SCHEDULE 3

Part 2

FINANCIAL SUBMISSION REQUIREMENTS

A. FINANCIAL SUBMISSION

1.0 The Financial Submission must demonstrate that the Proponent's Financial Model and financing plan are well developed and robust and that it has sufficient support from lenders and equity investors to satisfy the Region.

2.0 The Financial Submission must also demonstrate that the Proponent's Financial Submission meets the Affordability Criteria set out in Section E of this Schedule 3, Part 2.

3.0 Notwithstanding anything to the contrary in this Schedule 3 Part 2, if a Proponent is not making a 16 Vehicle Submission, such Proponent is not required to comply with the provisions of this Schedule 3 Part 2 relating to a 16 Vehicle Submission.

B. ADJUSTMENT FOR CHANGES IN BENCHMARK RATE

1.0 The Proponent shall specify in its Financial Submission the underlying benchmark interest rate(s) (the "**Benchmark Rate(s)**") that is used for pricing its short term and long term senior debt (being the debt funded under the terms of the Lending Agreements by the Senior Lenders to Project Co) financing instruments and that will be adjusted in the Preferred Proponent's Financial Model to reflect current market rates for the Benchmark Rate(s) on the date selected by the Region in accordance with this Section B (the "**Benchmarking Date**"), as well as the detailed model and process for resetting and calculating the Benchmark Rate(s) on the date selected by the Region. The Proponents should note that no changes to the selected Canadian Benchmark Rate after the Submission Deadline will be permitted.

For greater clarity, rates on any subordinated or junior debt, including equity bridge loans and similar non-senior debt facilities will not be adjusted on the Benchmarking Date.

2.0 The Benchmark Rate specified by the Proponent shall be consistent with either an observable rate through a publicly verifiable screen shot (e.g. include a Bloomberg screen or Reuters screen) or a clearly defined formula/calculation that is based on an observable rate through a publicly verifiable screen shot selected by the Proponent, and shall be any one or a combination of the following benchmark instruments:

2.1 The following Government of Canada, Government of Ontario and US Treasury bonds**:**

Government of Canada 1.00% May 1, 2015
Government of Canada 1.25% February 1, 2016
Government of Canada 1.50% March 1, 2017
Government of Canada 1.50% September 1, 2017
Government of Canada 1.25% June 1, 2018
Government of Canada 3.75% June 1, 2019
Government of Canada 3.50% June 1, 2020
Government of Canada 3.25% June 1, 2021
Government of Canada 2.75% June 1, 2022
Government of Canada 1.5% June 1, 2023
Government of Canada 5.75% June 1, 2033
Government of Canada 5.00% June 1, 2037
Government of Canada 4.00% June 1, 2041
Government of Canada 3.50% December 1, 2045

Government of Ontario 4.50% March 8, 2015
Government of Ontario 4.40% March 8, 2016
Government of Ontario 4.30% March 8, 2017
Government of Ontario 2.10% September 8, 2018
Government of Ontario 4.40% June 2, 2019
Government of Ontario 4.20% June 2, 2020
Government of Ontario 4.00% June 2, 2021
Government of Ontario 3.15% June 2, 2022
Government of Ontario 2.85% June 2, 2023
Government of Ontario 9.50% June 2, 2025
Government of Ontario 7.60% June 2, 2027
Government of Ontario 4.70% June 2, 2037
Government of Ontario 3.50% June 2, 2043

US Treasury 0.125% April 30, 2015
US Treasury 0.25% April 15, 2016
US Treasury 0.875% April 30, 2017
US Treasury 0.625% April 30, 2018
US Treasury 1.25% April 30, 2019
US Treasury 1.125% March 31, 2020
US Treasury 7.875% February 15, 2021
US Treasury 2.0% February 15, 2022
US Treasury 2.0% February 15, 2023
US Treasury 7.625% February 15, 2025
US Treasury 6.125% November 15, 2027
US Treasury 5.375% February 15, 2031
US Treasury 4.375% February 15, 2038
US Treasury 3.125% February 15, 2043

2.2 The first four contracts appearing on the BAX Futures screen, as traded on the Montreal Exchange or any successor thereto.

2.3 The following notional interest rate swaps (or forward swap rates calculated from these rates), maturities and the terms of the benchmark swaps (for greater clarity all rates will be on an inter-bank basis and will not include any credit concession):

Maturity dates	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 12, 15, 20, 25 and 30 years after the effective date, respectively
Fixed leg payment frequency	Semi-annual monthly and quarterly
Floating leg basis	30-day or 90-day Bankers' Acceptance Rates (CDOR)
Floating rate spread	Flat
Floating rate reset frequency	Quarterly, compounded at BAs flat
Floating rate payment frequency	Semi-annual, monthly and quarterly
Notional structure	Constant notional, accreting notional, or amortizing notional
Day count convention	Actual/365 fixed adjusted
Business day convention	Modified following Toronto business day

3.0 The following Table A illustrates how a Benchmark Rate and other spreads/premiums should be presented in the Proponent's Financial Model. Note that all spreads, including credit spreads, any hedging premiums and any other adjustments should be excluded from the Benchmark Rate. For greater clarity, Table A would apply, as applicable and specified below, on the RFP Close, First Credit Spread Lock-in Date, Final Credit Spread Lock-in Date and at the time of Financial Close.

Table A

Interest Rate	**Value**	**Explanation**	**Treatment**
Benchmark Rate	5.00%	Pricing reference rate. May be developed from one or a combination of the eligible instruments listed in the RFP Financial Submission Requirements. Excludes all credit spreads, swap credit spreads, fees and other types of pricing premiums.	WILL BE ADJUSTED ONLY on the Benchmarking Date (i.e. prior to or on Financial Close) to account for movement in the Benchmark Rate. No changes are allowed to the specific benchmark reference rate(s) used to build this rate, but adjustments will be made to reflect the adjusted pricing of those instruments at the Benchmarking Date.
Credit Spread	1.00%	Financing premium/spread over Benchmark Rate	WILL BE ADJUSTED ONLY, if applicable, at First Credit Spread Lock-in Date, or at Final Credit

			Spread Lock-in Date as applicable.
Hedge premium or delayed draw premium	0.04%	Hedge credit charge (where applicable)	WILL NOT BE ADJUSTED
Swap counterparty credit premium	0.04%	Hedge credit charge (where applicable)	WILL NOT BE ADJUSTED
Other fees (as applicable)	0.00%	Specific to the financing solution provided	WILL NOT BE ADJUSTED.
Interest rate	6.08%	Sum of benchmark rate, credit spread and all other premiums, fees, etc.	ADJUSTED PER THE MOVEMENT (IF ANY) AS SPECIFIED ABOVE.

