PROPOSAL TO DEVELOP A

# MASS TRANSIT FACILITY

FOR THE CITY OF TAMPA CONNECTING TAMPA INTERNATIONAL AIRPORT, WESTSHORE, DOWNTOWN, AND EAST TAMPA (AND POINTS IN BETWEEN) THROUGH A PUBLIC-PRIVATE PARTNERSHIP


**Submitted By:**
Plenary Americas US Holdings Inc.
100 N. Tampa Street, Suite 2840
Tampa, Florida 33602

**Contact:**
Mike Schutt, Vice President
Phone: (813) 387-3878
Email: Mike.Schutt@plenarygroup.com

Plenary

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# RFQ TRANSMITTAL MEMORANDUM
# FOR A SUBMITTAL TO THE CITY OF TAMPA, FLORIDA

TRANSMITTAL DATE:
RFP NO. & TITLE: 21-C-00005: RFP Transit Facility - Public Private Partnership
TO: Brad L. Baird, P. E., Chairman Selection & Certification Committee (CCNA)
c/o Contract Administration Department via **ContractAdministration@tampagov.net**
306 East Jackson Street, 4th Floor North, Tampa, Florida 33602
SUBMITTER ("Firm") NAME: Plenary Americas US Holdings Inc.
FEDERAL TAX ID#: 85-0752178
FIRM TYPE: ☐ Individual/Sole Proprietor ☐ Joint Venture (JV)* ☐ Partnership (PN)* ☒ Corporation
☐ Limited Liability Company ☐ Other: ______

FIRM CONTACT NAME: Mike Schutt EMAIL: Mike.Schutt@plenarygroup.com PHONE: 813-387-3878

---

CERTIFICATIONS: Firm is licensed, permitted, and certified as required to do business in Florida: ☒ Yes | ☐ No
License/registration/certification no(s): F20000004004

Per §287.133, Fla. Stat., individuals or entities (including those meeting the §287.133, Fla. Stat. definition of "affiliate") placed on the convicted vendor list ("List") following a conviction for public entity crimes may not submit a bid, proposal, or reply ("Response") on a contract to provide any goods or services to a public entity, may not submit a Response on a contract with a public entity for the repair or construction of a public building or public work, may not submit a Response for leases of real property to a public entity, and may not be awarded or perform work as a contractor, supplier, subcontractor, or consultant under a contract with any public entity; and may not transact business with any public entity in excess of the threshold amount provided in §287.017, Fla. Stat. for CATEGORY TWO for a period of 36 months from the date of placement on the List.
Neither Firm nor its affiliates have been placed on the List: ☒ Yes | ☐ No ("Yes" indicating firm or affiliates have not been placed on List)

Firm's own initial application for employment has criminal history screening practices similar to those contained in Chapter 12, Article VI, Tampa Code (responses, whether "Yes" or "No", are for informational purposes only and will not be used as a basis for award or denial, or for any protest): ☒ Yes | ☐ No

Firm shall comply with all applicable governmental rules & regulations, including the City's Ethics Code (Sec. 2-522, Tampa Code). The City's Charter & Ethics Code prohibit any City employee from receiving any substantial benefit or profit out of any award or obligation entered into with the City, or from having any direct or indirect financial interest in effecting any such award or obligation. If Firm is successful, it shall ensure no City employee receives any such benefit or interest as a result of such award (See Sec.2-514(d),Tampa Code): ☒ Yes | ☐ No

Firm is not in arrears and is not in default upon any obligation to the City of Tampa: ☒ Yes | ☐ No

Firm agrees that if the City of Tampa determines Firm has participated in any collusive, deceptive, or fraudulent practices with regard to this submittal, in addition to any other remedy it may exercise, the City will have the right to debar Firm and deem invalid any contract let under such circumstances: ☒ Yes | ☐ No

Data or material Firm asserts to be exempted from public disclosure under Chapter 119, Fla. Stat., is submitted in a separate, single electronic searchable PDF file labeled with the above RFQ number and the phrase "Confidential Material", which identifies the data/material to be protected, states the reasons the date/material is exempt from public disclosure, and the specific Florida statute allowing such exemption (if "No" or otherwise, then Firm waives any possible or claimed exemption upon submission, effective at opening): ☒ Yes | ☐ No

**FAILURE TO COMPLETE THE ABOVE MAY RESULT IN FIRM'S SUBMITTAL BEING DECLARED NON-RESPONSIVE**

[SEAL]

Authorized Signature (wet): [signature]
Printed Name: BRIAN BUDDEN
Title: ☐ Sole Prop ☒ Pres ☐ Sr VP ☐ Gen Ptnr ☐ LLC Auth.Mbr/Mgr
☐ Other ______ (attach proof of authority)

Province ~~STATE~~ OF Ontario
City ~~COUNTY~~ OF Toronto
The forgoing instrument was sworn (or affirmed) before me before me by means of ☑ physical presence or ☐ online notarization, this 3rd day of December, 2020 by Brian Budden
either in his/her individual capacity or where Firm is an entity as the President of Plenary AmeRIcas US Holdings Inc. ☐, on behalf of such entity. He/~~She~~ is ✓ personally known to me OR produced identification. Type of identification produced:

[NOTARY SEAL]

[signature]
Printed Name: Paul Roland Martin Notary Public, Province ~~State~~ of Ontario, Canada.
My Commission Expires: N/A Commission No: N/A

* With submittal or within 10 days thereafter, Firm must provide a signed copy of the complete agreement between all JV/PN members indicating respective roles, responsibilities, and levels of participation.

Rev.2018-09-12

Plenary Americas US Holdings Inc.
100 North Tampa Street, Suite 2840
Tampa, FL 33602
Telephone: 813.387.3880
www.plenarygroup.com

December 4, 2020

City of Tampa
Brad L. Baird, P.E.
Deputy Administrator of Infrastructure
306 East Jackson St.
Tampa, FL 33602

**Re: RFP 21-C-00005; Mass Transit Facility Public Private Partnership**

Dear Mr. Baird:

Plenary Americas US Holdings Inc. ("Plenary Americas"), with our eastern US headquarters located in Tampa, is excited to submit to the City of Tampa this Letter of Interest regarding the development of a mass transit facility for the City of Tampa connecting Tampa International Airport, Westshore, Downtown, and East Tampa, and points in between through a Public Private Partnership. Plenary Americas submitted an Unsolicited Proposal to the City of Tampa in respect of the Project, and is happy to provide this formal response to RFP # 21-C-00005 issued by the City.

Plenary Americas brings deep expertise in an innovative, developer-driven planning and implementation model that has been proven throughout the US and globally to be an effective and cost-efficient approach to delivering critical public infrastructure. The proposed two-phase Collaborative Development Process P3 approach aligns interests between the public and private sector, while leveraging private sector expertise to plan, permit, and implement a cost efficient, modern mass transit system on an accelerated timeline, with certainty of delivery, cost, and long-term quality. Under our proposed Collaborative Development Process, project planning and development activities, including environmental approvals, will be implemented on an accelerated timeline that can see construction commence in less than 3 years, and passenger operations start in 2026.

We are distinctly aware of the importance of this project and the positive impact it will have on our local community, and are further invested in ensuring a viable project solution that has the greatest positive impact on the community where we live, work, and play. We hope to have the opportunity to demonstrate the value Plenary can bring to this high priority project for the City, and we look forward to speaking with you soon to discuss this project and our proposal.

Yours truly,

**PLENARY AMERICAS US HOLDINGS INC.**

Mike Schutt
Vice President

# 1

# GENERAL ADMINISTRATIVE INFORMATION

PART 1

## 1.1 Project Approval Requirements

Preliminary information regarding the proposed Project is identified below and throughout this submission as referenced, with further detailed information of the Project to be developed pursuant to an Interim Agreement prior to final Project approval by the City before entering into a Comprehensive Agreement.

### 1.1 (A) Description of the Qualifying Project

The Project includes the development, delivery, and operation of a predominantly at-grade mass transit facility in a dedicated guideway connecting Tampa International Airport, Westshore, Downtown, and East Tampa (and points in between) pursuant to a two phase process under an Interim Agreement and Comprehensive Agreement, as a P3.

Please reference Section 4 for more information regarding the conceptual design of the facilities, and a schedule for the initiation and completion of the qualifying project. Please reference Sections 6 and 7 for the conceptual plan for the provision of services.

### 1.1 (B) Method to Secure Necessary Property Interests

The City retains ownership of the Project at all times. The proposed facility is expected to primarily traverse existing City roads, with minimal additional right of way acquisitions required. Any right of way required for the Project will be identified during the Collaborative Development Process under the Interim Agreement and be acquired by the City, with support from Plenary.

Please reference Section 6 for more information on the identification and acquisition of right of way.

### 1.1 (C) Plans for Financing the Qualifying Project

A detailed funding and financing plan will be developed during the Collaborative Development Process. Private financing will be provided in the form of debt and equity to fund Project capital costs (which are not otherwise funded by public grants or direct Project sources), with repayment over the proposed 30 year operating term in the form of City-made performance based availability payments, and Project derived revenues.

Please reference Sections 4.4 and 6 for more information regarding the proposed funding and financing plan and approach for the Project.

### 1.1 (D) Contact for Additional Information Concerning the Proposal

Plenary Americas US Holdings Inc.
Mike Schutt, Vice President
100 N. Tampa St., Suite 2840, Tampa, FL 33602
Telephone: (813) 378-3878; (310) 975-9483
Email: Mike.schutt@plenarygroup.com

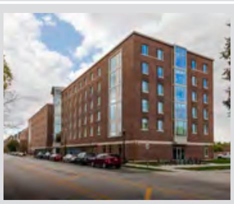
### 1.1 (E) Proposed Fees and Payments over the Term of the Comprehensive Agreement

The Project is expected to generate certain revenues from fares, advertising, concessions, incremental taxes, development rights, and possible other sources, and the City will make performance based availability payments commencing once the Project has achieved passenger readiness. The revenue opportunities and policies, and the amount and terms of the availability payments will be determined during the Collaborative Development Process under the Interim Agreement.

Please reference Sections 4.4 and 6 for more information.

## 1.2 References

Detailed information on Plenary's qualifications and experience is provided in Section 5. We have identified the following six existing clients as references who are available for contact by the City to provide feedback on Plenary's performance on other large scale P3 development projects that we have performed. Additional references can be provided upon request.

| PROJECT | | NAME AND TITLE | COMPANY AND ADDRESS | CONTACT PHONE | EMAIL |
|---|---|---|---|---|---|
|  | **Gold Coast Light Rail** | Neil Scales, Director-General | Department of Transport and Main RoadsFloor 35, 1 William Street, Brisbane Qld 4000, Australia | (07) 3066-7316 | Neil.z.scales@tmr.qld.gov.au |
|  | **Waterloo Light Rapid Transit** | Thomas Schmidt, Commissioner of Transportation and Environmental Services | Region of Waterloo, 150 Frederick Street, 7th Floor, Kickener, ON N2G 4J3 Canada | (519) 575-4734 | tschmidt@regionofwaterloo.ca |
|  | **Sydney Metro Northwest** | Rodd Staples, Secretary | Transport for New South Wales, 18 Lee Street, Chippendale NSW 2008, Australia | +612 8265 6100 | Rodd.staples@transport.nsw.gov.au |
|  | **Long Beach Civic Center Redevelopment** | Rich Anthony, Deputy City Attorney | City of Long Beach, 333 West Ocean Boulevard, Long Beach, CA 90802 | (562) 570-2211 | Richard.Anthony@longbeach.gov |
|  | **Miami-Dade County Civil and Probate Courthouse** | Dan Chatlos, Strategic Program Director | Miami-Dade County Internal Services Department, 111 NW 1st Street, Suite 2100, Miami, FL | (305) 375-4812 | Daniel.Chatlos@miamidade.gov |
|  | **Purdue University Student Housing Facilities** | Jay Wasson, Chief Operating Officer – Physical Facilities | Purdue University, 1801 Newman Rd., Suite 208, West Lafayette, IN 47906 | (765) 496-7019 | jwasson@purdue.edu |

## 1.3 Insurance

Plenary affirms that the insurance requirements of the City will be met during the Interim Agreement and Comprehensive Agreement periods.

## 1.4 Compliance with City Equal Employment Opportunity Provisions

Plenary affirms it will be in compliance with the City's Affirmative Action Requirements and Equal Employment Opportunity Program. Further, as outlined within this Proposal, Plenary has already engaged Kisinger Campo & Associates, a certified Minority Business Enterprise firm with the City, to provide services as the Preliminary Design and Environmental Consultant for the Project. A comprehensive plan for engagement of disadvantaged businesses throughout all Project phases will be developed for City review, feedback, and approval.

## 1.5 Planned WMBE Solicitation & Utilization, Form MBD 10, MBD 20 & MBD 50

As further detailed in Section 6 of this Proposal, the majority of subcontractors to be engaged to perform services supporting Plenary's obligations under the Interim Agreement and Comprehensive Agreement will be subsequently procured as part of the performance of those agreements. At this stage, only one subcontractor has been solicited and planned to be utilized, which is identified on Forms MBD 10 and MBD 20 which are attached as Appendix 1. During the Interim Agreement phase, we will work with the City to identify appropriate SLBE and WMBE subcontracting goals for all phases of the project. We will implement plans and approaches to achieve or exceed these targets (with further information on planned approaches set out in Section 1.7 below), including requiring our key subcontractors (such as Design-Builder, Lead Engineer, and any operations partners) to implement plans that contribute to exceeding these targets.

## 1.6 Workforce Development Program

Plenary implements Workforce Development Programs on most of the P3 projects that it undertakes, working closely with its key subcontractors to define and implement programs that cater to the specific needs and objectives of the communities in which it works. For this Project, Plenary will work during the Interim Agreement period to develop a detailed Workforce Development Program, with collaboration and buy-in from the City, which can be implemented during the Comprehensive Agreement period, and which will apply to design, construction, and operations services.

Plenary's approach to workforce development, which will be implemented in the Workforce Development Plan for this project, begins with a recognition that the success of the Project relies on the availability of skilled labor throughout all phases of the Project, positive labor and community relations, and an inclusive workforce that reflects our diverse Tampa community. Plenary will seek to remove barriers of the past and harness the economic potential of the future, focusing on assembling a team of subcontractors, suppliers, consultants, and workers who represent the diversity of the City. We will work with the City and local community groups during the Interim Agreement and Comprehensive Agreement phases to expand upon the SLBE and WMBE engagement which has already been identified at this stage as outlined in Section 1.6 above.

Ultimately, Plenary intends to see the Project serve as a catalyst for further developing skilled capacity in the community—we will identify, shape, and mentor careers, rather than simply provide jobs. This means providing opportunities that serve as springboards, and prepare local residents to move up in their careers, rather than simply move from project to project. We must collaborate with, and in some cases create, new community-based institutions to reach out to and include individuals who might not be immediately prepared to seize available opportunities.

### Employing a Diverse Workforce

Plenary, and all of its key subcontractors which will be engaged pursuant to the procurements carried out during the Interim Agreement phase, will be instrumental in identifying and overcoming common barriers to inclusion, and all team members will be encouraged and expected to meaningfully contribute to the Project's success while sharing in the financial benefits of our work. Plenary has a track record of meeting or exceeding participation goals, and will apply our understanding of the market that has been cultivated on previous local and large scale projects to ensure success here. Participation targets, when implemented appropriately, can be one component of a much broader approach, provide a measurable objective and act as a catalyst for strategic decisions that achieve greater inclusivity.

Still, Plenary understands that the traditional approach of setting and meeting participation goals for design and construction contracts would not, in itself, produce meaningful participation with a long-term focus. Plenary has therefore devised a program of innovative and adaptive strategies to maximize inclusion across all phases of the Project, taking a life-cycle, "cradle-to-career" approach to yield immediate opportunities for those currently in or ready to enter the workforce, and cultivate future generations of skilled workers that will be needed in the operations and maintenance phases of the Project.

Our proposed plan is split between near-term and long-term strategies. Near-term strategies focus on creating access—that is, targeted to businesses and residents who have relevant skills and capabilities, but who may face various roadblocks to participating in large-scale projects such as the Project. Long-term strategies focus on creating pathways—that is, providing the education and social support needed to develop the skillsets that form the foundation of successful careers.

The table below summarizes the components of our Workforce Development Program, which will be further developed during the Interim Agreement phase:

| Strategies to Maximize Near Term Participation |
| --- |
| Local Procurement Policy |
| Smaller, Targeted Work Packages |
| Small Business Mentoring |

| Strategies to Maximize Long Term Participation |
| --- |
| Collaboration with Education and Workforce Development Agencies |
| Scholarship and Internship Development Program |
| Support Community Organizations |
| Coordinated Job Training Programs |

## 1.7 Form A305

AIA Form A305 and associated Exhibits has been provided in Appendix 2. While the specific questions and contents of this standard form are not in all cases directly applicable to the nature of the P3 Developer role being solicited as part of this RFP, or the current stage of the project development as contemplated by the Collaborative Development Process and Interim Agreement approach, we have attempted to complete this form in the most fulsome manner possible. Please reference the more detailed and specific information regarding Plenary's experience and proposed approach to the Project as set out within this complete proposal document.

## 1.8 Criminal History Screening Information

As requested for information purposes, Plenary's criminal history screening practices are similar in nature to those contained in Chapter 12, Article VI City of Tampa Code of Ordinances.

## 1.9 Proposal Affirmation and Declaration

Please see an Affirmation and Declaration from Plenary on the following pages.

**Affirmation and declaration.**

Before me, the undersigned authority who is duly authorized by law to administer oaths and take acknowledgements, personally appeared

BRIAN BUDDEN

Who, after being duly cautioned and sworn (or who is unsworn if that be the case) and being fully aware of the penalties of perjury, does hereby state and declare, on his own behalf or on behalf of a partnership or corporation, whoever or whichever is the Proposer in the matter at hand, as follows:

1. That the Proposer, if an individual, is of lawful age.
2. That if the Proposer is a partnership or a corporation, it has been formed legally; if a Florida corporation, it has filed its Articles of Incorporation with the Florida Secretary of State; if a corporation incorporated under the laws of a state other than Florida, it is duly authorized to do business in the State of Florida.
3. That if the Proposer is using a fictitious name, he/she/it has complied with the Fictitious Name Statute of the State of Florida.
4. That the Proposer has not submitted a rigged Bid, nor engaged in collusive bidding or collusive bidding arrangement or fraudulent bidding, or entered into a conspiracy relative to this bid, with any other person, partnership, or corporation making a bid for the same purpose. The Proposer is aware that "Any understanding between persons where one or more agree not to bid, and any agreement fixing the prices to be bid so that the awarding of any contract is thereby controlled or affected, is in violation of a requirement for competitive bidding and renders a contract let under such circumstances invalid." [See McQuillian, Municipal Corporations, §26.69].
5. That the Proposer is not in arrears to the City of Tampa upon debt or contract and is not a defaulter, as surety or otherwise, upon any obligation to the City.
6. That no officer or employee of the City, either individual or through any firm, corporation or business of which he/she is a stockholder or holds office, shall receive any substantial benefit or profit out of the contract or obligation entered into between the City of Tampa and this Proposer or awarded to this Proposer; nor shall any City officer or employee have any financial interest in assisting the Proposer to obtain, or in any other way effecting, the award of the contract or obligation of this Proposer.
7. That, by submitting this proposal, the Proposer certifies that he/she has fully read and understands the bid method and has full knowledge of the scope, nature, and quality of work to be performed or the services to be rendered.

FURTHER PROPOSER SAYETH NOT.

Plenary Americas US Holdings Inc.

Title: President

**FOR A CORPORATION**

PROVINCE OF ONTARIO

CITY OF TORONTO

Sworn to and subscribed before me by means of ☐ physical presence or ☐ online notarization, this 3rd day of December, 2020, by Brian Budden, as President of Plenary Americas US Holdings Inc. He/~~She~~ is ☑ personally known to me or ☐ has produced ______________ as identification.

[Notary Seal]

Notary Public

PAUL ROLAND MARTIN

Printed Name

My Commission Expires: N/A

# 2

# EXECUTIVE SUMMARY

PART 2

## Background and Summary

The Hillsborough MPO Long Range Transportation Plan (LRTP) currently includes a rapid mass transit line from Tampa International Airport to Downtown Tampa. A natural extension of this corridor would connect the neighborhoods of East Tampa, providing increased accessibility and mobility for residents of the City. Numerous studies have been conducted over the last 40 years for this transit corridor which have documented the need and benefits; however, for various reasons the project has failed to move forward, remaining forever on the horizon as an aspirational goal for our growing city.

The lack of investment in rapid mass transit solutions has had, and will continue to have, a direct impact on quality of life for the residents of Tampa and the broader Tampa Bay region. As the City has seen enormous and positive growth over the past three decades, in population, business, and urban development, we have also faced new and growing challenges including traffic congestion, affordable housing, and attracting and retaining workers, businesses, and major events. Making the decisions today to plan for and invest in our future are a must if we want to begin to solve our challenges and continue to make Tampa a great community in which to live, work, and play. A modern, well-planned, and high quality rapid mass transit line connecting key destinations and communities can have an immediate, and transformational impact by:

- Reducing traffic congestion
- Improving accessibility, mobility, and equity for residents
- Spurring transit oriented development
- Retaining and attracting entrepreneurs, workers, and businesses
- Continuing to attract national events and supporting our tourist economy

Plenary, a leading developer and operator of critical public infrastructure throughout North America and Australia, with our Eastern US headquarters in Tampa, is proposing to develop a rapid mass transit solution in a dedicated guideway connecting Tampa International Airport, Westshore, Downtown, and East Tampa (and points in between), on an accelerated timeline that can see construction commence in less than 3 years, and passenger operations start in 2026.

In support of these development efforts, Plenary has engaged Kisinger Campo & Associates (KCA) for concept planning, environmental review, and preliminary design processes, as the Preliminary Design and Environmental Consultant. KCA is a multidisciplinary engineering firm based in Tampa, that has served the transportation industry for 44 years. KCA has nearly 300 employees, including 70 Professional Engineers, and has extensive experience regularly providing engineering services throughout Florida, for the City of Tampa, and for FDOT.

## Proposed Project

The proposed project, dubbed the CrossTampa Transit Connector, will serve as a central transit spine through the City and achieve the following key objectives:

1. Connect Tampa International Airport, Westshore, Downtown, East Tampa, and communities in between.
2. Provide a primarily at-grade modern, accessible transit solution providing a comfortable, safe, and simple user experience.
3. Accelerate development and implementation.
4. Stimulate Transit Oriented Development in surrounding areas.
5. Minimize cost over the full construction and operational lifecycle.

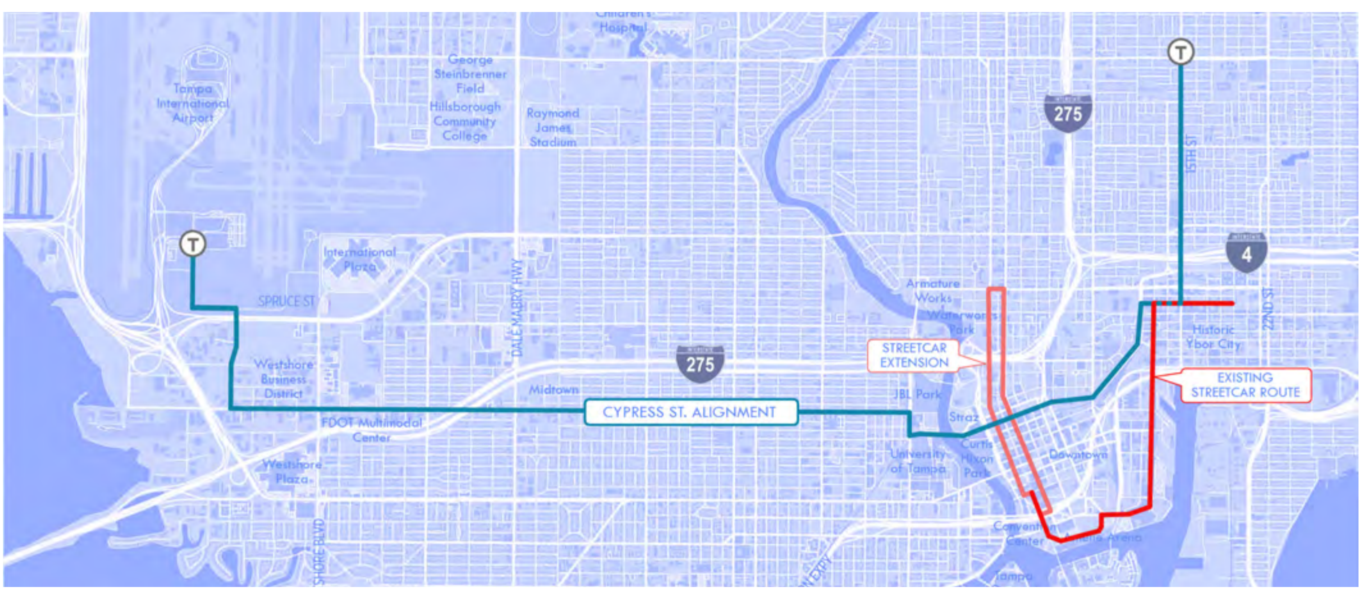
In order to best accomplish these objectives, an initial Baseline Concept Route has been identified, along with a Preferred Transit Mode. As outlined further below, and in more detail in Section 6, further detailed analysis and evaluation of possible route configurations and transit modes will be performed in the Collaborative Development Process, with the ultimate selection of final route and mode made by the City of Tampa considering all relevant factors.

Key transit connections are also made to:

- The existing downtown streetcar in Channelside/Ybor City (providing connectivity to Water St.);
- The proposed Tampa Heights streetcar extension (thereby completing a downtown transit loop, and also providing connectivity to the planned Seminole Heights/USF/Innovation District/Busch Gardens BRT route);
- The planned Westshore Intermodal Center (providing connectivity to the regional BRT project, St. Petersburg, and Wesley Chapel);
- Union Station/Amtrak; and
- A potential Brightline High Speed Rail Station with connections to Orlando and Miami.

The Baseline Concept Route provides for a dedicated guideway constructed mostly at-grade, using existing City roads as shown in the graphic below. This approach achieves connectivity for the key destinations of Tampa International Airport, Westshore, Downtown, and East Tampa, and by being implemented primarily at street level, enables connectivity for neighborhoods in between. **This approach enhances opportunities for Transit Oriented Development by providing the certainty of a fixed route, and the accessibility of a transit system that integrates into the communities it serves.** The proposed project also seeks to minimize impacts to neighborhoods through minimal ROW acquisitions, while promoting urban ridership. The Baseline Concept Route, after leaving the airport, primarily follows Cypress Street towards Downtown, then continues on Cass St./Nuccio Parkway until it connects with the existing streetcar in Ybor City, then turns North onto 15th Street, with a final terminus at Martin Luther King Jr. Blvd.

**Figure 1: Baseline Concept Route**



The Preferred Transit Mode is a Modern Streetcar system which can integrate with the Downtown Streetcar System after its modernization is complete. This is modern, low cost transit technology that provides comfortable and safe rapid mass transportation in dedicated guideways, provides key benefits, and is positioned to serve as the backbone of a future, larger, transit network.

### Table 1: Preferred Transit Mode

| MODE | | FACTORS AND CONSIDERATIONS |
|---|---|---|
|  | **Modern Street Car** | • Can integrate with and act as an extension of the planned modernization of the existing Downtown Tampa Streetcar<br>• Higher Speed (Max 50 MPH)<br>• Larger Capacity (100-200)<br>• Proven Technology<br>• Partially Automated System |

## Two Phase Development and Delivery I Collaborative Development Process and DBFOM Delivery

As an expert in developing and delivering large, complex infrastructure projects, with cost, schedule, execution, and quality performance certainty, Plenary is proposing to develop and deliver the CrossTampa Transit Connector project under a two-phase P3 project delivery model. This approach provides a number of key benefits to the City, as shown in Table 2.

### Table 2: Key Benefits to the City

| | |
|---|---|
| ACCELERATED PROJECT DEVELOPMENT AND DELIVERY | The developer-led Collaborative Development Process enables the project to go through planning, design, and development on an accelerated timeline, leveraging private sector efficiency, parallel processes, and integrated decision making.<br><br>**The project can be ready for construction in 2.5 years, with passenger service starting in 2026.** |
| REDUCED DEVELOPMENT COSTS | As a collaborative, developer-led approach, planning and development costs are saved through a shorter timeline, eliminating redundant work efforts through tightly integrated parallel activities, and Plenary sharing in risk and cost.<br><br>**Planning and development costs under the proposed Collaborative Development Process will be 50% lower than a traditional approach.** |
| COST SAVINGS, EXECUTION CERTAINTY, AND PERFORMANCE RISK TRANSFER | The P3 delivery model transfers key project risks to the private sector, aligning incentives which drives innovation, whole-of-life cost reductions, and long-term certainty of execution, quality, and performance.<br><br>**Independent analysis has shown that P3 projects deliver cost savings of 17.5% and a 46% increase in on-time completion.[1]** |

*1 17.5% reduction in Net Present Value as determined by Turner & Townsend – Analysis of 51 North American DBFOM and Traditional PSC Infrastructure Procurements; and 46% increase in on-time construction completion as determined by the UK National Audit Office – Analysis of recent United Kingdom P3 and Traditional Infrastructure Procurements.*

The first phase of developing and delivering the CrossTampa Transit Connector project is the Collaborative Development Process (CDP) period (Phase 1: CDP). Under this phase, Plenary will plan and develop the project for the City under an Interim Agreement, by spearheading all planning, regulatory, procurement, commercial, technical, and financial aspects of the project. The City will retain ownership of the Project and ultimate decision making, but Plenary will lead the execution and implementation responsibilities, with fully aligned incentives to accelerate the process and ensure a viable project solution which can actually be delivered and which achieves all project objectives. This phase will involve the preliminary design, environmental approvals, permitting, competitive procurement of design-build team and transit supplier, determination of the optimal operations and maintenance approach (such as HART operations), schematic+ design, and conclude with the closing of a fixed-price, date-certain Comprehensive Agreement. Importantly, under the Collaborative Development Process approach, all major elements of the project cost continue to benefit from full market-based competitive procurements and pricing, and further benefits from open-book collaboration to optimize for risk transfer and innovation. The graphic below identifies the key milestones in the Collaborative Development Process; however the City will remain fully informed and engaged throughout.

