



30 November 2017

Steve Kanellakos  
 City Manager, City of Ottawa  
 110 Laurier Avenue West  
 Ottawa, ON K1P 1J1  
 Mail Code: 23-10

Our Reference:	RTG-OTT-00-0-LET-0511
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Dear Mr. Kanellakos:

Reference is hereby made to that certain project agreement between the City of Ottawa (the “City”) and Rideau Transit Group General Partnership (“RTG”) dated February 12, 2013 (the “Project Agreement”) and that certain credit agreement dated February 12, 2013 made between, *inter alia*, RTG, as borrower, and the lenders identified therein (the “Credit Agreement”).

We have attempted to respond succinctly and accurately to the issues raised in your letter of November 27, 2017 (the “Letter”). The City has raised a number of issues, some of which are expressly grounded in the Project Agreement, some of which obliquely refer to rights and remedies available under the Project Agreement and some of which appear to be expressions of more general concern.

Notwithstanding the length, contents, tone or tenor of this letter, please understand that it is not RTG’s desire to engage in overly argumentative correspondence. Indeed, the partners that comprise RTG have, collectively, numerous years of experience and a long list of successfully delivered projects. We take our contractual obligations extremely seriously and seek only to enforce our contractual rights where appropriate.

In the Letter, the City advised RTG that it is writing in its capacity as both the counterparty to the Project Agreement (the “Authority”) and as a party to the Credit Agreement (a “Long Term Lender” as such term is defined in the Credit Agreement). Based on the content of the Letter, we note that it appears that the City has conflated its various and differing rights and obligations under these two agreements. The Letter suggests that the Long Term Lender is seeking to rely on terms and conditions of the Project Agreement and that the Authority is seeking to rely on terms and conditions of the Credit Agreement. For clarity’s sake, going-forward, RTG requests that all future correspondence from the Long Term Lender not be combined with correspondence from the Authority. This practice will avoid any appearance that either the Long Term Lender or the Authority is acting outside the scope of their respective agreements and not fulfilling the terms and conditions of those respective agreements in good faith. Notwithstanding the foregoing, in order to respond to the Letter as presented to us, RTG has attempted herein to distinguish between statements made in the Letter by the Long Term Lender and statements made by the Authority.

RTG disagrees with the Authority’s assertion in the Letter that the Revenue Service Availability Notice letter of 24 November 2017 (RTG-OTT-00-0-LET-0510) (the “Notice”) was deficient and non-compliant with Section 26.7 (a) of the Project Agreement. As the Authority is aware, there are a number of unresolved Delay Events and Variations that have affected the Project (as such terms are defined in the Project Agreement). While RTG

continues to expend significant effort, including without limitation acceleration measures, to mitigate the effects of these Delay Events and Variations, to the extent that those effects cannot be mitigated the Revenue Service Availability Date will necessarily need to be extended. Similarly, in the event that another Delay Event or Variation was to occur after the date of the Notice, then the Revenue Service Availability Date would, again, need to be extended. Given the inherent nature of Delay Events and Variations, it logically follows that such events can have an impact on the construction schedule of the Project. As such, in these circumstances it is reasonable to refer to Delay Events and Variations when referring to the Revenue Service Availability Date, particularly given the fact that Delay Events have occurred and Variations have been issued.

The inclusion of such factual references does not nullify the Notice. The reality is that the achievement of Revenue Service Availability has been, and may in future be, impacted by Delay Events and Variations and the Project Agreement contemplates that the May 24, 2018 date may be adjusted to account for such impacts, to the extent that such impacts cannot be mitigated. Therefore, the Notice is compliant with the requirements of the Project Agreement, and consistent with both the intent of the Project Agreement and the on-the-ground reality of the construction of the Project.

Moreover, the Notice is in no way a breach of any representation or warranty provided by RTG in either the Project Agreement or the Credit Agreement and RTG unreservedly rejects and contests any and all allegations and assertions otherwise. Further, the acknowledgement by RTG of the fact that the Project has experienced Delay Events and Variations does not compromise the City's reputation as the Authority or as a Long Term Lender.

