

**FINANCIAL MODEL REVIEW WORKSHEET –**

<b>Project Name</b>	Trillium Line Extension Project
<b>Proponent</b>	Trillium Extension Alliance
<b>Review Date</b>	September 24, 2018
<b>Reviewer</b>	Deloitte

**Convention:**

- If the item is considered to not have any potential non-conformances with the submission requirements: **No Potential Non-Conformances Observed**
- If the item is considered to have potential non-conformance with the submission requirements: **Potential Non-Conformance Observed**
- If potential conformance is not applicable for an item: **N/A** [**Note to Reviewer:** an example of this is requirement reference 2.4 – Price Validity – below. Although this is a Financial Submission Requirement, it is not observable as part of the Financial Model review.]

**Summary of Results:**

- **Minor potential non-conformances observed: [2]**
- **Major potential non-conformances observed: [0]**

**FINANCIAL MODEL REVIEW WORKSHEET**

Proponent:		Trillium Extension Alliance			
RFP Reference	Requirements		Observation	Reference	Comments
	<b>RFP Schedule 3 Part 2 – Financial Submission Requirements</b>				
Schedule 3 Part 2 – Subsection 2.0	<b>2.0 Basis for Financial Submission</b>				
	The Proponent shall use the following as the 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.				
	2.1 Financial Close & Model Start Date	The Financial Close date to be used in the Proposal as the date for the start of construction is the Financial Close Target Date, as set out in the timetable contained in RFP Schedule 1.	No Potential Non-Conformance Observed	Sheet: Inputs Row/Cell: J13	
	2.2 Base Date	The base date to be used in developing the RFP Proposal is the Submission Deadline.	No Potential Non-Conformance Observed	Sheet: Inputs Row/Cell: J11	
	2.3 Currency	Where prices are requested in the RFP Documents those prices are to be submitted in Base Date prices and in Canadian dollars.	No Potential Non-Conformance Observed		
2.4 Price Validity	With the exception of an adjustment for movement in the relevant Benchmark Rate all prices in the Proposal shall remain firm and irrevocable for the Proposal Validity Period.	No Potential Non-Conformance Observed	Attachment 3.5 - 1 Inputs Booklet	No variation to margins or fees over the life of the instruments proponent has elected to propose with.	

<b>Proponent:</b>	Trillium Extension Alliance																				
RFP Reference	Requirements			Observation	Reference	Comments															
	2.5 Inflation	<p>Inflation applicable to the Annual Service Payment – Service Portion and the Lifecycle Payment is governed by the provisions of Schedule 19 – Payment Mechanism of the Project Agreement and is calculated based on two weighted indices that will form the basis of payment adjustments related to inflation. The two indices and their CANSIM table reference are as follows:</p> <table border="1" data-bbox="592 548 1199 769"> <thead> <tr> <th>Index</th> <th>CANSIM Reference</th> <th>Maintenance Weighting</th> <th>Lifecycle Weighting</th> </tr> </thead> <tbody> <tr> <td>Labour Industrial Aggregate</td> <td>281-0063</td> <td>85.0%</td> <td>80.0%</td> </tr> <tr> <td>CPIXFET</td> <td>176-0003</td> <td>15.0%</td> <td>20.0%</td> </tr> <tr> <td>Total:</td> <td></td> <td>100.0%</td> <td>100.0%</td> </tr> </tbody> </table> <p>For evaluation purposes, the CPIXFET is assumed to be a rate of 2.25% per annum and the Labour Industrial Aggregate Index is assumed to be at a rate of 2.25% per annum. Indexation will be applied on an annual basis starting on January 1<sup>st</sup> and ending on December 31<sup>st</sup>.</p>	Index	CANSIM Reference	Maintenance Weighting	Lifecycle Weighting	Labour Industrial Aggregate	281-0063	85.0%	80.0%	CPIXFET	176-0003	15.0%	20.0%	Total:		100.0%	100.0%	No Potential Non-Conformance Observed	Sheet: Inputs Row/Cell: J58:J67	
Index	CANSIM Reference	Maintenance Weighting	Lifecycle Weighting																		
Labour Industrial Aggregate	281-0063	85.0%	80.0%																		
CPIXFET	176-0003	15.0%	20.0%																		
Total:		100.0%	100.0%																		
	2.6 Interest Rates	<p>The Proponent shall 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 in Appendix A of Schedule 1 to this RFP. The Proponent shall provide clearly defined, verifiable and transparent supporting information on source and composition of the Benchmark Rate(s) identified through publicly observable screen shots (for example, include a Bloomberg Screen or Reuters Screen) from which the Benchmark Rate(s) was extracted, average life, drawdown and repayment profile and where applicable, formulas and calculations that would allow the Sponsor to verify the reference interest Benchmark Rate(s) at Financial Close.</p> <p>For financing solutions that involve swap(s), the Proponent shall complete the information in the</p>	No Potential Non-Conformance Observed	2.0 Basis for Financial Submission  2.6-1 Swap Term Sheet	<p>Proponent’s construction facility is based on a floating interest rate, being the CDOR. Proponent intends to enter into a CAD fixed-floating swap rate to eliminate interest rate risk and to fix interest rate for the Construction Facility.</p> <p>Benchmark rate – 2.584% Swap Rate – 0.10% Credit Spread – 0.675% All-in Rate – 3.359%</p>																

Proponent:	Trillium Extension Alliance				
RFP Reference	Requirements		Observation	Reference	Comments
		<p>Appendix A Swap Term Sheet attached to this RFP Schedule 3 – Part 2.</p> <p>The Proponent shall 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(s) that the Proponent considers necessary. Any such additional interest rate risk over and above the Benchmark Rate(s) should be clearly identified 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.</p>			
2.7	Equity Returns Rates and Distributions to Equity	<p>The Proponent shall clearly identify the equity distributions made during the Maintenance Period, the annual pre-tax IRR, and confirm that the annual distributions to equity during the Maintenance Period meets the Threshold Capital Coverage Ratio defined in Section 1, Schedule 4 – Funding Requirements of the Project Agreement.</p>	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Sheet: Equity Summary Row/Cell: 43:44</li> <li>Sheet: Summary Row/Cell: S38</li> <li>Sheet: Operations Row/Cell: E109</li> </ul>	<ul style="list-style-type: none"> <li>Equity distributions begin month of December 2022</li> <li>Pre-tax IRR – 10.44%</li> <li>Capital Coverage - PA Schedule 4 states Threshold Capital Coverage Ratio to be no less than 1.08. Proponent’s Capital Coverage Ratio is 1.15.</li> </ul>
2.8	Cash Allowance	<p>The Proponent must include a cash allowance, in its Financial Model, for the following cash allowance items and associated amounts:</p> <ul style="list-style-type: none"> <li>Utility Self-Performed Works: <b>\$5,100,000.00</b></li> </ul> <p>The Proponent should reflect this amount in its Financial Models in the period on which Financial Close occurs and should ensure that the cash allowance amount is not financed in the Financial Model. For additional certainty, the cash allowance amount is not part of the Total Submission Price or the Affordability Criteria calculation.</p>	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Sheet: Construction Row/Cell: D89</li> </ul>	

Proponent:		Trillium Extension Alliance			
RFP Reference	Requirements	Observation	Reference	Comments	
	<p>2.9 Indicative Credit Spread Benchmark(s)</p> <p>If the Proponent elects to participate in future Credit Spread Lock-in Dates (i.e., the First and Final Credit Spread Lock-in Dates) then, in accordance with the RFP Section 5.5, it shall submit an Indicative Credit Spread Benchmark(s) and formula 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. The Indicative Credit Spread Benchmark(s) shall consist of publicly verifiable, liquid and observable bonds or indices or basket of bonds or indices used to measure the movement and consistency of the Credit Spread (for example, may include basket of Corporate Bonds, Provincial Bonds etc.).</p> <p>Additionally, the Proponent shall ensure that in respect of any applicable basket of bonds and/or indices that at each of the First Credit Spread Lock-in Date and the Final Credit Spread Lock-in Date, there shall be a minimum of seven bonds and/or indices in the basket(s) for the calculation of the Indicative Credit Spread Benchmark after excluding the bond and/or index with the least change and the bond and/or index with the greatest change (if the Proponent so chooses to exclude such outliers):</p> <ul style="list-style-type: none"> <li>• since the Submission Deadline for the First Credit Spread Lock-in Date, if applicable;</li> <li>• since the later of the First Credit Spread Lock-in Date or Submission Deadline for the Final Credit Spread Lock-in Date; and</li> <li>• there shall be not more than one bond of the same issuer or any Affiliate of that issuer.</li> </ul> <p>For greater clarity:</p> <ul style="list-style-type: none"> <li>• for the calculation of the Indicative Credit Spread Benchmark at the Final Credit Spread Lock-in Date, the bonds and/or indices excluded from the basket (if the Proponent chose to exclude the outliers) for the calculation of the Indicative Credit Spread</li> </ul>	No Potential Non-Conformance Observed	2.0 – Basis for Financial Submission	N/A - Proponent indicated its Construction Facility is a Held Pricing Facility, and therefore does not require an Indicative Credit Spread Benchmark.	

Proponent:	Trillium Extension Alliance				
RFP Reference	Requirements		Observation	Reference	Comments
		<p>Benchmark at the First Credit Spread Lock-in Date shall be reinstated for the purpose of determining which bonds and/or indices to exclude from the basket as described above; and</p> <ul style="list-style-type: none"> <li>after the Financial Submission Deadline, the basket of bonds and/or indices used to calculate the Indicative Credit Spread Benchmark(s) and formula shall not change.</li> </ul> <p>If, in the Sponsor’s sole discretion, the Indicative Credit Spread Benchmark(s) and/or formula are unsatisfactory, the Sponsor reserves the right to request that the Proponent clarify the submitted Indicative Credit Spread Benchmark(s) and/or formula and/or to require the Proponent to resubmit the Indicative Credit Spread Benchmark(s) and/or formula.</p>			
	2.10 Discount Rate	For purposes of the net present value (“NPV”) calculation, the Proponent is required to use a 4.0% discount rate discounted to the Base Date in all cases unless specifically required otherwise by the RFP.	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Sheet: Inputs Row/Cell: J56</li> </ul>	
	2.11 Payment Date	For purposes of calculating the NPV, payments by the Sponsor are assumed to be made on the last day of the calendar month in which the payment occurs.	No Potential Non-Conformance Observed		
	2.12 Tax and Accounting	The Proponent must provide details of its taxation assumptions to demonstrate to the Sponsor 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 tax and accounting assumptions underlying their Financial Model and Proposal.	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Sheet: Tax</li> </ul>	General Partnership (GP) structure – a Canadian partnership under the Income Tax Act. No income taxes charged at the GP level (pre- and post-tax IRR for Project Co will be the same).

Proponent:	Trillium Extension Alliance				
RFP Reference	Requirements		Observation	Reference	Comments
	2.13 Payment Mechanism	The Payment Mechanism described in Schedule 19 – Payment Mechanism of the Project Agreement is to be used without exception for the Proposal.	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>PA Schedule 19 – Payment Mechanism</li> </ul>	
2.14 Net Present Value Calculation	The NPV must be calculated using Microsoft Excel’s XNPV formula using the monthly payment schedules (including Lifecycle Payments and other expected payments), based on the assumptions listed in this Schedule 3, Part 2. Schedule 8 – Price Form to this RFP automatically calculates the NPV. Proponents are encouraged to review Schedule 8 to this RFP and NPV calculation therein and advise the Sponsor of any inconsistencies, inaccuracies, or coding errors.	No Potential Non-Conformance Observed			
2.15 Independent Certifier Fees	The Financial Model submitted in the Proponent’s Financial Submission shall include \$220,000 for Independent Certifier fees distributed equally throughout the period commencing on Financial Close and ending on the Scheduled Substantial Completion Date. 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 Sponsor.	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Sheet: Inputs Row/Cell: J154</li> <li>Sheet: Inputs Row/Cell: J20</li> <li>Sheet: Construction Row/Cell: D119</li> </ul>	<ul style="list-style-type: none"> <li>Annual fee of \$62,857</li> <li>42 months of construction</li> <li><math>\\$62,857 * (42/12) = \\$220,000</math></li> </ul>	
2.16 Construction Period Payments	<p>The Proponent will receive Construction Period Payments from the Sponsor in accordance with Schedule 20 – Construction Period Payments of the Project Agreement.</p> <p>The Proponent may determine the timing and amount of Construction Period Payments, subject to the following criteria and constraints:</p> <ul style="list-style-type: none"> <li>for each Payment Period, a Projected Eligible Construction Period Payment shall represent 85% of the sum of (Total Capital Costs to date minus the Initial Capital Investment Amount) minus Projected Eligible Construction Period Payments (Cumulative) as at the end of the previous period;</li> <li>the Sponsor shall not be obliged to make any</li> </ul>	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Sheet: Inputs Row/Cell: J38:J47</li> <li>Sheet: Cash Cascade Row/Cell: Rows 43:45</li> <li>Sheet: Cash Cascade Row/Cell: Rows 37:40</li> <li>Sheet: Cash Cascade Row/Cell:</li> </ul>	<ul style="list-style-type: none"> <li>85% eligible CPP – No potential non-conformances observed.</li> <li>Total Capital Costs and Initial Capital Investment Amount trigger – No potential non-conformance observed, and occurs March 2019.</li> <li>CPP following PA 20 formula – No potential non-conformance observed.</li> <li>One payment / month – No potential non-conformance observed.</li> </ul>	

Proponent:	Trillium Extension Alliance				
RFP Reference	Requirements		Observation	Reference	Comments
	<p>Construction Period Payments until Project Co has achieved the Initial Capital Investment, as certified by the Independent Certifier;</p> <ul style="list-style-type: none"> <li>• each projected Construction Period Payment shall be determined using the formula set out in Schedule 20 – Construction Period Payments to the Project Agreement; and</li> <li>• the Proponent can receive up to one Construction Period Payment per month. For modeling purposes, Construction Period Payments should occur on the last calendar day of each month the payment is made.</li> </ul> <p>For clarity, the timing and frequency of the Construction Period Payments will be in accordance with Schedule 20 – Construction Period Payments.</p> <p>The Proponent is required to invest an “<b>Initial Capital Investment Amount</b>” equivalent to 10% of the Total Capital Cost of the Project.</p> <p>“<b>Total Capital Costs</b>” refers to the aggregate of Capital Costs and Project Co Soft Costs. Capital Costs and Project Co Soft Costs has the meaning given to it in Schedule 20 - Construction Period Payments - of the Project Agreement.</p> <p>“<b>Initial Capital Investment</b>” has meaning given to it in Schedule 20 – Construction Period Payments - of the Project Agreement.</p> <p>Additionally, the Proponent shall also show as part of Cost of the Works included in Schedule 8 – Price Form – to this RFP the Projected Earned Value (Cumulative) values associated with Capital Costs as outlined in PBS-1. The aggregate of Earned Value shall be equal to the aggregate Capital Costs. For clarity, items related to Project Co Soft Costs shall be detailed in the Price Form but do not have to included in PBS-1.</p>			<p>F10</p> <ul style="list-style-type: none"> <li>• Sheet: Cost of the Works (K) Row/Cell: D54</li> </ul>	<ul style="list-style-type: none"> <li>• 10% of total capital cost – No potential non-conformance observed (79,979,554).</li> <li>• Price Form total capital costs match total value expressed in the model (\$799,795,542.64).</li> </ul>



Proponent:	Trillium Extension Alliance				
RFP Reference	Requirements		Observation	Reference	Comments
	2.17 Substantial Completion Payment	<p><b>Once all preconditions to eligibility for payment have been satisfied in accordance with the provisions of the Project Agreement, the Sponsor shall pay to Project Co the Substantial Completion Payment.</b></p> <p>The Proponent must include the Substantial Completion Payment in the Proponent’s Financial Submission, Financial Model and Price Form in accordance with the Scheduled Substantial Completion Date.</p> <p>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 to be no less than \$35,000,000.00 (“<b>Maintained Private Capital</b>”). The Proponent shall structure its Construction Period Payments (as defined in Section 2.16) and the Substantial Completion Payment to ensure that a minimum of \$35,000,000.00 remains financed by Private Capital Invested following receipt of the Substantial Completion Payment and the Construction Period Payments.</p> <p>For additional clarity, and notwithstanding anything else to the contrary in the Project Agreement, Project Co shall retain Maintained Private Capital of no less than \$35,000,000.00 subject only to the permitted reduction of the Maintained Private Capital during the Maintenance Period.</p> <p>For calculation purposes, “Substantial Completion Payment”, “Private Capital Invested” and “Maintained Private Capital” have the meanings given in Schedule 20 – Construction Period Payments of the Project Agreement.</p> <p>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 Price Form will calculate compliance with the above noted constraint and indicate an error message if the constraint is breached.</p>	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>• Sheet: Summary Row/Cell: D15</li> <li>• Sheet: Cash Cascade Row/Cell: J19</li> <li>• Sheet: Sheet 1 – Capital Row/Cell: N71</li> <li>• Sheet: Funding Schedules Row/Cell: 30:31</li> </ul>	<ul style="list-style-type: none"> <li>• SCP of \$152,951,953, at Scheduled SC Date of July 31, 2022 – No potential non-conformance observed.</li> <li>• Private capital (or equity) contributed on August 2022 (\$35 million).</li> <li>• Private capital (or equity) distributed between December 2022 and September 2049 (\$124,146,021)</li> </ul>

Proponent:	Trillium Extension Alliance				
RFP Reference	Requirements		Observation	Reference	Comments
	2.18 Utility Costs	Proponents shall provide in their completed Schedule 8 – Price Form, the annual target consumption rates for utilities subject to the pricing adjustment mechanism outlined in Section 6 of Part B in Schedule 19 – Payment Mechanism. Annual consumption targets shall be provided for a full year and will be adjusted for partial years as required for purposes of calculating the Annual Utilities Consumption Adjustment.	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Sheet: Sheet 10 – Utility Row/Cell: K17:N17</li> <li>Sheet: Sheet 10 – Utility Row/Cell: D17:G21</li> </ul>	
	2.19 Total Submission Price	<p>Proponents must include a breakdown of the Total Submission Price in accordance with Schedule 8 – Price Form.</p> <p>NPV Bonus:</p> <ul style="list-style-type: none"> <li>In the event that a Proponent’s Scheduled Substantial Completion Date as identified in its Proposal falls on, or before, the Early Scheduled Substantial Completion Eligibility Date, the Early Scheduled Substantial Completion NPV Bonus shall be applied as a negative amount in the calculation of the Proponent’s Total Submission Price for evaluation purposes only. For clarity, if the Scheduled Substantial Completion Date falls on a date that is later than the Early Scheduled Substantial Completion Eligibility Date, no Early Scheduled Substantial Completion NPV Bonus shall apply.</li> <li>“<b>Early Scheduled Substantial Completion Eligibility Date</b>” shall be December 1, 2021</li> <li>“<b>Early Scheduled Substantial Completion NPV Bonus</b>” shall be an amount of \$5,000,000.00</li> </ul>	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Sheet: Summary of NPV Row/Cell: D33</li> </ul>	<ul style="list-style-type: none"> <li>Submission Price (NPV) of \$1,295,051,157.24.</li> <li>Proponent does not project to hit SC early (on or before December 2021), and not eligible for bonus.</li> </ul>
	2.20 Base Relevant Insurance Cost	<p>Proponents shall carry and clearly identify as a cost item Base Relevant Insurance Cost (the “<b>BRIC</b>”) as part of the Financial Model. For clarity, the BRIC may vary Contract Year to Contract Year.</p> <p>The BRIC carried as part of the Financial Model will be subject to benchmarking per the methodology outlined in Schedule 24 – Insurance and Performance Security Requirements of the Project Agreement.</p>	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Sheet: Inputs Row/Cell: J242</li> </ul>	Annual cost of \$530,010.

