be deemed to have been received at the time it is delivered to the applicable address noted below either to the individual designated below or to an individual at such address having apparent authority to accept deliveries on behalf of the addressee. Notice of change of address will also be governed by this Section. In the event of a general discontinuance of postal service due to strike, lock-out or otherwise, notices or other communications will be delivered by hand or sent by facsimile or other means of electronic communication and will be deemed to have been received in accordance with this Section. Notices and other communications will be addressed as follows:

(a) if to OPG:

Ontario Power Generation Inc.
700 University Avenue
Toronto, Ontario M5G 1X6
Attention: [■]
Fax: (416) [■]

[5] NTD: Carve-out for re-financings of Approved Obligations already in existence is under consideration.

Email: [■]

(b) if to the Province:

Ministry of Finance
[Address]
Attention: [■]
Fax: (416) [■]
Email: [■]

and

Ministry of Energy
[Address]
Attention: [■]
Fax: (416) [■]
Email: [■]

or to such other addresses as a party may from time to time notify the other parties in accordance with this Section 8.02.

8.03 Assignment

(a) None of the rights or obligations hereunder shall be assignable or transferable by any party without the prior written consent of the other parties.

(b) Any purported assignment of this Agreement in violation of this Section 8.03 shall be null and void.

8.04 Enurement

This Agreement will enure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns.

8.05 FIPPA

The parties acknowledge that the Province will be bound by the *Freedom of Information and Protection of Privacy Act* (Ontario) and that any information provided to the Province, or any agent or representative of the Province in connection with this Agreement may be subject to disclosure in accordance with the act or as otherwise required by law.

8.06 Confidentiality

[Note: To be considered based on what would be customary and appropriate for similar types of arrangements and would be acceptable to the Province.]

8.07 Delivery of Executed Copies

Each party acknowledges delivery of a fully executed copy of this Agreement.

[Signature page to follow]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

HER MAJESTY THE QUEEN IN RIGHT OF ONTARIO, AS REPRESENTED BY THE MINISTER OF FINANCE

By: _____

Name:
Title:

HER MAJESTY THE QUEEN IN RIGHT OF ONTARIO, AS REPRESENTED BY THE MINISTER OF ENERGY

By: _____

Name:
Title:

ONTARIO POWER GENERATION INC.

By: _____

Name:
Title:

By: _____

Name:
Title:

Each of the undersigned hereby acknowledge the foregoing as of the day and year first above written.

[FINANCING ENTITY TRUSTEE], IN ITS CAPACITY AS FINANCING ENTITY TRUSTEE FOR [FINANCING ENTITY]

By: _____
Name:
Title:

[INDENTURE TRUSTEE], AS INDENTURE TRUSTEE AND NOT IN ITS INDIVIDUAL CAPACITY

By: _____
Name:
Title:

SCHEDULE A
DEFINED TERMS

"**Act**" has the meaning ascribed thereto in the first paragraph of the recitals in this Agreement.

"**Adherence Conditions**" has the meaning ascribed thereto in the Change of Law Protection Agreement.

["**Administrative Agent**" means OPG, in its capacity as administrative agent of the Financing Entity under the Administrative Services Agreement.]

["**Administrative Services Agreement**" means the administrative services agreement dated [■], 2017 between the Financing Entity and the Administrative Agent concerning the reimbursement of certain costs incurred by the Administrative Agent in connection with the administration of the Financing Entity.][6]

"**Approved Obligation**" has the meaning ascribed thereto in the Change of Law Protection Agreement.

"**Assumption Agreement**" has the meaning ascribed thereto in Section 6.01.

"**Assumption Closing Date**" has the meaning ascribed thereto in Section 6.03.

"**Beneficiaries**" has the meaning ascribed thereto in the Change of Law Protection Agreement.

"**Breach Event**" has the meaning ascribed thereto in Section 7.01.

"**Business Day**" means (a) any day other than a Saturday, a Sunday or a day on which banking institutions in Toronto, Ontario are authorized or obligated by applicable law, regulation or executive order to be closed.

"**Capital Account**" has the meaning ascribed to the term "capital account" in the General Regulation.

"**Change of Law Protection Agreement**" means the Change of Law Protection Agreement dated [■], 2017 among the Province, the Financing Entity, the FSM and the Indenture Trustee.

"**Collateral**" has the meaning ascribed thereto in the Trust Indenture as of the date of this Agreement or hereafter as may be confirmed by notice in writing from the Province to the Indenture Trustee.

"**Co-Owner Agreement**" means any agreement between, *inter alia*, the Financing Entity and any other owner or owners of an Investment Interest as contemplated by Subsection 29(5) of the Act.

[6] Note: To be confirmed if required.

"**Declaration of Trust**" means the declaration of trust made as of [■], 2017 under which the Financing Entity was established.

"**Derivative Agreement**" means any rate swap transaction, basis swap, forward rate transaction, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, currency option, total return swap transaction, credit default swap transaction or any other similar transaction (including any option with respect to any of those transactions) or any combination of these transactions entered into from time to time by the Financing Entity in connection with or related to Funding Obligations.

"**Disclosure Document**" means a disclosure document (including any offering circular, prospectus or other investor disclosure statement) describing the material terms of the notes, bonds or securities to be issued pursuant to a supplemental indenture under the Trust Indenture, together with any related material information;

"**Election Notice**" has the meaning ascribed thereto in Section 6.01.

"**Finance Reserve Account**" has the meaning ascribed to the term "finance reserve account" in the General Regulation [as of the date of this Agreement].

"**Financing Entity**" means [■], a trust settled by the FSM under the laws of the Province of Ontario and under which the Financing Entity Trustee is the trustee.

"**Financing Entity Trustee**" means, at any time, the Person who is, in accordance with the Declaration of Trust, the trustee of the Financing Entity at such time.

"**Financing Plan**" has the meaning ascribed thereto in the Act.

"**Forecast**" has the meaning ascribed thereto in Section 4.01(c).

"**FSM**" has the meaning ascribed thereto in the second paragraph of the recitals of this Agreement.

"**Funding Obligation**" has the meaning ascribed to the term "funding obligation" in the Act.

"**General Regulation**" means O. Reg. 206/17 made under the Act.

"**Governing Document**" has the meaning ascribed to the term "governing document" in the General Regulation.

"**Governmental Authority**" means any nation or government, any federal, state, provincial, local or other political subdivision thereof and any court, administrative agency or other instrumentality or entity exercising executive, legislative, judicial, regulatory or administrative functions of government.

"**IESO**" has the meaning ascribed thereto in the Act.

"**Indenture Trustee**" has the meaning ascribed thereto in the Change of Law Protection Agreement.

"**Initial Forecast**" has the meaning ascribed thereto in Section 4.01(b).

"**Initial Forecast Period**" has the meaning ascribed thereto in Section 4.01(b).

"**Investment Interest**" has the meaning ascribed to the term "investment interest" in the Act.

"**Legislature**" means the Legislature of the Province of Ontario.

"**Lien**" has the meaning ascribed thereto in the Trust Indenture as of the date of this Agreement or hereafter as may be confirmed by notice in writing from the Province to the Indenture Trustee.

"**Limited Guarantee**" has the meaning ascribed thereto in the Change of Law Protection Agreement.

["**Management Agreement**" means the management agreement dated [■], 2017 between the Manager and the Financing Entity.]

["**Manager**" means OPG, in its capacity as manager of the Financing Entity under the Management Agreement.][7]

"**Master Transfer and Servicing Agreement**" means the master transfer and servicing agreement dated [■], 2017 between the Financing Entity and IESO, and acknowledged and accepted by the Indenture Trustee.

"**Obligations Secured**" has the meaning ascribed thereto in the Trust Indenture as of the date of this Agreement or hereafter as may be confirmed by notice in writing from the Province to the Indenture Trustee.

"**OPG**" has the meaning ascribed thereto in the first paragraph of this Agreement.

"**Person**" means any individual, corporation, limited liability company, estate, partnership, joint venture, association, joint stock company, trust (including any beneficiary thereof), unincorporated organization or Governmental Authority.

"**Primary Obligations**" has the meaning ascribed thereto in the Change of Law Protection Agreement.

"**Process Certificate**" has the meaning ascribed thereto in Section 3.01.

"**Program Agreements**" has the meaning ascribed thereto in the Trust Indenture as of the date of this Agreement or hereafter as may be confirmed by notice in writing from the Province to the Indenture Trustee.

[7]Note: To be confirmed if required. Also note that the draft Trust Indenture refers to OPG as the "manager" (rather than "Financial Services Manager" as under the Act). To be reconciled.

"**Proposed Assumption Date**" has the meaning ascribed thereto in Section 6.01.

"**Protection Agreement Maximum**" means the dollar amount determined by the Province and of which OPG is provided written notice in accordance with Article IV.

"**Protection Event**" has the meaning ascribed thereto in the Change of Law Protection Agreement.

"**Province**" has the meaning ascribed thereto in the first paragraph of this Agreement.

"**Rating Agency**" has the meaning ascribed thereto in the Trust Indenture as of the date of this Agreement or hereafter as may be confirmed by notice in writing from the Province to the Indenture Trustee.

"**Repayment**" has the meaning ascribed thereto in the General Regulation.

"**Security Interest**" has the meaning ascribed thereto in the Trust Indenture as of the date of this Agreement or hereafter as may be confirmed by notice in writing from the Province to the Indenture Trustee.

"**Specified Creditors**" has the meaning ascribed thereto in the Trust Indenture as of the date of this Agreement or hereafter as may be confirmed by notice in writing from the Province to the Indenture Trustee.

"**Supplemental Reserve Account**" has the meaning ascribed thereto in the Trust Indenture as of the date of this Agreement or hereafter as may be confirmed by notice in writing from the Province to the Indenture Trustee.

"**this Agreement**" means this agreement, as amended, supplemented, restated or otherwise modified from time to time.

"**Transaction Document**" means (i) all constating and organizational documents of the Financing Entity, including the Declaration of Trust; (ii) any management, administration or servicing agreement to which the Financing Entity is a party, including any replacement or standby services agreement, the Administrative Services Agreement and the Management Agreement; (iii) the Master Transfer and Servicing Agreement between the Financing Entity and the IESO; (iv) Trust Indenture; (v) the form of supplemental indenture (supplemental to the Trust Indenture) governing the terms and conditions of a sample series of notes, bonds or other securities to be issued by the Financing Entity, including the particular allocations, security and priority of the Obligations Secured being serviced by the related Investment Interest and any other related series property; (vi) the form of any note, bond or securities purchase agreement; (vii) the form of underwriting agreement, agency agreement, selling agreement and/or subscription agreement that may be used with respect to a sale of a related series of notes, bonds or securities to be issued under the supplemental indenture referred to in (v), above; (viii) the form of any loan or credit agreement governing the issuance of short term loan obligations by the Financing Entity; (ix) the form of schedule to an ISDA Master Agreement governing derivative transactions that may be entered into the Financing Entity from time to time; (x) the form of any other agreement or instrument under which a Funding Obligation may arise or be effected,

including any other agreement under which the Financing Entity incurs a material financial obligation or that affects the Province's subrogation rights and/or subrogee interests, including any standby liquidity arrangements or credit enhancement agreements; (xi) if applicable, a Co-Owner Agreement or any other agreement governing the respective interests of persons having rights or interests in the investment asset or other assets of the Financing Entity, including any other agreement of the sort contemplated in Subsection 29(5) of the Act; and (xii) the form of Disclosure Document.

"**Trust Indenture**" means the trust indenture between the Financing Entity and the Indenture Trustee dated as of [■], 2017, as amended, supplemented, restated or otherwise modified from time to time.

EXHIBIT A
FORM OF ELECTION NOTICE

(form of Assumption Agreement to be attached, once settled)

From:	Sarah Harris
To:	Opal Kandelas
Subject:	FW: Signatures for FHP and Amending Agreement No. 10
Date:	Monday, November 06, 2017 4:16:07 PM

All done.

Amen.

From: William Tan
Sent: Monday, November 06, 2017 4:14 PM
To: 'Victor Buza' <Victor.Buza@ieso.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Anthony Martinello <Anthony.Martinello@ieso.ca>; John Kim <John.Kim@ofina.on.ca>
Subject: RE: Signatures for FHP and Amending Agreement No. 10

Hello Victor,

Agreed.

From: Victor Buza [mailto:Victor.Buza@ieso.ca]
Sent: Monday, November 06, 2017 4:12 PM
To: William Tan <William.Tan@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Anthony Martinello <Anthony.Martinello@ieso.ca>; John Kim <John.Kim@ofina.on.ca>
Subject: RE: Signatures for FHP and Amending Agreement No. 10

Thanks Will – so it appears that, other than housekeeping activities over the next day or two, we are now closed on these two agreements. Agreed ?
Victor

From: William Tan [mailto:William.Tan@ofina.on.ca]
Sent: November 06, 2017 4:07 PM
To: Victor Buza
Cc: Lisa Stein; Sarah Harris; Anthony Martinello; John Kim
Subject: RE: Signatures for FHP and Amending Agreement No. 10

Hello Victor,

Please find the attached signed FHP Credit Facility Agreement and Amending Agreement #10 to the Jan. 1, 2005 Credit Agreement. Original signature pages will reach you tomorrow or the day after.

Thanks,

Will

From: Victor Buza [mailto:Victor.Buza@ieso.ca]
Sent: Monday, November 06, 2017 3:25 PM
To: William Tan <William.Tan@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Anthony Martinello <Anthony.Martinello@ieso.ca>
Subject: RE: Signatures for FHP and Amending Agreement No. 10
Importance: High

Will,

Please find attached the following documents signed by IESO:

1. Amending Agreement #10 to the Jan. 1, 2005 Credit Agreement;
2. Certified IESO Board Resolution and Incumbency Certificate;
3. Scan of the $2 Billion Grid Note.
4. Intercept Letter Agreement.

I will send the new Revolving Credit Facility Agreement in relation to FHP under a separate email immediately following.

We have already overnighted the original grid note for $2 billion and an original Intercept Letter signed by all parties. Per your request, we will send original agreement signature pages for both agreements as well – can we send those tomorrow or do you need the overnighted too?

Let us know. We look forward to receiving your confirmation of closing.

Victor

Victor Buza | Senior Counsel
Independent Electricity System Operator (IESO) | T: 416-969-6079

This email message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution, or copying of this email message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this email message.

From: William Tan [mailto:William.Tan@ofina.on.ca]
Sent: November 06, 2017 3:09 PM
To: Victor Buza
Cc: Lisa Stein; Sarah Harris; Anthony Martinello
Subject: RE: Signatures for FHP and Amending Agreement No. 10

Hello Victor,

I clarified internally and we would want an original signature page for the FHP Agreement and

Amending Agreement No. 10.

Thanks,

Will

From: William Tan
Sent: Monday, November 06, 2017 2:25 PM
To: 'Victor Buza' <Victor.Buza@ieso.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Anthony Martinello <Anthony.Martinello@ieso.ca>
Subject: RE: Signatures for FHP and Amending Agreement No. 10

Hi Victor,

My apologies. Please scan the separated $2B and $475 MM Grid promissory notes. Forward the $2B promissory note but hold on to the $475MM Grid Promissory Note until November 21.

- Resolution of the Board of Directors
- Incumbency Certificate
- Intercept Letter
- $2 B Grid Promissory Note
- $475 MM Grid Promissory Note

Yes, please forward the documents to myself.

William Tan
Ontario Financing Authority
1 Dundas Street West, Suite 1400
Toronto, Ontario M5G 1Z3

Thanks,

Will

From: Victor Buza [mailto:Victor.Buza@ieso.ca]
Sent: Monday, November 06, 2017 2:12 PM
To: William Tan <William.Tan@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Anthony Martinello <Anthony.Martinello@ieso.ca>
Subject: RE: Signatures for FHP and Amending Agreement No. 10

I will scan and send all documents you listed in their entirety, not just signature pages. Can you

confirm, are you saying you want a scan of the $475MM grid note?

Just so I get it right, should I courier the hardcopies of the Intercept Letter and Note to your attention and address, Will? Call me if it's quicker.

Victor
416-969-6079

From: William Tan [mailto:William.Tan@ofina.on.ca]
Sent: November 06, 2017 1:57 PM
To: Victor Buza; Anthony Martinello
Cc: Lisa Stein; Sarah Harris
Subject: FW: Signatures for FHP and Amending Agreement No. 10

Hi Victor,

Thank you for the update. When you send the soft copy signatures, would it be possible to include the signatures within the agreements?

You were probably going to include the following signed soft copies anyway but out of caution I have listed them below:

- Resolution of the Board of Directors
- Incumbency Certificate
- Intercept Letter
- $2 B Grid Note
- $475 MM Grid Note

Hardcopy of the Intercept Letter and $2B Grid Note – overnight delivery is fine.

Per s. 16 AA #10 - Anthony and I discussed on Friday that $475MM Grid note would be signed today but held by IESO until November 21. After the borrowing notice and election notices are actioned, OFA will produce the grid notes to evidence payment and advancements. IESO will then send the new $475MM prom note to OFA. Once received OFA will send the $975MM cancelled prom note to IESO.

Thanks,

Will

From: Victor Buza [mailto:Victor.Buza@ieso.ca]
Sent: Monday, November 06, 2017 10:48 AM
To: William Tan <William.Tan@ofina.on.ca>; Anthony Martinello <Anthony.Martinello@ieso.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: RE: Signatures for FHP and Amending Agreement No. 10

Hi Will – I have a signing meeting scheduled with our signatory at 2:30pm this afternoon – so I will send you counterpart signatures and a scanned version of the Intercept Letter by 3:00pm or possibly earlier.

Hardcopy of Intercept Letter to follow as you prefer – overnight or pickup? We also need to make arrangements re delivery of the $2Bn Grid Note.

Per s.16 of AA#10, the other Note for $475MM is to be delivered following the Effective Time in exchange for the return by OFA of the Nov 30 2016 Note for $975MM.

Victor

From: William Tan [mailto:William.Tan@ofina.on.ca]
Sent: November 06, 2017 10:33 AM
To: Anthony Martinello
Cc: Lisa Stein; Victor Buza; Sarah Harris
Subject: Signatures for FHP and Amending Agreement No. 10

Good morning Anthony,

Just checking-in on approximately when we can expect the documents to be executed so I may prepare my signatory.

Thanks,

Will Tan| *Documentation & Analysis Specialist*
Capital Markets Division | Ontario Financing Authority
1 Dundas Street West, Suite 1400
Toronto, Ontario M5G 1Z3, CANADA
Tel. (416) 325-8090 | Fax: (416) 860-8346
william.tan@ofina.on.ca

This message, including any attachments, is intended only for the use of the individual(s) to which it is addressed and may contain information that is privileged and confidential. Any other distribution, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message including any attachments, without reading it or making a copy. Thank you

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

From:	Opal Kandelas
To:	Sarah Harris
Subject:	FW: Special Purpose Accounts (SPA) - may be used for Green Ontario Fund
Date:	Tuesday, June 06, 2017 4:51:46 PM
Attachments:	Guidelines11_27_03_Special_Purpose_Account_Guideline_Final.doc MC Policies - Copy of 04_13_06_Responsibilities_Listing.xls

Hi, did you intend to have 4 staff working on the IMA? Just realized there is to be a meeting tomorrow but Mark sent it only to department heads – assumed you were cc'd.

From: Parvez Daruwalla
Sent: Monday, May 29, 2017 3:05 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: FW: Special Purpose Accounts (SPA) - may be used for Green Ontario Fund

Sorry I did not copy you.

From: Parvez Daruwalla
Sent: Monday, May 29, 2017 3:03 PM
To: David Peters <David.Peters@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>; Garth Parish <Garth.Parish@ofina.on.ca>; Mark Froud <Mark.Froud@ofina.on.ca>
Cc: Elizabeth Wallace <Elizabeth.Wallace@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Subject: Special Purpose Accounts (SPA) - may be used for Green Ontario Fund

I believe that an establishment of an SPA (if allowed) should be considered by the newly established entity. This would be a lot simpler than establishing IMAs and drafting SIPPs. Moreover, it will serve the purpose of segregating (accounting sense) carbon tax money from the CRF.

Regards

Parvez

SPECIAL PURPOSE ACCOUNT GUIDELINE

This Guideline is to be read in conjunction with the Special Purpose Account Policy (link)

Key Definitions of Special Purpose Account (SPA)

- A Special Purpose Account (SPA) is an account authorized by the Ministry of Finance, within the Consolidated Revenue Fund (CRF), and represents money received or collected by Ontario for a special purpose.[1]

TYPES OF SPECIAL PURPOSE ACCOUNT

Externally Restricted Assets and Revenues

A Special Purpose Account should be considered for assets and revenue, which are externally restricted by the provider of the funds in an agreement or legislation if the following conditions are met:

1. Specific restrictions are placed on the Government on how the funds and proceeds are to be used;
2. There are specific requirements that funds/assets, disbursements, and revenue are to be managed and reported separately from general government assets, expenditures and revenues (still within the Consolidated Revenue Fund); and
3. Annual financial statements must be prepared to account for all expenditures, revenues, assets and liabilities separate from the Public Accounts.

Where significant amounts of money are provided by persons, organizations or other governments, this can result in resource requirements within the Government of Ontario to manage the SPA. Management Board of Cabinet, must approve these resource requirements.

Private Voluntary

Where a person or organization external to the Government of Ontario voluntarily pays money to Ontario on the condition that Ontario use the money for a specified ongoing purpose (e.g. a payment to establish a scholarship program), a special purpose account should be considered where the conditions listed above (page 1) are met.

As there is some confusion between Special Purpose Accounts and Trusts it should be noted that the term “trust” is quite often incorrectly applied to assets earmarked as a result of government policy decisions when no trust liability exists and is more properly defined as funds provided for a special purpose. A trust is defined as property that has been conveyed or assigned to a trustee to be administered by agreement or statute. To meet this definition the property must be provided to fulfill a particular objective of the

[1] **Financial Administration Act** R.S.O. 1990, CHAPTER F.12

donor of the property conveyed or assigned[2]. A trust establishes a right to or in property held for the benefit of another. A trust may be written or implied. However if a trust meets the criteria listed above then a special purpose account should be considered.

External Public Sector

Where a statute and/or written agreement with another jurisdiction requires money to be paid to Ontario for a specified purpose (e.g. fine surcharges for *Criminal Code (Canada)* offences), and the conditions listed above (page 1) are met a special purpose account should be considered

Most funds provided from another level of government or another jurisdiction do not meet the three conditions described above and therefore do not qualify for a special purpose account. The funds should be deposited to the CRF and accounted for in the regular manner using the book of record. Even if some of these conditions are met, financial management of the funds should allow for meeting the requirements in legislation and/or agreement without resort to a special purpose account.

Internally Restricted Assets and Revenues

The primary difference between Internal and Program Service Delivery SPA proposal relates to whether the focus of the proposal is a special purpose account for a cash flow:

1. from one external party and/or an appropriation to another external party (internal SPA) or
2. from an external party and/or an appropriation to fund government program delivery (program service delivery SPA).

Internal Ontario Government

When approved by the Minister of Finance, a statute of Ontario can deem money that would otherwise constitute general revenues of Ontario to have been received by Ontario for a special purpose. This could entail a specific revenue source e.g. fee, licence, charge, or recovery that needs to be designated and segregated for a specific purpose. This would include programs like:

- Compensation of victims of crimes funded by recoveries from sale of criminal assets, surcharges under the *Provincial Offences Act*, and proceeds from illegal activities, donations, and
- *Rescuing Children Form Sexual Exploitation* fund by recoveries of earnings made from such activity.

The administration of these programs is usually within the government and is funded from the revenues generated and/or interest earned (where approved by the Minister of Finance under section 7(2) of the *Financial Administration Act).*

[2] Canadian Institute of Chartered Accountants, Public Sector Accounting Handbook, PS 1300.40

This could also apply to funds received under law from one party, which is owed to another party, with the government receiving the monies owed and paying them to the third party to ensure payment. This type of arrangement should be considered for set up as a special purpose account.

Program Service Delivery Using Revenue

A current or proposed program requires monies, that would generally be deemed revenues of Ontario, be placed in a special purpose account by statute to provide a more effective, efficient and economical form of service delivery (e.g. fishing or hunting license fees or fees and charges collected by provincial parks). This is similar to a net funding or revolving fund arrangement allowing the program greater flexibility to respond to stakeholders and operate in a more business like fashion. This could include monies allocated from a government appropriation for that program to a SPA.

ESTABLISHING A SPECIAL PURPOSE ACCOUNT

If the purpose of any special purpose account changes from the original approval and/or statute, the Ministry must request MBC and MOF to approve the wind down of the old account and the establishment of a new special purpose account following the steps outlined below depending on the type of account. This request must also detail what is to happen to monies in the old account e.g. return to contributors or transfer to the new account.

Significant SPAs should be setup in their own appropriation (vote/item) using an internal recovery account or a natural account that will sufficiently track revenues (inflows and interest) and expenses. Smaller SPAs can be set up within an appropriation (vote/item) however this should only be done when a Ministry is able to accurately account for and attribute expenses and revenue to the SPA. In either case the SPA must be able to be managed and reported in an effective and efficient manner.

Externally Restricted Assets and Revenues

Where significant amounts of money are provided by persons, organizations or other governments this can result in resource requirements within the Government of Ontario to manage the SPA. Management Board of Cabinet must approve these resource requirements.

Private Voluntary

The statutory authority in this case will generally be section 7 of the *Financial Administration Act* and a new specific statute will not be required. This does not preclude legislation from being enacted, however the cost/benefit of such an action should be considered. Minimally there should be an agreement setting out the purpose,

undertakings, restrictions, reporting and wind down provisions. Consideration should be given to an OIC and/or a regulation.

A submission to the Financial Analysis Branch (FAB) of the Ministry of Finance for approval of a special purpose account should cover the following areas:

1. A description of the nature and special purpose of the item for which the SPA is requested, making reference to s.7 (1) of the FAA, or if applicable, detailing the plans for legislation and attaching a draft.
2. Describe the payment (amount(s) and timing) that will/be or has been made to the CRF by the payer.
3. Attach to the submission any draft agreements, OICs or regulations that the Ministry deems necessary to support the special purpose account.
4. If interest is to be paid on the balance in a special purpose account, an order in council must be made under subsection 7(2) of the FAA. Details must be provided supporting the need to pay interest and specifying at what rate, times and manner the interest is to be paid.
5. A business case should be submitted. The level of detail required is predicated on the evaluated dollar amount of the assets to be provided to the Government, the impact on the government's and ministry's plans and resources, and the risks involved. Generally the following areas should be covered: (see Developing a Business Case Guideline for details).
    a. Background
    b. Policy Issues
    c. Program Delivery/Service
    d. Inter-Jurisdiction Analysis (where required)
    e. Performance Measures (where appropriate)
    f. Accountability/Governance
    g. Human Resources
    h. Information Technology
    i. Accommodation
    j. Cost/Benefit
    k. Impact Analysis
    l. Risk Analysis
    m. Communications
    n. Intra/Inter Government Impacts
6. FAB will review the documentation submitted by the Ministry and provide feedback and advice where necessary. This could result in amended documents.
7. When FAB is satisfied with the documentation a recommendation will be made to the Minister of Finance for approval.
8. Where interest is to be paid FAB will request Cabinet to approve an OIC. In order to determine the applicable interest rate and timing of interest payments, FAB will consult with OFA Corporate Finance Division.
9. If resources are required to manage the SPA, FAB will hold it recommendation until Management Board of Cabinet, has approved the resources. FAB will

proceed to recommend when approval has been received from Management Board to establish the SPA.
10. FAB will maintain a database of SPAs and trusts to allow for monitoring and accounting purposes.

External Public Sector

Federal Government Program Transfers would generally not be set up as SPAs. However specific contributions or transfers with conditions imposed, such as those listed above (page 1), should be established as a SPA. This can be done by Federal statute, regulation or agreement. The vehicle used should be determined by an evaluation of cost/benefits, amount of the contribution and risks involved. It is also important to evaluate the long-term impact of federal contributions that are matched with provincial and/or private contributions. The Province has been left with full responsibility to deliver programs when the Federal or private contributors have pulled out their funding. Arrangements with municipalities and with other governments should be guided by the same principles.

A MBC Submission to Management Board and Inter-Governmental Affairs is required before proceeding with a submission to the Ministry of Finance (see MBC Submission Guideline for detailed requirements). Ministries should provide a copy of their MBC Submission to the Ministry of Finance at the time it is submitted to MBS.

After approval of the arrangement between governments by MBC and Inter-Governmental Affairs and any necessary resources, a submission to the Financial Analysis Branch FAB of the Ministry of Finance for approval of a Special Purpose Account should cover the following areas (most of this information can be copied from the MBC Submission):

1. A description of the nature and special purpose of the item for which the SPA is requested, making reference to s.7 (1) of the FAA, or if applicable, detailing the plans for legislation and attaching a draft. Legislation from the other jurisdiction(s) should also be included.
2. Describe the payment (amount(s) and timing) that will/be or has been made to the CRF by the Government(s) concerned including any other contributors.
3. Attach to the submission any draft agreements, OICs or regulations that the Ministry deems necessary to support the special purpose account.
4. It is unlikely that interest would be paid on funds received from another jurisdiction. However, if justified, e.g. funds originally came from a third party that demanded interest or there was a clear fiduciary responsibility or the legislation of the other jurisdiction required it, interest to be paid on the balance in a special purpose account, must have an order in council made under subsection 7(2) of the FAA. Details must be provided to FAB supporting the need to pay interest and specifying at what rate, times and manner the interest is to be paid.
5. A business case should be submitted. The level of detail required is predicated on the evaluated dollar amount of the assets to be provided to the Government, the impact on the government’s and ministry’s plans and resources, and the risks

involved. Generally the following areas should be covered: (see Developing a Business Case Guideline for details).

a. Background
b. Policy Issues
c. Program Delivery/Service
d. Inter-Jurisdiction Analysis
e. Performance Measures (where appropriate)
f. Accountability/Governance
g. Human Resources
h. Information Technology
i. Accommodation
j. Cost/Benefit
k. Impact Analysis
l. Risk Analysis
m. Communications
n. Intra/Inter Government Impacts

6. FAB will review the documentation submitted by the Ministry and provide feedback and advice where necessary. This could result in amended documents.
7. When FAB is satisfied with the documentation a recommendation will be made to the Minister of Finance for approval.
8. Where interest is to be paid FAB will request to Cabinet for approval of an OIC. In order to determine the applicable interest rate and timing of interest payments, FAB will consult with OFA Corporate Finance Division.
9. FAB will maintain a database of SPAs and trusts to allow for monitoring and accounting purposes.

Internally Restricted Assets and Revenues

Internal Ontario Government

The use of internal SPAs should be limited to those situations where there is a real need to segregate external funds from general government revenues that are to be received from or go to a third party. Where the contribution from an appropriation to a proposed SPA will be greater than 50% (is this an appropriate level) then contributions from external parties should be treated as general revenues, deposited to the CRF and a transfer payment account be set up to pay the third party.

A SPA submission to Management Board of Cabinet requesting approval is required before proceeding with a submission to the Ministry of Finance. Ministries should provide a copy of their MBC Submission to the Ministry of Finance, FAB at the time it is submitted to MBS.

After approval of the proposal and any necessary resources by MBC, a submission to the Financial Analysis Branch FAB of the Ministry of Finance for recommendation to the Minister of Finance for approval of a Special Purpose Account should cover the following areas:

1. A description of the nature and special purpose of the item for which the SPA is requested, detailing the plans for legislation and attaching a draft.
2. Describe the cash flows into the account (amounts and timing) that will be made to the CRF by the payer(s) and where applicable contributions from an appropriation (amounts and timing). Contributions from the appropriation should only be made when needed (see Cash Management Directive).
3. Describe the cash outflows from the accounts (amount and timing) and identify to whom the payment(s) will be made and when.
4. Attach to the submission any draft agreements, OICs or regulations that the Ministry deems necessary to support the special purpose account.
5. If interest is to be paid on the balance of funds in a special purpose account, an order in council must be made under subsection 7(2) of the FAA. Details must be provided supporting the need to pay interest and specifying at what rate, times and manner the interest is to be paid. Interest will not be paid on Government contributions.
6. A business case should be submitted. The level of detail required is predicated on the evaluated dollar amount of the assets to be provided to the Government, the impact on the government's and ministry's plans and resources, and the risks involved. Most of the material in the business case will come from the Management Board Submission. Generally the following areas should be covered: (see Developing a Business Case Guideline for details).
    a. Background
    b. Policy Issues
    c. Program Delivery/Service
    d. Performance Measures
    e. Accountability/Governance
    f. Human Resources
    g. Information Technology
    h. Accommodation
    i. Cost/Benefit
    j. Impact Analysis
    k. Risk Analysis
    l. Communications
    m. Intra/Inter Government Impacts
7. FAB will review the documentation submitted by the Ministry and provide feedback and advice where necessary. This could result in amended documents.
8. When FAB is satisfied with the documentation a recommendation will be made to the Minister of Finance for approval.
9. When interest is to be paid FAB will make a request to Cabinet for approval of an OIC. In order to determine the applicable interest rate and timing of interest payments, FAB will consult with OFA Corporate Finance Division.
10. FAB will maintain a database of SPAs and trusts to allow for monitoring and accounting purposes.

Program Service Delivery Using Revenue

This is primarily a form of alternate service delivery and must be in full compliance with the Government's Alternative Service Delivery Framework, and a Guide for Preparing a Business Case for Alternative Service Delivery.

A submission to Management Board for approval is required before proceeding with a submission to the Ministry of Finance. Ministries should provide a copy of their MBC Submission to the Ministry of Finance, FAB at the time it is submitted to MBS.

After approval of the proposal and any necessary resources by MBC, a submission to the Financial Analysis Branch (FAB) of the Ministry of Finance to recommend to the Minister of Finance for approval of a Special Purpose Account should cover the following areas:

1. A description of the nature and special purpose of the item for which the SPA is requested, detailing the plans for legislation and attaching a draft.
2. Program Delivery SPAs are set up as appropriations with recovery lines for external contributions.
3. Describe the cash flows into the account/appropriation (amounts and timing) that will be made to the CRF by external contributors and from internally appropriated funding (amounts and timing).
4. Describe the cash outflows from the accounts/appropriation (amount and timing) and identify to whom the payment(s) will be made and when.
5. Attach to the submission the final approved Submission to MBC, any draft agreements, OICs or regulations that the Ministry deems necessary to support the special purpose account.
6. If interest is to be paid on the balance of funds in a special purpose account, an order in council must be made under subsection 7(2) of the FAA. Details must be provided supporting the need to pay interest and specifying at what rate, times and manner the interest is to be paid. Interest will not be paid on Government contributions.
7. FAB will review the documentation submitted by the Ministry and provide feedback and advice where necessary. This could result in amended documents.
8. When FAB is satisfied with the documentation a recommendation will be made to the Minister of Finance for approval.
9. Where interest is to be paid FAB will request to Cabinet for approval of an OIC. In order to determine the applicable interest rate and timing of interest payments, FAB will consult with OFA Corporate Finance Division.
10. FAB will maintain a database of SPAs and trusts to allow for monitoring and accounting purposes.

MAINTAINING A SPECIAL PURPOSE ACCOUNT

Externally Restricted Assets and Revenues

Private Voluntary and External Public Sector

The maintenance of the private voluntary and external public sector special purpose accounts should involve the following:

1. Where feasible an SPA should be set up in the book of record of the Ontario Government. OPC will assign the appropriate Chart of Accounts coding.
2. Ministries must deposit SPA funds to the Consolidated Revenue fund through their usual bank account.
3. Payments must be made from the CRF through IFIS.
4. If interest is to be paid on the outstanding fund balances **the ministry must provide a copy of the OIC to OFA Capital Markets Treasury Division, Accounting and Financial Reporting Section.** Following the end of each interest period (monthly, quarterly etc) the ministry must submit to OFA for review the interest claim computation for the period. Following OFA verification of interest claim, the ministry must submit a journal to OFA for processing.
5. Discrepancies will be reviewed between OFA and ministry involved.
6. Monitoring and reporting as required by legislation, OIC, regulation, agreement or the original approved submission to FAB of MOF.
7. For accounts under $5 million (by assets at year end or by cashflow) annual financial reporting in accordance with Generally Accepted Accounting Principles (GAAP) with a schedule of amounts received and amounts disbursed identifying individual or organizations where not prohibited by the Provincial *The Freedom of Information and Protection of Privacy Act* or *The Municipal Freedom of Information and Protection of Privacy Act* or the Federal *Privacy Act and the Personal Information Protection and Electronic Documents Act* or restrictions in the enabling documents or legislation establishing the SPA. The reports should be submitted to the Deputy Minister, FAB, MOF, where required by the original approval, MBS and, where feasible and appropriate, to external contributors.
8. For External Public Sector SPAs, reports should also be provided to the organization(s) in the Public Sector who are making contributions to the SPA at the same time it is provided to the Government of Ontario.
9. Where cash inflows are from multiple sources these should, where feasible, be reported on all financial and management reports.
10. For accounts over $5 million, (by assets at year end or by cashflow) in addition to an annual report described in paragraph 2:
    a. Quarterly interim financial statements in accordance with GAAP provided to FAB of MOF and external contributors if applicable, matched against budget with explanation of variances within 30 days of month end.
    b. Reports on performance indicators where they have been developed yearly by June 30th that explain significant variances (greater than10%).

c. Every four years the special purpose account will be evaluated in accordance with the MBS's Program Evaluation Guideline

Internally Restricted Assets and Revenues

Internal Ontario Government and Program Service Delivery Using Revenue

1. SPA's that receive contributions from the Consolidated Revenue Fund must reside in the vote item structure of a Ministry.
2. SPAs must be set up in the books of record of the Ontario Government.
3. Ministries must deposit SPA funds to the Consolidated Revenue fund through their usual bank account.
4. Payments must be made from the CRF through IFIS.
5. Monitoring and reporting as required by legislation, OIC, regulation, agreement, Memorandum of Understanding (MOU) or the original approved submission to MBC and FAB of MOF.
6. SPAs must meet all applicable monitoring, reporting, and evaluation requirements in directives, policies and practices that apply to government ministries.

WINDING DOWN A SPECIAL PURPOSE ACCOUNT

If a SPA has been dormant for more than three years (no financial transactions, other than interest credited, have occurred during the period), or if there is reason to believe that the purpose for which the account was established is no longer applicable, the account will be reviewed by the Ministry of Finance and the originating ministry. If the purpose of any special purpose account changes from the original approval and/or statute, the Ministry must request MBC and MOF to approve the wind down of the old account and the establishment of a new special purpose account following the steps outlined below depending on the type of account. This request must also detail what is to happen to monies in the old account e.g. return to contributors or transferred to new account.

Externally Restricted Assets and Revenues

Private Voluntary

If the review mentioned above concludes that the account will no longer be used for the purpose it was intended then the originating ministry, with the concurrence of the Minister of Finance, will draft amending legislation to wind up the account (where legislation was passed to specifically enable the SPA). If a SPA was not established by legislation but by OIC or regulation, then an OIC and/or revised regulation winding down the SPA is required. Where an agreement was the enabling vehicle then the specifics for wind down contained in the agreement for the SPA should be followed.

Any balance in the account will be returned, where appropriate and feasible, to the entity(s) or individual(s) who originally provided, otherwise the funds should be transferred to Miscellaneous Revenue in the originating ministry. Where monies have been transferred to revenue any subsequent expenditures will need an appropriation and approval of Management Board of Cabinet

External Public Sector

Usually the organization in the public sector that initiated the SPA would request the wind down. However the Province could also initiate a wind down where it is determined that it is no longer advisable to participate in the program. If it is at the instigation of the contributing organization(s) or a review concludes that the account will no longer be used for the purpose it was intended, then the originating ministry, with the concurrence of the Minister of Finance, will wind down the SPA either by drafting amending legislation, OIC, Regulation and/or agreement (whatever is appropriate). Any balance in the account will be transferred back to the contributing organizations.

Internally Restricted Assets and Revenues

Internal Ontario Government and Program Service Delivery Using Revenue

If it is desirable to terminate the program or the SPA has been dormant for more than three years (no financial transactions have occurred during the period), or if there is reason to believe that the purpose for which the account was established is no longer applicable, the account will be reviewed by the Ministry of Finance, Management Board Secretariat and the originating ministry. With Management Board approval the account will be wound down with the appropriate legislative, OIC, regulation and/or agreement changes.

Any balance in the account that was contributed by the Government of Ontario will be returned to the appropriation from which it originated. If there were other contributors, their contribution, where appropriate and feasible, is returned to the entity(s) or individual(s) who originally provided the funds or where this is not appropriate or feasible it will be transferred to Miscellaneous Revenue. Where monies have been returned to an appropriation or transferred to revenue any subsequent expenditure pertinent to the SPA's original purpose will need an appropriation and where an appropriation does not exist approval of Management Board of Cabinet.

If you have any questions or require further information about this document, please contact Barry Johnston by telephone at 416-325-1132 or by e-mail at barry.johnston@fin.gov.on.ca

SPECIAL PURPOSE ACCOUNT GUIDELINE

TYPES OF SPAs

<table>
<tr><th>EXTERNALLY RESTRICTED ASSETS AND REVENUES</th><th>INTERNALLY RESTRICTED ASSETS AND REVENUES</th><th>FEATURES</th><th>ESTABLISHED BY</th><th>MAINTENANCE</th></tr>
<tr><td>Private Voluntary
Person/ organization external to the Ont. Gov't voluntarily pays money to Ontario on the condition that it is used for a specified ongoing purpose (e.g. a payment to establish a scholarship program)</td><td></td><td rowspan="2">• Specific restrictions are placed on how the funds are to be used;
• Specific requirements that funds/assets, disbursements, and revenue are to be managed and reported separately from general government assets, expenditures and revenues (still within the CRF);
• Annual financial statements must be prepared to account for all expenditures, revenues, assets and liabilities separate from the Public Accounts.</td><td>FAA Section 7</td><td rowspan="2">• Set up in book of record
• Monitoring, reporting as required by establishing authority
• Annual reporting under $5 million
• Quarterly reporting over $5 million
• Evaluate SPA every 4 years
• Review if dormant for 3 years</td></tr>
<tr><td>External Public Sector
Statute/ written agreement with another jurisdiction requires money to be paid to Ontario for a specified purpose (e.g. fine surcharges for Criminal Code (Canada) offences)</td><td></td><td>Any of
• Provincial statute
• OIC
• Regulation
• Agreement</td></tr>
</table>

EXTERNALLY RESTRICTED ASSETS AND REVENUES	INTERNALLY RESTRICTED ASSETS AND REVENUES	FEATURES	ESTABLISHED BY	MAINTENANCE
	Internal Ontario Government When approved by the Minister of Finance, a statute of Ontario can deem money that would otherwise constitute general revenues of Ontario to have been received by Ontario for a special purpose.	Cash flow: • from one external party and/or an appropriation to another external party (internal SPA) or • from an external party and/or an appropriation to fund government program delivery .	Management Board approval Minister of Finance approval	• Set up in book of record • Monitoring, reporting as required by establishing authority • Same monitoring, reporting as for ministries • Review if dormant for 3 years
	Program Delivery Using Revenue Primarily a form of alternate service delivery. Must comply with • Alternative Service Delivery Framework, and • a Guide for Preparing a Business Case for Alternative Service Delivery.		Management Board approval Minister of Finance approval	

	Responsiblities in Policies			
Policy	**Min. of Finance is responsible for:**	**Ministries are responsible for:**	**OSS is responsible for:**	**Other**
Special Purpose Accounts	**The Minister of Finance is responsible for:**	**Deputy Ministers**		**Management Board of Cabinet**
	☐Approving the establishment of SPAs;	☐Approving and submitting requests for SPAs to the Financial Analysis Branch, Ministry of Finance, and where appropriate Management Board of Cabinet accompanied by supporting rationale and documentation such as a copy of the relevant legislation;		☐Approving SPAs that constitute alternate service delivery in conjunction with the Minister of Finance; and
	☐Managing SPAs along with the rest of the CRF; and	☐Submitting an annual Business Plan either as part of the Ministry's Business Plan to Management Board of Cabinet or as separate plan to Ministry of Finance. Copies of the section of the Ministry's Business Plan related to SPAs should also be forwarded to the Financial Analysis Branch of the Ministry of Finance.		☐Approving Business Plans as they relate to SPAs approved as a form of Alternative Service Delivery.
	☐Recommending to Cabinet that a special purpose account be interest bearing.	☐The proper use of funds in the account, consistent with the approved purpose; and		
		☐Reporting quarterly on the Business Plan and the use of the funds in the account to the Minister of Finance and where appropriate to Management Board of Cabinet.		
	EXCLUSIVE JURISDICITION OF THE MINISTER OF FINANCE			**The OFA is responsible for:**

	Responsiblities in Policies			
Policy	**Min. of Finance is responsible for:**	**Ministries are responsible for:**	**OSS is responsible for:**	**Other**
	If a ministry wishes to seek a legislative amendment that will deem revenues of Ontario to have been received by Ontario for a special purpose, that ministry should first consult the Ministry of Finance since the Minister of Finance has statutory authority under the Ministry of Treasury and Economics Act (MTEA) to			☐Approving the applicable rate of interest and timing of interest payments from a SPA before submission for approval by the Minister of Finance; and
	(a) recommend to the Executive Council all finance, economic, accounting and taxation policy			☐Processing interest payments submitted by ministries.
	(b) supervise, direct and control all finance, economic, statistical and accounting functions and			
	(c) manage the CRF and all “public money” (which includes money paid to Ontario for a special purpose).			
	Financial Analysis Branch (FAB) - Ministry of Finance is responsible for:			
	☐Reviewing requests for SPAs by ministries and resolving any outstanding issues;			
	☐Making recommendations for approval of the account to the Minister of Finance;			
	☐Reviewing the annual business plan and quarterly reports on SPAs and			

	Responsiblities in Policies			
Policy	**Min. of Finance is responsible for:**	**Ministries are responsible for:**	**OSS is responsible for:**	**Other**
	☐Conducting periodic reviews of special purpose accounts to determine if they are dormant or no longer serves the purpose intended.			
	Office of the Provincial Controller (OPC) Ministry of Finance			
	OPC is responsible for:			
	☐Determining policy and guidelines on SPAs; and			
	☐Establishing the account and providing confirmation to the requesting ministry that the account can be used, once a SPA is approved.			

From:	Opal Kandelas
To:	Opal Kandelas
Subject:	FW: Status Update
Date:	Thursday, May 31, 2018 11:13:50 AM
Attachments:	Metrolinx-CIBC ISDA.msg LIBOR.docx

From: Sarah Harris
Sent: Monday, October 23, 2017 10:55 AM
To: Mike Manning <Mike.Manning@ofina.on.ca>
Cc: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: Status Update

Hi Mike,

I thought it would be helpful to provide you with a status update:

1) $ 6B Loan Act OIC was approved October 16. Total Authority for Province now $24.4 billion.
2) $ 15B FAA Refinancing OIC – package now with DMO. LRC target date is November 20th. On Friday afternoon, DMO asked if was possible to move to the next LRC in early December. I've pushed back due to the extensive prep and review process that it takes Documentation, LSB and Accounting that would need to be repeated for a revised schedule that would be needed if the date is changed. I'll let you know if the November 20th date changes.
3) IESO –I've provided the e-mail update on Friday and will keep you informed of any developments.
4) LIBOR – I've attached a note prepared by Dean and Kelly on the impact of the LIBOR on the Province and OEFC
5) Metrolinx – CIBC's credit department came back with two 'asks' (I've attached the-mail with more detail, for your reference):
   1- CIBC wants to simplify the Additional Termination Event whereby if Metrolinx ceases to be a Crown Agent, the counterparty can Terminate. On initial analysis (Dean and I), this appears workable, but Malle has to review, especially with regard to any impact on the section 28 for the ISDA.
   2 Due to the uncollateralized nature of the ISDA Transactions to be entered into, and CIBC's requirement is that their derivative transactions cannot be subordinated to Metrolinx's senior debt, CIBC is requesting that Metrolinx provide a pari passu representation in the ISDA Schedule. The Province does include this in its swap agreements, and on the face would seem problematic for Metrolinx. We'll need to consult with LSB and Metrolinx on this.
6) Ontario Climate Change Solutions Deployment Corporation (OCCSDC) IMA – I expect Parvez updated you, that we have provided comments on the SIPP and IMA to MOECC. We understand that OCCSDC has at least a skeletal Board who is able to approve items (such as the SIPP). Through Mark Froud, we are requesting more information on whether and when OCCSDC will have Board approved Investment By-Law and signing authorities. While the

OCCSDC regulation doesn't require a by-law per se, we are not clear on what internal approvals OCCSDC must pass in order to execute the IMA, and our contact is checking with her legal counsel to confirm.

7) OCGC IMA – George Loo contacted us on Friday 13th indicating progressing in launching its 1st cleantech fund with Yaletown. They are finalizing the limited partnership agreement and other documents for OCGC Board approval (OCGC Board approval and sign-off at their quarterly meeting scheduled for Monday December 11, 2017), and are now creating the S28 approval package for Yaletown. Andrea will have a call to discuss certain signing authority matters with George.
8) US Counsel RFP – with Malle to be reviewed by MAG.
9) HR – Have begun process for recruitment for Lenin's vacant analyst position. Will see if I can restrict applicants to within OFA.
10) General Question: Have there been any developments regarding any discussions with the dealers on zero/zero CSA thresholds?

Thanks,
Sarah

From: Dean Hwang []
To: Malle Hanslep (MOF) [Malle.Hanslep@ontario.ca]; Dimitri Markoulakis (MOF) [Dimitri.Markoulakis@ontario.ca]
CC: Sarah Harris [Sarah.Harris@ofina.on.ca]
Subject: Metrolinx-CIBC ISDA
Date: Friday, October 20, 2017 14:11:19
Attachment 1: #6275155-v6-Metrolinx - CIBC ISDA Schedule - SE Comments.docx

---

Hi Malle and Dimitri,

I would like to update you on the current status of Metrolinx ISDA Schedules.

TD, BMO and BNS agreed to the current form of the ISDA Schedules. As I stated before, NBC ISDA may not work due to the Two Affected Parties issue on ATE.

Now, what matters is CIBC ISDA Schedule. There are two remaining issues with CIBC. Initially, it was thought that CIBC would agree to our suggested languages as the feedback was such that they were fine, but they would need the final words from their credit area. Now, the response we get is that CIBC's credit area insists on their suggested languages. Following are the two issues:

1. Additional Termination Event for Metrolinx: Following is the wording we have in the draft

   "The following shall constitute an Additional Termination Event in respect of which Party A will be the sole Affected Party:

   (1) A change is made to the *Metrolinx Act, 2006*, that has the effect that Party A ceases to be a Crown agency within the meaning of the *Crown Agency Act* for the purposes of this Agreement and the Minister of Finance ceases to be required to pay from the Consolidated Revenue Fund the amount of any judgment against Party A that remains unpaid after it has made reasonable efforts, including liquidating its assets, to pay the amount of the judgment."

   - ⇨ CIBC remains partial to having an ATE in the ISDA should Metrolinx cease to be a Crown corporation. They understand our previous comment regarding the circumstances under which the Minister of Finance can pay judgments against Metrolinx out of the Province's Consolidated Revenue Fund. However, they do not believe that the ATE needs to necessarily align with the wording in the Act as an ATE merely grants the non-Affected Party the option (not the requirement) to unwind. Our preference is at least to have the option to review the facts / circumstances surrounding such a re-characterization of our counterparty and determine whether this event has any bearing on our earlier risk assumptions. As such, they prefer that the relevant ATE in Part 1(h) read: "Any change to Metrolinx Act such that Party A ceases to be a Crown Corp".
   - ⇨ I feel that this does not pose much risk to the Province. When Metrolinx does not act as a Crown Agency, Minister will not pay from the CRF. My suggestion is to keep the first part of the ATE.
     - o (1) A change is made to the *Metrolinx Act, 2006*, that has the effect that Party A ceases to be a Crown agency within the meaning of the *Crown Agency Act* for the purposes of this Agreement. ~~and the Minister of Finance ceases to be required to pay from the Consolidated Revenue Fund the amount of any judgment against Party~~

~~A that remains unpaid after it has made reasonable efforts, including liquidating its assets, to pay the amount of the judgment."~~

2. Due to the uncollateralized nature of the ISDA Transactions to be entered into, and CIBC's requirement is that their derivative transactions cannot be subordinated to Metrolinx's senior debt. CIBC is requesting that Metrolinx provide a pari passu representation in the ISDA Schedule.
   - ⇨ " Party A represents and warrants on a continuing basis to Party B that its obligations hereunder shall at all times rank at least pari passu with its most senior Specified Indebtedness. In the event that Party A provides or agrees to provide security regarding any Specified Indebtedness in the future, it covenants to secure, at the same time, its obligations to Party B on an equal and rateable basis."
   - ⇨ This may be quite problematic. The Province will never accept such a language due to its debt issuance portfolio. However, we also understand that Metrolinx is quite different from the Province, and with their current debt structure, this may be just a true statement (Stikeman insists so, at least.) Since We are not very familiar with Metorlinx's "borrowed money", we wonder if accepting such pari passu language for Metrolinx would be reasonable. Specifically, we wonder if this may affect the s.28 we received from the Minister.

Just for your information, Jason from Stikeman, Metrolinx' counsel is quite adamant about this file. We already said no to NBC ISDA Schedule due to the Two Affected party issue. So we are down to 3 confirmed parties, and CIBC is on the stake. Jason wants us to agree on this and move on but we need to make sure that if these languages may pose any unwanted potential issues as now Metrolinx wants to close the file as soon as possible and they rely on Stikeman's legal advice.

Would you please review, and let us know of your thoughts? Sooner would be better if possible.

Best regards,
Dean

W.B. Dean Hwang | *Derivative Documentation Coordinator*
Capital Markets Division | Ontario Financing Authority
1 Dundas Street West, Suite 1400
Toronto, Ontario M5G 1Z3, CANADA
Tel: (416) 325-0004 | Fax: (416) 204-6141 | e-mail: dean.hwang@ofina.on.ca

This message, including any attachments, is intended only for the use of the individual(s) to which it is addressed and may contain information that is privileged and confidential. Any other distribution, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply email and permanently delete this message including any attachments, without reading it or making a copy. Thank you.

SCHEDULE

to the

1992 ISDA Master Agreement

dated as of [ ], 2017

METROLINX, a Corporation without share capital continued under subsection 2(1) of the Metrolinx Act, 2006	**CANADIAN IMPERIAL BANK OF COMMERCE**

between: ..... ("Party A") and ..... ("Party B")

Part 1. **Termination Provisions.**

(a) **"Specified Entity"** means in relation to Party A for the purpose of:

Section 5(a)(v), None

Section 5(a)(vi), None

Section 5(a)(vii), None

Section 5(b)(iv), None

and in relation to Party B for the purpose of:

Section 5(a)(v), None

Section 5(a)(vi), None

Section 5(a)(vii), None

Section 5(b)(iv), None

(b) **"Specified Transaction"** will have the meaning specified in Section 14 of this Agreement unless another meaning is specified here:

(a) any transaction (including an agreement with respect thereto) now existing or hereafter entered into between one party to this Agreement and the other party to this Agreement which is (i) a foreign exchange spot or forward agreement, or (ii) a fuel forward or swap, in all such cases, where otherwise entered into in compliance with the by-laws and policies of Party A, and (b) any combination of these transactions.

(c) The **"Cross Default"** provisions of Section 5(a)(vi): will not apply to Party A
will not apply to Party B

(d) The **"Credit Event Upon Merger"** provisions of Section 5(b)(iv): will not apply to Party A
will apply to Party B

(e) The **"Automatic Early Termination"** provision of Section 6(a): will not apply to Party A
will not apply to Party B

(f) **Payments on Early Termination.** For the purpose of Section 6(e) of this Agreement:

(i) Market Quotation will apply; and

(ii) The Second Method will apply.

(g) **"Termination Currency"** means Canadian Dollars.

(h) **Additional Termination Event** will apply.

The following shall constitute an Additional Termination Event in respect of which Party B will be the sole Affected Party:

(1) Party B experiences a reduction of the rating of its long term senior unsecured debt securities below a rating of "A3" as rated by Moody's Investors Service, Inc. ("Moody's") (or its equivalent as stated by Moody's in the case of any future change in ratings definitions), or below a rating of "A-" as rated by Standard & Poor's, a division of McGraw-Hill, Inc. ("S&P") (or its equivalent as stated by S&P in the case of any future change in ratings definitions); provided that, if any of the long term senior unsecured debt securities of Party B or any Credit Support Provider of Party B ceases to be rated by at least one of Moody's or S&P or their respective successors, such an event shall also give rise to an Additional Termination Event under this section.

(2) Any one or more of Party B or any Credit Support Provider of Party B experiences a reduction of its issuer rating or a rating equivalent to an issuer rating below a rating of "A3" as rated by Moody's (or its equivalent as stated by Moody's in the case of any future change in ratings definitions) or a reduction of its issuer rating or a rating equivalent to an issuer rating below a rating of "A-" as rated by S&P (or its equivalent as stated by S&P in the case of any future change in ratings definitions); provided that, if Party B or any Credit Support Provider of Party B ceases to be given an issuer rating or a rating equivalent to an issuer rating by at least one of Moody's (or its successor) or S&P (or its successor), such an event shall also constitute an Additional Termination Event under this section.

The following shall constitute an Additional Termination Event in respect of which Party A will be the sole Affected Party:

(1) A change is made to the *Metrolinx Act, 2006*, that has the effect that Party A ceases to be a Crown agency within the meaning of the *Crown Agency Act* for the purposes of this Agreement and the Minister of Finance ceases to be required to pay from the Consolidated Revenue Fund the amount of any judgment against Party A that remains unpaid after it has made reasonable efforts, including liquidating its assets, to pay the amount of the judgment.

Part 2. **Tax Representations.**

(a) **Payer Representations.** For the purpose of Section 3(e) of this Agreement, Party A will make the following representation and Party B will make the following representation:

It is not required by any applicable law, as modified by the practice of any relevant governmental revenue authority, of any Relevant Jurisdiction to make any deduction or withholding for or on account of any Tax from any payment (other than interest under Section 2(e), 6(d)(ii) or 6(e) of this Agreement) to be made by it to the other party under this Agreement. In making this representation, it may rely on (i) the accuracy of any representations made by the other party pursuant to Section 3(f) of this Agreement, (ii) the satisfaction of the agreement contained in Section 4(a)(i) or 4(a)(iii) of this Agreement and the accuracy and effectiveness of any document provided by the other party pursuant to Section 4(a)(i) or 4(a)(iii) of this Agreement and (iii) the satisfaction of the agreement of the other party contained in Section 4(d) of the Agreement, *provided* that it shall not be a breach of this representation where reliance is placed on clause (ii) and the other party does not deliver a form or document under Section 4(a)(iii) by reason of prejudice to its legal or commercial position.

(b) **Payee Representations.** For the purpose of Section 3(f) of this Agreement, Party A and Party B make the representations specified below, if any:

Party B represents that it is not a non-resident of Canada for the purposes of the *Income Tax Act* (Canada). Party A makes no representations under this Part 2(b).

Part 3. **Agreement to Deliver Documents.**

For the purpose of Sections 4(a)(i) and (ii) of this Agreement, each party agrees to deliver the following documents, as applicable:

(a) Tax forms, documents or certificates to be delivered are: None at present but Party B shall, as soon as possible after demand thereof, deliver to Party A any form or document reasonably requested by Party A in order to enable Party A to make payments hereunder without withholding for or on account of Taxes.

(b) Other documents to be delivered are:

Party required to deliver document	**Form/Document/ Certificate**	**Date by which to be delivered**	**Covered by Section 3(d) Representation**
Party A	An original certificate signed by one of its authorized officers certifying the	Concurrently with the execution and delivery of this Agreement.	Yes

Party required to deliver document	Form/Document/ Certificate	Date by which to be delivered	Covered by Section 3(d) Representation
	authority, incumbency and specimen signature of each person executing this Agreement on its behalf. Such certificate to be dated as of, or made in reference to, the actual date of execution.		
Party A	An original certificate signed by one of its authorized officers certifying the authority, incumbency and specimen signatures of those persons with authority to execute, on its behalf, Confirmations and any other documents as required under or in connection with this Agreement.	(i) Concurrently with the execution and delivery of this Agreement; and (ii) as soon as reasonably practicable after the parties enter into a Transaction referred to in any confirmation or after Party A delivers any such other document to Party B, unless Party A has previously delivered such a certificate with respect to its signatory and the contents of that certificate remain true and accurate on the date such Confirmation or other document is actually signed by that person.	Yes
Party B	An original certificate signed by one of its authorized officers certifying the authority, incumbency and specimen signature of each person executing this Agreement on its behalf. Such certificate to be dated as of, or made in reference to, the actual date of execution.	Concurrently with the execution and delivery of this Agreement.	Yes
Party B	An original certificate signed by one of its authorized officers certifying the authority, incumbency and specimen signatures of those persons with authority to execute, on its behalf,	(i) Concurrently with the execution and delivery of this Agreement; and (ii) as soon as reasonably practicable after the parties enter into a Transaction referred to in any	Yes

Party required to deliver document	Form/Document/ Certificate	Date by which to be delivered	Covered by Section 3(d) Representation
	Confirmations and any other documents as required under or in connection with this Agreement.	Confirmation or after Party B delivers any such other document to Party A, unless Party B has previously delivered such a certificate with respect to its signatory and the contents of that certificate remain true and accurate on the date such Confirmation or other document is actually signed by that person.	
Party A	IRS Form W-9, W-8BEN-E, W-8ECI, W-8EXP, and/or W-8IMY, as applicable (or any successor thereto)	Upon execution of this Agreement.	Party B
Party B	IRS Forms W-8BEN-E and W-8ECI (or any successors thereto)	Upon execution of this Agreement.	Party A

Part 4. **Miscellaneous**

(a) **Addresses for Notices.** For the purpose of Section 12(a) of this Agreement:

Address for notices or communications to Party A:

Address: 97 Front Street West, Toronto, ON M5J 1E6

Attention: David Gould, Director of Financial Services

Facsimile No.: (416) 869-1464 Telephone No.: (416) 202-4793

E-mail: david.gould@metrolinx.com

Electronic Messaging Systems Details: n/a

With a mandatory copy to:

Address:

Ontario Financing Authority
Capital Markets Division
One Dundas Street West, Suite 1400

Toronto, Ontario
M7A 1Y7

Attention: Executive Director

Facsimile No.: (416) 860-8346 Telephone No.: (416) 325-8930

E-mail: Mike.Manning@ofina.on.ca

Electronic Messaging Systems Details: n/a

Address for notices or communications to Party B:

Address: Canadian Imperial Bank of Commerce
161 Bay Street, Brookfield Place, 10th Floor
Toronto, Ontario
Attention: General Manager, Trading Documentation
CIBC Legal
Telex No.: 065-24116 Answerback: CANBANK TOR
Telephone No.: 416-214-8699
Email:

(b) **Process Agent.** For the purpose of Section 13(c) of this Agreement:

Party A appoints as its Process Agent: None Specified

Party B appoints as its Process Agent: None Specified

(c) **Offices.** The provisions of Section 10(a) will apply to this Agreement.

(d) **Multibranch Party.** For the purpose of Section 10(c) of this Agreement:

Party A is not a Multibranch Party and for the purpose of this Agreement and each Transaction entered into pursuant hereto, will act through its office in Toronto, Ontario.

Party B is not a Multibranch Party and for the purpose of this Agreement and each Transaction entered into pursuant hereto, will act through its office located in Toronto, Ontario.

(e) **Calculation Agent.** Unless otherwise specified in a Confirmation in relation to the relevant Transaction, the Calculation Agent is Party B provided that:

(i) if an Event of Default or Potential Event of Default with respect to Party B is at anytime continuing, then the Calculation Agent shall be a financial institution which would qualify as a Reference Market-maker selected by Party A in good faith; and

(ii) if any of the duties required of Party B as Calculation Agent in relation to any Transaction are capable of being performed at or before the close of business in Party B's jurisdiction on the 5th Business Day next preceding any Payment Date or the Payment Date for any Calculation Period in relation to such Transaction, and Party B has failed to perform all such duties by that time, then, at any time thereafter, Party A may give Party B notice of Party A's election to designate a financial institution which would qualify as a Reference Market-maker selected by Party A in good faith, as the Calculation Agent in relation to that Transaction, but only if Party B has not cured its failure to perform its duties as contemplated above by the time that Party A's notice to Party B is effective.

(f) **Credit Support Document.** Details of any Credit Support Document:

Not Applicable for Party A or for Party B

(g) **Credit Support Provider.**

Credit Support Provider means in relation to Party A: None Specified

Credit Support Provider means in relation to Party B: None Specified

(h) **Governing Law.** This Agreement will be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable in Ontario (without reference to choice of law doctrine).

(i) **Netting of Payments.** Subparagraph (ii) of Section 2(c) of this Agreement will not apply to the following Transactions or Groups of Transactions (in each case starting from the date of this Agreement): all Transactions except FX Transactions which are governed by Part 7.

(j) **"Affiliate"** will have the meaning specified in Section 14 of this Agreement unless another meaning is specified here: None specified.

Part 5. **Other Provisions**

1. INTERPRETATION (Section 1)

The following clauses are added to Section 1:

"(d) **2006 ISDA Definitions.**

This Agreement is subject to the 2006 ISDA Definitions (the "2006 Definitions") published by the International Swaps and Derivatives Association, Inc. as amended and supplemented through the date on which they enter into the relevant transaction. In the event of any inconsistency between the 2006 Definitions and this Agreement, the definitions contained in this Agreement shall prevail.

(e) **Equivalency Clause.**

For the purposes of disclosure pursuant to the *Interest Act* (Canada

(i) where interest is calculated on the basis of a 360-day year consisting of 12 months of 30 days each, the yearly rate of interest which is equivalent to a

rate of interest for any period of less than a year may be determined by multiplying the nominal rate of interest by the product of the following two fractions:

$$\frac{\text{The actual number of days in a year commencing on and including the first day of such period and ending on but excluding the corresponding day in the next calendar year}}{360} \quad \mathbf{X} \quad \frac{\text{(The number of complete months elapsed in such period x 30) + the number of days elapsed in any incomplete month in such period}}{\text{The actual number of days in such period}}$$

and

(ii) in any other circumstances, the yearly rate of interest which is equivalent to a rate of interest for any period of less than a year may be determined by multiplying the rate of interest for such period by the following fraction:

$$\frac{\text{The actual number of days in a year commencing on and including the first day in such period and ending on but excluding the corresponding in the next calendar year}}{\text{The actual number of days in such period."}}$$

2. PAYMENTS (Section 2)

(1) **Change of Account** (Section 2(b))

The following sentence is added to Section 2(b):

"Despite the foregoing, neither party may change its account for receiving payment or delivery to an account located in a different tax jurisdiction unless the other party has given its prior written consent to such change which consent shall not be unreasonably withheld."

(2) **Deferral of Payments in Connection with Illegality**. If a party gives notice of Illegality, the due date for any payment scheduled to be made by either party pursuant to Section 2 in connection with any Affected Transaction at any time after that notice is effective shall be deferred to the earliest to occur of (i) the date for settlement payments pursuant to Section 6(e) in connection with an Early Termination Date, (ii) the final Scheduled Payment Date for each Affected Transaction and (iii) the date on which arrangements made pursuant to Section 6(b)(ii) to avoid the Illegality are effected. Any payments deferred pursuant to this provision shall be made on the deferred payment date together with interest accrued on each deferred amount from and including its originally scheduled due date to but excluding the deferred due date (or, if an Early Termination Date is designated, to but excluding the day so designated) at the Non-default Rate.

3. REPRESENTATIONS (Section 3)

(1) **Obligations Binding.** (Section 3(a)(v))

For the purposes of Section 3(a)(v), the representation as to enforceability made or deemed to have been made by Party A shall also be subject to the following qualifications:

(a) pursuant to the *Currency Act* (Canada), a judgment by a court of the Province of Ontario must be awarded in Canadian currency and such judgment may be based on a rate of exchange in existence on a day other than the day of payment;

(b) proof or evidence of any actual cost of funding may be required by an Ontario court in order to recover interest calculated with reference to the Default Rate or to recover interest payable as an element of Unpaid Amounts notwithstanding the express provisions to the contrary in this Agreement;

(c) proof or evidence of actual loss with respect to matters addressed in Section 8 of this Agreement may be required notwithstanding the express provisions to the contrary in this Agreement;

(d) the awarding of costs is in the discretion of a court of competent jurisdiction;

(e) pursuant to section 43 of the *Financial Administration Act* (Ontario), as amended, where, in the opinion of the Minister of Finance of Ontario, Party B is indebted to the Crown in right of Ontario or in right of Canada or any agency of the Crown, the Minister has the discretion to retain by way of deduction or set off, out of money that is due and payable by Party A to Party B, such sum as the Minister considers fit in the circumstances to be applied against the indebtedness of Party B;

(f) the right of a party to this Agreement to certify or make determinations in its sole discretion may be reviewable by a court and may be made subject to the reasonableness and good faith of the exercise of such discretion being demonstrated, and a court may decline to accept as conclusive factual or legal determinations described as conclusive in this Agreement; and

(g) enforcement may be limited to the extent that a court construes any provision of this Agreement (including, without limitation, Sections 2(e), 6(e) and (8) to constitute a penalty and not a genuine pre-estimate of damages.

(2) **Additional Representations.** (Section 3)

The following are added as additional representations:

"(g) **Acting as Principal.** In entering into this Agreement and any Confirmation, it is acting as principal and not as agent for any other party and no other person shall execute on its behalf this Agreement, any Confirmation or any other documents relating hereto unless supporting documentation (including, without limitation, legal opinions from counsel in any relevant jurisdiction) satisfactory to the other party have been provided to the other party prior to or

concurrently with the execution and delivery of any such Confirmation or other document. Notwithstanding the foregoing, Party B acknowledges and agrees that (i) each Transaction hereunder may only be negotiated, settled and traded for and on behalf of Party A by the Ontario Financing Authority (OFA) and its designated officers and employees in accordance with the terms of this Agreement and Party A shall provide a list from time to time of officers and employees of the OFA authorized for and on behalf of Party A with whom Party B may engage without further inquiry or investigations by Party B and (ii) the OFA and its designated officers and employees may communicate with respect to this Agreement and each Transaction hereunder with Party B for and on behalf of Party A and Party B shall be permitted to transact and engage with the OFA for all purposes hereunder and under each Transaction with no need to investigate or inquire further. Party B acknowledges that the OFA is not a party to this Agreement or any Confirmation and is acting solely as agent for Party A."

4. AGREEMENTS (Section 4)

(1) **Furnish Specified Information.** (Section 4(a)(iii))

Section 4(a)(iii) is amended by deleting the word "materially" in the sixth line thereof.

(2) The following clause is added to Section 4:

"(f) **Notice.** Each party agrees, upon learning of the occurrence of any event or commencement of any condition that constitutes (or that with the giving of notice or passage of time or both would constitute) an Event of Default with respect to the party, to promptly provide the other party with notice of such event or condition (or, in lieu of providing notice of such event or condition in the case of an event or condition that with the providing of notice
or passage of time or both would constitute an Event of Default with respect to the party, to cause such event or condition to cease to exist before becoming an Event of Default)."

5. EVENTS OF DEFAULT AND TERMINATION EVENTS (Section 5)

(1) **Illegality.** (Section 5(b)(i))

For the purpose of Section 5(b)(i), the obligation of a party to comply with any directive issued or given by any government agency or authority with competent jurisdiction which has the result referred to in Section 5(b)(i) will be deemed to be an "Illegality."

(2) **Credit Event Upon Merger.** (Section 5(b)(iv))

For the purposes of Section 5(b)(iv) of the Agreement, but without limiting the generality of the language thereof, the parties agree that the creditworthiness of any "surviving or transferee entity" shall be considered "materially weaker than that of X, such Credit Support Provider or such Specified Entity, as the case may be, immediately prior to such action" if:

(a) any of the long term senior unsecured debt securities of such "surviving or transferee entity" is rated by Moody's Investors Service, Inc. ("Moody's") or by Standard & Poor's, a division of McGraw-Hill, Inc. ("S&P") (or by their respective successors) below the rating such agency gave to similar debt securities of "X, such Credit Support Provider or such Specified Entity, as the case may be", immediately prior to such action; or

(b) any of the long term senior unsecured debt securities of such "surviving or transferee entity" ceases to be rated by at least one of Moody's or S&P or their respective successors; or

(c) such "surviving or transferee entity" has an issuer rating or rating equivalent to an issuer rating, as rated by Moody's (or its successor), or an issuer rating or a rating equivalent to an issuer rating, as rated by S&P (or its successor), below the rating such agency gave "X, such Credit Support Provider or such Specified Entity, as the case may be", immediately prior to such action; or

(d) where "X, such Credit Support Provider or Specified Entity, as the case may be" was given an issuer rating or a rating equivalent to an issuer rating by either Moody's (or its successor) or by S&P (or its successor), or both, and, in any such case, the "surviving or transferee entity" fails to maintain at least one of such ratings.

(3) **Termination Events.** (Section 5(b))

For the purposes of Section 5(b) of the Agreement, the parties agree that a credit rating given by any rating agency shall be considered below another credit rating given by that agency if the former has a lower relative standing within a major rating category than the latter. For example:

(a) a rating by Moody's of Aa3 shall be considered below a rating of Aa2, which in turn shall be considered below a rating of Aa1; and

(b) a rating by S&P of AA- shall be considered below a rating of AA, which in turn shall be considered below a rating of AA+.

6. EARLY TERMINATION (Section 6)

(1) **Payments on Early Termination.** (Section 6(e)(i))

For the purposes of Section 6(e)(i), Second Method will apply and, notwithstanding the provisions of Section 6(e)(i)(3) and (4), as applicable, if the amount referred to therein is a positive number, the Defaulting Party will pay such amount to the Non-defaulting Party, and if the amount referred to therein is a negative number then, to the extent permitted by law, the Non-defaulting Party shall have no obligation to pay any amount thereunder to the Defaulting Party unless and until the conditions set forth in (A) and (B) below have been satisfied at which time there shall arise an obligation of the Non-defaulting Party to pay to the Defaulting Party an amount equal to the absolute value of such negative number less any and all amounts which the Defaulting Party may be obligated to pay under Section 11:

(a) the Non-defaulting Party shall have received confirmation satisfactory to it in its sole discretion (which may include an unqualified opinion of its counsel) that (x) no further payments or deliveries under Section 2(a)(i) or 2(e) in respect of Terminated Transactions will be required to be made in accordance with Section 6(c)(ii), and (y) each Specified Transaction shall have terminated pursuant to its specified termination date or through the exercise by a party of a right to terminate and all obligations owing under each Specified Transaction shall have been fully and finally performed; and

(b) all obligations (contingent or absolute, matured or unmatured) of the Defaulting Party and any Specified Entity of the Defaulting Party to make any payment or delivery to the Non-Defaulting Party shall have been fully and finally performed.

For the purpose of the condition set forth in (B) above, "Specified Entity" means:

in relation to Party A: None

in relation to Party B: None

(2) **Set-off.** (Section 6)

The following clause is added to Section 6:

"(f) **Set-off.** Any amount (the `Early Termination Amount') payable to one party (the `Payee') by the other party (the `Payer') under Section 6(e), in circumstances where there is a Defaulting Party or one Affected Party in the case where a Termination Event under Section 5(b)(iv) or (v) has occurred, will, subject to applicable law and at the option of the party (`X') other than the Defaulting Party or the Affected Party (and without prior notice to the Defaulting Party or the Affected Party), be reduced by its set-off against any amount(s) (the `Other Agreement Amount') payable (whether at such time or in the future or upon the occurrence of a contingency) by the Payee to the Payer (irrespective of the currency, place of payment or booking office of the obligation) under any other agreement(s) between the Payee and the Payer or instrument(s) or undertaking(s) issued or executed by one party to, or in favour of, the other party (and the Other Agreement Amount will be discharged promptly and in all respects to the extent it is so set-off). X will give notice to the other party of any set-off effected under this Section 6(f).

For this purpose, either the Early Termination Amount or the Other Agreement Amount (or the relevant portion of such amounts) may be converted by X into the currency in which the other is denominated at the rate of exchange at which such party would be able, acting in a reasonable manner and in good faith, to purchase the relevant amount of such currency.

If an obligation is unascertained, X may in good faith estimate that obligation and set-off in respect of the estimate, subject to the relevant party accounting to the other when the obligation is ascertained.

Nothing in this Section 6(f) shall be effective to create a charge or other security interest. This Section 6(f) shall be without prejudice and in addition to any right of set-off, combination of accounts, lien or other right to which any party is at any time otherwise entitled (whether by operation of law, contract or otherwise)."

7. COUNTERPARTS AND CONFIRMATIONS (Section 9(e)(ii))

Section 9(e)(ii) is hereby deleted and restated as follows:

"(ii) Notwithstanding any other provision of this Agreement,

(1) The parties hereto agree that each Transaction will be entered into by the agreement of the parties on the terms and conditions of the particular Transaction. The parties expect that

such agreement will occur by means of telephone communication between the officers and employees of Party B and the designated officers and employees of the OFA for and on behalf of Party A. The terms and conditions to be agreed upon are those terms and conditions required to complete the form of Confirmation, which is expected to be substantially in the form attached hereto as Exhibit I or II, as applicable, or such other form of Confirmation as the parties may subsequently agree upon. The parties hereto agree that with respect to each Transaction hereunder, a legally binding agreement shall exist from the moment Party B and the designated officers and employees of the OFA on behalf of Party A hereto agree on the essential terms of such Transaction, which the parties anticipate will occur by telephone communication.

(2) Immediately following the agreement by means of telephone communication of the terms and conditions of a particular Transaction, Party B will send by facsimile, e-mail or by an exchange of electronic messages on an electronic messaging system to Party A and the OFA on Party A's behalf a Confirmation substantially in the form of the Confirmation attached hereto as Exhibit I or II, as applicable, or in such other form of Confirmation as the parties may subsequently agree upon, setting forth the terms and conditions of the particular Transaction and signed by an authorized official of Party B. Party A will, not later than the close of business on the second Toronto Banking Day following the day of its receipt of the Confirmation, send to Party B, by facsimile, e-mail or electronic message on an electronic messaging system; the Confirmation signed by an authorized official of Party A confirming the terms and conditions or adjusting them as set out in clause (3) hereof. Each of the parties agrees that upon execution of the Confirmation by both parties, the Confirmation, whether transmitted by facsimile, e-mail or electronic message on an electronic messaging system, shall be a legal, valid and binding agreement between the parties the terms and conditions of which shall supersede and replace the telephone agreement and such telephone agreement shall thereafter cease to be of any legal force or effect.

(3) If the Confirmation sent by Party B to Party A pursuant to clause (2) above does not, in the opinion of Party A, accurately reflect the terms and conditions of the particular Transaction as agreed to in the telephone communication, then the OFA on behalf of Party A will provide notice of its disagreement to Party B. If the parties cannot agree upon the terms, the parties will then review the electronic recording of the telephone communication between the designated officers and employees of the OFA and of Party B and the Confirmation will be adjusted by Party B, if required, to reflect the telephone communication, and the process in clause (2) above will be re-initiated. If the review of the tape recording indicates that the terms and conditions of the particular Transaction were not agreed upon by the officials of the parties, then the particular Transaction will be null and void and of no legal effect.

(4) Each party (x) consents to the recording of the telephone conversations of trading and marketing personnel of the parties in connection with this Agreement or any potential Transaction and (y) agrees to obtain any necessary consent of or to give notice of such recording to, such personnel of it or its agent.

(5) **Electronic Signatures.** Party B confirms and Party A acknowledges, that Party B uses a computer-based system to execute certain Confirmations and that each such Confirmation executed by Party B by means of an electronically-produced signature shall have the same legal effect as if such signature had been manually written on such Confirmation and that each such Confirmation shall be deemed to have been signed for the purposes of any statute

or rule of law that requires such Confirmation to be signed. The parties acknowledge that in any legal proceedings between them respecting or in any way relating to this Agreement, each party expressly waives any right to raise any defense or waiver of liability based upon the execution of a Confirmation by Party B by means of an electronically-produced signature. This provision shall apply to all Confirmations in respect of Transactions entered into between Party A and Party B after the date hereof."

8. NOTICES (Section 12)

Effectiveness. (Section 12(a))

Section 12(a) is hereby amended by (x) moving "or" from the end of subparagraph (iv) to the end of subparagraph (v); (y) adding subparagraph (vi) "if sent by e-mail or an electronic message on an electronic messaging system, on the date it is delivered,"; and (z) deleting the words within the parentheses in the second and third lines thereof and replacing them with the following:

"except that notice or communication under Section 5 or 6 may not be given by e-mail or an electronic message on an electronic messaging system and may only be given by facsimile transmission if an original copy of such notice or communication is actually delivered in person or by courier to the recipient before the close of business on the second Local Business Day immediately following the date that the notice or communication is deemed effective under this section"

9. GOVERNING LAW AND JURISDICTION (Section 13)

(1) **Jurisdiction.** (Section 13(b)(i))

Section 13(b)(i) is hereby deleted and restated as follows:

"(i) submits to the non-exclusive jurisdiction of the courts of the Province of Ontario; and"

(2) **Waiver of Immunities.** (Section 13(d))

Section 13(d) of this Agreement is hereby amended by deleting the words "Each party" and inserting in their place the words "Party B".

10. REPRESENTATION REGARDING RELATIONSHIP BETWEEN PARTIES (Section 15)

The following provision is added as Section 15 to this Agreement:

"**15. Relationship Between Parties**

Each party will be deemed to represent to the other party on the date on which it enters into a Transaction that (absent a written agreement between the parties that expressly imposes affirmative obligations to the contrary for that Transaction):

(a) **Non-Reliance.** It is acting for its own account, and it has made its own independent decisions to enter into that Transaction and as to whether that Transaction is appropriate or proper for it based upon its own judgment and upon advice from such advisers as it has deemed necessary. It is not relying on any communication (written or oral) of the other party as investment advice or as a recommendation to enter into that Transaction; it being understood that information and explanations related to the terms and conditions of a Transaction shall not be considered investment advice or a recommendation to enter into that Transaction. No communication (written or oral) received from the other party shall be deemed to be an assurance or guarantee as to the expected results of that Transaction.

(b) **Assessment and Understanding.** It is capable of assessing the merits of and understanding (on its own behalf or through independent professional advice), and understands and accepts, the terms, conditions and risks of that Transaction. It is also capable of assuming, and assumes, the risks of that Transaction.

(c) **Status of Parties**. The other party is not acting as fiduciary for or an adviser to it in respect of that Transaction."

11. ADDITIONAL PROVISIONS (Section 16)

The following provisions are added as Section 16 to this Agreement:

16. Additional Provisions

(a) **Waiver of Jury Trial**

EACH PARTY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY SUIT, ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY CREDIT SUPPORT DOCUMENT. EACH PARTY (i) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF THE OTHER PARTY OR ANY CREDIT SUPPORT PROVIDER HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF SUCH A SUIT, ACTION OR PROCEEDING, SEEK TO ENFORCE THE FOREGOING WAIVER AND (ii) ACKNOWLEDGES THAT IT AND THE OTHER PARTY HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND PROVIDE FOR ANY CREDIT SUPPORT DOCUMENT, AS APPLICABLE, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS AGREEMENT.

(b) **Scope of Permitted Transactions**

Notwithstanding any other provisions of this Agreement, the parties acknowledge and agree that the terms and conditions of this Agreement shall apply only to a Transaction which is described in the related Confirmation as: (a) a foreign exchange spot or forward agreement and (b) a fuel forward or swap, in each case in compliance with the terms of the by-laws and policies of Party A in effect as of the applicable trade date. Any such Transaction shall constitute a "Transaction" for the purposes of this Agreement and this Schedule.

(c) **Limitation on Cross Default**

Party B further agrees and acknowledges that any Potential Event of Default, Event of Default, Termination Event or other similar event or condition under this Agreement will not constitute a potential event of default, event of default, termination event or similar condition or event (howsoever described) under any agreement between Party B and the Crown in right of Ontario or any agency of the Crown in right of Ontario (other than Party A) including, without limiting the generality of the foregoing, any ISDA Master Agreement between Party B and the Crown in right of Ontario or any agency of the Crown in right of Ontario (other than Party A).

(d) **Obligation to pay**

The condition precedent in Section 2(a)(iii)(1) does not apply to payment and delivery owing by a party if the other party shall have satisfied in full all its payment or delivery obligations under Section 2(a)(i) of this Agreement and shall at the relevant time have no future payment or delivery obligations, whether absolute or contingent, under Section 2(a)(i).

(e) **Eligible Financial Contract**

The Parties intend that this Agreement, including all Transactions under the Agreement and any Credit Support Document or Posted Credit Support or similar arrangement and guarantee thereof, as applicable, each and together constitute an "eligible financial contract" under and in all proceedings related to the *Bankruptcy and Insolvency Act* **(**Canada), the *Companies' Creditors Arrangement Act* (Canada) or the *Winding-up and Restructuring Act* (Canada) (in any case, as amended, restated, replaced or re-enacted from time to time) and will be treated similarly under and in all proceedings related to any bankruptcy, insolvency or similar law (regardless of the jurisdiction of application or competence of such law) or any ruling, order, directive or pronouncement made pursuant thereto.

(f) **Default Interest.** The definition of **"**Applicable Rate**"** set forth in Section 14 of the Agreement is hereby amended (i) by adding to the end of clause (b) of the definition after the word "Rate" the following provision: "; provided, however, that if the payee is a Defaulting Party for purposes of Section 6(e), then the rate shall be the Interest Rate.", and (ii) by substituting "Interest Rate" for "Non-default Rate" in clause (c) of the definition.

"Interest Rate**"** means the rate equal to the CAD-CORRA-REPO Rate published on page CORRA of the Reuters screen and if such rate is negative the rate will be deemed to be zero**.**

12. REPRESENTATIONS REGARDING FOREIGN ACCOUNT TAX COMPLIANCE ACT.

The following additional representation is added to the Agreement.

Withholding Tax imposed on payments to non-US counterparties under the United States Foreign Account Tax Compliance Act. "Tax" as used in Part 2(a) of this Schedule (Payer Tax Representation) and "Indemnifiable Tax" as defined in Section 14 of this Agreement shall not include any U.S. federal withholding tax imposed or collected pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code (a "FATCA Withholding Tax"). For the avoidance of doubt, a FATCA

Withholding Tax is a Tax the deduction or withholding of which is required by applicable law for the purposes of Section 2(d) of this Agreement.

Part 6: Commodity Transactions.

The 2005 ISDA Commodity Definitions (the "**2005 Definitions**") are hereby incorporated by reference with respect to any "**Transactions**", as defined in the 2005 Definitions, in commodities, except as otherwise specifically provided in the relevant Confirmation. In the event that there is any inconsistency between the 2006 Definitions, the 2005 Definitions, and the FX Definitions (as such term is defined below), the 2005 Definitions will prevail with respect to any Transaction in commodities. The Confirmation for each such Transaction shall be substantially in the form of either (a) one of the Exhibits to the 2005 Definitions, (b) Exhibits I and II to this Agreement, or, (c) in such other form as the parties may agree.

Part 7: Foreign Exchange Transactions

1. 1998 FX and Currency Option Definitions/Inconsistency/Confirmations.

The definitions and provisions contained in the 1998 FX and Currency Option Definitions (the "FX Definitions") as published by the International Swaps and Derivatives Association, Inc., the Emerging Markets Traders Association and The Foreign Exchange Committee are incorporated by reference into, and made part of, this Part 7 and any Confirmation of FX Transaction.

In the event of any inconsistencies with respect to FX Transactions, the parts of the Agreement shall rank as follows and the relevant term in the highest ranking document shall prevail:

(i) the Confirmation;
(ii) this Part 7 of the Schedule;
(iii) the remainder of the Schedule;
(iv) the printed form of the Agreement;
(v) the FX Definitions; and
(vi) the 2006 Definitions, as may be amended from time to time.

provided that, in the event that the FX Definitions or the 2006 Definitions are incorporated by reference into a Confirmation, any amendments to the FX Definitions or the 2006 Definitions made herein will prevail unless further amended in the Confirmation, and further provided that in the event that a Confirmation contains any additional terms and conditions which have not been negotiated and expressly agreed to by the parties, including as to indemnity, the provisions of the Agreement and the Schedule shall prevail over and supersede any such terms and conditions in a Confirmation and such provisions shall be of no effect.

2. Scope and Entry into FX Transactions.

Any FX Transaction which the parties may have entered into prior to the date of this Agreement or which the parties hereto may hereafter enter into, where the relevant Confirmation on its face does not expressly exclude the application of this Agreement, shall (to the extent not otherwise provided for in this Agreement) be subject to, governed by and construed in accordance with this Agreement (in substitution for any existing terms, if any, whether express or implied). Each such FX Transaction shall be a Transaction, and the documents and other confirming evidence (including e-mails or electronic messages on an electronic messaging system) exchanged between

the parties confirming such FX Transaction shall each be a Confirmation (even where not so specified therein), for the purposes of this Agreement.

The parties hereto agree that each FX Transaction will be entered into by agreement of the parties on the terms and conditions of the particular Transaction. The parties expect that, for most Transactions, such agreement will occur by means of telephone communication between the employees and officers of Party B and the designated employees and officers of the OFA for and on behalf of Party A. The parties agree that with respect to each FX Transaction hereunder, a legally binding agreement shall exist from the moment Party B and the designated employees and officers of OFA on behalf of Party A agree on the essential terms of such Transaction, which the parties anticipate will occur by telephone communication. Each party (x) consents to the recording of the telephone conversations of trading and marketing personnel of the parties in connection with this Agreement or any potential Transaction and (y) agrees to obtain any necessary consent of or to give any necessary notice of such recording to, such personnel of it, or its agents.

Immediately following the agreement by means of telephone communication of the terms and conditions of a particular FX Transaction, Party B will send by facsimile, e-mail or electronic message on an electronic messaging system to Party A and to the OFA on Party A's behalf a Confirmation in the form agreed to by the parties, setting out the terms and conditions of the particular Transaction. Except in the case of spot FX Transactions, Party A will, not later than the close of business on the Toronto Banking Day next following the date of receipt of the Confirmation, send to Party B, by facsimile, e-mail or electronic message on an electronic messaging system, the Confirmation signed by an authorized officer of Party A. The parties agree that, upon execution of the Confirmation by Party A, the faxed or electronically delivered Confirmation shall be a legal, valid and binding agreement between the parties of the terms and conditions of the FX Transaction and absent manifest error in the Confirmation, shall supersede and replace the telephone agreement and such telephone agreement shall thereafter cease to be of any legal force or effect, except in the case of spot FX Transactions where Party A shall not sign back the Confirmation sent by facsimile, e-mail or electronic message on an electronic messaging system and where the telephone agreement between Party B and the designated officer or employee of the OFA on behalf of Party A and the facsimile, e-mail or electronic message on an electronic messaging system by Party B to Party A shall be a legal, valid and binding agreement between the parties with respect to such a spot FX Transaction governed by the Agreement. With respect to spot FX Transactions, Party B and Party A agree that such Confirmation shall be a legal, valid and binding agreement of Party B and Party A in accordance with the preceding sentence without the necessity for execution by an authorized officer of either party and waive any right to raise any defense based upon the absence of a signature on behalf of the other party.

If the Confirmation sent by Party B to Party A does not, in the opinion of Party A, accurately reflect the terms and conditions of the particular Transaction as agreed to in the telephone communication, then the designated officers or employees of the OFA will in the case of all FX Transactions provide notice of its disagreement to Party B no later than the close of business on the Toronto Business Banking Day next following the date of receipt of the Confirmation. If the parties cannot agree upon the terms, the parties will then review the electronic recording of the telephone communication between the designated officers and employees of the OFA and of Party B and the Confirmation will be adjusted by Party B, if required, to reflect the telephone communication. If the review of the tape recording indicates that the terms and conditions of the particular Transaction were not agreed upon by the employees or officers of the parties, then the particular Transaction will be null and void and of no legal effect.

3. Novation Netting of Deliverable FX Transactions

Unless otherwise agreed to by the parties hereto, if the parties enter into a Deliverable FX Transaction giving rise to Currency Obligations for the same Settlement Date and in the same currency as then existing Currency Obligations between the parties, then immediately upon entering into such Deliverable FX Transaction, each such Currency Obligation shall automatically and without further action be individually cancelled and simultaneously replaced through novation by a new Currency Obligation for such Settlement Date determined as follows: the amounts in such currency that would otherwise have been deliverable by each party hereto on such Settlement Date shall be aggregated and the party with the larger aggregate amount shall have a new Currency Obligation to deliver to the other party the amount by which its aggregate amount exceeds the other party's aggregate amount, provided that if the aggregate amounts are equal, no new Currency Obligation shall arise.

"Currency Obligation" means the obligation of a party hereto pursuant to an FX Transaction to deliver an amount of currency, including any obligation to deliver an amount of currency arising from the netting of two or more Currency Obligations.

4. Settlement Netting of FX Transactions.

Section 2(c)(ii) of this Agreement shall not apply to FX Transactions and, instead, if on any Settlement Date, more than one delivery of a particular currency is to be made between the parties in respect of Currency Obligations arising pursuant to FX Transactions then, on such date, each party shall aggregate the amounts of such currency deliverable by it and only the difference between these aggregate amounts shall be delivered by the party owing the larger aggregate amount to the other party and, if the aggregate amounts are equal, no delivery of the currency shall be made.

5. Records.

The provisions of Section 3 of this Part 7 shall apply notwithstanding that either party may (a) fail to send out a Confirmation documenting the novation netting contemplated by Section 3; (b) not treat on its books the Currency Obligation, as the case may be, as cancelled and simultaneously replaced by a new Currency Obligation, as applicable, as provided in Section 3; or (c) send out a Confirmation that incorrectly states any term of a Currency Obligation.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date specified on the first page of this Agreement.

METROLINX, a Corporation without share capital continued under subsection 2(1) of the Metrolinx Act, 2006	**CANADIAN IMPERIAL BANK OF OF COMMERCE**
By: _____	By: _____
Name: _____	Name: _____
Title: _____	Title: _____

EXHIBIT I

FORM OF CONFIRMATION FOR PETROLEUM COMMODITY SWAP

Date: •
To: Metrolinx (Party "A")

To: Ontario Financing Authority

From: ("Party B")

Re: Commodity Swap/Cash Settlement Agreement – Transaction #

Dear Sir/Madam:

The purpose of this letter agreement (this "**Confirmation**") is to confirm the terms and conditions of the transaction entered into between us on the Trade Date specified below (the "**Transaction**"). This Confirmation constitutes a "Confirmation" as referred to in the Agreement specified below.

The definitions and provisions contained in the 2005 ISDA Commodity Definitions (as published by the International Swaps and Derivatives Association, Inc.) are incorporated into this Confirmation. In the event of any inconsistency between those definitions and the provisions of this Confirmation, this Confirmation shall govern.

1. This Confirmation supplements, forms part of and is subject to, the ISDA Master Agreement dated DD-MMM-YY as amended and supplemented from time to time (the "**Agreement**"), between Party A and Party B. All provisions contained in the Agreement shall govern this Confirmation except as expressly modified below.

2. The terms of the particular Transaction to which this Confirmation relates are as follows:

General Terms:

Commodity:	•
Trade Date:	•
Effective Date:	DD-MMM-YY
Termination Date:	DD-MMM-YY
Total Notational Quantity	• Litres
Notional Quantity per Calculation Period	See Schedule A
Calculation Periods:	See Schedule A
Business Day	Toronto

Schedule A.

Calculation Period No.	Calculation Periods	Notional Quantity per Calculation Period	Payment Date
1.			
2.			
3.			
4.			
5.			
6.			
7.			
8.			
9.			
10.			
11.			
12.			

Fixed Amount Details

Fixed Price Payer:	Party A
Fixed Price:	• CAD per Litre
Fixed Amount:	In respect of a Payment Date, the amount calculated as follows: Fixed Price x Notional Quantity per Calculation Period
Fixed Price Payer Payment Dates:	The 5th calendar day following the relevant Calculation Period. See Schedule A.

Floating Amount Details

Floating Price Payer:	Party B
Floating Amount:	In respect of a Payment Date, the amount calculated as follows: Floating Price (rounded to 4 decimal places) x Notional Quantity per Calculation Period

Floating Price Payer Payment Dates:	The 5th calendar day following the relevant Calculation Period. See Schedule A.
Commodity Reference Price:	HEATING OIL-NEW YORK-NYMEX Delivery Date: First Nearby Month
	Specified Price: The official settlement price as published by NYMEX multiplied by the Noon Canadian Dollar per unit of the United States Dollar exchange rate as reported on Reuters Page BOFC the same date, subject to adjustment in accordance with the Preceding Business Day Convention. In the event that there is a Commodity Business Day which is not a Toronto Business Day, the Canadian Dollar per unit of the United States Dollar rate used for such Commodity Business Day shall be the Noon Canadian Dollar per unit of the United States Dollar exchange rate as reported on Reuters page BOFC for said Preceding Business Day.
Pricing Date (s):	All Commodity Business Days of the relevant Calculation Period.
Floating Price:	The unweighted average of the Specified Price over the Calculation Period. For each Calculation Period, the Commodity Reference Price which is in Canadian Dollars per Gallon will be converted to Canadian Dollars per Litre. The conversion rate will be the volumetric conversion for U.S. Gallon to Litre which shall be equal to 3.7854/U.S. Gallon.

Calculation Agent

Calculation Agent:	Party B, whose determinations and calculations shall be binding on the parties hereto in absence of manifest error.

Business Day Convention:	Modified Following, which shall apply any date referred to in the Confirmation that falls on a day that is not a Business Day other than the dates referred to in regard to the Pricing Dates which need not be Business Days.

Account Details:

Payment to Party B:	•
Payment to Party A:	•

Offices

The Office of Party B for the Transaction is:	•
The Office of Party A for the Transaction is:	Metrolinx

This Confirmation may be executed and delivered in counterparts (including by facsimile, e-mail or electronic message on an electronic messaging system) which upon your confirmation in the manner prescribed hereunder, will be deemed for all purposes to be a legally binding Transaction.

Please confirm that the foregoing correctly sets forth the terms of our agreement by signing in the space provided below and returning same to us by facsimile, e-mail or electronic message on an electronic messaging system, or send to us within two (2) Business Days a letter by facsimile, e-mail or electronic message on an electronic messaging system similar to this letter which sets forth the material terms of the foregoing transaction to which this Confirmation relates and which indicates your agreement to those terms.

Yours sincerely,

[Metrolinx]

Name:
Title:

Confirmed as of the date first written by:
Party B

Name:
Title:

Name:
Title:

EXHIBIT II

FORM OF CONFIRMATION

• **CONFIRMATION**

Foreign Exchange Deal:
FORWARD CONFIRMATION

Status:

Account no.: •

Our Reference: • Orig Reference:

Deal of: •

As per our agreement of today we confirm the following FX-transaction

we purchase from you		we sell to you	
Currency	Amount	Currency	Amount
USD	•	**CAD**	•
Value:	•	Value:	•
Rate:	•		
Your Payment:	**NET** **NET**	Our Payment: Beneficiary:	**NET**
		Account with:	**NET**

Each of the Client and the Bank shall deliver to the other amount of the Currency required to be delivered by it under the terms of this Foreign Exchange transaction, as evidenced by this Confirmation. Unless the parties otherwise agree, delivery of the Currency amount shall be made to the place in the country of that Currency specified by the party purchasing that Currency by cable transfer of freely transferable funds effective on the Value Date specified in this confirmation.
Client shall indemnify and hold the Bank harmless for any losses, expenses or costs, including market losses, loss of interest and exchange losses and penalties, incurred by the Bank as a result of Client's failure to perform, or delay in performing its obligations under this Foreign Exchange transaction, including without limitation:

- if the Bank accepts delivery of a Currency from a client other than by cable transfer; or
- if the effective value date for a Currency amount delivered to the Bank is later than the value date

specified in this Confirmation.
Please verify details and return copy duly signed. If this transaction is not in order contact us immediately.

_____

Authorized signature(s)

THE TRANSITION AWAY FROM LIBOR
AND ITS IMPACT ON THE PROVINCE OF ONTARIO AND OEFC

ISSUE

In July 2017, the Financial Conduct Authority (the "FCA") announced that it would no longer require panel banks to make LIBOR submissions by the end of 2021, phasing out the reference rate. The OFA needs to monitor the emergence of the replacement rates and the potential impact of such changes on the Province of Ontario (the "Province") and OEFC in terms of its debt and derivatives portfolios.

CURRENT STATUS

Debt and Derivatives Portfolios

- It has been determined that there are no LIBOR floating rate bonds maturing post 2021.[1] However, there are 30 swap transactions for the Province maturing post-2021, the last one maturing in 2026. Thus, while no immediate changes are required for the Province's debt portfolio, a thorough and continuous review/monitoring of the industry-wide discussion on systemic/protocol type fallback provisions for swap transactions is required.

Replacement Reference Rates

1. USD

- **SOFR (Secured Overnight Funding Rate)**: In the United States, the Alternative Reference Rates Committee ("ARRC"), convened by the Federal Reserve, is working to establish a new rate as an alternative to USD LIBOR. A new and currently unpublished broad Treasuries repo financing rate (being referred to now as **SOFR**) has been selected by ARRC as the preferred benchmark rate to replace USD LIBOR in new financial products.
- The timeline for replacing LIBOR with SOFR is still uncertain.

2. EUR

- **EONIA (Euro OverNight Index Average):** This is a reference rate based on transactions involving 28 banks, which has existed since the Euro was created. As of September 21, 2017, ECB is intending to enhance the rate, and use it to replace both EUR LIBOR, and Euribor.[2] Unlike LIBOR and Euribor, the ECB will base its unsecured overnight interest rate on actual borrowing activity in the money market.
- ECB is intending to replace LIBOR with EONIA before 2020.

---

[1] There are 2 outstanding LIBOR floating rate issuances as at October 17, 2017:
1. USMTN2 (USD250M, USD_LIBOR, maturing November 23, 2017)
2. EMTN113 (GBP500M, GBP-LIBOR, maturing November 10, 2020)

[2] There is 1 outstanding EURIBOR floating rate issuance as at October 17, 2017:
G39 (EUR120M, EUR_EURIBOR, maturing January 9, 2018)

3. GBP

- **SONIA (Sterling OverNight Index Average)**: This is the effective reference overnight rate for unsecured transactions in the Sterling market. In May 2017, Working Group on Sterling Risk-Free Reference Rates of the Bank of England announced SONIA as its preferred near risk-free interest rate benchmark (RFR) for use in sterling derivatives and relevant financial contracts to replace GBP LIBOR.
- No timeline is given, yet, for SONIA.

ANALYSIS

Debt Issuances

1. Australian Debt Issuance Program

- Currency is AUD, which is not a LIBOR currency (USD, GBP, EUR, Yen and CHF). No changes are needed to documentation.

2. EMTN Programme

- LIBOR is referenced as a base rate option in the Offering Circular/pro forma Pricing Supplement. In due course, references to LIBOR in the Offering Circular / pro-forma pricing supplement will be deleted and replaced with the comparable market standard reference rate recommended by ICMA.
- For LIBOR-referenced debt issued between now and end 2021, use of the Fall Back provisions could be included in the Pricing Supplement to provide for other options if/when LIBOR is replaced.

3. Global Bonds

- LIBOR is a rate option, but there are no specific references to LIBOR in the base prospectus. At the time of a deal, any reference rate is included in prospectus supplement/deal documents.
- For LIBOR-referenced debt issued between now and end of 2021, wording could be inserted into the prospectus supplement/deal documents to provide for comparable reference rates if/ when LIBOR is replaced.

4. DMTN Program

- There are no LIBOR references in the program documentation. Term Agreement is flexible. No changes needed.

5. US MTN Program

- The Prospectus Supplement states the following:

  "Floating Rate Notes
  We will determine interest on floating rate Notes by reference to an "interest rate basis", which shall be one or more of the following:
    - *"CD Rate" ("CD Rate Notes");*
    - *"Commercial Paper Rate" ("Commercial Paper Rate Notes");*

- *"Federal Funds Rate" ("Federal Funds Rate Notes");*
- ***"LIBOR" ("LIBOR Notes");***
- *"Prime Rate" ("Prime Rate Notes");*
- *"Treasury Rate" ("Treasury Rate Notes"); or*
- *any other interest rate basis or formula as specified in the applicable pricing supplement."*

- The actual deal determines what is stated in the applicable Final Terms.
- It would be required to delete the definition of LIBOR and any references to LIBOR as an option in the Prospectus Supplement, Final Terms and any relevant pro-forma documents.

Derivatives

- Under the current ISDA Master Agreements and CSAs, interest rates for USD do not refer to USD LIBOR. Thus, no amendment is needed.
- Fallback language can be included in swap confirmations when making reference to LIBOR. Currently, parties may designate specific replacement reference rates or even "To Be Determined" as fallback rates. The current form of our LIBOR swap confirmations do not have this provision in place.
- ISDA is preparing guidelines and recommendations in replacing LIBOR. The ISDA working groups are expected to address the following:
    - Suggestion of fallback rates and/or other fallback mechanism applicable in the event that LIBOR or any other IBOR is permanently discontinued.
    - Development of a proposal to amend legacy trades/ to introduce a protocol.
    - Amendment to the 2006 ISDA Definitions (the "Definitions") to provide for a specific fallback rate (or procedure) agreed to by market consensus, which could be adopted in legacy contracts using a multilateral industry protocol. However, absent such a broad market conversion (or in the case of transactions for which both parties do not agree to amend their contracts to use the new alternative rate or fallback), upon the discontinuance of LIBOR, the existing transaction documentation would dictate the process to be implemented to arrive at a fallback rate.

Uncertainties

- The potential replacement rates mentioned above are all based on overnight rates. Since LIBOR rates have more than overnight rates, uncertainty still exists as to what other rates would be available to use. It is expected that ISDA, ICMA and the respective authorities will publish more guidance as industry consultation/consensus evolve.
- The replacement for LIBOR is very uncertain at this time, and further it is uncertain as to whether any such replacement would actually function any better than has LIBOR.

CONCLUSION

- Due to the uncertainty regarding the selection of replacement rates and their timelines, the OFA needs to keep monitoring the developments on this issue.

- When the replacements rates are selected by the respective authorities, certain program documents will need to be amended.

- If it is necessary to enter into new LIBOR deals, it would be the best to include fallback provisions in the relevant documents.

- In terms of legacy swap transactions, the OFA must monitor the industry-wide initiative for a protocol/remedy before making any amendments.

Prepared by: W.B. Dean Hwang 5-0004 and Kelly Listoe 5-8129, Capital Markets Operations, OFA, October 20, 2017

From: William Tan
To: Opal Kandelas
Subject: FW: Status update
Date: Tuesday, August 01, 2017 10:18:55 AM

Good morning Opal,

1. IESO

FHP Credit facility agreement - Lisa is making inputting small changes. Hopefully this goes out today as a final to IESO.

AA10 - Wording is finalized. IESO's outstanding balance they sent us last week was confusing. We will clarify this to align with the amended grid note in the coming days.

2. OLMS report/OILC Loan confirmation improvement.
3. Update T-bill procedure manual – pending test of new procedures before I document them.
4. Bond exchange procedures – drafts submitted.

-----Original Message-----
From: Opal Kandelas
Sent: Monday, July 31, 2017 3:05 PM
To: Documentation <Documentation@ofina.on.ca>
Subject: Status update

Hello all,

Once again, please provide a brief update on any current projects by 11am tomorrow morning.

Thanks,
Opal.

From: William Tan
To: Opal Kandelas
Subject: FW: Status update
Date: Tuesday, August 01, 2017 4:02:02 PM

Update to my update.

FHP Credit Facility - Received comments from OFA Legal at noon. I have inputted the RRRP and RPP placeholder terms. I have to circulated to Electricity Finance for a couple small items and then reply to OFA Legal's comments. Once OFA legal signs-off. I can send to IESO. This is another business day away.

Amending Agreement 10 - OFA Legal raised at point to us. If a particular provision is accepted in FHP Credit Facility, it will have to be the same in AA10. This should be a quick fix.

Anthony (IESO) provided to me this current outstanding balance which did not match our current grid note. I will have to check with Risa and Carlos on grid note balance before I reply back to Anthony. Our balances have to match because the grid note is part of the Amending Agreement 10.

-----Original Message-----
From: Opal Kandelas
Sent: Tuesday, August 01, 2017 12:04 PM
To: William Tan <William.Tan@ofina.on.ca>
Subject: RE: Status update

Hi Will,

Thanks for the update. You mention that the wording on the amending agreement is finalized. Does that mean IESO has agreed to the wording in the agreement but there is disagreement about the remaining balance of the credit facility?

Opal

-----Original Message-----
From: William Tan
Sent: Tuesday, August 01, 2017 10:19 AM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: FW: Status update

Good morning Opal,

1. IESO

FHP Credit facility agreement - Lisa is making inputting small changes. Hopefully this goes out today as a final to IESO.

AA10 - Wording is finalized. IESO's outstanding balance they sent us last week was confusing. We will clarify this to align with the amended grid note in the coming days.

2. OLMS report/OILC Loan confirmation improvement.
3. Update T-bill procedure manual – pending test of new procedures before I document them.
4. Bond exchange procedures – drafts submitted.

-----Original Message-----
From: Opal Kandelas
Sent: Monday, July 31, 2017 3:05 PM
To: Documentation <Documentation@ofina.on.ca>

Subject: Status update

Hello all,

Once again, please provide a brief update on any current projects by 11am tomorrow morning.

Thanks,
Opal.

From: William Tan
To: Opal Kandelas
Subject: FW: Status update
Date: Tuesday, July 25, 2017 12:59:52 PM
Attachments: RE IESO OFA new FH credit facility.msg

Hello Opal,

The original directive is in place. There was a possibility of getting a new directive if IESO management did not agree with the suggested wording in the Amending Agreement. IESO has agreed to the wording so new directive is no longer needed.

In terms of hard deadlines we are using mid-August because IESO projects we will require additional funds at that time. Attached is IESO's projection. If the $2 Billion Credit Facility is not set-up in time, IESO would likely continue to use the $975 million Credit Facility and delay the reduction in the existing facility.

Let me know if this doesn't answer your questions.

Will

From: Opal Kandelas
Sent: Tuesday, July 25, 2017 12:29 PM
To: William Tan <William.Tan@ofina.on.ca>
Subject: RE: Status update

Hi Will,

Sorry to keep coming back to this, but as you know its topical right now. Could you please let me know the status of the Minister's directive and more importantly whether there is a drop dead date by which time the new facility needs to be in place. I realize you are hoping to wrap up the agreement in early August, but it would be helpful to know. Also, please let me know once you hear back from IESO regarding the resolution.

Thanks,
Opal.

From: William Tan
Sent: Tuesday, July 25, 2017 9:43 AM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: Status update

Hello Opal,

That's correct.

From: Opal Kandelas
Sent: Tuesday, July 25, 2017 9:41 AM
To: William Tan <William.Tan@ofina.on.ca>
Subject: RE: Status update

Hi Will,

Just so I'm clear. Both the new and amending agreements are with IESO and you are awaiting their comments – correct?

Opal.

From: William Tan
Sent: Tuesday, July 25, 2017 9:06 AM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: Status update

Hi Opal,

This is the time table I provided to IESO to get their buy-in and have them feel more obligated to the timelines a little more. I expect some time slippage, but hopefully it doesn't happen.
I'm hoping that IESO will accept my changes to the Amending Agreement 10. After that I will need to provide them with a new grid note, then they can provide physical signatures in the coming weeks.
I hope to get the their comments on my first draft of the $2B Credit Facility today. I will be sending them a reminder at noon.

Time Table

Date	Action	Action required by Group
July 24, 25	Amending Agreement 10 (AA10), provide comments/accept changes.	IESO
July 25	Check-in with IESO that the Resolution of the Board of Directors, Certificate of Incumbency and Delegation of Authority (IESO Statement of Policy) is being completed.	Documentation
July 25	FHP Credit Facility, receive comments from IESO.	IESO
July 26	AA10, Request for updated Grid note amounts and request IESO for original signatures.	Documentation
July 26	FHP Credit Facility, comment and forward to OFA Legal. Documentation.	Documentation

July 27, 28	FHP Credit Facility, back and forth between Documentation and OFA Legal.	Documentation/OFA Legal
July 31	FHP Credit Facility, draft 2 back to IESO.	Documentation/OFA Legal
August 1	AA10, executed by IESO and physical sent OFA for counter signature. Resolution of the Board of Directors, Certificate of Incumbency and Delegation of Authority (IESO Statement of Policy).	IESO
August 4	FHP Credit Facility, executed by IESO and physical sent OFA for counter signature. Resolution of the Board of Directors, Certificate of Incumbency and Delegation of Authority (IESO Statement of Policy).	IESO

From: Opal Kandelas
Sent: Tuesday, July 25, 2017 8:45 AM
To: William Tan <William.Tan@ofina.on.ca>
Subject: RE: Status update

Hi Will,

Thanks for this. What stage are we at with the new IESO credit facility agreement and the amending agreement?

Opal

From: William Tan
Sent: Tuesday, July 25, 2017 8:32 AM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: FW: Status update

Good morning Opal,

1. IESO draft new Credit facility agreement and amendment of existing agreement.
2. Borrowing Program sheet update.
3. OLMS report/OILC Loan confirmation improvement.
4. Update T-bill procedure manual – pending test of new procedures before I document them.
5. Bond exchange procedures – drafts submitted.

From: Opal Kandelas
Sent: Monday, July 24, 2017 4:05 PM
To: Documentation <Documentation@ofina.on.ca>
Subject: Status update

Hello all,

Please provide a brief update on any current projects by 11am tomorrow morning. Apologies for the short notice.

Thanks,
Opal.

From: Anthony Martinello [Anthony.Martinello@ieso.ca]
To: Sarah Harris [Sarah.Harris@ofina.on.ca]
CC: Salman Qadir [Salman.Qadir@ofina.on.ca]; Bruno Amara [Bruno.Amara@ofina.on.ca]; Victor Buza [Victor.Buza@ieso.ca]; Lisa Stein [Lisa.Stein@ofina.on.ca]; William Tan [William.Tan@ofina.on.ca]
Subject: RE: IESO : OFA new FH credit facility
Date: Thursday, July 13, 2017 13:12:48

Sarah,

Four points.

a) Thank you very much for accommodating the 5 day request, …it will be more efficient for cash flows and better alignment.
b) We examined our TD credit facility and it specifically does not permit IESO to use for Fair Hydro programs purposes.
c) The good news is that the Fair Hydro amounts for May and June (a draw to be made in mid-July on the $475 million facility) is a total of $260 million. Therefore, the next draw for Fair Hydro's month of July will be in mid-Aug of which I expect at least another $200-$250 million will be added. I hope the $2B facility will be signed before mid-August, so there should be no concerns. The first FH sale to the Financing Entity is expected to be made in August so I (hope) expect the May, June, July's FH amounts will be sold by mid-end of August and then I can repay the OFA.
d) Victor will address Bruno's comments directly on the amendment #10 shortly.

Regards.

From: Sarah Harris [mailto:Sarah.Harris@ofina.on.ca]
Sent: July 13, 2017 9:41 AM
To: Anthony Martinello
Cc: Salman Qadir; Bruno Amara; Victor Buza; Lisa Stein; William Tan
Subject: RE: IESO : OFA new FH credit facility

Hello Anthony,

Will is currently away today, and I just wanted to follow up on the e-mail below.

We are fine reducing the minimum draw period from 7 to 5 days for the new $2B FHP facility.

Further, to clarify Will's e-mail below, from our conference call the week before last, you had mentioned that in the event that IESO's funding needs were to exceed the $475M before the current $975M facility is reduced, IESO had another line of credit with TD that it would be able to draw on to fund any potential gap before the $2B facility is up and running. I think some confusion may have been created in referencing IESO's agreement to reduce to the size of the $2B OFHP credit facility if IESO's funding needs exceed $475M before the new FHP facility is executed. This is not something we proposed to you on the call, but was part of OFA internal discussions on contingency options that might be available in the event that there were delays getting both the amending agreement and FHP facility in place. My apologies should there have been any misunderstanding.

We expect to have comments to you on the amending agreement tomorrow.

Best regards,

Sarah

From: William Tan
Sent: Wednesday, July 12, 2017 4:29 PM
To: 'Anthony Martinello' <Anthony.Martinello@ieso.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Salman Qadir <Salman.Qadir@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; Victor Buza <Victor.Buza@ieso.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: FW: IESO : OFA new FH credit facility

Hello Anthony,

Thank you for your email and sorry for the delay in replying. We look forward to getting these agreements up and running. As discussed, IESO has a supplemental credit facility with TD bank. In the unlikely event, IESO exceeds $475 million under its existing credit facility, it agrees to reduce the $2 billion OFHP Credit Facility by the amount that it exceeds $475 million.

Best regards,

Will

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Wednesday, June 28, 2017 12:35 PM
To: William Tan <William.Tan@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Salman Qadir <Salman.Qadir@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; Victor Buza <Victor.Buza@ieso.ca>
Subject: RE: IESO : OFA new FH credit facility

Will,

As discussed, the IESO will work on completing amendment #10 followed then by the new FH $2B line. The amendment #10 may take a few weeks to complete (mid-July), and then the new FH $2B line may need a few more additional weeks – likely end of July.

I am using the $975MM line today for FH (RPP) draws, and expect this will continue until the FH$2B line is up and running.

I would prefer to do both docs at the same time (i.e. signing on the same day both docs), but I understand that the OFA has been given direction to lower the $975MM to $475MM first.

Over the next few weeks in July I will be drawing on the $975MM again for the FH (RPP) amounts and I expect (but not 100% sure) that I should be under a total of $475MM.

Regards

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From:	William Tan
To:	Opal Kandelas
Subject:	FW: Status update
Date:	Tuesday, July 25, 2017 1:41:34 PM
Attachments:	Minister Directive for IESO Credit Facility Approval.pdf

---

From: William Tan
Sent: Tuesday, July 25, 2017 1:00 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: FW: Status update

Hello Opal,

The original directive is in place. There was a possibility of getting a new directive if IESO management did not agree with the suggested wording in the Amending Agreement. IESO has agreed to the wording so new directive is no longer needed.

In terms of hard deadlines we are using mid-August because IESO projects we will require additional funds at that time. Attached is IESO's projection. If the $2 Billion Credit Facility is not set-up in time, IESO would likely continue to use the $975 million Credit Facility and delay the reduction in the existing facility.

Let me know if this doesn't answer your questions.

Will

From: Opal Kandelas
Sent: Tuesday, July 25, 2017 12:29 PM
To: William Tan <William.Tan@ofina.on.ca>
Subject: RE: Status update

Hi Will,

Sorry to keep coming back to this, but as you know its topical right now. Could you please let me know the status of the Minister's directive and more importantly whether there is a drop dead date by which time the new facility needs to be in place. I realize you are hoping to wrap up the agreement in early August, but it would be helpful to know. Also, please let me know once you hear back from IESO regarding the resolution.

Thanks,
Opal.

From: William Tan

Sent: Tuesday, July 25, 2017 9:43 AM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: Status update

Hello Opal,

That's correct.

From: Opal Kandelas
Sent: Tuesday, July 25, 2017 9:41 AM
To: William Tan <William.Tan@ofina.on.ca>
Subject: RE: Status update

Hi Will,

Just so I'm clear. Both the new and amending agreements are with IESO and you are awaiting their comments – correct?

Opal.

From: William Tan
Sent: Tuesday, July 25, 2017 9:06 AM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: Status update

Hi Opal,

This is the time table I provided to IESO to get their buy-in and have them feel more obligated to the timelines a little more. I expect some time slippage, but hopefully it doesn't happen.
I'm hoping that IESO will accept my changes to the Amending Agreement 10. After that I will need to provide them with a new grid note, then they can provide physical signatures in the coming weeks.
I hope to get the their comments on my first draft of the $2B Credit Facility today. I will be sending them a reminder at noon.

Time Table

Date	Action	Action required by Group
July 24, 25	Amending Agreement 10 (AA10), provide comments/accept changes.	IESO
July 25	Check-in with IESO that the Resolution of the Board of Directors, Certificate of Incumbency and Delegation of Authority (IESO Statement of Policy) is being completed.	Documentation
July 25	FHP Credit Facility, receive comments from IESO.	IESO

July 26	AA10, Request for updated Grid note amounts and request IESO for original signatures.	Documentation
July 26	FHP Credit Facility, comment and forward to OFA Legal. Documentation.	Documentation
July 27, 28	FHP Credit Facility, back and forth between Documentation and OFA Legal.	Documentation/OFA Legal
July 31	FHP Credit Facility, draft 2 back to IESO.	Documentation/OFA Legal
August 1	AA10, executed by IESO and physical sent OFA for counter signature. Resolution of the Board of Directors, Certificate of Incumbency and Delegation of Authority (IESO Statement of Policy).	IESO
August 4	FHP Credit Facility, executed by IESO and physical sent OFA for counter signature. Resolution of the Board of Directors, Certificate of Incumbency and Delegation of Authority (IESO Statement of Policy).	IESO

From: Opal Kandelas
Sent: Tuesday, July 25, 2017 8:45 AM
To: William Tan <William.Tan@ofina.on.ca>
Subject: RE: Status update

Hi Will,

Thanks for this. What stage are we at with the new IESO credit facility agreement and the amending agreement?

Opal

From: William Tan
Sent: Tuesday, July 25, 2017 8:32 AM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: FW: Status update

Good morning Opal,

1. IESO draft new Credit facility agreement and amendment of existing agreement.
2. Borrowing Program sheet update.
3. OLMS report/OILC Loan confirmation improvement.
4. Update T-bill procedure manual – pending test of new procedures before I document them.
5. Bond exchange procedures – drafts submitted.

From: Opal Kandelas
Sent: Monday, July 24, 2017 4:05 PM
To: Documentation <Documentation@ofina.on.ca>
Subject: Status update

Hello all,

Please provide a brief update on any current projects by 11am tomorrow morning. Apologies for the short notice.

Thanks,
Opal.

Ontario

Ministry of Finance

Approval Form

General Information

Item	Deputy Minister's Office Contact (Last Name, First Name)
IESO FAP Credit Facility	Tekle, Jonathan
Division **Corporate and Electricity Finance**	Branch Electricity Finance Branch
Date Prepared (yyyy/mm/dd) 2017/06/27	Prepared By (Last Name, First Name) He, Gavin
Minister's Approval Required ☑ Yes ☐ No	Date Approval Required (yyyy/mm/dd)
	Return To (Last Name, First Name) He, Gavin

Description

The IESO has requested a revolving credit facility from the OFA to support its role in the implementation and participation of the Ontario Fair Hydro Plan.

Standard Approval

Title	Name (Last Name, First Name)	Signature	Date (yyyy/mm/dd)
Manager	Amara, Bruno		2017/06/27
Director	Kim, John		2017/06/28
Assistant Deputy Minister	Kwan, Rowena		2017/06/28
Chief Executive Officer	Murgman, Gord		2017/06/29
Associate Deputy Minister			
Deputy Minister			

Supplemental Approvals

Area	Name (Last Name, First Name)	Signature	Date (yyyy/mm/dd)
Corporate Services FIN	Hanslep, Malle		2017/06/28
Legal Services OFA	Stein, Lis		2017/06/28
Communication Services			

Comments

Deputy Minister's Office Tracking

File Name	File Location

Key Words

DIRECTIVE

MINISTER OF FINANCE

INDEPENDENT ELECTRICITY SYSTEM OPERATOR CREDIT FACILITY

To: Ontario Financing Authority ("OFA")

Whereas:

Under the *Capital Investment Plan Act, 1993* ("CIPA"), the OFA provides financing to public bodies as directed by the Minister of Finance.

The Independent Electricity System Operator ("IESO"), a public body for the purposes of CIPA, has requested funding from the OFA to support the IESO's role in the implementation and administration of the *Ontario Fair Hydro Plan Act, 2017* (the "OFHP").

In order to fulfil the Province's commitments under the OFHP, it is desirable for the Minister of Finance to provide direction to the OFA to provide a revolving credit facility for the purposes of providing short to medium term financing related to the OFHP.

Therefore:

Pursuant to sub-section 16(2) of CIPA, the OFA is directed to lend to the IESO under a revolving credit facility (the "Line of Credit") for the purpose of short to medium term financing related to the IESO's implementation of the OFHP, an aggregate principal amount of up to CAD $2 billion.

The Line of Credit shall be subject to the following terms:

- The Line of Credit shall be evidenced by an agreement between the IESO and the OFA containing terms and conditions consistent with this Directive (the "Credit Agreement").

- Interest on the Line of Credit shall be payable at a rate equal to the Province's cost of funds based on the terms of the Credit Agreement, and as determined by the Chief Executive Officer of the OFA or the Assistant Deputy Minister, Corporate and Electricity Finance Division, OFA, or a person designated by either of them, plus a twenty-five (25) basis point spread.

../2

- All amounts outstanding under the Line of Credit shall be repaid in full on or before the date no later than September 30, 2022.

- The Line of Credit shall be subject to such other terms as the OFA deems appropriate from time to time.

Dated: JUN 2 9 2017

Charles Sousa
Minister of Finance

From:	Sarah Harris
To:	Opal Kandelas
Subject:	FW: Term sheet - Provincial Protection Agreement
Date:	Wednesday, October 25, 2017 3:14:37 PM
Attachments:	Term Sheet - Provincial Protection Agreement - Sept 18 - Clean.docx

---

One more item...

-----Original Message-----
From: Whitfield, Tobias P. (MOF) [mailto:Tobias.Whitfield@ontario.ca]
Sent: Wednesday, October 25, 2017 3:08 PM
To: Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: RE: OIC PDF

Sarah - Please see the final term sheet, attached.

Tobias Whitfield
Counsel, Legal Services Branch
Ministry of Finance
tobias.whitfield@ontario.ca
Phone: 416-325-1456

-----Original Message-----
From: Hanslep, Malle (MOF)
Sent: October 25, 2017 2:47 PM
To: Harris, Sarah (OFA)
Cc: Whitfield, Tobias P. (MOF)
Subject: FW: OIC PDF

-----Original Message-----
From: Whitfield, Tobias P. (MOF)
Sent: September 19, 2017 1:33 PM
To: Strathy, Anna (OFA); Hanslep, Malle (MOF)
Subject: OIC PDF

PDF of OIC attached.

Tobias Whitfield
Counsel, Legal Services Branch
Ministry of Finance
777 Bay Street, 11th Floor
Toronto, ON, M5G 2C8
tobias.whitfield@ontario.ca
Phone: 416-325-1456
Original Message
From: ONP2F00851305@ontario.ca
Sent: Tuesday, September 19, 2017 12:35 PM
To: Whitfield, Tobias P. (MOF)
Reply To: ONP2F00851305@ontario.ca
Subject: Scan from a Xerox WorkCentre

Please open the attached document. It was scanned and sent to you using a Xerox WorkCentre.

Attachment File Type: PDF, Multi-Page

WorkCentre Location: machine location not set Device Name: ONP2F00851305

Confidential
<u>Updated Version</u>: September 18, 2017

<u>Provincial Protections and Assurances</u>

<u>Indicative Term Sheet</u>

<u>Ontario Fair Hydro Plan Act, 2017</u>

*This indicative term sheet (the "**Term Sheet**") relates to transactions contemplated to be undertaken under the Ontario Fair Hydro Plan Act, 2017 (the "**Act**") and the regulations made thereunder (the "**Regulation**"). This Term Sheet is to be held confidential. Unless otherwise specified, defined terms used herein have the meanings ascribed to them in the Act. The provincial protection and assurance arrangements contemplated in this Term Sheet will include such terms and conditions as the Minister of Energy and the Minister of Finance determine to be appropriate. This Term Sheet is not intended to create any obligations or be binding.*

Change of Law Protection Agreement:	A Change of Law Protection Agreement will be among the Obligor, a Financing Entity and an Indenture Trustee, acting for and on behalf of the Beneficiaries in accordance with a Trust Indenture.
Obligor:	The Province of Ontario, by the Minister of Energy and the Minister of Finance acting together.
Indenture Trustee:	An indenture trustee, acting for itself and on behalf of other persons entitled under an applicable Trust Indenture.
Beneficiaries:	The Indenture Trustee, acting for itself and on behalf of other persons entitled under Specified Claims.
Specified Claims:	Payment obligations of the Financing Entity that are secured under the Trust Indenture and that are approved as contemplated below under Obligor Approval.
Protection Events:	Any of the following would constitute a Protection Event: (A) (1) the Legislature repeals (and does not replace on an equivalent basis) or amends the Act or any portion thereof; (2) the Legislature enacts or amends any other statute; (3) the Lieutenant Governor in Council repeals (and does not replace on an equivalent basis) or amends the Regulation made under the Act or any portion thereof; or (4) the Lieutenant Governor in Council, a minister of the Crown, an official of the government or a board or commission all the members of which are appointed by the Lieutenant Governor in Council

	makes or amends any "regulation" (as defined in Part III of the *Legislation Act, 2006*); (5) there is a change in the organization or structure of the IESO or Ontario's electricity market undertaken at the initiative of the Province or an entity controlled by the Province, in each case, that [materially][1] and adversely affects (a) the ability of the Financing Entity to receive amounts on its investment interest so that it can pay Specified Claims, or (b) the Change of Law Protection Agreement or any of the agreements under which Specified Claims arise, other than if the Indenture Trustee has confirmed in writing that the affect under such agreements is otherwise acceptable; or (B) a court of competent jurisdiction [in a final and non-appealable judgement][2] determines that all or a portion of the Act or the Regulation is *ultra vires* or invalid in a way that [materially][3] and adversely affects the ability of the Financing Entity to receive amounts on its investment interest so that it can pay Specified Claims.
Obligation to Pay Specified Claims:	Upon the occurrence of a Protection Event, the Indenture Trustee will have the right to require the Obligor to pay the Specified Claims owing by the Financing Entity when they become due and payable (without acceleration). The exercise of such right by the Indenture Trustee in accordance with the Trust Indenture shall constitute the only remedy available under the Change of Law Protection Agreement. Under no circumstances shall the Obligor be obligated to pay or indemnify a Beneficiary for consequential, special or punitive damages, or for economic loss or loss of profits.
Subrogation:	Upon paying a Specified Claim to a Beneficiary, the Obligor as guarantor shall have rights of subrogation, including becoming entitled to all of the applicable Beneficiary's rights and interests under and in respect of the Specified Claim, including the security interest in each related investment interest and related property of the Financing Entity.

[1] Under consideration to assess the marketability implications of materiality threshold.

[2] Under consideration to assess the marketability implications of this phrase.

[3] See footnote 1, above.

Optional Assumption:	At any time following the occurrence of a Protection Event, the Obligor shall be entitled (but not obligated) to assume the Financing Entity's obligations in respect of Specified Claims as obligor and debtor. The Financing Entity (including through the Financial Services Manager) will ensure that Specified Claims permit such an assumption by the Obligor without any penalty or make-whole payment (or, in the case of any contract for the provision of on-going services to the Financing Entity, the satisfaction and termination of the Specified Claims without any acceleration of future fees, profits or other like amounts), or any requirement for further consent, approval or agreement.
Term:	The Change of Law Protection Agreement will continue for as long as any Specified Claim remains outstanding.
Obligor Approval:	The process by which a Specified Claim will become subject to the Change of Law Protection Agreement will be determined by the Minister of Finance and Minister of Energy in negotiation with the Financing Entity.
FIPPA:	The Change of Law Protection Agreement will acknowledge that the Obligor will be bound by the *Freedom of Information and Protection of Privacy Act* (Ontario) and that any information provided to the Obligor, or any agent or representative of the Obligor in connection with the Change of Law Protection Agreement, may be subject to disclosure in accordance with the act or as otherwise required by law.
Representations and Warranties:	To be determined by the Minister of Finance and Minister of Energy in negotiation with the Financing Entity.
Confidentiality Obligations:	To be determined based on what would be customary and appropriate for similar types of arrangements and is acceptable to the Obligor and the Financing Entity.
Governing Law:	Province of Ontario.

From:	Erica Wieder
To:	Mike Manning; Opal Kandelas
Subject:	FW: Transition Binder
Date:	Thursday, April 26, 2018 2:32:52 PM
Attachments:	OFA 2018 Transition Binder.pdf 1.0 OFA Presentation.pdf

Fyi, I'm just including the PDF files for your reference.

From: Serena Ly
Sent: Thursday, April 26, 2018 2:32 PM
To: Anna Strathy <Anna.Strathy@ofina.on.ca>
Cc: Erica Wieder <Erica.Wieder@ofina.on.ca>
Subject: Transition Binder

Hi Anna,

Please find attached clean word and PDF copies of the notes and deck.
If you want to look at the changes, the copies on the portal still have tracked changes enabled.

Let me know if you need the hardcopy back for reference and I'll drop it off.

Thanks,
Serena

MINISTER OF FINANCE

Transition Binder 2018

Ontario Financing Authority (OFA)

1) OFA Presentation

2) Key Issues

Borrowing Program 1
Provincial Debt 3
Credit Ratings 5
Value For Money Audit 7

3) Background

Financial Administration Act – Section 28 8
Risk Management 10
Ontario's Green Bond Program 12
Ontario Savings Bonds (OSB) 14
Ontario Nuclear Funds Agreement 16
Aboriginal Loan Guarantee Program (ALGP) 18
Financing Public Bodies 19
Government Assets And Investments 21

BORROWING PROGRAM

CURRENT STATUS

The Province completed its annual borrowing program of $33.9 billion in 2017–18, including $11.5 billion pre-borrowed for 2018–19. Ontario's borrowing program remains the largest of the Canadian provinces, and was approximately 42% of the total borrowing programs for all provinces combined in 2017–18.

As outlined in the *2018 Budget,* the Province's total long-term public borrowing requirement for fiscal 2018–19 is currently forecast to be $31.7 billion. As of April 25, 2018, the Province has completed $7.5 billion of its 2018–19 borrowing requirement. The total long term borrowing for 2019–20 and 2020–21 is forecast at $36.7 billion and $41.3 billion, respectively (Chart 1). The projected increase in borrowing requirements is due to planned deficits, refinancing of maturing debt and continued large investments in capital assets.

The Province has sufficient borrowing authority available to complete this fiscal year's borrowing program and begin funding for 2019–20.

BACKGROUND

Historically, the OFA has demonstrated a preference for domestic funding over international funding due to its greater cost-effectiveness, normally longer duration, relative ease of execution, and reduced swap counterparty credit exposure and accounting risk.

The Province however, regularly accesses borrowing opportunities in currencies other than Canadian dollars to relieve pressure on the domestic bond market and diversify its investor base. This helps reduce Ontario's overall borrowing costs and ensures that the Province will continue to have access to capital if domestic market conditions become more challenging.

In 2017–18, the proportion of domestic funding was about 62% and reflected very favourable borrowing opportunities in international markets. This was roughly in line with the target announced in the *2017 Ontario Economic Outlook and Fiscal Review* to complete approximately two-thirds of total borrowing in the Canadian dollar market. Given the continued strong demand expected in the domestic market, the Province will maintain its Canadian dollar borrowing target of at least two-thirds of total borrowing in 2018–19.

Diversification of borrowing will be required to complete the program, and the Province will strive to stay ahead of pace to provide flexibility for times when access will be curtailed.

Borrowing Authority

The Province has three sources of borrowing authority: the *Financial Administration Act* ("*FAA*"), the *Ontario Loan Act* ("*Loan Act*") and the *Electricity Act, 1998* ("*Electricity Act*").

The *FAA* authority is primarily used for the purpose of refinancing maturing debt. The *Loan Act* authority is used to finance new debt, including anticipated deficit, if any, and investments in capital assets and cash requirements.

An Order-in-Council ("OIC") is an order, recommended by the Minister of Finance, concurred by the Chair of Cabinet, and approved and ordered by the Lieutenant Governor in Council that authorizes the Province to borrow up to a specific amount authorized under the OIC.

- An *FAA* refinancing OIC totaling approximately $17.5 billion was approved on March 27, 2018.

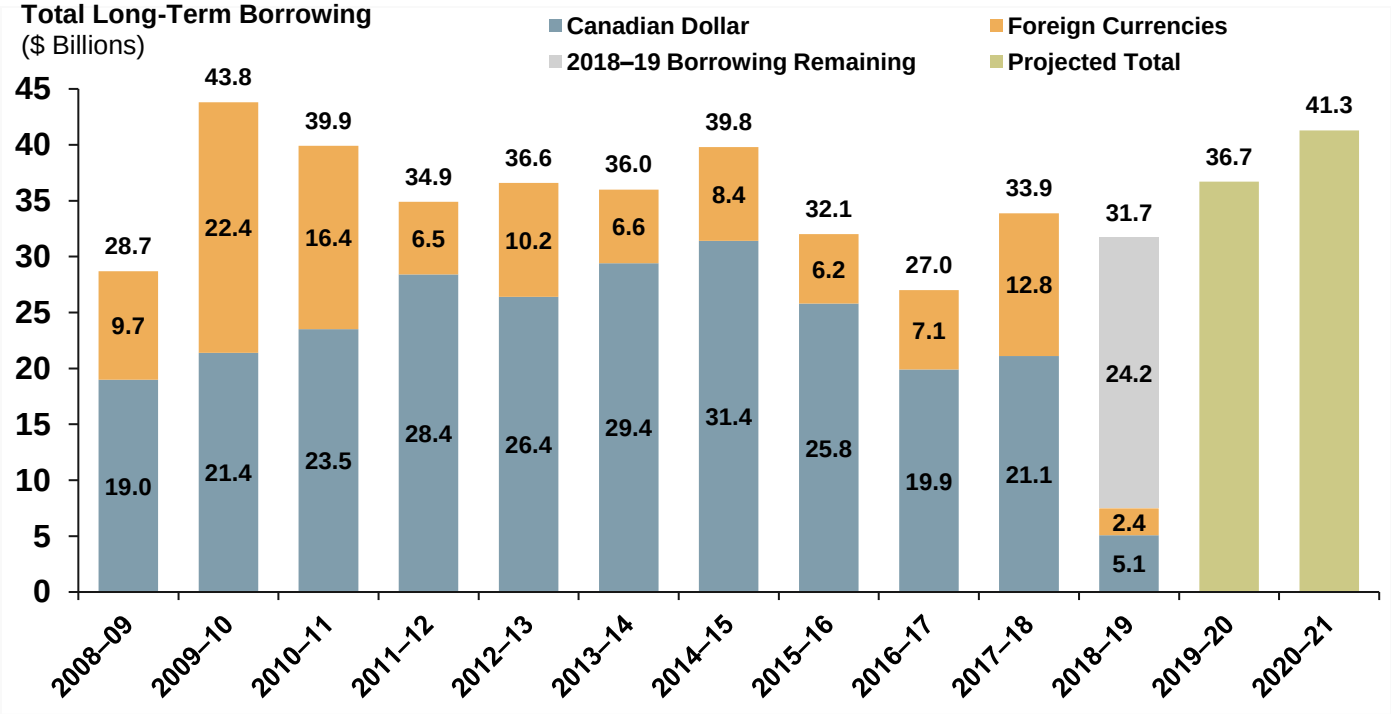
- The *Loan Act, 2017* for $6 billion received Royal Assent on May 17, 2017. Approval of one OIC under the *Loan Act* for long-term borrowing was received on October 18, 2017.

- Long-term borrowing is comprised of debt issuances with a maturity date usually greater than three years. Short-term borrowing includes debt issuance with a term of three years or less and is used to help manage the Province's liquid reserves.

Pursuant to section 68 of the *Electricity Act* and section 20 of the *FAA*, the Province borrows on behalf of OEFC and on-lends the proceeds to OEFC. The Province is able to provide an all-in lower cost of financing than if OEFC borrowed in its own name with a provincial guarantee.

OICs under the *FAA*, *Loan Act* and *Electricity Act* are routine business and are required to obtain the borrowing authority pursuant to these Acts. Without these OICs, the Province cannot issue any debt in the capital markets and would not be able to fulfill its borrowing requirements. Any significant delays in obtaining the requested OICs could result in insufficient borrowing authority and could jeopardize the Province's ability to fund health care, education, social programs and infrastructure projects and affect its ability to service existing debt and fund operating deficits.

Chart 1: Domestic and International Borrowing



Note: As of April 25, 2018.

PROVINCIAL DEBT

CURRENT STATUS

Total debt, which represents all borrowing without offsetting financial assets, is projected to be $348.8 billion as at March 31, 2018, compared to $333.1 billion as at March 31, 2017. Ontario's net debt is the difference between total liabilities and total financial assets. Ontario's net debt is projected to be $308.2 billion as at March 31, 2018. Net debt is the most commonly used measure by the debt market, as it includes both financial liabilities and assets.

Debt Portfolio and Long-Term Average of Debt Portfolio

The global decline in interest rates over the past 25 years is already showing signs of modestly reversing. Maintaining a long average term of the Province's debt portfolio ensures low interest rates remain locked in for a longer period. This reduces refinancing risks and helps offset the impact of expected higher interest rates on the Province's future interest on debt costs.

Since the beginning of fiscal year 2010–11, Ontario has issued $71.3 billion of bonds with terms of longer than 30 years to lock in low interest rates. As a result, the average term of Ontario's debt portfolio has been extended, from 9.7 years in 2009–10 to 10.9 years, as of December 31, 2017 (Chart 1).

Net Debt-to-GDP

The Province's net debt-to-GDP ratio is forecast to be 37.6 per cent at the end of fiscal 2018–19, compared to the 37.3 per cent forecast in the *2017 Budget* (restated) and the 38.5 per cent forecast in the *2016 Budget*. Ontario's net debt-to-GDP ratio peaked in 2014–15 at 39.3 per cent and is forecast to remain below the 2014–15 peak and resume its downward trend in 2022–23 (Chart 2).

Investments in capital infrastructure have contributed over $99 billion to the increase of tangible capital assets, and thus net debt over the last 13 years. The government commenced recording of tangible capital assets in 2002–03. Over the budget outlook, net investments in capital assets will contribute over $32 billion to the total increase in net debt of $51.9 billion.

Interest on Debt

Interest on debt (IOD) is Ontario's fourth largest budgeted expenditure, after Health, Education and Children's and Social Services. Ontario's IOD for the year 2018–19 is projected to be $12,543 million, $578 million higher than interim IOD of $11,965 million in 2017–18.

The Province's exposure to interest rate fluctuations, both positive and negative, is significant. In 2018–19, a one percentage point change in interest rates would result in a change of $300 million in IOD costs for the Province.

BACKGROUND

The three commonly used indicators of a government's financial and debt position are net debt, total debt, and accumulated deficit. Credit rating agencies and investors place the greatest emphasis on net debt.

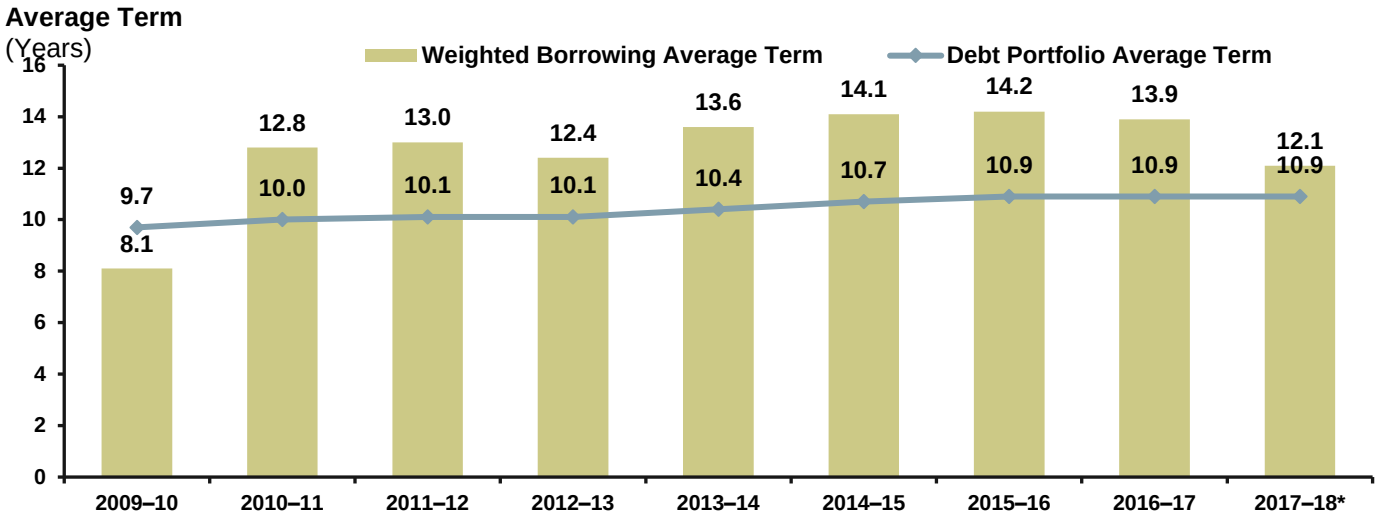
Net debt is the difference between the Province's total liabilities and financial assets. Ontario's net debt has been forecast to increase from $301.6 billion as at March 31, 2017 to $308.2 billion

as at March 31, 2018. It is projected to increase to $325.0 billion as at March 31, 2019 and to $342.8 billion as at March 31, 2020. The increase in net debt primarily reflects the increase in net tangible capital assets of the Province in 2017–18, partially offset by the projected surplus and, thereafter, increases in projected deficits and net tangible capital assets. Financial markets use net debt as their primary measure as it represents the Province's future revenue requirements to pay for past transactions and events.

Total debt is the sum of the Province's total borrowings including Ontario Electricity Financial Corporation and agencies. Ontario's total debt increased from $333.1 billion as at March 31, 2017 to $348.8 billion projected as at March 31, 2018. This increase was mainly due to deficits and the government's capital investments. Canadian dollar denominated debt represents 83 per cent of the Province's total debt as at March 31, 2018.

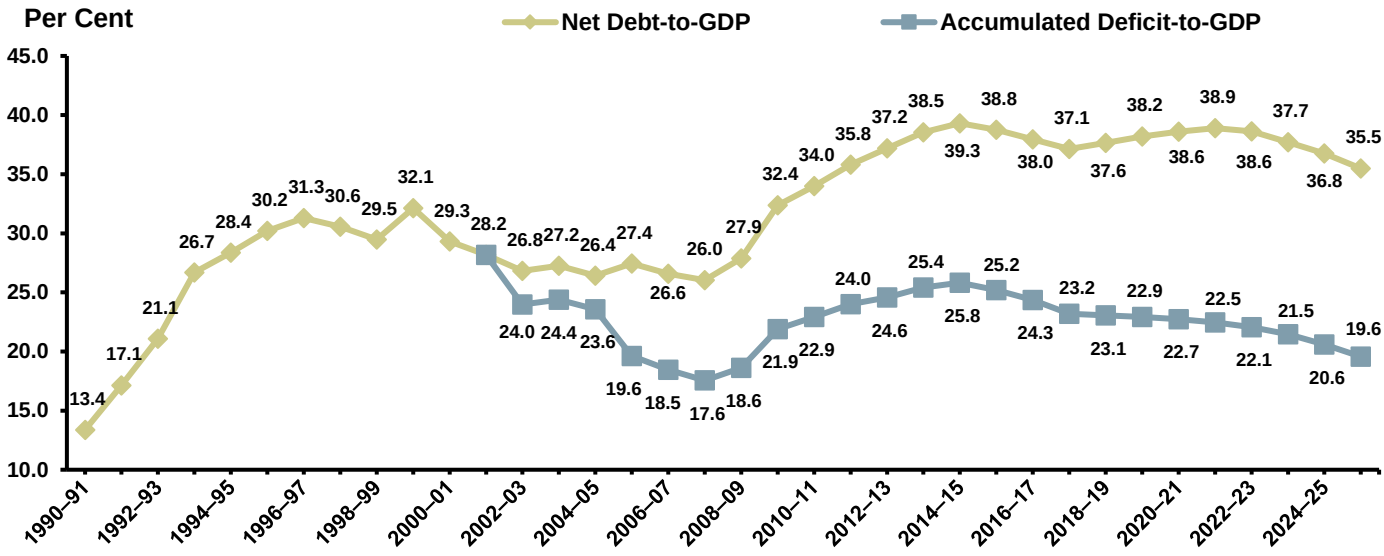
Accumulated deficit represents the sum of all deficits and surpluses. Accumulated deficit is projected to be $192.4 billion as of March 31, 2018, compared to a projection of $193.5 billion in the *2017 Budget*. The projected difference of $115.8 billion between net debt and accumulated deficit is mainly due to the Province's high level of investment in infrastructure.

Chart 1: Weighted- Average Term of Borrowing



*Debt Portfolio Average Term as at December 31, 2017.

Chart 2: Net Debt-to-GDP and Accumulated Deficit-to-GDP



CREDIT RATINGS

CURRENT STATUS

The OFA maintains close relationships and ongoing dialogue with credit rating agencies throughout the year to keep them apprised of the government's financial status, policies and initiatives, and to ensure these are accurately reflected in the agencies' ratings and reports. Ontario currently maintains a double-A rating with three of its four credit rating agencies.

Table 1: Ontario's Current Long-term and Short-term Ratings

Agency	Long-Term Rating	Short-Term Rating	Most Recent Review
Moody's	Aa2 (N)	P-1	Negative Outlook April 17, 2018
DBRS	AA (low)	R-1 (mid)	Confirmed April 24, 2018
Fitch	AA-	F1+	Confirmed June 20, 2017
S&P	A+	A-1	Long-term rating confirmed; short-term rating lowered June 15, 2017

Credit rating agencies will be monitoring the fiscal plans of the government very closely. If deficits persist, the Province is likely at risk of being downgraded by credit rating agencies. The last downgrade from S&P was on July 6, 2015, after the *2015 Budget* was released on April 23, 2015. S&P had cited high deficits and a high debt burden versus domestic and international peers.

A downgrade to the Province's credit ratings would result in higher interest rates on Ontario debt. For 2018–19, the impact of a one percentage point change in interest rates on interest on debt is approximately $300 million.

BACKGROUND

Moody's notes that spending pressure will challenge the province's ability to achieve and maintain a balanced budgets. Financing to fund deficits and capital spending will continue to push the debt burden higher. Interest expense as a share of revenues is already the highest among the provinces and is expected to increase as interest rates rise.

Fitch noted that a return to deficit borrowing during a period of economic growth would be inconsistent with Fitch's current rating expectations. According to Fitch, the Stable Outlook at the current rating level assumes a continued focus on tabling balanced budgets and gradually lowering the burden of debt.

S&P notes that the province's very strong and diversified economy, strong financial management, very predictable and well-balanced institutional framework, and low contingent liabilities support the province's current rating. The ratings also reflect S&P's view of the province's weak budgetary performances and very high debt burden.

DBRS expects the ratings to remain stable in the near term, however, the outlook for the medium to longer term appear less certain. A downgrade could occur if debt were to rise sharply because of a downturn in the economy or a change in the government's fiscal policies.

Both S&P and Moody's have indicated that the maintenance of liquid reserves in proportion to financing needs, including both short-term and long-term debt maturities, is an important factor in maintaining Ontario's credit rating.

Table 2: Provincial Long-term Rating Comparison

Province	S&P	Moody's	DBRS	Fitch
Canada	AAA	Aaa	AAA	AAA
Ontario	**A+**	**Aa2 (N)**	**AA (low)**	**AA-**
British Columbia	AAA	Aaa	AA (high)	AAA
Saskatchewan	AA	Aaa	AA	AA
Quebec	AA-	Aa2	A (high)	AA-
Nova Scotia	A+ (P)	Aa2	A (high)	Not Rated
Alberta	A+	Aa1 (N)	AA (N)	Not Rated
Manitoba	A+	Aa2	A (high)	Not Rated
New Brunswick	A+	Aa2	A (high) (N)	Not Rated
PEI	A	Aa2	A (low)	Not Rated
Newfoundland & Labrador	A	Aa3 (N)	A (low)	Not Rated

Rating agencies use a number of key debt ratios when assessing Ontario's rating including Deficit-to-Revenue, After-Capital Deficit-to-Revenue, Net Debt-to-Revenue, Net Debt-to-GDP, and Interest on Debt-to-Revenue.

Chart 1: IOD-to-Revenue

(Per Cent)

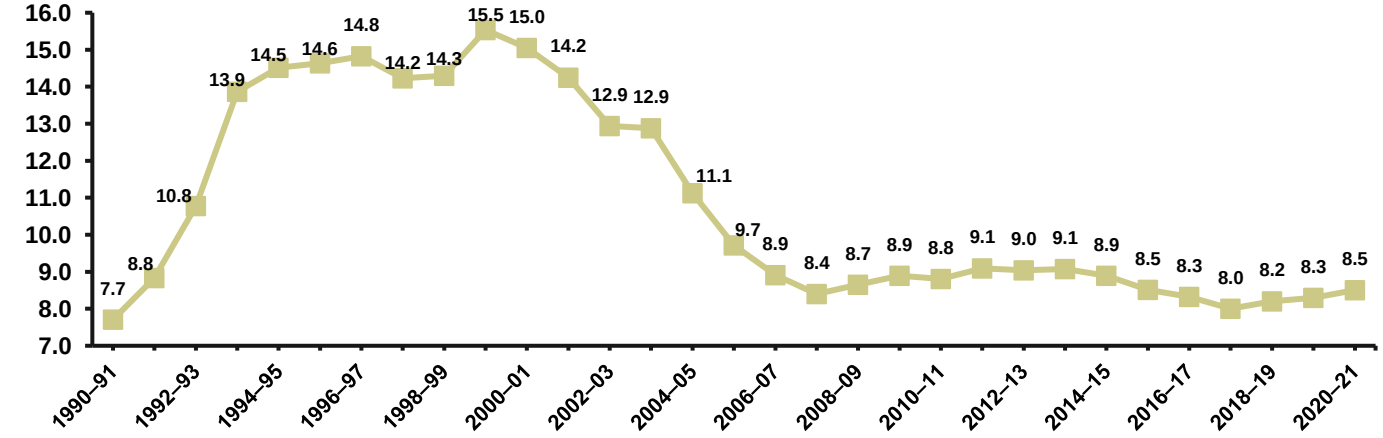
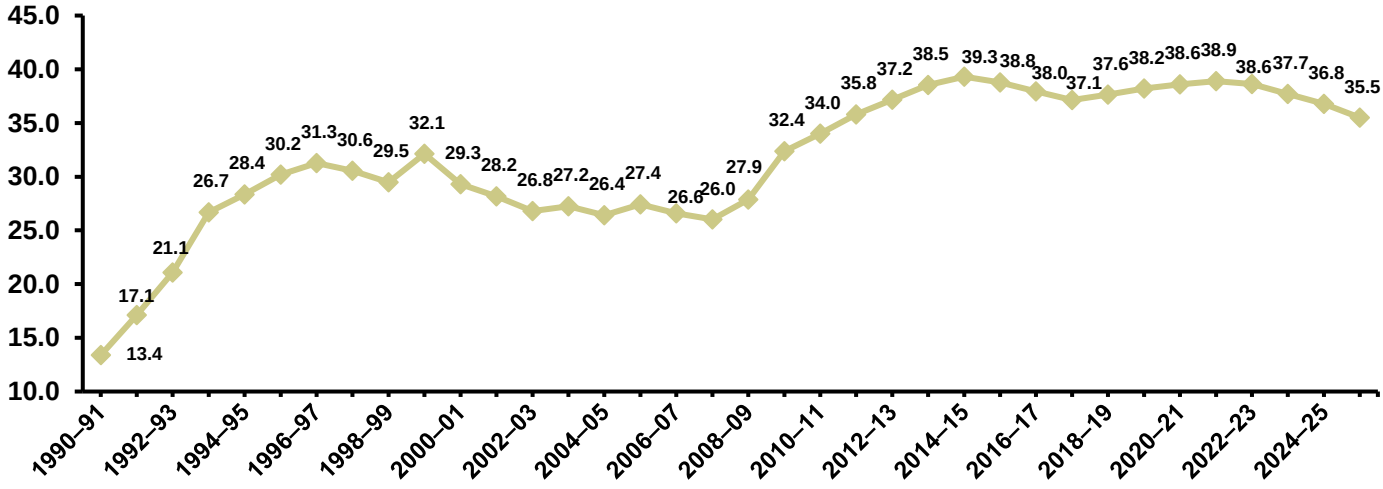


Chart 2: Net Debt–to-GDP

(Per Cent)



VALUE FOR MONEY AUDIT

CURRENT STATUS

From January to late March 2018, the OFA and the Office of the Auditor General of Ontario (OAGO) have been working together to prepare the groundwork for the Value-For-Money (VFM) audit on Borrowing and Debt Management to begin in May and likely end in September 2018.

The auditors have met with both senior management and individual staff, and have been briefed on the strategy and planning that goes into the borrowing and debt management activities and execution. A manager has been appointed to act as the audit coordinator to ensure that all information requests by the OAGA have been met in a timely manner.

In late March, the auditors concluded their preliminary field work. In early May they will return to the OFA to brief and obtain consensus with OFA senior management on what the actual audit scope and objectives will entail. From May to August, the field work will be done in earnest. In August and September, the OAG will inform the OFA of its findings and recommendations that will be published in the AG's Annual Report in 2018.The process also includes an opportunity for the OFA to respond to the findings and its responses will included in the published report.

BACKGROUND

On December 11, 2017, the Auditor General informed the Ministry of Finance Deputy Minister that the OFA's Borrowing and Debt Management Program would be subject to a VFM audit for the 2017–18 Fiscal year.

A VFM audit is part of the AG's mandate where government programs, agencies, and certain public-sector organizations are audited to see if their administrators have spent money with due regard for economy and efficiency and have satisfactory procedures for measuring and reporting on effectiveness. VFM audits are conducted along the assurance standards of CPA Canada.

The AG's VFM findings are published annually in the AG's Annual Report, typically in Chapter 3 of her report. VFM findings are high profile and in many cases generate larger media coverage than financial statement audits performed by the AG.

FINANCIAL ADMINISTRATION ACT – SECTION 28

BACKGROUND

Section 28 (s.28) of the FAA has been in force since 1991, and states that despite any other Act, a ministry or public entity shall not enter into any financial arrangement, financial commitment, guarantee, indemnity, or similar transaction that would increase, directly or indirectly, the indebtedness or contingent liabilities of Ontario, or seek the approval of the Lieutenant Governor in Council to enter into any such transaction, without the prior written approval of the Minister of Finance.

Currently the powers of the Minister under FAA section 28 are shared by the Minister of Finance and the President of Treasury Board as a result of OIC 216/2015 as amended by OIC 223/2016. These shared powers include the following:

- The approval of individual transactions s.28(1.1).
- The approval of a class of transactions s.28(1.2).
- The exemption of an individual transaction s.28(1.3).
- The exemption by regulation of a class of transactions s.28(1.4).
- The declaration that s.28 (2) does not apply; i.e., despite failure to comply with s.28 the transaction remains enforceable.

The Minister of Finance deals with requests from ministries and provincial agencies respecting financing, investing, and financial risk management activities, including borrowing by Crown agencies, guaranteeing of such borrowing, banking and financial services, Alternative Financing Projects (AFPs), custodial services and hedging contracts.

In addition, the Minister of Finance is responsible for responding to requests for section 28 approvals of contingent liabilities and financings contained in all agreements and transactions entered into by Ministry of Finance divisions and agencies.

The President of Treasury Board deals with section 28 approval requests from ministries and provincial agencies (other than the Ministry of Finance and its agencies) of all other contingent liabilities contained in non-financing related agreements and transactions, including contractual indemnities, government contribution agreements, real estate leases, and contracts for services required to meet day-to-day operations.

It is a ministry's or public entity's responsibility to identify which of their proposed transactions require s.28 approval under the FAA and submit the request to the appropriate Minister prior to entering into the transaction or seeking Cabinet approval for the transaction.

Submissions supporting requests for Section 28 approval should include a signed Minister's request letter as well as a business case for the transaction that would include:

- The description, business and legal rationale for assuming each specific contingent liability or increase in indebtedness;
- A quantification of the maximum dollar amount of the contingent liability or indebtedness, and if it is not possible to quantify, an explanation as to why that is the case;

- Any financial models developed in support of the project;
- An estimate of the duration of the contingent liability or indebtedness, the risk exposure and the likelihood of it materializing;
- A description of the measures taken to manage risk and minimize losses;
- A description of alternatives considered to the contingent liabilities or indebtedness;
- An explanation of how the responsible ministry proposes to pay for any contingent liabilities that may arise; and
- A description of the benefit to Ontario of taking on the contingent liability.

RISK MANAGEMENT

CURRENT STATUS

Coming out of the financial crisis in 2008–09, the Province began a strategy of creating large, liquid 10 and 30-year benchmark domestic bond issues in 2009–10 in response to investor demand. This strategy has been very successful and continues to lower Ontario's borrowing costs and enhance the Province's access to capital.

However, as a result of these large bond issues, the Province will have large cash outflows on single days commencing in 2019–20, rather than having maturities spread more evenly through the year. In anticipation of the need for cash reserves to meet these requirements for large outflows on a single day, the Province began building larger cash reserves in 2017–18. As of March 31, 2018, the Province's average unrestricted liquid reserve was $30.1 billion (Chart 1). Debt maturities are estimated at $21.5 billion for 2018–19.

Today, the OFA maintains a high level of liquid reserves and short term borrowing capacity.

BACKGROUND

Market risk is the risk of loss due to changes in interest and foreign exchange rates. The OFA monitors and manages the debt maturity profile to limit refinancing risk. Term selection for new borrowing will be aimed for a smooth maturity schedule to diversify the interest resetting risk of refinancing debt maturities (Table 1).

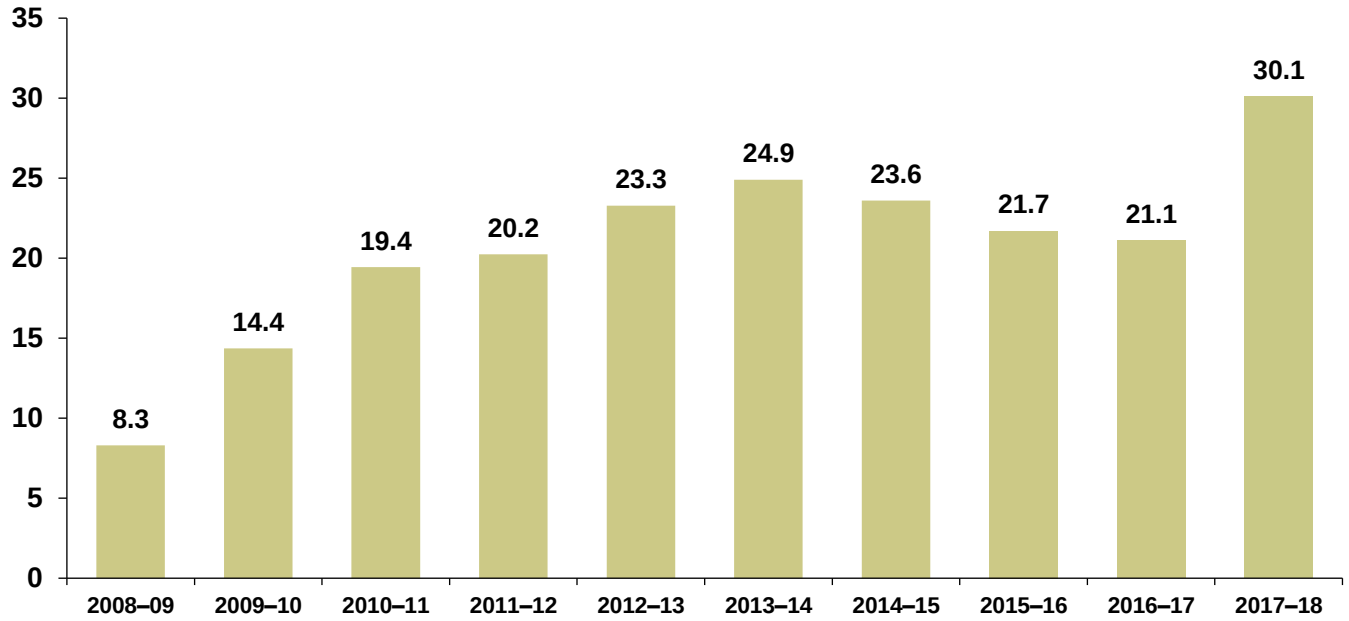
Liquidity Risk is the risk that liquid reserves will not be sufficient to meet the Province's cash requirements. This risk is controlled through the management of operational cash flows, liquid reserve levels and the short-term borrowing program. The Province's Treasury bill and U.S. Commercial Paper programs have authorized limits of $33.0 billion and $15.0 billion, respectively.

Operational Risk is risk of loss due to failed models, systems, processes, people or external events.

Credit Risk is the risk of loss due to default of bond issuers or counterparties of derivatives or other financial transactions. Strict credit limits are enforced for financial and investment counterparties. The Province also has collateralized swap agreements in place for most swap counterparties.

Chart 1: Average Unrestricted Liquid Reserves

($ Billions)



Note: As of March 31, 2018.

Table 1: Net Interest Rate Resetting and Foreign Exchange Exposure

As of March 31, 2018	**Exposure**	**Policy Limit**
Foreign Exchange	0.2%	5.0%
Net Interest Rate Resetting	10.9%	35.0%

ONTARIO'S GREEN BOND PROGRAM

CURRENT STATUS

Ontario is currently the largest issuer of Canadian dollar Green Bonds, with four outstanding green issues totaling $3.05 billion (Table 1).

On January 25, the Province successfully launched its fourth Green Bond issue of $1.0 billion. This is not only the largest Green Bond offering from the Province of Ontario, but also the largest issue to be priced in the Canadian dollar Green Bond market. With this transaction, Ontario added eight new investors (that had never purchased Ontario bonds) and expanded its Canadian dollar investor base by eleven names (investors that had never purchased Ontario bonds in Canadian dollars).

BACKGROUND

The Province's Green Bond program commenced in 2014. As the first Canadian province to issue Green Bonds, Ontario is leading the way to establish and develop a Canadian dollar Green Bond market with investor participation from around the world. Ontario's Green Bonds capitalize on the Province's ability to raise funds at low interest rates and serve as an important tool to help Ontario finance transit and other environmentally friendly projects across the Province.

Ontario has a mature Green Bond program and expects Green Bonds to continue having an important role in the Province's annual borrowing.

Ontario strives to be a leader in its transparency and impact reporting efforts with the publication of its annual newsletter.

Use and Management of Proceeds

Green Bond proceeds are paid into the Consolidated Revenue Fund of Ontario. An amount equal to the net proceeds of each Green Bond issue is recorded in a designated account in the Province of Ontario's financial records. These designated accounts are used to track the use and allocation of funds to eligible projects.

Green Bond projects are expected to be funded within one year from the date of issue.

Green Bond Projects

Ontario's Green Bond Framework specifies five categories of eligible projects:

- Clean Transportation (e.g. public transportation)
- Energy Efficiency and Conservation (e.g. building efficiency improvement)
- Clean Energy and Technology (e.g. smart grid infrastructure and energy storage)
- Forestry, Agriculture and Land Management (e.g. sustainable forest management)
- Climate Adaptation and Resilience (e.g. flood protection and storm water management)

A total of 16 different projects have received or will receive funding from Ontario's four Green Bond issues. The projects selected as eligible to receive funding from the Green Bonds have an emphasis on clean transportation and energy efficiency and conservation (Table 2).

Table 1: Ontario's Green Bond Issues Summary

Green Bond Issue:	Inaugural	Second	Third	Fourth
Size:	C$500 Million	C$750 Million	C$800 Million	C$1,000 Million
Pricing Date:	October 2, 2014	January 22, 2016	January 26, 2017	January 25, 2018
Maturity Date:	October 9, 2018	January 27, 2023	January 27, 2023	February 5, 2025
Investors:	81	52	55	71
Green Mandates/ UN PRI Signatories:	85%	70%	78%	85%

Table 2: Projects Financed by Ontario's Green Bonds

	Green Bond Funding			
Clean Transportation Category	**1**	**2**	**3**	**4**
Eglinton Crosstown Light Rail Transit (LRT)	✓	✓	✓	✓
York Viva Bus Rapid Transit		✓	✓	✓
Regional Express Rail		✓	✓	
Finch West LRT			✓	✓
Hurontario LRT			✓	✓
Hamilton LRT			✓	
Energy Efficiency & Conservation Category				
Sheridan College		✓		
ErinoakKids Centre for Treatment and Development			✓	
Whitby Rail Maintenance Facility				✓
Seneca College King Campus Expansion				✓
Joseph Brant Hospital – Redevelopment Project Phase 1				✓
St. Joseph's Healthcare Hamilton – West 5th		✓	✓	
St. Joseph's Healthcare – London and St. Thomas		✓	✓	
Waypoint Centre for Mental Health		✓	✓	
Centre for Addiction and Mental Health – Queen Street		✓	✓	
Woodstock General Hospital			✓	

ONTARIO SAVINGS BONDS (OSB)

CURRENT STATUS

A new campaign is taking place from June 1–21, 2018 with the following range of products: 3-year variable, 5-year step-up, 3-year fixed, and 10-year fixed. The interest rates for the new series of OSBs are generally announced on the first day of sales.

The 2017 campaign raised approximately $64 million. It is difficult to predict the size of this year's campaign. Increased competition by banks for retail money may be offset by the safety provided by government bonds.

The Federal government, British Columbia, Alberta, Saskatchewan and Manitoba have discontinued their savings bond program (Table 1). The Province may review the Ontario Savings Bond Program next year.

BACKGROUND

OSBs were introduced in 1995 and are 100 per cent backed by the Province of Ontario. Since then, approximately $44 billion in OSBs have been sold with about $1.1 billion currently outstanding (amount as of February 28, 2018). The bonds are usually on sale during the first three weeks of June.

The bonds are available for purchase through dealers, banks and credit unions. The 2017 distribution of sales across the various agents was consistent with prior years with dealers accounting for 85 per cent of total sales and banks for 15 per cent of total sales.

Total sales per campaign for the OSBs are as follows:

2017	$ 64 million
2016	$ 127 million
2015	$ 66 million
2014	$ 553 million
2013	$ 445 million
2012	$ 774 million
2011	$ 572 million
2010	$1.147 billion
2009	$1.045 billion
2008	$ 455 million
2007	$1.272 billion
2006	$1.384 billion
2005	$1.832 billion
2004	$1.150 billion
2003	$3.770 billion
2002	$2.615 billion

2001	$4.167 billion
2000	$3.380 billion
1999	$2.049 billion
1998	$1.954 billion
1997	$1.537 billion
1996	$1.034 billion
1995	$1.607 billion
Total	**$44.340 billion**

Table 1: Status of Savings Bond Programs in Canada

Government	**Status**
Federal	Discontinued the Canada Savings Bond Program in 2017
Quebec	Issues savings bonds through Placements Quebec
Manitoba	Discontinued program in 2015
Alberta	Discontinued program in 2010
Saskatchewan	Discontinued program in 2007 (last outstanding issue matured in 2014)
British Columbia	Discontinued program (last outstanding issue matured in 2007)
PEI	N/A
New Brunswick	N/A
Nova Scotia	N/A
Newfoundland and Labrador	N/A

ONTARIO NUCLEAR FUNDS AGREEMENT

CURRENT STATUS

The Province and Ontario Power Generation (OPG) signed the Ontario Nuclear Funds Agreement (ONFA) in March 2002, effective as of April 1, 1999. The Ontario Financing Authority (OFA) manages the implementation of ONFA on behalf of the Province.

The main objective of ONFA is to ensure sufficient funds are available to pay for the future costs of nuclear waste management and nuclear station decommissioning for OPG's current nuclear stations, including the Bruce stations leased to Bruce Power.

ONFA came into force in July 2003 with the creation of two segregated funds, which are jointly managed by OPG and OFA, on behalf of the Province:

- The Decommissioning Segregated Fund (DSF) is to pay for the permanent shut down of nuclear stations, including security and monitoring, used fuel storage during decommissioning, dismantling of stations and site restoration, and storage of low and intermediate level waste.
- The Used Fuel Segregated Fund (UFSF) is to cover costs of dry storage and used fuel after station decommissioning, as well as long-term disposal costs. The UFSF includes the federally mandated "Ontario NFWA Trust" amounts (under the federal Nuclear Fuel Waste Act).

The combined market value of the funds was $4.9 billion when they were formally established in 2003. As of December 31, 2017, the combined market value of the segregated funds was about $21.2 billion, consisting of about $9.1 billion in the DSF (including a "due to the Province" of about $1.9 billion) and about $12.1 billion in the UFSF (including a "due to the Province" of about $2.5 billion). Net of the "due (to) from Province" amounts, OPG recognises a net value for the ONFA funds of about $16.7 billion on its balance sheet (Table 1).

Role of the Minister of Finance:

ONFA was signed by the Minister of Finance, and the Minister of Finance has responsibility for ONFA, including the following:

- Approving Reference Plans submitted by OPG for cost and liability estimates for plant decommissioning and waste management at least once every five years. The current Reference Plan is effective January 1, 2017.
- Entering into agreements to satisfy the Canadian Nuclear Safety Commission (CNSC) financial guarantee requirements related to OPG's nuclear facilities. This includes providing the CNSC with access (in certain circumstances) to the ONFA segregated funds, or if required, providing a direct provincial guarantee.
- Approving any amendments to ONFA.

BACKGROUND

As part of the April 1, 1999, financial restructuring of the old Ontario Hydro, OPG began to set aside cash in segregated funds and recognize on its financial statements the present value of the incurred nuclear waste management and decommissioning obligations.

In light of the recognition of these obligations, the Province and OPG entered into the ONFA in March 2002. The agreement came into force on July 24, 2003, with an effective date of April 1, 1999.

ONFA has three main goals:

- To ensure sufficient funds are available to pay for costs of nuclear station decommissioning and long-term nuclear waste management (including used fuel and low and intermediate level waste after station shut down),
- To limit OPG's financial exposure to unforeseen increases in the cost of managing used fuel, and
- To permit OPG to satisfy the CNSC's financial guarantee requirements.

Table 1: Historical Segregated Fund Market Values

Fair Market Value ($ millions)	2017	2016	2015	2014	2013
DSF	9,099	8,317	7,834	7,346	6,591
Due (to) Province	(1,933)	(1,477)	(1,285)	(1,100)	(624)
Total Net DSF	7,166	6,840	6,549	6,246	5,967
UFSF	12,087	11,082	10,290	9,562	8,519
Due (to) from Province	(2,529)	(1,938)	(1,703)	(1,429)	(990)
Total Net UFSF	9,558	9,144	8,687	8,133	7,529
Total – Gross	**21,186**	**19,399**	**18,124**	**16,908**	**15,110**
Total - Due (to) from	(4,462)	(3,415)	(2,988)	(2,529)	(1,614)
Total – Net	16,724	15,984	15,136	13,496	13,496

Notes: "Due (to) from Province" amounts reflect the funds position at a certain point in time only and have fluctuated over time as presented in the table. The "Due to Province" amounts are reflected in this way on OPG's financial statements under accounting standards, primarily because of ONFA.

Under ONFA, if there are amounts left in the funds after all the liabilities have been dealt with (projected to be many decades away, up to the 22nd century), then those amounts go to the Province. Under ONFA, the Province provides a rate of return guarantee on a portion of the UFSF. If the actual rate of return on that portion of the UFSF, then OPG records that amount as "Due to Province".

ABORIGINAL LOAN GUARANTEE PROGRAM (ALGP)

CURRENT STATUS

The ALGP is a discretionary, non-entitlement, application-based program that provides loan guarantees to eligible applicants to support Aboriginal equity participation in the renewable energy sector and regulated transmission projects.

The program, as approved by Treasury Board, can provide a loan guarantee of up to 75 per cent of an Aboriginal community's investment in a renewable energy generation or transmission project, to a maximum of $50 million per project. Treasury Board approval of these parameters also allows the OFA to come forward for approvals above $50 million on a case-by-case basis. The total approved program envelope is $650 million.

Nine loan guarantees have been approved to-date, for a total of approximately $250 million. There are active applications for requested loan guarantees totalling over $300 million.

In conjunction with its third party due diligence service providers, the OFA administers the program, performs due diligence on the applications, seeks the necessary approvals from Cabinet (Order in Council) and the Minister of Finance (approval of the conditional offer of the guarantee and execution of the guarantee agreement), and negotiates the final legal agreements.

BACKGROUND

The ALGP was launched in 2009 to facilitate Aboriginal participation in renewable energy infrastructure projects. Eligible investments under the ALGP include key investments in transmission, wind, solar and hydroelectric projects across the province.

Loan guarantee offers are made on a case-by-case basis at the discretion of the Minister of Finance and Cabinet under the authority of section 22 of the *Financial Administration Act* and are disclosed as Contingent Liabilities in Volume 1 of the Public Accounts.

To be eligible for a loan guarantee under the program, projects are required to have:

- Agreements in place to purchase energy in the case of generation projects and regulatory approvals in the case of transmission projects
- Experienced proponents and project partners with track records in construction and operation
- Completion of the OFA's due diligence process
- A corporation that is wholly-owned by the Aboriginal Community which will be the applicant to the program and will take on all aspects of the project, such as signing contracts and entering into partnership agreements

If eligible, applicants could receive ALGP guarantees for up to 75 per cent of the Aboriginal community's equity in a project, to a maximum of $50 million, no earlier than at the point of financial close for the project, after regulatory approvals are in place and at the same time, or after, all other financing is put in place.

FINANCING PUBLIC BODIES

CURRENT STATUS

The OFA provides loans to public bodies such as colleges, school boards and hospitals, as well as provincial corporations, boards and commissions that are consolidated on the Province's financial statements.

Under this framework, the OFA provided new loans to a number of public bodies in 2017–18, including Ontario colleges and crown corporations totalling $2.4 billion. As at March 31, 2018, the OFA had a total outstanding loan portfolio worth $5.7 billion, for a conservatively estimated saving of nearly $30 million in annual interest costs. Cumulative interest savings since inception of the program in 2007 are in excess of $260 million.

It is estimated that the OFA may provide a further $500 million in long-term loans to public bodies in 2018–19.

BACKGROUND

Higher financing costs of consolidated public bodies, increased demand for financing and the lack of expertise within public bodies led to the establishment of a provincial loan program for public bodies.

Under this framework, the Province, through the OFA, provides short and long-term financing to provincial public bodies. Most of the OFA loans are long-term. The cost of long-term debt of consolidated public bodies is conservatively estimated to be 25 to 75 basis points higher than the Province's cost of funds.

Through this program, the Interest on Debt cost associated with capital projects is transferred to some of the responsible organizations.

Key Framework Components

The key decisions in establishing the framework revolved around what type of financing to provide, which consolidated sectors to lend to and what interest rate to charge.

1. *Long-Term Financing*: The framework focuses on long-term financing and generally leaves administratively intensive short-term financing to financial institutions, except where the Minister of Finance determines there is a significant benefit to the public body or to the Province.

2. *Consolidated Sectors*: The OFA provides financing to sectors where their financial results are consolidated on the Province's balance sheet, including school boards, colleges, hospitals and other public bodies that borrow as crown agents. However, the OFA will generally not lend directly to the electricity sector (except for certain purposes of the Independent Electricity System Operator formerly under the mandate of the Ontario Power Authority prior to their merger), unless otherwise directed by Cabinet, Treasury Board or the Minister of Finance.

3. *Province's Total Cost of Funds or a Proxy Commercial Rate*: The OFA provides financing at either the Province's total cost of funds or a proxy commercial rate, depending on the nature of

the activity and debt repayment capacity of the public body. In some cases the rate charged to the borrower will be similar to the rate that would be charged on the loan by a commercial lender which would reflect the relative risk associated with the loan. The OFA will generally retain the spread, which includes the administrative costs of managing these loans.

GOVERNMENT ASSETS AND INVESTMENTS

The Ontario Financing Authority (OFA) provides financial analysis and advice to the government, ministries and agencies on government assets and investments.

Contributions from Provincially-owned assets can help meet fiscal plan targets or generate additional cash for reinvestment.

As the owner of these assets, the government has a responsibility to ensure that governance of these assets is sound and that optimal contribution to the fiscal plan is pursued.

Three main categories of options are available for potentially increasing the value that an asset delivers to the Province:

- Hold;
- Retain and Improve; and
- Divest.

The Province has a number of significant assets that do or can provide fiscal contributions, such as the following:

- Ownership interests in Government Business Enterprises (GBEs):
    - Ontario Power Generation Inc. (OPG),
    - Liquor Control Board of Ontario (LCBO) (with the Ontario Cannabis Retail Corporation (OCRC) as an LCBO subsidiary),
    - Ontario Lottery and Gaming Corporation (OLG), and
    - Hydro One Limited (Hydro One).
- In 2016–17, the Province reported net income from GBEs of about $5.6 billion, per 2016–17 Public Accounts of Ontario.
- The Province is the sole owner of OPG, LCBO (including OCRC), and OLG, and holds about 47 per cent ownership in Hydro One which is publicly traded on the Toronto Stock Exchange (TSX).

There are a number of other smaller organizations owned by the Province, which provide smaller amounts of revenue, or none in some cases, but which may still hold fiscal opportunities to improve performance or have opportunities to realise value.

The OFA also provides financial analysis and advice on government investments, such as venture capital investments and business supports, including loans and loan guarantees.

BACKGROUND

Options to Optimise Value:

1. Hold: For assets delivering core public services, where performance is excellent and/or non-organic improvement or divesting is not feasible today.

2. Retain and Improve: For assets delivering core public services, where transformation and/or growth would unlock fiscal or policy value. This could include
    - Improving governance and oversight,
    - Modernizing the operating model, through restructuring or outsourcing, and
    - Improving performance by pursuing opportunities for efficiency.

3. Divest: For non-core assets where divesting would allow for the capture of full value or where the government cannot improve performance without significant risk or where changes in society do not justify or require the existence or operation of the asset.

Ontario Financing Authority

April 2018

www.ofina.on.ca

Mandate

The Ontario Financing Authority (OFA) was established by the *Capital Investment Plan Act, 1993*, and performs the following activities:

- Conducts borrowing, investment and financial risk management for the Province of Ontario;
- Manages the Provincial debt;
- Provides financial and centralized cash management services for the Province;
- Advises ministries, Crown agencies and other public bodies on financial policies and projects;
- Assists Crown agencies and other public bodies to borrow and invest money;
- Lends to certain public bodies at the direction of the Province;
- Invests on behalf of some public bodies;
- With Ontario Power Generation Inc. (OPG), manages the investment activities of OPG's Used Fuel Segregated Fund and Decommissioning Segregated Fund; and
- Carries out the day-to-day operations of Ontario Electricity Financial Corporation (OEFC) and provides a broad range of financial services to Ontario Infrastructure and Lands Corporation (Infrastructure Ontario).

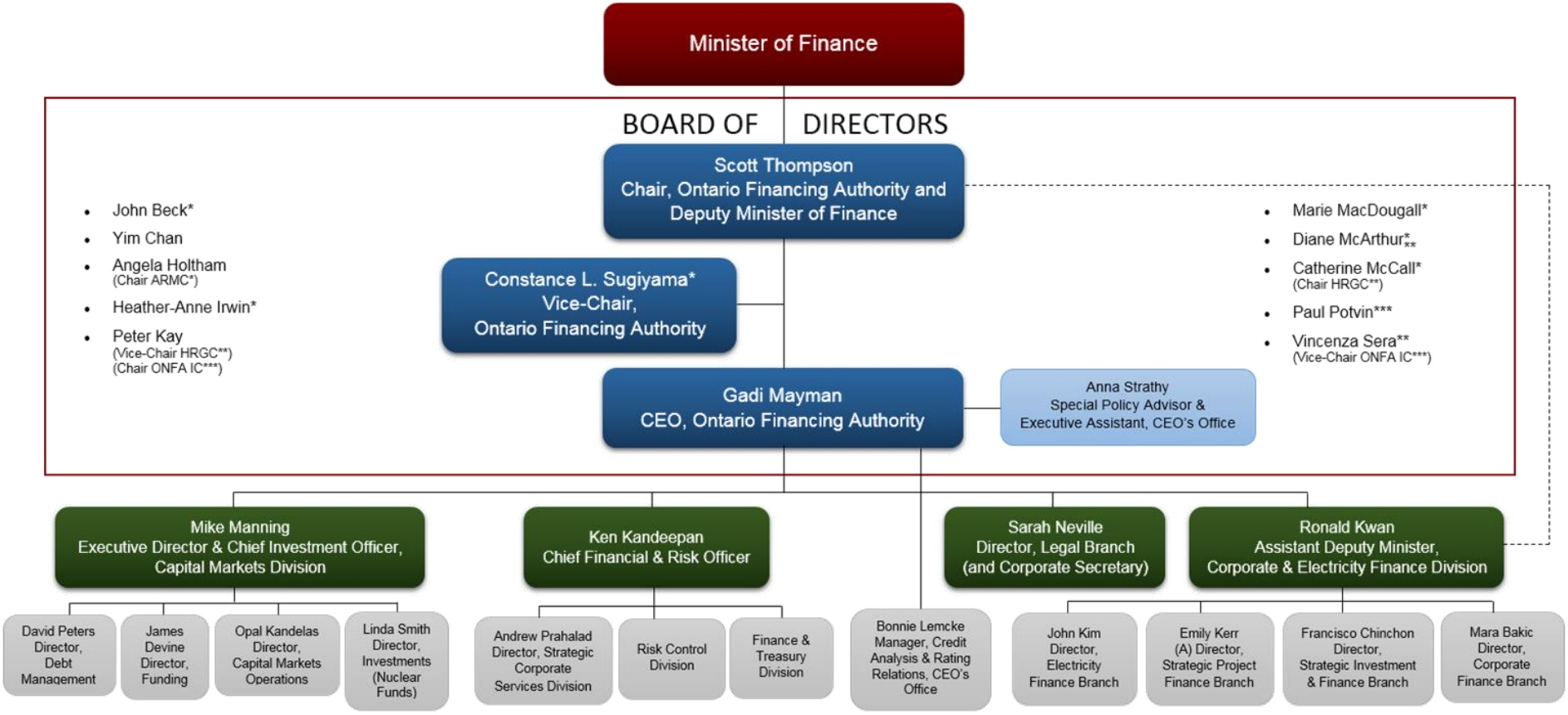
OEFC

Since April 1, 1999, pursuant to a directive from the Minister of Finance, the OFA has conducted borrowing and related debt and risk management activities, cash management, banking, accounting, financial reporting, forecasting and other related activities on a cost-recovery basis for the OEFC.

The OFA is also responsible for the corporate governance of OEFC.

Corporate Governance & Organizational Structure

- The OFA is an agent of the Crown and is classified by Management Board of Cabinet as an operational enterprise agency.
- Corporate governance at the OFA involves processes that permit the effective supervision and management of the OFA's activities by the Minister of Finance, Board of Directors and Senior Management.



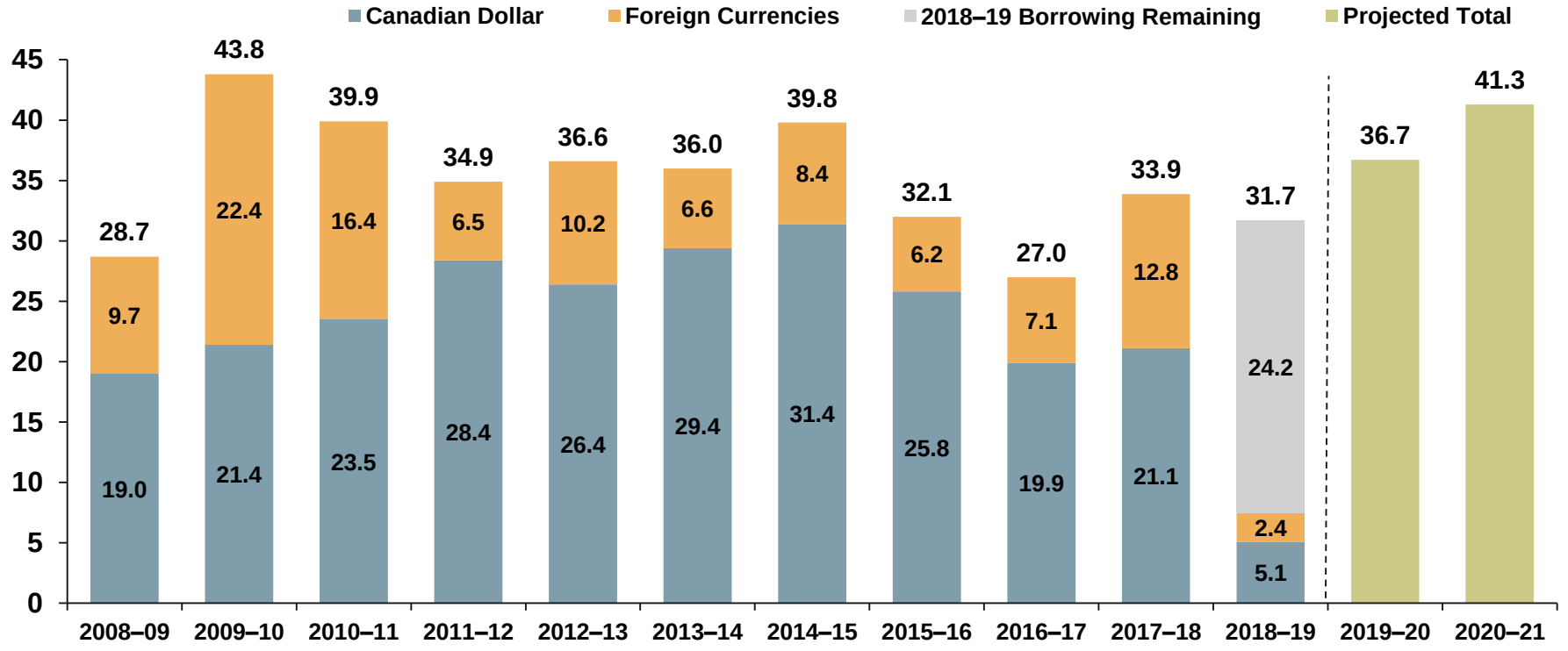
* ARMC = Audit & Risk Management Committee
** HRGC = Human Resources & Governance Committee
*** ONFA IC = Ontario Nuclear Funds Agreement Investment Committee

Note: As of April 20, 2018.

Domestic and International Borrowing

- Funding requirements must be met to allow the Province to pay its bills and meet its financial obligations.

Total Long-Term Borrowing
($ Billions)



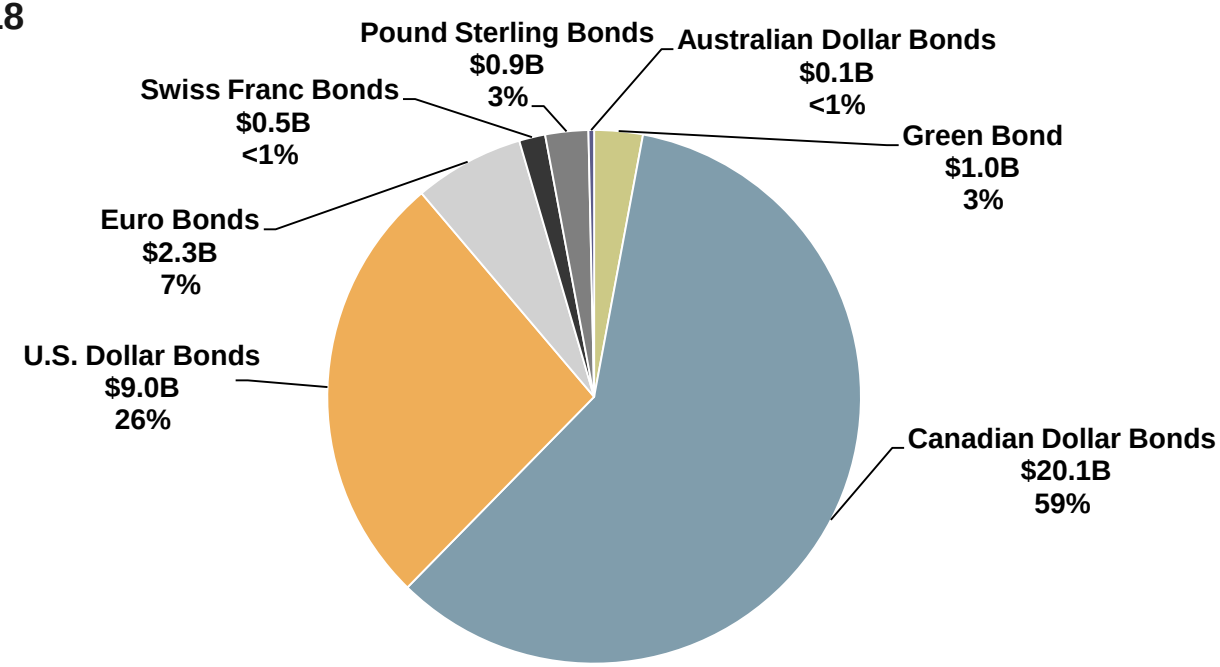
	2008–09	2009–10	2010–11	2011–12	2012–13	2013–14	2014–15	2015–16	2016–17	2017–18	2018–19	2019–20	2020–21
Foreign	34%	51%	41%	19%	28%	18%	21%	19%	27%	38%	32%	–	–
Domestic	66%	49%	59%	81%	72%	82%	79%	81%	73%	62%	68%	–	–

Note: As of April 25, 2018. Numbers may not add due to rounding.
Source: Ontario Financing Authority.

2017–18 Borrowing Completed: $33.9 Billion

- The Province completed its annual borrowing program of $33.9 billion in 2017–18, including $11.5 billion pre-borrowed for 2018–19.
- The Province regularly accesses borrowing opportunities in currencies other than Canadian dollars to relieve pressure on the domestic bond market. This helps reduce Ontario's overall borrowing costs and ensures that the Province will continue to have access to capital if domestic market conditions become more challenging.

As of March 31, 2018



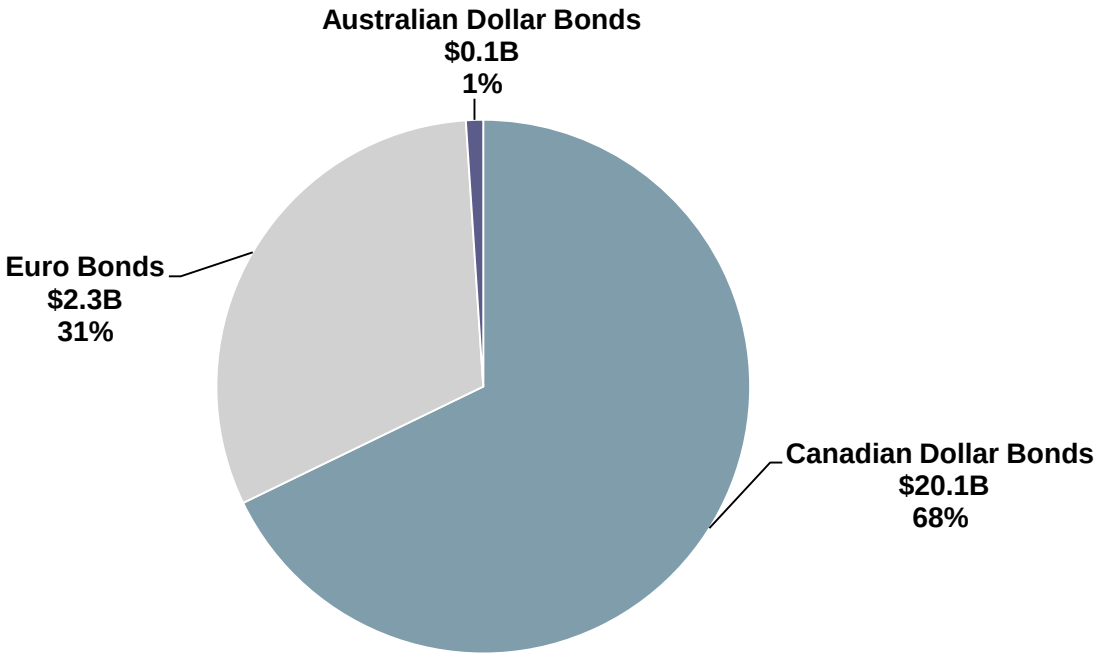
2017–18 Total Borrowing Requirement:	**$33.9B**
Domestic:	**62%**
International:	**38%**
Average Term:	**12.1 years**

Note: Numbers may not add due to rounding.

2018–19 Borrowing Completed: $7.5 Billion

- As outlined in the *2018 Budget*, the Province's total long-term public borrowing requirement for fiscal 2018–19 is currently forecast to be $31.7 billion.

As of April 25, 2018



2018–19 Total Borrowing Requirement:	**$31.7B**
2018–19 Total Borrowing Completed:	**$7.5B**
Domestic:	**68%**
International:	**32%**
Average Term:	**10.4 years**

Note: Numbers may not add due to rounding.

Credit Ratings

- The OFA maintains close relationships and ongoing dialogue with credit rating agencies throughout the year to keep them apprised of the government's financial status, policies and initiatives, and to ensure these are accurately reflected in the agencies' ratings and reports.
- Rating Agencies typically release their reports on the Province following the release of the Ontario Budget.
- A downgrade to the Province's credit ratings would result in higher interest rates on Ontario debt. Lower ratings could also lessen the number of investors able to buy Ontario bonds, or lower the amount of Ontario debt that each investor is allowed, by their internal limits, to hold.
- Ontario currently maintains a double A rating with three of the four agencies:

Rating Agencies	Long-term Rating	Short-term Rating	Outlook
Moody's	Aa2 (N)	P-1	negative
FitchRatings	AA-	F1+	stable
DBRS	AA (low)	R-1 (mid)	stable
Standard & Poor's	A+	A-1	stable

Key Debt Ratios

Rating agencies use a number of key debt ratios when assessing Ontario's rating:

- Deficit-to-Revenue
- After-Capital Deficit-to-Revenue
- Net Debt-to-GDP
- Net Debt-to-Revenue
- Interest on Debt-to-Revenue

Measuring Debt

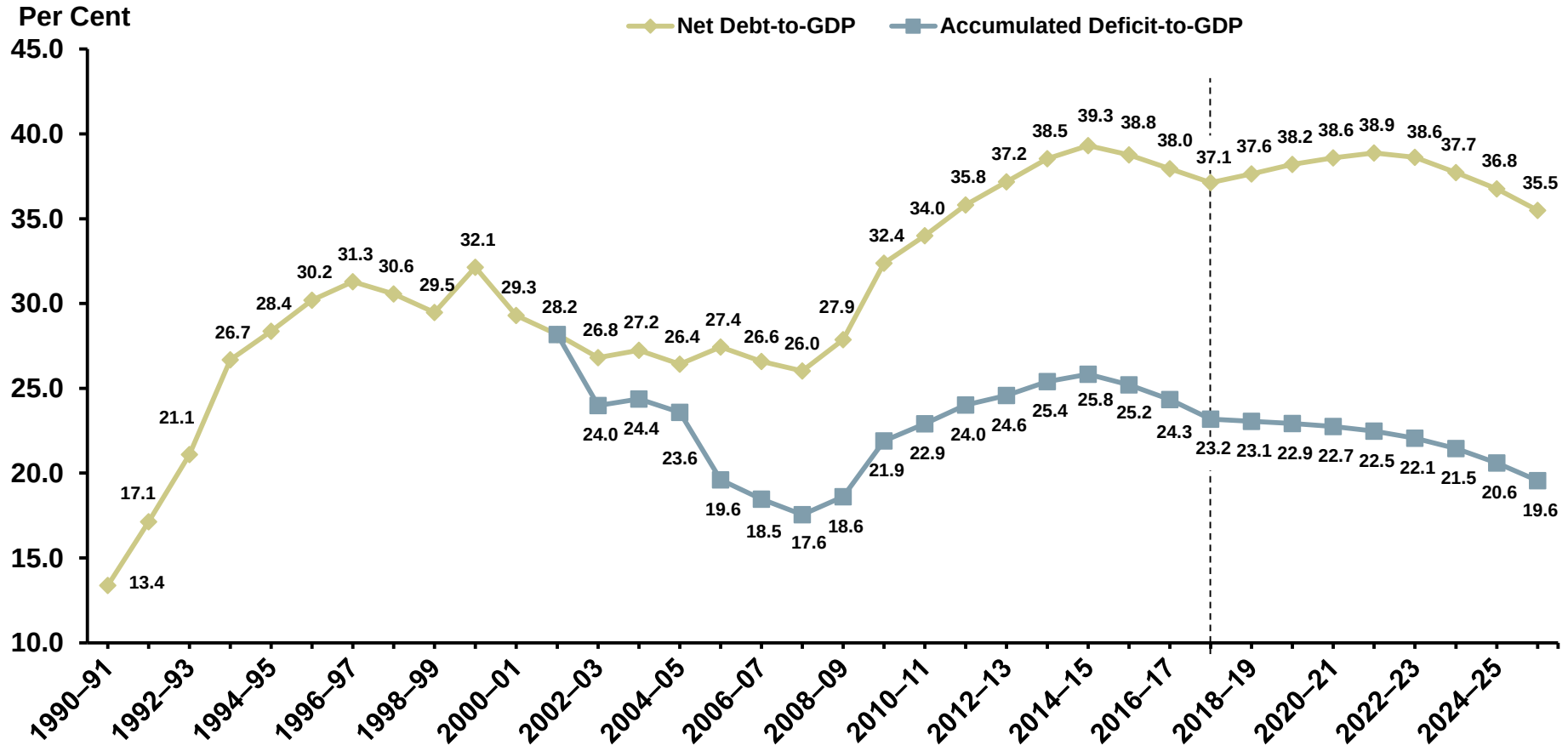
- Definitions of debt:
  - **Net Debt** is the Accumulated Deficit plus Net Investments in Capital Assets
  - **Accumulated Deficit** is the sum of all deficits and surpluses since Confederation
  - **Total Debt** is the full amount of outstanding debt the government has on its books
- Financial markets use Net Debt as their primary measure because it represents the Province's future revenue requirements to pay for past transactions and events.
- Accumulated Deficit and Net Debt were equal until 2001–02 when the accounting treatment changed to allow amortization of capital assets.
- Borrowing creates an obligation that has to be repaid in the future, which allows for lower taxes and sustained services today at the expense of lower services and/or higher taxes in the future.

Province's Debt History

($ Millions)	Outlook 2018–19	Interim 2017–18	2016–17	2015–16	2014–15	2013–14	2012–13	2011–12	2010–11	2009–10
Net Debt	325,041	308,203	301,648	295,372	285,403	267,968	252,823	236,230	214,511	193,589
Interest on Debt	12,543	11,965	11,709	11,589	11,221	11,155	10,878	10,587	10,005	9,119
Accumulated Deficit	199,153	192,449	193,510	192,029	187,511	176,634	167,132	158,410	144,573	130,957

Net Debt-to-GDP and Accumulated Deficit-to-GDP

- Ontario's net debt-to-GDP ratio peaked in 2014–15 at 39.3 per cent and is now forecast at 37.1 per cent in 2017–18, below the forecast of 37.5 per cent for 2017–18 contained in the *2017 Budget.*
- The net debt-to-GDP ratio is forecast to remain below the 2014–15 peak and resume a downward trend in 2022–23.

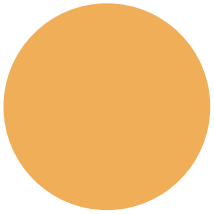


Note: Net Debt has been restated to include broader public sector net debt, starting in 2005–06.
Sources: Statistics Canada and Ontario Ministry of Finance.

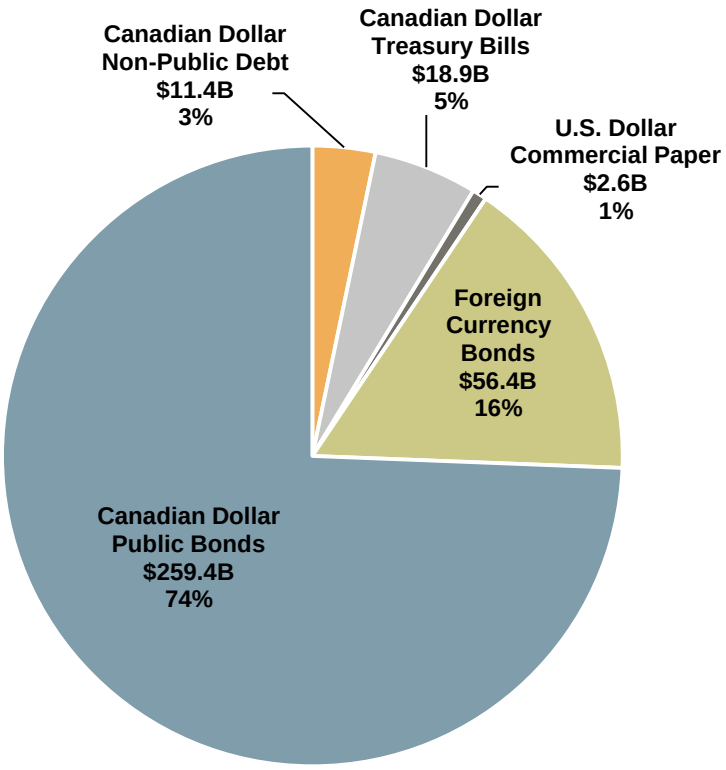
Total Debt Composition

- The Province's total debt is projected to be $348.8 billion as at March 31, 2018. The financial assets of the Province totalled $40.6 billion, bringing net debt to $308.2 billion.

Financial Assets
$40.6 Billion



Total Debt Outstanding
$348.8 Billion



Debt Outstanding by Currency

Currency	Debt Outstanding
Canadian Dollar Public Debt	$278.3B
Canadian Dollar Non-Public Debt	$11.4B
U.S. dollars	$40.4B
Euros	$13.6B
Swiss francs	$2.2B
Australian dollars	$1.5B
Pound Sterling	$0.9B
Japanese yen	$0.5B

Canadian Dollar Public Bonds
- Syndicated Bonds
- Medium-term Notes
- Floating rate Notes
- Ontario Savings Bonds
- Bond Auctions
- Real Return Bonds
- Green Bonds

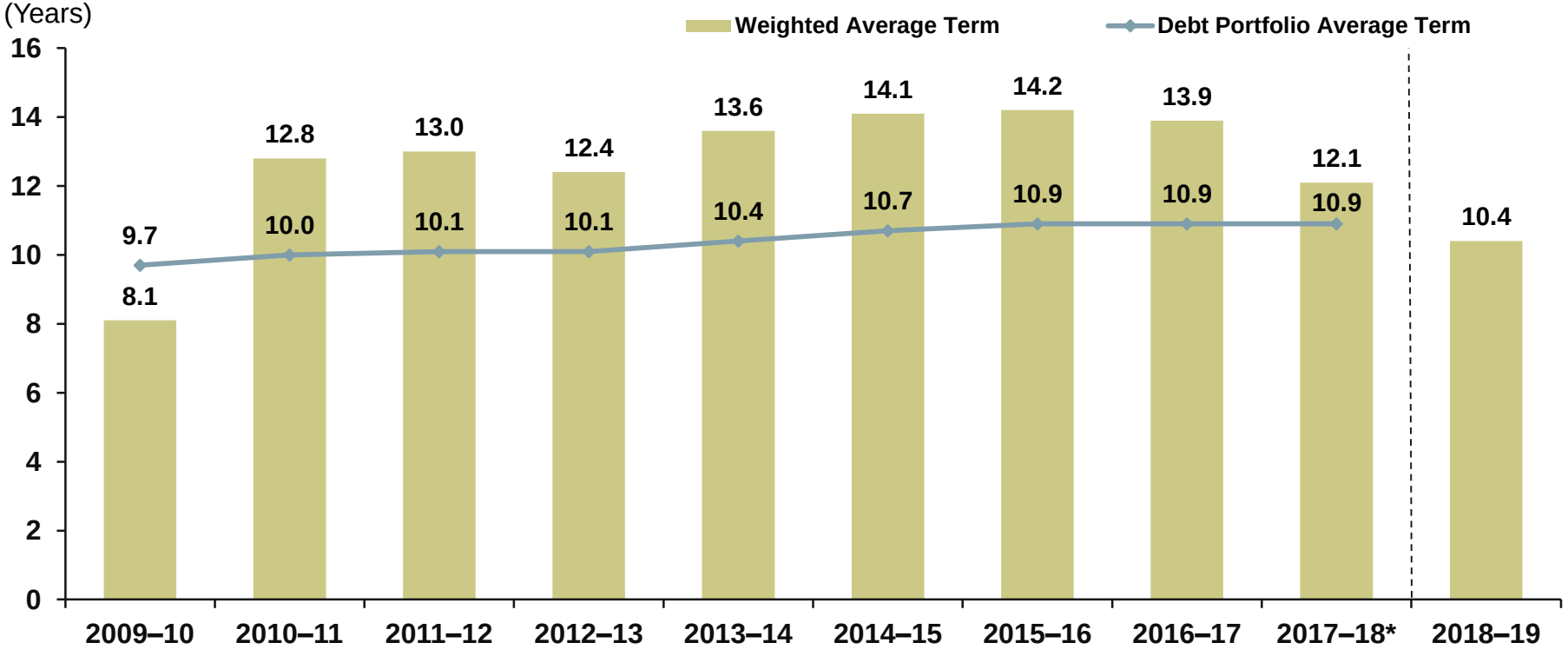
Note: Projected to March 31, 2018. Numbers may not add due to rounding.
Source: Ontario Financing Authority.

Weighted-Average Term of Borrowing

- Maintaining a long average term of the Province's debt portfolio ensures low interest rates remain locked in for a longer period. This reduces refinancing risks and helps offset the impact of expected higher interest rates on the Province's future interest on debt costs.
- Going back to the beginning of fiscal 2010–11, Ontario has issued $71.3 billion of bonds with terms longer than 30 years to lock in low interest rates.

As of April 25, 2018

Average Term
(Years)



*Debt Portfolio Average Term as at December 31, 2017.
Source: Ontario Financing Authority

Risk Exposure and Management

Risk Exposures

- **Market Risk:** risk of loss due to changes in interest and foreign exchange rates
- **Credit Risk:** risk of loss due to default of issuers, dealers, or derivatives counterparties
- **Operational Risk:** risk of loss due to failed models, systems, processes, people, etc.

Risk Management

- Monitor and manage debt maturity profile to limit refinancing risk
- Maintain a high level of liquid reserves and short term borrowing capacity
- Enforce strict credit limits for financial and investment counterparties
- Have collateralized swap agreements in place for most swap counterparties

	Exposure*	Policy Limit*
Foreign Exchange	0.2%	5.0%
Net Interest Rate Resetting	10.9%	35.0%

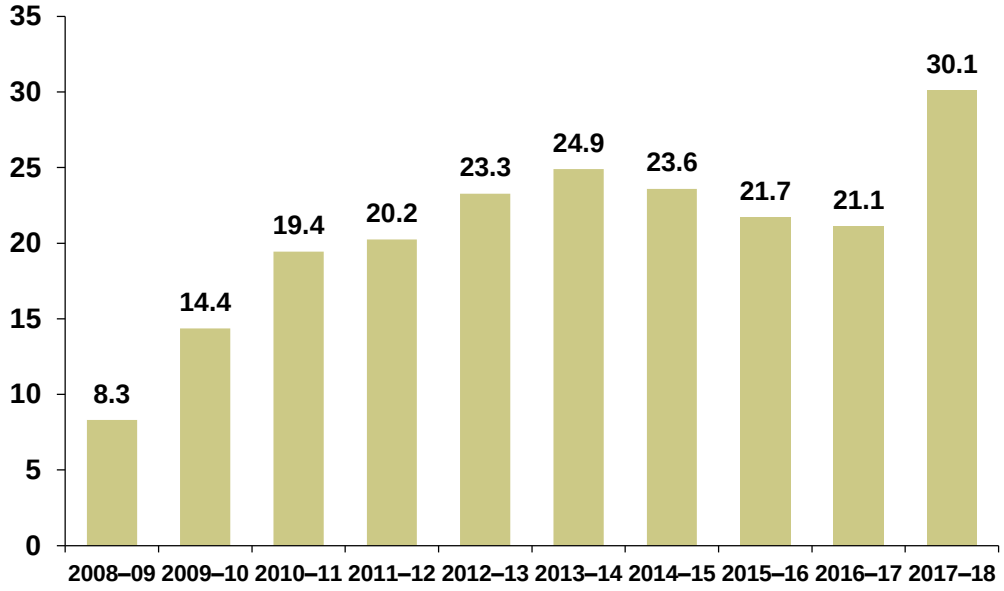
*Of outstanding debt, as of March 31, 2018.

Note: Excludes Ontario Electricity Financial Corporation debt.

Liquidity and Short-Term Borrowing Capacity

- The OFA manages the Province's liquid reserve portfolio (cash and short-term investments) to optimize investment returns and to ensure that sufficient funds are available to meet cash requirements.
- Starting in 2019–20, the Province will have large cash outflows on single days, rather than having debt maturities spread more evenly through the year. In anticipation of the need for cash reserves to meet these requirements for large outflows on a single day, the Province began building larger cash reserves in 2017–18.

Average Unrestricted Liquid Reserve Levels
($ Billions)



Note: As of March 31, 2018

($ Billions)	C$ T-Bill Program	U.S.$ Commercial Paper Program	Total
Currency	Canadian Dollars	U.S. Dollars	–
Maturity	1 day-3 years*	1-270 day(s)	–
Authorized	C$33.0	C$15.0	C$48.0
Outstanding	C$18.0	C$3.8	C$21.8
Available	C$15.0	C$11.2	C$26.2

**Regular issuance of 3M, 6M and 1Y T-Bills*
Note: As of March 31, 2018. Numbers may not add due to rounding.

Source: Ontario Financing Authority.

Ontario Electricity Financial Corporation

OEFC is one of five successor corporations to the former Ontario Hydro established by the *Electricity Act, 1998* as part of the restructuring of the former Ontario Hydro. OEFC is the legal continuation of the former Ontario Hydro.

- OEFC is an agent of the Crown and is classified by Management Board of Cabinet as a board-governed provincial agency.
- OEFC has no staff of its own and retains the services of the OFA to carry out its daily operations on a cost-recovery basis. In addition, the Office of Tax, Benefits and Local Finance of the Ministry of Finance collects certain payments on behalf of OEFC (e.g., PILs, GRC, and DRC revenues).

OEFC Mandate:

- Managing its debt, financial risks and liabilities, including the debt and certain other liabilities of the former Ontario Hydro;
- Managing the former Ontario Hydro's non-utility generator (NUG) contracts;
- Receiving all payments and administering other assets, liabilities, rights and obligations of the Corporation that were not transferred to another of the former Ontario Hydro successor corporations and disposing of any of these items as it deems appropriate or as directed by the Minister of Finance;
- Providing financial assistance to the successor corporations of Ontario Hydro;
- Entering into financial and other agreements relating to the supply and demand management of electricity in Ontario; and
- Performing any additional objects specified by the Lieutenant Governor in Council.

Ontario Nuclear Funds Agreement

- In March 2002, the Province and OPG signed the Ontario Nuclear Funds Agreement (ONFA).
- ONFA's objective is to ensure sufficient funds are available to pay for the future costs of decommissioning nuclear stations and disposing of nuclear waste and used fuel.
- ONFA came into force in July 2003 with the creation of two segregated funds, the Decommissioning Segregated Fund and the Used Fuel Segregated Fund, which are jointly managed by OPG and OFA, on behalf of the Province. The combined market value of the funds was $4.9 billion when they were formally established in 2003.

As of December 31, 2017	Market Value ($ Millions)	Combined Market Value ($ Millions)
Used Fuel Segregated Fund	$12,087	$21,186
Decommissioning Segregated Fund	$9,099	

- The OFA has responsibility for implementing certain portions of the Province's role under ONFA. This involves:
  - Due diligence on ONFA Reference Plan (which is subject to Provincial approval by the Minister of Finance) on cost and liability estimates and related submissions from OPG.
  - Due diligence and approval on ONFA Annual Budgets, and subsequent review of disbursement requests from OPG, that require approval by the Province under ONFA.
  - Due diligence on OPG's financial guarantee to the Canadian Nuclear Safety Commission (CNSC), as well as on any direct provincial guarantee to the CNSC when required to support of OPG's financial guarantee to the CNSC.
  - Determining and implementing investment management strategies and monitoring investment performance together with OPG.
  - Policy analysis and advice on and monitoring of regulatory and technological changes that may affect OPG's and the Province's liabilities with respect to the of nuclear decommissioning and waste management.

Loans and Investments for Public Bodies

Loans

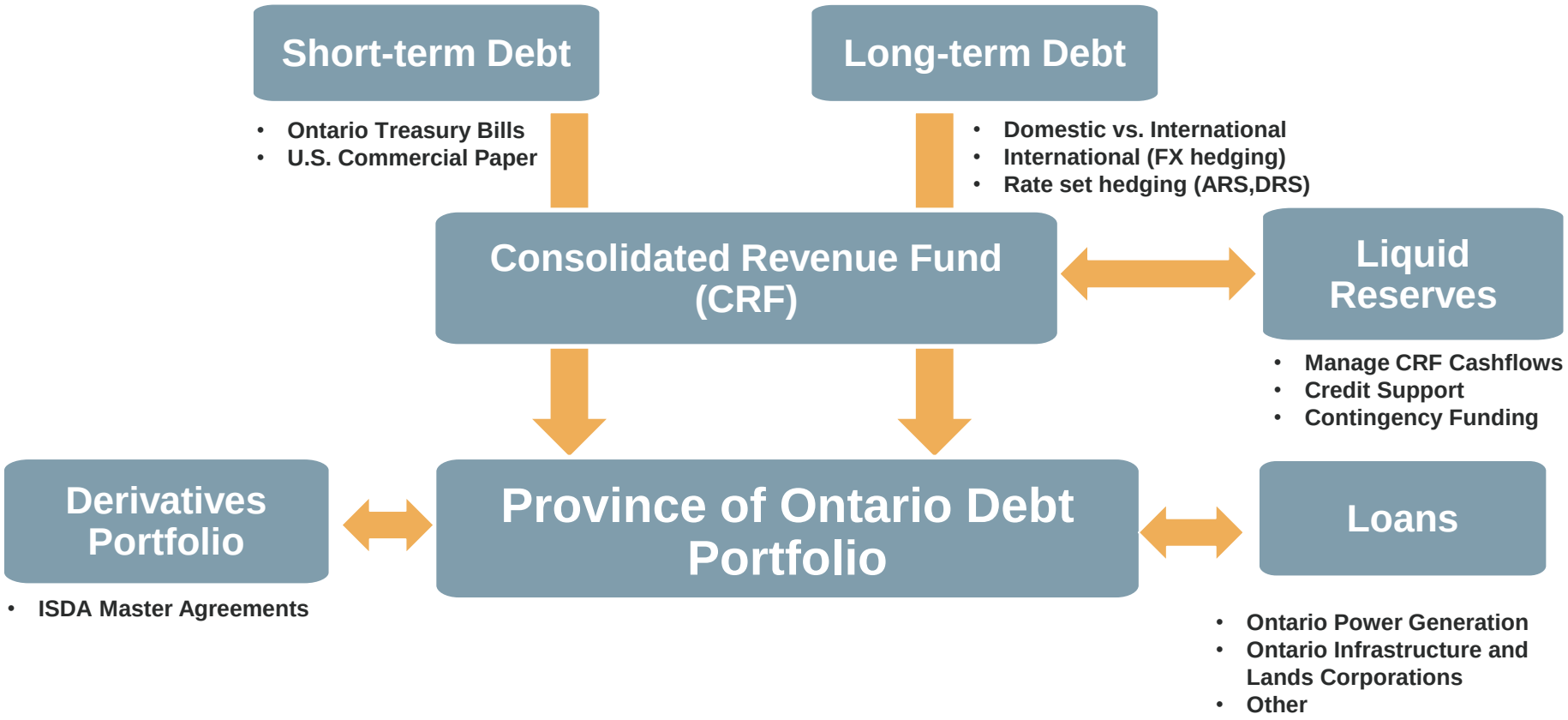
- The OFA provides loans to Ontario public bodies such as colleges, school boards and hospitals, as well as provincial corporations, boards and commissions that are consolidated on the Province's financial statements.
- The OFA provided new loans to a number of public bodies in 2017–18, totalling $2,427 million.
- The outstanding balance of the loans to public bodies at March 31, 2018 was $5,742.6 million, a net decrease of $260 million from $6,002.8 million at March 31, 2017.

Investments

- The OFA also invests on behalf of certain public bodies to help increase their returns by streamlining investment processes and reducing investment costs.
- In 2017–18, the OFA continued to provide investment services to a number of public bodies, including Infrastructure Ontario, the Pension Benefits Guarantee Fund, Ontario Trillium Foundation, Ontario Capital Growth Corporation and the Deposit Insurance Corporation of Ontario. As of March 31, 2018, total funds managed were approximately $2.2 billion.

Appendix

Borrowing Flowchart



Investor Relations
Ontario Financing Authority
1 Dundas Street West, Suite 1200
Toronto, Ontario M5G 1Z3
Canada

Telephone: (416) 325-8000

Visit www.ofina.on.ca & subscribe to our email alert service to receive the latest province of Ontario updates

From: Sarah Harris
To: Opal Kandelas
Subject: FW: follow up from meeting
Date: Tuesday, June 06, 2017 2:27:30 PM
Attachments: OPA IESO Amendment No 9 (Executed).pdf
IESO_OFA FEP 2017 Credit Letter v3 draft.docx

Hi Opal,

The **current** $975 OFA-IESO credit facility provides for advances to be repaid no earlier than 28 days and no later than 95 days. Amendment number 9 (attached) contains the form of borrowing notice as Schedule 1 (which is page 5 of the .pdf); please let me know if you would like Will to print out the borrowing notice for you.

Per IESO's attached requests, they are requesting minimum borrowing period on the existing credit facility to be **reduced from 28 days to 7 days**.

That means that for the new $2 billion credit facility, as well as the existing facility (which will also be reduced from $975 million to $475 million), **the time period for advances to be repaid will be no earlier than 7 days and no later than 95 days.**

Thanks,
Sarah

From: Opal Kandelas
Sent: Tuesday, June 06, 2017 11:45 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: follow up from meeting

Hi Sarah,

Mike had 2 questions.

1. What is the min and max time for borrowing notices in r the new IESO FHP agreement, as well as under the amending agreement? I believe there are also election notices under the agreement as well, so out of an abundance of caution, lets provide that as well.

2. What's the status of being able to charge Metrolinx for work already done so far re: fuel hedging. I think this is something that was being worked on – I thought by Siva- but asking in case you know.

Thanks,
Opal

AMENDING AGREEMENT NO. 9

This Amending Agreement No. 9 (this "**Amending Agreement**") is made as of the 30 day of November, 2016

BETWEEN:

INDEPENDENT ELECTRICITY SYSTEM OPERATOR, a statutory corporation without share capital existing under the *Electricity Act, 1998* ("**IESO**") (as Borrower)

-and-

ONTARIO FINANCING AUTHORITY, a Crown agency established under the *Capital Investment Plan Act, 1993* ("**OFA**" and together with the IESO, the "**Parties**")
(as Lender)

WHEREAS the Ontario Power Authority ("OPA") and the OFA entered into a Credit Agreement dated January 1, 2005 (the "**Original Agreement**");

AND WHEREAS pursuant to the amending agreements dated February 14, 2005, October 11, 2005 (titled, "Amending Agreement No. 3"), September 27, 2006 (titled, "Amending Agreement No. 4"), July 13, 2007 (titled, "Amending Agreement No. 5"), November 9, 2010 (titled, "Amending Agreement No. 6"), December 20, 2013 (titled, "Amendding Agreement No. 7") and December 19, 2014 (titled, "Amending Agreement No. 8"), the parties amended the Original Agreement (as so amended, the "**Agreement**");

AND WHEREAS effective January 1, 2015, the OPA and the Independent Electricity System Operator amalgamated and continued as a corporation without share capital under Part II of the *Electricity Act, 1998* (the "**Amalgamation**") with the name Independent Electricity Sytem Operator;

AND WHEREAS under the Amalgamation the obligations of the OPA became obligations of the amalgamated corporation and the Parties wish to amend the Agreement to reflect the name of the amalgamated corporation;

AND WHEREAS the Parties now wish to further amend the Agreement pursuant to the terms of this Amending Agreement;

AND WHEREAS pursuant to Section 7.3 of the Agreement, the Agreement may only be amended or otherwise modified by written agreement executed by each of the OFA and the IESO.

NOW THEREFORE IN CONSIDERATION of the mutual agreements herein contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree to the following amendments, effective as of the date first written above.

Except as expressly provided herein or unless the context otherwise requires, capitalized terms not otherwise defined in this Amending Agreement have the respective meanings given to those terms in the Agreement.

1. The following definition is added to Section 1.1 of the Agreement:

   "IESO" means the Independent Electricity System Operator, a statutory corporation without share capital existing under Part II of the *Electricity Act, 1998.*

2. Section 1.6 is added to the Agreement as follows:

   "**Section 1.6 References to OPA**

   For the purposes of this Agreement, all references to the "Ontario Power Authority" or "OPA" in this Agreement shall be interpreted as referring to the IESO.

3. Section 2.4 of the Agreement is deleted in its entirety and replaced by the following:

   "Subject to Sections 2.9 and 5.1, the IESO shall repay each Advance on the applicable Repayment Date and, in any event, shall repay all Advances Oustanding, together with all accrued interest and all other amounts owing hereunder on December 31, 2019."

4. Section 3.1 of the Agreement is deleted in its entirety and replaced by the following:

   "The OFA agrees, on the terms and conditions of this Agreement, to make Advances to the IESO under the Operating Facility from time to time on any Business Day prior to November 30, 2019."

5. Section 3.2(1) of the Agreement is deleted in its entirety and replaced by the following:

   "Subject to Section 3.3(3), each Advance shall be made on two Business Days' prior notice given not later than 10:00 a.m. (Toronto time) by the IESO to the OFA. Each such notice of an Advance (each, a "**Borrowing Notice**") shall be given substantially in the form of Schedule 1, shall be irrevocable and binding on the IESO and shall specify (a) the requested date of the Advance, (b) the principal amount of the Advance, and (c) the Repayment Date of the Advance which shall be no earlier than 28 days and not later than 95 days after the date of the requested Advance. The OFA will make the principal amount of each Advance available to the IESO in accordance with Article 2."

6. Section 3.3(1) of the Agreement is deleted in its entirety and replaced by the following:

   "The IESO may elect to continue all or a portion of the principal amount of any Advance for a further period of a minimum of 28 days and up to a maximum of 95 days beginning on the then current Repayment Date in accordance with Section 3.3(2)."

7. Section 3.3(2) of the Agreement is deleted in its entirety and replaced by the following:

   "Each election to continue an Advance for a further period shall be made on one Business Day's prior notice, given, in each case, not later than 10:00 a.m. (Toronto time) by the IESO to the OFA. Each such notice (each, an "**Election Notice**") shall be given substantially in the form of Schedule 2, shall be irrevocable and binding upon the IESO and shall specify (a) the requested date of the proposed election, (b) the aggregate principal election amount, and (c) the new Repayment Date, which shall be no earlier than 28 days and not later than 95 days after the current Repayment Date. If the IESO fails to deliver an Election Notice to the OFA for any Advance as provided herein, such Advance shall be repayable on the applicable Repayment Date."

8. Section 5.1(b) of the Agreement is deleted in its entirety and replaced by the following:

"failure to pay the principal amount of any Advance on the applicable Repayment Date or the Advances Oustanding, all interest accrued thereon and all other amounts owing under this Agreement on December 31, 2019;"

9. The address and contact information of the OPA provided in Section 7.1 of the Agreement is deleted and replaced by the following:

   If to the IESO, to it at:

   Independent Electricity System Operator
   120 Adelaide Street West, Suite 1600
   Toronto, ON M5H 1T1

   Attention: Chief Financial Officer
   Telephone: 416-969-6232
   Fascimile: 905-403-6913

10. Schedule 1 of the Agreement, Form of Borrowing Notice, is deleted in its entirety and replaced by the Form of Borrowing Notice attached hereto as Schedule 1.

11. Schedule 2 of the Agreement, Form of Election Notice, is deleted in its entirety and replaced by the Form of Election Notice attached hereto as Schedule 2.

12. Schedule 3 of the Agreement, IESO Grid Note, is deleted in its entirety and replaced by the IESO Grid Note attached hereto as Schedule 3.

IN ALL OTHER RESPECTS, the said Agreement is confirmed by the Parties.

IN WITNESS WHEREOF the Parties have executed this Amending Agreement as of the date first written above.

ONTARIO FINANCING AUTHORITY

Per: _____
Name: Michael D. Manning
Title: Executive Director
Capital Markets Division

I have authorit to bind the corporation.

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

Per: _____
Name: Kimberly Marshall
Title: Vice President, Corporate Services;
Chief Financial Officer; Treasurer

I have authorit to bind the corporation.

SCHEDULE 1 TO AMENDING AGREEMENT NO. 9

FORM OF BORROWING NOTICE

Delivered Via Fax: 416-204-7920

Ontario Financing Authority ("**OFA**")
1 Dundas Street West, Suite 1400
Toronto, Ontario
M7A 1Y7

Date: [insert date]

Attention: Cash Management

Dear Sirs:

The undersigned, the Independent Electricity System Operator ("**IESO**"), refers to the credit agreement between the IESO and the OFA dated January 1, 2005 (as amended, supplemented or restated from time to time, the "**Agreement**", the terms defined therein being used herein as therein defined), and gives you notice pursuant to Section 3.2 of the Agreement that the IESO requests an Advance under the Agreement, and, in connection with such request, sets forth below the information relating to such Advance (the "**Proposed Advance**"), as required by Section 3.2(1) of the Agreement:

(a) The date of the Proposed Advance, being a Business Day is _____;
(b) The aggregate amount of the Proposed Advance is **$**_____;
(c) The Repayment Date of the Proposed Advance is _____. [no earlier than 28 days and not later than 95 days after the date of the Proposed Advance.]

Such request of the Proposed Advance shall be confirmed by the IESO by a telephone call to OFA Cash Management at 416-325-8108.

Use of Funds

The undersigned herby certifies that the funds comprising the Proposed Advance requested pursuant to this Notice will be used for the following purposes:

(1) [indicate amount and purpose of funds requested]
(2) [indicate amount and purpose of funds requested]

The IESO hereby certifies that:

The representations and warranties of the IESO contained in the Agreement are true and correct as at the date hereof.

No Event of Default has occurred or is continuing and no event or condition has occurred, which, with the lapse of time or the giving of notice or both would constitute an Event of Default.

The IESO has complied or is complying with all terms, covenants and conditions contained in the Agreement.

Any and all funds received under the Agreement will be expended or held solely for the purpose for which they are authorized to be used under the Agreement; no part of the funds to be received pursuant to this Notice shall be used for any other purpose.

Yours truly,

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

Per: _____

Name:

Authorized Signatory

SCHEDULE 2 TO AMENDING AGREEMENT NO. 9

FORM OF ELECTION NOTICE

Delivered Via Fax: 416-204-7920

Ontario Financing Authority ("**OFA**")
1 Dundas Street West, Suite 1400
Toronto, Ontario
M7A 1Y7

Date: [insert date]

Attention: Cash Management

Dear Sirs:

The undersigned, the Independent Electricity System Operator ("**IESO**"), refers to the credit agreement between the IESO and the OFA dated January 1, 2005 (as amended, supplemented or restated from time to time, the "**Agreement**", the terms defined therein being used herein as therein defined), and gives you notice pursuant to Section 3.3 of the Agreement that the IESO elects to continue all or a portion of an Advance for an additional term, and in connection with such election, sets forth below the information relating to such election as required by Section 3.3(2) of the Agreement:

(a) The date of the proposed election, being a Business Day is _____;
(b) The aggregate amount of the proposed election is $_____;
    i. previous principal amount $_____
    ii. interest $_____
(c) The new Repayment Date applicable to such Advance is _____. [no earlier than 28 days and not later than 95 days after the current Repayment Date for the Advance.]

Such election shall be confirmed by the IESO by a telephone call to OFA Cash Management at 416-325-8108.

The IESO hereby certifies that:

The representations and warranties of the IESO contained in the Agreement are true and correct as at the date hereof.

No Event of Default has occurred or is continuing and no event or condition has occurred, which, with the lapse of time or the giving of notice or both would constitute an Event of Default.

The IESO has complied or is complying with all terms, covenants and conditions contained in the Agreement.

Any and all funds received under the Agreement are being used solely as authorized under the Agreement and are not being used for any other purpose.

Yours truly,

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

Per:_____
Name:

Authorized Signatory

SCHEDULE 3 TO AMENDING AGREEMENT NO. 9

SCHEDULE 3

INDEPENDENT ELECTRICITY SYSTEM OPERATOR GRID NOTE

Principal Amount: Up to $975,000,000 Date: November 30, 2016

FOR VALUE RECEIVED, INDEPENDENT ELECTRICTY SYSTEM OPERATOR (the **"Company"**), incorporated under the laws of the Province of Ontario and having its principal office and place of business at Toronto, Ontario, **PROMISES TO PAY** to or to the order of **ONTARIO FINANCING AUTHORITY ("OFA")** at its offices at Toronto, Ontario or at such other place as the OFA may designate, the principal amount of each and all Advances made by the OFA to the Company, all as recorded by the OFA on the grid (the **"Grid"**) attached to and forming part of this Note, in lawful money of Canada, with interest on each Advance at the rate, calculated in the manner and payable at the times specified in the Credit Agreement (as defined below).

OFA shall and is unconditionally and absolutely authorized and directed by the Company to record on the Grid (i) the date and amount of each Advance, including any Advance all or a portion of which is continued by election under Section 3.3; (ii) the applicable rate of interest for each Advance; (iii) the repayment date of each Advance; (iv) the date and amount of each payment of interest and each payment of principal in respect of each Advance; and (v) the outstanding principal amount of the grid promissory note. Such notations, in the absence of manifest error, shall be *prima facie* evidence of such advances and repayments; provided that the failure of the OFA to record the same shall not affect the obligations of the Borrower to pay such amounts to the OFA.

The outstanding principal amount of each Advance under this Note together with all interest accrued thereon shall become due and payable as specified in the Credit Agreement dated January 1, 2005 as amended, supplemented or restated from time to time, between the Borrower and the OFA (the **"Credit Agreement"**). All capitalized terms used herein and not otherwise defined herein shall have the meanings given to such terms in the Credit Agreement.

This Note is issued pursuant to, and is subject to and payable in accordance with the provisions of, the Credit Agreement.

This Note is not transferable or negotiable without the prior written consent of the Company.

The Company waives presentment for payment and notice of non-payment.

This Note shall be governed by and interpreted and enforced in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

IN WITNESS WHEREOF the Company has executed this Note.

INDEPENDENT ELECTRICTY SYSTEM OPERARTOR

By: _____

Name: Bruce Campbell
Title: President & CEO

By: _____

Name: Kimberly Marshall
Title: VP, Corporate Services; CFO; Treasurer

ONTARIO FINANCING AUTHORITY
LINE OF CREDIT GRID NOTE

Borrower: Independent Electricity System Operator

Program: Regulated Price Plan Variance

Schedule of loan transactions to: 21-Nov-2016

Loan Limit: $975,000,000.00

Loan Advanced to: 21-Nov-2016

New Loan and/or Rollover						Actual Repayment				
New Loan or Rollover Date	Principal Advanced or Rollover Amount	Interest Rate	Repayment Date	Total No. Of Days	Interest Amount	Actual Repayment	Principal	Interest	Actual Repayment Date	Actual No. Of Days
19-Aug-2016	$94,951,024.00	0.8100%	19-Sep-2016	31	$65,321.10	$49,331,879.98	$49,266,558.88	$65,321.10	19-Sep-2016	31
19-Sep-2016	$45,684,465.12	0.8100%	19-Oct-2016	30	$30,414.59	$30,283,150.31	$30,252,735.72	$30,414.59	19-Oct-2016	30
19-Oct-2016	$15,431,729.40	0.7900%	21-Nov-2016	33	$11,022.06	$11,022.06	$0.00	$11,022.06	21-Nov-2016	33
21-Nov-2016	$64,793,065.20	0.7800%	21-Dec-2016	30	$41,538.57	$64,834,603.77	$64,793,065.20	$41,538.57	21-Dec-2016	30
21-Nov-2016	$15,431,729.40	0.7800%	21-Dec-2016	30	$9,893.22	$15,441,622.62	$15,431,729.40	$9,893.22	21-Dec-2016	30

Connecting Today.
Powering Tomorrow.

Independent Electricity System Operator
Station A, Box 4474
Toronto, ON M5W 4E5
t 905.403.6900
www.ieso.ca

May 8, 2017.

Mr. Gadi Mayman
Chief Executive Officer
Ontario Financing Authority
1 Dundas Street West, Suite 1400
Toronto, Ontario, M7A 1Y7

Re: **IESO Credit Requirements for the 2017 Fair Hydro Program**

Dear Mr. Mayman,

As you are aware the Ontario government has announced its intension to implement the Fair Hydro program (FHP) to reduce electricity prices for consumers in the province. Legislation is expected to be introduced this month for the program. The Independent Electricity System Operator (IESO) is preparing to implement the FHP and has determined that to support the IESO's role in implementation it will need greater credit liquidity than currently exists.

The existing credit facility between the IESO and the Ontario Financing Authority's (OFA) is $975 million. The IESO proposes that an additional facility/commitment be provided in the amount of $1,500 million. This would enable the IESO to provide interim financing for the FHP's global adjustment smoothing for a period of several months if needed.

We suggest the OFA's current $975 million agreement and the new separate (or co-mingled) FHP agreement consider the following key provisions:

- FHP: 5 year term to align with the FHP's deferral of electricity prices period plus a few months of contingency (i.e. September 30, 2022);
- FHP: interest charge to be Province's cost of funds for borrowing with a similar term as determined by OFA plus 0.25 percent per annum;
- FHP: drawings to be based on minimum of 7 days to a maximum of 95 days, to minimize interest costs and permit efficient FHP asset transfers;
- $975 million: draws to permit for FHP purposes; and
- $975 million: a reduction in the 28 days minimum draw for the existing facility to a minimum of 7 days to a maximum of 95 days;

Should the IESO find that there is consistent usage of these facilities we will contact the OFA

for further arrangements.

Upon your reply to this letter, the IESO will seek any necessary IESO Board of Directors' approval for the above credit facility(ies) and we will provide such evidence for the OFA's records.

We appreciate the OFA's continue support and look forward to working with you. Please contact me should you need anything further.

Sincerely,

DRAFT

Kimberly Marshall
Vice President Corporate Services, Chief Financial Officer and Treasurer
416-969-6232

From: Opal Kandelas
To: Ryan Blackbyrne
Cc: Sarah Harris; Jean-Francois Beaupre
Subject: Final OEFC-IESO briefing note
Date: Thursday, November 30, 2017 9:45:05 AM
Attachments: IESO-OEFC Note_v8.docx

Please see attached. The relevant parties in CEFD, CMB and CEO's office have been briefed and are fine with moving forward with the IESO requested amendments to the OEFC credit facility and loan agreement.

Thanks,
Opal

OEFC -- IESO CREDIT FACILITY AGREEMENT & THE PERMITTED LIENS

The Independent Electricity System Operator ("IESO") has requested that OEFC amend the existing credit facility agreements between OEFC and IESO (for $160M and $120M) to address the additional obligations IESO is taking on under Ontario's Fair Hydro Plan. IESO has indicated that OEFC credit facilities will not be used for Ontario Fair Hydro Plan (FHP) purposes.

- On November 28, 2017, IESO staff wrote to staff that without the terms of the OEFC facilities being amended, it would need to ask for an interim waiver from the OEFC to avoid being in default.

CONTEXT

- Under the FHP, the IESO and Ontario Power Generation (OPG) are interacting to refinance a portion of the Global Adjustment over a longer period of time.

- IESO and OPG are in a discussion to grant a security/priority interest on IESO's assets to OPG Trust for the period of the first 4 years of the GA deferral.

- The IESO sought and received its Board's approval on Nov 22, 2017 to enter into a security agreement with OPG Trust. The security agreement is currently in draft form. Without amending the existing OEFC $160M and $120M credit facility agreements (the "OEFC Agreements"), IESO could potentially be considered to be in default of the terms of the various agreements. IESO staff wrote:

  > *"…it likely is best to add to the definition of "Permitted Liens" in the two OEFC facilities to address a) IESO granting security to the OPG Trust during the first 4 years of fair hydro program and b) the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default."*

- The IESO provided a draft Security Agreement, dated November 7th, 2017, between them and the OPG Trust to OFA. According to the draft Security Agreement, in the unlikely event that the IESO runs into financial difficulty, the IESO would give OPG Trust a priority in the IESO's assets, including all accounts of the IESO and all cash and proceeds from LDCs, that would put OPG Trust ahead of unsecured creditors, including the OFA and the OEFC.
  - The security agreement is not limited to the Clean Energy Adjustment funds collected by the IESO only.

- In order to address this issue, the IESO has requested to amend the definition of the "permitted liens" in both existing OEFC Agreements to include any liens related to the FHP. Specifically, adding a clause in the existing OEFC Agreements that any lien related to OFHP will not be viewed as negative pledge by OEFC, so those liens can be used to secure the performance of IESO's obligations to OPG under the FHP. This would allow IESO to grant security to the OPG Trust during the first 4 years of implementing the GA deferral and also avoid breaching the terms of the existing agreements with OEFC.

- To support IESO's role in the implementation and participation under the Ontario Fair Hydro Plan Act, 2017 ("OFHP Act"), in July 2017 the IESO had requested that the OFA make similar changes to the credit facility agreements with OFA in October.
  - On November 6, 2017, the OFA amended the $475M facility to amend the definition of "permitted liens" and also included same for the new $2B credit facility agreement between OFA and the IESO , as requested by the IESO.

CONSIDERATIONS

- With the proposed new security agreement between OPG Trust and the IESO, OPG Trust would have a priority claim against the IESO's assets, the OEFC could find itself unable to collect payments due from the IESO. The likelihood of this scenario could be assessed as low.
  - The extent of this risk is subject to uncertainty at this time, given that the regulations that govern the payments related to the Fair Allocation Amount in each period, and how that relates to the obligations to the Financing Entity, are still under development.

- IESO is an agency of the government consolidated line-by-line in the Province's accounts.

- The OFA agreed to IESO's requested changes to the OFA credit facilities.

- OFA'S Capital Markets Operations staff have commented that the legislation governing OEFC, the *Electricity Act, 1998*, may provide differing context from the OFA's objects and mandate under the *Capital Investment Plan Act, 1993* and any changes to the OEFC agreements should take this into account.

- According to the Minister's Directives associated with the OEFC Agreements, the loan and the credit facilities are "subject to such other terms as OEFC deems appropriate." Therefore, an amendment for permitted liens can be done under the existing directives, and new or revised directives from the Minister of Finance are not deemed necessary. This would be consistent with the approach when the pre-existing OFA-IESO credit facility agreement was amended for permited liens on November 6, 2017.

RECOMMENDATIONS

- In order to support IESO's request in relation to its obligation with respect to FHP, OFA staff are of the view that the exisiting OEFC Agreements can be amended to include liens related to FHP under the definition of the "permitted liens".

BACKGROUND

- In order to support IESO's role with the implementation of the OFHP Act, OFA staff made similar changes to the definition of 'permitted liens" in existing OFA-IESO credit facility agreements on November 6, 2017.

- Currently, under the existing credit facility agreements between OEFC and the IESO, the definition of "permitted liens" does not include any lien arising from the IESO's role and obligations under the OFHP, including with respect to any amount received or receivable by the IESO (such as, without limitation, amounts received or receivable in respect of the Clean Energy Adjustment), or any other lien, whether arising from the action or inaction of IESO, that is created in connection with the OFHP.

Electricity Finance Branch, Corporate and Electricity Finance Division
Capital Markets Operations, Capital Markets Division
Ontario Financing Authority
November 28, 2017

From:	David Cross
To:	Matthew Breadner; Alexander Kraas; Carlos Yep; David Peters; Documentation; Edwin Wong; Elizabeth Wallace; Erica Wieder; Gadi Mayman; Ingrid Vincent; Ivy Wang; James Devine; Jean-Paul Lamoureux; Joe Pedota; Ken Kandeepan; Leo Oriotis; Linda Smith; Michael Smith; Mike Manning; Parul Monga; Parvez Daruwalla; Ricky Lai; Risa Thau; Shabina Hassan; Bonnie Lemcke; Christina Zhang; RC_Opns; Claire Wang; Vivian Yan; Anna Strathy; Ronald Kwan
Subject:	Fitch Confirmed Ontario"s AA- rating
Date:	Tuesday, June 20, 2017 3:43:27 PM
Attachments:	2017-06-20 Final Ontario press release (002).pdf

---

The press release is attached.

David

FITCH AFFIRMS PROVINCE OF ONTARIO, CANADA'S IDR AT 'AA-'; OUTLOOK STABLE

Fitch Ratings-New York-20 June 2017: Fitch Ratings has affirmed the following ratings for the Province of Ontario, Canada (the province):

--Long-Term Issuer Default Rating (IDR) at 'AA-';
--Long-Term Local Currency IDR at 'AA-';
--Senior unsecured bonds at 'AA-';
--Short-Term IDR at 'F1+'.

The Rating Outlook is Stable.

SECURITY
Bonds are senior unsecured obligations of the province to which the province's full faith and credit is pledged. Commercial paper notes are promissory notes ranking equally with Ontario's other unsubordinated and unsecured indebtedness.

KEY RATING DRIVERS
FISCAL CONSOLIDATION CONCLUDES: The tabled budget for fiscal 2018 completes the province's plan to eliminate its annual budget deficits by fiscal 2018. Despite some variations to the plan announced in the 2010 budget, the province has remained committed to this fiscal goal.

STRONG FINANCIAL MANAGEMENT: The province has demonstrated the ability to exert considerable expenditure restraint while instituting revenue changes to achieve its deficit reduction objectives. Maintaining restraint in future fiscal years will remain a key challenge for the province, in Fitch's view, as an elevated debt burden and limited contingency lines otherwise limit its flexibility to absorb a future economic slowdown without added borrowing.

SIGNIFICANT ACCUMULATED DEFICIT: The province estimates an accumulated deficit equal to 145% of operating revenues in fiscal 2017 (24% of gross domestic product [GDP]) fueled by the past misalignment between annual revenues and expenditures. The province forecasts continued, gradual declines in the accumulated deficit as a proportion of GDP based on economic growth assumptions.

SIZABLE, DIVERSE ECONOMY: The province's diverse economy includes Canada's largest business and financial hub and accounts for 39% of the country's population. Growth in trade, financial services, and education and health care services has expanded the economic base, with manufacturing now a much smaller share. The provincial economy remains heavily linked to that of the U.S.

LARGE AND GROWING DEBT BURDEN: The province's debt burden measured by net direct debt to GDP is high, although debt service consumes a manageable 8% of annual revenues. Net debt is likely to grow in fiscals 2018 through 2020 in support of the province's robust infrastructure program, with the forecast decline in debt burden relying on continued economic growth.

RATING SENSITIVITIES
FISCAL PRUDENCE: The Stable Outlook at the current rating level assumes the province retains its focus on tabling balanced budgets and gradually lowering the burden of debt. The resumption of significant borrowing to support operating deficits would result in negative pressure on the rating.

CREDIT PROFILE

Ontario's 'AA-' rating is supported by its wealthy, diversified economy and generally sound financial management. The province has concluded its fiscal consolidation program first articulated in its 2010 budget, with a balanced budget tabled for fiscal 2018. Budget balance has been achieved through steady economic and revenue growth, expenditure restraint, introduction of new revenue measures, as well as the sale of provincial assets to fund components of the capital program.

The most significant asset sales have occurred over the past year and a half, with approximately 50% of provincial ownership in Hydro One, the province's electricity transmission and distribution utility, sold through public offerings. The province has agreed to sell up to approximately 15 million shares in Hydro One to First Nations which, depending on their participation would reduce provincial ownership to 47.4%. The share sales have provided approximately C$5 billion toward payment of outstanding electricity sector debt and other payables and about C$4 billion toward the province's capital program. The province's asset strategy plan, which includes the sale of shares in Hydro One, is currently on track to net the province C$5.7 billion over time, with funds dedicated to its Trillium Trust.

LARGE, DIVERSE ECONOMIC BASE

The province is Canada's largest by population, and its diverse economy generates 39% of Canada's GDP. Provincial GDP gains have been steady since the recession. Improved U.S. demand and lower crude oil prices have helped support economic growth in Ontario, with GDP now exceeding national averages; in 2015 GDP rose 2.5% compared to Canada's 0.9%, while 2016 GDP increased by 2.7% compared to national 1.5% growth. In 2016 provincial employment rose 1.1% compared to Canada at 0.7%.

Manufacturing, which was severely affected in the last recession, has become a much less significant driver of the province's economy. Other sectors have seen robust growth, including in trade and transportation, financial activities, and education and health services.

The province continues to forecast steady economic growth in the medium term, with forecast real GDP rising 2.3% in 2017 and 2.1% in 2018. The forecast is currently supported by a favorable export position and federal government stimulus while incorporating the province's recently adopted Fair Housing Plan; a multi-pronged approach to address escalating housing values and housing affordability in the Greater Golden Horseshoe. Although some cooling from the plan is evident in recent real estate market data, the risk of a more severe housing market decline remains possible.

Downside risks to the forecast remain; these include slower economic growth in the U.S., rising interest rates, pressured housing markets beyond that included in the current forecast, increases in crude oil prices, and financial sector exposure to the resource provinces.

FINANCIAL BALANCE OBTAINED BUT SLIM CUSHIONS ARE FORECAST

Ontario's fiscal 2010 ended with a C$19.3 billion operating deficit (20% of revenues) and an accumulated financial deficit of almost C$131 billion (136% of revenues). The province adopted a multiyear fiscal consolidation plan with the goal of reaching a balanced budget by fiscal 2018. Despite a setback in fiscal 2014, through fiscal 2017 the province has exceeded its targets.

At the close of fiscal 2017, the annual operating deficit is estimated at C$1.5 billion while the accumulated deficit peaks at C$193.5 billion. Fiscal 2017 benefits from the sale of shares in Hydro One, strong performance in the housing market and government enterprises, and above-budget

economic growth in 2016, slightly offset by slower economic growth in the first quarter of 2017. Fiscal 2017 expenditures increased modestly over those planned in the 2016 budget.

The tabled budget for fiscal 2018 concludes the province's fiscal consolidation with a balanced budget forecast at year-end. Continued economic strength is expected to support core personal income and consumption taxes, with additional receipts from the province's new cap-and-trade program and from federal government infrastructure support. Overall 6.3% growth in operating revenues, inclusive of tax measures and adjustments, exceeds the 4.7% growth in expenditures, including expansive 10.4% growth in other programs that incorporates capital expenditures, programs under the province's new Fair Hydro Plan and climate change initiatives.

Expenditures have been expanded to incorporate the Fair Hydro Plan, a multi-year program to reduce household electricity bills through two means: a rebate to residential customers equivalent to the 8% provincial portion of the harmonized sales tax on electricity bills and the refinancing of existing electricity infrastructure. Measures with a fiscal impact are estimated by the province to add $2.5 billion in annual expense over the next three fiscal years. Other program expansions include targeted increases in health care and education, including capital investments.

Provincial reserves are expected to remain slim over the near term, with a modest C$600 million set aside in both fiscal years 2018 and 2019. While the province has exemplified significant expenditure controls to resolve budgetary shortfalls and the willingness to raise additional revenue, the slimness of the financial cushion is a credit weakness particularly when confronted by a future economic slowdown.

SIGNIFICANT DEBT BURDEN AND ACCUMULATED DEFICIT

Achieving its fiscal balance goal of fiscal 2018 has left the province with a sizable accumulated deficit, equal to C$193.5 billion in fiscal 2017, and a debt burden that has reached a substantial 37.8% of GDP. While the province's need to finance fiscal imbalances has dropped off with the fiscal 2018 budget, planned capital continues and outstanding debt is forecast to increase over the medium term.

The fiscal 2018 budget provides target dates for achieving the province's long-stated goal of bringing debt-to-GDP to 27%; the budget sets an interim target at 35% in fiscal 2024 and 27% in fiscal 2030. This very slow decline relies almost completely on continued economic growth as total long-term borrowing for infrastructure is expected to escalate over the next few years. Total borrowing in fiscal 2018 is forecast at approximately C$26.4 billion, of which C$13.1 billion is for capital purposes, C$6 billion is to bolster the province's cash position and the remainder largely for repaying debt maturities. Interest on outstanding debt remains manageable, at 8% of expenditures in fiscal 2018.

Contact:

Primary Analyst
Marcy Block
Senior Director
+1-212-908-0239
Fitch Ratings, Inc.
33 Whitehall Street
New York, NY 10004

Secondary Analyst
Douglas Offerman
Senior Director

+1-212-908-0889

Committee Chairperson
Karen Krop
Senior Director
+1-212-908-0661

Media Relations: Elizabeth Fogerty, New York, Tel: +1 (212) 908 0526, Email: elizabeth.fogerty@fitchratings.com.

Additional information is available on www.fitchratings.com

Applicable Criteria
International Local and Regional Governments Rating Criteria - Outside the United States (pub. 18 Apr 2016)
https://www.fitchratings.com/site/re/878660

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: HTTPS://WWW.FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS. IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEB SITE AT WWW.FITCHRATINGS.COM. PUBLISHED RATINGS, CRITERIA, AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE CODE OF CONDUCT SECTION OF THIS SITE. DIRECTORS AND SHAREHOLDERS RELEVANT INTERESTS ARE AVAILABLE AT HTTPS://WWW.FITCHRATINGS.COM/SITE/REGULATORY. FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF THIS SERVICE FOR RATINGS FOR WHICH THE LEAD ANALYST IS BASED IN AN EU-REGISTERED ENTITY CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH WEBSITE.
Copyright © 2017 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Fax: (212) 480-4435. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved. In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third- party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed.
The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US$1,000 to US$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US$10,000 to US$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.
For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001

From:	Carlos Yep
To:	Mike Manning; James Devine; Opal Kandelas; Ken Kandeepan; John Psinas; John Kim; Bruno Amara; Kaitlin.Montgomery@ontario.ca
Subject:	Fwd: Draft GA Sub debt term sheet
Date:	Tuesday, May 30, 2017 4:32:26 PM
Attachments:	Draft Subordianted Debt Term Sheet.doc ATT00001.htm

---

Begin forwarded message:

From: LIU Sheen -TREASURY <sheen.liu@opg.com>
Date: May 30, 2017 at 4:26:00 PM EDT
To: 'Carlos Yep' <Carlos.Yep@ofina.on.ca>
Cc: LEE John -TREASURY <john.s.lee@opg.com>, RYFA Ken -TREASURY <ken.ryfa@opg.com>, PRESTON Stuart -TREASURY <stuart.preston@opg.com>, "HAHN PARKER Janet -TREASURY" <j.hahnparker@opg.com>
Subject: Draft GA Sub debt term sheet

Carlos,

Further to our discussions re establishing GA financing benchmark. Attached please find the draft term sheet of the subordinated debt (from Province equity injection). Could you please review and circulate it to the appropriate contacts/group on your side. We'd also like to set up a meeting with OFA, at your earliest convenience, to go over the document and get your feedback. Please let us know your availability.

Thanks

Sheen

THIS MESSAGE IS ONLY INTENDED FOR THE USE OF THE INTENDED RECIPIENT(S) AND MAY CONTAIN INFORMATION THAT IS PRIVILEGED, PROPRIETARY AND/OR CONFIDENTIAL. If you are not the intended recipient, you are hereby notified that any review, retransmission, dissemination, distribution, copying, conversion to hard copy or other use of this communication is strictly prohibited. If you are not the intended recipient and have received this message in error, please notify me by return e-mail and delete this message from your system. Ontario Power Generation Inc.

Fair Hydro Plan – Subordinated Debt Loan Arrangement
Term Sheet

- Parties: OPG, Fair Hydro Trust, OFA

- In accordance with the Master Subscription Agreement among OPG, OFA and Ministry of Energy, the Province agrees to inject 44% of total funding of GA asset by way of equity subscriptions in OPG, and OPG agrees to use the equity subscription amounts solely for funding the Fair Hydro Trust's subordinated debt (Equity Injection Plan) requirements as part of the Fair Hydro Plan

- OPG will lend the equity injection from the Province to Fair Hydro Trust by way of subordinated debt (one or more mezzanine level)

- Initial credit rating will be assigned to the subordinated debt of Fair Hydro Trust

- Based on monthly funding requirement of GA asset, the Trust will use short term financing, such as bank facilities, and take out bonds once accumulative short term funding reaches certain levels.

- The mechanism to implement Equity Injection Plan will be based on monthly equity injections reflecting funding requirements of GA asset

- Interest rates on the subordinated debt will be established as follows:

    - During the Trust short term financing period when bank facilities are used as funding vehicles, the interest rate on subordinated debt will be the sum of (1) funding rate on senior debt, and (2) additional spread margin of [xx], reflecting the credit rating difference between the senior and subordinated debt

    - At the time when senior bonds are being issued to take out (term out) the short term financing, OPG will seek indicative coupon rates on the subordinated debt from dealers, reflecting the sum of underlying Government of Government of Canada yield of equivalent term and the appropriate credit spread. The average indicative coupon rate from dealers will be calculated and set as the subordinated debt rate. The process will be similar to the one established for pricing of OPG debt drawn from OEFC facilities.

From: Sarah Harris
To: Mike Manning
Cc: Opal Kandelas
Subject: Fwd: Fair Hydro -- Supplemental Indenture for Long Term Debt
Date: Friday, October 27, 2017 1:01:34 PM

Hi Mike,

Per Malle's e-mail below, would you have any objection if I attend this meeting?

Thanks,
Sarah

Sent from my iPhone

Begin forwarded message:

> **From:** "Hanslep, Malle (MOF)" <Malle.Hanslep@ontario.ca>
> **Date:** October 27, 2017 at 12:49:32 PM EDT
> **To:** "Harris, Sarah (OFA)" <Sarah.Harris@ofina.on.ca>
> **Cc:** "Whitfield, Tobias P. (MOF)" <Tobias.Whitfield@ontario.ca>
> **Subject: RE: Fair Hydro -- Supplemental Indenture for Long Term Debt**
>
> There is a meeting from 2 to 5 this afternoon in the executive boardroom on this project which is to cover quite a few questions about the structure. I think that if documentation is going to be involved in this project it would be useful for someone to attend. Perhaps you should check with Mike?
>
> ---
>
> **From:** Hanslep, Malle (MOF)
> **Sent:** October 26, 2017 6:48 PM
> **To:** Harris, Sarah (OFA)
> **Subject:** Fw: Fair Hydro -- Supplemental Indenture for Long Term Debt
>
> Sent from my BlackBerry 10 smartphone on the Rogers network.
>
> ---
>
> **From:** Hanslep, Malle (MOF) <Malle.Hanslep@ontario.ca>
> **Sent:** Thursday, October 26, 2017 18:47
> **To:** Kandeepan, Ken (OFA); Manning, Mike (OFA); Mayman, Gadi (OFA); Yep, Carlos (OFA); Kwan, Ronald (OFA); Devine, James (OFA); Kim, John (OFA); Strathy, Anna (OFA); Katona, Keley (MOF); John Psinas; Nelms, Scott (MOF); Montgomery, Kaitlin (MOF); Veinot, Cindy (TBS); Donaldson, Mark (TBS)
> **Cc:** Whitfield, Tobias P. (MOF); McKinlay, Tom (MAG)
> **Subject:** Fw: Fair Hydro -- Supplemental Indenture for Long Term Debt
>
> I might not have covered everyone with this email
>
> Sent from my BlackBerry 10 smartphone on the Rogers network.
>
> ---
>
> **From:** Saulnier, Brett <bsaulnier@torys.com>

Sent: Thursday, October 26, 2017 18:36
To: Thouin, Alena (ENERGY); Hanslep, Malle (MOF); Whitfield, Tobias P. (MOF); McKinlay, Tom (MAG); STEPHEN.ASHBOURNE@blakes.com
Cc: 'leslie.wong@opg.com'; dup-john.s.lee@opg.com; 'ken.ryfa@opg.com'; Feldman, Michael; Ramchandani, Rima; Mansoori, Nina; Olusoga, Yinka
Subject: Fair Hydro -- Supplemental Indenture for Long Term Debt

All,

Please find attached a first draft of the supplemental indenture for the long term debt, which we just received from Osler. Osler has advised that this draft remains subject to review and comment by the dealers. Please note that Torys/OPG have not yet reviewed.

Thanks,
Brett

Brett Saulnier

P. 416.865.8148 | F. 416.865.7380 | 1.800.505.8679
79 Wellington St. W., 30th Floor, Box 270, TD South Tower
Toronto, Ontario M5K 1N2 Canada | www.torys.com[torys.com]

TORYS LLP[torys.com]

This email and any attachments are for the sole use of the intended recipients and may be privileged or confidential. Any distribution, printing or other use by anyone else is prohibited. If you are not an intended recipient, please contact the sender immediately, and permanently delete this email and attachments.

Le présent courriel et les documents qui y sont joints sont exclusivement réservés à l'utilisation des destinataires concernés et peuvent être de nature privilégiée ou confidentielle. Toute distribution, impression ou autre utilisation est interdite aux autres personnes. Si vous ne faites pas partie des destinataires concernés, veuillez en informer immédiatement l'expéditeur, ainsi que supprimer ce courriel et les documents joints de manière permanente.

From:	Sarah Harris
To:	John Kim
Cc:	William Tan; Lisa Stein; Opal Kandelas; Gavin He
Subject:	Fwd: IESO / OEFC - $120MM and $160MM
Date:	Sunday, November 05, 2017 12:06:54 PM

Hi John,

We've received no internal direction on the nature of changes IESO is looking for in relation to existing OEFC credit facility with the IESO and the FHP. I surmise it may have to do with adjusting the agreement to allow FHP permitted liens (which we would need internal approval to do) or similar changes, but do you know if IESO communicated requirements to Gadi or Ron?

Thanks,
Sarah
Sent from my iPhone

Begin forwarded message:

> **From:** Anthony Martinello <Anthony.Martinello@ieso.ca>
> **Date:** November 5, 2017 at 11:02:50 AM EST
> **To:** William Tan <William.Tan@ofina.on.ca>
> **Cc:** Lisa Stein <Lisa.Stein@ofina.on.ca>, Sarah Harris <Sarah.Harris@ofina.on.ca>, Victor Buza <Victor.Buza@ieso.ca>
> **Subject: RE: IESO / OEFC - $120MM and $160MM**
>
> Will – unless any concerns, will appreciate if you please begin to draft the two OEFC amendments this week – given that the IESO is targeting to sign the OPG / IESO fair hydro agreement by this month's end,….we need to have the two OEFC's done before this.
>
> Regards.
>
> ---
>
> **From:** Anthony Martinello
> **Sent:** November 01, 2017 12:56 PM
> **To:** 'William Tan'
> **Cc:** 'Lisa Stein'; 'Sarah Harris'; 'John Kim'; Victor Buza
> **Subject:** IESO / OEFC - $120MM and $160MM
>
> Once we have completed the 2 OFA facilities and the intercept letter – we then have to turn to the 2 outstanding IESO-OEFC credit facilities to contemplate any further amendments too.
>
> Just ensuring that these 2 OEFC facilities are not missed.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

From: Jean-Francois Beaupre
To: Sarah Harris
Cc: Opal Kandelas
Subject: Fwd: IESO granting of security on ieso assets to opg trust
Date: Monday, November 13, 2017 10:48:08 AM

Interesting that they were making this request in the documentation prior to having IESO Board approval - also I would be curious to know if and how this may affect the intercept letter for OFA.

JF

Begin forwarded message:

> **From:** Anthony Martinello <Anthony.Martinello@ieso.ca>
> **Date:** November 13, 2017 at 10:32:58 AM EST
> **To:** William Tan <William.Tan@ofina.on.ca>, Victor Buza <Victor.Buza@ieso.ca>, Ryan <Ryan.Blackbyrne@ofina.on.ca>
> **Cc:** Lisa Stein <Lisa.Stein@ofina.on.ca>, Sarah Harris <Sarah.Harris@ofina.on.ca>, John Kim <John.Kim@ofina.on.ca>, Jean <Jean-Francois.Beaupre@ofina.on.ca>
> **Subject: IESO granting of security on ieso assets to opg trust**
>
> Ryan, Will, John
>
> The IESO will be seeking IESO Board approval on Nov 22 to grant the security/priority on ieso assets to the OPG trust.
>
> Let me know if you wish to discuss...i would like to give the Board any comments that OFA and OEFC may have on this granting. Regards
>
> ---
>
> **From:** William.Tan@ofina.on.ca
> **Sent:** November 6, 2017 4:14 PM
> **To:** Victor.Buza@ieso.ca
> **Cc:** Lisa.Stein@ofina.on.ca; Sarah.Harris@ofina.on.ca; Anthony.Martinello@ieso.ca; John.Kim@ofina.on.ca
> **Subject:** RE: Signatures for FHP and Amending Agreement No. 10
>
> This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

From: Sarah Harris
To: Opal Kandelas
Subject: Fwd: OIC s22 CIPA - OFA-IESO
Date: Tuesday, May 30, 2017 7:54:27 PM

OIC is now $2 billion.

Begin forwarded message:

From: Salman Qadir <Salman.Qadir@ofina.on.ca>
Date: May 30, 2017 at 5:35:58 PM EDT
To: "Patrick Rundans (MOF)" <Patrick.Rundans@ontario.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>, Bruno Amara <Bruno.Amara@ofina.on.ca>, John Kim <John.Kim@ofina.on.ca>
Subject: OIC s22 CIPA - OFA-IESO

Hi Patrick,

As the OIC package was going through our OFA approvals, we have now been directed that the OIC amount should be $2.0 billion, with an expiry date of June 30, 2047, to line up with the IESO request and the term of the FHP.

I'll recirculate the updated LRC package once I get a finalized version in place. Could we update the OIC to reflect this as I know it may take some time.

Let us know.

Thank you,
Salman

From: Opal Kandelas
To: Sarah Harris
Subject: Fwd: Policy questions re OFHP Credit Facility Agreement
Date: Wednesday, August 09, 2017 11:50:55 AM

Hi Sarah,
What time is the call this afternoon?

Opal.

Sent from my iPhone

Begin forwarded message:

From: Sarah Harris <Sarah.Harris@ofina.on.ca>
Date: August 9, 2017 at 10:37:29 AM EDT
To: Bruno Amara <Bruno.Amara@ofina.on.ca>, John Kim <John.Kim@ofina.on.ca>
Cc: Mike Manning <Mike.Manning@ofina.on.ca>, Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>, Opal Kandelas <Opal.Kandelas@ofina.on.ca>, Lisa Stein <Lisa.Stein@ofina.on.ca>, "Tobias P. Whitfield (MOF)" <Tobias.Whitfield@ontario.ca>, William Tan <William.Tan@ofina.on.ca>
Subject: FW: Policy questions re OFHP Credit Facility Agreement

Hello Bruno and John,

In advance of our internal call this afternoon, Lisa and Toby have prepared the following e-mail below to consider whether the OFA should consider taking a security interest in the Regulatory Asset as security for $2B credit facility, as well as the inclusion of the intercept provision. Ken Kandeepan expressed the following view yesterday:

> *"…[the $2B Facility] is unsecured but so is every loan issued by the OFA to a public body so not sure why the risk associated with this loan is greater or for that matter lower than the loans currently in the OFA's loan book.*
>
> *As such, this should be treated exactly like all the other loans. Note that the IESO is fully consolidated with that of the Province so loans issued by the OFA to IESO will be a wash upon consolidation."*

In light of this, could you please advise if there are there any additional considerations regarding the FHP structure that would could necessitate the inclusion of an intercept provision in the $2B facility and/or the OFA taking a security interest in the Regulatory Asset?

I am including Ken and Mike Manning in this e-mail, should they have any additional

input or insight on this matter.

Thank you,
Sarah

From: Lisa Stein
Sent: Wednesday, August 09, 2017 10:09 AM
To: William Tan <William.Tan@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Subject: Policy questions re OFHP Credit Facility Agreement
Importance: High

Hi Sarah H. and Will,

Based on the e-mails to date, I understand that OFA staff held a conference call yesterday and based the OFA Lending Policy and past practices, may have concluded that it is appropriate for the loan to the IESO in relation to the OFHP to be unsecured, as per other OFA loans to public bodies. However, as neither Toby (from MOF Legal) nor I were part of the aforementioned call, we wanted to clarify that this loan is NOT necessarily the same as other OFA unsecured loans to public bodies, and as such, the protection provided by the "intercept" provisions of the standard OFA loan agreements have limited application in this particular case (which is likely the reason why these provisions were not included in the original drafts). Our understanding is that, although the intercept provisions are intended to allow the Minister of Finance to deduct from money appropriated by the Legislature for payment to the Borrower amounts equal to any amounts that a Borrower fails to pay to the OFA on account of indebtedness under the loan agreement, in the case of the IESO as Borrower, these amounts are likely to be minimal.

Before proceeding, we would like to ensure that the nature of the loan, the impact of intercept provisions, and the insolvency and operational risks, have all been considered. Toby has succinctly summarized the questions which still need to be addressed during our call this afternoon in the e-mail which I have forwarded below.

Lisa

From: Whitfield, Tobias P. (MOF) [mailto:Tobias.Whitfield@ontario.ca]
Sent: Tuesday, August 08, 2017 5:03 PM
To: Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: Policy question re OFHP Credit Facility Agreement

Lisa,

I have attempted to summarize my questions/issues in the below. Let me know if you have anything to add or have any edits.

The concerns I have with the IESO loan, and that should be considered are related to what could happen to the Regulatory Asset (the "Asset") if there are any credit or liquidity issues at the IESO. Because the Asset is something that it is possible to take security in, and that is an intangible that may be subject to a floating charge (ie, as a result of a GSA or from a financing agreement) I thought it would be prudent to consider whether the OFA should take a security interest in the Asset as security for the loan.

I am not familiar with the types of financial arrangements or other obligations that the IESO may be a party to, either as a result of its market operations or otherwise, but it may be possible that the IESO has entered into such arrangements, such as swaps or other derivatives agreements, loans or other financing arrangements for which security could be given.

I am not aware of what financial guarantees or other arrangements may be in place such that the Province may have guaranteed the IESO's obligations, but I don't believe that there are any. My understanding is that the IESO is consolidated with the Province's books, but that the IESO is not a crown agent, and the Province is not liable for the IESO's obligations to third parties. However, I am not sure about the underlying facts without more input from ENERGY and the IESO.

In light of these questions it may be worthwhile to consider some related issues:

- How does the proposed IESO loan compare to other OFA loans made to public bodies, such that it is appropriate to use the same requirements?
    - Size of loan – it is my understanding that there are not many loans that approach the size of the $2 billion loan that is proposed to the IESO.
    - Are the obligations of the IESO the obligations of the Province, and how does this compare to other public body loans?
    - What other financial obligations could the IESO have (such as swap agreements, other financial obligations) that could become due or create credit risk?
    - If in many public body loans, there is an intercept and an MOU with the appropriate ministry to create some security, does that make sense in this context? Are there significant transfers to the IESO?
    - Note that the OFA loan to the ROM was secured by pledges and an intercept, and that other Provincial loans to public bodies or other groups may be secured.
- Does the Province/OFA understand the financial obligations of the IESO such that it is confident that no other security interest could attach to the Asset?
- Given that the debt is specifically for the purpose of creating the Asset which will be "warehoused" at the IESO, once the Asset is sold to the financing entity, how will the Province ensure that the proceeds can only be used to repay the loan?

Tobias Whitfield
Counsel, Legal Services Branch
Ministry of Finance
tobias.whitfield@ontario.ca
Phone: 416-325-1456

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From: Sarah Harris
To: Risa Thau
Cc: Opal Kandelas; Kelly Listoe
Subject: IESO Credit Facility Amendment
Date: Wednesday, November 30, 2016 3:24:22 PM

Hi Risa,

Just a quick heads up that the IESO Credit Facility amendment has not yet be signed and, as such, currently no advances may be made until it is executed.

The agreement is currently with IESO for them to execute. Per IESO, "We do not need to draw until mid-December 2016… so we can execute this amendment doc up until next Fri in time for the new draw."

Thanks,
Sarah

From:	Kelly Listoe
To:	Opal Kandelas
Cc:	Sarah Harris
Subject:	IESO Facility
Date:	Tuesday, April 25, 2017 11:29:14 AM
Attachments:	OPA IESO Amendment No 9 (Executed).pdf OFA-IESO-Minister Directive 2016 - signed.pdf

---

Hi Opal

Attached is the IESO Amendment from last November. I have also attached the Directive as it contains a brief synopsis. The main changes were that the maturity date was extended to Dec. 31, 2019 from 2016 and the length of time advances can be outstanding was lengthened.

Regards,

Kelly Listoe
Documentation & Compliance Coordinator
Capital Markets
Ontario Financing Authority
1 Dundas Street West, Ste. 1400
Toronto, ON. M7A 1Y7
(416) 325 - 8053

AMENDING AGREEMENT NO. 9

This Amending Agreement No. 9 (this "**Amending Agreement**") is made as of the 30 day of November, 2016

BETWEEN:

INDEPENDENT ELECTRICITY SYSTEM OPERATOR, a statutory corporation without share capital existing under the *Electricity Act, 1998* ("**IESO**") (as Borrower)

-and-

ONTARIO FINANCING AUTHORITY, a Crown agency established under the *Capital Investment Plan Act, 1993* ("**OFA**" and together with the IESO, the "**Parties**")
(as Lender)

WHEREAS the Ontario Power Authority ("OPA") and the OFA entered into a Credit Agreement dated January 1, 2005 (the "**Original Agreement**");

AND WHEREAS pursuant to the amending agreements dated February 14, 2005, October 11, 2005 (titled, "Amending Agreement No. 3"), September 27, 2006 (titled, "Amending Agreement No. 4"), July 13, 2007 (titled, "Amending Agreement No. 5"), November 9, 2010 (titled, "Amending Agreement No. 6"), December 20, 2013 (titled, "Amendding Agreement No. 7") and December 19, 2014 (titled, "Amending Agreement No. 8"), the parties amended the Original Agreement (as so amended, the "**Agreement**");

AND WHEREAS effective January 1, 2015, the OPA and the Independent Electricity System Operator amalgamated and continued as a corporation without share capital under Part II of the *Electricity Act, 1998* (the "**Amalgamation**") with the name Independent Electricity Sytem Operator;

AND WHEREAS under the Amalgamation the obligations of the OPA became obligations of the amalgamated corporation and the Parties wish to amend the Agreement to reflect the name of the amalgamated corporation;

AND WHEREAS the Parties now wish to further amend the Agreement pursuant to the terms of this Amending Agreement;

AND WHEREAS pursuant to Section 7.3 of the Agreement, the Agreement may only be amended or otherwise modified by written agreement executed by each of the OFA and the IESO.

NOW THEREFORE IN CONSIDERATION of the mutual agreements herein contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree to the following amendments, effective as of the date first written above.

Except as expressly provided herein or unless the context otherwise requires, capitalized terms not otherwise defined in this Amending Agreement have the respective meanings given to those terms in the Agreement.

1. The following definition is added to Section 1.1 of the Agreement:

   "IESO" means the Independent Electricity System Operator, a statutory corporation without share capital existing under Part II of the *Electricity Act, 1998.*

2. Section 1.6 is added to the Agreement as follows:

   "**Section 1.6 References to OPA**

   For the purposes of this Agreement, all references to the "Ontario Power Authority" or "OPA" in this Agreement shall be interpreted as referring to the IESO.

3. Section 2.4 of the Agreement is deleted in its entirety and replaced by the following:

   "Subject to Sections 2.9 and 5.1, the IESO shall repay each Advance on the applicable Repayment Date and, in any event, shall repay all Advances Oustanding, together with all accrued interest and all other amounts owing hereunder on December 31, 2019."

4. Section 3.1 of the Agreement is deleted in its entirety and replaced by the following:

   "The OFA agrees, on the terms and conditions of this Agreement, to make Advances to the IESO under the Operating Facility from time to time on any Business Day prior to November 30, 2019."

5. Section 3.2(1) of the Agreement is deleted in its entirety and replaced by the following:

   "Subject to Section 3.3(3), each Advance shall be made on two Business Days' prior notice given not later than 10:00 a.m. (Toronto time) by the IESO to the OFA. Each such notice of an Advance (each, a "**Borrowing Notice**") shall be given substantially in the form of Schedule 1, shall be irrevocable and binding on the IESO and shall specify (a) the requested date of the Advance, (b) the principal amount of the Advance, and (c) the Repayment Date of the Advance which shall be no earlier than 28 days and not later than 95 days after the date of the requested Advance. The OFA will make the principal amount of each Advance available to the IESO in accordance with Article 2."

6. Section 3.3(1) of the Agreement is deleted in its entirety and replaced by the following:

   "The IESO may elect to continue all or a portion of the principal amount of any Advance for a further period of a minimum of 28 days and up to a maximum of 95 days beginning on the then current Repayment Date in accordance with Section 3.3(2)."

7. Section 3.3(2) of the Agreement is deleted in its entirety and replaced by the following:

   "Each election to continue an Advance for a further period shall be made on one Business Day's prior notice, given, in each case, not later than 10:00 a.m. (Toronto time) by the IESO to the OFA. Each such notice (each, an "**Election Notice**") shall be given substantially in the form of Schedule 2, shall be irrevocable and binding upon the IESO and shall specify (a) the requested date of the proposed election, (b) the aggregate principal election amount, and (c) the new Repayment Date, which shall be no earlier than 28 days and not later than 95 days after the current Repayment Date. If the IESO fails to deliver an Election Notice to the OFA for any Advance as provided herein, such Advance shall be repayable on the applicable Repayment Date."

8. Section 5.1(b) of the Agreement is deleted in its entirety and replaced by the following:

"failure to pay the principal amount of any Advance on the applicable Repayment Date or the Advances Oustanding, all interest accrued thereon and all other amounts owing under this Agreement on December 31, 2019;"

9. The address and contact information of the OPA provided in Section 7.1 of the Agreement is deleted and replaced by the following:

   If to the IESO, to it at:

   Independent Electricity System Operator
   120 Adelaide Street West, Suite 1600
   Toronto, ON M5H 1T1

   Attention: Chief Financial Officer
   Telephone: 416-969-6232
   Fascimile: 905-403-6913

10. Schedule 1 of the Agreement, Form of Borrowing Notice, is deleted in its entirety and replaced by the Form of Borrowing Notice attached hereto as Schedule 1.

11. Schedule 2 of the Agreement, Form of Election Notice, is deleted in its entirety and replaced by the Form of Election Notice attached hereto as Schedule 2.

12. Schedule 3 of the Agreement, IESO Grid Note, is deleted in its entirety and replaced by the IESO Grid Note attached hereto as Schedule 3.

IN ALL OTHER RESPECTS, the said Agreement is confirmed by the Parties.

IN WITNESS WHEREOF the Parties have executed this Amending Agreement as of the date first written above.

ONTARIO FINANCING AUTHORITY

Per: _____
Name: Michael D. Manning
Title: Executive Director
Capital Markets Division

I have authorit to bind the corporation.

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

Per: _____
Name: Kimberly Marshall
Title: Vice President, Corporate Services;
Chief Financial Officer; Treasurer

I have authorit to bind the corporation.

SCHEDULE 1 TO AMENDING AGREEMENT NO. 9

FORM OF BORROWING NOTICE

Delivered Via Fax: 416-204-7920

Ontario Financing Authority ("**OFA**")
1 Dundas Street West, Suite 1400
Toronto, Ontario
M7A 1Y7

Date: [insert date]

Attention: Cash Management

Dear Sirs:

The undersigned, the Independent Electricity System Operator ("**IESO**"), refers to the credit agreement between the IESO and the OFA dated January 1, 2005 (as amended, supplemented or restated from time to time, the "**Agreement**", the terms defined therein being used herein as therein defined), and gives you notice pursuant to Section 3.2 of the Agreement that the IESO requests an Advance under the Agreement, and, in connection with such request, sets forth below the information relating to such Advance (the "**Proposed Advance**"), as required by Section 3.2(1) of the Agreement:

(a) The date of the Proposed Advance, being a Business Day is _____;
(b) The aggregate amount of the Proposed Advance is **$**_____;
(c) The Repayment Date of the Proposed Advance is _____. [no earlier than 28 days and not later than 95 days after the date of the Proposed Advance.]

Such request of the Proposed Advance shall be confirmed by the IESO by a telephone call to OFA Cash Management at 416-325-8108.

Use of Funds

The undersigned herby certifies that the funds comprising the Proposed Advance requested pursuant to this Notice will be used for the following purposes:

(1) [indicate amount and purpose of funds requested]
(2) [indicate amount and purpose of funds requested]

The IESO hereby certifies that:

The representations and warranties of the IESO contained in the Agreement are true and correct as at the date hereof.

No Event of Default has occurred or is continuing and no event or condition has occurred, which, with the lapse of time or the giving of notice or both would constitute an Event of Default.

The IESO has complied or is complying with all terms, covenants and conditions contained in the Agreement.

Any and all funds received under the Agreement will be expended or held solely for the purpose for which they are authorized to be used under the Agreement; no part of the funds to be received pursuant to this Notice shall be used for any other purpose.

Yours truly,

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

Per: _____

Name:

Authorized Signatory

SCHEDULE 2 TO AMENDING AGREEMENT NO. 9

FORM OF ELECTION NOTICE

Delivered Via Fax: 416-204-7920

Ontario Financing Authority ("**OFA**")
1 Dundas Street West, Suite 1400
Toronto, Ontario
M7A 1Y7

Date: [insert date]

Attention: Cash Management

Dear Sirs:

The undersigned, the Independent Electricity System Operator ("**IESO**"), refers to the credit agreement between the IESO and the OFA dated January 1, 2005 (as amended, supplemented or restated from time to time, the "**Agreement**", the terms defined therein being used herein as therein defined), and gives you notice pursuant to Section 3.3 of the Agreement that the IESO elects to continue all or a portion of an Advance for an additional term, and in connection with such election, sets forth below the information relating to such election as required by Section 3.3(2) of the Agreement:

(a) The date of the proposed election, being a Business Day is _____;
(b) The aggregate amount of the proposed election is $_____;
    i. previous principal amount $_____
    ii. interest $_____
(c) The new Repayment Date applicable to such Advance is _____. [no earlier than 28 days and not later than 95 days after the current Repayment Date for the Advance.]

Such election shall be confirmed by the IESO by a telephone call to OFA Cash Management at 416-325-8108.

The IESO hereby certifies that:

The representations and warranties of the IESO contained in the Agreement are true and correct as at the date hereof.

No Event of Default has occurred or is continuing and no event or condition has occurred, which, with the lapse of time or the giving of notice or both would constitute an Event of Default.

The IESO has complied or is complying with all terms, covenants and conditions contained in the Agreement.

Any and all funds received under the Agreement are being used solely as authorized under the Agreement and are not being used for any other purpose.

Yours truly,

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

Per:_____
Name:

Authorized Signatory

SCHEDULE 3 TO AMENDING AGREEMENT NO. 9

SCHEDULE 3

INDEPENDENT ELECTRICITY SYSTEM OPERATOR GRID NOTE

Principal Amount: Up to $975,000,000 Date: November 30, 2016

FOR VALUE RECEIVED, INDEPENDENT ELECTRICTY SYSTEM OPERATOR (the **"Company"**), incorporated under the laws of the Province of Ontario and having its principal office and place of business at Toronto, Ontario, **PROMISES TO PAY** to or to the order of **ONTARIO FINANCING AUTHORITY ("OFA")** at its offices at Toronto, Ontario or at such other place as the OFA may designate, the principal amount of each and all Advances made by the OFA to the Company, all as recorded by the OFA on the grid (the **"Grid"**) attached to and forming part of this Note, in lawful money of Canada, with interest on each Advance at the rate, calculated in the manner and payable at the times specified in the Credit Agreement (as defined below).

OFA shall and is unconditionally and absolutely authorized and directed by the Company to record on the Grid (i) the date and amount of each Advance, including any Advance all or a portion of which is continued by election under Section 3.3; (ii) the applicable rate of interest for each Advance; (iii) the repayment date of each Advance; (iv) the date and amount of each payment of interest and each payment of principal in respect of each Advance; and (v) the outstanding principal amount of the grid promissory note. Such notations, in the absence of manifest error, shall be *prima facie* evidence of such advances and repayments; provided that the failure of the OFA to record the same shall not affect the obligations of the Borrower to pay such amounts to the OFA.

The outstanding principal amount of each Advance under this Note together with all interest accrued thereon shall become due and payable as specified in the Credit Agreement dated January 1, 2005 as amended, supplemented or restated from time to time, between the Borrower and the OFA (the **"Credit Agreement"**). All capitalized terms used herein and not otherwise defined herein shall have the meanings given to such terms in the Credit Agreement.

This Note is issued pursuant to, and is subject to and payable in accordance with the provisions of, the Credit Agreement.

This Note is not transferable or negotiable without the prior written consent of the Company.

The Company waives presentment for payment and notice of non-payment.

This Note shall be governed by and interpreted and enforced in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

IN WITNESS WHEREOF the Company has executed this Note.

INDEPENDENT ELECTRICTY SYSTEM OPERARTOR

By: _____

Name: Bruce Campbell
Title: President & CEO

By: _____

Name: Kimberly Marshall
Title: VP, Corporate Services; CFO; Treasurer

ONTARIO FINANCING AUTHORITY
LINE OF CREDIT GRID NOTE

Borrower: Independent Electricity System Operator

Program: Regulated Price Plan Variance

Schedule of loan transactions to: 21-Nov-2016

Loan Limit: $975,000,000.00

Loan Advanced to: 21-Nov-2016

New Loan and/or Rollover						Actual Repayment				
New Loan or Rollover Date	Principal Advanced or Rollover Amount	Interest Rate	Repayment Date	Total No. Of Days	Interest Amount	Actual Repayment	Principal	Interest	Actual Repayment Date	Actual No. Of Days
19-Aug-2016	$94,951,024.00	0.8100%	19-Sep-2016	31	$65,321.10	$49,331,879.98	$49,266,558.88	$65,321.10	19-Sep-2016	31
19-Sep-2016	$45,684,465.12	0.8100%	19-Oct-2016	30	$30,414.59	$30,283,150.31	$30,252,735.72	$30,414.59	19-Oct-2016	30
19-Oct-2016	$15,431,729.40	0.7900%	21-Nov-2016	33	$11,022.06	$11,022.06	$0.00	$11,022.06	21-Nov-2016	33
21-Nov-2016	$64,793,065.20	0.7800%	21-Dec-2016	30	$41,538.57	$64,834,603.77	$64,793,065.20	$41,538.57	21-Dec-2016	30
21-Nov-2016	$15,431,729.40	0.7800%	21-Dec-2016	30	$9,893.22	$15,441,622.62	$15,431,729.40	$9,893.22	21-Dec-2016	30

DIRECTIVE
MINISTER OF FINANCE
INDEPENDENT ELECTRICITY SYSTEM OPERATOR CREDIT FACILITY

To: Ontario Financing Authority

WHEREAS pursuant to directives dated December 22nd 2004, October 3rd, 2005, July 28th, 2006, October 14th, 2010, and December 18th, 2013 (collectively, "the Prior Directives") the Minister of Finance approved and directed the Ontario Financing Authority (the "OFA") to make loans (the "Loans") to the Ontario Power Authority (the "OPA") from time to time in an aggregate amount not to exceed $975 million at any time, as considered necessary by the OPA to meets its purposes;

AND WHEREAS effective January 1, 2015, the OPA and the Independent Electricity System Operator amalgamated and continued as a corporation without share capital under Part II of the *Electricity Act, 1998* (the "Amalgamation") with the name Independent Electricity System Operator ("New IESO");

AND WHEREAS pursuant to the Prior Directives all amounts outstanding under the Loans are required to be repaid in full by December 31, 2016;

AND WHEREAS the terms of the Loans are set out in a Credit Agreement entered into between the OFA and the OPA dated January 1, 2005, as subsequently amended by amending agreements dated February 14, 2005, October 11, 20015, September 27, 2006, July 13, 2007, November 9, 2010, December 20, 2013, and December 19, 2014 (as so amended, the "Loan Agreement");

AND WHEREAS pursuant to the Amalgamation the obligations of the OPA under the Loan Agreement became the obligations of the New IESO;

AND WHEREAS the Loan Agreement provides that the OFA may make advances to the IESO on any Business Day (as defined in the Loan Agreement) prior to November 30, 2016;

AND WHEREAS it is appropriate to extend the period during which the OFA may make advances to the IESO under the Loan Agreement to any Business Day (as defined in the Loan Agreement) prior to November 30, 2019, and to extend the date by which all amounts outstanding under the Loan Agreement shall be repaid in full to December 31, 2019;

AND WHEREAS the Loan Agreement only permits advances to be outstanding for a period of one month, two months, or three months, at the option of the IESO;

AND WHEREAS it is appropriate in connection with the extension of the Loan Agreement to permit advances to be outstanding, for a minimum of twenty-eight days up to a maximum of ninety-five (95) days, at the option of the IESO;

AND WHEREAS it is appropriate in connection with the extension of the Loan Agreement to provide that the advances under the Loan Agreement be used by the IESO for liquidity purposes.