With respect to the Long Term Lender's reference in the Letter to the spend rate, RTG notes that as at the end of November 2017, the actual cumulative spend in construction is expected to be 2.5% below the Financial Close financial model. This difference has been consistently reduced since December 2016 when the gap reached a maximum of 5.5% due to the sinkhole event in Rideau Street. This trend clearly evidences RTG's unrelenting commitment and on-going efforts to recover the construction schedule and we note that such commitment and effort has been consistent and continuous since the sinkhole event.

With respect to the Authority's suggestion in the Letter that RTG is taking "shortcuts" with respect to health and safety, this suggestion is without merit. Similarly, the Authority's implication that RTG intends to "compromise the commissioning, compliance, training and trial running acceptance of the project" is without merit. RTG takes its commitment to health, safety and compliance with its obligations under the Project Agreement very seriously and, with respect to health and safety specifically, RTG has a demonstrable record in exceeding industry standards as evidenced by RTG's actions and statistical metrics. We take any implication to the contrary very seriously and, as such, again, RTG unreservedly rejects and contests any and all allegations and assertions otherwise.

Moreover, RTG has a 30 year commitment to the Project. In light of this fact, we would like to point out that RTG has no interest or incentive, whether contractually or otherwise, to not ensure compliance with the quality and specifications set out in the Project Agreement relating to the infrastructure, vehicles and systems we are delivering.

Regarding the Authority's repeated request pursuant to Section 22.3 of the Project Agreement, RTG has already delivered: i) a report identifying the reasons for the delay; and ii) a plan to show the steps being taken to eliminate or reduce the delay so as to achieve Revenue Service Availability by the Required Revenue Service



Availability Date via letter RTG-OTT-00-0-LET-0509 on November 21, 2017. RTG has already fulfilled its contractual obligations in respect of this request.

With respect to the Long Term Lender's request in the Letter relating to the retention of technical advisory services to assess the aforementioned plan, it is unclear to us on what basis the Long Term Lender is relying on the Credit Agreement when making such a request. We note that the Long Term Lender has the ability to consult the Senior Creditor's Technical Advisor, whose services are paid for by RTG under the Credit Agreement. RTG has no obligation under the Credit Agreement to compensate the Long Term Lender for the cost of any additional technical advisory services.

With respect to the Long Term Lender's comments in the Letter regarding continuing interest and principal payments from RTG under the Credit Agreement, RTG has been, is in and will continue to be in strict compliance with all of its obligations in this regard under the Credit Agreement. RTG similarly expects that the Long Term Lender will continue to comply with its obligations under the Credit Agreement.

With respect to the Authority's "advance notice" in the Letter demanding an additional indemnity, it is unclear what, if any, provision of the Project Agreement is being referenced. If the Authority intends to continue to make such statements, then RTG requests that the Authority provide express references to the applicable provisions of the Project Agreement. The respective rights and obligations of both the Authority and RTG are set out in the Project Agreement. Of relevance, the terms of the Project Agreement: i) do not permit a party to unilaterally impose any new terms, conditions or requirements of any kind on the other party, including the imposition of any new indemnity obligations; and ii) do not permit a party to unilaterally amend any existing terms and conditions of the Project Agreement.

With respect to the issues above related to the Long Term Lender, we trust that the Long Term Lender will forward our responses on those issues, and only those issues, to the Administrative Agent (as such term is defined in the Credit Agreement). Similarly, we anticipate that going forward all correspondence with the Lenders, both the Long Term Lenders and the Short Term Lenders, will be through the Administrative Agent in compliance with the Credit Agreement.

To re-iterate, we would be pleased to meet to discuss any of the above, and we hope that all parties will work together to de-escalate the current situation and seek to rebuild a level of cooperation and trust.

Yours truly,

A handwritten signature in black ink, appearing to read "Antonio Estrada", is written over the "Yours truly," text.

**Antonio Estrada, CEO**  
*Rideau Transit Group General Partnership*