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**The COVID-19 pandemic is providing a unique opportunity for considering approaches to optimizing mass transit solutions for users. The Collaborative Development Process will allow Plenary and the City to identify and evaluate emerging technologies, approaches, and best practices related to urban mass transit, and develop a solution that leads the way in customer experience and safety.**

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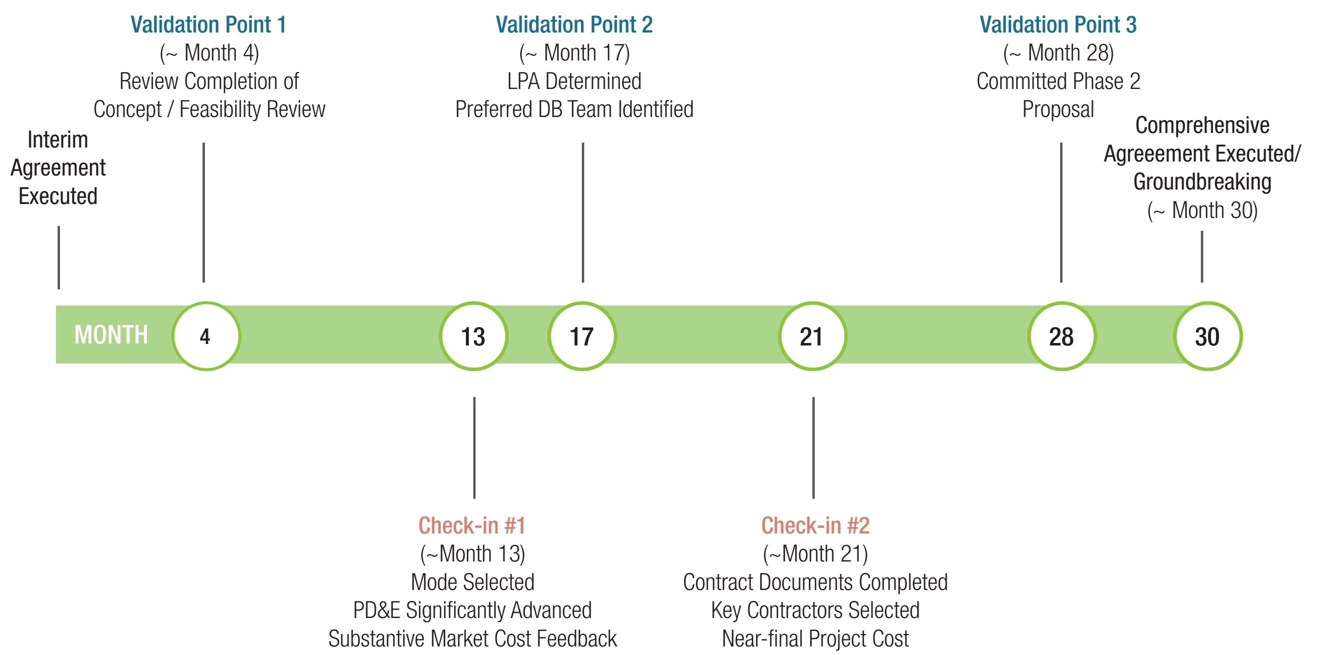
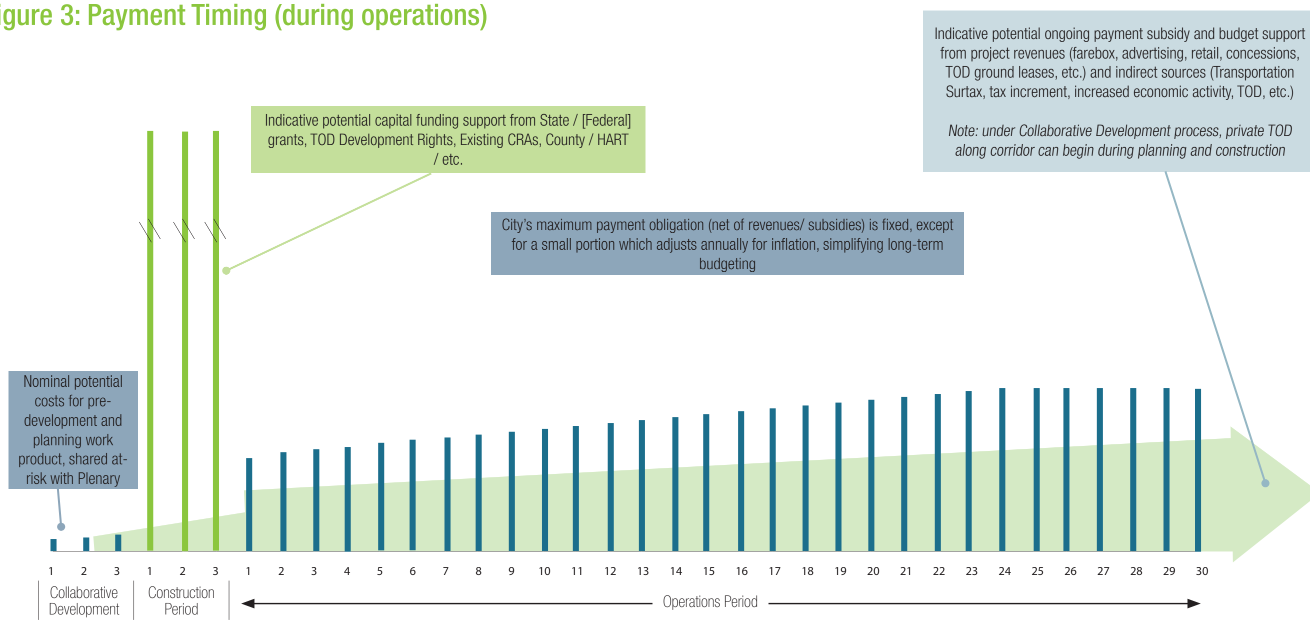
Figure 2: Collaborative Development Process Timeline




Phase two is the Design, Build, Finance, Operate, and Maintain (DBFOM) delivery phase (Phase 2: DBFOM). This will follow the standard P3 delivery model with Plenary taking on risk and responsibility for delivery of all DBFOM components of the project, under a fixed-price, performance guaranteed contract (the “Comprehensive Agreement”). Plenary will subcontract key elements, including design, construction, and transit systems, to the companies selected as part of the competitive procurements in Phase 1: CDP. Transit operations will either be performed by HART pursuant to an interlocal agreement with the City, or as a Plenary responsibility which will be subcontracted to an expert private sector transit operator, while Plenary will retain responsibility for ongoing maintenance and quality of the civil and station infrastructure. This approach supports acceleration of the project, with planning and construction commencing well before any public funds are required. As illustrated on the following page, performance-based payments do not commence until the CrossTampa Transit Connector is serving passengers, which expands funding options to include the Hillsborough Transportation Surtax (or a potential replacement surtax), new public revenues derived from transit oriented development along the route, future incremental tax revenues, and project revenues such as fares, advertising, and station concessions.

## Figure 3: Payment Timing (during operations)




### Plenary

Plenary is the leading developer of critical public infrastructure in North America utilizing the innovative P3 delivery model. Our diverse portfolio represents $42 billion in core public infrastructure assets delivered across North America and Australia, encompassing 16 civil infrastructure/transit projects and 53 buildings projects. Plenary is backed by its parent company, Caisse de dépôt et placement du Québec (CDPQ), who is the second largest public pension fund in Canada with more than $250 billion in assets under management and a AAA credit rating.

Plenary's core business purpose is to develop and implement viable and successful public infrastructure projects in the most cost effective manner, in ways that deliver long term quality and performance certainty while enhancing the communities where our projects are located. Our approach is to deeply understand the assets that we develop and invest in, taking an active hands-on, community-based approach throughout the project lifecycle. Plenary has more than 100 employees in North America across offices in Tampa, Los Angeles, Denver, Toronto, and Vancouver. Our staff consists of the leading project planning, investment, and finance professionals in the industry, and also includes a large asset management group with expertise in design, construction, and operations – a unique approach for developers in this market. Another unique aspect of Plenary is our long-term focus, which aligns our interests with that of our public sector clients and the communities in which we work. We fully intend to be a partner for life in all of our projects, which is reflected by the fact that we continue to maintain our investment in every one of the projects we have developed.

### Conclusion

A modern mass transit solution connecting key destinations and neighborhoods in Tampa's core has been discussed as a priority project for decades. Community support for implementing smart and diverse mobility solutions has only grown, with a recognition that these are necessary to maintain and improve the quality of life for all residents as our city continues to grow and evolve. As we come out of the disruption caused by the COVID-19 pandemic, it is important that we as a City make a bold, unifying statement that we are committed to our future. In order to unlock the full benefits that come with the positive growth Tampa is and will continue to experience, while mitigating the associated challenges, it is important that smart planning and investment is done today.

The project proposed by Plenary is the City's project, and the City will retain ownership as well as control over major decisions throughout. The project has been shaped by members of the community for generations, not only in prior planning studies that have been performed, but also by decisions of residents as to where to live, where to work, and where to start their businesses. Plenary brings to that backdrop its expertise in an innovative, developer-driven planning and implementation model that has been proven throughout the US and globally to be an effective and cost-efficient approach to delivering critical public infrastructure. The proposed two-phase Collaborative Development Process P3 approach aligns interests between the public and private sector, while leveraging private sector expertise to plan, permit, and implement a cost efficient, modern mass transit system on an accelerated timeline, with certainty of delivery, cost, and long-term quality. This project holds special meaning for Plenary, with our eastern US headquarters located at 100 N. Tampa Street in downtown Tampa. We are distinctly aware of the importance of this project and the positive impact it will have on the local community, and are further invested in ensuring a viable project solution that has the greatest positive impact on the community where we live, work, and play.

# 3

# PROJECT NEED

PART 3

## 3.1 History

Tampa's lack of accessible transit options has been a key issue challenging local government officials for decades. The City's public transportation system frequently ranks amongst the bottom five of metropolitan areas in the United States, and the lack of transit in the region has been shown to contribute to the following challenges:

1. Traffic Congestion;
2. Lack of Connectivity and Mobility for Residents;
3. Lack of Access to Affordable Housing Options;
4. Difficulty Attracting and Retaining Workers, Businesses, and Entrepreneurs; and
5. Environmental Impacts.

Beginning as far back as the 1990s, numerous studies and assessments have been performed in an attempt to identify transit solutions which could be implemented to begin addressing these challenges; however none have resulted in the construction of a major transit solution. In most cases, the nature of the planning and study has been approached through the lens of meeting stringent federal check boxes to qualify for potential federal funding assistance, rather than focusing on solutions that will provide the most direct benefit to the City and the region, and which has a path to implementation. The result has been lack of local support for specific project solutions, and waiting in an endless queue for limited and discretionary federal funds.

These prior studies do, however, provide helpful data indicating a clear need for transit infrastructure across Hillsborough County, specifically in Tampa. They also help to identify the key corridors that will provide the greatest positive impact from the development of a mass transit solution, along with considerations in how a project should ultimately be implemented in order to maximize its benefits and local support. The City's primary artery, connecting what are often referred to as Tampa's "two downtowns", from Westshore/Tampa International Airport to Downtown Tampa, has been a focal point of many of these studies. The consistent results captured across each of these assessments have established:

1. A surging population along the corridor, which will make an already congested route nearly impassable in future years.
2. A strong opportunity for Transit Oriented Development along a properly planned route to spur economic growth and tax revenue for the City.
3. The ability of a functioning transit network to attract businesses, investment, and a young, educated workforce to the region.
4. Enhance mobility and access for residents of all income groups, including access to expanded affordable housing options.

Detail from select recent study efforts which outline Project needs and benefits are set out below:

### DOWNTOWN TRANSIT ASSETS AND OPPORTUNITIES STUDY (TAOS)

**Issued:** September 2014
**Prepared By:** URS Corporation (now AECOM)
**Commissioned By:** The Hillsborough County Metropolitan Planning Organization (MPO) in conjunction with The Tampa Downtown Partnership (TDP)

This study analyzed eight different transit options to connect Downtown to its two largest Intra-County destinations, Westshore and USF. The options between Downtown and Westshore included both light rail and modern streetcar/tram, with route variants using primarily Cypress Street and I-275. Each option was given a score based on a series of evaluation criteria, which were established to position the project to be eligible for federal funding. The study identifies the option that best achieves the following four project goals:

- Establish a technically-feasible and cost-effective transit system;
- Maximize system flexibility and utilization of assets;
- Support redevelopment, economic development, and create revenue; and
- Enhance mobility into and within Downtown Tampa.

The highest scoring option was for a modern streetcar/tram leaving Downtown on a newly constructed bridge near Laurel Street and then traveling along Cypress Street until entering the centerline of I-275 at Howard Avenue.

Equally important to the analysis leading to the selection of a preferred route and mode, was the report's unmistakable message that transit is needed in this corridor. Specifically, all route options scored highly in socioeconomic and connectivity factors. Stakeholder engagement associated with the study exhibited a high level of interest in the system for a diverse range of use cases.

### ENVISION 2030

**Issued:** March 2020
**Prepared By:** Tindale Oliver
**Commissioned By:** Tampa Bay Area Regional Transit Authority

Envision 2030 is the Tampa Bay Area Regional Transit Authority (TBARTA) Regional Transit Development Plan. Its purpose was to determine the best options for transit in the area and use that knowledge to develop a long-term strategy for TBARTA and its partners to make regional transit improvements over the next 10 years. The study analyzed a number of transit projects across multiple different categories and ranked them according to a set of evaluation criteria. The criteria consisted of five key categories: public feedback, impact on transit market groups, commuter market benefit, system connectivity, and project readiness. Four of the projects listed in the study contain portions of the CrossTampa Transit Connector route and all of them ranked highly in their respective categories:

| PROJECT | CATEGORY* |
|---|---|
| Tampa International Airport to Westshore Streetcar | Fixed-Route (FR) – Regional |
| Kennedy Blvd/SR60 BRT | FR - Regional |
| Brandon to Westshore Local Regional Transit | FR - Express & Local Routes |
| HART Streetcar Extension | FR - Regional |

**each of these projects were also categorized as “TBARTA Support” rather than “TBARTA Responsibility”*

### TRANSFORMING TAMPA’S TOMORROW

**Issued:** November 2019
**Prepared By:** Transportation Advisory Team
**Commissioned By:** Mayor Jane Castor

Mayor Castor and her staff are acutely aware of the need for the CrossTampa Transit Connector as demonstrated by their inclusion of the corridor as one of the three Strategic Transit Initiatives in the Transforming Tampa’s Tomorrow final report. The three strategic initiatives were selected for their ability to maintain a good quality of life for residents and ensure continued prosperity for people and businesses in Tampa. The brief report notes that the City should work with HART to begin a feasibility study to advance development of the CrossTampa Transit Connector. As further detailed in Section 6, the first step of our proposed Collaborative Development Process is a Concept/ Feasibility Review of the CrossTampa Transit Connector, which will be performed in a manner that enables project implementation on an accelerated timeline.

### 2045 HILLSBOROUGH LONG RANGE TRANSPORTATION PLAN (LRTP)

**Issued:** November 2019
**Prepared By:** Whitehouse Group
**Commissioned By:** Hillsborough County MPO

The culmination of all prior studies is the Hillsborough County LRTP. The report, prepared for the Hillsborough County Metropolitan Planning Organization (MPO) for Transportation, includes a number of targeted transportation projects to address the estimated 600,000 new residents of Hillsborough County by 2045. It is updated every five years and looks out 20-25 years into the future. The selected projects are sourced from previous plans and existing conditions data, with consideration for new federal regulations and Performance Guidelines. Feedback from public outreach helps to prioritize the projects. Out of 15 projects presented to the public, the option for Rapid Transit between Downtown and Tampa International Airport scored exceedingly high. There are three projects listed within the Major Investment Project Needs Assessment of the LRTP related to the CrossTampa Transit Connector:

- Fixed guideway transit system between Downtown and Westshore
- Fixed guideway transit system between Tampa International Airport and Westshore
- Multimodal Transportation Center at the intersection of Cypress Street and Trask Street

As further discussed in Section 6, the inclusion of these projects in the LRTP are a necessary first step in the feasibility and development of the CrossTampa Transit Connector. Under the Collaborative Development process, Plenary is now positioned to immediately begin advancement of project development activities.

### REFERENDUM NO. 2: HILLSBOROUGH COUNTY TRANSPORTATION SALES TAX

In November 2018, the voters of Hillsborough County approved a referendum for a 1% sales tax increase to fund transportation and road projects. While the courts are currently considering a challenge to the process by which the referendum was advanced, such result nonetheless sends a strong message by the citizens of Hillsborough County: They want transportation improvements so badly that they are willing to impose a tax on themselves to get it done. The opportunities presented by this new funding stream (or any future similar replacement funding stream pending results of the court challenge) are groundbreaking for the City, and regardless of the near-term legal outcomes, there is a path to begin moving forward the CrossTampa Transit Connector now, with approximately 6-7 years before any material costs need to be expended by the City.

## 3.2 Beneifts of the Project and Challenges Addressed

The first question that must be asked when determining the feasibility of a project is “what is the problem that needs to be solved?” The answer to this question is not simply a single problem. Tampa has a rapidly growing population, which while generally a positive development, also creates many challenges which require smart planning and forward thinking solutions. Embracing a modern, efficient, and functional transit system helps directly address these challenges and also drives macro benefits for the City and the region, which will further help Tampa compete in the global marketplace and address challenges of its growth. Tampa is rapidly developing into a highly-desirable metropolitan city, with improvements to the Central Business District, Water Street, Tampa Heights, Channelside, and Ybor City having transformed Downtown Tampa from a nine-to-five downtown to a live-work-play destination. New mixed-use developments such as MidTown, West River, and North Hyde Park are revitalizing our immediate surrounding neighborhoods and increasing residential density.

The CrossTampa Transit Connector provides key benefits to the City while helping address challenges presented by this positive growth, across six main categories:

1. Enhance Mobility for All and Expand Access to Affordable Housing;
2. Spur Transit Oriented Development and Reduce Suburban Sprawl;
3. Traffic Congestion and Productivity Impacts;
4. Retain and Attract Entrepreneurs, Businesses, and Workers;
5. Environmental Impacts; and
6. Continue to Attract National and International Events.

### 1 Enhance Mobility for All and Expand Access to Affordable Housing

The Hillsborough Area Regional Transit Authority (HART) bus system is essentially the only transportation option for county residents without a vehicle. Many are forced to transfer between bus routes multiple times to get from their home to work. HART’s busses operate in the same lanes as regular traffic, so each stop and connection exponentially increases commute times during rush hour. A survey conducted by the Tampa Bay Times found that this issue causes some commuters to spend up to 30 hours every week in transit. This lack of accessibility most severely impacts lower income residents, placing them at a further disadvantage.

The average family in Hillsborough County spends 25%[2] of their income on transportation. This value is reduced to 9%[3] in areas with sufficient access to transit across the county. This reduction in spending can make all the difference for lower income families struggling to make ends meet. Many of Tampa’s low income residents are forced to live far from their employer due to the lack of affordable housing near employment centers. There are currently no efficient transit options available for them, so they have to choose between higher housing costs or a time-consuming commute to work on the bus system.

The CrossTampa Transit Connector is not simply a plan to connect points A, B, and C. It increases accessibility and mobility for all residents and improves affordable housing options by linking together multiple neighborhoods and promoting smart urban growth. In the immediate term, it would create links between the Marion Transit Center in Downtown and the planned Multimodal Transit Hub in Westshore. This would open up the majority of the County to a simplified, maximum two-seat ride to key employment centers, with part of that overall ride occurring on a high-speed dedicated transit route. It will also connect East Tampa to the employment hubs of Westshore, Downtown, and the Airport. The CrossTampa Transit Connector would operate on a fixed or dedicated guideway, alleviating the issue of rush hour congestion and allowing for more reliable connections and more certain travel times. Further, during the Collaborative Development Process, Plenary will work with the City, Project Stakeholders, and strategic partners to promote development of affordable housing options along the route. These developments will create equal opportunities for all of Tampa’s residents to live, work, and play in a small radius, regardless of income. In the longer term, the CrossTampa Transit Connector can be extended to directly connect additional neighborhoods and population centers, providing one-seat and efficient rides to a larger number of residents and visitors.

*2 Transit-Oriented Development and Value Capture – Florida Center for Community Design and Research (https://planfortransit.com/wp-content/uploads/2019/07/TOD-Value-Capture.pdf)*
*3 TOD for Tampa Bay – Urban Land Institute Tampa Bay (https://planfortransit.com/wp-content//TOD-for-Tampa-Bay.pdf)*

## Transit Oriented Development

The United States has seen a significant migration from rural areas and suburbs to cities over the past decade. The City of Tampa is no exception to this trend, as can be seen every day through the tower cranes, construction vehicles, and crowds visible when walking along the Riverwalk, dining at Sparkman Wharf, or driving the corridor between downtown and the airport. The Tampa Bay Partnership's One Bay survey confirmed that Tampa residents favored mixed-use, urban development over suburban sprawl.

A key feature of a fixed guideway transit system is its permanence. This gives developers the confidence to plan and build office, retail, residential, educational, cultural, and recreational projects along the route. A Transit Oriented Development (TOD) Implementation Analysis conducted by the Hillsborough MPO included interviews of the development community regarding TOD. Respondents were shown the projected market potential for a number of local areas, including Westshore, the Downtown Central Business District (CBD), and East Tampa, and were asked to assess the likelihood of achieving these projections with and without a fixed transit line servicing the area. Only 34% of respondents selected "very likely" or "likely" for the areas to achieve full market potential without fixed transit, but a unanimous 100% said it could be done with fixed transit. The referenced market potential projections[4] were as follows (based on a half mile radius from a station):

- **Westshore:** 1,400-1,500 new multi-family housing units and 1.7-2 million ft² new office/mixed-use space.
- **Downtown CBD:** 5,800-6,000 new multi-family housing units, 2.6-3 million ft² new office/mixed-use space, and 350 new hotel rooms.
- **East Tampa:** 800-900 multi-family housing units, 5,000-10,000 ft² of retail space, and 115,000 ft² of office space.

This same analysis pulled data from seven other metropolitan areas with recent fixed guideway/rail transit developments. The results showed a 10-30% increase in tax revenue generated from residential and commercial property for areas in proximity to stations. A few examples include:

- **Charlotte Area Transit System (CATS) Purple and Blue Line:** $7.9 billion in private TOD investment in station areas – generating $61.5 million in incremental property tax revenue per year
- **Dallas Area Rapid Transit (DART):** $4.3 billion in private TOD investment in station areas – generating $23.4 million in incremental property tax revenue per year.

The One Bay survey also showed that residents prefer redevelopment of areas that have already been impacted rather than greenfield development outside of urban areas. This aligns with Plenary's vision for the CrossTampa Transit Connector. All of the potential routes travel almost entirely along streets that are lined with existing commercial developments, most of which are primed for redevelopment.

**The CrossTampa Transit Connector would help spur significant growth and development, not only at the hub locations, but also at intermediate stops along the way. This growth and development will increase the tax base for the City and help defray the operating costs of the system and fund future developments.**

The Collaborative Development Process we are proposing, as further outlined in Section 6, will help the City realize the benefits of TOD earlier in the process and at a greater value. Partnering with Plenary to serve as the long-term developer of the entire transit project scope shows the City's commitment to bringing the CrossTampa Transit Connector to life. This commitment gives prospective developers the confidence to begin moving forward plans for TODs along the route to open in advance of passenger readiness. A traditional transit planning study would not instill this same confidence.


4 Projections are from 2009 and provided for context relative to the developer interview responses. Updates are required for current market conditions and future growth projections.

### Traffic Congestion and Productivity

In an auto-centric city such as Tampa, highway expansion projects, while helpful and necessary, are unable on their own to keep up with and properly serve the growing population. The City's two major business districts (Downtown and Westshore) employ approximately 200,000 workers. The Envision 2030 study found that more than 80% of these workers commute alone in a personal vehicle, another 8.5% carpooled, and fewer than 2% use public transit. Tampa International Airport brought another 22 million passengers to the area in 2019. These three major trip destination and origination points are connected by two major roadways, I-275 and SR 60. FDOT's average annual daily traffic (AADT) counts show that approximately 240,000 total vehicles traversed these two roads every day.

The areas surrounding these already congested roads are increasing in residential and commercial density and new tourist centric developments are under construction, such as a number of hotels downtown. This expansion will lead to further congestion along the route, demonstrated by a projected increase of 37% (I-275) and 32% (SR 60) by 2045, according to the LRTP. Unless alternative transit options are built, drivers will be forced to endure these daily delays, reducing connectivity, decreasing worker and business productivity, and acting as a drag on economic growth.

Importantly, a smart transit focused development plan can change future growth and development patterns, reducing future traffic volumes throughout the region by focusing new population growth in a walkable and transit connected urban core.

The Downtown Transit Assets & Opportunities study referenced in Section 3.1 modeled daily ridership for various transit segments. The model projected 10,330 daily riders for the segment between Downtown and Westshore, representing approximately 4.3% of the corridor's daily vehicular traffic. However, this study was performed in 2014 so doesn't fully reflect the increased growth that Tampa has seen over the past six years, specifically its trend towards urban redevelopment. The analyzed proposed route only made two intermediate stops and terminated at Westshore, whereas the CrossTampa Transit Connector would add additional stops, connecting additional residential hubs, and continue from Westshore to Tampa International Airport (allowing capture of airport passengers), and extending East to connect the neighborhoods of Ybor and East Tampa. If the model were to be updated for current conditions and the features of the Proposed Transit System, ridership equal to 10%[5] of the daily traffic on I-275 and SR 60 can be reasonably projected, while reducing future growth in vehicular traffic volumes. This traffic reduction would complement the planned future highway and bus system improvements to result in a more accessible region for residents and visitors alike. The focused transit oriented development along the corridor will increase ridership further, redesigning future growth centers in the region, and reduce the level of growth in traffic over time throughout the greater Tampa Bay area.

### 4 Retain and Attract Top Industry Talent

Groups that have been assembled to guide Tampa into its next phase of development, such as Tampa Bay Partnership and the Florida Council of 100, have stressed that the City must be able to compete with other thriving urban areas outside the region to attract and retain talent. In 2018, Amazon made headlines for their highly competitive HQ2 selection process. The Request for Proposals included six core requirements, one of which was access to mass transit routes. Amazon is one of the nation's most sought after employers for younger generations, and countless[6] polls and studies have revealed the importance of mass transit to the incoming workforce.

Regardless of Tampa's desire to house the next Amazon headquarters, or focusing on being an attractive place for startups and small businesses, it is clear that transit will only become more important for talent retention as Millennials and Generation Z become the bulk of the workforce. These generations want to be able to live, work, and socialize within a tight urban radius without the use of a personal car. Tampa's blossoming urban developments are set up perfectly to cater to these desires, but it currently can't be done without owning a car. The CrossTampa Transit Connector would link these areas together and make it a very real possibility to call Tampa home without needing a car. It will attract new business sectors to the region that will help keep our brightest talent in Tampa and drive the next wave of growth and development.

The younger generations have also been the driving force behind the exponential growth of new technology start-ups over the past decade. Tampa's political, business, and educational leaders have made impressive strides in recent years to establish the region as a new hub for technology and entrepreneurship. The CrossTampa Transit Connector is a key step towards achieving this objective.

*5 Supported by FDOT's Tampa Bay Next Study (http://www.tampabaynext.com/transit/)*

*6 Examples include (1) Boston Millennials Say MBTA is "Very Important" Factor in Where They Live and Work (https://www.wbur.org/news/2015/11/09/public-transit-boston-survey) and (2) Transportation and the New Generation – Why Young People are Driving Less and What it Means for Transportation Policy (https://frontiergroup.org/sites/default/files/reports/Transportation%20&%20the%20New%20Generation%20vUS.pdf)*

## Environmental Impacts

Every additional vehicle on the road emits more carbon monoxide, hydrocarbons, and nitrogen into the air. These pollutants are harmful to our air quality, local ecosystems, and global environment. According to the 2045 LRTP, the emissions of each of these pollutants will increase in Hillsborough County by the following percentages by 2045:

- Carbon Monoxide: 66%
- Hydrocarbons: 60%
- Nitrogen: 56%

More drivers and vehicle miles traveled also means a significantly higher fuel usage for the area. Gasoline usage is projected to increase in Hillsborough County by 1.1 million gallons, or 54%, by 2045 due to population growth.

All transit solutions considered for the proposed CrossTampa Transit Connector are fully electric and therefore have no direct emissions or fuel usage. As outlined above, the CrossTampa Transit Connector has the potential to reduce vehicular traffic in this corridor by 10%, resulting in a commensurate decrease in pollutant emissions and fuel usage for the area. Reduced pollution improves air quality, which has a direct positive impact on health and quality of life for residents of our City. This environmental benefit also helps to attract new residents, especially from younger generations. Studies[7] have shown that individuals in the Millennial generation and Generation Z tend to be more environmentally focused than their predecessors. This is one of many reasons why mass transit is essential to attracting and retaining young workers to the region.

## 6 Continue to Attract National and International Events

Over the past 10 years, the City of Tampa has hosted an NCAA Football National Championship, the NHL All Star Weekend, multiple Men's and Women's NCAA Basketball Tournament Games, and a Republican National Convention, among many other national and international events (as well as award of the upcoming Super Bowl LV). These events draw large crowds to the area and provide significant tourism revenue to the City and local businesses. As other metropolitan areas continue to outpace Tampa's transit infrastructure development, it will become harder for the City to compete for these large events. The CrossTampa Transit Connector would connect the Airport to Downtown (containing multiple hotels, the Convention Center, Amalie Arena, and other venues), as well as potential future connections to Raymond James Stadium and MidFlorida Credit Union Amphitheatre. These key connections will help Tampa remain a competitive host city and will allow tourism revenue to reach more local businesses in the region during these events, and continue to support the City and County's budget needs.


7 Gallup Poll: Americans' Attitudes About Global Warming, by Age (https://news.gallup.com/poll/234314/global-warming-age-gap-younger-americans-worried.aspx)

# 4

# CONCEPTUAL PROJECT OVERVIEW

PART 4

## 4.1 Overview

As discussed in Section 3, the LRTP currently includes a mass transit line from Tampa International Airport to Downtown Tampa that would provide interconnectivity to various high density areas. This transit line is a vital step in addressing the City's extensive growth in recent years. Plenary's proposal is to develop and deliver a transit line for this route further extending it to East Tampa (the "CrossTampa Transit Connector"), for the City using a two-phase Collaborative Development Process P3 delivery model.

Plenary is committed to working with the City, County, HART, FDOT, and all key stakeholders (collectively, the "Project Stakeholders") to develop the CrossTampa Transit Connector in a manner that achieves the City's project goals. Under the first phase, Phase 1: CD, as outlined in Section 6, Plenary will work with the City to refine the project goals and objectives, and perform detailed analysis to develop the preferred Project Concept, including the preferred route and mode of transit.

This section outlines a "Baseline Concept" for the CrossTampa Transit Connector which identifies a route and transit modes that we believe best optimizes amongst various project considerations. This Baseline Concept route or mode of transit are not fixed, and we expect that various alternatives and modifications will be evaluated as part of Phase 1: CD activities and environmental processes, prior to a determination being made by the City for a Locally Preferred Alternative.

Key factors for consideration and further diligence in the selection of the preferred route include:

- Length and Travel Time;
- Destinations/Station Locations;
- Ridership and Accessibility;
- TOD opportunities;
- Available right-of-way;
- Community Impact;
- Traffic Impact; and
- Capital and maintenance costs.

Key factors for consideration and further diligence in the selection of the preferred transit mode include:

- Capital and operating costs;
- Functionality (Capacity, speed, headways, etc.);
- Rider comfort;
- Reliability;
- Interconnectivity and Interoperability;
- Future Flexibility;
- Accessibility; and
- Automation.

## Baseline Route and Transportation System Enhancements

The primary focus areas for connectivity with the CrossTampa Transit Connector are:

1. Tampa International Airport;
2. The Westshore Business District;
3. Midtown/Stadium;
4. Downtown Tampa;
5. Ybor City; and
6. East Tampa.

Connecting these major population and business hubs will maximize ridership, efficiency, and access for a large and diverse cross section of Tampa's residents. It will also attract new businesses and professional talent to the region and set the foundation for future transit oriented growth and development along the dedicated route.