Therefore:

Pursuant to subsection 16(2) of the *Capital Investment Plan Act, 1993,* the OFA is directed to

- extend the period during which the OFA may make advances to the OPA under the Loan Agreement to any Business Day (as defined in the Loan Agreement) prior to November 30, 2019;

- extend the date by which all amounts outstanding under the Loan Agreement shall be repaid in full to December 31, 2019; and,

- permit advances to be outstanding for a minimum of twenty-eight days up to a maximum of ninety-five (95) days, at the option of the IESO.

- provide that effective as of December 31, 2016 advances under the Loan Agreement may be used only for liquidity purposes.

The Loans shall remain subject to all of the other terms and conditions set out in the Prior Directives.

Dated: NOV 2 8 2016

Charles Sousa
Minister of Finance

From:	William Tan
To:	Opal Kandelas
Cc:	Sarah Harris
Subject:	IESO OEFC $160M Revolving Credit Facility Agreement
Date:	Friday, November 17, 2017 12:25:01 PM
Attachments:	Credit Facility Agreement. April 23. 2010. executed..pdf Amending Agreement #1 (Executed).pdf (executed) Amending Agreement No. 2 14-Oct-11.pdf IESO $110 M credit facility Amending Agreement No. 3 (executed copy).PDF IESO $95 M Credit Facility Amending Agreement No. 4 Executed Copy.PDF IESO Amending Agreement No 5 (Amalgamation) (Draft).doc Amending Agrt no.6 - Revolving Credit Facility - OEFC_IESO_IESO Signed.pdf

---

Hello Opal,

Please find the attachments for the $160M Revolving Credit Facility Agreement. Amending Agreement No. 5, has only a word version in the folder. Let me know if your require the word versions for any of the attachments.

Best regards,

Will Tan| *Documentation & Analysis Specialist*
Capital Markets Division | Ontario Financing Authority
1 Dundas Street West, Suite 1400
Toronto, Ontario M5G 1Z3, CANADA
Tel. (416) 325-8090 | Fax: (416) 860-8346
william.tan@ofina.on.ca

This message, including any attachments, is intended only for the use of the individual(s) to which it is addressed and may contain information that is privileged and confidential. Any other distribution, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message including any attachments, without reading it or making a copy. Thank you

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

as Borrower

and

ONTARIO ELECTRICITY FINANCIAL CORPORATION

as Lender

REVOLVING CREDIT FACILITY AGREEMENT

Dated: April 23, 2010

THIS CREDIT FACILITY AGREEMENT is made on the 23rd day of April, 2010

between:

INDEPENDENT ELECTRICITY SYSTEM OPERATOR ("IESO")

and

ONTARIO ELECTRICITY FINANCIAL CORPORATION ("OEFC")

RECITAL:

IESO has requested a revolving line of credit from OEFC in the amount of up to Sixty Million Dollars for the purpose of replacing the current IESO revolving line of credit with the Toronto-Dominion Bank which is used for liquidity purposes that may also be used to fund corporate requirements. OEFC has agreed to lend such amount to IESO on the terms and conditions set out herein.

NOW THEREFORE in consideration of the mutual agreements contained herein (the receipt and adequacy of which are acknowledged), the parties agree as follows:

ARTICLE 1
DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

Section 1.1 Definitions.

For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires, the following terms shall have the meanings assigned to them below:

"Advance Date" has the meaning set forth in Section 3.2.

"Advances" means advances made by OEFC to IESO under Article 3 and **"Advance"** means any one of such advances.

"Advances Outstanding" means, at any time, an amount equal to the aggregate principal amount of all Advances outstanding at such time.

"Agreement", "herein", "hereby", "hereof", "hereunder" and similar expressions mean and refer to this agreement and all schedules hereto and all instruments in amendment or confirmation of this agreement and such schedules and not to any particular article or section; and the expression **"Article"** or **"Section"** followed by a number means the specified Article or Section of this Agreement.

"Borrowing Notice" has the meaning specified in Section 3.2.

"Business Day" means any day other than a Saturday, Sunday or a statutory or civic holiday in Toronto, Ontario.

"Commitment" means, at any time, an amount equal to the principal amount of Sixty Million Dollars.

"Consolidated Assets" means, at any time, the book value of IESO and the Subsidiaries, determined as of such time on a consolidated basis in accordance with generally accepted accounting principles.

"Credit Facility" means the revolving credit facility to be made available to IESO by OEFC under this Agreement for the purposes specified in Section 2.3.

"Default" means any event which, after the giving of notice, or passage of time, or both, would be an Event of Default.

"Disposition" has the meaning specified in Section 6.1.

"Dollars" or "$" means lawful currency of Canada.

"Event of Default" has the meaning specified in Section 5.1.

"IESO" means Independent Electricity System Operator, a corporation existing under the laws of the Province of Ontario, until a successor corporation shall have succeeded to all of the rights and obligations of Independent Electricity System Operator pursuant to Section 6.1 and thereafter **"IESO"** shall mean such successor corporation (or any successor thereto which shall have become such pursuant to Section 6.1).

"Indebtedness" means (without duplication), with respect to any Person, whether recourse is to all or a portion of the assets of such Person and whether or not contingent:

(a) every obligation of such Person for borrowed money;

(b) every obligation of such Person evidenced by bonds, debentures, notes or other similar instruments;

(c) every reimbursement obligation of such Person with respect to letters of credit, bankers' acceptances or similar instruments;

(d) every obligation of such Person issued or assumed as the deferred purchase price of property or services (but excluding trade accounts payable or expenses accrued in the ordinary course of business which are not overdue or which are being contested in good faith);

(e) every capital lease obligation of such Person; and

(f) the Swap Termination Value of each Swap Contract of such Person; and

(g) every obligation of the type referred to in paragraphs (a) through (f) of another Person and all dividends of another Person the payment of which, in each case, such Person has guaranteed or is responsible or liable for, directly or indirectly, as obligor, guarantor or otherwise.

"Interest Payment Date" means with respect to each Advance means the first Business Day of each month.

"Interest Rate" means the Province of Ontario's cost of borrowing for a 30 day term, as determined as of the first Business Day of each month by OEFC, plus 0.25 percent per annum.

"Interest Reset Date" has the meaning specified in section 3.3(2)(i).

"Lien" means any assignment, hypothec, mortgage, lien, pledge, security interest, encumbrance, title retention agreement or other agreement or arrangement to secure the performance of any obligation (including the payment of Indebtedness).

"Material Subsidiary" means, at any time, a Subsidiary which, together with its subsidiaries, has consolidated assets with a book value of more than Twenty-Five Million Dollars determined as of such time in accordance with generally accepted accounting principles.

"Note" means the note of IESO issued under this Agreement.

"Permitted Liens" means:

(a) Liens for taxes and assessments not at the time overdue or any Liens securing workmen's compensation assessments, unemployment insurance or other social security obligations not at the time overdue;

(b) any Liens or rights of distress reserved in or exercisable under any lease for rent and for compliance with the terms of such lease;

(c) any obligations or duties, affecting the property of IESO or a Material Subsidiary, to any municipality or governmental, statutory or public authority, with respect to any franchise, grant, license or permit and any defects in title to structures or other facilities arising solely from the fact that such structures or facilities are constructed or installed on lands held by IESO or such Material Subsidiary under government permits, leases or other grants, which obligations, duties and defects in the aggregate do not materially impair the use of such property, structures or facilities for the purpose for which they are held by IESO or such Material Subsidiary;

(d) any deposits or Liens in connection with building contracts, bids or tenders, expropriation proceedings, surety or appeal bonds, costs of litigation when required by law, and public and statutory obligations, Liens or claims incidental to current construction, builders', mechanics', labourers', materialmen's, warehousemen's, carriers' and other similar Liens;

(e) the right reserved to or vested in any municipality or governmental or other public authority by any statutory provision or by the terms of any lease, license, franchise, grant or permit, that affects any lands, to terminate any such lease, license, franchise, grant or permit or to require annual or their periodic payments as a condition to the continuance thereof;

(f) any undetermined or inchoate Liens and charges incidental to the current operations of IESO or a Material Subsidiary that have not at the time been filed against IESO or such Material Subsidiary; provided, however, that if any such Lien or charge shall have been filed, IESO or such Material Subsidiary shall be prosecuting an appeal or proceedings for review with respect to which it shall have secured a stay in the enforcement of any such Lien or charge;

(g) any Lien the validity of which is being contested at the time by IESO or a Material Subsidiary in good faith and the enforcement of which has been stayed;

(h) any easements, rights-of-way and servitudes that in the opinion of IESO will not in the aggregate materially and adversely impair the use or value of the land for the purpose for which it is held or occupied by IESO or a Material Subsidiary;

(i) any Liens and privileges arising out of judgments or awards with respect to which IESO or a Material Subsidiary shall be prosecuting an appeal or proceedings for review and with respect to which it shall have secured a stay of execution pending such appeal or proceedings for review; and

(j) pledges of cash or cash equivalents to secure IESO's or a Material Subsidiary's liabilities from time to time under Swap Contracts and pledges of cash or cash equivalents in an aggregate amount not exceeding $25 million at any time to secure IESO's or a Material Subsidiary's liabilities from time to time under commodity swap, commodity option and commodity future contracts entered into in the ordinary course of business for the purpose of directly mitigating risks associated with fluctuations in prices or availability of commodities purchased or to be purchased by IESO or a Material Subsidiary in the ordinary course of business, and not entered into for the purposes of speculation; and

(k) any other Liens of a nature similar to the foregoing which do not in the opinion of IESO, acting reasonably, materially impair the use of the property subject thereto or the operation of the business of IESO or any Material Subsidiary or the value of such property for the purpose of any such business.

"Person" means any individual, corporation, partnership joint venture, association, trust or unincorporated organization or any government or agency or political subdivision thereof.

"Purchase Money Mortgage" means any Lien on property, granted in connection with financing, assumed or given back in payment of, or created or arising by operation of law to secure, the whole or part of the purchase price of such property, or granted in connection with financing the cost in whole or in part of construction or installation of or improvements to any property, provided that such Lien is incurred or assumed at the time or within 12 months after the purchase of such property or the completion of such construction, installation or improvements, as the case may be, and includes any extension, renewal or replacement thereof on the same property if the principal amount of the Indebtedness secured thereby at the time of such extension, renewal or replacement is not increased and if such Lien is not extended to any other property.

"Stated Maturity" when used with respect to any Indebtedness or any installment of interest thereon, means the date specified in or on the agreement or instrument evidencing such Indebtedness as the fixed date on which any principal amount of such Indebtedness or such installment of interest is due and payable.

"Subsidiary" means:

(a) a corporation: (i) more than 50% of the voting power or the outstanding Voting Shares of which is owned, directly or indirectly, by IESO or by one or more other Subsidiaries or by IESO and one or more other Subsidiaries; or (ii) in the case of a non-share capital corporation, that the IESO has the power to appoint a majority of the Board of Directors; or

(b) any Person (other than a corporation) in which IESO, or one or more other Subsidiaries, directly or indirectly, has at least a majority ownership and power to direct the policies, management and affairs thereof.

"Swap Contract" means any agreement whether or not in writing, relating to any transaction or derivative transaction including a rate swap, basis swap, forward rate transaction, commodity swap, commodity option, commodity future, equity or equity index swap or option, bond, note or bill option, interest rate option, forward foreign exchange transaction, cap, collar or floor transaction currency swap, cross-currency rate swap, swaption, currency option or other similar transaction (including any option to enter into any of the foregoing) or any combination of the foregoing, and, unless the context otherwise clearly requires, any master agreement relating to or governing any or all of the foregoing.

"Swap Termination Value" means, in respect of any one or more Swap Contracts entered into by a Person, after taking into account the effect of any legally enforceable netting agreement relating to such Swap contracts:

(a) for any date on or after the date such Swap Contracts have been closed out and termination value(s) for such Person have been determined in accordance therewith, such termination value(s); and

(b) for any date prior to the date referred to in paragraph (a), the net amount determined pursuant to the terms of such Swap Contracts that would be payable by such Person if such Swap Contracts were terminated as of such date.

"Voting Shares" of any Person means securities of such Person which ordinarily carry a right to vote for the election of directors (or Persons performing similar functions) of such Person.

Section 1.2 Effect of Headings and Table of Contents.

The division of this Agreement into Articles and Sections the insertion of headings and the provision of a Table of Contents are for convenient reference only and shall not affect the construction or interpretation hereof.

Section 1.3 Singular, Plural, Gender, Certain Phrases, etc.

Where the context permits and unless such interpretation would be inappropriate, words importing the singular only shall include the plural and vice versa and words importing gender may include any gender. In this Agreement, (a) the words **"including"** and **"includes"** mean "including (or includes) without limitation", and (b) in the computation of periods of time from a specified date to a later specified date, unless otherwise expressly stated, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding".

Section 1.4 Accounting.

Except as otherwise specifically provided herein, all accounting terms shall be applied and construed in accordance with generally accepted accounting principles. Generally accepted accounting principles refer to accounting principles generally accepted in Canada as recommended in the Handbook of the Canadian Institute of Chartered Accountants at the relevant time applied on a consistent basis.

Section 1.5 Non-Business Days.

Whenever any payment to be made hereunder shall be due, any period of time would end, any calculation is to be made or any other action is to be taken on or as of, a day other than a Business Day, such payment shall be made, such period of time shall end, such calculation shall be made and such other actions shall be taken, as the case may be, unless otherwise specifically provided for herein, on or as of the following Business Day.

ARTICLE 2
REVOLVING CREDIT FACILITY

Section 2.1 Availability.

OEFC agrees, on the terms and conditions of this Agreement, to make Advances to IESO up to the amount of the Commitment. OEFC shall make each Advance in Canadian Dollars.

Section 2.2 Commitment and Facility Limits.

The Advances Outstanding to IESO under the Credit Facility shall not at any time exceed the Commitment. The Credit Facility shall revolve and no payment under the Credit Facility shall reduce the Commitment.

Section 2.3 Use of Proceeds.

IESO shall use the proceeds of Advances for the following purposes for which it is authorized to borrow funds:

(a) to repay the revolving line of credit with the Toronto Dominion Bank;

(b) for liquidity purposes; and

(c) to fund corporate requirements.

Section 2.4 Mandatory Repayment.

Subject to Sections 3.5 and 5.2, IESO, shall repay all Advances Outstanding, together with all accrued interest and all other amounts owing hereunder in full on or before April 30, 2013.

Section 2.5 Advances and Payments under this Agreement.

(1) OEFC shall make Advances to IESO under this Agreement to the order of IESO by wire transfer of immediately available funds in accordance with wire transfer instructions given by IESO to OEFC from time to time, or in such other manner as IESO may specify to OEFC from time to time.

(2) IESO shall make any payment required hereunder to be made by it to OEFC, to or to the order of OEFC, by wire transfer of immediately available funds in accordance with wire transfer instruction given by OEFC to IESO from time to time, or in such other manner as OEFC may specify to IESO from time to time. IESO shall make each such payment in Canadian Dollars

Section 2.6 Evidence of Indebtedness.

IESO authorizes OEFC to open and maintain records evidencing IESO's obligations under this Agreement and to record therein all advances, interest rates, accrued interest, payments of principal and interest and the aggregate principal and accrued interest outstanding from time to time under this Agreement. IESO agrees that the records kept by the OEFC in the absence of manifest error, shall be prima facie evidence of the indebtedness of IESO and the matters recorded provided that the failure of the OEFC to record or correctly record any amount or date shall not affect the obligation of IESO to repay the aggregate principal amounts and accrued interest thereon owing under this Agreement.

ARTICLE 3
ADVANCES AND INTEREST

Section 3.1 Advances.

OEFC agrees, on the terms and conditions of this Agreement, to make Advances to IESO under the Credit Facility on the first Business Day of each month from and including May 3, 2010 to and including April 1, 2013.

Section 3.2 Procedure for Advances.

(1) Each Advance shall be made subject to four Business Day's prior notice given not later than 10:00 a.m. (Toronto time) by IESO to OEFC. Each notice of an Advance (a **"Borrowing Notice"**) shall be substantially in the form of Schedule 1, shall be irrevocable and binding on IESO and shall specify (a) the requested date of the Advance (the **"Advance Date"**), and (b) the principal amount of the Advance which shall be in a minimum amount of $1,000,000.00 (unless otherwise agreed to by OEFC), and in increments of $1,000,000.00 (or such other increments as may be agreed to by OEFC). OEFC will make the principal amount of each Advance available to IESO in accordance with Article 2.

(2) On or before the date of the first Advance hereunder, IESO shall execute and deliver to OEFC a grid promissory note (the "Note") in respect of Advances substantially in the form of Schedule 2. IESO authorizes OEFC to record on the grid promissory note (a) the date and amount of each Advance; (b) the applicable rate of interest for each Advance; (c) the date and amount of each payment of interest and each payment of principal in respect of each Advance; and (d) the outstanding principal amount of the grid promissory note. Such notations, in the absence of manifest error, shall be prima facie evidence of the such advances and repayments; provided that the failure of OEFC to record any amount, rate or date shall not affect the obligation of IESO to pay the Advances Outstanding and all interest accrued thereon and any other amounts due under this Agreement.

(3) In the event that funds are not received by IESO on the Advance Date, IESO and OEFC agree to take all steps necessary to amend the date of the Advance, without amending the Interest Rate that was agreed to with respect to such Advance.

(4) The Note shall at all times rank *pari passu* with all other unsubordinated Indebtedness of IESO, subject to the existence of any Permitted Liens of IESO.

(5) All amounts owing in respect of the Advances shall be paid without exercising any right or set off or counterclaim by IESO.

Section 3.3 Interest on Advances.

(1) IESO shall pay interest on the principal amount of each Advance then outstanding in accordance with this Section 3.3 from and including the date of such Advance until the principal amount of such Advance is repaid in full.

(2) Interest shall accrue on the principal amount of each Advance from and including the date of the Advance to but excluding the first Interest Payment Date following the date of the Advance, at the rate equal to the Interest Rate, and shall be payable on the Interest Payment Date for such Advance. The amount of interest payable on an Advance will be calculated by OEFC by dividing the Interest Rate applicable to the Advance by 365 or 366, as the case may be, and multiplying the result by the principal amount of the Advance then outstanding and further multiplying the result by the number of days in the period from the date of the Advance to the Interest Payment Date.

(i) If an Advance is outstanding on an Interest Payment Date, the interest rate applicable to such Advance shall be reset automatically by OEFC on that date (the "Interest Reset Date"), at the Interest Rate determined as of the Interest Reset Date.

(ii) For each Advance, OEFC shall notify IESO via email of the Interest Rate on the Advance Date and on each Interest Reset Date.

(3) Upon four Business Days prior notice by IESO, OEFC may at its discretion agree to capitalize the interest on any Advance on an Interest Payment Date, which shall be determined in the following manner: each such interest payment due on the Interest Payment Date shall be deemed to form part of the principal amount of the outstanding Advance and interest shall accrue and be payable thereon in accordance with Section 3.3(2). OEFC shall record on the grid forming part of the note: (a) the date and amount of the new Advance; (b) the applicable rate of interest for the Advance; and (c) the outstanding principal amount of the grid promissory note.

(4) Interest shall accrue on the principal amount of each Advance at the Interest Rate as determined from time to time, before as well as after the date such principal amount or interest thereon becomes due hereunder and both before and after default.

Section 3.4 Computations of Interest.

(1) All computations of interest shall be made by OEFC taking into account the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest is payable on the basis of a year of 365 days or 366 days, as the case may be.

(2) For the purposes of disclosure pursuant to the *Interest Act* (Canada), the yearly rate of interest which is equivalent to a rate of interest payable under this Agreement for any

period of less than a year may be determined by multiplying the rate of interest for such period by a fraction, the numerator of which is the actual number of days in a year commencing on and including the first day in such period and ending on but excluding the corresponding day in the next calendar year and the denominator of which is the actual number of days in such period.

Section 3.5 Limit on Rate of Interest.

(1) Notwithstanding any provision contained in this Agreement, IESO shall not be obliged to make any payments of interest or other amounts payable to OEFC hereunder in excess of the amount or rate which would be prohibited by applicable law or would result in the receipt by OEFC of interest at a criminal rate (as such terms are construed under the *Criminal Code* (Canada), as amended from time to time).

(2) In the event that any such payments are limited or prohibited as provided in Section 3.5(1), OEFC shall have no further obligation to make any Advances available hereunder and the Advances Outstanding, together with all accrued interest and all other amounts owing hereunder, shall become immediately due and payable.

Section 3.6 Conditions Precedent

The obligation of OEFC to make the Advances pursuant to Section 2.1 is subject to the following conditions being met to OEFC's satisfaction at the time of making each Advance:

(a) that the representations and warranties of IESO contained in this Agreement are true and correct as at the date of making the Advance;

(b) that no Event of Default has occurred and is continuing and no event or condition has occurred, which, with the lapse of time or the giving of notice or both would constitute an Event of Default;

(c) that there shall, in the reasonable opinion of OEFC, have been no material adverse change in the financial condition of IESO; and

(d) that OEFC has received such other documentation which it has reasonably requested to ensure that IESO is in compliance with the terms and conditions of this Agreement, including certified true copies of any necessary resolutions including resolutions authorizing the borrowing and authorized signatories.

ARTICLE 4

COVENANTS OF IESO

Section 4.1 Payment of Advances.

IESO will duly and punctually pay or cause to be paid all amounts owing under this Agreement in accordance with the terms and subject to the conditions of this Agreement.

Section 4.2 Use of Proceeds

The monies advanced under this Agreement shall be used only by IESO for the purposes set out in Section 2.3.

Section 4.3 IESO will Maintain its Corporate Existence.

Subject to Section 6.1, IESO will at all times maintain its corporate existence.

Section 4.4 Maintenance of Properties.

IESO will cause all property owned by IESO or any Material Subsidiary to be maintained and kept in good condition, repair and working order, all as in the judgment of IESO or any Material Subsidiary may be necessary for the proper operation of such property, except as and to the extent that IESO or any Material Subsidiary may be prevented from doing so by fire, strikes, lockouts, walkouts, labour unrest, acts of God, inability to obtain labour or materials, enemy action, governmental restrictions, civil commotion, or unavoidable casualty or similar causes; provided, however, that nothing in this Section 4.4 shall prevent IESO or any Material Subsidiary from discontinuing the maintenance of any such property or decommissioning any such property if such discontinuance or decommissioning is, in the judgment of IESO or any Material Subsidiary, desirable in the conduct of its business or the business of any such Material Subsidiary, or has been directly or indirectly requested or required by the Province of Ontario.

Section 4.5 Insurance.

IESO will cause all property owned by IESO or any Material Subsidiary which is of a character usually insured by companies operating similar businesses to be insured and kept insured with reputable insurers (which may include associations or other organizations for mutual or reciprocal insurance) against loss or damage by fire or other hazards or risks of the nature and to the extent that such property is usually insured by companies operating similar businesses.

Section 4.6 Conduct of Business.

Subject to Section 4.3, IESO will, and will cause the Subsidiaries to, carry on and conduct their respective businesses in a proper, efficient and business-like manner and in accordance with good business practice.

Section 4.7 Negative Pledge.

IESO will not, and will not permit any Material Subsidiary to, create, incur or assume any Lien, charging the interest of IESO or any Material Subsidiary in any property, to secure any obligations (including any Indebtedness) unless, at or prior to the time such Lien is created, incurred or assumed, all amounts owing under this Agreement are secured equally and rateably with any and all such obligations secured or to be secured by such Lien, for so long as such obligations shall be secured, provided, however, that the foregoing covenant shall not prevent, restrict or apply to any of the following:

(a) the creation, incurrence or assumption of any Purchase Money Mortgage;

(b) the grant of any Lien in the normal course of business to any banks or financial institutions for present or future indebtedness of IESO or any Material Subsidiary to such banks or financial institutions payable on demand or having an original term to maturity less than 18 months;

(c) Permitted Liens;

(d) any extension, renewal or replacement of any of the Liens referred to in Sections 4.7(a), (b) or (c), provided that the principal amount secured by any such Lien outstanding immediately before such extension, renewal or replacement or refunding is not thereby increased; and

(e) any Lien charging the interest of IESO or any Material Subsidiary in any property to secure any Indebtedness, other than any Lien referred to in Sections 4.7(a), (b) or (c), provided that, at the time such Lien is created, incurred or assumed, the principal amount of such Indebtedness, together with the aggregate principal amount of all other Indebtedness secured by Liens permitted pursuant to this Section 4.6(e) which is outstanding at such time does not exceed 10% of Consolidated Assets at such time.

Section 4.8 Payment of OEFC Expenses.

IESO will, on demand, reimburse and indemnify OEFC for all reasonable costs, charges and expenses, including reasonable fees and disbursements of its agents and counsel, incurred by OEFC in connection with the preservation of rights under or enforcement of this Agreement at

any time during the continuance of a Default or Event of Default. All such costs, charges and expenses shall bear interest at the Province's cost of funds plus 0.25 percent per annum (as determined by OEFC) calculated and payable monthly not in advance from in each case from the date on which OEFC incurs the cost, charge or expense until the date on which IESO reimbursement OEFC therefor. OEFC agrees, acting reasonably, to invoice IESO for any such costs, charges and expense as they are incurred, together with interest at the aforesaid rate (with interest on overdue interest).

Section 4.9 Reporting Requirements.

IESO covenants to provide to OEFC, or at its direction, to the Province of Ontario and the Ontario Financing Authority,

(a) any available information respecting its financial position which may be reasonably requested by OEFC, the Province of Ontario or the Ontario Financing Authority from time to time; and

(b) any additional reports or supporting documentation which may be reasonably requested by the OEFC, the Province of Ontario or the Ontario Financing Authority from time to time.

ARTICLE 5
EVENTS OF DEFAULT AND REMEDIES

Section 5.1 Event of Default.

Wherever used in this Agreement, the term **"Event of Default"** means any of the following:

(a) failure to pay any interest upon any Advance when it becomes due and payable, if such failure continues for a period of 3 Business Days;

(b) failure to pay the principal amount of the Advances Outstanding, all interest accrued thereon and all other amounts owing under this Agreement on April 30, 2013;

(c) failure on the part of IESO to observe or perform its obligations set forth in Section 6.1;

(d) failure on the part of IESO to observe or perform any of the other covenants or agreements on its part contained in this Agreement for a period of 30 days after

the date on which written notice of such failure shall have been given to IESO by OEFC;

(e) any representation or warranty made by IESO in this Agreement or in any certificate or other document at any time delivered hereunder to OEFC was incorrect or misleading in any material respect;

(f) one or more breaches by IESO of its covenants under one or more evidences of indebtedness or instruments governing or securing the same with a principal amount then outstanding, individually or in the aggregate, of at least $25 million, which breaches:

(i) constitute a failure to pay such Indebtedness when due and payable at its final Stated Maturity, continue after any applicable grace period and have not been cured or waived or ceased to exist; or

(ii) have resulted in such Indebtedness becoming or being declared due and payable prior to its final Stated Maturity (and which acceleration or declaration has not been waived or rescinded);

(g) IESO, or any Material Subsidiary:

(i) becomes generally not able to pay its debts as they become due;

(ii) admits in writing its inability to pay its debts generally or makes a general assignment for the benefit of its creditors or files a proposal or other scheme of arrangement involving the rescheduling or composition of its Indebtedness;

(iii) institutes or has instituted against it any proceeding seeking:

(A) to adjudicate it a bankrupt or insolvent;

(B) liquidation, winding-up or reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy / insolvency / reorganization or relief of debtors including any plan of compromise or arrangement or other corporate proceeding involving or affecting its creditors; or

(C) the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its assets;

and in the case of any such proceeding instituted against it (but not instituted by it), either the proceeding remains undismisssed or unstayed for a period of 30 days, or any remedy sought in any such proceeding (including the entry of order for relief against it or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its properties and assets) occurs; or

(iv) takes any corporate action to authorize any of the actions in Sections 5.1(g)(i) to (iii); or

(h) if there shall be rendered against IESO or any Material Subsidiary a final judgment or judgments for the payment of money in an aggregate amount in excess of $5 million by a court or courts of competent jurisdiction, and IESO or any Material Subsidiary shall have failed to satisfy such judgments or to appeal therefrom (or from the order, decree or process pursuant to which such judgments were granted, passed, entered or affirmed) and to obtain a stay of execution thereof within the period prescribed by law for appeals, and to have such judgments discharged within 30 days after the expiration of such period or the period of any such stay, whichever shall later expire.

Section 5.2 Acceleration of Maturity; Rescission and Annulment.

If an Event of Default occurs and is continuing, then and in every such case OEFC may declare all amounts owing hereunder to be due and payable immediately, by a notice in writing to IESO, and upon any such declaration all such amounts shall become immediately due and payable.

Section 5.3 Suits for Enforcement by OEFC.

If an Event of Default occurs and is continuing, OEFC may proceed to protect and enforce the rights vested in it by this Agreement either by suit in equity or by action at law or by proceedings in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in this Agreement or in aid of the exercise of any power granted in this Agreement, or to enforce any other legal or equitable right vested in OEFC by this Agreement or by law.

Section 5.4 OEFC May File Proof of Claim.

If proceedings for the receivership, insolvency, liquidation, bankruptcy, winding-up, reorganization, arrangement or composition of IESO under any applicable law are pending, or if a receiver, trustee, custodian or other similar official shall have been appointed for the property

of IESO, or if any other judicial proceedings relative to IESO, its creditors or its property are pending, OEFC shall be entitled and empowered, by intention in such proceeding or otherwise:

(a) to file and prove a claim for all amounts owing under this Agreement and to file such other papers or documents as may be necessary or advisable in order to have the claims of OEFC (including any claim for fees and disbursements of OEFC, its agents and counsel as contemplated under Section 4.7) allowed in such judicial proceeding; and

(b) to collect and receive any moneys or other property payable or deliverable on any such claim.

Section 5.5 Rights and Remedies Cumulative.

No right or remedy herein conferred upon or reserved to OEFC is intended to be exclusive of any other such right or remedy, and every such right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 5.6 Delay or Omission not Waiver.

No delay or omission of OEFC to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right or remedy given by this Article 5 or by law to OEFC may be exercised from time to time, and as often as may be deemed expedient, by OEFC.

ARTICLE 6

CONSOLIDATION, AMALGAMATION, MERGER OF IESO

Section 6.1 Certain Requirements in Respect of Merger, etc.

IESO may not and may not cause any Material Subsidiary, in a single transaction or a series of related transactions, amalgamate or consolidate with or merge into any other Person, or permit any other Person to amalgamate or consolidate with or merge into IESO or the Material Subsidiary, or directly or indirectly transfer, sell, lease or otherwise dispose of all or substantially all of its property or assets (a "Disposition") to any Person without the written consent of OEFC.

Section 6.2 Successor Substituted.

Upon any consolidation, amalgamation, merger or Disposition described in, and complying with the provisions of, Section 6.1 in which IESO is not the continuing corporation, the successor Person shall succeed to all of the rights and obligations of IESO under this Agreement, and from time to time may exercise every right and power of IESO under this Agreement.

ARTICLE 7
REPRESENTATIONS AND WARRANTIES OF IESO

Section 7.1 Representations and Warranties of IESO.

IESO represents and warrants to OEFC that:

(a) the borrowing of money (including principal and accrued interest) by IESO and the execution, delivery and performance of this Agreement are within the powers and capacities of IESO and have been duly authorized by all necessary legal action and proper proceedings;

(b) the execution and delivery of this Agreement, the consummation of the transactions contemplated by this Agreement and the compliance with the terms and conditions of this Agreement will not conflict with or result in a breach of any of the terms or provisions of the constituting documents or by-laws of IESO, laws of Ontario, including laws of Canada applicable therein, applicable to IESO or any contractual or other obligation binding on IESO; and

(c) this Agreement will, when executed and delivered, constitute the legal, valid and binding obligation of IESO enforceable against it in accordance with its terms.

Section 7.2 Continuation of Representation and Warranties.

The representations and warranties set out in Section 7.1 herein shall survive the execution and delivery of this Agreement, the making of each advance by OEFC, notwithstanding any investigations or examinations which may be made by counsel for OEFC.

ARTICLE 8

GENERAL

Section 8.1 Notices.

Any notice, direction or other communication to be given under this Agreement shall be in writing and given by personally delivering it or sending it by telecopy or other means of electronic communication addressed:

If to IESO, to it at:
Independent Electricity System Operator
655 Bay Street, Suite 410
Toronto, ON M5G 2K4
Attention: Chief Financial Officer
Telephone:
Telecopier:

If to OEFC, to it at:

Ontario Electricity Financial Corporation
c/o Ontario Financing Authority
1 Dundas Street West
Suite 1400
Toronto, ON M7A IY7

Attention: Executive Director - Capital Markets Division
Telephone: (416) 325-8930
Telecopier: (416) 325-8111

provided that any Borrowing Notice shall be addressed as indicated on Schedule 1.

Any communication hereunder shall be deemed to have been validly and effectively given if (a) personally delivered, on the date of such delivery if such date is a Business Day and such delivery was made prior to 4:00 p. m (Toronto time), otherwise on the next Business Day, (b) transmitted by telecopier other means of electronic communication, on the Business Day following the date of transmission provided that, on the date of transmission, the addressee of such communication was notified by telephone of such transmission. Any party may from time to time change its address for communications hereunder by notice given in accordance with this Section 8.1 and until changed by like notice, such changed address shall be such party's address for purposes of this Section 8.1.

Section 8.2 Successors and Assigns.

This Agreement shall be binding on and enure to the benefit of OEFC and IESO and their respective successors and permitted assigns, except that IESO shall not, without the prior written consent of OEFC assign, pledge or hypothecate any rights or obligations with respect to this Agreement.

Section 8.3 Amendments.

This Agreement may only be amended or otherwise modified by written agreement executed by each of OEFC and IESO.

Section 8.4 Waiver.

(1) No waiver of any provisions of this Agreement shall be deemed to constitute a waiver of any other provision (whether or not similar) or this Agreement nor shall such waiver be binding unless executed in writing by the party to be bound by the waiver.

(2) No failure on the part of a party to exercise, and no delay in exercising, any right under this Agreement shall operate as a waiver of such right and any single or partial exercise of such right shall not preclude another or further exercise of such right or the exercise of any other right.

Section 8.5 Further Assurances.

Each of IESO and OEFC shall, from time to time, do all such acts and things and execute and deliver all such instruments as may be reasonably required to give effect to, and carry out the terms of, this Agreement.

Section 8.6 Severability.

In case any provision in this Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions in this Agreement shall not in any way be affected or impaired thereby.

Section 8.7 Governing Law.

This Agreement shall be construed in accordance with and governed by the laws of the Province of Ontario and the laws of Canada applicable therein.

Section 8.8 Counterparts.

This Agreement may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF the parties have executed this Agreement as of the 23rd day of April, 2010.

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

by: _____
Name: Ted Leonard
Vice President, Finance and Chief Financial Officer

ONTARIO ELECTRICITY FINANCIAL CORPORATION

by: _____
Name: ~~Michael D. Manning~~ DAVID PETERS
Title: ~~Chief Operating Officer~~ DIRECTOR, DEBT MANAGEMENT
CAPITAL MARKETS DIVISION
ONTARIO FINANCING AUTHORITY

SCHEDULE 1

FORM OF BORROWING NOTICE

Date:

Ontario Electricity Financial Corporation **("OEFC")**
c/o Ontario Financing Authority
1 Dundas Street West, Suite 1400
Toronto, Ontario
M7A1Y7

Attention: Cash Management
(Fax No. (416-204-7920)

Dear Sirs:

The undersigned, Independent Electricity System Operator ("IESO"), refer to the Revolving Credit Facility Agreement dated •, 2010 (as amended, supplemented or restated from time to time, the **"Agreement"**, the terms defined therein being used herein as therein defined) between IESO and OEFC, and gives you notice pursuant to Section 3.2 of the Agreement that IESO requests an Advance under the Agreement, and, in that connection, sets forth below the information relating to such Advance (the **"Proposed Advance"**) as required by Section 3.2 of the Agreement:

(a) The date of the Proposed Advance, being a Business Day is •;
(b) The aggregate amount of the Proposed Advance is •;

IESO hereby certifies that:

The representations and warranties of IESO contained in the Agreement are true and correct as at the date hereof.

No Event of Default has occurred or is continuing and no event or condition has occurred, which, with the lapse of time or the giving of notice or both would constitute an Event of Default.

IESO has complied or is complying with all terms, covenants and conditions contained in the Agreement.

Any and all funds received previously as Advances under the Agreement have been expended or are being held solely for the purpose for which they were advanced; no part of said funds has been nor any part of the funds to be received pursuant to this Notice shall be used for any other purpose.

Yours truly,

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

Per: _____
Authorized Signature

Per: _____
Authorized Signature

*To be confirmed by telephone call to OEFC Cash Management (416) 325-8108

SCHEDULE 2

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

GRID PROMISSORY NOTE

Principal Amount: Up to $60,000,000 Date: •

FOR VALUE RECEIVED, INDEPENDENT ELECTRICITY SYSTEM OPERATOR ("**IESO**"), existing under the laws of the Province of Ontario and having its principal office and place of business at Toronto, Ontario, **PROMISES TO PAY** to or to the order of **ONTARIO ELECTRICITY FINANCIAL CORPORATION ("OEFC")** at its offices at Toronto, Ontario or at such other place as OEFC may designate, the principal amount of each and all Advances made by OEFC to IESO, all as recorded by OEFC on the grid (**"Grid"**) attached to and forming part of this Note, in lawful money of Canada, with interest on each Advance at the rate, calculated in the manner and payable at the times specified in the Revolving Credit Facility Agreement (as defined below).

All outstanding principal amounts under this Note together with all interest accrued thereon shall become due and payable and must be paid on or before April 30, 2013.

OEFC shall and is unconditionally and absolutely authorized and directed by IESO to record on the Grid (a) the date and amount of each Advance; (b) the applicable rate of interest for each Advance; (c) the date and amount of each payment of interest and each payment of principal in respect of each Advance; and (d) the outstanding principal balance. Such notations, in the absence of manifest mathematical error, shall be *prima facie* evidence of such advances and repayments; provided that the failure of OEFC to record the same shall not affect the obligations of IESO to pay such amounts to OEFC.

The outstanding principal amount of each Advance under this Note together with all interest accrued thereon shall become due and payable as specified in the Revolving Credit Facility Agreement dated as of April 30, 2010 between IESO and OEFC (the "**Agreement**"). All capitalized terms used herein and not otherwise defined herein shall have the meanings given to such terms in the Agreement.

This Note is issued pursuant to, and is subject to and payable in accordance with the provisions of the Credit Agreement, which provides for, among other things, the acceleration of the principal amount upon the occurrence of certain events.

This Note is not transferable or negotiable without the prior written consent of IESO.

IESO waives presentment for payment, demand, protest, notice of dishonest and notice of

non-payment.

This Note shall be construed in accordance with and governed by the laws of the Province of Ontario and the laws of Canada applicable therein.

IN WITNESS WHEREOF IESO has executed this Note.

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

Per: _____
Authorized Signature

Per: _____
Authorized Signature

INDEPENDENT ELECTRICITY SYSTEM OPERATOR GRID
(Revolving Credit Facility April 30, 2010)

DATE	PRINCIPAL ADVANCED	INTEREST RATE	INTEREST RESET DATE	INTEREST RESET RATE	PRINCIPAL PAYMENT DATE AND AMOUNT	INTEREST PAYMENT DATE AND AMOUNT	UNPAID PRINCIPAL BALANCE	NOTATION MADE BY

AMENDING AGREEMENT NO.1

This Amending Agreement made as of the 21st day of July, 2010.

BETWEEN: **INDEPENDENT ELECTRICITY SYSTEM OPERATOR ("IESO")**

as Borrower

AND: **ONTARIO ELECTRICITY FINANCIAL CORPORATION ("OEFC")**

as Lender

WHEREAS IESO and OEFC entered into a Revolving Credit Facility Agreement dated April 23, 2010 (the "Agreement") pursuant to which OEFC agreed to provide a revolving credit facility to IESO in the principal amount of up to CDN $60 million.

AND WHEREAS IESO and OEFC now agree to amend the Agreement to allow IESO to repay all or a portion of Advances Outstanding prior to the Mandatory Repayment Date of April 30, 2013.

THEREFORE, in consideration of the mutual covenants and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and subject to the terms and conditions hereinafter set out, the parties agree that the Agreement is amended as follows:

1. The Capitalised Terms used in this Amending Agreement which are not otherwise defined shall have the same meaning as established under Section 1.1 of the Agreement.

2. Section 2.2 of the Agreement is deleted and replaced by the following:

   "Section 2.2 Commitment and Facility Limits

   The Advances to IESO under the Credit Facility shall not at any time exceed the Commitment. The Credit Facility shall revolve and no payment under the Credit Facility shall reduce the Commitment. Subject to Section 2.7, on any stated Interest Payment Date, IESO shall have the right to repay in whole or in part the total amount outstanding to OEFC;"

3. The Agreement is amended by inserting after Section 2.6

   "Section 2.7 Repayments.

   (1) Upon four Business Days prior notice by IESO to OEFC (the "Repayment Notice"), IESO may repay all or a portion of the Advances Outstanding (the "Repayment Amount") on an Interest Payment Date; provided that the minimum Repayment Amount shall be $1,000,000.00;

   (2) Notwithstanding the provisions of Section 8.1 of this Agreement the Repayment Notice shall be deemed to have been validly and effectively given if (a) personally delivered, on the date of such delivery, if such date is a Business Day and such delivery was made prior to 10.00 a.m. (Toronto time), otherwise on the next Business Day, or if (b) transmitted by telecopier or other means of electronic communication, on the Business Day following the date of transmission provided that on the date of transmission, the addressee of such notice was notified by telephone of such transmission;

   (3) The Repayment Notice shall set out the Repayment Amount

(4) A Repayment Notice shall be irrevocable and binding on IESO and OEFC."

IN ALL OTHER RESPECTS, the Agreement is confirmed by IESO and OEFC.

IN WITNESS WHEREOF the parties hereto have executed this Amending Agreement as of the date first written above.

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

by: _____
Name: Ted Leonard
Title: Vice President, Finance and Chief Financial Officer

ONTARIO ELECTRICITY FINANCIAL CORPORATION

by: _____
Name: Michael D. Manning
Title: Chief Operating Officer

AMENDING AGREEMENT NO. 2

This Amending Agreement made as of the 14th day of October, 2011.

BETWEEN: **INDEPENDENT ELECTRICITY SYSTEM OPERATOR ("IESO")**

as Borrower

AND: **ONTARIO ELECTRICITY FINANCIAL CORPORATION ("OEFC")**

as Lender

WHEREAS IESO and OEFC entered into a Revolving Credit Facility Agreement dated April 23, 2010, as amended by Amending Agreement No.1 dated July 21, 2010 (collectively the "Agreement") pursuant to which OEFC agreed to provide a revolving credit facility to IESO in the principal amount of up to CDN $60 million.

AND WHEREAS IESO and OEFC wish to amend the Agreement to increase the revolving line of credit from $60 million to $110 million;

AND WHEREAS IESO and OEFC wish to provide that the interest rate applicable to advances under the Agreement up to $60 million shall bear interest at a rate equal to the Province of Ontario's cost of funds plus 25 basis points and that the interest rate applicable to advances under the Agreement in excess of $60 million shall bear interest at a rate equal to the Province of Ontario's cost of funds plus 50 basis points;

THEREFORE, in consideration of the mutual covenants and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and subject to the terms and conditions hereinafter set out, the parties agree that the Agreement is amended as follows:

1. Section 1.1 Definitions of the Agreement is amended as follows:

   The definition of Commitment is deleted and replaced with:

   "Commitment" means, at any time, an amount equal to the principal amount of One Hundred and Ten Million Dollars.

   The definition of Interest Rate is deleted and replaced with:

   "Interest Rate" means for any Advance or portion of an Advance which forms part of an amount of up to $60 million of Advances Outstanding the Province of Ontario's cost of borrowing for a 30 day term, as determined as of the first Business Day of each month by OEFC, plus 0.25 percent per annum, and means for any Advance or portion of an Advance which forms part of an amount of Advances Outstanding in excess of $60 million the Province of Ontario's cost of borrowing for a 30 day term, as determined as of the first Business Day of each month by OEFC, plus 0.50 percent per annum.

The definition of Note is deleted and replaced with:

"Note" means the $110 Million Note issued pursuant to Section 2 of the Amending Agreement dated as of the 14th day of October, 2011.

2. IESO shall execute and deliver to OEFC a grid promissory note in the form attached as Schedule I hereto which shall be in an aggregate principal amount of up to One Hundred and Ten Million Dollars (the "$110 Million Note") and on which shall be recorded the Advances Outstanding under the grid promissory note in the principal amount of up to $60 million dated April 23, 2010 delivered pursuant to the Agreement (the "$60 Million Note"). Upon receipt of the $110 Million Note by OEFC, the $60 Million Note shall be of no further force and effect and shall be returned to the IESO marked "cancelled".

IN ALL OTHER RESPECTS, the Agreement is confirmed by IESO and OEFC.

IN WITNESS WHEREOF the parties hereto have executed this Amending Agreement as of the date first written above.

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

by: _____
Name: Ted Leonard
Title: Vice President, Finance and Chief Financial Officer

ONTARIO ELECTRICITY FINANCIAL CORPORATION

by: _____
Name: Michael D. Manning
Title: Chief Operating Officer

AMENDING AGREEMENT NO. 3

This Amending Agreement made as of the 30 day of April, 2013.

BETWEEN: **INDEPENDENT ELECTRICITY SYSTEM OPERATOR ("IESO")**

as Borrower

AND: **ONTARIO ELECTRICITY FINANCIAL CORPORATION ("OEFC")**

as Lender

WHEREAS IESO and OEFC entered into a Revolving Credit Facility Agreement dated April 23, 2010, as amended by Amending Agreement No.1 dated July 21, 2010 and Amending Agreement No. 2 dated October 14, 2011 (collectively the "Agreement") pursuant to which OEFC agreed to provide a revolving credit facility to IESO in the principal amount of up to CDN $110 million.

AND WHEREAS IESO and OEFC wish to amend the Agreement to provide for a one year extension of the mandatory repayment date of the revolving line of credit ;

AND WHEREAS IESO and OEFC wish to provide that during the extension advances under the Agreement shall bear interest at a rate equal to the Province of Ontario's cost of funds plus 50 basis points;

THEREFORE, in consideration of the mutual covenants and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and subject to the terms and conditions hereinafter set out, the parties agree that the Agreement is amended as follows:

1. Section 1.1 Definitions of the Agreement is amended as follows:

   The definition of Interest Rate is deleted and replaced with:

   "Interest Rate" means the Province of Ontario's cost of borrowing for a 30 day term, as determined as of the first Business Day of each month by OEFC, plus 0.50 percent per annum.

   The definition of Note is deleted and replaced with:

   "Note" means the $110 Million Note issued pursuant to Section 2 of Amending Agreement No. 3 dated as of the 30 day of April, 2013.

2. IESO shall execute and deliver to OEFC a grid promissory note in the form attached as Schedule I hereto which shall be in an aggregate principal amount of up to One Hundred and Ten Million Dollars (the "$110 Million Note") dated April 30, 2013 and on which shall be recorded the Advances Outstanding under the grid promissory note in the principal amount of up to $110 million dated October 14, 2011 delivered pursuant to the Agreement .Upon receipt by OEFC of the $110 Million Note dated April 30, 2013, the $110 Million Note dated October 14, 2011 shall be of no further force and effect and shall be returned to the IESO marked "cancelled".

3. Section 2.4 of the Agreement is deleted and replaced by the following:

   "Section 2.4 Mandatory Repayment.

   Subject to Sections 3.5 and 5.2, IESO shall repay all Advances Outstanding, together with all accrued interest and all other amounts owing hereunder, in full on or before April 30, 2014."

4. This Amending Agreement shall be effective as of April 30, 2013.

IN ALL OTHER RESPECTS, the Agreement is confirmed by IESO and OEFC.

IN WITNESS WHEREOF the parties hereto have executed this Amending Agreement as of the date first written above.

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

by: _____
Name: Ted Leonard
Title: Vice President Finance, Chief Financial Officer and Treasurer

ONTARIO ELECTRICITY FINANCIAL CORPORATION

by: _____
Name: Michael D. Manning
Title: Chief Operating Officer

SCHEDULE 1

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

GRID PROMISSORY NOTE

Principal Amount: Up to $110,000,000 Date: 30 April, 2013

FOR VALUE RECEIVED, INDEPENDENT ELECTRICITY SYSTEM OPERATOR ("**IESO**"), existing under the laws of the Province of Ontario and having its principal office and place of business at Toronto, Ontario, **PROMISES TO PAY** to or to the order of **ONTARIO ELECTRICITY FINANCIAL CORPORATION ("OEFC")** at its offices at Toronto, Ontario or at such other place as OEFC may designate, the principal amount of each and all Advances made by OEFC to IESO, all as recorded by OEFC on the grid **("Grid")** attached to and forming part of this Note, in lawful money of Canada, with interest on each Advance at the rate, calculated in the manner and payable at the times specified in the Revolving Credit Facility Agreement dated April 23, 2010, as amended by Amending Agreement No. 1 dated July 21, 2010, by Amending Agreement No. 2 dated October 14, 2011 and Amending Agreement No. 3 dated April 30, 2013 (collectively the "Agreement").

All outstanding principal amounts under this Note together with all interest accrued thereon shall become due and payable and must be paid on or before April 30, 2014.

OEFC shall and is unconditionally and absolutely authorized and directed by IESO to record on the Grid (a) the date and amount of each Advance; (b) the applicable rate of interest for each Advance or part of an Advance; (c) the date and amount of each payment of interest and each payment of principal in respect of each Advance; and (d) the outstanding principal balance. Such notations, in the absence of manifest mathematical error, shall be p*rima facie* evidence of such advances and repayments; provided that the failure of OEFC to record the same shall not affect the obligations of IESO to pay such amounts to OEFC.

The outstanding principal amount of each Advance under this Note together with all interest accrued thereon shall become due and payable as specified in the Agreement. All capitalized terms used herein and not otherwise defined herein shall have the meanings given to such terms in the Agreement.

This Note is issued pursuant to, and is subject to and payable in accordance with the provisions of the Agreement, which provides for, among other things, the acceleration of the principal amount upon the occurrence of certain events.

This Note is not transferable or negotiable without the prior written consent of IESO.

IESO waives presentment for payment, demand, protest, notice of dishonour and notice

of non-payment.

This Note shall be construed in accordance with and governed by the laws of the Province of Ontario and the laws of Canada applicable therein.

IN WITNESS WHEREOF IESO has executed this Note.

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

Per: _____

Ted Leonard
Vice President Finance, Chief Financial Officer, and Treasurer

AMENDING AGREEMENT NO. 4

This Amending Agreement made as of the 30 day of April, 2014.

BETWEEN: **INDEPENDENT ELECTRICITY SYSTEM OPERATOR ("IESO")**

as Borrower

AND: **ONTARIO ELECTRICITY FINANCIAL CORPORATION ("OEFC")**

as Lender

WHEREAS IESO and OEFC entered into a Revolving Credit Facility Agreement dated April 23, 2010, as amended by Amending Agreement No.1 dated July 21, 2010, Amending Agreement No. 2 dated October 14, 2011 and Amending Agreement No. 3 dated April 30, 2013 (collectively the "Agreement") pursuant to which OEFC agreed to provide a revolving credit facility to IESO in the principal amount of up to CDN $110 million.

AND WHEREAS IESO and OEFC wish to amend the Agreement to decrease the revolving line of credit from $110 million to $95 million;

AND WHEREAS IESO and OEFC wish to amend the Agreement to provide for a three year extension of the mandatory repayment date of the revolving line of credit;

AND WHEREAS IESO and OEFC wish to provide that during the extension advances under the Agreement shall bear interest at a rate equal to the Province of Ontario's cost of funds plus 50 basis points;

THEREFORE, in consideration of the mutual covenants and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and subject to the terms and conditions hereinafter set out, the parties agree that the Agreement is amended as follows:

1. Section 1.1 Definitions of the Agreement is amended as follows:

   The definition of Commitment is deleted and replaced with:

   "Commitment" means, at any time, an amount equal to the principal amount of Ninety-Five Million Dollars.

   The definition of Interest Rate is deleted and replaced with:

   "Interest Rate" means the Province of Ontario's cost of borrowing for a 30 day term, as determined as of the first Business Day of each month by OEFC, plus 0.50 percent per annum.

   The definition of Note is deleted and replaced with:

   "Note" means the $95 Million Note issued pursuant to Section 2 of Amending Agreement No. 4 dated as of the 30 day of April, 2014.

2. IESO shall execute and deliver to OEFC a grid promissory note in the form attached as Schedule I hereto which shall be in an aggregate principal amount of up to Ninety-Five Million Dollars (the "$95 Million Note") dated April 30, 2014 and on which shall be recorded the Advances Outstanding under the grid promissory note in the principal amount of up to $110 million dated April 30, 2013 delivered pursuant to the Agreement .Upon receipt by OEFC of the $95 Million Note dated April 30, 2014, the $110 Million Note dated April 30, 2013 shall be of no further force and effect and shall be returned to the IESO marked "cancelled".

3. Section 2.4 of the Agreement is deleted and replaced by the following:

   "Section 2.4 Mandatory Repayment.

   Subject to Sections 3.5 and 5.2, IESO shall repay all Advances Outstanding, together with all accrued interest and all other amounts owing hereunder, in full on or before April 30, 2017."

4. This Amending Agreement shall be effective as of April 30, 2014.

IN ALL OTHER RESPECTS, the Agreement is confirmed by IESO and OEFC.

IN WITNESS WHEREOF the parties hereto have executed this Amending Agreement as of the date first written above.

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

by: _____
Name: Ted Leonard
Title: Vice President Markets, Chief Financial Officer and Treasurer

ONTARIO ELECTRICITY FINANCIAL CORPORATION

by: _____
Name: Michael D. Manning
Title: Chief Operating Officer

SCHEDULE 1

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

GRID PROMISSORY NOTE

Principal Amount: Up to $95,000,000 Date: 30 April, 2014

FOR VALUE RECEIVED, INDEPENDENT ELECTRICITY SYSTEM OPERATOR (**"IESO"**), existing under the laws of the Province of Ontario and having its principal office and place of business at Toronto, Ontario, **PROMISES TO PAY** to or to the order of **ONTARIO ELECTRICITY FINANCIAL CORPORATION ("OEFC")** at its offices at Toronto, Ontario or at such other place as OEFC may designate, the principal amount of each and all Advances made by OEFC to IESO, all as recorded by OEFC on the grid **("Grid")** attached to and forming part of this Note, in lawful money of Canada, with interest on each Advance at the rate, calculated in the manner and payable at the times specified in the Revolving Credit Facility Agreement dated April 23, 2010, as amended by Amending Agreement No. 1 dated July 21, 2010, by Amending Agreement No. 2 dated October 14, 2011, by Amending Agreement No. 3 dated April 30, 2013 and Amending Agreement No. 4 dated April 30, 2014 (collectively the "Agreement").

All outstanding principal amounts under this Note together with all interest accrued thereon shall become due and payable and must be paid on or before April 30, 2017.

OEFC shall and is unconditionally and absolutely authorized and directed by IESO to record on the Grid (a) the date and amount of each Advance; (b) the applicable rate of interest for each Advance or part of an Advance; (c) the date and amount of each payment of interest and each payment of principal in respect of each Advance; and (d) the outstanding principal balance. Such notations, in the absence of manifest mathematical error, shall be *prima facie* evidence of such advances and repayments; provided that the failure of OEFC to record the same shall not affect the obligations of IESO to pay such amounts to OEFC.

The outstanding principal amount of each Advance under this Note together with all interest accrued thereon shall become due and payable as specified in the Agreement. All capitalized terms used herein and not otherwise defined herein shall have the meanings given to such terms in the Agreement.

This Note is issued pursuant to, and is subject to and payable in accordance with the provisions of the Agreement, which provides for, among other things, the acceleration of the principal amount upon the occurrence of certain events.

This Note is not transferable or negotiable without the prior written consent of IESO.

IESO waives presentment for payment, demand, protest, notice of dishonour and notice of non-payment.

This Note shall be construed in accordance with and governed by the laws of the Province of Ontario and the laws of Canada applicable therein.

IN WITNESS WHEREOF IESO has executed this Note.

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

Per: _____

Ted Leonard
Vice President Markets,
Chief Financial Officer,
and Treasurer

INDEPENDENT ELECTRICITY SYSTEM OPERATOR GRID

(Revolving Credit Facility April 23, 2010)

DATE	PRINCIPAL ADVANCED	RATE	REPAYMENT DATE	INTEREST AMOUNT	AMOUNT OF PAYMENT		UNPAID BALANCE			NOTATION MADE BY
					PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	REFINANCED (AMOUNT & DATE)	

AMENDING AGREEMENT NO. 5

This Amending Agreement made as of the X day of December, 2014.

BETWEEN: **INDEPENDENT ELECTRICITY SYSTEM OPERATOR ("IESO")**

as Borrower

AND: **ONTARIO ELECTRICITY FINANCIAL CORPORATION ("OEFC")**

as Lender

WHEREAS IESO and OEFC entered into a Revolving Credit Facility Agreement dated April 23, 2010.

AND WHEREAS pursuant to Amending Agreement No.1 dated July 21, 2010, Amending Agreement No. 2 dated October 14, 2011, Amending Agreement No. 3 dated April 30, 2013 and Amending Agreement No. 4 dated April 30, 2014 the parties amended the Original Agreement (as so amended, the "Agreement").

AND WHEREAS IESO and OEFC wish to amend the Agreement pursuant to the direction prescribed in Schedule 7 of Bill 14, the Building Opportunity and Securing Our Future Act (the "Act") which received Royal Assent on July 24, 2014 and provides direction for the amalgamation of IESO with the Ontario Power Authority (OPA) to be effective as of January 1, 2015.

Per section 5. (1) of the Act, the predecessor Independent Electricity System Operator and the Ontario Power Authority are amalgamated and shall continue as one corporation.

Per section 5. (2) of the Act, the name of the corporation formed under subsection (1) is the Independent Electricity System Operator.

NOW THEREFORE, in consideration of the mutual covenants and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and subject to the terms and conditions hereinafter set out, the parties agree that the Agreement is amended as follows:

1. Section 2.3 Use of Proceeds – of the Agreement is deleted and replaced by the following:

   IESO or the continuing post amalgamation successor entity the "new" IESO shall use the proceeds of Advances for the same original intended purposes for which the predecessor IESO is authorized to borrow funds:

   (a) To repay the revolving line of credit with the Toronto Dominion Bank;

(b) For liquidity purposes; and
(c) To fund corporate requirements.

2. Schedule 1 of the Agreement, Form of Borrowing Notice, is deleted and replaced by the Form of Borrowing Notice attached hereto as Schedule 1.

3. Upon amalgamation, the borrower agrees to execute and deliver an Amendment and Restatement of the IESO Credit Facility Agreement (the "Amended and Restated IESO Credit Facility Agreement").

4. Upon amalgamation, the borrower agrees to deliver to OEFC a certificate of an officer certifying that on the date of the amalgamation:

(i) all the representations and warranties of the borrower (the new IESO) in the amended and restated IESO Credit Facility Agreement are true and correct;

(ii) no Default or event of default shall have occurred and be continuing;

(iii) a certificate of incumbency of the officers of the new IESO;

(iv) any such other documents as the OEFC may reasonable request.

IN ALL OTHER RESPECTS, the Agreement is confirmed by IESO and OEFC.

IN WITNESS WHEREOF the parties hereto have executed this Amending Agreement as of the date first written above.

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

by:_____
Name:
Title:

ONTARIO ELECTRICITY FINANCIAL CORPORATION

by:_____
Name: Michael D. Manning
Title: Chief Operating Officer

AMENDING AGREEMENT NO. 6

This Amending Agreement is effective as of the 30 day of April, 2017.

BETWEEN: **INDEPENDENT ELECTRICITY SYSTEM OPERATOR ("IESO")**

as Borrower

AND: **ONTARIO ELECTRICITY FINANCIAL CORPORATION ("OEFC")**

as Lender

WHEREAS IESO and OEFC entered into a Revolving Credit Facility Agreement dated April 23, 2010, as amended by Amending Agreement No.1 dated July 21, 2010, Amending Agreement No. 2 dated October 14, 2011, Amending Agreement No. 3 dated April 30, 2013, Amending Agreement No. 4 dated April 30, 2014 and Amending Agreement No. 5 dated December 19, 2014 (collectively the "Agreement") pursuant to which OEFC agreed to provide a revolving credit facility to IESO in the principal amount of up to CDN $95 million.

AND WHEREAS IESO and OEFC wish to amend the Agreement to increase the revolving line of credit from a principal amount of CDN $95 million to a principal amount of up to CDN $160 million to provide funding for IESO Corporate Requirements (as defined herein);

AND WHEREAS IESO and OEFC wish to amend the Agreement to provide for an extension of the mandatory repayment date established in the Agreement to June 30, 2020;

AND WHEREAS IESO and OEFC wish to amend the Agreement to provide for the ability for Advances to be made on any business day up to a maximum of 12 times per year;

THEREFORE, in consideration of the mutual covenants and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and subject to the terms and conditions hereinafter set out, the parties agree that the Agreement is amended as follows:

1. Section 1.1 Definitions of the Agreement is amended as follows:

   i) The definition of "Amalgamation" is deleted.

   ii) The definition of "Commitment" is deleted and replaced with:

   "Commitment" means, at any time, an amount equal to the principal amount of One Hundred and Sixty Million Dollars.

   iii) A definition of "IESO Corporate Requirements" is added as follows:

   "IESO Corporate Requirements" means any borrowing purposes authorized by O. Reg. 280/14 made under the *Electricity Act, 1998* (as such regulation may be amended or

replaced from time to time), other than for funding liquidity requirements relating to the settlement of the Ontario wholesale electricity markets.

iv) A definition of "Ontario's Fair Hydro Plan" is added as follows:

"Ontario's Fair Hydro Plan" means the plan announced March 2, 2017 by the Government of Ontario to affect the Ontario Energy Board's setting of electricity prices for certain Ontario consumers of electricity, which plan is referred to in the Ontario Energy Board's report dated April 20, 2017 and titled "Regulated Price Plan Price Report – May 1, 2017 to April 30, 2018", and including all relevant developments in or changes to such plan from time to time.

v) The definition of "New IESO" is deleted.

vi) The definition of "Note" is deleted and replaced with:

"Note" means the $160 Million Note issued pursuant to Section 2 of Amending Agreement No. 6 dated as of the 30th day of April, 2017.

vii) The definition of "OPA" is deleted.

viii) The definition of "Pre-Amalgamation IESO" is deleted.

2. IESO shall execute and deliver to OEFC a grid promissory note in the form attached as Schedule I hereto which shall be in an aggregate principal amount of up to One Hundred and Sixty Million Dollars (the "$160 Million Note") dated April 30, 2017 and on which shall be recorded the Advances Outstanding under the grid promissory note delivered pursuant to Amending Agreement No. 4. Upon receipt by OEFC of the $160 Million Note dated April 30, 2017, the $95 Million Note dated April 30, 2014 shall be of no further force and effect and shall be returned to the IESO marked "cancelled".

3. Section 2.3 of the Agreement is deleted and replaced by the following:

Section 2.3 Use of Proceeds

IESO shall use the proceeds of Advances for the funding of IESO Corporate Requirements.

4. Section 2.4 of the Agreement is deleted and replaced by the following:

Section 2.4 Mandatory Repayment.

Subject to Sections 3.5 and 5.2 of this Agreement, IESO shall repay all Advances Outstanding, together with all accrued interest and all other amounts owing hereunder, in full on or before June 30, 2020.

5. Section 3.1 of the Agreement is deleted and replaced by the following:

Section 3.1 Advances.

OEFC agrees, on the terms and conditions of this Agreement, to make Advances to IESO under the Credit Facility on any Business Day in a month up to twelve (12) times per annum from and including May 1, 2017 to and including May 29, 2020

6. Paragraph 3.6(c) of the Agreement is deleted and replaced by the following:
   (c) that there shall, in the reasonable opinion of OEFC, have been no material adverse change in the financial condition of IESO, provided however that any adverse change in IESO's financial condition related to or resulting from the discharge by IESO of its responsibilities under Ontario's Fair Hydro Plan shall be deemed not to be a material adverse change for the purposes of this Section; and

7. The Form of Borrowing Notice is deleted and replaced with the Form of Borrowing Notice attached hereto as Schedule 1.

8. This Amending Agreement may be executed in several counterparts, each of which, when so executed, shall be deemed to be an original and which counterparts together shall constitute one and the same agreement.

IN ALL OTHER RESPECTS, the Agreement is confirmed by IESO and OEFC.

IN WITNESS WHEREOF the parties hereto have executed this Amending Agreement as of the date first written above.

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

by: _____
Name: Kimberly Marshall
Title: Vice President, Corporate Services; Chief Financial Officer; and Treasurer

ONTARIO ELECTRICITY FINANCIAL CORPORATION

by: _____
Name: Michael D. Manning
Title: Chief Operating Officer

SCHEDULE 1

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

GRID PROMISSORY NOTE

Principal Amount: Up to $160,000,000 Date: 30 April, 2017

FOR VALUE RECEIVED, INDEPENDENT ELECTRICITY SYSTEM OPERATOR ("**IESO**"), existing under the laws of the Province of Ontario and having its principal office and place of business at Toronto, Ontario, **PROMISES TO PAY** to or to the order of **ONTARIO ELECTRICITY FINANCIAL CORPORATION ("OEFC")** at its offices at Toronto, Ontario or at such other place as OEFC may designate, the principal amount of each and all Advances made by OEFC to IESO, all as recorded by OEFC on the grid **("Grid")** attached to and forming part of this Note, in lawful money of Canada, with interest on each Advance at the rate, calculated in the manner and payable at the times specified in the Revolving Credit Facility Agreement dated April 23, 2010, as amended by Amending Agreement No. 1 dated July 21, 2010, by Amending Agreement No. 2 dated October 14, 2011, by Amending Agreement No. 3 dated April 30, 2013, by Amending Agreement No. 4 dated April 30, 2014, by Amending Agreement No. 5 dated December 19, 2014, and by Amending Agreement No. 6 dated April 30, 2017 (collectively the "Agreement").

All outstanding principal amounts under this Note together with all interest accrued thereon shall become due and payable and must be paid on or before June 30, 2020.

OEFC shall and is unconditionally and absolutely authorized and directed by IESO to record on the Grid (a) the date and amount of each Advance; (b) the applicable rate of interest for each Advance or part of an Advance; (c) the date and amount of each payment of interest and each payment of principal in respect of each Advance; and (d) the outstanding principal balance. Such notations, in the absence of manifest mathematical error, shall be p*rima facie* evidence of such advances and repayments; provided that the failure of OEFC to record the same shall not affect the obligations of IESO to pay such amounts to OEFC.

The outstanding principal amount of each Advance under this Note together with all interest accrued thereon shall become due and payable as specified in the Agreement. All capitalized terms used herein and not otherwise defined herein shall have the meanings given to such terms in the Agreement.

This Note is issued pursuant to, and is subject to and payable in accordance with the provisions of the Agreement, which provides for, among other things, the acceleration of the principal amount upon the occurrence of certain events.

This Note is not transferable or negotiable without the prior written consent of IESO.

IESO waives presentment for payment, demand, protest, notice of dishonour and notice

of non-payment.

This Note shall be construed in accordance with and governed by the laws of the Province of Ontario and the laws of Canada applicable therein.

IN WITNESS WHEREOF IESO has executed this Note.

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

Per: _____

Name: Kimberly Marshall
Title: Vice President, Corporate Services; Chief Financial Officer; and Treasurer

INDEPENDENT ELECTRICITY SYSTEM OPERATOR GRID NOTE

(Revolving Credit Facility April 30, 2017)

DATE	PRINCIPAL ADVANCED	RATE	REPAYMENT DATE	INTEREST AMOUNT	AMOUNT OF PAYMENT		UNPAID BALANCE			NOTATION MADE BY
					PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	REFINANCED (AMOUNT & DATE)	

From: Lisa Stein
To: Sarah Harris; Opal Kandelas
Subject: IESO OFA FHP agreement
Date: Tuesday, November 28, 2017 5:00:39 PM

Hi Sarah,

I discussed the sharing of the agreement with Opal last week and noted that it is a business decision. There are no contractual or legislative provisions which prohibit the sharing of the agreement. If there are concerns from a business perspective, we can discuss an NDA or other options if necessary.

Lisa

Lisa N. Stein
Legal Counsel
Ontario Financing Authority
416-325-2320

****
This message, including any attachments, is intended only for the use of the individual(s) to which it is addressed and contains information that is privileged/confidential. Any other distribution, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify the sender immediately by reply e-mail and permanently delete this message, including any attachments, without reading it or making a copy. Thank you.
****

From: Sarah Harris
Sent: Tuesday, November 28, 2017 4:49 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: IESO - OEFC Nov 27

Hi Opal,

I took a look and asked Carlos as well. There is nothing from a market perspective that is controversial, and I don't see anything in the provisions that concern me. I thought about the intercept provision, but I think it is fine since the legislation 'publicly' allows for that carve out.

Lisa, do you have any objections about IESO sharing any of the contents of the $2B facility with TD?

Sarah

From: Opal Kandelas
Sent: Monday, November 27, 2017 3:35 PM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: IESO - OEFC Nov 27

I forgot to ask. I haven't reviewed the agreement with the intention to have it shared, so should any information be redacted from the agreement before we agree to it being shared?

Opal.

From: Opal Kandelas
Sent: Monday, November 27, 2017 3:23 PM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: IESO - OEFC Nov 27

Hi Sarah,

I was just in the midst of an email to you regarding this matter. John Kim has let IESO know they can move forward with working with CMO on the agreements, but also communicated that the inclusion of the requested language is pending approval. Its fine to work on amending the agreements, as from all sides the indication is that final signoff will occur.

Regarding IESO's request to share the OFA-IESO agreement with TD, since there's nothing in the agreement prohibiting it and neither Gadi nor OFA legal is concerned about it being shared, it seems unreasonable to withhold it. As there is no obligation for us to provide/deny permission, perhaps we can just point that out to IESO (in an email) and tell them we are leaving the decision as to whether or not to share the agreement to their discretion. Not sure if a more formal response needs to be provided to IESO, but I can discuss with John the best way to convey that info to IESO.

Thanks,
Opal.

From: Sarah Harris
Sent: Monday, November 27, 2017 3:02 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: FW: IESO - OEFC Nov 27

Hi Opal,

Anthony is reaching out to provide drafts of the agreements. While we have started to work on them here, we haven't received word on final sign-off from Ron/Gadi. Any word?

I'm cc'ing Lisa, as she also wasn't cc'd on IESO's request.

Thanks,
Sarah

From: Jean-Francois Beaupre
Sent: Monday, November 27, 2017 2:55 PM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Subject: FW: IESO - OEFC Nov 27

Hi Sarah,

Do we have sign-off on the final briefing note and/or authorization to proceed?

Thanks,
J-F

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Monday, November 27, 2017 2:50 PM
To: Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Victor Buza <Victor.Buza@ieso.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: IESO - OEFC Nov 27

Ryan – are you able to send over draft documents for our review? I understand that we may start to work on them now.

Regards.

From: Anthony Martinello
Sent: November 07, 2017 4:07 PM
To: 'Ryan.Blackbyrne@ofina.on.ca'
Cc: 'Jean-Francois.Beaupre@ofina.on.ca'; William Tan; John Kim; Victor Buza
Subject: IESO - OEFC Nov 7

Ryan,

As discussed with Will today, I understand you will be co-ordinating the proposed 2 amendments to the existing IESO-OEFC credit facilities.

For starters, there are no expected changes being asked to the existing agreement's key business content (e.g. amounts, dates, interest, notices etc.), rather given that IESO-OFA have just finished two new agreements pertaining to the new fair hydro program, ….I suggest we just copy and paste the salient sections from these agreements that would now be relevant to the OEFC agreements for fair hydro namely;

1.DRAFT

The definition of "Permitted Liens" is amended by deleting the word "and" at the end of subsection (xx); replacing the "." at the end of subsection (xx) and replacing it with "; and" ; and adding the following subsection (xx):

"(xx) any Lien arising from the IESO's role and obligations under the OFHP, including with respect to any amount received or receivable by the IESO (such as, without limitation, amounts received or receivable in respect of the Clean Energy Adjustment), or any other lien, whether arising from the action or inaction of IESO, that is created in connection with the OFHP."

2.DRAFT

The OFA agreements had required an intercept provision, …..not sure if the same applies to OEFC if yes:

"Section 5.7 Intercept

(a) The IESO hereby acknowledges that, in accordance with the terms of the letter agreement of November 6th , 2017 herewith entered between the Ministry of Energy, the IESO and the OFA made pursuant to Section 23 of the Capital Investment Plan Act, 1993 (the "Intercept Letter"), the Minister of Finance is entitled to deduct only from those monies appropriated by the Legislature for payment through the Ministry of Energy to the IESO ("Appropriated Funds"), amounts equal to any amounts that the IESO fails to pay to the OFA on account of indebtedness under this Agreement. On the occurrence of an Event of Default relating to a failure by IESO to pay when due any amounts owing hereunder, subject to the OFA's compliance with any relevant provisions hereof and as set out in the Intercept Letter, the Minister of Finance is irrevocably authorized to deduct from the Appropriated Funds amounts equal to any amounts that the IESO has failed to pay to the OFA in accordance with the provisions of this Agreement and to pay such amounts directly to the OFA ("Intercept").

(b) If, after following the process specified in the Intercept Letter (including, without limitation, allowing for a reasonable cure period on the terms specified therein), the OFA determines that it is necessary to request the Minister of Finance to exercise the Intercept, the OFA will give written notice to the Minister of Finance, with a copy to the Ministry of Energy, detailing the IESO's failure to pay when due any amounts owing hereunder and requesting the deduction from the Appropriated Funds of amounts equal to the amounts that the IESO has failed to pay to the OFA under this Agreement.

(c) The IESO agrees that any notice from the OFA to the Minister of Finance in relation to this section 5.7 (Intercept) may be relied upon by the Minister of Finance without further inquiry or verification by the Minister of Finance and, upon receipt of such notice, an amount equal to the amount that the IESO has failed to pay when due to the OFA on account of indebtedness under this Agreement shall be deducted from the Appropriated Funds and paid to the OFA.

(d) For further certainty, the OFA acknowledges and agrees that the Intercept as provided for herein and in the Intercept Letter shall not apply with respect to any funds appropriated by the Legislature for payment to the IESO through ministries other than the Ministry of Energy or through Ontario Climate Change Solutions Deployment Corporation.

The parties agree that, with respect to the exercise of the Intercept generally, the terms of this section 5.7 shall be applied consistently with the terms set out in the Intercept Letter which shall apply in full. Notwithstanding the foregoing, in the event of a conflict or inconsistency between the terms and conditions of the Intercept Letter and the terms and conditions contained in this

Agreement, the terms and conditions contained in this Agreement shall prevail."

3.
If any… other relevant updates that make sense to do now……I do not anticipate any material ones.

We need your support to expedite the above in order to avoid delays in the Fair Hydro implementation.
Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

From:	William Tan
To:	Siva Nathan; John Psinas; Alfonso Soriano; Jensen Chong; Risa Thau; Nurudin Kaba; Carlos Yep; George Sakura
Cc:	Opal Kandelas; Sarah Harris; Ken Kandeepan; James Devine; Mike Manning
Subject:	IESO OFA FHP and Existing Credit Facility key provisions and Expected Advancements
Date:	Wednesday, November 15, 2017 4:46:26 PM

Dear all,

We have executed the following credit facilities:

1) $2B OFA-IESO Credit Facility in relation to the Ontario Fair Hydro Plan (FHP).

The FHP Credit Facility has the following key provisions:

- Revolving Credit Facility with a maximum limit at any time of C$2 billion;
- Term: 5 year term which expires September 30, 2022, with last draw possible on September 22, 2022;
- Draws: to be based on minimum of 5 days to a maximum of 95 days;
- IESO may roll-over some or all of the principal and interest;
- Notice Period: For an advance or a rollover, IESO is required to provide two business day prior notice given not later than 10:00 a.m.;
- Business day convention: Following;
- Use of Proceeds: Proceeds of Advances may be used only for IESO's financing needs and requirements of any kind arising in connection with the IESO's role with respect to and obligations under the FHP;
- Interest Rate on Advances: Annual rate equal to the Province of Ontario's cost of funds for borrowings with a similar term as determined by the OFA plus 0.25 percent per annum.

2) **Amending Agreement to reduce limit on Existing IESO-OFA $975M Revolving Credit Facility to $475M (with an Effective Date of November 21, end of day).**

Once effective, the existing Credit Facility will have the following key provisions:

- Revolving Credit Facility with a maximum limit at any time of $475M;
- Term: Agreement expires December 31, 2019, with last draw possible on November 29, 2019;
- Draws: to be based on minimum of 28 days to a maximum of 95 days;
- IESO may roll-over some or all of the principal and interest;
- Notice Period: For an advance or a rollover, IESO is required to provide two business day prior notice given not later than 10:00 a.m.;
- Business day convention: Following;
- Use of Proceeds: IESO shall use the proceeds of Advances for liquidity purposes;
- Interest Rate on Advances: Annual rate equal to the Province of Ontario's cost of funds for borrowings with a similar term as determined by the OFA plus 0.25 percent per annum.

NEXT DRAW FROM IESO

In relation to the next IESO draw on November 21st, the following transactions will occur:

November 17, 2017 -Three Notices to be received from IESO:

1) **Existing IESO-OFA $975M Revolving Credit Facility for "RRRP Program"**: IESO will send Election Notice instructions to rollover $10,649,081.37 + estimated new advance $2 million (IESO will pay accrued interest of $11,670.23 for Oct 20 to Nov 21 period to OFA).

2) **Existing IESO-OFA $975M Revolving Credit Facility for RPP Program:** IESO to send Election Notice to NOT rollover $825,639,102.00 (IESO will pay accrued interest of $904,809.97 for Oct 20 to Nov 21 period to OFA).
3) **$2B OFA-IESO FHP Credit Facility:** IESO to send a new borrowing notice for a first advance in an amount of approximately $1.05B.

NOTE: In the Borrowing Notice for the $2B OFA-IESO FHP Credit Facility, IESO will specify that instead of repaying (by funds transfer) the maturing $825,639,102.00 under the existing IESO-OFA Revolving $975M Credit Facility, it will instead use the $825,639,102.00 to fund a portion of the 'new' $1.05B advance under the $2B OFA-IESO FHP Credit Facility. As a result, for the Advance under $2B OFA-IESO FHP Credit Facility, the OFA will only transferring net amount of approximately $225 million (that is the difference between $1.05B and $825,639,102.00).

November 21, 2017 – The following transfers are to occur:

1) OFA to transfer to IESO total funds of approximately $227 million for the following:
   (i) Existing IESO-OFA $975M Revolving Credit Facility for RRRP Program: amount of new advance proceeds of approximately $2 million;
   (ii) $2B OFA-IESO FHP Credit Facility: amount of new advance of approximately $225 million.

2) IESO to transfer to OFA total funds for the following
   (i) **Existing IESO-OFA $975M Revolving Credit Facility for RRRP Program**: accrued interest totalling $916,480.20 for (being $11,607.23 for RRRP and $904,809.97 for RPP).

November 21, 2017 - Anticipated end of day balances:
1) **Existing IESO-OFA $475M Revolving Credit Facility for RPP Program**: $12,649,081.37 advanced under the existing credit facility (with a new facility limit of $475M effective end of day);
2) **$2B OFA-IESO FHP Credit Facility**: Approximately $1.05 billion advanced under the FHP Credit Facility.

Best regards,

Will Tan| *Documentation & Analysis Specialist*
Capital Markets Division | Ontario Financing Authority
1 Dundas Street West, Suite 1400
Toronto, Ontario M5G 1Z3, CANADA
Tel. (416) 325-8090 | Fax: (416) 860-8346
william.tan@ofina.on.ca

This message, including any attachments, is intended only for the use of the individual(s) to which it is addressed and may contain information that is privileged and confidential. Any other distribution, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message including any attachments, without reading it or making a copy. Thank you

From:	John Kim
To:	Opal Kandelas
Subject:	IESO Security Agreement (November 7th Rating Agency Draft).docx
Date:	Friday, November 17, 2017 5:33:26 PM
Attachments:	IESO Security Agreement (November 7th Rating Agency Draft).docx

---

Hi Opal,

I just got this draft security agreement.

Also, my understanding is that TD granted the requested amendment as we did with the OFA facilities.

Thanks,

John

Draft Date: November 7, 2017

SECURITY AGREEMENT

THIS AGREEMENT made as of the ____ day of _____, 2017,

BETWEEN:

INDEPENDENT ELECTRICITY SYSTEM OPERATOR, a statutory corporation without share capital established by the *Electricity Act, 1998*, SO, 1998,

(hereinafter referred to as the "**Grantor**"),

IN FAVOUR OF:

[FINANCING ENTITY], a trust formed under the laws of the Province of Ontario,

(hereinafter referred to as the "**Secured Party**"),

WHEREAS under Regulation 206/17 made under the *Ontario Fair Hydro Plan Act, 2017* (the "**Regulation**"), the Grantor is required to pay to the Secured Party the Carrying Costs of the Secured Party during the period beginning on April 1, 2017 and ending on June 30, 2021 (the "**Statutory Obligation**");

AND WHEREAS the Grantor (together with the Secured Party, collectively referred to as the "**Parties**") has agreed to enter into a security agreement in favour of the Secured Party to secure payment of the Statutory Obligation;

NOW THEREFORE THIS AGREEMENT WITNESSES that, for and in consideration of the premises, mutual covenants and conditions herein contained and such other lawful and valuable consideration the receipt of sufficiency of which is hereby acknowledged, the Parties hereby agree as follows:

1. INTERPRETATION

1.1 Defined Terms

In this Agreement, unless there is something in the context or subject matter inconsistent therewith,

(a) "**Account**" shall have the meaning attributed to such term in the PPSA;

(b) "**Business Day**" means any day other than a Saturday or a Sunday on which banks generally are open for business in Toronto, Ontario;

(c) "**Carrying Costs**" shall have the meaning attributed to the term "carrying costs" in the Regulation;

(d) "**Collateral**" shall have the meaning attributed to such term in Section 2.1;

(e) **"Electricity Vendor"** shall mean a licensed distributor and a licensed retailer, each as defined in the Ontario Fair Hydro Act.

(f) "**Money**" shall have the meaning attributed to such term in the PPSA;

(g) "**Permitted Liens**" means liens approved in writing by the Secured Party;

(h) "**PPSA**" means the *Personal Property Security Act* (Ontario), as amended from time to time, and any regulations thereto;

(i) "**Proceeds**" means "proceeds", as defined in the PPSA, of the Collateral;

(j) **"Receiver"** shall have the meaning attributed to such term in Section 6.2 of this Agreement;

(k) "**Regulation**" shall have the meaning attributed to such term in the recitals hereto;

(l) "**Statutory Obligation**" shall have the meaning attributed to such term in the recitals hereto.

1.2 Other Usages

References to "this Agreement", "hereof", "herein", "hereto" and like references refer to this Security Agreement and not to any particular Article, Section or other subdivision of this Agreement.

1.3 Plural and Singular

Where the context so requires, the words importing the singular number shall include the plural and vice versa.

1.4 Headings

The division of this Agreement into Articles and Sections and the insertion of headings in this Agreement are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

1.5 Applicable Law

This Agreement and all documents delivered pursuant hereto shall be governed by and construed and interpreted in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein and the Parties do hereby attorn to the non-exclusive jurisdiction of the courts of the Province of Ontario.

1.6 Prohibited Provisions

In the event that any provision or any part of any provision hereof is deemed to be invalid by reason of the operation of any law or by reason of the interpretation placed thereon by a court,

this Agreement shall be construed as not containing such provision or such part of such provision and the invalidity of such provision or such part shall not affect the validity of any other provision or the remainder of such provision hereof, and all other provisions hereof which are otherwise lawful and valid shall remain in full force and effect.

1.7 Time of the Essence

Time shall in all respects be of the essence of this Agreement.

1.8 Recitals and Schedules

Each and every one of the recitals and schedules which are referred to in this Agreement and attached to this Agreement shall form an integral part of this Agreement.

2. SECURITY INTEREST

2.1 Grant of Security Interest

As general and continuing security for the payment of the Statutory Obligation, the Grantor hereby grants a security interest to the Secured Party in the following (collectively, the "**Collateral**"):

(a) all Accounts, which are now due, owing or accruing or growing due to, or which may hereafter become due, owing or accruing or growing due, to the Grantor by an Electricity Vendor;

(b) all Proceeds and renewals of the foregoing, in whatever form, together with all substitutions therefore.

Whenever used elsewhere in this Agreement, the expression "**security interest**" refers to the security interest created in this Section 2.1.

2.2 Attachment of Security Interest

The Grantor acknowledges and agrees that (i) value has been given, (ii) the Grantor has rights in such of the Collateral as constitutes present property of the Grantor, and (iii) the security interest shall attach to existing Collateral upon execution of this Agreement by the Grantor and to each item of after-acquired Collateral at the time that the Grantor acquires any rights therein.

3. COVENANTS OF THE GRANTOR

3.1 Covenants

The Grantor hereby covenants and agrees with the Secured Party as follows:

(a) To promptly pay all taxes, assessments, rates, levies, payroll deductions, vacation pay, workers' compensation assessments, and any other charges which could result in the creation of a statutory lien or deemed trust in respect of the Collateral.

(b) To defend the Collateral against the claims and demands of all other persons claiming the same or an interest therein and to promptly notify the Secured Party of any such claim or demand.

(c) To do, make, execute and deliver such further and other assignments, transfers, deeds, agreements and other documents as may be required by the Secured Party to establish in favour of the Secured Party the security interest intended to be created hereby.

3.2 Performance of Covenants by the Secured Party

The Secured Party may, in its sole discretion and upon notice to and at the expense of the Grantor, perform any covenant of the Grantor under this Agreement that the Grantor fails to perform and that the Secured Party is capable of performing, provided that the Secured Party will not be obligated to perform any such covenant on behalf of the Grantor and no such performance by the Secured Party will require the Secured Party further to perform the Grantor's covenants nor operate as a derogation of the rights and remedies of the Secured Party under this Agreement.

4. DEALING WITH COLLATERAL

4.1 Grantor's Rights

Until the Secured Party is entitled to exercise its rights and remedies under Section 6.2, the Grantor shall be entitled to deal with the Collateral in the ordinary course of business, provided however, that no such action shall be taken which would impair the effectiveness of the security interests created hereby, the provisions of this Agreement or any other written agreement between the Secured Party and the Grantor.

4.2 General Restrictions

The Grantor shall not, without the prior written consent of the Secured Party:

(a) sell, lease or otherwise dispose of the Collateral or any part thereof except in the ordinary course of business; or

(b) enter into or grant, create, assume or suffer to exist any mortgage, charge, hypothec, assignment, pledge, lien or other security interest or encumbrance affecting any of the Collateral except the Permitted Liens.

4.3 Release by the Secured Party

The Secured Party may, at its discretion, at any time release from the security interest created by this Agreement any part or parts of the Collateral or any other security or any surety for the Statutory Obligation either with or without sufficient consideration therefor without thereby releasing any other part of the Collateral or any person from this Agreement.

5. REPRESENTATIONS AND WARRANTIES

5.1 Representations and Warranties

The Grantor hereby represents and warrants to the Secured Party, the matters set out below:

(a) **Incorporation and Qualifications** – The Grantor is a statutory corporation amalgamated under the laws of the Province of Ontario, with requisite power and authority to own its properties, to conduct its business as such properties are currently owned and such business is presently conducted by it, and to execute, deliver and carry out the terms of this Agreement.

(b) **Corporate Authority and Power** – The Grantor has the requisite power and authority to execute and deliver this Agreement and to carry out its terms. The execution, delivery and performance of all obligations under this Agreement have been duly authorized by all necessary action on the part of the Grantor under all applicable laws.

(c) **Non-Conflict** – Neither the execution nor the performance of this Agreement requires the approval of any regulatory agency having jurisdiction over the Grantor nor is this Agreement in contravention of or in conflict with the by-laws or resolutions of the directors or shareholders of the Grantor or of the provisions of any agreement to which the Grantor is a party or by which any of its property may be bound or of any statute, regulation, by-law, ordinance or other law, or to the best of its knowledge of any judgement, decree, award, ruling or order to which the Grantor or any of its property may be subject, other than approvals that have been obtained.

(d) **Ownership of Collateral Free of Liens** – The Grantor is the owner of or has rights in the existing Collateral free and clear of any liens other than Permitted Liens.

(e) **Grantor Information** – Schedule A sets forth (a) the Grantor's jurisdiction of incorporation, (b) the location of the Grantor's registered office and business operations and records, and (c) the Grantor's exact legal name (in English and French).

(f) **Enforceability** – This Agreement constitutes a valid and legally binding obligation of the Grantor enforceable against it in accordance with its terms, subject to general equitable principles, including the fact that the availability of equitable remedies, such as injunctive relief and specific performance, is in the discretion of the court.

5.2 Reliance and Survival

All representations and warranties of the Grantor made in this Agreement shall survive the execution and delivery of this Agreement and shall continue in full force and effect without time limit. The Secured Party shall be deemed to have relied upon each such representation and

warranty notwithstanding any investigation made by or on behalf of the Secured Party at any time.

6. ENFORCEMENT

6.1 Enforceability of Security

The security hereby constituted shall become enforceable only upon the failure of the Grantor to pay the Statutory Obligations when due, and then only to the extent of the Statutory Obligations not then paid when due. The Grantor acknowledges that it has no right in any circumstance to accelerate payment of the Statutory Obligations, to apply proceeds of Collateral on account of Statutory Obligations not yet due, or to reserve or hold proceeds of Collateral on account of Statutory Obligations not yet due.

6.2 Remedies

At any time that the security hereby constituted shall have become enforceable, the Secured Party may give notice of its intention to its exercise rights and remedies hereunder. At any time ten Business Days following the giving of such notice, and unless the amounts due and owing on account of the carrying Costs at the time of the Notice have been paid, the Secured Party shall have the following rights, powers and remedies:

(a) to appoint any person to be an agent or any person to be a receiver, manager or receiver and manager (herein called the "**Receiver**") of the Collateral and to remove any Receiver so appointed and to appoint another if the Secured Party so desires; it being agreed that any Receiver appointed pursuant to the provisions of this Agreement shall have all of the powers of the Secured Party hereunder;

(b) to make payments to parties having prior charges or encumbrances on the Collateral;

(c) to preserve, protect and maintain the Collateral;

(d) to enjoy and exercise all powers necessary or incidental to the performance of all functions provided for in this Agreement;

(e) to sell or dispose of all or any part of the Collateral whether by public or private sale or otherwise and on any terms so long as every aspect of the disposition is commercially reasonable, including without limitation, terms that provide time for payment on credit;

(f) to enjoy and exercise in respect of the Collateral all of the rights and remedies of a secured party under the PPSA;

(g) to notify the account debtors or obligors under any Accounts which constitute part of the Collateral of the assignment of such Accounts to the Secured Party and to direct such account debtors or obligors to make payment of all amounts due or to become due to the Grantor thereunder directly to the Secured Party and to give valid and binding receipts and discharges therefor and in respect thereof and,

upon such notification and at the expense of the Grantor, to enforce collection of any such Accounts, and to adjust, settle or compromise the amount or payment thereof, in the same manner and to the same extent as the Grantor might have done; and

(h) to commence, continue or defend proceedings in any court of competent jurisdiction in the name of the Secured Party, the Receiver or the Grantor for the purpose of exercising any of the rights, powers and remedies set out in this Section, including the institution of proceedings for the appointment of a receiver, manager or receiver and manager of the Collateral.

6.3 Special Rules re Accounts

At any time that the Secured Party is entitled to exercise its rights and remedies under Section 6.2,

(a) all Money or other form of payment received by the Grantor in respect of the Collateral shall be received in trust for the benefit of the Secured Party hereunder, shall be segregated from other funds of the Grantor and shall be forthwith paid over to the Secured Party in the same form as so received (with any necessary endorsement) to be held as cash collateral and applied as provided by Section 6.8; and

(b) the Grantor shall not adjust, settle or compromise the amount or payment of any Collateral.

6.4 Receiver as Agent

The Receiver shall be deemed to be the agent of the Grantor for the purpose of establishing liability for the acts or omissions of the Receiver and the Secured Party shall not be liable for such acts or omissions and, without restricting the generality of the foregoing, the Grantor hereby irrevocably authorizes the Secured Party to give instructions to the Receiver relating to the performance of its duties as set out herein.

6.5 Expenses of Enforcement

The Grantor shall pay to the Receiver the remuneration of the Receiver and all costs and expenses (including, without limitation, legal fees and disbursements on a full indemnity basis) properly incurred by the Receiver pursuant to its appointment and the exercise of its powers hereunder, and shall pay to the Secured Party and the Receiver as required all amounts of Money (including interest thereon) borrowed or advanced by either of them pursuant to the powers set out herein, and the obligations of the Grantor to the Secured Party and the Receiver pursuant to this Section 6.5 shall be payable on demand.

6.6 Indulgences and Releases

Either the Secured Party or the Receiver may grant extensions of time and other indulgences, take and give up securities, accept compositions, grant releases and discharges, release any part of the Collateral to third parties and otherwise deal with the Grantor, debtors of the Grantor,

sureties and others and with the Collateral and other security as the Secured Party or the Receiver may see fit without prejudice to the right of the Secured Party and the Receiver to repossess, hold, collect and realize the Collateral.

6.7 No Liability for Failure to Exercise Remedies

The Secured Party and the Receiver shall not be liable or accountable to the Grantor or to any other person for any failure to exercise any of the rights, powers and remedies set out in this Agreement, and shall not be bound to commence, continue or defend proceedings for the purpose of preserving or protecting any rights of the Secured Party, the Receiver, the Grantor or any other party in respect of the same.

6.8 Proceeds of Disposition

All Moneys received by the Secured Party or by the Receiver pursuant to Section 6.2 shall be promptly applied as follows:

(a) first, in payment of all costs and expenses incurred by the Secured Party in the exercise of all or any of the powers granted to it under this Agreement and in payment of all of the remuneration of the Receiver and all costs and expenses properly incurred by the Receiver in the exercise of all or any of the powers granted to it under this Agreement, including, without limitation, the remuneration, costs and expenses referred to in Section 6.5;

(b) second, in payment of all amounts of Money borrowed or advanced by either of the Secured Party or the Receiver pursuant to the powers set out in this Agreement and any interest thereon;

(c) third, in payment of the Statutory Obligation, provided that if there are not sufficient Moneys to fully pay and perform the Statutory Obligation, the Secured Party may apply the Moneys available to such part or parts thereof as the Secured Party, in its sole discretion, may determine; and

(d) fourth, in payment of any surplus in accordance with applicable law.

6.9 Grantor Liable for Deficiency

If the Moneys received by the Secured Party or the Receiver pursuant to Section 6.2 are not sufficient to pay the claims set out in Section 6.8, the Grantor shall immediately pay the Secured Party the amount of such deficiency.

6.10 Restriction on Grantor

Upon notification of the account debtors or obligors under any Accounts which constitute part of the Collateral of the assignment of such Accounts to the Secured Party or the appointment of a Receiver in respect of the Collateral, all the powers, functions, rights and privileges of the Grantor or any officer, director, servant or agent of the Grantor with respect to the Collateral shall, to the extent permitted by applicable law, be suspended unless specifically continued by the written consent of the Secured Party; however, all other powers, functions, rights and

privileges of the Grantor or any officer, director, servant or agent of the Grantor shall be unaffected by such events.

6.11 Rights Cumulative

All rights and remedies of the Secured Party set out in this Agreement shall be cumulative and no right or remedy contained herein is intended to be exclusive but each shall be in addition to every other right or remedy contained herein or in any existing or future security document or now or hereafter existing at law or in equity or by statute.

7. GENERAL

7.1 Waiver

Any default by the Grantor in the observance or performance of any covenant or condition required to be observed or performed by the Grantor hereunder, may only be waived by the Secured Party in writing, provided that no such waiver by the Secured Party shall extend to or be taken in any manner to affect any subsequent breach or default or the rights resulting therefrom.

7.2 The Secured Party as Attorney

At any time that the Secured Party is entitled to exercise its rights and remedies under Section 6.2, the Grantor hereby irrevocably appoints the Secured Party and any person further designated by the Secured Party to be the attorney of the Grantor for and in the name of the Grantor to execute and do any deeds, documents, transfers, demands, assignments, assurances, consents and things which the Grantor is obliged to sign, execute or do hereunder and, to commence, continue and defend any proceedings authorized to be taken hereunder and generally to use the name of the Grantor in the exercise of all or any of the powers hereby conferred on the Secured Party. These powers are coupled with an interest, have been given for valuable consideration (the receipt and adequacy of which is acknowledged), survive, and do not terminate upon, the bankruptcy, dissolution, winding up or insolvency of the Grantor, and are irrevocable until the Statutory Obligation has been satisfied in full and this Agreement is terminated and the security interest created herein has been released. This power of attorney extends to and is binding upon the Grantor's successors and permitted assigns. The Grantor authorizes the Secured Party to delegate in writing to another person any power and authority of the Secured Party under this power of attorney as may be necessary or desirable in the opinion of the Secured Party, and to revoke or suspend such delegation.

7.3 Further Assurances

The Grantor shall do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered, such further acts, deeds, mortgages, transfers and assurances as the Secured Party shall reasonably require for the better assuring, charging, assigning and conferring unto the Secured Party a security interest in the Collateral, or which the Grantor may hereafter become bound to charge in favour of the Secured Party, for the purpose of accomplishing and effecting the intention of this Agreement.

7.4 Amalgamation of the Grantor

The Grantor acknowledges and agrees that in the event that it amalgamates with any other persons, then (i) the Collateral and the security interest shall extend to and include all of the property and undertaking that any of the amalgamating corporations then owns, all of the property and undertaking that the amalgamated corporation thereafter acquires, all of the property and undertaking in which any of the amalgamating corporations then has any interest, and all of the property and undertaking in which the amalgamated corporation thereafter acquires any interest, and (ii) all references herein to the Grantor shall extend to and include the amalgamated corporation.

7.5 Continuing Security

The security interest constituted hereby shall be deemed to be a continuing security for the Statutory Obligation until the Statutory Obligation is paid and performed in full.

7.6 Notices

All notices and other communications provided for herein shall be in writing and shall be personally delivered to an officer or other responsible employee of the addressee or sent by facsimile, charges prepaid, at or to the applicable address or facsimile number, as the case may be, of the party set opposite its name below or at or to such other address or addresses or facsimile number or numbers as either party may from time to time designate to the other party in such manner. Any communication which is personally delivered as aforesaid shall be deemed to have been validly and effectively given on the date of such delivery if such date is a Business Day and such delivery was made during normal business hours of the recipient; otherwise, it shall be deemed to have been validly and effectively given on the Business Day next following such date of delivery. Any communication which is transmitted by facsimile as aforesaid shall be deemed to have been validly and effectively given on the date of transmission if such date is a Business Day and such transmission was made during normal business hours of the recipient; otherwise, it shall be deemed to have been validly and effectively given on the Business Day next following such date of transmission.

In the case of the Grantor:

Independent Electricity System Operator
[Address]

Attention: ■
Email: ■
Facsimile: ■

In the case of the Secured Party:

[Financing Entity]
c/o Ontario Power Generation Inc., as Manager
700 University Avenue
Toronto, Ontario
M5G 1X6

Attention: ■
Email: ■
Facsimile: ■

7.7 Assignment

The Secured Party may from time to time upon notice to, but without the consent of the Grantor, assign or transfer this Agreement to any other person. The Grantor shall not be entitled to assign or transfer this Agreement or any of the Grantor's rights, duties or obligations hereunder without the prior written consent of the Secured Party.

7.8 Successors and Assigns

This Agreement shall enure to the benefit of the Secured Party and its successors and assigns and shall be binding upon the Grantor and its successors and permitted assigns.

7.9 Amendments

This Agreement may not be amended or otherwise modified except by an instrument in writing executed by the Parties.

7.10 Entire Agreement

This Agreement and the agreements referred to herein and any document, agreement or instrument delivered pursuant to such agreements constitute the entire agreement between the Parties and supersede any prior agreements, undertakings, declarations, representations and undertakings, both written and verbal, in respect of the subject matter hereof.

7.11 Receipt of Agreement and Financing Statement.

The Grantor hereby acknowledges receipt of an executed copy of this Agreement and of the financing statement registered under the PPSA evidencing the security interest created hereby.

7.12 Counterpart

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which taken together shall be deemed to constitute one and the same instrument, and it shall not be necessary in making proof of this Agreement to produce or account for more than one such counterpart.

7.13 Delivery by Facsimile or Electronic Transmission

This Agreement may be executed and delivered by facsimile or electronic transmission and each of the Parties may rely on such facsimile or electronic signature as though such facsimile signature were an original signature.

[NEXT PAGE IS SIGNATURE PAGE]

IN WITNESS WHEREOF the Parties have duly executed this Agreement as of the date first written above.

[FINANCING ENTITY], by its Manager,
ONTARIO POWER GENERATION INC., as Secured Party

By: _____
Name:
Title:

By: _____
Name:
Title:

INDEPENDENT ELECTRICITY SYSTEM OPERATOR
as Grantor

By: _____
Name:
Title:

By: _____
Name:
Title:

SCHEDULE A

GRANTOR INFORMATION

1. **Grantor's exact legal name: Independent Electricity System Operator**

   ■ [French]

2. **Grantor's jurisdiction of incorporation: Ontario**

3. **Grantor's registered office address: ■**

4. **Location of Grantor's business operations and records: ■**

From:	John Kim
To:	Opal Kandelas
Subject:	IESO Security Agreement (November 7th Rating Agency Draft).docx
Date:	Friday, November 17, 2017 5:33:26 PM
Attachments:	IESO Security Agreement (November 7th Rating Agency Draft).docx

---

Hi Opal,

I just got this draft security agreement.

Also, my understanding is that TD granted the requested amendment as we did with the OFA facilities.

Thanks,

John

Draft Date: November 7, 2017

SECURITY AGREEMENT

THIS AGREEMENT made as of the ____ day of _____, 2017,

BETWEEN:

INDEPENDENT ELECTRICITY SYSTEM OPERATOR, a statutory corporation without share capital established by the *Electricity Act, 1998*, SO, 1998,

(hereinafter referred to as the "**Grantor**"),

IN FAVOUR OF:

[FINANCING ENTITY], a trust formed under the laws of the Province of Ontario,

(hereinafter referred to as the "**Secured Party**"),

WHEREAS under Regulation 206/17 made under the *Ontario Fair Hydro Plan Act, 2017* (the "**Regulation**"), the Grantor is required to pay to the Secured Party the Carrying Costs of the Secured Party during the period beginning on April 1, 2017 and ending on June 30, 2021 (the "**Statutory Obligation**");

AND WHEREAS the Grantor (together with the Secured Party, collectively referred to as the "**Parties**") has agreed to enter into a security agreement in favour of the Secured Party to secure payment of the Statutory Obligation;

NOW THEREFORE THIS AGREEMENT WITNESSES that, for and in consideration of the premises, mutual covenants and conditions herein contained and such other lawful and valuable consideration the receipt of sufficiency of which is hereby acknowledged, the Parties hereby agree as follows:

1. INTERPRETATION

1.1 Defined Terms

In this Agreement, unless there is something in the context or subject matter inconsistent therewith,

(a) "**Account**" shall have the meaning attributed to such term in the PPSA;

(b) "**Business Day**" means any day other than a Saturday or a Sunday on which banks generally are open for business in Toronto, Ontario;

(c) "**Carrying Costs**" shall have the meaning attributed to the term "carrying costs" in the Regulation;

(d) "**Collateral**" shall have the meaning attributed to such term in Section 2.1;

(e) **"Electricity Vendor"** shall mean a licensed distributor and a licensed retailer, each as defined in the Ontario Fair Hydro Act.

(f) "**Money**" shall have the meaning attributed to such term in the PPSA;

(g) "**Permitted Liens**" means liens approved in writing by the Secured Party;

(h) "**PPSA**" means the *Personal Property Security Act* (Ontario), as amended from time to time, and any regulations thereto;

(i) "**Proceeds**" means "proceeds", as defined in the PPSA, of the Collateral;

(j) **"Receiver"** shall have the meaning attributed to such term in Section 6.2 of this Agreement;

(k) "**Regulation**" shall have the meaning attributed to such term in the recitals hereto;

(l) "**Statutory Obligation**" shall have the meaning attributed to such term in the recitals hereto.

1.2 Other Usages

References to "this Agreement", "hereof", "herein", "hereto" and like references refer to this Security Agreement and not to any particular Article, Section or other subdivision of this Agreement.

1.3 Plural and Singular

Where the context so requires, the words importing the singular number shall include the plural and vice versa.

1.4 Headings

The division of this Agreement into Articles and Sections and the insertion of headings in this Agreement are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

1.5 Applicable Law

This Agreement and all documents delivered pursuant hereto shall be governed by and construed and interpreted in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein and the Parties do hereby attorn to the non-exclusive jurisdiction of the courts of the Province of Ontario.

1.6 Prohibited Provisions

In the event that any provision or any part of any provision hereof is deemed to be invalid by reason of the operation of any law or by reason of the interpretation placed thereon by a court,

this Agreement shall be construed as not containing such provision or such part of such provision and the invalidity of such provision or such part shall not affect the validity of any other provision or the remainder of such provision hereof, and all other provisions hereof which are otherwise lawful and valid shall remain in full force and effect.

1.7 Time of the Essence

Time shall in all respects be of the essence of this Agreement.

1.8 Recitals and Schedules

Each and every one of the recitals and schedules which are referred to in this Agreement and attached to this Agreement shall form an integral part of this Agreement.

2. SECURITY INTEREST

2.1 Grant of Security Interest

As general and continuing security for the payment of the Statutory Obligation, the Grantor hereby grants a security interest to the Secured Party in the following (collectively, the "**Collateral**"):

(a) all Accounts, which are now due, owing or accruing or growing due to, or which may hereafter become due, owing or accruing or growing due, to the Grantor by an Electricity Vendor;

(b) all Proceeds and renewals of the foregoing, in whatever form, together with all substitutions therefore.

Whenever used elsewhere in this Agreement, the expression "**security interest**" refers to the security interest created in this Section 2.1.

2.2 Attachment of Security Interest

The Grantor acknowledges and agrees that (i) value has been given, (ii) the Grantor has rights in such of the Collateral as constitutes present property of the Grantor, and (iii) the security interest shall attach to existing Collateral upon execution of this Agreement by the Grantor and to each item of after-acquired Collateral at the time that the Grantor acquires any rights therein.

3. COVENANTS OF THE GRANTOR

3.1 Covenants

The Grantor hereby covenants and agrees with the Secured Party as follows:

(a) To promptly pay all taxes, assessments, rates, levies, payroll deductions, vacation pay, workers' compensation assessments, and any other charges which could result in the creation of a statutory lien or deemed trust in respect of the Collateral.

(b) To defend the Collateral against the claims and demands of all other persons claiming the same or an interest therein and to promptly notify the Secured Party of any such claim or demand.

(c) To do, make, execute and deliver such further and other assignments, transfers, deeds, agreements and other documents as may be required by the Secured Party to establish in favour of the Secured Party the security interest intended to be created hereby.

3.2 Performance of Covenants by the Secured Party

The Secured Party may, in its sole discretion and upon notice to and at the expense of the Grantor, perform any covenant of the Grantor under this Agreement that the Grantor fails to perform and that the Secured Party is capable of performing, provided that the Secured Party will not be obligated to perform any such covenant on behalf of the Grantor and no such performance by the Secured Party will require the Secured Party further to perform the Grantor's covenants nor operate as a derogation of the rights and remedies of the Secured Party under this Agreement.

4. DEALING WITH COLLATERAL

4.1 Grantor's Rights

Until the Secured Party is entitled to exercise its rights and remedies under Section 6.2, the Grantor shall be entitled to deal with the Collateral in the ordinary course of business, provided however, that no such action shall be taken which would impair the effectiveness of the security interests created hereby, the provisions of this Agreement or any other written agreement between the Secured Party and the Grantor.

4.2 General Restrictions

The Grantor shall not, without the prior written consent of the Secured Party:

(a) sell, lease or otherwise dispose of the Collateral or any part thereof except in the ordinary course of business; or

(b) enter into or grant, create, assume or suffer to exist any mortgage, charge, hypothec, assignment, pledge, lien or other security interest or encumbrance affecting any of the Collateral except the Permitted Liens.

4.3 Release by the Secured Party

The Secured Party may, at its discretion, at any time release from the security interest created by this Agreement any part or parts of the Collateral or any other security or any surety for the Statutory Obligation either with or without sufficient consideration therefor without thereby releasing any other part of the Collateral or any person from this Agreement.

5. REPRESENTATIONS AND WARRANTIES

5.1 Representations and Warranties

The Grantor hereby represents and warrants to the Secured Party, the matters set out below:

(a) **Incorporation and Qualifications** – The Grantor is a statutory corporation amalgamated under the laws of the Province of Ontario, with requisite power and authority to own its properties, to conduct its business as such properties are currently owned and such business is presently conducted by it, and to execute, deliver and carry out the terms of this Agreement.

(b) **Corporate Authority and Power** – The Grantor has the requisite power and authority to execute and deliver this Agreement and to carry out its terms. The execution, delivery and performance of all obligations under this Agreement have been duly authorized by all necessary action on the part of the Grantor under all applicable laws.

(c) **Non-Conflict** – Neither the execution nor the performance of this Agreement requires the approval of any regulatory agency having jurisdiction over the Grantor nor is this Agreement in contravention of or in conflict with the by-laws or resolutions of the directors or shareholders of the Grantor or of the provisions of any agreement to which the Grantor is a party or by which any of its property may be bound or of any statute, regulation, by-law, ordinance or other law, or to the best of its knowledge of any judgement, decree, award, ruling or order to which the Grantor or any of its property may be subject, other than approvals that have been obtained.

(d) **Ownership of Collateral Free of Liens** – The Grantor is the owner of or has rights in the existing Collateral free and clear of any liens other than Permitted Liens.

(e) **Grantor Information** – Schedule A sets forth (a) the Grantor's jurisdiction of incorporation, (b) the location of the Grantor's registered office and business operations and records, and (c) the Grantor's exact legal name (in English and French).

(f) **Enforceability** – This Agreement constitutes a valid and legally binding obligation of the Grantor enforceable against it in accordance with its terms, subject to general equitable principles, including the fact that the availability of equitable remedies, such as injunctive relief and specific performance, is in the discretion of the court.

5.2 Reliance and Survival

All representations and warranties of the Grantor made in this Agreement shall survive the execution and delivery of this Agreement and shall continue in full force and effect without time limit. The Secured Party shall be deemed to have relied upon each such representation and

warranty notwithstanding any investigation made by or on behalf of the Secured Party at any time.

6. ENFORCEMENT

6.1 Enforceability of Security

The security hereby constituted shall become enforceable only upon the failure of the Grantor to pay the Statutory Obligations when due, and then only to the extent of the Statutory Obligations not then paid when due. The Grantor acknowledges that it has no right in any circumstance to accelerate payment of the Statutory Obligations, to apply proceeds of Collateral on account of Statutory Obligations not yet due, or to reserve or hold proceeds of Collateral on account of Statutory Obligations not yet due.

6.2 Remedies

At any time that the security hereby constituted shall have become enforceable, the Secured Party may give notice of its intention to its exercise rights and remedies hereunder. At any time ten Business Days following the giving of such notice, and unless the amounts due and owing on account of the carrying Costs at the time of the Notice have been paid, the Secured Party shall have the following rights, powers and remedies:

(a) to appoint any person to be an agent or any person to be a receiver, manager or receiver and manager (herein called the "**Receiver**") of the Collateral and to remove any Receiver so appointed and to appoint another if the Secured Party so desires; it being agreed that any Receiver appointed pursuant to the provisions of this Agreement shall have all of the powers of the Secured Party hereunder;

(b) to make payments to parties having prior charges or encumbrances on the Collateral;

(c) to preserve, protect and maintain the Collateral;

(d) to enjoy and exercise all powers necessary or incidental to the performance of all functions provided for in this Agreement;

(e) to sell or dispose of all or any part of the Collateral whether by public or private sale or otherwise and on any terms so long as every aspect of the disposition is commercially reasonable, including without limitation, terms that provide time for payment on credit;

(f) to enjoy and exercise in respect of the Collateral all of the rights and remedies of a secured party under the PPSA;

(g) to notify the account debtors or obligors under any Accounts which constitute part of the Collateral of the assignment of such Accounts to the Secured Party and to direct such account debtors or obligors to make payment of all amounts due or to become due to the Grantor thereunder directly to the Secured Party and to give valid and binding receipts and discharges therefor and in respect thereof and,

upon such notification and at the expense of the Grantor, to enforce collection of any such Accounts, and to adjust, settle or compromise the amount or payment thereof, in the same manner and to the same extent as the Grantor might have done; and

(h) to commence, continue or defend proceedings in any court of competent jurisdiction in the name of the Secured Party, the Receiver or the Grantor for the purpose of exercising any of the rights, powers and remedies set out in this Section, including the institution of proceedings for the appointment of a receiver, manager or receiver and manager of the Collateral.

6.3 Special Rules re Accounts

At any time that the Secured Party is entitled to exercise its rights and remedies under Section 6.2,

(a) all Money or other form of payment received by the Grantor in respect of the Collateral shall be received in trust for the benefit of the Secured Party hereunder, shall be segregated from other funds of the Grantor and shall be forthwith paid over to the Secured Party in the same form as so received (with any necessary endorsement) to be held as cash collateral and applied as provided by Section 6.8; and

(b) the Grantor shall not adjust, settle or compromise the amount or payment of any Collateral.

6.4 Receiver as Agent

The Receiver shall be deemed to be the agent of the Grantor for the purpose of establishing liability for the acts or omissions of the Receiver and the Secured Party shall not be liable for such acts or omissions and, without restricting the generality of the foregoing, the Grantor hereby irrevocably authorizes the Secured Party to give instructions to the Receiver relating to the performance of its duties as set out herein.

6.5 Expenses of Enforcement

The Grantor shall pay to the Receiver the remuneration of the Receiver and all costs and expenses (including, without limitation, legal fees and disbursements on a full indemnity basis) properly incurred by the Receiver pursuant to its appointment and the exercise of its powers hereunder, and shall pay to the Secured Party and the Receiver as required all amounts of Money (including interest thereon) borrowed or advanced by either of them pursuant to the powers set out herein, and the obligations of the Grantor to the Secured Party and the Receiver pursuant to this Section 6.5 shall be payable on demand.

6.6 Indulgences and Releases

Either the Secured Party or the Receiver may grant extensions of time and other indulgences, take and give up securities, accept compositions, grant releases and discharges, release any part of the Collateral to third parties and otherwise deal with the Grantor, debtors of the Grantor,

sureties and others and with the Collateral and other security as the Secured Party or the Receiver may see fit without prejudice to the right of the Secured Party and the Receiver to repossess, hold, collect and realize the Collateral.

6.7 No Liability for Failure to Exercise Remedies

The Secured Party and the Receiver shall not be liable or accountable to the Grantor or to any other person for any failure to exercise any of the rights, powers and remedies set out in this Agreement, and shall not be bound to commence, continue or defend proceedings for the purpose of preserving or protecting any rights of the Secured Party, the Receiver, the Grantor or any other party in respect of the same.

6.8 Proceeds of Disposition

All Moneys received by the Secured Party or by the Receiver pursuant to Section 6.2 shall be promptly applied as follows:

(a) first, in payment of all costs and expenses incurred by the Secured Party in the exercise of all or any of the powers granted to it under this Agreement and in payment of all of the remuneration of the Receiver and all costs and expenses properly incurred by the Receiver in the exercise of all or any of the powers granted to it under this Agreement, including, without limitation, the remuneration, costs and expenses referred to in Section 6.5;

(b) second, in payment of all amounts of Money borrowed or advanced by either of the Secured Party or the Receiver pursuant to the powers set out in this Agreement and any interest thereon;

(c) third, in payment of the Statutory Obligation, provided that if there are not sufficient Moneys to fully pay and perform the Statutory Obligation, the Secured Party may apply the Moneys available to such part or parts thereof as the Secured Party, in its sole discretion, may determine; and

(d) fourth, in payment of any surplus in accordance with applicable law.

6.9 Grantor Liable for Deficiency

If the Moneys received by the Secured Party or the Receiver pursuant to Section 6.2 are not sufficient to pay the claims set out in Section 6.8, the Grantor shall immediately pay the Secured Party the amount of such deficiency.

6.10 Restriction on Grantor

Upon notification of the account debtors or obligors under any Accounts which constitute part of the Collateral of the assignment of such Accounts to the Secured Party or the appointment of a Receiver in respect of the Collateral, all the powers, functions, rights and privileges of the Grantor or any officer, director, servant or agent of the Grantor with respect to the Collateral shall, to the extent permitted by applicable law, be suspended unless specifically continued by the written consent of the Secured Party; however, all other powers, functions, rights and

privileges of the Grantor or any officer, director, servant or agent of the Grantor shall be unaffected by such events.

6.11 Rights Cumulative

All rights and remedies of the Secured Party set out in this Agreement shall be cumulative and no right or remedy contained herein is intended to be exclusive but each shall be in addition to every other right or remedy contained herein or in any existing or future security document or now or hereafter existing at law or in equity or by statute.

7. GENERAL

7.1 Waiver

Any default by the Grantor in the observance or performance of any covenant or condition required to be observed or performed by the Grantor hereunder, may only be waived by the Secured Party in writing, provided that no such waiver by the Secured Party shall extend to or be taken in any manner to affect any subsequent breach or default or the rights resulting therefrom.

7.2 The Secured Party as Attorney

At any time that the Secured Party is entitled to exercise its rights and remedies under Section 6.2, the Grantor hereby irrevocably appoints the Secured Party and any person further designated by the Secured Party to be the attorney of the Grantor for and in the name of the Grantor to execute and do any deeds, documents, transfers, demands, assignments, assurances, consents and things which the Grantor is obliged to sign, execute or do hereunder and, to commence, continue and defend any proceedings authorized to be taken hereunder and generally to use the name of the Grantor in the exercise of all or any of the powers hereby conferred on the Secured Party. These powers are coupled with an interest, have been given for valuable consideration (the receipt and adequacy of which is acknowledged), survive, and do not terminate upon, the bankruptcy, dissolution, winding up or insolvency of the Grantor, and are irrevocable until the Statutory Obligation has been satisfied in full and this Agreement is terminated and the security interest created herein has been released. This power of attorney extends to and is binding upon the Grantor's successors and permitted assigns. The Grantor authorizes the Secured Party to delegate in writing to another person any power and authority of the Secured Party under this power of attorney as may be necessary or desirable in the opinion of the Secured Party, and to revoke or suspend such delegation.

7.3 Further Assurances

The Grantor shall do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered, such further acts, deeds, mortgages, transfers and assurances as the Secured Party shall reasonably require for the better assuring, charging, assigning and conferring unto the Secured Party a security interest in the Collateral, or which the Grantor may hereafter become bound to charge in favour of the Secured Party, for the purpose of accomplishing and effecting the intention of this Agreement.

7.4 Amalgamation of the Grantor

The Grantor acknowledges and agrees that in the event that it amalgamates with any other persons, then (i) the Collateral and the security interest shall extend to and include all of the property and undertaking that any of the amalgamating corporations then owns, all of the property and undertaking that the amalgamated corporation thereafter acquires, all of the property and undertaking in which any of the amalgamating corporations then has any interest, and all of the property and undertaking in which the amalgamated corporation thereafter acquires any interest, and (ii) all references herein to the Grantor shall extend to and include the amalgamated corporation.

7.5 Continuing Security

The security interest constituted hereby shall be deemed to be a continuing security for the Statutory Obligation until the Statutory Obligation is paid and performed in full.

7.6 Notices

All notices and other communications provided for herein shall be in writing and shall be personally delivered to an officer or other responsible employee of the addressee or sent by facsimile, charges prepaid, at or to the applicable address or facsimile number, as the case may be, of the party set opposite its name below or at or to such other address or addresses or facsimile number or numbers as either party may from time to time designate to the other party in such manner. Any communication which is personally delivered as aforesaid shall be deemed to have been validly and effectively given on the date of such delivery if such date is a Business Day and such delivery was made during normal business hours of the recipient; otherwise, it shall be deemed to have been validly and effectively given on the Business Day next following such date of delivery. Any communication which is transmitted by facsimile as aforesaid shall be deemed to have been validly and effectively given on the date of transmission if such date is a Business Day and such transmission was made during normal business hours of the recipient; otherwise, it shall be deemed to have been validly and effectively given on the Business Day next following such date of transmission.

In the case of the Grantor:

Independent Electricity System Operator
[Address]

Attention: ■
Email: ■
Facsimile: ■

In the case of the Secured Party:

[Financing Entity]
c/o Ontario Power Generation Inc., as Manager
700 University Avenue
Toronto, Ontario
M5G 1X6

Attention: ■
Email: ■
Facsimile: ■

7.7 Assignment

The Secured Party may from time to time upon notice to, but without the consent of the Grantor, assign or transfer this Agreement to any other person. The Grantor shall not be entitled to assign or transfer this Agreement or any of the Grantor's rights, duties or obligations hereunder without the prior written consent of the Secured Party.

7.8 Successors and Assigns

This Agreement shall enure to the benefit of the Secured Party and its successors and assigns and shall be binding upon the Grantor and its successors and permitted assigns.

7.9 Amendments

This Agreement may not be amended or otherwise modified except by an instrument in writing executed by the Parties.

7.10 Entire Agreement

This Agreement and the agreements referred to herein and any document, agreement or instrument delivered pursuant to such agreements constitute the entire agreement between the Parties and supersede any prior agreements, undertakings, declarations, representations and undertakings, both written and verbal, in respect of the subject matter hereof.

7.11 Receipt of Agreement and Financing Statement.

The Grantor hereby acknowledges receipt of an executed copy of this Agreement and of the financing statement registered under the PPSA evidencing the security interest created hereby.

7.12 Counterpart

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which taken together shall be deemed to constitute one and the same instrument, and it shall not be necessary in making proof of this Agreement to produce or account for more than one such counterpart.

7.13 Delivery by Facsimile or Electronic Transmission

This Agreement may be executed and delivered by facsimile or electronic transmission and each of the Parties may rely on such facsimile or electronic signature as though such facsimile signature were an original signature.

[NEXT PAGE IS SIGNATURE PAGE]

IN WITNESS WHEREOF the Parties have duly executed this Agreement as of the date first written above.

[FINANCING ENTITY], by its Manager,
ONTARIO POWER GENERATION INC., as Secured Party

By: _____
Name:
Title:

By: _____
Name:
Title:

INDEPENDENT ELECTRICITY SYSTEM OPERATOR
as Grantor

By: _____
Name:
Title:

By: _____
Name:
Title:

SCHEDULE A

GRANTOR INFORMATION

1. **Grantor's exact legal name: Independent Electricity System Operator**

   ■ [French]

2. **Grantor's jurisdiction of incorporation: Ontario**

3. **Grantor's registered office address: ■**

4. **Location of Grantor's business operations and records: ■**

From: Whitfield, Tobias P. (MOF)
To: John Kim; Opal Kandelas
Cc: Malle Hanslep (MOF)
Subject: IESO Security Agreement
Date: Monday, November 20, 2017 4:57:48 PM

John and Opal,

We have reviewed the Nov. 7 draft of the Security Agreement, and I have discussed the issues with our outside counsel.

The Nov. 7 draft updated the terms of the Security Agreement such that they have a broader application than the earlier draft that we had based our previous discussions on. The earlier draft had carved out appropriations from the collateral.

However, in both instances the collateral includes all accounts of the IESO (other than the Appropriations amounts in the earlier draft), all cash and proceeds from LDCs.

To the extent that the amounts owed by the IESO to the Financing Entity are matched by actual proceeds to the IESO from ratepayers that flow through the LDCs on account of a Clean Energy Adjustment, the security interest would only give the Financing Entity an ability to attach to an amount of collateral that would be equal to that cash that is available from the amounts that the LDCs have charged to ratepayers.

However, there is a risk that the Clean Energy Adjustments would not be sufficient to pay the amount owing by the IESO to the Financing Entity in general or in any one period. In such an instance, the security interest would give the Financing Entity a priority in the IESO's assets that would put them ahead of unsecured creditors, including the OFA and the OEFC. We are not sure what the extent of this risk is because we have not seen the final draft of the regulations that determine how much is payable in each period, and how that relates to the obligations to the Financing Entity.

I have not spoken to Energy Legal on this point, but have asked for their input. They may not have been involved with these discussions, though, so I am not sure if they will have anything to add.

Please let me know if you would like to discuss further.

Toby

Tobias Whitfield
Counsel, Legal Services Branch
Ministry of Finance
777 Bay Street, 11th Floor
Toronto, ON, M5G 2C8
tobias.whitfield@ontario.ca
Phone: 416-325-1456

From:	John Kim
To:	Opal Kandelas
Subject:	IESO-OEFC Note_v3Clean_Markup.docx
Date:	Monday, November 20, 2017 12:42:17 PM
Attachments:	IESO-OEFC Note_v3Clean_Markup.docx

Hi Opal,

Let me know if you're OK with this version. I put CMD – Operations in square bracket pending your review.

Thanks,

John

OEFC -- IESO CREDIT FACILITY AGREEMENT & THE PERMITTED LIENS

ISSUE

The Independent Electricity System Operator ("IESO") has requested that OEFC amend the existing credit facility agreements between OEFC and IESO (for $160M and $120M) to address the additional obligations IESO is taking on under Ontario's Fair Hydro Plan. IESO has indicated that OEFC credit facilities will not be used for Ontario Fair Hydro Plan (FHP) purposes.

CONTEXT - IESO'S REQUEST

- The FHP requires the IESO and Ontario Power Generation (OPG) to work together to refinance Ontario's clean energy investments over a longer period of time. IESO and OPG are in a discussion to grant a security/priority interest on IESO's assets to OPG Trust for the period of the first 4 years of the GA deferral.

- The IESO is planning to seek its Board's approval on Nov 22, 2017 for the security agreement. Without amending the existing OEFC $160M and $120M credit facility agreements (the "OEFC Agreements"), IESO could potentially be considered to be in default of the terms of the agreements. IESO staff wrote:

  > *"…it likely is best to add to the definition of "Permitted Liens" in the two OEFC facilities to address a) IESO granting security to the OPG Trust during the first 4 years of fair hydro program and b) the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default."*

- In order to address this issue, the IESO has requested to amend the definition of the "permitted liens" in both existing OEFC Agreements to include any liens related to the FHP. Specifically, adding a clause in the existing OEFC Agreements that any lien related to OFHP will not be viewed as negative pledge by OEFC, so those liens can be used to secure the performance of IESO's obligations to OPG under the FHP. This would allow IESO to grant security to the OPG Trust during the first 4 years of implementing the GA deferral and also avoid of breaching the terms of existing agreements.

- To support IESO's role in the implementation and participation under the Ontario Fair Hydro Plan Act, 2017 ("OFHP Act") in July 2017, the IESO had requested the OFA to make the same request to the credit facility agreements with OFA in October.
  - On November 6, 2017, the OFA amended the $475M facility to amend the definition of the "permitted liens" and also included same for the new $2B credit facility agreement between OFA and the IESO , as requested by the IESO.

CONSIDERATIONS

- OFA'S Capital Markets – Operations staff have commented that the legislation governing OEFC, the *Electricity Act, 1998*, may provide differing context from the OFA's objects and mandate under the *Capital Investment Plan Act, 1993*. [This was a bullet suggested by CMD – Operations.]

Commented [JK1]: Unless Documentation can provide specific differences that are significant, I suggest we delete.

- With the new security agreement between OPG Trust and IESO, OPG Trust would have a priority claim against potentially the Clean Energy Adjustment funds collected by or flown-through the IESO, the OEFC could find itself unable to collect payments due from the IESO. The likelihood of this scenario could be assessed as low and IESO is an agency of the government consolidated line-by-line in the Province's accounts. [This was a bullet inserted by CMD – Operations.]

- The OFA included the requested changes in the OFA credit facilities, providing a precedent of having considered the changes/inclusion of the same request. Treating the current request differently by

seeking either a Minister's directive or not granting the IESO its request would mean having to take steps on the OFA credit facilities which were either signed recently or amended recently.

RECOMMENDATIONS

- In order to remain consistent with the language recently incorporated in existing IESO-OFA agreements, OFA staff are of the view that the exisiting OEFC Agreements can be amended to include liens related to FHP under the definition of the "permitted liens". [TBD]

BACKGROUND

- In order to support IESO's role with the implementation of the OFHP Act, OFA staff made similar changes to the definition of 'permitted liens" in existing OFA-IESO credit facility agreements on November 6, 2017.

- Currently, under the existing credit facility agreements between OEFC and the IESO, the definition of "permitted liens" does not include any lien arising from the IESO's role and obligations under the OFHP, including with respect to any amount received or receivable by the IESO (such as, without limitation, amounts received or receivable in respect of the Clean Energy Adjustment), or any other lien, whether arising from the action or inaction of IESO, that is created in connection with the OFHP.

Electricity Finance Branch / Corporate and Electricity Finance Division [&
Capital Markets Operations, Capital Markets Division]
Ontario Financing Authority
November ~~15~~20, 2017

Commented [JK2]: There have been some changes since last week so put CMD – Operations in square brackets.

From: Opal Kandelas
To: Sarah Harris
Subject: IESO-OEFC Note_v4.docx
Date: Monday, November 20, 2017 4:20:54 PM
Attachments: IESO-OEFC Note_v4.docx
ATT00001.txt

FYI. Some comments accepted.

OEFC -- IESO CREDIT FACILITY AGREEMENT & THE PERMITTED LIENS

~~ISSUE~~

The Independent Electricity System Operator ("IESO") has requested that OEFC amend the existing credit facility agreements between OEFC and IESO (for $160M and $120M) to address the additional obligations IESO is taking on under Ontario's Fair Hydro Plan. IESO has indicated that OEFC credit facilities will not be used for Ontario Fair Hydro Plan (FHP) purposes.

~~CONTEXT –~~ IESO'S REQUEST

- Under t~~T~~he FHP, ~~requires~~ the IESO and Ontario Power Generation (OPG) are interacting~~to work together~~ to refinance ~~Ontario's clean energy investments~~a portion of the Global Adjustment over a longer period of time.

- IESO and OPG are in a discussion to grant a security/priority interest on IESO's assets to OPG Trust for the period of the first 4 years of the GA deferral.

- The IESO is planning to seek its Board's approval on Nov 22, 2017 to enter into a ~~for the~~ security agreement with OPG Trust. The security agreement is currently in draft form. Without amending the existing OEFC $160M and $120M credit facility agreements (the "OEFC Agreements"), IESO could potentially be considered to be in default of the terms of the security agreement~~s~~. IESO staff wrote:

  > *"…it likely is best to add to the definition of "Permitted Liens" in the two OEFC facilities to address a) IESO granting security to the OPG Trust during the first 4 years of fair hydro program and b) the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default."*

- In order to address this issue, the IESO has requested to amend the definition of the "permitted liens" in both existing OEFC Agreements to include any liens related to the FHP. Specifically, adding a clause in the existing OEFC Agreements that any lien related to OFHP will not be viewed as negative pledge by OEFC, so those liens can be used to secure the performance of IESO's obligations to OPG under the FHP. This would allow IESO to grant security to the OPG Trust during the first 4 years of implementing the GA deferral and also avoid ~~of~~ breaching the terms of the existing agreements with OEFC.

- To support IESO's role in the implementation and participation under the Ontario Fair Hydro Plan Act, 2017 ("OFHP Act"), in July 2017, the IESO had requested that the OFA ~~to~~ make ~~the same~~similar ~~request~~ changes to the credit facility agreements with OFA in October.
  - On November 6, 2017, the OFA amended the $475M facility to amend the definition of ~~the~~ "permitted liens" and also included same for the new $2B credit facility agreement between OFA and the IESO , as requested by the IESO.

CONSIDERATIONS

- ~~OFA'S Capital Markets – Operations staff have commented that the legislation governing OEFC, the *Electricity Act, 1998*, may provide differing context from the OFA's objects and mandate under the *Capital Investment Plan Act, 1993*.~~

- With the proposed new security agreement between OPG Trust and IESO, OPG Trust would have a priority claim against potentially the Clean Energy Adjustment funds collected by or flowing~~n~~-through the IESO, the OEFC could find itself unable to collect payments due from the IESO. The likelihood of this scenario could be assessed as low.

Formatted: Indent: Left: 0.25", No bullets or numbering

Commented [JK1]: Or vice versa, their agreements with the OEFC but this is fine.

Commented [JK2]: Unless Documentation can provide specific differences that are significant, I suggest we delete.

Commented [OK3R2]: The fact that OFA's objects/mandate are detailed under CIPA is a distinct differentiation from OEFC. This is relevant as it goes to the reach of OFA, which OEFC does not share.

Formatted: Indent: Left: 0", Bulleted + Level: 1 + Aligned at: 0.25" + Indent at: 0.5"

Formatted: Font: +Body (Calibri), 11 pt

Formatted: Indent: Left: 0.5", No bullets or numbering

- ~~and~~ IESO is an agency of the government consolidated line-by-line in the Province's accounts. ~~[This was a bullet inserted by CMD – Operations.]~~

- The OFA agreed to IESO's requested changes to ~~included the requested changes in~~ the OFA credit facilities.~~,~~

- OFA'S Capital Markets~~—~~ Operations staff have commented that the legislation governing OEFC, the *Electricity Act, 1998*, may provide differing context from the OFA's objects and mandate under the *Capital Investment Plan Act, 1993*, and any changes to the OEFC agreements should take this into account. ~~providing a precedent of having considered the changes/inclusion of the same request. Treating the current request differently by seeking either a Minister's directive or not granting the IESO its request would mean having to take steps on the OFA credit facilities which were either signed recently or amended recently.~~

Commented [JK4]: Given that we are moving towards a consensus, the rest of the sentence is moot.

Formatted: Font: +Body (Calibri), 11 pt

Formatted: Indent: Left: 0.5", No bullets or numbering

Commented [JK5]: Unless Documentation can provide specific differences that are significant, I suggest we delete.

Commented [OK6R5]: The fact that OFA's objects/mandate are detailed under CIPA is a distinct differentiation from OEFC. This is only relevant as it goes to the reach of OFA. Not fussed if you wish to delete.

Commented [OK7]: The OFA and OEFC are different corporate entities, so treatment of each may be different depending on the circumstances, even when dealing with the same borrower.

Commented [OK8]: The OFA credit facility was provided pursuant to the minister's directive, so seeking a minister's directive wrt OEFC would be consistent with how OFA was treated. Not suggesting this is necessary.

RECOMMENDATIONS

- In order to support IESO's request in relation to its obligation with respect to FHP~~remain consistent with the language recently incorporated in existing IESO-OFA agreements~~, OFA staff are of the view that the exisiting OEFC Agreements can be amended to include liens related to FHP under the definition of the "permitted liens".

BACKGROUND

- In order to support IESO's role with the implementation of the OFHP Act, OFA staff made similar changes to the definition of 'permitted liens" in existing OFA-IESO credit facility agreements on November 6, 2017.

- Currently, under the existing credit facility agreements between OEFC and the IESO, the definition of "permitted liens" does not include any lien arising from the IESO's role and obligations under the OFHP, including with respect to any amount received or receivable by the IESO (such as, without limitation, amounts received or receivable in respect of the Clean Energy Adjustment), or any other lien, whether arising from the action or inaction of IESO, that is created in connection with the OFHP.

Electricity Finance Branch / Corporate and Electricity Finance Division &
Capital Markets Operations, Capital Markets Division
Ontario Financing Authority
November ~~15~~20, 2017

Sent from my iPhone

From: Opal Kandelas
To: Sarah Harris
Subject: IESO
Date: Tuesday, April 03, 2018 10:29:31 AM

Hi Sarah,

I know you are working on the IESO & OPG summaries, but let me know if I have this correct or if I'm missing anything:

Amend OEFC-IESO Credit Facility – extended term and increased from $95M to $160M
Amend OEFC-IESO Loan Agreement - extended term and increased size from $90M to $120M
For the Fair Hydro Plan – (i) New OFA lending OIC (ii) OFA-IESO $2B Credit Facility (iii) Amend OFA-IESO credit facility decrease $975M-$475M

Thanks,
Opal

From:	Sarah Harris
To:	Opal Kandelas
Subject:	Just an FYI in case anyone is asking tomorrow
Date:	Thursday, May 25, 2017 4:07:16 PM
Attachments:	RE OIC s22 CIPA - OFA-IESO.msg RE OIC s22 CIPA - OFA-IESO.msg

---

I'm attaching my comments on the draft package for the OFA OIC in relation to IESO for the FHP.

Hurrah for government acronyms.

Sarah Harris
Manager, Operations
Capital Markets Division
Ontario Financing Authority
1 Dundas Street West, Suite 1400
Toronto, ON M7A 1Y7
416-325-8193
sarah.harris@ofina.on.ca

From: Sarah Harris []
To: Salman Qadir [Salman.Qadir@ofina.on.ca]; Patrick Rundans (MOF) [Patrick.Rundans@ontario.ca]
CC: Shajee Kathirgamanathan [Shajee.Kathirgamanathan@ofina.on.ca]; Bruno Amara [Bruno.Amara@ofina.on.ca]
Subject: RE: OIC s22 CIPA - OFA-IESO
Date: Thursday, May 25, 2017 14:16:46
Attachment 1: 1 - CIPA - OIC s22 - OFA_FHP - LRC_MinistryApprovalForm v3.doc
Attachment 2: 2 - CIPA - OIC s22 - OFA_FHP - LRC_Memo CEO to DM.doc
Attachment 3: 3 - CIPA - OIC s22 - OFA_FHP - LRC_Memo DM to Minister.doc

---

Hi Salman and Patrick,

I was sick yesterday and did not have the opportunity to comment on the drafts. Please see my comments, attached.

Patrick – my understanding (through Dimitri working on the other OFA OIC for name changes) is that the materials for the June 27th LRC are due to be delivered to the DMO office by EOD tomorrow. Is this your understanding? Salman – if this is the case, this OIC package will need to be signed by Gadi tomorrow and delivered to Patrick tomorrow for LSB's sign-off as well (Patrick I'm assuming you would be delivering the package).

Salman, you'll also have to make sure that a) the item has been entered into EVISTA by the DMO and you have the EVISTA number and 2) that you have made them aware that the package is coming. To that point, you should also coordinate with Anna in Gadi's office to let her know that you will have package for signing by Gadi and to confirm his availability. You'll need a covering blue sign-off sheet. Let me know if you need some of the 'special blue paper' for printing.

Finally, on the LRC approval form, you can insert the following as the Policy Advisor at the DMO: DMO contact: Jonathan Tekle 416-325-8736. You should be able to touch base with Jonathan to confirm the following information for your LRC Approval Form:

Cabinet Office Policy

[name]

[title]

Cabinet Office

Thanks,

Sarah

From: Salman Qadir
Sent: Tuesday, May 23, 2017 5:16 PM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>; Patrick Rundans (MOF) <Patrick.Rundans@ontario.ca>
Cc: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: OIC s22 CIPA - OFA-IESO

Hi Sarah/Patrick,

For your review, attached is the revised LRC note and draft memos. We've also asked DMO to let us know about timeline and obtaining an EVISTA number for this.

I'm not in the office rest of the week but will have limited access to my emails, but please do cc' Shajee and Bruno on emails in case there is something urgent.

Will keep you posted on any further developments.

Thank you,

Salman

LEGISLATION AND REGULATIONS COMMITTEE:
MINISTRY APPROVAL FORM

LRC Tracking #: (e.g. REG-8733, OICNA-11556, DLEG-488)
EVista Tracking #: (e.g. SUB-REG-2009-334)

Commented [SH1]: To be filled in.

Ministry of X

Capital Investment Plan Act

Order in Council

Profile at a Glance

Priority: Consequential to Commitment
Public Interest: Low
Key Stakeholder Interest: Very high
New Costs/Burdens: Yes for Government
New Savings/Opportunities: Yes for Government

Proposed Items for Review

1. Approval of Order in Council ("OIC") under section 22 of the *Capital Investment Plan Act, 1993 ("CIPA"),* authorizing the Minister of Finance to make a loan to the Ontario Financing Authority ("OFA").

Approvals required prior to LRC

	Committee and date	Cabinet Date
Policy		
TB/MBC		June 27, 2017

Deputy Minister _____ Date _____

Minister _____ Date _____

CONFIDENTIAL CABINET DOCUMENT
LRC Ministry Approval Form – version 10.02

s. 1 Proposal and Context

- Approval is being sought for an OIC under section 22 of *Capital Investment Plan Act, 1993* ("CIPA")~~CIPA~~, which will authorize the Minister of Finance to provide ~~a~~ loan(s) to the OFA in an amount of up to $3.5 billion. This authorization will be valid between the date of ~~this approval~~the OIC is approved and ~~March 31~~June 30, 2053.

- Subsection 22(1) of CIPA authorizes the Minister of Finance to make loans to the OFA authorized by the Lieutenant Governor in Council ("LGIC"). Subsection 22(2) provides a statutory appropriation for loans made by the Minister to the OFA under subsection 22(1).

- This proposed OIC is required to fulfil the commitments under the proposed Fair Hydro Act. The timing of this OIC is critical to ensure borrowing authority for the OFA is available as it will be required to provide financing arrangements upon the enactment of the proposed Fair Hydro Plan Act.

-

s. 2 Approach and Intended Outcomes

- The OFA provides financing to government entities as directed by the Minister of Finance. For the OFA to on-lend, the OFA borrows from the Province. This OIC would authorize the Minister of Finance under section 22 of CIPA to provide loans to the OFA.

- As per subsection 3(1) of CIPA, the Minister of Finance is responsible for the administration of CIPA with respect to the OFA.

- This proposed OIC is required to fulfil the commitments under the proposed Fair Hydro Act.

- The OFA will be required to provide a revolving credit facility for market liquidity purposes related to the on-going Fair Hydro Plan Act. In particular, the OFA will be lending to the Independent Electricity System Operator ("IESO").

- A key element of the proposed Fair Hydro Plan Act results in the IESO ~~to~~ incurring a funding shortfall and unilaterally selling that shortfall as an asset to

Commented [SH2]: For consistency, "the" in front of "IESO" needs to be included throughout the document or excluded throughout (see paragraphs below, where "the" is missing)

OPG Trust. The proposed legislation does not compel OPG Trust to purchase any portion of the regulatory asset. As a result, IESO requires short-term financing in place in the event ~~if for some reason~~ the OPG Trust, at any time, chooses not to purchase a portion of the deferred Global Adjustment amounts under the proposed Fair Hydro Plan Act.

- IESO has currently requested that the OFA provide a revolving credit facility of up to $2 billion to support its role in the Fair Hydro Plan implementation. The $2 billion request from IESO is based on current data; it is possible that the data (?) may ~~which could~~ change and ~~in order to maintain the Fair Hydro Plan Act and the OIC authorization is~~ an amount of $3.5 billion is required for the OIC to ensure there is sufficient contingency in order to maintain the Fair Hydro Plan Act once ~~in place once~~ the implementation begins~~.~~.

- For the OFA to accommodate this request, an OIC must be approved to permit the OFA to ~~can only~~ on-lend funds borrowed from the Minister of Finance.
  ~~, which are authorized under an OIC, hence this request.~~

- The Minister of Finance will be required to provide a Directive to the OFA for any loans made as a result of this OIC and will subject to the of $3.5 billion set by this OIC.

Formatted: Font: 11 pt, Font color: Auto, English (United States)

Formatted: Indent: Left: 0.25", No bullets or numbering

s. 3 Direction and Urgency

Note appendices here, or ERASE, e.g.
See Appendix X, Variance Memo

- As announced on March 2, 2017 and highlighted as a commitment in the 2017 Ontario Budget ~~2017~~, the Province intends to implement the Fair Hydro Plan which would reduce electricity bills by 25 per cent on average for eligible households.

Formatted: Indent: Left: 0.25", No bullets or numbering

- The ability for the OFA to have the borrowing and on-lending capacity is instrumental in implementing the proposed Fair Hydro Plan.

- The Fair Hydro Plan ~~and its related proposed Fair Hydro~~ Act ~~are~~ is expected to track for Cabinet approval by end of June 2017. It is expected that this OIC will also be approved concurrently, as it is a crucial component of the successfull~~y~~ implement~~ing~~ation of the Fair Hydro Plan.

Formatted: Indent: Left: 0.25", No bullets or numbering

- The related Cabinet Minute XXXXX is tracking for June 27, 2017 date.

s. 4 Impact Assessment and Costs

- With this OIC, the Minister of Finance will be authorized to lend to the OFA. Subject to the terms and conditions of a Directive from the Minister of Finance, loans from the Minister of Finance to the OFA are expected to be at the Province's Cost of Funds.
- Loans advanced will result in increased borrowing in the debt markets by the Province.
- Loans are expected to be repaid and therefore, no fiscal impact is expected.

Commented [SH3]: Not sure if this is required, but if so, it may be better use plain language, as cost of funds may be an unfamiliar term to non-finance folks.

Formatted: Indent: Left: 0.25", No bullets or numbering

Formatted: No bullets or numbering

s. 5 Implementation

- If the OIC is approved and signed, the Minister of Finance will have authorization to provide a loan to the OFA. ~~The~~A D~~d~~irective from the Minister will be required that will provide direction on~~provides details on~~ how the OFA can use the proceeds of the loan.

s. 6 Delivery and Results Tracking

- As described in section 2 above, the requirement for this OIC is a result of the Province's proposed Fair Hydro Plan and is required to ensure the timely implementation and support for the success of the Fair Hydro Plan.

s.7 Stakeholder Consultations

- As described in section 2 above, the requirement for this OIC is a result of the Province's proposed Fair Hydro Plan. The related Cabinet note for the initiative should be referred to.

s.8 Other Jurisdictions and Harmonization

Note appendices here, or ERASE, e.g.
See Appendix X, Comparison with Quebec

- N/A

s. 9 Communications

Note appendices here, or ERASE, e.g.
See Appendix X, Communications Plan

- N/A

s. 10 Contacts and Appendices

Contacts

	Name	Phone Number
Ministry Policy/Program	[name] [Manager], Electricity Finance Branch Ontario Financing Authority	
Ministry Legal	Patrick Rundans Legal Counsel, Legal Services Branch Ministry of Finance	416-212-4538
Ministry Communications	N/A	N/A
Assistant or Deputy Minister's Office	[name] Policy Advisor Deputy Minister's Office	
Cabinet Office Policy	[name] [title] Cabinet Office	

Appendices

Appendix A: The Proposed OIC

Ontario Financing Authority
1 Dundas Street West
Suite 1400
Toronto ON M7A 1Y7
(416) 325-8000

Office ontarien de financement
1 rue Dundas ouest
Bureau 1400
Toronto ON M7A 1Y7

June , 2017

MEMORANDUM TO: Scott Thompson
Deputy Minister of Finance

FROM: Gadi Mayman
Chief Executive Officer

SUBJECT: **Approval of an Order in Council related to the proposed Fair Hydro Act**

Attached for the Minister's approval and signature is an Order in Council ("OIC") under section 22 of the *Capital Investment Plan Act* ("CIPA") for the purpose of authorizing the Minister of Finance to make loan~~(s)~~ to the Ontario Financing Authority ("OFA"). The proceeds from these loans will allow the OFA to on-lend to the Independent Electricity Systems Operator ("IESO") as required under the Province's proposed Fair Hydro Plan Act.

Under the mechanism in the proposed Fair Hydro Plan Act, the IESO requires a revolving credit facility to cover clean energy costs if for some reason the Trust, at any time, chooses not to purchase a portion of the deferred Global Adjustment amounts. For the OFA to lend to the IESO, the OFA must be able to borrow from the Minister of Finance to on-lend. This proposed OIC authorizes the Minister of Finance to lend up to Canadian $3.5 billion to the OFA.

Commented [SH1]: Not sure if this level of description is required? Is it possible to delete and to combine the 1st and 2nd paragraphs ?

Attached for your signature is a memorandum from you to the Minister requesting that the Minister approve the OIC. This OIC is on track to be approved on June 27, 2017 together with proposed submission related to the proposed Fair Hydro Plan Act.

Staff are available to address any questions you may have regarding this matter.

Gadi Mayman

Attachment

Ministry of Finance
Office of the
Deputy Minister

Frost Building South
7 Queen's Park Cr
Toronto ON M7A 1Y7
Tel (416) 325-1590
Fax (416) 325-1595

Ministère des Finances
Bureau du
sous-ministre

Édifice Frost sud
7 Queen's Park Cr
Toronto ON M7A 1Y7
Tél (416) 325-1590
Téléc (416) 325-1595

Ontario

MEMORANDUM TO: The Honourable Charles Sousa
Minister of Finance

FROM: Scott Thompson
Deputy Minister of Finance

SUBJECT: **Approval of an Order in Council related to the proposed Fair Hydro Act**

Attached for your approval and signature is an Order in Council ("OIC") under section 22 of the *Capital Investment Plan Act* ("CIPA") for the purpose of obtaining authorization to make loan~~(s)~~ to the Ontario Financing Authority ("OFA"). The proceeds from these loans will allow the OFA to on-lend to the Independent Electricity Systems Operator ("IESO") as required under the Province's proposed Fair Hydro Plan Act.

Under the mechanism in the proposed Fair Hydro Plan Act, the IESO requires a revolving credit facility to cover clean energy costs if for some reason the Trust, at any time, chooses not to purchase a portion of the deferred Global Adjustment amounts. For the OFA to lend to the IESO, the OFA must be able to borrow from the Minister of Finance to on-lend. This proposed OIC authorizes the Minister of Finance to lend up to Canadian $3.5 billion to the OFA.

Commented [SH1]: Not sure if this level of description is required? Is it possible to delete and to combine the 1st and 2nd paragraphs ?

Staff of the Ontario Financing Authority are available to address any questions you may have regarding this matter.

Scott Thompson

Attachment
c. Gadi Mayman

From: Sarah Harris []
To: Salman Qadir [Salman.Qadir@ofina.on.ca]; Patrick Rundans (MOF) [Patrick.Rundans@ontario.ca]
CC: Shajee Kathirgamanathan [Shajee.Kathirgamanathan@ofina.on.ca]; Bruno Amara [Bruno.Amara@ofina.on.ca]
Subject: RE: OIC s22 CIPA - OFA-IESO
Date: Thursday, May 25, 2017 15:46:58

Hi Salman,

I think the DMO would need to get the ok from CO, so I would ask DMO specifically what the latest acceptable cut off would be. I doubt Monday would be a problem, though.

Sarah

From: Salman Qadir
Sent: Thursday, May 25, 2017 3:06 PM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>; Patrick Rundans (MOF) <Patrick.Rundans@ontario.ca>
Cc: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: Re: OIC s22 CIPA - OFA-IESO

Hi Sarah,

Thanks for this. DMO is aware and we now have a tracking number: OICNA-13188.

Since we have a tracking number, can this wait a few days? I note that Gadi is away this week anyways (Ron is acting) and DMO is aware of this. I assume if its okay with DMO, we can wait?

Thanks,

Salman

From: Sarah Harris
Sent: Thursday, May 25, 2017 2:16 PM
To: Salman Qadir; Patrick Rundans (MOF)
Cc: Shajee Kathirgamanathan; Bruno Amara
Subject: RE: OIC s22 CIPA - OFA-IESO

Hi Salman and Patrick,

I was sick yesterday and did not have the opportunity to comment on the drafts. Please see my comments, attached.

Patrick – my understanding (through Dimitri working on the other OFA OIC for name changes) is that the materials for the June 27th LRC are due to be delivered to the DMO office by EOD tomorrow. Is this your understanding? Salman – if this is the case, this OIC package will need to be signed by Gadi tomorrow and delivered to Patrick tomorrow for LSB's sign-off as well (Patrick I'm assuming you would be delivering the package).

Salman, you'll also have to make sure that a) the item has been entered into EVISTA by the DMO and you have the EVISTA number and 2) that you have made them aware that the package is coming. To that point, you should also coordinate with Anna in Gadi's office to let her know that you will have package for signing by Gadi and to confirm his availability. You'll need a covering blue sign-off sheet. Let me know if you need some of the 'special blue paper' for printing.

Finally, on the LRC approval form, you can insert the following as the Policy Advisor at the DMO: DMO contact: Jonathan Tekle 416-325-8736. You should be able to touch base with Jonathan to confirm the following information for your LRC Approval Form:

Cabinet Office Policy

[name]

[title]

Cabinet Office

Thanks,

Sarah

From: Salman Qadir
Sent: Tuesday, May 23, 2017 5:16 PM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>; Patrick Rundans (MOF) <Patrick.Rundans@ontario.ca>
Cc: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: OIC s22 CIPA - OFA-IESO

Hi Sarah/Patrick,

For your review, attached is the revised LRC note and draft memos. We've also asked DMO to let us know about timeline and obtaining an EVISTA number for this.

I'm not in the office rest of the week but will have limited access to my emails, but please do cc' Shajee and Bruno on emails in case there is something urgent.

Will keep you posted on any further developments.

Thank you,

Salman

From: Sarah Harris
To: Opal Kandelas
Cc: Jean-Francois Beaupre
Subject: Just researching....
Date: Friday, November 10, 2017 1:28:25 PM

A fairly elegant little summary

http://www.ieso.ca/en/sector-participants/settlements/global-adjustment-for-class-b

Administering the Variance Account under Ontario's Fair Hydro Plan

In accordance with the Fair Hydro Plan, the IESO will continue to invoice affected customers – but not collect – the full amount of Global Adjustment (GA) every month. The deferred portion of the GA not paid by these customers under the Fair Hydro Plan will be recorded in a variance account, constituting a regulatory asset. This regulatory asset may from time to time be transferred to a financing entity. The Ontario Energy Board will determine the rates, at later date, for recovery of the Fair Hydro Plan amounts through the Clean Energy Adjustment.

The IESO reports the monthly amount of deferred GA under the Fair Hydro Plan here.

Sarah Harris
Manager, Operations
Capital Markets Division
Ontario Financing Authority
1 Dundas Street West, Suite 1400
Toronto, ON M7A 1Y7
416-325-8193
sarah.harris@ofina.on.ca

From:	Whitfield, Tobias P. (MOF)
To:	Kelly Listoe; Opal Kandelas; Sarah Harris
Cc:	Malle Hanslep (MOF)
Subject:	NDA Agreement
Date:	Monday, April 03, 2017 11:58:02 AM
Attachments:	GA NDA April 3.doc Sample Advisory Agreement.PDF

Please find attached a draft of a Non-Disclosure Agreement respecting obtaining advice from a financial adviser with respect to the Ontario Fair Hydro Plan.

Please note that this draft is preliminary, and we have a number of questions and concerns that are set out in the draft. We would like to point out that there is no agreement setting out the scope or nature of the services and the basis on which those services would be provided including the standard that is required from the adviser as well as conflict of interest requirements and other issues, and that the NDA does not replace such an agreement.

We have also attached a scan of an agreement that the OFA negotiated in 2004 to hire an adviser for a project relating to electricity finance as an example of such an agreement and the types of provisions that could be considered for inclusion in such an agreement.

Best
Toby

Tobias Whitfield
Counsel, Legal Services Branch
Ministry of Finance
777 Bay Street, 11th Floor
Toronto, ON, M5G 2C8
tobias.whitfield@ontario.ca
Phone: 416-325-1456

Confidential and Privileged Legal Advice – April 1, 2017 – MOF LSB
Note regarding this NDA and the retention of an adviser:

We have a number of questions relating to this NDA, and issues that should be considered in retaining an adviser:

- We have not been able to confirm what the scope of the advice being sought is. If the advice is restricted to advising on market timing and potential demand for certain securities, this is more limited than broader advice relating to structuring the transaction;
- We think it should be clear who the adviser is working for, and how the advice will be presented to the Province. If the advice is going to be to the Ministry of Energy or the Minister of Finance, will be given through the OFA?;
- Are there potential conflicts of interest between the adviser's role as an adviser and as a potential underwriter or other business of the adviser?

In addition, it should be considered whether it is appropriate to have an adviser without an agreement for the services that the adviser would be providing. The NDA protects the Province with respect to the disclosure of the information to third parties, but it does not set out the role, responsibilities or other matters relating to conflicts or other duties of the adviser. Terms of such an agreement that may be considered in such a context include:

- Scope of engagement;
- Performance Warranty – setting out the standard to which the adviser is to carry out the work and provide advice;
- Copyright and IP provisions;
- Conflict of interest provisions – setting out the primary duties of the adviser and how they must conduct themselves with respect to any potential conflicts;
- Indemnities – setting out the adviser's indemnities to the OFA for certain risks.

Non-Disclosure Agreement

This Agreement is made effective this day of

BETWEEN:

[ONTARIO FINANCING AUTHORITY][NTD: WHO WILL BE THE CONTRACTING PARTY?]
(hereinafter called "OFA")

- and -

[ADVISER/DEALER]
(hereinafter called "**[Adviser/Dealer]**")

WHEREAS OFA intends to provide to **[Adviser/Dealer]**, on a confidential basis, certain information, materials and documentation (the "Project Information") concerning or relevant to a proposed initiative relating to a electricity prices in the Province and measures to mitigate such prices, (the "Project") for the limited purposes of conducting discussions with **[Adviser/Dealer]** and receiving an [**informal][NTD: Need to consider scope of retainer]** assessment/advice from **[Adviser/Dealer]** in relation thereto;

NOW THEREFORE, in consideration of the payment of $2.00 Canadian and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by **[Adviser/Dealer]**, the parties agree as follows:

1. **Project Information**
The term "Project Information" shall include the data, information, specifications, plans, criteria, strategies, materials, notes, analyses, studies, interpretations and other documents regarding the Project which is provided to **[Adviser/Dealer]**by or on behalf of [**OFA]** [or Her Majesty in right of Ontario (the "Province")] for the purposes of this Agreement, verbally or in any medium whatsoever, as the case may be, and includes any copies, summaries, restatements or extracts thereof.

2. **Non-Disclosure of the Project Information**
Without the prior written consent of **[OFA]**, which consent may be withheld in [**OFA]'s** unfettered discretion, **[Adviser/Dealer]** will not disclose to any person or entity:

(a) the Project Information, or any portion thereof, provided to it under this Agreement;

(b) the fact that the Province and the **[OFA]** are considering the Project identified in the Project Information; or

(c) the fact that the Project lnformation has been made available by **[OFA]** to **[Adviser/Dealer]** or others.

3. **Use of the Project Information**

[Adviser/Dealer] acknowledges that the Project Information to be provided to it under this Agreement is confidential and proprietary information of **[OFA]** and/or the Province [NTD: Could it also be information of OPG?] and may be privileged. **[Adviser/Dealer]** agrees that the Project Information will be used by **[Adviser/Dealer]** only to facilitate discussions between **[Adviser/Dealer]** and **[OFA]** regarding the Project identified therein, and to provide advice and/or further information to **[OFA]** in connection therewith and will not use the Project Information, directly or indirectly, for any other purpose.

4. **Recording and Copying**

[Adviser/Dealer] shall track and control all hard copies and electronic copies of the Project Information.

5. **Restriction on Disclosure**

[Adviser/Dealer] shall not disclose, transfer or provide access to any of the Project Information to any person or entity, other than to those employees, partners, , directors or officers of **[Adviser/Dealer]** who need to know the Project Information in furtherance of the purposes of this Agreement.

6. **Internal Personnel**

Prior to disclosing any of the Project Information to any of its employees, partners,, directors or officers, **[Adviser/Dealer]** shall inform each such person of all of the obligations contained in this Agreement. The Adviser/Dealer shall identify in writing to the OFA those individuals who will be primarily responsible for providing the advice/assessment to the OFA as set out in paragraph 3 and shall not replace or substitute those individuals without the prior written approval of OFA. The Adviser/Dealer shall keep a list of all such employees, partners, director or officers to whom the Project Information is disclosed and provide it to the OFA upon request. **[Adviser/Dealer]** agrees to enforce such obligations to the extent required to prevent the unauthorized disclosure or use of the Project Information or other contravention of this Agreement and agrees to be responsible for and to indemnity and save harmless the OFA and the Province from and against any loss, cost, damage, expense and liability suffered or incurred by the OFA and/or the Province arising out of any breach of confidentiality by its employees, partners, , directors or officers. The Adviser/Dealer acknowledges that the OFA holds the benefit of this indemnity in trust for itself and the Province and that the OFA can enforce such indemnity on behalf of the Province.

7. **Security**

[Adviser/Dealer] shall take reasonable steps to keep the Project Information secure. The Project Information shall be maintained, in the case of hard copies, in a locked cabinet when not in use, and in a secure location when in use, and maintained, in the case of electronic information, including back-up copies, in a database that is only accessible to employees, officers, partners or directors of Adviser/Dealer to whom the Information can be disclosed under this Agreement.

8. **Retention, Return or Destruction of Project Information**

[Suggest we do not include this unless requested to.]

Adviser/Dealer] shall return to **[OFA]** all of the Project Information in the custody or control of **[Adviser/Dealer]** or its employees, , partners, directors or officers, that was provided to **[Adviser/Dealer]** whether it is in hard copy form, on disk or contained in any other medium whatsoever, immediately upon **[OFA]**'s written request, and any copies or extracts of the Project Information in written form, in electronic form or in any medium whatsoever, shall be deleted permanently or destroyed in accordance with **[OFA]**'s instructions. If no request is made by **[OFA]** for the return or destruction of the Project Information, the Project Information shall be returned to **[OFA]** within [twenty (20) business days] [NTD: 20 days is probably too soon – possibly we can delete this sentence and just rely on OFA to tell Dealer when to destroy or return.] after the date of this Agreement and any copy or extract, will be deleted permanently or destroyed by **[Adviser/Dealer]** and **[Adviser/Dealer]** shall, if requested by **[OFA]**, provide a certificate certifying such deletion or destruction.

9. **Breach**

[Adviser/Dealer] acknowledges that breach of any provision of this Agreement will result in immediate and irreparable harm to **[OFA] and the Province** and that monetary damages will not provide a sufficient remedy for any breach and agrees that in the event of such breach **[OFA]** and the Province shall, in addition to any other relief, be entitled to seek equitable relief including without limitation relief by way of temporary or permanent injunction and to such other relief that any court of competent jurisdiction may deem just or appropriate. Any breach known to **[Adviser/Dealer]** of the obligation(s) in this Agreement, including any breach by an employee, partner, , director or officer, shall be reported to **[OFA]** by **[Adviser/Dealer]**.

10. **Applicable Laws**

The laws of the Province of Ontario and the applicable laws of Canada shall govern this Agreement, and **[Adviser/Dealer]** hereby attorns to the jurisdiction of the courts of the Province of Ontario in respect hereof.

11. **FIPPA**

No information, records or documents containing personal information shall be provided to **[Adviser/Dealer]** pursuant to this Agreement. **[Adviser/Dealer]** acknowledges that **[OFA]** is bound by the Ontario *Freedom of Information and Protection of Privacy Act* ("FIPPA"). If a request is made under FIPPA for access to information or records provided by **[OFA]** under this Agreement, **[Adviser/Dealer]** will cooperate with **[OFA]** in identifying records responsive to the request and responding to it in a timely manner.

12. **Survival**

The terms and obligations pertaining to confidentiality and limitations as to the use of the Project Information in this Agreement shall remain in full force and effect and shall survive the return to the OFA (or the destruction) of the Project Information provided or made available under this Agreement.
The obligations of **[Adviser/Dealer]** after the return to **[OFA]** of the Project Information shall not apply to any part of the Project Information which is, or becomes, generally available to the public other than as a result of: (i) a violation of this Agreement; or (ii) disclosure pursuant to any applicable law, rule or regulation, or by order of a court or governmental body or agency or authority of competent jurisdiction, provided that **[Adviser/Dealer]** shall notify **[OFA]** of such disclosure promptly and comply with paragraph (Compelled Disclosure) before making the disclosure.

Compelled Disclosure

If the Adviser/Dealer or any of its employees, officers, partners, or directors becomes legally compelled to disclose any of the Project Information, the Adviser/Dealer will the OFA with prompt written notice and particulars so that the OFA may, within the timeframe legally required, seek a protective order or other appropriate order or remedy to prevent or limit such disclosure. The Adviser/Dealer shall consent to and assist (and shall cause any of its employees, officers, partners and directors to consent and assist) the OFA and its legal counsel in obtaining any protective order or other appropriate remedy that the OFA may seek for the purpose of preventing disclosure of any of the Project Information. If such protective order or other remedy is not obtained, the Adviser/Dealer will disclose (and cause its employees, officers, partners and directors to disclose) only that portion of the Project Information which the Proponent is legally compelled to disclose as advised by written opinion of its legal counsel addressed to the OFA, the Adviser/Dealer or its employees, officer, partner or directors) is legally required to disclose and the Adviser/Dealer will exercise all reasonable efforts to obtain reliable assurances that confidential treatment, to the extent available and practicable, will be accorded all disclosed Project Information.

Notice. Any notice or other communication to be given under this Agreement shall be addressed to:

(a) in the case of notice to the OFA:

[Insert contact details]

(b) In the case of notice to the Adviser/Dealer:

[Insert contact details]

Any notice, demand or other communication required or permitted to be given or made under this Agreement shall be in writing and unless delivered personally to a responsible officer of the addressee, shall be sent by facsimile transmission or e-mail to the above addresses.

Each notice so given shall be deemed to have been received on the day of delivery, if so delivered or on the day of sending if sent by facsimile transmission or email or on the first business day thereafter if it was not sent on a business day during business hours of the recipient.

13. **Enurement**

The provisions of this Agreement shall enure to the benefit of, and be binding upon, the parties and their successors and permitted assigns.

This Agreement may only be amended, modified or supplemented by a written agreement signed by both of the parties hereto.

No waiver of or consent to depart from the requirements of any provision of this Agreement shall be binding against either party hereto unless it is in writing and is signed by the party giving it. No failure on the part of either party hereto exercise, and to delay in exercising, any right under this Agreement shall operate as a waiver of such right.

14. **Counterparts**

This Agreement may be executed in counterparts.

In witness whereof the parties have executed this Agreement as of the date first written above.

[ONTARIO FINANCING AUTHORITY]
by:

_____

Name: ●
Title: ●

[ADVISER/DEALER]
by:

_____

Name:
Title:
I have the authority to bind the company.

FINANCIAL ADVISORY SERVICES

AGREEMENT

THIS AGREEMENT ("the Agreement"), made in duplicate, for Financial Advisory Services is effective as of the **16th of August, 2004.**

BETWEEN:

Ontario Financing Authority

(referred to as "OFA")

AND:

CIBC World Markets Inc.

(referred to as the "Supplier")

In consideration of their respective agreements set out below, the parties covenant and agree as follows:

ARTICLE 1 – INTERPRETATION AND GENERAL PROVISIONS

1.01 **Defined Terms**

When used in the Agreement, the following words or expressions have the following meanings:

"Authority" means any government authority, agency, body or department, whether federal, provincial or municipal, having or claiming jurisdiction over the Agreement; and **"Authorities"** means all such authorities, agencies, bodies and departments;

"**Business Day**" means 8:00 a.m. to 5:00 p.m. any working day, Monday to Friday inclusive, excluding statutory and other holidays, namely: New Year's Day; Good Friday; Easter Monday; Victoria Day; Canada Day; Civic Holiday; Labour Day; Thanksgiving Day; Remembrance Day; Christmas Day; Boxing Day and any other day which the OFA has elected to be closed for business;

"Confidential Information" means all information of the Province (including the OFA and OEFC) and OPG that is of a confidential nature, including all confidential information in the custody or control of OFA, the Province and OPG, regardless of whether it is identified as confidential or not, and whether recorded or not, and however fixed, stored, expressed or embodied, which comes into the knowledge, possession or control of the Supplier in connection with the Agreement. For the purposes or greater certainty, Confidential Information shall:

(a) include: (i) all new information derived at any time from any such information whether created by OFA, the Province or OPG, the Supplier or any third-party; (ii) all information (including Personal Information) that OFA, the Province and OPG is obliged, or has the discretion, not to disclose under provincial or federal legislation; (iii) the fact that Confidential Information has been made available to the Supplier; (iv) the Deliverables;

(b) not include information that: (i) is or becomes generally available to the public without fault or breach on the part of the Supplier of any duty of confidentiality owed by the Supplier to OFA, the Province or OPG or to any third-party; (ii) the Supplier can demonstrate to have been rightfully obtained by the Supplier, without any obligation of confidence, from a third-party who had the right to transfer or disclose it to the Supplier free of any obligation of confidence; (iii) the Supplier can demonstrate to have been rightfully known to or in the possession of the Supplier at the time of disclosure, free of any obligation of confidence when disclosed; or (iv) is independently developed by the Supplier; but the exclusions in this subparagraph shall in no way limit the meaning of Personal Information or the obligations attaching thereto under the Agreement or at law;

"**Conflict of Interest**" includes, but is not limited to, any situation or circumstance where:

(a) in relation to the RFP process, the proponent has an unfair advantage or engages in conduct, directly or indirectly, that may give it an unfair advantage, including but not limited to (i) having or having access to information in the preparation of its Proposal that is confidential to the OFA and not available to other proponents; (ii) communicating with any person with a view to influencing preferred treatment in the RFP process; or (iii) engaging in conduct that compromises or could be seen to compromise the integrity of the competitive RFP process and render that process non-competitive and unfair; or;

(b) in relation to the performance of its contractual obligations in this Agreement, the Supplier's other commitments, relationships or financial interests (i) could or could be seen to exercise an improper influence over the objective, unbiased and impartial exercise of its independent judgement; or (ii) could or could be seen to compromise, impair or be incompatible with the effective performance of its contractual obligations;

"Deliverables" means everything developed for or provided to the OFA in the course of performing under the Agreement or agreed to be provided to the OFA under the Agreement, by the Supplier or its partners, employees, volunteers, agents or subcontractors, as further defined, but not limited by Schedule 1, including but not limited to any goods or services or any and all Intellectual Property and any and all concepts, techniques, ideas, information, documentation and other materials, however recorded, developed or provided;

"Derivative Work" means a work based on the Supplier's Intellectual Property including, without limitation, an adaptation, modification, translation, expansion, condensation or transformation, that if prepared without authorization, would constitute copyright infringement or infringement of any other Intellectual Property right;

"FIPPA" means the *Freedom of Information and Protection of Privacy Act*, R.S.O. 1990, c. F.31, as amended.

"Fiscal Year" means the period running from April 1 in one calendar year to, and including, March 31 in the next calendar year.

"Government" means the Government of Ontario;

"Indemnified Parties" means OFA, directors, appointees and employees of the OFA, and Her Majesty the Queen in right of Ontario, her Ministers, appointees and employees;

"Industry Standards" include, but are not limited to (a) the provision of any and all labour, supplies, equipment and other goods or services that are necessary and can reasonably be understood or inferred to be included within the scope of the Agreement or customarily furnished by Persons providing Deliverables of the type provided hereunder in similar situations in Ontario and; (b) adherence to commonly accepted norms of ethical business practices, which shall include the Supplier establishing, and ensuring adherence to, precautions to prevent its employees or agents from providing or offering gifts or hospitality of greater than nominal value to any person acting on behalf of or employed by OFA and the Province.

"Intellectual Property" means any intellectual, industrial or other proprietary right of any type in any form protected or protectable under the laws of Canada, any foreign country, or any political subdivision of any country, including, without limitation, any intellectual, industrial or proprietary rights protected or protectable by legislation, by common law or at equity;

"Newly Created Intellectual Property" means any Intellectual Property created by the Supplier in the course of performance of its obligations under the Agreement;

"OFA" means Ontario Financing Authority;

"OFA Address" means 1 Dundas Street West, Suite 1400, Toronto, Ontario, M7A 1Y7;

"OFA Representative" means Chief Executive Officer (CEO), OFA;

"OPG" means Ontario Power Generation Inc. and its subsidiaries;

"Person" if the context allows, includes any persons, firms, partnerships or corporations or any combination thereof;

"Personal Information" has the same definition as in subsection 2(1) of FIPPA, that is, recorded information about an identifiable individual or that may identify an individual and includes all such information obtained by the Supplier from the OFA or the Province or OPG or their respective agents or created by the Supplier pursuant to the Agreement;

"Proceeding" means any action, claim, demand, lawsuit, or other proceeding;

"Proposal" means all the documentation submitted by the Supplier in response to the Request for Proposal;

"Province" means Her Majesty the Queen in right of Ontario including any ministries and agencies of the Province including OEFC and OFA and "Provincial" has a corresponding meaning;

"Rates" means the applicable price, in Canadian funds, to be charged for the applicable Deliverables, as set out in Schedule 1, representing the full amount chargeable by the Supplier for the provision of the Deliverables, including but not limited to (a) all applicable duties and taxes, including Goods and Services Tax; (b) all labour and material costs; (c) all travel and carriage costs (d) all insurance costs; and (e) all other overhead including any fees or other charges required by law;

"Record", for the purposes of the Agreement, means any recorded information, including any Personal Information, in any form: (a) provided by OFA or the Province to the Supplier, or provided by the Supplier to OFA, for the purposes of the Agreement; or (b) created by the Supplier in the performance of the Agreement for delivery or presentation to the OFA or use by the OFA;

"Requirements of Law" mean all applicable requirements, laws, statutes, codes, acts, ordinances, orders, decrees, injunctions, by-laws, rules, regulations, official plans, permits, licences, authorisations, directions, and agreements with all Authorities that now or at any time hereafter may be applicable to either the Agreement or the Deliverables or any part of them;

"RFP" means the Request for Proposals dated **[*insert date*]** for **[*insert name of RFP*]**, reference number **[*insert reference number*]** issued by OFA for the Deliverables and any addenda to it;

"Supplier Address" and **"Supplier Representative,"** mean:

CIBC World Markets Inc.
161 Bay Street, 6th Floor
Toronto, ON M5J 2S8
Attention: Ron Munkley
Phone No: (416) 594 7863
Facsimile No. (416) 956 6334

"Supplier's Intellectual Property" means Intellectual Property owned by the Supplier prior to its performance under the Agreement or created by the Supplier during the Term of the Agreement independently of the performance of its obligations under the Agreement;

"Term" means the period of time from the effective date first above written to the satisfactory provision of all Deliverables unless this Agreement is terminated early in accordance with the provisions of this Agreement in which case the Term shall end on the expiry or termination date, as the case may be;

"Third-Party Intellectual Property" means any Intellectual Property owned by a party other than OFA or the Province or the Supplier.

1.02 **Entire Agreement**

The Agreement, including the Schedules, embodies the entire agreement between the parties with regard to the provision of Deliverables and supersedes any prior understanding or agreement, collateral, oral or otherwise, existing between the parties at the date of execution of the Agreement.

1.03 **Severability**
If any term or condition of the Agreement, or the application thereof to the parties or to any Persons or circumstances, is to any extent invalid or unenforceable, the remainder of the Agreement, and the application of such term or condition to the parties, Persons or circumstances other than those to which it is held invalid or unenforceable, shall not be affected thereby.

1.04 **Interpretive Value of Documents**
In the event of a conflict or inconsistency in any provisions in the Agreement, the main body of the Agreement shall govern over the Schedules to the Agreement.

1.05 **Interpretive Value of Headings**
The headings in the Agreement are for convenience of reference only and in no manner modify, interpret or construe the Agreement.

1.06 **Force Majeure**
Neither party shall be liable for damages caused by delay or failure to perform its obligations under the Agreement where such delay or failure is caused by an event beyond its reasonable control. The parties agree that an event shall not be considered beyond one's reasonable control if a reasonable business person applying due diligence in the same or similar circumstances under the same or similar obligations as those contained in the Agreement would have put in place contingency plans to either materially mitigate or negate the effects of such event. Without limiting the generality of the foregoing, the parties agree that force majeure events shall include natural disasters and acts of war, insurrection and terrorism but shall not include shortages or delays relating to supplies or services. If a party seeks to excuse itself from its obligations under this Agreement due to a force majeure event, that party shall immediately notify the other party of the delay or non-performance, the reason for such delay or non-performance and the anticipated period of delay or non-performance. If the anticipated or actual delay or non-performance exceeds fifteen (15) Business Days, the other party may immediately terminate the Agreement by giving notice of termination and such termination shall be in addition to the other rights and remedies of the terminating party under the Agreement, at law or in equity.

1.07 **Notices**
Notices shall be in writing and shall be delivered by postage-prepaid envelope, personal delivery or facsimile and shall be addressed to, respectively, the OFA Address to the attention of the OFA Representative and to the Supplier Address to the attention of the Supplier Representative. Notices shall be deemed to have been given (a) in the case of postage-prepaid envelope, five (5) Business Days after such notice is mailed; or (b) in the case of personal delivery or facsimile one (1) Business Day after such notice is received by the other party. In the event of a postal disruption, notices must be given by personal delivery or by facsimile. Unless the parties expressly agree in writing to additional methods of notice, notices may only be provided by the methods contemplated in this paragraph.

1.08 **Governing Law**
The Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

1.09 **Survival**
All warranties and representations about quality, skills, qualifications and experience, the intellectual property provisions, the confidentiality provisions, the indemnity provisions, document retention and audit provisions, termination provisions, and any clauses about remedies shall remain in force after the Term of the Agreement.

ARTICLE 2 – LEGAL RELATIONSHIP BETWEEN OFA, SUPPLIER AND THIRD-PARTIES

2.01 **Supplier's Power to Contract**
The Supplier represents and warrants that it has the full right and power to enter into the Agreement and there is no agreement with any other Person which would in any way interfere with the rights of OFA under this Agreement.

2.02 **Representatives May Bind the Parties**
The parties represent that their respective representatives have the authority to legally bind them to the extent permissible by the Requirements of Law.

2.03 **Responsibility of Supplier**

The Supplier agrees that it is liable for the acts and omissions of its directors, officers, employees, agents, partners, volunteers and subcontractors. This paragraph is in addition to any and all of the Supplier's liabilities under the Agreement and under the general application of law. The Supplier shall advise these individuals and entities of its obligations under the Agreement and, without limiting the generality of the foregoing, shall take appropriate action to ensure compliance with (a) the Agreement generally and (b) with the requirements of Article 5 (Confidentiality and FIPPA) of the Agreement. In addition to any other liabilities of the Supplier pursuant to the Agreement or otherwise at law or in equity, the Supplier shall be liable for all damages, costs, expenses, losses, claims or actions arising from any breach of the Agreement resulting from the actions of the above mentioned individuals and entities.

2.04 **No Subcontracting or Assignment**

The Supplier shall not subcontract or assign the whole or any part of the Agreement or any monies due under it without the prior written consent of OFA. Such consent shall be in the sole discretion of OFA and subject to the terms and conditions that may be imposed OFA. Without limiting the generality of the conditions which OFA may require prior to consenting to the Supplier's use of a subcontractor, every contract entered into by the Supplier with a subcontractor shall adopt all of the terms and conditions of this Agreement as far as applicable to those parts of the Deliverables provided by the subcontractor. Nothing contained in the Agreement shall create a contractual relationship between any subcontractor or its employees and OFA.

2.05 **Duty to Disclose Change of Control**

In the event that the Supplier undergoes a change in control the Supplier shall immediately disclose such change in control to OFA and shall comply with any terms and conditions subsequently prescribed by OFA resulting from the disclosure.

2.06 **Agreement Binding**

The Agreement shall enure to the benefit of and be binding upon the parties and their successors, executors, administrators and their permitted assigns.

ARTICLE 3 - PERFORMANCE BY SUPPLIER

3.01 **Commencement of Performance**

The Supplier shall commence performance upon receipt of instructions and advice from OFA.

3.02 **Performance Warranty**

The Supplier hereby represents and warrants that the Deliverables shall be provided fully and diligently in a professional and competent manner by persons qualified and skilled in their occupations and furthermore that all Deliverables will be provided in accordance with (a) the Agreement; (b) Industry Standards; and (c) Requirements of Law. If any of the Deliverables, in the opinion of OFA, are inadequately provided or require corrections, the Supplier shall forthwith make the necessary corrections at its own expense as specified by OFA in a rectification notice.

3.03 **Notification by Supplier to OFA**

During the Term, the Supplier shall notify OFA promptly of (a) any contradictions, discrepancies or errors found or noted in the Agreement; (b) supplementary details, instructions or directions that do not correspond with those contained in the Agreement; and (c) any omissions or other faults that become evident and should be corrected in order to provide the Deliverables in accordance with the Agreement and Requirements of Law.

3.04 **Condonation Not a Waiver**

Any failure by OFA to insist in one or more instances upon strict performance by the Supplier of any of the terms or conditions of the Agreement shall not be construed as a waiver by OFA of its right to require strict performance of any such terms or conditions, and the obligations of the Supplier with respect to such performance shall continue in full force and effect.

3.05 **Changes By Written Amendment Only**

Any changes to the Agreement shall be by written amendment executed by the parties. No changes shall be effective or shall be carried out in the absence of such an amendment.

3.06 **Supplier to Comply With Reasonable Change Requests**

OFA may, in writing, request changes to the Agreement, which may include altering, adding to, or deleting any of the Deliverables. The Supplier shall comply with all reasonable OFA change requests and the performance of such request shall be in accordance with the terms and conditions of the Agreement. If the Supplier is unable to comply with the change request, it shall promptly notify OFA and provide reasons for such non-compliance. In any event, any such change request shall not be effective until a written amendment reflecting the change has been executed by the parties.

3.07 **Pricing for Requested Changes**

Where an OFA change request includes an increase in the scope of the previously contemplated Deliverables, OFA shall set out, in its change request, the proposed prices for the contemplated changes. Where the Rates in effect at the time of the change request:

(i) includes pricing for the type of goods or services contemplated in the change request, the Supplier shall not unreasonably refuse to provide those goods or services at prices consistent with those Rates; or

(ii) are silent to the applicable price for the particular goods or services contemplated in the change request, the price shall be negotiated between the OFA and the Supplier within a reasonable period of time;

and in any event, such change request shall not become effective until a written amendment reflecting the change has been executed by the parties.

3.08 **Work Volumes**

The Supplier acknowledges that it is providing the Deliverables to OFA on a non-exclusive basis. OFA makes no representation regarding the volume of goods and services required under the Agreement. OFA reserves the right to contract with other parties for the same or similar goods and services as those provided by the Supplier and reserves the right to obtain the same or similar goods and services internally or to not acquire such services from the Supplier.

3.09 **Performance by Specified Individuals Only**

The Supplier agrees that to the extent that specific individuals are named in Schedule 1 (Proposal) as being responsible for the provision of the Deliverables, only those individuals shall provide the Deliverables under the Agreement. The Supplier shall not replace or substitute any of the individuals named in Schedule 1 (Proposal) without the prior written approval of OFA, which may not arbitrarily or unreasonably be withheld. Should the Supplier require the substitution or replacement of any of the individuals named in Schedule 1 (Proposal), it is understood and agreed that any proposed replacement must possess similar or greater qualifications than the individual named in Schedule 1 (Proposal). The Supplier shall not claim fees for any replacement individual greater than the Rates established under Schedule 1 (Proposal). The Supplier shall replace any of its personnel if they are unacceptable to OFA because of security risk, incompetence, conflict of interest, breach of confidentiality or improper conduct upon receiving written notice from OFA.

3.10 **Facility Rules**

Should the Supplier be required to attend on OFA or Provincial property, the Supplier shall obey all fire, safety and other applicable rules of the facility. All damage to an OFA or Provincial facility and/or equipment, or any mishaps or accidents involving OFA and/or Provincial personnel, facilities and/or equipment shall be reported immediately to the OFA Representative.

3.11 **OFA Rights and Remedies and Supplier Obligations Not Limited to Agreement**

The express rights and remedies of OFA and obligations of the Supplier set out in the Agreement are in addition to and shall not limit any other rights and remedies available to OFA or any other obligations of the Supplier at law or in equity.

ARTICLE 4 - PAYMENT FOR PERFORMANCE

4.01 **Payment of Rates Including Approved Disbursements and Expenses**

OFA shall, subject to the Supplier's compliance with the provisions of the Agreement, pay the Supplier for the Deliverables provided at the Rates established under the Agreement. All disbursements or expenses shall be reasonable and air travel and accommodation expenses be approved in advance by the OFA, acting reasonably.

4.02 **Default Billing and Payment Process**
Unless the parties expressly set out an alternative billing and payment process in Schedule 1, the following process shall govern:

(a) the Supplier shall provide the OFA with a monthly billing statement no later than ten (10) Business Days after the end of each month and that billing statement shall include (i) the reference number assigned to the Agreement by the OFA; (ii) a brief description of the Deliverables provided for the relevant month; and (iii) any disbursements, expenses or taxes, if payable by OFA, identified as separate items;

(b) the OFA shall approve or reject the billing statement within fifteen (15) Business Days and in the event that the OFA rejects the billing statement, it shall so advise the Supplier promptly in writing and the Supplier shall provide additional information as required by the OFA to substantiate the billing statement; and

(c) each billing statement must be approved by the OFA before any payment is released and payment shall be made within thirty (30) Business Days of such approval;

and any subparagraph set out above that is not expressly replaced in Schedule 1 with an alternative provision shall remain in full force and effect.

4.03 **Hold Back or Set Off**
OFA may hold back payment or set off against payment if, in the opinion of the OFA acting reasonably, the Supplier has failed to comply with any requirements of the Agreement.

4.04 **Additional Charges**
There shall be no other charges payable by OFA under the Agreement to the Supplier other than the Rates established under the Agreement.

4.05 **Payment of Taxes and Duties**
Unless otherwise stated, the Supplier shall pay all applicable taxes, including excise taxes incurred by or on the Supplier's behalf with respect to the Agreement.

4.06 **OFA GST Exempt**
The OFA hereby certifies that the Deliverables are required for the use of the Crown and are therefore not subject to the federal Goods and Services Tax.

4.07 **Document Retention and Audit**
For seven (7) years after the expiration of the Term the Supplier shall maintain all necessary records to substantiate (a) all charges and payments under the Agreement and (b) that the Deliverables were provided in accordance with the Agreement and with Requirements of Law. During the Term, and for seven (7) years after the end of the Term, the Supplier shall permit and assist OFA in conducting audits of the operations of the Supplier to verify (a) and (b) above. OFA shall provide the Supplier with at least ten (10) Business Days prior notice of its requirement for such audit.

The provisions of this Article shall survive any termination or expiry of the Agreement.

ARTICLE 5 - CONFIDENTIALITY AND FIPPA

5.01 **Confidentiality and Promotion Restrictions**
Any publicity or publications related to the Agreement shall be at the sole discretion of the OFA. The OFA may, in its sole discretion, acknowledge the Deliverables provided by the Supplier in any such publicity or publication. The Supplier shall not make use of its association with the OFA without the prior written consent of the OFA. Without limiting the generality of this paragraph, the Supplier shall not, among other things, at any time directly or indirectly communicate with the media in relation to the Agreement unless it has first obtained the express written authorization to do so by the OFA.

5.02 **OFA, OPG, and the Government Confidential Information**

During and following the Term, the Supplier shall (a) keep all Confidential Information confidential and secure; (b) limit the disclosure of Confidential Information to only (i) those employees who have a need to know it and who have been specifically authorized to have such disclosure (ii) and to the other suppliers that have been retained subject to similar confidentiality obligations by OFA and identified by OFA to the Supplier for the sole purpose of providing to OFA or assisting the Supplier in providing to OFA the Deliverables pursuant to the Agreement and then only to the extent they need to know the Confidential Information for such purpose; (c) not directly or indirectly disclose, destroy, exploit or use any Confidential Information (except for the purpose of providing the Deliverables, or except if required by order of a court or tribunal), without first obtaining: (i) the written consent of OFA and (ii) in respect of any Confidential Information about any third-party, the written consent of such third-party; (d) provide Confidential Information to OFA on demand; and (e) deliver all Confidential Information to OFA before the termination or expiry of the Term, with no copy or portion kept by the Supplier, except that the Supplier may retain one copy for due diligence defence purposes, which copy shall be held securely and in accordance with the terms of this Agreement.

5.03 **Restrictions on Copying**

The Supplier shall not copy any Confidential Information, in whole or in part, unless copying is essential for the provision of the Deliverables. On each copy made by the Supplier, the Supplier must reproduce all notices which appear on the original.

5.04 **Injunctive and Other Relief**

The Supplier acknowledges that breach of any provisions of this Article may cause irreparable harm to OFA, the Province or to any third-party to whom OFA owes a duty of confidence, and that the injury to OFA, the Province or to any third-party may be difficult to calculate and inadequately compensable in damages. The Supplier agrees that each of OFA and the Province is entitled to obtain injunctive relief (without proving any damage sustained by it or by any third-party) or any other remedy against any actual or potential breach of the provisions of this Article.

5.05 **Notice and Protective Order**

If the Supplier or any of its directors, officers, employees, agents, representatives or advisors become legally compelled to disclose any Confidential Information, the Supplier will provide OFA with prompt notice to that effect in order to allow OFA or the Province, as the case may be, to seek one or more protective orders or other appropriate remedies to prevent or limit such disclosure, and it shall co-operate with OFA and the Province and their respective legal counsel to the fullest extent. If such protective orders or other remedies are not obtained, the Supplier will disclose only that portion of Confidential Information which the Supplier is legally compelled to disclose, only to such person or persons to which the Supplier is legally compelled to disclose, and the Supplier shall provide notice to each such recipient (in co-operation with legal counsel for OFA or the Province, as the case may be) that such Confidential Information is confidential and subject to non-disclosure on terms and conditions equal to those contained in the Agreement and, if possible, shall obtain each recipient's written agreement to receive and use such Confidential Information subject to those terms and conditions.

5.06 **Notification of Confidentiality Provisions**

The Supplier shall notify each of its partners, employees, directors, and officers and subcontractors who have access to any of the Confidential Information ("the Notified Parties") of the obligations contained in the Agreement with respect to the confidentiality of the Confidential Information and the restrictions on disclosure and use of the Confidential Information. The Supplier has advised or will advise, as the case may be, the Notified Parties of their obligations concerning the confidentiality of the Confidential Information and shall obtain the agreement of each of the Notified Parties to abide by the terms and conditions of the Agreement. The Supplier agrees to enforce such obligations to the extent required to prevent unauthorised disclosure of Confidential Information and to prevent any partner, employee, director, or officer (the "Representatives") from making unauthorised use of Confidential Information. The Supplier agrees to be responsible for any breach of confidentiality by any of the Representatives and agrees to indemnify OFA and the Province and OPG for all damages, costs, expenses, losses, claims or actions arising from any failure by the Supplier or any of the Representatives to comply with the confidentiality obligations in the Agreement. The Supplier acknowledges that OFA holds the benefit of the indemnity in trust for itself and the Province and that OFA can enforce such indemnity on behalf of the Province. The Supplier also acknowledges and agrees that the Province can enforce such indemnity directly against the Supplier.

5.07 **FIPPA Records and Compliance**
The Supplier and OFA acknowledge and agree that FIPPA applies to and governs all Records and may require the disclosure of such Records to third parties. Furthermore, the Supplier agrees:

(a) to keep Records secure;

(b) to provide Records to OFA within five (5) Business Days of being directed to do so by OFA for any reason including an access request or privacy issue;

(c) not to access any Personal Information unless OFA determines, in its sole discretion, that access is permitted under FIPPA and is necessary in order to provide the Deliverables;

(d) not to directly or indirectly use, collect, disclose or destroy any Personal Information for any purposes that are not authorized by OFA;

(e) to ensure the security and integrity of Personal Information and keep it in a physically secure and separate location safe from loss, alteration, destruction or intermingling with other records and databases and to implement, use and maintain the most appropriate products, tools, measures and procedures to do so;

(f) to restrict access to Personal Information to those of its employees who have a need to know it and who have been specifically authorized to have such access for the purpose of providing the Deliverables;

(g) to implement other specific security measures that in the reasonable opinion of OFA would improve the adequacy and effectiveness of the Supplier's measures to ensure the security and integrity of Personal Information and Records generally; and

(h) that any confidential information supplied to OFA or the Province may be disclosed by OFA or the Province where it is obligated to do so under FIPPA, by an order of a court or tribunal or pursuant to a legal proceeding.

5.08 The provisions of this Article shall survive any termination or expiry of the Agreement.

ARTICLE 6 – INTELLECTUAL PROPERTY

6.01 **OFA Intellectual Property**
The Supplier agrees that all Intellectual Property and every other right, title and interest in and to all concepts, techniques, ideas, information and materials, however recorded, (including images and data) provided by OFA or the Province to the Supplier shall remain the sole property of OFA or the Province, as the case may be, at all times.

6.02 **No Use of Insignia**
The Supplier shall not use any insignia or logo of OFA or the Province.

6.03 **Ownership of Intellectual Property**
OFA on behalf of the Province shall be the sole owner of any Newly Created Intellectual Property. The Supplier irrevocably assigns to and in favour of OFA and OFA accepts every right, title and interest in and to all Newly Created Intellectual Property in the Deliverables, immediately following the creation thereof, for all time. OFA grants to the Province a perpetual, world-wide, non-exclusive, irrevocable, transferable, royalty-free, fully paid-up right and licence: (a) to use, execute, display, distribute, perform and reproduce, in any form, the Newly Created Intellectual Property in the Deliverables (b) to use, execute, make, have made, have used, display, distribute perform, reproduce and prepare, in any form, Derivative Work based on the Newly Created Intellectual Property in the Deliverables and (c) to practise and have practised any process or method (or both) associated with such Derivative Work;

To the extent that any of the Deliverables include, in whole or in part, the Supplier's Intellectual Property, the Supplier grants to OFA and the Province a licence to use that Supplier Intellectual

Property in the manner contemplated in this Article, the total consideration for which shall be payment of the Rates on the terms and to the Supplier by OFA.

6.04 **Presumption Governing Ownership**

The presumption governing the Agreement shall be that OFA on behalf of the Province shall be the sole owner of any Intellectual Property in any form contained in any of the Deliverables. If the Supplier's Intellectual Property forms any part of the Deliverables, the Supplier shall notify OFA of such prior to the delivery of the particular Deliverable containing any such Supplier Intellectual Property. In the absence of any such notice the presumption shall remain that OFA is the sole owner of any Intellectual Property contained in the Deliverables.

6.05 **Supplier's Grant of Licence**

For those parts of the Deliverables that are Supplier Intellectual Property, the Supplier grants to OFA and the Province, a perpetual, world-wide, non-exclusive, irrevocable, transferable, royalty-free, fully paid-up right and licence: (a) to use, execute, display, distribute, perform and reproduce, in any form, copies of those Deliverables and to practice and have practised any process or method (or both) associated with such Deliverables; and (b) to use, execute, make, have made, have used, display, distribute, perform, reproduce and prepare, in any form, Derivative Work based on those Deliverables and to practise and have practised any process or method (or both) associated with such Derivative Work; and (c) authorize other Persons including agents, contractors or sub-contractors to do any of the former on behalf of OFA or the Province, provided that the OFA and the Province shall be entitled to use and authorize other Persons to use the Supplier Intellectual Property for the purposes of the Province only and not for resale or other commercial exploitation thereof.

6.06 **No Restrictive Material in Deliverables**

The Supplier waives, and shall not incorporate into any Deliverables anything that would restrict the right of OFA or the Province to modify, further develop or otherwise use the Deliverables in any way that OFA or the Province deems necessary, or that would prevent OFA or the Province from entering into any contract with any contractor other than the Supplier for the modification, further development of or other use of the Deliverables. However, to the extent that any of the Deliverables constitutes any professional opinion, judgement or financial advice of the Supplier, the preceding sentence will not restrict or prevent the Supplier from addressing such opinions, judgements and financial advice solely to the OFA and the Province or from including customary assumptions, qualifications and limitations respecting reliance by parties other than the Indemnified Parties in such Deliverables.

6.07 **Supplier Representation and Warranty Regarding Third-Party Intellectual Property**

The Supplier represents and warrants that the provision of the Deliverables shall not infringe or induce the infringement of any Third-Party Intellectual Property rights. The Supplier further represents and warrants that it has obtained assurances with respect to any Third-Party Intellectual Property that any rights of integrity or any other moral rights associated therewith have been waived.

6.08 **Moral Rights**

The Supplier shall obtain waivers of all rights of integrity and any other moral rights in relation to the Deliverables from its employees, volunteers, agents and subcontractors and from any other party in the position to assert such rights in relation to any of the Deliverables, which waivers may be invoked without restriction by any person authorized by OFA or the Province to use the Deliverables.

6.09 **Copyright Notice**

The Supplier shall place a copyright notice in the following form on all recorded Deliverables it provides to OFA:

"© Queen's Printer for Ontario, 2004"

6.10 **Further Assurances Regarding Copyright**

At the request of OFA, at any time or from time to time, the Supplier shall execute and agrees to cause anyone in the position to assert rights of integrity or any other moral right (including its employees, volunteers, agents and subcontractors) to execute a written assignment of copyright and waiver of moral rights in the applicable Deliverable to the OFA in the forms set out in Schedule 2. The Supplier shall assist OFA in preparing any Canadian copyright registration that OFA considers appropriate. The Supplier will obtain or execute any other document reasonably required by OFA to protect the Intellectual Property of OFA.

6.11 **OFA May Prescribe Further Compliance**
OFA reserves the right to prescribe the specific manner in which the Supplier shall perform its obligations relating to this Article.

6.12 The provisions of this Article shall survive any termination or expiry of the Agreement.

ARTICLE 7 – CONFLICT OF INTEREST

7.01 The Supplier acknowledges it owes the OFA and the Province of Ontario a duty to promote the interests of OFA and the Province of Ontario in carrying out the Services. The overriding obligation the Supplier is to avoid actual or perceived conflicts between its private interests and those of OFA and the Province (including OFA and OEFC).

7.02 The Supplier shall not, in its provision of the Deliverables, engage in any activity, business or undertaking, whether as Supplier or otherwise, that could create a conflict of interest or potential conflict of interest. Included in the prohibitions on the Supplier are the following:

(a) engaging in any activity, business or undertaking that may conflict or be perceived as conflicting with the performance by the Supplier of the duties and obligations under this Agreement;

(b) directly or indirectly benefiting from any activity related to this Agreement otherwise than as specifically contemplated by this Agreement;

(c) circumstances where the supplier's other commitments, relationships or financial interests (i) could or could be seen to exercise an improper influence over the objective, unbiased and impartial exercise of its independent judgement; or (ii) could or could be seen to compromise, impair or be incompatible with the effective performance of its contractual obligations;

7.03 If required by the OFA for the purpose of complying with section 7.02 , the Supplier agrees to:

(a) file with the OFA a Plan to Prevent Conflict of Interest in respect of any particular actual or potential conflict of interest;

(b) file and cause its partners, directors, officers or employees who are providing the Services under this Agreement to file with the OFA declarations disclosing their interests in a manner equivalent to that set out in Section 13 of O.Reg 435/97 and their personal relationships (if any) with the firms and named individuals employed by or affiliated with OPG or any OEB licensed wholesale or retail electricity market participant in Ontario; and

(c) cause its partners, directors, officers or employees who are providing the Deliverables under this Agreement to execute confidentiality undertakings and provide copies to the OFA.

Upon the occurrence of any change in circumstance that renders any certificate or information filed or provided by the Supplier either incorrect or incomplete, the Supplier shall forthwith notify the OFA as set out in this Article of the change in circumstance in detail.

7.04 If any activities or prior activities of the Supplier could constitute an actual or potential conflict of interest in respect of this Agreement, the Supplier shall without delay make full, true and plain disclosure to the OFA of all relevant information about the particular activity, business or undertaking in question to the satisfaction of the OFA or its agent and abide by the decision of the OFA.

7.05 Upon any disclosure made by a Supplier or any other person in relation to the activities of the Supplier, of any activity, business or undertaking that could create a conflict of interest in respect of this Agreement, the OFA may, in its sole discretion:

(a) require that the Supplier:
  (i) deliver further and detailed particulars of the activity, business or undertaking;
  (ii) elect between the continuation of the Agreement and the continuation of the activity, business or undertaking concerned; and/or

(iii) institute measures which in the opinion of the OFA eliminate, resolve, isolate, diminish or nullify any perceived conflict of interest;

(b) terminate the Agreement effective upon written notice to such effect, and/or

(c) take such other steps as may be necessary to address the conflict including the institution of proceedings.

Where the OFA recommends that the Supplier take certain action, or refrain from taking certain action, the Supplier shall abide by the recommendation. The Supplier's failure to do so may result in the termination of the Supplier's Agreement in the sole discretion of the OFA.

7.06 Information disclosed by the Supplier to the OFA as contemplated under section 7.05 is confidential and shall not be disclosed to any person, except:

(a) on the consent of all parties;
(b) as required by law or by the order of a tribunal or court;
(c) such persons, if any, as the Supplier or the OFA may consult in respect of the conflict of interest; or
(d) in any proceedings between the OFA and the Supplier for breach of obligations under Article 7.

ARTICLE 8 – INDEMNITY AND INSURANCE

8.01 **Supplier Indemnity**
The Supplier hereby agrees to indemnify and hold harmless the Indemnified Parties from and against any and all liability, loss, costs, damages and expenses (including legal, expert and consultant fees), causes of action, actions, claims, demands, lawsuits or other proceedings, (collectively, "Claims"), by whomever made, sustained, brought or prosecuted, including for third party bodily injury (including death), personal injury and property damage arising from the negligence, errors, omissions or wilful misconduct of the Supplier, its subcontractors or their respective directors, partners, officers, agents, employees or independent contractors in the course of performance of the Supplier's obligations under, or otherwise in connection with, the Agreement. The Supplier acknowledges that OFA holds the benefit of the indemnity in trust for itself and the Province and that OFA can enforce such indemnity on behalf of the Province. The Supplier also acknowledges and agrees that the Province can enforce such indemnity directly against the Supplier.

8.02 **Supplier's Insurance**
The Supplier shall maintain errors & omissions liability insurance (external coverage and/or self-insured coverage), insuring liability for errors and omissions in the performance or failure to perform the services contemplated in this agreement, in the amount not less than $5,000,000 per claim and in the annual aggregate.

8.03 **Supplier Participation in Proceedings**
The Supplier shall, at its expense, to the extent requested by OFA or the Province participate in or conduct the defence of any Claim against any Indemnified Parties referred to in this Article and any negotiations for their settlement. OFA or the Province may elect to participate in or conduct the defence of any such Claim by notifying the Supplier in writing of such election without prejudice to any other rights or remedies of OFA or the Province under the Agreement, at law or in equity. Each party participating in the defence shall do so by actively participating with the other's counsel. No settlement shall be entered into by the Supplier unless it has obtained the prior written approval of OFA or the Province, as the case may be. If the Supplier is requested by OFA or the Province to participate in or conduct the defence of any such Claim, OFA or the Province agrees to co-operate with and assist the Supplier to the fullest extent possible in the Claim and any related settlement negotiations. If OFA or the Province conducts the defence of any such Claim, the Supplier agrees to co-operate with and assist OFA or the Province to the fullest extent possible in the Claim and any related settlement negotiations; provided that no settlement of such Claim shall be entered into by any Indemnified Party unless it has obtained the prior written consent of the Supplier, such consent not to be unreasonably withheld.

8.04 The provisions of this Article survive the termination or expiry of the Agreement.

ARTICLE 9 – TERMINATION, EXPIRY AND EXTENSION

9.01 **Immediate Termination of Agreement**
OFA may immediately terminate the Agreement upon giving notice to the Supplier where:

(a) the Supplier is adjudged bankrupt, is insolvent, makes a general assignment for the benefit of its creditors or a receiver, liquidator or similar official is appointed on account of the Supplier's insolvency;

(b) the Supplier breaches any provision in Article 5 (Confidentiality and FIPPA) of the Agreement;

(c) the Supplier breaches any provision in Article 7 (Conflict of Interest) of the Agreement;

(d) the Supplier, prior to or after executing the Agreement, makes a material misrepresentation or omission or provides materially inaccurate information to OFA;

(e) the Supplier undergoes a change in control which, in the sole opinion of OFA, adversely affects the Supplier's ability to satisfy some or all of its obligations under the Agreement;

(f) the Supplier subcontracts for the provision of part or all of the Deliverables or assigns the Agreement without first obtaining the written approval of OFA; or

(g) the Supplier's acts or omissions constitute a substantial failure of performance;

and the above rights of termination are in addition to all other rights of termination available at law, or events of termination by operation of law.

9.02 **Dispute Resolution by Rectification Notice**
Subject to section 9.01, where the Supplier fails to comply with any of its obligations under the Agreement, OFA may issue a rectification notice to the Supplier setting out the manner and timeframe for rectification. Within seven (7) Business Days of receipt of that notice the Supplier shall either (a) comply with that rectification notice; or (b) provide a rectification plan satisfactory to OFA. If the Supplier fails to either comply with that rectification notice or provide a satisfactory rectification plan, OFA may immediately terminate the Agreement. Where the Supplier has been given a prior rectification notice, the same subsequent type of non-compliance by the Supplier shall allow OFA to immediately terminate the Agreement.

9.03 **Termination on Notice**
OFA reserves the right to terminate the Agreement, without cause, upon five (5) days written notice with or without cause.

9.04 **Termination for Non-Appropriation**
If this Agreement extends into a Fiscal Year subsequent to its execution, continuation of the Agreement is conditional upon an appropriation of moneys by the Legislature of Ontario (the "Legislature") sufficient to satisfy payments due under the Agreement. In the event that such moneys are not available as a result of: (i) non-appropriation by the Legislature for the Fiscal Year in which payment becomes due; and (ii) the payment being neither charged nor chargeable to an appropriation of the Legislature for a previous Fiscal Year, the OFA may terminate the Agreement upon giving notice to the Supplier and such termination shall be effective on the date of the beginning of the first Fiscal Year for which funds have not been appropriated.

9.05 **Supplier's Obligations on Termination**
The Supplier shall, in addition to its other obligations under the Agreement and at law:

(a) provide OFA with a report detailing (i) the current state of the provision of Deliverables by the Supplier at the date of termination; and (ii) any other information requested by OFA pertaining to the provision of the Deliverables and performance of the Agreement;

(b) execute such documentation as may be required by OFA to give effect to the termination of the Agreement;

(c) comply with any other instructions provided by OFA, including but not limited to instructions for facilitating the transfer of its obligations to another Person; and

(d) return or destroy Confidential Information under secure conditions, as requested by the OFA and provide a certificate of an officer of the Supplier confirming that all Confidential Information has been returned or destroyed, subject to the right to retain one copy as set out in Section 5.02.

9.06 **Supplier's Payment Upon Termination**
OFA shall only be responsible for the payment of the Deliverables provided under the Agreement up to and including the effective date of any termination. Termination shall not relieve the Supplier of its warranties and other responsibilities relating to the Deliverables performed or money paid. In addition to its other rights of hold back or set off, OFA may hold back payment or set off against any payments owed if the Supplier fails to comply with its obligations on termination.

9.07 **Termination in Addition to Other Rights**
The express rights of termination in the Agreement are in addition to and shall in no way limit any rights or remedies of OFA under the Agreement, at law or in equity

9.08 **Expiry of Agreement**
The Agreement shall expire at the end of the Term.

9.09 The provisions of this Article survive the termination or expiry of the Agreement.

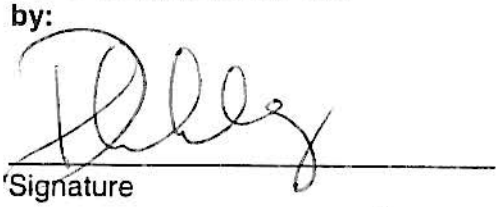
IN WITNESS WHEREOF the parties hereto have executed the Agreement effective as of the date first above written.

Ontario Financing Authority
by:

Signature

Name: Gadi Mayman
Title: Chief Executive Officer
Date of Signature: August 30, 2004

CIBC World Markets Inc.
by:



Signature

Name: Don Munkley
Title: Vice Chairman and Head of Power & Utility
Date of Signature: Aug. 30, 2004

I have authority to bind the Supplier.

From: Opal Kandelas
To: Opal Kandelas
Subject: OEFC 2016 Annual Report & OFA 2017-18 Business Plan
Date: Monday, May 08, 2017 5:44:10 PM
Attachments: 2016 OEFC Annual Report - ENGLISH.docx
2017-20 OFA Business Plan Final.pdf
Business Plan summary for Opal Aug2016.docx

Add to study notes folder

Ontario

OEFC

ONTARIO ELECTRICITY FINANCIAL CORPORATION

2016

Annual Report

Mandate

Ontario Electricity Financial Corporation (OEFC or the Corporation) is one of five entities established by the *Electricity Act, 1998* (the Act) as part of the restructuring of the former Ontario Hydro.

Under the Act, the former Ontario Hydro was restructured into Ontario Power Generation Inc. (OPG), Hydro One Inc. (now a subsidiary of Hydro One Ltd., or Hydro One), the Independent Electricity System Operator (IESO), the Electrical Safety Authority (ESA) and OEFC.

In accordance with the Act, OEFC has the following mandate:

- managing its debt, financial risks and liabilities, including the debt of the former Ontario Hydro;
- managing the former Ontario Hydro's contracts with non-utility generators (NUGs);
- receiving all payments and administering other assets, liabilities, rights and obligations of the Corporation that were not transferred to another of the former Ontario Hydro successor corporations and disposing of any of these items as it deems appropriate or as directed by the Minister of Finance;
- providing financial assistance to the successor corporations of Ontario Hydro;
- entering into financial and other agreements relating to the supply and demand management of electricity in Ontario; and
- performing any additional objects specified by the Lieutenant Governor in Council.

OEFC retains the services of the Ontario Financing Authority (OFA) and the Ministry of Finance to carry out its daily operations on a cost-recovery basis. The OFA is the agency of the Province of Ontario (the Province) responsible for Provincial borrowing and debt management.

Table of Contents

Statement from the Chair and Chief Executive Officer 3

Management's Discussion and Analysis 5

Financial Results 5

Debt and Liabilities 6

Risk Management 7

Other Responsibilities 8

2016–17 Outlook 9

Financial Statements 11

Responsibility for Financial Reporting 11

Auditor's Report 12

Statement of Financial Position 13

Statement of Operations and Change in Unfunded Liability 15

Statement of Cash Flow 16

Notes to Financial Statements 17

Corporate Governance 33

Overview 33

Board of Directors 35

Risk Management Policies and Procedures 36

Additional Sources of Information 38

Internet 38

Inquiries 38

~~**Statement from the Chair and Chief Executive Officer 2**~~

~~**Management's Discussion and Analysis 4**~~

~~Financial Results 4~~

~~Debt and Liabilities 5~~

~~Risk Management 6~~

~~Other Responsibilities 7~~

~~2016–17 Outlook 8~~

~~**Financial Statements 10**~~

~~Responsibility for Financial Reporting 10~~

~~Auditor's Report 11~~

~~Statement of Financial Position 12~~

Statement of Operations and Change in Unfunded Liability 13
Statement of Cash Flow 14
Notes to Financial Statements 15
Corporate Governance 30
Overview 30
Board of Directors 32
Risk Management Policies and Procedures 33
Additional Sources of Information 35
Internet 35
Inquiries 35

Statement from the Chair and Chief Executive Officer

We are pleased to present OEFC's 2016 Annual Report, which describes the Corporation's operational highlights and financial results for the year ended March 31, 2016.

Revenue exceeded expense by $3.7 billion in 2015–16, primarily reflecting the impact of the Hydro One initial public offering (IPO), including a significant, one-time payment-in-lieu (PIL) of tax to OEFC from Hydro One in advance of ~~its initial public offering (~~the IPO~~)~~. The Corporation's unfunded liability was reduced from $8.1 billion to $4.4 billion as at March 31, 2016.

The unfunded liability has declined for twelve consecutive years. It is $15 billion less than the initial unfunded liability on April 1, 1999, when the former Ontario Hydro was restructured. Total debt and liabilities are $25.1 billion, down from the $38.1 billion inherited by the Corporation from the restructuring.

Cost savings of $11.7 million were achieved through the management of the power purchase agreements with non-utility generators (NUGs).

Looking ahead to 2016–17, the Corporation will continue to manage its debt and liabilities in a cost-effective manner and support the implementation of the government's electricity policies and initiatives.

Scott Thompson
Chair

Gadi Mayman
Vice-Chair and Chief Executive Officer

Management's Discussion and Analysis

- Financial Results
- Debt and Liabilities
- Risk Management
- Other Responsibilities
- 2016–17 Outlook

Management's Discussion and Analysis

2015–16 HIGHLIGHTS

- Largest annual excess of revenue over expense for OEFC of $3.7 billion, decreasing its unfunded liability by that amount
- Twelfth consecutive annual decline in OEFC's unfunded liability
- Achieved cost-savings of $11.7 million by managing power purchase agreements

Financial Results

Revenue and Expense

Total revenue for 2015–16 was $6.0 billion, an increase of $1,952 million from 2014–15. The increase in revenue was primarily due to $3,228 million in payments-in-lieu (PIL) of taxes in 2015–16, up from $192 million in 2014–15, due to a significant one-time PIL of tax from Hydro One as a result of its initial public offering (IPO) in November 2015. This includes a $2.6 billion departure tax from Hydro One. Other revenue included $859 million from the Debt Retirement Charge (DRC); $875 million in power supply contract recoveries; $723 million in interest income from the Province, OPG and the IESO; $3 million in Electricity Sector Dedicated Income (ESDI) from the Province in respect of OPG and Hydro One net incomes; and $172 million in financial benefit from the Province.

Total expense was $2.3 billion, a decrease of $145 million from 2014–15. Expenses included interest payments on debt of $1,319 million and power supply contract costs of $875 million.

Overall, revenue exceeded expense by $3.7 billion. In 2014–15, revenue exceeded expense by $1.6 billion.

In comparison to OEFC's budget, which was established prior to the government's announcement on the planned Hydro One IPO, revenues came in at about $2.5 billion above projections, primarily due to higher than projected PIL of taxes, with smaller variances from power supply contract recoveries, and a financial benefit from the Province, partially offset by lower than projected ESDI; while expenses were $58 million above budget, due to higher power supply contract costs partially offset by a decrease in debt interest costs.

Borrowing Program

In 2015–16, the OFA undertook $1.1 billion in long-term public borrowing for the Corporation, most of which was to refinance long-term debt maturities.

Long-term public borrowing was completed in the Canadian dollar market.

Debt and Liabilities

The Corporation inherited $38.1 billion in total debt and other liabilities from the former Ontario Hydro when the Ontario electricity sector was restructured in 1999. This amount included $30.5 billion in total debt.

A portion of the $38.1 billion was supported by the value of the assets of Ontario Hydro successor companies, leaving $20.9 billion of stranded debt not supported by those assets. The initial unfunded liability of $19.4 billion was the stranded debt adjusted for $1.5 billion of additional assets.

As at March 31, 2016, total debt and liabilities were $25.1 billion, with total debt of $24.3 billion. These figures compare to total debt and liabilities of $26.3 billion, with total debt of $25.3 billion, as at March 31, 2015.

The unfunded liability was $4.4 billion as at March 31, 2016, a decrease of $3.7 billion from March 31, 2015. This is the twelfth consecutive annual decline in the unfunded liability and $15 billion below the $19.4 billion level as at April 1, 1999.

Debt Repayment Plan

OEFC services and retires the debt and other liabilities of the former Ontario Hydro from the following revenue and cash flow sources in the electricity sector:

- Outstanding notes receivable from the Province, OPG and IESO
- PIL of corporate income and property taxes, and Gross Revenue Charges made by OPG, Hydro One and municipal electric utilities
- Subsequent to ~~it~~the Hydro One ~~s~~ IPO, Hydro One no longer pays PIL of corporate income tax to OEFC. Under the Electricity Act, 1998, provincial corporate taxes payable by Hydro One Inc. are due and payable by the Province to OEFC
- DRC paid by electricity consumers
- Electricity sector dedicated income - the Province's combined cumulative net income from OPG and Hydro One in excess of the Province's interest cost of its investment in these subsidiaries

The Debt Retirement Charge, Stranded Debt and Residual Stranded Debt

As originally enacted, the *Electricity Act, 1998*, allowed for the DRC to be paid by consumers until the retirement of the residual stranded debt.

The estimated retirement of residual stranded debt was subject to uncertainty in forecasting future OEFC results and dedicated revenues to OEFC, which depended on the financial performance of OPG, Hydro One, and municipal electric utilities, as well as other factors such as interest rates and electricity consumption.

As included in the *2014 Budget*, the government has removed the DRC cost from residential electricity users' electricity bills as of January 1, 2016. The residential rate class accounts for about a third of electricity load subject to the DRC. The government introduced legislation, passed on December 10, 2015, the *Budget Measures Act, 2015* to legislate a fixed end-date for the DRC of April 1, 2018, for commercial, industrial and all other users.

With a fixed legislative end-date to the DRC, the *Electricity Act, 1998* was also amended by the *Budget Measures Act, 2015,* to repeal all reference to the "stranded debt" and "residual stranded debt." This included the removal of the requirement to determine the residual stranded debt from time-to-time and the regulation-making authority for O. Reg. 89/12 – rendering the regulation obsolete. On February 11, 2016, the government filed Ontario Regulation 20/16 revoking Ontario Regulation 89/12.

Following the end of the DRC, OEFC will continue to receive other dedicated revenues, such as PILs, the amount equal to Hydro One Inc.'s provincial corporate income taxes, and the gross revenue charge paid to the OEFC to help service and pay down its unfunded liability.

Impact of Broadening Hydro One Ownership

In November 2015, the Province moved forward with the Hydro One Initial Public Offering (IPO), as well as certain other share sales. This initiative had a number of significant impacts on OEFC's financial results for the year ended March 31, 2016.

- In November 2015, Hydro One Inc. and certain subsidiaries paid a departure tax of $2.6 billion to OEFC as a consequence of leaving the PIL of corporate income tax regime. Hydro One also paid a one-time additional PIL of tax payment of $191 million associated with the transaction. These cash PILs payments did not have a direct net impact on OEFC's unfunded liability, as the departure tax and incremental PILs amount, as expenses to Hydro One, reduce Hydro One net income, and in consequence, reduce the Province's Electricity Sector Dedicated Income transfer to OEFC in respect of Hydro One net income.
- Subsequent to the IPO, Hydro One is no longer subject to PIL of corporate income tax payments to OEFC, but as per an amendment to the *Electricity Act, 1998*, passed as part of the *Budget Measures Act, 2015*, Provincial corporate income taxes payable by Hydro One Inc. will be due and payable by the Province to OEFC.
- The Province used the cash it received from a pre-IPO special dividend payment from Hydro One of $800 million to pay down the Province's payables to OEFC. This did not affect OEFC's unfunded liability.
- As per section 50.3 of the *Electricity Act, 1998*, OEFC recognized a financial benefit from the Province of $172 million in connection with the disposition of Hydro One shares in the year ended March 31, 2016.

With broadened Hydro One ownership, the Province has a reduced ownership interest in Hydro One. This reduced ownership interest results in a reduced share of Hydro One net income. The 2015–16 ESDI has reflected the Province's share of Hydro One net income, including the impacts on the Province of a deferred tax benefit recorded by Hydro One, as well as the departure tax and additional PILs paid by Hydro One Inc.

The Province has also stated that proceeds related to the book value of the shares sold will be used to pay down the Province's electricity sector debt and other payables to OEFC.

Risk Management

OEFC's risk management policies and procedures are designed to manage risk exposures associated with the Corporation's debt, derivatives and related capital market transactions.

Foreign exchange and net interest rate resetting exposures remained within policy limits in 2015–16.

- Foreign exchange exposure remained effectively at 0.0 per cent of outstanding debt as at March 31, 2016. The foreign exchange exposure limit for OEFC is 5.0 per cent.

- Net interest rate resetting exposure was 7.6 per cent of outstanding debt as at March 31, 2016, within the limit of 35.0 per cent.

Other Responsibilities

Management of Power Supply Contracts

Efficiencies were achieved in managing the existing power purchase agreements with the NUGs in 2015–16. Purchase costs were lower by $11.7 million, compared to being lower by $7.4 million in 2014–15, through curtailments.

Previously, the Corporation purchased power from the NUGs under contractual terms, and sold the power at market prices lower than cost. However, as at January 1, 2005, the Corporation began to receive actual contract prices for power from ratepayers, eliminating losses on power purchase contracts. At that time, the Ministry of Finance estimated most of the liability would be eliminated over 12 years as existing contracts expire. The liability for power purchase agreements was valued at $0.3 billion as at March 31, 2016, compared to $0.5 billion as at March 31, 2015.

Supporting New Electricity Supply Projects

Beginning in 2005, the Corporation began to provide financing on commercial terms to OPG for new electricity supply projects.

For instance, OEFC provided financing under a loan agreement with OPG for the Niagara Tunnel Project, which came into service in March 2013, increasing the water available for electricity generation at the Sir Adam Beck hydro complex in Niagara Falls.

Other completed OPG supply projects financed by OEFC are the Portlands Energy Centre and Lac Seul hydroelectric project.

Supporting the Implementation of the Government's Electricity Policies

OEFC is also supporting the Independent Electricity System Operator's (IESO) electricity demand management program and the Industrial Electricity Incentive (IEI) program. OEFC will support the IEI by providing payments to the IESO that will serve to offset the cost of the DRC portion of the electricity bill paid to OEFC on IEI-eligible incremental consumption by IEI participants. This program is designed to be cost-neutral for OEFC. Note that the contract was originally between the former Ontario Power Authority (OPA) and the OEFC, and, subsequent, to the January 1, 2015, merger of the IESO and the OPA into a new entity, also called the IESO, the contract is now between the IESO and OEFC.

2016–17 Outlook

OEFC will focus on the following:

Managing debt and other liabilities cost-effectively

The OFA will continue to manage OEFC's debt and other liabilities in a cost-effective manner.

Managing financial risk within approved policy limits

The debt portfolio will be managed within exposure limits approved by OEFC's Board of Directors (the Board) for 2016–17.

Administering NUG contracts

The Corporation will continue to minimize costs to ratepayers through effective administration of the NUG contracts.

Providing financing as required to the Ontario Hydro successor corporations

The Corporation will facilitate the cash flow requirements of the Ontario Hydro successor corporations as required.

Supporting the implementation of the government's electricity industry policies and analyzing and monitoring the impact on the Corporation

The Corporation will continue to support the government's electricity initiatives as requested, and will monitor and analyze their impact on the Corporation.

Financial Statements

- Responsibility for Financial Reporting
- Auditor's Report
- Statement of Financial Position
- Statement of Operations and Change in Unfunded Liability
- Statement of Cash Flow
- Notes to Financial Statements

Financial Statements

Responsibility for Financial Reporting

The accompanying financial statements of OEFC have been prepared in accordance with Canadian public sector accounting standards and are management's responsibility. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to September 14, 2016.

Management maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities. The Ontario Internal Audit Division of the Treasury Board Secretariat independently evaluates the effectiveness of these internal controls on an ongoing basis and reports its findings to management and the Audit Committee of the Board.

The Board is responsible for ensuring management fulfills its responsibilities for financial reporting and internal controls. The Audit Committee assists the Board in carrying out these responsibilities. The Audit Committee periodically meets with management, the internal auditors and the external auditors to deal with issues raised by them, and to review the financial statements before recommending Board approval.

The financial statements have been audited by the Auditor General of Ontario (the Auditor). The Auditor's responsibility is to express an opinion on whether OEFC's financial statements fairly present OEFC's financial position in accordance with Canadian public sector accounting standards. The Auditor's Report, which appears on the following page, outlines the scope of the Auditor's examination and ~~his~~ opinion.

On behalf of management:

Gadi Mayman
Vice-Chair and Chief Executive Officer

Ken Kandeepan
Chief Financial and Risk Officer

Auditor's Report

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Independent Auditor's Report

To the Ontario Electricity Financial Corporation
and the Minister of Finance

I have audited the accompanying financial statements of the Ontario Electricity Financial Corporation, which comprise the statement of financial position as at March 31, 2015~~5~~6, and the statements of operations and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Ontario Electricity Financial Corporation as at March 31, 2015~~5~~6, and the results of its operations, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Box 105, 15th Floor
20 Dundas Street West
Toronto, Ontario
M5G 2C2
416-327-2381
fax 416-327-9862
tty 416-327-6123

B.P. 105 15e étage
20, rue Dundas ouest
Toronto (Ontario)
M5G 2C2
416-327-2381
télécopieur 416-327-9862
ats 416-327-6123

www.auditor.on.ca

Toronto, Canada
September 14, 2016

Bonnie Lysyk, MBA, CPA, CA, LPA
Auditor General

Ontario Electricity Financial Corporation

Statement of Financial Position

As at March 31, 2016 ($ millions)

	2016	Restated (Note 16) 2015
ASSETS		
Cash and cash equivalents	$ 3,425	$ 1
Accounts receivable (Note 4)	466	527
Interest receivable	31	30
Due from Province of Ontario (Note 5)	4,281	4,903
Notes and loans receivable (Note 6)	12,524	12,755
	$ 20,727	$ 18,216
LIABILITIES		
Accounts payable and accrued liabilities (Note 7)	$ 104	$ 127
Interest payable	393	387
Debt (Note 8)	24,345	25,320
Power purchase contracts (Note 10)	307	479

Box 105, 15th Floor
Toronto, Ontario
M5G 2C2
fax 416-326-3812
B.P. 105, 15e étage
Toronto (Ontario)
télécopieur 416-326-3812
www.auditor.on.ca

	25,149	26,313
NET DEBT	(4,422)	(8,097)
NON-FINANCIAL ASSETS		
Deferred costs (revenue) on hedging	29	(1)
UNFUNDED LIABILITY (Notes 1, 3, 12, 16)	$ (4,393)	$ (8,098)

Contingencies and guarantees (Note 13)

Approved on behalf of the Board:

Scott Thompson
Chair

Gadi Mayman
Vice-Chair and Chief Executive Officer

See accompanying notes to financial statements.

Ontario Electricity Financial Corporation

Statement of Operations and Change in Unfunded Liability

For the year ended March 31, 2016 ($ millions)

	2016	Restated (Note 16) 2015
REVENUE		
Debt retirement charge (Notes 1, 12)	$ 859	$ 956
Payments-in-lieu of tax (Notes 1, 12, 15)	3,228	192
Interest (Note 6)	723	727
Power supply contract recoveries (Note 10)	875	950
Net reduction of power purchase contracts (Note 10)	172	217
Electricity sector dedicated income (Notes 5~~6~~, 12)	3	1,038
Financial benefit from the Province ~~– asset optimization~~related to the disposition of Hydro One Shares (Notes 5, 12)	172	–
Other	9	9
	$ 6,041	$ 4,089
EXPENSE		
Interest on debt	$ 1,319	$ 1,385
Power supply contract costs (Note 10)	875	950
Debt guarantee fee	127	131
Operating	7	6
Industrial electricity incentive program costs (Note 11)	8	9
	2,336	2,481
Excess of revenue over expense	3,705	1,608
Unfunded liability, beginning of year as previously reported	(8,185)	(9,781)
Prior period adjustment (Note 16)	87	75
Unfunded Liability, beginning of year restated	(8,098)	(9,706)
Unfunded liability, end of year	$ (4,393)	$ (8,098)

See accompanying notes to financial statements.

Ontario Electricity Financial Corporation

Statement of Cash Flow

For the year ended March 31, 2016 ($ millions)

	2016	Restated (Note 16) 2015
CASH FLOWS USED IN OPERATING ACTIVITIES		
Excess of revenue over expense	$ 3,705	$ 1,608
Adjustments for:		
Net reduction of power purchase contracts (Note 10)	(172)	(217)
Decrease in accounts receivable (Note 4)	61	201
Increase in interest receivable	(1)	–
Decrease (increase) in due from province of Ontario (Note 5)	622	(1,038)
Decrease in accounts payable and accrued liabilities (Note 7)	(23)	(36)
Increase (decrease) in interest payable	6	(28)
Increase in deferred costs (revenue) on hedging	(30)	(5)
Other items	7	8
Cash provided from operations	$ 4,175	$ 493
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term debt issued	$ 1,073	$ 1,875
Long-term debt retired	(2,033)	(2,686)
Short-term debt (retired) / issued ~~(retired)~~, net	(21)	10
Note receivable repayment, net	230	302
Cash required by financing activities	(751)	(499)
Increase (decrease) in cash and cash equivalents	3,424	(6)
Cash and cash equivalents, beginning of year	1	7
Cash and cash equivalents, end of year	$ 3,425	$ 1
Cash and cash equivalents consist of:		
Cash	12	1
Cash equivalents	3,413	–
	$ 3,425	$ 1
Interest on debt paid during the period and included in excess of revenue over expense	$ 1,313	$ 1,413

See accompanying notes to financial statements.

Notes to Financial Statements

1) Nature of Operations

Effective April 1, 1999, pursuant to the *Electricity Act, 1998* (the Act), Ontario Hydro was continued as a corporation without share capital under the name "Ontario Electricity Financial Corporation" (OEFC or Corporation). The Corporation is one of five entities established by the Act as part of the restructuring of the former Ontario Hydro. It is exempt from federal and provincial income taxes under paragraph 149(1)(d) of the *Income Tax Act* (Canada).

OEFC is a Crown agency whose ~~objectives~~ mandate includes:

- managing the debt and administering the assets, liabilities, rights and obligations of Ontario Hydro not transferred to other successor entities and managing the former Ontario Hydro's non-utility generator (NUG) contracts;
- providing financial assistance to the successor corporations of Ontario Hydro; and
- entering into financial and other agreements relating to the supply and demand management of electricity in Ontario~~;~~.

These other successor entities are:

- Ontario Power Generation (OPG), an electricity generation company;
- Hydro One, a regulated electricity transmission and distribution company;
- Independent Electricity System Operator (IESO), the regulated, independent system operator responsible for directing system operations, operating the electricity market, planning for and securing resources to meet medium and long-term energy needs, and coordinating conservation efforts; and
- Electrical Safety Authority (ESA), which performs a regulatory function related to electrical inspections.

On April 1, 1999, the Ministry of Finance determined that the estimated value of the assets being transferred to the new entities was $17.2 billion, which was exceeded by the former Ontario Hydro's total debt and other liabilities of~~stood at~~ $38.1 billion~~, which exceeded the estimated $17.2 billion market value of the assets being transferred to the new entities~~. ~~–~~OPG, Hydro One (and their subsidiaries) and the IESO were transferred assets valued at $8.5 billion, $8.6 billion and $78 million respectively in exchange for debt payable to OEFC. ~~–~~The resulting shortfall of $20.9 billion was determined by the Ministry of Finance to be "stranded debt." After adjusting for $1.5 billion in loans and other assets retained by OEFC, ~~–~~$19.4 billion was ~~(after adjusting for $1.5 billion in loans and other assets) was determined to be~~ the unfunded liability ~~or "stranded debt" and was~~ reflected on the OEFC opening balance sheet.

To allow OEFC to service and retire $38.1 billion in total debt including the $20.9~~19.4~~ billion in stranded debt, the Province established a long-term plan where debt service and repayment would be through dedicated revenues from electricity-sector companies. This would be broken down for the electricity sector as follows:

- Notes receivable from the Province, OPG, Hydro One and IESO;

- Payments ~~o~~in lieu of ta~~k~~xes (PILs), which are equivalent to the corporate income, property and capital taxes paid by private corporations;
- Debt retirement charge (DRC) paid by electricity consumers; and
- The cumulative combined profits of OPG and Hydro One in excess of the government's $520 million annual interest cost of its investments in the two companies.

As of April 1, 1999, the present value of ~~-~~the PIL~~'~~s and the cumulative combined profits of OPG and Hydro One in excess of the government's $520 million annual interest cost of its investments in the two companies was estimated at $13.1 billion. As a result, subtracting the $13.1 billion from the stranded debt of $20.9 billion resulted in an initial estimate of $7.8 billion, for the residual stranded debt.

The Act provided for the~~a new Debt Retirement Charge (~~DRC~~)~~ to be paid by electricity consumers until the residual stranded debt was retired. The 2014 Budget announced that the government would remove the DRC from residential users' electricity bills as of January 1, 2016. At March 31, 2014, the r~~R~~esidual ~~S~~stranded d~~D~~ebt was $2.6 billion. In addition, the 2015 Fall Economic Statement announced the proposed removal of the DRC for all commercial, industrial and all other electricity consumers as of April 1, 2018. Pursuant to this~~ese~~ announcement~~s~~, the *Electricity Act, 1998* was ~~also~~ amended by the *Budget Measures Act, 2015* and all reference to the "stranded debt" and "residual stranded debt" were removed. This also included the removal of the requirement to determine the residual stranded debt from time-to-time and the regulation-making authority for O. Reg. 89/12 – rendering the regulation obsolete.

2) Summary of Significant Accounting Policies

Basis of Accounting

As OEFC is a government organization, these financial statements are prepared in accordance with Canadian public sector accounting standards.

Net Debt Presentation

A statement of changes in net debt is not presented since this information is readily apparent. Due to the unique nature of the corporation, no budget figures have been provided.

Measurement Uncertainty

Uncertainty in the determination of the amount at which an item is recognized in the financial statements is known as measurement uncertainty. Such uncertainty exists when it is reasonably possible there could be a material variance between the recognized amount and another reasonably possible amount, as there is whenever estimates are used. Measurement uncertainty in these financial statements exists in the valuation of the power purchase contracts and payments-in-lieu of tax revenue, payments-in-lieu of tax receivable and tax refundable. Estimates are based on the best information available at the time of preparation of the financial statements.

Cash and Cash Equivalents

Cash and cash equivalents include cash on deposit and highly liquid investments recorded at cost and mature within one year.

Revenue Recognition

The main sources of revenue are:

- **Debt retirement charge (DRC)** from ratepayers is recognized based on the consumption of electricity.
- **Payments-in-lieu of taxes (PILs)** are recognized in the period that they are earned from OPG, Hydro One (pre-IPO) and municipal electric utilities.
- **Power supply contract recoveries** are recovered at the same amount as the costs incurred on the Power supply contracts.
- **Electricity sector dedicated income** is ~~recognized,~~ allocated at the discretion of the Province of Ontario, using the cumulative combined net income of OPG and Hydro One (related to the Province's ownership) in excess of the Province's interest costs of its investment.
- **Provincial allocation related to the sale of Hydro One** is recognized in accordance with section 50.3 of the *Electricity Act, 1998* where OEFC receives a benefit as a result of the sales of Hydro One shares ~~through the IPO and subsequent share sales~~.

Financial Instruments

The corporation's financial assets and liabilities are accounted for as follows:

- Cash and cash equivalents is subject to an insignificant risk of change in value so carrying value approximates fair value.

- Accounts Receivable, Due from Province and Notes and Loans Receivable are recorded at cost.

- Debt is composed of short, medium and long-term bonds, notes and debentures. Debt denominated in foreign currencies that has been hedged is recorded at the Canadian dollar equivalent using the rates of exchange established by the terms of the hedge agreements. Other foreign currency debt, liabilities and assets are translated to Canadian dollars at year-end rates of exchange and, in accordance with Canadian public sector accounting standards, any exchange gains or losses are deferred and amortized over the remaining term to maturity.

- Discounts, premiums and commissions arising from the issuance of debt or the acquisition of debt prior to maturity are deferred and amortized to operations over the life of the underlying debt. Unamortized debt issue costs are included in total debt.

- Derivatives are financial contracts the value of which is derived from underlying instruments. OEFC uses derivatives for the purpose of hedging and to minimize interest costs. Hedges are created primarily through swaps, which are legal arrangements under which OEFC agrees with another party to exchange cash flows based upon one or more notional amounts during a specified period. Other derivative instruments used by OEFC include forward foreign exchange contracts, forward rate agreements, futures and

options. Derivatives are recognized at cost on the date on which derivatives are entered and are not subsequently re-measured at fair value at each reporting date.

Deferred Costs on Hedging
Fees and other costs from debt related derivatives are deferred and amortized to operations over the life of the underlying debt. Unamortized amounts are classified under non-financial assets.

Accounts payable and accrued Liabilities
Accounts payable relate to normal business transactions with third-party suppliers and are subject to standard commercial terms.

Power Purchase Contracts
The liability for power purchase contracts was originally calculated by discounting estimated losses over the life of the contracts. Under the *Electricity Restructuring Act, 2004*, OEFC began receiving actual contract prices for power from electricity consumers, effective January 1, 2005, and no longer incurs losses on these power purchase contracts. At that time, the Ministry of Finance estimated that the bulk of the liability would be eliminated over 12 years as existing electricity contracts expire. As a result, the bulk of the liability is being amortized to revenue over that period.

3) Going Concern

OEFC is dependent on the Province to borrow funds to finance maturing debt and to cover any cash shortfalls in the Corporation, and on OPG repaying its outstanding notes receivable. It is also dependent on the government's long-term plan to defease the unfunded liability as described in Note 12.

~~4)~~ Accounts Receivable

~~5)~~4) ~~Accounts receivable at March 31, 2016 is comprised of the following ($ millions):~~

As at March 31 ($ millions)	2016	2015
Debt retirement charge	$ 91	$ 137
Payments-in-lieu of tax	284	294
Power supply contract recoveries	83	89
Other receivables	8	7
Total	**$ 466**	**$ 527**

~~6)~~5) Due from the Province

In 1999, the Province put in place a policy commitment to allocate annually ~~allocate~~ the combined net income of OPG and Hydro One in excess of the Province's interest cost of its investment in its electricity subsidiaries to OEFC. Under these arrangements, the Province recoups all costs associated with its investments in electricity subsidiaries on a cumulative basis before any of the combined net income is allocated to and recognized by OEFC.

For the year ended March 31, 2016, for the purposes of Electricity Sector Dedicated Income, the Province's combined net income of OPG and Hydro One was $523 million which includes adjustments as a result of the Initial Public Offering (IPO) (2015 – $ 1,558 million). After deducting the Province's $520 million interest cost of its investment in these subsidiaries, the Province at its discretion allocated to OEFC electricity sector dedicated income of $3 million (2015 – $1,038 million).

Section 50.3 of the *Electricity Act, 1998* governs the payments to be made to the Corporation in respect of the disposition of any securities of Hydro One. For fiscal 2015-16, OEFC recognized $172 million from the Province under section 50.3 in connection with the Hydro One share sales in November 2015IPO.

In addition, a new section of the Electricity Act, section 91.2, requiresauthorizes the Province to pay to the Corporation an amount equal to the amount of tax payable under the *Taxation Act, 2007* by Hydro One Inc. (or subsidiaries). For fiscal 2015-16, OEFC has recognized $2.9 million under section 91.2 arising from the Hydro One IPO.

On February 19, 2016, the Province paid $800 million to OEFC which was applied to reduce OEFC's receivable related to cumulative electricity sector dedicated earnings.

7)6) Notes and Loans Receivable

($ millions)					
	Maturity Date	**Interest Rate**	**Interest Payable**	**March 31, 2016**	**March 31, 2015**
The Province	2039–2041	5.85	Monthly	$ 8,885	$ 8,885
OPG	2016–2042	2.96 to 6.33	Semi-Annually	3,465	3,665
IESO	2017	Variable/2.05	Monthly/ Semi-Annually	90	120
				12,440	12,670
Add: Loans receivable from NUGs				84	85
Total				**$ 12,524**	**$ 12,755**

OEFC has agreed with OPG and the IESO not to sell notes owing from these successor entities without their prior approval.

The Province

As previously noted above, at the time of restructuring the former Ontario Hydro, the Province received exchanged equity of $8.9 billion in OPG and Hydro One in exchange for assuming debt payable to OEFC. There has been no additional borrowing by the Province.

OPG

OEFC has agreed to provide OPG financing for new generation project development in the form of 10-year and 30-year notes on commercial terms and conditions.

Under the Niagara tunnel project agreement, the OEFC has ~~has~~ agreed to provide for up to $1.6 billion loan whereby $1.1 billion has been advanced with borrowing under the facility now complete.

~~Under the Lower Mattagami project~~T~~,~~ ~~t~~he OEFC has agreed to provide up to $700 million in support of OPG's investment for the Lower Mattagami project.~~,~~ A~~a~~s at March 31, 2016, there has been no borrowing under this credit facility agreement. The facility agreement is set to expire~~d~~ June 30, 2016. ~~with no drawdowns having taken place~~

~~Under the Darlington refurbishment project, t~~The OEFC has agreed to provide up to $800 million for general corporate purposes, including the Darlington refurbishment project, expiring on December 31, 2016. As at March 31, 2016, there has been no borrowing under this credit facility agreement.

Set out below is a summary by year of maturity of OPG's debt to OEFC ($ millions):

Fiscal Year	Amount
2016–17	$ 320
2017–18	1,125
2018–19	260
2019–20	505
2020–21	420
2021–22	185
2022–23	130
2023–24	20
2040–41	150
2041–42	350
Total	**$ 3,465**

IESO

In April 2014, OEFC refinanced a note receivable with the IESO, originally maturing on April 30, 2014 for an additional 3 years. The refinancing increased the principal outstanding from $78.2 million as at March 31, 2014 to $90 million as at April 30, 2014.

In April 2014, OEFC also extended the expiry date of its revolving credit facility to the IESO to April 30, 2017, and decreased the credit facility from $110 million to $95 million. The credit facility bears interest at a floating rate equal to the Province's cost of borrowing for a 30 day term plus 50 basis points. The facility will be used for liquidity purposes and to temporarily fund working capital requirements. At March 31, 2016, IESO had no balance drawn on the credit facility.

NUGs

Loans receivable from NUGs at March 31, 2016 totalled $84 million (2015 – $85 million).

OEFC's interest income for 2016 of $723 million (2015 – $727 million) included interest from notes receivable of $701 million (2015 – $715 million) and $22 million (2015 – $12 million) from other sources including temporary investments.

~~8)~~7) Accounts Payable and Accrued Liabilities

~~Accounts Payable and accrued liabilities at March 31, 2016 is comprised of the following ($ millions):~~

As at March 31 ($ millions)	2016	2015
Power supply contract costs	$ 88	$ 93
Payments-in-lieu of tax refundable	12	31
Other liabilities	4	3
Total	**$ 104**	**$ 127**

~~9)~~8) Debt

Debt at March 31, 2016, is set out below by maturity and by currency of repayment, expressed in Canadian dollars.

Currency ($ millions)	Canadian Dollars	U.S. Dollars	Other Foreign	2016 Total	2015 Total
Maturing in:					
1 year	$ 4,122	$ –	$ 485	$ 4,607	$ 3,684
2 years	1,645	295	179	2,119	2,973
3 years	482	74	153	709	2,119
4 years	1,384	–	–	1,384	727
5 years	1,361	–	–	1,361	1,384
1–5 years	8,994	369	817	10,180	10,887
6–10 years	9,628	–	–	9,628	8,839
11–15 years	1,215	–	–	1,215	2,317
16–20 years	850	–	–	850	850
21–25 years	1,328	–	–	1,328	1,312
26–50 years	1,157	–	–	1,157	1,157
	$ 23,172	**$ 369**	**$ 817**	**$ 24,358**	**$ 25,362**
Debt issue costs				**(13)**	**(42)**
Total				**$ 24,345**	**$ 25,320**

The effective rate of interest on the debt portfolio was 5.14 per cent after considering the effect of derivative instruments used to manage interest rate risk (2015 – 5.17 per cent). The longest term to maturity is to December 2, 2046. Total foreign currency denominated debt at March 31, 2016 was $1.2 billion, 100 per cent of which was fully hedged to Canadian funds (2015 – $1.3 billion or 100 per cent). Bonds and notes payable are either held, or guaranteed as to principal and interest, by the Province as set out below:

	March 31, 2016			March 31, 2015		
($ millions)	**Held by the Province**	**Guaranteed by the Province**	**Total**	**Held by the Province**	**Guaranteed by the Province**	**Total**
Short-term debt	$ 1,630	–	$ 1,630	$ 1,651	–	$ 1,651
Current portion of long-term debt	2,977	–	2,977	2,033	–	2,033
Long-term debt	13,428	6,310	19,739	15,326	6,310	21,636
Total	**$ 18,035**	**$ 6,310**	**$ 24,345**	**$ 19,010**	**$ 6,310**	**$ 25,320**

Fair value of debt issued approximates amounts at which debt instruments could be exchanged in a current transaction between willing parties. In valuing OEFC's debt, fair value is estimated using discounted cash flows and other valuation techniques and is compared to public market quotations where available. These estimates are affected by the assumptions made concerning discount rates and the amount and timing of future cash flows.

The estimated fair value of OEFC debt at March 31, 2016, was $29.3 billion (2015 – $31.1 billion). This is higher than the book value of $24.3 billion (2015 – $25.3 billion) because current interest rates are generally lower than the interest rates at which the debt was issued and because of exchange rate movements. The fair value of debt does not reflect the effect of related derivative contracts.

~~10)~~9) Risk Management and Derivative Financial Instruments

OEFC operates within strict risk exposure limits to ensure exposure to risk is managed in a prudent and cost-effective manner. A variety of strategies are used including the use of derivative financial instruments ("derivatives"). Derivatives are financial contracts, the value of which is derived from underlying instruments. OEFC uses derivatives for the purpose of hedging and to minimize interest costs. Hedges are created primarily through swaps, which are legal arrangements under which OEFC agrees with another party to exchange cash flows based upon one or more notional amounts during a specified period. This allows OEFC to offset its existing obligations and thereby effectively convert them into obligations with more desirable characteristics. Other derivative

instruments used by OEFC include forward foreign exchange contracts, forward rate agreements, futures and options.

Foreign exchange / currency risk

Foreign exchange or currency risk is the risk foreign currency debt principal and interest payments and foreign currency transactions will vary in Canadian dollar terms due to fluctuations in foreign exchange rates. To manage currency risk, derivative contracts are used to convert foreign currency cash flows into Canadian dollar denominated cash flows. The current policy allows unhedged foreign currency debt principal, net of foreign currency holding, to reach a maximum of 5.0 per cent of total debt. At March 31, 2016, the actual unhedged level was 0.0 per cent of total debt (2015 – 0.0 per cent).

Net Interest Rate Resetting Risk

Net interest rate resetting risk is the exposure to changes in interest rates. Exposure to rate changes is reduced by entering into derivative contracts that convert floating interest payments to fixed interest payments. The current policy allows unhedged floating rate debt and fixed rate debt maturing within the next 12 months, net of liquid reserves, to reach a maximum of 35.0 per cent of total debt.

At March 31, 2016, net interest rate resetting risk as a percentage of total debt was 7.6 per cent (2015 – 19.6 per cent).

Liquidity Risk

Liquidity risk is the risk OEFC will not be able to meet its current short-term financial obligations. As explained in Note 3, OEFC is dependent on the Province to borrow funds to finance maturing debt and to cover any cash shortfalls in the Corporation, and on OPG repaying its outstanding notes receivable.

The table below presents a maturity schedule of OEFC's derivatives, by type, outstanding at March 31, 2016, based on the notional amounts of the contracts. Notional amounts represent the volume of outstanding derivative contracts and are not indicative of credit risk, market risk or actual cash flows.

Derivative Portfolio Notional Value

As at March 31, 2016 ($ millions)

Maturity in years						6–10	Over 10		
Fiscal year	2017	2018	2019	2020	2021	Years	Years	Total	March 2015
Cross-currency swaps	$ 763	$ 665	$ 203	$ –	$ –	$ –	$ –	$ 1,631	$ 1,701

Interest rate swaps	1,123	623	706	–	–	100	653	3,205	3,421
Forward foreign exchange contracts	498	–	–	–	–	–	–	498	530
Total	**$ 2,384**	**$ 1,288**	**$ 909**	**$ –**	**$ –**	**$ 100**	**$ 653**	**$ 5,334**	**$ 5,652**

Credit Risk

The use of derivatives introduces credit risk, which is the risk of a counterparty defaulting on contractual derivative obligations in which OEFC has an unrealized gain. The table below presents the credit risk associated with the derivative financial instrument portfolio, measured through the replacement value of derivative contracts, at March 31, 2016.

Credit Risk Exposure ($ millions)	**March 31, 2016**	**March 31, 2015**
Gross credit risk exposure	$ 263	$ 248
Less: Netting	(218)	(202)
Net credit risk exposure	**$ 45**	**$ 46**

OEFC manages its credit risk exposure from derivatives by, among other ways, dealing only with high credit quality counterparties and regularly monitoring compliance to credit limits. In addition, OEFC enters into contractual agreements ("master agreements") that provide for termination netting and, if applicable, payment netting with most of its counterparties. Gross credit risk exposure represents the loss OEFC would incur if every counterparty to which OEFC had credit risk exposure were to default at the same time, and the contracted netting provisions were not exercised or could not be enforced. Net credit risk exposure is the loss including the mitigating impact of these netting provisions.

~~11)~~10) Power Supply Contracts

Power supply contracts include both power purchase contracts and power supply support agreements. Power purchase contracts and related loan agreements were entered into by the former Ontario Hydro with NUGs located in Ontario. As the legal continuation of the former Ontario Hydro, OEFC is the counterparty to these contracts. The contracts, expiring on various dates to 2048, provide for the purchase of power at prices in excess of future market price.

Accordingly, a liability was recorded at $4,286 million on a discounted cash-flow (DCF) basis when the former Ontario Hydro was continued as OEFC on April 1, 1999.

Under legislated reforms to the electricity market, OEFC began receiving actual contract prices for power from ratepayers effective January 1, 2005, and no longer incurs losses on these contracts going forward. At that time, the Ministry of Finance estimated the bulk of the liability to be eliminated over 12 years as existing electricity contracts expire. As a result, the Corporation is amortizing the bulk of the liability to revenue over that period. The table below presents the unamortized liability.

Statement of Liability for Power Purchase Contracts
As at March 31, 2016 ($ millions)

	2016	2015
Liability, beginning of year	$ 479	$ 696
Amortization	(172)	(217)
Liability, end of year	**$ 307**	**$ 479**

In addition, effective January 1, 2009, OEFC entered into a support contract, the Contingency Support Agreement (CSA), with OPG whereby OPG agreed to maintain the reliability and availability of Lambton and Nanticoke coal-fired stations following implementation of a greenhouse gas emissions-reduction strategy. Under the contract, OEFC agreed to ensure OPG would recover the actual costs of operating the stations after implementing this strategy. Any costs to OEFC under this agreement are fully recovered from ratepayers. As at December 31, 2013, OEFC triggered an early termination clause in the CSA to reflect the advanced closure of these plants by one year to the end of 2013. OPG is allowed to recover actual costs that cannot reasonably be avoided or mitigated, during the period from the early shut down date until December 31, 2014, consistent with the original end date of the CSA.

During the year ended March 31, 2016, OEFC's costs under power supply contracts totalled $875 million, including purchases of power from NUGs of $865 million (2015 – $902 million) and OPG support contract costs of $10 million (2015 – $48 million).

~~12)~~11) Industrial Electricity Incentive Program Costs

Consistent with its objects, OEFC is supporting the IESO's electricity demand management program, the Industrial Electricity Incentive (IEI) program. The IEI program assists with the management of electricity demand by encouraging increased industrial production through electricity-based price adjustments. Offered in three streams, qualified participants can receive reduced electricity rates for eligible incremental consumption over a specified term.

On March 31, 2014, OEFC entered into a legal agreement with the former OPA to support Stream 1 and Stream 2 of the IEI program, and amended on May 13, 2015, to accommodate the new Stream 3. Subsequent to the January 1, 2015 merger of the IESO and the OPA into a new entity, also called the IESO, the contract is now between the IESO and the OEFC. OEFC is providing

payments to the IESO to offset the cost of the DRC portion of the electricity bill paid to OEFC on IEI-eligible incremental consumption by IEI participants. The agreement is currently set to be effective until December 31, 2024, when Stream 3 is set to end, with contracts subject to various termination clauses. The IESO has not executed any Stream 1 contracts.

The Budget Measure Act, 2015, passed on December 10, 2015 will remove the DRC as of April 1, 2018 for all commercial, industrial and all other electricity consumers. OEFC will no longer provide offsetting payments to the IESO on IEI-eligible incremental electricity consumed beginning April 1, 2018.

~~13)~~12) Unfunded Liability

Pursuant to the Act and consistent with the principles of electricity restructuring, the government has a long-term plan to defease the unfunded liability from the electricity sector.

The plan includes ~~allocation of~~ funds from the following sources:

Prior to the Hydro One IPO (see note 15), these funds included Notes Receivable, PILs, Gross Revenue Charges (GRC), DRC and ESDI.

Following the Hydro One IPO, these funds ~~will be allocated from~~include Notes Receivable, PILs, GRC, Provincial Corporate Income Taxes allocated to OEFC from taxes payable by Hydro One Inc. in accordance with *The Budget Measures Act, 2015*, DRC, ESDI and a financial benefit from the proceeds of the IPO and any future share sales in accordance with section 50.3 of the *Electricity Act, 1998*.

~~14)~~13) Contingencies and Guarantees

OEFC is involved in various legal actions arising out of the ordinary course and conduct of business. For some claims which relate to the former Ontario Hydro prior to the establishment of OEFC on April 1, 1999, OPG or Hydro One is required to indemnify OEFC for any liability arising from the claim. There are currently no such claims. For claims on which OEFC is provided no indemnification and where the outcome and ultimate disposition of these legal actions is not determinable at this time, the settlements, if any, will be reflected in the period in which settlement occurs.

Prior to October 31, 2015, subject to a $10 million deductible, OEFC agreed to indemnify Hydro One in respect of any adverse claim to title to any asset, right or thing transferred or intended to be transferred to the company at April 1, 1999, and any failure of the transfer order to transfer such assets, rights or things and with respect to payment to or from or other dealing with any equity account of Ontario Hydro, including certain related litigation. Effective October 31, 2015~~6~~, OEFC and Hydro One, with the consent of the Minister of Finance, terminated this indemnity. A similar indemnity provided to OPG was terminated as of May 31, 2006.

OEFC was contingently liable under guarantees given to third parties that had provided long-term financing to certain independent power producers in connection with the power purchase

agreements described in Note 10. The final loan payments were made in February 2016 and therefore there were no guarantees outstanding at March 31, 2016 (2015 – $4 million).

Under a decision dated March 12, 2015 the Ontario Superior Court of Justice found that following the enactment of Ontario Regulation 398/10 under which the allocation of the Global Adjustment among electricity consumers was changed effective as of January 1, 2011, the Corporation had incorrectly calculated the price indices under certain power purchase agreements between the Corporation and the applicant non-utility generators (NUGs). OEFC appealed this decision to the Ontario Court of Appeal. On April 19, 2016, OEFC's appeal was dismissed. On June 20, 2016 OEFC applied to the Supreme Court of Canada for leave to appeal the decision of the Court of Appeal. The application is expected to be determined before the end of 2016. ~~In the event that the application for stay or the application for leave to appeal is not successful, pursuant to the March 12, 2015 decision of the Ontario Superior Court of Justice, the retroactive amounts that would be paid by the Corporation with respect to the applicant NUGs is estimated to be $170 million, fully charged to the Global Adjustment.~~ On September 13, 2016, the application for stay was denied by the Ontario Court of Appeal. As a result, the Corporation will pay $179 million in retroactive payments including interest to the applicant NUGs which is fully recoverable from IESO via the Global Adjustment and accordingly there is no financial impact on the financial statements. ~~Therefore, no amount has been provided in these financial statements.~~

~~15)~~14) Related Party Transactions

In the normal course of operations, OEFC has transactions with the following related parties:

a) Province of Ontario
b) Ontario Power Generation Inc.
c) Hydro One Inc. (for the period up to October 2015) and Hydro One Ltd. (post IPO)
d) Independent Electricity System Operator

The Corporation has entered into several~~-~~ agreements with the following entities:

Ontario Financing Authority

The Ontario Financing Authority (OFA), an agency of the Province responsible for borrowing and investing monies for the Province and other public bodies, provides day-to-day management services to OEFC on a cost-recovery basis of $3.7 million (2015 – $3.6 million).

Ministry of Finance (MOF)

MOF provides revenue collection and reporting services to OEFC on a cost-recovery basis amounted to $1.7 million (2015 – $1.9 million).

~~16)~~15) Broadening Hydro One Ownership

On April 16, 2015, the Province announced that it would proceed with an IPO of about 15 per cent of Hydro One in 2015–16, with subsequent share sales over time, totalling up~~equalling~~ to
60 per cent of its voting securities in Hydro One. Legislation was passed that restricts the Province

from selling more than 60 per cent of the voting securities in Hydro One. The 2015 Budget bill, *Building Ontario Up Act, 2015* included an amendment to the *Electricity Act, 1998* to ensure that OEFC benefits from broadening ownership of Hydro One, thus contributing to the continuing reduction of its unfunded liability.

On November 5, 2015, the Province completed the first phase of its plan to broaden Hydro One ownership. It sold about 16 per cent of the Province's outstanding Hydro One common shares at a price of $20.50 per share, through an IPO and through related share sales to electricity sector union trusts.

On November 4, 2015, Hydro One paid a departure tax of $2.6 billion to OEFC as a consequence of leaving the PILs regime. Hydro One also paid a one-time additional PIL of tax payment of $191 million associated with the transaction.

As a result of the Hydro One IPO, Hydro One and all its subsidiaries are subject to corporate income taxes (CIT). Under the amendments made to the *Electricity Act, 1998* in the fall *Budget Measures Act, 2015*, the Minister of Finance must pay the OEFC an amount equal to provincial tax payable under the Taxation Act, 2007 by Hydro One Inc., to continue to help service and pay down the electricity sector stranded debt.

Proceeds related to the book value of the shares sold and the special dividend payment of $800 million paid by Hydro One to the Province will be used to pay down the Province's electricity sector debt and other payables. On February 19, 2016, the Province paid OEFC the $800 million which it had received as a special dividend~~to OEFC which was~~ applied to reduce OEFC's receivable related to cumulative electricity sector dedicated earnings (Due from the Province of Ontario).

In accordance with section 50.3 of the *Electricity Act, 1998*, OEFC recognized a financial benefit from the Province of $172 million in connection with the Province's disposition of Hydro One common shares in the year ended March 31, 2016.

The Province also initiated a secondary share offering of Hydro One shares on April 5, 2016 which upon completion reduced the Province's holdings of Hydro One to approximately 70 per cent.

~~17)~~16) Restatement of Comparative Figures

The Ministry of Finance has determined certain hydro-electric generating stations have incorrectly remitted Gross Revenue Charge payments to the Minister of Finance instead of OEFC. The error was attributable to the enactment of the *Provincial Land Tax Act, 2006* by Bill 151 *Budget Measures Act 2006* which repealed ss. 92.1(2.1) of the *Electricity Act, 1998* effective January 1, 2009.

Misallocated payments from January 1, 2009 to March 31, 2016 total $99 million including $87 million relating to periods prior to fiscal 2016, thereby increasing OEFC's payments-in-lieu of tax and accounts receivable for fiscal 2015 as set out below:

	2015		
($ millions)	**Previously Stated**	**Change**	**Restated**

Financial Position:			
Accounts Receivable	$ 440	$ 87	$ 527
Opening Unfunded Liability	$ (9,781)	$ 75	$ (9,706)
Closing Unfunded Liability	$ (8,185)	$ 87	$ (8,098)
Statement of Operations:			
Payments-in-lieu of tax revenue	$ 180	$ 12	$ 192
Excess of revenue over expense	$ 1,596	$ 12	$ 1,608

~~18)~~17) Comparative Figures

Certain of the prior year's comparative figures have been reclassified to conform with the financial statement presentation adopted for the current period.

Corporate Governance

- Overview
- Board of Directors
- Risk Management Policies and Procedures

Corporate Governance

Overview

OEFC is an agent of the Crown and is classified by Management Board of Cabinet as a~~n operational enterprise~~
board-governed provincial agency.

Corporate governance at OEFC involves processes that permit the effective supervision and management of OEFC's activities by senior management, the Board, its Audit Committee, and the Minister of Finance. It includes identifying individuals and groups responsible for the Corporation's activities and specifying their roles.

Accountability and Responsibilities

OEFC's accountability structure flows from its governing statute, the Act. The Act together with policies issued by Management Board of Cabinet and the Minister of Finance form a framework under which OEFC is governed.

Each year, the Minister of Finance is required to submit OEFC's Annual Report to the Lieutenant Governor in Council and then table the Annual Report in the Legislature. In addition, the Minister of Finance reviews and approves OEFC's annual business plan. The Minister also maintains communications with OEFC, through its Chair, regarding government policies and issues relevant to OEFC.

The Chair is accountable to the Minister of Finance for the performance of OEFC in fulfilling its mandate. The current Chair is also the Deputy Minister of Finance. The Chair is responsible for providing advice and information to the Minister of Finance with regard to the operation and affairs of OEFC. In addition, the Chair provides leadership to OEFC. As Deputy Minister of Finance, the Chair ensures organizational capacity in the Ministry to monitor OEFC and ensures that it manages its risks appropriately.

The Board is appointed by the Lieutenant Governor in Council on the recommendation of the Minister of Finance and is accountable to the Minister through the Chair. The Board performs a supervisory role, overseeing the management of the business and affairs of OEFC to ensure OEFC's mandate, as determined by the Province, is fulfilled. The Board is largely comprised of public servants employed by the Crown. The Board meets at least quarterly and receives regular reports from the CEO and OFA staff concerning the operations of OEFC and its compliance with applicable laws and policies. Standards of conduct for Board members are set out in a Board-approved Code of Conduct.

The Audit Committee of the Board approves an annual internal audit plan and liaises with OEFC's internal auditors and the Auditor General of Ontario regarding financial reporting and internal controls. It also reviews financial policies and financial statements and recommends them to the Board. Another function of the Audit Committee is the review of the Corporation's major risks and mitigation strategies.

The CEO is appointed by the Lieutenant Governor in Council on the recommendation of the Minister of Finance. The CEO works under the direction of the Chair and the Board to implement policies and operational decisions, and reports the agency's performance to the Board through the Chair. The CEO is responsible for managing the day-to-day operations and ongoing activities of OEFC in accordance with government policies.

The Corporation does not have employees, although some OFA employees are designated as officers for executing agreements and other instruments on the Corporation's behalf. The OFA carries out the Corporation's day-to-day operations under the supervision of the Board and pursuant to a Services Agreement between the OFA and OEFC. In addition, the Ministry of Finance collects certain payments on behalf of OEFC.

Financial Reporting

OEFC prepares annual financial statements in accordance with Canadian public sector accounting standards. The financial statements are reviewed and recommended by the Audit Committee and approved by the Board. The annual financial statements are audited by the Auditor General who expresses an opinion on whether they present the financial results fairly in accordance with Canadian public sector accounting standards. The financial statements and the audit report are reviewed by the Audit Committee and the Board. These audited financial statements are tabled in the Ontario Legislature as part of the Annual Report and are included as a schedule to the Public Accounts of the Province. Unaudited financial statements are prepared quarterly and presented to the Audit Committee and the Board.

Internal Controls

Management is responsible for establishing and maintaining internal controls to provide reasonable assurance regarding the reliability of financial reporting and to safeguard OEFC's assets and manage its liabilities.

In meeting its responsibility for the reliability and timeliness of financial information, OEFC, directly and through the OFA, uses a comprehensive system of internal controls, including organizational and procedural controls. The system of internal controls includes:

- comprehensive business planning
- written communication of policies and procedures governing corporate conduct and risk management
- segregation of duties
- maintenance and retention of detailed records
- responsible delegation of authority and personal accountability
- careful selection and training of personnel
- regularly updated accounting and financial risk policies.

As part of its annual business plan, OEFC conducts a risk assessment of corporate-wide risks and develops appropriate mitigation strategies.

The Ontario Internal Audit Division of the Ministry of Finance develops an annual internal audit plan based on input from the OEFC Audit Committee and OFA Management. The internal audit plan is approved by the OEFC Audit Committee. The Internal Audit Division reports to the OEFC Audit Committee on the results of their audit work in OEFC.

Board of Directors

Scott Thompson
Chair and Deputy Minister of Finance
Date of initial appointment to OEFC Board of Directors: October 2014
Current term expires: October 2017

Gadi Mayman
Vice-Chair and Chief Executive Officer
Date of initial appointment to OEFC Board of Directors: August 2000
Current term expires: July 2017

Serge Imbrogno
Deputy Minister of Energy
Date of initial appointment to OEFC Board of Directors: April 2008
Current term expires: April 2017

Nancy Kennedy
Assistant Deputy Minister, Revenue Agencies Oversight Division
Audit Committee Member
Date of initial appointment to OEFC Board of Directors: October 2014
Current term expires: October 2017

Ronald Kwan
Assistant Deputy Minister, Corporate and Electricity Finance Division, OFA
Date of initial appointment to OEFC Board of Directors: January 2016
Current term expires: January 2019

John Lieou
Assistant Deputy Minister, Planning and Policy Division, Ministry of Transportation
Date of initial appointment to OEFC Board of Directors: January 2016
Current term expires: January 2019

Murray Lindo
Date of initial appointment to OEFC Board of Directors: December 2015
Current term expires: December 2018

Diane McArthur
Chief Talent Officer, Office of the Chief Talent Officer, Center for Leadership and Learning, Treasury Board Secretariat
Audit Committee Member
Date of initial appointment to OEFC Board of Directors: October 2014
Current term expires: October 2017

Total Annual Remuneration paid to the two external Directors for 2015–16: $1,000

Directors whose term ended during 2015–16

Bruce L. Bennett, OEFC Board of Directors
Term expired: June 2015

Nancy Naylor, OEFC Board of Directors
Term expired: June 2015

Risk Management Policies and Procedures

Overview

The Corporation's risk management policies and procedures provide for the management of risk exposures created by capital market activities. Current policies and procedures address market, credit and operational risk exposures as they pertain to debt and derivatives portfolios and capital markets transactions.

These policies were developed following the guidelines and directives of regulatory bodies, such as the Office of the Superintendent of Financial Institutions of Canada and the Bank for International Settlements and by consulting with Canadian bank representatives on their risk management practices.

The Board and Management committees establish and approve risk management policies and monitor the performance of the OFA's capital market activities related to OEFC.

Market Risk Policy

Market risk is the risk of financial loss attributable to changes in interest rates and foreign exchange rates. This policy provides a framework for borrowing activities and integrates several aspects dealing with the management of market risk. The policy includes several limits:

- **Foreign Exchange Limit** – unhedged foreign currency exposure is limited to 5.0 per cent of outstanding debt. Unhedged foreign exchange exposures are limited to Group of Seven currencies and the Swiss franc.
- **Net Interest Rate Resetting Limit** – the interest rate resetting exposure, net of liquid reserves, is limited to a maximum of 35.0 per cent of outstanding debt.
- **Management Trigger Level** – this is an aggregate loss trigger level covering both the Province and OEFC to prevent a potentially large loss resulting from capital market transactions.

Credit Risk Policy

Credit risk is the risk that a counterparty defaults on its financially contracted obligations. Credit risk arises when the OFA undertakes financial and derivative transactions on behalf of OEFC. The minimum credit rating of a new counterparty for swap transactions without collateral is AA- and R1-mid, A-1 or P-1 for money market investments. The resulting exposure to a financial

counterparty is capped at mark-to-market limits depending on the counterparty's credit rating and capital base.

Policy on the Use of Derivatives and Financial Instruments

Use of derivatives and other financial instruments is restricted to those that the OFA can price and whose risk exposures can be measured by the OFA. Derivatives are used to manage exposures arising from the borrowing and debt management programs in a sound and efficient manner. Risks arising from the use of derivatives are monitored and managed prudently.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or external events. The OFA manages operational risk relating to OEFC through reviews and improvements of work processes, documented policies and procedures, data processing systems, contingency plans and staff training.

The OFA maintains a Business Continuity Plan (which covers OEFC's operations), which is regularly updated to facilitate the continuation of essential operational functions with minimal disruption in the event of an emergency.

Policy on Risk Management Reporting

At its regular quarterly meetings, the Board is kept informed of the Corporation's activities:

- The CEO of OEFC provides the Board with a progress report on its borrowing activities and other operational matters. The CEO also reports on compliance with applicable government directives.
- The Chief Financial and Risk Officer, OFA Risk Control Division, reports on program exposures and performance, as well as exceptions to policies.

In addition, OFA Management is informed of the Corporation's risk exposures and positions on a daily basis so it can direct appropriate actions on behalf of OEFC.

Additional Sources of Information

Internet

Ontario Electricity Financial Corporation	www.oefc.on.ca
Ontario Financing Authority	www.ofina.on.ca
Ministry of Finance	www.fin.gov.on.ca
Ministry of Energy	www.energy.gov.on.ca
Ontario Power Generation Inc.	www.opg.com
Hydro One Ltd.	www.hydroone.com
Independent Electricity System Operator	www.ieso.ca
Ontario Electrical Safety Authority	www.esasafe.com

Inquiries

For general information and additional copies of the Report, please contact OEFC at:

Telephone: (416) 325-8000

E-mail: investor@oefc.on.ca

www.oefc.on.ca

1 Dundas Street West, Suite 1400
Toronto, Ontario
M7A 1Y7
Canada

Telephone: (416) 325-8000

investor@oefc.on.ca
www.oefc.on.ca

Ontario
Ontario Electricity Financial Corporation

© Queen's Printer for Ontario
ISSN 1492-7551

This Annual Report is also available in French

2017–20 Business Plan

Approved by the Board of Directors

February 10, 2017
Date

Approved by the Minister of Finance

Signature

Date

The Honourable Charles Sousa
Minister of Finance

Table of Contents

EXECUTIVE SUMMARY 3

OVERVIEW OF 2016–17 RESULTS (TO DATE) 4

2017–20 OBJECTIVES 10

Total Revenues and Expenditures 10

MANDATE AND GOVERNING LEGISLATION 11

OVERVIEW OF CURRENT AND FUTURE PROGRAM AND ACTIVITIES AND IMPLEMENTATION PLAN: 2017–20 12

1. Execute the Province's borrowing program 12
2. Manage the Province's debt, investments, ONFA and financial risk, and contribute to the development of the Province's fiscal plan and outlook 12
3. Manage key financial relationships 13
4. Provide services related to cash management, banking, settlement, payment and financial and reporting 14
5. Advise on and implement corporate and electricity finance projects and policies 15
6. Ensure the successful activation of OFA's decentralized Business Continuity Plan (BCP). 16

RISK IDENTIFICATION AND ASSESSMENT 18

ENVIRONMENTAL SCAN 39

Economic Conditions 39

Financial Markets 40

Government Initiatives 40

Regulatory Compliance 40

PERFORMANCE MEASURES 41

HUMAN RESOURCES 51

FINANCIAL BUDGET 52

OFA Multi-Year Operating Expenditure Forecast 52

OFA - Income Statement Projections 53

STRATEGIC CORPORATE SERVICES 54

INITIATIVES INVOLVING THIRD PARTIES 56

IMPLEMENTATION PLAN 56

COMMUNICATION PLAN 56

Business Plan 56

Other Communications 56

ORGANIZATIONAL CHART 57

EXECUTIVE SUMMARY

The Ontario Financing Authority (OFA) is a Provincial Crown agency established by the *Capital Investment Plan Act, 1993* (CIPA). The initiatives in the OFA's *2017–20 Business Plan* will focus on achieving the objectives set out in CIPA and the objectives set out in the OFA's mandate letter from the Minister of Finance, dated October 1, 2016 over a three year planning horizon, as well as reporting on results of the previous year's Business Plan. Initiatives for the 2017–20 Plan include:

1. Executing the Province's borrowing program through development and implementation of the annual Financing, Debt & Electricity Management Plan. The Plan will provide critical details on the borrowing program, including term structure and diversification objectives, as well as investor relations, liquidity, floating rate, foreign exchange and credit risk strategies, and also outline major risks and risk mitigation strategies.

2. Managing the Province's debt, investments, Ontario Nuclear Funds Agreement (ONFA) and financial risk, and contributing to the development of the Province's fiscal plan and outlook by working to generate savings from liquid reserve investment activities within prudent risk exposure limits, as well as centralized/segregated investment funds for various public bodies. This also involves managing ONFA-related investments, working together with Ontario Power Generation Inc. (OPG), to ensure interest rate, foreign exchange and credit exposures are within approved policy limits, as well as contributing to the Province's annual Budget, Fall Statement and quarterly finances.

3. Managing key financial relationships by building and maintaining connections with investors in both existing and new markets, as well as relationships with banks, financial service providers and investment dealers. This includes providing Investor Relations information products and updates on the OFA website. Maintaining close relationships and ongoing dialogue with credit rating agencies to keep them informed of the Province's financial status, priorities, and initiatives, and complete regulatory filings with the U.S. Securities & Exchange Commission (SEC) and any other applicable securities regulators.

4. Providing cash management and banking services on a centralized basis to all ministries and settlement, payment, financial and reporting, loan administration, information technology and client services to the Treasury Program by implementing effective treasury solutions for the Province and client agencies. Ensuring that the Province has sufficient cash available at all times to meet its financial obligations, and continuing to work with the other ministries to advise on banking and cash management components of government initiatives as well as on changes to accounting standards and their impact on the Province's debt and interest on debt.

5. Advising on and implementing corporate and electricity finance projects and policies by providing analysis and advice on cost-effective borrowing, investing and risk management by public bodies and other financing proposals, and on business cases for business supports. This includes providing advice on transactions that may affect the indebtedness or contingent liabilities of Ontario, including provincial guarantees. In addition, undertaking policy and financial analysis, modelling support and implementation, as required, for electricity financings, policies and initiatives, including ONFA, which could have fiscal, financial and/or economic implications for the Province and/or Ontario Electricity Financial Corporation (OEFC).

6. Ensuring the successful activation of OFA's decentralized Business Continuity Plan (BCP) by reviewing and updating the Corporate BCP Framework and Business Unit plans, as well as conducting corporate-wide BCP test exercises.

OVERVIEW OF 2016–17 RESULTS (TO DATE)

The Ontario Financing Authority (OFA) accomplished the following in support of the overall strategic directions outlined in the 2016–19 Business Plan[1]:

1. *Execute the Province's borrowing program*

- As of January 31, 2017, the OFA had completed $20.3 billion (85 per cent) of its $23.8 billion (as per the 2016 Fall Economic Statement) long-term borrowing requirement for 2016–17. Approximately 82 per cent of long-term borrowing was completed in the Canadian dollar market.
- The 2016–17 Ontario Savings Bond (OSB) campaign raised $127 million.
- The objectives set out in the 2016–17 Financing, Debt & Electricity Management Plan, approved by the OFA Board, are on track and expected to be successfully completed by fiscal year end.
- Sufficient liquidity has been available over the fiscal year to ensure the Province has been able to meet all of its financial commitments and payment obligations, largely reflecting the long-term borrowing program being consistently ahead of pace.
- Successfully executed five carve-out deals[2] to-date for the 2016–17 fiscal year (as of January 31, 2017). Held in-depth discussions with individual carve-out investors.
- On January 26, 2017, the Province successfully priced an $800 million re-opening of its January 2023 Global Green Bond. The six year bond will help fund twelve green infrastructure projects, with an emphasis on clean transportation and energy efficiency and conservation. The transaction represents the third and largest ever Green Bond offering from the Province of Ontario.
- Provided expertise in accounting for Green Bonds, and set up financial accounting and reporting for these investment vehicles that met the requirements outlined by the investor community. Developed and released a second Green Bond newsletter on December 12, 2016, updating investors on the second Green Bond's use of proceeds, project selection process, as well as, providing project updates on the eight projects selected.
- Analyzed the scope and impact of the Markets in Financial Instruments Directive (MiFID) II and the Bank Recovery and Resolution Directive (BRRD) on the Province and implemented required documentation changes to ensure the Province's continued, uninterrupted access to European capital markets.

2. *Manage the Province's debt, investments, ONFA and financial risk, and contribute to the development of the Province's fiscal plan and outlook*

- As of January 24, 2017, through the timing of debt issues and related hedging, the cost of regular borrowing for the Province based on the traditional methodology translated to a percentile ranking of 58th percentile against a statistical distribution of benchmark interest rates. As such the percentile ranking for regular borrowings is outside the designated target band of 45 to 55 percentile. The OFA has introduced a more accurate and comprehensive performance measurement methodology based on the tenor of individual debt issues. Applying this methodology, the cost of regular borrowing for the Province for the same date translated to a percentile ranking of 53rd percentile, falling within the target band of 45 to 55 percentile. The cost of strategic foreign borrowing as of January 24, 2017 translated into a percentile ranking of 54th percentile falling within the designated target band for strategic foreign borrowings of 50 to 75 percentile. The new methodology is yet to be extended to cover strategic foreign borrowings. There were no borrowings on behalf of OEFC.

[1] The OFA's fiscal year end is March 31, 2017, but quantitative performance results are as of December 31, 2016, unless otherwise noted.

[2] In order to accommodate large bond purchases by a single buyer, a large order procedure was implemented on October 14, 2011. The "carve-out" procedure allows for a portion of a bond issue to be sold to a single buyer.

- The money market performance was $ $21.6 million or thirteen basis points (bps) better than the benchmark as of December 31, 2016. The performance is eleven bps better than the upper limit of the target band which is plus or minus two bps of the benchmark.
- The interest-on-debt (IOD) expense for 2016–17 is currently forecast at $11,375 million, $381 million lower than forecast in the *2016 Budget*, primarily as a result of lower than forecast interest rates.
- Funds were managed on a discretionary basis on behalf of the Pension Benefits Guarantee Fund, Deposit Insurance Corporation of Ontario, Ontario Trillium Foundation, Infrastructure Ontario, and a commitment fund for the Ontario Capital Growth Corporation.
- Funds were managed on a non-discretionary basis on behalf of the Ontario Immigrant Investor Corporation and Northern Ontario Heritage Fund.
- With OPG, the Used Fuel and Decommissioning Segregated Funds' investments were managed under ONFA. The Funds have grown from $16.9 billion at January 1, 2015 to about $19.2 billion at September 30, 2016. As of November 30, 2016, the rate of return for the Used Fuel Fund for one year was 6.88 per cent compared to the market benchmark of 6.89 per cent and a target rate of return of 5.04 per cent. The rate of return for the Decommissioning Fund for one year was 6.79 per cent compared to the market benchmark of 7.07 per cent and a target rate of return of 5.15 per cent.
- Contributed to the Province's annual Budget and quarterly finances, including the electricity sector outlook and assets; advised on the potential implications of initiatives on interest on debt, borrowing objectives, credit ratings and financial markets' reactions.
- As part of the Pooled Asset Management Working Group, provided technical investment management expertise on the modelling, design and implementation of a pooled asset management entity for institutions in Ontario's broader public sector. In February 2015, a final report was presented to the Minister of Finance. The OFA has continued to assist the Ministry of Finance (MOF) in implementing the Investment Management Corporation of Ontario (IMCO).
- Administered borrowing authority obtained under the *Financial Administration Act* (FAA) which is required to carry out the Province's borrowing program. Effected changes to the FAA to better align the foreign currency conversion of debt maturities to be refinanced with the methodology used in calculating the Province's annual borrowing requirement.

3. *Manage key financial relationships*

- Held road shows, investor meetings and conference calls to meet with investors in Canada, the United States, Europe and Asia, and hosted meetings at the OFA offices. Held 139 investor meetings and events as of December 31, 2016, including meetings with 10 new accounts. Provided keynote speakers and panelists at industry conferences in Toronto and New York City. Promoted Toronto as a global financial centre.
- Continued development of the OFA website to improve functionality, add additional information for investors and provide full mobile accessibility. As part of Ontario's *Open Data Directive,* the OFA published an Open Data Inventory List on its website, which includes all of the datasets the OFA creates, collects and/or manages. The website continues to be an important tool for communicating with investors and the public, receiving 34,792 visitors during the 2016 calendar year. Three CEO's Corner updates were posted over this time. The OFA email alert list had 363 subscribers as of December 31, 2016.
- Maintained close relationships and held ongoing discussions with credit rating agencies and the banks which underwrite and distribute the Province's bonds in Canada and around the world to keep them apprised of government priorities and initiatives, the *2016 Budget*, the 2015–2016 Public Accounts, the *2016 Ontario Economic Outlook and Fiscal Review* (Fall Statement), the secondary offering of Hydro One upon its public announcement and other quarterly finance releases.
- Managed increasingly more rigorous regulatory and disclosure requirements, and maintained close relationships with the regulatory bodies in the global capital markets.
- Monitored credit exposures to banks with which the OFA has relationships. Executed 10 collateralized swap agreements with bank counterparties and are working toward executing additional agreements in order to mitigate credit risk with bank counterparties.

- Conducted comprehensive reviews of potential rule changes affecting the Province domestically and internationally such as the Market Abuse Directive (MAR) in the European Economic Area (EEA) and fee-based changes with Canada's primary central securities depository (CDS), consulting securities regulators and other capital market participants, as appropriate.
- Monitored and fully complied with international withholding tax requirements in respect of its financial agreements under FATCA and OECD Common Reporting Standard for Entity Tax Residency.

4. *Provide cash management and banking services as well as settlement, payment services, loan administration and financial and reporting services and client services*

- Provided centralized banking services to the Province by strategically managing banking relationships, as well as providing efficient centralized cash management services to the Province, minimizing interest on debt.
- Continued to provide cash management services to five client agencies and crown corporations, including the Pension Benefits Guarantee Fund, Ontario Capital Growth Corporation and the Deposit Insurance Corporation of Ontario.
- Managed the complex cash flows and settlement requirements associated with the secondary offering of Hydro One ensuring that these very large and time sensitive transactions were completed on a timely and accurate basis.
- Continued to advise ministries on the application of the Cash Management Directive with regard to Government priorities including the proposed cap and trade mechanism for Ontario.
- Continued strategic participation and advice to the cross-ministry Working Group, Executive Governance Committee and Payment Card Industry (PCI) Enterprise Coordination Office to assist ministries in maintaining compliance with mandatory security requirements for debit/credit card acceptance.
- After concluding a successful pilot, continued to work with the Ministry of Community and Social Services to replace social benefits payments made by cheque with a reloadable prepaid card product for all unbanked individuals providing both cost efficiencies, and improved services to Ontarians.
- Provided analysis and advice to Ministry of the Environment and Climate Change (MOECC) on the structuring of the Province's proposed Cap and Trade auction program, which will be linked with those of California and Quebec, to ensure its sound financial management and protection of the Province's interests.
- Provided advice to MOECC regarding the selection and management of a Financial Services Administrator to support the auction process, and control structure for the auction-related financial services and receipt of public money aspects.
- Provided advice to the Ministry of Government and Consumer Services (MGCS) on their procurement of corporate purchasing / travel cards as well as analysis of related *Financial Administration Act* considerations.
- Provided analysis and advice to ministries on payment options for new programs and program changes e.g. Ministry of Transportation Drive Clean program collections via Pre-Authorized Debit, Ministry of Advanced Education and Skills Development online collection of childcare license fees, and online Program Approval and Registration Information System.
- Based on an in-depth risk and efficiency analysis the Province determined to no longer accept American Express cards as a payment mechanism. The decision generated savings through the elimination of a parallel infrastructure as well as reduced risk by streamlining PCI data security requirements.
- Working closely with MOF to develop an e-services strategy for tax collection.
- Continue to engage with provincial and federal counterparts on treasury and cash management program issues throughout the year.
- Continued to provide timely and efficient settlement and payment services in managing the Provincial and OEFC debt portfolios and Non-Utility Generator (NUG) power purchase contracts.
- Continued to work with MOF, MGCS and Treasury Board Secretariat (TBS) in advancing the OFA initiative to move pension plan assets that are currently part of the Consolidated Revenue Fund into

more appropriate asset management structures that have the potential to release up to $50 million in annualized savings.

- The Integrity Commissioner has graduated the OFA from having to submit the travel expenses of the Board, the CEO and his direct reports and the top five employees in a fiscal year, for review by his office. The graduation is a testament to the timeliness and accuracy exhibited by the OFA in providing this information to the Office of the Commissioner over the past few years.
- As next steps in providing feedback to the Public Sector Accounting Board (PSAB) with regards to its new standard on Financial Instruments, the OFA has retained Deloitte Inc. to consult with other provinces and provide feedback to PSAB on provincial concerns with the proposed standard.
- Continued to provide accurate agency financial statements, as well as reported provincial debt, derivatives and investments in accordance with strict legislated timelines. As in past years, the OFA's 2015–16 Financial Statements received an unqualified opinion from the Office of the Auditor General. The Auditor General's annual review of the OFA's financial reporting of the Province's debt and interest on debt presented in the 2015–16 Public Accounts continued to be free of material issues.
- Renewed and administered long and short term credit facilities between the Province and Ontario Infrastructure and Land Corporation ("OILC").

5. *Advise on and implement corporate and electricity finance projects and policies*

- Advised on capital projects and financing options for ministries and public sector entities.
- Continued the review of business cases for OFA borrowing requests from public bodies including a number of Ontario colleges, school boards and corporations, expected to result in a total of $400 million in new long-term loans. Loan program annual savings are estimated to be at least $30 million per year for a total of approximately $230 million in cumulative savings to date.
- Continued to provide advice on municipal debt issuance and investment activities, including the expansion of the Prudent Investor standard to other large municipalities and on the Ministry of Municipal Affairs and Housing new municipal revenue tools strategy.
- Monitored terms and conditions of loans and loan guarantees and reviewed proposals and provided advice to the Deputy Minister and the Minister on proposed options to amend the loan guarantees and associated loan and contracts.
- Provided analysis and advice on the Province's investment in the Ontario Venture Capital Fund, the Northleaf Venture Catalyst Fund, Ontario Emerging Technologies Fund and the ScaleUp Ventures Fund. The CEO serves on the Board of Directors, and is a Vice-Chair of, the Ontario Capital Growth Corporation (OCGC), which manages the Province's interests in these four funds.
- Advised on and reviewed proposed contingent liabilities and indemnity agreements put forward by ministries and public bodies that would increase the indebtedness of the Province, including contingent liabilities and indemnities for major infrastructure projects, accommodation leases or broader public sector borrowing.
- Provided analysis and advice to the MOECC on the design of the Province's cap and trade auction program as well as the procurement of a financial services provider to the WCI Inc. to provide administrative support to that program.
- Provided analysis and advice to the MOECC on the establishment of a new climate change agency tasked with the implementation of the ministry's carbon reduction programs.
- Providing analysis and advice on the application of Section 28 of the *Financial Administration Act* to contracts entered into by public entities that would increase the indebtedness or contingent liabilities of the Province.
- Led the development of a new protocol for the sharing of powers and responsibilities under Section 28 of the *Financial Administration Act* between the Minister of Finance and the President of Treasury Board.
- Provided advice to the Ministry of Research, Innovation and Science (MRIS) on private sector refinancing of the MRIS-MaRS Phase 2 loan.

