

## SCHEDULE 3

### PART 3

#### FINANCIAL SUBMISSION REQUIREMENTS

##### **SECTION A - FINANCIAL SUBMISSION**

###### **A1. General**

A1.1 The Financial Submission will contain the Proponent's Price Submission and must demonstrate that the Proponent's Financial Model, Financial Summary, and Financing Plan are well developed and robust and that the Proponent has sufficient support from lenders and equity investors to satisfy the City.

###### **A2. Financial Evaluation Process**

A2.1 The evaluation of the Financial Submission will be carried out in accordance with RFP Schedule 3, Part 1 and this Schedule 3, Part 3 of the RFP. The City will evaluate the quality and completeness of the Financial Summary and Financing Plan as described in Section H2, and Section H3 of this Schedule 3, Part 3 of the RFP. To determine the Proponent's total score for the quality and completeness of the Financial Summary and Financing Plan, the City will separately evaluate the Financial Summary and Financing Plan on a scale of one to ten and will apply the following weightings:

(a) Financial Summary: ■% 28(1)(c)(iii)

(b) Financing Plan: ■%

A2.2 Proponents must achieve a minimum total weighted score of seven out of a possible ten on their Financial Summary and Financing Plan to receive a "pass" and to have their Price Submission considered.

A2.3 The evaluation of each Proponent's Proposal Price contained within the Price Submission will be carried out in accordance with RFP Schedule 3, Part 1. The determination of the Proposal Price is described in Schedule 6, Part 1.

##### **SECTION B - BENCHMARKS INFORMATION (PART A) SUBMISSION**

###### **B1. Credit Spread Benchmark**

B1.1 The Proponent shall submit its proposed composition of its credit spread benchmark(s) in respect of any relevant lending facility and/or senior debt financing instruments ("**Credit Spread Benchmark(s)**") at the Benchmarks Information (Part A) Submission Date identified in Schedule 1 to this RFP (posted to the Data Room in the folder entitled "Benchmarks Information Submission") containing the following:

(a) a list of no less than ■ securities, or indices including the name of each issuer or index, CUSIP, coupon, maturity date and the relevant Government of Canada

Bond used for determining the credit spread for each security which may be considered for the Credit Spread Benchmark to be submitted as part of the Financial Submission;

- (b) a completed Section 2 (i) of the Price Adjustment Election Form Section 3 in Schedule 6, Part 3 of the RFP; and,
  - (c) the rationale for the suitability of the proposed securities or indices including consideration for relevance, liquidity, and diversification within the Credit Spread Benchmark.
- B1.2 For avoidance of doubt, each security in the Credit Spread Benchmark shall consist of publicly verifiable and observable tools/rates or basket of tools/rates used to measure the movement and consistency of the Credit Spread. The Credit Spread Benchmark shall be established by reference to a list of no less than ■ securities, or indices (without issuer duplication) that the Proponent believes possesses similar credit characteristics as the relevant short term debt financing and/or long term debt financing instruments in terms of rating, duration, size, currency and for which observable rates through publicly available sources are available. In addition, each security must have at least \$■ million in principal outstanding. 28(1)(c)(iii)
- B1.3 Once the Proponent has submitted the Benchmarks Information (Part A) Submission, it will not be permitted to add any new securities to its Credit Spread Benchmark, but it may eliminate any security provided that it maintain a list of at least ■ securities in the Credit Spread Benchmark. 28(1)(c)(iii)
- B1.4 If, the City, in its sole discretion, determines that in respect of the requirements set out in B1.1 and B1.2 the list of bonds, securities, or indices are unsatisfactory, the City reserves the right to request that the Proponent clarify the submitted list and/or require the Proponent to resubmit the list no more than twice following the Benchmarks Information (Part A) Submission Date.
- B1.5 The City shall confirm whether or not they accept the list of bonds, securities, and/or indices submitted by the Proponent as soon as practical following the Benchmarks Information (Part A) Submission Date.

## SECTION C - BENCHMARKS INFORMATION (PART B) SUBMISSION

### C1. Overview

- C1.1 The Proponent shall submit its Benchmarks Information (Part B) Submission at the Benchmarks Information (Part B) Submission Date identified in Schedule 1 to this RFP (posted to the Data Room in the folder entitled "Benchmarks Information Submission") containing the following:
- (a) Benchmark Rates Information, in accordance with the requirements set out in Section C2; and,

- (b) Credit Spread Benchmarks Information, in accordance with the requirements set out in Section C3.

## **C2. Benchmark Rates Information**

C2.1 The City will provide a rate sheet in relation to the financial instruments listed in the Price Adjustment Election Form Section 1 in Schedule 6, Part 3 to this RFP at 9:00am Winnipeg time five Business Days prior to the Benchmarks Information (Part B) Submission Date.

C2.2 If the Proponent elects to participate in adjustment of Benchmark Rates in accordance with Section D of Schedule 3, Part 3 of the RFP, the Proponent shall submit the following information (“**Benchmark Rates Information**”) as part of its Benchmarks Information (Part B) Submission:

- (a) A statement confirming acceptance of the rate sheet provided by the City as referenced in Section C2.1 of Schedule 3, Part 3 of the RFP;
- (b) Price Adjustment Election Form Section 1 in Schedule 6, Part 3 to this RFP including the methodology and calculation of Indicative Benchmark Rates based on the rate sheet provided by the City as referenced in Section C2.1 of Schedule 3, Part 3 of the RFP;
- (c) A completed Swap Term Sheet as per Appendix A of Schedule 3, Part 3 of the RFP including the fixed rate, CDOR reset values and discount rates for each relevant payment period along with supporting information for any interest rate hedge associated with a floating rate senior debt facility or any fixed rate associated with an SDN assuming that Commercial Close occurred on the day that the City delivered the rate sheet in Section C2.1 of Schedule 3, Part 3 of the RFP;
- (d) Credit Valuation Adjustment (“CVA”) for any proposed swaps as it relates to interest rate hedges on floating rate facilities; and,
- (e) A statement indicating that the Benchmark Rates Information exclude all margins, profits, and fees (with the exception, if relevant, of any swap spread implied in the mid-market CAD swap curve).

C2.3 If the City, in its sole discretion, determines that in respect of the requirements set out in Section C2.2, the Benchmark Rates Information is unsatisfactory, the City reserves the right to request that the Proponent (i) clarify the submitted Benchmark Rates Information; and/or (ii) resubmit the Indicative Benchmark Rates, which may be no more than twice prior to the Financial Submission Deadline subject to the timing noted in Section C2.4.

C2.4 The City shall confirm whether or not they accept the Indicative Benchmark Rates submitted (and/or re-submitted) by the Proponent no later than five Business Days prior to the Financial Submission Deadline.

### C3. Credit Spread Benchmark Information

- C3.1 If the Proponent elects to participate in adjustment of Credit Spreads in accordance with the process described in Section E of Schedule 3, Part 3 of the RFP, the Proponent shall submit the following information (“**Credit Spread Benchmarks Information**”) as part of its Benchmarks Information (Part B) Submission:
- (a) Specify which form(s) of lending facility and/or debt financing instruments, if any, in respect of which it shall participate in the Final Credit Spread Lock-in Date (the “**Credit Spread Election Facilities**”) and which form(s) of lending facility and/or debt financing, if any, in respect of which it shall hold, Credit Spreads from the Financial Submission Deadline to Financial Close (the “**Held Pricing Facilities**”);
  - (b) In respect of the Credit Spread Election Facilities, provide the Credit Spread Benchmark pricing(s) that will be used to justify and assess the reasonableness and consistency of the Credit Spread and any changes to or confirmation of the Credit Spread at future Credit Spread Lock-in Dates:
    - (i) A confirmation that the pricing was taken at 9:00am Winnipeg time on the Business Day prior to the Benchmarks Information (Part B) Submission Date;
    - (ii) A Price Adjustment Election Form Section 2 with section 2i and 2ii completed in Schedule 6, Part 3 of the RFP; this form must contain no less than ■ securities, all of which were previously accepted by the City 28(1)(c)(iii) as part of Section B of Schedule 3, Part 3 of this RFP;
    - (iii) The Credit Spread Benchmark must also include information and documentation to support and enable a third party to verify the proposed Credit Spread Benchmark priced as indicated in the Benchmarks Information (Part B) Submission (and subsequent stages in the process described in Section E) and details of how the Credit Spread Benchmark was priced and the software applied, copies of price quotes, and details of pricing conventions inherent in the pricing; and,
    - (iv) A statement indicating that the Credit Spread Benchmarks Information was mid-market pricing and excludes any spreads, liquidity spreads, or any other form of margin, spread or fees.
  - (c) In respect of the Credit Spread Election Facilities, provide a formula and supporting rationale describing how its Credit Spreads shall move upwards or downwards consistent with the movement in the Credit Spread Benchmarks.
- C3.2 If the City, in its sole discretion, determines that, in accordance with the requirements set out in Section C3.1, the Credit Spread Benchmarks Information, including any formula are unsatisfactory, the City reserves the right to request that the Proponent (i) clarify the submitted Credit Spread Benchmark(s) and/or formula; and/or (ii) resubmit the Credit

Spread Benchmark(s) and/or formula, which may be no more than twice prior to the Financial Submission Deadline subject to the timing noted in C3.3.