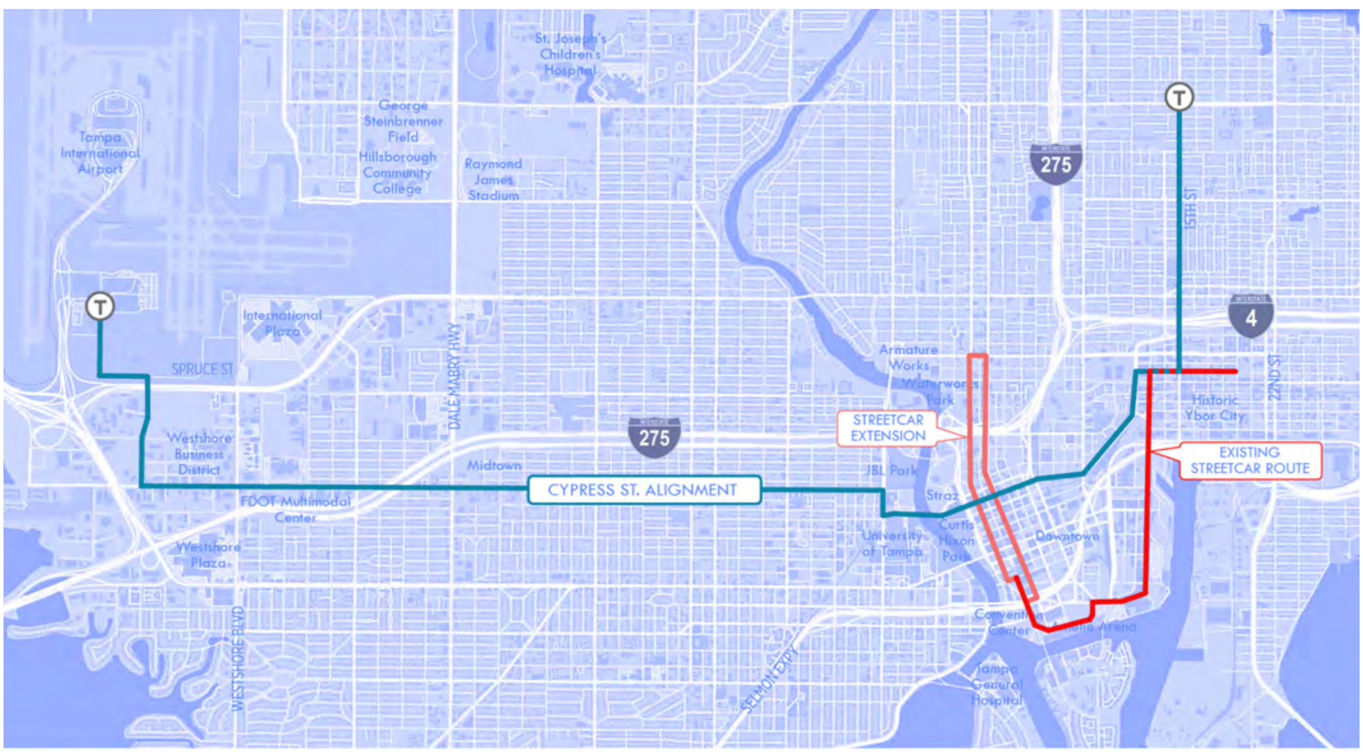
Combining initial analysis of the key factors and considerations for route selection, with information from the various studies that have been completed in recent years, we have identified a Baseline Concept Route, along with a range of potential alternates.

The Baseline Concept Route was identified for the CrossTampa Transit Connector due to its ability to efficiently connect the identified target areas of the City and connect into other existing and planned transit projects, while scoring favorably in its achievement of other key considerations. This route provides for the following key project benefits:

- ✓ Minimized route length = reduced costs
- ✓ Provides a one seat ride from airport to downtown
- ✓ Connects to the future planned Westshore Multi-modal Center
- ✓ Opportunity for Transit-Oriented Development along the route
- ✓ Potential ability to use existing Cass St Bridge into downtown
- ✓ Minimal traffic and community impacts
- ✓ Interconnection to existing transit and creation of Downtown "Loop"

The Baseline Concept Route is shown in the image below:

**Figure 4: Baseline Concept Route**

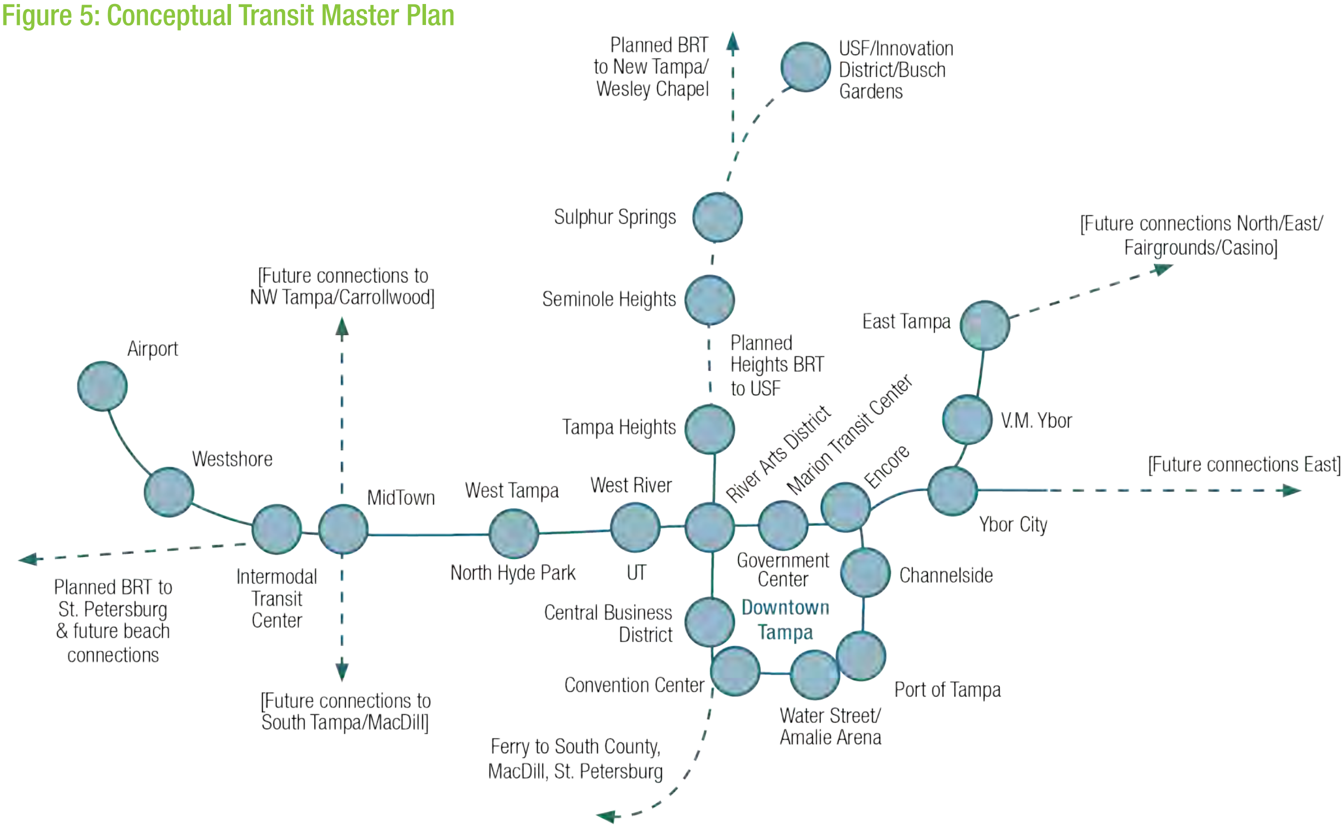


The route primarily operates along four main roadways: Cypress Street, Tyler Street or Cass Street, Nuccio Parkway, and 15th Street.

Heading into downtown the Baseline Concept Route intersects with the proposed Streetcar extension, providing additional connectivity through the downtown core. It then runs through the North side of the downtown core and reconnects with the existing Streetcar line near Ybor City, creating a "loop" system similar to the elevated rail system Chicago uses (except here, at-grade in a dedicated guideway/lane). From Ybor City, it traverses N 15th St into East Tampa towards its eastern terminus at MLK Boulevard. Potential future expansion projects could continue the transit line further North or East in the County, connecting to further residential areas in East Tampa and Sulphur Springs, and to key destinations such as the University of South Florida, Busch Gardens, or the Florida State Fairgrounds.

Another key feature of this route is its integration with Tampa's other existing and planned future transit modes. The alignment will connect to the Tampa Streetcar, major HART bus stops including the Marion Transit Center, the planned Westshore Multi-modal Center, Amtrak Union Station, the future Regional Rapid Transit along I-275, and potentially a future Brightline High Speed Rail Station. The CrossTampa Transit Connector will serve as a backbone to the region, providing a convenient one or two seat ride to nearly any destination in Tampa. A conceptual 'Transit Master Plan' graphic below highlights the integration of the CrossTampa Transit Connector into a larger City-wide, integrated "Loop and Branch" transit master plan, which can form a basis for future transit and development planning decisions.

**Figure 5: Conceptual Transit Master Plan**




## Route Operations Plan

In order to balance ridership, accessibility, and reduced and convenient travel times, stations along the route are expected to be spaced between 0.5 and 1 mile apart. It is expected that primary "Node" stations will be developed, which will be areas of high ridership volumes, community impact, and possible large scale TOD. Examples of likely "Nodes" include the Airport, Westshore Intermodal Transit Center, UT, Downtown, Ybor, and East Tampa. The transit solution can be set up with multiple "Lines" running on the route, with 'Express Lines' only stopping at the Nodes (or some other limited set of stations) and 'Local Lines' making stops at Nodes and intermediate stations.

## 4.2 Route Alternatives

Every potential route has its own unique advantages and challenges. Based on currently known information, we believe the Baseline Concept Route (or a substantially similar route) possesses the strongest combination of all factors, but this decision is not final. The ultimate route selection will be collaboratively developed during the Phase 1: CD process based on further diligence, and the City will make the final determination.

Potential major alignment alternatives could consider the major East-West component being on West MLK Jr. Blvd, Columbus Drive, or Kennedy Blvd, although each of these appear to present significant drawbacks or additional challenges when compared to the Cypress St. corridor. These, and other possible route combinations will be further studied during Phase 1: CD. Table 3 assesses initial advantages and considerations for each of these alternate routes.

Table 3: Factors for Consideration for Select Possible Routes

| | W CYPRESS ST. (BASELINE) | W MLK BLVD | W COLUMBUS DR | W KENNEDY BLVD |
|---|---|---|---|---|
| Connects Airport w/ Downtown | YES | YES | YES | YES |
| Minimize Route Length | YES | NO | YES | NO |
| One seat ride from Airport to Downtown | YES | NO (transfer at BRT) | NO (transfer at BRT) | YES |
| Planned Westshore Multimodal Center | YES | NO | NO | NO |
| Sufficient ROW | TBD | TBD | TBD | TBD |
| Opportunity for transit oriented development | YES | YES | YES | YES |
| Minimal Residential Impacts | NO | YES | NO | YES |
| Minimal Traffic Impacts | YES | YES | NO | NO |

As shown in Table 3, the Baseline Concept Route appears to provide the strongest combination of key project considerations. One specific area for further analysis during Phase 1: CDP will be the availability of sufficient right-of-way, or the needs for acquisition along each route option. Initial diligence appears to indicate that each route can largely support a dedicated guideway/lane across most of the corridor, though the impacts to traffic patterns without acquiring additional ROW will need to be explored in more detail. As part of this assessment, variations to the Baseline Concept Route will be explored in key areas, such as:

- **Westshore/Airport Connection:** Consider use of O'Brien St. vs. Trask St. Expect to use off-wire technology to gain FAA approval near airport, and connect into Airport APM station at the Conrac.
- **River Crossing:** Consider use and reconstruction of Cass St. Bridge vs. a new Bridge continuing East from Cypress St. to either W. Fortune St. or Doyle Carlton/Laurel.
- **Downtown Route:** Consider use of Cass St. vs. Tyler St. vs. Harrison St. vs. Laurel St. to traverse through North downtown.
- **Ybor City Connection to Streetcar:** Consider the optimal location for tying into the existing streetcar route near Ybor City.
- **East Tampa:** Consider optimal Northern extension route, 15th St. vs 21st/22nd St.

## 4.3 Mode

The other primary component of the CrossTampa Transit Connector is the selection of a transit mode. We have analyzed a number of different options in the market and evaluated their fit for the specific needs and constraints of the Project. Key considerations included the following:

1. Minimize:
   a. Capital and operating costs
   b. Right-of-Way Needs
2. Maximize:
   a. Ridership
   b. Functionality (capacity, speed, headways, etc.)
   c. Rider comfort
   d. Reliability
   e. Future flexibility
   f. Accessibility
   g. Automation

In further evaluating the optimal transit mode during Phase 1: CDP of the Project we will conduct detailed ridership studies, evaluate corridor impacts, and implementation timelines and risks. These studies will focus on answering the following key questions related to the transit mode:

1. What is the projected total cost over the life of the project (including capital, operating, and lifecycle replacement expenses)?
2. What are the potential neighborhood and community impacts of the transit mode options (noise, infrastructure requirements, aesthetics)?
3. What are the Right of Way (ROW) needs?
4. What is the estimated wait time for a passenger?
5. What is the estimated total trip time for a passenger between key destination pairs?
6. How flexible is the mode to future changes in technology or transit demands?
7. What opportunities exist for integration with other existing or future planned transit options in the city?

While various modes of transit can accomplish these objectives and answer these questions to varying degrees, we have identified a Modern Streetcar as the initially Preferred Transit Mode. This system has the advantages of being proven on a similar scale, with potential ability to directly tie into and integrate with the planned existing Streetcar modernization and extension.

Modern Streetcars are made up of a fleet of vehicles that operate on a fixed guideway system through dense urbanized areas. The systems can operate in a dedicated guideway or sometimes in mixed traffic, and have relatively close stations compared to higher capacity light rail systems. Streetcar systems can be used as 'urban circulators', allowing for frequent on/off use by passengers as transportation alternatives in densely populated urban settings. More generally, typical streetcar usage varies from the standard usage peaks of light rail and have more evenly distributed usage statistics on an average basis throughout the daily operating period. Modern Streetcars have evolved to have capabilities that can very similarly reflect light rail usage, such as higher speeds and higher capacities. For implementation on the CrossTampa Transit Connector, we would expect a hybrid approach, benefitting from higher speeds with express routes and/or slightly further spaced stations than traditional streetcar implementation, while still operating at a community connectivity level.

Streetcar systems use vehicles of about 60 feet in length, with maximum passenger capacities of about 120 passengers per car. The primary reason streetcar systems use smaller cars than light rail is related to the tighter turning radii that streetcars can accomplish, since they run at-grade on existing roads in dense urban settings. Modern Streetcars provide numerous benefits to local transit users combining the positives from both Bus Rapid Transit systems and Light Rail systems. New Modern Streetcar project costs are generally substantially lower than their light rail counterparts and slightly more expensive than BRT systems, but with a higher quality passenger experience and generally higher ridership levels.

It is anticipated that Tampa's current downtown historic trolley will be updated to a Modern Streetcar system as part of its planned expansion North to Tampa Heights. In this case, if a Modern Streetcar is selected for the CrossTampa Transit Connector, then the routes could be integrated, providing greater flexibility for providing modified route options across the two corridors.


KANSAS CITY STREETCAR

**Key benefits of Modern Streetcars to the project**

- ✓ Relatively low capital cost (smaller/lighter vehicles, less infrastructure when compared with other rail based alternatives)
- ✓ Smaller right-of-way needs (compared to other rail based alternatives)
- ✓ Smooth, quiet, comfortable ride for passengers
- ✓ Proven, reliable system with redundant vehicle quantities to eliminate downtime
- ✓ Potential for integration with planned Downtown Streetcar Extension
- ✓ Easily accessible services for all potential users
- ✓ Significant environmental benefits (fully electric vehicles)
- ✓ At-grade system supports ridership and transit oriented development

An alternative identified mode which can be considered further during Phase 1: CDP is Autonomous Group Rapid Transit (GRT). GRT is a fully automated transit system of small shuttles holding between 12 to 24 passengers per shuttle. GRT traditionally operates in a dedicated guideway or lane (as is planned for the CrossTampa Transit Connector), but have more recently begun to be proven in applications amongst regular vehicular traffic. GRT's smaller and lighter vehicles require less space and supporting civil infrastructure than rail alternatives, which can reduce the project's capital cost. Most importantly, we believe these smaller vehicles could use one of the existing bridges into Downtown Tampa (Cass Street Bridge in the Baseline Concept Route), while the other options would likely involve new bridge construction or substantial renovation.

2GETTHERE GRT VEHICLE


NAVYA/BEEP GRT VEHICLE

## Summary of Preferred Mode and Alternates

Similar to the Baseline Concept Route, the Preferred Transit Mode does not reflect a final decision. Plenary has performed an initial evaluation of a range of alternative options and plans to continue this exercise with the City and Project Stakeholders during Phase 1: CDP. We are open to delivering any transit mode that the City determines will best meet the project goals and funding plan. The following section contains a summary of our preliminary mode analysis:

### Table 4: Potential Modes

| MODE | PROS | CONSIDERATIONS |
|---|---|---|
| **Modern Street Car**<br> | • Could be an extension of the planned modernization of the existing Downtown Tampa Streetcar<br>• Higher Speed (Max 50 MPH)<br>• Larger Capacity (100-200)<br>• Proven Technology<br>• Partially Automated System<br>• Lowest capital cost of rail based alternatives | • Capital costs – rail infrastructure and vehicles<br>• Less flexible to future applications<br>• Longer headways/wait time<br>• Likely to require new or reconstructed bridge into downtown |
| **Group Rapid Transit**<br> | • Lightweight – lowest cost supporting civil infrastructure<br>• Shortest wait time (5-60 sec)<br>• Fully Automated System<br>• Most flexible to future applications (no tracks/ rail infrastructure)<br>• Likely use of existing bridge into downtown | • Limited existing global applications<br>• Further analyses required to determine extent of route which can be at grade<br>• Lowest Speed (Max 35-40 MPH)<br>• Regulatory Approvals not fully defined (currently in process on other US applications) |
| **Automated People Mover (APM)**<br> | • Higher Speed (Max 50 MPH)<br>• Larger Capacity (180)<br>• Proven Technology<br>• Partially Automated System | • Less flexible to future applications<br>• Higher capital costs<br>• All sections would have to be elevated<br>• Would require new bridge into downtown |
| **Light Rail Transit (LRT)**<br> | • Highest Speed (Max 65 MPH)<br>• Largest Capacity (240)<br>• Proven Technology<br>• Partially Automated System | • Most expensive rail infrastructure<br>• Least flexible to future applications (fixed rail line)<br>• Longest headways/wait time<br>• Likely would require new bridge into downtown (unless able to use CSX bridge) |

As displayed in the table above, Modern Streetcar and GRT are the strongest options for the CrossTampa Transit Connector, with primary tradeoffs being cost versus a proven system that can integrate with the planned modernized existing streetcar system. It is not expected that APM and Light Rail Transit will be considered further due to their misalignment with project objectives, primarily driven by factors including cost, need for elevated guideway and/or significant ROW acquisition, and sub-optimal support for TOD in an urban use setting.

## 4.4 Cost Estimates

During Phase 1: CDP, Plenary will lead efforts, with collaboration from the City, in identifying and seeking potential local or State funding to contribute to the Project costs. This can be in the form of State grants, which would be expected to cover a portion of the construction costs, as well as in the form of funding contributions from HART and Hillsborough County (which can contribute to capital and/or operating costs). Project revenues will be determined, such as from farebox, advertising, development rights, and station concessions/ leases, to act as a subsidy for the Project. Plenary will raise private financing to cover the remaining capital costs, and together, all of these elements will be combined to result in a performance-based, maximum annual Availability Payment, which will not commence until the new CrossTampa Transit Connector is fully operational and serving passengers. As described in Section 6.2, this will represent the maximum cost to the City for the CrossTampa Transit Connector over the full term of the expected 30 year contracted operations period. This maximum annual Availability Payment can also be reduced by assessment of financial penalties against Plenary for any quality, performance, or availability failures that occur.

Plenary is committed to working with the City to explore opportunities to optimize for the lowest cost solution for the City that achieves the primary project service objectives. Some initial focus areas include:

- **Transit Oriented Development and Economic Activity:** As previously discussed in Section 3.3, TOD is a major benefit of the CrossTampa Transit Connector. Plenary will work during Phase 1: CDP to identify where TOD could be implemented in a manner that provides a direct contribution to the development of the Project – for example, this could include City or County owned land adjacent to the route, where Plenary can provide a market tested value for the development rights on the property, or prepare the properties for competitive market sale, with proceeds which can then be built in as a direct funding source for project capital costs. Additional value to the City will also be indirectly created through increased economic activity spurred along the corridor, in the form of tax revenues, development fees, and through Community Redevelopment Areas (CRAs), from TOD which is privately developed by landowners and other developers along the CrossTampa Transit Connector route. These new revenues to the City can be used as a budget source to support their maximum annual Availability Payments, and over time can even generate a net surplus.
- **Public Funding:** As previously mentioned, any upfront public funding allocated to the project will help lower the amount of private financing, and any public funding supporting operational costs, will reduce the maximum annual Availability Payment for the City. This could include federal funding and grants, but their benefits will have to be weighed against potential additional project requirements that they will entail, along with possible delays to the development timeline associated with a fully federalized environmental process. This is expected to also include contributions from the State, as well as local Project Stakeholders such as Hillsborough County and HART.
- **Advertising Revenue:** Plenary has experience generating advertising revenue to help offset the maximum annual Availability Payment on its other transit projects. This includes digital and static signage at stations and on board vehicles, exterior vehicle advertising/wraps, product displays at stations, and preferred partners such as Uber or Lyft.
- **Retail Revenue:** Our initial assumption is that two of the stations will be full buildings, which could include commercial space for retail establishments. Plenary will work to optimize the inclusion of commercial revenues at stations in order to help offset project costs.
- **Fare Box Revenue:** As ridership levels are further understood during Phase 1: CDP, along with the City's plans for fare policies, an assessment can be made as to the reasonable expected level of farebox revenue that will be derived from the Project. These amounts can be applied to the Project in a manner that supports cost-efficient debt and equity financing, in order to reduce the maximum annual Availability Payment.

The cost of constructing and operating the CrossTampa Transit Connector will be fully developed and finalized during Phase 1: CDP, implementing competitive procurements and transparent open-book pricing. As the planning and development of the Project progresses, Plenary will provide regular, and detailed updates to project cost elements, which can facilitate decision making and planning and design considerations. Plenary will develop and continuously update for the City a detailed financial model which pulls all of these Project cost and revenue elements together, providing a clear view of the City's cost obligations, net of State and local capital and operating funding contributions. This process will also identify likely positive budget impacts from items and approaches such as tax increment revenues and increased economic activity. The formal processes for establishing, competing, and optimizing these cost elements are detailed more in Section 6.1.

Table 5 provides a preliminary high level cost estimate for the DB and O&M elements of the CrossTampa Transit Connector for Phase 2: DBFOM. These high level estimates are derived from a range of prior transit projects of similar scope and size across the country, with adjustments made to reflect assumptions and factors that are specific to this project. Per mile costs reflect averages, recognizing that different segments will have different costs depending on their components and configurations (i.e. bridges/elevated, single or double track, station types, utility/drainage, etc.). As noted above and in Section 6.1, the final costs for the CrossTampa Transit Connector will be established through the competitive, iterative, collaborative, and transparent processes in Phase 1: CDP, driven by key factors and decisions made in project planning, environmental approvals, and design.

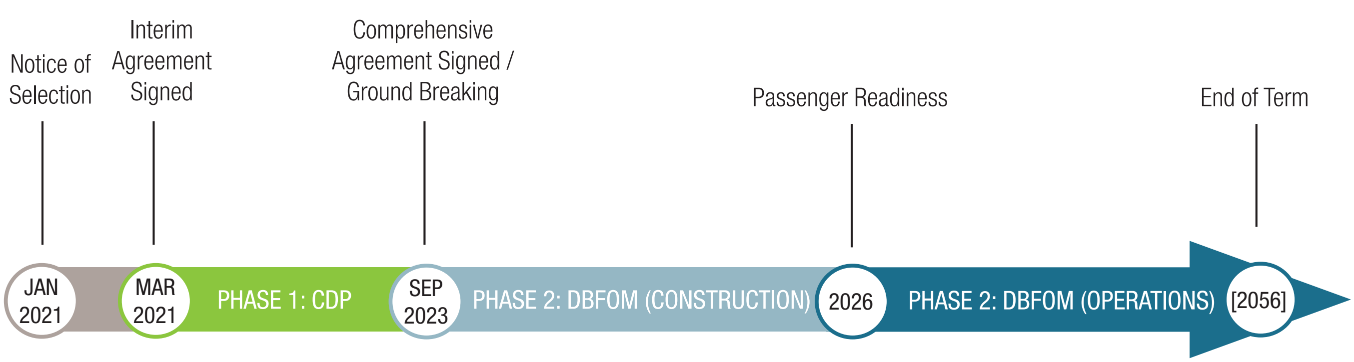
**Table 5: Preliminary High Level DB and O&M Cost Estimates**

| | |
|---|---|
| DESIGN-BUILD COST | $55 million - $85 million per mile |
| OPERATIONS & MAINTENANCE COST | $10 million - $13 million per year |
| KEY ASSUMPTIONS | • 12 vehicles<br>• 8.25 total mile alignment<br>  - 2 miles elevated/bridge<br>  - 6.25 miles at-grade<br>• 18 stations<br>  - 2 fully enclosed hub/transfer stations<br>  - 16 covered pavilions<br>• 1 Maintenance Facility / Expansion of Existing<br>• Alignment is primarily within available Right-of-Way (does not require material ROW acquisition)<br>• System operates in a dedicated guideway |

## 4.5 Schedule

Figure 6 displays an indicative schedule for the development and delivery of the CrossTampa Transit Connector under the two-phase Collaborative Development Process P3 delivery model. The Phase 1: CDP period is expected to take approximately 30 months (as further detailed in Section 6). This will be followed by Phase 2: DBFOM, consisting of an approximately three year construction period, followed by an assumed a 30 year operations and maintenance period (but noting Plenary is flexible to the City's preference on the length of the operating term).

**Figure 6: Total Project Schedule**



## 4.6 Transit Oriented Development

Plenary's experience with successful infrastructure and Transit Oriented Development (TOD) has shown us that integrating well connected transit solutions into a cohesive community development plan is critical to value creation. The ability to design the transit infrastructure and TOD opportunities concurrently allows us to create an enhanced, cohesive customer experience that creates value while increasing ridership and user satisfaction. We have seen this first hand in our experiences with Southern Cross Station in Victoria, Australia, our Civic Center project in Long Beach California, and our on-going development along the Dumbarton Corridor in San Francisco California. This enhanced user experience is also an industry best practice that we are employing in the redevelopment of the William H. Gray III 30th Street Station with Amtrak in Philadelphia.

As an integral component of the Collaborative Development Process, Plenary will work with the City to develop the CrossTampa Transit Connector in a manner that optimizes TOD along the corridor. We will leverage the work that is being performed by HART in their TOD Pilot Program Study to identify potential zoning, regulatory and policy changes that can be implemented along the route in order to encourage TOD and enhance the vitality and livability of the corridor. We will perform economic impact analysis that will not only identify the enhanced economic value the new transit line can generate for the City, but also specific opportunities for value creation along the corridor. This effort will include identification of potential tax increment zones and opportunities, with value capture estimates which can be used to support ongoing Project funding.

As part of this process we will look to identify potential City and County owned property along the route which can be targeted for TOD as a method of creating direct funding contributions in support of Project costs (including discussions with FDOT regarding the Intermodal Center location on Cypress St. and I-275). On any of these identified properties, Plenary can assist the City (or County or FDOT, if they are willing to contribute the property in support of the Project) in identifying the optimal development parameters and implementing a process to secure a purchase or ground lease commitment. **As an infrastructure developer first, our goal is to ensure the success of the transit project rather than maximize profits on the developed land as a traditional real estate developer might, and as such we look to ensure the maximum market value can be captured by the City as a funding source for the Project.** Secondary opportunities will be pursued with private landowners, to consider where elements of the corridor can be planned in a manner that improves private development opportunities, resulting in both direct private subsidy and future incremental City revenues.

In-Progress Large Scale Transit Oriented Development at Water Street in Downtown Tampa

# 5

# PLENARY OVERVIEW AND QUALIFICATIONS

PART 5

## 5.1 Background and Overview

A specialist in successfully developing and managing complex critical infrastructure projects under the P3 delivery model, Plenary has a portfolio of 69 assets under management worth more than $42 billion across the US, Canada, and Australia. We adopt a holistic approach to our projects embracing finance, planning, design and construction, complementary commercial development, and the ongoing management and operation of the asset. Plenary provides unmatched P3 experience in North America, with 51 projects closed worth $15.8 billion in capital value, including 41 which have completed construction and 10 in the construction phase. The company embraces an active, hands-on management approach to ensure successful outcomes across all of its projects. Truly a “Partner” for our clients, with fully aligned interests for the life of the Project, driven by Plenary’s model of holding all P3 investments throughout their term.

The Plenary model is to understand the assets in which it invests from a detailed technical standpoint, by ensuring it has in-house personnel with design, construction, and operations/lifecycle expertise to actively manage every aspect of the Project, in addition to the financial and commercial structuring and management of the project. These personnel will become engaged in the Project at the earliest stages, and are also accountable for the Project for the long-term. This hands-on, third party approach ensures that all partners receive actual value from the multiple layers of private-sector performance accountability and oversight created by the P3 structure. As a long-term investor, Plenary creates value and ensures performance by taking a whole-of-life view of the Project and driving integration of the entire team.

## 5.2 Project Experience

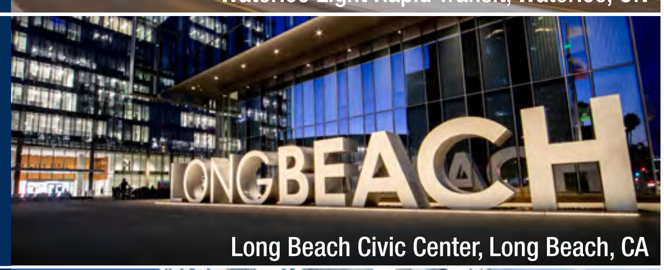
Plenary’s diverse portfolio of projects makes us uniquely qualified to develop the CrossTampa Transit Connector for the City of Tampa. To shape our project approach we will leverage lessons learned and best practices which have been refined over a number of similar projects. The following section provides a summary of some of our most relevant projects to the CrossTampa Transit Connector, displaying our experience in:

**Figure 7: Overview of Plenary's Qualifications**

**TRANSIT PROJECTS**
Plenary has $5.8 billion of transit project capitalization with 115 trains, 400 busses, 57 stations, and 51.5 miles of transitway under management carrying over 150,000 passengers per day.


Waterloo Light Rapid Transit, Waterloo, ON

**COLLABORATIVE DEVELOPMENT PROCESS**
Plenary has pioneered the P3 Collaborative Development Process delivery model in North America with two successfully closed projects and 4 more currently underway.



Long Beach Civic Center, Long Beach, CA

**FLORIDA P3 PRESENCE**
Plenary, with its Eastern US headquarters located in Tampa, is currently delivering the Miami-Dade County Civil and Probate Courthouse under a P3 delivery model. This first social infrastructure P3 project in the State of Florida sets a groundbreaking precedent for the future implementation of the P3 model for advancing critical infrastructure in the State.


Miami-Dade Civil and Probate Courthouse, Miami, FL

Further detailed information from a select set of Plenary’s relevant project experience is provided on the following pages.

# GOLD COAST LIGHT RAIL

## GOLD COAST, QUEENSLAND, AUSTRALIA

| | |
|---|---|
| **System Type** | Light Rail |
| **Vehicle Manufacturer** | Bombardier |
| **Number of Vehicles** | 14 Trams |
| **Length of Route** | 8.1 Miles |
| **Number of Stations** | 16 Stations |
| **Passengers** | 21,000 (Daily) |

**Client**

Queensland Government

**Financial Close**

June 2011

**Completion Date/Status**

June 2014

**Project Delivery Type/Procurement Model**

Design, build, finance, operate, and maintain

**Total Project Value**

$856 million (NPV)

**Plenary Role**

Developer, Equity Investor, Financial Arranger/Advisor

**Awards**

Government Partnership Excellence, 2018 Infrastructure Partnerships Australia National Infrastructure Awards

## DESCRIPTION

Stage 1 of the Gold Coast Light Rail project consists of 14 vehicles and 16 stations servicing a 13 km route between the Gold Coast University Hospital and Broadbeach; part of one of the fastest growing regions in Australia. This is Queensland's first light rail system and is considered more than just a transport project, but also a city building project to support sustainable transit oriented development, reduce congestion, and improve connectivity between major activity centers on the Gold Coast.