4.0 Up to four simulation non-binding rate set exercises will be undertaken by the Region and the Preferred Proponent leading up to the Benchmarking Date to ensure that the process for establishing the net change to the Benchmark Rate is effective and the parties agree as to how the Financial Model is adjusted based on the adjusted Benchmark Rate. This process will consist of an initial benchmarking, and daily benchmarking as the Benchmarking Date approaches.

5.0 The Benchmarking Date shall be selected by The Region at its sole discretion to occur on a day and at a time within three (3) Business Days following the completion of all other conditions precedent to Financial Close and, for greater certainty, Financial Close may be achieved on one of such days. At The Region’s sole discretion, the Benchmarking Date may be changed to another day and/or another time within five (5) Business Days following the completion of all other conditions precedent to Financial Close. If, for any reason, the parties fail to set the Benchmark Rate within the specified time-period, a third party will be appointed by the Region to set the rate.

6.0 If, as a result of any change to the Benchmark Rate(s) at Financial Close or any change to the Credit Spreads at the First Credit Spread Lock-in Date or at the Final Credit Spread Lock-in Date, the Equity IRR and Debt Service Coverage Ratios have changed in the Preferred Proponent's Financial Model, then the Monthly Service Payment and, if necessary, the debt-equity gearing ratio will be adjusted in the Preferred Proponent's 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 RFP Financial Submission (the "**Adjusted Monthly Service Payment**"). This optimization procedure highlighted above to refresh the Financial Model to arrive at the Adjusted Monthly Service Payment should be detailed in the Financial Model Specification Booklet as specified in Section 3.4 of Part E (Financial Submission Requirements) of this Part 2 of Schedule 3 of the RFP as provided by the Preferred Proponent. The Region requires the optimization procedure to be performed on the Preferred Proponent’s audited Financial Model.

7.0 All requirements identified in this Section B shall be included in both the 14 Vehicle Submission and the 16 Vehicle Submission even if they remain unchanged.

C. ADJUSTMENT FOR CHANGES IN SPREAD

1.0 Following the process set out in Section B of this Part 2 of Schedule 3 of the RFP for adjustments to the Benchmark Rate, the Region will, if applicable, make another adjustment on the Benchmarking Date if the Preferred Proponent or any Affiliate of the Preferred Proponent has secured financing for the Project on terms more favourable than the terms presented in the Preferred Proponent's Financial Model.

2.0 Any such adjustment will be made in accordance with the following principles:

2.1 At Financial Close, an adjustment to the financing terms in the Preferred Proponent's Financial Model will be made for any decrease in financing rates, including effective interest rate spread, margins or any other cost of borrowing other than a decrease in the Benchmark Rate, compared to the financing rates specified in the Preferred Proponent's Financial Submission (the "**Spread Decrease**"), which adjustment shall be made without changing the Adjusted Monthly Service Payment;

2.2 the Equity IRR will be calculated at this point, and any increase from the original Equity IRR will be considered a Financial Close Refinancing Gain;

2.3 the Adjusted Monthly Service Payment will be reduced to result in an Equity IRR that includes 50% of the Financial Close Refinancing Gain, without reducing the Debt Service Coverage Ratios below the levels specified in the Preferred Proponent's Financial Submission; and

2.4 any indirect refinancing by an Affiliate of the Preferred Proponent that results in a Spread Decrease to the Preferred Proponent or its Affiliate will result in an adjustment to the Preferred Proponent's Financial Model in accordance with this Section C.

3.0 For greater clarity, the intent is that there will be an equal sharing of the Spread Decrease between the Region and Project Co and there will be no adjustment for any increase in the effective interest rate spread.

4.0 All requirements identified in this Section C shall be included in both the 14 Vehicle Submission and the 16 Vehicle Submission even if they remain unchanged.

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D. TAX ISSUES

1.0 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 they consider appropriate or necessary.

2.0 The Proponent is advised that Region of Waterloo is subject to HST.

3.0 The requirements of this Section D applies to both the 14 Vehicle Submission and the 16 Vehicle Submission.

E. FINANCIAL SUBMISSION REQUIREMENTS

Financial Submission Requirements	
Title	**Contents**
1.0 DESCRIPTION OF FINANCING PLAN	The Proponent will receive a score related to the quality of its proposed financing plan. The evaluation of the proposed financing plan will be based on the following financing information required to be submitted by the Proponent: • Description of each investor (lenders, equity funders, subordinated lenders etc.) 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. This must include the identity and credit status (where available) of each investor a well as the amount to be provided by each investor; • Description of the proposed financing structure including, but not limited to, identification of all investors, lenders, funding structure, organizational chart of the consortia and role of its investors. • Description of any internally generated or other funds that may be used to finance the Project or any part of the Project. • All requirements identified in this section shall be included in both the 14 Vehicle Submission and the 16 Vehicle Submission even if they remain unchanged.
1.2 Achievability and Robustness of the Financing Plan as Evidenced by:	**Lenders (senior and subordinated)** • Provide a plan that details and ensures committed financing from potential debt providers for a timely and successful Financial Close. • Assessment of risks associated with 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 (MAC) 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), and (iv)

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any flex conditions, (iv) or any other terms or conditions that might put the financing commitment at risk, whether at Financial Close or after.

In addition to the above, credit status (including for example credit rating reports and other credit information) must be provided for each investor that has or will be providing the financing for the Project where available.
Provide a plan of bond distribution by underwriters (where applicable);and
The Proponent shall be responsible for ensuring compliance with Section 5.7(2) of the RFP.

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Equity providers

Identify the source(s) of equity capital (i.e. specific fund or investing entity) and its current financial position of each source including:

overview of recent financial performance (supported by financial statements of the most recent quarter and updated, where available);
fund performance report (if applicable);
ratings report (if available, or any other financial documents to support the financial analysis); and
detailed process and internal approval procedures/timelines for allocation of funding, and anticipated timeline for committing funding for this specific project.

Provide a plan that details how the source of equity capital shall provide adequate funding by Financial Close (including anticipated third party support or guarantees).
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).
Provide a description of any short-term equity or contingent equity required during the construction period.

Proponents may provide relevant information to support responses to the points above (e.g. financial statements, letters of support from funding sources, etc.).

