First Canadian Property Investments Ltd.
16 Vancho Crescent, Toronto ON M9A 4Z2
Email jpr@firstcanadianpil.com

January 27, 2022

Six Nations of the Grand River Development Corporation
2498 Chiefswood Road
Ohsweken ON N0A 1M0

Attention: Mr. Matthew Jamieson
President & CEO

Dear Sirs,

Preliminary Review Summary of Lake Erie Connector Project

BACKGROUND

We are pleased to provide our comments on a proposed investment in the Lake Erie Connector project (LEC) that is planned to start construction in June 2022. Upon completion in 2026, the 120 km transmission project is expected to carry up to 1,000 MW of electricity bi-directionally between Nanticoke Ontario and the Erie West Transfer Station in Pennsylvania. Of the total length, approximately 100 km will be underwater, crossing Lake Erie. A rendering of the prospective project can be found at Appendix "A." This reporting letter is to be considered preliminary, since construction contracts, management and administration contracts, and agreements with the Ontario Independent Energy System Operator (IESO) and federal Canada Energy Regulator (CER), and other terms have not yet been concluded. Consequently, until more definitive terms are established, financial modelling is based on best current estimates.

Please note that the information contained in this report has been gathered from sources considered to be reliable, but may require verification prior to use, as no representations or warranties of any kind are either expressed or implied. Please further note that with respect to this report, we have restricted our review to matters relating to the financial modelling projections, as prepared jointly by Fortis Inc. subsidiary ITC Lake Erie Connector LLC (ITC) and Canadian Imperial Bank of Commerce (CIBC), an experienced financial institution and lender to business enterprises, acting as Financial Advisor to ITC. As the planned construction lender, the primary due diligence review of the feasibility of LEC has been conducted by ITC and will also be reviewed by the lender(s)' technical advisor(s). As a result, First Canadian has performed no additional reviews of the banking arrangements, engineering or environmental reports, or other information to verify that which has been provided to us. More particularly, our role is to determine and where justified confirm that based on information made available to us and to the best of our knowledge, the information contained in the financial model supports the proposal offered to Six Nations of the Grand River Development Corporation (SNGRDC) and represents an attractive investment for the alternative energy asset portfolio.

LAKE ERIE CONNECTOR PROJECT

The $1.75B LEC is in a fairly advanced stage of development and as noted above, requisite approvals, contracts and commitments have not yet been attained. There will be no Canadian partners in ITC Lake Erie Connector Limited Liability Corporation (ITC LLC) which is the entity ITC intends to use to house all of the U.S. project assets.

The LEC project will be structured as a 50-50 joint venture between ITC LLC and Lake Erie Connector LP (LEC LP), a Canadian limited partnership to be formed. The Canadian partners in LEC LP are expected to include a 100% owned special purpose corporation (SPC) subsidiary of SNGRDC, another with a SPC of Mississaugas of the Credit First Nation (MCFN) and ITC LLC.

In times of surplus electricity in Ontario and demand south of Lake Erie, the LEC project will allow the transmission of electricity into Pennsylvania. Conversely, during periods when there is a surplus of electricity south of Lake Erie and demand in Ontario, the joint business will send electricity north of the border. As a result, wasted electricity that exceeds local demand is expected to become usable by parties that may have need exceeding local supply, allowing both partners access to the Ontario and Pennsylvania grids to meet fluctuations in supply and demand. The project will send electricity by converting alternating current (AC) to direct current (DC) for underwater transmission and re-converted from DC to AC through converter stations at Nanticoke and Erie Pennsylvania. The ability to send electricity bi-directionally has potentially lucrative implications for both Ontario LEC LP shareholders and the PJM Interconnection market (*PJM is a regional transmission organization that coordinates the movement of wholesale electricity in all or parts of Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia and the District of Columbia*.) Revenue generated by the LEC project will be provided through a 40-year contract with the IESO, with possibilities for extending the maturity date. (*Please be aware that through LEC LP, the limited partners will be provided a fixed availability payment from the IESO and will not participate in the economics of trading/marketing of electrons across the transmission line.*)

A noteworthy feature of the proposed transmission project is that, unlike other alternative energy projects where volumes of electricity measured in kilowatts coursing through the grid are the basis for revenue generation, this will not be the case for the LEC project. As the paying customer of the proposed service, the IESO will pay fees for the availability of the bi-directional service for 40 years, with the possibility of term extensions currently under discussion. For the initial 40-year term, the annual compensation formula is expected to be fixed at $129.5M annually, with 19% (approximately $25M) indexed to inflation.