Construction on Stage 1 commenced in early 2012 and the first passengers boarded the light rail in June 2014. Trams have now carried more than 11 million passengers with Stage 1 averaging over 20,000 passengers per day. Stage 2 consists of 7.3 km of dual track and an additional four trams to connect the Gold Coast University Hospital light rail station to the Helensvale heavy rail station, creating a one-transfer journey between the Gold Coast and Brisbane. The trams that service the route are Bombardier Flexity Gold Coast Trams that have been designed to travel at up to 70 km/hr. Standing 3.4 meters high, 2.65 meters wide and 43.5 meters long they are bi-directional with a cab at each end. Designed for a passenger capacity of 309 people, the trams feature air conditioning, wheelchair accessibility and multipurpose areas.

## INNOVATIONS

The tendering of Stage 1 – during a time of significant financial market constraint following the 2008 global financial crisis necessitated innovation in the development of an efficient financial structure. The outcome was a senior debt package that extended for the full term of the project, significantly mitigating risks associated with a refinance. This was done in a way that still afforded significant flexibility to the State around operational models and future expansion of the network. In 2015, the Queensland Government requested an Operator Franchise Initiated Modification process begin to initiate the procurement of Stage 2. Plenary coordinated and implemented an innovative financing structure with minimal refinancing risk that involved senior lenders, State Contributions, as well as domestic and international equity investors. Stage 2 also required innovative structuring and contractual arrangements to ensure appropriate separation of Stage 1 (already in operations) during the construction phase of Stage 2, with both stages then combining into an integrated expanded network upon Stage 2 completion. Extending the light rail has greatly improved livability and eased congestion while supporting economic growth in the area.

# RELEVANCY

- First major transit system in region
- Focal point for transit oriented development
- Improved connectivity between major city centers
- Eased congestion and improved livability


## LOCAL ECONOMIC IMPACTS

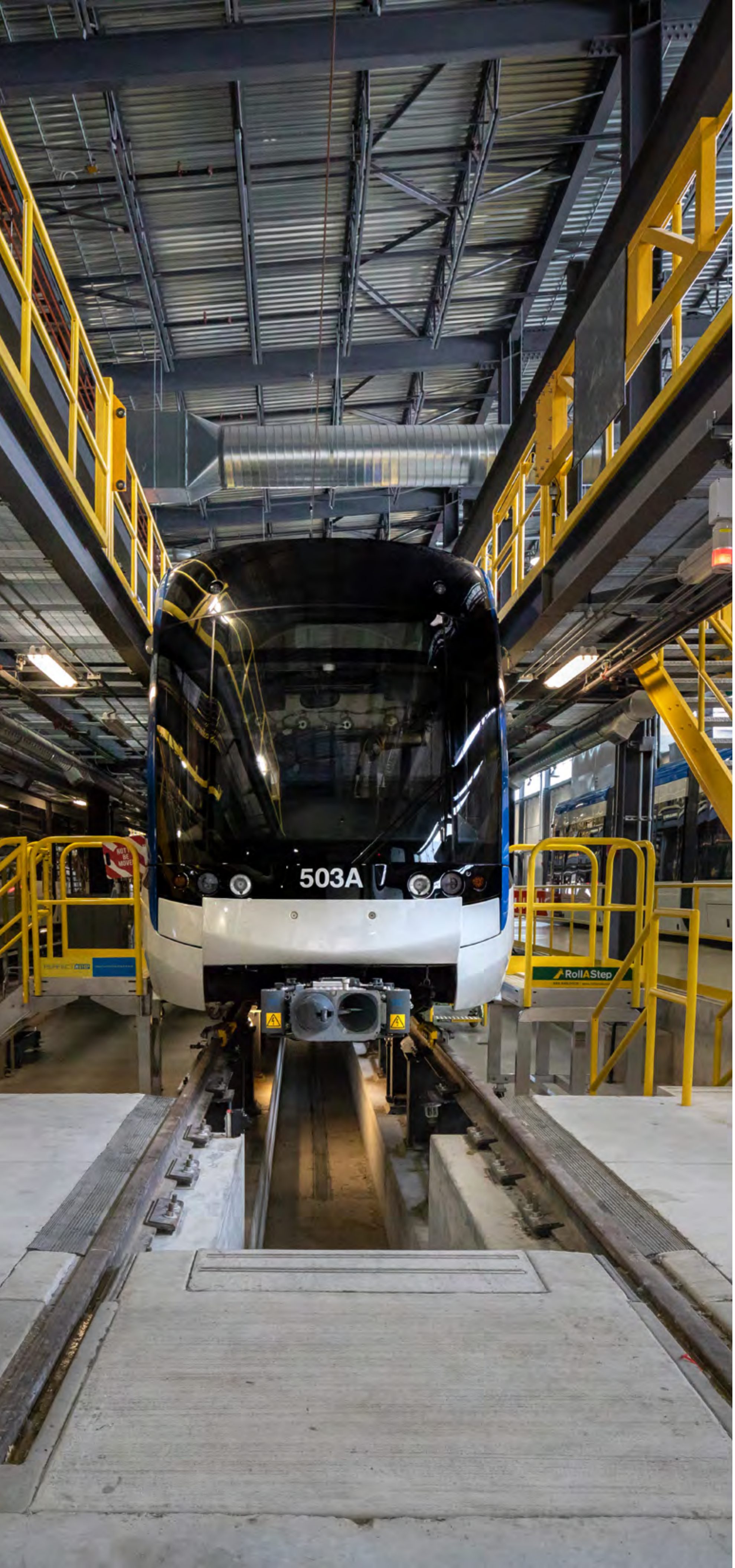
During the delivery of Stage 1 Plenary created 390 new positions, and 140 new jobs during the operations period in order to run the light rail system. Through works packages tendered out by Plenary's consortium, Stage 1 created some 6,000 direct and indirect jobs for Queensland. Stage 2 has generated nearly 1,000 direct and indirect jobs to the construction industry during the two-year construction period. Similar to Stage 1, Plenary's consortium contractors were required to engage local workers and businesses for the entire project.

## URBAN RENEWAL

The project generated a number of social, environmental, and economic benefits for the city including; reducing greenhouse gas emission by 114,000 tons over the first 10 years of operation, reducing the number of private vehicle trips by up to 10%, and providing a frequent, affordable and reliable alternative to car travel, contributing to a fully-integrated public transport system for the Gold Coast. Stage 2 has the capacity to carry 3,000 passengers per hour and supplies an additional 1400 spaces at two Park and Ride facilities.

## RELEVANCE

This project featured the introduction of a light rail system to facilitate ongoing development in this quickly growing region, with a significant tourism base. Additionally, with the successful construction and initial operations of the first phase, a second phase was added within a few years to extend this line. Building on the success of Phase 1, a contract amendment was negotiated with the Plenary-led team to take on this second phase within the existing contract, and construction has recently completed on-time and on-budget.




# WATERLOO LIGHT RAPID TRANSIT

## WATERLOO REGION, ONTARIO, CANADA

| | |
|---|---|
| System Type | Light Rail |
| Vehicle Manufacturer | Bombardier |
| Number of Vehicles | 14 Tram sets |
| Length of Route | 11.8 Miles |
| Number of Stations | 16 Stations |
| Passengers | 17,166 (Daily) |

**Client**
The Regional Municipality of Waterloo

**Financial Close**
May 9, 2015

**Completion Date/Status**
December 31, 2018

**Project Delivery Type**
P3 DBFOM

**Total Project Value**
$436 million (NPV)

**Plenary Role**
Developer, Equity Investor, Financial Arranger/Advisor

# RELEVANCY

- Improved connectivity between major city centers
- Eased congestion and improved livability
- Designed for future expansion
- At-grade supporting transit oriented development opportunities


## DESCRIPTION

Plenary, leading the Grandlinq consortium, successfully delivered and is currently operating for the Regional Municipality of Waterloo a rapid transit system that serves residents in Cambridge, Kitchener, and Waterloo in Ontario. Stage 1 of the rapid transit system includes 19 km of tracks, 16 stations and 14 tram sets. The Project scope also includes 13 Traction Power Substations and the Operations and Maintenance Storage Facility. The DBFOM Contract includes a minimum 10 year operator appointment, with up to four 5-year extensions, to be performed by the consortium's operator, Keolis. Plenary's project proposal resulted in construction costs $2.5 million lower than anticipated. The design and construction phase commenced in May 2014 and the transit line became operational in June 2019.

## INNOVATIONS

Stage 1 also includes 17 km of adapted bus rapid transit which would be converted to LRT during Stage 2, to create a seamless 37km / 23-stop service. As a result, the Project was developed in a manner which will facilitate seamless integration of any future system expansion. This project was the first LRT P3 transaction in Canada where the operations of driver controlled vehicles has been passed to the private partner on a performance guaranteed basis, which provides long term cost and performance certainty to the Region.

## RELEVANCE & ECONOMIC IMPACTS

This Light Rapid Transit project is in the heart of a growing and vibrant community that has helped connect and serve the major University and research facilities. Through both the design and construction process Plenary successfully worked with the client to make sure their project goals and timelines were met. The project has been a huge success for the community thus far and provided Plenary a wealth of experience in developing, constructing and operating high volume transit projects. Businesses along the route benefit from expanded amenities and increased visibility due to rapid transit. The project enables employees to access job opportunities and provides access for employers to an expanded workforce.


# WINNIPEG SOUTHWEST RAPID TRANSITWAY

WINNIPEG, MANITOBA, CANADA

| | |
|---|---|
| System Type | Bus Rapid Transit |
| Vehicle Manufacturer | New Flyer |
| Number of Vehicles | 28 dedicated to corridor per day. Feeder buses will also travel along the route. All together 400 buses per day/ per direction |
| Length of Route | 6.8 miles |
| Number of Stations | 13 stations |

**Client**
City of Winnipeg

**Financial Close**
June 2016

**Completion Date/Status**
October 2019

**Project Delivery Type**
P3 DBFM

**Total Project Value**
$274 million (NPV)

**Plenary Role**
Developer, Equity Investor, Financial Arranger/ Adviser, and Maintenance Provider

# RELEVANCY

- Improved connectivity between major city centers
- Integration into existing infrastructure
- Focal point for transit oriented development
- Eased congestion and improved livability
- Designed for future expansion and population growth


## DESCRIPTION

The Winnipeg Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass Project is comprised of significant infrastructure components in the southwest quadrant of the city including: design and construction of Stage 2 of the Southwest Transitway (7.6 km), addition of active transportation infrastructure, renewal and expansion of the Pembina Underpass, connections to the University of Manitoba and Investors Group Field, and operations and maintenance of the transitway for both Stage 2 and the previously-built Stage 1 (3.6 km).

The Bus Rapid Transit project on a dedicated guideway helps accommodate anticipated population growth in southwest Winnipeg that is expected to lead to an estimated 40 percent traffic increase on Pembina Highway by 2030. Construction was completed in late 2019 and has successfully transitioned into full operations. The project improvements, which are consistent with the Council-approved Transportation Master Plan (2011), are allowing for all transportation options (buses, active transportation, cars, and trucks) to operate in a more sustainable and integrated manner. In addition to the new Transitway and associated stations extending the City of Winnipeg's rapid transit network, the project also provides some additional extra design features including: an extension of the City's already extensive active transportation path, improved, dedicated pedestrian access to Investors Group Field, and development of significant local art to accentuate the project.

## INNOVATIONS

Plenary included multiple design innovations that drove cost savings to the client. By shortening one of the transit bridges to reduce the number of spans and required piers, costs were reduced, while also minimizing disruption to the commuters and improving safety. By altering the alignment of the active transportation path to eliminate costly structures, construction time and complexity were reduced and safety for the users was improved. On the main transitway, replacing the tunnel with an overpass simplified the design and construction. This replacement also eliminated potential negative environmental impacts.

## RELEVANCE

Plenary successfully coordinated with local parties to integrate the newly constructed Stage 2 with the previously built sections in Stage 1 of the Transportation Master Plan. Once construction was completed Plenary and its operating partner seamlessly transitioned into full operations for the entire transit corridor. The project showcases Plenary's ability to design/build and execute and integrate a successful transit extension into the City's already extensive active transportation system for all local users.



# METROLINX EAST RAIL MAINTENANCE FACILITY

## WHITBY, ONTARIO, CANADA

**Client**
Metrolinx

**Financial Close**
March 2015

**Completion Date/Status**
March 2018

**Project Delivery Type**
P3 DBFM

**Total Project Value**
$859 million (NPV)

**Plenary Role**
Developer, Equity Investor,
Financial Arranger/Advisor

# RELEVANCY

- Full service maintenance facility for a high capacity commuter rail network
- Adaptable design for future expansion plans
- Integrated into existing infrastructure

## DESCRIPTION

The Greater Toronto and Hamilton Area continues to grow at a rapid pace, requiring ongoing expansion of the commuter rail service operated by GO Transit. Plenary was selected through a competitive process to deliver a new maintenance facility for GO Transit's commuter rail network. The facility includes approximately 500,000 $ft^2$ of new buildings, in addition to tracks and storage for thirteen 12-car passenger trains, built-in capacity to store an additional nine passenger trains for future use, stations to repair, maintain, fuel, wash and power GO trains, staff and visitor parking, and sustainable design and construction features.

## INNOVATIONS

The design for the East Rail Maintenance Facility (ERMF) facility took into consideration the future expansion plans for the site and provided adaptability in the design to accommodate the proposed future works. The contemplated future expansions include a load test cell building, exterior turntable, an additional canopy and track storage, additional progressive maintenance bays, and waste management areas.

The current works and facilities were planned such that future construction will minimize the impact to ongoing operations of the ERMF site.

In addition to the future physical expansion of the facility, a thorough consideration of future electrification of the GO Transit system has resulted in a design that allows all necessary work to be carried out at the initial stages of construction, allowing future installation to be carried out with minimal interruption to the operation of the train facility at that time.

## RELEVANCE & ECONOMIC IMPACT

Working with Metrolinx, the project team led by Plenary controlled the design, construction and maintenance of the MSF building under a DBFM model. At the peak of construction, approximately 1,000 workers were on-site, the majority of whom came from the Greater Toronto and Hamilton Areas.

# HIGH CAPACITY METRO TRAINS

## MELBOURNE, VICTORIA, AUSTRALIA

| | |
|---|---|
| **System Type** | Heavy Rail |
| **Vehicle Manufacturer** | Evolution Rail, CRRC Changchun Railway Vehicles |
| **Number of Vehicles** | 65 High Capacity Trains |
| **Length of Route** | N/A |
| **Number of Stations** | N/A |
| **Passengers** | 1,100 per train |

**Client**
State Government of Victoria

**Financial Close**
November 2016

**Completion Date/Status**
December 2023 (Under Construction)

**Project Delivery Type/Procurement Model**
DBFM

**Total Project Value**
$1.6 billion (NPV)

**Plenary Role**
Developer, Equity Investor, Financial Arranger/ Advisor

**Awards**
Projects Grand Prix, 2017 Partnerships Awards Best Transit Project, 2017 Partnerships Awards Asia Pacific P3 Deal of the Year, 2016 Infrastructure Investor Awards Asia Pacific Rail Deal of the Year, 2016 PFI Awards

## RELEVANCY

- Custom-designed solution bringing new transit technology
- Full service maintenance facilities for high capacity commuter rail network
- Project will generate in excess of $1 billion in transit oriented development
- Focused inclusion of local business and suppliers
- Construction will meet highest standard of quality and safety worldwide

### DESCRIPTION

The Victorian Government's High Capacity Metro Trains project includes the delivery of 65 new high capacity trains, and the construction of two new maintenance facilities, for Melbourne's rail network. Plenary is leading the Evolution Rail consortium contracted to deliver and maintain the trains over the next 35 years. The fleet is being built in Victoria over six years.

The 65 purpose-built trains have been custom-designed and fitted to meet Melbourne's unique passenger needs. These next generation trains are based on the proven, award winning A-Type platform currently operating on Hong Kong's acclaimed MTR rail network. They will rival any other train fleet in the world in terms of quality, design, safety and capability. The fleet is being built at the local Downer's Newport railyard using more than 60% local content.

### LOCAL ECONOMIC IMPACTS

The project is transforming Victoria's local manufacturing industry, generating more than a $1 billion projected investment in local suppliers in Newport, Bendigo, Geelong and Dandenong – an enormous investment in Victoria's supply chain. It has directly created some 1,100 highly-skilled jobs with at least 15% of the workforce as apprentices, cadets and trainees and seven per cent of jobs for disadvantaged workers. Priority is being given to displaced workers, such as former automotive industry workers.

### RELEVANCE

Utilizing Plenary's previous experience with complex transit projects and best practices, Plenary was able to effectively and efficiently design and deliver on the Government's project goals. The project highlights how a DBFOM/DBFM delivery model can be applied to transit manufacturing and long-term maintenance, delivering the benefits of the P3 model in risk transfer, cost efficiency, innovation, and long-term quality.

# SYDNEY METRO NORTHWEST

## SYDNEY, NEW SOUTH WALES, AUSTRALIA

| | |
|---|---|
| System Type | Heavy Rail |
| Vehicle Manufacturer | Alstom |
| Number of Vehicles | 22 automated (six-carriage) trains |
| Length of Route | 23 km (14.3 m) of new track overall project length of 36 km (22.4 m) |
| Number of Stations | 8 new stations, 5 upgraded stations |
| Passengers | 62,570 (Daily) |

**Client**
Transport for New South Wales

**Financial Close**
September 2014

**Completion Date/Status**
October 2019

**Project Delivery Type/Procurement Model**
P3 DBFOM

**Total Project Value**
$2.6 billion (NPV)

**Plenary Role**
Developer, Equity Investor, Financial Arranger/Advisor

**Awards**
Projects Grand Prix, 2015 Partnerships Awards Best Transit Project, 2015 Partnerships Awards Global Deal of the Year, 2014 Infrastructure Investor Awards Asia Pacific Deal of the Year, 2014 Infrastructure Investor Awards

# RELEVANCY

- Fully automated passenger railway
- Improved connectivity between major city centers
- Innovative station and precinct design
- Sustainable development
- Integration into existing infrastructure
- Focal point for transit oriented development
- Eased congestion and improved livability
- Designed for future expansion and population growth


## DESCRIPTION

The $8.3 billion Sydney Metro Northwest project is the first stage of the Sydney Metro Project's master plan, Australia's biggest public transport infrastructure project. The 36 km project is Australia's first fully-automated railway network. Part of the project required interfacing with two other major contracts, a tunnel contract and a viaduct contract, being performed in tandem with the Northwest portion. The Sydney Metro Northwest project included construction of eight new railway stations, rehabilitation of five existing railway stations to the new standard and 4,000 new commuter car parking spaces. Services started in the first half of 2019 with a train every four minutes in the peak, or 15 an hour. With 98% on-time running, Sydney Metro Northwest is Australia's first 'turn up and go' metro network and delivers a level of customer service and safety never before seen in Australian public transport. Work on the new greenfield section between Rouse Hill and Epping included: installation of 23 km of new rail track, signaling and mechanical and electrical systems; eight new railway stations and 4,000 associated car parking spaces; platform screen doors running the full length of platforms; construction of the Sydney Metro Trains Facility to house and maintain the metro fleet, and an operations Control Centre to monitor the entire railway, ensuring safe and reliable running. These projects are complemented by the upgrade and conversion of 13 km of existing railway including five existing stations to bring them up to metro status.

## DESIGN FEATURES

The project design features systems such as new track form technology, highly mechanized construction methods with proven asset protection strategies and a control system using Alstom Urbalis™400 Communications Based Train Control (CBTC) technology to integrate with Alstom Metropolis trains and interface with communications systems.

Additional systems were put in place for safety measures and redundancy such as an environmental control system for spot cooling and heating in underground stations, stair pressurization and temperature control in critical equipment rooms and a communications system with dynamic passenger information displays, CCTV with video analytics for crowd management and a radio system with optimized frequencies and redundancy. Additionally, lifts and escalators were installed that are safe and accessible for all passengers, and strategically positioned to optimize passenger flow.

## INNOVATIONS

The project introduces to Sydney a world class, fully automated train system, using proven technology and trains/systems which are at the forefront of innovation. With a commitment to achieving a minimum of 98% on time running and having trains available 99.5% of the time, and a train every four minutes during peak periods. Innovative station and precinct design achieves sustainability (stations are low- carbon, -energy, and -waste), scalability (stations are designed to safeguard for future expansion), embed social infrastructure and provide for an efficient door-to-door journey for the customer. The Rapid Transit Rail Facility will set a new benchmark in rail design in Australia, being the first fully automated depot, supported by CBTC technology. Plenary structured its financing of the Sydney Metro Northwest with both a government contribution and a conditional debt pay down, delivering significant value for money, including both cost efficiencies and balance sheet treatment efficiencies to the State for the project.

# DUMBARTON RAIL CORRIDOR

## MENLO PARK, CA

Plenary is working with San Mateo County Transit District under an Exclusive Negotiating Agreement (equivalent to a Collaborative Development Agreement) to perform the pre-development activities for a mass transit corridor connecting the San Francisco Peninsula and the East Bay. The Dumbarton Rail Corridor is a proposed transit project in Menlo Park, California focused on the core infrastructure and rehabilitation of an existing rail bridge. Between Redwood City and Newark, the project would primarily utilize an existing railroad right-of-way owned by the District. East of Newark, the project is planned to either enter a railroad corridor owned by Union Pacific Railroad, or utilize a new, dedicated corridor within public rights of-way. The corridor under pre-development will support one of several potential electric transit technologies, including Group Rapid Transit, light rail, commuter rail and other mass transit technologies. The project is currently projected to cost $2-3 billion which will be funded by a combination of public and private sources and delivered under a P3 structure with the District.

Two main goals the District has highlighted are: achieving economic feasibility and minimizing environmental impacts. Prior to the collaborative development agreement the only work performed by the County were high level analysis of potential options to expand the corridor, which has allowed Plenary full flexibility to explore innovative solutions.

In the role of Lead Developer, Plenary has taken on the responsibility of working with third parties to perform all necessary business and feasibility case studies before presenting the best option for the project to the client and moving the project forward. Once the decision has been made on the transit mode, Plenary will begin all necessary environmental processes and advance the project forward to achieve all necessary approvals. Plenary has performed extensive engineering work, cost estimates, and an analysis on public funding requirements and what would be required from federal, state, and private funding scenarios.

# LONG BEACH CIVIC CENTER REDEVELOPMENT

LONG BEACH, CA

Plenary worked with the City of Long Beach, CA through a Collaborative Development Process under an Exclusive Negotiating Agreement to plan, develop, and deliver the new Long Beach Civic Center project. This project consisted of the demolition and redevelopment of a 15.8 acre site in downtown Long Beach to provide for the construction of a new city hall, new port headquarters, main library, retail space, and a 4.8 acre park. The buildings include approximately 545,000 ft² of civic office space, 80,000 ft² of flex space and 50,000 ft² of retail space. Through the project master plan developed by Plenary, two parcels of land in the core city block became available for infrastructure-oriented private development. These developments allowed for direct contributions to the City to help with project costs, enhance the cohesiveness and modern urban vitality of the new downtown core, and will provide ongoing increased tax revenues to the City.

The ENA agreement (similar to the CDP Interim Agreement) included a series of development and planning milestones, along with cost sharing mechanisms which ratcheted as milestones were achieved, ensuring alignment of interests in all pre-development efforts. The Plenary-led development efforts focused on cost savings and efficiencies, such as shared central utility and parking facilities. Plenary also led an extensive community engagement effort, which involved over 100 interactions with stakeholders and community members, helping ensure that the final project reflected the public interests and had broad based community support.

The project successfully achieved substantial completion of Phase 1 on time in summer 2019, allowing for commencement of the reconstruction of Lincoln Park and demolition and re-development of the old city hall into a new commercial building.

# PURDUE STUDENT HOUSING

## WEST LAFAYETTE, INDIANA

Plenary was selected to work with Purdue University under a Collaborative Development Process to plan, design, and construct two new separate student housing facilities located on separate sites in the central core of the main campus: A 570-bed facility located at the Third Street North site and 730-bed facility at the Meredith South site.

The University was working under an expedited time frame in order to have the student housing facilities operational in time for the Fall 2020 semester. After selection in May 2018, Plenary worked in an accelerated fashion over the ensuing 5 months to complete the design, negotiate all agreements, and establish committed construction, O&M, and financing costs that were accepted by the university. The University had a well formed vision for the project and Plenary was able to take charge of the development process in order to maintain the desired schedules. The project reached financial close in October 2018 and recently achieved Substantial Completion in July 2020 in time for the upcoming fall semester.

The term of the project is for 65 years, which required the Plenary team to fully consider and understand the long term performance needs of the facilities. Additionally, Plenary structured a 45 year senior debt facility, which supports a long-term fixed project cost for the university, providing planning and budgetary certainty. As an unrated debt facility, Plenary skillfully navigated the project's lenders through the detailed diligence process, achieving this first-in-the-market 45 year final maturity which was structured to achieve the lowest possible annual payment for the project.

This project is the second P3 that Plenary is delivering for Purdue, following on the successful completion of construction of the State Street Redevelopment Project. This is a prime example of the successful outcomes that the collaborative relationship with Plenary can achieve for clients under the P3 model, where all parties are aligned in their interests and able to work together to achieve all project objectives in an ongoing positive manner.

# LA CONVENTION CENTER

## LOS ANGELES, CA

Plenary is working with the City of Los Angeles and AEG to lead development efforts for the expansion and renovation of the LA Convention Center. The LA Convention Center currently has approximately 700,000 $ft^2$ of exhibit space and almost 150,000 $ft^2$ of meeting room space and is one of the most popular convention centers in the US. The expansion plans include the addition of 280,000 $ft^2$ of exhibition space (for a total of 1,000,000 $ft^2$), 30 additional meeting rooms of various sizes, an additional 60,000 $ft^2$ ballroom, a 1,000 room hotel on-site, the addition of 2,000 parking spaces, and modernization of existing facilities.

The City Council has been exploring the possibility of expanding the Convention Center for years through a variety of different procurement methods with little success. Under the CDP model, Plenary and AEG have been able to significantly advance development efforts, putting the completion of redevelopment efforts on track for completion in advance of the upcoming Olympic games. Given the potential scope of the project and number of parties involved, Plenary immediately highlighted the need to establish clear lines of communication and build up trust between all parties to keep the project on track.

Plenary has maintained an approach of transparent, open-book collaboration, while ensuring the City Council remains fully informed of development progress.

Under the CDP, Plenary led the initial conceptual design efforts and project budgeting, and then structured and ran a competitive procurement for a construction contractor. Upon selection, that contractor has become fully engaged with the rest of the team, continuing to work in a collaborative manner to optimize the project and identify cost saving opportunities. The project is currently in the final design phase and is progressing to closing in 2021.

# MIAMI-DADE COUNTY CIVIL AND PROBATE COURTHOUSE

MIAMI, FLORIDA

**Client**
Miami-Dade County

**Financial Close**
January 2020

**Completion Date/Status**
January 2023 (Under Construction)

**Project Delivery Type/ Procurement Model**
P3 DBFOM

**Total Project Value**
$333 million (NPV)

**Plenary Role**
Developer, Equity Investor, Financial Arranger/Advisor

## PROJECT DESCRIPTION

Plenary was selected to perform the design, construction, financing, operations, and maintenance of the new Miami-Dade County Civil and Probate Courthouse – the first social infrastructure P3 in the State of Florida. The courthouse will be 23 stories with 46 finished courtrooms and four additional shelled courtrooms available to be built-out at a future date. Future growth was kept front of mind during the design process with flexible office spaces that can be converted into additional court sets, as desired by the County. The efficient floor layout incorporates a safe and secure circulation that will allow judges and staff to traverse the entire building without crossing into the public realm or interrupting the natural flow throughout the facility.

The new courthouse will satisfy the County's significant need to replace the functionally obsolete existing Miami-Dade County Courthouse, built in 1924, which is more than 40 years beyond its originally designed useful life. The new courthouse is located across the street from the historic courthouse, on downtown Miami's historic Flagler Street. Sitting directly adjacent to the active Miami Metrorail and downtown circulator elevated tracks, Plenary was forced to develop a design that could be safely constructed without shutting down or impacting these vital transit networks. Plenary's approach maximized the use of the approximately 20,000 ft$^2$ site by converting the space under the metrorail tracks into a controlled entry access drive for judges and facility deliveries. Plenary also structured the financing for the project to achieve an A2 credit rating, representing the highest credit rating ever achieved for a P3 project, resulting in the lowest cost of capital to the County. These and other innovative approaches enabled Plenary to deliver the project at a savings of over $390 million over the 30 year project term compared to the County's budget estimates.

## DESIGN FEATURES

The overall design of the facility emphasizes natural light, with each courtroom having multiple external windows. Users will enter the building through a grand staircase into a three-story atrium lobby flooded with natural light. The facility was also designed with flexibility and future use in mind, helping to create a fully functioning Courthouse for today that will accommodate the growing needs of the County well into the future.

# 6

# PROJECT DEVELOPMENT AND DELIVERY PROCESS AND APPROACH

PART 6

## Collaborative Development Process and P3 Delivery

In order to facilitate the expedited planning, development, and delivery of the CrossTampa Transit Connector, Plenary is proposing the use of a two-phase Collaborative Development Process approach and a P3 DBFOM delivery model. This collaborative project development approach and P3 delivery model centers on creating a strong development partnership between the City and Plenary at the outset of the development process, aligning interests, and providing for transparency and collaboration to facilitate achievement of objectives and expedited decision making. As partners, Plenary and the City will work through all of the necessary planning and pre-construction development tasks for the Project under an Interim Agreement (as further detailed below and in Section 7). Throughout this process, the City has full transparency into project development activities and costs, retains full decision-making authority, and has multiple off-ramps where project viability and consistency with City objectives can be validated or re-considered. This process also includes competitive procurements for all major elements of the project scope, ensuring that the project retains the benefits of competitive market based costing.

Under the P3 DBFOM delivery framework, the Developer-led team works in an integrated project delivery manner involving all key discipline contractors (design, construction, transit, O&M) to minimize the costs of use and operations of the Project. The efficiencies of a P3 delivery model, as compared to a traditional project delivery model, stem from the alignment of all members of the team to "put their best foot forward" to ensure an integrated and efficient solution, combined with a long term performance based mandate tied to the private capital investment. The solution must meet the City's needs and is based, not on first cost, but on whole-of-life costs over the time horizon provided by the City, with penalties for non-performance. The result is that the Project does not attempt to minimize only construction costs; rather, any initiatives that reduce costs over the term of the agreement and improve certainty of performance are considered, including operating, maintenance, life cycle, energy, and financing costs.

Plenary also recognizes that this project touches multiple other public agencies in the Tampa region, including Hillsborough County, HART, Tampa International Airport, and FDOT. One of the earliest actions will be to work with the City to identify the potential for engagement, support, and involvement from each of these agencies, and then to set up meetings and workshops to share project information, elicit feedback, and identify opportunities for collaboration and support. This engagement could take many different forms, ranging from general support of the Project, to collaboration in planning and environmental processes, to project funding, or even to performing transit operations services (in the case of HART). Throughout Phase 1: CDP, Plenary will work with the City within the overall timelines and processes, to optimize for any such broader governmental engagement or involvement in order to enhance the project's viability and cost efficiency.

## Project Development and Delivery Responsibilities

Phase 1: CDP, of project development and delivery is governed by the Interim Agreement, and encompasses all of the activities required to plan the project, work through and achieve necessary environmental and public approvals, and develop the technical, commercial, and financial details in order to be prepared to deliver the project under a fixed price, performance-based DBFOM P3 contract. Phase 2: DBFOM, the Project delivery phase, of the Project is governed by the DBFOM Comprehensive Agreement, which will be negotiated between the parties during Phase 1: CDP, and will task Plenary with performing all design, construction, finance, operations, and maintenance activities for the CrossTampa Transit Connector, under a fixed-price, schedule certain, long-term performance guaranteed contract.

The table on the following page summarizes the anticipated allocation of responsibilities between Plenary and City for the various actions to be performed for the Project, across its two main phases. The Interim Agreement, as further detailed in Section 7, will contain specific milestones for Plenary to achieve in advancing the Project, and key decision points for the City to confirm Project details and provide any required formal approvals. It should be noted that this table reflects a baseline summary allocation of responsibilities between Plenary and the City, but that there is flexibility in which entity ultimately takes on certain activities based upon preferences and requirements of the City.