Letter from the CFO of each equity funder contributing at least 10% of the required equity capital, confirming that there have been no material changes in the financial position of the relevant equity funder since the last financial statements. In the event relevant material changes have occurred in the financial position of the relevant equity funder, the letter should be supported by any recent updates related to financial statements, letters of support from funding sources etc.
A detailed plan of action to eliminate or mitigate risks associated with:

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	(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.
	Contingency plans • Proponent's contingency financing 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. **Achieving Financial Close** • The Proponent's plan for achieving 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. • The Proponent's commitment and/or plan to minimize the period between Commercial Close and Financial Close.
1.3 Stability of Financial Structure as Evidenced by:	• Description of the level of involvement of various risk investors during the high risk periods of the concession term (e.g. the pattern of loan amortization and equity returns). • Assessment of all risks stranded at the Project Co level and the Proponent's plans to ensure adequate management/mitigation of such risks to be supported by copies of all relevant agreements, where applicable. • Description of the security documents proposed by the Proponent Team Members and/or other associated third party subcontractors as might be required for this Project and how the security documents address the various levels of risks. • 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 capital 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

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If the financing plan is dependent on a credit rating, an indicative credit rating report from one or more credit reference agencies.
Description of the benchmarking efforts, if any, undertaken by the Proponent to ensure competitive terms and conditions for its financing partners.
Confirmation letter from the Proponent or the Proponent's financial advisor stating that (i) the financing plan is achievable and robust and (ii) the Proponent has not entered into any exclusivity arrangements with respect to the Project with any Lenders, including prospective Lenders or, in the alternative, a confirmation letter from the Proponent that the Proponent has not entered into any exclusivity arrangements with respect to the Project with any Lenders, including prospective Lenders.

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<tr><td>1.4 Supporting Documentation</td><td>
The Proponent must provide a high-level description of key attributes of funding terms and term sheets, support letters and heads of agreements for all the financing providers including, at a minimum, the information specified below:

The identity of the arranger or underwriter.
Type of facility.
Purpose of facility.
Availability period.
The amount of financing proposed or committed and currency in which it is to be provided.
The drawdown schedule.
Details of grace periods, including duration and contingency.
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.
Security, bonding or guarantee requirements and costs (from either parents or third parties).
Arrangement, underwriting, commitment, agency and all other fees.
Interest rates (whether fixed or floating) specifying the benchmark mark rate spreads thereon and margins, including a ratchet mechanism, if any.
Requirements for reserve accounts.
Any proposed hedging arrangements in respect of interest rates.
Events of default and other similar arrangements.
Step-in arrangements.
Conditions precedent.

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	• Due diligence requirements. • 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. • If the financing plan is dependent on a credit rating, an indicative credit rating from one or more credit reference agencies.
1.5 Letter of Support for Construction	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: • The full name and any unique identification numbers of the organization(s) that will provide the support. • The scope of each guarantee and/or support, and how this guarantee and/or support will work in practice if called on. • The proposed level of the guarantee and/or support. • The duration of the guarantee and/or support.
1.6 Letter of Support from Equity Provider(s)	For all providers of equity/quasi-equity finance proposed as part of the financing package, the Proponent must provide a letter from each equity provider parent company, stating that: • It is able to provide a parent company guarantee in relation to the availability of the equity/quasi-equity for the Project. • It has adequate funds available. 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 to offer funding and the amount of funding available.
1.7 Letter of Support from Lender(s) or Financial Institution(s)	The Preferred Proponent must provide one or more letters of credit in the aggregate amount of twenty million dollars ($20,000,000) in accordance with the RFP. The Proponent must provide a letter from each financial institution that will be providing a letter of credit addressed to the Region confirming: • Such financial institution's commitment to provide the Proponent with a letter of credit and the amount of such letter of credit commitment, duly executed in the form set out and subject to the conditions in the RFP within three (3) Business Days of the Proponent being notified that it has been selected as the Preferred Proponent. • The issue of such letter of credit is not subject to any restrictions whatsoever, including approval by its credit committee. (For greater certainty, the aggregate of the letter of credit commitments provided by the Proponent must equal at least twenty million dollars

		($20,000,000)) The Proponent must also submit a signed letter confirming that it will furnish the Region with the above-noted letter of credit. The Proponent should submit a letter of support from its Lenders clearly indicating the conditions that must be met prior to obtaining financing approval and a detailed timeline setting out how the Proponent proposes to achieve Financial Close on an expedited basis.
1.8	**Letters of Support from Subcontractors**	The Proponent must provide letters of support for all major sub-contractors including, at a minimum: • Prime Team Members, who are major sub-contractors. • All applicable parties responsible for design, construction, operations, maintenance and lifecycle.
1.9	**Proposal Summary**	The Proponent must provide a one-page Proposal summary which outlines the major elements of the Proposal, including: • Major financial assumptions. • Benchmark Rates. • Credit Spreads. • Other premiums/spreads. • Debt/equity gearing ratio. • Monthly Service Payments • Design, construction, maintenance, operations and lifecycle costs.
2.0	**BASIS FOR FINANCIAL SUBMISSION**	The Proponent should use the following as basis for the Financial Submission and the Financial Model. The Proponent is required to list the assumptions in this Section 2.0 and confirm they have been used in the Financial Submission and Financial Model. All requirements identified in this section shall be included in both the 14 Vehicle Submission and the 16 Vehicle Submission even if they remain unchanged
2.1	**Base Date**	The base date to be used in developing the RFP Proposal is the Submission Deadline.
2.2	**Financial Close Date**	The Financial Close date to be used in the Proposal as the date for the start of construction is April 25, 2014.
2.3	**Duration of Project Agreement**	The Project Agreement provides for an expiry date of 30 years from the Scheduled Substantial Completion Date.
2.4	**Currency**	Where prices are requested in the RFP those prices are to be submitted in Base Date prices and in Canadian dollars.
2.5	**Price Validity**	With the exception of an adjustment for movement in the relevant Benchmark Rate all prices in the Proposal must remain firm and irrevocable

	for the Proposal Validity Period.
2.6 Inflation Basket	Proponents are to develop three inflation indices: (a) one to be used as the Operations Escalation Factor in the Payment Mechanism (ESCO); (b) one to be used as the Maintenance Escalation Factor (ESCM) in the Payment Mechanism and (c) another to be used as the Lifecycle Escalation Factor in the Payment Mechanism (ESCLSP). Proponents shall develop the Operations Escalation Factor (ESCO), Maintenance Escalation Factor (ESCM) and the Lifecycle Escalation Factor (ESCLSP), using from one to six of the available indices below. The weighted indices selected will form the basis of payment adjustments related to inflation, as described in Schedule 20 – Payment Mechanism. The indices available for selection, the CANSIM table reference, and related constraints are as follows: a) Labour Industrial Aggregate (281-0028) – the Proponent may apply a weighting of 0%-100% b) CPIXFET (176-0003) – the Proponent may apply a weighting of 0%-100% c) Machinery Manufacturing (329-0057) d) Electrical Equipment Manufacturing (329-0057) e) Machinery and Equipment (329-0064) f) Durable Manufacturing (281-0028) **Constraint #1 -** For the Operations Escalation Factor (ESCO) and Maintenance Escalation Factor (ESCM) the Proponent may apply a total weighting of 0%-100% for items c,d,e,f in aggregate. For the Lifecycle Escalation Factor (ESCLSP), the Proponent may apply a total weighting of 0%-100% for items c,d,e,f in aggregate. **Constraint #2 -** The Proponent’s weighting of the Labour Industrial Aggregate index must not materially exceed the proportion of labour costs to its total annual operational costs for the Operations Escalation Factor (ESCO). The Proponent’s overall weighting of items (c) to (f), inclusive, must not materially exceed the proportion of materials, components, parts, and related costs to its total annual operational costs. **Constraint #3 -** The Proponent’s weighting of the Labour Industrial Aggregate index must not materially exceed the proportion of labour costs to its total annual maintenance costs for the Maintenance Escalation Factor (ESCM). The Proponent’s overall weighting of items (c) to (f), inclusive, must not materially exceed the proportion of materials, components, parts, and related costs to its total annual maintenance costs. **Constraint #4 -** The Proponent’s weighting of the Labour Industrial Aggregate index must not materially exceed the proportion of labour costs to its total annual lifecycle costs for the Lifecycle Escalation Factor