- Provided advice to ministries, Crown agencies and other public entities on loan structuring and credit enhancement strategies.
- Provided advice to the MOF's Office of Economic Policy regarding the Bank of Canada's proposal to extend an Emergency Lending Facility to all provincial credit unions.
- Provided analysis and advice in support of the Ministry of Energy moving forward with secondary offerings of Hydro One shares including, in 2016-17, the secondary offering executed in April 2016.
- Provided advice alongside MOF to help facilitate discussion and progress regarding the agreement-in-principle with First Nations – in support of broadening the ownership of Hydro One by the Province.
- Through a working group, working with Infrastructure Ontario and other areas of government, provided analysis and advice in support of unlocking the value of the Province's real estate assets, including the sale of the LCBO's head office lands in June 2016, and the sales process for OPG headquarters properties.
- Provided policy analysis and advice on the implementation of the Trillium Trust, and proposed framework for making disbursements from the Trillium Trust to receiving ministries in support of public infrastructure investments.
- Provided financial analysis and advice on continuous management and implementation of the commercial agreement with Borealis/Teranet for the electronic land registry system.
- CEO served on the Assistant Deputy Ministers' review committee of the Jobs and Prosperity Fund.
- Provided analysis, advice, and the fiscal impact of the electricity sector and asset optimization initiatives for the Province's annual Budget, Fall Statement, Public Accounts and quarterly finances.
- Supported electricity policies and initiatives, focusing on potential fiscal, financial, and economic impacts on the Province and OEFC, including analysis and advice to support implementation and expansion of the Industrial Electricity Incentive (IEI); expanding the Industrial Conservation Initiative (ICI); ongoing implementation of the Northern Industrial Electricity Rate (NIER) program and its review process, the rebate for residential, small business and farm electricity bills of an amount equal to the eight per cent provincial portion of the Harmonized Sales Tax (HST) or the Ontario Rebate for Electricity Consumers (OREC); and providing analysis and advice on the stranded debt of the electricity sector.
- Provided analysis and advice on proposed new loans facilities and continued to implement new and existing loan agreements between OEFC and OPG related to supply projects and refinancing debt maturities.
- Renewed and continued to implement a credit facility between OFA and the Independent Electricity System Operator (IESO) for liquidity purposes and also provided analysis and advice to ensure financial oversight / governance of these credit facilities following the merger of the OPA and IESO.
- Continued to implement the Aboriginal Loan Guarantee Program (ALGP) to facilitate Aboriginal equity participation in renewable energy and transmission projects. As of December 31, 2016, eight guarantees totalling almost $240 million have been approved under the ALGP. All applications are reviewed in conjunction with one or more third party due diligence providers.
- Continued to implement the ONFA, including monitoring the segregated fund values, monitoring, reviewing and providing analysis and advice on the Province's approval of OPG's ONFA Reference Plan submission in 2016 and related submissions, reviewing for approval OPG's ONFA Annual Budget submissions and disbursement eligibility and requests, and monitoring the provincial guarantee provided under ONFA to the Canadian Nuclear Safety Commission (CNSC) as part of OPG's financial guarantee requirement to the CNSC.
- Provided analysis and advice on electricity supply initiatives, including nuclear refurbishments.
- Provided continuous support on discussions related to developing infrastructure and projects in the Ring of Fire.
- Provided analysis and advice on policies to support the consolidation of Ontario's electricity Local Distribution Company sector.

6. *Ensure the successful execution of the OFA's decentralized Business Continuity Plan (BCP)*

- Reviewed and updated the Corporate BCP Framework.
- Business Units conducted monthly tests, ensuring their respective plans are reviewed and updated.
- Carried out two corporate-wide BCP test exercises, and implemented improvements to the Plan based on the results of these tests.
- Reviewed corporate BCP Command and Support Team membership.

2017–20 OBJECTIVES

Key objectives for 2017–20 include the following, as set out in the OFA's mandate letter from the Minister of Finance, dated October 1, 2016:

1. Execute the Province's borrowing program
2. Manage the Province's debt, investments, ONFA and financial risk, and contribute to the development of the Province's fiscal plan and outlook
3. Manage key financial relationships
4. Provide services related to cash management, banking, settlement, payment, financial and reporting, and client services
5. Advise on and implement corporate and electricity finance projects and policies

In addition to the foregoing, the OFA has also identified the following additional key objective:

6. Ensure the successful execution of OFA's decentralized Business Continuity Plan

Total Revenues and Expenditures

(in thousands of dollars)	**2016–17**		**Forecasts***		
	Budgeted	**Interim Forecast**	**2017-18**	**2018-19**	**2019-20**
Total Revenue	30,071	30,117	30,804	30,856	31,290
Total Expenditure	27,068	27,050	27,499	28,009	28,575
Net Income	**3,003**	**3,067**	**3,305**	**2,847**	**2,715**

Further detail can be found in the Financial Budget contained in this plan.

*Forecasts represent the submission through 2017–18 Program Review, Renewal & Transformation (PRRT) process to the Treasury Board. Subject to Treasury Board approval. Note that as part of the 2016–17 PRRT process, Treasury Board disallowed the OFA request for a two per cent inflationary increase in its budgeted allocations for the out years.

MANDATE AND GOVERNING LEGISLATION

The Ontario Financing Authority (OFA) is a Provincial Crown agency established by the *Capital Investment Plan Act, 1993* (CIPA). CIPA sets out the objectives of the OFA. The OFA:

- conducts borrowing and investment for the Province of Ontario and manages the Provincial debt;
- provides cash management and other financial services for the Province;
- advises ministries, Crown agencies, and other public bodies on financial matters; and
- assists Crown agencies and other public bodies to borrow and invest money through external sources or through the OFA.

The OFA also provides a broad range of financial services to Ontario Electricity Financial Corporation (OEFC) and Ontario Infrastructure and Lands Corporation (Infrastructure Ontario or OILC).

The FAA also sets out certain financial powers which OFA employees exercise on behalf of the Minister of Finance to carry out the Province's borrowing, manage the Province's debt and invest its liquid reserves.

OVERVIEW OF CURRENT AND FUTURE PROGRAM AND ACTIVITIES AND IMPLEMENTATION PLAN: 2017–20

Activities will focus on supporting the following strategic directions:

1. *Execute the Province's borrowing program*

Overview

The OFA endeavours to ensure that borrowing by the Province and OEFC is cost-effective. Total long-term public borrowing is forecast at $23.3 billion in 2017–18 and $28.7 billion in 2018–19. This year's objectives may be challenging to implement due to the state of the global economy/market and the resource constraints within which the OFA is operating. Furthermore, borrowing blackouts can limit the amount of time in which the OFA can access the market. This may require borrowing in excess of $3 billion per month when these blackouts are not in effect in order to complete the annual borrowing requirement. Other challenges include:

- continued high amount of borrowing required for the Province, including the amount that will have to be undertaken outside Canada;
- competition in the markets from other large domestic and international borrowers;
- evolving regulatory requirements such as Basel III, Dodd-Frank and EMIR that continue to make hedging of foreign debt more expensive and a challenge to execute in the size required by the Province;
- potential challenges for Ontario's credit rating. A downgrade may result in borrowing costs increasing; and
- management of downgrading or failure of counterparties, and continued implementation of collateralized swaps to mitigate credit risk.

Implementation Plan

- Develop the annual Financing, Debt & Electricity Management Plans for OFA Board approval and transmission to the Minister. These plans provide detail on the borrowing program, including term structure and diversification objectives, as well as investor relations, liquidity, floating rate, foreign exchange and credit risk strategies, and also outline major risks and risk mitigation strategies.
- Meet the Province's funding requirements, anticipated to average about $25 billion annually for the business plan period, in a cost-effective and prudent manner.
- Manage the Ontario Savings Bond campaign.
- Continue to monitor the Green Bond market to identify future issuance opportunities under its Green Bond Program.

2. *Manage the Province's debt, investments, ONFA and financial risk, and contribute to the development of the Province's fiscal plan and outlook*

Overview

The OFA manages the debt and liquid reserve portfolios, as well as centralized/segregated investment funds, for various public bodies, and jointly manages the Ontario Nuclear Funds with OPG. Financial risks associated with capital market activities are mitigated by adhering to prudent risk management policies which minimize financial risk by ensuring exposures and losses remain within approved limits. Risk management policies and program exposure limits are approved by the OFA Board of Directors. The OFA also contributes interest on debt, borrowing and debt management objectives, and electricity sector fiscal impact projections to the Budget, Fall Statement and other quarterly financial updates.

Implementation Plan

- Generate savings from liquid reserve investment activities within prudent risk exposure limits, as well as centralized/segregated investment funds, for various public bodies. Manage ONFA-related investments, working together with OPG.
- Ensure interest rate, foreign exchange and credit exposures are within approved policy limits.
- Contribute to the Province's annual Budget, Fall Statement and quarterly finances, including the electricity sector outlook; advise on the potential impact of initiatives on interest on debt, borrowing objectives, credit ratings and financial markets' reactions. Continue playing an important role in the development of the Province's annual Budget and quarterly statements through the provision of timely and accurate financial information, and preparation of the Borrowing and Debt Management section of the Budget and Fall Statement.
- Continue with the implementation of the new methodology based on assessing individual debt issues by tenor, to measure the performance of the borrowing program.
- Continue to implement applicable changes as per financial and regulatory reform requirements including evolving effects from Basel III, EMIR and Dodd-Frank. These regulations are expected to continue to make the OFA's hedging process more complex. Hedging may also continue to become more expensive if proposals such as financial transaction taxes or mark-to-market derivatives taxes are legislated and implemented in Europe or the United States.

3. *Manage key financial relationships*

Overview

The OFA ensures investors and the financial community in Canada and abroad receive financial updates on a timely basis to make informed decisions about Province of Ontario debt securities. Investor Relations activities support borrowing program objectives by maintaining and broadening the Province's investor base. The OFA also ensures credit rating agencies understand government policies, budget, and fiscal performance, properly reflecting these factors in their reports and rating decisions.

The OFA manages the government's relationships with financial institutions, primarily the major Canadian and global banks, their investment dealer subsidiaries, and custodial and fiscal agents. This involves the acquisition and oversight of cost-effective products and services for the Province and certain Crown corporations.

Implementation Plan

- Support the Province's borrowing program by building and maintaining relationships with investors in existing and new markets. Provide Investor Relations information products, including updates to the OFA website, on a timely basis.
- Maintain close relationships and ongoing dialogue with credit rating agencies to keep them informed of the Province's financial status, priorities, and initiatives.
- Manage Ontario's relationships with banks, financial service providers and investment dealers.
- Complete regulatory filings with the U.S. Securities & Exchange Commission (SEC), United Kingdom Listing Authority (UKLA), Luxembourg Stock Exchange (LuxSE), Australian Securities Exchange (ASX) and any other applicable securities regulator. Conduct due diligence conference calls, as required, with the dealers and underwriters of the Province's debt securities offerings and their legal counsel.
- Implement and maintain collateralized swap agreements with bank counterparties to limit potential financial losses as a result of a credit event.

- Manage changes in financial and regulatory reform, liaising with regulators and legal counsel, as required.

4. *Provide services related to cash management, banking, settlement, payment and financial and reporting*

Overview

The OFA provides centralized banking and cash management services to the Province. The effective provision of these services allows for the efficient delivery of provincial services and contributes towards minimizing interest on debt expenditures. The OFA is responsible for settlements, payments and accounting/reporting functions associated with the Province's and OEFC's debt management programs, as well as agency financial reporting.

Implementation Plan

- Identify and implement effective treasury solutions for the Province and client agencies.
- Ensure that the Province has sufficient cash available at all times to meet its financial obligations.
- While compliance with PCI Data Security Standards is now in its sustainment phase, the OFA will continue to work with the other OPS stakeholders and the credit/debit card acquirer to ensure that the mandatory external reviews continue to report that that Province is in compliance with all applicable PCI standards.
- Continue to work with American Express and TD Merchant Services, the Province's card acquirer, to explore options for the continued acceptance of American Express cards via the acquirer's existing systems for Visa and MasterCard. The new arrangement would enable Amex cards to be used to obtain Provincial goods and services in a way that mitigates risk and increases efficiency for the Province.
- After the completion of a successful pilot, continue to work with the Ministry of Community and Social Services on the rollout of a reloadable payment card for unbanked benefit recipients under the Ontario Disability Support Program.
- Continue to advise ministries and agencies on the banking and cash management components of government initiatives including modernization and suitable banking options, as well as associated legal and regulatory aspects.
- Continue to collaborate with industry associations and provincial and federal jurisdictions on modernization initiatives and issues unique to the public sector.
- Continue the delivery of timely and accurate settlement/payment services for the Province and OEFC, including OEFC power supply contract settlements.
- Continue to work on the replacement of the Public Bodies Financing System with a new, internally developed/externally sourced system capable of handling all loans issued by the OFA and the Province. Progress is expected to proceed according to schedule and it is anticipated that the new system will be operational in 2017–18.
- Continue to work with the Ontario Pension Board, MOF Income Security and Pension Policy Division and TBS on the first phase of regularizing the management of various pension plans whose assets reside in the Consolidated Revenue Fund. The first phase is aimed at transferring the regulated portion of the assets of the Judges' Pension Plan to the IMCO generating annualized savings estimated to be $15 million.
- Work with the Office of the Provincial Controller and OPG to develop options to address the potential under PSAB for Public Accounts consolidation adjustment impacts from OPG and Hydro One results under the International Financial Reporting Standards.
- Provide timely and reliable net debt and total debt estimates for the 2017 Annual Budget and the Province's quarterly reports during the fiscal year including the Fall Economic Statement.

- Continue to provide timely and accurate financial reporting for the Province on debt, derivatives and investments. Continue to provide timely and accurate agency financial statements that pass scrutiny of the OFA Board and the Office of the Auditor General.
- Continue to work with the Office of the Provincial Controller on providing value-added feedback on Chapter 2 of the Annual Report of the Auditor General of Ontario that deals with Ontario's Public Accounts.
- Continue to monitor and assess any new accounting developments of the International Accounting Standards Board, the Financial Accounting Standards Board in the U.S., the Accounting Standards Board and the PSAB of the Chartered Professional Accountants of Canada that affect reporting for the Province and its agencies.
- Continue to work with Deloitte Inc. in consulting with the accounting and borrowing communities of the other provinces towards providing PSAB with concerns expressed by these jurisdictions and Ontario. Also with Deloitte Inc., collaborate on developing options that address the provinces' concerns. Continue to liaise with the Office of the Provincial Controller and, where required, the Office of the Auditor General of Ontario in communicating with PSAB.

5. *Advise on and implement corporate and electricity finance projects and policies*

Overview

The OFA provides financial modelling, analysis and advice to the Ministry of Finance, other ministries, OEFC, Crown agencies, and other public bodies, on financial policies and projects, electricity sector policies and initiatives, and borrowing from capital markets. The OFA also provides assistance in structuring and completing financial transactions, and securing and using private sector financial advisers. The OFA has been leading the implementation of the Trillium Trust and will also continue to work with the Ministry of Finance, other ministries, and Infrastructure Ontario on on-going asset optimization initiatives, including unlocking the value of certain real estate assets. The OFA is providing analysis and support as the Province moves forward in selling up to 60 per cent of its shares of Hydro One over time.

The OFA will also continue to support and facilitate the implementation of a number of other government initiatives, including the Cap and Trade Program and investing in Ontario's venture capital sector.

Implementation Plan

- Provide analysis and advice on business cases and other financing proposals. Develop the structure and negotiate the detailed terms and conditions of transactions to minimize costs and best meet market expectations.
- Provide advice on cost-effective borrowing, investing and risk management by public bodies.
- Provide advice on transactions requiring a provincial guarantee or those that may otherwise increase the indebtedness or contingent liabilities of Ontario.
- Develop interest rate and other borrowing, investing and risk management policies, and advise ministries, agencies and public bodies on interest rates and other financing issues.
- Support initiatives for Ontario's various industry sectors.
- Provide continued support for the government initiative on OFA loans to public bodies.
- Provide support to the government on Ministry of Finance loans and loan guarantees as required.
- Continue to provide advice to ministries, Crown agencies and other public bodies on financing, loan structuring and credit enhancement strategies.
- Provide advice as required on evaluating the Province's assets, including investments in its business enterprises, and analysis and advice on asset optimization to enhance efficiency and maximize value.

- Provide policy and financial analysis, and modelling support, as required, for electricity policies and initiatives that could have fiscal, financial and/or economic implications for the Province and/or OEFC, including the following:
  - *The Ontario Rebate for Electricity Consumers Act, 2016.*
  - Ongoing implementation of the Industrial Electricity Incentive program.
  - Ongoing implementation of the NIER program.
  - Expanding the Industrial Conservation Initiative.
  - Electricity supply and conservation initiatives.
- Provide financial due diligence and advice to the Minister of Finance on applications received under the ALGP.
- Monitor and provide electricity sector fiscal and financial projections for the Province and OEFC, including analysis and advice to the Minister of Finance on the stranded debt, as well as continued reporting on OEFC's revenue sources (e.g. the debt retirement charge (DRC) for non-residential users, now legislated to end on April 1, 2018, and payments in lieu of taxes) and expenses (e.g. interest on debt).
- Provide analysis and advice to support the effective administration of ONFA and other initiatives related to nuclear liabilities, including monitoring and reviewing OPG's implementation of its ONFA Reference Plan as updated from time-to-time, approval of yearly ONFA budgets including investment related expenses, reviewing OPG's expected financial guarantee submission to the CNSC expected in 2017, including reviewing, monitoring, and seeking approval on any implications on a Provincial guarantee to the CNSC, as provided for under ONFA.
- Provide analysis and advice on nuclear supply, financing and cost recovery issues, including for nuclear refurbishments.
- Continue to monitor, review and support policy discussions on developing the Ring-of-Fire.
- Continue to work closely with staff at the MRIS and OCGC on approaches for managing the Province's investment in the Ontario venture capital sector. Support the CEO's role as Vice Chair of the OCGC Board.
- Provide analysis and due diligence related to Jobs and Prosperity Fund applications and relevant Eastern Ontario Development Fund and Southwestern Ontario Development Fund applications.
- Continue to support the government's asset optimization initiative of broadening the ownership of Hydro One by providing financial analysis and advice, and dedication of net revenue gains from these transactions to the Trillium Trust to support investments in infrastructure.
- Provide coordination and oversight of certain real estate asset optimization initiatives, such as, the divestment of OPG's head office properties, and Seaton and Lakeview lands.
- Lead implementation of the Trillium Trust to help support investments in transit, transportation and other priority infrastructure.

6. *Ensure the successful activation of OFA's decentralized Business Continuity Plan (BCP).*

Overview

The BCP remains in place and is updated as required to be successfully activated so staff can complete critical time-sensitive tasks in the event of a business disruption.

Implementation Plan

- Review and update the Corporate BCP Framework.
- Review and update Business Unit plans.
- Plan and conduct corporate-wide BCP test exercises.

- Review corporate BCP Command and Support Team membership.

Implementation of the above strategic directions will require regulatory compliance and reliable information technology.

RISK IDENTIFICATION AND ASSESSMENT

Accountability	Risk Assessment	
P Primary	L Low	H High
X Additional	M Medium	EH Extremely High

Summary Table

Risk Assessment Summary		Accountable Business Division						Risk Assessment		
		Capital Markets	Corporate & Electricity Finance	Finance and Treasury	Legal	Risk Control	Strategic Corporate Services	Likelihood	Impact	Overall Assessment
Strategic Risks	Strategic / Policy Risk	P	X			X		L	EH	H
	Meeting Stakeholder Expectations	P		X				M	EH	H
	Public Image	P		X				L	H	M
	Quality of Relationship with Stakeholders	P		X		X		L	H	M
Accountability / Governance	Governance, Information, and Regulatory Compliance	X		P	X			L	H	M
	Risk and Issue Management			X		P	X	L	EH	M
	Statutory Requirements are met				P			L	H	M
	Reliability of Financial Systems			P				L	H	M
Operational	An economic slowdown straining the fiscal plan, thus affecting the borrowing program	P						M	H	H
	Financial Market Risk	X				P		M	H	H
	Inability to complete the borrowing program due to market breakdown or loss of faith in the Province's ability to repay debt	P						L	EH	H
	Risk of credit rating downgrade	X				P		M	H	H
	Credit Risk	X				P		L	H	M
	Electricity Policy and Price Risk		P					M	M	M
	Operational, including systems, internal control, and reputation risks	X	X	X	X	X	P	L	H	M
	Service Providers (e.g. custodians, fiscal agents, banks, etc.)			P				L	M	L
	Low investment returns or inadequate investment controls on nuclear funds	P						M	H	H
	Default on Loans to Public Bodies		P					L	L	L
	Default on Guarantees under the ALGP		P					L	L	L
	Increased borrowing to fund loans to public bodies		P					L	L	L
	Government Cost Constraints			P				M	H	H
Workforce	Employee Fraud			P				L	M	L
	Human Resource Risk	X	X	P	X	X	X	M	EH	H
Information Technology and Infrastructure	Privacy and Security						P	L	M	L
	Business Continuity						P	L	H	M
	Procurement			X			P	M	M	M

Risk Identification, Assessment, Mitigation Strategies

The following section identifies potential risks that could impact the entire organization in its ability to successfully deliver its programs and activities on behalf of the Province.

Risk Element or Classification	Identification of Risk / Risk Description	Likelihood and Rationale	Impact and Rationale	Overall Assessment of Risk Element	Mitigation Strategy
Risk Category: STRATEGIC **RISK AREA: Strategic:** Risks related to implementing (or not implementing) new policies or changes to existing policies (e.g., misalignment of agency policies with those of the OPS). The risk that strategies and policies will fail to achieve required/targeted results. The risk of failing to provide value for money or cost-effectiveness. This can include existing policies that may be affected by changes in external factors including the economy, technology and political environment.					
Strategic/ Policy Risk Primary Accountability: Capital Markets Division	Strategies and policies fail to achieve required results. Prime examples are failing to meet the borrowing requirements and failures in implementing core risk management strategies.	LOW Past experience indicates that the likelihood of major strategic failures is relatively **low** as they cannot always be eliminated. There are elements of borrowing and risk management which are outside the Province's control which can negatively impact required results. For example, financial conditions could result in higher interest costs or interest rate risk than anticipated or refinancing risk in future years may be much higher than desired if investor demand for longer term bonds is substantially reduced.	EXTREMELY HIGH The financial consequences of strategic failures in borrowing or risk management strategies and associated policies can be **extremely high**, and the annual Financing, Debt & Electricity Management Plan outlines strategies which attempt to address the challenges, including contingencies for unexpected events. In addition, management monitors major market and policy developments throughout the year very closely and will develop and implement new strategies and policies if conditions warrant. Even though the likelihood of major strategic failures is low, the impact remains extremely high resulting in an overall high risk assessment.	HIGH	Strategic plans and policies to mitigate strategic and policy risk are initially developed and implemented in a thorough manner as outlined in the OFA's annual Financing, Debt & Electricity Management Plan ("the Plan"). This includes an analysis of risk factors and contingency plans. The Plan is approved by the respective Boards (OFA and OEFC) and receives input from Board members. Market conditions and policy developments are monitored on a continual basis throughout the year to identify new and emerging developments which could impact strategic and/or policy risks. Existing control strategies are modified as required to mitigate adverse developments. Procedures are in place to ensure that staff are aware of relevant policies. Policy violations are rare, and a robust control framework exists to identify violations quickly. Most violations would not have a large enough impact to threaten achieving required strategic results.
Meeting stakeholder expectations	The risk that the OFA may fail to meet stakeholder expectations, including those of the Province and other public bodies.	MEDIUM There is a **medium** likelihood of failure to meet stakeholder expectations and performance	EXTREMELY HIGH Given that the impact of not meeting stakeholder expectations can be **extremely high**, combined with a	HIGH	An analysis of risk factors and contingencies is included in the OFA's annual Financing, Debt & Electricity Management Plan. This analysis is revisited throughout the year.

Risk Element or Classification	Identification of Risk / Risk Description	Likelihood and Rationale	Impact and Rationale	Overall Assessment of Risk Element	Mitigation Strategy
Primary Accountability: Capital Markets Division	Stakeholder expectations include strategic/policy risk factors as well as the risk of failing to meet performance benchmarks.	benchmarks. Market factors tend to be relatively unpredictable and many factors are out of OFA's control. The current environment of expanding service requirements and constrained resources adds some risk; however, it is expected to be minimal. Based on past experience, it is expected that most stakeholder expectations will be met.	medium likelihood the net result is a high risk assessment. The impact of a one percentage point increase in yields was estimated to be $350 million for 2016–17. Although the OFA has been able to extend the borrowing term in recent years, interest rate risk will remain elevated for several years. Continuous communication with the Deputy Minister and Minister ensures that expectations for the Province are clearly understood. Commitments are made after thorough and careful analysis to ensure that resources and expertise are in place to meet those expectations. Close and continuous communication and meetings with relevant public bodies (e.g. Agencies) who use our services ensures that expectations and service requirements are clearly understood. In addition, formal service level agreements (e.g. investment management agreements) have been developed which clearly outline the services and benchmark performance standards.		Given the relatively unpredictable nature of market factors, ongoing monitoring of market and policy factors provides a level of risk mitigation. Continuous dialogue with stakeholders and regular reporting are also useful in keeping abreast of both expectations and performance. Emerging issues which may affect expectations are identified and are regularly reported to the Deputy/Chair as well as the Board (OFA and OEFC). This provides greater assurance that expectations will be met or managed through approved mitigation strategies. Meeting performance benchmarks for the Province and other public bodies also depends on adequate resources being available to maximize performance. This includes information systems services, and most importantly, staff. A highly educated and experienced workforce provides a higher likelihood that stakeholder expectations will be met. The OFA works to attract and retain highly qualified staff.
Public image Primary Accountability:	The risk that the OFA may damage its reputation with stakeholders and third party service providers.	LOW The likelihood of reputational risk to the OFA is **low.**	HIGH The impact of image problems can be **high** which combined with a low	MEDIUM	Public image risk is mitigated through a host of strategies: i) a strong policy framework to provide greater information to staff to make them aware of potential public image problems; ii) strong internal controls to reduce the risk of policy violations and

Risk Element or Classification	Identification of Risk / Risk Description	Likelihood and Rationale	Impact and Rationale	Overall Assessment of Risk Element	Mitigation Strategy
Capital Markets Division		There are extensive policies to govern staff conduct including, with respect to conflicts of interest, procurement and workplace harassment. In addition, procedures are in place to ensure that staff are aware of all policies. There are also regular reporting requirements and internal controls to reduce the potential for policy violations. Dealings with the press are handled through official MOF communication staff and investor and other stakeholder information is handled with extreme care. Accordingly, the likelihood of reputational risk problems with stakeholders and service providers is **low**, although mistakes can happen and there are certain factors which the OFA cannot control.	likelihood results in an overall medium risk assessment.		adverse information releases; iii) public communication protocols to reduce the risk of incorrect and damaging information releases; iv) an investor relations program which is responsive to investor needs and responds to investor requests for information promptly; v) ongoing dialogue with dealers to keep abreast of information in the marketplace relating to both Ontario and the OFA; and vi) a management structure and culture which promotes security of information and extreme care in disclosing information in a public forum. Strategies iii-v involve constant communication with external stakeholders. This feedback loop provides the OFA with a method of assessing the organization's public image. The OFA has a comprehensive procurement policy that ensures that its suppliers and service providers are selected in a fair manner. When appropriate, the OFA requires that service providers obtain security clearance. OFA contracts with service providers address confidentiality and contract precedents generally require approval before a contractor may use its association with the OFA for any purpose. All substantive contracts that Capital Markets enters into in the name of the OFA must be reviewed by the OFA Legal Branch. All substantive contracts that Capital Markets enters into in the name of the Province, must be reviewed by MOF Legal.
Quality of relationship with stakeholders	The risk that the OFA's stakeholder relationships are poorly managed.	LOW The likelihood of failure managing OFA's stakeholder relationships is	HIGH The quality of the business relationships with stakeholders that the OFA is	MEDIUM	The OFA provides relevant, non-confidential information to investors in a fair and transparent manner, including information pertaining to the Budget and quarterly finances. Confidential information is handled in a manner consistent with laws and regulations, such as the *Public*

Risk Element or Classification	Identification of Risk / Risk Description	Likelihood and Rationale	Impact and Rationale	Overall Assessment of Risk Element	Mitigation Strategy
Primary Accountability: Capital Markets Division		**low** as the OFA strives to deal with all of its stakeholders in a fair, transparent and responsive manner.	engaged in such as investors, credit rating agencies, dealers and employees can have a high impact on the success and cost of OFA activities. However, the likelihood of failure in these activities is relatively **low** which results in an overall medium risk assessment.		*Services Ontario Act, 2006* and the *Securities Act, 1990*. The annual Investor Relations Plan is developed each year with the goal of providing updates to investors, both domestic and international, on a regular basis through outreach and information products. Requests for information or meetings from investors are responded to very promptly. The quality of the Province's relationships with stakeholders is constantly monitored. Should the strategies in the annual Investor Relations Plan fail to achieve the desired relationship levels, the OFA can choose to engage additional financial dealers or more senior Ministry of Finance representatives to participate in its investor outreach activities. Dealers are utilized in a fair and objective manner for bond issues. A syndicate evaluation is used to rank domestic dealers objectively, and commissions for domestic bond issues are based on this annual evaluation. Dealers thus know the OFA's service priorities and understand their bond issue allocations for the year. International issues also utilize dealers based on their level of service and strengths they bring to particular markets and issuance opportunities. The OFA continuously communicates with its dealers and also has regular meetings with them, and thus relationship issues tend to be dealt with quickly. Given the high importance of Ontario's credit ratings to its borrowing program, the OFA has very well established relationships with the credit ratings agencies. The OFA has regular meetings with the agencies, responds promptly to requests for information, and facilitates participation of more specialized or senior government officials as required.

Risk Element or Classification	Identification of Risk / Risk Description	Likelihood and Rationale	Impact and Rationale	Overall Assessment of Risk Element	Mitigation Strategy
Risk Category: ACCOUNTABILITY / GOVERNANCE **Governance/ Accountability/ Organizational Risk**: Risk that the organizational structure, accountabilities or responsibilities are not defined, designed, communicated or implemented to meet the organization's objectives, and/or that culture and management commitments do not support the formal structures. Risk of conflict of interest for board members. Inadequate ethics / codes of conduct. Inadequate definitions of roles and responsibilities. Risk of failure to comply with administrative requirements, such as directives. **Legal/ Contractual Compliance Risk:** Risk related to the potential cost of complying with a contractual agreement, or of litigation (including established policy and procedure) against the agency or government. Risk that a government initiative or action will contravene a contract, Memorandum of Understanding or policy. The costs/risks related to changing legislation could include lawsuits, settlements, fines, penalties and legal fees. Risk of failure to comply with administrative requirements such as directives.					
Governance, Information and Regulatory Compliance Primary Accountability: Finance and Treasury Division	The risk that oversight and governance responsibilities are not clearly defined; the risk that internal and external information produced or used is incomplete, out-of-date, inaccurate, irrelevant or inappropriately disclosed.	LOW The likelihood of failing in this area is **low**. Various policies and procedures define roles and responsibilities required for effective governance, including oversight by the OFA Board, chaired by the Deputy Minister of Finance, and largely comprised of independent, external members; and reporting requirements to the Minister of Finance. Furthermore, the audits by Internal Audit Division that cycle over all major functions of the OFA include a review of the associated policies and procedures and to date no material gaps have been identified. All audit recommendations are presented to the OFA ARMC and addressed within reasonable timeframes.	HIGH The impact of failing in this area is **high;** however, combined with the low likelihood of this happening results in a medium risk assessment	MEDIUM	Regular and special meetings of the OFA Board and its Committees, comprised of the Audit and Risk Management Committee (ARMC), Human Resources and Governance Committee (HRGC) and the ONFA Investment Committees (ONFA IC). The Deputy Minister of Finance is, pursuant to CIPA, the Chair of the OFA Board, which establishes a clear governance framework for OFA management and accountability to the Minister of Finance. The OFA uses secure communication procedures with internal and external parties; it also undertakes effective oversight of service providers, reconciliation processes, stringent disclosure policies, staff learning and development, and timely filing of regulatory reports.

Risk Element or Classification	Identification of Risk / Risk Description	Likelihood and Rationale	Impact and Rationale	Overall Assessment of Risk Element	Mitigation Strategy
Risk and issue management Primary Accountability: Risk Control Division Secondary Accountability: Finance and Treasury Division	The risk that the OFA may not effectively manage and mitigate financial risks including fraud risk.	LOW A review process established at the OFA that includes daily compliance monitoring, division of responsibilities, and a highly-developed and rehearsed response plan for emergencies results in a **low** likelihood.	EXTREMELY HIGH The OFA is a major participant in capital markets and has extensive dealings with banks on behalf of the Ontario government. As a result, the potential impact for errors and omissions is **extremely high** given the associated high dollar value. The extensive mitigation strategies employed by the OFA however, reduce the overall assessed risk to Medium.	MEDIUM	Financial risks associated with the OFA capital market activities are managed through the OFA risk management framework, which includes policies that are updated, reviewed by the Ontario Internal Audit Division and approved by the Board on an annual basis. Compliance with policies is monitored through a daily reporting cycle including where applicable on a real time basis, and credit risks are also monitored in real time. Fraud: Division of responsibilities between divisions to create a separate front, middle and back office for capital markets transactions and appropriate separation of duties and signing authorizations within divisions reduce risk of fraud. All staff is encouraged to report any wrongdoing at all times and senior management is asked to confirm quarterly whether they are aware of any wrongdoing. Issues management: In addition to a monthly Capital Markets update letter, the CEO also reports on any issues or concerns quarterly to the Board and has regular meetings with the Chair. Division Heads/Directors report quarterly to the Board on their area's progress in achieving the objectives identified under the Annual Business Plan. The OFA's financial statements are prepared and presented on a quarterly basis to the ARMC and the Board. They are also shared with senior staff of the Office of the Auditor General. The OFA provides the interest-on-debt, debt and derivative information that is presented in the Public Accounts of the Province. The numbers and the process including the

Risk Element or Classification	Identification of Risk / Risk Description	Likelihood and Rationale	Impact and Rationale	Overall Assessment of Risk Element	Mitigation Strategy
					underlying internal controls are audited annually by the Office of the Auditor General. Up to now, no material issues have been identified as part of this audit. OFA prepares issues notes, and feeds into the Ministry's communications branch for issues management and to address contentious issues. The Ontario Internal Audit Division develops a three year audit plan for the OFA that is updated annually. Audits under this plan, as well as special reviews as and when required provide an overall comfort level. The ARMC conducts in camera sessions with internal audit, staff of the Office of the Auditor General and the OFA's Chief Financial and Risk Officer at each quarterly meeting during which they are free to candidly raise any concerns about overall risk and issues management issues at the OFA. To avoid financial risk resulting from an inability to function during an emergency, the OFA has a highly-developed and rehearsed response plan for emergencies, addressing key risks such as fire, terrorist attack, pandemic or other threat. The work of the OFA can be carried out with all staff working from home. The OFA also maintains a collocate site at a remote location that houses a continuously available, mirrored IT infrastructure. Staff are subject to randomly declared, OFA-wide, work-from-home drills at least annually. OIAD reviews and comments on business continuity test results.

Risk Element or Classification	Identification of Risk / Risk Description	Likelihood and Rationale	Impact and Rationale	Overall Assessment of Risk Element	Mitigation Strategy
Statutory requirements are met Primary Accountability: Legal Division	Risk of non-compliance with statutory requirements	LOW The likelihood of non-compliance is considered **low** because OFA staff have experience and awareness regarding legal compliance in relation to the performance of their jobs. While regulation in some areas (such as in capital markets and the banking and payment card industry) is complex and continues to evolve, program areas have ready access to legal advice.	HIGH Impact is considered **high** since failure to comply with a statutory requirement could negatively affect the reputation of the OFA and the Government. Also, violations relating to capital markets operations could have serious financial implications. Combined with a **low** likelihood, the resulting overall risk assessment is medium.	MEDIUM	Currently, the OFA and Ministry of Finance Legal Branches advise of statutory requirements and changes affecting OFA operations and also are available to advise on steps to effectively address any non-compliance. Information on legal requirements relating to Public Servants is distributed to staff using the Policy and Procedure Management system. Non-compliance with laws, regulations and directives is reported to the Legal Director, who reports it to the CEO and the Board of Directors. CEO/Board direct remedial action (which may include learning and development). Education is encouraged and Divisions budget for necessary learning.
Reliability of financial systems Primary Accountability: Finance and Treasury Division	The risk that the OFA's financial information and reporting system is not reliable or fails to meet quality standards.	LOW The review process that the OFA has established including audits by the Internal Audit Division and the Office of Auditor General of Ontario ensures that the likelihood of occurrence is **low**.	HIGH While the impact of less than reliable financial information is indeed **high**, the low likelihood of this happening results in an overall medium risk assessment.	MEDIUM	The OFA has well-established processes and procedures for monitoring and reporting on its financial performance to its ARMC and Board of Directors and to the ministry as well as the Office of the Treasury Board. OFA financials are prepared on a quarterly basis for discussion, and shared with the staff of the Office of the Auditor General and approval by the ARMC and Board of Directors. In addition the OFA financials are audited annually by the Office of the Auditor General who has provided unqualified opinions on all past financials. Staff of the Office of the Auditor General also audit, on an annual basis, the OFA's work on the Province's debt and interest on debt. This annual audit includes reviewing the underlying systems and internal controls. Up to now, no material issues have been identified and the OFA has implemented all recommendations arising from this audit. Changes to accounting pronouncements are also addressed during the quarterly discussions with the ARMC and

Risk Element or Classification	Identification of Risk / Risk Description	Likelihood and Rationale	Impact and Rationale	Overall Assessment of Risk Element	Mitigation Strategy
					the Office of the Auditor General. Annual budgets and audited financials are submitted to the Ministry as per TBS requirements. A further level of assurance exists as a result of the work carried out by the Ontario Internal Audit Division (OIAD). OIAD develops a 3 year audit plan with consultation from Division heads and all finding and recommendations are presented to the Audit and Risk Management Committee of the OFA Board. The OFA's progress in implementing recommendations are also presented on a quarterly basis to the same committee.
Debt and Risk Management Risk Category: OPERATIONAL **RISK AREA:** Program Caseload/ Utilization: Change in demand for services or entitlements or increased claims/case load that can be deferred. Assumes no policy or legislative changes.					
An economic slowdown straining the fiscal plan, thus affecting the borrowing program. Primary Accountability: Capital Markets Division	Fiscal strain stemming from a significant economic slowdown would likely result in higher borrowing requirements. This could be experienced as much larger borrowing requirements over a fairly short time horizon or consistently higher requirements over a longer time period.	MEDIUM The possibility of a major downturn in economic activity or longer term slow economic growth is given a **medium** likelihood due the historical frequency of such events. The last recession was approximately eight years ago. Since then, the Ontario economy has had only modest growth in recent years, with MOF projections showing a continued trend of low to medium economic growth.	HIGH The impact on the borrowing program will depend in part on the extent of the economic slowdown. A large economic slowdown, perhaps a recession, would have a large impact on the borrowing program over a couple of years, but persistent sub-par growth would also be painful. The impact of a one percentage point change in nominal GDP was estimated to be $890 million for 2016-17. The world economy is currently highly reliant on U.S. economic growth and would be at risk if that fades. Given that Ontario's borrowing requirements are already quite large, the impact	HIGH	The Capital Markets Division is in constant contact with external economic experts who provide forecasts and analysis on the Province's economy as well as other major economies around the globe (including Canada's). In addition, the OFA is provided with a wealth of forecasts and economic insight from the Ministry of Finance. The OFA undertakes its borrowing strategically to reduce the effects of forecasted events and also looks to pre-borrowing to the extent possible. The OFA can also engage third party experts to provide advice on how to reduce any adverse events that may have an impact on the borrowing program.

Risk Element or Classification	Identification of Risk / Risk Description	Likelihood and Rationale	Impact and Rationale	Overall Assessment of Risk Element	Mitigation Strategy
			would likely be high, meaning that interest costs could increase appreciably. One result could be a reduced average term of borrowing to reduce borrowing costs or respond to reduced demand for longer term debt which would increase refinancing and floating rate risk. There could also be pressure to increase foreign exchange or counterparty credit exposures in order to reduce costs. The overall assessment of this risk is **high**.		
Financial market risk Primary Accountability: Risk Control Division	Higher-than- forecast borrowing requirement and/or interest rates, resulting in higher annual interest-on-debt (IOD) charges. Financial loss attributable to changes in interest rates, credit spreads, foreign exchange and liquidity risk.	MEDIUM Higher-than- forecast borrowing requirement and/or interest rates is given a **medium** likelihood due the historical frequency of interest rate changes, and the current medium-term forecast of provincial borrowing requirements.	HIGH The size of the province's annual borrowing requirement creates a **high** degree of sensitivity to market conditions, especially interest rates. IOD has generally produced cost savings compared to budget forecasts due to cost effective debt management, as well as interest rates that have been trending down for about 35 years. This experience may not be expected to continue, so financial market risk is assessed as being high. In the *2016 Budget,* it was estimated that a one percentage point increase in interest rates would have impacted IOD by approximately $350 million for 2016–17.	HIGH	Sound and effective risk management infrastructure, including policies, procedures, risk management reporting, and Information Technology (IT) systems. The OFA uses a conservative risk limited approach to forecasting interest on debt expenses. This is achieved by using interest rate forecasts provided by the Office of Economic Policy for the two out years and a 15 year interest rate average for the third out year. Accurately measure and assess portfolio exposures and ensure compliance with the related limits as approved by the Board, including foreign exchange and net interest rate resetting exposure limits and IOD. Maximum foreign exchange exposure of five per cent. Maximum net interest rate resetting exposure of 35 per cent. Maximum loss policy on IOD of three per cent of budgeted IOD. The OFA has reduced the sensitivity of IOD to interest rates by extending the term of recent borrowings. It also maintains

Risk Element or Classification	Identification of Risk / Risk Description	Likelihood and Rationale	Impact and Rationale	Overall Assessment of Risk Element	Mitigation Strategy
					exposure to foreign currency at levels far below the five per cent limit. While the policy limit for net interest rate resetting exposure is 35 per cent, the annual debt management plan sets out ranges that are usually considerably lower thus further limiting the risk.
Inability to complete the borrowing program due to market breakdown or loss of faith in the Province's ability to repay debt Primary Accountability: Capital Markets Division	Unable to achieve the borrowing program target of a particular fiscal year.	LOW The likelihood of not completing the borrowing program is **low** and would be based on a major market disruption or a major adverse credit situation at the Province. Both events are considered to have a low likelihood.	EXTREMELY HIGH The consequences of a major market disruption or a major adverse credit situation at the Province would obviously be **extremely high**, and thus overall risk is high.	HIGH	The OFA continually monitors demand for its bonds and has a strong relationship with its financial dealers. The OFA is aware, through external forecasts, Ministry of Finance advice, and its own analysis of bond markets, of the faith investors place in its bond offerings. The Capital Markets Division employs financial strategies, to reduce the effects of forecasted events. The OFA can also engage third party experts to provide advice on how to reduce any adverse events that may have an impact on the borrowing program. The OFA has very well established relationships with the credit ratings agencies. The OFA has regular meetings with the agencies, responds promptly to request for information, and facilitates participation of more specialized or senior government officials as required.
Risk of credit rating downgrade	Risk that a credit rating downgrade from a major credit rating agency results	MEDIUM	HIGH	HIGH	Maintain close relationships and ongoing dialogue with credit rating agencies to keep them informed of

Risk Element or Classification	Identification of Risk / Risk Description	Likelihood and Rationale	Impact and Rationale	Overall Assessment of Risk Element	Mitigation Strategy
Primary Accountability: Risk Control Division	in increased costs to borrowing program and/or reduced market access.	The likelihood of a credit rating downgrade is **medium.** The OFA has regular meetings with the agencies, and is regularly advised of rating agency concerns. Based on regular meetings with agencies and outperformance of its fiscal targets in recent years, the risk of a credit downgrade is not considered to be high, although debt levels remain high.	A credit rating downgrade, could reduce the pool of investors able to buy Government of Ontario bonds. As a worst-case, investors might be forced to sell, creating competition for our primary distribution, therefore resulting in a **high** impact for the Province. Note: This risk is assessed as high. The best mitigating strategy, reducing the size of the provincial deficit, is not a variable that is under the control of the OFA.		the Province's financial status priorities, and initiatives. Diversify funding sources. Increase investor relations activities. Ensure that decision-makers at Queen's Park continue to be mindful of the serious consequences of the Province not meeting or beating its deficit targets.
Credit Risk Primary Accountability: Risk Control Division	Risk that the Province incurs a significant loss because a counterparty does not meet, or defaults, on its obligations to the Province.	LOW The size of Ontario's borrowing program requires the OFA to be open to borrowing opportunities in a variety of currencies. As the OFA has opted to keep currency risk at very low levels, this requires that hedging transactions be entered into with bank counterparties, creating credit risk. A bank default is considered to be a **low** probability event.	HIGH A bank default would be a **high** impact event, however, the assessment is overall medium as a result of the OFA's implementation of a comprehensive mitigation strategy including collateralized swap agreement and limiting transaction to highly rated counterparties.	MEDIUM	Ensure compliance with a sound and effective credit risk management infrastructure, including: an overarching credit risk policy that is reviewed and approved by the OFA Board on an annual basis, transacting with highly rated counterparties, limiting credit exposure concentration, and ongoing monitoring of key indicators of credit and market conditions. The Province will continue to enter into collateralized swap agreements with more of its swap counterparties to limit its credit risk. Such agreements allow the Province to cap its credit risk by requiring counterparties to post collateral when marked-to-market exposures exceed specific thresholds.
Electricity related policy,	Government policy, accounting or regulatory decisions, electricity sector	MEDIUM	MEDIUM	MEDIUM	Provide financial analysis and advice to senior Ministry of Finance officials and government on electricity policy options and initiatives, and maintain

Risk Element or Classification	Identification of Risk / Risk Description	Likelihood and Rationale	Impact and Rationale	Overall Assessment of Risk Element	Mitigation Strategy
price and other risk Primary Accountability: Corporate & Electricity Finance Division	structure, and potential electricity price and market events may have an impact on the financial performance of the Province, including reduced payments to the OEFC from, for example, the Province, Ontario Hydro successor companies and municipal electricity utilities, or price mitigation measures such as the new Ontario Rebate for Electricity Consumers, thus affecting the borrowing program.	The likelihood of this risk is deemed **medium.** The fiscal contributions of the electricity sector can fluctuate for many reasons, including the performance of OPG and Hydro One vs forecast, policy decisions including the timing of Hydro One share sales, regulatory decisions and volatility in electricity demand/prices. Fiscal expenses are largely determined by policy decisions. Volatility and policy change impacts can be both upward and/or downward.	While the electricity sector has a significant fiscal impact, it is not large compared to the total size of the Provincial Budget. In addition, certain fluctuations are within the government's control and borrowing issues should be manageable within the larger envelope of the Province's total borrowing program. Therefore the impact is rated as **medium**, leading to an overall medium assessment.		relationships and work with other ministries and agencies. Monthly meetings, and as needed, with OPG to monitor and report on financial performance and updated projections versus plan, as well as monitoring of policy, accounting and regulatory issues that may have fiscal implications upon consolidation of OPG and Hydro One in Public Accounts.
Operational, including systems, internal control and reputation risks Primary Accountability: Strategic Corporate Services Division	Risk from inadequate or failed internal processes and IT systems or from external events. The possibility that internal controls may not safeguard assets or prevent errors or fraud. The risk that negative publicity about the OFA's business practices may lead to financial or reputation costs or litigation.	LOW The likelihood of this risk is deemed **low**. The OFA's mandate and operations in a capital markets environment requires the extensive use of information technology. The fact that the OFA's mandate has also increased over the past years with no corresponding increase in staff resources has also resulted in a dependence on information technology. While this has allowed for efficiencies, this dependence also gives rise to the risk that IT systems may be poorly specified, operate incorrectly, or that the use of combinations of systems may have unintended consequences.	HIGH The financial impact of such risks could be compounded by harm to the OFA's reputation, therefore its impact is deemed **high.** This risk, reduced by the mitigating strategy, is assessed as medium.	MEDIUM	Maintain state-of-the-art IT systems, conduct daily back up, frequent update and testing of BCP involving remote desktop and co-locate. Appropriate documentation and timely reporting; update financial controls based on best practices; continued involvement of Internal Audit in developing new functions and reviewing existing financial policies; ensure oversight of service providers. As part of its annual audit, the Office of the Auditor General issues recommendations on areas where they feel internal controls can be tightened. Monitor print media to identify OFA-specific issues to protect OFA's reputation. Centralized external communication strategy. Early involvement of legal counsel.

Risk Element or Classification	Identification of Risk / Risk Description	Likelihood and Rationale	Impact and Rationale	Overall Assessment of Risk Element	Mitigation Strategy
Service providers (e.g. custodians, fiscal agents, banks etc.) Primary Accountability: Finance and Treasury Division	Poor service from existing providers and/or lack of qualified service providers.	LOW The likelihood of this risk is deemed **low.** Service providers are selected through a rigorous competitive process that includes the submission of proposals covering performance standards and measures, followed by consistent internal monitoring of service quality.	MEDIUM Consistent internal monitoring ensures a **medium** impact for a low overall risk assessment.	LOW	All existing service providers provide services under a formal contract. Continue to implement and monitor service level agreements with existing providers. Continue to comply with selection criteria and contract management requirements in OFA procurement policy
Low investment returns or inadequate investment controls on nuclear funds. Primary Accountability: Capital Markets Division	If funds are not properly invested or general financial market returns are low or negative, substantial contributions could be required by one or both of the Province and OPG. In addition, the Province's reputation may be damaged if controls or investment policies deviate from industry best practices.	MEDIUM Prolonged poorer than targeted performance of the nuclear funds over the medium-term is given a **medium** likelihood. The nuclear funds have a very long time horizon and would be expected to have poor returns over some time periods but are required to earn real returns in excess of 3.25 per cent in the long run. The funds have exceeded the 3.25 per cent annualised real return benchmark on average since their inception in 2003, but there is some risk that cumulative average annualised returns may be inadequate in future or that the costs of decommissioning and used fuel disposal could well exceed current projections. Returns will be driven to a large extent by asset allocation and general investment returns in financial	HIGH The financial impact of poor performance could be quite substantial and is rated **high** given the size of the funds, and could result in substantial unexpected contributions from one or both of the Province and OPG. The overall risk assessment is high. Given the current size of the funds, a one percentage point decline in annual performance would equate to $170 million in reduced value for the funds, which could affect future funding requirements. Such loss, however, will not translate dollar-to-dollar on the Province's annual statement of operations at consolidation, as the Province's revenue recognition related to the nuclear funds is based on historical cost, not fair value, and some of the	HIGH	The funds are diversified across asset classes and managers to reduce overall risk. Further diversification is being achieved as the funds move into alternative investments. The funds are also long-lived, and can be adjusted and returns recover over the long term, which result in the recovery of past Provincial contributions to cover investment return shortfalls, if any. In addition, a Statement of Investment Policies and Procedures (SIPP) and Statement of Investment Risk Policies (SIRP) are in place which outline basic policies which to a large extent address many of the risk factors. An extensive asset-liability study is undertaken every five years to attempt to optimize the asset allocation to meet the funds objectives to meet the cost requirements. Significant progress has been made in developing a comprehensive risk management framework which is expected to be implemented in 2017. In addition, the funds are closely monitored by staff and up to the respective Board levels by both the OFA and OPG including, for the OFA, by the ONFA IC. Unfortunately, the risk of sub-par returns cannot be entirely eliminated as it

Risk Element or Classification	Identification of Risk / Risk Description	Likelihood and Rationale	Impact and Rationale	Overall Assessment of Risk Element	Mitigation Strategy
		markets -- e.g., prolonged poor performance in equity returns or a general decline in the financial markets could be a driver of poor performance. Resourcing for the nuclear funds is relatively tight, although it is considered adequate. The likelihood of inadequate controls on the funds is assessed to be low.	impact is also mitigated by OPG's regulatory accounts for the funds related to the Bruce stations, under the Province's current accounting standards. In addition, the reputational impact of underperformance would also be **high**. The overall assessment of inadequate controls is high.		will be largely driven by the future market developments. Decommissioning and waste disposal costs and liability risk surprises are largely mitigated by the quinquennial ONFA Reference Plan update. The contribution schedules can be adjusted following a reference plan update to allow for returns in the funds to help cover liability revisions and past target rate of return shortfalls. The funds are audited on a regular basis which reduces the potential for fraud or other control problems. Staff monitor the funds very closely and are looking for irregularities. In addition, the funds are monitored up to the respective Board levels by both the OFA and OPG. The internal auditors of both OPG and the OFA are also proactive in examining control issues. The funds rely largely on external managers, and efforts are made to select highly professional managers who follow investment industry best practices.
Default on Loans to Public Bodies Primary Accountability: Corporate & Electricity Finance Division	Risk of default by public bodies on OFA loans	LOW Although the OFA has restructured or provided a loan deferral in the past, this has been relatively rare, so an "unlikely" scenario (less than 20 per cent probability) is reasonable, and its likelihood is rated as **low.**	LOW Impact of a default may be "noticeable" and public, but loan write-downs to public bodies that are consolidated on the Province's financial statements would likely not create a fiscal impact, and, therefore, its impact is deemed **low** resulting in an overall low risk assessment.	LOW	Prior due diligence and analysis of debt repayment ability of public bodies on OFA loans. Ensure grant intercept mechanisms continue to be included in loan agreements. Early detection through loan monitoring by line ministry and restructuring of loan repayment terms.

Risk Element or Classification	Identification of Risk / Risk Description	Likelihood and Rationale	Impact and Rationale	Overall Assessment of Risk Element	Mitigation Strategy
Default on Guarantees under the Aboriginal Loan Guarantee Program (ALGP) Primary Accountability: Corporate & Electricity Finance Division	In the event of a call on an ALGP guarantee arising from a default on the underlying loan, the fiscal impact would be recorded in the fiscal year in which the claim was paid.	LOW Debt service reserve account, ongoing monitoring, bank account controls are in place to mitigate risk of default.	LOW Any default would have a negative fiscal impact on the Province in the year in which the Province paid a claim pursuant to the guarantee. As guarantees are limited to a maximum of $50 million (unless Treasury Board approves an exception), and the average is smaller, the impact is small in the Provincial context. However, there may be a reputational impact for the Province/OFA as well.	LOW	Ongoing monitoring of approved loan guarantees, including project performance and compliance with loan and guarantee agreements.
Increased borrowing to fund loans to public bodies Primary Accountability: Corporate & Electricity Finance Division	Risk of unexpected loans that were not included in the OFA Annual Borrowing and On-Lending Plan.	LOW Over the past five years, only one unanticipated non-school board loan caused the OFA to breach its loan contingency reserve. An “unlikely” rating of less than 20 per cent probability of occurrence is, therefore, prudent, resulting in a **low** likelihood.	LOW In the overall borrowing plan, any unexpected loans would likely not have a “noticeable” effect, as most incremental borrowing is not material in the context of the whole borrowing program and therefore can usually be accommodated. This results in a **low** impact and a low overall risk assessment.	LOW	Ensure there exists an unassigned contingency equal to 10 per cent of forecasted loans to public bodies. Push off less urgent loans for execution in the following fiscal year. For OLG and LCBO, request business updates from Regulatory Agency Oversight Division (RAOD) to identify potential borrowing requirements (e.g. for site expansion); include estimates in Borrowing and On-lending Plan. Where a policy decision is taken requiring the OFA to provide funding for a strategic project, facilitate private sector financing, especially if interest cost savings are only deemed to be minimal.
Government cost constraints	Cost constraints may limit the OFA’s ability to provide services in a timely manner.	MEDIUM While good budgeting process and budget to actual comparison exists,	HIGH If budgetary constraints are severe enough the delivery of core services will	HIGH	Timely budget preparation in accordance with PRRT requirements. The budget preparation process is aimed at allocating resources according to priorities.

Risk Element or Classification	Identification of Risk / Risk Description	Likelihood and Rationale	Impact and Rationale	Overall Assessment of Risk Element	Mitigation Strategy
Primary Accountability: Finance and Treasury Division		the OFA is not insulated against budgetary constraints. The likelihood is deemed **medium.**	be impacted justifying a **high** impact and high overall risk assessment.		Detailed planning and monitoring to meet priorities within cost constrained environment. Comparison on a quarterly basis between budget and actual to ensure that priorities are being met within approved expenditures. Effective financial management on a year by year basis that ensures minimal variances between budget and actual. The OFA also retains its surplus which can act as a source of funds to meet non salary related expenses upon approval from the Ministry of Finance.
Risk Category: WORKFORCE **RISK AREA**: Workforce: Operational Workforce Risks.					
Employee Fraud Primary Accountability: Finance and Treasury Division	Risk that losses will be incurred because an employee is dishonest.	LOW The likelihood is **low** due to stringent internal controls and systems that cannot be easily circumvented.	MEDIUM The impact is deemed to be **medium** resulting in an overall low risk assessment.	LOW	Continue to communicate code of values and measures for disclosing wrongdoing to OFA staff. Strong system of internal controls, including segregation of duties, which are regularly reviewed by internal auditors as well as the Office of the Auditor General. While no material issues have been identified to date from these audits that essentially cover the full fiscal year, all audit recommendations have been implemented. Detailed and timely exception reporting with managerial oversight.
Human Resource Risk Primary Accountability:	Risk that highly trained and specialized staff will not be available due to resignations, retirements, turnover, inability to hire, lack of skills, illness, etc.	MEDIUM The likelihood is deemed **medium**. The issue has gained traction due to the disparity between pay scales in other agencies and pension funds	EXTREMELY HIGH The impact is deemed **extremely high** resulting in an overall high risk assessment.	HIGH	Hire qualified staff; develop and implement staff retention strategies with assistance from the OFA Board and Human Resources Committee, provide support and training, where feasible provide competitive salary and benefits, foster a good and efficient working environment and a culture that

Risk Element or Classification	Identification of Risk / Risk Description	Likelihood and Rationale	Impact and Rationale	Overall Assessment of Risk Element	Mitigation Strategy
Each Hiring Division, with support from the Strategic Corporate Services Division		compared to their OFA counterparts. As a result, overall, the pool of applicants to positions at the OFA has diminished over the past few years. Although most positions have adequate backup and succession planning, there are some areas within the OFA that are tightly staffed and some positions are highly specialized which creates vulnerability. In addition, compensation constraints have limited the ability to adequately replace staff externally at comparable experience and skill levels.			recognizes and rewards merit, set out performance plans and monitor, recognize and value achievements, good communications and teamwork, and implement employee engagement strategies. Offer results-based pay for performance, and a comprehensive and flexible benefits package. Maintain unique compensation structure for A/XOFA positions. At the end of 2016, consistent with OPS compensation, salary increases occurred for certain OFA employees, and the OPS has announced a restructuring of its non-bargaining and management compensation to be implemented over a four-year period. It is too early to tell whether these changes are sufficient to reverse the recent trend of disappointing responses to positions advertised externally and an inability to attract qualified candidates for positions in the A/XOFA classification and others including those requiring accounting designations and specialized formal education in financial engineering and information technology or investment and corporate finance experience.

Risk Element or Classification	Identification of Risk / Risk Description	Likelihood and Rationale	Impact and Rationale	Overall Assessment of Risk Element	Mitigation Strategy
Risk Category: INFORMATION TECHNOLOGY & INFRASTRUCTURE **RISK AREA:** Information and Information Technology (I & IT): The risk that information produced or used (e.g., performance data) is incomplete, out-of-date, inaccurate, irrelevant or inadequately protected from inappropriate disclosure. Risk that information or other technology (e.g., architecture, hardware, software) does not support business requirements, and/or does not support availability, access, integrity, relevance and security of data. Includes business continuity risk. Risk related to information or technology (e.g. upgrading or replacing of IT systems, etc.) Should include privacy and security risks.					
Privacy and security Primary Accountability: Strategic Corporate Services Division	Risk related to the agency's handling of sensitive/ confidential information on behalf of the government Potential compromise of confidential information or personal data through identity theft, or unauthorized electronic or physical access of information	LOW The risk is considered **low**, as management ensures that staff are cognizant of the importance of information security.	MEDIUM The impact is deemed **medium,** resulting in an overall low risk assessment	LOW	Access to all electronic data requires authentication. Security of electronic and hard copy information is provided by enterprise IT perimeter security solutions, key card locked main doors, safes, and security cameras. Third Party Security Assessment audits are completed on a regular basis, including audits of electronic and physical security. Security policies are also in place and all staff are required to comply. New staff who work on the government's Budget are provided with training on the importance of budget security.
Business continuity Primary Accountability: Strategic Corporate Services Division	Risk that the processes in place to ensure that critical I&IT systems are not available for operation to support business requirements (disaster recovery & business continuity planning)	LOW The risk is considered **low**, as the OFA has a comprehensive Business Continuity Plan (BCP) which is regularly tested.	HIGH The consequences for the OFA not being able to carry out its business, even for one day, would be severe, therefore its impact is deemed **high.** As a result, the OFA maintains a twin of its IT infrastructure in a separate disaster recovery location (DR Site), which reduces the overall assessed risk to medium.	MEDIUM	As part of the OFA BCP, Strategic Corporate Services Division (SCSD) ensures that all critical systems, information and IT infrastructure are highly available and replicated to the OFA's DR Site. Critical production systems are routinely run out of the DR Site in order to verify the system operates properly in the BCP environment. Furthermore, SCSD maintains the technical infrastructure to support the OFA decentralized recovery plan. This includes mobile devices and remote access services. Periodic drills are held to ensure that staff are able to use the OFA's BCP infrastructure in a productive manner.

Risk Element or Classification	Identification of Risk / Risk Description	Likelihood and Rationale	Impact and Rationale	Overall Assessment of Risk Element	Mitigation Strategy
Procurement Primary Accountability: Strategic Corporate Services Division	The procurement process has intensified in the past year causing significant project delays. The workload required to manage the process has not been offset with additional resources, annual budgeting has been impacted as projects timelines are difficult to determine and the organization is challenged to keep pace with changes in technology.	MEDIUM The likelihood is deemed **medium.** The OFA operates within the government procurement framework, adapted to its own unique requirements. The requirement to adhere to complex public sector procurement rules, as set out in the OFA's Procurement Policy has the potential of slowing down urgently needed IT infrastructure, creating a degree of risk. Some streamlining of the process has been carried out, reducing the assessed risk to medium.	MEDIUM The impact is deemed **medium,** resulting in a medium overall risk assessment	MEDIUM	Standardized approval forms and RFX (Request for Information, Proposal or Quotation) precedent templates streamline the procurement process. Establishing Service Level Agreements within the organization to ensure consistent timelines for document review and approvals will help ensure project deadlines are achieved. When project and procurement plans are hindered by lengthy standard procurement process, priorities will be revisited. In some circumstances, CEO approval of an exemption or a different process may be requested, if available.

ENVIRONMENTAL SCAN

Economic Conditions

The economic outlook for Ontario as described below is based on the average private sector view as of January 2017. As with all projections, there are positive and negative risks to the outlook. The most significant immediate risks to the outlook are rising interest rates and uncertainty regarding future U.S. economic policy. For business planning purposes, the OFA recognizes that it may confront increased demands to provide financing and other services.

Ontario's economy continues to grow in an uncertain global economic environment. Ontario real GDP increased 2.5 per cent in 2015. Private-sector forecasters, on average, estimate Ontario real GDP will grow by 2.6 per cent in 2016, 2.3 per cent in 2017, 2.2 per cent in 2018 and 2.0 per cent in 2019. The economic outlook is influenced by external factors, such as U.S. economic growth, oil prices and the Canadian dollar. Steady growth in the U.S. economy, along with the ongoing impacts of a more competitive Canadian dollar and low oil prices, continues to support Ontario's economic growth. Ontario's economy is expected to strengthen as growth broadens across major sectors of the economy, including household spending and exports. The recent increase in interest rates and the uncertainty tied to U.S. trade policy represents a downside risk to the Ontario economic outlook.

The United States is Ontario's largest trading partner, accounting for 80 per cent of the Province's international merchandise exports in 2015. Economic growth in the U.S. strengthened to 2.6 per cent in 2015 after rising by 2.4 per cent in 2014. According to the January 2017 Blue Chip consensus outlook, the U.S. economy is expected to grow by 1.6 per cent in 2016, 2.3 per cent in 2017 and 2.4 per cent in 2018.

The price of WTI (West Texas Intermediate) crude oil fell by over 70 per cent from its June 2014 peak of $108 US per barrel to below $30 US per barrel in early 2016, a reflection of strong supply and weaker global demand. WTI oil prices averaged $43 US per barrel in 2016, down from $49 US per barrel in 2015.The recent agreement between the Organization of the Petroleum Exporting Countries (OPEC) and other oil producers to reduce output has led to a rise in the price of oil. The current private-sector forecast average for the WTI price of oil is $54 US in 2017 – well below levels recorded over the 2010-14 period.

Sharply lower oil prices and diverging monetary policy between Canada and the United States contributed to a depreciation of the Canadian dollar to an average of 78.2 cents US in 2015, down from 90.5 cents US in 2014. The Canadian dollar declined further in 2016, averaging 75.4 cents US. On average, private-sector forecasters expect the Canadian dollar will average 74.5 cents US in 2017.

Ontario`s housing market continued to strengthen in 2016 alongside solid increases in the number of households and incomes. Sales of existing homes and resale prices rose 9.4 per cent and 15 per cent, respectively in 2016. Ontario housing starts also increased in 2016. Private-sector economists expect a soft landing in the Ontario housing market. Home resales and prices are projected to stabilize over the next few years as gradually rising interest rates, historically high valuations and mortgage debt temper healthy demographic-related demand.

There are risks surrounding the housing market outlook. Home price gains in Ontario have outstripped incomes in recent years, fuelling mortgage debt accumulation. As a result, affordability in Ontario's housing market has eroded. Despite historically low mortgage rates, monthly carrying costs are elevated relative to long-term trends. High levels of debt combined with elevated resale prices leave Ontario households potentially vulnerable in the event of an adverse economic shock.

Financial Markets

Moderate economic growth and headline inflation still operating below the 2 per cent target has prompted the Bank of Canada to hold the target overnight rate at 0.5 per cent since mid-2015. For the most part, private-sector economists do not expect the Bank of Canada to raise rates until mid-2018.

In the United States, the Federal Reserve raised rates at its December 2016 meeting, citing a strengthening labour market and rising inflation. It is expected that the Fed will continue to raise rates, though at a gradual pace. On the other hand, monetary policy in the European Union remains highly accommodative. In January, the European Central Bank announced that interest rates will remain unchanged and are expected to stay "at present or lower levels for an extended period of time, and well past the horizon of the net asset purchases."

In Canada, while long-term interest rates are expected to remain at historically low levels, they are projected to gradually rise over the next few years. The expected onset of interest rate hikes by the U.S. Federal Reserve combined with the result of the recent U.S. election has already put upward pressure on Canadian bond yields.

According to private-sector forecasters, the Canadian three-month Treasury bill rate is expected to rise gradually from an average of 0.5 per cent in 2016 to 0.6 per cent in 2017, and 0.9 per cent in 2018. According to the January 2017 Blue Chip consensus outlook, the three-month U.S. Treasury bill rate is expected to average 0.9 per cent in 2017, before rising to 1.6 per cent in 2018.

The 10-year Government of Canada bond rate averaged 1.3 per cent in 2016. According to private-sector forecasters, the 10-year Government of Canada bond rate is projected to rise, averaging 1.9 per cent in 2017 and 2.4 per cent in 2018. According to the Blue Chip consensus outlook, the yield on 10-year U.S. government notes is expected to average 2.7 per cent in 2017 and 3.1 per cent in 2018, up from 1.8 per cent in 2016.

Government Initiatives

Government policy developments and financial performance in Ontario's electricity sector, including OPG, Hydro One and municipal electricity utilities, may affect borrowing requirements through the cash flows to OEFC. In particular, the Province’s ongoing effort to broaden ownership of Hydro One will result in large cash flow impacts for OEFC.

The OFA will continue to monitor the Green Bond market to identify future issuance opportunities under its Green Bond Program. The OFA will lead the implementation of the Trillium Trust, for dedicated net revenue gains from qualifying asset sales to help fund infrastructure investments across Ontario. The OFA will also provide financial support to the Ministry of Environment and Climate Change in respect of the government’s Cap and Trade program, as well as in the establishment of a Greenhouse Gas Reduction Account and a climate change agency.

The OFA will also provide financial analysis and advice in support of the Province’s commitment to unlock the value of designated assets, and will continue to work with Infrastructure Ontario and other areas of government on optimizing certain holdings in the Province’s real estate portfolio, in particular, the sale of OPG headquarter properties, as well as Seaton and Lakeview lands.

Regulatory Compliance

The OFA will ensure that information required to be disclosed by the Province in its debt securities offerings related documents, periodic published reports (including the Ontario Budget, the quarterly finances, the Public Accounts of the Province of Ontario and the annual fall Economic Outlook and Fiscal

Review) and other disclosures filed or submitted under applicable securities legislation, rules and regulations in the United States, the United Kingdom, Luxembourg, Australia, Switzerland and Singapore is filed on time and otherwise in accordance with those requirements. Regulatory requirements will be monitored continually to ensure the Province has ongoing access to these markets.

PERFORMANCE MEASURES

1. Execute the Province's borrowing program

Objective	Performance Measure	Target
a. Complete the borrowing program while ensuring that the Province always has adequate liquidity.	Sufficient liquidity on hand at all times to ensure the Province can meet its financial obligations. Ensure borrowing is completed with minimal negative impact on the Province's reputation in the financial markets.	Borrowing program completed and cash requirements met on a timely basis.
b. Manage the borrowing program in a sound and cost-effective manner.	The performance measurement of the timing of the long-term fixed-rate borrowing program is expressed as a percentile ranking of the all-in borrowing cost against a statistical distribution of benchmark interest rates observed throughout the year.	Achieve a percentile ranking of 45 to 55 for regular borrowings and 50 to 75 for strategic foreign borrowings. All results are validated by the Ontario Internal Audit Division.
c. Ontario Savings Bonds (OSB) Program	Fund borrowing requirements at cost-effective rates for a broadly based retail program which allows individual investors in Ontario to participate in providing funding to the Province. OSBs reduce other borrowing requirements which, in turn, reduces pressure on new issue spreads.	Ensure the program is cost-effective in the context of a retail borrowing program. Maintain and review Service Level Agreement between OFA and Fiscal Agent on an annual basis.

2. Manage the Province's debt, investments, ONFA and financial risk, and contribute to the development of the Province's fiscal plan and outlook

Objective	Performance Measure	Target
a. Manage outstanding debt in a sound and cost-effective manner.	Dollar savings of debt management transactions on a realized and mark-to-market basis. This methodology utilizes a risk-budgeting approach adopted by some large pension plan investment managers.	Achieve first quartile performance relative to a risk budget. Results are validated by the Ontario Internal Audit Division.
b. Preservation of capital on money market investments.	Credit losses on liquid reserves and investment portfolio of funds managed for other government bodies.	No credit losses on any investments. Generate actual returns that are within ±2 basis points of the

Objective	Performance Measure	Target
Manage liquid reserves in a sound and cost-effective manner.	The investment return on the portion of liquid reserves invested in Government of Canada Treasury bills and similar riskless instruments compared to an average 61-day portfolio benchmark. This benchmarking process is consistent with private sector industry practice. Maintain liquid reserve levels within a pre-determined range and provide an explanation to the Board of any deviations from that range.	61-day benchmark portfolio. Results are validated by the Ontario Internal Audit Division.
c. With OPG, prudently manage the Used Fuel and Decommissioning Segregated Funds' investments.	Ensure investment management is consistent with ONFA objectives.	Manage, monitor, and analyze the performance of the funds and the performance of investment managers. Continue refinement of investment strategies, risk management, policies and procedures. Meet the real return objective of 3.25 per cent, and exceed the market benchmark over the life of the funds.
d. Prudently manage funds for government bodies through the centralized/ segregated fund initiative.	Reduce investment costs. Ensure public bodies' funds are managed consistently with investment industry best practices.	Establish and continue to efficiently manage segregated funds with government public bodies that meet client requirements.
e. Minimize financial risk by ensuring risk exposures and program losses remain within approved exposure and loss limits.	Foreign exchange exposure. Net interest rate resetting exposure. Interest on debt losses as a percent of budgeted interest on debt. Credit exposures relative to approved policy limits.	Foreign exchange exposure not to be above five per cent of total debt. The 2016–17 Financing, Debt and Electricity Management Plan had an approved range of 0 per cent to 2.5 per cent in Foreign Exchange Exposure. Currently, the exposure of 0.3 per cent of debt. The 2017–18 Financing, Debt and Electricity Management Plan will have a recommended range subject to Board of Directors approval later in the year. Net interest rate resetting exposure not to be above 35 per cent of total debt. The 2016–17

Objective	Performance Measure	Target
		Financing, Debt and Electricity Management Plan had an approved range of 10.4 per cent to 14.4 per cent in Ontario's Gross Floating Rate exposure, with a target of 12.4 per cent. Interest Rate Resetting Exposure is expected to be 11.2 per cent as of March 31, 2017, with an expected range of 9.2 per cent to 13.2 per cent. A new range and target for Floating Rate and Interest Rate Resetting Exposure will be approved in the 2017–18 Financing, Debt and Electricity Management Plan. IOD losses not to exceed three per cent of budgeted Interest on Debt. Credit exposures to be kept within approved policy limits.
f. Use risk control policies to ensure programs are managed in a prudent and cost-effective manner.	Risk management policies are kept current with industry best practices. Exposure limits established in the policies are reasonable and prudent. Exposures are monitored and reported in a timely and accurate manner.	Policies for market risk, credit risk, use of derivatives and other financial instruments and risk management reporting are to be reviewed annually, and amendments or decisions not to amend are to be approved by the Board of Directors. Review limits on net interest rate resetting, foreign exchange and credit exposures, and credit concentration. Calculate and report exposures daily. Perform monthly stress testing on the Province's market and credit exposures.
g. Measure and report performance of the Province's borrowing, debt management, and investment programs.	Timeliness and accuracy of performance measurement and reporting.	Report on borrowing and debt management performance daily, and on the money market program performance monthly.

Objective	Performance Measure	Target
h. Evaluate the potential impact of stressed capital market conditions on OFA programs and IOD.	Conduct stress tests of the credit exposures, and IOD, and report the results as described in the risk management policies.	Stress testing is performed and reported on a monthly basis as described in the risk management policies.
i. Forecast interest on debt (IOD) for the Province and the OEFC.	Forecasts for the current year and medium-term are provided for the Budget, Fall Statement and quarterly finances.	IOD forecasts for the current year and medium-term to be provided for the Budget, Fall Statement and quarterly finances in a timely manner.
j. Assess the credit quality of municipalities and other approved entities applying for Infrastructure Ontario loans and provide credit risk advice to the Credit Review Committee (CRC)	Review loan applications and analyze reports. Attend CRC meetings to provide advice and vote on each application.	Provide an advisory role at Infrastructure Ontario's CRC meetings.
k. Contribute to key ministry documents, including the Budget, Fall Statement, and quarterly finances; and advise on financial implications of government initiatives.	Advise on potential financial/treasury implications of government initiatives on IOD, borrowing objectives, credit ratings, and financial markets' reactions. Complete the Borrowing and Debt Management chapter, including the Financing Table, in the Budget and Fall Statement.	Ensure potential financial/treasury implications are considered in developing government financial objectives, including meeting the requirements of the *Fiscal Transparency and Accountability Act.* Provide the Borrowing and Debt Management chapter in the Budget and Fall Statement; and update Ontario's Financing Program in Ontario Finances (quarterly).

3. Manage key financial relationships

Objective	Performance Measure	Target
a. Manage Ontario's relationships with domestic and international investors.	Maintain dialogues with investors, investment dealers and the international investment community by providing timely financial updates, including investor publications and securities filing documents.	Continue to monitor fixed income markets, economic conditions, and investors' interests and requirements to ensure road shows are effective for both the Province and its investors. Investor Relations to continue to track meeting activity with investors. Program benchmarks to include number of meetings with new accounts, effectiveness of communications material and website usage. Provide IR information products, including updates to the OFA website, on a timely basis. Meet ongoing disclosure and regulatory filing requirements with the SEC, UKLA, LuxSE, ASX, SIX Exchange Regulation and the SGX. Provide panelists or speakers at domestic and international industry conferences.
b. Manage Ontario's relationships with the credit rating agencies.	Ensure that credit rating agencies understand government policies, budget, and fiscal performance, properly reflecting these in their reports and decisions.	Following the release of the Budget, senior OFA and Ministry of Finance staff will meet with the rating agencies. Throughout the year, agencies will be kept informed of the government's ongoing economic and fiscal progress.
c. Manage Ontario's relationships with banks, financial services providers, and investment dealers.	Maintain relationships with banks, financial services providers, and investment dealers who provide the Province with banking, underwriting, custodial and fiscal agency services, thereby maintaining the Province's reputation and supporting its strategic direction to provide financial and cash management services. Maintain relationships with swap counterparties.	Ensure banking, underwriting, custodial and fiscal agency services provided to the OFA are cost-effective with minimal impact on IOD. Promote Toronto as a global financial centre. Ensure compliance with existing collateralized swap agreements in a timely and accurate manner on a daily basis. The OFA will endeavour to enter into collateralized swap agreements with more swap counterparties to limit credit risk.

4. Provide services related to cash management, banking, settlement, payment, financial and reporting, and client services.

Objective	Performance Measure	Target
a. Arrange OPS-wide cost-effective banking services that minimize the Province's expenditures.	Acquire cost-effective banking products and services to support government ministries' program delivery, Crown agencies' banking activities and OFA's debt and investment management activities through the government's tendering process.	Issue, award and implement tenders for banking and financial services to ensure service continuity and program area needs are met. Monitor vendors' post-implementation performance. Work with central agencies, ministry program areas, and financial service providers to increase take up of existing electronic payment mechanisms and identify industry trends and new banking technology, which can be leveraged to reduce costs and improve service delivery and back-office processes. Ensure continued compliance with mandatory requirements imposed by external parties such as Federal bodies and industry groups. Participate in government and industry working groups/task forces on developing innovative solutions to enhance banking and payment efficiencies. Provide comprehensive and timely banking advice to program areas and agencies supporting government initiatives.
b. Provide centralized cash management services that maximize liquid reserves returns.	Ensure the provision of timely and accurate cash information for the development of the Financing Table in the Annual Budget and Fall Economic Statements. High service standards on service contracts with client agencies to maintain client satisfaction.	Provide actual and forecast liquid reserve numbers for the Financing Table in the Province's Quarterly Statements and Annual Budget that stand up to scrutiny by internal and external stakeholders. Ensure relevant performance measures in client agency agreements are met or exceeded.

Objective	Performance Measure	Target
c. Timely and accurate forecasts to align borrowing with cash management requirements, helping to reduce IOD.	Reliable and accurate cash forecasts for the Province and client agencies.	Ensure that the Province has sufficient cash available at all times to meet its financial obligations. Continually enhance the Cash Management System, keeping it responsive to changing needs, technology, and the IT environment within the OPS, i.e. IFIS renewal and Hyperion.
d. Advocacy of best practices in cash management across the OPS	Policy advice where required to assist programs in complying with the Cash Management Directive.	Improved compliance with the Cash Management Directive; implementation of policies more in line with best practices.
e. Provide efficient, accurate and timely settlement and payment processes, and implement appropriate settlements industry best practices.	Ensure debt management, investments, derivatives, and loans are recorded and processed efficiently and accurately. Ensure that ITS, the OFA's system of record for debt, derivatives, and assets, continues to operate effectively. Adoption of industry best practices.	Make system and procedural enhancements to improve the efficiency and effectiveness of settlements' functions, and continue to mitigate operational risk. Replace the Public Bodies Financing System with a user friendly and efficient system that is either developed internally or sourced externally.
f. Provide timely and accurate financial reporting for the Province in relation to debt, derivatives and investments, and the agency financial statements.	Ensure security and proper records of transactions. Provide high quality financial information for publication in a timely and accurate manner.	Enhance internal controls on accounting records by applying best practices and staff training. Prepare internal reporting to ensure data integrity. Through research and continuous review, ensure that accounting records and financial reporting are prepared in accordance with applicable PSAB requirements. Provide timely and accurate information for the Province's Budget, Estimates, quarterly Finances and Public Accounts. Provide timely and accurate agency financial statements that pass the scrutiny of the OFA Board and its Audit and Risk Management Committee as well as the Office of the Provincial Auditor General.

Objective	Performance Measure	Target
g. Monitor and assess accounting developments that affect the financial reporting for the Province and its agencies.	Keep abreast of current accounting developments in various jurisdictions: the International Accounting Standards Board (IASB), the Financial Accounting Standards Board in the U.S. (FASB), and the Accounting Standards Board and the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada.	Continue to monitor developments in accounting standards set by PSAB and other standard setting bodies that may affect the Province and agency reporting. Provide advice to the Office of the Provincial Controller, on developments in accounting standards that impact debt and related areas. In coordination with other provinces, actively bring the collective concerns of Ontario and the other provinces on the Financial Instruments standard to PSAB. Continue to liaise effectively with the Office of the Provincial Controller and the Office of the Auditor General of Ontario in making recommendations and/or responses on PSAB's review of these standards.

5. Advise on and implement corporate and electricity finance projects and policies

Objective	Performance Measure	Target
a. Provide financial analysis and advice on financing and other proposals that have capital markets implications. Develop the structure and negotiate the detailed terms and conditions of any transactions to minimize costs and best meet market expectations.	Cost-effective leasing policies and structures. Appropriate due diligence on financing aspects of asset management projects. Comprehensive advice on structuring and completing financial transactions. Accurate determination of value for money benchmarks and evaluating and recommending interest rates.	Comprehensive, timely and accurate advice to support objectives. OFA to be viewed across the government as a centre of excellence in financial analysis and providing high quality financial advice.
b. Provide financial analysis and advice on cost- effective borrowing, investing, and risk management by public bodies. Negotiate the detailed terms and conditions of any loans to be guaranteed to minimize costs and	Borrowing and investing through financial markets as cost-effectively as possible and within appropriate risk management frameworks for each client.	Comprehensive, timely and accurate advice to consolidated public bodies.

Objective	Performance Measure	Target
best meet market expectations.		
c. Provide financial analysis and advice on transactions requiring a provincial guarantee or that may otherwise increase the indebtedness or contingent liabilities of Ontario.	Comprehensive, accurate and timely review and identification of risks and potential risk mitigation strategies.	Comprehensive, timely and accurate advice as required.
d. Provide analysis and advice on electricity policies and initiatives that have potential financial, fiscal, and/or economic implications on the Province and/or OEFC.	Early identification and development of options to effectively deal with opportunities, pressures and/or risks to the Province or OEFC.	Comprehensive, timely and accurate analysis and advice, as required, including on the following: • Electricity supply, conservation, transmission, distribution and other electricity price mitigation initiatives. • Nuclear supply, including nuclear refurbishments. • Ongoing implementation of the ALGP. • Ongoing implementation of IEI program, ICI, NIER program, and the OREC.
e. Analysis and modelling to support the OEFC's objectives, including monitoring of OPG and Hydro One results.	Concise, accurate and timely reports and briefings as required.	Provide analytical and modelling support, as required, for the OEFC annual audit and reporting process. Continue regular financial update meetings with OPG to monitor financial performance. Provide required analysis to support management of NUG contracts (e.g., contract/rate negotiations, and NUG litigation.)
f. Provide electricity sector projections for the Province and the OEFC.	Ensure projections are provided in a timely manner, using best available information and reasonable assumptions.	Provide projections for the current year and medium-term for the Province's Budget, Fall Statement and quarterly finances; as well as projections for OEFC on an annual and quarterly basis. Provide regular updates on projections versus plan.

Objective	Performance Measure	Target
g. Analysis and advice to support the effective administration of ONFA, including approving annual budgets, monitoring fund balances, managing the Provincial Guarantee provided to the Canadian Nuclear Safety Commission (CNSC), and monitoring policies and other initiatives related to nuclear liabilities.	Comprehensive and appropriate due diligence performed on annual budgets, reference plans, disbursements and financial documents.	Review and approve annual budgets, including investment related expenses, change requests, and disbursements as per ONFA timelines. Ensure budgets are consistent with approved reference plans and only eligible costs are funded. Ensure fund flows follow ONFA requirements through audits and review of financial documents. Review and monitor plans and projects related to managing nuclear liabilities for decommissioning and waste management. Monitor and review the ONFA Reference Plan and the required level of the Provincial Guarantee to the CNSC as nuclear liability estimates are revised and as segregated funds change in value. Provide analysis and advice on OPG's contribution schedules and the Provincial Guarantee that is provided under ONFA to the CNSC.
h. Provide advice, as required, on evaluating the Province's assets, including investments in its business enterprises and analysis and advice on optimisation to enhance efficiency and maximize value.	Ensure required analysis, advice, and briefings are comprehensive, timely and accurate.	Provide timely and highly reliable financial advisory services as required, including modeling, option development, and the identification of key considerations to support OFA, Ministry of Finance and Provincial decision-making. Provide financial analysis and advice related to the Province's holdings of Hydro One shares and the sale/merger of Hydro One Brampton. Provide analysis and advice related to optimizing the Province's real estate portfolio, in particular the sale of OPG headquarters properties, Seaton and Lakeview lands.

Objective	Performance Measure	Target
i. Provide financial analysis and advice on corporate issues and initiatives	Ensure required analysis, advice, and briefings are accurate, timely, and comprehensive.	Provide expert financial analysis and advice as required, including modeling proposals and structuring transactions. OFA CEO, or delegate, participation and leadership on Boards and Committees overseeing these initiatives.

6. Ensure the successful activation of OFA's decentralized Business Continuity Plan

Objective	Performance Measure	Target
a. Review and update the Corporate BCP framework and business unit plans.	Business units being able to successfully complete their identified critical time-sensitive tasks from decentralized locations.	Maintain staff awareness and readiness to implement the Corporate and business units' plans to meet business requirements in the event of a business disruption. Conduct and assess periodic BCP tests.

HUMAN RESOURCES

Staff allocation for 2016–17 is 166 positions, or full-time equivalents (FTEs), excluding leaves of absences. Between 2007–08 and 2016–17, the borrowing program is projected to increase by 32 per cent, from $18.0 billion to $23.8 billion, and the Province's net debt is projected to increase by 103 per cent, from $156.6 billion to $317.9 billion. The OFA's operating costs (forecasted) increased by 20 per cent, from $22.5 million to $27.1 million, and FTEs dropped by three per cent, from 172 to 166.

The OFA continually reviews its recruitment and retention strategies to ensure it is able to attract and retain qualified staff. Some of the initiatives that have been implemented include supporting flexible work arrangements, and implementing diversity, inclusion and accessibility strategies. Approximately 85 per cent of the OFA is on the government compensation plan, which is controlled centrally. All but five positions are excluded from collective bargaining.

The OFA will continue to work with the Human Resources and Governance Committee of the OFA Board and the Ministry of Finance Human Resources Branch to develop further initiatives to promote staff retention and skills development. The OFA will also continue to work with the OPS Recruitment Centre to enhance the OFA's ability to attract qualified candidates. This will ensure the OFA can meet its current and future business priorities. Initiatives may include providing opportunities for staff to participate in learning and development courses, job shadowing, secondments, and special projects to the extent feasible to enable continuous learning and enhance succession planning.

FINANCIAL BUDGET

OFA Multi-Year Operating Expenditure Forecast

(in thousands of dollars)	2016–17		Forecasts*		
	Budgeted	**Interim Forecast**	**2017–18**	**2018–19**	**2019–20**
Salaries	19,055	19,055	19,876	20,273	20,679
Benefits	2,195	2,195	2,299	2,345	2,392
ODOE	5,802	5,802	5,352	5,412	5,513
Sub-total Cash DOE	27,052	27,052	27,527	28,030	28,584
Add: Amortization	881	863	789	764	786
Less: Capital Expenditure	(865)	(865)	(817)	(785)	(795)
Direct Operating Expense	**27,068**	**27,050**	**27,499**	**28,009**	**28,575**

Staffing levels are forecast to remain at 166 positions (FTE basis) over the planning horizon.

The tables and financial statements included in this document have been prepared on an accrual basis of accounting to correspond with the OFA Financial Statements.

*Forecasts represent the submission through 2017–18 Program Review, Renewal & Transformation (PRRT) process to the Treasury Board. Subject to Treasury Board approval.

OFA - Income Statement Projections

(in thousands of dollars)	2016–17		Forecasts*		
	Budgeted	**Interim Forecast**	**2017–18**	**2018–19**	**2019–20**
Revenue					
Interest Revenue	3,003	3,067	3,305	2,847	2,715
Cost Recovery from the Province	22,207	22,206	22,640	23,034	23,485
Cost Recovery from agencies /related parties	4,861	4,844	4,859	4,975	5,090
Total	30,071	30,117	30,804	30,856	31,290
Expenditure					
Operating Expense	27,068	27,050	27,499	28,009	28,575
Total	27,068	27,050	27,499	28,009	28,575
Net Income	**3,003**	**3,067**	**3,305**	**2,847**	**2,715**

*Forecasts represent the submission through 2017–18 Program Review, Renewal & Transformation (PRRT) process to the Treasury Board. Subject to Treasury Board approval.

STRATEGIC CORPORATE SERVICES

Strategic Corporate Services Division (SCSD) is accountable for delivering robust Information Technology, Strategic Human Resources Management, Records and Information Management, Procurement and Policy Management, Facilities Management and Physical and Cyber Security Services. Enhancements to each of these areas drives efficiency, auditability and consistency throughout the organization. SCSD ensures the OFA's and OEFC's core business objectives are supported by reliable, dedicated, customized and integrated technology infrastructure, business applications, administrative process and access to external real-time data sources.

A major focus of SCSD is to support the OFA's core operational business processes. By actively assessing and adjusting the underlying functions that enable the day-to-day business needs, SCSD is able to provide streamlined solutions that increase the safety and wellbeing of the staff, further the OPS Diversity and Inclusion commitments, and provide transparency into procurement and human resource activities.

In addition, reliable and secure information technology is essential to the OFA's ability to deliver its mandate. To that end, SCSD strives to ensure that business applications and related services are not down more than four times a year for a period greater than 30 minutes for each occurrence during normal business hours. The OFA's financial business functions are powerfully supported by SCSD's technology infrastructure, providing availability, integrity, security, and capacity via high-performance, highly-redundant systems at a competitive cost. SCSD can effectively deliver and maintain state-of-the-art financial systems and services because of OFA's internal management of information technology.

The following initiatives will be carried out over the next three years to support the OFA's strategic direction and objectives:

Initiative	Duration	Contribution to key OFA activities
Automate and enhance structured, processes across the organization such as Asset and Inventory Management.	2017–18	Address the organization's increased focus on procurement practices.
Increase the effective management and delivery of IT projects through centralized, standardized processes and controls.	2017–18	Continue to enhance delivery and effectiveness of resources in project management efforts. Support OFA objectives in the delivery of technical initiatives.
Expand core systems to track new government initiatives, allow for greater flexibility in hedge portfolio group splitting, strengthen bond and swap pricing modules and Implement applicable changes as per financial and regulatory reform requirements.	2017–19	Support a large borrowing program and the corresponding large volume of associated hedging activity; provide flexibility to support the commodities hedging program conducted by the OFA for Metrolinx; and the continuation of new government initiatives, including Ontario Green Bonds, and the Trillium Trust.
Through iterative enhancements to technology and policy, ensure the security of information assets and infrastructure across multiple platforms.	2017–19	Address increased requirements for integrated communication solutions as well as data anytime, anywhere. Enhance support for the OFA's BCP.

Creating and enhancing OFA business dashboards to gain increased insight and enhance trading and portfolio management information.	2017–19	Provide OFA executives with timely information to support treasury and borrowing program activities.
Creating and enhancing KPIs and dashboards, reporting mechanisms to measure the performance of delivered corporate services.	2017–19	Provide OFA executives with timely information to support business activities.
Continuous IT infrastructure improvement that will enhance performance, increase capacity, and make the OFA's computing solution highly available.	2017–19	The OFA's financial business functions are well supported by its robust IT infrastructure, which is essential for the OFA to carry out its mandate.
Continuous IT security improvement that will ensure the integrity of the OFA's IT network and prevent any unintended data loss or unauthorized access. Review, revise, and develop IT policies and procedures based on emerging business or technology requirements.	2017–19	The OFA is proactive in ensuring that its systems are highly secure.
Continuous IT service delivery enhancement that will improve the process of incident management, change management, and problem management. Implement SCSD Service Catalogue and Configuration Management Database (CMDB).	2017–19	The OFA's financial business functions are well supported by various IT Services. A better service delivery framework is essential to deliver IT Services professionally and on a timely basis.
Streamline procurement through a centralized, process-driven methodology.	2017–20	Provides clear accountability, auditability and transparency.
Implementation of an Information Management Strategy that transitions the treatment of information from 'data' to an 'asset'.	2017–20	Promotes the retention of corporate knowledge within the organization.
Continuous Enterprise Project and Portfolio Management that will improve the ability to track, report and deliver on business and technology initiatives.	2017–19	Provides clear accountability, auditability and transparency.

INITIATIVES INVOLVING THIRD PARTIES

There are no third parties, other than the provincial government, with which the OFA is partnering or with which it has a funding relationship for the purpose of delivering OFA programs. Moreover, the OFA does not provide transfer payments (grants, subsidies, assistance to persons; the business sector; non-commercial institutions; and other government bodies) to third parties.

IMPLEMENTATION PLAN

For 2017–20, the OFA intends to implement its business plan using existing resources and allocations.

COMMUNICATION PLAN

Business Plan

The OFA Business Plan serves as an internal tool for management and staff in the development of program plans and, through the regular reporting of the status of initiatives to the Board of Directors, it serves as a performance measurement tool. The plan also communicates the OFA's business objectives to the Minister of Finance and the Ministry.

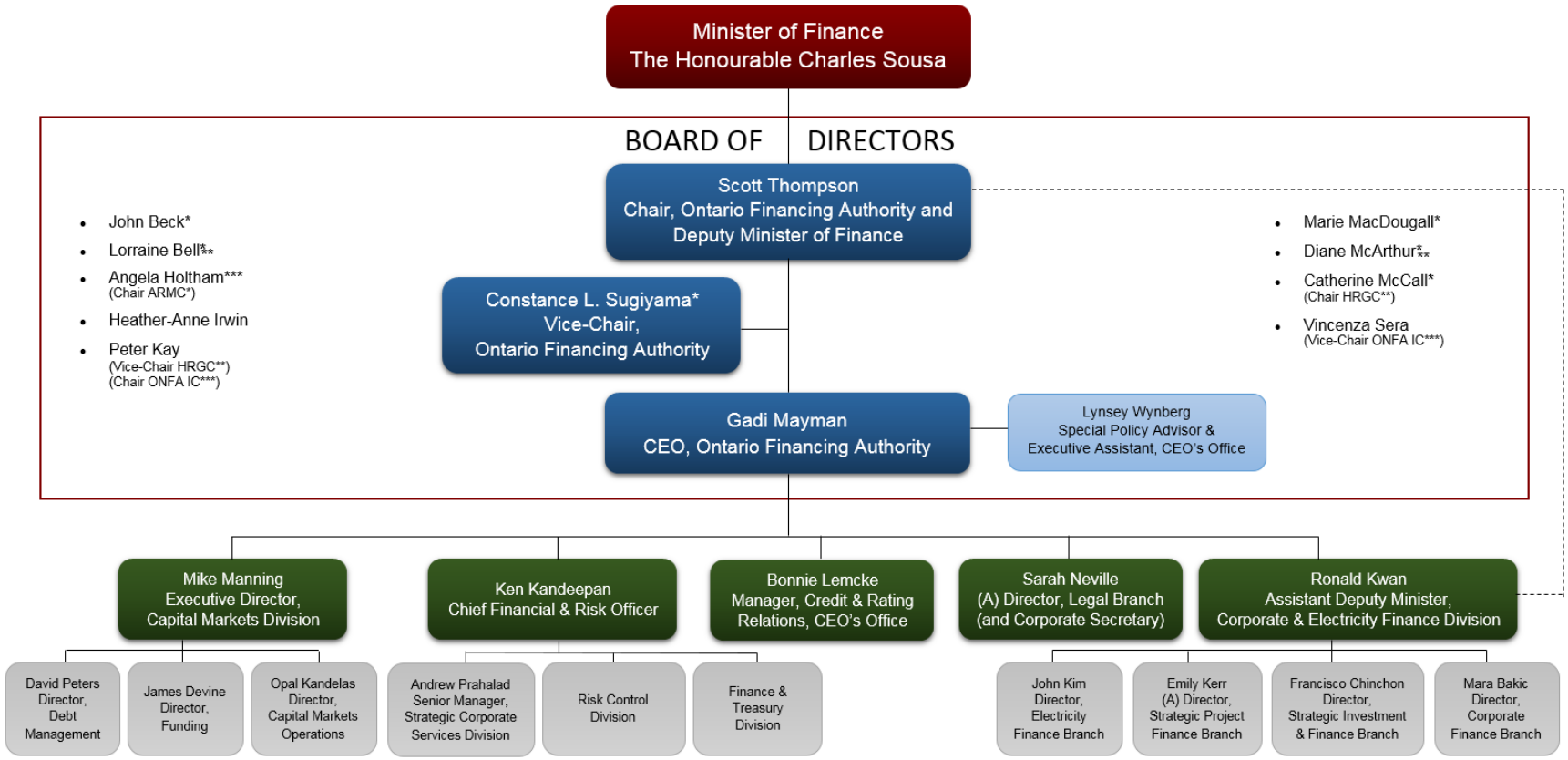
Other Communications

The OFA has a number of external stakeholders, including institutional and retail investors, investment dealers, banks, and credit rating agencies. In 2017–20, the OFA will communicate with stakeholders using various methods including:

1. Websites (including expense information): www.ofina.on.ca; www.ontariosavingsbonds.com; www.ofina.on.ca/algp;
2. Budget and quarterly updates: develop borrowing and debt management components;
3. Fact sheets, investor relations presentations, and other investor material (available on the website);
4. Annual Report (as required by the *Capital Investment Plan Act, 1993*);
5. Regulatory filings;
6. Business Plan; and
7. Memorandum of Understanding (MOU).

Other methods of communication to be used throughout the year are investor relations meetings and regular discussions with credit rating agencies. In addition, the OFA is responsible for the development of communications vehicles for OEFC and will continue to maintain the OEFC website, www.oefc.on.ca, and to produce the OEFC annual report.

ORGANIZATIONAL CHART



* ARMC = Audit & Risk Management Committee
** HRGC = Human Resources & Governance Committee
*** ONFA IC = Ontario Nuclear Funds Agreement Investment Committee

MANDATE AND GOVERNING LEGISLATION

The Ontario Financing Authority (OFA) is a Provincial Crown agency established by the *Capital Investment Plan Act, 1993* (CIPA). CIPA sets out the objectives of the OFA. The OFA:

- conducts borrowing and investment for the Province of Ontario and manages the Provincial debt;
- provides cash management and other financial services for the Province;
- advises ministries, Crown agencies, and other public bodies on financial matters; and
- assists Crown agencies and other public bodies to borrow and invest money through external sources or through the OFA.

The OFA also provides a broad range of financial services to Ontario Electricity Financial Corporation (OEFC) and Ontario Infrastructure and Lands Corporation (Infrastructure Ontario).

The FAA also sets out certain financial powers which OFA employees exercise on behalf of the Minister of Finance to carry out the Province's borrowing, manage the Province's debt and invest its liquid reserves.

BOARD OF DIRECTORS- 12 members. CEO and DM (Chair) are members, along with independent directors.

Corporate governance - supervision and management of the OFA's activities by senior management, the Board of Directors supported by its committees, and the Minister of Finance. It includes identifying individuals and groups responsible for the Corporation's activities and specifying their roles.

The Minister of Finance is the minister responsible for the administration of CIPA with respect to the OFA. CIPA together with policies and directives issued by Management Board of Cabinet form a framework under which the OFA is governed.
Each year, the Minister of Finance is required to submit the OFA Annual Report to the Lieutenant Governor in Council and then table the report in the Legislature. In addition, the Minister reviews and approves the OFA's annual business plan. The Minister also maintains communications with the OFA, through its Chair, regarding government policies and issues relevant to the OFA.

OVERVIEW

1. *Execute the Province's borrowing program.*
    - Each year a borrowing plan is developed - details on the borrowing program, including term structure and diversification objectives, as well as investor relations, liquidity, floating rate, foreign exchange and credit risk strategies, and also outline major risks and risk mitigation strategies.
    - Total long-term public borrowing is forecast at $30.1 billion in 2016–17 and $24.4 billion in 2017–18.
    - Challenges include:
        - o continued high amount of borrowing (domestic and Int'l) required for the Province;
        - o competition in the markets from other large domestic and international borrowers;
        - o evolving regulatory requirements such as Basel III and Dodd-Frank, making hedging foreign debt more expensive and a challenge to execute in the size required by the Province;
        - o potential challenges for Ontario's credit rating. A downgrade may result in borrowing costs increasing; and
        - o management of downgrading or failure of counterparties, and continued implementation of collateralized swaps to mitigate credit risk.

2. Managing the *Manage the Province's debt, investments, Ontario Nuclear Funds Agreement and financial risk, and contribute to the development of the Province's fiscal plan and outlook*
   - Province's debt, liquid reserves portfolio, investments funds for public bodies
   - working to generate savings from debt management
   - liquid reserve investment
   - centralized/segregated investment funds for various public bodies.
   - managing Ontario Nuclear Funds Agreement (ONFA) working with Ontario Power Generation (OPG),
   - ensure interest rate, foreign exchange and credit exposures are within approved policy limits,
   - Province's annual Budget, Fall Statement and quarterly finances.

3. *Managing key financial relationships*
   - Provide financial updates to investors/financial community in Canada and abroad
   - building and maintaining connections with investors in both existing and new markets
   - relationships with banks, financial service providers and investment dealers.
   - Investor Relations information products and updates on the OFA website.
   - Maintaining close relationships and ongoing dialogue with credit rating agencies, ensure understand gov't policies, budget & fiscal performance and is correctly reflected in their reports
   - complete regulatory filings with the U.S. Securities & Exchange Commission (SEC) and any other applicable securities regulators.

4. *Provide services related to cash management, banking, settlement, payment and financial and reporting*
   - Providing centralized cash management and banking services to Province (all ministries)
   - Settlement, payment, financial and reporting, information technology and client services to the Treasury Program.
   - Ensuring that the Province has sufficient cash available at all times to meet its financial obligations
   - work with the other ministries to advise on banking and cash management components of government initiatives as well as on changes to accounting standards and their impact on the Province's debt and interest on debt.

5. *Advising on and implementing corporate and electricity finance projects and policies by:*
   - providing analysis and advice on cost-effective borrowing, investing and risk management by public bodies and other financing proposals, and on business cases for business supports.
   - providing advice on transactions that may affect the indebtedness or contingent liabilities of Ontario, including provincial guarantees.
   - policy and financial analysis, modelling support and implementation, for electricity financings, policies and initiatives, including ONFA that could have fiscal, financial and/or economic implications for the Province and/or OEFC.

6. OFA's decentralized Business Continuity Plan (BCP) by reviewing and updating the Corporate BCP Framework and Business Unit plans, as well as conducting corporate-wide BCP test exercises.

OFA staff: 166 full time permanent staff, approx 200 people including students/temp staff.
Net debt to GDP in 2016: 39.6%

CMO: Documentation (9), Retail Markets (2), Investor relations (4)

Retail Markets:

OSBs 2015-16 sold $66.5M; 2016-17 sold $126.8M

From:	Opal Kandelas
To:	Tobias P. Whitfield (MOF)
Cc:	John Kim
Subject:	OEFC-IESO - update
Date:	Monday, November 27, 2017 12:08:11 PM
Attachments:	IESO-OEFC Note_v7_Markup2Clean.docx

Hi Toby,

As FYI, I'm sharing with you what is likely the last draft of a briefing note regarding a contemplated amendment to the OEFC loan and credit facility agreements to include permitted liens language specific to the Fair Hydro Plan. This language was also included in the OFA-IESO credit facilities. We are just waiting now for final signoff, but every indication is that the agreements will be amended. This amendment was requested by IESO.

I'll also mention that TD has apparently agreed to amend the line of credit agreement they have with IESO, to include permitted liens language wrt Fair Hydro. In order to gain comfort that the OFA agreement will support the Fair Hydro transactions over the next 4 years, TD has asked that IESO share the OFA-IESO agreement with them. IESO has asked OFA for permission to share the agreement with TD. There is nothing in the agreement preventing IESO from sharing with TD, so IESO could actually do so without OFA consent. I've touched base with both OFA legal and Gadi and neither have any concerns about allowing IESO to share the agreements with TD.

Thanks,
Opal.

OEFC -- IESO CREDIT FACILITY AGREEMENT & THE PERMITTED LIENS

The Independent Electricity System Operator ("IESO") has requested that OEFC amend the existing credit facility agreements between OEFC and IESO (for $160M and $120M) to address the additional obligations IESO is taking on under Ontario's Fair Hydro Plan. IESO has indicated that OEFC credit facilities will not be used for Ontario Fair Hydro Plan (FHP) purposes.

IESO'S REQUEST

- Under the FHP, the IESO and Ontario Power Generation (OPG) are interacting to refinance a portion of the Global Adjustment over a longer period of time.

- IESO and OPG are in a discussion to grant a security/priority interest on IESO's assets to OPG Trust for the period of the first 4 years of the GA deferral.

- The IESO is planning to seek its Board's approval on Nov 22, 2017 to enter into a security agreement with OPG Trust. The security agreement is currently in draft form. Without amending the existing OEFC $160M and $120M credit facility agreements (the "OEFC Agreements"), IESO could potentially be considered to be in default of the terms of the various agreements. IESO staff wrote:

  > *"…it likely is best to add to the definition of "Permitted Liens" in the two OEFC facilities to address a) IESO granting security to the OPG Trust during the first 4 years of fair hydro program and b) the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default."*

- The IESO provided a draft Security Agreement, dated November 7th, 2017, between them and the OPG Trust to OFA. According to the draft Security Agreement, in the unlikely event that the IESO runs into financial difficulty, the IESO would give OPG Trust a priority in the IESO's assets, including all accounts of the IESO and all cash and proceeds from LDCs, that would put OPG Trust ahead of unsecured creditors, including the OFA and the OEFC.
  - The security agreement is not limited to the Clean Energy Adjustment funds collected by the IESO only.

- In order to address this issue, the IESO has requested to amend the definition of the "permitted liens" in both existing OEFC Agreements to include any liens related to the FHP. Specifically, adding a clause in the existing OEFC Agreements that any lien related to OFHP will not be viewed as negative pledge by OEFC, so those liens can be used to secure the performance of IESO's obligations to OPG under the FHP. This would allow IESO to grant security to the OPG Trust during the first 4 years of implementing the GA deferral and also avoid breaching the terms of the existing agreements with OEFC.

- To support IESO's role in the implementation and participation under the Ontario Fair Hydro Plan Act, 2017 ("OFHP Act"), in July 2017 the IESO had requested that the OFA make similar changes to the credit facility agreements with OFA in October.
  - On November 6, 2017, the OFA amended the $475M facility to amend the definition of "permitted liens" and also included same for the new $2B credit facility agreement between OFA and the IESO , as requested by the IESO.

CONSIDERATIONS

- With the proposed new security agreement between OPG Trust and the IESO, OPG Trust would have a priority claim against the IESO's assets, the OEFC could find itself unable to collect payments due from the IESO. The likelihood of this scenario could be assessed as low.

- The extent of this risk is subject to uncertainty at this time, given that the regulations that govern the payments related to the Fair Allocation Amount in each period, and how that relates to the obligations to the Financing Entity, are still under development.

- IESO is an agency of the government consolidated line-by-line in the Province's accounts.

- The OFA agreed to IESO's requested changes to the OFA credit facilities.

- OFA'S Capital Markets Operations staff have commented that the legislation governing OEFC, the *Electricity Act, 1998*, may provide differing context from the OFA's objects and mandate under the *Capital Investment Plan Act, 1993* and any changes to the OEFC agreements should take this into account.

- According to the Minister's Directives associated with the OEFC Agreements, the loan and the credit facilities are "subject to such other terms as OEFC deams appropriate Therefore, an amendment for permitted liens can be done under the existing directives, and a new or revised directives from the Minister of Finance are not deemed necessary. This would be consistent with the approach when the pre-existing OFA-IESO credit facility agreement was amended for permited liens on November 6, 2017.

RECOMMENDATIONS

- In order to support IESO's request in relation to its obligation with respect to FHP, OFA staff are of the view that the exisiting OEFC Agreements can be amended to include liens related to FHP under the definition of the "permitted liens".

BACKGROUND

- In order to support IESO's role with the implementation of the OFHP Act, OFA staff made similar changes to the definition of 'permitted liens" in existing OFA-IESO credit facility agreements on November 6, 2017.

- Currently, under the existing credit facility agreements between OEFC and the IESO, the definition of "permitted liens" does not include any lien arising from the IESO's role and obligations under the OFHP, including with respect to any amount received or receivable by the IESO (such as, without limitation, amounts received or receivable in respect of the Clean Energy Adjustment), or any other lien, whether arising from the action or inaction of IESO, that is created in connection with the OFHP.

Electricity Finance Branch / Corporate and Electricity Finance Division &
Capital Markets Operations, Capital Markets Division
Ontario Financing Authority
November 21, 2017

From:	Sarah Harris
To:	Alfonso Soriano; John Psinas; Risa Thau; George Sakura; Graham Monroe; Tony Dong
Cc:	Bruno Amara; William Tan; Opal Kandelas; Ken Kandeepan
Subject:	OFA-IESO Credit Facilities
Date:	Tuesday, August 15, 2017 11:52:55 AM

Hello,

We are currently in the process of working on a new $2B OFA-IESO Credit Facility to provide funding in respect of the Ontario Fair Hydro Plan. Under this framework, the existing $975 million OFA-IESO Credit Facility is to be reduced to $475 million. Due to a required Ministerial approval, the new $2B facility will not be executed until mid-September (estimate).

Once the new $2B facility is in place, the OFA would be looking to re-allocate certain loans (TBD) from the existing $975M credit facility to the new $2B facility, in order to bring the existing facility under the new intended $475 million limit. Effectively, under the legal agreements, it would be transferring certain loans from the existing facility to the new facility. The intention is that there will be no movement of funds and therefore no cash impact (that is, IESO does not repay the existing loans, and the OFA does not fund the new loans).

Would you please confirm if there are any obstacles from an operational perspective (settlement, cash, accounting, risk) with transferring any 'excess loan amount' from the existing credit facility to the new FHP credit facility?

Thanks,

Sarah

From: Opal Kandelas
To: Opal Kandelas
Subject: OFA-IESO Credit facility Agreement
Date: Thursday, November 23, 2017 8:04:30 AM

Hello,

As you know, the OFA-IESO credit facilities contains permitted lien language, which has the effect of giving OPG Trust security interest in all IESO's assets. IESO has requested that this language also be included in its agreements with OEFC and in its line of credit agreement with TD. A policy rationale briefing note has been prepared recommending that the OEFC agreements be amended to include the requested language. I'm being told that TD has agreed to include this language in their agreement with IESO, but would like to see a copy of the OFA-IESO agreement to gain comfort that security interest has been granted to OPG Trust. IESO, though not legally bound to seek permission has asked for OFA's permission to share the agreement with TD.
Though this is not a legal issue, I'm touching base with you to help determine whether or not to give permission to IESO to share the OFA-IESO $2B credit facility with TD.

Sent from my iPad

From: Opal Kandelas
To: Opal Kandelas
Subject: OFA-IESO Credit facility Agreement
Date: Thursday, November 23, 2017 8:04:30 AM

Hello,

As you know, the OFA-IESO credit facilities contains permitted lien language, which has the effect of giving OPG Trust security interest in all IESO's assets. IESO has requested that this language also be included in its agreements with OEFC and in its line of credit agreement with TD. A policy rationale briefing note has been prepared recommending that the OEFC agreements be amended to include the requested language. I'm being told that TD has agreed to include this language in their agreement with IESO, but would like to see a copy of the OFA-IESO agreement to gain comfort that security interest has been granted to OPG Trust. IESO, though not legally bound to seek permission has asked for OFA's permission to share the agreement with TD.
Though this is not a legal issue, I'm touching base with you to help determine whether or not to give permission to IESO to share the OFA-IESO $2B credit facility with TD.

Sent from my iPad

From: Opal Kandelas
To: Opal Kandelas
Subject: OFHP
Date: Monday, November 20, 2017 3:44:24 PM

Intention is to ensure that any monies that is collected by IESO flows through to the financing entity. Anything that happens to those $$ as a result of IESO finances – the financing entity will have priority so the funds collected by IESO. Clean Energy Adjustment monies are to be free and clear and the financing entity should have full access to them so a grant of priority is necessary.

Should security interest be only in the FHP funds that

OPGT is making sure that in the unlikely event the FHP doesn't generate funds after 2021 that it will be made whole. Important that all funds receivable to IESO provides a security interest to OPGT. Seems to come down to a policy decision regarding whether OEFC should grant priority to IESO under the credit facility agreement.

Are there any issues?

Are there any authorities/directives/policies that need to be in place for OEFC to do this?

From:	Sarah Harris
To:	Opal Kandelas
Subject:	OPG blurb
Date:	Tuesday, July 04, 2017 4:01:43 PM

OPG-OEFC Credit Facility

Purpose: General Corporate Purposes and Darlington requirements

Current Limit: CAD 700M to December 31, 2017

Amendment:

- Increase to CAD 2.35B to December 31, 2018
- Amend definition of Base Rate to more closely relate to hedging that is done for the borrowing.
- Additional proposed amendment by OPG (being considered internally in OFA) to amend definition of S*ubsidiary* to exclude "any Person that is a "financing entity" as defined in the *Ontario Fair Hydro Plan Act, 2017* (Ontario). The entity needs to be legally separated from OPG and be a single purpose entity for the FHP to work (see the information that Ryan and Kelly put together earlier).

From:	Sarah Harris
To:	Opal Kandelas
Cc:	Kelly Listoe
Subject:	Outstanding Business Issues Ontario Fair Hydro Plan markup_cy1.docx
Date:	Wednesday, May 31, 2017 10:49:24 AM
Attachments:	Outstanding Business Issues Ontario Fair Hydro Plan markup_cy1.docx

---

Hi Opal,

I've filled in the last part for IESO.

Sarah

Outstanding Business Issues – Ontario Fair Hydro Plan
Briefing Note

PURPOSE
Provide an overview of a few of the key remaining outstanding business issues that OPG and the Province are working through

BUSINESS ISSUES

1. **Provincial Support Agreement Term Sheet (~~Service and~~ Performance and Payment Guarantees)**
   - As part of the OFHP, the IESO will create and sell a regulatory asset to the OPG financing entity
   - In order to provide assurances to those with claims against the Financing Entity (eg. Holders of debt), and support credit ratings, the Province is providing both a Service Guarantee and a Performance Guarantee to ensure that the obligations of the IESO are carried out including obligations related to collecting and remitting clean energy adjustments.
   - **Next Steps:**
     - OPG and OFA and working towards the development of a term sheet
     - Timing: Guarantees are required to support rating agency review which is expected by the end of July

2. **Payments in Lieu of Taxes (PILs) Exemption**
   - The Province would like to minimize to the extent possible , the PILs payable by the OPG financing vehicle, as those costs will be recovered from ratepayers
   - The Province is considering regulation changes to exempt the income arising as a consequence of the Fair Hydro Plan from PILs
   - As part of the OFHP, the financing entity will raise debt and acquire "investment assets" from the IESO. Given the unique nature of the investment assets, there are no specific rules which govern the manner which investment assets should be treated for tax purposes, and further analysis is required to ensure the cost of the investment assets are appropriately recognized as a deduction or offset in computing the income of the financing entity
   - **Next Steps:**
     - The Ministries of Finance, OFA and OPG are working together to determine required regulation changes
     - Timing: [Next steps for a decision / when is a decision required / when would these regulation changes occur]

3. **Fair Hydro Plan - Master Subscription Agreement Term Sheet (Equity Injection Process)**

- OPG will require equity injections on a monthly basis in order to maintain its capital structure, and will require flexibility in order to issue shares as needed by the Province
- The Ministry of Energy received appropriation for $1.1B through PRRT to support equity injections for the 2017-18 period, and will continue to provide multi-year forecasts each year through PRRT
- **Next Steps:**
    - The Ministry of Energy, OFA and OPG are working through the short term mechanics of this process which will ultimately feed into a Master Subscription Agreement. A draft term sheet is underway.
    - Timing: OPG will require the ability to issue equity in July, so mechanics and agreements should be finalized in June

4. **Management Fees**
    - OPG will be providing all required services to the Trust as part of the OFHP, including planning, strategy, financing, deal execution etc.
    - The legislation allows OPG to establish and charge a management fee for those services in accordance with the regulations which are currently in development
    - OPG and OEB are currently working together on a management fee structure that balances the interests of minimizing costs and satisfying accounting consolidation requirements
    - **Next Steps:**
        - OPG and OEB will bring forward a recommended framework for developing management fees
        - Timing: For incorporation into regulations being brought forward in June

5. **IESO – Increased Credit Facilities**
    - The OPG financing entity has the right to purchase the regulatory asset from IESO but does not have to purchase it.
    - IESO is working with the OFA to increase the credit facilities in the event that the OPG financing entity does not purchase the regulatory asset
    - **Next Steps:**
        - OFA is drafting a new agreement for a $2 billion credit facility for the OFA to lend funds to IESO for FHP purposes. Concurrently, the OFA is seeking LRC approval for a new $2 billion OIC, as well as a Directive from the Minister of Finance, which are both necessary for the OFA to lend funds to IESO under the new Credit Facility. .....
        - Timing: The OIC is scheduled as item for the June 27, 2017 LRC meeting. The Directive and Credit Facility Agreement are currently being drafted, to be in place by July 1st, 2017.....

Formatted

Formatted: Superscript

Formatted: Font: +Headings (Calibri)

From:	Carlos Yep
To:	Ken Kandeepan; Ronald Kwan; John Kim; John Psinas; James Devine; Bruno Amara; Mike Manning; Opal Kandelas; Malle Hanslep (MOF); Tobias P. Whitfield (MOF); Elcombe, James (MOF); Nadine Petsche (MOF); "Cindy.Veinot@ontario.ca"; Bharat Patel (MOF); Salman Qadir; Tom McKinlay (MAG); stephen.ashbourne@blakes.com; Scott Nelms (ENERGY); "Montgomery, Kaitlin (MOF)"
Cc:	Anis Hirani; Angie Georgakakos; Carolyn Calwell (MCSS)
Subject:	Provincial Support Discussion
Attachments:	23148306-v5-Term Sheet - Provincial Support Agreement - May 12.docx 23148306-vpdf-Term Sheet - Provincial Support Agreement - May 12.pdf

---

Conference call
Telephone: 416-406-5763 or 1-866-596-5280
Passcode: 9763326#

Provincial Protection and Assurances

Indicative Term Sheet[1]

Ontario Fair Hydro Plan Act, 2017

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

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

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

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

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

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

Provincial ~~Support Agreement~~Protection and Assurances

Indicative Term Sheet[1]

Ontario Fair Hydro Plan Act, 2017

*This term sheet (the "**Term Sheet**") ~~is provided exclusively to the parties listed herein in connection with the draft~~relates to transactions contemplated to be undertaken under the Ontario Fair Hydro Plan Act, 2017 and the regulations to be made thereunder (the "**Act**"). This Term Sheet is to be held confidential. ~~Defined~~Unless otherwise specified, defined terms used herein have the meanings ascribed to them in the Act. The provincial ~~support agreement (the "**Provincial Support Agreement**") will contain the terms and conditions set out~~protection and assurance arrangements contemplated in this Term Sheet ~~in addition to such other representations, warranties, indemnities, and other~~will include such terms and conditions as the ~~Guarantor and the Beneficiaries (each as defined below) may reasonably require~~Minister of Energy and the Minister of Finance determine to be appropriate.*

Performance Guarantees	
Performance Guarantor:	~~Her Majesty the Queen in right~~The Province of Ontario, ~~as represented~~ by the Minister of Energy and the Minister of Finance acting together.
Beneficiaries:	~~The indenture trustee (together with its successors, the "**Indenture Trustee**") under the master trust indenture (the "**Master Trust Indenture**")~~Each Financing Entity that owns an investment interest from time to time. A Financing Entity may grant a security interest over its rights and interests under a Performance Guarantee to its creditors and contractual counterparties, including any indenture trustee acting on behalf of itself and ~~all~~ other persons having debt or other claims against ~~a~~the Financing Entity that are secured under ~~the Master Trust Indenture (collectively, the "**Beneficiaries**") including, without limitation, holders of senior and subordinated notes, senior and subordinated lenders, hedge counterparties, credit enhancers, liquidity providers, the Financial Services Manager, the Indenture Trustee, the trustee of the Financing Entity if the Financing Entity is a trust, and any other administrator of the Financing Entity~~a related trust indenture.

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

~~**Term:**~~	~~The Guarantor's obligations under the Provincial Support Agreement will continue until **[one year]**[1] after all funding obligations (to be defined to include principal, interest, fees, hedge settlement and termination obligations and other related amounts) of all Financing Entities have been repaid.~~
Performance Guarantee:	~~Under the Master Sale and Servicing Agreement to be entered into by IESO and the Financing Entity, **[and OPG as Financial Services Manager]** ("**MSSA**"), IESO will have obligations both as a seller and as a servicer. Pursuant to a performance guarantee~~Pursuant to a Performance Guarantee, the Performance Guarantor will guarantee ~~in favour of the Beneficiaries to perform~~the performance, or cause the performance, of ~~(which may be by way of the appointment of a replacement servicer),~~ the obligations of IESO as servicer under the ~~MSSA and the~~ Act and under any agreement under which the applicable Financing Entity acquires an investment interest from IESO and IESO undertakes on-going obligations in respect of such investment interest, including ~~the obligations of any replacement servicer. The Guarantor will also guarantee the~~ servicing obligations ~~of the~~undertaken by IESO to enforce the performance by electricity vendors of their respective obligations under the Act. ~~The servicing~~It is anticipated that such obligations ~~covered~~ will include ~~all obligations~~matters related to the ~~collecting~~billing, collection and ~~remitting~~remittance of clean energy adjustments ~~and will protect the Beneficiaries from any risks arising from~~by IESO and electricity vendors, as the case may be, and regarding the commingling by IESO and electricity vendors of collections of clean energy adjustments ~~being commingled~~ with other amounts. In the event that the ~~performance guarantee~~Performance Guarantee is held to be unenforceable against the Performance Guarantor, the ~~Provincial Support Agreement~~Performance Guarantee will contemplate ~~a separate legal obligation by the Guarantor to indemnify the Beneficiaries for any losses that result~~, in the alternative, a functionally equivalent direct covenant of the Performance Guarantor.
Term:	The Performance Guarantor's obligations under a Performance Guarantee in respect of a Financing Entity will continue during the term of any obligation incurred by the Financing Entity that is or is intended to be secured by the Performance Guarantee.
Approval Requirement:	The servicing obligations (including any amendments) to which the Performance Guarantee relates, together with the provisions of

[1] ~~This mirrors the requirement expected to be in the Regulations under the Act not to wind up, dissolve or liquidate a Financing Entity until at least one year after all of its Funding Obligations have been repaid.~~

	any Performance Guarantee itself, will be subject to the approval of the Minister of Energy and the Minister of Finance acting together.
Limits under Performance Guarantee:	Under no circumstances shall the Performance Guarantor be obligated to pay special or punitive damages, or for loss of profits.
Indemnity	
Indemnitor:	The Province of Ontario, by the Minister of Energy and the Minister of Finance acting together.
Indemnitees:	Each Financing Entity that owns an investment interest from time to time. A Financing Entity may grant a security interest over the Indemnity to specified creditors, including to an indenture trustee under a trust indenture on behalf of itself and other persons having debt or other claims against the Financing Entity secured under the trust indenture.
~~Payment Guarantee Event~~Indemnity of the Province:	~~A Payment Guarantee Event will occur if~~The Province of Ontario will indemnify each Indemnitee for its costs, expenses and losses reasonably incurred by the Indemnitee (including because of claims made against the Indemnitee by one or more of its specified creditors) that result from any of the following (each, an "**Indemnification Event**"): (A) the Legislative Assembly of Ontario ~~repeals~~repealing (and not replacing on an equivalent basis) the Act; ~~or~~ (B) the Legislative Assembly of Ontario ~~amends~~amending the Act or a Regulation made thereunder ~~is amended~~ in a way that materially and adversely ~~impacts the ability of a Financing Entity to fully recover an investment interest in order to fully pay all funding obligations and other obligations incurred by such Financing Entity in respect of such~~affects the rights and interests of the Financing Entity under its investment interest; or (C) a court of competent jurisdiction ~~(i)~~in a final and non-appealable judgement determines that all or a portion of the Act ~~to be~~is *ultra vires* in a way that materially and adversely ~~impacts~~affects the ~~ability~~rights and interests of ~~a~~the Financing Entity ~~to fully recover an investment interest in order to fully pay all funding obligations and other obligations incurred by such Financing Entity in respect of such investment interest or (ii) declares any funding obligations to be invalid or unenforceable; or~~ ~~(D) funding obligations are due and payable at a time when a market disruption (a period of [six months or more] when capital~~

	~~markets term funding is not available to effect refinancings of funding obligations) is occurring and, in the case of long term funding obligations only, a moratorium or limitation on the imposition and collection of clean energy adjustments to repay such funding obligations is in effect under the Act~~under its investment interest.
~~Payment Guarantee~~Term:	~~Upon the occurrence of a Payment Guarantee Event under clauses (A), (B) or (C) of the above definition:~~ ~~(x) the Guarantor shall assume and pay when due (without acceleration) all funding obligations and all other obligations of the Financing Entities to the Beneficiaries by paying all regularly scheduled amounts in respect thereof during the term of each Financing Entity's contractual obligation to such Beneficiaries; and~~ ~~(y) Beneficiaries holding funding obligations consisting of bonds [with a remaining term to maturity of greater than **one year**]~~ ~~shall have the option to put the bonds to the Financing Entity for a put price equal to 101% of the principal amount thereof plus accrued and unpaid interest. In connection with any put under this clause (y), the Guarantor shall guarantee payment of the put price and any related hedge breakage but shall not be responsible for any other default, penalty, prepayment or make whole amounts.~~ The Indemnity will continue during the term of any obligation incurred by a Financing Entity that is or is intended to be secured by the Indemnity.
Approval Requirement:	The terms and conditions of the obligations incurred by a Financing Entity that are secured or intended to be secured by an Indemnity, together with the provisions of any Indemnity itself, the will be subject to the approval of the Minister of Energy and the Minister of Finance acting together.
Limits under ~~Guarantees~~Indemnity:	Under no circumstances shall the Guarantor be obligated to indemnify any Beneficiary for special or punitive damages, or for loss of profits.
~~Priority of Payments:~~	~~The priority of the Beneficiaries to any payment made by the Guarantor under the Provincial Support Agreement shall be governed by the priority provisions in the Master Trust Indenture.~~
~~Subrogation:~~	~~Where the Guarantor has repaid all Beneficiaries in full, to the extent of such payments the Guarantor shall be subrogated in and to all the rights of recovery of the Beneficiaries in respect of their~~

	~~applicable indebtedness and obligations and the security granted by a Financing Entity to the Indenture Trustee. After repayment by the Guarantor of all indebtedness and obligations owing to the Beneficiaries, the Indenture Trustee will acknowledge and agree on behalf of the Beneficiaries that the Guarantor is entitled to exercise all of the rights, powers and privileges that the Beneficiaries have or may exercise in respect of the repaid indebtedness and obligations, all in accordance with the terms of the Master Trust Indenture. Prior to the repayment in full of the indebtedness and obligations owed to the Beneficiaries, the Guarantor shall have no rights of subrogation.~~
~~**Notice Requirements:**~~**Undertakings regarding Certain Mismatches**	~~The Indenture Trustee will be required to provide notice to the Guarantor of a Payment Guarantee Event and may in such notice demand payment or performance of the Guarantor's obligation under the Provincial Support Agreement, as applicable.~~
~~**Closing:**~~**Avoidance of Mismatches**	~~Date to be determined but no later than [■, 2017]. The Closing is the date on which the documents in respect of the MSSA, the Master Trust Indenture and all related documentation are executed and delivered~~If a Financing Entity proposes to incur one or more funding obligations that would require the Financing Entity to pay an aggregate amount during any reference period that would exceed the amount otherwise available to the Financing Entity during the reference period from its investment interests to pay such amounts (a "**Mismatch**"), the Financing Entity will, before incurring such funding obligations, undertake commercially reasonable efforts to arrange for commitments from highly creditworthy, market-based funding sources in accordance with the Financing Plan to enable it to satisfy all of its related payment obligations and thereby avoid any Mismatch.
~~**Reporting Requirements of a Financing Entity:**~~ **Possible Undertaking to Fund Mismatches**	~~The Guarantor will be entitled to receive all reports received by the Indenture Trustee under the Master Trust Indenture~~If a Financing Entity is unable to arrange for commitments from one or more highly creditworthy, market-based funding sources in accordance with the Financing Plan to avoid a Mismatch on commercially reasonable terms and conditions, the Minister of Energy and the Minister of Finance acting together may undertake on behalf of the Province of Ontario to provide funding commitments to the extent necessary to provide the Financing Entity with required funding to avoid the Mismatch. Any such undertaking may only be given at or before the incurrence of the funding obligation that would otherwise result in the Mismatch and would be on such terms and conditions, including appropriate compensation to the Province of Ontario, as the Minister of Energy and the Minister of Finance

	determine are reasonable and appropriate in the circumstances. The decision to provide such an undertaking will be in the sole discretion of the Minister of Energy and the Minister of Finance.
~~Conditions Precedent to Closing:~~Documentation	~~Conditions precedent to Closing shall be those conditions set out in the Master Trust Indenture.~~[2]
Representations, Terms and Conditions:	~~Customary representations~~Subject to approval of the Minister of Energy and ~~warranties of the Guarantor~~the Minister of Finance acting together.
FIPPA:	Acknowledgement that the Performance Guarantor ~~is~~and the Indemnitor will be bound by the *Freedom of Information and Protection of Privacy Act (Ontario)* and that any information provided to the Performance Guarantor or ~~its agents or representatives~~the Indemnitor, or any agent or representative of the Performance Guarantor or the Indemnitor, in connection with the ~~Transaction Documents~~transaction documents may be subject to disclosure in accordance with that act or as otherwise required by law.
Confidentiality Obligations:	~~Customary confidentiality~~Confidentiality obligations ~~to be negotiated and included. A Financing Entity and the Beneficiaries shall not, subject to applicable law, issue any press releases and other public announcements in respect of the Provincial Support Agreement without the prior written consent of the Guarantor~~of each Financing Entity and its assignees, representatives and agents as may be determined to be appropriate by the Minister of Energy and the Minister of Finance acting together.
Governing Law:	Province of Ontario.

[2] ~~Opinions on the validity and enforceability of Provincial Support Agreement will be required.~~

Document comparison by Workshare Compare on Wednesday, June 14, 2017 11:58:41 AM

Input:	
Document 1 ID	PowerDocs://TOR_2528/23148306/1
Description	TOR_2528-#23148306-v1-Term_Sheet_-_Provincial_Support_Agreement_-_May_12
Document 2 ID	PowerDocs://TOR_2528/23148306/5
Description	TOR_2528-#23148306-v5-Term_Sheet_-_Provincial_Support_Agreement_-_May_12
Rendering set	Standard

Legend:	
Insertion	
~~Deletion~~	
~~Moved from~~	
Moved to	
Style change	
Format change	
~~Moved deletion~~	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	88
Deletions	75
Moved from	0
Moved to	0
Style change	0
Format changed	0
Total changes	163

From:	Hanslep, Malle (MOF)
To:	Mike Manning; James Devine; Carlos Yep; Opal Kandelas; Ken Kandeepan; Ronald Kwan
Cc:	Tobias P. Whitfield (MOF)
Subject:	Provincial Support Term Sheet
Date:	Friday, May 26, 2017 3:16:14 PM

Hi all,

Further to our meeting on Wednesday, Toby and I have now been in touch with Energy Legal regarding the term sheet and will be attending a meeting with counsel at Blakes next Wednesday morning.

Best,

Malle

Malle Hanslep
Deputy Director
Ministry of the Attorney General
Ministry of Finance Legal Services Branch
Telephone: 416-325-1457

Notice: This communication may be solicitor/client privileged and contain confidential information intended only for the person(s) to whom it is addressed. If you have received this message in error please notify the writer and permanently delete the message and all attachments. Thank you.

From:	Sarah Harris
To:	Linda Smith
Cc:	Opal Kandelas
Subject:	Question - OIC for new IESO Credit Facility
Date:	Tuesday, May 30, 2017 9:30:09 AM
Attachments:	CIPA OIC s.22 May 2017 (v.2) - ENG and FRE.DOCX

Hi Linda,

As a matter of prudence, I just wanted to check with you on one aspect of the draft OIC for OFA to make loans to IESO under the proposed credit facility in relation to the Fair Hydro Plan. The OIC package will be delivered today to the DMO, but I wanted to confirm with you that the rates that under the Section (c) of the attached OIC are still appropriate (perhaps it is I should be asking Mike?, but since this is IESO related, I wanted to check with you first).

Section (c) deals with the rates the OFA pays to the Minister for any funds it borrows, and is essentially the same as the OFA's existing OIC from 1999. Section (c)(i) says if the OFA simply borrows funds from the Minister (which have not been loaned to a third party), the OFA pays the rate equal to **the 90 day ONT T-Bill yield.** Section(c)(ii) says that if the OFA uses the borrowed monies to fund 3rd party loans, then the rate will **be equivalent to rate of interest payable to the OFA under 3rd party loan less an amount as may be determined by the Minister of Finance** in respect of such Third Party Loan or a class of such Third Party Loans.

Please let me know your thoughts.

Thanks,
Sarah

Authority Verified/Compétence vérifiée: _____

Please print name/Nom en lettres moulées s.v.p.: _____

Telephone/Téléphone: _____

Recommended by the Treasury Board/Management Board of Cabinet on:
Recommandé par le Conseil du Trésor / Conseil de gestion du gouvernement le: _____

Secretary/Secrétaire: _____

Executive Council of Ontario/Conseil exécutif de l'Ontario **[Bilingual]**

[Bilingue]

Ontario

Order in Council
Décret

On the recommendation of the undersigned, the Lieutenant Governor of Ontario, by and with the advice and concurrence of the Executive Council of Ontario, orders that:

Sur la recommandation de la personne soussignée, la lieutenante-gouverneure de l'Ontario, sur l'avis et avec le consentement du Conseil exécutif de l'Ontario, décrète ce qui suit :

WHEREAS pursuant to subsection 22(1) of the *Capital Investment Plan Act, 1993* (the "Act"), the Minister of Finance may purchase securities of or make loans to corporations established under subsection 2(1) of the Act in such amounts, at such times and on such terms and conditions as the Lieutenant Governor in Council considers expedient;

AND WHEREAS the Ontario Financing Authority (the "OFA") is a corporation established under subsection 2(1) of the Act;

AND WHEREAS pursuant to subsection 6(3) of the Act, the power of a corporation established under subsection 2(1) of the Act to borrow and issue securities, among other things, may only be exercised under the authority of a by-law that has been approved by the Minister of Finance;

AND WHEREAS the OFA wishes to borrow up to Three Billion Five Hundred Million Dollars in lawful money of Canada from the Minister of Finance and has been authorized to do so by a borrowing by-law approved in accordance with the Act;

THEREFORE:

Pursuant to subsection 22 (1) of the Act, the Minister of Finance is authorized to lend a maximum of Three Billion Five Hundred Million Dollars in lawful money of Canada to the OFA on the following terms and conditions:

(a) the loan may be advanced in such amounts and at such time or times as required by the OFA;

(b) repayment of advances made under the loan plus accrued interest may be made in whole or in part at any time provided that the loan plus any accrued interest shall be fully repaid by June 30, 2053;

(c) each advance (an “Advance”) made under the loan hereby authorized shall bear interest at a rate which is determined as follows:

(i) from the date of the Advance to (but excluding) the date of repayment the Advance shall bear interest at a per annum rate equivalent to the yield earned on ninety day Province of Ontario treasury bills on the date before the Advance Date as determined by the Province, provided that if an Advance is outstanding for longer than ninety days, the interest rate shall be reset on the last day of each ninety day period (the “Reset Date”) to the yield earned on ninety day Province of Ontario treasury bills immediately preceding the Reset Date for such ninety day period as determined by the Province;

(ii) in the event that moneys included in an Advance are used by the OFA for the purpose of funding loans to third parties (a “Third Party Loan”), the rate of interest payable by the OFA to the Province on the portion of the Advance so used shall be adjusted effective as of the date that the portion of the Advance is used to fund the Third Party Loan so that the per annum rate of interest payable by the OFA on such moneys is equivalent to the per annum rate of interest payable to the OFA under the Third Party Loan less an amount as may be determined by the Minister of Finance in respect of such Third Party Loan or a class of such Third Party Loans, until but excluding the date on which the Third Party Loan is repaid, at which time the interest rate set out in subparagraph (i) shall again be applicable to that portion of the Advance; and

(iii) in the event that moneys described in subparagraph (ii), once repaid, are subsequently used to fund loans to third parties, subparagraph (ii) shall again be applicable in determining the interest rate payable to the Province on that portion of the Advance used to fund such loan, and so on, until the Advance shall be repaid to the Province in full;

(iv) despite subparagraphs (ii) and (iii), in the event that no interest is payable to the OFA under a Third Party Loan, no interest shall be payable by the OFA on the portion of the Advance so used and to the extent that the terms of a Third Party Loan provide for the deferral of the payment of accrued interest for a period, the interest payment terms of an Advance or portion thereof shall also be deferred for a similar period.

(d) interest for any period of less than one year shall be payable for the actual number of days included in such period, computed on the basis of a 365-day year;

(e) despite paragraph (b) of this Order, interest on any portion of an Advance made to the OFA under the loan that is used by the OFA to fund a Third Party Loan shall accrue on the basis stated above but shall become payable only to the extent the OFA receives payment of interest under the relevant Third Party Loan;

(f) despite paragraph (b) of this Order, any portion of the principal of an Advance made to the OFA under the loan that is used by the OFA to fund a Third Party Loan shall become payable only to the extent the OFA receives repayment of principal under the relevant Third Party Loan; and

(g) the loan hereby authorized shall be evidenced by a promissory note.

ATTENDU QUE le ministre des Finances peut, en vertu du paragraphe 22 (1) de la *Loi de 1993 sur le plan d'investissement* (la « Loi »), acheter des valeurs mobilières des personnes morales créées en vertu du paragraphe 2 (1) de la Loi ou leur consentir des prêts selon les montants, aux moments et aux conditions que le lieutenant-gouverneur en conseil estime opportuns;

ATTENDU QUE l'Office ontarien de financement (l'« OOF ») est une personne morale créée en vertu du paragraphe 2 (1) de la Loi;

ATTENDU QUE, conformément au paragraphe 6 (3) de la Loi, le pouvoir qu'ont les personnes morales créées en vertu du paragraphe 2 (1) de la Loi de contracter des emprunts et d'émettre des valeurs mobilières, entre autres, ne peut être exercé qu'aux termes d'un règlement administratif approuvé par le ministre des Finances;

ATTENDU QUE l'OOF souhaite emprunter jusqu'à concurrence de trois milliards cinq cent millions de dollars en monnaie légale du Canada du ministre des Finances et qu'il a été autorisé à le faire par un règlement administratif d'emprunt approuvé conformément à la Loi;

PAR CONSÉQUENT :

en vertu du paragraphe 22 (1) de la Loi, le ministre des Finances est autorisé à prêter un montant maximal de trois milliards cinq cent millions de dollars en monnaie légale du Canada à l'OOF, aux conditions suivantes :

a) le prêt peut être consenti selon les montants et aux moments qui conviennent à l'OOF;

b) le remboursement des avances consenties au titre du prêt, plus les intérêts courus, peut à tout moment être effectué en totalité ou en partie, pourvu que le prêt et les intérêts courus soient entièrement remboursés au plus tard le 30 juin 2053;

c) chaque avance (« avance ») faite au titre du prêt autorisé par les présentes portera intérêt au taux est fixé comme suit :

(i) de la date où elle a été faite jusqu'à la date (non comprise) de son remboursement, l'avance portera intérêt à un taux annuel équivalant au rendement gagné sur des bons du Trésor de la province de l'Ontario de quatre-vingt-dix jours à la date précédant la date de l'avance fixée par la province, pourvu que ce taux d'intérêt soit rajusté le dernier jour de chaque période de quatre-vingt-dix jours (« date de rajustement ») selon le rendement gagné sur de tels bons du Trésor immédiatement avant la date de rajustement pour une période de quatre-vingt-dix jours décidée par la province, si l'avance est impayée pendant plus de quatre-vingt-dix jours;

(ii) dans l'éventualité où l'OOF se servirait de sommes comprises dans une avance pour financer des prêts à des tiers, le taux d'intérêt à payer par l'OOF à la province sur la partie de l'avance ainsi utilisée sera rajusté à la date à laquelle la partie de l'avance sera utilisée pour le financement du prêt à un tiers de façon que le taux d'intérêt annuel à payer par l'OOF sur de telles sommes soit équivalent à ce

dernier taux moins un montant que pourra fixer le ministre des Finances à l'égard d'un tel prêt ou d'une telle catégorie de prêt, jusqu'à la date (non comprise) à laquelle le prêt à un tiers sera remboursé, date à laquelle le taux d'intérêt établi au sous-alinéa (i) s'appliquera de nouveau à cette partie de l'avance;

(iii) dans l'éventualité où les sommes décrites au sous-alinéa (ii), une fois remboursées, seraient ultérieurement utilisées pour le financement de prêts à des tiers, le sous-alinéa (ii) s'appliquera de nouveau dans l'établissement du taux d'intérêt à payer à la province sur la partie de l'avance utilisée à cette fin, et ainsi de suite, jusqu'à ce que l'avance ait été remboursée intégralement à la province;

(iv) malgré les sous-alinéas (ii) et (iii), dans l'éventualité où aucun intérêt ne serait payable à l'OOF au titre d'un prêt à un tiers, aucun intérêt ne sera à payer par l'OOF sur la partie de l'avance ainsi utilisée et dans la mesure où les conditions du prêt à un tiers prévoient le report du paiement d'intérêts courus pour une période, le paiement d'intérêts au titre d'une avance ou d'une partie d'une avance sera également reporté pour une période d'égale durée;

d) l'intérêt payable relativement à toute période de moins d'un an sera calculé en fonction du nombre de jours réellement compris dans cette période, par rapport à une année comptant 365 jours;

e) par dérogation à l'alinéa a) ci-dessus, l'intérêt sur toute partie d'une avance consentie à l'OOF dans le cadre du prêt que cette dernière utilise pour financer un prêt à un tiers est calculé comme il est indiqué ci-dessus, mais cet intérêt devient payable uniquement dans la mesure où l'OOF reçoit un paiement d'intérêts au titre du prêt à un tiers;

f) par dérogation à l'alinéa b) ci-dessus, toute partie du capital d'une avance consentie à l'OOF dans le cadre du prêt que cette dernière utilise pour financer un prêt à un tiers devient payable uniquement dans la mesure où l'OOF reçoit un remboursement du capital au titre du prêt à un tiers

g) le prêt autorisé en vertu des présentes sera attesté par un billet à ordre.

_____

Recommended: Minister of Finance
Recommandé par : Le ministre des Finances

_____

Concurred: Chair of Cabinet
Appuyé par : Le président/la présidente du Conseil des ministres

Approved and Ordered:
Approuvé et décrété le :

_____

Lieutenant Governor
La lieutenante-gouverneure

From: Opal Kandelas
To: Mike Manning
Subject: RE: Annual Plan
Date: Wednesday, March 22, 2017 12:44:22 PM

Hi Mike,

If you are available before our 1:30 meeting today, we can maybe squeeze it in. Otherwise I have lots of flexibility Thursday and Friday morning. Let me know.

Thanks,
Opal

From: Mike Manning
Sent: Wednesday, March 22, 2017 10:13 AM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: Annual Plan
Importance: High

Hi Opal:
I've got comments on the Financing plan write-up and would like to discuss when you have time.

Thanks, Mike

From:	Garth Parish
To:	Opal Kandelas; Sarah Harris; Malle Hanslep (MOF)
Cc:	Andrea Dalgarno; Dimitri Markoulakis (MOF); Mara Bakic; Anna Strathy
Subject:	RE: BN - Lending Directive for Loan to OCRC.docx
Date:	Tuesday, March 27, 2018 3:46:13 PM

Hi Opal,

Yes, will do.

Regards,
Garth

From: Opal Kandelas
Sent: March-27-18 3:34 PM
To: Garth Parish <Garth.Parish@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>
Cc: Andrea Dalgarno <Andrea.Dalgarno@ofina.on.ca>; Dimitri Markoulakis (MOF) <Dimitri.Markoulakis@ontario.ca>; Mara Bakic <Mara.Bakic@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: RE: BN - Lending Directive for Loan to OCRC.docx

Hi Garth,

Would you please share a briefing note, draft Minister's directive and any other pertinent materials with us. The date for submitting a package for the April 16 LRC has long passed, but we can work towards getting this item to the DMO. An LRC Note will need to be prepared by CEFD as soon as possible. I've cc'd Anna so that she is aware.

Please send Anna a brief description of the issue so as to inform her discussions with DMO.

Thanks,
Opal

From: Garth Parish
Sent: Tuesday, March 27, 2018 2:29 PM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>; Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>
Cc: Andrea Dalgarno <Andrea.Dalgarno@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Dimitri Markoulakis (MOF) <Dimitri.Markoulakis@ontario.ca>; Mara Bakic <Mara.Bakic@ofina.on.ca>
Subject: RE: BN - Lending Directive for Loan to OCRC.docx

Hi Sarah,

As Malle says, the best approach and the approach we, including Gadi, are recommending is that the

"commitment" (in whatever form) be provided by MOH.

However, it appears as though the loan will be required eventually and will only work under a 35 year amortization (again Gadi has agreed to this amortization in principle), so we will need to amend the OIC. Given that our Plan B, which may be needed, is to provide some joint assurance MOF/MOH to HOOPP by April 30, I would like to work with Capital Markets to try to get the OIC in place so that we can use Plan B if necessary.

If you agree, just let me know what you need from me.

Thanks,
Garth

From: Sarah Harris
Sent: March-27-18 1:11 PM
To: Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>
Cc: Garth Parish <Garth.Parish@ofina.on.ca>; Andrea Dalgarno <Andrea.Dalgarno@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Dimitri Markoulakis (MOF) <Dimitri.Markoulakis@ontario.ca>
Subject: RE: BN - Lending Directive for Loan to OCRC.docx

Malle,

Thank you very much for your quick response.

Garth – I'm not familiar with the various inputs Malle has mentioned below with the loan, and the timing for getting these. Is it possible to obtain all the required approvals, etc. prior to April 30th? As Malle indicates, a binding commitment doesn't seem possible without these elements. On the other hand, if it is possible, we could try to make the case for including an amending OIC for the April 16th LRC.

Thanks,
Sarah

From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Tuesday, March 27, 2018 12:49 PM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: Garth Parish <Garth.Parish@ofina.on.ca>; Andrea Dalgarno <Andrea.Dalgarno@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Dimitri Markoulakis (MOF) <Dimitri.Markoulakis@ontario.ca>
Subject: RE: BN - Lending Directive for Loan to OCRC.docx

Hi,

Dimitri has been working on this as well so copying him here. According to the current OIC's, OFA must repay the funds borrowed from the Province by 2040 (I haven't check them all now but assume that you have) so the OFA couldn't make a longer term loan to a third party such as the hospital without an amending OIC as you describe.

I think that the only thing that could be done is to see whether there is any possibility of walking this OIC in at this point if it is that critical. However, at the same time, I know that there have been numerous elements regarding this potential loan including possibly having MOHLTC provide an indemnity to the OFA regarding the repayment by the hospital. Not sure that we could in anyway provide a binding commitment that the money will be available in 2019 since there would be many other elements such as a Minister's directive, the negotiation of the loan agreement and due diligence that would make it conditional. However, it seems that the amendment to the OIC is a necessary precondition.

Also just thinking general about this project, is it anticipated that any other approvals or signing of agreements, etc. would be proposed during the writ period?

Thanks,

Malle

From: Sarah Harris [mailto:Sarah.Harris@ofina.on.ca]
Sent: March 27, 2018 12:21 PM
To: Hanslep, Malle (MOF)
Cc: Parish, Garth (OFA); Dalgarno, Andrea (OFA); Kandelas, Opal (OFA)
Subject: FW: BN - Lending Directive for Loan to OCRC.docx

Hello Malle,

I am writing to you to inquire about the timing for an approval for an OIC in relation to a loan that the OFA may be making to St. Michael's, as detailed below.

In short, the OFA has the available room under its existing lending OICs (i.e. the OICs where the OFA borrows from Her Majesty, and then in turn makes loans to public bodies), but the expiry dates of the existing OICs are shorter than the proposed maturity. The OICs expire in 2041 and the loan would mature in late 2054. In order for the St. Micheal's loan to occur, there has to be a binding assurance to HOOPP by April 30th that funds will be available to be advance in the summer of 2019. In order for us to provide this, we would need to get approval for an amending OIC to extend the expiry dates of the existing OICs to 2055.

Given that the last LRC scheduled is for April 16th, and the deadlines for providing materials has passed (March 20th), it doesn't seem possible to get approval for an amending OIC prior to April 30th. Do you know of any options that might make this possible?

Thanks,
Sarah

From: Andrea Dalgarno
Sent: Tuesday, March 27, 2018 11:46 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: FW: BN - Lending Directive for Loan to OCRC.docx

FYI

From: Garth Parish
Sent: Tuesday, March 27, 2018 11:43 AM
To: Andrea Dalgarno <Andrea.Dalgarno@ofina.on.ca>
Cc: Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Daki Proudfoot <Daki.Proudfoot@ofina.on.ca>; Mara Bakic <Mara.Bakic@ofina.on.ca>; Bonnie Lemcke <Bonnie.Lemcke@ofina.on.ca>; Bonnie Zhang <Bonnie.Zhang@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: BN - Lending Directive for Loan to OCRC.docx

Hi Andrea,

We are in discussions with St. Michael's Hospital to provide them with a $100M loan that would be amortized over 35 years. This is with regard to pension assets that they are transferring to HOOPP that need to be topped up by $100M.

A wrinkle is that they need to provide a binding assurance to HOOPP by April 30 that they have the funds although the effective date of the loan and the transfer of funds won't take place until July/August of 2019. This means that the loan wouldn't be paid off until late 2054.

We understand that the latest dated OIC is 844/2008 which ends June 1, 2041, so in order to make this loan we would need an OIC out to say, 2055 – although we may wish to make it later. A smaller request from Grand River hospital would be similar. Both loans would fit within the existing authorized amounts but not the repayment date.

Please advise the best way to proceed towards the required OIC amendment re timing.

Thanks. I will call to follow up.

Thanks,
Garth

From: Andrea Dalgarno
Sent: December-06-17 2:10 PM
To: Garth Parish <Garth.Parish@ofina.on.ca>
Cc: Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Daki Proudfoot <Daki.Proudfoot@ofina.on.ca>; Mara Bakic <Mara.Bakic@ofina.on.ca>; Bonnie Lemcke <Bonnie.Lemcke@ofina.on.ca>

Subject: RE: BN - Lending Directive for Loan to OCRC.docx

Hi,

I have a place holder for when we do the next joint update to add the new 2 billion OIC 1279/2017 and the associated 2 billion line of credit (IESO-OFA credit facility FHP related). Also note the IESO 975m one will be removed while the IESO 475M will remain- it will be one line representing 475M.

Regards,

Andrea

From: Garth Parish
Sent: Wednesday, December 06, 2017 1:52 PM
To: Andrea Dalgarno <Andrea.Dalgarno@ofina.on.ca>
Cc: Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Daki Proudfoot <Daki.Proudfoot@ofina.on.ca>; Mara Bakic <Mara.Bakic@ofina.on.ca>; Bonnie Lemcke <Bonnie.Lemcke@ofina.on.ca>
Subject: RE: BN - Lending Directive for Loan to OCRC.docx

Hi Andrea,

That's great. Thank you very much.

We may have some updates/comments to follow.

Thanks,
Garth

From: Andrea Dalgarno
Sent: December-06-17 12:30 PM
To: Garth Parish <Garth.Parish@ofina.on.ca>
Cc: Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Daki Proudfoot <Daki.Proudfoot@ofina.on.ca>
Subject: RE: BN - Lending Directive for Loan to OCRC.docx

Hi Garth,
I have been asked to respond to your query. Attached is the most current listing we have available of the OFA loans under the two OIC's. This listing was finalized in conjunction with Daki in Corporate Finance.
Based on this July 11, 2017 listing, the remaining authority under the two OIC's are as follows:

1) OIC 675/97 (the currently active one) has remaining authority of

$721,594,955.57 as of July 11, 2017

2) OIC 767/99 has authority in the amount of $656,000,000.00 as of July 11, 2017

So it seems, we should be able to draw on OIC 675/97 for the additional loans you reference given it was noted in the BN you attached that the 2017-2018 OFA Borrowing and On-lending Plan was set at $486 million and apparently $250 million of that was postponed to 2018-2019.

Let me know should you have any further question or concerns.

Regards,

Andrea

From: Garth Parish
Sent: Tuesday, December 05, 2017 3:37 PM
To: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: Bonnie Zhang <Bonnie.Zhang@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: FW: BN - Lending Directive for Loan to OCRC.docx

Hi Jean-Francois,

You will see in the highlighted section below that Lisa is asking that we confirm that 2 OFA loans we are working on:

- $150 million to the Ontario Cannabis Retail Corporation
- $100 million to St Michael's hospital

are covered by the "existing on-lending OIC's".

I don't know who would keep a registry of the OICs and what loans they cover. Would your group have this registry?

Thanks,
Garth

From: Lisa Stein
Sent: December-04-17 1:25 PM
To: Garth Parish <Garth.Parish@ofina.on.ca>
Cc: Bonnie Zhang <Bonnie.Zhang@ofina.on.ca>
Subject: BN - Lending Directive for Loan to OCRC.docx

Hi Garth,

Please find attached some comments and suggested amendments to the draft briefing note, attached. I did not review the attachments; however, as discussed on Friday, they still reference the loan to St. Michael's hospital as well (and these references should be deleted).

I'm still working on the directive for the OCRC loan. In the meantime, can you please confirm that this loan is covered by the existing on-lending OICs (as referenced in the draft note)?

Thank you,

Lisa

Lisa N. Stein
Legal Counsel
Ontario Financing Authority
416-325-2320

****
This message, including any attachments, is intended only for the use of the individual(s) to which it is addressed and contains information that is privileged/confidential. Any other distribution, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify the sender immediately by reply e-mail and permanently delete this message, including any attachments, without reading it or making a copy. Thank you.
****

From:	Opal Kandelas
To:	Garth Parish; Sarah Harris; Malle Hanslep (MOF)
Cc:	Andrea Dalgarno; Dimitri Markoulakis (MOF); Mara Bakic; Anna Strathy
Subject:	RE: BN - Lending Directive for Loan to OCRC.docx
Date:	Tuesday, March 27, 2018 3:33:56 PM

Hi Garth,

Would you please share a briefing note, draft Minister's directive and any other pertinent materials with us. The date for submitting a package for the April 16 LRC has long passed, but we can work towards getting this item to the DMO. An LRC Note will need to be prepared by CEFD as soon as possible. I've cc'd Anna so that she is aware.

Please send Anna a brief description of the issue so as to inform her discussions with DMO.

Thanks,
Opal

From: Garth Parish
Sent: Tuesday, March 27, 2018 2:29 PM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>; Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>
Cc: Andrea Dalgarno <Andrea.Dalgarno@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Dimitri Markoulakis (MOF) <Dimitri.Markoulakis@ontario.ca>; Mara Bakic <Mara.Bakic@ofina.on.ca>
Subject: RE: BN - Lending Directive for Loan to OCRC.docx

Hi Sarah,

As Malle says, the best approach and the approach we, including Gadi, are recommending is that the "commitment" (in whatever form) be provided by MOH.

However, it appears as though the loan will be required eventually and will only work under a 35 year amortization (again Gadi has agreed to this amortization in principle), so we will need to amend the OIC. Given that our Plan B, which may be needed, is to provide some joint assurance MOF/MOH to HOOPP by April 30, I would like to work with Capital Markets to try to get the OIC in place so that we can use Plan B if necessary.

If you agree, just let me know what you need from me.

Thanks,
Garth

From: Sarah Harris
Sent: March-27-18 1:11 PM
To: Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>

Cc: Garth Parish <Garth.Parish@ofina.on.ca>; Andrea Dalgarno <Andrea.Dalgarno@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Dimitri Markoulakis (MOF) <Dimitri.Markoulakis@ontario.ca>
Subject: RE: BN - Lending Directive for Loan to OCRC.docx

Malle,

Thank you very much for your quick response.

Garth – I'm not familiar with the various inputs Malle has mentioned below with the loan, and the timing for getting these. Is it possible to obtain all the required approvals, etc. prior to April 30th? As Malle indicates, a binding commitment doesn't seem possible without these elements. On the other hand, if it is possible, we could try to make the case for including an amending OIC for the April 16th LRC.

Thanks,
Sarah

From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Tuesday, March 27, 2018 12:49 PM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: Garth Parish <Garth.Parish@ofina.on.ca>; Andrea Dalgarno <Andrea.Dalgarno@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Dimitri Markoulakis (MOF) <Dimitri.Markoulakis@ontario.ca>
Subject: RE: BN - Lending Directive for Loan to OCRC.docx

Hi,

Dimitri has been working on this as well so copying him here. According to the current OIC's, OFA must repay the funds borrowed from the Province by 2040 (I haven't check them all now but assume that you have) so the OFA couldn't make a longer term loan to a third party such as the hospital without an amending OIC as you describe.

I think that the only thing that could be done is to see whether there is any possibility of walking this OIC in at this point if it is that critical. However, at the same time, I know that there have been numerous elements regarding this potential loan including possibly having MOHLTC provide an indemnity to the OFA regarding the repayment by the hospital. Not sure that we could in anyway provide a binding commitment that the money will be available in 2019 since there would be many other elements such as a Minister's directive, the negotiation of the loan agreement and due diligence that would make it conditional. However, it seems that the amendment to the OIC is a necessary precondition.

Also just thinking general about this project, is it anticipated that any other approvals or signing of agreements, etc. would be proposed during the writ period?

Thanks,

Malle

From: Sarah Harris [mailto:Sarah.Harris@ofina.on.ca]
Sent: March 27, 2018 12:21 PM
To: Hanslep, Malle (MOF)
Cc: Parish, Garth (OFA); Dalgarno, Andrea (OFA); Kandelas, Opal (OFA)
Subject: FW: BN - Lending Directive for Loan to OCRC.docx

Hello Malle,

I am writing to you to inquire about the timing for an approval for an OIC in relation to a loan that the OFA may be making to St. Michael's, as detailed below.

In short, the OFA has the available room under its existing lending OICs (i.e. the OICs where the OFA borrows from Her Majesty, and then in turn makes loans to public bodies), but the expiry dates of the existing OICs are shorter than the proposed maturity. The OICs expire in 2041 and the loan would mature in late 2054. In order for the St. Micheal's loan to occur, there has to be a binding assurance to HOOPP by April 30th that funds will be available to be advance in the summer of 2019. In order for us to provide this, we would need to get approval for an amending OIC to extend the expiry dates of the existing OICs to 2055.

Given that the last LRC scheduled is for April 16th, and the deadlines for providing materials has passed (March 20th), it doesn't seem possible to get approval for an amending OIC prior to April 30th. Do you know of any options that might make this possible?

Thanks,
Sarah

From: Andrea Dalgarno
Sent: Tuesday, March 27, 2018 11:46 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: FW: BN - Lending Directive for Loan to OCRC.docx

FYI

From: Garth Parish
Sent: Tuesday, March 27, 2018 11:43 AM
To: Andrea Dalgarno <Andrea.Dalgarno@ofina.on.ca>
Cc: Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Daki Proudfoot <Daki.Proudfoot@ofina.on.ca>; Mara Bakic <Mara.Bakic@ofina.on.ca>; Bonnie Lemcke <Bonnie.Lemcke@ofina.on.ca>; Bonnie Zhang <Bonnie.Zhang@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: BN - Lending Directive for Loan to OCRC.docx

Hi Andrea,

We are in discussions with St. Michael's Hospital to provide them with a $100M loan that would be amortized over 35 years. This is with regard to pension assets that they are transferring to HOOPP that need to be topped up by $100M.

A wrinkle is that they need to provide a binding assurance to HOOPP by April 30 that they have the funds although the effective date of the loan and the transfer of funds won't take place until July/August of 2019. This means that the loan wouldn't be paid off until late 2054.

We understand that the latest dated OIC is 844/2008 which ends June 1, 2041, so in order to make this loan we would need an OIC out to say, 2055 – although we may wish to make it later. A smaller request from Grand River hospital would be similar. Both loans would fit within the existing authorized amounts but not the repayment date.

Please advise the best way to proceed towards the required OIC amendment re timing.

Thanks. I will call to follow up.

Thanks,
Garth

From: Andrea Dalgarno
Sent: December-06-17 2:10 PM
To: Garth Parish <Garth.Parish@ofina.on.ca>
Cc: Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Daki Proudfoot <Daki.Proudfoot@ofina.on.ca>; Mara Bakic <Mara.Bakic@ofina.on.ca>; Bonnie Lemcke <Bonnie.Lemcke@ofina.on.ca>
Subject: RE: BN - Lending Directive for Loan to OCRC.docx

Hi,

I have a place holder for when we do the next joint update to add the new 2 billion OIC 1279/2017 and the associated 2 billion line of credit (IESO-OFA credit facility FHP related). Also note the IESO 975m one will be removed while the IESO 475M will remain- it will be one line representing 475M.

Regards,

Andrea

From: Garth Parish
Sent: Wednesday, December 06, 2017 1:52 PM
To: Andrea Dalgarno <Andrea.Dalgarno@ofina.on.ca>
Cc: Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Jean-Francois Beaupre <Jean-

Francois.Beaupre@ofina.on.ca>; Daki Proudfoot <Daki.Proudfoot@ofina.on.ca>; Mara Bakic <Mara.Bakic@ofina.on.ca>; Bonnie Lemcke <Bonnie.Lemcke@ofina.on.ca>
Subject: RE: BN - Lending Directive for Loan to OCRC.docx

Hi Andrea,

That's great. Thank you very much.

We may have some updates/comments to follow.

Thanks,
Garth

From: Andrea Dalgarno
Sent: December-06-17 12:30 PM
To: Garth Parish <Garth.Parish@ofina.on.ca>
Cc: Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Daki Proudfoot <Daki.Proudfoot@ofina.on.ca>
Subject: RE: BN - Lending Directive for Loan to OCRC.docx

Hi Garth,
I have been asked to respond to your query. Attached is the most current listing we have available of the OFA loans under the two OIC's. This listing was finalized in conjunction with Daki in Corporate Finance.
Based on this July 11, 2017 listing, the remaining authority under the two OIC's are as follows:

1) OIC 675/97 (the currently active one) has remaining authority of $721,594,955.57 as of July 11, 2017

2) OIC 767/99 has authority in the amount of $656,000,000.00 as of July 11, 2017

So it seems, we should be able to draw on OIC 675/97 for the additional loans you reference given it was noted in the BN you attached that the 2017-2018 OFA Borrowing and On-lending Plan was set at $486 million and apparently $250 million of that was postponed to 2018-2019.

Let me know should you have any further question or concerns.

Regards,

Andrea

From: Garth Parish
Sent: Tuesday, December 05, 2017 3:37 PM
To: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: Bonnie Zhang <Bonnie.Zhang@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: FW: BN - Lending Directive for Loan to OCRC.docx

Hi Jean-Francois,

You will see in the highlighted section below that Lisa is asking that we confirm that 2 OFA loans we are working on:

- $150 million to the Ontario Cannabis Retail Corporation
- $100 million to St Michael's hospital

are covered by the "existing on-lending OIC's".

I don't know who would keep a registry of the OICs and what loans they cover. Would your group have this registry?

Thanks,
Garth

From: Lisa Stein
Sent: December-04-17 1:25 PM
To: Garth Parish <Garth.Parish@ofina.on.ca>
Cc: Bonnie Zhang <Bonnie.Zhang@ofina.on.ca>
Subject: BN - Lending Directive for Loan to OCRC.docx

Hi Garth,

Please find attached some comments and suggested amendments to the draft briefing note, attached. I did not review the attachments; however, as discussed on Friday, they still reference the loan to St. Michael's hospital as well (and these references should be deleted).

I'm still working on the directive for the OCRC loan. In the meantime, can you please confirm that this loan is covered by the existing on-lending OICs (as referenced in the draft note)?

Thank you,

Lisa

Lisa N. Stein
Legal Counsel
Ontario Financing Authority
416-325-2320

****
This message, including any attachments, is intended only for the use of the individual(s) to which it is addressed and contains information that is privileged/confidential. Any other distribution, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify the sender immediately by reply e-mail and permanently delete this message, including any attachments, without reading it or making a copy. Thank you.
****

From: Garth Parish
To: Sarah Harris; Malle Hanslep (MOF)
Cc: Andrea Dalgarno; Opal Kandelas; Dimitri Markoulakis (MOF); Mara Bakic
Subject: RE: BN - Lending Directive for Loan to OCRC.docx
Date: Tuesday, March 27, 2018 2:28:32 PM

Hi Sarah,

As Malle says, the best approach and the approach we, including Gadi, are recommending is that the "commitment" (in whatever form) be provided by MOH.

However, it appears as though the loan will be required eventually and will only work under a 35 year amortization (again Gadi has agreed to this amortization in principle), so we will need to amend the OIC. Given that our Plan B, which may be needed, is to provide some joint assurance MOF/MOH to HOOPP by April 30, I would like to work with Capital Markets to try to get the OIC in place so that we can use Plan B if necessary.

If you agree, just let me know what you need from me.

Thanks,
Garth

From: Sarah Harris
Sent: March-27-18 1:11 PM
To: Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>
Cc: Garth Parish <Garth.Parish@ofina.on.ca>; Andrea Dalgarno <Andrea.Dalgarno@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Dimitri Markoulakis (MOF) <Dimitri.Markoulakis@ontario.ca>
Subject: RE: BN - Lending Directive for Loan to OCRC.docx

Malle,

Thank you very much for your quick response.

Garth – I'm not familiar with the various inputs Malle has mentioned below with the loan, and the timing for getting these. Is it possible to obtain all the required approvals, etc. prior to April 30th? As Malle indicates, a binding commitment doesn't seem possible without these elements. On the other hand, if it is possible, we could try to make the case for including an amending OIC for the April 16th LRC.

Thanks,
Sarah

From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]

Sent: Tuesday, March 27, 2018 12:49 PM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: Garth Parish <Garth.Parish@ofina.on.ca>; Andrea Dalgarno <Andrea.Dalgarno@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Dimitri Markoulakis (MOF) <Dimitri.Markoulakis@ontario.ca>
Subject: RE: BN - Lending Directive for Loan to OCRC.docx

Hi,

Dimitri has been working on this as well so copying him here. According to the current OIC's, OFA must repay the funds borrowed from the Province by 2040 (I haven't check them all now but assume that you have) so the OFA couldn't make a longer term loan to a third party such as the hospital without an amending OIC as you describe.

I think that the only thing that could be done is to see whether there is any possibility of walking this OIC in at this point if it is that critical. However, at the same time, I know that there have been numerous elements regarding this potential loan including possibly having MOHLTC provide an indemnity to the OFA regarding the repayment by the hospital. Not sure that we could in anyway provide a binding commitment that the money will be available in 2019 since there would be many other elements such as a Minister's directive, the negotiation of the loan agreement and due diligence that would make it conditional. However, it seems that the amendment to the OIC is a necessary precondition.

Also just thinking general about this project, is it anticipated that any other approvals or signing of agreements, etc. would be proposed during the writ period?

Thanks,

Malle

From: Sarah Harris [mailto:Sarah.Harris@ofina.on.ca]
Sent: March 27, 2018 12:21 PM
To: Hanslep, Malle (MOF)
Cc: Parish, Garth (OFA); Dalgarno, Andrea (OFA); Kandelas, Opal (OFA)
Subject: FW: BN - Lending Directive for Loan to OCRC.docx

Hello Malle,

I am writing to you to inquire about the timing for an approval for an OIC in relation to a loan that the OFA may be making to St. Michael's, as detailed below.

In short, the OFA has the available room under its existing lending OICs (i.e. the OICs where the OFA borrows from Her Majesty, and then in turn makes loans to public bodies), but the expiry dates of the existing OICs are shorter than the proposed maturity. The OICs expire in 2041 and the loan would mature in late 2054. In order for the St. Micheal's loan to occur, there has to be a binding assurance to HOOPP by April 30th that funds will be available to be advance in the summer of 2019. In order for us to provide this, we would need to get approval for an amending OIC to extend the expiry dates of the existing OICs to 2055.

Given that the last LRC scheduled is for April 16th, and the deadlines for providing materials has passed (March 20th), it doesn't seem possible to get approval for an amending OIC prior to April 30th. Do you know of any options that might make this possible?

Thanks,
Sarah

From: Andrea Dalgarno
Sent: Tuesday, March 27, 2018 11:46 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: FW: BN - Lending Directive for Loan to OCRC.docx

FYI

From: Garth Parish
Sent: Tuesday, March 27, 2018 11:43 AM
To: Andrea Dalgarno <Andrea.Dalgarno@ofina.on.ca>
Cc: Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Daki Proudfoot <Daki.Proudfoot@ofina.on.ca>; Mara Bakic <Mara.Bakic@ofina.on.ca>; Bonnie Lemcke <Bonnie.Lemcke@ofina.on.ca>; Bonnie Zhang <Bonnie.Zhang@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: BN - Lending Directive for Loan to OCRC.docx

Hi Andrea,

We are in discussions with St. Michael's Hospital to provide them with a $100M loan that would be amortized over 35 years. This is with regard to pension assets that they are transferring to HOOPP that need to be topped up by $100M.

A wrinkle is that they need to provide a binding assurance to HOOPP by April 30 that they have the funds although the effective date of the loan and the transfer of funds won't take place until July/August of 2019. This means that the loan wouldn't be paid off until late 2054.

We understand that the latest dated OIC is 844/2008 which ends June 1, 2041, so in order to make this loan we would need an OIC out to say, 2055 – although we may wish to make it later. A smaller request from Grand River hospital would be similar. Both loans would fit within the existing authorized amounts but not the repayment date.

Please advise the best way to proceed towards the required OIC amendment re timing.

Thanks. I will call to follow up.

Thanks,

Garth

From: Andrea Dalgarno
Sent: December-06-17 2:10 PM
To: Garth Parish <Garth.Parish@ofina.on.ca>
Cc: Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Daki Proudfoot <Daki.Proudfoot@ofina.on.ca>; Mara Bakic <Mara.Bakic@ofina.on.ca>; Bonnie Lemcke <Bonnie.Lemcke@ofina.on.ca>
Subject: RE: BN - Lending Directive for Loan to OCRC.docx

Hi,

I have a place holder for when we do the next joint update to add the new 2 billion OIC 1279/2017 and the associated 2 billion line of credit (IESO-OFA credit facility FHP related). Also note the IESO 975m one will be removed while the IESO 475M will remain- it will be one line representing 475M.

Regards,

Andrea

From: Garth Parish
Sent: Wednesday, December 06, 2017 1:52 PM
To: Andrea Dalgarno <Andrea.Dalgarno@ofina.on.ca>
Cc: Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Daki Proudfoot <Daki.Proudfoot@ofina.on.ca>; Mara Bakic <Mara.Bakic@ofina.on.ca>; Bonnie Lemcke <Bonnie.Lemcke@ofina.on.ca>
Subject: RE: BN - Lending Directive for Loan to OCRC.docx

Hi Andrea,

That's great. Thank you very much.

We may have some updates/comments to follow.

Thanks,
Garth

From: Andrea Dalgarno
Sent: December-06-17 12:30 PM
To: Garth Parish <Garth.Parish@ofina.on.ca>
Cc: Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Daki Proudfoot <Daki.Proudfoot@ofina.on.ca>
Subject: RE: BN - Lending Directive for Loan to OCRC.docx

Hi Garth,
I have been asked to respond to your query. Attached is the most current listing we have available of the OFA loans under the two OIC's. This listing was finalized in conjunction with Daki in Corporate Finance.
Based on this July 11, 2017 listing, the remaining authority under the two OIC's are as follows:

1) OIC 675/97 (the currently active one) has remaining authority of $721,594,955.57 as of July 11, 2017

2) OIC 767/99 has authority in the amount of $656,000,000.00 as of July 11, 2017

So it seems, we should be able to draw on OIC 675/97 for the additional loans you reference given it was noted in the BN you attached that the 2017-2018 OFA Borrowing and On-lending Plan was set at $486 million and apparently $250 million of that was postponed to 2018-2019.

Let me know should you have any further question or concerns.

Regards,

Andrea

From: Garth Parish
Sent: Tuesday, December 05, 2017 3:37 PM
To: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: Bonnie Zhang <Bonnie.Zhang@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: FW: BN - Lending Directive for Loan to OCRC.docx

Hi Jean-Francois,

You will see in the highlighted section below that Lisa is asking that we confirm that 2 OFA loans we are working on:

- $150 million to the Ontario Cannabis Retail Corporation
- $100 million to St Michael's hospital

are covered by the "existing on-lending OIC's".

I don't know who would keep a registry of the OICs and what loans they cover. Would your group have this registry?

Thanks,

Garth

From: Lisa Stein
Sent: December-04-17 1:25 PM
To: Garth Parish <Garth.Parish@ofina.on.ca>
Cc: Bonnie Zhang <Bonnie.Zhang@ofina.on.ca>
Subject: BN - Lending Directive for Loan to OCRC.docx

Hi Garth,

Please find attached some comments and suggested amendments to the draft briefing note, attached. I did not review the attachments; however, as discussed on Friday, they still reference the loan to St. Michael's hospital as well (and these references should be deleted).

I'm still working on the directive for the OCRC loan. In the meantime, can you please confirm that this loan is covered by the existing on-lending OICs (as referenced in the draft note)?

Thank you,

Lisa

Lisa N. Stein
Legal Counsel
Ontario Financing Authority
416-325-2320

****
This message, including any attachments, is intended only for the use of the individual(s) to which it is addressed and contains information that is privileged/confidential. Any other distribution, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify the sender immediately by reply e-mail and permanently delete this message, including any attachments, without reading it or making a copy. Thank you.
****

From:	Sarah Harris
To:	Malle Hanslep (MOF)
Cc:	Garth Parish; Andrea Dalgarno; Opal Kandelas; Dimitri Markoulakis (MOF)
Subject:	RE: BN - Lending Directive for Loan to OCRC.docx
Date:	Tuesday, March 27, 2018 1:10:31 PM

Malle,

Thank you very much for your quick response.

Garth – I'm not familiar with the various inputs Malle has mentioned below with the loan, and the timing for getting these. Is it possible to obtain all the required approvals, etc. prior to April 30th? As Malle indicates, a binding commitment doesn't seem possible without these elements. On the other hand, if it is possible, we could try to make the case for including an amending OIC for the April 16th LRC.

Thanks,
Sarah

From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Tuesday, March 27, 2018 12:49 PM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: Garth Parish <Garth.Parish@ofina.on.ca>; Andrea Dalgarno <Andrea.Dalgarno@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Dimitri Markoulakis (MOF) <Dimitri.Markoulakis@ontario.ca>
Subject: RE: BN - Lending Directive for Loan to OCRC.docx

Hi,

Dimitri has been working on this as well so copying him here. According to the current OIC's, OFA must repay the funds borrowed from the Province by 2040 (I haven't check them all now but assume that you have) so the OFA couldn't make a longer term loan to a third party such as the hospital without an amending OIC as you describe.

I think that the only thing that could be done is to see whether there is any possibility of walking this OIC in at this point if it is that critical. However, at the same time, I know that there have been numerous elements regarding this potential loan including possibly having MOHLTC provide an indemnity to the OFA regarding the repayment by the hospital. Not sure that we could in anyway provide a binding commitment that the money will be available in 2019 since there would be many other elements such as a Minister's directive, the negotiation of the loan agreement and due diligence that would make it conditional. However, it seems that the amendment to the OIC is a necessary precondition.

Also just thinking general about this project, is it anticipated that any other approvals or signing of agreements, etc. would be proposed during the writ period?

Thanks,

Malle

From: Sarah Harris [mailto:Sarah.Harris@ofina.on.ca]
Sent: March 27, 2018 12:21 PM
To: Hanslep, Malle (MOF)
Cc: Parish, Garth (OFA); Dalgarno, Andrea (OFA); Kandelas, Opal (OFA)
Subject: FW: BN - Lending Directive for Loan to OCRC.docx

Hello Malle,

I am writing to you to inquire about the timing for an approval for an OIC in relation to a loan that the OFA may be making to St. Michael's, as detailed below.

In short, the OFA has the available room under its existing lending OICs (i.e. the OICs where the OFA borrows from Her Majesty, and then in turn makes loans to public bodies), but the expiry dates of the existing OICs are shorter than the proposed maturity. The OICs expire in 2041 and the loan would mature in late 2054. In order for the St. Micheal's loan to occur, there has to be a binding assurance to HOOPP by April 30th that funds will be available to be advance in the summer of 2019. In order for us to provide this, we would need to get approval for an amending OIC to extend the expiry dates of the existing OICs to 2055.

Given that the last LRC scheduled is for April 16th, and the deadlines for providing materials has passed (March 20th), it doesn't seem possible to get approval for an amending OIC prior to April 30th. Do you know of any options that might make this possible?

Thanks,
Sarah

From: Andrea Dalgarno
Sent: Tuesday, March 27, 2018 11:46 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: FW: BN - Lending Directive for Loan to OCRC.docx

FYI

From: Garth Parish
Sent: Tuesday, March 27, 2018 11:43 AM
To: Andrea Dalgarno <Andrea.Dalgarno@ofina.on.ca>
Cc: Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Daki Proudfoot <Daki.Proudfoot@ofina.on.ca>; Mara Bakic <Mara.Bakic@ofina.on.ca>; Bonnie Lemcke <Bonnie.Lemcke@ofina.on.ca>; Bonnie Zhang <Bonnie.Zhang@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: BN - Lending Directive for Loan to OCRC.docx

Hi Andrea,

We are in discussions with St. Michael's Hospital to provide them with a $100M loan that would be amortized over 35 years. This is with regard to pension assets that they are transferring to HOOPP that need to be topped up by $100M.

A wrinkle is that they need to provide a binding assurance to HOOPP by April 30 that they have the funds although the effective date of the loan and the transfer of funds won't take place until July/August of 2019. This means that the loan wouldn't be paid off until late 2054.

We understand that the latest dated OIC is 844/2008 which ends June 1, 2041, so in order to make this loan we would need an OIC out to say, 2055 – although we may wish to make it later. A smaller request from Grand River hospital would be similar. Both loans would fit within the existing authorized amounts but not the repayment date.

Please advise the best way to proceed towards the required OIC amendment re timing.

Thanks. I will call to follow up.

Thanks,
Garth

From: Andrea Dalgarno
Sent: December-06-17 2:10 PM
To: Garth Parish <Garth.Parish@ofina.on.ca>
Cc: Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Daki Proudfoot <Daki.Proudfoot@ofina.on.ca>; Mara Bakic <Mara.Bakic@ofina.on.ca>; Bonnie Lemcke <Bonnie.Lemcke@ofina.on.ca>
Subject: RE: BN - Lending Directive for Loan to OCRC.docx

Hi,

I have a place holder for when we do the next joint update to add the new 2 billion OIC 1279/2017 and the associated 2 billion line of credit (IESO-OFA credit facility FHP related). Also note the IESO 975m one will be removed while the IESO 475M will remain- it will be one line representing 475M.

Regards,

Andrea

From: Garth Parish
Sent: Wednesday, December 06, 2017 1:52 PM
To: Andrea Dalgarno <Andrea.Dalgarno@ofina.on.ca>
Cc: Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Jean-Francois Beaupre <Jean-

Francois.Beaupre@ofina.on.ca>; Daki Proudfoot <Daki.Proudfoot@ofina.on.ca>; Mara Bakic <Mara.Bakic@ofina.on.ca>; Bonnie Lemcke <Bonnie.Lemcke@ofina.on.ca>
Subject: RE: BN - Lending Directive for Loan to OCRC.docx

Hi Andrea,

That's great. Thank you very much.

We may have some updates/comments to follow.

Thanks,
Garth

From: Andrea Dalgarno
Sent: December-06-17 12:30 PM
To: Garth Parish <Garth.Parish@ofina.on.ca>
Cc: Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Daki Proudfoot <Daki.Proudfoot@ofina.on.ca>
Subject: RE: BN - Lending Directive for Loan to OCRC.docx

Hi Garth,
I have been asked to respond to your query. Attached is the most current listing we have available of the OFA loans under the two OIC's. This listing was finalized in conjunction with Daki in Corporate Finance.
Based on this July 11, 2017 listing, the remaining authority under the two OIC's are as follows:

1) OIC 675/97 (the currently active one) has remaining authority of $721,594,955.57 as of July 11, 2017

2) OIC 767/99 has authority in the amount of $656,000,000.00 as of July 11, 2017

So it seems, we should be able to draw on OIC 675/97 for the additional loans you reference given it was noted in the BN you attached that the 2017-2018 OFA Borrowing and On-lending Plan was set at $486 million and apparently $250 million of that was postponed to 2018-2019.

Let me know should you have any further question or concerns.

Regards,

Andrea

From: Garth Parish
Sent: Tuesday, December 05, 2017 3:37 PM
To: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: Bonnie Zhang <Bonnie.Zhang@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: FW: BN - Lending Directive for Loan to OCRC.docx

Hi Jean-Francois,

You will see in the highlighted section below that Lisa is asking that we confirm that 2 OFA loans we are working on:

- $150 million to the Ontario Cannabis Retail Corporation
- $100 million to St Michael's hospital

are covered by the "existing on-lending OIC's".

I don't know who would keep a registry of the OICs and what loans they cover. Would your group have this registry?

Thanks,
Garth

From: Lisa Stein
Sent: December-04-17 1:25 PM
To: Garth Parish <Garth.Parish@ofina.on.ca>
Cc: Bonnie Zhang <Bonnie.Zhang@ofina.on.ca>
Subject: BN - Lending Directive for Loan to OCRC.docx

Hi Garth,

Please find attached some comments and suggested amendments to the draft briefing note, attached. I did not review the attachments; however, as discussed on Friday, they still reference the loan to St. Michael's hospital as well (and these references should be deleted).

I'm still working on the directive for the OCRC loan. In the meantime, can you please confirm that this loan is covered by the existing on-lending OICs (as referenced in the draft note)?

Thank you,

Lisa

Lisa N. Stein
Legal Counsel
Ontario Financing Authority
416-325-2320

****
This message, including any attachments, is intended only for the use of the individual(s) to which it is addressed and contains information that is privileged/confidential. Any other distribution, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify the sender immediately by reply e-mail and permanently delete this message, including any attachments, without reading it or making a copy. Thank you.
****

From:	Hanslep, Malle (MOF)
To:	Sarah Harris
Cc:	Garth Parish; Andrea Dalgarno; Opal Kandelas; Dimitri Markoulakis (MOF)
Subject:	RE: BN - Lending Directive for Loan to OCRC.docx
Date:	Tuesday, March 27, 2018 12:49:07 PM

Hi,

Dimitri has been working on this as well so copying him here. According to the current OIC's, OFA must repay the funds borrowed from the Province by 2040 (I haven't check them all now but assume that you have) so the OFA couldn't make a longer term loan to a third party such as the hospital without an amending OIC as you describe.

I think that the only thing that could be done is to see whether there is any possibility of walking this OIC in at this point if it is that critical. However, at the same time, I know that there have been numerous elements regarding this potential loan including possibly having MOHLTC provide an indemnity to the OFA regarding the repayment by the hospital. Not sure that we could in anyway provide a binding commitment that the money will be available in 2019 since there would be many other elements such as a Minister's directive, the negotiation of the loan agreement and due diligence that would make it conditional. However, it seems that the amendment to the OIC is a necessary precondition.

Also just thinking general about this project, is it anticipated that any other approvals or signing of agreements, etc. would be proposed during the writ period?

Thanks,

Malle

From: Sarah Harris [mailto:Sarah.Harris@ofina.on.ca]
Sent: March 27, 2018 12:21 PM
To: Hanslep, Malle (MOF)
Cc: Parish, Garth (OFA); Dalgarno, Andrea (OFA); Kandelas, Opal (OFA)
Subject: FW: BN - Lending Directive for Loan to OCRC.docx

Hello Malle,

I am writing to you to inquire about the timing for an approval for an OIC in relation to a loan that the OFA may be making to St. Michael's, as detailed below.

In short, the OFA has the available room under its existing lending OICs (i.e. the OICs where the OFA borrows from Her Majesty, and then in turn makes loans to public bodies), but the expiry dates of the existing OICs are shorter than the proposed maturity. The OICs expire in 2041 and the loan would mature in late 2054. In order for the St. Micheal's loan to occur, there has to be a binding assurance to HOOPP by April 30th that funds will be available to be advance in the summer of 2019. In order for us to provide this, we would need to get approval for an amending OIC to extend the expiry dates of the existing OICs to 2055.

Given that the last LRC scheduled is for April 16th, and the deadlines for providing materials has

passed (March 20th), it doesn't seem possible to get approval for an amending OIC prior to April 30th. Do you know of any options that might make this possible?

Thanks,
Sarah

From: Andrea Dalgarno
Sent: Tuesday, March 27, 2018 11:46 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: FW: BN - Lending Directive for Loan to OCRC.docx

FYI

From: Garth Parish
Sent: Tuesday, March 27, 2018 11:43 AM
To: Andrea Dalgarno <Andrea.Dalgarno@ofina.on.ca>
Cc: Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Daki Proudfoot <Daki.Proudfoot@ofina.on.ca>; Mara Bakic <Mara.Bakic@ofina.on.ca>; Bonnie Lemcke <Bonnie.Lemcke@ofina.on.ca>; Bonnie Zhang <Bonnie.Zhang@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: BN - Lending Directive for Loan to OCRC.docx

Hi Andrea,

We are in discussions with St. Michael's Hospital to provide them with a $100M loan that would be amortized over 35 years. This is with regard to pension assets that they are transferring to HOOPP that need to be topped up by $100M.

A wrinkle is that they need to provide a binding assurance to HOOPP by April 30 that they have the funds although the effective date of the loan and the transfer of funds won't take place until July/August of 2019. This means that the loan wouldn't be paid off until late 2054.

We understand that the latest dated OIC is 844/2008 which ends June 1, 2041, so in order to make this loan we would need an OIC out to say, 2055 – although we may wish to make it later. A smaller request from Grand River hospital would be similar. Both loans would fit within the existing authorized amounts but not the repayment date.

Please advise the best way to proceed towards the required OIC amendment re timing.

Thanks. I will call to follow up.

Thanks,
Garth

From: Andrea Dalgarno
Sent: December-06-17 2:10 PM
To: Garth Parish <Garth.Parish@ofina.on.ca>
Cc: Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Daki Proudfoot <Daki.Proudfoot@ofina.on.ca>; Mara Bakic <Mara.Bakic@ofina.on.ca>; Bonnie Lemcke <Bonnie.Lemcke@ofina.on.ca>
Subject: RE: BN - Lending Directive for Loan to OCRC.docx

Hi,

I have a place holder for when we do the next joint update to add the new 2 billion OIC 1279/2017 and the associated 2 billion line of credit (IESO-OFA credit facility FHP related). Also note the IESO 975m one will be removed while the IESO 475M will remain- it will be one line representing 475M.

Regards,

Andrea

From: Garth Parish
Sent: Wednesday, December 06, 2017 1:52 PM
To: Andrea Dalgarno <Andrea.Dalgarno@ofina.on.ca>
Cc: Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Daki Proudfoot <Daki.Proudfoot@ofina.on.ca>; Mara Bakic <Mara.Bakic@ofina.on.ca>; Bonnie Lemcke <Bonnie.Lemcke@ofina.on.ca>
Subject: RE: BN - Lending Directive for Loan to OCRC.docx

Hi Andrea,

That's great. Thank you very much.

We may have some updates/comments to follow.

Thanks,
Garth

From: Andrea Dalgarno
Sent: December-06-17 12:30 PM
To: Garth Parish <Garth.Parish@ofina.on.ca>
Cc: Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Daki Proudfoot <Daki.Proudfoot@ofina.on.ca>
Subject: RE: BN - Lending Directive for Loan to OCRC.docx

Hi Garth,

I have been asked to respond to your query. Attached is the most current listing we have available of the OFA loans under the two OIC's. This listing was finalized in conjunction with Daki in Corporate Finance.
Based on this July 11, 2017 listing, the remaining authority under the two OIC's are as follows:

1) OIC 675/97 (the currently active one) has remaining authority of $721,594,955.57 as of July 11, 2017

2) OIC 767/99 has authority in the amount of $656,000,000.00 as of July 11, 2017

So it seems, we should be able to draw on OIC 675/97 for the additional loans you reference given it was noted in the BN you attached that the 2017-2018 OFA Borrowing and On-lending Plan was set at $486 million and apparently $250 million of that was postponed to 2018-2019.

Let me know should you have any further question or concerns.

Regards,

Andrea

From: Garth Parish
Sent: Tuesday, December 05, 2017 3:37 PM
To: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: Bonnie Zhang <Bonnie.Zhang@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: FW: BN - Lending Directive for Loan to OCRC.docx

Hi Jean-Francois,

You will see in the highlighted section below that Lisa is asking that we confirm that 2 OFA loans we are working on:

- $150 million to the Ontario Cannabis Retail Corporation
- $100 million to St Michael's hospital

are covered by the "existing on-lending OIC's".

I don't know who would keep a registry of the OICs and what loans they cover. Would your group have this registry?

Thanks,
Garth

From: Lisa Stein
Sent: December-04-17 1:25 PM
To: Garth Parish <Garth.Parish@ofina.on.ca>
Cc: Bonnie Zhang <Bonnie.Zhang@ofina.on.ca>
Subject: BN - Lending Directive for Loan to OCRC.docx

Hi Garth,

Please find attached some comments and suggested amendments to the draft briefing note, attached. I did not review the attachments; however, as discussed on Friday, they still reference the loan to St. Michael's hospital as well (and these references should be deleted).

I'm still working on the directive for the OCRC loan. In the meantime, can you please confirm that this loan is covered by the existing on-lending OICs (as referenced in the draft note)?

Thank you,

Lisa

Lisa N. Stein
Legal Counsel
Ontario Financing Authority
416-325-2320

****
This message, including any attachments, is intended only for the use of the individual(s) to which it is addressed and contains information that is privileged/confidential. Any other distribution, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify the sender immediately by reply e-mail and permanently delete this message, including any attachments, without reading it or making a copy. Thank you.
****

From:	Opal Kandelas
To:	Sarah Harris
Subject:	RE: BN - Lending Directive for Loan to OCRC.docx
Date:	Tuesday, March 27, 2018 12:24:05 PM

This sounds odd. Why would the OIC expiry have to be the same or longer than the term of a loan?

From: Sarah Harris
Sent: Tuesday, March 27, 2018 12:21 PM
To: Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>
Cc: Garth Parish <Garth.Parish@ofina.on.ca>; Andrea Dalgarno <Andrea.Dalgarno@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: FW: BN - Lending Directive for Loan to OCRC.docx

Hello Malle,

I am writing to you to inquire about the timing for an approval for an OIC in relation to a loan that the OFA may be making to St. Michael's, as detailed below.

In short, the OFA has the available room under its existing lending OICs (i.e. the OICs where the OFA borrows from Her Majesty, and then in turn makes loans to public bodies), but the expiry dates of the existing OICs are shorter than the proposed maturity. The OICs expire in 2041 and the loan would mature in late 2054. In order for the St. Micheal's loan to occur, there has to be a binding assurance to HOOPP by April 30th that funds will be available to be advance in the summer of 2019. In order for us to provide this, we would need to get approval for an amending OIC to extend the expiry dates of the existing OICs to 2055.

Given that the last LRC scheduled is for April 16th, and the deadlines for providing materials has passed (March 20th), it doesn't seem possible to get approval for an amending OIC prior to April 30th. Do you know of any options that might make this possible?

Thanks,
Sarah

From: Andrea Dalgarno
Sent: Tuesday, March 27, 2018 11:46 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: FW: BN - Lending Directive for Loan to OCRC.docx

FYI

From: Garth Parish
Sent: Tuesday, March 27, 2018 11:43 AM
To: Andrea Dalgarno <Andrea.Dalgarno@ofina.on.ca>
Cc: Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Jean-Francois Beaupre <Jean-

Francois.Beaupre@ofina.on.ca>; Daki Proudfoot <Daki.Proudfoot@ofina.on.ca>; Mara Bakic <Mara.Bakic@ofina.on.ca>; Bonnie Lemcke <Bonnie.Lemcke@ofina.on.ca>; Bonnie Zhang <Bonnie.Zhang@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: BN - Lending Directive for Loan to OCRC.docx

Hi Andrea,

We are in discussions with St. Michael's Hospital to provide them with a $100M loan that would be amortized over 35 years. This is with regard to pension assets that they are transferring to HOOPP that need to be topped up by $100M.

A wrinkle is that they need to provide a binding assurance to HOOPP by April 30 that they have the funds although the effective date of the loan and the transfer of funds won't take place until July/August of 2019. This means that the loan wouldn't be paid off until late 2054.

We understand that the latest dated OIC is 844/2008 which ends June 1, 2041, so in order to make this loan we would need an OIC out to say, 2055 – although we may wish to make it later. A smaller request from Grand River hospital would be similar. Both loans would fit within the existing authorized amounts but not the repayment date.

Please advise the best way to proceed towards the required OIC amendment re timing.

Thanks. I will call to follow up.

Thanks,
Garth

From: Andrea Dalgarno
Sent: December-06-17 2:10 PM
To: Garth Parish <Garth.Parish@ofina.on.ca>
Cc: Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Daki Proudfoot <Daki.Proudfoot@ofina.on.ca>; Mara Bakic <Mara.Bakic@ofina.on.ca>; Bonnie Lemcke <Bonnie.Lemcke@ofina.on.ca>
Subject: RE: BN - Lending Directive for Loan to OCRC.docx

Hi,

I have a place holder for when we do the next joint update to add the new 2 billion OIC 1279/2017 and the associated 2 billion line of credit (IESO-OFA credit facility FHP related). Also note the IESO 975m one will be removed while the IESO 475M will remain- it will be one line representing 475M.

Regards,

Andrea

From: Garth Parish
Sent: Wednesday, December 06, 2017 1:52 PM
To: Andrea Dalgarno <Andrea.Dalgarno@ofina.on.ca>
Cc: Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Daki Proudfoot <Daki.Proudfoot@ofina.on.ca>; Mara Bakic <Mara.Bakic@ofina.on.ca>; Bonnie Lemcke <Bonnie.Lemcke@ofina.on.ca>
Subject: RE: BN - Lending Directive for Loan to OCRC.docx

Hi Andrea,

That's great. Thank you very much.

We may have some updates/comments to follow.

Thanks,
Garth

From: Andrea Dalgarno
Sent: December-06-17 12:30 PM
To: Garth Parish <Garth.Parish@ofina.on.ca>
Cc: Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Daki Proudfoot <Daki.Proudfoot@ofina.on.ca>
Subject: RE: BN - Lending Directive for Loan to OCRC.docx

Hi Garth,
I have been asked to respond to your query. Attached is the most current listing we have available of the OFA loans under the two OIC's. This listing was finalized in conjunction with Daki in Corporate Finance.
Based on this July 11, 2017 listing, the remaining authority under the two OIC's are as follows:

1) OIC 675/97 (the currently active one) has remaining authority of $721,594,955.57 as of July 11, 2017

2) OIC 767/99 has authority in the amount of $656,000,000.00 as of July 11, 2017

So it seems, we should be able to draw on OIC 675/97 for the additional loans you reference given it was noted in the BN you attached that the 2017-2018 OFA Borrowing and On-lending Plan was set at $486 million and apparently $250 million of that was postponed to 2018-2019.

Let me know should you have any further question or concerns.

Regards,

Andrea

From: Garth Parish
Sent: Tuesday, December 05, 2017 3:37 PM
To: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: Bonnie Zhang <Bonnie.Zhang@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: FW: BN - Lending Directive for Loan to OCRC.docx

Hi Jean-Francois,

You will see in the highlighted section below that Lisa is asking that we confirm that 2 OFA loans we are working on:

- $150 million to the Ontario Cannabis Retail Corporation
- $100 million to St Michael's hospital

are covered by the "existing on-lending OIC's".

I don't know who would keep a registry of the OICs and what loans they cover. Would your group have this registry?

Thanks,
Garth

From: Lisa Stein
Sent: December-04-17 1:25 PM
To: Garth Parish <Garth.Parish@ofina.on.ca>
Cc: Bonnie Zhang <Bonnie.Zhang@ofina.on.ca>
Subject: BN - Lending Directive for Loan to OCRC.docx

Hi Garth,

Please find attached some comments and suggested amendments to the draft briefing note, attached. I did not review the attachments; however, as discussed on Friday, they still reference the loan to St. Michael's hospital as well (and these references should be deleted).

I'm still working on the directive for the OCRC loan. In the meantime, can you please confirm that this loan is covered by the existing on-lending OICs (as referenced in the draft note)?

Thank you,

Lisa

Lisa N. Stein
Legal Counsel
Ontario Financing Authority
416-325-2320

****
This message, including any attachments, is intended only for the use of the individual(s) to which it is addressed and contains information that is privileged/confidential. Any other distribution, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify the sender immediately by reply e-mail and permanently delete this message, including any attachments, without reading it or making a copy. Thank you.
****

From:	Garth Parish
To:	Andrea Dalgarno
Cc:	Opal Kandelas; Jean-Francois Beaupre; Daki Proudfoot; Mara Bakic; Bonnie Lemcke; Bonnie Zhang; Lisa Stein
Subject:	RE: BN - Lending Directive for Loan to OCRC.docx
Date:	Tuesday, March 27, 2018 11:42:39 AM

Hi Andrea,

We are in discussions with St. Michael's Hospital to provide them with a $100M loan that would be amortized over 35 years. This is with regard to pension assets that they are transferring to HOOPP that need to be topped up by $100M.

A wrinkle is that they need to provide a binding assurance to HOOPP by April 30 that they have the funds although the effective date of the loan and the transfer of funds won't take place until July/August of 2019. This means that the loan wouldn't be paid off until late 2054.

We understand that the latest dated OIC is 844/2008 which ends June 1, 2041, so in order to make this loan we would need an OIC out to say, 2055 – although we may wish to make it later. A smaller request from Grand River hospital would be similar. Both loans would fit within the existing authorized amounts but not the repayment date.

Please advise the best way to proceed towards the required OIC amendment re timing.

Thanks. I will call to follow up.

Thanks,
Garth

From: Andrea Dalgarno
Sent: December-06-17 2:10 PM
To: Garth Parish <Garth.Parish@ofina.on.ca>
Cc: Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Daki Proudfoot <Daki.Proudfoot@ofina.on.ca>; Mara Bakic <Mara.Bakic@ofina.on.ca>; Bonnie Lemcke <Bonnie.Lemcke@ofina.on.ca>
Subject: RE: BN - Lending Directive for Loan to OCRC.docx

Hi,

I have a place holder for when we do the next joint update to add the new 2 billion OIC 1279/2017 and the associated 2 billion line of credit (IESO-OFA credit facility FHP related). Also note the IESO 975m one will be removed while the IESO 475M will remain- it will be one line representing 475M.

Regards,

Andrea

From: Garth Parish
Sent: Wednesday, December 06, 2017 1:52 PM
To: Andrea Dalgarno <Andrea.Dalgarno@ofina.on.ca>
Cc: Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Daki Proudfoot <Daki.Proudfoot@ofina.on.ca>; Mara Bakic <Mara.Bakic@ofina.on.ca>; Bonnie Lemcke <Bonnie.Lemcke@ofina.on.ca>
Subject: RE: BN - Lending Directive for Loan to OCRC.docx

Hi Andrea,

That's great. Thank you very much.

We may have some updates/comments to follow.

Thanks,
Garth

From: Andrea Dalgarno
Sent: December-06-17 12:30 PM
To: Garth Parish <Garth.Parish@ofina.on.ca>
Cc: Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Daki Proudfoot <Daki.Proudfoot@ofina.on.ca>
Subject: RE: BN - Lending Directive for Loan to OCRC.docx

Hi Garth,
I have been asked to respond to your query. Attached is the most current listing we have available of the OFA loans under the two OIC's. This listing was finalized in conjunction with Daki in Corporate Finance.
Based on this July 11, 2017 listing, the remaining authority under the two OIC's are as follows:

1) OIC 675/97 (the currently active one) has remaining authority of $721,594,955.57 as of July 11, 2017

2) OIC 767/99 has authority in the amount of $656,000,000.00 as of July 11, 2017

So it seems, we should be able to draw on OIC 675/97 for the additional loans you reference given it was noted in the BN you attached that the 2017-2018 OFA Borrowing and On-lending Plan was set at $486 million and apparently $250 million of that was postponed to 2018-2019.

Let me know should you have any further question or concerns.

Regards,

Andrea

From: Garth Parish
Sent: Tuesday, December 05, 2017 3:37 PM
To: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: Bonnie Zhang <Bonnie.Zhang@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: FW: BN - Lending Directive for Loan to OCRC.docx

Hi Jean-Francois,

You will see in the highlighted section below that Lisa is asking that we confirm that 2 OFA loans we are working on:

- $150 million to the Ontario Cannabis Retail Corporation
- $100 million to St Michael's hospital

are covered by the "existing on-lending OIC's".

I don't know who would keep a registry of the OICs and what loans they cover. Would your group have this registry?

Thanks,
Garth

From: Lisa Stein
Sent: December-04-17 1:25 PM
To: Garth Parish <Garth.Parish@ofina.on.ca>
Cc: Bonnie Zhang <Bonnie.Zhang@ofina.on.ca>
Subject: BN - Lending Directive for Loan to OCRC.docx

Hi Garth,

Please find attached some comments and suggested amendments to the draft briefing note, attached. I did not review the attachments; however, as discussed on Friday, they still reference the loan to St. Michael's hospital as well (and these references should be deleted).

I'm still working on the directive for the OCRC loan. In the meantime, can you please confirm that this loan is covered by the existing on-lending OICs (as referenced in the draft note)?

Thank you,

Lisa

Lisa N. Stein
Legal Counsel
Ontario Financing Authority
416-325-2320

****
This message, including any attachments, is intended only for the use of the individual(s) to which it is addressed and contains information that is privileged/confidential. Any other distribution, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify the sender immediately by reply e-mail and permanently delete this message, including any attachments, without reading it or making a copy. Thank you.
****

From:	Andrea Dalgarno
To:	Garth Parish
Cc:	Opal Kandelas; Jean-Francois Beaupre; Daki Proudfoot; Mara Bakic; Bonnie Lemcke
Subject:	RE: BN - Lending Directive for Loan to OCRC.docx
Date:	Wednesday, December 06, 2017 2:09:54 PM

Hi,

I have a place holder for when we do the next joint update to add the new 2 billion OIC 1279/2017 and the associated 2 billion line of credit (IESO-OFA credit facility FHP related). Also note the IESO 975m one will be removed while the IESO 475M will remain- it will be one line representing 475M.

Regards,

Andrea

From: Garth Parish
Sent: Wednesday, December 06, 2017 1:52 PM
To: Andrea Dalgarno <Andrea.Dalgarno@ofina.on.ca>
Cc: Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Daki Proudfoot <Daki.Proudfoot@ofina.on.ca>; Mara Bakic <Mara.Bakic@ofina.on.ca>; Bonnie Lemcke <Bonnie.Lemcke@ofina.on.ca>
Subject: RE: BN - Lending Directive for Loan to OCRC.docx

Hi Andrea,

That's great. Thank you very much.

We may have some updates/comments to follow.

Thanks,
Garth

From: Andrea Dalgarno
Sent: December-06-17 12:30 PM
To: Garth Parish <Garth.Parish@ofina.on.ca>
Cc: Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Daki Proudfoot <Daki.Proudfoot@ofina.on.ca>
Subject: RE: BN - Lending Directive for Loan to OCRC.docx

Hi Garth,
I have been asked to respond to your query. Attached is the most current listing we have available of the OFA loans under the two OIC's. This listing was finalized in conjunction with Daki in Corporate Finance.

Based on this July 11, 2017 listing, the remaining authority under the two OIC's are as follows:

1) OIC 675/97 (the currently active one) has remaining authority of $721,594,955.57 as of July 11, 2017

2) OIC 767/99 has authority in the amount of $656,000,000.00 as of July 11, 2017

So it seems, we should be able to draw on OIC 675/97 for the additional loans you reference given it was noted in the BN you attached that the 2017-2018 OFA Borrowing and On-lending Plan was set at $486 million and apparently $250 million of that was postponed to 2018-2019.

Let me know should you have any further question or concerns.

Regards,

Andrea

From: Garth Parish
Sent: Tuesday, December 05, 2017 3:37 PM
To: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: Bonnie Zhang <Bonnie.Zhang@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: FW: BN - Lending Directive for Loan to OCRC.docx

Hi Jean-Francois,

You will see in the highlighted section below that Lisa is asking that we confirm that 2 OFA loans we are working on:

- $150 million to the Ontario Cannabis Retail Corporation
- $100 million to St Michael's hospital

are covered by the "existing on-lending OIC's".

I don't know who would keep a registry of the OICs and what loans they cover. Would your group have this registry?

Thanks,
Garth

From: Lisa Stein
Sent: December-04-17 1:25 PM
To: Garth Parish <Garth.Parish@ofina.on.ca>

Cc: Bonnie Zhang <Bonnie.Zhang@ofina.on.ca>
Subject: BN - Lending Directive for Loan to OCRC.docx

Hi Garth,

Please find attached some comments and suggested amendments to the draft briefing note, attached. I did not review the attachments; however, as discussed on Friday, they still reference the loan to St. Michael's hospital as well (and these references should be deleted).

I'm still working on the directive for the OCRC loan. In the meantime, can you please confirm that this loan is covered by the existing on-lending OICs (as referenced in the draft note)?

Thank you,

Lisa

Lisa N. Stein
Legal Counsel
Ontario Financing Authority
416-325-2320

****
This message, including any attachments, is intended only for the use of the individual(s) to which it is addressed and contains information that is privileged/confidential. Any other distribution, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify the sender immediately by reply e-mail and permanently delete this message, including any attachments, without reading it or making a copy. Thank you.
****

From: Opal Kandelas
To: Andrea Dalgarno
Cc: Jean-Francois Beaupre
Subject: RE: BN - Lending Directive for Loan to OCRC.docx
Date: Wednesday, December 06, 2017 10:53:55 AM

Hi Andrea,

Both entities are public bodies. St Mike's is defined within the Public Hospital Act and the Cannabis Corp. is both a crown agent and a public body. Please let Garth know the balance remaining under the OICs. We should be able to keep drawing down OIC675/97. Once we have a copy of the signed directive and/or the signed agreements (or some other indication the loans will proceed) we can add the loans to the chart. I'd do so anyway for now, as a place holder. Also a good idea to check in with Daki as to the potential change.

We count on CEFD to let us know when there are changes in the OIC requirements. And as Garth has done, they should check with us to ensure authority exists before proceeding with any new loans.

On another note, I don't see the $2B OFA-IESO credit facility & OIC recorded. Do you happen to know if that kept elsewhere for some reason?
Thanks,
Opal

From: Andrea Dalgarno
Sent: Wednesday, December 06, 2017 7:42 AM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Cc: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Subject: RE: BN - Lending Directive for Loan to OCRC.docx

Hi,

As of the last time we did the update exercise in mid-July 2017, there was approximately 1.4 billion available under the two OIC's.

It appears (based on the briefing note attached to the email below from Garth) the Board approved the 2017-18 OFA Borrowing and On lending Plan in June 2017 for a net amount for $486 million which is well under the $1.4 billion. The note further indicated that $250 million of that approved amount related to colleges and universities has since been postponed to 2018-19. I think this would seem to indicate there is sufficient room to add the two loans ($150 million to OCRC and $100 million to St Michael's). We are not privy to the loan activity in Corporate Finance on a day to day basis so this analysis assumes no other mitigating activity since July 2017.

In terms of the appropriateness of lending to OCRC and St Michael's. I can only provide my best thoughts (legal needs to determine with certainty). Although the majority of loans appear to be to Colleges and Universities, I do not see anything that makes St Michaels's inadmissible. Hospitals are included in the definition of public bodies under the OFA section of CIPA and the OFA's objects

include assisting public bodies to borrow. The OIC's reference "third Party loans" and thus contemplate such activity. As for OCRC, from what I have read , it will be a subsidiary of LCBO which I think is a crown corporation, I am unsure but it may be captures in the definition of public body under as a Crown agency. OFA Legal would need to determine this with certainty.

When you get in and have time to assess, we can discuss and then I will respond to Garth.

Regards,

Andrea

From: Opal Kandelas
Sent: Tuesday, December 05, 2017 9:43 PM
To: Andrea Dalgarno <Andrea.Dalgarno@ofina.on.ca>
Subject: Re: BN - Lending Directive for Loan to OCRC.docx

Hi Andrea, I agree regarding the advice OFA legal will need to provide. Don't think they need copies of the OIC, but they need to know whether the 2 loans are already included in the spreadsheet and if not, that there is room under the OICs to include them. We can touch base on this prior to you responding to the email tomorrow morning.

Have a good night as well.
Opal.

Sent from my iPhone

On Dec 5, 2017, at 6:57 PM, Andrea Dalgarno <Andrea.Dalgarno@ofina.on.ca> wrote:

> Hi Opal,
>
> I will forward them the information I have- the last update I worked on with Daki in Corporate Finance regarding the outstanding loans. They should have that already though!
>
> I will also forward the associated 2 OICs . However, I think OFA legal likely needs to make the call on whether they are covered ultimately based on the nature of the entities and the language of the OICs and Acts referenced therein.
>
> Have a nice evening and we shall see what comes of this tomorrow.
>
> Regards,
>
> Andrea

Sent from my iPhone

On Dec 5, 2017, at 6:37 PM, Opal Kandelas <Opal.Kandelas@ofina.on.ca> wrote:

> Hi Andrea,
>
> Could you please have a look at the OFA loans borrowing authority spreadsheet for the loans mentioned in Garth's email and respond to him and the interested parties below.
>
> Thanks Opal.
>
> Sent from my iPad
>
> Begin forwarded message:
>
> ---
>
> **From:** Garth Parish
> **Sent:** Tuesday, December 05, 2017 3:37 PM
> **To:** Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
> **Cc:** Bonnie Zhang <Bonnie.Zhang@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
> **Subject:** FW: BN - Lending Directive for Loan to OCRC.docx
>
> Hi Jean-Francois,
>
> You will see in the highlighted section below that Lisa is asking that we confirm that 2 OFA loans we are working on:
>
> - $150 million to the Ontario Cannabis Retail Corporation
> - $100 million to St Michael's hospital
>
> are covered by the "existing on-lending OIC's".
>
> I don't know who would keep a registry of the OICs and what loans they cover. Would your group have this registry?
>
> Thanks,
> Garth
>
> ---

From: Lisa Stein
Sent: December-04-17 1:25 PM
To: Garth Parish <Garth.Parish@ofina.on.ca>
Cc: Bonnie Zhang <Bonnie.Zhang@ofina.on.ca>
Subject: BN - Lending Directive for Loan to OCRC.docx

Hi Garth,

Please find attached some comments and suggested amendments to the draft briefing note, attached. I did not review the attachments; however, as discussed on Friday, they still reference the loan to St. Michael's hospital as well (and these references should be deleted).

I'm still working on the directive for the OCRC loan. In the meantime, can you please confirm that this loan is covered by the existing on-lending OICs (as referenced in the draft note)?

Thank you,

Lisa

Lisa N. Stein
Legal Counsel
Ontario Financing Authority
416-325-2320

****
This message, including any attachments, is intended only for the use of the individual(s) to which it is addressed and contains information that is privileged/confidential. Any other distribution, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify the sender immediately by reply e-mail and permanently delete this message, including any attachments, without reading it or making a copy. Thank you.
****

<BN - Lending Directive for Loan to OCRC.docx>

From: Opal Kandelas
To: Andrea Dalgarno
Cc: Sarah Harris
Subject: RE: BN - Lending Directive for Loan to OCRC.docx
Date: Tuesday, March 27, 2018 4:59:19 PM

Hi Andrea,

Could you please send Garth a template of an LRC note? Once he has drafted the briefing note and LRC note we can assist with review. There are still though a lot of moving pieces here so this could be a very interesting project!

Thanks,
Opal.

From: Garth Parish
Sent: Tuesday, March 27, 2018 3:46 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>
Cc: Andrea Dalgarno <Andrea.Dalgarno@ofina.on.ca>; Dimitri Markoulakis (MOF) <Dimitri.Markoulakis@ontario.ca>; Mara Bakic <Mara.Bakic@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: RE: BN - Lending Directive for Loan to OCRC.docx

Hi Opal,

Yes, will do.

Regards,
Garth

From: Opal Kandelas
Sent: March-27-18 3:34 PM
To: Garth Parish <Garth.Parish@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>
Cc: Andrea Dalgarno <Andrea.Dalgarno@ofina.on.ca>; Dimitri Markoulakis (MOF) <Dimitri.Markoulakis@ontario.ca>; Mara Bakic <Mara.Bakic@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: RE: BN - Lending Directive for Loan to OCRC.docx

Hi Garth,

Would you please share a briefing note, draft Minister's directive and any other pertinent materials with us. The date for submitting a package for the April 16 LRC has long passed, but we can work towards getting this item to the DMO. An LRC Note will need to be prepared by CEFD as soon as

possible. I've cc'd Anna so that she is aware.

Please send Anna a brief description of the issue so as to inform her discussions with DMO.

Thanks,
Opal

From: Garth Parish
Sent: Tuesday, March 27, 2018 2:29 PM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>; Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>
Cc: Andrea Dalgarno <Andrea.Dalgarno@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Dimitri Markoulakis (MOF) <Dimitri.Markoulakis@ontario.ca>; Mara Bakic <Mara.Bakic@ofina.on.ca>
Subject: RE: BN - Lending Directive for Loan to OCRC.docx

Hi Sarah,

As Malle says, the best approach and the approach we, including Gadi, are recommending is that the "commitment" (in whatever form) be provided by MOH.

However, it appears as though the loan will be required eventually and will only work under a 35 year amortization (again Gadi has agreed to this amortization in principle), so we will need to amend the OIC. Given that our Plan B, which may be needed, is to provide some joint assurance MOF/MOH to HOOPP by April 30, I would like to work with Capital Markets to try to get the OIC in place so that we can use Plan B if necessary.

If you agree, just let me know what you need from me.

Thanks,
Garth

From: Sarah Harris
Sent: March-27-18 1:11 PM
To: Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>
Cc: Garth Parish <Garth.Parish@ofina.on.ca>; Andrea Dalgarno <Andrea.Dalgarno@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Dimitri Markoulakis (MOF) <Dimitri.Markoulakis@ontario.ca>
Subject: RE: BN - Lending Directive for Loan to OCRC.docx

Malle,

Thank you very much for your quick response.

Garth – I'm not familiar with the various inputs Malle has mentioned below with the loan, and the

timing for getting these. Is it possible to obtain all the required approvals, etc. prior to April 30th? As Malle indicates, a binding commitment doesn't seem possible without these elements. On the other hand, if it is possible, we could try to make the case for including an amending OIC for the April 16th LRC.

Thanks,
Sarah

From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Tuesday, March 27, 2018 12:49 PM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: Garth Parish <Garth.Parish@ofina.on.ca>; Andrea Dalgarno <Andrea.Dalgarno@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Dimitri Markoulakis (MOF) <Dimitri.Markoulakis@ontario.ca>
Subject: RE: BN - Lending Directive for Loan to OCRC.docx

Hi,

Dimitri has been working on this as well so copying him here. According to the current OIC's, OFA must repay the funds borrowed from the Province by 2040 (I haven't check them all now but assume that you have) so the OFA couldn't make a longer term loan to a third party such as the hospital without an amending OIC as you describe.

I think that the only thing that could be done is to see whether there is any possibility of walking this OIC in at this point if it is that critical. However, at the same time, I know that there have been numerous elements regarding this potential loan including possibly having MOHLTC provide an indemnity to the OFA regarding the repayment by the hospital. Not sure that we could in anyway provide a binding commitment that the money will be available in 2019 since there would be many other elements such as a Minister's directive, the negotiation of the loan agreement and due diligence that would make it conditional. However, it seems that the amendment to the OIC is a necessary precondition.

Also just thinking general about this project, is it anticipated that any other approvals or signing of agreements, etc. would be proposed during the writ period?

Thanks,

Malle

From: Sarah Harris [mailto:Sarah.Harris@ofina.on.ca]
Sent: March 27, 2018 12:21 PM
To: Hanslep, Malle (MOF)
Cc: Parish, Garth (OFA); Dalgarno, Andrea (OFA); Kandelas, Opal (OFA)
Subject: FW: BN - Lending Directive for Loan to OCRC.docx

Hello Malle,

I am writing to you to inquire about the timing for an approval for an OIC in relation to a loan that

the OFA may be making to St. Michael's, as detailed below.

In short, the OFA has the available room under its existing lending OICs (i.e. the OICs where the OFA borrows from Her Majesty, and then in turn makes loans to public bodies), but the expiry dates of the existing OICs are shorter than the proposed maturity. The OICs expire in 2041 and the loan would mature in late 2054. In order for the St. Micheal's loan to occur, there has to be a binding assurance to HOOPP by April 30th that funds will be available to be advance in the summer of 2019. In order for us to provide this, we would need to get approval for an amending OIC to extend the expiry dates of the existing OICs to 2055.

Given that the last LRC scheduled is for April 16th, and the deadlines for providing materials has passed (March 20th), it doesn't seem possible to get approval for an amending OIC prior to April 30th. Do you know of any options that might make this possible?

Thanks,
Sarah

From: Andrea Dalgarno
Sent: Tuesday, March 27, 2018 11:46 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: FW: BN - Lending Directive for Loan to OCRC.docx

FYI

From: Garth Parish
Sent: Tuesday, March 27, 2018 11:43 AM
To: Andrea Dalgarno <Andrea.Dalgarno@ofina.on.ca>
Cc: Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Daki Proudfoot <Daki.Proudfoot@ofina.on.ca>; Mara Bakic <Mara.Bakic@ofina.on.ca>; Bonnie Lemcke <Bonnie.Lemcke@ofina.on.ca>; Bonnie Zhang <Bonnie.Zhang@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: BN - Lending Directive for Loan to OCRC.docx

Hi Andrea,

We are in discussions with St. Michael's Hospital to provide them with a $100M loan that would be amortized over 35 years. This is with regard to pension assets that they are transferring to HOOPP that need to be topped up by $100M.

A wrinkle is that they need to provide a binding assurance to HOOPP by April 30 that they have the funds although the effective date of the loan and the transfer of funds won't take place until July/August of 2019. This means that the loan wouldn't be paid off until late 2054.

We understand that the latest dated OIC is 844/2008 which ends June 1, 2041, so in order to make

this loan we would need an OIC out to say, 2055 – although we may wish to make it later. A smaller request from Grand River hospital would be similar. Both loans would fit within the existing authorized amounts but not the repayment date.

Please advise the best way to proceed towards the required OIC amendment re timing.

Thanks. I will call to follow up.

Thanks,
Garth

From: Andrea Dalgarno
Sent: December-06-17 2:10 PM
To: Garth Parish <Garth.Parish@ofina.on.ca>
Cc: Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Daki Proudfoot <Daki.Proudfoot@ofina.on.ca>; Mara Bakic <Mara.Bakic@ofina.on.ca>; Bonnie Lemcke <Bonnie.Lemcke@ofina.on.ca>
Subject: RE: BN - Lending Directive for Loan to OCRC.docx

Hi,

I have a place holder for when we do the next joint update to add the new 2 billion OIC 1279/2017 and the associated 2 billion line of credit (IESO-OFA credit facility FHP related). Also note the IESO 975m one will be removed while the IESO 475M will remain- it will be one line representing 475M.

Regards,

Andrea

From: Garth Parish
Sent: Wednesday, December 06, 2017 1:52 PM
To: Andrea Dalgarno <Andrea.Dalgarno@ofina.on.ca>
Cc: Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Daki Proudfoot <Daki.Proudfoot@ofina.on.ca>; Mara Bakic <Mara.Bakic@ofina.on.ca>; Bonnie Lemcke <Bonnie.Lemcke@ofina.on.ca>
Subject: RE: BN - Lending Directive for Loan to OCRC.docx

Hi Andrea,

That's great. Thank you very much.

We may have some updates/comments to follow.

Thanks,
Garth

From: Andrea Dalgarno
Sent: December-06-17 12:30 PM
To: Garth Parish <Garth.Parish@ofina.on.ca>
Cc: Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Daki Proudfoot <Daki.Proudfoot@ofina.on.ca>
Subject: RE: BN - Lending Directive for Loan to OCRC.docx

Hi Garth,
I have been asked to respond to your query. Attached is the most current listing we have available of the OFA loans under the two OIC's. This listing was finalized in conjunction with Daki in Corporate Finance.
Based on this July 11, 2017 listing, the remaining authority under the two OIC's are as follows:

1) OIC 675/97 (the currently active one) has remaining authority of $721,594,955.57 as of July 11, 2017

2) OIC 767/99 has authority in the amount of $656,000,000.00 as of July 11, 2017

So it seems, we should be able to draw on OIC 675/97 for the additional loans you reference given it was noted in the BN you attached that the 2017-2018 OFA Borrowing and On-lending Plan was set at $486 million and apparently $250 million of that was postponed to 2018-2019.

Let me know should you have any further question or concerns.

Regards,

Andrea

From: Garth Parish
Sent: Tuesday, December 05, 2017 3:37 PM
To: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: Bonnie Zhang <Bonnie.Zhang@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: FW: BN - Lending Directive for Loan to OCRC.docx

Hi Jean-Francois,

You will see in the highlighted section below that Lisa is asking that we confirm that 2 OFA loans we are working on:

- $150 million to the Ontario Cannabis Retail Corporation
- $100 million to St Michael's hospital

are covered by the "existing on-lending OIC's".

I don't know who would keep a registry of the OICs and what loans they cover. Would your group have this registry?

Thanks,
Garth

From: Lisa Stein
Sent: December-04-17 1:25 PM
To: Garth Parish <Garth.Parish@ofina.on.ca>
Cc: Bonnie Zhang <Bonnie.Zhang@ofina.on.ca>
Subject: BN - Lending Directive for Loan to OCRC.docx

Hi Garth,

Please find attached some comments and suggested amendments to the draft briefing note, attached. I did not review the attachments; however, as discussed on Friday, they still reference the loan to St. Michael's hospital as well (and these references should be deleted).

I'm still working on the directive for the OCRC loan. In the meantime, can you please confirm that this loan is covered by the existing on-lending OICs (as referenced in the draft note)?

Thank you,

Lisa

Lisa N. Stein
Legal Counsel
Ontario Financing Authority
416-325-2320

****
This message, including any attachments, is intended only for the use of the individual(s) to which it is addressed and contains information that is privileged/confidential. Any other distribution, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify the sender immediately by reply e-mail and permanently delete this message, including any attachments, without reading it or making a copy. Thank you.
****

From:	Tara McGrath
To:	Erica Wieder; Ken Kandeepan; Mike Manning; Opal Kandelas; Bonnie Lemcke; James Devine; David Peters
Subject:	RE: Borrowing Program
Date:	Friday, September 21, 2018 8:58:16 AM
Attachments:	ifci-2018.pdf

Hi,

Please find attached the Commission's Report.

https://news.ontario.ca/mof/en/2018/09/ontario-releases-2017-18-public-accounts-and-findings-of-the-independent-financial-commission-of-inq.html

https://news.ontario.ca/mof/en/2018/09/report-of-the-independent-financial-commission-of-inquiry.html

Thanks,

Tara

-----Original Message-----
From: Gadi Mayman
Sent: Friday, September 21, 2018 8:37 AM
To: Erica Wieder <Erica.Wieder@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Bonnie Lemcke <Bonnie.Lemcke@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>; David Peters <David.Peters@ofina.on.ca>
Cc: Tara McGrath <Tara.McGrath@ofina.on.ca>
Subject: Borrowing Program

As you're aware, the Minister has just announced the Commission's estimated deficit. While it's a large change, I believe that the overall impact on the borrowing program will only be about half that amount when combined with the extra cash prefunded in 17-18 identified with the release of Public Accounts.

Because of this large differential between the fiscal change and the borrowing requirement change, I'd like to get the revised financing table up to the DMO, and through them to the MO, as quickly as we can this morning, so that we can get their approval to release it through a CEO's corner as early next week as possible. In the meantime, our response to questions from banks or rating agencies has to be a holding line of we are calculating the impact on the borrowing program, but because of the non-cash nature of much of the change, we expect the increase in our financing requirements will be substantially less than the difference between the Commission's forecast deficit and the estimated deficit in Budget 2018.

Security settings or invalid file format do not permit using ifci-2018.pdf (2246761 Bytes).

From:	Sarah Harris
To:	Mike Manning
Cc:	Opal Kandelas; Linda Smith
Subject:	RE: DRAFT IESO FH credit letter
Date:	Thursday, May 11, 2017 10:56:24 AM

Thanks, Mike.

Sarah

From: Mike Manning
Sent: Thursday, May 11, 2017 10:47 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Linda Smith <Linda.Smith@ofina.on.ca>
Subject: RE: DRAFT IESO FH credit letter

Hi Sarah:
I'm thinking at this time that 7 to 95 days would be ok. Also the Ontario + 25bps off the top for the new facility is likely ok as it matches the $975 facility. Happy to discuss further.

Mike

From: Sarah Harris
Sent: Wednesday, May 10, 2017 4:28 PM
To: Mike Manning <Mike.Manning@ofina.on.ca>
Cc: Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Linda Smith <Linda.Smith@ofina.on.ca>
Subject: RE: DRAFT IESO FH credit letter

Hi Mike,

I'm coordinating with John Kim on particulars of IESO's attached request, but would appreciate your input on the following:

1) IESO has requested "a reduction in the 28 days minimum draw for the existing facility to a minimum of 7 days to a maximum of 95 days." Currently the $975M OFA-IESO credit facility permits draws between 28 and 95 days. Is it acceptable to reduce the minimum amount to 7 days for the existing facility (to also be applied to the requested additional $1,500M commitment)?

2) IESO has requested the "interest charge to be Province's cost of funds for borrowing with a similar term as determined by OFA plus 0.25 percent per annum". The current $975M OFA-IESO Credit Facility provides for this same rate. Would this rate be acceptable on the requested additional $1,500M commitment?

Thanks,

Sarah

From: Opal Kandelas
Sent: Tuesday, May 09, 2017 11:54 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: FW: DRAFT IESO FH credit letter
Importance: High

From: Mike Manning
Sent: Tuesday, May 09, 2017 11:21 AM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: FW: DRAFT IESO FH credit letter
Importance: High

As discussed.
Mike

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Tuesday, May 09, 2017 10:26 AM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; John Psinas <John.Psinas@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>
Subject: DRAFT IESO FH credit letter

See attached draft letter we hope to issue this week – for your comments (will appreciate by Thursday this week if any).

I did speak with Moody's on April 28 to obtain their feedback.

Call me @ 905.403.6944 to discuss (…Ken can we discuss the interest exp/income flows when you have a moment).

As mentioned the current $975M supports the RPP today which will be transitioned to the new FH going forward – for this draft as discussed with my CFO I have left the $975M as is but will seek to use for FH too.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named

recipient(s), please notify the sender immediately and delete this e-mail message.

From:	Mike Manning
To:	Sarah Harris
Cc:	Opal Kandelas; Linda Smith
Subject:	RE: DRAFT IESO FH credit letter
Date:	Thursday, May 11, 2017 10:47:18 AM
Importance:	High

Hi Sarah:
I'm thinking at this time that 7 to 95 days would be ok. Also the Ontario + 25bps off the top for the new facility is likely ok as it matches the $975 facility. Happy to discuss further.

Mike

From: Sarah Harris
Sent: Wednesday, May 10, 2017 4:28 PM
To: Mike Manning <Mike.Manning@ofina.on.ca>
Cc: Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Linda Smith <Linda.Smith@ofina.on.ca>
Subject: RE: DRAFT IESO FH credit letter

Hi Mike,

I'm coordinating with John Kim on particulars of IESO's attached request, but would appreciate your input on the following:

1) IESO has requested "a reduction in the 28 days minimum draw for the existing facility to a minimum of 7 days to a maximum of 95 days." Currently the $975M OFA-IESO credit facility permits draws between 28 and 95 days. Is it acceptable to reduce the minimum amount to 7 days for the existing facility (to also be applied to the requested additional $1,500M commitment)?

2) IESO has requested the "interest charge to be Province's cost of funds for borrowing with a similar term as determined by OFA plus 0.25 percent per annum". The current $975M OFA-IESO Credit Facility provides for this same rate. Would this rate be acceptable on the requested additional $1,500M commitment?

Thanks,
Sarah

From: Opal Kandelas
Sent: Tuesday, May 09, 2017 11:54 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: FW: DRAFT IESO FH credit letter
Importance: High

From: Mike Manning
Sent: Tuesday, May 09, 2017 11:21 AM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: FW: DRAFT IESO FH credit letter
Importance: High

As discussed.
Mike

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Tuesday, May 09, 2017 10:26 AM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; John Psinas <John.Psinas@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>
Subject: DRAFT IESO FH credit letter

See attached draft letter we hope to issue this week – for your comments (will appreciate by Thursday this week if any).

I did speak with Moody's on April 28 to obtain their feedback.

Call me @ 905.403.6944 to discuss (…Ken can we discuss the interest exp/income flows when you have a moment).

As mentioned the current $975M supports the RPP today which will be transitioned to the new FH going forward – for this draft as discussed with my CFO I have left the $975M as is but will seek to use for FH too.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

From:	Sarah Harris
To:	Mike Manning
Cc:	Opal Kandelas; Linda Smith
Subject:	RE: DRAFT IESO FH credit letter
Date:	Wednesday, May 10, 2017 4:28:02 PM
Attachments:	IESO_OFA FEP 2017 Credit Letter v3 draft.docx

Hi Mike,

I'm coordinating with John Kim on particulars of IESO's attached request, but would appreciate your input on the following:

1) IESO has requested "a reduction in the 28 days minimum draw for the existing facility to a minimum of 7 days to a maximum of 95 days." Currently the $975M OFA-IESO credit facility permits draws between 28 and 95 days. Is it acceptable to reduce the minimum amount to 7 days for the existing facility (to also be applied to the requested additional $1,500M commitment)?

2) IESO has requested the "interest charge to be Province's cost of funds for borrowing with a similar term as determined by OFA plus 0.25 percent per annum". The current $975M OFA-IESO Credit Facility provides for this same rate. Would this rate be acceptable on the requested additional $1,500M commitment?

Thanks,
Sarah

From: Opal Kandelas
Sent: Tuesday, May 09, 2017 11:54 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: FW: DRAFT IESO FH credit letter
Importance: High

From: Mike Manning
Sent: Tuesday, May 09, 2017 11:21 AM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: FW: DRAFT IESO FH credit letter
Importance: High

As discussed.
Mike

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Tuesday, May 09, 2017 10:26 AM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; John Psinas <John.Psinas@ofina.on.ca>; Ronald

Kwan <Ronald.Kwan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>
Subject: DRAFT IESO FH credit letter

See attached draft letter we hope to issue this week – for your comments (will appreciate by Thursday this week if any).

I did speak with Moody's on April 28 to obtain their feedback.

Call me @ 905.403.6944 to discuss (…Ken can we discuss the interest exp/income flows when you have a moment).

As mentioned the current $975M supports the RPP today which will be transitioned to the new FH going forward – for this draft as discussed with my CFO I have left the $975M as is but will seek to use for FH too.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

Connecting Today.
Powering Tomorrow.

Independent Electricity System Operator
Station A, Box 4474
Toronto, ON M5W 4E5
t 905.403.6900
www.ieso.ca

May 8, 2017.

Mr. Gadi Mayman
Chief Executive Officer
Ontario Financing Authority
1 Dundas Street West, Suite 1400
Toronto, Ontario, M7A 1Y7

Re: **IESO Credit Requirements for the 2017 Fair Hydro Program**

Dear Mr. Mayman,

As you are aware the Ontario government has announced its intension to implement the Fair Hydro program (FHP) to reduce electricity prices for consumers in the province. Legislation is expected to be introduced this month for the program. The Independent Electricity System Operator (IESO) is preparing to implement the FHP and has determined that to support the IESO's role in implementation it will need greater credit liquidity than currently exists.

The existing credit facility between the IESO and the Ontario Financing Authority's (OFA) is $975 million. The IESO proposes that an additional facility/commitment be provided in the amount of $1,500 million. This would enable the IESO to provide interim financing for the FHP's global adjustment smoothing for a period of several months if needed.

We suggest the OFA's current $975 million agreement and the new separate (or co-mingled) FHP agreement consider the following key provisions:

- FHP: 5 year term to align with the FHP's deferral of electricity prices period plus a few months of contingency (i.e. September 30, 2022);
- FHP: interest charge to be Province's cost of funds for borrowing with a similar term as determined by OFA plus 0.25 percent per annum;
- FHP: drawings to be based on minimum of 7 days to a maximum of 95 days, to minimize interest costs and permit efficient FHP asset transfers;
- $975 million: draws to permit for FHP purposes; and
- $975 million: a reduction in the 28 days minimum draw for the existing facility to a minimum of 7 days to a maximum of 95 days;

Should the IESO find that there is consistent usage of these facilities we will contact the OFA

for further arrangements.

Upon your reply to this letter, the IESO will seek any necessary IESO Board of Directors' approval for the above credit facility(ies) and we will provide such evidence for the OFA's records.

We appreciate the OFA's continue support and look forward to working with you. Please contact me should you need anything further.

Sincerely,

DRAFT

Kimberly Marshall
Vice President Corporate Services, Chief Financial Officer and Treasurer
416-969-6232

From:	Sarah Harris
To:	Ken Kandeepan
Cc:	Salman Qadir; Opal Kandelas; Linda Smith
Subject:	RE: DRAFT IESO FH credit letter
Date:	Thursday, May 11, 2017 2:55:31 PM

Hi Ken,

It looks like Mike and Ron have addressed this, so please disregard this e-mail.

Apologies for any confusion.

Thanks,
Sarah

From: Sarah Harris
Sent: Thursday, May 11, 2017 12:45 PM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Cc: Salman Qadir <Salman.Qadir@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Linda Smith <Linda.Smith@ofina.on.ca>
Subject: FW: DRAFT IESO FH credit letter

Hello Ken,

As you were a recipient on this original e-mail from Anthony Martinello at IESO, I thought I would run CMD and CEFD's comments by you so far. I understand from Salman that Ron will be providing some additional comments shortly.

Ken, do you have any comments on IESO's letter? IESO has requested a response by today.

Thanks,
Sarah

From: Salman Qadir
Sent: Thursday, May 11, 2017 11:22 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: RE: DRAFT IESO FH credit letter

Hi Sarah,

Attached is CEFD comments/markup. Was waiting for one last confirmation but might as well send this out to you to which you seemed to have incorporated already.

For your 2 comments, highlighted below, the first question we need confirmed from IESO is their requirement. We prefer to go the route of doing the FHP requirement separately as well, so we need confirmation on if the requirement is $1.5 billion or is there anything else they would have

used the $975M one for. We may need to reduce the $975M one.

Would you have LRC dates for June/July? Just trying to see how the timelines would fit in. You had mentioned you may have a table with some dates, just so we can work backwards.

Thanks,
Salman

From: Sarah Harris
Sent: Thursday, May 11, 2017 11:16 AM
To: Salman Qadir <Salman.Qadir@ofina.on.ca>
Subject: RE: DRAFT IESO FH credit letter

Thank you, Salman

I asked Mike Manning about the changing the draw period from the current 28-95 days, to 7-95 days, and he is fine with that change.

Mike also is fine with the proposed "interest charge to be Province's cost of funds for borrowing with a similar term as determined by OFA plus 0.25 percent per annum", as it exactly matches the rate on the current $975M facility.

Just so we agree on IESO's requested in terms of setting up the credit facility, is it also your understanding that IESO wishes to:

1) amend the $975M to allow for FHP draws and to reduce the draw period to 7-95 days, but the expiry date will remain unchanged at **December 31, 2019**, and;
2) have a new FHP exclusive facility for the requested additional $1,500M commitment expiring September 30, 2022, with the terms outlined in the letter.

Have you also received confirmation that OFA will be funding the new $1,500M commitment?

Thanks,
Sarah

From: Salman Qadir
Sent: Thursday, May 11, 2017 10:15 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: RE: DRAFT IESO FH credit letter

Hi Sarah,

I'll be getting some comments on the letter back to you shortly. Mostly likely the same ones we discussed and which you also had.

Salman

From: Sarah Harris
Sent: Tuesday, May 09, 2017 4:15 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Salman Qadir <Salman.Qadir@ofina.on.ca>; Linda Smith <Linda.Smith@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: FW: DRAFT IESO FH credit letter

Hello John,

I'm not sure if you've seen the attached letter as of yet. We have received this request from IESO to set-up a credit facility for IESO to borrow $1,500M to fund the Fair Hydro Program.

IESO indicates that they either wish to have the existing $975M credit facility between the OFA and IESO increased by $1,500M (incorporating their proposed provisions) or to have a separate $1,500M credit facility altogether. I'm aware that there have some discussions around this. Do you know if it has been decided if OFA or OEFC should provide this facility?

Thanks,
Sarah
5-8193

From: Opal Kandelas
Sent: Tuesday, May 09, 2017 11:54 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: FW: DRAFT IESO FH credit letter
Importance: High

From: Mike Manning
Sent: Tuesday, May 09, 2017 11:21 AM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: FW: DRAFT IESO FH credit letter
Importance: High

As discussed.

Mike

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Tuesday, May 09, 2017 10:26 AM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; John Psinas <John.Psinas@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>
Subject: DRAFT IESO FH credit letter

See attached draft letter we hope to issue this week – for your comments (will appreciate by Thursday this week if any).

I did speak with Moody's on April 28 to obtain their feedback.

Call me @ 905.403.6944 to discuss (…Ken can we discuss the interest exp/income flows when you have a moment).

As mentioned the current $975M supports the RPP today which will be transitioned to the new FH going forward – for this draft as discussed with my CFO I have left the $975M as is but will seek to use for FH too.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

From:	Ken Kandeepan
To:	Carlos Yep; Mike Manning; James Devine
Cc:	Graham Monroe; Connie Chen; Opal Kandelas; John Psinas; John Kim; Bruno Amara; "Montgomery, Kaitlin (MOF)"
Subject:	RE: Draft GA Sub debt term sheet - Performance Fee Recommendations
Date:	Friday, June 02, 2017 1:29:01 PM

Carlos, Mike and Jim

Since I will not be available for the meeting this afternoon here is my single comment.

I have concerns with the weighted average calculation of both the benchmark and actual issuance including the debt issued to the Trust by OPG funded by the 44% equity injection given that there are no market forces in play with regard both issuance and funding of this tranche, at least from an OPG perspective.

The only way in which this tranche is acceptable for performance inclusion is by OPG linking the yield on this debt to what was issued to the markets by the Trust. For example the debt from the equity injection is X bps above or below what was issued in the markets for equal tenors. Even so a linked component in the benchmark, in my opinion, adds limited value.

Thanks

Ken k

From: Carlos Yep
Sent: Wednesday, May 31, 2017 9:06 AM
To: Mike Manning <Mike.Manning@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; John Psinas <John.Psinas@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; 'Montgomery, Kaitlin (MOF)' <Kaitlin.Montgomery@ontario.ca>
Subject: FW: Draft GA Sub debt term sheet - Performance Fee Recommendations

fyi

From: LIU Sheen -TREASURY [mailto:sheen.liu@opg.com]
Sent: Wednesday, May 31, 2017 9:03 AM
To: Carlos Yep <Carlos.Yep@ofina.on.ca>
Cc: LEE John -TREASURY <john.s.lee@opg.com>; RYFA Ken -TREASURY <ken.ryfa@opg.com>; PRESTON Stuart -TREASURY <stuart.preston@opg.com>; HAHN PARKER Janet -TREASURY <j.hahnparker@opg.com>
Subject: RE: Draft GA Sub debt term sheet

Carlos,

Attached for your review please also find the recommended structure of variable performance fee

and benchmark relating to GA financing. We can discuss it at our meeting with OFA as well.

Sheen

From: LIU Sheen -TREASURY
Sent: Tuesday, May 30, 2017 4:26 PM
To: 'Carlos Yep'
Cc: LEE John -TREASURY; RYFA Ken -TREASURY; PRESTON Stuart -TREASURY; HAHN PARKER Janet -TREASURY
Subject: Draft GA Sub debt term sheet

Carlos,

Further to our discussions re establishing GA financing benchmark. Attached please find the draft term sheet of the subordinated debt (from Province equity injection). Could you please review and circulate it to the appropriate contacts/group on your side. We'd also like to set up a meeting with OFA, at your earliest convenience, to go over the document and get your feedback. Please let us know your availability.

Thanks

Sheen

<< File: Draft Subordianted Debt Term Sheet.doc >>

THIS MESSAGE IS ONLY INTENDED FOR THE USE OF THE INTENDED RECIPIENT(S) AND MAY CONTAIN INFORMATION THAT IS PRIVILEGED, PROPRIETARY AND/OR CONFIDENTIAL. If you are not the intended recipient, you are hereby notified that any review, retransmission, dissemination, distribution, copying, conversion to hard copy or other use of this communication is strictly prohibited. If you are not the intended recipient and have received this message in error, please notify me by return e-mail and delete this message from your system. Ontario Power Generation Inc.

From: Opal Kandelas
To: Sarah Harris
Subject: RE: Draft for review
Date: Thursday, August 10, 2017 10:43:58 AM

I will continue to review, but think the Act(s) that governs IESO and this new structure should provide some information re the first question you've directed to Ken. Also, marked a typo in the intercept provision.

From the OILC Act:

Agreement re appropriated funds
25 (1) This section applies where,
(a) a municipality or eligible public organization has borrowed money from the Corporation for a purpose prescribed under clause 36 (1) (a); and
(b) money has been appropriated by the Assembly for payment to the municipality or the eligible public organization. 2011, c. 9, Sched. 32, s. 25 (1).

Agreement re default
(2) As security for repayment, the municipality or the eligible public organization may agree in writing with the Corporation that in the event of default on repayment of the amount borrowed under clause (1) (a) or any portion of the amount borrowed, the Minister of Finance may deduct from the money mentioned in clause (1) (b) amounts not exceeding the amounts that the municipality or the organization fails to pay to the Corporation on account of the indebtedness. 2011, c. 9, Sched. 32, s. 25 (2).

From: Sarah Harris
Sent: Thursday, August 10, 2017 10:06 AM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: Draft for review

Hi Ken,

Yesterday we held an internal meeting to discuss issues identified by Lisa and Toby regarding inclusion of an intercept provision in the new $2B FHP Credit Facility, as well the factors that the OFA needs to consider on whether or not to seek a security interest in the Regulatory Asset. We will need to obtain further information from IESO to inform the OFA's final determination on these matters, and also require your input on certain items below.

Security Interest - Background

In reference to Bruno's comments and your comments below, if the OFA were to take a security interest in the Regulatory Asset, any security interest would only be applicable while the IESO was the holder of the asset, and only while it is being held by the IESO with money borrowed from the OFA.

The steps of the transaction would be:

1 – The IESO makes payments to electricity producers at the contracted rate, but charges consumers a rate that is set by the FHP, which leaves a shortfall that must be made up;
2 – The IESO borrows money from the OFA to finance the shortfall – it is at this stage that the OFA would consider taking a security interest in the asset, up to the amount that the OFA lends to the IESO;
3 – The IESO bundles the right to charge consumers for the shortfall in the future through the GA into the Regulatory Asset, which is sold to the OPG SPV, which sale can be of the asset free and clear of any security interest;
4 – The IESO repays the OFA for the loan.

Steps 3 and 4 can happen simultaneously. If it is deemed to be something that the OFA would like to do, the security interest would only apply while the IESO holds the assets that it creates using the OFA loan to finance the purchase of electricity that it does not charge for. Once the asset is sold to the OPG SPV, the loan can be repaid and the security interest that the OFA had in the asset can be discharged.

Intercept Provision - Background

Regarding the inclusion of the intercept provision, the OFA Lending Policy (attached, see p. 4 "Security" section), stipulates the OFA must include an intercept provision, unless the OFA either receives an exemption ~~form~~ from the OFA Board OR receives direction from the Minister, Cabinet or Treasury Board.

The intercept provision provides that in the event of non-payment by IESO to the OFA under the Credit Facility, the Minister may take funds appropriated by the Legislature for IESO, and may instead use the funds to repay the OFA (in the amount that IESO has defaulted under the facility).

Question for Ken: Are you aware of how we might determine if the Legislature has appropriated funds for IESO? If the amounts are minimal, there would seem token benefit to include the intercept provision in the new FHP credit facility agreement

Draft E-mail to IESO

We would like to ensure that we obtain from IESO all the information that would be required to make a risk assessment as to whether an intercept provision and/or a security interest by the OFA in the Regulatory Asset would be required.

Request for Ken: We are drafting an e-mail to send to IESO today (below) to request information that is pertinent for an analysis regarding these matters. We would appreciate if you could please review the draft and amend it to include all key questions that would be required to make a risk assessment.

"Dear Anthony,

My apologies for the delay in providing the next turn of the FHP Credit Facility Agreement. We became aware of a potential requirement under the OFA's lending policy which needs to be considered internally for inclusion in the agreement, for which we require additional information. Would you kindly provide answers to the following questions?

- *Does IESO have other financial obligations (such as but not limited to swap agreements, other financial obligations etc.) that could become due and adversely impact IESO's ability to pay its debts when they become due?*
- *Does IESO have any other financial obligations or security interests that could attach to the Regulator Asset/Special Purpose Vehicle?*
- *[Include additional questions]*

I also want to make you aware that due to the internal assessment that must be made in respect of the OFA's lending policy, we will likely not be able to execute the new FHP facility prior to IESO's next funding request (for which IESO will be providing notice on August 17th, for funding on August 21st). Accordingly, the August FHP draw will be made under the existing $975 million credit facility. At the time we execute the new $2B facility, we would be able to transfer any amount of loans exceeding $475 million (being the reduced facility limit under the draft amending agreement) under the existing facility to the new facility.

Best regards,"

In reference to the last sentence above in the draft e-mail to IESO, the intended financing structure for IESO credit facilities is to (i) execute a new $2B FHP facility and (ii) simultaneously reduce the existing $975 million facility by $500 million to $475 million. This would create a total aggregated limit of $2.475 billion. Ideally these 2 agreements would have been executed simultaneously prior to the August draw from IESO (since IESO's August draw will likely bring the balance of the existing credit facility to approx. $500M, exceeding the intended revised limit of $475 million).

Question for Ken: When we do execute both agreements, are there any obstacles from an operational perspective (settlement, cash, accounting, risk) with transferring any 'excess loan amount' from the existing credit facility to the new FHP credit facility? We would be looking to re-allocate certain loans from the existing facility to the new facility, without any cash flow impact. From a legal perspective we expect this should be fine, as we can work out the legal particulars with IESO.

<u>General Note re: Timing Impact of Intercept Provision</u>

Regardless of whether the OFA decides to include or exclude the intercept provision, the execution of the FHP facility will be delayed, likely for a number of weeks.

If the decision is made <u>not</u> to include the intercept provision, a directive will need to be obtained

from the Minister to this effect, potentially taking a few weeks.

If it is a determined an intercept provision is required, then this will likely even take longer than getting a directive from the Minister. In this case, the OFA would need to go back to the Ministry of Energy to effect the following: (i)Ministry of Energy will need to agree with IESO on acceptance of the inclusion of intercept provision in the FHP credit facility agreement and (ii) the OFA and Ministry of will require an MOU whereby the parties agree on the inclusion of a the intercept provision in the FHP credit facility agreement.

Thanks
Sarah

From:	Opal Kandelas
To:	Carlos Yep
Subject:	RE: EXTERNAL – RE: Fair Hydro Plan Protocol Agreement - Subordinated and Junior Subordinated Debt
Date:	Tuesday, December 12, 2017 10:28:30 AM

Hi, I just had a look at the agreement. I understand better what you were saying.

From: Carlos Yep
Sent: Tuesday, December 12, 2017 9:50 AM
To: Sarah Neville <Sarah.Neville@ofina.on.ca>
Subject: FW: EXTERNAL – RE: Fair Hydro Plan Protocol Agreement - Subordinated and Junior Subordinated Debt

Sarah
FYI – here are the 2 documents
C

From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Tuesday, December 12, 2017 9:46 AM
To: Carlos Yep <Carlos.Yep@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Cc: Sarah Neville <Sarah.Neville@ofina.on.ca>
Subject: RE: EXTERNAL – RE: Fair Hydro Plan Protocol Agreement - Subordinated and Junior Subordinated Debt

We can discuss this but unfortunately will be caught up on a protection agreement call for awhile. Would you please ask them why they think the OFA should be included and what the OFA's obligations should be. I'm copying Sarah Neville here as well as she should review where OFA is to be a party.

From: Carlos Yep [mailto:Carlos.Yep@ofina.on.ca]
Sent: December 12, 2017 9:34 AM
To: Hanslep, Malle (MOF); Whitfield, Tobias P. (MOF)
Subject: FW: EXTERNAL – RE: Fair Hydro Plan Protocol Agreement - Subordinated and Junior Subordinated Debt

Hi Malle,
I just received the latest draft of the pricing protocol document and notice that OPG has inserted the OFA as the counterparty.

Can we discuss?

Thanks
Carlos

From: LIU Sheen -TREASURY [mailto:sheen.liu@opg.com]
Sent: Tuesday, December 12, 2017 9:27 AM
To: Carlos Yep <Carlos.Yep@ofina.on.ca>

Cc: LEE John -TREASURY <john.s.lee@opg.com>; Mike Manning <Mike.Manning@ofina.on.ca>; RYFA Ken -TREASURY <ken.ryfa@opg.com>
Subject: FW: EXTERNAL – RE: Fair Hydro Plan Protocol Agreement - Subordinated and Junior Subordinated Debt

Carlos,

Please find attached a clean and incremental blackline of the revised Subordinated Debt Pricing Protocol. This reflects comments received from the MOE late last week. We have revised the document to appear less formal (changed from Protocol Agreement to Protocol) and also changed the counterparty to be the OFA. We have also added an obligation for the FSM to share the inputs (ie Indicative Spreads, and Credit Ratings) with the OFA, within a reasonable time period.

Please let us know if you have any additional comments or concerns.

Thanks

Sheen

THIS MESSAGE IS ONLY INTENDED FOR THE USE OF THE INTENDED RECIPIENT(S) AND MAY CONTAIN INFORMATION THAT IS PRIVILEGED, PROPRIETARY AND/OR CONFIDENTIAL. If you are not the intended recipient, you are hereby notified that any review, retransmission, dissemination, distribution, copying, conversion to hard copy or other use of this communication is strictly prohibited. If you are not the intended recipient and have received this message in error, please notify me by return e-mail and delete this message from your system. Ontario Power Generation Inc.

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From:	Carlos Yep
To:	Sarah Neville; Kenneth Russell
Cc:	Malle Hanslep (MOF); Tobias P. Whitfield (MOF); Mike Manning; James Devine; Ken Kandeepan; John Kim
Subject:	RE: EXTERNAL – RE: Fair Hydro Plan Protocol Agreement - Subordinated and Junior Subordinated Debt
Date:	Tuesday, December 12, 2017 2:31:35 PM

Hi Sarah,
Background information:
1)OPG Treasury had initially circulated the "Fair Hydro Subordinated Notes Interest Rate Protocol" draft memos dated Nov7 and Nov 21 describing the process that OPG would use to price the Subordinated and Junior-Subordinated debt between OPG and the Trust. Capital Markets has provided feedback to simplify the process and spread calculations used for pricing the sub and junior-sub debt.
2)A new "Subordinated Debt Pricing Protocol Agreement" draft dated Nov29 showing the counterparties as OPG and MoE was received and circulated on Nov30.
3)This morning, we received the "Subordinated Debt Pricing Protocol" draft dated Dec11 showing the counterparties as OPG and OFA.

Let's discuss with Ken, if the MoU can incorporate any help that MoE requires relating to the pricing of the subordinated and junior sub debt pricing protocol.

Regards
Carlos

From: Sarah Neville
Sent: Tuesday, December 12, 2017 12:41 PM
To: Carlos Yep <Carlos.Yep@ofina.on.ca>
Cc: Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Subject: RE: EXTERNAL – RE: Fair Hydro Plan Protocol Agreement - Subordinated and Junior Subordinated Debt

Hello Carlos – I have never seen this protocol before and don't have any background or context. I have reached out to Ken Russell who has been working on an MOU with MOE regarding the services being provided to MOE in regard to the equity injection process, to see if this has crossed his desk or come up in discussion. I am waiting for his response but this does not seem related to that.

I agree with Malle that MOE should provide information as to the rationale of making the OFA the counterparty.

Based on a cursory review, I note that the language in the document has been changed from "agreement" to "protocol". I didn't identify any positive obligations of the OFA to do anything under the protocol. The only mention of the OFA is with respect to OPG's reporting obligations:

2.06Reporting

The FSM will share with the OFA, within a reasonable time period following receipt, a copy of all Indicative Spreads obtained pursuant to Section 2.04 and all Credit Ratings obtained pursuant to Section 2.05.

I don't see why OFA needs to be the sole counter-party to this protocol for S. 2.06 to be included/effective (reporting to the Province can be agreed to be done through reporting to the Province's agent, the OFA). I would think that the Province would want to be the counterparty to the extent it wants to enforce the protocol directly, rather than doing so through the OFA (to the extent a Protocol is enforceable, I note that there is no clause indicating that OPG is bound by the protocol and there is no clause outlining any remedies for breach, or process for dispute resolution. I also note that the time periods in 2.05 and 2.06 are vague – "from time to time" and "within a reasonable time" respectively, not sure if this is appropriate for the Provnce's/OFA's needs).

I have no comments on the clauses dealing with interest rate setting and spreads as these are technical. I am assuming that Capital Markets is reviewing and commenting on the appropriateness of these clauses.

Absent more context, background, understanding of the purpose of this protocol, I don't think I can add anything further at this point. Please let me know if you would like to discuss or if you have any questions.

Thanks very much,

Sarah

From: Carlos Yep
Sent: Tuesday, December 12, 2017 9:50 AM
To: Sarah Neville <Sarah.Neville@ofina.on.ca>
Subject: FW: EXTERNAL – RE: Fair Hydro Plan Protocol Agreement - Subordinated and Junior Subordinated Debt

Sarah
FYI – here are the 2 documents
C

From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Tuesday, December 12, 2017 9:46 AM
To: Carlos Yep <Carlos.Yep@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Cc: Sarah Neville <Sarah.Neville@ofina.on.ca>
Subject: RE: EXTERNAL – RE: Fair Hydro Plan Protocol Agreement - Subordinated and Junior Subordinated Debt

We can discuss this but unfortunately will be caught up on a protection agreement call for awhile. Would you please ask them why they think the OFA should be included and what the OFA's obligations should be. I'm copying Sarah Neville here as well as she should

review where OFA is to be a party.

From: Carlos Yep [mailto:Carlos.Yep@ofina.on.ca]
Sent: December 12, 2017 9:34 AM
To: Hanslep, Malle (MOF); Whitfield, Tobias P. (MOF)
Subject: FW: EXTERNAL – RE: Fair Hydro Plan Protocol Agreement - Subordinated and Junior Subordinated Debt

Hi Malle,
I just received the latest draft of the pricing protocol document and notice that OPG has inserted the OFA as the counterparty.

Can we discuss?

Thanks
Carlos

From: LIU Sheen -TREASURY [mailto:sheen.liu@opg.com]
Sent: Tuesday, December 12, 2017 9:27 AM
To: Carlos Yep <Carlos.Yep@ofina.on.ca>
Cc: LEE John -TREASURY <john.s.lee@opg.com>; Mike Manning <Mike.Manning@ofina.on.ca>; RYFA Ken -TREASURY <ken.ryfa@opg.com>
Subject: FW: EXTERNAL – RE: Fair Hydro Plan Protocol Agreement - Subordinated and Junior Subordinated Debt

Carlos,

Please find attached a clean and incremental blackline of the revised Subordinated Debt Pricing Protocol. This reflects comments received from the MOE late last week. We have revised the document to appear less formal (changed from Protocol Agreement to Protocol) and also changed the counterparty to be the OFA. We have also added an obligation for the FSM to share the inputs (ie Indicative Spreads, and Credit Ratings) with the OFA, within a reasonable time period.

Please let us know if you have any additional comments or concerns.

Thanks

Sheen

THIS MESSAGE IS ONLY INTENDED FOR THE USE OF THE INTENDED RECIPIENT(S) AND MAY CONTAIN INFORMATION THAT IS PRIVILEGED, PROPRIETARY AND/OR CONFIDENTIAL. If you are not the intended recipient, you are hereby notified that any review, retransmission, dissemination, distribution, copying,

conversion to hard copy or other use of this communication is strictly prohibited. If you are not the intended recipient and have received this message in error, please notify me by return e-mail and delete this message from your system. Ontario Power Generation Inc.

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From:	Mike Manning
To:	Sarah Harris
Cc:	Jean-Francois Beaupre; William Tan; Opal Kandelas
Subject:	RE: Energy"s PRRT
Date:	Tuesday, October 17, 2017 1:53:46 PM
Importance:	High

Thanks Sarah:
I've heard that and I guess time is an issue as well relative to our $975 m cap.

Mike

From: Sarah Harris
Sent: Tuesday, October 17, 2017 1:50 PM
To: Mike Manning <Mike.Manning@ofina.on.ca>
Cc: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: FW: Energy's PRRT

Hello Mike,

As a follow up to our conversation on Friday regarding IESO intercept letter and possible pushback from OPG, it looks like there will need to be a re-think on the Ministerial Directive.

We'll keep you posted.

Thanks,
Saraj

From: Ken Kandeepan
Sent: Tuesday, October 17, 2017 1:44 PM
To: John Kim <John.Kim@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>
Cc: Sarah Neville <Sarah.Neville@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: RE: Energy's PRRT

Hi John

Based on a conversation with Gadi, any solution that continues with the intercept provision will most likely be unacceptable from OPG's perspective. They are concerned that despite the intercept being toothless on a practical basis it may send the wrong message to DBRS as it assess the credit-worthiness of the OFHP debt.

It appears that the only solution is have the Minister sign an exemption and we should focus on

getting that in place.

Thanks

Ken k

From: John Kim
Sent: Tuesday, October 17, 2017 1:37 PM
To: Lisa Stein <Lisa.Stein@ofina.on.ca>
Cc: Sarah Neville <Sarah.Neville@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: FW: Energy's PRRT

Hi Lisa and everyone,

Along with comments from Ken over the weekend, just circling everyone in on the latest information from TBS. Pls. advise if your assessment changes but to me, TBS appears to be advising that Green ON Fund is not IESO's operation expense/allocation but allocation from MOECC to Green ON Fund.

Also, IESO staff have thus far signalled positively on the letter agreement. We are potentially looking about 2 days to conclude the process.

One caveat is that OPG is requesting that the trust be given first priority/security over all IESO assets. While the issue is still being discussed, if this is to proceed, the IESO will have to amend its current facilities. I would consider this almost as a separate issue in that if the scenario plays out, then we would need to look at and potentially open up all existing facilities.

John

From: Strang, James (TBS) [mailto:James.Strang@ontario.ca]
Sent: Tuesday, October 17, 2017 11:18 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Chris Skubel (MGS) <Chris.Skubel@ontario.ca>; Afshin Malekzadeh (MOHLTC) <Afshin.Malekzadeh@ontario.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: Energy's PRRT

John, I checked with our MOECC analyst, Green ON Fund is an agency of MOECC and is flowing funding to IESO.

James

From: John Kim [mailto:John.Kim@ofina.on.ca]

Sent: October 13, 2017 4:49 PM
To: Strang, James (TBS)
Cc: Skubel, Chris (TBS); Malekzadeh, Afshin (TBS); Bruno Amara; He, Gavin (OFA)
Subject: RE: Energy's PRRT

Hi James,

The Green ON Fund…am I correct to think that this is also not part of IESO's operating expense/allocation? As for the items below (for Energy), it is a program expense facilitated through the IESO?

Thanks,

John

From: Strang, James (TBS) [mailto:James.Strang@ontario.ca]
Sent: Friday, August 18, 2017 1:29 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Chris Skubel (MGS) <Chris.Skubel@ontario.ca>; Afshin Malekzadeh (MOHLTC) <Afshin.Malekzadeh@ontario.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: RE: Energy's PRRT

You are correct.

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: August 18, 2017 1:28 PM
To: Strang, James (TBS)
Cc: Skubel, Chris (TBS); Malekzadeh, Afshin (TBS); Bruno Amara
Subject: RE: Energy's PRRT

Thanks. OREC is not IESO's operating expense/allocation, right? It's a program expense facilitated through the IESO.

Agree?

From: Strang, James (TBS) [mailto:James.Strang@ontario.ca]
Sent: Friday, August 18, 2017 1:19 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Chris Skubel (MGS) <Chris.Skubel@ontario.ca>; Afshin Malekzadeh (MOHLTC) <Afshin.Malekzadeh@ontario.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: RE: Energy's PRRT

Sorry for the delay, had to dig in the email archives.

There is no IESO allocation in Printed Estimates. There is an OREC transfer payment. In the 17-18 PRRT workbook for OREC is the following:

- Electricity utilities are reimbursed by submitting and receiving claims which are netted against their other monthly transactions from the IESO, and the IESO submits and receives one monthly amount from the Ontario Financing Authority on behalf of the Ministry of Energy – this process is streamlined and leverages an already existing reimbursement process, thereby minimizing costs.

The second attachment, email, contains the consolidation worksheet from OPCD. For IESO, I don't see any Transfer Payment flows in from the Province.

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: August 18, 2017 12:57 PM
To: Strang, James (TBS)
Subject: RE: Energy's PRRT

Is there a way to quickly see if any allocations were made for the IESO? Whichever way is good. We just want to confirm there is no appropriation for the IESO's operation or operating expense.

From: Strang, James (TBS) [mailto:James.Strang@ontario.ca]
Sent: Friday, August 18, 2017 12:55 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: Energy's PRRT

So do you want the final minutes, their submission, the assessment note?

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: August 18, 2017 12:55 PM
To: Strang, James (TBS)
Cc: Bruno Amara
Subject: RE: Energy's PRRT

Last year's?

From: Strang, James (TBS) [mailto:James.Strang@ontario.ca]
Sent: Friday, August 18, 2017 12:54 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Bruno Amara <Bruno.Amara@ofina.on.ca>
Subject: RE: Energy's PRRT

20-18-19 PRRT hasn't started as yet.

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: August 18, 2017 12:53 PM
To: Strang, James (TBS)
Cc: Bruno Amara
Subject: Energy's PRRT

Hi James,

Hope all's well.

Can you share Energy's approved PRRT? Have some urgent stuff we are dealing with.

Thanks,

John

Y. John Kim
Director, Electricity Finance Branch
Ontario Financing Authority
e-mail: john.kim@ofina.on.ca
Ph: 416-212-6996

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From:	Kelly Listoe
To:	Sarah Harris
Cc:	Opal Kandelas; Ryan Blackbyrne
Subject:	RE: FHP
Date:	Wednesday, May 31, 2017 3:16:54 PM
Attachments:	GA funding.pptx

Hi Sarah

Attached is a document (ppt) that Ryan and I put together that shows the structure of the FHP, largely based on OPG's "whitepaper" of February 27th and relevant info gleaned from what was attached.

I can walk you through it.

Kelly Listoe
Documentation & Compliance Coordinator
Capital Markets
Ontario Financing Authority
1 Dundas Street West, Ste. 1400
Toronto, ON. M7A 1Y7
(416) 325 - 8129

From: Sarah Harris
Sent: Wednesday, May 31, 2017 10:02 AM
To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Subject: FW: FHP

Hi Kelly,

I'm going to draw you into the nebulous world of FHP and am going to ask you to get familiar as you can with the attached information Opal has provided. This is still considered confidential. Essentially she looking to see, based on the information she's been provided, if you might be able to attempt to connect how this information fits together in order to better understand how the FHP is being structured.

Opal mentioned something to the effect that OPG is going to Energy to submit its request for a capital infusion, Energy is coming to the Province, the Province is investing funds in OPG and will get some shares in OPG. OPG will then go form some type of trust and invest those funds. Clear as mud? Thought so.

In other words, could you please review the docs and do your best to figure it out based on the information provided? If you have any comments or questions on the docs that are worth raising, please let me know.

Thanks,

Sarah

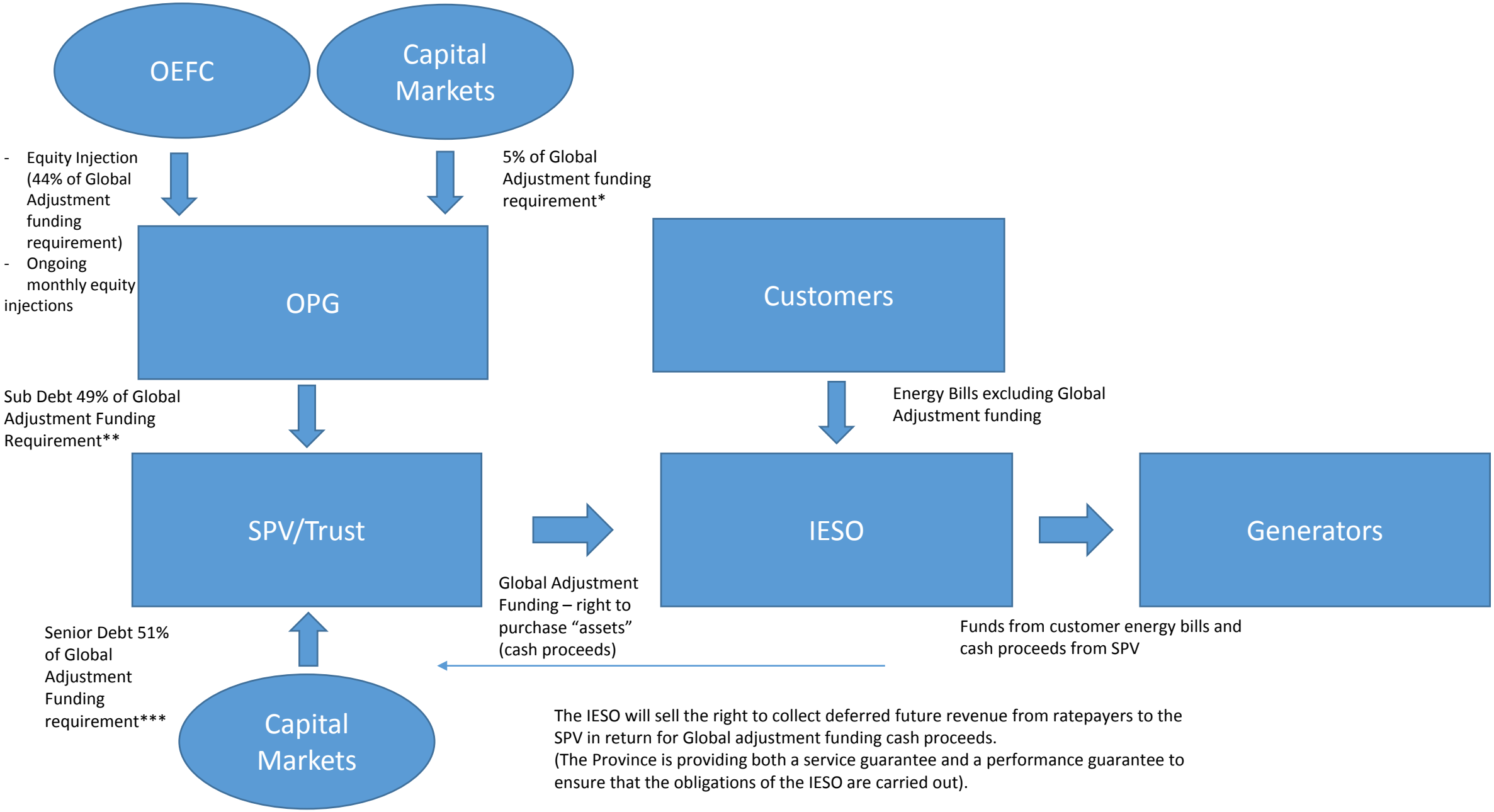
From: Opal Kandelas
Sent: Wednesday, May 31, 2017 9:36 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: FHP

Hi Sarah,

The FHP seems to be taking shape but (as should be reasonably expected) much of the information is coming to me in bits and pieces. Would be good to have a Doc staff familiar with this as more info becomes available or is being developed. It's being kept at a fairly high level at this time, but don't want to be surprised if Documentation is needed to jump in. I've included the emails on the subject to help provide some context – they aren't all helpful though. What I've sent is for review and provide opportunity to comment as well as to ask questions.

Docs for review/comment/question:
Financing Trust- Performance Fee Recommendation
Subordinated Debt Term Sheet
Outstanding Business Issues Ontario Fair Hydro Plan markup_cy1
Term Sheet Master Subscription draft May 26
Provincial Support Agreement May 12 MOF draft comments
Term Sheet – Provincial Support Agreement May 12
Compare Term Sheet Provincial Support Agreement Term Sheet

Thanks,
Opal.



The IESO will sell the right to collect deferred future revenue from ratepayers to the SPV in return for Global adjustment funding cash proceeds.
(The Province is providing both a service guarantee and a performance guarantee to ensure that the obligations of the IESO are carried out).

Notes:

* Tranche C sub debt from OPG via Capital Markets 5%

** Tranche B sub debt from OPG via OEFC 39% + Tranche C sub debt from OPG via OEFC 5%

*** Tranche A senior debt from Capital Markets 51%

The SPV structure is used to accomplish the following:

- SPV holds the right to charge customers for the benefit of debt holders;
- Allows the financing vehicle to be separated from OPG as an SPV structure is set up as generally single purpose entities with no other operations that could add risk to the SPV, dilute debt holder rights, allow parties from other operations to claim rights to the future recovery from customers or allow these other parties to initiate bankruptcy proceedings;
- Enables SPV to potentially get a higher credit rating than OPG;
- Supports consolidation with OPG provided accounting requirements arc satisfied;

This approach supports a number of objectives of the Global Adjustment Recovery Right:

- 51% external senior debt supports separation of the SPV from the Province
- 5% junior subordinated debt establishes OPG's "at risk" equity which supports separation of the SPV from the Province
- Subordinated debt provides flexibility to the financing structure and additional credit support to external debt holders
- Subordinated debt sourced from OPG (mainly funded by equity injection from the Province) minimizes impact on OPG credit metrics reducing risk of an OPG rating downgrade that could result in the SPV being consolidated directly with the Province as the SPY would be considered an arm of the Province.

Potential Documents For Documentation Review (where OEFC or OFA or Province are a party):

OEFC – OPG equity master subscription agreement term sheet (June)

Provincial service and performance guarantees re IESO

IESO needs a backstop credit facility in the event the SPV does not, or cannot, purchase “assets” from IESO (right to collect electricity bill payments).

Other documents look to me to be “indirect”, but we may be asked to comment on sub debt docs and the like (but the parties are the SPV and the bond market).

From:	Sarah Harris
To:	Kelly Listoe; Ryan Blackbyrne
Cc:	Opal Kandelas
Subject:	RE: FHP
Date:	Wednesday, May 31, 2017 3:56:20 PM

Kelly and Ryan,

Thank you very much for diagram. I would appreciate a walkthrough, but want to give Opal the chance to take a look first too, and then we can sit down for a few minutes in my/her office tomorrow morning.

Thanks,
Srah

From: Kelly Listoe
Sent: Wednesday, May 31, 2017 3:17 PM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Subject: RE: FHP

Hi Sarah

Attached is a document (ppt) that Ryan and I put together that shows the structure of the FHP, largely based on OPG's "whitepaper" of February 27th and relevant info gleaned from what was attached.

I can walk you through it.

Kelly Listoe
Documentation & Compliance Coordinator
Capital Markets
Ontario Financing Authority
1 Dundas Street West, Ste. 1400
Toronto, ON. M7A 1Y7
(416) 325 - 8129

From: Sarah Harris
Sent: Wednesday, May 31, 2017 10:02 AM
To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Subject: FW: FHP

Hi Kelly,

I'm going to draw you into the nebulous world of FHP and am going to ask you to get familiar as you can with the attached information Opal has provided. This is still considered confidential.

Essentially she looking to see, based on the information she's been provided, if you might be able to attempt to connect how this information fits together in order to better understand how the FHP is being structured.

Opal mentioned something to the effect that OPG is going to Energy to submit its request for a capital infusion, Energy is coming to the Province, the Province is investing funds in OPG and will get some shares in OPG. OPG will then go form some type of trust and invest those funds. Clear as mud? Thought so.

In other words, could you please review the docs and do your best to figure it out based on the information provided? If you have any comments or questions on the docs that are worth raising, please let me know.

Thanks,
Sarah

From: Opal Kandelas
Sent: Wednesday, May 31, 2017 9:36 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: FHP

Hi Sarah,

The FHP seems to be taking shape but (as should be reasonably expected) much of the information is coming to me in bits and pieces. Would be good to have a Doc staff familiar with this as more info becomes available or is being developed. It's being kept at a fairly high level at this time, but don't want to be surprised if Documentation is needed to jump in. I've included the emails on the subject to help provide some context – they aren't all helpful though. What I've sent is for review and provide opportunity to comment as well as to ask questions.

Docs for review/comment/question:
Financing Trust- Performance Fee Recommendation
Subordinated Debt Term Sheet
Outstanding Business Issues Ontario Fair Hydro Plan markup_cy1
Term Sheet Master Subscription draft May 26
Provincial Support Agreement May 12 MOF draft comments
Term Sheet – Provincial Support Agreement May 12
Compare Term Sheet Provincial Support Agreement Term Sheet

Thanks,
Opal.

From:	Whitfield, Tobias P. (MOF)
To:	Sarah Harris; Malle Hanslep (MOF)
Cc:	Opal Kandelas; Mike Manning; Dean Hwang
Subject:	RE: Fair Hydro -- Form of ISDA Schedule
Date:	Wednesday, October 25, 2017 2:38:46 PM
Attachments:	Fair Hydro – Form of ISDA Schedule.docx

Sarah – please see attached.

Toby

Tobias Whitfield
Counsel, Legal Services Branch
Ministry of Finance
tobias.whitfield@ontario.ca
Phone: 416-325-1456

From: Sarah Harris [mailto:Sarah.Harris@ofina.on.ca]
Sent: October 25, 2017 2:32 PM
To: Hanslep, Malle (MOF)
Cc: Whitfield, Tobias P. (MOF); Kandelas, Opal (OFA); Manning, Mike (OFA); Dean Hwang
Subject: FW: Fair Hydro -- Form of ISDA Schedule

Hi Malle,

When you're available to discuss, please let me know. If it is possible for you to share the draft schedule in advance, that would be helpful.

Thanks,
Sarah

From: Mike Manning
Sent: Tuesday, October 24, 2017 6:49 PM
To: Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>
Cc: Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: Re: Fair Hydro -- Form of ISDA Schedule

I think that is a good idea. We may need all hands on deck.
Thanks, Mike

Sent from my iPhone

On Oct 24, 2017, at 5:36 PM, Hanslep, Malle (MOF) <Malle.Hanslep@ontario.ca> wrote:

> Hi Mike
>
> Although we are not really going to give much input to the terms of the, various agreements etc I am wondering whether it makes sense to have the documentation

group involved in this project. I know that Opal came to one of the early meetings as there are going to be quite a few agreements to review.

Perhaps we can discuss this tomorrow?

Thanks
Sent from my BlackBerry 10 smartphone on the Rogers network.
From: Mansoori, Nina <nmansoori@torys.com>
Sent: Tuesday, October 24, 2017 17:21
To: Thouin, Alena (ENERGY); Hanslep, Malle (MOF); Whitfield, Tobias P. (MOF); McKinlay, Tom (MAG); STEPHEN.ASHBOURNE@blakes.com
Cc: Feldman, Michael; Ramchandani, Rima; Olusoga, Yinka; Saulnier, Brett; Mansoori, Nina
Subject: RE: Fair Hydro -- Form of ISDA Schedule

All,

We attach a draft Schedule for an ISDA Master Agreement to be used for hedging purposes in connection with the issuance of Fair Hydro debt. This draft is subject to the working group's review and comment.

Best Regards,
Nina

Nina Mansoori
P. 416.865.7332 | F. 416.865.7380 | 1.800.505.8679
79 Wellington St. W., 30th Floor, Box 270, TD South Tower
Toronto, Ontario M5K 1N2 Canada |
www.torys.com[torys.com]<https://urldefense.proofpoint.com/v2/url?u=http-3A__www.torys.com&d=DwIF-g&c=qG_YucLTZOaBAapRaQkKEgrMWFFI0Cr1_eykjn9FtiQ&r=gV-xgZHI0tggSwOPXBdMOr4DyITzOyaIKJLqH9Oy-40&m=1VTa1zXh4KcvkaKlO9-ARX4ZdAPchHFOUlZrzzbEKu8&s=WV1r2al3I6I7hp4_ENGNsOCi-ONgrumWNDvMZJ5snis&e= >
[Torys LLP]<https://urldefense.proofpoint.com/v2/url?u=http-3A__www.torys.com&d=DwIF-g&c=qG_YucLTZOaBAapRaQkKEgrMWFFI0Cr1_eykjn9FtiQ&r=gV-xgZHI0tggSwOPXBdMOr4DyITzOyaIKJLqH9Oy-40&m=1VTa1zXh4KcvkaKlO9-ARX4ZdAPchHFOUlZrzzbEKu8&s=WV1r2al3I6I7hp4_ENGNsOCi-ONgrumWNDvMZJ5snis&e= >

This email and any attachments are for the sole use of the intended recipients and may be privileged or confidential. Any distribution, printing or other use by anyone else is prohibited. If you are not an intended recipient, please contact the

sender immediately, and permanently delete this email and attachments.

Le présent courriel et les documents qui y sont joints sont exclusivement réservés à l'utilisation des destinataires concernés et peuvent être de nature privilégiée ou confidentielle. Toute distribution, impression ou autre utilisation est interdite aux autres personnes. Si vous ne faites pas partie des destinataires concernés, veuillez en informer immédiatement l'expéditeur, ainsi que supprimer ce courriel et les documents joints de manière permanente.

<Fair Hydro – Form of ISDA Schedule.docx>

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

ISDA®

International Swaps Dealers Association, Inc.

SCHEDULE
to the
1992 Master Agreement

dated as of **[■]**, 2017

between

[HEDGE PROVIDER]
("**Party A**"),

and

[ISSUER]
("Party B")

Part 1 **Termination Provisions.**

(a) ***"Specified Entity"*** means in relation to Party A for the purpose of:

Section 5(a)(v), Not Applicable

Section 5(a)(vi), Not Applicable

Section 5(a)(vii), Not Applicable

Section 5(b)(iv), Not Applicable

and in relation to Party B for the purpose of:

Section 5(a)(v), Not Applicable,

Section 5(a)(vi), Not Applicable

Section 5(a)(vii), Not Applicable

Section 5(b)(iv), Not Applicable

(b) ***"Specified Transaction"*** will have the meaning specified in Section 14 of the Agreement.

(c) The ***"Breach of Agreement"*** provision of Section 5(a)(ii) will apply to Party A and will not apply to Party B.

(d) The ***"Credit Support Default"*** provisions of Section 5(a)(iii) will apply to Party A and will not apply to Party B.

(e) The ***"Misrepresentation"*** provisions of Section 5(a)(iv) will apply to Party A and will not apply to Party B.

(f) The ***"Default under Specified Transaction"*** provisions of Section 5(a)(v) will **[not]** apply to Party A and will not apply to Party B.

(g) The ***"Cross-Default"*** provisions of Section 5(a)(vi) will not apply to Party A and will not apply to Party B.

(h) The ***"Credit Event Upon Merger"*** provisions of Section 5(b)(iv) will not apply to Party A and will not apply to Party B.

(i) The ***"Automatic Early Termination"*** provision of Section 6(a) will not apply to Party A and will not apply to Party B.

(j) ***Payments on Early Termination***. For the purpose of Section 6(e) of this Agreement:

(i) Market Quotation will apply.

(ii) The Second Method will apply.

(k) ***Payments on Early Termination Due to Certain Events***. Notwithstanding Section 6, if Party A is (A) the Affected Party for an Additional Termination Event or a Tax Event Upon Merger, or (B) the Defaulting Party for an Event of Default, paragraphs (i) to (v) below apply:

(i) The definition of ***"Market Quotation"*** is deleted and replaced with the following:

"Market Quotation" means, for one or more Terminated Transactions, a Firm Offer which is:

(1) made by a Reference Market-maker that is an Eligible Replacement;

(2) for an amount that would be paid to Party B (expressed as a negative number) or by Party B (expressed as a positive number) in consideration of an agreement between Party B and the Reference Market-maker to enter into a Replacement Transaction; and

(3) made on the basis that Unpaid Amounts for the Terminated Transaction or group of Transactions are to be excluded but any payment or delivery that would, but for the relevant Early Termination Date, have been required (assuming satisfaction of any conditions precedent) after that Early Termination Date is to be included.

(ii) In determining whether or not a Firm Offer satisfies the condition in sub-paragraph (ii)(B) of the definition of "Replacement Transaction", Party B will act in a commercially reasonable manner.

(iii) The definition of ***"Settlement Amount"*** is deleted and replaced with the following:

"Settlement Amount" means, for any Early Termination Date:

(a) if, on or prior to the Early Termination Date, a Market Quotation for a Terminated Transaction or group of Terminated Transactions is accepted by Party B and is legally

binding, the Termination Currency Equivalent of the amount (whether positive or negative) of the Market Quotation;

(b) if, on the Early Termination Date, no Market Quotation for the relevant Terminated Transaction or group of Terminated Transactions has been accepted by Party B and is legally binding and one or more Market Quotations have been communicated to Party B and remain capable of becoming legally binding upon acceptance by Party B, the Termination Currency Equivalent of the amount (whether positive or negative) of the lowest of the Market Quotations (for the avoidance of doubt, (i) a Market Quotation expressed as a negative number is lower than a Market Quotation expressed as a positive number and (ii) the lower of two Market Quotations expressed as negative numbers is the one with the largest absolute value); or

(c) if, on the Early Termination Date, no Market Quotation for the relevant Terminated Transaction or group of Terminated Transactions is accepted by Party B and is legally binding and no Market Quotations have been communicated to Party B and remain capable of becoming legally binding upon acceptance by Party B, Party B's Loss (whether positive or negative and without reference to any Unpaid amounts) for the relevant Terminated Transaction or group of Terminated Transactions.

(iv) At any time on or before the Early Termination Date at which two or more Market Quotations have been communicated to Party B and remain capable of becoming legally binding upon acceptance by Party B, Party B must accept the lowest of the Market Quotations. For this purpose, (A) a Market Quotation expressed as a negative number is lower than a Market Quotation expressed as a positive number, and (B) the lower of two Market Quotations expressed as negative numbers is the one with the largest absolute value.

(v) If Party B requests Party A in writing to obtain Market Quotations, Party A will use reasonable efforts to do so before the Early Termination Date.

(vi) For the purpose of determining Unpaid Amounts, any payment or delivery obligation which was (or would have been but for Section 2(a)(iii)) required to be performed pursuant to paragraph 2 of the Credit Support Annex shall be disregarded.

(l) ***"Termination Currency"*** shall mean Canadian dollars.

(m) ***Bankruptcy***

(i) Section 5(a)(vii)(2), (7) and (9) does not apply to Party B.

(ii) Section 5(a)(vii)(3) does not apply to Party B for any assignment, arrangement or composition effected by or under the Indenture Documents.

(iii) Section 5(a)(vii)(4) does not apply to Party B for a proceeding or petition instituted or presented by Party A or any of its Affiliates.

(iv) Section 5(a)(vii)(6) does not apply to Party B for (i) an appointment that is made under the Indenture Documents, or (ii) an appointment to which Party B is not subject.

(v) Section 5(a)(vii)(8) applies to Party B only if it applies to Section 5(a)(vii)(1), (3), (4), (5) and (6), as amended.

(n) ***Tax Event and Tax Event Upon Merger***

Section 5(b)(ii) applies but the words "(x) any action taken by a taxing authority, or brought in a court of competent jurisdiction, on or after the date on which a Transaction is entered into (regardless of whether such action is taken or brought with respect to a party to this Agreement) or (y)" are hereby deleted.

Section 5(b)(iii) applies but Party A will not be entitled to designate an Early Termination Date by reason of a Tax Event Upon Merger if it is the Affected Party.

Section 6(b)(ii) applies but the words "or if a Tax Event Upon Merger occurs and the Burdened Party is the Affected Party" are deleted.

(o) ***Additional Termination Event*** will apply. The following shall constitute an Additional Termination Event:

(i) It shall be an Additional Termination Event and Party B shall be the sole Affected Party and all Transactions then outstanding shall be Affected Transactions if Party B fails to comply with the requirements of Part 5(o).

(ii) It shall be an Additional Termination Event and Party A shall be the sole Affected Party and all Transactions then outstanding shall be the Affected Transactions if Party A fails to comply with the requirements of Part 5(h).

(iii) It shall be an Additional Termination Event and Party B shall be the sole Affected Party upon an acceleration of the Series [■] Notes under Section **[8.02]** of the Trust Indenture.

(iv) **[NTD: consider including a partial termination provision to facilitate right-sizing interest rate hedges following any unscheduled reductions of the underlying financed amounts]**

Part 2 **Tax Representations. [NTD: subject to Tax review]**

(a) ***Payer Representations.*** For the purpose of Section 3(e) of this Agreement, Party A and Party B will make the following representations.

It is not required by any applicable law, as modified by the practice of any relevant governmental revenue authority, of any Relevant Jurisdiction to make any deduction or withholding for or on account of any Tax from any payment (other than interest under Section 2(e), 6(d)(ii) or 6(e) of this Agreement) to be made by it to the other party under this Agreement. In making this representation, it may rely on (i) the accuracy of any representations made by the other party pursuant to Section 3(f) of this Agreement, (ii) the satisfaction of the agreement contained in Section 4(a)(i) or 4(a)(iii) of this Agreement and the accuracy and effectiveness of any document provided by the other party pursuant to Section 4(a)(i) or 4(a)(iii) of this Agreement and (iii) the satisfaction of the agreement of the other party contained in Section 4(d) of this Agreement, except that it will not be a breach of this representation where reliance is placed on clause (ii) above and the other party does not deliver a form or document under Section 4(a)(iii) by reason of material prejudice to its legal or commercial position.

(b) ***Payee Representations.*** For the purpose of Section 3(f) of this Agreement, Party A and Party B make the representations specified below, if any:

(i) Party A and Party B each make the following representation:

It is not a non-resident of Canada within the meaning of the *Income Tax Act (Canada).*

(c) ***Other representations:*** None made.

Part 3 **Agreement to Deliver Documents.**

For the purpose of Sections 4(a)(i) and 4(a)(ii) of this Agreement, each party agrees to deliver the following documents, as applicable:

(a) Tax forms, documents or certificates to be delivered are:

Party required to deliver document	**Form/Document/ Certificate**	**Date by which to be delivered**
Each Party	Any document required or reasonably requested to allow the other party to make payments under the Agreement without any deduction or withholding for or on account of any Tax or with such deduction or withholding at a reduced rate.	Promptly upon reasonable demand by either party.

(b) Other documents to be delivered are:

Party required to deliver document	**Form/Document/ Certificate**	**Date by which to be delivered**	**Covered by Section 3(d) Representation**
Each Party	Evidence satisfactory in form and substance to the other party of (i) the authority of the signatory of the party to execute this Agreement **[and Credit Support Annex]** and any Confirmation and (ii) list of the names, true signatures of the signatory of this Agreement or any Confirmation.	Upon execution of this Agreement	Yes
Party A	A copy of unaudited financial statements for the most recently ended fiscal year.	As soon as reasonably practicable following a request by Party B to the extent not publically available online	No
Each Party	Legal opinion satisfactory to the other Party.	Upon execution of this Agreement	Yes
Party B	ISDA Cross-Border Swaps Representation Letter	If requested by Party A, upon execution and delivery of this Agreement.	No.
Party A and B	ISDA Canadian Representation Letter #1	Upon execution and delivery of this Agreement.	No.

Part 4 **Miscellaneous.**

(a) ***Addresses for Notices.*** For the purpose of Section 12(a) of this Agreement:

Address for notices or communications to Party A: **[NTD: ■]**

Address: ■
Attention: ■
Facsimile: ■ Telephone: ■
Electronic Messaging System Details: ■
(Only with respect to transactions through this Office)

For any notices with respect to Section 5 and 6 of this Agreement for Party A:

Address: ■
Attention: ■
Facsimile: ■ Telephone: ■
E-mail: ■

Address for notices or communications to Party B:

[ISSUER]
c/o Ontario Power Generation Inc.
100 University Avenue, 11th Floor
Toronto, Ontario, M5J 2Y1

Attn: [■]
Fax: [■]
Email: [■]

with copies to:

[ISSUER TRUSTEE], in its capacity as Issuer Trustee for [ISSUER]

Attn: [■]
Fax: [■]
Email: [■]

Notwithstanding Section 12(a) of this Agreement, service of legal process documents relating to this Agreement may not be delivered by facsimile or by electronic messaging system.