### Table 6: Summary of Primary Roles and Responsibilities

**Key**

● Primary
○ Consultative / Support
♦ Final Decision (where other party has primary responsibility for task)
** This activity/responsibility can be performed by Plenary, by the City, or by a 3rd Party (i.e. HART) through an interlocal agreement.

| ACTIVITY / RESPONSIBILITY | PLENARY | CITY |
|---|---|---|
| **Phase 1: Collaborative Development Process (Interim Agreement)** | | |
| Establish Project Goals/Objectives | ○ | ● |
| Identify Budget and Funding Sources | ● | ♦ |
| Concept Design and Feasibility Analysis | ● | ♦ |
| Environmental Analysis and Clearance (PD&E/LPA) | ● | ♦ |
| Route Design/Identification/Station Locations | ● | ♦ |
| Mode Selection | ● | ♦ |
| Preliminary Engineering | ● | |
| Manage Design Development in Consultation with Environmental Processes | ● | |
| Site Due Diligence (Geotechnical, Utilities, ROW) | ● | ○ |
| Community and Stakeholder Engagement | ○ | ● |
| Draft Comprehensive Agreement | ● | ○ |
| Draft and Negotiate Key Subcontracts | ● | ○ |
| Develop Detailed Technical Requirements for Project Design and Construction | ● | ○ |
| Develop Detailed Technical and Performance Requirements for O&M | ● | ○ |
| Competitive Procurement of DB Contractor | ● | ○ |
| Competitive Procurement of Transit System/Vehicles | ● | ○ |
| Value Engineering and Whole-of-Life Cost Optimization | ● | |
| ROW Acquisitions Process | ○ | ● |
| ROW Acquisition Cost | | ● |
| Development of O&M Approach | ● | ♦ |
| Open Book Preparation of Fixed DB Price and Schedule | ● | |
| Open Book Preparation of Fixed O&M Price | ● | |
| Financial Structuring | ● | |
| Secure Committed Financing | ● | |
| Prepare Final Committed DBFOM Proposal | ● | |
| Approvals of Final Proposal and Comprehensive Agreement | | ♦ |
| **Phase 2a: DBFOM - Design & Construction (Comprehensive Agreement)** | | |
| Finalize Design | ● | |
| Construction Permits | ● | |
| Utility Relocations | ● | |
| ROW Acquisitions Process | ● | ● |
| ROW Acquisition Cost | | ● |
| Construction | ● | |
| Transit System Implementation | ● | |
| Commissioning and Start-up | ● | |
| Achieve Passenger Readiness | ● | ♦ |

| ACTIVITY / RESPONSIBILITY | PLENARY | CITY |
|---|---|---|
| **Phase 2b: DBFOM - Operations and Maintenance (Comprehensive Agreement)** | | |
| Transit Vehicle Operation | ** | ** |
| Transit/Communications Systems Maintenance and Repair | ** | ** |
| Guideway Maintenance and Repair | ● | |
| Station Operations and Maintenance | ● | |
| Janitorial | ● | |
| Law Enforcement/Armed Security | | ● |
| Security/Customer Service | ● | |
| Achieve Ongoing Performance and Quality Requirements | ● | |
| Major Maintenance and Lifecycle | ● | |
| Handback at End of Term in predefined Quality Condition | ● | ♦ |

## 6.1 Phase 1: CDP – Collaborative Development Process

As a development model, the CDP retains all of the advantages associated with a traditional P3 DBFOM delivery model, while delivering several unique benefits to the City. When this model is applied to the right project type, those additional benefits include:

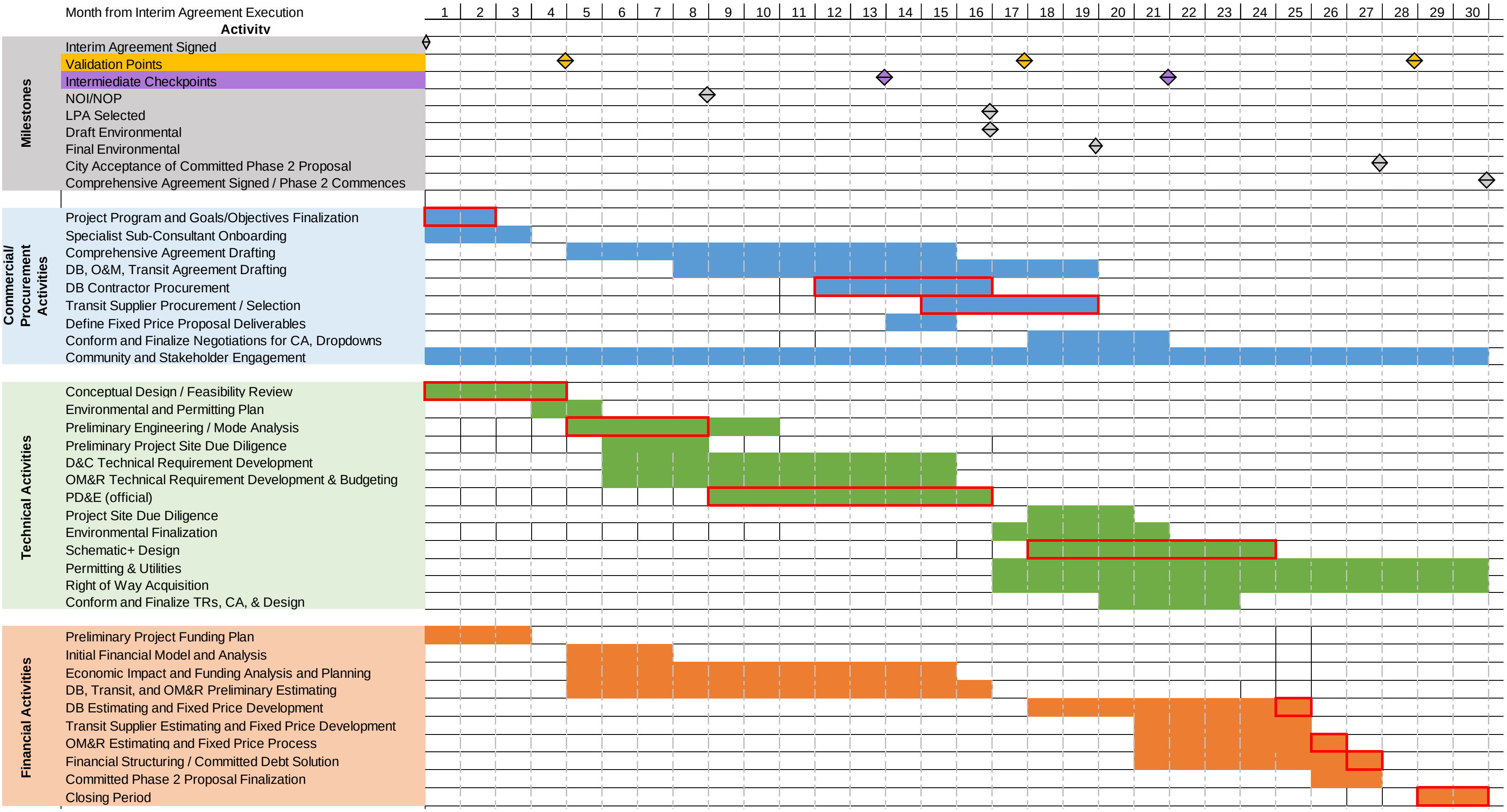
- ✓ **Shorter Development Timeline:** Projects go from the planning phase to financial close more quickly under the CDP model for a few different reasons. First, Plenary and the City will be able to run elements of the planning, development, and procurement processes in parallel. Second, key deliverables, objectives, and decision points will be identified at the outset, guiding the team to manage the work efforts in an integrated and decisive manner. Finally, Plenary and the City will have aligned incentives to implement as efficient a development process as possible, while ensuring the primary Project objectives are achieved.
- ✓ **Best-in-Class Partners:** Under a typical DBFOM procurement, teams comprised of developers, designers, contractors, key subcontractors, and service providers form to submit a fixed price bid to the client. Under a CDP, Plenary and the City will collaboratively build a team consisting of the best designer, contractor, key subcontractors, and O&M solution piece by piece through competitive and transparent processes.
- ✓ **Competitive tension:** Each major component of the overall price will be procured through a competitive process. Further, with regard to the construction price, the competitive tension will actually be greater because the entire subcontractor market will be available to the selected contractor, rather than the subcontractor market being divided amongst competing teams.
- ✓ **Efficient Pricing:** While the competitive tension in a hard-bid procurement also helps drive lower pricing, there are often a number of areas where proponents do not have a clear understanding of what the client is looking for and/or of pricing impacts tied to risks and uncertainties. This leads to added cost contingencies and larger markups. In the CDP approach, Plenary and the City will work closely with the designer, contractor, key subcontractors, transit provider/operator, and O&M provider in open-book negotiations during their competitive procurement and to finalize project pricing after their selection. There will be a real-time feedback loop on what drives cost, and the City will be better informed to make decisions on scope and commercial risk transfer based on a true cost/benefit analysis. Key diligence and preliminary construction activities which usually introduce the most risk to a project, such as geotechnical conditions, utility coordination, ROW acquisition, and permitting, are also able to be advanced and/or performed during Phase 1: CDP, reducing uncertainty and mitigating risks, resulting in lower costs and more certain schedules.
- ✓ **Reduced Development Costs:** The City will save on development costs in three different ways: 1) a shorter development schedule will translate to not only lower development costs but also lower project costs as the impact of construction escalation will be minimized, 2) Plenary sharing in the risk of certain development costs, and will take on some of the scope typically performed by third-party consultants, eliminating redundancy, and 3) the City will not have to pay for the redundant design and proposal work completed by multiple bidders.

## 6.1 (A) Phase 1: CDP Schedule

Figure 8 represents Plenary's preliminary view of the sequence and duration of key events and workstreams during Phase 1: CDP of the Project. These events are split into three key work flows: Commercial/Procurement, Technical Activities, and Financial Activities. Activities on the "critical path" are designated by a red outline. While this graphic displays key activities and key milestones, the City will remain fully engaged in the process and informed throughout.

**At a total estimated duration of 30 months, construction could begin by the end of Q3 2023 if Phase 1: CDP commences in Spring 2021.**

### Figure 8: Phase 1: CDP Schedule




**Note: Funding Source**

The schedule displayed in Figure 8 assumes that funding for the project is provided through a combination of local and State funding. Federal grant or operating funding remains a possibility for the project, and the determination of whether to pursue potential federal funding support would be evaluated and made as part of the "Conceptual Design/Feasibility Review" stage. If a determination is made during this period to pursue any potential federal funding opportunities, then subject to the nature of the specific opportunities pursued, the identified Phase 1: CDP schedule could be expected to extend by approximately 4 – 6 months.

## 6.1 (B) Phase 1: CDP Activities

A detailed description of the tasks, activities, deliverables, and key decisions involved in each workstream included in the Phase 1: CDP Schedule, which occur during Phase 1: CDP, are set out below.

### 6.1.B (i) Commercial / Procurement Activities

The commercial and procurement activities in Phase 1: CDP are the processes by which Plenary and the City work together to establish details of the project framework, commercial and risk arrangements, and in which various consultants and contractors are selected to perform required tasks for Phase 1: CDP and Phase 2: DBFOM of the Project. The primary commercial/procurement activities consist of:

#### Project Program and Goals/Objectives Finalization

Immediately after signing the Interim Agreement we will initiate discussions with the City and other Project Stakeholders to identify and agree upon the goals and objectives to make the project a success. This is a critical initial activity to ensure all parties are of a like mind of how project success will be measured, helping properly focus collaborative development efforts, and initiates a smooth development process. The goals and objectives can be varied but are anticipated to include the following key topic areas:

- Mobility Improvement;
- Equity/Diversity of Connectivity;
- Spur Transit Oriented Development (TOD);
- Minimize additional Right-of-Way needs and Community Impacts;
- Safety and Security; and
- Financial Feasibility.

#### Specialist Sub-Consultant Onboarding

In parallel, we will begin to select and onboard certain specialist sub-consultants who will provide targeted support to the technical development and environmental processes. Examples of consultants that will be required include Ridership and Revenue Study, Survey/ROW Assessment, Archaeological and Sociological Consultants, Geotechnical Investigations, Economic Impact and Tax Increment Analysis, and others. Each of these companies will be selected and engaged through processes that are in compliance with procurement regulations.

#### Comprehensive Agreement Drafting

As North America's leading P3 developer, Plenary has over 50 precedent DBFOM agreements that it can draw from to help expedite drafting of the Comprehensive Agreement (CA). The CA will provide comprehensive developer obligations for the DBFOM of the CrossTampa Transit Connector. It will define all of Plenary's responsibilities, key project dates, the payment mechanism, performance requirements and deduction regime, termination provisions, supervening events, insurance requirements, and any other components of the project. Plenary will have the primary responsibility for drafting, but the process will be a collaborative negotiation to ensure both parties are fully in agreement of the final document. Drafting of this document will commence early in Phase 1: CDP in order to help identify key commercial points, ensure clear understanding of responsibilities, and help shape project budget and planning approaches. An iterative process will be undertaken so that the Comprehensive Agreement is able to be refined to reflect the evolving Project solution, with a substantially complete draft being settled prior to Validation Point # 2.

#### Dropdown Agreement Drafting (DB Agreement, Transit Supply Agreement, O&M Agreement)

In parallel with drafting of the Comprehensive Agreement, Plenary will prepare drafts of the supporting contracts for the DB Contractor, Transit Supplier, and O&M Services. These key agreements must be crafted to ensure all parties understand their obligations and rights which underpin the long-term relationships, and are based upon the related provisions captured in the Comprehensive Agreement. Drafting of these agreements will be an iterative process requiring significant involvement from the City, and will also provide opportunities for feedback from the DB Contractor, Transit Supplier, and O&M Services Provider as part of their procurement processes. It is anticipated that the substantial terms of these agreements will be established as a baseline for use in contractor procurements, and final negotiations will occur as Phase 1: CDP design and pricing commitments are finalized in order to optimize best value for the Project.

### Design-Build Contractor Procurement

Plenary will begin the DB Contractor procurement process, in preparation for selection once an LPA has been determined. Plenary will prepare an RFP, subject to the City's approval, to select the best design-build team (primarily consisting of a DB Contractor and Lead Engineer) for the job based on a defined, competitive evaluation criteria. Responding contractors will participate in one-on-one meetings with Plenary and the City to assist in their understanding of the Project and in the evaluation. Their submissions will include a firm-fixed price for overhead and profit, commitments on levels of any self-perform work (including percentages, rates, and productivity), and will be based upon the substantially advanced DB Agreement terms. They will also be asked to provide highly detailed indicative pricing for the full project, but we have found that requiring a firm-fixed price on the full scope at this early stage of design leads to excessive contingency. Instead, the RFP process will competitively lock-in their margins, soft costs, and self-perform metrics, and establish a baseline of direct costs that will be further developed and optimized in an open-book and collaborative manner. The DB Contractor will be brought on to help finalize the Schematic+ Design, with their efforts focused on value engineering to lower the construction costs and providing input to ensure the project is constructible and can receive all necessary permits.

### Transit Supplier Procurement

As the Project nears the determination of the LPA, Plenary will prepare and release an RFP, subject to approval by the City, for a Transit System and Vehicle Supply Firm (Transit Supplier). During this procurement process, Plenary and the City will engage with potential Transit Suppliers who offer systems consistent with the selected mode of transit, in order to learn more about the nature of their technology, its costs, and negotiate key commercial terms. Similar to the DB Contractor Procurement, proposals will be required to include fixed prices for certain elements which can be competitively locked in at this stage of design development, with other pricing elements submitted in detail to establish a baseline for open-book finalization as the Schematic+ Design is completed. Once selected, the Transit Supplier will be fully integrated with the DB and O&M teams to contribute to value engineering and finalization of the project solution. An approach can also be explored to secure vehicle provision for this Project in conjunction with the procurement of new vehicles as part of the Streetcar modernization and extension project, in order to leverage competitive tension, larger scale, and ensure operations integration between the segments.

### Define Committed Phase 2 Proposal Deliverables

Once the Project has been better defined and key decisions on the conceptual design and the environmental process have been agreed, the City and Plenary will work together (also drawing upon feedback from the DB Contractor and Transit Supplier procurement processes) to identify with specificity what items must be included in the Committed Phase 2 Proposal at the conclusion of Phase 1: CDP. This exercise will establish in greater detail the specific deliverables that will be prepared during the second half of Phase 1: CDP, identifying the level of design detail, management plans, and other key information that will support the final proposal and be included in the Comprehensive Agreement.

### Conform and Finalize Negotiations for CA, Dropdowns

This activity is a continuation of the initial drafting and negotiation of these key contract documents that largely occurs earlier in Phase 1: CDP. While each of these key contracts will have been substantially completed by this stage, we have learned that during the finalization of the Schematic+ Design development, opportunities can arise to jointly reconsider areas of risk transfer and responsibilities as a way to ensure the most cost efficient and best performing Project solution is established. In addition, this stage includes the 'clean-up' work to ensure all documents are fully aligned with each other and in final form prepared for City approvals and closing.

### Community and Stakeholder Engagement

Stakeholder engagement and outreach is an essential component of the Collaborative Development Process, and is also a required component of the environmental clearance process. There will be many approvals and feedback that will need to be received in order to advance the CrossTampa Transit Connector from an initial concept to construction. Plenary and the City will work together to establish a public communication and stakeholder management plan, with a goal of ensuring that accurate project information reaches the public in a timely manner, and providing a forum for receiving public input. Plenary will schedule public information sessions, media events, and one-on-one meetings with key local and State Project Stakeholders early in Phase 1: CDP. We will launch a website to address FAQs and post updates on the project. This will be a collaborative effort, with extensive input and involvement from the City to ensure the project is successful and that all public communication reflects the City's objectives.

## 6.1.B (ii) Technical Activities

The technical activities in Phase 1: CDP are focused on defining the project details, achieving environmental clearance, and advancing the base concept into a project that is ready for Phase 2: DBFOM delivery. The primary technical activities consist of:

## Conceptual Design/Feasibility Review

The conceptual design phase begins immediately upon execution of the Interim Agreement, and is led by Plenary in collaboration with its Preliminary Design and Environmental Consultant Kisinger Campo & Associates. It is critical that this occurs early in Phase 1: CDP because it establishes what is feasible, and identifies any key challenges or fatal flaws with any potentially considered options or approaches. This stage will include preliminary ridership demand studies, review of potential route options, consideration of possible station locations, identification of potential significant environmental issues, early analysis of right-of-way, and preliminary assessment of traffic considerations. The outcome of this stage will be to have identified where any fatal flaws may exist and therefore narrowing of the potential options for further consideration and analysis, preliminary validation that the project cost remains aligned with expectations, and determination of what other agencies will need to be engaged as key components of the development process.

The end of this stage triggers the first formal Validation Point, providing a detailed feasibility assessment that will allow to the City to confirm whether the project concept continues to be viable.

## Environmental and Permitting Plan

After completion of the Conceptual Design and Feasibility Review, we will prepare a detailed environmental documentation and permitting plan which will identify and outline required permits, studies, environmental documentation, and the timelines and process for securing each such permit and approval. This plan will then be used to make adjustments to the overall Phase 1: CDP Schedule, if necessary, ensuring that all activities and Performance Milestones are efficiently planned and properly integrated.

## Preliminary Engineering/Mode Analysis

Once the City has validated that the Project continues to be feasible, Plenary will begin to advance preliminary engineering activities. This stage includes a more detailed level of engineering in relation to a narrowed set of possible project alternatives. This alternatives analysis includes more detailed review of right-of-way and the corridor cross sections, traffic studies and assessment of traffic modifications and impacts, and a detailed assessment of possible transit modes. This will include contributing O&M, commercial, cost, funding, and revenue input into planning and design considerations.

The mode selection process will be completed in partnership with the City and other Project Stakeholders with whom we will have a series of workshops and meetings to understand the issues and concerns that must be met. In this stage we will determine the class of environmental clearance to be attained in accordance with FDOT's Project Development and Environment (PD&E) manual. Based on the proposed Project concept and our current understanding of the Project there will be no significant impacts, and we anticipate that the most expansive requirement for environmental clearance will include an Environmental Assessment followed by a FONSI consistent with chapters 6, 10 and 14 of the PD&E manual.

The outcome of this stage will include an identified mode of transit, as well as determination of what entities and Project Stakeholders need to be involved in the formal PD&E study. We will also produce an updated Project cost estimate for the alternatives under consideration, drawing on actual market information pertaining to the requirements of this Project.

## Technical Requirements Development

As the concept and preliminary engineering progresses, we will prepare the detailed technical requirements for design, construction, operations, maintenance, and renewal work. They will be performance-based requirements defining "what" must be done and achieved, which leaves determining the "how" it will be done to the DB Contractor, Transit Supplier, and the O&M Provider(s). This approach drives cost efficiency and innovation by allowing the experts to optimize the design, construction, operations, and maintenance procedures, while guaranteeing desired outcomes. Preparation of these parameters early provides clear definition to the DB Contractor, Transit Supplier, and O&M Provider(s) in their procurement processes, improving competitive pricing through greater Project knowledge, and allows potentially innovative and cost saving concepts to be identified while it is still early enough in the process for them to have the greatest impact.

## Preliminary Project Site Due Diligence

Preliminary site investigation work will be performed in support of the preliminary engineering activities, and in advance of the commencement of the formal PD&E phase. These activities will be targeted to specific areas, and will include items such as a Phase 1 ESA, geotechnical investigation, utility investigation, and other site environmental matters.

## PD&E/Locally Preferred Alternative

Once the preliminary engineering has been sufficiently advanced (expected to be approximately 4 months into that stage), the NOI/NOP will be issued which will formally start the PD&E process. This phase will overlap the completion of the Preliminary Engineering and Mode Analysis stage, with key activities and decisions working in synergy. It should be noted that the analysis of various Project alternatives will occur from two distinct perspectives: compliance with the environmental clearance process, and assessment of the City preferred solution. While these two perspectives are expected to be highly synergistic, they are not required to be fully aligned, and the City has the ability to select preferred alignment and mode alternatives that best meet its objectives even if that solution is not the least environmentally impactful alternative.

Development and analysis of identified alternatives will continue to be assessed and evaluated in a greater level of detail. These alternatives will consider the possible transit modes, and the possible alignments that can best connect the identified communities and destinations. The alternatives will be developed to best meet the purpose and need statement and other goals and objectives defined at the start of the process. There will likely be a number of iterative steps as impacts are identified for the initial concepts and avoidance or mitigation measures are defined. In this stage we will perform preliminary geotechnical investigation, detailed utility and drainage analysis, project footprint and right-of-way determination, facility construction needs, and evaluation of station locations. Throughout the concept development described above we will work with the City, County, and other Project Stakeholders to assure that there is a consensus of the direction the project is taking.

The outcome of this stage will be the determination of the Locally Preferred Alternative (LPA). This will include a final route, line & grade, and station locations, along with a preliminary design and project footprint. Selection of the LPA also triggers the second Validation Point, where the City will have a clear definition of the selected route, mode, station locations, and a further advanced assessment of the project cost, allowing the City to formally confirm whether the project continues to be viable and aligned with its objectives.

### Project Site Due Diligence

The DB Contractor will undertake more detailed geotechnical investigation at this stage in support of the Schematic+ Design efforts and preparation of their fixed price proposal. This effort enables the DB Contractor to reduce a significant area of uncertainty and risk which is common in many large scale transit projects, which will result in reduced project contingencies and a more cost effective project. Plenary will work with the DB Contractor to help identify diligence activities and ensure these activities support risk mitigation and pricing optimization.

### Final Environmental Documentation

This stage will include the formal public hearings and comment periods, which will be a continuation of the community and stakeholder outreach and engagement which will have been regularly occurring in advance of this point. This will allow the draft environmental document to be completed, addressing key areas of feedback and any commitments established, resulting in a final environmental document and cleared project.

### Schematic+ Design

Following determination of the LPA, the selection of the Design-Build team will be made and we will immediately transition to the Schematic+ Design phase. The Lead Engineer who has been selected as part of the DB Contractor team will take over primary design activities at this point, building upon the preliminary engineering that was performed by KCA. During this phase the DB Contractor and its Lead Engineer will advance design of the Project to a level that allows them to provide a fixed price and schedule for delivery of the Project and to obtain any requisite approvals. This may mean that the design for some of the riskier elements may be more advanced than other elements in order to eliminate pricing contingency caused by uncertainty. Design elements that will be developed include the alignment, guideway elements, maintenance of traffic and adjacent roadway/pedestrian facility modifications, stations, storage and maintenance facilities, rolling stock, and control, power and communication systems.

As this stage works in synergy with and supports the DB Estimating and Fixed Price Development stage, value engineering and whole-of life efficiency will be integral elements. Plenary will work closely with the DB Contractor, Lead Engineer, the Transit Supplier, and the O&M team to ensure the design considers all relevant factors and makes decisions which optimize the final Project solution and reduce the whole-of-life cost of the project.

### Permitting and Utilities

As the schematic design evolves, the DB Contractor will also identify the required permits and entitlements and initiate obtaining them so they are available at or shortly after start of Phase 2: DBFOM of the Project. All of the potential alignments will affect utilities to a certain extent. This effort will include a review of the applicable easements and any existing franchise agreements that may define the process. The team will work with the affected utility companies to develop agreements on who will perform any required utility work and who will pay for it, and when and how these relocations or adjustments will be made. Advancing permitting and utilities activities in synergy with the Schematic+ Design during Phase 1: CDP provides two key benefits to the Project, by reducing Project cost through significantly reduced risk, and accelerating the Project schedule. It is expected that certain utility work can commence during Phase 1: CDP, further helping accelerate Phase 2: DBFOM delivery.

In addition, we will work with the Hillsborough County Aviation Authority, as owner of the airport, on interfaces with their transportation system, review needs for any FAA permits such as 7460 permits, and review safety and security matters and requirements. We will draft an agreement defining each of the issues and how they will be managed.

### Right of Way Acquisition

After determination of the LPA, the necessary right-of-way will have been identified, allowing the right-of-way acquisition process to commence. While we expect right-of-way needs to be minimized through route and mode selection, there will be some partial or full takes required. If the City prefers, instead of the City performing all acquisition preparation activities, we can manage the process for and prepare all necessary documentation for real property acquisition. In either scenario, all real property rights will be acquired by the City, using their powers of eminent domain as needed. While this process will begin upon LPA determination and continue through the balance of Phase 1: CDP, it can extend into Phase 2: DBFOM delivery. Starting this process in Phase 1: CDP will provide greater certainty to the Project delivery schedule, allowing it to be more precisely planned and reduce project risk.

### Conform and Finalize Technical Requirements, Comprehensive Agreement, & Design

As a final technical activity, we will conform the design, technical requirements, contracts, and other agreements into a coherent and consistent set that can be used as the overall Comprehensive Agreement, forming the basis for the final proposal at the end of Phase 1: CDP. This will include making adjustments that arise from innovations or other new information arising during the Schematic+ Design phase and its supporting activities.

## 6.1.B (iii) Financial Activities

The third key work flow of Phase 1: CDP is to convert the project into a fixed-price proposal. This proposal will be made up of fixed price commitments from the DB Contractor, Transit Supplier/Operator, O&M Provider, as well as a fully committed funding and financing plan. The primary financial activities consist of:

### Economic Impact and Funding Plan Analysis (including Preliminary Project Funding Plan)

Establishing the project budget and identifying sources of potential funding are a key early activity that will help refine the Project objectives and set clear goals for the ongoing development activities. This activity will focus on five key areas:

1. **State and Federal Funding Opportunities:** Plenary will identify potential grant or other funding opportunities from State and/or federal programs, assess the likelihood of securing these funding streams, evaluate any constraints or time impacts that they may impose, and prepare a recommended plan and approach to securing selected funding options.
2. **Local Partner Involvement:** Plenary will lead efforts, working collaboratively with the City, to engage with local governmental and institutional stakeholders to identify potential involvement and contributions from these organizations. Key identified partner opportunities include Hillsborough County, HART, Tampa International Airport, FDOT, and TECO.
3. **Transit Oriented Development:** Funding support from TOD can take two primary forms: direct contribution from sale or lease of development rights, and budget contribution from development fees and other city revenues derived from increased development and economic activity. Plenary will assess potential TOD locations along the route, and identify any properties owned or controlled by the City or County which could have the potential to generate a direct contribution to the project through a sale or lease of their development rights. On identified properties, Plenary will prepare a plan to optimize their development value in a way that these proceeds go fully back into funding the Project, and can even include providing guaranteed minimum purchase/ lease guarantees. In relation to potential increased development opportunities arising on privately owned parcels, Plenary will work with the City to identify the potential budget contributions over time, and also explore establishment of any new tax increment overlays along the corridor that can enhance value capture for the City.
4. **Project Revenues:** The project will have the ability to generate a certain amount of direct revenues, through farebox, advertising, and station retail/concessions. Plenary will work to establish detailed estimates for these revenues and a plan to optimize their contribution to the project over its term, as an ongoing subsidy to project costs.
5. **City Budget:** Plenary will work with the City to identify sources and an approach to fund allocations from the City budget over time. This will reflect the fact that no payments will be required from the City until after the project is operational and serving passengers. This effort will include analyzing existing CRAs and how they may be able to contribute funds to the project in respect of portions of the corridor through each CRA. This effort will also include identifying funds from the Hillsborough Transportation Tax (or any similar replacement tax) that can be applied to the Project. The economic impacts from the project (discussed in TOD above) also form part of this workstream, identifying increased revenues to the City over time that will be created from this transformational investment.

### Initial Financial Model and Analysis

Plenary will prepare a comprehensive, detailed financial model which will optimize all cost, revenue, and funding inputs for the Project, and which will allow for testing and evaluating a range of potential project considerations, funding sources, and financial structures. This will become a useful tool throughout Phase 1: CDP, as it enables real time evaluation of the impacts of various alternatives, funding options, and other key Project decisions.

## DB, Transit, and OM&R Preliminary Estimating

During the preliminary engineering and PD&E stages of the project development, Plenary will lead a detailed cost estimating exercise. Plenary will draw upon its detailed in-house expertise in design, construction, and operations, along with general current market data and KCA engineering estimates to establish an initial Project budget based upon the results of the Conceptual Design/Feasibility Review stage of the Project. As preliminary engineering, mode selection, and alternatives analysis is further refined, Plenary will regularly update these estimates in real time, providing an iterative feedback loop into Project development activities and decisions to help ensure the Project solution remains focused on achieving the established budget plan and Project objectives. Potential DB Contractors, Transit Suppliers, and Transit Operators will be engaged to contribute market-based feedback on key cost components, which will be integrated into these holistic estimating efforts in order to enhance their accuracy. These efforts will also work in synergy with development of the Comprehensive Agreement and the Technical Requirements, helping identify appropriate Project requirements, as well as areas of risk transfer that are optimally placed with either the private sector or the City in order to arrive at the best-value solution.

## DB Contractor Estimating and Fixed Price Development

As previously discussed, the Design-Builder will be required to submit a fixed-price proposal for their overhead and profit margins during their competitive procurement. This allows for competitive tension on these elements of their cost which are directly within their control, and will be based upon a known set of key contractual terms and detailed preliminary Project engineering. After their selection, Plenary will work with the DB Contractor through the Schematic+ Design development to refine their initial direct cost project budget for the DB scope of work. This is one example of the unique value that Plenary provides. Our asset management team is made up of design, engineering, construction, and operations industry professionals, which positions us to dive into the bottoms-up DB estimate and help identify and drive opportunities for further cost-efficiency in the Project design. Throughout Phase 1: CDP, the City will be provided with iterations of the full detailed DB estimate for full transparency, including quotes and proposals received from a range of subcontractors and suppliers in the market. It is essential that all parties are aligned on the anticipated capital requirements throughout the advancement of the Project development, and this effort will be performed with full transparency.