	(ESCLSP). The Proponent's overall weighting of items (c) to (f), inclusive, must not materially exceed the proportion of materials, components, parts, and related costs to its total annual lifecycle costs. **Constraint #5 -** The total weighting of (a) – (f) must equal 100%. The Proponent shall submit: • A table in the RFP Schedule 6A Part II, Sheet 5 and RFP Schedule 6B Part II, Sheet 5 clearly defining its selected indices and weighting, for the Escalation Factors; and • A summary table demonstrating the Proponent's compliance with Constraint #2, Constraint #3 and Constraint #4. This table should include breakdown of annual nominal costs for: labour; materials, components, parts, and related costs; other maintenance cost categories; and total maintenance costs. Relevant percentages should also be provided. For evaluation purposes only, all Escalation Factors are to be assumed to be at a rate of increase of 2.0% per annum and indexation will be applied on an contract year basis starting from assumed date of Financial Close..For clarity these constraints remain unchanged for the 14 Vehicle Submission and the 16 Vehicle Submission.
2.7 Interest Rates	The Proponent is required to provide, in its Proposal, the relevant Benchmark Rate(s) it has used as priced at 10:00 a.m. local Toronto time on the date set out in the Timetable Section 3.1(1)(ii) of Schedule 1 of the RFP for the Submission Deadline. The Proponents are required to provide clearly defined, verifiable and transparent supporting information on source and composition of the Benchmark Rate(s) identified through publicly observable screen shots (e.g. include a Bloomberg screen or Reuters screen) from which Benchmark Rate(s) was extracted, average life, drawdown and repayment profile and where applicable, formulas and calculations that would allow the Region to verify the reference interest Benchmark Rate(s) at Financial Close. 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 Part 2 of Schedule 3 of the RFP. The Proponent must define, describe and provide details and explanations of any spread, premium, Lenders' margins and any other adjustments (for example flex rates, liquidity premiums or margins for executable rates, etc.) over and above the Benchmark Rate that the Proponent considers necessary. Any such additional interest rate risk over and above the Benchmark Rate(s) should be clearly quantified in the Proposal and will not be adjusted at Financial Close. For greater clarity, any hedge premium, delayed draw premium or swap counterparty credit premium will not be adjusted at

	Financial Close. The verifiable Benchmark Rate(s) will be the only rate(s) that will be changed for Financial Close on Benchmarking Date in accordance with this Part 2 of Schedule 3 of the RFP. The Proponent should refer to Section B of this Part 2 of Schedule 3 of the RFP for the Region approach to interest rate adjustment and the Region parameters for acceptable Benchmark Rates.
2.8 Indicative Credit Spread Benchmark(s)	If the Proponent desires to participate in future Credit Spread Lock-in Dates (i.e. the First and Final Credit Spread Lock-in Dates), the Proponent, in accordance with RFP Section 5.5(1)(c), shall submit an "**Indicative Credit Spread Benchmark(s)**" that will be used to justify and assess the reasonableness, volatility and consistency of the Credit Spread and any changes to or confirmation of the Credit Spread at future Credit Spread Lock-in Dates. The Indicative Credit Spread Benchmark(s) 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 (e.g. may include basket of corporate bonds, GTAA, 407, provincial bonds etc.). For greater clarity, after the Submission Deadline the Indicative Credit Spread Benchmark(s) shall not change. If in the Region's sole discretion the Indicative Credit Spread Benchmark(s) is unsatisfactory, the Region reserve the right to request that the Proponent clarify the submitted Indicative Credit Spread Benchmark(s) and/or require the Proponent to resubmit the Indicative Credit Spread Benchmark(s).
2.9 Discount Rates	For purposes of the net present value ("**NPV**") calculation, the Proponent is required to use a 3.0% discount rate discounted to the Base Date in all cases unless specifically required otherwise by the RFP.
2.10 Payment Date	For purposes of calculating the NPV, all monthly payments by the Region are assumed to be made on the last day of each Contract Month.
2.11 Tax	The Proponent must provide details of its taxation assumptions to demonstrate to the Region 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.
2.12 Design and Bid Fee	The Region will directly pay the Design and Bid Fee to the unsuccessful Proponents. The Proponent shall not include the payment of this Design and Bid Fee in its financial model.
2.13 Payment	The Payment Mechanism as described in Schedule 20 - Payment Mechanism of the Project Agreement is to be used without exception for the

	Mechanism	Proposal (unless the change is included as an accepted Innovation Submission).
2.14	**Refinancing**	The Proponent must describe any plans for refinancing in its Proposal including, for greater clarity, any Mandatory Refinancing(s) (as defined in Schedule 28 - Refinancing of the Project Agreement). Where it is intended that debt will be refinanced, the Proponent must provide details of any assumptions about the structure and the timing of refinancing, interest rates, margins, timing of repayments, reserve accounts and cover ratios. The Proponent must describe the maturity of any original interest rate hedges (swaps) entered into at Financial Close and Proponent's plans and contractual rights related to these swaps if the refinancing(s) described above take place.
2.15	**NPV Calculation**	The NPV must be calculated using Microsoft Excel's XNPV formula using the monthly payment schedules (including Monthly Service Payments and other expected payments), based on the assumptions listed in Section 4.0 below.
2.16	**Substantial Completion Payment**	The "**Substantial Completion Payment**" amount shall be calculated in accordance with the parameters set out below and included in the Proponent's Financial Submission. The amount of the Substantial Completion Payment may be adjusted by agreement between the Parties prior to Commercial Close. **Substantial Completion Payment Calculation Parameters**: The Substantial Completion Payment shall act as a "take-out" payment, such that the amount of the payment shall be sized to reduce the amount of Private Capital Invested equal to the greater of 22.5% of Aggregate of Total Capitalized Cost of Construction, or $125,000,000. Proponents must ensure that their financial structure and related use of Milestone Payments ensure this. For calculation purposes, "**Private Capital Invested"** means the total amount of financing advanced (Senior Debt, Junior Debt and equity capital) and utilized in the project to fund project costs. The intention is to ensure that there is no less than $125,000,000 or 22.5% of Aggregate of Total Capitalized Cost of Construction, whichever value is greater, of private capital is left in the project following payment of the Substantial Completion Payment amount. The above parameters shall be used to calculate the value of the Substantial Completion Payment based on the Proponent's Financial Model as at the date of Financial Close. The interest rate resetting process may alter the amount of the Substantial Completion Payment. For clarity, Proponents are requested to split the Substantial Completion Payment into Substantial Completion Payment for LRT System Works and Public Infrastructure Works (please refer to Schedule 21 of the Project Agreement for details). Further, these constraints remain unchanged for the