(b) ***Process Agent***. For the purpose of Section 13(c) of this Agreement, neither party appoints a Process Agent.

(c) ***Offices***. The provisions of Section 10(a) will apply to this Agreement.

(d) ***Multibranch Party***. For the purpose of Section 10(c) of this Agreement:

Party A **[is][is not]** a Multibranch Party and may only enter into a Transaction through any of the following Offices:

Party B is not a Multibranch Party.

(e) ***Calculation Agent***. The Calculation Agent is Party A unless (i) otherwise specified in a Confirmation in relation to the relevant Transaction or (ii) a replacement Calculation Agent is designated by Party B as set

forth below. All calculations by the Calculation Agent shall be made in good faith and through the exercise of its commercially reasonable judgment. The calculations and determinations of the Calculation Agent shall (except in the case of manifest error) be final and binding upon all parties. Upon the failure of Party A to perform its obligations as Calculation Agent hereunder within five Local Business Days of Party A receiving from Party B notice of such failure, the sole remedy of Party B will be the right, upon notice to the Calculation Agent, to designate a third party that is a Reference Market-maker as replacement Calculation Agent. For so long as an Event of Default in respect of Party A is continuing, Party B will have the right, upon notice to the Calculation Agent, to designate a third party that is a Reference Market-maker as replacement Calculation Agent, without prejudice to any other remedy to which Party B is otherwise entitled under this Agreement. Upon Party A demonstrating its ability to resume performance of its obligations as Calculation Agent or such Event of Default no longer continuing, Party A may elect to resume its role as Calculation Agent.

(f) ***Credit Support Document***. Details of any Credit Support Document:

In relation to Party A: any Eligible Guarantee,

In relation to Party B: not applicable.

(g) ***Credit Support Provider***. Credit Support Provider means in relation to Party A, any Eligible Guarantor, and in relation to Party B; not applicable.

(h) ***Governing Law***. This Agreement will be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein (without reference to choice of law doctrine).

(i) ***Jurisdiction***. Section 13(b)(i) is hereby deleted and replaced by the following Section 13(b)(i):
"(i) submits to the exclusive jurisdiction of the Province of Ontario."

(j) ***Netting of Payments***. Subparagraph (ii) of Section 2(c) of this Agreement will not apply.

(k) ***"Affiliate"*** will have the meaning specified in Section 14 of this Agreement.

(l) ***Characterization under Program Agreements.*** The parties acknowledging and agree that:

(i) The Master Agreement and this Schedule constitute a "Derivative Agreement" as used and defined under the Indenture Documents and a "derivative agreement" as defined under the Act.

(ii) Party B is a "Derivative Counterparty" as used and defined under the Indenture Documents and a "derivative agreement" as defined under the Act.

(iii) Any payments required in connection with the Master Agreement and this Schedule will be "derivative payments" as defined under the Act.

Part 5 **Other Provisions.**

(a) ***Definitions***. Reference is hereby made to the 2006 ISDA Definitions (the "2006 Definitions") as published by the International Swaps and Derivatives Association, Inc. ("ISDA") or to any subsequent update being the then current version of the 2006 Definitions. Any terms used and not otherwise defined herein which are contained in the Definitions shall have the meaning set forth therein, and if not contained in the Definitions, will have the meanings specified in the Supplemental Indenture, either directly or by reference. If there is any inconsistency between this Agreement and the Definitions, this Agreement will govern. If there is inconsistency between a Confirmation and this Agreement or the Definitions, the Confirmation will govern.

For the purpose of this Agreement:

"Act" means the *Ontario Fair Hydro Plan Act, 2017* together with any Regulations in effect thereunder from time to time.

"DBRS" means DBRS Limited and its successors.

"Eligible Guarantee" means an unconditional and irrevocable guarantee by a guarantor that is a principal debtor rather than surety and is directly enforceable by Party B, where either (i) a law firm has given a legal opinion confirming that none of the guarantor's payments to Party B under the guarantee will be subject to deduction or withholding for Tax, (ii) the guarantee provides that, if the guarantor's payments to Party B are subject to deduction or withholding for Tax, the guarantor is required to pay the additional amount necessary so that the net amount received by Party B will equal the full amount Party B would have received had no deduction or withholding been required, or (iii) if any payment under the guarantee is made net of deduction or withholding for Tax, Party A is required under Section 2(a)(i) to make an additional payment necessary so that the net amount received by Party B will equal the full amount Party B would have received had no deduction or withholding been required.

"Eligible Replacement" means an entity (i)(A) having the Ratings Event I Required Ratings, or (B) whose obligations owing to Party B under this Agreement (or its replacement, as applicable) are guaranteed under an Eligible Guarantee by a guarantor having the Ratings Event I Required Ratings, and (ii) reasonably acceptable to Party B.

"Firm Offer" means an offer which, when made, was capable of becoming legally binding upon acceptance.

"Indenture Documents" means the Supplemental Indenture together with the Trust Indenture.

"Local Business Day" means a day other than a Saturday, a Sunday or a day banking institutions or trust companies in Toronto, Ontario or Montreal, Quebec are authorized or obligated by law to close, and the definition of ***"Local Business Day"*** in Section 14 is deleted.

"Moody's" means Moody's Investors Service, Inc. and its successors.

"Relevant Entity" means Party A, a guarantor under an Eligible Guarantee or an Eligible Replacement, as applicable.

"Replacement Transaction" means, for any Terminated Transaction, a transaction that (i) has terms which would be effective to transfer to a transferee all of Party A's rights and obligations under this Agreement, which terms are identical to the terms of this Agreement, other than party names, the effective date of the transfer, tax representations and any representations about the status of the substitute counterparty, notice information and account details, or (ii) (A) would preserve for Party B the economic equivalent of any payment or delivery under this Agreement for the Terminated Transaction that would, but for the occurrence of the Early Termination Date, have been required after that date, and (B) has terms which are, in all material respects, no less beneficial for Party B than those of this Agreement, as determined by Party B.

"***Supplemental Indenture***" means the Supplemental Indenture dated as of [■], among Party B as issuer of Series [■] Notes, **[INDENTURE TRUSTEE]**, as Indenture Trustee, and **[List any other parties]**, which supplements the Trust Indenture.

"***Trust Indenture***" means the Trust Indenture dated as of [■], 2017, between Party B, as issuer, and [INDENTURE TRUSTEE], as Indenture Trustee.

(b) ***Equivalency Clause***. For purposes of disclosure pursuant to the Interest Act (Canada), the yearly rate of interest to which any rate of interest payable under this Agreement, which is to be calculated on any basis other than a full calendar year, is equivalent may be determined by multiplying such rate by a fraction, the numerator of which is the number of days in the calendar year in which the period for which interest at such rate is payable ends and the denominator of which is the number of days comprising such other basis.

(c) ***English Language***. The parties hereto have requested that this Agreement and the Schedule be drafted in the English language and that all present and future Confirmations be drafted in the English language. Les parties aux présentes ont requis que cette convention et l'Annexe ainsi que toutes les présentes et futures confirmations soient rédigées en langue anglaise.

(d) ***Eligible Financial Contract***. Each Party, with respect to itself, hereby represents and warrants to the other Party, continuing throughout the term of this agreement, that it is its intention that this Contract and each Transaction hereunder shall constitute an "eligible financial contract" within the meaning of the *Bankruptcy and Insolvency Act* (Canada), the *Companies' Creditors Arrangement Act* (Canada), the *Winding-Up and Restructuring Act* (Canada) and any other applicable Canadian insolvency legislation.

(e) ***Telephone Recording***. Each party (i) consents to the recording of telephone conversations between the trading, marketing and other relevant personnel of the parties in connection with this Agreement or any potential Transaction, (ii) agrees to obtain any necessary consent of, and give any necessary notice of such recording to, its relevant personnel and (iii) agrees, to the extent permitted by applicable law, that recordings may be submitted in evidence in any Proceedings.

(f) ***No Reliance***. In connection with the negotiation of, the entering into, and the execution of, this Agreement, any Credit Support Document to which it is a party, and each Transaction hereunder, each party acknowledges and agrees that: (i) each party is acting for its own account and is not acting as a fiduciary for, or a financial or investment advisor to the other party (or in any similar capacity); (ii) each party is not relying upon any communications (whether written or oral) from the other party as investment advice or as a recommendation to enter into this Agreement, any Credit Support Document to which it is a party and each Transaction hereunder (other than the representations expressly set forth in this Agreement), it being understood that information and explanations related to the terms and conditions of a Transaction shall not be considered investment advice or a recommendation to enter into that Transaction; (iii) neither party has received from the other party any assurance or guarantee as to the expected results of any Transaction; and (iv) each party has consulted with its own legal, regulatory, tax, business, investment, financial, and accounting advisors to the extent it has deemed necessary, and it has made its own independent investment, hedging, and trading decisions based upon its own judgment and upon any advice from such advisors as it has deemed necessary and not upon any view expressed by the other party.

(g) ***Severability***. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability, without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

(h) ***Credit Rating Downgrade of Party A***

(1) Ratings Event I:

Party A agrees that if at any time (i) the long-term unsecured debt rating or the short-term unsecured debt rating, in each case, of a Relevant Entity from DBRS is not at least, respectively "A" or R-1 (low) or better; or (ii) the long-term unsecured debt rating or the short-term unsecured debt rating, in each case, of a Relevant Entity from Moody's is not at least, respectively A2 or P-1 or better (such rating thresholds collectively designated as the **"Ratings Event I Required Rating"** and such failure the **"Ratings Event I Trigger"**, Party A shall at its own expense and not later than 30 Local Business Days following the occurrence of the Ratings Event I (so long as the Ratings Event I is continuing):

(X) transfer acceptable Eligible Credit Support in accordance with Paragraph 11(b)(i)(C)(1) of the ISDA Credit Support Annex; or

(Y) either obtain an Eligible Guarantee or transfer all of its interests and obligations in or under this Agreement, on substantially the same terms and in writing (i) to an Eligible Replacement, or (ii) another party that otherwise satisfies the Rating Agency Condition in respect of the Related Rating Agency; provided that such transfer does not result in adverse tax consequences or increased costs for Party B and Party A shall continue to perform its obligations under this Agreement until the transfer of all of its interest and obligations in or under this Agreement is completed; or

(Z) take such other action as agreed to between Party A and Party B which satisfies the Rating Agency Condition in respect of the Related Rating Agency.

(2) Ratings Event II:

Party A agrees that if at any time (i) the long-term unsecured debt rating or the short-term unsecured debt rating, in each case of a Relevant Entity from DBRS is not at least, respectively BBB or R-2 (middle) or better, or (ii) the long-term unsecured debt rating or the short-term unsecured debt rating, in each case, of a Relevant Entity from Moody's is not at least, respectively A3 or P-3 or better (such rating thresholds collectively designated as the **"Ratings Event II Required Rating"** and such failure the **"Ratings Event II Trigger"**, Party A shall at its own expense following the occurrence of a Ratings Event II (so long as such Ratings Event II is continuing):

(X) transfer all of its interests and obligations in or under this Agreement, on substantially the same terms and in writing (i) to an Eligible Replacement, or (ii) or another party that otherwise satisfies the Rating Agency Condition in respect of the Related Rating Agency; provided that such transfer does not result in adverse tax consequences or increased costs for Party B and Party A shall continue to perform its obligations under this Agreement until the transfer of all of its interest and obligations in or under this Agreement is completed; or

(Y) take such other action as agreed to between Party A and Party B which satisfies the Rating Agency Condition in respect of the Related Rating Agency, or

(Z) provide Eligible Credit Support in accordance with Paragraph 11(b)(i)(C)(2) of the ISDA Credit Support Annex in an amount as required thereunder until (i) such time as the action set out in this sub-paragraph (2)(X) or (2)(Y) above has been taken, or (ii) the Relevant Entity meets the Ratings Event I Required Rating.

(i) ***Successors***. This Agreement and all obligations of the parties hereunder shall be binding upon than respective successors and assigns and shall, together with the rights and remedies, inure to their benefit.

(j) ***Scope of Agreement***. The parties acknowledge and agree that this Agreement will only apply to Transactions entered into in respect of the Series 2016-1 Notes.

(k) ***Counterparts***. This Schedule may be executed in one or more counterparts, either in original or facsimile or pdf form, each of which shall constitute one and the same document and form part of the Agreement. If an executed copy of this Schedule is transmitted by the parties through transmission by facsimile or e-mail in pdf format, this Schedule shall constitute the original document between the parties and the parties hereby adopt the signatures printed by the receiving facsimile machine or computer as the original signatures of the parties.

(l) ***Transfer***. Exception to the Transfer provisions of Section 7 is that consent to transfer shall not be unreasonably withheld as long as the transferee, designated by Party A, is an Eligible Replacement or otherwise satisfies the Rating Agency Condition in respect of the related Rating Agency. In addition, Party A agrees that it will use reasonable commercial efforts to novate each outstanding Transaction hereunder to an Eligible Replacement if it is requested to do so in connection with an assignment of its interests in the Series [■] Notes pursuant to the Indenture Documents.

(m) **[*Foreign Account Tax Compliance Act*.** "Tax" as used in Part 2(a) of this Schedule (Payer Tax Representation) and "Indemnifiable Tax" as defined in Section 14 of this Agreement shall not include any U.S. federal withholding tax imposed or collected pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code (a "**FATCA Withholding Tax**"). For the avoidance

of doubt, a FATCA Withholding Tax is a Tax the deduction or withholding of which is required by applicable law for the purposes of Section 2(d) of this Agreement."] **[NTD: subject to Tax review]**

(n) ***Set-off***. Without affecting the provisions of this Agreement requiring the calculation of certain net payment amounts, all payments under this Agreement and each Confirmation will be made without set-off or counterclaims.

(o) ***Amendments.*** Party B hereby agrees that it will not amend, supplement, modify, restate or replace or waive or consent to a postponement of compliance with the terms and conditions on the part of any other party to any of the Related Program Agreements if any such amendment, supplementation, modification, restatement or replacement or waiver or consent is material, except with the prior written consent of Party A and satisfaction of the Rating Agency Condition in respect of each Related Rating Agency. Each Related Rating Agency shall be notified by or on behalf of Party B of any nonmaterial amendments, waivers and consents as soon as possible after such non-material amendments, waivers and consents become effective. Any such proposed change to a Related Program Agreement will be subject to Section [13.19] of the Trust Indenture.

(p) ***Limited Recourse:***

(i) Party A is a Specified Creditor (as defined in the Trust Indenture) and its entitlements under this Agreement are subject to the provisions applicable to Specified Creditors under the Trust Indenture. The right of Party A to payments under this Agreement, or the exercise of rights or remedies against Party B under this Agreement is subject to Sections [8.15] (*Limited Recourse*) and [17.01] (*No Petition*) of the Trust Indenture.

(ii) Part 5(p)(i) survives the termination of this Agreement.

(q) ***Non-Petition***. Party A hereby covenants and agrees that it will not at any time institute or encourage against Party B, or join or acquiesce in any institution against Party B of, any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other proceedings under any federal or provincial bankruptcy, insolvency, winding-up or similar law for one year and a day after the latest maturing Note (as defined in the Indenture) in connection with any obligations relating to this Agreement or any of the other Related Program Agreements.

(r) ***Party B Pledge***. Notwithstanding Section 7, Party A acknowledges that Party B has or will pledge its rights under this Agreement to the Indenture Trustee for the benefit of the related Specified Creditors under the Indenture Documents and agrees to the pledge. The Indenture Trustee will not be deemed to be a party to this Agreement. However, the Indenture Trustee, acting on behalf of the related Specified Creditors, has the right to enforce this Agreement against Party A. Party A will be entitled to rely on any notice or communication from the Indenture Trustee to that effect.

Part 6. FX Transaction and Currency Option Transaction Provisions

(a) ***FX Definitions***

(i) Incorporated Into Agreement. The 1998 ISDA FX and Currency Option Transaction Definitions, as published by the International Swaps and Derivatives Association, Inc., (the "FX Definitions") are incorporated by reference into this Agreement. Any terms used and not otherwise defined in this Agreement that are contained in the FX Definitions shall have the respective meanings specified therein (without regard to any amendments thereto after the date of this Agreement).

(ii) Inconsistency. In the event of any inconsistency between the FX Definitions and any other provisions or definitions that are incorporated by reference into this Agreement, the FX Definitions shall prevail with respect to an FX Transaction or a Currency Option Transaction. In the event of any inconsistency between the FX Definitions and the provisions otherwise

contained in this Agreement, those provisions otherwise contained in this Agreement shall prevail.

(b) ***Confirmations.*** Any FX Transaction or Currency Option Transaction into which the parties may before the date of this Agreement have entered, or may in the future enter, where the relevant Confirmation on its face does not expressly exclude the application of this Agreement, shall (to the extent not otherwise provided for in this Agreement) be subject to, governed by and construed in accordance with this Agreement (in substitution for any existing terms, if any, whether express or implied). Each such FX Transaction and Currency Option Transaction shall be a Transaction, and the documents and other confirming evidence (including electronic messages on an electronic messaging service) exchanged between the parties confirming such FX Transaction or Currency Option Transaction shall each be a Confirmation (even where not so specified therein), for the purposes of this Agreement.

(c) ***Payment Instructions.*** All payments to be made in respect of FX Transactions and Currency Option Transactions shall be made in accordance with standing payment instructions provided by the parties (or as otherwise specified in a Confirmation). Any such instructions from a party must be received no later than one Business Day prior to the Value Date or Premium Payment Date (as the case may be) for such Transaction and otherwise be in conformity with standard inter-dealer market practice regarding foreign currency delivery.

(d) ***FX Transaction Novation Netting.***

(i) Automatic Novation Netting. In addition to the settlement netting provisions of Section 2(c) of this Agreement, unless otherwise agreed, if the parties enter into an FX Transaction that is governed by this Agreement through a pair of Novation Netting Offices giving rise to an obligation of a party under this Agreement to pay an amount of currency (a "Currency Obligation") on the same date and in the same currency as a then existing Currency Obligation between the same pair of Novation Netting Offices, then immediately upon entering into such FX Transaction, each such Currency Obligation shall automatically and without further action be cancelled and simultaneously replaced by a new Currency Obligation for such date determined as follows: the amount of such currency that would otherwise have been payable by each party on such date shall be aggregated and the party with the larger aggregate amount shall have a new Currency Obligation to pay to the other party the amount of such currency by which its aggregate amount exceeds the other party's aggregate amount, provided that if the aggregate amounts are equal, no new Currency Obligation shall arise. This paragraph (d) shall not affect any other Currency Obligation of a party to pay any different currency on the same date. This provision shall apply notwithstanding that either party (i) may fail to send out a Confirmation in respect of any such novation, or (ii) may fail to make changes in any of its books as a result of any such novation.

(ii) "Novation Netting Office" means, as to either party, the office or offices specified in Part 4, Section A in the Schedule and any other office specified from time to time by one party and agreed to in writing by the other party.

(e) ***Currency Option Transaction Discharge and Termination***

(i) Automatic Discharge and Termination of Offsetting Options. Unless otherwise agreed, any Call Option or any Put Option written by a party will automatically be terminated and discharged, in whole or in part, as applicable, against a Call Option or a Put Option, respectively, written by the other party, such termination and discharge to occur automatically upon the payment in full of

the last Premium payable in respect of such Currency Option Transactions; provided that such termination and discharge may only occur in respect of Currency Option Transactions:

(1) each being with respect to the same Put Currency and the same Call Currency;
(2) each having the same Expiration Date and Expiration Time;
(3) each being of the same style, i.e. either both being American Style Options or both being European Style Options;
(4) each having the same Strike Price;
(5) neither of which shall have been exercised by delivery of a Notice of Exercise;

and, upon occurrence of such termination and discharge, neither party shall have any further obligation to the other party in respect of the relevant Currency Option Transactions or, as the case may be, parts thereof so terminated and discharged. In the case of a partial termination and discharge (i.e. where the relevant Currency Option Transactions are for different amounts of the Currency Pair), the remaining portion of the Currency Option Transaction which is partially discharged and terminated shall continue to be a Currency Option Transaction for all purposes of this Agreement. This provision shall apply notwithstanding that either party (i) may fail to send out a Confirmation in respect of any such discharge and termination, or (ii) may fail to make changes in any of its books as a result of any such discharge and termination.

(ii) ***Additional Definitions***

(1) "Call Option" means a Currency Option Transaction entitling, but not obligating, the Buyer to purchase from the Seller at the Strike Price a specified quantity of the Call Currency.

(2) "Put Option" means a Currency Option Transaction entitling, but not obligating, the Buyer to sell to the Seller at the Strike Price a specified quantity of the Put Currency.

- signature page follows -

Please confirm your agreement to the terms of the foregoing Schedule by signing below.

[HEDGE PROVIDER]	**[ISSUER]**
(Party A)	(Party B)
By: _____	By: _____
Name:	Name:
Title:	Title:
By: _____	By: _____
Name:	Name:
Title:	Title:

[Signature Page – ISDA Schedule]

From: Mike Manning
To: Sarah Harris
Cc: Opal Kandelas
Subject: RE: Fair Hydro -- Supplemental Indenture for Long Term Debt
Date: Friday, October 27, 2017 1:02:56 PM
Importance: High

For sure no, happy to have you onboard.

Mike

From: Sarah Harris
Sent: Friday, October 27, 2017 1:02 PM
To: Mike Manning <Mike.Manning@ofina.on.ca>
Cc: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: Fwd: Fair Hydro -- Supplemental Indenture for Long Term Debt

Hi Mike,

Per Malle's e-mail below, would you have any objection if I attend this meeting?

Thanks,
Sarah

Sent from my iPhone

Begin forwarded message:

> **From:** "Hanslep, Malle (MOF)" <Malle.Hanslep@ontario.ca>
> **Date:** October 27, 2017 at 12:49:32 PM EDT
> **To:** "Harris, Sarah (OFA)" <Sarah.Harris@ofina.on.ca>
> **Cc:** "Whitfield, Tobias P. (MOF)" <Tobias.Whitfield@ontario.ca>
> **Subject: RE: Fair Hydro -- Supplemental Indenture for Long Term Debt**
>
> There is a meeting from 2 to 5 this afternoon in the executive boardroom on this project which is to cover quite a few questions about the structure. I think that if documentation is going to be involved in this project it would be useful for someone to attend. Perhaps you should check with Mike?
>
> ---
>
> **From:** Hanslep, Malle (MOF)
> **Sent:** October 26, 2017 6:48 PM
> **To:** Harris, Sarah (OFA)
> **Subject:** Fw: Fair Hydro -- Supplemental Indenture for Long Term Debt
>
> Sent from my BlackBerry 10 smartphone on the Rogers network.

From: Hanslep, Malle (MOF) <Malle.Hanslep@ontario.ca>
Sent: Thursday, October 26, 2017 18:47
To: Kandeepan, Ken (OFA); Manning, Mike (OFA); Mayman, Gadi (OFA); Yep, Carlos (OFA); Kwan, Ronald (OFA); Devine, James (OFA); Kim, John (OFA); Strathy, Anna (OFA); Katona, Keley (MOF); John Psinas; Nelms, Scott (MOF); Montgomery, Kaitlin (MOF); Veinot, Cindy (TBS); Donaldson, Mark (TBS)
Cc: Whitfield, Tobias P. (MOF); McKinlay, Tom (MAG)
Subject: Fw: Fair Hydro -- Supplemental Indenture for Long Term Debt

I might not have covered everyone with this email

Sent from my BlackBerry 10 smartphone on the Rogers network.

From: Saulnier, Brett <bsaulnier@torys.com>
Sent: Thursday, October 26, 2017 18:36
To: Thouin, Alena (ENERGY); Hanslep, Malle (MOF); Whitfield, Tobias P. (MOF); McKinlay, Tom (MAG); STEPHEN.ASHBOURNE@blakes.com
Cc: 'leslie.wong@opg.com'; dup-john.s.lee@opg.com; 'ken.ryfa@opg.com'; Feldman, Michael; Ramchandani, Rima; Mansoori, Nina; Olusoga, Yinka
Subject: Fair Hydro -- Supplemental Indenture for Long Term Debt

All,

Please find attached a first draft of the supplemental indenture for the long term debt, which we just received from Osler. Osler has advised that this draft remains subject to review and comment by the dealers. Please note that Torys/OPG have not yet reviewed.

Thanks,
Brett

Brett Saulnier

P. 416.865.8148 | F. 416.865.7380 | 1.800.505.8679
79 Wellington St. W., 30th Floor, Box 270, TD South Tower
Toronto, Ontario M5K 1N2 Canada | www.torys.com[torys.com]

TORYS LLP[torys.com]

This email and any attachments are for the sole use of the intended recipients and may be privileged or confidential. Any distribution, printing or other use by anyone else is prohibited. If you are not an intended recipient, please contact the sender immediately, and permanently delete this email and attachments.

Le présent courriel et les documents qui y sont joints sont exclusivement réservés à l'utilisation des destinataires concernés et peuvent être de nature privilégiée ou confidentielle. Toute distribution, impression ou autre utilisation est interdite aux autres personnes. Si vous ne faites pas partie des destinataires concernés, veuillez en informer immédiatement l'expéditeur, ainsi que supprimer ce courriel et les documents joints de manière permanente.

From:	Erica Wieder
To:	Anna Strathy; Bonnie Lemcke
Cc:	Opal Kandelas; Ken Kandeepan
Subject:	RE: Finance Ministers" December 10-11 Meeting - Request for materials: OFA
Date:	Thursday, November 16, 2017 9:28:40 AM
Attachments:	Green Bonds CIN FES 2017.docx image001.png

The attached Green Bond note was updated for FES.

Erica

From: Anna Strathy
Sent: Thursday, November 16, 2017 9:12 AM
To: Erica Wieder <Erica.Wieder@ofina.on.ca>; Bonnie Lemcke <Bonnie.Lemcke@ofina.on.ca>
Cc: Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Subject: FW: Finance Ministers' December 10-11 Meeting - Request for materials: OFA

Hi Erica, Bonnie,

Finance Ministers are meeting in Ottawa Dec 10-11 and Fed-Prov is asking for notes to support the Minister at this meeting meeting. The agenda is still under development, but Fed-Prov has indicated the following areas of discussion are likely to be on the agenda:

- Equalization and the Territorial Formula Financing renewal,
- housing update,
- Canada Pension Plan Triennial Review,
- cannabis taxation,
- carbon pricing,
- Tax Planning Using Private Corporations, and;
- the usual roundtable.

For the June 2017 Finance Ministers' Meeting we provided the two attached notes (Green Bonds and Moodys Downgrade of Canadian Banks). I'm inclined to think that only an update of our Green Bond note is required this time around but I'm open to your suggestions.

Deadline for Gadi's review is Monday, November 27.

Thanks, Anna

From: Laurent, Stephen (MOF) [mailto:Stephen.Laurent@ontario.ca]
Sent: Thursday, November 16, 2017 8:41 AM
To: Anna Strathy <Anna.Strathy@ofina.on.ca>
Cc: Birks, Ryan (MOF) <Ryan.Birks@ontario.ca>; Michael Hudecki (CAB) <Michael.Hudecki@ontario.ca>; Hresa Gavaris <Hresa.Gavaris@ofina.on.ca>

Subject: Finance Ministers' December 10-11 Meeting - Request for materials: OFA

Hi Anna,

As we prepare for the Federal-Provincial-Territorial Finance Ministers' Meeting taking place in Ottawa on December 10-11, we would like to ask for your help in developing supporting material for the Minister. The Federal-Provincial Relations team will be coordinating the binder production and briefings with the DM/MO. Please feel free to provide advice on any additional support the Minister and his advisors may require in preparation for this meeting.

For the binder, below is our best guess at the notes we need from your division (a template for these notes is attached). Please let us know:

- If these topics **have been correctly categorized in your area of responsibility,** and
- If there are **additional topics/ background that should be included**, either to support one of the agenda items, or to equip the Minister with appropriate background on issues that may be raised at the roundtable.

- Ontario Green Bonds
- Moody's downgrade of Canadian Banks/Credit Rating Agencies (TBD)

Let us know if you would like to further discuss any of the items requested or if you have suggestions on notes/materials to include for the FPT meeting. (For your reference, a summary email on the meeting agenda that was sent to ADMs is reproduced below.)

- Please work with other central agencies and line ministries coordinate input as appropriate.
- We have also attached any notes supplied for the June 2017 FinMin meeting for your reference purposes.

Please send your notes to me at (stephen.laurent@ontario.ca) and Michael Hudecki (michael.hudecki@ontario.ca) by **Wednesday, November 29th.**

We appreciate that some of these issues will be developing well into December. If you could, please identify which issues will be changing, and when we might expect to have a final note.

Thank you.

Stephen

Stephen Laurent
Federal-Provincial Relations/Relations fédérales-provinciales
Tel:/Tél : 416-327-2712
Fax:/Téléc : 416-325-6703
Email:/Courriel : stephen.laurent@ontario.ca
Ontario Ministry of Finance / Ministère des Finances

Frost Building South - 4th Floor
7 Queen's Park Crescent
Toronto, Ontario
Canada M7A 1Y7

www.ontario.ca[ontario.ca]

From: Schuurman, Tim (MOF) <Tim.Schuurman@ontario.ca>
Date: Tuesday, Sep 26, 2017, 5:37 PM
To: Thompson, Scott (MOF) <Scott.Thompson@ontario.ca>, Ghiassi, Ali (MOF) <Ali.Ghiassi@ontario.ca>, Nguyen, Marianne (MOF) <Marianne.Nguyen@ontario.ca>, Giroux Namian, Orli (MOF) <Orli.GirouxNamian@ontario.ca>, Lewis, Brian (MOF) <Brian.Lewis@Ontario.ca>, Myers, Leah (MOF) <Leah.Myers@ontario.ca>, Kennedy, Nancy (MOF) <Nancy.Kennedy@ontario.ca>, Stewart, Nicole (MOF) <Nicole.Stewart@ontario.ca>, Subrahmanyan, Sriram (MOF) <Sriram.Subrahmanyan@ontario.ca>, Weir, Mike (MOF) <Mike.Weir@ontario.ca>
Cc: McLean, David (MOF) <David.McLean@ontario.ca>, Birks, Ryan (MOF) <Ryan.Birks@ontario.ca>, Esmail, Selena (MOF) <Selena.Esmail@ontario.ca>
Subject: December Finance Ministers Meeting

Just a quick note that today the feds indicated to us that the next Finance Ministers meeting will take place on **December 11, 2017, in Ottawa, with a Ministers-only dinner to be held on Sunday, December 10, 2017.**

The Minister is still reviewing the agenda options, but officials indicate that current planning ideas include discussions on:

- Equalization and the Territorial Formula Financing renewal,
- housing update,
- Canada Pension Plan Triennial Review,
- cannabis taxation,
- carbon pricing,
- Tax Planning Using Private Corporations, and;
- the usual roundtable.

Similar to previous meetings, the Governor of the Bank of Canada will open the meeting with a discussion on the global economy and the monetary policy.

The feds have asked if there are issues that our Minister would like added to the agenda. They've organized a teleconference for next week when such ideas could be tabled.

Tim Schuurman
Assistant Deputy Minister
Office of the Budget, Ministry of Finance
7 Queen's Park Cres.
Toronto ON M7A 1Z1
Tel: 416-327-0173

November 17, 2017

GREEN BONDS

What is the status of Ontario's Green Bond program?

SUGGESTED RESPONSE

- **On January 26, 2017 the Province of Ontario successfully priced its third Global Canadian Dollar (CAD) Green Bond for $800 million. The bond was a re-opening of its January 2023 Global Green Bond (the Province's second Green Bond).**

- **There was strong demand for Ontario's third Green Bond issue, with over 50 investors participating in the trade.**

- **The Province's third green bond was issued through its current domestic dealer group to Canadian and international institutional investors to continue to help to establish a Canadian-dollar green bond market and attract new investors.**

- **Retail investors were able to buy Ontario's green bonds through a Canadian financial institution.**

- **As the first Canadian province to issue Green Bonds, Ontario continues to lead the way in establishing and developing a Canadian dollar Green Bond market with investor participation from around the world.**

- **Ontario remains committed to the Green Bond market, and expects to continue to access it on an annual basis. The Province plans to issue its fourth Green Bond later this fiscal year.**

- **Twelve projects were selected as eligible and are expected to receive funding from the third Green Bond, with an emphasis on clean transportation and energy efficiency and conservation. Projects include:**

  - **Regional Express Rail**
  - **Eglinton Crosstown Light Rail Transit (LRT)**
  - **vivaNext Bus Rapid Transit**
  - **Finch West LRT**

- **Hamilton LRT**
- **Hurontario LRT**
- **ErinoakKids Centre for Treatment and Development**
- **St. Joseph's Healthcare Hamilton – West 5th**
- **St. Joseph's Healthcare–London & St. Thomas**
- **Waypoint Centre for Mental Health**
- **CAMH – Queen St.**
- **Woodstock General Hospital**

- **To date, total Green Bond financing amounts to $2.05 billion, with up to $1.77 billion allocated to Metrolinx for clean transportation projects.**

- **The size of future green bond issues will be determined by market demand and Ontario's availability of suitable green projects in any given fiscal year.**

CURRENT STATUS

Green Bond Issuance

On January 26, 2017, the Province of Ontario successfully priced its third Global Canadian Dollar (CAD) Green Bond for $800 million. The bond is a re-opening of its second Green Bond, and matures on January 27, 2023. It has a coupon of 1.95 per cent.

There was strong demand for Ontario's third Green Bond issue. Investors with green mandates in Canada as well as in the United States and Europe participated in the deal. Global offering format was used to leverage and facilitate international investor interest with strong trading liquidity supported by Ontario's current domestic dealer syndicate.

Over 50 accounts participated in the transaction with 78 per cent of the deal allocated to investors with Green mandates and/or signatories to the UN Principles for Responsible Investment (PRI) initiative. Interest was driven by Asset Managers (41%), Banks (28%) and Insurance Companies and Pensions (25%).

These bonds capitalize on the Province's ability to raise funds at low interest rates, and serve as a tool for the government to address critical infrastructure needs.

A total of 13 different projects have received or will receive funding from Ontario's three Green Bond issues. The projects selected as eligible to receive funding from the Green Bonds have an emphasis on clean transportation and energy efficiency and conservation:

Clean Transportation Category	**Indicative Funding Allocation for All Three Green Bond Issues ($ Millions)**
Regional Express Rail	437.0
Eglinton Crosstown Light Rail Transit (LRT)	1,151.0
vivaNext Bus Rapid Transit	159.0
Finch West LRT	10.0
Hamilton LRT	3.0
Hurontario LRT	6.0
Energy Efficiency & Conservation Category	
Sheridan College	63.7
ErinoakKids Centre for Treatment and Development	163.3
St. Joseph's Healthcare Hamilton – West 5th	17.1
St. Joseph's Healthcare – London and St. Thomas	16.0
Waypoint Centre for Mental Health	6.5
Centre for Addiction and Mental Health – Queen Street	3.5
Woodstock General Hospital	4.7

All proceeds raised through green bonds will be used to fund green infrastructure. Funding amounts for each project are estimates based on total eligible costs. Final amounts provided to each project will be confirmed in the coming year.

The Eglinton Crosstown LRT was selected as the first project to receive Green Bond funding for $500 million in 2014. To date, total Green Bond financing amounts to $2.05 billion, with up to $1.77 billion allocated to Metrolinx for clean transportation projects.

Green Bond Program

Ontario's Green Bonds were issued at yields similar to conventional Ontario bonds of comparable term and size.

Ontario remains committed to the Green Bond market, and expects to continue to access it on an annual basis. The size of each green bond issue will be determined by market demand and Ontario's availability of suitable green projects in any given fiscal year. Assuming adequate demand, Ontario's green project pipeline is expected to easily support a green bond borrowing program and serve as a source of funding well into the future.

Ontario's Green Bonds are direct unsecured obligations of the Province of Ontario and investors do not assume any specific risk related to the funded projects.

Retail Investors

Retail investors participate (through Canadian financial institutions) in the Province's Green Bond issuances, accounting for approximately one per cent of total sales, in line with or slightly greater than the demand experienced with Ontario's regular domestic issues.

It is unknown to what extent Ontario retail investors would be motivated to buy green bonds if they are offered in a format similar to OSBs. Other international issuers who have attempted a direct retail approach for green bonds have struggled to raise funds.

Green Bond Framework

Ontario has developed a robust Green Bond framework that aligns with Ontario's environmental policies and climate objectives.

Ontario's Green Bond Framework sets out the types of projects that may be eligible for funding from green bonds. Without limitation, eligible projects may include projects in the following five categories identified in the Province of Ontario's Green Bond Framework, excluding fossil fuel and nuclear energy projects:

- Clean transportation
- Energy efficiency and conservation
- Clean energy and technology
- Forestry, agriculture and land management
- Climate adaptation and resilience

Ontario's Green Bond Framework has been developed in consultation with the Centre for International Climate and Environmental Research – Oslo (CICERO).

Ontario's Green Bond program also aligns with the Green Bond Principles maintained by the International Capital Markets Association.

Project Selection

The selection of eligible green projects is done on behalf of the Province by the Ontario Financing Authority (OFA) staff with advice from the Province's Green Bond Advisory Panel (GBAP):

- Only fully approved projects are eligible for consideration. Spending authority for eligible green projects comes through approved ministry and agency spending in accordance with the Province's usual government appropriation and spending processes.

- OFA staff screen projects for all applicable approvals and against eligibility criteria prior to advancing projects to the GBAP for assessment.

- The GBAP, which includes staff from various ministries and agencies, including the Ministry of the Environment and Climate Change and the OFA, evaluates and recommends projects for inclusion in Ontario's Green Bond program.

Projects considered for green bonds will be consistent with Ontario's robust environmental policies and standards and limited to the categories in the Province's Green Bond Framework. Ontario uses core indicators for projects that are widely recognized by the market and, where possible, expects to adopt the impact reporting recommendations of the Green Bond Principles.

On July 3, 2016, The European Union ("EU") Market Abuse Regulation ("MAR") came into effect in all EU Member States, replacing the existing Market Abuse Directive. MAR imposes market abuse rules on EU markets that were previously not subject to the EU market abuse rules, including the exchange-regulated segments of the Luxembourg Stock Exchange. The MAR introduced strict procedures for issuers to follow when conducting market soundings (i.e. communications to potential investors prior to the announcement of a transaction to gauge interest). Since Ontario's Green Bonds are listed on the Luxembourg Stock Exchange Euro MTF market, the OFA must comply with the MAR's market sounding rules when it conducts IR activities ahead of future Green Bonds.

Use of Proceeds

Green Bond proceeds are paid into the Consolidated Revenue Fund of Ontario. An amount equal to the net proceeds of each Green Bond issue is recorded in a designated account in the Province of Ontario's financial records. These designated accounts are used to track the use and allocation of funds to eligible projects. So long as the bonds are outstanding and the designated accounts have a positive balance, amounts are deducted from these accounts as funds are allocated to eligible projects.

Green projects have funding requirements that occur within a twelve month period following and six month period prior to the issue of the green bond.

Updates on the selected green projects and allocation of funds to these projects are reported to investors in an annual newsletter on the website of the Ontario Financing Authority. An assurance audit will also be provided by the Auditor General of Ontario to verify amounts used for selected projects and the balance of proceeds remaining. This assurance audit is expected annually until all green bond proceeds have been allocated to selected projects.

Prepared by: Nathan Yuen, 416-325-9085 / Erica Wieder, 416-325-1661
Ontario Financing Authority
Date Prepared: October 30, 2017
Approved by: Gadi Mayman

File Name: n:\fall16\fiscal\green_bonds

Office of the Budget
MINISTRY of FINANCE

From:	Opal Kandelas
To:	Malle Hanslep (MOF); Anis Hirani; Ken Kandeepan
Cc:	Mike Manning; Carlos Yep; Tobias P. Whitfield (MOF)
Subject:	RE: Guarantee Discussion with OPG
Date:	Tuesday, May 23, 2017 3:28:00 PM
Attachments:	Term Sheet - Provincial Support Agreement - May 12.docx Compare_Term Sheet - Provincial Support Agreement (2) - Term Sheet - Pro....pdf

Hi Malle,

I've attached the latest version.

Thanks,
Opal.

From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Tuesday, May 23, 2017 3:22 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Anis Hirani <Anis.Hirani@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Cc: Mike Manning <Mike.Manning@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Subject: RE: Guarantee Discussion with OPG

Hi all,

Do we have the most recent version of the proposed guarantee language that is going to be discussed tomorrow?

Thanks.

Malle

From: Opal Kandelas [mailto:Opal.Kandelas@ofina.on.ca]
Sent: May 16, 2017 5:32 PM
To: Hirani, Anis (OFA); Kandeepan, Ken (OFA)
Cc: Manning, Mike (OFA); Yep, Carlos (OFA)
Subject: RE: Guarantee Discussion with OPG

Hi Anis,

I'm waiting for confirmation but think it would be fine to send a meeting request to the legal contacts, Tobias.Whitfield@Ontario.ca and Malle.Hanslep@Ontario.ca. No need to include Sarah Neville.

Thanks,
Opal.

From: Anis Hirani
Sent: Tuesday, May 16, 2017 5:13 PM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Cc: Mike Manning <Mike.Manning@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>
Subject: Re: Guarantee Discussion with OPG

I will contact Sarah tomorrow morning and will arrange meeting.

Thanks

Anis Hirani
(416) 464-9540

On May 16, 2017, at 4:09 PM, Ken Kandeepan <Ken.Kandeepan@ofina.on.ca> wrote:

> Makes sense, I spoke to Cindy and she is fine with participating in the meeting/tele-conference. Can you pls request Anis to contact her EA sarah.hosick@ontario.ca
> To set up a suitable time.
>
> Thanks
>
> Ken k
>
> ---
>
> **From:** Mike Manning
> **Sent:** Tuesday, May 16, 2017 2:34 PM
> **To:** Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>
> **Cc:** Anis Hirani <Anis.Hirani@ofina.on.ca>
> **Subject:** Guarantee Discussion with OPG
>
> As you know the recent version of the guarantee language is quite different from the initial language. John Lee wants to talk to us about it, and we had originally set up a meeting for tomorrow morning. I think it would make sense to broaden the group involved on our side, and talking to Gadi he thinks we should involve Cindy or Nadine, and I think that it would be good to get Legal Services involved too. This will make coordination a bit more tricky – making tomorrow morning unlikely for a meeting.
>
> I'm going to ask Anis to line up a meeting, and it would be helpful Ken if you think Cindy, Nadine or both should be invited? On the Legal side, it would be good if Opal could point us to the right person.

Regards, Mike

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

Provincial Support Agreement Term Sheet

Fair Hydro Plan Act, 2017

*This term sheet (the "**Term Sheet**") is provided exclusively to the parties listed herein in connection with the draft Fair Hydro Plan Act, 2017 and the regulations to be made thereunder (the "**Act**"). This Term Sheet is to be held confidential. Defined terms used herein have the meanings ascribed to them in the Act. The provincial support agreement (the "**Provincial Support Agreement**") will contain the terms and conditions set out in this Term Sheet in addition to such other representations, warranties, indemnities, and other terms and conditions as the Guarantor and the Beneficiaries (each as defined below) may reasonably require.*

Guarantor:	Her Majesty the Queen in right of Ontario, as represented by the Minister of Energy.
Beneficiaries:	The indenture trustee (together with its successors, the "**Indenture Trustee**") under the master trust indenture (the "**Master Trust Indenture**") on behalf of itself and all other persons having debt or other claims against a Financing Entity secured under the Master Trust Indenture (collectively, the "**Beneficiaries**") including, without limitation, holders of senior and subordinated notes, senior and subordinated lenders, hedge counterparties, credit enhancers, liquidity providers, the Financial Services Manager, the Indenture Trustee, the trustee of the Financing Entity if the Financing Entity is a trust, and any other administrator of the Financing Entity.
Term:	The Guarantor's obligations under the Provincial Support Agreement will continue until **[one year]**[1] after all funding obligations (to be defined to include principal, interest, fees, hedge settlement and termination obligations and other related amounts) of all Financing Entities have been repaid.

[1] This mirrors the requirement expected to be in the Regulations under the Act not to wind up, dissolve or liquidate a Financing Entity until at least one year after all of its Funding Obligations have been repaid.

Performance Guarantee:	Under the Master Sale and Servicing Agreement to be entered into by IESO and the Financing Entity, **[and OPG as Financial Services Manager]** ("**MSSA**"), IESO will have obligations both as a seller and as a servicer. Pursuant to a performance guarantee, the Guarantor will guarantee in favour of the Beneficiaries to perform, or cause the performance of (which may be by way of the appointment of a replacement servicer), the obligations of IESO as servicer under the MSSA and the Act including the obligations of any replacement servicer. The Guarantor will also guarantee the servicing obligations of the electricity vendors under the Act. The servicing obligations covered will include all obligations related to the collecting and remitting of clean energy adjustments and will protect the Beneficiaries from any risks arising from collections of clean energy adjustments being commingled with other amounts. In the event that the performance guarantee is unenforceable against the Guarantor, the Provincial Support Agreement will contemplate a separate legal obligation by the Guarantor to indemnify the Beneficiaries for any losses that result.
Payment Guarantee Event:	A Payment Guarantee Event will occur if: (A) the Legislative Assembly of Ontario repeals the Act; or (B) the Legislative Assembly of Ontario amends the Act or a Regulation thereunder is amended in a way that adversely impacts the ability of a Financing Entity to fully recover an investment interest in order to fully pay all funding obligations and other obligations incurred by such Financing Entity in respect of such investment interest; or (C) a court of competent jurisdiction (i) determines all or a portion of the Act to be *ultra vires* in a way that adversely impacts the ability of a Financing Entity to fully recover an investment interest in order to fully pay all funding obligations and other obligations incurred by such Financing Entity in respect of such investment interest or (ii) declares any funding obligations to be invalid or unenforceable; or (D) funding obligations are due and payable at a time when a market disruption (a period of [six months or more] when capital markets term funding is not available to effect refinancings of funding obligations) is occurring and, in the case of long term funding obligations only, a moratorium or limitation on the imposition and collection of clean energy adjustments to repay such funding obligations is in effect under the Act.

Payment Guarantee:	Upon the occurrence of a Payment Guarantee Event under clauses (A), (B) or (C) of the above definition: (x) the Guarantor shall assume and pay when due (without acceleration) all funding obligations and all other obligations of the Financing Entities to the Beneficiaries by paying all regularly scheduled amounts in respect thereof during the term of each Financing Entity's contractual obligation to such Beneficiaries; and (y) Beneficiaries holding funding obligations consisting of bonds [with a remaining term to maturity of greater than one year] shall have the option to put the bonds to the Financing Entity for a put price equal to 101% of the principal amount thereof plus accrued and unpaid interest. In connection with any put under this clause (y), the Guarantor shall guarantee payment of the put price and any related hedge breakage but shall not be responsible for any other default, penalty, prepayment or make whole amounts.
Limits under Guarantees:	Under no circumstances shall the Guarantor be obligated to indemnify any Beneficiary for special or punitive damages, or loss of profits.
Priority of Payments:	The priority of the Beneficiaries to any payment made by the Guarantor under the Provincial Support Agreement shall be governed by the priority provisions in the Master Trust Indenture.
Subrogation:	Where the Guarantor has repaid all Beneficiaries in full, to the extent of such payments the Guarantor shall be subrogated in and to all the rights of recovery of the Beneficiaries in respect of their applicable indebtedness and obligations and the security granted by a Financing Entity to the Indenture Trustee. After repayment by the Guarantor of all indebtedness and obligations owing to the Beneficiaries, the Indenture Trustee will acknowledge and agree on behalf of the Beneficiaries that the Guarantor is entitled to exercise all of the rights, powers and privileges that the Beneficiaries have or may exercise in respect of the repaid indebtedness and obligations, all in accordance with the terms of the Master Trust Indenture. Prior to the repayment in full of the indebtedness and obligations owed to the Beneficiaries, the Guarantor shall have no rights of subrogation.
Notice Requirements:	The Indenture Trustee will be required to provide notice to the Guarantor of a Payment Guarantee Event and may in such notice demand payment or performance of the Guarantor's obligation under the Provincial Support Agreement, as applicable.

Closing:	Date to be determined but no later than **[**■, 2017**]**. The Closing is the date on which the documents in respect of the MSSA, the Master Trust Indenture and all related documentation are executed and delivered.
Reporting Requirements of a Financing Entity:	The Guarantor will be entitled to receive all reports received by the Indenture Trustee under the Master Trust Indenture.
Conditions Precedent to Closing:	Conditions precedent to Closing shall be those conditions set out in the Master Trust Indenture.[2]
Representations:	Customary representations and warranties of the Guarantor.
FIPPA:	Acknowledgement that the Guarantor is bound by the *Freedom of Information and Protection of Privacy Act (Ontario)* and that any information provided to the Guarantor or its agents or representatives in connection with the Transaction Documents may be subject to disclosure in accordance with that act or as otherwise required by law.
Confidentiality Obligations:	Customary confidentiality obligations to be negotiated and included. A Financing Entity and the Beneficiaries shall not, subject to applicable law, issue any press releases and other public announcements in respect of the Provincial Support Agreement without the prior written consent of the Guarantor.
Governing Law:	Province of Ontario

[2] Opinions on the validity and enforceability of Provincial Support Agreement will be required.

Provincial Support Agreement Term Sheet~~—~~

Fair Hydro Plan Act, 2017

*This term sheet (the "**Term Sheet**") is provided exclusively to the parties listed herein in connection with the draft Fair Hydro Plan Act, 2017 and the regulations to be made thereunder (the "**Act**"). This Term Sheet is to be held confidential. Defined terms used herein have the meanings ascribed to them in the Act. The provincial support agreement (the "**Provincial Support Agreement**") will contain the terms and conditions set out in this Term Sheet in addition to such other representations, warranties, indemnities, and other terms and conditions as the Guarantor and the Beneficiaries (each as defined below) may reasonably require.*

Guarantor:	Her Majesty the Queen in right of Ontario, as represented by the Minister of Energy.
Beneficiaries:	The ~~trust company acting as~~ indenture trustee (together with its successors, the "**Indenture Trustee**") under the master trust indenture (the "**Master Trust Indenture**") ~~acting for the benefit of~~on behalf of itself and all other persons ~~who may have contractual~~having debt or other claims against a Financing Entity secured under the Master Trust Indenture (collectively, the "**Beneficiaries**") ~~(~~including, without limitation, holders of senior and subordinated notes, senior and subordinated lenders, hedge counterparties, credit enhancers, liquidity providers, the Financial Services Manager, the Indenture Trustee~~ and~~, the trustee of the Financing Entity[1]~~)~~ if the Financing Entity is a trust, and any other administrator of the Financing Entity.
Term:	The Guarantor's obligations under the Provincial Support Agreement will continue until **[one year]**[2]1 after all ~~Funding Obligations~~funding obligations (to be defined to include principal, interest, fees, hedge settlement and termination obligations and other related amounts) of all Financing Entities have been repaid.
Performance Guarantee:	~~**[Upon the occurrence of a Performance Guarantee Event]**, the Indenture Trustee will be entitled to require the Guarantor to appoint a replacement servicer who will perform IESO's duties as servicer under~~Under the Master Sale and Servicing Agreement ~~between IESO, as seller and servicer,~~to be entered into by IESO and the Financing Entity~~, as purchaser~~, **[and OPG as Financial Services Manager]** ("**MSSA**")~~.~~, IESO will have obligations both

[1] ~~We have assumed that the initial Financing Entity will be a trust.~~

[2]1 This mirrors the requirement expected to be in the Regulations under the Act not to wind up, dissolve or liquidate a Financing Entity until at least one year after all of its Funding Obligations have been repaid.

	as a seller and as a servicer. Pursuant to a performance guarantee, the Guarantor will guarantee in favour of the Beneficiaries to perform, or cause the performance of (which may be by way of the appointment of a replacement servicer), the obligations of IESO as servicer under the MSSA and the Act including the obligations of any replacement servicer. The Guarantor will also guarantee the servicing obligations of the electricity vendors under the Act. The servicing obligations covered will include all obligations related to the collecting and remitting of clean energy adjustments and will protect the Beneficiaries from any risks arising from collections of clean energy adjustments being commingled with other amounts. In the event that the performance guarantee is unenforceable against the Guarantor, the Provincial Support Agreement will contemplate a separate legal obligation by the Guarantor to indemnify the ~~Indenture Trustee~~Beneficiaries for any losses that result.
~~**Performance Guarantee Event:**~~	~~A "Servicer Default" occurs under the MSSA[3]~~
~~**Payment Guarantee:**~~	~~**[Upon the occurrence of a Payment Guarantee Event and within [5/10] business days after receiving a demand from the Indenture Trustee]**, the Guarantor shall **[guarantee and indemnify the Indenture Trustee (for and on behalf of the Beneficiaries) by paying all regularly scheduled interest and principal payments during the term of a Financing Entity's contractual obligation to such Beneficiary]/[assume the contractual obligations of a Financing Entity to the Beneficiaries]**[4], which for greater certainty shall not include any default, penalty, prepayment, or make whole amounts.~~
Payment Guarantee Event:	A Payment Guarantee Event will occur if: (A) ~~if~~ the Legislative Assembly of Ontario repeals the Act; or (B) ~~if~~ the Legislative Assembly of Ontario amends the Act or a Regulation thereunder is amended in a way that adversely impacts the ability of a Financing Entity to fully recover an investment interest in order to fully pay all funding obligations and other obligations incurred by such Financing Entity in respect of such investment interest; or (C) ~~if~~ a court of competent jurisdiction (i) determines all or a portion of the Act to be *ultra vires* in a way that adversely impacts the ability of a Financing Entity to fully recover an investment

[3] ~~Each Servicer Default will include its own cure period before the event becomes a Servicer Default.~~
[4] ~~To confirm if Province will become the debtor under the applicable debt documentation or if the Financing Entity will continue to be the primary obligor with the Province acting as secondary obligor.~~

	interest in order to fully pay all funding obligations and other obligations incurred by such Financing Entity in respect of such investment interest or (ii) declares any funding obligations to be invalid or unenforceable; or (D) funding obligations are due and payable at a time when a market disruption (a period of [six months or more] when capital markets term funding is not available to effect refinancings of funding obligations) is occurring and, in the case of long term funding obligations only, a moratorium or limitation on the imposition and collection of clean energy adjustments to repay such funding obligations is in effect under the Act.
Payment Guarantee:	Upon the occurrence of a Payment Guarantee Event under clauses (A), (B) or (C) of the above definition: (x) the Guarantor shall assume and pay when due (without acceleration) all funding obligations and all other obligations of the Financing Entities to the Beneficiaries by paying all regularly scheduled amounts in respect thereof during the term of each Financing Entity's contractual obligation to such Beneficiaries; and (y) Beneficiaries holding funding obligations consisting of bonds [with a remaining term to maturity of greater than **one year]** shall have the option to put the bonds to the Financing Entity for a put price equal to 101% of the principal amount thereof plus accrued and unpaid interest. In connection with any put under this clause (y), the Guarantor shall guarantee payment of the put price and any related hedge breakage but shall not be responsible for any other default, penalty, prepayment or make whole amounts.
Limits under Guarantees:	Under no circumstances shall the Guarantor be obligated to indemnify any Beneficiary for special or punitive damages, or loss of profits.
Priority of Payments:	The priority of the Beneficiaries to any payment made by the Guarantor under the Provincial Support Agreement shall be governed by the priority provisions in the Master Trust Indenture.
Subrogation:	Where the Guarantor has repaid ~~a Beneficiary~~all Beneficiaries in full, to the extent of such ~~payment,~~payments the Guarantor ~~is~~shall be subrogated in and to all the rights of recovery of ~~such~~the Beneficiar~~y~~ies in respect of their applicable indebtedness and obligations and the security granted by a Financing Entity to the Indenture Trustee. After repayment by the Guarantor of all ~~amounts~~indebtedness and obligations owing to ~~a~~the Beneficiar~~y~~ies,

	the Indenture Trustee will acknowledge and agree on behalf of ~~such~~the Beneficiar~~y~~ies that the Guarantor is entitled to exercise all of the rights, powers and privileges that the Beneficiar~~y~~ies ha~~s~~ve or may exercise in respect of the repaid indebtedness and obligations, all in accordance with the terms of the Master Trust Indenture. Prior to the repayment in full of the indebtedness and obligations owed to the Beneficiaries, the Guarantor shall have no rights of subrogation.
Notice Requirements:	The Indenture Trustee will be required to provide notice to the Guarantor of a ~~Performance Guarantee Event or~~ Payment Guarantee Event and may in such notice demand payment or performance of the Guarantor's obligation under the Provincial Support Agreement, as applicable.
Closing:	Date to be determined but no later than **[**■, 2017**]**. The Closing is the date on which the documents in respect of the MSSA, the Master Trust Indenture and all related documentation are executed and delivered.
Reporting Requirements of a Financing Entity:	The Guarantor will be entitled to receive all reports received by the Indenture Trustee under the Master Trust Indenture.
Conditions Precedent to Closing:	Conditions precedent to Closing shall be those conditions set out in the Master Trust Indenture.~~5~~[2]
Representations:	Customary representations and warranties of the Guarantor.
FIPPA:	Acknowledgement that the Guarantor is bound by the *Freedom of Information and Protection of Privacy Act (Ontario)* and that any information provided to the Guarantor or its agents or representatives in connection with the Transaction Documents may be subject to disclosure in accordance with that act or as otherwise required by law.
Confidentiality Obligations:	Customary confidentiality obligations to be negotiated and included. A Financing Entity and the Beneficiaries shall not, subject to applicable law, issue any press releases and other public announcements in respect of the Provincial Support Agreement without the prior written consent of the Guarantor.
Governing Law:	Province of Ontario

~~5~~[2] Opinions on the validity and enforceability of Provincial Support Agreement will be required.

From:	Hanslep, Malle (MOF)
To:	Opal Kandelas; Anis Hirani; Ken Kandeepan
Cc:	Mike Manning; Carlos Yep; Tobias P. Whitfield (MOF)
Subject:	RE: Guarantee Discussion with OPG
Date:	Wednesday, May 24, 2017 9:59:44 AM

Thanks Opal.

Toby and I will attend the meeting today at 2. I note that footnote 2 mentions that opinions on the validity and enforceability of the provincial support agreement will be required. The proposed legislation provides for both Ministers to jointly give the guarantee. Does anyone know whether Energy Legal and Blakes (who I believe is the Province's outside counsel) have reviewed the revised term sheet? It will be helpful to get a better understanding of the scope and timing of this proposed guarantee. I note that the description of the beneficiaries is very broad. Wouldn't it be expected that the actual guarantee scope would be tailored to the obligations in specific instruments or transactions that are required to be guaranteed.

Thanks.

Malle

From: Opal Kandelas [mailto:Opal.Kandelas@ofina.on.ca]
Sent: May 23, 2017 3:28 PM
To: Hanslep, Malle (MOF); Hirani, Anis (OFA); Kandeepan, Ken (OFA)
Cc: Manning, Mike (OFA); Yep, Carlos (OFA); Whitfield, Tobias P. (MOF)
Subject: RE: Guarantee Discussion with OPG

Hi Malle,

I've attached the latest version.

Thanks,
Opal.

From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Tuesday, May 23, 2017 3:22 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Anis Hirani <Anis.Hirani@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Cc: Mike Manning <Mike.Manning@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Subject: RE: Guarantee Discussion with OPG

Hi all,

Do we have the most recent version of the proposed guarantee language that is going to be discussed tomorrow?

Thanks.

Malle

From: Opal Kandelas [mailto:Opal.Kandelas@ofina.on.ca]
Sent: May 16, 2017 5:32 PM
To: Hirani, Anis (OFA); Kandeepan, Ken (OFA)
Cc: Manning, Mike (OFA); Yep, Carlos (OFA)
Subject: RE: Guarantee Discussion with OPG

Hi Anis,

I'm waiting for confirmation but think it would be fine to send a meeting request to the legal contacts, Tobias.Whitfield@Ontario.ca and Malle.Hanslep@Ontario.ca. No need to include Sarah Neville.

Thanks,
Opal.

From: Anis Hirani
Sent: Tuesday, May 16, 2017 5:13 PM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Cc: Mike Manning <Mike.Manning@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>
Subject: Re: Guarantee Discussion with OPG

I will contact Sarah tomorrow morning and will arrange meeting.

Thanks

Anis Hirani
(416) 464-9540

On May 16, 2017, at 4:09 PM, Ken Kandeepan <Ken.Kandeepan@ofina.on.ca> wrote:

> Makes sense, I spoke to Cindy and she is fine with participating in the meeting/tele-conference. Can you pls request Anis to contact her EA sarah.hosick@ontario.ca
> To set up a suitable time.
>
> Thanks
>
> Ken k

From: Mike Manning
Sent: Tuesday, May 16, 2017 2:34 PM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>
Cc: Anis Hirani <Anis.Hirani@ofina.on.ca>
Subject: Guarantee Discussion with OPG

As you know the recent version of the guarantee language is quite different from the initial language. John Lee wants to talk to us about it, and we had originally set up a meeting for tomorrow morning. I think it would make sense to broaden the group involved on our side, and talking to Gadi he thinks we should involve Cindy or Nadine, and I think that it would be good to get Legal Services involved too. This will make coordination a bit more tricky – making tomorrow morning unlikely for a meeting.

I'm going to ask Anis to line up a meeting, and it would be helpful Ken if you think Cindy, Nadine or both should be invited? On the Legal side, it would be good if Opal could point us to the right person.

Regards, Mike

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From: Erica Wieder
To: Opal Kandelas; Serena Ly
Subject: RE: House Book Updates due April 28, 2017
Date: Friday, April 28, 2017 2:40:13 PM
Attachments: image001.png

Hi Opal,

The amounts came from Elizabeth, you may want to ask her, she also used it for her RBC presentation:

Projects Financed by Ontario's Green Bonds

- A total of 13 different projects have received or will receive funding from Ontario's three Green Bond issues.

Project Name	Framework Category	Allocated Funding ($ Millions)	Disbursed as of February 28, 2017 ($ Millions)
Eglinton Crosstown LRT	Clean Transportation	1,151.0	918.3
Regional Express Rail	Clean Transportation	437.0	253.0
vivaNext Bus Rapid Transit	Clean Transportation	159.0	159.0
Finch West LRT	Clean Transportation	10.0	10.0
Hurontario LRT	Clean Transportation	6.0	6.0
Hamilton LRT	Clean Transportation	3.0	3.0
ErinoakKids Centre for Treatment and Development	Energy Efficiency & Conservation	163.3	0
Sheridan College	Energy Efficiency & Conservation	63.7	63.7
St Joseph's Healthcare Hamilton – West 5th	Energy Efficiency & Conservation	17.1	8.5
St Joseph's Health Care – London and St. Thomas	Energy Efficiency & Conservation	16.0	7.6
Waypoint Centre for Mental Health	Energy Efficiency & Conservation	6.5	2.6
Woodstock General Hospital	Energy Efficiency & Conservation	4.7	0
Centre for Addiction and Mental Health – Queen Street	Energy Efficiency & Conservation	3.5	1.7
TOTAL		**2,041**	**1,433**

From: Opal Kandelas
Sent: Friday, April 28, 2017 2:36 PM
To: Serena Ly <Serena.Ly@ofina.on.ca>
Cc: Erica Wieder <Erica.Wieder@ofina.on.ca>
Subject: RE: House Book Updates due April 28, 2017

Hi Serena,

For the 13 projects that are listed in the GB CIN, has the total allocated funding amounts been confirmed? What's your source?

Opal

From: Serena Ly
Sent: Thursday, April 20, 2017 1:51 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Cc: Erica Wieder <Erica.Wieder@ofina.on.ca>
Subject: RE: House Book Updates due April 28, 2017

Hi Opal,

Here's the updated Green Bond CIN, not much has changed. Couple of sentences were added to be consistent with the wording in the budget.
http://portal.ofina.on.ca/sites/ceo/CIN%20Central/Green%20Bonds%20CIN%20April%2020%202017.docx

Please review and let me know if you have any comments. CIN's aren't due to Anna until next Tuesday.

Thanks,
Serena

From: Anna Strathy
Sent: Tuesday, April 18, 2017 11:13 AM
To: David Peters <David.Peters@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Mike Manning

<Mike.Manning@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Bonnie Lemcke <Bonnie.Lemcke@ofina.on.ca>
Subject: FW: House Book Updates due April 28, 2017

Good morning,

Communications has asked us to update our CINs to reflect the language of the 2017 Budget. Could your teams please review the following CINs and update as needed?

1. Borrowing and Debt
2. Ontario Credit Rating
3. Green Bonds
4. DBRS Response to the Fair Hydro Plan

Please send your updated CINs to me **by Tuesday, April 25 for CEO review**. The CINs will not be sent to Communications until Friday, April 28, after the release of the Document.

Thanks, Anna

From: Pichette, Marc (MOF) [mailto:Marc.Pichette@ontario.ca]
Sent: Thursday, April 13, 2017 2:22 PM
To: Anna Strathy <Anna.Strathy@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Edwards, Malon (FSCO) <Malon.Edwards@fsco.gov.on.ca>; Birks, Ryan (MOF) <Ryan.Birks@ontario.ca>; Ghufran Tarin (MOF) <Ghufran.Tarin@ontario.ca>; Jamie Buckland Foster (MCYS) <Jamie.Buckland.Foster@ontario.ca>; Katz, Emily (MOF) <Emily.Katz@ontario.ca>; Patel, Lesley (MOF) <Lesley.Patel@ontario.ca>; Vo, Kim (MOF) <Kim.Vo@ontario.ca>; Julia Hancock (MNDM) <Julia.Hancock@ontario.ca>; Vivienne Skoberne (MOHLTC) <Vivienne.Skoberne@ontario.ca>; Sadruddin Salman (MOF) <Sadruddin.Salman@ontario.ca>; Lucy Kang (MTO) <Lucy.Kang@ontario.ca>; Wallace, Julia (MOF) <Julia.Wallace@ontario.ca>; Jayne Harten (ENE) <Jayne.Harten@ontario.ca>
Cc: @FIN-L-O-CSB-ISSUES <FIN-L-O-CSB-ISSUES@msgov.gov.on.ca>
Subject: House Book Updates due April 28, 2017

Hi all,

Thanks once again for providing the Contentious Issue Notes (CINs) for the Spring House Book (see attachment of Index of CINs by Program Area).

The Minister announced today that the 2017 Budget will be tabled on Thursday, April 27th, MO expects the CINs to be updated to reflect the new language of the 2017 Budget.
Therefore we would like to get an update of the CINs impacted by the Budget by Friday, April 28th.
Please send the updated notes to my attention.

Marc Pichette
Team Lead – Issues Management
Communications Services Branch
Ministry of Finance
(416) 314-1587

Projects Financed by Ontario's Green Bonds

- A total of 13 different projects have received or will receive funding from Ontario's three Green Bond issues.

Project Name	Framework Category	Allocated Funding ($ Millions)	Disbursed as of February 28, 2017 ($ Millions)
Eglinton Crosstown LRT	Clean Transportation	1,151.0	918.3
Regional Express Rail	Clean Transportation	437.0	253.0
vivaNext Bus Rapid Transit	Clean Transportation	159.0	159.0
Finch West LRT	Clean Transportation	10.0	10.0
Hurontario LRT	Clean Transportation	6.0	6.0
Hamilton LRT	Clean Transportation	3.0	3.0
ErinoakKids Centre for Treatment and Development	Energy Efficiency & Conservation	163.3	0
Sheridan College	Energy Efficiency & Conservation	63.7	63.7
St Joseph's Healthcare Hamilton – West 5th	Energy Efficiency & Conservation	17.1	8.5
St Joseph's Health Care – London and St. Thomas	Energy Efficiency & Conservation	16.0	7.6
Waypoint Centre for Mental Health	Energy Efficiency & Conservation	6.5	2.6
Woodstock General Hospital	Energy Efficiency & Conservation	4.7	0
Centre for Addiction and Mental Health – Queen Street	Energy Efficiency & Conservation	3.5	1.7
TOTAL		**2,041**	**1,433**

From:	Ryan Blackbyrne
To:	"Anthony Martinello"
Cc:	Jean-Francois Beaupre; John Kim; Gavin He; Opal Kandelas; Sarah Harris; Lisa Stein; Victor Buza
Subject:	RE: IESO - OEFC Drafts - IESO Comments Nov 29
Date:	Thursday, December 07, 2017 4:00:04 PM
Attachments:	$160M revolving credit - amending agreement no.7(Executed).pdf $120M Note - amending agreement no.7(Executed).pdf

Hi Anthony,

Please find pdf versions of the fully executed agreements attached. I will courier you back 2 originals (1 for each agreement).

Please confirm this is the address I should use:

Anthony Martinello
IESO
2635 Lakeshore Rd W
Mississauga, ON
L5J 4R9

Thanks,
Ryan

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Tuesday, December 05, 2017 12:31 PM
To: Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>; Victor Buza <Victor.Buza@ieso.ca>
Subject: RE: IESO - OEFC Drafts - IESO Comments Nov 29

Ryan – Kim Marshall has signed the 4 originals, and IESO has couriered them to you re:

Purolator #: 331249983072

Regards.

From: Anthony Martinello
Sent: December 04, 2017 2:44 PM
To: 'Ryan Blackbyrne'; Victor Buza
Cc: Jean-Francois Beaupre; John Kim; Gavin He; Opal Kandelas; Sarah Harris; Lisa Stein
Subject: RE: IESO - OEFC Drafts - IESO Comments Nov 29

Ryan – Good news, IESO has nothing further. Therefore, let's proceed to execution.

Call me to discuss.

Regards.

Anthony Martinello Director, Treasury & Pension Operations
Independent Electricity System Operator (IESO) | T: 905-403-6944
Station A, Box 4474, Toronto, ON, M5W 4E5
www.ieso.ca[ieso.ca]

From: Ryan Blackbyrne [mailto:Ryan.Blackbyrne@ofina.on.ca]
Sent: November 30, 2017 4:37 PM
To: Victor Buza; Anthony Martinello
Cc: Jean-Francois Beaupre; John Kim; Gavin He; Opal Kandelas; Sarah Harris; Lisa Stein
Subject: RE: IESO - OEFC Drafts - IESO Comments Nov 29

Hi Victor,

We have reviewed and approved the changes you made to the drafts. We having nothing further to add. Are there any other revisions you wish to make before preparing execution copies?

Thank You,
Ryan

From: Victor Buza [mailto:Victor.Buza@ieso.ca]
Sent: Wednesday, November 29, 2017 6:50 PM
To: Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>; Anthony Martinello <Anthony.Martinello@ieso.ca>
Cc: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: IESO - OEFC Drafts - IESO Comments Nov 29

Hi Ryan – thanks for the drafts. Please see attached markups that include our comments – I haven't had an opportunity to discuss these changes/comments internally but thought I should forward these asap given the time pressure.

The main adders that I have included track the language in the recently executed FHP Credit Facility.

Regarding the deletion of s.3.7 in the Note Agreement ("Other Indebtedness"), this is duplicative of s.3.8 ("Negative Pledge") but also conflicts with it in certain respects so may cause confusion and I believe the easiest way to deal with it is to delete it since I don't think it adds anything. (You will note that a similar clause is not included in the Revolving Credit Agreement.)

We may have more comments after we have a chance to discuss your draft and my comments internally tomorrow.

Regards,
Victor

Victor Buza | Senior Counsel
Independent Electricity System Operator (IESO) | T: 416-969-6079
1600-120 Adelaide Street West, Toronto, ON M5H 1T1
Web: www.ieso.ca[ieso.ca][na01.safelinks.protection.outlook.com] | Twitter: IESO_Tweets[twitter.com][na01.safelinks.protection.outlook.com] | LinkedIn: IESO[linkedin.com][na01.safelinks.protection.outlook.com]

This email message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution, or copying of this email message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this email message.

From: Ryan Blackbyrne [mailto:Ryan.Blackbyrne@ofina.on.ca]
Sent: November 29, 2017 4:50 PM
To: Anthony Martinello
Cc: Jean-Francois Beaupre; John Kim; Victor Buza; Gavin He; Opal Kandelas; Sarah Harris; Lisa Stein
Subject: RE: IESO - OEFC Nov 27

Hi Anthony,

Please find initial draft documents for your review. Please note terms of these documents are still subject to internal approval at the OFA. Please let us know your comments.

Regards,

Ryan Blackbyrne
Documentation & Analysis Specialist
Capital Markets Division
Ontario Financing Authority
1 Dundas Street West, Suite 1400
Toronto, ON M7A 1Y7
416-325-8143
ryan.blackbyrne@ofina.on.ca

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Monday, November 27, 2017 2:50 PM
To: Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Victor Buza <Victor.Buza@ieso.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: IESO - OEFC Nov 27

Ryan – are you able to send over draft documents for our review? I understand that we may start to work on them now.

Regards.

From: Anthony Martinello
Sent: November 07, 2017 4:07 PM
To: 'Ryan.Blackbyrne@ofina.on.ca'
Cc: 'Jean-Francois.Beaupre@ofina.on.ca'; William Tan; John Kim; Victor Buza
Subject: IESO - OEFC Nov 7

Ryan,

As discussed with Will today, I understand you will be co-ordinating the proposed 2 amendments to the existing IESO-OEFC credit facilities.

For starters, there are no expected changes being asked to the existing agreement's key business content (e.g. amounts, dates, interest, notices etc.), rather given that IESO-OFA have just finished two new agreements pertaining to the new fair hydro program, ….I suggest we just copy and paste the salient sections from these agreements that would now be relevant to the OEFC agreements for fair hydro namely;

1.DRAFT
The definition of "Permitted Liens" is amended by deleting the word "and" at the end of subsection (xx); replacing the "." at the end of subsection (xx) and replacing it with "; and" ; and adding the following subsection (xx):
"(xx) any Lien arising from the IESO's role and obligations under the OFHP, including with respect to any amount received or receivable by the IESO (such as, without limitation, amounts received or receivable in respect of the Clean Energy Adjustment), or any other lien, whether arising from the action or inaction of IESO, that is created in connection with the OFHP."

2.DRAFT
The OFA agreements had required an intercept provision, …..not sure if the same applies to OEFC if yes:

"Section 5.7 Intercept
(a) The IESO hereby acknowledges that, in accordance with the terms of the letter agreement of November 6th , 2017 herewith entered between the Ministry of Energy, the IESO and the OFA made pursuant to Section 23 of the Capital Investment Plan Act, 1993 (the "Intercept Letter"), the Minister of Finance is entitled to deduct only from those monies appropriated by the Legislature for payment through the Ministry of Energy to the IESO ("Appropriated Funds"), amounts equal to any amounts that the IESO fails to pay to the OFA on account of indebtedness under this Agreement. On the occurrence of an Event of Default relating to a failure by IESO to pay when due any amounts owing hereunder, subject to the OFA's compliance with any relevant provisions hereof and as set out in the Intercept Letter, the Minister of Finance is irrevocably authorized to deduct from the Appropriated

Funds amounts equal to any amounts that the IESO has failed to pay to the OFA in accordance with the provisions of this Agreement and to pay such amounts directly to the OFA ("Intercept").
(b) If, after following the process specified in the Intercept Letter (including, without limitation, allowing for a reasonable cure period on the terms specified therein), the OFA determines that it is necessary to request the Minister of Finance to exercise the Intercept, the OFA will give written notice to the Minister of Finance, with a copy to the Ministry of Energy, detailing the IESO's failure to pay when due any amounts owing hereunder and requesting the deduction from the Appropriated Funds of amounts equal to the amounts that the IESO has failed to pay to the OFA under this Agreement.
(c) The IESO agrees that any notice from the OFA to the Minister of Finance in relation to this section 5.7 (Intercept) may be relied upon by the Minister of Finance without further inquiry or verification by the Minister of Finance and, upon receipt of such notice, an amount equal to the amount that the IESO has failed to pay when due to the OFA on account of indebtedness under this Agreement shall be deducted from the Appropriated Funds and paid to the OFA.
(d) For further certainty, the OFA acknowledges and agrees that the Intercept as provided for herein and in the Intercept Letter shall not apply with respect to any funds appropriated by the Legislature for payment to the IESO through ministries other than the Ministry of Energy or through Ontario Climate Change Solutions Deployment Corporation.
The parties agree that, with respect to the exercise of the Intercept generally, the terms of this section 5.7 shall be applied consistently with the terms set out in the Intercept Letter which shall apply in full. Notwithstanding the foregoing, in the event of a conflict or inconsistency between the terms and conditions of the Intercept Letter and the terms and conditions contained in this Agreement, the terms and conditions contained in this Agreement shall prevail."

3.
If any… other relevant updates that make sense to do now……I do not anticipate any material ones.

We need your support to expedite the above in order to avoid delays in the Fair Hydro implementation.
Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

AMENDING AGREEMENT NO. 7

This Amending Agreement is effective as of the 5th day of December, 2017.

BETWEEN: **INDEPENDENT ELECTRICITY SYSTEM OPERATOR ("IESO")**

as Borrower

AND: **ONTARIO ELECTRICITY FINANCIAL CORPORATION ("OEFC")**

as Lender

WHEREAS IESO and OEFC entered into a Revolving Credit Facility Agreement dated April 23, 2010, as amended by Amending Agreement No.1 dated July 21, 2010, Amending Agreement No. 2 dated October 14, 2011, Amending Agreement No. 3 dated April 30, 2013, Amending Agreement No. 4 dated April 30, 2014, Amending Agreement No. 5 dated December 19, 2014 and Amending Agreement No. 6 dated April 30, 2017 (collectively the "Agreement") pursuant to which OEFC agreed to provide a revolving credit facility to IESO in the principal amount of up to CDN $160 million;

AND WHEREAS the *Ontario Fair Hydro Plan Act, 2017* came into force on June 1, 2017;

AND WHEREAS at the request of the IESO the parties now wish to amend the Agreement to accommodate IESO's role and obligations under the *Ontario Fair Hydro Plan Act, 2017*;

THEREFORE, in consideration of the mutual covenants and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and subject to the terms and conditions hereinafter set out, the parties agree that the Agreement is amended as follows:

1. The following definitions are added to Section 1.1 (Definitions) of the Agreement:

   "**Clean Energy Adjustment**" has the same meaning as that term is defined in the OFHP.

   "**OFHP**" means the *Ontario Fair Hydro Plan Act, 2017*, S.O. 2017, c. 16, Schedule 1, including any regulations made thereunder, and all as amended from time to time.

2. The definition of "Ontario's Fair Hydro Plan" is deleted in its entirety.

3. The definition of the term "Permitted Liens" in Section 1.1 (Definitions) of the Agreement is amended by deleting the word "and" at the end of paragraph (j); deleting

lien, whether arising from the action or inaction of IESO, that is created in connection with the OFHP.

3. Subsection 2.2(2) of the Agreement is deleted and replaced by the following:

(2) The Note shall at all times rank *pari passu* with all other unsecured Senior Debt of the IESO, subject to the existence of any Liens that secure Indebtedness as permitted by subsections 3.8 (a) through (f) hereof.

4. Delete the paragraph following the heading "Section 3.7 Other Indebtedness" and replace with the words "Intentionally Left Blank".

IN ALL OTHER RESPECTS, the Agreement is confirmed by the parties.

IN WITNESS WHEREOF the parties have executed and delivered this Amending Agreement as of the date first written above.

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

By: _____
Name: Kimberly Marshall
Title: Vice President, Corporate Services; Chief Financial Officer; and Treasurer

ONTARIO ELECTRICITY FINANCIAL CORPORATION

By: _____
Name: Michael D. Manning
Title: Executive Director and Chief Investment Officer

AMENDING AGREEMENT NO. 7

This Amending Agreement is made as of the 5th day of December, 2017 between:

INDEPENDENT ELECTRICITY SYSTEM OPERATOR ("IESO")

and

ONTARIO ELECTRICITY FINANCIAL CORPORATION ("OEFC")

WHEREAS IESO and OEFC have entered into an agreement providing for the Issuance of a Note dated April 1, 1999 (the "Original Agreement");

AND WHEREAS pursuant to amending agreements dated March 23, 2000, April 23, 2009, May 1, 2011, May 1, 2013, April 30, 2014 and April 30, 2017 the parties amended the Original Agreement (as so amended, the "Agreement");

AND WHEREAS the *Ontario Fair Hydro Plan Act, 2017* came into force on June 1, 2017;

AND WHEREAS at the request of the IESO the parties now wish to amend the Agreement to accommodate IESO's role and obligations under the *Ontario Fair Hydro Plan Act*, 2017;

NOW THEREFORE in consideration of the mutual agreements contained herein (the receipt and sufficiency of which are hereby acknowledged by each party), the parties agree as follows:

1. The following definitions are added to Section 1.1 (Definitions) of the Agreement:

   "**Clean Energy Adjustment**" has the same meaning as that term is defined in the OFHP.

   "**OFHP**" means the *Ontario Fair Hydro Plan Act, 2017*, S.O. 2017, c. 16, Schedule 1, including any regulations made thereunder, and all as amended from time to time.

2. The definition of "Permitted Liens" in Section 1.1 (Definitions) of the Agreement is amended by deleting the word "and" at the end of paragraph (j); deleting the "." at the end of paragraph (k) and replacing it with "; and"; and adding the following new paragraph (l):

   (l) any Lien arising from the IESO's role and obligations under the OFHP, including with respect to any amount received or receivable by the IESO (such as, without limitation, amounts received or receivable in respect of the Clean Energy Adjustment), or any other

lien, whether arising from the action or inaction of IESO, that is created in connection with the OFHP.

3. Subsection 2.2(2) of the Agreement is deleted and replaced by the following:

(2) The Note shall at all times rank *pari passu* with all other unsecured Senior Debt of the IESO, subject to the existence of any Liens that secure Indebtedness as permitted by subsections 3.8 (a) through (f) hereof.

4. Delete the paragraph following the heading "Section 3.7 Other Indebtedness" and replace with the words "Intentionally Left Blank".

IN ALL OTHER RESPECTS, the Agreement is confirmed by the parties.

IN WITNESS WHEREOF the parties have executed and delivered this Amending Agreement as of the date first written above.

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

By: _____
Name: Kimberly Marshall
Title: Vice President, Corporate Services; Chief Financial Officer; and Treasurer

ONTARIO ELECTRICITY FINANCIAL CORPORATION

By: _____
Name: Michael D. Manning
Title: Executive Director and Chief Investment Officer

From:	Anthony Martinello
To:	Ryan Blackbyrne
Cc:	Jean-Francois Beaupre; John Kim; Gavin He; Opal Kandelas; Sarah Harris; Lisa Stein; Victor Buza
Subject:	RE: IESO - OEFC Drafts - IESO Comments Nov 29
Date:	Tuesday, December 05, 2017 12:31:31 PM
Attachments:	160M - Revolving Credit Amending Agreement No 7_signed Kim Marshall.pdf 120M Note - Amending Agreement No 7_signed Kim Marshall.pdf

Ryan – Kim Marshall has signed the 4 originals, and IESO has couriered them to you re:

Purolator #: 331249983072

Regards.

From: Anthony Martinello
Sent: December 04, 2017 2:44 PM
To: 'Ryan Blackbyrne'; Victor Buza
Cc: Jean-Francois Beaupre; John Kim; Gavin He; Opal Kandelas; Sarah Harris; Lisa Stein
Subject: RE: IESO - OEFC Drafts - IESO Comments Nov 29

Ryan – Good news, IESO has nothing further. Therefore, let's proceed to execution.

Call me to discuss.

Regards.

Anthony Martinello Director, Treasury & Pension Operations
Independent Electricity System Operator (IESO) | T: 905-403-6944
Station A, Box 4474, Toronto, ON, M5W 4E5
www.ieso.ca[ieso.ca]

From: Ryan Blackbyrne [mailto:Ryan.Blackbyrne@ofina.on.ca]
Sent: November 30, 2017 4:37 PM
To: Victor Buza; Anthony Martinello
Cc: Jean-Francois Beaupre; John Kim; Gavin He; Opal Kandelas; Sarah Harris; Lisa Stein
Subject: RE: IESO - OEFC Drafts - IESO Comments Nov 29

Hi Victor,

We have reviewed and approved the changes you made to the drafts. We having nothing further to add. Are there any other revisions you wish to make before preparing execution copies?

Thank You,
Ryan

From: Victor Buza [mailto:Victor.Buza@ieso.ca]
Sent: Wednesday, November 29, 2017 6:50 PM
To: Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>; Anthony Martinello

<Anthony.Martinello@ieso.ca>
Cc: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: IESO - OEFC Drafts - IESO Comments Nov 29

Hi Ryan – thanks for the drafts. Please see attached markups that include our comments – I haven't had an opportunity to discuss these changes/comments internally but thought I should forward these asap given the time pressure.

The main adders that I have included track the language in the recently executed FHP Credit Facility.

Regarding the deletion of s.3.7 in the Note Agreement ("Other Indebtedness"), this is duplicative of s.3.8 ("Negative Pledge") but also conflicts with it in certain respects so may cause confusion and I believe the easiest way to deal with it is to delete it since I don't think it adds anything. (You will note that a similar clause is not included in the Revolving Credit Agreement.)

We may have more comments after we have a chance to discuss your draft and my comments internally tomorrow.

Regards,
Victor

Victor Buza | Senior Counsel
Independent Electricity System Operator (IESO) | T: 416-969-6079
1600-120 Adelaide Street West, Toronto, ON M5H 1T1
Web: www.ieso.ca[ieso.ca][na01.safelinks.protection.outlook.com] | Twitter: IESO_Tweets[twitter.com][na01.safelinks.protection.outlook.com] | LinkedIn: IESO[linkedin.com][na01.safelinks.protection.outlook.com]

This email message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution, or copying of this email message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this email message.

From: Ryan Blackbyrne [mailto:Ryan.Blackbyrne@ofina.on.ca]
Sent: November 29, 2017 4:50 PM
To: Anthony Martinello
Cc: Jean-Francois Beaupre; John Kim; Victor Buza; Gavin He; Opal Kandelas; Sarah Harris; Lisa Stein
Subject: RE: IESO - OEFC Nov 27

Hi Anthony,

Please find initial draft documents for your review. Please note terms of these documents are still subject to internal approval at the OFA. Please let us know your comments.

Regards,

Ryan Blackbyrne
Documentation & Analysis Specialist
Capital Markets Division
Ontario Financing Authority
1 Dundas Street West, Suite 1400
Toronto, ON M7A 1Y7
416-325-8143
ryan.blackbyrne@ofina.on.ca

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Monday, November 27, 2017 2:50 PM
To: Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Victor Buza <Victor.Buza@ieso.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: IESO - OEFC Nov 27

Ryan – are you able to send over draft documents for our review? I understand that we may start to work on them now.

Regards.

From: Anthony Martinello
Sent: November 07, 2017 4:07 PM
To: 'Ryan.Blackbyrne@ofina.on.ca'
Cc: 'Jean-Francois.Beaupre@ofina.on.ca'; William Tan; John Kim; Victor Buza
Subject: IESO - OEFC Nov 7

Ryan,

As discussed with Will today, I understand you will be co-ordinating the proposed 2 amendments to the existing IESO-OEFC credit facilities.

For starters, there are no expected changes being asked to the existing agreement's key business content (e.g. amounts, dates, interest, notices etc.), rather given that IESO-OFA have just finished two new agreements pertaining to the new fair hydro program, ….I suggest we just copy and paste the salient sections from these agreements that would now be relevant to the OEFC agreements for fair hydro namely;

1.DRAFT
The definition of "Permitted Liens" is amended by deleting the word "and" at the end of subsection (xx); replacing the "." at the end of subsection (xx) and replacing it with "; and" ; and adding the

following subsection (xx):
"(xx) any Lien arising from the IESO's role and obligations under the OFHP, including with respect to any amount received or receivable by the IESO (such as, without limitation, amounts received or receivable in respect of the Clean Energy Adjustment), or any other lien, whether arising from the action or inaction of IESO, that is created in connection with the OFHP."

2.DRAFT
The OFA agreements had required an intercept provision, …..not sure if the same applies to OEFC if yes:

"Section 5.7 Intercept
(a) The IESO hereby acknowledges that, in accordance with the terms of the letter agreement of November 6th , 2017 herewith entered between the Ministry of Energy, the IESO and the OFA made pursuant to Section 23 of the Capital Investment Plan Act, 1993 (the "Intercept Letter"), the Minister of Finance is entitled to deduct only from those monies appropriated by the Legislature for payment through the Ministry of Energy to the IESO ("Appropriated Funds"), amounts equal to any amounts that the IESO fails to pay to the OFA on account of indebtedness under this Agreement. On the occurrence of an Event of Default relating to a failure by IESO to pay when due any amounts owing hereunder, subject to the OFA's compliance with any relevant provisions hereof and as set out in the Intercept Letter, the Minister of Finance is irrevocably authorized to deduct from the Appropriated Funds amounts equal to any amounts that the IESO has failed to pay to the OFA in accordance with the provisions of this Agreement and to pay such amounts directly to the OFA ("Intercept").
(b) If, after following the process specified in the Intercept Letter (including, without limitation, allowing for a reasonable cure period on the terms specified therein), the OFA determines that it is necessary to request the Minister of Finance to exercise the Intercept, the OFA will give written notice to the Minister of Finance, with a copy to the Ministry of Energy, detailing the IESO's failure to pay when due any amounts owing hereunder and requesting the deduction from the Appropriated Funds of amounts equal to the amounts that the IESO has failed to pay to the OFA under this Agreement.
(c) The IESO agrees that any notice from the OFA to the Minister of Finance in relation to this section 5.7 (Intercept) may be relied upon by the Minister of Finance without further inquiry or verification by the Minister of Finance and, upon receipt of such notice, an amount equal to the amount that the IESO has failed to pay when due to the OFA on account of indebtedness under this Agreement shall be deducted from the Appropriated Funds and paid to the OFA.
(d) For further certainty, the OFA acknowledges and agrees that the Intercept as provided for herein and in the Intercept Letter shall not apply with respect to any funds appropriated by the Legislature for payment to the IESO through ministries other than the Ministry of Energy or through Ontario Climate Change Solutions Deployment Corporation.
The parties agree that, with respect to the exercise of the Intercept generally, the terms of this section 5.7 shall be applied consistently with the terms set out in the Intercept Letter which shall apply in full. Notwithstanding the foregoing, in the event of a conflict or inconsistency between the terms and conditions of the Intercept Letter and the terms and conditions contained in this Agreement, the terms and conditions contained in this Agreement shall prevail."

3.

If any… other relevant updates that make sense to do now……I do not anticipate any material ones.

We need your support to expedite the above in order to avoid delays in the Fair Hydro implementation.
Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

AMENDING AGREEMENT NO. 7

This Amending Agreement is effective as of the 5th day of December, 2017.

BETWEEN: **INDEPENDENT ELECTRICITY SYSTEM OPERATOR ("IESO")**

as Borrower

AND: **ONTARIO ELECTRICITY FINANCIAL CORPORATION ("OEFC")**

as Lender

WHEREAS IESO and OEFC entered into a Revolving Credit Facility Agreement dated April 23, 2010, as amended by Amending Agreement No.1 dated July 21, 2010, Amending Agreement No. 2 dated October 14, 2011, Amending Agreement No. 3 dated April 30, 2013, Amending Agreement No. 4 dated April 30, 2014, Amending Agreement No. 5 dated December 19, 2014 and Amending Agreement No. 6 dated April 30, 2017 (collectively the "Agreement") pursuant to which OEFC agreed to provide a revolving credit facility to IESO in the principal amount of up to CDN $160 million;

AND WHEREAS the *Ontario Fair Hydro Plan Act, 2017* came into force on June 1, 2017;

AND WHEREAS at the request of the IESO the parties now wish to amend the Agreement to accommodate IESO's role and obligations under the *Ontario Fair Hydro Plan Act, 2017*;

THEREFORE, in consideration of the mutual covenants and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and subject to the terms and conditions hereinafter set out, the parties agree that the Agreement is amended as follows:

1. The following definitions are added to Section 1.1 (Definitions) of the Agreement:

   "**Clean Energy Adjustment**" has the same meaning as that term is defined in the OFHP.

   "**OFHP**" means the *Ontario Fair Hydro Plan Act, 2017*, S.O. 2017, c. 16, Schedule 1, including any regulations made thereunder, and all as amended from time to time.

2. The definition of "Ontario's Fair Hydro Plan" is deleted in its entirety.

3. The definition of the term "Permitted Liens" in Section 1.1 (Definitions) of the Agreement is amended by deleting the word "and" at the end of paragraph (j); deleting

the "." at the end of paragraph (k) and replacing it with "; and"; and adding the following new paragraph (l):

(l) any Lien arising from the IESO's role and obligations under the OFHP, including with respect to any amount received or receivable by the IESO (such as, without limitation, amounts received or receivable in respect of the Clean Energy Adjustment), or any other lien, whether arising from the action or inaction of IESO, that is created in connection with the OFHP.

4. Subsection 3.2(4) of the Agreement is deleted and replaced by the following:

(4) The Credit Facility shall at all times rank *pari passu* with all other unsubordinated and unsecured Indebtedness of the IESO, subject to the existence of any Liens that secure Indebtedness as permitted by subsections 4.7(a) through (e) hereof.

5. Paragraph 3.6(c) of the Agreement is deleted and replaced by the following:

(c) that there shall, in the reasonable opinion of OEFC, have been no material adverse change in the financial condition of IESO, provided however that any adverse change in IESO's financial condition related to or resulting from the discharge by IESO of its responsibilities under OFHP shall be deemed not to be a material adverse change for the purposes of this section; and

IN ALL OTHER RESPECTS, the Agreement is confirmed by IESO and OEFC.

IN WITNESS WHEREOF the parties hereto have executed this Amending Agreement as of the date first written above.

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

By: K Marshall
Name: Kimberly Marshall
Title: Vice President, Corporate Services; Chief Financial Officer; and Treasurer

ONTARIO ELECTRICITY FINANCIAL CORPORATION

By:_____
Name: Michael D. Manning
Title: Executive Director and Chief Investment Officer

AMENDING AGREEMENT NO. 7

This Amending Agreement is made as of the 5th day of December, 2017 between:

INDEPENDENT ELECTRICITY SYSTEM OPERATOR ("IESO")

and

ONTARIO ELECTRICITY FINANCIAL CORPORATION ("OEFC")

WHEREAS IESO and OEFC have entered into an agreement providing for the Issuance of a Note dated April 1, 1999 (the "Original Agreement");

AND WHEREAS pursuant to amending agreements dated March 23, 2000, April 23, 2009, May 1, 2011, May 1, 2013, April 30, 2014 and April 30, 2017 the parties amended the Original Agreement (as so amended, the "Agreement");

AND WHEREAS the *Ontario Fair Hydro Plan Act, 2017* came into force on June 1, 2017;

AND WHEREAS at the request of the IESO the parties now wish to amend the Agreement to accommodate IESO's role and obligations under the *Ontario Fair Hydro Plan Act*, 2017;

NOW THEREFORE in consideration of the mutual agreements contained herein (the receipt and sufficiency of which are hereby acknowledged by each party), the parties agree as follows:

1. The following definitions are added to Section 1.1 (Definitions) of the Agreement:

   "**Clean Energy Adjustment**" has the same meaning as that term is defined in the OFHP.

   "**OFHP**" means the *Ontario Fair Hydro Plan Act, 2017*, S.O. 2017, c. 16, Schedule 1, including any regulations made thereunder, and all as amended from time to time.

2. The definition of "Permitted Liens" in Section 1.1 (Definitions) of the Agreement is amended by deleting the word "and" at the end of paragraph (j); deleting the "." at the end of paragraph (k) and replacing it with "; and"; and adding the following new paragraph (l):

   (l) any Lien arising from the IESO's role and obligations under the OFHP, including with respect to any amount received or receivable by the IESO (such as, without limitation, amounts received or receivable in respect of the Clean Energy Adjustment), or any other

lien, whether arising from the action or inaction of IESO, that is created in connection with the OFHP.

3. Subsection 2.2(2) of the Agreement is deleted and replaced by the following:

(2) The Note shall at all times rank *pari passu* with all other unsecured Senior Debt of the IESO, subject to the existence of any Liens that secure Indebtedness as permitted by subsections 3.8 (a) through (f) hereof.

4. Delete the paragraph following the heading "Section 3.7 Other Indebtedness" and replace with the words "Intentionally Left Blank".

IN ALL OTHER RESPECTS, the Agreement is confirmed by the parties.

IN WITNESS WHEREOF the parties have executed and delivered this Amending Agreement as of the date first written above.

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

By: K Marshall
Name: Kimberly Marshall
Title: Vice President, Corporate Services; Chief Financial Officer; and Treasurer

ONTARIO ELECTRICITY FINANCIAL CORPORATION

By:_____
Name: Michael D. Manning
Title: Executive Director and Chief Investment Officer

From:	Anthony Martinello
To:	Ryan Blackbyrne; Victor Buza
Cc:	Jean-Francois Beaupre; John Kim; Gavin He; Opal Kandelas; Sarah Harris; Lisa Stein
Subject:	RE: IESO - OEFC Drafts - IESO Comments Nov 29
Date:	Monday, December 04, 2017 2:44:27 PM

Ryan – Good news, IESO has nothing further. Therefore, let's proceed to execution.

Call me to discuss.

Regards.

Anthony Martinello Director, Treasury & Pension Operations
Independent Electricity System Operator (IESO) | T: 905-403-6944
Station A, Box 4474, Toronto, ON, M5W 4E5
www.ieso.ca[ieso.ca]

From: Ryan Blackbyrne [mailto:Ryan.Blackbyrne@ofina.on.ca]
Sent: November 30, 2017 4:37 PM
To: Victor Buza; Anthony Martinello
Cc: Jean-Francois Beaupre; John Kim; Gavin He; Opal Kandelas; Sarah Harris; Lisa Stein
Subject: RE: IESO - OEFC Drafts - IESO Comments Nov 29

Hi Victor,

We have reviewed and approved the changes you made to the drafts. We having nothing further to add. Are there any other revisions you wish to make before preparing execution copies?

Thank You,
Ryan

From: Victor Buza [mailto:Victor.Buza@ieso.ca]
Sent: Wednesday, November 29, 2017 6:50 PM
To: Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>; Anthony Martinello <Anthony.Martinello@ieso.ca>
Cc: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: IESO - OEFC Drafts - IESO Comments Nov 29

Hi Ryan – thanks for the drafts. Please see attached markups that include our comments – I haven't had an opportunity to discuss these changes/comments internally but thought I should forward these asap given the time pressure.

The main adders that I have included track the language in the recently executed FHP Credit Facility.

Regarding the deletion of s.3.7 in the Note Agreement ("Other Indebtedness"), this is duplicative of s.3.8 ("Negative Pledge") but also conflicts with it in certain respects so may cause confusion and I believe the easiest way to deal with it is to delete it since I don't think it adds anything. (You will note that a similar clause is not included in the Revolving Credit Agreement.)

We may have more comments after we have a chance to discuss your draft and my comments internally tomorrow.

Regards,
Victor

Victor Buza | Senior Counsel
Independent Electricity System Operator (IESO) | T: 416-969-6079
1600-120 Adelaide Street West, Toronto, ON M5H 1T1
Web: www.ieso.ca[ieso.ca][na01.safelinks.protection.outlook.com] | Twitter: IESO_Tweets[twitter.com][na01.safelinks.protection.outlook.com] | LinkedIn: IESO[linkedin.com][na01.safelinks.protection.outlook.com]

This email message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution, or copying of this email message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this email message.

From: Ryan Blackbyrne [mailto:Ryan.Blackbyrne@ofina.on.ca]
Sent: November 29, 2017 4:50 PM
To: Anthony Martinello
Cc: Jean-Francois Beaupre; John Kim; Victor Buza; Gavin He; Opal Kandelas; Sarah Harris; Lisa Stein
Subject: RE: IESO - OEFC Nov 27

Hi Anthony,

Please find initial draft documents for your review. Please note terms of these documents are still subject to internal approval at the OFA. Please let us know your comments.

Regards,

Ryan Blackbyrne
Documentation & Analysis Specialist
Capital Markets Division
Ontario Financing Authority
1 Dundas Street West, Suite 1400
Toronto, ON M7A 1Y7
416-325-8143
ryan.blackbyrne@ofina.on.ca

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Monday, November 27, 2017 2:50 PM
To: Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Victor Buza <Victor.Buza@ieso.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: IESO - OEFC Nov 27

Ryan – are you able to send over draft documents for our review? I understand that we may start to work on them now.

Regards.

From: Anthony Martinello
Sent: November 07, 2017 4:07 PM
To: 'Ryan.Blackbyrne@ofina.on.ca'
Cc: 'Jean-Francois.Beaupre@ofina.on.ca'; William Tan; John Kim; Victor Buza
Subject: IESO - OEFC Nov 7

Ryan,

As discussed with Will today, I understand you will be co-ordinating the proposed 2 amendments to the existing IESO-OEFC credit facilities.

For starters, there are no expected changes being asked to the existing agreement's key business content (e.g. amounts, dates, interest, notices etc.), rather given that IESO-OFA have just finished two new agreements pertaining to the new fair hydro program, ….I suggest we just copy and paste the salient sections from these agreements that would now be relevant to the OEFC agreements for fair hydro namely;

1.DRAFT
The definition of "Permitted Liens" is amended by deleting the word "and" at the end of subsection (xx); replacing the "." at the end of subsection (xx) and replacing it with "; and" ; and adding the following subsection (xx):
"(xx) any Lien arising from the IESO's role and obligations under the OFHP, including with respect to any amount received or receivable by the IESO (such as, without limitation, amounts received or receivable in respect of the Clean Energy Adjustment), or any other lien, whether arising from the action or inaction of IESO, that is created in connection with the OFHP."

2.DRAFT
The OFA agreements had required an intercept provision, …..not sure if the same applies to OEFC if yes:

"Section 5.7 Intercept
(a) The IESO hereby acknowledges that, in accordance with the terms of the letter agreement of November 6th , 2017 herewith entered between the Ministry of Energy, the IESO and the OFA made

pursuant to Section 23 of the Capital Investment Plan Act, 1993 (the "Intercept Letter"), the Minister of Finance is entitled to deduct only from those monies appropriated by the Legislature for payment through the Ministry of Energy to the IESO ("Appropriated Funds"), amounts equal to any amounts that the IESO fails to pay to the OFA on account of indebtedness under this Agreement. On the occurrence of an Event of Default relating to a failure by IESO to pay when due any amounts owing hereunder, subject to the OFA's compliance with any relevant provisions hereof and as set out in the Intercept Letter, the Minister of Finance is irrevocably authorized to deduct from the Appropriated Funds amounts equal to any amounts that the IESO has failed to pay to the OFA in accordance with the provisions of this Agreement and to pay such amounts directly to the OFA ("Intercept").
(b) If, after following the process specified in the Intercept Letter (including, without limitation, allowing for a reasonable cure period on the terms specified therein), the OFA determines that it is necessary to request the Minister of Finance to exercise the Intercept, the OFA will give written notice to the Minister of Finance, with a copy to the Ministry of Energy, detailing the IESO's failure to pay when due any amounts owing hereunder and requesting the deduction from the Appropriated Funds of amounts equal to the amounts that the IESO has failed to pay to the OFA under this Agreement.
(c) The IESO agrees that any notice from the OFA to the Minister of Finance in relation to this section 5.7 (Intercept) may be relied upon by the Minister of Finance without further inquiry or verification by the Minister of Finance and, upon receipt of such notice, an amount equal to the amount that the IESO has failed to pay when due to the OFA on account of indebtedness under this Agreement shall be deducted from the Appropriated Funds and paid to the OFA.
(d) For further certainty, the OFA acknowledges and agrees that the Intercept as provided for herein and in the Intercept Letter shall not apply with respect to any funds appropriated by the Legislature for payment to the IESO through ministries other than the Ministry of Energy or through Ontario Climate Change Solutions Deployment Corporation.
The parties agree that, with respect to the exercise of the Intercept generally, the terms of this section 5.7 shall be applied consistently with the terms set out in the Intercept Letter which shall apply in full. Notwithstanding the foregoing, in the event of a conflict or inconsistency between the terms and conditions of the Intercept Letter and the terms and conditions contained in this Agreement, the terms and conditions contained in this Agreement shall prevail."

3.
If any… other relevant updates that make sense to do now……I do not anticipate any material ones.

We need your support to expedite the above in order to avoid delays in the Fair Hydro implementation.
Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From:	Anthony Martinello
To:	Ryan Blackbyrne; Victor Buza
Cc:	Jean-Francois Beaupre; John Kim; Gavin He; Opal Kandelas; Sarah Harris; Lisa Stein
Subject:	RE: IESO - OEFC Drafts - IESO Comments Nov 29
Date:	Friday, December 01, 2017 10:32:08 AM

Thanks Ryan.

Victor is reviewing and will advise me later today or Monday.
The signing of the OPG Trust docs has been postponed until mid next week, and thus we do not need to sign our amendment docs today.

Regards.

From: Ryan Blackbyrne [mailto:Ryan.Blackbyrne@ofina.on.ca]
Sent: November 30, 2017 4:37 PM
To: Victor Buza; Anthony Martinello
Cc: Jean-Francois Beaupre; John Kim; Gavin He; Opal Kandelas; Sarah Harris; Lisa Stein
Subject: RE: IESO - OEFC Drafts - IESO Comments Nov 29

Hi Victor,

We have reviewed and approved the changes you made to the drafts. We having nothing further to add. Are there any other revisions you wish to make before preparing execution copies?

Thank You,
Ryan

From: Victor Buza [mailto:Victor.Buza@ieso.ca]
Sent: Wednesday, November 29, 2017 6:50 PM
To: Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>; Anthony Martinello <Anthony.Martinello@ieso.ca>
Cc: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: IESO - OEFC Drafts - IESO Comments Nov 29

Hi Ryan – thanks for the drafts. Please see attached markups that include our comments – I haven't had an opportunity to discuss these changes/comments internally but thought I should forward these asap given the time pressure.

The main adders that I have included track the language in the recently executed FHP Credit Facility.

Regarding the deletion of s.3.7 in the Note Agreement ("Other Indebtedness"), this is duplicative of s.3.8 ("Negative Pledge") but also conflicts with it in certain respects so may cause confusion and I

believe the easiest way to deal with it is to delete it since I don't think it adds anything. (You will note that a similar clause is not included in the Revolving Credit Agreement.)

We may have more comments after we have a chance to discuss your draft and my comments internally tomorrow.

Regards,
Victor

Victor Buza | Senior Counsel
Independent Electricity System Operator (IESO) | T: 416-969-6079
1600-120 Adelaide Street West, Toronto, ON M5H 1T1
Web: www.ieso.ca[ieso.ca][na01.safelinks.protection.outlook.com] | Twitter: IESO_Tweets[twitter.com][na01.safelinks.protection.outlook.com] | LinkedIn: IESO[linkedin.com][na01.safelinks.protection.outlook.com]

This email message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution, or copying of this email message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this email message.

From: Ryan Blackbyrne [mailto:Ryan.Blackbyrne@ofina.on.ca]
Sent: November 29, 2017 4:50 PM
To: Anthony Martinello
Cc: Jean-Francois Beaupre; John Kim; Victor Buza; Gavin He; Opal Kandelas; Sarah Harris; Lisa Stein
Subject: RE: IESO - OEFC Nov 27

Hi Anthony,

Please find initial draft documents for your review. Please note terms of these documents are still subject to internal approval at the OFA. Please let us know your comments.

Regards,

Ryan Blackbyrne
Documentation & Analysis Specialist
Capital Markets Division
Ontario Financing Authority
1 Dundas Street West, Suite 1400
Toronto, ON M7A 1Y7
416-325-8143
ryan.blackbyrne@ofina.on.ca

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Monday, November 27, 2017 2:50 PM

To: Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Victor Buza <Victor.Buza@ieso.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: IESO - OEFC Nov 27

Ryan – are you able to send over draft documents for our review? I understand that we may start to work on them now.

Regards.

From: Anthony Martinello
Sent: November 07, 2017 4:07 PM
To: 'Ryan.Blackbyrne@ofina.on.ca'
Cc: 'Jean-Francois.Beaupre@ofina.on.ca'; William Tan; John Kim; Victor Buza
Subject: IESO - OEFC Nov 7

Ryan,

As discussed with Will today, I understand you will be co-ordinating the proposed 2 amendments to the existing IESO-OEFC credit facilities.

For starters, there are no expected changes being asked to the existing agreement's key business content (e.g. amounts, dates, interest, notices etc.), rather given that IESO-OFA have just finished two new agreements pertaining to the new fair hydro program, ….I suggest we just copy and paste the salient sections from these agreements that would now be relevant to the OEFC agreements for fair hydro namely;

1.DRAFT
The definition of "Permitted Liens" is amended by deleting the word "and" at the end of subsection (xx); replacing the "." at the end of subsection (xx) and replacing it with "; and" ; and adding the following subsection (xx):
"(xx) any Lien arising from the IESO's role and obligations under the OFHP, including with respect to any amount received or receivable by the IESO (such as, without limitation, amounts received or receivable in respect of the Clean Energy Adjustment), or any other lien, whether arising from the action or inaction of IESO, that is created in connection with the OFHP."

2.DRAFT
The OFA agreements had required an intercept provision, …..not sure if the same applies to OEFC if yes:

"Section 5.7 Intercept
(a) The IESO hereby acknowledges that, in accordance with the terms of the letter agreement of November 6th , 2017 herewith entered between the Ministry of Energy, the IESO and the OFA made pursuant to Section 23 of the Capital Investment Plan Act, 1993 (the "Intercept Letter"), the Minister of Finance is entitled to deduct only from those monies appropriated by the Legislature for payment

through the Ministry of Energy to the IESO ("Appropriated Funds"), amounts equal to any amounts that the IESO fails to pay to the OFA on account of indebtedness under this Agreement. On the occurrence of an Event of Default relating to a failure by IESO to pay when due any amounts owing hereunder, subject to the OFA's compliance with any relevant provisions hereof and as set out in the Intercept Letter, the Minister of Finance is irrevocably authorized to deduct from the Appropriated Funds amounts equal to any amounts that the IESO has failed to pay to the OFA in accordance with the provisions of this Agreement and to pay such amounts directly to the OFA ("Intercept").
(b) If, after following the process specified in the Intercept Letter (including, without limitation, allowing for a reasonable cure period on the terms specified therein), the OFA determines that it is necessary to request the Minister of Finance to exercise the Intercept, the OFA will give written notice to the Minister of Finance, with a copy to the Ministry of Energy, detailing the IESO's failure to pay when due any amounts owing hereunder and requesting the deduction from the Appropriated Funds of amounts equal to the amounts that the IESO has failed to pay to the OFA under this Agreement.
(c) The IESO agrees that any notice from the OFA to the Minister of Finance in relation to this section 5.7 (Intercept) may be relied upon by the Minister of Finance without further inquiry or verification by the Minister of Finance and, upon receipt of such notice, an amount equal to the amount that the IESO has failed to pay when due to the OFA on account of indebtedness under this Agreement shall be deducted from the Appropriated Funds and paid to the OFA.
(d) For further certainty, the OFA acknowledges and agrees that the Intercept as provided for herein and in the Intercept Letter shall not apply with respect to any funds appropriated by the Legislature for payment to the IESO through ministries other than the Ministry of Energy or through Ontario Climate Change Solutions Deployment Corporation.
The parties agree that, with respect to the exercise of the Intercept generally, the terms of this section 5.7 shall be applied consistently with the terms set out in the Intercept Letter which shall apply in full. Notwithstanding the foregoing, in the event of a conflict or inconsistency between the terms and conditions of the Intercept Letter and the terms and conditions contained in this Agreement, the terms and conditions contained in this Agreement shall prevail."

3.
If any… other relevant updates that make sense to do now……I do not anticipate any material ones.

We need your support to expedite the above in order to avoid delays in the Fair Hydro implementation.
Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain

information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From:	Ryan Blackbyrne
To:	"Victor Buza"; Anthony Martinello
Cc:	Jean-Francois Beaupre; John Kim; Gavin He; Opal Kandelas; Sarah Harris; Lisa Stein
Subject:	RE: IESO - OEFC Drafts - IESO Comments Nov 29
Date:	Thursday, November 30, 2017 4:37:17 PM

Hi Victor,

We have reviewed and approved the changes you made to the drafts. We having nothing further to add. Are there any other revisions you wish to make before preparing execution copies?

Thank You,
Ryan

From: Victor Buza [mailto:Victor.Buza@ieso.ca]
Sent: Wednesday, November 29, 2017 6:50 PM
To: Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>; Anthony Martinello <Anthony.Martinello@ieso.ca>
Cc: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: IESO - OEFC Drafts - IESO Comments Nov 29

Hi Ryan – thanks for the drafts. Please see attached markups that include our comments – I haven't had an opportunity to discuss these changes/comments internally but thought I should forward these asap given the time pressure.

The main adders that I have included track the language in the recently executed FHP Credit Facility.

Regarding the deletion of s.3.7 in the Note Agreement ("Other Indebtedness"), this is duplicative of s.3.8 ("Negative Pledge") but also conflicts with it in certain respects so may cause confusion and I believe the easiest way to deal with it is to delete it since I don't think it adds anything. (You will note that a similar clause is not included in the Revolving Credit Agreement.)

We may have more comments after we have a chance to discuss your draft and my comments internally tomorrow.

Regards,
Victor

Victor Buza | Senior Counsel
Independent Electricity System Operator (IESO) | T: 416-969-6079
1600-120 Adelaide Street West, Toronto, ON M5H 1T1
Web: www.ieso.ca[ieso.ca] | Twitter: IESO_Tweets[twitter.com] | LinkedIn: IESO[linkedin.com]

This email message and any files transmitted with it are intended only for the named recipient(s) above and may contain

information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution, or copying of this email message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this email message.

From: Ryan Blackbyrne [mailto:Ryan.Blackbyrne@ofina.on.ca]
Sent: November 29, 2017 4:50 PM
To: Anthony Martinello
Cc: Jean-Francois Beaupre; John Kim; Victor Buza; Gavin He; Opal Kandelas; Sarah Harris; Lisa Stein
Subject: RE: IESO - OEFC Nov 27

Hi Anthony,

Please find initial draft documents for your review. Please note terms of these documents are still subject to internal approval at the OFA. Please let us know your comments.

Regards,

Ryan Blackbyrne
Documentation & Analysis Specialist
Capital Markets Division
Ontario Financing Authority
1 Dundas Street West, Suite 1400
Toronto, ON M7A 1Y7
416-325-8143
ryan.blackbyrne@ofina.on.ca

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Monday, November 27, 2017 2:50 PM
To: Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Victor Buza <Victor.Buza@ieso.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: IESO - OEFC Nov 27

Ryan – are you able to send over draft documents for our review? I understand that we may start to work on them now.

Regards.

From: Anthony Martinello
Sent: November 07, 2017 4:07 PM
To: 'Ryan.Blackbyrne@ofina.on.ca'
Cc: 'Jean-Francois.Beaupre@ofina.on.ca'; William Tan; John Kim; Victor Buza
Subject: IESO - OEFC Nov 7

Ryan,

As discussed with Will today, I understand you will be co-ordinating the proposed 2 amendments to the existing IESO-OEFC credit facilities.

For starters, there are no expected changes being asked to the existing agreement's key business content (e.g. amounts, dates, interest, notices etc.), rather given that IESO-OFA have just finished two new agreements pertaining to the new fair hydro program, ….I suggest we just copy and paste the salient sections from these agreements that would now be relevant to the OEFC agreements for fair hydro namely;

1.DRAFT
The definition of "Permitted Liens" is amended by deleting the word "and" at the end of subsection (xx); replacing the "." at the end of subsection (xx) and replacing it with "; and" ; and adding the following subsection (xx):
"(xx) any Lien arising from the IESO's role and obligations under the OFHP, including with respect to any amount received or receivable by the IESO (such as, without limitation, amounts received or receivable in respect of the Clean Energy Adjustment), or any other lien, whether arising from the action or inaction of IESO, that is created in connection with the OFHP."

2.DRAFT
The OFA agreements had required an intercept provision, …..not sure if the same applies to OEFC if yes:

"Section 5.7 Intercept
(a) The IESO hereby acknowledges that, in accordance with the terms of the letter agreement of November 6th , 2017 herewith entered between the Ministry of Energy, the IESO and the OFA made pursuant to Section 23 of the Capital Investment Plan Act, 1993 (the "Intercept Letter"), the Minister of Finance is entitled to deduct only from those monies appropriated by the Legislature for payment through the Ministry of Energy to the IESO ("Appropriated Funds"), amounts equal to any amounts that the IESO fails to pay to the OFA on account of indebtedness under this Agreement. On the occurrence of an Event of Default relating to a failure by IESO to pay when due any amounts owing hereunder, subject to the OFA's compliance with any relevant provisions hereof and as set out in the Intercept Letter, the Minister of Finance is irrevocably authorized to deduct from the Appropriated Funds amounts equal to any amounts that the IESO has failed to pay to the OFA in accordance with the provisions of this Agreement and to pay such amounts directly to the OFA ("Intercept").
(b) If, after following the process specified in the Intercept Letter (including, without limitation, allowing for a reasonable cure period on the terms specified therein), the OFA determines that it is necessary to request the Minister of Finance to exercise the Intercept, the OFA will give written notice to the Minister of Finance, with a copy to the Ministry of Energy, detailing the IESO's failure to pay when due any amounts owing hereunder and requesting the deduction from the Appropriated Funds of amounts equal to the amounts that the IESO has failed to pay to the OFA under this Agreement.
(c) The IESO agrees that any notice from the OFA to the Minister of Finance in relation to this section 5.7 (Intercept) may be relied upon by the Minister of Finance without further inquiry or verification

by the Minister of Finance and, upon receipt of such notice, an amount equal to the amount that the IESO has failed to pay when due to the OFA on account of indebtedness under this Agreement shall be deducted from the Appropriated Funds and paid to the OFA.
(d) For further certainty, the OFA acknowledges and agrees that the Intercept as provided for herein and in the Intercept Letter shall not apply with respect to any funds appropriated by the Legislature for payment to the IESO through ministries other than the Ministry of Energy or through Ontario Climate Change Solutions Deployment Corporation.
The parties agree that, with respect to the exercise of the Intercept generally, the terms of this section 5.7 shall be applied consistently with the terms set out in the Intercept Letter which shall apply in full. Notwithstanding the foregoing, in the event of a conflict or inconsistency between the terms and conditions of the Intercept Letter and the terms and conditions contained in this Agreement, the terms and conditions contained in this Agreement shall prevail."

3.
If any… other relevant updates that make sense to do now……I do not anticipate any material ones.

We need your support to expedite the above in order to avoid delays in the Fair Hydro implementation.
Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From:	Victor Buza
To:	Ryan Blackbyrne; Anthony Martinello
Cc:	Jean-Francois Beaupre; John Kim; Gavin He; Opal Kandelas; Sarah Harris; Lisa Stein
Subject:	RE: IESO - OEFC Drafts - IESO Comments Nov 29
Date:	Wednesday, November 29, 2017 6:49:52 PM
Attachments:	$160M revolving credit - amending agreement no.7 Nov29 IESO Legal Comments.docx $120M Note - amending agreement no.7 Nov29 IESO incl Legal Comments.docx

Hi Ryan – thanks for the drafts. Please see attached markups that include our comments – I haven't had an opportunity to discuss these changes/comments internally but thought I should forward these asap given the time pressure.

The main adders that I have included track the language in the recently executed FHP Credit Facility.

Regarding the deletion of s.3.7 in the Note Agreement ("Other Indebtedness"), this is duplicative of s.3.8 ("Negative Pledge") but also conflicts with it in certain respects so may cause confusion and I believe the easiest way to deal with it is to delete it since I don't think it adds anything. (You will note that a similar clause is not included in the Revolving Credit Agreement.)

We may have more comments after we have a chance to discuss your draft and my comments internally tomorrow.

Regards,
Victor

Victor Buza | Senior Counsel
Independent Electricity System Operator (IESO) | T: 416-969-6079
1600-120 Adelaide Street West, Toronto, ON M5H 1T1
Web: www.ieso.ca[ieso.ca] | Twitter: IESO_Tweets[twitter.com] | LinkedIn: IESO[linkedin.com]

This email message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution, or copying of this email message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this email message.

From: Ryan Blackbyrne [mailto:Ryan.Blackbyrne@ofina.on.ca]
Sent: November 29, 2017 4:50 PM
To: Anthony Martinello
Cc: Jean-Francois Beaupre; John Kim; Victor Buza; Gavin He; Opal Kandelas; Sarah Harris; Lisa Stein
Subject: RE: IESO - OEFC Nov 27

Hi Anthony,

Please find initial draft documents for your review. Please note terms of these documents are still subject to internal approval at the OFA. Please let us know your comments.

Regards,

Ryan Blackbyrne
Documentation & Analysis Specialist
Capital Markets Division
Ontario Financing Authority
1 Dundas Street West, Suite 1400
Toronto, ON M7A 1Y7
416-325-8143
ryan.blackbyrne@ofina.on.ca

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Monday, November 27, 2017 2:50 PM
To: Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Victor Buza <Victor.Buza@ieso.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: IESO - OEFC Nov 27

Ryan – are you able to send over draft documents for our review? I understand that we may start to work on them now.

Regards.

From: Anthony Martinello
Sent: November 07, 2017 4:07 PM
To: 'Ryan.Blackbyrne@ofina.on.ca'
Cc: 'Jean-Francois.Beaupre@ofina.on.ca'; William Tan; John Kim; Victor Buza
Subject: IESO - OEFC Nov 7

Ryan,

As discussed with Will today, I understand you will be co-ordinating the proposed 2 amendments to the existing IESO-OEFC credit facilities.

For starters, there are no expected changes being asked to the existing agreement's key business content (e.g. amounts, dates, interest, notices etc.), rather given that IESO-OFA have just finished two new agreements pertaining to the new fair hydro program, ….I suggest we just copy and paste the salient sections from these agreements that would now be relevant to the OEFC agreements for fair hydro namely;

1.DRAFT
The definition of "Permitted Liens" is amended by deleting the word "and" at the end of subsection (xx); replacing the "." at the end of subsection (xx) and replacing it with "; and" ; and adding the following subsection (xx):
"(xx) any Lien arising from the IESO's role and obligations under the OFHP, including with respect to any amount received or receivable by the IESO (such as, without limitation, amounts received or

receivable in respect of the Clean Energy Adjustment), or any other lien, whether arising from the action or inaction of IESO, that is created in connection with the OFHP."

2.DRAFT

The OFA agreements had required an intercept provision, …..not sure if the same applies to OEFC if yes:

"Section 5.7 Intercept

(a) The IESO hereby acknowledges that, in accordance with the terms of the letter agreement of November 6th , 2017 herewith entered between the Ministry of Energy, the IESO and the OFA made pursuant to Section 23 of the Capital Investment Plan Act, 1993 (the "Intercept Letter"), the Minister of Finance is entitled to deduct only from those monies appropriated by the Legislature for payment through the Ministry of Energy to the IESO ("Appropriated Funds"), amounts equal to any amounts that the IESO fails to pay to the OFA on account of indebtedness under this Agreement. On the occurrence of an Event of Default relating to a failure by IESO to pay when due any amounts owing hereunder, subject to the OFA's compliance with any relevant provisions hereof and as set out in the Intercept Letter, the Minister of Finance is irrevocably authorized to deduct from the Appropriated Funds amounts equal to any amounts that the IESO has failed to pay to the OFA in accordance with the provisions of this Agreement and to pay such amounts directly to the OFA ("Intercept").

(b) If, after following the process specified in the Intercept Letter (including, without limitation, allowing for a reasonable cure period on the terms specified therein), the OFA determines that it is necessary to request the Minister of Finance to exercise the Intercept, the OFA will give written notice to the Minister of Finance, with a copy to the Ministry of Energy, detailing the IESO's failure to pay when due any amounts owing hereunder and requesting the deduction from the Appropriated Funds of amounts equal to the amounts that the IESO has failed to pay to the OFA under this Agreement.

(c) The IESO agrees that any notice from the OFA to the Minister of Finance in relation to this section 5.7 (Intercept) may be relied upon by the Minister of Finance without further inquiry or verification by the Minister of Finance and, upon receipt of such notice, an amount equal to the amount that the IESO has failed to pay when due to the OFA on account of indebtedness under this Agreement shall be deducted from the Appropriated Funds and paid to the OFA.

(d) For further certainty, the OFA acknowledges and agrees that the Intercept as provided for herein and in the Intercept Letter shall not apply with respect to any funds appropriated by the Legislature for payment to the IESO through ministries other than the Ministry of Energy or through Ontario Climate Change Solutions Deployment Corporation.

The parties agree that, with respect to the exercise of the Intercept generally, the terms of this section 5.7 shall be applied consistently with the terms set out in the Intercept Letter which shall apply in full. Notwithstanding the foregoing, in the event of a conflict or inconsistency between the terms and conditions of the Intercept Letter and the terms and conditions contained in this Agreement, the terms and conditions contained in this Agreement shall prevail."

3.

If any… other relevant updates that make sense to do now……I do not anticipate any material ones.

We need your support to expedite the above in order to avoid delays in the Fair Hydro

implementation.
Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

AMENDING AGREEMENT NO. 7

This Amending Agreement is effective as of the • day of •, 2017.

BETWEEN: **INDEPENDENT ELECTRICITY SYSTEM OPERATOR ("IESO")**

as Borrower

AND: **ONTARIO ELECTRICITY FINANCIAL CORPORATION ("OEFC")**

as Lender

WHEREAS IESO and OEFC entered into a Revolving Credit Facility Agreement dated April 23, 2010, as amended by Amending Agreement No.1 dated July 21, 2010, Amending Agreement No. 2 dated October 14, 2011, Amending Agreement No. 3 dated April 30, 2013, Amending Agreement No. 4 dated April 30, 2014, Amending Agreement No. 5 dated December 19, 2014 and Amending Agreement No. 6 dated April 30, 2017 (collectively the "Agreement") pursuant to which OEFC agreed to provide a revolving credit facility to IESO in the principal amount of up to CDN $160 million;

AND WHEREAS the *Ontario Fair Hydro Plan Act, 2017* came into force on June 1, 2017;

AND WHEREAS at the request of the IESO the parties now wish to ~~now~~ amend the Agreement to accommodate IESO's role and obligations under the *Ontario Fair Hydro Plan Act, 2017*;

THEREFORE, in consideration of the mutual covenants and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and subject to the terms and conditions hereinafter set out, the parties agree that the Agreement is amended as follows:

1. The following definitions are added to Section 1.1 (Definitions) of the Agreement:

   "**Clean Energy Adjustment**" has the same meaning as that term is defined in the OFHP.

   "**OFHP**" means the *Ontario Fair Hydro Plan Act, 2017*, S.O. 2017, c. 16, Schedule 1, including any regulations made thereunder, and all as amended from time to time.

2. The definition of "Ontario's Fair Hydro Plan" is deleted in its entirety.

3. The definition of the term "Permitted Liens" in Section 1.1 (Definitions) of the Agreement is amended by deleting the word "and" at the end of paragraph ~~subsection~~

Formatted: Indent: Left: 0.75"

Formatted: Font: Bold

Formatted: Font: Bold

~~1.1~~(j); deleting~~replacing~~ the "." at the end of paragraph~~subsection (1.1~~ (k) and replacing it with "; and"; and adding the following new paragraph ~~subsection 1.1~~(l):

(l) any~~Any~~ Lien arising from the IESO's role and obligations under the OFHP, including with respect to any amount received or receivable by the IESO (such as, without limitation, amounts received or receivable in respect of the Clean Energy Adjustment), or any other lien, whether arising from the action or inaction of IESO, that is created in connection with the OFHP.

4. Subsection 3.2(4) of the Agreement is deleted and replaced by the following:

(4) The Credit Facility shall at all times rank *pari passu* with all other unsubordinated and unsecured Indebtedness of the IESO, subject to the existence of any Liens that secure Indebtedness as permitted by subsections 4.7(a) through (e) hereof.

~~4.~~5. Paragraph 3.6(c) of the Agreement is deleted and replaced by the following:

(c) that there shall, in the reasonable opinion of OEFC, have been no material adverse change in the financial condition of IESO, provided however that any adverse change in IESO's financial condition related to or resulting from the discharge by IESO of its responsibilities under OFHP shall be deemed not to be a material adverse change for the purposes of this section; and

IN ALL OTHER RESPECTS, the Agreement is confirmed by IESO and OEFC.

IN WITNESS WHEREOF the parties hereto have executed this Amending Agreement as of the date first written above.

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

By:_____
Name: Kimberly Marshall
Title: Vice President, Corporate Services; Chief Financial Officer; and Treasurer

ONTARIO ELECTRICITY FINANCIAL CORPORATION

By:_____
Name: Michael D. Manning
Title: Executive Director and Chief Investment Officer

Formatted: Indent: Left: 0.75"

Formatted: Normal, Indent: Left: 0.5", Hanging: 0.25", No bullets or numbering

Formatted: Font: Times New Roman, 12 pt

Formatted: Indent: Left: 0.5", No bullets or numbering

Commented [RB1]: See Amending Agreement No.6 dated April 1, 2017. The amendment to paragraph 3.6(c) at that time referenced "Ontario's Fair Hydro Plan". Since the Ontario Fair Hydro Plan Act, 2017 has since come into force on June 1, 2017 it is appropriate to update this paragraph with reference to the Act.

Formatted: Indent: Left: 0.75"

Formatted: Indent: Left: 3"

Formatted: Indent: First line: 0"

Formatted: Indent: Left: 3"

Formatted: Indent: Left: 3"

Formatted: Indent: First line: 0"

Formatted: Indent: Left: 3"

AMENDING AGREEMENT NO. 7

This Amending Agreement is made as of the [DATE], 2017 between:

INDEPENDENT ELECTRICITY SYSTEM OPERATOR ("IESO")

and

ONTARIO ELECTRICITY FINANCIAL CORPORATION ("OEFC")

WHEREAS IESO and OEFC have entered into an agreement providing for the Issuance of a Note dated April 1, 1999 (the "Original Agreement");

AND WHEREAS pursuant to amending agreements dated March 23, 2000, April 23, 2009, May 1, 2011, May 1, 2013, April 30, 2014 and April 30, 2017 the parties amended the Original Agreement (as so amended, the "Agreement");

AND WHEREAS the *Ontario Fair Hydro Plan Act, 2017* came into force on June 1, 2017;

AND WHEREAS at the request of the IESO the parties now wish to ~~now~~ amend the Agreement to accommodate IESO's role and obligations under the *Ontario Fair Hydro Plan Act*, 2017;

NOW THEREFORE in consideration of the mutual agreements contained herein (the receipt and sufficiency of which are hereby acknowledged by each party), the parties agree as follows:

1. The following definitions are added to Section 1.1 (Definitions) of the Agreement:

   "**Clean Energy Adjustment**" has the same meaning as that term is defined in the OFHP.

   "**OFHP**" means the *Ontario Fair Hydro Plan Act, 2017*, S.O. 2017, c. 16, Schedule 1, including any regulations made thereunder, and all as amended from time to time.

2. The definition of "Permitted Liens" in Section 1.1 (Definitions) of the Agreement is amended by deleting the word "and" at the end of paragraph~~subsection 1.1~~ (j); deleting~~replacing~~ the "." at the end of paragraph ~~subsection (1.1~~ (k) and replacing it with "; and"; and adding the following new paragraph ~~subsection 1.1~~(l):

   (l) any~~Any~~ Lien arising from the IESO's role and obligations under the OFHP, including with respect to any amount received or receivable by the IESO (such as, without

Formatted: Font: Bold

Formatted: Font: Bold

limitation, amounts received or receivable in respect of the Clean Energy Adjustment), or any other lien, whether arising from the action or inaction of IESO, that is created in connection with the OFHP.

3. Subsection 2.2(2) of the Agreement is deleted and replaced by the following:

(2) The Note shall at all times rank *pari passu* with all other unsecured Senior Debt of the IESO, subject to the existence of any Liens that secure Indebtedness as permitted by subsections 3.8 (a) through (f) hereof.

4. Delete the paragraph following the heading "Section 3.7 Other Indebtedness" and replace with the words "Intentionally Left Blank".

IN ALL OTHER RESPECTS, the Agreement is confirmed by the parties.

IN WITNESS WHEREOF the parties have executed and delivered this Amending Agreement as of the date first written above.

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

By:_____
Name: Kimberly Marshall
Title: Vice President, Corporate Services; Chief Financial Officer; and Treasurer

ONTARIO ELECTRICITY FINANCIAL CORPORATION

By:_____
Name: Michael D. Manning
Title: Executive Director and Chief Investment Officer

Formatted: Indent: Left: 0", Hanging: 0.5"
Formatted: Font: Italic
Formatted: Indent: Left: 0", Hanging: 0.25"
Formatted: Indent: Left: 3"
Formatted: Indent: First line: 0"
Formatted: Indent: Left: 3"
Formatted: Indent: Left: 3"
Formatted: Indent: First line: 0"
Formatted: Indent: Left: 3"

From:	Anthony Martinello
To:	Ryan Blackbyrne
Cc:	Jean-Francois Beaupre; John Kim; Gavin He; Opal Kandelas; Sarah Harris; Lisa Stein; Victor Buza
Subject:	RE: IESO - OEFC Drafts - IESO Comments Nov 29
Date:	Thursday, December 07, 2017 4:08:29 PM

Thx.

Please courier to:
Victor Buza, Senior Counsel
IESO
120 Adelaide Street West
Suite 1600
Toronto, ON M5H 1T1

Regards.

From: Ryan Blackbyrne [mailto:Ryan.Blackbyrne@ofina.on.ca]
Sent: December 07, 2017 4:00 PM
To: Anthony Martinello
Cc: Jean-Francois Beaupre; John Kim; Gavin He; Opal Kandelas; Sarah Harris; Lisa Stein; Victor Buza
Subject: RE: IESO - OEFC Drafts - IESO Comments Nov 29

Hi Anthony,

Please find pdf versions of the fully executed agreements attached. I will courier you back 2 originals (1 for each agreement).

Please confirm this is the address I should use:

Anthony Martinello
IESO
2635 Lakeshore Rd W
Mississauga, ON
L5J 4R9

Thanks,
Ryan

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Tuesday, December 05, 2017 12:31 PM
To: Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>; Victor Buza <Victor.Buza@ieso.ca>
Subject: RE: IESO - OEFC Drafts - IESO Comments Nov 29

Ryan – Kim Marshall has signed the 4 originals, and IESO has couriered them to you re:

Purolator #: 331249983072

Regards.

From: Anthony Martinello
Sent: December 04, 2017 2:44 PM
To: 'Ryan Blackbyrne'; Victor Buza
Cc: Jean-Francois Beaupre; John Kim; Gavin He; Opal Kandelas; Sarah Harris; Lisa Stein
Subject: RE: IESO - OEFC Drafts - IESO Comments Nov 29

Ryan – Good news, IESO has nothing further. Therefore, let's proceed to execution.

Call me to discuss.

Regards.

Anthony Martinello Director, Treasury & Pension Operations
Independent Electricity System Operator (IESO) | T: 905-403-6944
Station A, Box 4474, Toronto, ON, M5W 4E5
www.ieso.ca[ieso.ca][na01.safelinks.protection.outlook.com]

From: Ryan Blackbyrne [mailto:Ryan.Blackbyrne@ofina.on.ca]
Sent: November 30, 2017 4:37 PM
To: Victor Buza; Anthony Martinello
Cc: Jean-Francois Beaupre; John Kim; Gavin He; Opal Kandelas; Sarah Harris; Lisa Stein
Subject: RE: IESO - OEFC Drafts - IESO Comments Nov 29

Hi Victor,

We have reviewed and approved the changes you made to the drafts. We having nothing further to add. Are there any other revisions you wish to make before preparing execution copies?

Thank You,
Ryan

From: Victor Buza [mailto:Victor.Buza@ieso.ca]
Sent: Wednesday, November 29, 2017 6:50 PM
To: Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>; Anthony Martinello <Anthony.Martinello@ieso.ca>
Cc: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>

Subject: RE: IESO - OEFC Drafts - IESO Comments Nov 29

Hi Ryan – thanks for the drafts. Please see attached markups that include our comments – I haven't had an opportunity to discuss these changes/comments internally but thought I should forward these asap given the time pressure.

The main adders that I have included track the language in the recently executed FHP Credit Facility.

Regarding the deletion of s.3.7 in the Note Agreement ("Other Indebtedness"), this is duplicative of s.3.8 ("Negative Pledge") but also conflicts with it in certain respects so may cause confusion and I believe the easiest way to deal with it is to delete it since I don't think it adds anything. (You will note that a similar clause is not included in the Revolving Credit Agreement.)

We may have more comments after we have a chance to discuss your draft and my comments internally tomorrow.

Regards,
Victor

Victor Buza | Senior Counsel
Independent Electricity System Operator (IESO) | T: 416-969-6079
1600-120 Adelaide Street West, Toronto, ON M5H 1T1
Web: www.ieso.ca[ieso.ca][na01.safelinks.protection.outlook.com] | Twitter: IESO_Tweets[twitter.com][na01.safelinks.protection.outlook.com] | LinkedIn: IESO[linkedin.com][na01.safelinks.protection.outlook.com]

This email message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution, or copying of this email message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this email message.

From: Ryan Blackbyrne [mailto:Ryan.Blackbyrne@ofina.on.ca]
Sent: November 29, 2017 4:50 PM
To: Anthony Martinello
Cc: Jean-Francois Beaupre; John Kim; Victor Buza; Gavin He; Opal Kandelas; Sarah Harris; Lisa Stein
Subject: RE: IESO - OEFC Nov 27

Hi Anthony,

Please find initial draft documents for your review. Please note terms of these documents are still subject to internal approval at the OFA. Please let us know your comments.

Regards,

Ryan Blackbyrne
Documentation & Analysis Specialist

Capital Markets Division
Ontario Financing Authority
1 Dundas Street West, Suite 1400
Toronto, ON M7A 1Y7
416-325-8143
ryan.blackbyrne@ofina.on.ca

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Monday, November 27, 2017 2:50 PM
To: Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Victor Buza <Victor.Buza@ieso.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: IESO - OEFC Nov 27

Ryan – are you able to send over draft documents for our review? I understand that we may start to work on them now.

Regards.

From: Anthony Martinello
Sent: November 07, 2017 4:07 PM
To: 'Ryan.Blackbyrne@ofina.on.ca'
Cc: 'Jean-Francois.Beaupre@ofina.on.ca'; William Tan; John Kim; Victor Buza
Subject: IESO - OEFC Nov 7

Ryan,

As discussed with Will today, I understand you will be co-ordinating the proposed 2 amendments to the existing IESO-OEFC credit facilities.

For starters, there are no expected changes being asked to the existing agreement's key business content (e.g. amounts, dates, interest, notices etc.), rather given that IESO-OFA have just finished two new agreements pertaining to the new fair hydro program, ….I suggest we just copy and paste the salient sections from these agreements that would now be relevant to the OEFC agreements for fair hydro namely;

1.DRAFT
The definition of "Permitted Liens" is amended by deleting the word "and" at the end of subsection (xx); replacing the "." at the end of subsection (xx) and replacing it with "; and" ; and adding the following subsection (xx):
"(xx) any Lien arising from the IESO's role and obligations under the OFHP, including with respect to any amount received or receivable by the IESO (such as, without limitation, amounts received or receivable in respect of the Clean Energy Adjustment), or any other lien, whether arising from the action or inaction of IESO, that is created in connection with the OFHP."

2.DRAFT

The OFA agreements had required an intercept provision, …..not sure if the same applies to OEFC if yes:

"Section 5.7 Intercept

(a) The IESO hereby acknowledges that, in accordance with the terms of the letter agreement of November 6th , 2017 herewith entered between the Ministry of Energy, the IESO and the OFA made pursuant to Section 23 of the Capital Investment Plan Act, 1993 (the "Intercept Letter"), the Minister of Finance is entitled to deduct only from those monies appropriated by the Legislature for payment through the Ministry of Energy to the IESO ("Appropriated Funds"), amounts equal to any amounts that the IESO fails to pay to the OFA on account of indebtedness under this Agreement. On the occurrence of an Event of Default relating to a failure by IESO to pay when due any amounts owing hereunder, subject to the OFA's compliance with any relevant provisions hereof and as set out in the Intercept Letter, the Minister of Finance is irrevocably authorized to deduct from the Appropriated Funds amounts equal to any amounts that the IESO has failed to pay to the OFA in accordance with the provisions of this Agreement and to pay such amounts directly to the OFA ("Intercept").

(b) If, after following the process specified in the Intercept Letter (including, without limitation, allowing for a reasonable cure period on the terms specified therein), the OFA determines that it is necessary to request the Minister of Finance to exercise the Intercept, the OFA will give written notice to the Minister of Finance, with a copy to the Ministry of Energy, detailing the IESO's failure to pay when due any amounts owing hereunder and requesting the deduction from the Appropriated Funds of amounts equal to the amounts that the IESO has failed to pay to the OFA under this Agreement.

(c) The IESO agrees that any notice from the OFA to the Minister of Finance in relation to this section 5.7 (Intercept) may be relied upon by the Minister of Finance without further inquiry or verification by the Minister of Finance and, upon receipt of such notice, an amount equal to the amount that the IESO has failed to pay when due to the OFA on account of indebtedness under this Agreement shall be deducted from the Appropriated Funds and paid to the OFA.

(d) For further certainty, the OFA acknowledges and agrees that the Intercept as provided for herein and in the Intercept Letter shall not apply with respect to any funds appropriated by the Legislature for payment to the IESO through ministries other than the Ministry of Energy or through Ontario Climate Change Solutions Deployment Corporation.

The parties agree that, with respect to the exercise of the Intercept generally, the terms of this section 5.7 shall be applied consistently with the terms set out in the Intercept Letter which shall apply in full. Notwithstanding the foregoing, in the event of a conflict or inconsistency between the terms and conditions of the Intercept Letter and the terms and conditions contained in this Agreement, the terms and conditions contained in this Agreement shall prevail."

3.

If any… other relevant updates that make sense to do now……I do not anticipate any material ones.

We need your support to expedite the above in order to avoid delays in the Fair Hydro implementation.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From: Sarah Harris
To: Opal Kandelas
Cc: Lisa Stein
Subject: RE: IESO - OEFC Nov 27
Date: Tuesday, November 28, 2017 4:49:23 PM

Hi Opal,

I took a look and asked Carlos as well. There is nothing from a market perspective that is controversial, and I don't see anything in the provisions that concern me. I thought about the intercept provision, but I think it is fine since the legislation 'publicly' allows for that carve out.

Lisa, do you have any objections about IESO sharing any of the contents of the $2B facility with TD?

Sarah

From: Opal Kandelas
Sent: Monday, November 27, 2017 3:35 PM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: IESO - OEFC Nov 27

I forgot to ask. I haven't reviewed the agreement with the intention to have it shared, so should any information be redacted from the agreement before we agree to it being shared?

Opal.

From: Opal Kandelas
Sent: Monday, November 27, 2017 3:23 PM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: IESO - OEFC Nov 27

Hi Sarah,

I was just in the midst of an email to you regarding this matter. John Kim has let IESO know they can move forward with working with CMO on the agreements, but also communicated that the inclusion of the requested language is pending approval. Its fine to work on amending the agreements, as from all sides the indication is that final signoff will occur.

Regarding IESO's request to share the OFA-IESO agreement with TD, since there's nothing in the agreement prohibiting it and neither Gadi nor OFA legal is concerned about it being shared, it seems unreasonable to withhold it. As there is no obligation for us to provide/deny permission, perhaps we can just point that out to IESO (in an email) and tell them we are leaving the decision as to whether or not to share the agreement to their discretion. Not sure if a more formal response needs to be provided to IESO, but I can discuss with John the best way to convey that info to IESO.

Thanks,
Opal.

From: Sarah Harris
Sent: Monday, November 27, 2017 3:02 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: FW: IESO - OEFC Nov 27

Hi Opal,

Anthony is reaching out to provide drafts of the agreements. While we have started to work on them here, we haven't received word on final sign-off from Ron/Gadi. Any word?

I'm cc'ing Lisa, as she also wasn't cc'd on IESO's request.

Thanks,
Sarah

From: Jean-Francois Beaupre
Sent: Monday, November 27, 2017 2:55 PM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Subject: FW: IESO - OEFC Nov 27

Hi Sarah,

Do we have sign-off on the final briefing note and/or authorization to proceed?

Thanks,
J-F

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Monday, November 27, 2017 2:50 PM
To: Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Victor Buza <Victor.Buza@ieso.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: IESO - OEFC Nov 27

Ryan – are you able to send over draft documents for our review? I understand that we may start to

work on them now.

Regards.

From: Anthony Martinello
Sent: November 07, 2017 4:07 PM
To: 'Ryan.Blackbyrne@ofina.on.ca'
Cc: 'Jean-Francois.Beaupre@ofina.on.ca'; William Tan; John Kim; Victor Buza
Subject: IESO - OEFC Nov 7

Ryan,

As discussed with Will today, I understand you will be co-ordinating the proposed 2 amendments to the existing IESO-OEFC credit facilities.

For starters, there are no expected changes being asked to the existing agreement's key business content (e.g. amounts, dates, interest, notices etc.), rather given that IESO-OFA have just finished two new agreements pertaining to the new fair hydro program, ….I suggest we just copy and paste the salient sections from these agreements that would now be relevant to the OEFC agreements for fair hydro namely;

1.DRAFT
The definition of "Permitted Liens" is amended by deleting the word "and" at the end of subsection (xx); replacing the "." at the end of subsection (xx) and replacing it with "; and" ; and adding the following subsection (xx):
"(xx) any Lien arising from the IESO's role and obligations under the OFHP, including with respect to any amount received or receivable by the IESO (such as, without limitation, amounts received or receivable in respect of the Clean Energy Adjustment), or any other lien, whether arising from the action or inaction of IESO, that is created in connection with the OFHP."

2.DRAFT
The OFA agreements had required an intercept provision, …..not sure if the same applies to OEFC if yes:

"Section 5.7 Intercept
(a) The IESO hereby acknowledges that, in accordance with the terms of the letter agreement of November 6th , 2017 herewith entered between the Ministry of Energy, the IESO and the OFA made pursuant to Section 23 of the Capital Investment Plan Act, 1993 (the "Intercept Letter"), the Minister of Finance is entitled to deduct only from those monies appropriated by the Legislature for payment through the Ministry of Energy to the IESO ("Appropriated Funds"), amounts equal to any amounts that the IESO fails to pay to the OFA on account of indebtedness under this Agreement. On the occurrence of an Event of Default relating to a failure by IESO to pay when due any amounts owing hereunder, subject to the OFA's compliance with any relevant provisions hereof and as set out in the Intercept Letter, the Minister of Finance is irrevocably authorized to deduct from the Appropriated Funds amounts equal to any amounts that the IESO has failed to pay to the OFA in accordance with

the provisions of this Agreement and to pay such amounts directly to the OFA ("Intercept").
(b) If, after following the process specified in the Intercept Letter (including, without limitation, allowing for a reasonable cure period on the terms specified therein), the OFA determines that it is necessary to request the Minister of Finance to exercise the Intercept, the OFA will give written notice to the Minister of Finance, with a copy to the Ministry of Energy, detailing the IESO's failure to pay when due any amounts owing hereunder and requesting the deduction from the Appropriated Funds of amounts equal to the amounts that the IESO has failed to pay to the OFA under this Agreement.
(c) The IESO agrees that any notice from the OFA to the Minister of Finance in relation to this section 5.7 (Intercept) may be relied upon by the Minister of Finance without further inquiry or verification by the Minister of Finance and, upon receipt of such notice, an amount equal to the amount that the IESO has failed to pay when due to the OFA on account of indebtedness under this Agreement shall be deducted from the Appropriated Funds and paid to the OFA.
(d) For further certainty, the OFA acknowledges and agrees that the Intercept as provided for herein and in the Intercept Letter shall not apply with respect to any funds appropriated by the Legislature for payment to the IESO through ministries other than the Ministry of Energy or through Ontario Climate Change Solutions Deployment Corporation.
The parties agree that, with respect to the exercise of the Intercept generally, the terms of this section 5.7 shall be applied consistently with the terms set out in the Intercept Letter which shall apply in full. Notwithstanding the foregoing, in the event of a conflict or inconsistency between the terms and conditions of the Intercept Letter and the terms and conditions contained in this Agreement, the terms and conditions contained in this Agreement shall prevail."

3.
If any… other relevant updates that make sense to do now……I do not anticipate any material ones.

We need your support to expedite the above in order to avoid delays in the Fair Hydro implementation.
Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

From:	Sarah Harris
To:	Opal Kandelas
Cc:	Lisa Stein
Subject:	RE: IESO - OEFC Nov 27
Date:	Monday, November 27, 2017 4:08:07 PM

Hi Opal,

I will review. Off the top of my head, we may not want to share interest rate setting, but I'll review and let you know tomorrow morning.

Sarah

From: Opal Kandelas
Sent: Monday, November 27, 2017 3:35 PM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: IESO - OEFC Nov 27

I forgot to ask. I haven't reviewed the agreement with the intention to have it shared, so should any information be redacted from the agreement before we agree to it being shared?

Opal.

From: Opal Kandelas
Sent: Monday, November 27, 2017 3:23 PM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: IESO - OEFC Nov 27

Hi Sarah,

I was just in the midst of an email to you regarding this matter. John Kim has let IESO know they can move forward with working with CMO on the agreements, but also communicated that the inclusion of the requested language is pending approval. Its fine to work on amending the agreements, as from all sides the indication is that final signoff will occur.

Regarding IESO's request to share the OFA-IESO agreement with TD, since there's nothing in the agreement prohibiting it and neither Gadi nor OFA legal is concerned about it being shared, it seems unreasonable to withhold it. As there is no obligation for us to provide/deny permission, perhaps we can just point that out to IESO (in an email) and tell them we are leaving the decision as to whether or not to share the agreement to their discretion. Not sure if a more formal response needs to be provided to IESO, but I can discuss with John the best way to convey that info to IESO.

Thanks,
Opal.

From: Sarah Harris
Sent: Monday, November 27, 2017 3:02 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: FW: IESO - OEFC Nov 27

Hi Opal,

Anthony is reaching out to provide drafts of the agreements. While we have started to work on them here, we haven't received word on final sign-off from Ron/Gadi. Any word?

I'm cc'ing Lisa, as she also wasn't cc'd on IESO's request.

Thanks,
Sarah

From: Jean-Francois Beaupre
Sent: Monday, November 27, 2017 2:55 PM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Subject: FW: IESO - OEFC Nov 27

Hi Sarah,

Do we have sign-off on the final briefing note and/or authorization to proceed?

Thanks,
J-F

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Monday, November 27, 2017 2:50 PM
To: Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Victor Buza <Victor.Buza@ieso.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: IESO - OEFC Nov 27

Ryan – are you able to send over draft documents for our review? I understand that we may start to work on them now.

Regards.

From: Anthony Martinello
Sent: November 07, 2017 4:07 PM
To: 'Ryan.Blackbyrne@ofina.on.ca'
Cc: 'Jean-Francois.Beaupre@ofina.on.ca'; William Tan; John Kim; Victor Buza
Subject: IESO - OEFC Nov 7

Ryan,

As discussed with Will today, I understand you will be co-ordinating the proposed 2 amendments to the existing IESO-OEFC credit facilities.

For starters, there are no expected changes being asked to the existing agreement's key business content (e.g. amounts, dates, interest, notices etc.), rather given that IESO-OFA have just finished two new agreements pertaining to the new fair hydro program, ….I suggest we just copy and paste the salient sections from these agreements that would now be relevant to the OEFC agreements for fair hydro namely;

1.DRAFT
The definition of "Permitted Liens" is amended by deleting the word "and" at the end of subsection (xx); replacing the "." at the end of subsection (xx) and replacing it with "; and" ; and adding the following subsection (xx):
"(xx) any Lien arising from the IESO's role and obligations under the OFHP, including with respect to any amount received or receivable by the IESO (such as, without limitation, amounts received or receivable in respect of the Clean Energy Adjustment), or any other lien, whether arising from the action or inaction of IESO, that is created in connection with the OFHP."

2.DRAFT
The OFA agreements had required an intercept provision, …..not sure if the same applies to OEFC if yes:

"Section 5.7 Intercept
(a) The IESO hereby acknowledges that, in accordance with the terms of the letter agreement of November 6th , 2017 herewith entered between the Ministry of Energy, the IESO and the OFA made pursuant to Section 23 of the Capital Investment Plan Act, 1993 (the "Intercept Letter"), the Minister of Finance is entitled to deduct only from those monies appropriated by the Legislature for payment through the Ministry of Energy to the IESO ("Appropriated Funds"), amounts equal to any amounts that the IESO fails to pay to the OFA on account of indebtedness under this Agreement. On the occurrence of an Event of Default relating to a failure by IESO to pay when due any amounts owing hereunder, subject to the OFA's compliance with any relevant provisions hereof and as set out in the Intercept Letter, the Minister of Finance is irrevocably authorized to deduct from the Appropriated Funds amounts equal to any amounts that the IESO has failed to pay to the OFA in accordance with the provisions of this Agreement and to pay such amounts directly to the OFA ("Intercept").
(b) If, after following the process specified in the Intercept Letter (including, without limitation, allowing for a reasonable cure period on the terms specified therein), the OFA determines that it is

necessary to request the Minister of Finance to exercise the Intercept, the OFA will give written notice to the Minister of Finance, with a copy to the Ministry of Energy, detailing the IESO's failure to pay when due any amounts owing hereunder and requesting the deduction from the Appropriated Funds of amounts equal to the amounts that the IESO has failed to pay to the OFA under this Agreement.
(c) The IESO agrees that any notice from the OFA to the Minister of Finance in relation to this section 5.7 (Intercept) may be relied upon by the Minister of Finance without further inquiry or verification by the Minister of Finance and, upon receipt of such notice, an amount equal to the amount that the IESO has failed to pay when due to the OFA on account of indebtedness under this Agreement shall be deducted from the Appropriated Funds and paid to the OFA.
(d) For further certainty, the OFA acknowledges and agrees that the Intercept as provided for herein and in the Intercept Letter shall not apply with respect to any funds appropriated by the Legislature for payment to the IESO through ministries other than the Ministry of Energy or through Ontario Climate Change Solutions Deployment Corporation.
The parties agree that, with respect to the exercise of the Intercept generally, the terms of this section 5.7 shall be applied consistently with the terms set out in the Intercept Letter which shall apply in full. Notwithstanding the foregoing, in the event of a conflict or inconsistency between the terms and conditions of the Intercept Letter and the terms and conditions contained in this Agreement, the terms and conditions contained in this Agreement shall prevail."

3.
If any… other relevant updates that make sense to do now……I do not anticipate any material ones.

We need your support to expedite the above in order to avoid delays in the Fair Hydro implementation.
Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

From: Opal Kandelas
To: Sarah Harris
Cc: Lisa Stein
Subject: RE: IESO - OEFC Nov 27
Date: Monday, November 27, 2017 3:34:48 PM

I forgot to ask. I haven't reviewed the agreement with the intention to have it shared, so should any information be redacted from the agreement before we agree to it being shared?

Opal.

From: Opal Kandelas
Sent: Monday, November 27, 2017 3:23 PM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: IESO - OEFC Nov 27

Hi Sarah,

I was just in the midst of an email to you regarding this matter. John Kim has let IESO know they can move forward with working with CMO on the agreements, but also communicated that the inclusion of the requested language is pending approval. Its fine to work on amending the agreements, as from all sides the indication is that final signoff will occur.

Regarding IESO's request to share the OFA-IESO agreement with TD, since there's nothing in the agreement prohibiting it and neither Gadi nor OFA legal is concerned about it being shared, it seems unreasonable to withhold it. As there is no obligation for us to provide/deny permission, perhaps we can just point that out to IESO (in an email) and tell them we are leaving the decision as to whether or not to share the agreement to their discretion. Not sure if a more formal response needs to be provided to IESO, but I can discuss with John the best way to convey that info to IESO.

Thanks,
Opal.

From: Sarah Harris
Sent: Monday, November 27, 2017 3:02 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: FW: IESO - OEFC Nov 27

Hi Opal,

Anthony is reaching out to provide drafts of the agreements. While we have started to work on them here, we haven't received word on final sign-off from Ron/Gadi. Any word?

I'm cc'ing Lisa, as she also wasn't cc'd on IESO's request.

Thanks,
Sarah

From: Jean-Francois Beaupre
Sent: Monday, November 27, 2017 2:55 PM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Subject: FW: IESO - OEFC Nov 27

Hi Sarah,

Do we have sign-off on the final briefing note and/or authorization to proceed?

Thanks,
J-F

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Monday, November 27, 2017 2:50 PM
To: Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Victor Buza <Victor.Buza@ieso.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: IESO - OEFC Nov 27

Ryan – are you able to send over draft documents for our review? I understand that we may start to work on them now.

Regards.

From: Anthony Martinello
Sent: November 07, 2017 4:07 PM
To: 'Ryan.Blackbyrne@ofina.on.ca'
Cc: 'Jean-Francois.Beaupre@ofina.on.ca'; William Tan; John Kim; Victor Buza
Subject: IESO - OEFC Nov 7

Ryan,

As discussed with Will today, I understand you will be co-ordinating the proposed 2 amendments to the existing IESO-OEFC credit facilities.

For starters, there are no expected changes being asked to the existing agreement's key business content (e.g. amounts, dates, interest, notices etc.), rather given that IESO-OFA have just finished

two new agreements pertaining to the new fair hydro program, ….I suggest we just copy and paste the salient sections from these agreements that would now be relevant to the OEFC agreements for fair hydro namely;

1.DRAFT

The definition of "Permitted Liens" is amended by deleting the word "and" at the end of subsection (xx); replacing the "." at the end of subsection (xx) and replacing it with "; and" ; and adding the following subsection (xx):

"(xx) any Lien arising from the IESO's role and obligations under the OFHP, including with respect to any amount received or receivable by the IESO (such as, without limitation, amounts received or receivable in respect of the Clean Energy Adjustment), or any other lien, whether arising from the action or inaction of IESO, that is created in connection with the OFHP."

2.DRAFT

The OFA agreements had required an intercept provision, …..not sure if the same applies to OEFC if yes:

"Section 5.7 Intercept

(a) The IESO hereby acknowledges that, in accordance with the terms of the letter agreement of November 6th , 2017 herewith entered between the Ministry of Energy, the IESO and the OFA made pursuant to Section 23 of the Capital Investment Plan Act, 1993 (the "Intercept Letter"), the Minister of Finance is entitled to deduct only from those monies appropriated by the Legislature for payment through the Ministry of Energy to the IESO ("Appropriated Funds"), amounts equal to any amounts that the IESO fails to pay to the OFA on account of indebtedness under this Agreement. On the occurrence of an Event of Default relating to a failure by IESO to pay when due any amounts owing hereunder, subject to the OFA's compliance with any relevant provisions hereof and as set out in the Intercept Letter, the Minister of Finance is irrevocably authorized to deduct from the Appropriated Funds amounts equal to any amounts that the IESO has failed to pay to the OFA in accordance with the provisions of this Agreement and to pay such amounts directly to the OFA ("Intercept").

(b) If, after following the process specified in the Intercept Letter (including, without limitation, allowing for a reasonable cure period on the terms specified therein), the OFA determines that it is necessary to request the Minister of Finance to exercise the Intercept, the OFA will give written notice to the Minister of Finance, with a copy to the Ministry of Energy, detailing the IESO's failure to pay when due any amounts owing hereunder and requesting the deduction from the Appropriated Funds of amounts equal to the amounts that the IESO has failed to pay to the OFA under this Agreement.

(c) The IESO agrees that any notice from the OFA to the Minister of Finance in relation to this section 5.7 (Intercept) may be relied upon by the Minister of Finance without further inquiry or verification by the Minister of Finance and, upon receipt of such notice, an amount equal to the amount that the IESO has failed to pay when due to the OFA on account of indebtedness under this Agreement shall be deducted from the Appropriated Funds and paid to the OFA.

(d) For further certainty, the OFA acknowledges and agrees that the Intercept as provided for herein and in the Intercept Letter shall not apply with respect to any funds appropriated by the Legislature for payment to the IESO through ministries other than the Ministry of Energy or through Ontario Climate Change Solutions Deployment Corporation.

The parties agree that, with respect to the exercise of the Intercept generally, the terms of this section 5.7 shall be applied consistently with the terms set out in the Intercept Letter which shall apply in full. Notwithstanding the foregoing, in the event of a conflict or inconsistency between the terms and conditions of the Intercept Letter and the terms and conditions contained in this Agreement, the terms and conditions contained in this Agreement shall prevail."

3.
If any… other relevant updates that make sense to do now……I do not anticipate any material ones.

We need your support to expedite the above in order to avoid delays in the Fair Hydro implementation.
Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

From: Sarah Harris
To: Opal Kandelas
Cc: Lisa Stein
Subject: RE: IESO - OEFC Nov 27
Date: Monday, November 27, 2017 3:26:32 PM

Thanks, Opal.

We'll respond to Anthony that we will send drafts ASAP, and would appreciate if you could discuss with John the best way to convey info regarding sharing the Credit Agreements with TD.

Thanks,
Sarah

From: Opal Kandelas
Sent: Monday, November 27, 2017 3:23 PM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: IESO - OEFC Nov 27

Hi Sarah,

I was just in the midst of an email to you regarding this matter. John Kim has let IESO know they can move forward with working with CMO on the agreements, but also communicated that the inclusion of the requested language is pending approval. Its fine to work on amending the agreements, as from all sides the indication is that final signoff will occur.

Regarding IESO's request to share the OFA-IESO agreement with TD, since there's nothing in the agreement prohibiting it and neither Gadi nor OFA legal is concerned about it being shared, it seems unreasonable to withhold it. As there is no obligation for us to provide/deny permission, perhaps we can just point that out to IESO (in an email) and tell them we are leaving the decision as to whether or not to share the agreement to their discretion. Not sure if a more formal response needs to be provided to IESO, but I can discuss with John the best way to convey that info to IESO.

Thanks,
Opal.

From: Sarah Harris
Sent: Monday, November 27, 2017 3:02 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: FW: IESO - OEFC Nov 27

Hi Opal,

Anthony is reaching out to provide drafts of the agreements. While we have started to work on them here, we haven't received word on final sign-off from Ron/Gadi. Any word?

I'm cc'ing Lisa, as she also wasn't cc'd on IESO's request.

Thanks,
Sarah

From: Jean-Francois Beaupre
Sent: Monday, November 27, 2017 2:55 PM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Subject: FW: IESO - OEFC Nov 27

Hi Sarah,

Do we have sign-off on the final briefing note and/or authorization to proceed?

Thanks,
J-F

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Monday, November 27, 2017 2:50 PM
To: Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Victor Buza <Victor.Buza@ieso.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: IESO - OEFC Nov 27

Ryan – are you able to send over draft documents for our review? I understand that we may start to work on them now.

Regards.

From: Anthony Martinello
Sent: November 07, 2017 4:07 PM
To: 'Ryan.Blackbyrne@ofina.on.ca'
Cc: 'Jean-Francois.Beaupre@ofina.on.ca'; William Tan; John Kim; Victor Buza
Subject: IESO - OEFC Nov 7

Ryan,

As discussed with Will today, I understand you will be co-ordinating the proposed 2 amendments to the existing IESO-OEFC credit facilities.

For starters, there are no expected changes being asked to the existing agreement's key business content (e.g. amounts, dates, interest, notices etc.), rather given that IESO-OFA have just finished two new agreements pertaining to the new fair hydro program, ….I suggest we just copy and paste the salient sections from these agreements that would now be relevant to the OEFC agreements for fair hydro namely;

1.DRAFT
The definition of "Permitted Liens" is amended by deleting the word "and" at the end of subsection (xx); replacing the "." at the end of subsection (xx) and replacing it with "; and" ; and adding the following subsection (xx):
"(xx) any Lien arising from the IESO's role and obligations under the OFHP, including with respect to any amount received or receivable by the IESO (such as, without limitation, amounts received or receivable in respect of the Clean Energy Adjustment), or any other lien, whether arising from the action or inaction of IESO, that is created in connection with the OFHP."

2.DRAFT
The OFA agreements had required an intercept provision, …..not sure if the same applies to OEFC if yes:

"Section 5.7 Intercept
(a) The IESO hereby acknowledges that, in accordance with the terms of the letter agreement of November 6th , 2017 herewith entered between the Ministry of Energy, the IESO and the OFA made pursuant to Section 23 of the Capital Investment Plan Act, 1993 (the "Intercept Letter"), the Minister of Finance is entitled to deduct only from those monies appropriated by the Legislature for payment through the Ministry of Energy to the IESO ("Appropriated Funds"), amounts equal to any amounts that the IESO fails to pay to the OFA on account of indebtedness under this Agreement. On the occurrence of an Event of Default relating to a failure by IESO to pay when due any amounts owing hereunder, subject to the OFA's compliance with any relevant provisions hereof and as set out in the Intercept Letter, the Minister of Finance is irrevocably authorized to deduct from the Appropriated Funds amounts equal to any amounts that the IESO has failed to pay to the OFA in accordance with the provisions of this Agreement and to pay such amounts directly to the OFA ("Intercept").
(b) If, after following the process specified in the Intercept Letter (including, without limitation, allowing for a reasonable cure period on the terms specified therein), the OFA determines that it is necessary to request the Minister of Finance to exercise the Intercept, the OFA will give written notice to the Minister of Finance, with a copy to the Ministry of Energy, detailing the IESO's failure to pay when due any amounts owing hereunder and requesting the deduction from the Appropriated Funds of amounts equal to the amounts that the IESO has failed to pay to the OFA under this Agreement.
(c) The IESO agrees that any notice from the OFA to the Minister of Finance in relation to this section 5.7 (Intercept) may be relied upon by the Minister of Finance without further inquiry or verification by the Minister of Finance and, upon receipt of such notice, an amount equal to the amount that the IESO has failed to pay when due to the OFA on account of indebtedness under this Agreement shall be deducted from the Appropriated Funds and paid to the OFA.
(d) For further certainty, the OFA acknowledges and agrees that the Intercept as provided for herein

and in the Intercept Letter shall not apply with respect to any funds appropriated by the Legislature for payment to the IESO through ministries other than the Ministry of Energy or through Ontario Climate Change Solutions Deployment Corporation.
The parties agree that, with respect to the exercise of the Intercept generally, the terms of this section 5.7 shall be applied consistently with the terms set out in the Intercept Letter which shall apply in full. Notwithstanding the foregoing, in the event of a conflict or inconsistency between the terms and conditions of the Intercept Letter and the terms and conditions contained in this Agreement, the terms and conditions contained in this Agreement shall prevail."

3.
If any… other relevant updates that make sense to do now……I do not anticipate any material ones.

We need your support to expedite the above in order to avoid delays in the Fair Hydro implementation.
Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

From: Opal Kandelas
To: Sarah Harris
Cc: Lisa Stein
Subject: RE: IESO - OEFC Nov 27
Date: Monday, November 27, 2017 3:22:45 PM

Hi Sarah,

I was just in the midst of an email to you regarding this matter. John Kim has let IESO know they can move forward with working with CMO on the agreements, but also communicated that the inclusion of the requested language is pending approval. Its fine to work on amending the agreements, as from all sides the indication is that final signoff will occur.

Regarding IESO's request to share the OFA-IESO agreement with TD, since there's nothing in the agreement prohibiting it and neither Gadi nor OFA legal is concerned about it being shared, it seems unreasonable to withhold it. As there is no obligation for us to provide/deny permission, perhaps we can just point that out to IESO (in an email) and tell them we are leaving the decision as to whether or not to share the agreement to their discretion. Not sure if a more formal response needs to be provided to IESO, but I can discuss with John the best way to convey that info to IESO.

Thanks,
Opal.

From: Sarah Harris
Sent: Monday, November 27, 2017 3:02 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: FW: IESO - OEFC Nov 27

Hi Opal,

Anthony is reaching out to provide drafts of the agreements. While we have started to work on them here, we haven't received word on final sign-off from Ron/Gadi. Any word?

I'm cc'ing Lisa, as she also wasn't cc'd on IESO's request.

Thanks,
Sarah

From: Jean-Francois Beaupre
Sent: Monday, November 27, 2017 2:55 PM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Subject: FW: IESO - OEFC Nov 27

Hi Sarah,

Do we have sign-off on the final briefing note and/or authorization to proceed?

Thanks,
J-F

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Monday, November 27, 2017 2:50 PM
To: Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Victor Buza <Victor.Buza@ieso.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: IESO - OEFC Nov 27

Ryan – are you able to send over draft documents for our review? I understand that we may start to work on them now.

Regards.

From: Anthony Martinello
Sent: November 07, 2017 4:07 PM
To: 'Ryan.Blackbyrne@ofina.on.ca'
Cc: 'Jean-Francois.Beaupre@ofina.on.ca'; William Tan; John Kim; Victor Buza
Subject: IESO - OEFC Nov 7

Ryan,

As discussed with Will today, I understand you will be co-ordinating the proposed 2 amendments to the existing IESO-OEFC credit facilities.

For starters, there are no expected changes being asked to the existing agreement's key business content (e.g. amounts, dates, interest, notices etc.), rather given that IESO-OFA have just finished two new agreements pertaining to the new fair hydro program, ….I suggest we just copy and paste the salient sections from these agreements that would now be relevant to the OEFC agreements for fair hydro namely;

1.DRAFT
The definition of "Permitted Liens" is amended by deleting the word "and" at the end of subsection (xx); replacing the "." at the end of subsection (xx) and replacing it with "; and" ; and adding the following subsection (xx):
"(xx) any Lien arising from the IESO's role and obligations under the OFHP, including with respect to any amount received or receivable by the IESO (such as, without limitation, amounts received or receivable in respect of the Clean Energy Adjustment), or any other lien, whether arising from the

action or inaction of IESO, that is created in connection with the OFHP."

2.DRAFT

The OFA agreements had required an intercept provision, …..not sure if the same applies to OEFC if yes:

"Section 5.7 Intercept

(a) The IESO hereby acknowledges that, in accordance with the terms of the letter agreement of November 6th , 2017 herewith entered between the Ministry of Energy, the IESO and the OFA made pursuant to Section 23 of the Capital Investment Plan Act, 1993 (the "Intercept Letter"), the Minister of Finance is entitled to deduct only from those monies appropriated by the Legislature for payment through the Ministry of Energy to the IESO ("Appropriated Funds"), amounts equal to any amounts that the IESO fails to pay to the OFA on account of indebtedness under this Agreement. On the occurrence of an Event of Default relating to a failure by IESO to pay when due any amounts owing hereunder, subject to the OFA's compliance with any relevant provisions hereof and as set out in the Intercept Letter, the Minister of Finance is irrevocably authorized to deduct from the Appropriated Funds amounts equal to any amounts that the IESO has failed to pay to the OFA in accordance with the provisions of this Agreement and to pay such amounts directly to the OFA ("Intercept").

(b) If, after following the process specified in the Intercept Letter (including, without limitation, allowing for a reasonable cure period on the terms specified therein), the OFA determines that it is necessary to request the Minister of Finance to exercise the Intercept, the OFA will give written notice to the Minister of Finance, with a copy to the Ministry of Energy, detailing the IESO's failure to pay when due any amounts owing hereunder and requesting the deduction from the Appropriated Funds of amounts equal to the amounts that the IESO has failed to pay to the OFA under this Agreement.

(c) The IESO agrees that any notice from the OFA to the Minister of Finance in relation to this section 5.7 (Intercept) may be relied upon by the Minister of Finance without further inquiry or verification by the Minister of Finance and, upon receipt of such notice, an amount equal to the amount that the IESO has failed to pay when due to the OFA on account of indebtedness under this Agreement shall be deducted from the Appropriated Funds and paid to the OFA.

(d) For further certainty, the OFA acknowledges and agrees that the Intercept as provided for herein and in the Intercept Letter shall not apply with respect to any funds appropriated by the Legislature for payment to the IESO through ministries other than the Ministry of Energy or through Ontario Climate Change Solutions Deployment Corporation.

The parties agree that, with respect to the exercise of the Intercept generally, the terms of this section 5.7 shall be applied consistently with the terms set out in the Intercept Letter which shall apply in full. Notwithstanding the foregoing, in the event of a conflict or inconsistency between the terms and conditions of the Intercept Letter and the terms and conditions contained in this Agreement, the terms and conditions contained in this Agreement shall prevail."

3.

If any… other relevant updates that make sense to do now……I do not anticipate any material ones.

We need your support to expedite the above in order to avoid delays in the Fair Hydro implementation.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

From:	Ryan Blackbyrne
To:	"Anthony Martinello"
Cc:	Jean-Francois Beaupre; John Kim; Victor Buza; Gavin He; Opal Kandelas; Sarah Harris; Lisa Stein
Subject:	RE: IESO - OEFC Nov 27
Date:	Wednesday, November 29, 2017 4:50:05 PM
Attachments:	$120M Note - amending agreement no.7 Nov29.docx $160M revolving credit - amending agreement no.7 Nov29.docx

Hi Anthony,

Please find initial draft documents for your review. Please note terms of these documents are still subject to internal approval at the OFA. Please let us know your comments.

Regards,

Ryan Blackbyrne
Documentation & Analysis Specialist
Capital Markets Division
Ontario Financing Authority
1 Dundas Street West, Suite 1400
Toronto, ON M7A 1Y7
416-325-8143
ryan.blackbyrne@ofina.on.ca

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Monday, November 27, 2017 2:50 PM
To: Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Victor Buza <Victor.Buza@ieso.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: IESO - OEFC Nov 27

Ryan – are you able to send over draft documents for our review? I understand that we may start to work on them now.

Regards.

From: Anthony Martinello
Sent: November 07, 2017 4:07 PM
To: 'Ryan.Blackbyrne@ofina.on.ca'
Cc: 'Jean-Francois.Beaupre@ofina.on.ca'; William Tan; John Kim; Victor Buza
Subject: IESO - OEFC Nov 7

Ryan,

As discussed with Will today, I understand you will be co-ordinating the proposed 2 amendments to the existing IESO-OEFC credit facilities.

For starters, there are no expected changes being asked to the existing agreement's key business content (e.g. amounts, dates, interest, notices etc.), rather given that IESO-OFA have just finished two new agreements pertaining to the new fair hydro program, ….I suggest we just copy and paste the salient sections from these agreements that would now be relevant to the OEFC agreements for fair hydro namely;

1.DRAFT
The definition of "Permitted Liens" is amended by deleting the word "and" at the end of subsection (xx); replacing the "." at the end of subsection (xx) and replacing it with "; and" ; and adding the following subsection (xx):
"(xx) any Lien arising from the IESO's role and obligations under the OFHP, including with respect to any amount received or receivable by the IESO (such as, without limitation, amounts received or receivable in respect of the Clean Energy Adjustment), or any other lien, whether arising from the action or inaction of IESO, that is created in connection with the OFHP."

2.DRAFT
The OFA agreements had required an intercept provision, …..not sure if the same applies to OEFC if yes:

"Section 5.7 Intercept
(a) The IESO hereby acknowledges that, in accordance with the terms of the letter agreement of November 6th , 2017 herewith entered between the Ministry of Energy, the IESO and the OFA made pursuant to Section 23 of the Capital Investment Plan Act, 1993 (the "Intercept Letter"), the Minister of Finance is entitled to deduct only from those monies appropriated by the Legislature for payment through the Ministry of Energy to the IESO ("Appropriated Funds"), amounts equal to any amounts that the IESO fails to pay to the OFA on account of indebtedness under this Agreement. On the occurrence of an Event of Default relating to a failure by IESO to pay when due any amounts owing hereunder, subject to the OFA's compliance with any relevant provisions hereof and as set out in the Intercept Letter, the Minister of Finance is irrevocably authorized to deduct from the Appropriated Funds amounts equal to any amounts that the IESO has failed to pay to the OFA in accordance with the provisions of this Agreement and to pay such amounts directly to the OFA ("Intercept").
(b) If, after following the process specified in the Intercept Letter (including, without limitation, allowing for a reasonable cure period on the terms specified therein), the OFA determines that it is necessary to request the Minister of Finance to exercise the Intercept, the OFA will give written notice to the Minister of Finance, with a copy to the Ministry of Energy, detailing the IESO's failure to pay when due any amounts owing hereunder and requesting the deduction from the Appropriated Funds of amounts equal to the amounts that the IESO has failed to pay to the OFA under this Agreement.
(c) The IESO agrees that any notice from the OFA to the Minister of Finance in relation to this section 5.7 (Intercept) may be relied upon by the Minister of Finance without further inquiry or verification by the Minister of Finance and, upon receipt of such notice, an amount equal to the amount that the IESO has failed to pay when due to the OFA on account of indebtedness under this Agreement shall be deducted from the Appropriated Funds and paid to the OFA.
(d) For further certainty, the OFA acknowledges and agrees that the Intercept as provided for herein

and in the Intercept Letter shall not apply with respect to any funds appropriated by the Legislature for payment to the IESO through ministries other than the Ministry of Energy or through Ontario Climate Change Solutions Deployment Corporation.
The parties agree that, with respect to the exercise of the Intercept generally, the terms of this section 5.7 shall be applied consistently with the terms set out in the Intercept Letter which shall apply in full. Notwithstanding the foregoing, in the event of a conflict or inconsistency between the terms and conditions of the Intercept Letter and the terms and conditions contained in this Agreement, the terms and conditions contained in this Agreement shall prevail."

3.
If any… other relevant updates that make sense to do now……I do not anticipate any material ones.

We need your support to expedite the above in order to avoid delays in the Fair Hydro implementation.
Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

AMENDING AGREEMENT NO. 7

This Amending Agreement is made as of the [DATE], 2017 between:

INDEPENDENT ELECTRICITY SYSTEM OPERATOR ("IESO")

and

ONTARIO ELECTRICITY FINANCIAL CORPORATION ("OEFC")

WHEREAS IESO and OEFC have entered into an agreement providing for the Issuance of a Note dated April 1, 1999 (the "Original Agreement");

AND WHEREAS pursuant to amending agreements dated March 23, 2000, April 23, 2009, May 1, 2011, May 1, 2013, April 30, 2014 and April 30, 2017 the parties amended the Original Agreement (as so amended, the "Agreement");

AND WHEREAS the *Ontario Fair Hydro Plan Act, 2017* came into force on June 1, 2017;

AND WHEREAS at the request of the IESO the parties wish to now amend the Agreement to accommodate IESO's role and obligations under the *Ontario Fair Hydro Plan Act*, 2017;

NOW THEREFORE in consideration of the mutual agreements contained herein (the receipt and sufficiency of which are hereby acknowledged by each party), the parties agree as follows:

1.
The following definitions are added to Section 1.1 (Definitions) of the Agreement:

"Clean Energy Adjustment" has the same meaning as that term is defined in the OFHP.

"OFHP" means the *Ontario Fair Hydro Plan Act, 2017*, S.O. 2017, c. 16, Schedule 1, including any regulations made thereunder, and all as amended from time to time.

2. The definition of "Permitted Liens" in Section 1.1 (Definitions) of the Agreement is amended by deleting the word "and" at the end of subsection 1.1(j); replacing the "." at the end of subsection (1.1 (k) and replacing it with "and"; and adding the following subsection 1.1(l):

(l) Any Lien arising from the IESO's role and obligations under the OFHP, including with respect to any amount received or receivable by the IESO (such as, without limitation, amounts received or receivable in respect of the Clean Energy Adjustment), or any other lien,

whether arising from the action or inaction of IESO, that is created in connection with the OFHP.

IN ALL OTHER RESPECTS, the Agreement is confirmed by the parties.

IN WITNESS WHEREOF the parties have executed and delivered this Amending Agreement as of the date first written above.

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

By:_____
Name: Kimberly Marshall
Title: Vice President, Corporate Services; Chief Financial Officer; and Treasurer

ONTARIO ELECTRICITY FINANCIAL CORPORATION

By:_____
Name: Michael D. Manning
Title: Executive Director and Chief Investment Officer

AMENDING AGREEMENT NO. 7

This Amending Agreement is effective as of the • day of •, 2017.

BETWEEN: **INDEPENDENT ELECTRICITY SYSTEM OPERATOR ("IESO")**

as Borrower

AND: **ONTARIO ELECTRICITY FINANCIALCORPORATION ("OEFC")**

as Lender

WHEREAS IESO and OEFC entered into a Revolving Credit Facility Agreement dated April 23, 2010, as amended by Amending Agreement No.1 dated July 21, 2010, Amending Agreement No. 2 dated October 14, 2011, Amending Agreement No. 3 dated April 30, 2013, Amending Agreement No. 4 dated April 30, 2014, Amending Agreement No. 5 dated December 19, 2014 and Amending Agreement No. 6 dated April 30, 2017 (collectively the "Agreement") pursuant to which OEFC agreed to provide a revolving credit facility to IESO in the principal amount of up to CDN $160 million;

AND WHEREAS the *Ontario Fair Hydro Plan Act, 2017* came into force on June 1, 2017;

AND WHEREAS at the request of the IESO the parties wish to now amend the Agreement to accommodate IESO's role and obligations under the *Ontario Fair Hydro Plan Act, 2017*;

THEREFORE, in consideration of the mutual covenants and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and subject to the terms and conditions hereinafter set out, the parties agree that the Agreement is amended as follows:

1. The following definitions are added to Section 1.1 (Definitions) of the Agreement:

   "Clean Energy Adjustment" has the same meaning as that term is defined in the OFHP.

   "OFHP" means the *Ontario Fair Hydro Plan Act, 2017*, S.O. 2017, c. 16, Schedule 1, including any regulations made thereunder, and all as amended from time to time.

2. The definition of "Ontario's Fair Hydro Plan" is deleted in its entirety.

3. The definition of "Permitted Liens" in Section 1.1 (Definitions) of the Agreement is amended by deleting the word "and" at the end of subsection 1.1(j); replacing the "." at

the end of subsection (1.1 (k) and replacing it with "and"; and adding the following subsection 1.1(l):

(l) Any Lien arising from the IESO's role and obligations under the OFHP, including with respect to any amount received or receivable by the IESO (such as, without limitation, amounts received or receivable in respect of the Clean Energy Adjustment), or any other lien, whether arising from the action or inaction of IESO, that is created in connection with the OFHP.

4. Paragraph 3.6(c) of the Agreement is deleted and replaced by the following:

(c) that there shall, in the reasonable opinion of OEFC, have been no material adverse change in the financial condition of IESO, provided however that any adverse change in IESO's financial condition related to or resulting from the discharge by IESO of its responsibilities under OFHP shall be deemed not to be material adverse change for the purposes of this section; and

Commented [RB1]: See Amending Agreement No.6 dated April 1, 2017. The amendment to paragraph 3.6(c) at that time referenced "Ontario's Fair Hydro Plan". Since the Ontario Fair Hydro Plan Act, 2017 has since come into force on June 1, 2017 it is appropriate to update this paragraph with reference to the Act.

IN ALL OTHER RESPECTS, the Agreement is confirmed by IESO and OEFC.

IN WITNESS WHEREOF the parties hereto have executed this Amending Agreement as of the date first written above.

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

By:_____
Name: Kimberly Marshall
Title: Vice President, Corporate Services; Chief Financial Officer; and Treasurer

ONTARIO ELECTRICITY FINANCIAL CORPORATION

By:_____
Name: Michael D. Manning
Title: Executive Director and Chief Investment Officer

From:	John Kim
To:	William Tan
Cc:	Ryan Blackbyrne; Sarah Harris; Jean-Francois Beaupre; Opal Kandelas; Gavin He
Subject:	RE: IESO - OEFC Nov 7
Date:	Tuesday, November 07, 2017 4:41:52 PM

Hi William,

Gavin will coordinate. Wait to hear from him.

John

From: William Tan
Sent: Tuesday, November 07, 2017 4:39 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: IESO - OEFC Nov 7

Hello John,

I agree that you were to speak with IESO this afternoon and we would hear from you afterwards. Anthony called me this afternoon and provided required changes to the existing credit facilities. We did not get into specific details. He did not mention if he spoke with Electricity Finance and I didn't ask him if he had contacted Electricity Finance either. I only stated that Ryan will be coordinating the update to the credit facilities and provide required changes in email. It was a very brief call. After you have discussed the proposed changes with IESO please schedule a convenient time for you to meet with Ryan, Jean-Francois and I.

Thanks,

Will

From: John Kim
Sent: Tuesday, November 07, 2017 4:15 PM
To: Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: IESO - OEFC Nov 7

Hi there,

I thought Sarah asked us to touch base with IESO on the policy side of things before you were going to talk to them on implementation?

John

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Tuesday, November 07, 2017 4:07 PM
To: Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Victor Buza <Victor.Buza@ieso.ca>
Subject: IESO - OEFC Nov 7

Ryan,

As discussed with Will today, I understand you will be co-ordinating the proposed 2 amendments to the existing IESO-OEFC credit facilities.

For starters, there are no expected changes being asked to the existing agreement's key business content (e.g. amounts, dates, interest, notices etc.), rather given that IESO-OFA have just finished two new agreements pertaining to the new fair hydro program, ….I suggest we just copy and paste the salient sections from these agreements that would now be relevant to the OEFC agreements for fair hydro namely;

1.DRAFT
The definition of "Permitted Liens" is amended by deleting the word "and" at the end of subsection (xx); replacing the "." at the end of subsection (xx) and replacing it with "; and" ; and adding the following subsection (xx):
"(xx) any Lien arising from the IESO's role and obligations under the OFHP, including with respect to any amount received or receivable by the IESO (such as, without limitation, amounts received or receivable in respect of the Clean Energy Adjustment), or any other lien, whether arising from the action or inaction of IESO, that is created in connection with the OFHP."

2.DRAFT
The OFA agreements had required an intercept provision, …..not sure if the same applies to OEFC if yes:

"Section 5.7 Intercept
(a) The IESO hereby acknowledges that, in accordance with the terms of the letter agreement of November 6th , 2017 herewith entered between the Ministry of Energy, the IESO and the OFA made pursuant to Section 23 of the Capital Investment Plan Act, 1993 (the "Intercept Letter"), the Minister of Finance is entitled to deduct only from those monies appropriated by the Legislature for payment through the Ministry of Energy to the IESO ("Appropriated Funds"), amounts equal to any amounts that the IESO fails to pay to the OFA on account of indebtedness under this Agreement. On the occurrence of an Event of Default relating to a failure by IESO to pay when due any amounts owing hereunder, subject to the OFA's compliance with any relevant provisions hereof and as set out in the

Intercept Letter, the Minister of Finance is irrevocably authorized to deduct from the Appropriated Funds amounts equal to any amounts that the IESO has failed to pay to the OFA in accordance with the provisions of this Agreement and to pay such amounts directly to the OFA ("Intercept").
(b) If, after following the process specified in the Intercept Letter (including, without limitation, allowing for a reasonable cure period on the terms specified therein), the OFA determines that it is necessary to request the Minister of Finance to exercise the Intercept, the OFA will give written notice to the Minister of Finance, with a copy to the Ministry of Energy, detailing the IESO's failure to pay when due any amounts owing hereunder and requesting the deduction from the Appropriated Funds of amounts equal to the amounts that the IESO has failed to pay to the OFA under this Agreement.
(c) The IESO agrees that any notice from the OFA to the Minister of Finance in relation to this section 5.7 (Intercept) may be relied upon by the Minister of Finance without further inquiry or verification by the Minister of Finance and, upon receipt of such notice, an amount equal to the amount that the IESO has failed to pay when due to the OFA on account of indebtedness under this Agreement shall be deducted from the Appropriated Funds and paid to the OFA.
(d) For further certainty, the OFA acknowledges and agrees that the Intercept as provided for herein and in the Intercept Letter shall not apply with respect to any funds appropriated by the Legislature for payment to the IESO through ministries other than the Ministry of Energy or through Ontario Climate Change Solutions Deployment Corporation.
The parties agree that, with respect to the exercise of the Intercept generally, the terms of this section 5.7 shall be applied consistently with the terms set out in the Intercept Letter which shall apply in full. Notwithstanding the foregoing, in the event of a conflict or inconsistency between the terms and conditions of the Intercept Letter and the terms and conditions contained in this Agreement, the terms and conditions contained in this Agreement shall prevail."

3.
If any… other relevant updates that make sense to do now……I do not anticipate any material ones.

We need your support to expedite the above in order to avoid delays in the Fair Hydro implementation.
Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

From: William Tan
To: John Kim
Cc: Ryan Blackbyrne; Sarah Harris; Jean-Francois Beaupre; Opal Kandelas; Gavin He
Subject: RE: IESO - OEFC Nov 7
Date: Tuesday, November 07, 2017 4:39:05 PM

Hello John,

I agree that you were to speak with IESO this afternoon and we would hear from you afterwards. Anthony called me this afternoon and provided required changes to the existing credit facilities. We did not get into specific details. He did not mention if he spoke with Electricity Finance and I didn't ask him if he had contacted Electricity Finance either. I only stated that Ryan will be coordinating the update to the credit facilities and provide required changes in email. It was a very brief call. After you have discussed the proposed changes with IESO please schedule a convenient time for you to meet with Ryan, Jean-Francois and I.

Thanks,

Will

From: John Kim
Sent: Tuesday, November 07, 2017 4:15 PM
To: Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: IESO - OEFC Nov 7

Hi there,

I thought Sarah asked us to touch base with IESO on the policy side of things before you were going to talk to them on implementation?

John

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Tuesday, November 07, 2017 4:07 PM
To: Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Victor Buza <Victor.Buza@ieso.ca>
Subject: IESO - OEFC Nov 7

Ryan,

As discussed with Will today, I understand you will be co-ordinating the proposed 2 amendments to the existing IESO-OEFC credit facilities.

For starters, there are no expected changes being asked to the existing agreement's key business content (e.g. amounts, dates, interest, notices etc.), rather given that IESO-OFA have just finished two new agreements pertaining to the new fair hydro program, ….I suggest we just copy and paste the salient sections from these agreements that would now be relevant to the OEFC agreements for fair hydro namely;

1.DRAFT
The definition of "Permitted Liens" is amended by deleting the word "and" at the end of subsection (xx); replacing the "." at the end of subsection (xx) and replacing it with "; and" ; and adding the following subsection (xx):
"(xx) any Lien arising from the IESO's role and obligations under the OFHP, including with respect to any amount received or receivable by the IESO (such as, without limitation, amounts received or receivable in respect of the Clean Energy Adjustment), or any other lien, whether arising from the action or inaction of IESO, that is created in connection with the OFHP."

2.DRAFT
The OFA agreements had required an intercept provision, …..not sure if the same applies to OEFC if yes:

"Section 5.7 Intercept
(a) The IESO hereby acknowledges that, in accordance with the terms of the letter agreement of November 6th , 2017 herewith entered between the Ministry of Energy, the IESO and the OFA made pursuant to Section 23 of the Capital Investment Plan Act, 1993 (the "Intercept Letter"), the Minister of Finance is entitled to deduct only from those monies appropriated by the Legislature for payment through the Ministry of Energy to the IESO ("Appropriated Funds"), amounts equal to any amounts that the IESO fails to pay to the OFA on account of indebtedness under this Agreement. On the occurrence of an Event of Default relating to a failure by IESO to pay when due any amounts owing hereunder, subject to the OFA's compliance with any relevant provisions hereof and as set out in the Intercept Letter, the Minister of Finance is irrevocably authorized to deduct from the Appropriated Funds amounts equal to any amounts that the IESO has failed to pay to the OFA in accordance with the provisions of this Agreement and to pay such amounts directly to the OFA ("Intercept").
(b) If, after following the process specified in the Intercept Letter (including, without limitation, allowing for a reasonable cure period on the terms specified therein), the OFA determines that it is necessary to request the Minister of Finance to exercise the Intercept, the OFA will give written notice to the Minister of Finance, with a copy to the Ministry of Energy, detailing the IESO's failure to pay when due any amounts owing hereunder and requesting the deduction from the Appropriated Funds of amounts equal to the amounts that the IESO has failed to pay to the OFA under this Agreement.
(c) The IESO agrees that any notice from the OFA to the Minister of Finance in relation to this section 5.7 (Intercept) may be relied upon by the Minister of Finance without further inquiry or verification by the Minister of Finance and, upon receipt of such notice, an amount equal to the amount that the IESO has failed to pay when due to the OFA on account of indebtedness under this Agreement shall

be deducted from the Appropriated Funds and paid to the OFA.
(d) For further certainty, the OFA acknowledges and agrees that the Intercept as provided for herein and in the Intercept Letter shall not apply with respect to any funds appropriated by the Legislature for payment to the IESO through ministries other than the Ministry of Energy or through Ontario Climate Change Solutions Deployment Corporation.
The parties agree that, with respect to the exercise of the Intercept generally, the terms of this section 5.7 shall be applied consistently with the terms set out in the Intercept Letter which shall apply in full. Notwithstanding the foregoing, in the event of a conflict or inconsistency between the terms and conditions of the Intercept Letter and the terms and conditions contained in this Agreement, the terms and conditions contained in this Agreement shall prevail."

3.
If any… other relevant updates that make sense to do now……I do not anticipate any material ones.

We need your support to expedite the above in order to avoid delays in the Fair Hydro implementation.
Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

From:	John Kim
To:	Ryan Blackbyrne; William Tan
Cc:	Sarah Harris; Jean-Francois Beaupre; Opal Kandelas; Gavin He
Subject:	RE: IESO - OEFC Nov 7
Date:	Tuesday, November 07, 2017 4:15:27 PM

Hi there,

I thought Sarah asked us to touch base with IESO on the policy side of things before you were going to talk to them on implementation?

John

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Tuesday, November 07, 2017 4:07 PM
To: Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Victor Buza <Victor.Buza@ieso.ca>
Subject: IESO - OEFC Nov 7

Ryan,

As discussed with Will today, I understand you will be co-ordinating the proposed 2 amendments to the existing IESO-OEFC credit facilities.

For starters, there are no expected changes being asked to the existing agreement's key business content (e.g. amounts, dates, interest, notices etc.), rather given that IESO-OFA have just finished two new agreements pertaining to the new fair hydro program, ….I suggest we just copy and paste the salient sections from these agreements that would now be relevant to the OEFC agreements for fair hydro namely;

1.DRAFT
The definition of "Permitted Liens" is amended by deleting the word "and" at the end of subsection (xx); replacing the "." at the end of subsection (xx) and replacing it with "; and" ; and adding the following subsection (xx):
"(xx) any Lien arising from the IESO's role and obligations under the OFHP, including with respect to any amount received or receivable by the IESO (such as, without limitation, amounts received or receivable in respect of the Clean Energy Adjustment), or any other lien, whether arising from the action or inaction of IESO, that is created in connection with the OFHP."

2.DRAFT
The OFA agreements had required an intercept provision, …..not sure if the same applies to OEFC if yes:

"Section 5.7 Intercept
(a) The IESO hereby acknowledges that, in accordance with the terms of the letter agreement of

November 6th , 2017 herewith entered between the Ministry of Energy, the IESO and the OFA made pursuant to Section 23 of the Capital Investment Plan Act, 1993 (the "Intercept Letter"), the Minister of Finance is entitled to deduct only from those monies appropriated by the Legislature for payment through the Ministry of Energy to the IESO ("Appropriated Funds"), amounts equal to any amounts that the IESO fails to pay to the OFA on account of indebtedness under this Agreement. On the occurrence of an Event of Default relating to a failure by IESO to pay when due any amounts owing hereunder, subject to the OFA's compliance with any relevant provisions hereof and as set out in the Intercept Letter, the Minister of Finance is irrevocably authorized to deduct from the Appropriated Funds amounts equal to any amounts that the IESO has failed to pay to the OFA in accordance with the provisions of this Agreement and to pay such amounts directly to the OFA ("Intercept").
(b) If, after following the process specified in the Intercept Letter (including, without limitation, allowing for a reasonable cure period on the terms specified therein), the OFA determines that it is necessary to request the Minister of Finance to exercise the Intercept, the OFA will give written notice to the Minister of Finance, with a copy to the Ministry of Energy, detailing the IESO's failure to pay when due any amounts owing hereunder and requesting the deduction from the Appropriated Funds of amounts equal to the amounts that the IESO has failed to pay to the OFA under this Agreement.
(c) The IESO agrees that any notice from the OFA to the Minister of Finance in relation to this section 5.7 (Intercept) may be relied upon by the Minister of Finance without further inquiry or verification by the Minister of Finance and, upon receipt of such notice, an amount equal to the amount that the IESO has failed to pay when due to the OFA on account of indebtedness under this Agreement shall be deducted from the Appropriated Funds and paid to the OFA.
(d) For further certainty, the OFA acknowledges and agrees that the Intercept as provided for herein and in the Intercept Letter shall not apply with respect to any funds appropriated by the Legislature for payment to the IESO through ministries other than the Ministry of Energy or through Ontario Climate Change Solutions Deployment Corporation.
The parties agree that, with respect to the exercise of the Intercept generally, the terms of this section 5.7 shall be applied consistently with the terms set out in the Intercept Letter which shall apply in full. Notwithstanding the foregoing, in the event of a conflict or inconsistency between the terms and conditions of the Intercept Letter and the terms and conditions contained in this Agreement, the terms and conditions contained in this Agreement shall prevail."

3.
If any… other relevant updates that make sense to do now……I do not anticipate any material ones.

We need your support to expedite the above in order to avoid delays in the Fair Hydro implementation.
Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

From: Sarah Harris
To: Opal Kandelas
Subject: RE: IESO - OEFC Nov 7
Date: Wednesday, November 08, 2017 8:46:30 AM

Thank you , Opal.

SArah

From: Opal Kandelas
Sent: Wednesday, November 08, 2017 8:24 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: FW: IESO - OEFC Nov 7

Hi Sarah,

Got your voicemail. I think Will explained below the chain of events. Given his explanation, I don't think further follow up is needed. All seems fine.

Opal.

From: John Kim
Sent: Tuesday, November 07, 2017 4:42 PM
To: William Tan <William.Tan@ofina.on.ca>
Cc: Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: IESO - OEFC Nov 7

Hi William,

Gavin will coordinate. Wait to hear from him.

John

From: William Tan
Sent: Tuesday, November 07, 2017 4:39 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: IESO - OEFC Nov 7

Hello John,

I agree that you were to speak with IESO this afternoon and we would hear from you afterwards. Anthony called me this afternoon and provided required changes to the existing credit facilities. We did not get into specific details. He did not mention if he spoke with Electricity Finance and I didn't ask him if he had contacted Electricity Finance either. I only stated that Ryan will be coordinating the update to the credit facilities and provide required changes in email. It was a very brief call. After you have discussed the proposed changes with IESO please schedule a convenient time for you to meet with Ryan, Jean-Francois and I.

Thanks,

Will

From: John Kim
Sent: Tuesday, November 07, 2017 4:15 PM
To: Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: IESO - OEFC Nov 7

Hi there,

I thought Sarah asked us to touch base with IESO on the policy side of things before you were going to talk to them on implementation?

John

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Tuesday, November 07, 2017 4:07 PM
To: Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Victor Buza <Victor.Buza@ieso.ca>
Subject: IESO - OEFC Nov 7

Ryan,

As discussed with Will today, I understand you will be co-ordinating the proposed 2 amendments to the existing IESO-OEFC credit facilities.

For starters, there are no expected changes being asked to the existing agreement's key business content (e.g. amounts, dates, interest, notices etc.), rather given that IESO-OFA have just finished two new agreements pertaining to the new fair hydro program, ….I suggest we just copy and paste the salient sections from these agreements that would now be relevant to the OEFC agreements for

fair hydro namely;

1.DRAFT
The definition of "Permitted Liens" is amended by deleting the word "and" at the end of subsection (xx); replacing the "." at the end of subsection (xx) and replacing it with "; and" ; and adding the following subsection (xx):
"(xx) any Lien arising from the IESO's role and obligations under the OFHP, including with respect to any amount received or receivable by the IESO (such as, without limitation, amounts received or receivable in respect of the Clean Energy Adjustment), or any other lien, whether arising from the action or inaction of IESO, that is created in connection with the OFHP."

2.DRAFT
The OFA agreements had required an intercept provision, …..not sure if the same applies to OEFC if yes:

"Section 5.7 Intercept
(a) The IESO hereby acknowledges that, in accordance with the terms of the letter agreement of November 6th , 2017 herewith entered between the Ministry of Energy, the IESO and the OFA made pursuant to Section 23 of the Capital Investment Plan Act, 1993 (the "Intercept Letter"), the Minister of Finance is entitled to deduct only from those monies appropriated by the Legislature for payment through the Ministry of Energy to the IESO ("Appropriated Funds"), amounts equal to any amounts that the IESO fails to pay to the OFA on account of indebtedness under this Agreement. On the occurrence of an Event of Default relating to a failure by IESO to pay when due any amounts owing hereunder, subject to the OFA's compliance with any relevant provisions hereof and as set out in the Intercept Letter, the Minister of Finance is irrevocably authorized to deduct from the Appropriated Funds amounts equal to any amounts that the IESO has failed to pay to the OFA in accordance with the provisions of this Agreement and to pay such amounts directly to the OFA ("Intercept").
(b) If, after following the process specified in the Intercept Letter (including, without limitation, allowing for a reasonable cure period on the terms specified therein), the OFA determines that it is necessary to request the Minister of Finance to exercise the Intercept, the OFA will give written notice to the Minister of Finance, with a copy to the Ministry of Energy, detailing the IESO's failure to pay when due any amounts owing hereunder and requesting the deduction from the Appropriated Funds of amounts equal to the amounts that the IESO has failed to pay to the OFA under this Agreement.
(c) The IESO agrees that any notice from the OFA to the Minister of Finance in relation to this section 5.7 (Intercept) may be relied upon by the Minister of Finance without further inquiry or verification by the Minister of Finance and, upon receipt of such notice, an amount equal to the amount that the IESO has failed to pay when due to the OFA on account of indebtedness under this Agreement shall be deducted from the Appropriated Funds and paid to the OFA.
(d) For further certainty, the OFA acknowledges and agrees that the Intercept as provided for herein and in the Intercept Letter shall not apply with respect to any funds appropriated by the Legislature for payment to the IESO through ministries other than the Ministry of Energy or through Ontario Climate Change Solutions Deployment Corporation.
The parties agree that, with respect to the exercise of the Intercept generally, the terms of this section 5.7 shall be applied consistently with the terms set out in the Intercept Letter which shall

apply in full. Notwithstanding the foregoing, in the event of a conflict or inconsistency between the terms and conditions of the Intercept Letter and the terms and conditions contained in this Agreement, the terms and conditions contained in this Agreement shall prevail."

3.
If any… other relevant updates that make sense to do now……I do not anticipate any material ones.

We need your support to expedite the above in order to avoid delays in the Fair Hydro implementation.
Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

From: Opal Kandelas
To: Jean-Francois Beaupre
Cc: Sarah Harris; Ryan Blackbyrne
Subject: RE: IESO - OEFC credit facilities : permitted liens
Date: Monday, November 20, 2017 2:54:23 PM

Thanks. Given the way security interest is defined broadly in the security agreement, it is more than possible that funds from the OEFC agreements could be caught up in liens. IESO should really just be a "flow-through" but the net seems much wider than funds collected from rate payers.

From: Jean-Francois Beaupre
Sent: Monday, November 20, 2017 2:39 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi Opal and Sarah,

Please find attached my comments for your review and consideration.

Basically, what I am hearing from CEFD so far is: "the OFA-IESO agreements were done this way, so we should do the same for OEFC to remain consistent" which is not a very convincing argument in my opinion – specially considering the $475M agreement may have been amended without much consideration.

Also, the comment to the effect that "IESO is asking for this to avoid being in default" requires further clarifications in my view – in default in relation to whom? If the OEFC-IESO agreements are not related to FHP, I don't think that IESO having 'permitted liens' for FHP purposes in other OFA credit facility agreements would create a default situation unless the funds from the OEFC agreements somehow end up in this liens?

Thanks,
J-F

From: Opal Kandelas
Sent: Monday, November 20, 2017 2:19 PM
To: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi, attached is the amended note. I made a few further comments/edits, that I thought were absolutely necessary. Please review and send back comments to me directly.

Thanks,
Opal

From: Jean-Francois Beaupre
Sent: Monday, November 20, 2017 2:07 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Thanks, Sarah and I were just discussing this now and I recalled that you are meeting Mike tomorrow.

From: Opal Kandelas
Sent: Monday, November 20, 2017 2:07 PM
To: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

About to send you a revised note…

From: Jean-Francois Beaupre
Sent: Monday, November 20, 2017 2:06 PM
To: Lisa Stein <Lisa.Stein@ofina.on.ca>
Cc: John Kim <John.Kim@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi Lisa,

The decision to amend the IESO-OEFC agreements for permitted liens is still being determined by Gadi/Ron/Mike. As such, we won't ask IESO for draft amendments until such time as that decision has been made.

Regards,
J-F

From: Lisa Stein
Sent: Monday, November 20, 2017 1:55 PM
To: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: John Kim <John.Kim@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Thank you for the update. Have we received proposed amendments from IESO?

From: Jean-Francois Beaupre
Sent: Monday, November 20, 2017 10:58 AM
To: Lisa Stein <Lisa.Stein@ofina.on.ca>
Cc: John Kim <John.Kim@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi Lisa,

John and Opal discussed this matter and I think John was working on a revised briefing note.

Kind regards,
J-F

From: Lisa Stein
Sent: Monday, November 20, 2017 10:51 AM
To: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: John Kim <John.Kim@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi J-F,

Can you please update me on the status of this file?

Thank you,

Lisa

From: Jean-Francois Beaupre
Sent: Thursday, November 16, 2017 1:52 PM
To: John Kim <John.Kim@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi John,

We have an internal discussion earlier this morning which Mike attended. The comments provided were approved by Sarah and Opal.

Regards,
J-F

From: John Kim
Sent: Thursday, November 16, 2017 1:49 PM
To: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi Jean-Francois,

You had comments in the draft with questions and concerns expressed. Are these approved by Sarah and Opal or comments at your level?

Given that we are under a tight timeline, it would be helpful if we can have a discussion today.

Mike is in the loop on the FHP discussion. Could your group check with him on his views beforehand too?

John

From: Jean-Francois Beaupre
Sent: Thursday, November 16, 2017 1:42 PM
To: Gavin He <Gavin.He@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi Gavin,

I discussed your request for me to come down to the 3rd floor for a quick chat with you and John with Opal.

At this time, our preference would be to obtain clarifications from CEFD and/or IESO in response to the comments we raised so that we may gain a better understanding of the potential implications for OEFC. Opal suggested that we could have a call or meeting tomorrow if you think that would be helpful?

Kind regards,
J-F

From: Jean-Francois Beaupre
Sent: Thursday, November 16, 2017 12:25 PM
To: Gavin He <Gavin.He@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>

Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Dear Gavin,

Please find attached our consolidated comments on the draft note.

We are happy to discuss further as always.

Thanks,
J-F

From: Gavin He
Sent: Thursday, November 16, 2017 8:21 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi all,

We have confirmed with the IESO that the reason for their requested change to the definition of the "permitted liens" in the OEFC credit facility agreements are the same for the request to OFA. The IESO wants to be able to grant security to the OPG Trust, and address the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

We have drafted the attached BN for internal approval (Ron and Gadi) process. Could you please review and let us know if you have any concerns? It would be much appreciated if you could provide us your feedback around noon today, given the limited timeframe on this request.

This has been reviewed by Legal last night and I have incorporated the feedback from Sarah N. (in Lisa's absence).

Please let me know if you have any questions.

Thanks,
Gavin He

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Wednesday, November 15, 2017 6:49 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>

Subject: IESO - OEFC credit facilities : permitted liens

John,

As discussed yesterday, it likely is best to add to the definition of "Permitted Liens" in the two OEFC facilities to address a) IESO granting security to the OPG Trust during the first 4 years of fair hydro program and b) the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

Happy to discuss further. I am out of the office most of this week on IESO business matters but available by cell 289-795-9426, or if necessary you may connect with Victor.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

From:	Lisa Stein
To:	Jean-Francois Beaupre
Cc:	John Kim; Sarah Harris; Opal Kandelas; Gavin He; Ryan Blackbyrne
Subject:	RE: IESO - OEFC credit facilities : permitted liens
Date:	Monday, November 20, 2017 1:54:31 PM

Thank you for the update. Have we received proposed amendments from IESO?

From: Jean-Francois Beaupre
Sent: Monday, November 20, 2017 10:58 AM
To: Lisa Stein <Lisa.Stein@ofina.on.ca>
Cc: John Kim <John.Kim@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi Lisa,

John and Opal discussed this matter and I think John was working on a revised briefing note.

Kind regards,
J-F

From: Lisa Stein
Sent: Monday, November 20, 2017 10:51 AM
To: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: John Kim <John.Kim@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi J-F,

Can you please update me on the status of this file?

Thank you,

Lisa

From: Jean-Francois Beaupre
Sent: Thursday, November 16, 2017 1:52 PM
To: John Kim <John.Kim@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi John,

We have an internal discussion earlier this morning which Mike attended. The comments provided were approved by Sarah and Opal.

Regards,
J-F

From: John Kim
Sent: Thursday, November 16, 2017 1:49 PM
To: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi Jean-Francois,

You had comments in the draft with questions and concerns expressed. Are these approved by Sarah and Opal or comments at your level?

Given that we are under a tight timeline, it would be helpful if we can have a discussion today.

Mike is in the loop on the FHP discussion. Could your group check with him on his views beforehand too?

John

From: Jean-Francois Beaupre
Sent: Thursday, November 16, 2017 1:42 PM
To: Gavin He <Gavin.He@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi Gavin,

I discussed your request for me to come down to the 3rd floor for a quick chat with you and John with Opal.

At this time, our preference would be to obtain clarifications from CEFD and/or IESO in response to the comments we raised so that we may gain a better understanding of the potential implications for OEFC. Opal suggested that we could have a call or meeting tomorrow if you think that would be helpful?

Kind regards,
J-F

From: Jean-Francois Beaupre
Sent: Thursday, November 16, 2017 12:25 PM
To: Gavin He <Gavin.He@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Dear Gavin,

Please find attached our consolidated comments on the draft note.

We are happy to discuss further as always.

Thanks,
J-F

From: Gavin He
Sent: Thursday, November 16, 2017 8:21 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi all,

We have confirmed with the IESO that the reason for their requested change to the definition of the "permitted liens" in the OEFC credit facility agreements are the same for the request to OFA. The IESO wants to be able to grant security to the OPG Trust, and address the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

We have drafted the attached BN for internal approval (Ron and Gadi) process. Could you please review and let us know if you have any concerns? It would be much appreciated if you could provide us your feedback around noon today, given the limited timeframe on this request.

This has been reviewed by Legal last night and I have incorporated the feedback from Sarah N. (in Lisa's absence).

Please let me know if you have any questions.

Thanks,
Gavin He

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Wednesday, November 15, 2017 6:49 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>
Subject: IESO - OEFC credit facilities : permitted liens

John,

As discussed yesterday, it likely is best to add to the definition of "Permitted Liens" in the two OEFC facilities to address a) IESO granting security to the OPG Trust during the first 4 years of fair hydro program and b) the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

Happy to discuss further. I am out of the office most of this week on IESO business matters but available by cell 289-795-9426, or if necessary you may connect with Victor.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

From:	Jean-Francois Beaupre
To:	Lisa Stein
Cc:	John Kim; Sarah Harris; Opal Kandelas; Gavin He; Ryan Blackbyrne
Subject:	RE: IESO - OEFC credit facilities : permitted liens
Date:	Monday, November 20, 2017 10:58:19 AM

Hi Lisa,

John and Opal discussed this matter and I think John was working on a revised briefing note.

Kind regards,
J-F

From: Lisa Stein
Sent: Monday, November 20, 2017 10:51 AM
To: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: John Kim <John.Kim@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi J-F,

Can you please update me on the status of this file?

Thank you,

Lisa

From: Jean-Francois Beaupre
Sent: Thursday, November 16, 2017 1:52 PM
To: John Kim <John.Kim@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi John,

We have an internal discussion earlier this morning which Mike attended. The comments provided were approved by Sarah and Opal.

Regards,
J-F

From: John Kim
Sent: Thursday, November 16, 2017 1:49 PM
To: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Gavin He

<Gavin.He@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi Jean-Francois,

You had comments in the draft with questions and concerns expressed. Are these approved by Sarah and Opal or comments at your level?

Given that we are under a tight timeline, it would be helpful if we can have a discussion today.

Mike is in the loop on the FHP discussion. Could your group check with him on his views beforehand too?

John

From: Jean-Francois Beaupre
Sent: Thursday, November 16, 2017 1:42 PM
To: Gavin He <Gavin.He@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi Gavin,

I discussed your request for me to come down to the 3rd floor for a quick chat with you and John with Opal.

At this time, our preference would be to obtain clarifications from CEFD and/or IESO in response to the comments we raised so that we may gain a better understanding of the potential implications for OEFC. Opal suggested that we could have a call or meeting tomorrow if you think that would be helpful?

Kind regards,
J-F

From: Jean-Francois Beaupre
Sent: Thursday, November 16, 2017 12:25 PM
To: Gavin He <Gavin.He@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Dear Gavin,

Please find attached our consolidated comments on the draft note.

We are happy to discuss further as always.

Thanks,
J-F

From: Gavin He
Sent: Thursday, November 16, 2017 8:21 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi all,

We have confirmed with the IESO that the reason for their requested change to the definition of the "permitted liens" in the OEFC credit facility agreements are the same for the request to OFA. The IESO wants to be able to grant security to the OPG Trust, and address the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

We have drafted the attached BN for internal approval (Ron and Gadi) process. Could you please review and let us know if you have any concerns? It would be much appreciated if you could provide us your feedback around noon today, given the limited timeframe on this request.

This has been reviewed by Legal last night and I have incorporated the feedback from Sarah N. (in Lisa's absence).

Please let me know if you have any questions.

Thanks,
Gavin He

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Wednesday, November 15, 2017 6:49 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>
Subject: IESO - OEFC credit facilities : permitted liens

John,

As discussed yesterday, it likely is best to add to the definition of "Permitted Liens" in the two OEFC facilities to address a) IESO granting security to the OPG Trust during the first 4 years of fair hydro program and b) the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

Happy to discuss further. I am out of the office most of this week on IESO business matters but available by cell 289-795-9426, or if necessary you may connect with Victor.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

From:	John Kim
To:	Opal Kandelas
Subject:	RE: IESO - OEFC credit facilities : permitted liens
Date:	Thursday, November 16, 2017 5:15:08 PM

Thanks, appreciated.

John

From: Opal Kandelas
Sent: Thursday, November 16, 2017 4:50 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: Re: IESO - OEFC credit facilities : permitted liens

I understand completely. Please do share the note once you've edited-as FYI.
Opal.

Sent from my iPhone

On Nov 16, 2017, at 4:46 PM, John Kim <John.Kim@ofina.on.ca> wrote:

> Hi Opal,
>
> We will take it from here….we are used to drafting these things and will respect J-F's input but need to restructure the note a bit.
>
> Thanks,
>
> John
>
> ---
>
> **From:** John Kim
> **Sent:** Thursday, November 16, 2017 4:16 PM
> **To:** Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
> **Cc:** Gavin He <Gavin.He@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
> **Subject:** RE: IESO - OEFC credit facilities : permitted liens
>
> H J-F,
>
> I will reverse some of these edits as this is going into the policy realm and there are sensitivities that we need to be mindful of.
>
> John

From: Jean-Francois Beaupre
Sent: Thursday, November 16, 2017 4:05 PM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: Re: IESO - OEFC credit facilities : permitted liens

Thanks Sarah, yes Opal will provide comments.

On Nov 16, 2017, at 4:02 PM, Sarah Harris <Sarah.Harris@ofina.on.ca> wrote:

> Hi JF,
>
> I only have one small edit on where FHP definition is introduced, otherwise looks good to me. Opal appears to be logged off for the day, but I expect she may take a look on the Go Train.
>
> Thanks,
> Sarah
>
> ---
>
> **From:** Jean-Francois Beaupre
> **Sent:** Thursday, November 16, 2017 3:48 PM
> **To:** Gavin He <Gavin.He@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
> **Cc:** John Kim <John.Kim@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
> **Subject:** RE: IESO - OEFC credit facilities : permitted liens
>
> Dear all,
>
> Please find attached for your review and consideration my suggested edits following our discussion. Happy to incorporate any additional comments you may have.
>
> I did not cc OFA Legal on this draft.
>
> Thanks,
> J-F
>
> ---
>
> **From:** Gavin He
> **Sent:** Thursday, November 16, 2017 8:21 AM
> **To:** Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne

<Ryan.Blackbyrne@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi all,

We have confirmed with the IESO that the reason for their requested change to the definition of the "permitted liens" in the OEFC credit facility agreements are the same for the request to OFA. The IESO wants to be able to grant security to the OPG Trust, and address the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

We have drafted the attached BN for internal approval (Ron and Gadi) process. Could you please review and let us know if you have any concerns? It would be much appreciated if you could provide us your feedback around noon today, given the limited timeframe on this request.

This has been reviewed by Legal last night and I have incorporated the feedback from Sarah N. (in Lisa's absence).

Please let me know if you have any questions.

Thanks,
Gavin He

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Wednesday, November 15, 2017 6:49 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>
Subject: IESO - OEFC credit facilities : permitted liens

John,

As discussed yesterday, it likely is best to add to the definition of "Permitted Liens" in the two OEFC facilities to address a) IESO granting security to the OPG Trust during the first 4 years of fair hydro program and b) the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

Happy to discuss further. I am out of the office most of this week on IESO

business matters but available by cell 289-795-9426, or if necessary you may connect with Victor.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

<IESO-OEFC Note (Mark-up).docx>

From: John Kim
To: Jean-Francois Beaupre; Sarah Harris
Cc: Gavin He; Ryan Blackbyrne; Opal Kandelas
Subject: RE: IESO - OEFC credit facilities : permitted liens
Date: Thursday, November 16, 2017 4:16:04 PM

H J-F,

I will reverse some of these edits as this is going into the policy realm and there are sensitivities that we need to be mindful of.

John

From: Jean-Francois Beaupre
Sent: Thursday, November 16, 2017 4:05 PM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: Re: IESO - OEFC credit facilities : permitted liens

Thanks Sarah, yes Opal will provide comments.

On Nov 16, 2017, at 4:02 PM, Sarah Harris <Sarah.Harris@ofina.on.ca> wrote:

> Hi JF,
>
> I only have one small edit on where FHP definition is introduced, otherwise looks good to me. Opal appears to be logged off for the day, but I expect she may take a look on the Go Train.
>
> Thanks,
> Sarah
>
> ---
>
> **From:** Jean-Francois Beaupre
> **Sent:** Thursday, November 16, 2017 3:48 PM
> **To:** Gavin He <Gavin.He@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
> **Cc:** John Kim <John.Kim@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
> **Subject:** RE: IESO - OEFC credit facilities : permitted liens
>
> Dear all,
>
> Please find attached for your review and consideration my suggested edits following our discussion. Happy to incorporate any additional comments you may have.

I did not cc OFA Legal on this draft.

Thanks,
J-F

From: Gavin He
Sent: Thursday, November 16, 2017 8:21 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi all,

We have confirmed with the IESO that the reason for their requested change to the definition of the "permitted liens" in the OEFC credit facility agreements are the same for the request to OFA. The IESO wants to be able to grant security to the OPG Trust, and address the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

We have drafted the attached BN for internal approval (Ron and Gadi) process. Could you please review and let us know if you have any concerns? It would be much appreciated if you could provide us your feedback around noon today, given the limited timeframe on this request.

This has been reviewed by Legal last night and I have incorporated the feedback from Sarah N. (in Lisa's absence).

Please let me know if you have any questions.

Thanks,
Gavin He

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Wednesday, November 15, 2017 6:49 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>
Subject: IESO - OEFC credit facilities : permitted liens

John,

As discussed yesterday, it likely is best to add to the definition of “Permitted Liens” in the two OEFC facilities to address a) IESO granting security to the OPG Trust during the first 4 years of fair hydro program and b) the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

Happy to discuss further. I am out of the office most of this week on IESO business matters but available by cell 289-795-9426, or if necessary you may connect with Victor.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

<IESO-OEFC Note (Mark-up).docx>

From: Sarah Harris
To: Jean-Francois Beaupre; Gavin He; Ryan Blackbyrne
Cc: John Kim; Opal Kandelas
Subject: RE: IESO - OEFC credit facilities : permitted liens
Date: Thursday, November 16, 2017 4:02:57 PM
Attachments: IESO-OEFC Note (Mark-up).docx

Hi JF,

I only have one small edit on where FHP definition is introduced, otherwise looks good to me. Opal appears to be logged off for the day, but I expect she may take a look on the Go Train.

Thanks,
Sarah

From: Jean-Francois Beaupre
Sent: Thursday, November 16, 2017 3:48 PM
To: Gavin He <Gavin.He@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: John Kim <John.Kim@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Dear all,

Please find attached for your review and consideration my suggested edits following our discussion. Happy to incorporate any additional comments you may have.

I did not cc OFA Legal on this draft.

Thanks,
J-F

From: Gavin He
Sent: Thursday, November 16, 2017 8:21 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi all,

We have confirmed with the IESO that the reason for their requested change to the definition of the "permitted liens" in the OEFC credit facility agreements are the same for the request to OFA. The IESO wants to be able to grant security to the OPG Trust, and address the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

We have drafted the attached BN for internal approval (Ron and Gadi) process. Could you please review and let us know if you have any concerns? It would be much appreciated if you could provide us your feedback around noon today, given the limited timeframe on this request.

This has been reviewed by Legal last night and I have incorporated the feedback from Sarah N. (in Lisa's absence).

Please let me know if you have any questions.

Thanks,
Gavin He

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Wednesday, November 15, 2017 6:49 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>
Subject: IESO - OEFC credit facilities : permitted liens

John,

As discussed yesterday, it likely is best to add to the definition of "Permitted Liens" in the two OEFC facilities to address a) IESO granting security to the OPG Trust during the first 4 years of fair hydro program and b) the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

Happy to discuss further. I am out of the office most of this week on IESO business matters but available by cell 289-795-9426, or if necessary you may connect with Victor.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

OEFC -- IESO CREDIT FACILITY AGREEMENT & THE PERMITTED LIENS

ISSUE

The Independent Electricity System Operator ("IESO") has requested that OEFC ~~to~~ amend the existing credit facility agreements between OEFC and IESO (for $160M and $120M) to address the additional obligations ~~the~~ IESO is taking on under Ontario's Fair Hydro Plan. IESO has indicated that OEFC credit facilities will not be used for Ontario Fair Hydro Plan (FHP) purposes.

CONTEXT

The ~~Fair Hydro Plan (~~FHP~~)~~ will require ~~the~~ IESO and Ontario Power Generation (OPG) to work together to spread out the costs of Ontario's clean energy investments over a longer period of time, which ensures that the costs of these investments are allocated fairly among current and future ratepayers. This is being accomplished through refinancing a portion of the Global Adjustment (GA).~~ The~~ IESO and OPG are in a discussion to ~~potentially~~ grant ~~the~~a security/priority interest on IESO's assets to ~~the~~ OPG Trust for the period of the first ~~four~~ 4 years of the GA deferral.

As the purchaser of IESO assets, OPG Trust wants to secure a priority interest against these assets in light of on-going uncertainties surrounding funding requirements of the FHP. IESO has existing credit facility agreements with the OFA, OEFC and TD Bank and wants to ensure consistency across all of its existing agreements in order to provide a level of comfort to the broader investment community . ~~The~~ IESO will seek its Board's approval on Nov 22, 2017 for the security agreement. Amending ~~and this would be in conflict with~~ the existing OEFC~~'s~~ $160M and $120M credit facility agreements (the "OEFC Agreements") ~~with the IESO without the requested amendments~~would prevent IESO from having to undertake further negotiations or make last-minute changes to the security agreement it intends to present to its Board in the very near future~~. Paragraph 4.7 – Negative Pledges – in both OEFC credit facility agreements does not allow IESO to grant such security/priority to the OPG Trust~~.

In order to address this issue, ~~the~~ IESO has requested ~~OEFC~~ to amend the definition of the "permitted liens" in both existing OEFC Agreements to include any liens related to the ~~Fair Hydro Plan (~~FHP~~)~~. Specifically, adding a clause in the existing OEFC Agreements that any lien related to OFHP will not be viewed as negative pledge by OEFC, so those liens can be used to secure the performance of IESO's obligations ~~towards OPG~~under the FHP. This would allow IESO to grant security to the OPG Trust during the first 4 years of implementing the GA deferral and also avoid of breaching the terms of existing agreements. ~~the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want inadvertently to be in default.~~

~~To support IESO's role in the implementation and participation under the *Ontario Fair Hydro Plan Act, 2017* ("OFHP Act") in July 2017, the IESO had reached out to the Capital Market Division – Operations of the OFA to make the same request to the credit facility agreements with OFA in October. The OFA staff have recommended providing the requested amendments and amended the $475M and $2B credit facility agreements between OFA and the IESO on November 6th, 2017 (the "OFA Agreements"), as suggested by the IESO. One of the amendments to the agreement is to amend the definition of the permitted liens to include any lien arising from the IESO's role and obligations under the OFHP.~~

It should be noted that the legislation governing OEFC differs significantly from the OFA's objects and mandate under the *Capital Investment Plan Act, 1993.* In the event IESO were to default on any of its obligations to OEFC in connection with FHP-related liens resulting from OPG Trust having a priority claim against funds collected by IESO, the OEFC may need to undertake negotations with IESO or find itself unable to collect payments due from IESO.

RECOMMENDATIONS

- In order ~~To support IESO's role in the implementation and participation under the OFHP Act and also to be~~ to remain consistent with the language recently incorporated in existing IESO-OFA agreements~~approach OFA implemented~~, OFA staff are of the view that the exisiting OEFC Agreements ~~require amendments~~can be amended provided OEFC management is comfortable with the level of risk assumed by OEFC; and
  - ~~to the permitted liens and negative covenant language to make it the same as, or very similar to, the language in the OFA Agreements that were signed recently.~~
- It is recommended that the OFA staff support~~Although the OEFC credit facility is not used for OFHP's purpose , it is~~ IESO's ~~position~~request ~~that it wants to~~ to ~~make such change to the~~amend exsiting ~~definition of the permitted liens to make sure that the IESO is not inadvertently in default of its security obligations to OPG Trust is still required in order for IESO to~~and ~~meet~~s ~~its~~ OEFC Agreements so that it may fulfill its ~~role and~~ obligations under the OFHP Act without limitations.~~.~~

BACKGROUND

- In order to support IESO's role with the implementation of the *Ontario Fair Hydro Plan Act, 2017* ("OFHP Act") OFA staff made similar changes to the definition of 'permitted liens" in existing OFA-IESO credit facility agreements on November 6, 2017.

- Currently, under the existing credit facility agreements between OEFC and the IESO, the definition of ~~the~~ "permitted liens" does not include any lien arising from the IESO's role and obligations under the OFHP, including with respect to any amount received or receivable by the IESO (such as, without limitation, amounts received or receivable in respect of the Clean Energy Adjustment), or any other lien, whether arising from the action or inaction of IESO, that is created in connection with the OFHP.

- ~~On November 6, 2017, OFA and IESO signed an updated OFA-IESO credit facility agreement with respect to changes related to OFHP.~~

Electricity Finance Branch / Corporate and Electricity Finance Division ~~&/~~
Capital Markets Operations, Capital Markets Division
Ontario Financing Authority
November 15, 2017

Formatted: Indent: Left: 0.5", No bullets or numbering

Formatted: Font: +Body (Calibri), 11 pt

Formatted: Indent: Left: 0", Bulleted + Level: 1 + Aligned at: 0.25" + Indent at: 0.5"

Formatted: Font: +Body (Calibri), 11 pt

Formatted: Font: +Body (Calibri), 11 pt

Formatted: Font: +Body (Calibri), 11 pt

Formatted: Indent: Left: 0.25", No bullets or numbering

From:	Jean-Francois Beaupre
To:	Gavin He; Sarah Harris; Ryan Blackbyrne
Cc:	John Kim; Opal Kandelas
Subject:	RE: IESO - OEFC credit facilities : permitted liens
Date:	Thursday, November 16, 2017 3:47:51 PM
Attachments:	IESO-OEFC Note (Mark-up).docx IESO-OEFC Note (Clean).docx

Dear all,

Please find attached for your review and consideration my suggested edits following our discussion. Happy to incorporate any additional comments you may have.

I did not cc OFA Legal on this draft.

Thanks,
J-F

From: Gavin He
Sent: Thursday, November 16, 2017 8:21 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi all,

We have confirmed with the IESO that the reason for their requested change to the definition of the "permitted liens" in the OEFC credit facility agreements are the same for the request to OFA. The IESO wants to be able to grant security to the OPG Trust, and address the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

We have drafted the attached BN for internal approval (Ron and Gadi) process. Could you please review and let us know if you have any concerns? It would be much appreciated if you could provide us your feedback around noon today, given the limited timeframe on this request.

This has been reviewed by Legal last night and I have incorporated the feedback from Sarah N. (in Lisa's absence).

Please let me know if you have any questions.

Thanks,
Gavin He

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Wednesday, November 15, 2017 6:49 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>
Subject: IESO - OEFC credit facilities : permitted liens

John,

As discussed yesterday, it likely is best to add to the definition of "Permitted Liens" in the two OEFC facilities to address a) IESO granting security to the OPG Trust during the first 4 years of fair hydro program and b) the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

Happy to discuss further. I am out of the office most of this week on IESO business matters but available by cell 289-795-9426, or if necessary you may connect with Victor.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

OEFC -- IESO CREDIT FACILITY AGREEMENT & THE PERMITTED LIENS

ISSUE

The Independent Electricity System Operator ("IESO") has requested that OEFC ~~to~~ amend the existing credit facility agreements between OEFC and IESO (for $160M and $120M) to address the additional obligations ~~the~~ IESO is taking on under Ontario's Fair Hydro Plan. IESO has indicated that OEFC credit facilities will not be used for OFHP purposes.

CONTEXT

The Fair Hydro Plan (FHP) will require ~~the~~ IESO and Ontario Power Generation (OPG) to work together to spread out the costs of Ontario's clean energy investments over a longer period of time, which ensures that the costs of these investments are allocated fairly among current and future ratepayers. This is being accomplished through refinancing a portion of the Global Adjustment (GA). ~~The~~ IESO and OPG are in a discussion to ~~potentially~~ grant ~~the~~a security/priority interest on IESO's assets to ~~the~~ OPG Trust for the period of the first ~~four~~ 4 years of the GA deferral.

As the purchaser of IESO assets, OPG Trust wants to secure a priority interest against these assets in light of on-going uncertainties surrounding funding requirements of the FHP. IESO has existing credit facility agreements with the OFA, OEFC and TD Bank and wants to ensure consistency across all of its existing agreements in order to provide a level of comfort to the broader investment community . ~~The~~ IESO will seek its Board's approval on Nov 22, 2017 for the security agreement. Amending ~~and this would be in conflict with~~ the existing OEFC~~'s~~ $160M and $120M credit facility agreements (the "OEFC Agreements") ~~with the IESO without the requested amendments~~would prevent IESO from having to undertake further negotiations or make last-minute changes to the security agreement it intends to present to its Board in the very near future~~. Paragraph 4.7 – Negative Pledges – in both OEFC credit facility agreements does not allow IESO to grant such security/priority to the OPG Trust~~.

In order to address this issue, ~~the~~ IESO has requested ~~OEFC~~ to amend the definition of the "permitted liens" in both existing OEFC Agreements to include any liens related to the ~~Fair Hydro Plan (~~FHP~~)~~. Specifically, adding a clause in the existing OEFC Agreements that any lien related to OFHP will not be viewed as negative pledge by OEFC, so those liens can be used to secure the performance of IESO's obligations ~~towards OPG~~under the FHP. This would allow IESO to grant security to the OPG Trust during the first 4 years of implementing the GA deferral and also avoid of breaching the terms of existing agreements. ~~the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want inadvertently to be in default.~~

~~To support IESO's role in the implementation and participation under the *Ontario Fair Hydro Plan Act, 2017* ("OFHP Act") in July 2017, the IESO had reached out to the Capital Market Division – Operations of the OFA to make the same request to the credit facility agreements with OFA in October. The OFA staff have recommended providing the requested amendments and amended the $475M and $2B credit facility agreements between OFA and the IESO on November 6th, 2017 (the "OFA Agreements"), as suggested by the IESO. One of the amendments to the agreement is to amend the definition of the permitted liens to include any lien arising from the IESO's role and obligations under the OFHP.~~
It should be noted that the legislation governing OEFC differs significantly from the OFA's objects and mandate under the *Capital Investment Plan Act, 1993.* In the event IESO were to default on any of its obligations to OEFC in connection with FHP-related liens resulting from OPG Trust having a priority claim against funds collected by IESO, the OEFC may need to undertake negotations with IESO or find itself unable to collect payments due from IESO.

RECOMMENDATIONS

- In order ~~To support IESO's role in the implementation and participation under the OFHP Act and also to be~~ to remain consistent with the language recently incorporated in existing IESO-OFA agreements~~approach OFA implemented~~, OFA staff are of the view that the exisiting OEFC Agreements ~~require amendments~~can be amended provided OEFC management is comfortable with the level of risk assumed by OEFC; and
  - ~~to the permitted liens and negative covenant language to make it the same as, or very similar to, the language in the OFA Agreements that were signed recently.~~
- It is recommended that the OFA staff support~~Although the OEFC credit facility is not used for OFHP's purpose , it is~~ IESO's ~~position~~request ~~that it wants to~~ to ~~make such change to the~~amend exsiting ~~definition of the permitted liens to make sure that the IESO is not inadvertently in default of its security obligations to OPG Trust is still required in order for IESO to~~and ~~meet~~s ~~its~~ OEFC Agreements so that it may fulfill its ~~role and~~ obligations under the OFHP Act without limitations.~~.~~

BACKGROUND

- In order to support IESO's role with the implementation of the *Ontario Fair Hydro Plan Act, 2017* ("OFHP Act") OFA staff made similar changes to the definition of 'permitted liens" in existing OFA-IESO credit facility agreements on November 6, 2017.

- Currently, under the existing credit facility agreements between OEFC and the IESO, the definition of ~~the~~ "permitted liens" does not include any lien arising from the IESO's role and obligations under the OFHP, including with respect to any amount received or receivable by the IESO (such as, without limitation, amounts received or receivable in respect of the Clean Energy Adjustment), or any other lien, whether arising from the action or inaction of IESO, that is created in connection with the OFHP.

- ~~On November 6, 2017, OFA and IESO signed an updated OFA-IESO credit facility agreement with respect to changes related to OFHP.~~

Electricity Finance Branch / Corporate and Electricity Finance Division ~~&/~~
Capital Markets Operations, Capital Markets Division
Ontario Financing Authority
November 15, 2017

Formatted: Indent: Left: 0.5", No bullets or numbering

Formatted: Font: +Body (Calibri), 11 pt

Formatted: Indent: Left: 0", Bulleted + Level: 1 + Aligned at: 0.25" + Indent at: 0.5"

Formatted: Font: +Body (Calibri), 11 pt

Formatted: Font: +Body (Calibri), 11 pt

Formatted: Font: +Body (Calibri), 11 pt

Formatted: Indent: Left: 0.25", No bullets or numbering

OEFC -- IESO CREDIT FACILITY AGREEMENT & THE PERMITTED LIENS

ISSUE

The Independent Electricity System Operator ("IESO") has requested that OEFC amend the existing credit facility agreements between OEFC and IESO (for $160M and $120M) to address the additional obligations IESO is taking on under Ontario's Fair Hydro Plan. IESO has indicated that OEFC credit facilities will not be used for OFHP purposes.

CONTEXT

The Fair Hydro Plan (FHP) will require IESO and Ontario Power Generation (OPG) to work together to spread out the costs of Ontario's clean energy investments over a longer period of time, which ensures that the costs of these investments are allocated fairly among current and future ratepayers. This is being accomplished through refinancing a portion of the Global Adjustment (GA). IESO and OPG are in a discussion to grant a security/priority interest on IESO's assets to OPG Trust for the period of the first 4 years of the GA deferral.

As the purchaser of IESO assets, OPG Trust wants to secure a priority interest against these assets in light of on-going uncertainties surrounding funding requirements of the FHP. IESO has existing credit facility agreements with the OFA, OEFC and TD Bank and wants to ensure consistency across all of its existing agreements in order to provide a level of comfort to the broader investment community . IESO will seek its Board's approval on Nov 22, 2017 for the security agreement. Amending the existing OEFC $160M and $120M credit facility agreements (the "OEFC Agreements") would prevent IESO from having to undertake further negotiations or make last-minute changes to the security agreement it intends to present to its Board in the very near future.

In order to address this issue, IESO has requested to amend the definition of the "permitted liens" in both existing OEFC Agreements to include any liens related to the FHP. Specifically, adding a clause in the existing OEFC Agreements that any lien related to OFHP will not be viewed as negative pledge by OEFC, so those liens can be used to secure the performance of IESO's obligations under the FHP. This would allow IESO to grant security to the OPG Trust during the first 4 years of implementing the GA deferral and also avoid of breaching the terms of existing agreements.

It should be noted that the legislation governing OEFC differs significantly from the OFA's objects and mandate under the *Capital Investment Plan Act, 1993.* In the event IESO were to default on any of its obligations to OEFC in connection with FHP-related liens resulting from OPG Trust having a priority claim against funds collected by IESO, the OEFC may need to undertake negotations with IESO or find itself unable to collect payments due from IESO.

RECOMMENDATIONS

- In order to remain consistent with the language recently incorporated in existing IESO-OFA agreements, OFA staff are of the view that the exisiting OEFC Agreements can be amended provided OEFC management is comfortable with the level of risk assumed by OEFC; and

- It is recommended that the OFA staff support IESO's request to amend exsiting OEFC Agreements so that it may fulfill its obligations under the OFHP Act without limitations.

BACKGROUND

- In order to support IESO's role with the implementation of the *Ontario Fair Hydro Plan Act, 2017* ("OFHP Act") OFA staff made similar changes to the definition of 'permitted liens" in existing OFA-IESO credit facility agreements on November 6, 2017.

- Currently, under the existing credit facility agreements between OEFC and the IESO, the definition of "permitted liens" does not include any lien arising from the IESO's role and obligations under the OFHP, including with respect to any amount received or receivable by the IESO (such as, without limitation, amounts received or receivable in respect of the Clean Energy Adjustment), or any other lien, whether arising from the action or inaction of IESO, that is created in connection with the OFHP.

Electricity Finance Branch / Corporate and Electricity Finance Division &
Capital Markets Operations, Capital Markets Division
Ontario Financing Authority
November 15, 2017

From:	Jean-Francois Beaupre
To:	John Kim; Gavin He; Sarah Harris; Ryan Blackbyrne
Cc:	Lisa Stein; Opal Kandelas
Subject:	RE: IESO - OEFC credit facilities : permitted liens
Date:	Thursday, November 16, 2017 1:52:13 PM

Hi John,

We have an internal discussion earlier this morning which Mike attended. The comments provided were approved by Sarah and Opal.

Regards,
J-F

From: John Kim
Sent: Thursday, November 16, 2017 1:49 PM
To: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi Jean-Francois,

You had comments in the draft with questions and concerns expressed. Are these approved by Sarah and Opal or comments at your level?

Given that we are under a tight timeline, it would be helpful if we can have a discussion today.

Mike is in the loop on the FHP discussion. Could your group check with him on his views beforehand too?

John

From: Jean-Francois Beaupre
Sent: Thursday, November 16, 2017 1:42 PM
To: Gavin He <Gavin.He@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi Gavin,

I discussed your request for me to come down to the 3rd floor for a quick chat with you and John with Opal.

At this time, our preference would be to obtain clarifications from CEFD and/or IESO in response to the comments we raised so that we may gain a better understanding of the potential implications for OEFC. Opal suggested that we could have a call or meeting tomorrow if you think that would be helpful?

Kind regards,
J-F

From: Jean-Francois Beaupre
Sent: Thursday, November 16, 2017 12:25 PM
To: Gavin He <Gavin.He@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Dear Gavin,

Please find attached our consolidated comments on the draft note.

We are happy to discuss further as always.

Thanks,
J-F

From: Gavin He
Sent: Thursday, November 16, 2017 8:21 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi all,

We have confirmed with the IESO that the reason for their requested change to the definition of the "permitted liens" in the OEFC credit facility agreements are the same for the request to OFA. The IESO wants to be able to grant security to the OPG Trust, and address the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

We have drafted the attached BN for internal approval (Ron and Gadi) process. Could you please review and let us know if you have any concerns? It would be much appreciated if you could provide us your feedback around noon today, given the limited timeframe on this request.

This has been reviewed by Legal last night and I have incorporated the feedback from Sarah N. (in Lisa's absence).

Please let me know if you have any questions.

Thanks,
Gavin He

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Wednesday, November 15, 2017 6:49 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>
Subject: IESO - OEFC credit facilities : permitted liens

John,

As discussed yesterday, it likely is best to add to the definition of "Permitted Liens" in the two OEFC facilities to address a) IESO granting security to the OPG Trust during the first 4 years of fair hydro program and b) the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

Happy to discuss further. I am out of the office most of this week on IESO business matters but available by cell 289-795-9426, or if necessary you may connect with Victor.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

From:	John Kim
To:	Jean-Francois Beaupre; Gavin He; Sarah Harris; Ryan Blackbyrne
Cc:	Lisa Stein; Opal Kandelas
Subject:	RE: IESO - OEFC credit facilities : permitted liens
Date:	Thursday, November 16, 2017 1:49:27 PM

Hi Jean-Francois,

You had comments in the draft with questions and concerns expressed. Are these approved by Sarah and Opal or comments at your level?

Given that we are under a tight timeline, it would be helpful if we can have a discussion today.

Mike is in the loop on the FHP discussion. Could your group check with him on his views beforehand too?

John

From: Jean-Francois Beaupre
Sent: Thursday, November 16, 2017 1:42 PM
To: Gavin He <Gavin.He@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi Gavin,

I discussed your request for me to come down to the 3rd floor for a quick chat with you and John with Opal.

At this time, our preference would be to obtain clarifications from CEFD and/or IESO in response to the comments we raised so that we may gain a better understanding of the potential implications for OEFC. Opal suggested that we could have a call or meeting tomorrow if you think that would be helpful?

Kind regards,
J-F

From: Jean-Francois Beaupre
Sent: Thursday, November 16, 2017 12:25 PM
To: Gavin He <Gavin.He@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Dear Gavin,

Please find attached our consolidated comments on the draft note.

We are happy to discuss further as always.

Thanks,
J-F

From: Gavin He
Sent: Thursday, November 16, 2017 8:21 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi all,

We have confirmed with the IESO that the reason for their requested change to the definition of the "permitted liens" in the OEFC credit facility agreements are the same for the request to OFA. The IESO wants to be able to grant security to the OPG Trust, and address the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

We have drafted the attached BN for internal approval (Ron and Gadi) process. Could you please review and let us know if you have any concerns? It would be much appreciated if you could provide us your feedback around noon today, given the limited timeframe on this request.

This has been reviewed by Legal last night and I have incorporated the feedback from Sarah N. (in Lisa's absence).

Please let me know if you have any questions.

Thanks,
Gavin He

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Wednesday, November 15, 2017 6:49 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>
Subject: IESO - OEFC credit facilities : permitted liens

John,

As discussed yesterday, it likely is best to add to the definition of "Permitted Liens" in the two OEFC facilities to address a) IESO granting security to the OPG Trust during the first 4 years of fair hydro program and b) the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

Happy to discuss further. I am out of the office most of this week on IESO business matters but available by cell 289-795-9426, or if necessary you may connect with Victor.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

From:	Jean-Francois Beaupre
To:	Gavin He; Sarah Harris; Ryan Blackbyrne
Cc:	Lisa Stein; Opal Kandelas; John Kim
Subject:	RE: IESO - OEFC credit facilities : permitted liens
Date:	Thursday, November 16, 2017 1:42:08 PM

Hi Gavin,

I discussed your request for me to come down to the 3rd floor for a quick chat with you and John with Opal.

At this time, our preference would be to obtain clarifications from CEFD and/or IESO in response to the comments we raised so that we may gain a better understanding of the potential implications for OEFC. Opal suggested that we could have a call or meeting tomorrow if you think that would be helpful?

Kind regards,
J-F

From: Jean-Francois Beaupre
Sent: Thursday, November 16, 2017 12:25 PM
To: Gavin He <Gavin.He@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Dear Gavin,

Please find attached our consolidated comments on the draft note.

We are happy to discuss further as always.

Thanks,
J-F

From: Gavin He
Sent: Thursday, November 16, 2017 8:21 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi all,

We have confirmed with the IESO that the reason for their requested change to the definition of the

"permitted liens" in the OEFC credit facility agreements are the same for the request to OFA. The IESO wants to be able to grant security to the OPG Trust, and address the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

We have drafted the attached BN for internal approval (Ron and Gadi) process. Could you please review and let us know if you have any concerns? It would be much appreciated if you could provide us your feedback around noon today, given the limited timeframe on this request.

This has been reviewed by Legal last night and I have incorporated the feedback from Sarah N. (in Lisa's absence).

Please let me know if you have any questions.

Thanks,
Gavin He

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Wednesday, November 15, 2017 6:49 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>
Subject: IESO - OEFC credit facilities : permitted liens

John,

As discussed yesterday, it likely is best to add to the definition of "Permitted Liens" in the two OEFC facilities to address a) IESO granting security to the OPG Trust during the first 4 years of fair hydro program and b) the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

Happy to discuss further. I am out of the office most of this week on IESO business matters but available by cell 289-795-9426, or if necessary you may connect with Victor.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

From:	Jean-Francois Beaupre
To:	Gavin He; Sarah Harris; Ryan Blackbyrne
Cc:	Lisa Stein; Opal Kandelas
Subject:	RE: IESO - OEFC credit facilities : permitted liens
Date:	Thursday, November 16, 2017 12:25:17 PM
Attachments:	IESO-OEFC - FHP LoC_Nov 2017_v7 (007).docx

Dear Gavin,

Please find attached our consolidated comments on the draft note.

We are happy to discuss further as always.

Thanks,
J-F

From: Gavin He
Sent: Thursday, November 16, 2017 8:21 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi all,

We have confirmed with the IESO that the reason for their requested change to the definition of the "permitted liens" in the OEFC credit facility agreements are the same for the request to OFA. The IESO wants to be able to grant security to the OPG Trust, and address the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

We have drafted the attached BN for internal approval (Ron and Gadi) process. Could you please review and let us know if you have any concerns? It would be much appreciated if you could provide us your feedback around noon today, given the limited timeframe on this request.

This has been reviewed by Legal last night and I have incorporated the feedback from Sarah N. (in Lisa's absence).

Please let me know if you have any questions.

Thanks,
Gavin He

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]

Sent: Wednesday, November 15, 2017 6:49 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>
Subject: IESO - OEFC credit facilities : permitted liens

John,

As discussed yesterday, it likely is best to add to the definition of "Permitted Liens" in the two OEFC facilities to address a) IESO granting security to the OPG Trust during the first 4 years of fair hydro program and b) the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

Happy to discuss further. I am out of the office most of this week on IESO business matters but available by cell 289-795-9426, or if necessary you may connect with Victor.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

OEFC -- IESO CREDIT FACILITY AGREEMENT & THE PERMITTED LIENS

ISSUE

The Independent Electricity System Operator ("IESO") has requested OEFC to amend the existing credit facility agreements between OEFC and IESO (for $160M and $120M) to address the additional obligations the IESO is taking on under Ontario's Fair Hydro Plan.

CONTEXT

The Fair Hydro Plan will require the IESO and Ontario Power Generation (OPG) to work together to spread out the costs of Ontario's clean energy investments over a longer period of time, which ensures that the costs of these investments are allocated fairly among current and future ratepayers. This is being accomplished through refinancing a portion of the Global Adjustment (GA). The IESO and OPG are in a discussion to potentially grant the security/priority on IESO's assets to the OPG Trust for the period of the first four years of the GA deferral. The IESO will seek its Board approval on Nov 22, 2017 for the security agreement and this would be in conflict with OEFC's $160M and $120M credit facility agreements (the "OEFC Agreements") with the IESO without the requested amendments. Paragraph 4.7 – Negative Pledges – in both OEFC credit facility agreements does not allow IESO to grant such security/priority to the OPG Trust.

In order to address this issue, the IESO has requested OEFC to amend the definition of the "permitted liens" in both existing OEFC Agreements to include any liens related to the Fair Hydro Plan (FHP). Specifically, adding a clause in the existing OEFC Agreements that any lien related to OFHP will not be viewed as negative pledge by OEFC, so those liens can be used to secure the performance of IESO's obligations towards OPG. This would allow IESO to grant security to the OPG Trust during the first 4 years of implementing the GA deferral and also avoid the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want inadvertently to be in default.

To support IESO's role in the implementation and participation under the *Ontario Fair Hydro Plan Act, 2017* ("OFHP Act") in July 2017, the IESO had reached out to the Capital Market Division – Operations of the OFA to make the same request to the credit facility agreements with OFA in October. The OFA staff have recommended providing the requested amendments and amended the $475M and $2B credit facility agreements between OFA and the IESO on November 6th, 2017 (the "OFA Agreements"), as suggested by the IESO. One of the amendments to the agreement is to amend the definition of the permitted liens to include any lien arising from the IESO's role and obligations under the OFHP.

RECOMMENDATION

- To support IESO's role in the implementation and participation under the OFHP Act and also to be consistent with the approach OFA implemented , OFA staff are of the view that the exisiting OEFC Agreements require amendments to the permitted liens and negative covenant language to make it the same as, or very similar to, the language in the OFA Agreements that were signed recently.
- Although the OEFC credit facility is not used for OFHP's purpose, it is IESO's position that it wants to make such change to the definition of the permitted liens to make sure that the IESO is not inadvertently in default of its security obligations to OPG Trust ~~is still required in order for IESO to~~and meets its role and obligation under the OFHP Act.

BACKGROUND

- Currently, under the existing credit facility agreement between OEFC and the IESO, the definition of the "permitted liens" does not include any lien arising from the IESO's role and obligations under the OFHP, including with respect to any amount received or receivable by the IESO (such as, without limitation,

Commented [JB1]:
If the existing agreements between OEFC and IESO will not be used for OFHP purposes (see 2nd bullet in "Recommendations") and since draws for FHP purposes will only made from the OFA-IESO $2B credit facility agreement, there does not appear to be a clear rationale why the definition of 'permitted liens" needs to be amended in the OEFC agreement at this time. Please advise.

Commented [JB2]:
We are not privy to the 'security agreement' and need to understand why this would be in conflict with existing agreements. Please explain what are the risks, if any, of OEFC permitting IESO to grant priority to OPG Trust?

(e.g. If changes were made to the Clean Energy Adjustment fund collected by IESO in the future and OPG Trust had liens in place against these assets, is there a possibility that IESO would default on its 'non-OFHP' related obligations to OEFC? How would this work?

Commented [JB3]:
We require a better understanding of how the GA, Clean Energy Adjustment Funds and OPG Trust fit together in the context of OEFC. Please advise.

May you please explain if the GA is related to OEFC and how this may impact the existing $120M and $160M agreements precisely?

It would be helpful if you could please provide an example of a situation where non-OFHP related business conducted between IESO-OEFC would end up as part of a lien related to FHP obligations?

Commented [JB4]:
Should these agreements be examined on a case-by-case basis to determine what they are being used for and only those agreements which pertain to OFHP obligations should be amended?

Commented [JB5]:
How would funds collected from the Clean Energy Adjustment affect OEFC and IESO's obligations to repay OEFC?

amounts received or receivable in respect of the Clean Energy Adjustment), or any other lien, whether arising from the action or inaction of IESO, that is created in connection with the OFHP.

- On November 6, 2017, OFA and IESO signed an updated OFA IESO credit facility agreement with respect to changes related to OFHP.

Electricity Finance Branch / Corporate and Electricity Finance Division / Ontario Financing Authority
November 15, 2017

From:	Sarah Harris
To:	Jean-Francois Beaupre; Opal Kandelas
Cc:	Ryan Blackbyrne
Subject:	RE: IESO - OEFC credit facilities : permitted liens
Date:	Monday, November 20, 2017 2:53:55 PM
Attachments:	IESO-OEFC Note_v3Clean_Markup (002).docx

Hi JF,

I just tweaked your first comment.

Thanks,
Sarah

From: Jean-Francois Beaupre
Sent: Monday, November 20, 2017 2:39 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi Opal and Sarah,

Please find attached my comments for your review and consideration.

Basically, what I am hearing from CEFD so far is: "the OFA-IESO agreements were done this way, so we should do the same for OEFC to remain consistent" which is not a very convincing argument in my opinion – specially considering the $475M agreement may have been amended without much consideration.

Also, the comment to the effect that "IESO is asking for this to avoid being in default" requires further clarifications in my view – in default in relation to whom? If the OEFC-IESO agreements are not related to FHP, I don't think that IESO having 'permitted liens' for FHP purposes in other OFA credit facility agreements would create a default situation unless the funds from the OEFC agreements somehow end up in this liens?

Thanks,
J-F

From: Opal Kandelas
Sent: Monday, November 20, 2017 2:19 PM
To: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi, attached is the amended note. I made a few further comments/edits, that I thought were

absolutely necessary. Please review and send back comments to me directly.

Thanks,
Opal

From: Jean-Francois Beaupre
Sent: Monday, November 20, 2017 2:07 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Thanks, Sarah and I were just discussing this now and I recalled that you are meeting Mike tomorrow.

From: Opal Kandelas
Sent: Monday, November 20, 2017 2:07 PM
To: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

About to send you a revised note…

From: Jean-Francois Beaupre
Sent: Monday, November 20, 2017 2:06 PM
To: Lisa Stein <Lisa.Stein@ofina.on.ca>
Cc: John Kim <John.Kim@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi Lisa,

The decision to amend the IESO-OEFC agreements for permitted liens is still being determined by Gadi/Ron/Mike. As such, we won't ask IESO for draft amendments until such time as that decision has been made.

Regards,
J-F

From: Lisa Stein
Sent: Monday, November 20, 2017 1:55 PM
To: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: John Kim <John.Kim@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>

Subject: RE: IESO - OEFC credit facilities : permitted liens

Thank you for the update. Have we received proposed amendments from IESO?

From: Jean-Francois Beaupre
Sent: Monday, November 20, 2017 10:58 AM
To: Lisa Stein <Lisa.Stein@ofina.on.ca>
Cc: John Kim <John.Kim@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi Lisa,

John and Opal discussed this matter and I think John was working on a revised briefing note.

Kind regards,
J-F

From: Lisa Stein
Sent: Monday, November 20, 2017 10:51 AM
To: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: John Kim <John.Kim@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi J-F,

Can you please update me on the status of this file?

Thank you,

Lisa

From: Jean-Francois Beaupre
Sent: Thursday, November 16, 2017 1:52 PM
To: John Kim <John.Kim@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi John,

We have an internal discussion earlier this morning which Mike attended. The comments provided were approved by Sarah and Opal.

Regards,
J-F

From: John Kim
Sent: Thursday, November 16, 2017 1:49 PM
To: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi Jean-Francois,

You had comments in the draft with questions and concerns expressed. Are these approved by Sarah and Opal or comments at your level?

Given that we are under a tight timeline, it would be helpful if we can have a discussion today.

Mike is in the loop on the FHP discussion. Could your group check with him on his views beforehand too?

John

From: Jean-Francois Beaupre
Sent: Thursday, November 16, 2017 1:42 PM
To: Gavin He <Gavin.He@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi Gavin,

I discussed your request for me to come down to the 3rd floor for a quick chat with you and John with Opal.

At this time, our preference would be to obtain clarifications from CEFD and/or IESO in response to the comments we raised so that we may gain a better understanding of the potential implications for OEFC. Opal suggested that we could have a call or meeting tomorrow if you think that would be helpful?

Kind regards,
J-F

From: Jean-Francois Beaupre
Sent: Thursday, November 16, 2017 12:25 PM
To: Gavin He <Gavin.He@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Dear Gavin,

Please find attached our consolidated comments on the draft note.

We are happy to discuss further as always.

Thanks,
J-F

From: Gavin He
Sent: Thursday, November 16, 2017 8:21 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi all,

We have confirmed with the IESO that the reason for their requested change to the definition of the "permitted liens" in the OEFC credit facility agreements are the same for the request to OFA. The IESO wants to be able to grant security to the OPG Trust, and address the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

We have drafted the attached BN for internal approval (Ron and Gadi) process. Could you please review and let us know if you have any concerns? It would be much appreciated if you could provide us your feedback around noon today, given the limited timeframe on this request.

This has been reviewed by Legal last night and I have incorporated the feedback from Sarah N. (in Lisa's absence).

Please let me know if you have any questions.

Thanks,
Gavin He

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Wednesday, November 15, 2017 6:49 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>
Subject: IESO - OEFC credit facilities : permitted liens

John,

As discussed yesterday, it likely is best to add to the definition of "Permitted Liens" in the two OEFC facilities to address a) IESO granting security to the OPG Trust during the first 4 years of fair hydro program and b) the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

Happy to discuss further. I am out of the office most of this week on IESO business matters but available by cell 289-795-9426, or if necessary you may connect with Victor.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

OEFC -- IESO CREDIT FACILITY AGREEMENT & THE PERMITTED LIENS

ISSUE

The Independent Electricity System Operator ("IESO") has requested that OEFC amend the existing credit facility agreements between OEFC and IESO (for $160M and $120M) to address the additional obligations IESO is taking on under Ontario's Fair Hydro Plan. IESO has indicated that OEFC credit facilities will not be used for Ontario Fair Hydro Plan (FHP) purposes.

CONTEXT - IESO'S REQUEST

- The FHP requires the IESO and Ontario Power Generation (OPG) to work together to refinance Ontario's clean energy investments over a longer period of time. IESO and OPG are in a discussion to grant a security/priority interest on IESO's assets to OPG Trust for the period of the first 4 years of the GA deferral.

- The IESO is planning to seek its Board's approval on Nov 22, 2017 to enter into a ~~for the~~ security agreement with OPG Trust. The security agreement is currently in draft form. Without amending the existing OEFC $160M and $120M credit facility agreements (the "OEFC Agreements"), IESO could potentially be considered to be in default of the terms of the security agreement~~s~~. IESO staff wrote:

  > *"…it likely is best to add to the definition of "Permitted Liens" in the two OEFC facilities to address a) IESO granting security to the OPG Trust during the first 4 years of fair hydro program and b) the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default."*

- In order to address this issue, the IESO has requested to amend the definition of the "permitted liens" in both existing OEFC Agreements to include any liens related to the FHP. Specifically, adding a clause in the existing OEFC Agreements that any lien related to OFHP will not be viewed as negative pledge by OEFC, so those liens can be used to secure the performance of IESO's obligations to OPG under the FHP. This would allow IESO to grant security to the OPG Trust during the first 4 years of implementing the GA deferral and also avoid ~~of~~ breaching the terms of existing agreements.

- To support IESO's role in the implementation and participation under the Ontario Fair Hydro Plan Act, 2017 ("OFHP Act"), in July 2017~~,~~ the IESO had requested that the OFA ~~to~~ make ~~the same~~similar ~~request~~ changes to the credit facility agreements with OFA in October.
  - On November 6, 2017, the OFA amended the $475M facility to amend the definition of ~~the~~ "permitted liens" and also included same for the new $2B credit facility agreement between OFA and the IESO , as requested by the IESO.

CONSIDERATIONS

- OFA'S Capital Markets – Operations staff have commented that the legislation governing OEFC, the *Electricity Act, 1998*, may provide differing context from the OFA's objects and mandate under the *Capital Investment Plan Act, 1993*. [This was a bullet suggested by CMD – Operations.]

- With the proposed new security agreement between OPG Trust and IESO, OPG Trust would have a priority claim against potentially the Clean Energy Adjustment funds collected by or flowing~~n~~ through the IESO, the OEFC could find itself unable to collect payments due from the IESO. The likelihood of this scenario could be assessed as low and IESO is an agency of the government consolidated line-by-line in the Province's accounts. [This was a bullet inserted by CMD – Operations.]

Commented [JB1]: Please confirm the scope of the security agreement. Does IESO grant secuurity to OPG Trust for all IESO assets, or only those related to FHP?
We are not certain that pleasing the 'investment community' would be a satisfactory explanation and so far this is only based on IESO's request.

Commented [JB2]: Repetive suggested deleting.

Commented [JB3]: This may not have been necessary and we should consider this.

Commented [JK4]: Unless Documentation can provide specific differences that are significant, I suggest we delete.

Commented [OK5R4]: The fact that OFA's objects/mandate are detailed under CIPA is a distinct differentiation from OEFC. This is only relevant as it goes to the reach of OFA. Not fussed if you wish to delete.

- The OFA agreed to IESO's requested changes to ~~included the requested changes in~~ the OFA credit facilities, thereby providing a precedent ~~of having considered the~~ for considering similar changes for ~~/~~inclusion into other agreements with IESO. ~~of the same request.~~ Treating the current request differently by seeking either a Minister's directive or not granting the IESO its request would mean having to take steps on the OFA credit facilities, which were ~~either signed~~ recently ~~or~~ amended ~~recently~~.

RECOMMENDATIONS

- In order to support IESO's request and remain consistent with the language recently incorporated in existing IESO-OFA agreements, OFA staff are of the view that the exisiting OEFC Agreements can be amended to include liens related to FHP under the definition of the "permitted liens". [TBD]

BACKGROUND

- In order to support IESO's role with the implementation of the OFHP Act, OFA staff made similar changes to the definition of 'permitted liens" in existing OFA-IESO credit facility agreements on November 6, 2017.

- Currently, under the existing credit facility agreements between OEFC and the IESO, the definition of "permitted liens" does not include any lien arising from the IESO's role and obligations under the OFHP, including with respect to any amount received or receivable by the IESO (such as, without limitation, amounts received or receivable in respect of the Clean Energy Adjustment), or any other lien, whether arising from the action or inaction of IESO, that is created in connection with the OFHP.

Electricity Finance Branch / Corporate and Electricity Finance Division [&
Capital Markets Operations, Capital Markets Division]
Ontario Financing Authority
November ~~15~~20, 2017

Commented [OK6]: The OFA and OEFC are different corporate entities, so treatment of each may be different depending on the circumstances, even when dealing with the same borrower.

Commented [OK7]: The OFA credit facility was provided pursuant to the minister's directive, so seeking a minister's directive wrt OEFC would be consistent with how OFA was treated. Not suggesting this is necessary.

Commented [JB8]: If the $475M credit facility agreement was amended as an oversight, then we should not necessarily rely on precedent, specially considering the OEFC has less flexibility than OFA in its lending guidelines in my opinion.

Commented [JB9]: I do not necessarily agree on this point.

Commented [JB10]: Repetitive.

Commented [JK11]: There have been some changes since last week so put CMD – Operations in square brackets.

From:	Jean-Francois Beaupre
To:	Opal Kandelas; Sarah Harris
Subject:	RE: IESO - OEFC credit facilities : permitted liens
Date:	Thursday, November 16, 2017 12:23:26 PM
Attachments:	IESO-OEFC - FHP LoC_Nov 2017_v7 (007).docx

Changed!

From: Opal Kandelas
Sent: Thursday, November 16, 2017 12:20 PM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Please explain what are the risks, if any, of OEFC granting IESO priority to OPG Trust? [Could this instead say "Please explain what are the risks, if any, of OEFC permitting IESO to grant priority to OPG Trust?]

No other changes.

From: Sarah Harris
Sent: Thursday, November 16, 2017 11:53 AM
To: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Thanks, JF. I consolidated some comments while keeping the same questions. I'm sharing with Opal for sake of time.

From: Jean-Francois Beaupre
Sent: Thursday, November 16, 2017 11:42 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: FW: IESO - OEFC credit facilities : permitted liens

Please find attached my revised comments.

From: Gavin He
Sent: Thursday, November 16, 2017 8:21 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi all,

We have confirmed with the IESO that the reason for their requested change to the definition of the "permitted liens" in the OEFC credit facility agreements are the same for the request to OFA. The IESO wants to be able to grant security to the OPG Trust, and address the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

We have drafted the attached BN for internal approval (Ron and Gadi) process. Could you please review and let us know if you have any concerns? It would be much appreciated if you could provide us your feedback around noon today, given the limited timeframe on this request.

This has been reviewed by Legal last night and I have incorporated the feedback from Sarah N. (in Lisa's absence).

Please let me know if you have any questions.

Thanks,
Gavin He

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Wednesday, November 15, 2017 6:49 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>
Subject: IESO - OEFC credit facilities : permitted liens

John,

As discussed yesterday, it likely is best to add to the definition of "Permitted Liens" in the two OEFC facilities to address a) IESO granting security to the OPG Trust during the first 4 years of fair hydro program and b) the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

Happy to discuss further. I am out of the office most of this week on IESO business matters but available by cell 289-795-9426, or if necessary you may connect with Victor.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

OEFC -- IESO CREDIT FACILITY AGREEMENT & THE PERMITTED LIENS

ISSUE

The Independent Electricity System Operator ("IESO") has requested OEFC to amend the existing credit facility agreements between OEFC and IESO (for $160M and $120M) to address the additional obligations the IESO is taking on under Ontario's Fair Hydro Plan.

CONTEXT

The Fair Hydro Plan will require the IESO and Ontario Power Generation (OPG) to work together to spread out the costs of Ontario's clean energy investments over a longer period of time, which ensures that the costs of these investments are allocated fairly among current and future ratepayers. This is being accomplished through refinancing a portion of the Global Adjustment (GA). The IESO and OPG are in a discussion to potentially grant the security/priority on IESO's assets to the OPG Trust for the period of the first four years of the GA deferral. The IESO will seek its Board approval on Nov 22, 2017 for the security agreement and this would be in conflict with OEFC's $160M and $120M credit facility agreements (the "OEFC Agreements") with the IESO without the requested amendments. Paragraph 4.7 – Negative Pledges – in both OEFC credit facility agreements does not allow IESO to grant such security/priority to the OPG Trust.

In order to address this issue, the IESO has requested OEFC to amend the definition of the "permitted liens" in both existing OEFC Agreements to include any liens related to the Fair Hydro Plan (FHP). Specifically, adding a clause in the existing OEFC Agreements that any lien related to OFHP will not be viewed as negative pledge by OEFC, so those liens can be used to secure the performance of IESO's obligations towards OPG. This would allow IESO to grant security to the OPG Trust during the first 4 years of implementing the GA deferral and also avoid the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want inadvertently to be in default.

To support IESO's role in the implementation and participation under the *Ontario Fair Hydro Plan Act, 2017* ("OFHP Act") in July 2017, the IESO had reached out to the Capital Market Division – Operations of the OFA to make the same request to the credit facility agreements with OFA in October. The OFA staff have recommended providing the requested amendments and amended the $475M and $2B credit facility agreements between OFA and the IESO on November 6th, 2017 (the "OFA Agreements"), as suggested by the IESO. One of the amendments to the agreement is to amend the definition of the permitted liens to include any lien arising from the IESO's role and obligations under the OFHP.

RECOMMENDATION

- To support IESO's role in the implementation and participation under the OFHP Act and also to be consistent with the approach OFA implemented , OFA staff are of the view that the exisiting OEFC Agreements require amendments to the permitted liens and negative covenant language to make it the same as, or very similar to, the language in the OFA Agreements that were signed recently.
- Although the OEFC credit facility is not used for OFHP's purpose, it is IESO's position that it wants to make such change to the definition of the permitted liens to make sure that the IESO is not inadvertently in default of its security obligations to OPG Trust ~~is still required in order for IESO to~~and meets its role and obligation under the OFHP Act.

BACKGROUND

- Currently, under the existing credit facility agreement between OEFC and the IESO, the definition of the "permitted liens" does not include any lien arising from the IESO's role and obligations under the OFHP, including with respect to any amount received or receivable by the IESO (such as, without limitation,

Commented [JB1]:
If the existing agreements between OEFC and IESO will not be used for OFHP purposes (see 2nd bullet in "Recommendations") and since draws for FHP purposes will only made from the OFA-IESO $2B credit facility agreement, there does not appear to be a clear rationale why the definition of 'permitted liens" needs to be amended in the OEFC agreement at this time. Please advise.

Commented [JB2]:
We are not privy to the 'security agreement' and need to understand why this would be in conflict with existing agreements. Please explain what are the risks, if any, of OEFC permitting IESO to grant priority to OPG Trust?

(e.g. If changes were made to the Clean Energy Adjustment fund collected by IESO in the future and OPG Trust had liens in place against these assets, is there a possibility that IESO would default on its 'non-OFHP' related obligations to OEFC? How would this work?

Commented [JB3]:
We require a better understanding of how the GA, Clean Energy Adjustment Funds and OPG Trust fit together in the context of OEFC. Please advise.

May you please explain if the GA is related to OEFC and how this may impact the existing $120M and $160M agreements precisely?

It would be helpful if you could please provide an example of a situation where non-OFHP related business conducted between IESO-OEFC would end up as part of a lien related to FHP obligations?

Commented [JB4]:
Should these agreements be examined on a case-by-case basis to determine what they are being used for and only those agreements which pertain to OFHP obligations should be amended?

Commented [JB5]:
How would funds collected from the Clean Energy Adjustment affect OEFC and IESO's obligations to repay OEFC?

amounts received or receivable in respect of the Clean Energy Adjustment), or any other lien, whether arising from the action or inaction of IESO, that is created in connection with the OFHP.

- On November 6, 2017, OFA and IESO signed an updated OFA IESO credit facility agreement with respect to changes related to OFHP.

Electricity Finance Branch / Corporate and Electricity Finance Division / Ontario Financing Authority
November 15, 2017

From:	Sarah Harris
To:	Opal Kandelas; Jean-Francois Beaupre
Subject:	RE: IESO - OEFC credit facilities : permitted liens
Date:	Thursday, November 16, 2017 12:21:54 PM

Thanks, Opal.

JF, once you make that change, could you please send the comments to Gavin.

Thanks,
Sarah

From: Opal Kandelas
Sent: Thursday, November 16, 2017 12:20 PM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Please explain what are the risks, if any, of OEFC granting IESO priority to OPG Trust? [Could this instead say "Please explain what are the risks, if any, of OEFC permitting IESO to grant priority to OPG Trust?]

No other changes.

From: Sarah Harris
Sent: Thursday, November 16, 2017 11:53 AM
To: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Thanks, JF. I consolidated some comments while keeping the same questions. I'm sharing with Opal for sake of time.

From: Jean-Francois Beaupre
Sent: Thursday, November 16, 2017 11:42 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: FW: IESO - OEFC credit facilities : permitted liens

Please find attached my revised comments.

From: Gavin He
Sent: Thursday, November 16, 2017 8:21 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>

Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi all,

We have confirmed with the IESO that the reason for their requested change to the definition of the "permitted liens" in the OEFC credit facility agreements are the same for the request to OFA. The IESO wants to be able to grant security to the OPG Trust, and address the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

We have drafted the attached BN for internal approval (Ron and Gadi) process. Could you please review and let us know if you have any concerns? It would be much appreciated if you could provide us your feedback around noon today, given the limited timeframe on this request.

This has been reviewed by Legal last night and I have incorporated the feedback from Sarah N. (in Lisa's absence).

Please let me know if you have any questions.

Thanks,
Gavin He

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Wednesday, November 15, 2017 6:49 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>
Subject: IESO - OEFC credit facilities : permitted liens

John,

As discussed yesterday, it likely is best to add to the definition of "Permitted Liens" in the two OEFC facilities to address a) IESO granting security to the OPG Trust during the first 4 years of fair hydro program and b) the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

Happy to discuss further. I am out of the office most of this week on IESO business matters but available by cell 289-795-9426, or if necessary you may connect with Victor.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

From:	Opal Kandelas
To:	Sarah Harris; Jean-Francois Beaupre
Subject:	RE: IESO - OEFC credit facilities : permitted liens
Date:	Thursday, November 16, 2017 12:19:35 PM

Please explain what are the risks, if any, of OEFC granting IESO priority to OPG Trust? [Could this instead say "Please explain what are the risks, if any, of OEFC permitting IESO to grant priority to OPG Trust?]

No other changes.

From: Sarah Harris
Sent: Thursday, November 16, 2017 11:53 AM
To: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Thanks, JF. I consolidated some comments while keeping the same questions. I'm sharing with Opal for sake of time.

From: Jean-Francois Beaupre
Sent: Thursday, November 16, 2017 11:42 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: FW: IESO - OEFC credit facilities : permitted liens

Please find attached my revised comments.

From: Gavin He
Sent: Thursday, November 16, 2017 8:21 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi all,

We have confirmed with the IESO that the reason for their requested change to the definition of the "permitted liens" in the OEFC credit facility agreements are the same for the request to OFA. The IESO wants to be able to grant security to the OPG Trust, and address the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

We have drafted the attached BN for internal approval (Ron and Gadi) process. Could you please review and let us know if you have any concerns? It would be much appreciated if you could provide us your feedback around noon today, given the limited timeframe on this request.

This has been reviewed by Legal last night and I have incorporated the feedback from Sarah N. (in Lisa's absence).

Please let me know if you have any questions.

Thanks,
Gavin He

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Wednesday, November 15, 2017 6:49 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>
Subject: IESO - OEFC credit facilities : permitted liens

John,

As discussed yesterday, it likely is best to add to the definition of "Permitted Liens" in the two OEFC facilities to address a) IESO granting security to the OPG Trust during the first 4 years of fair hydro program and b) the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

Happy to discuss further. I am out of the office most of this week on IESO business matters but available by cell 289-795-9426, or if necessary you may connect with Victor.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

From:	Sarah Harris
To:	Jean-Francois Beaupre; Opal Kandelas
Subject:	RE: IESO - OEFC credit facilities : permitted liens
Date:	Thursday, November 16, 2017 11:52:54 AM
Attachments:	IESO-OEFC - FHP LoC_Nov 2017_v7 (007).docx

Thanks, JF. I consolidated some comments while keeping the same questions. I'm sharing with Opal for sake of time.

From: Jean-Francois Beaupre
Sent: Thursday, November 16, 2017 11:42 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: FW: IESO - OEFC credit facilities : permitted liens

Please find attached my revised comments.

From: Gavin He
Sent: Thursday, November 16, 2017 8:21 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi all,

We have confirmed with the IESO that the reason for their requested change to the definition of the "permitted liens" in the OEFC credit facility agreements are the same for the request to OFA. The IESO wants to be able to grant security to the OPG Trust, and address the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

We have drafted the attached BN for internal approval (Ron and Gadi) process. Could you please review and let us know if you have any concerns? It would be much appreciated if you could provide us your feedback around noon today, given the limited timeframe on this request.

This has been reviewed by Legal last night and I have incorporated the feedback from Sarah N. (in Lisa's absence).

Please let me know if you have any questions.

Thanks,
Gavin He

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]

Sent: Wednesday, November 15, 2017 6:49 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>
Subject: IESO - OEFC credit facilities : permitted liens

John,

As discussed yesterday, it likely is best to add to the definition of "Permitted Liens" in the two OEFC facilities to address a) IESO granting security to the OPG Trust during the first 4 years of fair hydro program and b) the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

Happy to discuss further. I am out of the office most of this week on IESO business matters but available by cell 289-795-9426, or if necessary you may connect with Victor.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

OEFC -- IESO CREDIT FACILITY AGREEMENT & THE PERMITTED LIENS

ISSUE

The Independent Electricity System Operator ("IESO") has requested OEFC to amend the existing credit facility agreements between OEFC and IESO (for $160M and $120M) to address the additional obligations the IESO is taking on under Ontario's Fair Hydro Plan.

Commented [JB1]:
If the existing agreements between OEFC and IESO will not be used for OFHP purposes (see 2nd bullet in "Recommendations") and since draws for FHP purposes will only made from the OFA-IESO $2B credit facility agreement, there does not appear to be a clear rationale why the definition of 'permitted liens" needs to be amended in the OEFC agreement at this time. Please advise.

CONTEXT

The Fair Hydro Plan will require the IESO and Ontario Power Generation (OPG) to work together to spread out the costs of Ontario's clean energy investments over a longer period of time, which ensures that the costs of these investments are allocated fairly among current and future ratepayers. This is being accomplished through refinancing a portion of the Global Adjustment (GA). The IESO and OPG are in a discussion to potentially grant the security/priority on IESO's assets to the OPG Trust for the period of the first four years of the GA deferral. The IESO will seek its Board approval on Nov 22, 2017 for the security agreement and this would be in conflict with OEFC's $160M and $120M credit facility agreements (the "OEFC Agreements") with the IESO without the requested amendments. Paragraph 4.7 – Negative Pledges – in both OEFC credit facility agreements does not allow IESO to grant such security/priority to the OPG Trust.

Commented [JB2]:
We are not privy to the 'security agreement' and need to understand why this would be in conflict with existing agreements. Please explain what are the risks, if any, of OEFC granting IESO priority to OPG Trust?

(e.g. If changes were made to the Clean Energy Adjustment fund collected by IESO in the future and OPG Trust had liens in place against these assets, is there a possibility that IESO would default on its 'non-OFHP' related obligations to OEFC? How would this work?

In order to address this issue, the IESO has requested OEFC to amend the definition of the "permitted liens" in both existing OEFC Agreements to include any liens related to the Fair Hydro Plan (FHP). Specifically, adding a clause in the existing OEFC Agreements that any lien related to OFHP will not be viewed as negative pledge by OEFC, so those liens can be used to secure the performance of IESO's obligations towards OPG. This would allow IESO to grant security to the OPG Trust during the first 4 years of implementing the GA deferral and also avoid the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want inadvertently to be in default.

Commented [JB3]:
We require a better understanding of how the GA, Clean Energy Adjustment Funds and OPG Trust fit together in the context of OEFC. Please advise.

May you please explain if the GA is related to OEFC and how this may impact the existing $120M and $160M agreements precisely?

It would be helpful if you could please provide an example of a situation where non-OFHP related business conducted between IESO-OEFC would end up as part of a lien related to FHP obligations?

To support IESO's role in the implementation and participation under the *Ontario Fair Hydro Plan Act, 2017* ("OFHP Act") in July 2017, the IESO had reached out to the Capital Market Division – Operations of the OFA to make the same request to the credit facility agreements with OFA in October. The OFA staff have recommended providing the requested amendments and amended the $475M and $2B credit facility agreements between OFA and the IESO on November 6th, 2017 (the "OFA Agreements"), as suggested by the IESO. One of the amendments to the agreement is to amend the definition of the permitted liens to include any lien arising from the IESO's role and obligations under the OFHP.

RECOMMENDATION

- To support IESO's role in the implementation and participation under the OFHP Act and also to be consistent with the approach OFA implemented , OFA staff are of the view that the exisiting OEFC Agreements require amendments to the permitted liens and negative covenant language to make it the same as, or very similar to, the language in the OFA Agreements that were signed recently.
- Although the OEFC credit facility is not used for OFHP's purpose, it is IESO's position that it wants to make such change to the definition of the permitted liens to make sure that the IESO is not inadvertently in default of its security obligations to OPG Trust ~~is still required in order for IESO to~~and meets its role and obligation under the OFHP Act.

Commented [JB4]:
Should these agreements be examined on a case-by-case basis to determine what they are being used for and only those agreements which pertain to OFHP obligations should be amended?

Commented [JB5]:
How would funds collected from the Clean Energy Adjustment affect OEFC and IESO's obligations to repay OEFC?

BACKGROUND

- Currently, under the existing credit facility agreement between OEFC and the IESO, the definition of the "permitted liens" does not include any lien arising from the IESO's role and obligations under the OFHP, including with respect to any amount received or receivable by the IESO (such as, without limitation,

amounts received or receivable in respect of the Clean Energy Adjustment), or any other lien, whether arising from the action or inaction of IESO, that is created in connection with the OFHP.

- On November 6, 2017, OFA and IESO signed an updated OFA IESO credit facility agreement with respect to changes related to OFHP.

Electricity Finance Branch / Corporate and Electricity Finance Division / Ontario Financing Authority
November 15, 2017

From: Opal Kandelas
To: Sarah Harris
Subject: RE: IESO - OEFC credit facilities : permitted liens
Date: Thursday, November 16, 2017 11:23:06 AM

You had me just about convinced that permitted liens language has to go into the OEFC agreement. So the question is still whether all agreements entered into by the IESO has to grant priority to OPGT whether or not related to FHP, in order for IESO to not be in default under the Security Agreement with OPGT. Some high level direction on whether that risk is acceptable for OEFC is needed.

From: Sarah Harris
Sent: Thursday, November 16, 2017 10:22 AM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

OK. Thanks.

From: Opal Kandelas
Sent: Thursday, November 16, 2017 10:17 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Please give me 15 min – looking at it now.

From: Sarah Harris
Sent: Thursday, November 16, 2017 10:16 AM
To: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi Opal and JF,

Attached are JF's comments (which I've looked at tweaked) for discussion. May I call Opal's office in 5 minutes to discuss?

Thanks,
Sarah

From: Jean-Francois Beaupre
Sent: Thursday, November 16, 2017 10:03 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

From: Sarah Harris
Sent: Thursday, November 16, 2017 9:55 AM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Subject: FW: IESO - OEFC credit facilities : permitted liens
Importance: High

Opal and JF,

Are you available for quick call – just the three of us?

Thanks,
Sarah

From: Gavin He
Sent: Thursday, November 16, 2017 9:53 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi Sarah,

For the interest of time and also suggested by Sarah N., I am going to ask IESO to start working on a draft amendment and then share with us. Is it okay if I tell them that your team and Legal will be the lead contacts for updating the agreements?

Thanks,
Gavin He

From: Gavin He
Sent: Thursday, November 16, 2017 8:21 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi all,

We have confirmed with the IESO that the reason for their requested change to the definition of the "permitted liens" in the OEFC credit facility agreements are the same for the request to OFA. The IESO wants to be able to grant security to the OPG Trust, and address the possibility that the Clean

Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

We have drafted the attached BN for internal approval (Ron and Gadi) process. Could you please review and let us know if you have any concerns? It would be much appreciated if you could provide us your feedback around noon today, given the limited timeframe on this request.

This has been reviewed by Legal last night and I have incorporated the feedback from Sarah N. (in Lisa's absence).

Please let me know if you have any questions.

Thanks,
Gavin He

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Wednesday, November 15, 2017 6:49 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>
Subject: IESO - OEFC credit facilities : permitted liens

John,

As discussed yesterday, it likely is best to add to the definition of "Permitted Liens" in the two OEFC facilities to address a) IESO granting security to the OPG Trust during the first 4 years of fair hydro program and b) the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

Happy to discuss further. I am out of the office most of this week on IESO business matters but available by cell 289-795-9426, or if necessary you may connect with Victor.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

From:	Sarah Harris
To:	Opal Kandelas
Subject:	RE: IESO - OEFC credit facilities : permitted liens
Date:	Thursday, November 16, 2017 10:21:44 AM

OK. Thanks.

From: Opal Kandelas
Sent: Thursday, November 16, 2017 10:17 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Please give me 15 min – looking at it now.

From: Sarah Harris
Sent: Thursday, November 16, 2017 10:16 AM
To: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi Opal and JF,

Attached are JF's comments (which I've looked at tweaked) for discussion. May I call Opal's office in 5 minutes to discuss?

Thanks,
Sarah

From: Jean-Francois Beaupre
Sent: Thursday, November 16, 2017 10:03 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

From: Sarah Harris
Sent: Thursday, November 16, 2017 9:55 AM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Subject: FW: IESO - OEFC credit facilities : permitted liens
Importance: High

Opal and JF,

Are you available for quick call – just the three of us?

Thanks,
Sarah

From: Gavin He
Sent: Thursday, November 16, 2017 9:53 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi Sarah,

For the interest of time and also suggested by Sarah N., I am going to ask IESO to start working on a draft amendment and then share with us. Is it okay if I tell them that your team and Legal will be the lead contacts for updating the agreements?

Thanks,
Gavin He

From: Gavin He
Sent: Thursday, November 16, 2017 8:21 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi all,

We have confirmed with the IESO that the reason for their requested change to the definition of the "permitted liens" in the OEFC credit facility agreements are the same for the request to OFA. The IESO wants to be able to grant security to the OPG Trust, and address the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

We have drafted the attached BN for internal approval (Ron and Gadi) process. Could you please review and let us know if you have any concerns? It would be much appreciated if you could provide us your feedback around noon today, given the limited timeframe on this request.

This has been reviewed by Legal last night and I have incorporated the feedback from Sarah N. (in Lisa's absence).

Please let me know if you have any questions.

Thanks,
Gavin He

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Wednesday, November 15, 2017 6:49 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>
Subject: IESO - OEFC credit facilities : permitted liens

John,

As discussed yesterday, it likely is best to add to the definition of "Permitted Liens" in the two OEFC facilities to address a) IESO granting security to the OPG Trust during the first 4 years of fair hydro program and b) the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

Happy to discuss further. I am out of the office most of this week on IESO business matters but available by cell 289-795-9426, or if necessary you may connect with Victor.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

From:	Opal Kandelas
To:	Sarah Harris; Jean-Francois Beaupre
Subject:	RE: IESO - OEFC credit facilities : permitted liens
Date:	Thursday, November 16, 2017 10:16:58 AM

Please give me 15 min – looking at it now.

From: Sarah Harris
Sent: Thursday, November 16, 2017 10:16 AM
To: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi Opal and JF,

Attached are JF's comments (which I've looked at tweaked) for discussion. May I call Opal's office in 5 minutes to discuss?

Thanks,
Sarah

From: Jean-Francois Beaupre
Sent: Thursday, November 16, 2017 10:03 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

From: Sarah Harris
Sent: Thursday, November 16, 2017 9:55 AM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Subject: FW: IESO - OEFC credit facilities : permitted liens
Importance: High

Opal and JF,

Are you available for quick call – just the three of us?

Thanks,
Sarah

From: Gavin He

Sent: Thursday, November 16, 2017 9:53 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi Sarah,

For the interest of time and also suggested by Sarah N., I am going to ask IESO to start working on a draft amendment and then share with us. Is it okay if I tell them that your team and Legal will be the lead contacts for updating the agreements?

Thanks,
Gavin He

From: Gavin He
Sent: Thursday, November 16, 2017 8:21 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi all,

We have confirmed with the IESO that the reason for their requested change to the definition of the "permitted liens" in the OEFC credit facility agreements are the same for the request to OFA. The IESO wants to be able to grant security to the OPG Trust, and address the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

We have drafted the attached BN for internal approval (Ron and Gadi) process. Could you please review and let us know if you have any concerns? It would be much appreciated if you could provide us your feedback around noon today, given the limited timeframe on this request.

This has been reviewed by Legal last night and I have incorporated the feedback from Sarah N. (in Lisa's absence).

Please let me know if you have any questions.

Thanks,
Gavin He

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Wednesday, November 15, 2017 6:49 AM
To: John Kim <John.Kim@ofina.on.ca>

Cc: Victor Buza <Victor.Buza@ieso.ca>
Subject: IESO - OEFC credit facilities : permitted liens

John,

As discussed yesterday, it likely is best to add to the definition of "Permitted Liens" in the two OEFC facilities to address a) IESO granting security to the OPG Trust during the first 4 years of fair hydro program and b) the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

Happy to discuss further. I am out of the office most of this week on IESO business matters but available by cell 289-795-9426, or if necessary you may connect with Victor.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

From: Sarah Harris
To: Jean-Francois Beaupre; Opal Kandelas
Subject: RE: IESO - OEFC credit facilities : permitted liens
Date: Thursday, November 16, 2017 10:16:06 AM
Attachments: IESO-OEFC - FHP LoC_Nov 2017_v7.docx

Hi Opal and JF,

Attached are JF's comments (which I've looked at tweaked) for discussion. May I call Opal's office in 5 minutes to discuss?

Thanks,
Sarah

From: Jean-Francois Beaupre
Sent: Thursday, November 16, 2017 10:03 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

From: Sarah Harris
Sent: Thursday, November 16, 2017 9:55 AM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Subject: FW: IESO - OEFC credit facilities : permitted liens
Importance: High

Opal and JF,

Are you available for quick call – just the three of us?

Thanks,
Sarah

From: Gavin He
Sent: Thursday, November 16, 2017 9:53 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi Sarah,

For the interest of time and also suggested by Sarah N., I am going to ask IESO to start working on a

draft amendment and then share with us. Is it okay if I tell them that your team and Legal will be the lead contacts for updating the agreements?