Startup costs of the project are to be funded with 40% equity and 60% debt, as stipulated by the IESO. Startup costs of the project are to be funded with approximately 40% equity and 60% debt, as stipulated by the IESO to reflect a regulatory-like capital structure that is aligned with ITC's ultimate parent's (Fortis Inc.) long-term financing strategy. ITC and CIBC are spearheading the raising of equity and debt from commercial banks and/or institutional and government lenders. While terms set out in the financial model currently include an upfront senior bond issue, assessment of alternative strategies such as bank-to-bond financing is also ongoing. LEC is to be operated as a joint venture between LEC LP and ITC, an American company with significant presence in the U.S. energy business. Such an agreement will be designed to ensure that the allocations of revenues and expenses will be apportioned equitably.

During the four-year construction period, it is contemplated that expenses to the joint venture between LEC LP and ITC (*both currently subsidiaries of ITC Holdings Corp*., the largest independent electricity transmission company in the U.S. and an American company with significant presence in the U.S. energy business.) will be funded by a combination of senior bond debt, 44-year fixed rate construction financing and equity contributions. Notwithstanding, the current construction financing strategy remains flexible.

Under this format, low-rate term financing to be provided by federal Crown corporation Canada Infrastructure Bank (CIB) will reduce construction funding costs substantially. Financial closing of the senior bond debt, CIB funding and equity financing is expected to occur in late June 2022. As a 50-50 joint venture, these obligations will also be apportioned to the two parties, on a pro rata basis.

On this basis, the equity contributions for the total LEC project will be approximately $350M from U.S. investor ITC and $350M from Canadian partner LEC LP. With respect to the latter, the contributions allocation will be:

Total Project		
LEC LP	50.0%	$350,000,000
ITC	50.0%	$350,000,000
Total LEC Equity	100.0%	$700,000,000
U.S. 50% Partner		
MCFN	0.0%	$0
SNGRDC	0.0%	$0
ITC	100.0%	$350,000,000
Total Shareholders	100.0%	$350,000,000
Canadian 50% Partner		
MCFN	7.5%	$26,250,000
SNGRDC	7.5%	$26,250,000
ITC	85.0%	$297,500,000
Total Shareholders	100.0%	$350,000,000

ITC has also made available as an alternative to equity investment a 40-year royalty fee to either or both of SNGRDC and MCFN. If deemed preferable, as discussed later, a royalty agreement will offer attractive but lower returns to the participant(s).

At some point in the future, whether in 40 years or longer, it may become necessary to decommission the project. We are advised that at an expected cost of less than $5M, the CER is seeking a performance bond or other type of security to cover such expenses, if, as and when required, at a date later than maturity of the IESO service purchase contract. The financial model includes posting of this security.

INVESTMENT OPPORTUNITY

(i) Structure of Equity Commitments

An important feature of the LEC investment opportunity is ITC's offer to provide equity financing to the two First Nation partners, something it is prepared to do with 40-year attractively priced fixed rate debt. If exercised, the equity borrower(s) would still be entitled to receive its/their pro rata share of distributable cash flows, after deduction for debt service costs for the 40-year term of the ITC loan(s).

With respect to subscription options for LEC LP available to SNGRDC, ITC has proposed three alternatives, other than withdrawal from the transaction. Because one option is for the Canadian investors to arrange their own financing when low-cost funding is being offered, this option is not discussed further in this report. The equity option is described as:

Option #1: SNGRDC has been invited to subscribe for 7.5% of the required equity funding of LEC LP. ITC has offered to supply 100% of SNGRDC's equity funding requirements to the project, at the same cost of funds as will be available to ITC to raise senior debt. If this option is exercised, 40-year debt service costs of the loan will be deducted from distributable operating cash flows, prior to distributions to the investor.

Under this scenario, distributions will be paid to limited partners after all other cash expenses are paid. Consequently, it is reasonable to view the LEC LP investors as last payees from distributable cash flows. Assuming a project that is successful from the outset, over the first 40 years, distributions to SNGRDC are expected to total approximately $44M (average $1.1M annually). If the contract is extended by 15 years, these will increase by an additional $45M averaging $3M annually, mostly because the ITC loan will have been fully repaid. Over 55 years, SNGRDC is expected to receive $90M of dividend income for an overall annual average of $1.6M.