- C3.3 The City shall confirm whether or not they accept the Credit Spread Benchmarks Information including any formula submitted (and/or re-submitted) by the Proponent no later than five Business Days prior to the Financial Submission Deadline. Any formula that is accepted by the City may be used by the Proponent and the Proponent's Lenders to explain at the time of the Final Credit Spread Lock-in Date: (A) why the movement, if any, in the Credit Spread Benchmarks is or is not sufficient to require a change to the Credit Spreads, and (B) how the change, or lack thereof, to the Credit Spreads is consistent with the movement, if any, of the Credit Spread Benchmarks.
- C3.4 If the City, in its sole discretion, determines that in accordance with the requirements set out in Section C3.1 and C3.2, the Credit Spread Benchmarks Information is not acceptable, then the relevant lending facility shall be deemed as a Held Pricing Facility in accordance with Section E2 of this Schedule 3, Part 3 of the RFP.

## **SECTION D - ADJUSTMENT FOR CHANGES IN BENCHMARK RATES**

### **D1. Benchmark Rates Information**

- D1.1 Section C2 of this Schedule 3, Part 3 of the RFP specifies the requirements for Proponents to submit certain information in respect of Benchmark Rates in their Benchmarks Information (Part B) Submission prior to the Financial Submission Deadline.

### **D2. Benchmark Rates Construction and Overview**

- D2.1 Subject to the City's acceptance of the Benchmark Rates Information in Section C2.4, on the Financial Submission Deadline, each Proponent shall specify in the Price Adjustment Election Form Section 1 in Schedule 6, Part 3 in its Financial Submission if it elects to participate in a process to adjust its Capital Payments to reflect changes in Benchmark Rates between Financial Submission Deadline and the Benchmarking Date.
- D2.2 The Proponent shall specify in its Financial Submission the underlying benchmark interest rates that are used for pricing its short-term debt financing instruments (the "**Initial Short-Term Benchmark Rate(s)**") and its long-term senior debt financing instruments (the "**Initial Long-Term Benchmark Rate(s)**"). In addition, the Proponent shall specify in its Financial Submission the underlying benchmark interest rates that are to be used for pricing any reinvestment product (the "**Initial Reinvestment Benchmark Rate(s)**"). Collectively the Initial Short-Term Benchmark Rate(s), the Initial Long-Term Benchmark Rate(s), and the Initial Reinvestment Benchmark Rate(s) are referred to as the "**Initial Benchmark Rates**". These rates will be adjusted in the Preferred Proponent's Financial Model to reflect current market rates on the date selected by the City in accordance with this Section D of Schedule 3, Part 3 of the RFP (the "**Benchmarking Date**" which shall occur on Commercial Close) to calculate the adjusted underlying benchmark interest rates for its short-term debt financing(s) (the "**Adjusted Short-Term Benchmark Rate(s)**"), the long-term debt financing(s) (the "**Adjusted Long-Term Benchmark Rate(s)**"), and its reinvestment product(s) (the "**Adjusted**

**Reinvestment Benchmark Rate(s)**)” (collectively referred to as the “**Adjusted Benchmark Rates**”).

D2.3 The short term debt financing instruments and the long term debt financing instruments shall be established by reference to either the Senior Debt Base Rate Benchmark or the Swapped Senior Debt Base Rate Benchmark. Any reinvestment product shall be established by reference to the Reinvestment Base Rate Benchmark. The definition for these benchmarks are as follows:

- (a) **Senior Debt Base Rate Benchmark:** established by reference to Government of Canada benchmark bonds. This Benchmark is used to establish the Senior Debt base rate for the Proponent’s Financial Submission and to establish the calculation for determining the relevant base rate at the Benchmarking Date.
- (b) **Swapped Senior Debt Base Rate Benchmark:** established by reference to CAD swap yields and CAD basis swap yields. This Benchmark is used to establish the Senior Debt swapped base rate for the Proponent’s Financial Submission and to establish the calculation for determining the relevant swapped base rate at the Benchmarking Date.
- (c) **Reinvestment Base Rate Benchmark:** established by reference to either of the approaches outlined in (a) and (b) above depending on the nature of the reinvestment product. This Benchmark is used to establish the reinvestment product base rate for the Proponent’s Financial Submission and to establish the calculation for determining the relevant reinvestment product base rate at the Benchmarking Date. The Reinvestment Base Rate Benchmark may be applied to any reinvestment product that is included in the Proponent’s Financial Model and that is associated with any portion of the Senior Credit Facilities.

The process for specifying the Adjusted Benchmark Rates shall conform to the following approach:

	<b>Financial Submission Stage</b>	<b>Preferred Proponent Stage</b>
Senior Debt Base Rate Benchmark  (not swapped, based on Government of Canada benchmark bonds)	<p>Bid side market rates for Government of Canada benchmark bonds to be provided by the City prior to the Financial Submission Deadline.</p> <p>Interpolation (if any) to be calculated by the Proponent using an agreed methodology.</p> <p>The calculated Senior Debt Base Rate Benchmark, including the calculation methodology (which must be the same as the methodology used by the Proponent in its Benchmark Rates Information accepted by the City), will be subject to the City’s approval.</p>	<p><u>At the Benchmarking Date:</u></p> <p>Senior Debt Base Rate Benchmark to be provided by the Preferred Proponent in accordance with a pre-agreed rate setting protocol.</p> <p>Proponent to source its own bid-market data. Interpolation methodology to match that agreed during the Financial Submission process.</p> <p>The Senior Debt Base Rate Benchmark will be subject to</p>

	Financial Submission Stage	Preferred Proponent Stage
		the City's approval.
<p>Swapped Senior Debt Base Rate Benchmark</p> <p>(swapped, based on a forward swap curve)</p>	<p>Mid-market CAD swap and mid-market CAD basis swap data will be provided by the City prior to the Financial Submission Deadline.</p> <p>Proponent will use the information provided by the City to calculate the appropriate Swapped Senior Debt Base Rate Benchmark using an agreed methodology.</p> <p>Proponent will provide the terms of the swap structure per the template provided in Appendix A Swap Term Sheet of this Schedule 3, Part 3 of the RFP unless an alternative structure is proposed by the Proponent and agreed by the City. Proponent will assume that the terms provided including, but not limited to, the notional schedule and the fixed rate assume that Financial Close happened on the same day that the day the rates were provided by the City under Price Adjustment Election Form in Schedule 6, Part 3.</p> <p>The calculated Swapped Senior Debt Base Rate Benchmark, including the calculation methodology (which must be the same as the methodology used by the Proponent in its Benchmark Rates Information accepted by the City), will be subject to the City's approval.</p>	<p>At the <u>Benchmarking Date</u>:                      Swapped Senior Debt Base Rate Benchmark to be provided by the Preferred Proponent in accordance with a pre-agreed rate setting protocol.</p> <p>Proponent to source its own mid-market data. Calculation methodology to match that agreed during the financial submission process.</p> <p>The Swapped Senior Debt Base Rate Benchmark will be subject to the City's approval.</p>
Reinvestment Base Rate Benchmark	An approach similar to the Senior Debt Base Rate Benchmark or the Swapped Senior Debt Base Rate Benchmark depending on the nature of the relevant reinvestment product priced based on mid-market rates.	<p>At the <u>Benchmarking Date</u>:                      An approach similar to the Senior Debt Base Rate Benchmark or the Swapped Senior Debt Base Rate Benchmark depending on the nature of the relevant reinvestment product priced based on mid-market rates.</p>

The “Senior Debt Base Rate Benchmark” will be calculated at the bid-market rate, excluding any execution spread, credit spread, liquidity spread or any other form of margin, spread or fee. The “Swapped Senior Debt Base Rate Benchmark”, and the “Reinvestment Base Rate Benchmark” will all be calculated at the mid-market rate excluding any execution spread, credit spread, liquidity spread or any other form of margin, spread or fee. The Capital Payments submitted as part of the Proponent’s Financial Submission should include any execution and/or swap credit spread/charge required to execute the relevant Benchmark and, for the avoidance of doubt, such execution and/or swap credit spread/charge will not be subject to any adjustments after Financial Submission.