Proponent:	Trillium Extension Alliance				
RFP Reference	Requirements		Observation	Reference	Comments
	2.21 Aggregate Target Lane Closure Cost	<p>The Aggregate Target Lane Closure Cost, as defined in Schedule 7 of the Project Agreement, will be calculated in accordance with Schedule 8 – Price Form to this RFP and Schedule 7 – Mobility Matters of the Project Agreement using the applicable unit rate prices set out in the “Lane Closure” sections of Schedule 8 – Price Form. The Proponent shall ensure that the assumptions outlined in the draft Lane Closure Target Letter align with the calculations and assumptions included in Schedule 8 – Price Form.</p> <p>Aggregate Target Lane Closure Cost will be included in the Proponent’s Total Submission Price.</p>	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Sheet: Sheet 4 – Lane Closure Row/Cell: E24:E25</li> </ul>	
	2.22 Lifecycle Payments for AZR Exemption	<p>If a Proponent’s design includes a rail-over-road solution subject to AZR Exemption as outlined in Section 1.5(b) of Schedule 15-3, the Proponent shall carry \$3,000,000.00 (in Inflation Base Date prices) as part of Lifecycle Payments distributed equally over the last four calendar month of the year 2040 (to be included in Column H of Table 3 in Appendix A to Schedule 19). Such amounts shall be included in the calculation of the Total Submission Price as defined in Schedule 8 of the RFP and shall be included in determining whether a Proponent’s Financial Submission meets the Aggregate Cost Affordability Criteria.</p>	No Potential Non-Conformance Observed	N/A	Proponent does not have a rail-over-road solution in its proposal.
	2.23 Contract Price for Revenue Vehicles	<p>As part of the Price Form, The Proponent shall select a Contract Price (including, solely at the Proponent’s discretion, the selection of option 1, 2, 3, or 4 described in “Options Available to Proponents” attached hereto as Exhibit A) for Revenue Vehicles and identify the timing and quantum of the payments in accordance with the milestones identified in the Revenue Vehicle Supply Contract.</p> <p>Depending on the option selected by the Proponent, the Revenue Vehicle Supply Contract will be amended to reflect revised provisions associated with each option as it relates to Delay and Liquidated Damages, General Warranty Period, Limitations on Liability and Performance Security. Options available to Proponents</p>	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Sheet: Inputs Row/Cell: J128</li> <li>Sheet: Construction Row/Cell: 84:85</li> <li>Sheet: Sheet 1 – Capital Row/Cell: L18</li> </ul>	<p>Proponent has elected to go with the Base Proposal Option.</p> <ul style="list-style-type: none"> <li>Revenue Vehicle Contract Costs of \$106,596,000</li> </ul>

Proponent:	Trillium Extension Alliance				
RFP Reference	Requirements		Observation	Reference	Comments
		and associated Revenue Vehicle Supply Contract amendments are captured in the document titled “Options Available to Proponents” attached hereto as Exhibit A.			
Schedule 3 Part 2 – Subsection 3.0	Financial Model				
	The Proponent shall provide the Financial Model in Microsoft Excel format, showing all cash flows in sufficient detail to determine the source and use of funds on a monthly basis over the Project Term (as defined in the Project Agreement) and to calculate the Cost of the Financing. 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 forming Schedule 30 to the Project Agreement.				
	3.0 Audit Letter	The Proponent shall 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 materially consistent with the RFP and Project Agreement. The complete audit letter must be included as part of the Financial Submission, including any attachments, appendices or schedules. 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.	No Potential Non-Conformance Observed	3.1-1 Audit Letter	Note the Audit Letter does state review of the accounting and tax assumptions and calculations to be out of scope.
3.1 General Model Requirements	The Financial Model shall:				

Proponent:	Trillium Extension Alliance				
RFP Reference	Requirements		Observation	Reference	Comments
		provide financial projections (cost and revenue projections) on a monthly basis from Financial Close until the end of the Project Agreement;	No Potential Non-Conformance Observed		
		not incorporate any password protection (or the password protection must be disclosed);	No Potential Non-Conformance Observed		
		not include hidden sheets or areas;	No Potential Non-Conformance Observed		
		not contain any circular references or balancing numbers and no input numbers in the calculation worksheets;	No Potential Non-Conformance Observed		
		include the optimization process to refresh the Cost of the Financing in the Financial Model; and	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Attachment 3.4-1 – Financial Model Specification Booklet</li> </ul>	
		use a start date for the Project that corresponds to the Financial Close Date as specified above in Section 2.1 of Part D of this Schedule 3 Part 2.	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Sheet: Inputs Row/Cell: J13</li> </ul>	

Proponent:	Trillium Extension Alliance				
RFP Reference	Requirements		Observation	Reference	Comments
	3.2 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 and maintenance costs.	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Sheet: Cash Cascade</li> <li>Sheet: Summary Row/Cell: Columns B to G</li> </ul>	<ul style="list-style-type: none"> <li>Nominal sources and uses of funding shown in Cash Cascade sheet</li> <li>NPV sources and uses of funding shown in Summary sheet</li> </ul>
		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 / SPV 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.	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Sheet: Inputs Row/Cell: J253</li> <li>Sheet: Inputs Row/Cell: J241</li> </ul>	<ul style="list-style-type: none"> <li>Annual SPV costs of \$619,319</li> <li>Insurance costs of \$530,010</li> </ul>
		The Financial Model shall contain the following:			
		a list of all assumptions, upfront fees, costs such as legal fees, development fees, and insurance coverage (where applicable);	Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Sheet: Operations Row/Cell: Row 72</li> </ul>	SPV costs provided (\$16.7 million), but no breakdown provided of costs such as legal, upfront and development fees.
		projected draw-down monthly schedule including dates and amounts for all sources of funds;	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Sheet: Inputs Booklet Row/Cell: 109:159</li> </ul>	

Proponent:	Trillium Extension Alliance				
RFP Reference	Requirements		Observation	Reference	Comments
	project financing sources and amount;		No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Sheet: Scenario Summary Row/Cell: E26</li> <li>Sheet: Scenario Summary Row/Cell: E31</li> </ul>	<ul style="list-style-type: none"> <li>Construction Facility of \$174,826,953</li> <li>Equity of \$35,000,000</li> </ul>
	project equity return cost in respect of the project financing amount(s) used to calculate the Cost of the Financing portion of the Total Capital Cost;		No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Sheet: Summary Row/Cell: J38</li> </ul>	Equity as a proportion of total project financing: 16.68%
	all applicable equity rates as required by the equity investors in the Section 2.6 - Equity Returns Rates and Distributions to Equity, of this Part 2 to Schedule 3 to RFP, including equity injected, returns and internal rate of return, if applicable ;		No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Sheet: Summary Row/Cell: S38</li> </ul>	
	weighted average cost of capital;		No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Sheet: Summary Row/Cell: J44:J45</li> </ul>	<ul style="list-style-type: none"> <li>WACC @FC: 4.54%</li> <li>WACC @SC: 10.44%</li> </ul>
	all related fee costs;				

Proponent:	Trillium Extension Alliance					
RFP Reference	Requirements		Observation	Reference	Comments	
	all costs allocated to performance of Project Co's warranty obligations under the Project Agreement;					
	projected income statements;		No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Sheet: Financials Row/Cell: Row 26:38</li> </ul>		
	projected balance sheet;		No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Sheet: Financials Row/Cell: Row 50:64</li> </ul>		
	cash flow projections; and		No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Sheet: Cash Cascade</li> </ul>		
	cash cascade in order of seniority (which must be consistent with any funding term sheets).		No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Sheet: Cash Cascade</li> </ul>		
	The Financial Model must also, at a minimum, produce the following outputs:					



Proponent:	Trillium Extension Alliance				
RFP Reference	Requirements		Observation	Reference	Comments
		project internal rate of return (IRR), in both real terms and nominal terms, on a pre-tax and post-tax basis;	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Sheet: Cash Cascade Row / Cell: D108:D118</li> </ul>	Project IRR (Real): 4.29% Project IRR (Nominal): 6.53%
		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;	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Sheet: Cash Cascade Row / Cell: D108:D118</li> </ul>	Nominal Equity: 9.10% Real Equity: 6.72% Nominal Blended Equity: 10.44% Real Blended Equity: 7.98% Blended Equity: 9.10%
		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;	Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Sheet: Summary Row / Cell: J47</li> </ul>	@FC: 83:32% @SC: not provided. However given that Proponent only has debt facility intended to last through construction period, we know that gearing will be zero.
		drawdown and repayment schedules, including dates and amounts for all sources of finance (on a monthly basis);	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Sheet: Inputs Booklet Row / Cell: Row 109:199</li> </ul>	
		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);	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Sheet: Inputs Booklet Row / Cell: Row 109:199</li> </ul>	WACC @FC: 4.54% WACC @SC: 10.44%

Proponent:	Trillium Extension Alliance				
RFP Reference	Requirements		Observation	Reference	Comments
		annual debt service coverage ratio and loan life cover ratio, if applicable, for each year of the Project Agreement, with minimum and average ratios;	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Sheet: Summary</li> </ul>	DSCR, and LLCR not applicable.
		any other ratios that are considered relevant to the proposed financial structure, financial covenants or financing agreements;	No Potential Non-Conformance Observed		No other ratios not mentioned prior were provided by Proponent.
		the precise timing of any equity injections, which cannot be later than Substantial Completion and details of the phasing, if appropriate;	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Sheet: Equity Row / Cell: Row 18:30</li> </ul>	Equity injected at February 2019 (\$13,125,000) and at August 2022 (\$21,875,000) – totalling \$35,000,000.
		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);	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Sheet: Construction Row / Cell: J133</li> <li>Sheet: Sheet 1 – Capital Row / Cell: I26</li> </ul>	Total construction costs of \$741,156,270 in model matches to Price Forms.  However, cannot comment on match to construction price at Financial Close.
		a schedule of projected maintenance and lifecycle reserves on a monthly basis, if applicable;	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Sheet: Operations Row / Cell: Row 91:97</li> </ul>	No reserves for maintenance and lifecycle, as shown in the model.

Proponent:	Trillium Extension Alliance				
RFP Reference	Requirements		Observation	Reference	Comments
		revenues and costs on a monthly basis;	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Sheet: Cash Cascade</li> </ul>	
		maintenance expenditure; and	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Sheet: Operations Row / Cell: Row 67:84</li> </ul>	
		a breakdown of the Proponent’s revenues and costs, including but not limited to: <ul style="list-style-type: none"> <li>special purpose vehicle running costs;</li> <li>other operating costs; and</li> <li>revenue and capital flows.</li> </ul>	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Sheet: Inputs Row / Cell: J229:252</li> <li>Sheet: Inputs Row / Cell: Row 33:47</li> </ul>	
		As a separate calculation, the Proponent 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.	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>RFP Appendix A – ST Bank</li> </ul>	Fixed swap rate of 2.854%, with a spread of 10 bps over CDOR (floating).
		In a separate sheet, provide a breakdown of all projected payments by the Sponsor to Project Co, including all: (i) Monthly Service Payments, (ii) monthly Lifecycle Payments, (iii) Construction Period Payments, and (iv) the Substantial Completion Payment, and the associated expected HST that would be payable on each such payment by Contracting Authority throughout the Project Term. Please also provide all assumptions and other details used to calculate all such expected HST amounts.	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Sheet: Tax Row / Cell: J9:J11</li> </ul>	HST for Direct Construction Costs, Operating Costs, and Lifecycle Costs provided.

Proponent:	Trillium Extension Alliance					
RFP Reference	Requirements		Observation	Reference	Comments	
		The Proponents Financial Model, must also include, as separate output sheets the following: <ul style="list-style-type: none"> <li>Schedule 8 to this RFP.</li> </ul>	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Sheets: from Cover to Sheet 10 (Utility)</li> </ul>	Proponent’s financial model does contain Schedule 8 [Price Forms].	
	3.3 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;	No Potential Non-Conformance Observed	Attachment 3.4-1 Financial Model Specification Booklet		
		how to run the model following changes to inputs;	No Potential Non-Conformance Observed	Attachment 3.4-1 Financial Model Specification Booklet		
		how to run sensitivities;	No Potential Non-Conformance Observed	Attachment 3.4-1 Financial Model Specification Booklet		
		the use of all macros, if any, contained in the Financial 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: <ul style="list-style-type: none"> <li>reasons why this macro is used;</li> <li>which operations and functions are accomplished through the macro;</li> </ul>	No Potential Non-Conformance Observed	Attachment 3.4-1 Financial Model Specification Booklet		

Proponent:	Trillium Extension Alliance				
RFP Reference	Requirements		Observation	Reference	Comments
		<ul style="list-style-type: none"> <li>• which cells are modified by the macro;</li> <li>• the macro’s results;</li> <li>• explanation of how the optimization and macro steps are carried out, particularly with regards to input modifications; and</li> <li>• 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;</li> </ul>			
		how to print key reports and the entire Financial Model;	No Potential Non-Conformance Observed	Attachment 3.4-1 Financial Model Specification Booklet	
		details of the optimization procedure(s) that is in line with the methodology described in Section B.6.0 of this Schedule 3 Part 2; and	No Potential Non-Conformance Observed	Attachment 3.4-1 Financial Model Specification Booklet	
		construction of the model, including: <ul style="list-style-type: none"> <li>• contents list of sheets and data contained within; and</li> <li>• details of complex or unusual formulae.</li> </ul>	No Potential Non-Conformance Observed	Attachment 3.4-1 Financial Model Specification Booklet	
	3.4 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:			

Proponent:	Trillium Extension Alliance				
RFP Reference	Requirements		Observation	Reference	Comments
		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;	No Potential Non-Conformance Observed	Attachment 3.5-1 Inputs Booklet	Shows three tranches of bank debt and the equity. Shows drawdown of debt, equity, CPP and SCP. Shows repayment of debt principal and interest, as well as equity distributions.  Shows schedule of capital, O&M, lifecycle, utility and transition costs.
		macro-economic assumptions, including interest and inflation rates;	No Potential Non-Conformance Observed	Attachment 3.5-1 Inputs Booklet	Shows indexation assumptions, and dates and details on NPV.
		taxation assumptions and associated sensitivities on model;	No Potential Non-Conformance Observed	Attachment 3.5-1 Inputs Booklet	Shows HST rate and delay timing. States that due to structuring, Project Co's pre- and post-tax IRR are the same.
		the assumptions made in relation to the tax liabilities and recoverability;	No Potential Non-Conformance Observed	Attachment 3.5-1 Inputs Booklet	N/A
		accounting policies, including depreciation by asset type, and working capital requirements; and	No Potential Non-Conformance Observed	Attachment 3.5-1 Inputs Booklet	IFRS methodology – project assets accounted for as concession license assets.  All costs are allocated to the asset and expensed to the income statement when invoiced to the authority. Assets are amortized from reaching SC until the end of

Proponent:	Trillium Extension Alliance					
RFP Reference	Requirements		Observation	Reference	Comments	
					the concession.  Interest costs are expensed to the income statement on an effective interest basis.  Margin applied to Design and Construction Costs (0.5%) and Transaction and pre-operating costs (0.5%).	
		all other assumptions that have been necessary in order to construct the Financial Model.	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Attachment 3.5-1 Inputs Booklet</li> <li>Sheet: Equity Row / Cell: Row 44</li> </ul>	Note that there is a two-month working capital delay during the operating period. Consequently, while the concession term lasts (27 years after operations start) from August 2022 to August 2049 – note that equity distributions do not end until September 2049.	
		The inputs booklet must be consistent with, and reconcile to, the Financial Model.	No Potential Non-Conformance Observed	Attachment 3.5-1 Inputs Booklet	Inputs Booklet is linked from the Inputs sheet, so logically reconciles to the rest of the financial model.	
	3.5 Sensitivity Analysis	As part of the review of the Proposal, the Proponent is required to provide the sensitivity analyses listed below.				
	Effect on Total Submission Price and monthly Capital Coverage Ratio projections of change in inflation by (assuming that base case inflation is 2.25%): <ul style="list-style-type: none"> <li>1% increase (for whole Project);</li> </ul> The above analysis should be supported by a monthly breakdown of the amounts impacted throughout the	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Sheet: Sensitivities Row / Cell: F153</li> <li>Sheet: Sensitivities</li> </ul>	<table border="1"> <tr> <td>Price (\$ change)</td> <td>CCR (x)</td> </tr> </table>	Price (\$ change)	CCR (x)
Price (\$ change)	CCR (x)					

Proponent:	Trillium Extension Alliance														
RFP Reference	Requirements		Observation	Reference	Comments										
	Project Term to arrive at the Total Submission Price and Capital Coverage Ratio.			Row / Cell: E127	(+) \$71,281,806	1.113x									
	Effect on Total Submission Price and monthly Capital Coverage Ratio projections of change in inflation by (assuming that base case inflation is 2.25%): <ul style="list-style-type: none"> <li>3% increase (for whole Project);</li> </ul> The above analysis should be supported by a monthly breakdown of the amounts impacted throughout the Project Term to arrive at the Total Submission Price and Capital Coverage Ratio.		No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Sheet: Sensitivities Row / Cell: F153</li> <li>Sheet: Sensitivities Row / Cell: E127</li> </ul>	Price (\$ change)  (+) \$261,404,933	CCR (x)  1.065x									
	Effect on Total Submission Price and monthly Capital Coverage Ratio projections of change in inflation by (assuming that base case inflation is 2.25%): <ul style="list-style-type: none"> <li>5% increase (for whole Project);</li> </ul> The above analysis should be supported by a monthly breakdown of the amounts impacted throughout the Project Term to arrive at the Total Submission Price and Capital Coverage Ratio.		No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Sheet: Sensitivities Row / Cell: F153</li> <li>Sheet: Sensitivities Row / Cell: E127</li> </ul>	Price (\$ change)  (+) \$540,948,267	CCR (x)  1.037x									
	Effect on the Total Submission Price of a change in Benchmark Rate(s) by: <ul style="list-style-type: none"> <li>10 basis points and decrease in underlying benchmark rates;</li> </ul>		No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Sheet: Summary Row / Cell: S21</li> <li>Sheet: Summary Row / Cell: O46</li> </ul>	<table border="1"> <tr> <td></td> <td>Price (\$ change)</td> <td>CCR (x)</td> </tr> <tr> <td>+10 bps</td> <td>(+) \$389,634</td> <td>1.150x</td> </tr> <tr> <td>-10 bps</td> <td>(-) \$389,174</td> <td>1.150x</td> </tr> </table>		Price (\$ change)	CCR (x)	+10 bps	(+) \$389,634	1.150x	-10 bps	(-) \$389,174	1.150x	
	Price (\$ change)	CCR (x)													
+10 bps	(+) \$389,634	1.150x													
-10 bps	(-) \$389,174	1.150x													