	14 Vehicle Submission and the 16 Vehicle Submission.
2.17 Construction Period Payments	The Proponent may elect to receive Milestone Payments from the Region, prior to the Substantial Completion Date, subject to the terms and conditions outlined in Schedule 21 of the Project Agreement. Milestone Payment amounts must be included in the 6A Price Form, Sheet 1 and the 6B Price Form, Sheet 1 using the instructions to Proponents included in the form. **Milestone Payment calculation parameters and constraints:** The Proponent may determine the timing, frequency and amounts of Milestone Payments, subject to Schedule 21 of the Project Agreement and the following criteria and constraints: • The Proponent cannot receive a payment from the Region until a greater of 22.5% of the Aggregate of Total Capitalized Cost of Construction or $125,000,000 of Construction and Non-Construction Costs has been drawn from sources of Private Capital Invested and spent on the Project. For clarity, the 22.5% is net of any cash proceeds accounts established in the financial model by the Proponent. • No more than one (1) Milestone Payment per month can be made by the Region to the Proponent. For modelling and NPV calculation purposes, the Milestone Payment should occur on the last calendar day of the month the payment is made. • The Aggregate of the Maximum Milestone Payment (as defined in Schedule 21 of the Project Agreement) must not exceed 85% of the Aggregate of Costs Eligible for Milestone Payment Amounts. • Each Milestone Payment shall return a positive “OK” message in “Sheet 1 – Construction Period” of the 6A Price Form and the 6B Price Form. • These constraints remain unchanged for the 14 Vehicle Submission and the 16 Vehicle Submission. For clarity, Proponents are requested to split the Milestone Payments into payments for LRT System Works and Public Infrastructure Works (please refer to Schedule 21 of the Project Agreement for details).
2.18 Accounting	The Proponents are solely responsible for the completeness and correctness of their accounting assumptions.
2.19 Base Relevant	Base Relevant Insurance Cost as detailed in Schedule 25 - Insurance and Performance Security Requirements of the Project Agreement will be equal

	Insurance Cost	to one million and seven hundred thousand dollars $1,700,000 per annum. (For greater clarity, the Base Relevant Insurance Cost as provided above is required to be carried by all Proponents for the Relevant Insurance Inception Date and every period thereafter up to the Expiry Date. Such costs will be subject to benchmarking per the methodology outlined in Schedule 25 - Insurance and Performance Security Requirements of the Project Agreement).
2.20	**Inflation escalation eligibility**	Proponents must provide real cost numbers for maintenance costs, lifecycle costs, and operations costs and then apply a flat 2% escalation for NPV calculation purposes. A portion of Special Purpose Vehicle ("SPV") costs may be indexed ("Eligible SPV Costs") based on the Maintenance Escalation Factor as defined in Schedule 20 of the Project Agreement (ESCM). Eligible SPV costs should be included in the Monthly Service Payments for Maintenance as defined in Schedule 20 of the Project Agreement (MSPM). The portion of SPV costs not eligible for escalation ("Ineligible SPV Costs") shall be included in the un-escalated General portion of the Monthly Service Payments , as defined in Schedule 20 of the Project Agreement (MSPG). For clarity: • Eligible SPV Costs shall only include any reasonable fees or expenses incurred directly by the SPV that are directly related to the administration of the Project Agreement and are paid directly to third parties as a pass-through expenses for services related to: − External audit, legal, and tax advisors; − The Lender's agent and/or trustee; and − Rating agency fees. • Eligible SPV Costs shall not include any payments or distributions in any form to Lenders or Equity Providers that could serve as a source of funding for the payment of interest, principle or dividend distributions of any form. • These constraints remain unchanged for the 14 Vehicle Submission and the 16 Vehicle Submission.
2.21	**Affordability Criteria**	The "**Affordability Cap**" and its related calculation are defined in Affordability Compliance Form of this RFP and are summarized below. The form should be filled on a nominal basis on a calendar year schedule and assuming a 30 year DBFOM term. For clarity, the annual payments inserted in the form will not be adjusted for Baseline Service Plan changes or for a DBFOM. The Affordability Criteria will apply to Baseline Service Plan 1 only, as defined in Schedule 15-3 Article 3 of the Project Agreement

(“BSP1”).

Each Proponent will compute an Adjusted Bid Profile in the Affordability Compliance Form as follows:

	Component	Source
	Sum of all MSPs	As computed by Proponents in their Financial Model based costs for BSP1 only based on a calendar year basis
+	Region P&I for Construction Payments and Substantial Completion Payment	Computed by Proponents based on their Milestone Payments and their Substantial Completion Payment net of available funding for the Project, as outlined in Affordability Compliance Form
=	Adjusted Bid Profile	Computed by each Proponent as a nominal annual amount paid by the Region during the Concession Period

Each Proponent must compare the Adjusted Bid Profile against the Affordability Cap to test compliance with the following criteria, collectively the “Affordability Criteria”:

1. ∑ Adjusted Bid Profile (over 30 yr operating term) ≤ ∑ Affordability Cap (over 30 year operating term); and
2. Adjusted Bid Profile cannot exceed the Affordability Cap in 2017 and 2018 (calendar year; and
3. Other than 2017 and 2018, the Adjusted Bid Profile can exceed the Affordability Cap by no more than 15% in any year over the operating term.

Only those Proponent submissions that satisfy each of the Affordability Criteria will be deemed to be affordable “**Affordable**”. Refer to Section 6.4 of the RFP for evaluation procedures. For clarity, any Proposal submitted by a Proponent that does not meet both of the Affordability Criteria, will be deemed to be not affordable (“Not Affordable”).

A separate Affordability Compliance Form has been provided for the 14 Vehicle Submission (i.e. Schedule 6A Part III) and for the 16 Vehicle Submission (i.e. Schedule 6B Part III). However, the Affordability Criteria remain unchanged for both submissions.