Thanks,
Gavin He

From: Gavin He
Sent: Thursday, November 16, 2017 8:21 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi all,

We have confirmed with the IESO that the reason for their requested change to the definition of the "permitted liens" in the OEFC credit facility agreements are the same for the request to OFA. The IESO wants to be able to grant security to the OPG Trust, and address the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

We have drafted the attached BN for internal approval (Ron and Gadi) process. Could you please review and let us know if you have any concerns? It would be much appreciated if you could provide us your feedback around noon today, given the limited timeframe on this request.

This has been reviewed by Legal last night and I have incorporated the feedback from Sarah N. (in Lisa's absence).

Please let me know if you have any questions.

Thanks,
Gavin He

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Wednesday, November 15, 2017 6:49 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>
Subject: IESO - OEFC credit facilities : permitted liens

John,

As discussed yesterday, it likely is best to add to the definition of "Permitted Liens" in the two OEFC facilities to address a) IESO granting security to the OPG Trust during the first 4 years of fair hydro

program and b) the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

Happy to discuss further. I am out of the office most of this week on IESO business matters but available by cell 289-795-9426, or if necessary you may connect with Victor.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

OEFC -- IESO CREDIT FACILITY AGREEMENT & THE PERMITTED LIENS

ISSUE

The Independent Electricity System Operator ("IESO") has requested OEFC to amend the existing credit facility agreements between OEFC and IESO (for $160M and $120M) to address the additional obligations the IESO is taking on under Ontario's Fair Hydro Plan.

CONTEXT

The Fair Hydro Plan will require the IESO and Ontario Power Generation (OPG) to work together to spread out the costs of Ontario's clean energy investments over a longer period of time, which ensures that the costs of these investments are allocated fairly among current and future ratepayers. This is being accomplished through refinancing a portion of the Global Adjustment (GA). The IESO and OPG are in a discussion to potentially grant the security/priority on IESO's assets to the OPG Trust for the period of the first four years of the GA deferral. The IESO will seek its Board approval on Nov 22, 2017 for the security agreement and this would be in conflict with OEFC's $160M and $120M credit facility agreements (the "OEFC Agreements") with the IESO without the requested amendments. Paragraph 4.7 – Negative Pledges – in both OEFC credit facility agreements does not allow IESO to grant such security/priority to the OPG Trust.

In order to address this issue, the IESO has requested OEFC to amend the definition of the "permitted liens" in both existing OEFC Agreements to include any liens related to the Fair Hydro Plan (FHP). Specifically, adding a clause in the existing OEFC Agreements that any lien related to OFHP will not be viewed as negative pledge by OEFC, so those liens can be used to secure the performance of IESO's obligations towards OPG. This would allow IESO to grant security to the OPG Trust during the first 4 years of implementing the GA deferral and also avoid the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want inadvertently to be in default.

To support IESO's role in the implementation and participation under the *Ontario Fair Hydro Plan Act, 2017* ("OFHP Act") in July 2017, the IESO had reached out to the Capital Market Division – Operations of the OFA to make the same request to the credit facility agreements with OFA in October. The OFA staff have recommended providing the requested amendments and amended the $475M and $2B credit facility agreements between OFA and the IESO on November 6th, 2017 (the "OFA Agreements"), as suggested by the IESO. One of the amendments to the agreement is to amend the definition of the permitted liens to include any lien arising from the IESO's role and obligations under the OFHP.

RECOMMENDATION

- To support IESO's role in the implementation and participation under the OFHP Act and also to be consistent with the approach OFA implemented , OFA staff are of the view that the exisiting OEFC Agreements require amendments to the permitted liens and negative covenant language to make it the same as, or very similar to, the language in the OFA Agreements that were signed recently.
- Although the OEFC credit facility is not used for OFHP's purpose, it is IESO's position that it wants to make such change to the definition of the permitted liens to make sure that the IESO is not inadvertently in default of its security obligations to OPG Trust ~~is still required in order for IESO to~~and meets its role and obligation under the OFHP Act.

BACKGROUND

- Currently, under the existing credit facility agreement between OEFC and the IESO, the definition of the "permitted liens" does not include any lien arising from the IESO's role and obligations under the OFHP, including with respect to any amount received or receivable by the IESO (such as, without limitation,

Commented [JB1]:
If the existing agreements between OEFC and IESO will not be used for OFHP purposes, why do these agreements need to be amended?

Commented [JB2]:
Does the GA relate to the OFHP and if so, how? How is the GA related to OEFC?

Commented [JB3]:
What are the risks, if any, of OEFC granting IESO priority to OPG Trust?

Commented [JB4]:
Why 4 years and when will Clean Energy Adjustment funds be collected by IESO. I require a better understanding of how the GA, Clean Energy Adjustment Funds and OPG Trust fit together?

Commented [JB5]:
Seeing how draws for FHP purposes will only made from the OFA-IESO $2B credit facility agreement, there does appear to be a clear rationale why was the definition of 'permitted liens" amended in the $475M agreement (previously $975M). What was the rationale, and how is it applicable to the OEFC agreements?

Commented [JB6]:
It is not clear why OFA staff is of this view other than making the language consistent across all agreements.

Should these agreements not be examined on a case-by-case basis to determine what they are being used for and only those agreements which pertain to OFHP obligations should allow liens under OFHP obligations?

Commented [JB7]:
If the funds from the OEFC-IESO credit facility agreements will not be used for OFHP purposes, I am not clear on the reason for requesting this change since OPG Trust would then have a primary claim on any Clean Energy Adjustment
funds collected by IESO.

How would funds collected from the Clean Energy Adjustment affect OEFC and IESO's obligations to repay OEFC?

We need to ensure that we are not amending agreement just because IESO is asking us to and understand the potential implications of making these changes.

amounts received or receivable in respect of the Clean Energy Adjustment), or any other lien, whether arising from the action or inaction of IESO, that is created in connection with the OFHP.

- On November 6, 2017, OFA and IESO signed an updated OFA IESO credit facility agreement with respect to changes related to OFHP.

Electricity Finance Branch / Corporate and Electricity Finance Division / Ontario Financing Authority
November 15, 2017

From: Opal Kandelas
To: Sarah Harris
Subject: RE: IESO - OEFC credit facilities : permitted liens
Date: Thursday, November 16, 2017 10:15:39 AM

OFA was a conduit for the GM issue. OFA wouldn't have sustained any lasting effect. Electricity finance would be aware of the issues – that's why Ron/Gadi are involved. Happy to discuss and sound an alarm if needed

---

From: Sarah Harris
Sent: Thursday, November 16, 2017 9:43 AM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: FW: IESO - OEFC credit facilities : permitted liens

HI Opal,

JF and I chatted and he is going to send me some comments on the note. In respect of OEFC, he still has concerns about the appropriateness and risk of exposure for OEFC, which I think has merit in pointing out. The OFA facilities make more sense to include FHP permitted liens which are more closely connected to FHP (although the 475m, now that is it reduced, is not being used for FHP purposes). He also mentioned the ability of the OFA to 'write off' loans (such as GM), which frankly I am not familiar with, since I was in Derivatives land at the time. OEFC may have a different risk/recourse profile, so that should be considered.

Once JF provides his comments, we can all discuss. All this being said, given the broader political initiative of carrying out the FHP and IESO's role in it, the OFA may be required to insert the changes in the OEFC agreements, but at least the risks will have been pointed out.

Sarah

From: Gavin He
Sent: Thursday, November 16, 2017 8:21 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi all,

We have confirmed with the IESO that the reason for their requested change to the definition of the "permitted liens" in the OEFC credit facility agreements are the same for the request to OFA. The IESO wants to be able to grant security to the OPG Trust, and address the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

We have drafted the attached BN for internal approval (Ron and Gadi) process. Could you please

review and let us know if you have any concerns? It would be much appreciated if you could provide us your feedback around noon today, given the limited timeframe on this request.

This has been reviewed by Legal last night and I have incorporated the feedback from Sarah N. (in Lisa's absence).

Please let me know if you have any questions.

Thanks,
Gavin He

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Wednesday, November 15, 2017 6:49 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>
Subject: IESO - OEFC credit facilities : permitted liens

John,

As discussed yesterday, it likely is best to add to the definition of "Permitted Liens" in the two OEFC facilities to address a) IESO granting security to the OPG Trust during the first 4 years of fair hydro program and b) the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

Happy to discuss further. I am out of the office most of this week on IESO business matters but available by cell 289-795-9426, or if necessary you may connect with Victor.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

From:	Jean-Francois Beaupre
To:	Sarah Harris
Cc:	Opal Kandelas
Subject:	RE: IESO - OEFC credit facilities : permitted liens
Date:	Thursday, November 16, 2017 10:15:39 AM
Attachments:	GA funding.pptx IESO-OEFC - FHP LoC_Nov 2017_v7.docx

Couple questions:

- Kelly prepared this PowerPoint apparently
- There is no direct link between OEFC and IESO
- Assuming this chart is accurate, how does the $2B OFA-IESO credit facility fit into this?
- How do the other remaining $475M OFA-IESO facility and the OEFC-IESO agreements fit into this puzzle?

This is the type of diagram we should get from Corporate Electricity.

JF

From: Sarah Harris
Sent: Thursday, November 16, 2017 9:55 AM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Subject: FW: IESO - OEFC credit facilities : permitted liens
Importance: High

Opal and JF,

Are you available for quick call – just the three of us?

Thanks,
Sarah

From: Gavin He
Sent: Thursday, November 16, 2017 9:53 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi Sarah,

For the interest of time and also suggested by Sarah N., I am going to ask IESO to start working on a draft amendment and then share with us. Is it okay if I tell them that your team and Legal will be the lead contacts for updating the agreements?

Thanks,
Gavin He

From: Gavin He
Sent: Thursday, November 16, 2017 8:21 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi all,

We have confirmed with the IESO that the reason for their requested change to the definition of the "permitted liens" in the OEFC credit facility agreements are the same for the request to OFA. The IESO wants to be able to grant security to the OPG Trust, and address the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

We have drafted the attached BN for internal approval (Ron and Gadi) process. Could you please review and let us know if you have any concerns? It would be much appreciated if you could provide us your feedback around noon today, given the limited timeframe on this request.

This has been reviewed by Legal last night and I have incorporated the feedback from Sarah N. (in Lisa's absence).

Please let me know if you have any questions.

Thanks,
Gavin He

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Wednesday, November 15, 2017 6:49 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>
Subject: IESO - OEFC credit facilities : permitted liens

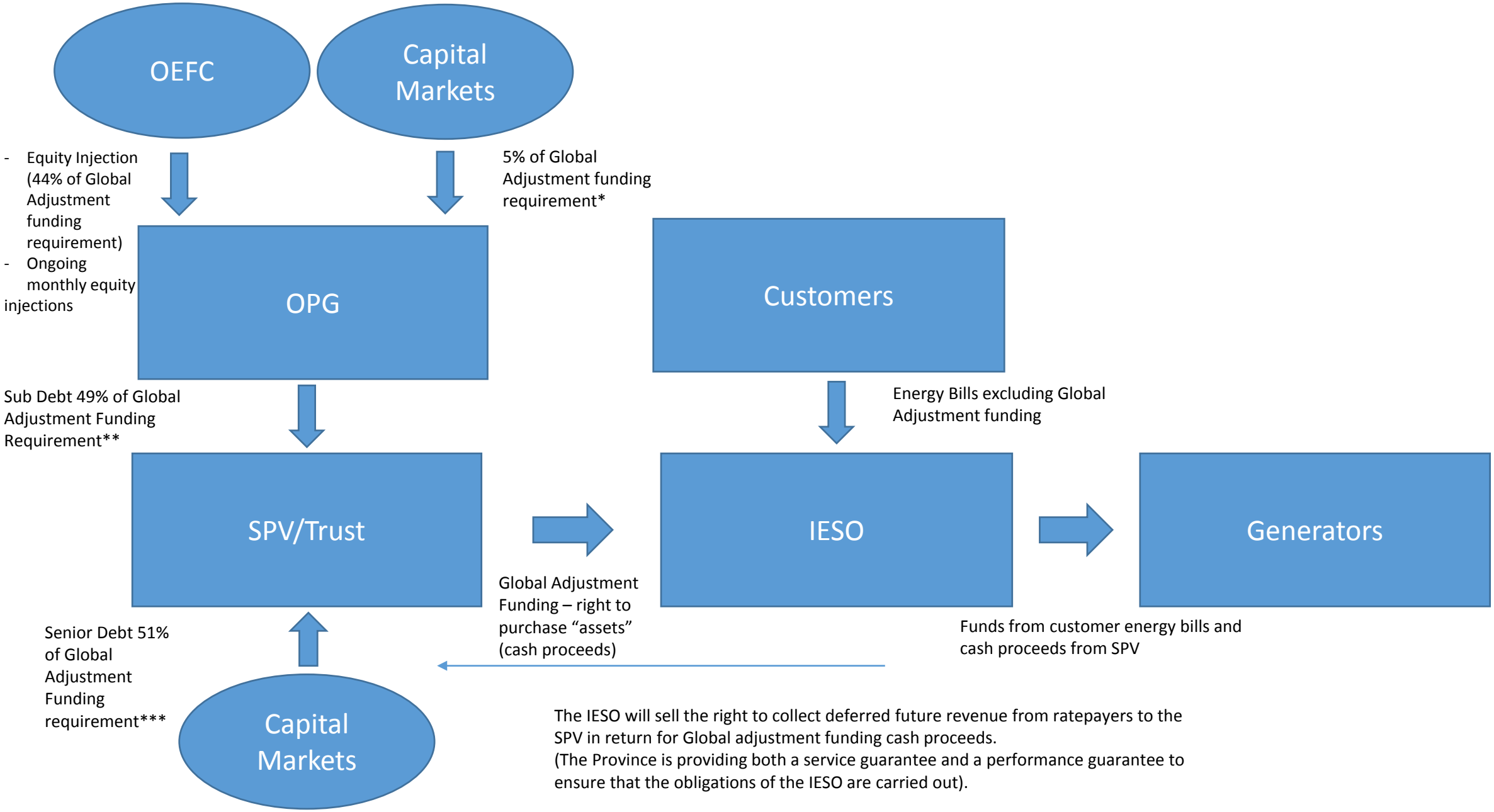
John,

As discussed yesterday, it likely is best to add to the definition of "Permitted Liens" in the two OEFC facilities to address a) IESO granting security to the OPG Trust during the first 4 years of fair hydro program and b) the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

Happy to discuss further. I am out of the office most of this week on IESO business matters but available by cell 289-795-9426, or if necessary you may connect with Victor.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.



The IESO will sell the right to collect deferred future revenue from ratepayers to the SPV in return for Global adjustment funding cash proceeds.
(The Province is providing both a service guarantee and a performance guarantee to ensure that the obligations of the IESO are carried out).

Notes:

* Tranche C sub debt from OPG via Capital Markets 5%

** Tranche B sub debt from OPG via OEFC 39% + Tranche C sub debt from OPG via OEFC 5%

*** Tranche A senior debt from Capital Markets 51%

The SPV structure is used to accomplish the following:

- SPV holds the right to charge customers for the benefit of debt holders;
- Allows the financing vehicle to be separated from OPG as an SPV structure is set up as generally single purpose entities with no other operations that could add risk to the SPV, dilute debt holder rights, allow parties from other operations to claim rights to the future recovery from customers or allow these other parties to initiate bankruptcy proceedings;
- Enables SPV to potentially get a higher credit rating than OPG;
- Supports consolidation with OPG provided accounting requirements arc satisfied;

This approach supports a number of objectives of the Global Adjustment Recovery Right:

- 51% external senior debt supports separation of the SPV from the Province
- 5% junior subordinated debt establishes OPG's "at risk" equity which supports separation of the SPV from the Province
- Subordinated debt provides flexibility to the financing structure and additional credit support to external debt holders
- Subordinated debt sourced from OPG (mainly funded by equity injection from the Province) minimizes impact on OPG credit metrics reducing risk of an OPG rating downgrade that could result in the SPV being consolidated directly with the Province as the SPY would be considered an arm of the Province.

Potential Documents For Documentation Review (where OEFC or OFA or Province are a party):

OEFC – OPG equity master subscription agreement term sheet (June)

Provincial service and performance guarantees re IESO

IESO needs a backstop credit facility in the event the SPV does not, or cannot, purchase “assets” from IESO (right to collect electricity bill payments).

Other documents look to me to be “indirect”, but we may be asked to comment on sub debt docs and the like (but the parties are the SPV and the bond market).

OEFC -- IESO CREDIT FACILITY AGREEMENT & THE PERMITTED LIENS

ISSUE

The Independent Electricity System Operator ("IESO") has requested OEFC to amend the existing credit facility agreements between OEFC and IESO (for $160M and $120M) to address the additional obligations the IESO is taking on under Ontario's Fair Hydro Plan.

CONTEXT

The Fair Hydro Plan will require the IESO and Ontario Power Generation (OPG) to work together to spread out the costs of Ontario's clean energy investments over a longer period of time, which ensures that the costs of these investments are allocated fairly among current and future ratepayers. This is being accomplished through refinancing a portion of the Global Adjustment (GA). The IESO and OPG are in a discussion to potentially grant the security/priority on IESO's assets to the OPG Trust for the period of the first four years of the GA deferral. The IESO will seek its Board approval on Nov 22, 2017 for the security agreement and this would be in conflict with OEFC's $160M and $120M credit facility agreements (the "OEFC Agreements") with the IESO without the requested amendments. Paragraph 4.7 – Negative Pledges – in both OEFC credit facility agreements does not allow IESO to grant such security/priority to the OPG Trust.

In order to address this issue, the IESO has requested OEFC to amend the definition of the "permitted liens" in both existing OEFC Agreements to include any liens related to the Fair Hydro Plan (FHP). Specifically, adding a clause in the existing OEFC Agreements that any lien related to OFHP will not be viewed as negative pledge by OEFC, so those liens can be used to secure the performance of IESO's obligations towards OPG. This would allow IESO to grant security to the OPG Trust during the first 4 years of implementing the GA deferral and also avoid the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want inadvertently to be in default.

To support IESO's role in the implementation and participation under the *Ontario Fair Hydro Plan Act, 2017* ("OFHP Act") in July 2017, the IESO had reached out to the Capital Market Division – Operations of the OFA to make the same request to the credit facility agreements with OFA in October. The OFA staff have recommended providing the requested amendments and amended the $475M and $2B credit facility agreements between OFA and the IESO on November 6th, 2017 (the "OFA Agreements"), as suggested by the IESO. One of the amendments to the agreement is to amend the definition of the permitted liens to include any lien arising from the IESO's role and obligations under the OFHP.

RECOMMENDATION

- To support IESO's role in the implementation and participation under the OFHP Act and also to be consistent with the approach OFA implemented , OFA staff are of the view that the exisiting OEFC Agreements require amendments to the permitted liens and negative covenant language to make it the same as, or very similar to, the language in the OFA Agreements that were signed recently.
- Although the OEFC credit facility is not used for OFHP's purpose, it is IESO's position that it wants to make such change to the definition of the permitted liens to make sure that the IESO is not inadvertently in default of its security obligations to OPG Trust ~~is still required in order for IESO to~~and meets its role and obligation under the OFHP Act.

BACKGROUND

- Currently, under the existing credit facility agreement between OEFC and the IESO, the definition of the "permitted liens" does not include any lien arising from the IESO's role and obligations under the OFHP, including with respect to any amount received or receivable by the IESO (such as, without limitation,

Commented [JB1]:
If the existing agreements between OEFC and IESO will not be used for OFHP purposes, why do these agreements need to be amended?

Commented [JB2]:
Does the GA relate to the OFHP and if so, how? How is the GA related to OEFC?

Commented [JB3]:
What are the risks, if any, of OEFC granting IESO priority to OPG Trust?

Commented [JB4]:
Why 4 years and when will Clean Energy Adjustment funds be collected by IESO. I require a better understanding of how the GA, Clean Energy Adjustment Funds and OPG Trust fit together?

Commented [JB5]:
Seeing how draws for FHP purposes will only made from the OFA-IESO $2B credit facility agreement, why was the definition of 'permitted liens" amended in the $475M agreement (previously $975M) and what was the rationale for this in the $475M agreement?

NTD: I have no concerns with the reduction from $975M to $475M but do not understand the reason for amending the definition of 'permitted liens' in the $475M agreement.

Commented [JB6]:
It is not clear why OFA staff is of this view other than making the language consistent across all agreements.

Should these agreements not be examined on a case-by-case basis to determine what they are being used for and only those agreements which pertain to OFHP obligations should allow liens under OFHP obligations?

Commented [JB7]:
If the funds from the OEFC-IESO credit facility agreements will not be used for OFHP purposes, I am not clear on the reason for requesting this change since OPG Trust would then have a primary claim on any Clean Energy Adjustment
funds collected by IESO.

How would funds collected from the Clean Energy Adjustment affect OEF and IESO's obligations to repay OEFC?

We need to ensure that we are not amending agreement just because IESO is asking us to and understand the potential implications of making these changes.

amounts received or receivable in respect of the Clean Energy Adjustment), or any other lien, whether arising from the action or inaction of IESO, that is created in connection with the OFHP.

- On November 6, 2017, OFA and IESO signed an updated OFA IESO credit facility agreement with respect to changes related to OFHP.

Electricity Finance Branch / Corporate and Electricity Finance Division / Ontario Financing Authority
November 15, 2017

From: Jean-Francois Beaupre
To: Opal Kandelas
Cc: Sarah Harris; Ryan Blackbyrne
Subject: RE: IESO - OEFC credit facilities : permitted liens
Date: Monday, November 20, 2017 2:38:57 PM
Attachments: IESO-OEFC Note_v3Clean_Markup.docx

Hi Opal and Sarah,

Please find attached my comments for your review and consideration.

Basically, what I am hearing from CEFD so far is: "the OFA-IESO agreements were done this way, so we should do the same for OEFC to remain consistent" which is not a very convincing argument in my opinion – specially considering the $475M agreement may have been amended without much consideration.

Also, the comment to the effect that "IESO is asking for this to avoid being in default" requires further clarifications in my view – in default in relation to whom? If the OEFC-IESO agreements are not related to FHP, I don't think that IESO having 'permitted liens' for FHP purposes in other OFA credit facility agreements would create a default situation unless the funds from the OEFC agreements somehow end up in this liens?

Thanks,
J-F

From: Opal Kandelas
Sent: Monday, November 20, 2017 2:19 PM
To: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi, attached is the amended note. I made a few further comments/edits, that I thought were absolutely necessary. Please review and send back comments to me directly.

Thanks,
Opal

From: Jean-Francois Beaupre
Sent: Monday, November 20, 2017 2:07 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Thanks, Sarah and I were just discussing this now and I recalled that you are meeting Mike tomorrow.

From: Opal Kandelas
Sent: Monday, November 20, 2017 2:07 PM
To: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

About to send you a revised note…

From: Jean-Francois Beaupre
Sent: Monday, November 20, 2017 2:06 PM
To: Lisa Stein <Lisa.Stein@ofina.on.ca>
Cc: John Kim <John.Kim@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi Lisa,

The decision to amend the IESO-OEFC agreements for permitted liens is still being determined by Gadi/Ron/Mike. As such, we won't ask IESO for draft amendments until such time as that decision has been made.

Regards,
J-F

From: Lisa Stein
Sent: Monday, November 20, 2017 1:55 PM
To: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: John Kim <John.Kim@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Thank you for the update. Have we received proposed amendments from IESO?

From: Jean-Francois Beaupre
Sent: Monday, November 20, 2017 10:58 AM
To: Lisa Stein <Lisa.Stein@ofina.on.ca>
Cc: John Kim <John.Kim@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi Lisa,

John and Opal discussed this matter and I think John was working on a revised briefing note.

Kind regards,
J-F

From: Lisa Stein
Sent: Monday, November 20, 2017 10:51 AM
To: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: John Kim <John.Kim@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi J-F,

Can you please update me on the status of this file?

Thank you,

Lisa

From: Jean-Francois Beaupre
Sent: Thursday, November 16, 2017 1:52 PM
To: John Kim <John.Kim@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi John,

We have an internal discussion earlier this morning which Mike attended. The comments provided were approved by Sarah and Opal.

Regards,
J-F

From: John Kim
Sent: Thursday, November 16, 2017 1:49 PM
To: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi Jean-Francois,

You had comments in the draft with questions and concerns expressed. Are these approved by Sarah and Opal or comments at your level?

Given that we are under a tight timeline, it would be helpful if we can have a discussion today.

Mike is in the loop on the FHP discussion. Could your group check with him on his views beforehand too?

John

From: Jean-Francois Beaupre
Sent: Thursday, November 16, 2017 1:42 PM
To: Gavin He <Gavin.He@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi Gavin,

I discussed your request for me to come down to the 3rd floor for a quick chat with you and John with Opal.

At this time, our preference would be to obtain clarifications from CEFD and/or IESO in response to the comments we raised so that we may gain a better understanding of the potential implications for OEFC. Opal suggested that we could have a call or meeting tomorrow if you think that would be helpful?

Kind regards,
J-F

From: Jean-Francois Beaupre
Sent: Thursday, November 16, 2017 12:25 PM
To: Gavin He <Gavin.He@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Dear Gavin,

Please find attached our consolidated comments on the draft note.

We are happy to discuss further as always.

Thanks,
J-F

From: Gavin He
Sent: Thursday, November 16, 2017 8:21 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi all,

We have confirmed with the IESO that the reason for their requested change to the definition of the "permitted liens" in the OEFC credit facility agreements are the same for the request to OFA. The IESO wants to be able to grant security to the OPG Trust, and address the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

We have drafted the attached BN for internal approval (Ron and Gadi) process. Could you please review and let us know if you have any concerns? It would be much appreciated if you could provide us your feedback around noon today, given the limited timeframe on this request.

This has been reviewed by Legal last night and I have incorporated the feedback from Sarah N. (in Lisa's absence).

Please let me know if you have any questions.

Thanks,
Gavin He

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Wednesday, November 15, 2017 6:49 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>
Subject: IESO - OEFC credit facilities : permitted liens

John,

As discussed yesterday, it likely is best to add to the definition of "Permitted Liens" in the two OEFC facilities to address a) IESO granting security to the OPG Trust during the first 4 years of fair hydro program and b) the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

Happy to discuss further. I am out of the office most of this week on IESO business matters but available by cell 289-795-9426, or if necessary you may connect with Victor.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

OEFC -- IESO CREDIT FACILITY AGREEMENT & THE PERMITTED LIENS

ISSUE

The Independent Electricity System Operator ("IESO") has requested that OEFC amend the existing credit facility agreements between OEFC and IESO (for $160M and $120M) to address the additional obligations IESO is taking on under Ontario's Fair Hydro Plan. IESO has indicated that OEFC credit facilities will not be used for Ontario Fair Hydro Plan (FHP) purposes.

CONTEXT - IESO'S REQUEST

- The FHP requires the IESO and Ontario Power Generation (OPG) to work together to refinance Ontario's clean energy investments over a longer period of time. IESO and OPG are in a discussion to grant a security/priority interest on IESO's assets to OPG Trust for the period of the first 4 years of the GA deferral.

- The IESO is planning to seek its Board's approval on Nov 22, 2017 to enter into a ~~for the~~ security agreement with OPG Trust. The security agreement is currently in draft form. Without amending the existing OEFC $160M and $120M credit facility agreements (the "OEFC Agreements"), IESO could potentially be considered to be in default of the terms of the security agreement~~s~~. IESO staff wrote:

  > *"…it likely is best to add to the definition of "Permitted Liens" in the two OEFC facilities to address a) IESO granting security to the OPG Trust during the first 4 years of fair hydro program and b) the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default."*

- In order to address this issue, the IESO has requested to amend the definition of the "permitted liens" in both existing OEFC Agreements to include any liens related to the FHP. Specifically, adding a clause in the existing OEFC Agreements that any lien related to OFHP will not be viewed as negative pledge by OEFC, so those liens can be used to secure the performance of IESO's obligations to OPG under the FHP. This would allow IESO to grant security to the OPG Trust during the first 4 years of implementing the GA deferral and also avoid ~~of~~ breaching the terms of existing agreements.

- To support IESO's role in the implementation and participation under the Ontario Fair Hydro Plan Act, 2017 ("OFHP Act"), in July 2017~~,~~ the IESO had requested that the OFA ~~to~~ make ~~the same~~similar ~~request~~ changes to the credit facility agreements with OFA in October.
  - On November 6, 2017, the OFA amended the $475M facility to amend the definition of ~~the~~ "permitted liens" and also included same for the new $2B credit facility agreement between OFA and the IESO , as requested by the IESO.

CONSIDERATIONS

- OFA'S Capital Markets – Operations staff have commented that the legislation governing OEFC, the *Electricity Act, 1998*, may provide differing context from the OFA's objects and mandate under the *Capital Investment Plan Act, 1993*. [This was a bullet suggested by CMD – Operations.]

- With the proposed new security agreement between OPG Trust and IESO, OPG Trust would have a priority claim against potentially the Clean Energy Adjustment funds collected by or flowing~~n~~ through the IESO, the OEFC could find itself unable to collect payments due from the IESO. The likelihood of this scenario could be assessed as low and IESO is an agency of the government consolidated line-by-line in the Province's accounts. [This was a bullet inserted by CMD – Operations.]

Commented [JB1]: Please explain why this may be the case from a legal perspective. We are not certain that pleasing the 'investment community' would be a satisfactory explanation and so far this is only based on IESO's request.

Commented [JB2]: Repetive suggested deleting.

Commented [JB3]: This may not have been necessary and we should consider this.

Commented [JK4]: Unless Documentation can provide specific differences that are significant, I suggest we delete.

Commented [OK5R4]: The fact that OFA's objects/mandate are detailed under CIPA is a distinct differentiation from OEFC. This is only relevant as it goes to the reach of OFA. Not fussed if you wish to delete.

- The OFA agreed to IESO's requested changes to ~~included the requested changes in~~ the OFA credit facilities, thereby providing a precedent ~~of having considered the~~ for considering similar changes for ~~/~~inclusion into other agreements with IESO. ~~of the same request.~~ Treating the current request differently by seeking either a Minister's directive or not granting the IESO its request would mean having to take steps on the OFA credit facilities, which were ~~either signed~~ recently ~~or~~ amended ~~recently~~.

RECOMMENDATIONS

- In order to support IESO's request and remain consistent with the language recently incorporated in existing IESO-OFA agreements, OFA staff are of the view that the exisiting OEFC Agreements can be amended to include liens related to FHP under the definition of the "permitted liens". [TBD]

BACKGROUND

- In order to support IESO's role with the implementation of the OFHP Act, OFA staff made similar changes to the definition of 'permitted liens" in existing OFA-IESO credit facility agreements on November 6, 2017.

- Currently, under the existing credit facility agreements between OEFC and the IESO, the definition of "permitted liens" does not include any lien arising from the IESO's role and obligations under the OFHP, including with respect to any amount received or receivable by the IESO (such as, without limitation, amounts received or receivable in respect of the Clean Energy Adjustment), or any other lien, whether arising from the action or inaction of IESO, that is created in connection with the OFHP.

Electricity Finance Branch / Corporate and Electricity Finance Division [&
Capital Markets Operations, Capital Markets Division]
Ontario Financing Authority
November ~~15~~20, 2017

Commented [OK6]: The OFA and OEFC are different corporate entities, so treatment of each may be different depending on the circumstances, even when dealing with the same borrower.

Commented [OK7]: The OFA credit facility was provided pursuant to the minister's directive, so seeking a minister's directive wrt OEFC would be consistent with how OFA was treated. Not suggesting this is necessary.

Commented [JB8]: If the $475M credit facility agreement was amended as an oversight, then we should not necessarily rely on precedent, specially considering the OEFC has less flexibility than OFA in its lending guidelines in my opinion.

Commented [JB9]: I do not necessarily agree on this point.

Commented [JB10]: Repetitive.

Commented [JK11]: There have been some changes since last week so put CMD – Operations in square brackets.

From:	Opal Kandelas
To:	Sarah Harris; Jean-Francois Beaupre
Subject:	RE: IESO - OEFC credit facilities : permitted liens
Date:	Thursday, November 16, 2017 10:12:26 AM

Hi , sorry, haven't looked at the note as yet, but I can do a quick call.

From: Sarah Harris
Sent: Thursday, November 16, 2017 9:55 AM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Subject: FW: IESO - OEFC credit facilities : permitted liens
Importance: High

Opal and JF,

Are you available for quick call – just the three of us?

Thanks,
Sarah

From: Gavin He
Sent: Thursday, November 16, 2017 9:53 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi Sarah,

For the interest of time and also suggested by Sarah N., I am going to ask IESO to start working on a draft amendment and then share with us. Is it okay if I tell them that your team and Legal will be the lead contacts for updating the agreements?

Thanks,
Gavin He

From: Gavin He
Sent: Thursday, November 16, 2017 8:21 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi all,

We have confirmed with the IESO that the reason for their requested change to the definition of the "permitted liens" in the OEFC credit facility agreements are the same for the request to OFA. The IESO wants to be able to grant security to the OPG Trust, and address the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

We have drafted the attached BN for internal approval (Ron and Gadi) process. Could you please review and let us know if you have any concerns? It would be much appreciated if you could provide us your feedback around noon today, given the limited timeframe on this request.

This has been reviewed by Legal last night and I have incorporated the feedback from Sarah N. (in Lisa's absence).

Please let me know if you have any questions.

Thanks,
Gavin He

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Wednesday, November 15, 2017 6:49 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>
Subject: IESO - OEFC credit facilities : permitted liens

John,

As discussed yesterday, it likely is best to add to the definition of "Permitted Liens" in the two OEFC facilities to address a) IESO granting security to the OPG Trust during the first 4 years of fair hydro program and b) the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

Happy to discuss further. I am out of the office most of this week on IESO business matters but available by cell 289-795-9426, or if necessary you may connect with Victor.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

From:	Jean-Francois Beaupre
To:	Lisa Stein
Cc:	John Kim; Sarah Harris; Opal Kandelas; Gavin He; Ryan Blackbyrne
Subject:	RE: IESO - OEFC credit facilities : permitted liens
Date:	Monday, November 20, 2017 2:20:26 PM

Yes, the language would be similar to the OFA-IESO agreements. CEFD is working on a revised briefing note and I would advise waiting on amending the agreements until we have a final version of the note to make sure everyone agrees.

Thanks,
J-F

From: Lisa Stein
Sent: Monday, November 20, 2017 2:15 PM
To: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: John Kim <John.Kim@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

I assume that the language would be similar to the FHP agreement. However, would it be helpful for Gadi/Ron/Mike to see the language of the proposed amendments in order to inform their decision?

Lisa

From: Jean-Francois Beaupre
Sent: Monday, November 20, 2017 2:06 PM
To: Lisa Stein <Lisa.Stein@ofina.on.ca>
Cc: John Kim <John.Kim@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi Lisa,

The decision to amend the IESO-OEFC agreements for permitted liens is still being determined by Gadi/Ron/Mike. As such, we won't ask IESO for draft amendments until such time as that decision has been made.

Regards,
J-F

From: Lisa Stein
Sent: Monday, November 20, 2017 1:55 PM
To: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: John Kim <John.Kim@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Opal Kandelas

<Opal.Kandelas@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Thank you for the update. Have we received proposed amendments from IESO?

From: Jean-Francois Beaupre
Sent: Monday, November 20, 2017 10:58 AM
To: Lisa Stein <Lisa.Stein@ofina.on.ca>
Cc: John Kim <John.Kim@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi Lisa,

John and Opal discussed this matter and I think John was working on a revised briefing note.

Kind regards,
J-F

From: Lisa Stein
Sent: Monday, November 20, 2017 10:51 AM
To: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: John Kim <John.Kim@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi J-F,

Can you please update me on the status of this file?

Thank you,

Lisa

From: Jean-Francois Beaupre
Sent: Thursday, November 16, 2017 1:52 PM
To: John Kim <John.Kim@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi John,

We have an internal discussion earlier this morning which Mike attended. The comments provided

were approved by Sarah and Opal.

Regards,
J-F

From: John Kim
Sent: Thursday, November 16, 2017 1:49 PM
To: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi Jean-Francois,

You had comments in the draft with questions and concerns expressed. Are these approved by Sarah and Opal or comments at your level?

Given that we are under a tight timeline, it would be helpful if we can have a discussion today.

Mike is in the loop on the FHP discussion. Could your group check with him on his views beforehand too?

John

From: Jean-Francois Beaupre
Sent: Thursday, November 16, 2017 1:42 PM
To: Gavin He <Gavin.He@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi Gavin,

I discussed your request for me to come down to the 3rd floor for a quick chat with you and John with Opal.

At this time, our preference would be to obtain clarifications from CEFD and/or IESO in response to the comments we raised so that we may gain a better understanding of the potential implications for OEFC. Opal suggested that we could have a call or meeting tomorrow if you think that would be helpful?

Kind regards,

J-F

From: Jean-Francois Beaupre
Sent: Thursday, November 16, 2017 12:25 PM
To: Gavin He <Gavin.He@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Dear Gavin,

Please find attached our consolidated comments on the draft note.

We are happy to discuss further as always.

Thanks,
J-F

From: Gavin He
Sent: Thursday, November 16, 2017 8:21 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi all,

We have confirmed with the IESO that the reason for their requested change to the definition of the "permitted liens" in the OEFC credit facility agreements are the same for the request to OFA. The IESO wants to be able to grant security to the OPG Trust, and address the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

We have drafted the attached BN for internal approval (Ron and Gadi) process. Could you please review and let us know if you have any concerns? It would be much appreciated if you could provide us your feedback around noon today, given the limited timeframe on this request.

This has been reviewed by Legal last night and I have incorporated the feedback from Sarah N. (in Lisa's absence).

Please let me know if you have any questions.

Thanks,

Gavin He

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Wednesday, November 15, 2017 6:49 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>
Subject: IESO - OEFC credit facilities : permitted liens

John,

As discussed yesterday, it likely is best to add to the definition of "Permitted Liens" in the two OEFC facilities to address a) IESO granting security to the OPG Trust during the first 4 years of fair hydro program and b) the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

Happy to discuss further. I am out of the office most of this week on IESO business matters but available by cell 289-795-9426, or if necessary you may connect with Victor.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

From:	Opal Kandelas
To:	Jean-Francois Beaupre
Cc:	Sarah Harris; Ryan Blackbyrne
Subject:	RE: IESO - OEFC credit facilities : permitted liens
Date:	Monday, November 20, 2017 2:18:49 PM
Attachments:	IESO-OEFC Note_v3Clean_Markup.docx

Hi, attached is the amended note. I made a few further comments/edits, that I thought were absolutely necessary. Please review and send back comments to me directly.

Thanks,
Opal

From: Jean-Francois Beaupre
Sent: Monday, November 20, 2017 2:07 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Thanks, Sarah and I were just discussing this now and I recalled that you are meeting Mike tomorrow.

From: Opal Kandelas
Sent: Monday, November 20, 2017 2:07 PM
To: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

About to send you a revised note…

From: Jean-Francois Beaupre
Sent: Monday, November 20, 2017 2:06 PM
To: Lisa Stein <Lisa.Stein@ofina.on.ca>
Cc: John Kim <John.Kim@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi Lisa,

The decision to amend the IESO-OEFC agreements for permitted liens is still being determined by Gadi/Ron/Mike. As such, we won't ask IESO for draft amendments until such time as that decision has been made.

Regards,
J-F

From: Lisa Stein
Sent: Monday, November 20, 2017 1:55 PM
To: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: John Kim <John.Kim@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Thank you for the update. Have we received proposed amendments from IESO?

From: Jean-Francois Beaupre
Sent: Monday, November 20, 2017 10:58 AM
To: Lisa Stein <Lisa.Stein@ofina.on.ca>
Cc: John Kim <John.Kim@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi Lisa,

John and Opal discussed this matter and I think John was working on a revised briefing note.

Kind regards,
J-F

From: Lisa Stein
Sent: Monday, November 20, 2017 10:51 AM
To: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: John Kim <John.Kim@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi J-F,

Can you please update me on the status of this file?

Thank you,

Lisa

From: Jean-Francois Beaupre
Sent: Thursday, November 16, 2017 1:52 PM
To: John Kim <John.Kim@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>

Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi John,

We have an internal discussion earlier this morning which Mike attended. The comments provided were approved by Sarah and Opal.

Regards,
J-F

From: John Kim
Sent: Thursday, November 16, 2017 1:49 PM
To: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi Jean-Francois,

You had comments in the draft with questions and concerns expressed. Are these approved by Sarah and Opal or comments at your level?

Given that we are under a tight timeline, it would be helpful if we can have a discussion today.

Mike is in the loop on the FHP discussion. Could your group check with him on his views beforehand too?

John

From: Jean-Francois Beaupre
Sent: Thursday, November 16, 2017 1:42 PM
To: Gavin He <Gavin.He@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi Gavin,

I discussed your request for me to come down to the 3rd floor for a quick chat with you and John with Opal.

At this time, our preference would be to obtain clarifications from CEFD and/or IESO in response to the comments we raised so that we may gain a better understanding of the potential implications

for OEFC. Opal suggested that we could have a call or meeting tomorrow if you think that would be helpful?

Kind regards,
J-F

From: Jean-Francois Beaupre
Sent: Thursday, November 16, 2017 12:25 PM
To: Gavin He <Gavin.He@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Dear Gavin,

Please find attached our consolidated comments on the draft note.

We are happy to discuss further as always.

Thanks,
J-F

From: Gavin He
Sent: Thursday, November 16, 2017 8:21 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi all,

We have confirmed with the IESO that the reason for their requested change to the definition of the "permitted liens" in the OEFC credit facility agreements are the same for the request to OFA. The IESO wants to be able to grant security to the OPG Trust, and address the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

We have drafted the attached BN for internal approval (Ron and Gadi) process. Could you please review and let us know if you have any concerns? It would be much appreciated if you could provide us your feedback around noon today, given the limited timeframe on this request.

This has been reviewed by Legal last night and I have incorporated the feedback from Sarah N. (in Lisa's absence).

Please let me know if you have any questions.

Thanks,
Gavin He

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Wednesday, November 15, 2017 6:49 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>
Subject: IESO - OEFC credit facilities : permitted liens

John,

As discussed yesterday, it likely is best to add to the definition of "Permitted Liens" in the two OEFC facilities to address a) IESO granting security to the OPG Trust during the first 4 years of fair hydro program and b) the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

Happy to discuss further. I am out of the office most of this week on IESO business matters but available by cell 289-795-9426, or if necessary you may connect with Victor.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

OEFC -- IESO CREDIT FACILITY AGREEMENT & THE PERMITTED LIENS

ISSUE

The Independent Electricity System Operator ("IESO") has requested that OEFC amend the existing credit facility agreements between OEFC and IESO (for $160M and $120M) to address the additional obligations IESO is taking on under Ontario's Fair Hydro Plan. IESO has indicated that OEFC credit facilities will not be used for Ontario Fair Hydro Plan (FHP) purposes.

CONTEXT - IESO'S REQUEST

- The FHP requires the IESO and Ontario Power Generation (OPG) to work together to refinance Ontario's clean energy investments over a longer period of time. IESO and OPG are in a discussion to grant a security/priority interest on IESO's assets to OPG Trust for the period of the first 4 years of the GA deferral.

- The IESO is planning to seek its Board's approval on Nov 22, 2017 to enter into a ~~for the~~ security agreement with OPG Trust. The security agreement is currently in draft form. Without amending the existing OEFC $160M and $120M credit facility agreements (the "OEFC Agreements"), IESO could potentially be considered to be in default of the terms of the security agreement~~s~~. IESO staff wrote:

  > *"…it likely is best to add to the definition of "Permitted Liens" in the two OEFC facilities to address a) IESO granting security to the OPG Trust during the first 4 years of fair hydro program and b) the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default."*

- In order to address this issue, the IESO has requested to amend the definition of the "permitted liens" in both existing OEFC Agreements to include any liens related to the FHP. Specifically, adding a clause in the existing OEFC Agreements that any lien related to OFHP will not be viewed as negative pledge by OEFC, so those liens can be used to secure the performance of IESO's obligations to OPG under the FHP. This would allow IESO to grant security to the OPG Trust during the first 4 years of implementing the GA deferral and also avoid ~~of~~ breaching the terms of existing agreements.

- To support IESO's role in the implementation and participation under the Ontario Fair Hydro Plan Act, 2017 ("OFHP Act"), in July 2017~~,~~ the IESO had requested that the OFA ~~to~~ make ~~the same~~similar ~~request~~ changes to the credit facility agreements with OFA in October.
  - On November 6, 2017, the OFA amended the $475M facility to amend the definition of ~~the~~ "permitted liens" and also included same for the new $2B credit facility agreement between OFA and the IESO , as requested by the IESO.

CONSIDERATIONS

- OFA'S Capital Markets – Operations staff have commented that the legislation governing OEFC, the *Electricity Act, 1998*, may provide differing context from the OFA's objects and mandate under the *Capital Investment Plan Act, 1993*. [This was a bullet suggested by CMD – Operations.]

- With the proposed new security agreement between OPG Trust and IESO, OPG Trust would have a priority claim against potentially the Clean Energy Adjustment funds collected by or flowing~~n~~ through the IESO, the OEFC could find itself unable to collect payments due from the IESO. The likelihood of this scenario could be assessed as low and IESO is an agency of the government consolidated line-by-line in the Province's accounts. [This was a bullet inserted by CMD – Operations.]

Commented [JK1]: Unless Documentation can provide specific differences that are significant, I suggest we delete.

Commented [OK2R1]: The fact that OFA's objects/mandate are detailed under CIPA is a distinct differentiation from OEFC. This is only relevant as it goes to the reach of OFA. Not fussed if you wish to delete.

- The OFA agreed to IESO's requested changes to ~~included the requested changes in~~ the OFA credit facilities, thereby providing a precedent ~~of having considered the~~ for considering similar changes for ~~/~~inclusion into other agreements with IESO. ~~of the same request.~~ Treating the current request differently by seeking either a Minister's directive or not granting the IESO its request would mean having to take steps on the OFA credit facilities, which were ~~either signed~~ recently ~~or~~ amended ~~recently~~.

Commented [OK3]: The OFA and OEFC are different corporate entities, so treatment of each may be different depending on the circumstances, even when dealing with the same borrower.

Commented [OK4]: The OFA credit facility was provided pursuant to the minister's directive, so seeking a minister's directive wrt OEFC would be consistent with how OFA was treated. Not suggesting this is necessary.

RECOMMENDATIONS

- In order to support IESO's request and remain consistent with the language recently incorporated in existing IESO-OFA agreements, OFA staff are of the view that the exisiting OEFC Agreements can be amended to include liens related to FHP under the definition of the "permitted liens". [TBD]

BACKGROUND

- In order to support IESO's role with the implementation of the OFHP Act, OFA staff made similar changes to the definition of 'permitted liens" in existing OFA-IESO credit facility agreements on November 6, 2017.

- Currently, under the existing credit facility agreements between OEFC and the IESO, the definition of "permitted liens" does not include any lien arising from the IESO's role and obligations under the OFHP, including with respect to any amount received or receivable by the IESO (such as, without limitation, amounts received or receivable in respect of the Clean Energy Adjustment), or any other lien, whether arising from the action or inaction of IESO, that is created in connection with the OFHP.

Electricity Finance Branch / Corporate and Electricity Finance Division [& Capital Markets Operations, Capital Markets Division]
Ontario Financing Authority
November ~~15~~20, 2017

Commented [JK5]: There have been some changes since last week so put CMD – Operations in square brackets.

From:	Lisa Stein
To:	Jean-Francois Beaupre
Cc:	John Kim; Sarah Harris; Opal Kandelas; Gavin He; Ryan Blackbyrne
Subject:	RE: IESO - OEFC credit facilities : permitted liens
Date:	Monday, November 20, 2017 2:15:22 PM

I assume that the language would be similar to the FHP agreement. However, would it be helpful for Gadi/Ron/Mike to see the language of the proposed amendments in order to inform their decision?

Lisa

From: Jean-Francois Beaupre
Sent: Monday, November 20, 2017 2:06 PM
To: Lisa Stein <Lisa.Stein@ofina.on.ca>
Cc: John Kim <John.Kim@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi Lisa,

The decision to amend the IESO-OEFC agreements for permitted liens is still being determined by Gadi/Ron/Mike. As such, we won't ask IESO for draft amendments until such time as that decision has been made.

Regards,
J-F

From: Lisa Stein
Sent: Monday, November 20, 2017 1:55 PM
To: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: John Kim <John.Kim@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Thank you for the update. Have we received proposed amendments from IESO?

From: Jean-Francois Beaupre
Sent: Monday, November 20, 2017 10:58 AM
To: Lisa Stein <Lisa.Stein@ofina.on.ca>
Cc: John Kim <John.Kim@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi Lisa,

John and Opal discussed this matter and I think John was working on a revised briefing note.

Kind regards,
J-F

From: Lisa Stein
Sent: Monday, November 20, 2017 10:51 AM
To: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: John Kim <John.Kim@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi J-F,

Can you please update me on the status of this file?

Thank you,

Lisa

From: Jean-Francois Beaupre
Sent: Thursday, November 16, 2017 1:52 PM
To: John Kim <John.Kim@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi John,

We have an internal discussion earlier this morning which Mike attended. The comments provided were approved by Sarah and Opal.

Regards,
J-F

From: John Kim
Sent: Thursday, November 16, 2017 1:49 PM
To: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi Jean-Francois,

You had comments in the draft with questions and concerns expressed. Are these approved by Sarah and Opal or comments at your level?

Given that we are under a tight timeline, it would be helpful if we can have a discussion today.

Mike is in the loop on the FHP discussion. Could your group check with him on his views beforehand too?

John

From: Jean-Francois Beaupre
Sent: Thursday, November 16, 2017 1:42 PM
To: Gavin He <Gavin.He@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi Gavin,

I discussed your request for me to come down to the 3rd floor for a quick chat with you and John with Opal.

At this time, our preference would be to obtain clarifications from CEFD and/or IESO in response to the comments we raised so that we may gain a better understanding of the potential implications for OEFC. Opal suggested that we could have a call or meeting tomorrow if you think that would be helpful?

Kind regards,
J-F

From: Jean-Francois Beaupre
Sent: Thursday, November 16, 2017 12:25 PM
To: Gavin He <Gavin.He@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Dear Gavin,

Please find attached our consolidated comments on the draft note.

We are happy to discuss further as always.

Thanks,
J-F

From: Gavin He
Sent: Thursday, November 16, 2017 8:21 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi all,

We have confirmed with the IESO that the reason for their requested change to the definition of the "permitted liens" in the OEFC credit facility agreements are the same for the request to OFA. The IESO wants to be able to grant security to the OPG Trust, and address the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

We have drafted the attached BN for internal approval (Ron and Gadi) process. Could you please review and let us know if you have any concerns? It would be much appreciated if you could provide us your feedback around noon today, given the limited timeframe on this request.

This has been reviewed by Legal last night and I have incorporated the feedback from Sarah N. (in Lisa's absence).

Please let me know if you have any questions.

Thanks,
Gavin He

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Wednesday, November 15, 2017 6:49 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>
Subject: IESO - OEFC credit facilities : permitted liens

John,

As discussed yesterday, it likely is best to add to the definition of "Permitted Liens" in the two OEFC facilities to address a) IESO granting security to the OPG Trust during the first 4 years of fair hydro program and b) the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

Happy to discuss further. I am out of the office most of this week on IESO business matters but available by cell 289-795-9426, or if necessary you may connect with Victor.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

From:	Jean-Francois Beaupre
To:	Opal Kandelas
Cc:	Sarah Harris; Ryan Blackbyrne
Subject:	RE: IESO - OEFC credit facilities : permitted liens
Date:	Monday, November 20, 2017 2:07:14 PM

Thanks, Sarah and I were just discussing this now and I recalled that you are meeting Mike tomorrow.

From: Opal Kandelas
Sent: Monday, November 20, 2017 2:07 PM
To: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

About to send you a revised note…

From: Jean-Francois Beaupre
Sent: Monday, November 20, 2017 2:06 PM
To: Lisa Stein <Lisa.Stein@ofina.on.ca>
Cc: John Kim <John.Kim@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi Lisa,

The decision to amend the IESO-OEFC agreements for permitted liens is still being determined by Gadi/Ron/Mike. As such, we won't ask IESO for draft amendments until such time as that decision has been made.

Regards,
J-F

From: Lisa Stein
Sent: Monday, November 20, 2017 1:55 PM
To: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: John Kim <John.Kim@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Thank you for the update. Have we received proposed amendments from IESO?

From: Jean-Francois Beaupre
Sent: Monday, November 20, 2017 10:58 AM

To: Lisa Stein <Lisa.Stein@ofina.on.ca>
Cc: John Kim <John.Kim@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi Lisa,

John and Opal discussed this matter and I think John was working on a revised briefing note.

Kind regards,
J-F

From: Lisa Stein
Sent: Monday, November 20, 2017 10:51 AM
To: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: John Kim <John.Kim@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi J-F,

Can you please update me on the status of this file?

Thank you,

Lisa

From: Jean-Francois Beaupre
Sent: Thursday, November 16, 2017 1:52 PM
To: John Kim <John.Kim@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi John,

We have an internal discussion earlier this morning which Mike attended. The comments provided were approved by Sarah and Opal.

Regards,
J-F

From: John Kim
Sent: Thursday, November 16, 2017 1:49 PM

To: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi Jean-Francois,

You had comments in the draft with questions and concerns expressed. Are these approved by Sarah and Opal or comments at your level?

Given that we are under a tight timeline, it would be helpful if we can have a discussion today.

Mike is in the loop on the FHP discussion. Could your group check with him on his views beforehand too?

John

From: Jean-Francois Beaupre
Sent: Thursday, November 16, 2017 1:42 PM
To: Gavin He <Gavin.He@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi Gavin,

I discussed your request for me to come down to the 3rd floor for a quick chat with you and John with Opal.

At this time, our preference would be to obtain clarifications from CEFD and/or IESO in response to the comments we raised so that we may gain a better understanding of the potential implications for OEFC. Opal suggested that we could have a call or meeting tomorrow if you think that would be helpful?

Kind regards,
J-F

From: Jean-Francois Beaupre
Sent: Thursday, November 16, 2017 12:25 PM
To: Gavin He <Gavin.He@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Dear Gavin,

Please find attached our consolidated comments on the draft note.

We are happy to discuss further as always.

Thanks,
J-F

From: Gavin He
Sent: Thursday, November 16, 2017 8:21 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi all,

We have confirmed with the IESO that the reason for their requested change to the definition of the "permitted liens" in the OEFC credit facility agreements are the same for the request to OFA. The IESO wants to be able to grant security to the OPG Trust, and address the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

We have drafted the attached BN for internal approval (Ron and Gadi) process. Could you please review and let us know if you have any concerns? It would be much appreciated if you could provide us your feedback around noon today, given the limited timeframe on this request.

This has been reviewed by Legal last night and I have incorporated the feedback from Sarah N. (in Lisa's absence).

Please let me know if you have any questions.

Thanks,
Gavin He

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Wednesday, November 15, 2017 6:49 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>
Subject: IESO - OEFC credit facilities : permitted liens

John,

As discussed yesterday, it likely is best to add to the definition of "Permitted Liens" in the two OEFC facilities to address a) IESO granting security to the OPG Trust during the first 4 years of fair hydro program and b) the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

Happy to discuss further. I am out of the office most of this week on IESO business matters but available by cell 289-795-9426, or if necessary you may connect with Victor.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

From:	Opal Kandelas
To:	Jean-Francois Beaupre
Cc:	Sarah Harris; Ryan Blackbyrne
Subject:	RE: IESO - OEFC credit facilities : permitted liens
Date:	Monday, November 20, 2017 2:06:32 PM

About to send you a revised note…

From: Jean-Francois Beaupre
Sent: Monday, November 20, 2017 2:06 PM
To: Lisa Stein <Lisa.Stein@ofina.on.ca>
Cc: John Kim <John.Kim@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi Lisa,

The decision to amend the IESO-OEFC agreements for permitted liens is still being determined by Gadi/Ron/Mike. As such, we won't ask IESO for draft amendments until such time as that decision has been made.

Regards,
J-F

From: Lisa Stein
Sent: Monday, November 20, 2017 1:55 PM
To: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: John Kim <John.Kim@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Thank you for the update. Have we received proposed amendments from IESO?

From: Jean-Francois Beaupre
Sent: Monday, November 20, 2017 10:58 AM
To: Lisa Stein <Lisa.Stein@ofina.on.ca>
Cc: John Kim <John.Kim@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi Lisa,

John and Opal discussed this matter and I think John was working on a revised briefing note.

Kind regards,
J-F

From: Lisa Stein
Sent: Monday, November 20, 2017 10:51 AM
To: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: John Kim <John.Kim@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi J-F,

Can you please update me on the status of this file?

Thank you,

Lisa

From: Jean-Francois Beaupre
Sent: Thursday, November 16, 2017 1:52 PM
To: John Kim <John.Kim@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi John,

We have an internal discussion earlier this morning which Mike attended. The comments provided were approved by Sarah and Opal.

Regards,
J-F

From: John Kim
Sent: Thursday, November 16, 2017 1:49 PM
To: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi Jean-Francois,

You had comments in the draft with questions and concerns expressed. Are these approved by Sarah and Opal or comments at your level?

Given that we are under a tight timeline, it would be helpful if we can have a discussion today.

Mike is in the loop on the FHP discussion. Could your group check with him on his views beforehand too?

John

From: Jean-Francois Beaupre
Sent: Thursday, November 16, 2017 1:42 PM
To: Gavin He <Gavin.He@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi Gavin,

I discussed your request for me to come down to the 3rd floor for a quick chat with you and John with Opal.

At this time, our preference would be to obtain clarifications from CEFD and/or IESO in response to the comments we raised so that we may gain a better understanding of the potential implications for OEFC. Opal suggested that we could have a call or meeting tomorrow if you think that would be helpful?

Kind regards,
J-F

From: Jean-Francois Beaupre
Sent: Thursday, November 16, 2017 12:25 PM
To: Gavin He <Gavin.He@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Dear Gavin,

Please find attached our consolidated comments on the draft note.

We are happy to discuss further as always.

Thanks,
J-F

From: Gavin He
Sent: Thursday, November 16, 2017 8:21 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi all,

We have confirmed with the IESO that the reason for their requested change to the definition of the "permitted liens" in the OEFC credit facility agreements are the same for the request to OFA. The IESO wants to be able to grant security to the OPG Trust, and address the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

We have drafted the attached BN for internal approval (Ron and Gadi) process. Could you please review and let us know if you have any concerns? It would be much appreciated if you could provide us your feedback around noon today, given the limited timeframe on this request.

This has been reviewed by Legal last night and I have incorporated the feedback from Sarah N. (in Lisa's absence).

Please let me know if you have any questions.

Thanks,
Gavin He

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Wednesday, November 15, 2017 6:49 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>
Subject: IESO - OEFC credit facilities : permitted liens

John,

As discussed yesterday, it likely is best to add to the definition of "Permitted Liens" in the two OEFC facilities to address a) IESO granting security to the OPG Trust during the first 4 years of fair hydro program and b) the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

Happy to discuss further. I am out of the office most of this week on IESO business matters but available by cell 289-795-9426, or if necessary you may connect with Victor.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

From:	Jean-Francois Beaupre
To:	Lisa Stein
Cc:	John Kim; Sarah Harris; Opal Kandelas; Gavin He; Ryan Blackbyrne
Subject:	RE: IESO - OEFC credit facilities : permitted liens
Date:	Monday, November 20, 2017 2:05:46 PM

Hi Lisa,

The decision to amend the IESO-OEFC agreements for permitted liens is still being determined by Gadi/Ron/Mike. As such, we won't ask IESO for draft amendments until such time as that decision has been made.

Regards,
J-F

From: Lisa Stein
Sent: Monday, November 20, 2017 1:55 PM
To: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: John Kim <John.Kim@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Thank you for the update. Have we received proposed amendments from IESO?

From: Jean-Francois Beaupre
Sent: Monday, November 20, 2017 10:58 AM
To: Lisa Stein <Lisa.Stein@ofina.on.ca>
Cc: John Kim <John.Kim@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi Lisa,

John and Opal discussed this matter and I think John was working on a revised briefing note.

Kind regards,
J-F

From: Lisa Stein
Sent: Monday, November 20, 2017 10:51 AM
To: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: John Kim <John.Kim@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi J-F,

Can you please update me on the status of this file?

Thank you,

Lisa

From: Jean-Francois Beaupre
Sent: Thursday, November 16, 2017 1:52 PM
To: John Kim <John.Kim@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi John,

We have an internal discussion earlier this morning which Mike attended. The comments provided were approved by Sarah and Opal.

Regards,
J-F

From: John Kim
Sent: Thursday, November 16, 2017 1:49 PM
To: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi Jean-Francois,

You had comments in the draft with questions and concerns expressed. Are these approved by Sarah and Opal or comments at your level?

Given that we are under a tight timeline, it would be helpful if we can have a discussion today.

Mike is in the loop on the FHP discussion. Could your group check with him on his views beforehand too?

John

From: Jean-Francois Beaupre
Sent: Thursday, November 16, 2017 1:42 PM
To: Gavin He <Gavin.He@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne

<Ryan.Blackbyrne@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi Gavin,

I discussed your request for me to come down to the 3rd floor for a quick chat with you and John with Opal.

At this time, our preference would be to obtain clarifications from CEFD and/or IESO in response to the comments we raised so that we may gain a better understanding of the potential implications for OEFC. Opal suggested that we could have a call or meeting tomorrow if you think that would be helpful?

Kind regards,
J-F

From: Jean-Francois Beaupre
Sent: Thursday, November 16, 2017 12:25 PM
To: Gavin He <Gavin.He@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Dear Gavin,

Please find attached our consolidated comments on the draft note.

We are happy to discuss further as always.

Thanks,
J-F

From: Gavin He
Sent: Thursday, November 16, 2017 8:21 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi all,

We have confirmed with the IESO that the reason for their requested change to the definition of the "permitted liens" in the OEFC credit facility agreements are the same for the request to OFA. The IESO wants to be able to grant security to the OPG Trust, and address the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

We have drafted the attached BN for internal approval (Ron and Gadi) process. Could you please review and let us know if you have any concerns? It would be much appreciated if you could provide us your feedback around noon today, given the limited timeframe on this request.

This has been reviewed by Legal last night and I have incorporated the feedback from Sarah N. (in Lisa's absence).

Please let me know if you have any questions.

Thanks,
Gavin He

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Wednesday, November 15, 2017 6:49 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>
Subject: IESO - OEFC credit facilities : permitted liens

John,

As discussed yesterday, it likely is best to add to the definition of "Permitted Liens" in the two OEFC facilities to address a) IESO granting security to the OPG Trust during the first 4 years of fair hydro program and b) the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

Happy to discuss further. I am out of the office most of this week on IESO business matters but available by cell 289-795-9426, or if necessary you may connect with Victor.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

From: Opal Kandelas
To: Sarah Harris
Subject: RE: IESO - OEFC credit facilities : permitted liens
Date: Monday, November 20, 2017 2:57:20 PM

Have you had a chance to look at the security agreement (draft Nov 7)? It's so general in terms of its reach on IESO, namely s.2.1 "all Accounts…" "all Proceeds…"

Not sure what Carrying costs are though. They are supposed to be defined in the regulation, but I couldn't find any reference to them in the Reg.

Opal

From: Sarah Harris
Sent: Monday, November 20, 2017 2:54 PM
To: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Cc: Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi JF,

I just tweaked your first comment.

Thanks,
Sarah

From: Jean-Francois Beaupre
Sent: Monday, November 20, 2017 2:39 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi Opal and Sarah,

Please find attached my comments for your review and consideration.

Basically, what I am hearing from CEFD so far is: "the OFA-IESO agreements were done this way, so we should do the same for OEFC to remain consistent" which is not a very convincing argument in my opinion – specially considering the $475M agreement may have been amended without much consideration.

Also, the comment to the effect that "IESO is asking for this to avoid being in default" requires further clarifications in my view – in default in relation to whom? If the OEFC-IESO agreements are not related to FHP, I don't think that IESO having 'permitted liens' for FHP purposes in other OFA

credit facility agreements would create a default situation unless the funds from the OEFC agreements somehow end up in this liens?

Thanks,
J-F

From: Opal Kandelas
Sent: Monday, November 20, 2017 2:19 PM
To: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi, attached is the amended note. I made a few further comments/edits, that I thought were absolutely necessary. Please review and send back comments to me directly.

Thanks,
Opal

From: Jean-Francois Beaupre
Sent: Monday, November 20, 2017 2:07 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Thanks, Sarah and I were just discussing this now and I recalled that you are meeting Mike tomorrow.

From: Opal Kandelas
Sent: Monday, November 20, 2017 2:07 PM
To: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

About to send you a revised note…

From: Jean-Francois Beaupre
Sent: Monday, November 20, 2017 2:06 PM
To: Lisa Stein <Lisa.Stein@ofina.on.ca>
Cc: John Kim <John.Kim@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi Lisa,

The decision to amend the IESO-OEFC agreements for permitted liens is still being determined by Gadi/Ron/Mike. As such, we won't ask IESO for draft amendments until such time as that decision has been made.

Regards,
J-F

From: Lisa Stein
Sent: Monday, November 20, 2017 1:55 PM
To: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: John Kim <John.Kim@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Thank you for the update. Have we received proposed amendments from IESO?

From: Jean-Francois Beaupre
Sent: Monday, November 20, 2017 10:58 AM
To: Lisa Stein <Lisa.Stein@ofina.on.ca>
Cc: John Kim <John.Kim@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi Lisa,

John and Opal discussed this matter and I think John was working on a revised briefing note.

Kind regards,
J-F

From: Lisa Stein
Sent: Monday, November 20, 2017 10:51 AM
To: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: John Kim <John.Kim@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi J-F,

Can you please update me on the status of this file?

Thank you,

Lisa

From: Jean-Francois Beaupre
Sent: Thursday, November 16, 2017 1:52 PM
To: John Kim <John.Kim@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi John,

We have an internal discussion earlier this morning which Mike attended. The comments provided were approved by Sarah and Opal.

Regards,
J-F

From: John Kim
Sent: Thursday, November 16, 2017 1:49 PM
To: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi Jean-Francois,

You had comments in the draft with questions and concerns expressed. Are these approved by Sarah and Opal or comments at your level?

Given that we are under a tight timeline, it would be helpful if we can have a discussion today.

Mike is in the loop on the FHP discussion. Could your group check with him on his views beforehand too?

John

From: Jean-Francois Beaupre
Sent: Thursday, November 16, 2017 1:42 PM
To: Gavin He <Gavin.He@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi Gavin,

I discussed your request for me to come down to the 3rd floor for a quick chat with you and John with Opal.

At this time, our preference would be to obtain clarifications from CEFD and/or IESO in response to the comments we raised so that we may gain a better understanding of the potential implications for OEFC. Opal suggested that we could have a call or meeting tomorrow if you think that would be helpful?

Kind regards,
J-F

From: Jean-Francois Beaupre
Sent: Thursday, November 16, 2017 12:25 PM
To: Gavin He <Gavin.He@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Dear Gavin,

Please find attached our consolidated comments on the draft note.

We are happy to discuss further as always.

Thanks,
J-F

From: Gavin He
Sent: Thursday, November 16, 2017 8:21 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi all,

We have confirmed with the IESO that the reason for their requested change to the definition of the "permitted liens" in the OEFC credit facility agreements are the same for the request to OFA. The IESO wants to be able to grant security to the OPG Trust, and address the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

We have drafted the attached BN for internal approval (Ron and Gadi) process. Could you please review and let us know if you have any concerns? It would be much appreciated if you could provide us your feedback around noon today, given the limited timeframe on this request.

This has been reviewed by Legal last night and I have incorporated the feedback from Sarah N. (in Lisa's absence).

Please let me know if you have any questions.

Thanks,
Gavin He

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Wednesday, November 15, 2017 6:49 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>
Subject: IESO - OEFC credit facilities : permitted liens

John,

As discussed yesterday, it likely is best to add to the definition of "Permitted Liens" in the two OEFC facilities to address a) IESO granting security to the OPG Trust during the first 4 years of fair hydro program and b) the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

Happy to discuss further. I am out of the office most of this week on IESO business matters but available by cell 289-795-9426, or if necessary you may connect with Victor.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

From: Sarah Harris
To: Opal Kandelas
Subject: RE: IESO Directive
Date: Friday, September 01, 2017 1:44:41 PM
Attachments: Draft Amending Agreement No. 10.msg
FHP credit facility agreement clean final Sept 1.docx

Hi Opal,

Please see answers below.

Sorry for the delay – I asked Will to arrange to obtain the electronic execution copy of the $2B FHP facility yesterday from Anthony for sign-off; Will only informed me this morning that OFA Legal preferred that we prepare it (which it now has been in conjunction with OFA Legal, and is now with IESO for final sign-off).

Sarah

From: Opal Kandelas
Sent: Friday, September 01, 2017 9:23 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: Re: IESO Directive

Okay. Thanks for the update. Implications for IESO's relationship with Moody's? Will spoke with Anthony at IESO, and Anthony is okay with execution the earliest as possible next week. Anthony said he has been putting off a call to Moody's and can hold out a little longer.

Are the agreements ready in execution form for when the exemption is finally approved?

-

- New $2B facility agreement. All terms agreed are agreed. The attached clean version is with IESO for final sign-off. I am giving it fine tooth comb reading in the meantime, even though OFA legal signed off.

  Amending Agreement #10 for to reduce $975m to $475m – draft with IESO to confirm language on election notice. IESO requested a last minute change yesterday with regard to rolling interest, which was agreed to by Mike yesterday. Changes have been incorporated. I attach the last e-mail from yesterday which includes the draft sent to IESO yesterday afternoon. I suggest that you could read it, but that you don't share with Mike; it would confuse vs. help him, given that it is a tenth amending agreement which touches changes from previous amending agreements.

While we wait for this to occur I'd like to review both agreements. I will also suggest to Mike that a copy of both can be provided to him so that he can review in advance of signing.

Opal.

On Sep 1, 2017, at 9:11 AM, Sarah Harris <Sarah.Harris@ofina.on.ca> wrote:

> Hi Opal,
>
> The IESO directive was not signed yesterday. DMO/MO made the decision to pursue our Minister's signature early next week.
>
> Sarah

From: William Tan []
To: 'Anthony Martinello' [Anthony.Martinello@ieso.ca]; Victor Buza [Victor.Buza@ieso.ca]
CC: Sarah Harris [Sarah.Harris@ofina.on.ca]; Sarah Neville [Sarah.Neville@ofina.on.ca]; Caroline Swerdlyk [Caroline.Swerdlyk@ofina.on.ca]; Lisa Stein [Lisa.Stein@ofina.on.ca]
Subject: Draft Amending Agreement No. 10
Date: Thursday, August 31, 2017 16:33:04
Attachment 1: image001.gif
Attachment 2: OFA IESO Amending Agreement No 10 COMPARE OFA Draft Aug 18 (Aug 31 marku.._ (002).docx

---

Hello Anthony and Victor,

The Election for to roll-over a portion or all of the interest triggered a number of changes which includes updates to definitions, Section 3.2, 3.3, Schedules 1, 2 and 3.

Section 3.3(4) was added from the FHP Agreement, which addresses calculation of interest on a Continued Advance

(4) The calculation of interest on a Continued Advance shall be determined in the same manner as an Advance under Section 3.4 and shall be recorded on the grid promissory note in respect of Advances in accordance with Section 3.2(2).

Reason for the scope of changes that have been added (this draft updates all of the Schedules to the Agreement and also aligns the language in the related sections of the Agreement).

Please review and comment.

Thanks,

Will

From: William Tan
Sent: Thursday, August 31, 2017 2:43 PM
To: 'Anthony Martinello' <Anthony.Martinello@ieso.ca>; Victor Buza <Victor.Buza@ieso.ca>
Subject: FW: IESO Grid Notes

Hello gentleman,

I have been informed by a colleague that we are instructed by the deputy minister for us to pursue our minister to sign the directive for early next week.

As per Anthony's request, we making changes to the Amending Agreement No. 10 to allow IESO:

•□□□□□□□□ Elect to continue all or a portion of the principal and interest .

•□□□□□□□□ The advancement period of 28 days up to 95 days will remain the same.

•□□□□□□□□ Section 3.3 (2) new advances will change from 1 business day to two business days prior notice because advancements under the Borrowing Notice allow for two business days' notice.

Sorry for the inconvenience.

Will

From: William Tan
Sent: Thursday, August 31, 2017 10:19 AM
To: 'Anthony Martinello' <Anthony.Martinello@ieso.ca>
Subject: RE: IESO Grid Notes

Hi Anthony,

Do you mind giving me a call when you have a moment?

Best regards,

Will Tan| *Documentation & Analysis Specialist*

Capital Markets Division | Ontario Financing Authority

1 Dundas Street West, Suite 1400

Toronto, Ontario M5G 1Z3, CANADA

Tel. (416) 325-8090 | Fax: (416) 860-8346

william.tan@ofina.on.ca

This message, including any attachments, is intended only for the use of the individual(s) to which it is addressed and may contain information that is privileged and confidential. Any other distribution, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message including any attachments, without reading it or making a copy. Thank you

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Thursday, August 31, 2017 7:41 AM
To: William Tan <William.Tan@ofina.on.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Sarah Neville <Sarah.Neville@ofina.on.ca>; Caroline Swerdlyk <Caroline.Swerdlyk@ofina.on.ca>

Subject: RE: IESO Grid Notes

Yes.

And, please send over draft Amendment #10 for our review.

Regards.

From: William Tan [mailto:William.Tan@ofina.on.ca]
Sent: August 30, 2017 6:55 PM
To: Anthony Martinello
Cc: Victor Buza; Sarah Harris; Sarah Neville; Caroline Swerdlyk
Subject: RE: IESO Grid Notes

Hello Anthony,

We have reviewed the grid note you provided and your observation is correct that you are provided with one line item with the consolidated total amount compared to the distinct separate the advances we originally understood.

Yes, we have access to a version of the grid note that separates the advances that is not provided to you, which caused the confusion.

Does the revised Section 3.3(2) and Schedule 2 (Form of Election Notice) still functional to you?

Thanks,

Will

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Wednesday, August 30, 2017 3:42 PM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>; Sarah Neville <Sarah.Neville@ofina.on.ca>; Caroline Swerdlyk <Caroline.Swerdlyk@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>
Subject: FW: IESO Grid Notes

Hi,

Just for clarity. Below is an example of the OFA's regular email and grid notes (see attached) that the IESO receives each month directly from the OFA.

You will note that the grid notes shows one row and its respective aggregated amount for each month's advance (previous + new).

It was noted on yesterday's call that each respective advance has its own row and # of days updated in the grid note – in practice the IESO does not see this.

I assume there is an internal OFA grid document which provides each advance as segregate rows.

Victor and I are reviewing today's draft.

Regards.

From: LeRoy Ahyee [mailto:LeRoy.Ahyee@ofina.on.ca]
Sent: August 21, 2017 4:21 PM
To: Hamlet Alexanian
Cc: Risa Thau
Subject: RE: IESO Grid Notes

Here are the Grid Notes, Hamlet. Please let me know whether you have any questions.

Regards,

LeRoy Ahyee

Settlements Officer | Ontario Financing Authority

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

Ontario

AMENDING AGREEMENT NO. 10

This Amending Agreement No. 10 (this "**Amending Agreement**") is made as of the (·) day of ~~July~~September, 2017

BETWEEN:

INDEPENDENT ELECTRICITY SYSTEM OPERATOR, a statutory corporation without share capital existing under the *Electricity Act, 1998* ("**IESO**")

-and-

ONTARIO FINANCING AUTHORITY, a Crown agency established under the *Capital Investment Plan Act, 1993* ("**OFA**")

(together, the "Parties")

WHEREAS the Ontario Power Authority ("**OPA**") and the OFA entered into a credit agreement dated January 1, 2005 (the "**Original Agreement**");

AND WHEREAS effective January 1, 2015, the OPA and the then existing Independent Electricity System Operator amalgamated and continued as a corporation without share capital under Part II of the *Electricity Act, 1998* with the name "Independent Electricity System Operator" (**~~"~~"IESO")**, and the obligations of the OPA became obligations of the IESO;

AND WHEREAS pursuant to the amending agreements dated February 14, 2005, October 11, 2005 (titled, "Amending Agreement No. 3"), September 27, 2006 (titled, "Amending Agreement No. 4"), July 13, 2007 (titled, "Amending Agreement No. 5"), November 9, 2010 (titled, "Amending Agreement No. 6"), December 20, 2013 (titled, "Amending Agreement No. 7"), December 19, 2014 (titled, "Amending Agreement No. 8") and November 30, 2016 (titled, "Amending Agreement No. 9"), the OPA or IESO (as applicable) and the OFA amended the Original Agreement (as so amended, the "**Credit Agreement",** the terms defined therein being used herein as therein defined);

AND WHEREAS ~~upon the request of~~ the IESO~~, and~~ the Parties~~the OFA~~ have now agreed to: (i) at the request of the IESO, decrease the total principal amount available under the Credit Agreement from $975,000,000 to a total principal amount of up to $475,000,000; ~~and~~ (ii) amend the use of proceeds under the Credit Agreement; and (iii) amend the Form of Election Notice and related provisions under the Credit Agreement;

AND WHEREAS pursuant to Section 7.3 of the Credit Agreement, the Credit Agreement may only be amended or otherwise modified by written agreement executed by ~~each of the OFA and the IESO~~the Parties.

THEREFORE, in consideration of the mutual covenants and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and subject to the terms and conditions hereafter set out, the P~~p~~arties agree that:

1. The definition of "Advances" in Section 1.1 of the Credit Agreement is deleted and replaced by the following:

Formatted: Font: Not Bold

Formatted: Font: Bold

"**Advances**" means advances made by the OFA to the IESO under Article 3 and "Advance" means any one of such advances, and in the case of an election by the IESO under Section 3.3, includes a "Continued Advance", as defined in Section 3.3(1), as applicable."

~~1.~~2. The definition of "Commitment" in Section 1.1 of the Credit Agreement is amended by deleting "$975,000,000" and substituting "$475,000,000" therefor.

~~2. On the date of this Amending Agreement and prior to any further Advances under the Credit Agreement, the IESO shall execute and deliver to the OFA a new grid promissory note in the principal amount of up to $475,000,000 substantially in the form of the grid note attached hereto and indicating a total principal amount of Advances Outstanding to date of $401,878,030.42[**Insert amount outstanding as of date of execution**].~~

Commented [A1]: Moved to the end to allow schedule references to remain consistent with Credit Agreement

~~3. Upon receipt of the new grid promissory note delivered hereunder, the OFA will cancel and return the grid promissory note dated November 30, 2016 to the IESO.~~

3. The following definitions are added to Section 1.1 of the Agreement

"**Continued Advance"** has the meaning specified in Section 3.3(1).

"**Current Repayment Date**" has the meaning specified in Section 3.3(2).

"**New Repayment Date**" has the meaning specified in Section 3.3(2).

4. Section 2.3 "Use of Proceeds" of the Credit Agreement is deleted in its entirety and replaced by the following:~~:~~

"The IESO shall use the proceeds of Advances for the purposes for which it is authorized to borrow funds pursuant to Regulation 280/14 made under the *Electricity Act, 1998*, as such regulation may be amended or replaced from time to time, provided that Advances may be used only for liquidity purposes."

5. Section 3.2 "Procedures for Advances" of the Credit Agreement is deleted in its entirety and replaced by the following:

"(1) Subject to Section 3.3(5), each Advance shall be made subject to two Business Days' prior notice given not later than 10:00 a.m. (Toronto time) by the IESO to the OFA. Each notice of an Advance (a "**Borrowing Notice**") shall be substantially in the form of Schedule 1, other than a Borrowing Notice that is included in an Election Notice as permitted by Section 3.3(3). Each Borrowing Notice shall be irrevocable and binding on the IESO and shall specify (a) the requested date of the Advance; (b) the principal amount of the Advance, and (c) the Repayment Date of the Advance which shall be no earlier than 28 days and not later than 95 days after the date of the requested Advance. Each Borrowing Notice shall also certify the use of proceeds of the Advance in accordance with Section 2.3. The OFA will make the principal amount of each Advance available to the IESO in accordance with Article 2.

(2) On or before the date of the first Advance hereunder, the IESO shall execute and deliver to the OFA a grid promissory note in respect of Advances substantially in the form of Schedule 3. The IESO authorizes the OFA to record on the grid promissory note (a) the date and amount of each Advance or Continued Advance; (b) the applicable rate of interest

for each Advance or Continued Advance; (c) the Repayment Date of each Advance or Continued Advance; (d) the date and amount of each payment of interest and each payment of principal or portion thereof in respect of each Advance or Continued Advance; and (e) the outstanding principal amount of the grid promissory note. Such notations, in the absence of manifest error, shall be *prima facie* evidence of the such advances and repayments; provided that the failure of the OFA to record any amount, rate or date shall not affect the obligation of the IESO to pay the Advances Outstanding and all interest accrued thereon and any other amounts due under this Agreement."

6. Section 3.3 "Elections Regarding Advances" of the Credit Agreement is deleted in its entirety and replaced by the following:

"(1) The IESO may elect to continue all or a portion of the principal amount of any Advance and any amount of interest on such Advance (together, the "**Continued Advance**") for a further period of at least 28 days and up to a maximum of 95 days beginning on the then current Repayment Date in accordance with Section 3.3(2).

(2) Each notice to continue an Advance for a further period (an "**Election Notice**") shall be provided by the IESO to the OFA at least two Business Days prior to the Repayment Date of the Advance (the "**Current Repayment Date**"), and in each case, not later than 10:00 a.m. (Toronto time). Each such Election Notice shall be given substantially in the form of Schedule 2 and shall be irrevocable and binding upon the IESO and shall specify: (a) the Current Repayment Date; (b) the new aggregate total amount of the proposed Continued Advance; (c) the amount of interest or principal, if any, to be paid or re-paid by the IESO with respect to such Advance on the Current Repayment Date; and (d) the new Repayment Date of the proposed Continued Advance, which shall be no earlier than 28 days and not later than 95 days after the Current Repayment Date (the "**New Repayment Date"**). If the IESO fails to deliver an Election Notice to the OFA for any Advance as provided herein, such Advance shall be repayable on the applicable Repayment Date.

(3) An Election Notice with respect to a proposed Continued Advance may include a Borrowing Notice for a further Advance proposed to be made on the Current Repayment Date. The Repayment Date of such further Advance shall be the New Repayment Date of the Continued Advance that is specified in the Election Notice. Such Borrowing Notice shall be given substantially in the form of Schedule 2.

(4) The calculation of interest on a Continued Advance shall be determined in the same manner as an Advance under Section 3.4 and shall be recorded on the grid promissory note in respect of Advances in accordance with Section 3.2(2).

(5) Any portion of an Advance not continued for a further period in accordance with Section 3.3(2) shall be repayable on the applicable Repayment Date."

7. Schedule 1 of the Credit Agreement, Form of Borrowing Notice, is deleted in its entirety and replaced by the Form of Borrowing Notice attached hereto as Schedule 1.

8. Schedule 2 of the Credit Agreement, Form of Election Notice, is deleted in its entirety and replaced by the Form of Election Notice attached hereto as Schedule 2.

9. Schedule 3 of the Credit Agreement, IESO Grid Note, is deleted in its entirety and replaced by the Form of Grid Note attached hereto as Schedule 3.

10. On the date of this Amending Agreement and prior to any further Advances under the Credit Agreement, the IESO shall execute and deliver to the OFA a new grid promissory note in the principal amount of up to $475,000,000 substantially in the form of the grid note attached hereto as Schedule 3 and indicating a total principal amount of Advances Outstanding to date of $401,878,030.42. Upon receipt of the new grid promissory note delivered hereunder, the OFA will cancel and return the grid promissory note dated November 30, 2016 to the IESO.

Commented [A2]: As of August 21, 2017. IESO to confirm.

IN ALL OTHER RESPECTS, the Credit Agreement is confirmed by the P~~p~~arties.

[*signature page follows*]

IN WITNESS WHEREOF the Pparties hereto have executed and delivered this Amending Agreement No. 10 as of the date first above written.

ONTARIO FINANCING AUTHORITY

Per: _____
Name: Michael D. Manning
Title: Executive Director & Chief Investment Officer, ~~_____~~Capital Markets Division

I have authority to bind the corporation.

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

Per: _____
Name: Kimberly Marshall
Title: Vice President, Corporate Services; Chief Financial Officer; Treasurer

I have authority to bind the corporation.

SCHEDULE 1 TO AMENDING AGREEMENT NO. 10

~~EXECUTED FORM OF GRID NOTE~~ FORM OF BORROWING NOTICE

Delivered Via Fax: 416-204-7920

Ontario Financing Authority ("OFA")
1 Dundas Street West, Suite 1400
Toronto, Ontario
M7A 1Y7

Date: [insert date]

Attention: Cash Management

Dear Sirs:

The undersigned, the Independent Electricity System Operator ("IESO"), refers to the credit agreement between the IESO and the OFA dated January 1, 2005 (as amended, supplemented or restated from time to time, the "**Agreement**", the terms defined therein being used herein as therein defined), and gives you notice pursuant to Section 3.2 of the Agreement that the IESO requests an Advance under the Agreement, and, in connection with such request, sets forth below the information relating to such Advance (the "**Proposed Advance**"), as required by Section 3.2(1) of the Agreement:

(a) The date of the Proposed Advance, being a Business Day is _____;
(b) The principal amount of the Proposed Advance is $_____;
(c) The Repayment Date of the Proposed Advance is _____. [Not earlier than 28 days and not later than 95 days after the date of the Proposed Advance.]

Such request of the Proposed Advance shall be confirmed by the IESO by a telephone call to OFA Cash Management at 416-325-8108.

Use of Funds

The IESO hereby certifies that the funds comprising the Proposed Advance requested pursuant to this Notice will be used for the following purpose(s): [specify purpose(s) and any sub-categories of borrowing purposes, as applicable]

The IESO hereby certifies that:

The representations and warranties of the IESO contained in the Agreement are true and correct as at the date hereof.

No Event of Default has occurred or is continuing and no event or condition has occurred, which, with the lapse of time or the giving of notice or both would constitute an Event of Default.

Commented [A3]: Changed "aggregate" to "principal". This is the only substantive change to this form.

The IESO has complied or is complying with all terms, covenants and conditions contained in the Agreement.

Any and all funds received under the Agreement will be expended or held solely for the purpose for which they are authorized to be used under the Agreement; no part of the funds to be received pursuant to this Notice shall be used for any other purpose.

Yours truly,

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

Per: _____

Name:

Authorized Signatory

SCHEDULE 2 TO AMENDING AGREEMENT NO. 10

FORM OF ELECTION NOTICE

Delivered Via Fax: 416-204-7920

Ontario Financing Authority ("OFA")
1 Dundas Street West, Suite 1400
Toronto, Ontario
M7A 1Y7

Date: [insert date]

Attention: Cash Management

Dear Sirs:

Election Notice

The undersigned, the Independent Electricity System Operator ("IESO"), refers to the credit agreement between the IESO and the OFA dated January 1, 2005 (as amended, supplemented or restated from time to time, the "Agreement", the terms defined therein being used herein as therein defined), and gives you notice pursuant to Section 3.3 of the Agreement that the IESO elects to continue for an additional term all or a portion of an Advance or a Continued Advance, as the case may be, and in connection with such election sets forth below the information relating to such election as required by Section 3.3(2) of the Agreement:

(a) The date of the proposed election, being a Business Day (being the Current Repayment Date) is _____;

(b) The aggregate amount of the proposed Continued Advance is $_____, which is comprised of:

i. principal amount (or portion thereof) of Advance which is to be continued $_____; and
ii. accrued interest on Advance which will not be paid on or before the Current Repayment Date $_____;

(c) The IESO will pay on the Current Repayment Date the following amount with respect to the Advance (if any): $_____

(d) The New Repayment Date, being a Business Day, applicable to such proposed Continued Advance is _____. [Insert date no earlier than 28 days and not later than 95 days after the Current Repayment Date for the Advance.]

Such election shall be confirmed by the IESO by a telephone call to OFA Cash Management at 416-325-8108.

Borrowing Notice

The IESO gives you notice pursuant to Section 3.2 of the Agreement that the IESO requests a further Advance under the Agreement on the Current Repayment Date, with a Repayment Date of the New Repayment Date as specified above, and in connection with such request, sets forth below the information relating to such Advance (the "Proposed Advance"):

Amount of the Proposed Advance: $_____

The total aggregate amount of the proposed Continued Advance and Proposed Advance pursuant to this Notice is: $_____

Such request of the Proposed Advance shall be confirmed by the IESO by a telephone call to OFA Cash Management at 416-325-8108.

Use of Funds

The IESO hereby certifies that the funds comprising the Proposed Advance requested pursuant to this Notice, if any, will be used for the following purpose(s): [specify purpose(s) and any sub-categories of borrowing purposes, as applicable]

The IESO hereby certifies that:

The representations and warranties of the IESO contained in the Agreement are true and correct as at the date hereof.

No Event of Default has occurred or is continuing and no event or condition has occurred, which, with the lapse of time or the giving of notice or both would constitute an Event of Default.

The IESO has complied or is complying with all terms, covenants and conditions contained in the Agreement.

Any and all funds received under the Agreement are being used solely as authorized under the Agreement and are not being used for any other purpose.

Yours truly,

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

Per: _____

Name:

Authorized Signatory

SCHEDULE 3 TO AMENDING AGREEMENT NO. 10

FORM OF GRID NOTE

INDEPENDENT ELECTRICITY SYSTEM OPERATOR GRID NOTE

Principal Amount: Up to $475,000,000 Date:

FOR VALUE RECEIVED, INDEPENDENT ELECTRICTY SYSTEM OPERATOR (the **"IESO"**), incorporated under the laws of the Province of Ontario and having its principal office and place of business at Toronto, Ontario, **PROMISES TO PAY** to or to the order of **ONTARIO FINANCING AUTHORITY ("OFA")** at its offices at Toronto, Ontario or at such other place as the OFA may designate, the principal amount of each and all Advances made by the OFA to the IESO, all as recorded by the OFA on the grid (the **"Grid"**) attached to and forming part of this Note, in lawful money of Canada, with interest on each Advance at the rate, calculated in the manner and payable at the times specified in the Credit Agreement (as defined below).

OFA shall and is unconditionally and absolutely authorized and directed by the IESO to record on the Grid (i) the date and amount of each Advance, including any Advance all or a portion of which is continued by election under Section 3.3; (ii) the applicable rate of interest for each Advance; (iii) the repayment date of each Advance; (iv) the date and amount of each payment of interest and each payment of principal in respect of each Advance; and (v) the outstanding principal amount of the grid promissory note. Such notations, in the absence of manifest error, shall be *prima facie* evidence of such advances and repayments; provided that the failure of the OFA to record the same shall not affect the obligations of the Borrower to pay such amounts to the OFA.

The outstanding principal amount of each Advance under this Note together with all interest accrued thereon shall become due and payable as specified in the Credit Agreement dated January 1, 2005 as amended, supplemented or restated from time to time, between the Borrower and the OFA (the **"Credit Agreement"**). All capitalized terms used herein and not otherwise defined herein shall have the meanings given to such terms in the Credit Agreement.

This Note is issued pursuant to, and is subject to and payable in accordance with the provisions of, the Credit Agreement.

This Note is not transferable or negotiable without the prior written consent of the IESO.

The IESO waives presentment for payment and notice of non-payment.

This Note shall be governed by and interpreted and enforced in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

IN WITNESS WHEREOF the IESO has executed this Note.

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

By:_____

~~Kimberly Marshall, Vice President, Corporate Services; Chief Financial Officer; Treasurer~~

Formatted: Indent: Left: -0.25"

Ontario Financing Authority
Line of Credit Grid Note

Entity :	Independent Electricity System Operator
Loan Limit:	475,000,000.00
Project:	Regulated Price Plan Variance
Schedule of loan transactions to:	
Loan Advanced to:	

New Loan and/or Rollover						Actual Repayment				
New Loan or Rollover Date	Principal Advanced or Rollover Amount	Interest Rate	Repayment Date	Total No. Of Days	Interest Amount	Actual Repayment	Principal	Interest	Actual Repayment Date	Actual No. Of Days

Project:	Rural or Remote Electricity Rate Protection Variance
Schedule of loan transactions to:	
Loan Advanced to:	

New Loan and/or Rollover						Actual Repayment				
New Loan or Rollover Date	Principal Advanced or Rollover Amount	Interest Rate	Repayment Date	Total No. Of Days	Interest Amount	Actual Repayment	Principal	Interest	Actual Repayment Date	Actual No. Of Days

Total Principal Advanced	

Ontario Financing Authority

Line of Credit Grid Note

Entity :	**Independent Electricity System Operator**
Loan Limit:	**475,000,000.00**
Project:	
Schedule of loan transactions to:	
Loan Advanced to:	

New Loan and/or Rollover						Actual Repayment				
New Loan or Rollover Date	**Principal Advanced or Rollover Amount**	**Interest Rate**	**Repayment Date**	**Total No. Of Days**	**Interest Amount**	**Actual Repayment**	**Principal**	**Interest**	**Actual Repayment Date**	**Actual No. Of Days**

~~**[NTD – TO BE UPDATED AT EXECUTION]**~~

Formatted: Indent: Left: 0", Right: -0.11"

Ontario Financing Authority

Line of Credit Grid Note

Entity :	**Independent Electricity System Operator**
Loan Limit:	**475,000,000.00**
Project:	**Regulated Price Plan Variance**
Schedule of loan trans	**21-Jul-2017**
Loan Advanced to:	**20-Jun-2017**

New Loan and/or Rollover						Actual Repayment					
New Loan or Rollover Date	Principal Advanced or Rollover Amount	Interest Rate	Repayment Date	Total No. Of Days	Interest Amount	Actual Repayment	Principal	Interest	Actual Repayment Date	Actual No. Of Days	
19-Aug-2016	$94,951,024.00	0.8100%	19-Sep-2016	31	$65,321.10	$49,331,879.98	$49,266,558.88	$65,321.10	19-Sep-2016		31
19-Sep-2016	$45,684,465.12	0.8100%	19-Oct-2016	30	$30,414.59	$30,283,150.31	$30,252,735.72	$30,414.59	19-Oct-2016		30
19-Oct-2016	$15,431,729.40	0.7900%	21-Nov-2016	33	$11,022.06	$11,022.06	$0.00	$11,022.06	21-Nov-2016		33
21-Nov-2016	$80,224,794.60	0.7800%	21-Dec-2016	30	$51,431.79	$51,431.79	$0.00	$51,431.79	21-Dec-2016		30
21-Dec-2016	$150,501,105.00	0.8300%	20-Jan-2017	30	$102,670.62	$34,297,653.69	$34,194,983.07	$102,670.62	20-Jan-2017		30
20-Jan-2017	$116,306,121.93	0.8100%	21-Feb-2017	32	$82,593.28	$6,005,205.45	$5,922,612.17	$82,593.28	21-Feb-2017		32
21-Feb-2017	$110,383,509.76	0.8200%	21-Mar-2017	28	$69,435.76	$29,244,186.90	$29,174,751.14	$69,435.76	21-Mar-2017		28
21-Mar-2017	$81,208,758.62	0.8100%	24-Apr-2017	34	$61,273.68	$66,756,693.44	$66,695,419.76	$61,273.68	24-Apr-2017		34
24-Apr-2017	$14,513,338.86	0.8000%	23-May-2017	29	$9,224.92	$14,522,563.78	$14,513,338.86	$9,224.92	23-May-2017		29
20-Jun-2017	$109,986,030.30	0.7900%	21-Jul-2017	31	73,796.11	$0.00	$0.00	$0.00	21-Jul-2017		31

Project:	**Rural or Remote Electricity Rate Protection Variance**
Schedule of loan trans	**20-Jun-2017**
Loan Advanced to:	**20-Jun-2017**

New Loan and/or Rollover						Actual Repayment					
New Loan or Rollover Date	Principal Advanced or Rollover Amount	Interest Rate	Repayment Date	Total No. Of Days	Interest Amount	Actual Repayment	Principal	Interest	Actual Repayment Date	Actual No. Of Days	
18-May-2017	$1,193,999.75	0.7800%	20-Jun-2017	33	$842.02	$842.02	$0.00	$842.02	20-Jun-2017		33
20-Jun-2017	$4,397,101.10	0.7900%	21-Jul-2017	31	2,950.27	$0.00	$0.00	$0.00	21-Jul-2017		31

Total Principal Advanced	**$114,383,131.40**

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

as Borrower

and

ONTARIO FINANCING AUTHORITY

as Lender

REVOLVING CREDIT FACILITY AGREEMENT

Date: September (·), 2017

REVOLVING CREDIT FACILITY AGREEMENT

THIS AGREEMENT is made as of the (·) day of September 2017,

BETWEEN:

INDEPENDENT ELECTRICITY SYSTEM OPERATOR, a statutory corporation without share capital existing under the *Electricity Act, 1998* (the "IESO")
(as Borrower)

AND

ONTARIO FINANCING AUTHORITY, a Crown agency established under the *Capital Investment Plan Act, 1993* (the "OFA" and together with the IESO, the "Parties")
(as Lender)

RECITALS:

WHEREAS the IESO has requested a revolving credit facility for up to a maximum principal amount of $2 billion from the OFA for the purpose of supporting the IESO's role in the implementation and administration of the *Ontario Fair Hydro Plan Act, 2017*.

THEREFORE in consideration of the mutual agreements contained herein (the receipt and adequacy of which are acknowledged), the Parties agree as follows:

ARTICLE 1

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

Section 1.1 Definitions.

For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires, the following terms shall have the meanings assigned to them below:

"Advances" means advances made by the OFA to the IESO under Article 3 and "Advance" means any one of such advances, and in the case of an election by the IESO under Section 3.3, includes a "Continued Advance", as defined in Section 3.3(1), as applicable.

"Advances Outstanding" means, at any time, an amount equal to the aggregate principal amount of all Advances outstanding at such time.

"Agreement", "herein", "hereby", "hereor', "hereunder" and similar expressions mean and refer to this agreement and all schedules hereto and all instruments in amendment or confirmation of this agreement and such schedules and not to any particular article or section; and the expression "Article" or "Section" followed by a number means the specified Article or Section of this Agreement.

"Borrowing Notice" has the meaning specified in Section 3.2(1).

"Business Day" means any day that is not a day on which banks are generally authorized or required by law or executive order to be closed in the City of Toronto.

"**Clean Energy Adjustment"** has the same meaning as that term is defined in the OFHP.

"Commitment" means, at any time, an amount equal to $2 billion.

"Consolidated Assets" means, at any time, the book value of the assets of the IESO and the Subsidiaries, determined as of such time on a consolidated basis in accordance with GAAP.

"**Continued Advance"** has the meaning specified in Section 3.3(1).

"Credit Facility" means the revolving credit facility to be made available to the IESO by the OFA under this Agreement for the purposes specified in Section 2.2.

"**Current Repayment Date**" has the meaning specified in Section 3.3(2).

"Default" means any event which, after the giving of notice, or passage of time, or both, would be an Event of Default.

"Dollars" or **"$**" means lawful currency of Canada.

"Election Notice" has the meaning specified in Section 3.3(2).

"Event of Default" has the meaning specified in Section 5.1.

"GAAP" means accounting policies and standards as established by the Chartered Professional Accountants of Canada, at the relevant time and applied on a consistent basis.

"Grid Note" has the meaning specified in Section 3.2(2).

"Indebtedness" means (without duplication), with respect to any Person, whether recourse is to all or a portion of the assets of such Person and whether or not contingent:

(a) every obligation of such Person for borrowed money;

(b) every obligation of such Person evidenced by bonds, debentures, notes or other similar instruments;

(c) every reimbursement obligation of such Person with respect to letters of credit, bankers' acceptances or similar instruments;

(d) every obligation of such Person issued or assumed as the deferred purchase price of property or services (but excluding trade accounts payable or expenses accrued in the ordinary course of business which are not overdue or which are being contested in good faith);

(e) every capital lease obligation of such Person;

(f) the Swap Termination Value of each Swap Contract of such Person; and

(g) every obligation of the type referred to in paragraphs (a) through (f) of another Person and all dividends of another Person the payment of which, in each case, such Person has guaranteed or is responsible or liable for, directly or indirectly, as obligor, guarantor or otherwise.

"Lien" means any assignment, hypothec, mortgage, lien, pledge, security interest, encumbrance, title retention agreement or other agreement or arrangement to secure the performance of any obligation (including the payment of Indebtedness).

"Material Subsidiary" means, at any time, a Subsidiary which has consolidated assets with a book value of more than $25 million determined in accordance with GAAP.

"**New Repayment Date**" has the meaning specified in Section 3.3(2).

"**OFHP**" means the *Ontario Fair Hydro Plan Act, 2017*.

"Permitted Liens" means:

(a) Liens for taxes and assessments not at the time overdue or any Liens securing workmen's compensation assessments, unemployment insurance or other social security obligations not at the time overdue;

(b) any Liens or rights of distress reserved in or exercisable under any lease for rent and for compliance with the terms of such lease;

(c) any obligations or duties, affecting the property of the IESO to any municipality or governmental, statutory or public authority, with respect to any franchise, grant, license or permit and any defects in title to structures or other facilities arising solely from the fact that such structures or facilities are constructed or installed on lands held by the IESO or such Material Subsidiary under government permits, leases or other grants,

which obligations, duties and defects in the aggregate do not materially impair the use of such property, structures or facilities for the purpose for which they are held by the IESO or such Material Subsidiary;

(d) any deposits or Liens in connection with building contracts, bids or tenders, expropriation proceedings, surety or appeal bonds, costs of litigation when required by law, and public and statutory obligations, Liens or claims incidental to current construction, builders', mechanics', labourers', materialmen's, warehousemen's, carriers' and other similar Liens;

(e) the right reserved to or vested in any municipality or governmental or other public authority by any statutory provision or by the terms of any lease, license, franchise, grant or permit, that affects any lands, to terminate any such lease, license, franchise, grant or permit or to require annual or their periodic payments as a condition to the continuance thereof;

(f) any undetermined or inchoate Liens and charges incidental to the current operations of the IESO or a Material Subsidiary that have not at the time been filed against the IESO or such Material Subsidiary; provided, however, that if any such Lien or charge shall have been filed, the IESO or such Material Subsidiary shall be prosecuting an appeal or proceedings for review with respect to which it shall have secured a stay in the enforcement of any such Lien or charge;

(g) any Lien the validity of which is being contested at the time by the IESO or a Material Subsidiary in good faith and the enforcement of which has been stayed;

(h) any easements, rights-of-way and servitudes that in the opinion of the IESO will not in the aggregate materially and adversely impair the use or value of the land for the purpose for which it is held or occupied by the IESO or a Material Subsidiary;

(i) any Liens and privileges arising out of judgments or awards with respect to which the IESO or a Material Subsidiary shall be prosecuting an appeal or proceedings for review and with respect to which it shall have secured a stay of execution pending such appeal or proceedings for review;

(j) any other Liens of a nature similar to the foregoing which do not in the opinion of the IESO, acting reasonably, materially impair the use of the property subject thereto or the operation of the business of the IESO or any Material Subsidiary or the value of such property for the purpose of any such business; and

(k) any Lien arising from the IESO's role and obligations under the OFHP, including with respect to any amounts collected and held by IESO in relation to the Clean Energy Adjustment, or any lien, whether arising from the action or inaction of IESO that is created under the OFHP.

"Person" means any individual, corporation, partnership joint venture, association, trust or unincorporated organization or any government or agency or political subdivision thereof.

"Purchase Money Mortgage" means any Lien on property, granted in connection with financing, assumed or given back in payment of, or created or arising by operation of law to secure, the whole or part of the purchase price of such property, or granted in connection with financing the cost in whole or in part of construction or installation of or improvements to any property, provided that such Lien is incurred or assumed at the time or within 12 months after the purchase of such property or the completion of such construction, installation or improvements, as the case may be, and includes any extension, renewal or replacement thereof on the same property if the principal amount of the Indebtedness secured thereby at the time of such extension, renewal or replacement is not increased and if such Lien is not extended to any other property.

"Repayment Date" means, in respect of the repayment of Advances, the repayment date contained in the most recent Borrowing Notice or Election Notice.

"Stated Maturity" when used with respect to any Indebtedness or any installment of interest thereon, means the date specified in or on the agreement or instrument evidencing such Indebtedness as the fixed date on which any principal amount of such Indebtedness or such installment of interest is due and payable.

"Subsidiary" means:

(a) a corporation more than 50% of the voting power or the outstanding Voting Shares of which is owned, directly or indirectly, by the IESO or by one or more other Subsidiaries or by the IESO and one or more other Subsidiaries; or

(b) any Person (other than a corporation) in which the IESO, or one or more other Subsidiaries, directly or indirectly, has at least a majority ownership and power to direct the policies, management and affairs thereof.

"Swap Contract" means any agreement whether or not in writing, relating to any transaction or derivative transaction including a rate swap, basis swap, forward rate transaction, commodity swap, commodity option, commodity future, equity or equity index swap or option, bond, note or bill option, interest rate option, forward foreign exchange transaction, cap, collar or floor transaction currency swap, cross-currency rate swap, swaption, currency option or other similar transaction (including any option to enter into any of the foregoing) or any combination of the foregoing, and, unless the context otherwise clearly requires, any master agreement relating to or governing any or all of the foregoing.

"Swap Termination Value" means, in respect of any one or more Swap Contracts entered into by a Person, after taking into account the effect of any legally enforceable netting agreement relating to such Swap contracts:

(a) for any date on or after the date such Swap Contracts have been closed out and termination value(s) for such Person have been determined in accordance therewith, such termination value(s); and

(b) for any date prior to the date referred to in paragraph (a), the net amount determined pursuant to the terms of such Swap Contracts that would be payable by such Person if such Swap Contracts were terminated as of such date.

"Voting Shares" of any Person means securities of such Person which ordinarily carry a right to vote for the election of directors (or Persons performing similar functions) of such Person.

Section 1.2 Effect of Headings.

The division of this Agreement into Articles and Sections and the insertion of headings are for convenient reference only and shall not affect the construction or interpretation hereof.

Section 1.3 Singular, Plural, Gender, Certain Phrases, etc.

Where the context permits and unless such interpretation would be inappropriate, words importing the singular only shall include the plural and vice versa and words importing gender may include any gender. In this Agreement, (a) the words "including" and "includes" mean "including (or includes) without limitation", and (b) in the computation of periods of time from a specified date to a later specified date, unless otherwise expressly stated, the word "from" means "from and including" and the words "to" and "until" excluding".

Section 1.4 Accounting.

Except as otherwise specifically provided herein, all accounting terms shall be applied and construed in accordance with GAAP.

Section 1.5 Non-Business Days.

Whenever any payment to be made hereunder shall be due, any period of time would end, any calculation is to be made or any other action is to be taken on or as of, a day other than a Business Day, such payment shall be made, such period of time shall end, such calculation shall be made and such other actions shall be taken, as the case may be, unless otherwise specifically provided for herein, on or as of the next succeeding Business Day.

ARTICLE 2
REVOLVING CREDIT FACILITY

Section 2.1 Availability.

The OFA agrees, on the terms and conditions of this Agreement, to make Advances to the IESO. The OFA shall make each Advance in Dollars.

Section 2.2 Use of Proceeds.

The IESO shall use the proceeds of Advances for the purposes for which it is authorized to borrow funds pursuant to Regulation 280/14 made under the *Electricity Act, 1998*, subject to the condition that proceeds of Advances may be used only for IESO's financing needs and requirements of any kind arising in connection with the IESO's role with respect to and obligations under the OFHP.

Section 2.3 Credit Facility Limit.

The Advances Outstanding shall not at any time exceed the Commitment. The Credit Facility shall revolve and no payment under the Credit Facility shall reduce the Commitment.

Section 2.4 Mandatory Repayment.

Subject to Sections 2.5 and 5.2, the IESO shall repay each Advance together with the interest accrued thereon on the applicable Repayment Date, and, in any event, shall repay all Advances Outstanding, together with all accrued interest and all other amounts owing hereunder on September 30, 2022.

Section 2.5 Prepayments.

The IESO is not entitled to prepay any part of the Advances Outstanding or the interest accrued thereon without the prior written consent of the OFA.

Section 2.6 Payments under this Agreement.

(1) The OFA shall make Advances to the IESO under this Agreement to or to the order of the IESO by wire transfer of immediately available funds in accordance with wire transfer instructions given by the IESO to the OFA from time to time, or in such other manner as the IESO may specify to the OFA from time to time.

(2) The IESO shall make any payment required hereunder to be made by it to the OFA, to or to the order of the OFA, by wire transfer of immediately available funds in accordance with wire transfer instruction given by the OFA to the IESO from time to time, or in such other manner as the OFA may specify to the IESO from time to time. The IESO shall make each such payment in Canadian Dollars.

Section 2.7 Computations of Interest.

(1) All computations of interest shall be made by the OFA taking into account the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest is payable on the basis of a year of 365 days or 366 days, as the case may be.

(2) For the purposes of disclosure pursuant to the *Interest Act* (Canada), the yearly rate of interest which is equivalent to a rate of interest payable under this Agreement for any period of less than a year may be determined by multiplying the rate of interest for such period by a fraction, the numerator of which is the actual number of days in a year commencing on and including the first day in such period and ending on but excluding the corresponding day in the next calendar year and the denominator of which is the actual number of days in such period.

Section 2.8 Limit on Rate of Interest.

(1) Notwithstanding any provision contained in this Agreement, the IESO shall not be obliged to make any payments of interest or other amounts payable to the OFA hereunder in excess of the amount or rate which would be prohibited by applicable law or would result in the receipt by the OFA of interest at a criminal rate (as such terms are construed under the *Criminal Code* (Canada)).

(2) In the event that any such payments are limited or prohibited as provided in Section 2.8(1), the OFA shall have no further obligation to make any Advances available hereunder and the Advances Outstanding, together with all accrued interest and all other amounts owing hereunder, shall become immediately due and payable.

Section 2.9 Application of Payments.

All payments made by the IESO under this Agreement shall be applied firstly to the payment of interest payable to the OFA on late payments of principal or interest hereunder, secondly, to the payment of accrued and unpaid interest payable to the OFA hereunder and thirdly, to the payment of the outstanding principal amount of any Advances payable to the OFA.

ARTICLE 3
ADVANCES

Section 3.1 Advances.

The OFA agrees, on the terms and conditions of this Agreement, to make Advances to the IESO under the Credit Facility from time to time on any Business Day prior to September 23, 2022.

Section 3.2 Procedure for Advances.

(1) Subject to Section 3.3(5), each Advance shall be made subject to two Business Days' prior notice given not later than 10:00 a.m. (Toronto time) by the IESO to the OFA. Each notice of an Advance (a "**Borrowing Notice**") shall be substantially in the form of Schedule 1, other than a Borrowing Notice that is included in an Election Notice as permitted by Section 3.3(3). Each Borrowing Notice shall be irrevocable and binding on the IESO and shall specify (a) the requested date of the Advance; (b) the principal amount of the Advance, and (c) the Repayment Date of the Advance which shall not be earlier than 5 days and not later than 95 days after the date of the requested Advance. Each Borrowing Notice shall also certify the use of proceeds of the Advance in accordance with Section 2.2. The OFA will make the principal amount of each Advance available to the IESO in accordance with Article 2.

(2) On or before the date of the first Advance hereunder, the IESO shall execute and deliver to the OFA a grid promissory note in respect of Advances substantially in the form of Schedule 3 (the "**Grid Note**"). The IESO authorizes the OFA to record on the Grid Note (a) the date and amount of each Advance or Continued Advance; (b) the applicable rate of interest for each Advance or Continued Advance; (c) the Repayment Date of each Advance or Continued Advance; (d) the date and amount of each payment of interest and each payment of principal or portion thereof in respect of each Advance or Continued Advance; and (e) the outstanding principal amount of the Grid Note. Such notations, in the absence of manifest error, shall be *prima facie* evidence of the such advances and repayments; provided that the failure of the OFA to record any amount, rate or date shall not affect the obligation of the IESO to pay the Advances Outstanding and all interest accrued thereon and any other amounts due under this Agreement.

Section 3.3 Elections Regarding Advances.

(1) The IESO may elect to continue all or a portion of the principal amount of any Advance and any amount of interest on such Advance (together, the "**Continued Advance**") for a further period of at least 5 days and up to a maximum of 95 days beginning on the then current Repayment Date in accordance with Section 3.3(2).

(2) Each notice to continue an Advance for a further period (an "**Election Notice**") shall be provided by the IESO to the OFA at least two Business Days prior to the Repayment Date of the Advance (the "**Current Repayment Date**"), and in each case, not later than 10:00 a.m. (Toronto time). Each such Election Notice shall be given substantially in the

form of Schedule 2 and shall be irrevocable and binding upon the IESO and shall specify: (a) the Current Repayment Date; (b) the new aggregate total amount of the proposed Continued Advance; (c) the amount of interest or principal, if any, to be paid or re-paid by the IESO with respect to such Advance on the Current Repayment Date; and (d) the new Repayment Date of the proposed Continued Advance, which shall be no earlier than 5 days and not later than 95 days after the current Repayment Date (the "**New Repayment Date"**). If the IESO fails to deliver an Election Notice to the OFA for any Advance as provided herein, such Advance shall be repayable on the applicable Repayment Date.

(3) An Election Notice with respect to a proposed Continued Advance may include a Borrowing Notice for a further Advance proposed to be made on the Current Repayment Date. The Repayment Date of such further Advance shall be the New Repayment Date of the Continued Advance that is specified in the Election Notice. Such Borrowing Notice shall be given substantially in the form of Schedule 2.

(4) The calculation of interest on a Continued Advance shall be determined in the same manner as an Advance under Section 3.4 and shall be recorded on the Grid Note in accordance with Section 3.2(2).

(5) Any portion of an Advance not continued for a further period in accordance with Section 3.3(2) shall be repayable on the applicable Repayment Date.

(6) The Credit Facility shall at all times rank *pari passu* with all other unsubordinated and unsecured Indebtedness of the IESO, subject to the existence of any Liens that secure Indebtedness, as permitted by subections 4.6 (a) through (e) hereof.

(7) All amounts owing in respect of the Advances shall be paid without exercising any right of set off or counterclaim by the IESO.

Section 3.4 Interest on Advances.

(1) The IESO shall pay interest on the unpaid principal amount of each Advance in accordance with this Section 3.4 from and including the date of such Advance until the principal amount of such Advance is repaid in full.

(2) Interest shall accrue on the principal amount of each Advance from and including the date of the Advance to but excluding the Repayment Date of such Advance, at an annual rate equal to the Province of Ontario's cost of funds for borrowings with a similar term as determined by the OFA plus 0.25 percent per annum, before as well as after the date such principal amount or interest thereon becomes due hereunder and both before and after default and shall be payable on the Repayment Date for such Advance. Any amount of interest arising hereunder which is not paid when due shall bear interest at the same rate compounded monthly at which it accrued from the due date for payment until the date of actual payment. The amount of interest payable on an Advance will be calculated by the OFA by dividing the interest rate applicable to the Advance by 365 or 366, as the case

may be, and multiplying the result by the principal amount of the Advance and further multiplying the result by the number of days in the period from the date of the Advance to the Repayment Date of the Advance.

(3) If the IESO elects to continue an Advance in accordance with Section 3.3(2), the OFA shall determine the interest rate applicable after the original Repayment Date of the Advance and endorse the said rate on the grid forming part of the Grid Note in respect of Advances held by it.

Section 3.5 Conditions Precedent

The obligation of the OFA to make the Advances to the IESO pursuant to Section 2.1 is subject to the following conditions being satisfied to the OFA's satisfaction at the time of making each Advance:

(a) that the representations and warranties of the IESO contained in this Agreement are true and correct as at the date of making the Advance;

(b) that no Event of Default has occurred and is continuing;

(c) that there shall, in the reasonable opinion of the OFA, have been no material adverse change in the financial condition of the IESO or a Material Subsidiary; and

(d) that the OFA has received such other documentation which it has reasonably requested to ensure that the IESO is in compliance with the terms and conditions of this Agreement, including certified true copies of any necessary resolutions, a written legal opinion from counsel to the IESO confirming that the borrowing is within the legal powers of the IESO and that the Agreement is a direct, unsecured obligation of the IESO enforceable against the IESO in form satisfactory to the OFA.

ARTICLE 4
COVENANTS OF THE IESO

Section 4.1 Payment of Advances.

The IESO will duly and punctually pay all amounts owing under this Agreement in accordance with the terms and subject to the conditions of this Agreement.

Section 4.2 IESO will Maintain its Corporate Existence.

The IESO will at all times maintain its corporate existence.

Section 4.3 Maintenance of Properties.

The IESO will cause all property owned by the IESO or any Material Subsidiary to be maintained and kept in good condition, repair and working order, all as in the judgment of the IESO or any Material Subsidiary may be necessary for the proper operation of such property, except as and to the extent that the IESO or any Material Subsidiary may be prevented from doing so by fire, strikes, lockouts, walkouts, labour unrest, acts of God, inability to obtain labour or materials, enemy action, governmental restrictions, civil commotion, or unavoidable casualty or similar causes; provided, however, that nothing in this Section 4.3 shall prevent the IESO or any Material Subsidiary from discontinuing the maintenance of any such property or decommissioning any such property if such discontinuance or decommissioning is, in the judgment of the IESO or any such Material Subsidiary, desirable in the conduct of its business or the business of any such Material Subsidiary, or has been directly or indirectly requested or required by the Province of Ontario.

Section 4.4 Insurance.

The IESO will cause all property owned by the IESO or any Material Subsidiary which is of a character usually insured by companies operating similar businesses to be insured and kept insured with reputable insurers (which may include associations or other organizations for mutual or reciprocal insurance) against loss or damage by fire or other hazards or risks of the mature and to the extent that such property is usually insured by companies operating similar businesses.

Section 4.5 Conduct of Business.

The IESO will, and will cause the Subsidiaries to, carry on and conduct their respective businesses in accordance with good business practice.

Section 4.6 Negative Pledge.

The IESO will not, and will not permit any Material Subsidiary to, create, incur or assume any Lien, charging the interest of the IESO or any Material Subsidiary in any property, to secure any obligations (including any Indebtedness) unless, at or prior to the time such Lien is created, incurred or assumed, all amounts owing under this Agreement are secured equally and rateably with any and all such obligations secured or to be secured by such Lien, for so long as such obligations shall be secured, provided, however, that the foregoing covenant shall not prevent, restrict or apply to any of the following:

(a) the creation, incurrence or assumption of any Purchase Money Mortgage;

(b) the grant of any Lien in the normal course of business to any banks or financial institutions for present or future Indebtedness of the IESO or any Material Subsidiary to such banks or financial institutions payable on demand or having an original term to maturity less than 18 months;

(c) Permitted Liens;

(d) any extension, renewal or replacement of any of the Liens referred to in Sections 4.6(a), (b) or (c), provided that the principal amount secured by any such Lien outstanding immediately before such extension, renewal or replacement or refunding is not thereby increased; and

(e) any Lien charging the interest of the IESO or any Material Subsidiary in any property to secure any Indebtedness, other than any Lien referred to in Sections 4.6(a), (b) or (c), provided that, at the time such Lien is created, incurred or assumed, the principal amount of such Indebtedness, together with the aggregate principal amount of all other Indebtedness secured by Liens permitted pursuant to this Section 4.6(e) which is outstanding at such time does not exceed 10% of Consolidated Assets at such time.

Section 4.7 Payment of OFA Expenses

In addition to any liability of the IESO to the OFA under any other provision of this Agreement, the IESO will, on demand, reimburse and indemnify OFA for all reasonable costs, charges and expenses, including reasonable fees and disbursements of its agents and counsel, incurred by OFA in connection with the Agreement (including those services incurred in the preservation of rights under or enforcement of this Agreement at any time during the continuance of a default or Event of Default and for any reasonable loss or expense incurred by OFA as a result of any failure by the IESO to fulfill any of its obligations under this Agreement). All such costs, charges and expenses shall bear interest at the Province of Ontario's cost of funds plus 0.25 percent per annum (as determined by the OFA) calculated and payable monthly not in advance from in each case from the date on which the OFA incurs the cost, charge or expense until the date on which the IESO reimbursement the OFA therefor. The OFA agrees, acting reasonably, to invoice the IESO for any such costs, charges and expense as they are incurred, together with interest at the aforesaid rate (with interest on overdue interest).

Section 4.8 Reporting.

The IESO will promptly provide to the OFA any reports or supporting documents that the OFA may request from time to time.

Section 4.9 Late Repayment of Advance.

In the event that the IESO fails to repay the principal amount of any Advance and all interest accrued thereon when due, the IESO shall pay interest on the unpaid amount of such Advance at the same rate compounded monthly at which it accrued from the due date for payment until the date of actual payment.

ARTICLE 5
EVENTS OF DEFAULT AND REMEDIES

Section 5.1 Event of Default.

Wherever used in this Agreement, the term "Event of Default" means any of the following:

(a) the IESO's failure to pay any interest upon any Advance when it becomes due and payable, if such failure continues for a period of 3 Business Days;

(b) failure to pay the principal amount of any Advance on the applicable Repayment Date or the Advances Outstanding, all interest accrued thereon and all other amounts owing under this Agreement on September 30, 2022;

(c) failure on the part of the IESO to observe or perform its obligations set forth in Section 4.1;

(d) failure on the part of the IESO to observe or perform any of the other covenants or agreements on its part contained in this Agreement for a period of 20 days after the date on which written notice of such failure shall have been given to the IESO by the OFA;

(e) any representation or warranty made by the IESO in this Agreement or in any certificate or other document at any time delivered hereunder to the OFA was incorrect or misleading in any material respect;

(f) one or more breaches by the IESO of its covenants under one or more evidences of Indebtedness or instruments governing or securing the same with a principal amount then outstanding, individually or in the aggregate, of at least $5 million, which breaches:

(i) constitute a failure to pay such Indebtedness when due and payable at its final Stated Maturity, continue after any applicable grace period and have not been cured or waived or ceased to exist, or

(ii) have resulted in such Indebtedness becoming or being declared due and payable prior to its final Stated Maturity (and which acceleration or declaration has not been waived or rescinded);

(g) the IESO or any Material Subsidiary:

(i) becomes unable to meet its obligations as they generally become due or has ceased paying its current obligations in the ordinary course of business as they generally become due;

(ii) admits in writing its inability to pay its debts generally or makes a general assignment for the benefit its creditors or files a proposal or other scheme

of arrangement involving the rescheduling or composition of its Indebtedness;

(iii) institutes or has instituted against it any proceeding seeking:

(A) to adjudicate it as bankrupt or insolvent,

(B) liquidation, winding-up or reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency, reorganization or relief of debtors including any plan of compromise or arrangement or other corporate proceeding involving or affecting its creditors, or

(C) the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its assets,

and in the case of any such proceeding instituted against it (but not instituted by it), either the proceeding remains undismissed or unstayed for a period of 30 days, or any remedy sought in any such proceeding (including the entry of order for relief against it or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its properties and assets) occurs; or

(iv) takes any corporate action to authorize any of the actions in Sections 5.l (g)(i) to (iii); or

(h) if there shall be rendered against the IESO or any Material Subsidiary a final judgment or judgments for the payment of money in an aggregate amount in excess of $5 million by a court or courts of competent jurisdiction, and the IESO or any Material Subsidiary shall have failed to satisfy such judgments or to appeal therefrom (or from the order, decree or process pursuant to which such judgments were granted, passed, entered or affirmed) and to obtain a stay of execution thereof within the period prescribed by law for appeals, and to have such judgments discharged within 30 days after the expiration of such period or the period of any such stay, whichever shall later expire.

Section 5.2 Acceleration of Maturity; Rescission and Annulment.

If an Event of Default occurs and is continuing, then and in every such case the OFA may at its option, in addition to any other remedy available to the OFA at law, by written notice to the IESO, suspend the right of the IESO to request any further Advance until the Event of Default has been cured to the OFA's satisfaction or, if the Event of Default is not cured within three (3) Business Days after the date on which written notice of such Event of Default shall have been given to the IESO by the OFA, declare all amounts owing hereunder including all interest

accrued to be due and payable immediately, by a notice in writing to the IESO, and upon any such declaration all such amounts shall become immediately due and payable.

Section 5.3 Suits for Enforcement by the OFA.

If an Event of Default occurs and is continuing, the OFA may proceed to protect and enforce the rights vested in it by this Agreement either by suit in equity or by action at law or by proceedings in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in this Agreement or in aid of the exercise of any power granted in this Agreement, or to enforce any other legal or equitable right vested in the OFA by this Agreement or by law.

Section 5.4 OFA May File Proof of Claim.

If proceedings for the receivership, insolvency, liquidation, bankruptcy, winding-up, reorganization, arrangement or composition of the IESO under any applicable law are pending, or if a receiver, trustee, custodian or other similar official shall have been appointed for the property of the IESO, or if any other judicial proceedings relative to the IESO, its creditors or its property are pending, the OFA shall be entitled and empowered, by intention in such proceeding or otherwise:

(a) to file and prove a claim for all amounts owing under this Agreement and to file such other papers or documents as may be necessary or advisable in order to have the claims of the OFA (including any claim for fees and disbursements of the OFA, its agents and counsel) allowed in such judicial proceeding; and

(b) to collect and receive any moneys or other property payable or deliverable on any such claim.

Section 5.5 Rights and Remedies Cumulative.

No right or remedy herein conferred upon or reserved to the OFA is intended to be exclusive of any other such right or remedy, and every such right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 5.6 Delay or Omission not Waiver.

No delay or omission of the OFA to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right or remedy given by this Article 5 or by law to OFA may be exercised from time to time, and as often as may be deemed expedient, by the OFA.

ARTICLE 6
REPRESENTATIONS AND WARRANTIES OF IESO

Section 6.1 Representations and Warranties of IESO

The IESO represents and warrants to the OFA that:

(a) the borrowing of money (including principal and accrued interest) by the IESO and the execution, delivery and performance of this Agreement are within the powers and capacities of the IESO and have been duly authorized by all necessary legal action and proper proceedings;

(b) the execution and delivery of this Agreement, the consummation of the transactions contemplated by this Agreement and the compliance with the terms and conditions of this Agreement will not conflict with or result in a breach of any of the terms or provisions of the constituting documents or by-laws of the IESO, laws of Ontario, including laws of Canada applicable therein, applicable to the IESO or any contractual or other obligation binding on the IESO;

(c) this Agreement will, when executed and delivered, constitute the legal, valid and binding obligation of the IESO enforceable against it in accordance with its terms; and

(d) the monies advanced under this Agreement shall be used only by the IESO for the purposes set out in Section 2.2.

Section 6.2 Continuation of Representation and Warranties

The representations and warranties set out in Section 6.1 herein shall survive the execution and delivery of this Agreement, the making of each Advance by the OFA, notwithstanding any investigations or examinations which may be made by counsel for the OFA.

ARTICLE 7
GENERAL

Section 7.1 Notices.

Any notice, direction or other communication to be given under this Agreement shall be in writing and given by personally delivering it or sending it by telecopy or other means of electronic communication addressed:

If to the IESO, to it at:

Independent Electricity System Operator
120 Adelaide Street West, Suite 1600
Toronto, ON M5H 1T1

Attention: Chief Financial Officer
Telephone: (416)969-6232
Facsimile: (905)403-6913

If to the OFA, to it at:

Ontario Financing Authority 1 Dundas Street West
Suite 1400 Toronto, Ontario M7A 1Y7

Attention: Executive Director & Chief Investment Officer – Capital Markets Division
Telephone: (416)325-8930
Facsimile: (416)325-8111
provided that any Borrowing Notice or Election Notice shall be addressed as indicated on Schedule 1 or Schedule 2 respectively.

Any communication hereunder shall be deemed to have been validly and effectively given if (a) personally delivered, on the date of such delivery if such date is a Business Day and such delivery was made prior to 4:00 p.m. (Toronto time), otherwise on the next Business Day, (b) transmitted by facsimile or other means of electronic communication, on the Business Day following the date of transmission provided that, on the date of transmission, the addressee of such communication was notified by telephone of such transmission. Any party may from time to time change its address for communications hereunder by notice give in accordance with this Section 7.1 and until changed by like notice, such changed address shall be such party's address for purposes of this Section 7.1.

Section 7.2 Successors and Assigns.

This Agreement shall be binding on and enure to the benefit of the OFA and the IESO and their respective successors and permitted assigns, except that the IESO shall not, without the prior written consent of the OFA assign, pledge or hypothecate any rights or obligations with respect to this Agreement.

Section 7.3 Amendments.

This Agreement may only be amended or otherwise modified by written agreement executed by each of the Parties.

Section 7.4 Waiver.

(1) No waiver of any provisions of this Agreement shall be deemed to constitute a waiver of any other provision (whether or not similar) or this Agreement nor shall such waiver be binding unless executed in writing by the party to be bound by the waiver.

(2) No failure on the part of a party to exercise, and no delay in exercising, any right under this Agreement shall operate as a waiver of such right and any single or partial exercise

of such right shall not preclude another or further exercise of such right or the exercise of any other right.

Section 7.5 Further Assurances.

Each of the IESO and the OFA shall, from time to time, do all such acts and things and execute and deliver all such instruments as may be reasonably required to give effect to, and carry out the terms of, this Agreement

Section 7.6 Severability.

In case any provision in this Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions in this Agreement shall not in any way be affected or impaired thereby.

Section 7.7 Governing Law.

This Agreement shall be construed in accordance with and governed by the laws of the Province of Ontario and the laws of Canada applicable therein.

Section 7.8 Counterparts.

This Agreement may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same Agreement.

IN WITNESS WHEREOF the Parties have executed this Agreement as of the date first written above.

ONTARIO FINANCING AUTHORITY	INDEPENDENT ELECTRICITY SYSTEM OPERATOR
Per: _____	Per: _____
Name: Michael D. Manning Title: Executive Director & Chief Investment Officer, Capital Markets Division	Name: Kimberly Marshall Title: Vice President, Corporate Services; Chief Financial Officer; Treasurer
I have authority to bind the corporation.	I have authority to bind the corporation.

SCHEDULE 1

FORM OF BORROWING NOTICE

Delivered Via Fax: 416-204-7920

Ontario Financing Authority ("OFA")
1 Dundas Street West, Suite 1400
Toronto, Ontario
M7A 1Y7

Date: [insert date]

Attention: Cash Management

Dear Sirs:

The undersigned, the Independent Electricity System Operator ("IESO"), refers to the Revolving Credit Facility Agreement between the IESO and the OFA dated September (·), 2017 (as amended, supplemented or restated from time to time, the "Agreement", the terms defined therein being used herein as therein defined), and gives you notice pursuant to Section 3.2 of the Agreement that the IESO requests an Advance under the Agreement, and, in connection with such request, sets forth below the information relating to such Advance (the "Proposed Advance"), as required by Section 3.2(1) of the Agreement:

(a) The date of the Proposed Advance, being a Business Day is _____;
(b) The principal amount of the Proposed Advance is $_____;
(c) The Repayment Date of the Proposed Advance is _____. [Not earlier than 5 days and not later than 95 days after the date of the Proposed Advance.]

Such request of the Proposed Advance shall be confirmed by the IESO by a telephone call to OFA Cash Management at 416-325-8108.

Use of Funds

The IESO hereby certifies that the funds comprising the Proposed Advance requested pursuant to this Notice will be used for the following purpose(s): [specify purpose(s) and any sub-categories of borrowing purposes, as applicable]

The IESO hereby certifies that:

The representations and warranties of the IESO contained in the Agreement are true and correct as at the date hereof.

No Event of Default has occurred or is continuing and no event or condition has occurred, which, with the lapse of time or the giving of notice or both would constitute an Event of Default.

The IESO has complied or is complying with all terms, covenants and conditions contained in the Agreement.

Any and all funds received under the Agreement will be expended or held solely for the purpose for which they are authorized to be used under the Agreement; no part of the funds to be received pursuant to this Notice shall be used for any other purpose.

Yours truly,

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

Per: _____

Name:

Authorized Signatory

SCHEDULE 2

FORM OF ELECTION NOTICE

Delivered Via Fax: 416-204-7920

Ontario Financing Authority ("OFA")
1 Dundas Street West, Suite 1400
Toronto, Ontario
M7A 1Y7

Date: [insert date]

Attention: Cash Management

Dear Sirs:

Election Notice

The undersigned, the Independent Electricity System Operator ("IESO"), refers to the Revolving Credit Facility Agreement between the IESO and the OFA dated September (·), 2017 (as amended, supplemented or restated from time to time, the "Agreement", the terms defined therein being used herein as therein defined), and gives you notice pursuant to Section 3.3 of the Agreement that the IESO elects to continue for an additional term all or a portion of an Advance or a Continued Advance, as the case may be, and in connection with such election sets forth below the information relating to such election as required by Section 3.3(2) of the Agreement:

(a) The date of the proposed election, being a Business Day (being the Current Repayment Date) is _____.

(b) The aggregate amount of the proposed Continued Advance is $_____, which is comprised of:

i. principal amount (or portion thereof) of Advance which is to be continued $_____; and
ii. accrued interest on Advance which will not be paid on or before the Current Repayment Date $_____;

(c) The IESO will pay on the Current Repayment Date the following amount with respect to the Advance (if any): $ _____

(d) The New Repayment Date, being a Business Day, applicable to such proposed Continued Advance is _____. [Insert date not earlier than 5 days and not later than 95 days after the current Repayment Date for the Advance.]

Such election shall be confirmed by the IESO by a telephone call to OFA Cash Management at 416-325-8108.

Borrowing Notice

The IESO gives you notice pursuant to Section 3.2 of the Agreement that the IESO requests a further Advance under the Agreement on the Current Repayment Date, with a Repayment Date of the New Repayment Date as specified above, and in connection with such request, sets forth below the information relating to such Advance (the "Proposed Advance"):

Amount of the Proposed Advance: $_____
The total aggregate amount of the proposed Continued Advance and Proposed Advance pursuant to this Notice is: $_____

Such request of the Proposed Advance shall be confirmed by the IESO by a telephone call to OFA Cash Management at 416-325-8108.

Use of Funds

The IESO hereby certifies that the funds comprising the Proposed Advance requested pursuant to this Notice, if any, will be used for the following purpose(s): [specify purpose(s) and any sub-categories of borrowing purposes, as applicable]

The IESO hereby certifies that:

The representations and warranties of the IESO contained in the Agreement are true and correct as at the date hereof.

No Event of Default has occurred or is continuing and no event or condition has occurred, which, with the lapse of time or the giving of notice or both would constitute an Event of Default.

The IESO has complied or is complying with all terms, covenants and conditions contained in the Agreement.

Any and all funds received under the Agreement are being used solely as authorized under the Agreement and are not being used for any other purpose.

Yours truly,

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

Per: _____
Name:

Authorized Signatory

SCHEDULE 3 – FORM OF GRID NOTE

INDEPENDENT ELECTRICITY SYSTEM OPERATOR GRID NOTE

Principal Amount: Up to $2,000,000,000 Date:

FOR VALUE RECEIVED, INDEPENDENT ELECTRICITY SYSTEM OPERATOR (the "**IESO**"), incorporated under the laws of the Province of Ontario and having its principal office and place of business at Toronto, Ontario, **PROMISES TO PAY** to or to the order of **ONTARIO FINANCING AUTHORITY** ("**OFA**") at its offices at Toronto, Ontario or at such other place as the OFA may designate, the principal amount of each and all Advances made by the OFA to the IESO, all as recorded by the OFA on the grid attached to and forming part of this Grid Note, in lawful money of Canada, with interest on each Advance at the rate, calculated in the manner and payable at the times specified in the Revolving Credit Facility Agreement (as defined below).

OFA shall and is unconditionally and absolutely authorized and directed by the IESO to record on the Grid Note (i) the date and amount of each Advance, including any Advance all or a portion of which is continued by election under Section 3.3; (ii) the applicable rate of interest for each Advance; (iii) the repayment date of each Advance; (iv) the date and amount of each payment of interest and each payment of principal in respect of each Advance; and (v) the outstanding principal amount of the Grid Note. Such notations, in the absence of manifest error, shall be *prima facie* evidence of such advances and repayments; provided that the failure of the OFA to record the same shall not affect the obligations of the Borrower to pay such amounts to the OFA.

The outstanding principal amount of each Advance under this Grid Note together with all interest accrued thereon shall become due and payable as specified in the Revolving Credit Facility Agreement dated September (·), 2017 as amended, supplemented or restated from time to time, between the Borrower and the OFA (the "Agreement"). All capitalized terms used herein and not otherwise defined herein shall have the meanings given to such terms in the Agreement.

This Grid Note is issued pursuant to, and is subject to and payable in accordance with the provisions of, the Agreement.

This Grid Note is not transferable or negotiable without the prior written consent of the IESO.

The IESO waives presentment for payment and notice of non-payment.

This Grid Note shall be governed by and interpreted and enforced in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

IN WITNESS WHEREOF the IESO has executed this Grid Note.

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

By: _____

By: _____

Revolving Credit Facility Grid Note

Ontario Financing Authority
Line of Credit Grid Note

Entity : Independent Electricity System Operator
Loan Limit:
Project:
Schedule of loan transactions to:
Loan Advanced to:

New Loan and/or Rollover						Actual Repayment				
New Loan or Rollover Date	Principal Advanced or Rollover Amount	Interest Rate	Repayment Date	Total No. Of Days	Interest Amount	Actual Repayment	Principal	Interest	Actual Repayment Date	Actual No. Of Days

From: Opal Kandelas
To: Sarah Harris
Subject: RE: IESO Directive
Date: Friday, September 01, 2017 2:15:08 PM

Thanks for this. Given that IESO is aware and are not in any danger of causing themselves reputational damage with the rating agency – all is good. we can follow up with this next week.

Opal.

From: Sarah Harris
Sent: Friday, September 01, 2017 1:45 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: IESO Directive

Hi Opal,

Please see answers below.

Sorry for the delay – I asked Will to arrange to obtain the electronic execution copy of the $2B FHP facility yesterday from Anthony for sign-off; Will only informed me this morning that OFA Legal preferred that we prepare it (which it now has been in conjunction with OFA Legal, and is now with IESO for final sign-off).

Sarah

From: Opal Kandelas
Sent: Friday, September 01, 2017 9:23 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: Re: IESO Directive

Okay. Thanks for the update. Implications for IESO's relationship with Moody's? Will spoke with Anthony at IESO, and Anthony is okay with execution the earliest as possible next week. Anthony said he has been putting off a call to Moody's and can hold out a little longer.

Are the agreements ready in execution form for when the exemption is finally approved?

-

- New $2B facility agreement. All terms agreed are agreed. The attached clean version is with IESO for final sign-off. I am giving it fine tooth comb reading in the meantime, even though OFA legal signed off.

  Amending Agreement #10 for to reduce $975m to $475m – draft with IESO to confirm language on election notice. IESO requested a last minute change yesterday with regard to rolling interest, which was agreed to by Mike yesterday. Changes have been incorporated. I attach the last e-mail from yesterday which includes the draft sent to IESO yesterday

> afternoon. I suggest that you could read it, but that you don't share with Mike; it would confuse vs. help him, given that it is a tenth amending agreement which touches changes from previous amending agreements.

While we wait for this to occur I'd like to review both agreements. I will also suggest to Mike that a copy of both can be provided to him so that he can review in advance of signing.

Opal.

On Sep 1, 2017, at 9:11 AM, Sarah Harris <Sarah.Harris@ofina.on.ca> wrote:

> Hi Opal,
>
> The IESO directive was not signed yesterday. DMO/MO made the decision to pursue our Minister's signature early next week.
>
> Sarah

From:	Mike Manning
To:	Opal Kandelas
Subject:	RE: IESO Facility
Date:	Tuesday, April 25, 2017 12:42:47 PM
Importance:	High

Hi Opal:
Do you know the rate formula for IESO for this facility?
I looked but didn't see it.
Mike

From: Opal Kandelas
Sent: Tuesday, April 25, 2017 11:36 AM
To: Mike Manning <Mike.Manning@ofina.on.ca>
Subject: FW: IESO Facility

Hi Mike,

Please find attached the last amendment to the IESO credit facility and the Minister's directive.

Opal.

From: Kelly Listoe
Sent: Tuesday, April 25, 2017 11:29 AM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: IESO Facility

Hi Opal

Attached is the IESO Amendment from last November. I have also attached the Directive as it contains a brief synopsis. The main changes were that the maturity date was extended to Dec. 31, 2019 from 2016 and the length of time advances can be outstanding was lengthened.

Regards,

Kelly Listoe
Documentation & Compliance Coordinator
Capital Markets
Ontario Financing Authority
1 Dundas Street West, Ste. 1400
Toronto, ON. M7A 1Y7
(416) 325 - 8053

From: Opal Kandelas
To: Mike Manning
Subject: RE: IESO Facility
Date: Tuesday, April 25, 2017 2:47:57 PM

Hi Mike,

The original credit facility provides the following:

Interest shall accrue on the principal amount of each Advance from and including the date of the Advance to but excluding the Repayment Date of such Advance, at an annual rate equal to the **Province's cost of funds for borrowings with a similar term as determined by the OF A plus 0.25 percent per annum**, before as well as after the date such principal amount or interest thereon becomes due hereunder and both before and after default and shall be payable on the Repayment Date for such Advance. Any amount of interest arising hereunder which is not paid when due shall bear interest at the same rate compounded monthly at which it accrued from the due date for payment until the date of actual payment. The amount of interest payable on an Advance will be calculated by the OF A by dividing the interest rate applicable to the Advance by 365 or 366, as the case may be, and multiplying the result by the principal amount of the Advance and further multiplying the result by the number of days in the period from the date of the Advance to the Repayment Date of the Advance.

It does not appear that any amendments (there are 9) have changed this.

Thanks,
Opal.

From: Mike Manning
Sent: Tuesday, April 25, 2017 12:43 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: IESO Facility
Importance: High

Hi Opal:
Do you know the rate formula for IESO for this facility?
I looked but didn't see it.
Mike

From: Opal Kandelas
Sent: Tuesday, April 25, 2017 11:36 AM
To: Mike Manning <Mike.Manning@ofina.on.ca>
Subject: FW: IESO Facility

Hi Mike,

Please find attached the last amendment to the IESO credit facility and the Minister's directive.

Opal.

From: Kelly Listoe
Sent: Tuesday, April 25, 2017 11:29 AM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: IESO Facility

Hi Opal

Attached is the IESO Amendment from last November. I have also attached the Directive as it contains a brief synopsis. The main changes were that the maturity date was extended to Dec. 31, 2019 from 2016 and the length of time advances can be outstanding was lengthened.

Regards,

Kelly Listoe
Documentation & Compliance Coordinator
Capital Markets
Ontario Financing Authority
1 Dundas Street West, Ste. 1400
Toronto, ON. M7A 1Y7
(416) 325 - 8053

From:	William Tan
To:	Risa Thau
Cc:	CASHP; SETTLEMENT; Carlos Yep; James Devine; Sarah Harris; Opal Kandelas
Subject:	RE: IESO Notice for Nov 21/17
Date:	Friday, December 01, 2017 3:05:11 PM

Hello Risa,

Carlos is contacting Anthony Martinello to obtain more details with regards to his request.

Thanks,

Will

From: Risa Thau
Sent: Friday, December 01, 2017 1:43 PM
To: William Tan <William.Tan@ofina.on.ca>
Cc: CASHP <CASHP@ofina.on.ca>; SETTLEMENT <SETTLEMENT@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>
Subject: FW: IESO Notice for Nov 21/17

Hi Will,

Is IESO allowed to change the maturity date of their advance according to the agreement?

Thanks,

Risa Thau

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Friday, December 01, 2017 12:59 PM
To: CASHP <CASHP@ofina.on.ca>; SETTLEMENT <SETTLEMENT@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>; Serena Ly <Serena.Ly@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>
Cc: Olga Whiteley <Olga.Whiteley@ieso.ca>
Subject: RE: IESO Notice for Nov 21/17

Just a question – will appreciate your reply.
I am discussing the first fair hydro purchase and resulting cash-flow timing with OPG.
Currently, the IESO's Repayment Date (see attached) is set for Dec 20th.
What are OFA comments if I were to ask OFA for this repayment date of Dec 20th 2017 to be changed to Dec 18th 2017?

Regards.

From: Olga Whiteley
Sent: November 16, 2017 5:53 PM
To: CASHP; SETTLEMENT; Carlos.Yep@ofina.on.ca; Serena.Ly@ofina.on.ca; James.Devine@ofina.on.ca
Cc: Anthony Martinello
Subject: IESO Notice for Nov 21/17

Please see attached two notices for November 21, 2017:

- Full repayment of RPP amount under IESO's $975 million facility;
- New borrowing of Fair Hydro amount under IESO's new $2 billion facility.

Please send us the net amount of **$179,900,804.31** (OFA to IESO $1,005,539,906.31 minus IESO to OFA $825,639,102.00).

Beneficiary:	Independent Electricity System Operator
Bank:	TD Bank
Bank ID:	0004
Transit Number:	10202
Account Number:	5509622

Thanks.

Olga Whiteley | Treasury and Pension Operations
Independent Electricity System Operator (IESO) | T: (905) 403-6917 | F: (905) 403-6913
Station A, Box 4474, Toronto, ON M5W 4E5
Web: www.ieso.ca[ieso.ca] | Email: olga.whiteley@ieso.ca

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

From: Whitfield, Tobias P. (MOF)
To: John Kim; Opal Kandelas
Cc: Malle Hanslep (MOF)
Subject: RE: IESO Security Agreement
Date: Tuesday, November 21, 2017 9:17:28 AM

John – Energy Legal will have the draft regulations, and I think it may have been approved yesterday at LRC (though not made by the LG yet), but I will have to ask them to interpret the regulation for me. It is a complex issue, and I am not familiar enough with the entire scheme to be able to interpret that reg without more time to review it in conjunction with the entire legislative and regulatory scheme.

I will reach out again to see if I can get any guidance from them, but this may be a case where we will not be able to be satisfied with our understanding of how the Security Agreement interacts with the regulations, and the decision may have to be made without that understanding.

Toby

Tobias Whitfield
Counsel, Legal Services Branch
Ministry of Finance
tobias.whitfield@ontario.ca
Phone: 416-325-1456

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: November 21, 2017 8:44 AM
To: Whitfield, Tobias P. (MOF); Kandelas, Opal (OFA)
Cc: Hanslep, Malle (MOF)
Subject: RE: IESO Security Agreement

Thanks Toby.

Would Energy Legal have the draft regulations? I will approach my counterpart as well.

From: Whitfield, Tobias P. (MOF) [mailto:Tobias.Whitfield@ontario.ca]
Sent: Monday, November 20, 2017 4:58 PM
To: John Kim <John.Kim@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Cc: Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>
Subject: IESO Security Agreement

John and Opal,

We have reviewed the Nov. 7 draft of the Security Agreement, and I have discussed the issues with our outside counsel.

The Nov. 7 draft updated the terms of the Security Agreement such that they have a broader application than the earlier draft that we had based our previous discussions on. The earlier draft had carved out appropriations from the collateral.

However, in both instances the collateral includes all accounts of the IESO (other than the Appropriations amounts in the earlier draft), all cash and proceeds from LDCs.

To the extent that the amounts owed by the IESO to the Financing Entity are matched by actual proceeds to the IESO from ratepayers that flow through the LDCs on account of a Clean Energy Adjustment, the security interest would only give the Financing Entity an ability to attach to an amount of collateral that would be equal to that cash that is available from the amounts that the LDCs have charged to ratepayers.

However, there is a risk that the Clean Energy Adjustments would not be sufficient to pay the amount owing by the IESO to the Financing Entity in general or in any one period. In such an instance, the security interest would give the Financing Entity a priority in the IESO's assets that would put them ahead of unsecured creditors, including the OFA and the OEFC. We are not sure what the extent of this risk is because we have not seen the final draft of the regulations that determine how much is payable in each period, and how that relates to the obligations to the Financing Entity.

I have not spoken to Energy Legal on this point, but have asked for their input. They may not have been involved with these discussions, though, so I am not sure if they will have anything to add.

Please let me know if you would like to discuss further.

Toby

Tobias Whitfield
Counsel, Legal Services Branch
Ministry of Finance
777 Bay Street, 11th Floor
Toronto, ON, M5G 2C8
tobias.whitfield@ontario.ca
Phone: 416-325-1456

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From:	John Kim
To:	Tobias P. Whitfield (MOF); Opal Kandelas
Cc:	Malle Hanslep (MOF)
Subject:	RE: IESO Security Agreement
Date:	Tuesday, November 21, 2017 8:43:41 AM

Thanks Toby.

Would Energy Legal have the draft regulations? I will approach my counterpart as well.

From: Whitfield, Tobias P. (MOF) [mailto:Tobias.Whitfield@ontario.ca]
Sent: Monday, November 20, 2017 4:58 PM
To: John Kim <John.Kim@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Cc: Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>
Subject: IESO Security Agreement

John and Opal,

We have reviewed the Nov. 7 draft of the Security Agreement, and I have discussed the issues with our outside counsel.

The Nov. 7 draft updated the terms of the Security Agreement such that they have a broader application than the earlier draft that we had based our previous discussions on. The earlier draft had carved out appropriations from the collateral.

However, in both instances the collateral includes all accounts of the IESO (other than the Appropriations amounts in the earlier draft), all cash and proceeds from LDCs.

To the extent that the amounts owed by the IESO to the Financing Entity are matched by actual proceeds to the IESO from ratepayers that flow through the LDCs on account of a Clean Energy Adjustment, the security interest would only give the Financing Entity an ability to attach to an amount of collateral that would be equal to that cash that is available from the amounts that the LDCs have charged to ratepayers.

However, there is a risk that the Clean Energy Adjustments would not be sufficient to pay the amount owing by the IESO to the Financing Entity in general or in any one period. In such an instance, the security interest would give the Financing Entity a priority in the IESO's assets that would put them ahead of unsecured creditors, including the OFA and the OEFC. We are not sure what the extent of this risk is because we have not seen the final draft of the regulations that determine how much is payable in each period, and how that relates to the obligations to the Financing Entity.

I have not spoken to Energy Legal on this point, but have asked for their input. They may not have been involved with these discussions, though, so I am not sure if they will have anything to add.

Please let me know if you would like to discuss further.

Toby

Tobias Whitfield
Counsel, Legal Services Branch
Ministry of Finance
777 Bay Street, 11th Floor
Toronto, ON, M5G 2C8
tobias.whitfield@ontario.ca
Phone: 416-325-1456

From: Whitfield, Tobias P. (MOF)
To: John Kim; Opal Kandelas
Cc: Malle Hanslep (MOF)
Subject: RE: IESO Security Agreement
Date: Tuesday, November 21, 2017 9:17:28 AM

John – Energy Legal will have the draft regulations, and I think it may have been approved yesterday at LRC (though not made by the LG yet), but I will have to ask them to interpret the regulation for me. It is a complex issue, and I am not familiar enough with the entire scheme to be able to interpret that reg without more time to review it in conjunction with the entire legislative and regulatory scheme.

I will reach out again to see if I can get any guidance from them, but this may be a case where we will not be able to be satisfied with our understanding of how the Security Agreement interacts with the regulations, and the decision may have to be made without that understanding.

Toby

Tobias Whitfield
Counsel, Legal Services Branch
Ministry of Finance
tobias.whitfield@ontario.ca
Phone: 416-325-1456

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: November 21, 2017 8:44 AM
To: Whitfield, Tobias P. (MOF); Kandelas, Opal (OFA)
Cc: Hanslep, Malle (MOF)
Subject: RE: IESO Security Agreement

Thanks Toby.

Would Energy Legal have the draft regulations? I will approach my counterpart as well.

From: Whitfield, Tobias P. (MOF) [mailto:Tobias.Whitfield@ontario.ca]
Sent: Monday, November 20, 2017 4:58 PM
To: John Kim <John.Kim@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Cc: Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>
Subject: IESO Security Agreement

John and Opal,

We have reviewed the Nov. 7 draft of the Security Agreement, and I have discussed the issues with our outside counsel.

The Nov. 7 draft updated the terms of the Security Agreement such that they have a broader application than the earlier draft that we had based our previous discussions on. The earlier draft had carved out appropriations from the collateral.

However, in both instances the collateral includes all accounts of the IESO (other than the Appropriations amounts in the earlier draft), all cash and proceeds from LDCs.

To the extent that the amounts owed by the IESO to the Financing Entity are matched by actual proceeds to the IESO from ratepayers that flow through the LDCs on account of a Clean Energy Adjustment, the security interest would only give the Financing Entity an ability to attach to an amount of collateral that would be equal to that cash that is available from the amounts that the LDCs have charged to ratepayers.

However, there is a risk that the Clean Energy Adjustments would not be sufficient to pay the amount owing by the IESO to the Financing Entity in general or in any one period. In such an instance, the security interest would give the Financing Entity a priority in the IESO's assets that would put them ahead of unsecured creditors, including the OFA and the OEFC. We are not sure what the extent of this risk is because we have not seen the final draft of the regulations that determine how much is payable in each period, and how that relates to the obligations to the Financing Entity.

I have not spoken to Energy Legal on this point, but have asked for their input. They may not have been involved with these discussions, though, so I am not sure if they will have anything to add.

Please let me know if you would like to discuss further.

Toby

Tobias Whitfield
Counsel, Legal Services Branch
Ministry of Finance
777 Bay Street, 11th Floor
Toronto, ON, M5G 2C8
tobias.whitfield@ontario.ca
Phone: 416-325-1456

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From: Gavin He
To: Sarah Harris
Cc: Opal Kandelas
Subject: RE: IESO / OEFC - $120MM and $160MM Credit Facility Discussion
Date: Friday, November 10, 2017 12:46:13 PM

Hi Sarah,

I am not aware of anyone else who is calling in, so I think Opal can call into the boardroom directly.

Regards,

Gavin He

From: Sarah Harris
Sent: Friday, November 10, 2017 12:15 PM
To: Gavin He <Gavin.He@ofina.on.ca>
Cc: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: IESO / OEFC - $120MM and $160MM Credit Facility Discussion

Hi Gavin,

Opal would like to participate in this meeting. Do you know if anyone else is calling in at a call in number, or should she call into the boardroom?

Thanks,

Sarah

-----Original Appointment-----
From: Gavin He
Sent: Friday, November 10, 2017 9:43 AM
To: Gavin He; Lisa Stein; Ryan Blackbyrne
Cc: Sarah Harris; Jean-Francois Beaupre; William Tan; John Kim
Subject: IESO / OEFC - $120MM and $160MM Credit Facility Discussion
When: Friday, November 10, 2017 2:30 PM-3:00 PM (UTC-05:00) Eastern Time (US & Canada).
Where: Boardroom 1443

Hi all,

I am just setting up a quick meeting to discuss the questions on the IESO credit facility agreements:

<< Message: RE: IESO / OEFC - $120MM and $160MM >>

Thanks,

Gavin He

From: Sarah Harris
To: Gavin He
Cc: Opal Kandelas
Subject: RE: IESO / OEFC - $120MM and $160MM Credit Facility Discussion
Date: Friday, November 10, 2017 12:14:40 PM

Hi Gavin,

Opal would like to participate in this meeting. Do you know if anyone else is calling in at a call in number, or should she call into the boardroom?

Thanks,

Sarah

-----Original Appointment-----
From: Gavin He
Sent: Friday, November 10, 2017 9:43 AM
To: Gavin He; Lisa Stein; Ryan Blackbyrne
Cc: Sarah Harris; Jean-Francois Beaupre; William Tan; John Kim
Subject: IESO / OEFC - $120MM and $160MM Credit Facility Discussion
When: Friday, November 10, 2017 2:30 PM-3:00 PM (UTC-05:00) Eastern Time (US & Canada).
Where: Boardroom 1443

Hi all,

I am just setting up a quick meeting to discuss the questions on the IESO credit facility agreements:

<< Message: RE: IESO / OEFC - $120MM and $160MM >>

Thanks,

Gavin He

From:	Opal Kandelas
To:	Sarah Harris
Subject:	RE: IESO / OEFC - $120MM and $160MM Credit Facility Discussion
Date:	Friday, November 10, 2017 2:14:23 PM

---

thanks

From: Sarah Harris
Sent: Friday, November 10, 2017 1:12 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: FW: IESO / OEFC - $120MM and $160MM Credit Facility Discussion

Boardroom 1443 phone #:

(416) 212-3446

From: Gavin He
Sent: Friday, November 10, 2017 12:46 PM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: IESO / OEFC - $120MM and $160MM Credit Facility Discussion

Hi Sarah,

I am not aware of anyone else who is calling in, so I think Opal can call into the boardroom directly.

Regards,

Gavin He

From: Sarah Harris
Sent: Friday, November 10, 2017 12:15 PM
To: Gavin He <Gavin.He@ofina.on.ca>
Cc: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: IESO / OEFC - $120MM and $160MM Credit Facility Discussion

Hi Gavin,

Opal would like to participate in this meeting. Do you know if anyone else is calling in at a call in number, or should she call into the boardroom?

Thanks,

Sarah

-----Original Appointment-----
From: Gavin He
Sent: Friday, November 10, 2017 9:43 AM
To: Gavin He; Lisa Stein; Ryan Blackbyrne
Cc: Sarah Harris; Jean-Francois Beaupre; William Tan; John Kim
Subject: IESO / OEFC - $120MM and $160MM Credit Facility Discussion
When: Friday, November 10, 2017 2:30 PM-3:00 PM (UTC-05:00) Eastern Time (US & Canada).
Where: Boardroom 1443

Hi all,

I am just setting up a quick meeting to discuss the questions on the IESO credit facility agreements:

<< Message: RE: IESO / OEFC - $120MM and $160MM >>

Thanks,

Gavin He

From:	Lisa Stein
To:	Gavin He; Sarah Harris
Cc:	William Tan; Opal Kandelas; Sarah Neville; John Kim
Subject:	RE: IESO / OEFC - $120MM and $160MM
Date:	Wednesday, November 08, 2017 9:54:41 AM

Thanks for the update Gavin.

From: Gavin He
Sent: Tuesday, November 07, 2017 4:02 PM
To: Lisa Stein <Lisa.Stein@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: William Tan <William.Tan@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Sarah Neville <Sarah.Neville@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Subject: RE: IESO / OEFC - $120MM and $160MM

Hi Lisa/Sarah H.,

We touched based with IESO and they told us that the OEFC agreements do not contemplate a general grant of security by IESO over its assets as is currently under discussion with the OPG Trust relative to the implementation of the OFHP. The changes required to allow for such a grant would be to amend the permitted liens and negative covenant language in the OEFC agreements so as to make it the same as, or very similar to, the language in the two OFA Agreements that were signed recently.

We will get a policy direction soon and will draft a note for you to review once it's ready.

Regards,
Gavin He

From: Lisa Stein
Sent: Monday, November 06, 2017 9:43 AM
To: John Kim <John.Kim@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: William Tan <William.Tan@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Sarah Neville <Sarah.Neville@ofina.on.ca>
Subject: RE: IESO / OEFC - $120MM and $160MM

No, I don't think the OFA Lending Policy would apply to these OEFC loans. The OFA Lending Policy addresses lending activities to public bodies undertaken where the OFA is acting as an intermediary on behalf of the Province.

From: John Kim
Sent: Sunday, November 05, 2017 1:55 PM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: William Tan <William.Tan@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>; Opal Kandelas

<Opal.Kandelas@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: Re: IESO / OEFC - $120MM and $160MM

Hi Sarah,

We will look at this but this is oefc so not sure if the same lending policy applies.

John

Sent from my iPhone

On Nov 5, 2017, at 12:06 PM, Sarah Harris <Sarah.Harris@ofina.on.ca> wrote:

> Hi John,
>
> We've received no internal direction on the nature of changes IESO is looking for in relation to existing OEFC credit facility with the IESO and the FHP. I surmise it may have to do with adjusting the agreement to allow FHP permitted liens (which we would need internal approval to do) or similar changes, but do you know if IESO communicated requirements to Gadi or Ron?
>
> Thanks,
> Sarah
> Sent from my iPhone
>
> Begin forwarded message:
>
> > **From:** Anthony Martinello <Anthony.Martinello@ieso.ca>
> > **Date:** November 5, 2017 at 11:02:50 AM EST
> > **To:** William Tan <William.Tan@ofina.on.ca>
> > **Cc:** Lisa Stein <Lisa.Stein@ofina.on.ca>, Sarah Harris <Sarah.Harris@ofina.on.ca>, Victor Buza <Victor.Buza@ieso.ca>
> > **Subject: RE: IESO / OEFC - $120MM and $160MM**
> >
> > Will – unless any concerns, will appreciate if you please begin to draft the two OEFC amendments this week – given that the IESO is targeting to sign the OPG / IESO fair hydro agreement by this month's end,….we need to have the two OEFC's done before this.
> >
> > Regards.
> >
> > ---
> >
> > **From:** Anthony Martinello
> > **Sent:** November 01, 2017 12:56 PM
> > **To:** 'William Tan'

Cc: 'Lisa Stein'; 'Sarah Harris'; 'John Kim'; Victor Buza
Subject: IESO / OEFC - $120MM and $160MM

Once we have completed the 2 OFA facilities and the intercept letter – we then have to turn to the 2 outstanding IESO-OEFC credit facilities to contemplate any further amendments too.

Just ensuring that these 2 OEFC facilities are not missed.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

From: Gavin He
To: Lisa Stein; Sarah Harris
Cc: William Tan; Opal Kandelas; Sarah Neville; John Kim
Subject: RE: IESO / OEFC - $120MM and $160MM
Date: Tuesday, November 07, 2017 4:01:42 PM

Hi Lisa/Sarah H.,

We touched based with IESO and they told us that the OEFC agreements do not contemplate a general grant of security by IESO over its assets as is currently under discussion with the OPG Trust relative to the implementation of the OFHP. The changes required to allow for such a grant would be to amend the permitted liens and negative covenant language in the OEFC agreements so as to make it the same as, or very similar to, the language in the two OFA Agreements that were signed recently.

We will get a policy direction soon and will draft a note for you to review once it's ready.

Regards,
Gavin He

From: Lisa Stein
Sent: Monday, November 06, 2017 9:43 AM
To: John Kim <John.Kim@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: William Tan <William.Tan@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Sarah Neville <Sarah.Neville@ofina.on.ca>
Subject: RE: IESO / OEFC - $120MM and $160MM

No, I don't think the OFA Lending Policy would apply to these OEFC loans. The OFA Lending Policy addresses lending activities to public bodies undertaken where the OFA is acting as an intermediary on behalf of the Province.

From: John Kim
Sent: Sunday, November 05, 2017 1:55 PM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: William Tan <William.Tan@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: Re: IESO / OEFC - $120MM and $160MM

Hi Sarah,

We will look at this but this is oefc so not sure if the same lending policy applies.

John

Sent from my iPhone

On Nov 5, 2017, at 12:06 PM, Sarah Harris <Sarah.Harris@ofina.on.ca> wrote:

Hi John,

We've received no internal direction on the nature of changes IESO is looking for in relation to existing OEFC credit facility with the IESO and the FHP. I surmise it may have to do with adjusting the agreement to allow FHP permitted liens (which we would need internal approval to do) or similar changes, but do you know if IESO communicated requirements to Gadi or Ron?

Thanks,
Sarah
Sent from my iPhone

Begin forwarded message:

From: Anthony Martinello <Anthony.Martinello@ieso.ca>
Date: November 5, 2017 at 11:02:50 AM EST
To: William Tan <William.Tan@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>, Sarah Harris <Sarah.Harris@ofina.on.ca>, Victor Buza <Victor.Buza@ieso.ca>
Subject: RE: IESO / OEFC - $120MM and $160MM

Will – unless any concerns, will appreciate if you please begin to draft the two OEFC amendments this week – given that the IESO is targeting to sign the OPG / IESO fair hydro agreement by this month's end,….we need to have the two OEFC's done before this.

Regards.

From: Anthony Martinello
Sent: November 01, 2017 12:56 PM
To: 'William Tan'
Cc: 'Lisa Stein'; 'Sarah Harris'; 'John Kim'; Victor Buza
Subject: IESO / OEFC - $120MM and $160MM

Once we have completed the 2 OFA facilities and the intercept letter – we then have to turn to the 2 outstanding IESO-OEFC credit facilities to contemplate any further amendments too.

Just ensuring that these 2 OEFC facilities are not missed.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

From:	Lisa Stein
To:	John Kim; Sarah Harris
Cc:	William Tan; Opal Kandelas; Gavin He; Sarah Neville
Subject:	RE: IESO / OEFC - $120MM and $160MM
Date:	Monday, November 06, 2017 9:43:16 AM

No, I don't think the OFA Lending Policy would apply to these OEFC loans. The OFA Lending Policy addresses lending activities to public bodies undertaken where the OFA is acting as an intermediary on behalf of the Province.

From: John Kim
Sent: Sunday, November 05, 2017 1:55 PM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: William Tan <William.Tan@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: Re: IESO / OEFC - $120MM and $160MM

Hi Sarah,

We will look at this but this is oefc so not sure if the same lending policy applies.

John

Sent from my iPhone

On Nov 5, 2017, at 12:06 PM, Sarah Harris <Sarah.Harris@ofina.on.ca> wrote:

> Hi John,
>
> We've received no internal direction on the nature of changes IESO is looking for in relation to existing OEFC credit facility with the IESO and the FHP. I surmise it may have to do with adjusting the agreement to allow FHP permitted liens (which we would need internal approval to do) or similar changes, but do you know if IESO communicated requirements to Gadi or Ron?
>
> Thanks,
> Sarah
> Sent from my iPhone
>
> Begin forwarded message:
>
> > **From:** Anthony Martinello <Anthony.Martinello@ieso.ca>
> > **Date:** November 5, 2017 at 11:02:50 AM EST
> > **To:** William Tan <William.Tan@ofina.on.ca>
> > **Cc:** Lisa Stein <Lisa.Stein@ofina.on.ca>, Sarah Harris

<Sarah.Harris@ofina.on.ca>, Victor Buza <Victor.Buza@ieso.ca>
Subject: RE: IESO / OEFC - $120MM and $160MM

Will – unless any concerns, will appreciate if you please begin to draft the two OEFC amendments this week – given that the IESO is targeting to sign the OPG / IESO fair hydro agreement by this month's end,….we need to have the two OEFC's done before this.

Regards.

From: Anthony Martinello
Sent: November 01, 2017 12:56 PM
To: 'William Tan'
Cc: 'Lisa Stein'; 'Sarah Harris'; 'John Kim'; Victor Buza
Subject: IESO / OEFC - $120MM and $160MM

Once we have completed the 2 OFA facilities and the intercept letter – we then have to turn to the 2 outstanding IESO-OEFC credit facilities to contemplate any further amendments too.

Just ensuring that these 2 OEFC facilities are not missed.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

From:	Opal Kandelas
To:	Sarah Harris
Subject:	RE: IESO / OEFC - $120MM and $160MM
Date:	Friday, November 10, 2017 11:17:17 AM

Just reading the email stream and note now…will call you as soon as I'm done.

From: Sarah Harris
Sent: Friday, November 10, 2017 10:17 AM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: FW: IESO / OEFC - $120MM and $160MM

Hi Opal,

When you have two minutes to speak, I just want bring you up to date. Please let me know when we can chat.

Thanks,
Sarah

From: Gavin He
Sent: Thursday, November 09, 2017 5:50 PM
To: Lisa Stein <Lisa.Stein@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>
Subject: RE: IESO / OEFC - $120MM and $160MM

Hi Lisa/Ryan,

Thank you very much for the responses and that's helpful!

I will go back to IESO to verify what's their rationale to for the request. But before I go back, I just want to make sure that I understand the concerns/suggestions from our side first.

The change we made for the OFA credit facility agreement was to allow IESO to take liens related to FHP in the event if IESO can't pay OFA back the loan, correct? What was the reason for this change? And wouldn't the same reason apply for the loans that IESO has with OEFC? And if IESO can't pay back the loans to OEFC, should they still be able to take any liens related to FHP, or not? But if they were able to do so under the OFA credit facility agreement, are there any reasons that they cannot do the same under the OEFC credit facility agreement?

I understand that the $120M and $160M credit facilities are not for FHP purposes, but I think this is a separate question from whether they can take liens related to FHP if IESO can't pay OEFC back the loans? Similarly, I believe the existing $475M IESO credit facility with OFA was not for the FHP purpose, but the agreement was amended by the amendment #10 to include the FHP lien clause in

the actual agreement, right? So I am just a bit confused about this process and trying to find out whether we should apply a consistent approach for OEFC's credit facilities before I push this back to IESO.

Also, a separate question on the $160M credit facility agreement. Since it was amended to be used for FHP purpose previously, do we need to amend that now since a separate facility agreement was created specifically for FHP purposes? Or that amendment automatically expires when the $2B FHP credit facility was created, and for sure we don't need to update anything in the $160M credit facility agreement to that effect?

Thanks,
Gavin He

From: Lisa Stein
Sent: Thursday, November 09, 2017 12:49 PM
To: Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>
Subject: RE: IESO / OEFC - $120MM and $160MM

I also recommend asking the IESO for the exact details of the proposed amendments.

From: Ryan Blackbyrne
Sent: Thursday, November 09, 2017 12:19 PM
To: Gavin He <Gavin.He@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: IESO / OEFC - $120MM and $160MM

Hi Gavin,

Thank you for your note. After reviewing your note and the attached agreements we had a few comments:

- We understand that the $160M credit facility agreement will not be used for FHP purposes, although an amendment was made earlier in 2017 to allow advances for the purposes of FHP.
- It is our assumption that the $160M credit facility agreement was amended in April, 2017, pursuant to Reg. 280/14 as a potential temporary option for FHP funding requirements until such time as a separate facility agreement was created specifically for FHP purposes (i.e. the $2B OFA-IESO credit facility)
- There is an existing $120M loan agreement, maturing June 30, 2020, which is not a credit facility, but a fixed term loan. No amendments were made here in relation to FHP, as it is

non-revolving and used for capital purposes.

- Since the $160M credit facility agreement will not be used for FHP purposes, it is not clear to us why the change to definition of Permitted Liens is required, and how not making this change would prevent IESO from performing its obligations under the OFHP Act. Please clarify.
- Kindly confirm with Anthony why IESO believes these amendments are necessary in respect of the $160M credit facility and $120M loan agreement.

We look forward to hearing back from you. Happy to discuss further as always.

Thank You,

Ryan Blackbyrne
Documentation & Analysis Specialist
Capital Markets Division
Ontario Financing Authority
1 Dundas Street West, Suite 1400
Toronto, ON M7A 1Y7
416-325-8143
ryan.blackbyrne@ofina.on.ca

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Tuesday, November 07, 2017 4:07 PM
To: Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Victor Buza <Victor.Buza@ieso.ca>
Subject: IESO - OEFC Nov 7

Ryan,

As discussed with Will today, I understand you will be co-ordinating the proposed 2 amendments to the existing IESO-OEFC credit facilities.

For starters, there are no expected changes being asked to the existing agreement's key business content (e.g. amounts, dates, interest, notices etc.), rather given that IESO-OFA have just finished two new agreements pertaining to the new fair hydro program, ….I suggest we just copy and paste the salient sections from these agreements that would now be relevant to the OEFC agreements for fair hydro namely;

1.DRAFT
The definition of "Permitted Liens" is amended by deleting the word "and" at the end of subsection (xx); replacing the "." at the end of subsection (xx) and replacing it with "; and" ; and adding the

following subsection (xx):
"(xx) any Lien arising from the IESO's role and obligations under the OFHP, including with respect to any amount received or receivable by the IESO (such as, without limitation, amounts received or receivable in respect of the Clean Energy Adjustment), or any other lien, whether arising from the action or inaction of IESO, that is created in connection with the OFHP."

2.DRAFT
The OFA agreements had required an intercept provision, …..not sure if the same applies to OEFC if yes:

"Section 5.7 Intercept
(a) The IESO hereby acknowledges that, in accordance with the terms of the letter agreement of November 6th , 2017 herewith entered between the Ministry of Energy, the IESO and the OFA made pursuant to Section 23 of the Capital Investment Plan Act, 1993 (the "Intercept Letter"), the Minister of Finance is entitled to deduct only from those monies appropriated by the Legislature for payment through the Ministry of Energy to the IESO ("Appropriated Funds"), amounts equal to any amounts that the IESO fails to pay to the OFA on account of indebtedness under this Agreement. On the occurrence of an Event of Default relating to a failure by IESO to pay when due any amounts owing hereunder, subject to the OFA's compliance with any relevant provisions hereof and as set out in the Intercept Letter, the Minister of Finance is irrevocably authorized to deduct from the Appropriated Funds amounts equal to any amounts that the IESO has failed to pay to the OFA in accordance with the provisions of this Agreement and to pay such amounts directly to the OFA ("Intercept").
(b) If, after following the process specified in the Intercept Letter (including, without limitation, allowing for a reasonable cure period on the terms specified therein), the OFA determines that it is necessary to request the Minister of Finance to exercise the Intercept, the OFA will give written notice to the Minister of Finance, with a copy to the Ministry of Energy, detailing the IESO's failure to pay when due any amounts owing hereunder and requesting the deduction from the Appropriated Funds of amounts equal to the amounts that the IESO has failed to pay to the OFA under this Agreement.
(c) The IESO agrees that any notice from the OFA to the Minister of Finance in relation to this section 5.7 (Intercept) may be relied upon by the Minister of Finance without further inquiry or verification by the Minister of Finance and, upon receipt of such notice, an amount equal to the amount that the IESO has failed to pay when due to the OFA on account of indebtedness under this Agreement shall be deducted from the Appropriated Funds and paid to the OFA.
(d) For further certainty, the OFA acknowledges and agrees that the Intercept as provided for herein and in the Intercept Letter shall not apply with respect to any funds appropriated by the Legislature for payment to the IESO through ministries other than the Ministry of Energy or through Ontario Climate Change Solutions Deployment Corporation.
The parties agree that, with respect to the exercise of the Intercept generally, the terms of this section 5.7 shall be applied consistently with the terms set out in the Intercept Letter which shall apply in full. Notwithstanding the foregoing, in the event of a conflict or inconsistency between the terms and conditions of the Intercept Letter and the terms and conditions contained in this Agreement, the terms and conditions contained in this Agreement shall prevail."

3.

If any… other relevant updates that make sense to do now……I do not anticipate any material ones.

We need your support to expedite the above in order to avoid delays in the Fair Hydro implementation.
Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From: Gavin He
Sent: Thursday, November 09, 2017 8:29 AM
To: Lisa Stein <Lisa.Stein@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>
Subject: RE: IESO / OEFC - $120MM and $160MM

Hi Lisa, Sarah, and William,

Following my email on Tuesday, EFB has drafted the attached note on the IESO's request on the OEFC credit facility, including the background information, our recommendation, and the rationale. Could you please review the accuracy of the note and would you be able to provide me with your feedback before noon today?

Sorry for the short turnaround time, but we all would like to move on this as soon as possible.

Thanks,
Gavin He

From: Lisa Stein
Sent: Wednesday, November 08, 2017 9:55 AM
To: Gavin He <Gavin.He@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: William Tan <William.Tan@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Sarah Neville <Sarah.Neville@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Subject: RE: IESO / OEFC - $120MM and $160MM

Thanks for the update Gavin.

From: Gavin He
Sent: Tuesday, November 07, 2017 4:02 PM
To: Lisa Stein <Lisa.Stein@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: William Tan <William.Tan@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Sarah Neville <Sarah.Neville@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Subject: RE: IESO / OEFC - $120MM and $160MM

Hi Lisa/Sarah H.,

We touched based with IESO and they told us that the OEFC agreements do not contemplate a general grant of security by IESO over its assets as is currently under discussion with the OPG Trust relative to the implementation of the OFHP. The changes required to allow for such a grant would be to amend the permitted liens and negative covenant language in the OEFC agreements so as to make it the same as, or very similar to, the language in the two OFA Agreements that were signed recently.

We will get a policy direction soon and will draft a note for you to review once it's ready.

Regards,
Gavin He

From: Lisa Stein
Sent: Monday, November 06, 2017 9:43 AM
To: John Kim <John.Kim@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: William Tan <William.Tan@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Sarah Neville <Sarah.Neville@ofina.on.ca>
Subject: RE: IESO / OEFC - $120MM and $160MM

No, I don't think the OFA Lending Policy would apply to these OEFC loans. The OFA Lending Policy addresses lending activities to public bodies undertaken where the OFA is acting as an intermediary on behalf of the Province.

From: John Kim
Sent: Sunday, November 05, 2017 1:55 PM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: William Tan <William.Tan@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: Re: IESO / OEFC - $120MM and $160MM

Hi Sarah,

We will look at this but this is oefc so not sure if the same lending policy applies.

John

Sent from my iPhone

On Nov 5, 2017, at 12:06 PM, Sarah Harris <Sarah.Harris@ofina.on.ca> wrote:

> Hi John,
>
> We've received no internal direction on the nature of changes IESO is looking for in relation to existing OEFC credit facility with the IESO and the FHP. I surmise it may have to do with adjusting the agreement to allow FHP permitted liens (which we would need internal approval to do) or similar changes, but do you know if IESO communicated requirements to Gadi or Ron?
>
> Thanks,
> Sarah
> Sent from my iPhone
>
> Begin forwarded message:
>
> > **From:** Anthony Martinello <Anthony.Martinello@ieso.ca>
> > **Date:** November 5, 2017 at 11:02:50 AM EST
> > **To:** William Tan <William.Tan@ofina.on.ca>
> > **Cc:** Lisa Stein <Lisa.Stein@ofina.on.ca>, Sarah Harris <Sarah.Harris@ofina.on.ca>, Victor Buza <Victor.Buza@ieso.ca>
> > **Subject: RE: IESO / OEFC - $120MM and $160MM**
> >
> > Will – unless any concerns, will appreciate if you please begin to draft the two OEFC amendments this week – given that the IESO is targeting to sign the OPG / IESO fair hydro agreement by this month's end,….we need to have the two OEFC's done before this.
> >
> > Regards.
> >
> > ---
> >
> > **From:** Anthony Martinello
> > **Sent:** November 01, 2017 12:56 PM
> > **To:** 'William Tan'
> > **Cc:** 'Lisa Stein'; 'Sarah Harris'; 'John Kim'; Victor Buza
> > **Subject:** IESO / OEFC - $120MM and $160MM
> >
> > Once we have completed the 2 OFA facilities and the intercept letter – we then have to turn to the 2 outstanding IESO-OEFC credit facilities to contemplate any further amendments too.

Just ensuring that these 2 OEFC facilities are not missed.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

From:	Ryan Blackbyrne
To:	Opal Kandelas
Subject:	RE: IESO status update
Date:	Tuesday, December 05, 2017 9:59:53 AM
Attachments:	$160M revolving credit - amending agreement no.7.pdf $120M Note - amending agreement no.7.pdf

Hi Opal,

Please find a copy of the agreements attached. Please let me know if you need anything else.

Thanks,
Ryan

From: Opal Kandelas
Sent: Tuesday, December 05, 2017 9:58 AM
To: Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Subject: RE: status update

Thanks Ryan. Could you please send me a copy of the agreements?
Opal.

From: Ryan Blackbyrne
Sent: Tuesday, December 05, 2017 8:58 AM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: status update

Hi Opal,

- Execution copy of both IESO-OEFC agreements sent to Anthony at IESO yesterday. Waiting on return of partially executed agreements (Kimberly Marshall to sign at IESO) so that we can have Mike Manning sign on our side. Anthony said he would try to have them returned to us by today but tomorrow at the latest.
- Draft borrowing and investing by-laws for the Ontario Climate Change Solutions Deployment Corporation (OCCSDC) were prepared by Jill Whelan at MOECC for approval by Minister of Finance. Waiting to hear back so that we can execute IMA and SIPP.
- Working with Maryam on letter response for TD Securities (London Branch) on their new Terms of Business that they sent to us (updating as of 01/01/2018 for new MIFID II regulations in Europe).
- Working on outstanding OILC loans 362,377,378,379,380,385 in various stages of completion.
- Karin is cc'ing me on all 18-K update emails so that I can follow along and learn the process.

Thanks,
Ryan

From: Opal Kandelas
Sent: Tuesday, December 05, 2017 8:30 AM
To: Documentation <Documentation@ofina.on.ca>; RetailMarkets <RetailMarkets@ofina.on.ca>
Subject: status update

Hello everyone,

Please provide a brief update on your current projects by noon today. Sorry for the short notice.

Thanks,
Opal.

AMENDING AGREEMENT NO. 7

This Amending Agreement is effective as of the 5th day of December, 2017.

BETWEEN: INDEPENDENT ELECTRICITY SYSTEM OPERATOR ("IESO")

as Borrower

AND: ONTARIO ELECTRICITY FINANCIAL CORPORATION ("OEFC")

as Lender

WHEREAS IESO and OEFC entered into a Revolving Credit Facility Agreement dated April 23, 2010, as amended by Amending Agreement No.1 dated July 21, 2010, Amending Agreement No. 2 dated October 14, 2011, Amending Agreement No. 3 dated April 30, 2013, Amending Agreement No. 4 dated April 30, 2014, Amending Agreement No. 5 dated December 19, 2014 and Amending Agreement No. 6 dated April 30, 2017 (collectively the "Agreement") pursuant to which OEFC agreed to provide a revolving credit facility to IESO in the principal amount of up to CDN $160 million;

AND WHEREAS the *Ontario Fair Hydro Plan Act, 2017* came into force on June 1, 2017;

AND WHEREAS at the request of the IESO the parties now wish to amend the Agreement to accommodate IESO's role and obligations under the *Ontario Fair Hydro Plan Act, 2017*;

THEREFORE, in consideration of the mutual covenants and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and subject to the terms and conditions hereinafter set out, the parties agree that the Agreement is amended as follows:

1. The following definitions are added to Section 1.1 (Definitions) of the Agreement:

   "**Clean Energy Adjustment**" has the same meaning as that term is defined in the OFHP.

   "**OFHP**" means the *Ontario Fair Hydro Plan Act, 2017*, S.O. 2017, c. 16, Schedule 1, including any regulations made thereunder, and all as amended from time to time.

2. The definition of "Ontario's Fair Hydro Plan" is deleted in its entirety.

3. The definition of the term "Permitted Liens" in Section 1.1 (Definitions) of the Agreement is amended by deleting the word "and" at the end of paragraph (j); deleting

the "." at the end of paragraph (k) and replacing it with "; and"; and adding the following new paragraph (l):

(l) any Lien arising from the IESO's role and obligations under the OFHP, including with respect to any amount received or receivable by the IESO (such as, without limitation, amounts received or receivable in respect of the Clean Energy Adjustment), or any other lien, whether arising from the action or inaction of IESO, that is created in connection with the OFHP.

4. Subsection 3.2(4) of the Agreement is deleted and replaced by the following:

(4) The Credit Facility shall at all times rank *pari passu* with all other unsubordinated and unsecured Indebtedness of the IESO, subject to the existence of any Liens that secure Indebtedness as permitted by subsections 4.7(a) through (e) hereof.

5. Paragraph 3.6(c) of the Agreement is deleted and replaced by the following:

(c) that there shall, in the reasonable opinion of OEFC, have been no material adverse change in the financial condition of IESO, provided however that any adverse change in IESO's financial condition related to or resulting from the discharge by IESO of its responsibilities under OFHP shall be deemed not to be a material adverse change for the purposes of this section; and

IN ALL OTHER RESPECTS, the Agreement is confirmed by IESO and OEFC.

IN WITNESS WHEREOF the parties hereto have executed this Amending Agreement as of the date first written above.

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

By:_____
Name: Kimberly Marshall
Title: Vice President, Corporate Services; Chief Financial Officer; and Treasurer

ONTARIO ELECTRICITY FINANCIAL CORPORATION

By:_____
Name: Michael D. Manning
Title: Executive Director and Chief Investment Officer

AMENDING AGREEMENT NO. 7

This Amending Agreement is made as of the 5th day of December, 2017 between:

INDEPENDENT ELECTRICITY SYSTEM OPERATOR ("IESO")

and

ONTARIO ELECTRICITY FINANCIAL CORPORATION ("OEFC")

WHEREAS IESO and OEFC have entered into an agreement providing for the Issuance of a Note dated April 1, 1999 (the "Original Agreement");

AND WHEREAS pursuant to amending agreements dated March 23, 2000, April 23, 2009, May 1, 2011, May 1, 2013, April 30, 2014 and April 30, 2017 the parties amended the Original Agreement (as so amended, the "Agreement");

AND WHEREAS the *Ontario Fair Hydro Plan Act, 2017* came into force on June 1, 2017;

AND WHEREAS at the request of the IESO the parties now wish to amend the Agreement to accommodate IESO's role and obligations under the *Ontario Fair Hydro Plan Act*, 2017;

NOW THEREFORE in consideration of the mutual agreements contained herein (the receipt and sufficiency of which are hereby acknowledged by each party), the parties agree as follows:

1. The following definitions are added to Section 1.1 (Definitions) of the Agreement:

   "**Clean Energy Adjustment**" has the same meaning as that term is defined in the OFHP.

   "**OFHP**" means the *Ontario Fair Hydro Plan Act, 2017*, S.O. 2017, c. 16, Schedule 1, including any regulations made thereunder, and all as amended from time to time.

2. The definition of "Permitted Liens" in Section 1.1 (Definitions) of the Agreement is amended by deleting the word "and" at the end of paragraph (j); deleting the "." at the end of paragraph (k) and replacing it with "; and"; and adding the following new paragraph (l):

   (l) any Lien arising from the IESO's role and obligations under the OFHP, including with respect to any amount received or receivable by the IESO (such as, without limitation, amounts received or receivable in respect of the Clean Energy Adjustment), or any other

lien, whether arising from the action or inaction of IESO, that is created in connection with the OFHP.

3. Subsection 2.2(2) of the Agreement is deleted and replaced by the following:

(2) The Note shall at all times rank *pari passu* with all other unsecured Senior Debt of the IESO, subject to the existence of any Liens that secure Indebtedness as permitted by subsections 3.8 (a) through (f) hereof.

4. Delete the paragraph following the heading "Section 3.7 Other Indebtedness" and replace with the words "Intentionally Left Blank".

IN ALL OTHER RESPECTS, the Agreement is confirmed by the parties.

IN WITNESS WHEREOF the parties have executed and delivered this Amending Agreement as of the date first written above.

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

By:_____
Name: Kimberly Marshall
Title: Vice President, Corporate Services; Chief Financial Officer; and Treasurer

ONTARIO ELECTRICITY FINANCIAL CORPORATION

By:_____
Name: Michael D. Manning
Title: Executive Director and Chief Investment Officer

From:	John Kim
To:	"Anthony Martinello"
Cc:	Victor Buza; Gavin He; Opal Kandelas
Subject:	RE: IESO
Date:	Wednesday, November 29, 2017 4:23:22 PM

HI Anthony,

We are OK to have you share the $2bn FHP facility agreement with TD, on the basis as you indicated that they will treat it strictly confidential.

Thanks,

John

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Tuesday, November 21, 2017 10:47 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>; Gavin He <Gavin.He@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>
Subject: RE: IESO

Please move forward and seek the necessary approvals. TD wants to read the $2B agreement to ensure IESO has FH liquidity during the 4 years.

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: November 20, 2017 5:17 PM
To: Anthony Martinello
Cc: Victor Buza; Gavin He; William Tan
Subject: RE: IESO

Hi Anthony,

I think the steps we would take to allow it, if at all, could be quite onerous and time-consuming. Are there any specific concern they have that we should be able to address without actually letting them see the agreement?

John

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Monday, November 20, 2017 5:05 PM
To: John Kim <John.Kim@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: IESO

John, William,

TD Bank has asked to review the $2B Fair Hydro credit facility executed between IESO and OFA.

TD wants to gain comfort (themselves) that the credit facility is going to support the IESO's fair hydro transactions during the next 4 years.

I have verbally assured them of the above, but they wish to review themselves.

Let me know if I may share and TD will treat the document as confidential.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From:	Opal Kandelas
To:	Lisa Stein
Subject:	RE: IESO
Date:	Wednesday, November 22, 2017 12:06:07 PM

Hi Lisa,

When you have a few minutes, please give me a call regarding TD's request to see the OFA-IESO credit facility agreement.

Thanks,
Opal

From: Sarah Harris
Sent: Tuesday, November 21, 2017 9:09 AM
To: Lisa Stein <Lisa.Stein@ofina.on.ca>
Cc: Opal Kandelas <Opal.Kandelas@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>
Subject: FW: IESO

Hi Lisa…Keeping you in the loop.

Sarah

From: William Tan
Sent: Tuesday, November 21, 2017 8:13 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: FW: IESO

fyi

From: John Kim
Sent: Monday, November 20, 2017 5:17 PM
To: 'Anthony Martinello' <Anthony.Martinello@ieso.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>; Gavin He <Gavin.He@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>
Subject: RE: IESO

Hi Anthony,

I think the steps we would take to allow it, if at all, could be quite onerous and time-consuming. Are there any specific concern they have that we should be able to address without actually letting them see the agreement?

John

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Monday, November 20, 2017 5:05 PM
To: John Kim <John.Kim@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: IESO

John, William,

TD Bank has asked to review the $2B Fair Hydro credit facility executed between IESO and OFA.

TD wants to gain comfort (themselves) that the credit facility is going to support the IESO's fair hydro transactions during the next 4 years.

I have verbally assured them of the above, but they wish to review themselves.

Let me know if I may share and TD will treat the document as confidential.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

From: John Kim
To: Opal Kandelas
Subject: RE: IESO
Date: Wednesday, November 22, 2017 11:16:58 AM

Great, thanks.

From: Opal Kandelas
Sent: Wednesday, November 22, 2017 11:13 AM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: IESO

Hi John,

We can deal with this. We've already looped in Legal as well.

Opal

From: John Kim
Sent: Wednesday, November 22, 2017 11:01 AM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: IESO

Hi Opal,

Could you manage this request? I can help out too but the facility agreements are more CMD-Operations is my thinking. From my side, I don't have any concern sharing it but I think Legal may have a view. A way to deal with it might require a side agreement – NDA of sort?

Thanks,

John.

From: Opal Kandelas
Sent: Tuesday, November 21, 2017 11:45 AM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: IESO

Thanks.

From: John Kim
Sent: Tuesday, November 21, 2017 11:08 AM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: FW: IESO

Fyi

From: John Kim
Sent: Tuesday, November 21, 2017 11:08 AM
To: 'Anthony Martinello' <Anthony.Martinello@ieso.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>; Gavin He <Gavin.He@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>
Subject: RE: IESO

Hi Anthony,

Sure, but keep in mind that the request could be denied. We will provide a formal response.

Thanks,

John

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Tuesday, November 21, 2017 10:47 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>; Gavin He <Gavin.He@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>
Subject: RE: IESO

Please move forward and seek the necessary approvals. TD wants to read the $2B agreement to ensure IESO has FH liquidity during the 4 years.

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: November 20, 2017 5:17 PM
To: Anthony Martinello
Cc: Victor Buza; Gavin He; William Tan
Subject: RE: IESO

Hi Anthony,

I think the steps we would take to allow it, if at all, could be quite onerous and time-consuming. Are there any specific concern they have that we should be able to address without actually letting them see the agreement?

John

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Monday, November 20, 2017 5:05 PM
To: John Kim <John.Kim@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>

Cc: Victor Buza <Victor.Buza@ieso.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: IESO

John, William,

TD Bank has asked to review the $2B Fair Hydro credit facility executed between IESO and OFA.

TD wants to gain comfort (themselves) that the credit facility is going to support the IESO's fair hydro transactions during the next 4 years.

I have verbally assured them of the above, but they wish to review themselves.

Let me know if I may share and TD will treat the document as confidential.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From:	Opal Kandelas
To:	John Kim
Subject:	RE: IESO
Date:	Wednesday, November 22, 2017 11:13:06 AM

Hi John,

We can deal with this. We've already looped in Legal as well.

Opal

From: John Kim
Sent: Wednesday, November 22, 2017 11:01 AM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: IESO

Hi Opal,

Could you manage this request? I can help out too but the facility agreements are more CMD-Operations is my thinking. From my side, I don't have any concern sharing it but I think Legal may have a view. A way to deal with it might require a side agreement – NDA of sort?

Thanks,

John.

From: Opal Kandelas
Sent: Tuesday, November 21, 2017 11:45 AM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: IESO

Thanks.

From: John Kim
Sent: Tuesday, November 21, 2017 11:08 AM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: FW: IESO

Fyi

From: John Kim
Sent: Tuesday, November 21, 2017 11:08 AM
To: 'Anthony Martinello' <Anthony.Martinello@ieso.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>; Gavin He <Gavin.He@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>

Subject: RE: IESO

Hi Anthony,

Sure, but keep in mind that the request could be denied. We will provide a formal response.

Thanks,

John

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Tuesday, November 21, 2017 10:47 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>; Gavin He <Gavin.He@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>
Subject: RE: IESO

Please move forward and seek the necessary approvals. TD wants to read the $2B agreement to ensure IESO has FH liquidity during the 4 years.

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: November 20, 2017 5:17 PM
To: Anthony Martinello
Cc: Victor Buza; Gavin He; William Tan
Subject: RE: IESO

Hi Anthony,

I think the steps we would take to allow it, if at all, could be quite onerous and time-consuming. Are there any specific concern they have that we should be able to address without actually letting them see the agreement?

John

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Monday, November 20, 2017 5:05 PM
To: John Kim <John.Kim@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: IESO

John, William,

TD Bank has asked to review the $2B Fair Hydro credit facility executed between IESO and OFA.

TD wants to gain comfort (themselves) that the credit facility is going to support the IESO's fair hydro

transactions during the next 4 years.

I have verbally assured them of the above, but they wish to review themselves.

Let me know if I may share and TD will treat the document as confidential.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From: John Kim
To: Opal Kandelas
Subject: RE: IESO
Date: Wednesday, November 22, 2017 11:00:55 AM

Hi Opal,

Could you manage this request? I can help out too but the facility agreements are more CMD-Operations is my thinking. From my side, I don't have any concern sharing it but I think Legal may have a view. A way to deal with it might require a side agreement – NDA of sort?

Thanks,

John.

From: Opal Kandelas
Sent: Tuesday, November 21, 2017 11:45 AM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: IESO

Thanks.

From: John Kim
Sent: Tuesday, November 21, 2017 11:08 AM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: FW: IESO

Fyi

From: John Kim
Sent: Tuesday, November 21, 2017 11:08 AM
To: 'Anthony Martinello' <Anthony.Martinello@ieso.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>; Gavin He <Gavin.He@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>
Subject: RE: IESO

Hi Anthony,

Sure, but keep in mind that the request could be denied. We will provide a formal response.

Thanks,

John

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]

Sent: Tuesday, November 21, 2017 10:47 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>; Gavin He <Gavin.He@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>
Subject: RE: IESO

Please move forward and seek the necessary approvals. TD wants to read the $2B agreement to ensure IESO has FH liquidity during the 4 years.

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: November 20, 2017 5:17 PM
To: Anthony Martinello
Cc: Victor Buza; Gavin He; William Tan
Subject: RE: IESO

Hi Anthony,

I think the steps we would take to allow it, if at all, could be quite onerous and time-consuming. Are there any specific concern they have that we should be able to address without actually letting them see the agreement?

John

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Monday, November 20, 2017 5:05 PM
To: John Kim <John.Kim@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: IESO

John, William,

TD Bank has asked to review the $2B Fair Hydro credit facility executed between IESO and OFA.

TD wants to gain comfort (themselves) that the credit facility is going to support the IESO's fair hydro transactions during the next 4 years.

I have verbally assured them of the above, but they wish to review themselves.

Let me know if I may share and TD will treat the document as confidential.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is

strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From: Opal Kandelas
To: John Kim
Subject: RE: IESO
Date: Tuesday, November 21, 2017 11:45:18 AM

Thanks.

From: John Kim
Sent: Tuesday, November 21, 2017 11:08 AM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: FW: IESO

Fyi

From: John Kim
Sent: Tuesday, November 21, 2017 11:08 AM
To: 'Anthony Martinello' <Anthony.Martinello@ieso.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>; Gavin He <Gavin.He@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>
Subject: RE: IESO

Hi Anthony,

Sure, but keep in mind that the request could be denied. We will provide a formal response.

Thanks,

John

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Tuesday, November 21, 2017 10:47 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>; Gavin He <Gavin.He@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>
Subject: RE: IESO

Please move forward and seek the necessary approvals. TD wants to read the $2B agreement to ensure IESO has FH liquidity during the 4 years.

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: November 20, 2017 5:17 PM
To: Anthony Martinello
Cc: Victor Buza; Gavin He; William Tan
Subject: RE: IESO

Hi Anthony,

I think the steps we would take to allow it, if at all, could be quite onerous and time-consuming. Are there any specific concern they have that we should be able to address without actually letting them see the agreement?

John

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Monday, November 20, 2017 5:05 PM
To: John Kim <John.Kim@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: IESO

John, William,

TD Bank has asked to review the $2B Fair Hydro credit facility executed between IESO and OFA.

TD wants to gain comfort (themselves) that the credit facility is going to support the IESO's fair hydro transactions during the next 4 years.

I have verbally assured them of the above, but they wish to review themselves.

Let me know if I may share and TD will treat the document as confidential.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From: Opal Kandelas
To: Sarah Harris; Lisa Stein
Cc: William Tan
Subject: RE: IESO
Date: Tuesday, November 21, 2017 10:14:46 AM

I share John's concerns about sharing the agreement. Perhaps the news that TD had granted the requested IESO amendments as we did for the OFA facilities was premature.

Opal.

From: Sarah Harris
Sent: Tuesday, November 21, 2017 9:09 AM
To: Lisa Stein <Lisa.Stein@ofina.on.ca>
Cc: Opal Kandelas <Opal.Kandelas@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>
Subject: FW: IESO

Hi Lisa…Keeping you in the loop.

Sarah

From: William Tan
Sent: Tuesday, November 21, 2017 8:13 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: FW: IESO

fyi

From: John Kim
Sent: Monday, November 20, 2017 5:17 PM
To: 'Anthony Martinello' <Anthony.Martinello@ieso.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>; Gavin He <Gavin.He@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>
Subject: RE: IESO

Hi Anthony,

I think the steps we would take to allow it, if at all, could be quite onerous and time-consuming. Are there any specific concern they have that we should be able to address without actually letting them see the agreement?

John

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Monday, November 20, 2017 5:05 PM

To: John Kim <John.Kim@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: IESO

John, William,

TD Bank has asked to review the $2B Fair Hydro credit facility executed between IESO and OFA.

TD wants to gain comfort (themselves) that the credit facility is going to support the IESO's fair hydro transactions during the next 4 years.

I have verbally assured them of the above, but they wish to review themselves.

Let me know if I may share and TD will treat the document as confidential.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

From:	Opal Kandelas
To:	John Kim
Cc:	Mike Manning
Subject:	RE: IESO-OEFC Note_v3Clean_Markup.docx
Date:	Tuesday, November 21, 2017 3:48:51 PM
Attachments:	IESO-OEFC Note_v7_Markup.docx

Hi John,

The note looks good. I've made a couple of tweaks.
Thanks,
Opal

From: John Kim
Sent: Tuesday, November 21, 2017 2:47 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Cc: Mike Manning <Mike.Manning@ofina.on.ca>
Subject: RE: IESO-OEFC Note_v3Clean_Markup.docx

Hi Mike, Opal,

I've updated the note further, as discussed with Mike, to clarify. I have comments in two areas. Pls. let me know if you have any comments on them or if I am mistaken.

Thanks,

John

From: John Kim
Sent: Monday, November 20, 2017 4:02 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Cc: Mike Manning <Mike.Manning@ofina.on.ca>
Subject: RE: IESO-OEFC Note_v3Clean_Markup.docx

Thanks Opal…reflected some of Ron's comments but stayed with your edits where there were conflicts.

Mike, let me know pls. if you're okay with the note and the recommendation.

Thanks,

John

From: Opal Kandelas
Sent: Monday, November 20, 2017 3:43 PM
To: John Kim <John.Kim@ofina.on.ca>

Cc: Mike Manning <Mike.Manning@ofina.on.ca>
Subject: RE: IESO-OEFC Note_v3Clean_Markup.docx

Hi John, Mike,

In the interest of time, I'm sending comments on the note to you both.

Thanks,
Opal.

From: John Kim
Sent: Monday, November 20, 2017 2:39 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: IESO-OEFC Note_v3Clean_Markup.docx

Thanks Opal. Ron hasn't reviewed it yet. Hoping to build a consensus.

From: Opal Kandelas
Sent: Monday, November 20, 2017 2:20 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: IESO-OEFC Note_v3Clean_Markup.docx

Hi John,

I'm reviewing the note. Be back to you shortly.

Thanks,
Opal

From: John Kim
Sent: Monday, November 20, 2017 12:42 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: IESO-OEFC Note_v3Clean_Markup.docx

Hi Opal,

Let me know if you're OK with this version. I put CMD – Operations in square bracket pending your review.

Thanks,

John

OEFC -- IESO CREDIT FACILITY AGREEMENT & THE PERMITTED LIENS

The Independent Electricity System Operator ("IESO") has requested that OEFC amend the existing credit facility agreements between OEFC and IESO (for $160M and $120M) to address the additional obligations IESO is taking on under Ontario's Fair Hydro Plan. IESO has indicated that OEFC credit facilities will not be used for Ontario Fair Hydro Plan (FHP) purposes.

IESO'S REQUEST

- Under the FHP, the IESO and Ontario Power Generation (OPG) are interacting to refinance a portion of the Global Adjustment over a longer period of time.

- IESO and OPG are in a discussion to grant a security/priority interest on IESO's assets to OPG Trust for the period of the first 4 years of the GA deferral.

- The IESO is planning to seek its Board's approval on Nov 22, 2017 to enter into a security agreement with OPG Trust. The security agreement is currently in draft form. Without amending the existing OEFC $160M and $120M credit facility agreements (the "OEFC Agreements"), IESO could potentially be considered to be in default of the terms of the various agreements. IESO staff wrote:

  "…it likely is best to add to the definition of "Permitted Liens" in the two OEFC facilities to address a) IESO granting security to the OPG Trust during the first 4 years of fair hydro program and b) the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default."

- The IESO provided a draft Security Agreement, dated November 7th, 2017, between them and the OPG Trust to OFA. According to the draft Security Agreement, in the unlikely event that the IESO runs into ~~a~~ financial difficulty, the IESO would give OPG Trust a priority in the IESO's assets, including all accounts of the IESO and all cash and proceeds from LDCs, that would put OPG Trust ahead of unsecured creditors, including the OFA and the OEFC.
  - The security agreement is not limited to the Clean Energy Adjustment funds collected by the IESO only.

Commented [JK1]: Opal, pls. confirm that this is the purpose of the "Permitted Liens" section of the credit agreement. This is more Documentation expertise.

- In order to address this issue, the IESO has requested to amend the definition of the "permitted liens" in both existing OEFC Agreements to include any liens related to the FHP. Specifically, adding a clause in the existing OEFC Agreements that any lien related to OFHP will not be viewed as negative pledge by OEFC, so those liens can be used to secure the performance of IESO's obligations to OPG under the FHP. This would allow IESO to grant security to the OPG Trust during the first 4 years of implementing the GA deferral and also avoid breaching the terms of the existing agreements with OEFC.

- To support IESO's role in the implementation and participation under the Ontario Fair Hydro Plan Act, 2017 ("OFHP Act"), in July 2017 the IESO had requested that the OFA make similar changes to the credit facility agreements with OFA in October.
  - On November 6, 2017, the OFA amended the $475M facility to amend the definition of "permitted liens" and also included same for the new $2B credit facility agreement between OFA and the IESO , as requested by the IESO.

CONSIDERATIONS

- -With the proposed new security agreement between OPG Trust and the IESO, OPG Trust would have a priority claim against ~~potentially the Clean Energy Adjustment funds collected by or flowing through~~ the IESO's assets, the OEFC could find itself unable to collect payments due from the IESO. The likelihood of this scenario could be assessed as low.

- The extent of this risk is uncertain at this time, given that the regulations that determine the Fair Allocation Amount payable in each period, and how that relates to the obligations to the Financing Entity are still under development.

- IESO is an agency of the government consolidated line-by-line in the Province's accounts.

- The OFA agreed to IESO's requested changes to the OFA credit facilities.

- OFA'S Capital Markets Operations staff have commented that the legislation governing OEFC, the *Electricity Act, 1998*, may provide differing context from the OFA's objects and mandate under the *Capital Investment Plan Act, 1993*~~.~~ and any changes to the OEFC agreements should take this into account.

- According to the Minister's Directives associated with the OEFC Agreements, ~~it states that~~ the loan and the credit facilities~~y~~ are "subject to such other terms as OEFC deams appropriate~~the terms set out in the OEFC Agreements.~~ Therefore, this is not seen as a change to the directives, and new directives from the Minister of Finance are not deemed necessary. This was consistent with the approach when amending the existing OFA-IESO credit facility agreements on November 6, 2017.

Commented [JK2]: I believe amending the OFA agreements were done under this view. Pls. correct if not the case.

RECOMMENDATIONS

- In order to support IESO's request in relation to its obligation with respect to FHP, OFA staff are of the view that the exisiting OEFC Agreements can be amended to include liens related to FHP under the definition of the "permitted liens".

BACKGROUND

- In order to support IESO's role with the implementation of the OFHP Act, OFA staff made similar changes to the definition of 'permitted liens" in existing OFA-IESO credit facility agreements on November 6, 2017.

- Currently, under the existing credit facility agreements between OEFC and the IESO, the definition of "permitted liens" does not include any lien arising from the IESO's role and obligations under the OFHP, including with respect to any amount received or receivable by the IESO (such as, without limitation, amounts received or receivable in respect of the Clean Energy Adjustment), or any other lien, whether arising from the action or inaction of IESO, that is created in connection with the OFHP.

Electricity Finance Branch / Corporate and Electricity Finance Division &
Capital Markets Operations, Capital Markets Division
Ontario Financing Authority
November 21~~0~~, 2017

From:	John Kim
To:	Opal Kandelas
Cc:	Mike Manning
Subject:	RE: IESO-OEFC Note_v3Clean_Markup.docx
Date:	Tuesday, November 21, 2017 2:46:51 PM
Attachments:	IESO-OEFC Note_v7_Markup.docx

Hi Mike, Opal,

I've updated the note further, as discussed with Mike, to clarify. I have comments in two areas. Pls. let me know if you have any comments on them or if I am mistaken.

Thanks,

John

From: John Kim
Sent: Monday, November 20, 2017 4:02 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Cc: Mike Manning <Mike.Manning@ofina.on.ca>
Subject: RE: IESO-OEFC Note_v3Clean_Markup.docx

Thanks Opal…reflected some of Ron's comments but stayed with your edits where there were conflicts.

Mike, let me know pls. if you're okay with the note and the recommendation.

Thanks,

John

From: Opal Kandelas
Sent: Monday, November 20, 2017 3:43 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Mike Manning <Mike.Manning@ofina.on.ca>
Subject: RE: IESO-OEFC Note_v3Clean_Markup.docx

Hi John, Mike,

In the interest of time, I'm sending comments on the note to you both.

Thanks,
Opal.

From: John Kim
Sent: Monday, November 20, 2017 2:39 PM

To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: IESO-OEFC Note_v3Clean_Markup.docx

Thanks Opal. Ron hasn't reviewed it yet. Hoping to build a consensus.

From: Opal Kandelas
Sent: Monday, November 20, 2017 2:20 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: IESO-OEFC Note_v3Clean_Markup.docx

Hi John,

I'm reviewing the note. Be back to you shortly.

Thanks,
Opal

From: John Kim
Sent: Monday, November 20, 2017 12:42 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: IESO-OEFC Note_v3Clean_Markup.docx

Hi Opal,

Let me know if you're OK with this version. I put CMD – Operations in square bracket pending your review.

Thanks,

John

OEFC -- IESO CREDIT FACILITY AGREEMENT & THE PERMITTED LIENS

The Independent Electricity System Operator ("IESO") has requested that OEFC amend the existing credit facility agreements between OEFC and IESO (for $160M and $120M) to address the additional obligations IESO is taking on under Ontario's Fair Hydro Plan. IESO has indicated that OEFC credit facilities will not be used for Ontario Fair Hydro Plan (FHP) purposes.

IESO'S REQUEST

- Under the FHP, the IESO and Ontario Power Generation (OPG) are interacting to refinance a portion of the Global Adjustment over a longer period of time.

- IESO and OPG are in a discussion to grant a security/priority interest on IESO's assets to OPG Trust for the period of the first 4 years of the GA deferral.

- The IESO is planning to seek its Board's approval on Nov 22, 2017 to enter into a security agreement with OPG Trust. The security agreement is currently in draft form. Without amending the existing OEFC $160M and $120M credit facility agreements (the "OEFC Agreements"), IESO could potentially be considered to be in default of the terms of the various agreements. IESO staff wrote:

  "…it likely is best to add to the definition of "Permitted Liens" in the two OEFC facilities to address a) IESO granting security to the OPG Trust during the first 4 years of fair hydro program and b) the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default."

- The IESO provided a draft Security Agreement, dated November 7th, 2017, between them and the OPG Trust to OFA. According to the draft Security Agreement, in the unlikely event that the IESO runs into a financial difficulty, the IESO would give OPG Trust a priority in the IESO's assets, including all accounts of the IESO and all cash and proceeds from LDCs, that would put OPG Trust ahead of unsecured creditors, including the OFA and the OEFC.
  - The security agreement is not limited to the Clean Energy Adjustment funds collected by the IESO only.

- In order to address this issue, the IESO has requested to amend the definition of the "permitted liens" in both existing OEFC Agreements to include any liens related to the FHP. Specifically, adding a clause in the existing OEFC Agreements that any lien related to OFHP will not be viewed as negative pledge by OEFC, so those liens can be used to secure the performance of IESO's obligations to OPG under the FHP. This would allow IESO to grant security to the OPG Trust during the first 4 years of implementing the GA deferral and also avoid breaching the terms of the existing agreements with OEFC.

- To support IESO's role in the implementation and participation under the Ontario Fair Hydro Plan Act, 2017 ("OFHP Act"), in July 2017 the IESO had requested that the OFA make similar changes to the credit facility agreements with OFA in October.
  - On November 6, 2017, the OFA amended the $475M facility to amend the definition of "permitted liens" and also included same for the new $2B credit facility agreement between OFA and the IESO , as requested by the IESO.

CONSIDERATIONS

- -With the proposed new security agreement between OPG Trust and the IESO, OPG Trust would have a priority claim against ~~potentially the Clean Energy Adjustment funds collected by or flowing through~~ the IESO's assets, the OEFC could find itself unable to collect payments due from the IESO. The likelihood of this scenario could be assessed as low.

Commented [JK1]: Opal, pls. confirm that this is the purpose of the "Permitted Liens" section of the credit agreement. This is more Documentation expertise.

- The extent of this risk is uncertain at this time, given the regulations that determine the Fair Allocation Amount payable in each period, and how that relates to the obligations to the Financing Entity are still under development.

- IESO is an agency of the government consolidated line-by-line in the Province's accounts.

- The OFA agreed to IESO's requested changes to the OFA credit facilities.

- OFA'S Capital Markets Operations staff have commented that the legislation governing OEFC, the *Electricity Act, 1998*, may provide differing context from the OFA's objects and mandate under the *Capital Investment Plan Act, 1993*. and any changes to the OEFC agreements should take this into account.

- According to the Minister's Directives associated with the OEFC Agreements, ~~it states that~~ the loan and the credit facilities~~y~~ are subject to the terms set out in the OEFC Agreements. Therefore, this is not seen as a change to the directives, and new directives from the Minister of Finance are not deemed necessary. This was consistent with the approach when amending the existing OFA-IESO credit facility agreements on November 6, 2017.

Commented [JK2]: I believe amending the OFA agreements were done under this view. Pls. correct if not the case.

RECOMMENDATIONS

- In order to support IESO's request in relation to its obligation with respect to FHP, OFA staff are of the view that the exisiting OEFC Agreements can be amended to include liens related to FHP under the definition of the "permitted liens".

BACKGROUND

- In order to support IESO's role with the implementation of the OFHP Act, OFA staff made similar changes to the definition of 'permitted liens" in existing OFA-IESO credit facility agreements on November 6, 2017.

- Currently, under the existing credit facility agreements between OEFC and the IESO, the definition of "permitted liens" does not include any lien arising from the IESO's role and obligations under the OFHP, including with respect to any amount received or receivable by the IESO (such as, without limitation, amounts received or receivable in respect of the Clean Energy Adjustment), or any other lien, whether arising from the action or inaction of IESO, that is created in connection with the OFHP.

Electricity Finance Branch / Corporate and Electricity Finance Division &
Capital Markets Operations, Capital Markets Division
Ontario Financing Authority
November 2~~1~~0, 2017

From: John Kim
To: Opal Kandelas
Cc: Mike Manning
Subject: RE: IESO-OEFC Note_v3Clean_Markup.docx
Date: Monday, November 20, 2017 4:01:52 PM
Attachments: IESO-OEFC Note_v4.docx

Thanks Opal…reflected some of Ron's comments but stayed with your edits where there were conflicts.

Mike, let me know pls. if you're okay with the note and the recommendation.

Thanks,

John

From: Opal Kandelas
Sent: Monday, November 20, 2017 3:43 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Mike Manning <Mike.Manning@ofina.on.ca>
Subject: RE: IESO-OEFC Note_v3Clean_Markup.docx

Hi John, Mike,

In the interest of time, I'm sending comments on the note to you both.

Thanks,
Opal.

From: John Kim
Sent: Monday, November 20, 2017 2:39 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: IESO-OEFC Note_v3Clean_Markup.docx

Thanks Opal. Ron hasn't reviewed it yet. Hoping to build a consensus.

From: Opal Kandelas
Sent: Monday, November 20, 2017 2:20 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: IESO-OEFC Note_v3Clean_Markup.docx

Hi John,

I'm reviewing the note. Be back to you shortly.

Thanks,

Opal

From: John Kim
Sent: Monday, November 20, 2017 12:42 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: IESO-OEFC Note_v3Clean_Markup.docx

Hi Opal,

Let me know if you're OK with this version. I put CMD – Operations in square bracket pending your review.

Thanks,

John

OEFC -- IESO CREDIT FACILITY AGREEMENT & THE PERMITTED LIENS

~~ISSUE~~

The Independent Electricity System Operator ("IESO") has requested that OEFC amend the existing credit facility agreements between OEFC and IESO (for $160M and $120M) to address the additional obligations IESO is taking on under Ontario's Fair Hydro Plan. IESO has indicated that OEFC credit facilities will not be used for Ontario Fair Hydro Plan (FHP) purposes.

~~CONTEXT –~~ IESO'S REQUEST

- Under t~~T~~he FHP, ~~requires~~ the IESO and Ontario Power Generation (OPG) are interacting~~to work together~~ to refinance ~~Ontario's clean energy investments~~a portion of the Global Adjustment over a longer period of time.

- IESO and OPG are in a discussion to grant a security/priority interest on IESO's assets to OPG Trust for the period of the first 4 years of the GA deferral.

- The IESO is planning to seek its Board's approval on Nov 22, 2017 to enter into a ~~for the~~ security agreement with OPG Trust. The security agreement is currently in draft form. Without amending the existing OEFC $160M and $120M credit facility agreements (the "OEFC Agreements"), IESO could potentially be considered to be in default of the terms of the security agreement~~s~~. IESO staff wrote:

  > *"…it likely is best to add to the definition of "Permitted Liens" in the two OEFC facilities to address a) IESO granting security to the OPG Trust during the first 4 years of fair hydro program and b) the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default."*

- In order to address this issue, the IESO has requested to amend the definition of the "permitted liens" in both existing OEFC Agreements to include any liens related to the FHP. Specifically, adding a clause in the existing OEFC Agreements that any lien related to OFHP will not be viewed as negative pledge by OEFC, so those liens can be used to secure the performance of IESO's obligations to OPG under the FHP. This would allow IESO to grant security to the OPG Trust during the first 4 years of implementing the GA deferral and also avoid ~~of~~ breaching the terms of the existing agreements with OEFC.

- To support IESO's role in the implementation and participation under the Ontario Fair Hydro Plan Act, 2017 ("OFHP Act"), in July 2017, the IESO had requested that the OFA ~~to~~ make ~~the same~~similar ~~request~~ changes to the credit facility agreements with OFA in October.
  - On November 6, 2017, the OFA amended the $475M facility to amend the definition of ~~the~~ "permitted liens" and also included same for the new $2B credit facility agreement between OFA and the IESO , as requested by the IESO.

CONSIDERATIONS

- ~~OFA'S Capital Markets – Operations staff have commented that the legislation governing OEFC, the *Electricity Act, 1998*, may provide differing context from the OFA's objects and mandate under the *Capital Investment Plan Act, 1993*.~~

- With the proposed new security agreement between OPG Trust and IESO, OPG Trust would have a priority claim against potentially the Clean Energy Adjustment funds collected by or flowing~~n~~-through the IESO, the OEFC could find itself unable to collect payments due from the IESO. The likelihood of this scenario could be assessed as low.

Formatted: Indent: Left: 0.25", No bullets or numbering

Commented [JK1]: Or vice versa, their agreements with the OEFC but this is fine.

Commented [JK2]: Unless Documentation can provide specific differences that are significant, I suggest we delete.

Commented [OK3R2]: The fact that OFA's objects/mandate are detailed under CIPA is a distinct differentiation from OEFC. This is relevant as it goes to the reach of OFA, which OEFC does not share.

Formatted: Indent: Left: 0", Bulleted + Level: 1 + Aligned at: 0.25" + Indent at: 0.5"

Formatted: Font: +Body (Calibri), 11 pt

Formatted: Indent: Left: 0.5", No bullets or numbering

- ~~and~~ IESO is an agency of the government consolidated line-by-line in the Province's accounts. ~~[This was a bullet inserted by CMD – Operations.]~~

- The OFA agreed to IESO's requested changes to ~~included the requested changes in~~ the OFA credit facilities.~~,~~

- OFA'S Capital Markets~~—~~ Operations staff have commented that the legislation governing OEFC, the *Electricity Act, 1998*, may provide differing context from the OFA's objects and mandate under the *Capital Investment Plan Act, 1993*, and any changes to the OEFC agreements should take this into account. ~~providing a precedent of having considered the changes/inclusion of the same request. Treating the current request differently by seeking either a Minister's directive or not granting the IESO its request would mean having to take steps on the OFA credit facilities which were either signed recently or amended recently.~~

Commented [JK4]: Given that we are moving towards a consensus, the rest of the sentence is moot.

Formatted: Font: +Body (Calibri), 11 pt

Formatted: Indent: Left: 0.5", No bullets or numbering

Commented [JK5]: Unless Documentation can provide specific differences that are significant, I suggest we delete.

Commented [OK6R5]: The fact that OFA's objects/mandate are detailed under CIPA is a distinct differentiation from OEFC. This is only relevant as it goes to the reach of OFA. Not fussed if you wish to delete.

Commented [OK7]: The OFA and OEFC are different corporate entities, so treatment of each may be different depending on the circumstances, even when dealing with the same borrower.

Commented [OK8]: The OFA credit facility was provided pursuant to the minister's directive, so seeking a minister's directive wrt OEFC would be consistent with how OFA was treated. Not suggesting this is necessary.

RECOMMENDATIONS

- In order to support IESO's request in relation to its obligation with respect to FHP~~remain consistent with the language recently incorporated in existing IESO-OFA agreements~~, OFA staff are of the view that the exisiting OEFC Agreements can be amended to include liens related to FHP under the definition of the "permitted liens".

BACKGROUND

- In order to support IESO's role with the implementation of the OFHP Act, OFA staff made similar changes to the definition of 'permitted liens" in existing OFA-IESO credit facility agreements on November 6, 2017.

- Currently, under the existing credit facility agreements between OEFC and the IESO, the definition of "permitted liens" does not include any lien arising from the IESO's role and obligations under the OFHP, including with respect to any amount received or receivable by the IESO (such as, without limitation, amounts received or receivable in respect of the Clean Energy Adjustment), or any other lien, whether arising from the action or inaction of IESO, that is created in connection with the OFHP.

Electricity Finance Branch / Corporate and Electricity Finance Division &
Capital Markets Operations, Capital Markets Division
Ontario Financing Authority
November ~~15~~20, 2017

From:	Opal Kandelas
To:	John Kim
Cc:	Mike Manning
Subject:	RE: IESO-OEFC Note_v3Clean_Markup.docx
Date:	Monday, November 20, 2017 3:43:23 PM
Attachments:	IESO-OEFC Note_v3Clean_Markup.docx

Hi John, Mike,

In the interest of time, I'm sending comments on the note to you both.

Thanks,
Opal.

From: John Kim
Sent: Monday, November 20, 2017 2:39 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: IESO-OEFC Note_v3Clean_Markup.docx

Thanks Opal. Ron hasn't reviewed it yet. Hoping to build a consensus.

From: Opal Kandelas
Sent: Monday, November 20, 2017 2:20 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: IESO-OEFC Note_v3Clean_Markup.docx

Hi John,

I'm reviewing the note. Be back to you shortly.

Thanks,
Opal

From: John Kim
Sent: Monday, November 20, 2017 12:42 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: IESO-OEFC Note_v3Clean_Markup.docx

Hi Opal,

Let me know if you're OK with this version. I put CMD – Operations in square bracket pending your review.

Thanks,

John

OEFC -- IESO CREDIT FACILITY AGREEMENT & THE PERMITTED LIENS

ISSUE

The Independent Electricity System Operator ("IESO") has requested that OEFC amend the existing credit facility agreements between OEFC and IESO (for $160M and $120M) to address the additional obligations IESO is taking on under Ontario's Fair Hydro Plan. IESO has indicated that OEFC credit facilities will not be used for Ontario Fair Hydro Plan (FHP) purposes.

CONTEXT - IESO'S REQUEST

- The FHP requires the IESO and Ontario Power Generation (OPG) to work together to refinance Ontario's clean energy investments over a longer period of time. IESO and OPG are in a discussion to grant a security/priority interest on IESO's assets to OPG Trust for the period of the first 4 years of the GA deferral.

- The IESO is planning to seek its Board's approval on Nov 22, 2017 to enter into a ~~for the~~ security agreement with OPG Trust. The security agreement is currently in draft form. Without amending the existing OEFC $160M and $120M credit facility agreements (the "OEFC Agreements"), IESO could potentially be considered to be in default of the terms of the security agreement~~s~~. IESO staff wrote:

  > *"…it likely is best to add to the definition of "Permitted Liens" in the two OEFC facilities to address a) IESO granting security to the OPG Trust during the first 4 years of fair hydro program and b) the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default."*

- In order to address this issue, the IESO has requested to amend the definition of the "permitted liens" in both existing OEFC Agreements to include any liens related to the FHP. Specifically, adding a clause in the existing OEFC Agreements that any lien related to OFHP will not be viewed as negative pledge by OEFC, so those liens can be used to secure the performance of IESO's obligations to OPG under the FHP. This would allow IESO to grant security to the OPG Trust during the first 4 years of implementing the GA deferral and also avoid ~~of~~ breaching the terms of existing agreements.

- To support IESO's role in the implementation and participation under the Ontario Fair Hydro Plan Act, 2017 ("OFHP Act"), in July 2017~~,~~ the IESO had requested that the OFA ~~to~~ make ~~the same~~similar ~~request~~ changes to the credit facility agreements with OFA in October.
  - On November 6, 2017, the OFA amended the $475M facility to amend the definition of ~~the~~ "permitted liens" and also included same for the new $2B credit facility agreement between OFA and the IESO , as requested by the IESO.

CONSIDERATIONS

- ~~OFA's Capital Markets – Operations staff have commented that the legislation governing OEFC, the *Electricity Act, 1998*, may provide differing context from the OFA's objects and mandate under the *Capital Investment Plan Act, 1993*.~~ [This was a bullet suggested by CMD – Operations.]

- With the proposed new security agreement between OPG Trust and IESO, OPG Trust would have a priority claim against potentially the Clean Energy Adjustment funds collected by or flowing~~n~~ through the IESO, the OEFC could find itself unable to collect payments due from the IESO. The likelihood of this scenario could be assessed as low and IESO is an agency of the government consolidated line-by-line in the Province's accounts. [This was a bullet inserted by CMD – Operations.]

Commented [JK1]: Unless Documentation can provide specific differences that are significant, I suggest we delete.

Commented [OK2R1]: The fact that OFA's objects/mandate are detailed under CIPA is a distinct differentiation from OEFC. This is relevant as it goes to the reach of OFA, which OEFC does not share.

- The OFA agreed to IESO's requested changes to ~~included the requested changes in~~ the OFA credit facilities, OFA'S Capital Markets~~—~~ Operations staff have commented that the legislation governing OEFC, the *Electricity Act, 1998*, may provide differing context from the OFA's objects and mandate under the *Capital Investment Plan Act, 1993*, and any changes to the OEFC agreements should take this into account. ~~providing a precedent of having considered the changes/inclusion of the same request. Treating the current request differently by seeking either a Minister's directive or not granting the IESO its request would mean having to take steps on the OFA credit facilities which were either signed recently or amended recently.~~

Commented [JK3]: Unless Documentation can provide specific differences that are significant, I suggest we delete.

Commented [OK4R3]: The fact that OFA's objects/mandate are detailed under CIPA is a distinct differentiation from OEFC. This is only relevant as it goes to the reach of OFA. Not fussed if you wish to delete.

Commented [OK5]: The OFA and OEFC are different corporate entities, so treatment of each may be different depending on the circumstances, even when dealing with the same borrower.

Commented [OK6]: The OFA credit facility was provided pursuant to the minister's directive, so seeking a minister's directive wrt OEFC would be consistent with how OFA was treated. Not suggesting this is necessary.

RECOMMENDATIONS

- In order to support IESO's request in relation to its obligation with respect to FHP~~remain consistent with the language recently incorporated in existing IESO-OFA agreements~~, OFA staff are of the view that the exisiting OEFC Agreements can be amended to include liens related to FHP under the definition of the "permitted liens". [TBD]

BACKGROUND

- In order to support IESO's role with the implementation of the OFHP Act, OFA staff made similar changes to the definition of 'permitted liens" in existing OFA-IESO credit facility agreements on November 6, 2017.

- Currently, under the existing credit facility agreements between OEFC and the IESO, the definition of "permitted liens" does not include any lien arising from the IESO's role and obligations under the OFHP, including with respect to any amount received or receivable by the IESO (such as, without limitation, amounts received or receivable in respect of the Clean Energy Adjustment), or any other lien, whether arising from the action or inaction of IESO, that is created in connection with the OFHP.

Electricity Finance Branch / Corporate and Electricity Finance Division [&
Capital Markets Operations, Capital Markets Division]
Ontario Financing Authority
November ~~15~~20, 2017

Commented [JK7]: There have been some changes since last week so put CMD – Operations in square brackets.

From:	John Kim
To:	Opal Kandelas
Cc:	Mike Manning
Subject:	RE: IESO-OEFC Note_v3Clean_Markup.docx
Date:	Wednesday, November 22, 2017 7:51:16 AM
Attachments:	IESO-OEFC Note_v7_Markup2Clean.docx IESO-OEFC Note_v7_Markup2.docx

Thanks Opal. Ron took a look last night, as attached.

From: Opal Kandelas
Sent: Tuesday, November 21, 2017 3:49 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Mike Manning <Mike.Manning@ofina.on.ca>
Subject: RE: IESO-OEFC Note_v3Clean_Markup.docx

Hi John,

The note looks good. I've made a couple of tweaks.
Thanks,
Opal

From: John Kim
Sent: Tuesday, November 21, 2017 2:47 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Cc: Mike Manning <Mike.Manning@ofina.on.ca>
Subject: RE: IESO-OEFC Note_v3Clean_Markup.docx

Hi Mike, Opal,

I've updated the note further, as discussed with Mike, to clarify. I have comments in two areas. Pls. let me know if you have any comments on them or if I am mistaken.

Thanks,

John

From: John Kim
Sent: Monday, November 20, 2017 4:02 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Cc: Mike Manning <Mike.Manning@ofina.on.ca>
Subject: RE: IESO-OEFC Note_v3Clean_Markup.docx

Thanks Opal…reflected some of Ron's comments but stayed with your edits where there were conflicts.

Mike, let me know pls. if you're okay with the note and the recommendation.

Thanks,

John

From: Opal Kandelas
Sent: Monday, November 20, 2017 3:43 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Mike Manning <Mike.Manning@ofina.on.ca>
Subject: RE: IESO-OEFC Note_v3Clean_Markup.docx

Hi John, Mike,

In the interest of time, I'm sending comments on the note to you both.

Thanks,
Opal.

From: John Kim
Sent: Monday, November 20, 2017 2:39 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: IESO-OEFC Note_v3Clean_Markup.docx

Thanks Opal. Ron hasn't reviewed it yet. Hoping to build a consensus.

From: Opal Kandelas
Sent: Monday, November 20, 2017 2:20 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: IESO-OEFC Note_v3Clean_Markup.docx

Hi John,

I'm reviewing the note. Be back to you shortly.

Thanks,
Opal

From: John Kim
Sent: Monday, November 20, 2017 12:42 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: IESO-OEFC Note_v3Clean_Markup.docx

Hi Opal,

Let me know if you're OK with this version. I put CMD – Operations in square bracket pending your review.

Thanks,

John

OEFC -- IESO CREDIT FACILITY AGREEMENT & THE PERMITTED LIENS

The Independent Electricity System Operator ("IESO") has requested that OEFC amend the existing credit facility agreements between OEFC and IESO (for $160M and $120M) to address the additional obligations IESO is taking on under Ontario's Fair Hydro Plan. IESO has indicated that OEFC credit facilities will not be used for Ontario Fair Hydro Plan (FHP) purposes.

IESO'S REQUEST

- Under the FHP, the IESO and Ontario Power Generation (OPG) are interacting to refinance a portion of the Global Adjustment over a longer period of time.

- IESO and OPG are in a discussion to grant a security/priority interest on IESO's assets to OPG Trust for the period of the first 4 years of the GA deferral.

- The IESO is planning to seek its Board's approval on Nov 22, 2017 to enter into a security agreement with OPG Trust. The security agreement is currently in draft form. Without amending the existing OEFC $160M and $120M credit facility agreements (the "OEFC Agreements"), IESO could potentially be considered to be in default of the terms of the various agreements. IESO staff wrote:

  > *"…it likely is best to add to the definition of "Permitted Liens" in the two OEFC facilities to address a) IESO granting security to the OPG Trust during the first 4 years of fair hydro program and b) the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default."*

- The IESO provided a draft Security Agreement, dated November 7th, 2017, between them and the OPG Trust to OFA. According to the draft Security Agreement, in the unlikely event that the IESO runs into financial difficulty, the IESO would give OPG Trust a priority in the IESO's assets, including all accounts of the IESO and all cash and proceeds from LDCs, that would put OPG Trust ahead of unsecured creditors, including the OFA and the OEFC.
  - The security agreement is not limited to the Clean Energy Adjustment funds collected by the IESO only.

- In order to address this issue, the IESO has requested to amend the definition of the "permitted liens" in both existing OEFC Agreements to include any liens related to the FHP. Specifically, adding a clause in the existing OEFC Agreements that any lien related to OFHP will not be viewed as negative pledge by OEFC, so those liens can be used to secure the performance of IESO's obligations to OPG under the FHP. This would allow IESO to grant security to the OPG Trust during the first 4 years of implementing the GA deferral and also avoid breaching the terms of the existing agreements with OEFC.

- To support IESO's role in the implementation and participation under the Ontario Fair Hydro Plan Act, 2017 ("OFHP Act"), in July 2017 the IESO had requested that the OFA make similar changes to the credit facility agreements with OFA in October.
  - On November 6, 2017, the OFA amended the $475M facility to amend the definition of "permitted liens" and also included same for the new $2B credit facility agreement between OFA and the IESO , as requested by the IESO.

CONSIDERATIONS

- With the proposed new security agreement between OPG Trust and the IESO, OPG Trust would have a priority claim against the IESO's assets, the OEFC could find itself unable to collect payments due from the IESO. The likelihood of this scenario could be assessed as low.

- The extent of this risk is subject to uncertainty at this time, given that the regulations that govern the payments related to the Fair Allocation Amount in each period, and how that relates to the obligations to the Financing Entity, are still under development.

- IESO is an agency of the government consolidated line-by-line in the Province's accounts.

- The OFA agreed to IESO's requested changes to the OFA credit facilities.

- OFA'S Capital Markets Operations staff have commented that the legislation governing OEFC, the *Electricity Act, 1998*, may provide differing context from the OFA's objects and mandate under the *Capital Investment Plan Act, 1993* and any changes to the OEFC agreements should take this into account.

- According to the Minister's Directives associated with the OEFC Agreements, the loan and the credit facilities are "subject to such other terms as OEFC deams appropriate Therefore, an amendment for permitted liens can be done under the existing directives, and a new or revised directives from the Minister of Finance are not deemed necessary. This would be consistent with the approach when the pre-existing OFA-IESO credit facility agreement was amended for permited liens on November 6, 2017.

RECOMMENDATIONS

- In order to support IESO's request in relation to its obligation with respect to FHP, OFA staff are of the view that the exisiting OEFC Agreements can be amended to include liens related to FHP under the definition of the "permitted liens".

BACKGROUND

- In order to support IESO's role with the implementation of the OFHP Act, OFA staff made similar changes to the definition of 'permitted liens" in existing OFA-IESO credit facility agreements on November 6, 2017.

- Currently, under the existing credit facility agreements between OEFC and the IESO, the definition of "permitted liens" does not include any lien arising from the IESO's role and obligations under the OFHP, including with respect to any amount received or receivable by the IESO (such as, without limitation, amounts received or receivable in respect of the Clean Energy Adjustment), or any other lien, whether arising from the action or inaction of IESO, that is created in connection with the OFHP.

Electricity Finance Branch / Corporate and Electricity Finance Division &
Capital Markets Operations, Capital Markets Division
Ontario Financing Authority
November 21, 2017

OEFC -- IESO CREDIT FACILITY AGREEMENT & THE PERMITTED LIENS

The Independent Electricity System Operator ("IESO") has requested that OEFC amend the existing credit facility agreements between OEFC and IESO (for $160M and $120M) to address the additional obligations IESO is taking on under Ontario's Fair Hydro Plan. IESO has indicated that OEFC credit facilities will not be used for Ontario Fair Hydro Plan (FHP) purposes.

IESO'S REQUEST

- Under the FHP, the IESO and Ontario Power Generation (OPG) are interacting to refinance a portion of the Global Adjustment over a longer period of time.

- IESO and OPG are in a discussion to grant a security/priority interest on IESO's assets to OPG Trust for the period of the first 4 years of the GA deferral.

- The IESO is planning to seek its Board's approval on Nov 22, 2017 to enter into a security agreement with OPG Trust. The security agreement is currently in draft form. Without amending the existing OEFC $160M and $120M credit facility agreements (the "OEFC Agreements"), IESO could potentially be considered to be in default of the terms of the various agreements. IESO staff wrote:

  "…it likely is best to add to the definition of "Permitted Liens" in the two OEFC facilities to address a) IESO granting security to the OPG Trust during the first 4 years of fair hydro program and b) the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default."

- The IESO provided a draft Security Agreement, dated November 7th, 2017, between them and the OPG Trust to OFA. According to the draft Security Agreement, in the unlikely event that the IESO runs into ~~a~~ financial difficulty, the IESO would give OPG Trust a priority in the IESO's assets, including all accounts of the IESO and all cash and proceeds from LDCs, that would put OPG Trust ahead of unsecured creditors, including the OFA and the OEFC.
  - The security agreement is not limited to the Clean Energy Adjustment funds collected by the IESO only.

Commented [JK1]: Opal, pls. confirm that this is the purpose of the "Permitted Liens" section of the credit agreement. This is more Documentation expertise.

- In order to address this issue, the IESO has requested to amend the definition of the "permitted liens" in both existing OEFC Agreements to include any liens related to the FHP. Specifically, adding a clause in the existing OEFC Agreements that any lien related to OFHP will not be viewed as negative pledge by OEFC, so those liens can be used to secure the performance of IESO's obligations to OPG under the FHP. This would allow IESO to grant security to the OPG Trust during the first 4 years of implementing the GA deferral and also avoid breaching the terms of the existing agreements with OEFC.

- To support IESO's role in the implementation and participation under the Ontario Fair Hydro Plan Act, 2017 ("OFHP Act"), in July 2017 the IESO had requested that the OFA make similar changes to the credit facility agreements with OFA in October.
  - On November 6, 2017, the OFA amended the $475M facility to amend the definition of "permitted liens" and also included same for the new $2B credit facility agreement between OFA and the IESO , as requested by the IESO.

CONSIDERATIONS

- -With the proposed new security agreement between OPG Trust and the IESO, OPG Trust would have a priority claim against ~~potentially the Clean Energy Adjustment funds collected by or flowing through~~ the IESO's assets, the OEFC could find itself unable to collect payments due from the IESO. The likelihood of this scenario could be assessed as low.

- The extent of this risk is subject to uncertainty at this time, given that the regulations that ~~determine~~govern the payments related to the Fair Allocation Amount ~~payable~~ in each period, and how that relates to the obligations to the Financing Entity, are still under development.

Commented [RK2]: Are they? Or "have not yet been put into practice"?

- IESO is an agency of the government consolidated line-by-line in the Province's accounts.
- The OFA agreed to IESO's requested changes to the OFA credit facilities.
- OFA'S Capital Markets Operations staff have commented that the legislation governing OEFC, the *Electricity Act, 1998*, may provide differing context from the OFA's objects and mandate under the *Capital Investment Plan Act, 1993*~~.~~ and any changes to the OEFC agreements should take this into account.
- According to the Minister's Directives associated with the OEFC Agreements, ~~it states that~~ the loan and the credit facilities~~y~~ are "subject to such other terms as OEFC deams appropriate~~the terms set out in the OEFC Agreements.~~ Therefore, an amendment for permitted liens can be done under the existing ~~this is not seen as a change to the~~ directives, and a new or revised directives from the Minister of Finance are not deemed necessary. This would be~~was~~ consistent with the approach when ~~amending~~ the pre-existing OFA-IESO credit facility agreement was amended~~s~~ for permited liens on November 6, 2017.

Commented [JK3]: I believe amending the OFA agreements were done under this view. Pls. correct if not the case.

RECOMMENDATIONS

- In order to support IESO's request in relation to its obligation with respect to FHP, OFA staff are of the view that the exisiting OEFC Agreements can be amended to include liens related to FHP under the definition of the "permitted liens".

BACKGROUND

- In order to support IESO's role with the implementation of the OFHP Act, OFA staff made similar changes to the definition of 'permitted liens" in existing OFA-IESO credit facility agreements on November 6, 2017.
- Currently, under the existing credit facility agreements between OEFC and the IESO, the definition of "permitted liens" does not include any lien arising from the IESO's role and obligations under the OFHP, including with respect to any amount received or receivable by the IESO (such as, without limitation, amounts received or receivable in respect of the Clean Energy Adjustment), or any other lien, whether arising from the action or inaction of IESO, that is created in connection with the OFHP.

Electricity Finance Branch / Corporate and Electricity Finance Division &
Capital Markets Operations, Capital Markets Division
Ontario Financing Authority
November 2~~1~~0, 2017

From:	Anthony Martinello
To:	John Kim
Cc:	Victor Buza; Gavin He; Opal Kandelas
Subject:	RE: IESO
Date:	Thursday, November 30, 2017 8:48:40 AM

Much appreciated. Regards.

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: November 29, 2017 4:23 PM
To: Anthony Martinello
Cc: Victor Buza; Gavin He; Opal Kandelas
Subject: RE: IESO

HI Anthony,

We are OK to have you share the $2bn FHP facility agreement with TD, on the basis as you indicated that they will treat it strictly confidential.

Thanks,

John

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Tuesday, November 21, 2017 10:47 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>; Gavin He <Gavin.He@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>
Subject: RE: IESO

Please move forward and seek the necessary approvals. TD wants to read the $2B agreement to ensure IESO has FH liquidity during the 4 years.

From: John Kim [mailto:John.Kim@ofina.on.ca]
Sent: November 20, 2017 5:17 PM
To: Anthony Martinello
Cc: Victor Buza; Gavin He; William Tan
Subject: RE: IESO

Hi Anthony,

I think the steps we would take to allow it, if at all, could be quite onerous and time-consuming. Are there any specific concern they have that we should be able to address without actually letting them see the agreement?

John

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Monday, November 20, 2017 5:05 PM
To: John Kim <John.Kim@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: IESO

John, William,

TD Bank has asked to review the $2B Fair Hydro credit facility executed between IESO and OFA.

TD wants to gain comfort (themselves) that the credit facility is going to support the IESO's fair hydro transactions during the next 4 years.

I have verbally assured them of the above, but they wish to review themselves.

Let me know if I may share and TD will treat the document as confidential.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From:	John Kim
To:	Sarah Harris
Cc:	Ken Kandeepan; Mike Manning; Opal Kandelas; William Tan; Gavin He; Shajee Kathirgamanathan
Subject:	RE: IESO/OFA - FH line
Date:	Wednesday, September 19, 2018 1:59:15 PM

Ok, thanks….Shajee or Gavin will give him a call as well.

From: Sarah Harris
Sent: Wednesday, September 19, 2018 1:58 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: RE: IESO/OFA - FH line

Thanks, John. As Anthony is asking if he should set up a call, I will refer him to you directly so he can arrange a time that is convenient to you both.

Sarah

From: John Kim
Sent: Wednesday, September 19, 2018 1:53 PM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: RE: IESO/OFA - FH line

Sure, we will have that discussion with him. If he calls, pls. refer him to us.

From: Sarah Harris
Sent: Wednesday, September 19, 2018 1:52 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>
Subject: FW: IESO/OFA - FH line

Hi John,

Anthony at IESO has approached us to begin discussions on an increase to the $2B cap to the FHP. Is this a discussion that you would initially be having with IESO?

Thanks,
Sarah

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Wednesday, September 19, 2018 12:56 PM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: William Tan <William.Tan@ofina.on.ca>; Victor Buza <Victor.Buza@ieso.ca>
Subject: RE: IESO/OFA - FH line

We need to begin discussions in Oct 2018 on making an amendment to increase the $2B cap.

The FH Trust did not purchase this month's variance and I have no further info on if or when a purchase will occur.

IESO will be at $1.175B drawn this month.

Should I set up time to talk?

From: Sarah Harris [mailto:Sarah.Harris@ofina.on.ca]
Sent: August 29, 2018 10:59 AM
To: Anthony Martinello
Cc: William Tan
Subject: RE: IESO/OFA - FH line

CAUTION: This email originated from outside of the organization. Exercise caution when clicking on links or opening attachments even if you recognize the sender.

Thank you, Anthony, for the head's up. I will communicate your message internally.

Thanks,
Sarah

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Wednesday, August 29, 2018 8:49 AM
To: William Tan <William.Tan@ofina.on.ca>
Cc: Olga Whiteley <Olga.Whiteley@ieso.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>; Victor Buza <Victor.Buza@ieso.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: IESO/OFA - FH line

Will

Just a courtesy email …nothing to do yet.

The IESO:OFA Fair Hydro line of credit is at about $1 billion drawn out of the $2 billion max capacity. We are drawing on avg about $200-300million/month.

The Fair Hydro Trust has not purchased the IESO's reg asset for a few months….if this continues I will be coming back to OFA to seek to increase the line of credit.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From:	Sarah Harris
To:	John Kim
Cc:	Ken Kandeepan; Mike Manning; Opal Kandelas; William Tan; Gavin He; Shajee Kathirgamanathan
Subject:	RE: IESO/OFA - FH line
Date:	Wednesday, September 19, 2018 1:58:22 PM

Thanks, John. As Anthony is asking if he should set up a call, I will refer him to you directly so he can arrange a time that is convenient to you both.

Sarah

From: John Kim
Sent: Wednesday, September 19, 2018 1:53 PM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: RE: IESO/OFA - FH line

Sure, we will have that discussion with him. If he calls, pls. refer him to us.

From: Sarah Harris
Sent: Wednesday, September 19, 2018 1:52 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>
Subject: FW: IESO/OFA - FH line

Hi John,

Anthony at IESO has approached us to begin discussions on an increase to the $2B cap to the FHP. Is this a discussion that you would initially be having with IESO?

Thanks,
Sarah

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Wednesday, September 19, 2018 12:56 PM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: William Tan <William.Tan@ofina.on.ca>; Victor Buza <Victor.Buza@ieso.ca>
Subject: RE: IESO/OFA - FH line

We need to begin discussions in Oct 2018 on making an amendment to increase the $2B cap.

The FH Trust did not purchase this month's variance and I have no further info on if or when a

purchase will occur.

IESO will be at $1.175B drawn this month.

Should I set up time to talk?

From: Sarah Harris [mailto:Sarah.Harris@ofina.on.ca]
Sent: August 29, 2018 10:59 AM
To: Anthony Martinello
Cc: William Tan
Subject: RE: IESO/OFA - FH line

CAUTION: This email originated from outside of the organization. Exercise caution when clicking on links or opening attachments even if you recognize the sender.

Thank you, Anthony, for the head's up. I will communicate your message internally.

Thanks,
Sarah

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Wednesday, August 29, 2018 8:49 AM
To: William Tan <William.Tan@ofina.on.ca>
Cc: Olga Whiteley <Olga.Whiteley@ieso.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>; Victor Buza <Victor.Buza@ieso.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: IESO/OFA - FH line

Will

Just a courtesy email …nothing to do yet.

The IESO:OFA Fair Hydro line of credit is at about $1 billion drawn out of the $2 billion max capacity. We are drawing on avg about $200-300million/month.

The Fair Hydro Trust has not purchased the IESO's reg asset for a few months….if this continues I will be coming back to OFA to seek to increase the line of credit.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is

strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From:	John Kim
To:	Sarah Harris
Cc:	Ken Kandeepan; Mike Manning; Opal Kandelas; William Tan; Gavin He; Shajee Kathirgamanathan
Subject:	RE: IESO/OFA - FH line
Date:	Wednesday, September 19, 2018 1:52:57 PM

Sure, we will have that discussion with him. If he calls, pls. refer him to us.

From: Sarah Harris
Sent: Wednesday, September 19, 2018 1:52 PM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>
Subject: FW: IESO/OFA - FH line

Hi John,

Anthony at IESO has approached us to begin discussions on an increase to the $2B cap to the FHP. Is this a discussion that you would initially be having with IESO?

Thanks,
Sarah

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Wednesday, September 19, 2018 12:56 PM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: William Tan <William.Tan@ofina.on.ca>; Victor Buza <Victor.Buza@ieso.ca>
Subject: RE: IESO/OFA - FH line

We need to begin discussions in Oct 2018 on making an amendment to increase the $2B cap.

The FH Trust did not purchase this month's variance and I have no further info on if or when a purchase will occur.

IESO will be at $1.175B drawn this month.

Should I set up time to talk?

From: Sarah Harris [mailto:Sarah.Harris@ofina.on.ca]
Sent: August 29, 2018 10:59 AM
To: Anthony Martinello
Cc: William Tan
Subject: RE: IESO/OFA - FH line

CAUTION: This email originated from outside of the organization. Exercise caution when clicking on links or

opening attachments even if you recognize the sender.

Thank you, Anthony, for the head's up. I will communicate your message internally.

Thanks,
Sarah

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Wednesday, August 29, 2018 8:49 AM
To: William Tan <William.Tan@ofina.on.ca>
Cc: Olga Whiteley <Olga.Whiteley@ieso.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>; Victor Buza <Victor.Buza@ieso.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: IESO/OFA - FH line

Will

Just a courtesy email …nothing to do yet.

The IESO:OFA Fair Hydro line of credit is at about $1 billion drawn out of the $2 billion max capacity. We are drawing on avg about $200-300million/month.

The Fair Hydro Trust has not purchased the IESO's reg asset for a few months….if this continues I will be coming back to OFA to seek to increase the line of credit.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From: Opal Kandelas
To: Sarah Harris
Subject: RE: IESO/OFA - FH line
Date: Thursday, September 20, 2018 9:49:30 AM

Thanks.

From: Sarah Harris
Sent: Wednesday, September 19, 2018 2:05 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: FW: IESO/OFA - FH line

FYI

From: Sarah Harris
Sent: Wednesday, September 19, 2018 2:04 PM
To: 'Anthony Martinello' <Anthony.Martinello@ieso.ca>
Cc: William Tan <William.Tan@ofina.on.ca>; Victor Buza <Victor.Buza@ieso.ca>; John Kim <John.Kim@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>
Subject: RE: IESO/OFA - FH line

Hello Anthony,

Thanks for reaching out. In order to initially discuss the details of increasing the $2B, I am going to connect you with John Kim in Corporate &Electricity Finance at the OFA. John has been copied in this e-mail and can be reached at (416) 212-6996.

Additionally, Gavin He and Shajee Kathirgamanathan (both copied) from the same area may also be connecting with you.

Thanks,
Sarah

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Wednesday, September 19, 2018 12:56 PM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: William Tan <William.Tan@ofina.on.ca>; Victor Buza <Victor.Buza@ieso.ca>
Subject: RE: IESO/OFA - FH line

We need to begin discussions in Oct 2018 on making an amendment to increase the $2B cap.

The FH Trust did not purchase this month's variance and I have no further info on if or when a purchase will occur.

IESO will be at $1.175B drawn this month.

Should I set up time to talk?

From: Sarah Harris [mailto:Sarah.Harris@ofina.on.ca]
Sent: August 29, 2018 10:59 AM
To: Anthony Martinello
Cc: William Tan
Subject: RE: IESO/OFA - FH line

CAUTION: This email originated from outside of the organization. Exercise caution when clicking on links or opening attachments even if you recognize the sender.

Thank you, Anthony, for the head's up. I will communicate your message internally.

Thanks,
Sarah

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Wednesday, August 29, 2018 8:49 AM
To: William Tan <William.Tan@ofina.on.ca>
Cc: Olga Whiteley <Olga.Whiteley@ieso.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>; Victor Buza <Victor.Buza@ieso.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: IESO/OFA - FH line

Will

Just a courtesy email …nothing to do yet.

The IESO:OFA Fair Hydro line of credit is at about $1 billion drawn out of the $2 billion max capacity. We are drawing on avg about $200-300million/month.

The Fair Hydro Trust has not purchased the IESO's reg asset for a few months….if this continues I will be coming back to OFA to seek to increase the line of credit.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From: Opal Kandelas
To: Malle Hanslep (FIN) (Malle.Hanslep@ontario.ca); Tobias P. Whitfield (MOF)
Cc: Sarah Harris; Kelly Listoe
Subject: RE: Message from "14-PRT06"
Date: Thursday, March 30, 2017 4:30:36 PM

Hi,
Both Kelly and Sarah are out of the office but I'm still here if you would like to discuss.

Opal
416-325-8142

-----Original Message-----
From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Thursday, March 30, 2017 4:23 PM
To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Subject: RE: Message from "14-PRT06"

Hi - We just left a message for Sarah as we would like to discuss possible procurement and conflicts issues. I think that we will still need more information about the broader context here in order to advise on this.

-----Original Message-----
From: Kelly Listoe [mailto:Kelly.Listoe@ofina.on.ca]
Sent: March 30, 2017 3:55 PM
To: Hanslep, Malle (MOF)
Cc: Harris, Sarah (OFA)
Subject: RE: Message from "14-PRT06"

Hi Malle

Carlos is saying that there will be no financial compensation for the advisor. The benefit to it, is that it will gain insight into how the new structure works and experience with the spv which may be beneficial in obtaining work from the spv in the future. They won't provide for any compensation in the NDA itself.

Regards,

Kelly Listoe
Documentation & Compliance Coordinator
Capital Markets
Ontario Financing Authority
1 Dundas Street West, Ste. 1400
Toronto, ON. M7A 1Y7
(416) 325 - 8090

-----Original Message-----
From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Thursday, March 30, 2017 3:13 PM
To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Cc: Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: RE: Message from "14-PRT06"

Thanks. Is there a domestic syndicate agreement?

-----Original Message-----
From: Kelly Listoe [mailto:Kelly.Listoe@ofina.on.ca]
Sent: March 30, 2017 2:29 PM
To: Hanslep, Malle (MOF)
Cc: Whitfield, Tobias P. (MOF); Kandelas, Opal (OFA); Harris, Sarah (OFA)
Subject: FW: Message from "14-PRT06"

Hi Malle

Please see Carlos' responses below.

Regards,

Kelly Listoe
Documentation & Compliance Coordinator
Capital Markets
Ontario Financing Authority
1 Dundas Street West, Ste. 1400
Toronto, ON. M7A 1Y7
(416) 325 - 8090

-----Original Message-----
From: Carlos Yep
Sent: Thursday, March 30, 2017 2:28 PM
To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Subject: RE: Message from "14-PRT06"

Is the information being given to all 3 potential advisors or just the one that will be hired?
>only to one

What type of information is being given? Need a description.
>financial information associated with a special purpose vehicle being
>created and accompanying legislature being drafted

For what purpose is the advisor being given this information? What use will the advisor make of the information?
>to provide advice on the structure of financing alternatives for the
>special purpose vehicle

What is the advisor being hired to do? Pricing/financing issues about what? Need a description of the project or services Can the advisor talk to anyone about the information or the project? i.e. other ministry staff, ministry of energy, OFA, OEFC?
>to provide advice on the structure of financing alternatives for the
>special purpose vehicle primary contacts will be the OFA and Energy as
>well as others within Ontario govt External contacts will be lawyers
>hired by Energy to help draft legislation Ontario government
>agencies/related parties and regulators: OPG, IESO, etc

What about internal disclosure within the advisor's company?
>advisor will have own rules regarding sharing of confidential
>information within their own company

Is there a procurement process of any type to hire the advisor?

>there is no procurement

How much and how will the advisor be paid?
>there is no fee paid

Who are the parties to the agreement? Is it the Province that is hiring the advisor and giving them the information?
>province (OFA + Energy) and advisor

What is the consideration for the advisor's agreement for keeping it confidential? i.e. the advisor is being paid to give advice.
>advisor services are provided as part of domestic syndicate agreement

-----Original Message-----
From: Kelly Listoe
Sent: Thursday, March 30, 2017 1:50 PM
To: Carlos Yep <Carlos.Yep@ofina.on.ca>
Subject: FW: Message from "14-PRT06"

Thanks, Carlos. Below are Malle's questions about the non disclosure agreement prototype.

Kelly Listoe
Documentation & Compliance Coordinator
Capital Markets
Ontario Financing Authority
1 Dundas Street West, Ste. 1400
Toronto, ON. M7A 1Y7
(416) 325 - 8090

-----Original Message-----
From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Thursday, March 30, 2017 1:32 PM
To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Subject: RE: Message from "14-PRT06"

Hi Kelly,

I have some precedent non-disclosure agreements that I have drafted in the past, but we need some more information.

Here are some questions that will assist:

Is the information being given to all 3 potential advisors or just the one that will be hired?
What type of information is being given? Need a description.
For what purpose is the advisor being given this information? What use will the advisor make of the information?
What is the advisor being hired to do? Pricing/financing issues about what? Need a description of the project or services Can the advisor talk to anyone about the information or the project? i.e. other ministry staff, ministry of energy, OFA, OEFC?
What about internal disclosure within the advisor's company?
Is there a procurement process of any type to hire the advisor?
How much and how will the advisor be paid?
Who are the parties to the agreement? Is it the Province that is hiring the advisor and giving them the information?
What is the consideration for the advisor's agreement for keeping it confidential? i.e. the advisor is being paid to

give advice.

I think if we can get some more information along these lines it would be helpful. Also, if the contracting party is the OFA or OEFC then I will need to speak to Sarah Neville.

Thanks.

Malle
-----Original Message-----
From: Kelly Listoe [mailto:Kelly.Listoe@ofina.on.ca]
Sent: March 30, 2017 12:56 PM
To: Hanslep, Malle (MOF)
Cc: Harris, Sarah (OFA); Kandelas, Opal (OFA); Whitfield, Tobias P. (MOF)
Subject: RE: Message from "14-PRT06"

Hi

Mike is just asking for an agreement for the dealer he hires to advise on pricing/ financing issues. I believe they are talking to RBC, TD and BMO. This request is confined to that. He wants it done by Monday I've been told.

Kelly

Kelly Listoe
Documentation & Compliance Coordinator
Capital Markets
Ontario Financing Authority
1 Dundas Street West, Ste. 1400
Toronto, ON. M7A 1Y7
(416) 325 - 8090

-----Original Message-----
From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Thursday, March 30, 2017 12:43 PM
To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Subject: RE: Message from "14-PRT06"

Hi Kelly,

I have read it over now. Should we have a short call about this. This is a significant project and does the Province/OFA/OEFC plan to hire a financial advisor to advise on aspects of it. Quite possibly there will be more than one advisory contract here as there seem to be capital markets, accounting, etc. issues involved here. Also, looking at the background information, I don't' know that it is necessarily clear who is going to the borrowing whether it's the Province or OEFC and which entity will provide the equity injection (Minister of Energy holds the shares in OPG). So we can't do a non-disclosure agreement in isolation. What information are we giving to the financial advisor and what are we asking them to do?

I think we need more context here and also if it is OEFC hiring the financial advisor, we should be speaking to Sarah Neville too. This is a project that Ronald Kwan's group is involved in.

Malle

-----Original Message-----
From: Hanslep, Malle (MOF)

Sent: March 30, 2017 12:18 PM
To: Listoe, Kelly (OFA)
Cc: Harris, Sarah (OFA); Kandelas, Opal (OFA); Whitfield, Tobias P. (MOF)
Subject: RE: Message from "14-PRT06"

In addition to the "non-disclosure" aspect, will there be a contract for OEFC to hire the advisor, ie. What the advisor will do, payment, etc. Sorry haven't read it yet.

-----Original Message-----
From: Kelly Listoe [mailto:Kelly.Listoe@ofina.on.ca]
Sent: March 30, 2017 12:14 PM
To: Hanslep, Malle (MOF)
Cc: Harris, Sarah (OFA); Kandelas, Opal (OFA)
Subject: RE: Message from "14-PRT06"

Ok - looking at the info on page 2 - looks like the OEFC will be looking to "hire" the advisor regarding pricing/ financing the amounts shown in the paper. This advisor will be a member of the current bond syndicate. Mike wants a non - disclosure for this advisor. Given the structure and all the items mentioned in the paper, I would say it should be pretty broad.

Regards,

Kelly Listoe
Documentation & Compliance Coordinator
Capital Markets
Ontario Financing Authority
1 Dundas Street West, Ste. 1400
Toronto, ON. M7A 1Y7
(416) 325 - 8090

-----Original Message-----
From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Thursday, March 30, 2017 11:59 AM
To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: Message from "14-PRT06"

Thanks. I have also passed it on to Toby to review because he may be involved in this project from another aspect.

-----Original Message-----
From: Kelly Listoe [mailto:Kelly.Listoe@ofina.on.ca]
Sent: March 30, 2017 10:57 AM
To: Hanslep, Malle (MOF)
Cc: Harris, Sarah (OFA); Kandelas, Opal (OFA)
Subject: FW: Message from "14-PRT06"

Hi Malle

I just met with Opal and Sarah. Attached is an overview of what is happening. I have not yet read it. Please have a read of it and see if there is an agreement template or something that would work for non - disclosure purposes.

Regards,

Kelly Listoe

Documentation & Compliance Coordinator
Capital Markets
Ontario Financing Authority
1 Dundas Street West, Ste. 1400
Toronto, ON. M7A 1Y7
(416) 325 - 8090

-----Original Message-----
From: Opal Kandelas
Sent: Thursday, March 30, 2017 10:51 AM
To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Subject: FW: Message from "14-PRT06"

Here you go....

-----Original Message-----
From: 14-PRT06@ofina.on.ca [mailto:14-PRT06@ofina.on.ca]
Sent: Thursday, March 30, 2017 10:32 AM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: Message from "14-PRT06"

This E-mail was sent from "14-PRT06" (MP C4503).

Scan Date: 03.30.2017 10:31:55 (-0400)
Queries to: 14-PRT06@ofina.on.ca

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From: Kelly Listoe
To: Malle Hanslep (MOF)
Cc: Sarah Harris; Opal Kandelas; Tobias P. Whitfield (MOF)
Subject: RE: Message from "14-PRT06"
Date: Thursday, March 30, 2017 12:40:17 PM

All I've been told is that a nondisclosure is needed. The rest may very well be, but that isn't the assignment for now. I am also assuming that the oefc will borrow on its own account for the equity injection and would be raising the debt for the spv. What is going on here shouldn't be transparent, it seems - hence the need for nondisclosure by the advisor.

Regards,

Kelly Listoe
Documentation & Compliance Coordinator
Capital Markets
Ontario Financing Authority
1 Dundas Street West, Ste. 1400
Toronto, ON. M7A 1Y7
(416) 325 - 8090

-----Original Message-----
From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Thursday, March 30, 2017 12:18 PM
To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Subject: RE: Message from "14-PRT06"

In addition to the "non-disclosure" aspect, will there be a contract for OEFC to hire the advisor, ie. What the advisor will do, payment, etc. Sorry haven't read it yet.

-----Original Message-----
From: Kelly Listoe [mailto:Kelly.Listoe@ofina.on.ca]
Sent: March 30, 2017 12:14 PM
To: Hanslep, Malle (MOF)
Cc: Harris, Sarah (OFA); Kandelas, Opal (OFA)
Subject: RE: Message from "14-PRT06"

Ok - looking at the info on page 2 - looks like the OEFC will be looking to "hire" the advisor regarding pricing/ financing the amounts shown in the paper. This advisor will be a member of the current bond syndicate. Mike wants a non - disclosure for this advisor. Given the structure and all the items mentioned in the paper, I would say it should be pretty broad.

Regards,

Kelly Listoe
Documentation & Compliance Coordinator
Capital Markets
Ontario Financing Authority
1 Dundas Street West, Ste. 1400

Toronto, ON. M7A 1Y7
(416) 325 - 8090

-----Original Message-----
From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Thursday, March 30, 2017 11:59 AM
To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: Message from "14-PRT06"

Thanks. I have also passed it on to Toby to review because he may be involved in this project from another aspect.

-----Original Message-----
From: Kelly Listoe [mailto:Kelly.Listoe@ofina.on.ca]
Sent: March 30, 2017 10:57 AM
To: Hanslep, Malle (MOF)
Cc: Harris, Sarah (OFA); Kandelas, Opal (OFA)
Subject: FW: Message from "14-PRT06"

Hi Malle

I just met with Opal and Sarah. Attached is an overview of what is happening. I have not yet read it. Please have a read of it and see if there is an agreement template or something that would work for non - disclosure purposes.

Regards,

Kelly Listoe
Documentation & Compliance Coordinator
Capital Markets
Ontario Financing Authority
1 Dundas Street West, Ste. 1400
Toronto, ON. M7A 1Y7
(416) 325 - 8090

-----Original Message-----
From: Opal Kandelas
Sent: Thursday, March 30, 2017 10:51 AM
To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Subject: FW: Message from "14-PRT06"

Here you go....

-----Original Message-----
From: 14-PRT06@ofina.on.ca [mailto:14-PRT06@ofina.on.ca]
Sent: Thursday, March 30, 2017 10:32 AM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: Message from "14-PRT06"

This E-mail was sent from "14-PRT06" (MP C4503).

Scan Date: 03.30.2017 10:31:55 (-0400)
Queries to: 14-PRT06@ofina.on.ca

_____

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From:	Opal Kandelas
To:	Malle Hanslep (MOF); Kelly Listoe
Cc:	Tobias P. Whitfield (MOF); Sarah Harris
Subject:	RE: Message from "14-PRT06"
Date:	Thursday, March 30, 2017 3:28:16 PM

They've hired Blake, Cassels & Graydon as far as I know. Unlikely they will be actually drafting legislation but assuming they will have some input.
The contract should be with the Province.

Opal

-----Original Message-----
From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Thursday, March 30, 2017 3:21 PM
To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Cc: Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: RE: Message from "14-PRT06"

Hi - I don't think that we should provide any draft legislation to this advisor so I would not include that in the description. I would describe the information more generally. I also don't know that Energy will be hiring outside counsel to draft legislation - maybe they are but we don't know about it so we should reference maybe the Province's legal advisors there. I wonder who Energy is planning to hire for this, if anyone - would think that any legislative drafting would be done by Provincial counsel. Maybe we could provide that Province will let them know who they can share and discuss with as part of project.

Who is going to sign this agreement on behalf of Province? Is it really a contract of the OFA or of the Province?

-----Original Message-----
From: Kelly Listoe [mailto:Kelly.Listoe@ofina.on.ca]
Sent: March 30, 2017 3:09 PM
To: Hanslep, Malle (MOF)
Cc: Whitfield, Tobias P. (MOF); Kandelas, Opal (OFA); Harris, Sarah (OFA)
Subject: RE: Message from "14-PRT06"

Hi Malle

They are saying a year.

Kelly Listoe
Documentation & Compliance Coordinator
Capital Markets
Ontario Financing Authority
1 Dundas Street West, Ste. 1400
Toronto, ON. M7A 1Y7
(416) 325 - 8090

-----Original Message-----
From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Thursday, March 30, 2017 3:07 PM

To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Cc: Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: RE: Message from "14-PRT06"

Thanks. Last item is for how long do you think the services will be required?

-----Original Message-----
From: Kelly Listoe [mailto:Kelly.Listoe@ofina.on.ca]
Sent: March 30, 2017 2:29 PM
To: Hanslep, Malle (MOF)
Cc: Whitfield, Tobias P. (MOF); Kandelas, Opal (OFA); Harris, Sarah (OFA)
Subject: FW: Message from "14-PRT06"

Hi Malle

Please see Carlos' responses below.

Regards,

Kelly Listoe
Documentation & Compliance Coordinator
Capital Markets
Ontario Financing Authority
1 Dundas Street West, Ste. 1400
Toronto, ON. M7A 1Y7
(416) 325 - 8090

-----Original Message-----
From: Carlos Yep
Sent: Thursday, March 30, 2017 2:28 PM
To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Subject: RE: Message from "14-PRT06"

Is the information being given to all 3 potential advisors or just the one that will be hired?
>only to one

What type of information is being given? Need a description.
>financial information associated with a special purpose vehicle being
>created and accompanying legislature being drafted

For what purpose is the advisor being given this information? What use will the advisor make of the information?
>to provide advice on the structure of financing alternatives for the
>special purpose vehicle

What is the advisor being hired to do? Pricing/financing issues about what? Need a description of the project or services Can the advisor talk to anyone about the information or the project? i.e. other ministry staff, ministry of energy, OFA, OEFC?
>to provide advice on the structure of financing alternatives for the
>special purpose vehicle primary contacts will be the OFA and Energy as
>well as others within Ontario govt External contacts will be lawyers
>hired by Energy to help draft legislation Ontario government
>agencies/related parties and regulators: OPG, IESO, etc

What about internal disclosure within the advisor's company?
>advisor will have own rules regarding sharing of confidential
>information within their own company

Is there a procurement process of any type to hire the advisor?
>there is no procurement

How much and how will the advisor be paid?
>there is no fee paid

Who are the parties to the agreement? Is it the Province that is hiring the advisor and giving them the information?
>province (OFA + Energy) and advisor

What is the consideration for the advisor's agreement for keeping it confidential? i.e. the advisor is being paid to give advice.
>advisor services are provided as part of domestic syndicate agreement

-----Original Message-----
From: Kelly Listoe
Sent: Thursday, March 30, 2017 1:50 PM
To: Carlos Yep <Carlos.Yep@ofina.on.ca>
Subject: FW: Message from "14-PRT06"

Thanks, Carlos. Below are Malle's questions about the non disclosure agreement prototype.

Kelly Listoe
Documentation & Compliance Coordinator
Capital Markets
Ontario Financing Authority
1 Dundas Street West, Ste. 1400
Toronto, ON. M7A 1Y7
(416) 325 - 8090

-----Original Message-----
From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Thursday, March 30, 2017 1:32 PM
To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Subject: RE: Message from "14-PRT06"

Hi Kelly,

I have some precedent non-disclosure agreements that I have drafted in the past, but we need some more information.

Here are some questions that will assist:

Is the information being given to all 3 potential advisors or just the one that will be hired?
What type of information is being given? Need a description.
For what purpose is the advisor being given this information? What use will the advisor make of the information?
What is the advisor being hired to do? Pricing/financing issues about what? Need a description of the project or services Can the advisor talk to anyone about the information or the project? i.e. other ministry staff, ministry of energy, OFA, OEFC?

What about internal disclosure within the advisor's company?
Is there a procurement process of any type to hire the advisor?
How much and how will the advisor be paid?
Who are the parties to the agreement? Is it the Province that is hiring the advisor and giving them the information?
What is the consideration for the advisor's agreement for keeping it confidential? i.e. the advisor is being paid to give advice.

I think if we can get some more information along these lines it would be helpful. Also, if the contracting party is the OFA or OEFC then I will need to speak to Sarah Neville.

Thanks.

Malle
-----Original Message-----
From: Kelly Listoe [mailto:Kelly.Listoe@ofina.on.ca]
Sent: March 30, 2017 12:56 PM
To: Hanslep, Malle (MOF)
Cc: Harris, Sarah (OFA); Kandelas, Opal (OFA); Whitfield, Tobias P. (MOF)
Subject: RE: Message from "14-PRT06"

Hi

Mike is just asking for an agreement for the dealer he hires to advise on pricing/ financing issues. I believe they are talking to RBC, TD and BMO. This request is confined to that. He wants it done by Monday I've been told.

Kelly

Kelly Listoe
Documentation & Compliance Coordinator
Capital Markets
Ontario Financing Authority
1 Dundas Street West, Ste. 1400
Toronto, ON. M7A 1Y7
(416) 325 - 8090

-----Original Message-----
From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Thursday, March 30, 2017 12:43 PM
To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Subject: RE: Message from "14-PRT06"

Hi Kelly,

I have read it over now. Should we have a short call about this. This is a significant project and does the Province/OFA/OEFC plan to hire a financial advisor to advise on aspects of it. Quite possibly there will be more than one advisory contract here as there seem to be capital markets, accounting, etc. issues involved here. Also, looking at the background information, I don't' know that it is necessarily clear who is going to the borrowing whether it's the Province or OEFC and which entity will provide the equity injection (Minister of Energy holds the shares in OPG). So we can't do a non-disclosure agreement in isolation. What information are we giving to the financial advisor and what are we asking them to do?

I think we need more context here and also if it is OEFC hiring the financial advisor, we should be speaking to Sarah Neville too. This is a project that Ronald Kwan's group is involved in.

Malle

-----Original Message-----
From: Hanslep, Malle (MOF)
Sent: March 30, 2017 12:18 PM
To: Listoe, Kelly (OFA)
Cc: Harris, Sarah (OFA); Kandelas, Opal (OFA); Whitfield, Tobias P. (MOF)
Subject: RE: Message from "14-PRT06"

In addition to the "non-disclosure" aspect, will there be a contract for OEFC to hire the advisor, ie. What the advisor will do, payment, etc. Sorry haven't read it yet.

-----Original Message-----
From: Kelly Listoe [mailto:Kelly.Listoe@ofina.on.ca]
Sent: March 30, 2017 12:14 PM
To: Hanslep, Malle (MOF)
Cc: Harris, Sarah (OFA); Kandelas, Opal (OFA)
Subject: RE: Message from "14-PRT06"

Ok - looking at the info on page 2 - looks like the OEFC will be looking to "hire" the advisor regarding pricing/ financing the amounts shown in the paper. This advisor will be a member of the current bond syndicate. Mike wants a non - disclosure for this advisor. Given the structure and all the items mentioned in the paper, I would say it should be pretty broad.

Regards,

Kelly Listoe
Documentation & Compliance Coordinator
Capital Markets
Ontario Financing Authority
1 Dundas Street West, Ste. 1400
Toronto, ON. M7A 1Y7
(416) 325 - 8090

-----Original Message-----
From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Thursday, March 30, 2017 11:59 AM
To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: Message from "14-PRT06"

Thanks. I have also passed it on to Toby to review because he may be involved in this project from another aspect.

-----Original Message-----
From: Kelly Listoe [mailto:Kelly.Listoe@ofina.on.ca]
Sent: March 30, 2017 10:57 AM
To: Hanslep, Malle (MOF)
Cc: Harris, Sarah (OFA); Kandelas, Opal (OFA)
Subject: FW: Message from "14-PRT06"

Hi Malle

I just met with Opal and Sarah. Attached is an overview of what is happening. I have not yet read it. Please have a read of it and see if there is an agreement template or something that would work for non - disclosure purposes.

Regards,

Kelly Listoe
Documentation & Compliance Coordinator
Capital Markets
Ontario Financing Authority
1 Dundas Street West, Ste. 1400
Toronto, ON. M7A 1Y7
(416) 325 - 8090

-----Original Message-----
From: Opal Kandelas
Sent: Thursday, March 30, 2017 10:51 AM
To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Subject: FW: Message from "14-PRT06"

Here you go....

-----Original Message-----
From: 14-PRT06@ofina.on.ca [mailto:14-PRT06@ofina.on.ca]
Sent: Thursday, March 30, 2017 10:32 AM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: Message from "14-PRT06"

This E-mail was sent from "14-PRT06" (MP C4503).

Scan Date: 03.30.2017 10:31:55 (-0400)
Queries to: 14-PRT06@ofina.on.ca

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From:	Hanslep, Malle (MOF)
To:	Kelly Listoe
Cc:	Tobias P. Whitfield (MOF); Opal Kandelas; Sarah Harris
Subject:	RE: Message from "14-PRT06"
Date:	Thursday, March 30, 2017 3:20:38 PM

Hi - I don't think that we should provide any draft legislation to this advisor so I would not include that in the description. I would describe the information more generally. I also don't know that Energy will be hiring outside counsel to draft legislation - maybe they are but we don't know about it so we should reference maybe the Province's legal advisors there. I wonder who Energy is planning to hire for this, if anyone - would think that any legislative drafting would be done by Provincial counsel. Maybe we could provide that Province will let them know who they can share and discuss with as part of project.

Who is going to sign this agreement on behalf of Province? Is it really a contract of the OFA or of the Province?

-----Original Message-----
From: Kelly Listoe [mailto:Kelly.Listoe@ofina.on.ca]
Sent: March 30, 2017 3:09 PM
To: Hanslep, Malle (MOF)
Cc: Whitfield, Tobias P. (MOF); Kandelas, Opal (OFA); Harris, Sarah (OFA)
Subject: RE: Message from "14-PRT06"

Hi Malle

They are saying a year.

Kelly Listoe
Documentation & Compliance Coordinator
Capital Markets
Ontario Financing Authority
1 Dundas Street West, Ste. 1400
Toronto, ON. M7A 1Y7
(416) 325 - 8090

-----Original Message-----
From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Thursday, March 30, 2017 3:07 PM
To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Cc: Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: RE: Message from "14-PRT06"

Thanks. Last item is for how long do you think the services will be required?

-----Original Message-----
From: Kelly Listoe [mailto:Kelly.Listoe@ofina.on.ca]
Sent: March 30, 2017 2:29 PM
To: Hanslep, Malle (MOF)
Cc: Whitfield, Tobias P. (MOF); Kandelas, Opal (OFA); Harris, Sarah (OFA)
Subject: FW: Message from "14-PRT06"

Hi Malle

Please see Carlos' responses below.

Regards,

Kelly Listoe
Documentation & Compliance Coordinator
Capital Markets
Ontario Financing Authority
1 Dundas Street West, Ste. 1400
Toronto, ON. M7A 1Y7
(416) 325 - 8090

-----Original Message-----
From: Carlos Yep
Sent: Thursday, March 30, 2017 2:28 PM
To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Subject: RE: Message from "14-PRT06"

Is the information being given to all 3 potential advisors or just the one that will be hired?
>only to one

What type of information is being given? Need a description.
>financial information associated with a special purpose vehicle being
>created and accompanying legislature being drafted

For what purpose is the advisor being given this information? What use will the advisor make of the information?
>to provide advice on the structure of financing alternatives for the
>special purpose vehicle

What is the advisor being hired to do? Pricing/financing issues about what? Need a description of the project or services Can the advisor talk to anyone about the information or the project? i.e. other ministry staff, ministry of energy, OFA, OEFC?
>to provide advice on the structure of financing alternatives for the
>special purpose vehicle primary contacts will be the OFA and Energy as
>well as others within Ontario govt External contacts will be lawyers
>hired by Energy to help draft legislation Ontario government
>agencies/related parties and regulators: OPG, IESO, etc

What about internal disclosure within the advisor's company?
>advisor will have own rules regarding sharing of confidential
>information within their own company

Is there a procurement process of any type to hire the advisor?
>there is no procurement

How much and how will the advisor be paid?
>there is no fee paid

Who are the parties to the agreement? Is it the Province that is hiring the advisor and giving them the information?
>province (OFA + Energy) and advisor

What is the consideration for the advisor's agreement for keeping it confidential? i.e. the advisor is being paid to give advice.

>advisor services are provided as part of domestic syndicate agreement

-----Original Message-----
From: Kelly Listoe
Sent: Thursday, March 30, 2017 1:50 PM
To: Carlos Yep <Carlos.Yep@ofina.on.ca>
Subject: FW: Message from "14-PRT06"

Thanks, Carlos. Below are Malle's questions about the non disclosure agreement prototype.

Kelly Listoe
Documentation & Compliance Coordinator
Capital Markets
Ontario Financing Authority
1 Dundas Street West, Ste. 1400
Toronto, ON. M7A 1Y7
(416) 325 - 8090

-----Original Message-----
From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Thursday, March 30, 2017 1:32 PM
To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Subject: RE: Message from "14-PRT06"

Hi Kelly,

I have some precedent non-disclosure agreements that I have drafted in the past, but we need some more information.

Here are some questions that will assist:

Is the information being given to all 3 potential advisors or just the one that will be hired?
What type of information is being given? Need a description.
For what purpose is the advisor being given this information? What use will the advisor make of the information?
What is the advisor being hired to do? Pricing/financing issues about what? Need a description of the project or services Can the advisor talk to anyone about the information or the project? i.e. other ministry staff, ministry of energy, OFA, OEFC?
What about internal disclosure within the advisor's company?
Is there a procurement process of any type to hire the advisor?
How much and how will the advisor be paid?
Who are the parties to the agreement? Is it the Province that is hiring the advisor and giving them the information?
What is the consideration for the advisor's agreement for keeping it confidential? i.e. the advisor is being paid to give advice.

I think if we can get some more information along these lines it would be helpful. Also, if the contracting party is the OFA or OEFC then I will need to speak to Sarah Neville.

Thanks.

Malle
-----Original Message-----
From: Kelly Listoe [mailto:Kelly.Listoe@ofina.on.ca]

Sent: March 30, 2017 12:56 PM
To: Hanslep, Malle (MOF)
Cc: Harris, Sarah (OFA); Kandelas, Opal (OFA); Whitfield, Tobias P. (MOF)
Subject: RE: Message from "14-PRT06"

Hi

Mike is just asking for an agreement for the dealer he hires to advise on pricing/ financing issues. I believe they are talking to RBC, TD and BMO. This request is confined to that. He wants it done by Monday I've been told.

Kelly

Kelly Listoe
Documentation & Compliance Coordinator
Capital Markets
Ontario Financing Authority
1 Dundas Street West, Ste. 1400
Toronto, ON. M7A 1Y7
(416) 325 - 8090

-----Original Message-----
From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Thursday, March 30, 2017 12:43 PM
To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Subject: RE: Message from "14-PRT06"

Hi Kelly,

I have read it over now. Should we have a short call about this. This is a significant project and does the Province/OFA/OEFC plan to hire a financial advisor to advise on aspects of it. Quite possibly there will be more than one advisory contract here as there seem to be capital markets, accounting, etc. issues involved here. Also, looking at the background information, I don't' know that it is necessarily clear who is going to the borrowing whether it's the Province or OEFC and which entity will provide the equity injection (Minister of Energy holds the shares in OPG). So we can't do a non-disclosure agreement in isolation. What information are we giving to the financial advisor and what are we asking them to do?

I think we need more context here and also if it is OEFC hiring the financial advisor, we should be speaking to Sarah Neville too. This is a project that Ronald Kwan's group is involved in.

Malle

-----Original Message-----
From: Hanslep, Malle (MOF)
Sent: March 30, 2017 12:18 PM
To: Listoe, Kelly (OFA)
Cc: Harris, Sarah (OFA); Kandelas, Opal (OFA); Whitfield, Tobias P. (MOF)
Subject: RE: Message from "14-PRT06"

In addition to the "non-disclosure" aspect, will there be a contract for OEFC to hire the advisor, ie. What the advisor will do, payment, etc. Sorry haven't read it yet.

-----Original Message-----
From: Kelly Listoe [mailto:Kelly.Listoe@ofina.on.ca]

Sent: March 30, 2017 12:14 PM
To: Hanslep, Malle (MOF)
Cc: Harris, Sarah (OFA); Kandelas, Opal (OFA)
Subject: RE: Message from "14-PRT06"

Ok - looking at the info on page 2 - looks like the OEFC will be looking to "hire" the advisor regarding pricing/ financing the amounts shown in the paper. This advisor will be a member of the current bond syndicate. Mike wants a non - disclosure for this advisor. Given the structure and all the items mentioned in the paper, I would say it should be pretty broad.

Regards,

Kelly Listoe
Documentation & Compliance Coordinator
Capital Markets
Ontario Financing Authority
1 Dundas Street West, Ste. 1400
Toronto, ON. M7A 1Y7
(416) 325 - 8090

-----Original Message-----
From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Thursday, March 30, 2017 11:59 AM
To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: Message from "14-PRT06"

Thanks. I have also passed it on to Toby to review because he may be involved in this project from another aspect.

-----Original Message-----
From: Kelly Listoe [mailto:Kelly.Listoe@ofina.on.ca]
Sent: March 30, 2017 10:57 AM
To: Hanslep, Malle (MOF)
Cc: Harris, Sarah (OFA); Kandelas, Opal (OFA)
Subject: FW: Message from "14-PRT06"

Hi Malle

I just met with Opal and Sarah. Attached is an overview of what is happening. I have not yet read it. Please have a read of it and see if there is an agreement template or something that would work for non - disclosure purposes.

Regards,

Kelly Listoe
Documentation & Compliance Coordinator
Capital Markets
Ontario Financing Authority
1 Dundas Street West, Ste. 1400
Toronto, ON. M7A 1Y7
(416) 325 - 8090

-----Original Message-----
From: Opal Kandelas
Sent: Thursday, March 30, 2017 10:51 AM

To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Subject: FW: Message from "14-PRT06"

Here you go....

-----Original Message-----
From: 14-PRT06@ofina.on.ca [mailto:14-PRT06@ofina.on.ca]
Sent: Thursday, March 30, 2017 10:32 AM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: Message from "14-PRT06"

This E-mail was sent from "14-PRT06" (MP C4503).

Scan Date: 03.30.2017 10:31:55 (-0400)
Queries to: 14-PRT06@ofina.on.ca

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From:	Hanslep, Malle (MOF)
To:	Kelly Listoe
Cc:	Tobias P. Whitfield (MOF); Opal Kandelas; Sarah Harris
Subject:	RE: Message from "14-PRT06"
Date:	Thursday, March 30, 2017 3:12:47 PM

Thanks. Is there a domestic syndicate agreement?

-----Original Message-----
From: Kelly Listoe [mailto:Kelly.Listoe@ofina.on.ca]
Sent: March 30, 2017 2:29 PM
To: Hanslep, Malle (MOF)
Cc: Whitfield, Tobias P. (MOF); Kandelas, Opal (OFA); Harris, Sarah (OFA)
Subject: FW: Message from "14-PRT06"

Hi Malle

Please see Carlos' responses below.

Regards,

Kelly Listoe
Documentation & Compliance Coordinator
Capital Markets
Ontario Financing Authority
1 Dundas Street West, Ste. 1400
Toronto, ON. M7A 1Y7
(416) 325 - 8090

-----Original Message-----
From: Carlos Yep
Sent: Thursday, March 30, 2017 2:28 PM
To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Subject: RE: Message from "14-PRT06"

Is the information being given to all 3 potential advisors or just the one that will be hired?
>only to one

What type of information is being given? Need a description.
>financial information associated with a special purpose vehicle being
>created and accompanying legislature being drafted

For what purpose is the advisor being given this information? What use will the advisor make of the information?
>to provide advice on the structure of financing alternatives for the
>special purpose vehicle

What is the advisor being hired to do? Pricing/financing issues about what? Need a description of the project or services Can the advisor talk to anyone about the information or the project? i.e. other ministry staff, ministry of energy, OFA, OEFC?
>to provide advice on the structure of financing alternatives for the
>special purpose vehicle primary contacts will be the OFA and Energy as
>well as others within Ontario govt External contacts will be lawyers

>hired by Energy to help draft legislation Ontario government
>agencies/related parties and regulators: OPG, IESO, etc

What about internal disclosure within the advisor's company?
>advisor will have own rules regarding sharing of confidential
>information within their own company

Is there a procurement process of any type to hire the advisor?
>there is no procurement

How much and how will the advisor be paid?
>there is no fee paid

Who are the parties to the agreement? Is it the Province that is hiring the advisor and giving them the information?
>province (OFA + Energy) and advisor

What is the consideration for the advisor's agreement for keeping it confidential? i.e. the advisor is being paid to give advice.
>advisor services are provided as part of domestic syndicate agreement

-----Original Message-----
From: Kelly Listoe
Sent: Thursday, March 30, 2017 1:50 PM
To: Carlos Yep <Carlos.Yep@ofina.on.ca>
Subject: FW: Message from "14-PRT06"

Thanks, Carlos. Below are Malle's questions about the non disclosure agreement prototype.

Kelly Listoe
Documentation & Compliance Coordinator
Capital Markets
Ontario Financing Authority
1 Dundas Street West, Ste. 1400
Toronto, ON. M7A 1Y7
(416) 325 - 8090

-----Original Message-----
From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Thursday, March 30, 2017 1:32 PM
To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Subject: RE: Message from "14-PRT06"

Hi Kelly,

I have some precedent non-disclosure agreements that I have drafted in the past, but we need some more information.

Here are some questions that will assist:

Is the information being given to all 3 potential advisors or just the one that will be hired?
What type of information is being given? Need a description.
For what purpose is the advisor being given this information? What use will the advisor make of the information?

What is the advisor being hired to do? Pricing/financing issues about what? Need a description of the project or services Can the advisor talk to anyone about the information or the project? i.e. other ministry staff, ministry of energy, OFA, OEFC?
What about internal disclosure within the advisor's company?
Is there a procurement process of any type to hire the advisor?
How much and how will the advisor be paid?
Who are the parties to the agreement? Is it the Province that is hiring the advisor and giving them the information?
What is the consideration for the advisor's agreement for keeping it confidential? i.e. the advisor is being paid to give advice.

I think if we can get some more information along these lines it would be helpful. Also, if the contracting party is the OFA or OEFC then I will need to speak to Sarah Neville.

Thanks.

Malle
-----Original Message-----
From: Kelly Listoe [mailto:Kelly.Listoe@ofina.on.ca]
Sent: March 30, 2017 12:56 PM
To: Hanslep, Malle (MOF)
Cc: Harris, Sarah (OFA); Kandelas, Opal (OFA); Whitfield, Tobias P. (MOF)
Subject: RE: Message from "14-PRT06"

Hi

Mike is just asking for an agreement for the dealer he hires to advise on pricing/ financing issues. I believe they are talking to RBC, TD and BMO. This request is confined to that. He wants it done by Monday I've been told.

Kelly

Kelly Listoe
Documentation & Compliance Coordinator
Capital Markets
Ontario Financing Authority
1 Dundas Street West, Ste. 1400
Toronto, ON. M7A 1Y7
(416) 325 - 8090

-----Original Message-----
From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Thursday, March 30, 2017 12:43 PM
To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Subject: RE: Message from "14-PRT06"

Hi Kelly,

I have read it over now. Should we have a short call about this. This is a significant project and does the Province/OFA/OEFC plan to hire a financial advisor to advise on aspects of it. Quite possibly there will be more than one advisory contract here as there seem to be capital markets, accounting, etc. issues involved here. Also, looking at the background information, I don't' know that it is necessarily clear who is going to the borrowing whether it's the Province or OEFC and which entity will provide the equity injection (Minister of Energy holds the shares in OPG). So we can't do a non-disclosure agreement in isolation. What information are we giving to the financial advisor and what are we asking them to do?

I think we need more context here and also if it is OEFC hiring the financial advisor, we should be speaking to Sarah Neville too. This is a project that Ronald Kwan's group is involved in.