Proponent:	Trillium Extension Alliance					
RFP Reference	Requirements		Observation	Reference	Comments	
		Effect on the Total Submission Price of a change in Benchmark Rate(s) by: <ul style="list-style-type: none"> <li>50 basis points and decrease in underlying benchmark rates;</li> </ul>	No Potential Non-Conformance Observed			Price (\$ change)
					+50 bps	(+) \$1,952,781 1.150x
					-50 bps	(-) \$1,941,290 1.150x
	Effect on the Total Submission Price of a change in Benchmark Rate(s) by: <ul style="list-style-type: none"> <li>100 basis points and decrease in underlying benchmark rates;</li> </ul>	No Potential Non-Conformance Observed			Price (\$ change)	CCR (x)
					+100 bps	(+) \$3,917,154 1.150x
					-100 bps	(-) \$3,871,189 1.150x
	<p>The Sponsor reserves the right to conduct additional sensitivities. For the purpose of clarity, the Sponsor may wish to test the hypothetical impact of the sensitivities listed above on the results of the Financial Model, regardless of the risk transfer contemplated in the Project Agreement.</p> <p>The Sponsor’s advisors will be using the Financial Model and sensitivity analysis as part of the overall evaluation of whether the Proposal represents a financing plan is achievable and realistic.</p>					

Proponent:	Trillium Extension Alliance				
RFP Reference	Requirements		Observation	Reference	Comments
	3.6 Completion of Schedule 8 – Price Form	Each Proponent shall complete all forms set out in Schedule 8 – Price Form, including all worksheets.	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>• Sheets: from Cover to Sheet 10 (Utility)</li> </ul>	
	3.7 Cost-Loaded Works Schedule	<p>The Proponent must provide a detailed cost-loaded schedule showing completion of the Works and such cost-loaded schedule shall meet the requirements of PBS-1 as defined in Schedule 12 – Works Scheduling Requirements of the Project Agreement. For clarity, an identical schedule which excludes any costs is to be submitted as part of the Technical Submission.</p> <p>The cost loaded schedule included in the Financial Submission is to be provided to enable the Sponsor to confirm that the financial data included in it reflects the financial data included in the Proponent’s Schedule 8 – Price Form and Financial Model.</p> <p>In the event of discrepancies between the cost-loaded schedule included in a Proponent’s Financial Submission and their Schedule 8 – Price Form, the latter will govern.</p>	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>• Sheet: Cost of the Works (K)</li> <li>• 3.8-1 Detailed Cost Loaded Schedule</li> </ul>	
	3.8 Equity Distributions and Annual Service Payment – Capital Portion	<p>The Financial Model shall include continuity tables to show the annual interest changes, annual payments to equity (i.e. equity distributions), and principal outstanding, as required by the equity investors in the Section 2.7 - Equity Returns Rates and Distributions to Equity, of this Part 2 to Schedule 3 to RFP, including equity injected, returns and internal rate of return, if applicable.</p>	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>• Sheet: Inputs Booklet Row/Cell: 93:106</li> </ul>	Equity sizing, payment frequency, interest, grace period and commitment fee.
		<p>The Financial Model shall also include clear delineation of equity distributions made during the Maintenance Period, and the annual pre-tax IRR and post-tax IRR in real and nominal terms. No distributions to equity during the Construction Period are permitted.</p>	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>• Sheet: Summary Row / Cell: S38:39</li> <li>• Sheet: Equity Row / Cell: Row 43:44</li> </ul>	<p>Real and nominal IRR provided.</p> <p>Equity distributions made starting December 2022, and after reaching Substantial Completion.</p>

Proponent:	Trillium Extension Alliance				
RFP Reference	Requirements		Observation	Reference	Comments
		The Financial Model shall include on a monthly basis throughout the Maintenance Period a calculation of the Capital Coverage Ratio in accordance with Schedule 4 – Funding Requirements of the Project Agreement.	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Sheet: Cash Cascade Row / Cell: Row 135:136</li> <li>Project Agreement Schedule 4 Section 2.3</li> </ul>	Capital Coverage Ratio per month provided (1.15) between December 2022 and July 2049.
		“ <b>Capital Coverage Ratio</b> ” shall be calculated as the quotient of (i) the aggregate Actual Monthly Project Co Payments for the relevant Capital Coverage Ratio Calculation Period, and (ii) the aggregate Actual Monthly Project Co Costs for the relevant Capital Coverage Ratio Calculation Period. Actual Monthly Project Co Payments, Actual Monthly Project Co Costs and Capital Coverage Ratio Calculation Period has the meaning set out in Section 1, Schedule 4 – Funding Requirements of the Project Agreement.	No Potential Non-Conformance Observed	See directly above.	See directly above.
		The Financial Model shall show Project Co maintaining a minimum annual Capital Coverage Ratio equal to 1.15 or, for Service Levels other than Service Level 1, such lower value as calculated in the Financial Model (“ <b>Threshold Capital Coverage Ratio</b> ”). In no cases shall the Threshold Capital Coverage Ratio be less than 1.08. For clarity, Annual Service Payment – Capital Portion payments may vary from month to month but proponents must demonstrate that the Threshold Capital Coverage Ratio is maintained for the Capital Coverage Ratio Reporting Period.	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Sheet: Inputs Row / Cell: J70</li> </ul>	
		Annual Service Payment – Capital Portion shall be limited to capture only repayment of Maintained Private Capital that has been invested by Project Co during the Construction Period. Maintained Private Capital has the meaning set out in Section 1, Schedule 20 – Construction Period Payments of the Project Agreement.	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Sheet: Funding Schedules Row/Cell: 30:31</li> <li>Sheet: Sheet 2 – Operating Period</li> </ul>	Note that the Base Relevant Insurance Cost payment stream is entered into Annual Service Payment – Capital Portion column of ‘Sheet 2 – Operating Period’ of the City’s Schedule 8 – Price Form.  Proponent cites inflexibility of the

Proponent:	Trillium Extension Alliance			
RFP Reference	Requirements	Observation	Reference	Comments
			Row/Cell: Column R	Price Form (entering insurance into other parts of the worksheet would erroneously apply inflation on this cost), as the rationale.
	Equity distributions in a Contract Year shall not exceed the aggregate amount of Annual Service Payment – Capital Portion payments that Project Co is projected to receive for such Contract Year.	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Sheet: Funding Schedules Row / Cell: Row 31</li> <li>Sheet: Sheet 2 – Operating Period Row/Cell: Column R</li> </ul>	
	Equity distributions shall follow industry practices and standards for availability based public-private partnership projects in Canada. Similarly, variations in equity distributions and Annual Service Payment – Capital Portion amounts are expected to follow the maintenance and lifecycle cost profile over the Maintenance Period.	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Sheet: Inputs Row/Cell: J25</li> <li>Sheet: Graphs Row/Cell: Row 142</li> </ul>	Operations start date is August 2022. IRR Year 7: -11.09% IRR Year 12: +2.61% IRR Year 17: +7.44% IRR Year 22: +9.42% IRR Year 27: +10.44
3.9	For clarity, the model optimization process shall not result in adjustments to any of the following: Payments for Early Works (if applicable), Revenue Vehicle Contract Costs, Maintained Private Capital amount, Annual Service Payment – Capital Portion amounts, Equity IRR or Capital Coverage Ratio. The optimization process shall be clearly explained and provided by the Preferred Proponent as per Section 3.4 of Part D of this Schedule 3 - Part 2.	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Sheet: Inputs Row/Cell: J128</li> <li>Sheet: Inputs Row/Cell: J343</li> <li>Sheet: Sheet 2 – Operating Period Row/Cell: Column H</li> </ul>	Results do not change from changes in scenario. <ul style="list-style-type: none"> <li>Early Works: 0</li> <li>Revenue Vehicle Contract Costs: \$107 million</li> <li>Maintained Private Capital amount: \$35 million</li> <li>ASP – Capital: \$138 million</li> <li>Equity IRR: 10.44% (nominal); 7.98% (real)</li> <li>CCR: 1.15x</li> </ul>



## FINANCIAL MODEL REVIEW WORKSHEET

<b>Project Name</b>	Trillium Line Extension Project
<b>Proponent</b>	Trillium Link
<b>Review Date</b>	September 24, 2018
<b>Reviewer</b>	Deloitte

### Convention:

- If the item is considered to not have any potential non-conformances with the submission requirements: **No Potential Non-Conformance Observed**
- If the item is considered to have potential non-conformance with the submission requirements: **Potential Non-Conformance Observed**
- If potential conformance is not applicable for an item: **N/A** [**Note to Reviewer**: an example of this is requirement reference 2.4 – Price Validity – below. Although this is a Financial Submission Requirement, it is not observable as part of the Financial Model review.]

### Summary of Results:

- **Minor potential non-conformances observed: [0]**
- **Major potential non-conformances observed: [0]**

**FINANCIAL MODEL REVIEW WORKSHEET**

Proponent: Trillium Link					
RFP Reference	Requirements		Observation	Reference	Comments
	RFP Schedule 3 Part 2 – Financial Submission Requirements				
Schedule 3 Part 2 – Subsection 2.0	<b>2.0 Basis for Financial Submission</b>				
	The Proponent shall use the following as the 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.				
	2.1 Financial Close & Model Start Date	The Financial Close date to be used in the Proposal as the date for the start of construction is the Financial Close Target Date, as set out in the timetable contained in RFP Schedule 1.	No Potential Non-Conformance Observed	Financial Model - Inputs cell J23	Financial close is February 15, 2019
	2.2 Base Date	The base date to be used in developing the RFP Proposal is the Submission Deadline.	No Potential Non-Conformance Observed	Financial Model - Sheet 2 - Operating Period Cell E16	Base date is September 21, 2018
	2.3 Currency	Where prices are requested in the RFP Documents those prices are to be submitted in Base Date prices and in Canadian dollars.	No Potential Non-Conformance Observed	Financial Model – Cover worksheet	All monetary values contained in this financial model are expressed in Canadian dollars.
2.4 Price Validity	With the exception of an adjustment for movement in the relevant Benchmark Rate all prices in the Proposal shall remain firm and irrevocable for the Proposal Validity Period.	No Potential Non-Conformance Observed	Section 2 – 2.4 Price Validity	Trillium Link confirms with the exception of an adjustment for movement in the relevant Benchmark Rate all prices in the Proposal shall remain firm and irrevocable for the	

<b>Proponent:</b>	Trillium Link																				
RFP Reference	Requirements		Observation	Reference	Comments																
					Proposal Validity Period.																
2.5	Inflation	<p>Inflation applicable to the Annual Service Payment – Service Portion and the Lifecycle Payment is governed by the provisions of Schedule 19 – Payment Mechanism of the Project Agreement and is calculated based on two weighted indices that will form the basis of payment adjustments related to inflation. The two indices and their CANSIM table reference are as follows:</p> <table border="1"> <thead> <tr> <th>Index</th> <th>CANSIM Reference</th> <th>Maintenance Weighting</th> <th>Lifecycle Weighting</th> </tr> </thead> <tbody> <tr> <td>Labour Industrial Aggregate</td> <td>281-0063</td> <td>85.0%</td> <td>80.0%</td> </tr> <tr> <td>CPIXFET</td> <td>176-0003</td> <td>15.0%</td> <td>20.0%</td> </tr> <tr> <td>Total:</td> <td></td> <td>100.0%</td> <td>100.0%</td> </tr> </tbody> </table> <p>For evaluation purposes, the CPIXFET is assumed to be a rate of 2.25% per annum and the Labour Industrial Aggregate Index is assumed to be at a rate of 2.25% per annum. Indexation will be applied on an annual basis starting on January 1<sup>st</sup> and ending on December 31<sup>st</sup>.</p>	Index	CANSIM Reference	Maintenance Weighting	Lifecycle Weighting	Labour Industrial Aggregate	281-0063	85.0%	80.0%	CPIXFET	176-0003	15.0%	20.0%	Total:		100.0%	100.0%	No Potential Non-Conformance Observed	Financial Model - Inputs J499	Inflation is assumed to be a rate of 2.25% p.a. and the labour industrial aggregate is assumed to be a rate of 2.25%, applied on an annual basis starting January 1 <sup>st</sup> and ending December 31 <sup>st</sup> with the first step up occurring in January 2020.
Index	CANSIM Reference	Maintenance Weighting	Lifecycle Weighting																		
Labour Industrial Aggregate	281-0063	85.0%	80.0%																		
CPIXFET	176-0003	15.0%	20.0%																		
Total:		100.0%	100.0%																		
2.6	Interest Rates	The Proponent shall 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 in Appendix A of Schedule 1 to this RFP. The Proponent shall provide clearly defined, verifiable and transparent supporting information on source and composition of the Benchmark Rate(s) identified through publicly observable screen shots (for example, include a Bloomberg Screen or Reuters Screen) from which the Benchmark Rate(s) was extracted, average life, drawdown and repayment profile and where applicable,	No Potential Non-Conformance Observed	<p>Financial Submission_Vol1_1.0_Financial Information_Section 2 – 2.6</p> <p>Financial Model: Inputs Cell J523</p>	Trillium Link confirms that the relevant Benchmark Rate in its Financial Submission was priced at 10:00 a.m. local Toronto time on the date set out in Schedule 1 to the RFP (September 14, 2018). In order to provide the City with clearly defined, verifiable, and transparent																



Proponent:		Trillium Link			
RFP Reference	Requirements	Observation	Reference	Comments	
	<p>formulas and calculations that would allow the Sponsor to verify the reference interest Benchmark Rate(s) at Financial Close.</p> <p>For financing solutions that involve swap(s), the Proponent shall complete the information in the Appendix A Swap Term Sheet attached to this RFP Schedule 3 – Part 2.</p> <p>The Proponent shall 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(s) that the Proponent considers necessary. Any such additional interest rate risk over and above the Benchmark Rate(s) should be clearly identified 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.</p>			<p>information on the source and composition of the Benchmark Rate, Trillium Link has provided the Benchmark Rate assumed in its Financial Submission in the table.</p> <p>The swap margin and credit spread are 9 bps and 72 bps, respectively, and will be held from Financial Submission to Financial Close.</p>	
2.7	Equity Returns Rates and Distributions to Equity	The Proponent shall clearly identify the equity distributions made during the Maintenance Period, the annual pre-tax IRR, and confirm that the annual distributions to equity during the Maintenance Period meets the Threshold Capital Coverage Ratio defined in Section 1, Schedule 4 – Funding Requirements of the Project Agreement.	No Potential Non-Conformance Observed	Equity Distributions: Financial Model - Equity worksheet row 16 Pre-Tax IRR: Financial Model - Equity worksheet cell G21 Capital Coverage Ratio: Financial Model - Waterfall worksheet row 59	Distributions to equity have been provided in the Financial Submission and in the model. The equity distributions made during the Maintenance Period along with the annual pre- and post- tax IRRs of 8.92% and 7.58% can be seen on the ‘Equity’ tab in the Financial Model.
2.8	Cash Allowance	<p>The Proponent must include a cash allowance, in its Financial Model, for the following cash allowance items and associated amounts:</p> <ul style="list-style-type: none"> <li>Utility Self-Performed Works: <b>\$5,100,000.00</b></li> </ul> <p>The Proponent should reflect this amount in its Financial Models in the period on which Financial Close occurs and should ensure that the cash allowance amount is not financed in the Financial Model. For additional certainty,</p>	No Potential Non-Conformance Observed	Financial Model - Construction worksheet cell J34	Trillium Link has provided a Cash Allowance of \$5.1 million in the Financial Close period. This is excluded from the Total Submission Price.

Proponent: Trillium Link					
RFP Reference	Requirements		Observation	Reference	Comments
		the cash allowance amount is not part of the Total Submission Price or the Affordability Criteria calculation.			
2.9	Indicative Credit Spread Benchmark(s)	<p>If the Proponent elects to participate in future Credit Spread Lock-in Dates (i.e., the First and Final Credit Spread Lock-in Dates) then, in accordance with the RFP Section 5.5, it shall submit an Indicative Credit Spread Benchmark(s) and formula 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. The Indicative Credit Spread Benchmark(s) shall consist of publicly verifiable, liquid and observable bonds or indices or basket of bonds or indices used to measure the movement and consistency of the Credit Spread (for example, may include basket of Corporate Bonds, Provincial Bonds etc.).</p> <p>Additionally, the Proponent shall ensure that in respect of any applicable basket of bonds and/or indices that at each of the First Credit Spread Lock-in Date and the Final Credit Spread Lock-in Date, there shall be a minimum of seven bonds and/or indices in the basket(s) for the calculation of the Indicative Credit Spread Benchmark after excluding the bond and/or index with the least change and the bond and/or index with the greatest change (if the Proponent so chooses to exclude such outliers):</p> <ul style="list-style-type: none"> <li>• since the Submission Deadline for the First Credit Spread Lock-in Date, if applicable;</li> <li>• since the later of the First Credit Spread Lock-in Date or Submission Deadline for the Final Credit Spread Lock-in Date; and</li> <li>• there shall be not more than one bond of the same issuer or any Affiliate of that issuer.</li> </ul>	N/A	N/A	Trillium Link has not elected to participate in the future Credit Spread Lock-In Dates as its Senior Credit Facility has not been designated as a Credit Spread Refresh Facility.