2.22	**14/16 Vehicle Test**	For each Proponent, the NPV of their 14 Vehicle Financial Submission will be compared to the NPV of their 16 Vehicle Financial Submission, and the submission with a lower NPV will be selected as the Vehicle Standard for that Proponent (the "14/16 Vehicle Test"). In the case where a Proponent's 14 Vehicle Submission and 16 Vehicle Submission have the same NPV, the 16 Vehicle Submission will be selected as the Vehicle Standard. For clarity, it is noted that each Proponent may have a different Vehicle Standard.
2.23	**Independent Certifier Fees**	The Region expects to share Independent Certifier costs with the Proponents on an equal basis. Therefore, the Proponent's Financial Submission shall include \$450,000 for Independent Certifier fees (i.e. the Proponent's 50% of the \$900,000 of total estimated Independent Certified costs). This amount will be used for evaluation purposes only and will be adjusted before Commercial Close to reflect the actual fees to be charged by the Independent Certifier after the joint procurement of the Independent Certifier by the Preferred Proponent and the Region.
2.24	**Baseline Service Plan**	The Proponent must confirm that it has based its pricing upon the Baseline Service Plans data identified in Project Agreement Schedule 15-3. These constraints remain unchanged for the 14 Vehicle Submission and the 16 Vehicle Submission.
2.25	**Pricing**	All pricing information for the 14 Vehicle Submission and the 16 Vehicle Submission should be filled in the attached Microsoft Excel files entitled RFP Schedule 6A Part 2 and RFP Schedule 6B Part 2. All pricing in the RFP Schedule 6A Price Form and the Schedule 6B Price Form should be provided on a monthly basis on a real basis (i.e. un-escalated) and without HST, except where specified. Further, Proponents are expected to provide pricing for both the DBFOM and DBFM options as outlined in the RFP Schedule 6A and Schedule 6B Price Forms. All instructions noted below apply for both the 14 Vehicle Submission and the 16 Vehicle Submission unless specifically noted. **Monthly Service Payment:** • The Proponent shall provide a Monthly Service Payment for each Baseline Service Plan for each month from January to December as required by RFP Schedule 6A Price Form and Schedule 6B Price Form. While Monthly Service Payments may vary over the calendar year, MSPs for specific Baseline Service Plans will not change over the contract years except for

	allowed escalation (e.g. the MSP for January for BSP1 will not change except for escalation for any month of January over the concession period). • Each Proponent may bid a variable un-escalated general portion of the Monthly Service Payment (MSPG) which would employ a single step structure where MSPG in the early years ("MSPG1") may be set to a value which is less than the MSPG in the later years ("MSPG2") of the Project Term with the following additional constraints: – Constraint #1: MSPG1 must be greater than or equal to \$600,000 and must be in effect from Contract Month 1 to no later than Contract Month 84 and – Constraint #2: MSPG2 must be greater than or equal to MSPG1 and must be in effect from the time MSPG1 ends to the end of Contract Term (Contract Month 360).The Monthly Service Payment may be different for each Baseline Service Plan (e.g. the MSP for Baseline Service Plan 1 in January may be different than the MSP in January for Baseline Service Plan 2). • For clarity, the Proponent's pricing should account for increased maintenance requirements associated with larger vehicle fleet sizes and increased vehicle kilometers and operations as Baseline Service Plans change. • The Monthly Service Payment for all Baseline Service Plans shall be indexed as per Section 2.20. • For the DBFM option, Proponents may provide revised pricing for monthly maintenance payments as per Schedule 20 of the Project Agreement (MSPM) that may be higher or lower than that included under the DBFOM option. All other costs related to the DBFM option will be the same as those proposed under the DBFOM option. **Volume Adjustment:** • Proponents shall provide a Volume Adjustment for Maintenance as per Schedule 20 of the Project Agreement (VOLM) and Volume Adjustment for Operations as per Schedule 20 of the Project Agreement (VOLO) on a real basis for each Baseline Service Plan in Sheet 3 of Schedule 6A Price

	Form and Sheet 3 of Schedule 6B Price Form. • Both Volume Adjustment items shall be fully indexed in accordance with Schedule 20 of the Project Agreement. For evaluation purposes only, the Region has provided annual maintenance hours and annual operating hours for each Baseline Service Plan including an assumed percentage to be used to quantify the annual costs related to the Volume Adjustment. The resulting payment amount will be applied on a monthly basis for evaluation purposes even though the Volume Adjustment is meant to be paid on an annual basis under the Project Agreement. **Lifecycle Payment:** • Lifecycle costs shall be provided in Part 2A of the Schedule 6A Price Form and the 6B Price Form and such costs shall also be provided separately for Vehicles and for all other lifecycle associated with the System (i.e. Non-Vehicle Lifecycle) . This Non-Vehicle Lifecycle is not expected to change across Baseline Service Plan; however, Proponents should provide incremental lifecycle costs for one additional vehicle (that is assumed to be identical to those provided under Baseline Service Plan – Level 1). • For clarity, the prices in Sheet 2A of Schedule 6A Price Form and Schedule 6B Price Form of this RFP for all lifecycle costs should be provided on a real basis following months that the assets (Vehicles or the remainder of the System) are operated in. For example, month 10 should be the 10th month that the vehicle has been operating for and not the contract month. • Lifecycle costs associated with additional vehicles, if different make or model from the Baseline Service Plan – Level 1 fleet vehicles, will be priced at that time via the Variation protocol. **Timing of DBFOM and DBFM:** For purposes of NPV calculation only: • The DBFOM will be assumed to apply for contract years 1 to 30 • The DBFM will be assumed to apply for contract years 11 to 30 • The pricing in Sheet 2A and Sheet 2B of the RFP Schedule 6A

<table>
<tr><td></td><td>
Price Form and Schedule 6B Price Form will be provided for each Baseline Service Plan irrespective of the assumed timing above.

Timing of Levels within in the Baseline Service Plans:

• The Proponent shall assume for the purposes of its Proposal that each level within the Baseline Service Plan will be implemented in accordance with the table below and therefore shall include the relevant costs in the RFP Schedule 6A Price Form and Schedule 6B Price Form assuming that each Baseline Service Plan is implemented as forecast. For avoidance of doubt, the timing assumed for evaluation purposes only is as follows:

<table>
<tr><th>Calendar Years</th><th>Baseline Service Plan</th></tr>
<tr><td>2017 (partial year) to 2020</td><td>Baseline Service Plan 1</td></tr>
<tr><td>2021 to 2024</td><td>Baseline Service Plan 2</td></tr>
<tr><td>2025 to 2030</td><td>Baseline Service Plan 3</td></tr>
<tr><td>2031 to 2035</td><td>Baseline Service Plan 4</td></tr>
<tr><td>2036 to 2040</td><td>Baseline Service Plan 5</td></tr>
<tr><td>2041 to 2045</td><td>Baseline Service Plan 6</td></tr>
<tr><td>2046 to 2047 (partial year)</td><td>Baseline Service Plan 7</td></tr>
</table>
• Any cost variations between Baseline Service Plan must be reasonable and justifiable.
• For NPV calculation purposes this schedule will be assumed to be followed as is. All escalation calculations shall be dealt with separately in Schedule 6A Price Form Sheet 6A and 6B and Schedule 6B Price Form Sheet 6A and 6B as relevant.
</td></tr>
<tr><td>3.0 FINANCIAL MODEL</td><td>The Proponent must provide the computer model it has used and which is proposed to become the Financial Model under the Project Agreement in the format specified in this Part 2 of Schedule 3 of the RFP. The file must meet the requirements below and must allow the viewer access to all internal formulas, data and assumptions together with a full print out of all model sheets. This computer model will ultimately become the Financial Model referred to in the Project Agreement. For clarity, proponents are required to</td></tr>
</table>

	provide separate Financial Models for the 14 Vehicle Submission and the 16 Vehicle Submission including all the requirements identified in this Section 3.
3.1 Audit Letter	On the Submission Deadline, the Region requires the Proponent to provide a Financial Model audit letter that confirms the logic and integrity of the model (including the model reference number) and that this logic is 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.
3.2 General Model Requirements	The Proponent's Financial Model must: • Provide financial projections (cost and revenue projections) on a monthly basis from Financial Close until the end of the Project Term. • Be expressed in Canadian dollars. • Include a print option macro. • Not incorporate any password protection (or the password protection must be disclosed). • Not include hidden sheets or areas. • Not contain any circular references or balancing numbers and no input numbers in the calculation worksheets. • Use a start date for the Project that corresponds to Financial Close as specified above in Section 2.2 of Part E of this Part 2 of Schedule 3 of the RFP.
3.3 Specific Financial Model Requirements	The Financial Model should show details of sources and uses of funds, both in total nominal and NPV terms, including debt and equity injection and repayments, interest payments, financing costs, dividends, other fees and costs, design costs, construction costs, lifecycle costs, operations costs and maintenance costs. The Financial Model should separately list insurance premiums on insurance coverage required in accordance with the Project Agreement, insurance premiums on additional insurance coverage required by the Proponent's lenders, taxes, Project Co specific costs and legal fees. 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.

	The Financial Model must, at a minimum, include: • Assumption schedules. • Construction costs • Capital costs • Operating costs. • Lifecycle costs • Maintenance costs. • Taxation. • Payment mechanism. • Key dates to Financial Close. • A scenario control sheet. • Outputs: – In a separate sheet, a schedule of Milestone payments and the Substantial Completion Payment, both in real (uninflated) and nominal (inflated) terms. – In a separate sheet, the Monthly Service Payments, monthly lifecycle payments, operations payments and maintenance payments, both in real (uninflated) and nominal (inflated) terms following the schedule of implementation of Baseline Service Plans outlined above. – In a separate sheet, 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. – The calculation of Project returns for the different elements of financing. – Projected income statements. – Projected balance sheet. – Cash flow projections. – Cash cascade in order of seniority (which must be consistent with any funding term sheets). Ensure that the cash cascade

	describes: o the administration of the cascade; o funding mechanisms for all reserve accounts; o how operating contingencies affect reserve accounts; and o how funding mechanisms, or other contingency plans, rectify the situation. • In a separate sheet, all cost components (as outlined in Schedule 21-Construction Period Payments, Table A1: Capitalized Cost of Construction, Milestone Payments and Substantial Completion Payment) including: o Construction Costs – LRT System Works Component; o Construction Costs – Public Infrastructure Works Component; o Total Construction Costs; o Non Construction Costs; and o Aggregate of Non-Construction Costs. For greater clarity the Proponent must ensure that the sum of all costs noted in the categories above for each fiscal year must equal the Monthly Service Payments (including lifecycle costs) for that fiscal year. • Supporting schedules (including all the forms required under Schedule 6A and Schedule 6B of the RFP which for clarity include Part 1:Cost of Work Form, Part 2: Price Form and Part 3: Affordability Compliance Form). The proposed Financial Model must also, at a minimum, produce the following outputs: • Project internal rate of return (IRR) in both real terms and nominal terms, on a pre-tax and post-tax basis. • 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. • Debt to equity ratio at the time of Financial Close and at the Substantial Completion Date, defined as total financial debt divided by total shareholders' funds. • Drawdown and repayment schedules, including dates and amounts for all sources of finance (on a monthly basis). • 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).
	• Annual debt service cover ratio and loan life cover ratio for each year of the Project Agreement, with minimum and average ratios.
	• Any other ratios that are considered relevant to the proposed financial structure, financial covenants or financing agreements.
	• The precise timing of any equity injections and details of the phasing, if appropriate.
	• The construction price that is included in the Financial Model will be the Proponent's estimated construction price at Financial Close (i.e. input nominal construction costs).
	• A schedule of projected lifecycle reserves on a monthly basis.
	• Revenues and costs on a monthly basis.
	• A breakdown of the Proponent's revenues and costs, including but not limited to:
	  ◦ SPV costs;
	  ◦ other operating costs; and
	  ◦ revenue and capital flows.
	• Calculation output of the Percentage of Monthly Service Payment subject to Inflation Basket escalation for each Service Level, including disclosure of the cost of providing Maintenance and Rehabilitation Services and indexed Special Purpose Vehicle costs
	• As a separate calculation, Proponents must clearly demonstrate how any hedge credit charges are calculated in the financial model, including the formula(s) to calculate the hedge credit charge and all relevant supporting data to allow the Sponsors to verify the calculation.
	• In a separate sheet, provide a breakdown of all projected payments by the Region to Project Co, including all: (i) Monthly Service Payments, and (ii) monthly lifecycle, monthly operations and monthly maintenance payments, (iii) Milestone Payments, and (iv) the Substantial Completion Payment, and the associated expected HST that would be payable on each such payment by the Region throughout the Project Term. Please also provide all assumptions and other details used to calculate all such expected HST amounts.

3.4 General Reporting Requirement	The Preferred Proponent may be asked to provide summary materials/reports as extracts from the Financial Model to assist the Region with its reporting and populating of the Contribution Agreements.
3.5 Financial Model Specification Booklet	The Proponent must provide a detailed and comprehensive Financial Model specification booklet, including, at a minimum, instructions for using the Financial Model, including:

	• How changes to input variables should be entered. • How to run the model following changes to inputs. • How to run sensitivities. • The use of all macros, if any, contained in the model should be minimized. If macros are used, a detailed description of the macros and their functionalities must be included. The detailed description for each macro must include the following: – reasons why this macro is used; – which operations and functions are accomplished through the macro; – which cells are modified by the macro; – the macro's results; – explanation of how the optimization and macro steps are carried out, particularly with regards to input modifications; and – instructions pertaining to the necessary modifications of a macro following modifications in the Financial Model such as adding or deleting lines or columns in the Financial Model. • How to print key reports and the entire model. • Details of the optimization procedure(s) that is in line with the methodology as described in Section 6.0 of Part B of this Part 2 of Schedule 3 of the RFP. • Construction of the model, including: – contents list of sheets and data contained within; and – details of complex or unusual formulae.
3.6 Cost Loaded Schedule	• Provide the cost loaded Proposal Submission Schedule as defined in Article 19 of Schedule 15-2 to the Project Agreement. • For clarity, an identical Proposal Submission Schedule, which excludes any costs , is to be submitted as part of the Technical Submission. • The cost loaded Proposal Submission Schedule included in the Financial Submission is to be provided to enable the Region the ability to confirm that the financial data included in the cost loaded Proposal Submission Schedule reflects the financial data included in the Schedule 6A Cost of Work Form and Schedule 6B Cost of Work Form and the relevant Financial Model. • In event of discrepancies between the cost loaded Proposal Submission