- D2.4 The Proponent must select from the financial instruments indicated in the Price Adjustment Election Form Section 1 of Schedule 6, Part 3 of the RFP, to build its Initial Benchmark Rates. The Proponent must indicate the selection of the financial instruments in relevant space provided at the bottom of the Price Adjustment Election Form Section 1 of Schedule 6, Part 3 of the RFP. The reference Senior Debt Base Rate Benchmarks, Swapped Senior Debt Base Rate Benchmark and Reinvestment Base Rate Benchmark selected in the Price Adjustment Election Form Section 1 in Schedule 6, Part 3 of the RFP must be consistent with the Proponent’s financing for the Project as shown in the Proponent’s Financing Plan.
- D2.5 The Proponent should note that no changes to the selected financial instruments within the Price Adjustment Election Form Section 1 in Schedule 6, Part 3 of the RFP after the Financial Submission Deadline will be permitted with the exception that if any of the Government of Canada benchmark securities shift to another security, then the same shift will be applied to the relevant financial instruments within the Price Adjustment Election Form.

### **D3. Initial Benchmark Rates Determination**

- D3.1 Initial reference bond yields and reference swap rates will be observed by the City at 9:00am Winnipeg time five Business Days prior to the Financial Submission Deadline. The results will be communicated to Proponents as soon as practical afterwards.
- D3.2 The Proponent shall select the reference bonds and calculate the mid market swap rate (using the relevant rates provided in Section D3.1 above for its Initial Benchmark Rates).
- D3.3 The Proponent shall enter the Initial Benchmark Rates in Price Adjustment Election Form Section 1 in Schedule 6, Part 3 of the RFP. The Proponent is required to provide clearly defined, verifiable and transparent supporting information on composition of the Initial Benchmark Rates (based on the reference bonds, swaps, and CDOR resets and discount factors), average life, drawdown and repayment profile and where applicable, formulas and calculations.
- D3.4 The Proponent shall provide a confirmation that the information provided in the Price Adjustment Election Form Section 1 is provided using the same methodology as that used in the agreed Benchmarks Information (Part B) Submission.



D3.5 As part of the Financial Submission, Proponents are required to submit the Financial Model that supports the determination of the Capital Payments as indicated in Schedule 6, Part 1 of the RFP. The Financial Model must use the same Initial Benchmark Rates as indicated within the Price Adjustment Election Form Section 1 in Schedule 6, Part 3 of the RFP, as the basis of its financing calculations, and must also describe the basis and process for calculating the Initial Benchmark Rates in their Financial Submission.

#### **D4. Adjusted Benchmark Rates Determination**

D4.1 The Benchmarking Date shall be selected by the City to occur on a day and at a time following the completion of all other conditions precedent to Financial Close and is three Business Days prior to Financial Close in the event of a bond financing (or on the same day as Financial Close solely in the event of a bank financing). At the City's sole discretion, the Benchmarking Date may be changed to another day and/or another time within five Business Days following the completion of all other conditions precedent to Financial Close.

D4.2 Up to four simulation non-binding rate set exercises will be undertaken by the City and the Preferred Proponent leading up to the Benchmarking Date to ensure that the process for establishing the Adjusted Benchmark Rates is effective and the parties agree as to how the Financial Model is adjusted based on the Adjusted Benchmark Rates. The Adjusted Benchmark Rates will be set on the Benchmarking Date. If, for any reason, the City and the Preferred Proponent fail to set the Adjusted Benchmark Rates within the specified time-period, a third party, which shall be a nationally recognized dealer, will be appointed by the City to set the rate.

D4.3 The reference Senior Debt Base Rate Benchmarks, Swapped Senior Debt Base Rate Benchmark and Reinvestment Base Rate Benchmark used in the Initial Benchmark Rates calculation will be observed in the same manner as described in Section D3 above and agreed upon and inserted into the relevant spaces at the bottom of the Price Adjustment Election Form Section 1 in Schedule 6, Part 3 of the RFP. The Adjusted Benchmark Rates will be determined by applying the updated reference yields and rates listed in Price Adjustment Election Form Section 1 in Part 3 of Schedule 6 of the RFP.

### **SECTION E - ADJUSTMENT FOR CHANGES IN CREDIT SPREADS**

#### **E1. Credit Spread Benchmarks**

E1.1 Section B1 and C3 of this Schedule 3, Part 3 of the RFP specify the requirements for Proponents to submit certain information in respect of Credit Spread Benchmarks in their prior to the Financial Submission Deadline.

#### **E2. Election of Credit Spread Election Facilities and Held Pricing Facilities**

E2.1 On the Financial Submission Deadline, each Proponent shall specify in its Financial Submission by way of an election:

- (a) which form(s) of lending facility and/or debt financing instruments, if any, in respect of which it shall participate in the Final Credit Spread Lock-in Date (the “**Credit Spread Election Facilities**”); and
- (b) which form(s) of lending facility and/or debt financing, if any, in respect of which it shall hold, Credit Spreads from the Financial Submission Deadline to Financial Close (the “**Held Pricing Facilities**”),

and such information shall be reflected in the Financial Model.

E2.2 For each form of lending facility and/or debt financing instruments which each Proponent designates as a Credit Spread Election Facility, the Proponent will also provide the following:

- (a) A Price Adjustment Election Form Section 2 with section 2i and 2ii completed in Schedule 6, Part 3 of the RFP; this form must contain no less than ■ securities, all of which were previously accepted as part of Section B of Schedule 3, Part 3 of this RFP; 28(1)(c)(iii)
- (b) A confirmation that the pricing was taken at 9:00am Winnipeg time three Business Days prior to the Financial Submission Deadline;
- (c) The Credit Spread Benchmark must also include information and documentation to support and enable a third party to verify the proposed Credit Spread Benchmark priced as indicated in the Financial Submission Deadline (and subsequent stages in the process described) and details of how the Credit Spread Benchmark was priced and the software applied, copies of price quotes, and details of pricing conventions inherent in the pricing;
- (d) A statement indicating that the Credit Spread Benchmark pricing information contained in the Financial Submission was mid-market pricing and excludes any spreads, liquidity spreads, or any other form of margin, spread or fees;
- (e) In respect of the Credit Spread Election Facilities, provide a formula and supporting rationale describing how its Credit Spreads shall move upwards or downwards consistent with the movement in the Credit Spread Benchmarks; and,
- (f) A confirmation that the information provided in the Price Adjustment Election Form Section 2 is provided using the same methodology as that used in the Benchmarks Information (Part B) Submission.

E2.3 Proponents should note that no changes to the Credit Spread Benchmarks and election of Credit Spread Election Facilities and Held Pricing Facilities after the Financial Submission Deadline will be permitted.

E2.4 The City will evaluate the reasonableness of the Credit Spreads for the Credit Spread Election Facilities submitted by the Proponent and as priced in the Financial Submission.

If the City, acting in their discretion, do not find such Credit Spreads to be acceptable, the City may

- (a) at the Final Credit Spread Lock-in Date, deem that the Proponent has amended such Credit Spreads to be consistent with the movement of the Credit Spread Benchmarks of the Proponent from the Financial Submission Deadline to the Final Credit Spread Lock-in Date; provided, that, if the City exercises its rights under this Section E2.4(a), any deemed amendments to the Credit Spreads shall be equal to the change in the Credit Spread Benchmarks over the applicable period of time; or
- (b) no later than the identification of Preferred Proponent, deem the Proposal materially non-compliant.