Proponent: Trillium Link					
RFP Reference	Requirements		Observation	Reference	Comments
		<p>For greater clarity:</p> <ul style="list-style-type: none"> <li>for the calculation of the Indicative Credit Spread Benchmark at the Final Credit Spread Lock-in Date, the bonds and/or indices excluded from the basket (if the Proponent chose to exclude the outliers) for the calculation of the Indicative Credit Spread Benchmark at the First Credit Spread Lock-in Date shall be reinstated for the purpose of determining which bonds and/or indices to exclude from the basket as described above; and</li> <li>after the Financial Submission Deadline, the basket of bonds and/or indices used to calculate the Indicative Credit Spread Benchmark(s) and formula shall not change.</li> </ul> <p>If, in the Sponsor’s sole discretion, the Indicative Credit Spread Benchmark(s) and/or formula are unsatisfactory, the Sponsor reserves the right to request that the Proponent clarify the submitted Indicative Credit Spread Benchmark(s) and/or formula and/or to require the Proponent to resubmit the Indicative Credit Spread Benchmark(s) and/or formula.</p>			
2.10	Discount Rate	For purposes of the net present value (“NPV”) calculation, the Proponent is required to use a 4.0% discount rate discounted to the Base Date in all cases unless specifically required otherwise by the RFP.	No Potential Non-Conformance Observed	Financial Model - Sheet 2 - Operating Period worksheet cell E15	The Discount rate of 4.0% has been used to the Base Date of September 21, 2018 in all cases unless requested otherwise in the RFP.
2.11	Payment Date	For purposes of calculating the NPV, payments by the Sponsor are assumed to be made on the last day of the calendar month in which the payment occurs.	No Potential Non-Conformance Observed	Financial Model - NPV worksheet row 8	Trillium Link notes that its NPV calculation is embedded in the Excel worksheets issued by the City as part of RFP Schedule 8 – Price Form, which have been populated in accordance with the ‘Instructions’ worksheet contained therein. The logic and formula in these

Proponent: Trillium Link				
RFP Reference	Requirements	Observation	Reference	Comments
				worksheets have not been edited by Trillium Link.
2.12 Tax and Accounting	The Proponent must provide details of its taxation assumptions to demonstrate to the Sponsor 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 tax and accounting assumptions underlying their Financial Model and Proposal.	No Potential Non-Conformance Observed	Financial Submission_Vol1_1.0_Financial Information_Section 2 – 2.12, Financial Model Inputs and Taxes worksheets	Proponent confirms it is solely responsible for the completeness and correctness of tax assumptions. Details have been provided in the form of Input assumptions in the financial model.
2.13 Payment Mechanism	The Payment Mechanism described in Schedule 19 – Payment Mechanism of the Project Agreement is to be used without exception for the Proposal.	No Potential Non-Conformance Observed	Operations worksheet	Trillium Link confirms that the Payment Mechanism described in Schedule 19 – Payment Mechanism of the Project Agreement has been used without exception.
2.14 Net Present Value Calculation	The NPV must be calculated using Microsoft Excel’s XNPV formula using the monthly payment schedules (including Lifecycle Payments and other expected payments), based on the assumptions listed in this Schedule 3, Part 2. Schedule 8 – Price Form to this RFP automatically calculates the NPV. Proponents are encouraged to review Schedule 8 to this RFP and NPV calculation therein and advise the Sponsor of any inconsistencies, inaccuracies, or coding errors.	No Potential Non-Conformance Observed	Sheet 10 – Utility & Sheet 4- Lane Closure worksheets	Proponent has notified the Sponsors of coding errors in the RFI process, including: <ul style="list-style-type: none"> <li>- Sheet 10 – Utility: NPV is being calculated using Financial Submission Date rather than Base Date. Utility Costs are apportioned based on the number of days in period per 360 day year. Days in period is calculated as end date minus start date. This results in one less</li> </ul>

Proponent: Trillium Link					
RFP Reference	Requirements		Observation	Reference	Comments
					<p>day of utility cost in each operational period. The annual amounts are apportioned using an actual/360 day count, so the total costs in each year are larger than the annual cost amount.</p> <ul style="list-style-type: none"> <li>- Sheet 4 – Lane Closure: Cell E24 is double counting column DG</li> </ul>
2.15 Independent Certifier Fees	<p>The Financial Model submitted in the Proponent’s Financial Submission shall include \$220,000 for Independent Certifier fees distributed equally throughout the period commencing on Financial Close and ending on the Scheduled Substantial Completion Date. 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 Sponsor.</p>		<p>No Potential Non-Conformance Observed</p>	<p>Inputs Row 52</p>	<p>Proponent has included \$220,000 for Independent Certifier Fees equally distributed throughout the period commencing Financial Close and ending on the Scheduled Substantial Completion Date.</p>
2.16 Construction Period Payments	<p>The Proponent will receive Construction Period Payments from the Sponsor in accordance with Schedule 20 – Construction Period Payments of the Project Agreement.</p> <p>The Proponent may determine the timing and amount of Construction Period Payments, subject to the following criteria and constraints:</p> <ul style="list-style-type: none"> <li>• for each Payment Period, a Projected Eligible Construction Period Payment shall represent 85% of the sum of (Total Capital Costs to date minus the Initial Capital Investment Amount) minus Projected Eligible Construction Period Payments (Cumulative) as at the end of the previous period;</li> </ul>		<p>No Potential Non-Conformance Observed</p>	<p>Construction Row 98-130 Sheet 1 – Capital Row Q</p>	<p>In order for the private to public capital to be based on an 85/15 split as required through the definitions of Projected Project Co Funding Amount and Projected Construction Period Payment, Trillium Link notes that the Projected Eligible Construction Period Payment would have to be based on Project Co’s</p>

Proponent: Trillium Link		Requirements	Observation	Reference	Comments
RFP Reference					
		<ul style="list-style-type: none"> <li>the Sponsor shall not be obliged to make any Construction Period Payments until Project Co has achieved the Initial Capital Investment, as certified by the Independent Certifier;</li> <li>each projected Construction Period Payment shall be determined using the formula set out in Schedule 20 – Construction Period Payments to the Project Agreement; and</li> <li>the Proponent can receive up to one Construction Period Payment per month. For modeling purposes, Construction Period Payments should occur on the last calendar day of each month the payment is made.</li> </ul> <p>For clarity, the timing and frequency of the Construction Period Payments will be in accordance with Schedule 20 – Construction Period Payments.</p> <p>The Proponent is required to invest an <b>“Initial Capital Investment Amount”</b> equivalent to 10% of the Total Capital Cost of the Project.</p> <p><b>“Total Capital Costs”</b> refers to the aggregate of Capital Costs and Project Co Soft Costs. Capital Costs and Project Co Soft Costs has the meaning given to it in Schedule 20 - Construction Period Payments - of the Project Agreement.</p> <p><b>“Initial Capital Investment”</b> has meaning given to it in Schedule 20 – Construction Period Payments - of the Project Agreement.</p> <p>Additionally, the Proponent shall also show as part of Cost of the Works included in Schedule 8 – Price Form – to this RFP the Projected Earned Value (Cumulative) values associated with Capital Costs as outlined in PBS-1. The aggregate of Earned Value shall be equal to the aggregate Capital Costs. For clarity, items related to</p>			<p>funding requirements which include its construction costs (i.e. Capital Costs) along with Project Co’s Soft Costs which are to be incurred in the month in which the associated Construction Period Payment is to be received – i.e. keeping Project Co’s Soft Costs current and receiving the associated Construction Period Payment from the City in time to pay for those costs. Attachment A as included in the City’s Price Form has been based on the worked example provided by the City per Notice 47 with the exception of the column for <b>“Total Capital Costs Incurred to Date”</b> as PA Schedule 21, which governs the Construction Period Payment process, indicates that this column shall represent 100% of the sum of Projected Capital Costs and Projected DB Co Soft Costs, while in the example, the column is simply the cumulative sum of Projected Capital Costs.</p> <p>ASP – Capital Portion does not include SPV costs in the Operations calculations.</p>

Proponent: Trillium Link				
RFP Reference	Requirements	Observation	Reference	Comments
	Project Co Soft Costs shall be detailed in the Price Form but do not have to included in PBS-1.			Lifecycle cost do not align due to the fact that the AZR Exemption Payment (\$3 million) is not included in the Sheet 6-Cost of the Works (SL1) worksheet.
2.17 Substantial Completion Payment	<p><b>Once all preconditions to eligibility for payment have been satisfied in accordance with the provisions of the Project Agreement, the Sponsor shall pay to Project Co the Substantial Completion Payment.</b></p> <p>The Proponent must include the Substantial Completion Payment in the Proponent’s Financial Submission, Financial Model and Price Form in accordance with the Scheduled Substantial Completion Date.</p> <p>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 to be no less than \$35,000,000.00 (“<b>Maintained Private Capital</b>”). The Proponent shall structure its Construction Period Payments (as defined in Section 2.16) and the Substantial Completion Payment to ensure that a minimum of \$35,000,000.00 remains financed by Private Capital Invested following receipt of the Substantial Completion Payment and the Construction Period Payments.</p> <p>For additional clarity, and notwithstanding anything else to the contrary in the Project Agreement, Project Co shall retain Maintained Private Capital of no less than \$35,000,000.00 subject only to the permitted reduction of the Maintained Private Capital during the Maintenance Period.</p> <p>For calculation purposes, “Substantial Completion Payment”, “Private Capital Invested” and “Maintained Private Capital” have the meanings given in Schedule 20 – Construction Period Payments of the Project Agreement.</p> <p>The above parameters shall be used to calculate the value of the Substantial Completion Payment based on the</p>	No Potential Non-Conformance Observed	Sheet 1 – Capital worksheet	<p>Trillium Link confirms that it has calculated the Substantial Completion Payment in its Financial Model as prescribed in this Section E.2.16 of Schedule 3 Part 2 to the RFP.</p> <p>The Substantial Completion Payment acts as a “take-out” payment, reducing the amount of private capital invested to an amount that is no less than the required \$35 million of equity financing whilst taking into account equity’s target internal rate of return. Trillium Link has structured its Construction Period Payments and the Substantial Completion Payment to ensure that only Equity financing remains following receipt of the Substantial Completion Payment.</p>

Proponent: Trillium Link					
RFP Reference	Requirements		Observation	Reference	Comments
		Proponent’s Financial Model as at the date of Financial Close. The Price Form will calculate compliance with the above noted constraint and indicate an error message if the constraint is breached.			
	2.18 Utility Costs	Proponents shall provide in their completed Schedule 8 – Price Form, the annual target consumption rates for utilities subject to the pricing adjustment mechanism outlined in Section 6 of Part B in Schedule 19 – Payment Mechanism. Annual consumption targets shall be provided for a full year and will be adjusted for partial years as required for purposes of calculating the Annual Utilities Consumption Adjustment.	No Potential Non-Conformance Observed	Sheet 10 – Utility worksheet	(a) Trillium Link confirms that it has provided in the City’s Schedule 8 – Price Form, the Consortium’s annual target rates for utilities subject to the pricing adjustment mechanism outlined in Section 6 of Part B in Schedule 19 – Payment Mechanism. (b) As sent to the City and noted above, ‘Sheet 10 – Utility’ tab included in the most recent Price Form per Addendum 28 (v5.4) has the following inconsistencies: <ul style="list-style-type: none"> <li>• Utilities NPV is being calculated using the Financial Submission Date rather than the Base Date.</li> <li>• The Utility Costs – Unit Rates differ from what is provided in PA Schedule 19 – Payment Mechanism. For example, Potable</li> </ul>



Proponent: Trillium Link					
RFP Reference	Requirements		Observation	Reference	Comments
					<p>Water is \$0.15 in the PA Schedule 19 but is \$3.31 in the Price Form. As indicated in the RFI submitted, Trillium Link has assumed that the relevant amounts for evaluation are those included in the RFP Price Form and that Table 5 of PA Schedule 19 will be later amended per the NTD included above the table.</p> <ul style="list-style-type: none"> <li>The utility costs are apportioned based on the number of days in period per 360 days in a year. The number of days in period is calculated as the end date minus the start date. This results in one less day of utility costs in each operation period. Further, as the annual amounts are apportioned using an actual/ 360 day count, the total costs in each year are larger than the annual cost amount.</li> </ul>

Proponent: Trillium Link					
RFP Reference	Requirements		Observation	Reference	Comments
	2.19 Total Submission Price	<p>Proponents must include a breakdown of the Total Submission Price in accordance with Schedule 8 – Price Form.</p> <p>NPV Bonus:</p> <ul style="list-style-type: none"> <li>In the event that a Proponent’s Scheduled Substantial Completion Date as identified in its Proposal falls on, or before, the Early Scheduled Substantial Completion Eligibility Date, the Early Scheduled Substantial Completion NPV Bonus shall be applied as a negative amount in the calculation of the Proponent’s Total Submission Price for evaluation purposes only. For clarity, if the Scheduled Substantial Completion Date falls on a date that is later than the Early Scheduled Substantial Completion Eligibility Date, no Early Scheduled Substantial Completion NPV Bonus shall apply.</li> <li><b>“Early Scheduled Substantial Completion Eligibility Date”</b> shall be December 1, 2021</li> <li><b>“Early Scheduled Substantial Completion NPV Bonus”</b> shall be an amount of \$5,000,000.00</li> </ul>	No Potential Non-Conformance Observed	Summary of NPV worksheet	A breakdown of the Total Submission Price, in accordance with Schedule 8 – Price Form, has been included in the model. NPV Bonus payments were assumed to be \$0 in its base case, given that the Scheduled Substantial Completion Date of July 31, 2022 is past the Early Scheduled Substantial Completion Eligibility Date noted herein.
	2.20 Base Relevant Insurance Cost	<p>Proponents shall carry and clearly identify as a cost item Base Relevant Insurance Cost (the “BRIC”) as part of the Financial Model. For clarity, the BRIC may vary Contract Year to Contract Year.</p> <p>The BRIC carried as part of the Financial Model will be subject to benchmarking per the methodology outlined in Schedule 24 – Insurance and Performance Security Requirements of the Project Agreement.</p>	No Potential Non-Conformance Observed	Inputs – SPV worksheet row 99	Proponent confirms that it shall carry and clearly identify as a cost item Base Relevant Insurance Cost (the “BRIC”) as part of the Financial Model. The BRIC shall be an annual number for each Contract Year during the Maintenance Period equally distributed over the months of that particular Contract Year. For clarity, the BRIC may vary Contract Year to Contract Year but should be equally distributed for the months in that particular Contract Year.

Proponent: Trillium Link					
RFP Reference	Requirements		Observation	Reference	Comments
	2.21 Aggregate Target Lane Closure Cost	The Aggregate Target Lane Closure Cost, as defined in Schedule 7 of the Project Agreement, will be calculated in accordance with Schedule 8 – Price Form to this RFP and Schedule 7 – Mobility Matters of the Project Agreement using the applicable unit rate prices set out in the “Lane Closure” sections of Schedule 8 – Price Form. The Proponent shall ensure that the assumptions outlined in the draft Lane Closure Target Letter align with the calculations and assumptions included in Schedule 8 – Price Form. Aggregate Target Lane Closure Cost will be included in the Proponent’s Total Submission Price.	No Potential Non-Conformance Observed	Sheet 4 – Lane Closure worksheet	Lane Closure costs have been calculated in accordance with Schedule 7 and Schedule 8.
	2.22 Lifecycle Payments for AZR Exemption	If a Proponent’s design includes a rail-over-road solution subject to AZR Exemption as outlined in Section 1.5(b) of Schedule 15-3, the Proponent shall carry \$3,000,000.00 (in Inflation Base Date prices) as part of Lifecycle Payments distributed equally over the last four calendar month of the year 2040 (to be included in Column H of Table 3 in Appendix A to Schedule 19). Such amounts shall be included in the calculation of the Total Submission Price as defined in Schedule 8 of the RFP and shall be included in determining whether a Proponent’s Financial Submission meets the Aggregate Cost Affordability Criteria.	No Potential Non-Conformance Observed	Operations worksheet row 211	Design includes a rail-over-road solution subject to AZR Exemption as outlined in Section 1.5(b) of Schedule 15-3. Trillium Link further confirms that \$3,000,000.00 (in Inflation Base Date prices) has been carried as part of Lifecycle Payments, distributed equally over the last four calendar month of the year 2040.
	2.23 Contract Price for Revenue Vehicles	As part of the Price Form, The Proponent shall select a Contract Price (including, solely at the Proponent’s discretion, the selection of option 1, 2, 3, or 4 described in “Options Available to Proponents” attached hereto as Exhibit A) for Revenue Vehicles and identify the timing and quantum of the payments in accordance with the milestones identified in the Revenue Vehicle Supply Contract.  Depending on the option selected by the Proponent, the Revenue Vehicle Supply Contract will be amended to reflect revised provisions associated with each option as it relates to Delay and Liquidated Damages, General	No Potential Non-Conformance Observed	Inputs worksheet cell J779:780	Contract price has been included at \$10,659,600. This contract price is lower than any of the options noted in Cell L18 of Sheet 1 – Capital.

Proponent: Trillium Link					
RFP Reference	Requirements		Observation	Reference	Comments
		Warranty Period, Limitations on Liability and Performance Security. Options available to Proponents and associated Revenue Vehicle Supply Contract amendments are captured in the document titled “Options Available to Proponents” attached hereto as Exhibit A.			
Schedule 3 Part 2 – Subsection 3.0	Financial Model				
		The Proponent shall provide the Financial Model in Microsoft Excel format, showing all cash flows in sufficient detail to determine the source and use of funds on a monthly basis over the Project Term (as defined in the Project Agreement) and to calculate the Cost of the Financing. 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 forming Schedule 30 to the Project Agreement.			
	3.0 Audit Letter	The Proponent shall 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 materially consistent with the RFP and Project Agreement. The complete audit letter must be included as part of the Financial Submission, including any attachments, appendices or schedules. 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.	No Potential Non-Conformance Observed	Appendix P - TLink_Financial Submission_Vol1_Model Auditor Opinion Letter	Proponent has provided an audit letter, including appendices. There are no disclaimers, however there are liability clauses, limiting the auditors liability to the Funder and SPV.
3.1 General Model Requirements	The Financial Model shall:				

Proponent: Trillium Link					
RFP Reference	Requirements		Observation	Reference	Comments
		provide financial projections (cost and revenue projections) on a monthly basis from Financial Close until the end of the Project Agreement;	No Potential Non-Conformance Observed	Financial model	Proponent confirms that the Financial Model provides financial projections (cost and revenue projections) on a monthly basis from Financial Close until the end of the Project Agreement
		not incorporate any password protection (or the password protection must be disclosed);	No Potential Non-Conformance Observed	Financial model	
		not include hidden sheets or areas;	No Potential Non-Conformance Observed	Financial model	
		not contain any circular references or balancing numbers and no input numbers in the calculation worksheets;	No Potential Non-Conformance Observed	Financial model	
		include the optimization process to refresh the Cost of the Financing in the Financial Model; and	No Potential Non-Conformance Observed	Financial Model Specification Booklet in Section 3.4	The optimization process is triggered by clicking the “OPTIMIZE” button on the ‘Control’ worksheet in cell R3.
		use a start date for the Project that corresponds to the Financial Close Date as specified above in Section 2.1 of Part D of this Schedule 3 Part 2.	No Potential Non-Conformance Observed	Inputs worksheet cell J23	Financial close date is February 15, 2019, as per Section 2.1 of Part D of Schedule 3 Part 2.

