



**Written Responses to Inquiry about Niagara Reinforcement Line (NRL)
-Published August 8, 2018-**

Hard Copy Questions submitted by Wilfred Davey to Six Nations of the Grand River Development Corporation at a meeting at Six Nations Elected Council Chambers on July 31, 2018.

1. The contract we received at the last meeting at the gathering place was for the Set-aside Agreement. Is this the Definitive Contract? If so, are there other counterparts, to be included, to form a definitive contract?

Yes, this is the definitive contract establishing the Set-aside rights in favour of Six Nations; this agreement is conditional upon the Niagara Reinforcement Line being completed and energized. Provided the condition is met and the Province of Ontario moves to procure energy within the next 15 years, further agreement(s) will be required to capture the terms of a power purchase agreement.

What we believe you are referring to when referencing “counterparts” pertains to section 22 of the NRP agreement. This is a common contractual term that refers specifically to the signatory page; this clause allows for the final document to be signed by the parties independently and then the signature pages as signed by each party are collated as one binding document, (as authorized parties may not have physically signed the same piece of paper). This will not change the terms of the agreement itself but will simply facilitate signing by the parties electronically wherever they may be located.

2. Section 02 of this agreement pertains to early termination, of this contract, or any definitive contract, which can be terminated, by Ontario, unilaterally, after the line is completed and energized, and they would pay a fee of \$15 million to SNGRDC.

This section was added by SNGRDC as a penalty to the Province of Ontario if they choose to not honour the agreement. This is a worst-case scenario, as the 300 MW set-aside has far greater benefit to the Six Nations people than the termination fee. Including a penalty system was a direct result of community engagement on past projects that stated the people wanted reassurance that once a deal was complete, the province could not cancel the agreement without retribution to Six Nations.

3. Is there an executed term sheet for this project, this sets out a binding obligation defining the conditions and the requirements of the parties, or was this the enclosure in the support letter from Ontario’s Carolyn Calwell, Dated, May 07, 2018, directed to Matt Jamieson?

The draft term sheet outlines the key components of the NRP agreement. The commitment by the Ministry of Energy to the project was also reaffirmed in the October 18, 2017 Letter of Support from Ontario’s then Minister of Energy Glenn Thibeault. Following community engagement with Six Nations the draft term sheet became the basis of definitive agreements, which was the attachment referenced in Carolyn Calwell’s letter to Matt Jamieson dated May 7, 2018. Both documents are publicly available at <http://www.snfuture.com/project.php?id=19>



4. This contract does not mention future negotiations to enhance the financial aspects of this contract. i.e. Hydraulics.

Alternative arrangements have been added to the NRP Agreement with the Six Nations of the Grand River, Six Nations of the Grand River Development Corporation and the Ministry of Energy in Section 12 & 13 with reference to this section again in section 3. These sections read the following:

12. In the event that each of the Parties agree that market renewal or other initiatives affecting the structure of the electricity market in Ontario affects the implementation of the Set-aside or otherwise undermines the intended value of the Set-aside, the Parties shall in good faith negotiate an alternative arrangement of equivalent value that achieves the objective of providing an opportunity for SNGRDC to pursue economic benefits from the completion of the NRP.

13. Ontario will, from time to time, discuss with SNGRDC projects of mutual interest.

What these sections allow for is future negotiations with the Ministry of Energy, such as Hydroelectric power. However, the language does not limit those discussions to only hydroelectric power as there is no way of predicting the full breadth of future opportunities that may emerge within the next 15 years.

5. Has SNEC done their due diligence and had an independent counsel peruse this contract?

The NRP agreement was vetted by both SNGRDC's Lawyers, Folger Rubinoff LLP, and SNEC's Lawyers, Blake, Cassels & Graydon LLP.

In addition, as with all large transactions contemplated on behalf of the community, SNGRDC obtained third party independent financial advice which identified the investment as low risk and attractive for the community.

An independent review of the Environmental Report was also conducted following engagement and prior to review of the Community Consultation by the SNGRDC Board of Directors, SNGRDC Advisory Committee and SNEC Chief & Council, which deemed the 2004 as valid.

6. Under the General terms of this agreement, #20, it appears only Section 02, Early Termination, is legally binding to the parties as mutually agreed. The remainder of the agreement does not impose any legally binding obligations on the parties.