### **E3. Final Credit Spread Lock-in Date Process**

E3.1 If the Preferred Proponent has provided notification pursuant to Section E2.1 of this Schedule 3, Part 3 to the RFP, the Preferred Proponent shall, prior to Commercial Close and no later than the date established by the City as the final Credit Spread lock-in date in accordance with this RFP (the "**Final Credit Spread Lock-in Date**", which shall be no earlier than one Business Day prior to Commercial Close), further confirm or change, in respect of the Final Credit Spread Election Facilities, the Credit Spreads set out in its Financial Submission in accordance with the following process:

- (a) The City shall provide at least one Business Day prior written notice to the Preferred Proponent of the City's establishment of the Final Credit Spread Lock-in Date and provided that the City may revoke their notice and issue a replacement notice in their sole discretion;
- (b) The Preferred Proponent shall, no later than the Final Credit Spread Lock-in Date, advise the City of either a confirmation or change to its Credit Spreads in accordance with the following:
  - (i) if there has been upward or downward movement in the Credit Spread Benchmarks sufficient to require a change to its Credit Spreads on or before the Final Credit Spread Lock-in Date, the Preferred Proponent shall change its Credit Spreads by submitting to the City:
    - (A) an updated Financial Model that has been (1) revised only to reflect the Preferred Proponent's changes to its Credit Spreads and; (2) optimized in accordance with the procedure outlined in Section E4 of this Schedule 3, Part 3 of the RFP. For greater clarity, no changes shall be made to the Financial Model other than to change the Credit Spreads and any resulting changes from the re-optimization of the Financial Model to reflect the revised Credit Spreads;

- (B) an amended Price Submission Form revised only to reflect the Preferred Proponent's changes to its Credit Spreads;
  - (C) a completed Price Adjustment Election Form Section 2 in Schedule 6, Part 3 of the RFP and a written explanation and, where applicable, calculations from the Preferred Proponent demonstrating: (1) why the upward or downward movement in the Credit Spread Benchmarks from the Financial Submission Deadline to the Final Credit Spread Lock-in Date is sufficient to require a change to the Credit Spreads and; (2) that the change to the Credit Spreads is consistent with the movement of the Credit Spread Benchmarks of the Preferred Proponent from the Financial Submission Deadline to the Final Credit Spread Lock-in Date. For greater clarity, the written explanation shall be supported by facts, justifications and analysis of relevant factors such as new issue spreads, credit default swap spreads, and/or other publicly verifiable spread indices as applicable;
  - (D) a written explanation and, where applicable, calculations prepared and executed by the Preferred Proponent's Lenders demonstrating: (1) why the upward or downward movement in the Credit Spread Benchmarks from the Financial Submission Deadline to the Final Credit Spread Lock-in Date is sufficient to require a change to the Credit Spreads and; (2) that the change to the Credit Spreads is consistent with the movement of the Credit Spread Benchmarks of the Preferred Proponent from the Financial Submission Deadline to the Final Credit Spread Lock-in Date. For greater clarity, the written explanation shall be supported by facts, justifications and analysis of relevant factors such as new issue spreads, credit default swap spreads, and/or other publicly verifiable spread indices as applicable, including, but not limited to, the completed Price Adjustment Election Form Section 2 in Schedule 6, Part 3 of the RFP; and
  - (E) written confirmation that the Preferred Proponent has not changed any variables in the Financial Model or made any revisions to the Financial Submission except for the Credit Spreads and any resulting changes from the re-optimization of the Financial Model to reflect the revised Credit Spreads;
- (ii) if there has not been an upward or downward movement in the Credit Spread Benchmarks sufficient to require a change to its Credit Spreads, on or before the Final Credit Spread Lock-in Date, the Preferred

Proponent shall not change its Credit Spreads and shall submit to the City:

- (A) a completed Price Adjustment Election Form Section 2 in Schedule 6, Part 3 of the RFP and a written explanation and, where applicable, calculations from the Preferred Proponent demonstrating: (1) why the movement, if any, in the Credit Spread Benchmarks from the Financial Submission Deadline to the Final Credit Spread Lock-in Date is not sufficient to require a change to the Credit Spreads, (2) that maintaining the Credit Spreads as submitted on the Financial Submission Deadline is consistent with the movement, if any, in the Credit Spread Benchmarks of the Preferred Proponent from the Financial Submission Deadline to the Final Credit Spread Lock-in Date. For greater clarity, the written explanation shall be supported by facts, justifications and analysis of relevant factors such as new issue spreads, credit default swap spreads, and/or other publicly verifiable spread indices as applicable; and
  - (B) a written explanation and, where applicable, calculations prepared and executed by the Preferred Proponent's Lenders demonstrating: (1) why the movement, if any, in the Credit Spread Benchmarks from the Financial Submission Deadline to the Final Credit Spread Lock-in Date is not sufficient to require a change to the Credit Spreads and that maintaining the Credit Spreads as submitted on the Financial Submission Deadline is consistent with the movement, if any, in the Credit Spread Benchmarks of the Preferred Proponent from the Financial Submission Deadline to the Final Credit Spread Lock-in Date. For greater clarity, the written explanation shall be supported by facts, justifications and analysis of relevant factors such as new issue spreads, credit default swap spreads, and/or other publicly verifiable spread indices, as applicable; and
  - (iii) as of the Final Credit Spread Lock-in Date, but subject to RFP Section E7.2, the revised or unchanged Credit Spreads, as applicable, and, if applicable, any re-optimization of its Financial Model and any revisions to its Proposal provided by the Preferred Proponent shall apply until the Proposal Validity Period.
- (c) If the Preferred Proponent fails to confirm or submit a change to the Credit Spreads in accordance with Section E3.1 on or before the Final Credit Spread Lock-in Date, the City may:

- (i) deem that the Preferred Proponent has amended its Credit Spreads:
  - (A) consistent with the movement of the Credit Spread Benchmarks of the Preferred Proponent from the Financial Submission Deadline to the Final Credit Spread Lock-in Date; and/or
  - (B) in the case of bonds, to reflect the Clearing Spread set out in Section E3.2 of Schedule 3, Part 3 of the RFP,

and require the Proponent to submit the information set out in Section E3.1(b)(i), and/or Section E3.2 of Schedule 3, Part 3 of the RFP, and/or and/or a revised Price Adjustment Election Form 2 in Schedule 6, Part 3 of the RFP and/or

- (ii) deem that the Preferred Proponent has made no changes to its Credit Spreads subsequent to the Financial Submission Deadline and require the Preferred Proponent to submit the explanations set out in Section E3.1(b)(ii) of Schedule 3, Part 3 the RFP.

E3.2 The Preferred Proponent and Lenders acknowledge and agree that if, on the Final Credit Spread Lock-In Date:

- (a) the Clearing Spread for the bonds payable by the Preferred Proponent is less than the Credit Spread derived using Credit Spread Benchmarks, the full benefit of such lower Clearing Spread will be passed through to the City. This Clearing Spread will be reflected in the reduction of the Capital Payments payable by the City as set out in the Financial Model submitted by the Preferred Proponent prior to Financial Close using the optimization procedure set out in Section E4 of this Schedule 3, Part 3 of the RFP;
- (b) the Clearing Spread for the bonds payable by the Preferred Proponent is higher than the Credit Spread derived using the Credit Spread Benchmarks, then the Lenders will be required to provide to the City an explanation for such variance between the Clearing Spread and the Credit Spread derived using the Credit Spread Benchmarks described herein in this Section E, supported by facts, justifications and analysis of relevant factors. Only if such explanation is accepted by the City, acting in its sole discretion, then such higher Credit Spread will be reflected in the Capital Payments payable by the City as set out in the Financial Model submitted by the Preferred Proponent prior to Financial Close using the optimization procedure set out in Section E4 of this Schedule 3, Part 3 of the RFP. If such explanation is not accepted by the City, acting in its sole discretion, the City may exercise their rights set out in RFP Section E6 of the RFP without limiting any other rights under this RFP.
- (c) To provide complete transparency, between the time of selection of the Preferred Proponent and Financial Close Target Date, the Preferred Proponent and the Lenders will provide periodic updates to the satisfaction of the City in respect of

(i) the expected Clearing Spread for the bonds using the Credit Spread Benchmarks process pursuant to this RFP; and (ii) any variances between the expected Clearing Spread for the bonds and the Credit Spread derived using the Credit Spread Benchmarks process pursuant to this RFP, through periodic calls regarding the status of the marketing process, investor feedback, and status of the book building process on a frequency reasonably agreed by the parties.