Proponent:		Trillium Link			
RFP Reference	Requirements	Observation	Reference	Comments	
	3.2 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 and maintenance costs.	No Potential Non-Conformance Observed	Construction, Operations, Waterfall, and NPV worksheets	
		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 / SPV 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.	No Potential Non-Conformance Observed	Inputs-SPV worksheet, row 57, 60, 61, 68, 69	Insurance premiums per the PA are listed, not subject to indexation.
		The Financial Model shall contain the following:			
		a list of all assumptions, upfront fees, costs such as legal fees, development fees, and insurance coverage (where applicable);	No Potential Non-Conformance Observed	Inputs SPV worksheet row 8-13	No legal fees were assumed.
		projected draw-down monthly schedule including dates and amounts for all sources of funds;	No Potential Non-Conformance Observed	Construction worksheet, rows 29 to 63 and ‘Waterfall’ worksheet, rows 23 to 46	
		project financing sources and amount;	No Potential Non-Conformance Observed	Construction and Debt worksheets	

Proponent: Trillium Link					
RFP Reference	Requirements		Observation	Reference	Comments
		project equity return cost in respect of the project financing amount(s) used to calculate the Cost of the Financing portion of the Total Capital Cost;	No Potential Non-Conformance Observed	Construction worksheet cell G60 and 'Equity' worksheets cells G21 and G22	Equity IRR is provided in order to calculate WACC.
		all applicable equity rates as required by the equity investors in the Section 2.6 - Equity Returns Rates and Distributions to Equity, of this Part 2 to Schedule 3 to RFP, including equity injected, returns and internal rate of return, if applicable ;	No Potential Non-Conformance Observed	Equity worksheets cells G21 to G27	
		weighted average cost of capital;	No Potential Non-Conformance Observed	WACC worksheet cell G47	
		all related fee costs;	No Potential Non-Conformance Observed	Construction and Waterfall worksheets	
		all costs allocated to performance of Project Co's warranty obligations under the Project Agreement;	No Potential Non-Conformance Observed	Inputs-SPV worksheet, rows 56 and 98	
		projected income statements;	No Potential Non-Conformance Observed	Income Statement worksheet	

Proponent: Trillium Link					
RFP Reference	Requirements		Observation	Reference	Comments
		projected balance sheet;	No Potential Non-Conformance Observed	Balance Sheet worksheet	
		cash flow projections; and	No Potential Non-Conformance Observed	Cash Flow Statement (monthly) and Cash Flow Statement worksheets	
		cash cascade in order of seniority (which must be consistent with any funding term sheets).	No Potential Non-Conformance Observed	Waterfall worksheet	
		The 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;	No Potential Non-Conformance Observed	Project IRR worksheet	
		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;	No Potential Non-Conformance Observed	Equity worksheet	



Proponent:		Trillium Link			
RFP Reference	Requirements	Observation	Reference	Comments	
	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;	No Potential Non-Conformance Observed	Control worksheet Cells M51 and M52		
	drawdown and repayment schedules, including dates and amounts for all sources of finance (on a monthly basis);	No Potential Non-Conformance Observed	Construction and Waterfall worksheets		
	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);	No Potential Non-Conformance Observed	WACC worksheet		
	annual debt service coverage ratio and loan life cover ratio, if applicable, for each year of the Project Agreement, with minimum and average ratios;	No Potential Non-Conformance Observed	Waterfall worksheet row 58		
	any other ratios that are considered relevant to the proposed financial structure, financial covenants or financing agreements;	No Potential Non-Conformance Observed	Waterfall worksheet row 66		
	the precise timing of any equity injections, which cannot be later than Substantial Completion and details of the phasing, if appropriate;	No Potential Non-Conformance Observed	Construction worksheet rows 31 and 94		

Proponent:		Trillium Link			
RFP Reference	Requirements	Observation	Reference	Comments	
	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);	No Potential Non-Conformance Observed	Construction worksheet cell G100		
	a schedule of projected maintenance and lifecycle reserves on a monthly basis, if applicable;	No Potential Non-Conformance Observed	Operations worksheet rows 239 to 244		
	revenues and costs on a monthly basis;	No Potential Non-Conformance Observed	Construction and Waterfall worksheets		
	maintenance expenditure; and	No Potential Non-Conformance Observed	Waterfall worksheet row 35		
	a breakdown of the Proponent’s revenues and costs, including but not limited to: <ul style="list-style-type: none"> <li>• special purpose vehicle running costs;</li> <li>• other operating costs; and</li> <li>• revenue and capital flows.</li> </ul>	No Potential Non-Conformance Observed	Construction, Inputs – SPV and Waterfall worksheets		
	As a separate calculation, the Proponent 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.	No Potential Non-Conformance Observed	Inputs worksheet cells G532:535		

Proponent: Trillium Link					
RFP Reference	Requirements		Observation	Reference	Comments
			In a separate sheet, provide a breakdown of all projected payments by the Sponsor to Project Co, including all: (i) Monthly Service Payments, (ii) monthly Lifecycle Payments, (iii) Construction Period Payments, and (iv) the Substantial Completion Payment, and the associated expected HST that would be payable on each such payment by Contracting Authority throughout the Project Term. Please also provide all assumptions and other details used to calculate all such expected HST amounts.	No Potential Non-Conformance Observed	
		The Proponents Financial Model, must also include, as separate output sheets the following: <ul style="list-style-type: none"> <li>Schedule 8 to this RFP.</li> </ul>	No Potential Non-Conformance Observed	Schedule 8 – Price Form Worksheets	
3.3 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;	No Potential Non-Conformance Observed	TLink_Financial Submission_Vol1_1.0_Financial Information_Section 2 Section 3.4	
		how to run the model following changes to inputs;	No Potential Non-Conformance Observed	TLink_Financial Submission_Vol1_1.0_Financial Information_Section 2 Section 3.4	

Proponent: Trillium Link				
RFP Reference	Requirements	Observation	Reference	Comments
	how to run sensitivities;	No Potential Non-Conformance Observed	TLink_Financial Submission_Vol1_1.0_Financial Information_Section 2 Section 3.4	
	<p>the use of all macros, if any, contained in the Financial 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:</p> <ul style="list-style-type: none"> <li>• reasons why this macro is used;</li> <li>• which operations and functions are accomplished through the macro;</li> <li>• which cells are modified by the macro;</li> <li>• the macro's results;</li> <li>• explanation of how the optimization and macro steps are carried out, particularly with regards to input modifications; and</li> <li>• 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;</li> </ul>	No Potential Non-Conformance Observed	TLink_Financial Submission_Vol1_1.0_Financial Information_Section 2 Section 3.4 Table 3-3	
	how to print key reports and the entire Financial Model;	No Potential Non-Conformance Observed	TLink_Financial Submission_Vol1_1.0_Financial Information_Section 2 Section 3.4	
	details of the optimization procedure(s) that is in line with the methodology described in Section B.6.0 of this Schedule 3 Part 2; and	No Potential Non-Conformance Observed	TLink_Financial Submission_Vol1_1.0_Financial Information_Section 2 Section 3.4	

Proponent: Trillium Link					
RFP Reference	Requirements		Observation	Reference	Comments
		construction of the model, including: <ul style="list-style-type: none"> <li>contents list of sheets and data contained within; and</li> <li>details of complex or unusual formulae.</li> </ul>	No Potential Non-Conformance Observed	TLink_Financial Submission_Vol1_1.0_Financial Information_Section 2 Section 3.4	Trillium Link has not used complex and/or unusual formulas in its Financial Model and there should never be a need for the user to modify a formula within the Financial Model.
	3.4 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;	No Potential Non-Conformance Observed	TLink_Financial Submission_Vol1_Inputs Booklet 3.5a	Drawdown schedule for Senior construction facility
		macro-economic assumptions, including interest and inflation rates;	No Potential Non-Conformance Observed	TLink_Financial Submission_Vol1_Inputs Booklet	Interest and inflation assumptions provided
		taxation assumptions and associated sensitivities on model;	No Potential Non-Conformance Observed	TLink_Financial Submission_Vol1_Inputs Booklet 3.5c	
		the assumptions made in relation to the tax liabilities and recoverability;	No Potential Non-Conformance Observed	TLink_Financial Submission_Vol1_Inputs Booklet 3.5e	

Proponent:		Trillium Link			
RFP Reference	Requirements	Observation	Reference	Comments	
	accounting policies, including depreciation by asset type, and working capital requirements; and	No Potential Non-Conformance Observed	TLink_Financial Submission_Voll_Inputs Booklet 3.5e	Assumptions on Financial assets, construction costs, revenue recognition, Debt instruments, and cash flow statements are provided.	
	all other assumptions that have been necessary in order to construct the Financial Model.	No Potential Non-Conformance Observed	TLink_Financial Submission_Voll_Inputs Booklet		
	The inputs booklet must be consistent with, and reconcile to, the Financial Model.	No Potential Non-Conformance Observed	TLink_Financial Submission_Voll_Inputs Booklet	Confirmed.	
	3.5 Sensitivity Analysis	As part of the review of the Proposal, the Proponent is required to provide the sensitivity analyses listed below.			
		Effect on Total Submission Price and monthly Capital Coverage Ratio projections of change in inflation by (assuming that base case inflation is 2.25%): <ul style="list-style-type: none"> <li>1% increase (for whole Project);</li> </ul> The above analysis should be supported by a monthly breakdown of the amounts impacted throughout the Project Term to arrive at the Total Submission Price and Capital Coverage Ratio.	No Potential Non-Conformance Observed	Control worksheet	+\$73.41M +5.87%
		Effect on Total Submission Price and monthly Capital Coverage Ratio projections of change in inflation by (assuming that base case inflation is 2.25%): <ul style="list-style-type: none"> <li>3% increase (for whole Project);</li> </ul> The above analysis should be supported by a monthly breakdown of the amounts impacted throughout the	No Potential Non-Conformance Observed	Control worksheet	+\$268.91M +21.50%

Proponent:		Trillium Link			
RFP Reference	Requirements	Observation	Reference	Comments	
	Project Term to arrive at the Total Submission Price and Capital Coverage Ratio.				
	Effect on Total Submission Price and monthly Capital Coverage Ratio projections of change in inflation by (assuming that base case inflation is 2.25%): <ul style="list-style-type: none"> <li>5% increase (for whole Project);</li> </ul> The above analysis should be supported by a monthly breakdown of the amounts impacted throughout the Project Term to arrive at the Total Submission Price and Capital Coverage Ratio.	No Potential Non-Conformance Observed	Control worksheet	+\$555.66M +44.43%	
	Effect on the Total Submission Price of a change in Benchmark Rate(s) by: <ul style="list-style-type: none"> <li>10 basis points and decrease in underlying benchmark rates;</li> </ul>	No Potential Non-Conformance Observed	Control worksheet	(\$0.39M) -0.03% +\$0.39M +0.03%	
	Effect on the Total Submission Price of a change in Benchmark Rate(s) by: <ul style="list-style-type: none"> <li>50 basis points and decrease in underlying benchmark rates;</li> </ul>	No Potential Non-Conformance Observed	Control worksheet	(\$1.92M) -0.15% +\$1.93M +0.15%	
	Effect on the Total Submission Price of a change in Benchmark Rate(s) by: <ul style="list-style-type: none"> <li>100 basis points and decrease in underlying benchmark rates;</li> </ul>	No Potential Non-Conformance Observed	Control worksheet	(\$3.83M) -0.31% +\$3.87M +0.31%	
	The Sponsor reserves the right to conduct additional sensitivities. For the purpose of clarity, the Sponsor may wish to test the hypothetical impact of the sensitivities listed above on the results of the Financial Model, regardless of the risk transfer contemplated in the Project Agreement.				

Proponent:		Trillium Link			
RFP Reference	Requirements	Observation	Reference	Comments	
	The Sponsor’s advisors will be using the Financial Model and sensitivity analysis as part of the overall evaluation of whether the Proposal represents a financing plan is achievable and realistic.				
3.6 Completion of Schedule 8 – Price Form	Each Proponent shall complete all forms set out in Schedule 8 – Price Form, including all worksheets.	No Potential Non-Conformance Observed	Appendix R		
3.7 Cost-Loaded Works Schedule	The Proponent must provide a detailed cost-loaded schedule showing completion of the Works and such cost-loaded schedule shall meet the requirements of PBS-1 as defined in Schedule 12 – Works Scheduling Requirements of the Project Agreement. For clarity, an identical schedule which excludes any costs is to be submitted as part of the Technical Submission. The cost loaded schedule included in the Financial Submission is to be provided to enable the Sponsor to confirm that the financial data included in it reflects the financial data included in the Proponent’s Schedule 8 – Price Form and Financial Model. In the event of discrepancies between the cost-loaded schedule included in a Proponent’s Financial Submission and their Schedule 8 – Price Form, the latter will govern.	No Potential Non-Conformance Observed	Appendix S	Confirmed	
3.8 Equity Distributions and Annual Service Payment – Capital Portion	The Financial Model shall include continuity tables to show the annual interest changes, annual payments to equity (i.e. equity distributions), and principal outstanding, as required by the equity investors in the Section 2.7 - Equity Returns Rates and Distributions to Equity, of this Part 2 to Schedule 3 to RFP, including equity injected, returns and internal rate of return, if applicable.	No Potential Non-Conformance Observed	Equity worksheet	Equity injection, distributions, and rate of return are included in the Equity worksheet.	



Proponent:		Trillium Link											
RFP Reference	Requirements	Observation	Reference	Comments									
	The Financial Model shall also include clear delineation of equity distributions made during the Maintenance Period, and the annual pre-tax IRR and post-tax IRR in real and nominal terms. No distributions to equity during the Construction Period are permitted.	No Potential Non-Conformance Observed	Equity worksheet	Confirmed that equity distributions are only made during the Maintenance Period. Pre and Post-Tax IRRs have been provided on both Real and Nominal bases, as follows (base case). <table border="1" data-bbox="1759 581 2060 833"> <thead> <tr> <th>IRR</th> <th>Nominal</th> <th>Real</th> </tr> </thead> <tbody> <tr> <td>Pre-Tax</td> <td>8.92%</td> <td>6.52%</td> </tr> <tr> <td>Post-Tax</td> <td>7.59%</td> <td>5.20%</td> </tr> </tbody> </table>	IRR	Nominal	Real	Pre-Tax	8.92%	6.52%	Post-Tax	7.59%	5.20%
IRR	Nominal	Real											
Pre-Tax	8.92%	6.52%											
Post-Tax	7.59%	5.20%											
	The Financial Model shall include on a monthly basis throughout the Maintenance Period a calculation of the Capital Coverage Ratio in accordance with Schedule 4 – Funding Requirements of the Project Agreement.	No Potential Non-Conformance Observed	Waterfall worksheet Row 58										
	“ <b>Capital Coverage Ratio</b> ” shall be calculated as the quotient of (i) the aggregate Actual Monthly Project Co Payments for the relevant Capital Coverage Ratio Calculation Period, and (ii) the aggregate Actual Monthly Project Co Costs for the relevant Capital Coverage Ratio Calculation Period. Actual Monthly Project Co Payments, Actual Monthly Project Co Costs and Capital Coverage Ratio Calculation Period has the meaning set out in Section 1, Schedule 4 – Funding Requirements of the Project Agreement.	No Potential Non-Conformance Observed	Waterfall worksheet Row 58	Capital Coverage Ratio (not mentioned in Schedule 4 of the Project Agreement) has been calculated on a two month trailing basis as the ratio of Monthly Service Payment to Actual Monthly Project Co Costs.									
	The Financial Model shall show Project Co maintaining a minimum annual Capital Coverage Ratio equal to 1.15 or, for Service Levels other than Service Level 1, such lower value as calculated in the Financial Model (“ <b>Threshold Capital Coverage Ratio</b> ”). In no cases shall the Threshold Capital Coverage Ratio be less than	No Potential Non-Conformance Observed	Waterfall worksheet Row 58	Confirmed that the Threshold Capital Coverage Ratio does not fall below 1.08.									

Proponent: Trillium Link																	
RFP Reference	Requirements		Observation	Reference	Comments												
		1.08. For clarity, Annual Service Payment – Capital Portion payments may vary from month to month but proponents must demonstrate that the Threshold Capital Coverage Ratio is maintained for the Capital Coverage Ratio Reporting Period.															
		Annual Service Payment – Capital Portion shall be limited to capture only repayment of Maintained Private Capital that has been invested by Project Co during the Construction Period. Maintained Private Capital has the meaning set out in Section 1, Schedule 20 – Construction Period Payments of the Project Agreement.	Potential Non-Conformance Observed	Equity and Operations Tabs	There are discrepancies in the Maintenance Period between the Equity Distributions and the MSP – Capital Portion. There is a cumulative difference of \$459.												
		Equity distributions in a Contract Year shall not exceed the aggregate amount of Annual Service Payment – Capital Portion payments that Project Co is projected to receive for such Contract Year.	Potential Non-Conformance Observed	Equity and Operations Tabs	There are discrepancies in the Maintenance Period between the Equity Distributions and the MSP – Capital Portion. There is a cumulative difference of \$459.												
		Equity distributions shall follow industry practices and standards for availability based public-private partnership projects in Canada. Similarly, variations in equity distributions and Annual Service Payment – Capital Portion amounts are expected to follow the maintenance and lifecycle cost profile over the Maintenance Period.	No Potential Non-Conformance Observed	Equity worksheet	Project Equity IRR follows a gradually and exponentially increasing curve, nearing the Target IRR at approximately the mid point of the concession. <table border="1" data-bbox="1759 1141 2064 1360"> <thead> <tr> <th>Operations Year</th> <th>Equity IRR</th> </tr> </thead> <tbody> <tr> <td>Year 7</td> <td>0.00%</td> </tr> <tr> <td>Year 12</td> <td>0.10%</td> </tr> <tr> <td>Year 17</td> <td>5.43%</td> </tr> <tr> <td>Year 22</td> <td>7.83%</td> </tr> <tr> <td>Year 27</td> <td>8.89%</td> </tr> </tbody> </table>	Operations Year	Equity IRR	Year 7	0.00%	Year 12	0.10%	Year 17	5.43%	Year 22	7.83%	Year 27	8.89%
Operations Year	Equity IRR																
Year 7	0.00%																
Year 12	0.10%																
Year 17	5.43%																
Year 22	7.83%																
Year 27	8.89%																

Proponent:		Trillium Link			
RFP Reference	Requirements	Observation	Reference	Comments	
	3.9	For clarity, the model optimization process shall not result in adjustments to any of the following: Payments for Early Works (if applicable), Revenue Vehicle Contract Costs, Maintained Private Capital amount, Annual Service Payment – Capital Portion amounts, Equity IRR or Capital Coverage Ratio. The optimization process shall be clearly explained and provided by the Preferred Proponent as per Section 3.4 of Part D of this Schedule 3 - Part 2.	No Potential Non-Conformance Observed	NPV, Construction, Equity, Affordability and Sensitivity worksheets	<p>The following do not change when various sensitivities are tested.</p> <ul style="list-style-type: none"> <li>• Revenue Vehicle Contract Costs</li> <li>• Early Works Payment</li> <li>• Equity</li> <li>• Annual Service Payments - Capital Portion</li> <li>• Equity IRR (pre-tax, nominal)</li> <li>• Minimum Capital Coverage Ratio</li> </ul>

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**FINANCIAL MODEL REVIEW WORKSHEET**

<b>Project Name</b>	Trillium Line Extension Project
<b>Proponent</b>	TransitNEXT
<b>Review Date</b>	September 24, 2018
<b>Reviewer</b>	Deloitte

**Convention:**

- If the item is considered to not have any potential non-conformances with the submission requirements: **No Potential Non-Conformance Observed**
- If the item is considered to have potential non-conformance with the submission requirements: **Potential Non-Conformance Observed**
- If potential conformance is not applicable for an item: **N/A** [**Note to Reviewer:** an example of this is requirement reference 2.4 – Price Validity – below. Although this is a Financial Submission Requirement, it is not observable as part of the Financial Model review.]