It is also worth noting that at the end of the 40-year IESO purchase contract commencing at COD (55 years if the IESO contract will be extended for an additional 15 years), the equity investors would participate in the project as a going concern, or in sale proceeds if the project is sold.

We are advised that the rationale for the ITC equity financing offer was based on the need (i) to ensure a timely advance by all equity partners on financial close, (ii) to reduce SNGRDC time and expense on securing its own financing, and (iii) to increase the overall attractiveness of the equity option to SNGRDC. The fact that the project location has implications for territorial land claims of First Nations may also be a factor.

(ii) <u>Structure of Royalty Commitments</u>

Under the terms of the royalty option, through LEC LP, the LEC project will be an operating expense of the business. For the Canadian limited partners in LEC LP, depending upon which investment option is selected, namely equity or royalties, payments of distributable cash flows will be different, in part because each has a different investment risk profile. Both have a common risk, which is that at commercial operation date (COD), there may be technical issues that could delay the start of commercial operation or performance in accordance with expectations that may allow the IESO to withhold or restrict payments. The royalty option is described as:

Option #2: In lieu of electing to acquire equity in Canadian partner LEC LP and consequently not incurring debt funded by ITC, the First Nation partner(s) may elect instead to receive annual royalty income. Under this scenario, however, these limited partners would not be equity owners, and so would have no financial interest after 40 years (55 years if the IESO contract is extended for an additional 15 years).

Under this scenario, royalty payments will be made as operating costs that will be paid before distributions to limited partners. Consequently, it is reasonable to view the LEC LP equity investor(s)' interest(s) as subordinate to that of the royalty holder(s). Assuming the LEC project is successful from the outset, over 40 years from COD, annual royalty payments to each First Nation are expected to be approximately $41M. Over 55 years from COD, annual royalty payments to each First Nation are expected to be approximately $58M. It is expected, although not yet fully documented, that the quantum of annual royalty payments will be structured to include a 19% inflation component, in the same way the annual IESO payments will be determined. While annual royalty income is projected to average between $700K - $1M over 40 years and $800K - $1.1M over 55 years due to the inflation component, early royalty payments will be less but increase with time.

It is worth noting that at the end of the 40-year IESO purchase contract commencing at COD (55 years if the IESO and royalty contracts will be extended for an additional 15 years), the royalty holders will not benefit from the project as a continuing going concern, or from sale proceeds if the project is sold.

(ii) Project Expenses

Operating and administrative expenses will be managed through contractual engagement between LEC LP and another Fortis Inc. subsidiary, LEC GP Inc. (LE GP). On behalf of the Canadian partnership, LE GP will be responsible for all reimbursable operating costs, accounting services, ensuring compliance with the terms of the limited partnership agreement (LPA), and payment of distributable cash flow to the limited partners. As referenced earlier, neither these contracts and services nor the joint venture agreement have yet been drafted.

(iii) Project Cash Flows

One of the important aspects of limited partnerships is the ability of investors to be taxed at their individual marginal tax rates, rather than taxing the partnership earnings per se. To achieve this, the limited partnership needs to distribute its cash flow to investors before deducting taxes and depreciation from operating income on partnership earnings but excluding reserves for capital and other costs to be incurred in the future. For SNGRDC, this means that dividends stemming from an equity investment in LEC LP will attract zero income tax.

(iv) Return on Investment

For investors that might wish to purchase a 7.5% interest by incurring $26M of debt, the return will be impacted negatively by the cost of borrowing. As a result, a debt funded investment in the LEC project generates a return of approximately 2.69% over 40 years and 4.24% over 55 years, if the IESO contract is extended by 15 years.

Using borrowed non-recourse funds, however, also means that the investor has little or no financial loss risk, which means that for all practical purposes, there is little or no actual capital invested. On this basis, since SNGRDC is not committing its own money, the return on investment, whether for 40 or 55 years, is in fact infinite.

Conclusion

As presented, the opportunity to invest in either the equity ownership of the LEC project or royalty payment stream appears very attractive for SNGRDC and by extension, Six Nations. The investment has a zero initial cash cost, which means that based on the out-of-pocket investment commitment required, the return on equity is incalculably high. Furthermore, under the equity option, as an owner of the assets, in the event of contract renewals, conversion a rate base pricing formula, or outright sale of the project, equity partners will have an opportunity to reap additional financial returns. From a pure cash flow perspective, our preliminary analysis indicates the equity option will yield $3M more cash over 40 years to SNGRDC and $31M over 55 years.