## Transit Supplier Estimating and Fixed Price Development

The Transit Supplier will follow a similar process to the DB Contractor selection and price development, after the Transit Supplier is selected. The Transit Supplier will be fully integrated into the Schematic+ Design development efforts, enabling them to contribute innovations and value engineering to the design solution that will optimize not only first cost, but ongoing operations and maintenance costs. Similar to the DB fixed price development, key components of the Transit Supplier's price which are fully within their control will be fixed as part of their competitive procurement (which is expected to include substantially fixed costs for the identified vehicles and other key system elements, with defined escalation or adjustment metrics), with full finalization during the Schematic+ Design phase on a fully transparent basis with the City, under Plenary's guiding hand.

## OM&R Estimating and Fixed Price Process

Operation of a mass transit system involves multiple different skill sets including vehicle operations (automated or with drivers), vehicle maintenance, systems maintenance, infrastructure maintenance, station operations and maintenance, customer service, and administrative functions. Based on Plenary's experience, these functions are not necessarily best filled by a single provider who "wraps" all functions, which can lead to additional overhead and/or firms not having the right specialist for each role. We will work with the City to identify and evaluate multiple "packages" for how to organize the O&M scope, and optimize the approach considering the kay factors of cost, performance, and HART involvement.

The Transit Operations pricing will begin with conceptual estimating assessing multiple potential approaches, and be further tailored as the approach is determined to ensure efficient solutions are implemented and value engineering opportunities are optimized. If it is determined by the City that HART will perform Transit Operations, Plenary will lead collaborative working groups with HART, the Transit Supplier and the design and construction team to ensure an efficient operating solution and pricing is developed. If Transit Operations are determined by the City to be provided under the Plenary Comprehensive Agreement, then key transit operations responsibilities will be included as part of the Transit Supplier procurement in order to ensure this benefits from competitive pricing, and also can be separately solicited on a competitive basis with independent private operators. In either case, Plenary will manage an overall process that seeks to identify the optimal approach to system operations and the allocation of these various service elements to the entities that are best positioned to deliver them in the most cost efficient manner while achieving ongoing performance standards.

In a similar effort, Plenary will provide the City with multiple iterations of an open-book, bottoms-up estimate for the fixed infrastructure O&M services (civil infrastructure and stations). It will also include a fixed lifecycle/rehabilitation/handback budget for the project term. These budget estimates will be validated by industry benchmark pricing and competitive subcontractor quotes for various components of the scope. As the project solution advances, the detailed open book budget will be finalized and turned into a single fixed O&M price, which will include appropriate market based indexing over the project term. Regardless of the actual operations and lifecycle costs incurred during the project term, the City's payments for O&M and lifecycle work will be limited to this fixed price (a key risk transfer benefit of the DBFOM model).

### Financial Structuring / Committed Debt Solution

Plenary specializes in developing creative financial structures to deliver optimal efficiency for our clients. This includes developing highly detailed financial models to evaluate all possible funding and financing scenarios, and we pride ourselves of having a track record of structuring and securing the most cost efficient financing solutions in nearly all of our P3 proposals. Plenary's portfolio of projects comprises every possible financing vehicle including PABs, TIFIA, federal grant programs, taxable private placement debt, multiple types of credit facilities, and tax-exempt bonds, as well as credit ratings from each of the four major rating agencies, along with unrated issuances. Through these experiences we have built strong relationships with lenders throughout the industry, granting us access to the most efficient pricing and terms available.

**As one example, on Plenary's recent successful Miami-Dade Courthouse proposal, Plenary's financing structure resulted in an NPV savings of over $10 million for the County (even after normalizing to account for the competitors higher direct costs).**

The open-book process will start with evaluating the applicable financing options for the project. We will then reach out to a wide variety of lenders across these market segments to inform them of the project and identify indicative terms and pricing. After compiling all of their feedback we will analyze the impacts on the total project cost and determine where to apply pressure to drive the cost down. Eventually the larger group will be narrowed to an ideal structure(s) and subset of lenders with the lowest pricing and most favorable terms, which is most synergistic with the performance requirements and risk transfer of the project. The final proposal will include a detailed financing term sheet and lender commitment letters for the full amount of required project financing.

### Committed Phase 2 Proposal Finalization

The culmination of all activities during Phase 1: CDP will be a fixed-price, date-certain DBFOM proposal to the City for the CrossTampa Transit Connector. All of the previously discussed cost and revenue components will be aggregated into a single maximum annual Availability Payment from the City to Plenary (accounting for subsidies from Project revenues and any additional stakeholder contributions), to be paid at regular intervals during the operations period. This is a key value of the DBFOM approach that the City will not be responsible for any payments until Passenger Readiness is achieved. The proposal will also include the following items:

- Detailed construction schedule with a committed date of Passenger Readiness;
- Schematic+ Design to a 30% to 50% level of development across all required elements of the Project;
- Narrative outlining the team's detailed Design, Construction, and O&M plans for the Project;
- Fully negotiated Comprehensive Agreement; and
- Detailed project financial model supported by fully committed financing and detailed term sheets.

This final proposal reflects the culmination of the work that has been collaboratively performed during Phase 1: CDP, and since all Collaborative Development Process activities are performed on an open book basis, will present a known and expected project solution and cost, without surprises. This final packaging of all elements into a single proposal provides the City with its single consolidated project solution and contract that it can take to City Council for final approvals, which will be consistent with the information provided to elected officials by City staff in regular updates throughout Phase 1: CDP. Along with this final proposal, Plenary will provide a proposal security to the City, affirming our commitment to stand behind this proposal on the exact terms as presented, giving confidence that we will quickly move to Comprehensive Agreement execution and financial close upon final City approvals.

### Closing Period

After the City formally accepts Plenary's DBFOM proposal, Plenary will work to finalize all remaining commercial and financial agreements, and all insurance policies will be placed. Plenary and the City will then execute the Comprehensive Agreement and all other commercial documents signifying Commercial Close. Shortly after that, the project debt rating will be issued (if applicable) and all financing documents will be executed and private financing drawn upon to achieve Financial Close, allowing for the commencement of construction.

## 6.2 Phase 2: DBFOM – Delivery

In comparison to more conventional infrastructure delivery methods, previous projects delivered under hybrid Availability Payment/Revenue P3 contracts demonstrate numerous benefits that add value. These benefits are realized through the holistic solution that the P3 method delivers. The intent behind the P3 method is to establish an all-in maximum "Availability Payment" that the City will have responsibility for over the life of the contracted operational term, which is minimized through a process of identifying and maximizing Project revenue sources such as farebox, advertising, TOD development rights payments, tax-increments, and retail concessions.

The Availability Payment is defined[8] as "a periodic payment made to a Developer by the Sponsor (the City), in exchange for making available the use of the asset at a predetermined level of service. Payments may be reduced if the asset is, or parts thereof are, not available for a period of time, or if that asset is not being operated and maintained in satisfactory condition. Using an Availability Payment structure eliminates the need for the Developer to assume revenue risk and protects the interests of the Sponsor by allowing the Developer a financial incentive to maintain the facility at or above a predefined condition and operating at a specified level of performance. In addition to compensating for operating and maintaining the asset, the Availability Payment becomes a maximum and predictable payment to leverage the Sponsor's funds for designing, building and financing the delivery of or upgrades to the asset or facility".

Utilization of this approach by the City for the CrossTampa Transit Connector would achieve these same cost, performance, and accountability benefits, as further highlighted below:

- Developer financial capital at risk guarantees on-time, on-budget performance. Plenary, as Developer, would only be paid to the extent the CrossTampa Transit Connector (and associated facilities) was operational and performing to agreed standards. No payments are made by the City until the facility is made available for passenger use and these fixed costs are determined prior to entering into an agreement. Risk of cost overruns, either in the construction period or during operations, other than City requested scope changes or retained risks, are transferred to Plenary.
- The cost of financing provided by Plenary can approximate the cost of City issued or off-balance sheet 501(c)(3) financing. Significant leverage allows only a small slice of equity to be required to protect the lenders' interests while aligning Plenary's interests with those of the City. Plenary is a respected, well known entity in the infrastructure investment community. Typically, we are able to aggressively compete the financing based on our project structuring and have demonstrated innovation in project financing, including delayed draw mechanisms during construction to minimize negative construction carrying costs, ability to sculpt the City's payments to allow ramp up time for any future increases in funding, and incorporation of project revenue streams to subsidize the ongoing project costs.
- The City's asset investment is protected because system condition and performance are guaranteed for the length of the agreement. Performance that does not meet agreed standards will result in significant performance penalties to Plenary, driving alignment of interests between Plenary and the City. Further, Plenary would be subject to termination and loss of its equity investment in the event of extended unacceptable performance.
- The City owns the asset at all times. The City has full benefits of ownership without the risk of asset performance.
- Provides "value for money" through risk transfer, motivation for innovation, and accountability. Past projects demonstrate the P3 method drives a more efficient design, operational efficiencies, and improved quality.
- Speed of delivery to get the needed infrastructure done more quickly. Not only is the P3 method known for ensuring on time completion, it also provides the financing tools to ensure the City gets what it needs now, as opposed to some future date when available cash will allow the Project to move forward. The City does not need to commence any financial obligations until construction is complete and passengers are able to begin using the CrossTampa Transit Connector.
- Alignment of interests between the City and Plenary. Throughout the term of the agreement, from design, through construction, and into operations and through handback, the agreement is designed to ensure alignment of interests. Private financial capital is at risk to enforce the entire agreement.

Using the P3 method, the Availability Payment, with deductions for non-performance according to a set of predetermined key performance indicators (KPIs), Plenary will be penalized if the Project does not operate according to design, if it costs more to operate and maintain, if it is unavailable for use, and/or if the KPIs are not met. Performance deductions are applied to aspects of the Project that are managed by Plenary, such as maintenance of the mechanical and electrical infrastructure of the facility, as well as all of the "bricks and mortar", finishes, envelope and other building components, and could include transit operations (if this is not performed by HART pursuant to an interlocal agreement). This also applies to cleaning standards. Contrast this with a traditional design-build, where there is no performance incentive and where the client's facility maintenance department is not accountable for operations and maintenance, or where budget cuts can result in an inability to perform necessary maintenance causing a long term deterioration of the asset. The specifics of where the savings are achieved will vary from project to project; it requires a collaborative effort of experienced professionals to maximize the Project value by lowering the Net Present Cost of the Project, not just the individual components without regard for the impact to the overall longer term performance based solution.

The City will transfer the full delivery and performance obligations of all components of the project to Plenary through a Comprehensive Agreement for a term consisting of the construction period plus 30 years of operations (30 years is a typical operating period in US P3 projects; however, the operating term can be shorter or longer). Plenary retains overall responsibility and accountability for performance to the City, but will drop-down the relevant DB obligations to a DB Contractor and a Transit Supplier, both of whom will be mutually selected by Plenary and the City during Phase 1: CDP. Plenary will raise private financing that will be fully subscribed on Financial Close to cover capital costs above any upfront public funding allocations.

Plenary plans to perform the O&M scope for the civil infrastructure, as has been our standard approach on prior civil and transit projects. The O&M pricing will be negotiated on an open book basis during Phase 1: CDP to ensure that the City is receiving best value for money. O&M of the transit system can be included in the Comprehensive Agreement as a performance-based responsibility of Plenary, which we would then subcontract to either the Transit Supplier or a third party selected under a competitive procurement. Another option is to have the transit system operations performed by HART, either through an interlocal agreement with the City or through contracting with Plenary.

To manage interface risks during the Project, Plenary will develop an Interface Agreement (IA) with all selected partners. The IA will outline the day-to-day rights and obligations of the parties, including involvement in the design process, during the transition period and with respect to maintenance and lifecycle obligations. Plenary's approach to structuring the consortium and managing risk and responsibility has delivered excellent value for its clients in the past and is well understood and accepted by the project finance market. This contractual structure allows Plenary to combine the strengths of team members into an integrated entity that, under the guidance of Plenary, will provide a seamless delivery through every phase of the Project.

At an operational level, Plenary will support the City's public engagement efforts for the Project and aid in the dissemination of Project information to the public. Our approach is to create multiple formal and informal channels of communication between the developer team, the City, and key Project Stakeholders. These might include regular (weekly, bi-weekly, or monthly) Works and Operations Committees, specialist sub-committees, and joint public communications protocols, as well as informal, day-to-day contacts with on-site personnel.

## 6.3 Organizational Structure

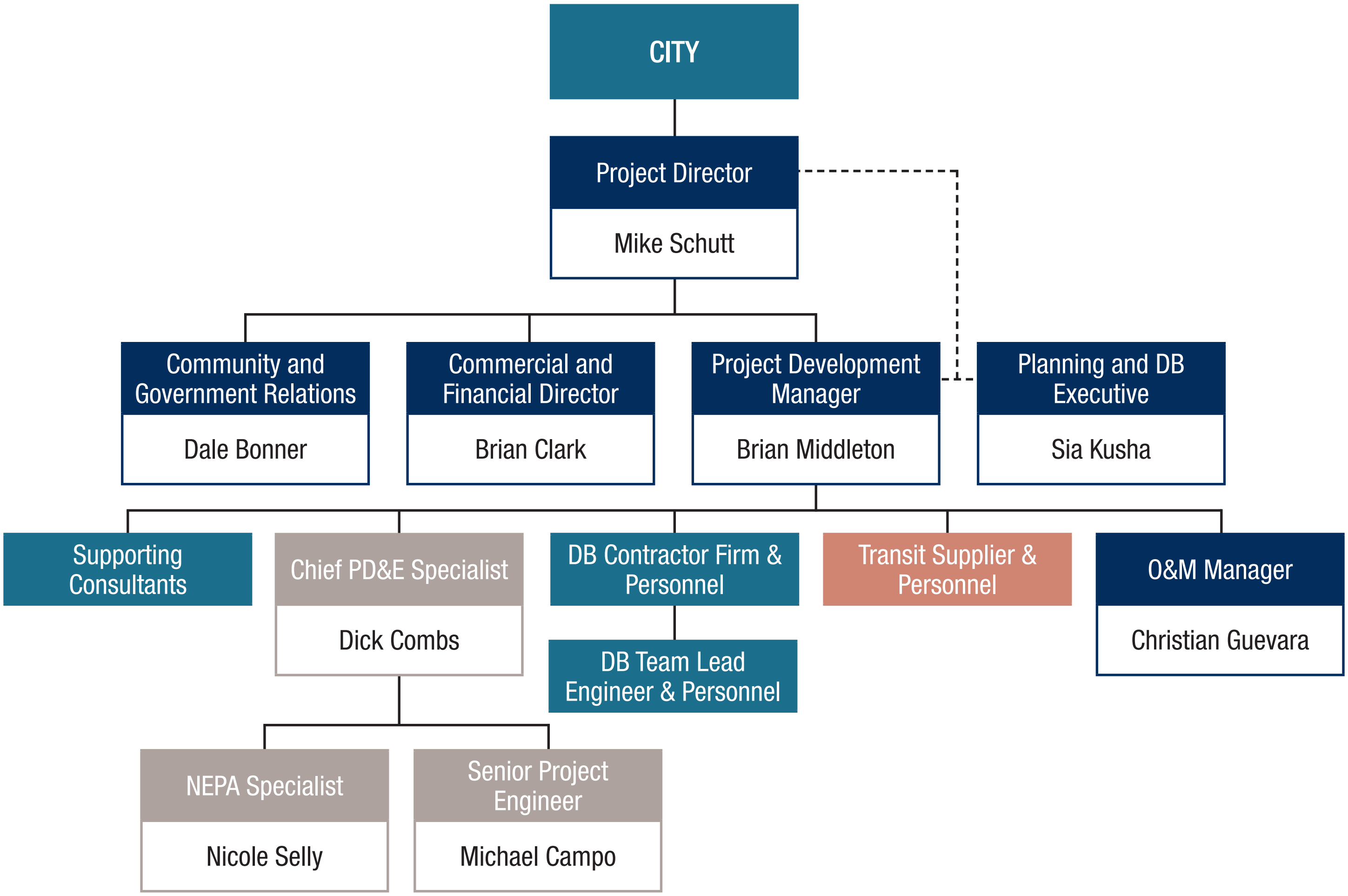
The performance-based risk transfer of an availability payment P3 project requires the integration of the technical, commercial, and financial components of the Project in order to drive innovation and efficiency and accelerate Project development. For that reason, it is essential that the developer has the experience and capabilities necessary to plan and understand all aspects of the Project – design, permitting, construction, operations, maintenance, and financing. In this integrated fashion, the developer is able to guide all members of the multi-disciplinary team in a coordinated manner, with the best value of the full Project solution remaining paramount in every decision. This integrated expertise helps ensure the team properly identifies the Project risks and opportunities, and then efficiently coordinates and structures the financial plan and technical/commercial solution into an optimized whole.

Plenary's staffing methodology is centered around this philosophy, with a tailored approach based on the specific needs of each individual project. This is exemplified by Plenary's Project Director, Mike Schutt – a dual construction and finance professional. Mike will oversee the strategy and operations of the entire pursuit team, serve as the primary Plenary contact for the City, and maintain overall responsibility for ensuring the Project's success. He is supported by a robust internal team of specialists in each of the core elements of the CrossTampa Transit Connector. Plenary's team will be supported by various consultants selected to perform crucial development tasks. In particular, personnel from KCA, reporting to Brian Middleton, will have responsibility for the preliminary engineering and environmental clearance processes.

KCA's support in PD&E studies begins with their experience in successfully completing projects from complex Environmental Impact Statements (EISs) to small Type I Categorical Exclusions (CEs). Their staff has experience from the Efficient Transportation Decision Making (ETDM) screening to Location and Design Concept Acceptance (LDCA) and all steps in between. Additionally, team members are currently serving as in-house staff to the Florida Department of Transportation (FDOT) to prepare and review Type 1 CEs and Non-Major State Actions (NMSAs). They bring extensive experience and an abundant amount of expertise in the National Environmental Policy Act (NEPA), which is the foundation of the PD&E Manual and outlines the guiding principles for PD&E studies. Their extensive NEPA knowledge and experience will provide a valuable tool to utilize in successfully completing PD&E studies in full compliance with federal and state requirements.

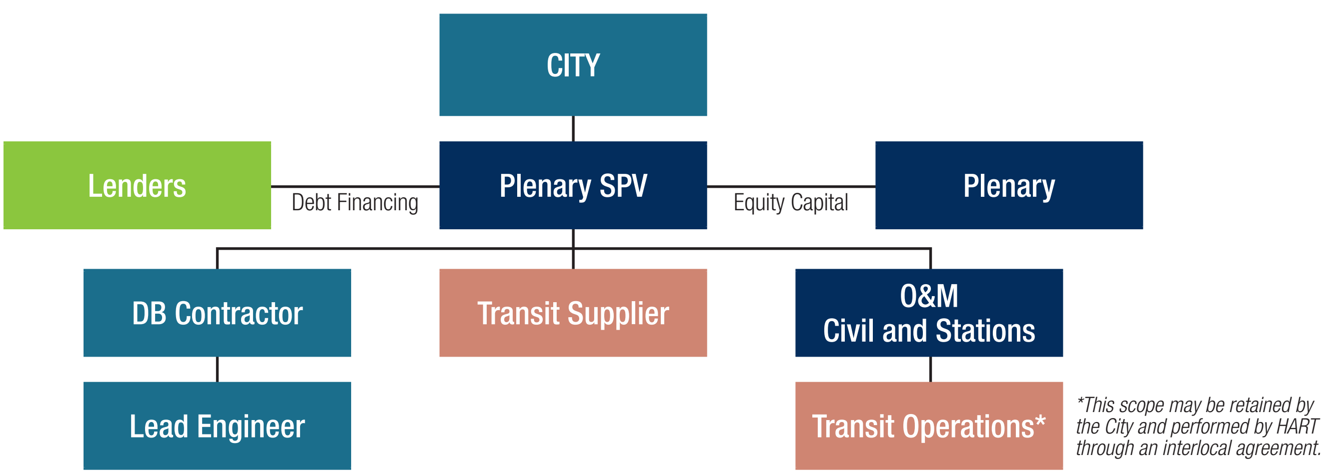
An organizational chart reflecting the structure of the Plenary and KCA staff during Phase 1: CDP, along with the expected involvement of key consultants and contractors, is shown in Figure 9.

Figure 9: Phase 1: CDP (Interim Agreement) Key Personnel Organizational Chart

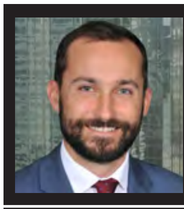
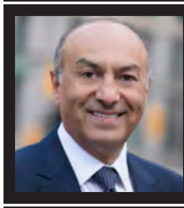
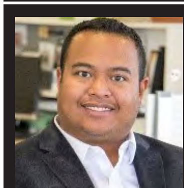
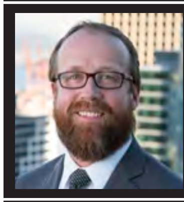
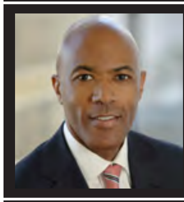
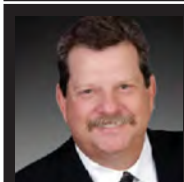
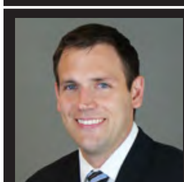
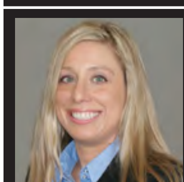



An organizational chart reflecting the key contractual relationships and companies involved during Phase 2: DBFOM is shown below:

Figure 10: Phase 2: DBFOM (Comprehensive Agreement) Organizational Chart



Summary credentials for each Key Personnel are provided in the table below, with full resumes included in Appendix 3.

| | | |
|---|---|---|
|  | MIKE SCHUTT<br>PROJECT DIRECTOR | Mike will be responsible for the overall success of the Project, and be responsible for overseeing and coordinating all planning, development, and financing activities. He will be the primary point of contact for communication between the City and Plenary, ensuring that the team achieves all project objectives and moves the project forward through every step of development in a collaborative and transparent manner. |
|  | SIA KUSHA<br>PLANNING AND DESIGN-BUILD EXECUTIVE | Sia will provide strategic guidance and oversight in order to ensure the project maintains its accelerated timeframes and achieves the City's project objectives. He will leverage his decades of experience leading the complex development of transit and civil projects to guide the project team. Specifically he will provide oversight of the procurement, selection, coordination, and management of all consultants and contractor partners. |
|  | BRIAN MIDDLETON<br>PROJECT DEVELOPMENT MANAGER | Brian's responsibilities will include leading the comprehensive planning and project development efforts. He will be responsible for managing all consultant and contractor procurements, advancing the project engineering, analysis of major decisions such as route and mode, coordination of all environmental approvals processes, and development of the detailed technical solution. |
|  | CHRISTIAN GUEVARA<br>O&M MANAGER | Christian will lead efforts in development of the O&M plan, strategy, and budget, including life cycle analysis and assisting during the design phase to ensure the project achieves maximum operational efficiency. |
|  | BRIAN CLARK<br>COMMERCIAL AND FINANCIAL DIRECTOR | Brian will support Mike in all aspects of Project development and will lead the commercial and financial components of the project, including drafting and negotiations for all contracts, structuring the funding and financing solution, and competitively sourcing all project debt. |
|  | DALE BONNER<br>GOVERNMENT AND COMMUNITY RELATIONS | Dale will support the team with government and community relations guidance and advice. He will lead Plenary's efforts for developing and implementing targeted community and stakeholder outreach, engagement, and inclusivity within the communities that will directly benefit from this new transportation Project. |
|  | DICK COMBS<br>CHIEF PD&E SPECIALIST | Dick will have overall leadership responsibility for KCA through the Conceptual Design/Feasibility Analysis, Preliminary Engineering, and Environmental Clearance activities. He will work in close coordination with Brian Middleton to ensure that the Project technical solution is advanced in a manner that achieves the City's objectives, while also maintaining compliance with all state and federal planning and environmental process regulations. |
|  | MICHAEL CAMPO<br>SENIOR PROJECT ENGINEER | Michael will lead Project engineering efforts for KCA, working closely with and in support of Dick. He will interface with and manage key third party consultants, while also coordinating the integration of feedback into the preliminary technical solution from the O&M, Transit Supplier, and DB Contractor teams and processes. |
|  | NICOLE SELLY<br>NEPA SPECIALIST | Nicole will have primary responsibility for advancing the Project through the environmental approvals process to achieve a final environmental clearance. She will ensure key impacts are identified and that any necessary commitments are understood and can be incorporated into the Project solution. |

# 7

# COMMERCIAL FRAMEWORK

PART 7

## 7.1 Phase 1: CDP – Interim Agreement

The Interim Agreement outlines the primary responsibilities of each party as development efforts advance through various stages, up to final approvals and signing of the Comprehensive Agreement (consistent with requirements of P3 financing and structuring, Plenary will establish a wholly owned special purpose Project Company which will be the counterparty to the City in the Interim Agreement and Comprehensive Agreement). Under the terms of the Interim Agreement, Plenary is responsible for marshalling the necessary resources at each stage to fulfill its obligations and complete specific activities in accordance with the milestone schedule in the Interim Agreement. While Plenary is taking the lead in all of these activities, the City is involved in reviews, strategic decisions, and approvals throughout the process to ensure the project is being shaped to meet all of its stated goals and objectives. Consistent, thorough client engagement is important because it provides validation that Plenary's efforts are successfully molding the project into one that the City will ultimately approve.

A draft Interim Agreement is included as Appendix 4.

### Deliverables

The Interim Agreement will outline a specific set of deliverables Plenary is responsible for producing and the schedule for their production. It is assumed that the City will own the deliverables associated with each stage. Plenary has found that this is an important consideration. In the event that development is stopped, the City will be able to demonstrate that the costs incurred and any additional breakage amounts are tied to concrete work products of significant value that can be used to continue advancement of the project at a future time or under a different approach.

### Validation Points and Intermediate Check-Ins

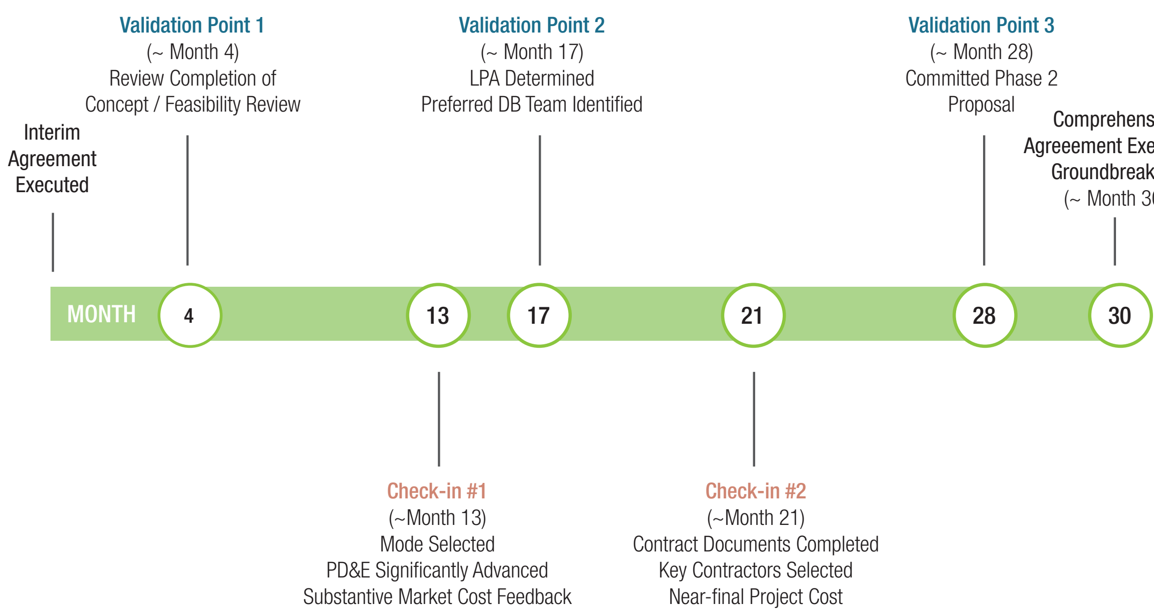
Ultimately, the City has to be entirely comfortable with every aspect of the Project, from the scope to the team executing it, to the details of each component's price. Review and confirmation from the City is expected throughout the process, especially at the validation points and intermediate check-ins described below.

We would anticipate approximately three primary Validation Points and two additional formal Intermediate Check-Ins over the course of Phase 1: CDP. Validation Points are established at points in the process where significant new information is available that allows the City and Plenary to evaluate whether: (a) the Project is on track to meet all of the performance requirements and goals of the City, and (b) the Project is on track to come in within the budget and funding plan. Validation Points are meant to involve a formal review of the Project by the ultimate decision-makers (e.g. Mayor or City Council, as required) to validate the progress made and confirm the City commitment to the resources necessary for the next stage of activities in Phase 1: CDP.

Intermediate Check-Ins are meant to be less formal evaluations with the City staff charged with jointly managing the development. Similar to Validation Points, check-ins occur at points in the process where new information becomes available that allows for an updated holistic assessment of Project direction and viability.

These regular, established points in time to force both parties to step back and confirm Project progress and alignment with goals are critical, in that they allow for course corrections to be made if necessary, rather than allowing Project development efforts to deviate down an unintended track until it is too late.

**Figure 11: Phase 1: CDP Schedule with Validation Points and Intermediate Check-Ins**



## Costs

Under Plenary's proposed two-phase project development and delivery approach, the City will benefit from significant planning and development cost savings, enhanced by alignment of interests and an accelerated planning and pre-development timeline. These cost efficiencies are realized through reductions in redundant work and by leveraging the alignment of the City's and Plenary's interests to focus and streamline efforts and decision-making in order to achieve a viable project on an expedited timeline. To further ensure alignment of interests and create proper incentives for Plenary, consultants, and the City, the Collaborative Development Process model takes an approach to cost sharing that further ensures all parties are invested in achieving a successful outcome. The cost-sharing arrangement evolves as the project viability is increasingly validated by the City through Phase 1: CDP, and when combined with the cost efficiencies, significantly lowers the City's development costs relative to what it would normally have to incur as part of a typical project development and procurement approach.

Further aligning Plenary's interests with those of the City, and reducing any demands on the City budget during Phase 1: CDP, no payments are required to be made for Plenary's personnel during this phase. Rather, at reduced rates reflecting significant sharing of Project development risk as the viability and certainty of the project evolves, Plenary's costs are accrued, and are only recovered either from the Project financing upon Financial Close in Phase 2: DBFOM, or in a termination of the Interim Agreement during Phase 1 (unless due to Plenary default, in which case there is no recovery). As a general principle, the costs of work product produced by Plenary's consultant team (i.e. Preliminary Design and Environmental Consultant, Lead Engineer, specialty consultants) will be structured on a capped partial success fee and/or milestone basis, so that Phase 1: CDP costs remain low and are tied to proper incentives to develop a viable project. Three approaches can be considered for these reduced third party costs incurred in support of achieving various Performance Milestones, which are within the pre-approved budget:

1. The City will make payment within the approved budget limits as approved 3rd party costs are incurred or;
2. These costs will be borne by Plenary (with nominal carrying cost) until the subsequent Validation Point, at which point payment is made by the City upon satisfactory completion of the associated Performance Milestone (or in a termination of the Interim Agreement) or;
3. These costs will be borne by Plenary (with nominal carrying cost) throughout the full Phase 1: CDP term, and are recovered from the Project financing upon Financial Close in Phase 2: DBFOM, (or in a termination of the Interim Agreement).

An overview of the framework and estimated budget for expected Phase 1: CDP costs in Plenary's proposed Collaborative Development Process approach are set out below (with further detail in the draft Interim Agreement in Appendix 4). A comparison is also provided to the costs that would typically be expected to be incurred by the City if it were to undertake the planning, pre-development, design, and procurement efforts for this Project in a traditional manner. Prior to execution of the Interim Agreement, Plenary will work with the City to clarify the roles, responsibilities, and key Performance Milestones, in order to refine the Phase 1: CDP budget for inclusion in the Interim Agreement within the targets established in Table 7.