**Summary of Results:**

- **Minor potential non-conformances observed: [7]**
- **Major potential non-conformances observed: [0]**

**FINANCIAL MODEL REVIEW WORKSHEET**

Proponent:		TransitNEXT			
RFP Reference	Requirements		Observation	Reference	Comments
	<b>RFP Schedule 3 Part 2 – Financial Submission Requirements</b>				
Schedule 3 Part 2 – Subsection 2.0	<b>2.0 Basis for Financial Submission</b>				
	The Proponent shall use the following as the 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.				
	2.1 Financial Close & Model Start Date	The Financial Close date to be used in the Proposal as the date for the start of construction is the Financial Close Target Date, as set out in the timetable contained in RFP Schedule 1.	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Tab Itemized Schedules – Cell K18 and K9</li> </ul>	<ul style="list-style-type: none"> <li>The start date of construction (funding date) is 15 February 2019.</li> </ul>
	2.2 Base Date	The base date to be used in developing the RFP Proposal is the Submission Deadline.	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Tab Itemized Schedules – Cell G3</li> </ul>	<ul style="list-style-type: none"> <li>The base date is September 21 2018.</li> </ul>
2.3 Currency	Where prices are requested in the RFP Documents those prices are to be submitted in Base Date prices and in Canadian dollars.	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Part C Financial Submission – Page 2.0.1 and throughout the Financial Model</li> </ul>	<ul style="list-style-type: none"> <li>All prices are in CAD and in base date prices.</li> </ul>	

<b>Proponent:</b>	TransitNEXT																					
<b>RFP Reference</b>	<b>Requirements</b>			<b>Observation</b>	<b>Reference</b>	<b>Comments</b>																
2.4	Price Validity	With the exception of an adjustment for movement in the relevant Benchmark Rate all prices in the Proposal shall remain firm and irrevocable for the Proposal Validity Period.		No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Part C Financial Submission – Page 2.0.1</li> </ul>	<ul style="list-style-type: none"> <li>“TransitNEXT confirms that all prices in its Proposal will remain firm and irrevocable for the Proposal Validity Period with the exception of an adjustment for movement in the relevant Benchmark Rates, all prices remain firm and irrevocable for the Proposal Validity Period”.</li> </ul>																
2.5	Inflation	Inflation applicable to the Annual Service Payment – Service Portion and the Lifecycle Payment is governed by the provisions of Schedule 19 – Payment Mechanism of the Project Agreement and is calculated based on two weighted indices that will form the basis of payment adjustments related to inflation. The two indices and their CANSIM table reference are as follows:		No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Itemized Schedules Tab – Row 47, 48, and 31</li> </ul>	<ul style="list-style-type: none"> <li>BRIC Monthly Reserving account, which is part of Monthly ASPserv is not subject to 2.25% escalation, however given this is an insurance item it is not subject to escalation as per the provisions of the RFP.</li> </ul>																
		<table border="1"> <thead> <tr> <th>Index</th> <th>CANSIM Reference</th> <th>Maintenance Weighting</th> <th>Lifecycle Weighting</th> </tr> </thead> <tbody> <tr> <td>Labour Industrial Aggregate</td> <td>281-0063</td> <td>85.0%</td> <td>80.0%</td> </tr> <tr> <td>CPIXFET</td> <td>176-0003</td> <td>15.0%</td> <td>20.0%</td> </tr> <tr> <td>Total:</td> <td></td> <td>100.0%</td> <td>100.0%</td> </tr> </tbody> </table>		Index	CANSIM Reference	Maintenance Weighting	Lifecycle Weighting	Labour Industrial Aggregate	281-0063	85.0%	80.0%	CPIXFET	176-0003	15.0%	20.0%	Total:		100.0%	100.0%			
Index	CANSIM Reference	Maintenance Weighting	Lifecycle Weighting																			
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Total:		100.0%	100.0%																			
		For evaluation purposes, the CPIXFET is assumed to be a rate of 2.25% per annum and the Labour Industrial Aggregate Index is assumed to be at a rate of 2.25% per annum. Indexation will be applied on an annual basis starting on January 1 <sup>st</sup> and ending on December 31 <sup>st</sup> .																				
2.6	Interest Rates	The Proponent shall 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 in Appendix A of Schedule 1 to this RFP. The Proponent shall provide clearly defined, verifiable and transparent supporting information on source and composition of the Benchmark Rate(s) identified through publicly observable screen shots (for example, include a Bloomberg Screen or Reuters Screen) from which the Benchmark Rate(s) was		No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Part C Financial Submission – Page 2.0.2</li> <li>Scenario Control Tab F112</li> </ul>	<ul style="list-style-type: none"> <li>The Proponent uses a base rate of 2.580% for the Senior Construction Facility. The method to deriving this rate is provided through supporting evidence in the form of Bloomberg screenshots.</li> <li>The Proponent proposes to use a swap</li> </ul>																

Proponent:		TransitNEXT			
RFP Reference	Requirements	Observation	Reference	Comments	
	<p>extracted, average life, drawdown and repayment profile and where applicable, formulas and calculations that would allow the Sponsor to verify the reference interest Benchmark Rate(s) at Financial Close.</p> <p>For financing solutions that involve swap(s), the Proponent shall complete the information in the Appendix A Swap Term Sheet attached to this RFP Schedule 3 – Part 2.</p> <p>The Proponent shall 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(s) that the Proponent considers necessary. Any such additional interest rate risk over and above the Benchmark Rate(s) should be clearly identified 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.</p>		<ul style="list-style-type: none"> <li>Term Sheet Bank Tab</li> </ul>	<p>to hedge the floating rate Senior Construction Facility. The term sheet with the notional profile of the swap is provided in the Financial Model.</p>	
2.7 Equity Returns Rates and Distributions to Equity	<p>The Proponent shall clearly identify the equity distributions made during the Maintenance Period, the annual pre-tax IRR, and confirm that the annual distributions to equity during the Maintenance Period meets the Threshold Capital Coverage Ratio defined in Section 1, Schedule 4 – Funding Requirements of the Project Agreement.</p>	<p>No Potential Non-Conformance Observed</p>	<ul style="list-style-type: none"> <li>Part C Financial Submission – Page 2.0.4</li> <li>IRR Tab – Cell G22, Row 9 and Row 7</li> <li>Itemized Schedules Tab – Row 54 and 55</li> </ul>	<ul style="list-style-type: none"> <li>The pre-tax IRR is 11.90%</li> <li>The initial equity investment is \$136,239,177 at SC</li> <li>Distributions to equity at particularly high until September 2026, following which they decline over the remaining life of the concession period</li> <li>A minimum Threshold Capital Coverage Ratio of 1.15 has been maintained throughout the Maintenance Period.</li> </ul> <p><u>Potential minor non-conformance observed:</u></p> <ul style="list-style-type: none"> <li>Table 1.02-2 in the Financial Submission lists Class B Equity Commitment of \$100,000,000 while Section 1.7 of the Submission lists it</li> </ul>	

Proponent: TransitNEXT					
RFP Reference	Requirements		Observation	Reference	Comments
					at \$99,660,206. The model uses the latter figure while the Commitment Letter from HoldCo ensures up to \$100,000,000 of commitment.
2.8	Cash Allowance	<p>The Proponent must include a cash allowance, in its Financial Model, for the following cash allowance items and associated amounts:</p> <ul style="list-style-type: none"> <li>Utility Self-Performed Works: <b>\$5,100,000.00</b></li> </ul> <p>The Proponent should reflect this amount in its Financial Models in the period on which Financial Close occurs and should ensure that the cash allowance amount is not financed in the Financial Model. For additional certainty, the cash allowance amount is not part of the Total Submission Price or the Affordability Criteria calculation.</p>	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Itemized Schedules Tab – Row 112</li> <li>Part C Financial Submission – Page 2.0.4</li> </ul>	<ul style="list-style-type: none"> <li>A cash allowance of \$5,100,000.00 that is not financed is witnessed in the Proponent’s Financial Model.</li> </ul>
2.9	Indicative Credit Spread Benchmark(s)	<p>If the Proponent elects to participate in future Credit Spread Lock-in Dates (i.e., the First and Final Credit Spread Lock-in Dates) then, in accordance with the RFP Section 5.5, it shall submit an Indicative Credit Spread Benchmark(s) and formula 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. The Indicative Credit Spread Benchmark(s) shall consist of publicly verifiable, liquid and observable bonds or indices or basket of bonds or indices used to measure the movement and consistency of the Credit Spread (for example, may include basket of Corporate Bonds, Provincial Bonds etc.).</p> <p>Additionally, the Proponent shall ensure that in respect of any applicable basket of bonds and/or indices that at each of the First Credit Spread Lock-in Date and the Final Credit Spread Lock-in Date, there shall be a minimum of seven bonds and/or indices in the basket(s) for the calculation of the Indicative Credit Spread Benchmark after excluding the bond and/or index with the least</p>	N/A	<ul style="list-style-type: none"> <li>Part C Financial Submission – Page 2.0.4</li> </ul>	<ul style="list-style-type: none"> <li>The Proponent does not contemplate the use of Bonds</li> </ul>



Proponent:		TransitNEXT			
RFP Reference	Requirements	Observation	Reference	Comments	
	<p>change and the bond and/or index with the greatest change (if the Proponent so chooses to exclude such outliers):</p> <ul style="list-style-type: none"> <li>• since the Submission Deadline for the First Credit Spread Lock-in Date, if applicable;</li> <li>• since the later of the First Credit Spread Lock-in Date or Submission Deadline for the Final Credit Spread Lock-in Date; and</li> <li>• there shall be not more than one bond of the same issuer or any Affiliate of that issuer.</li> </ul> <p>For greater clarity:</p> <ul style="list-style-type: none"> <li>• for the calculation of the Indicative Credit Spread Benchmark at the Final Credit Spread Lock-in Date, the bonds and/or indices excluded from the basket (if the Proponent chose to exclude the outliers) for the calculation of the Indicative Credit Spread Benchmark at the First Credit Spread Lock-in Date shall be reinstated for the purpose of determining which bonds and/or indices to exclude from the basket as described above; and</li> <li>• after the Financial Submission Deadline, the basket of bonds and/or indices used to calculate the Indicative Credit Spread Benchmark(s) and formula shall not change.</li> </ul> <p>If, in the Sponsor’s sole discretion, the Indicative Credit Spread Benchmark(s) and/or formula are unsatisfactory, the Sponsor reserves the right to request that the Proponent clarify the submitted Indicative Credit Spread Benchmark(s) and/or formula and/or to require the Proponent to resubmit the Indicative Credit Spread Benchmark(s) and/or formula.</p>				
2.10 Discount Rate	For purposes of the net present value (“NPV”) calculation, the Proponent is required to use a 4.0% discount rate discounted to the Base Date in all cases unless specifically required otherwise by the RFP.	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>• Part C Financial Submission – Page 2.0.5</li> <li>• Optimization</li> </ul>	<ul style="list-style-type: none"> <li>• A nominal discount rate of 4% is used in the Financial Model.</li> </ul>	

Proponent: TransitNEXT					
RFP Reference	Requirements		Observation	Reference	Comments
				Tab – Cell C755	
2.11	Payment Date	For purposes of calculating the NPV, payments by the Sponsor are assumed to be made on the last day of the calendar month in which the payment occurs.	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Part C Financial Submission – Page 2.0.5</li> </ul>	<ul style="list-style-type: none"> <li>The end of the calendar month is used to calculate the NPV / IRR and all payments. This is evidenced throughout the Financial Model.</li> </ul>
2.12	Tax and Accounting	The Proponent must provide details of its taxation assumptions to demonstrate to the Sponsor 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 tax and accounting assumptions underlying their Financial Model and Proposal.	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Part C Financial Submission – Page 2.0.5</li> <li>Taxable Income Tab</li> </ul>	<ul style="list-style-type: none"> <li>The Proponent’s tax assumptions are provided in 2.12-1 in the Financial Submission. The Taxable Income Tab incorporates these assumptions into the Financial Model.</li> </ul>
2.13	Payment Mechanism	The Payment Mechanism described in Schedule 19 – Payment Mechanism of the Project Agreement is to be used without exception for the Proposal.	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Part C Financial Submission – Page 2.0.6</li> </ul>	
2.14	Net Present Value Calculation	The NPV must be calculated using Microsoft Excel’s XNPV formula using the monthly payment schedules (including Lifecycle Payments and other expected payments), based on the assumptions listed in this Schedule 3, Part 2. Schedule 8 – Price Form to this RFP automatically calculates the NPV. Proponents are encouraged to review Schedule 8 to this RFP and NPV calculation therein and advise the Sponsor of any inconsistencies, inaccuracies, or coding errors.	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Summary of NPV Tab</li> </ul>	<ul style="list-style-type: none"> <li>Calculated NPV is \$1,143,833,512.90</li> </ul>

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RFP Reference	Requirements		Observation	Reference	Comments
	2.15 Independent Certifier Fees	The Financial Model submitted in the Proponent’s Financial Submission shall include \$220,000 for Independent Certifier fees distributed equally throughout the period commencing on Financial Close and ending on the Scheduled Substantial Completion Date. 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 Sponsor.	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Part C Financial Submission – Page 2.0.6</li> <li>Pricing Schedules Tab – Column L59:L101</li> <li>Itemized Schedules Tab – Row 120 and Row 121</li> </ul>	<ul style="list-style-type: none"> <li>The breakdown of the Independent Certifier Fees is provided. The fees \$220,000 is part of SPV costs during construction in the Itemized Schedules Tab.</li> </ul>
	2.16 Construction Period Payments	<p>The Proponent will receive Construction Period Payments from the Sponsor in accordance with Schedule 20 – Construction Period Payments of the Project Agreement. The Proponent may determine the timing and amount of Construction Period Payments, subject to the following criteria and constraints:</p> <ul style="list-style-type: none"> <li>for each Payment Period, a Projected Eligible Construction Period Payment shall represent 85% of the sum of (Total Capital Costs to date minus the Initial Capital Investment Amount) minus Projected Eligible Construction Period Payments (Cumulative) as at the end of the previous period;</li> <li>the Sponsor shall not be obliged to make any Construction Period Payments until Project Co has</li> </ul>	Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Part C Financial Submission – Page 2.0.8</li> <li>Const Cash Flow Tab – Row 163</li> <li>Const Cash Flow Tab – Row 152</li> </ul>	<ul style="list-style-type: none"> <li>Proponent completes making an initial capital investment of \$69,269,318 on July 2019 when it is projected to incur \$69,703,894 in construction costs. These costs are financed by drawdowns on the Senior Construction Facility.</li> <li>Construction Period Payments (CPP) are first calculated in July 2019 however the invoicing for the first CPP is done in cumulation with the second CPP. Row Q36 in Price Form Sheet 1 Capital picks this potential non-conformance.</li> </ul>

Proponent:		TransitNEXT			
RFP Reference	Requirements	Observation	Reference	Comments	
	<p>achieved the Initial Capital Investment, as certified by the Independent Certifier;</p> <ul style="list-style-type: none"> <li>each projected Construction Period Payment shall be determined using the formula set out in Schedule 20 – Construction Period Payments to the Project Agreement; and</li> <li>the Proponent can receive up to one Construction Period Payment per month. For modeling purposes, Construction Period Payments should occur on the last calendar day of each month the payment is made.</li> </ul> <p>For clarity, the timing and frequency of the Construction Period Payments will be in accordance with Schedule 20 – Construction Period Payments.</p> <p>The Proponent is required to invest an <b>“Initial Capital Investment Amount”</b> equivalent to 10% of the Total Capital Cost of the Project.</p> <p><b>“Total Capital Costs”</b> refers to the aggregate of Capital Costs and Project Co Soft Costs. Capital Costs and Project Co Soft Costs has the meaning given to it in Schedule 20 - Construction Period Payments - of the Project Agreement.</p> <p><b>“Initial Capital Investment”</b> has meaning given to it in Schedule 20 – Construction Period Payments - of the Project Agreement.</p> <p>Additionally, the Proponent shall also show as part of Cost of the Works included in Schedule 8 – Price Form – to this RFP the Projected Earned Value (Cumulative) values associated with Capital Costs as outlined in PBS-1. The aggregate of Earned Value shall be equal to the aggregate Capital Costs. For clarity, items related to Project Co Soft Costs shall be detailed in the Price Form but do not have to included in PBS-1.</p>		<ul style="list-style-type: none"> <li>Const Cash Flow Tab – Row 372</li> <li>Const Cash Flow Tab – Row 134 and 135</li> <li>Sheet 1 Capital Tab – Row Q36</li> </ul>	<ul style="list-style-type: none"> <li>The Proponent acknowledges this potential non-conformance observation and provides the following explanation: “Given the time between Initial Capital Investment Date Notice and IC Initial Capital Investment Certificate, TransitNEXT notes that in the month which the Initial Capital Investment is achieved, it will not be able to receive this first Construction Period Payment associated with this month”.</li> <li>The Proponent incurs Construction Period costs in Itemized Schedules Tab – Row 105 on a monthly basis but pays nothing to the construction contractors in February 2019 and March 2019 due to the two months delay in Accounts Payable. It is not clear if the Proponent has made prior arrangements with the contractors for such a delay in payments.</li> <li>In PA Extract, Attachment A Tab – Cell J20 and H20 have the same value. This seems to be a copy and paste error.</li> </ul>	

