



Steve Kanellakos
City Manager / Directeur municipal

November 27th, 2017

Antonio Estrada
CEO, Rideau Transit Group
1545 Carling Avenue, Suite 406
Ottawa, Ontario K1Z 8P9

Dear Mr. Estrada,

*Re: That certain Project Agreement (the **Project Agreement**) dated February 12, 2013 between the City of Ottawa (the **City**) and Rideau Transit Group General Partnership Group (**RTG**) and the Credit Agreement (the **Credit Facility**) dated as of February 12, 2013 made between, inter alia, RTG, as borrower and the lenders identified therein*

The City, in both its capacity as counterparty to RTG under the Project Agreement and long term lender under the Credit Facility, is extremely concerned about the current state of progress of the project.

RTG's recent notice of November 24, 2017 was deficient and did not comply with the requirements of Section 26.7(a) of the Project Agreement. Specifically the notice required by Section 26.7(a) requires Project Co to confirm that it will achieve Revenue Service Availability by the Required Revenue Service Date, full stop. The additional language about Delay Events and Variations only serves to confuse and increase the City's level of concern about the ability to achieve the Required Revenue Service Date. In addition, it appears from the available information provided by RTG that the actual spend rate on this project is far less than planned, thereby compromising the progress of the project.

This potential breach of the representations and warranties RTG has made to the City and the lenders to complete work on schedule will most certainly compromise the City's reputation, negatively affect public perception of the City and will have a material adverse effect on the planned availability of the transit service to its customers. While the City did not insist on RTG's obligation to meet all the requirements of the 2017 Readiness Milestone, in these circumstances, there can be no forgiveness of a failure to achieve Revenue Service Availability by May 24, 2018.

The City will not tolerate any attempt by RTG to compromise the commissioning, compliance, training and trial running acceptance of the project. It will not be acceptable to recover the schedule by unreasonably compressing the amount of time required to properly test and commission the system. These activities are an integral part of achieving the necessary reliability for the project as of Revenue Service Availability and RTG must meet the requirements under the testing and commissioning provisions of the Project Agreement. All of RTG's obligations must be fully dispatched with adequate time to deal with issues that may arise and to ensure full readiness for Revenue Service Availability. Through this letter, the City is also emphasising and trust that

you will ensure that health and safety requirements should and must be strictly adhered to as per the requirements of applicable law and the Project Agreement; shortcuts in this regard to accelerate schedule will also not be tolerated or excused. The safety certification of the resulting system must be completed to the highest standards of integrity and diligence.

Pursuant to Section 22.3 of the Project Agreement, the City hereby requires from RTG, within five (5) Business Days of the receipt of this letter, a report identifying a plan showing the steps that are to be taken by RTG to achieve Revenue Service Availability by May 24, 2018. This report should include, at a minimum, a full copy of the detailed schedule for all activities, dependencies and critical path information in base format of the scheduling software RTG employs. The City, as long term lender, will require independent technical advisory services to assess the RTG recovery plan and schedule. Such services will be to the account of RTG, as per the requirements of the Project Agreement and Credit Facility.

Further in the City's capacity as long term lender under the Credit Facility, the City expects and will require the continued interest and principal payments from RTG under the Credit Facility, irrespective of any delays referred to above.

The City hereby provides advance notice that, in the event that Revenue Service Availability by May 24, 2018 is not achieved, RTG shall be expected to indemnify and save harmless the City from and against any costs that the City may suffer, including, without limitation, any costs incurred as a result of the required unplanned extensions to the City's transit operations and related services that support these operations for the period of such delay.

Finally, the City reserves all other rights and remedies that may be available to the City under either the Credit Facility or the Project Agreement.

Sincerely,



Steve Kanellakos
City Manager
City of Ottawa