Malle

-----Original Message-----
From: Hanslep, Malle (MOF)
Sent: March 30, 2017 12:18 PM
To: Listoe, Kelly (OFA)
Cc: Harris, Sarah (OFA); Kandelas, Opal (OFA); Whitfield, Tobias P. (MOF)
Subject: RE: Message from "14-PRT06"

In addition to the "non-disclosure" aspect, will there be a contract for OEFC to hire the advisor, ie. What the advisor will do, payment, etc. Sorry haven't read it yet.

-----Original Message-----
From: Kelly Listoe [mailto:Kelly.Listoe@ofina.on.ca]
Sent: March 30, 2017 12:14 PM
To: Hanslep, Malle (MOF)
Cc: Harris, Sarah (OFA); Kandelas, Opal (OFA)
Subject: RE: Message from "14-PRT06"

Ok - looking at the info on page 2 - looks like the OEFC will be looking to "hire" the advisor regarding pricing/ financing the amounts shown in the paper. This advisor will be a member of the current bond syndicate. Mike wants a non - disclosure for this advisor. Given the structure and all the items mentioned in the paper, I would say it should be pretty broad.

Regards,

Kelly Listoe
Documentation & Compliance Coordinator
Capital Markets
Ontario Financing Authority
1 Dundas Street West, Ste. 1400
Toronto, ON. M7A 1Y7
(416) 325 - 8090

-----Original Message-----
From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Thursday, March 30, 2017 11:59 AM
To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: Message from "14-PRT06"

Thanks. I have also passed it on to Toby to review because he may be involved in this project from another aspect.

-----Original Message-----
From: Kelly Listoe [mailto:Kelly.Listoe@ofina.on.ca]
Sent: March 30, 2017 10:57 AM
To: Hanslep, Malle (MOF)
Cc: Harris, Sarah (OFA); Kandelas, Opal (OFA)
Subject: FW: Message from "14-PRT06"

Hi Malle

I just met with Opal and Sarah. Attached is an overview of what is happening. I have not yet read it. Please have a read of it and see if there is an agreement template or something that would work for non - disclosure purposes.

Regards,

Kelly Listoe
Documentation & Compliance Coordinator
Capital Markets
Ontario Financing Authority
1 Dundas Street West, Ste. 1400
Toronto, ON. M7A 1Y7
(416) 325 - 8090

-----Original Message-----
From: Opal Kandelas
Sent: Thursday, March 30, 2017 10:51 AM
To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Subject: FW: Message from "14-PRT06"

Here you go....

-----Original Message-----
From: 14-PRT06@ofina.on.ca [mailto:14-PRT06@ofina.on.ca]
Sent: Thursday, March 30, 2017 10:32 AM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: Message from "14-PRT06"

This E-mail was sent from "14-PRT06" (MP C4503).

Scan Date: 03.30.2017 10:31:55 (-0400)
Queries to: 14-PRT06@ofina.on.ca

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From: Kelly Listoe
To: Malle Hanslep (MOF)
Cc: Tobias P. Whitfield (MOF); Opal Kandelas; Sarah Harris
Subject: RE: Message from "14-PRT06"
Date: Thursday, March 30, 2017 3:09:09 PM

Hi Malle

They are saying a year.

Kelly Listoe
Documentation & Compliance Coordinator
Capital Markets
Ontario Financing Authority
1 Dundas Street West, Ste. 1400
Toronto, ON. M7A 1Y7
(416) 325 - 8090

-----Original Message-----
From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Thursday, March 30, 2017 3:07 PM
To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Cc: Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: RE: Message from "14-PRT06"

Thanks. Last item is for how long do you think the services will be required?

-----Original Message-----
From: Kelly Listoe [mailto:Kelly.Listoe@ofina.on.ca]
Sent: March 30, 2017 2:29 PM
To: Hanslep, Malle (MOF)
Cc: Whitfield, Tobias P. (MOF); Kandelas, Opal (OFA); Harris, Sarah (OFA)
Subject: FW: Message from "14-PRT06"

Hi Malle

Please see Carlos' responses below.

Regards,

Kelly Listoe
Documentation & Compliance Coordinator
Capital Markets
Ontario Financing Authority
1 Dundas Street West, Ste. 1400
Toronto, ON. M7A 1Y7
(416) 325 - 8090

-----Original Message-----

From: Carlos Yep
Sent: Thursday, March 30, 2017 2:28 PM
To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Subject: RE: Message from "14-PRT06"

Is the information being given to all 3 potential advisors or just the one that will be hired?
>only to one

What type of information is being given? Need a description.
>financial information associated with a special purpose vehicle being
>created and accompanying legislature being drafted

For what purpose is the advisor being given this information? What use will the advisor make of the information?
>to provide advice on the structure of financing alternatives for the
>special purpose vehicle

What is the advisor being hired to do? Pricing/financing issues about what? Need a description of the project or services Can the advisor talk to anyone about the information or the project? i.e. other ministry staff, ministry of energy, OFA, OEFC?
>to provide advice on the structure of financing alternatives for the
>special purpose vehicle primary contacts will be the OFA and Energy as
>well as others within Ontario govt External contacts will be lawyers
>hired by Energy to help draft legislation Ontario government
>agencies/related parties and regulators: OPG, IESO, etc

What about internal disclosure within the advisor's company?
>advisor will have own rules regarding sharing of confidential
>information within their own company

Is there a procurement process of any type to hire the advisor?
>there is no procurement

How much and how will the advisor be paid?
>there is no fee paid

Who are the parties to the agreement? Is it the Province that is hiring the advisor and giving them the information?
>province (OFA + Energy) and advisor

What is the consideration for the advisor's agreement for keeping it confidential? i.e. the advisor is being paid to give advice.
>advisor services are provided as part of domestic syndicate agreement

-----Original Message-----
From: Kelly Listoe
Sent: Thursday, March 30, 2017 1:50 PM
To: Carlos Yep <Carlos.Yep@ofina.on.ca>
Subject: FW: Message from "14-PRT06"

Thanks, Carlos. Below are Malle's questions about the non disclosure agreement prototype.

Kelly Listoe
Documentation & Compliance Coordinator
Capital Markets
Ontario Financing Authority

1 Dundas Street West, Ste. 1400
Toronto, ON. M7A 1Y7
(416) 325 - 8090

-----Original Message-----
From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Thursday, March 30, 2017 1:32 PM
To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Subject: RE: Message from "14-PRT06"

Hi Kelly,

I have some precedent non-disclosure agreements that I have drafted in the past, but we need some more information.

Here are some questions that will assist:

Is the information being given to all 3 potential advisors or just the one that will be hired?
What type of information is being given? Need a description.
For what purpose is the advisor being given this information? What use will the advisor make of the information?
What is the advisor being hired to do? Pricing/financing issues about what? Need a description of the project or services Can the advisor talk to anyone about the information or the project? i.e. other ministry staff, ministry of energy, OFA, OEFC?
What about internal disclosure within the advisor's company?
Is there a procurement process of any type to hire the advisor?
How much and how will the advisor be paid?
Who are the parties to the agreement? Is it the Province that is hiring the advisor and giving them the information?
What is the consideration for the advisor's agreement for keeping it confidential? i.e. the advisor is being paid to give advice.

I think if we can get some more information along these lines it would be helpful. Also, if the contracting party is the OFA or OEFC then I will need to speak to Sarah Neville.

Thanks.

Malle
-----Original Message-----
From: Kelly Listoe [mailto:Kelly.Listoe@ofina.on.ca]
Sent: March 30, 2017 12:56 PM
To: Hanslep, Malle (MOF)
Cc: Harris, Sarah (OFA); Kandelas, Opal (OFA); Whitfield, Tobias P. (MOF)
Subject: RE: Message from "14-PRT06"

Hi

Mike is just asking for an agreement for the dealer he hires to advise on pricing/ financing issues. I believe they are talking to RBC, TD and BMO. This request is confined to that. He wants it done by Monday I've been told.

Kelly

Kelly Listoe
Documentation & Compliance Coordinator
Capital Markets

Ontario Financing Authority
1 Dundas Street West, Ste. 1400
Toronto, ON. M7A 1Y7
(416) 325 - 8090

-----Original Message-----
From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Thursday, March 30, 2017 12:43 PM
To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Subject: RE: Message from "14-PRT06"

Hi Kelly,

I have read it over now. Should we have a short call about this. This is a significant project and does the Province/OFA/OEFC plan to hire a financial advisor to advise on aspects of it. Quite possibly there will be more than one advisory contract here as there seem to be capital markets, accounting, etc. issues involved here. Also, looking at the background information, I don't' know that it is necessarily clear who is going to the borrowing whether it's the Province or OEFC and which entity will provide the equity injection (Minister of Energy holds the shares in OPG). So we can't do a non-disclosure agreement in isolation. What information are we giving to the financial advisor and what are we asking them to do?

I think we need more context here and also if it is OEFC hiring the financial advisor, we should be speaking to Sarah Neville too. This is a project that Ronald Kwan's group is involved in.

Malle

-----Original Message-----
From: Hanslep, Malle (MOF)
Sent: March 30, 2017 12:18 PM
To: Listoe, Kelly (OFA)
Cc: Harris, Sarah (OFA); Kandelas, Opal (OFA); Whitfield, Tobias P. (MOF)
Subject: RE: Message from "14-PRT06"

In addition to the "non-disclosure" aspect, will there be a contract for OEFC to hire the advisor, ie. What the advisor will do, payment, etc. Sorry haven't read it yet.

-----Original Message-----
From: Kelly Listoe [mailto:Kelly.Listoe@ofina.on.ca]
Sent: March 30, 2017 12:14 PM
To: Hanslep, Malle (MOF)
Cc: Harris, Sarah (OFA); Kandelas, Opal (OFA)
Subject: RE: Message from "14-PRT06"

Ok - looking at the info on page 2 - looks like the OEFC will be looking to "hire" the advisor regarding pricing/ financing the amounts shown in the paper. This advisor will be a member of the current bond syndicate. Mike wants a non - disclosure for this advisor. Given the structure and all the items mentioned in the paper, I would say it should be pretty broad.

Regards,

Kelly Listoe
Documentation & Compliance Coordinator
Capital Markets

Ontario Financing Authority
1 Dundas Street West, Ste. 1400
Toronto, ON. M7A 1Y7
(416) 325 - 8090

-----Original Message-----
From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Thursday, March 30, 2017 11:59 AM
To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: Message from "14-PRT06"

Thanks. I have also passed it on to Toby to review because he may be involved in this project from another aspect.

-----Original Message-----
From: Kelly Listoe [mailto:Kelly.Listoe@ofina.on.ca]
Sent: March 30, 2017 10:57 AM
To: Hanslep, Malle (MOF)
Cc: Harris, Sarah (OFA); Kandelas, Opal (OFA)
Subject: FW: Message from "14-PRT06"

Hi Malle

I just met with Opal and Sarah. Attached is an overview of what is happening. I have not yet read it. Please have a read of it and see if there is an agreement template or something that would work for non - disclosure purposes.

Regards,

Kelly Listoe
Documentation & Compliance Coordinator
Capital Markets
Ontario Financing Authority
1 Dundas Street West, Ste. 1400
Toronto, ON. M7A 1Y7
(416) 325 - 8090

-----Original Message-----
From: Opal Kandelas
Sent: Thursday, March 30, 2017 10:51 AM
To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Subject: FW: Message from "14-PRT06"

Here you go....

-----Original Message-----
From: 14-PRT06@ofina.on.ca [mailto:14-PRT06@ofina.on.ca]
Sent: Thursday, March 30, 2017 10:32 AM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: Message from "14-PRT06"

This E-mail was sent from "14-PRT06" (MP C4503).

Scan Date: 03.30.2017 10:31:55 (-0400)
Queries to: 14-PRT06@ofina.on.ca

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From:	Hanslep, Malle (MOF)
To:	Kelly Listoe
Cc:	Tobias P. Whitfield (MOF); Opal Kandelas; Sarah Harris
Subject:	RE: Message from "14-PRT06"
Date:	Thursday, March 30, 2017 3:07:32 PM

Thanks. Last item is for how long do you think the services will be required?

-----Original Message-----
From: Kelly Listoe [mailto:Kelly.Listoe@ofina.on.ca]
Sent: March 30, 2017 2:29 PM
To: Hanslep, Malle (MOF)
Cc: Whitfield, Tobias P. (MOF); Kandelas, Opal (OFA); Harris, Sarah (OFA)
Subject: FW: Message from "14-PRT06"

Hi Malle

Please see Carlos' responses below.

Regards,

Kelly Listoe
Documentation & Compliance Coordinator
Capital Markets
Ontario Financing Authority
1 Dundas Street West, Ste. 1400
Toronto, ON. M7A 1Y7
(416) 325 - 8090

-----Original Message-----
From: Carlos Yep
Sent: Thursday, March 30, 2017 2:28 PM
To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Subject: RE: Message from "14-PRT06"

Is the information being given to all 3 potential advisors or just the one that will be hired?
>only to one

What type of information is being given? Need a description.
>financial information associated with a special purpose vehicle being
>created and accompanying legislature being drafted

For what purpose is the advisor being given this information? What use will the advisor make of the information?
>to provide advice on the structure of financing alternatives for the
>special purpose vehicle

What is the advisor being hired to do? Pricing/financing issues about what? Need a description of the project or services Can the advisor talk to anyone about the information or the project? i.e. other ministry staff, ministry of energy, OFA, OEFC?
>to provide advice on the structure of financing alternatives for the
>special purpose vehicle primary contacts will be the OFA and Energy as
>well as others within Ontario govt External contacts will be lawyers

>hired by Energy to help draft legislation Ontario government
>agencies/related parties and regulators: OPG, IESO, etc

What about internal disclosure within the advisor's company?
>advisor will have own rules regarding sharing of confidential
>information within their own company

Is there a procurement process of any type to hire the advisor?
>there is no procurement

How much and how will the advisor be paid?
>there is no fee paid

Who are the parties to the agreement? Is it the Province that is hiring the advisor and giving them the information?
>province (OFA + Energy) and advisor

What is the consideration for the advisor's agreement for keeping it confidential? i.e. the advisor is being paid to give advice.
>advisor services are provided as part of domestic syndicate agreement

-----Original Message-----
From: Kelly Listoe
Sent: Thursday, March 30, 2017 1:50 PM
To: Carlos Yep <Carlos.Yep@ofina.on.ca>
Subject: FW: Message from "14-PRT06"

Thanks, Carlos. Below are Malle's questions about the non disclosure agreement prototype.

Kelly Listoe
Documentation & Compliance Coordinator
Capital Markets
Ontario Financing Authority
1 Dundas Street West, Ste. 1400
Toronto, ON. M7A 1Y7
(416) 325 - 8090

-----Original Message-----
From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Thursday, March 30, 2017 1:32 PM
To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Subject: RE: Message from "14-PRT06"

Hi Kelly,

I have some precedent non-disclosure agreements that I have drafted in the past, but we need some more information.

Here are some questions that will assist:

Is the information being given to all 3 potential advisors or just the one that will be hired?
What type of information is being given? Need a description.
For what purpose is the advisor being given this information? What use will the advisor make of the information?

What is the advisor being hired to do? Pricing/financing issues about what? Need a description of the project or services Can the advisor talk to anyone about the information or the project? i.e. other ministry staff, ministry of energy, OFA, OEFC?
What about internal disclosure within the advisor's company?
Is there a procurement process of any type to hire the advisor?
How much and how will the advisor be paid?
Who are the parties to the agreement? Is it the Province that is hiring the advisor and giving them the information?
What is the consideration for the advisor's agreement for keeping it confidential? i.e. the advisor is being paid to give advice.

I think if we can get some more information along these lines it would be helpful. Also, if the contracting party is the OFA or OEFC then I will need to speak to Sarah Neville.

Thanks.

Malle
-----Original Message-----
From: Kelly Listoe [mailto:Kelly.Listoe@ofina.on.ca]
Sent: March 30, 2017 12:56 PM
To: Hanslep, Malle (MOF)
Cc: Harris, Sarah (OFA); Kandelas, Opal (OFA); Whitfield, Tobias P. (MOF)
Subject: RE: Message from "14-PRT06"

Hi

Mike is just asking for an agreement for the dealer he hires to advise on pricing/ financing issues. I believe they are talking to RBC, TD and BMO. This request is confined to that. He wants it done by Monday I've been told.

Kelly

Kelly Listoe
Documentation & Compliance Coordinator
Capital Markets
Ontario Financing Authority
1 Dundas Street West, Ste. 1400
Toronto, ON. M7A 1Y7
(416) 325 - 8090

-----Original Message-----
From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Thursday, March 30, 2017 12:43 PM
To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Subject: RE: Message from "14-PRT06"

Hi Kelly,

I have read it over now. Should we have a short call about this. This is a significant project and does the Province/OFA/OEFC plan to hire a financial advisor to advise on aspects of it. Quite possibly there will be more than one advisory contract here as there seem to be capital markets, accounting, etc. issues involved here. Also, looking at the background information, I don't' know that it is necessarily clear who is going to the borrowing whether it's the Province or OEFC and which entity will provide the equity injection (Minister of Energy holds the shares in OPG). So we can't do a non-disclosure agreement in isolation. What information are we giving to the financial advisor and what are we asking them to do?

I think we need more context here and also if it is OEFC hiring the financial advisor, we should be speaking to Sarah Neville too. This is a project that Ronald Kwan's group is involved in.

Malle

-----Original Message-----
From: Hanslep, Malle (MOF)
Sent: March 30, 2017 12:18 PM
To: Listoe, Kelly (OFA)
Cc: Harris, Sarah (OFA); Kandelas, Opal (OFA); Whitfield, Tobias P. (MOF)
Subject: RE: Message from "14-PRT06"

In addition to the "non-disclosure" aspect, will there be a contract for OEFC to hire the advisor, ie. What the advisor will do, payment, etc. Sorry haven't read it yet.

-----Original Message-----
From: Kelly Listoe [mailto:Kelly.Listoe@ofina.on.ca]
Sent: March 30, 2017 12:14 PM
To: Hanslep, Malle (MOF)
Cc: Harris, Sarah (OFA); Kandelas, Opal (OFA)
Subject: RE: Message from "14-PRT06"

Ok - looking at the info on page 2 - looks like the OEFC will be looking to "hire" the advisor regarding pricing/ financing the amounts shown in the paper. This advisor will be a member of the current bond syndicate. Mike wants a non - disclosure for this advisor. Given the structure and all the items mentioned in the paper, I would say it should be pretty broad.

Regards,

Kelly Listoe
Documentation & Compliance Coordinator
Capital Markets
Ontario Financing Authority
1 Dundas Street West, Ste. 1400
Toronto, ON. M7A 1Y7
(416) 325 - 8090

-----Original Message-----
From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Thursday, March 30, 2017 11:59 AM
To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: Message from "14-PRT06"

Thanks. I have also passed it on to Toby to review because he may be involved in this project from another aspect.

-----Original Message-----
From: Kelly Listoe [mailto:Kelly.Listoe@ofina.on.ca]
Sent: March 30, 2017 10:57 AM
To: Hanslep, Malle (MOF)
Cc: Harris, Sarah (OFA); Kandelas, Opal (OFA)
Subject: FW: Message from "14-PRT06"

Hi Malle

I just met with Opal and Sarah. Attached is an overview of what is happening. I have not yet read it. Please have a read of it and see if there is an agreement template or something that would work for non - disclosure purposes.

Regards,

Kelly Listoe
Documentation & Compliance Coordinator
Capital Markets
Ontario Financing Authority
1 Dundas Street West, Ste. 1400
Toronto, ON. M7A 1Y7
(416) 325 - 8090

-----Original Message-----
From: Opal Kandelas
Sent: Thursday, March 30, 2017 10:51 AM
To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Subject: FW: Message from "14-PRT06"

Here you go....

-----Original Message-----
From: 14-PRT06@ofina.on.ca [mailto:14-PRT06@ofina.on.ca]
Sent: Thursday, March 30, 2017 10:32 AM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: Message from "14-PRT06"

This E-mail was sent from "14-PRT06" (MP C4503).

Scan Date: 03.30.2017 10:31:55 (-0400)
Queries to: 14-PRT06@ofina.on.ca

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From:	Kelly Listoe
To:	Malle Hanslep (MOF)
Cc:	Sarah Harris; Opal Kandelas; Tobias P. Whitfield (MOF)
Subject:	RE: Message from "14-PRT06"
Date:	Thursday, March 30, 2017 1:50:58 PM

Hi Malle

I'm trying to gather answers on these from Carlos and will get back to you asap.

Regards,

Kelly Listoe
Documentation & Compliance Coordinator
Capital Markets
Ontario Financing Authority
1 Dundas Street West, Ste. 1400
Toronto, ON. M7A 1Y7
(416) 325 - 8090

-----Original Message-----
From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Thursday, March 30, 2017 1:32 PM
To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Subject: RE: Message from "14-PRT06"

Hi Kelly,

I have some precedent non-disclosure agreements that I have drafted in the past, but we need some more information.

Here are some questions that will assist:

Is the information being given to all 3 potential advisors or just the one that will be hired?
What type of information is being given? Need a description.
For what purpose is the advisor being given this information? What use will the advisor make of the information?
What is the advisor being hired to do? Pricing/financing issues about what? Need a description of the project or services Can the advisor talk to anyone about the information or the project? i.e. other ministry staff, ministry of energy, OFA, OEFC?
What about internal disclosure within the advisor's company?
Is there a procurement process of any type to hire the advisor?
How much and how will the advisor be paid?
Who are the parties to the agreement? Is it the Province that is hiring the advisor and giving them the information?
What is the consideration for the advisor's agreement for keeping it confidential? i.e. the advisor is being paid to give advice.

I think if we can get some more information along these lines it would be helpful. Also, if the contracting party is the OFA or OEFC then I will need to speak to Sarah Neville.

Thanks.

Malle
-----Original Message-----
From: Kelly Listoe [mailto:Kelly.Listoe@ofina.on.ca]
Sent: March 30, 2017 12:56 PM
To: Hanslep, Malle (MOF)
Cc: Harris, Sarah (OFA); Kandelas, Opal (OFA); Whitfield, Tobias P. (MOF)
Subject: RE: Message from "14-PRT06"

Hi

Mike is just asking for an agreement for the dealer he hires to advise on pricing/ financing issues. I believe they are talking to RBC, TD and BMO. This request is confined to that. He wants it done by Monday I've been told.

Kelly

Kelly Listoe
Documentation & Compliance Coordinator
Capital Markets
Ontario Financing Authority
1 Dundas Street West, Ste. 1400
Toronto, ON. M7A 1Y7
(416) 325 - 8090

-----Original Message-----
From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Thursday, March 30, 2017 12:43 PM
To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Subject: RE: Message from "14-PRT06"

Hi Kelly,

I have read it over now. Should we have a short call about this. This is a significant project and does the Province/OFA/OEFC plan to hire a financial advisor to advise on aspects of it. Quite possibly there will be more than one advisory contract here as there seem to be capital markets, accounting, etc. issues involved here. Also, looking at the background information, I don't' know that it is necessarily clear who is going to the borrowing whether it's the Province or OEFC and which entity will provide the equity injection (Minister of Energy holds the shares in OPG). So we can't do a non-disclosure agreement in isolation. What information are we giving to the financial advisor and what are we asking them to do?

I think we need more context here and also if it is OEFC hiring the financial advisor, we should be speaking to Sarah Neville too. This is a project that Ronald Kwan's group is involved in.

Malle

-----Original Message-----
From: Hanslep, Malle (MOF)
Sent: March 30, 2017 12:18 PM
To: Listoe, Kelly (OFA)
Cc: Harris, Sarah (OFA); Kandelas, Opal (OFA); Whitfield, Tobias P. (MOF)
Subject: RE: Message from "14-PRT06"

In addition to the "non-disclosure" aspect, will there be a contract for OEFC to hire the advisor, ie. What the advisor

will do, payment, etc. Sorry haven't read it yet.

-----Original Message-----
From: Kelly Listoe [mailto:Kelly.Listoe@ofina.on.ca]
Sent: March 30, 2017 12:14 PM
To: Hanslep, Malle (MOF)
Cc: Harris, Sarah (OFA); Kandelas, Opal (OFA)
Subject: RE: Message from "14-PRT06"

Ok - looking at the info on page 2 - looks like the OEFC will be looking to "hire" the advisor regarding pricing/ financing the amounts shown in the paper. This advisor will be a member of the current bond syndicate. Mike wants a non - disclosure for this advisor. Given the structure and all the items mentioned in the paper, I would say it should be pretty broad.

Regards,

Kelly Listoe
Documentation & Compliance Coordinator
Capital Markets
Ontario Financing Authority
1 Dundas Street West, Ste. 1400
Toronto, ON. M7A 1Y7
(416) 325 - 8090

-----Original Message-----
From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Thursday, March 30, 2017 11:59 AM
To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: Message from "14-PRT06"

Thanks. I have also passed it on to Toby to review because he may be involved in this project from another aspect.

-----Original Message-----
From: Kelly Listoe [mailto:Kelly.Listoe@ofina.on.ca]
Sent: March 30, 2017 10:57 AM
To: Hanslep, Malle (MOF)
Cc: Harris, Sarah (OFA); Kandelas, Opal (OFA)
Subject: FW: Message from "14-PRT06"

Hi Malle

I just met with Opal and Sarah. Attached is an overview of what is happening. I have not yet read it. Please have a read of it and see if there is an agreement template or something that would work for non - disclosure purposes.

Regards,

Kelly Listoe
Documentation & Compliance Coordinator
Capital Markets
Ontario Financing Authority
1 Dundas Street West, Ste. 1400
Toronto, ON. M7A 1Y7
(416) 325 - 8090

-----Original Message-----
From: Opal Kandelas
Sent: Thursday, March 30, 2017 10:51 AM
To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Subject: FW: Message from "14-PRT06"

Here you go....

-----Original Message-----
From: 14-PRT06@ofina.on.ca [mailto:14-PRT06@ofina.on.ca]
Sent: Thursday, March 30, 2017 10:32 AM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: Message from "14-PRT06"

This E-mail was sent from "14-PRT06" (MP C4503).

Scan Date: 03.30.2017 10:31:55 (-0400)
Queries to: 14-PRT06@ofina.on.ca

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From:	Hanslep, Malle (MOF)
To:	Kelly Listoe
Cc:	Sarah Harris; Opal Kandelas; Tobias P. Whitfield (MOF)
Subject:	RE: Message from "14-PRT06"
Date:	Thursday, March 30, 2017 1:32:16 PM

Hi Kelly,

I have some precedent non-disclosure agreements that I have drafted in the past, but we need some more information.

Here are some questions that will assist:

Is the information being given to all 3 potential advisors or just the one that will be hired?
What type of information is being given? Need a description.
For what purpose is the advisor being given this information? What use will the advisor make of the information?
What is the advisor being hired to do? Pricing/financing issues about what? Need a description of the project or services
Can the advisor talk to anyone about the information or the project? i.e. other ministry staff, ministry of energy, OFA, OEFC?
What about internal disclosure within the advisor's company?
Is there a procurement process of any type to hire the advisor?
How much and how will the advisor be paid?
Who are the parties to the agreement? Is it the Province that is hiring the advisor and giving them the information?
What is the consideration for the advisor's agreement for keeping it confidential? i.e. the advisor is being paid to give advice.

I think if we can get some more information along these lines it would be helpful. Also, if the contracting party is the OFA or OEFC then I will need to speak to Sarah Neville.

Thanks.

Malle
-----Original Message-----
From: Kelly Listoe [mailto:Kelly.Listoe@ofina.on.ca]
Sent: March 30, 2017 12:56 PM
To: Hanslep, Malle (MOF)
Cc: Harris, Sarah (OFA); Kandelas, Opal (OFA); Whitfield, Tobias P. (MOF)
Subject: RE: Message from "14-PRT06"

Hi

Mike is just asking for an agreement for the dealer he hires to advise on pricing/ financing issues. I believe they are talking to RBC, TD and BMO. This request is confined to that. He wants it done by Monday I've been told.

Kelly

Kelly Listoe
Documentation & Compliance Coordinator
Capital Markets
Ontario Financing Authority
1 Dundas Street West, Ste. 1400
Toronto, ON. M7A 1Y7
(416) 325 - 8090

-----Original Message-----
From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Thursday, March 30, 2017 12:43 PM
To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Subject: RE: Message from "14-PRT06"

Hi Kelly,

I have read it over now. Should we have a short call about this. This is a significant project and does the Province/OFA/OEFC plan to hire a financial advisor to advise on aspects of it. Quite possibly there will be more than one advisory contract here as there seem to be capital markets, accounting, etc. issues involved here. Also, looking at the background information, I don't' know that it is necessarily clear who is going to the borrowing whether it's the Province or OEFC and which entity will provide the equity injection (Minister of Energy holds the shares in OPG). So we can't do a non-disclosure agreement in isolation. What information are we giving to the financial advisor and what are we asking them to do?

I think we need more context here and also if it is OEFC hiring the financial advisor, we should be speaking to Sarah Neville too. This is a project that Ronald Kwan's group is involved in.

Malle

-----Original Message-----
From: Hanslep, Malle (MOF)
Sent: March 30, 2017 12:18 PM
To: Listoe, Kelly (OFA)
Cc: Harris, Sarah (OFA); Kandelas, Opal (OFA); Whitfield, Tobias P. (MOF)
Subject: RE: Message from "14-PRT06"

In addition to the "non-disclosure" aspect, will there be a contract for OEFC to hire the advisor, ie. What the advisor will do, payment, etc. Sorry haven't read it yet.

-----Original Message-----
From: Kelly Listoe [mailto:Kelly.Listoe@ofina.on.ca]
Sent: March 30, 2017 12:14 PM
To: Hanslep, Malle (MOF)
Cc: Harris, Sarah (OFA); Kandelas, Opal (OFA)
Subject: RE: Message from "14-PRT06"

Ok - looking at the info on page 2 - looks like the OEFC will be looking to "hire" the advisor regarding pricing/ financing the amounts shown in the paper. This advisor will be a member of the current bond syndicate. Mike wants a non - disclosure for this advisor. Given the structure and all the items mentioned in the paper, I would say it should be pretty broad.

Regards,

Kelly Listoe
Documentation & Compliance Coordinator
Capital Markets
Ontario Financing Authority
1 Dundas Street West, Ste. 1400
Toronto, ON. M7A 1Y7
(416) 325 - 8090

-----Original Message-----
From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Thursday, March 30, 2017 11:59 AM
To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: Message from "14-PRT06"

Thanks. I have also passed it on to Toby to review because he may be involved in this project from another aspect.

-----Original Message-----
From: Kelly Listoe [mailto:Kelly.Listoe@ofina.on.ca]
Sent: March 30, 2017 10:57 AM
To: Hanslep, Malle (MOF)
Cc: Harris, Sarah (OFA); Kandelas, Opal (OFA)
Subject: FW: Message from "14-PRT06"

Hi Malle

I just met with Opal and Sarah. Attached is an overview of what is happening. I have not yet read it. Please have a read of it and see if there is an agreement template or something that would work for non - disclosure purposes.

Regards,

Kelly Listoe
Documentation & Compliance Coordinator
Capital Markets
Ontario Financing Authority
1 Dundas Street West, Ste. 1400
Toronto, ON. M7A 1Y7
(416) 325 - 8090

-----Original Message-----
From: Opal Kandelas
Sent: Thursday, March 30, 2017 10:51 AM
To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Subject: FW: Message from "14-PRT06"

Here you go....

-----Original Message-----
From: 14-PRT06@ofina.on.ca [mailto:14-PRT06@ofina.on.ca]
Sent: Thursday, March 30, 2017 10:32 AM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: Message from "14-PRT06"

This E-mail was sent from "14-PRT06" (MP C4503).

Scan Date: 03.30.2017 10:31:55 (-0400)
Queries to: 14-PRT06@ofina.on.ca

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and

may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From: Kelly Listoe
To: Malle Hanslep (MOF)
Cc: Sarah Harris; Opal Kandelas; Tobias P. Whitfield (MOF)
Subject: RE: Message from "14-PRT06"
Date: Thursday, March 30, 2017 12:55:49 PM

Hi

Mike is just asking for an agreement for the dealer he hires to advise on pricing/ financing issues. I believe they are talking to RBC, TD and BMO. This request is confined to that. He wants it done by Monday I've been told.

Kelly

Kelly Listoe
Documentation & Compliance Coordinator
Capital Markets
Ontario Financing Authority
1 Dundas Street West, Ste. 1400
Toronto, ON. M7A 1Y7
(416) 325 - 8090

-----Original Message-----
From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Thursday, March 30, 2017 12:43 PM
To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Subject: RE: Message from "14-PRT06"

Hi Kelly,

I have read it over now. Should we have a short call about this. This is a significant project and does the Province/OFA/OEFC plan to hire a financial advisor to advise on aspects of it. Quite possibly there will be more than one advisory contract here as there seem to be capital markets, accounting, etc. issues involved here. Also, looking at the background information, I don't' know that it is necessarily clear who is going to the borrowing whether it's the Province or OEFC and which entity will provide the equity injection (Minister of Energy holds the shares in OPG). So we can't do a non-disclosure agreement in isolation. What information are we giving to the financial advisor and what are we asking them to do?

I think we need more context here and also if it is OEFC hiring the financial advisor, we should be speaking to Sarah Neville too. This is a project that Ronald Kwan's group is involved in.

Malle

-----Original Message-----
From: Hanslep, Malle (MOF)
Sent: March 30, 2017 12:18 PM
To: Listoe, Kelly (OFA)
Cc: Harris, Sarah (OFA); Kandelas, Opal (OFA); Whitfield, Tobias P. (MOF)
Subject: RE: Message from "14-PRT06"

In addition to the "non-disclosure" aspect, will there be a contract for OEFC to hire the advisor, ie. What the advisor will do, payment, etc. Sorry haven't read it yet.

-----Original Message-----
From: Kelly Listoe [mailto:Kelly.Listoe@ofina.on.ca]
Sent: March 30, 2017 12:14 PM
To: Hanslep, Malle (MOF)
Cc: Harris, Sarah (OFA); Kandelas, Opal (OFA)
Subject: RE: Message from "14-PRT06"

Ok - looking at the info on page 2 - looks like the OEFC will be looking to "hire" the advisor regarding pricing/ financing the amounts shown in the paper. This advisor will be a member of the current bond syndicate. Mike wants a non - disclosure for this advisor. Given the structure and all the items mentioned in the paper, I would say it should be pretty broad.

Regards,

Kelly Listoe
Documentation & Compliance Coordinator
Capital Markets
Ontario Financing Authority
1 Dundas Street West, Ste. 1400
Toronto, ON. M7A 1Y7
(416) 325 - 8090

-----Original Message-----
From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Thursday, March 30, 2017 11:59 AM
To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: Message from "14-PRT06"

Thanks. I have also passed it on to Toby to review because he may be involved in this project from another aspect.

-----Original Message-----
From: Kelly Listoe [mailto:Kelly.Listoe@ofina.on.ca]
Sent: March 30, 2017 10:57 AM
To: Hanslep, Malle (MOF)
Cc: Harris, Sarah (OFA); Kandelas, Opal (OFA)
Subject: FW: Message from "14-PRT06"

Hi Malle

I just met with Opal and Sarah. Attached is an overview of what is happening. I have not yet read it. Please have a read of it and see if there is an agreement template or something that would work for non - disclosure purposes.

Regards,

Kelly Listoe
Documentation & Compliance Coordinator
Capital Markets
Ontario Financing Authority
1 Dundas Street West, Ste. 1400
Toronto, ON. M7A 1Y7
(416) 325 - 8090

-----Original Message-----
From: Opal Kandelas
Sent: Thursday, March 30, 2017 10:51 AM
To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Subject: FW: Message from "14-PRT06"

Here you go....

-----Original Message-----
From: 14-PRT06@ofina.on.ca [mailto:14-PRT06@ofina.on.ca]
Sent: Thursday, March 30, 2017 10:32 AM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: Message from "14-PRT06"

This E-mail was sent from "14-PRT06" (MP C4503).

Scan Date: 03.30.2017 10:31:55 (-0400)
Queries to: 14-PRT06@ofina.on.ca

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From:	Hanslep, Malle (MOF)
To:	Opal Kandelas; Tobias P. Whitfield (MOF)
Cc:	Sarah Harris; Kelly Listoe
Subject:	RE: Message from "14-PRT06"
Date:	Thursday, March 30, 2017 4:33:34 PM

Hi Opal,

Toby is just on the phone. We will call you in 5 minutes or so. Thanks.

Malle

-----Original Message-----
From: Opal Kandelas [mailto:Opal.Kandelas@ofina.on.ca]
Sent: March 30, 2017 4:31 PM
To: Hanslep, Malle (MOF); Whitfield, Tobias P. (MOF)
Cc: Harris, Sarah (OFA); Listoe, Kelly (OFA)
Subject: RE: Message from "14-PRT06"

Hi,
Both Kelly and Sarah are out of the office but I'm still here if you would like to discuss.

Opal
416-325-8142

-----Original Message-----
From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Thursday, March 30, 2017 4:23 PM
To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Subject: RE: Message from "14-PRT06"

Hi - We just left a message for Sarah as we would like to discuss possible procurement and conflicts issues. I think that we will still need more information about the broader context here in order to advise on this.

-----Original Message-----
From: Kelly Listoe [mailto:Kelly.Listoe@ofina.on.ca]
Sent: March 30, 2017 3:55 PM
To: Hanslep, Malle (MOF)
Cc: Harris, Sarah (OFA)
Subject: RE: Message from "14-PRT06"

Hi Malle

Carlos is saying that there will be no financial compensation for the advisor. The benefit to it, is that it will gain insight into how the new structure works and experience with the spv which may be beneficial in obtaining work from the spv in the future. They won't provide for any compensation in the NDA itself.

Regards,

Kelly Listoe
Documentation & Compliance Coordinator
Capital Markets
Ontario Financing Authority

1 Dundas Street West, Ste. 1400
Toronto, ON. M7A 1Y7
(416) 325 - 8090

-----Original Message-----
From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Thursday, March 30, 2017 3:13 PM
To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Cc: Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: RE: Message from "14-PRT06"

Thanks. Is there a domestic syndicate agreement?

-----Original Message-----
From: Kelly Listoe [mailto:Kelly.Listoe@ofina.on.ca]
Sent: March 30, 2017 2:29 PM
To: Hanslep, Malle (MOF)
Cc: Whitfield, Tobias P. (MOF); Kandelas, Opal (OFA); Harris, Sarah (OFA)
Subject: FW: Message from "14-PRT06"

Hi Malle

Please see Carlos' responses below.

Regards,

Kelly Listoe
Documentation & Compliance Coordinator
Capital Markets
Ontario Financing Authority
1 Dundas Street West, Ste. 1400
Toronto, ON. M7A 1Y7
(416) 325 - 8090

-----Original Message-----
From: Carlos Yep
Sent: Thursday, March 30, 2017 2:28 PM
To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Subject: RE: Message from "14-PRT06"

Is the information being given to all 3 potential advisors or just the one that will be hired?
>only to one

What type of information is being given? Need a description.
>financial information associated with a special purpose vehicle being
>created and accompanying legislature being drafted

For what purpose is the advisor being given this information? What use will the advisor make of the information?
>to provide advice on the structure of financing alternatives for the
>special purpose vehicle

What is the advisor being hired to do? Pricing/financing issues about what? Need a description of the project or

services Can the advisor talk to anyone about the information or the project? i.e. other ministry staff, ministry of energy, OFA, OEFC?
>to provide advice on the structure of financing alternatives for the
>special purpose vehicle primary contacts will be the OFA and Energy as
>well as others within Ontario govt External contacts will be lawyers
>hired by Energy to help draft legislation Ontario government
>agencies/related parties and regulators: OPG, IESO, etc

What about internal disclosure within the advisor's company?
>advisor will have own rules regarding sharing of confidential
>information within their own company

Is there a procurement process of any type to hire the advisor?
>there is no procurement

How much and how will the advisor be paid?
>there is no fee paid

Who are the parties to the agreement? Is it the Province that is hiring the advisor and giving them the information?
>province (OFA + Energy) and advisor

What is the consideration for the advisor's agreement for keeping it confidential? i.e. the advisor is being paid to give advice.
>advisor services are provided as part of domestic syndicate agreement

-----Original Message-----
From: Kelly Listoe
Sent: Thursday, March 30, 2017 1:50 PM
To: Carlos Yep <Carlos.Yep@ofina.on.ca>
Subject: FW: Message from "14-PRT06"

Thanks, Carlos. Below are Malle's questions about the non disclosure agreement prototype.

Kelly Listoe
Documentation & Compliance Coordinator
Capital Markets
Ontario Financing Authority
1 Dundas Street West, Ste. 1400
Toronto, ON. M7A 1Y7
(416) 325 - 8090

-----Original Message-----
From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Thursday, March 30, 2017 1:32 PM
To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Subject: RE: Message from "14-PRT06"

Hi Kelly,

I have some precedent non-disclosure agreements that I have drafted in the past, but we need some more information.

Here are some questions that will assist:

Is the information being given to all 3 potential advisors or just the one that will be hired?
What type of information is being given? Need a description.
For what purpose is the advisor being given this information? What use will the advisor make of the information?
What is the advisor being hired to do? Pricing/financing issues about what? Need a description of the project or services Can the advisor talk to anyone about the information or the project? i.e. other ministry staff, ministry of energy, OFA, OEFC?
What about internal disclosure within the advisor's company?
Is there a procurement process of any type to hire the advisor?
How much and how will the advisor be paid?
Who are the parties to the agreement? Is it the Province that is hiring the advisor and giving them the information?
What is the consideration for the advisor's agreement for keeping it confidential? i.e. the advisor is being paid to give advice.

I think if we can get some more information along these lines it would be helpful. Also, if the contracting party is the OFA or OEFC then I will need to speak to Sarah Neville.

Thanks.

Malle
-----Original Message-----
From: Kelly Listoe [mailto:Kelly.Listoe@ofina.on.ca]
Sent: March 30, 2017 12:56 PM
To: Hanslep, Malle (MOF)
Cc: Harris, Sarah (OFA); Kandelas, Opal (OFA); Whitfield, Tobias P. (MOF)
Subject: RE: Message from "14-PRT06"

Hi

Mike is just asking for an agreement for the dealer he hires to advise on pricing/ financing issues. I believe they are talking to RBC, TD and BMO. This request is confined to that. He wants it done by Monday I've been told.

Kelly

Kelly Listoe
Documentation & Compliance Coordinator
Capital Markets
Ontario Financing Authority
1 Dundas Street West, Ste. 1400
Toronto, ON. M7A 1Y7
(416) 325 - 8090

-----Original Message-----
From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Thursday, March 30, 2017 12:43 PM
To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Subject: RE: Message from "14-PRT06"

Hi Kelly,

I have read it over now. Should we have a short call about this. This is a significant project and does the Province/OFA/OEFC plan to hire a financial advisor to advise on aspects of it. Quite possibly there will be more

than one advisory contract here as there seem to be capital markets, accounting, etc. issues involved here. Also, looking at the background information, I don't' know that it is necessarily clear who is going to the borrowing whether it's the Province or OEFC and which entity will provide the equity injection (Minister of Energy holds the shares in OPG). So we can't do a non-disclosure agreement in isolation. What information are we giving to the financial advisor and what are we asking them to do?

I think we need more context here and also if it is OEFC hiring the financial advisor, we should be speaking to Sarah Neville too. This is a project that Ronald Kwan's group is involved in.

Malle

-----Original Message-----
From: Hanslep, Malle (MOF)
Sent: March 30, 2017 12:18 PM
To: Listoe, Kelly (OFA)
Cc: Harris, Sarah (OFA); Kandelas, Opal (OFA); Whitfield, Tobias P. (MOF)
Subject: RE: Message from "14-PRT06"

In addition to the "non-disclosure" aspect, will there be a contract for OEFC to hire the advisor, ie. What the advisor will do, payment, etc. Sorry haven't read it yet.

-----Original Message-----
From: Kelly Listoe [mailto:Kelly.Listoe@ofina.on.ca]
Sent: March 30, 2017 12:14 PM
To: Hanslep, Malle (MOF)
Cc: Harris, Sarah (OFA); Kandelas, Opal (OFA)
Subject: RE: Message from "14-PRT06"

Ok - looking at the info on page 2 - looks like the OEFC will be looking to "hire" the advisor regarding pricing/ financing the amounts shown in the paper. This advisor will be a member of the current bond syndicate. Mike wants a non - disclosure for this advisor. Given the structure and all the items mentioned in the paper, I would say it should be pretty broad.

Regards,

Kelly Listoe
Documentation & Compliance Coordinator
Capital Markets
Ontario Financing Authority
1 Dundas Street West, Ste. 1400
Toronto, ON. M7A 1Y7
(416) 325 - 8090

-----Original Message-----
From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Thursday, March 30, 2017 11:59 AM
To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: Message from "14-PRT06"

Thanks. I have also passed it on to Toby to review because he may be involved in this project from another aspect.

-----Original Message-----
From: Kelly Listoe [mailto:Kelly.Listoe@ofina.on.ca]
Sent: March 30, 2017 10:57 AM

To: Hanslep, Malle (MOF)
Cc: Harris, Sarah (OFA); Kandelas, Opal (OFA)
Subject: FW: Message from "14-PRT06"

Hi Malle

I just met with Opal and Sarah. Attached is an overview of what is happening. I have not yet read it. Please have a read of it and see if there is an agreement template or something that would work for non - disclosure purposes.

Regards,

Kelly Listoe
Documentation & Compliance Coordinator
Capital Markets
Ontario Financing Authority
1 Dundas Street West, Ste. 1400
Toronto, ON. M7A 1Y7
(416) 325 - 8090

-----Original Message-----
From: Opal Kandelas
Sent: Thursday, March 30, 2017 10:51 AM
To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Subject: FW: Message from "14-PRT06"

Here you go....

-----Original Message-----
From: 14-PRT06@ofina.on.ca [mailto:14-PRT06@ofina.on.ca]
Sent: Thursday, March 30, 2017 10:32 AM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: Message from "14-PRT06"

This E-mail was sent from "14-PRT06" (MP C4503).

Scan Date: 03.30.2017 10:31:55 (-0400)
Queries to: 14-PRT06@ofina.on.ca

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From: Opal Kandelas
To: Kelly Listoe; Sarah Harris
Subject: RE: NDA Agreement
Date: Monday, April 03, 2017 3:09:36 PM

Thanks Kelly. I'd suggest you go back to LSB and provide your marked up draft and let them know the reasons for the changes. I'll touch base with Mike as to the status of the work being done on this. LSB will loop in OFA legal (or you can offer to do it).

Thanks,
Opal.

From: Kelly Listoe
Sent: Monday, April 03, 2017 3:07 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: FW: NDA Agreement

Sorry – there was a small change to the doc that doesn't look like it was saved into the one I just sent. This draft has it, so you can delete the last one!

Kelly

From: Kelly Listoe
Sent: Monday, April 03, 2017 3:03 PM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: NDA Agreement

Hi Opal and Sarah

Attached is a draft of the NDA. I discussed the 3 bullet points with Carlos and found the following:

- The advice is regarding the financing structure and alternatives for the spv given the legislation that eventually is drafted. On page 2 of the OPG White Paper, it indicates that all of the percentages shown are "indicative and will be highly dependent on the legislation"… this gives rise to the need for an advisor once the legislation is known.
- Carlos says the OFA will sign the NDA. Sarah - Do you want to send it to the appropriate lawyer in OFA legal?
- The banks/ dealers have the appropriate Chinese Walls in place to deal with conflicts of interest.

I agree with Sarah that the NDA itself should suffice in this instance.

Regards,

Kelly

From: Sarah Harris
Sent: Monday, April 03, 2017 2:49 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Cc: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Subject: FW: NDA Agreement

Hi Opal,

Kelly is looking into the first 3 bullet points as the relate to the NDA.

The attached advisory agreement seems to be overkill for the what I understand to be a very narrow scope of advice being given. It seems to me that as long as we state the type of advice being provided in the NDA, with *possibly* a conflict of interest rep in the NDA, I think that would cover what is needed.

Sarah

From: Whitfield, Tobias P. (MOF) [mailto:Tobias.Whitfield@ontario.ca]
Sent: Monday, April 03, 2017 11:58 AM
To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>
Subject: NDA Agreement

Please find attached a draft of a Non-Disclosure Agreement respecting obtaining advice from a financial adviser with respect to the Ontario Fair Hydro Plan.

Please note that this draft is preliminary, and we have a number of questions and concerns that are set out in the draft. We would like to point out that there is no agreement setting out the scope or nature of the services and the basis on which those services would be provided including the standard that is required from the adviser as well as conflict of interest requirements and other issues, and that the NDA does not replace such an agreement.

We have also attached a scan of an agreement that the OFA negotiated in 2004 to hire an adviser for a project relating to electricity finance as an example of such an agreement and the types of provisions that could be considered for inclusion in such an agreement.

Best
Toby

Tobias Whitfield
Counsel, Legal Services Branch
Ministry of Finance

777 Bay Street, 11th Floor
Toronto, ON, M5G 2C8
tobias.whitfield@ontario.ca
Phone: 416-325-1456

From: Kelly Listoe
To: Sarah Harris; Opal Kandelas
Subject: RE: NDA Agreement
Date: Monday, April 03, 2017 3:02:54 PM
Attachments: GA NDA April 3(1).doc

Hi Opal and Sarah

Attached is a draft of the NDA. I discussed the 3 bullet points with Carlos and found the following:

- The advice is regarding the financing structure and alternatives for the spv given the legislation that eventually is drafted. On page 2 of the OPG White Paper, it indicates that all of the percentages shown are "indicative and will be highly dependent on the legislation"… this gives rise to the need for an advisor once the legislation is known.
- Carlos says the OFA will sign the NDA. Sarah - Do you want to send it to the appropriate lawyer in OFA legal?
- The banks/ dealers have the appropriate Chinese Walls in place to deal with conflicts of interest.

I agree with Sarah that the NDA itself should suffice in this instance.

Regards,

Kelly

From: Sarah Harris
Sent: Monday, April 03, 2017 2:49 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Cc: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Subject: FW: NDA Agreement

Hi Opal,

Kelly is looking into the first 3 bullet points as the relate to the NDA.

The attached advisory agreement seems to be overkill for the what I understand to be a very narrow scope of advice being given. It seems to me that as long as we state the type of advice being provided in the NDA, with *possibly* a conflict of interest rep in the NDA, I think that would cover what is needed.

Sarah

From: Whitfield, Tobias P. (MOF) [mailto:Tobias.Whitfield@ontario.ca]
Sent: Monday, April 03, 2017 11:58 AM
To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>

Cc: Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>
Subject: NDA Agreement

Please find attached a draft of a Non-Disclosure Agreement respecting obtaining advice from a financial adviser with respect to the Ontario Fair Hydro Plan.

Please note that this draft is preliminary, and we have a number of questions and concerns that are set out in the draft. We would like to point out that there is no agreement setting out the scope or nature of the services and the basis on which those services would be provided including the standard that is required from the adviser as well as conflict of interest requirements and other issues, and that the NDA does not replace such an agreement.

We have also attached a scan of an agreement that the OFA negotiated in 2004 to hire an adviser for a project relating to electricity finance as an example of such an agreement and the types of provisions that could be considered for inclusion in such an agreement.

Best
Toby

Tobias Whitfield
Counsel, Legal Services Branch
Ministry of Finance
777 Bay Street, 11th Floor
Toronto, ON, M5G 2C8
tobias.whitfield@ontario.ca
Phone: 416-325-1456

Confidential and Privileged Legal Advice – April 1, 2017 – MOF LSB
Note regarding this NDA and the retention of an adviser:

We have a number of questions relating to this NDA, and issues that should be considered in retaining an adviser:

- We have not been able to confirm what the scope of the advice being sought is. If the advice is restricted to advising on market timing and potential demand for certain securities, this is more limited than broader advice relating to structuring the transaction;
- We think it should be clear who the adviser is working for, and how the advice will be presented to the Province. If the advice is going to be to the Ministry of Energy or the Minister of Finance, will be given through the OFA?;
- Are there potential conflicts of interest between the adviser's role as an adviser and as a potential underwriter or other business of the adviser?

In addition, it should be considered whether it is appropriate to have an adviser without an agreement for the services that the adviser would be providing. The NDA protects the Province with respect to the disclosure of the information to third parties, but it does not set out the role, responsibilities or other matters relating to conflicts or other duties of the adviser. Terms of such an agreement that may be considered in such a context include:

- Scope of engagement;
- Performance Warranty – setting out the standard to which the adviser is to carry out the work and provide advice;
- Copyright and IP provisions;
- Conflict of interest provisions – setting out the primary duties of the adviser and how they must conduct themselves with respect to any potential conflicts;
- Indemnities – setting out the adviser's indemnities to the OFA for certain risks.

Non-Disclosure Agreement

This Agreement is made effective this day of

BETWEEN:

~~[~~ONTARIO FINANCING AUTHORITY~~][NTD: WHO WILL BE THE CONTRACTING PARTY?]~~
(hereinafter called "OFA")

- and -

[ADVISER/DEALER]
(hereinafter called "**[Adviser/Dealer]**")

WHEREAS OFA intends to provide to **[Adviser/Dealer]**, on a confidential basis, certain information, materials and documentation (the "Project Information") concerning or relevant to a proposed initiative relating to a electricity prices in the Province and measures to mitigate such prices, (the "Project") for the limited purposes of conducting discussions with **[Adviser/Dealer]** and receiving ~~an [informal][NTD: Need to consider scope of retainer]~~ ~~assessment/~~advice from **[Adviser/Dealer]** in relation thereto;

NOW THEREFORE, in consideration of the payment of $2.00 ~~Canadian~~ and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by **[Adviser/Dealer]**, the parties agree as follows:

1. **Project Information**
The term "Project Information" shall include the data, information, specifications, plans, criteria, strategies, materials, notes, analyses, studies, interpretations and other documents regarding the Project which is provided to **[Adviser/Dealer]** by or on behalf of ~~[~~**OFA**~~]~~ ~~[or Her Majesty in right of Ontario (the "Province")]~~ for the purposes of this Agreement, verbally or in any medium whatsoever, as the case may be, and includes any copies, summaries, restatements or extracts thereof.

2. **Non-Disclosure of the Project Information**
Without the prior written consent of ~~[~~**OFA**~~]~~, which consent may be withheld in ~~[~~**OFA**~~]~~**'s** unfettered discretion, **[Adviser/Dealer]** will not disclose to any person or entity:

   (a) the Project Information, or any portion thereof, provided to it under this Agreement;

(b) the fact that the Province and the ~~[~~**OFA**~~]~~ are considering the Project identified in the Project Information; or

(c) the fact that the Project lnformation has been made available by ~~[~~**OFA**~~]~~ to **[Adviser/Dealer]** or others.

3. **Use of the Project Information**

[Adviser/Dealer] acknowledges that the Project Information to be provided to it under this Agreement is confidential and proprietary information of ~~[~~**OFA**~~]~~ and/or the Province ~~[NTD: Could it also be information of OPG?]~~ and may be privileged. **[Adviser/Dealer]** agrees that the Project Information will be used by **[Adviser/Dealer]** only to facilitate discussions between **[Adviser/Dealer]** and ~~[~~**OFA**~~]~~ regarding the Project identified therein, and to provide advice and/or further information to ~~[~~**OFA**~~]~~ in connection therewith and will not use the Project Information, directly or indirectly, for any other purpose.

4. **Recording and Copying**

[Adviser/Dealer] shall track and control all hard copies and electronic copies of the Project Information.

5. **Restriction on Disclosure**

[Adviser/Dealer] shall not disclose, transfer or provide access to any of the Project Information to any person or entity, other than to those employees, partners, ~~,~~ ~~,~~directors or officers of **[Adviser/Dealer]** who need to know the Project Information in furtherance of the purposes of this Agreement.

6. **Internal Personnel**

Prior to disclosing any of the Project Information to any of its employees, partners,~~,~~ directors or officers, **[Adviser/Dealer]** shall inform each such person of all of the obligations contained in this Agreement. Prior to commencing work, ~~T~~the Adviser/Dealer shall identify in writing to the OFA those individuals who will be primarily responsible for providing the advice/assessment to the OFA as set out in paragraph 3 and shall not replace or substitute those individuals without the prior written approval of OFA. The Adviser/Dealer shall keep a list of all such employees, partners, director or officers to whom the Project Information is disclosed and provide it to the OFA upon request. **[Adviser/Dealer]** agrees to enforce such obligations to the extent required to prevent the unauthorized disclosure or use of the Project Information or other contravention of this Agreement and agrees to be responsible for and to indemnity and save harmless the OFA and the Province from and against any loss, cost, damage, expense and liability suffered or incurred by the OFA and/or the Province arising out of any breach of confidentiality by its employees, partners,~~,~~ directors or officers. The Adviser/Dealer acknowledges that the OFA holds the benefit of this indemnity in trust for itself and the Province and that the OFA can enforce such indemnity on behalf of the Province.

7. **Security**

[Adviser/Dealer] shall take reasonable steps to keep the Project Information secure. The Project Information shall be maintained, in the case of hard copies, in a locked cabinet when not in use, and in a secure location when in use, and maintained, in the case of electronic information, including back-up copies, in a database that is only accessible to employees, officers, partners or directors of Adviser/Dealer to whom the Information can be disclosed under this Agreement.

~~8. **Retention, Return or Destruction of Project Information**~~

~~[Suggest we do not include this unless requested to.]~~

~~**Adviser/Dealer]** shall return to **[OFA]** all of the Project Information in the custody or control of **[Adviser/Dealer]** or its employees, , partners, directors or officers, that was provided to **[Adviser/Dealer]** whether it is in hard copy form, on disk or contained in any other medium whatsoever, immediately upon **[OFA]**'s written request, and any copies or extracts of the Project Information in written form, in electronic form or in any medium whatsoever, shall be deleted permanently or destroyed in accordance with **[OFA]**'s instructions. If no request is made by **[OFA]** for the return or destruction of the Project Information, the Project Information shall be returned to **[OFA]** within [twenty (20) business days] [NTD: 20 days is probably too soon – possibly we can delete this sentence and just rely on OFA to tell Dealer when to destroy or return.] after the date of this Agreement and any copy or extract, will be deleted permanently or destroyed by **[Adviser/Dealer]** and **[Adviser/Dealer]** shall, if requested by **[OFA]**, provide a certificate certifying such deletion or destruction.~~

~~9~~8. **Breach**

[Adviser/Dealer] acknowledges that a breach of any provision of this Agreement will result in immediate and irreparable harm to the ~~[~~**OFA**~~]~~ **and the Province** and that monetary damages will not provide a sufficient remedy for any breach and agrees that in the event of such breach the ~~[~~**OFA**~~]~~ and the Province shall, in addition to any other relief, be entitled to seek equitable relief including without limitation relief by way of temporary or permanent injunction and to such other relief that any court of competent jurisdiction may deem just or appropriate. Any breach known to **[Adviser/Dealer]** of the obligation(s) in this Agreement, including any breach by an employee, partner, ~~,~~ director or officer, shall be reported to the ~~[~~**OFA**~~]~~ by **[Adviser/Dealer]**.

~~9~~10. **Applicable Laws**

The laws of the Province of Ontario and the applicable laws of Canada shall govern this Agreement, and **[Adviser/Dealer]** hereby attorns to the jurisdiction of the courts of the Province of Ontario in respect hereof.

10~~1~~. **FIPPA**

No information, records or documents containing personal information shall be provided to **[Adviser/Dealer]** pursuant to this Agreement. **[Adviser/Dealer]** acknowledges that ~~[~~**OFA**~~]~~ is bound by the Ontario *Freedom of Information and Protection of Privacy Act* ("FIPPA"). If a request is made under FIPPA for access to information or records provided by ~~[~~**OFA**~~]~~ under this Agreement, **[Adviser/Dealer]** will cooperate with ~~[~~**OFA**~~]~~ in identifying records responsive to the request and responding to it in a timely manner.

11~~2~~. **Survival**

The terms and obligations pertaining to confidentiality and limitations as to the use of the Project Information in this Agreement shall remain in full force and effect and shall survive the return to the OFA (or the destruction) of the Project Information provided or made available under this Agreement.

The obligations of **[Adviser/Dealer]** after the return to ~~[~~**OFA**~~]~~ of the Project Information shall not apply to any part of the Project Information which is, or becomes, generally available to the public other than as a result of: (i) a violation of this Agreement; or (ii) disclosure pursuant to any applicable law, rule or regulation, or by order of a court or governmental body or agency or authority of competent jurisdiction, provided that **[Adviser/Dealer]** shall notify ~~[~~**OFA**~~]~~ of such disclosure promptly and comply with paragraph (Compelled Disclosure) before making the disclosure.

Compelled Disclosure

If the Adviser/Dealer or any of its employees, officers, partners, or directors becomes legally compelled to disclose any of the Project Information, the Adviser/Dealer will provide the OFA with prompt written notice and particulars so that the OFA may, within the timeframe legally required, seek a protective order or other appropriate order or remedy to prevent or limit such disclosure. The Adviser/Dealer shall consent to and assist (and shall cause any of its employees, officers, partners and directors to consent and assist) the OFA and its legal counsel in obtaining any protective order or other appropriate remedy that the OFA may seek for the purpose of preventing disclosure of any of the Project Information. If such protective order or other remedy is not obtained, the Adviser/Dealer will disclose (and cause its employees, officers, partners and directors to disclose) only that portion of the Project Information which the Proponent is legally compelled to disclose as advised by written opinion of its legal counsel addressed to the OFA, the Adviser/Dealer or its employees, officer, partner or directors) is legally required to disclose and the Adviser/Dealer will exercise all reasonable efforts to obtain reliable assurances that confidential treatment, to the extent available and practicable, will be accorded all disclosed Project Information.

Notice. Any notice or other communication to be given under this Agreement shall be addressed to:

(a) in the case of notice to the OFA:

~~[Insert contact details]~~Mr. Michael Manning
Executive Director
Ontario Financing Authority
One Dundas Street West, Suite 1400
Toronto, Ontario
M7A 1Y7
Canada

Formatted: Font: (Default) Times New Roman, Font color: Auto, English (United Kingdom)

(b) In the case of notice to the Adviser/Dealer:

[Insert contact details]

Any notice, demand or other communication required or permitted to be given or made under this Agreement shall be in writing and unless delivered personally to a responsible officer of the addressee, shall be sent by facsimile transmission or e-mail to the above addresses.

Each notice so given shall be deemed to have been received on the day of delivery, if so delivered or on the day of sending if sent by facsimile transmission or email or on the first business day thereafter if it was not sent on a business day during business hours of the recipient.

12~~3~~. **Enurement**

The provisions of this Agreement shall enure to the benefit of, and be binding upon, the parties and their successors and permitted assigns.

This Agreement may only be amended, modified or supplemented by a written agreement signed by both of the parties hereto.

No waiver of or consent to depart from the requirements of any provision of this Agreement shall be binding against either party hereto unless it is in writing and is signed by the party giving it. No failure on the part of either party hereto exercise, and to delay in exercising, any right under this Agreement shall operate as a waiver of such right.

13~~4~~. **Counterparts**

This Agreement may be executed in counterparts.

In witness whereof the parties have executed this Agreement as of the date first written above.

~~[~~ONTARIO FINANCING AUTHORITY~~]~~
by:

_____
Name: Michael Manning
Title: Executive Director

Formatted: Font: Not Bold

[ADVISER/DEALER]
by:

_____
Name:
Title:
I have the authority to bind the company.

From:	Kelly Listoe
To:	Opal Kandelas; Sarah Harris
Subject:	RE: NDA Agreement
Date:	Monday, April 03, 2017 3:24:14 PM

Ok, that is done. I am leaving looping in OFA legal to LSB.

Kelly

From: Opal Kandelas
Sent: Monday, April 03, 2017 3:10 PM
To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: RE: NDA Agreement

Thanks Kelly. I'd suggest you go back to LSB and provide your marked up draft and let them know the reasons for the changes. I'll touch base with Mike as to the status of the work being done on this. LSB will loop in OFA legal (or you can offer to do it).

Thanks,
Opal.

From: Kelly Listoe
Sent: Monday, April 03, 2017 3:07 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: FW: NDA Agreement

Sorry – there was a small change to the doc that doesn't look like it was saved into the one I just sent. This draft has it, so you can delete the last one!

Kelly

From: Kelly Listoe
Sent: Monday, April 03, 2017 3:03 PM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: NDA Agreement

Hi Opal and Sarah

Attached is a draft of the NDA. I discussed the 3 bullet points with Carlos and found the following:

- The advice is regarding the financing structure and alternatives for the spv given the legislation that eventually is drafted. On page 2 of the OPG White Paper, it indicates that all of the percentages shown are "indicative and will be highly dependent on the legislation"… this gives rise to the need for an advisor once the legislation is known.

- Carlos says the OFA will sign the NDA. Sarah - Do you want to send it to the appropriate lawyer in OFA legal?
- The banks/ dealers have the appropriate Chinese Walls in place to deal with conflicts of interest.

I agree with Sarah that the NDA itself should suffice in this instance.

Regards,

Kelly

From: Sarah Harris
Sent: Monday, April 03, 2017 2:49 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Cc: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Subject: FW: NDA Agreement

Hi Opal,

Kelly is looking into the first 3 bullet points as the relate to the NDA.

The attached advisory agreement seems to be overkill for the what I understand to be a very narrow scope of advice being given. It seems to me that as long as we state the type of advice being provided in the NDA, with *possibly* a conflict of interest rep in the NDA, I think that would cover what is needed.

Sarah

From: Whitfield, Tobias P. (MOF) [mailto:Tobias.Whitfield@ontario.ca]
Sent: Monday, April 03, 2017 11:58 AM
To: Kelly Listoe <Kelly.Listoe@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>
Subject: NDA Agreement

Please find attached a draft of a Non-Disclosure Agreement respecting obtaining advice from a financial adviser with respect to the Ontario Fair Hydro Plan.

Please note that this draft is preliminary, and we have a number of questions and concerns that are set out in the draft. We would like to point out that there is no agreement setting out the scope or nature of the services and the basis on which those services would be provided including the standard that is required from the adviser as well as conflict of interest requirements and other issues, and that the NDA does not replace such an agreement.

We have also attached a scan of an agreement that the OFA negotiated in 2004 to hire an adviser for a project relating to electricity finance as an example of such an agreement and the types of provisions that could be considered for inclusion in such an agreement.

Best
Toby

Tobias Whitfield
Counsel, Legal Services Branch
Ministry of Finance
777 Bay Street, 11th Floor
Toronto, ON, M5G 2C8
tobias.whitfield@ontario.ca
Phone: 416-325-1456

From:	Opal Kandelas
To:	John Kim
Subject:	RE: OEFC-IESO - update
Date:	Wednesday, November 29, 2017 4:30:00 PM

When you get a chance please flip me the final version of the briefing note. Thx.

From: John Kim
Sent: Wednesday, November 29, 2017 4:29 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: OEFC-IESO - update

Thanks Opal.

From: Opal Kandelas
Sent: Wednesday, November 29, 2017 4:28 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: OEFC-IESO - update

I know that IESO reached out to CMO and that they are working on the amendments. Will check as to whether IESO has been provided with a draft when I get into the office tomorrow. Will let you know.

Opal

From: John Kim
Sent: Wednesday, November 29, 2017 4:19 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: OEFC-IESO - update

Hi Opal,

On this, how are things going – has your team provided the agreement and working on the amendment?

Thanks,

John

From: Opal Kandelas
Sent: Monday, November 27, 2017 2:52 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: OEFC-IESO - update

Sounds good. The team is aware of the situation.

From: John Kim
Sent: Monday, November 27, 2017 2:09 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: OEFC-IESO - update

I will let IESO know to start working with your team to make the amendments to the two facilities while leaving the impression that some level of final decision may be pending.

From: Opal Kandelas
Sent: Monday, November 27, 2017 1:51 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: OEFC-IESO - update

Great, thanks.

From: John Kim
Sent: Monday, November 27, 2017 1:17 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: OEFC-IESO - update

FYI, Ron will send a copy to Gadi, he just mentioned to me.

From: Opal Kandelas
Sent: Monday, November 27, 2017 12:08 PM
To: Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Cc: John Kim <John.Kim@ofina.on.ca>
Subject: OEFC-IESO - update

Hi Toby,

As FYI, I'm sharing with you what is likely the last draft of a briefing note regarding a contemplated amendment to the OEFC loan and credit facility agreements to include permitted liens language specific to the Fair Hydro Plan. This language was also included in the OFA-IESO credit facilities. We are just waiting now for final signoff, but every indication is that the agreements will be amended. This amendment was requested by IESO.

I'll also mention that TD has apparently agreed to amend the line of credit agreement they have with IESO, to include permitted liens language wrt Fair Hydro. In order to gain comfort that the OFA agreement will support the Fair Hydro transactions over the next 4 years, TD has asked that IESO share the OFA-IESO agreement with them. IESO has asked OFA for permission to share the agreement with TD. There is nothing in the agreement preventing IESO from sharing with TD, so IESO could actually do so without OFA consent. I've touched base with both OFA legal and Gadi and neither have any concerns about allowing IESO to share the agreements with TD.

Thanks,
Opal.

From: Opal Kandelas
To: John Kim
Subject: RE: OEFC-IESO - update
Date: Monday, November 27, 2017 4:04:54 PM

Hi John,

Regarding IESO's request to share the OFA-IESO agreement with TD, I've changed my mind, assuming of course that this is the only way to provide comfort to TD. If a phone call from OFA to TD would suffice, that would be my preference.

Failing that, since there's nothing in the agreement prohibiting it, and given IESO's goal, it seems unreasonable to try to withhold the agreement. As there is no obligation for us to provide/deny permission, what do you think of just pointing that out to IESO (in an email) and tell them that in this case, sharing the agreement is at their discretion. Not sure if a more formal response needs to be provided to IESO, but let me know what you think is the best way to convey that info to IESO.

Since this is very unusual I've asked staff to review the OFA-IESO agreement again to determine if any information in it should be removed before agreeing to it being shared with TD.

Opal.

From: John Kim
Sent: Monday, November 27, 2017 3:03 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: OEFC-IESO - update

Great, thanks Opal.

From: Opal Kandelas
Sent: Monday, November 27, 2017 2:52 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: OEFC-IESO - update

Sounds good. The team is aware of the situation.

From: John Kim
Sent: Monday, November 27, 2017 2:09 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: OEFC-IESO - update

I will let IESO know to start working with your team to make the amendments to the two facilities while leaving the impression that some level of final decision may be pending.

From: Opal Kandelas

Sent: Monday, November 27, 2017 1:51 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: OEFC-IESO - update

Great, thanks.

From: John Kim
Sent: Monday, November 27, 2017 1:17 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: OEFC-IESO - update

FYI, Ron will send a copy to Gadi, he just mentioned to me.

From: Opal Kandelas
Sent: Monday, November 27, 2017 12:08 PM
To: Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Cc: John Kim <John.Kim@ofina.on.ca>
Subject: OEFC-IESO - update

Hi Toby,

As FYI, I'm sharing with you what is likely the last draft of a briefing note regarding a contemplated amendment to the OEFC loan and credit facility agreements to include permitted liens language specific to the Fair Hydro Plan. This language was also included in the OFA-IESO credit facilities. We are just waiting now for final signoff, but every indication is that the agreements will be amended. This amendment was requested by IESO.

I'll also mention that TD has apparently agreed to amend the line of credit agreement they have with IESO, to include permitted liens language wrt Fair Hydro. In order to gain comfort that the OFA agreement will support the Fair Hydro transactions over the next 4 years, TD has asked that IESO share the OFA-IESO agreement with them. IESO has asked OFA for permission to share the agreement with TD. There is nothing in the agreement preventing IESO from sharing with TD, so IESO could actually do so without OFA consent. I've touched base with both OFA legal and Gadi and neither have any concerns about allowing IESO to share the agreements with TD.

Thanks,
Opal.

From:	John Kim
To:	Opal Kandelas
Subject:	RE: OEFC-IESO - update
Date:	Monday, November 27, 2017 3:03:13 PM

Great, thanks Opal.

From: Opal Kandelas
Sent: Monday, November 27, 2017 2:52 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: OEFC-IESO - update

Sounds good. The team is aware of the situation.

From: John Kim
Sent: Monday, November 27, 2017 2:09 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: OEFC-IESO - update

I will let IESO know to start working with your team to make the amendments to the two facilities while leaving the impression that some level of final decision may be pending.

From: Opal Kandelas
Sent: Monday, November 27, 2017 1:51 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: OEFC-IESO - update

Great, thanks.

From: John Kim
Sent: Monday, November 27, 2017 1:17 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: OEFC-IESO - update

FYI, Ron will send a copy to Gadi, he just mentioned to me.

From: Opal Kandelas
Sent: Monday, November 27, 2017 12:08 PM
To: Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Cc: John Kim <John.Kim@ofina.on.ca>
Subject: OEFC-IESO - update

Hi Toby,

As FYI, I'm sharing with you what is likely the last draft of a briefing note regarding a contemplated

amendment to the OEFC loan and credit facility agreements to include permitted liens language specific to the Fair Hydro Plan. This language was also included in the OFA-IESO credit facilities. We are just waiting now for final signoff, but every indication is that the agreements will be amended. This amendment was requested by IESO.

I'll also mention that TD has apparently agreed to amend the line of credit agreement they have with IESO, to include permitted liens language wrt Fair Hydro. In order to gain comfort that the OFA agreement will support the Fair Hydro transactions over the next 4 years, TD has asked that IESO share the OFA-IESO agreement with them. IESO has asked OFA for permission to share the agreement with TD. There is nothing in the agreement preventing IESO from sharing with TD, so IESO could actually do so without OFA consent. I've touched base with both OFA legal and Gadi and neither have any concerns about allowing IESO to share the agreements with TD.

Thanks,
Opal.

From:	Opal Kandelas
To:	John Kim
Subject:	RE: OEFC-IESO - update
Date:	Monday, November 27, 2017 2:52:03 PM

Sounds good. The team is aware of the situation.

From: John Kim
Sent: Monday, November 27, 2017 2:09 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: OEFC-IESO - update

I will let IESO know to start working with your team to make the amendments to the two facilities while leaving the impression that some level of final decision may be pending.

From: Opal Kandelas
Sent: Monday, November 27, 2017 1:51 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: OEFC-IESO - update

Great, thanks.

From: John Kim
Sent: Monday, November 27, 2017 1:17 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: OEFC-IESO - update

FYI, Ron will send a copy to Gadi, he just mentioned to me.

From: Opal Kandelas
Sent: Monday, November 27, 2017 12:08 PM
To: Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Cc: John Kim <John.Kim@ofina.on.ca>
Subject: OEFC-IESO - update

Hi Toby,

As FYI, I'm sharing with you what is likely the last draft of a briefing note regarding a contemplated amendment to the OEFC loan and credit facility agreements to include permitted liens language specific to the Fair Hydro Plan. This language was also included in the OFA-IESO credit facilities. We are just waiting now for final signoff, but every indication is that the agreements will be amended. This amendment was requested by IESO.

I'll also mention that TD has apparently agreed to amend the line of credit agreement they have with IESO, to include permitted liens language wrt Fair Hydro. In order to gain comfort that the OFA

agreement will support the Fair Hydro transactions over the next 4 years, TD has asked that IESO share the OFA-IESO agreement with them. IESO has asked OFA for permission to share the agreement with TD. There is nothing in the agreement preventing IESO from sharing with TD, so IESO could actually do so without OFA consent. I've touched base with both OFA legal and Gadi and neither have any concerns about allowing IESO to share the agreements with TD.

Thanks,
Opal.

From:	John Kim
To:	Opal Kandelas
Subject:	RE: OEFC-IESO - update
Date:	Monday, November 27, 2017 2:08:48 PM

I will let IESO know to start working with your team to make the amendments to the two facilities while leaving the impression that some level of final decision may be pending.

From: Opal Kandelas
Sent: Monday, November 27, 2017 1:51 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: OEFC-IESO - update

Great, thanks.

From: John Kim
Sent: Monday, November 27, 2017 1:17 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: OEFC-IESO - update

FYI, Ron will send a copy to Gadi, he just mentioned to me.

From: Opal Kandelas
Sent: Monday, November 27, 2017 12:08 PM
To: Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Cc: John Kim <John.Kim@ofina.on.ca>
Subject: OEFC-IESO - update

Hi Toby,

As FYI, I'm sharing with you what is likely the last draft of a briefing note regarding a contemplated amendment to the OEFC loan and credit facility agreements to include permitted liens language specific to the Fair Hydro Plan. This language was also included in the OFA-IESO credit facilities. We are just waiting now for final signoff, but every indication is that the agreements will be amended. This amendment was requested by IESO.

I'll also mention that TD has apparently agreed to amend the line of credit agreement they have with IESO, to include permitted liens language wrt Fair Hydro. In order to gain comfort that the OFA agreement will support the Fair Hydro transactions over the next 4 years, TD has asked that IESO share the OFA-IESO agreement with them. IESO has asked OFA for permission to share the agreement with TD. There is nothing in the agreement preventing IESO from sharing with TD, so IESO could actually do so without OFA consent. I've touched base with both OFA legal and Gadi and neither have any concerns about allowing IESO to share the agreements with TD.

Thanks,

Opal.

From: Opal Kandelas
To: John Kim
Subject: RE: OEFC-IESO - update
Date: Monday, November 27, 2017 1:50:36 PM

Great, thanks.

From: John Kim
Sent: Monday, November 27, 2017 1:17 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: OEFC-IESO - update

FYI, Ron will send a copy to Gadi, he just mentioned to me.

From: Opal Kandelas
Sent: Monday, November 27, 2017 12:08 PM
To: Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Cc: John Kim <John.Kim@ofina.on.ca>
Subject: OEFC-IESO - update

Hi Toby,

As FYI, I'm sharing with you what is likely the last draft of a briefing note regarding a contemplated amendment to the OEFC loan and credit facility agreements to include permitted liens language specific to the Fair Hydro Plan. This language was also included in the OFA-IESO credit facilities. We are just waiting now for final signoff, but every indication is that the agreements will be amended. This amendment was requested by IESO.

I'll also mention that TD has apparently agreed to amend the line of credit agreement they have with IESO, to include permitted liens language wrt Fair Hydro. In order to gain comfort that the OFA agreement will support the Fair Hydro transactions over the next 4 years, TD has asked that IESO share the OFA-IESO agreement with them. IESO has asked OFA for permission to share the agreement with TD. There is nothing in the agreement preventing IESO from sharing with TD, so IESO could actually do so without OFA consent. I've touched base with both OFA legal and Gadi and neither have any concerns about allowing IESO to share the agreements with TD.

Thanks,
Opal.

From: John Kim
To: Opal Kandelas
Subject: RE: OEFC-IESO - update
Date: Monday, November 27, 2017 1:16:48 PM

FYI, Ron will send a copy to Gadi, he just mentioned to me.

From: Opal Kandelas
Sent: Monday, November 27, 2017 12:08 PM
To: Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Cc: John Kim <John.Kim@ofina.on.ca>
Subject: OEFC-IESO - update

Hi Toby,

As FYI, I'm sharing with you what is likely the last draft of a briefing note regarding a contemplated amendment to the OEFC loan and credit facility agreements to include permitted liens language specific to the Fair Hydro Plan. This language was also included in the OFA-IESO credit facilities. We are just waiting now for final signoff, but every indication is that the agreements will be amended. This amendment was requested by IESO.

I'll also mention that TD has apparently agreed to amend the line of credit agreement they have with IESO, to include permitted liens language wrt Fair Hydro. In order to gain comfort that the OFA agreement will support the Fair Hydro transactions over the next 4 years, TD has asked that IESO share the OFA-IESO agreement with them. IESO has asked OFA for permission to share the agreement with TD. There is nothing in the agreement preventing IESO from sharing with TD, so IESO could actually do so without OFA consent. I've touched base with both OFA legal and Gadi and neither have any concerns about allowing IESO to share the agreements with TD.

Thanks,
Opal.

From:	Opal Kandelas
To:	John Kim
Subject:	RE: OEFC-IESO - update
Date:	Wednesday, November 29, 2017 4:28:17 PM

I know that IESO reached out to CMO and that they are working on the amendments. Will check as to whether IESO has been provided with a draft when I get into the office tomorrow. Will let you know.

Opal

From: John Kim
Sent: Wednesday, November 29, 2017 4:19 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: OEFC-IESO - update

Hi Opal,

On this, how are things going – has your team provided the agreement and working on the amendment?

Thanks,

John

From: Opal Kandelas
Sent: Monday, November 27, 2017 2:52 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: OEFC-IESO - update

Sounds good. The team is aware of the situation.

From: John Kim
Sent: Monday, November 27, 2017 2:09 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: OEFC-IESO - update

I will let IESO know to start working with your team to make the amendments to the two facilities while leaving the impression that some level of final decision may be pending.

From: Opal Kandelas
Sent: Monday, November 27, 2017 1:51 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: OEFC-IESO - update

Great, thanks.

From: John Kim
Sent: Monday, November 27, 2017 1:17 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: OEFC-IESO - update

FYI, Ron will send a copy to Gadi, he just mentioned to me.

From: Opal Kandelas
Sent: Monday, November 27, 2017 12:08 PM
To: Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Cc: John Kim <John.Kim@ofina.on.ca>
Subject: OEFC-IESO - update

Hi Toby,

As FYI, I'm sharing with you what is likely the last draft of a briefing note regarding a contemplated amendment to the OEFC loan and credit facility agreements to include permitted liens language specific to the Fair Hydro Plan. This language was also included in the OFA-IESO credit facilities. We are just waiting now for final signoff, but every indication is that the agreements will be amended. This amendment was requested by IESO.

I'll also mention that TD has apparently agreed to amend the line of credit agreement they have with IESO, to include permitted liens language wrt Fair Hydro. In order to gain comfort that the OFA agreement will support the Fair Hydro transactions over the next 4 years, TD has asked that IESO share the OFA-IESO agreement with them. IESO has asked OFA for permission to share the agreement with TD. There is nothing in the agreement preventing IESO from sharing with TD, so IESO could actually do so without OFA consent. I've touched base with both OFA legal and Gadi and neither have any concerns about allowing IESO to share the agreements with TD.

Thanks,
Opal.

From: John Kim
To: Opal Kandelas
Subject: RE: OEFC-IESO - update
Date: Wednesday, November 29, 2017 4:21:23 PM

Ok, I will copy you on the response.

John

From: Opal Kandelas
Sent: Wednesday, November 29, 2017 4:21 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: OEFC-IESO - update

Yes. Lisa has confirmed it's purely a business issue. We've (CMO & CMB) also checked the agreement again to determine if there is any content that shouldn't be shared with TD. There isn't, so it is fine to communicate to IESO that they can share the agreement confidentially with TD.

Opal

From: John Kim
Sent: Wednesday, November 29, 2017 4:17 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: OEFC-IESO - update

Hi Opal,

If TD commits to treat the agreement (FHP) confidential and if OFA Legal has no issue, I have no issue sharing it with TD. Has OFA Legal provided a view?

Thanks,

John

From: Opal Kandelas
Sent: Monday, November 27, 2017 4:35 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: OEFC-IESO - update

They are tough, but I've also seen compromise on their part during agreement neg.

From: John Kim
Sent: Monday, November 27, 2017 4:15 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: OEFC-IESO - update

Hi Opal,

Let me give this some thought…..as I do agree that it is a bit unusual. That said, I used to be a TD bank guy in the distant past and know they are very tough. And I did sense Anthony is eager to get the approval.

Thanks,

John

From: Opal Kandelas
Sent: Monday, November 27, 2017 4:05 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: OEFC-IESO - update

Hi John,

Regarding IESO's request to share the OFA-IESO agreement with TD, I've changed my mind, assuming of course that this is the only way to provide comfort to TD. If a phone call from OFA to TD would suffice, that would be my preference.

Failing that, since there's nothing in the agreement prohibiting it, and given IESO's goal, it seems unreasonable to try to withhold the agreement. As there is no obligation for us to provide/deny permission, what do you think of just pointing that out to IESO (in an email) and tell them that in this case, sharing the agreement is at their discretion. Not sure if a more formal response needs to be provided to IESO, but let me know what you think is the best way to convey that info to IESO.

Since this is very unusual I've asked staff to review the OFA-IESO agreement again to determine if any information in it should be removed before agreeing to it being shared with TD.

Opal.

From: John Kim
Sent: Monday, November 27, 2017 3:03 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: OEFC-IESO - update

Great, thanks Opal.

From: Opal Kandelas
Sent: Monday, November 27, 2017 2:52 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: OEFC-IESO - update

Sounds good. The team is aware of the situation.

From: John Kim
Sent: Monday, November 27, 2017 2:09 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: OEFC-IESO - update

I will let IESO know to start working with your team to make the amendments to the two facilities while leaving the impression that some level of final decision may be pending.

From: Opal Kandelas
Sent: Monday, November 27, 2017 1:51 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: OEFC-IESO - update

Great, thanks.

From: John Kim
Sent: Monday, November 27, 2017 1:17 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: OEFC-IESO - update

FYI, Ron will send a copy to Gadi, he just mentioned to me.

From: Opal Kandelas
Sent: Monday, November 27, 2017 12:08 PM
To: Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Cc: John Kim <John.Kim@ofina.on.ca>
Subject: OEFC-IESO - update

Hi Toby,

As FYI, I'm sharing with you what is likely the last draft of a briefing note regarding a contemplated amendment to the OEFC loan and credit facility agreements to include permitted liens language specific to the Fair Hydro Plan. This language was also included in the OFA-IESO credit facilities. We are just waiting now for final signoff, but every indication is that the agreements will be amended. This amendment was requested by IESO.

I'll also mention that TD has apparently agreed to amend the line of credit agreement they have with IESO, to include permitted liens language wrt Fair Hydro. In order to gain comfort that the OFA agreement will support the Fair Hydro transactions over the next 4 years, TD has asked that IESO share the OFA-IESO agreement with them. IESO has asked OFA for permission to share the agreement with TD. There is nothing in the agreement preventing IESO from sharing with TD, so

IESO could actually do so without OFA consent. I've touched base with both OFA legal and Gadi and neither have any concerns about allowing IESO to share the agreements with TD.

Thanks,
Opal.

From: Opal Kandelas
To: John Kim
Subject: RE: OEFC-IESO - update
Date: Wednesday, November 29, 2017 4:20:34 PM

Yes. Lisa has confirmed it's purely a business issue. We've (CMO & CMB) also checked the agreement again to determine if there is any content that shouldn't be shared with TD. There isn't, so it is fine to communicate to IESO that they can share the agreement confidentially with TD.

Opal

From: John Kim
Sent: Wednesday, November 29, 2017 4:17 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: OEFC-IESO - update

Hi Opal,

If TD commits to treat the agreement (FHP) confidential and if OFA Legal has no issue, I have no issue sharing it with TD. Has OFA Legal provided a view?

Thanks,

John

From: Opal Kandelas
Sent: Monday, November 27, 2017 4:35 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: OEFC-IESO - update

They are tough, but I've also seen compromise on their part during agreement neg.

From: John Kim
Sent: Monday, November 27, 2017 4:15 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: OEFC-IESO - update

Hi Opal,

Let me give this some thought…..as I do agree that it is a bit unusual. That said, I used to be a TD bank guy in the distant past and know they are very tough. And I did sense Anthony is eager to get the approval.

Thanks,

John

From: Opal Kandelas
Sent: Monday, November 27, 2017 4:05 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: OEFC-IESO - update

Hi John,

Regarding IESO's request to share the OFA-IESO agreement with TD, I've changed my mind, assuming of course that this is the only way to provide comfort to TD. If a phone call from OFA to TD would suffice, that would be my preference.

Failing that, since there's nothing in the agreement prohibiting it, and given IESO's goal, it seems unreasonable to try to withhold the agreement. As there is no obligation for us to provide/deny permission, what do you think of just pointing that out to IESO (in an email) and tell them that in this case, sharing the agreement is at their discretion. Not sure if a more formal response needs to be provided to IESO, but let me know what you think is the best way to convey that info to IESO.

Since this is very unusual I've asked staff to review the OFA-IESO agreement again to determine if any information in it should be removed before agreeing to it being shared with TD.

Opal.

From: John Kim
Sent: Monday, November 27, 2017 3:03 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: OEFC-IESO - update

Great, thanks Opal.

From: Opal Kandelas
Sent: Monday, November 27, 2017 2:52 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: OEFC-IESO - update

Sounds good. The team is aware of the situation.

From: John Kim
Sent: Monday, November 27, 2017 2:09 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: OEFC-IESO - update

I will let IESO know to start working with your team to make the amendments to the two facilities

while leaving the impression that some level of final decision may be pending.

From: Opal Kandelas
Sent: Monday, November 27, 2017 1:51 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: OEFC-IESO - update

Great, thanks.

From: John Kim
Sent: Monday, November 27, 2017 1:17 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: OEFC-IESO - update

FYI, Ron will send a copy to Gadi, he just mentioned to me.

From: Opal Kandelas
Sent: Monday, November 27, 2017 12:08 PM
To: Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Cc: John Kim <John.Kim@ofina.on.ca>
Subject: OEFC-IESO - update

Hi Toby,

As FYI, I'm sharing with you what is likely the last draft of a briefing note regarding a contemplated amendment to the OEFC loan and credit facility agreements to include permitted liens language specific to the Fair Hydro Plan. This language was also included in the OFA-IESO credit facilities. We are just waiting now for final signoff, but every indication is that the agreements will be amended. This amendment was requested by IESO.

I'll also mention that TD has apparently agreed to amend the line of credit agreement they have with IESO, to include permitted liens language wrt Fair Hydro. In order to gain comfort that the OFA agreement will support the Fair Hydro transactions over the next 4 years, TD has asked that IESO share the OFA-IESO agreement with them. IESO has asked OFA for permission to share the agreement with TD. There is nothing in the agreement preventing IESO from sharing with TD, so IESO could actually do so without OFA consent. I've touched base with both OFA legal and Gadi and neither have any concerns about allowing IESO to share the agreements with TD.

Thanks,
Opal.

From: John Kim
To: Opal Kandelas
Subject: RE: OEFC-IESO - update
Date: Wednesday, November 29, 2017 4:18:47 PM

Hi Opal,

On this, how are things going – has your team provided the agreement and working on the amendment?

Thanks,

John

From: Opal Kandelas
Sent: Monday, November 27, 2017 2:52 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: OEFC-IESO - update

Sounds good. The team is aware of the situation.

From: John Kim
Sent: Monday, November 27, 2017 2:09 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: OEFC-IESO - update

I will let IESO know to start working with your team to make the amendments to the two facilities while leaving the impression that some level of final decision may be pending.

From: Opal Kandelas
Sent: Monday, November 27, 2017 1:51 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: OEFC-IESO - update

Great, thanks.

From: John Kim
Sent: Monday, November 27, 2017 1:17 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: OEFC-IESO - update

FYI, Ron will send a copy to Gadi, he just mentioned to me.

From: Opal Kandelas
Sent: Monday, November 27, 2017 12:08 PM

To: Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Cc: John Kim <John.Kim@ofina.on.ca>
Subject: OEFC-IESO - update

Hi Toby,

As FYI, I'm sharing with you what is likely the last draft of a briefing note regarding a contemplated amendment to the OEFC loan and credit facility agreements to include permitted liens language specific to the Fair Hydro Plan. This language was also included in the OFA-IESO credit facilities. We are just waiting now for final signoff, but every indication is that the agreements will be amended. This amendment was requested by IESO.

I'll also mention that TD has apparently agreed to amend the line of credit agreement they have with IESO, to include permitted liens language wrt Fair Hydro. In order to gain comfort that the OFA agreement will support the Fair Hydro transactions over the next 4 years, TD has asked that IESO share the OFA-IESO agreement with them. IESO has asked OFA for permission to share the agreement with TD. There is nothing in the agreement preventing IESO from sharing with TD, so IESO could actually do so without OFA consent. I've touched base with both OFA legal and Gadi and neither have any concerns about allowing IESO to share the agreements with TD.

Thanks,
Opal.

From: John Kim
To: Opal Kandelas
Subject: RE: OEFC-IESO - update
Date: Wednesday, November 29, 2017 4:17:09 PM

Hi Opal,

If TD commits to treat the agreement (FHP) confidential and if OFA Legal has no issue, I have no issue sharing it with TD. Has OFA Legal provided a view?

Thanks,

John

From: Opal Kandelas
Sent: Monday, November 27, 2017 4:35 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: OEFC-IESO - update

They are tough, but I've also seen compromise on their part during agreement neg.

From: John Kim
Sent: Monday, November 27, 2017 4:15 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: OEFC-IESO - update

Hi Opal,

Let me give this some thought…..as I do agree that it is a bit unusual. That said, I used to be a TD bank guy in the distant past and know they are very tough. And I did sense Anthony is eager to get the approval.

Thanks,

John

From: Opal Kandelas
Sent: Monday, November 27, 2017 4:05 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: OEFC-IESO - update

Hi John,

Regarding IESO's request to share the OFA-IESO agreement with TD, I've changed my mind, assuming of course that this is the only way to provide comfort to TD. If a phone call from OFA to TD

would suffice, that would be my preference.

Failing that, since there's nothing in the agreement prohibiting it, and given IESO's goal, it seems unreasonable to try to withhold the agreement. As there is no obligation for us to provide/deny permission, what do you think of just pointing that out to IESO (in an email) and tell them that in this case, sharing the agreement is at their discretion. Not sure if a more formal response needs to be provided to IESO, but let me know what you think is the best way to convey that info to IESO.

Since this is very unusual I've asked staff to review the OFA-IESO agreement again to determine if any information in it should be removed before agreeing to it being shared with TD.

Opal.

From: John Kim
Sent: Monday, November 27, 2017 3:03 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: OEFC-IESO - update

Great, thanks Opal.

From: Opal Kandelas
Sent: Monday, November 27, 2017 2:52 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: OEFC-IESO - update

Sounds good. The team is aware of the situation.

From: John Kim
Sent: Monday, November 27, 2017 2:09 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: OEFC-IESO - update

I will let IESO know to start working with your team to make the amendments to the two facilities while leaving the impression that some level of final decision may be pending.

From: Opal Kandelas
Sent: Monday, November 27, 2017 1:51 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: OEFC-IESO - update

Great, thanks.

From: John Kim
Sent: Monday, November 27, 2017 1:17 PM

To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: OEFC-IESO - update

FYI, Ron will send a copy to Gadi, he just mentioned to me.

From: Opal Kandelas
Sent: Monday, November 27, 2017 12:08 PM
To: Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Cc: John Kim <John.Kim@ofina.on.ca>
Subject: OEFC-IESO - update

Hi Toby,

As FYI, I'm sharing with you what is likely the last draft of a briefing note regarding a contemplated amendment to the OEFC loan and credit facility agreements to include permitted liens language specific to the Fair Hydro Plan. This language was also included in the OFA-IESO credit facilities. We are just waiting now for final signoff, but every indication is that the agreements will be amended. This amendment was requested by IESO.

I'll also mention that TD has apparently agreed to amend the line of credit agreement they have with IESO, to include permitted liens language wrt Fair Hydro. In order to gain comfort that the OFA agreement will support the Fair Hydro transactions over the next 4 years, TD has asked that IESO share the OFA-IESO agreement with them. IESO has asked OFA for permission to share the agreement with TD. There is nothing in the agreement preventing IESO from sharing with TD, so IESO could actually do so without OFA consent. I've touched base with both OFA legal and Gadi and neither have any concerns about allowing IESO to share the agreements with TD.

Thanks,
Opal.

From: Whitfield, Tobias P. (MOF)
To: Opal Kandelas
Cc: John Kim
Subject: RE: OEFC-IESO - update
Date: Monday, November 27, 2017 4:35:56 PM

Opal – I have no concerns with sharing the agreement with TD. I can't think of any reason why the agreement couldn't be shared, but it might make sense to also indicate that it is being shared with the expectation that it is being shared on a confidential basis, and watermarked as such.

Toby

Tobias Whitfield
Counsel, Legal Services Branch
Ministry of Finance
tobias.whitfield@ontario.ca
Phone: 416-325-1456

From: Opal Kandelas [mailto:Opal.Kandelas@ofina.on.ca]
Sent: November 27, 2017 12:08 PM
To: Whitfield, Tobias P. (MOF)
Cc: Kim, John (OFA)
Subject: OEFC-IESO - update

Hi Toby,

As FYI, I'm sharing with you what is likely the last draft of a briefing note regarding a contemplated amendment to the OEFC loan and credit facility agreements to include permitted liens language specific to the Fair Hydro Plan. This language was also included in the OFA-IESO credit facilities. We are just waiting now for final signoff, but every indication is that the agreements will be amended. This amendment was requested by IESO.

I'll also mention that TD has apparently agreed to amend the line of credit agreement they have with IESO, to include permitted liens language wrt Fair Hydro. In order to gain comfort that the OFA agreement will support the Fair Hydro transactions over the next 4 years, TD has asked that IESO share the OFA-IESO agreement with them. IESO has asked OFA for permission to share the agreement with TD. There is nothing in the agreement preventing IESO from sharing with TD, so IESO could actually do so without OFA consent. I've touched base with both OFA legal and Gadi and neither have any concerns about allowing IESO to share the agreements with TD.

Thanks,
Opal.

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From: Opal Kandelas
To: John Kim
Subject: RE: OEFC-IESO - update
Date: Monday, November 27, 2017 4:35:02 PM

They are tough, but I've also seen compromise on their part during agreement neg.

From: John Kim
Sent: Monday, November 27, 2017 4:15 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: OEFC-IESO - update

Hi Opal,

Let me give this some thought…..as I do agree that it is a bit unusual. That said, I used to be a TD bank guy in the distant past and know they are very tough. And I did sense Anthony is eager to get the approval.

Thanks,

John

From: Opal Kandelas
Sent: Monday, November 27, 2017 4:05 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: OEFC-IESO - update

Hi John,

Regarding IESO's request to share the OFA-IESO agreement with TD, I've changed my mind, assuming of course that this is the only way to provide comfort to TD. If a phone call from OFA to TD would suffice, that would be my preference.

Failing that, since there's nothing in the agreement prohibiting it, and given IESO's goal, it seems unreasonable to try to withhold the agreement. As there is no obligation for us to provide/deny permission, what do you think of just pointing that out to IESO (in an email) and tell them that in this case, sharing the agreement is at their discretion. Not sure if a more formal response needs to be provided to IESO, but let me know what you think is the best way to convey that info to IESO.

Since this is very unusual I've asked staff to review the OFA-IESO agreement again to determine if any information in it should be removed before agreeing to it being shared with TD.

Opal.

From: John Kim

Sent: Monday, November 27, 2017 3:03 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: OEFC-IESO - update

Great, thanks Opal.

From: Opal Kandelas
Sent: Monday, November 27, 2017 2:52 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: OEFC-IESO - update

Sounds good. The team is aware of the situation.

From: John Kim
Sent: Monday, November 27, 2017 2:09 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: OEFC-IESO - update

I will let IESO know to start working with your team to make the amendments to the two facilities while leaving the impression that some level of final decision may be pending.

From: Opal Kandelas
Sent: Monday, November 27, 2017 1:51 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: OEFC-IESO - update

Great, thanks.

From: John Kim
Sent: Monday, November 27, 2017 1:17 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: OEFC-IESO - update

FYI, Ron will send a copy to Gadi, he just mentioned to me.

From: Opal Kandelas
Sent: Monday, November 27, 2017 12:08 PM
To: Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Cc: John Kim <John.Kim@ofina.on.ca>
Subject: OEFC-IESO - update

Hi Toby,

As FYI, I'm sharing with you what is likely the last draft of a briefing note regarding a contemplated

amendment to the OEFC loan and credit facility agreements to include permitted liens language specific to the Fair Hydro Plan. This language was also included in the OFA-IESO credit facilities. We are just waiting now for final signoff, but every indication is that the agreements will be amended. This amendment was requested by IESO.

I'll also mention that TD has apparently agreed to amend the line of credit agreement they have with IESO, to include permitted liens language wrt Fair Hydro. In order to gain comfort that the OFA agreement will support the Fair Hydro transactions over the next 4 years, TD has asked that IESO share the OFA-IESO agreement with them. IESO has asked OFA for permission to share the agreement with TD. There is nothing in the agreement preventing IESO from sharing with TD, so IESO could actually do so without OFA consent. I've touched base with both OFA legal and Gadi and neither have any concerns about allowing IESO to share the agreements with TD.

Thanks,
Opal.

From: John Kim
To: Opal Kandelas
Subject: RE: OEFC-IESO - update
Date: Monday, November 27, 2017 4:15:10 PM

Hi Opal,

Let me give this some thought…..as I do agree that it is a bit unusual. That said, I used to be a TD bank guy in the distant past and know they are very tough. And I did sense Anthony is eager to get the approval.

Thanks,

John

From: Opal Kandelas
Sent: Monday, November 27, 2017 4:05 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: OEFC-IESO - update

Hi John,

Regarding IESO's request to share the OFA-IESO agreement with TD, I've changed my mind, assuming of course that this is the only way to provide comfort to TD. If a phone call from OFA to TD would suffice, that would be my preference.

Failing that, since there's nothing in the agreement prohibiting it, and given IESO's goal, it seems unreasonable to try to withhold the agreement. As there is no obligation for us to provide/deny permission, what do you think of just pointing that out to IESO (in an email) and tell them that in this case, sharing the agreement is at their discretion. Not sure if a more formal response needs to be provided to IESO, but let me know what you think is the best way to convey that info to IESO.

Since this is very unusual I've asked staff to review the OFA-IESO agreement again to determine if any information in it should be removed before agreeing to it being shared with TD.

Opal.

From: John Kim
Sent: Monday, November 27, 2017 3:03 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: OEFC-IESO - update

Great, thanks Opal.

From: Opal Kandelas

Sent: Monday, November 27, 2017 2:52 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: OEFC-IESO - update

Sounds good. The team is aware of the situation.

From: John Kim
Sent: Monday, November 27, 2017 2:09 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: OEFC-IESO - update

I will let IESO know to start working with your team to make the amendments to the two facilities while leaving the impression that some level of final decision may be pending.

From: Opal Kandelas
Sent: Monday, November 27, 2017 1:51 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: OEFC-IESO - update

Great, thanks.

From: John Kim
Sent: Monday, November 27, 2017 1:17 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: OEFC-IESO - update

FYI, Ron will send a copy to Gadi, he just mentioned to me.

From: Opal Kandelas
Sent: Monday, November 27, 2017 12:08 PM
To: Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Cc: John Kim <John.Kim@ofina.on.ca>
Subject: OEFC-IESO - update

Hi Toby,

As FYI, I'm sharing with you what is likely the last draft of a briefing note regarding a contemplated amendment to the OEFC loan and credit facility agreements to include permitted liens language specific to the Fair Hydro Plan. This language was also included in the OFA-IESO credit facilities. We are just waiting now for final signoff, but every indication is that the agreements will be amended. This amendment was requested by IESO.

I'll also mention that TD has apparently agreed to amend the line of credit agreement they have with IESO, to include permitted liens language wrt Fair Hydro. In order to gain comfort that the OFA

agreement will support the Fair Hydro transactions over the next 4 years, TD has asked that IESO share the OFA-IESO agreement with them. IESO has asked OFA for permission to share the agreement with TD. There is nothing in the agreement preventing IESO from sharing with TD, so IESO could actually do so without OFA consent. I've touched base with both OFA legal and Gadi and neither have any concerns about allowing IESO to share the agreements with TD.

Thanks,
Opal.

From:	John Kim
To:	Opal Kandelas
Subject:	RE: OEFC-IESO - update
Date:	Wednesday, November 29, 2017 4:30:49 PM
Attachments:	IESO-OEFC Note_v8.docx

There you go.

John

From: Opal Kandelas
Sent: Wednesday, November 29, 2017 4:30 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: OEFC-IESO - update

When you get a chance please flip me the final version of the briefing note. Thx.

From: John Kim
Sent: Wednesday, November 29, 2017 4:29 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: OEFC-IESO - update

Thanks Opal.

From: Opal Kandelas
Sent: Wednesday, November 29, 2017 4:28 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: OEFC-IESO - update

I know that IESO reached out to CMO and that they are working on the amendments. Will check as to whether IESO has been provided with a draft when I get into the office tomorrow. Will let you know.

Opal

From: John Kim
Sent: Wednesday, November 29, 2017 4:19 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: OEFC-IESO - update

Hi Opal,

On this, how are things going – has your team provided the agreement and working on the amendment?

Thanks,

John

From: Opal Kandelas
Sent: Monday, November 27, 2017 2:52 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: OEFC-IESO - update

Sounds good. The team is aware of the situation.

From: John Kim
Sent: Monday, November 27, 2017 2:09 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: OEFC-IESO - update

I will let IESO know to start working with your team to make the amendments to the two facilities while leaving the impression that some level of final decision may be pending.

From: Opal Kandelas
Sent: Monday, November 27, 2017 1:51 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: OEFC-IESO - update

Great, thanks.

From: John Kim
Sent: Monday, November 27, 2017 1:17 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: OEFC-IESO - update

FYI, Ron will send a copy to Gadi, he just mentioned to me.

From: Opal Kandelas
Sent: Monday, November 27, 2017 12:08 PM
To: Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Cc: John Kim <John.Kim@ofina.on.ca>
Subject: OEFC-IESO - update

Hi Toby,

As FYI, I'm sharing with you what is likely the last draft of a briefing note regarding a contemplated amendment to the OEFC loan and credit facility agreements to include permitted liens language specific to the Fair Hydro Plan. This language was also included in the OFA-IESO credit facilities. We

are just waiting now for final signoff, but every indication is that the agreements will be amended. This amendment was requested by IESO.

I'll also mention that TD has apparently agreed to amend the line of credit agreement they have with IESO, to include permitted liens language wrt Fair Hydro. In order to gain comfort that the OFA agreement will support the Fair Hydro transactions over the next 4 years, TD has asked that IESO share the OFA-IESO agreement with them. IESO has asked OFA for permission to share the agreement with TD. There is nothing in the agreement preventing IESO from sharing with TD, so IESO could actually do so without OFA consent. I've touched base with both OFA legal and Gadi and neither have any concerns about allowing IESO to share the agreements with TD.

Thanks,
Opal.

OEFC -- IESO CREDIT FACILITY AGREEMENT & THE PERMITTED LIENS

The Independent Electricity System Operator ("IESO") has requested that OEFC amend the existing credit facility agreements between OEFC and IESO (for $160M and $120M) to address the additional obligations IESO is taking on under Ontario's Fair Hydro Plan. IESO has indicated that OEFC credit facilities will not be used for Ontario Fair Hydro Plan (FHP) purposes.

- On November 28, 2017, IESO staff wrote to staff that without the terms of the OEFC facilities being amended, it would need to ask for an interim waiver from the OEFC to avoid being in default.

CONTEXT

- Under the FHP, the IESO and Ontario Power Generation (OPG) are interacting to refinance a portion of the Global Adjustment over a longer period of time.

- IESO and OPG are in a discussion to grant a security/priority interest on IESO's assets to OPG Trust for the period of the first 4 years of the GA deferral.

- The IESO sought and received its Board's approval on Nov 22, 2017 to enter into a security agreement with OPG Trust. The security agreement is currently in draft form. Without amending the existing OEFC $160M and $120M credit facility agreements (the "OEFC Agreements"), IESO could potentially be considered to be in default of the terms of the various agreements. IESO staff wrote:

  > *"…it likely is best to add to the definition of "Permitted Liens" in the two OEFC facilities to address a) IESO granting security to the OPG Trust during the first 4 years of fair hydro program and b) the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default."*

- The IESO provided a draft Security Agreement, dated November 7th, 2017, between them and the OPG Trust to OFA. According to the draft Security Agreement, in the unlikely event that the IESO runs into financial difficulty, the IESO would give OPG Trust a priority in the IESO's assets, including all accounts of the IESO and all cash and proceeds from LDCs, that would put OPG Trust ahead of unsecured creditors, including the OFA and the OEFC.
  - The security agreement is not limited to the Clean Energy Adjustment funds collected by the IESO only.

- In order to address this issue, the IESO has requested to amend the definition of the "permitted liens" in both existing OEFC Agreements to include any liens related to the FHP. Specifically, adding a clause in the existing OEFC Agreements that any lien related to OFHP will not be viewed as negative pledge by OEFC, so those liens can be used to secure the performance of IESO's obligations to OPG under the FHP. This would allow IESO to grant security to the OPG Trust during the first 4 years of implementing the GA deferral and also avoid breaching the terms of the existing agreements with OEFC.

- To support IESO's role in the implementation and participation under the Ontario Fair Hydro Plan Act, 2017 ("OFHP Act"), in July 2017 the IESO had requested that the OFA make similar changes to the credit facility agreements with OFA in October.
  - On November 6, 2017, the OFA amended the $475M facility to amend the definition of "permitted liens" and also included same for the new $2B credit facility agreement between OFA and the IESO , as requested by the IESO.

CONSIDERATIONS

- With the proposed new security agreement between OPG Trust and the IESO, OPG Trust would have a priority claim against the IESO's assets, the OEFC could find itself unable to collect payments due from the IESO. The likelihood of this scenario could be assessed as low.
  - The extent of this risk is subject to uncertainty at this time, given that the regulations that govern the payments related to the Fair Allocation Amount in each period, and how that relates to the obligations to the Financing Entity, are still under development.

- IESO is an agency of the government consolidated line-by-line in the Province's accounts.

- The OFA agreed to IESO's requested changes to the OFA credit facilities.

- OFA'S Capital Markets Operations staff have commented that the legislation governing OEFC, the *Electricity Act, 1998*, may provide differing context from the OFA's objects and mandate under the *Capital Investment Plan Act, 1993* and any changes to the OEFC agreements should take this into account.

- According to the Minister's Directives associated with the OEFC Agreements, the loan and the credit facilities are "subject to such other terms as OEFC deems appropriate." Therefore, an amendment for permitted liens can be done under the existing directives, and new or revised directives from the Minister of Finance are not deemed necessary. This would be consistent with the approach when the pre-existing OFA-IESO credit facility agreement was amended for permited liens on November 6, 2017.

RECOMMENDATIONS

- In order to support IESO's request in relation to its obligation with respect to FHP, OFA staff are of the view that the exisiting OEFC Agreements can be amended to include liens related to FHP under the definition of the "permitted liens".

BACKGROUND

- In order to support IESO's role with the implementation of the OFHP Act, OFA staff made similar changes to the definition of 'permitted liens" in existing OFA-IESO credit facility agreements on November 6, 2017.

- Currently, under the existing credit facility agreements between OEFC and the IESO, the definition of "permitted liens" does not include any lien arising from the IESO's role and obligations under the OFHP, including with respect to any amount received or receivable by the IESO (such as, without limitation, amounts received or receivable in respect of the Clean Energy Adjustment), or any other lien, whether arising from the action or inaction of IESO, that is created in connection with the OFHP.

Electricity Finance Branch, Corporate and Electricity Finance Division
Capital Markets Operations, Capital Markets Division
Ontario Financing Authority
November 28, 2017

From:	Nathan Yuen
To:	Mike Manning; Opal Kandelas
Cc:	Erica Wieder
Subject:	RE: OFA 2018 Annual Report
Date:	Tuesday, June 12, 2018 2:14:01 PM
Attachments:	2018 OFA Annual Report - Draft.pdf

Hi All,

Please see the attached for the latest copy of the 2018 OFA Annual Report that was sent to Legal for distribution to the board.

Thanks,
Nathan

From: Nathan Yuen
Sent: Monday, May 07, 2018 10:02 AM
To: Bonnie Lemcke <Bonnie.Lemcke@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Linda Smith <Linda.Smith@ofina.on.ca>; Parvez Daruwalla <Parvez.Daruwalla@ofina.on.ca>; Siva Nathan <Siva.Nathan@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; David Cross <David.Cross@ofina.on.ca>; Michael Smith <Michael.Smith@ofina.on.ca>; Mark Froud <Mark.Froud@ofina.on.ca>; Alexander Kraas <Alexander.Kraas@ofina.on.ca>; John Psinas <John.Psinas@ofina.on.ca>; Deitra Sawh <Deitra.Sawh@ofina.on.ca>; Francisco Chinchon <Francisco.Chinchon@ofina.on.ca>; Emily Kerr <Emily.Kerr@ofina.on.ca>; Susan Szabo <Susan.Szabo@ofina.on.ca>; Usman Zahid <Usman.Zahid@ofina.on.ca>; Andrew Prahalad <Andrew.Prahalad@ofina.on.ca>; Deena Padamadan <Deena.Padamadan@ofina.on.ca>; Ivy Wang <Ivy.Wang@ofina.on.ca>; George Sakura <George.Sakura@ofina.on.ca>
Cc: Erica Wieder <Erica.Wieder@ofina.on.ca>; Serena Ly <Serena.Ly@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>; Sarah Neville <Sarah.Neville@ofina.on.ca>
Subject: OFA 2018 Annual Report

Good morning All,

The 2018 OFA Annual Report has been posted on the portal and is located here:

http://portal.ofina.on.ca/sites/cmd/ir/2018%20OFA%20Annual%20Report/Forms/AllItems.aspx

Please forward to relevant staff to review and provide revisions to the document by **Friday, May 18th.**

Thank you,
Nathan

Ontario

2018 Annual Report

ONTARIO FINANCING AUTHORITY

ONTARIO FINANCING AUTHORITY

www.ofina.on.ca

Visit www.ofina.on.ca and subscribe to our email alert service to receive the latest Province of Ontario updates:

- **OFA Bulletins**
- **Bond Issues / Borrowing Program Details**
- **IR Presentations**
- **Notice of Webcasts and Other events**

Mandate

The Ontario Financing Authority (the "OFA") was established as an agency, of the Crown, on November 15, 1993, by the *Capital Investment Plan Act, 1993* (the "Act"). In accordance with the Act, the OFA:

- conducts borrowing, investment and financial risk management for the Province of Ontario (the Province);
- manages the Provincial debt;
- provides centralized financial services for the Province including banking and cash management;
- advises ministries, Crown agencies and other public bodies on financial policies and projects;
- assists Crown agencies and other public bodies to borrow and invest money;
- acts at the direction of the Province in lending to certain public bodies;
- invests on behalf of some public bodies;
- with Ontario Power Generation Inc. (OPG), manages the investment activities of OPG's Used Fuel Segregated Fund and Decommissioning Segregated Fund; and
- carries out the day-to-day operations of Ontario Electricity Financial Corporation (OEFC) and provides a broad range of financial services to Ontario Infrastructure and Lands Corporation (Infrastructure Ontario).

In addition, the OFA's objects include:

- providing such other financial services as are considered advantageous to the Province or any public body; and
- any additional objects as directed by the Lieutenant Governor in Council.

Table of Contents

Statement from the Chair and the Chief Executive Officer 3

Management's Discussion and Analysis 5
Capital Markets Activities 5
Borrowing and Debt Management 6
Financial Reporting and Treasury Services 9
Financial Advice 11

Summary of Financial Results 13

Financial Statements 15
Responsibility for Financial Reporting 15
Auditor's Report [TO BE UPDATED] 16
Statement of Financial Position 17
Statement of Operations 18
Statement of Change in Net Financial Assets 19
Statement of Cash Flow 20
Notes to Financial Statements 21

Corporate Governance 34
Financial Reporting Requirements 35
Board of Directors 37
Risk Management Policies and Procedures 45

Appendices 48
Ontario's Credit Ratings 48
Additional Sources of Information 49

Statement from the Chair and the Chief Executive Officer

The OFA successfully completed its annual borrowing program in 2017–18 raising $33.9 billion on behalf of the Province and OEFC. Performance targets for Canadian-dollar and foreign borrowing were met or exceeded. Based on the *2018 Budget* projection of the Province's interest on debt expense, a savings of $281 million was generated when compared to the forecast in the *2017 Budget*. The OFA also generated additional savings of $11 million from money market activities relative to the performance benchmark.

During the 2017–18 fiscal year, the OFA continued the review of business cases for borrowing requests from public bodies, such as colleges and crown corporations, resulting in loans to public bodies totalling $120 million, excluding drawings against a total of $2.5 billion short-term credit facilities for the Independent Electricity System Operator. The OFA also provided financial advice and implementation support with respect to on-going initiatives related to the Province's assets, the electricity sector, a loan guarantee program to facilitate Aboriginal participation in energy infrastructure projects, and analysis and advice with respect to a number of Infrastructure Ontario projects. The OFA will also continue to engage in public-sector financing initiatives and provide advice and support on financial aspects of government assets and electricity sector developments.

The OFA leveraged its relationships with all of the Canadian scheduled banks to implement enhanced interest on the Province's overnight cash deposits thereby contributing to higher returns on the Province's liquid reserves.

In 2018–19, the OFA will continue to provide cost-effective borrowing, debt management and other financial services on behalf of the Province. To meet the Province's borrowing requirements, staff will continue to be flexible, monitoring Canadian-dollar and international markets, issuing bonds in different terms and currencies and responding to investor preferences. The OFA plans to continue to issue green bonds in the Canadian-dollar market, building on the success of the last four fiscal years.

We are proud of the OFA's diversity and remain committed to an inclusive and respectful environment. The organization continues to promote gender balance (currently the Board of Directors is over 60 per cent female), diversity, staff training and development, cultural sensitivity, and accessibility best practices.

We would like to thank the OFA staff for their hard work and the Board of Directors for their advice and oversight during the 2017–18 fiscal year. We look forward to working with staff and the Board in 2018–19.

Scott Thompson
Chair

Gadi Mayman
Chief Executive Officer

Capital Markets Activities

Borrowing and Debt Management

Financial Reporting and Treasury Services

Financial Advice

Management's Discussion and Analysis

This section details management's discussion and analysis of the results achieved by the OFA for the Province in 2017–18 and its objectives for 2018–19.

Capital Markets Activities

Borrowing Program

Long-term borrowing for 2017–18 totalled $33.9 billion, including $11.5 billion in preborrowing for 2018–19, and took advantage of the low interest rate environment and strong demand for Ontario bonds. The weighted-average term to maturity of long-term Provincial debt issued has been extended from 8.1 years in 2009–10 to 12.1 years in 2017–18. This continued extension of the term to maturity allowed the Province to lock in low interest rates for a longer period, which reduces refinancing risks and helps offset the impact of expected higher interest rates on the Province's Interest on Debt (IOD) costs. This strategy, along with lower than forecast deficits and interest rates plus efficient and effective debt management by the OFA, has allowed the Province to project in its 2018 Annual Budget, $281 million in interest on debt savings for the 2017–18 fiscal year.

Strong global investor demand for Canadian-dollar assets, the liquidity of Ontario benchmark bonds and continuing confidence in the Province allowed Ontario to borrow 62 per cent in the Canadian-dollar market in 2017–18. While this percentage was lower than the 74 per cent of 2016–17's borrowing completed in Canadian dollars, it remains roughly in line with the target announced in the *2017 Ontario Economic Outlook and Fiscal Review* — to complete approximately two-thirds of the total borrowing in the Canadian dollar market.

Investments

The OFA manages the Province's liquid reserve portfolio to optimize investment returns and to ensure sufficient funds are available to meet cash requirements. The average level of unrestricted liquid reserves in 2017–18 was $30.1 billion. In the normal course of business, the Province may pledge or receive collateral for derivative transactions and repurchase agreements. Unrestricted liquid reserves are a more prudent measure of total liquid reserves as pledged collateral is netted out of the total liquid reserves calculation.

The OFA also invests on behalf of certain public bodies to help increase their returns by streamlining investment processes and reducing investment costs. In 2017–18, the OFA provided investment services to a number of agencies, boards, commissions and other public bodies, including Infrastructure Ontario, the Pension Benefits Guarantee Fund, Ontario Trillium Foundation, Ontario Capital Growth Corporation and the Deposit Insurance Corporation of Ontario. Total funds managed were $2.2 billion.

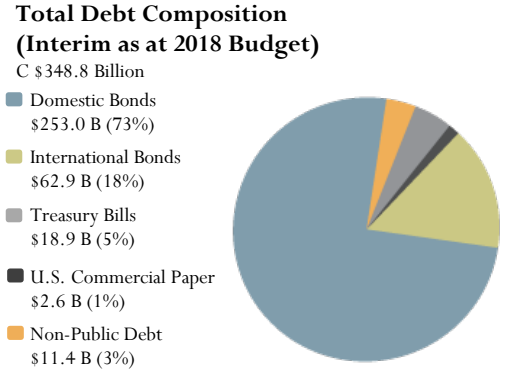
With OPG, the OFA continued to manage the investment activities of OPG's Used Fuel Segregated Fund and the Decommissioning Segregated Fund established under the Ontario Nuclear Funds Agreement (ONFA). As at March 31, 2018, the combined market value of the funds was $21.3 billion compared to $19.9 billion at March 31, 2017 and $4.9 billion when the funds were formally established in 2003.

There are currently 33 external investment managers retained to invest ONFA funds in bonds, equities, and real assets. For the 12 months ending March 31, 2018, the ONFA funds' rate of return was 7.74 per cent, ahead of the market benchmark of 5.88 per cent. Since inception, the ONFA funds have returned 7.67 per cent annualized, outperforming the long-term target annualized rate of return of 5.15 per cent. This target is a real rate of return of 3.25 per cent annually, calculated by adding 3.25 to the rate of change in the Ontario Consumer Price Index.

Borrowing and Debt Management

The OFA manages the debt of the Province and OEFC.

Total Debt Composition (Interim as at 2018 Budget)



Total debt, which represents all borrowing without offsetting financial assets, was $348.8 billion, interim as at March 31, 2018, compared to $333.1 billion as at March 31, 2017, and a forecast of $341.1 billion in the *2017 Budget*.

Ontario's net debt is the difference between total liabilities and total financial assets. Ontario's net debt is projected to be $308.2 billion as of March 31, 2018 (March 31, 2017, $301.6 billion). This projection for March 31, 2018 is $3.7 billion below the forecast of $311.9 billion in the *2017 Budget*. It includes the broader public sector's (BPS) net debt of $13.3 billion (March 31, 2017, $14.0 billion).

Prudent risk management policies and practices mitigate the financial risks inherent in managing large debt and liquid reserve portfolios. A variety of financial instruments, such as swaps and forward contracts, are used to manage exposures to fluctuations in interest rates and foreign currency exchange rates. The OFA uses derivatives for hedging purposes to manage its foreign exchange and interest rate risks. The OFA's derivatives policy does not permit the creation of leverage using derivatives. The Province's financial risks are monitored on a continuous basis, and these risk exposures are marked-to-market daily and audited annually.

Risk management policies are reviewed annually and amendments are approved by the Board.

Performance

The OFA monitors and measures the performance of the borrowing and money market programs. The performance of long-term fixed rate borrowing for 2017–18 is measured by comparing the all-in borrowing cost against the statistical distribution of benchmark interest rates observed during the year, with the objective being to attain a low percentile rank. Regular long-term fixed borrowing achieved a percentile rank of 48.2, within the target range of 45-55 percentile; strategic foreign borrowing, achieved a percentile rank of, 49.8 outperforming the target range of 50-75 percentile.

The performance of liquid reserve investments (money market program) is measured relative to the returns of a custom benchmark with a term of approximately 61 days. The target is ±2 basis points relative to the benchmark. The program returned 4 basis points more than the benchmark. Actual money market performance was $11 million better than the benchmark for 2017–18.

Market Risk

Market risk is the risk of loss due to changes in interest and foreign exchange rates.

The OFA aims for a balanced debt maturity profile for the Province to mitigate the interest rate risk inherent in refinancing maturing debt and the floating-rate debt. The Province limits itself to a maximum net interest rate resetting exposure of 35 per cent of debt issued for Provincial purposes and a maximum foreign-exchange exposure of 5 per cent of debt issued for Provincial purposes.

The interim percentage of interest rate resetting exposure (net of liquid reserves) was 11 per cent of debt as at March 31, 2018. The interim foreign exchange exposure was 0.2 per cent of debt as at March 31, 2018.

All exposures were well within the Province's approved policy limits during 2017–18.

Credit Risk

Credit risk is the risk of loss due to default of bond issuers or counterparties of derivatives or other financial transactions. The lowest acceptable credit rating of counterparties for Ontario is A–. However, Ontario typically enters into swap transactions with new counterparties rated AA– or higher. Ontario's hedging transactions related to international borrowing result in credit risk exposure to its derivative counterparties. In order to manage and mitigate credit risk associated with derivative transactions, the Province has negotiated swap collateral agreements known as Credit Support Annexes (CSAs) with many of its derivatives counterparties. A CSA is a bilateral agreement between two parties that provides the terms and conditions for posting collateral in order to offset the credit exposure related to derivative transactions.

The Province's interim net credit risk exposure associated with the derivative portfolio as at March 31, 2018 was $505 million, increasing from $143 million as at March 31, 2017, largely due to an increase in exposure to counterparties without a CSA. Net credit risk exposure represents the loss that the Province would incur if every counterparty to which the Province had credit risk exposure were to default at the same time, less the mitigating impact of netting provisions as prescribed in contractual master agreements.

As at March 31, 2018, over 99 per cent of Ontario's credit exposure was to counterparties rated AA– or better, essentially unchanged from 99 per cent as at March 31, 2017.

Liquidity Risk

Liquidity risk is the risk that liquid reserves will not be sufficient to meet the Province's cash requirements. This risk is controlled through the management of operational cash flows, liquid reserve levels and the short-term borrowing program.

The Province's Treasury bill and U.S. Commercial Paper programs have authorized limits of $33.0 billion and $15.0 billion, respectively. As at March 31, 2018, the outstanding borrowing under the Province's Treasury bill and U.S. Commercial Paper programs stood at $18.0 billion and $3.8 billion, respectively.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems or external events. The OFA manages operational risks through divisional procedures and contingency plans as well as appropriate staffing and training, all of which are reviewed on an ongoing basis. The OFA's Business Continuity Plan (BCP) ensures critical operations are completed in a timely manner in the event of an unforeseen business disruption. All BCP infrastructure and services were successfully tested in two corporate exercises held throughout the year.

The reliability of information technology (IT) and computing systems is crucial to ensure the OFA carries out its mandate efficiently and effectively. The Strategic Corporate Services Division (SCSD) supports the OFA by ensuring the efficient and effective management of business critical services including technology & communication systems, procurement, facilities, human resources, corporate business continuity and all related policies.

All systems and services were supplied within defined Service Level Agreements, with no major failures or breaches realized in 2017–18. With upticks in data creation and consumption, and rising global cyber security threats, continued resource investment contributes to the proactive maintenance and management of systems, and will continue to be handled with the highest diligence in defense of the systems that support the OFA.

Market Developments - The Canadian Depository for Securities (CDS) Fees

On December 22, 2016, CDS advised issuers that it had received regulatory approval to expand the scope of its fees, a process which CDS initiated in November 2014 in the face of significant concerns from various market participants, including several municipal and provincial issuers across Canada. In conjunction with other government issuers, the OFA undertook considerable advocacy efforts with CDS and its regulators to clarify the scope and applicability of these new fees which ultimately resulted in CDS withdrawing its initial proposal and introducing two new fee proposals. CDS began charging issuers on March 1, 2017 in connection with the two new fee proposals, however, some of the initial fees proposed in November 2014 were reduced and all existing debt was 'grand-fathered' meaning that the fees would only apply to new domestic securities issued after March 1, 2017.

Credit Rating Agency Relations

The Province requires ratings from recognized credit rating agencies to issue debt in the capital markets. The OFA ensures credit rating agencies understand government policies and budget direction as well as economic and fiscal performance, and properly reflect these in their reports and decisions. Through the OFA, the Province maintains a one-window contact with the rating agencies to ensure information provided to them is consistent and coordinated.

Capital Markets and Borrowing and Debt Management Objectives for 2018–19

The OFA will continue to diversify the Province's Canadian-dollar borrowing program using a combination of syndicated issues, bond auctions, floating-rate notes, medium-term notes and Ontario Savings Bonds. The OFA also plans on issuing green bonds in the Canadian-dollar market. These bonds are expected to be issued

at the same yield as Ontario's conventional bonds of comparable term and size. The Province announced a target in the *2017 Ontario Economic Outlook and Fiscal Review* — to complete approximately two-thirds of the total borrowing in the Canadian dollar market in 2018–19. This is in line with the historical average of issuing approximately three-quarters in that market, but represents a considerable decline in the reliance on foreign markets during the global financial crisis beginning in 2008. For example, in 2009–10, more than 50 per cent of the Province's issuance was in international markets.

Ontario will continue to be flexible, monitoring the Canadian-dollar and international markets, issuing bonds in different terms and currencies, and responding to investor preferences. Investor relations will remain a priority, with potential road shows in Canada, Europe and the United States.

The Province will continue to hedge foreign exchange and interest rate risks when borrowing in international markets. This hedging process may become more complex due to regulatory reforms in the derivatives markets under the U.S. *Dodd-Frank Wall Street Reform and Consumer Protection Act* (Dodd-Frank), the European Market Infrastructure Regulation (EMIR), and Bank for International Settlements *Basel III* regulations. These initiatives may increase the cost of hedging. Hedging may also become more expensive if proposals such as financial transaction taxes or mark-to-market derivatives taxes are legislated and implemented in Europe or the United States.

Cost-effective and prudent debt management strategies will continue to be key objectives in 2018–19. The OFA will comply with risk management policies and portfolio program limits approved by the Boards of Directors of the OFA and OEFC. Risk management policies will be reviewed and revised as required in response to an evolving regulatory and capital markets environment. On behalf of the Province, the OFA will continue negotiating CSAs with other major counterparties.

The OFA will also manage the Province's liquid reserves conservatively. With OPG, the OFA will continue to administer ONFA investments consistent with the objectives of ONFA, so the Province's contingent liabilities under ONFA are prudently managed. As well, the OFA will continue to invest on behalf of certain public bodies.

Financial Reporting and Treasury Services

In 2017–18, the OFA successfully leveraged higher deposit returns from the Canadian scheduled banks to strategically invest the Province's liquid reserves thereby contributing to higher overall returns.

The OFA continued to participate in the cross-ministry Working Group, Executive Governance Committee and Payment Card Industry (PCI) Enterprise Coordination Office to ensure that ministries maintain compliance with mandatory security requirements for debit/credit card acceptance.

The OFA provided advice to the Ministry of Government and Consumer Services (MGCS) on their corporate purchasing/travel card program as well as an analysis of related *Financial Administration Act* considerations. The OFA's contributions resulted in MGCS implementing changes to the guarantee of cash advances obtained by government employees under the travel card program which have significantly reduced risk exposure to the Province.

The OFA continued to engage with provincial and federal counterparts on treasury and cash management program issues throughout the year, including hosting a Federal/Provincial/Territorial Treasury Round Table meeting to discuss jurisdictional banking issues/development in May, 2018

The OFA continued to work with the other provinces to communicate concerns with the Financial Instruments standard to the Public Sector Accounting Board (PSAB). As a result, PSAB has delayed the implementation of this standard by two years to April 1, 2021 to address a number of issues.

The OFA continued to provide agency financial statements, as well as reporting of provincial debt, derivatives and investments. As in past years, the OFA's 2016–17 Financial Statements received an unqualified opinion from the Office of the Auditor General. As part of the audit of the Province's Public Accounts, the Office of the Auditor General audits the OFA's financial reporting of the Province's debt and interest on debt. The 2017–18 Public Accounts audit is currently on-going, the 2016–17 audit, in keeping with the past years, did not identify any material issues.

Financial Reporting and Treasury Services Objectives for 2018–19

While compliance with PCI Data Security Standards is now in its sustainment phase, the OFA will continue to work with the other OPS stakeholders and the credit/debit card acquirer to ensure that the mandatory external reviews continue to report that the Province is in compliance with all applicable PCI data security standards which are reviewed and updated periodically by the PCI Council.

The OFA will continue to work with TD Merchant Services, the Province's card acquirer, to explore options for the Province to begin accepting new value-added card products and technology.

The OFA will continue to work with the Ministry of Community and Social Services on refining the reloadable payment card as a more efficient payment mechanism for unbanked benefit recipients under the Ontario Disability Support Program.

The OFA will continue to work with the Office of the Provincial Controller on providing feedback on Chapter 2 of the Annual Report of the Auditor General of Ontario which deals with Ontario's Public Accounts.

The OFA will work closely with PSAB and the other provinces in continuing to communicate concerns to PSAB on the Financial Instruments Standard and to effectively use the two year delay in the implementation of the standard to effect essential changes. Continue to liaise with the Office of the Provincial Controller and, where required, the Office of the Auditor General of Ontario in communicating with PSAB.

The OFA will continue to maintain a leading edge Business Continuity Plan to ensure that timely payments are made to the BPS (including hospitals, municipalities and school boards) to manage the Province's financial risks in real time, and to ensure that adequate funds are available to settle all of the Province's multibillion dollar financial transactions even in the event of unforeseen disruptions.

Financial Advice

The OFA was active in providing financial advice and implementation assistance to ministries, Crown agencies and other public bodies on corporate and electricity finance policies and initiatives.

The OFA will continue to assist the Province in identifying efficient and effective public service delivery models by providing financial analysis and advice, and implementation support where applicable, with respect to potential opportunities for partnerships with the private sector and with respect to opportunities to optimize the returns on its government business enterprises and other assets.

Projects – Advisory Activities

The OFA continued to advise the Province on venture capital investments made by the Ontario Capital Growth Corporation through the Ontario Venture Capital Fund, the new Northleaf Venture Catalyst Fund, and the Ontario Emerging Technology Fund.

The OFA continued to provide analysis and advice in respect of a number of Infrastructure Ontario projects.

The OFA reviewed and provided advice on proposals received under the Jobs and Prosperity Fund (JPF) program.

The OFA provided analysis, advice and implementation support in respect of financing for electricity price mitigation measures.

Projects – Other Financial Services

The OFA's framework for financing public bodies mandates the OFA to provide long-term financing to crown agencies, school boards, colleges, hospitals and specified Provincial corporations, boards and commissions. Under this framework, the OFA provided new loans to a number of public bodies, including Ontario colleges, school boards and crown corporations totalling $120 million excluding drawings against a total of $2.5 billion short-term credit facilities for the Independent Electricity System Operator (IESO) in 2017–18.

The OFA provided financial analysis and support on financial transactions (e.g., Stelco restructuring).

The OFA provided financial analysis, advice and implementation support on initiatives related to government assets. This included the public offering of shares in Hydro One, which closed in May 2017, the sale of shares in Hydro One to First Nations in Ontario, and the sale of designated Provincial real estate assets. The OFA also provided analysis, advice and implementation support with respect to the associated financial impacts on OEFC from the sale of shares in Hydro One.

The OFA, on behalf of the Province, has received a number of applications for the Province's Aboriginal Loan Guarantee Program, which are in various stages of completion and are under review by staff and a third party due diligence provider. As at March 31, 2018, nine loan guarantees totalling approximately $250 million have been approved under the program.

The OFA provided services to OEFC, including facilitating loan agreements between OEFC and OPG to provide financing for general corporate purposes and electricity supply projects. The OFA provided analysis and advice on and continued to implement various OFA and OEFC credit facilities to the IESO.

The OFA assisted in the continued implementation of ONFA, including reviewing OPG's 2018 annual budget for eligible expenditures under ONFA for nuclear waste management and advising the Minister of Finance on OPG's financial guarantee requirements to the Canadian Nuclear Safety Commission (CNSC) for the 2018 to 2022 period.

The OFA also provided analysis to the Minister of Finance and the government to support electricity policies and initiatives, focusing on potential fiscal and economic impacts on the Province and OEFC.

Financial Advice Objectives for 2018–19

In 2018–19, the OFA will continue to provide financial advice and assistance to the Minister of Finance, ministries, Crown agencies and other public bodies on financial policies and initiatives.

Activities will include advising ministries and agencies on cost-effective financing policies and structures, comprehensive advice on structuring and implementing financial transactions and accurate determination of value-for-money benchmarks.

The OFA will provide financial analysis and advice on managing the government's assets and measures to support government initiatives and to facilitate cost-effective borrowing by public sector organizations.

Financial analysis and advice will be provided to the Minister of Finance with respect to policy initiatives in the electricity sector, including the implementation of ONFA, managing the debt and other liabilities of OEFC, and electricity rate mitigation programs. Such financial analysis and advice includes the impact of policy initiatives on the Province's finances (including those of OEFC) and on the economy.

As required, the OFA will advise on electricity supply and demand initiatives, including facilitating potential financing to OPG for supply initiatives.

The OFA will continue to provide analysis and advice to the Minister of Finance on applications to and loan guarantees under the Aboriginal Loan Guarantee Program.

The OFA will continue to provide analysis and advice as required on current or proposed business support programs or initiatives. In addition, the OFA will continue to provide analysis and advice where requested on transformation opportunities for ministries, Crown agencies and other public bodies.

Summary of Financial Results

The Ontario Financing Authority (OFA) manages the Province's debt, interest on debt and investment of liquid reserves, and recovers the cost of these services from the Province. The OFA provides loans to Crown agencies and other public bodies on the direction of the Province. It also provides other financial services to Crown agencies and other public bodies. These costs are recovered on a fee-for-service basis.

The outstanding balance of the loans to public bodies at March 31, 2018 was $5,740.2 million, a net decrease of $263.3 million from $6,003.5 million in March 2017, including write off of $0.9 million interest spread receivable from Ottawa Convention Centre (Note 5). The table below summarizes these changes:

(in thousands of dollars)

Borrower	March 31, 2018	March 31, 2017	Change
Colleges of Applied Art and Technologies	$328,940	$320,653	$8,287
Independent Electricity System Operator	13,766	81,209	(67,443)
Niagara Parks Commission	4,214	4,553	(339)
Ontario Cannabis Retail Corporation	25,000	–	25,000
Ontario Lottery and Gaming Corporation	32,653	33,769	(1,116)
Ontario Northland Transportation Commission	2,158	2,564	(406)
Ottawa Convention Centre Corporation	47,115	48,016	(901)
Royal Ontario Museum	23,734	26,000	(2,266)
School Boards	5,254,496	5,473,075	(218,579)
University of Ontario Institute of Technology	–	5,501	(5,501)
			$(263,264)

The OFA continued to provide investment management services to other public bodies for the aggregate amount of $2,144 million (2017 – $1,904 million) (Note 6).

The OFA recovered operating costs from agencies and related parties amounting to $5.0 million for the year ended March 31, 2018 (2017 – $4.8 million) (Note 6). The OFA's annual surplus for the year amounted to $3.2 million (2017 – $3.7 million) from the retention of the interest rate spread on loans to public bodies.

Prudent financial management on the part of the OFA ensured that actual expenditures continued to be below the budget resulting in cost recoveries from the Province that were $0.8 million lower than the budgeted amount. Interest revenue was $0.8 million greater than the budget contributing to an equal increase in the annual surplus.

Financial Statements

Responsibility for Financial Reporting
Auditor's Report
Statement of Financial Position
Statement of Operations
Statement of Change in Net Financial Assets
Statement of Cash Flow
Notes to Financial Statements

Financial Statements

Responsibility for Financial Reporting

The accompanying Financial Statements of the OFA have been prepared in accordance with Canadian public sector accounting standards. The preparation of the Financial Statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The Financial Statements have been properly prepared within reasonable limits of materiality and in light of information available up to June xx, 2018.

Management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities. An internal audit function independently evaluates the effectiveness of these internal controls on an ongoing basis and reports its findings to management and the Audit and Risk Management Committee of the Board.

The Board, through the Audit and Risk Management Committee, is responsible for ensuring management fulfils its responsibilities for financial reporting and internal controls. The Audit and Risk Management Committee meets quarterly with management and the internal auditors, and at least twice yearly with the external auditor, to deal with issues raised by them and to review the financial statements before recommending approval by the Board.

The Financial Statements have been audited by the Auditor General of Ontario. The Auditor General's responsibility is to express an opinion on whether the Financial Statements are fairly presented in accordance with Canadian public sector accounting standards. The Auditor's Report, which appears on the following page, outlines the scope of the Auditor's examination and opinion.

On behalf of management:

Gadi Mayman
Chief Executive Officer

Ken Kandeepan
Chief Financial and Risk Officer

Auditor's Report [TO BE UPDATED]

20 Dundas Street West
Suite 1530
Toronto, Ontario
M5G 2C2
416-327-2381
fax 416-327-9862
tty 416-327-6123

20, rue Dundas ouest
suite 1530
Toronto (Ontario)
M5G 2C2
416-327-2381
télécopieur 416-327-9862
ats 416-327-6123

www.auditor.on.ca

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Independent Auditor's Report

Toronto, Ontario
June xx, 2018

Bonnie Lysyk, MBA, CPA, CA, LPA
Auditor General

ONTARIO FINANCING AUTHORITY

Statement of Financial Position

As at March 31, 2018

(in thousands of dollars)		**2018**		***2017***
FINANCIAL ASSETS				
Cash	$	28,653	$	*21,664*
Due from agencies & related parties (Note 6) (c)		1,970		*3,555*
Due from the Province of Ontario		2,176		*1,743*
		32,799		*26,962*
LIABILITIES				
Accounts payable and accrued liabilities		2,176		*1,743*
Due to the Province of Ontario		3,637		*1,422*
Deferred revenue (Note 3)		1,621		*1,504*
		7,434		*4,669*
Net financial assets		**25,365**		***22,293***
NON-FINANCIAL ASSETS				
Tangible capital assets (Note 2)		1,240		*1,196*
Prepaid expenses		381		*308*
		1,621		*1,504*
Accumulated surplus	$	**26,986**	$	***23,797***

See accompanying notes to financial statements.

Approved on behalf of the Board of Directors:

Scott Thompson
Chair

Gadi Mayman
Chief Executive Officer

ONTARIO FINANCING AUTHORITY

Statement of Operations

For the year ended March 31, 2018

(in thousands of dollars)	2018 Budget	2018 Actual	*2017 Actual*
REVENUE			
Cost recovery from the Province of Ontario (Note 4)	$ 21,752	$ 20,073	*$ 18,280*
Cost recovery from Agencies & related parties (Note 6) (c)	4,859	5,004	*4,841*
Amortization of deferred capital contributions (Note 3)	789	768	*831*
Interest revenue (Note 5)	3,305	4,090	*3,655*
	30,705	29,935	*27,607*
EXPENSES			
Salaries, wages and benefits	22,175	21,103	*19,257*
Administrative and general	4,536	3,974	*3,864*
Bad debt expense	–	901	–
Amortization of tangible capital assets (Note 3)	789	768	*831*
	27,500	26,746	*23,952*
Annual surplus	3,205	3,189	*3,655*
Accumulated surplus at beginning of year	23,797	23,797	*20,142*
Accumulated surplus at end of year	$ 27,002	$ 26,986	*$ 23,797*

See accompanying notes to financial statements.

ONTARIO FINANCING AUTHORITY

Statement of Change in Net Financial Assets

For the year ended March 31, 2018

(in thousands of dollars)	**2018 Budget**	**2018 Actual**	***2017 Actual***
Annual Surplus	$ 3,205	$ 3,189	*$ 3,655*
Acquisition of tangible capital assets (Note 3)	(817)	(812)	*(826)*
Amortization of tangible capital assets (Note 3)	789	768	*831*
Prepaid expenses	–	(73)	*42*
Change in net financial assets	3,177	3,072	*3,702*
Net financial assets at beginning of year	22,293	22,293	*18,591*
Net assets at end of year	$ 25,470	$ 25,365	*$ 22,293*

See accompanying notes to financial statements.

ONTARIO FINANCING AUTHORITY

Statement of Cash Flow

For the year ended March 31, 2018

(in thousands of dollars)		**2018**		***2017***
Operating transactions				
Annual surplus	$	3,189	$	*3,655*
Less: Items not affecting cash				
Amortization of tangible capital assets		768		*831*
(Increase)/Decrease in Prepaid expenses		(73)		*42*
Increase/(Decrease) in deferred revenue		117		*(47)*
Changes in non-cash working capital:				
Decrease/(Increase) in due from agencies & related parties		1,585		*(467)*
(Increase)/Decrease in due from the Province (net of accounts payable)		(433)		*176*
Increase/(Decrease) in accounts payable		433		*(176)*
Increase in recoveries due to the Province		2,215		*76*
Cash (used)/provided by operating transactions		7,801		*4,090*
Capital transaction				
Cash used to acquire tangible capital assets		(812)		*(826)*
Cash applied to capital transactions		(812)		*(826)*
Net change in cash		6,989		*3,264*
Cash at beginning of year		21,664		*18,400*
Cash at end of year	**$**	**28,653**	***$***	***21,664***

See accompanying notes to financial statements.

BACKGROUND

The Ontario Financing Authority (the "OFA") was established as an agency, of the Crown, on November 15, 1993, by the *Capital Investment Plan Act, 1993* (the "Act"). In accordance with the Act, the OFA:

- conducts borrowing, investment and financial risk management for the Province of Ontario ("the Province");
- manages the Provincial debt;
- provides centralized financial services for the Province including banking and cash management;
- advises ministries, Crown agencies and other public bodies on financial policies and projects;
- assists Crown agencies and other public bodies to borrow and invest money;
- acts at the direction of the Province in lending to certain public bodies;
- invests on behalf of some public bodies;
- with Ontario Power Generation Inc. (OPG), manages the investment activities of OPG's Used Fuel Segregated Fund and Decommissioning Segregated Fund; and
- carries out the day-to-day operations of Ontario Electricity Financial Corporation (OEFC) and provides a broad range of financial services to Ontario Infrastructure and Lands Corporation (Infrastructure Ontario).

In addition, the OFA's objects include:

- providing such other financial services as are considered advantageous to the Province or any public body; and
- any additional objects as directed by the Lieutenant Governor in Council.

The Memorandum of Understanding between the OFA and the Minister of Finance is an administrative agreement that serves as an important governance tool for the OFA in delivering on its mandate and objectives.

The OFA is a corporation established under the laws of Ontario. The OFA is exempt from federal and provincial income taxes under paragraph 149(1)(d) of the *Income Tax Act* (Canada).

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting: These financial statements are prepared by management in accordance with Canadian Public Sector Accounting Standards for provincial reporting entities established by the Canadian Public Sector Accounting Board.

(b) Tangible capital assets: Tangible capital assets are stated at cost. Amortization is provided using the straight-line method over the estimated useful life of the assets, with a half-year

provision applied in both the year of acquisition and the year of disposal. The estimated useful life of the assets are as follows:

Furniture and equipment	5 years
Computer hardware	3 years
Leasehold improvements	Term of lease

Funding received from the Province for the acquisition of tangible capital assets is recorded as deferred revenue and amortized to cost recovery on the same basis as the tangible capital assets.

(c) Measurement uncertainty: The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Items requiring the use of significant estimates include: useful life of tangible capital assets, accruals and the accrued benefit obligation. Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

(d) Accounts Payable and Accrued Liabilities: Accounts payable relate to normal business transactions with third-party vendors and are subject to standard commercial terms. Accrued liabilities relate to accruals for salaries and benefits.

(e) Revenue and Expenses: OFA is funded from the Consolidated Revenue Fund (CRF) as part of Treasury Program. OFA can charge fees subject to statutory and regulatory authority and it earns revenues from public bodies outside of the CRF; the OFA retains revenues earned from the interest rate spread on its loans to public bodies.

(f) Financial Instruments: The OFA's financial assets and liabilities are accounted for as follows:

- Cash is subject to an insignificant risk of change in value so carrying value approximates fair value; and

- Accounts receivable, Due from Agencies & related parties, Due from the Province of Ontario, accounts payable, Due to the Province of Ontario and Deferred Revenue are recorded at cost.

The OFA does not use derivative financial instruments on its own behalf.

2. TANGIBLE CAPITAL ASSETS

Year ended March 31, 2018

(in thousands of dollars)	Computer Hardware	Leasehold Improvements	Furniture and Equipment	Total
Cost				
Opening balance, April 1, 2017	$14,026	$1,858	$1,126	$17,010
Additions	693	35	84	812
Disposals	(523)	–	–	(523)
Closing balance, March 31, 2018	14,196	1,893	1,210	17,299
Accumulated Depreciation				
Opening balance, April 1, 2017	12,948	1,790	1,076	15,814
Amortization	693	54	21	768
Disposals	(523)	–	–	(523)
Closing balance, March 31, 2018	13,118	1,844	1,097	16,059
Net Book Value, March 31, 2018	$1,078	$49	$113	$1,240

Year ended March 31, 2017

(in thousands of dollars)	Computer Hardware	Leasehold Improvements	Furniture and Equipment	Total
Cost				
Opening balance, April 1, 2016	$13,650	$1,833	$1,093	$16,576
Additions	768	25	33	826
Disposals	(392)	–	–	(392)
Closing balance, March 31, 2017	14,026	1,858	1,126	17,010
Accumulated Depreciation				
Opening balance, April 1, 2016	12,702	1,608	1,065	15,375
Amortization	638	182	11	831
Disposals	(392)	–	–	(392)
Closing balance, March 31, 2017	12,948	1,790	1,076	15,814
Net Book Value, March 31, 2017	$1,078	$68	$50	$1,196

3. DEFERRED REVENUE

Deferred revenue represents the unamortized portion of the cost recovered from the Province for the acquisition of tangible capital assets as well as prepaid expenses to be allocated over the period the resources are consumed.

(in thousands of dollars)	Year ended March 31,2018		
	Tangible Capital Assets	**Prepaid Expenses**	**Total**
Balance, beginning of year	$ 1,196	$ 308	$ 1,504
Additions	812	532	1,344
Amortization	(768)	–	(768)
Expensed in the current year	–	(459)	(459)
Balance, end of year	$ 1,240	$ 381	$1,621

(in thousands of dollars)	Year ended March 31, 2017		
	Tangible Capital Assets	**Prepaid Expenses**	**Total**
Balance, beginning of year	$ 1,201	$ 350	$ 1,551
Additions	826	548	1,374
Amortization	(831)	–	(831)
Expensed in the current year	–	(590)	(590)
Balance, end of year	$ 1,196	$ 308	$ 1,504

Amortization of $768,000 (2017 – $831,000) represents the offset to the contributions received for the purchase of tangible capital assets. The $459,000 (2017 – $590,000) expensed represents the amount allocated to the current year expenses from the prepaid expenses.

4. DEBT AND INVESTMENT MANAGEMENT FOR THE PROVINCE

The OFA manages debt on behalf of the Province amounting to $348.8 billion, as at March 31, 2018 (2017 Actual – $333.1 billion) as per the interim projection published in the 2018 Annual Budget. The OFA also manages investments amounting to $55.6 billion as at March 31, 2018 (2017 – $44.4 billion) including $21.3 billion (2017 – $19.9 billion) under the joint management of funds owned by OPG under ONFA. The Province, OPG and certain OPG subsidiaries entered into the agreement in March 2002 to set aside funds necessary to dispose of nuclear waste and used fuel and to decommission nuclear power stations. The agreement came into force on July 24, 2003.

Cost recovery from the Province for all debt management and investment activities for the year ended March 31, 2018 was $20.1 million (2017 – $18.3 million).

5. TRANSACTIONS WITH PUBLIC BODIES

The OFA provides financing to various public bodies on direction from the Province. As the OFA is directed by the Province to make these loans in furtherance of stated Provincial initiatives, and these loans are included in the Province's consolidated financial statements, these transactions are not reflected in these financial statements.

Funds for these loans are advanced to the OFA by the Province under credit facilities aggregating $18.9 billion expiring from 2036 to 2044. Principal repayments received from public bodies by the OFA are forwarded to the Province. The interest rates charged to public bodies is generally slightly higher than the rate charged on the advances from the Province to fund the loans ("the spread").

The OFA will generally retain a portion of the spread in order to recover the administrative costs of managing these loans. The spread retained by the OFA includes a cost recovery component and, where applicable, a proxy commercial interest rate spread. The inclusion of the proxy commercial spread results in an interest rate equivalent to what would be charged on the loan by a commercial lender and reflects the relative risk associated with the loan. During the year ended March 31, 2018, $4.1 million in interest rate spread revenue was recognized (2017 – $3.7 million) of which $0.6 million in receivable at year end (2017 – $2.1 million).

Loans to Public Bodies by the Province:

As at March 31, 2018, the principal amounts receivable by the OFA on behalf of the Province represent long term and short term loans. Interest accrued on the outstanding loans listed below amounted to $91.9 million (2017 – $93.9 million), of which $90.6 million (2017 – $92.7 million) will be flowed to the Province.

These are related party transactions, with the exception of those with the Corporation of the City of Windsor and the University of Ontario Institute of Technology.

(in thousands of dollars)

	March 31, 2018	***March 31, 2017***
Colleges of Applied Art and Technologies	$328,940	*$320,653*
Corporation of the City of Windsor	8,171	*8,171*
Independent Electricity System Operator	13,766	*81,209*
Niagara Parks Commission	4,214	*4,553*
Ontario Cannabis Retail Corporation	25,000	–
Ontario Lottery and Gaming Corporation	32,653	*33,769*
Ontario Northland Transportation Commission	2,158	*2,564*
Ottawa Convention Centre Corporation	47,115	*48,016*

Royal Ontario Museum	23,734	*26,000*
School Boards	5,254,496	*5,473,075*
University of Ontario Institute of Technology	–	*5,501*
Total	**$ 5,740,247**	***$ 6,003,511***

Colleges of Applied Art and Technologies have been loaned $328.9 million (2017 – $320.7 million) for various campus projects including new and expanded student residences, computer equipment, parking facilities, and an energy saving capital project. These loans bear interest ranging from 1.32 per cent to 5.75 per cent and mature from 2018 to 2042.

The Corporation of the City of Windsor is a municipality within the meaning of the *Municipal Act*. The financing provided is for the acquisition, design and construction of the Windsor Justice Facility consisting of a provincial division courthouse and city police headquarters. This is a 20 year loan bearing interest at 6.41 per cent and maturing in March 2021. The outstanding balance is $8.2 million (2017 – $8.2 million).

The Independent Electricity System Operator (IESO), a corporation established pursuant to Part II of the *Electricity Act, 1998,* had been provided a maximum $975 million credit facility to primarily fund the Regulated Price Plan variance account. Under the amended agreement between OFA and IESO on November 6, 2017, this credit facility was reduced to a maximum of $475 million and extended until November 30, 2019. As at March 31, 2018, the IESO has drawn $13.5 million from this facility for Rural or Remote Electricity Rate Protection (RRRP) variance account bearing an interest rate at 1.52 per cent. In addition, under a new agreement entered into between the OFA and the IESO on November 6, 2017, the IESO has been provided a maximum $2 billion credit facility for the purpose of supporting the IESO's role in implementation and administration of electricity price mitigation measures. This credit facility expires on September 23, 2022. As at March 31, 2018, the IESO has drawn $0.3 million from this facility bearing interest rate at 1.52 per cent.

The Niagara Parks Commission, a Crown agency of the Province, operating under the *Niagara Parks Act, 1990*, has been provided a loan of $4.2 million (2017 – $4.6 million) to finance additional capital costs incurred for the redevelopment of phase I of Table Rock House in Queen Victoria Park, Niagara Falls. This loan bears interest at 5.07 per cent and matures in April 2027.

The Ontario Cannabis Retail Corporation (OCRC) is a Crown agency of the Province, operating under the *Ontario Cannabis Retail Corporation Act, 2017,* has been provided a loan facility of $150 million for the purpose of funding the set-up and operating costs. As of March 31, 2018, OCRC has drawn $25 million from this facility bearing interest rate of 1.79 per cent.

The Ontario Lottery and Gaming Corporation (OLG) is a Crown agency of the Province under the *Ontario Lottery and Gaming Corporation Act*, *1999*, and has been provided loans totalling $32.6 million (2017 – $33.8 million) to fund several projects, bearing interest at 2.65 per cent and maturing from April 2018 to September 2022.

The Ontario Northland Transportation Commission (ONTC) is a Crown agency of the Province under the *Ontario Northland Transportation Commission Act, 1990*. ONTC's total borrowing of $2.2 million (2017 – $2.6 million) matures from 2020 to 2031 and bears interest ranging from 4.90 to 5.22 per cent.

Ottawa Convention Centre Corporation (OCC), a Crown agency of the Province governed under the *Ottawa Convention Centre Corporation Act, 1988*, was provided a 25 year loan of $40.0 million in September 2011, bearing annual interest at 4.67 per cent with a maturity in September 2036. Pursuant to a directive signed by the Minister of Finance on November 2, 2012, the Province provided OCC with a repayment deferral of principal and interest up to five years, with interest to continue to accrue over the five year deferral period. In fiscal 2016–17, the Province had recorded an allowance for doubtful accounts of $47.1 million for the principal and capitalized interest. Subsequently, in fiscal 2017–18, the OFA has written off $0.9 million for its share of the capitalized interest. Two settlement agreements became effective as at March 31, 2018, in respect to OCC's outstanding principal and accrued interest. One agreement signed by the Minister of Finance, releases the OFA from all of its obligations (principal and interest) relating to advances made to the OFA, in consideration of the other release agreement between the OFA, OCC and the Ministry of Tourism, Culture and Sport. The latter agreement releases OCC for the full amount of any outstanding principal and interest in consideration of the OCC agreeing to make payments on or before March 31 in each fiscal year to the OFA in the amount of at least $1 million annually in perpetuity, with the first payment to be made by March 31, 2019, which will then be transferred to the Province. The agreement also provides for a potential annual sweep of OCC cash surplus to operational requirements. If the OCC is not in a position to make full or partial payment, the Ministry of Tourism, Culture and Sport will make the payment to the OFA on behalf of the OCC.

The Royal Ontario Museum (ROM) is a Crown agency of the Province under a Special Act of the Ontario Legislature and has borrowed $23.7 million (2017 – $26.0 million) bearing floating rate interest, currently set at 3.24 per cent. All outstanding loans are scheduled to be repaid by March 2027.

School boards have been provided loans under various programs beginning in 2006. During the year ended March 31, 2018, school boards made semi-annual blended payments of principal and interest, leaving the total outstanding amount at $5,254.5 million (2017 – $5,473.0 million). These loans bear interest ranging from 2.43 to 5.38 per cent and mature from 2019 to 2042. The School Board loan program has been gradually replaced by a Ministry of Education capital grant facility model. Since April 1, 2017, this new funding model fully replaced the need for capital loans from the OFA. School Boards will, however, continue to make interest and principal payments until all outstanding balances are paid off.

The University of Ontario Institute of Technology (UOIT) is a corporation established under the *University of Ontario Institute of Technology Act, 2002*. The Province has provided a five-year term loan which matured in October 2017 and was repaid in full.

6. INVESTMENT AND DEBT MANAGEMENT FOR RELATED PARTY AGENCIES

a. The OFA provides investment management services to the following related party agencies. Fees are aimed at recovering OFA costs and are charged on the basis of either the market or par value of the assets under management based on a range of up to 0.20 per cent.

Deposit Insurance Corporation of Ontario
Northern Ontario Heritage Fund
Ontario Capital Growth Corporation
Pension Benefits Guarantee Fund
Ontario Immigrant Investor Corporation
Ontario Infrastructure and Lands Corporation
Ontario Trillium Foundation

Investments managed on behalf of these entities totalled $2.1 billion at March 31, 2018 (2017 – $1.9 billion).

b. The OFA provides debt management services to the following related party agencies on a cost recovery basis:

Ontario Electricity Financial Corporation (OEFC)
The OFA provides financial services and advice on a cost recovery basis to OEFC and manages its debt portfolio of approximately $19.1 billion (2017 – $20.4 billion).

Ontario Infrastructure and Lands Corporation (OILC)
The OFA provides borrowing and other financial services and advice on a cost recovery basis to OILC and manages its debt of approximately $3.2 billion at March 31, 2018 (2017 – $3.7 billion) including loans from the Province, a provincial agency and third parties.

Metrolinx
The OFA provides services to Metrolinx with respect to fuel commodity hedging program on a cost recovery basis.

c. The total costs recovered and receivables outstanding for related party agencies at March 31, 2018 are set out below:

(in thousands of dollars)

	March 31, 2018	***March 31, 2017***
Costs Recovered:		
OEFC	$ 3,832	*$ 3,765*
OILC	672	*740*
Metrolinx	108	-
Investment Management	392	*336*
Total	$ 5,004	*$ 4,841*
Receivables:		

OEFC	$ 1,083	*$ 1,070*
OILC	166	*187*
Other	49	*94*
Investment Management	110	86
Interest Rate Spread (Note 5)	562	*2,118*
Total	$ 1,970	*$ 3,555*

7. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The main risks that the OFA's financial instruments are exposed to are credit risk, liquidity risk and market risk. These risks are limited to the financial instruments reflected on the statement of financial position and do not extend to the financing provided to various public bodies, disclosed in note 5 to the financial statements.

Credit risk

Credit risk is the risk that the counterparty to a financial instrument may fail to discharge an obligation or commitment into which it has entered. This risk is minimal as most of the receivables are from the Province of Ontario.

The risk of not collecting the receivables related to OEFC, OILC and others is also considered to be minimal.

Liquidity risk

Liquidity risk is the risk that the OFA will not be able to meet its cash flow obligations as they fall due. The OFA's exposure to liquidity risk is minimal as all operating and capital expenses are cost recovered from the Province of Ontario.

Market risk

The market risk arises from the possibility that changes in market prices will affect the value of the financial instruments of the OFA. The OFA is not exposed to market risk.

8. FUTURE EMPLOYEE BENEFITS

(a) Pension Benefits

The OFA provides pension benefits to its full-time employees through participation in the Public Service Pension Plan (PSPP), which is a multi-employer defined benefit pension plan established by the Province of Ontario. The Ministry of Government and Consumer Services (MGCS) is responsible for funding the employer's contribution to the Pension Fund and accordingly, the OFA has no

additional liability for these future costs. In addition, the cost of post-retirement, non-pension benefits is paid by MGCS and is not reported in these financial statements.

(b) Accrued Employee Benefits Obligation

The legislated severance entitlement upon retirement for the Association of Management, Administrative and Professional Crown Employees of Ontario (AMAPCEO), excluded employees, management-excluded employees and other Management employees who retire after January 1, 2016, will be paid based on the salary in effect on December 31, 2015. The legislated severance entitlement upon retirement for the Ontario Public Service Employee Union (OPSEU), excluded employees who retire after January 1, 2016, will be paid based on the salary in effect on December 31, 2016.

For all other employees subject to terms set out in collective agreements who have completed five years of service, the OFA provides termination pay equal to one week's salary for each year of service up to a maximum of 50 percent of their annual salary.

The costs of this legislated severance entitlements earned by AMAPCEO and OPSEU, excluded employees, management excluded employees, management employees as at March 31, 2018 amounted to $3,877,000 (2017 – $3,918,000). In addition, the unused vacation entitlements earned by all employees as at March 31, 2018 amounted to $945,000 (2017 – $757,000).

On an ongoing basis, MGCS is responsible for funding the legislated severance entitlements, as well as unused vacation entitlements and accordingly no additional expense or liability is reported in these financial statements. Accrued employee benefits obligation is recorded at cost on the entitlements earned by employees up to March 31, 2018. A fair value estimate based on actuarial assumptions about when these benefits will actually be paid has not been made, as it is not expected that there would be a significant difference from the recorded amount.

9. COMMITMENTS AND CONTINGENCIES

Lease Commitment:

The OFA rents its premises under an operating lease which expires on June 30, 2022, and the minimum base rental payments for the lease are as follows:

(in thousands of dollars)

	March 31, 2018
2019	893
2020	952
2021	972
2022	972
Total	**$3,789**

OFA is committed to pay its proportionate share of realty taxes and operating expenses for the premises for the year ended March 31, 2018, which amounted to $995,438 (2017 – $999,900).

Committed Credit Facilities:

At the direction of the Province, the OFA has committed to finance a number of public bodies for which funds have not yet been advanced. The details are as follows:

The Deposit Insurance Corporation of Ontario (DICO) was provided a maximum $400 million revolving credit facility to ensure DICO's capacity to address systematic difficulties in the credit union system or the failure of large institutions that require resources above those in the Deposit Insurance Reserve Fund (DIRF) which is currently valued at approximately $256.7 million. All principal and interest is required to be repaid by December 31, 2029. As of March 31, 2018, DICO had not utilized this credit facility.

The Ontario Infrastructure and Lands Corporation (OILC) is a Crown agency of the Province under the *Ontario Infrastructure and Lands Corporation Act, 2011* and has been provided a Revolving Credit Facility to a maximum amount of $100 million maturing on March 27, 2013. As of March 31, 2018, OILC had not drawn any funds from this facility.

The Ontario Northland Transportation Corporation (ONTC) has been provided a Revolving Credit Facility to a maximum amount of $5 million on March 16, 2018 maturing on October 30, 2020. As of March 31, 2018, ONTC had not drawn any funds from this facility.

The Ontario Lottery and Gaming Corporation has been provided a Non-Revolving Facility of $87.5 million on July 18, 2017, which will be subsequently converted into 5 year term loan following substantial completion of the project. As of March 31, 2018, OLG had not drawn any funds from this facility.

In the event fund are advanced under the above facilities they will be disclosed under Note 5 – Transactions with Public Bodies.

Contingencies:

At March 31, 2018, there were no claims under which the OFA would be financially liable. The Province continues to guarantee the term deposits issued by the Province of Ontario Savings Office prior to 2003.

Corporate Governance

Corporate Governance

Financial Reporting Requirements

Board of Directors

Corporate Governance

Overview

The OFA is an agent of the Crown characterized by a Management Board of Cabinet Directive as a board-governed provincial agency.

Corporate governance for the OFA involves processes that permit the effective supervision and management of the OFA's activities by senior management, the Board of Directors supported by its committees, and the Minister of Finance. It includes identifying individuals and groups responsible for the Corporation's activities and specifying their roles.

Accountability and Responsibilities

The OFA's accountability structure flows from its governing statute, the *Capital Investment Plan Act, 1993* ("CIPA"). The Minister of Finance is the minister responsible for the administration of CIPA with respect to the OFA. CIPA, together with policies and directives issued by Management Board of Cabinet, form a framework under which the OFA is governed.

Each year, the Minister of Finance is required to table the OFA's Annual Report in the Legislature. In addition, the Minister reviews and approves the OFA's annual business plan. The Minister also maintains communications with the OFA, through its Chair, regarding government policies and issues relevant to the OFA.

The Chair is accountable to the Minister of Finance for the performance of the OFA in fulfilling its mandate. CIPA provides that the Deputy Minister of Finance is the Chair of the OFA. The Chair is responsible for providing advice and information to the Minister with regard to the operation and affairs of the OFA. In addition, the Chair provides leadership to the OFA. As Deputy Minister of Finance, the Chair ensures organizational capacity in the Ministry to monitor the OFA and ensures that it manages its risks appropriately.

The Board is appointed by the Lieutenant Governor in Council and is accountable to the Minister through the Chair. The OFA Board performs a supervisory role, overseeing the management of the business and affairs of the OFA to ensure the OFA's mandate is fulfilled. The Board is comprised of both public servants employed by the Crown and independent directors. The Board meets at least quarterly and receives regular reports from the CEO and OFA staff concerning the operations of the OFA and its compliance with applicable laws and policies. Standards of conduct for Board members are set out in a Board-approved Code of Conduct.

There are also three committees of the Board to assist it in supervising the management of the OFA. The Audit and Risk Management Committee reviews and recommends approval by the Board of an annual internal audit plan and receives reports from the OFA's internal auditors and the Auditor General of Ontario regarding internal controls and financial reporting. It also reviews financial policies and financial statements and recommends them to the Board. Another function of the Audit and Risk Management Committee is the review of the OFA's major risks and mitigation strategies. The Human Resources and Governance Committee assists the Board in ensuring appropriate policies and procedures are in place relating to

compensation for staff in critical areas and with respect to corporate governance. The OFA ONFA Investment Committee supervises the OFA's activities related to the investment of Ontario Power Generation's Used Fuel Segregated Fund and the Decommissioning Segregated Fund established under ONFA.

The CEO works under the direction of the Chair and the Board and reports the OFA's performance to the Board. The CEO is responsible for managing the day-to-day operations and ongoing activities of the OFA, including the supervision of staff, in accordance with government policies.

The OFA's employees are appointed pursuant to the *Public Service of Ontario Act, 2006*.

Financial Reporting Requirements

The OFA prepares annual financial statements in accordance with Canadian public sector accounting standards. The financial statements are reviewed and recommended by the Audit and Risk Management Committee and approved by the Board. The annual financial statements are audited by the Auditor General who expresses an opinion on whether they present the financial results fairly in accordance with Canadian public sector accounting standards. The Office of the Auditor General also issues an audit report whose findings are reviewed by the Audit and Risk Management Committee and the Board. The audited financial statements are tabled in the Ontario Legislature as part of the Annual Report and are included in Volume 2 of the Public Accounts of the Province. Unaudited financial statements are prepared quarterly and presented to the Audit and Risk Management Committee and the Board.

Internal Controls

Management is responsible for establishing and maintaining internal controls to provide reasonable assurance regarding the reliability of financial reporting, to safeguard the OFA's assets and to manage its liabilities.

In meeting its responsibility for the reliability and timeliness of financial information, the OFA uses a comprehensive system of internal controls, including organizational and procedural controls. The system of internal controls includes:

- comprehensive business planning;
- written communication of policies and procedures governing corporate conduct and risk management;
- segregation of duties;
- maintenance and retention of detailed records;
- responsible delegation of authority and personal accountability;
- careful selection and training of personnel; and
- regularly updated accounting and financial risk policies and procedures.

As part of its annual business plan, the OFA conducts an assessment of corporate-wide risks and develops appropriate mitigation strategies.

The Ontario Internal Audit Division of the Treasury Board Secretariat develops an annual internal audit plan based on a review of the OFA's risk assessment and input from the OFA Audit and Risk Management Committee and Management. The internal audit plan is approved by the Board on the recommendation of

the OFA Audit and Risk Management Committee. The Internal Audit Division reports to the OFA Audit and Risk Management Committee on the results of its audit work in the OFA.

Board of Directors

The following individuals were members of the Board in 2017–18. Changes to Board membership status and Committee membership which arose during the fiscal year are noted below. Where an individual's status as a Board member changed after March 31, 2018 but before publication of this Annual Report, this has also been noted.

Scott Thompson

Chair, OFA Board of Directors

Date of initial appointment to OFA Board of Directors: October 2014

Pursuant to Ss.5(3) of CIPA, the Deputy Minister of Finance is, by virtue of office, the Chair of the OFA. Deputy Minister of Finance Scott Thompson was appointed to the position of Deputy Minister in the Ministry of Finance in October 2014. In his previous position as Deputy Minister, Policy and Delivery in the Ontario Cabinet Office, his primary role was to work with all Ministries in the Ontario Public Service and the Premier's Office to establish and manage the government's policy and legislative agenda.

Prior to Scott's appointment to Cabinet Office, he was the Executive Lead for the Secretariat responsible for the Commission on the Reform of Ontario's Public Services (CROPS), otherwise known as the "Drummond Commission," at the Ministry of Finance.

Throughout his 33 year tenure with the Ontario Public Service, Scott has served in various senior management positions in the Ministries of Transportation, Municipal Affairs, Finance, and Northern Development and Mines, as well as several roles in Cabinet Office.

Scott has previously served as: Assistant Deputy Minister, Provincial Highways Management, Ministry of Transportation; Assistant Deputy Minister, Policy and Planning, Ministry of Transportation; Assistant Deputy Minister, Economic, Environment, Justice and Intergovernmental Policy, Cabinet Office.

Scott began his public service career in 1985 after completing a Bachelor of Environmental Studies degree in urban planning at the University of Waterloo and graduate work in transportation planning at the University of Illinois.

In 2012, Scott was a recipient of the Silver medal in the Federal/Provincial/Territorial/Aboriginal category of the IPAC/Deloitte Public Sector Leadership Award for his work with the Secretariat responsible for CROPS.

Constance L. Sugiyama, C.M., J.D., LL.D

Vice-Chair, OFA Board of Directors
Committee: Audit and Risk Management Committee, Member

Date of Initial Appointment to OFA Board of Directors: November 2014
End of Current Term: November 2020

Constance L. Sugiyama, C.M., JD, LL.D, is a corporate director and strategy advisor. Prior to retiring from practice, she was the Deputy Chair of a national law firm and a leading corporate, capital markets and mergers and acquisitions lawyer. She is a past-Chair of the Hospital for Sick Children. Ms. Sugiyama currently serves on a number of boards and her community involvement includes, among others, serving as an advisor to the Japanese Canadian Cultural Centre, Women in Capital Markets, and the 30% Club Canada. Ms. Sugiyama has been a Board member of the Ontario Financing Authority since 2014 and it's Vice Chair since 2016.

Ms. Sugiyama was appointed a Member of the Order of Canada in 2014. She holds a BA and JD from the University of Toronto and was awarded an Honorary LL.D from the University of Western Ontario in 2015.

Gadi Mayman

Chief Executive Officer, OFA

Date of initial appointment to OFA Board of Directors: August 2000
End of Current Term: July 2020

As CEO of the Ontario Financing Authority (OFA), Gadi is responsible for the Province's capital market activities, including borrowing and debt management, corporate and electricity finance projects, and its banking and investor relationships. He is also CEO and Vice-Chair of the Ontario Electricity Financial Corporation.

Prior to joining the Ontario Ministry of Finance, Gadi worked at Export Development Canada in Ottawa and in the International Division of the TD Bank. He received a Bachelor of Applied Science in Industrial Engineering from the University of Toronto in 1981, and a Master of Business Administration from the Ivey Business School at the University of Western Ontario in 1988.

Gadi is on the boards of Infrastructure Ontario and the Ontario Capital Growth Corporation, and is Co-Chair of the Joint Nuclear Funds Investment Committee, a joint OFA and Ontario Power Generation Committee.

John M. Beck

Committee: Audit and Risk Management Committee, Member

Date of initial appointment to OFA Board of Directors: January 2011
End of Current Term: January 2020

John M. Beck is founder and Executive Chairman of Aecon Group Inc. (TSX: ARE), Canada's premier construction and infrastructure development company. A leader in providing services to private and public sector clients throughout Canada and internationally, Aecon primarily serves the Infrastructure, Energy and Mining sectors.

A graduate in Civil Engineering from McGill University, Mr. Beck has more than 50 years of experience in the construction industry in Canada and internationally. His background includes corporate leadership in numerous construction activities including heavy civil projects and public-private partnerships for the development of infrastructure, such as airports, toll roads and transit systems.

Mr. Beck is currently a member of the Board of Directors of the Ontario Financing Authority and the Royal Conservatory of Music. He is a member of the Advisory Council for the School of Public Policy at the University of Calgary and is also a member of the Business Council of Canada. He was previously Chairman of the Board of the Ontario Power Authority, a government agency with responsibility for planning and procuring all of the province's power needs for the next 20 years. He was named P3 Champion of the Year by the Canadian Council of Public Private Partnerships in 2013. In recognition of his distinguished achievements and career-long service to the engineering profession, Mr. Beck was inducted as a Fellow into the Canadian Academy of Engineering.

Yim Chan

Date of initial appointment to OFA Board of Directors: January 2018
End of Current Term: January 2021

Yim Chan is a retired CIO and Chief Privacy Officer, her career spanned over 35 years with IBM in various Executive Management roles across IBM Canada, Asia Pacific and Corporate.

Yim's experience in the IT Sector covers a broad scope in Technical, Management and Privacy positions to enable organization to drive business innovation and transformation. She provided Business Visionary and led cutting-edge projects and innovative technologies that drove business value and business practice leadership in IT and Privacy Leadership. Her skills included business insights and expertise in IT challenges, and privacy and security solutions incorporating the latest technologies and methodologies.

Yim co-authored Privacy papers and held Board member positions for many years with the International Association of Privacy Professionals that manages the Privacy certification global programs. She was CIPP/C and CIPM certified. She holds 2 patents.

Yim has a Bachelor of Mathematics from the University of Waterloo and a Masters Certificate from George Washington University.

Angela Holtham, FCPA, FCMA, ICD.D

Committees: Audit and Risk Management Committee, Chair

Date of initial appointment to OFA Board of Directors: February 2011
End of Current Term: February 2020

Angela retired after eight years as the Vice President, Finance, and CFO of The Hospital for Sick Children in Toronto. Prior to that, she held a number of positions in both the for-profit and not-for-profit sectors, including 20 years with Nabisco Canada, the last five of which she spent as Senior Vice President and CFO.

Angela holds a Master of Business Administration Degree from the University of Toronto, and a Bachelor of Mathematics Degree from the University of Waterloo. She is an FCPA, FCMA and holds the ICD.D directors designation.

Angela has held a number of Board positions including chair of the Board of CMA Ontario, and Board Director of Sprinkles Global Health Initiative.

She currently serves on the Boards of two Canadian publicly held companies, Oncolytics Biotech Inc. and IBI Group Inc.

Heather-Anne Irwin

Committees: Audit and Risk Management Committee, Member

Date of initial appointment to OFA Board of Directors: October 2016
End of Current Term: October 2019

Heather-Anne is an Adjunct Professor of Finance at the Rotman School of Management since 2003. She is also the Executive Director of the Canadian Securities Institute Research Foundation. Prior to this, Heather-Anne spent 19 years in capital markets at TD Securities, Nesbitt Burns, and Citibank where she occupied various senior roles in corporate finance, fixed income and structured products.

Currently Heather-Anne is a board member of the public company InnVest REIT, and Chair of its Corporate Governance and Compensation Committees. She also sits on several private boards. She is the Founding President of Women in Capital Markets.

Heather-Anne's not-for-profit board work includes, Up With Women where she is the Chair, and Bay St. Deconstructed. She was a member of the board of the Centre for Addiction and Mental Health (CAMH) Foundation from 2002–2008.

Heather-Anne has a degree in Engineering Chemistry from Queen's University and an MBA from the Schulich School of School of Business, at York.

Peter Kay

Committees: Human Resources and Governance Committee, Vice-Chair
ONFA Investment Committee, Chair

Date of Initial Appointment to OFA Board of Directors: May 2013
End of Current Term: May 2019

Peter Kay is a retired financial services executive. His career spanned 32 years with Canadian Imperial Bank of Commerce including 15 years as senior vice president and as deputy chair of the CIBC Pension Fund Committee.

Peter's experience in the financial sector covers a wide variety of areas including large-scale and structured lending, Eurobond finance, and merchant banking. Treasury-related areas include corporate and international finance, long term debt financing in the domestic Canadian, US and Euro-bond markets, and capital management and pension fund management.

Peter is a Trustee of the Upper Canada College Foundation, a charitable foundation, where he is also chair of the Governance & Nominating Committee.

Peter was awarded a BSc in Engineering from the University of Toronto, an MSc in Management Science from Imperial College, University of London, England, and an LLM in Securities Law from Osgoode Hall, York University.

Marie MacDougall

Committee: Audit and Risk Management Committee, Member

Date of Initial Appointment to OFA Board of Directors: March 2016
End of Current Term: March 2019

Before her appointment to the OFA Board of Directors, Marie MacDougall was Vice President and Treasurer at Export Development Canada (EDC) for thirty-one years. During her tenure at EDC, Marie occupied various financial, investment, and accounting roles before she was promoted to Vice President and Treasurer in February of 2000. As head of EDC's Treasury group, her team provided financial and technical support to the lending and insurance operations of the corporation. Marie's team of capital market experts developed and executed financial strategies and transactions for the corporation's long-term debt issues, short-term borrowings, investments and foreign exchange transactions, all derivative and pricing activities, and investor relations. In addition, Marie attended the EDC's Board of Directors meetings to provide support to the Chair of the Audit Committee and address any questions regarding EDC's Treasury operations.

Diane McArthur

Committees: Audit and Risk Management Committee, Member
Human Resources and Governance Committee, Member

Date of initial appointment to OFA Board of Directors: June 2016
End of Current Term: June 2019

Diane McArthur was appointed the first Chief Talent Officer of Ontario Public Service in January 2016. Prior to this, she was the Executive Lead for the Secretariat supporting the Premier's Advisory Council on Government Assets. The Secretariat worked with ministries to successfully implement one of the largest IPO's in Ontario's history and most significant reform of beverage alcohol retailing since prohibition.

Previous executive roles include Assistant Deputy Minister and Executive Officer of Ontario Public Drug Programs (OPDP), where she oversaw the administration of the second largest drug insurance program in North America; Assistant Deputy Minister of the Ontario Seniors' Secretariat; Executive Coordinator of Health and Social Policy in Cabinet Office.

Diane has gained extensive experience in health human resource policy and planning for health care provider training, education, supply and distribution initiatives, data and health information planning and analysis, health care provider negotiations, rural health policy, labour relations, and service delivery restructuring. Previous Board experience includes Ontario Electricity Financial Corporation (Audit Committee member), Canadian Agency for Drugs and Technology in Health (Chair, Audit and Finance Committee), and the Michener Institute of Canada.

Diane has a Bachelor of Public Relations from Mount Saint Vincent University in Halifax and a Master of Business Administration from the University of Ottawa.

Catherine McCall, ICD.D

Committees: Human Resources and Governance Committee, Chair
Audit and Risk Management Committee, Member

Date of Initial Appointment to OFA Board of Directors: November 2014
End of Current Term: November 2020

Catherine McCall is a lawyer by training and is currently the Director of Policy Development at the Canadian Coalition for Good Governance, an organization comprised of representatives of Canada's leading institutional investors. She has over 20 years of experience advising boards and institutional shareholders on a wide range of corporate governance issues.

Previously, she was a Principal at Hugessen Consulting, a Vice-President and Director of ISS Canada and a Partner with Fairvest Corporation. She began her career practicing law with Davies, Ward & Beck in Toronto.

Catherine has a BA (Honours) in Philosophy from University of Toronto and a JD from Osgoode Hall Law School.

Catherine is past Chair of the Board of ADDUS, a non-profit organization that works with adults with developmental disabilities. She was previously a Director of the Foundation Board of OCAD University and Chair of the Governance Committee. She is a member of the Ontario Securities Commission's Continuous Disclosure Advisory Committee. Catherine received the ICD.D designation in March 2017.

Paul Potvin

Committees: ONFA Investment Committee, Member

Date of initial appointment to OFA Board of Directors: February 2017
End of Current Term: February 2020

Paul Potvin is a former derivatives trader and structurer with 26 years of experience in Canadian and international fixed income, equities and credit. Paul has held senior positions with Canadian and international banks, including National Bank of Canada, CIBC, and ABN AMRO / Royal Bank of Scotland. Paul also served as a consultant to the Caisse de depot et placement du Quebec in an initiative to reduce the credit risk it assumed following the Montreal Accord restructuring of the Canadian asset-backed commercial paper market. Before working in the financial services industry, Paul was an assistant professor of finance at the University of Toronto.

Paul holds a PhD in Business Economics from Harvard University, and an Honours Bachelor of Arts from the University of Toronto.

Vincenza Sera, ICD.D

Committees: Human Resources and Governance Committee, Member

Date of initial appointment to OFA Board of Directors: February 2011
End of Current Term: February 2020

Ms. Vincenza Sera is an experienced corporate director who served on the board of the Ontario Pension Board (OPB) for 12 years, nine as Chair of the Board and Chair of OPB's Investment Committee (2007-2016). She is currently Chair of the Board of Dream Industrial REIT and a member of the boards of Investment Management Corporation of Ontario, Equitable Bank, Dream Unlimited Corp and the Ontario Financing Authority. She is also involved with the Finance Committee of Hot Docs.

A former investment banker with more than 25 years expertise in debt and equity markets, corporate finance, mergers and acquisitions and corporate governance, Ms. Sera's career has included senior positions with National Bank Financial, First Marathon Securities and CIBC. She holds an MBA from the University of Toronto.

Lorraine Bell, CPA, CA

Committees: Audit and Risk Management Committee, Member
Human Resources and Governance Committee Member

Date of initial appointment to OFA Board of Directors: October 2005
Term Expired: December 2017

Total Annual Remuneration paid to the Board of Directors: $83,200.

Risk Management Policies and Procedures

OFA risk management policies and procedures provide for the management of risk exposures created by capital markets activities. Current policies and procedures address market, credit and operational risk exposures as they pertain to the Province's debt and derivatives portfolios and capital markets transactions.

The policies were developed following the guidelines and directives of regulatory bodies, such as the Office of the Superintendent of Financial Institutions of Canada, the Bank for International Settlements and in consultation with Canadian bank representatives on their risk management practices.

The Board approves risk management policies and monitors the performance of capital markets activities.

Market Risk Policy

Market risk is the risk of financial loss attributed to changes in interest rates and foreign exchange rates. This policy provides a framework for borrowing activities and integrates several aspects dealing with the management of market risk. The policy includes several limits:

- Foreign Exchange Limit: unhedged foreign currency exposure is limited to 5 per cent of debt issued for provincial purposes. Unhedged foreign exchange exposures are limited to Group of Seven currencies and the Swiss franc.

- Net Interest Rate Resetting Limit: the interest rate resetting risk exposure is the sum of maturities and floating-rate debt (net of liquid reserves) over the next 12 months, and is limited to a maximum of 35 per cent of debt issued for provincial purposes.

- IOD Loss Limit: the total amount of financial losses resulting from market risk cannot exceed 3 per cent of budgeted IOD for a fiscal year. In addition, the CEO establishes a trigger level to ensure losses from market activities will not reach the debt cost loss limit.

The OFA identifies and quantifies current and potential exposures to market risk and ensures risk exposures and losses remain within approved exposure and loss limits. Exposure to market risk is measured and reported daily.

Credit Risk Policy

Credit risk is the risk of loss in which a counterparty does not meet or defaults on its obligations. Credit risk arises when the Province undertakes financial and derivative transactions. The minimum credit rating of a new swap counterparty is typically "AA–", and "R1-mid" (and "A-1" or "P-1") for money market investments. The resulting exposure is capped at mark-to-market limits depending on the counterparty's credit rating and capital base. Concentration limits are also in place to limit exposure. Credit exposure is measured and reported daily. The Province enters into collateral agreements, including Credit Support Annexes, with certain counterparties to reduce credit exposure.

Policy on the Use of Derivatives and Other Financial Instruments

Use of derivatives and other financial instruments is restricted to those which the OFA can price and whose risk exposures can be measured by the OFA. Derivatives are used to manage exposures arising from existing and planned debt issues in a sound and cost-effective manner. Risks arising from the use of derivatives are monitored and managed prudently.

Risk Management Reporting Policy

At its regular quarterly meetings, the Board is kept informed of the OFA's activities:

- The CEO provides the Board with a progress report on the implementation of the Province's borrowing and debt management programs for the year, staffing and other administrative and operational matters. The CEO also reports on the OFA's compliance with applicable government directives.

- The Chief Financial and Risk Officer reports on program exposures and performance as well as exceptions to policies.

- Management is kept informed of risk exposures and positions related to the Province's borrowing and debt management programs on a daily basis.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems or external events. Each division manages operational risk through reviews and improvements of work processes, documented policies and procedures, data processing systems, contingency plans and staff training.

The OFA maintains a Business Continuity Plan (which covers OEFC's operations) that is regularly updated to facilitate the continuation of essential operational functions with a minimum of disruption in the event of an emergency.

Appendices

Ontario's Credit Ratings

Additional Sources of Information

Appendices

Ontario's Credit Ratings

A credit rating is a current assessment of the creditworthiness of a borrower with respect to a specified obligation. It indicates the capacity and willingness of a borrower to pay interest and principal in a timely manner.

Long-Term Ratings

Long-term ratings are assigned a letter grade ranging from investment grade, to speculative grade, to highly speculative or default. Ratings within each category may include a "+" or "–" (or a high or low) to indicate the relative strength of rating within that category.

Long-term ratings are also assigned an outlook indicating the likely direction of an issuer's rating over the intermediate term, typically ranging from 6 months to 2 years. The outlook is denoted (P) for Positive Outlook, (N) for Negative Outlook or (D) for Developing Outlook. No identifier is attached to the rating if the outlook is Stable.

As of June 1, 2018, the long-term ratings of the Province are as follows:

- Moody's Investors Service — Aa2 (N)
- Standard & Poor's — A+
- DBRS — AA (low)
- Fitch — AA–

Short-Term Ratings

Short-term ratings are for debt maturities of less than one year. Ratings are graded into several categories, ranging from the highest-quality obligations to default. As of June 1, 2018, the short-term ratings of the Province are as follows:

- Moody's Investors Service — P-1
- Standard & Poor's — A-1
- DBRS — R-1 (mid)
- Fitch — F1+

Additional Sources of Information

www.ofina.on.ca

The website provides information on Ontario's borrowing program and debt, and contains publications from the OFA.

Ontario Budget

The Borrowing and Debt Management chapter discusses the Province's borrowing and debt management activities for the fiscal year ended, and outlines the outlook for the upcoming fiscal year.

Quarterly Finances – OFA Fact Sheet

The OFA Fact Sheet provides quarterly updates of the government's annual budget forecast. The full set of quarterly finances information is also available on the Ministry of Finance website, www.fin.gov.on.ca.

Form 18-k

This is the Province's annual report to the U.S. Securities and Exchange Commission (SEC).

Contact Information

Investor Relations
Ontario Financing Authority
1 Dundas Street West, Suite 1400
Toronto, Ontario, Canada
M7A 1Y7
Telephone: 416-325-8000
Email: investor@ofina.on.ca

ONTARIO FINANCING AUTHORITY

www.ofina.on.ca

Ontario
Ontario Financing Authority

Ontario Financing Authority
1 Dundas Street West, Suite 1400
Toronto, Ontario M7A 1Y7
Canada

Telephone: (416) 325-8000
investor@ofina.on.ca
www.ofina.on.ca

© Queen's Printer for Ontario
ISSN 1492-854X

This Annual Report is also available in French

From:	Opal Kandelas
To:	Sarah Harris
Subject:	RE: OFA IESO Amending Agreement No 10 COMPARE OFA Draft July 25 - OFA legal.docx
Date:	Tuesday, August 15, 2017 4:44:17 PM

Hi, just had a discussion with John Kim. He was asking if there is a risk for the intercept mechanism to be included in the agreement. I told him I didn't think so. The bigger issue was that we didn't want to raise red flags to the credit rating agencies by getting a security interest in the regulatory asset and I thought that if we are sure that the intercept mechanism has no effect in the IESO agreement, then put it in and get the agreement done.
He is trying to avoid going to the minister with a new directive- I honestly don't blame him. I wouldn't do it!

From: Sarah Harris
Sent: Tuesday, August 15, 2017 1:23 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: FW: OFA IESO Amending Agreement No 10 COMPARE OFA Draft July 25 - OFA legal.docx

FYI

From: Sarah Harris
Sent: Tuesday, August 15, 2017 1:20 PM
To: Lisa Stein <Lisa.Stein@ofina.on.ca>
Cc: William Tan <William.Tan@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Subject: RE: OFA IESO Amending Agreement No 10 COMPARE OFA Draft July 25 - OFA legal.docx

Hi Lisa,

The plan is still to reduce the existing facility to $475 million, but existing facility will be used for draws until such time that the new facility is in place. We informed Anthony that we would look to re-allocate loans from the existing facility to the new credit facility when the new facility is executed. We are confirming with the various OFA areas (Settlements, Risk, Accounting, Cash) regarding the operational requirements, but the idea is that there will be no impact from a cash flow standpoint (i.e. no actual transfer of funds for IESO to repay loans under one facility, and therefore no need for the OFA to transfer funds under the new facility. Ken K. and I have discussed this, but am cc'ing him so he is aware that I have communicated this direction.

We will need to have a call with IESO to identify which loans would be transferred from one facility to another; it would be beneficial for you and Victor to be on this call so the particulars regarding what legal approach may be taken can be considered (i.e. incorporate provisions into the amending agreement, I am thinking).

Thanks,
Sarah

From: Lisa Stein
Sent: Tuesday, August 15, 2017 10:36 AM
To: William Tan <William.Tan@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: RE: OFA IESO Amending Agreement No 10 COMPARE OFA Draft July 25 - OFA legal.docx

Hi Will,

I believe business decisions regarding next steps are required before we can amend this agreement. I understand that the OFA may not be reducing the existing line by the amount previously contemplated? Alternatively, additional terms re: re-payment may be required. Please provide instructions as to the further amendments that are required, or provide me with a revised draft for review. Happy to discuss further.

Lisa

From: William Tan
Sent: Tuesday, August 15, 2017 10:30 AM
To: Lisa Stein <Lisa.Stein@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: RE: OFA IESO Amending Agreement No 10 COMPARE OFA Draft July 25 - OFA legal.docx

Hello Lisa,

I'm follow-up to make sure this is still on your radar. I know you're working hard on the new directive and was busy with the intercept provision and credit facility last week. As you know the directive is the priority right now.

Thanks,

Will

From: William Tan
Sent: Tuesday, August 08, 2017 6:43 PM
To: Lisa Stein <Lisa.Stein@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: FW: OFA IESO Amending Agreement No 10 COMPARE OFA Draft July 25 - OFA legal.docx

Hi Lisa,

1. I don't recall having OFA Legal sign-off on this. "Simple Markup" view has no data on the grid note.
   Perhaps changes in the FHP Credit Facility will incur more changes to the Amending

Agreement 10?

2. I was able to confirm Anthony's outstanding grid note balance. Anthony will have the signatory sign the Grid Note effectively acknowledging the outstanding balance. I will change the "as of August 8" date to the signature date once we know the signature date. The numbers are also supported by the Rollover Notices provided on July 21. Please review and comment on the Grid Note.

Thanks,

Will

From: Lisa Stein
Sent: Wednesday, July 26, 2017 9:36 AM
To: William Tan <William.Tan@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: Sarah Neville <Sarah.Neville@ofina.on.ca>
Subject: RE: OFA IESO Amending Agreement No 10 COMPARE OFA Draft July 25 - OFA legal.docx

There still appears to be data in the grid on the last page. Can this also be removed?

From: William Tan
Sent: Tuesday, July 25, 2017 6:18 PM
To: Lisa Stein <Lisa.Stein@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: Sarah Neville <Sarah.Neville@ofina.on.ca>
Subject: RE: OFA IESO Amending Agreement No 10 COMPARE OFA Draft July 25 - OFA legal.docx

Hello Lisa,

Thank you very much for making the changes.
I have removed the data from the grid note. Please let me know if this is satisfactory.

Thanks,

Will

From: Lisa Stein
Sent: Tuesday, July 25, 2017 4:21 PM
To: William Tan <William.Tan@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: Sarah Neville <Sarah.Neville@ofina.on.ca>

Subject: OFA IESO Amending Agreement No 10 COMPARE OFA Draft July 25 - OFA legal.docx

Hi Will and JF,

Please see attached with the most recent edits, as discussed during our conference call. I was unable to delete the details from the grid on the last page – can one of you please do this and send the document back to me for final review.

Thank you,

Lisa

Lisa N. Stein
Legal Counsel
Ontario Financing Authority
416-325-2320

****
This message, including any attachments, is intended only for the use of the individual(s) to which it is addressed and contains information that is privileged/confidential. Any other distribution, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify the sender immediately by reply e-mail and permanently delete this message, including any attachments, without reading it or making a copy. Thank you.
****

From:	Garth Parish
To:	Opal Kandelas; Sarah Harris; Malle Hanslep (MOF)
Cc:	Andrea Dalgarno; Dimitri Markoulakis (MOF); Mara Bakic; Anna Strathy
Subject:	RE: OFA Loan to St. Michael"s Hospital
Date:	Tuesday, March 27, 2018 4:19:54 PM
Attachments:	St Michael"s Pension Letter to OFA-Version 5 (2).docx St Michaels planned merger with HOOPP timelines presentation.pdf

---

While I am preparing a briefing note summarizing the expected loan terms and related issues, as context, please find attached two overview documents:

- A draft letter from Minister Hoskins to Minister Sousa (never sent) requesting the loan to St. Michael's Hospital
- A presentation prepared by Mercer for SMH with project key milestones.

Thanks,
Garth

From: Opal Kandelas
Sent: March-27-18 3:34 PM
To: Garth Parish <Garth.Parish@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>
Cc: Andrea Dalgarno <Andrea.Dalgarno@ofina.on.ca>; Dimitri Markoulakis (MOF) <Dimitri.Markoulakis@ontario.ca>; Mara Bakic <Mara.Bakic@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: RE: BN - Lending Directive for Loan to OCRC.docx

Hi Garth,

Would you please share a briefing note, draft Minister's directive and any other pertinent materials with us. The date for submitting a package for the April 16 LRC has long passed, but we can work towards getting this item to the DMO. An LRC Note will need to be prepared by CEFD as soon as possible. I've cc'd Anna so that she is aware.

Please send Anna a brief description of the issue so as to inform her discussions with DMO.

Thanks,
Opal

From: Garth Parish
Sent: Tuesday, March 27, 2018 2:29 PM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>; Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>
Cc: Andrea Dalgarno <Andrea.Dalgarno@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Dimitri Markoulakis (MOF) <Dimitri.Markoulakis@ontario.ca>; Mara Bakic <Mara.Bakic@ofina.on.ca>

Subject: RE: BN - Lending Directive for Loan to OCRC.docx

Hi Sarah,

As Malle says, the best approach and the approach we, including Gadi, are recommending is that the "commitment" (in whatever form) be provided by MOH.

However, it appears as though the loan will be required eventually and will only work under a 35 year amortization (again Gadi has agreed to this amortization in principle), so we will need to amend the OIC. Given that our Plan B, which may be needed, is to provide some joint assurance MOF/MOH to HOOPP by April 30, I would like to work with Capital Markets to try to get the OIC in place so that we can use Plan B if necessary.

If you agree, just let me know what you need from me.

Thanks,
Garth

From: Sarah Harris
Sent: March-27-18 1:11 PM
To: Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>
Cc: Garth Parish <Garth.Parish@ofina.on.ca>; Andrea Dalgarno <Andrea.Dalgarno@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Dimitri Markoulakis (MOF) <Dimitri.Markoulakis@ontario.ca>
Subject: RE: BN - Lending Directive for Loan to OCRC.docx

Malle,

Thank you very much for your quick response.

Garth – I'm not familiar with the various inputs Malle has mentioned below with the loan, and the timing for getting these. Is it possible to obtain all the required approvals, etc. prior to April 30th? As Malle indicates, a binding commitment doesn't seem possible without these elements. On the other hand, if it is possible, we could try to make the case for including an amending OIC for the April 16th LRC.

Thanks,
Sarah

From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Tuesday, March 27, 2018 12:49 PM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: Garth Parish <Garth.Parish@ofina.on.ca>; Andrea Dalgarno <Andrea.Dalgarno@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Dimitri Markoulakis (MOF)

<Dimitri.Markoulakis@ontario.ca>
Subject: RE: BN - Lending Directive for Loan to OCRC.docx

Hi,

Dimitri has been working on this as well so copying him here. According to the current OIC's, OFA must repay the funds borrowed from the Province by 2040 (I haven't check them all now but assume that you have) so the OFA couldn't make a longer term loan to a third party such as the hospital without an amending OIC as you describe.

I think that the only thing that could be done is to see whether there is any possibility of walking this OIC in at this point if it is that critical. However, at the same time, I know that there have been numerous elements regarding this potential loan including possibly having MOHLTC provide an indemnity to the OFA regarding the repayment by the hospital. Not sure that we could in anyway provide a binding commitment that the money will be available in 2019 since there would be many other elements such as a Minister's directive, the negotiation of the loan agreement and due diligence that would make it conditional. However, it seems that the amendment to the OIC is a necessary precondition.

Also just thinking general about this project, is it anticipated that any other approvals or signing of agreements, etc. would be proposed during the writ period?

Thanks,

Malle

From: Sarah Harris [mailto:Sarah.Harris@ofina.on.ca]
Sent: March 27, 2018 12:21 PM
To: Hanslep, Malle (MOF)
Cc: Parish, Garth (OFA); Dalgarno, Andrea (OFA); Kandelas, Opal (OFA)
Subject: FW: BN - Lending Directive for Loan to OCRC.docx

Hello Malle,

I am writing to you to inquire about the timing for an approval for an OIC in relation to a loan that the OFA may be making to St. Michael's, as detailed below.

In short, the OFA has the available room under its existing lending OICs (i.e. the OICs where the OFA borrows from Her Majesty, and then in turn makes loans to public bodies), but the expiry dates of the existing OICs are shorter than the proposed maturity. The OICs expire in 2041 and the loan would mature in late 2054. In order for the St. Micheal's loan to occur, there has to be a binding assurance to HOOPP by April 30th that funds will be available to be advance in the summer of 2019. In order for us to provide this, we would need to get approval for an amending OIC to extend the expiry dates of the existing OICs to 2055.

Given that the last LRC scheduled is for April 16th, and the deadlines for providing materials has passed (March 20th), it doesn't seem possible to get approval for an amending OIC prior to April 30th. Do you know of any options that might make this possible?

Thanks,
Sarah

From: Andrea Dalgarno
Sent: Tuesday, March 27, 2018 11:46 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: FW: BN - Lending Directive for Loan to OCRC.docx

FYI

From: Garth Parish
Sent: Tuesday, March 27, 2018 11:43 AM
To: Andrea Dalgarno <Andrea.Dalgarno@ofina.on.ca>
Cc: Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Daki Proudfoot <Daki.Proudfoot@ofina.on.ca>; Mara Bakic <Mara.Bakic@ofina.on.ca>; Bonnie Lemcke <Bonnie.Lemcke@ofina.on.ca>; Bonnie Zhang <Bonnie.Zhang@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: BN - Lending Directive for Loan to OCRC.docx

Hi Andrea,

We are in discussions with St. Michael's Hospital to provide them with a $100M loan that would be amortized over 35 years. This is with regard to pension assets that they are transferring to HOOPP that need to be topped up by $100M.

A wrinkle is that they need to provide a binding assurance to HOOPP by April 30 that they have the funds although the effective date of the loan and the transfer of funds won't take place until July/August of 2019. This means that the loan wouldn't be paid off until late 2054.

We understand that the latest dated OIC is 844/2008 which ends June 1, 2041, so in order to make this loan we would need an OIC out to say, 2055 – although we may wish to make it later. A smaller request from Grand River hospital would be similar. Both loans would fit within the existing authorized amounts but not the repayment date.

Please advise the best way to proceed towards the required OIC amendment re timing.

Thanks. I will call to follow up.

Thanks,
Garth

From: Andrea Dalgarno
Sent: December-06-17 2:10 PM

To: Garth Parish <Garth.Parish@ofina.on.ca>
Cc: Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Daki Proudfoot <Daki.Proudfoot@ofina.on.ca>; Mara Bakic <Mara.Bakic@ofina.on.ca>; Bonnie Lemcke <Bonnie.Lemcke@ofina.on.ca>
Subject: RE: BN - Lending Directive for Loan to OCRC.docx

Hi,

I have a place holder for when we do the next joint update to add the new 2 billion OIC 1279/2017 and the associated 2 billion line of credit (IESO-OFA credit facility FHP related). Also note the IESO 975m one will be removed while the IESO 475M will remain- it will be one line representing 475M.

Regards,

Andrea

From: Garth Parish
Sent: Wednesday, December 06, 2017 1:52 PM
To: Andrea Dalgarno <Andrea.Dalgarno@ofina.on.ca>
Cc: Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Daki Proudfoot <Daki.Proudfoot@ofina.on.ca>; Mara Bakic <Mara.Bakic@ofina.on.ca>; Bonnie Lemcke <Bonnie.Lemcke@ofina.on.ca>
Subject: RE: BN - Lending Directive for Loan to OCRC.docx

Hi Andrea,

That's great. Thank you very much.

We may have some updates/comments to follow.

Thanks,
Garth

From: Andrea Dalgarno
Sent: December-06-17 12:30 PM
To: Garth Parish <Garth.Parish@ofina.on.ca>
Cc: Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Daki Proudfoot <Daki.Proudfoot@ofina.on.ca>
Subject: RE: BN - Lending Directive for Loan to OCRC.docx

Hi Garth,
I have been asked to respond to your query. Attached is the most current listing we have available of the OFA loans under the two OIC's. This listing was finalized in conjunction with

Daki in Corporate Finance.
Based on this July 11, 2017 listing, the remaining authority under the two OIC's are as follows:

1) OIC 675/97 (the currently active one) has remaining authority of $721,594,955.57 as of July 11, 2017

2) OIC 767/99 has authority in the amount of $656,000,000.00 as of July 11, 2017

So it seems, we should be able to draw on OIC 675/97 for the additional loans you reference given it was noted in the BN you attached that the 2017-2018 OFA Borrowing and On-lending Plan was set at $486 million and apparently $250 million of that was postponed to 2018-2019.

Let me know should you have any further question or concerns.

Regards,

Andrea

From: Garth Parish
Sent: Tuesday, December 05, 2017 3:37 PM
To: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: Bonnie Zhang <Bonnie.Zhang@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: FW: BN - Lending Directive for Loan to OCRC.docx

Hi Jean-Francois,

You will see in the highlighted section below that Lisa is asking that we confirm that 2 OFA loans we are working on:

- $150 million to the Ontario Cannabis Retail Corporation
- $100 million to St Michael's hospital

are covered by the "existing on-lending OIC's".

I don't know who would keep a registry of the OICs and what loans they cover. Would your group have this registry?

Thanks,
Garth

From: Lisa Stein
Sent: December-04-17 1:25 PM

To: Garth Parish <Garth.Parish@ofina.on.ca>
Cc: Bonnie Zhang <Bonnie.Zhang@ofina.on.ca>
Subject: BN - Lending Directive for Loan to OCRC.docx

Hi Garth,

Please find attached some comments and suggested amendments to the draft briefing note, attached. I did not review the attachments; however, as discussed on Friday, they still reference the loan to St. Michael's hospital as well (and these references should be deleted).

I'm still working on the directive for the OCRC loan. In the meantime, can you please confirm that this loan is covered by the existing on-lending OICs (as referenced in the draft note)?

Thank you,

Lisa

Lisa N. Stein
Legal Counsel
Ontario Financing Authority
416-325-2320

****
This message, including any attachments, is intended only for the use of the individual(s) to which it is addressed and contains information that is privileged/confidential. Any other distribution, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify the sender immediately by reply e-mail and permanently delete this message, including any attachments, without reading it or making a copy. Thank you.
****

Mr. Charles Sousa
Minister of Finance
7 Queen's Park Crescent
7th Floor
Toronto, Ontario M7A 1Y7

Dear Mr. Charles Sousa:

Re: Loan Request for St. Michael's Hospital Pension Plan

In several budgets since 2012, the Ontario government has committed to facilitate the conversion or merger of single employer pension plans (SEPPs) into jointly sponsored pension plans (JSPPs). To this end, I am writing to you today to request that the Province provide a loan to St. Michael's Hospital (SMH) so that it can merge its entire pension plan into HOOPP.

This request would benefit SMH since large JSPPs, like HOOPP, have many advantages including enhanced sustainability and increased benefit security for plan beneficiaries. In addition, members of HOOPP, who work in over 500 organizations, are able to take their pension plans with them when they change employers, which is extremely advantageous when considering the labour mobility found in the hospital sector. Merging into HOOPP is also particularly beneficial for hospitals, such as SMH, that have large solvency payments as they would no longer be required to make these payments if they are a member of HOOPP.

Significant progress has been made to facilitate a merger of hospital plans into HOOPP including an amendment in *Bill 127, Stronger, Healthier Ontario Act (Budget Measures)*, *2017* and developing regulatory changes in July 2017 to further facilitate similar mergers.

While SMH is currently negotiating with HOOPP regarding the merger of its entire pension plan into HOOPP, it does not have sufficient assets in its pension plan to buy equivalent HOOPP service for its members and retirees. It must top up its pension plan in order to merge. Given the funding shortfall, the Ministry of Health and Long-Term Care (the "ministry") is requesting a loan from the Province to the SMH so that the merger can proceed. Currently, SMH is working on a business case that demonstrates its ability to repay the loan. It is critical that the merger transaction is completed on a timely basis as a delay could result in significant costs for SMH if it must make special payments to its pension plan. As such, your consideration and support in obtaining a loan from the Province would be greatly appreciated.

Sincerely,

Dr. Eric Hoskins
Minister of Health and Long-Term Care

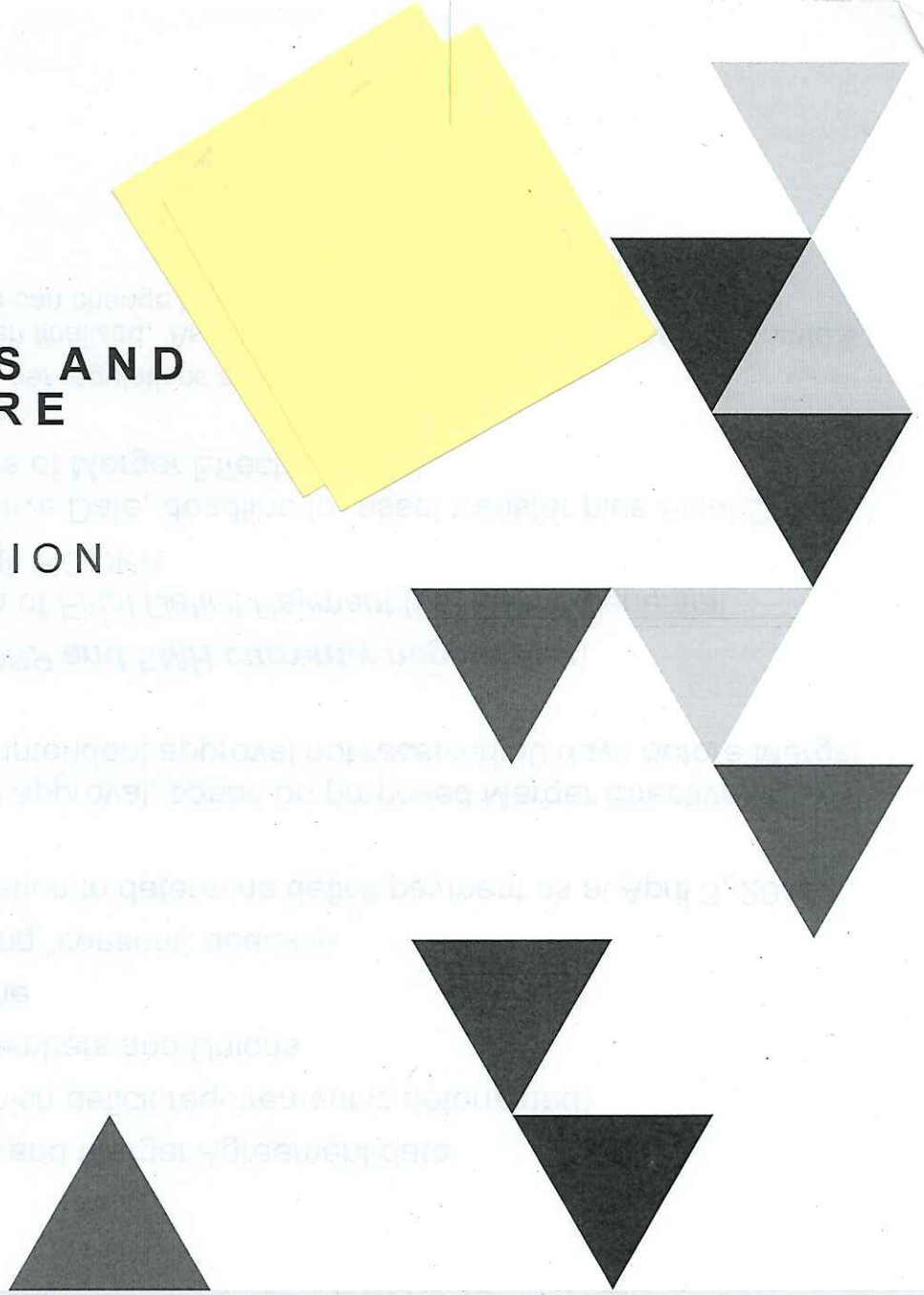
c: Mr. Gadi Mayman, Chief Executive Officer, Ontario Financing Authority
Dr. Bob Bell, Deputy Minister, MOHLTC
Ms. Nancy Naylor, Associate Deputy Minister, MOHLTC
Ms. Melissa Farrell, Assistant Deputy Minister, MOHLTC
Dr. Melanie Kohn, Director, Hospitals Branch, MOHLTC
Mr. Alex Killoch, Director, Broader Public Sector Pension Branch, MOF
Ms. Mara Bakic, Director, Corporate Finance, Ontario Financing Authority

HEALTH WEALTH CAREER

PROVIDENCE ST. JOSEPH'S AND ST. MICHAEL'S HEALTHCARE ("NETWORK")

ST. MICHAEL'S HOSPITAL PENSION PLAN MERGER WITH HOOPP

FEBRUARY 22, 2018



SMHPP / HOOPP MERGER TIMELINE

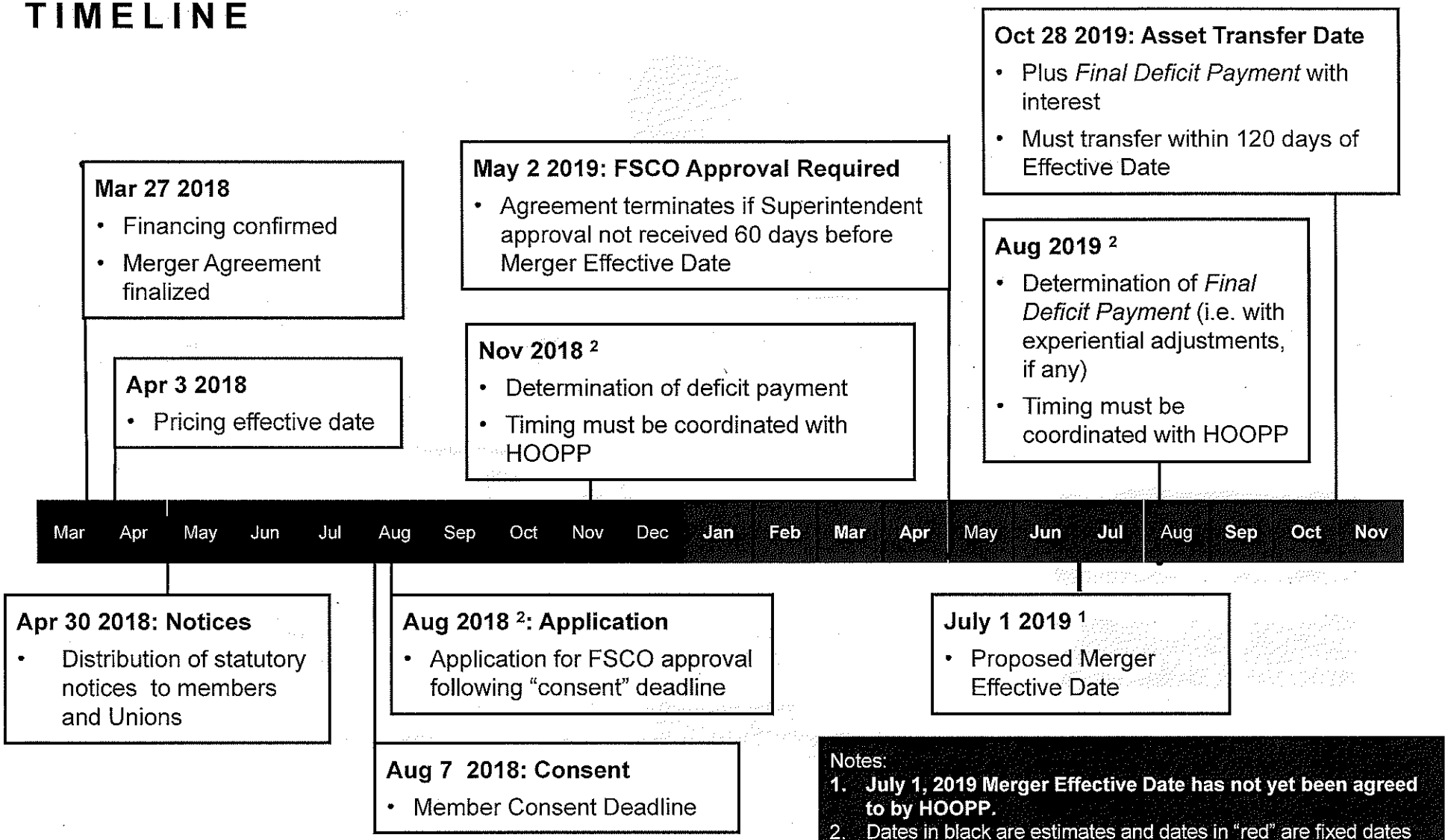
- **March 27, 2018**: Deadline for financing confirmation and Merger Agreement date
- **April 3, 2018**: Pricing effective date (i.e., date on which deficit requirement is determined)
- **April 30, 2018**: Distribution of statutory notices to members and Unions
- **August 7, 2018**: Member and Union consent deadline
- **August 2018**: Application for FSCO approval following "consent" deadline
- **November 2018**: Estimated timing to complete valuation to determine deficit payment as at April 3, 2018. (Timing must be coordinated with HOOPP)
- **May 2, 2019**: Merger Agreement deadline for FSCO approval, based on proposed Merger Effective Date of July 1, 2019. (Merger Agreement terminates if Superintendent approval not received 60 days before Merger Effective Date)
- **July 1, 2019**: Proposed Merger Effective Date (***HOOPP and SMH currently negotiating***)
- **August 2019**: Estimated timing for the determination of *Final Deficit Payment* (i.e. with experiential adjustments, if any). Timing must be coordinated with HOOPP.
- **October 28, 2019**: Based on proposed Merger Effective Date, deadline for asset transfer plus *Final Deficit Payment* with interest. (Must transfer within 120 days of Merger Effective Date)

Note:

Dates in black are estimates and dates in "red" are fixed dates as per regulations and/or Merger Agreement

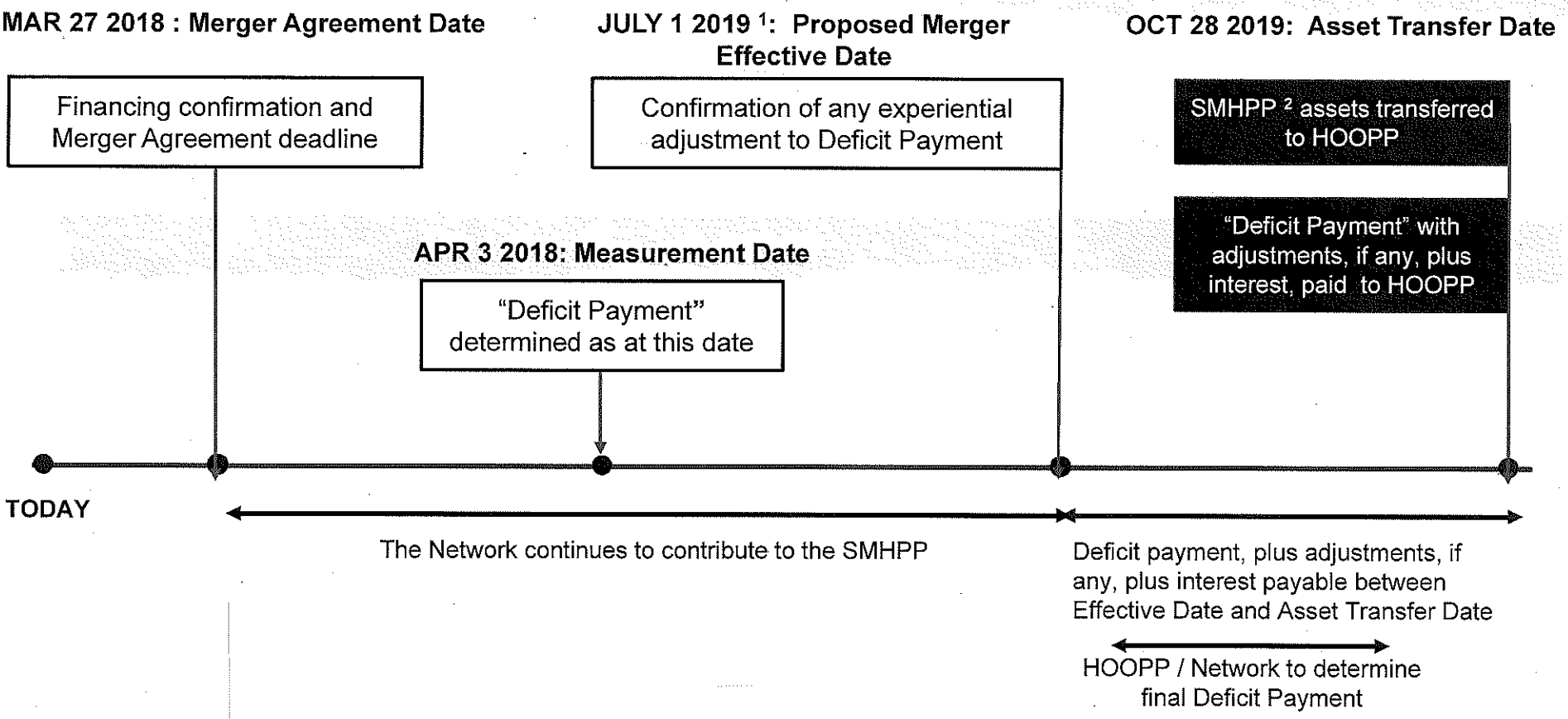
The date of July 1, 2019 was raised by HOOPP. This has not been finalized. As such, current cashflow projections incorporate a Jan 1, 2019 date and loan requirement of April 1, 2019. This date can change based on final agreement.

SMHPP / HOOPP MERGER TIMELINE



Notes:
1. **July 1, 2019 Merger Effective Date has not yet been agreed to by HOOPP.**
2. Dates in black are estimates and dates in "red" are fixed dates as per regulations and/or Merger Agreement.

MERGER AGREEMENT KEY DATES



Notes:

1. **July 1, 2019 Merger Effective Date has not yet been agreed to by HOOPP.**
2. "SMHPP" means St. Michael's Hospital Pension Plan

From:	Risa Thau
To:	Sarah Harris; Alfonso Soriano; John Psinas; George Sakura; Graham Monroe; Tony Dong
Cc:	Bruno Amara; William Tan; Opal Kandelas; Ken Kandeepan
Subject:	RE: OFA-IESO Credit Facilities
Date:	Thursday, August 17, 2017 9:34:07 AM

Hi Sarah,

From a Settlements perspective there is no issue, however since Capital Markets inputs these loans they will have to investigate if this is doable with Vivek, therefore I am copying Carlos, Selena, Jim and Craig.

Thanks,

Risa Thau

Carlos, Selena, Jim and Craig,

If you need any help with this issue I'd be happy to participate.

Thanks, Risa

From: Sarah Harris
Sent: Tuesday, August 15, 2017 11:53 AM
To: Alfonso Soriano <Alfonso.Soriano@ofina.on.ca>; John Psinas <John.Psinas@ofina.on.ca>; Risa Thau <Risa.Thau@ofina.on.ca>; George Sakura <George.Sakura@ofina.on.ca>; Graham Monroe <Graham.Monroe@ofina.on.ca>; Tony Dong <Tony.Dong@ofina.on.ca>
Cc: Bruno Amara <Bruno.Amara@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Subject: OFA-IESO Credit Facilities

Hello,

We are currently in the process of working on a new $2B OFA-IESO Credit Facility to provide funding in respect of the Ontario Fair Hydro Plan. Under this framework, the existing $975 million OFA-IESO Credit Facility is to be reduced to $475 million. Due to a required Ministerial approval, the new $2B facility will not be executed until mid-September (estimate).

Once the new $2B facility is in place, the OFA would be looking to re-allocate certain loans (TBD) from the existing $975M credit facility to the new $2B facility, in order to bring the existing facility under the new intended $475 million limit. Effectively, under the legal agreements, it would be transferring certain loans from the existing facility to the new facility. The intention is that there will be no movement of funds and therefore no cash impact (that is, IESO does not repay the existing loans, and the OFA does not fund the new loans).

Would you please confirm if there are any obstacles from an operational perspective (settlement, cash, accounting, risk) with transferring any 'excess loan amount' from the existing credit facility to

the new FHP credit facility?

Thanks,

Sarah

From:	John Psinas
To:	Risa Thau; Sarah Harris; Alfonso Soriano; George Sakura; Graham Monroe; Tony Dong
Cc:	Bruno Amara; William Tan; Opal Kandelas; Ken Kandeepan; Kevin Hwang
Subject:	RE: OFA-IESO Credit Facilities
Date:	Thursday, August 17, 2017 9:45:42 AM

Sarah,

Similarly, accounting does not see any insurmountable obstacles. Accounting would just need to create a new TAS account for the new credit facility.

Thanks.

John

From: Risa Thau
Sent: Thursday, August 17, 2017 9:34 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>; Alfonso Soriano <Alfonso.Soriano@ofina.on.ca>; John Psinas <John.Psinas@ofina.on.ca>; George Sakura <George.Sakura@ofina.on.ca>; Graham Monroe <Graham.Monroe@ofina.on.ca>; Tony Dong <Tony.Dong@ofina.on.ca>
Cc: Bruno Amara <Bruno.Amara@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Subject: RE: OFA-IESO Credit Facilities

Hi Sarah,

From a Settlements perspective there is no issue, however since Capital Markets inputs these loans they will have to investigate if this is doable with Vivek, therefore I am copying Carlos, Selena, Jim and Craig.

Thanks,

Risa Thau

Carlos, Selena, Jim and Craig,

If you need any help with this issue I'd be happy to participate.

Thanks, Risa

From: Sarah Harris
Sent: Tuesday, August 15, 2017 11:53 AM
To: Alfonso Soriano <Alfonso.Soriano@ofina.on.ca>; John Psinas <John.Psinas@ofina.on.ca>; Risa Thau <Risa.Thau@ofina.on.ca>; George Sakura <George.Sakura@ofina.on.ca>; Graham Monroe <Graham.Monroe@ofina.on.ca>; Tony Dong <Tony.Dong@ofina.on.ca>
Cc: Bruno Amara <Bruno.Amara@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Subject: OFA-IESO Credit Facilities

Hello,

We are currently in the process of working on a new $2B OFA-IESO Credit Facility to provide funding in respect of the Ontario Fair Hydro Plan. Under this framework, the existing $975 million OFA-IESO Credit Facility is to be reduced to $475 million. Due to a required Ministerial approval, the new $2B facility will not be executed until mid-September (estimate).

Once the new $2B facility is in place, the OFA would be looking to re-allocate certain loans (TBD) from the existing $975M credit facility to the new $2B facility, in order to bring the existing facility under the new intended $475 million limit. Effectively, under the legal agreements, it would be transferring certain loans from the existing facility to the new facility. The intention is that there will be no movement of funds and therefore no cash impact (that is, IESO does not repay the existing loans, and the OFA does not fund the new loans).

Would you please confirm if there are any obstacles from an operational perspective (settlement, cash, accounting, risk) with transferring any 'excess loan amount' from the existing credit facility to the new FHP credit facility?

Thanks,

Sarah

From: Opal Kandelas
To: Opal Kandelas
Subject: RE: OFA-IESO Credit facility Agreement
Date: Thursday, November 23, 2017 3:42:29 PM

From: Opal Kandelas
Sent: Thursday, November 23, 2017 8:04 AM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: OFA-IESO Credit facility Agreement

Hello,

As you know, the OFA-IESO credit facilities contains permitted lien language, which has the effect of giving OPG Trust security interest in all IESO's assets. IESO has requested that this language also be included in its agreements with OEFC and in its line of credit agreement with TD. A policy rationale briefing note has been prepared recommending that the OEFC agreements be amended to include the requested language. IESO has told that TD has agreed to include this language in their agreement with IESO, but would like to see a copy of the OFA-IESO agreement to gain comfort (themselves) that the credit facility is going to support the IESO's fair hydro transactions during the next 4 years" security interest has been granted to OPG Trust. IESO, though not legally bound to seek permission has asked for OFA's permission to share the agreement with TD.
Though this is not a legal issue, I'm touching base with you to help determine whether or not to give permission to IESO to share the OFA-IESO $2B credit facility with TD.

TD wants to gain comfort (themselves) that the credit facility is going to support the IESO's fair hydro transactions during the next 4 years.

I have verbally assured them of the above, but they wish to review themselves.

Sent from my iPad

From: Opal Kandelas
To: Opal Kandelas
Subject: RE: OFA-IESO Credit facility Agreement
Date: Thursday, November 23, 2017 3:42:30 PM

From: Opal Kandelas
Sent: Thursday, November 23, 2017 8:04 AM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: OFA-IESO Credit facility Agreement

Hello,

As you know, the OFA-IESO credit facilities contains permitted lien language, which has the effect of giving OPG Trust security interest in all IESO's assets. IESO has requested that this language also be included in its agreements with OEFC and in its line of credit agreement with TD. A policy rationale briefing note has been prepared recommending that the OEFC agreements be amended to include the requested language. IESO has told that TD has agreed to include this language in their agreement with IESO, but would like to see a copy of the OFA-IESO agreement to gain comfort (themselves) that the credit facility is going to support the IESO's fair hydro transactions during the next 4 years" security interest has been granted to OPG Trust. IESO, though not legally bound to seek permission has asked for OFA's permission to share the agreement with TD.
Though this is not a legal issue, I'm touching base with you to help determine whether or not to give permission to IESO to share the OFA-IESO $2B credit facility with TD.

TD wants to gain comfort (themselves) that the credit facility is going to support the IESO's fair hydro transactions during the next 4 years.

I have verbally assured them of the above, but they wish to review themselves.

Sent from my iPad

From:	Risa Thau
To:	Ken Kandeepan; Opal Kandelas; John Psinas; George Sakura; John Kim; Alfonso Soriano
Cc:	Mike Manning; Carlos Yep
Subject:	RE: OFHP - Business Issue next steps
Date:	Tuesday, July 11, 2017 2:50:02 PM

Hi Ken,

I read over the agreement and have one change. In Exhibit D "Payment/Wire Transfer Instructions" the legal name and address of the beneficiary (I assume OPG) has to be included.

Thanks,

Risa Thau

From: Ken Kandeepan
Sent: Sunday, July 09, 2017 11:39 AM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>; John Psinas <John.Psinas@ofina.on.ca>; George Sakura <George.Sakura@ofina.on.ca>; Risa Thau <Risa.Thau@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Alfonso Soriano <Alfonso.Soriano@ofina.on.ca>
Cc: Mike Manning <Mike.Manning@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>
Subject: FW: OFHP - Business Issue next steps

I went through this quickly and I don't have any comments; I believe that the actual transfer of funds to OPG for the equity injection will be governed by a SLA between OFA and the Ministry of Energy and we of course need to review that carefully. However, I would like you take a quick look and let me know if you have any comments.

Thanks

Ken k

From: Montgomery, Kaitlin (MOF) [mailto:Kaitlin.Montgomery@ontario.ca]
Sent: Thursday, July 06, 2017 9:12 AM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Subject: FW: OFHP - Business Issue next steps

As mentioned yesterday – this is a draft of the Master Subscription Agreement.

Please let me know if you have any suggested edits.

Kaitlin

From: Montgomery, Kaitlin (MOF)
Sent: June 28, 2017 9:55 AM
To: Kandeepan, Ken (OFA)

Cc: Kim, John (OFA); Manning, Mike (OFA)
Subject: RE: OFHP - Business Issue next steps

Thanks Ken – Are you aware how the potential timing issue with appropriations is handled on the credit side? OPG seemed to think that the OFA had some process in place so that even though only 1 year of appropriations is approved at a time there is always coverage post March 31, 2017 in the event the budget is delayed but OPG needs to borrow. I was just hoping to incorporate something similar on the ENE side so that we don't run into any issues.

OPG provided a draft Master Subscription Agreement based on the term sheet. I will run this by legal as well but please feel free to provide comments/edits.

Kaitlin

From: Ken Kandeepan [mailto:Ken.Kandeepan@ofina.on.ca]
Sent: June 24, 2017 11:45 AM
To: Montgomery, Kaitlin (MOF)
Cc: Kim, John (OFA); Manning, Mike (OFA)
Subject: RE: OFHP - Business Issue next steps

Hi Kaitlin

My apologies for the delay in responding, just going through my emails from last week, I am ok with the term sheet, you had however, raised a comment re the appropriations. Note that since the OFA will simply be a service provided in this arrangement, i.e.,
We will not be able to provide cash management services including the transfer of the funds from the Province to OPG for the equity injection until the appropriations are approved.

Thanks

Ken k

From
: Montgomery, Kaitlin (MOF) [mailto:Kaitlin.Montgomery@ontario.ca]
Sent: Wednesday, June 21, 2017 2:27 PM
To: John Kim <John.Kim@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>
Subject: RE: OFHP - Business Issue next steps

Hi all – just following up on the equity injection term sheet. I'm going to send this to ENE legal now so that they can start to digest given that the next step will be preparation of the Master Subscription Agreement. I'm assuming there aren't any major concerns but if there are items you'd like to modify if you could pass those along this week I'd appreciate it. Please note that there is a question embedded in the document regarding appropriations that I'm hoping one of you will have insight on.

At the meeting with OPG a few weeks back you had mentioned that there would likely need to be

some sort of Service Level Agreement between OFA and ENE – is there a similar agreement you already have in place that we could work from?

Thanks,
Kaitlin

From: Montgomery, Kaitlin (MOF)
Sent: June 5, 2017 3:55 PM
To: Kim, John (OFA) (John.Kim@ofina.on.ca); Kandeepan, Ken (OFA) (Ken.Kandeepan@ofina.on.ca); Manning, Mike (OFA)
Subject: OFHP - Business Issue next steps

Hi everyone,

As a follow up to today's meeting there are a couple items I think can move forward at this point.

1. Equity Injection Mechanics (draft term sheet attached)
    a. If comfortable, OPG would draft Master Subscription agreement, OFA/ENE would develop service level agreement for cash management services and ENE legal would move forward with amendment to OPG articles to facilitate new class of shares
2. Performance Fee Recommendation (OPG recommended approach attached)
    a. If comfortable, OPG would assist ENE in developing regulation language

My proposed next steps, subject to your agreement, would be to share these documents with ENE legal today and then table them at a Thursday morning meeting with ENE DMO/MO (along with an updated "business issues" note, which I'll send around for everyone's input in the next day or so). After that meeting I would send the same materials /update to MOF DMO along with any new updates received at that meeting.

Could you please confirm you have no further comments and that you agree with this approach and also that there's no other materials/terms that you think need to move up through approvals at this point in time?

Thanks in advance,
Kaitlin

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From: Opal Kandelas
To: Carlos Yep
Cc: Mike Manning
Subject: RE: OFHP - Outstanding business issues - new note#5 IESO
Date: Wednesday, May 31, 2017 11:03:30 AM
Attachments: Outstanding Business Issues Ontario Fair Hydro Plan markup_cy1 (003).docx

---

Hi Carlos,

The information known regarding the IESO credit facility has been included in the Note.

Thanks,
Opal

-----Original Message-----
From: Carlos Yep
Sent: Tuesday, May 30, 2017 2:28 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Cc: Mike Manning <Mike.Manning@ofina.on.ca>
Subject: FW: OFHP - Outstanding business issues - new note#5 IESO

-----Original Message-----
From: Carlos Yep
Sent: Tuesday, May 30, 2017 12:21 PM
To: Mike Manning <Mike.Manning@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; John Psinas <John.Psinas@ofina.on.ca>
Cc: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: FW: OFHP - Outstanding business issues

fyi

-----Original Message-----
From: Montgomery, Kaitlin (MOF) [mailto:Kaitlin.Montgomery@ontario.ca]
Sent: Tuesday, May 30, 2017 11:28 AM
To: John Kim <John.Kim@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>
Subject: OFHP - Outstanding business issues

Hi all,

ENE MO asked for a quick note on 4 of the outstanding business issues that are being worked through and are hoping to see something tomorrow morning.

I've pulled together a high level explanation of each of the items and next steps/timing (to the extent I know).

Would greatly appreciate if you guys could take a look and provide any edits/comments today/early tomorrow if possible. I'm also not too involved in a few of these discussions so if there's others within OFA you think should review feel free to pass along.

Thanks in advance,
Kaitlin

Outstanding Business Issues – Ontario Fair Hydro Plan
Briefing Note

PURPOSE
Provide an overview of a few of the key remaining outstanding business issues that OPG and the Province are working through

BUSINESS ISSUES

1. **Provincial Support Agreement Term Sheet (~~Service and~~ Performance and Payment Guarantees)**
   - As part of the OFHP, the IESO will create and sell a regulatory asset to the OPG financing entity
   - In order to provide assurances to those with claims against the Financing Entity (eg. Holders of debt), and support credit ratings, the Province is providing both a Service Guarantee and a Performance Guarantee to ensure that the obligations of the IESO are carried out including obligations related to collecting and remitting clean energy adjustments.
   - **Next Steps:**
     - OPG and OFA and working towards the development of a term sheet
     - Timing: Guarantees are required to support rating agency review which is expected by the end of July

2. **Payments in Lieu of Taxes (PILs) Exemption**
   - The Province would like to minimize to the extent possible , the PILs payable by the OPG financing vehicle, as those costs will be recovered from ratepayers
   - The Province is considering regulation changes to exempt the income arising as a consequence of the Fair Hydro Plan from PILs
   - As part of the OFHP, the financing entity will raise debt and acquire "investment assets" from the IESO. Given the unique nature of the investment assets, there are no specific rules which govern the manner which investment assets should be treated for tax purposes, and further analysis is required to ensure the cost of the investment assets are appropriately recognized as a deduction or offset in computing the income of the financing entity
   - **Next Steps:**
     - The Ministries of Finance, OFA and OPG are working together to determine required regulation changes
     - Timing: [Next steps for a decision / when is a decision required / when would these regulation changes occur]

3. **Fair Hydro Plan - Master Subscription Agreement Term Sheet (Equity Injection Process)**

- OPG will require equity injections on a monthly basis in order to maintain its capital structure, and will require flexibility in order to issue shares as needed by the Province
- The Ministry of Energy received appropriation for $1.1B through PRRT to support equity injections for the 2017-18 period, and will continue to provide multi-year forecasts each year through PRRT
- **Next Steps:**
    - The Ministry of Energy, OFA and OPG are working through the short term mechanics of this process which will ultimately feed into a Master Subscription Agreement. A draft term sheet is underway.
    - Timing: OPG will require the ability to issue equity in July, so mechanics and agreements should be finalized in June

4. **Management Fees**
    - OPG will be providing all required services to the Trust as part of the OFHP, including planning, strategy, financing, deal execution etc.
    - The legislation allows OPG to establish and charge a management fee for those services in accordance with the regulations which are currently in development
    - OPG and OEB are currently working together on a management fee structure that balances the interests of minimizing costs and satisfying accounting consolidation requirements
    - **Next Steps:**
        - OPG and OEB will bring forward a recommended framework for developing management fees
        - Timing: For incorporation into regulations being brought forward in June

5. **IESO – Increased Credit Facilities**
    - The OPG financing entity has the right to purchase the regulatory asset from IESO but does not have to purchase it.
    - IESO is working with the OFA to increase the credit facilities in the event that the OPG financing entity does not purchase the regulatory asset
    - **Next Steps:**
        - OFA is drafting a new agreement for a $2 billion credit facility for the OFA to lend funds to IESO for FHP purposes. Concurrently, the OFA is seeking LRC approval for a new $2 billion OIC, as well as a Directive from the Minister of Finance, which are both necessary for the OFA to lend funds to IESO under the new Credit Facility. .....
        - Timing: The OIC is scheduled as item for the June 27, 2017 LRC meeting. The Directive and Credit Facility Agreement are currently being drafted, to be in place by July 1st, 2017.....

Formatted

Formatted: Font: +Headings (Calibri)

From: Opal Kandelas
To: Sarah Harris
Subject: RE: OIC s22 CIPA - OFA-IESO
Date: Tuesday, June 06, 2017 3:05:58 PM

Thanks. "eye roll" eh? sounds like I'm having a less than positive effect on you!

From: Sarah Harris
Sent: Tuesday, June 06, 2017 3:03 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: FW: OIC s22 CIPA - OFA-IESO

Hi Opal,

Here is the final OIC package for your enjoyment and perusal (insert eye roll here).

Thanks,
Sarah

From: Gavin He
Sent: Friday, June 02, 2017 3:27 PM
To: Patrick Rundans (MOF) <Patrick.Rundans@ontario.ca>
Cc: John Kim <John.Kim@ofina.on.ca>; Salman Qadir <Salman.Qadir@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: RE: OIC s22 CIPA - OFA-IESO

Hi Patrick,

Please find attached the final version of the draft package. We will bring this over for your signature on the OIC once ready.

Thanks,
Gavin He

From: Rundans, Patrick (MOF) [mailto:Patrick.Rundans@ontario.ca]
Sent: Thursday, June 01, 2017 5:25 PM
To: Gavin He <Gavin.He@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: John Kim <John.Kim@ofina.on.ca>; Salman Qadir <Salman.Qadir@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Subject: RE: OIC s22 CIPA - OFA-IESO

The MOF Legal comments on the LRC approval form and memos are attached. Also

attached is an updated OIC from the translators.

Patrick

Patrick Rundans
Counsel
Ministry of the Attorney General
Ministry of Finance, Legal Services Branch

T: 416-212-4538
F: 416-325-1460

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any other distribution, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message including any attachments, without reading it or making a copy. Thank you.

From: Gavin He [mailto:Gavin.He@ofina.on.ca]
Sent: May 31, 2017 5:33 PM
To: Rundans, Patrick (MOF); Harris, Sarah (OFA)
Cc: Kim, John (OFA); Salman Qadir; Bruno Amara
Subject: RE: OIC s22 CIPA - OFA-IESO

Hi all,

Sorry for the confusion. Please use the latest version of the LRC Approval Form instead.

Thanks,
Gavin He

From: Bruno Amara
Sent: Wednesday, May 31, 2017 5:23 PM
To: Patrick Rundans (MOF) <Patrick.Rundans@ontario.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Salman Qadir <Salman.Qadir@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Subject: FW: OIC s22 CIPA - OFA-IESO

Hi All,

As you may be aware The Fair Hydro Act was passed today. As a result we updated language in the materials. E.g., ~~*proposed*~~ *Ontario Fair Hydro Act, 2017.* No content changes. I think these updates affected the first three attached documents but not the 4th , i.e., the OIC.

Thanks
Bruno

From: Rundans, Patrick (MOF) [mailto:Patrick.Rundans@ontario.ca]
Sent: Wednesday, May 31, 2017 4:14 PM
To: Gavin He <Gavin.He@ofina.on.ca>
Subject: Re: OIC s22 CIPA - OFA-IESO

Gavin, I will let you know as soon as possible.

Sent with BlackBerry Work (www.blackberry.com)

From: [Gavin He <Gavin.He@ofina.on.ca>]
Sent: May 31, 2017 4:08 PM
To: ["Rundans, Patrick (MOF)" <Patrick.Rundans@ontario.ca>]
Subject: [RE: OIC s22 CIPA - OFA-IESO]
Cc: [Salman Qadir <Salman.Qadir@ofina.on.ca>]

Hi Patrick,

Hope your day is going well!

Just want to check in with you to see if you have got a chance to review the updated package that Salman sent you yesterday? Please let me know if you are good with the updated package.

Thanks,
Gavin He

From: Rundans, Patrick (MOF) [mailto:Patrick.Rundans@ontario.ca]
Sent: Wednesday, May 31, 2017 12:42 PM
To: Bruno Amara <Bruno.Amara@ofina.on.ca>
Cc: John Kim <John.Kim@ofina.on.ca>; Salman Qadir <Salman.Qadir@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: Re: OIC s22 CIPA - OFA-IESO

I will get the translators to confirm.

Sent with BlackBerry Work (www.blackberry.com)

From: [Bruno Amara <Bruno.Amara@ofina.on.ca>]
Sent: May 31, 2017 12:12 PM
To: ["Rundans, Patrick (MOF)" <Patrick.Rundans@ontario.ca>]
Subject: [FW: OIC s22 CIPA - OFA-IESO]
Cc: ["Kim, John (OFA)" <John.Kim@ofina.on.ca>, Salman Qadir <Salman.Qadir@ofina.on.ca>, "Harris, Sarah (OFA)" <Sarah.Harris@ofina.on.ca>, "He,

Gavin (OFA)" <Gavin.He@ofina.on.ca>]

Hi Patrick

Apologies, regarding the French translation. 1) I had updated using my high school French and 2) in the translation I had missed updating the change in date from June to December 31, 2017. I have revised in attached "4 – CIPA s.22…" , but of course, this should be reviewed.

Thanks
Bruno

From: Bruno Amara
Sent: Wednesday, May 31, 2017 10:56 AM
To: Patrick Rundans (MOF) <Patrick.Rundans@ontario.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Salman Qadir <Salman.Qadir@ofina.on.ca>
Subject: RE: OIC s22 CIPA - OFA-IESO

Hi Patrick

Per Salman's email attached are the revised materials. Note the amount changed to $2B per Salman's email, but also further direction to change repayment date to December 31, 2047. Let me know if you have any questions/concerns.

Thanks
Bruno

Bruno Amara
Sr. Manager, Financial and Regulatory Analysis
Electricity Finance Branch
Corporate and Electricity Finance Division
Ontario Financing Authority

Tel: 416-325-1489
Email: bruno.amara@ofina.on.ca

From: Rundans, Patrick (MOF) [mailto:Patrick.Rundans@ontario.ca]
Sent: Tuesday, May 30, 2017 5:51 PM
To: Salman Qadir <Salman.Qadir@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Subject: RE: OIC s22 CIPA - OFA-IESO

Will do Salman.

Patrick Rundans
Counsel
Ministry of the Attorney General
Ministry of Finance, Legal Services Branch

T: 416-212-4538
F: 416-325-1460

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any other distribution, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message including any attachments, without reading it or making a copy. Thank you.

From: Salman Qadir [mailto:Salman.Qadir@ofina.on.ca]
Sent: May 30, 2017 5:36 PM
To: Rundans, Patrick (MOF)
Cc: Harris, Sarah (OFA); Bruno Amara; Kim, John (OFA)
Subject: OIC s22 CIPA - OFA-IESO

Hi Patrick,

As the OIC package was going through our OFA approvals, we have now been directed that the OIC amount should be $2.0 billion, with an expiry date of June 30, 2047, to line up with the IESO request and the term of the FHP.

I'll recirculate the updated LRC package once I get a finalized version in place. Could we update the OIC to reflect this as I know it may take some time.

Let us know.

Thank you,
Salman

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From: Opal Kandelas
To: Sarah Harris
Subject: RE: OIC s22 CIPA - OFA-IESO
Date: Tuesday, May 30, 2017 8:17:23 PM

What a surprise!

From: Sarah Harris
Sent: Tuesday, May 30, 2017 7:54 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: Fwd: OIC s22 CIPA - OFA-IESO

OIC is now $2 billion.

Begin forwarded message:

> **From:** Salman Qadir <Salman.Qadir@ofina.on.ca>
> **Date:** May 30, 2017 at 5:35:58 PM EDT
> **To:** "Patrick Rundans (MOF)" <Patrick.Rundans@ontario.ca>
> **Cc:** Sarah Harris <Sarah.Harris@ofina.on.ca>, Bruno Amara <Bruno.Amara@ofina.on.ca>, John Kim <John.Kim@ofina.on.ca>
> **Subject: OIC s22 CIPA - OFA-IESO**
>
> Hi Patrick,
>
> As the OIC package was going through our OFA approvals, we have now been directed that the OIC amount should be $2.0 billion, with an expiry date of June 30, 2047, to line up with the IESO request and the term of the FHP.
>
> I'll recirculate the updated LRC package once I get a finalized version in place. Could we update the OIC to reflect this as I know it may take some time.
>
> Let us know.
>
> Thank you,
> Salman

From: Sarah Harris
To: Salman Qadir; Patrick Rundans (MOF)
Cc: Opal Kandelas
Subject: RE: OIC s22 CIPA - OFA-IESO
Date: Tuesday, May 30, 2017 12:00:49 PM

Hi Salman and Patrick,

I checked on the rates and they're fine. Good to go.

Thanks,
Sarah

From: Salman Qadir
Sent: Tuesday, May 30, 2017 11:05 AM
To: Patrick Rundans (MOF) <Patrick.Rundans@ontario.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: RE: OIC s22 CIPA - OFA-IESO

Thanks Patrick. I've updated the package.

FYI. Cole Le, our co-op, is coming by with the package. I can have it picked up later in the afternoon once its signed.

Sarah: Please let me know if anything comes back from Linda – I don't think there will be an issue but hoping if there is any, its flagged.

Thank you,
Salman

From: Rundans, Patrick (MOF) [mailto:Patrick.Rundans@ontario.ca]
Sent: Tuesday, May 30, 2017 10:22 AM
To: Salman Qadir <Salman.Qadir@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: RE: OIC s22 CIPA - OFA-IESO

I made a small change to the first paragraph to reflect the changes in the CEO to DM memo.

Patrick Rundans
Counsel
Ministry of the Attorney General
Ministry of Finance, Legal Services Branch

T: 416-212-4538

F: 416-325-1460

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any other distribution, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message including any attachments, without reading it or making a copy. Thank you.

From: Salman Qadir [mailto:Salman.Qadir@ofina.on.ca]
Sent: May 30, 2017 10:00 AM
To: Harris, Sarah (OFA); Rundans, Patrick (MOF)
Subject: RE: OIC s22 CIPA - OFA-IESO

Thanks Sarah.

C(ii) would apply to this situation and the rate is determined by the Minister of Finance – hopefully its not an issue.

Attached is the latest package. I'm told I have to get it over to MOF legal for sign off before Ron/Gadi sign off today.

Patrick – I can have a co-op student drop it off in the next hour if you're around (or leave it at reception) (as soon as we hear back from Sarah re: below) – would you be able to get sign off by early afternoon?

Thanks,
Salman

From: Sarah Harris
Sent: Tuesday, May 30, 2017 9:50 AM
To: Salman Qadir <Salman.Qadir@ofina.on.ca>; Patrick Rundans (MOF) <Patrick.Rundans@ontario.ca>
Subject: RE: OIC s22 CIPA - OFA-IESO

Salman and Patrick,

I just realized, as a matter of prudence, the rates in sections (c)(i) and (c)(ii) of the OIC should be checked with the trading floor (Linda or Mike). I know they are essentially the same as the existing 1997 and 1999 OFA OICs. I don't expect any difference, but in particular, I just want to ensure the 90 day t-bill rate under (c)(i) is still the appropriate. Frankly, I'm not familiar with a practical circumstance (c)(i) would apply to. I know time is tight, so I've already e-mailed Linda and will let you know.

Sarah

From: Salman Qadir
Sent: Monday, May 29, 2017 2:43 PM

To: Patrick Rundans (MOF) <Patrick.Rundans@ontario.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Subject: RE: OIC s22 CIPA - OFA-IESO

Hi Patrick/Sarah,

Thanks for all your comments. I've incorporated all the changes. I do want to note that the Act is called Ontario Fair Hydro Plan Act, 2017, so I've made those updates to the note.

We have not received Energy's Cabinet note but will continue to see if they can provide. Our understanding is that it is the regulations that are tracking but will double check again.

I will aim to get the package to MOF legal later today, if not, by first thing tomorrow morning.

See attached latest version.

Salman

From: Rundans, Patrick (MOF) [mailto:Patrick.Rundans@ontario.ca]
Sent: Friday, May 26, 2017 4:41 PM
To: Salman Qadir <Salman.Qadir@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Subject: RE: OIC s22 CIPA - OFA-IESO

Salman,

The MOF Legal comments on the LRC note and draft memos are attached for your review. Also attached is an updated draft of the OIC to include the amount and repayment date.

Please let us know if you have any questions.

Thanks,
Patrick

Patrick Rundans
Counsel
Ministry of the Attorney General
Ministry of Finance, Legal Services Branch

T: 416-212-4538
F: 416-325-1460

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any other distribution, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message including any attachments, without reading it or making a copy. Thank you.

From: Salman Qadir [mailto:Salman.Qadir@ofina.on.ca]
Sent: May 23, 2017 5:16 PM
To: Harris, Sarah (OFA); Rundans, Patrick (MOF)
Cc: Kathirgamanathan,Shajee (OFA); Bruno Amara
Subject: OIC s22 CIPA - OFA-IESO

Hi Sarah/Patrick,

For your review, attached is the revised LRC note and draft memos. We've also asked DMO to let us know about timeline and obtaining an EVISTA number for this.

I'm not in the office rest of the week but will have limited access to my emails, but please do cc' Shajee and Bruno on emails in case there is something urgent.

Will keep you posted on any further developments.

Thank you,
Salman

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From: Sarah Harris
To: Opal Kandelas
Subject: RE: OIC s22 CIPA - OFA-IESO
Date: Monday, May 29, 2017 10:53:03 AM

Hi Opal,

The directive is for $2B initially for the credit facility. The $1.5 B is provided as a contingency post implementation if the OPG SPV opts not to purchase any portion of the regulatory asset (sine there is not legislation requiring them to do so).

Sarah

From: Opal Kandelas
Sent: Monday, May 29, 2017 10:37 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: RE: OIC s22 CIPA - OFA-IESO

Hi Sarah,

No I did not. From the materials you attached, it seems that we (OFA) don't even know the exact situations that will give rise to the loans from the credit facility. Won't be the first time we have excess borrowing authority sitting around. The Minister will be providing a directive for $3.5B when the IESO requested a credit facility for only $2B.

Has it happened before where the directive is for an amount greater than the credit facility? Or is the plan for IESO to get a $3.5B credit facility?

From: Sarah Harris
Sent: Monday, May 29, 2017 9:48 AM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: FW: OIC s22 CIPA - OFA-IESO

HI Opal,

Before I left on Thursday evening, you had mentioned that you thought the OIC should be in the amount of $3 billion and not $3.5 billion. I was wondering if on Friday you had reached out to CEFD to discuss this?

The package is due tomorrow, so we would need to sort this out today.

Thanks,
Sarah

From: Rundans, Patrick (MOF) [mailto:Patrick.Rundans@ontario.ca]
Sent: Friday, May 26, 2017 4:41 PM
To: Salman Qadir <Salman.Qadir@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: Shajee Kathirgamanathan <Shajee.Kathirgamanathan@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Subject: RE: OIC s22 CIPA - OFA-IESO

Salman,

The MOF Legal comments on the LRC note and draft memos are attached for your review. Also attached is an updated draft of the OIC to include the amount and repayment date.

Please let us know if you have any questions.

Thanks,
Patrick

Patrick Rundans
Counsel
Ministry of the Attorney General
Ministry of Finance, Legal Services Branch

T: 416-212-4538
F: 416-325-1460

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any other distribution, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message including any attachments, without reading it or making a copy. Thank you.

From: Salman Qadir [mailto:Salman.Qadir@ofina.on.ca]
Sent: May 23, 2017 5:16 PM
To: Harris, Sarah (OFA); Rundans, Patrick (MOF)
Cc: Kathirgamanathan,Shajee (OFA); Bruno Amara
Subject: OIC s22 CIPA - OFA-IESO

Hi Sarah/Patrick,

For your review, attached is the revised LRC note and draft memos. We've also asked DMO to let us know about timeline and obtaining an EVISTA number for this.

I'm not in the office rest of the week but will have limited access to my emails, but please do cc' Shajee and Bruno on emails in case there is something urgent.

Will keep you posted on any further developments.

Thank you,
Salman

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From: Sarah Harris
To: Opal Kandelas
Subject: RE: OIC s22 CIPA - OFA-IESO
Date: Tuesday, June 06, 2017 3:14:37 PM

☺ I'm positively sure you would effect an eye roll. All good here. I'm still smiley and happy.

From: Opal Kandelas
Sent: Tuesday, June 06, 2017 3:06 PM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: RE: OIC s22 CIPA - OFA-IESO

Thanks. "eye roll" eh? sounds like I'm having a less than positive effect on you!

From: Sarah Harris
Sent: Tuesday, June 06, 2017 3:03 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: FW: OIC s22 CIPA - OFA-IESO

Hi Opal,

Here is the final OIC package for your enjoyment and perusal (insert eye roll here).

Thanks,
Sarah

From: Gavin He
Sent: Friday, June 02, 2017 3:27 PM
To: Patrick Rundans (MOF) <Patrick.Rundans@ontario.ca>
Cc: John Kim <John.Kim@ofina.on.ca>; Salman Qadir <Salman.Qadir@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: RE: OIC s22 CIPA - OFA-IESO

Hi Patrick,

Please find attached the final version of the draft package. We will bring this over for your signature on the OIC once ready.

Thanks,
Gavin He

From: Rundans, Patrick (MOF) [mailto:Patrick.Rundans@ontario.ca]
Sent: Thursday, June 01, 2017 5:25 PM

To: Gavin He <Gavin.He@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: John Kim <John.Kim@ofina.on.ca>; Salman Qadir <Salman.Qadir@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Subject: RE: OIC s22 CIPA - OFA-IESO

The MOF Legal comments on the LRC approval form and memos are attached. Also attached is an updated OIC from the translators.

Patrick

Patrick Rundans
Counsel
Ministry of the Attorney General
Ministry of Finance, Legal Services Branch

T: 416-212-4538
F: 416-325-1460

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any other distribution, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message including any attachments, without reading it or making a copy. Thank you.

From: Gavin He [mailto:Gavin.He@ofina.on.ca]
Sent: May 31, 2017 5:33 PM
To: Rundans, Patrick (MOF); Harris, Sarah (OFA)
Cc: Kim, John (OFA); Salman Qadir; Bruno Amara
Subject: RE: OIC s22 CIPA - OFA-IESO

Hi all,

Sorry for the confusion. Please use the latest version of the LRC Approval Form instead.

Thanks,
Gavin He

From: Bruno Amara
Sent: Wednesday, May 31, 2017 5:23 PM
To: Patrick Rundans (MOF) <Patrick.Rundans@ontario.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Salman Qadir <Salman.Qadir@ofina.on.ca>
Cc: Gavin He <Gavin.He@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Subject: FW: OIC s22 CIPA - OFA-IESO

Hi All,

As you may be aware The Fair Hydro Act was passed today. As a result we updated language in the materials. E.g., ~~*proposed*~~ *Ontario Fair Hydro Act, 2017.* No content changes. I think these updates affected the first three attached documents but not the 4th , i.e., the OIC.

Thanks
Bruno

From: Rundans, Patrick (MOF) [mailto:Patrick.Rundans@ontario.ca]
Sent: Wednesday, May 31, 2017 4:14 PM
To: Gavin He <Gavin.He@ofina.on.ca>
Subject: Re: OIC s22 CIPA - OFA-IESO

Gavin, I will let you know as soon as possible.

Sent with BlackBerry Work (www.blackberry.com)

From: [Gavin He <Gavin.He@ofina.on.ca>]
Sent: May 31, 2017 4:08 PM
To: ["Rundans, Patrick (MOF)" <Patrick.Rundans@ontario.ca>]
Subject: [RE: OIC s22 CIPA - OFA-IESO]
Cc: [Salman Qadir <Salman.Qadir@ofina.on.ca>]

Hi Patrick,

Hope your day is going well!

Just want to check in with you to see if you have got a chance to review the updated package that Salman sent you yesterday? Please let me know if you are good with the updated package.

Thanks,
Gavin He

From: Rundans, Patrick (MOF) [mailto:Patrick.Rundans@ontario.ca]
Sent: Wednesday, May 31, 2017 12:42 PM
To: Bruno Amara <Bruno.Amara@ofina.on.ca>
Cc: John Kim <John.Kim@ofina.on.ca>; Salman Qadir <Salman.Qadir@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: Re: OIC s22 CIPA - OFA-IESO

I will get the translators to confirm.

Sent with BlackBerry Work (www.blackberry.com)

From: [Bruno Amara <Bruno.Amara@ofina.on.ca>]
Sent: May 31, 2017 12:12 PM
To: ["Rundans, Patrick (MOF)" <Patrick.Rundans@ontario.ca>]
Subject: [FW: OIC s22 CIPA - OFA-IESO]
Cc: ["Kim, John (OFA)" <John.Kim@ofina.on.ca>, Salman Qadir <Salman.Qadir@ofina.on.ca>, "Harris, Sarah (OFA)" <Sarah.Harris@ofina.on.ca>, "He, Gavin (OFA)" <Gavin.He@ofina.on.ca>]

Hi Patrick

Apologies, regarding the French translation. 1) I had updated using my high school French and 2) in the translation I had missed updating the change in date from June to December 31, 2017. I have revised in attached "4 – CIPA s.22…" , but of course, this should be reviewed.

Thanks
Bruno

From: Bruno Amara
Sent: Wednesday, May 31, 2017 10:56 AM
To: Patrick Rundans (MOF) <Patrick.Rundans@ontario.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Salman Qadir <Salman.Qadir@ofina.on.ca>
Subject: RE: OIC s22 CIPA - OFA-IESO

Hi Patrick

Per Salman's email attached are the revised materials. Note the amount changed to $2B per Salman's email, but also further direction to change repayment date to December 31, 2047. Let me know if you have any questions/concerns.

Thanks
Bruno

Bruno Amara
Sr. Manager, Financial and Regulatory Analysis
Electricity Finance Branch
Corporate and Electricity Finance Division
Ontario Financing Authority

Tel: 416-325-1489
Email: bruno.amara@ofina.on.ca

From: Rundans, Patrick (MOF) [mailto:Patrick.Rundans@ontario.ca]
Sent: Tuesday, May 30, 2017 5:51 PM
To: Salman Qadir <Salman.Qadir@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Subject: RE: OIC s22 CIPA - OFA-IESO

Will do Salman.

Patrick Rundans
Counsel
Ministry of the Attorney General
Ministry of Finance, Legal Services Branch

T: 416-212-4538
F: 416-325-1460

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any other distribution, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message including any attachments, without reading it or making a copy. Thank you.

From: Salman Qadir [mailto:Salman.Qadir@ofina.on.ca]
Sent: May 30, 2017 5:36 PM
To: Rundans, Patrick (MOF)
Cc: Harris, Sarah (OFA); Bruno Amara; Kim, John (OFA)
Subject: OIC s22 CIPA - OFA-IESO

Hi Patrick,

As the OIC package was going through our OFA approvals, we have now been directed that the OIC amount should be $2.0 billion, with an expiry date of June 30, 2047, to line up with the IESO request and the term of the FHP.

I'll recirculate the updated LRC package once I get a finalized version in place. Could we update the OIC to reflect this as I know it may take some time.

Let us know.

Thank you,
Salman

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From: Opal Kandelas
To: Sarah Harris
Subject: RE: OPG blurb
Date: Tuesday, July 04, 2017 4:49:50 PM

Thanks.

From: Sarah Harris
Sent: Tuesday, July 04, 2017 4:02 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: OPG blurb

OPG-OEFC Credit Facility
Purpose: General Corporate Purposes and Darlington requirements
Current Limit: CAD 700M to December 31, 2017
Amendment:
- Increase to CAD 2.35B to December 31, 2018
- Amend definition of Base Rate to more closely relate to hedging that is done for the borrowing.
- Additional proposed amendment by OPG (being considered internally in OFA) to amend definition of *Subsidiary* to exclude "any Person that is a "financing entity" as defined in the *Ontario Fair Hydro Plan Act, 2017* (Ontario). The entity needs to be legally separated from OPG and be a single purpose entity for the FHP to work (see the information that Ryan and Kelly put together earlier).

From: Rundans, Patrick (MOF)
To: Malle Hanslep (MOF)
Cc: Opal Kandelas
Subject: RE: Ontario Releases 2015-16 Public Accounts
Date: Friday, October 07, 2016 11:52:38 AM
Attachments: 1 - Distribution Agreement.pdf

Hi Malle,

In the USMTN Update we deleted the requirement for the Province to provide a certificate under 6(b)(i) and the requirement for Shearman to provide a 10b-5 and opinion each time the Province files an 18-K (see attached).

6(b)(i) used to require the Province to provide a certificate each time the Province files:

(A) Exhibit (d) to the Province's Annual Report on Form 18-K, Description of the Province of Ontario; (B) an amendment on Form 18-K/A to the Province's Annual Report on Form 18-K relating to the Province's Annual Budget; and (C) an amendment on Form 18-K/A to the Province's Annual Report on Form 18-K relating to the Public Accounts of Ontario;

6(c) required an opinion in the same circumstances.

Under the 2016 Update, 6(b) and 6(c) of the Distribution Agreement only require a certificate or opinion where the "Province sells Notes to an Agent pursuant to a Terms Agreement and agrees to deliver such certificate [or opinion] pursuant to the terms of such Terms Agreement."

I'll call J-F to discuss as well.

Patrick

Patrick Rundans
Counsel
Ministry of the Attorney General
Ministry of Finance, Legal Services Branch

T: 416-212-4538
F: 416-325-1460

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any other distribution, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message including any attachments, without reading it or making a copy. Thank you.

-----Original Message-----
From: Hanslep, Malle (MOF)
Sent: October 7, 2016 11:48 AM
To: Kandelas, Opal (OFA)
Cc: Rundans, Patrick (MOF)
Subject: Re: Ontario Releases 2015-16 Public Accounts

Maybe Patrick and JF could discuss?

Sent from my BlackBerry 10 smartphone on the Rogers network.
Original Message
From: Opal Kandelas
Sent: Friday, October 7, 2016 11:46
To: Hanslep, Malle (MOF)
Cc: Rundans, Patrick (MOF)
Subject: Re: Ontario Releases 2015-16 Public Accounts

Ok thanks.

> On Oct 7, 2016, at 11:45 AM, Hanslep, Malle (MOF) <Malle.Hanslep@ontario.ca> wrote:
>
> Patrick is also reviewing as he worked on the most recent amendments.
>
> Sent from my BlackBerry 10 smartphone on the Rogers network.
> From: Opal Kandelas
> Sent: Friday, October 7, 2016 11:36
> To: Hanslep, Malle (MOF)
> Cc: Rundans, Patrick (MOF)
> Subject: Re: Ontario Releases 2015-16 Public Accounts
>
>
> Hi Malle,
>
> I'm following up on this as discussed.
>
> Thanks,
> Opal.
>
> On Oct 7, 2016, at 11:20 AM, Hanslep, Malle (MOF)
<Malle.Hanslep@ontario.ca<mailto:Malle.Hanslep@ontario.ca>> wrote:
>
> Hi Opal,
>
> I have to go out to an appointment right now so if there is a follow up call with Kevin Roggow about the USMTN program requirements please contact Patrick. I understand that J-F spoke to Kevin about this point and that Kevin indicated that there was nothing further required and no due diligence required but I think that we would like to have a short call with him about that. I understand that there might have been a change in the USMTN program requirements but I haven't worked on it in awhile.
>
> Malle
>
> From: Opal Kandelas [mailto:Opal.Kandelas@ofina.on.ca]
> Sent: October 7, 2016 10:49 AM
> To: Mayman, Gadi (OFA)
> Cc: Manning, Mike (OFA); Zhang, Christina (OFA); Hanslep, Malle (MOF);
> Edmonds, Michael (MOF)
> Subject: Re: Ontario Releases 2015-16 Public Accounts
>
> All,
>
> Public accounts has now been filed with the SEC. Soft copies or links are being provided to various stock exchanges etc. as required.
>
> We've checked with US counsel and we've satisfied our US law requirement with the filing of PA. The benefit of doing a call at this point is to be able to address in a fulsome way, any questions the dealers may have now rather than waiting to do so on a pre-pricing call for example, which would lengthen the call.
>
> If there is no intention to enter the US market until after FES, we could wait and do a call at that point. So it really goes to whether you believe the dealers need comfort at this juncture.
>
> Thanks,
> Opal
>
> On Oct 7, 2016, at 9:07 AM, Gadi Mayman <Gadi.Mayman@ofina.on.ca<mailto:Gadi.Mayman@ofina.on.ca>> wrote:
> Mike, what do you think? We aren't planning to issue in the US market until after the FES is released, so I don't see the

expansion as a necessary thing to do, but if we're having a call anyhow, what does it hurt to add in others, unless it hinders our ability to issue in the C$ market today or Tuesday?
>
> From: Opal Kandelas
> Sent: Friday, October 7, 2016 8:46 AM
> To: Gadi Mayman; Mike Manning
> Cc: Christina Zhang; Malle Hanslep (MOF); Michael Edmonds (MOF)
> Subject: RE: Ontario Releases 2015-16 Public Accounts
>
>
> Hi Gadi,
>
> Below are a list of dealers that would be excluded as well as the dealers under the USMTN program.
>
> Dealers Excluded
>
> 1. Citibank
> 2. Barclays
> 3. Credit Suisse
> 4. JP Morgan
> 5. Desjardins
> 6. Mizuho Securities
> 7. Laurentian Bank
> 8. Casgrain
> 9. BNP Paribas
> 10. Canaccord Genuity
> 11. Commonwealth Bank
> 12. Societe Generale
> 13. Mitsubishi UFJ Securities International 14. Goldman Sachs 15.
> Westpac 16. National Australia bank
>
>
> USMTN call list
>
> 1. BofA Merrill Lynch
> 2. BMO
> 3. CIBC
> 4. Deutsche
> 5. HSBC
> 6. Morgan Stanley
> 7. National Bank Financial
> 8. RBC
> 9. Scotia
> 10. TD
>
>
> From: Gadi Mayman
> Sent: Thursday, October 06, 2016 5:07 PM
> To: Opal Kandelas
> <Opal.Kandelas@ofina.on.ca<mailto:Opal.Kandelas@ofina.on.ca>>; Mike
> Manning <Mike.Manning@ofina.on.ca<mailto:Mike.Manning@ofina.on.ca>>
> Cc: Christina Zhang
> <Christina.Zhang@ofina.on.ca<mailto:Christina.Zhang@ofina.on.ca>>;
> Malle Hanslep (MOF)
> <Malle.Hanslep@ontario.ca<mailto:Malle.Hanslep@ontario.ca>>; Michael
> Edmonds (MOF)
> <Michael.Edmonds@ontario.ca<mailto:Michael.Edmonds@ontario.ca>>
> Subject: RE: Ontario Releases 2015-16 Public Accounts
>

> Hi Opal. Could you remind me which dealers are in are USMTN program, or, I guess, more importantly, who isn't in the program that we'd be concerned would be missing out on the call?
>
> From: Opal Kandelas
> Sent: Thursday, October 06, 2016 4:04 PM
> To: Gadi Mayman
> <Gadi.Mayman@ofina.on.ca<mailto:Gadi.Mayman@ofina.on.ca>>; Mike
> Manning <Mike.Manning@ofina.on.ca<mailto:Mike.Manning@ofina.on.ca>>
> Cc: Christina Zhang
> <Christina.Zhang@ofina.on.ca<mailto:Christina.Zhang@ofina.on.ca>>;
> Malle Hanslep (MOF)
> <Malle.Hanslep@ontario.ca<mailto:Malle.Hanslep@ontario.ca>>; Michael
> Edmonds (MOF)
> <Michael.Edmonds@ontario.ca<mailto:Michael.Edmonds@ontario.ca>>
> Subject: RE: Ontario Releases 2015-16 Public Accounts
>
> Hello all,
>
> We're required to conduct a due diligence call for USMTN dealers upon the release of public accounts. Given the circumstances around this release, consideration should be given to whether the wider dealer group should be included in the call. Let me know your thoughts. A call could be scheduled for Tuesday October 11 at 9am.
>
> Thanks,
> Opal.
>
> From: Gadi Mayman
> Sent: Thursday, October 06, 2016 1:39 PM
> To: Erica Wieder
> <Erica.Wieder@ofina.on.ca<mailto:Erica.Wieder@ofina.on.ca>>; Bonnie
> Lemcke <Bonnie.Lemcke@ofina.on.ca<mailto:Bonnie.Lemcke@ofina.on.ca>>;
> Mike Manning
> <Mike.Manning@ofina.on.ca<mailto:Mike.Manning@ofina.on.ca>>; Ken
> Kandeepan
> <Ken.Kandeepan@ofina.on.ca<mailto:Ken.Kandeepan@ofina.on.ca>>; Ronald
> Kwan <Ronald.Kwan@ofina.on.ca<mailto:Ronald.Kwan@ofina.on.ca>>; Opal
> Kandelas <Opal.Kandelas@ofina.on.ca<mailto:Opal.Kandelas@ofina.on.ca>>
> Cc: Christina Zhang
> <Christina.Zhang@ofina.on.ca<mailto:Christina.Zhang@ofina.on.ca>>;
> Tomasz Bugajski
> <Tomasz.Bugajski@ofina.on.ca<mailto:Tomasz.Bugajski@ofina.on.ca>>
> Subject: Fw: Ontario Releases 2015-16 Public Accounts
>
>
> It's out.
> From: Ontario News <newsroom@ontario.ca<mailto:newsroom@ontario.ca>>
> Sent: Thursday, October 6, 2016 1:37 PM
> To: Gadi Mayman
> Subject: Ontario Releases 2015-16 Public Accounts
>
>
> <~WRD000.jpg>
>
> <~WRD000.jpg>
>
>
>
>
>
> News Release

>
> Ontario Releases 2015-16 Public
> Accounts[news.ontario.ca]<https://urldefense.proofpoint.com/v2/url?u=h
> ttp-3A__news.ontario.ca_tbs_en_2016_10_ontario-2Dreleases-2D2015-2D16-
> 2Dpublic-2Daccounts.html-3Futm-5Fsource-3Dondemand-26utm-5Fmedium-3Dem
> ail-26utm-5Fcampaign-3Dp&d=CwMDaQ&c=qG_YucLTZOaBAapRaQkKEgrMWFFI0Cr1_e
> ykjn9FtiQ&r=OdoCVLs6i-6reBTUJh9PAGSfpmSjeJXGKKb9SzvJOII&m=-_NEe6heJn9v
> nmNl14ngNEIyqo73nddhzGshdcDMNjI&s=3IbQntRddJnJgJXFQbbOoYrX_6cNCWm4UcdJ
> JZFvjCk&e=>
>
> October 6, 2016
>
> Expert Panel to Review Accounting Standards Ontario's Annual Report
> and Consolidated Financial Statements for 2015-16 show Ontario's deficit is $3.5 billion lower than the $8.5 billion projected in the 2015 Budget, with the province's deficit for 2015-16 at $5 billion. This is $0.7 billion lower than the $5.7 billion in the 2016 Budget interim projection.
>
> The government has received the Auditor General's opinion on the 2015-16 Public Accounts of Ontario, enabling it to release them. The results reported in the Public Accounts are identical to the unaudited financial statements released earlier this week. They confirm Ontario has beaten its annual deficit target for the seventh year in a row.
>
> The Auditor General has provided her opinion, which says that the 2015-16 results are fairly stated but qualifies her opinion for lack of restatement of the 2014-15 results.
>
> In preparing the Public Accounts, the province's professional accounting staff and the Auditor General's Office engaged in discussions about the appropriate application of the Public Sector Accounting Board's (PSAB) standards, specifically in relation to pension accounting for the province's jointly sponsored pension plans.
>
> A regulation was made to allow the public service to sign-off on the impact of the Auditor General's view on accounting for pension assets in Ontario's 2015-16 financial statements. The Province filed a time-limited regulation, which legislates the accounting for pension assets of two jointly-sponsored pension plans for 2015-16 in a manner that is consistent with the fiscal outcome proposed by the Auditor General. The impact of the change resulted in an additional $10.7 billion being added to the net debt and accumulated deficit and an increase in the annual deficit of $1.5 billion.
>
> The Auditor General's qualified opinion is based on the government's decision to report the accounting change in 2015-16 without restating the prior year's results. Restating the previous year's results would have had no impact on the financial results for 2015-16, including the annual deficit and net debt.
>
> The Auditor General's qualification relates only to the presentation of the 2014-15 comparative financial information. There is no impact on the 2015-16 annual deficit, accumulated deficit or net debt as illustrated in the table below.
>
> ($ millions)
>
>
> Annual Deficit
>
> 2014-15
>
>
> Accumulated Deficit
>
> 2014-15
>
>
> Net Debt
>
> 2014-15
>
>

> Annual Deficit
>
> 2015-16
>
>
> Accumulated Deficit
>
> 2015-16
>
>
> Net Debt
>
> 2015-16
>
>
> Province's 2015-16 financial statements
>
>
> 10,315
>
>
> 187,511
>
>
> 284,576
>
>
> 5,029
>
>
> 202,697
>
>
> 305,233
>
>
> Auditor General's 2015-16 opinion
>
>
> 11,268
>
>
> 196,665
>
>
> 293,730
>
>
> 5,029
>
>
> 202,697
>
>
> 305,233
>
>
> Auditor General's 2014-15 opinion
>

>
> 10,315
>
>
> 187,511
>
>
> 284,576
>
>
> n/a
>
>
> n/a
>
>
> n/a
>
>
> The government is forming an independent expert panel to deliver advice and recommendations to the government as to the application of public sector accounting standards to Ontario's pension assets.
>
> Panel members will also provide advice on how to value pension assets reported on the province's books, taking into account future decisions which might be made by the plan's sponsor or sponsors. The report is expected later this year.
>
> Responsible financial management is part of our plan to create jobs, grow our economy and help people in their everyday lives.
>
>
>
>
>
> QUICK FACTS
>
> * Public Accounts are a retrospective report that compares Ontario's actual performance to what was planned in the Budget.
> * Treasury Board Secretariat prepares Public Accounts in accordance with the accounting principles for governments recommended by the Public Sector Accounting Board.
>
>
>
>
>
>
>
>
>
> ADDITIONAL RESOURCES
>
> * Read the 2015-16 Public Accounts[ontario.ca]<https://urldefense.proofpoint.com/v2/url?u=https-3A__www.ontario.ca_page_public-2Daccounts-2Dontario-2D2015-2D16&d=CwMDaQ&c=qG_YucLTZOaBAapRaQkKEgrMWFFI0Cr1_eykjn9FtiQ&r=OdoCVLs6i-6reBTUJh9PAGSfpmSjeJXGKKb9SzvJOII&m=-_NEe6heJn9vnmNl14ngNEIyqo73nddhzGshdcDMNjI&s=Zm-CjEHnrve7cmKbrfwI48QXECCQoCb3nhl6OPSxIfo&e=> and explore supplementary information available through new data visualization tools
> * Watch a video explaining Public Accounts [youtu.be]<https://urldefense.proofpoint.com/v2/url?u=https-3A__youtu.be_0r-2DAZ7sjAsI&d=CwMDaQ&c=qG_YucLTZOaBAapRaQkKEgrMWFFI0Cr1_eykjn9FtiQ&r=OdoCVLs6i-6reBTUJh9PAGSfpmSjeJXGKKb9SzvJOII&m=-_NEe6heJn9vnmNl14ngNEIyqo73nddhzGshdcDMNjI&s=thuZr9k_r6uJZADtsNO9x0Di52_eTxCQWtEhwaKPRUQ&e=>

> * Learn about the government's fiscal cycle[ontario.ca]<https://urldefense.proofpoint.com/v2/url?u=http-3A__www.ontario.ca_page_ontario-2Dbudget-2Dbasics&d=CwMDaQ&c=qG_YucLTZOaBAapRaQkKEgrMWFFI0Cr1_eykjn9FtiQ&r=OdoCVLs6i-6reBTUJh9PAGSfpmSjeJXGKKb9SzvJOII&m=-_NEe6heJn9vnmNl14ngNEIyqo73nddhzGshdcDMNjI&s=D51tZWAdijmSVkGiz89fkRgpz9Temt_jku905b7857s&e=>
>
>
>
>
>
> QUOTES
>
> "I wish to thank the Auditor General for providing her audit opinion of the 2015-16 Public Accounts. The Public Accounts confirm this is the seventh year in a row that Ontario has beaten its annual deficit target. Ontario remains committed to balancing the budget in 2017-18 while remaining balanced in 2018-19."
> - Liz Sandals, President of the Treasury Board
>
>
>
>
>
>
> CONTACTS
>
> Jason Wesley
> Communications Branch
> 416-327-4023
>
> Matt Ostergard
> Minister's Office
> 416-326-3839
>
>
>
>
>
>
>
>
>
>
> Questions about your subscription? Contact us.
> [ontario.ca]<https://urldefense.proofpoint.com/v2/url?u=https-3A__www.
> ontario.ca_contact-2Dus&d=CwMDaQ&c=qG_YucLTZOaBAapRaQkKEgrMWFFI0Cr1_ey
> kjn9FtiQ&r=OdoCVLs6i-6reBTUJh9PAGSfpmSjeJXGKKb9SzvJOII&m=-_NEe6heJn9vn
> mNl14ngNEIyqo73nddhzGshdcDMNjI&s=SbkClnmYWI3Er-FHmCfmPkhviSlgOq6hqs9Kw
> qeJXYE&e=> Edit your subscription preferences.
> [subscription.news.ontario.ca]<https://urldefense.proofpoint.com/v2/ur
> l?u=https-3A__subscription.news.ontario.ca_subscriptions_en_signup_edi
> t_0ae1937a5833324c5674f8afd73af5d8&d=CwMDaQ&c=qG_YucLTZOaBAapRaQkKEgrM
> WFFI0Cr1_eykjn9FtiQ&r=OdoCVLs6i-6reBTUJh9PAGSfpmSjeJXGKKb9SzvJOII&m=-_
> NEe6heJn9vnmNl14ngNEIyqo73nddhzGshdcDMNjI&s=LfHmVouPjxKRYmsRmwc3Ku-pwx
> _I8Jnb8luHGY9lqlE&e=> Unsubscribe from News on Demand.
> [subscription.news.ontario.ca]<https://urldefense.proofpoint.com/v2/ur
> l?u=https-3A__subscription.news.ontario.ca_mt_plugins_Subscribe_subscr
> ibe.cgi-3F-5F-5Fmode-3Dunsubscribe-26email-3Dgadi.mayman-2540ofina.on.
> ca-26h-3D0ae1937a5833324c5674f8afd73af5d8-26e-5Fid-3D42082-26id-3Dall-
> 26go-5Fto-3D_subscriptions_en_unsubscribe&d=CwMDaQ&c=qG_YucLTZOaBAapRa
> QkKEgrMWFFI0Cr1_eykjn9FtiQ&r=OdoCVLs6i-6reBTUJh9PAGSfpmSjeJXGKKb9SzvJO
> II&m=-_NEe6heJn9vnmNl14ngNEIyqo73nddhzGshdcDMNjI&s=R2QebzIP98bH0R4fi87

> 8SfCwSPilaNCZcJyRpCMLDjA&e=> <~WRD000.jpg> Follow Us On
> Twitter[twitter.com]<https://urldefense.proofpoint.com/v2/url?u=http-3A__twitter.com_ONgov&d=CwMDaQ&c=qG_YucLTZOaBAapRaQkKEgrMWFFI0Cr1_eykjn9FtiQ&r=OdoCVLs6i-6reBTUJh9PAGSfpmSjeJXGKKb9SzvJOII&m=-_NEe6heJn9vnmNl14ngNEIyqo73nddhzGshdcDMNjI&s=5p7umlXjTyFA3WcBDBCp4AIjxX24e_7JN8_REQiic8c&e=>.

> Visit the Newsroom.
> [news.ontario.ca]<https://urldefense.proofpoint.com/v2/url?u=http-3A__
> news.ontario.ca_newsroom_en&d=CwMDaQ&c=qG_YucLTZOaBAapRaQkKEgrMWFFI0Cr
> 1_eykjn9FtiQ&r=OdoCVLs6i-6reBTUJh9PAGSfpmSjeJXGKKb9SzvJOII&m=-_NEe6heJ
> n9vnmNl14ngNEIyqo73nddhzGshdcDMNjI&s=kthDGnTRcvkgwq4x_jhcm7oWkfhuPKz4V
> xpjktorZ1M&e=> Disponible en français.
> [news.ontario.ca]<https://urldefense.proofpoint.com/v2/url?u=http-3A__
> news.ontario.ca_newsroom_fr&d=CwMDaQ&c=qG_YucLTZOaBAapRaQkKEgrMWFFI0Cr
> 1_eykjn9FtiQ&r=OdoCVLs6i-6reBTUJh9PAGSfpmSjeJXGKKb9SzvJOII&m=-_NEe6heJ
> n9vnmNl14ngNEIyqo73nddhzGshdcDMNjI&s=j2lB7VA35aiPTJ0EhMoJMKYkZHQJ06Jl0
> O719nzyEhI&e=>
>
> © Queen's Printer for Ontario, 2008 -
> 2016[ontario.ca]<https://urldefense.proofpoint.com/v2/url?u=http-3A__w
> ww.ontario.ca_en_general_004222&d=CwMDaQ&c=qG_YucLTZOaBAapRaQkKEgrMWFF
> I0Cr1_eykjn9FtiQ&r=OdoCVLs6i-6reBTUJh9PAGSfpmSjeJXGKKb9SzvJOII&m=-_NEe
> 6heJn9vnmNl14ngNEIyqo73nddhzGshdcDMNjI&s=1iVOLQI59awSWN3bff5Yr0NR-oVz0
> sXC3B1zWVT8jOE&e=>
> 99 Wellesley Street West 4th floor, Room 4620 Toronto ON M7A 1A1
>
>
>
>
>
>
> _____
>
> This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

EXECUTION VERSION

Dated as of April 12, 2016

PROVINCE OF ONTARIO

Medium-Term Notes

DISTRIBUTION AGREEMENT

Province of Ontario

Distribution Agreement

April 12, 2016

BMO Capital Markets Corp.
CIBC World Markets Corp.
Deutsche Bank Securities Inc.
HSBC Bank plc
Merrill Lynch, Pierce, Fenner & Smith
Incorporated
Morgan Stanley & Co. LLC
National Bank of Canada Financial Inc.
RBC Capital Markets, LLC
Scotia Capital (USA) Inc.
TD Securities (USA) LLC
c/o RBC Capital Markets, LLC
Three World Financial Center
200 Vesey Street, 8th Floor
New York, New York
U.S.A. 10281-8098

Dear Ladies and Gentlemen:

The Province of Ontario (the "**Province**") confirms its agreement with you, as agents (and, together with any other agents appointed by the Province pursuant to supplemental agreements hereto, each an "**Agent**" and collectively, the "**Agents**") with respect to the issue and sale by the Province of its Medium-Term Notes described herein (the "**Notes**") under its United States Dollar Medium-Term Notes Program (the "**Program**"). The Notes are to be issued pursuant to a fiscal agency agreement (the "**Fiscal Agency Agreement**") dated April 12, 2016 between the Province and The Bank of New York Mellon, as fiscal agent (the "**Fiscal Agent**"). The Notes shall have the terms described in the Prospectus (as defined below) as it may be amended or supplemented from time to time, including any supplement to the Prospectus that sets forth only the terms of a particular issue of the Notes (a "**Pricing Supplement**"), substantially in the form as set forth in Annex III and Annex IV, as applicable. Notes will be issued, and the terms thereof established, from time to time by the Province in accordance with the Fiscal Agency Agreement and the Procedures (as defined below). As of the date hereof, the Province has allocated an amount of CAD$1,250,650,000.00 aggregate principal amount (or its equivalent in U.S. dollars, as determined in accordance with section 26 of the *Financial Administration Act* (Ontario)) (the "**Authorized Amount**") under Order in Council 1549/2010 made on November 17, 2010 and Order in Council 1334/2012 made on August 29, 2012 made pursuant to the *Financial Administration Act* (Ontario), the *Ontario Loan Act, 2010* and the

Ontario Loan Act, 2012, for the purpose of the issue and sale of Notes under the Program. Notes, up to the Authorized Amount, may be sold through or to one or more of the Agents pursuant to the terms of this Agreement. It is understood, however, that the Province may from time to time increase the Authorized Amount by allocating additional amounts to the Program from borrowing authority that is available under an Order or Orders of the Lieutenant Governor in Council made pursuant to the *Financial Administration Act* (Ontario), as amended and/or any other applicable statute or statutes of Ontario referred to in such Order or Orders. The Province may also from time to time decrease the Authorized Amount of the Program. The Province will deliver written notice to the Agents informing them of any increase or decrease in the Authorized Amount of the Program. Any Notes issued after an increase or a decrease in the Authorized Amount may be sold through or to one or more of the Agents pursuant to the terms of this Agreement, all as though the issuance of such Notes to the Program were authorized as of the date hereof.

Subject to the terms and conditions stated herein, and subject to the reservation by the Province of the right to sell Notes directly on its own behalf, the Province hereby appoints the Agents to act as its agents for the purpose of soliciting purchases of the Notes from the Province by others and agrees that, except as otherwise contemplated herein, whenever the Province determines to sell Notes directly to one or more of the Agents as principal for resale to others, it will enter into a Terms Agreement (as defined below) relating to such sale in accordance with the provisions of Section 2(b) hereof. The Agents agree that, during the period the Agents are acting as the Province's agents hereunder, the Province shall have the right to appoint from time to time additional persons to act as its agents either generally with respect to the issue and sale of Notes or with respect to the issue and sale of particular Notes by execution of supplemental agreements substantially in the form attached hereto as Annex I or by separate agreements, in each case having terms substantially similar to the terms and conditions of this Agreement. So long as this Agreement shall remain in effect with respect to any Agents, nothing contained herein shall be construed to prevent the Province from selling Notes at any time (i) in a firm commitment underwriting pursuant to an underwriting agreement which does not provide for a continuous offering of such Notes or (ii) directly to investors other than to an Agent as principal, and no commission shall be payable to the Agents with respect to any such sales. The Province also reserves the right to sell Notes through agents other than as provided above where offers to purchase are received through such agents on an unsolicited basis. Settlement of such sales will be on substantially the same terms and conditions as are contained herein.