Proponent:		TransitNEXT			
RFP Reference	Requirements	Observation	Reference	Comments	
	<p>2.17 Substantial Completion Payment</p> <p><b>Once all preconditions to eligibility for payment have been satisfied in accordance with the provisions of the Project Agreement, the Sponsor shall pay to Project Co the Substantial Completion Payment.</b></p> <p>The Proponent must include the Substantial Completion Payment in the Proponent’s Financial Submission, Financial Model and Price Form in accordance with the Scheduled Substantial Completion Date.</p> <p>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 to be no less than \$35,000,000.00 (“<b>Maintained Private Capital</b>”). The Proponent shall structure its Construction Period Payments (as defined in Section 2.16) and the Substantial Completion Payment to ensure that a minimum of \$35,000,000.00 remains financed by Private Capital Invested following receipt of the Substantial Completion Payment and the Construction Period Payments.</p> <p>For additional clarity, and notwithstanding anything else to the contrary in the Project Agreement, Project Co shall retain Maintained Private Capital of no less than \$35,000,000.00 subject only to the permitted reduction of the Maintained Private Capital during the Maintenance Period.</p> <p>For calculation purposes, “Substantial Completion Payment”, “Private Capital Invested” and “Maintained Private Capital” have the meanings given in Schedule 20 – Construction Period Payments of the Project Agreement. 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 Price Form will calculate compliance with the above noted constraint and indicate an error message if the constraint is breached.</p>	<p>No Potential Non-Conformance Observed</p>	<ul style="list-style-type: none"> <li>Const Cash Flow Tab – Cell BA19</li> <li>Part C Financial Submission – Page 2.0.9</li> </ul>	<ul style="list-style-type: none"> <li>Maintained Private Capital is \$136,239,177 following the receipt of the Substantial Completion Payment of \$26,543,720.</li> </ul>	

Proponent:		TransitNEXT			
RFP Reference	Requirements	Observation	Reference	Comments	
	2.18 Utility Costs	Proponents shall provide in their completed Schedule 8 – Price Form, the annual target consumption rates for utilities subject to the pricing adjustment mechanism outlined in Section 6 of Part B in Schedule 19 – Payment Mechanism. Annual consumption targets shall be provided for a full year and will be adjusted for partial years as required for purposes of calculating the Annual Utilities Consumption Adjustment.	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Sheet 10 – Utility Tab</li> <li>Part C Financial Submission – Page 2.0.10</li> </ul>	
	2.19 Total Submission Price	<p>Proponents must include a breakdown of the Total Submission Price in accordance with Schedule 8 – Price Form.</p> <p>NPV Bonus:</p> <ul style="list-style-type: none"> <li>In the event that a Proponent’s Scheduled Substantial Completion Date as identified in its Proposal falls on, or before, the Early Scheduled Substantial Completion Eligibility Date, the Early Scheduled Substantial Completion NPV Bonus shall be applied as a negative amount in the calculation of the Proponent’s Total Submission Price for evaluation purposes only. For clarity, if the Scheduled Substantial Completion Date falls on a date that is later than the Early Scheduled Substantial Completion Eligibility Date, no Early Scheduled Substantial Completion NPV Bonus shall apply.</li> <li>“Early Scheduled Substantial Completion Eligibility Date” shall be December 1, 2021</li> <li>“Early Scheduled Substantial Completion NPV Bonus” shall be an amount of \$5,000,000.00</li> </ul>	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Part C Financial Submission – Page 2.0.10 – Table 2.19-1</li> <li>Summary of NPV Tab</li> </ul>	<ul style="list-style-type: none"> <li>Total Submission Price is \$1,143,833,513</li> </ul>
	2.20 Base Relevant Insurance Cost	<p>Proponents shall carry and clearly identify as a cost item Base Relevant Insurance Cost (the “BRIC”) as part of the Financial Model. For clarity, the BRIC may vary Contract Year to Contract Year.</p> <p>The BRIC carried as part of the Financial Model will be</p>	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Part C Financial Submission – Page 2.0.10</li> </ul>	<ul style="list-style-type: none"> <li>First Year BRIC is \$446,630</li> <li>Subsequent Years BRIC is \$11,612,380</li> </ul>

Proponent: TransitNEXT					
RFP Reference	Requirements		Observation	Reference	Comments
		subject to benchmarking per the methodology outlined in Schedule 24 – Insurance and Performance Security Requirements of the Project Agreement.		<ul style="list-style-type: none"> <li>Itemized Schedules Tab – Row 241 and 242</li> </ul>	
2.21	Aggregate Target Lane Closure Cost	<p>The Aggregate Target Lane Closure Cost, as defined in Schedule 7 of the Project Agreement, will be calculated in accordance with Schedule 8 – Price Form to this RFP and Schedule 7 – Mobility Matters of the Project Agreement using the applicable unit rate prices set out in the “Lane Closure” sections of Schedule 8 – Price Form.</p> <p>The Proponent shall ensure that the assumptions outlined in the draft Lane Closure Target Letter align with the calculations and assumptions included in Schedule 8 – Price Form.</p> <p>Aggregate Target Lane Closure Cost will be included in the Proponent’s Total Submission Price.</p>	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Part C Financial Submission – Page 2.0.11</li> <li>Sheet 4 – Lane Closure Tab</li> <li>Appendix 11 of the Financial Submission</li> </ul>	
2.22	Lifecycle Payments for AZR Exemption	<p>If a Proponent’s design includes a rail-over-road solution subject to AZR Exemption as outlined in Section 1.5(b) of Schedule 15-3, the Proponent shall carry \$3,000,000.00 (in Inflation Base Date prices) as part of Lifecycle Payments distributed equally over the last four calendar month of the year 2040 (to be included in Column H of Table 3 in Appendix A to Schedule 19). Such amounts shall be included in the calculation of the Total Submission Price as defined in Schedule 8 of the RFP and shall be included in determining whether a Proponent’s Financial Submission meets the Aggregate Cost Affordability Criteria.</p>	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Part C Financial Submission – Page 2.0.11</li> <li>Sheet 2 – Operating Period Tab – Column P</li> </ul>	<ul style="list-style-type: none"> <li>The Proponent has included \$3,000,000.00 (in Inflation Base Date prices). The Proponent has distributed these in Sep, Oct, Nov, and Dec 2040 in equal distributions of \$750,000.00 each. These values are part of the Total Submission Price calculation.</li> </ul>

Proponent: TransitNEXT					
RFP Reference	Requirements		Observation	Reference	Comments
	2.23 Contract Price for Revenue Vehicles	<p>As part of the Price Form, The Proponent shall select a Contract Price (including, solely at the Proponent’s discretion, the selection of option 1, 2, 3, or 4 described in “Options Available to Proponents” attached hereto as Exhibit A) for Revenue Vehicles and identify the timing and quantum of the payments in accordance with the milestones identified in the Revenue Vehicle Supply Contract.</p> <p>Depending on the option selected by the Proponent, the Revenue Vehicle Supply Contract will be amended to reflect revised provisions associated with each option as it relates to Delay and Liquidated Damages, General Warranty Period, Limitations on Liability and Performance Security. Options available to Proponents and associated Revenue Vehicle Supply Contract amendments are captured in the document titled “Options Available to Proponents” attached hereto as Exhibit A.</p>	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Sheet 1- Capital Tab – Cell F26</li> </ul>	<ul style="list-style-type: none"> <li>Revenue Vehicle Contact Costs are \$106,596,000.00 and matches the Base Contract value</li> </ul>
Schedule 3 Part 2 – Subsection 3.0	Financial Model				
	<p>The Proponent shall provide the Financial Model in Microsoft Excel format, showing all cash flows in sufficient detail to determine the source and use of funds on a monthly basis over the Project Term (as defined in the Project Agreement) and to calculate the Cost of the Financing. 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 forming Schedule 30 to the Project Agreement.</p>				



Proponent:		TransitNEXT			
RFP Reference	Requirements	Observation	Reference	Comments	
3.0 Audit Letter	The Proponent shall 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 materially consistent with the RFP and Project Agreement. The complete audit letter must be included as part of the Financial Submission, including any attachments, appendices or schedules. 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.	Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Appendix J – Page 2 of Part C Volume 1</li> <li>Const Cash Flow Tab – Cell K371</li> <li>Subsection 27 in Part A of Terms and Conditions for a Senior Construction Facility</li> </ul>	<ul style="list-style-type: none"> <li>An audit letter has been provided.</li> </ul> <p><u>Potential minor non-conformance observed:</u></p> <ul style="list-style-type: none"> <li>The size of the model that was subject to the audit letter was 10,789,577 bytes while the model submitted by the Proponent is 10,539 kb suggesting a mismatch between the model audited and the model submitted by the Proponent.</li> <li>Appendix A to the Audit Letter provides three caveats to the audit letter’s opinions that the model’s logic and integrity is consistent.                             <ul style="list-style-type: none"> <li><b>Caveat 1:</b> Modelled accounting treatment has not been included in the cope of work.</li> <li><b>Caveat 2:</b> Legal costs to establish Project Co have not been depreciated correctly.</li> <li><b>Caveat 3:</b> In relation to the senior construction facility drawdowns, the Term Sheet stipulates that the borrower may request advances for a minimum amount of \$100,000. However, in the Model the advance made from the senior construction facility on February 28, 2019 is below \$100,000</li> </ul> </li> <li><u>Note:</u> Caveat 3 has been addressed by the Proponent by amending the drawdown condition to state the following “The Borrower may request advances under the Senior Construction Facility for a minimum amount of \$75,000 (provided that the</li> </ul>	

Proponent: TransitNEXT					
RFP Reference	Requirements		Observation	Reference	Comments
					minimum amount shall not apply in the case of the second Draw following Financial Close) by giving the Lenders three (3) Business Days prior notice subject to the satisfaction of all Draw Conditions”. The second draw is of \$17,281 in the Financial Model.
	3.1 General Model Requirements	The Financial Model shall:			
		provide financial projections (cost and revenue projections) on a monthly basis from Financial Close until the end of the Project Agreement;	No Potential Non-Conformance Observed		<ul style="list-style-type: none"> <li>The Project Agreement ends in July 2049, however the Proponent continues to receive Service Payments and Equity distributions until September 2049 due to the two months delay in payables incorporated in the Proponent’s model.</li> </ul>
		not incorporate any password protection (or the password protection must be disclosed);	No Potential Non-Conformance Observed		
		not include hidden sheets or areas;	No Potential Non-Conformance Observed		

Proponent: TransitNEXT					
RFP Reference	Requirements		Observation	Reference	Comments
		not contain any circular references or balancing numbers and no input numbers in the calculation worksheets;	No Potential Non-Conformance Observed		
		include the optimization process to refresh the Cost of the Financing in the Financial Model; and	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Optimization Tab</li> </ul>	
		use a start date for the Project that corresponds to the Financial Close Date as specified above in Section 2.1 of Part D of this Schedule 3 Part 2.	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Optimization Tab – Cell E90</li> </ul>	<ul style="list-style-type: none"> <li>Start date is February 15, 2019 which is the same as the Financial Close date.</li> </ul>
	3.2 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 and maintenance costs.	Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Summary Tab – Row61:Row 113</li> <li>Summary Tab – Row 104:Row 126</li> </ul>	<ul style="list-style-type: none"> <li>Sources and Uses of Funds in the Construction and Operations period is provided under the Summary Tab</li> <li>However the sources of payments in the Financial Model over the Maintenance Period do not match the Sources provided in the Affordability Tab. The difference lies in the payments from MSPserv. In the Financial Model Monthly MSP Serv is \$469,787,872, while in the Affordability Tab, this amount is equivalent to \$474,531,635. The reason for this mis-match is the following:  In the Financial Model the MSPserv payments totaling \$469,168,282 consist of:                             <ul style="list-style-type: none"> <li>Maintenance cost: \$443,168,282</li> </ul> </li> </ul>

Proponent:		TransitNEXT			
RFP Reference	Requirements	Observation	Reference	Comments	
				<ul style="list-style-type: none"> <li>• SPV costs: \$13,659,842</li> <li>• Insurance Tax Reserving: \$1,347,368</li> <li>• BRIC Monthly Reserving: \$11,612,380</li> </ul> <p>Additionally the payments are subject to discount by PESC and escalation by CPI as evident in the Itemized Schedules Tab – Row 42.</p> <p>In the Price Form the ASPserv payments of \$474,531,635 are not subject to discount by PESC in the price form, and are only escalated by the escalation factor. The ASPserv payments in the price form consist of:</p> <ul style="list-style-type: none"> <li>• Maintenance cost: \$443,168,282</li> <li>• SPV costs: \$13,659,842</li> <li>• BRIC Monthly Reserving: \$11,612,380</li> </ul> <p>The Proponent quotes \$473,531,635 for Affordability calculations purposes but uses \$469,168,282 within the model.</p>	
	<p>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 / SPV 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.</p>	<p>No Potential Non-Conformance Observed</p>	<ul style="list-style-type: none"> <li>• Itemized Schedules Tab – Row 240:257</li> <li>• Pricing Schedules Tab – Cell C44</li> </ul>	<ul style="list-style-type: none"> <li>• The Base Relevant Insurance Cost is \$12,059,010</li> <li>• Construction Insurance Cost is \$8,523,537 and is part of the Upfront Bid Development Charges in the Construction Period Cash-flows.</li> </ul>	

Proponent:		TransitNEXT			
RFP Reference	Requirements	Observation	Reference	Comments	
	The Financial Model shall contain the following:				
	a list of all assumptions, upfront fees, costs such as legal fees, development fees, and insurance coverage (where applicable);	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Optimization Tab and Pricing Schedules Tab</li> </ul>		
	projected draw-down monthly schedule including dates and amounts for all sources of funds;	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Cash Flow Summary Tab – Rows 44:63</li> </ul>		
	project financing sources and amount;	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Financing Tab – Rows 15:117</li> </ul>		
	project equity return cost in respect of the project financing amount(s) used to calculate the Cost of the Financing portion of the Total Capital Cost;	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>IRR Tab</li> </ul>		
	all applicable equity rates as required by the equity investors in the Section 2.6 - Equity Returns Rates and Distributions to Equity, of this Part 2 to Schedule 3 to RFP, including equity injected, returns and internal rate of return, if applicable ;	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>IRR Tab</li> </ul>		

Proponent:		TransitNEXT			
RFP Reference	Requirements	Observation	Reference	Comments	
	weighted average cost of capital;	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Summary Tab G56</li> </ul>	<ul style="list-style-type: none"> <li>Estimated Weighted Average Cost of Capital for Long-Term Capital is 11.90%</li> </ul>	
	all related fee costs;	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Financing Tab</li> <li>Waterfall Tab – Row 96</li> </ul>		
	all costs allocated to performance of Project Co’s warranty obligations under the Project Agreement;	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Optimization Tab – Column AI, Row 205:565</li> </ul>	<ul style="list-style-type: none"> <li>Total warranty obligations of \$500,000</li> </ul>	
	projected income statements;	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Financial Statements Tab – Rows 86:117</li> </ul>		
	projected balance sheet;	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Financial Statements Tab – Rows 158:205</li> </ul>		
	cash flow projections; and	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Financial Statements Tab – Rows 119:156</li> </ul>		

Proponent: TransitNEXT					
RFP Reference	Requirements		Observation	Reference	Comments
		cash cascade in order of seniority (which must be consistent with any funding term sheets).	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Waterfall Tab</li> <li>Subsection 60 in Part A of Terms and Conditions for a Senior Construction Facility</li> </ul>	<ul style="list-style-type: none"> <li>The cash cascade matches the priority of funds as stated in sub-section 60 of the Term Sheet such that all transaction related expenses are met first, followed by repayment of fees and interest, and finally repayment of principle.</li> </ul>
		The 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;	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Summary Tab – Cell F41, G41, F42, G42</li> </ul>	<ul style="list-style-type: none"> <li>Nominal Pre-Tax Equity IRR is 11.90%</li> <li>Real Pre-Tax Equity IRR is 9.35%</li> <li>Nominal Post-Tax Equity IRR is 7.98%</li> <li>Real Post-Tax Equity IRR is 5.51%</li> </ul>
		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;	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>IRR Tab</li> </ul>	<ul style="list-style-type: none"> <li>Nominal Pre-Tax Blended Equity IRR is 11.90%</li> <li>Nominal Post-Tax Blended Equity IRR is 7.98%</li> </ul>
		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;	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Summary Tab – Cell E36, F36, G36</li> </ul>	<ul style="list-style-type: none"> <li>At Financial Close based on committed financing : 52.41</li> <li>Upon Substantial Completion: 0:100</li> </ul>

Proponent:		TransitNEXT			
RFP Reference	Requirements	Observation	Reference	Comments	
	drawdown and repayment schedules, including dates and amounts for all sources of finance (on a monthly basis);	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Amortization Schedules Tab</li> </ul>		
	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);	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Summary Tab – Cell G55</li> </ul>	<ul style="list-style-type: none"> <li>Estimated Weighted Average Cost of Capital for Funded Capital at Financial Close is 7.42%</li> </ul>	
	annual debt service coverage ratio and loan life cover ratio, if applicable, for each year of the Project Agreement, with minimum and average ratios;	N/A		<ul style="list-style-type: none"> <li>There is no debt or loan to be repaid during the concession term.</li> </ul>	
	any other ratios that are considered relevant to the proposed financial structure, financial covenants or financing agreements;	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Itemized Schedules Tab – Row 53:69</li> </ul>	<ul style="list-style-type: none"> <li>A minimum Capital Coverage ratio with the minimum of 1.15x is calculated</li> <li>A minimum Debt Service Coverage ratio of 1.20x calculated as the distributions to Class A Equity over Distributions to Class B Equity is also calculated.</li> </ul>	
	the precise timing of any equity injections, which cannot be later than Substantial Completion and details of the phasing, if appropriate;	Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Amortization Schedules Tab – Row 559</li> <li>Itemized Schedules Tab – Row 116</li> </ul>	<ul style="list-style-type: none"> <li>Construction Costs are paid by a two months lag, and for the case of Substantial Completion date, this lag is shortened to one month.</li> <li>Due to the above condition in the model, equity injection at Substantial Completion which is scheduled for July 2022, is actually done in Aug 2022.</li> </ul>	