Table 7: Estimated Budget and Timeline for Project Development under Collaborative Agreement Process and under Traditional Approach

| STAGE | UP TO VALIDATION POINT # 1 | VALIDATION POINT # 1 UNTIL VALIDATION POINT # 2 | VALIDATION POINT # 2 UNTIL COMMERCIAL CLOSE | TOTAL |
|---|---|---|---|---|
| Key Milestones<br>*(Reference the detailed Performance Milestones in Exhibit B of the draft Interim Agreement for more detail)* | • Feasibility Review<br>• Conceptual Design<br>• Preliminary Funding and Economic Analysis | • Preliminary Engineering<br>• Technical Requirements<br>• Contract Drafting<br>• Alternatives Analysis – LPA<br>• Community Outreach<br>• Contractor Procurement<br>• Funding Plan | • Schematic+ Design<br>• Final Environmental<br>• Final Diligence<br>• Financing<br>• Finalization of Estimates, Contracts, and Proposal<br>• Permits<br>• ROW<br>• Community Outreach<br>• Closing | |
| **Plenary's Proposed Collaborative Development Process** | | | | |
| Estimated Time | 4 Months | 13 Months | 13 Months | 30 Months |
| Plenary Labor Risk Share | 100% (No costs) | 50% | 33% | |
| Total Budget | $700,000 | $4,200,000 | $5,000,000 | $9,900,000 |
| **Traditional Development and Procurement Approach*** | | | | |
| Estimated Time | 12 Months | 30 Months | 24 Months | 66 Months |
| Estimated Costs | $1,100,000 | $9,500,000 | $12,000,000 | $22,600,000 |

**Note: under a Traditional Approach it is not expected that the same activities and deliverables would be performed in the same parallel and integrated manner as under the Collaborative Development Process, so the Estimated Time and Estimated Costs for the Traditional Development and Procurement Approach reflect approximations for achieving the same major milestones and comprehensive set of project development activities, recognizing that certain supporting activities or deliverables noted would actually span across or be included in subsequent phases.*

## 7.2 Phase 2: DBFOM – Comprehensive Agreement

The County will transfer the full delivery and performance obligations of all components of the Project to Plenary through a Comprehensive Agreement for a term consisting of the construction period plus 30 years of operations (consistent with requirements of P3 financing and structuring, the special purpose Project Company established by Plenary for the Interim Agreement will be the counterparty to the City in the Comprehensive Agreement). The Comprehensive Agreement will define, amongst other things, the risk allocation as between Plenary and the City, required construction timelines, deliverables and required approvals, technical specifications, operational performance standards, ongoing capital repair and replacement obligations, insurance requirements, manner and amount of payments from the City, reporting obligations, and other key contract terms and commitments. The parties will work together during Phase 1: CDP to draft and negotiate the Comprehensive Agreement, and would expect to draw upon precedent P3 DBFOM agreements used for similar projects in the US.

# A

# APPENDICES

# APPENDICES

# APPENDIX 1

FORMS MBD 10,
MBD 20 AND MBD 50

Failure to Complete, Sign and Submit Both Forms 10 & 20 SHALL render the Bid or Proposal Non-Responsive

# Page 1 of 4 – DMI Solicited/Utilized Schedules
## City of Tampa – Schedule of All Solicited Sub-(Contractors/Consultants/Suppliers)
*(FORM MBD-10)*

Contract No.: RFP 21-C-00005 Contract Name: Mass Transit Facility Public Private Partnership
Company Name: Plenary Americas US Holdings Inc. Address: 100 N Tampa St., Suite 2840, Tampa, FL 33602
Federal ID: 85-0752178 Phone: 813-387-3878 Fax: n/a Email: mike.schutt@plenarygroup.com

Check applicable box(es). Detailed Instructions for completing this form are on page 2 of 4.
[ ] No Firms were contacted or solicited for this contract.
[ ] No Firms were contacted because:______
[ ] See attached list of additional Firms solicited and all supplemental information (List must comply to this form)
Note: Form MBD-10 must list ALL subcontractors solicited including Non-minority/small businesses

NIGP Code Categories: Buildings = 909, General = 912, Heavy = 913, Trades = 914, Architects = 906, Engineers & Surveyors = 925, Supplier = 912-77

| S = SLBE W=WMBE O = Neither / Federal ID | Company Name Address Phone, Fax, Email | Type of Ownership (F=Female M=Male) BF BM = African Am. HF HM = Hispanic AF AM = Asian Am. NF NM = Native Am. CF CM = Caucasian | Trade or Services NIGP Code (listed above) | Contact Method L=Letter F=Fax E=Email P=Phone | Quote or Response Received Y/N |
|---|---|---|---|---|---|
| W<br>59-1677145 | Kisinger Campo & Assoc., Corp.<br>201 N Franklin St., Suite 400, Tampa, FL 33602<br>813-871-5331; n/a; PFoley@kcaeng.com | HM | 925 | P | Y |
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It is hereby certified that the information provided is an accurate and true account of contacts and solicitations for sub–contracting opportunities on this contract.

Signed: [signature] Name/Title: Mike Schutt / Vice President Date: 12/4/2020

Failure to Complete, Sign and Submit Both Forms 10 & 20 SHALL render the Bid or Proposal Non-Responsive
Forms must be included with Bid / Proposal

# Instructions for completing The Sub-(Contractors/Consultants/ Suppliers) Solicited Form (Form MBD-10)

**This form must be submitted with all bids or proposals**. **All** subcontractors (regardless of ownership or size) solicited and subcontractors from whom unsolicited quotations were received must be included on this form. The instructions that follow correspond to the headings on the form required to be completed. Note: Ability or desire to self-perform all work shall not exempt the prime from Good Faith Efforts to achieve participation.

- **Contract No.** This is the number assigned by the City of Tampa for the bid or proposal.
- **Contract Name.** This is the name of the contract assigned by the City of Tampa for the bid or proposal.
- **Contractor Name.** The name of your business and/or doing business as (dba) if applicable.
- **Address.** The physical address of your business.
- **Federal ID.** FIN. A number assigned to your business for tax reporting purposes.
- **Phone.** Telephone number to contact business.
- **Fax.** Fax number for business.
- **Email.** Provide email address for electronic correspondence.
- **No Firms were contacted or solicited for this contract.** Checking the box indicates that a pre-determined Subcontract Goal or Participation Plan Requirement was not set by the City resulting in your business not using subcontractors and will self-perform all work. If during the performance of the contract you employ subcontractors, the City must pre-approve subcontractors. Use of the "Sub-(Contractors/Consultants/Suppliers) Payments" form (MBD Form-30) must be submitted with every pay application and invoice. Note: Certified SLBE or WMBE firms bidding as Primes are not exempt from outreach and solicitation of subcontractors.
- **No Firms were contacted because.** Provide brief explanation why no firms were contacted or solicited.
- **See attached documents.** Check box, if after you have completed the DMI Form in its entirety, you need more space to list additional firms and/or if you have supplemental information/documentation relating to the form. All DMI data not submitted on the MBD Form-10 must be in the same format and have all requested data from MBD Form-10 included.

The following instructions are for information of any and all subcontractors solicited.

- **"S" = SLBE, "W" = WMBE.** Enter "**S**" for firms Certified by the City as Small Local Business Enterprises and/or "**W**" for firms Certified by the City as either Women/Minority Business Enterprise; **"O" = Non-certified others**.
- **Federal ID.** FIN. A number assigned to a business for tax reporting purposes. This information is critical in proper identification and payment of the contractor/subcontractor.
- **Company Name, Address, Phone & Fax**. Provide company information for verification of payments.
- **Type of Ownership.** Indicate the Ethnicity and Gender of the owner of the subcontracting business.
- **Trade, Services, or Materials** indicate the trade, service, or materials provided by the subcontractor. NIGP codes aka "National Institute of Governmental Purchasing" are listed at top section of document.
- **Contact Method L=letter, F=fax, E=Email, P=Phone.** Indicate with letter the method(s) of soliciting for bid.
- Q**uote or Resp. (response) Rec'd (received) Y/N**. Indicate "Y" Yes if you received a quotation or if you received a response to your solicitation. Indicate "N" No if you received no response to your solicitation from the subcontractor. Must keep records: log, ledger, documentation, etc. that can validate/verify.

If additional information is required or you have questions, please contact the Equal Business Opportunity Program - Minority and Small Business Development Office at (813) 274-5522.

Failure to Complete, Sign and Submit Both Forms 10 & 20 SHALL render the Bid or Proposal Non-Responsive



# City of Tampa – Schedule of All To-Be-Utilized Sub-(Contractors/Consultants/Suppliers)

*(FORM MBD-20)*

Contract No.: RFP 21-C-00005 Contract Name: Mass Transit Facility Public Private Partnership
Company Name: Plenary Americas US Holdings Inc. Address: 100 N Tampa St., Suite 2840, Tampa, FL 33602
Federal ID: 85-0752178 Phone: 813-387-3878 Fax: n/a Email: mike.schutt@plenarygroup.com

Check applicable box(es). Detailed Instructions for completing this form are on page 4 of 4.

[ ] See attached list of additional Firms Utilized and all supplemental information (List must comply to this form)
Note: Form MBD-20 must list ALL subcontractors To-Be-Utilized including Non-minority/small businesses

[ ] No Subcontracting/consulting (of any kind) will be performed on this contract.

[ ] No Firms are listed to be utilized because:

NIGP Code General Categories: Buildings = 909, General = 912, Heavy = 913, Trades = 914, Architects = 906, Engineers & Surveyors = 925, Supplier = 912-77

Enter "S" for firms Certified as Small Local Business Enterprises, "W" for firms Certified as Women/Minority Business Enterprise, "O" for Other Non-Certified

| S = SLBE W=WMBE O =Neither / Federal ID | Company Name Address Phone, Fax, Email | Type of Ownership (F=Female M=Male) BF BM = African Am. HF HM = Hispanic Am. AF AM = Asian Am. NF NM = Native Am. CF CM = Caucasian | Trade, Services, or Materials NIGP Code Listed above | $ Amount of Quote. Letter of Intent (LOI) if available | Percent of Scope or Contract % |
|---|---|---|---|---|---|
| W<br>59-1677145 | Kisinger Campo & Assoc., Corp.<br>201 N Franklin St., Suite 400, Tampa, FL 33602<br>813-871-5331; n/a; PFoley@kcaeng.com | HM | 925 | $1,380,000 | 14% |
| | | | | | |
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Total ALL Subcontract / Supplier Utilization $ 1,380,000
Total SLBE Utilization $ n/a
Total WMBE Utilization $ 1,380,000
Percent SLBE Utilization of Total Bid/Proposal Amt. n/a % Percent WMBE Utilization of Total Bid/Proposal Amt. 14 %

It is hereby certified that the following information is a true and accurate account of utilization for sub-contracting opportunities on this Contract.

Signed: [signature] Name/Title: Mike Schutt / Vice President Date: 12/4/2020

Failure to Complete, Sign and Submit Both Forms 10 & 20 SHALL render the Bid or Proposal Non-Responsive
Forms must be included with Bid / Proposal

**Instructions for completing The Sub-(Contractors/Consultants/ Suppliers) to be Utilized Form**

**(Form MBD-20)**

***This form must be submitted with all bids or proposals. All subcontractors (regardless of ownership or size) projected to be utilized must be included on this form.*** Note: Ability or desire to self-perform all work shall not exempt the prime from Good Faith Efforts to achieve participation.

**Contract No.** This is the number assigned by the City of Tampa for the bid or proposal.

- **Contract Name.** This is the name of the contract assigned by the City of Tampa for the bid or proposal.
- **Contractor Name.** The name of your business and/or doing business as (dba) if applicable.
- **Address.** The physical address of your business.
- **Federal ID.** FIN. A number assigned to your business for tax reporting purposes.
- **Phone.** Telephone number to contact business.
- **Fax.** Fax number for business.
- **Email.** Provide email address for electronic correspondence.
- **No Subcontracting/consulting (of any kind) will be performed on this contract.** Checking box indicates your business will not use subcontractors when no Subcontract Goal or Participation Plan Requirement was set by the City, but will self-perform all work. When subcontractors are utilized during the performance of the contract, the “Sub-(Contractors/Consultants/Suppliers) Payments” form (MBD Form-30) must be submitted with every pay application and invoice. Note: certified SLBE or WMBE firms bidding as Primes are not exempt from outreach and solicitation of subcontractors, including completion and submitting Form-10 and Form-20.
- **No Firms listed To-Be-Utilized.** Check box; provide brief explanation why no firms were retained when a goal or participation plan requirement was set on the contract. Note: mandatory compliance with Good Faith Effort outreach (GFECP) requirements applies (MBD Form-50) and supporting documentation must accompany the bid.
- **See attached documents.** Check box, if after completing the DMI Form in its entirety, you need more space to list additional firms and/or if you have supplemental information/documentation relating to the scope/value/percent utilization of subcontractors. Reproduce copies of MBD-20 and attach. All data not submitted on duplicate forms must be in the same format and content as specified in these instructions.

The following instructions are for information of Any and All subcontractors To Be Utilized.

- **Federal ID.** FIN. A number assigned to a business for tax reporting purposes. This information is critical in proper identification of the subcontractor.
- **“S” = SLBE, “W” = WMBE.** Enter “**S**” for firms Certified by the City as Small Local Business Enterprises and/or “**W**” for firms Certified by the City as Women/Minority Business Enterprise; **“O” = Non-certified others**.
- **Company Name, Address, Phone & Fax**. Provide company information for verification of payments.
- **Type of Ownership.** Indicate the Ethnicity and Gender of the owner of the subcontracting business.
- **Trade, Services, or Materials (NIGP code if Known)** Indicate the trade, service, or material provided by the subcontractor. Abbreviated list of NIGP is available at http:/www.tampagov.net/mbd “Information Resources”.
- **Amount of Quote, Letters of Intent** (required for both SLBEs and WMBEs).
- **Percent of Work/Contract.** Indicate the percent of the total contract price the subcontract(s) represent. For CCNA only (i.e. Consultant A/E Services) you must indicate subcontracts as percent of total scope/contract.
- **Total Subcontract/Supplier Utilization.** – Provide total dollar amount of all subcontractors/suppliers projected to be used for the contract. (Dollar amounts may be optional in CCNA depending on solicitation format).
- **Total SLBE Utilization.** Provide total dollar amount for all projected SLBE subcontractors/Suppliers used for this contract. (Dollar amounts may be optional in CCNA proposals depending on the solicitation format).
- **Total WMBE Utilization.** Provide total dollar amount for all projected WMBE subcontractors/Suppliers used for this contract. (Dollar amounts may be optional in CCNA proposals depending on the solicitation format).
- **Percent SLBE Utilization.** Total amount allocated to SLBEs divided by the total bid/proposal amount.
- **Percent WMBE Utilization.** Total amount allocated to WMBEs divided by the total bid/proposal amount.

If additional information is required or you have questions, please contact the Equal Business Opportunity Program - Minority and Small Business Development Office at (813) 274-5522.

# Good Faith Effort Compliance Plan Guidelines

for Women/Minority Business Enterprise\Small Local Business Enterprise Participation
City of Tampa - Equal Business Opportunity Program
(MBD Form 50 – detailed instructions on page 2 of 2)

Contract Name RFP 21-C-00005; Mass Transit Facility Public Private Partnership Bid Date 12/7/2020

Bidder/ Proposer Plenary Americas US Holdings Inc.

Signature [signature] Date 12/4/2020

Name Mike Schutt Title Vice President

The Compliance Plan with attachments is a true account of Good Faith Efforts (GFE) made to achieve the participation goals as specified for Women/Minority Business Enterprises/Small Local Business Enterprises (WMBE/SLBE) on the referenced contract:

☐ The WMBE/SLBE participation Goal is Met or Exceeded. See DMI Forms 10 and 20 which accurately report all subcontractors solicited and all subcontractors to-be-utilized.

---

☒ The WMBE/SLBE participation Goal is Not Achieved. The following list is an overview of the baseline GFE action steps already performed. Furthermore, it is understood that these GFE requirements are weighted in the compliance evaluation based on the veracity and demonstrable degree of documentation provided with the bid/proposal: (Check applicable boxes below. Must enclose supporting documents accordingly with remarks)

(1) Solicited through reasonable and available means the interest of WMBE/SLBEs that have the capability to perform the work of the contract. The Bidder or Proposer must solicit this interest within sufficient time to allow the WMBE/SLBEs to respond. The Bidder or Proposer must take appropriate steps to follow up initial solicitations with interested WMBE/SLBEs. ☒ See DMI report forms for subcontractors solicited. ☐ See enclosed supplemental data on solicitation efforts. ☒ Qualifying Remarks: Goal has not yet been established. Detailed plans will be developed to ensure robust solicitation and engagement by SLBE/WMBE firms as the project progresses through the IA and construction periods.

(2) Provided interested WMBE/SLBEs with adequate, specific scope information about the plans, specifications, and requirements of the contract, including addenda, in a timely manner to assist them in responding to the requested-scope identified by bidder/proposer for the solicitation. ☐ See enclosed actual solicitations used. ☒ Qualifying Remarks: The majority of subcontractor solicitation will occur during the Interim Agreement phase, and the identified GFE action steps will be performed as part of this process.

(3) Negotiated in good faith with interested WMBE/SLBEs that have submitted bids (e.g. adjusted quantities or scale). Documentation of negotiation must include the names, addresses, and telephone numbers of WMBE/SLBEs that were solicited; the date of each such solicitation; a description of the information provided regarding the plans and specifications for the work selected for subcontracting; and evidence as to why agreements could not be reached with WMBE/SLBEs to perform the work. Additional costs involved in soliciting and using subcontractors is not a sufficient reason for a bidder/proposer's failure to meet goals or achieve participation, as long as such costs are reasonable. Bidders are not required to accept excessive quotes in order to meet the goal.
☐ DMI Utilized Forms for sub-(contractor/consultant) reflect genuine negotiations ☐ This project is an RFQ/RFP in nature and negotiations are limited to clarifications of scope/specifications and qualifications. ☐ See enclosed documentation.
☒ Qualifying Remarks: This GFE practice will be implemented as part of subcontracting process during Interim Agreement phase.

(4) Not rejecting WMBE/SLBEs as being unqualified without justification based on a thorough investigation of their capabilities. The WMBE/SLBEs standing within its industry, membership in specific groups, organizations / associations and political or social affiliations are not legitimate causes for rejecting or not soliciting bids to meet the goals.
☒ Not applicable. ☐ See attached justification **for rejection of a subcontractor's bid** or proposal. ☐ Qualifying Remarks:

(5) Made scope(s) of work available to WMBE/SLBE subcontractors and suppliers; and, segmented portions of the work or material consistent with the available WMBE/SLBE subcontractors and suppliers, so as to facilitate meeting the goal. ☐ Sub-Contractors were allowed to bid on their own choice of work or trade without restriction to a pre-determined portion. ☐ See enclosed comments. ☒ Qualifying Remarks:
This GFE practice will be implemented as part of subcontracting process during Interim Agreement phase.

(6) Made good faith efforts, despite the ability or desire of Bidder/Proposer to perform the work of a contract with its own forces/organization. A Bidder/Proposer who desires to self-perform the work of a contract must demonstrate good faith efforts if the goal has not been met. ☐ Sub-Contractors were not prohibited from submitting bids/proposals and were solicited on work typically self-performed by the prime. ☒ Qualifying Remarks:
Detailed plans for subcontracting work will be prepared during Interim Agreement phase.

(7) Segmented portions of the work to be performed by WMBE/SLBEs in order to increase the likelihood that the goals will be met. This includes, where appropriate, breaking out contract work items into economically feasible units (quantities/scale) to facilitate WMBE/SLBE participation, even when the Bidder/Proposer might otherwise prefer to perform these work items with its own forces. ☐ Sub-Contractors were allowed to bid on their own choice of work or trade without restriction to a pre-determined portion. ☐ Sub-Contractors were not prohibited from submitting bids/proposals and were solicited on work typically self-performed by the prime. ☐ See enclosed comments. ☒ Qualifying Remarks:
This GFE practice will be implemented as part of subcontracting process during Interim Agreement phase.

(8) Made efforts to assist interested WMBE/SLBEs in obtaining bonding, lines of credit, or insurance as required by the city or contractor.
☐ See enclosed documentation on initiatives undertaken and methods to accomplish. ☒ Qualifying Remarks:
This GFE practice will be implemented as part of subcontracting process during Interim Agreement phase.

(9) Made efforts to assist interested WMBE/SLBEs in obtaining necessary equipment, supplies, materials, or related assistance or services, including participation in an acceptable mentor-protégé program. ☐ See enclosed documentation of initiatives and/or agreements. ☒ Qualifying Remarks:
This GFE practice will be implemented as part of subcontracting process during Interim Agreement phase.

(10) Effectively used the services of the City and other organizations that provide assistance in the recruitment and placement of WMBE/SLBEs.
☐ See enclosed documentation. ☐ The following services were used:
The majority of subcontractor solicitation will occur during the Interim Agreement phase, and the identified GFE action steps will be performed as part of this process.

Note: Provide any unsolicited information that will support the Bid/RFP Compliance Evaluation. ☐ Named Documents Are:

## Participation Plan: Guidance for Complying with Good Faith Efforts Outreach


1. All firms on the WMBE/SLBE Goal Setting List must be solicited and documentation provided for email, fax, letters, phone calls, and other methods of outreach/communication with the listed firms. The DMI Solicited and DMI-Utilized forms must be completed for all firms solicited or utilized. Other opportunities for subcontracting may be explored by consulting the City of Tampa MBD Office and/or researching the on-line Diversity Management Business System Directory for Tampa certified WMBE/SLBE firms.

2. Solicitation of WMBE/SLBEs, via written or electronic notification, should provide specific information on the services needed, where plans can be reviewed and assistance offered in obtaining these, if required. Solicitations should be sent a minimum of a week (i.e. 5 business days or more) before the bid/proposal date. Actual copies of the bidder's solicitation containing their scope specific instructions should be provided.

3. With any quotes received, a follow-up should be made when needed to confirm detail scope of work. For any WMBE/SLBE low quotes rejected, an explanation Shall be provided detailing negotiation efforts.

4. If a low bid WMBE/SLBE is rejected or deemed unqualified the contractor must provide an explanation and supporting documentation for this decision.

5. Prime Shall break down portions of work into economical feasible opportunities for subcontracting. The WMBE/SLBE directory may be useful in identifying additional subcontracting opportunities and firms not listed in the "WMBE/SLBE Goal Setting Firms List."

6. Contractor Shall not preclude WMBE/SLBEs from bidding on any part of work, even if the Contractor may desire to self-perform the work.

7. Contractor Shall avoid relying solely on subcontracting out work-scope where WMBE/SLBE availability is not sufficient to attain the pre-determined subcontract goal set for the Bid or when targeted sub-consultant participation is stated within the RFP/RFQ.

8. In its solicitations, the Bidder should offer assistance to WMBE/SLBEs in obtaining bonding, insurance, et cetera, if required of subcontractors by the City or Prime Contractor.

9. In its solicitation, the Bidder should offer assistance in obtaining equipment for a specific job to WMBE/SLBEs, if needed.

10. Contractor should use the services offered by such agencies as the City of Tampa Minority and Small Business Development Office, Hillsborough County Entrepreneur Collaborative Center, Hillsborough County Economic Development Department's MBE/SBE Program and the NAACP Empowerment Center to name a few for the recruitment and placement of WMBEs/SLBEs.

## Minority and Small Business Development

Certification Program
This is to certify that in accordance with City of Tampa Ordinance 2008-89

**Kisinger Campo & Assoc., Corp.**

is hereby certified as a

**Minority Business Enterprise (MBE)**

In the following specialty(ies)

**Professional Engineering Services; Mapping & Surveyor Services; Environmental Services**

**The certification is valid from September 24, 2020 to September 24, 2022**

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**Updates for recertification are required prior to the expiration date listed above. If at any time changes are made in the firm that are not in concert with our eligibility requirements, you agree to report those changes to us for evaluation. The City of Tampa reserves the right to terminate this certification at anytime it determines eligibility requirements are not being met.**

**Gregory K. Hart, Manager**
**Minority and Small Business Manager**

/

# APPENDIX 2

## AIA® FORM A305 AND ASSOCIATED EXHIBITS

# AIA® Document A305™ – 2020

## *Contractor's Qualification Statement*

**THE PARTIES SHOULD EXECUTE A SEPARATE CONFIDENTIALITY AGREEMENT IF THEY INTEND FOR ANY OF THE INFORMATION IN THIS A305-2020 TO BE HELD CONFIDENTIAL.**

**ADDITIONS AND DELETIONS:**
The author of this document has added information needed for its completion. The author may also have revised the text of the original AIA standard form. An *Additions and Deletions Report* that notes added information as well as revisions to the standard form text is available from the author and should be reviewed. A vertical line in the left margin of this document indicates where the author has added necessary information and where the author has added to or deleted from the original AIA text.

This document has important legal consequences. Consultation with an attorney is encouraged with respect to its completion or modification.

| **SUBMITTED BY:** | **SUBMITTED TO:** |
|---|---|
| *(Organization name and address.)* | *(Organization name and address.)* |
| Plenary Americas US Holdings Inc. | City of Tampa, Florida |
| 100 N Tampa St. Suite 2840 | 306 East Jackson St. #280A4N |
| Tampa, FL 33602 | Tampa, FL 33602 |

**TYPE OF WORK TYPICALLY PERFORMED**
*(Indicate the type of work your organization typically performs, such as general contracting, construction manager as constructor services, HVAC contracting, electrical contracting, plumbing contracting, or other.)*
Project Development and delivery through a Public-Private Partnership

**THIS CONTRACTOR'S QUALIFICATION STATEMENT INCLUDES THE FOLLOWING:**
*(Check all that apply.)*

[ X ] Exhibit A – General Information
[ X ] Exhibit B – Financial and Performance Information
[ X ] Exhibit C – Project-Specific Information
[ X ] Exhibit D – Past Project Experience
[ ] Exhibit E – Past Project Experience (Continued)

**CONTRACTOR CERTIFICATION**
The undersigned certifies under oath that the information provided in this Contractor's Qualification Statement is true and sufficiently complete so as not to be misleading.

[signature] 03/12/2020

**Organization's Authorized Representative Signature** **Date**

BRIAN BUDDEN, PRESIDENT & CEO
**Printed Name and Title**

**NOTARY**
Province ~~State~~ of: Ontario
City ~~County~~ of: Toronto
Signed and sworn to before me this 3rd day of December, 2020

[signature]
**Notary Signature**

**My commission expires:** N/A

# EXHIBIT A

GENERAL INFORMATION

# Document A305™ – 2020 Exhibit A

## *General Information*

This Exhibit is part of the Contractor's Qualification Statement, submitted by Plenary Americas US Holdings Inc. and dated the Third day of December in the year Two Thousand Twenty
*(In words, indicate day, month and year.)*

**ADDITIONS AND DELETIONS:**
The author of this document has added information needed for its completion. The author may also have revised the text of the original AIA standard form. An *Additions and Deletions Report* that notes added information as well as revisions to the standard form text is available from the author and should be reviewed. A vertical line in the left margin of this document indicates where the author has added necessary information and where the author has added to or deleted from the original AIA text.

This document has important legal consequences. Consultation with an attorney is encouraged with respect to its completion or modification.

**§ A.1 ORGANIZATION**
**§ A.1.1 Name and Location**
**§ A.1.1.1** Identify the full legal name of your organization.

Plenary Americas US Holdings Inc.

**§ A.1.1.2** List all other names under which your organization currently does business and, for each name, identify jurisdictions in which it is registered to do business under that trade name.

n/a

**§ A.1.1.3** List all prior names under which your organization has operated and, for each name, indicate the date range and jurisdiction in which it was used.

n/a

**§ A.1.1.4** Identify the address of your organization's principal place of business and list all office locations out of which your organization conducts business. If your organization has multiple offices, you may attach an exhibit or refer to a website.

100 N. Tampa St., Suite 2840, Tampa, FL 33602

Additional Offices:
555 W. 5th St., Suite 3150, Los Angeles, CA 90013

1700 Lincoln St., Suite 3000, Denver, CO 80203

**§ A.1.2 Legal Status**
**§ A.1.2.1** Identify the legal status under which your organization does business, such as sole proprietorship, partnership, corporation, limited liability corporation, joint venture, or other.

Corporation

**.1** If your organization is a corporation, identify the state in which it is incorporated, the date of incorporation, and its four highest-ranking corporate officers and their titles, as applicable.

Delaware
March 9, 2020

Officers:
Brian Budden – President
Stuart Marks – Vice President

Mike Schutt – Vice President
Edward Snider - Secretary

**.2** If your organization is a partnership, identify its partners and its date of organization.

n/a

**.3** If your organization is individually owned, identify its owner and date of organization.

n/a

**.4** If the form of your organization is other than those listed above, describe it and identify its individual leaders:

n/a

**§ A.1.2.2** Does your organization own, in whole or in part, any other construction-related businesses? If so, identify and describe those businesses and specify percentage of ownership.

Plenary Americas US Holdings Inc. has equity investments in and ownership interests in a range of special purpose companies established for the purpose of developing and operating public infrastructure assets delivered through the Public-Private Partnership delivery model. These subsidiary entities contract out various construction related activities, but do not themselves perform any construction activities.

**§ A.1.3 Other Information**
**§ A.1.3.1** How many years has your organization been in business?

Plenary Americas US Holdings Inc. was established in 2020 following the acquisition of Plenary Group (Canada) Ltd. and its assets by Caisse de depot et Placement du Quebec. Plenary Americas US Holdings Inc. owns 100% of Plenary Americas USA Ltd., which was established in 2013 and is the primary operating business for Plenary affiliated companies in the United States. Plenary Americas US Holdings Inc. is wholly, indirectly owned by Plenary Americas Holdings Ltd., which also owns and controls all legacy assets and the ongoing operations of Plenary Group (Canada) Ltd., which was established in 2005.

**§ A.1.3.2** How many full-time employees work for your organization?

Plenary Americas USA Ltd., which is the wholly owned operating business of Plenary Americas US Holdings Inc., has 34 full time employees. Plenary Americas Holdings Ltd., which is the ultimate entity owning all North American assets (including Plenary Americas US Holdings Inc.), has 112 employees (including the 34 of Plenary Americas USA Ltd.).

**§ A.1.3.3** List your North American Industry Classification System (NAICS) codes and titles. Specify which is your primary NAICS code.

n/a

**§ A.1.3.4** Indicate whether your organization is certified as a governmentally recognized special business class, such as a minority business enterprise, woman business enterprise, service disabled veteran owned small business, woman owned small business, small business in a HUBZone, or a small disadvantaged business in the 8(a) Business Development Program. For each, identify the certifying authority and indicate jurisdictions to which such certification applies.

n/a

**§ A.2 EXPERIENCE**
**§ A.2.1** Complete Exhibit D to describe up to four projects, either completed or in progress, that are representative of your organization's experience and capabilities.

**§ A.2.2** State your organization's total dollar value of work currently under contract.

Plenary Americas US Holdings Inc. develops and operates P3 projects through special purpose companies established to finance and deliver the obligations of each P3 contract. The ultimate entity which owns Plenary Americas US Holdings Inc., Plenary Americas Holdings Ltd., currently owns and manages, through its subsidiary entities and special purpose companies, 38 P3 concession projects in North America, with a total net present value of approximately $18 billion.

**§ A.2.3** Of the amount stated in Section A.2.2, state the dollar value of work that remains to be completed:

Of the 38 P3 projects identified in Section A2.2, 33 projects have completed construction and are in their operating phase, and 5 projects are currently under construction. The 8 projects currently under construction represent a total of approximately $1.4 billion in construction cost.

**§ A.2.4** State your organization's average annual dollar value of construction work performed during the last five years.

The average annual dollar amount of construction work performed as part of the Plenary Americas Holdings Ltd. P3 projects over the past 5 years is approximately $1.125 billion per year.