As used herein, the term "**Time of Sale Information**" means, collectively, as of the applicable Time of Sale (as defined below), the applicable Preliminary Prospectus (as defined below), or, if no Preliminary Prospectus exists, the Prospectus (as defined below), together with the applicable Term Sheet (as defined below), if any, and any other Issuer Free Writing Prospectus (as defined below) identified on a schedule to the applicable Terms Agreement or, if no Terms Agreement exists, any other Issuer Free Writing Prospectus that has been prepared by or on behalf of the Province relating to a particular issue of the Notes, each as amended or supplemented prior to the applicable Time of Sale. As used herein, "**Issuer Free Writing Prospectus**" shall have the meaning assigned to the term "issuer free writing prospectus" in Section 433 under the Securities Act of 1933, as amended (the "**U.S. Securities Act**"). As used herein, the term "**Time of Sale**" in respect of a particular issue of the Notes means the time specified in the applicable Terms Agreement or, if no Terms Agreement exists for a particular

issue of the Notes, the time immediately prior to the time of the first sale by an Agent of any Notes with regard to such particular issue of the Notes. As used herein, the term "**Term Sheet**" means an Issuer Free Writing Prospectus that is a term sheet containing the final terms of a particular issue of the Notes. Any reference to any amendment or supplement to the Registration Statement, Basic Prospectus, any Preliminary Prospectus or the Prospectus shall be deemed to refer to and include any post-effective amendment to the Registration Statement and any documents filed under the U.S. Securities Exchange Act of 1934, as amended (the "**U.S. Exchange Act**"), and incorporated therein, in each case after the date of the Registration Statement, Basic Prospectus, such Preliminary Prospectus, or the Prospectus, as the case may be.

1. Representations and Warranties. The Province represents and warrants to, and agrees with, each Agent as of the date hereof, as of the date of each acceptance by the Province of an offer for the purchase of Notes (whether through an Agent as agent or to an Agent as principal), as of the date of each delivery of Notes (whether through an Agent as agent or to an Agent as principal) (the date of each such delivery to an Agent as principal being hereinafter referred to as a "**Settlement Date**"), and as of any time that the Registration Statement or the Prospectus shall be amended or supplemented (other than by an amendment or supplement providing solely for a change in the interest rates of Notes, a change in the aggregate initial offering price of Notes remaining to be sold or similar changes) or there is filed with the SEC any document incorporated by reference into the Prospectus (other than any amendment on Form 18-K/A to the Province's Annual Report on Form 18-K relating exclusively to the issuance of debt securities under the Registration Statement) (each of the times referenced above being referred to herein as a "**Representation Date**") as follows:

(i) The Province has filed with the Securities and Exchange Commission (the "**SEC**") a registration statement (file no. 333-209852) under Schedule B of the U.S. Securities Act, for the registration of debt securities with an aggregate initial offering price not to exceed US$20,000,000,000, including the Notes. Such registration statement has been declared effective by the SEC. Such registration statement filed with respect to the Notes and any registration statement containing a prospectus used to offer the Notes, in each case as amended and including the exhibits thereto, including the documents incorporated by reference therein, are herein called the "**Registration Statement**"; the prospectus filed as part of the Registration Statement, in the form in which it has most recently been filed with the SEC on or prior to the date of this Agreement is herein called the "**Basic Prospectus**"; the prospectus, in the form in which it has heretofore been filed with the SEC pursuant to Rule 424 under the U.S. Securities Act (including the Basic Prospectus as supplemented by the prospectus supplement relating to the Notes), as supplemented, by the applicable Pricing Supplement relating to a particular issue of the Notes, including the documents incorporated by reference therein, is herein called the "**Prospectus**"; and any preliminary form of the Prospectus which is filed with the SEC pursuant to Rule 424 under the U.S. Securities Act (including the Basic Prospectus as so supplemented), including the documents incorporated by reference therein, is herein called the "**Preliminary Prospectus**".

(ii) (a) The Registration Statement and the Prospectus, as amended or supplemented as of the applicable Representation Date will comply in all material respects with the applicable requirements of the U.S. Securities Act and the rules and regulations thereunder and (b) the Registration Statement, at the time the Registration Statement became effective, did not and, as

amended or supplemented as of the applicable Representation Date, will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading, and the Prospectus does not and, as amended or supplemented as of the applicable Representation Date, will not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; *provided, however*, that the Province makes no representations or warranties as to the information contained in or omitted from the Registration Statement or the Prospectus or any amendment thereof or supplement thereto in reliance upon and in conformity with information furnished in writing to the Province by or on behalf of any Agent specifically for use in connection with the preparation thereof.

(iii) With respect to each issue of the Notes, the Time of Sale Information, at the Time of Sale and at the Settlement Date with respect to such issue of the Notes, will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; *provided* that the Province makes no representation or warranty with respect to any statements or omissions made in reliance upon and in conformity with information furnished to the Province in writing by any Agent expressly for use in such Time of Sale Information. With respect to each issue of the Notes, each Issuer Free Writing Prospectus in the form of Schedule I to the applicable Terms Agreement, if any, will comply in all material respects with the U.S. Securities Act.

(iv) The documents filed by the Province with the SEC pursuant to the U.S. Exchange Act that are incorporated by reference in the Prospectus, at the time they were or hereafter are filed with the SEC, complied or when so filed will comply, as the case may be, in all material respects with the requirements of the U.S. Exchange Act and the rules and regulations thereunder.

2. Solicitations as Agent; Purchases as Principal.

(a) Solicitations as Agent. On the basis of the representations and warranties herein contained, but subject to the terms and conditions herein set forth, each Agent hereby severally but not jointly agrees, as an agent of the Province, to use its reasonable efforts to solicit offers to purchase the Notes upon the terms and conditions set forth herein and in the Prospectus, it being understood that the Province shall not approve the solicitation of purchases of Notes in excess of the Authorized Amount or in excess of the principal amount of Notes registered pursuant to the Registration Statement.

Each Agent will communicate to the Province, orally or in writing, each offer to purchase Notes, other than those offers rejected by the Agents. Under no circumstances shall an Agent accept an offer without the consent of the Province. Each Agent shall have the right, in its discretion reasonably exercised, to reject any proposed purchase of Notes, as a whole or in part, and any such rejection shall not be deemed a breach of such Agent's agreement contained herein. The Province may accept or reject any proposed purchase of the Notes, in whole or in part.

The Province reserves the right, in its sole discretion, to suspend solicitation of purchases of the Notes through the Agents, as agents, commencing at any time for any period of time or permanently. Upon receipt of instructions from the Province, each Agent will forthwith suspend solicitation of purchases from the Province until such time as the Province has advised the Agents that such solicitation may be resumed. During such time as the solicitation of purchases of the Notes shall be suspended, the Province shall not be required to comply with the provisions of Sections 6(b) and 6(c) hereof.

The Province agrees to pay each Agent a commission at the time of settlement of any sale of Notes by the Province as a result of a solicitation made by such Agent, which commission may be in the form of a discount, in an amount to be agreed to by the Province and such Agent at the time of solicitation, it being understood and agreed that the commissions may not be the same for each Agent. Such Agent may reallow any portion of the commission payable pursuant hereto to dealers or purchasers in connection with the offer and sale of any Notes.

The purchase price, interest rate, maturity date and other terms of the Notes shall be agreed upon by the Province and the Agent or Agents soliciting such purchase and set forth in the applicable Term Sheet, if any, and Pricing Supplement. Except as may be otherwise provided in the applicable Term Sheet, if any, and Pricing Supplement, the Notes will be issued in denominations of US$2,000 and integral multiples of US$1,000 in excess thereof. All Notes sold through an Agent as agent will be sold at 100% of their principal amount unless otherwise agreed to by the Province and such Agent.

(b) Purchases as Principal. Each sale of Notes to an Agent as principal shall be made in accordance with the terms contained herein and (unless the Province and such Agent shall otherwise agree) pursuant to a separate agreement which will provide for the sale of such Notes to, and the purchase and reoffering thereof by, such Agent. Each such separate agreement (which may be an oral agreement, promptly confirmed in writing by facsimile transmission or email, between the relevant Agent and the Province) between such Agent and the Province is herein referred to as a "**Terms Agreement**". Unless the context otherwise requires, each reference contained herein to "this Agreement" shall be deemed to include any applicable Terms Agreement between the Province and an Agent. Each such Terms Agreement, whether oral or in writing, shall be with respect to such information (as applicable) as is specified in Annex II hereto. An Agent's commitment to purchase Notes as principal pursuant to any Terms Agreement or otherwise shall be deemed to have been made on the basis of the representations and warranties of the Province herein contained and shall be subject to the terms and conditions herein set forth. Each Terms Agreement shall specify the principal amount of Notes to be purchased by such Agent pursuant thereto, the price to be paid to the Province for such Notes, the commission to be paid to the applicable Agent, the time and place of delivery of and payment for such Notes, any provisions relating to rights of, and default by, purchasers acting together with an Agent in the reoffering of the Notes, and such other provisions (including further terms of the Notes) as may be mutually agreed upon. An Agent may utilize a selling or dealer group in connection with the resale of the Notes purchased, but only with the prior written approval of the Province. Such Terms Agreement shall also specify the requirements for the officer's certificate and opinions of counsel pursuant to Sections 6(b) and 6(c) hereof.

(c) Administrative Procedures. The Agents and the Province agree that the Administrative Procedures (the "**Procedures**") in the form attached to the Fiscal Agency Agreement as Exhibit D, shall initially be followed with respect to the sale of Notes and thereafter administrative procedures with respect to the sale of Notes shall be agreed upon from time to time by the Agents and the Province. The Agents and the Province agree to perform the respective duties and obligations specifically provided to be performed by them in the Procedures. Upon request by the Agents, the Province will furnish to the Agents a copy of the Procedures as from time to time in effect.

The Agents shall not have any responsibility for maintaining records with respect to the aggregate principal amount of Notes sold, other than performing their obligations as set forth in Section 3(b)(i) herein, or otherwise monitoring the remaining amount available under the Registration Statement.

(d) Delivery. The documents required to be delivered on the Closing Date (as defined below) by Section 5 hereof shall be delivered at the office of Shearman & Sterling LLP, 199 Bay Street, Commerce Court West, Suite 4405, P.O. Box 247, Toronto, Ontario, Canada M5L 1E8, on April 12, 2016, or at such other time and place as the Agents and the Province may agree upon in writing (the "**Closing Date**").

3. Agreements. (a) The Province covenants with each Agent as follows:

(i) After the date of any Terms Agreement and prior to the related Settlement Date, the Province will not file any amendment to the Registration Statement, any supplement to the Time of Sale Information or the Prospectus, or any document that would as a result thereof be incorporated by reference in the Time of Sale Information or the Prospectus, unless the Province has furnished to the Agents party to such Terms Agreement a copy for their review prior to filing and will not file any such proposed amendment, supplement or document to which any such Agent reasonably objects, except that the Agents may not object to the filing, as exhibits to an amendment on Form 18-K/A to the Province's Annual Report on Form 18-K, of reports prepared by the Province in the ordinary course. Subject to the foregoing sentence, the Province will cause any Pricing Supplement to be filed with the SEC pursuant to Rule 424 and the Province will file any Issuer Free Writing Prospectus to the extent required by Rule 433 under the U.S. Securities Act. The Province will promptly advise the Agents (i) when the Time of Sale Information, the Prospectus or any document that would as a result thereof be incorporated by reference in the Time of Sale Information or the Prospectus shall have been filed with the SEC, (ii) when any amendment to the Registration Statement shall have become effective, (iii) of any request by the SEC for any amendment of the Registration Statement or amendment of or supplement to the Time of Sale Information or the Prospectus or for any additional information relating thereto or to any document incorporated by reference in the Preliminary Prospectus or the Prospectus, (iv) of the issuance by the SEC of any stop order suspending the effectiveness of the Registration Statement or the institution or threatening of any proceeding for that purpose and (v) of the receipt by the Province of any notification with respect to the suspension of the qualification of the Notes for sale in any jurisdiction or the initiation or threatening of any proceeding for such purpose. The Province will use its best efforts to prevent the issuance of any such stop order and, if issued, to obtain as soon as possible the withdrawal thereof.

(ii) Before using or filing any Issuer Free Writing Prospectus, other than the Term Sheet in the form of Schedule I to the applicable Terms Agreement, if any, the Province will furnish to the Agents and counsel for the Agents a copy of the proposed Issuer Free Writing Prospectus for review and will not use or file any such Issuer Free Writing Prospectus to which the Agents reasonably object *provided* that the Agents may not object to a filing that is required.

(iii) If, at any time when a prospectus relating to the Notes is required to be delivered under the U.S. Securities Act, any event occurs as a result of which the Time of Sale Information or the Prospectus as then amended or supplemented would include any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances existing at the time it is delivered to a purchaser, not misleading, or if it shall be necessary to amend or supplement the Time of Sale Information or the Prospectus to comply with the U.S. Securities Act or the rules and regulations thereunder, the Province promptly will notify the Agents, such notice to be confirmed in writing, to cease the solicitation of offers to purchase the Notes, and the Province promptly will prepare and file with the SEC, subject to the first sentence in paragraph (a)(i) of this Section 3, an amendment or supplement at its own expense which will correct such statement or omission or an amendment which will effect such compliance.

(iv) The Province will make generally available to its security holders and to the Agents as soon as practicable after the close of its first fiscal year beginning after the date hereof, statements of its revenues and expenditures for such fiscal year which will satisfy the provisions of Section 11(a) of the U.S. Securities Act and the applicable rules and regulations thereunder.

(v) The Province will furnish to the Agents, upon request:

(A) copies of the Registration Statement (including exhibits thereto) and each amendment thereto and, so long as delivery of a prospectus by an Agent or a dealer may be required by the U.S. Securities Act, as many copies of any Preliminary Prospectus, any Issuer Free Writing Prospectus and the Prospectus and any amendments thereof and supplements thereto as the Agents may reasonably request;

(B) copies of the following documents incorporated by reference in the Registration Statement: (i) its audited financial statements, (ii) its quarterly financial updates and (iii) its annual budget, (collectively, the "**Published Reports**") by posting the Published Reports onto either http://www.fin.gov.on.ca/ or http://www.ofina.on.ca/ir/quarterly_finances.htm (each, a "**Designated Website**"). An Agent may at any time request one paper copy of any of the Published Reports posted onto the Designated Website and the Province shall comply with any such request within ten New York business days. The Province shall promptly upon becoming aware of its occurrence notify the Agents if:

(a) the Designated Website cannot be accessed due to technical failure for a period of four New York business days;

(b) the address of the Designated Website changes;

(c) any of the Published Reports which have been provided under this Agreement and posted onto the Designated Website are amended; or

(d) the Province becomes aware that the Designated Website or any of the Published Reports posted onto the Designated Website are or have been infected by any electronic virus or similar software.

If the Province notifies the Agents that the Designated Website cannot be accessed due to technical failure for a period of four New York business days or that the Designated Website or any of the Published Reports posted onto the Designated Website are or have been infected by any electronic virus or similar software, all the Published Reports to be provided by the Province after the date of that notice shall be supplied by the Province to the Agents in paper form unless and until the Province is satisfied that the circumstances giving rise to the notification are no longer continuing.

(vi) The Province will arrange for the qualification of the Notes for offer and sale and the determination of their eligibility for investment under the securities laws of such states and other jurisdictions of the United States as the Agents may designate and will maintain such qualifications in effect so long as required for the distribution of the Notes; *provided, however,* that the Province shall not be obligated to consent to general service of process under the laws of any state or other jurisdiction.

(vii) The Province will pay (i) all expenses in connection with (a) the preparation, issue, execution and delivery of the Notes (including reasonable fees of the registrar, fiscal agent, transfer agent, calculation agent and paying agents and such agents' counsel and the fees and expenses of the Province's legal advisors) and (b) the fee incurred in filing the Registration Statement (including all amendments thereto), any Issuer Free Writing Prospectus and any Time of Sale Information with the SEC, (ii) the cost of copying the documents incorporated by reference in the Time of Sale Information and the Prospectus in such quantities as the Agents may reasonably request and the cost of delivering the same to locations designated by the Agents and satisfactory to the Province in its reasonable judgment (iii) the reasonable fees and disbursements of counsel to the Agents incurred in connection with the update of the Program, which shall in no event exceed CAD$50,000 and (iv) the reasonable fees and disbursements of counsel to the Agents incurred in connection with the maintenance of, or amendments to, the Program and approved by the Province. Except as provided in this section and Section 8 hereof, the Province shall not be required to pay or bear any fees or expenses of the Agents.

(viii) The Agents will pay all costs incurred in connection with the printing of the Prospectus and each Preliminary Prospectus (including all amendments thereof or supplements thereto), any Issuer Free Writing Prospectus and the cost of delivering the same to locations designated by the Agents, the Province and each of their counsel; *provided, however*, that the

Province will pay any such reasonable printing and delivery costs incurred in connection with the establishment of the Program.

(b) Each Agent agrees that:

(i) It will deliver to the Province a letter prior to the applicable Settlement Date containing the total sales of the Notes made in the initial distribution in the United States together with an estimate of the amount of Notes reasonably expected to be sold within the United States in secondary market transactions within 40 days of such Settlement Date; *provided, however*, that the Agents shall bear no responsibility for any discrepancy between such estimate and the actual amount of Notes sold within the United States pursuant to such secondary market transactions in such time period.

(ii) It has not and will not use, authorize use of, refer to, or participate in the planning for use of, any "**free writing prospectus**" (as defined in Rule 405 under the U.S. Securities Act) (which term includes use of any written information furnished to the SEC by the Province and not incorporated by reference into the Registration Statement and any press release issued by the Province) other than (A) the Term Sheet in the form of Schedule I to the applicable Terms Agreement, if any, and any Issuer Free Writing Prospectus prepared pursuant to Section 3(a)(ii) above, or (B) any "free writing prospectus" prepared by such Agent and provided to and consented to by the Province in advance in writing (each such "free writing prospectus" referred to in this clause (B), an "**Underwriter Free Writing Prospectus**"); *provided* that the Agents may use a Bloomberg term sheet in accordance with Section 3(b)(iv) below.

(iii) It has not and will not distribute any Underwriter Free Writing Prospectus referred to in Section 3(b)(ii)(B) in a manner reasonably designed to lead to its broad unrestricted dissemination unless the Province has consented in advance in writing to such dissemination.

(iv) It has not and will not, without the prior written consent of the Province, use any "free writing prospectus" that contains the final terms of a particular issue of the Notes unless such terms have previously been included in an Issuer Free Writing Prospectus filed or to be filed with the SEC; *provided* that the Agents may use a Bloomberg term sheet that contains some or all of the information in the Term Sheet in the form of Schedule I to the applicable Terms Agreement, if any, without the consent of the Province; *provided further* that any Agent using such term sheet shall notify the Province, and provide a copy of such Bloomberg term sheet to the Province, prior to, or substantially concurrently with, the first use of such term sheet.

(v) It is not subject to any pending proceeding under Section 8A of the U.S. Securities Act with respect to the applicable offering (and will promptly notify the Province if any such proceeding against it is initiated during the period that delivery of a prospectus by an Agent or a dealer may be required by the U.S. Securities Act).

(vi) It will promptly advise the Province upon the completion of the distribution of any offering of the Notes, to the extent applicable.

4. Selling Restrictions.

(a) European Economic Area.

In relation to each member state (the "**Member States**" and each, a "**Member State**") of the European Economic Area, each Agent, on behalf of itself and each of its affiliates that participates in the initial distribution of the Notes, represents and agrees that with effect from and including the date on which the Prospectus Directive was implemented in that Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by the Preliminary Prospectus and the Prospectus and completed by the applicable Pricing Supplement to the public in that Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Member State:

(i) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(ii) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant Agent or Agents nominated by the Province for any such offer; or

(iii) in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of Notes shall require the Province or any Agent to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

In relation to any offer of Notes with a denomination of less than €100,000 (or equivalent), each person in a Member State who receives any communication in respect of, or who acquires any Notes under, such offer will be deemed to have represented, warranted and agreed that he is a qualified investor within the meaning of the law in that Member State implementing Article 2(1)(e) of the Prospectus Directive, and the Agents shall be permitted to rely on such representation for the purposes of this Section 4(a).

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any Notes in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State. The expression "Prospectus Directive" means Directive 2003/71/EC (as amended), and includes any relevant implementing measure in the Member State concerned.

(b) United Kingdom.

Each of the Agents, on behalf of itself and each of its affiliates that participates in the initial distribution of the Notes, represents and agrees that:

(i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000, as

amended (the "**FSMA**") received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Province; and

(ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

In respect of any Notes which must be redeemed before the first anniversary of the date of their issue, the Province will issue such Notes only if the following conditions apply (or the Notes can otherwise be issued without contravention of section 19 of the FSMA):

(iii) each of the Agents, on behalf of itself and each of its affiliates that participates in the initial distribution of the Notes, represents and agrees that it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (2) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 the FSMA by the Province; and

(iv) the redemption value of each such Notes is not less than £100,000 (or an amount of equivalent value denominated wholly or partly in a currency other than sterling), and no part of Notes may be transferred unless the redemption value of that part is not less than £100,000 (or such equivalent amount).

(c) Japan. The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) and, accordingly, each of the Agents, on behalf of itself and each of its affiliates that participates in the initial distribution of the Notes, undertakes that it has not offered or sold and will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any Japanese Person except pursuant to an exemption from the registration requirements of the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended), and under circumstances which will result in compliance with all applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time. For the purposes of this paragraph, "**Japanese Person**" shall mean any person resident in Japan, including any corporation or other entity organized under the laws of Japan.

(d) Hong Kong. Each of the Agents, on behalf of itself and each of its affiliates that participates in the initial distribution of the Notes, represents and agrees that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong ("**SFO**") and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in

the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

(e) Switzerland. Each Agent, on behalf of itself and each of its affiliates that participates in the initial distribution of the Notes, represents and agrees that it will not offer, sell or advertise, directly or indirectly, Notes to the public in, into or from Switzerland, and that it will not distribute or otherwise make available, the Prospectus or any other offering or marketing material relating to the Notes to the public in Switzerland.

(f) Singapore. Each Agent, on behalf of itself and each of its affiliates that participates in the initial distribution of the Notes, represents and agrees that it has not circulated or distributed and will not circulate or distribute the Preliminary Prospectus, the Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, nor has it offered or sold the Notes, or made the Notes the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA

(g) Sale and Distribution. In addition to the provisions of Sections 4(a), (b), (c), (d), (e) and (f) above, each of the Agents, on behalf of itself and each of its respective affiliates that participates in the initial distribution of the Notes, represents to and agrees with the Province that it and each of its respective affiliates has not offered, sold or delivered and will not offer, sell or deliver, directly or indirectly, any of the Notes or distribute the Basic Prospectus, any Preliminary Prospectus, the Prospectus, the Time of Sale Information, any "free writing prospectus", or any other offering material relating to the Notes, in or from any jurisdiction except under circumstances that will, to the best of its knowledge and belief, after reasonable investigation, result in compliance with the applicable laws and regulations thereof and which will not impose any obligations on the Province except as contained in this Agreement. In addition, each of the Agents agrees with the Province to cause any members of any selling or dealer group to agree to comply with the restrictions on offers and sales of the Notes set forth in this Section 4.

(h) Authorizations. Without prejudice to the provisions of Sections 4(a), (b), (c), (d), (e), (f) and (g) and except for the qualification of the Notes for offer and sale and the determination of their eligibility for investment under the applicable securities laws of such jurisdictions as the Agents may designate pursuant to Section 3(a)(vi), the Province shall not have any responsibility

for, and the Agents agree, to the extent applicable, with the Province that the Agents and their respective affiliates will obtain, any consent, approval or authorization required by them for the subscription, offer, sale or delivery by them of any of the Notes under the laws and regulations in force in any jurisdiction to which they are subject or in or from which they make such subscription, offer, sale or delivery of any of the Notes.

5. Conditions to the Obligations of the Agents. The obligations of the Agents to solicit offers to purchase the Notes as agents of the Province, the obligations of any purchasers of the Notes sold through the Agents as agents, and any obligation of any Agent to purchase Notes pursuant to a Terms Agreement or otherwise will be subject to the accuracy of the representations and warranties on the part of the Province herein and to the accuracy of the statements of the Province made in any certificate furnished pursuant to the provisions hereof, to the performance and observance by the Province of all its covenants and agreements herein contained and to the following additional conditions precedent:

(a) No stop order suspending the effectiveness of the Registration Statement, as amended from time to time, shall have been issued and no proceedings for that purpose shall have been instituted or threatened; and the Prospectus and any Pricing Supplement shall have been timely filed with the SEC pursuant to Rule 424; and each Issuer Free Writing Prospectus, to the extent required by Rule 433 under the U.S. Securities Act, shall have been filed with the SEC under the U.S. Securities Act.

(b) The Province shall have furnished to the Agents, on or prior to the Closing Date, a written opinion dated the Closing Date of the Deputy Attorney General, Assistant Deputy Attorney General or Acting Assistant Deputy Attorney General of the Province or any solicitor who is an employee of the Crown and seconded to the Legal Services Branch, Ministry of Finance, addressed to the Minister of Finance of the Province to the effect that, based on the assumptions and subject to the qualifications set forth therein:

(i) this Agreement has been duly authorized, executed and delivered by the Province in accordance with the laws of the Province of Ontario and the Order or Orders of the Lieutenant Governor in Council applicable thereto, and constitutes a legal, valid and binding agreement of the Province, enforceable in accordance with its terms;

(ii) the Fiscal Agency Agreement has been duly authorized, executed and delivered by the Province in accordance with the laws of the Province of Ontario and the Order or Orders of the Lieutenant Governor in Council applicable thereto, and, assuming due execution and delivery by the Fiscal Agent, constitutes a legal, valid and binding agreement of the Province, enforceable in accordance with its terms;

(iii) the Interest Calculation Agency Agreement has been duly authorized, executed and delivered by the Province in accordance with the laws of the Province of Ontario and the Order or Orders of the Lieutenant Governor in Council applicable thereto, and, assuming due execution and delivery by The Bank of New York Mellon, as calculation agent, constitutes a legal, valid and binding agreement of the Province, enforceable in accordance with its terms;

(iv) the Notes, as provided for in this Agreement, upon due execution on behalf of the Province in accordance with the laws of the Province of Ontario and the applicable Order or Orders of the Lieutenant Governor in Council, upon due authentication in accordance with the provisions of the Fiscal Agency Agreement and delivery thereof and payment therefor in accordance with the provisions of this Agreement, will be duly authorized and will constitute legal, valid and binding obligations of the Province, enforceable in accordance with their terms, provided that at the time of any such issue and sale, the aggregate principal amount of Notes issued (including such Notes being issued) as determined under the *Financial Administration Act* (Ontario), will not exceed the Authorized Amount;

(v) the statements in the Prospectus under the headings "Description of Debt Securities — Canadian Income Tax Considerations" and "Canadian Tax Considerations" are accurate in all material respects subject to the qualifications therein stated;

(vi) the payment of principal of and interest on the Notes will be a charge on and payable out of the Consolidated Revenue Fund of the Province of Ontario (as defined in the *Financial Administration Act* (Ontario));

(vii) no authorization, consent, waiver or approval of, or filing, registration, qualification or recording with, any governmental authority of the Province of Ontario or of Canada is required in connection with the execution, delivery and performance by the Province of this Agreement, the Fiscal Agency Agreement, the Interest Calculation Agency Agreement or the issue and sale of the Notes by the Province in the manner contemplated in this Agreement and the Prospectus, except for the Order or Orders of the Lieutenant Governor in Council applicable thereto, and an approval under section 28 of the *Financial Administration Act* (Ontario), which have been obtained;

(viii) no stamp or other similar duty or levy is payable under the laws of the Province of Ontario or the federal laws of Canada applicable in the Province of Ontario in connection with the execution, delivery and performance by the Province of this Agreement, the Fiscal Agency Agreement, the Interest Calculation Agency Agreement or in connection with the issue and sale of the Notes by the Province in the manner contemplated in this Agreement, the Time of Sale Information and the Prospectus; and

(ix) Her Majesty the Queen in right of Ontario may be sued in the courts of the Province of Ontario with regard to any claims arising out of or relating to the obligations of the Province under the Notes. No law in the Province of Ontario requires the consent of any public official or authority for suit to be brought or judgment to be obtained against Her Majesty the Queen in right of Ontario arising out of or relating to the obligations of the Province under the Notes, though in certain circumstances prior notice and particulars of a claim must be given to Her Majesty the Queen in right of Ontario. An amount payable by Her Majesty the Queen in right of Ontario under an order of a court of the Province of Ontario that is final and not subject to appeal is payable out of the Consolidated Revenue Fund of the Province of Ontario pursuant to the *Proceedings Against the Crown Act* (Ontario).

(c) The Agents shall have received on the Closing Date from Shearman & Sterling LLP, United States counsel to the Province, favorable opinions dated the Closing Date to the effect that:

(i) the statements in the Prospectus under the caption "Description of the Notes" and "Plan of Distribution", in each case, insofar as such statements constitute summaries of documents referred to therein, fairly summarize in all material respects the documents referred to therein; and

(ii) the statements in the Prospectus under the caption "Description of Debt Securities — United States Federal Income Tax Considerations", as supplemented by "United States Federal Income Tax Considerations", insofar as such statements constitute summaries of legal matters referred to therein, fairly summarize in all material respects the legal matters referred to therein.

Such counsel shall also state that although they have not verified, are not passing upon and do not assume any responsibility for, the accuracy, completeness or fairness of the statements contained in the Registration Statement or the Prospectus (including the documents incorporated by reference therein), such counsel has, however, generally reviewed and discussed such statements with representatives of the Ontario Financing Authority and Ministry of Finance of the Province and, in the opinion of such counsel, (A) each of the Registration Statement and the Prospectus, excluding the documents incorporated by reference therein, and any supplements or amendments thereto (other than the financial statements and other financial or statistical data contained therein or omitted therefrom, as to which such counsel need not express any opinion) appears on its face to be appropriately responsive in all material respects to the requirements of the U.S. Securities Act and the applicable rules and regulations of the SEC thereunder; and (B) each of the documents incorporated by reference in the Prospectus (other than the financial statements and other financial or statistical data contained therein or omitted therefrom, as to which such counsel need express no opinion), except to the extent that any statement therein is modified or superseded in the Prospectus, at the time it was filed with the SEC, appears on its face to be appropriately responsive in all material respects to the requirements of the U.S. Exchange Act and the applicable rules and regulations of the SEC thereunder.

Such counsel shall also state that, subject to the limitations set forth in the immediately preceding paragraph, in the course of such review and discussion, no facts have come to such counsel's attention which caused them to believe that (A) the Registration Statement (including the documents incorporated by reference therein, other than the financial statements and other financial or statistical data contained therein or omitted therefrom, as to which such counsel has not been requested to comment), as of the date of this Agreement, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading, (B) the Prospectus as amended or supplemented, if applicable (including the documents incorporated by reference therein, other than the financial statements and other financial or statistical data contained therein or omitted therefrom, as to which such counsel has not been requested to comment), as of the date of such Prospectus as amended or supplemented, if applicable, or the Closing Date, contained or contains an untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements therein, in the light of the

circumstances under which they were made, not misleading, or (C) if applicable, the Time of Sale Information, at the Time of Sale (other than the financial statements and other financial or statistical data contained therein or omitted therefrom, as to which such counsel has not been requested to comment), contained any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

In giving such opinions, such counsel may rely, without independent investigation, as to matters relating to the laws of the Province of Ontario or the federal laws of Canada applicable therein, on the opinion of the Deputy Attorney General, Assistant Deputy Attorney General or Acting Assistant Deputy Attorney General of the Province or any solicitor who is an employee of the Crown and seconded to the Legal Services Branch, Ministry of Finance, rendered pursuant to Section 5(b) hereof.

(d) The Agents shall have received on the Closing Date from Stikeman Elliott LLP, Canadian counsel for the Agents, a favorable opinion dated the Closing Date as to the validity of the Notes and as to the proceedings and other related matters incident to the issuance and sale of the Notes on the Closing Date, and the Agents, shall have received on the Closing Date from Davis Polk & Wardwell LLP a favorable opinion dated the Closing Date with respect to the Registration Statement and the Prospectus, including the form thereof, and other related matters as the Agents may reasonably require. In giving their opinion, Davis Polk & Wardwell LLP may rely upon the opinion of Stikeman Elliott LLP as to matters of Canadian and Ontario law.

(e) The Province shall have furnished to the Agents, on the Closing Date a certificate of the Province, signed by the duly authorized officer of the Province (who may rely as to proceedings pending or contemplated upon the best of his knowledge), dated the Closing Date, to the effect that:

(i) the representations and warranties of the Province in this Agreement are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date and the Province has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied at or prior to the Closing Date;

(ii) no stop order suspending the effectiveness of the Registration Statement, as amended, has been issued and no proceedings for that purpose have been instituted or, to the Province's knowledge, threatened; and

(iii) there has been no material adverse change in the financial, economic or political conditions of the Province from those set forth in or contemplated by the Registration Statement and the Prospectus other than changes arising in the ordinary and normal course.

(f) On the Closing Date and on each Settlement Date with respect to any applicable Terms Agreement, the Agents shall have been furnished with such further reasonable information, certificates, opinions and documents as the Agents and the Province agree in such Terms Agreement.

The obligations of any Agent to purchase Notes pursuant to any Terms Agreement will be subject to the further condition that subsequent to the execution of such Terms

Agreement and on or prior to the Settlement Date with respect to such Terms Agreement, there shall not have been any downgrading in the ratings of any of the Province's long-term debt securities or any of the Notes issued under the Program by Moody's Investors Service Inc. or Standard & Poor's Ratings Services, a division of McGraw Hill Financial Inc.

If any of the conditions specified in this Section 5 shall not have been fulfilled in all material respects when and as provided in this Agreement, or if any of the opinions and certificates mentioned above or elsewhere in this Agreement shall not be in all material respects reasonably satisfactory in form and substance to the Agents, this Agreement and all obligations of the Agents hereunder may be cancelled at, or at any time prior to, the Closing Date by the Agents and any Terms Agreement and this Agreement and all obligations of the Agents thereunder and hereunder may be cancelled at, or at any time prior to, the applicable Settlement Date by the Agents party thereto. Notice of such cancellation shall be given to the Province in writing or by telephone or facsimile transmission, in either case confirmed in writing.

6. Additional Covenants of the Province. The Province covenants and agrees with each Agent that:

(a) Reaffirmation of Representations and Warranties. Each acceptance by the Province of an offer for the purchase of Notes, and each delivery of Notes to an Agent pursuant to a Terms Agreement, shall be deemed to be an affirmation that the representations and warranties of the Province contained in this Agreement and in any certificate theretofore delivered to such Agent pursuant hereto are true and correct at the time of such acceptance or sale, as the case may be, and an undertaking that such representations and warranties will be true and correct at the time of delivery to the purchaser or his agent, or to an Agent, of the Note or Notes relating to such acceptance or sale, as the case be, as though made at and as of each such time (and it is understood that such representations and warranties shall relate to the Registration Statement, the Time of Sale Information and the Prospectus as amended and supplemented to each such time).

(b) Subsequent Delivery of Certificates. The Province shall furnish or cause to be furnished forthwith to an applicable Agent party to a Terms Agreement a certificate if the Province sells Notes to an Agent pursuant to a Terms Agreement and agrees to deliver such certificate pursuant to the terms of such Terms Agreement, which certificate shall be dated the date of such sale, in form satisfactory to such Agent to the effect that the statements contained in the certificate referred to in Section 5(e) hereof which were last furnished to the Agent are true and correct at the time of such sale, as though made at and as of such time (except that such statements shall be deemed to relate to the Registration Statement and the Prospectus as amended and supplemented to such time) or, in lieu of such certificate, a certificate of the same tenor as the certificate referred to in said Section 5(e), modified as necessary to relate to the Registration Statement and the Prospectus as amended and supplemented to the time of delivery of such certificate

(c) Subsequent Delivery of Legal Opinions. The Province shall furnish or cause to be furnished forthwith to an applicable Agent party to a Terms Agreement a written opinion if the Province sells Notes to an Agent pursuant to a Terms Agreement and agrees to deliver such opinion pursuant to the terms of such Terms Agreement, which opinion shall be of the Deputy Attorney General, Assistant Deputy Attorney General or Acting Assistant Deputy Attorney

General of the Province or any solicitor who is an employee of the Crown and seconded to the Legal Services Branch, Ministry of Finance, addressed to the Minister of Finance of the Province, and of Shearman & Sterling LLP, United States counsel to the Province, or other counsel satisfactory to such Agent party to a Terms Agreement dated the date of such sale, as the case may be, in form and substance satisfactory to such Agent, of the same tenor as the opinions referred to in Sections 5(b) and 5(c) hereof, but modified, as necessary, to relate to the Registration Statement, the Prospectus and the Time of Sale Information as amended and supplemented to the time of delivery of such opinion, or, in lieu of such opinion, each counsel last furnishing such opinion to the Agent shall furnish such Agent with a letter to the effect that such Agent may rely on such last opinion to the same extent as though it was dated the date of such letter authorizing reliance (except that statements in such last opinion shall be deemed to relate to the Registration Statement and the Prospectus as amended and supplemented to the time of delivery of such letter authorizing reliance).

7. Stabilization and Over-allotment. The Agents (or persons acting on their behalf) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the date on which the Province received the proceeds of the issue, and 60 days after the date of the allotment of the Notes. Any over-allotment or stabilization transaction by the Agents in connection with the distribution of the Notes shall be effected by them on their own behalf and not as agents of the Province, and any gain or loss arising therefrom shall be for their own account. The Agents acknowledge that the Province has not been authorized to issue Notes in excess of the principal amount set forth in the Term Sheet in the form of Schedule I to the applicable Terms Agreement, if any. The Agents also acknowledge that the Province has not authorized the carrying out by the Agents of stabilization transactions or over-allotment other than in conformity with all applicable laws and rules, including Regulation M under the U.S. Exchange Act (if applicable). The Province authorises the Agents to make such public disclosure of information relating to stabilization as is required by applicable law, regulation and guidance.

8. Indemnification and Contribution.

(a) The Province agrees to indemnify and hold harmless each Agent and each of its affiliates that participates in the initial distribution of the Notes and each person who controls any Agent or any such affiliate within the meaning of either the U.S. Securities Act or the U.S. Exchange Act against any and all losses, claims, damages or liabilities, joint or several, to which they or any of them may become subject under the laws of any jurisdiction, including but not limited to the U.S. Securities Act, the U.S. Exchange Act or other United States Federal or state statutory law or regulation, at common law or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement for the registration of the Notes as originally filed or in any amendment thereof, including all documents incorporated by reference, or in the Basic Prospectus, any Preliminary Prospectus, any Issuer Free Writing Prospectus, any Time of Sale Information or the Prospectus, or in any amendment thereof or supplement thereto, or arise out of or are based upon the omission or alleged omission

to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and agrees to reimburse, as incurred, each such indemnified party, for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action; *provided, however,* that (i) the Province will not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon any such untrue statement or alleged untrue statement or omission or alleged omission made therein in reliance upon and in conformity with written information furnished to the Province by or on behalf of any Agent specifically for use in connection with the preparation thereof and (ii) such indemnity with respect to the Basic Prospectus, any Preliminary Prospectus, any Issuer Free Writing Prospectus or any Time of Sale Information shall not enure to the benefit of any Agent or affiliate thereof (or any person controlling any Agent or affiliate) from whom the person asserting any such loss, claim, damage or liability purchased the Notes which are the subject thereof if such person did not receive the Time of Sale Information at or prior to the sale of such Notes to such person and the untrue statement or omission of a material fact contained in the Basic Prospectus, any Preliminary Prospectus or any Issuer Free Writing Prospectus was corrected in the Time of Sale Information. This indemnity agreement will be in addition to any liability which the Province may otherwise have.

(b) Each Agent, severally and not jointly, agrees to indemnify and hold harmless the Province:

(i) to the same extent as the foregoing indemnity from the Province to such Agent, but only to the extent that such untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished to the Province by or on behalf of such Agent specifically for use in the preparation of the documents referred to in the foregoing indemnity;

(ii) against any and all losses, claims, damages or liabilities, joint or several, to which the Province may become subject under the laws of any jurisdiction, including but not limited to the U.S. Securities Act, the U.S. Exchange Act or other United States Federal or state statutory law or regulation, at common law or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in any document prepared by such Agent and distributed by it in connection with the offering of the Notes, including any "free writing prospectus", or which arise out of or are based upon the omission or alleged omission to state therein a material fact necessary to make the statements therein not misleading, and which statement or omission is not contained in the Time of Sale Information, the Prospectus or the agreed press releases; and

(iii) against any and all losses, claims, damages or liabilities, joint or several, to which the Province may become subject arising out of or in connection with a breach by such Agent (or its affiliates that participate in the initial distribution of the Notes) of any representation, or failure to perform or observe any agreement, contained in Section 4 of this Agreement.

Each Agent, severally and not jointly, agrees to reimburse, as incurred, any legal or other expenses reasonably incurred by the Province in connection with investigating or

defending any such loss, claim, damage, liability or action referred to in clauses (i), (ii) and (iii) above. This indemnity agreement will be in addition to any liability which any Agent may otherwise have. The Province acknowledges, for the purposes of Sections 1(ii), 1(iii), 8(a) and 8(b)(i) above, that the statements set forth under the heading "Plan of Distribution" (except for the statements in the paragraphs relating to the European Economic Area, the United Kingdom and the securities laws of Japan, Hong Kong, Switzerland and Singapore and the sentence relating to stamp taxes and other charges and expenses in connection with the Program) in any Preliminary Prospectus or the Prospectus constitute the only information furnished in writing by or on behalf of the Agents for use in connection with the preparation of any of the documents referred to in the foregoing indemnity, and the Agents confirm that such statements are correct; *provided* that such acknowledgement by the Province does not extend to any "free writing prospectus" other than the Issuer Free Writing Prospectus in the form of the Term Sheet in the form of Schedule I to the applicable Terms Agreement, if any.

(c) Each of the Province and the Agents agree that each Agent shall have and hold the covenants of the Province contained in this Section 8 in respect of such Agent's controlling persons (as referred to herein) and affiliates in trust for the benefit of their controlling persons and affiliates. Each Agent agrees to accept the trusts in this paragraph (c) declared and provided for and agree to enforce those covenants on behalf of such persons.

(d) Promptly after receipt by an indemnified party under this Section 8 of notice of the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against the indemnifying party under this Section 8, notify the indemnifying party in writing of the commencement thereof; but the omission so to notify the indemnifying party will not relieve it from any liability which it may have to any indemnified party otherwise than under this Section 8.

In case any such action is brought against any indemnified party, and it notifies the indemnifying party of the commencement thereof, the indemnifying party will be entitled to appoint counsel satisfactory to such indemnified party to represent the indemnified party in such action; *provided, however,* that if the defendants in any such action include both the indemnified party and the indemnifying party and the indemnified party shall have reasonably concluded that there may be legal defenses available to it and/or other indemnified parties which are different from or additional to those available to the indemnifying party, the indemnified party or parties shall have the right to select separate counsel to defend such action on behalf of such indemnified party or parties. An indemnifying party will not, without the prior written consent of the indemnified parties (which consent shall not be unreasonably withheld or delayed), settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified parties are actual or potential parties to such claim or action) unless such settlement, compromise or consent includes an unconditional release of each indemnified party from all liability arising out of such claim, action, suit or proceeding. In order to be entitled to an indemnity with respect to a claim hereunder, an indemnified party will not, without the prior written consent of the indemnifying parties (which consent shall not be unreasonably withheld or delayed), settle or compromise or consent to the entry of any judgment with respect to such pending or threatened claim, action, suit or proceeding in respect of which

indemnification or contribution may be sought hereunder (whether or not the indemnifying parties are actual or potential parties to such claim or action).

Upon receipt of notice from the indemnifying party to such indemnified party of its election so to appoint counsel to defend such action and approval by the indemnified party of such counsel, the indemnifying party will not be liable to such indemnified party under this Section 8 for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof unless:

(i) the indemnified party shall have employed separate counsel in accordance with the proviso to the first sentence of the next preceding paragraph (it being understood, however, that the indemnifying party shall not be liable for the expenses of more than one separate counsel (and local counsel), approved by the Agents in the case of paragraph (a) of this Section 8, representing the indemnified parties under such paragraph (a) who are parties to such action),

(ii) the indemnifying party shall not have employed counsel reasonably satisfactory to the indemnified party to represent the indemnified party within a reasonable time after notice of commencement of the action, or

(iii) the indemnifying party has authorized the employment of counsel for the indemnified party at the expense of the indemnifying party; and except that, if clause (i) or (iii) is applicable, such liability shall be only in respect of the counsel referred to in such clause (i) or (iii).

(e) In order to provide for just and equitable contribution in circumstances in which the indemnification provided for in paragraph (a) of this Section 8 is due in accordance with its terms but is for any reason held by a court to be unavailable from the Province on grounds of policy or otherwise, the Province and each applicable Agent shall contribute to the aggregate losses, claims, damages and liabilities (including legal or other expenses reasonably incurred in connection with investigating or defending same) to which the Province and such Agent may be subject in such proportion so that such Agent is responsible for that portion represented by the percentage that the total commissions and underwriting discounts received by such Agent to the date of such liability bears to the total sales price from the sale of the Notes sold to or through such Agent to the date of such liability and the Province is responsible for the balance; *provided, however*, that (a) in no case shall any Agent be responsible for any amount in excess of the total commissions and underwriting discounts applicable to the Notes purchased by such Agent hereunder and (b) no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the U.S. Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this Section 8, each person who controls an Agent within the meaning of the U.S. Securities Act shall have the same rights to contribution as such Agent, and each person who controls the Province within the meaning of the U.S. Securities Act and each official of the Province who shall have signed the Registration Statement shall have the same rights to contribution as the Province. Any party entitled to contribution will, promptly after receipt of notice of commencement of any action, suit or proceeding against such party in respect of which a claim for contribution may be made against another party or parties under this paragraph (e), notify such party or parties from whom contribution may be sought, but the omission to so notify such party or parties shall not relieve

the party or parties from whom contribution may be sought from any other obligation it or they may have hereunder or otherwise than under this paragraph (e).

9. Default by an Agent Purchasing as Principal. Unless otherwise agreed to in any Terms Agreement, if any one or more Agents purchasing Notes as principal pursuant to a Terms Agreement shall fail to purchase and pay for any of the Notes agreed to be purchased by such Agent or Agents pursuant to such Terms Agreement and such failure to purchase shall constitute a default in the performance of its or their obligations under this Agreement, the remaining Agents to the Terms Agreement shall be obligated severally to take up and pay for (in the respective proportions which the amount of Notes set forth opposite their names in Schedule II to such Terms Agreement bears to the aggregate amount of Notes set forth opposite the names of all the remaining Agents to such Terms Agreement) the Notes which the defaulting Agent or Agents agreed but failed to purchase; *provided*, the nondefaulting Agents shall have the right, within 24 hours after such default, to make arrangements for one or more of the Agents to purchase all, but not less than all, of such Notes in such amounts as may be agreed upon and upon the terms set forth in the applicable Terms Agreement and herein; *provided further,* that in the event that the aggregate amount of Notes which the defaulting Agent or Agents agreed but failed to purchase shall exceed 10% of the aggregate amount of Notes set forth in Schedule II to such Terms Agreement, the remaining Agents shall have the right to purchase all, but shall not be under any obligation to purchase any, of the Notes, and if such nondefaulting Agents do not purchase all the Notes, the applicable Terms Agreement will terminate without liability to any nondefaulting Agent or the Province. In the event of a default by any Agent as set forth in this Section 9, the Settlement Date shall be postponed for such period, not exceeding seven days, as the Agents shall determine in order that the required changes in the Registration Statement and the Prospectus or Pricing Supplement or in any other documents or arrangements may be effected. Nothing contained in this Agreement shall relieve any defaulting Agent of its liability, if any, to the Province and any nondefaulting Agent for damages occasioned by its default hereunder.

10. Termination.

(a) Termination of this Agreement. (i) This Agreement (excluding any Terms Agreement) may be terminated with respect to the Province and one or more Agents for any reason, at any time by either the Province or such Agent or Agents upon the giving of 30 days' written notice of such termination to the other party hereto.

(ii) This Agreement (excluding any Terms Agreement) may be terminated forthwith with respect to any Agent by the Province if any of the following events or circumstances shall occur or arise, namely: (A) such Agent is adjudged bankrupt or insolvent; (B) such Agent files a voluntary petition in bankruptcy or makes an assignment for the benefit of its creditors or consents to the appointment of a receiver, administrator or other similar official of all or any substantial part of its property or admits in writing its inability to pay or meet its debts as they mature or suspends payment thereof; (C) a resolution is passed or an order is made for the winding up or dissolution of such Agent; (D) a receiver, administrator or other similar official of such Agent or of all or any substantial part of its property is appointed; (E) an order of any court is entered approving any petition filed by or against such Agent under the provisions of any applicable bankruptcy or insolvency law; or (F) any public officer takes charge or control of such

Agent or of its property or affairs for the purpose of rehabilitation, conservation or liquidation or any analogous proceeding is taken. Any such termination, however, shall not affect the obligations of the Province or the Agents under Sections 8, 10, 11 and 13 hereof or the rights or responsibilities of the parties arising prior to the termination of the appointment of such Agent.

(b) Termination of a Terms Agreement. Any Terms Agreement shall be subject to termination in the absolute discretion of the Agents party to such Terms Agreement or the Province, by notice given to the Province or such Agents, as the case may be, prior to the Settlement Date relating thereto, if prior to that time, there shall have occurred such a change in national or international financial, political or economic conditions or currency exchange rates or exchange controls which, in the reasonable judgment of such Agents or the Province, as the case may be, is material and adverse and such changes, singly or together with any other such change, makes it, in the reasonable judgment of such Agents or the Province, as the case may be, impracticable to market the Notes on the terms and in the manner contemplated in the Time of Sale Information or the Prospectus. Notwithstanding any such termination, the provisions of Sections 8, 10, 11 and 13 hereof shall remain in effect.

(c) General. In the event of any such termination, neither party will have any liability to the other party hereto, except that (i) each Agent shall be entitled to any commission earned in accordance with the third paragraph of Section 2(a) hereof, (ii) if at the time of termination (A) an Agent shall own any Notes purchased pursuant to a Terms Agreement with the intention of reselling them or (B) an offer to purchase any of the Notes has been accepted by the Province but the time of delivery to the purchaser or his agent of the Note or Notes relating thereto has not occurred, the covenants set forth in Sections 3 and 6 hereof shall remain in effect until such Notes are so resold or delivered, as the case may be, and (iii) the covenant set forth in Section 3(a)(iv) hereof, the provisions of Section 3(a)(vii) hereof, the indemnity and contribution agreements set forth in Section 8 hereof, and the provisions of Sections 10, 11 and 13 hereof shall remain in effect.

11. Representations and Indemnities to Survive. The respective agreements, representations, warranties, indemnities and other statements of the Province and of the Agents set forth in or made pursuant to this Agreement, and in certificates of officers of the Province submitted pursuant hereto, will remain in full force and effect, regardless of any investigation made by or on behalf of the Agents or the Province or any of the officers, directors or controlling persons referred to in Section 8 hereof, and will survive each delivery of and payment for any of the Notes and the termination of this Agreement and any Terms Agreement.

12. Other Liabilities Governed by Non-EEA Law. Notwithstanding any other term of this Agreement or any other agreements, arrangements, or understanding between the Province and HSBC Bank plc, as Agent, the Province acknowledges, accepts, and agrees to be bound by:

(a) the effect of the exercise of Bail-in Powers by the Relevant Resolution Authority in relation to any BRRD Liability of HSBC Bank plc to the Province under this Agreement, that (without limitation) may include and result in any of the following, or some combination thereof:

i. the reduction of all, or a portion, of the BRRD Liability or outstanding amounts due thereon;

ii. the conversion of all, or a portion, of the BRRD Liability into shares, other securities or other obligations of HSBC Bank plc or another person (and the issue to or conferral on the Province of such shares, securities or obligations;

iii. the cancellation of the BRRD Liability; and

iv. the amendment or alteration of any interest, if applicable, thereon, the maturity or the dates on which any payments are due, including by suspending payment for a temporary period; and

(b) the variation of the terms of this Agreement, as deemed necessary by the Relevant Resolution Authority, to give effect to the exercise of Bail-in Powers by the Relevant Resolution Authority.

The terms which follow, when used in this Section 12, shall have the meanings indicated:

"**Bail-in Legislation**" means in relation to a member state of the European Economic Area which has implemented, or which at any time implements, the BRRD, the relevant implementing law, regulation, rule or requirement as described in the EU Bail-in Legislation Schedule from time to time.

"**Bail-in Powers**" means any Write-down and Conversion Powers as defined in relation to the relevant Bail-in Legislation.

"**BRRD**" means Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms.

"**BRRD Liability**" has the same meaning as in such laws, regulations, rules or requirements implementing the BRRD under the applicable Bail-in Legislation.

"**EU Bail-in Legislation Schedule**" means the document described as such, then in effect, and published by the Loan Market Association (or any successor person) from time to time at http://www.lma.eu.com/.

"**Relevant Resolution Authority**" means the resolution authority with the ability to exercise any Bail-in Powers in relation to HSBC Bank plc.

13. Notices. All communications hereunder will be in writing and effective only on receipt, and, if sent to the Agents, will be mailed, delivered or sent by facsimile transmission and confirmed to them care of RBC Capital Markets, LLC, Three World Financial Center, 200 Vesey Street, 8th Floor, New York, New York, 10281-8098, U.S.A., attention: Scott Primrose (Facsimile No. (212) 658-6137) or, if sent to the Province, will be mailed, delivered or sent by facsimile transmission and confirmed at Ontario Financing Authority, One Dundas Street West, Suite 1400, Toronto, Ontario, M5G 1Z3, attention: Director, Capital Markets Operations, Capital Markets Division, Ontario Financing Authority (Facsimile No. (416) 860-8346).

14. Successors and Assigns. This Agreement and any Terms Agreement will enure to the benefit of and be binding upon the parties hereto (or, in the case of a Terms Agreement, the parties thereto) and their respective successors and permitted assigns and the officials and controlling persons referred to in Section 8 hereof, and no other person will have any right or obligation hereunder. Neither this Agreement nor any interest or obligation in or under this Agreement may be assigned by the Agents without the prior written consent of the Province or by the Province without the prior written consent of the Agents. This Agreement and any such Terms Agreement and all conditions and provisions hereof and thereof are intended to be for the sole and exclusive benefit of the parties hereto and their respective successors and said controlling persons and officers and directors and their heirs and legal representatives, and for the benefit of no other person, firm or corporation. No purchaser of Notes shall be deemed to be a successor by reason merely of such purchase. The parties hereby agree that Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Agent, may, upon prior written notice to the Province, assign its rights and obligations under this Agreement to any other registered broker-dealer wholly-owned by Bank of America Corporation to which all or substantially all of Merrill Lynch, Pierce, Fenner & Smith Incorporated's investment banking or related business may be transferred following the date of this Agreement.

15. Governing Law. This Agreement will be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable in the Province of Ontario.

16. Counterparts. This Agreement may be executed in one or more counterparts (including counterparts by facsimile) and when a counterpart has been executed by each party hereto all such counterparts taken together shall constitute one and the same agreement.

17. Advertisements. All advertisements of the issue of the Notes shall be published in a form or forms and manner to which the Province consents in writing prior to the date of publication. The Province may withhold its consent in its discretion regarding the use of any symbol in any such advertisement and the publication in which such advertisement is to appear.

18. Time of the Essence. Time shall be of the essence in this Agreement.

If the foregoing is in accordance with your understanding of our agreement, please sign and return to us the enclosed duplicate hereof, whereupon this letter and your acceptance shall represent a binding agreement among the Province and the Agents.

Very truly yours,

Province of Ontario

By:_____

Name: Opallycia A. Kandelas

Title: Director, Capital Markets Operations
Capital Markets Division
Ontario Financing Authority

The foregoing Agreement is
hereby confirmed and accepted
as of the date first above written.

BMO Capital Markets Corp.

By: _____
Authorized Signatory

Name: Eric R. Bergstrom
Title: MD Head of US Rates Trading

The foregoing Agreement is
hereby confirmed and accepted
as of the date first above written.

CIBC World Markets Corp.

By: _____
Authorized Signatory

Name: Paul Hadlow
Title: Managing Director

The foregoing Agreement is
hereby confirmed and accepted
as of the date first above written.

Deutsche Bank Securities Inc.

By: _____
Authorized Signatory

Name: Thomas Short
Title: Director / Debt Syndicate
Deutsche Bank Securities Inc.

By: _____
Authorized Signatory

Name: Tom Criqui
Title: ~~Managing Director/Debt Syndicate~~
Deutsche Bank Securities Inc.

The foregoing Agreement is
hereby confirmed and accepted
as of the date first above written.

HSBC Bank plc

By: _____
Authorized Signatory

Name: Mary Guo
Title: Associate Director
Transaction Management Group
EMEA Debt Capital Markets

The foregoing Agreement is
hereby confirmed and accepted
as of the date first above written.

Merrill Lynch, Pierce, Fenner & Smith
Incorporated

By: _____
Authorized Signatory

Name: Andrew Karp
Title: Managing Director

The foregoing Agreement is
hereby confirmed and accepted
as of the date first above written.

Morgan Stanley & Co. LLC

By: _____
Authorized Signatory

Name: Yuriy Shyr
Title: ED

The foregoing Agreement is
hereby confirmed and accepted
as of the date first above written.

National Bank of Canada Financial Inc.

By: _____
Authorized Signatory

Name: Maxime Brunet
Title: Managing Director

The foregoing Agreement is
hereby confirmed and accepted
as of the date first above written.

RBC Capital Markets, LLC

By: _____
Authorized Signatory

Name: SCOTT G. PRIMROSE
Title: Authorized Signatory

The foregoing Agreement is
hereby confirmed and accepted
as of the date first above written.

Scotia Capital (USA) Inc.

By: _____
Authorized Signatory

Name: Paul McKeown
Title: MANAGING Director

The foregoing Agreement is
hereby confirmed and accepted
as of the date first above written.

TD Securities (USA) LLC

By: _____
Authorized Signatory

Name: Wei-Minghee
Title: Head of US DCM and Syndicate

ANNEX I

[Province of Ontario Letterhead]

New Agent Supplemental Agreement

[Date]

[Full legal names of Agent]
[Address]

Re: Province of Ontario
Medium-Term Notes

Ladies and Gentlemen:

We refer to the Distribution Agreement dated April 12, 2016 entered into in respect of the issue and sale by the Province of its Medium-Term Notes described therein (such agreement, as amended from time to time, the "Agreement") and have pleasure in inviting you to become an Agent upon the terms of the Agreement [but only in respect of and for the purposes of [description of relevant Notes] [insert any restrictions on agents appointed in relation to a particular Notes][*], a copy of which has been supplied to you by us. [For your information, we are enclosing a letter confirming you may rely on the legal opinion dated as of April 12, 2016 from our legal counsel.][1] Please return to us a copy of this letter signed by an authorized signatory whereupon you will become an Agent for the purposes of the Agreement [but only in respect of and for the purposes of] [description of relevant Notes]*.

This letter is governed by, and shall be construed in accordance with, the laws of the Province of Ontario and the federal laws of Canada applicable therein.

Very truly yours,

Province of Ontario

By:_____
Name:
Title:

[*] Insert where the person is being appointed in respect of particular Notes only.

[1] The reliance letter will only be provided upon the request of the relevant Agent and the agreement of the Province.

We hereby accept the appointment as an Agent and accept all of the obligations under, and terms and conditions of, the Agreement. For the purposes of the Agreement our communications details are set out below.

[AGENT]

By:_____
Name:
Title:

Date:

Address:

Telephone:

Facsimile:

Attention:

ANNEX II

Province of Ontario

Medium-Term Notes

Terms Agreement

Date: _____

Ontario Financing Authority
One Dundas Street West
Suite 1400
Toronto, Ontario M5G 1Z3
Attention: Director, Capital Markets Operations
Capital Markets Division

Re: Distribution Agreement dated April 12, 2016

The undersigned agrees to purchase the following principal amount of Notes:

US$_____

Interest Rate:

Fixed Rate Note:

Interest Rate:

Floating Rate Note:

Interest Rate Basis:

Initial Interest Rate:

Spread and Spread Multiplier, if any:

Interest Reset Dates:

Interest Payment Dates:

Index Maturity:

Maximum Interest Rate, if any:

Minimum Interest Rate, if any:

Interest Rate Reset Period:

Interest Payment Period:

Interest Determination Date:

Calculation Date:

Stated Maturity Date:

Purchase Price: _____%

Discount/Commissions:

Settlement Date and Time:

Place of Delivery:

Optional Redemption Date(s):

Initial Redemption Percentage:

Annual Redemption Percentage Reduction (if other than 100% of principal amount):

Optional Repayment Date(s):

Additional Terms:

The Time of Sale means [_____] [a.m.]/[p.m.] (Toronto time) on [_____].

[Documents to be delivered: The following documents referred to in the Distribution Agreement shall be delivered

[1. Certificate pursuant to Section 6(b) of the Distribution Agreement.]

[2. Legal opinions pursuant to Section 6(c) of the Distribution Agreement.]

[AGENT]

By:_____
Name:
Title

Accepted: [Date]

Province of Ontario

By:_____
Name:
Title:

SCHEDULE I

[Form of Term Sheet for Fixed Rate Notes]

FINAL TERM SHEET

Filed Pursuant to Rule 433
Registration No. 333-209852

PROVINCE OF ONTARIO

US$[ ]

MEDIUM-TERM NOTES, SERIES [ ]

[ ]% Fixed Rate Notes

☐ Book-Entry Notes ☐ Certificated Notes

Issuer: Province of Ontario
Title: [ ]
Aggregate Principal Amount: [ ]
Trade Date: [ ]
Issue Date (Settlement Date): [ ]
Stated Maturity Date: [ ]
Interest Computation Period: ☐ Semi-annual ☐ Annual ☐ Other (specify):
Interest Payment Dates: ☐ January 25 and July 25 ☐ July 25 ☐ Other (specify):
Record Dates: ☐ January 10 and July 10 ☐ July 10 ☐ Other (specify):
Yield to Maturity: [ ]
Interest Rate:[ ]% per annum
Public Offering Price: [ ]
Day Count Convention: 30/360
CUSIP# / ISIN#: [ ]
Registrar, Fiscal Agent, Transfer Agent and Principal Paying Agent: The Bank of New York Mellon

OPTION TO ELECT REDEMPTION: ☐ Yes ☐ No

Redemption Date(s):
Initial Redemption Percentage:

Annual Redemption Percentage Reduction:

OPTION TO ELECT REPAYMENT: ☐ Yes ☐ No

ORIGINAL ISSUE DISCOUNT: ☐ Yes ☐ No

Repayment Date(s):

Issue Price:
Total Amount of OID:
Yield to Maturity:
Initial Accrual Period OID:

Minimum Denominations: US$2,000 and increments of US$1,000 in excess thereof

Other Provisions (if any):

Agent(s):
- ☐ BMO Capital Markets Corp.
- ☐ CIBC World Markets Corp.
- ☐ Deutsche Bank Securities Inc.
- ☐ HSBC Bank plc
- ☐ Merrill Lynch, Pierce, Fenner & Smith Incorporated
- ☐ Morgan Stanley & Co. LLC
- ☐ National Bank of Canada Financial Inc.
- ☐ RBC Capital Markets, LLC
- ☐ Scotia Capital (USA) Inc.
- ☐ TD Securities (USA) LLC
- ☐ Other (specify):

Agent's Discount or Commission (%): [ ]%

Agent's Discount or Commission ($): $[ ]

Net Proceeds to the Province: $[ ]

☐ Acting as Agent — Agent is acting as Agent for the sale of Notes by the Province at a price of [ ]% of the principal amount

☐ Acting as Principal — Agent is purchasing Notes from the Province as principal for resale to investors and other purchasers at:
- ☐ a fixed public offering price of [ ]% of the principal amount
- ☐ varying prices related to prevailing market prices at the time of resale to be determined by such Agent

The Issuer has filed a registration statement (including a prospectus) with the SEC for the offering to which this communication relates. Before you invest, you should read the prospectus in that registration statement and other documents the Issuer has filed with the SEC for more complete information about the Issuer and this offering. You may get these documents for free by visiting EDGAR on the SEC Web site at www.sec.gov. Alternatively, the Issuer, any

underwriter or any dealer participating in the offering will arrange to send you the prospectus if you request it by calling [●] at [●].

[Form of Term Sheet for Floating Rate Notes]

FINAL TERM SHEET

Filed Pursuant to Rule 433
Registration No. 333-209852

PROVINCE OF ONTARIO

US$[ ]

MEDIUM-TERM NOTES, SERIES [ ]

Floating Rate Notes

☐ Book-Entry Notes ☐ Certificated Notes

Issuer: Province of Ontario
Title: [ ]
Aggregate Principal Amount: [ ]
Trade Date: [ ]
Issue Date (Settlement Date): [ ]
Stated Maturity Date: [ ]
Public Offering Price: [ ]
Day Count Convention: [ ]
CUSIP# / ISIN#: [ ]
Registrar, Fiscal Agent, Transfer Agent and Principal Paying Agent: The Bank of New York Mellon

Interest Rate Basis:
☐ CD Rate
☐ Commercial Paper Rate
☐ Federal Funds Rate
☐ LIBOR
☐ Prime Rate
☐ Treasury Rate
☐ Other (specify):

Initial Interest Rate: [ ]
Index Maturity: [ ]
Spread (plus or minus): [ ]
Spread Multiplier: [ ]
Maximum Interest Rate: [ ]
Minimum Interest Rate: [ ]

Record Date(s): [ ]
Calculation Agent: The Bank of New York Mellon
Interest Determination Date(s): [ ]
Interest Reset Date(s): [ ]
Designated LIBOR Page: [ ]
Interest Accrual Date: [ ]
Interest Payment Dates: [ ]

Interest ☐ Daily

Interest ☐ Daily

Rate Reset Period:	☐ Monthly ☐ Quarterly ☐ Semi-annually ☐ Annually ☐ Other (specify):	Payment Period:	☐ Monthly ☐ Quarterly ☐ Semi-annually ☐ Annually ☐ Other (specify):

OPTION TO ELECT REDEMPTION: ☐ Yes ☐ No
Redemption Date(s):
Initial Redemption Percentage:
Annual Redemption Percentage Reduction:

OPTION TO ELECT REPAYMENT: ☐ Yes ☐ No
Repayment Date(s):

ORIGINAL ISSUE DISCOUNT: ☐ Yes ☐ No
Issue Price:
Total Amount of OID:
Yield to Maturity:
Initial Accrual Period OID:

Minimum Denominations: US$2,000 and increments of US$1,000 in excess thereof

Other Provisions (if any):

Agent(s):
☐ BMO Capital Markets Corp.
☐ CIBC World Markets Corp.
☐ Deutsche Bank Securities Inc.
☐ HSBC Bank plc
☐ Merrill Lynch, Pierce, Fenner & Smith Incorporated
☐ Morgan Stanley & Co. LLC
☐ National Bank of Canada Financial Inc.
☐ RBC Capital Markets, LLC
☐ Scotia Capital (USA) Inc.
☐ TD Securities (USA) LLC
☐ Other (specify):

Agent's Discount or Commission (%): [ ]%
Agent's Discount or $[ ]

Commission ($):	
Net Proceeds to the Province:	$[ ]

☐ Acting as Agent	Agent is acting as Agent for the sale of Notes by the Province at a price of [ ] % of the principal amount
☐ Acting as Principal	Agent is purchasing Notes from the Province as principal for resale to investors and other purchasers at: ☐ a fixed public offering price of [ ]% of the principal amount ☐ varying prices related to prevailing market prices at the time of resale to be determined by such Agent

The Issuer has filed a registration statement (including a prospectus) with the SEC for the offering to which this communication relates. Before you invest, you should read the prospectus in that registration statement and other documents the Issuer has filed with the SEC for more complete information about the Issuer and this offering. You may get these documents for free by visiting EDGAR on the SEC Web site at www.sec.gov. Alternatively, the Issuer, any underwriter or any dealer participating in the offering will arrange to send you the prospectus if you request it by calling [●] at [●].

SCHEDULE II

Agent	Principal Amount of Notes to be Purchased
	US$[_____]
Total	US$[_____]

ANNEX III

[Form of Pricing Supplement for Fixed Rate Notes]

PRICING SUPPLEMENT NO. [ ], DATED: [ ] RULE 424(b)(3)
to Prospectus Supplement Dated April 12, 2016 REGISTRATION STATEMENT NO. 333-209852
to Prospectus Dated April 11, 2016

PROVINCE OF ONTARIO

US$[ ]

MEDIUM-TERM NOTES, SERIES [ ]

[ ]% Fixed Rate Notes

☐ Book-Entry Notes ☐ Certificated Notes

Issuer: Province of Ontario
Title: [ ]
Aggregate Principal Amount: [ ]
Trade Date: [ ]
Issue Date (Settlement Date): [ ]
Stated Maturity Date: [ ]
Interest Computation Period: ☐ Semi-annual ☐ Annual ☐ Other (specify):
Interest Payment Dates: ☐ January 25 and July 25 ☐ July 25 ☐ Other (specify):
Record Dates: ☐ January 10 and July 10 ☐ July 10 ☐ Other (specify):
Yield to Maturity: [ ]
Interest Rate:[ ]% per annum
Public Offering Price: [ ]
Day Count Convention: 30/360
CUSIP# / ISIN#: [ ]
Registrar, Fiscal Agent, Transfer Agent and Principal Paying Agent: The Bank of New York Mellon

OPTION TO ELECT REDEMPTION: ☐ Yes ☐ No

Redemption Date(s):
Initial Redemption Percentage:

Annual Redemption Percentage Reduction:

OPTION TO ELECT REPAYMENT: ☐ Yes ☐ No
Repayment Date(s):

ORIGINAL ISSUE DISCOUNT: ☐ Yes ☐ No
Issue Price:
Total Amount of OID:
Yield to Maturity:

"

Initial Accrual Period OID:

Minimum Denominations: US$2,000 and increments of US$1,000 in excess thereof

Other Provisions (if any):

Agent(s):
- ☐ BMO Capital Markets Corp.
- ☐ CIBC World Markets Corp.
- ☐ Deutsche Bank Securities Inc.
- ☐ HSBC Bank plc
- ☐ Merrill Lynch, Pierce, Fenner & Smith Incorporated
- ☐ Morgan Stanley & Co. LLC
- ☐ National Bank of Canada Financial Inc.
- ☐ RBC Capital Markets, LLC
- ☐ Scotia Capital (USA) Inc.
- ☐ TD Securities (USA) LLC
- ☐ Other (specify):

Agent's Discount or Commission (%): [ ]%

Agent's Discount or Commission ($): $[ ]

Net Proceeds to the Province: $[ ]

☐ Acting as Agent — Agent is acting as Agent for the sale of Notes by the Province at a price of [ ] % of the principal amount

☐ Acting as Principal — Agent is purchasing Notes from the Province as principal for resale to investors and other purchasers at:
- ☐ a fixed public offering price of [ ]% of the principal amount
- ☐ varying prices related to prevailing market prices at the time of resale to be determined by such Agent

"

ANNEX IV

[Form of Pricing Supplement for Floating Rate Notes]

PRICING SUPPLEMENT NO. [ ], DATED: [ ] RULE 424(b)(3)
to Prospectus Supplement Dated April 12, 2016 REGISTRATION STATEMENT NO. 333-209852
to Prospectus Dated April 11, 2016

PROVINCE OF ONTARIO

US$[ ]

MEDIUM-TERM NOTES, SERIES [ ]

Floating Rate Notes

☐ Book-Entry Notes ☐ Certificated Notes

Issuer: Province of Ontario
Title: [ ]
Aggregate Principal Amount: [ ]
Trade Date: [ ]
Issue Date (Settlement Date): [ ]
Stated Maturity Date: [ ]
Public Offering Price: [ ]
Day Count Convention: [ ]
CUSIP# / ISIN#: [ ]
Registrar, Fiscal Agent, Transfer Agent and Principal Paying Agent: The Bank of New York Mellon

Interest Rate Basis:
☐ CD Rate
☐ Commercial Paper Rate
☐ Federal Funds Rate
☐ LIBOR
☐ Prime Rate
☐ Treasury Rate
☐ Other (specify):

Initial Interest Rate: [ ][1]
Index Maturity: [ ]

Spread (plus or minus): [ ][2]
Spread Multiplier: [ ][4]
Maximum Interest Rate: [ ]
Minimum Interest Rate: [ ]

Record Date(s): [ ]
Calculation Agent: The Bank of New York Mellon
Interest Determination Date(s): [ ]
Interest Reset Date(s): [ ][3]
Designated LIBOR Page: [ ]
Interest Accrual Date: [ ]
Interest Payment Dates: [ ][5]

Interest Rate Reset Period:
☐ Daily
☐ Monthly
☐ Quarterly
☐ Semi-annually

Interest Payment Period:
☐ Daily
☐ Monthly
☐ Quarterly
☐ Semi-annually

"

☐ Annually
☐ Other (specify):

☐ Annually
☐ Other (specify):

OPTION TO ELECT REDEMPTION: ☐ Yes ☐ No
Redemption Date(s):
Initial Redemption Percentage:
Annual Redemption Percentage Reduction:

OPTION TO ELECT REPAYMENT: ☐ Yes ☐ No
Repayment Date(s):

ORIGINAL ISSUE DISCOUNT: ☐ Yes ☐ No
Issue Price:
Total Amount of OID:
Yield to Maturity:
Initial Accrual Period OID:

Minimum Denominations: US$2,000 and increments of US$1,000 in excess thereof

Other Provisions (if any):

Agent(s):
☐ BMO Capital Markets Corp.
☐ CIBC World Markets Corp.
☐ Deutsche Bank Securities Inc.
☐ HSBC Bank plc
☐ Merrill Lynch, Pierce, Fenner & Smith Incorporated
☐ Morgan Stanley & Co. LLC
☐ National Bank of Canada Financial Inc.
☐ RBC Capital Markets, LLC
☐ Scotia Capital (USA) Inc.
☐ TD Securities (USA) LLC
☐ Other (specify):

Agent's Discount or Commission (%): [ ]%
Agent's Discount or Commission ($): $[ ]
Net Proceeds to the Province: $[ ]

☐ Acting as Agent — Agent is acting as Agent for the sale of Notes by the Province at a price of [ ] % of the principal amount
☐ Acting as Principal — Agent is purchasing Notes from the Province as principal for resale to investors and

"

other purchasers at:

☐ a fixed public offering price of [ ]% of the principal amount

☐ varying prices related to prevailing market prices at the time of resale to be determined by such Agent

---

[1] Insert interest rate applicable from Issue Date to the Initial Interest Reset Date.

[2] Insert number of basis points to be added or subtracted from the applicable Interest Rate Basis to determine the interest rate (e.g. "+0.05%" or "plus 5 basis points").

[3] Insert as applicable:

- in the case of Floating Rate Notes which reset daily, "each Business Day";
- in the case of Floating Rate Notes (other than Treasury Rate Notes) which reset weekly, "Wednesday of each week";
- in the case of Treasury Rate Notes which reset weekly, "Tuesday of each week";
- in the case of Floating Rate Notes which reset monthly, "third Wednesday of each month";
- in the case of Floating Rate Notes which reset quarterly, "third Wednesday of March, June, September and December of each year";
- in the case of Floating Rate Notes which reset semi-annually, "third Wednesday of [month] and [month] of each year"; and
- in the case of floating rate Notes which reset annually, "third Wednesday of [month] of each year.

[4] Insert percentage by which the applicable Interest Rate Basis is to be multiplied to determine the interest rate.

[5] Insert as applicable:

- in the case of Floating Rate Notes where the Interest Rate Reset Period is daily, weekly or monthly, "the third Wednesday of each month";
- in the case of Floating Rate Notes where the Interest Rate Reset Period is quarterly, "the third Wednesday of March, June, September and December of each year";
- in the case of Floating Rate Notes where the Interest Rate Reset Period is semi-annually, "the third Wednesday of the [month] and [month] of each year";
- in the case of Floating Rate Notes where the Interest Rate Reset Period is annually, "the third Wednesday of [month] of each year; and
- in each case, on the Stated Maturity Date.

From: Opal Kandelas
To: Sarah Harris
Cc: Kelly Listoe
Subject: RE: Outstanding Business Issues Ontario Fair Hydro Plan markup_cy1.docx
Date: Wednesday, May 31, 2017 10:56:35 AM

Thanks. Flipping to Carlos as Energy seems to be in a hurry to get OFA comments.

Opal.

From: Sarah Harris
Sent: Wednesday, May 31, 2017 10:49 AM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Cc: Kelly Listoe <Kelly.Listoe@ofina.on.ca>
Subject: Outstanding Business Issues Ontario Fair Hydro Plan markup_cy1.docx

Hi Opal,

I've filled in the last part for IESO.

Sarah

From:	Opal Kandelas
To:	William Tan
Cc:	Sarah Harris
Subject:	RE: Policy question re OFHP Credit Facility Agreement
Date:	Tuesday, August 08, 2017 1:32:25 PM

I'm available.

From: William Tan
Sent: Tuesday, August 08, 2017 1:09 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: FW: Policy question re OFHP Credit Facility Agreement

Hi Opal,

Are you available this afternoon to join in a quick meeting with Mike, Sarah and I?
I think he's in a meeting from 2pm to 3pm.

Thanks,

Will

From: Mike Manning
Sent: Tuesday, August 08, 2017 1:01 PM
To: William Tan <William.Tan@ofina.on.ca>
Subject: RE: Policy question re OFHP Credit Facility Agreement

Hi William:
I was only looking to have a quick meeting with you and Opal, possibly Sarah as well.

Thanks, Mike

From: William Tan
Sent: Tuesday, August 08, 2017 12:51 PM
To: Mike Manning <Mike.Manning@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Siva Nathan <Siva.Nathan@ofina.on.ca>
Subject: FW: Policy question re OFHP Credit Facility Agreement

Hello Mike,

Based on Ken's response would you still like me to arrange a call?

Thanks,

Will

From: Ken Kandeepan
Sent: Tuesday, August 08, 2017 10:47 AM
To: William Tan <William.Tan@ofina.on.ca>
Cc: Siva Nathan <Siva.Nathan@ofina.on.ca>
Subject: RE: Policy question re OFHP Credit Facility Agreement

Hi Will

I am little confused here, yes its unsecured but so is every loan issued by the OFA to a public body so not sure why the risk associated with this loan is greater or for that matter lower than the loans currently in the OFA's loan book.

As such, this should be treated exactly like all the other loans. Note that the IESO is fully consolidated with that of the Province so loans issued by the OFA to IESO will be a wash upon consolidation.

Thanks and I am cc'ing Siva and John the former is responsible for the OFA and the latter for the implementation of the Fair Hydro plan.

Ken k

From: William Tan
Sent: Tuesday, August 08, 2017 10:21 AM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Subject: FW: Policy question re OFHP Credit Facility Agreement

Good morning Ken,

I hope you enjoyed the long weekend.
Do you agree with the current structure of the credit facility as unsecured?

Or would you like some additional back ground regarding this matter?

Thanks,

Will

From: John Kim
Sent: Friday, August 04, 2017 3:42 PM
To: William Tan <William.Tan@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Sarah Neville <Sarah.Neville@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>
Subject: RE: Policy question re OFHP Credit Facility Agreement

Hi Lisa, William,

I am OK as long as the proposed approach is consistent with OFA's lending policy and practices. We have generally not opined on the details of the lending agreement, as we have been communicating.

I do want to copy Ken and Mike to ensure that they are onside, as well.

Thanks,

John

From: William Tan
Sent: Friday, August 04, 2017 3:24 PM
To: Bruno Amara <Bruno.Amara@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Sarah Neville <Sarah.Neville@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: Policy question re OFHP Credit Facility Agreement

Hello Bruno and John,

If you wish, I can arrange a call between legal and CEFD today.

From: Lisa Stein
Sent: Friday, August 04, 2017 2:36 PM
To: Bruno Amara <Bruno.Amara@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Cc: William Tan <William.Tan@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Sarah Neville <Sarah.Neville@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Subject: Policy question re OFHP Credit Facility Agreement
Importance: High

Hi Bruno and John,

I have some additional information pertaining to the structure of the OFA loan to IESO re: OFHP. While this information adds context, it doesn't address the policy question of whether an unsecured loan is appropriate (based on the extent of the insolvency risk) for this regulatory asset.

The current draft FHP Credit Facility Agreement is consistent with the OFA Lending Policy (last revised and approved April 16, 2010 – *status TBC*), which provides that except where otherwise directed by the Minister of Finance, Treasury Board or Cabinet, the OFA will generally lend on an unsecured basis (apart from the intercept provision) in respect of loans made by the OFA to public bodies (IESO is a public body for the purposes of CIPA). As such, the structure of this loan is consistent with the Policy (subject to my note below re: intercept provision). In my review of the supporting policy documentation, including the LRC minute, I didn't see any reference to a secured lending structure and I don't believe that there is any direction requiring this to be a secured loan. That being said, I query whether OFA CEFD staff are comfortable with this approach (see below).

In terms of the intercept provisions, which are required pursuant to s. 23 of CIPA, I have asked Toby from MOF Legal if they are aware of any agreement between the Ministry of Energy and the IESO agreeing that the Minister of Finance is entitled to deduct from money appropriated by the Legislature for payment to the IESO amounts equal to any amounts that the IESO fails to pay to the OFA on account of indebtedness under this loan agreement (as required by CIPA)? Are you aware of any such agreement? However, even if there were such an agreement in place, it is unclear to whether adding intercept provisions to the credit facility agreement, will provide further comfort. I plan to discuss this matter further with MOF Legal.

Based on the foregoing (and pending any additional information that Toby may obtain from his discussions with the Ministry of Energy), I defer the following question to CEFD staff:

> **Are you comfortable with the current structure of this loan as an unsecured loan (and the risk that this may entail)?** This decision ultimately needs to be made by business/policy people.
>
> - **If yes,** the next draft of the agreement will be available in the next day or so to send to IESO for review. I will work with MOF Legal to draft/leverage intercept provisions to mitigate this risk (as far as possible, based on the foregoing). We are also working on the permitted liens, *pari passu* and negative pledge provisions of the draft agreement, as previously discussed.
>
> - **If no,** additional Ministerial/TB direction, and a new legal agreement (likely with the assistance of external legal counsel) will be required. This will take additional time.

Please do not hesitate to contact me if you would like to discuss further.

Thank you,

Lisa

Lisa N. Stein
Legal Counsel
Ontario Financing Authority
416-325-2320

****
This message, including any attachments, is intended only for the use of the individual(s) to which it is addressed and contains information that is privileged/confidential. Any other distribution, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify the sender immediately by reply e-mail and permanently delete this message, including any attachments, without reading it or making a copy. Thank you.
****

From:	John Kim
To:	Lisa Stein; Ken Kandeepan; Sarah Harris
Cc:	Bruno Amara; Mike Manning; Opal Kandelas; Tobias P. Whitfield (MOF); William Tan; Gavin He; Anna Strathy; Kenneth Russell
Subject:	RE: Policy questions re OFHP Credit Facility Agreement
Date:	Tuesday, August 15, 2017 1:16:28 PM

Hi Lisa,

I was having a discussion with Ken R. on another matter (the equity injection discussion) and had a discussion with him about this issue. Here are some observations:

We know that the IESO is a public body for the purpose of the CIPA. And I understand that in the absence of this designation, the OFA would not be able to make loans to the IESO.

The intercept provision, I understand, is common in OFA loan arrangements or required under the OFA Lending Policy. Given that the intercept provision allows the OFA to access payments from the Province to OFA borrowers in the event of a default and that the IESO receives no such funding from the Province (the IESO is ratepayer-funded), would there still be any relevance in having or requiring the intercept provision? If we agree that there is no relevance, then would you reasonably arrive at the conclusion that seeking the direction from the Minister is not required?

The Minister, I understand, is away until September.

Happy to chat or hear comments.

Thanks,

John

From: Lisa Stein
Sent: Friday, August 11, 2017 9:58 AM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: Bruno Amara <Bruno.Amara@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; William Tan <William.Tan@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: RE: Policy questions re OFHP Credit Facility Agreement

Hello all. Just to clarify, the OFA Lending Policy provides that the OFA will generally lend on an unsecured basis in respect of loans made by the OFA to public bodies, unless otherwise directed. As such, no further direction/waiver is required to provide an unsecured loan to the IESO. However, the Policy also requires that, pursuant to s. 23 of CIPA, the intercept provisions (and accompanying MOU, etc.) must be included in unsecured OFA loan agreements except where otherwise directed by the Minister of Finance, Treasury Board, or Cabinet. As such, in this case, as it has now been determined that the intercept provisions are not required, I will work with MOF Legal to obtain the

required Ministerial direction waiving the Policy requirement to include these provisions.

Lisa

Lisa N. Stein
Legal Counsel
Ontario Financing Authority
416-325-2320

****
This message, including any attachments, is intended only for the use of the individual(s) to which it is addressed and contains information that is privileged/confidential. Any other distribution, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify the sender immediately by reply e-mail and permanently delete this message, including any attachments, without reading it or making a copy. Thank you.
****

From: Ken Kandeepan
Sent: Friday, August 11, 2017 9:40 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; William Tan <William.Tan@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: RE: Policy questions re OFHP Credit Facility Agreement

Perfect, thank you very much

Ken k

From: Sarah Harris
Sent: Friday, August 11, 2017 9:35 AM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; William Tan <William.Tan@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: RE: Policy questions re OFHP Credit Facility Agreement

Hi Ken,

Thanks for clarifying the approach on this matter.

Based on this, we will not be seeking a security interest in the Regulatory Asset and will be seeking a directive ASAP for an exemption from inclusion of the intercept provision in the $2B FHP facility. We

will inform IESO that current $975 million facility will be used for funding draws until such time as we are able execute the new $2B FHP facility.

Thanks,
Sarah

From: Ken Kandeepan
Sent: Thursday, August 10, 2017 5:12 PM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; William Tan <William.Tan@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: RE: Policy questions re OFHP Credit Facility Agreement

Hi Sarah

Thanks for clear detailed email with good questions, however, instead of responding to each of the questions, I am going back to my earlier premise that none of the loans currently on the OFA loan book have any kind of security attached to them. A good example is the current line of credit extended to the IESO for $975 million. Given this I am very reluctant to impose a security requirement the proposed $2 billion facility to the IESO from the Province.

I understand that the security requirement which is part of the OFA lending policy can waived with ministerial approval, I suggest that it be obtained as soon as possible. If there are delays in obtaining this approval, especially since the minister will be on vacation from the end of this week onwards, I also suggest, if possible the previous facility of $975 million continue until the new facility is in place. This will allow IESO to fund any regulatory assets created in the intervening period.

I have discussed my proposed approach with Gadi, who is supportive.

Thanks

Ken k

From: Sarah Harris
Sent: Thursday, August 10, 2017 11:56 AM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; William Tan <William.Tan@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: Policy questions re OFHP Credit Facility Agreement

Hi Ken,

Yesterday we held an internal meeting to discuss issues identified by Lisa and Toby regarding inclusion of an intercept provision in the new $2B FHP Credit Facility, as well the factors that the OFA needs to consider on whether or not to seek a security interest in the Regulatory Asset. We will need to obtain further information from IESO to inform the OFA's final determination on these matters, and also require your input on certain items below.

Security Interest - Background

In reference to Bruno's comments and your comments below, if the OFA were to take a security interest in the Regulatory Asset, any security interest would only be applicable while the IESO was the holder of the asset, and only while it is being held by the IESO with money borrowed from the OFA.

The steps of the transaction would be:

1 – The IESO makes payments to electricity producers at the contracted rate, but charges consumers a rate that is set by the FHP, which leaves a shortfall that must be made up;
2 – The IESO borrows money from the OFA to finance the shortfall – it is at this stage that the OFA would consider taking a security interest in the asset, up to the amount that the OFA lends to the IESO;
3 – The IESO bundles the right to charge consumers for the shortfall in the future through the GA into the Regulatory Asset, which is sold to the OPG SPV, which sale can be of the asset free and clear of any security interest;
4 – The IESO repays the OFA for the loan.

Steps 3 and 4 can happen simultaneously. If it is deemed to be something that the OFA would like to do, the security interest would only apply while the IESO holds the assets that it creates using the OFA loan to finance the purchase of electricity that it does not charge for. Once the asset is sold to the OPG SPV, the loan can be repaid and the security interest that the OFA had in the asset can be discharged.

Intercept Provision - Background

Regarding the inclusion of the intercept provision, the OFA Lending Policy (attached, see p. 4 "Security" section), stipulates the OFA must include an intercept provision, unless the OFA either receives an exemption from the OFA Board OR receives direction from the Minister, Cabinet or Treasury Board.

The intercept provision provides that in the event of non-payment by IESO to the OFA under the Credit Facility, the Minister may take funds appropriated by the Legislature for IESO, and may instead use the funds to repay the OFA (in the amount that IESO has defaulted under the facility).

Question for Ken: Are you aware of how we might determine if the Legislature has appropriated

funds for IESO? If the amounts are minimal, there would seem token benefit to include the intercept provision in the new FHP credit facility agreement

Draft E-mail to IESO

We would like to ensure that we obtain from IESO all the information that would be required to make a risk assessment as to whether an intercept provision and/or a security interest by the OFA in the Regulatory Asset would be required.

Request for Ken: We are drafting an e-mail to send to IESO today (below) to request information that is pertinent for an analysis regarding these matters. We would appreciate if you could please review the draft and amend it to include all key questions that would be required to make a risk assessment.

> *"Dear Anthony,*
>
> *My apologies for the delay in providing the next turn of the FHP Credit Facility Agreement. We became aware of a potential requirement under the OFA's lending policy which needs to be considered internally for inclusion in the agreement, for which we require additional information. Would you kindly provide answers to the following questions?*
>
> - *Does IESO have other financial obligations (such as but not limited to swap agreements, other financial obligations etc.) that could become due and adversely impact IESO's ability to pay its debts when they become due?*
> - *Does IESO have any other financial obligations or security interests that could attach to the Regulator Asset/Special Purpose Vehicle?*
> - *[Include additional questions]*
>
> *I also want to make you aware that due to the internal assessment that must be made in respect of the OFA's lending policy, we will likely not be able to execute the new FHP facility prior to IESO's next funding request (for which IESO will be providing notice on August 17th, for funding on August 21st). Accordingly, the August FHP draw will be made under the existing $975 million credit facility. At the time we execute the new $2B facility, we would be able to transfer (by incorporating into the agreements the required provisions or by another agreed mechanism) any amount of loans exceeding $475 million (being the reduced facility limit under the draft amending agreement) under the existing facility to the new facility.*
>
> *Best regards,"*

In reference to the last sentence above in the draft e-mail to IESO, the intended financing structure for IESO credit facilities is to (i) execute a new $2B FHP facility and (ii) simultaneously reduce the existing $975 million facility by $500 million to $475 million. This would create a total aggregated limit of $2.475 billion. Ideally these 2 agreements would have been executed simultaneously prior to the August draw from IESO (since IESO's August draw will likely bring the balance of the existing

credit facility to approx. $500M, exceeding the intended revised limit of $475 million).

Question for Ken: When we do execute both agreements, are there any obstacles from an operational perspective (settlement, cash, accounting, risk) with transferring any 'excess loan amount' from the existing credit facility to the new FHP credit facility? We would be looking to re-allocate certain loans from the existing facility to the new facility, without any cash flow impact. From a legal perspective we expect this should be fine, as we can work out the legal particulars with IESO.

General Note re: Timing Impact of Intercept Provision

Regardless of whether the OFA decides to include or exclude the intercept provision, the execution of the FHP facility will take longer than expected, likely taking an additional number of weeks.

If the decision is made not to include the intercept provision, a directive will need to be obtained from the Minister to this effect, potentially taking a few weeks.

If it is a determined an intercept provision is required, then this will likely even take longer than getting a directive from the Minister. In this case, the OFA would need to go back to the Ministry of Energy to effect the following: (I)Ministry of Energy will need to agree with IESO on acceptance of the inclusion of intercept provision in the FHP credit facility agreement and (ii) the OFA and Ministry of Energy will require an MOU whereby the parties agree on the inclusion of a the intercept provision in the FHP credit facility agreement.

Thanks
Sarah

From: Ken Kandeepan
Sent: Wednesday, August 09, 2017 1:54 PM
To: Bruno Amara <Bruno.Amara@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; William Tan <William.Tan@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: Re: Policy questions re OFHP Credit Facility Agreement

Totally agree with Bruno, the province should not be taking a security intent in the reg asset, that would make the sale to the SPV or trust rather difficult.

It would also create issues in terms of the SPV's ability to obtain an appropriate credit rating as well as issue debt in the capital markets.

Thanks

Ken k

Sent from my iPhone

On Aug 9, 2017, at 1:46 PM, Bruno Amara <Bruno.Amara@ofina.on.ca> wrote:

> Hi Sarah
>
> Apologies for delay. I perceive differing levels of comfort with the issue of security so I'm OK with discussing the questions raised this afternoon. I am concerned whether we have people on the call that can answer all the questions.
>
> But I have a basic question with respect to the issue of the Province taking a security interest in the asset and differences with this loan from others. Under the OFHP, the sale of the asset ultimately allows for payments to electricity generators. If the Province has a security interest in the asset, can we envisage a potential situation wherein the IESO would be repaying the OFA loan rather than paying generators, which would be problematic for OFHP?
>
> I had discussed with Ron. In regard to Toby's last question, Ron was wondering if there might be a provision on use of proceeds from IESO's sale of the regulatory asset.
> Ron had also asked whether OPCD had opined on any accounting issues, and whether OIC or Minister's directive gave any particular direction on this issue. In regard to the latter, I have checked. Minister's directive and OIC were fairly high level noting specific terms and conditions to be set out in the Agreement.
>
> Bruno
>
> ---
>
> **From:** Lisa Stein
> **Sent:** Wednesday, August 09, 2017 10:58 AM
> **To:** Sarah Harris <Sarah.Harris@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
> **Cc:** Mike Manning <Mike.Manning@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; William Tan <William.Tan@ofina.on.ca>
> **Subject:** RE: Policy questions re OFHP Credit Facility Agreement
>
> Thank you Sarah. I should add that under the OFA Lending Policy, the intercept provision (and accompanying MOU, etc.) must be included in OFA loan agreements *except* where otherwise directed by the Minister of Finance, Treasury Board, or Cabinet. As such, if it is determined that the intercept provisions are not required/relevant in this case, Ministerial direction will be required. We can discuss

further this afternoon.

Lisa

From: Sarah Harris
Sent: Wednesday, August 09, 2017 10:37 AM
To: Bruno Amara <Bruno.Amara@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Cc: Mike Manning <Mike.Manning@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; William Tan <William.Tan@ofina.on.ca>
Subject: FW: Policy questions re OFHP Credit Facility Agreement
Importance: High

Hello Bruno and John,

In advance of our internal call this afternoon, Lisa and Toby have prepared the following e-mail below to consider whether the OFA should consider taking a security interest in the Regulatory Asset as security for $2B credit facility, as well as the inclusion of the intercept provision. Ken Kandeepan expressed the following view yesterday:

> *"…[the $2B Facility] is unsecured but so is every loan issued by the OFA to a public body so not sure why the risk associated with this loan is greater or for that matter lower than the loans currently in the OFA's loan book.*
>
> *As such, this should be treated exactly like all the other loans. Note that the IESO is fully consolidated with that of the Province so loans issued by the OFA to IESO will be a wash upon consolidation."*

In light of this, could you please advise if there are there any additional considerations regarding the FHP structure that would could necessitate the inclusion of an intercept provision in the $2B facility and/or the OFA taking a security interest in the Regulatory Asset?

I am including Ken and Mike Manning in this e-mail, should they have any additional input or insight on this matter.

Thank you,
Sarah

From: Lisa Stein
Sent: Wednesday, August 09, 2017 10:09 AM
To: William Tan <William.Tan@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Subject: Policy questions re OFHP Credit Facility Agreement

Importance: High

Hi Sarah H. and Will,

Based on the e-mails to date, I understand that OFA staff held a conference call yesterday and based the OFA Lending Policy and past practices, may have concluded that it is appropriate for the loan to the IESO in relation to the OFHP to be unsecured, as per other OFA loans to public bodies. However, as neither Toby (from MOF Legal) nor I were part of the aforementioned call, we wanted to clarify that this loan is NOT necessarily the same as other OFA unsecured loans to public bodies, and as such, the protection provided by the "intercept" provisions of the standard OFA loan agreements have limited application in this particular case (which is likely the reason why these provisions were not included in the original drafts). Our understanding is that, although the intercept provisions are intended to allow the Minister of Finance to deduct from money appropriated by the Legislature for payment to the Borrower amounts equal to any amounts that a Borrower fails to pay to the OFA on account of indebtedness under the loan agreement, in the case of the IESO as Borrower, these amounts are likely to be minimal.

Before proceeding, we would like to ensure that the nature of the loan, the impact of intercept provisions, and the insolvency and operational risks, have all been considered. Toby has succinctly summarized the questions which still need to be addressed during our call this afternoon in the e-mail which I have forwarded below.

Lisa

From: Whitfield, Tobias P. (MOF) [mailto:Tobias.Whitfield@ontario.ca]
Sent: Tuesday, August 08, 2017 5:03 PM
To: Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: Policy question re OFHP Credit Facility Agreement

Lisa,

I have attempted to summarize my questions/issues in the below. Let me know if you have anything to add or have any edits.

The concerns I have with the IESO loan, and that should be considered are related to what could happen to the Regulatory Asset (the "Asset") if there are any credit or liquidity issues at the IESO. Because the Asset is something that it is possible to take security in, and that is an intangible that may be subject to a floating charge (ie, as a result of a GSA or from a financing agreement) I thought it would be prudent to consider whether the OFA should take a security interest in the Asset as security for the loan.

I am not familiar with the types of financial arrangements or other obligations that the

IESO may be a party to, either as a result of its market operations or otherwise, but it may be possible that the IESO has entered into such arrangements, such as swaps or other derivatives agreements, loans or other financing arrangements for which security could be given.

I am not aware of what financial guarantees or other arrangements may be in place such that the Province may have guaranteed the IESO's obligations, but I don't believe that there are any. My understanding is that the IESO is consolidated with the Province's books, but that the IESO is not a crown agent, and the Province is not liable for the IESO's obligations to third parties. However, I am not sure about the underlying facts without more input from ENERGY and the IESO.

In light of these questions it may be worthwhile to consider some related issues:

- How does the proposed IESO loan compare to other OFA loans made to public bodies, such that it is appropriate to use the same requirements?
    - Size of loan – it is my understanding that there are not many loans that approach the size of the $2 billion loan that is proposed to the IESO.
    - Are the obligations of the IESO the obligations of the Province, and how does this compare to other public body loans?
    - What other financial obligations could the IESO have (such as swap agreements, other financial obligations) that could become due or create credit risk?
    - If in many public body loans, there is an intercept and an MOU with the appropriate ministry to create some security, does that make sense in this context? Are there significant transfers to the IESO?
    - Note that the OFA loan to the ROM was secured by pledges and an intercept, and that other Provincial loans to public bodies or other groups may be secured.
- Does the Province/OFA understand the financial obligations of the IESO such that it is confident that no other security interest could attach to the Asset?
- Given that the debt is specifically for the purpose of creating the Asset which will be "warehoused" at the IESO, once the Asset is sold to the financing entity, how will the Province ensure that the proceeds can only be used to repay the loan?

Tobias Whitfield
Counsel, Legal Services Branch
Ministry of Finance
tobias.whitfield@ontario.ca
Phone: 416-325-1456

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If

you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From:	Lisa Stein
To:	Ken Kandeepan; Sarah Harris
Cc:	Bruno Amara; Mike Manning; Opal Kandelas; Tobias P. Whitfield (MOF); William Tan; John Kim; Gavin He; Anna Strathy
Subject:	RE: Policy questions re OFHP Credit Facility Agreement
Date:	Friday, August 11, 2017 9:57:38 AM

Hello all. Just to clarify, the OFA Lending Policy provides that the OFA will generally lend on an unsecured basis in respect of loans made by the OFA to public bodies, unless otherwise directed. As such, no further direction/waiver is required to provide an unsecured loan to the IESO. However, the Policy also requires that, pursuant to s. 23 of CIPA, the intercept provisions (and accompanying MOU, etc.) must be included in unsecured OFA loan agreements except where otherwise directed by the Minister of Finance, Treasury Board, or Cabinet. As such, in this case, as it has now been determined that the intercept provisions are not required, I will work with MOF Legal to obtain the required Ministerial direction waiving the Policy requirement to include these provisions.

Lisa

Lisa N. Stein
Legal Counsel
Ontario Financing Authority
416-325-2320

****
This message, including any attachments, is intended only for the use of the individual(s) to which it is addressed and contains information that is privileged/confidential. Any other distribution, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify the sender immediately by reply e-mail and permanently delete this message, including any attachments, without reading it or making a copy. Thank you.
****

From: Ken Kandeepan
Sent: Friday, August 11, 2017 9:40 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; William Tan <William.Tan@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: RE: Policy questions re OFHP Credit Facility Agreement

Perfect, thank you very much

Ken k

From: Sarah Harris
Sent: Friday, August 11, 2017 9:35 AM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; Mike Manning

<Mike.Manning@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; William Tan <William.Tan@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: RE: Policy questions re OFHP Credit Facility Agreement

Hi Ken,

Thanks for clarifying the approach on this matter.

Based on this, we will not be seeking a security interest in the Regulatory Asset and will be seeking a directive ASAP for an exemption from inclusion of the intercept provision in the $2B FHP facility. We will inform IESO that current $975 million facility will be used for funding draws until such time as we are able execute the new $2B FHP facility.

Thanks,
Sarah

From: Ken Kandeepan
Sent: Thursday, August 10, 2017 5:12 PM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; William Tan <William.Tan@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: RE: Policy questions re OFHP Credit Facility Agreement

Hi Sarah

Thanks for clear detailed email with good questions, however, instead of responding to each of the questions, I am going back to my earlier premise that none of the loans currently on the OFA loan book have any kind of security attached to them. A good example is the current line of credit extended to the IESO for $975 million. Given this I am very reluctant to impose a security requirement the proposed $2 billion facility to the IESO from the Province.

I understand that the security requirement which is part of the OFA lending policy can waived with ministerial approval, I suggest that it be obtained as soon as possible. If there are delays in obtaining this approval, especially since the minister will be on vacation from the end of this week onwards, I also suggest, if possible the previous facility of $975 million continue until the new facility is in place. This will allow IESO to fund any regulatory assets created in the intervening period.

I have discussed my proposed approach with Gadi, who is supportive.

Thanks

Ken k

From: Sarah Harris
Sent: Thursday, August 10, 2017 11:56 AM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; William Tan <William.Tan@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: Policy questions re OFHP Credit Facility Agreement

Hi Ken,

Yesterday we held an internal meeting to discuss issues identified by Lisa and Toby regarding inclusion of an intercept provision in the new $2B FHP Credit Facility, as well the factors that the OFA needs to consider on whether or not to seek a security interest in the Regulatory Asset. We will need to obtain further information from IESO to inform the OFA's final determination on these matters, and also require your input on certain items below.

Security Interest - Background

In reference to Bruno's comments and your comments below, if the OFA were to take a security interest in the Regulatory Asset, any security interest would only be applicable while the IESO was the holder of the asset, and only while it is being held by the IESO with money borrowed from the OFA.

> The steps of the transaction would be:
>
> 1 – The IESO makes payments to electricity producers at the contracted rate, but charges consumers a rate that is set by the FHP, which leaves a shortfall that must be made up;
> 2 – The IESO borrows money from the OFA to finance the shortfall – it is at this stage that the OFA would consider taking a security interest in the asset, up to the amount that the OFA lends to the IESO;
> 3 – The IESO bundles the right to charge consumers for the shortfall in the future through the GA into the Regulatory Asset, which is sold to the OPG SPV, which sale can be of the asset free and clear of any security interest;
> 4 – The IESO repays the OFA for the loan.
>
> Steps 3 and 4 can happen simultaneously. If it is deemed to be something that the OFA would like to do, the security interest would only apply while the IESO holds the assets that it creates using the OFA loan to finance the purchase of electricity that it does not charge for. Once the asset is sold to the OPG SPV, the loan can be repaid and the security interest that the OFA had in the asset can be discharged.

Intercept Provision - Background

Regarding the inclusion of the intercept provision, the OFA Lending Policy (attached, see p. 4 "Security" section), stipulates the OFA must include an intercept provision, unless the OFA either receives an exemption from the OFA Board OR receives direction from the Minister, Cabinet or Treasury Board.

The intercept provision provides that in the event of non-payment by IESO to the OFA under the Credit Facility, the Minister may take funds appropriated by the Legislature for IESO, and may instead use the funds to repay the OFA (in the amount that IESO has defaulted under the facility).

Question for Ken: Are you aware of how we might determine if the Legislature has appropriated funds for IESO? If the amounts are minimal, there would seem token benefit to include the intercept provision in the new FHP credit facility agreement

Draft E-mail to IESO

We would like to ensure that we obtain from IESO all the information that would be required to make a risk assessment as to whether an intercept provision and/or a security interest by the OFA in the Regulatory Asset would be required.

Request for Ken: We are drafting an e-mail to send to IESO today (below) to request information that is pertinent for an analysis regarding these matters. We would appreciate if you could please review the draft and amend it to include all key questions that would be required to make a risk assessment.

> *"Dear Anthony,*
>
> *My apologies for the delay in providing the next turn of the FHP Credit Facility Agreement. We became aware of a potential requirement under the OFA's lending policy which needs to be considered internally for inclusion in the agreement, for which we require additional information. Would you kindly provide answers to the following questions?*
>
> - *Does IESO have other financial obligations (such as but not limited to swap agreements, other financial obligations etc.) that could become due and adversely impact IESO's ability to pay its debts when they become due?*
> - *Does IESO have any other financial obligations or security interests that could attach to the Regulator Asset/Special Purpose Vehicle?*
> - *[Include additional questions]*
>
> *I also want to make you aware that due to the internal assessment that must be made in respect of the OFA's lending policy, we will likely not be able to execute the new FHP facility prior to IESO's next funding request (for which IESO will be providing notice on August 17th, for funding on August 21st). Accordingly, the August FHP draw will be made under the*

existing $975 million credit facility. At the time we execute the new $2B facility, we would be able to transfer (by incorporating into the agreements the required provisions or by another agreed mechanism) any amount of loans exceeding $475 million (being the reduced facility limit under the draft amending agreement) under the existing facility to the new facility.

Best regards,"

In reference to the last sentence above in the draft e-mail to IESO, the intended financing structure for IESO credit facilities is to (i) execute a new $2B FHP facility and (ii) simultaneously reduce the existing $975 million facility by $500 million to $475 million. This would create a total aggregated limit of $2.475 billion. Ideally these 2 agreements would have been executed simultaneously prior to the August draw from IESO (since IESO's August draw will likely bring the balance of the existing credit facility to approx. $500M, exceeding the intended revised limit of $475 million).

Question for Ken: When we do execute both agreements, are there any obstacles from an operational perspective (settlement, cash, accounting, risk) with transferring any 'excess loan amount' from the existing credit facility to the new FHP credit facility? We would be looking to re-allocate certain loans from the existing facility to the new facility, without any cash flow impact. From a legal perspective we expect this should be fine, as we can work out the legal particulars with IESO.

General Note re: Timing Impact of Intercept Provision

Regardless of whether the OFA decides to include or exclude the intercept provision, the execution of the FHP facility will take longer than expected, likely taking an additional number of weeks.

If the decision is made not to include the intercept provision, a directive will need to be obtained from the Minister to this effect, potentially taking a few weeks.

If it is a determined an intercept provision is required, then this will likely even take longer than getting a directive from the Minister. In this case, the OFA would need to go back to the Ministry of Energy to effect the following: (I)Ministry of Energy will need to agree with IESO on acceptance of the inclusion of intercept provision in the FHP credit facility agreement and (ii) the OFA and Ministry of Energy will require an MOU whereby the parties agree on the inclusion of a the intercept provision in the FHP credit facility agreement.

Thanks
Sarah

From: Ken Kandeepan
Sent: Wednesday, August 09, 2017 1:54 PM
To: Bruno Amara <Bruno.Amara@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>; Mike Manning

<Mike.Manning@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; William Tan <William.Tan@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: Re: Policy questions re OFHP Credit Facility Agreement

Totally agree with Bruno, the province should not be taking a security intent in the reg asset, that would make the sale to the SPV or trust rather difficult.

It would also create issues in terms of the SPV's ability to obtain an appropriate credit rating as well as issue debt in the capital markets.

Thanks

Ken k

Sent from my iPhone

On Aug 9, 2017, at 1:46 PM, Bruno Amara <Bruno.Amara@ofina.on.ca> wrote:

> Hi Sarah
>
> Apologies for delay. I perceive differing levels of comfort with the issue of security so I'm OK with discussing the questions raised this afternoon. I am concerned whether we have people on the call that can answer all the questions.
>
> But I have a basic question with respect to the issue of the Province taking a security interest in the asset and differences with this loan from others. Under the OFHP, the sale of the asset ultimately allows for payments to electricity generators. If the Province has a security interest in the asset, can we envisage a potential situation wherein the IESO would be repaying the OFA loan rather than paying generators, which would be problematic for OFHP?
>
> I had discussed with Ron. In regard to Toby's last question, Ron was wondering if there might be a provision on use of proceeds from IESO's sale of the regulatory asset.
> Ron had also asked whether OPCD had opined on any accounting issues, and whether OIC or Minister's directive gave any particular direction on this issue. In regard to the latter, I have checked. Minister's directive and OIC were fairly high level noting specific terms and conditions to be set out in the Agreement.
>
> Bruno
>
> ---
>
> **From:** Lisa Stein
> **Sent:** Wednesday, August 09, 2017 10:58 AM
> **To:** Sarah Harris <Sarah.Harris@ofina.on.ca>; Bruno Amara

<Bruno.Amara@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Cc: Mike Manning <Mike.Manning@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; William Tan <William.Tan@ofina.on.ca>
Subject: RE: Policy questions re OFHP Credit Facility Agreement

Thank you Sarah. I should add that under the OFA Lending Policy, the intercept provision (and accompanying MOU, etc.) must be included in OFA loan agreements *except* where otherwise directed by the Minister of Finance, Treasury Board, or Cabinet. As such, if it is determined that the intercept provisions are not required/relevant in this case, Ministerial direction will be required. We can discuss further this afternoon.

Lisa

From: Sarah Harris
Sent: Wednesday, August 09, 2017 10:37 AM
To: Bruno Amara <Bruno.Amara@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Cc: Mike Manning <Mike.Manning@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; William Tan <William.Tan@ofina.on.ca>
Subject: FW: Policy questions re OFHP Credit Facility Agreement
Importance: High

Hello Bruno and John,

In advance of our internal call this afternoon, Lisa and Toby have prepared the following e-mail below to consider whether the OFA should consider taking a security interest in the Regulatory Asset as security for $2B credit facility, as well as the inclusion of the intercept provision. Ken Kandeepan expressed the following view yesterday:

> *"…[the $2B Facility] is unsecured but so is every loan issued by the OFA to a public body so not sure why the risk associated with this loan is greater or for that matter lower than the loans currently in the OFA's loan book.*
>
> *As such, this should be treated exactly like all the other loans. Note that the IESO is fully consolidated with that of the Province so loans issued by the OFA to IESO will be a wash upon consolidation."*

In light of this, could you please advise if there are there any additional considerations regarding the FHP structure that would could necessitate the inclusion of an intercept provision in the $2B facility and/or the OFA taking a

security interest in the Regulatory Asset?

I am including Ken and Mike Manning in this e-mail, should they have any additional input or insight on this matter.

Thank you,
Sarah

From: Lisa Stein
Sent: Wednesday, August 09, 2017 10:09 AM
To: William Tan <William.Tan@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Subject: Policy questions re OFHP Credit Facility Agreement
Importance: High

Hi Sarah H. and Will,

Based on the e-mails to date, I understand that OFA staff held a conference call yesterday and based the OFA Lending Policy and past practices, may have concluded that it is appropriate for the loan to the IESO in relation to the OFHP to be unsecured, as per other OFA loans to public bodies. However, as neither Toby (from MOF Legal) nor I were part of the aforementioned call, we wanted to clarify that this loan is NOT necessarily the same as other OFA unsecured loans to public bodies, and as such, the protection provided by the "intercept" provisions of the standard OFA loan agreements have limited application in this particular case (which is likely the reason why these provisions were not included in the original drafts). Our understanding is that, although the intercept provisions are intended to allow the Minister of Finance to deduct from money appropriated by the Legislature for payment to the Borrower amounts equal to any amounts that a Borrower fails to pay to the OFA on account of indebtedness under the loan agreement, in the case of the IESO as Borrower, these amounts are likely to be minimal.

Before proceeding, we would like to ensure that the nature of the loan, the impact of intercept provisions, and the insolvency and operational risks, have all been considered. Toby has succinctly summarized the questions which still need to be addressed during our call this afternoon in the e-mail which I have forwarded below.

Lisa

From: Whitfield, Tobias P. (MOF) [mailto:Tobias.Whitfield@ontario.ca]
Sent: Tuesday, August 08, 2017 5:03 PM
To: Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: Policy question re OFHP Credit Facility Agreement

Lisa,

I have attempted to summarize my questions/issues in the below. Let me know if you have anything to add or have any edits.

The concerns I have with the IESO loan, and that should be considered are related to what could happen to the Regulatory Asset (the "Asset") if there are any credit or liquidity issues at the IESO. Because the Asset is something that it is possible to take security in, and that is an intangible that may be subject to a floating charge (ie, as a result of a GSA or from a financing agreement) I thought it would be prudent to consider whether the OFA should take a security interest in the Asset as security for the loan.

I am not familiar with the types of financial arrangements or other obligations that the IESO may be a party to, either as a result of its market operations or otherwise, but it may be possible that the IESO has entered into such arrangements, such as swaps or other derivatives agreements, loans or other financing arrangements for which security could be given.

I am not aware of what financial guarantees or other arrangements may be in place such that the Province may have guaranteed the IESO's obligations, but I don't believe that there are any. My understanding is that the IESO is consolidated with the Province's books, but that the IESO is not a crown agent, and the Province is not liable for the IESO's obligations to third parties. However, I am not sure about the underlying facts without more input from ENERGY and the IESO.

In light of these questions it may be worthwhile to consider some related issues:

- How does the proposed IESO loan compare to other OFA loans made to public bodies, such that it is appropriate to use the same requirements?
    - Size of loan – it is my understanding that there are not many loans that approach the size of the $2 billion loan that is proposed to the IESO.
    - Are the obligations of the IESO the obligations of the Province, and how does this compare to other public body loans?
    - What other financial obligations could the IESO have (such as swap agreements, other financial obligations) that could become due or create credit risk?
    - If in many public body loans, there is an intercept and an MOU with the appropriate ministry to create some security, does that make sense in this context? Are there significant transfers to the IESO?
    - Note that the OFA loan to the ROM was secured by pledges and an intercept, and that other Provincial loans to public bodies or other groups may be secured.
- Does the Province/OFA understand the financial obligations of the IESO such that it is confident that no other security interest could attach to the Asset?
- Given that the debt is specifically for the purpose of creating the Asset which will be "warehoused" at the IESO, once the Asset is sold to the financing entity, how

will the Province ensure that the proceeds can only be used to repay the loan?

Tobias Whitfield
Counsel, Legal Services Branch
Ministry of Finance
tobias.whitfield@ontario.ca
Phone: 416-325-1456

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From:	Ken Kandeepan
To:	Sarah Harris
Cc:	Lisa Stein; Bruno Amara; Mike Manning; Opal Kandelas; Tobias P. Whitfield (MOF); William Tan; John Kim; Gavin He; Anna Strathy
Subject:	RE: Policy questions re OFHP Credit Facility Agreement
Date:	Friday, August 11, 2017 9:39:59 AM

Perfect, thank you very much

Ken k

From: Sarah Harris
Sent: Friday, August 11, 2017 9:35 AM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; William Tan <William.Tan@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: RE: Policy questions re OFHP Credit Facility Agreement

Hi Ken,

Thanks for clarifying the approach on this matter.

Based on this, we will not be seeking a security interest in the Regulatory Asset and will be seeking a directive ASAP for an exemption from inclusion of the intercept provision in the $2B FHP facility. We will inform IESO that current $975 million facility will be used for funding draws until such time as we are able execute the new $2B FHP facility.

Thanks,
Sarah

From: Ken Kandeepan
Sent: Thursday, August 10, 2017 5:12 PM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; William Tan <William.Tan@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: RE: Policy questions re OFHP Credit Facility Agreement

Hi Sarah

Thanks for clear detailed email with good questions, however, instead of responding to each of the

questions, I am going back to my earlier premise that none of the loans currently on the OFA loan book have any kind of security attached to them. A good example is the current line of credit extended to the IESO for $975 million. Given this I am very reluctant to impose a security requirement the proposed $2 billion facility to the IESO from the Province.

I understand that the security requirement which is part of the OFA lending policy can waived with ministerial approval, I suggest that it be obtained as soon as possible. If there are delays in obtaining this approval, especially since the minister will be on vacation from the end of this week onwards, I also suggest, if possible the previous facility of $975 million continue until the new facility is in place. This will allow IESO to fund any regulatory assets created in the intervening period.

I have discussed my proposed approach with Gadi, who is supportive.

Thanks

Ken k

From: Sarah Harris
Sent: Thursday, August 10, 2017 11:56 AM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; William Tan <William.Tan@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: Policy questions re OFHP Credit Facility Agreement

Hi Ken,

Yesterday we held an internal meeting to discuss issues identified by Lisa and Toby regarding inclusion of an intercept provision in the new $2B FHP Credit Facility, as well the factors that the OFA needs to consider on whether or not to seek a security interest in the Regulatory Asset. We will need to obtain further information from IESO to inform the OFA's final determination on these matters, and also require your input on certain items below.

Security Interest - Background

In reference to Bruno's comments and your comments below, if the OFA were to take a security interest in the Regulatory Asset, any security interest would only be applicable while the IESO was the holder of the asset, and only while it is being held by the IESO with money borrowed from the OFA.

The steps of the transaction would be:

1 – The IESO makes payments to electricity producers at the contracted rate, but charges consumers a rate that is set by the FHP, which leaves a shortfall that must be made up;

2 – The IESO borrows money from the OFA to finance the shortfall – it is at this stage that the OFA would consider taking a security interest in the asset, up to the amount that the OFA lends to the IESO;
3 – The IESO bundles the right to charge consumers for the shortfall in the future through the GA into the Regulatory Asset, which is sold to the OPG SPV, which sale can be of the asset free and clear of any security interest;
4 – The IESO repays the OFA for the loan.

Steps 3 and 4 can happen simultaneously. If it is deemed to be something that the OFA would like to do, the security interest would only apply while the IESO holds the assets that it creates using the OFA loan to finance the purchase of electricity that it does not charge for. Once the asset is sold to the OPG SPV, the loan can be repaid and the security interest that the OFA had in the asset can be discharged.

Intercept Provision - Background

Regarding the inclusion of the intercept provision, the OFA Lending Policy (attached, see p. 4 "Security" section), stipulates the OFA must include an intercept provision, unless the OFA either receives an exemption from the OFA Board OR receives direction from the Minister, Cabinet or Treasury Board.

The intercept provision provides that in the event of non-payment by IESO to the OFA under the Credit Facility, the Minister may take funds appropriated by the Legislature for IESO, and may instead use the funds to repay the OFA (in the amount that IESO has defaulted under the facility).

Question for Ken: Are you aware of how we might determine if the Legislature has appropriated funds for IESO? If the amounts are minimal, there would seem token benefit to include the intercept provision in the new FHP credit facility agreement

Draft E-mail to IESO

We would like to ensure that we obtain from IESO all the information that would be required to make a risk assessment as to whether an intercept provision and/or a security interest by the OFA in the Regulatory Asset would be required.

Request for Ken: We are drafting an e-mail to send to IESO today (below) to request information that is pertinent for an analysis regarding these matters. We would appreciate if you could please review the draft and amend it to include all key questions that would be required to make a risk assessment.

"Dear Anthony,

My apologies for the delay in providing the next turn of the FHP Credit Facility Agreement. We became aware of a potential requirement under the OFA's lending policy which needs to be considered internally for inclusion in the agreement, for which we require additional

information. Would you kindly provide answers to the following questions?

- *Does IESO have other financial obligations (such as but not limited to swap agreements, other financial obligations etc.) that could become due and adversely impact IESO's ability to pay its debts when they become due?*
- *Does IESO have any other financial obligations or security interests that could attach to the Regulator Asset/Special Purpose Vehicle?*
- *[Include additional questions]*

I also want to make you aware that due to the internal assessment that must be made in respect of the OFA's lending policy, we will likely not be able to execute the new FHP facility prior to IESO's next funding request (for which IESO will be providing notice on August 17th, for funding on August 21st). Accordingly, the August FHP draw will be made under the existing $975 million credit facility. At the time we execute the new $2B facility, we would be able to transfer (by incorporating into the agreements the required provisions or by another agreed mechanism) any amount of loans exceeding $475 million (being the reduced facility limit under the draft amending agreement) under the existing facility to the new facility.

Best regards,"

In reference to the last sentence above in the draft e-mail to IESO, the intended financing structure for IESO credit facilities is to (i) execute a new $2B FHP facility and (ii) simultaneously reduce the existing $975 million facility by $500 million to $475 million. This would create a total aggregated limit of $2.475 billion. Ideally these 2 agreements would have been executed simultaneously prior to the August draw from IESO (since IESO's August draw will likely bring the balance of the existing credit facility to approx. $500M, exceeding the intended revised limit of $475 million).

Question for Ken: When we do execute both agreements, are there any obstacles from an operational perspective (settlement, cash, accounting, risk) with transferring any 'excess loan amount' from the existing credit facility to the new FHP credit facility? We would be looking to re-allocate certain loans from the existing facility to the new facility, without any cash flow impact. From a legal perspective we expect this should be fine, as we can work out the legal particulars with IESO.

General Note re: Timing Impact of Intercept Provision

Regardless of whether the OFA decides to include or exclude the intercept provision, the execution of the FHP facility will take longer than expected, likely taking an additional number of weeks.

If the decision is made not to include the intercept provision, a directive will need to be obtained from the Minister to this effect, potentially taking a few weeks.

If it is a determined an intercept provision is required, then this will likely even take longer than getting a directive from the Minister. In this case, the OFA would need to go back to the Ministry of

Energy to effect the following: (I)Ministry of Energy will need to agree with IESO on acceptance of the inclusion of intercept provision in the FHP credit facility agreement and (ii) the OFA and Ministry of Energy will require an MOU whereby the parties agree on the inclusion of a the intercept provision in the FHP credit facility agreement.

Thanks
Sarah

From: Ken Kandeepan
Sent: Wednesday, August 09, 2017 1:54 PM
To: Bruno Amara <Bruno.Amara@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; William Tan <William.Tan@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: Re: Policy questions re OFHP Credit Facility Agreement

Totally agree with Bruno, the province should not be taking a security intent in the reg asset, that would make the sale to the SPV or trust rather difficult.

It would also create issues in terms of the SPV's ability to obtain an appropriate credit rating as well as issue debt in the capital markets.

Thanks

Ken k

Sent from my iPhone

On Aug 9, 2017, at 1:46 PM, Bruno Amara <Bruno.Amara@ofina.on.ca> wrote:

> Hi Sarah
>
> Apologies for delay. I perceive differing levels of comfort with the issue of security so I'm OK with discussing the questions raised this afternoon. I am concerned whether we have people on the call that can answer all the questions.
>
> But I have a basic question with respect to the issue of the Province taking a security interest in the asset and differences with this loan from others. Under the OFHP, the sale of the asset ultimately allows for payments to electricity generators. If the Province has a security interest in the asset, can we envisage a potential situation wherein the IESO would be repaying the OFA loan rather than paying generators, which would be problematic for OFHP?

I had discussed with Ron. In regard to Toby's last question, Ron was wondering if there might be a provision on use of proceeds from IESO's sale of the regulatory asset. Ron had also asked whether OPCD had opined on any accounting issues, and whether OIC or Minister's directive gave any particular direction on this issue. In regard to the latter, I have checked. Minister's directive and OIC were fairly high level noting specific terms and conditions to be set out in the Agreement.

Bruno

From: Lisa Stein
Sent: Wednesday, August 09, 2017 10:58 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Cc: Mike Manning <Mike.Manning@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; William Tan <William.Tan@ofina.on.ca>
Subject: RE: Policy questions re OFHP Credit Facility Agreement

Thank you Sarah. I should add that under the OFA Lending Policy, the intercept provision (and accompanying MOU, etc.) must be included in OFA loan agreements *except* where otherwise directed by the Minister of Finance, Treasury Board, or Cabinet. As such, if it is determined that the intercept provisions are not required/relevant in this case, Ministerial direction will be required. We can discuss further this afternoon.

Lisa

From: Sarah Harris
Sent: Wednesday, August 09, 2017 10:37 AM
To: Bruno Amara <Bruno.Amara@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Cc: Mike Manning <Mike.Manning@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; William Tan <William.Tan@ofina.on.ca>
Subject: FW: Policy questions re OFHP Credit Facility Agreement
Importance: High

Hello Bruno and John,

In advance of our internal call this afternoon, Lisa and Toby have prepared the following e-mail below to consider whether the OFA should consider taking a security interest in the Regulatory Asset as security for $2B credit facility, as well as the

inclusion of the intercept provision. Ken Kandeepan expressed the following view yesterday:

> *"…[the $2B Facility] is unsecured but so is every loan issued by the OFA to a public body so not sure why the risk associated with this loan is greater or for that matter lower than the loans currently in the OFA's loan book.*
>
> *As such, this should be treated exactly like all the other loans. Note that the IESO is fully consolidated with that of the Province so loans issued by the OFA to IESO will be a wash upon consolidation."*

In light of this, could you please advise if there are there any additional considerations regarding the FHP structure that would could necessitate the inclusion of an intercept provision in the $2B facility and/or the OFA taking a security interest in the Regulatory Asset?

I am including Ken and Mike Manning in this e-mail, should they have any additional input or insight on this matter.

Thank you,
Sarah

From: Lisa Stein
Sent: Wednesday, August 09, 2017 10:09 AM
To: William Tan <William.Tan@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Subject: Policy questions re OFHP Credit Facility Agreement
Importance: High

Hi Sarah H. and Will,

Based on the e-mails to date, I understand that OFA staff held a conference call yesterday and based the OFA Lending Policy and past practices, may have concluded that it is appropriate for the loan to the IESO in relation to the OFHP to be unsecured, as per other OFA loans to public bodies. However, as neither Toby (from MOF Legal) nor I were part of the aforementioned call, we wanted to clarify that this loan is NOT necessarily the same as other OFA unsecured loans to public bodies, and as such, the protection provided by the "intercept" provisions of the standard OFA loan agreements have limited application in this particular case (which is likely the reason why these provisions were not included in the original drafts). Our understanding is that, although the intercept provisions are intended to allow the Minister of Finance to deduct from money appropriated by the Legislature for payment to the Borrower amounts equal to any amounts that a Borrower fails to pay to the OFA on account of indebtedness under the loan agreement, in the case of the IESO as Borrower, these amounts are likely to be minimal.

Before proceeding, we would like to ensure that the nature of the loan, the impact of intercept provisions, and the insolvency and operational risks, have all been considered. Toby has succinctly summarized the questions which still need to be addressed during our call this afternoon in the e-mail which I have forwarded below.

Lisa

From: Whitfield, Tobias P. (MOF) [mailto:Tobias.Whitfield@ontario.ca]
Sent: Tuesday, August 08, 2017 5:03 PM
To: Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: Policy question re OFHP Credit Facility Agreement

Lisa,

I have attempted to summarize my questions/issues in the below. Let me know if you have anything to add or have any edits.

The concerns I have with the IESO loan, and that should be considered are related to what could happen to the Regulatory Asset (the "Asset") if there are any credit or liquidity issues at the IESO. Because the Asset is something that it is possible to take security in, and that is an intangible that may be subject to a floating charge (ie, as a result of a GSA or from a financing agreement) I thought it would be prudent to consider whether the OFA should take a security interest in the Asset as security for the loan.

I am not familiar with the types of financial arrangements or other obligations that the IESO may be a party to, either as a result of its market operations or otherwise, but it may be possible that the IESO has entered into such arrangements, such as swaps or other derivatives agreements, loans or other financing arrangements for which security could be given.

I am not aware of what financial guarantees or other arrangements may be in place such that the Province may have guaranteed the IESO's obligations, but I don't believe that there are any. My understanding is that the IESO is consolidated with the Province's books, but that the IESO is not a crown agent, and the Province is not liable for the IESO's obligations to third parties. However, I am not sure about the underlying facts without more input from ENERGY and the IESO.

In light of these questions it may be worthwhile to consider some related issues:

- How does the proposed IESO loan compare to other OFA loans made to public bodies, such that it is appropriate to use the same requirements?
    - Size of loan – it is my understanding that there are not many loans that approach the size of the $2 billion loan that is proposed to the IESO.
    - Are the obligations of the IESO the obligations of the Province, and how

does this compare to other public body loans?
    - What other financial obligations could the IESO have (such as swap agreements, other financial obligations) that could become due or create credit risk?
    - If in many public body loans, there is an intercept and an MOU with the appropriate ministry to create some security, does that make sense in this context? Are there significant transfers to the IESO?
    - Note that the OFA loan to the ROM was secured by pledges and an intercept, and that other Provincial loans to public bodies or other groups may be secured.
- Does the Province/OFA understand the financial obligations of the IESO such that it is confident that no other security interest could attach to the Asset?
- Given that the debt is specifically for the purpose of creating the Asset which will be "warehoused" at the IESO, once the Asset is sold to the financing entity, how will the Province ensure that the proceeds can only be used to repay the loan?

Tobias Whitfield
Counsel, Legal Services Branch
Ministry of Finance
tobias.whitfield@ontario.ca
Phone: 416-325-1456

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From:	Sarah Harris
To:	Ken Kandeepan
Cc:	Lisa Stein; Bruno Amara; Mike Manning; Opal Kandelas; Tobias P. Whitfield (MOF); William Tan; John Kim; Gavin He; Anna Strathy
Subject:	RE: Policy questions re OFHP Credit Facility Agreement
Date:	Friday, August 11, 2017 9:34:53 AM

Hi Ken,

Thanks for clarifying the approach on this matter.

Based on this, we will not be seeking a security interest in the Regulatory Asset and will be seeking a directive ASAP for an exemption from inclusion of the intercept provision in the $2B FHP facility. We will inform IESO that current $975 million facility will be used for funding draws until such time as we are able execute the new $2B FHP facility.

Thanks,
Sarah

From: Ken Kandeepan
Sent: Thursday, August 10, 2017 5:12 PM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; William Tan <William.Tan@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: RE: Policy questions re OFHP Credit Facility Agreement

Hi Sarah

Thanks for clear detailed email with good questions, however, instead of responding to each of the questions, I am going back to my earlier premise that none of the loans currently on the OFA loan book have any kind of security attached to them. A good example is the current line of credit extended to the IESO for $975 million. Given this I am very reluctant to impose a security requirement the proposed $2 billion facility to the IESO from the Province.

I understand that the security requirement which is part of the OFA lending policy can waived with ministerial approval, I suggest that it be obtained as soon as possible. If there are delays in obtaining this approval, especially since the minister will be on vacation from the end of this week onwards, I also suggest, if possible the previous facility of $975 million continue until the new facility is in place. This will allow IESO to fund any regulatory assets created in the intervening period.

I have discussed my proposed approach with Gadi, who is supportive.

Thanks

Ken k

From: Sarah Harris
Sent: Thursday, August 10, 2017 11:56 AM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; William Tan <William.Tan@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: Policy questions re OFHP Credit Facility Agreement

Hi Ken,

Yesterday we held an internal meeting to discuss issues identified by Lisa and Toby regarding inclusion of an intercept provision in the new $2B FHP Credit Facility, as well the factors that the OFA needs to consider on whether or not to seek a security interest in the Regulatory Asset. We will need to obtain further information from IESO to inform the OFA's final determination on these matters, and also require your input on certain items below.

Security Interest - Background

In reference to Bruno's comments and your comments below, if the OFA were to take a security interest in the Regulatory Asset, any security interest would only be applicable while the IESO was the holder of the asset, and only while it is being held by the IESO with money borrowed from the OFA.

> The steps of the transaction would be:
>
> 1 – The IESO makes payments to electricity producers at the contracted rate, but charges consumers a rate that is set by the FHP, which leaves a shortfall that must be made up;
> 2 – The IESO borrows money from the OFA to finance the shortfall – it is at this stage that the OFA would consider taking a security interest in the asset, up to the amount that the OFA lends to the IESO;
> 3 – The IESO bundles the right to charge consumers for the shortfall in the future through the GA into the Regulatory Asset, which is sold to the OPG SPV, which sale can be of the asset free and clear of any security interest;
> 4 – The IESO repays the OFA for the loan.
>
> Steps 3 and 4 can happen simultaneously. If it is deemed to be something that the OFA would like to do, the security interest would only apply while the IESO holds the assets that it creates using the OFA loan to finance the purchase of electricity that it does not charge for. Once the asset is sold to the OPG SPV, the loan can be repaid and the security interest that the OFA had in the asset can be discharged.

Intercept Provision - Background

Regarding the inclusion of the intercept provision, the OFA Lending Policy (attached, see p. 4 "Security" section), stipulates the OFA must include an intercept provision, unless the OFA either receives an exemption from the OFA Board OR receives direction from the Minister, Cabinet or Treasury Board.

The intercept provision provides that in the event of non-payment by IESO to the OFA under the Credit Facility, the Minister may take funds appropriated by the Legislature for IESO, and may instead use the funds to repay the OFA (in the amount that IESO has defaulted under the facility).

Question for Ken: Are you aware of how we might determine if the Legislature has appropriated funds for IESO? If the amounts are minimal, there would seem token benefit to include the intercept provision in the new FHP credit facility agreement

Draft E-mail to IESO

We would like to ensure that we obtain from IESO all the information that would be required to make a risk assessment as to whether an intercept provision and/or a security interest by the OFA in the Regulatory Asset would be required.

Request for Ken: We are drafting an e-mail to send to IESO today (below) to request information that is pertinent for an analysis regarding these matters. We would appreciate if you could please review the draft and amend it to include all key questions that would be required to make a risk assessment.

> *"Dear Anthony,*
>
> *My apologies for the delay in providing the next turn of the FHP Credit Facility Agreement. We became aware of a potential requirement under the OFA's lending policy which needs to be considered internally for inclusion in the agreement, for which we require additional information. Would you kindly provide answers to the following questions?*
>
> - *Does IESO have other financial obligations (such as but not limited to swap agreements, other financial obligations etc.) that could become due and adversely impact IESO's ability to pay its debts when they become due?*
> - *Does IESO have any other financial obligations or security interests that could attach to the Regulator Asset/Special Purpose Vehicle?*
> - *[Include additional questions]*
>
> *I also want to make you aware that due to the internal assessment that must be made in respect of the OFA's lending policy, we will likely not be able to execute the new FHP facility prior to IESO's next funding request (for which IESO will be providing notice on August 17th, for funding on August 21st). Accordingly, the August FHP draw will be made under the*

existing $975 million credit facility. At the time we execute the new $2B facility, we would be able to transfer (by incorporating into the agreements the required provisions or by another agreed mechanism) any amount of loans exceeding $475 million (being the reduced facility limit under the draft amending agreement) under the existing facility to the new facility.

Best regards,"

In reference to the last sentence above in the draft e-mail to IESO, the intended financing structure for IESO credit facilities is to (i) execute a new $2B FHP facility and (ii) simultaneously reduce the existing $975 million facility by $500 million to $475 million. This would create a total aggregated limit of $2.475 billion. Ideally these 2 agreements would have been executed simultaneously prior to the August draw from IESO (since IESO's August draw will likely bring the balance of the existing credit facility to approx. $500M, exceeding the intended revised limit of $475 million).

Question for Ken: When we do execute both agreements, are there any obstacles from an operational perspective (settlement, cash, accounting, risk) with transferring any 'excess loan amount' from the existing credit facility to the new FHP credit facility? We would be looking to re-allocate certain loans from the existing facility to the new facility, without any cash flow impact. From a legal perspective we expect this should be fine, as we can work out the legal particulars with IESO.

General Note re: Timing Impact of Intercept Provision

Regardless of whether the OFA decides to include or exclude the intercept provision, the execution of the FHP facility will take longer than expected, likely taking an additional number of weeks.

If the decision is made not to include the intercept provision, a directive will need to be obtained from the Minister to this effect, potentially taking a few weeks.

If it is a determined an intercept provision is required, then this will likely even take longer than getting a directive from the Minister. In this case, the OFA would need to go back to the Ministry of Energy to effect the following: (I)Ministry of Energy will need to agree with IESO on acceptance of the inclusion of intercept provision in the FHP credit facility agreement and (ii) the OFA and Ministry of Energy will require an MOU whereby the parties agree on the inclusion of a the intercept provision in the FHP credit facility agreement.

Thanks
Sarah

From: Ken Kandeepan
Sent: Wednesday, August 09, 2017 1:54 PM
To: Bruno Amara <Bruno.Amara@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>; Mike Manning

<Mike.Manning@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; William Tan <William.Tan@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: Re: Policy questions re OFHP Credit Facility Agreement

Totally agree with Bruno, the province should not be taking a security intent in the reg asset, that would make the sale to the SPV or trust rather difficult.

It would also create issues in terms of the SPV's ability to obtain an appropriate credit rating as well as issue debt in the capital markets.

Thanks

Ken k

Sent from my iPhone

On Aug 9, 2017, at 1:46 PM, Bruno Amara <Bruno.Amara@ofina.on.ca> wrote:

> Hi Sarah
>
> Apologies for delay. I perceive differing levels of comfort with the issue of security so I'm OK with discussing the questions raised this afternoon. I am concerned whether we have people on the call that can answer all the questions.
>
> But I have a basic question with respect to the issue of the Province taking a security interest in the asset and differences with this loan from others. Under the OFHP, the sale of the asset ultimately allows for payments to electricity generators. If the Province has a security interest in the asset, can we envisage a potential situation wherein the IESO would be repaying the OFA loan rather than paying generators, which would be problematic for OFHP?
>
> I had discussed with Ron. In regard to Toby's last question, Ron was wondering if there might be a provision on use of proceeds from IESO's sale of the regulatory asset.
> Ron had also asked whether OPCD had opined on any accounting issues, and whether OIC or Minister's directive gave any particular direction on this issue. In regard to the latter, I have checked. Minister's directive and OIC were fairly high level noting specific terms and conditions to be set out in the Agreement.
>
> Bruno
>
> ---
>
> **From:** Lisa Stein
> **Sent:** Wednesday, August 09, 2017 10:58 AM
> **To:** Sarah Harris <Sarah.Harris@ofina.on.ca>; Bruno Amara

<Bruno.Amara@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Cc: Mike Manning <Mike.Manning@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; William Tan <William.Tan@ofina.on.ca>
Subject: RE: Policy questions re OFHP Credit Facility Agreement

Thank you Sarah. I should add that under the OFA Lending Policy, the intercept provision (and accompanying MOU, etc.) must be included in OFA loan agreements *except* where otherwise directed by the Minister of Finance, Treasury Board, or Cabinet. As such, if it is determined that the intercept provisions are not required/relevant in this case, Ministerial direction will be required. We can discuss further this afternoon.

Lisa

From: Sarah Harris
Sent: Wednesday, August 09, 2017 10:37 AM
To: Bruno Amara <Bruno.Amara@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Cc: Mike Manning <Mike.Manning@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; William Tan <William.Tan@ofina.on.ca>
Subject: FW: Policy questions re OFHP Credit Facility Agreement
Importance: High

Hello Bruno and John,

In advance of our internal call this afternoon, Lisa and Toby have prepared the following e-mail below to consider whether the OFA should consider taking a security interest in the Regulatory Asset as security for $2B credit facility, as well as the inclusion of the intercept provision. Ken Kandeepan expressed the following view yesterday:

> *"…[the $2B Facility] is unsecured but so is every loan issued by the OFA to a public body so not sure why the risk associated with this loan is greater or for that matter lower than the loans currently in the OFA's loan book.*
>
> *As such, this should be treated exactly like all the other loans. Note that the IESO is fully consolidated with that of the Province so loans issued by the OFA to IESO will be a wash upon consolidation."*

In light of this, could you please advise if there are there any additional considerations regarding the FHP structure that would could necessitate the inclusion of an intercept provision in the $2B facility and/or the OFA taking a

security interest in the Regulatory Asset?

I am including Ken and Mike Manning in this e-mail, should they have any additional input or insight on this matter.

Thank you,
Sarah

From: Lisa Stein
Sent: Wednesday, August 09, 2017 10:09 AM
To: William Tan <William.Tan@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Subject: Policy questions re OFHP Credit Facility Agreement
Importance: High

Hi Sarah H. and Will,

Based on the e-mails to date, I understand that OFA staff held a conference call yesterday and based the OFA Lending Policy and past practices, may have concluded that it is appropriate for the loan to the IESO in relation to the OFHP to be unsecured, as per other OFA loans to public bodies. However, as neither Toby (from MOF Legal) nor I were part of the aforementioned call, we wanted to clarify that this loan is NOT necessarily the same as other OFA unsecured loans to public bodies, and as such, the protection provided by the "intercept" provisions of the standard OFA loan agreements have limited application in this particular case (which is likely the reason why these provisions were not included in the original drafts). Our understanding is that, although the intercept provisions are intended to allow the Minister of Finance to deduct from money appropriated by the Legislature for payment to the Borrower amounts equal to any amounts that a Borrower fails to pay to the OFA on account of indebtedness under the loan agreement, in the case of the IESO as Borrower, these amounts are likely to be minimal.

Before proceeding, we would like to ensure that the nature of the loan, the impact of intercept provisions, and the insolvency and operational risks, have all been considered. Toby has succinctly summarized the questions which still need to be addressed during our call this afternoon in the e-mail which I have forwarded below.

Lisa

From: Whitfield, Tobias P. (MOF) [mailto:Tobias.Whitfield@ontario.ca]
Sent: Tuesday, August 08, 2017 5:03 PM
To: Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: Policy question re OFHP Credit Facility Agreement

Lisa,

I have attempted to summarize my questions/issues in the below. Let me know if you have anything to add or have any edits.

The concerns I have with the IESO loan, and that should be considered are related to what could happen to the Regulatory Asset (the "Asset") if there are any credit or liquidity issues at the IESO. Because the Asset is something that it is possible to take security in, and that is an intangible that may be subject to a floating charge (ie, as a result of a GSA or from a financing agreement) I thought it would be prudent to consider whether the OFA should take a security interest in the Asset as security for the loan.

I am not familiar with the types of financial arrangements or other obligations that the IESO may be a party to, either as a result of its market operations or otherwise, but it may be possible that the IESO has entered into such arrangements, such as swaps or other derivatives agreements, loans or other financing arrangements for which security could be given.

I am not aware of what financial guarantees or other arrangements may be in place such that the Province may have guaranteed the IESO's obligations, but I don't believe that there are any. My understanding is that the IESO is consolidated with the Province's books, but that the IESO is not a crown agent, and the Province is not liable for the IESO's obligations to third parties. However, I am not sure about the underlying facts without more input from ENERGY and the IESO.

In light of these questions it may be worthwhile to consider some related issues:

- How does the proposed IESO loan compare to other OFA loans made to public bodies, such that it is appropriate to use the same requirements?
    - Size of loan – it is my understanding that there are not many loans that approach the size of the $2 billion loan that is proposed to the IESO.
    - Are the obligations of the IESO the obligations of the Province, and how does this compare to other public body loans?
    - What other financial obligations could the IESO have (such as swap agreements, other financial obligations) that could become due or create credit risk?
    - If in many public body loans, there is an intercept and an MOU with the appropriate ministry to create some security, does that make sense in this context? Are there significant transfers to the IESO?
    - Note that the OFA loan to the ROM was secured by pledges and an intercept, and that other Provincial loans to public bodies or other groups may be secured.
- Does the Province/OFA understand the financial obligations of the IESO such that it is confident that no other security interest could attach to the Asset?
- Given that the debt is specifically for the purpose of creating the Asset which will be "warehoused" at the IESO, once the Asset is sold to the financing entity, how

will the Province ensure that the proceeds can only be used to repay the loan?

Tobias Whitfield
Counsel, Legal Services Branch
Ministry of Finance
tobias.whitfield@ontario.ca
Phone: 416-325-1456

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From:	Ken Kandeepan
To:	Sarah Harris
Cc:	Lisa Stein; Bruno Amara; Mike Manning; Opal Kandelas; Tobias P. Whitfield (MOF); William Tan; John Kim; Gavin He; Anna Strathy
Subject:	RE: Policy questions re OFHP Credit Facility Agreement
Date:	Thursday, August 10, 2017 5:11:52 PM

Hi Sarah

Thanks for clear detailed email with good questions, however, instead of responding to each of the questions, I am going back to my earlier premise that none of the loans currently on the OFA loan book have any kind of security attached to them. A good example is the current line of credit extended to the IESO for $975 million. Given this I am very reluctant to impose a security requirement the proposed $2 billion facility to the IESO from the Province.

I understand that the security requirement which is part of the OFA lending policy can waived with ministerial approval, I suggest that it be obtained as soon as possible. If there are delays in obtaining this approval, especially since the minister will be on vacation from the end of this week onwards, I also suggest, if possible the previous facility of $975 million continue until the new facility is in place. This will allow IESO to fund any regulatory assets created in the intervening period.

I have discussed my proposed approach with Gadi, who is supportive.

Thanks

Ken k

From: Sarah Harris
Sent: Thursday, August 10, 2017 11:56 AM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; William Tan <William.Tan@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: Policy questions re OFHP Credit Facility Agreement

Hi Ken,

Yesterday we held an internal meeting to discuss issues identified by Lisa and Toby regarding inclusion of an intercept provision in the new $2B FHP Credit Facility, as well the factors that the OFA needs to consider on whether or not to seek a security interest in the Regulatory Asset. We will need to obtain further information from IESO to inform the OFA's final determination on these matters, and also require your input on certain items below.

Security Interest - Background

In reference to Bruno's comments and your comments below, if the OFA were to take a security interest in the Regulatory Asset, any security interest would only be applicable while the IESO was the holder of the asset, and only while it is being held by the IESO with money borrowed from the OFA.

The steps of the transaction would be:

1 – The IESO makes payments to electricity producers at the contracted rate, but charges consumers a rate that is set by the FHP, which leaves a shortfall that must be made up;
2 – The IESO borrows money from the OFA to finance the shortfall – it is at this stage that the OFA would consider taking a security interest in the asset, up to the amount that the OFA lends to the IESO;
3 – The IESO bundles the right to charge consumers for the shortfall in the future through the GA into the Regulatory Asset, which is sold to the OPG SPV, which sale can be of the asset free and clear of any security interest;
4 – The IESO repays the OFA for the loan.

Steps 3 and 4 can happen simultaneously. If it is deemed to be something that the OFA would like to do, the security interest would only apply while the IESO holds the assets that it creates using the OFA loan to finance the purchase of electricity that it does not charge for. Once the asset is sold to the OPG SPV, the loan can be repaid and the security interest that the OFA had in the asset can be discharged.

Intercept Provision - Background

Regarding the inclusion of the intercept provision, the OFA Lending Policy (attached, see p. 4 "Security" section), stipulates the OFA must include an intercept provision, unless the OFA either receives an exemption from the OFA Board OR receives direction from the Minister, Cabinet or Treasury Board.

The intercept provision provides that in the event of non-payment by IESO to the OFA under the Credit Facility, the Minister may take funds appropriated by the Legislature for IESO, and may instead use the funds to repay the OFA (in the amount that IESO has defaulted under the facility).

Question for Ken: Are you aware of how we might determine if the Legislature has appropriated funds for IESO? If the amounts are minimal, there would seem token benefit to include the intercept provision in the new FHP credit facility agreement

Draft E-mail to IESO

We would like to ensure that we obtain from IESO all the information that would be required to make a risk assessment as to whether an intercept provision and/or a security interest by the OFA in the Regulatory Asset would be required.

Request for Ken: We are drafting an e-mail to send to IESO today (below) to request information

that is pertinent for an analysis regarding these matters. We would appreciate if you could please review the draft and amend it to include all key questions that would be required to make a risk assessment.

> *"Dear Anthony,*
>
> *My apologies for the delay in providing the next turn of the FHP Credit Facility Agreement. We became aware of a potential requirement under the OFA's lending policy which needs to be considered internally for inclusion in the agreement, for which we require additional information. Would you kindly provide answers to the following questions?*
>
> - *Does IESO have other financial obligations (such as but not limited to swap agreements, other financial obligations etc.) that could become due and adversely impact IESO's ability to pay its debts when they become due?*
> - *Does IESO have any other financial obligations or security interests that could attach to the Regulator Asset/Special Purpose Vehicle?*
> - *[Include additional questions]*
>
> *I also want to make you aware that due to the internal assessment that must be made in respect of the OFA's lending policy, we will likely not be able to execute the new FHP facility prior to IESO's next funding request (for which IESO will be providing notice on August 17th, for funding on August 21st). Accordingly, the August FHP draw will be made under the existing $975 million credit facility. At the time we execute the new $2B facility, we would be able to transfer (by incorporating into the agreements the required provisions or by another agreed mechanism) any amount of loans exceeding $475 million (being the reduced facility limit under the draft amending agreement) under the existing facility to the new facility.*
>
> *Best regards,"*

In reference to the last sentence above in the draft e-mail to IESO, the intended financing structure for IESO credit facilities is to (i) execute a new $2B FHP facility and (ii) simultaneously reduce the existing $975 million facility by $500 million to $475 million. This would create a total aggregated limit of $2.475 billion. Ideally these 2 agreements would have been executed simultaneously prior to the August draw from IESO (since IESO's August draw will likely bring the balance of the existing credit facility to approx. $500M, exceeding the intended revised limit of $475 million).

Question for Ken: When we do execute both agreements, are there any obstacles from an operational perspective (settlement, cash, accounting, risk) with transferring any 'excess loan amount' from the existing credit facility to the new FHP credit facility? We would be looking to re-allocate certain loans from the existing facility to the new facility, without any cash flow impact. From a legal perspective we expect this should be fine, as we can work out the legal particulars with IESO.

<u>General Note re: Timing Impact of Intercept Provision</u>

Regardless of whether the OFA decides to include or exclude the intercept provision, the execution of the FHP facility will take longer than expected, likely taking an additional number of weeks.

If the decision is made not to include the intercept provision, a directive will need to be obtained from the Minister to this effect, potentially taking a few weeks.

If it is a determined an intercept provision is required, then this will likely even take longer than getting a directive from the Minister. In this case, the OFA would need to go back to the Ministry of Energy to effect the following: (I)Ministry of Energy will need to agree with IESO on acceptance of the inclusion of intercept provision in the FHP credit facility agreement and (ii) the OFA and Ministry of Energy will require an MOU whereby the parties agree on the inclusion of a the intercept provision in the FHP credit facility agreement.

Thanks
Sarah

From: Ken Kandeepan
Sent: Wednesday, August 09, 2017 1:54 PM
To: Bruno Amara <Bruno.Amara@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; William Tan <William.Tan@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: Re: Policy questions re OFHP Credit Facility Agreement

Totally agree with Bruno, the province should not be taking a security intent in the reg asset, that would make the sale to the SPV or trust rather difficult.

It would also create issues in terms of the SPV's ability to obtain an appropriate credit rating as well as issue debt in the capital markets.

Thanks

Ken k

Sent from my iPhone

On Aug 9, 2017, at 1:46 PM, Bruno Amara <Bruno.Amara@ofina.on.ca> wrote:

> Hi Sarah
>
> Apologies for delay. I perceive differing levels of comfort with the issue of security so

I'm OK with discussing the questions raised this afternoon. I am concerned whether we have people on the call that can answer all the questions.

But I have a basic question with respect to the issue of the Province taking a security interest in the asset and differences with this loan from others. Under the OFHP, the sale of the asset ultimately allows for payments to electricity generators. If the Province has a security interest in the asset, can we envisage a potential situation wherein the IESO would be repaying the OFA loan rather than paying generators, which would be problematic for OFHP?

I had discussed with Ron. In regard to Toby's last question, Ron was wondering if there might be a provision on use of proceeds from IESO's sale of the regulatory asset.
Ron had also asked whether OPCD had opined on any accounting issues, and whether OIC or Minister's directive gave any particular direction on this issue. In regard to the latter, I have checked. Minister's directive and OIC were fairly high level noting specific terms and conditions to be set out in the Agreement.

Bruno

From: Lisa Stein
Sent: Wednesday, August 09, 2017 10:58 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Cc: Mike Manning <Mike.Manning@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; William Tan <William.Tan@ofina.on.ca>
Subject: RE: Policy questions re OFHP Credit Facility Agreement

Thank you Sarah. I should add that under the OFA Lending Policy, the intercept provision (and accompanying MOU, etc.) must be included in OFA loan agreements *except* where otherwise directed by the Minister of Finance, Treasury Board, or Cabinet. As such, if it is determined that the intercept provisions are not required/relevant in this case, Ministerial direction will be required. We can discuss further this afternoon.

Lisa

From: Sarah Harris
Sent: Wednesday, August 09, 2017 10:37 AM
To: Bruno Amara <Bruno.Amara@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Cc: Mike Manning <Mike.Manning@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>; Tobias P. Whitfield (MOF)

<Tobias.Whitfield@ontario.ca>; William Tan <William.Tan@ofina.on.ca>
Subject: FW: Policy questions re OFHP Credit Facility Agreement
Importance: High

Hello Bruno and John,

In advance of our internal call this afternoon, Lisa and Toby have prepared the following e-mail below to consider whether the OFA should consider taking a security interest in the Regulatory Asset as security for $2B credit facility, as well as the inclusion of the intercept provision. Ken Kandeepan expressed the following view yesterday:

> *"…[the $2B Facility] is unsecured but so is every loan issued by the OFA to a public body so not sure why the risk associated with this loan is greater or for that matter lower than the loans currently in the OFA's loan book.*
>
> *As such, this should be treated exactly like all the other loans. Note that the IESO is fully consolidated with that of the Province so loans issued by the OFA to IESO will be a wash upon consolidation."*

In light of this, could you please advise if there are there any additional considerations regarding the FHP structure that would could necessitate the inclusion of an intercept provision in the $2B facility and/or the OFA taking a security interest in the Regulatory Asset?

I am including Ken and Mike Manning in this e-mail, should they have any additional input or insight on this matter.

Thank you,
Sarah

From: Lisa Stein
Sent: Wednesday, August 09, 2017 10:09 AM
To: William Tan <William.Tan@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Subject: Policy questions re OFHP Credit Facility Agreement
Importance: High

Hi Sarah H. and Will,

Based on the e-mails to date, I understand that OFA staff held a conference call yesterday and based the OFA Lending Policy and past practices, may have concluded that it is appropriate for the loan to the IESO in relation to the OFHP to be unsecured, as per other OFA loans to public bodies. However, as neither Toby (from MOF Legal) nor I were part of the aforementioned call, we wanted to clarify that this loan is NOT necessarily the same as other OFA unsecured loans to public bodies, and as such, the

protection provided by the "intercept" provisions of the standard OFA loan agreements have limited application in this particular case (which is likely the reason why these provisions were not included in the original drafts). Our understanding is that, although the intercept provisions are intended to allow the Minister of Finance to deduct from money appropriated by the Legislature for payment to the Borrower amounts equal to any amounts that a Borrower fails to pay to the OFA on account of indebtedness under the loan agreement, in the case of the IESO as Borrower, these amounts are likely to be minimal.

Before proceeding, we would like to ensure that the nature of the loan, the impact of intercept provisions, and the insolvency and operational risks, have all been considered. Toby has succinctly summarized the questions which still need to be addressed during our call this afternoon in the e-mail which I have forwarded below.

Lisa

From: Whitfield, Tobias P. (MOF) [mailto:Tobias.Whitfield@ontario.ca]
Sent: Tuesday, August 08, 2017 5:03 PM
To: Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: Policy question re OFHP Credit Facility Agreement

Lisa,

I have attempted to summarize my questions/issues in the below. Let me know if you have anything to add or have any edits.

The concerns I have with the IESO loan, and that should be considered are related to what could happen to the Regulatory Asset (the "Asset") if there are any credit or liquidity issues at the IESO. Because the Asset is something that it is possible to take security in, and that is an intangible that may be subject to a floating charge (ie, as a result of a GSA or from a financing agreement) I thought it would be prudent to consider whether the OFA should take a security interest in the Asset as security for the loan.

I am not familiar with the types of financial arrangements or other obligations that the IESO may be a party to, either as a result of its market operations or otherwise, but it may be possible that the IESO has entered into such arrangements, such as swaps or other derivatives agreements, loans or other financing arrangements for which security could be given.

I am not aware of what financial guarantees or other arrangements may be in place such that the Province may have guaranteed the IESO's obligations, but I don't believe that there are any. My understanding is that the IESO is consolidated with the Province's books, but that the IESO is not a crown agent, and the Province is not liable for the IESO's obligations to third parties. However, I am not sure about the underlying

facts without more input from ENERGY and the IESO.

In light of these questions it may be worthwhile to consider some related issues:

- How does the proposed IESO loan compare to other OFA loans made to public bodies, such that it is appropriate to use the same requirements?
    - Size of loan – it is my understanding that there are not many loans that approach the size of the $2 billion loan that is proposed to the IESO.
    - Are the obligations of the IESO the obligations of the Province, and how does this compare to other public body loans?
    - What other financial obligations could the IESO have (such as swap agreements, other financial obligations) that could become due or create credit risk?
    - If in many public body loans, there is an intercept and an MOU with the appropriate ministry to create some security, does that make sense in this context? Are there significant transfers to the IESO?
    - Note that the OFA loan to the ROM was secured by pledges and an intercept, and that other Provincial loans to public bodies or other groups may be secured.
- Does the Province/OFA understand the financial obligations of the IESO such that it is confident that no other security interest could attach to the Asset?
- Given that the debt is specifically for the purpose of creating the Asset which will be "warehoused" at the IESO, once the Asset is sold to the financing entity, how will the Province ensure that the proceeds can only be used to repay the loan?

Tobias Whitfield
Counsel, Legal Services Branch
Ministry of Finance
tobias.whitfield@ontario.ca
Phone: 416-325-1456

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From:	Sarah Harris
To:	Ken Kandeepan
Cc:	Lisa Stein; Bruno Amara; Mike Manning; Opal Kandelas; Tobias P. Whitfield (MOF); William Tan; John Kim; Gavin He
Subject:	RE: Policy questions re OFHP Credit Facility Agreement
Date:	Thursday, August 10, 2017 11:55:51 AM
Attachments:	OFA Lending Policy Final (April 16 2010).pdf

Hi Ken,

Yesterday we held an internal meeting to discuss issues identified by Lisa and Toby regarding inclusion of an intercept provision in the new $2B FHP Credit Facility, as well the factors that the OFA needs to consider on whether or not to seek a security interest in the Regulatory Asset. We will need to obtain further information from IESO to inform the OFA's final determination on these matters, and also require your input on certain items below.

Security Interest - Background

In reference to Bruno's comments and your comments below, if the OFA were to take a security interest in the Regulatory Asset, any security interest would only be applicable while the IESO was the holder of the asset, and only while it is being held by the IESO with money borrowed from the OFA.

> The steps of the transaction would be:
>
> 1 – The IESO makes payments to electricity producers at the contracted rate, but charges consumers a rate that is set by the FHP, which leaves a shortfall that must be made up;
> 2 – The IESO borrows money from the OFA to finance the shortfall – it is at this stage that the OFA would consider taking a security interest in the asset, up to the amount that the OFA lends to the IESO;
> 3 – The IESO bundles the right to charge consumers for the shortfall in the future through the GA into the Regulatory Asset, which is sold to the OPG SPV, which sale can be of the asset free and clear of any security interest;
> 4 – The IESO repays the OFA for the loan.
>
> Steps 3 and 4 can happen simultaneously. If it is deemed to be something that the OFA would like to do, the security interest would only apply while the IESO holds the assets that it creates using the OFA loan to finance the purchase of electricity that it does not charge for. Once the asset is sold to the OPG SPV, the loan can be repaid and the security interest that the OFA had in the asset can be discharged.

Intercept Provision - Background

Regarding the inclusion of the intercept provision, the OFA Lending Policy (attached, see p. 4 "Security" section), stipulates the OFA must include an intercept provision, unless the OFA either receives an exemption from the OFA Board OR receives direction from the Minister, Cabinet or Treasury Board.

The intercept provision provides that in the event of non-payment by IESO to the OFA under the Credit Facility, the Minister may take funds appropriated by the Legislature for IESO, and may instead use the funds to repay the OFA (in the amount that IESO has defaulted under the facility).

Question for Ken: Are you aware of how we might determine if the Legislature has appropriated funds for IESO? If the amounts are minimal, there would seem token benefit to include the intercept provision in the new FHP credit facility agreement

Draft E-mail to IESO

We would like to ensure that we obtain from IESO all the information that would be required to make a risk assessment as to whether an intercept provision and/or a security interest by the OFA in the Regulatory Asset would be required.

Request for Ken: We are drafting an e-mail to send to IESO today (below) to request information that is pertinent for an analysis regarding these matters. We would appreciate if you could please review the draft and amend it to include all key questions that would be required to make a risk assessment.

"Dear Anthony,

My apologies for the delay in providing the next turn of the FHP Credit Facility Agreement. We became aware of a potential requirement under the OFA's lending policy which needs to be considered internally for inclusion in the agreement, for which we require additional information. Would you kindly provide answers to the following questions?

- *Does IESO have other financial obligations (such as but not limited to swap agreements, other financial obligations etc.) that could become due and adversely impact IESO's ability to pay its debts when they become due?*
- *Does IESO have any other financial obligations or security interests that could attach to the Regulator Asset/Special Purpose Vehicle?*
- *[Include additional questions]*

I also want to make you aware that due to the internal assessment that must be made in respect of the OFA's lending policy, we will likely not be able to execute the new FHP facility prior to IESO's next funding request (for which IESO will be providing notice on August 17th, for funding on August 21st). Accordingly, the August FHP draw will be made under the existing $975 million credit facility. At the time we execute the new $2B facility, we would be able to transfer (by incorporating into the agreements the required provisions or by another agreed mechanism) any amount of loans exceeding $475 million (being the reduced facility limit under the draft amending agreement) under the existing facility to the new facility.

Best regards,"

In reference to the last sentence above in the draft e-mail to IESO, the intended financing structure for IESO credit facilities is to (i) execute a new $2B FHP facility and (ii) simultaneously reduce the existing $975 million facility by $500 million to $475 million. This would create a total aggregated limit of $2.475 billion. Ideally these 2 agreements would have been executed simultaneously prior to the August draw from IESO (since IESO's August draw will likely bring the balance of the existing credit facility to approx. $500M, exceeding the intended revised limit of $475 million).

Question for Ken: When we do execute both agreements, are there any obstacles from an operational perspective (settlement, cash, accounting, risk) with transferring any 'excess loan amount' from the existing credit facility to the new FHP credit facility? We would be looking to re-allocate certain loans from the existing facility to the new facility, without any cash flow impact. From a legal perspective we expect this should be fine, as we can work out the legal particulars with IESO.

General Note re: Timing Impact of Intercept Provision

Regardless of whether the OFA decides to include or exclude the intercept provision, the execution of the FHP facility will take longer than expected, likely taking an additional number of weeks.

If the decision is made not to include the intercept provision, a directive will need to be obtained from the Minister to this effect, potentially taking a few weeks.

If it is a determined an intercept provision is required, then this will likely even take longer than getting a directive from the Minister. In this case, the OFA would need to go back to the Ministry of Energy to effect the following: (I)Ministry of Energy will need to agree with IESO on acceptance of the inclusion of intercept provision in the FHP credit facility agreement and (ii) the OFA and Ministry of Energy will require an MOU whereby the parties agree on the inclusion of a the intercept provision in the FHP credit facility agreement.

Thanks
Sarah

From: Ken Kandeepan
Sent: Wednesday, August 09, 2017 1:54 PM
To: Bruno Amara <Bruno.Amara@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; William Tan <William.Tan@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: Re: Policy questions re OFHP Credit Facility Agreement

Totally agree with Bruno, the province should not be taking a security intent in the reg asset, that

would make the sale to the SPV or trust rather difficult.

It would also create issues in terms of the SPV's ability to obtain an appropriate credit rating as well as issue debt in the capital markets.

Thanks

Ken k

Sent from my iPhone

On Aug 9, 2017, at 1:46 PM, Bruno Amara <Bruno.Amara@ofina.on.ca> wrote:

> Hi Sarah
>
> Apologies for delay. I perceive differing levels of comfort with the issue of security so I'm OK with discussing the questions raised this afternoon. I am concerned whether we have people on the call that can answer all the questions.
>
> But I have a basic question with respect to the issue of the Province taking a security interest in the asset and differences with this loan from others. Under the OFHP, the sale of the asset ultimately allows for payments to electricity generators. If the Province has a security interest in the asset, can we envisage a potential situation wherein the IESO would be repaying the OFA loan rather than paying generators, which would be problematic for OFHP?
>
> I had discussed with Ron. In regard to Toby's last question, Ron was wondering if there might be a provision on use of proceeds from IESO's sale of the regulatory asset.
> Ron had also asked whether OPCD had opined on any accounting issues, and whether OIC or Minister's directive gave any particular direction on this issue. In regard to the latter, I have checked. Minister's directive and OIC were fairly high level noting specific terms and conditions to be set out in the Agreement.
>
> Bruno
>
> ---
>
> **From:** Lisa Stein
> **Sent:** Wednesday, August 09, 2017 10:58 AM
> **To:** Sarah Harris <Sarah.Harris@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
> **Cc:** Mike Manning <Mike.Manning@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; William Tan <William.Tan@ofina.on.ca>
> **Subject:** RE: Policy questions re OFHP Credit Facility Agreement

Thank you Sarah. I should add that under the OFA Lending Policy, the intercept provision (and accompanying MOU, etc.) must be included in OFA loan agreements *except* where otherwise directed by the Minister of Finance, Treasury Board, or Cabinet. As such, if it is determined that the intercept provisions are not required/relevant in this case, Ministerial direction will be required. We can discuss further this afternoon.

Lisa

From: Sarah Harris
Sent: Wednesday, August 09, 2017 10:37 AM
To: Bruno Amara <Bruno.Amara@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Cc: Mike Manning <Mike.Manning@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; William Tan <William.Tan@ofina.on.ca>
Subject: FW: Policy questions re OFHP Credit Facility Agreement
Importance: High

Hello Bruno and John,

In advance of our internal call this afternoon, Lisa and Toby have prepared the following e-mail below to consider whether the OFA should consider taking a security interest in the Regulatory Asset as security for $2B credit facility, as well as the inclusion of the intercept provision. Ken Kandeepan expressed the following view yesterday:

> *"…[the $2B Facility] is unsecured but so is every loan issued by the OFA to a public body so not sure why the risk associated with this loan is greater or for that matter lower than the loans currently in the OFA's loan book.*
>
> *As such, this should be treated exactly like all the other loans. Note that the IESO is fully consolidated with that of the Province so loans issued by the OFA to IESO will be a wash upon consolidation."*

In light of this, could you please advise if there are there any additional considerations regarding the FHP structure that would could necessitate the inclusion of an intercept provision in the $2B facility and/or the OFA taking a security interest in the Regulatory Asset?

I am including Ken and Mike Manning in this e-mail, should they have any additional input or insight on this matter.

Thank you,

Sarah

From: Lisa Stein
Sent: Wednesday, August 09, 2017 10:09 AM
To: William Tan <William.Tan@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Subject: Policy questions re OFHP Credit Facility Agreement
Importance: High

Hi Sarah H. and Will,

Based on the e-mails to date, I understand that OFA staff held a conference call yesterday and based the OFA Lending Policy and past practices, may have concluded that it is appropriate for the loan to the IESO in relation to the OFHP to be unsecured, as per other OFA loans to public bodies. However, as neither Toby (from MOF Legal) nor I were part of the aforementioned call, we wanted to clarify that this loan is NOT necessarily the same as other OFA unsecured loans to public bodies, and as such, the protection provided by the "intercept" provisions of the standard OFA loan agreements have limited application in this particular case (which is likely the reason why these provisions were not included in the original drafts). Our understanding is that, although the intercept provisions are intended to allow the Minister of Finance to deduct from money appropriated by the Legislature for payment to the Borrower amounts equal to any amounts that a Borrower fails to pay to the OFA on account of indebtedness under the loan agreement, in the case of the IESO as Borrower, these amounts are likely to be minimal.

Before proceeding, we would like to ensure that the nature of the loan, the impact of intercept provisions, and the insolvency and operational risks, have all been considered. Toby has succinctly summarized the questions which still need to be addressed during our call this afternoon in the e-mail which I have forwarded below.

Lisa

From: Whitfield, Tobias P. (MOF) [mailto:Tobias.Whitfield@ontario.ca]
Sent: Tuesday, August 08, 2017 5:03 PM
To: Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: Policy question re OFHP Credit Facility Agreement

Lisa,

I have attempted to summarize my questions/issues in the below. Let me know if you have anything to add or have any edits.

The concerns I have with the IESO loan, and that should be considered are related to what could happen to the Regulatory Asset (the "Asset") if there are any credit or liquidity issues at the IESO. Because the Asset is something that it is possible to take

security in, and that is an intangible that may be subject to a floating charge (ie, as a result of a GSA or from a financing agreement) I thought it would be prudent to consider whether the OFA should take a security interest in the Asset as security for the loan.

I am not familiar with the types of financial arrangements or other obligations that the IESO may be a party to, either as a result of its market operations or otherwise, but it may be possible that the IESO has entered into such arrangements, such as swaps or other derivatives agreements, loans or other financing arrangements for which security could be given.

I am not aware of what financial guarantees or other arrangements may be in place such that the Province may have guaranteed the IESO's obligations, but I don't believe that there are any. My understanding is that the IESO is consolidated with the Province's books, but that the IESO is not a crown agent, and the Province is not liable for the IESO's obligations to third parties. However, I am not sure about the underlying facts without more input from ENERGY and the IESO.

In light of these questions it may be worthwhile to consider some related issues:

- How does the proposed IESO loan compare to other OFA loans made to public bodies, such that it is appropriate to use the same requirements?
    - Size of loan – it is my understanding that there are not many loans that approach the size of the $2 billion loan that is proposed to the IESO.
    - Are the obligations of the IESO the obligations of the Province, and how does this compare to other public body loans?
    - What other financial obligations could the IESO have (such as swap agreements, other financial obligations) that could become due or create credit risk?
    - If in many public body loans, there is an intercept and an MOU with the appropriate ministry to create some security, does that make sense in this context? Are there significant transfers to the IESO?
    - Note that the OFA loan to the ROM was secured by pledges and an intercept, and that other Provincial loans to public bodies or other groups may be secured.
- Does the Province/OFA understand the financial obligations of the IESO such that it is confident that no other security interest could attach to the Asset?
- Given that the debt is specifically for the purpose of creating the Asset which will be "warehoused" at the IESO, once the Asset is sold to the financing entity, how will the Province ensure that the proceeds can only be used to repay the loan?

Tobias Whitfield
Counsel, Legal Services Branch
Ministry of Finance
tobias.whitfield@ontario.ca

Phone: 416-325-1456

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

OFA LENDING POLICY

Approved:	**April 11, 2008**
Revised and approved:	**April 16, 2010**

SCOPE

The Ontario Financing Authority (OFA) is a crown corporation that has the statutory authority to lend to public bodies under the *Capital Investment Plan Act (CIPA).*

Public bodies are defined in CIPA as Crown agencies, hospitals and any other facilities receiving capital funding from the Minister of Health and Long-Term Care, municipalities, universities that receive operating funds from the Province, colleges of applied arts and technology, school boards, and any other entity named or described as a public body in the regulations which as of this date include the Deposit Insurance Corporation of Ontario, the Ontario Pension Benefits Guarantee Fund and the Law Society of Upper Canada and the Ontario Power Authority.

This policy addresses lending activities to public bodies undertaken where the OFA is acting as an intermediary on behalf of the Province.

AMENDMENTS

This policy replaces the OFA lending policy that was approved by the OFA Board of Directors on April 11, 2008.

Any amendments or exceptions to this policy must be approved by the OFA Board of Directors.

POLICY FRAMEWORK

On June 21, 2007, the government approved a new framework for financing public bodies that are consolidated on the Province's financial statements. Consolidated public bodies include school boards, colleges, hospitals and corporations, boards and commissions.

Generally, the policy framework mandates the OFA to provide long-term financing for capital purposes to school boards, colleges and hospitals, as well as to Provincial corporations, boards and commissions who borrow as agents of the Crown, where the financing is recommended by the responsible ministry.

The policy framework also mandates the OFA to charge a cost recovery rate for all loans to public bodies, and a proxy commercial rate where the project is deemed to be commercial in nature. Determinations as to the nature of the project are to be made by the OFA in consultation with the recommending ministry.

TYPE OF FINANCING

The policy framework mandates the OFA to provide long-term financing to public bodies, which will be undertaken on a fixed rate or variable rate basis. Except where the Minister of Finance, Treasury Board or Cabinet determines there is a significant benefit to the public body or to the Province, the OFA will not provide:

1. Short-term financing for operating or working capital purposes.

2. Construction financing where capital projects require significant project monitoring expertise to keep construction running on time and on budget.

3. Financing to consolidated corporations, boards and commissions that are not Crown agents.

LOAN APPROVALS

1. The OFA will only advance a loan to a public body where the Minister of Finance, Treasury Board or Cabinet expressly directs or approves the OFA to advance a loan to a public body.

2. Where the Minister of Finance, Treasury Board or Cabinet expressly directs or approves the OFA to advance a loan to a public body, no further Board approval is required.

3. The OFA Board shall annually review a borrowing and on-lending plan (the OFA's Annual Borrowing and On-Lending Plan), which shall include the OFA's annual borrowing requirements from the Province and projected on-lending activities to Ontario public bodies for the year. As part of its review, the OFA Board shall approve the OFA's cost recovery spread and proxy commercial interest rate spreads related to the OFA's annual lending activities to public bodies.

4. The OFA Board will be advised at its next regularly scheduled meeting of any deviations from the OFA's Annual Borrowing and On-Lending Plan.

LENDING DIRECTIVE

The OFA will prepare an annual lending directive for the Minister of Finance's consideration based on the proposed loans in the OFA's Annual Borrowing and On-Lending Plan which require consent under Section 28 of the *Financial Administration Act* ("FAA") or which are to be made to School Boards. The lending directive will expressly direct or approve the OFA to advance these loans to public bodies for the fiscal year. The lending directive will include the maximum authorized amount of the loans to individual borrowers or the maximum amount of all the loans to a group of borrowers, such as School Boards or Community Colleges, and where possible, the borrower's name and the specific purpose(s) for which the loans are required, with the other terms and

conditions of the loans being delegated to the CEO of the OFA or the Assistant Deputy Minister, Corporate and Electricity Finance Division, OFA, or a person designated by either of them for approval.

The OFA will prepare specific lending directives for consideration by Minister of Finance for proposed loans in the the OFA's Annual Borrowing and On-Lending Plan which do not require consent under Section 28 of the FAA, other than loans to School Boards, at the time that the requests for the OFA to enter into such loans are being processed.

CONDITIONS PRECEDENT

Except where otherwise directed by the Minister of Finance, Treasury Board or Cabinet, and prior to the OFA making any loan to a public body, the OFA will:

1. Receive and review the public body's loan request as submitted and recommended by the responsible ministry.

2. Determine the public body's ability to repay the loan by relying on information submitted by the responsible ministry and public body, which may include information on the capital project, business case, cash flow projections and audited financial statements, and such other information as may be required.

3. Where required, ensure that the responsible ministry or public body has obtained prior written approval for the proposed loan pursuant to Section 28 of the FAA. The CEO of the OFA will not act as the delegate of the Minister of Finance to provide approval under Section 28 of the FAA for a loan when the OFA is the lender.

4. Evaluate the underlying risk of the project in order to determine if the project is commercial in nature, and if so establish an appropriate proxy commercial basis points spread to charge the public body as approved by the OFA Board (see "Proxy Commercial Rate").

5. Enter into a loan agreement with the public body containing terms and conditions consistent with the lending directive and satisfactory to the CEO of the OFA or the Assistant Deputy Minister, Corporate and Electricity Finance Division, OFA, or a person designated by either of them , including appropriate (i) positive and negative covenants of the public body, (ii) representations and warranties by the public body, (iii) conditions precedent, (iv) remedies upon default provisions, (v) reporting provisions, (vi) event of default provisions, and (vii) intercept provisions.

6. Ensure that it has an appropriate intercept in place for the loan (see "Intercept").

SECURITY

Except where otherwise directed by the Minister of Finance, Treasury Board or Cabinet, the OFA will generally lend on an unsecured basis (apart from the intercept provision, as provided below) in respect of loans made by the OFA to public bodies.

INTERCEPT

Except where otherwise directed by the Minister of Finance, Treasury Board or Cabinet:

1. Pursuant to section 23 of the *Capital investment Plan Act* and prior to any loan agreement entered into between the OFA and a public body, such public body and its responsible ministry are to agree that the Minister of Finance is entitled to deduct from money appropriated by the Legislature for payment to the public body amounts equal to any amounts that the public body fails to pay to the OFA on account of indebtedness under its loan agreement with the OFA. In addition, the public body is to agree that any notice from the OFA to the Minister of Finance in relation to its failure to pay under its loan agreement may be relied upon by the Minister of Finance without further inquiry or verification by the Minister of Finance.

2. Prior to recommending to the Minister of Finance that the intercept be exercised, the OFA will raise the issue with the responsible ministry and seek the ministry's support in getting the public body to pay the amounts owing within a reasonable cure period.

3. Should the public body not cure the default within a reasonable period of time, the OFA will give written notice to the Minister of Finance, with a copy to the responsible ministry, of a public body's failure to pay under its loan agreement and requesting the deduction of amounts equal to the amounts that a public body has failed to pay under its loan agreement.

4. Prior to any loan agreement entered into between the OFA and a public body, the responsible ministry is to covenant and agree that, upon receipt of notice from the OFA that a public body has failed to pay in accordance with the provisions of its loan agreement, the responsible ministry will provide all information requested by the OFA respecting amounts appropriated by the Legislature for payment to the public body including the intended purpose and expected timing of such payments to be made by the responsible ministry. Upon request, the responsible ministry agrees to provide similar information to the Minister of Finance.

5. Prior to any loan agreement entered into between the OFA and a public body, the responsible ministry is to acknowledge and agree that, upon receipt of a direction from the Minister of Finance, that an amount is to be deducted from

money appropriated by the Legislature for payment to the public body, the responsible ministry will take all necessary action required by it in order to effect such deduction in accordance with the Minister of Finance's direction and pay the amount to the OFA at the time specified.

COST RECOVERY

1. The OFA will recover its lending costs by charging public bodies a rate equal to the **Province's total cost of funds**, which will include the Province's direct borrowing costs (including commissions) as well as a spread to cover all costs related to the upfront and ongoing loan monitoring and administration of the OFA's lending activities.

2. The OFA will use a **basis-points-spread (bps) based cost recovery methodology** to recover the costs of its direct borrowing and on-lending activities. The costs relate to both the upfront and ongoing loan monitoring and administration and are expressed in terms of basis points per annum and will be recovered over the term of the loan.

3. The annual basis-point spread charged to public bodies for cost recovery shall be approved by the OFA Board and included in the OFA's Annual Borrowing and On-Lending Plan. The Capital Markets Treasury Division of the OFA, with the assistance of Internal Audit, will conduct an annual review to ensure that the cost recovery methodology is appropriate and that there are no significant under/over- recoveries that may require management's corrective action.

PROXY COMMERCIAL RATE

1. In addition to charging the Province's total cost of funds, the OFA will charge a proxy commercial basis points spread for projects that are commercial in nature in order to better reflect the costs of the underlying risk for financing of such projects. The proxy commercial basis points spread will be added to the Province's total cost of funds and recovered over the term of the loan. Loans are deemed to be commercial in nature where generally less than 50% of the operating revenues generated by the underlying project are attributable to government sources.

2. The methodology for determining proxy commercial basis points spreads (including the amount(s) of these spreads) charged to public bodies for projects deemed commercial in nature shall be approved by the OFA Board and included in the OFA's Annual Borrowing and On-Lending Plan. Proxy commercial basis points spreads will also be re-evaluated (and, if deemed necessary, reset upon approval of the OFA Board) in situations where there are significant changes to fixed income credit spreads. The OFA Corporate Finance Branch is responsible for recommending any changes to the

methodology or spread resets to the OFA Board, while the Capital Markets Division is responsible for informing the Corporate Finance Branch of any significant changes to fixed income credit spreads.

REPORTING REQUIREMENTS

1. A report outlining the status of all outstanding loans will be tabled with the OFA Board annually (the OFA's Annual Borrowing and On-Lending Plan) and at such other times as the OFA Board requests.

2. For each loan outstanding, such report will identify: the borrower, the purpose of the loan, the principal amount outstanding, and such other information as the OFA Board may request.

3. All OFA loans to public bodies will continue to be annually reported in the notes to the OFA's audited financial statements as disclosed in the OFA's Annual Report.

From:	Bruno Amara
To:	Sarah Harris; Lisa Stein
Cc:	Mike Manning; Ken Kandeepan; Opal Kandelas; Tobias P. Whitfield (MOF); William Tan; John Kim; Gavin He
Subject:	RE: Policy questions re OFHP Credit Facility Agreement
Date:	Wednesday, August 09, 2017 1:46:29 PM

Hi Sarah

Apologies for delay. I perceive differing levels of comfort with the issue of security so I'm OK with discussing the questions raised this afternoon. I am concerned whether we have people on the call that can answer all the questions.

But I have a basic question with respect to the issue of the Province taking a security interest in the asset and differences with this loan from others. Under the OFHP, the sale of the asset ultimately allows for payments to electricity generators. If the Province has a security interest in the asset, can we envisage a potential situation wherein the IESO would be repaying the OFA loan rather than paying generators, which would be problematic for OFHP?

I had discussed with Ron. In regard to Toby's last question, Ron was wondering if there might be a provision on use of proceeds from IESO's sale of the regulatory asset.
Ron had also asked whether OPCD had opined on any accounting issues, and whether OIC or Minister's directive gave any particular direction on this issue. In regard to the latter, I have checked. Minister's directive and OIC were fairly high level noting specific terms and conditions to be set out in the Agreement.

Bruno

From: Lisa Stein
Sent: Wednesday, August 09, 2017 10:58 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Cc: Mike Manning <Mike.Manning@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; William Tan <William.Tan@ofina.on.ca>
Subject: RE: Policy questions re OFHP Credit Facility Agreement

Thank you Sarah. I should add that under the OFA Lending Policy, the intercept provision (and accompanying MOU, etc.) must be included in OFA loan agreements *except* where otherwise directed by the Minister of Finance, Treasury Board, or Cabinet. As such, if it is determined that the intercept provisions are not required/relevant in this case, Ministerial direction will be required. We can discuss further this afternoon.

Lisa

From: Sarah Harris

Sent: Wednesday, August 09, 2017 10:37 AM
To: Bruno Amara <Bruno.Amara@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Cc: Mike Manning <Mike.Manning@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; William Tan <William.Tan@ofina.on.ca>
Subject: FW: Policy questions re OFHP Credit Facility Agreement
Importance: High

Hello Bruno and John,

In advance of our internal call this afternoon, Lisa and Toby have prepared the following e-mail below to consider whether the OFA should consider taking a security interest in the Regulatory Asset as security for $2B credit facility, as well as the inclusion of the intercept provision. Ken Kandeepan expressed the following view yesterday:

> *"…[the $2B Facility] is unsecured but so is every loan issued by the OFA to a public body so not sure why the risk associated with this loan is greater or for that matter lower than the loans currently in the OFA's loan book.*
>
> *As such, this should be treated exactly like all the other loans. Note that the IESO is fully consolidated with that of the Province so loans issued by the OFA to IESO will be a wash upon consolidation."*

In light of this, could you please advise if there are there any additional considerations regarding the FHP structure that would could necessitate the inclusion of an intercept provision in the $2B facility and/or the OFA taking a security interest in the Regulatory Asset?

I am including Ken and Mike Manning in this e-mail, should they have any additional input or insight on this matter.

Thank you,
Sarah

From: Lisa Stein
Sent: Wednesday, August 09, 2017 10:09 AM
To: William Tan <William.Tan@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Subject: Policy questions re OFHP Credit Facility Agreement
Importance: High

Hi Sarah H. and Will,

Based on the e-mails to date, I understand that OFA staff held a conference call yesterday and based the OFA Lending Policy and past practices, may have concluded that it is appropriate for the loan to the IESO in relation to the OFHP to be unsecured, as per other OFA loans to public bodies. However, as neither Toby (from MOF Legal) nor I were part of the aforementioned call, we wanted to clarify

that this loan is NOT necessarily the same as other OFA unsecured loans to public bodies, and as such, the protection provided by the "intercept" provisions of the standard OFA loan agreements have limited application in this particular case (which is likely the reason why these provisions were not included in the original drafts). Our understanding is that, although the intercept provisions are intended to allow the Minister of Finance to deduct from money appropriated by the Legislature for payment to the Borrower amounts equal to any amounts that a Borrower fails to pay to the OFA on account of indebtedness under the loan agreement, in the case of the IESO as Borrower, these amounts are likely to be minimal.

Before proceeding, we would like to ensure that the nature of the loan, the impact of intercept provisions, and the insolvency and operational risks, have all been considered. Toby has succinctly summarized the questions which still need to be addressed during our call this afternoon in the e-mail which I have forwarded below.

Lisa

From: Whitfield, Tobias P. (MOF) [mailto:Tobias.Whitfield@ontario.ca]
Sent: Tuesday, August 08, 2017 5:03 PM
To: Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: Policy question re OFHP Credit Facility Agreement

Lisa,

I have attempted to summarize my questions/issues in the below. Let me know if you have anything to add or have any edits.

The concerns I have with the IESO loan, and that should be considered are related to what could happen to the Regulatory Asset (the "Asset") if there are any credit or liquidity issues at the IESO. Because the Asset is something that it is possible to take security in, and that is an intangible that may be subject to a floating charge (ie, as a result of a GSA or from a financing agreement) I thought it would be prudent to consider whether the OFA should take a security interest in the Asset as security for the loan.

I am not familiar with the types of financial arrangements or other obligations that the IESO may be a party to, either as a result of its market operations or otherwise, but it may be possible that the IESO has entered into such arrangements, such as swaps or other derivatives agreements, loans or other financing arrangements for which security could be given.

I am not aware of what financial guarantees or other arrangements may be in place such that the Province may have guaranteed the IESO's obligations, but I don't believe that there are any. My understanding is that the IESO is consolidated with the Province's books, but that the IESO is not a crown agent, and the Province is not liable for the IESO's obligations to third parties. However, I am not sure about the underlying facts without more input from ENERGY and the IESO.

In light of these questions it may be worthwhile to consider some related issues:

- How does the proposed IESO loan compare to other OFA loans made to public bodies, such that it is appropriate to use the same requirements?
    - Size of loan – it is my understanding that there are not many loans that approach the size of the $2 billion loan that is proposed to the IESO.
    - Are the obligations of the IESO the obligations of the Province, and how does this compare to other public body loans?
    - What other financial obligations could the IESO have (such as swap agreements, other financial obligations) that could become due or create credit risk?
    - If in many public body loans, there is an intercept and an MOU with the appropriate ministry to create some security, does that make sense in this context? Are there significant transfers to the IESO?
    - Note that the OFA loan to the ROM was secured by pledges and an intercept, and that other Provincial loans to public bodies or other groups may be secured.
- Does the Province/OFA understand the financial obligations of the IESO such that it is confident that no other security interest could attach to the Asset?
- Given that the debt is specifically for the purpose of creating the Asset which will be "warehoused" at the IESO, once the Asset is sold to the financing entity, how will the Province ensure that the proceeds can only be used to repay the loan?

Tobias Whitfield
Counsel, Legal Services Branch
Ministry of Finance
tobias.whitfield@ontario.ca
Phone: 416-325-1456

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From:	Lisa Stein
To:	Sarah Harris; Bruno Amara; John Kim
Cc:	Mike Manning; Ken Kandeepan; Opal Kandelas; Tobias P. Whitfield (MOF); William Tan
Subject:	RE: Policy questions re OFHP Credit Facility Agreement
Date:	Wednesday, August 09, 2017 10:57:53 AM

Thank you Sarah. I should add that under the OFA Lending Policy, the intercept provision (and accompanying MOU, etc.) must be included in OFA loan agreements *except* where otherwise directed by the Minister of Finance, Treasury Board, or Cabinet. As such, if it is determined that the intercept provisions are not required/relevant in this case, Ministerial direction will be required. We can discuss further this afternoon.

Lisa

From: Sarah Harris
Sent: Wednesday, August 09, 2017 10:37 AM
To: Bruno Amara <Bruno.Amara@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Cc: Mike Manning <Mike.Manning@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; William Tan <William.Tan@ofina.on.ca>
Subject: FW: Policy questions re OFHP Credit Facility Agreement
Importance: High

Hello Bruno and John,

In advance of our internal call this afternoon, Lisa and Toby have prepared the following e-mail below to consider whether the OFA should consider taking a security interest in the Regulatory Asset as security for $2B credit facility, as well as the inclusion of the intercept provision. Ken Kandeepan expressed the following view yesterday:

> *"…[the $2B Facility] is unsecured but so is every loan issued by the OFA to a public body so not sure why the risk associated with this loan is greater or for that matter lower than the loans currently in the OFA's loan book.*
>
> *As such, this should be treated exactly like all the other loans. Note that the IESO is fully consolidated with that of the Province so loans issued by the OFA to IESO will be a wash upon consolidation."*

In light of this, could you please advise if there are there any additional considerations regarding the FHP structure that would could necessitate the inclusion of an intercept provision in the $2B facility and/or the OFA taking a security interest in the Regulatory Asset?

I am including Ken and Mike Manning in this e-mail, should they have any additional input or insight on this matter.

Thank you,

Sarah

From: Lisa Stein
Sent: Wednesday, August 09, 2017 10:09 AM
To: William Tan <William.Tan@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Subject: Policy questions re OFHP Credit Facility Agreement
Importance: High

Hi Sarah H. and Will,

Based on the e-mails to date, I understand that OFA staff held a conference call yesterday and based the OFA Lending Policy and past practices, may have concluded that it is appropriate for the loan to the IESO in relation to the OFHP to be unsecured, as per other OFA loans to public bodies. However, as neither Toby (from MOF Legal) nor I were part of the aforementioned call, we wanted to clarify that this loan is NOT necessarily the same as other OFA unsecured loans to public bodies, and as such, the protection provided by the "intercept" provisions of the standard OFA loan agreements have limited application in this particular case (which is likely the reason why these provisions were not included in the original drafts). Our understanding is that, although the intercept provisions are intended to allow the Minister of Finance to deduct from money appropriated by the Legislature for payment to the Borrower amounts equal to any amounts that a Borrower fails to pay to the OFA on account of indebtedness under the loan agreement, in the case of the IESO as Borrower, these amounts are likely to be minimal.

Before proceeding, we would like to ensure that the nature of the loan, the impact of intercept provisions, and the insolvency and operational risks, have all been considered. Toby has succinctly summarized the questions which still need to be addressed during our call this afternoon in the e-mail which I have forwarded below.

Lisa

From: Whitfield, Tobias P. (MOF) [mailto:Tobias.Whitfield@ontario.ca]
Sent: Tuesday, August 08, 2017 5:03 PM
To: Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: Policy question re OFHP Credit Facility Agreement

Lisa,

I have attempted to summarize my questions/issues in the below. Let me know if you have anything to add or have any edits.

The concerns I have with the IESO loan, and that should be considered are related to what could happen to the Regulatory Asset (the "Asset") if there are any credit or liquidity issues at the IESO. Because the Asset is something that it is possible to take security in, and that is an intangible that may be subject to a floating charge (ie, as a result of a GSA or from a financing agreement) I thought it would be prudent to consider whether the OFA should take a security interest in the Asset as

security for the loan.

I am not familiar with the types of financial arrangements or other obligations that the IESO may be a party to, either as a result of its market operations or otherwise, but it may be possible that the IESO has entered into such arrangements, such as swaps or other derivatives agreements, loans or other financing arrangements for which security could be given.

I am not aware of what financial guarantees or other arrangements may be in place such that the Province may have guaranteed the IESO's obligations, but I don't believe that there are any. My understanding is that the IESO is consolidated with the Province's books, but that the IESO is not a crown agent, and the Province is not liable for the IESO's obligations to third parties. However, I am not sure about the underlying facts without more input from ENERGY and the IESO.

In light of these questions it may be worthwhile to consider some related issues:

- How does the proposed IESO loan compare to other OFA loans made to public bodies, such that it is appropriate to use the same requirements?
    - Size of loan – it is my understanding that there are not many loans that approach the size of the $2 billion loan that is proposed to the IESO.
    - Are the obligations of the IESO the obligations of the Province, and how does this compare to other public body loans?
    - What other financial obligations could the IESO have (such as swap agreements, other financial obligations) that could become due or create credit risk?
    - If in many public body loans, there is an intercept and an MOU with the appropriate ministry to create some security, does that make sense in this context? Are there significant transfers to the IESO?
    - Note that the OFA loan to the ROM was secured by pledges and an intercept, and that other Provincial loans to public bodies or other groups may be secured.
- Does the Province/OFA understand the financial obligations of the IESO such that it is confident that no other security interest could attach to the Asset?
- Given that the debt is specifically for the purpose of creating the Asset which will be "warehoused" at the IESO, once the Asset is sold to the financing entity, how will the Province ensure that the proceeds can only be used to repay the loan?

Tobias Whitfield
Counsel, Legal Services Branch
Ministry of Finance
tobias.whitfield@ontario.ca
Phone: 416-325-1456

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From:	Lisa Stein
To:	John Kim; Ken Kandeepan; Sarah Harris
Cc:	Bruno Amara; Mike Manning; Opal Kandelas; Tobias P. Whitfield (MOF); William Tan; Gavin He; Anna Strathy; Kenneth Russell
Subject:	RE: Policy questions re OFHP Credit Facility Agreement
Date:	Tuesday, August 15, 2017 1:54:17 PM

Hi John,
As I've noted in my e-mail below, in order for the intercept provisions to be excluded from a loan agreement for an unsecured loan provided by the OFA to a public body, the OFA Lending Policy requires direction from the Minister, Treasury Board, or Cabinet. Toby and I have discussed the rationale that you have provided below, and we agree that it supports the business case for this direction.

Happy to discuss further.

Lisa

Lisa N. Stein
Legal Counsel
Ontario Financing Authority
416-325-2320

****
This message, including any attachments, is intended only for the use of the individual(s) to which it is addressed and contains information that is privileged/confidential. Any other distribution, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify the sender immediately by reply e-mail and permanently delete this message, including any attachments, without reading it or making a copy. Thank you.
****

From: John Kim
Sent: Tuesday, August 15, 2017 1:16 PM
To: Lisa Stein <Lisa.Stein@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: Bruno Amara <Bruno.Amara@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; William Tan <William.Tan@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>; Kenneth Russell <Kenneth.Russell@ofina.on.ca>
Subject: RE: Policy questions re OFHP Credit Facility Agreement

Hi Lisa,

I was having a discussion with Ken R. on another matter (the equity injection discussion) and had a discussion with him about this issue. Here are some observations:

We know that the IESO is a public body for the purpose of the CIPA. And I understand that in the absence of this designation, the OFA would not be able to make loans to the IESO.

The intercept provision, I understand, is common in OFA loan arrangements or required under the OFA Lending Policy. Given that the intercept provision allows the OFA to access payments from the Province to OFA borrowers in the event of a default and that the IESO receives no such funding from the Province (the IESO is ratepayer-funded), would there still be any relevance in having or requiring the intercept provision? If we agree that there is no relevance, then would you reasonably arrive at the conclusion that seeking the direction from the Minister is not required?

The Minister, I understand, is away until September.

Happy to chat or hear comments.

Thanks,

John

From: Lisa Stein
Sent: Friday, August 11, 2017 9:58 AM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: Bruno Amara <Bruno.Amara@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; William Tan <William.Tan@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: RE: Policy questions re OFHP Credit Facility Agreement

Hello all. Just to clarify, the OFA Lending Policy provides that the OFA will generally lend on an unsecured basis in respect of loans made by the OFA to public bodies, unless otherwise directed. As such, no further direction/waiver is required to provide an unsecured loan to the IESO. However, the Policy also requires that, pursuant to s. 23 of CIPA, the intercept provisions (and accompanying MOU, etc.) must be included in unsecured OFA loan agreements except where otherwise directed by the Minister of Finance, Treasury Board, or Cabinet. As such, in this case, as it has now been determined that the intercept provisions are not required, I will work with MOF Legal to obtain the required Ministerial direction waiving the Policy requirement to include these provisions.

Lisa

Lisa N. Stein
Legal Counsel
Ontario Financing Authority
416-325-2320

****
This message, including any attachments, is intended only for the use of the individual(s) to which it is addressed and contains information that is privileged/confidential. Any other distribution, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify the sender immediately by reply e-mail and permanently delete this message, including any attachments, without reading it or making a copy. Thank you.
****

From: Ken Kandeepan
Sent: Friday, August 11, 2017 9:40 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; William Tan <William.Tan@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: RE: Policy questions re OFHP Credit Facility Agreement

Perfect, thank you very much

Ken k

From: Sarah Harris
Sent: Friday, August 11, 2017 9:35 AM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; William Tan <William.Tan@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>
Subject: RE: Policy questions re OFHP Credit Facility Agreement

Hi Ken,

Thanks for clarifying the approach on this matter.

Based on this, we will not be seeking a security interest in the Regulatory Asset and will be seeking a directive ASAP for an exemption from inclusion of the intercept provision in the $2B FHP facility. We will inform IESO that current $975 million facility will be used for funding draws until such time as we are able execute the new $2B FHP facility.

Thanks,
Sarah

From: Ken Kandeepan
Sent: Thursday, August 10, 2017 5:12 PM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; William Tan <William.Tan@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>

Subject: RE: Policy questions re OFHP Credit Facility Agreement

Hi Sarah

Thanks for clear detailed email with good questions, however, instead of responding to each of the questions, I am going back to my earlier premise that none of the loans currently on the OFA loan book have any kind of security attached to them. A good example is the current line of credit extended to the IESO for $975 million. Given this I am very reluctant to impose a security requirement the proposed $2 billion facility to the IESO from the Province.

I understand that the security requirement which is part of the OFA lending policy can waived with ministerial approval, I suggest that it be obtained as soon as possible. If there are delays in obtaining this approval, especially since the minister will be on vacation from the end of this week onwards, I also suggest, if possible the previous facility of $975 million continue until the new facility is in place. This will allow IESO to fund any regulatory assets created in the intervening period.

I have discussed my proposed approach with Gadi, who is supportive.

Thanks

Ken k

From: Sarah Harris
Sent: Thursday, August 10, 2017 11:56 AM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; William Tan <William.Tan@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: RE: Policy questions re OFHP Credit Facility Agreement

Hi Ken,

Yesterday we held an internal meeting to discuss issues identified by Lisa and Toby regarding inclusion of an intercept provision in the new $2B FHP Credit Facility, as well the factors that the OFA needs to consider on whether or not to seek a security interest in the Regulatory Asset. We will need to obtain further information from IESO to inform the OFA's final determination on these matters, and also require your input on certain items below.

Security Interest - Background

In reference to Bruno's comments and your comments below, if the OFA were to take a security interest in the Regulatory Asset, any security interest would only be applicable while the IESO was the holder of the asset, and only while it is being held by the IESO with money borrowed from the OFA.

The steps of the transaction would be:

1 – The IESO makes payments to electricity producers at the contracted rate, but charges consumers a rate that is set by the FHP, which leaves a shortfall that must be made up;
2 – The IESO borrows money from the OFA to finance the shortfall – it is at this stage that the OFA would consider taking a security interest in the asset, up to the amount that the OFA lends to the IESO;
3 – The IESO bundles the right to charge consumers for the shortfall in the future through the GA into the Regulatory Asset, which is sold to the OPG SPV, which sale can be of the asset free and clear of any security interest;
4 – The IESO repays the OFA for the loan.

Steps 3 and 4 can happen simultaneously. If it is deemed to be something that the OFA would like to do, the security interest would only apply while the IESO holds the assets that it creates using the OFA loan to finance the purchase of electricity that it does not charge for. Once the asset is sold to the OPG SPV, the loan can be repaid and the security interest that the OFA had in the asset can be discharged.

Intercept Provision - Background

Regarding the inclusion of the intercept provision, the OFA Lending Policy (attached, see p. 4 "Security" section), stipulates the OFA must include an intercept provision, unless the OFA either receives an exemption from the OFA Board OR receives direction from the Minister, Cabinet or Treasury Board.

The intercept provision provides that in the event of non-payment by IESO to the OFA under the Credit Facility, the Minister may take funds appropriated by the Legislature for IESO, and may instead use the funds to repay the OFA (in the amount that IESO has defaulted under the facility).

Question for Ken: Are you aware of how we might determine if the Legislature has appropriated funds for IESO? If the amounts are minimal, there would seem token benefit to include the intercept provision in the new FHP credit facility agreement

Draft E-mail to IESO

We would like to ensure that we obtain from IESO all the information that would be required to make a risk assessment as to whether an intercept provision and/or a security interest by the OFA in the Regulatory Asset would be required.

Request for Ken: We are drafting an e-mail to send to IESO today (below) to request information that is pertinent for an analysis regarding these matters. We would appreciate if you could please review the draft and amend it to include all key questions that would be required to make a risk assessment.

"Dear Anthony,

My apologies for the delay in providing the next turn of the FHP Credit Facility Agreement. We became aware of a potential requirement under the OFA's lending policy which needs to be considered internally for inclusion in the agreement, for which we require additional information. Would you kindly provide answers to the following questions?

- *Does IESO have other financial obligations (such as but not limited to swap agreements, other financial obligations etc.) that could become due and adversely impact IESO's ability to pay its debts when they become due?*
- *Does IESO have any other financial obligations or security interests that could attach to the Regulator Asset/Special Purpose Vehicle?*
- *[Include additional questions]*

I also want to make you aware that due to the internal assessment that must be made in respect of the OFA's lending policy, we will likely not be able to execute the new FHP facility prior to IESO's next funding request (for which IESO will be providing notice on August 17th, for funding on August 21st). Accordingly, the August FHP draw will be made under the existing $975 million credit facility. At the time we execute the new $2B facility, we would be able to transfer (by incorporating into the agreements the required provisions or by another agreed mechanism) any amount of loans exceeding $475 million (being the reduced facility limit under the draft amending agreement) under the existing facility to the new facility.

Best regards,"

In reference to the last sentence above in the draft e-mail to IESO, the intended financing structure for IESO credit facilities is to (i) execute a new $2B FHP facility and (ii) simultaneously reduce the existing $975 million facility by $500 million to $475 million. This would create a total aggregated limit of $2.475 billion. Ideally these 2 agreements would have been executed simultaneously prior to the August draw from IESO (since IESO's August draw will likely bring the balance of the existing credit facility to approx. $500M, exceeding the intended revised limit of $475 million).

Question for Ken: When we do execute both agreements, are there any obstacles from an operational perspective (settlement, cash, accounting, risk) with transferring any 'excess loan amount' from the existing credit facility to the new FHP credit facility? We would be looking to re-allocate certain loans from the existing facility to the new facility, without any cash flow impact. From a legal perspective we expect this should be fine, as we can work out the legal particulars with IESO.

<u>General Note re: Timing Impact of Intercept Provision</u>

Regardless of whether the OFA decides to include or exclude the intercept provision, the execution of the FHP facility will take longer than expected, likely taking an additional number of weeks.

If the decision is made not to include the intercept provision, a directive will need to be obtained from the Minister to this effect, potentially taking a few weeks.

If it is a determined an intercept provision is required, then this will likely even take longer than getting a directive from the Minister. In this case, the OFA would need to go back to the Ministry of Energy to effect the following: (I)Ministry of Energy will need to agree with IESO on acceptance of the inclusion of intercept provision in the FHP credit facility agreement and (ii) the OFA and Ministry of Energy will require an MOU whereby the parties agree on the inclusion of a the intercept provision in the FHP credit facility agreement.

Thanks
Sarah

From: Ken Kandeepan
Sent: Wednesday, August 09, 2017 1:54 PM
To: Bruno Amara <Bruno.Amara@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; William Tan <William.Tan@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Gavin He <Gavin.He@ofina.on.ca>
Subject: Re: Policy questions re OFHP Credit Facility Agreement

Totally agree with Bruno, the province should not be taking a security intent in the reg asset, that would make the sale to the SPV or trust rather difficult.

It would also create issues in terms of the SPV's ability to obtain an appropriate credit rating as well as issue debt in the capital markets.

Thanks

Ken k

Sent from my iPhone

On Aug 9, 2017, at 1:46 PM, Bruno Amara <Bruno.Amara@ofina.on.ca> wrote:

> Hi Sarah
>
> Apologies for delay. I perceive differing levels of comfort with the issue of security so I'm OK with discussing the questions raised this afternoon. I am concerned whether we have people on the call that can answer all the questions.
>
> But I have a basic question with respect to the issue of the Province taking a security

interest in the asset and differences with this loan from others. Under the OFHP, the sale of the asset ultimately allows for payments to electricity generators. If the Province has a security interest in the asset, can we envisage a potential situation wherein the IESO would be repaying the OFA loan rather than paying generators, which would be problematic for OFHP?

I had discussed with Ron. In regard to Toby's last question, Ron was wondering if there might be a provision on use of proceeds from IESO's sale of the regulatory asset. Ron had also asked whether OPCD had opined on any accounting issues, and whether OIC or Minister's directive gave any particular direction on this issue. In regard to the latter, I have checked. Minister's directive and OIC were fairly high level noting specific terms and conditions to be set out in the Agreement.

Bruno

From: Lisa Stein
Sent: Wednesday, August 09, 2017 10:58 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>; Bruno Amara <Bruno.Amara@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Cc: Mike Manning <Mike.Manning@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; William Tan <William.Tan@ofina.on.ca>
Subject: RE: Policy questions re OFHP Credit Facility Agreement

Thank you Sarah. I should add that under the OFA Lending Policy, the intercept provision (and accompanying MOU, etc.) must be included in OFA loan agreements *except* where otherwise directed by the Minister of Finance, Treasury Board, or Cabinet. As such, if it is determined that the intercept provisions are not required/relevant in this case, Ministerial direction will be required. We can discuss further this afternoon.

Lisa

From: Sarah Harris
Sent: Wednesday, August 09, 2017 10:37 AM
To: Bruno Amara <Bruno.Amara@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Cc: Mike Manning <Mike.Manning@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; William Tan <William.Tan@ofina.on.ca>
Subject: FW: Policy questions re OFHP Credit Facility Agreement
Importance: High

Hello Bruno and John,

In advance of our internal call this afternoon, Lisa and Toby have prepared the following e-mail below to consider whether the OFA should consider taking a security interest in the Regulatory Asset as security for $2B credit facility, as well as the inclusion of the intercept provision. Ken Kandeepan expressed the following view yesterday:

> *"…[the $2B Facility] is unsecured but so is every loan issued by the OFA to a public body so not sure why the risk associated with this loan is greater or for that matter lower than the loans currently in the OFA's loan book.*
>
> *As such, this should be treated exactly like all the other loans. Note that the IESO is fully consolidated with that of the Province so loans issued by the OFA to IESO will be a wash upon consolidation."*

In light of this, could you please advise if there are there any additional considerations regarding the FHP structure that would could necessitate the inclusion of an intercept provision in the $2B facility and/or the OFA taking a security interest in the Regulatory Asset?

I am including Ken and Mike Manning in this e-mail, should they have any additional input or insight on this matter.

Thank you,
Sarah

From: Lisa Stein
Sent: Wednesday, August 09, 2017 10:09 AM
To: William Tan <William.Tan@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Subject: Policy questions re OFHP Credit Facility Agreement
Importance: High

Hi Sarah H. and Will,

Based on the e-mails to date, I understand that OFA staff held a conference call yesterday and based the OFA Lending Policy and past practices, may have concluded that it is appropriate for the loan to the IESO in relation to the OFHP to be unsecured, as per other OFA loans to public bodies. However, as neither Toby (from MOF Legal) nor I were part of the aforementioned call, we wanted to clarify that this loan is NOT necessarily the same as other OFA unsecured loans to public bodies, and as such, the protection provided by the "intercept" provisions of the standard OFA loan agreements have limited application in this particular case (which is likely the reason why these provisions were not included in the original drafts). Our understanding is that, although the intercept provisions are intended to allow the Minister of Finance to

deduct from money appropriated by the Legislature for payment to the Borrower amounts equal to any amounts that a Borrower fails to pay to the OFA on account of indebtedness under the loan agreement, in the case of the IESO as Borrower, these amounts are likely to be minimal.

Before proceeding, we would like to ensure that the nature of the loan, the impact of intercept provisions, and the insolvency and operational risks, have all been considered. Toby has succinctly summarized the questions which still need to be addressed during our call this afternoon in the e-mail which I have forwarded below.

Lisa

From: Whitfield, Tobias P. (MOF) [mailto:Tobias.Whitfield@ontario.ca]
Sent: Tuesday, August 08, 2017 5:03 PM
To: Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: Policy question re OFHP Credit Facility Agreement

Lisa,

I have attempted to summarize my questions/issues in the below. Let me know if you have anything to add or have any edits.

The concerns I have with the IESO loan, and that should be considered are related to what could happen to the Regulatory Asset (the "Asset") if there are any credit or liquidity issues at the IESO. Because the Asset is something that it is possible to take security in, and that is an intangible that may be subject to a floating charge (ie, as a result of a GSA or from a financing agreement) I thought it would be prudent to consider whether the OFA should take a security interest in the Asset as security for the loan.

I am not familiar with the types of financial arrangements or other obligations that the IESO may be a party to, either as a result of its market operations or otherwise, but it may be possible that the IESO has entered into such arrangements, such as swaps or other derivatives agreements, loans or other financing arrangements for which security could be given.

I am not aware of what financial guarantees or other arrangements may be in place such that the Province may have guaranteed the IESO's obligations, but I don't believe that there are any. My understanding is that the IESO is consolidated with the Province's books, but that the IESO is not a crown agent, and the Province is not liable for the IESO's obligations to third parties. However, I am not sure about the underlying facts without more input from ENERGY and the IESO.

In light of these questions it may be worthwhile to consider some related issues:

- How does the proposed IESO loan compare to other OFA loans made to public bodies, such that it is appropriate to use the same requirements?
    - Size of loan – it is my understanding that there are not many loans that approach the size of the $2 billion loan that is proposed to the IESO.
    - Are the obligations of the IESO the obligations of the Province, and how does this compare to other public body loans?
    - What other financial obligations could the IESO have (such as swap agreements, other financial obligations) that could become due or create credit risk?
    - If in many public body loans, there is an intercept and an MOU with the appropriate ministry to create some security, does that make sense in this context? Are there significant transfers to the IESO?
    - Note that the OFA loan to the ROM was secured by pledges and an intercept, and that other Provincial loans to public bodies or other groups may be secured.
- Does the Province/OFA understand the financial obligations of the IESO such that it is confident that no other security interest could attach to the Asset?
- Given that the debt is specifically for the purpose of creating the Asset which will be "warehoused" at the IESO, once the Asset is sold to the financing entity, how will the Province ensure that the proceeds can only be used to repay the loan?

Tobias Whitfield
Counsel, Legal Services Branch
Ministry of Finance
tobias.whitfield@ontario.ca
Phone: 416-325-1456

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From:	Anna Strathy
To:	Andrew Prahalad; David Peters; Francisco Chinchon; James Devine; Ken Kandeepan; Mara Bakic; Mike Manning; Opal Kandelas; Ronald Kwan; Sarah Neville; Emily Kerr; John Kim; Linda Smith
Cc:	Gadi Mayman; Ronald Kwan; Usman Zahid; Bonnie Lemcke; Erica Wieder
Subject:	RE: Post-Election Briefing Materials
Date:	Monday, April 30, 2018 8:17:58 AM
Attachments:	3. Early Contacts (2014 05 26).DOCX 1. OFA 2018 Transition Binder.pdf 1. OFA Presentation.pdf 2. Action Required - Borrowing Program.docx 2. Action Required - Minister Signature.docx

---

Good morning,

Thank you all for your input to the transition materials. And thank you to Erica and team for their coordination efforts. For your reference, I'm attaching the final products as submitted to MOF:

1. **OFA-specific material**
   - Overview deck
   - Binder

2. **"Can't Wait" Decisions**
   - Ongoing Borrowing Program and Credit Ratings
   - Minister of Finance Specimen Signature

3. **Early Contacts**

Thanks, Anna

From: Anna Strathy
Sent: Friday, April 06, 2018 9:35 AM
To: Andrew Prahalad <Andrew.Prahalad@ofina.on.ca>; David Peters <David.Peters@ofina.on.ca>; Francisco Chinchon <Francisco.Chinchon@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Mara Bakic <Mara.Bakic@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Sarah Neville <Sarah.Neville@ofina.on.ca>; Emily Kerr <Emily.Kerr@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Linda Smith <Linda.Smith@ofina.on.ca>
Cc: Gadi Mayman <Gadi.Mayman@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Usman Zahid <Usman.Zahid@ofina.on.ca>; Bonnie Lemcke <Bonnie.Lemcke@ofina.on.ca>; Erica Wieder <Erica.Wieder@ofina.on.ca>
Subject: FW: Post-Election Briefing Materials

Good morning Directors,

The DMO has asked Divisions to begin developing transition materials for a new or returning government following the election. ADM-approved materials are to be submitted to the DMO by

April 20 for Deputy approval. **Gadi has asked Investor Relations to take the lead on preparing materials**, with Directors reviewing and providing input. I've summarized the deliverables and next steps below:

1. **OFA-specific material**
    - Overview deck of the OFA and our debt and borrowing program
    - One pagers describing key issues (i.e., VfM, credit ratings) and lines of business (i.e., ALGP, Green Bonds, loans to public bodies)

2. **"Can't Wait" Decisions**
    - Any critical decisions or actions that will be required by the government in the first 90 days after the election
    - It is expected that there will only be 10-15 of these issues across government, so we are proposing to submit only one note for the OFA: *Ongoing Borrowing Program and Credit Ratings*
    - A draft note will be circulated to the relevant Directors next week for input

3. **Early Contacts**
    - Stakeholders that the Minister should contact in the first week and the first month after being sworn in
    - We are proposing to include our *Bond Underwriting Syndicate* and *Rating Agencies* in the list of early contacts
    - A draft list will be circulated to the relevant Directors next week for input

Next Steps: Erica will send out our draft Table of Contents for the OFA-specific material shortly. Please review the Table of Contents and email me (copy Erica) if you think anything is missing. Erica's team will post draft one-pagers for your review and comment next week.

Neutral Language: In preparing these materials, we have been asked to take appropriate steps to ensure the language of the material is neutral and appropriate. Please take a moment to review the attached style guides to ensure we are consistent in our tone.

Please don't hesitate to contact me should you have any questions.

Anna

From: McLean, David (MOF) [mailto:David.McLean@ontario.ca]
Sent: Tuesday, April 03, 2018 8:22 AM
To: @FIN-L-O-SMC-ADMs <FIN-L-O-SMC-ADMs@msgov.gov.on.ca>
Cc: @FIN-L-O-SMC-EAs <FIN-L-O-SMC-EAs@msgov.gov.on.ca>; Diana McNeil (MOF) <Diana.McNeil@ontario.ca>; Humaira Mohammad (MAH) <Humaira.Mohammad@ontario.ca>; Jamille Clarke-Darshanand (MOF) <Jamille.Clarke-Darshanand@ontario.ca>; Jonathan Tekle (CAB) <Jonathan.Tekle@ontario.ca>; Smith, Graham (MOF) <Graham.Smith2@ontario.ca>
Subject: Post-Election Briefing Materials

Good morning,

As outlined in the Secretary's memo of February 28, Cabinet Office is coordinating the development of briefing products that will be required for a new or returning government following the election. These include several core products required by Cabinet Office as well as the materials ministries will prepare for their own use with a potential new Minister. We have been asked to prepare materials to aid in this process.

Election planning is a confidential public service exercise to prepare briefing materials for a returning or new administration following the general election. These materials are for the approval of the Deputy, and are not to be shared or discussed with political staff in the Minister's Office or any employees in your division who are not essential to preparing the materials.

1) Ministry-Specific Briefing Materials

Cabinet Office generally defers to Ministries on the preparation of the briefing materials needed for a possible new Minister following the general election (e.g., neutral-language 101 decks). While much of the content is being left to our discretion, the Ministry must include the information in the attached checklist. Please consult the checklist when preparing your division's material. You are free to include any other items necessary to provide a complete overview for the Minister.

In preparing these materials, we have been asked to take appropriate steps to ensure the language of the material is neutral and appropriate. Language should work regardless of the outcome of the election. Many sources we normally cite in briefing documents may not be appropriate for election planning purposes (e.g., Budget documents, Throne Speech references, news releases, etc.). Particular care must also be taken to avoid referencing the deliberations of Cabinet or its Committees. Please see the attached *Style Guide and Guidelines on Referencing Documents, Decisions or Information from the Current Administration* for further information.

2) Cabinet Office Briefing Materials:

Cabinet Office will prepare materials needed to guide the Premier or Premier-Elect through the many decisions that will need to be made immediately following the election. To support this process, they have asked for the following:

a) ***Ministry Snapshot Data***: Cabinet Office will prepare Ministry snapshots to provide a one-page overview of the Ministry size, allocation, programs and mandate. To do this, they are asking ministries to complete an online questionnaire. We have asked CQSD to take the lead on this component. If necessary, the information will be shared with other divisions for input prior to submitting it to Cabinet Office.

b) ***Can't Wait Decisions/Actions***: Please provide briefing notes (using the attached template) outlining any critical decisions or actions that will be

required by the government in the first 90 days after the election. Any decisions or actions you identify should be **required**, not just desirable (e.g., stakeholder pressure alone is not a factor that makes a decision *required)*. These may include decisions or actions required on such items as:

- Appointments where a vacancy threatens the mandate delivery of a government agency, board or commission (e.g., lack of quorum, Chair vacancy with no alternative to appointment);
- Policy or program delivery issues that require immediate attention and a decision of Cabinet;
- Pending litigation where instruction is needed from Cabinet or the Treasury Board;
- Upcoming federal-provincial or international issues that require Cabinet direction.

It is expected that there will only be 10-15 of these issues across government, so if your area doesn't have any, that is fine.

c) ***Early Contacts***: If applicable, please provide a list of the top contacts (e.g., ministerial counterparts in other jurisdictions, senior staff of stakeholder organizations) that the Minister should contact in the first week and the first month after being sworn in. Please include contact information on the lists you submit. Please see attached template.

These materials should be prepared using the instructions and templates provided with this memo. Please follow the attached Style Guide to ensure consistency across Ministries.

Please send a complete set of your transition materials to Diana McNeil (Diana.McNeil@ontario.ca) in the CQSD ADMO by 2:00PM on April 20th. I apologize for the short timeline, but material must be reviewed by the Deputy prior to submitting it to Cabinet Office the following week.

If you have any questions, please let me know.

Thanks,
Dave

David McLean
Executive Assistant
and Special Policy Advisor
Deputy Minister's Office
Ministry of Finance
416-327-0192
david.mclean@ontario.ca

Early Contacts

List the top people your minister should contact in the first week and first month after being sworn in. You can identify as many contacts as you think appropriate.

	Name	Title	Organization	Address	Phone/ Fax/ Email	Reason for Contact	Timing (First week or month)
1.	Bernard Lord	Chair	Ontario Power Generation	700 University Avenue, 19th Floor	416-592-2115	Province is sole shareholder of OPG OPG financial results have a dollar for dollar fiscal impact Under the Electricity Act, Minister of Finance may request financial reports from the company	Month
2.	Jeffrey J. Lyash	President & CEO	Ontario Power Generation	700 University Avenue, 19th Floor	416-592-2555	Province is sole shareholder of OPG Minister of Finance is the signatory for the Province on the Ontario Nuclear Funds Agreement (ONFA) with OPG, to set aside and manage funds to pay for nuclear liabilities.	Month
3.	Jack Davis	Chair	Teranet	123 Front Street West, Suite 700	416-360-5263	Province has a long-term agreement (as negotiated by MOF/OFA on financial payments) with Teranet	Month

MINISTER OF FINANCE

Transition Binder 2018

Ontario Financing Authority (OFA)

1) OFA Presentation

2) Key Issues

Borrowing Program 1
Provincial Debt 3
Credit Ratings 5
Value For Money Audit 7

3) Background

Financial Administration Act – Section 28 8
Risk Management 10
Ontario's Green Bond Program 12
Ontario Savings Bonds (OSB) 14
Ontario Nuclear Funds Agreement 16
Aboriginal Loan Guarantee Program (ALGP) 18
Financing Public Bodies 19
Government Assets And Investments 21

BORROWING PROGRAM

CURRENT STATUS

The Province completed its annual borrowing program of $33.9 billion in 2017–18, including $11.5 billion pre-borrowed for 2018–19. Ontario's borrowing program remains the largest of the Canadian provinces, and was approximately 42% of the total borrowing programs for all provinces combined in 2017–18.

As outlined in the *2018 Budget,* the Province's total long-term public borrowing requirement for fiscal 2018–19 is currently forecast to be $31.7 billion. As of April 27, 2018, the Province has completed $7.5 billion of its 2018–19 borrowing requirement. The total long term borrowing for 2019–20 and 2020–21 is forecast at $36.7 billion and $41.3 billion, respectively (Chart 1). The projected increase in borrowing requirements is due to planned deficits, refinancing of maturing debt and continued large investments in capital assets.

The Province has sufficient borrowing authority available to complete this fiscal year's borrowing program and begin funding for 2019–20.

BACKGROUND

Historically, the OFA has demonstrated a preference for domestic funding over international funding due to its greater cost-effectiveness, normally longer duration, relative ease of execution, and reduced swap counterparty credit exposure and accounting risk.

The Province however, regularly accesses borrowing opportunities in currencies other than Canadian dollars to relieve pressure on the domestic bond market and diversify its investor base. This helps reduce Ontario's overall borrowing costs and ensures that the Province will continue to have access to capital if domestic market conditions become more challenging.

In 2017–18, the proportion of domestic funding was about 62% and reflected very favourable borrowing opportunities in international markets. This was roughly in line with the target announced in the *2017 Ontario Economic Outlook and Fiscal Review* to complete approximately two-thirds of total borrowing in the Canadian dollar market. Given the continued strong demand expected in the domestic market, the Province will maintain its Canadian dollar borrowing target of at least two-thirds of total borrowing in 2018–19.

Diversification of borrowing will be required to complete the program, and the Province will strive to stay ahead of pace to provide flexibility for times when access will be curtailed.

Borrowing Authority

The Province has three sources of borrowing authority: the *Financial Administration Act* ("*FAA*"), the *Ontario Loan Act* ("*Loan Act*") and the *Electricity Act, 1998* ("*Electricity Act*").

Source of Borrowing Authority	**Borrowing Authority Available** (As of April 27, 2018)
Financial Administration Act	$11.0 billion
Loan Act	$17.3 billion
Electricity Act	$1.1 billion

The *FAA* authority is primarily used for the purpose of refinancing maturing debt. The *Loan Act* authority is used to finance new debt, including anticipated deficit, if any, and investments in capital assets and cash requirements.

An Order-in-Council ("OIC") is an order, recommended by the Minister of Finance, concurred by the Chair of Cabinet, and approved and ordered by the Lieutenant Governor in Council that authorizes the Province to borrow up to a specific amount authorized under the OIC.

- An *FAA* refinancing OIC totaling approximately $17.5 billion was approved on March 27, 2018.

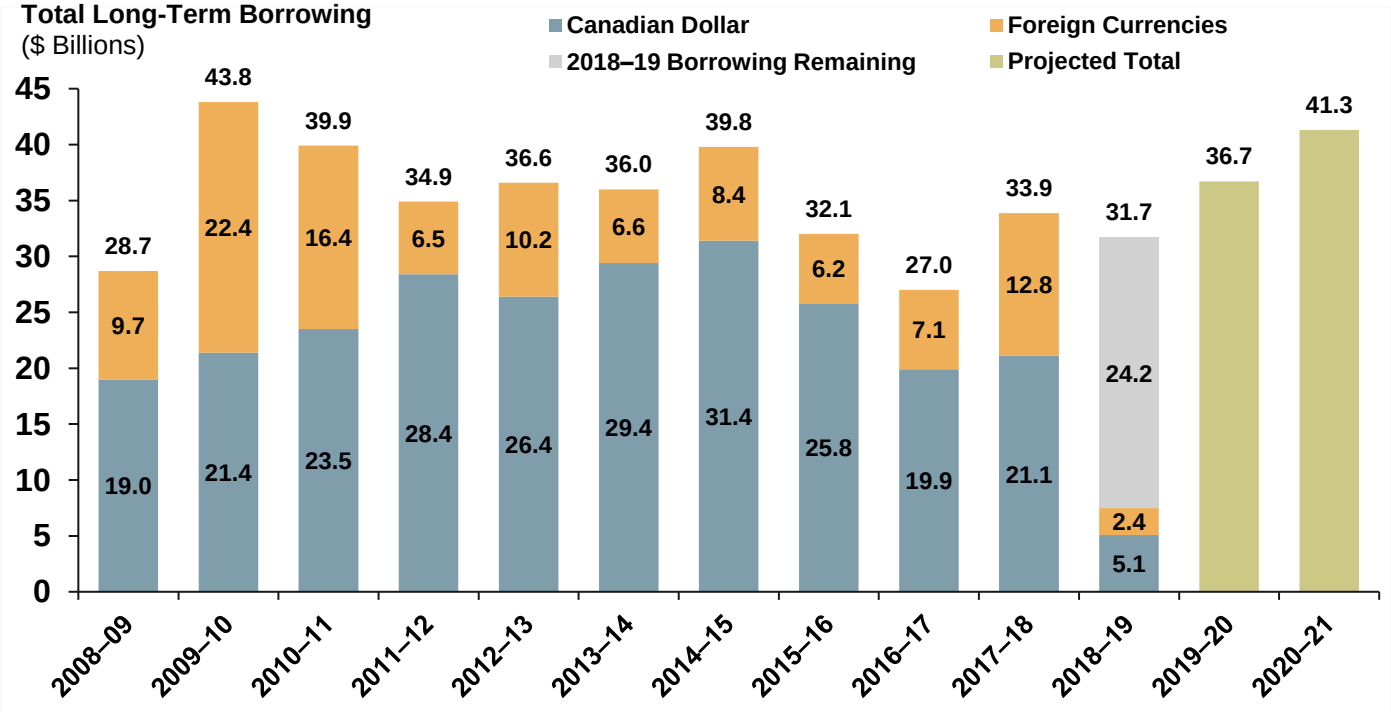
- The *Loan Act, 2017* for $6 billion received Royal Assent on May 17, 2017. Approval of one OIC under the *Loan Act* for long-term borrowing was received on October 18, 2017.

- Long-term borrowing is comprised of debt issuances with a maturity date usually greater than three years. Short-term borrowing includes debt issuance with a term of three years or less and is used to help manage the Province's liquid reserves.

Pursuant to section 68 of the *Electricity Act* and section 20 of the *FAA*, the Province borrows on behalf of OEFC and on-lends the proceeds to OEFC. The Province is able to provide an all-in lower cost of financing than if OEFC borrowed in its own name with a provincial guarantee.

OICs under the *FAA*, *Loan Act* and *Electricity Act* are routine business and are required to obtain the borrowing authority pursuant to these Acts. Without these OICs, the Province cannot issue any debt in the capital markets and would not be able to fulfill its borrowing requirements. Any significant delays in obtaining the requested OICs could result in insufficient borrowing authority and could jeopardize the Province's ability to fund health care, education, social programs and infrastructure projects and affect its ability to service existing debt and fund operating deficits.

Chart 1: Domestic and International Borrowing



Note: As of April 27, 2018.

PROVINCIAL DEBT

CURRENT STATUS

Total debt, which represents all borrowing without offsetting financial assets, is projected to be $348.8 billion as at March 31, 2018, compared to $333.1 billion as at March 31, 2017. Ontario's net debt is the difference between total liabilities and total financial assets. Ontario's net debt is projected to be $308.2 billion as at March 31, 2018. Net debt is the most commonly used measure by the investors in our bonds and other capital market participants, as it includes both financial liabilities and assets.

Debt Portfolio and Long-Term Average of Debt Portfolio

The global decline in interest rates over the past 25 years is already showing signs of modestly reversing. Maintaining a long average term of the Province's debt portfolio ensures low interest rates remain locked in for a longer period. This reduces refinancing risks and helps offset the impact of expected higher interest rates on the Province's future interest on debt costs.

Since the beginning of fiscal year 2010–11, Ontario has issued $71.3 billion of bonds with terms of longer than 30 years to lock in low interest rates. As a result, the average term of Ontario's debt portfolio has been extended, from 9.7 years in 2009–10 to 10.9 years, as of December 31, 2017 (Chart 1).

Net Debt-to-GDP

The Province's net debt-to-GDP ratio is forecast to be 37.6 per cent at the end of fiscal 2018–19, compared to the 37.3 per cent forecast in the *2017 Budget* and the 38.5 per cent forecast in the *2016 Budget*. Ontario's net debt-to-GDP ratio peaked in 2014–15 at 39.3 per cent and is forecast to remain below the 2014–15 peak and resume its downward trend in 2022–23 (Chart 2).

Investments in capital infrastructure have contributed over $99 billion to the increase of tangible capital assets, and thus net debt over the last 13 years. The government commenced recording of tangible capital assets in 2002–03. Over the budget outlook, net investments in capital assets will contribute over $32 billion to the total increase in net debt of $51.9 billion.

Interest on Debt

Interest on debt (IOD) is Ontario's fourth largest budgeted expenditure, after Health, Education and Children's and Social Services. Ontario's IOD for the year 2018–19 is projected to be $12,543 million, $578 million higher than interim IOD of $11,965 million in 2017–18.

The Province's exposure to interest rate fluctuations, both positive and negative, is significant. In 2018–19, a one percentage point change in interest rates would result in a change of $300 million in IOD costs for the Province.

BACKGROUND

The three commonly used indicators of a government's financial and debt position are net debt, total debt, and accumulated deficit. Credit rating agencies and investors place the greatest emphasis on net debt.

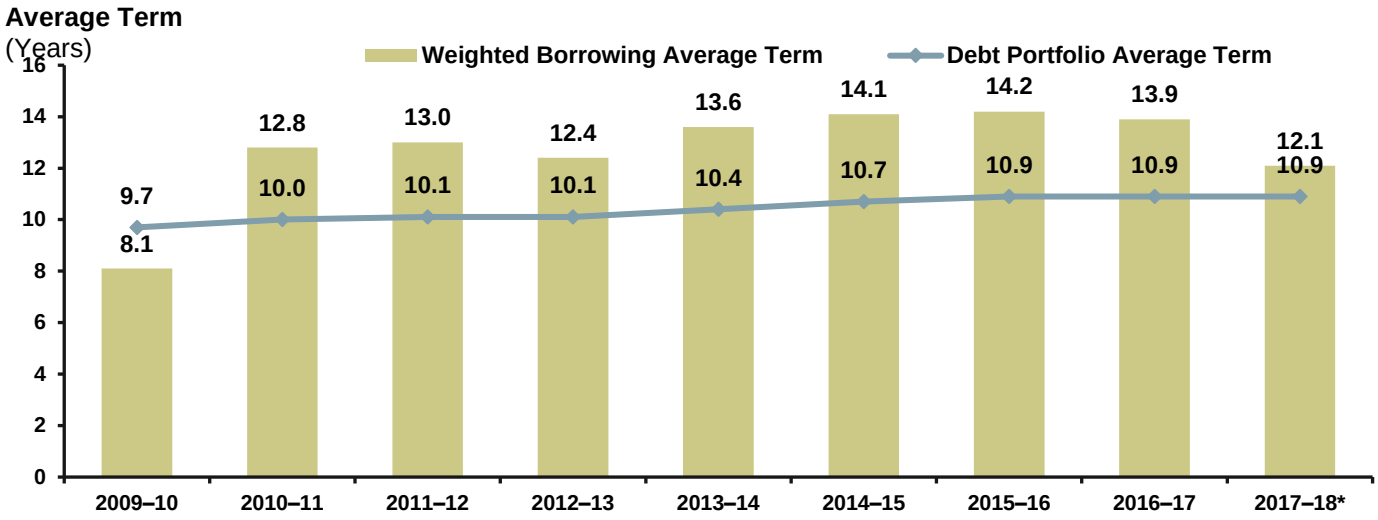
Net debt is the difference between the Province's total liabilities and financial assets. Ontario's net debt has been forecast to increase from $301.6 billion as at March 31, 2017 to $308.2 billion

as at March 31, 2018. It is projected to increase to $325.0 billion as at March 31, 2019 and to $342.8 billion as at March 31, 2020. The increase in net debt primarily reflects the increase in net tangible capital assets of the Province in 2017–18, partially offset by the projected surplus and, thereafter, increases in projected deficits and net tangible capital assets. Financial markets use net debt as their primary measure as it represents the Province's future revenue requirements to pay for past transactions and events.

Total debt is the sum of the Province's total borrowings including Ontario Electricity Financial Corporation and agencies. Ontario's total debt increased from $333.1 billion as at March 31, 2017 to $348.8 billion projected as at March 31, 2018. This increase was mainly due to deficits and the government's capital investments. Canadian dollar denominated debt represents 83 per cent of the Province's total debt as at March 31, 2018.

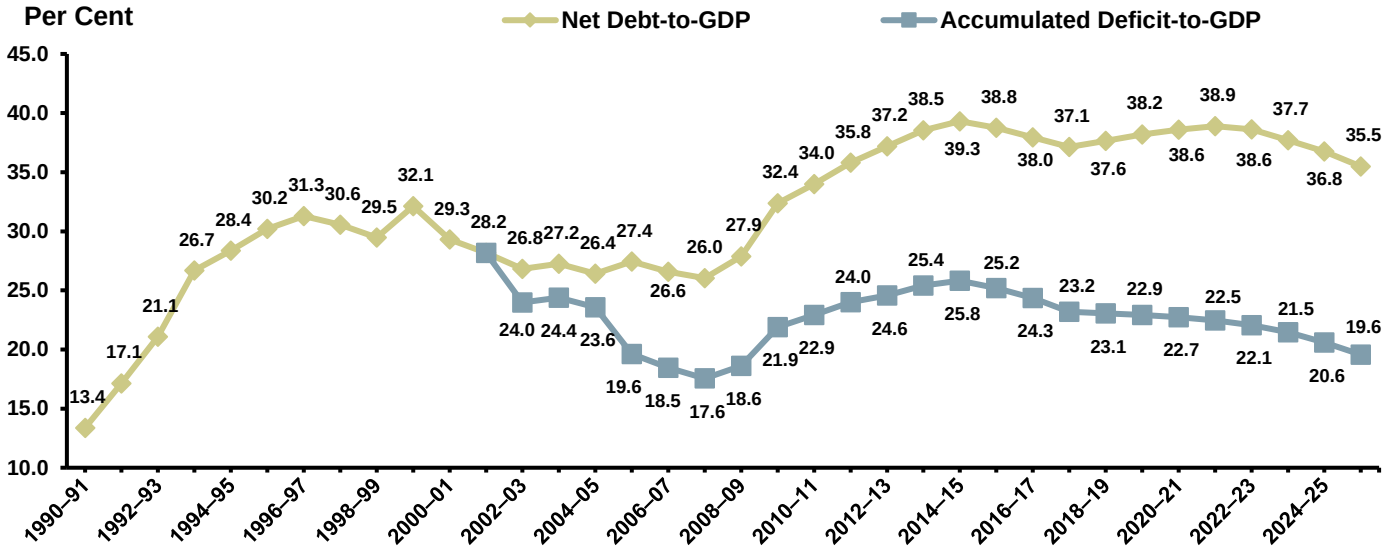
Accumulated deficit represents the sum of all deficits and surpluses. Accumulated deficit is projected to be $192.4 billion as of March 31, 2018, compared to a projection of $193.5 billion in the *2017 Budget*. The projected difference of $115.8 billion between net debt and accumulated deficit is mainly due to the Province's high level of investment in infrastructure.

Chart 1: Weighted- Average Term of Borrowing



*Debt Portfolio Average Term as at December 31, 2017.

Chart 2: Net Debt-to-GDP and Accumulated Deficit-to-GDP



CREDIT RATINGS

CURRENT STATUS

The OFA maintains close relationships and ongoing dialogue with credit rating agencies throughout the year to keep them apprised of the government's financial status, policies and initiatives, and to ensure these are accurately reflected in the agencies' ratings and reports. Ontario currently maintains a double-A rating with three of its four credit rating agencies.

Table 1: Ontario's Current Long-term and Short-term Ratings

Agency	Long-Term Rating	Short-Term Rating	Most Recent Review
Moody's	Aa2 (N)	P-1	Negative Outlook April 17, 2018
DBRS	AA (low)	R-1 (mid)	Confirmed April 24, 2018
Fitch	AA-	F1+	Confirmed June 20, 2017
S&P	A+	A-1	Long-term rating confirmed; short-term rating lowered June 15, 2017

Credit rating agencies will be monitoring the fiscal plans of the government very closely. If deficits persist, the Province is likely at risk of being downgraded by credit rating agencies. The last downgrade from S&P was on July 6, 2015, after the *2015 Budget* was released on April 23, 2015. S&P had cited high deficits and a high debt burden versus domestic and international peers.

A downgrade to the Province's credit ratings would result in higher interest rates on Ontario debt. For 2018–19, the impact of a one percentage point change in interest rates on interest on debt is approximately $300 million.

BACKGROUND

Moody's notes that spending pressure will challenge the province's ability to achieve and maintain a balanced budgets. Financing to fund deficits and capital spending will continue to push the debt burden higher. Interest expense as a share of revenues is already the highest among the provinces and is expected to increase as interest rates rise.

Fitch noted that a return to deficit borrowing during a period of economic growth would be inconsistent with Fitch's current rating expectations. According to Fitch, the Stable Outlook at the current rating level assumes a continued focus on tabling balanced budgets and gradually lowering the burden of debt.

S&P notes that the province's very strong and diversified economy, strong financial management, very predictable and well-balanced institutional framework, and low contingent liabilities support the province's current rating. The ratings also reflect S&P's view of the province's weak budgetary performances and very high debt burden.

DBRS expects the ratings to remain stable in the near term, however, the outlook for the medium to longer term appear less certain. A downgrade could occur if debt were to rise sharply because of a downturn in the economy or a change in the government's fiscal policies.

Both S&P and Moody's have indicated that the maintenance of liquid reserves in proportion to financing needs, including both short-term and long-term debt maturities, is an important factor in maintaining Ontario's credit rating.

Table 2: Provincial Long-term Rating Comparison

Province	S&P	Moody's	DBRS	Fitch
Canada	AAA	Aaa	AAA	AAA
Ontario	**A+**	**Aa2 (N)**	**AA (low)**	**AA-**
British Columbia	AAA	Aaa	AA (high)	AAA
Saskatchewan	AA	Aaa	AA	AA
Quebec	AA-	Aa2	A (high)	AA-
Nova Scotia	A+ (P)	Aa2	A (high)	Not Rated
Alberta	A+	Aa1 (N)	AA (N)	Not Rated
Manitoba	A+	Aa2	A (high)	Not Rated
New Brunswick	A+	Aa2	A (high) (N)	Not Rated
PEI	A	Aa2	A (low)	Not Rated
Newfoundland & Labrador	A	Aa3 (N)	A (low)	Not Rated

Rating agencies use a number of key debt ratios when assessing Ontario's rating including Deficit-to-Revenue, After-Capital Deficit-to-Revenue, Net Debt-to-Revenue, Net Debt-to-GDP, and Interest on Debt-to-Revenue.

Chart 1: IOD-to-Revenue

(Per Cent)

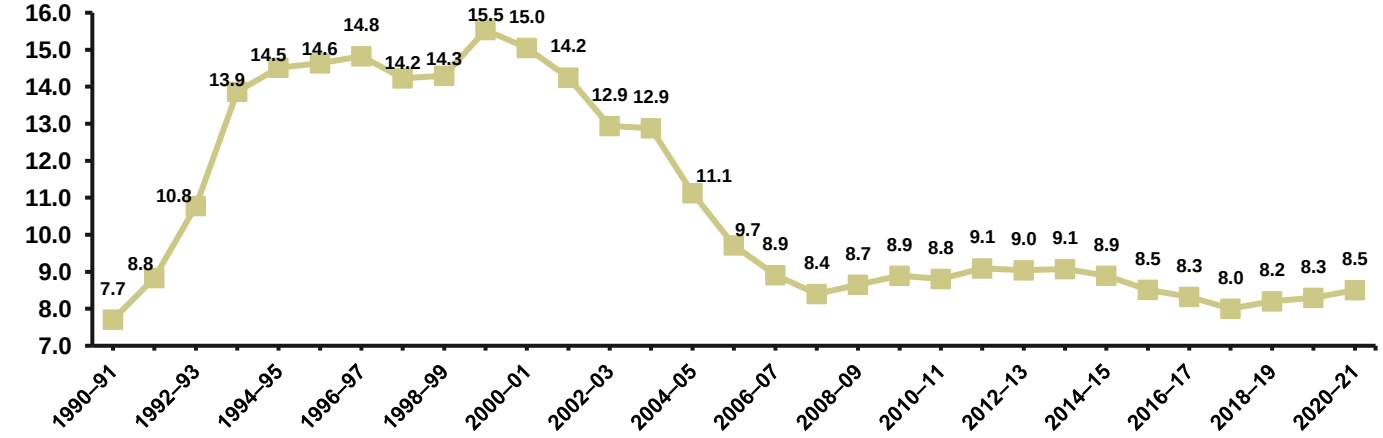
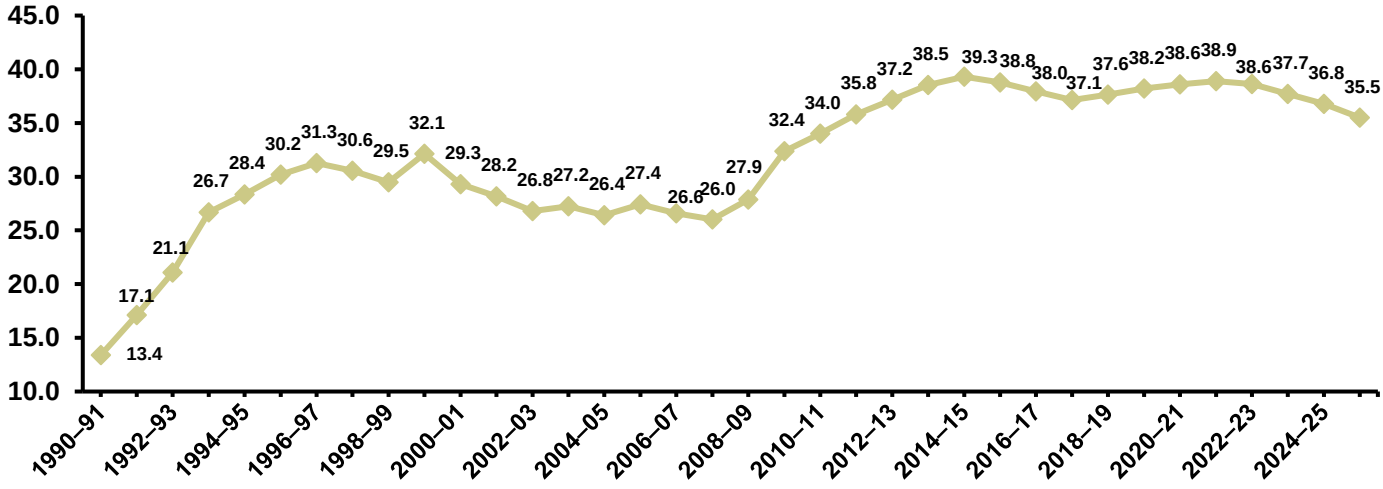


Chart 2: Net Debt–to-GDP

(Per Cent)



VALUE FOR MONEY AUDIT

CURRENT STATUS

From January to late March 2018, the OFA and the Office of the Auditor General of Ontario (OAGO) have been working together to prepare the groundwork for the Value-For-Money (VFM) audit on Borrowing and Debt Management to begin in May and likely end in September 2018.

The auditors have met with both senior management and individual staff, and have been briefed on the strategy and planning that goes into the borrowing and debt management activities and execution. A manager has been appointed to act as the audit coordinator to ensure that all information requests by the OAGA have been met in a timely manner.

In late March, the auditors concluded their preliminary field work. In early May they will return to the OFA to brief and obtain consensus with OFA senior management on what the actual audit scope and objectives will entail. From May to August, the field work will be done in earnest. In August and September, the OAG will inform the OFA of its findings and recommendations that will be published in the AG's Annual Report in 2018.The process also includes an opportunity for the OFA to respond to the findings and its responses will included in the published report.

BACKGROUND

On December 11, 2017, the Auditor General informed the Ministry of Finance Deputy Minister that the OFA's Borrowing and Debt Management Program would be subject to a VFM audit for the 2017–18 Fiscal year.

A VFM audit is part of the AG's mandate where government programs, agencies, and certain public-sector organizations are audited to see if their administrators have spent money with due regard for economy and efficiency and have satisfactory procedures for measuring and reporting on effectiveness. VFM audits are conducted along the assurance standards of CPA Canada.

The AG's VFM findings are published annually in the AG's Annual Report, typically in Chapter 3 of her report. VFM findings are high profile and in many cases generate larger media coverage than financial statement audits performed by the AG.

FINANCIAL ADMINISTRATION ACT – SECTION 28

BACKGROUND

Section 28 (s.28) of the FAA has been in force since 1991, and states that despite any other Act, a ministry or public entity shall not enter into any financial arrangement, financial commitment, guarantee, indemnity, or similar transaction that would increase, directly or indirectly, the indebtedness or contingent liabilities of Ontario, or seek the approval of the Lieutenant Governor in Council to enter into any such transaction, without the prior written approval of the Minister of Finance.

Currently the powers of the Minister under FAA section 28 are shared by the Minister of Finance and the President of Treasury Board as a result of OIC 216/2015 as amended by OIC 223/2016. These shared powers include the following:

- The approval of individual transactions s.28(1.1).
- The approval of a class of transactions s.28(1.2).
- The exemption of an individual transaction s.28(1.3).
- The exemption by regulation of a class of transactions s.28(1.4).
- The declaration that s.28 (2) does not apply; i.e., despite failure to comply with s.28 the transaction remains enforceable.

The Minister of Finance deals with requests from ministries and provincial agencies respecting financing, investing, and financial risk management activities, including borrowing by Crown agencies, guaranteeing of such borrowing, banking and financial services, Alternative Financing Projects (AFPs), custodial services and hedging contracts.

In addition, the Minister of Finance is responsible for responding to requests for section 28 approvals of contingent liabilities and financings contained in all agreements and transactions entered into by Ministry of Finance divisions and agencies.

The President of Treasury Board deals with section 28 approval requests from ministries and provincial agencies (other than the Ministry of Finance and its agencies) of all other contingent liabilities contained in non-financing related agreements and transactions, including contractual indemnities, government contribution agreements, real estate leases, and contracts for services required to meet day-to-day operations.

It is a ministry's or public entity's responsibility to identify which of their proposed transactions require s.28 approval under the FAA and submit the request to the appropriate Minister prior to entering into the transaction or seeking Cabinet approval for the transaction.

Submissions supporting requests for Section 28 approval should include a signed Minister's request letter as well as a business case for the transaction that would include:

- The description, business and legal rationale for assuming each specific contingent liability or increase in indebtedness;
- A quantification of the maximum dollar amount of the contingent liability or indebtedness, and if it is not possible to quantify, an explanation as to why that is the case;

- Any financial models developed in support of the project;
- An estimate of the duration of the contingent liability or indebtedness, the risk exposure and the likelihood of it materializing;
- A description of the measures taken to manage risk and minimize losses;
- A description of alternatives considered to the contingent liabilities or indebtedness;
- An explanation of how the responsible ministry proposes to pay for any contingent liabilities that may arise; and
- A description of the benefit to Ontario of taking on the contingent liability.

RISK MANAGEMENT

CURRENT STATUS

Coming out of the financial crisis in 2008–09, the Province began a strategy of creating large, liquid 10 and 30-year benchmark domestic bond issues in 2009–10 in response to investor demand. This strategy has been very successful and continues to lower Ontario's borrowing costs and enhance the Province's access to capital.

However, as a result of these large bond issues, the Province will have large cash outflows on single days commencing in 2019–20, rather than having maturities spread more evenly through the year. In anticipation of the need for cash reserves to meet these requirements for large outflows on a single day, the Province began building larger cash reserves in 2017–18. As of March 31, 2018, the Province's average unrestricted liquid reserve was $30.1 billion (Chart 1). Debt maturities are estimated at $21.5 billion for 2018–19.

Today, the OFA maintains a high level of liquid reserves and short term borrowing capacity.

BACKGROUND

Market risk is the risk of loss due to changes in interest and foreign exchange rates. The OFA monitors and manages the debt maturity profile to limit refinancing risk. Term selection for new borrowing will be aimed for a smooth maturity schedule to diversify the interest resetting risk of refinancing debt maturities (Table 1).

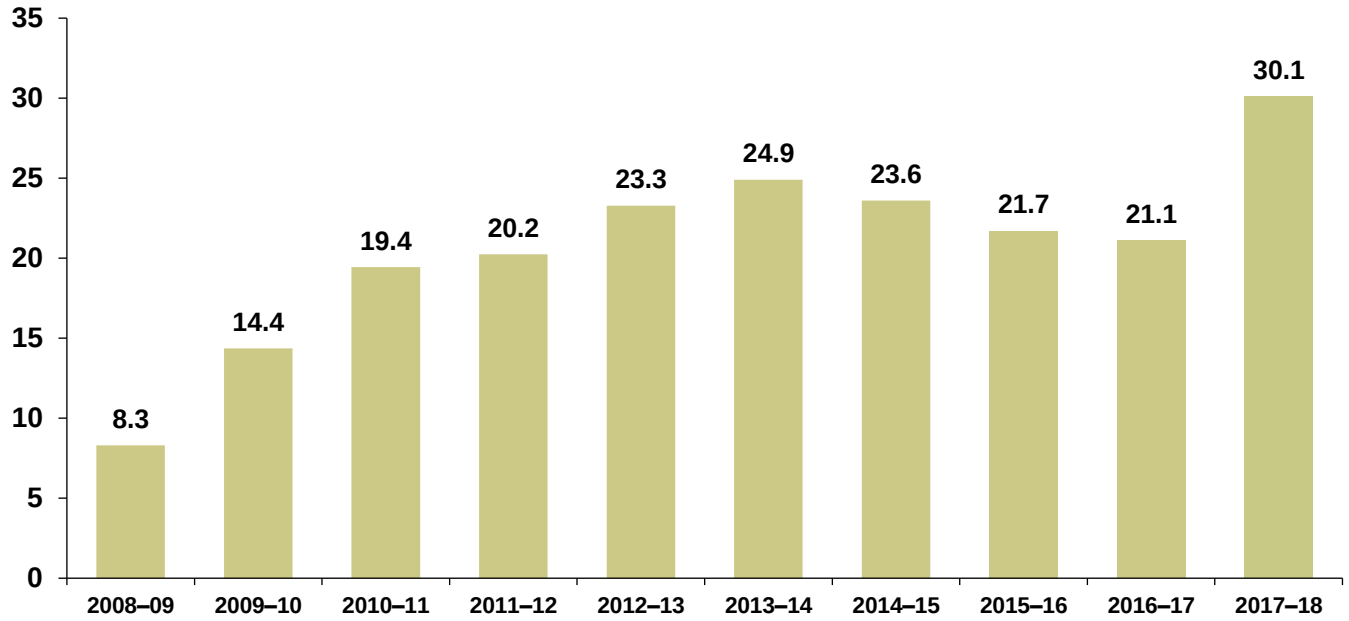
Liquidity Risk is the risk that liquid reserves will not be sufficient to meet the Province's cash requirements. This risk is controlled through the management of operational cash flows, liquid reserve levels and the short-term borrowing program. The Province's Treasury bill and U.S. Commercial Paper programs have authorized limits of $33.0 billion and $15.0 billion, respectively.

Operational Risk is risk of loss due to failed models, systems, processes, people or external events.

Credit Risk is the risk of loss due to default of bond issuers or counterparties of derivatives or other financial transactions. Strict credit limits are enforced for financial and investment counterparties. The Province also has collateralized swap agreements in place for most swap counterparties.

Chart 1: Average Unrestricted Liquid Reserves

($ Billions)



Note: As of March 31, 2018.

Table 1: Net Interest Rate Resetting and Foreign Exchange Exposure

As of March 31, 2018	**Exposure**	**Policy Limit**
Foreign Exchange	0.2%	5.0%
Net Interest Rate Resetting	10.9%	35.0%

ONTARIO'S GREEN BOND PROGRAM

CURRENT STATUS

Ontario is currently the largest issuer of Canadian dollar Green Bonds, with four outstanding green issues totaling $3.05 billion (Table 1).

On January 25, the Province successfully launched its fourth Green Bond issue of $1.0 billion. This is not only the largest Green Bond offering from the Province of Ontario, but also the largest issue to be priced in the Canadian dollar Green Bond market. With this transaction, Ontario added eight new investors (that had never purchased Ontario bonds) and expanded its Canadian dollar investor base by eleven names (investors that had never purchased Ontario bonds in Canadian dollars).

BACKGROUND

The Province's Green Bond program commenced in 2014. As the first Canadian province to issue Green Bonds, Ontario is leading the way to establish and develop a Canadian dollar Green Bond market with investor participation from around the world. Ontario's Green Bonds capitalize on the Province's ability to raise funds at low interest rates and serve as an important tool to help Ontario finance transit and other environmentally friendly projects across the Province.

Ontario has a mature Green Bond program and expects Green Bonds to continue having an important role in the Province's annual borrowing.

Ontario strives to be a leader in its transparency and impact reporting efforts with the publication of its annual newsletter.

Use and Management of Proceeds

Green Bond proceeds are paid into the Consolidated Revenue Fund of Ontario. An amount equal to the net proceeds of each Green Bond issue is recorded in a designated account in the Province of Ontario's financial records. These designated accounts are used to track the use and allocation of funds to eligible projects.

Green Bond projects are expected to be funded within one year from the date of issue.

Green Bond Projects

Ontario's Green Bond Framework specifies five categories of eligible projects:

- Clean Transportation (e.g. public transportation)
- Energy Efficiency and Conservation (e.g. building efficiency improvement)
- Clean Energy and Technology (e.g. smart grid infrastructure and energy storage)
- Forestry, Agriculture and Land Management (e.g. sustainable forest management)
- Climate Adaptation and Resilience (e.g. flood protection and storm water management)

A total of 16 different projects have received or will receive funding from Ontario's four Green Bond issues. The projects selected as eligible to receive funding from the Green Bonds have an emphasis on clean transportation and energy efficiency and conservation (Table 2).

Table 1: Ontario's Green Bond Issues Summary

Green Bond Issue:	Inaugural	Second	Third	Fourth
Size:	C$500 Million	C$750 Million	C$800 Million	C$1,000 Million
Pricing Date:	October 2, 2014	January 22, 2016	January 26, 2017	January 25, 2018
Maturity Date:	October 9, 2018	January 27, 2023	January 27, 2023	February 5, 2025
Investors:	81	52	55	71
Green Mandates/ UN PRI Signatories:	85%	70%	78%	85%

Table 2: Projects Financed by Ontario's Green Bonds

	Green Bond Funding			
Clean Transportation Category	**1**	**2**	**3**	**4**
Eglinton Crosstown Light Rail Transit (LRT)	✓	✓	✓	✓
York Viva Bus Rapid Transit		✓	✓	✓
Regional Express Rail		✓	✓	
Finch West LRT			✓	✓
Hurontario LRT			✓	✓
Hamilton LRT			✓	
Energy Efficiency & Conservation Category				
Sheridan College		✓		
ErinoakKids Centre for Treatment and Development			✓	
Whitby Rail Maintenance Facility				✓
Seneca College King Campus Expansion				✓
Joseph Brant Hospital – Redevelopment Project Phase 1				✓
St. Joseph's Healthcare Hamilton – West 5th		✓	✓	
St. Joseph's Healthcare – London and St. Thomas		✓	✓	
Waypoint Centre for Mental Health		✓	✓	
Centre for Addiction and Mental Health – Queen Street		✓	✓	
Woodstock General Hospital			✓	

ONTARIO SAVINGS BONDS (OSB)

CURRENT STATUS

A new campaign is taking place from June 1–21, 2018 with the following range of products: 3-year variable, 5-year step-up, 3-year fixed, and 10-year fixed. The interest rates for the new series of OSBs are generally announced on the first day of sales.

The 2017 campaign raised approximately $64 million. It is difficult to predict the size of this year's campaign. Increased competition by banks for retail money may be offset by the safety provided by government bonds.

The Federal government, British Columbia, Alberta, Saskatchewan and Manitoba have discontinued their savings bond program (Table 1). The Province may review the Ontario Savings Bond Program next year.

BACKGROUND

OSBs were introduced in 1995 and are 100 per cent backed by the Province of Ontario. Since then, approximately $44 billion in OSBs have been sold with about $1.1 billion currently outstanding (amount as of February 28, 2018). The bonds are usually on sale during the first three weeks of June.

The bonds are available for purchase through dealers, banks and credit unions. The 2017 distribution of sales across the various agents was consistent with prior years with dealers accounting for 85 per cent of total sales and banks for 15 per cent of total sales.

Total sales per campaign for the OSBs are as follows:

2017	$ 64 million
2016	$ 127 million
2015	$ 66 million
2014	$ 553 million
2013	$ 445 million
2012	$ 774 million
2011	$ 572 million
2010	$1.147 billion
2009	$1.045 billion
2008	$ 455 million
2007	$1.272 billion
2006	$1.384 billion
2005	$1.832 billion
2004	$1.150 billion
2003	$3.770 billion
2002	$2.615 billion

2001	$4.167 billion
2000	$3.380 billion
1999	$2.049 billion
1998	$1.954 billion
1997	$1.537 billion
1996	$1.034 billion
1995	$1.607 billion
Total	**$44.340 billion**

Table 1: Status of Savings Bond Programs in Canada

Government	**Status**
Federal	Discontinued the Canada Savings Bond Program in 2017
Quebec	Issues savings bonds through Placements Quebec
Manitoba	Discontinued program in 2015
Alberta	Discontinued program in 2010
Saskatchewan	Discontinued program in 2007 (last outstanding issue matured in 2014)
British Columbia	Discontinued program (last outstanding issue matured in 2007)
PEI	N/A
New Brunswick	N/A
Nova Scotia	N/A
Newfoundland and Labrador	N/A

ONTARIO NUCLEAR FUNDS AGREEMENT

CURRENT STATUS

The Province and Ontario Power Generation (OPG) signed the Ontario Nuclear Funds Agreement (ONFA) in March 2002, effective as of April 1, 1999. The Ontario Financing Authority (OFA) manages the implementation of ONFA on behalf of the Province.

The main objective of ONFA is to ensure sufficient funds are available to pay for the future costs of nuclear waste management and nuclear station decommissioning for OPG's current nuclear stations, including the Bruce stations leased to Bruce Power.

ONFA came into force in July 2003 with the creation of two segregated funds, which are jointly managed by OPG and OFA, on behalf of the Province:

- The Decommissioning Segregated Fund (DSF) is to pay for the permanent shut down of nuclear stations, including security and monitoring, used fuel storage during decommissioning, dismantling of stations and site restoration, and storage of low and intermediate level waste.
- The Used Fuel Segregated Fund (UFSF) is to cover costs of dry storage and used fuel after station decommissioning, as well as long-term disposal costs. The UFSF includes the federally mandated "Ontario NFWA Trust" amounts (under the federal Nuclear Fuel Waste Act).

The combined market value of the funds was $4.9 billion when they were formally established in 2003. As of December 31, 2017, the combined market value of the segregated funds had grown to over $21 billion, consisting of about $9.1 billion in the DSF (including a "due to the Province" of about $1.9 billion) and about $12.1 billion in the UFSF (including a "due to the Province" of about $2.5 billion). Net of the "due (to) from Province" amounts, OPG recognises a net value for the ONFA funds of about $16.7 billion on its balance sheet (Table 1).

Role of the Minister of Finance:

ONFA was signed by the Minister of Finance, and the Minister of Finance has responsibility for ONFA, including the following:

- Approving Reference Plans submitted by OPG for cost and liability estimates for plant decommissioning and waste management at least once every five years. The current Reference Plan is effective January 1, 2017.
- Entering into agreements to satisfy the Canadian Nuclear Safety Commission (CNSC) financial guarantee requirements related to OPG's nuclear facilities. This includes providing the CNSC with access (in certain circumstances) to the ONFA segregated funds, or if required, providing a direct provincial guarantee.
- Approving any amendments to ONFA.

BACKGROUND

As part of the April 1, 1999, financial restructuring of the old Ontario Hydro, OPG began to set aside cash in segregated funds and recognize on its financial statements the present value of the incurred nuclear waste management and decommissioning obligations.

In light of the recognition of these obligations, the Province and OPG entered into the ONFA in March 2002. The agreement came into force on July 24, 2003, with an effective date of April 1, 1999.

ONFA has three main goals:

- To ensure sufficient funds are available to pay for costs of nuclear station decommissioning and long-term nuclear waste management (including used fuel and low and intermediate level waste after station shut down),
- To limit OPG's financial exposure to unforeseen increases in the cost of managing used fuel, and
- To permit OPG to satisfy the CNSC's financial guarantee requirements.

Table 1: Historical Segregated Fund Market Values

Fair Market Value ($ millions)	2017	2016	2015	2014	2013
DSF	9,099	8,317	7,834	7,346	6,591
Due (to) Province	(1,933)	(1,477)	(1,285)	(1,100)	(624)
Total Net DSF	7,166	6,840	6,549	6,246	5,967
UFSF	12,087	11,082	10,290	9,562	8,519
Due (to) from Province	(2,529)	(1,938)	(1,703)	(1,429)	(990)
Total Net UFSF	9,558	9,144	8,687	8,133	7,529
Total – Gross	**21,186**	**19,399**	**18,124**	**16,908**	**15,110**
Total - Due (to) from	(4,462)	(3,415)	(2,988)	(2,529)	(1,614)
Total – Net	16,724	15,984	15,136	13,496	13,496

Notes: "Due (to) from Province" amounts reflect the funds position at a certain point in time only and have fluctuated over time as presented in the table. The "Due to Province" amounts are reflected in this way on OPG's financial statements under accounting standards, primarily because of ONFA.

Under ONFA, if there are amounts left in the funds after all the liabilities have been dealt with (projected to be many decades away, up to the 22nd century), then those amounts go to the Province. Under ONFA, the Province provides a rate of return guarantee on a portion of the UFSF. If the actual rate of return on that portion of the UFSF, then OPG records that amount as "Due to Province".

ABORIGINAL LOAN GUARANTEE PROGRAM (ALGP)

CURRENT STATUS

The ALGP is a discretionary, non-entitlement, application-based program that provides loan guarantees to eligible applicants to support Aboriginal equity participation in the renewable energy sector and regulated transmission projects.

The program, as approved by Treasury Board, can provide a loan guarantee of up to 75 per cent of an Aboriginal community's investment in a renewable energy generation or transmission project, to a maximum of $50 million per project. Treasury Board approval of these parameters also allows the OFA to come forward for approvals above $50 million on a case-by-case basis. The total approved program envelope is $650 million.

Nine loan guarantees have been approved to-date, for a total of approximately $250 million. There are active applications for requested loan guarantees totalling over $300 million.

In conjunction with its third party due diligence service providers, the OFA administers the program, performs due diligence on the applications, seeks the necessary approvals from Cabinet (Order in Council) and the Minister of Finance (approval of the conditional offer of the guarantee and execution of the guarantee agreement), and negotiates the final legal agreements.

BACKGROUND

The ALGP was launched in 2009 to facilitate Aboriginal participation in renewable energy infrastructure projects. Eligible investments under the ALGP include key investments in transmission, wind, solar and hydroelectric projects across the province.

Loan guarantee offers are made on a case-by-case basis at the discretion of the Minister of Finance and Cabinet under the authority of section 22 of the *Financial Administration Act* and are disclosed as Contingent Liabilities in Volume 1 of the Public Accounts.

To be eligible for a loan guarantee under the program, projects are required to have:

- Agreements in place to purchase energy in the case of generation projects and regulatory approvals in the case of transmission projects
- Experienced proponents and project partners with track records in construction and operation
- Completion of the OFA's due diligence process
- A corporation that is wholly-owned by the Aboriginal Community which will be the applicant to the program and will take on all aspects of the project, such as signing contracts and entering into partnership agreements

If eligible, applicants could receive ALGP guarantees for up to 75 per cent of the Aboriginal community's equity in a project, to a maximum of $50 million, no earlier than at the point of financial close for the project, after regulatory approvals are in place and at the same time, or after, all other financing is put in place.

FINANCING PUBLIC BODIES

CURRENT STATUS

The OFA is able to provide loans to Ontario public bodies such as colleges, school boards and hospitals, as well as provincial corporations, boards and commissions that are consolidated on the Province's financial statements.

Under this framework, the OFA provided new loans to a number of public bodies in 2017–18, including Ontario colleges and crown corporations totalling $2.4 billion. As at March 31, 2018, the OFA had a total outstanding loan portfolio worth $5.7 billion, for a conservatively estimated saving of nearly $30 million in annual interest costs. Cumulative interest savings since inception of the program in 2007 are in excess of $260 million.

It is estimated that the OFA may provide a further $500 million in long-term loans to public bodies in 2018–19.

BACKGROUND

Higher financing costs of consolidated public bodies, increased demand for financing and the lack of expertise within public bodies led to the establishment of a provincial loan program for public bodies.

Under this framework, the Province, through the OFA, provides short and long-term financing to provincial public bodies. Most of the OFA loans are long-term. The cost of long-term debt of consolidated public bodies is conservatively estimated to be 25 to 75 basis points higher than the Province's cost of funds.

Through this program, the Interest on Debt cost associated with capital projects is transferred to some of the responsible organizations.

Key Framework Components

The key decisions in establishing the framework revolved around what type of financing to provide, which consolidated sectors to lend to and what interest rate to charge.

1. *Long-Term Financing*: The framework focuses on long-term financing and generally leaves administratively intensive short-term financing to financial institutions, except where the Minister of Finance determines there is a significant benefit to the public body or to the Province.

2. *Consolidated Sectors*: The OFA provides financing to sectors where their financial results are consolidated on the Province's balance sheet, including school boards, colleges, hospitals and other public bodies that borrow as crown agents. However, the OFA will generally not lend directly to the electricity sector (except for certain purposes of the Independent Electricity System Operator formerly under the mandate of the Ontario Power Authority prior to their merger), unless otherwise directed by Cabinet, Treasury Board or the Minister of Finance.

3. *Province's Total Cost of Funds or a Proxy Commercial Rate*: The OFA provides financing at either the Province's total cost of funds or a proxy commercial rate, depending on the nature of

the activity and debt repayment capacity of the public body. In some cases the rate charged to the borrower will be similar to the rate that would be charged on the loan by a commercial lender which would reflect the relative risk associated with the loan. The OFA will generally retain the spread, which includes the administrative costs of managing these loans.

GOVERNMENT ASSETS AND INVESTMENTS

The Ontario Financing Authority (OFA) provides financial analysis and advice to the government, ministries and agencies on government assets and investments.

Contributions from Provincially-owned assets can help meet fiscal plan targets or generate additional cash for reinvestment.

As the owner of these assets, the government has a responsibility to ensure that governance of these assets is sound and that optimal contribution to the fiscal plan is pursued.

Three main categories of options are available for potentially increasing the value that an asset delivers to the Province:

- Hold;
- Retain and Improve; and
- Divest.

The Province has a number of significant assets that do or can provide fiscal contributions, such as the following:

- Ownership interests in Government Business Enterprises (GBEs):
    - Ontario Power Generation Inc. (OPG),
    - Liquor Control Board of Ontario (LCBO) (with the Ontario Cannabis Retail Corporation (OCRC) as an LCBO subsidiary),
    - Ontario Lottery and Gaming Corporation (OLG), and
    - Hydro One Limited (Hydro One).
- In 2016–17, the Province reported net income from GBEs of about $5.6 billion, per 2016–17 Public Accounts of Ontario.
- The Province is the sole owner of OPG, LCBO (including OCRC), and OLG, and holds about 47 per cent ownership in Hydro One which is publicly traded on the Toronto Stock Exchange (TSX).

There are a number of other smaller organizations owned by the Province, which provide smaller amounts of revenue, or none in some cases, but which may still hold fiscal opportunities to improve performance or have opportunities to realise value.

The OFA also provides financial analysis and advice on government investments, such as venture capital investments and business supports, including loans and loan guarantees.

BACKGROUND

Options to Optimise Value:

1. Hold: For assets delivering core public services, where performance is excellent and/or non-organic improvement or divesting is not feasible today.

2. Retain and Improve: For assets delivering core public services, where transformation and/or growth would unlock fiscal or policy value. This could include
    - Improving governance and oversight,
    - Modernizing the operating model, through restructuring or outsourcing, and
    - Improving performance by pursuing opportunities for efficiency.

3. Divest: For non-core assets where divesting would allow for the capture of full value or where the government cannot improve performance without significant risk or where changes in society do not justify or require the existence or operation of the asset.

Ontario Financing Authority

April 2018

www.ofina.on.ca

Mandate

The Ontario Financing Authority (OFA) was established by the *Capital Investment Plan Act, 1993*, and performs the following activities:

- Conducts borrowing, investment and financial risk management for the Province of Ontario;
- Manages the Provincial debt;
- Provides financial and centralized cash management services for the Province;
- Advises ministries, Crown agencies and other public bodies on financial policies and projects;
- Assists Crown agencies and other public bodies to borrow and invest money;
- Lends to certain public bodies at the direction of the Province;
- Invests on behalf of some public bodies;
- With Ontario Power Generation Inc. (OPG), manages the investment activities of OPG's Used Fuel Segregated Fund and Decommissioning Segregated Fund; and
- Carries out the day-to-day operations of Ontario Electricity Financial Corporation (OEFC) and provides a broad range of financial services to Ontario Infrastructure and Lands Corporation (Infrastructure Ontario).

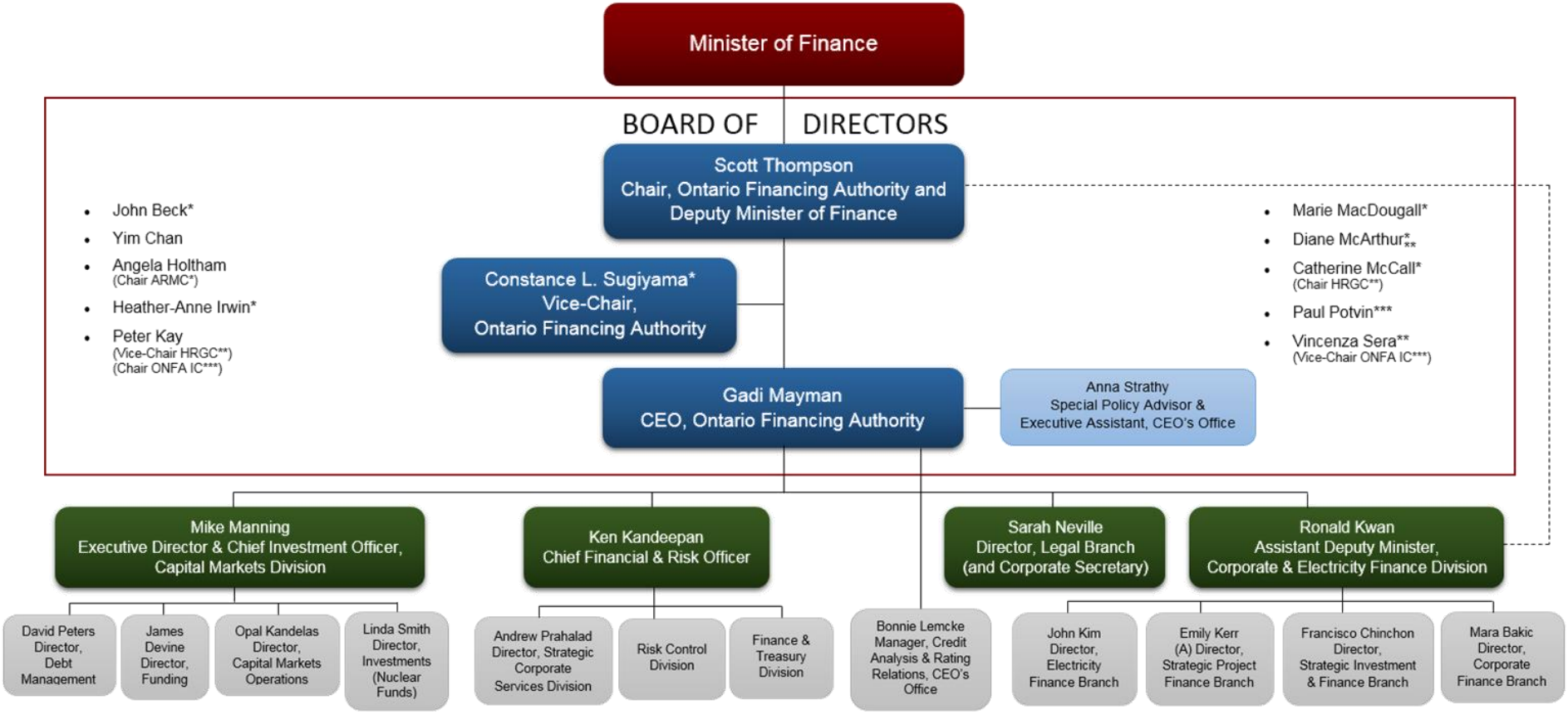
OEFC

Since April 1, 1999, pursuant to a directive from the Minister of Finance, the OFA has conducted borrowing and related debt and risk management activities, cash management, banking, accounting, financial reporting, forecasting and other related activities on a cost-recovery basis for the OEFC.

The OFA is also responsible for the corporate governance of OEFC.

Corporate Governance & Organizational Structure

- The OFA is an agent of the Crown and is classified by Management Board of Cabinet as an operational enterprise agency.
- Corporate governance at the OFA involves processes that permit the effective supervision and management of the OFA's activities by the Minister of Finance, Board of Directors and Senior Management.



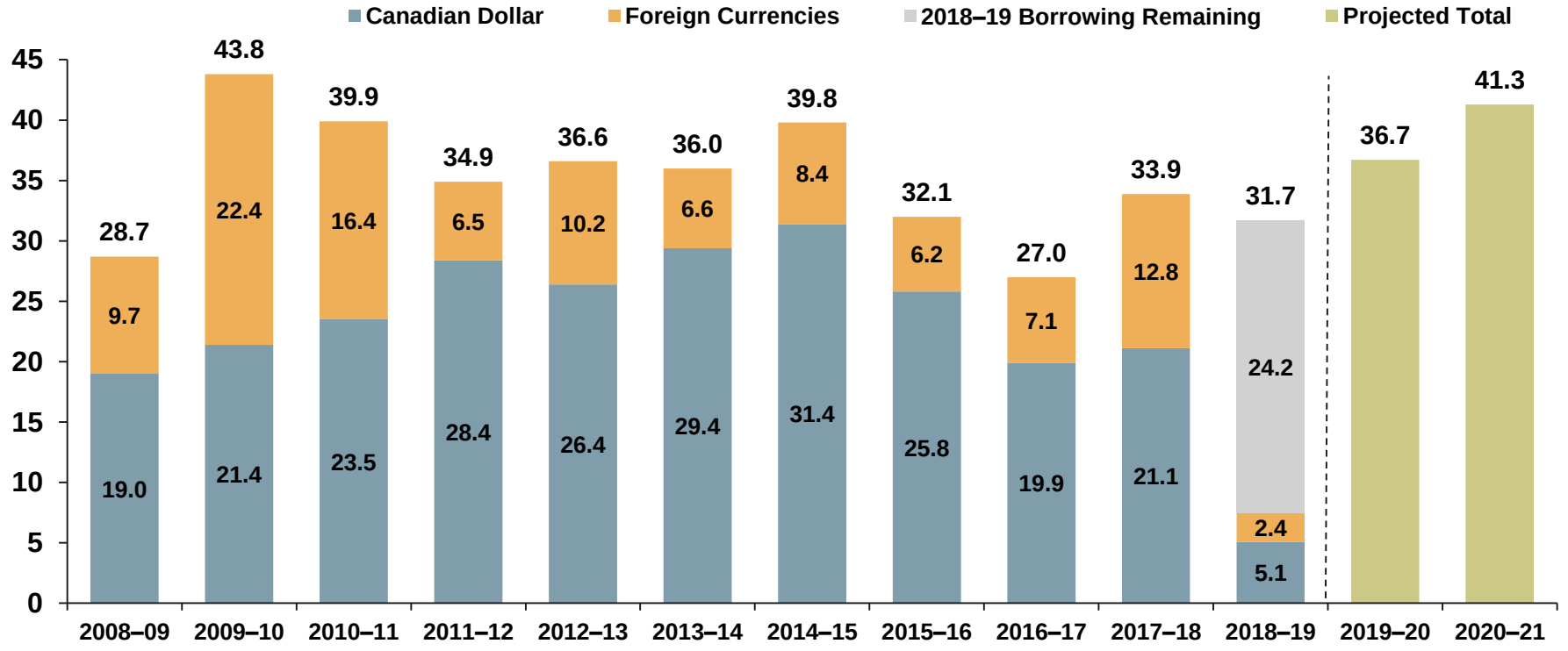
* ARMC = Audit & Risk Management Committee
** HRGC = Human Resources & Governance Committee
*** ONFA IC = Ontario Nuclear Funds Agreement Investment Committee

Note: As of April 20, 2018.

Domestic and International Borrowing

- Funding requirements must be met to allow the Province to pay its bills and meet its financial obligations.

Total Long-Term Borrowing
($ Billions)



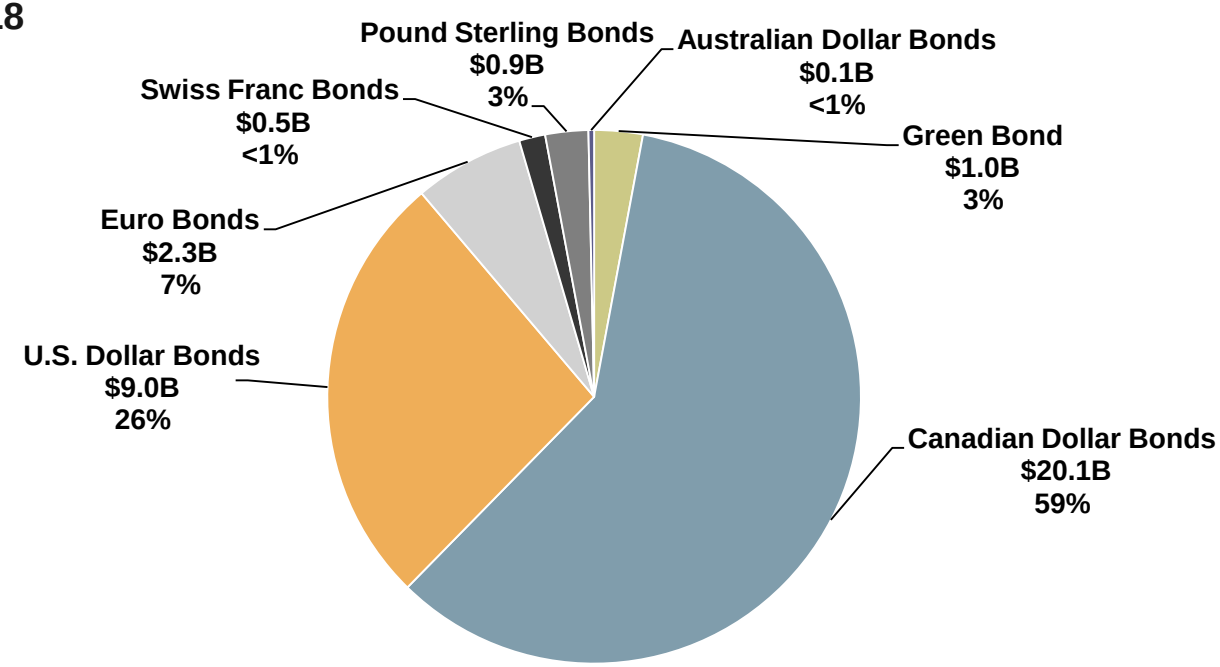
	2008–09	2009–10	2010–11	2011–12	2012–13	2013–14	2014–15	2015–16	2016–17	2017–18	2018–19	2019–20	2020–21
Foreign	34%	51%	41%	19%	28%	18%	21%	19%	27%	38%	32%	–	–
Domestic	66%	49%	59%	81%	72%	82%	79%	81%	73%	62%	68%	–	–

Note: As of April 27, 2018. Numbers may not add due to rounding.
Source: Ontario Financing Authority.

2017–18 Borrowing Completed: $33.9 Billion

- The Province completed its annual borrowing program of $33.9 billion in 2017–18, including $11.5 billion pre-borrowed for 2018–19.
- The Province regularly accesses borrowing opportunities in currencies other than Canadian dollars to relieve pressure on the domestic bond market. This helps reduce Ontario's overall borrowing costs and ensures that the Province will continue to have access to capital if domestic market conditions become more challenging.

As of March 31, 2018



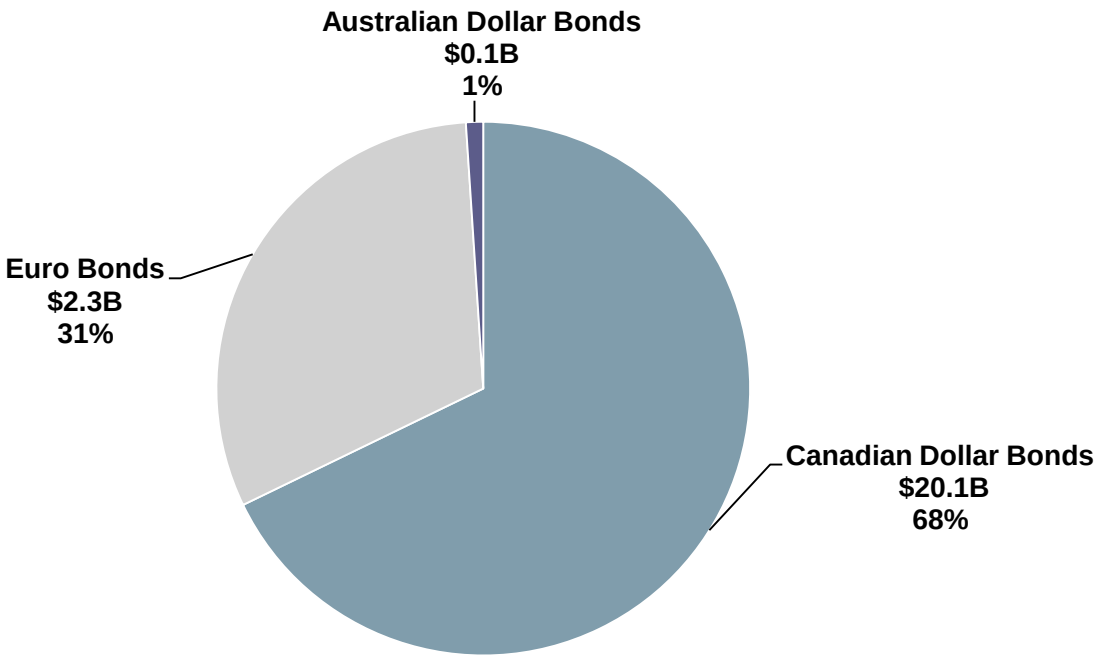
2017–18 Total Borrowing Requirement:	**$33.9B**
Domestic:	**62%**
International:	**38%**
Average Term:	**12.1 years**

Note: Numbers may not add due to rounding.

2018–19 Borrowing Completed: $7.5 Billion

- As outlined in the *2018 Budget*, the Province's total long-term public borrowing requirement for fiscal 2018–19 is currently forecast to be $31.7 billion.

As of April 27, 2018



2018–19 Total Borrowing Requirement:	**$31.7B**
2018–19 Total Borrowing Completed:	**$7.5B**
Domestic:	**68%**
International:	**32%**
Average Term:	**10.4 years**

Note: Numbers may not add due to rounding.

Credit Ratings

- The OFA maintains close relationships and ongoing dialogue with credit rating agencies throughout the year to keep them apprised of the government's financial status, policies and initiatives, and to ensure these are accurately reflected in the agencies' ratings and reports.
- Rating Agencies typically release their reports on the Province following the release of the Ontario Budget.
- A downgrade to the Province's credit ratings would result in higher interest rates on Ontario debt. Lower ratings could also lessen the number of investors able to buy Ontario bonds, or lower the amount of Ontario debt that each investor is allowed, by their internal limits, to hold.
- Ontario currently maintains a double A rating with three of the four agencies:

Rating Agencies	Long-term Rating	Short-term Rating	Outlook
Moody's	Aa2 (N)	P-1	negative
FitchRatings	AA-	F1+	stable
DBRS	AA (low)	R-1 (mid)	stable
Standard & Poor's	A+	A-1	stable

Key Debt Ratios

Rating agencies use a number of key debt ratios when assessing Ontario's rating:

- Deficit-to-Revenue
- After-Capital Deficit-to-Revenue
- Net Debt-to-GDP
- Net Debt-to-Revenue
- Interest on Debt-to-Revenue

Measuring Debt

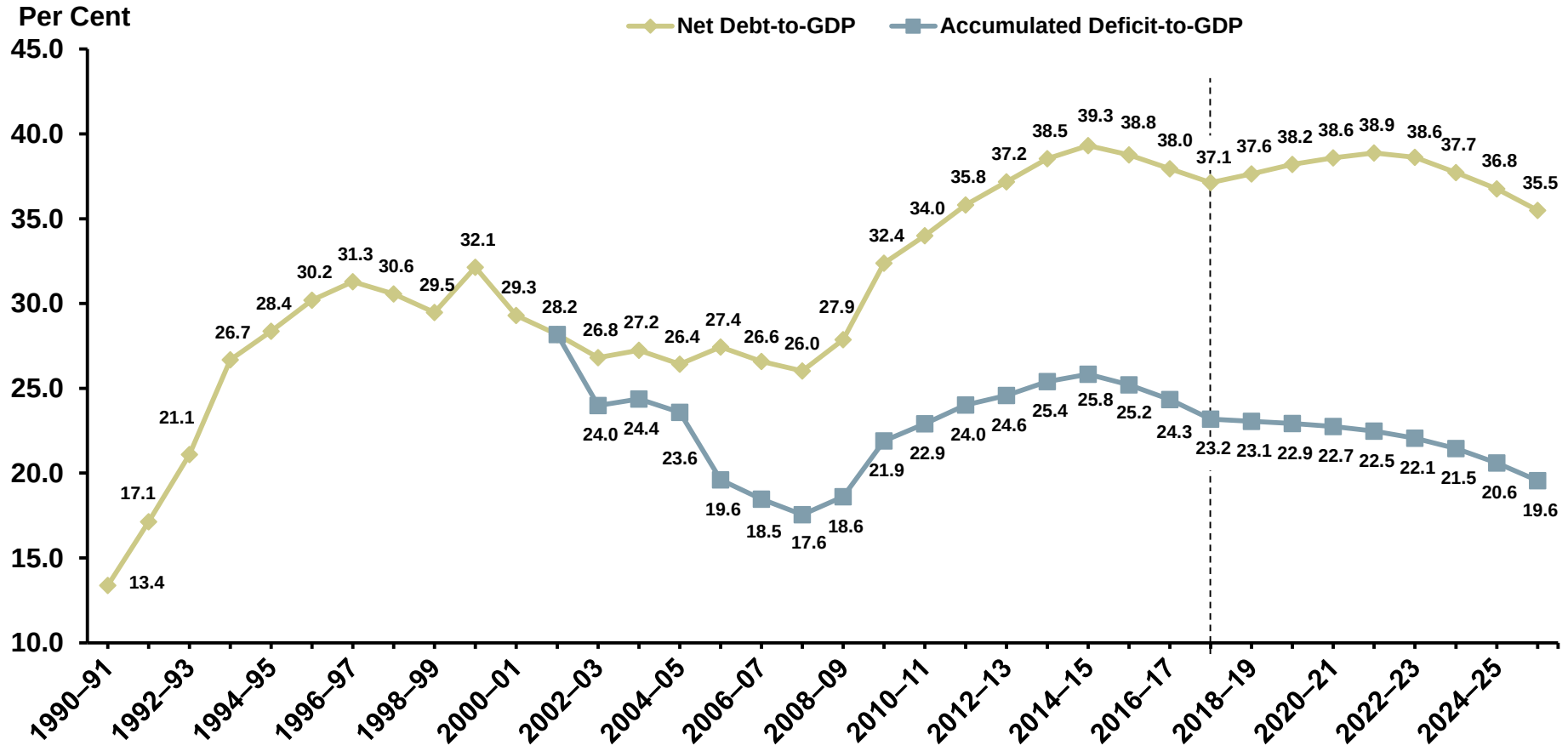
- Definitions of debt:
  - **Net Debt** is the Accumulated Deficit plus Net Investments in Capital Assets
  - **Accumulated Deficit** is the sum of all deficits and surpluses since Confederation
  - **Total Debt** is the full amount of outstanding debt the government has on its books
- Financial markets use Net Debt as their primary measure because it represents the Province's future revenue requirements to pay for past transactions and events.
- Accumulated Deficit and Net Debt were equal until 2001–02 when the accounting treatment changed to allow amortization of capital assets.
- Borrowing creates an obligation that has to be repaid in the future, which allows for lower taxes and sustained services today at the expense of lower services and/or higher taxes in the future.