Proponent:		TransitNEXT			
RFP Reference	Requirements	Observation	Reference	Comments	
	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);	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Optimization Tab – Cell H115</li> </ul>	<ul style="list-style-type: none"> <li>Construction price is of \$650,060,041.</li> </ul>	
	a schedule of projected maintenance and lifecycle reserves on a monthly basis, if applicable;	N/A			
	revenues and costs on a monthly basis;	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Cash Flow Summary Tab</li> </ul>		
	maintenance expenditure; and	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Cash Flow Summary Tab</li> </ul>		
	a breakdown of the Proponent’s revenues and costs, including but not limited to: <ul style="list-style-type: none"> <li>special purpose vehicle running costs;</li> <li>other operating costs; and</li> <li>revenue and capital flows.</li> </ul>	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Cash Flow Summary Tab</li> </ul>		
	As a separate calculation, the Proponent 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.	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Scenario Control Tab – Cell F114</li> <li>Subsection 51 in Part A of Terms and</li> </ul>	<ul style="list-style-type: none"> <li>The Swap Credit Spread is 10 bps and is consistent with the Term Sheet</li> </ul>	

Proponent:		TransitNEXT			
RFP Reference	Requirements	Observation	Reference	Comments	
			Conditions for a Senior Construction Facility		
	In a separate sheet, provide a breakdown of all projected payments by the Sponsor to Project Co, including all: (i) Monthly Service Payments, (ii) monthly Lifecycle Payments, (iii) Construction Period Payments, and (iv) the Substantial Completion Payment, and the associated expected HST that would be payable on each such payment by Contracting Authority throughout the Project Term. Please also provide all assumptions and other details used to calculate all such expected HST amounts.	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>NPV Tab</li> </ul>		
	The Proponents Financial Model, must also include, as separate output sheets the following: <ul style="list-style-type: none"> <li>Schedule 8 to this RFP.</li> </ul>	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Summary of NPV Tab</li> <li>Sheet 1 – Capital Tab</li> <li>PA Extract – Attachment A Tab</li> <li>Sheet 2 – Operating Period Tab</li> <li>Sheet 3 – MSP Tab</li> <li>Sheet 4 – Lane Closure Tab</li> <li>Sheet 5 – Cost of the Works (K) Tab</li> <li>Sheet 6– Cost of the Works (SL1) Tab</li> <li>Sheet 7 –</li> </ul>		

Proponent: TransitNEXT					
RFP Reference	Requirements		Observation	Reference	Comments
				Cost of the Works (SL2) Tab • Sheet 8 – Cost of the Works (SL3) Tab • Sheet 9 – Cost of the Works (SL4) Tab • Sheet 10 – Utility Tab	
	3.3 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;	No Potential Non-Conformance Observed	• Spec Book Tab – Row 89	
		how to run the model following changes to inputs;	No Potential Non-Conformance Observed	• Spec Book Tab – Row 91	
		how to run sensitivities;	No Potential Non-Conformance Observed	• Spec Book Tab – Row 97	

Proponent:		TransitNEXT			
RFP Reference	Requirements	Observation	Reference	Comments	
	the use of all macros, if any, contained in the Financial 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: <ul style="list-style-type: none"> <li>• reasons why this macro is used;</li> <li>• which operations and functions are accomplished through the macro;</li> <li>• which cells are modified by the macro;</li> <li>• the macro’s results;</li> <li>• explanation of how the optimization and macro steps are carried out, particularly with regards to input modifications; and</li> <li>• 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;</li> </ul>	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>• Spec Book Tab – Row 111:157</li> </ul>		
	how to print key reports and the entire Financial Model;	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>• Spec Book Tab – Row 145</li> </ul>		
	details of the optimization procedure(s) that is in line with the methodology described in Section B.6.0 of this Schedule 3 Part 2; and	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>• Spec Book Tab</li> </ul>		
	construction of the model, including: <ul style="list-style-type: none"> <li>• contents list of sheets and data contained within; and</li> <li>• details of complex or unusual formulae.</li> </ul>	Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>• Spec Book Tab – Row 42</li> </ul>	<ul style="list-style-type: none"> <li>• Details of complex or unusual formulae in the model have not been provided. Formulas often included nested IF statements, complex formulas and have not provided explanation.</li> </ul>	

Proponent:		TransitNEXT			
RFP Reference	Requirements	Observation	Reference	Comments	
	3.4 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;	No Potential Non-Conformance Observed	• Inputs Book Tab – Subheading 13	
		macro-economic assumptions, including interest and inflation rates;	No Potential Non-Conformance Observed	• Inputs Book Tab – Subheading 14	
		taxation assumptions and associated sensitivities on model;	No Potential Non-Conformance Observed	• Inputs Book Tab – Subheading 15	
		the assumptions made in relation to the tax liabilities and recoverability;	No Potential Non-Conformance Observed	• Inputs Book Tab – Subheading 15	
		accounting policies, including depreciation by asset type, and working capital requirements; and	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>• Inputs Book Tab – Row 2150: 2156</li> <li>• Inputs Book Tab – Row 2181: 2191</li> </ul>	<ul style="list-style-type: none"> <li>• Working capital delay for construction costs, M&amp;R mobilization, SPV costs, insurance during operations, and annual service payments is assumed to be 2 months</li> <li>• Substantial Completion payment delay is assumed to be 1 month</li> </ul>

Proponent:		TransitNEXT			
RFP Reference	Requirements	Observation	Reference	Comments	
				<ul style="list-style-type: none"> <li>Amortization assumptions of various financing assets are provided.</li> </ul>	
	all other assumptions that have been necessary in order to construct the Financial Model.	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Inputs Book Tab</li> </ul>		
	The inputs booklet must be consistent with, and reconcile to, the Financial Model.	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Inputs Book Tab</li> </ul>	<ul style="list-style-type: none"> <li>The Proponent is clear in pulling all inputs from the Financial Model.</li> </ul>	
3.5 Sensitivity Analysis	As part of the review of the Proposal, the Proponent is required to provide the sensitivity analyses listed below.				
	Effect on Total Submission Price and monthly Capital Coverage Ratio projections of change in inflation by (assuming that base case inflation is 2.25%): <ul style="list-style-type: none"> <li>1% increase (for whole Project);</li> </ul> The above analysis should be supported by a monthly breakdown of the amounts impacted throughout the Project Term to arrive at the Total Submission Price and Capital Coverage Ratio.	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Sensitivity Tab – Cell C127</li> </ul>	<ul style="list-style-type: none"> <li>The Total Submission Price after running the sensitivity has been provided as \$1,149,701,358</li> <li>The above price is unable to be verified by the financial model reviewer due to the time the model takes to optimize. The model was run for 40 minutes without optimizing.</li> </ul>	
	Effect on Total Submission Price and monthly Capital Coverage Ratio projections of change in inflation by (assuming that base case inflation is 2.25%): <ul style="list-style-type: none"> <li>3% increase (for whole Project);</li> </ul> The above analysis should be supported by a monthly breakdown of the amounts impacted throughout the	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Sensitivity Tab – Cell C137</li> </ul>	<ul style="list-style-type: none"> <li>The Total Submission Price after running the sensitivity has been provided as \$1,165,566,516</li> <li>The above price is unable to be verified by the financial model reviewer due to the excessive time the</li> </ul>	

Proponent:		TransitNEXT			
RFP Reference	Requirements	Observation	Reference	Comments	
	Project Term to arrive at the Total Submission Price and Capital Coverage Ratio.			model takes to optimize.	
	Effect on Total Submission Price and monthly Capital Coverage Ratio projections of change in inflation by (assuming that base case inflation is 2.25%): <ul style="list-style-type: none"> <li>5% increase (for whole Project);</li> </ul> The above analysis should be supported by a monthly breakdown of the amounts impacted throughout the Project Term to arrive at the Total Submission Price and Capital Coverage Ratio.	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Sensitivity Tab – Cell C147</li> </ul>	<ul style="list-style-type: none"> <li>The Total Submission Price after running the sensitivity has been provided as \$1,188,937,019</li> <li>The above price is unable to be verified by the financial model reviewer due to the excessive time the model takes to optimize.</li> </ul>	
	Effect on the Total Submission Price of a change in Benchmark Rate(s) by: <ul style="list-style-type: none"> <li>10 basis points and decrease in underlying benchmark rates;</li> </ul>	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Sensitivity Tab – Cell Q33</li> </ul>	<ul style="list-style-type: none"> <li>The Total Submission Price after running the sensitivity has been provided as \$1,143,502,681</li> <li>The above price is unable to be verified by the financial model reviewer due to the excessive time the model takes to optimize.</li> </ul>	
	Effect on the Total Submission Price of a change in Benchmark Rate(s) by: <ul style="list-style-type: none"> <li>50 basis points and decrease in underlying benchmark rates;</li> </ul>	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Sensitivity Tab – Cell Q32</li> </ul>	<ul style="list-style-type: none"> <li>The Total Submission Price after running the sensitivity has been provided as \$1,142,228,456</li> <li>The above price is unable to be verified by the financial model reviewer due to the excessive time the model takes to optimize.</li> </ul>	
	Effect on the Total Submission Price of a change in Benchmark Rate(s) by: <ul style="list-style-type: none"> <li>100 basis points and decrease in underlying benchmark rates;</li> </ul>	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Sensitivity Tab – Cell Q31</li> </ul>	<ul style="list-style-type: none"> <li>The Total Submission Price after running the sensitivity has been provided as \$1,140,641,742</li> <li>The above price is unable to be verified by the financial model reviewer due to the excessive time the model takes to optimize.</li> </ul>	

Proponent:		TransitNEXT			
RFP Reference	Requirements	Observation	Reference	Comments	
	<p>The Sponsor reserves the right to conduct additional sensitivities. For the purpose of clarity, the Sponsor may wish to test the hypothetical impact of the sensitivities listed above on the results of the Financial Model, regardless of the risk transfer contemplated in the Project Agreement.</p> <p>The Sponsor’s advisors will be using the Financial Model and sensitivity analysis as part of the overall evaluation of whether the Proposal represents a financing plan is achievable and realistic.</p>				
3.6 Completion of Schedule 8 – Price Form	Each Proponent shall complete all forms set out in Schedule 8 – Price Form, including all worksheets.	<p><b>Potential Non-Conformance Observed</b></p>	<ul style="list-style-type: none"> <li>• Summary of NPV Tab</li> <li>• Sheet 1 – Capital Tab</li> <li>• PA Extract – Attachment A Tab</li> <li>• Sheet 2 – Operating Period Tab</li> <li>• Sheet 3 – MSP Tab</li> <li>• Sheet 4 – Lane Closure Tab</li> <li>• Sheet 5 – Cost of the Works (K) Tab</li> <li>• Sheet 6– Cost of the Works (SL1) Tab</li> <li>• Sheet 7 – Cost of the Works (SL2) Tab</li> <li>• Sheet 8 – Cost of the</li> </ul>	<ul style="list-style-type: none"> <li>• All forms set out in Schedule 8 – Price Form have been completed and provided with the model.</li> <li>• Sheet 3 – MSP Tab Price Forms do not meet the Cost of the Works Check.                             <ul style="list-style-type: none"> <li>○ The check on the Annual Service Payment capital portion in cell U11 of Sheet 3 – MSP Tab is not being met because the Proponent has not included the SPV costs as part of the Annual Service Payment capital portion as required by the check. Part of the SPV costs (for example: SPV adjusted nominal costs) that are not included as part of the Annual Service Payment capital portion are picked up in the Annual Service Payment service portion, while the other parts (Insurance Tax Reserving Nominal and Insurance Tax Brokerage Nominal are not clearly picked up as part of the Annual Service Payments service portion in the Price Form.</li> <li>○ The checks on the Annual Service Payment service portion in cells W11, Y11, AA11, and AC11 are</li> </ul> </li> </ul>	



Proponent: TransitNEXT					
RFP Reference	Requirements		Observation	Reference	Comments
				<ul style="list-style-type: none"> <li>Works (SL3) Tab</li> <li>Sheet 9 – Cost of the Works (SL4) Tab</li> <li>Sheet 10 – Utility Tab</li> </ul>	not being met as in their model, the Annual Service Payment service portion includes Base Reserve Insurance Cost (BRIC) un-escalated and SPV costs during operations (which as per the Price Form is suppose to be part of the Annual Service Payment capital portion).
3.7	Cost-Loaded Works Schedule	<p>The Proponent must provide a detailed cost-loaded schedule showing completion of the Works and such cost-loaded schedule shall meet the requirements of PBS-1 as defined in Schedule 12 – Works Scheduling Requirements of the Project Agreement. For clarity, an identical schedule which excludes any costs is to be submitted as part of the Technical Submission.</p> <p>The cost loaded schedule included in the Financial Submission is to be provided to enable the Sponsor to confirm that the financial data included in it reflects the financial data included in the Proponent’s Schedule 8 – Price Form and Financial Model.</p> <p>In the event of discrepancies between the cost-loaded schedule included in a Proponent’s Financial Submission and their Schedule 8 – Price Form, the latter will govern.</p>	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Cost Loaded Works Schedule</li> </ul>	
3.8	Equity Distributions and Annual Service Payment – Capital Portion	<p>The Financial Model shall include continuity tables to show the annual interest changes, annual payments to equity (i.e. equity distributions), and principal outstanding, as required by the equity investors in the Section 2.7 - Equity Returns Rates and Distributions to Equity, of this Part 2 to Schedule 3 to RFP, including equity injected, returns and internal rate of return, if applicable.</p>	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>IRR Tab</li> </ul>	
		<p>The Financial Model shall also include clear delineation of equity distributions made during the Maintenance Period, and the annual pre-tax IRR and post-tax IRR in real and nominal terms. No distributions to equity during the Construction Period are permitted.</p>	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>IRR Tab</li> </ul>	

Proponent:		TransitNEXT			
RFP Reference	Requirements	Observation	Reference	Comments	
	The Financial Model shall include on a monthly basis throughout the Maintenance Period a calculation of the Capital Coverage Ratio in accordance with Schedule 4 – Funding Requirements of the Project Agreement.	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Itemized Schedules Tab – Row 54</li> </ul>		
	“ <b>Capital Coverage Ratio</b> ” shall be calculated as the quotient of (i) the aggregate Actual Monthly Project Co Payments for the relevant Capital Coverage Ratio Calculation Period, and (ii) the aggregate Actual Monthly Project Co Costs for the relevant Capital Coverage Ratio Calculation Period. Actual Monthly Project Co Payments, Actual Monthly Project Co Costs and Capital Coverage Ratio Calculation Period has the meaning set out in Section 1, Schedule 4 – Funding Requirements of the Project Agreement.	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Itemized Schedules Tab – Rows 45:49</li> </ul>	<ul style="list-style-type: none"> <li>Proponent’s calculated Monthly Service Payments include:                             <ul style="list-style-type: none"> <li>Monthly Annual Service Payments to Capital as paid to Class A and B of Equity</li> <li>Monthly Annual Service Payments for maintenance</li> <li>Monthly Annual Service Payments for lifecycle</li> </ul> </li> <li>Proponent’s calculated Monthly costs include:                             <ul style="list-style-type: none"> <li>Monthly Annual Service costs for maintenance</li> <li>Monthly Annual Service costs for lifecycle</li> </ul> </li> </ul>	
	The Financial Model shall show Project Co maintaining a minimum annual Capital Coverage Ratio equal to 1.15 or, for Service Levels other than Service Level 1, such lower value as calculated in the Financial Model (“ <b>Threshold Capital Coverage Ratio</b> ”). In no cases shall the Threshold Capital Coverage Ratio be less than 1.08. For clarity, Annual Service Payment – Capital Portion payments may vary from month to month but proponents must demonstrate that the Threshold Capital Coverage Ratio is maintained for the Capital Coverage Ratio Reporting Period.	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Itemized Schedules Tab – Row 56</li> </ul>		
	Annual Service Payment – Capital Portion shall be limited to capture only repayment of Maintained Private Capital that has been invested by Project Co during the Construction Period. Maintained Private Capital has the meaning set out in Section 1, Schedule 20 – Construction Period Payments of the Project Agreement.	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Waterfall Tab – Row 17 and 106</li> </ul>		

Proponent:		TransitNEXT														
RFP Reference	Requirements	Observation	Reference	Comments												
3.9	Equity distributions in a Contract Year shall not exceed the aggregate amount of Annual Service Payment – Capital Portion payments that Project Co is projected to receive for such Contract Year.	Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Waterfall Tab – Row 17 and 106</li> </ul>	<ul style="list-style-type: none"> <li>In year 2022 a discrepancy between the Annual Service Payment – Capital Portion and distributions was observed. There is a difference of 0.000005990 between the two such that the Annual Service Payment – Capital is more than the distribution. Under the terms of the RFP this is permissible.</li> <li>In year 2040 a discrepancy between the Annual Service Payment – Capital Portion and distributions was observed. There is a difference of (0.00000003725) between the two such that the Annual Service Payment – Capital is less than the distributions to equity. Under the terms of the RFP this is not permissible.</li> <li>The rest of the Annual Service Payment – Capital Portion match the distributions to equity</li> </ul>												
	Equity distributions shall follow industry practices and standards for availability based public-private partnership projects in Canada. Similarly, variations in equity distributions and Annual Service Payment – Capital Portion amounts are expected to follow the maintenance and lifecycle cost profile over the Maintenance Period.	No Potential Non-Conformance Observed	<ul style="list-style-type: none"> <li>Waterfall Tab</li> </ul>	<table border="1"> <thead> <tr> <th>Year</th> <th>Nominal Equity IRR (Pre-Tax)</th> </tr> </thead> <tbody> <tr> <td>2029</td> <td>7.23%</td> </tr> <tr> <td>2034</td> <td>9.43%</td> </tr> <tr> <td>2039</td> <td>10.80%</td> </tr> <tr> <td>2044</td> <td>11.52%</td> </tr> <tr> <td>2049</td> <td>11.90%</td> </tr> </tbody> </table> <p>The Nominal equity IRR build up is provided above.</p>	Year	Nominal Equity IRR (Pre-Tax)	2029	7.23%	2034	9.43%	2039	10.80%	2044	11.52%	2049	11.90%
	Year	Nominal Equity IRR (Pre-Tax)														
2029	7.23%															
2034	9.43%															
2039	10.80%															
2044	11.52%															
2049	11.90%															
For clarity, the model optimization process shall not result in adjustments to any of the following: Payments for Early Works (if applicable), Revenue Vehicle Contract Costs, Maintained Private Capital amount, Annual Service Payment – Capital Portion amounts, Equity IRR or Capital Coverage Ratio. The optimization process shall be clearly	N/A	<ul style="list-style-type: none"> <li>Sensitivity Tab</li> </ul>	<ul style="list-style-type: none"> <li>Unable to confirm due to the excessive time the model takes to optimize.</li> </ul>													

<b>Proponent:</b>	TransitNEXT			
<b>RFP Reference</b>	<b>Requirements</b>	<b>Observation</b>	<b>Reference</b>	<b>Comments</b>
	explained and provided by the Preferred Proponent as per Section 3.4 of Part D of this Schedule 3 - Part 2.			