That is correct, the binding nature of Section 2 is to effectively serve as a punitive tool to ensure Ontario carries forward with their promises. Section 2 refers to Section 3 of the agreement which outlines the 300 MW set-aside; in addition, Section 3 references Section 12 which allows for future negotiations with the Ministry of Energy.

7. #21 of the General Terms, this agreement, may be executed in any number of counterparts to form one final definitive instrument. This should give SNGRDC the opportunity to negotiate the Hydraulic portion of this agreement, to be included in this definitive agreement.

I believe you are referring to Section 22. Please see response to Question 1 regarding the definition of counterparts.



Any further enhancements we achieve pursuant to Section 12 and/or 13 will likely be captured in a new agreement drawing reference to this agreement.

8. Under SCHEDULE "1". #4 After the energizing of the line, Six Nations will be granted a right to acquire a 25% interest in the line at affair market value. What did the 12.5 million get us? Do we have to pay additional money for the 25% equity of the line?

Currently, the financial model for NRL indicated that \$12.5M should be sufficient to acquire 25% equity in the line. The final figure will not be fully known until the construction is completed and the line is energized. SNGRDC will not be investing any funds until the line is functional, and the pricing is clear. In the mean time, all funds will remain with SNGRDC until they are ready to be invested.

9. Is there an EPC contract to show funding to kick off construction and procurement of material?

Six Nations of the Grand River did not contribute any funds to kick off construction. Construction of the line is fully funded by Hydro One pursuant to the construction agreement entered into between Hydro One and A6N Utilities. Once the asset is completed SNGRDC will purchase 25% equity for approx. \$12.5 million. In addition, A6N is the main contractor for the work being completed which will bring additional value to our community through construction profits and local employment opportunities.

10. #19 there is no BCR dated April 28/17 in this booklet.

The BCR dated April 28/2018, resulting for the In-Camera Special General Council held on April 27/2018 was not originally posted to the SN Future website. SNGRDC has since obtained approval to post this the website, where it is now publicly available. The resolution reads the following:

ICSGC#8/04/27/2018

Moved by C.W. Martin and seconded by Wray Maracle that the Six Nations Elected Council approve an Agreement with the Province of Ontario represented by the Minister of Energy which grants, among other things, a 300 mega-watt renewable energy set aside and confirms the \$15 million early termination fee in favour of Six Nations of the Grand River as outlined in the Niagara Reinforcement Line bundles solution; and further authorized Chief Ava Hill to execute the document when it is in its final form.

ALL IN FAVOUR

CARRIED

ICSGC#9/04/27/2018

Moved by C. W. Martin and seconded by Wray Maracle that the Six Nations Elected Council approves to WAIVE SECOND READING ON Resolution ICSGC#8/04/27/2018.

ALL IN FAVOUR

CARRIED

11. There is a EPC and what is it term Sheet.

The EPC refers to an Engineering, Procurement, and Construction contract. Due to the existing materials on hand with Hydro One, A6N ultimately ended up entering into a Construction contract only, as the Engineering and materials were largely intact. The Construction Contract is confidential to the parties (Hydro One and A6N Utilities).



12. Equity shares 25% for 12.5 million, is this guaranteed in the Terms Sheet?

\$12.5M is our estimated total investment cost for our 25% ownership in the project. This is to include the equity purchase, as well as all associated closing costs for the deal – lawyer, accountant, business consultants as previously noted. The final cost is not guaranteed and will be not be fully known until the line is constructed. Any significant deviations from this estimate will be disclosed as they become known.

General Commentary

It is important to note that the NRP Agreement with Ontario/Ministry of Energy and the Limited Partnership (LP) Agreement with Hydro One are contingent upon the completion of the NRL. The failure to complete and energize the NRP by the in-service date (September 1, 2019) will result in a minimum of \$62 million in damages to the future generations of Six Nations of the Grand River. The itemized damages are:

Failure to Construction Line	\$1 M in lost profits (minimum)
Failure to Energize - NRP Agreement	\$15 M in lost termination fee (minimum)
<u>Failure to Acquire - LP Agreement</u>	<u>\$46 M in lost revenue distributions</u>
	\$62 M in damages to the Six Nations Community

Note: The above figures represent minimum damages. Should the full value of the set-aside agreement be recognized, Six Nations of Grand River will lead the development of several hundred million dollars of new investment, triggering significant profits in the long run