	Schedule and RFP Schedule 6A Cost of Work Form or Schedule 6B Cost of Work Form, the latter will govern. • Only a Level 2 schedule is required at the time of the submission. • Proponents should note that cost loaded schedules are not required for Separate Price Proposals laid out in Schedule 3 Part 3 of this RFP.
3.7 Inputs Booklet	The Proponent must provide a detailed and comprehensive inputs booklet, which, at a minimum, identifies and provides details of all inputs used in the Financial Model, including: • 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. • Macro-economic assumptions, including interest and inflation rates. • Taxation assumptions and associated sensitivities on model. • The assumptions made in relation to the tax liabilities and recoverability. • Accounting policies, including depreciation by asset type, and working capital requirements. • All other assumptions that have been necessary in order to construct the Financial Model. The inputs booklet must be consistent with, and reconcile to, the Financial Model.
3.8 Sensitivity Analysis	As part of the review of the Proposal, the Proponent is required to provide the sensitivity analyses listed below. The Region reserves the right to conduct additional sensitivities. For the purpose of clarity, the Region may wish to test the hypothetical impact of the sensitivities listed below on the results of the Financial Model, regardless of the risk transfer contemplated in the Project Agreement. Effect on total Project NPV of change in inflation by (assuming that base case inflation is 2%): • 1% increase (for whole Project, i.e. 3%). • 3% increase (for whole Project, i.e. 5%). • 5% increase (for whole Project, i.e. 7%). Effect on total project NPV of change in Benchmark Rates by: • 10 basis points increase and decrease in underlying benchmark rates. • 50 basis points increase and decrease in underlying benchmark rates. • 100 basis points increase and decrease in underlying benchmark rates.

	The Regions' advisors will be using the Financial Model and sensitivity analysis as part of the overall evaluation of whether the Proposal represents a financing plan that is achievable and realistic.
4.0 NET PRESENT VALUE	Proponents are required to provide separate NPV calculations for the 14 Vehicle Submission and the 16 Vehicle Submission in Schedule 6A Price Form and Schedule 6B Price Form respectively. All instructions noted below for purposes of calculating the NPV remain unchanged for either submission unless specifically noted below.
4.1 NPV	The Proponent's price proposal is the sum of the following NPV costs as calculated in Schedule 6A Price Form and Schedule 6B Price Form. For clarity the NPV will be calculated are follows: (1) NPV of the Milestone Payments; (2) NPV of the Substantial Completion Payment; (3) NPV of the MSPs assuming the DBFOM is implemented for the entire 30 year concession period following the Baseline Service Plan outlined in Section 2.25, and as calculated in Sheet 6A of the Price Form; (4) NPV of the MSPs of the DBFM for years 11 to 30 of the concession period, as per Sheet 6B of the Price Form; (5) NPV of Region P&I Costs for Incremental Vehicle Costs, for clarity this will be zero for the 14 Vehicle Submission. The Early Completion Bonus, as outlined below in Section 4.3 will be deducted from the sum above. For purposes of calculating the overall price, one time costs for: • Each Milestone Payment will be deemed to occur on the last day of the calendar month in which the relevant Milestone Payment occurs. • Substantial Completion Payment will be deemed to occur on the last day of the calendar month in which the Substantial Completion Date occurs
4.2 NPV Assumptions	The Proponent's NPV will be calculated as follows: • the NPV of the Milestone Payments; • the NPV of the Substantial Completion Payment; • the NPV of monthly pricing under the DBFOM under an assuming 30 years of operations (including pricing for the volume adjustment and the lifecycle costs);

	• the NPV of monthly maintenance costs under the DBOM (assumed to be implemented in Year 11 – 30 of the contract); and • less the Early Completion Bonus as outlined in Part 2 of Schedule 3 of this RFP. Please see Sheet 7 of the RFP Schedule 6A Price Form and Schedule 6B Price Form for further details. The following assumptions will be used for purposes of the NPV calculation: • For purposes of this calculation, the annual increase in the Inflation Basket will be 2%. • Regardless of the date of any payment or whether a period is a fraction of a year, escalation should never be compounded by a fraction of a year, but by full year increments. • Monthly payments are assumed to be made on the last day of each Contract Month. The series of Proponent's evaluated price for each contract year will be discounted using the Region's Discount Rate to calculate the present value of the Proponent's price bid at the Base Date as described in Section 2.9 of Part E of this Part 2 of Schedule 3 of the RFP.
4.3 Bonus – Early Completion	The Region will decrease a Proponent's evaluated NPV by $10,000 for every calendar day earlier than September 1, 2017, but no sooner that June 1, 2017 (dates inclusive). For clarity, this bonus will not apply for any date that is earlier than or including May 31, 2017 or later than or including September 2, 2017. The Price Form will calculate the NPV Bonus, based on date inputs from the Proponent.

APPENDIX A

SWAP TERM SHEET

The below swap term sheet (table A) 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. If more than one interest rate swap is planned, please include the appropriate number of swap term sheets, each of these as a separate sheet, to reflect the financing solution. 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 of the Proponent.

Interest Rate Swap Term Sheet
INDICATIVE TERMS AND CONDITIONS
Private and Confidential

Fixed Swap Rate Payer:	Insert name
Fixed Swap Rate Receiver:	Insert name
Notional Amount:	Insert amount as follows "CAD$ [insert amount] as per attached schedule"
Trade Date:	Insert date
Effective Date:	Insert date
Maturity Date:	Insert date
Initial Notional Amount:	Insert amount
Fixed Swap Rate:	**[xx]%**
Floating Rate:	**1m CDOR until (incl.): Insert date**
	3m CDOR thereafter
Spread over CDOR	**none**
Compounding	**Inapplicable**
Fixed Rate Payer Dates:	The dates are as per the attached schedule commencing on the Effective Date
Floating Rate Payer Dates:	The dates are as per the attached schedule commencing on the Effective Date
Fixed Rate Day Count:	ACT/365, Fixed Adjusted
Floating Rate Day Coung:	ACT/365, Fixed Adjusted
Business Days	Toronto,
Payment Dates	Last day of interest period
	Modified Following

Notional Payment Schedule

Period Begin	Period End	Principal Outstanding (Open Bal.)