Province's Debt History

($ Millions)	Outlook 2018–19	Interim 2017–18	2016–17	2015–16	2014–15	2013–14	2012–13	2011–12	2010–11	2009–10
Net Debt	325,041	308,203	301,648	295,372	285,403	267,968	252,823	236,230	214,511	193,589
Interest on Debt	12,543	11,965	11,709	11,589	11,221	11,155	10,878	10,587	10,005	9,119
Accumulated Deficit	199,153	192,449	193,510	192,029	187,511	176,634	167,132	158,410	144,573	130,957

Net Debt-to-GDP and Accumulated Deficit-to-GDP

- Ontario's net debt-to-GDP ratio peaked in 2014–15 at 39.3 per cent and is now forecast at 37.1 per cent in 2017–18, below the forecast of 37.5 per cent for 2017–18 contained in the *2017 Budget.*
- The net debt-to-GDP ratio is forecast to remain below the 2014–15 peak and resume a downward trend in 2022–23.

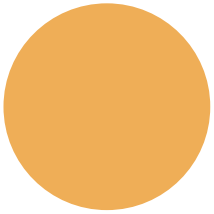


Note: Net Debt has been restated to include broader public sector net debt, starting in 2005–06.
Sources: Statistics Canada and Ontario Ministry of Finance.

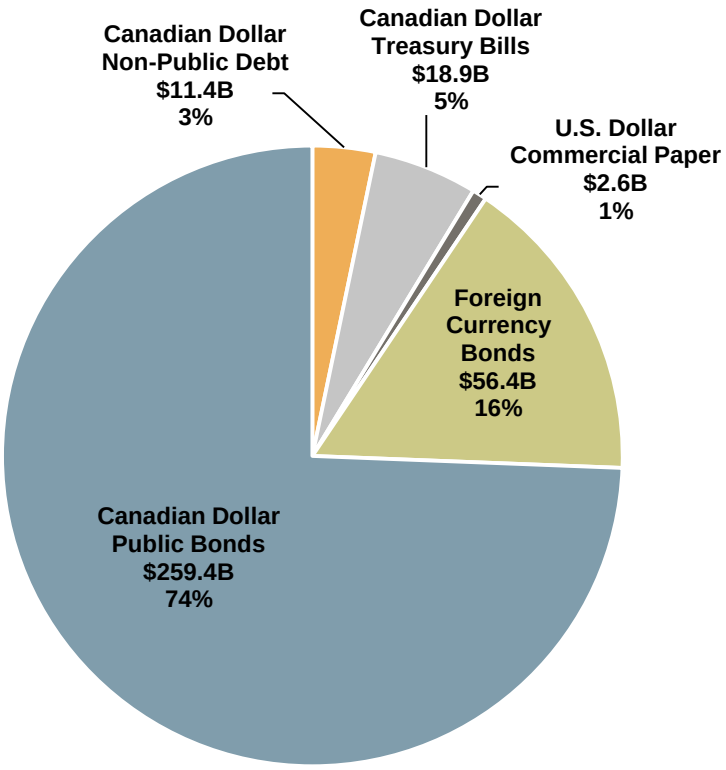
Total Debt Composition

- The Province's total debt is projected to be $348.8 billion as at March 31, 2018. The financial assets of the Province totalled $40.6 billion, bringing net debt to $308.2 billion.

Financial Assets
$40.6 Billion



Total Debt Outstanding
$348.8 Billion



Debt Outstanding by Currency

Currency	Debt Outstanding
Canadian Dollar Public Debt	$278.3B
Canadian Dollar Non-Public Debt	$11.4B
U.S. dollars	$40.4B
Euros	$13.6B
Swiss francs	$2.2B
Australian dollars	$1.5B
Pound Sterling	$0.9B
Japanese yen	$0.5B

Canadian Dollar Public Bonds
- Syndicated Bonds
- Medium-term Notes
- Floating rate Notes
- Ontario Savings Bonds
- Bond Auctions
- Real Return Bonds
- Green Bonds

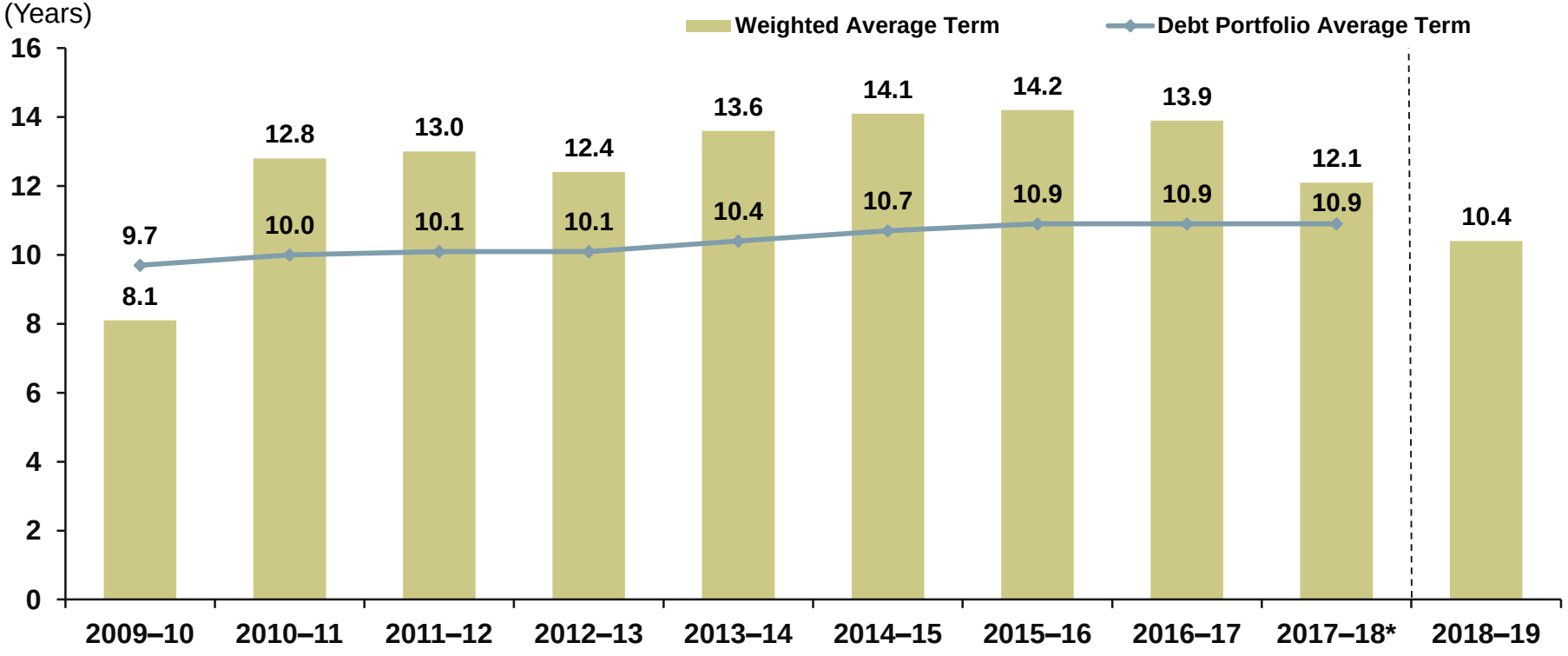
Note: Projected to March 31, 2018. Numbers may not add due to rounding.
Source: Ontario Financing Authority.

Weighted-Average Term of Borrowing

- Maintaining a long average term of the Province's debt portfolio ensures low interest rates remain locked in for a longer period. This reduces refinancing risks and helps offset the impact of expected higher interest rates on the Province's future interest on debt costs.
- Going back to the beginning of fiscal 2010–11, Ontario has issued $71.3 billion of bonds with terms longer than 30 years to lock in low interest rates.

As of April 25, 2018

Average Term
(Years)



*Debt Portfolio Average Term as at December 31, 2017.
Source: Ontario Financing Authority

Risk Exposure and Management

Risk Exposures

- **Market Risk:** risk of loss due to changes in interest and foreign exchange rates
- **Credit Risk:** risk of loss due to default of issuers, dealers, or derivatives counterparties
- **Operational Risk:** risk of loss due to failed models, systems, processes, people, etc.

Risk Management

- Monitor and manage debt maturity profile to limit refinancing risk
- Maintain a high level of liquid reserves and short term borrowing capacity
- Enforce strict credit limits for financial and investment counterparties
- Have collateralized swap agreements in place for most swap counterparties

	Exposure*	Policy Limit*
Foreign Exchange	0.2%	5.0%
Net Interest Rate Resetting	10.9%	35.0%

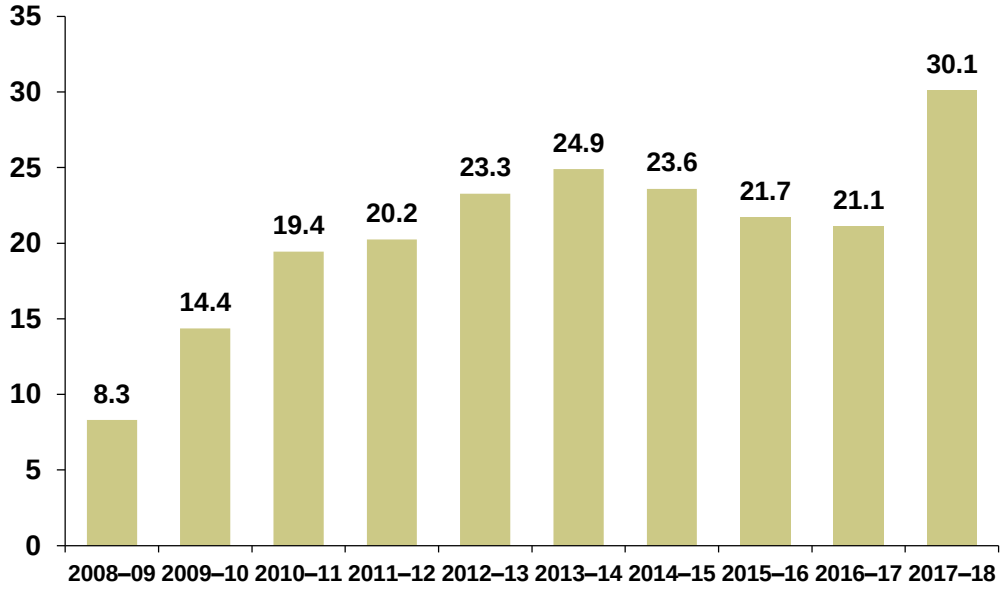
*Of outstanding debt, as of March 31, 2018.

Note: Excludes Ontario Electricity Financial Corporation debt.

Liquidity and Short-Term Borrowing Capacity

- The OFA manages the Province's liquid reserve portfolio (cash and short-term investments) to optimize investment returns and to ensure that sufficient funds are available to meet cash requirements.
- Starting in 2019–20, the Province will have large cash outflows on single days, rather than having debt maturities spread more evenly through the year. In anticipation of the need for cash reserves to meet these requirements for large outflows on a single day, the Province began building larger cash reserves in 2017–18.

Average Unrestricted Liquid Reserve Levels
($ Billions)



Note: As of March 31, 2018

($ Billions)	C$ T-Bill Program	U.S.$ Commercial Paper Program	Total
Currency	Canadian Dollars	U.S. Dollars	–
Maturity	1 day-3 years*	1-270 day(s)	–
Authorized	C$33.0	C$15.0	C$48.0
Outstanding	C$18.0	C$3.8	C$21.8
Available	C$15.0	C$11.2	C$26.2

**Regular issuance of 3M, 6M and 1Y T-Bills*
Note: As of March 31, 2018. Numbers may not add due to rounding.

Source: Ontario Financing Authority.

Ontario Electricity Financial Corporation

OEFC is one of five successor corporations to the former Ontario Hydro established by the *Electricity Act, 1998* as part of the restructuring of the former Ontario Hydro. OEFC is the legal continuation of the former Ontario Hydro.

- OEFC is an agent of the Crown and is classified by Management Board of Cabinet as a board-governed provincial agency.
- OEFC has no staff of its own and retains the services of the OFA to carry out its daily operations on a cost-recovery basis. In addition, the Office of Tax, Benefits and Local Finance of the Ministry of Finance collects certain payments on behalf of OEFC (e.g., PILs, GRC, and, for amounts owing for the period to March 31, 2018, DRC revenues).

OEFC Mandate:

- Managing its debt, financial risks and liabilities, including the debt and certain other liabilities of the former Ontario Hydro;
- Managing the former Ontario Hydro's non-utility generator (NUG) contracts;
- Receiving all payments and administering other assets, liabilities, rights and obligations of the Corporation that were not transferred to another of the former Ontario Hydro successor corporations and disposing of any of these items as it deems appropriate or as directed by the Minister of Finance;
- Providing financial assistance to the successor corporations of Ontario Hydro;
- Entering into financial and other agreements relating to the supply and demand management of electricity in Ontario; and
- Performing any additional objects specified by the Lieutenant Governor in Council.

Ontario Nuclear Funds Agreement

- In March 2002, the Province and OPG signed the Ontario Nuclear Funds Agreement (ONFA).
- ONFA's objective is to ensure sufficient funds are available to pay for the future costs of decommissioning nuclear stations and disposing of nuclear waste and used fuel.
- ONFA came into force in July 2003 with the creation of two segregated funds, the Decommissioning Segregated Fund and the Used Fuel Segregated Fund, which are jointly managed by OPG and OFA, on behalf of the Province.
  - The combined market value of the funds was $4.9 billion when they were formally established in 2003. As of December 31, 2017, the combined market value of the segregated funds had grown to over $21 billion.

As of December 31, 2017	Market Value ($ Millions)	Combined Market Value ($ Millions)
Used Fuel Segregated Fund	$12,087	$21,186
Decommissioning Segregated Fund	$9,099	

- The OFA has responsibility for implementing certain portions of the Province's role under ONFA. This involves:
  - Due diligence on ONFA Reference Plan (which is subject to Provincial approval by the Minister of Finance) on cost and liability estimates and related submissions from OPG.
  - Due diligence and approval on ONFA Annual Budgets, and subsequent review of disbursement requests from OPG, that require approval by the Province under ONFA.
  - Due diligence on OPG's financial guarantee to the Canadian Nuclear Safety Commission (CNSC), as well as on any direct provincial guarantee to the CNSC when required to support of OPG's financial guarantee to the CNSC.
  - Determining and implementing investment management strategies and monitoring investment performance together with OPG.
  - Policy analysis and advice on and monitoring of regulatory and technological changes that may affect OPG's and the Province's liabilities with respect to the of nuclear decommissioning and waste management.

Loans and Investments for Public Bodies

Loans

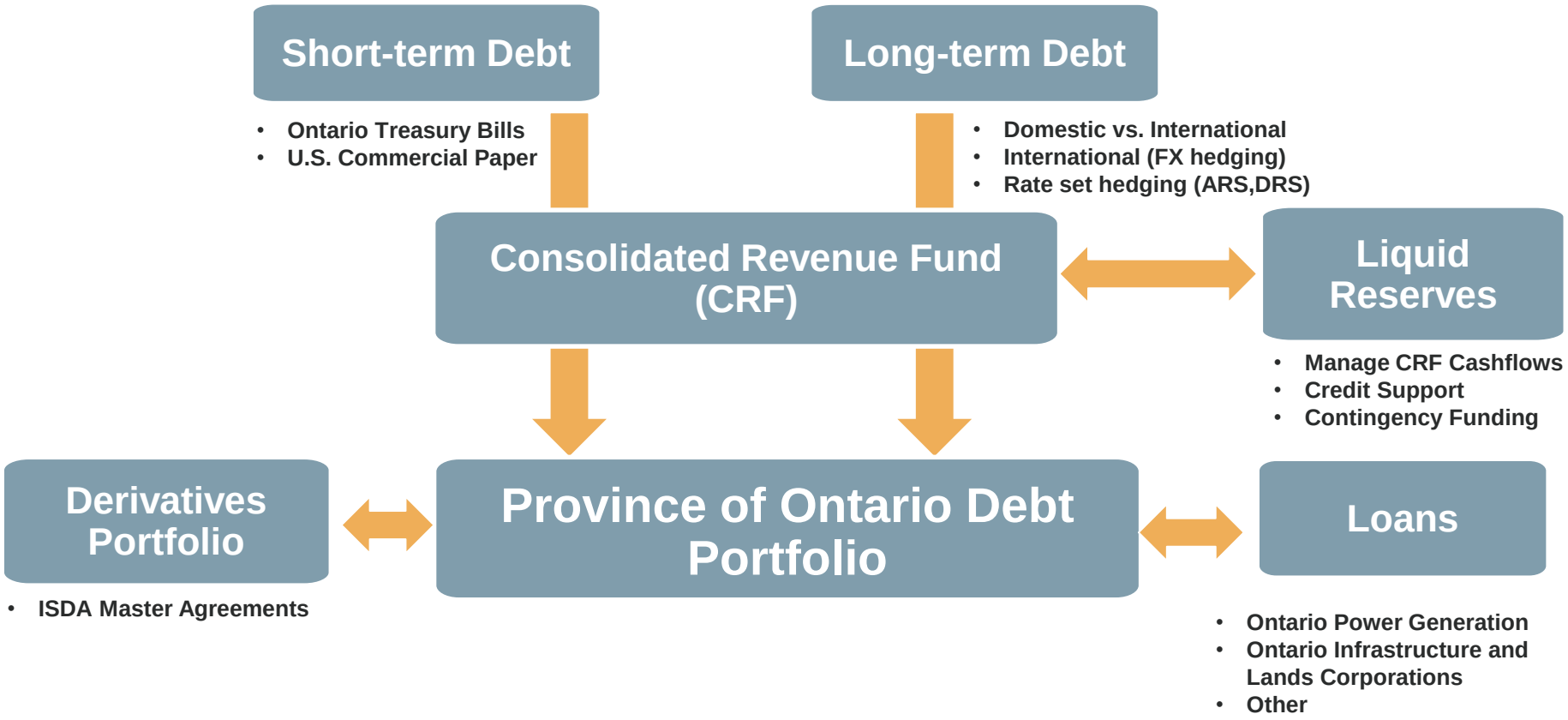
- The OFA is able to provide loans to Ontario public bodies such as colleges, school boards and hospitals, as well as provincial corporations, boards and commissions that are consolidated on the Province's financial statements.
- The OFA provided new loans to a number of public bodies in 2017–18, totalling $2,427 million.
- The outstanding balance of the loans to public bodies at March 31, 2018 was $5,742.6 million, a net decrease of $260 million from $6,002.8 million at March 31, 2017.

Investments

- The OFA also invests on behalf of certain public bodies to help increase their returns by streamlining investment processes and reducing investment costs.
- In 2017–18, the OFA continued to provide investment services to a number of public bodies, including Infrastructure Ontario, the Pension Benefits Guarantee Fund, Ontario Trillium Foundation, Ontario Capital Growth Corporation and the Deposit Insurance Corporation of Ontario. As of March 31, 2018, total funds managed were approximately $2.2 billion.

Appendix

Borrowing Flowchart



Investor Relations
Ontario Financing Authority
1 Dundas Street West, Suite 1200
Toronto, Ontario M5G 1Z3
Canada

Telephone: (416) 325-8000

Visit www.ofina.on.ca & subscribe to our email alert service to receive the latest province of Ontario updates

Ongoing Borrowing Program and Credit Ratings

Decisions/actions required in the first 90 days after an election

Issue

Continued access to the capital markets is essential for the Province to complete its $31.7 billion borrowing program for this year. These funding requirements must be met to allow the Province to pay its bills and meet its financial obligations.

Current Status

- The Province's total long-term public borrowing program was forecast in the *2018 Budget* as $31.7 billion for the current fiscal year, $36.7 billion in 2019-20, and $41.3 billion in 2020-21. Of this $110 billion borrowing requirement over the next three years, approximately $75 billion is to refinance maturing debt, $32 billion to finance investments in infrastructure and $20 billion to finance deficits. These amounts add up to more than $110 billion with the difference primarily because the Ontario Financing Authority (OFA) prefunded almost $12 billion of 2018-19's requirements last fiscal year, thereby reducing this year's borrowing.

- In order for the Province to continue issuing bonds to complete its borrowing program effectively and within the rules laid out by securities regulators, the OFA must be made aware of the planned release of the government's key reports (including the Ontario Budget, Quarterly Finances, etc.) and any additional material announcements.

- In advance of a public announcement or government report, the Province voluntarily imposes a trading blackout period where it refrains from issuing bonds. This is done in order to help mitigate the risk of non-compliance with legal and regulatory requirements. The uncertainty of a report release date can affect the length of a blackout period. Knowledge of the timing of these reports and announcements ensures bond issues are not launched immediately in advance of these releases.

- As an example, the *2018 Budget* was presented to the Legislative Assembly of Ontario on March 28, 2018. Prior to its release, the Province was in a 30 day blackout period from issuing debt.

- Public announcements or statements by the government can also have an impact on investors' perceptions of the $308.2 billion of net debt that the Province has outstanding. This could lead to a change in the spread (or interest cost) that the Province has to pay over Government of Canada bonds and raise our Interest on Debt.

- As well as investors, credit rating agencies will be watching carefully for any comments from the government about the fiscal plan. For example, comments about a deterioration in the fiscal deficit or longer path to balance could impact the Province's credit ratings.

- A downgrade to the Province's credit ratings would result in higher interest rates on Ontario debt. Lower ratings could also lessen the number of investors able to buy Ontario bonds, or lower the amount of Ontario debt that each investor is allowed, by their internal limits, to hold.

- For 2018–19, the impact of a one percentage point change in interest rates on interest on debt is approximately $300 million.

Recommendation

In order for the Province to be able to issue bonds to meet its financial obligations and continue to access capital markets, the government should announce its high level policy and fiscal objectives and confirm the expected timing of the release of its key reports and/or material announcements.

Background

- The Province has a number of bond issuance programs – Domestic Medium Term Note (DMTN), Euro Medium Term Note (EMTN), Australian Debt Issuance, U.S. Medium-Term Note (USMTN) and Global shelf — all of which require continuous disclosure of the Province's key reports via "due diligence" calls with the underwriters and regulatory filings.

- The OFA maintains close relationships and ongoing dialogue with credit rating agencies throughout the year to keep them apprised of the government's financial status, policies and initiatives, and to ensure these are accurately reflected in the agencies' ratings and reports. Ontario currently maintains a double A rating with three of the four agencies.

Contact:

Name: Gadi Mayman
Title: CEO, Ontario Financing Authority
Ministry: Ministry of Finance
Phone: (416) 325-8001

Minister of Finance Specimen Signature

Decisions/actions required in the first 90 days after an election

Issue

The specimen signature of a newly appointed Minister of Finance is required to create a facsimile signature that will be reproduced on cheques and written authorizations when payments are made from the Consolidated Revenue Fund (CRF). The specimen signature will also be used to produce a signature stamp that can be applied mechanically to securities instruments issued by the Province. Delays in obtaining the specimen signature could result in payment disruptions.

Recommendation

Subsequent to the appointment of a new Minister, arrangements must be made as soon as possible to obtain the specimen signature of the Minister to create a facsimile signature and a signature stamp. As in the past, the Ontario Financing Authority (OFA) relies on the Minister's Office to coordinate a timely in-person meeting with the Minister for this purpose, during which OFA staff will provide the appropriate signature forms.

Background

Subsection 11(1.1) of the Financial Administration Act (the "FAA") requires that every cheque and written authorization making a payment out of the CRF be signed by both the Minister and either the Deputy Minister or a person authorized by the Minister. Currently the OFA's Chief Executive Officer and the Chief Financial and Risk Officer are authorized for this purpose.

Subsection 11(2) of the FAA permits the Minister to authorize use of facsimile signatures on cheques as well as written authorizations.

The previous Ministerial authority for making payments out of the CRF, as well as for issuing securities instruments, remains in effect when a new Minister is appointed. However, the signature of the new Minister must be obtained as soon as possible for use on cheques, written authorizations and securities instruments.

Contact:

Name: Gadi Mayman
Title: CEO, Ontario Financing Authority
Ministry: Ministry of Finance
Phone: (416) 325-8001

From: Opal Kandelas
To: Sarah Harris
Subject: RE: Proposal for Province of Ontario "s testimony for our new website
Date: Thursday, December 15, 2016 11:17:45 AM

Thanks for this. I'll send out the following. Did we recommend the LuxSE to financial companies?

1) Why did you decide to list at LuxSE ?

Starting in approximately 2010, the Province started to experience difficulties and inconsistencies with the application process for listing its bonds ~~on the EU-regulated stock exchange it was using at that time~~. This led to unexpected, lengthy delays in listing the Province's bonds, resulting in significantly increased costs and resources allocated to the listing application process.

In 2012, the Province learned that other prominent sovereign issuers had chosen to list their bonds on the Euro MTF market. This impelled the Province to explore the possibility of listing its bonds with LuxSE.

The LuxSE presented the Province with a viable option for listing its bonds that was more efficient and timely, and less costly.

2) What aspect of your experience with us stands out most?

Promptness - The LuxSE Prospectus Approval Officers act professionally and promptly respond to questions. The time taken to review the prospectus for the issued bond is approximately 3 business days. Importantly, the Province has not been delayed in listing a bond on the date which it specifies in its prospectus approval form. The LuxSE invoice is sent to us on the closing date of the bond to affirm listing the following business date.

3) Would you recommend LuxSE to anyone and why?

Given the positive experience dealing with LuxSE, the Province would recommend LuxSE to other sovereign and financial companies.

4) What is LGX adding to your green visibility and commitment to transparency? Is it helping your communication to investors?

The Province of Ontario has led the way for Green Bond issuance in Canada, as the first Canadian province to issue a Green Bond (with a first Green Bond issued in 2014, and a second issued in 2016).
We have developed extensive Green Bond materials for investors and always look for platforms that allow us to achieve the greatest investor reach.
By having our Green Bonds listed on the LGX, we hope to attract new investors to our Green Bond issues and further diversify our investor base.

From: Sarah Harris
Sent: Wednesday, December 14, 2016 12:56 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: Proposal for Province of Ontario 's testimony for our new website

Hi Opal,

Please let me know if you want more or changes. The answers are made to be fairly 'generic', while adding enough detail.

Sarah

From: Opal Kandelas
Sent: Wednesday, December 07, 2016 8:45 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: FW: Proposal for Province of Ontario 's testimony for our new website

Hi Sarah,

Could you please have someone from your group prepare answers to questions 1-3 below. There is a summary of the benefits for moving from the UKLA to the Lux in the e-file, which should make light work of it. Also fine to add anything positive from our recent interaction as well. Come to think of it, I don't think there is even one downside to moving, but let me know if that is not correct for my own information – wouldn't want to include that in the answers. Impose whatever timeline you feel is reasonable.

Thanks,
Opal

From: CAPRIOLI Chiara [mailto:CCA@bourse.lu]
Sent: Monday, December 05, 2016 5:26 AM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Cc: REDA - JAKIMA Zuzanna <zrj@bourse.lu>; YASSIN Yusuf <yya@bourse.lu>
Subject: Proposal for Province of Ontario 's testimony for our new website

Hi Opal,

I hope this email finds you well since our contact at the launch of LGX.

If it's not too much trouble I was wondering if you could help us out.

Our marketing team is working on a new website and they would wish to include a written testimony from a few close partners. Seeing as your group stands out as a green bond issuer and as you also know our LGX business, would you allow for them to get in contact with you?

The aim of the testimony is to showcase the benefits of listing on our stock exchange from your peculiar perspective, but also to provide a fair and balanced account of your own experience with us.

The questions they want to ask are :

1) Why did you decide to list at LuxSE ?

Starting in approximately 2010, the Province started to experience difficulties and inconsistencies with the application process for listing its bonds ~~on the EU-regulated stock exchange it was using at that time~~. This led to unexpected, lengthy delays in listing the Province's bonds, resulting in significantly increased costs and resources allocated to the listing application process.

In 2012, the Province learned that other prominent sovereign issuers had chosen to list their bonds on the Euro MTF market. This impelled the Province to explore the possibility of listing its bonds with LuxSE.

The LuxSE presented the Province with a viable option for listing its bonds that was more efficient and timely, and less costly.

2) What aspect of your experience with us stands out most?

Promptness - The LuxSE Prospectus Approval Officers act professionally and promptly respond to questions. The time taken to review the prospectus for the issued bond is approximately 3 business days. Importantly, the Province has not been delayed in listing a bond on the date which it specifies in its prospectus approval form. The LuxSE invoice is sent to us on the closing date of the bond to affirm listing the following business date.

3) Would you recommend LuxSE to anyone and why?

Given the positive experience dealing with LuxSE, the Province would recommend LuxSE to other sovereign and financial companies.

4) What is LGX adding to your green visibility and commitment to transparency? Is it helping your communication to investors?

If you have time to answer these questions my colleagues (copied) can schedule a call and you can reply over the phone. Alternatively feel free to reply to any or all of these questions by written.

Grazie mille et a presto.
Chiara

Chiara Caprioli | Business Development Manager
T +352 47 79 36 417 | **M** +352 621 153 327 **|** cca@bourse.lu
Luxembourg Stock Exchange | BP 165 - L-2011 Luxembourg | www.bourse.lu[bourse.lu]

****

NOTICE

Electronic messages are not secure, error free, and can contain viruses or may be delayed; the sender is not liable for any of these occurences.
The information contained in this electronic message and any attachments (the "Message") is intended for one or more specific individuals or entities, and may be confidential, proprietary, privileged or otherwise protected by law. Access to or use of this Message by anyone else is unauthorized.
If you have received this Message in error, please notify the sender immediately and delete it from your system. Any unauthorised use, dissemination, forwarding, printing or copying of this message is prohibited.
Any views expressed in this Message are solely those of the individual sender, except where the sender specifically states them to be the views of the Luxembourg Stock Exchange, or Fundsquare, or any other subsidiary of the Luxembourg Stock Exchange.
End of disclaimer
****

From:	Hanslep, Malle (MOF)
To:	Anis Hirani; Mike Manning; Carlos Yep; Ken Kandeepan; Opal Kandelas; Tobias P. Whitfield (MOF); Veinot, Cindy (TBS); Scott Nelms (ENERGY); Montgomery, Kaitlin (MOF); John Kim; Bruno Amara
Cc:	Martine Bell; Angie Georgakakos
Subject:	RE: Provincial Guarantees
Date:	Friday, June 02, 2017 11:38:12 AM

Thanks all. Is this meeting to be with Steve Ashbourne (Blakes) as well as Energy Legal (Tom McKinlay, Carolyn Calwell)?

-----Original Appointment-----
From: Anis Hirani [mailto:Anis.Hirani@ofina.on.ca]
Sent: June 2, 2017 11:36 AM
To: Manning, Mike (OFA); Yep, Carlos (OFA); Kandeepan, Ken (OFA); Kandelas, Opal (OFA); Whitfield, Tobias P. (MOF); Hanslep, Malle (MOF); Veinot, Cindy (TBS); Nelms, Scott (MOF); Montgomery, Kaitlin (MOF); Kim, John (OFA); Bruno Amara
Cc: Bell, Martine (OFA); Georgakakos, Angie (OFA)
Subject: Provincial Guarantees
When: June 7, 2017 2:00 PM-3:30 PM (UTC-05:00) Eastern Time (US & Canada).
Where: Boardroom Exec - 1 Dundas Street West, Suite 1400

Attendees

Mike Manning
Carlos Yep
Ken Kandeepan
Opal Kandelas
John Kim
Bruno Amara
Ronald Kwan

MOF Legal

Malle Hanslep
Tobias Whitfield

OPCD

Cindy Veinot

Energy

Scott Nelms
Kaitlin Montgomery

Contact: Anis Hirani (416) 325-5890

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From:	Whitfield, Tobias P. (MOF)
To:	Anis Hirani; Mike Manning; Carlos Yep; Ken Kandeepan; Opal Kandelas; Malle Hanslep (MOF); Veinot, Cindy (TBS); Scott Nelms (ENERGY); Montgomery, Kaitlin (MOF); John Kim; Bruno Amara; Tom McKinlay (MAG); stephen.ashbourne@blakes.com
Cc:	Martine Bell; Angie Georgakakos; Carolyn Calwell (MCSS)
Subject:	RE: Provincial Guarantees
Date:	Tuesday, June 06, 2017 3:11:26 PM
Attachments:	FHP - Guarantee term sheet high level issues list - June 2.docx

In preparation for tomorrow's meeting please find attached a summary of issues with the draft term sheet, developed in conjunction with Energy Legal and based in part on our conversation with the Province's external counsel, Blakes.

Regards
Toby

Tobias Whitfield
Counsel, Legal Services Branch
Ministry of Finance
tobias.whitfield@ontario.ca
Phone: 416-325-1456

-----Original Appointment-----
From: Anis Hirani [mailto:Anis.Hirani@ofina.on.ca]
Sent: June 2, 2017 11:36 AM
To: Anis Hirani; Manning, Mike (OFA); Yep, Carlos (OFA); Kandeepan, Ken (OFA); Kandelas, Opal (OFA); Whitfield, Tobias P. (MOF); Hanslep, Malle (MOF); Veinot, Cindy (TBS); Nelms, Scott (MOF); Montgomery, Kaitlin (MOF); Kim, John (OFA); Bruno Amara
Cc: Bell, Martine (OFA); Georgakakos, Angie (OFA)
Subject: Provincial Guarantees
When: June 7, 2017 2:00 PM-3:30 PM (UTC-05:00) Eastern Time (US & Canada).
Where: Boardroom Exec - 1 Dundas Street West, Suite 1400

Attendees

Mike Manning
Carlos Yep
Ken Kandeepan
Opal Kandelas
John Kim
Bruno Amara
Ronald Kwan

MOF Legal

Malle Hanslep
Tobias Whitfield

OPCD

Cindy Veinot

Energy

Scott Nelms
Kaitlin Montgomery

Contact: Anis Hirani (416) 325-5890

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

Confidential and Privileged Legal Advice

The below note is a summary of preliminary concerns with the draft term sheet for a Provincial Support Agreement (the "Guarantee") raised by MOF LSB, Ministry of Energy LSB and the Province's outside counsel, Blakes. The concerns are grouped in categories for convenience.

Beneficiaries – The Guarantee's description of proposed beneficiaries is very broad. The Guarantee provides that the legal beneficiary is the Indenture Trustee under the Master Trust Indenture on behalf of itself and all persons that have claims against the Financing Entity secured under the master trust indenture. This would include persons ranging from the Financial Services Manager (OPG) to holders of various types of debt and hedge counterparties. Because we have not seen a term sheet for the Master Trust Indenture, we cannot be sure of the actual extent of beneficiaries.

- Need to clarify which obligations the Province is being requested to guarantee and under what various agreements to determine scope and limit of guarantee.
- Should the subordinated notes (held by OPG) be guaranteed?
- Should the beneficiaries be limited to holders of the notes issued by the financing entity?
- Is there a term sheet for the proposed financing to be issued by the Financing Entity?
- Is there a request for a guarantee of payment on other back-up or ancillary borrowing and obligations other than those issued in the market?
- Is there a draft of the Master Trust Indenture?

Scope of Financial Guarantee – The proposed Guarantee is not restricted to any particular debt offering or related transaction. Rather, it is currently framed as a "program-wide" guarantee that encompasses any and all future transactions undertaken by OPG in connection with this initiative. This is too broad and the Guarantee should be limited to individual transactions and specified creditors, negotiated at the time of each transaction.

Term of Guarantee – Currently the Guarantee continues for one year beyond the last obligation to be repaid. This does not seem necessary and it should end when the last repayment is made.

Performance Guarantee – The province does not typically provide performance guarantees. Blakes noted that performance guarantees are quite typical in structured finance offerings and that they are generally regarded as being less onerous than an

outright payment guarantee (because the guarantor is only guaranteeing the performance of certain specified obligations, as opposed to the payment of the underlying obligation). Ultimately the performance guarantee may result in a payment if the Province cannot compel performance.

Usually a performance guarantee is given by a parent, where some of the obligations rely on the actions of subsidiaries. However, under the current structure of the Term Sheet, Ontario would be guaranteeing the performance obligations of Local Distribution Companies (LDCs) directly and since these are not akin to subsidiaries and the Province has very little authority to compel performance by LDCs, this type of guarantee could expose the Province to some difficulty if an LDC ever failed to perform. Therefore, it would be appropriate that the performance guarantee should be limited to the performance of the Independent Electricity System Operator (IESO). The IESO, on the other hand, may have direct relationships with the LDCs, and it may be more appropriate for some type of commitment for the performance of the LDCs to be made by the IESO.

Payment Guarantee – There are three triggers of this part of the guarantee: (1) changing the legislation or regulations to undermine the future payment stream constituting the regulatory asset; (2) the legislation and/or the fair hydro plan being deemed by a court to be unconstitutional or unenforceable; and (3) a liquidity problem that makes it impossible to continue financing the structure or to refinance maturing debt.

With respect to the changes in law, because the Fair Hydro Plan is modelled on some US transactions, a concern has arisen that there is no legal barrier in Canada to changing the law or passing a law that undermines the value of the regulatory asset and the repayment of the obligations. Therefore, it may be that a payment guarantee triggered by adverse legislative action would go a long way to reassure potential investors and he thought that this kind of assurance (at least in some form) will be necessary to support any transaction. However, the kinds of future legislative actions that would trigger a Payment Guarantee Event are framed in vague terms. This could mean that a Beneficiary of the guarantee would try to trigger the guarantee even where there was no repayment failure, but only upon a theoretical diminution in the value of the regulatory asset or some kind of timing issue that delays payment, but not in a material way that undermines the repayment capacity of the Financing Entity.

The second trigger, arising from a finding that the structure is unconstitutional or otherwise unenforceable at law, should also be narrowed to only apply to a “final, non-appealable decision”, otherwise a lower court ruling that is not upheld and does not

unwind the structure could trigger a claim on the guarantee even where there is no risk of payment default.

Similarly, Blakes suggested that the concept of "market disruption" in the Term Sheet is also too vague and would unreasonably expose the government to risks around future refinancing transactions (*i.e.*, by effectively requiring Ontario to be the "standby purchaser" of any securities in the case of a lack of liquidity in the financial markets). This is the type of risk that is probably best addressed at the time such a risk arises, as it is impossible to predict the context and effect of such an event.

The put option is of particular concern because the current model might allow noteholders to require the province to buy back their investments in response to regulatory amendments affecting the value of their investments in only incidental or immaterial ways. Blakes cautioned that we need to guard against providing a form of assurance that enables U.S. hedge funds to hold the government hostage for the next 30 years.

Further action items and questions:

- **Time Lines and Communication with OPG** – We need to understand where this Guarantee fits into the transaction and find out why it is moving forward at this early stage. The Province needs to communicate to OPG that the Province does not agree with this draft term sheet and is not implied to be something the Province is agreeing to at such a preliminary stage.

- **Market Demands** –What precisely is the market going to demand to support the transaction? The Province's interest would seem to be in providing the most limited guarantee that is both (i) necessary to support the transaction; and (ii) ensures the highest value for both ratepayers and taxpayers.

From:	Hanslep, Malle (MOF)
To:	Ronald Kwan
Cc:	Mike Manning; James Devine; Carlos Yep; Opal Kandelas; Ken Kandeepan; Tobias P. Whitfield (MOF)
Subject:	RE: Provincial Support Term Sheet
Date:	Thursday, June 01, 2017 9:06:05 AM

Yes, I agree that it would make sense to loop in Scott on this since I understand that he is also involved in this project and it may be that he would also be one of the Provincial attendees to attend the meeting with Blakes. Since I have not been involved in previous calls with Scott in this, it may be best if someone from the OFA contacts him on this.

-----Original Message-----
From: Ronald Kwan [mailto:Ronald.Kwan@ofina.on.ca]
Sent: May 31, 2017 11:13 PM
To: Hanslep, Malle (MOF)
Cc: Manning, Mike (OFA); Devine, James (OFA); Yep, Carlos (OFA); Kandelas, Opal (OFA); Kandeepan, Ken (OFA); Whitfield, Tobias P. (MOF)
Subject: RE: Provincial Support Term Sheet

Hi Malle,

It might be helpful to loop in Scott Nelms in advance via email, too, as he could provide some insights on Energy and OPG's perspectives, in advance of a meeting.

Ron

From: Hanslep, Malle (MOF)
Sent: Wednesday, May 31, 2017 11:29
To: Manning, Mike (OFA)
Cc: Kwan, Ronald (OFA); Devine, James (OFA); Yep, Carlos (OFA); Kandelas, Opal (OFA); Kandeepan, Ken (OFA); Whitfield, Tobias P. (MOF)
Subject: RE: Provincial Support Term Sheet

Hi all,

We had a very useful meeting with Blakes (Steven Ashbourne) and Energy Legal this morning. There are quite a few legal issues and concerns to discuss regarding this term sheet as it is overly broad. At this point in the development of the province's role in support, it seems that the development of this type of term sheet is premature given the uncertainties.

At our meeting we discussed, that a useful next step would be to have another meeting with Provincial representatives and Blakes which would include yourselves from the OFA, Energy legal and Energy reps as well as the Provincial Controller and likely TD as well as the Province's financial advisor so that we can all discuss next steps and the best approach.

In the meantime, Toby and I can have an internal call to give you an update on our meeting this morning. Possibly at 3pm today if that works.

Thanks.

Malle

-----Original Message-----
From: Mike Manning [mailto:Mike.Manning@ofina.on.ca]

Sent: May 29, 2017 8:44 PM
To: Hanslep, Malle (MOF)
Cc: Kwan, Ronald (OFA); Devine, James (OFA); Yep, Carlos (OFA); Kandelas, Opal (OFA); Kandeepan, Ken (OFA); Whitfield, Tobias P. (MOF)
Subject: Re: Provincial Support Term Sheet

Would be useful to get some follow-up. Sorry for not being able to give you more deal information, but it is still lacking at this time.
Mike

Sent from my iPad

> On May 29, 2017, at 5:33 PM, Hanslep, Malle (MOF) <Malle.Hanslep@ontario.ca> wrote:
>
> Hi Ron
>
> We are meeting on Wednesday morning so after that we could have a follow up
>
> Malle
>
> Sent from my BlackBerry 10 smartphone on the Rogers network.
> From: Ronald Kwan
> Sent: Monday, May 29, 2017 17:17
> To: Hanslep, Malle (MOF); Manning, Mike (OFA); Devine, James (OFA); Yep, Carlos (OFA); Kandelas, Opal (OFA); Kandeepan, Ken (OFA)
> Cc: Whitfield, Tobias P. (MOF)
> Subject: RE: Provincial Support Term Sheet
>
>
> Hi Malle,
>
> Thanks for the list.
>
> Would it be helpful if the group met again to discuss?
>
> When are you meeting with Energy Legal and Blakes?
>
> Ron
>
> From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
> Sent: May-29-17 12:40
> To: Mike Manning <Mike.Manning@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>
> Cc: Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
> Subject: RE: Provincial Support Term Sheet
>
> Hi all,
>
> Here is our issues list.
>
> Malle
>
> From: Hanslep, Malle (MOF)
> Sent: May 29, 2017 9:18 AM
> To: Manning, Mike (OFA); Devine, James (OFA); Yep, Carlos (OFA); Kandelas, Opal (OFA); Kandeepan, Ken (OFA); Kwan, Ronald (OFA)

> Cc: Whitfield, Tobias P. (MOF)
> Subject: RE: Provincial Support Term Sheet
>
> Hi all,
>
> We are also putting together an issues list for discussion with Energy Legal and Blakes and will share it with you as well.
>
> Is there any type of draft term sheet for the proposed financing transaction itself or the master sales and servicing agreement? Any general description of the proposed transaction would be helpful to us.
>
> Thank you.
>
> Malle
>
> From: Hanslep, Malle (MOF)
> Sent: May 26, 2017 3:16 PM
> To: Manning, Mike (OFA); Devine, James (OFA); Yep, Carlos (OFA); Kandelas, Opal (OFA); Kandeepan, Ken (OFA); Kwan, Ronald (OFA)
> Cc: Whitfield, Tobias P. (MOF)
> Subject: Provincial Support Term Sheet
>
> Hi all,
>
> Further to our meeting on Wednesday, Toby and I have now been in touch with Energy Legal regarding the term sheet and will be attending a meeting with counsel at Blakes next Wednesday morning.
>
> Best,
>
> Malle
>
>
>
> Malle Hanslep
> Deputy Director
> Ministry of the Attorney General
> Ministry of Finance Legal Services Branch
> Telephone: 416-325-1457
>
> Notice: This communication may be solicitor/client privileged and contain confidential information intended only for the person(s) to whom it is addressed. If you have received this message in error please notify the writer and permanently delete the message and all attachments. Thank you.
>
>
> _____
>
> This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From:	Ronald Kwan
To:	Malle Hanslep (MOF)
Cc:	Mike Manning; James Devine; Carlos Yep; Opal Kandelas; Ken Kandeepan; Tobias P. Whitfield (MOF)
Subject:	RE: Provincial Support Term Sheet
Date:	Wednesday, May 31, 2017 11:12:41 PM

Hi Malle,

It might be helpful to loop in Scott Nelms in advance via email, too, as he could provide some insights on Energy and OPG's perspectives, in advance of a meeting.

Ron

From: Hanslep, Malle (MOF)
Sent: Wednesday, May 31, 2017 11:29
To: Manning, Mike (OFA)
Cc: Kwan, Ronald (OFA); Devine, James (OFA); Yep, Carlos (OFA); Kandelas, Opal (OFA); Kandeepan, Ken (OFA); Whitfield, Tobias P. (MOF)
Subject: RE: Provincial Support Term Sheet

Hi all,

We had a very useful meeting with Blakes (Steven Ashbourne) and Energy Legal this morning. There are quite a few legal issues and concerns to discuss regarding this term sheet as it is overly broad. At this point in the development of the province's role in support, it seems that the development of this type of term sheet is premature given the uncertainties.

At our meeting we discussed, that a useful next step would be to have another meeting with Provincial representatives and Blakes which would include yourselves from the OFA, Energy legal and Energy reps as well as the Provincial Controller and likely TD as well as the Province's financial advisor so that we can all discuss next steps and the best approach.

In the meantime, Toby and I can have an internal call to give you an update on our meeting this morning. Possibly at 3pm today if that works.

Thanks.

Malle

-----Original Message-----
From: Mike Manning [mailto:Mike.Manning@ofina.on.ca]
Sent: May 29, 2017 8:44 PM
To: Hanslep, Malle (MOF)
Cc: Kwan, Ronald (OFA); Devine, James (OFA); Yep, Carlos (OFA); Kandelas, Opal (OFA); Kandeepan, Ken (OFA); Whitfield, Tobias P. (MOF)
Subject: Re: Provincial Support Term Sheet

Would be useful to get some follow-up. Sorry for not being able to give you more deal information, but it is still lacking at this time.
Mike

Sent from my iPad

> On May 29, 2017, at 5:33 PM, Hanslep, Malle (MOF) <Malle.Hanslep@ontario.ca> wrote:

>
> Hi Ron
>
> We are meeting on Wednesday morning so after that we could have a follow up
>
> Malle
>
> Sent from my BlackBerry 10 smartphone on the Rogers network.
> From: Ronald Kwan
> Sent: Monday, May 29, 2017 17:17
> To: Hanslep, Malle (MOF); Manning, Mike (OFA); Devine, James (OFA); Yep, Carlos (OFA); Kandelas, Opal (OFA); Kandeepan, Ken (OFA)
> Cc: Whitfield, Tobias P. (MOF)
> Subject: RE: Provincial Support Term Sheet
>
>
> Hi Malle,
>
> Thanks for the list.
>
> Would it be helpful if the group met again to discuss?
>
> When are you meeting with Energy Legal and Blakes?
>
> Ron
>
> From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
> Sent: May-29-17 12:40
> To: Mike Manning <Mike.Manning@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>
> Cc: Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
> Subject: RE: Provincial Support Term Sheet
>
> Hi all,
>
> Here is our issues list.
>
> Malle
>
> From: Hanslep, Malle (MOF)
> Sent: May 29, 2017 9:18 AM
> To: Manning, Mike (OFA); Devine, James (OFA); Yep, Carlos (OFA); Kandelas, Opal (OFA); Kandeepan, Ken (OFA); Kwan, Ronald (OFA)
> Cc: Whitfield, Tobias P. (MOF)
> Subject: RE: Provincial Support Term Sheet
>
> Hi all,
>
> We are also putting together an issues list for discussion with Energy Legal and Blakes and will share it with you as well.
>
> Is there any type of draft term sheet for the proposed financing transaction itself or the master sales and servicing agreement? Any general description of the proposed transaction would be helpful to us.
>
> Thank you.
>

> Malle
>
> From: Hanslep, Malle (MOF)
> Sent: May 26, 2017 3:16 PM
> To: Manning, Mike (OFA); Devine, James (OFA); Yep, Carlos (OFA); Kandelas, Opal (OFA); Kandeepan, Ken (OFA); Kwan, Ronald (OFA)
> Cc: Whitfield, Tobias P. (MOF)
> Subject: Provincial Support Term Sheet
>
> Hi all,
>
> Further to our meeting on Wednesday, Toby and I have now been in touch with Energy Legal regarding the term sheet and will be attending a meeting with counsel at Blakes next Wednesday morning.
>
> Best,
>
> Malle
>
>
>
> Malle Hanslep
> Deputy Director
> Ministry of the Attorney General
> Ministry of Finance Legal Services Branch
> Telephone: 416-325-1457
>
> Notice: This communication may be solicitor/client privileged and contain confidential information intended only for the person(s) to whom it is addressed. If you have received this message in error please notify the writer and permanently delete the message and all attachments. Thank you.
>
>
> _____
>
> This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From:	Ken Kandeepan
To:	Malle Hanslep (MOF); Mike Manning
Cc:	Ronald Kwan; James Devine; Carlos Yep; Opal Kandelas; Tobias P. Whitfield (MOF)
Subject:	RE: Provincial Support Term Sheet
Date:	Wednesday, May 31, 2017 5:18:45 PM

Unless Mike has any major concerns I would strongly advocate for her inclusion.

Thanks

Ken k

-----Original Message-----
From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Wednesday, May 31, 2017 5:16 PM
To: Mike Manning <Mike.Manning@ofina.on.ca>
Cc: Ronald Kwan <Ronald.Kwan@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Subject: Re: Provincial Support Term Sheet

Just a follow up to our call earlier, does it also make sense to invite Cindy Veinot provincial controller to the proposed meeting since accounting issues are also key.

Sent from my BlackBerry 10 smartphone on the Rogers network.
Original Message
From: Hanslep, Malle (MOF)
Sent: Wednesday, May 31, 2017 11:29
To: Manning, Mike (OFA)
Cc: Kwan, Ronald (OFA); Devine, James (OFA); Yep, Carlos (OFA); Kandelas, Opal (OFA); Kandeepan, Ken (OFA); Whitfield, Tobias P. (MOF)
Subject: RE: Provincial Support Term Sheet

Hi all,

We had a very useful meeting with Blakes (Steven Ashbourne) and Energy Legal this morning. There are quite a few legal issues and concerns to discuss regarding this term sheet as it is overly broad. At this point in the development of the province's role in support, it seems that the development of this type of term sheet is premature given the uncertainties.

At our meeting we discussed, that a useful next step would be to have another meeting with Provincial representatives and Blakes which would include yourselves from the OFA, Energy legal and Energy reps as well as the Provincial Controller and likely TD as well as the Province's financial advisor so that we can all discuss next steps and the best approach.

In the meantime, Toby and I can have an internal call to give you an update on our meeting this morning. Possibly at 3pm today if that works.

Thanks.

Malle

-----Original Message-----
From: Mike Manning [mailto:Mike.Manning@ofina.on.ca]
Sent: May 29, 2017 8:44 PM
To: Hanslep, Malle (MOF)
Cc: Kwan, Ronald (OFA); Devine, James (OFA); Yep, Carlos (OFA); Kandelas, Opal (OFA); Kandeepan, Ken (OFA); Whitfield, Tobias P. (MOF)
Subject: Re: Provincial Support Term Sheet

Would be useful to get some follow-up. Sorry for not being able to give you more deal information, but it is still lacking at this time.
Mike

Sent from my iPad

> On May 29, 2017, at 5:33 PM, Hanslep, Malle (MOF) <Malle.Hanslep@ontario.ca> wrote:
>
> Hi Ron
>
> We are meeting on Wednesday morning so after that we could have a follow up
>
> Malle
>
> Sent from my BlackBerry 10 smartphone on the Rogers network.
> From: Ronald Kwan
> Sent: Monday, May 29, 2017 17:17
> To: Hanslep, Malle (MOF); Manning, Mike (OFA); Devine, James (OFA); Yep, Carlos (OFA); Kandelas, Opal (OFA); Kandeepan, Ken (OFA)
> Cc: Whitfield, Tobias P. (MOF)
> Subject: RE: Provincial Support Term Sheet
>
>
> Hi Malle,
>
> Thanks for the list.
>
> Would it be helpful if the group met again to discuss?
>
> When are you meeting with Energy Legal and Blakes?
>
> Ron
>
> From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
> Sent: May-29-17 12:40
> To: Mike Manning <Mike.Manning@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>
> Cc: Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
> Subject: RE: Provincial Support Term Sheet
>
> Hi all,
>
> Here is our issues list.
>
> Malle
>
> From: Hanslep, Malle (MOF)
> Sent: May 29, 2017 9:18 AM

> To: Manning, Mike (OFA); Devine, James (OFA); Yep, Carlos (OFA); Kandelas, Opal (OFA); Kandeepan, Ken (OFA); Kwan, Ronald (OFA)
> Cc: Whitfield, Tobias P. (MOF)
> Subject: RE: Provincial Support Term Sheet
>
> Hi all,
>
> We are also putting together an issues list for discussion with Energy Legal and Blakes and will share it with you as well.
>
> Is there any type of draft term sheet for the proposed financing transaction itself or the master sales and servicing agreement? Any general description of the proposed transaction would be helpful to us.
>
> Thank you.
>
> Malle
>
> From: Hanslep, Malle (MOF)
> Sent: May 26, 2017 3:16 PM
> To: Manning, Mike (OFA); Devine, James (OFA); Yep, Carlos (OFA); Kandelas, Opal (OFA); Kandeepan, Ken (OFA); Kwan, Ronald (OFA)
> Cc: Whitfield, Tobias P. (MOF)
> Subject: Provincial Support Term Sheet
>
> Hi all,
>
> Further to our meeting on Wednesday, Toby and I have now been in touch with Energy Legal regarding the term sheet and will be attending a meeting with counsel at Blakes next Wednesday morning.
>
> Best,
>
> Malle
>
>
>
> Malle Hanslep
> Deputy Director
> Ministry of the Attorney General
> Ministry of Finance Legal Services Branch
> Telephone: 416-325-1457
>
> Notice: This communication may be solicitor/client privileged and contain confidential information intended only for the person(s) to whom it is addressed. If you have received this message in error please notify the writer and permanently delete the message and all attachments. Thank you.
>
>
> _____
>
> This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From: Mike Manning
To: Malle Hanslep (MOF); Tobias P. Whitfield (MOF); Ronald Kwan
Cc: James Devine; Carlos Yep; Opal Kandelas; Ken Kandeepan
Subject: RE: Provincial Support Term Sheet
Date: Wednesday, May 31, 2017 12:44:50 PM
Importance: High

Does Legal Services have a call-in or would you like the OFA to set up?

Mike

-----Original Message-----
From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Wednesday, May 31, 2017 12:31 PM
To: Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>
Cc: James Devine <James.Devine@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Subject: RE: Provincial Support Term Sheet

Yes 3:30 is fine with me too.

-----Original Message-----
From: Whitfield, Tobias P. (MOF)
Sent: May 31, 2017 12:30 PM
To: Kwan, Ronald (OFA); Manning, Mike (OFA); Hanslep, Malle (MOF)
Cc: Devine, James (OFA); Yep, Carlos (OFA); Kandelas, Opal (OFA); Kandeepan, Ken (OFA)
Subject: RE: Provincial Support Term Sheet

3:30 is fine for me.

Tobias Whitfield
Counsel, Legal Services Branch
Ministry of Finance
tobias.whitfield@ontario.ca
Phone: 416-325-1456

-----Original Message-----
From: Ronald Kwan [mailto:Ronald.Kwan@ofina.on.ca]
Sent: May 31, 2017 12:24 PM
To: Manning, Mike (OFA); Hanslep, Malle (MOF)
Cc: Devine, James (OFA); Yep, Carlos (OFA); Kandelas, Opal (OFA); Kandeepan, Ken (OFA); Whitfield, Tobias P. (MOF)
Subject: RE: Provincial Support Term Sheet

Hi,

Either time works for me.

Ron

-----Original Message-----
From: Mike Manning
Sent: May-31-17 12:23
To: Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>

Cc: Ronald Kwan <Ronald.Kwan@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Subject: RE: Provincial Support Term Sheet

Would 3:30 work?

Mike

-----Original Message-----
From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Wednesday, May 31, 2017 11:30 AM
To: Mike Manning <Mike.Manning@ofina.on.ca>
Cc: Ronald Kwan <Ronald.Kwan@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Subject: RE: Provincial Support Term Sheet

Hi all,

We had a very useful meeting with Blakes (Steven Ashbourne) and Energy Legal this morning. There are quite a few legal issues and concerns to discuss regarding this term sheet as it is overly broad. At this point in the development of the province's role in support, it seems that the development of this type of term sheet is premature given the uncertainties.

At our meeting we discussed, that a useful next step would be to have another meeting with Provincial representatives and Blakes which would include yourselves from the OFA, Energy legal and Energy reps as well as the Provincial Controller and likely TD as well as the Province's financial advisor so that we can all discuss next steps and the best approach.

In the meantime, Toby and I can have an internal call to give you an update on our meeting this morning. Possibly at 3pm today if that works.

Thanks.

Malle

-----Original Message-----
From: Mike Manning [mailto:Mike.Manning@ofina.on.ca]
Sent: May 29, 2017 8:44 PM
To: Hanslep, Malle (MOF)
Cc: Kwan, Ronald (OFA); Devine, James (OFA); Yep, Carlos (OFA); Kandelas, Opal (OFA); Kandeepan, Ken (OFA); Whitfield, Tobias P. (MOF)
Subject: Re: Provincial Support Term Sheet

Would be useful to get some follow-up. Sorry for not being able to give you more deal information, but it is still lacking at this time.
Mike

Sent from my iPad

> On May 29, 2017, at 5:33 PM, Hanslep, Malle (MOF) <Malle.Hanslep@ontario.ca> wrote:
>
> Hi Ron
>
> We are meeting on Wednesday morning so after that we could have a follow up
>

> Malle
>
> Sent from my BlackBerry 10 smartphone on the Rogers network.
> From: Ronald Kwan
> Sent: Monday, May 29, 2017 17:17
> To: Hanslep, Malle (MOF); Manning, Mike (OFA); Devine, James (OFA); Yep, Carlos (OFA); Kandelas, Opal (OFA); Kandeepan, Ken (OFA)
> Cc: Whitfield, Tobias P. (MOF)
> Subject: RE: Provincial Support Term Sheet
>
>
> Hi Malle,
>
> Thanks for the list.
>
> Would it be helpful if the group met again to discuss?
>
> When are you meeting with Energy Legal and Blakes?
>
> Ron
>
> From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
> Sent: May-29-17 12:40
> To: Mike Manning <Mike.Manning@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>
> Cc: Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
> Subject: RE: Provincial Support Term Sheet
>
> Hi all,
>
> Here is our issues list.
>
> Malle
>
> From: Hanslep, Malle (MOF)
> Sent: May 29, 2017 9:18 AM
> To: Manning, Mike (OFA); Devine, James (OFA); Yep, Carlos (OFA); Kandelas, Opal (OFA); Kandeepan, Ken (OFA); Kwan, Ronald (OFA)
> Cc: Whitfield, Tobias P. (MOF)
> Subject: RE: Provincial Support Term Sheet
>
> Hi all,
>
> We are also putting together an issues list for discussion with Energy Legal and Blakes and will share it with you as well.
>
> Is there any type of draft term sheet for the proposed financing transaction itself or the master sales and servicing agreement? Any general description of the proposed transaction would be helpful to us.
>
> Thank you.
>
> Malle
>
> From: Hanslep, Malle (MOF)
> Sent: May 26, 2017 3:16 PM
> To: Manning, Mike (OFA); Devine, James (OFA); Yep, Carlos (OFA); Kandelas, Opal (OFA); Kandeepan, Ken

(OFA); Kwan, Ronald (OFA)
> Cc: Whitfield, Tobias P. (MOF)
> Subject: Provincial Support Term Sheet
>
> Hi all,
>
> Further to our meeting on Wednesday, Toby and I have now been in touch with Energy Legal regarding the term sheet and will be attending a meeting with counsel at Blakes next Wednesday morning.
>
> Best,
>
> Malle
>
>
>
> Malle Hanslep
> Deputy Director
> Ministry of the Attorney General
> Ministry of Finance Legal Services Branch
> Telephone: 416-325-1457
>
> Notice: This communication may be solicitor/client privileged and contain confidential information intended only for the person(s) to whom it is addressed. If you have received this message in error please notify the writer and permanently delete the message and all attachments. Thank you.
>
>
> _____
>
> This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From:	Hanslep, Malle (MOF)
To:	Mike Manning
Cc:	Ronald Kwan; James Devine; Carlos Yep; Opal Kandelas; Ken Kandeepan; Tobias P. Whitfield (MOF)
Subject:	RE: Provincial Support Term Sheet
Date:	Wednesday, May 31, 2017 11:30:15 AM

Hi all,

We had a very useful meeting with Blakes (Steven Ashbourne) and Energy Legal this morning. There are quite a few legal issues and concerns to discuss regarding this term sheet as it is overly broad. At this point in the development of the province's role in support, it seems that the development of this type of term sheet is premature given the uncertainties.

At our meeting we discussed, that a useful next step would be to have another meeting with Provincial representatives and Blakes which would include yourselves from the OFA, Energy legal and Energy reps as well as the Provincial Controller and likely TD as well as the Province's financial advisor so that we can all discuss next steps and the best approach.

In the meantime, Toby and I can have an internal call to give you an update on our meeting this morning. Possibly at 3pm today if that works.

Thanks.

Malle

-----Original Message-----
From: Mike Manning [mailto:Mike.Manning@ofina.on.ca]
Sent: May 29, 2017 8:44 PM
To: Hanslep, Malle (MOF)
Cc: Kwan, Ronald (OFA); Devine, James (OFA); Yep, Carlos (OFA); Kandelas, Opal (OFA); Kandeepan, Ken (OFA); Whitfield, Tobias P. (MOF)
Subject: Re: Provincial Support Term Sheet

Would be useful to get some follow-up. Sorry for not being able to give you more deal information, but it is still lacking at this time.
Mike

Sent from my iPad

> On May 29, 2017, at 5:33 PM, Hanslep, Malle (MOF) <Malle.Hanslep@ontario.ca> wrote:
>
> Hi Ron
>
> We are meeting on Wednesday morning so after that we could have a follow up
>
> Malle
>
> Sent from my BlackBerry 10 smartphone on the Rogers network.
> From: Ronald Kwan
> Sent: Monday, May 29, 2017 17:17
> To: Hanslep, Malle (MOF); Manning, Mike (OFA); Devine, James (OFA); Yep, Carlos (OFA); Kandelas, Opal (OFA); Kandeepan, Ken (OFA)
> Cc: Whitfield, Tobias P. (MOF)
> Subject: RE: Provincial Support Term Sheet
>

>
> Hi Malle,
>
> Thanks for the list.
>
> Would it be helpful if the group met again to discuss?
>
> When are you meeting with Energy Legal and Blakes?
>
> Ron
>
> From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
> Sent: May-29-17 12:40
> To: Mike Manning <Mike.Manning@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>
> Cc: Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
> Subject: RE: Provincial Support Term Sheet
>
> Hi all,
>
> Here is our issues list.
>
> Malle
>
> From: Hanslep, Malle (MOF)
> Sent: May 29, 2017 9:18 AM
> To: Manning, Mike (OFA); Devine, James (OFA); Yep, Carlos (OFA); Kandelas, Opal (OFA); Kandeepan, Ken (OFA); Kwan, Ronald (OFA)
> Cc: Whitfield, Tobias P. (MOF)
> Subject: RE: Provincial Support Term Sheet
>
> Hi all,
>
> We are also putting together an issues list for discussion with Energy Legal and Blakes and will share it with you as well.
>
> Is there any type of draft term sheet for the proposed financing transaction itself or the master sales and servicing agreement? Any general description of the proposed transaction would be helpful to us.
>
> Thank you.
>
> Malle
>
> From: Hanslep, Malle (MOF)
> Sent: May 26, 2017 3:16 PM
> To: Manning, Mike (OFA); Devine, James (OFA); Yep, Carlos (OFA); Kandelas, Opal (OFA); Kandeepan, Ken (OFA); Kwan, Ronald (OFA)
> Cc: Whitfield, Tobias P. (MOF)
> Subject: Provincial Support Term Sheet
>
> Hi all,
>
> Further to our meeting on Wednesday, Toby and I have now been in touch with Energy Legal regarding the term sheet and will be attending a meeting with counsel at Blakes next Wednesday morning.
>
> Best,

>
> Malle
>
>
>
> Malle Hanslep
> Deputy Director
> Ministry of the Attorney General
> Ministry of Finance Legal Services Branch
> Telephone: 416-325-1457
>
> Notice: This communication may be solicitor/client privileged and contain confidential information intended only for the person(s) to whom it is addressed. If you have received this message in error please notify the writer and permanently delete the message and all attachments. Thank you.
>
>
> _____
>
> This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From:	Hanslep, Malle (MOF)
To:	Mike Manning
Cc:	Ronald Kwan; James Devine; Carlos Yep; Opal Kandelas; Ken Kandeepan; Tobias P. Whitfield (MOF)
Subject:	RE: Provincial Support Term Sheet
Date:	Tuesday, May 30, 2017 8:23:25 AM

Thanks Mike. We will be in touch after our meeting.

-----Original Message-----
From: Mike Manning [mailto:Mike.Manning@ofina.on.ca]
Sent: May 29, 2017 8:44 PM
To: Hanslep, Malle (MOF)
Cc: Kwan, Ronald (OFA); Devine, James (OFA); Yep, Carlos (OFA); Kandelas, Opal (OFA); Kandeepan, Ken (OFA); Whitfield, Tobias P. (MOF)
Subject: Re: Provincial Support Term Sheet

Would be useful to get some follow-up. Sorry for not being able to give you more deal information, but it is still lacking at this time.
Mike

Sent from my iPad

> On May 29, 2017, at 5:33 PM, Hanslep, Malle (MOF) <Malle.Hanslep@ontario.ca> wrote:
>
> Hi Ron
>
> We are meeting on Wednesday morning so after that we could have a follow up
>
> Malle
>
> Sent from my BlackBerry 10 smartphone on the Rogers network.
> From: Ronald Kwan
> Sent: Monday, May 29, 2017 17:17
> To: Hanslep, Malle (MOF); Manning, Mike (OFA); Devine, James (OFA); Yep, Carlos (OFA); Kandelas, Opal (OFA); Kandeepan, Ken (OFA)
> Cc: Whitfield, Tobias P. (MOF)
> Subject: RE: Provincial Support Term Sheet
>
>
> Hi Malle,
>
> Thanks for the list.
>
> Would it be helpful if the group met again to discuss?
>
> When are you meeting with Energy Legal and Blakes?
>
> Ron
>
> From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
> Sent: May-29-17 12:40
> To: Mike Manning <Mike.Manning@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>
> Cc: Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>

> Subject: RE: Provincial Support Term Sheet
>
> Hi all,
>
> Here is our issues list.
>
> Malle
>
> From: Hanslep, Malle (MOF)
> Sent: May 29, 2017 9:18 AM
> To: Manning, Mike (OFA); Devine, James (OFA); Yep, Carlos (OFA); Kandelas, Opal (OFA); Kandeepan, Ken (OFA); Kwan, Ronald (OFA)
> Cc: Whitfield, Tobias P. (MOF)
> Subject: RE: Provincial Support Term Sheet
>
> Hi all,
>
> We are also putting together an issues list for discussion with Energy Legal and Blakes and will share it with you as well.
>
> Is there any type of draft term sheet for the proposed financing transaction itself or the master sales and servicing agreement? Any general description of the proposed transaction would be helpful to us.
>
> Thank you.
>
> Malle
>
> From: Hanslep, Malle (MOF)
> Sent: May 26, 2017 3:16 PM
> To: Manning, Mike (OFA); Devine, James (OFA); Yep, Carlos (OFA); Kandelas, Opal (OFA); Kandeepan, Ken (OFA); Kwan, Ronald (OFA)
> Cc: Whitfield, Tobias P. (MOF)
> Subject: Provincial Support Term Sheet
>
> Hi all,
>
> Further to our meeting on Wednesday, Toby and I have now been in touch with Energy Legal regarding the term sheet and will be attending a meeting with counsel at Blakes next Wednesday morning.
>
> Best,
>
> Malle
>
>
>
> Malle Hanslep
> Deputy Director
> Ministry of the Attorney General
> Ministry of Finance Legal Services Branch
> Telephone: 416-325-1457
>
> Notice: This communication may be solicitor/client privileged and contain confidential information intended only for the person(s) to whom it is addressed. If you have received this message in error please notify the writer and permanently delete the message and all attachments. Thank you.
>
>
> _____

>
> This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From:	Hanslep, Malle (MOF)
To:	Mike Manning; James Devine; Carlos Yep; Opal Kandelas; Ken Kandeepan; Ronald Kwan
Cc:	Tobias P. Whitfield (MOF)
Subject:	RE: Provincial Support Term Sheet
Date:	Monday, May 29, 2017 12:40:31 PM
Attachments:	Prov Support Agt May 12 MOF draft comments.docx

Hi all,

Here is our issues list.

Malle

From: Hanslep, Malle (MOF)
Sent: May 29, 2017 9:18 AM
To: Manning, Mike (OFA); Devine, James (OFA); Yep, Carlos (OFA); Kandelas, Opal (OFA); Kandeepan, Ken (OFA); Kwan, Ronald (OFA)
Cc: Whitfield, Tobias P. (MOF)
Subject: RE: Provincial Support Term Sheet

Hi all,

We are also putting together an issues list for discussion with Energy Legal and Blakes and will share it with you as well.

Is there any type of draft term sheet for the proposed financing transaction itself or the master sales and servicing agreement? Any general description of the proposed transaction would be helpful to us.

Thank you.

Malle

From: Hanslep, Malle (MOF)
Sent: May 26, 2017 3:16 PM
To: Manning, Mike (OFA); Devine, James (OFA); Yep, Carlos (OFA); Kandelas, Opal (OFA); Kandeepan, Ken (OFA); Kwan, Ronald (OFA)
Cc: Whitfield, Tobias P. (MOF)
Subject: Provincial Support Term Sheet

Hi all,

Further to our meeting on Wednesday, Toby and I have now been in touch with Energy Legal regarding the term sheet and will be attending a meeting with counsel at Blakes next Wednesday morning.

Best,

Malle

Malle Hanslep
Deputy Director
Ministry of the Attorney General
Ministry of Finance Legal Services Branch
Telephone: 416-325-1457

Notice: This communication may be solicitor/client privileged and contain confidential information intended only for the person(s) to whom it is addressed. If you have received this message in error please notify the writer and permanently delete the message and all attachments. Thank you.

CONFIDENTIAL AND PRIVILEGED LEGAL ADVICE

ISSUES LIST – PROVINCIAL SUPPORT AGREEMENT DRAFT MAY 12, 2017

1. Guarantor will be the Minister of Energy and the Minister of Finance on behalf of the Province (see. 5(3) of proposed Fair Hydro Act, 2017).

2. Description of proposed beneficiaries of guarantee is very broad. Provides that beneficiary is Indenture trustee under master trust indenture on behalf of itself and all persons that have claims against a Financing Entity secured under the master trust indenture. Persons range from the Financial Services Manager (OPG) to holders of various types of debt and hedge counterparties. Need to clarify which obligations the Province is being requested to guarantee and under what various agreements to determine scope and limit of guarantee. Is there a term sheet for the proposed financing to be issued by the Financing Entity? Is there a request for a guarantee of payment on other back-up or ancillary borrowing and obligations other than those issued in the market? Is there a draft of the Master Trust Indenture?

3. Why does the term of the guarantee continue for one year after the obligations have been repaid?

4. Performance Guarantee – This is also a very broad guarantee of performance of the IESO and all electricity services providers in favour of the same broad group of beneficiaries. How can the Province ensure that these entities perform their obligations practically? Also the Province is to protect beneficiaries from any commingling risk. It is noted that in the event the performance guarantee is unenforceable against the Province, there would be a separate legal obligation in the provincial support agreement to indemnify beneficiaries for any losses. Would there be any trigger events applicable to the obligation to indemnify as there are for the payment guarantee. If not, is this an issue for accounting treatment purposes? Also, is there an overlap between the performance and payment guarantee? So long as the funding obligations are paid on time by the financing entity, is there a need for other guarantees from the Province? Note that the Province does have immunity from specific types of enforcement under the Proceedings against the Crown Act. Is there a sample term sheet for the Master Sale and Servicing Agreement? Which provisions of the proposed bill are being relied on for this – is it section 5(2)? section 33. There doesn't seem to be a mechanism in the Act to replace the IESO as servicer. Should the Guarantee specify that the Province can appoint a replacement servicer?

5. Payment Guarantee Event – Regarding (B) and (C), the interpretation of when the triggering event has occurred will be an issue – is there a way to make it more objective or how can this be handled if there is a dispute? Regarding (D), think that there is going to be more discussion of the need for this provision from a business perspective. However, is this assuming, that the Province is guaranteeing both long term and short

term funding obligations? Need to clarify when and which obligations the province will be guaranteeing?

6. Payment Guarantee – Again it will be necessary to clarify which obligations the province is guaranteeing to understand what the range of payments to be made are. Also, (y) does not seem acceptable to the Province from a business perspective.

7. Limits under Guarantee – The guarantee wording should be clear so that the Province is guaranteeing payment of certain debt or specific obligations only and the Province's liability should be capped. Province should not be exposed to the risk of any other types of damages or losses.

8. Priority of Payments – Until we know who the beneficiaries are and with respect to what obligations, it is difficult to comment on this.

9. Subrogation – Need to ensure that the Province has appropriate recovery rights and not sure that it is appropriate that all beneficiaries are paid in full before Province gets subrogation rights. Also there is no acceleration here and Province really pays on an ongoing basis so how should subrogation work in such a case.

10. Conditions Precedent – Need to know what they are proposed to be.

11. Representations – Need to know what they are proposed to be as Province does not typically provide representations in connection with guarantees it provides.

12. Confidentiality Obligations – Thought the guarantee is part of a public financing so wouldn't the terms all be known?

13. Legal Opinions – Content, who will be providing them and to whom would they be provided.

General Questions on proposed legislation and interaction with guarantee:

14. General review of relevant sections would be appreciated and how the provisions fit with the requirements of the financing. In particular, s. 5, 13, 19, 21, 22, 33, 41 par 7

Ministry of Finance LSB
May 29, 2017

From:	Hanslep, Malle (MOF)
To:	Mike Manning; James Devine; Carlos Yep; Opal Kandelas; Ken Kandeepan; Ronald Kwan
Cc:	Tobias P. Whitfield (MOF)
Subject:	RE: Provincial Support Term Sheet
Date:	Monday, May 29, 2017 9:18:42 AM

Hi all,

We are also putting together an issues list for discussion with Energy Legal and Blakes and will share it with you as well.

Is there any type of draft term sheet for the proposed financing transaction itself or the master sales and servicing agreement? Any general description of the proposed transaction would be helpful to us.

Thank you.

Malle

From: Hanslep, Malle (MOF)
Sent: May 26, 2017 3:16 PM
To: Manning, Mike (OFA); Devine, James (OFA); Yep, Carlos (OFA); Kandelas, Opal (OFA); Kandeepan, Ken (OFA); Kwan, Ronald (OFA)
Cc: Whitfield, Tobias P. (MOF)
Subject: Provincial Support Term Sheet

Hi all,

Further to our meeting on Wednesday, Toby and I have now been in touch with Energy Legal regarding the term sheet and will be attending a meeting with counsel at Blakes next Wednesday morning.

Best,

Malle

Malle Hanslep
Deputy Director
Ministry of the Attorney General
Ministry of Finance Legal Services Branch
Telephone: 416-325-1457

Notice: This communication may be solicitor/client privileged and contain confidential information intended only for the person(s) to whom it is addressed. If you have received this message in error please notify the writer and permanently delete the message and all attachments. Thank you.

From:	Whitfield, Tobias P. (MOF)
To:	Mike Manning; Malle Hanslep (MOF); Ronald Kwan
Cc:	James Devine; Carlos Yep; Opal Kandelas; Ken Kandeepan
Subject:	RE: Provincial Support Term Sheet
Date:	Thursday, June 01, 2017 9:13:38 AM
Attachments:	Provincial Support Arrnagement - Preliminary Issues (May 31).pdf

---

FYI, attached is a scan of the comments on the term sheet from the lawyer at Blakes. We are working on an issues summary list to combine these comments with our earlier issues list, which we will circulate as soon as it is ready.

Tobias Whitfield
Counsel, Legal Services Branch
Ministry of Finance
tobias.whitfield@ontario.ca
Phone: 416-325-1456

-----Original Message-----
From: Mike Manning [mailto:Mike.Manning@ofina.on.ca]
Sent: May 31, 2017 12:45 PM
To: Hanslep, Malle (MOF); Whitfield, Tobias P. (MOF); Kwan, Ronald (OFA)
Cc: Devine, James (OFA); Yep, Carlos (OFA); Kandelas, Opal (OFA); Kandeepan, Ken (OFA)
Subject: RE: Provincial Support Term Sheet

Does Legal Services have a call-in or would you like the OFA to set up?

Mike

-----Original Message-----
From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Wednesday, May 31, 2017 12:31 PM
To: Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>
Cc: James Devine <James.Devine@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Subject: RE: Provincial Support Term Sheet

Yes 3:30 is fine with me too.

-----Original Message-----
From: Whitfield, Tobias P. (MOF)
Sent: May 31, 2017 12:30 PM
To: Kwan, Ronald (OFA); Manning, Mike (OFA); Hanslep, Malle (MOF)
Cc: Devine, James (OFA); Yep, Carlos (OFA); Kandelas, Opal (OFA); Kandeepan, Ken (OFA)
Subject: RE: Provincial Support Term Sheet

3:30 is fine for me.

Tobias Whitfield
Counsel, Legal Services Branch
Ministry of Finance
tobias.whitfield@ontario.ca
Phone: 416-325-1456

-----Original Message-----

From: Ronald Kwan [mailto:Ronald.Kwan@ofina.on.ca]
Sent: May 31, 2017 12:24 PM
To: Manning, Mike (OFA); Hanslep, Malle (MOF)
Cc: Devine, James (OFA); Yep, Carlos (OFA); Kandelas, Opal (OFA); Kandeepan, Ken (OFA); Whitfield, Tobias P. (MOF)
Subject: RE: Provincial Support Term Sheet

Hi,

Either time works for me.

Ron

-----Original Message-----
From: Mike Manning
Sent: May-31-17 12:23
To: Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>
Cc: Ronald Kwan <Ronald.Kwan@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Subject: RE: Provincial Support Term Sheet

Would 3:30 work?

Mike

-----Original Message-----
From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Wednesday, May 31, 2017 11:30 AM
To: Mike Manning <Mike.Manning@ofina.on.ca>
Cc: Ronald Kwan <Ronald.Kwan@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Subject: RE: Provincial Support Term Sheet

Hi all,

We had a very useful meeting with Blakes (Steven Ashbourne) and Energy Legal this morning. There are quite a few legal issues and concerns to discuss regarding this term sheet as it is overly broad. At this point in the development of the province's role in support, it seems that the development of this type of term sheet is premature given the uncertainties.

At our meeting we discussed, that a useful next step would be to have another meeting with Provincial representatives and Blakes which would include yourselves from the OFA, Energy legal and Energy reps as well as the Provincial Controller and likely TD as well as the Province's financial advisor so that we can all discuss next steps and the best approach.

In the meantime, Toby and I can have an internal call to give you an update on our meeting this morning. Possibly at 3pm today if that works.

Thanks.

Malle

-----Original Message-----
From: Mike Manning [mailto:Mike.Manning@ofina.on.ca]
Sent: May 29, 2017 8:44 PM

To: Hanslep, Malle (MOF)
Cc: Kwan, Ronald (OFA); Devine, James (OFA); Yep, Carlos (OFA); Kandelas, Opal (OFA); Kandeepan, Ken (OFA); Whitfield, Tobias P. (MOF)
Subject: Re: Provincial Support Term Sheet

Would be useful to get some follow-up. Sorry for not being able to give you more deal information, but it is still lacking at this time.
Mike

Sent from my iPad

> On May 29, 2017, at 5:33 PM, Hanslep, Malle (MOF) <Malle.Hanslep@ontario.ca> wrote:
>
> Hi Ron
>
> We are meeting on Wednesday morning so after that we could have a follow up
>
> Malle
>
> Sent from my BlackBerry 10 smartphone on the Rogers network.
> From: Ronald Kwan
> Sent: Monday, May 29, 2017 17:17
> To: Hanslep, Malle (MOF); Manning, Mike (OFA); Devine, James (OFA); Yep, Carlos (OFA); Kandelas, Opal (OFA); Kandeepan, Ken (OFA)
> Cc: Whitfield, Tobias P. (MOF)
> Subject: RE: Provincial Support Term Sheet
>
>
> Hi Malle,
>
> Thanks for the list.
>
> Would it be helpful if the group met again to discuss?
>
> When are you meeting with Energy Legal and Blakes?
>
> Ron
>
> From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
> Sent: May-29-17 12:40
> To: Mike Manning <Mike.Manning@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>
> Cc: Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
> Subject: RE: Provincial Support Term Sheet
>
> Hi all,
>
> Here is our issues list.
>
> Malle
>
> From: Hanslep, Malle (MOF)
> Sent: May 29, 2017 9:18 AM
> To: Manning, Mike (OFA); Devine, James (OFA); Yep, Carlos (OFA); Kandelas, Opal (OFA); Kandeepan, Ken (OFA); Kwan, Ronald (OFA)
> Cc: Whitfield, Tobias P. (MOF)

> Subject: RE: Provincial Support Term Sheet
>
> Hi all,
>
> We are also putting together an issues list for discussion with Energy Legal and Blakes and will share it with you as well.
>
> Is there any type of draft term sheet for the proposed financing transaction itself or the master sales and servicing agreement? Any general description of the proposed transaction would be helpful to us.
>
> Thank you.
>
> Malle
>
> From: Hanslep, Malle (MOF)
> Sent: May 26, 2017 3:16 PM
> To: Manning, Mike (OFA); Devine, James (OFA); Yep, Carlos (OFA); Kandelas, Opal (OFA); Kandeepan, Ken (OFA); Kwan, Ronald (OFA)
> Cc: Whitfield, Tobias P. (MOF)
> Subject: Provincial Support Term Sheet
>
> Hi all,
>
> Further to our meeting on Wednesday, Toby and I have now been in touch with Energy Legal regarding the term sheet and will be attending a meeting with counsel at Blakes next Wednesday morning.
>
> Best,
>
> Malle
>
>
>
> Malle Hanslep
> Deputy Director
> Ministry of the Attorney General
> Ministry of Finance Legal Services Branch
> Telephone: 416-325-1457
>
> Notice: This communication may be solicitor/client privileged and contain confidential information intended only for the person(s) to whom it is addressed. If you have received this message in error please notify the writer and permanently delete the message and all attachments. Thank you.
>
>
> _____
>
> This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

Provincial Support Arrangement

Here are some questions to frame our discussion at 9 a.m. this morning, based on the May 12th version of the Term Sheet:

1. Should the Province's support covenant run in favour of the indenture trustee (for beneficiaries) or only the finance entity and be pledged? This may impact matters such as whether the Province is seen as a 'co-issuer' under US securities laws and perhaps the Province's accounting treatment.

2. Should the support covenant be given in respect of all potential claimants from the financing entit(y/ies), or only specified creditors? For example, should the 'subordinated notes' be given the full benefit of the support covenant?

3. Should the support covenant be given up-front in an open-ended, program-wide fashion, or be given in relation to individual transactions and specified creditors of the financing entity at the relevant time of transacting and only for the duration of the relevant underlying obligations?

4. Should the support covenant purport to extend to more than one financing entity?

5. Extending the arrangement to 1 year beyond the latest obligation (broadly construed) essentially means the support covenant will hang out there indefinitely – is this intended?

6. Is the scope of the "performance guarantee" (i.e., servicing, commingling; EV's and IESO) appropriate? Should we make clear that it would not extend to "seller" obligations arising under the MSSA? Can the Province commit to "perform or cause the performance" as a powers matter?

7. Consider the deletions of the "Performance Guarantee Event" concept. As marked up, the performance guarantee would not require any process to first pursue remedies against IESO.

8. If a "payment guarantee" is to be provided, it will raise issues for the Province, including accounting treatment and scope of the support undertaking. Has this sort of investigation been undertaken by the Province at this point?

9. Consider the overall scope of the "payment guarantee event" provision. Issues include the risk that an amendment of the Act or Regulation has a non-material, incidental impact on the timing of payment (i.e., the receipt of funds from an EV), which triggers an effective put at a premium. Another is that a lower court finding of *ultra vires* could trigger the obligation, rather than a "final, non-appealable decision".

10. Should the support arrangement extend to cover "invalidity" or "unenforceability" (see (C) under "Payment Guarantee Event") that arises for reasons other than the validity of the Act and Regulation (e.g., if the actual funding obligation, which the Province may not even be aware of, is impugned for an unrelated reason, such as entity governance or contracting issues)?

11. The "market disruption" provision (see (D) under "Payment Guarantee Event") needs considerable further thought and refinement (e.g., as proposed, the event is based on the ability to refinance the particular funding obligations, rather than "general market disruption"). Is the Province prepared to be a standby purchaser of any funding obligations in any market-based illiquidity scenario? Note that private market liquidity or "extendable note features" may be available at a cost. In any event, support from the Province of this type should probably only be addressed very specifically and at the time of the specific transaction and narrowly with respect to the obligations for which this sort of protection is specifically required. Note that depending on the maturities incurred under the financing plan, this could cause a major funding requirement for the Province.

12. The "stand-in" payment provisions contemplated in clause (x) under "Payment Guarantee" need to be better understood. Assuming that they result in the rating of any bonds being downgraded to the Province's then rating, should the Province have a redemption option in that scenario?

13. The "put at a premium" provisions contemplated in clause (y) under "Payment Guarantee" would need to be refined so that the entire structure (i.e., all related finding obligations, such as swaps, sub debt and liquidity commitments) would be 'unwound' in total, rather than only certain debt to avoid standing or perpetuating attendant obligations. Is the 101% pay-out always appropriate? If the Province is liable for payments under obligations, will it need certainty as to the underlying terms and conditions?

14. What is the consequence of the market disruption scenario described in (D) under "Payment Guarantee Event" – it doesn't seem to be covered under "Payment Guarantee"?

15. The postponement of subrogation rights is a problem. In effect, a payment to a senior ranking creditor would provide credit enhancement to all junior ranking obligations which may not have been the intended beneficiaries of the support arrangement (including service providers and sub debt). The general approach to subrogation needs to be considered at the time of incurrence of a funding obligation in relation to the particular scenario and circumstances.

16. "Notice", "Closing", "Governing Law" and other mechanics will need to be revised as required to the extent that the provision of support is intended to be transaction-specific, creditor-specific, etc.

17. To the extent that the support is given up-front, the Province will need to have the benefit of its own very specific condition precedents, including to approve each future transaction and finding obligation – would this disrupt the accounting treatment anticipated for OPG based on excessive control over financings?

18. Consider whether accepting or acknowledging "customary representations" and "customary confidentiality obligations" in this context makes sense. Customary for the Province?

19. Has anyone considered the Province's related governance requirements and related due diligence (e.g., the implications of a US offering under US securities laws). In the absence of a structure and contracts, how can the Province be assured that it is not

inadvertently becoming liable for unintended obligations, duties and liabilities (e.g., servicer buy-backs; "servicer advances"; entity-level tax payments; etc.)?

20. Has the Province's own accounting treatment for these been investigated? What limitations should be tabled at this stage?

21. Does the Province have concerns regarding potential for incongruences between the level of actual "independence" from the Province and public perception in relation to the OFHPA generally?

From: Sarah Harris
To: Mike Manning
Cc: Opal Kandelas; Salman Qadir
Subject: RE: Question - OIC for new IESO Credit Facility
Date: Tuesday, May 30, 2017 1:29:36 PM

Hi Mike,

The OIC is drafted using wording that is similar to the wording already being used in the existing OICs where the OFA borrows money from the Minister (i.e. underpinning college loans, existing IESO-OFA Credit Facility, etc.).

The OIC permits the OFA a couple of options:

(i) the OFA simply borrows funds from the Minister without lending to 3rd parties. In that case, the OFA would pay to the Minister at a rate equal to **the 90 day ONT T-Bill yield, reset every 90 days.** For **the purpose of this OIC (**that is, for the OFA to lend funds to IESO) **this provision would not be used**.

(ii) the OFA borrows funds from the Minister and then lends those funds to 3rd parties. In this case, the OFA would pay the Minister at the rate **equivalent to the rate of interest payable to the OFA under 3rd party loan, less an amount as may be determined by the Minister of Finance** in respect of such Third Party Loan or a class of such Third Party Loans. This would be the section applicable to for the OFA lending to IESO. In this circumstance, the OFA can charge IESO Ontario's cost plus 25bps; the OFA would then pay the Minister at this rate, less an amount as may be determined by the Minister.

So the short answer is that, under option (ii), the OFA can charge IESO's cost of plus 25 bps, and then the OFA must pay the Minister at the same rate on the funds, less an amount determined by the Minister. The fact that the Minister decides the amount to be deducted gives us flexibility in determining the spread to deduct when paying back the Province.

The only time option (i) comes into play is IF the OFA ever wants to borrow funds from the Minister without lending those funds to third parties.

Sarah

From: Mike Manning
Sent: Tuesday, May 30, 2017 12:56 PM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Salman Qadir <Salman.Qadir@ofina.on.ca>
Subject: RE: Question - OIC for new IESO Credit Facility

Hi Sarah:
Are you saying the wording in the OIC is general and that we can charge IESO Ontario's cost plus 25 bps separately?

Thanks, Mike

From: Sarah Harris
Sent: Tuesday, May 30, 2017 11:14 AM
To: Mike Manning <Mike.Manning@ofina.on.ca>
Cc: Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Salman Qadir <Salman.Qadir@ofina.on.ca>
Subject: FW: Question - OIC for new IESO Credit Facility

Hi Mike,

I originally sent this e-mail below to Linda and she thought it looked fine, but she thought I should also run it by you.

As part of putting in place the new credit facility between IESO and the OFA, a new OIC is required for the OFA to borrow from the Province, so the Province may in turn make loans to IESO. As matter of prudence, I am asking is for you to review the rates that the OFA pays to the Province in the OIC are still appropriate. The OIC package must go to the DMO today.

In short, the rates included in the OIC are effectively the same as the existing OIC underpinning the $975 million credit facility between the OFA and IESO. Specifically, section(c)(ii) of the OIC says if the OFA uses the borrowed monies to fund 3rd party loans, then the rate will **be equivalent to rate of interest payable to the OFA under 3rd party loan less an amount as may be determined by the Minister of Finance** in respect of such Third Party Loan or a class of such Third Party Loans.

The OIC also contains a more general borrowing rate. That is, Section (c)(i) says if the OFA simply borrows funds from the Minister (which have not been loaned to a third party), the OFA pays the rate equal to **the 90 day ONT T-Bill yield.** However, for the purposes of this OIC, it is unlikely that this section would ever be used.

Again, both rates above are consistent with existing OICs.

Please let me if these rates look okay.

Thanks,
Sarah

From: Sarah Harris
Sent: Tuesday, May 30, 2017 9:30 AM
To: Linda Smith <Linda.Smith@ofina.on.ca>
Cc: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: Question - OIC for new IESO Credit Facility

Hi Linda,

As a matter of prudence, I just wanted to check with you on one aspect of the draft OIC for OFA to make loans to IESO under the proposed credit facility in relation to the Fair Hydro Plan. The OIC package will be delivered today to the DMO, but I wanted to confirm with you that the rates that under the Section (c) of the attached OIC are still appropriate (perhaps it is I should be asking Mike?, but since this is IESO related, I wanted to check with you first).

Section (c) deals with the rates the OFA pays to the Minister for any funds it borrows, and is essentially the same as the OFA's existing OIC from 1999. Section (c)(i) says if the OFA simply borrows funds from the Minister (which have not been loaned to a third party), the OFA pays the rate equal to **the 90 day ONT T-Bill yield.** Section(c)(ii) says that if the OFA uses the borrowed monies to fund 3rd party loans, then the rate will **be equivalent to rate of interest payable to the OFA under 3rd party loan less an amount as may be determined by the Minister of Finance** in respect of such Third Party Loan or a class of such Third Party Loans.

Please let me know your thoughts.

Thanks,
Sarah

From:	Opal Kandelas
To:	Sarah Harris
Subject:	RE: Signatures for FHP and Amending Agreement No. 10
Date:	Tuesday, November 07, 2017 8:57:15 AM

Congratulations!

From: Sarah Harris
Sent: Monday, November 06, 2017 4:16 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: FW: Signatures for FHP and Amending Agreement No. 10

All done.

Amen.

From: William Tan
Sent: Monday, November 06, 2017 4:14 PM
To: 'Victor Buza' <Victor.Buza@ieso.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Anthony Martinello <Anthony.Martinello@ieso.ca>; John Kim <John.Kim@ofina.on.ca>
Subject: RE: Signatures for FHP and Amending Agreement No. 10

Hello Victor,

Agreed.

From: Victor Buza [mailto:Victor.Buza@ieso.ca]
Sent: Monday, November 06, 2017 4:12 PM
To: William Tan <William.Tan@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Anthony Martinello <Anthony.Martinello@ieso.ca>; John Kim <John.Kim@ofina.on.ca>
Subject: RE: Signatures for FHP and Amending Agreement No. 10

Thanks Will – so it appears that, other than housekeeping activities over the next day or two, we are now closed on these two agreements. Agreed ?
Victor

From: William Tan [mailto:William.Tan@ofina.on.ca]
Sent: November 06, 2017 4:07 PM
To: Victor Buza
Cc: Lisa Stein; Sarah Harris; Anthony Martinello; John Kim
Subject: RE: Signatures for FHP and Amending Agreement No. 10

Hello Victor,

Please find the attached signed FHP Credit Facility Agreement and Amending Agreement #10 to the Jan. 1, 2005 Credit Agreement. Original signature pages will reach you tomorrow or the day after.

Thanks,

Will

From: Victor Buza [mailto:Victor.Buza@ieso.ca]
Sent: Monday, November 06, 2017 3:25 PM
To: William Tan <William.Tan@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Anthony Martinello <Anthony.Martinello@ieso.ca>
Subject: RE: Signatures for FHP and Amending Agreement No. 10
Importance: High

Will,

Please find attached the following documents signed by IESO:

1. Amending Agreement #10 to the Jan. 1, 2005 Credit Agreement;
2. Certified IESO Board Resolution and Incumbency Certificate;
3. Scan of the $2 Billion Grid Note.
4. Intercept Letter Agreement.

I will send the new Revolving Credit Facility Agreement in relation to FHP under a separate email immediately following.

We have already overnighted the original grid note for $2 billion and an original Intercept Letter signed by all parties. Per your request, we will send original agreement signature pages for both agreements as well – can we send those tomorrow or do you need the overnighted too?

Let us know. We look forward to receiving your confirmation of closing.

Victor

Victor Buza | Senior Counsel
Independent Electricity System Operator (IESO) | T: 416-969-6079

This email message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution, or copying of this email message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this email message.

From: William Tan [mailto:William.Tan@ofina.on.ca]
Sent: November 06, 2017 3:09 PM

To: Victor Buza
Cc: Lisa Stein; Sarah Harris; Anthony Martinello
Subject: RE: Signatures for FHP and Amending Agreement No. 10

Hello Victor,

I clarified internally and we would want an original signature page for the FHP Agreement and Amending Agreement No. 10.

Thanks,

Will

From: William Tan
Sent: Monday, November 06, 2017 2:25 PM
To: 'Victor Buza' <Victor.Buza@ieso.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Anthony Martinello <Anthony.Martinello@ieso.ca>
Subject: RE: Signatures for FHP and Amending Agreement No. 10

Hi Victor,

My apologies. Please scan the separated $2B and $475 MM Grid promissory notes. Forward the $2B promissory note but hold on to the $475MM Grid Promissory Note until November 21.

- Resolution of the Board of Directors
- Incumbency Certificate
- Intercept Letter
- $2 B Grid Promissory Note
- $475 MM Grid Promissory Note

Yes, please forward the documents to myself.

William Tan
Ontario Financing Authority
1 Dundas Street West, Suite 1400
Toronto, Ontario M5G 1Z3

Thanks,

Will

From: Victor Buza [mailto:Victor.Buza@ieso.ca]
Sent: Monday, November 06, 2017 2:12 PM

To: William Tan <William.Tan@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Anthony Martinello <Anthony.Martinello@ieso.ca>
Subject: RE: Signatures for FHP and Amending Agreement No. 10

I will scan and send all documents you listed in their entirety, not just signature pages. Can you confirm, are you saying you want a scan of the $475MM grid note?

Just so I get it right, should I courier the hardcopies of the Intercept Letter and Note to your attention and address, Will? Call me if it's quicker.

Victor
416-969-6079

From: William Tan [mailto:William.Tan@ofina.on.ca]
Sent: November 06, 2017 1:57 PM
To: Victor Buza; Anthony Martinello
Cc: Lisa Stein; Sarah Harris
Subject: FW: Signatures for FHP and Amending Agreement No. 10

Hi Victor,

Thank you for the update. When you send the soft copy signatures, would it be possible to include the signatures within the agreements?

You were probably going to include the following signed soft copies anyway but out of caution I have listed them below:

- Resolution of the Board of Directors
- Incumbency Certificate
- Intercept Letter
- $2 B Grid Note
- $475 MM Grid Note

Hardcopy of the Intercept Letter and $2B Grid Note – overnight delivery is fine.

Per s. 16 AA #10 - Anthony and I discussed on Friday that $475MM Grid note would be signed today but held by IESO until November 21. After the borrowing notice and election notices are actioned, OFA will produce the grid notes to evidence payment and advancements. IESO will then send the new $475MM prom note to OFA. Once received OFA will send the $975MM cancelled prom note to IESO.

Thanks,

Will

From: Victor Buza [mailto:Victor.Buza@ieso.ca]
Sent: Monday, November 06, 2017 10:48 AM
To: William Tan <William.Tan@ofina.on.ca>; Anthony Martinello <Anthony.Martinello@ieso.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: RE: Signatures for FHP and Amending Agreement No. 10

Hi Will – I have a signing meeting scheduled with our signatory at 2:30pm this afternoon – so I will send you counterpart signatures and a scanned version of the Intercept Letter by 3:00pm or possibly earlier.

Hardcopy of Intercept Letter to follow as you prefer – overnight or pickup? We also need to make arrangements re delivery of the $2Bn Grid Note.

Per s.16 of AA#10, the other Note for $475MM is to be delivered following the Effective Time in exchange for the return by OFA of the Nov 30 2016 Note for $975MM.

Victor

From: William Tan [mailto:William.Tan@ofina.on.ca]
Sent: November 06, 2017 10:33 AM
To: Anthony Martinello
Cc: Lisa Stein; Victor Buza; Sarah Harris
Subject: Signatures for FHP and Amending Agreement No. 10

Good morning Anthony,

Just checking-in on approximately when we can expect the documents to be executed so I may prepare my signatory.

Thanks,

Will Tan| *Documentation & Analysis Specialist*
Capital Markets Division | Ontario Financing Authority
1 Dundas Street West, Suite 1400
Toronto, Ontario M5G 1Z3, CANADA
Tel. (416) 325-8090 | Fax: (416) 860-8346
william.tan@ofina.on.ca

This message, including any attachments, is intended only for the use of the individual(s) to which it is addressed and may contain information that is privileged and confidential. Any other distribution, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message including any attachments, without reading it or making a copy. Thank you

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt

from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

From: Jean-Francois Beaupre
To: Opal Kandelas
Subject: RE: Status update
Date: Monday, July 31, 2017 3:18:14 PM

Hi Opal,

Please see below. Also, I will be working from home tomorrow.

Thanks,
JF

ITEM

IESO – provide guidance to Will and Kelly on amending agreement and new FHP facility; early August deadline

Citibank – need to discuss rounding approach with Citibank - emailed Citibank today

T+2 – coordinating with CDS and LSB; CDS confirmed language is fine two weeks ago; LSB currently reviewing suggested process for FRNs and auctions; will need to purchase block of ISINs in the near future; expect to hold conference call with Malle later this week per her suggestion

Green Ontario Fund – commented on draft SIPP and provided suggestions to Sarah and Ryan, conference call with Ryan, Corporate Finance, Parvez and MOECC last week

US Counsel RFP –timeline established for Aug-Sep 2017 with LSB, drafted 'fee cap language' for Sarah and LSB's review and consideration on July 5, 2017; need to make a determination on whether or not to include flat fee/fee cap

CDS Fees –monitor 'event fees' for DMTN235 on upcoming August 2017 CDS invoice pursuant to instructions sent to CDS on July 11, 2017; back and forth with CDS and what fees should not apply (e.g. paying agent fees)

Invoice Process – sent new suggested invoice process to Sarah on July 18, 2017, follow-up upon return from vacation

ACE and OICs – assist Andrea and Ryan with ACE testing, provide guidance on ACE logic and fixes, act as back-up for OICs as needed

Q1 Release – Sarah asked me to follow-up this week, expected release is August 11, 2017 per Opal. Karin to handle EDGAR and Andrea non-EDGAR filings

CCMR – keep apprised of any developments, unable to obtain copy of Cabinet submission - I anticipate that the major exemptions will be contained in the Regulations at this stage

T-bill Process – assisted TD in getting original RFP and submission from 2002 last week and forwarded to Malle; still need to consider 'option 4 re: BEO SSA amendments'

OSBs – no change for 2017; post August 31st environment okay as confirmed by CDS; part of bigger legal piece re FAA delegation and agent actions under STA for LSB's consideration

FAA Amendments – consider next steps and prepare note for LSB outlining approach – accrued interest first and possible commissions – no Fall bill required per Sarah and LSB; obtain certifications from other government issuers if possible.

RBA Bond Basis – still need to determine if the inconsistent language creates any financial risk for the Province; my view is that it probably does not since we are dealing with a highly hypothetical scenario and accrued interest, if a problem, would be adjusted manually and washed-out via a buyback ticket by the traders

Training – provide on-going guidance and training to Ryan, Sab, Andrea

LGX Application – waiting for comments from LSB on LGX Application, this item it not time sensitive until the next 'new' green bond deal. Dimitri and/or Patrick to review in August

-----Original Message-----
From: Opal Kandelas
Sent: Monday, July 31, 2017 3:05 PM
To: Documentation <Documentation@ofina.on.ca>
Subject: Status update

Hello all,

Once again, please provide a brief update on any current projects by 11am tomorrow morning.

Thanks,
Opal.

From: Opal Kandelas
To: William Tan
Subject: RE: Status update
Date: Tuesday, August 01, 2017 12:03:57 PM

Hi Will,

Thanks for the update. You mention that the wording on the amending agreement is finalized. Does that mean IESO has agreed to the wording in the agreement but there is disagreement about the remaining balance of the credit facility?

Opal

-----Original Message-----
From: William Tan
Sent: Tuesday, August 01, 2017 10:19 AM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: FW: Status update

Good morning Opal,

1. IESO

FHP Credit facility agreement - Lisa is making inputting small changes. Hopefully this goes out today as a final to IESO.

AA10 - Wording is finalized. IESO's outstanding balance they sent us last week was confusing. We will clarify this to align with the amended grid note in the coming days.

2. OLMS report/OILC Loan confirmation improvement.
3. Update T-bill procedure manual – pending test of new procedures before I document them.
4. Bond exchange procedures – drafts submitted.

-----Original Message-----
From: Opal Kandelas
Sent: Monday, July 31, 2017 3:05 PM
To: Documentation <Documentation@ofina.on.ca>
Subject: Status update

Hello all,

Once again, please provide a brief update on any current projects by 11am tomorrow morning.

Thanks,
Opal.

From: Opal Kandelas
To: Jean-Francois Beaupre
Cc: Sarah Harris
Subject: RE: Status update
Date: Tuesday, July 25, 2017 10:48:29 AM

We "advertise" that Ont. Green bonds are listed on the Euro MTF as well as the Green Exchange, so it would be good to have any details worked out before the next one – granted, there is what I would hope is sufficient time to get that done.

CDS is proposing a conversion from physicals to NCI during the month of Oct.

In terms of T-bills, if I remember correctly, Ont. would need to determine if (with proper controls in place), we can ask our agent to perform certain functions in CDSX so that it makes it clear that the agent is just the "button pusher" not the "issuer". CDS would then have to give the agent a pass in its rules, by not binding Ont. to the actions of our agent. Knowing CDS, it's a tall order, especially if there's **nothing** it in for them! I haven't pursued this as I can't provide a carrot (that I can live with) nor a stick big enough to encourage CDS to change its rules. Let me know if you have any suggestions.
Opal.

From: Jean-Francois Beaupre
Sent: Tuesday, July 25, 2017 10:20 AM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: RE: Status update

Hi Opal,

TD (Cheryl Butcher) was looking for a copy of their original submission and emailed Sarah and she delegated to me – the original RFP and TD's submission were made in 2002 and Sarah requested that I reach out to Banking and LSB. Banking was able to provide copies which were sent to TD and LSB. TD said there were staffing changes and they were unable to find their copies.

The 'option 4 re: BEO SSA amendments' pertains to Fran Daly's suggestion at our last meeting with CDS that we could consider amending the BEO SSA with CDS and our IPA agent as a long-term solution for T-bills. This was offered by Fran as a possible alternative to adhering to standard MM issuance practices or becoming a participant.

Thanks for the clarifications on OSBs. Does this mean that after October 2017, they will no longer accept ANY certificates for OSBs?

There may be some small concerns with the LGX application and this remains on Patrick's plate. I am hoping that LSB will not have any major concerns and had reached out to the LuxSE on this when we re-opened the green bond. The LuxSE has confirmed to me in writing that they would be willing to negotiate the LGX application contents with us if necessary.

Thanks,
J-F

From: Opal Kandelas
Sent: Tuesday, July 25, 2017 10:10 AM
To: Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: RE: Status update

Hi J-F,

Thanks for this. TD had contacted me as well regarding a copy of the RFP. It wasn't clear specifically what they were after. I followed up with TD but got no response. Were they just after the fee agreement?
Re: below – what is meant by "still need to consider 'option 4 re: BEO SSA amendments"?

Just to follow up on the OSB note below, CDS sent an email saying no changes are expected until October. I have yet to respond, but will at some point.

I didn't realize that the Lux green green exchange application was still outstanding. Are there any significant concerns?

Opal

From: Jean-Francois Beaupre
Sent: Tuesday, July 25, 2017 8:08 AM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: RE: Status update

Hi Opal,

As requested, please find below a summary of the matters I am currently involved in.

Regards,
JF

ITEM

IESO - provide guidance to Will and Kelly on amending agreement and new FHP facility; early August deadline

T+2 – coordinating with CDS and LSB; CDS confirmed language is fine two weeks ago; LSB currently

reviewing suggested process for FRNs and auctions; will need to purchase block of ISINs in the near future; follow-up with LSB this week

Green Ontario Fund – commented on draft SIPP and provided suggestions to Sarah and Ryan

US Counsel RFP –timeline established for Aug-Sep 2017 with LSB, drafted 'fee cap language' for Sarah and LSB's review and consideration on July 5, 2017; follow-up by this week

CDS Fees –monitor 'event fees' for DMTN235 on upcoming August 2017 CDS invoice pursuant to instructions sent to CDS on July 11, 2017; back and forth with CDS and what fees should not apply (e.g. paying agent fees); assisted Martine with CDS fee questions yesterday for OSBs

OILC – provided guidance to Will and Settlements on early repayment request from Sherry and agreement interpretation

Invoice Process – sent new suggested invoice process to Sarah on July 18, 2017, follow-up upon return from vacation

ACE and OICs – assist Andrea and Ryan with ACE testing, provide guidance on ACE logic and fixes, act as back-up for OICs as needed

Q1 Release – Sarah asked me to follow-up this week, expected release is August 11, 2017 per Opal. Karin to handle EDGAR and Andrea non-EDGAR filings

USD Potential Deal – 50/50 chance (last week) per Jim, explored EMTN 144A offering vs. US MTN vs Global; answered questions for the Funding Desk; ensure accuracy with flow back letter on the next Global deal further to call with Shearman in June 2017

CCMR – keep apprised of any developments, unable to obtain copy of Cabinet submission - I anticipate that the major exemptions will be contained in the Regulations at this stage

T-bill Process – assisted TD in getting original RFP and submission from 2002 last week and forwarded to Malle; still need to consider 'option 4 re: BEO SSA amendments'

OSBs – no change for 2017; post August 31st environment okay as confirmed by CDS; part of bigger legal piece re FAA delegation and agent actions under STA for LSB's consideration

FAA Amendments – consider next steps and prepare note for LSB outlining approach – accrued interest first and possible commissions – no Fall bill required per Sarah and LSB; obtain certifications from other government issuers if possible.

RBA Bond Basis – still need to determine if the inconsistent language creates any financial risk for the Province; my view is that it probably does not since we are dealing with a highly hypothetical scenario and accrued interest, if a problem, would be adjusted manually and washed-out via a buyback ticket by the traders

Training – provide on-going guidance and training to Ryan, Sab, Andrea

LGX Application – waiting for comments from LSB on LGX Application, this item it not time sensitive until the next 'new' green bond deal. Would not apply to any re-openings of existing green bonds

---

From: Opal Kandelas
Sent: Monday, July 24, 2017 4:05 PM
To: Documentation <Documentation@ofina.on.ca>
Subject: Status update

Hello all,

Please provide a brief update on any current projects by 11am tomorrow morning. Apologies for the short notice.

Thanks,
Opal.

From:	Opal Kandelas
To:	Jean-Francois Beaupre
Cc:	Sarah Harris
Subject:	RE: Status update
Date:	Tuesday, July 25, 2017 10:09:42 AM

Hi J-F,

Thanks for this. TD had contacted me as well regarding a copy of the RFP. It wasn't clear specifically what they were after. I followed up with TD but got no response. Were they just after the fee agreement?
Re: below – what is meant by "still need to consider 'option 4 re: BEO SSA amendments"?

Just to follow up on the OSB note below, CDS sent an email saying no changes are expected until October. I have yet to respond, but will at some point.

I didn't realize that the Lux green green exchange application was still outstanding. Are there any significant concerns?

Opal

From: Jean-Francois Beaupre
Sent: Tuesday, July 25, 2017 8:08 AM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Cc: Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: RE: Status update

Hi Opal,

As requested, please find below a summary of the matters I am currently involved in.

Regards,
JF

ITEM

IESO - provide guidance to Will and Kelly on amending agreement and new FHP facility; early August deadline

T+2 – coordinating with CDS and LSB; CDS confirmed language is fine two weeks ago; LSB currently reviewing suggested process for FRNs and auctions; will need to purchase block of ISINs in the near future; follow-up with LSB this week

Green Ontario Fund – commented on draft SIPP and provided suggestions to Sarah and Ryan

US Counsel RFP –timeline established for Aug-Sep 2017 with LSB, drafted 'fee cap language' for Sarah and LSB's review and consideration on July 5, 2017; follow-up by this week

CDS Fees –monitor 'event fees' for DMTN235 on upcoming August 2017 CDS invoice pursuant to instructions sent to CDS on July 11, 2017; back and forth with CDS and what fees should not apply (e.g. paying agent fees); assisted Martine with CDS fee questions yesterday for OSBs

OILC – provided guidance to Will and Settlements on early repayment request from Sherry and agreement interpretation

Invoice Process – sent new suggested invoice process to Sarah on July 18, 2017, follow-up upon return from vacation

ACE and OICs – assist Andrea and Ryan with ACE testing, provide guidance on ACE logic and fixes, act as back-up for OICs as needed

Q1 Release – Sarah asked me to follow-up this week, expected release is August 11, 2017 per Opal. Karin to handle EDGAR and Andrea non-EDGAR filings

USD Potential Deal – 50/50 chance (last week) per Jim, explored EMTN 144A offering vs. US MTN vs Global; answered questions for the Funding Desk; ensure accuracy with flow back letter on the next Global deal further to call with Shearman in June 2017

CCMR – keep apprised of any developments, unable to obtain copy of Cabinet submission - I anticipate that the major exemptions will be contained in the Regulations at this stage

T-bill Process – assisted TD in getting original RFP and submission from 2002 last week and forwarded to Malle; still need to consider 'option 4 re: BEO SSA amendments'

OSBs – no change for 2017; post August 31st environment okay as confirmed by CDS; part of bigger legal piece re FAA delegation and agent actions under STA for LSB's consideration

FAA Amendments – consider next steps and prepare note for LSB outlining approach – accrued interest first and possible commissions – no Fall bill required per Sarah and LSB; obtain certifications from other government issuers if possible.

RBA Bond Basis – still need to determine if the inconsistent language creates any financial risk for the Province; my view is that it probably does not since we are dealing with a highly hypothetical scenario and accrued interest, if a problem, would be adjusted manually and washed-out via a buyback ticket by the traders

Training – provide on-going guidance and training to Ryan, Sab, Andrea

LGX Application – waiting for comments from LSB on LGX Application, this item it not time sensitive until the next 'new' green bond deal. Would not apply to any re-openings of existing green bonds

From: Opal Kandelas
Sent: Monday, July 24, 2017 4:05 PM
To: Documentation <Documentation@ofina.on.ca>
Subject: Status update

Hello all,

Please provide a brief update on any current projects by 11am tomorrow morning. Apologies for the short notice.

Thanks,
Opal.

From: Opal Kandelas
To: William Tan
Subject: RE: Status update
Date: Tuesday, July 25, 2017 9:58:06 AM

Thanks.

From: William Tan
Sent: Tuesday, July 25, 2017 9:43 AM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: Status update

Hello Opal,

That's correct.

From: Opal Kandelas
Sent: Tuesday, July 25, 2017 9:41 AM
To: William Tan <William.Tan@ofina.on.ca>
Subject: RE: Status update

Hi Will,

Just so I'm clear. Both the new and amending agreements are with IESO and you are awaiting their comments – correct?

Opal.

From: William Tan
Sent: Tuesday, July 25, 2017 9:06 AM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: Status update

Hi Opal,

This is the time table I provided to IESO to get their buy-in and have them feel more obligated to the timelines a little more. I expect some time slippage, but hopefully it doesn't happen.
I'm hoping that IESO will accept my changes to the Amending Agreement 10. After that I will need to provide them with a new grid note, then they can provide physical signatures in the coming weeks.
I hope to get the their comments on my first draft of the $2B Credit Facility today. I will be sending them a reminder at noon.

Time Table

Date	Action	Action required by Group
July 24, 25	Amending Agreement 10 (AA10), provide	IESO

	comments/accept changes.	
July 25	Check-in with IESO that the Resolution of the Board of Directors, Certificate of Incumbency and Delegation of Authority (IESO Statement of Policy) is being completed.	Documentation
July 25	FHP Credit Facility, receive comments from IESO.	IESO
July 26	AA10, Request for updated Grid note amounts and request IESO for original signatures.	Documentation
July 26	FHP Credit Facility, comment and forward to OFA Legal. Documentation.	Documentation
July 27, 28	FHP Credit Facility, back and forth between Documentation and OFA Legal.	Documentation/OFA Legal
July 31	FHP Credit Facility, draft 2 back to IESO.	Documentation/OFA Legal
August 1	AA10, executed by IESO and physical sent OFA for counter signature. Resolution of the Board of Directors, Certificate of Incumbency and Delegation of Authority (IESO Statement of Policy).	IESO
August 4	FHP Credit Facility, executed by IESO and physical sent OFA for counter signature. Resolution of the Board of Directors, Certificate of Incumbency and Delegation of Authority (IESO Statement of Policy).	IESO

From: Opal Kandelas
Sent: Tuesday, July 25, 2017 8:45 AM
To: William Tan <William.Tan@ofina.on.ca>
Subject: RE: Status update

Hi Will,

Thanks for this. What stage are we at with the new IESO credit facility agreement and the amending agreement?

Opal

From: William Tan
Sent: Tuesday, July 25, 2017 8:32 AM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: FW: Status update

Good morning Opal,

1. IESO draft new Credit facility agreement and amendment of existing agreement.
2. Borrowing Program sheet update.
3. OLMS report/OILC Loan confirmation improvement.
4. Update T-bill procedure manual – pending test of new procedures before I document them.
5. Bond exchange procedures – drafts submitted.

From: Opal Kandelas
Sent: Monday, July 24, 2017 4:05 PM
To: Documentation <Documentation@ofina.on.ca>
Subject: Status update

Hello all,

Please provide a brief update on any current projects by 11am tomorrow morning. Apologies for the short notice.

Thanks,
Opal.

From: William Tan
To: Opal Kandelas
Subject: RE: Status update
Date: Tuesday, July 25, 2017 9:43:01 AM

Hello Opal,

That's correct.

From: Opal Kandelas
Sent: Tuesday, July 25, 2017 9:41 AM
To: William Tan <William.Tan@ofina.on.ca>
Subject: RE: Status update

Hi Will,

Just so I'm clear. Both the new and amending agreements are with IESO and you are awaiting their comments – correct?

Opal.

From: William Tan
Sent: Tuesday, July 25, 2017 9:06 AM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: Status update

Hi Opal,

This is the time table I provided to IESO to get their buy-in and have them feel more obligated to the timelines a little more. I expect some time slippage, but hopefully it doesn't happen.
I'm hoping that IESO will accept my changes to the Amending Agreement 10. After that I will need to provide them with a new grid note, then they can provide physical signatures in the coming weeks.
I hope to get the their comments on my first draft of the $2B Credit Facility today. I will be sending them a reminder at noon.

Time Table

Date	Action	Action required by Group
July 24, 25	Amending Agreement 10 (AA10), provide comments/accept changes.	IESO
July 25	Check-in with IESO that the Resolution of the Board of Directors, Certificate of Incumbency and Delegation of Authority (IESO Statement of Policy) is being completed.	Documentation
July 25	FHP Credit Facility, receive comments from	IESO

	IESO.	
July 26	AA10, Request for updated Grid note amounts and request IESO for original signatures.	Documentation
July 26	FHP Credit Facility, comment and forward to OFA Legal. Documentation.	Documentation
July 27, 28	FHP Credit Facility, back and forth between Documentation and OFA Legal.	Documentation/OFA Legal
July 31	FHP Credit Facility, draft 2 back to IESO.	Documentation/OFA Legal
August 1	AA10, executed by IESO and physical sent OFA for counter signature. Resolution of the Board of Directors, Certificate of Incumbency and Delegation of Authority (IESO Statement of Policy).	IESO
August 4	FHP Credit Facility, executed by IESO and physical sent OFA for counter signature. Resolution of the Board of Directors, Certificate of Incumbency and Delegation of Authority (IESO Statement of Policy).	IESO

From: Opal Kandelas
Sent: Tuesday, July 25, 2017 8:45 AM
To: William Tan <William.Tan@ofina.on.ca>
Subject: RE: Status update

Hi Will,

Thanks for this. What stage are we at with the new IESO credit facility agreement and the amending agreement?

Opal

From: William Tan
Sent: Tuesday, July 25, 2017 8:32 AM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: FW: Status update

Good morning Opal,

1. IESO draft new Credit facility agreement and amendment of existing agreement.
2. Borrowing Program sheet update.
3. OLMS report/OILC Loan confirmation improvement.
4. Update T-bill procedure manual – pending test of new procedures before I document them.
5. Bond exchange procedures – drafts submitted.

From: Opal Kandelas
Sent: Monday, July 24, 2017 4:05 PM
To: Documentation <Documentation@ofina.on.ca>
Subject: Status update

Hello all,

Please provide a brief update on any current projects by 11am tomorrow morning. Apologies for the short notice.

Thanks,
Opal.

From: Opal Kandelas
To: William Tan
Subject: RE: Status update
Date: Tuesday, July 25, 2017 9:40:45 AM

Hi Will,

Just so I'm clear. Both the new and amending agreements are with IESO and you are awaiting their comments – correct?

Opal.

From: William Tan
Sent: Tuesday, July 25, 2017 9:06 AM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: Status update

Hi Opal,

This is the time table I provided to IESO to get their buy-in and have them feel more obligated to the timelines a little more. I expect some time slippage, but hopefully it doesn't happen.
I'm hoping that IESO will accept my changes to the Amending Agreement 10. After that I will need to provide them with a new grid note, then they can provide physical signatures in the coming weeks.
I hope to get the their comments on my first draft of the $2B Credit Facility today. I will be sending them a reminder at noon.

Time Table

Date	Action	Action required by Group
July 24, 25	Amending Agreement 10 (AA10), provide comments/accept changes.	IESO
July 25	Check-in with IESO that the Resolution of the Board of Directors, Certificate of Incumbency and Delegation of Authority (IESO Statement of Policy) is being completed.	Documentation
July 25	FHP Credit Facility, receive comments from IESO.	IESO
July 26	AA10, Request for updated Grid note amounts and request IESO for original signatures.	Documentation
July 26	FHP Credit Facility, comment and forward to OFA Legal. Documentation.	Documentation
July 27, 28	FHP Credit Facility, back and forth between	Documentation/OFA Legal

	Documentation and OFA Legal.	
July 31	FHP Credit Facility, draft 2 back to IESO.	Documentation/OFA Legal
August 1	AA10, executed by IESO and physical sent OFA for counter signature. Resolution of the Board of Directors, Certificate of Incumbency and Delegation of Authority (IESO Statement of Policy).	IESO
August 4	FHP Credit Facility, executed by IESO and physical sent OFA for counter signature. Resolution of the Board of Directors, Certificate of Incumbency and Delegation of Authority (IESO Statement of Policy).	IESO

From: Opal Kandelas
Sent: Tuesday, July 25, 2017 8:45 AM
To: William Tan <William.Tan@ofina.on.ca>
Subject: RE: Status update

Hi Will,

Thanks for this. What stage are we at with the new IESO credit facility agreement and the amending agreement?

Opal

From: William Tan
Sent: Tuesday, July 25, 2017 8:32 AM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: FW: Status update

Good morning Opal,

1. IESO draft new Credit facility agreement and amendment of existing agreement.
2. Borrowing Program sheet update.
3. OLMS report/OILC Loan confirmation improvement.
4. Update T-bill procedure manual – pending test of new procedures before I document them.
5. Bond exchange procedures – drafts submitted.

From: Opal Kandelas
Sent: Monday, July 24, 2017 4:05 PM
To: Documentation <Documentation@ofina.on.ca>
Subject: Status update

Hello all,

Please provide a brief update on any current projects by 11am tomorrow morning. Apologies for the short notice.

Thanks,
Opal.

From: William Tan
To: Opal Kandelas
Subject: RE: Status update
Date: Tuesday, July 25, 2017 9:05:48 AM

Hi Opal,

This is the time table I provided to IESO to get their buy-in and have them feel more obligated to the timelines a little more. I expect some time slippage, but hopefully it doesn't happen.
I'm hoping that IESO will accept my changes to the Amending Agreement 10. After that I will need to provide them with a new grid note, then they can provide physical signatures in the coming weeks.
I hope to get the their comments on my first draft of the $2B Credit Facility today. I will be sending them a reminder at noon.

Time Table

Date	Action	Action required by Group
July 24, 25	Amending Agreement 10 (AA10), provide comments/accept changes.	IESO
July 25	Check-in with IESO that the Resolution of the Board of Directors, Certificate of Incumbency and Delegation of Authority (IESO Statement of Policy) is being completed.	Documentation
July 25	FHP Credit Facility, receive comments from IESO.	IESO
July 26	AA10, Request for updated Grid note amounts and request IESO for original signatures.	Documentation
July 26	FHP Credit Facility, comment and forward to OFA Legal. Documentation.	Documentation
July 27, 28	FHP Credit Facility, back and forth between Documentation and OFA Legal.	Documentation/OFA Legal
July 31	FHP Credit Facility, draft 2 back to IESO.	Documentation/OFA Legal
August 1	AA10, executed by IESO and physical sent OFA for counter signature. Resolution of the Board of Directors, Certificate of Incumbency and Delegation of Authority (IESO Statement of Policy).	IESO
August 4	FHP Credit Facility, executed by IESO and physical sent OFA for counter signature.	IESO

	Resolution of the Board of Directors, Certificate of Incumbency and Delegation of Authority (IESO Statement of Policy).	

From: Opal Kandelas
Sent: Tuesday, July 25, 2017 8:45 AM
To: William Tan <William.Tan@ofina.on.ca>
Subject: RE: Status update

Hi Will,

Thanks for this. What stage are we at with the new IESO credit facility agreement and the amending agreement?

Opal

From: William Tan
Sent: Tuesday, July 25, 2017 8:32 AM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: FW: Status update

Good morning Opal,

1. IESO draft new Credit facility agreement and amendment of existing agreement.
2. Borrowing Program sheet update.
3. OLMS report/OILC Loan confirmation improvement.
4. Update T-bill procedure manual – pending test of new procedures before I document them.
5. Bond exchange procedures – drafts submitted.

From: Opal Kandelas
Sent: Monday, July 24, 2017 4:05 PM
To: Documentation <Documentation@ofina.on.ca>
Subject: Status update

Hello all,

Please provide a brief update on any current projects by 11am tomorrow morning. Apologies for the short notice.

Thanks,

Opal.

From:	Jean-Francois Beaupre
To:	Opal Kandelas
Cc:	Sarah Harris
Subject:	RE: Status update
Date:	Tuesday, July 25, 2017 8:08:20 AM

Hi Opal,

As requested, please find below a summary of the matters I am currently involved in.

Regards,
JF

ITEM

IESO - provide guidance to Will and Kelly on amending agreement and new FHP facility; early August deadline

T+2 – coordinating with CDS and LSB; CDS confirmed language is fine two weeks ago; LSB currently reviewing suggested process for FRNs and auctions; will need to purchase block of ISINs in the near future; follow-up with LSB this week

Green Ontario Fund – commented on draft SIPP and provided suggestions to Sarah and Ryan

US Counsel RFP –timeline established for Aug-Sep 2017 with LSB, drafted 'fee cap language' for Sarah and LSB's review and consideration on July 5, 2017; follow-up by this week

CDS Fees –monitor 'event fees' for DMTN235 on upcoming August 2017 CDS invoice pursuant to instructions sent to CDS on July 11, 2017; back and forth with CDS and what fees should not apply (e.g. paying agent fees); assisted Martine with CDS fee questions yesterday for OSBs

OILC – provided guidance to Will and Settlements on early repayment request from Sherry and agreement interpretation

Invoice Process – sent new suggested invoice process to Sarah on July 18, 2017, follow-up upon return from vacation

ACE and OICs – assist Andrea and Ryan with ACE testing, provide guidance on ACE logic and fixes, act as back-up for OICs as needed

Q1 Release – Sarah asked me to follow-up this week, expected release is August 11, 2017 per Opal. Karin to handle EDGAR and Andrea non-EDGAR filings

USD Potential Deal – 50/50 chance (last week) per Jim, explored EMTN 144A offering vs. US MTN vs Global; answered questions for the Funding Desk; ensure accuracy with flow back letter on the next

Global deal further to call with Shearman in June 2017

CCMR – keep apprised of any developments, unable to obtain copy of Cabinet submission - I anticipate that the major exemptions will be contained in the Regulations at this stage

T-bill Process – assisted TD in getting original RFP and submission from 2002 last week and forwarded to Malle; still need to consider 'option 4 re: BEO SSA amendments'

OSBs – no change for 2017; post August 31st environment okay as confirmed by CDS; part of bigger legal piece re FAA delegation and agent actions under STA for LSB's consideration

FAA Amendments – consider next steps and prepare note for LSB outlining approach – accrued interest first and possible commissions – no Fall bill required per Sarah and LSB; obtain certifications from other government issuers if possible.

RBA Bond Basis – still need to determine if the inconsistent language creates any financial risk for the Province; my view is that it probably does not since we are dealing with a highly hypothetical scenario and accrued interest, if a problem, would be adjusted manually and washed-out via a buyback ticket by the traders

Training – provide on-going guidance and training to Ryan, Sab, Andrea

LGX Application – waiting for comments from LSB on LGX Application, this item it not time sensitive until the next 'new' green bond deal. Would not apply to any re-openings of existing green bonds

---

From: Opal Kandelas
Sent: Monday, July 24, 2017 4:05 PM
To: Documentation <Documentation@ofina.on.ca>
Subject: Status update

Hello all,

Please provide a brief update on any current projects by 11am tomorrow morning. Apologies for the short notice.

Thanks,
Opal.

From: Opal Kandelas
To: William Tan
Subject: RE: Status update
Date: Tuesday, July 25, 2017 12:29:24 PM

Hi Will,

Sorry to keep coming back to this, but as you know its topical right now. Could you please let me know the status of the Minister's directive and more importantly whether there is a drop dead date by which time the new facility needs to be in place. I realize you are hoping to wrap up the agreement in early August, but it would be helpful to know. Also, please let me know once you hear back from IESO regarding the resolution.

Thanks,
Opal.

From: William Tan
Sent: Tuesday, July 25, 2017 9:43 AM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: Status update

Hello Opal,

That's correct.

From: Opal Kandelas
Sent: Tuesday, July 25, 2017 9:41 AM
To: William Tan <William.Tan@ofina.on.ca>
Subject: RE: Status update

Hi Will,

Just so I'm clear. Both the new and amending agreements are with IESO and you are awaiting their comments – correct?

Opal.

From: William Tan
Sent: Tuesday, July 25, 2017 9:06 AM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: Status update

Hi Opal,

This is the time table I provided to IESO to get their buy-in and have them feel more obligated to the

timelines a little more. I expect some time slippage, but hopefully it doesn't happen.
I'm hoping that IESO will accept my changes to the Amending Agreement 10. After that I will need to provide them with a new grid note, then they can provide physical signatures in the coming weeks.
I hope to get the their comments on my first draft of the $2B Credit Facility today. I will be sending them a reminder at noon.

Time Table

Date	Action	Action required by Group
July 24, 25	Amending Agreement 10 (AA10), provide comments/accept changes.	IESO
July 25	Check-in with IESO that the Resolution of the Board of Directors, Certificate of Incumbency and Delegation of Authority (IESO Statement of Policy) is being completed.	Documentation
July 25	FHP Credit Facility, receive comments from IESO.	IESO
July 26	AA10, Request for updated Grid note amounts and request IESO for original signatures.	Documentation
July 26	FHP Credit Facility, comment and forward to OFA Legal. Documentation.	Documentation
July 27, 28	FHP Credit Facility, back and forth between Documentation and OFA Legal.	Documentation/OFA Legal
July 31	FHP Credit Facility, draft 2 back to IESO.	Documentation/OFA Legal
August 1	AA10, executed by IESO and physical sent OFA for counter signature. Resolution of the Board of Directors, Certificate of Incumbency and Delegation of Authority (IESO Statement of Policy).	IESO
August 4	FHP Credit Facility, executed by IESO and physical sent OFA for counter signature. Resolution of the Board of Directors, Certificate of Incumbency and Delegation of Authority (IESO Statement of Policy).	IESO

From: Opal Kandelas
Sent: Tuesday, July 25, 2017 8:45 AM
To: William Tan <William.Tan@ofina.on.ca>
Subject: RE: Status update

Hi Will,

Thanks for this. What stage are we at with the new IESO credit facility agreement and the amending agreement?

Opal

From: William Tan
Sent: Tuesday, July 25, 2017 8:32 AM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: FW: Status update

Good morning Opal,

1. IESO draft new Credit facility agreement and amendment of existing agreement.
2. Borrowing Program sheet update.
3. OLMS report/OILC Loan confirmation improvement.
4. Update T-bill procedure manual – pending test of new procedures before I document them.
5. Bond exchange procedures – drafts submitted.

From: Opal Kandelas
Sent: Monday, July 24, 2017 4:05 PM
To: Documentation <Documentation@ofina.on.ca>
Subject: Status update

Hello all,

Please provide a brief update on any current projects by 11am tomorrow morning. Apologies for the short notice.

Thanks,
Opal.

From:	Hanslep, Malle (MOF)
To:	Ronald Kwan; Tobias P. Whitfield (MOF); Ken Kandeepan; Mike Manning; Carlos Yep; James Devine; Opal Kandelas; John Kim
Cc:	Elcombe, James (MOF)
Subject:	RE: Updated Draft Provincial Support Discussion Document
Date:	Thursday, June 15, 2017 4:58:01 PM

My only restriction on Monday is that I'm not free between 1 and 2.

From: Ronald Kwan [mailto:Ronald.Kwan@ofina.on.ca]
Sent: June 15, 2017 4:54 PM
To: Whitfield, Tobias P. (MOF); Kandeepan, Ken (OFA); Manning, Mike (OFA); Yep, Carlos (OFA); Devine, James (OFA); Kandelas, Opal (OFA); Kim, John (OFA)
Cc: Hanslep, Malle (MOF); Elcombe, James (MOF)
Subject: RE: Updated Draft Provincial Support Discussion Document

I'd be free after 11:30.

Ron

From: Whitfield, Tobias P. (MOF) [mailto:Tobias.Whitfield@ontario.ca]
Sent: June-15-17 16:53
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Cc: Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>; Elcombe, James (MOF) <James.Elcombe@ontario.ca>
Subject: RE: Updated Draft Provincial Support Discussion Document

We have conflicts tomorrow afternoon. Can we schedule something for Monday morning?

Toby

Tobias Whitfield
Counsel, Legal Services Branch
Ministry of Finance
tobias.whitfield@ontario.ca
Phone: 416-325-1456

From: Ronald Kwan [mailto:Ronald.Kwan@ofina.on.ca]
Sent: June 15, 2017 4:45 PM
To: Kandeepan, Ken (OFA); Whitfield, Tobias P. (MOF); Manning, Mike (OFA); Yep, Carlos (OFA); Devine, James (OFA); Kandelas, Opal (OFA); Kim, John (OFA)
Cc: Hanslep, Malle (MOF); Elcombe, James (MOF)
Subject: RE: Updated Draft Provincial Support Discussion Document

Agreed it would be good to meet to discuss, and 2:30 works for me.

Ron

From: Ken Kandeepan
Sent: June-15-17 16:44
To: Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Cc: Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>; Elcombe, James (MOF) <James.Elcombe@ontario.ca>
Subject: RE: Updated Draft Provincial Support Discussion Document

That makes sense, Mike and I have the OFA Board tomorrow till 2 PM, if everyone is free after that we can perhaps meet at the OFA at 2.30 or teleconference at the same time.

Thanks

Ken k

From: Whitfield, Tobias P. (MOF) [mailto:Tobias.Whitfield@ontario.ca]
Sent: Thursday, June 15, 2017 4:41 PM
To: Mike Manning <Mike.Manning@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Cc: Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>; Elcombe, James (MOF) <James.Elcombe@ontario.ca>
Subject: RE: Updated Draft Provincial Support Discussion Document

Hi,

I just wanted to follow up on this and see if there is an appetite to discuss this amongst our smaller group at this point. Energy is briefing up on this draft and we probably should meet with them and our outside counsel at Blakes soon to come to a decision about how this draft will be communicated to the other parties to this transaction.

Best
Toby

Tobias Whitfield
Counsel, Legal Services Branch
Ministry of Finance
tobias.whitfield@ontario.ca
Phone: 416-325-1456

From: Whitfield, Tobias P. (MOF)
Sent: June 14, 2017 12:47 PM

To: Manning, Mike (OFA); Kandeepan, Ken (OFA); Kwan, Ronald (OFA); Yep, Carlos (OFA); Devine, James (OFA); Kandelas, Opal (OFA); Kim, John (OFA)
Cc: Hanslep, Malle (MOF); Elcombe, James (MOF)
Subject: Updated Draft Provincial Support Discussion Document

Please find attached a markup of the proposal from OPG regarding the Provincial Support Agreeement.

This markup is the result of discussions between us at MOF Legal, lawyers from Energy Legal and the Province's external counsel at Blakes.

The changes are significant and we would like to get your feedback on our proposed approach. Perhaps we can have a discussion first with this group, and then a broader discussion with the Energy team and Stephen Ashbourne from Blakes.

Please let us know when you have had a chance to review and are available to discuss.

Best
Toby

Tobias Whitfield
Counsel, Legal Services Branch
Ministry of Finance
777 Bay Street, 11th Floor
Toronto, ON, M5G 2C8
tobias.whitfield@ontario.ca
Phone: 416-325-1456

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From:	Ronald Kwan
To:	Tobias P. Whitfield (MOF); Ken Kandeepan; Mike Manning; Carlos Yep; James Devine; Opal Kandelas; John Kim
Cc:	Malle Hanslep (MOF); Elcombe, James (MOF)
Subject:	RE: Updated Draft Provincial Support Discussion Document
Date:	Thursday, June 15, 2017 4:54:02 PM

I'd be free after 11:30.

Ron

From: Whitfield, Tobias P. (MOF) [mailto:Tobias.Whitfield@ontario.ca]
Sent: June-15-17 16:53
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Cc: Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>; Elcombe, James (MOF) <James.Elcombe@ontario.ca>
Subject: RE: Updated Draft Provincial Support Discussion Document

We have conflicts tomorrow afternoon. Can we schedule something for Monday morning?

Toby

Tobias Whitfield
Counsel, Legal Services Branch
Ministry of Finance
tobias.whitfield@ontario.ca
Phone: 416-325-1456

From: Ronald Kwan [mailto:Ronald.Kwan@ofina.on.ca]
Sent: June 15, 2017 4:45 PM
To: Kandeepan, Ken (OFA); Whitfield, Tobias P. (MOF); Manning, Mike (OFA); Yep, Carlos (OFA); Devine, James (OFA); Kandelas, Opal (OFA); Kim, John (OFA)
Cc: Hanslep, Malle (MOF); Elcombe, James (MOF)
Subject: RE: Updated Draft Provincial Support Discussion Document

Agreed it would be good to meet to discuss, and 2:30 works for me.

Ron

From: Ken Kandeepan
Sent: June-15-17 16:44
To: Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Cc: Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>; Elcombe, James (MOF)

<James.Elcombe@ontario.ca>
Subject: RE: Updated Draft Provincial Support Discussion Document

That makes sense, Mike and I have the OFA Board tomorrow till 2 PM, if everyone is free after that we can perhaps meet at the OFA at 2.30 or teleconference at the same time.

Thanks

Ken k

From: Whitfield, Tobias P. (MOF) [mailto:Tobias.Whitfield@ontario.ca]
Sent: Thursday, June 15, 2017 4:41 PM
To: Mike Manning <Mike.Manning@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Cc: Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>; Elcombe, James (MOF) <James.Elcombe@ontario.ca>
Subject: RE: Updated Draft Provincial Support Discussion Document

Hi,

I just wanted to follow up on this and see if there is an appetite to discuss this amongst our smaller group at this point. Energy is briefing up on this draft and we probably should meet with them and our outside counsel at Blakes soon to come to a decision about how this draft will be communicated to the other parties to this transaction.

Best
Toby

Tobias Whitfield
Counsel, Legal Services Branch
Ministry of Finance
tobias.whitfield@ontario.ca
Phone: 416-325-1456

From: Whitfield, Tobias P. (MOF)
Sent: June 14, 2017 12:47 PM
To: Manning, Mike (OFA); Kandeepan, Ken (OFA); Kwan, Ronald (OFA); Yep, Carlos (OFA); Devine, James (OFA); Kandelas, Opal (OFA); Kim, John (OFA)
Cc: Hanslep, Malle (MOF); Elcombe, James (MOF)
Subject: Updated Draft Provincial Support Discussion Document

Please find attached a markup of the proposal from OPG regarding the Provincial Support Agreeement.

This markup is the result of discussions between us at MOF Legal, lawyers from Energy Legal and the

Province's external counsel at Blakes.

The changes are significant and we would like to get your feedback on our proposed approach. Perhaps we can have a discussion first with this group, and then a broader discussion with the Energy team and Stephen Ashbourne from Blakes.

Please let us know when you have had a chance to review and are available to discuss.

Best
Toby

Tobias Whitfield
Counsel, Legal Services Branch
Ministry of Finance
777 Bay Street, 11th Floor
Toronto, ON, M5G 2C8
tobias.whitfield@ontario.ca
Phone: 416-325-1456

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From:	Ken Kandeepan
To:	Tobias P. Whitfield (MOF); Ronald Kwan; Mike Manning; Carlos Yep; James Devine; Opal Kandelas; John Kim
Cc:	Malle Hanslep (MOF); Elcombe, James (MOF)
Subject:	RE: Updated Draft Provincial Support Discussion Document
Date:	Thursday, June 15, 2017 4:54:02 PM

I am quite free Monday, so anytime is good.

Ken k

From: Whitfield, Tobias P. (MOF) [mailto:Tobias.Whitfield@ontario.ca]
Sent: Thursday, June 15, 2017 4:53 PM
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Cc: Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>; Elcombe, James (MOF) <James.Elcombe@ontario.ca>
Subject: RE: Updated Draft Provincial Support Discussion Document

We have conflicts tomorrow afternoon. Can we schedule something for Monday morning?

Toby

Tobias Whitfield
Counsel, Legal Services Branch
Ministry of Finance
tobias.whitfield@ontario.ca
Phone: 416-325-1456

From: Ronald Kwan [mailto:Ronald.Kwan@ofina.on.ca]
Sent: June 15, 2017 4:45 PM
To: Kandeepan, Ken (OFA); Whitfield, Tobias P. (MOF); Manning, Mike (OFA); Yep, Carlos (OFA); Devine, James (OFA); Kandelas, Opal (OFA); Kim, John (OFA)
Cc: Hanslep, Malle (MOF); Elcombe, James (MOF)
Subject: RE: Updated Draft Provincial Support Discussion Document

Agreed it would be good to meet to discuss, and 2:30 works for me.

Ron

From: Ken Kandeepan
Sent: June-15-17 16:44
To: Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Cc: Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>; Elcombe, James (MOF)

<James.Elcombe@ontario.ca>
Subject: RE: Updated Draft Provincial Support Discussion Document

That makes sense, Mike and I have the OFA Board tomorrow till 2 PM, if everyone is free after that we can perhaps meet at the OFA at 2.30 or teleconference at the same time.

Thanks

Ken k

From: Whitfield, Tobias P. (MOF) [mailto:Tobias.Whitfield@ontario.ca]
Sent: Thursday, June 15, 2017 4:41 PM
To: Mike Manning <Mike.Manning@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Cc: Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>; Elcombe, James (MOF) <James.Elcombe@ontario.ca>
Subject: RE: Updated Draft Provincial Support Discussion Document

Hi,

I just wanted to follow up on this and see if there is an appetite to discuss this amongst our smaller group at this point. Energy is briefing up on this draft and we probably should meet with them and our outside counsel at Blakes soon to come to a decision about how this draft will be communicated to the other parties to this transaction.

Best
Toby

Tobias Whitfield
Counsel, Legal Services Branch
Ministry of Finance
tobias.whitfield@ontario.ca
Phone: 416-325-1456

From: Whitfield, Tobias P. (MOF)
Sent: June 14, 2017 12:47 PM
To: Manning, Mike (OFA); Kandeepan, Ken (OFA); Kwan, Ronald (OFA); Yep, Carlos (OFA); Devine, James (OFA); Kandelas, Opal (OFA); Kim, John (OFA)
Cc: Hanslep, Malle (MOF); Elcombe, James (MOF)
Subject: Updated Draft Provincial Support Discussion Document

Please find attached a markup of the proposal from OPG regarding the Provincial Support Agreeement.

This markup is the result of discussions between us at MOF Legal, lawyers from Energy Legal and the

Province's external counsel at Blakes.

The changes are significant and we would like to get your feedback on our proposed approach. Perhaps we can have a discussion first with this group, and then a broader discussion with the Energy team and Stephen Ashbourne from Blakes.

Please let us know when you have had a chance to review and are available to discuss.

Best
Toby

Tobias Whitfield
Counsel, Legal Services Branch
Ministry of Finance
777 Bay Street, 11th Floor
Toronto, ON, M5G 2C8
tobias.whitfield@ontario.ca
Phone: 416-325-1456

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From:	Whitfield, Tobias P. (MOF)
To:	Ronald Kwan; Ken Kandeepan; Mike Manning; Carlos Yep; James Devine; Opal Kandelas; John Kim
Cc:	Malle Hanslep (MOF); Elcombe, James (MOF)
Subject:	RE: Updated Draft Provincial Support Discussion Document
Date:	Thursday, June 15, 2017 4:53:04 PM

We have conflicts tomorrow afternoon. Can we schedule something for Monday morning?

Toby

Tobias Whitfield
Counsel, Legal Services Branch
Ministry of Finance
tobias.whitfield@ontario.ca
Phone: 416-325-1456

From: Ronald Kwan [mailto:Ronald.Kwan@ofina.on.ca]
Sent: June 15, 2017 4:45 PM
To: Kandeepan, Ken (OFA); Whitfield, Tobias P. (MOF); Manning, Mike (OFA); Yep, Carlos (OFA); Devine, James (OFA); Kandelas, Opal (OFA); Kim, John (OFA)
Cc: Hanslep, Malle (MOF); Elcombe, James (MOF)
Subject: RE: Updated Draft Provincial Support Discussion Document

Agreed it would be good to meet to discuss, and 2:30 works for me.

Ron

From: Ken Kandeepan
Sent: June-15-17 16:44
To: Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Cc: Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>; Elcombe, James (MOF) <James.Elcombe@ontario.ca>
Subject: RE: Updated Draft Provincial Support Discussion Document

That makes sense, Mike and I have the OFA Board tomorrow till 2 PM, if everyone is free after that we can perhaps meet at the OFA at 2.30 or teleconference at the same time.

Thanks

Ken k

From: Whitfield, Tobias P. (MOF) [mailto:Tobias.Whitfield@ontario.ca]
Sent: Thursday, June 15, 2017 4:41 PM
To: Mike Manning <Mike.Manning@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>; James Devine

<James.Devine@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Cc: Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>; Elcombe, James (MOF) <James.Elcombe@ontario.ca>
Subject: RE: Updated Draft Provincial Support Discussion Document

Hi,

I just wanted to follow up on this and see if there is an appetite to discuss this amongst our smaller group at this point. Energy is briefing up on this draft and we probably should meet with them and our outside counsel at Blakes soon to come to a decision about how this draft will be communicated to the other parties to this transaction.

Best
Toby

Tobias Whitfield
Counsel, Legal Services Branch
Ministry of Finance
tobias.whitfield@ontario.ca
Phone: 416-325-1456

From: Whitfield, Tobias P. (MOF)
Sent: June 14, 2017 12:47 PM
To: Manning, Mike (OFA); Kandeepan, Ken (OFA); Kwan, Ronald (OFA); Yep, Carlos (OFA); Devine, James (OFA); Kandelas, Opal (OFA); Kim, John (OFA)
Cc: Hanslep, Malle (MOF); Elcombe, James (MOF)
Subject: Updated Draft Provincial Support Discussion Document

Please find attached a markup of the proposal from OPG regarding the Provincial Support Agreeement.

This markup is the result of discussions between us at MOF Legal, lawyers from Energy Legal and the Province's external counsel at Blakes.

The changes are significant and we would like to get your feedback on our proposed approach. Perhaps we can have a discussion first with this group, and then a broader discussion with the Energy team and Stephen Ashbourne from Blakes.

Please let us know when you have had a chance to review and are available to discuss.

Best
Toby

Tobias Whitfield
Counsel, Legal Services Branch
Ministry of Finance
777 Bay Street, 11th Floor

Toronto, ON, M5G 2C8
tobias.whitfield@ontario.ca
Phone: 416-325-1456

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From:	Ronald Kwan
To:	Ken Kandeepan; Tobias P. Whitfield (MOF); Mike Manning; Carlos Yep; James Devine; Opal Kandelas; John Kim
Cc:	Malle Hanslep (MOF); Elcombe, James (MOF)
Subject:	RE: Updated Draft Provincial Support Discussion Document
Date:	Thursday, June 15, 2017 4:45:29 PM

Agreed it would be good to meet to discuss, and 2:30 works for me.

Ron

From: Ken Kandeepan
Sent: June-15-17 16:44
To: Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Cc: Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>; Elcombe, James (MOF) <James.Elcombe@ontario.ca>
Subject: RE: Updated Draft Provincial Support Discussion Document

That makes sense, Mike and I have the OFA Board tomorrow till 2 PM, if everyone is free after that we can perhaps meet at the OFA at 2.30 or teleconference at the same time.

Thanks

Ken k

From: Whitfield, Tobias P. (MOF) [mailto:Tobias.Whitfield@ontario.ca]
Sent: Thursday, June 15, 2017 4:41 PM
To: Mike Manning <Mike.Manning@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Cc: Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>; Elcombe, James (MOF) <James.Elcombe@ontario.ca>
Subject: RE: Updated Draft Provincial Support Discussion Document

Hi,

I just wanted to follow up on this and see if there is an appetite to discuss this amongst our smaller group at this point. Energy is briefing up on this draft and we probably should meet with them and our outside counsel at Blakes soon to come to a decision about how this draft will be communicated to the other parties to this transaction.

Best
Toby

Tobias Whitfield
Counsel, Legal Services Branch
Ministry of Finance
tobias.whitfield@ontario.ca
Phone: 416-325-1456

From: Whitfield, Tobias P. (MOF)
Sent: June 14, 2017 12:47 PM
To: Manning, Mike (OFA); Kandeepan, Ken (OFA); Kwan, Ronald (OFA); Yep, Carlos (OFA); Devine, James (OFA); Kandelas, Opal (OFA); Kim, John (OFA)
Cc: Hanslep, Malle (MOF); Elcombe, James (MOF)
Subject: Updated Draft Provincial Support Discussion Document

Please find attached a markup of the proposal from OPG regarding the Provincial Support Agreeement.

This markup is the result of discussions between us at MOF Legal, lawyers from Energy Legal and the Province's external counsel at Blakes.

The changes are significant and we would like to get your feedback on our proposed approach. Perhaps we can have a discussion first with this group, and then a broader discussion with the Energy team and Stephen Ashbourne from Blakes.

Please let us know when you have had a chance to review and are available to discuss.

Best
Toby

Tobias Whitfield
Counsel, Legal Services Branch
Ministry of Finance
777 Bay Street, 11th Floor
Toronto, ON, M5G 2C8
tobias.whitfield@ontario.ca
Phone: 416-325-1456

From:	Ken Kandeepan
To:	Tobias P. Whitfield (MOF); Mike Manning; Ronald Kwan; Carlos Yep; James Devine; Opal Kandelas; John Kim
Cc:	Malle Hanslep (MOF); Elcombe, James (MOF)
Subject:	RE: Updated Draft Provincial Support Discussion Document
Date:	Thursday, June 15, 2017 4:44:04 PM

That makes sense, Mike and I have the OFA Board tomorrow till 2 PM, if everyone is free after that we can perhaps meet at the OFA at 2.30 or teleconference at the same time.

Thanks

Ken k

From: Whitfield, Tobias P. (MOF) [mailto:Tobias.Whitfield@ontario.ca]
Sent: Thursday, June 15, 2017 4:41 PM
To: Mike Manning <Mike.Manning@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Cc: Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca>; Elcombe, James (MOF) <James.Elcombe@ontario.ca>
Subject: RE: Updated Draft Provincial Support Discussion Document

Hi,

I just wanted to follow up on this and see if there is an appetite to discuss this amongst our smaller group at this point. Energy is briefing up on this draft and we probably should meet with them and our outside counsel at Blakes soon to come to a decision about how this draft will be communicated to the other parties to this transaction.

Best
Toby

Tobias Whitfield
Counsel, Legal Services Branch
Ministry of Finance
tobias.whitfield@ontario.ca
Phone: 416-325-1456

From: Whitfield, Tobias P. (MOF)
Sent: June 14, 2017 12:47 PM
To: Manning, Mike (OFA); Kandeepan, Ken (OFA); Kwan, Ronald (OFA); Yep, Carlos (OFA); Devine, James (OFA); Kandelas, Opal (OFA); Kim, John (OFA)
Cc: Hanslep, Malle (MOF); Elcombe, James (MOF)
Subject: Updated Draft Provincial Support Discussion Document

Please find attached a markup of the proposal from OPG regarding the Provincial Support Agreeement.

This markup is the result of discussions between us at MOF Legal, lawyers from Energy Legal and the Province's external counsel at Blakes.

The changes are significant and we would like to get your feedback on our proposed approach. Perhaps we can have a discussion first with this group, and then a broader discussion with the Energy team and Stephen Ashbourne from Blakes.

Please let us know when you have had a chance to review and are available to discuss.

Best
Toby

Tobias Whitfield
Counsel, Legal Services Branch
Ministry of Finance
777 Bay Street, 11th Floor
Toronto, ON, M5G 2C8
tobias.whitfield@ontario.ca
Phone: 416-325-1456

From:	Whitfield, Tobias P. (MOF)
To:	Mike Manning; Ken Kandeepan; Ronald Kwan; Carlos Yep; James Devine; Opal Kandelas; John Kim
Cc:	Malle Hanslep (MOF); Elcombe, James (MOF)
Subject:	RE: Updated Draft Provincial Support Discussion Document
Date:	Thursday, June 15, 2017 4:41:24 PM

Hi,

I just wanted to follow up on this and see if there is an appetite to discuss this amongst our smaller group at this point. Energy is briefing up on this draft and we probably should meet with them and our outside counsel at Blakes soon to come to a decision about how this draft will be communicated to the other parties to this transaction.

Best
Toby

Tobias Whitfield
Counsel, Legal Services Branch
Ministry of Finance
tobias.whitfield@ontario.ca
Phone: 416-325-1456

From: Whitfield, Tobias P. (MOF)
Sent: June 14, 2017 12:47 PM
To: Manning, Mike (OFA); Kandeepan, Ken (OFA); Kwan, Ronald (OFA); Yep, Carlos (OFA); Devine, James (OFA); Kandelas, Opal (OFA); Kim, John (OFA)
Cc: Hanslep, Malle (MOF); Elcombe, James (MOF)
Subject: Updated Draft Provincial Support Discussion Document

Please find attached a markup of the proposal from OPG regarding the Provincial Support Agreeement.

This markup is the result of discussions between us at MOF Legal, lawyers from Energy Legal and the Province's external counsel at Blakes.

The changes are significant and we would like to get your feedback on our proposed approach. Perhaps we can have a discussion first with this group, and then a broader discussion with the Energy team and Stephen Ashbourne from Blakes.

Please let us know when you have had a chance to review and are available to discuss.

Best
Toby

Tobias Whitfield
Counsel, Legal Services Branch
Ministry of Finance
777 Bay Street, 11th Floor
Toronto, ON, M5G 2C8

tobias.whitfield@ontario.ca
Phone: 416-325-1456

From:	Whitfield, Tobias P. (MOF)
To:	Malle Hanslep (MOF); Ronald Kwan; Ken Kandeepan; Mike Manning; Carlos Yep; James Devine; Opal Kandelas; John Kim
Cc:	Elcombe, James (MOF)
Subject:	RE: Updated Draft Provincial Support Discussion Document
Date:	Thursday, June 15, 2017 6:37:14 PM

How about a call at 11:30?

Tobias Whitfield
Counsel, Legal Services Branch
Ministry of Finance
777 Bay Street, 11th Floor
Toronto, ON
M5G 2C8
tobias.whitfield@ontario.ca
Phone: 416-325-1456

This e-mail, including any attachment, was intended for a specific recipient. It may contain information that is confidential or exempt from disclosure, it may have been provided from one government to another in confidence, or it may be subject to privilege, including solicitor-client privilege. Any privilege that exists is not waived. If you are not the intended recipient: (1) do not distribute it to another person or use it for any purpose, and (2) delete it and advise me by return e-mail or telephone of your doing so.

From: Hanslep, Malle (MOF)
Sent: Thursday, June 15, 2017 4:57 PM
To: Kwan, Ronald (OFA); Whitfield, Tobias P. (MOF); Kandeepan, Ken (OFA); Manning, Mike (OFA); Yep, Carlos (OFA); Devine, James (OFA); Kandelas, Opal (OFA); Kim, John (OFA)
Cc: Elcombe, James (MOF)
Subject: RE: Updated Draft Provincial Support Discussion Document

My only restriction on Monday is that I'm not free between 1 and 2.

From: Ronald Kwan [mailto:Ronald.Kwan@ofina.on.ca]
Sent: June 15, 2017 4:54 PM
To: Whitfield, Tobias P. (MOF); Kandeepan, Ken (OFA); Manning, Mike (OFA); Yep, Carlos (OFA); Devine, James (OFA); Kandelas, Opal (OFA); Kim, John (OFA)
Cc: Hanslep, Malle (MOF); Elcombe, James (MOF)
Subject: RE: Updated Draft Provincial Support Discussion Document

I'd be free after 11:30.

Ron

From: Whitfield, Tobias P. (MOF) [mailto:Tobias.Whitfield@ontario.ca]
Sent: June-15-17 16:53
To: Ronald Kwan <Ronald.Kwan@ofina.on.ca<mailto:Ronald.Kwan@ofina.on.ca>>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca<mailto:Ken.Kandeepan@ofina.on.ca>>; Mike Manning <Mike.Manning@ofina.on.ca<mailto:Mike.Manning@ofina.on.ca>>; Carlos Yep <Carlos.Yep@ofina.on.ca<mailto:Carlos.Yep@ofina.on.ca>>; James Devine <James.Devine@ofina.on.ca<mailto:James.Devine@ofina.on.ca>>; Opal Kandelas <Opal.Kandelas@ofina.on.ca<mailto:Opal.Kandelas@ofina.on.ca>>; John Kim <John.Kim@ofina.on.ca<mailto:John.Kim@ofina.on.ca>>
Cc: Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca<mailto:Malle.Hanslep@ontario.ca>>; Elcombe, James (MOF) <James.Elcombe@ontario.ca<mailto:James.Elcombe@ontario.ca>>

Subject: RE: Updated Draft Provincial Support Discussion Document

We have conflicts tomorrow afternoon. Can we schedule something for Monday morning?

Toby

Tobias Whitfield
Counsel, Legal Services Branch
Ministry of Finance
tobias.whitfield@ontario.ca<mailto:tobias.whitfield@ontario.ca>
Phone: 416-325-1456

From: Ronald Kwan [mailto:Ronald.Kwan@ofina.on.ca]
Sent: June 15, 2017 4:45 PM
To: Kandeepan, Ken (OFA); Whitfield, Tobias P. (MOF); Manning, Mike (OFA); Yep, Carlos (OFA); Devine, James (OFA); Kandelas, Opal (OFA); Kim, John (OFA)
Cc: Hanslep, Malle (MOF); Elcombe, James (MOF)
Subject: RE: Updated Draft Provincial Support Discussion Document

Agreed it would be good to meet to discuss, and 2:30 works for me.

Ron

From: Ken Kandeepan
Sent: June-15-17 16:44
To: Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca<mailto:Tobias.Whitfield@ontario.ca>>; Mike Manning <Mike.Manning@ofina.on.ca<mailto:Mike.Manning@ofina.on.ca>>; Ronald Kwan <Ronald.Kwan@ofina.on.ca<mailto:Ronald.Kwan@ofina.on.ca>>; Carlos Yep <Carlos.Yep@ofina.on.ca<mailto:Carlos.Yep@ofina.on.ca>>; James Devine <James.Devine@ofina.on.ca<mailto:James.Devine@ofina.on.ca>>; Opal Kandelas <Opal.Kandelas@ofina.on.ca<mailto:Opal.Kandelas@ofina.on.ca>>; John Kim <John.Kim@ofina.on.ca<mailto:John.Kim@ofina.on.ca>>
Cc: Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca<mailto:Malle.Hanslep@ontario.ca>>; Elcombe, James (MOF) <James.Elcombe@ontario.ca<mailto:James.Elcombe@ontario.ca>>
Subject: RE: Updated Draft Provincial Support Discussion Document

That makes sense, Mike and I have the OFA Board tomorrow till 2 PM, if everyone is free after that we can perhaps meet at the OFA at 2.30 or teleconference at the same time.

Thanks

Ken k

From: Whitfield, Tobias P. (MOF) [mailto:Tobias.Whitfield@ontario.ca]
Sent: Thursday, June 15, 2017 4:41 PM
To: Mike Manning <Mike.Manning@ofina.on.ca<mailto:Mike.Manning@ofina.on.ca>>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca<mailto:Ken.Kandeepan@ofina.on.ca>>; Ronald Kwan <Ronald.Kwan@ofina.on.ca<mailto:Ronald.Kwan@ofina.on.ca>>; Carlos Yep <Carlos.Yep@ofina.on.ca<mailto:Carlos.Yep@ofina.on.ca>>; James Devine <James.Devine@ofina.on.ca<mailto:James.Devine@ofina.on.ca>>; Opal Kandelas <Opal.Kandelas@ofina.on.ca<mailto:Opal.Kandelas@ofina.on.ca>>; John Kim <John.Kim@ofina.on.ca<mailto:John.Kim@ofina.on.ca>>
Cc: Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca<mailto:Malle.Hanslep@ontario.ca>>; Elcombe, James (MOF) <James.Elcombe@ontario.ca<mailto:James.Elcombe@ontario.ca>>
Subject: RE: Updated Draft Provincial Support Discussion Document

Hi,

I just wanted to follow up on this and see if there is an appetite to discuss this amongst our smaller group at this point. Energy is briefing up on this draft and we probably should meet with them and our outside counsel at Blakes soon to come to a decision about how this draft will be communicated to the other parties to this transaction.

Best
Toby

Tobias Whitfield
Counsel, Legal Services Branch
Ministry of Finance
tobias.whitfield@ontario.ca<mailto:tobias.whitfield@ontario.ca>
Phone: 416-325-1456

From: Whitfield, Tobias P. (MOF)
Sent: June 14, 2017 12:47 PM
To: Manning, Mike (OFA); Kandeepan, Ken (OFA); Kwan, Ronald (OFA); Yep, Carlos (OFA); Devine, James (OFA); Kandelas, Opal (OFA); Kim, John (OFA)
Cc: Hanslep, Malle (MOF); Elcombe, James (MOF)
Subject: Updated Draft Provincial Support Discussion Document

Please find attached a markup of the proposal from OPG regarding the Provincial Support Agreeement.

This markup is the result of discussions between us at MOF Legal, lawyers from Energy Legal and the Province's external counsel at Blakes.

The changes are significant and we would like to get your feedback on our proposed approach. Perhaps we can have a discussion first with this group, and then a broader discussion with the Energy team and Stephen Ashbourne from Blakes.

Please let us know when you have had a chance to review and are available to discuss.

Best
Toby

Tobias Whitfield
Counsel, Legal Services Branch
Ministry of Finance
777 Bay Street, 11th Floor
Toronto, ON, M5G 2C8
tobias.whitfield@ontario.ca<mailto:tobias.whitfield@ontario.ca>
Phone: 416-325-1456

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From:	Opal Kandelas
To:	Sarah Harris
Subject:	RE: follow up from meeting
Date:	Tuesday, June 06, 2017 2:52:35 PM

Thanks so much Sarah.

From: Sarah Harris
Sent: Tuesday, June 06, 2017 2:27 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: FW: follow up from meeting

Hi Opal,

The **current** $975 OFA-IESO credit facility provides for advances to be repaid no earlier than 28 days and no later than 95 days. Amendment number 9 (attached) contains the form of borrowing notice as Schedule 1 (which is page 5 of the .pdf); please let me know if you would like Will to print out the borrowing notice for you.

Per IESO's attached requests, they are requesting minimum borrowing period on the existing credit facility to be **reduced from 28 days to 7 days**.

That means that for the new $2 billion credit facility, as well as the existing facility (which will also be reduced from $975 million to $475 million), **the time period for advances to be repaid will be no earlier than 7 days and no later than 95 days.**

Thanks,
Sarah

From: Opal Kandelas
Sent: Tuesday, June 06, 2017 11:45 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>
Subject: follow up from meeting

Hi Sarah,

Mike had 2 questions.

1. What is the min and max time for borrowing notices in r the new IESO FHP agreement, as well as under the amending agreement? I believe there are also election notices under the agreement as well, so out of an abundance of caution, lets provide that as well.

2. What's the status of being able to charge Metrolinx for work already done so far re: fuel hedging. I think this is something that was being worked on – I thought by Siva- but asking in case you know.

Thanks,
Opal

From: John Kim
To: Sarah Harris
Cc: Salman Qadir; Linda Smith; Opal Kandelas; Bruno Amara
Subject: Re: DRAFT IESO FH credit letter
Date: Tuesday, May 09, 2017 6:01:02 PM

Thanks....OFA facility is most likely. Will circle back with you tomorrow.

On May 9, 2017, at 4:15 PM, Sarah Harris <Sarah.Harris@ofina.on.ca> wrote:

> Hello John,
>
> I'm not sure if you've seen the attached letter as of yet. We have received this request from IESO to set-up a credit facility for IESO to borrow $1,500M to fund the Fair Hydro Program.
>
> IESO indicates that they either wish to have the existing $975M credit facility between the OFA and IESO increased by $1,500M (incorporating their proposed provisions) or to have a separate $1,500M credit facility altogether. I'm aware that there have some discussions around this. Do you know if it has been decided if OFA or OEFC should provide this facility?
>
> Thanks,
> Sarah
> 5-8193
>
> ---
>
> **From:** Opal Kandelas
> **Sent:** Tuesday, May 09, 2017 11:54 AM
> **To:** Sarah Harris <Sarah.Harris@ofina.on.ca>
> **Subject:** FW: DRAFT IESO FH credit letter
> **Importance:** High
>
> ---
>
> **From:** Mike Manning
> **Sent:** Tuesday, May 09, 2017 11:21 AM
> **To:** Opal Kandelas <Opal.Kandelas@ofina.on.ca>
> **Subject:** FW: DRAFT IESO FH credit letter
> **Importance:** High
>
> As discussed.
> Mike
>
> ---

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Tuesday, May 09, 2017 10:26 AM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; John Psinas <John.Psinas@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>
Subject: DRAFT IESO FH credit letter

See attached draft letter we hope to issue this week – for your comments (will appreciate by Thursday this week if any).

I did speak with Moody's on April 28 to obtain their feedback.

Call me @ 905.403.6944 to discuss (…Ken can we discuss the interest exp/income flows when you have a moment).

As mentioned the current $975M supports the RPP today which will be transitioned to the new FH going forward – for this draft as discussed with my CFO I have left the $975M as is but will seek to use for FH too.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

<IESO_OFA FEP 2017 Credit Letter v3 draft.docx>

From: Sarah Harris
To: Jean-Francois Beaupre
Cc: Opal Kandelas
Subject: Re: Do we need to consider filing anythIng?
Date: Monday, December 11, 2017 9:51:13 PM

Thanks, JF. That helps. Just being cautious and asking question as it's the FAO

Sent from my iPhone

On Dec 11, 2017, at 8:30 PM, Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca> wrote:

> I do not think we should deviate from the Fall Economic Statement and Fiscal Review which is the official public disclosure document of the government, albeit a political one. I realize that there are some diverging opinions on the accounting for FHP and pensions with the AG (which Gadi acknowledged at the town hall last week), but I would not recommend filing anything currently as this would conflict with the government's current fiscal position numbers, notwithstanding the added pressure of an upcoming election next year. Who knows, maybe they will revise the figures in Q3 or the 2018-19 Budget numbers, but I doubt it.
>
> We should probably not make any filings based on news appearing in the general media (unless said news is also approved by MOF communications, which it is not at this time).
>
> That's my 2 cents worth anyway...
>
> J-F
>
> On Dec 11, 2017, at 6:23 PM, Sarah Harris <Sarah.Harris@ofina.on.ca> wrote:
>
> > http://www.ctvnews.ca/mobile/canada/ontario-on-track-for-4b-deficit-in-2017-2018-fao-1.3716358
> >
> > Sent from my iPhone

From:	Mike Manning
To:	Malle Hanslep (MOF)
Cc:	Tobias P. Whitfield (MOF); Opal Kandelas; Sarah Harris
Subject:	Re: Fair Hydro -- Form of ISDA Schedule
Date:	Tuesday, October 24, 2017 6:48:40 PM
Importance:	High

I think that is a good idea. We may need all hands on deck.
Thanks, Mike

Sent from my iPhone

On Oct 24, 2017, at 5:36 PM, Hanslep, Malle (MOF) <Malle.Hanslep@ontario.ca> wrote:

> Hi Mike
>
> Although we are not really going to give much input to the terms of the, various agreements etc I am wondering whether it makes sense to have the documentation group involved in this project. I know that Opal came to one of the early meetings as there are going to be quite a few agreements to review.
>
> Perhaps we can discuss this tomorrow?
>
> Thanks
> Sent from my BlackBerry 10 smartphone on the Rogers network.
> From: Mansoori, Nina <nmansoori@torys.com>
> Sent: Tuesday, October 24, 2017 17:21
> To: Thouin, Alena (ENERGY); Hanslep, Malle (MOF); Whitfield, Tobias P. (MOF); McKinlay, Tom (MAG); STEPHEN.ASHBOURNE@blakes.com
> Cc: Feldman, Michael; Ramchandani, Rima; Olusoga, Yinka; Saulnier, Brett; Mansoori, Nina
> Subject: RE: Fair Hydro -- Form of ISDA Schedule
>
> All,
>
> We attach a draft Schedule for an ISDA Master Agreement to be used for hedging purposes in connection with the issuance of Fair Hydro debt. This draft is subject to the working group's review and comment.
>
> Best Regards,
> Nina
>
> Nina Mansoori
> P. 416.865.7332 | F. 416.865.7380 | 1.800.505.8679
> 79 Wellington St. W., 30th Floor, Box 270, TD South Tower
> Toronto, Ontario M5K 1N2 Canada |
> www.torys.com<https://urldefense.proofpoint.com/v2/url?u=http-3A__www.torys.com&d=DwIF-g&c=qG_YucLTZOaBAapRaQkKEgrMWFFI0Cr1_eykjn9FtiQ&r=gV-

xgZHI0tggSwOPXBdMOr4DyITzOyaIKJLqH9Oy-40&m=1VTa1zXh4KcvkaKlO9-ARX4ZdAPchHFOUlZrzzbEKu8&s=WV1r2al3I6I7hp4_ENGNsOCi-ONgrumWNDvMZJ5snis&e= >
[Torys LLP]<https://urldefense.proofpoint.com/v2/url?u=http-3A__www.torys.com&d=DwIF-g&c=qG_YucLTZOaBAapRaQkKEgrMWFFI0Cr1_eykjn9FtiQ&r=gV-xgZHI0tggSwOPXBdMOr4DyITzOyaIKJLqH9Oy-40&m=1VTa1zXh4KcvkaKlO9-ARX4ZdAPchHFOUlZrzzbEKu8&s=WV1r2al3I6I7hp4_ENGNsOCi-ONgrumWNDvMZJ5snis&e= >

This email and any attachments are for the sole use of the intended recipients and may be privileged or confidential. Any distribution, printing or other use by anyone else is prohibited. If you are not an intended recipient, please contact the sender immediately, and permanently delete this email and attachments.

Le présent courriel et les documents qui y sont joints sont exclusivement réservés à l'utilisation des destinataires concernés et peuvent être de nature privilégiée ou confidentielle. Toute distribution, impression ou autre utilisation est interdite aux autres personnes. Si vous ne faites pas partie des destinataires concernés, veuillez en informer immédiatement l'expéditeur, ainsi que supprimer ce courriel et les documents joints de manière permanente.

<Fair Hydro – Form of ISDA Schedule.docx>

From: Opal Kandelas
To: John Kim
Cc: Jean-Francois Beaupre; Sarah Harris; Gavin He; Ryan Blackbyrne
Subject: Re: IESO - OEFC credit facilities : permitted liens
Date: Thursday, November 16, 2017 4:53:57 PM

I have no major comments, just a few minor ones which I'm sure John and Gavin will catch on their pass through.

Opal.

Sent from my iPhone

On Nov 16, 2017, at 4:16 PM, John Kim <John.Kim@ofina.on.ca> wrote:

> H J-F,
>
> I will reverse some of these edits as this is going into the policy realm and there are sensitivities that we need to be mindful of.
>
> John
>
> ---
>
> **From:** Jean-Francois Beaupre
> **Sent:** Thursday, November 16, 2017 4:05 PM
> **To:** Sarah Harris <Sarah.Harris@ofina.on.ca>
> **Cc:** Gavin He <Gavin.He@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
> **Subject:** Re: IESO - OEFC credit facilities : permitted liens
>
> Thanks Sarah, yes Opal will provide comments.
>
> On Nov 16, 2017, at 4:02 PM, Sarah Harris <Sarah.Harris@ofina.on.ca> wrote:
>
> > Hi JF,
> >
> > I only have one small edit on where FHP definition is introduced, otherwise looks good to me. Opal appears to be logged off for the day, but I expect she may take a look on the Go Train.
> >
> > Thanks,
> > Sarah
> >
> > ---
> >
> > **From:** Jean-Francois Beaupre

Sent: Thursday, November 16, 2017 3:48 PM
To: Gavin He <Gavin.He@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: John Kim <John.Kim@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Dear all,

Please find attached for your review and consideration my suggested edits following our discussion. Happy to incorporate any additional comments you may have.

I did not cc OFA Legal on this draft.

Thanks,
J-F

From: Gavin He
Sent: Thursday, November 16, 2017 8:21 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi all,

We have confirmed with the IESO that the reason for their requested change to the definition of the "permitted liens" in the OEFC credit facility agreements are the same for the request to OFA. The IESO wants to be able to grant security to the OPG Trust, and address the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

We have drafted the attached BN for internal approval (Ron and Gadi) process. Could you please review and let us know if you have any concerns? It would be much appreciated if you could provide us your feedback around noon today, given the limited timeframe on this request.

This has been reviewed by Legal last night and I have incorporated the feedback from Sarah N. (in Lisa's absence).

Please let me know if you have any questions.

Thanks,
Gavin He

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Wednesday, November 15, 2017 6:49 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>
Subject: IESO - OEFC credit facilities : permitted liens

John,

As discussed yesterday, it likely is best to add to the definition of "Permitted Liens" in the two OEFC facilities to address a) IESO granting security to the OPG Trust during the first 4 years of fair hydro program and b) the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

Happy to discuss further. I am out of the office most of this week on IESO business matters but available by cell 289-795-9426, or if necessary you may connect with Victor.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

<IESO-OEFC Note (Mark-up).docx>

From: Opal Kandelas
To: John Kim
Subject: Re: IESO - OEFC credit facilities : permitted liens
Date: Thursday, November 16, 2017 4:49:46 PM

I understand completely. Please do share the note once you've edited-as FYI.
Opal.

Sent from my iPhone

On Nov 16, 2017, at 4:46 PM, John Kim <John.Kim@ofina.on.ca> wrote:

> Hi Opal,
>
> We will take it from here….we are used to drafting these things and will respect J-F's input but need to restructure the note a bit.
>
> Thanks,
>
> John
>
> ---
>
> **From:** John Kim
> **Sent:** Thursday, November 16, 2017 4:16 PM
> **To:** Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
> **Cc:** Gavin He <Gavin.He@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
> **Subject:** RE: IESO - OEFC credit facilities : permitted liens
>
> H J-F,
>
> I will reverse some of these edits as this is going into the policy realm and there are sensitivities that we need to be mindful of.
>
> John
>
> ---
>
> **From:** Jean-Francois Beaupre
> **Sent:** Thursday, November 16, 2017 4:05 PM
> **To:** Sarah Harris <Sarah.Harris@ofina.on.ca>
> **Cc:** Gavin He <Gavin.He@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
> **Subject:** Re: IESO - OEFC credit facilities : permitted liens

Thanks Sarah, yes Opal will provide comments.

On Nov 16, 2017, at 4:02 PM, Sarah Harris <Sarah.Harris@ofina.on.ca> wrote:

> Hi JF,
>
> I only have one small edit on where FHP definition is introduced, otherwise looks good to me. Opal appears to be logged off for the day, but I expect she may take a look on the Go Train.
>
> Thanks,
> Sarah
>
> ---
>
> **From:** Jean-Francois Beaupre
> **Sent:** Thursday, November 16, 2017 3:48 PM
> **To:** Gavin He <Gavin.He@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
> **Cc:** John Kim <John.Kim@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
> **Subject:** RE: IESO - OEFC credit facilities : permitted liens
>
> Dear all,
>
> Please find attached for your review and consideration my suggested edits following our discussion. Happy to incorporate any additional comments you may have.
>
> I did not cc OFA Legal on this draft.
>
> Thanks,
> J-F
>
> ---
>
> **From:** Gavin He
> **Sent:** Thursday, November 16, 2017 8:21 AM
> **To:** Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
> **Cc:** Lisa Stein <Lisa.Stein@ofina.on.ca>
> **Subject:** RE: IESO - OEFC credit facilities : permitted liens
>
> Hi all,
>
> We have confirmed with the IESO that the reason for their requested

change to the definition of the "permitted liens" in the OEFC credit facility agreements are the same for the request to OFA. The IESO wants to be able to grant security to the OPG Trust, and address the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

We have drafted the attached BN for internal approval (Ron and Gadi) process. Could you please review and let us know if you have any concerns? It would be much appreciated if you could provide us your feedback around noon today, given the limited timeframe on this request.

This has been reviewed by Legal last night and I have incorporated the feedback from Sarah N. (in Lisa's absence).

Please let me know if you have any questions.

Thanks,
Gavin He

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Wednesday, November 15, 2017 6:49 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>
Subject: IESO - OEFC credit facilities : permitted liens

John,

As discussed yesterday, it likely is best to add to the definition of "Permitted Liens" in the two OEFC facilities to address a) IESO granting security to the OPG Trust during the first 4 years of fair hydro program and b) the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

Happy to discuss further. I am out of the office most of this week on IESO business matters but available by cell 289-795-9426, or if necessary you may connect with Victor.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any

dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

<IESO-OEFC Note (Mark-up).docx>

From: Jean-Francois Beaupre
To: Sarah Harris
Cc: Gavin He; Ryan Blackbyrne; John Kim; Opal Kandelas
Subject: Re: IESO - OEFC credit facilities : permitted liens
Date: Thursday, November 16, 2017 4:05:02 PM

Thanks Sarah, yes Opal will provide comments.

On Nov 16, 2017, at 4:02 PM, Sarah Harris <Sarah.Harris@ofina.on.ca> wrote:

> Hi JF,
>
> I only have one small edit on where FHP definition is introduced, otherwise looks good to me. Opal appears to be logged off for the day, but I expect she may take a look on the Go Train.
>
> Thanks,
> Sarah
>
> ---
>
> **From:** Jean-Francois Beaupre
> **Sent:** Thursday, November 16, 2017 3:48 PM
> **To:** Gavin He <Gavin.He@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
> **Cc:** John Kim <John.Kim@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
> **Subject:** RE: IESO - OEFC credit facilities : permitted liens
>
> Dear all,
>
> Please find attached for your review and consideration my suggested edits following our discussion. Happy to incorporate any additional comments you may have.
>
> I did not cc OFA Legal on this draft.
>
> Thanks,
> J-F
>
> ---
>
> **From:** Gavin He
> **Sent:** Thursday, November 16, 2017 8:21 AM
> **To:** Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
> **Cc:** Lisa Stein <Lisa.Stein@ofina.on.ca>
> **Subject:** RE: IESO - OEFC credit facilities : permitted liens
>
> Hi all,

We have confirmed with the IESO that the reason for their requested change to the definition of the "permitted liens" in the OEFC credit facility agreements are the same for the request to OFA. The IESO wants to be able to grant security to the OPG Trust, and address the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

We have drafted the attached BN for internal approval (Ron and Gadi) process. Could you please review and let us know if you have any concerns? It would be much appreciated if you could provide us your feedback around noon today, given the limited timeframe on this request.

This has been reviewed by Legal last night and I have incorporated the feedback from Sarah N. (in Lisa's absence).

Please let me know if you have any questions.

Thanks,
Gavin He

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Wednesday, November 15, 2017 6:49 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>
Subject: IESO - OEFC credit facilities : permitted liens

John,

As discussed yesterday, it likely is best to add to the definition of "Permitted Liens" in the two OEFC facilities to address a) IESO granting security to the OPG Trust during the first 4 years of fair hydro program and b) the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

Happy to discuss further. I am out of the office most of this week on IESO business matters but available by cell 289-795-9426, or if necessary you may connect with Victor.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail

message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

<IESO-OEFC Note (Mark-up).docx>

From: Jean-Francois Beaupre
To: Opal Kandelas
Cc: John Kim; Sarah Harris; Gavin He; Ryan Blackbyrne
Subject: Re: IESO - OEFC credit facilities : permitted liens
Date: Thursday, November 16, 2017 5:27:34 PM

Thanks Opal and John. We will wait for your changes John.

Regards,
J-F

On Nov 16, 2017, at 4:53 PM, Opal Kandelas <Opal.Kandelas@ofina.on.ca> wrote:

> I have no major comments, just a few minor ones which I'm sure John and Gavin will catch on their pass through.
>
> Opal.
>
> Sent from my iPhone
>
> On Nov 16, 2017, at 4:16 PM, John Kim <John.Kim@ofina.on.ca> wrote:
>
> > H J-F,
> >
> > I will reverse some of these edits as this is going into the policy realm and there are sensitivities that we need to be mindful of.
> >
> > John
> >
> > ---
> >
> > **From:** Jean-Francois Beaupre
> > **Sent:** Thursday, November 16, 2017 4:05 PM
> > **To:** Sarah Harris <Sarah.Harris@ofina.on.ca>
> > **Cc:** Gavin He <Gavin.He@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
> > **Subject:** Re: IESO - OEFC credit facilities : permitted liens
> >
> > Thanks Sarah, yes Opal will provide comments.
> >
> > On Nov 16, 2017, at 4:02 PM, Sarah Harris <Sarah.Harris@ofina.on.ca> wrote:
> >
> > > Hi JF,

I only have one small edit on where FHP definition is introduced, otherwise looks good to me. Opal appears to be logged off for the day, but I expect she may take a look on the Go Train.

Thanks,
Sarah

From: Jean-Francois Beaupre
Sent: Thursday, November 16, 2017 3:48 PM
To: Gavin He <Gavin.He@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>
Cc: John Kim <John.Kim@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Dear all,

Please find attached for your review and consideration my suggested edits following our discussion. Happy to incorporate any additional comments you may have.

I did not cc OFA Legal on this draft.

Thanks,
J-F

From: Gavin He
Sent: Thursday, November 16, 2017 8:21 AM
To: Sarah Harris <Sarah.Harris@ofina.on.ca>; Ryan Blackbyrne <Ryan.Blackbyrne@ofina.on.ca>; Jean-Francois Beaupre <Jean-Francois.Beaupre@ofina.on.ca>
Cc: Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: IESO - OEFC credit facilities : permitted liens

Hi all,

We have confirmed with the IESO that the reason for their requested change to the definition of the “permitted liens” in the OEFC credit facility agreements are the same for the request to OFA. The IESO wants to be able to grant security to the OPG Trust, and address the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to

be inadvertently in default.

We have drafted the attached BN for internal approval (Ron and Gadi) process. Could you please review and let us know if you have any concerns? It would be much appreciated if you could provide us your feedback around noon today, given the limited timeframe on this request.

This has been reviewed by Legal last night and I have incorporated the feedback from Sarah N. (in Lisa's absence).

Please let me know if you have any questions.

Thanks,
Gavin He

From: Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
Sent: Wednesday, November 15, 2017 6:49 AM
To: John Kim <John.Kim@ofina.on.ca>
Cc: Victor Buza <Victor.Buza@ieso.ca>
Subject: IESO - OEFC credit facilities : permitted liens

John,

As discussed yesterday, it likely is best to add to the definition of "Permitted Liens" in the two OEFC facilities to address a) IESO granting security to the OPG Trust during the first 4 years of fair hydro program and b) the possibility that the Clean Energy Adjustment funds collected by IESO might be considered to be subject to a lien. The IESO does not want to be inadvertently in default.

Happy to discuss further. I am out of the office most of this week on IESO business matters but available by cell 289-795-9426, or if necessary you may connect with Victor.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have

received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

<IESO-OEFC Note (Mark-up).docx>

From: John Kim
To: Sarah Harris
Cc: William Tan; Lisa Stein; Opal Kandelas; Gavin He
Subject: Re: IESO / OEFC - $120MM and $160MM
Date: Sunday, November 05, 2017 1:54:31 PM

Hi Sarah,

We will look at this but this is oefc so not sure if the same lending policy applies.

John

Sent from my iPhone

On Nov 5, 2017, at 12:06 PM, Sarah Harris <Sarah.Harris@ofina.on.ca> wrote:

> Hi John,
>
> We've received no internal direction on the nature of changes IESO is looking for in relation to existing OEFC credit facility with the IESO and the FHP. I surmise it may have to do with adjusting the agreement to allow FHP permitted liens (which we would need internal approval to do) or similar changes, but do you know if IESO communicated requirements to Gadi or Ron?
>
> Thanks,
> Sarah
> Sent from my iPhone
>
> Begin forwarded message:
>
> **From:** Anthony Martinello <Anthony.Martinello@ieso.ca>
> **Date:** November 5, 2017 at 11:02:50 AM EST
> **To:** William Tan <William.Tan@ofina.on.ca>
> **Cc:** Lisa Stein <Lisa.Stein@ofina.on.ca>, Sarah Harris <Sarah.Harris@ofina.on.ca>, Victor Buza <Victor.Buza@ieso.ca>
> **Subject: RE: IESO / OEFC - $120MM and $160MM**
>
> Will – unless any concerns, will appreciate if you please begin to draft the two OEFC amendments this week – given that the IESO is targeting to sign the OPG / IESO fair hydro agreement by this month's end,….we need to have the two OEFC's done before this.
>
> Regards.
>
> ---
>
> **From:** Anthony Martinello

Sent: November 01, 2017 12:56 PM
To: 'William Tan'
Cc: 'Lisa Stein'; 'Sarah Harris'; 'John Kim'; Victor Buza
Subject: IESO / OEFC - $120MM and $160MM

Once we have completed the 2 OFA facilities and the intercept letter – we then have to turn to the 2 outstanding IESO-OEFC credit facilities to contemplate any further amendments too.

Just ensuring that these 2 OEFC facilities are not missed.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

From: John Kim
To: Sarah Harris
Cc: William Tan; Ryan Blackbyrne; Lisa Stein; Jean-Francois Beaupre; Opal Kandelas; Gavin He
Subject: Re: IESO granting of security on ieso assets to opg trust
Date: Monday, November 13, 2017 11:25:32 AM

Hi Sarah,

We will have a call with Anthony tomorrow. Until we sort this out, it would be helpful if no additional contacts are made.

Thanks.

John

Sent from my iPhone

On Nov 13, 2017, at 10:33 AM, Anthony Martinello <Anthony.Martinello@ieso.ca> wrote:

> Ryan, Will, John
>
> The IESO will be seeking IESO Board approval on Nov 22 to grant the security/priority on ieso assets to the OPG trust.
>
> Let me know if you wish to discuss...i would like to give the Board any comments that OFA and OEFC may have on this granting. Regards
>
> ---
>
> **From:** William.Tan@ofina.on.ca
> **Sent:** November 6, 2017 4:14 PM
> **To:** Victor.Buza@ieso.ca
> **Cc:** Lisa.Stein@ofina.on.ca; Sarah.Harris@ofina.on.ca; Anthony.Martinello@ieso.ca; John.Kim@ofina.on.ca
> **Subject:** RE: Signatures for FHP and Amending Agreement No. 10
>
> This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

From: Opal Kandelas
To: John Kim
Subject: Re: IESO
Date: Monday, November 20, 2017 5:25:35 PM

Preference, as you pointed out is to not share the agreement.

What is TD's role in this? Depending on what that is, we could look into finding a way to provide that comfort. Let's wait for Anthony's response.

Opal.

Sent from my iPhone

On Nov 20, 2017, at 5:17 PM, John Kim <John.Kim@ofina.on.ca> wrote:

> Fyi, not sure if you have any concern.
>
> ---
>
> **From:** John Kim
> **Sent:** Monday, November 20, 2017 5:17 PM
> **To:** 'Anthony Martinello' <Anthony.Martinello@ieso.ca>
> **Cc:** Victor Buza <Victor.Buza@ieso.ca>; Gavin He <Gavin.He@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>
> **Subject:** RE: IESO
>
> Hi Anthony,
>
> I think the steps we would take to allow it, if at all, could be quite onerous and time-consuming. Are there any specific concern they have that we should be able to address without actually letting them see the agreement?
>
> John
>
> ---
>
> **From:** Anthony Martinello [mailto:Anthony.Martinello@ieso.ca]
> **Sent:** Monday, November 20, 2017 5:05 PM
> **To:** John Kim <John.Kim@ofina.on.ca>; William Tan <William.Tan@ofina.on.ca>
> **Cc:** Victor Buza <Victor.Buza@ieso.ca>; Gavin He <Gavin.He@ofina.on.ca>
> **Subject:** IESO
>
> John, William,
>
> TD Bank has asked to review the $2B Fair Hydro credit facility executed between IESO and OFA.
>
> TD wants to gain comfort (themselves) that the credit facility is going to support the IESO's fair hydro transactions during the next 4 years.

I have verbally assured them of the above, but they wish to review themselves.

Let me know if I may share and TD will treat the document as confidential.

Regards.

This e-mail message and any files transmitted with it are intended only for the named recipient(s) above and may contain information that is privileged, confidential and/or exempt from disclosure under applicable law. If you are not the intended recipient(s), any dissemination, distribution or copying of this e-mail message or any files transmitted with it is strictly prohibited. If you have received this message in error, or are not the named recipient(s), please notify the sender immediately and delete this e-mail message.

From: Opal Kandelas
To: John Kim
Subject: Re: OEFC-IESO - update
Date: Wednesday, November 29, 2017 4:31:37 PM

Thanks John.

Sent from my iPhone

On Nov 29, 2017, at 4:30 PM, John Kim <John.Kim@ofina.on.ca> wrote:

> There you go.
>
> John
>
> ---
>
> **From:** Opal Kandelas
> **Sent:** Wednesday, November 29, 2017 4:30 PM
> **To:** John Kim <John.Kim@ofina.on.ca>
> **Subject:** RE: OEFC-IESO - update
>
> When you get a chance please flip me the final version of the briefing note. Thx.
>
> ---
>
> **From:** John Kim
> **Sent:** Wednesday, November 29, 2017 4:29 PM
> **To:** Opal Kandelas <Opal.Kandelas@ofina.on.ca>
> **Subject:** RE: OEFC-IESO - update
>
> Thanks Opal.
>
> ---
>
> **From:** Opal Kandelas
> **Sent:** Wednesday, November 29, 2017 4:28 PM
> **To:** John Kim <John.Kim@ofina.on.ca>
> **Subject:** RE: OEFC-IESO - update
>
> I know that IESO reached out to CMO and that they are working on the amendments. Will check as to whether IESO has been provided with a draft when I get into the office tomorrow. Will let you know.
>
> Opal
>
> ---
>
> **From:** John Kim
> **Sent:** Wednesday, November 29, 2017 4:19 PM
> **To:** Opal Kandelas <Opal.Kandelas@ofina.on.ca>
> **Subject:** RE: OEFC-IESO - update

Hi Opal,

On this, how are things going – has your team provided the agreement and working on the amendment?

Thanks,

John

From: Opal Kandelas
Sent: Monday, November 27, 2017 2:52 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: OEFC-IESO - update

Sounds good. The team is aware of the situation.

From: John Kim
Sent: Monday, November 27, 2017 2:09 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: OEFC-IESO - update

I will let IESO know to start working with your team to make the amendments to the two facilities while leaving the impression that some level of final decision may be pending.

From: Opal Kandelas
Sent: Monday, November 27, 2017 1:51 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: OEFC-IESO - update

Great, thanks.

From: John Kim
Sent: Monday, November 27, 2017 1:17 PM
To: Opal Kandelas <Opal.Kandelas@ofina.on.ca>
Subject: RE: OEFC-IESO - update

FYI, Ron will send a copy to Gadi, he just mentioned to me.

From: Opal Kandelas
Sent: Monday, November 27, 2017 12:08 PM
To: Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Cc: John Kim <John.Kim@ofina.on.ca>
Subject: OEFC-IESO - update

Hi Toby,

As FYI, I'm sharing with you what is likely the last draft of a briefing note regarding a contemplated amendment to the OEFC loan and credit facility agreements to include permitted liens language specific to the Fair Hydro Plan. This language was also included in the OFA-IESO credit facilities. We are just waiting now for final signoff, but every indication is that the agreements will be amended. This amendment was requested by IESO.

I'll also mention that TD has apparently agreed to amend the line of credit agreement they have with IESO, to include permitted liens language wrt Fair Hydro. In order to gain comfort that the OFA agreement will support the Fair Hydro transactions over the next 4 years, TD has asked that IESO share the OFA-IESO agreement with them. IESO has asked OFA for permission to share the agreement with TD. There is nothing in the agreement preventing IESO from sharing with TD, so IESO could actually do so without OFA consent. I've touched base with both OFA legal and Gadi and neither have any concerns about allowing IESO to share the agreements with TD.

Thanks,
Opal.

<IESO-OEFC Note_v8.docx>

From:	Ken Kandeepan
To:	Bruno Amara
Cc:	Sarah Harris; Lisa Stein; Mike Manning; Opal Kandelas; Tobias P. Whitfield (MOF); William Tan; John Kim; Gavin He
Subject:	Re: Policy questions re OFHP Credit Facility Agreement
Date:	Wednesday, August 09, 2017 1:54:04 PM

Totally agree with Bruno, the province should not be taking a security intent in the reg asset, that would make the sale to the SPV or trust rather difficult.

It would also create issues in terms of the SPV's ability to obtain an appropriate credit rating as well as issue debt in the capital markets.

Thanks

Ken k

Sent from my iPhone

On Aug 9, 2017, at 1:46 PM, Bruno Amara <Bruno.Amara@ofina.on.ca> wrote:

> Hi Sarah
>
> Apologies for delay. I perceive differing levels of comfort with the issue of security so I'm OK with discussing the questions raised this afternoon. I am concerned whether we have people on the call that can answer all the questions.
>
> But I have a basic question with respect to the issue of the Province taking a security interest in the asset and differences with this loan from others. Under the OFHP, the sale of the asset ultimately allows for payments to electricity generators. If the Province has a security interest in the asset, can we envisage a potential situation wherein the IESO would be repaying the OFA loan rather than paying generators, which would be problematic for OFHP?
>
> I had discussed with Ron. In regard to Toby's last question, Ron was wondering if there might be a provision on use of proceeds from IESO's sale of the regulatory asset.
> Ron had also asked whether OPCD had opined on any accounting issues, and whether OIC or Minister's directive gave any particular direction on this issue. In regard to the latter, I have checked. Minister's directive and OIC were fairly high level noting specific terms and conditions to be set out in the Agreement.
>
> Bruno
>
> ---
>
> **From:** Lisa Stein
> **Sent:** Wednesday, August 09, 2017 10:58 AM
> **To:** Sarah Harris <Sarah.Harris@ofina.on.ca>; Bruno Amara

<Bruno.Amara@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Cc: Mike Manning <Mike.Manning@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; William Tan <William.Tan@ofina.on.ca>
Subject: RE: Policy questions re OFHP Credit Facility Agreement

Thank you Sarah. I should add that under the OFA Lending Policy, the intercept provision (and accompanying MOU, etc.) must be included in OFA loan agreements *except* where otherwise directed by the Minister of Finance, Treasury Board, or Cabinet. As such, if it is determined that the intercept provisions are not required/relevant in this case, Ministerial direction will be required. We can discuss further this afternoon.

Lisa

From: Sarah Harris
Sent: Wednesday, August 09, 2017 10:37 AM
To: Bruno Amara <Bruno.Amara@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>
Cc: Mike Manning <Mike.Manning@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Lisa Stein <Lisa.Stein@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>; William Tan <William.Tan@ofina.on.ca>
Subject: FW: Policy questions re OFHP Credit Facility Agreement
Importance: High

Hello Bruno and John,

In advance of our internal call this afternoon, Lisa and Toby have prepared the following e-mail below to consider whether the OFA should consider taking a security interest in the Regulatory Asset as security for $2B credit facility, as well as the inclusion of the intercept provision. Ken Kandeepan expressed the following view yesterday:

> *"…[the $2B Facility] is unsecured but so is every loan issued by the OFA to a public body so not sure why the risk associated with this loan is greater or for that matter lower than the loans currently in the OFA's loan book.*
>
> *As such, this should be treated exactly like all the other loans. Note that the IESO is fully consolidated with that of the Province so loans issued by the OFA to IESO will be a wash upon consolidation."*

In light of this, could you please advise if there are there any additional considerations regarding the FHP structure that would could necessitate the inclusion of an intercept provision in the $2B facility and/or the OFA taking a

security interest in the Regulatory Asset?

I am including Ken and Mike Manning in this e-mail, should they have any additional input or insight on this matter.

Thank you,
Sarah

From: Lisa Stein
Sent: Wednesday, August 09, 2017 10:09 AM
To: William Tan <William.Tan@ofina.on.ca>; Sarah Harris <Sarah.Harris@ofina.on.ca>
Cc: Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Subject: Policy questions re OFHP Credit Facility Agreement
Importance: High

Hi Sarah H. and Will,

Based on the e-mails to date, I understand that OFA staff held a conference call yesterday and based the OFA Lending Policy and past practices, may have concluded that it is appropriate for the loan to the IESO in relation to the OFHP to be unsecured, as per other OFA loans to public bodies. However, as neither Toby (from MOF Legal) nor I were part of the aforementioned call, we wanted to clarify that this loan is NOT necessarily the same as other OFA unsecured loans to public bodies, and as such, the protection provided by the "intercept" provisions of the standard OFA loan agreements have limited application in this particular case (which is likely the reason why these provisions were not included in the original drafts). Our understanding is that, although the intercept provisions are intended to allow the Minister of Finance to deduct from money appropriated by the Legislature for payment to the Borrower amounts equal to any amounts that a Borrower fails to pay to the OFA on account of indebtedness under the loan agreement, in the case of the IESO as Borrower, these amounts are likely to be minimal.

Before proceeding, we would like to ensure that the nature of the loan, the impact of intercept provisions, and the insolvency and operational risks, have all been considered. Toby has succinctly summarized the questions which still need to be addressed during our call this afternoon in the e-mail which I have forwarded below.

Lisa

From: Whitfield, Tobias P. (MOF) [mailto:Tobias.Whitfield@ontario.ca]
Sent: Tuesday, August 08, 2017 5:03 PM
To: Lisa Stein <Lisa.Stein@ofina.on.ca>
Subject: RE: Policy question re OFHP Credit Facility Agreement

Lisa,

I have attempted to summarize my questions/issues in the below. Let me know if you have anything to add or have any edits.

The concerns I have with the IESO loan, and that should be considered are related to what could happen to the Regulatory Asset (the "Asset") if there are any credit or liquidity issues at the IESO. Because the Asset is something that it is possible to take security in, and that is an intangible that may be subject to a floating charge (ie, as a result of a GSA or from a financing agreement) I thought it would be prudent to consider whether the OFA should take a security interest in the Asset as security for the loan.

I am not familiar with the types of financial arrangements or other obligations that the IESO may be a party to, either as a result of its market operations or otherwise, but it may be possible that the IESO has entered into such arrangements, such as swaps or other derivatives agreements, loans or other financing arrangements for which security could be given.

I am not aware of what financial guarantees or other arrangements may be in place such that the Province may have guaranteed the IESO's obligations, but I don't believe that there are any. My understanding is that the IESO is consolidated with the Province's books, but that the IESO is not a crown agent, and the Province is not liable for the IESO's obligations to third parties. However, I am not sure about the underlying facts without more input from ENERGY and the IESO.

In light of these questions it may be worthwhile to consider some related issues:

- How does the proposed IESO loan compare to other OFA loans made to public bodies, such that it is appropriate to use the same requirements?
    - Size of loan – it is my understanding that there are not many loans that approach the size of the $2 billion loan that is proposed to the IESO.
    - Are the obligations of the IESO the obligations of the Province, and how does this compare to other public body loans?
    - What other financial obligations could the IESO have (such as swap agreements, other financial obligations) that could become due or create credit risk?
    - If in many public body loans, there is an intercept and an MOU with the appropriate ministry to create some security, does that make sense in this context? Are there significant transfers to the IESO?
    - Note that the OFA loan to the ROM was secured by pledges and an intercept, and that other Provincial loans to public bodies or other groups may be secured.
- Does the Province/OFA understand the financial obligations of the IESO such that it is confident that no other security interest could attach to the Asset?
- Given that the debt is specifically for the purpose of creating the Asset which will be "warehoused" at the IESO, once the Asset is sold to the financing entity, how

will the Province ensure that the proceeds can only be used to repay the loan?

Tobias Whitfield
Counsel, Legal Services Branch
Ministry of Finance
tobias.whitfield@ontario.ca
Phone: 416-325-1456

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From:	Hanslep, Malle (MOF)
To:	Mike Manning
Cc:	Ronald Kwan; James Devine; Carlos Yep; Opal Kandelas; Ken Kandeepan; Tobias P. Whitfield (MOF)
Subject:	Re: Provincial Support Term Sheet
Date:	Wednesday, May 31, 2017 5:15:36 PM

Just a follow up to our call earlier, does it also make sense to invite Cindy Veinot provincial controller to the proposed meeting since accounting issues are also key.

Sent from my BlackBerry 10 smartphone on the Rogers network.
Original Message
From: Hanslep, Malle (MOF)
Sent: Wednesday, May 31, 2017 11:29
To: Manning, Mike (OFA)
Cc: Kwan, Ronald (OFA); Devine, James (OFA); Yep, Carlos (OFA); Kandelas, Opal (OFA); Kandeepan, Ken (OFA); Whitfield, Tobias P. (MOF)
Subject: RE: Provincial Support Term Sheet

Hi all,

We had a very useful meeting with Blakes (Steven Ashbourne) and Energy Legal this morning. There are quite a few legal issues and concerns to discuss regarding this term sheet as it is overly broad. At this point in the development of the province's role in support, it seems that the development of this type of term sheet is premature given the uncertainties.

At our meeting we discussed, that a useful next step would be to have another meeting with Provincial representatives and Blakes which would include yourselves from the OFA, Energy legal and Energy reps as well as the Provincial Controller and likely TD as well as the Province's financial advisor so that we can all discuss next steps and the best approach.

In the meantime, Toby and I can have an internal call to give you an update on our meeting this morning. Possibly at 3pm today if that works.

Thanks.

Malle

-----Original Message-----
From: Mike Manning [mailto:Mike.Manning@ofina.on.ca]
Sent: May 29, 2017 8:44 PM
To: Hanslep, Malle (MOF)
Cc: Kwan, Ronald (OFA); Devine, James (OFA); Yep, Carlos (OFA); Kandelas, Opal (OFA); Kandeepan, Ken (OFA); Whitfield, Tobias P. (MOF)
Subject: Re: Provincial Support Term Sheet

Would be useful to get some follow-up. Sorry for not being able to give you more deal information, but it is still lacking at this time.
Mike

Sent from my iPad

> On May 29, 2017, at 5:33 PM, Hanslep, Malle (MOF) <Malle.Hanslep@ontario.ca> wrote:
>
> Hi Ron

>
> We are meeting on Wednesday morning so after that we could have a follow up
>
> Malle
>
> Sent from my BlackBerry 10 smartphone on the Rogers network.
> From: Ronald Kwan
> Sent: Monday, May 29, 2017 17:17
> To: Hanslep, Malle (MOF); Manning, Mike (OFA); Devine, James (OFA); Yep, Carlos (OFA); Kandelas, Opal (OFA); Kandeepan, Ken (OFA)
> Cc: Whitfield, Tobias P. (MOF)
> Subject: RE: Provincial Support Term Sheet
>
>
> Hi Malle,
>
> Thanks for the list.
>
> Would it be helpful if the group met again to discuss?
>
> When are you meeting with Energy Legal and Blakes?
>
> Ron
>
> From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
> Sent: May-29-17 12:40
> To: Mike Manning <Mike.Manning@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>
> Cc: Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
> Subject: RE: Provincial Support Term Sheet
>
> Hi all,
>
> Here is our issues list.
>
> Malle
>
> From: Hanslep, Malle (MOF)
> Sent: May 29, 2017 9:18 AM
> To: Manning, Mike (OFA); Devine, James (OFA); Yep, Carlos (OFA); Kandelas, Opal (OFA); Kandeepan, Ken (OFA); Kwan, Ronald (OFA)
> Cc: Whitfield, Tobias P. (MOF)
> Subject: RE: Provincial Support Term Sheet
>
> Hi all,
>
> We are also putting together an issues list for discussion with Energy Legal and Blakes and will share it with you as well.
>
> Is there any type of draft term sheet for the proposed financing transaction itself or the master sales and servicing agreement? Any general description of the proposed transaction would be helpful to us.
>
> Thank you.
>
> Malle
>

> From: Hanslep, Malle (MOF)
> Sent: May 26, 2017 3:16 PM
> To: Manning, Mike (OFA); Devine, James (OFA); Yep, Carlos (OFA); Kandelas, Opal (OFA); Kandeepan, Ken (OFA); Kwan, Ronald (OFA)
> Cc: Whitfield, Tobias P. (MOF)
> Subject: Provincial Support Term Sheet
>
> Hi all,
>
> Further to our meeting on Wednesday, Toby and I have now been in touch with Energy Legal regarding the term sheet and will be attending a meeting with counsel at Blakes next Wednesday morning.
>
> Best,
>
> Malle
>
>
>
> Malle Hanslep
> Deputy Director
> Ministry of the Attorney General
> Ministry of Finance Legal Services Branch
> Telephone: 416-325-1457
>
> Notice: This communication may be solicitor/client privileged and contain confidential information intended only for the person(s) to whom it is addressed. If you have received this message in error please notify the writer and permanently delete the message and all attachments. Thank you.
>
>
> _____
>
> This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From:	Hanslep, Malle (MOF)
To:	Ronald Kwan; Mike Manning; James Devine; Carlos Yep; Opal Kandelas; Ken Kandeepan
Cc:	Tobias P. Whitfield (MOF)
Subject:	Re: Provincial Support Term Sheet
Date:	Monday, May 29, 2017 5:33:50 PM

Hi Ron

We are meeting on Wednesday morning so after that we could have a follow up

Malle

Sent from my BlackBerry 10 smartphone on the Rogers network.
From: Ronald Kwan
Sent: Monday, May 29, 2017 17:17
To: Hanslep, Malle (MOF); Manning, Mike (OFA); Devine, James (OFA); Yep, Carlos (OFA); Kandelas, Opal (OFA); Kandeepan, Ken (OFA)
Cc: Whitfield, Tobias P. (MOF)
Subject: RE: Provincial Support Term Sheet

Hi Malle,

Thanks for the list.

Would it be helpful if the group met again to discuss?

When are you meeting with Energy Legal and Blakes?

Ron

From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: May-29-17 12:40
To: Mike Manning <Mike.Manning@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>
Cc: Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Subject: RE: Provincial Support Term Sheet

Hi all,

Here is our issues list.

Malle

From: Hanslep, Malle (MOF)
Sent: May 29, 2017 9:18 AM
To: Manning, Mike (OFA); Devine, James (OFA); Yep, Carlos (OFA); Kandelas, Opal (OFA); Kandeepan, Ken (OFA); Kwan, Ronald (OFA)
Cc: Whitfield, Tobias P. (MOF)
Subject: RE: Provincial Support Term Sheet

Hi all,

We are also putting together an issues list for discussion with Energy Legal and Blakes and will share it with you as

well.

Is there any type of draft term sheet for the proposed financing transaction itself or the master sales and servicing agreement? Any general description of the proposed transaction would be helpful to us.

Thank you.

Malle

From: Hanslep, Malle (MOF)
Sent: May 26, 2017 3:16 PM
To: Manning, Mike (OFA); Devine, James (OFA); Yep, Carlos (OFA); Kandelas, Opal (OFA); Kandeepan, Ken (OFA); Kwan, Ronald (OFA)
Cc: Whitfield, Tobias P. (MOF)
Subject: Provincial Support Term Sheet

Hi all,

Further to our meeting on Wednesday, Toby and I have now been in touch with Energy Legal regarding the term sheet and will be attending a meeting with counsel at Blakes next Wednesday morning.

Best,

Malle

Malle Hanslep
Deputy Director
Ministry of the Attorney General
Ministry of Finance Legal Services Branch
Telephone: 416-325-1457

Notice: This communication may be solicitor/client privileged and contain confidential information intended only for the person(s) to whom it is addressed. If you have received this message in error please notify the writer and permanently delete the message and all attachments. Thank you.

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From: Hanslep, Malle (MOF)
To: Ken Kandeepan; Mike Manning
Cc: Ronald Kwan; James Devine; Carlos Yep; Opal Kandelas; Tobias P. Whitfield (MOF)
Subject: Re: Provincial Support Term Sheet
Date: Wednesday, May 31, 2017 5:33:34 PM

Yes thanks.

Sent from my BlackBerry 10 smartphone on the Rogers network.
Original Message
From: Ken Kandeepan
Sent: Wednesday, May 31, 2017 17:18
To: Hanslep, Malle (MOF); Manning, Mike (OFA)
Cc: Kwan, Ronald (OFA); Devine, James (OFA); Yep, Carlos (OFA); Kandelas, Opal (OFA); Whitfield, Tobias P. (MOF)
Subject: RE: Provincial Support Term Sheet

Unless Mike has any major concerns I would strongly advocate for her inclusion.

Thanks

Ken k

-----Original Message-----
From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
Sent: Wednesday, May 31, 2017 5:16 PM
To: Mike Manning <Mike.Manning@ofina.on.ca>
Cc: Ronald Kwan <Ronald.Kwan@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
Subject: Re: Provincial Support Term Sheet

Just a follow up to our call earlier, does it also make sense to invite Cindy Veinot provincial controller to the proposed meeting since accounting issues are also key.

Sent from my BlackBerry 10 smartphone on the Rogers network.
Original Message
From: Hanslep, Malle (MOF)
Sent: Wednesday, May 31, 2017 11:29
To: Manning, Mike (OFA)
Cc: Kwan, Ronald (OFA); Devine, James (OFA); Yep, Carlos (OFA); Kandelas, Opal (OFA); Kandeepan, Ken (OFA); Whitfield, Tobias P. (MOF)
Subject: RE: Provincial Support Term Sheet

Hi all,

We had a very useful meeting with Blakes (Steven Ashbourne) and Energy Legal this morning. There are quite a few legal issues and concerns to discuss regarding this term sheet as it is overly broad. At this point in the development of the province's role in support, it seems that the development of this type of term sheet is premature given the uncertainties.

At our meeting we discussed, that a useful next step would be to have another meeting with Provincial representatives and Blakes which would include yourselves from the OFA, Energy legal and Energy reps as well as the Provincial Controller and likely TD as well as the Province's financial advisor so that we can all discuss next steps and the best approach.

In the meantime, Toby and I can have an internal call to give you an update on our meeting this morning. Possibly at 3pm today if that works.

Thanks.

Malle

-----Original Message-----
From: Mike Manning [mailto:Mike.Manning@ofina.on.ca]
Sent: May 29, 2017 8:44 PM
To: Hanslep, Malle (MOF)
Cc: Kwan, Ronald (OFA); Devine, James (OFA); Yep, Carlos (OFA); Kandelas, Opal (OFA); Kandeepan, Ken (OFA); Whitfield, Tobias P. (MOF)
Subject: Re: Provincial Support Term Sheet

Would be useful to get some follow-up. Sorry for not being able to give you more deal information, but it is still lacking at this time.
Mike

Sent from my iPad

> On May 29, 2017, at 5:33 PM, Hanslep, Malle (MOF) <Malle.Hanslep@ontario.ca> wrote:
>
> Hi Ron
>
> We are meeting on Wednesday morning so after that we could have a follow up
>
> Malle
>
> Sent from my BlackBerry 10 smartphone on the Rogers network.
> From: Ronald Kwan
> Sent: Monday, May 29, 2017 17:17
> To: Hanslep, Malle (MOF); Manning, Mike (OFA); Devine, James (OFA); Yep, Carlos (OFA); Kandelas, Opal (OFA); Kandeepan, Ken (OFA)
> Cc: Whitfield, Tobias P. (MOF)
> Subject: RE: Provincial Support Term Sheet
>
>
> Hi Malle,
>
> Thanks for the list.
>
> Would it be helpful if the group met again to discuss?
>
> When are you meeting with Energy Legal and Blakes?
>
> Ron
>
> From: Hanslep, Malle (MOF) [mailto:Malle.Hanslep@ontario.ca]
> Sent: May-29-17 12:40
> To: Mike Manning <Mike.Manning@ofina.on.ca>; James Devine <James.Devine@ofina.on.ca>; Carlos Yep <Carlos.Yep@ofina.on.ca>; Opal Kandelas <Opal.Kandelas@ofina.on.ca>; Ken Kandeepan

<Ken.Kandeepan@ofina.on.ca>; Ronald Kwan <Ronald.Kwan@ofina.on.ca>
> Cc: Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca>
> Subject: RE: Provincial Support Term Sheet
>
> Hi all,
>
> Here is our issues list.
>
> Malle
>
> From: Hanslep, Malle (MOF)
> Sent: May 29, 2017 9:18 AM
> To: Manning, Mike (OFA); Devine, James (OFA); Yep, Carlos (OFA); Kandelas, Opal (OFA); Kandeepan, Ken (OFA); Kwan, Ronald (OFA)
> Cc: Whitfield, Tobias P. (MOF)
> Subject: RE: Provincial Support Term Sheet
>
> Hi all,
>
> We are also putting together an issues list for discussion with Energy Legal and Blakes and will share it with you as well.
>
> Is there any type of draft term sheet for the proposed financing transaction itself or the master sales and servicing agreement? Any general description of the proposed transaction would be helpful to us.
>
> Thank you.
>
> Malle
>
> From: Hanslep, Malle (MOF)
> Sent: May 26, 2017 3:16 PM
> To: Manning, Mike (OFA); Devine, James (OFA); Yep, Carlos (OFA); Kandelas, Opal (OFA); Kandeepan, Ken (OFA); Kwan, Ronald (OFA)
> Cc: Whitfield, Tobias P. (MOF)
> Subject: Provincial Support Term Sheet
>
> Hi all,
>
> Further to our meeting on Wednesday, Toby and I have now been in touch with Energy Legal regarding the term sheet and will be attending a meeting with counsel at Blakes next Wednesday morning.
>
> Best,
>
> Malle
>
>
>
> Malle Hanslep
> Deputy Director
> Ministry of the Attorney General
> Ministry of Finance Legal Services Branch
> Telephone: 416-325-1457
>
> Notice: This communication may be solicitor/client privileged and contain confidential information intended only for the person(s) to whom it is addressed. If you have received this message in error please notify the writer and permanently delete the message and all attachments. Thank you.
>

>
> _____
>
> This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From:	Ronald Kwan
To:	Ken Kandeepan
Cc:	Tobias P. Whitfield (MOF); Malle Hanslep (MOF); Mike Manning; Carlos Yep; James Devine; Opal Kandelas; John Kim; Elcombe, James (MOF)
Subject:	Re: Updated Draft Provincial Support Discussion Document
Date:	Thursday, June 15, 2017 7:12:53 PM

Me too.

Ron

> On Jun 15, 2017, at 7:09 PM, Ken Kandeepan <Ken.Kandeepan@ofina.on.ca> wrote:
>
> Fine by me
>
> Sent from my iPhone
>
>> On Jun 15, 2017, at 6:37 PM, Whitfield, Tobias P. (MOF) <Tobias.Whitfield@ontario.ca> wrote:
>>
>> How about a call at 11:30?
>>
>> Tobias Whitfield
>> Counsel, Legal Services Branch
>> Ministry of Finance
>> 777 Bay Street, 11th Floor
>> Toronto, ON
>> M5G 2C8
>> tobias.whitfield@ontario.ca
>> Phone: 416-325-1456
>>
>> This e-mail, including any attachment, was intended for a specific recipient. It may contain information that is confidential or exempt from disclosure, it may have been provided from one government to another in confidence, or it may be subject to privilege, including solicitor-client privilege. Any privilege that exists is not waived. If you are not the intended recipient: (1) do not distribute it to another person or use it for any purpose, and (2) delete it and advise me by return e-mail or telephone of your doing so.
>>
>> _____
>> From: Hanslep, Malle (MOF)
>> Sent: Thursday, June 15, 2017 4:57 PM
>> To: Kwan, Ronald (OFA); Whitfield, Tobias P. (MOF); Kandeepan, Ken (OFA); Manning, Mike (OFA); Yep, Carlos (OFA); Devine, James (OFA); Kandelas, Opal (OFA); Kim, John (OFA)
>> Cc: Elcombe, James (MOF)
>> Subject: RE: Updated Draft Provincial Support Discussion Document
>>
>> My only restriction on Monday is that I'm not free between 1 and 2.
>>
>> From: Ronald Kwan [mailto:Ronald.Kwan@ofina.on.ca]
>> Sent: June 15, 2017 4:54 PM
>> To: Whitfield, Tobias P. (MOF); Kandeepan, Ken (OFA); Manning, Mike (OFA); Yep, Carlos (OFA); Devine, James (OFA); Kandelas, Opal (OFA); Kim, John (OFA)
>> Cc: Hanslep, Malle (MOF); Elcombe, James (MOF)
>> Subject: RE: Updated Draft Provincial Support Discussion Document
>>
>> I'd be free after 11:30.
>>
>> Ron

>>
>> From: Whitfield, Tobias P. (MOF) [mailto:Tobias.Whitfield@ontario.ca]
>> Sent: June-15-17 16:53
>> To: Ronald Kwan <Ronald.Kwan@ofina.on.ca<mailto:Ronald.Kwan@ofina.on.ca>>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca<mailto:Ken.Kandeepan@ofina.on.ca>>; Mike Manning <Mike.Manning@ofina.on.ca<mailto:Mike.Manning@ofina.on.ca>>; Carlos Yep <Carlos.Yep@ofina.on.ca<mailto:Carlos.Yep@ofina.on.ca>>; James Devine <James.Devine@ofina.on.ca<mailto:James.Devine@ofina.on.ca>>; Opal Kandelas <Opal.Kandelas@ofina.on.ca<mailto:Opal.Kandelas@ofina.on.ca>>; John Kim <John.Kim@ofina.on.ca<mailto:John.Kim@ofina.on.ca>>
>> Cc: Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca<mailto:Malle.Hanslep@ontario.ca>>; Elcombe, James (MOF) <James.Elcombe@ontario.ca<mailto:James.Elcombe@ontario.ca>>
>> Subject: RE: Updated Draft Provincial Support Discussion Document
>>
>> We have conflicts tomorrow afternoon. Can we schedule something for Monday morning?
>>
>> Toby
>>
>> Tobias Whitfield
>> Counsel, Legal Services Branch
>> Ministry of Finance
>> tobias.whitfield@ontario.ca<mailto:tobias.whitfield@ontario.ca>
>> Phone: 416-325-1456
>>
>> From: Ronald Kwan [mailto:Ronald.Kwan@ofina.on.ca]
>> Sent: June 15, 2017 4:45 PM
>> To: Kandeepan, Ken (OFA); Whitfield, Tobias P. (MOF); Manning, Mike (OFA); Yep, Carlos (OFA); Devine, James (OFA); Kandelas, Opal (OFA); Kim, John (OFA)
>> Cc: Hanslep, Malle (MOF); Elcombe, James (MOF)
>> Subject: RE: Updated Draft Provincial Support Discussion Document
>>
>> Agreed it would be good to meet to discuss, and 2:30 works for me.
>>
>> Ron
>>
>> From: Ken Kandeepan
>> Sent: June-15-17 16:44
>> To: Tobias P. Whitfield (MOF) <Tobias.Whitfield@ontario.ca<mailto:Tobias.Whitfield@ontario.ca>>; Mike Manning <Mike.Manning@ofina.on.ca<mailto:Mike.Manning@ofina.on.ca>>; Ronald Kwan <Ronald.Kwan@ofina.on.ca<mailto:Ronald.Kwan@ofina.on.ca>>; Carlos Yep <Carlos.Yep@ofina.on.ca<mailto:Carlos.Yep@ofina.on.ca>>; James Devine <James.Devine@ofina.on.ca<mailto:James.Devine@ofina.on.ca>>; Opal Kandelas <Opal.Kandelas@ofina.on.ca<mailto:Opal.Kandelas@ofina.on.ca>>; John Kim <John.Kim@ofina.on.ca<mailto:John.Kim@ofina.on.ca>>
>> Cc: Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca<mailto:Malle.Hanslep@ontario.ca>>; Elcombe, James (MOF) <James.Elcombe@ontario.ca<mailto:James.Elcombe@ontario.ca>>
>> Subject: RE: Updated Draft Provincial Support Discussion Document
>>
>> That makes sense, Mike and I have the OFA Board tomorrow till 2 PM, if everyone is free after that we can perhaps meet at the OFA at 2.30 or teleconference at the same time.
>>
>> Thanks
>>
>> Ken k
>>
>> From: Whitfield, Tobias P. (MOF) [mailto:Tobias.Whitfield@ontario.ca]
>> Sent: Thursday, June 15, 2017 4:41 PM

>> To: Mike Manning <Mike.Manning@ofina.on.ca<mailto:Mike.Manning@ofina.on.ca>>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca<mailto:Ken.Kandeepan@ofina.on.ca>>; Ronald Kwan <Ronald.Kwan@ofina.on.ca<mailto:Ronald.Kwan@ofina.on.ca>>; Carlos Yep <Carlos.Yep@ofina.on.ca<mailto:Carlos.Yep@ofina.on.ca>>; James Devine <James.Devine@ofina.on.ca<mailto:James.Devine@ofina.on.ca>>; Opal Kandelas <Opal.Kandelas@ofina.on.ca<mailto:Opal.Kandelas@ofina.on.ca>>; John Kim <John.Kim@ofina.on.ca<mailto:John.Kim@ofina.on.ca>>
>> Cc: Malle Hanslep (MOF) <Malle.Hanslep@ontario.ca<mailto:Malle.Hanslep@ontario.ca>>; Elcombe, James (MOF) <James.Elcombe@ontario.ca<mailto:James.Elcombe@ontario.ca>>
>> Subject: RE: Updated Draft Provincial Support Discussion Document
>>
>> Hi,
>>
>> I just wanted to follow up on this and see if there is an appetite to discuss this amongst our smaller group at this point. Energy is briefing up on this draft and we probably should meet with them and our outside counsel at Blakes soon to come to a decision about how this draft will be communicated to the other parties to this transaction.
>>
>> Best
>> Toby
>>
>> Tobias Whitfield
>> Counsel, Legal Services Branch
>> Ministry of Finance
>> tobias.whitfield@ontario.ca<mailto:tobias.whitfield@ontario.ca>
>> Phone: 416-325-1456
>>
>> From: Whitfield, Tobias P. (MOF)
>> Sent: June 14, 2017 12:47 PM
>> To: Manning, Mike (OFA); Kandeepan, Ken (OFA); Kwan, Ronald (OFA); Yep, Carlos (OFA); Devine, James (OFA); Kandelas, Opal (OFA); Kim, John (OFA)
>> Cc: Hanslep, Malle (MOF); Elcombe, James (MOF)
>> Subject: Updated Draft Provincial Support Discussion Document
>>
>> Please find attached a markup of the proposal from OPG regarding the Provincial Support Agreeement.
>>
>> This markup is the result of discussions between us at MOF Legal, lawyers from Energy Legal and the Province's external counsel at Blakes.
>>
>> The changes are significant and we would like to get your feedback on our proposed approach. Perhaps we can have a discussion first with this group, and then a broader discussion with the Energy team and Stephen Ashbourne from Blakes.
>>
>> Please let us know when you have had a chance to review and are available to discuss.
>>
>> Best
>> Toby
>>
>> Tobias Whitfield
>> Counsel, Legal Services Branch
>> Ministry of Finance
>> 777 Bay Street, 11th Floor
>> Toronto, ON, M5G 2C8
>> tobias.whitfield@ontario.ca<mailto:tobias.whitfield@ontario.ca>
>> Phone: 416-325-1456
>>
>>
>> _____

>>
>> This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From: Sarah Harris
To: Opal Kandelas
Subject: Revised IESO Request for FHP Credit Facility
Date: Tuesday, May 23, 2017 7:00:02 AM

Hi Opal,

I haven't seen a revised letter from IESO to increase the size of the credit facility. Last week, you showed me a draft on your screen. I am checking with you on the status and whether it has been finalized (or needs to be finalized)?

Thanks,
Sarah

From:	David Cross
To:	Matthew Breadner; Alexander Kraas; Carlos Yep; David Peters; Documentation; Edwin Wong; Elizabeth Wallace; Erica Wieder; Gadi Mayman; Ingrid Vincent; Ivy Wang; James Devine; Jean-Paul Lamoureux; Joe Pedota; Ken Kandeepan; Leo Oriotis; Linda Smith; Michael Smith; Mike Manning; Parul Monga; Parvez Daruwalla; Ricky Lai; Risa Thau; Shabina Hassan; Bonnie Lemcke; Christina Zhang; RC_Opns; Claire Wang; Vivian Yan; Anna Strathy; Ronald Kwan; David Cross
Subject:	S&P and Moody"s both Place Hydro One"s Ratings on Negative outlook; DBRS No Change to Ratings
Date:	Thursday, July 20, 2017 9:27:31 AM
Attachments:	S&P hydro One on Negative Outlook.pdf Hydro One Negative Outlook.pdf

---

On July 19, 2017, Hydro One Ltd. (HOL) announced the C$6.7 billion (US$5.3 billion) proposed acquisition of Avista Corp., a U.S.-based electricity and gas utility.

- S&P changed the outlook on both HOL and subsidiary Hydro One Inc. (HOI) to negative from stable.
- Moody's also changed the outlook on HOI to negative. Moody's does not rate HOL.
- DBRS made no change to the outlook or ratings of HOI. DBRS does not rate HOL.

Rationale

S&P

- The outlook revision reflects the shift in Hydro One Limited's (HOL) business strategy, as well as the slightly weakened business risk from the acquisition. The additional leverage that the transaction introduces also erodes Hydro One Inc's (HOI) credit metrics and financial risk.
- The negative outlook on HOL reflects S&P's view that the Avista acquisition signals a shift in HOL's business strategy, which will align the company with its global peers removing the historical rationale for a one-notch rating uplift.
- S&P notes that they could take a negative rating action on HOL if the transaction concludes as expected. This would include a financing plan that relies on the equity issuance as anticipated, which will lead to AFFO-to-debt of about 10% after the debentures' conversion. In the meantime credit metrics are expected to be below 10%.
- If conversion of the debentures does not occur as expected and metrics remain below 10%, S&P could lower the ratings on HOL by more than one notch.

Moody's

- The negative outlook on Hydro One Inc. reflects Moody's view that the probability of extraordinary support from the Province of Ontario will be reduced following today's announcement that Hydro One Limited plans to acquire Avista Corp.

- Moody's notes that the announced acquisition will rely on debt financing- a credit negative.

DBRS

- DBRS notes that the acquisition provides HOL with both diversification and scale while expanding its regulated utility rate base to cover electricity transmission and distribution as well as natural gas local-distribution businesses.
- DBRS notes that HOI is insulated from the financing of this Merger, as no debt is proposed to be issued at HOI and HOL's dividend payout guidance of 70% to 80% of earnings has not been revised upward as a result of the announcement. DBRS expects that the quality of the regulatory regime in Ontario will continue to remain supportive, providing the regulatory ring-fencing for the utility and allowing the Company to earn a fair rate of return while recovering costs on a timely basis.
- DBRS believes that should the acquisition be financed as contemplated in the announcement, it will have no impact on HOI's credit profile.

Current Ratings

	S&P	Moody's	DBRS
Hydro One Limited	A (N)	Not Rated	Not Rated
Hydro One Inc	A (N)	A3 (N)	A (High)

S&P Global
Ratings

RatingsDirect®

Research Update:

Hydro One Ltd. And Hydro One Inc. Outlooks Revised To Negative From Stable On Proposed Avista Corp. Acquisition

Primary Credit Analyst:
Andrew Ng, Toronto (416) 507-2545; andrew.ng@spglobal.com

Secondary Contact:
Stephen R Goltz, Toronto (416) 507-2592; stephen.goltz@spglobal.com

Table Of Contents

Overview

Rating Action

Rationale

Outlook (Hydro One Ltd.)

Outlook (Hydro One Inc.)

Ratings Score Snapshot (Hydro One Ltd.)

Ratings Score Snapshot (Hydro One Inc.)

Related Criteria

Ratings List

THIS WAS PREPARED EXCLUSIVELY FOR USER BONNIE LEMCKE.
NOT FOR REDISTRIBUTION UNLESS OTHERWISE PERMITTED.

Research Update:

Hydro One Ltd. And Hydro One Inc. Outlooks Revised To Negative From Stable On Proposed Avista Corp. Acquisition

Overview

- On July 19, 2017, Toronto-based Hydro One Ltd. (HOL) announced the C$6.7 billion (US$5.3 billion) proposed acquisition of Avista Corp., a U.S.-based electricity and gas utility.
- We are revising our outlook on HOL and subsidiary Hydro One Inc. (HOI) to negative from stable.
- We are also affirming our ratings on HOL and HOI, including our 'A' long-term corporate credit rating on both.
- The outlook revision reflects the shift in HOL's business strategy, as well as the slightly weakened business risk from the acquisition.

Rating Action

On July 19, 2017, S&P Global Ratings revised its outlook on Toronto-based Hydro One Ltd. (HOL) and subsidiary Hydro One Inc. (HOI) to negative from stable. At the same time, S&P Global Ratings affirmed its ratings on HOL and HOI, including its 'A' long-term corporate credit rating on both.

Rationale

The outlook revision follows HOL's proposed acquisition of Avista Corp., a U.S. based-electricity and gas utility operator. Historically, HOL's focus on Ontario provided the company with incremental business strength based on a favorable market position, regulation, and operational history. With the Avista acquisition, we believe HOL's business risk has eroded slightly. Furthermore, the additional leverage that the transaction introduces also eroded HOL's credit metrics and financial risk.

Overall, we expect HOL's consolidated excellent business risk profile will continue with the Avista acquisition. We believe the jurisdictions in which Avista operates benefit from reasonably supportive regulatory environments. In addition, the purchase gives HOL some geographic diversity and entry into natural gas distribution. However, we believe that the overall weaker business risk profile of Avista offsets this to a certain degree.

From a financial risk perspective, we forecast consolidated adjusted funds from operations (AFFO)-to-total debt for HOL, when the transaction closes, at about 10% in 2018. This is consistent with a significant financial risk

THIS WAS PREPARED EXCLUSIVELY FOR USER BONNIE LEMCKE.
NOT FOR REDISTRIBUTION UNLESS OTHERWISE PERMITTED.

profile, but does not allow for cushion in credit metrics.

The transaction's financing plan benefits from an equity issuance in the form of C$1.4 billion in convertible debentures. While the form of these debentures has been used in the Canadian market with almost 100% conversion to equity, we treat this financing as debt until the conversion occurs. While the debentures are outstanding we forecast that AFFO-to-debt will be around 9%.

In addition, part of the financing plan for the acquisition includes HOL issuing debt, which would be structurally subordinated to the debt at each operating entities. As per our methodology, we expect to rate this new debt one notch below the corporate credit rating on the company.

We continue to believe the HOI is core to HOL, so we continue to equalize the corporate credit rating on HOI with that on HOL. We further consider Avista to be highly strategic to HOL under our criteria.

Our base-case assumptions include the following:

- HOL will continue focusing on its regulated utility business with no plans to expand into unregulated business segments
- The operating subsidiaries will not experience any adverse regulatory decisions from any of the respective jurisdictions that would impair predictable and steady cash flows

Based on these assumptions, we arrive at consolidated AFFO-to-debt of 10%-12% after closing.

Liquidity

Our assessment of HOL and HOI's liquidity is adequate. We expect liquidity sources to exceed uses more than 1.1x over the next 12 months. In the event of a 10% drop in the company's EBITDA, we also expect liquidity sources will cover uses. In our view, the company has sound relationships with banks and generally satisfactory standing in the credit markets. In the unlikely event of liquidity distress, we expect HOL to scale back its capital spending to preserve credit metrics.

Principal liquidity sources include:

- Cash FFO of about C$1.74 billion over the next 12 months
- Committed credit facilities availability of about C$2.55 billion as of March 31, 2017, which mature in 2021

Principal liquidity uses include:

- Debt maturities of about C$1.06 billion over the next 12 months, including short-term debt
- Capital spending of about C$1.7 billion over the next 12 months
- Dividend payments of about C$550 million over the next 12 months

THIS WAS PREPARED EXCLUSIVELY FOR USER BONNIE LEMCKE.
NOT FOR REDISTRIBUTION UNLESS OTHERWISE PERMITTED.

Outlook (Hydro One Ltd.)

The negative outlook on HOL reflects our view that the Avista acquisition signals a shift in HOL's business strategy, which will align the company with its global peers removing the historical rationale for a one-notch rating uplift. The negative outlook also reflects the execution and financing risk inherent in any large acquisition. We recognize that the use of the convertible debentures will create a temporary impact on credit metrics, with AFFO-to-debt forecast at about 9% until conversion. However, we expect the debentures will be converted to equity in full.

Downside scenario

We could take a negative rating action on HOL if we expect that the transaction will conclude as expected. This would include a financing plan that relies on the equity issuance as anticipated, which will lead to AFFO-to-debt of about 10% after the debentures' conversion. In the meantime credit metrics are expected to be below 10%. If conversion of the debentures does not occur as expected and metrics remain below 10%, we could lower the ratings on HOL by more than one notch.

Upside scenario

We could revise our outlook to stable within our outlook period in the unlikely event that the transaction does not close, the company continues its historic focus on Ontario regulated utilities and we expected HOL's consolidated AFFO-to-debt to be above 13%, on a consistent basis.

Outlook (Hydro One Inc.)

The negative outlook reflects our outlook on the parent, HOL, and our view that HOI is core to HOL under our group rating methodology.

Downside scenario

We could take a negative rating action on HOI if we take a similar rating action on HOL.

Upside scenario

We could revise the outlook on HOI to stable if we take a similar rating action on HOL.

Ratings Score Snapshot (Hydro One Ltd.)

Corporate Credit Rating: A/Negative/--

THIS WAS PREPARED EXCLUSIVELY FOR USER BONNIE LEMCKE.
NOT FOR REDISTRIBUTION UNLESS OTHERWISE PERMITTED.

Business risk: Excellent
- Country risk: Very low
- Industry risk: Very low
- Competitive position: Excellent

Financial risk: Significant
- Cash flow/Leverage: Significant

Anchor: a-

Modifiers
- Diversification/Portfolio effect: Neutral (no impact)
- Capital structure: Neutral (no impact)
- Financial policy: Neutral (no impact)
- Liquidity: Adequate (no impact)
- Management and governance: Satisfactory (no impact)
- Comparable rating analysis: Positive (+1 notch)

Stand-alone credit profile: a

Group credit profile: a
- Status within group: Parent

Ratings Score Snapshot (Hydro One Inc.)

Corporate Credit Rating: A/Negative/A-1

Business risk: Excellent
- Country risk: Very low
- Industry risk: Very low
- Competitive position: Excellent

Financial risk: Significant
- Cash flow/Leverage: Significant

Anchor: a-

Modifiers
- Diversification/Portfolio effect: Neutral (no impact)
- Capital structure: Neutral (no impact)
- Financial policy: Neutral (no impact)
- Liquidity: Adequate (no impact)
- Management and governance: Satisfactory (no impact)
- Comparable rating analysis: Positive (+1 notch)

Stand-alone credit profile: a

Group credit profile: a
- Status within group: core (no impact)

THIS WAS PREPARED EXCLUSIVELY FOR USER BONNIE LEMCKE.
NOT FOR REDISTRIBUTION UNLESS OTHERWISE PERMITTED.

Related Criteria

- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings , April 7, 2017
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- Criteria - Corporates - General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Group Rating Methodology, Nov. 19, 2013
- Criteria - Corporates - Utilities: Key Credit Factors For The Regulated Utilities Industry, Nov. 19, 2013
- Criteria - Corporates - General: Corporate Methodology: Ratios And Adjustments, Nov. 19, 2013
- Criteria - Corporates - General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Criteria - Corporates - General: 2008 Corporate Criteria: Rating Each Issue, April 15, 2008

Ratings List

Ratings Affirmed; Outlook Action

	To	From
Hydro One Limited		
Corporate Credit Rating	A/Negative/--	A/Stable/--
Hydro One Inc.		
Corporate Credit Rating	A/Negative/A-1	A/Stable/A-1

Ratings Affirmed

Hydro One Inc.	
Senior Unsecured	A
Commercial Paper	
Global Scale	A-1
Canada Scale	A-1(MID)

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of

THIS WAS PREPARED EXCLUSIVELY FOR USER BONNIE LEMCKE.
NOT FOR REDISTRIBUTION UNLESS OTHERWISE PERMITTED.

RatingsDirect at www.globalcreditportal.com and at www.spcapitaliq.com. All ratings affected by this rating action can be found on the S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

THIS WAS PREPARED EXCLUSIVELY FOR USER BONNIE LEMCKE.
NOT FOR REDISTRIBUTION UNLESS OTHERWISE PERMITTED.

Copyright © 2017 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.

THIS WAS PREPARED EXCLUSIVELY FOR USER BONNIE LEMCKE.
NOT FOR REDISTRIBUTION UNLESS OTHERWISE PERMITTED.

MOODY'S
INVESTORS SERVICE

Rating Action: Moody's Affirms Hydro One's senior unsecured A3 ratings; outlook changed to negative

Global Credit Research - 19 Jul 2017

Approximately $11 billion of debt affected

Toronto, July 19, 2017 -- Moody's Investors Service, ("Moody's") affirmed the ratings of Hydro One Inc. (HOI) A3 senior unsecured; (P)A3 MTN program; commercial paper P-2 and changed the outlook to negative.

RATINGS RATIONALE

"The negative outlook on Hydro One Inc. reflects our view that the probability of extraordinary support from the Province of Ontario will be reduced," said Vice President and Senior Credit Officer Gavin MacFarlane. "This follows today's announcement that Hydro One Limited, the parent company of Hydro One Inc., plans to acquire Avista Corp., a U.S. based electric and gas utility company."

The government will retain control of Hydro One Limited (HOL: unrated), the holding company that owns 100% of HOI. The acquisition of Avista Corp. (Baa1 stable), the first major acquisition by the organization, will be financed with about C$3.4 billion of holding company debt at the parent HOL level, which sits between HOI and the Province of Ontario (Aa2 Stable) in the overall corporate structure, reducing the probability of support to HOI from the Province. In addition, any provincial support would likely also provide indirect benefits to ratepayers in U.S. jurisdictions, which further reduces the probability of support from the Province. Following the completion of the Avista acquisition, we expect the government to continue to own between 40-50% of HOL.

Consistent with other Canadian regulated utilities acquiring US regulated utilities, the announced acquisition will rely on debt financing, a credit negative. The additional debt that Hydro One Limited plans to issue will not limit the ratings of Hydro One Inc.

As a government related issuer, HOI's A3 rating reflects its baseline credit assessment (BCA) of baa1 with a one notch uplift attributable to the historically moderate probability of extraordinary support from the Province of Ontario. HOI's BCA of baa1 reflects its low business risk profile driven by its supportive regulatory environment. We expect cash flow from operations to remain predictable and financial metrics to remain weak for the ratings primarily as a result of the existing allowed return on equity and deemed capital structure established by the regulator. The baseline credit assessment of baa1 remains unchanged following the acquisition announcement.

Rating Outlook

The outlook on HOI is negative, reflecting the expectation of a declining probability of extraordinary support from the Province.

What could change the rating: up

An upgrade at this time is unlikely given the negative outlook. The rating outlook could return to stable at the current rating level based on an upgrade to the baseline credit assessment of HOI offsetting the reduction in the probability of extraordinary support. This could result from more favorable regulatory outcomes or a sustained improvement in financial metrics including CFO pre-W/C to debt in the high teens (11.3% at 9/30/2016). A one notch upgrade of the Province would not lead to an upgrade of Hydro One.

What could change the rating: down

The proposed acquisition of Avista Corp. could lead to a downgrade of HOI. A downgrade of HOI's BCA would lead to a downgrade of the senior unsecured rating, so long as Moody's opinion of likely support from the Province remains unchanged or is reduced. This could result from a deterioration in regulatory outcomes or financial metrics, including CFO pre-W/C to debt below 11% on a sustained basis (11.3% at 9/30/2016). A one notch downgrade of the Province would not lead to a downgrade of HOI.

The methodologies used in these ratings were Regulated Electric and Gas Utilities published in June 2017 and Government-Related Issuers published in October 2014. Please see the Rating Methodologies page on www.moodys.com for a copy of these methodologies.

Outlook Actions:

..Issuer: Hydro One Inc.

....Outlook, Changed To Negative From Stable

Affirmations:

..Issuer: Hydro One Inc.

....Senior Unsecured Commercial Paper, Affirmed P-2

....Senior Unsecured Medium-Term Note Program, Affirmed (P)A3

....Senior Unsecured Regular Bond/Debenture, Affirmed A3

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

For any affected securities or rated entities receiving direct credit support from the primary entity(ies) of this credit rating action, and whose ratings may change as a result of this credit rating action, the associated regulatory disclosures will be those of the guarantor entity. Exceptions to this approach exist for the following disclosures, if applicable to jurisdiction: Ancillary Services, Disclosure to rated entity, Disclosure from rated entity.

The rating has been disclosed to the rated entity or its designated agent(s) and issued with no amendment resulting from that disclosure.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on www.moodys.com for additional regulatory disclosures for each credit rating.

Gavin MacFarlane
VP - Senior Credit Officer
Infrastructure Finance Group
Moody's Canada Inc.
70 York Street
Suite 1400
Toronto, ON M5J 1S9
Canada
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

Jim Hempstead
MD - Utilities
Infrastructure Finance Group
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

Releasing Office:
Moody's Canada Inc.
70 York Street
Suite 1400
Toronto, ON M5J 1S9
Canada
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

© 2017 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. AND ITS RATINGS AFFILIATES ("MIS") ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MOODY'S PUBLICATIONS MAY INCLUDE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND MOODY'S OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. CREDIT RATINGS AND MOODY'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MOODY'S PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS AND PUBLISHES MOODY'S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS OR MOODY'S PUBLICATIONS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary

measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing the Moody's publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any rating, agreed to pay to Moody's Investors Service, Inc. for appraisal and rating services rendered by it fees ranging from $1,500 to approximately $2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moodys.com under the heading "Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors. It would be reckless and inappropriate for retail investors to use MOODY'S credit ratings or publications when making an investment decision. If in doubt you should contact your financial or other professional adviser.

Additional terms for Japan only: Moody's Japan K.K. ("MJKK") is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJKK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and

municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any rating, agreed to pay to MJKK or MSFJ (as applicable) for appraisal and rating services rendered by it fees ranging from JPY200,000 to approximately JPY350,000,000.

MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.

From:	Carlos Yep
To:	Mike Manning; Ken Kandeepan
Cc:	Opal Kandelas; James Devine
Subject:	SLA - MOU between OFA and Energy
Date:	Monday, July 31, 2017 2:03:43 PM
Attachments:	OFA - MoE MOU Fair Hydro Plan(v6)clean.docx

FYI

From: John Kim
Sent: Monday, July 31, 2017 1:57 PM
To: Carlos Yep <Carlos.Yep@ofina.on.ca>
Subject: RE: OPG - Sub Debt + Variable Fee

I was talking via Kaitlin.

Here's the draft SLA.

From: Carlos Yep
Sent: Monday, July 31, 2017 1:47 PM
To: John Kim <John.Kim@ofina.on.ca>
Subject: RE: OPG - Sub Debt + Variable Fee

Ok.

Who were you talking to at OPG – regarding taking OFA out of the equity injection / subordinated debt document?

Memorandum of Understanding
Relating to the
Fair Hydro Plan

Dated: **XXXXXXX**

Between:

Her Majesty the Queen in right of Ontario
as represented by the Minister of Energy (the "**Minister**")

And:

Ontario Financing Authority
an agency of the Province of Ontario (the "**OFA**")

Whereas:

1. The Government of Ontario enacted the *Ontario Fair Hydro Plan Act, 2017* (the "Act") to implement its Fair Hydro Plan (the "FHP").

2. The Act and the regulations promulgated under the Act (the "Regulations") provides the right for IESO to create certain assets related to the deferral of electricity charges (the "Assets"), which Assets may be acquired from the Independent Electricity System Operator ("IESO") by one or more special purpose financing entities, under the Act established by OPG to implement the FHP (each an "OPG Financing Entity"), which are expected to include a Fair Hydro Trust.

3. An OPG Financing Entity is expected to acquire the Assets monthly from the IESO and will finance the Assets in accordance with the financing plan, which includes both senior debt (minimum of 51%) from external sources and subordinated debt (up to 49%) from OPG.

4. The Minister has agreed to provide up to 44% of the total funding requirement for the Assets through equity injections in OPG and OPG has agreed to use the equity injections solely for funding an OPG Financing Entity's subordinated debt (the "Equity Injection Plan").

5. For purposes of the Equity Injection Plan, OPG has amended its articles to create a new class of non-voting, redeemable shares (the "Class A Shares").

6. The Minister will subscribe for Class A Shares monthly.

7. Each month OPG will deliver to the Minister a share subscription form (the "Share Subscription") setting out the amount of equity injection required (the "Subscription

Payment") and the corresponding number of Class A Shares to be issued by OPG and subscribed for by the Minister.

8. The Minister is required to pay the Subscription Payments out of amounts appropriated by the Legislature for that purpose for the fiscal year in which the payment is made ("Appropriated Amount").

9. The Minister has advised the OFA that the Minister is required to make the Subscription Payments within [*] business days of the receipt by the Minister of the Share Subscription (the "Share Subscription Payment Date").

10. The Minister considers it advisable for the OFA to make the Subscription Payments on behalf of the Minister and the OFA has agreed to make the Subscription Payments on behalf of the Minister.

11. The Minister and the OFA wish to enter into this MOU to confirm their agreement regarding the terms on which the OFA will make the Subscription Payments.

Therefore:

The Minister and the OFA agree as follows:

1. Payment Authorization

(i) The Minister authorizes the OFA to make the Subscription Payments on behalf of the Minister and the OFA agrees to make the Payments on behalf of the Minister.

(ii) The Minister shall ensure that the certificate under section 11.4 of the *Financial Administration Act* (reproduced as Schedule A to this MOU) required for each of the Subscription Payments is obtained, and shall provide the OFA with a copy of such certificate within **[*]** days after the Subscription Payment is made.

(iii) It is agreed by the Minister and the OFA that the OFA is acting as an agent, on behalf of the Minister, for the purposes of

i. Transacting with the Ontario Shared Services "IFIS" system in order to access funds appropriated for the Minister in respect of the Fair Hydro Plan, and

ii. Making the required Subscription Payments on behalf of the Minister as further described in this MOU.

2. Payment Process

a) The Minister will take all necessary steps to provide the OFA with a good quality unapproved electronic copy of each Share Subscription, on the same day the Minister receives the Share Subscription from OPG to allow the OFA to begin the procedures for making the Subscription Payment.

b) The Minister will deliver to the OFA a good quality copy of each Share Subscription executed and approved for payment by **[insert appropriate MoE official]** - at least three business days before the Share Subscription Payment Date. The approval for payment shall include confirmation that there is a sufficient Appropriated Amount from which to make the Subscription Payment. Upon receipt of the executed and approved Share Subscription, the OFA will make the Subscription Payment on behalf of the Minister, in the amount of the Share Subscription.

c) The OFA shall not be required to make any Subscription Payment on behalf of the Minister if the Minister has not delivered to the OFA an executed and approved Share Subscription as provided in paragraph b) above.

d) The Subscription Payments will be made from the Consolidated Revenue Fund and the amount of each Subscription Payment will be entered by the OFA via a journal entry into the Province's IFIS system under a pre-defined Minister account immediately upon the completion of the Subscription Payment or shortly thereafter.

3. Reporting Requirements and Records

a) The OFA will deliver a notice by e-mail to the Minister's contact person to confirm the completion of each Subscription Payment in the amount of the Share Subscription.

b) The OFA will keep and maintain all records related to the Share Subscriptions for a period of seven (7) years.

c) The requirements under this section shall survive any termination of the MOU.

d) The Public Accounts, Volume 3 reporting related to the Subscription payments will be performed by the Minister.

4. Limited Role of the OFA

The OFA will only be responsible for making the Subscription Payments in accordance with section 2 and reporting and record keeping in accordance with section 3. For greater clarity, the OFA will not be responsible for auditing or otherwise verifying the correctness of the Share Subscriptions; monitoring the OPG's application of the Subscription Payments; monitoring the balance from time to time of the Appropriated Amount; or ensuring the Appropriated Amount is sufficient.

5. Review and Termination

a) The Minister and the OFA will review this MOU as necessary.

b) This MOU may be terminated by either party at any time, on 90 days' notice.

c) Upon termination of this MOU, provided the OFA has the power and authority to make such Subscription Payments, the OFA will make Subscription Payments in respect of executed and approved Share Subscriptions delivered by the Minister to the OFA on or before the date of termination in accordance with subsection 2(c) of this MOU, but will not be obligated to make any further Subscription Payments on any executed and approved Share Subscriptions delivered by the Minister to the OFA after the date of termination of this MOU. All provisions of this MOU relating to Subscription Payments made by OFA will continue to apply with respect to such Subscription Payments made by the OFA after the termination date, notwithstanding termination of this MOU.

d) The parties will cooperate to help to ensure a smooth transition of the payment function upon termination.

6. No Service Charges

The OFA will not charge the Minister for the OFA's services or for its disbursements or other expenses incurred under this MOU.

7. Contacts

a) Each party shall designate a member of its staff to be a contact person for the purposes of administering this MOU.

b) As of the date of this MOU the OFA's contact persons are:

Tel:
email:

Tel: email:

should also be sent to:

Tel: email: & email:

c) As of the date of this MOU the Minister's contact person is:

Tel:
email:

d) Either party may designate a different member of its staff as its contact person by providing notice to the other party in accordance with section 7.

8. Notice

a) Any notice under this MOU shall be in writing and shall be deemed given when delivered by hand or email, and addressed to the party's contact person.

b) In the case of the OFA, the addresses for notice are:
Hand Delivery:
Ontario Financing Authority
Suite 1400
1 Dundas St. W.
Attention: Ken Kandeepan, Chief Financial and Risk Officer
email: Ken.Kandeepan@ofina.on.ca

c) In the case of the Minister, the addresses for notice are:
Hand Delivery:
Ministry of Energy

9. Execution

The parties have executed this MOU, effective as of the date first above written.

Her Majesty the Queen in right of Ontario
as represented by the Minister of Energy

by:_____

name:
title:

Ontario Financing Authority

by:_____

name:

title:

SCHEDULE A

Section 11.4, *Financial Administration Act*, R.S.O. 1990, c. F.12

11.4 (1) No payment shall be made out of the Consolidated Revenue Fund unless, in addition to any other voucher or certificate that may be required, a person referred to in subsection (2) certifies,

(a) in the case of a payment for the supply of goods or the rendering of services after the goods are delivered or the services are rendered, that the goods have been supplied or the services have been rendered and that,

(i) the payment is in accordance with the agreement, or

(ii) the amount of the payment is reasonable, if the amount of the payment is not specified in the agreement;

(b) in the case of a payment for the supply of goods or the rendering of services before the delivery of the goods or the supply of the services, that the payment is in accordance with the agreement; or

(c) in the case of a payment not described in clause (a) or (b), that the payee is eligible for or entitled to the payment. 2002, c. 8, Sched. B, s. 2.

Persons authorized to certify payments

(2) Only the following persons have authority to give a certificate under subsection (1):

1. A minister or deputy minister.
2. The Speaker of the Assembly.
3. The Auditor General.
4. The Chief Electoral Officer.
5. A person authorized by the Management Board of Cabinet.
6. A person authorized by a person referred to in any of paragraphs 1 to 5. 2002, c. 8, Sched. B, s. 2; 2004, c. 17, s. 32; 2007, c. 15, s. 40 (1).

From:	Erica Wieder
To:	Opal Kandelas
Subject:	UPDATED OFA Board Orientation Agenda -August 30 2018.doc
Date:	Monday, August 27, 2018 3:58:12 PM
Attachments:	Capital Markets OFA and OEFC Board Presentation August 2018.pdf
Importance:	High

Hi Opal,

Serena has updated the deck for Mike's presentation (Mike has approved it) please find it attached.

Thanks,

Erica

From: Serena Ly
Sent: Monday, August 27, 2018 2:22 PM
To: Sarah Neville <Sarah.Neville@ofina.on.ca>
Cc: Erica Wieder <Erica.Wieder@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>
Subject: RE: UPDATED OFA Board Orientation Agenda -August 30 2018.doc

Hi Sarah,

Please find attached the updated board orientation deck for CMD.

Thanks,
Serena

From: Sarah Neville
Sent: Thursday, August 09, 2018 4:42 PM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Mike Manning <Mike.Manning@ofina.on.ca>; John Kim <John.Kim@ofina.on.ca>; Francisco Chinchon <Francisco.Chinchon@ofina.on.ca>; Emily Kerr <Emily.Kerr@ofina.on.ca>
Cc: Ronald Kwan <Ronald.Kwan@ofina.on.ca>; Usman Zahid <Usman.Zahid@ofina.on.ca>; Nigel Miranda <Nigel.Miranda@ofina.on.ca>; Erica Wieder <Erica.Wieder@ofina.on.ca>; Anna Strathy <Anna.Strathy@ofina.on.ca>; Mara Bakic <Mara.Bakic@ofina.on.ca>
Subject: UPDATED OFA Board Orientation Agenda -August 30 2018.doc

Hello All – the OFA/OEFC Chair's briefing has now been scheduled **for Thursday Aug 30 from 2-4pm in the Exec Boardroom**. Please review the attached revised agenda. I have re-ordered the divisional presentations because, upon reflection, I thought it would make more sense to start with the more heavily weighted Provincial borrowing program/OFA operations presentations and then work our

way to the more focused OEFC piece at the end which is likely to make more contextual sense once the OFA operations are explained.

If you could provide me with **pdf's of your updated presentations by Monday August 27** I would be grateful so that I can post them for the Chair to review in advance of the meeting given the compressed time frame.

Please let me know if you have questions or comments. Thanks everyone for your assistance with this.

Sarah

Capital Markets Division

August 2018

Ontario Financing Authority
www.ofina.on.ca

Mandate & Profile: Capital Markets Division

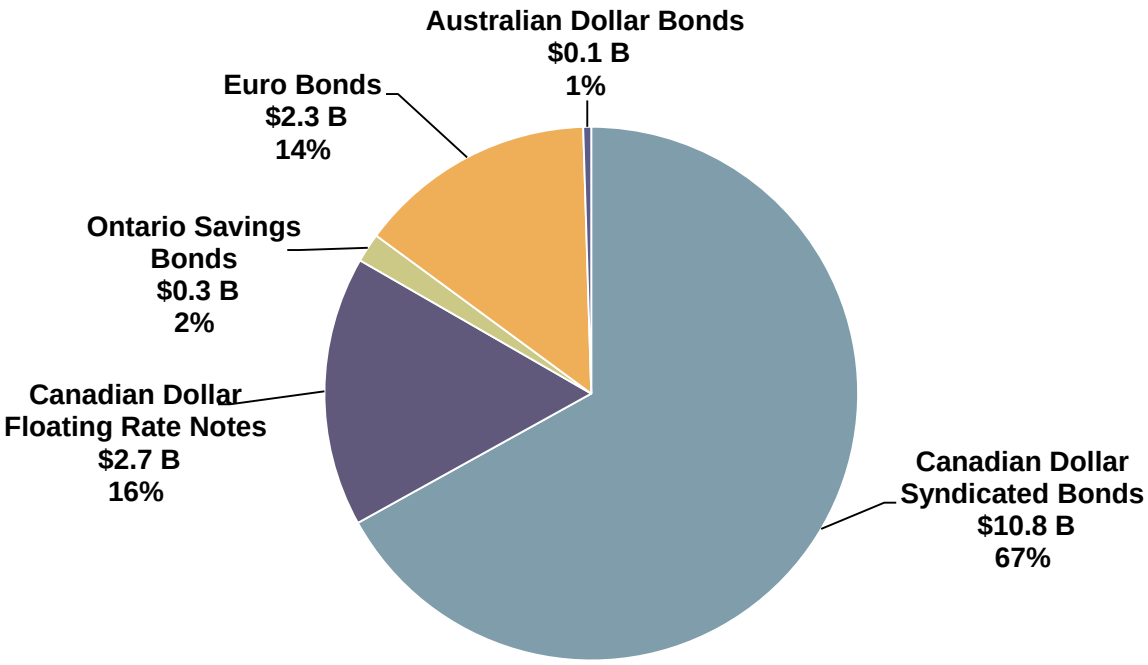
The Capital Markets Division develops and executes the Province's borrowing and debt management programs, invests funds for the Province and specific government entities, and provides investment, borrowing, debt and energy management services to the Ontario public sector. It is also responsible for Investor Relations, Documentation and the Ontario Savings Bond program.

Specifically, the Capital Markets Division:

- Prudently manages debt outstanding of $348.8 billion (as at March 31, 2018), manages the liquid reserve portfolio and conducts financial risk management.
- Successfully completed its annual borrowing requirement of $33.9 billion for 2017–18. As of August 27, 2018, the Province has borrowed $16.2 billion, or 51 per cent, of its $31.7 billion borrowing requirement for 2018–19.
- Advises on electricity and public sector financial policies.
- Manages, in conjunction with Ontario Power Generation (OPG), the investments of the OPG’s Used Fuel Segregated Fund and Decommissioning Segregated Fund.

2018–19 Borrowing Program

As of August 27, 2018



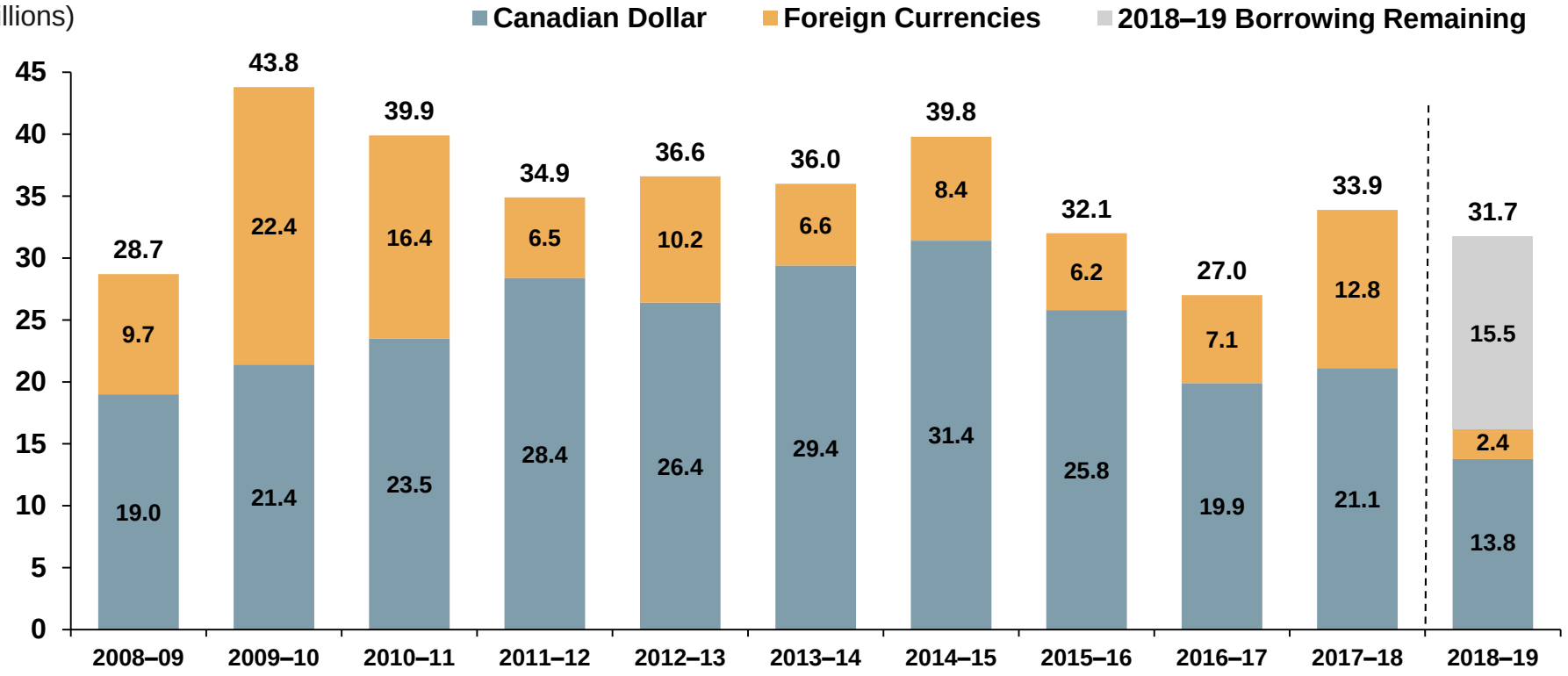
2018–19 Total Borrowing Requirement:	**$31.7B**
Borrowing Completed:	**$16.2B (51% Complete)**
Domestic:	**85%**
International:	**15%**
Average Term:	**14.6 years**

Note: Numbers may not add due to rounding.

Domestic and International Borrowing

As of August 27, 2018

Total Long-Term Borrowing
($ Billions)



	2008–09	2009–10	2010–11	2011–12	2012–13	2013–14	2014–15	2015–16	2016–17	2017–18	2018–19
Foreign	34%	51%	41%	19%	28%	18%	21%	19%	27%	38%	15%
Domestic	66%	49%	59%	81%	72%	82%	79%	81%	73%	62%	85%
Weighted-Average Term	8.6	8.1	12.8	13.0	12.4	13.6	14.1	14.2	13.9	12.1	14.6

Note: Numbers may not add due to rounding.
Source: Ontario Financing Authority.

Ontario

Investment Activities

- The OFA manages the Province's liquid reserve portfolio to optimize investment returns and to ensure that sufficient funds are available to meet cash requirements. The average level of unrestricted liquid reserves as of June 30, 2018, was $36.0 billion, net of collateral.

- The OFA also invests on behalf of certain public bodies to help increase their returns by streamlining investment processes and reducing investment costs. The OFA continues to provide investment services to a number of public bodies, including Infrastructure Ontario, the Pension Benefits Guarantee Fund, Ontario Trillium Foundation, Ontario Capital Growth Corporation and the Deposit Insurance Corporation of Ontario. As of June 30, 2018, total funds managed were $2.2 billion and were invested in money market and laddered bond portfolios.

- With Ontario Power Generation Inc., the OFA continued to manage the investment activities of OPG's Used Fuel Segregated Fund and the Decommissioning Segregated Fund established under the Ontario Nuclear Funds Agreement (ONFA). As of June 30, 2018, the combined market value of the funds were $21.8 billion. The Nuclear Funds are invested akin to a pension fund with diversified asset classes, including public market equities and fixed income, global infrastructure, real estate, and agriculture.

Investor Relations and Documentation

Investor Relations:

- Supports the Province's borrowing program by maintaining a dialogue with fixed income investors in key markets and expanding the Province's funding base by building relationships with new investors in existing or new markets. This is accomplished through the provision of targeted information products (OFA Website, Presentations, Fact Sheets etc.) and call program initiatives (Ministerial-led and technical roadshows).

Documentation:

- Provides a wide range of documentation expertise on behalf of the Province, working very closely with Finance legal and outside counsel.

- Supports the borrowing program by:
  - ensuring that sufficient borrowing authority is available to execute the borrowing program.
  - negotiating and documenting all bond issues and derivatives agreements.
  - maintaining programs in the domestic and international markets (U.S., E.U., Australia).
  - ensuring that all ongoing international regulatory requirements are met.

Debt Overview

Debt	Interim 2017–18	Projected 2018–19
Total Debt	$348.8 billion	$356.7 billion
Interest on Debt	$12.0 billion	$12.5 billion
Net Debt	$308.2 billion	$325.0 billion
Net Debt-to-GDP	37.1%	37.6%
Total Debt Statistics		
Percentage of Publicly Held Debt	97%	97%
Percentage of Publicly Held Debt Issued in Canadian Dollars	83%	82%

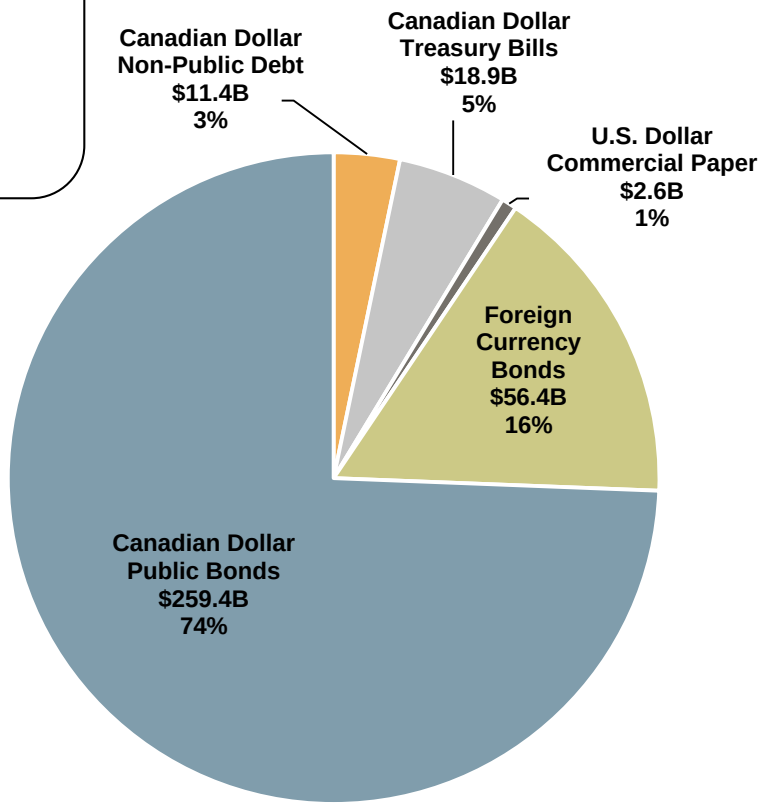
Note: 2018–19 total debt statistics as of June 30, 2018.

Sources: 2018 Budget and Ontario Financing Authority.

Total Debt Composition

$348.8 Billion Outstanding
(as of March 31, 2018)

Canadian Dollar Public Bonds
- Syndicated Bonds
- Medium-term Notes
- Floating rate Notes
- Ontario Savings Bonds
- Bond Auctions
- Real Return Bonds
- Green Bonds



Debt Outstanding by Currency

Currency	Debt Outstanding ($ Billions)	Debt Outstanding (% of Total Debt)
Canadian Dollar Public Debt	$278.3	79.8%
Canadian Dollar Non-Public Debt	$11.4	3.3%
U.S. dollars	$40.4	11.6%
Euros	$13.6	3.9%
Swiss francs	$2.2	0.6%
Australian dollars	$1.5	0.4%
Pound Sterling	$0.9	0.3%
Japanese yen	$0.5	0.1%

Note: Projected to March 31, 2018. Numbers may not add due to rounding.
Source: Ontario Financing Authority.

Risk Management

- Monitor and manage debt maturity profile to limit refinancing risk
- Maintain a high level of liquid reserves and short term borrowing capacity
- Enforce strict credit limits for financial and investment counterparties
- Have collateralized swap agreements in place for most swap counterparties
- Ontario treasury bills and U.S. commercial paper are very well received in the money markets and provide additional borrowing capacity if required

Risk Exposures

	Exposure (Province)	Exposure (OEFC)	Policy Limit
Foreign Exchange	0.15%	0.06%	5.0%
Net Interest Rate Resetting	11.8%	(14.7%)	35.0%

Notes: Of outstanding debt, as of June 30, 2018.
OEFC Interest Rate Reset exposure is negative due to increased liquid reserves arising from the proceeds related to the sale of Hydro One shares.

Short-Term Borrowing Capacity

($ Billions)	C$ T-Bill Program	U.S.$ Commercial Paper Program	Total
Currency	Canadian Dollars	U.S. Dollars	–
Maturity	1 day-3 years*	1-270 day(s)	–
Authorized	C$33.0	C$15.0	C$48.0
Outstanding	C$18.0	C$1.4	C$19.4
Available	C$15.0	C$13.6	C$28.6

**Regular issuance of 3M, 6M and 1Y T-Bills*
Note: As of June 30, 2018. Numbers may not add due to rounding.

Appendix:
Ontario Electricity Financial Corporation (OEFC)

Capital Markets Activities: OEFC

- The OFA continued to manage OEFC's debt and other liabilities, with total debt outstanding of $19.1 billion as at March 31, 2018, including short-term debt outstanding of $655 million.
- In 2017–18, the OFA undertook the Corporation's long-term borrowing of $800 million in the Canadian dollar market for OEFC to fund loans extended to OPG. As in the previous year, the OEFC's cash reserves were adequate to fund long term debt maturities of $2.1 billion. So far in 2018–19, the OFA has undertaken $400 million in long-term public borrowing for OEFC.
  - Maturing long-term debt totals $0.7 billion in 2018–19.
- As at March 31, 2018, OEFC had a cash surplus balance of approximately $4.1 billion and is projected to increase to $4.5 billion as at March 31, 2019.
  - These positive cash balances are primarily due to the cash proceeds related to the sale of Hydro One shares.
  - Cash balances are invested with the Province on a short-term basis to meet OEFC's upcoming cash requirements, including maturing long-term debt.
- Capital Markets also manages and administers the OEFC power supply and demand management contracts in conjunction with Corporate Electricity and Finance division. From April 1, 2017 to March 31, 2018, savings from curtailments totalled $5.4 million.

OEFC Loans

- The OEFC provides financial assistance, as required, to Ontario Hydro successor corporations.

Ontario Power Generation (OPG)

- Previously, the OEFC agreed to provide OPG with a $700 million credit facility up to December 31, 2017. In September 2017, the credit facility was amended to increase the facility to $2.35 billion to the end of 2018.

- As at March 31, 2018, $1,400 million has been advanced under this credit facility. The term of all borrowing was 30-years.

Independent Electricity System Operator (IESO)

- The OEFC oversees a $120 million loan refinancing and a $160 million credit facility extension to the IESO, both expiring June 30, 2020, to provide the IESO with flexibility to meet financing and liquidity requirements.

- As at March 31, 2018, IESO had no balance drawn on the credit facilities.

- Following the merger of the Ontario Power Authority and the IESO in January 2015, IESO also retained their original revolving credit facility with the OFA. This original facility was reduced from $975 million to $475 million, and a new $2.0 billion revolving credit facility has been put into place for the Fair Hydro Plan.

Investor Relations
Ontario Financing Authority
1 Dundas Street West, Suite 1200
Toronto, Ontario M5G 1Z3
Canada

Telephone: (416) 325-8000

Visit www.ofina.on.ca & subscribe to our email alert service to receive the latest province of Ontario updates

Legal Notice

This presentation was compiled by the Ontario Financing Authority. This information is intended for general information purposes only and does not constitute an offer to sell or a solicitation of offers to purchase securities. It has not been approved by any securities regulatory authority and it is not sufficient for the purpose of deciding to purchase securities. It may have errors or omissions resulting from electronic conversion, downloading or unauthorized modifications. Statements in this presentation may be "forward-looking statements" within the meaning of the U.S. *Private Securities Litigation Reform Act of 1995*. Such forward-looking statements involve uncertainties, risks, and other factors which could cause the state of Ontario's economy to differ materially from the forecasts and economic outlook contained expressly or implicitly in such statements. The province of Ontario undertakes no obligation to update forward-looking statements to reflect new information, future events or otherwise, except as may be required under applicable laws and regulations. While the information in this presentation, when posted or released, was believed to be reliable as of its date, **NO WARRANTY IS MADE AS TO THE ACCURACY OR COMPLETENESS OF THIS DOCUMENT OR THE INFORMATION IT CONTAINS.**

From:	Whitfield, Tobias P. (MOF)
To:	Mike Manning; Ken Kandeepan; Ronald Kwan; Carlos Yep; James Devine; Opal Kandelas; John Kim
Cc:	Malle Hanslep (MOF); Elcombe, James (MOF)
Subject:	Updated Draft Provincial Support Discussion Document
Date:	Wednesday, June 14, 2017 12:46:56 PM
Attachments:	23148306-v5-Term Sheet - Provincial Support Agreement - May 12.docx 23148306-vpdf-Term Sheet - Provincial Support Agreement - May 12.pdf

---

Please find attached a markup of the proposal from OPG regarding the Provincial Support Agreeement.

This markup is the result of discussions between us at MOF Legal, lawyers from Energy Legal and the Province's external counsel at Blakes.

The changes are significant and we would like to get your feedback on our proposed approach. Perhaps we can have a discussion first with this group, and then a broader discussion with the Energy team and Stephen Ashbourne from Blakes.

Please let us know when you have had a chance to review and are available to discuss.

Best
Toby

Tobias Whitfield
Counsel, Legal Services Branch
Ministry of Finance
777 Bay Street, 11th Floor
Toronto, ON, M5G 2C8
tobias.whitfield@ontario.ca
Phone: 416-325-1456

Provincial Protection and Assurances

Indicative Term Sheet[1]

Ontario Fair Hydro Plan Act, 2017

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

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

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

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

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

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

Provincial ~~Support Agreement~~Protection and Assurances

Indicative Term Sheet[1]

Ontario Fair Hydro Plan Act, 2017

*This term sheet (the "**Term Sheet**") ~~is provided exclusively to the parties listed herein in connection with the draft~~relates to transactions contemplated to be undertaken under the Ontario Fair Hydro Plan Act, 2017 and the regulations to be made thereunder (the "**Act**"). This Term Sheet is to be held confidential. ~~Defined~~Unless otherwise specified, defined terms used herein have the meanings ascribed to them in the Act. The provincial ~~support agreement (the "**Provincial Support Agreement**") will contain the terms and conditions set out~~protection and assurance arrangements contemplated in this Term Sheet ~~in addition to such other representations, warranties, indemnities, and other~~will include such terms and conditions as the ~~Guarantor and the Beneficiaries (each as defined below) may reasonably require~~Minister of Energy and the Minister of Finance determine to be appropriate.*

Performance Guarantees	
Performance Guarantor:	~~Her Majesty the Queen in right~~The Province of Ontario, ~~as represented~~ by the Minister of Energy and the Minister of Finance acting together.
Beneficiaries:	~~The indenture trustee (together with its successors, the "**Indenture Trustee**") under the master trust indenture (the "**Master Trust Indenture**")~~Each Financing Entity that owns an investment interest from time to time. A Financing Entity may grant a security interest over its rights and interests under a Performance Guarantee to its creditors and contractual counterparties, including any indenture trustee acting on behalf of itself and ~~all~~ other persons having debt or other claims against ~~a~~the Financing Entity that are secured under ~~the Master Trust Indenture (collectively, the "**Beneficiaries**") including, without limitation, holders of senior and subordinated notes, senior and subordinated lenders, hedge counterparties, credit enhancers, liquidity providers, the Financial Services Manager, the Indenture Trustee, the trustee of the Financing Entity if the Financing Entity is a trust, and any other administrator of the Financing Entity~~a related trust indenture.

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

~~**Term:**~~	~~The Guarantor's obligations under the Provincial Support Agreement will continue until **[one year]**[1] after all funding obligations (to be defined to include principal, interest, fees, hedge settlement and termination obligations and other related amounts) of all Financing Entities have been repaid.~~
Performance Guarantee:	~~Under the Master Sale and Servicing Agreement to be entered into by IESO and the Financing Entity, **[and OPG as Financial Services Manager]** ("**MSSA**"), IESO will have obligations both as a seller and as a servicer. Pursuant to a performance guarantee~~Pursuant to a Performance Guarantee, the Performance Guarantor will guarantee ~~in favour of the Beneficiaries to perform~~the performance, or cause the performance, of ~~(which may be by way of the appointment of a replacement servicer),~~ the obligations of IESO as servicer under the ~~MSSA and the~~ Act and under any agreement under which the applicable Financing Entity acquires an investment interest from IESO and IESO undertakes on-going obligations in respect of such investment interest, including ~~the obligations of any replacement servicer. The Guarantor will also guarantee the~~ servicing obligations ~~of the~~undertaken by IESO to enforce the performance by electricity vendors of their respective obligations under the Act. ~~The servicing~~It is anticipated that such obligations ~~covered~~ will include ~~all obligations~~matters related to the ~~collecting~~billing, collection and ~~remitting~~remittance of clean energy adjustments ~~and will protect the Beneficiaries from any risks arising from~~by IESO and electricity vendors, as the case may be, and regarding the commingling by IESO and electricity vendors of collections of clean energy adjustments ~~being commingled~~ with other amounts. In the event that the ~~performance guarantee~~Performance Guarantee is held to be unenforceable against the Performance Guarantor, the ~~Provincial Support Agreement~~Performance Guarantee will contemplate ~~a separate legal obligation by the Guarantor to indemnify the Beneficiaries for any losses that result~~, in the alternative, a functionally equivalent direct covenant of the Performance Guarantor.
Term:	The Performance Guarantor's obligations under a Performance Guarantee in respect of a Financing Entity will continue during the term of any obligation incurred by the Financing Entity that is or is intended to be secured by the Performance Guarantee.
Approval Requirement:	The servicing obligations (including any amendments) to which the Performance Guarantee relates, together with the provisions of

[1] ~~This mirrors the requirement expected to be in the Regulations under the Act not to wind up, dissolve or liquidate a Financing Entity until at least one year after all of its Funding Obligations have been repaid.~~

	any Performance Guarantee itself, will be subject to the approval of the Minister of Energy and the Minister of Finance acting together.
Limits under Performance Guarantee:	Under no circumstances shall the Performance Guarantor be obligated to pay special or punitive damages, or for loss of profits.
Indemnity	
Indemnitor:	The Province of Ontario, by the Minister of Energy and the Minister of Finance acting together.
Indemnitees:	Each Financing Entity that owns an investment interest from time to time. A Financing Entity may grant a security interest over the Indemnity to specified creditors, including to an indenture trustee under a trust indenture on behalf of itself and other persons having debt or other claims against the Financing Entity secured under the trust indenture.
~~Payment Guarantee Event~~Indemnity of the Province:	~~A Payment Guarantee Event will occur if~~The Province of Ontario will indemnify each Indemnitee for its costs, expenses and losses reasonably incurred by the Indemnitee (including because of claims made against the Indemnitee by one or more of its specified creditors) that result from any of the following (each, an "**Indemnification Event**"): (A) the Legislative Assembly of Ontario ~~repeals~~repealing (and not replacing on an equivalent basis) the Act; ~~or~~ (B) the Legislative Assembly of Ontario ~~amends~~amending the Act or a Regulation made thereunder ~~is amended~~ in a way that materially and adversely ~~impacts the ability of a Financing Entity to fully recover an investment interest in order to fully pay all funding obligations and other obligations incurred by such Financing Entity in respect of such~~affects the rights and interests of the Financing Entity under its investment interest; or (C) a court of competent jurisdiction ~~(i)~~in a final and non-appealable judgement determines that all or a portion of the Act ~~to be~~is *ultra vires* in a way that materially and adversely ~~impacts~~affects the ~~ability~~rights and interests of ~~a~~the Financing Entity ~~to fully recover an investment interest in order to fully pay all funding obligations and other obligations incurred by such Financing Entity in respect of such investment interest or (ii) declares any funding obligations to be invalid or unenforceable; or~~ ~~(D) funding obligations are due and payable at a time when a market disruption (a period of [six months or more] when capital~~

	~~markets term funding is not available to effect refinancings of funding obligations) is occurring and, in the case of long term funding obligations only, a moratorium or limitation on the imposition and collection of clean energy adjustments to repay such funding obligations is in effect under the Act~~under its investment interest.
~~Payment Guarantee~~Term:	~~Upon the occurrence of a Payment Guarantee Event under clauses (A), (B) or (C) of the above definition:~~ ~~(x) the Guarantor shall assume and pay when due (without acceleration) all funding obligations and all other obligations of the Financing Entities to the Beneficiaries by paying all regularly scheduled amounts in respect thereof during the term of each Financing Entity's contractual obligation to such Beneficiaries; and~~ ~~(y) Beneficiaries holding funding obligations consisting of bonds [with a remaining term to maturity of greater than **one year**]~~ ~~shall have the option to put the bonds to the Financing Entity for a put price equal to 101% of the principal amount thereof plus accrued and unpaid interest. In connection with any put under this clause (y), the Guarantor shall guarantee payment of the put price and any related hedge breakage but shall not be responsible for any other default, penalty, prepayment or make whole amounts.~~ The Indemnity will continue during the term of any obligation incurred by a Financing Entity that is or is intended to be secured by the Indemnity.
Approval Requirement:	The terms and conditions of the obligations incurred by a Financing Entity that are secured or intended to be secured by an Indemnity, together with the provisions of any Indemnity itself, the will be subject to the approval of the Minister of Energy and the Minister of Finance acting together.
Limits under ~~Guarantees~~Indemnity:	Under no circumstances shall the Guarantor be obligated to indemnify any Beneficiary for special or punitive damages, or for loss of profits.
~~Priority of Payments:~~	~~The priority of the Beneficiaries to any payment made by the Guarantor under the Provincial Support Agreement shall be governed by the priority provisions in the Master Trust Indenture.~~
~~Subrogation:~~	~~Where the Guarantor has repaid all Beneficiaries in full, to the extent of such payments the Guarantor shall be subrogated in and to all the rights of recovery of the Beneficiaries in respect of their~~

	~~applicable indebtedness and obligations and the security granted by a Financing Entity to the Indenture Trustee. After repayment by the Guarantor of all indebtedness and obligations owing to the Beneficiaries, the Indenture Trustee will acknowledge and agree on behalf of the Beneficiaries that the Guarantor is entitled to exercise all of the rights, powers and privileges that the Beneficiaries have or may exercise in respect of the repaid indebtedness and obligations, all in accordance with the terms of the Master Trust Indenture. Prior to the repayment in full of the indebtedness and obligations owed to the Beneficiaries, the Guarantor shall have no rights of subrogation.~~
~~**Notice Requirements:**~~**Undertakings regarding Certain Mismatches**	~~The Indenture Trustee will be required to provide notice to the Guarantor of a Payment Guarantee Event and may in such notice demand payment or performance of the Guarantor's obligation under the Provincial Support Agreement, as applicable.~~
~~**Closing:**~~**Avoidance of Mismatches**	~~Date to be determined but no later than [■, 2017]. The Closing is the date on which the documents in respect of the MSSA, the Master Trust Indenture and all related documentation are executed and delivered~~If a Financing Entity proposes to incur one or more funding obligations that would require the Financing Entity to pay an aggregate amount during any reference period that would exceed the amount otherwise available to the Financing Entity during the reference period from its investment interests to pay such amounts (a "**Mismatch**"), the Financing Entity will, before incurring such funding obligations, undertake commercially reasonable efforts to arrange for commitments from highly creditworthy, market-based funding sources in accordance with the Financing Plan to enable it to satisfy all of its related payment obligations and thereby avoid any Mismatch.
~~**Reporting Requirements of a Financing Entity:**~~ **Possible Undertaking to Fund Mismatches**	~~The Guarantor will be entitled to receive all reports received by the Indenture Trustee under the Master Trust Indenture~~If a Financing Entity is unable to arrange for commitments from one or more highly creditworthy, market-based funding sources in accordance with the Financing Plan to avoid a Mismatch on commercially reasonable terms and conditions, the Minister of Energy and the Minister of Finance acting together may undertake on behalf of the Province of Ontario to provide funding commitments to the extent necessary to provide the Financing Entity with required funding to avoid the Mismatch. Any such undertaking may only be given at or before the incurrence of the funding obligation that would otherwise result in the Mismatch and would be on such terms and conditions, including appropriate compensation to the Province of Ontario, as the Minister of Energy and the Minister of Finance

	determine are reasonable and appropriate in the circumstances. The decision to provide such an undertaking will be in the sole discretion of the Minister of Energy and the Minister of Finance.
~~Conditions Precedent to Closing:~~Documentation	~~Conditions precedent to Closing shall be those conditions set out in the Master Trust Indenture.~~[2]
Representations, Terms and Conditions:	~~Customary representations~~Subject to approval of the Minister of Energy and ~~warranties of the Guarantor~~the Minister of Finance acting together.
FIPPA:	Acknowledgement that the Performance Guarantor ~~is~~and the Indemnitor will be bound by the *Freedom of Information and Protection of Privacy Act (Ontario)* and that any information provided to the Performance Guarantor or ~~its agents or representatives~~the Indemnitor, or any agent or representative of the Performance Guarantor or the Indemnitor, in connection with the ~~Transaction Documents~~transaction documents may be subject to disclosure in accordance with that act or as otherwise required by law.
Confidentiality Obligations:	~~Customary confidentiality~~Confidentiality obligations ~~to be negotiated and included. A Financing Entity and the Beneficiaries shall not, subject to applicable law, issue any press releases and other public announcements in respect of the Provincial Support Agreement without the prior written consent of the Guarantor~~of each Financing Entity and its assignees, representatives and agents as may be determined to be appropriate by the Minister of Energy and the Minister of Finance acting together.
Governing Law:	Province of Ontario.

[2] ~~Opinions on the validity and enforceability of Provincial Support Agreement will be required.~~

Document comparison by Workshare Compare on Wednesday, June 14, 2017 11:58:41 AM

Input:	
Document 1 ID	PowerDocs://TOR_2528/23148306/1
Description	TOR_2528-#23148306-v1-Term_Sheet_-_Provincial_Support_Agreement_-_May_12
Document 2 ID	PowerDocs://TOR_2528/23148306/5
Description	TOR_2528-#23148306-v5-Term_Sheet_-_Provincial_Support_Agreement_-_May_12
Rendering set	Standard

Legend:	
Insertion	
~~Deletion~~	
~~Moved from~~	
Moved to	
Style change	
Format change	
~~Moved deletion~~	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	88
Deletions	75
Moved from	0
Moved to	0
Style change	0
Format changed	0
Total changes	163