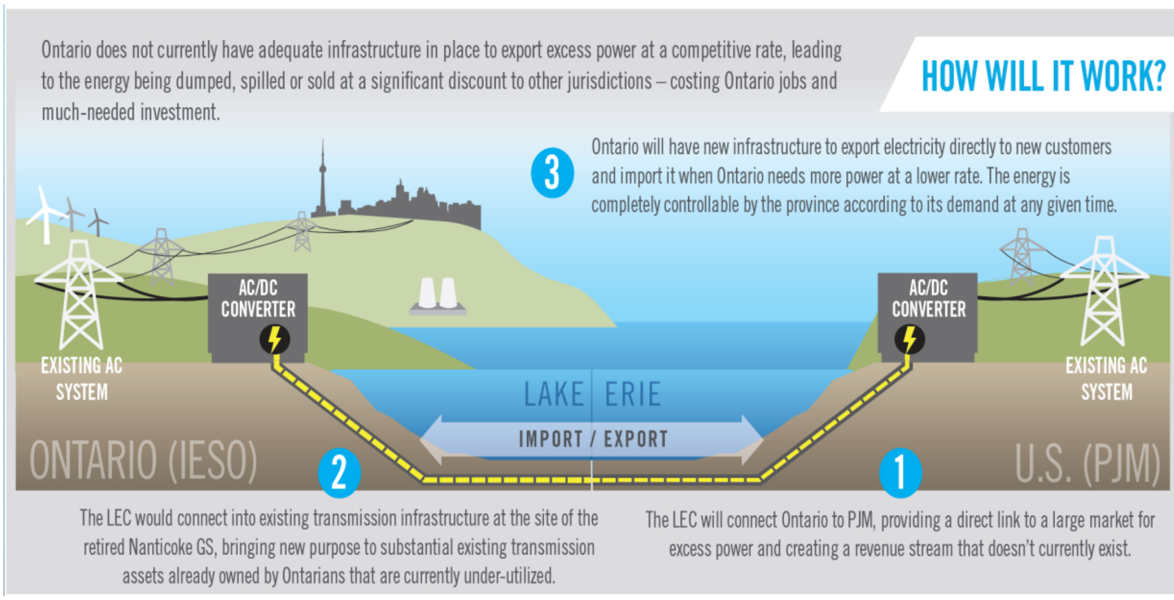
This report is limited by the preliminary stage of project development. Although agreements with the IESO, Hydro One, appointment of independent engineering firms, CIB and others have not yet been concluded, we are advised that these discussions are advanced and are expected to be concluded shortly (see Appendix “B”). Once the project approaches the construction start date , and if requested by SNGRDC, we will be pleased to update our assessment of the LEC project.

In the meantime, and apart from financial considerations, the investment also provides opportunity for SNGRDC to invest in a Fortis Inc. innovative energy transmission project in Canada and internationally at minimal financial risk, substantial overall returns, potential for employment opportunities, , and other benefits of ownership, we are satisfied that this is an attractive investment opportunity for Six Nations and SNGRDC to pursue as an equity investor.

First Canadian Property Investments Ltd.

APPENDIX "A"

LAKE ERIE CONNECTOR SCHEMATIC



Schematic excerpted from November 10, 2021 PowerPoint presentation to Six Nations of the Grand River

APPENDIX “B”

REVIEW DOCUMENTS

Documents Reviewed

1. January 5, 2021 ITC – SNGRDC Draft Transaction Term Sheet

2. August 30, 2021 Draft LEC LP – IESO Term Sheet

3. November 21, 2021 ITC/CIBC current Financial Model

Documents Not Available or Reviewed

1 Land Use Agreements

2 Independent Engineering Reports (*Soon to be appointed Washington-based Exodus Engineering & Atlanta-based Leidos Engineering*)

3 ITC – SNGRDC Capacity Funding Agreement

4 ITC – SNGRDC Support Agreement

5 ITC – SNGRDC Draft Loan Agreement

6 ITC – SNGRDC – MCFN Limited Partnership Agreement

7 LEC LP General Partnership Agreement

8 LEC LP – ITC Joint Venture Agreement