#### **E4. Financial Model Optimization**

- E4.1 If the Preferred Proponent elects to adjust the Capital Payments due to changes in the Benchmark Rates or Credit Spreads, then it will provide a detailed protocol as part of its Financial Submission for confirming and agreeing the Benchmark Rates and/or Credit Spreads and adjusting the Preferred Proponent's Financial Model at Financial Close. The protocol will be subject to the City's approval in its sole discretion.
- E4.2 If, as a result of any change to the Benchmark Rate(s) at the Benchmarking Date or any change to the Credit Spreads at the Final Credit Spread Lock-in Date, the Equity IRR and debt service coverage ratios have changed in the Proponent's Financial Model, then the Capital Payment and, if necessary, the debt-equity gearing ratio will be adjusted in the Financial Model to restore both Equity IRR and debt service coverage ratios to the same levels as in the Financial Model that was included in the Financial Submission. This optimization procedure highlighted above to refresh the Financial Model to arrive at the adjusted Capital Payment should be detailed in the Financial Model Instructions Booklet as specified in Section H10.8 of this Schedule 3, Part 3 of the RFP as provided by the Proponent.

### **SECTION F - PPP CANADA AND PROVINCE ON MANITOBA FUNDING**

#### **F1. Meeting Conditions of PPP Canada Agreement**

- F1.1 The City has negotiated a financial contribution agreement with PPP Canada with respect to the Project. This financial contribution from PPP Canada will be used by the City to fund a portion of the Substantial Completion Payment. Under the financial contribution agreement, the City will be required to provide PPP Canada with specific cost details in respect of the Project. As a result, the Preferred Proponent will be required to provide, upon the City's request, acting reasonably, quantity and cost breakdowns in respect of the Project, including without limitation financing costs attributable to project scope elements. In addition, each Proponent must complete Schedule 6, Part 2: Substantial Completion Payment Determination Form.
- F1.2 All Proponents to this RFP are deemed to have consented to the City providing any information that the Proponent provides to the City to PPP Canada, if so requested by PPP Canada. The City will provide all of such information to PPP Canada on a confidential basis.

#### **F2. Meeting Conditions of Province of Manitoba Agreement**

- F2.1 The City has negotiated a financial contribution with the Province of Manitoba with respect to the Project. This financial contribution from the Province of Manitoba will be

used by the City to fund a portion of the Substantial Completion Payment. Under the financial contribution agreement, the City will be required to provide the Province of Manitoba with specific cost details in respect of the Project. As a result, the Preferred Proponent will be required to provide, upon the City's request, acting reasonably, quantity and cost breakdowns in respect of the Project, including without limitation financing costs attributable to project scope elements.

F2.2 All Proponents to this RFP are deemed to have consented to the City providing any information that the Proponent provides to the City to the Province of Manitoba, if so requested by the Province of Manitoba. The City will provide all of such information to the Province of Manitoba on a confidential basis.

## SECTION G - TAX ISSUES

G1.1 The Proponent shall be solely responsible for obtaining and relying on tax advice from their own advisors and experts, including obtaining such of their own advance interpretations and rulings in relation to the Project (including in relation to the proposed structure and its tax consequences) as the Proponent considers appropriate or necessary.

G1.2 The Proponent shall submit its Financial Submission pursuant to the tax regime of Manitoba.

## SECTION H - FINANCIAL SUBMISSION REQUIREMENTS

Financial Submission Requirements	
<b>H1. Price Submission</b>	
H1.1	The Proponent shall submit a binding price submission that includes all of the Project scope and, for clarity, excludes any Re-scoping Price Adjustments, consisting of the following:  (a) Schedule 6, Part 1: Price Submission Form; (b) Schedule 6, Part 2: Substantial Completion Payment Determination Form; and, (c) Schedule 6, Part 3: Price Adjustment Election Form  (collectively the " <b>Price Submission</b> ").
H1.2	The Proponent must ensure that the proposed Substantial Completion Payment and Monthly Payments contained in the Price Submission are consistent with the Proponent's estimated costs for the corresponding underlying activities. For example, the Proponent should not use Capital Payments to fund maintenance activities and vice versa.
H1.3	For clarity, the Proponent shall submit a Price Submission in accordance with Section H1.1 even if the Proponent's Affordability Price exceeds the Affordability Threshold.



## Financial Submission Requirements

### H2. Financial Summary (Page limit: 1 page)

- H2.1 The Proponent shall provide a financial summary which outlines the major elements of the Financial Submission (the “Financial Summary”), including:
- (a) Proposal Price;
  - (b) Affordability Price;
  - (c) Substantial Completion Payment;
  - (d) Sum of Capital Payments, O&M Payments and MMR Payments during first year of OMR Period (in real dollars);
  - (e) Total Capitalized Cost during Construction Period and high-level breakdown (e.g., design and construction cost, interest during construction etc.); and,
  - (f) Key financial assumptions (e.g., Benchmark Rates, Credit Spreads, Equity IRR, Debt/Equity gearing ratio, etc.);

**H3. Financing Plan (Page limit: 15 pages, excluding supporting documentation identified in G4 to G8)**

H3.1 The Proponent shall provide a financing plan for the Project which reflects the firm and binding Price Submission (a “Financing Plan”). The Proponent should indicate that it has planned sufficient financing for the Construction Period and the OMR Period, including all design, construction, operation, maintenance and rehabilitation, including the timing of required funds.

H3.2 The Financing Plan should include details of the financial structure and instruments proposed. Proponents are encouraged to include in their Financing Plan the following:

- (a) Description of the proposed financing structure including, but not limited to, identification of all equity providers and lenders, funding structure, organizational chart of the consortia and the role of its investors. The proposed financing structure should also provide details on the ownership of the Project throughout the Construction Period including the terms of each source of financing identified in the Financing Plan;
- (b) Description of each funder (equity providers, lenders, or other funding sources) along with the amount of funds and timing of investment of these funds. This description should also include, but not be limited to, clearly defining the sources of funds, levels of commitments (e.g. underwritten, agency best efforts, ‘club based’ syndication etc.) and all necessary approvals required or received to commit/earmark the necessary funds by Financial Close.
- (c) Description of the level of commitment of Lenders (Senior and Subordinated) including:
  - (i) Description of the approach to achieving a timely and successful Financial Close, including the level of completeness of lending agreements (and acceptance by Lenders), as well as the assessment of risks associated with uncommitted syndications or any other processes or conditions that might put Financial Close at risk.
  - (ii) Assessment of risks associated with and plan to address Lenders’ terms and conditions that may impact Proponent’s ability to reach Financial Close, including among others: (i) Lenders’ conditions precedent to Financial Close, (ii) any Material Adverse Condition clauses, (iii) the level of direct or indirect conditions that might conflict with or affect the existing Project Documents (such as the Lenders’ Direct Agreement), (iv) any flex conditions, or (v) any other terms or conditions that might put the financing commitment at risk, whether at Financial Close or after.
  - (iii) Plan of bond distribution by underwriters (where applicable), including but not limited to the type of investors and number of investor relationships that would be approached in order to distribute any fixed rate debt issuance.

The Proponent may provide relevant information to support its responses to the points above (e.g. letters of support from funding sources, etc.).

- (d) Description of the level of commitment of Equity Providers, including:
- (i) Identify the source of equity capital (i.e. specific fund or investing entity) for each Equity Provider and its current financial position including:
    - (A) Overview of recent financial performance;
    - (B) Detailed process and internal approval procedures/timelines for allocation of funding, and anticipated timeline for committing funding for this Project.
  - (ii) Description of how the source of equity capital shall provide adequate funding by Financial Close (including anticipated third party support or guarantees).
  - (iii) Description of how funding of all development costs leading up to Financial Close will be secured (including financing commitment, process for internal approvals, etc.).
  - (iv) Description of the security provided at Financial Close guaranteeing future injection of equity (including, but not limited to, sources, amount, type and level of guarantees).
- The Proponent may provide relevant information to support its responses to the points above (e.g. letters of support from funding sources, etc.).
- (e) Letter from the Chief Financial Officer of each Equity Provider contributing at least ■ % of the required equity capital: 28(1)(c)(iii)
- (i) Confirming that there have been no material adverse changes in the financial position of the relevant Equity Provider since the last financial statements provided at the RFQ stage.
  - (ii) In the event relevant material adverse changes have occurred in the financial position of the relevant Equity Provider, the letter should be supported by any recent updates related to financial statements, letters of support from funding sources etc.
- (f) The Proponent's contingency plans as evidenced by one or more of the following:
- (i) Commitment by lenders to top up their respective share(s) (to replace any lender who might fail to advance);
  - (ii) Level of diversification in pool of lenders;
  - (iii) Strength of relationships with committed lenders, as well as other non-

	participating lenders;
(iv)	Any other contingency plans to ensure Financial Close is achieved under the same conditions; or
(v)	Ability of equity funders to meet any condition(s) that might be required by lenders leading up to Financial Close.
(g)	Description of the Proponent's plan to minimize the period between Commercial Close and Financial Close.
(h)	Confirmation letter from the Proponent or the Proponent's financial advisor stating that the Financing Plan is achievable and robust.
(i)	Evidence and confirmation of the extent of support (including performance guarantees) that is to be provided in respect of the obligations and liabilities of the Proponent by each of the Proponent's equity providers, subcontractors and associated third parties. This is to include details of the parent and ultimate parent company involvement in any and all such elements of support and details of how the Proponent will satisfy any terms of the guarantees

**H4. Supporting Documentation from Lenders**

H4.1 The Proponent must provide a high-level description of key attributes of funding terms and provide term sheets, support letters and heads of agreements for all Lenders including, at a minimum, the information specified below:

- (a) The identity of the arranger or underwriter;
- (b) Type of facility;
- (c) Purpose of facility;
- (d) Availability period;
- (e) The amount of financing proposed or committed;
- (f) The drawdown schedule;
- (g) Details of grace periods, including duration and contingency;
- (h) Repayment or redemption schedules, maturity dates and prepayment terms including make-whole clauses which are expected to be in line with industry practices and standards;
- (i) Security, bonding or guarantee requirements and costs (from either parents or third parties);
- (j) Arrangement, underwriting, commitment, agency and all other fees;
- (k) Interest rates (whether fixed or floating) specifying the Benchmark Rate, credit

	<p>spreads and margins, including a ratchet mechanism, if any;</p> <ul style="list-style-type: none"><li>(l) Requirements for reserve accounts;</li><li>(m) Any proposed hedging arrangements in respect of interest rates;</li><li>(n) Events of default and other similar arrangements;</li><li>(o) Step-in arrangements;</li><li>(p) Conditions precedent;</li><li>(q) Due diligence requirements;</li><li>(r) Any other restrictions, requirements or conditions that may materially impact the Proponent's ability to raise financing or drawdown on committed financing after Financial Close; and,</li><li>(s) If the Financing Plan is dependent on a credit rating, an indicative credit rating from one or more credit reference agencies.</li></ul>
<b>H5.</b>	<b>Letter of Support for Construction</b>
H5.1	<p>The Proponent must provide a letter from the guarantor and/ or other supporting entity describing any and all parent company guarantees and/ or other support which will be provided to the Proponent and enforceable by the Proponent, including:</p> <ul style="list-style-type: none"><li>(a) The full legal name of the organization(s) that will provide the support;</li><li>(b) The scope of each guarantee and/ or support, and how this guarantee and/ or support will work in practice if called on;</li><li>(c) The proposed level of the guarantee and/ or support; and</li><li>(d) The duration of the guarantee and/ or support.</li></ul>
<b>H6.</b>	<b>Letter of Support from Equity Provider(s)</b>
H6.1	<p>For all providers of equity/ quasi-equity finance proposed as part of the financing package, the Proponent must provide a letter from each shareholder's parent company, stating that:</p> <ul style="list-style-type: none"><li>(a) It is able to provide a parent company guarantee in relation to the availability of the equity / quasi-equity for the Project; and</li><li>(b) It has adequate funds available.</li></ul>
H6.2	<p>If any equity or quasi-equity finance is to be raised from external sources, these sources are to be specified and written confirmation given by the providers as to their willingness</p>

to offer funding and the amount of funding available.	
<b>H7. Letter of Support from Lender(s) or Financial Institution(s)</b>	
H7.1	The Preferred Proponent must provide a letter of credit in the amount set out in Schedule 1 to this RFP.
H7.2	The Proponent must provide a letter from its financial institution addressed to the City confirming: <ul style="list-style-type: none"> <li>(a) The financial institutions commitment to provide the Proponent with a letter of credit in the amount set out in Schedule 1 to this RFP duly executed in the form set out and subject to the conditions in the RFP within three Business Days of the Proponent being notified that it has been selected as the Preferred Proponent.</li> <li>(b) The issue of such letter of credit is not subject to any restrictions whatsoever, including approval by its credit committee.</li> </ul>
H7.3	The Proponent must also submit a signed letter confirming that it will furnish the City with the above noted letter of credit.
<b>H8. Letter of Support from Subcontractors</b>	
H8.1	The Proponent must provide letters of support for all major subcontractors including, at a minimum: <ul style="list-style-type: none"> <li>(a) Prime team members; and</li> <li>(b) All applicable parties responsible for design, construction and maintenance.</li> </ul>
<b>H9. Basis for Financial Submission</b>	
H9.1	NPV Base Date <ul style="list-style-type: none"> <li>(a) The NPV Base Date for financial modeling and discounting purposes will be the date of the Financial Submission Deadline as set out in Schedule 1 of the RFP.</li> </ul>
H9.2	Financial Close Target Date <ul style="list-style-type: none"> <li>(a) The Financial Close Target Date is as set out in Schedule 1 of the RFP.</li> </ul>
H9.3	Target Substantial Completion Date <ul style="list-style-type: none"> <li>(a) Substantial Completion is targeted for November 30, 2019.</li> </ul>
H9.4	Payment Dates <ul style="list-style-type: none"> <li>(a) Monthly Payments by the City are assumed to be made on the last day of each month for the purposes of the Price Submission Form as per Schedule 6 of the RFP.</li> <li>(b) The Substantial Completion Payment is assumed to be made on the Substantial Completion Date for the purposes of the</li> </ul>

		Price Submission Form as per Schedule 6 of the RFP.
H9.5	Duration of Project Agreement	(a) The Project Agreement provides for an expiry date of 30 years from the Substantial Completion Date specified in the Project Agreement.
H9.6	Price Validity	(a) With the exception of an adjustment for movement in the relevant Benchmark Rates and Credit Spreads in accordance with this Schedule 3, Part 3 to the RFP, all prices in the Financial Submission must remain firm and irrevocable for the Proposal Validity Period.
H9.7	Currency	(a) All prices are to be submitted in Canadian dollars.
H9.8	Inflation	(a) As detailed in the Payment Mechanism in Schedule 14 of the Project Agreement, the O&M Payments and MMR Payments included in the Price Submission Form in Schedule 6, Part 1 of the RFP will be adjusted for inflation over the OMR Period. For the purposes of evaluation of the Financial Submission, the assumed annual rate of inflation is █████%. 28(1)(c)(iii)
H9.9	Benchmark Rates	<p>(a) The Proponent is required to provide the Initial Benchmark Rates as provided in the Price Adjustment Election Form Section 1 in Schedule 6, Part 3 of the RFP. The Proponent is required to provide clearly defined, verifiable and transparent supporting information on composition of the Initial Benchmark Rates, average life, drawdown and repayment profile and where applicable, formulas and calculations.</p> <p>(b) For financing solutions that involve swap(s), the Proponent is required to complete the information in the Appendix A Swap Term Sheet attached to this Schedule 3, Part 3 of the RFP.</p> <p>(c) The Initial Benchmark Rates will be subject to change on the Benchmarking Date in accordance with the process described in Section C of this Schedule 3, Part 3 of the RFP.</p> <p>(d) The Proponent is required to provide a confirmation that the information provided in the Price Adjustment Election Form Section 1 is provided using the same methodology as that used in the agreed Benchmarks Information (Part B) Submission.</p>
H9.10	Credit Spreads and Credit Spread Benchmarks	(a) The Proponent is required to provide the Credit Spreads, in addition to the composition and calculation of its Credit Spread Benchmarks in its Financial Submission in accordance with the requirements set out in E2, including a Price Adjustment Election Form Section 2 with section 2i and

	<p>2ii completed in Schedule 6, Part 3 of this RFP.</p> <p>(b) The Proponent is required to provide the formula and supporting rationale describing how its Credit Spreads shall move upwards or downwards consistent with the movement in the Credit Spread Benchmarks.</p> <p>(c) The Proponent is required to provide a confirmation that the information provided in the Price Adjustment Election Form Section 2 is provided using the same methodology as that used in the Benchmarks Information (Part B) Submission.</p>
H9.11 Discount Rates	<p>(a) For purposes of calculating the Proposal Price discounted to the NPV Base Date, the Proponent is required to use a [REDACTED] % discount rate. 28(1)(c)(iii)</p>
H9.12 Net Present Value (NPV) Calculation	<p>(a) NPVs must be calculated using Microsoft Excel's XNPV function.</p>
H9.13 Substantial Completion Payment	<p>(a) Proponents must include a Substantial Completion Payment in the Price Submission Form, calculated in accordance with Schedule 6, Part 2 of the RFP.</p>
H9.14 Monthly Payments	<p>(a) Proponents must include Monthly Payments payable during the OMR Period comprising Capital Payments, O&amp;M Payments and MMR Payments in the Price Submission Form, in accordance with Schedule 6, Part 1 of the RFP.</p> <p>(b) Monthly Payments must be inclusive of all applicable taxes (including RST), except for GST.</p>
H9.15 Proposal Submission Fee	<p>(a) The Proponent's Financial Submission must include the payment of the Proposal Submission Fee to the two unsuccessful Proponents as per RFP Section J3.2 and Schedule 1 of the RFP. For the purposes of the Financial Submission, Proponents are to assume that the payment of the Proposal Submission Fee is to be incurred at Financial Close.</p>
H9.16 Independent Certifier Fees	<p>(a) The City expects to share Independent Certifier costs with the Preferred Proponent on an equal basis. Therefore, the Proponent's Financial Submission shall include \$ [REDACTED] for Independent Certifier fees (i.e. the Proponent's [REDACTED] % of the \$ [REDACTED] of total estimated Independent Certifier costs). For the purposes of the Financial Submission, Proponents are to assume that the Proponent's share of the Independent</p>

28(1)(c)(iii)



		Certifier fees are to be incurred at Financial Close.	
H9.17 Public Art	(a)	Proponents shall include in their Financial Submission a cost of \$ [REDACTED] million in respect of the Public Art Cash Allowance during the Construction Period. For the purposes of the Financial Submission, Proponents are to assume that the funding of the Public Art Cash Allowance is to be incurred at Financial Close.	28(1)(c)(iii)
H9.18 Cash Allowance	(a)	Proponents shall include in their Financial Submission a cost of \$ [REDACTED] in respect of the Cash Allowance for carrying out the Contaminated Wye Area Work during the Construction Period. For the purposes of the Financial Submission, Proponents are to assume that the funding of the Cash Allowance is to be incurred at Financial Close.	28(1)(c)(iii)
H9.19 Insurance Costs during OMR Period	(a)	Proponents shall include in their Financial Submission an annual cost of \$ [REDACTED] in respect of insurance costs during the OMR Period (“Base Relevant Insurance Cost”). For the purposes of this Financial Submission, this annual cost should be distributed evenly over 12 months in each year during the OMR Period and should be expressed in constant dollars (i.e., no escalation).	28(1)(c)(iii)
H9.20 Proposal Price and Affordability Price Determination	(a)	The Proposal Price and Affordability Price will be calculated in accordance with the instructions in Schedule 6, Part 1 of the RFP.	
H9.21 Base Case Equity IRR	(a)	Proponents shall calculate their Base Case Equity IRR as the annualized effective compounded return rate for equity invested in the Project. The cash flow for calculation must be based on equity cash injections and cash distributions shown in the Financial Model.	
H9.22 Tax	(a)	The Proponent must provide details of its taxation assumptions to demonstrate to the City that the Proponent has actively considered all tax implications of the Project Agreement on the Proponent. The Proponent is solely responsible for the completeness and correctness of these assumptions.	
<b>H10. Financial Model</b>			
H10.1 Audit Letter	(a)	At the Financial Submission Deadline, the City requires the Proponent to provide a Financial Model audit letter that confirms the logic and integrity of the Financial Model (including the model reference number) and that this logic is	

	<p>materially consistent with the Project Agreement. The Financial Model should not include any disclaimers or qualifications. All errors or inconsistencies in formulas or assumptions contained in the Financial Model are solely the responsibility of the Proponent. The Proponent should note that the Financial Model will be reviewed in advance of the Benchmarking Date and at that time or any time prior to the Benchmarking Date, if requested, the Proponent must submit a revised Financial Model audit letter.</p>
<p>H10.2 General Financial Model Requirements</p>	<ul style="list-style-type: none"> <li>(a) The Proponent shall submit a Financial Model electronically in Microsoft Excel version 2010 or later. The Financial Model must not contain any locked or hidden sheets, or formulas.</li> <li>(b) The Financial Model should be supported by an Inputs Booklet and Instructions Booklet as detailed in this Schedule 3, Part 3 of the RFP, to assist the City in changing inputs and running sensitivities.</li> <li>(c) The Financial Model must not incorporate any password protection (on the password protection must be disclosed).</li> <li>(d) The Financial Model and its Inputs Booklet should reflect the Financing Plan.</li> <li>(e) The Financial Model should be consistent with the Price Submission, such that cash inflows in the Financial Model reconcile with the Substantial Completion Payment, Capital Payments, O&amp;M Payments, and MMR Payments.</li> <li>(f) If the Financial Model contains scenarios, it should present the scenario that is consistent with the Price Submission by default when the model is opened.</li> </ul>
<p>H10.3 Structure of the Financial Model</p>	<ul style="list-style-type: none"> <li>(a) The Financial Model should be consistent with the assumptions and be structured as follows: <ul style="list-style-type: none"> <li>(i) It should be well constructed and professional in appearance;</li> <li>(ii) It should extend for the Construction Period and the OMR Period;</li> <li>(iii) It should be presented in millions of Canadian dollars with three decimal places, or in thousands of Canadian dollars with no decimal places;</li> <li>(iv) No sheets or cells should be hidden or password</li> </ul> </li> </ul>

	<p>protected;</p> <ul style="list-style-type: none"> <li>(v) Calculations should flow down and to the right;</li> <li>(vi) Calculations should be sufficiently disaggregated so that they can be followed logically on screen (without examining the contents of cells) or on paper;</li> <li>(vii) All sheets should be set up to print clearly and legibly on either 8½" x 11" or 11" x 17" paper;</li> <li>(viii) If the calculation is circular, circularities should be solved and if circularities are included, a description of where and why these occur should be included; and</li> <li>(ix) The model start date should be the NPV Base Date.</li> </ul>
H10.4 Required Inputs	<ul style="list-style-type: none"> <li>(a) The Financial Model should, at a minimum, have the following input sheets:             <ul style="list-style-type: none"> <li>(i) Key dates to Financial Close;</li> <li>(ii) Construction Period and OMR Period cost assumptions;</li> <li>(iii) Financing assumptions;</li> <li>(iv) Taxation assumptions;</li> <li>(v) A scenario control sheet, if needed.</li> </ul> </li> </ul>
H10.5 Required Outputs	<ul style="list-style-type: none"> <li>(a) The Financial Model should show sources and uses of funds during the Construction Period and OMR Period.</li> <li>(b) The Financial Model should, at a minimum, have the following outputs provided in separate sheets, as applicable:             <ul style="list-style-type: none"> <li>(i) Replication of the Price Submission Forms in Schedule 6 of the RFP.</li> <li>(ii) Calculations of the Proposal Price and Affordability Price in accordance with Schedule 6 of the RFP.</li> <li>(iii) Schedule of Monthly Payments comprising Capital Payments, O&amp;M Payments and MMR Payments presented in annual terms over the OMR Period, in both real and nominal dollars.</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>(iv) The proposed funding structure, with funding schedules that specify the expected debt repayment dates and the amount of debt service (broken down by principal, interest, and other fees), in nominal terms only, to be repaid.</li> <li>(v) Make-up of the components of the Total Capitalized Cost, including design and construction costs, development costs, interest during construction and other capitalized costs during the Construction Period. For greater clarity, the Financial Model should include a breakdown of the total Project capital costs and the individual line items of this breakdown should be linked to the appropriate parts of the Financial Model.</li> <li>(vi) Make-up of the components of the O&amp;M Payments, including a breakdown of Stage 1 and Stage 2 Transitway costs, Pembina Highway Underpass costs, insurance costs, SPV and other costs during the OMR Period. The Financial Model should separately list insurance premiums on insurance coverage required in accordance with the Project Agreement and insurance premiums on additional insurance coverage required by the Proponent's lenders. Proponents should note that insurance is not subject to indexation or inflation and this should be clearly reflected in the Financial Model submitted by the Proponent.</li> <li>(vii) In a separate sheet entitled "PPP Canada Eligible Costs", a breakdown of the cost components which are eligible for funding by PPP Canada as per the categories set out in Schedule 6, Part 2.</li> <li>(viii) The calculation of Project returns for the different elements of financing.</li> <li>(ix) Financial statements (income statements, cash flow statement, balance sheet) presented in accordance with Canadian generally accepted accounting principles.</li> <li>(x) Cash flow projections.</li> <li>(xi) Cash cascade in order of seniority (which must be consistent with any funding term sheets).</li> </ul>
H10.6 Supporting	(a) The proposed Financial Model must also, at a minimum,

Schedules	<p>produce the following outputs:</p> <ul style="list-style-type: none"> <li>(i) Project IRR, in both real terms and nominal terms, on a pre-tax and post-tax basis.</li> <li>(ii) Return on equity and sub-debt, in both real terms and nominal terms, and a blended equity return, that incorporates all sub-senior debt finance on both a pre-tax and post-tax basis.</li> <li>(iii) Debt to equity ratio at the time of Financial Close and at Substantial Completion Date, defined as total financial debt divided by total shareholders' funds.</li> <li>(iv) Drawdown and repayment schedules, including dates and amounts for all sources of finance (on a monthly basis).</li> <li>(v) Weighted Average Cost of Capital calculated on a before-tax basis and based on the overall debt / equity structure of the Project, as estimated on the day of Financial Close (i.e. including all debt and equity injection during the life of the Project).</li> <li>(vi) Annual debt service cover ratio and loan life cover ratio for each year of the Project Agreement, with minimum and average ratios.</li> <li>(vii) Any other ratios that are considered relevant to the proposed financial structure, financial covenants or financing agreements.</li> <li>(viii) The precise timing of any equity injections and details of the phasing, if appropriate.</li> </ul>
H10.7 General Reporting Requirements	<ul style="list-style-type: none"> <li>(a) The Preferred Proponent may be asked to provide summary materials/reports as extracts from the Financial Model to assist the City with its reporting and populating obligations including but not limited to budgetary reports and contribution agreements.</li> </ul>
H10.8 Financial Model Instructions Booklet	<ul style="list-style-type: none"> <li>(a) The Proponent must provide a Financial Model instructions booklet that specifies the following:             <ul style="list-style-type: none"> <li>(i) How changes to input variables should be entered.</li> <li>(ii) How to run the model following changes to inputs.</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>(iii) How to run sensitivities.</li> <li>(iv) If macros are used, the purpose of each should be clearly explained, and instructions for the use of each should be provided.</li> <li>(v) How to print key reports and the entire Financial Model.</li> </ul>
H10.9 Inputs Booklet	<ul style="list-style-type: none"> <li>(a) The Proponent must provide a comprehensive inputs booklet that is consistent with and reconciles to the Financial Model and which includes the following:                     <ul style="list-style-type: none"> <li>(i) For each source of finance: the drawdown timetable; grace period; repayment schedules; debt maturity profile; costs of finance, including margins and fees and all success fees; and any variations to margins or fees over the life of the loans;</li> <li>(ii) Macro-economic assumptions, including interest and inflation rates;</li> <li>(iii) Taxation assumptions and associated sensitivities on model;</li> <li>(iv) The assumptions made in relation to the tax liabilities and recoverability;</li> <li>(v) Accounting policies, including depreciation by asset type, and working capital requirements; and</li> <li>(vi) All other assumptions that have been necessary in order to construct the Financial Model.</li> </ul> </li> </ul>
H10.10 Sensitivity Analysis	<ul style="list-style-type: none"> <li>(a) The Proponent shall provide the sensitivity analyses listed below. The City reserves the right to conduct additional sensitivities.</li> <li>(b) Effect on the Proposal Price and Affordability Price of changes in the Initial Benchmark Rates by:                     <ul style="list-style-type: none"> <li>(i) ■ basis points increase and decrease in underlying Benchmark Rates and,</li> <li>(ii) ■ basis points increase and decrease in underlying Benchmark Rates.</li> </ul> </li> </ul>

28(1)(c)(iii)

## SECTION I - AFFORDABILITY AND RE-SCOPING

### I1. Affordability and Re-Scoping Requirements

I1.1 In accordance with Schedule 3, Part 1 and Schedule 8 of the RFP, at the Financial Submission Deadline:

- (a) The Proponent shall submit a separate, complete, revised Price Submission for each Re-scoping Price Adjustment that takes into account the Re-scoping Price Adjustment(s) on a cumulative basis in the order set out in Appendix 1 to Schedule 8, and in accordance with the procedure set out in Schedule 8 (each, a **“Re-scoping Price Submission”**); and
- (b) The Proponent shall submit a separate, revised Financial Model for each Re-scoping Price Adjustment that takes into account the Re-scoping Price Adjustment(s) on a cumulative basis in the order set out in Appendix 1 to Schedule 8, and in accordance with the procedure set out in Schedule 8 (each, a **“Re-scoping Financial Model”**).

**APPENDIX A: SWAP TERM SHEET**

The below swap term sheet is to be incorporated into the Proponent's Financial Model as a separate sheet and linked to the appropriate parts of the Financial Model to reflect the interest rate hedging arrangements, Swapped Senior Debt Base Rate Benchmark, and Reinvestment Base Rate Benchmark, as applicable. If more than one such instrument is planned, please include the appropriate number of swap term sheets, each of these as a separate sheet, to reflect the relevant instrument. Please note that the number of periods in the below term sheet indicating the beginning of the period, the end of the period and the opening balance of the principal outstanding should reflect the unique financing solution/instrument proposed by the Proponent.

<b>[SAMPLE] Interest Rate Swap Term Sheet INDICATIVE TERMS AND CONDITIONS <i>Private and Confidential</i></b>	
<b>Fixed Swap Rate Payer:</b>	[Insert Name]
<b>Fixed Swap Rate Receiver:</b>	[Insert Name]
<b>Notional Amount:</b>	[Insert amount as follows "CAD\$ [insert amount] as per attached schedule"]
<b>Trade Date:</b>	[Insert Date]
<b>Effective Date:</b>	[Insert Date]
<b>Maturity Date:</b>	[Insert Date]
<b>Initial Notional Amount:</b>	[Insert Amount]
<b>Fixed Swap Rate:</b>	[xx]%
<b>Floating Rate:</b>	1m CDOR until (incl.): [Insert Date] 3m CDOR thereafter
<b>Spread over CDOR:</b>	None
<b>Compounding:</b>	Inapplicable
<b>Fixed Rate Payer Dates:</b>	The dates are as per the attached schedule commencing on the effective date
<b>Floating Rate Payer Dates:</b>	The dates are as per the attached schedule commencing on the effective date
<b>Fixed Rate Day Count:</b>	ACT/365, Fixed Adjusted
<b>Floating Rate Day Count:</b>	ACT/365, Fixed Adjusted
<b>Business Days:</b>	Toronto
<b>Payment Dates:</b>	Last day of interest period

**Notional Payment Schedule**

Period Begin	Period End	Principal Outstanding