**§ A.3 CAPABILITIES**

**§ A.3.1** List the categories of work that your organization typically self-performs.

As a specialist developer of DBFOM P3 projects, Plenary performs project planning, project development, financing, construction management, asset management, and operations services. This includes subcontracting design, construction, and operations services to third party providers, and overseeing the performance of their services.

**§ A.3.2** Identify qualities, accreditations, services, skills, or personnel that you believe differentiate your organization from others.

Please reference Section 5, Proposer Overview and Qualifications and Appendix 1, Key Personnel Resumes, of this proposal for information that differentiates Plenary Americas US Holdings Inc. from others.

**§ A.3.3** Does your organization provide design collaboration or pre-construction services? If so, describe those services.

As a P3 Developer, Plenary provides comprehensive project planning and development services, which includes engaging expert design and other specialty consultants to provide and support holistic design collaboration and pre-construction services.

**§ A.3.4** Does your organization use building information modeling (BIM)? If so, describe how your organization uses BIM and identify BIM software that your organization regularly uses.

Plenary's subcontractors regularly use BIM as part of the design collaboration, planning, and construction elements of its P3 projects.

**§ A.3.5** Does your organization use a project management information system? If so, identify that system.

Plenary's P3 projects use a range of project management information systems, and Plenary is open to utilizing any systems that are preferred by the City or by Plenary's design and construction subcontractors.

**§ A.4 REFERENCES**

**§ A.4.1** Identify three client references:
*(Insert name, organization, and contact information)*

Please reference Section 1, General Administrative Information, of this proposal for additional references.

Long Beach Civic Center
Rich Anthony
Deputy City Attorney
City of Long Beach
333 West Ocean Boulevard
Long Beach, CA 90802
(562) 570-2211
Richard.Anthony@longbeach.gov

Miami-Dade County Civil and Probate Courthouse
Dan Chatlos
Strategic Program Director
Miami-Dade County Internal Services Department
111 NW 1st Street, Suite 2100
Miami, FL
(305) 375-4812
Daniel.Chatlos@miamidade.gov

Purdue University
Jay Wasson
Chief Operating Officer – Physical Facilities
1801 Newman Rd., Suite 208
West Lafayette, IN 47906
(765) 496-7019
jwasson@purdue.edu

§ **A.4.2** Identify three architect references:
*(Insert name, organization, and contact information)*

HOK
Jeff Goodale
(312) 254-5304
Jeff.Goodale@hok.com

Huval & Associates
Bob Schmidt
(225) 202-6287
BSchmidt@huvalassoc.com

MSKTD & Associates
Gary Voirol
(260) 432-9337
gev@msktd.com

§ **A.4.3** Identify one bank reference:
*(Insert name, organization, and contact information)*

TD Bank
Shahzeb Humayun
Director – Financial Institutions and Financial Sponsors
1-416-9982-7661
Shahzeb.humayun@td.com

§ **A.4.4** Identify three subcontractor or other trade references:
*(Insert name, organization, and contact information)*

Kiewit
Joe Wingerter
(402) 943-1329
Joe.Wingerter@kiewit.com

Webcor
Matt Rossie
(415) 978-1112
MattR@webcor.com

Tutor Perini Corporation
Danny Hoisman
(954) 733-4211
Danny.hoisman@tutorperini.com

# EXHIBIT B

## FINANCIAL AND PERFORMANCE INFORMATION

# AIA® Document A305™ – 2020 Exhibit B

## *Financial and Performance Information*

This Exhibit is part of the Contractor's Qualification Statement, submitted by Plenary Americas US Holdings Inc. and dated the Third day of December in the year Two Thousand Twenty
*(In words, indicate day, month and year.)*

**ADDITIONS AND DELETIONS:**
The author of this document has added information needed for its completion. The author may also have revised the text of the original AIA standard form. An *Additions and Deletions Report* that notes added information as well as revisions to the standard form text is available from the author and should be reviewed. A vertical line in the left margin of this document indicates where the author has added necessary information and where the author has added to or deleted from the original AIA text.

This document has important legal consequences. Consultation with an attorney is encouraged with respect to its completion or modification.

**§ B.1 FINANCIAL**
**§ B.1.1** Federal tax identification number:

85-0752178

**§ B.1.2** Attach financial statements for the last three years prepared in accordance with Generally Accepted Accounting Principles, including your organization's latest balance sheet and income statement. Also, indicate the name and contact information of the firm that prepared each financial statement.

Plenary Americas US Holdings Inc. is a newly formed entity which was formed in connection with the recent acquisition of the business of Plenary Group (Canada) Ltd. (and its subsidiaries including Plenary Group USA Ltd. and Plenary Group USA Concessions Ltd., together "Plenary Canada") by the Caisse de dépôt et placement du Québec ("CDPQ"). Following the acquisition, senior management and all employees of Plenary Canada and its U.S. subsidiaries are now employees of the new group of entities owned by CDPQ under Plenary Americas Holdings Ltd.. of which Plenary Americas US Holdings Inc. is its US development and investment business. As a newly formed entity, Plenary Americas US Holdings Inc. does not have financial statements to provide. Instead, please look to the financial statements included after this Exhibit B for CDPQ, which is the controlling owner of Plenary Americas US Holdings Inc.

**§ B.1.3** Has your organization, its parent, or a subsidiary, affiliate, or other entity having common ownership or management, been the subject of any bankruptcy proceeding within the last ten years?

No.

**§ B.1.4** Identify your organization's preferred credit rating agency and identification information.
*(Identify rating agency, such as Dun and Bradstreet or Equifax, and insert your organization's identification number or other method of searching your organization's credit rating with such agency.)*

None.

**§ B.2 DISPUTES AND DISCIPLINARY ACTIONS**
**§ B.2.1** Are there any pending or outstanding judgments, arbitration proceedings, bond claims, or lawsuits against your organization, its parent, or a subsidiary, affiliate, or other entity having common ownership or management, or any of the individuals listed in Exhibit A, Section 1.2, in which the amount in dispute is more than $75,000?
*(If the answer is yes, provide an explanation.)*

Certain affiliates of Plenary Americas US Holdings Inc. have been named in a lawsuit filed in connection with their acquisition as part of Plenary Group (Canada) Ltd.'s business by

CDPQ. Two former providers of mezzanine debt for certain Plenary projects have disputed the terms of the prepayment of their loans. The affected Plenary entities dispute the plaintiffs' allegations. Furthermore, although the ultimate outcome of this dispute is not known at this time, even if the lawsuit is successful, the associated costs would be borne by the former ownership of the Plenary Americas business and should not impact the entities that have common ownership with Plenary Americas US Holdings Inc.

A civil infrastructure project has attempted to clarify a number of contradictions in the OMR (Operations, Maintenance and Rehabilitation) technical requirements with the project's owner. Unfortunately, despite best efforts by all parties involved to resolve, this attempt was unsuccessful and the project SPV has now formally disputed a number of OMR scope items. Arbitration hearings are now scheduled for December 2020 in accordance with the procedures outlined in the Project Agreement. This dispute is intended to clarify contradictions in these disputed scope items of the project and is not significant. The annual value of the disputed scope is less than 10% of the annual OMR contract value of $1.5M ($2.0M CAD) so will have minimized impact on the annual budget.

**§ B.2.2** In the last five years has your organization, its parent, or a subsidiary, affiliate, or other entity having common ownership or management:
*(If the answer to any of the questions below is yes, provide an explanation.)*

**.1** failed to complete work awarded to it?

No.

**.2** been terminated for any reason except for an owners' convenience?

No.

**.3** had any judgments, settlements, or awards pertaining to a construction project in which your organization was responsible for more than $75,000?

No.

**.4** filed any lawsuits or requested arbitration regarding a construction project?

A hospital project reached substantial completion in 2015. There were a number of changes that were completed during construction that the construction contractor claimed they were entitled to payment for, and the Hospital does not agree. Since 2015, all reasonable efforts have been made to resolve this dispute amicably. In September 2020, the project SPV initiated legal proceedings on behalf of the construction contractor to recover the $6.5M ($8.5M CAD) in unpaid variation costs. All risks and benefits associated with this claim will flow through to the construction contractor.

**§ B.2.3** In the last five years, has your organization, its parent, or a subsidiary, affiliate, or other entity having common ownership or management; or any of the individuals listed in Exhibit A Section 1.2:
*(If the answer to any of the questions below is yes, provide an explanation.)*

**.1** been convicted of, or indicted for, a business-related crime?

No.

**.2** had any business or professional license subjected to disciplinary action?

No.

**.3** been penalized or fined by a state or federal environmental agency?

No.

Caisse de dépôt et placement du Québec

# CONSOLIDATED FINANCIAL STATEMENTS

## as at December 31, 2019 and 2018

# MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL REPORTING

The preparation and presentation of the consolidated financial statements of la Caisse de dépôt et placement du Québec ("la Caisse") are the responsibility of management. The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) and incorporated into the CPA Canada Handbook. We ensure that the financial information in the Annual Report is consistent with the information in the consolidated financial statements.

The consolidated financial statements include amounts that are based on management's best estimates and judgment, with due regard for their relative importance. Moreover, when preparing the financial information, management has made decisions regarding the information to be presented as well as estimates and assumptions that affect the information presented. Future results may differ considerably from our current estimates, as changes to financial markets or other events could have an impact on the fair value of the investments.

In our responsibility for the reliability of financial information, we rely on disclosure controls and procedures and internal controls over financial reporting. In particular, these controls include a clear definition of responsibilities, delegation of powers, allocation of duties, ethical standards, employee hiring and training criteria as well as policies, guidelines and procedures designed to ensure that transactions are duly authorized, assets are properly measured and safeguarded, and proper records are maintained.

Moreover, la Caisse's internal audit group audits the internal controls on a regular basis. These controls and audits are designed to provide reasonable assurance regarding the reliability of the accounting records used to prepare the consolidated financial statements and to ensure that assets are not used or disposed of in any unauthorized manner, that liabilities are recorded, and that we meet all the legal requirements to which la Caisse is subject, including the *Act respecting the Caisse de dépôt et placement du Québec.*

Each year, we certify that the design of the internal control over financial information is sufficient and that the design and operation of the financial information disclosure controls and procedures are effective. We report any significant irregularity to the Audit Committee of the Board of Directors of la Caisse, as necessary.

The Auditor General of Québec and Ernst & Young LLP (the "co-auditors") have audited the consolidated financial statements of la Caisse as at December 31, 2019 and 2018 and for the years then ended and their report covers the nature and scope of the audit and expresses their opinion. The co-auditors have unrestricted access to the Audit Committee to discuss any matter related to their audit.

The Board of Directors and its committees supervise the manner in which management fulfills its responsibility for the establishment and presentation of financial information, maintenance of appropriate internal controls, compliance with the requirements of laws and regulations, management of and control over the main risks, and evaluation of major transactions. Moreover, it approves the consolidated financial statements and the Annual Report.

The Board of Directors approved the consolidated financial statements as at December 31, 2019 and 2018 and for the years then ended. It is assisted in its responsibilities by the Audit Committee, of which all members are independent directors. This Committee meets with management and the co-auditors, examines the consolidated financial statements, and recommends the approval thereof to the Board of Directors.

Charles Emond
President and Chief Executive Officer

Maarika Paul, FCPA, FCA, CBV, ICD.D
Executive Vice-President and
Chief Financial and Operations Officer

Montréal, February 18, 2020

# INDEPENDENT AUDITORS' REPORT

To the National Assembly

## Report on the audit of the consolidated financial statements

### Opinion

We have audited the consolidated financial statements of la Caisse de dépôt et placement du Québec and its subsidiaries (the "Group"), which comprise the Consolidated Statements of Financial Position as at December 31, 2019 and 2018 and the Consolidated Statements of Comprehensive Income, the Consolidated Statements of Changes in Net Assets Attributable to Depositors and the Consolidated Statements of Cash Flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018 and its consolidated financial performance and its consolidated cash flows for the years then ended, in accordance with International Financial Reporting Standards (IFRS).

### Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the consolidated financial statements* section of this auditors' report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other information included in the Group's 2019 Annual Report:

Management is responsible for the other information. The other information comprises the information, other than the consolidated financial statements and our auditors' report thereon, in the Annual Report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

The 2019 Annual Report is expected to be made available to us after the date of this report. If, based on the work we will perform on the 2019 Annual Report, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

### Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. Future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the consolidated financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the Group. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

## Report on other legal and regulatory requirements

As required by the *Auditor General Act* (CQLR, chapter V-5.01), we report that, in our opinion, these accounting standards have been applied for the current fiscal year on a basis consistent with that of the preceding year, except for the accounting policy changes related to leases explained in Note 2.

The engagement partner from Ernst & Young LLP on the audit resulting in this independent auditors' report is Michel Bergeron.

Auditor General of Québec,

Guylaine Leclerc FCPA Auditor, FCA

Guylaine Leclerc, FCPA auditor, FCA
Canada, Montréal, February 18, 2020

Ernst & Young LLP[1]

Ernst & Young LLP[1]

[1] FCPA auditor, FCA, public accountancy permit no. A114960
Canada, Montréal, February 18, 2020

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

*(in millions of Canadian dollars)*

| | Note | **December 31, 2019** | December 31, 2018 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash | | **994** | 675 |
| Amounts receivable from transactions being settled | | **6,223** | 4,587 |
| Advances to depositors | | **960** | 903 |
| Investment income, accrued and receivable | | **1,391** | 1,352 |
| Other assets | | **584** | 482 |
| Investments | 4 | **382,467** | 342,004 |
| **Total assets** | | **392,619** | 350,003 |
| **LIABILITIES** | | | |
| Amounts payable on transactions being settled | | **1,537** | 1,113 |
| Other financial liabilities | | **1,143** | 1,172 |
| Investment liabilities | 4 | **49,830** | 38,207 |
| **Total liabilities excluding net assets attributable to depositors** | | **52,510** | 40,492 |
| **NET ASSETS ATTRIBUTABLE TO DEPOSITORS** | | **340,109** | 309,511 |

The accompanying notes are an integral part of the consolidated financial statements.

On behalf of the Board of Directors,

Charles Emond

François Joly

# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31

*(in millions of Canadian dollars)*

| | Notes | **2019** | 2018 |
|---|---|---|---|
| Investment income | | **10,838** | 10,222 |
| Investment expense | | **(945)** | (886) |
| Net investment income | 8 | **9,893** | 9,336 |
| Operating expenses | 9 | **(630)** | (585) |
| **Net income** | | **9,263** | 8,751 |
| **Net gains on financial instruments at fair value** | 8 | **21,883** | 3,039 |
| **Investment result before distributions to depositors** | 8 | **31,146** | 11,790 |
| Distributions to depositors | | **(14,739)** | (12,222) |
| **Net income and comprehensive income attributable to depositors** | | **16,407** | (432) |

The accompanying notes are an integral part of the consolidated financial statements.

# CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO DEPOSITORS

For the years ended December 31

*(in millions of Canadian dollars)*

| | Demand deposits | Term deposits | Distributions payable to depositors | Participation deposits | Net assets attributable to depositors |
|---|---|---|---|---|---|
| Balance as at December 31, 2017 | 88 | 6 | 1,975 | 296,443 | 298,512 |
| **Attributions and distributions** | | | | | |
| Net income and comprehensive income attributable to depositors | - | - | - | (432) | (432) |
| Distributions to depositors | 11,691 | - | 531 | - | 12,222 |
| **Participation deposits** | | | | | |
| Issuance of participation deposit units | (14,566) | - | - | 14,566 | - |
| Cancellation of participation deposit units | 4,290 | - | - | (4,290) | - |
| **Net deposits** | | | | | |
| Net withdrawals | (791) | - | - | - | (791) |
| **BALANCE AS AT DECEMBER 31, 2018** | 712 | 6 | 2,506 | 306,287 | 309,511 |
| **Attributions and distributions** | | | | | |
| Net income and comprehensive income attributable to depositors | **-** | **-** | **-** | **16,407** | **16,407** |
| Distributions to depositors | **14,284** | **-** | **455** | **-** | **14,739** |
| **Participation deposits** | | | | | |
| Issuance of participation deposit units | **(18,515)** | **-** | **-** | **18,515** | **-** |
| Cancellation of participation deposit units | **4,473** | **-** | **-** | **(4,473)** | **-** |
| **Net deposits** | | | | | |
| Net withdrawals | **(548)** | **-** | **-** | **-** | **(548)** |
| **BALANCE AS AT DECEMBER 31, 2019** | **406** | **6** | **2,961** | **336,736** | **340,109** |

The accompanying notes are an integral part of the consolidated financial statements.

# CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31
*(in millions of Canadian dollars)*

| | 2019 | 2018 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net income and comprehensive income attributable to depositors | **16,407** | (432) |
| **Adjustments for:** | | |
| Unrealized net (gains) losses on commercial paper, term notes and loans payable | **(514)** | 591 |
| Distributions to depositors | **14,739** | 12,222 |
| **Net changes in operating assets and liabilities** | | |
| Amounts receivable from transactions being settled | **(1,636)** | (2,140) |
| Advances to depositors | **(57)** | 153 |
| Investment income, accrued and receivable | **(39)** | 43 |
| Other assets | **(102)** | (227) |
| Investments | **(40,695)** | (10,594) |
| Amounts payable on transactions being settled | **424** | (989) |
| Other financial liabilities | **(29)** | 481 |
| Investment liabilities | **5,938** | 671 |
| | **(5,564)** | (221) |
| **Cash flows from financing activities** | | |
| Net change in commercial paper payable | **365** | 2,386 |
| Issuance of commercial paper payable | **9,844** | 5,443 |
| Repayment of commercial paper payable | **(7,078)** | (6,649) |
| Net change in loans payable | **85** | (80) |
| Issuance of term notes payable | **5,313** | - |
| Repayment of term notes payable | **(2,330)** | - |
| Net withdrawals | **(548)** | (791) |
| | **5,651** | 309 |
| **Net increase in cash and cash equivalents** | **87** | 88 |
| Cash and cash equivalents at the beginning of the year | **1,035** | 947 |
| **Cash and cash equivalents at the end of the year** | **1,122** | 1,035 |
| **Cash and cash equivalents comprise:** | | |
| Cash | **994** | 675 |
| Investments | | |
| Short-term investments | **27** | - |
| Securities purchased under reverse repurchase agreements | **101** | 360 |
| | **1,122** | 1,035 |
| **Supplemental information on cash flows from operating activities** | | |
| Interest and dividends received | **10,433** | 10,115 |
| Interest paid | **(855)** | (800) |

The accompanying notes are an integral part of the consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*(Tabular amounts are shown in millions of Canadian dollars, unless otherwise indicated.)*

## 1. CONSTITUTION AND NATURE OF OPERATIONS

La Caisse de dépôt et placement du Québec ("la Caisse"), a legal person established in the public interest within the meaning of the Civil Code of Québec, is governed by the *Act respecting the Caisse de dépôt et placement du Québec* (CQLR, chapter C-2) (the "Act").

La Caisse is domiciled in Québec, Canada. Its head office is located at 65 Sainte-Anne St., Québec City, Canada and its main office is located at 1000 Place Jean-Paul-Riopelle, Montréal, Canada.

La Caisse's mission is to receive moneys on deposit as provided by the Act and to manage them with a view to achieving an optimal return on depositors' capital within the framework of the depositor investment policies while also contributing to Québec's economic development.

### CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements have been prepared for the purposes of presenting la Caisse's financial position, financial performance and cash flows. La Caisse's consolidated financial statements include the accounts of the General Fund, of the individual funds, and of the specialized portfolios as well as the accounts of its subsidiaries that exclusively offer services related to financing, administrative and management activities. In preparing the consolidated financial statements, all intercompany transactions and balances have been eliminated.

The investing activities of the depositors in la Caisse's various specialized portfolios are concluded through the participation deposit units of individual funds.

#### General Fund

The General Fund comprises cash and cash equivalent activities for la Caisse's operational purposes and management of demand deposits, term deposits, and the financing activities.

#### Individual Funds

The individual funds consist mainly of diversified investments in specialized portfolios. Each individual fund is dedicated to a single depositor who invests in the participation deposits of individual funds.

The individual funds of depositors are as follows:

**Fund 300:** Base Québec Pension Plan (formerly the Québec Pension Plan Fund), administered by Retraite Québec

**Fund 301:** Government and Public Employees Retirement Plan, administered by Retraite Québec

**Fund 302:** Pension Plan of Management Personnel, administered by Retraite Québec

**Fund 303:** Pension Plan for Federal Employees Transferred to Employment with the Gouvernement du Québec, administered by Retraite Québec

**Fund 305:** Pension Plan of Elected Municipal Officers (PPEMO), administered by Retraite Québec

**Fund 306:** Régime complémentaire de rentes des techniciens ambulanciers/paramédics et des services préhospitaliers d'urgence – Volet à prestations déterminées, administered by the Comité de retraite

**Fund 307:** Fonds d'assurance automobile du Québec, administered by the Société de l'assurance automobile du Québec

**Fund 310:** Régime de retraite des chauffeurs d'autobus de la Société de transport de Laval, administered by the Comité de retraite

**Fund 311:** Supplemental Pension Plan for Employees of the Québec Construction Industry – General Account, administered by the Commission de la construction du Québec

**Fund 312:** Supplemental Pension Plan for Employees of the Québec Construction Industry – Retirees Account, administered by the Commission de la construction du Québec

**Fund 313:** Supplemental Pension Plan for Employees of the Québec Construction Industry – Supplementary Account, administered by the Commission de la construction du Québec

**Fund 314:** Deposit Insurance Fund, administered by the Autorité des marchés financiers

**Fund 315:** Dedicated account, administered by La Financière agricole du Québec

**Fund 316:** Retirement Plans Sinking Fund – RREGOP (RPSF-RREGOP), administered by the ministère des Finances, Government of Québec

**Fund 317:** Retirement Plans Sinking Fund – PPMP (RPSF-PPMP), administered by the ministère des Finances, Government of Québec

**Fund 318:** Retirement Plans Sinking Fund – Others (RPSF-Others), administered by the ministère des Finances, Government of Québec

**Fund 326:** Crop Insurance Fund, administered by La Financière agricole du Québec

**Fund 328:** Survivor's Pension Plan, administered by the Secrétariat du Conseil du trésor

**Fund 329:** Fonds d'assurance-garantie, administered by la Régie des marchés agricoles et alimentaires du Québec

**Fund 330:** Fonds de la santé et de la sécurité du travail, administered by the Commission des normes, de l'équité, de la santé et de la sécurité du travail

**Fund 331:** Régime de retraite des employés du Réseau de transport de la Capitale, administered by the Comité de retraite

**Fund 332:** Fonds des cautionnements des agents de voyages – cautionnements individuels, administered by the Office de la protection du consommateur

**Fund 333:** Compensation Fund for Customers of Travel Agents, administered by the Office de la protection du consommateur

**Fund 334:** Régime complémentaire de rentes des techniciens ambulanciers/paramédics et des services préhospitaliers d'urgence – Volet à coût partagé, administered by the Comité de retraite (created on April 1, 2019)

**Individual Funds (cont.)**

**Fund 335:** Régime complémentaire de rentes des techniciens ambulanciers/paramédics et des services préhospitaliers d'urgence – Fonds 2020, administered by the Comité de retraite

**Fund 336:** Régime complémentaire de rentes des techniciens ambulanciers/paramédics et des services préhospitaliers d'urgence – Fonds 2030, administered by the Comité de retraite

**Fund 337:** Régime complémentaire de rentes des techniciens ambulanciers/paramédics et des services préhospitaliers d'urgence – Fonds 2040, administered by the Comité de retraite

**Fund 338:** Régime complémentaire de rentes des techniciens ambulanciers/paramédics et des services préhospitaliers d'urgence – Fonds 2050, administered by the Comité de retraite

**Fund 339:** Fonds d'indemnisation des services financiers, administered by the Autorité des marchés financiers

**Fund 340:** Régimes de retraite de la Ville de Terrebonne, administered by the Comité de retraite conjoint des Régimes de retraite de la Ville de Terrebonne

**Fund 342:** Régime de retraite de l'Université du Québec, administered by the Comité de retraite du Régime de retraite de l'Université du Québec

**Fund 343:** Parental Insurance Fund administered by the Conseil de gestion de l'assurance parentale (reactivated on May 1, 2019)

**Fund 344:** Réserve administered by La Financière agricole du Québec

**Fund 347:** Régime de retraite du personnel des CPE et des garderies privées conventionnées du Québec, administered by the Investment Committee

**Fund 351:** Generations Fund, administered by the ministère des Finances, Government of Québec

**Fund 353:** Superannuation Plan for the Members of the Sûreté du Québec – Participants' Fund (SPMSQ-part.), administered by Retraite Québec

**Fund 354:** Superannuation Plan for the Members of the Sûreté du Québec – Employers' Fund (SPMSQ-empl.), administered by the ministère des Finances, Government of Québec

**Fund 361:** Pension Plan of the non-teaching Staff of the Commission des écoles catholiques de Montréal, administered by the Secrétariat du Conseil du trésor

**Fund 362:** Régime de retraite pour certains employés de la Commission scolaire de la Capitale, administered by the Secrétariat du Conseil du trésor

**Fund 363:** Régime de retraite des employés de la Ville de Laval, administered by the Comité de retraite

**Fund 367:** Territorial Information Fund, administered by the ministère des Finances, Government of Québec

**Fund 368:** Fonds de partenariats stratégiques (formerly Education and Good Governance Fund – Capitalized Fund), administered by the Autorité des marchés financiers

**Fund 369:** Accumulated Sick Leave Fund, administered by the ministère des Finances, Government of Québec

**Fund 371:** Accumulated Sick Leave Fund – ARQ, administered by the Agence du revenu du Québec

**Fund 372:** Fonds commun de placement des régimes de retraite de l'Université Laval, administered by the Comités de retraite

**Fund 373:** Retirement Plan for Active Members of the Centre hospitalier Côte-des-Neiges, administered by Retraite Québec

**Fund 374:** Fiducie globale Ville de Magog, administered by the Comité de retraite mixte

**Fund 376:** Régime de retraite des employées et employés de la Ville de Sherbrooke, administered by the Comité de retraite des employées et employés de la Ville de Sherbrooke

**Fund 378:** Pension Plan of Peace Officers in Correctional Services – Employees' Contribution Fund administered by Retraite Québec

**Fund 383:** Régime complémentaire de retraite des employés réguliers de la Société de transport de Sherbrooke, administered by the Comité de retraite

**Fund 384:** Régime de retraite des cadres de la Ville de Québec, administered by the Bureau de la retraite

**Fund 385:** Régime de retraite des employés manuels de la Ville de Québec, administered by the Bureau de la retraite

**Fund 386:** Régime de retraite des fonctionnaires de la Ville de Québec, administered by the Bureau de la retraite

**Fund 387:** Régime de retraite du personnel professionnel de la Ville de Québec, administered by the Bureau de la retraite

**Fund 388:** Régime de retraite des policiers et policières de la Ville de Québec, administered by the Bureau de la retraite

**Fund 389:** Régime de retraite des pompiers de la Ville de Québec, administered by the Bureau de la retraite

**Fund 393:** Régime de retraite de la Corporation de l'École Polytechnique, administered by the Comité de retraite

**Fund 395:** Retirement Plan for the Mayors and Councillors of Municipalities, administered by Retraite Québec

**Fund 399:** Additional Québec Pension Plan, administered by Retraite Québec (created on February 1, 2019)

**Specialized portfolios**

The specialized portfolios consist of common funds in which the individual funds may invest in the form of participation deposits. La Caisse's specialized portfolios are as follows:

- Short Term Investments (740)
- Rates (765)
- Credit (766)
- Long Term Bonds (764)
- Real Return Bonds (762)
- Infrastructure (782)
- Real Estate (710)
- Equity Markets (737)
- Private Equity (780)
- Asset Allocation (771)
- Active Overlay Strategies (773)[1]

[1]On January 1, 2020, the Active Overlay Strategies (773) specialized portfolio was wound up. On the same date, the assets and liabilities of this specialized portfolio were transferred at fair value to other specialized portfolios. This winding up had no impact on net assets and net income and comprehensive income attributable to depositors.

# 2. SIGNIFICANT ACCOUNTING PRINCIPLES

## Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). The accounting policies described below have been applied consistently to all reporting periods presented, with the exception of matters pertaining to the adoption of IFRS 16.

## Adoption of a new IFRS

In January 2016, the IASB issued the final version of IFRS 16 – *Leases*, which replaces IAS 17 – *Leases* and the related interpretations on the recognition and measurement of leases. IFRS 16 establishes a lease accounting model for lessees. Under this model, la Caisse recognizes the majority of leases on the Consolidated Statements of Financial Position. La Caisse elected to apply the standard retrospectively with the cumulative effect of initially applying IFRS 16 recognized as at January 1, 2019. The adoption of this standard resulted in an increase in assets and liabilities of $307 million as at January 1, 2019, calculated by discounting future lease payments using la Caisse's incremental borrowing rate.

## Presentation and measurement basis

La Caisse measures all of its financial instruments, including investments in unconsolidated subsidiaries, joint ventures, associates and structured entities, at fair value through profit or loss (FVTPL). Subsidiaries that solely provide services related to financing, administrative, and management activities are consolidated in accordance with the guidance set out in IFRS 10 – *Consolidated Financial Statements*.

The Consolidated Statements of Financial Position are presented based on liquidity.

## Approval of the consolidated financial statements

The Board of Directors approved la Caisse's consolidated financial statements and the publication thereof on February 18, 2020.

## Functional and presentation currency

La Caisse's consolidated financial statements are presented in Canadian dollars, which is the functional currency.

## Foreign currency translation

Financial assets and liabilities denominated in a foreign currency are translated into Canadian dollars at the exchange rate in effect at the reporting date. Foreign currency transactions are translated into Canadian dollars at the exchange rate in effect at the transaction date.

Translation differences on investments and investment liabilities at fair value and on other monetary financial assets and liabilities are presented under "Net gains on financial instruments at fair value" in the Consolidated Statements of Comprehensive Income.

## Use of judgments and estimates

In preparing la Caisse's consolidated financial statements in accordance with IFRS, management must make judgments, estimates and assumptions that affect the application of the significant accounting policies described below and the amounts reported in the Consolidated Statements of Financial Position and the Consolidated Statements of Comprehensive Income.

**Judgment**

*Qualification as an investment entity*

Judgment is required when qualifying la Caisse as an investment entity. La Caisse meets the three mandatory criteria of the IFRS 10 definition: 1) Obtain funds from one or more depositors; 2) Commit to its depositors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and 3) Measure and evaluate the performance of its investments on a fair value basis.

IFRS 10 also suggests four typical characteristics be considered in assessing whether an entity qualifies as an investment entity: 1) Have more than one investment; 2) Have more than one depositor; 3) Have investors that are not related parties; and 4) Have ownership interests in the form of equity or similar interests. La Caisse does not satisfy the third typical characteristic of an investment entity because la Caisse and the depositors are related. However, la Caisse nonetheless qualifies as an investment entity, as management believes that having depositors related to the investment entity does not compromise la Caisse's mission of investing for returns from capital appreciation, investment income, or both, for its depositors.

*Fair value hierarchy of financial instruments*

Management must use judgment in determining the significance of each input used when establishing the classification into the fair value hierarchy, as explained in Note 6.

*Interests in entities*

Management must use judgment in determining whether la Caisse has control, joint control or significant influence over certain entities, and over the holding of interests in structured entities, as described in Note 16. Judgment on the relationship between la Caisse and any entity in which la Caisse holds an interest is exercised upon initial investment and must be reassessed when facts and circumstances indicate that there are one or more changes to the elements of control.

La Caisse holds interests in a structured entity when voting or similar rights are not the dominant factor in deciding who controls the entity.

La Caisse controls a subsidiary, including a structured entity, only if the IFRS 10 criteria are met: 1) It has decision-making authority regarding the entity's relevant activities; 2) It has exposure or rights to variable returns from its involvement with the entity; and 3) It has the ability to use its power to affect the amount of the returns. When management determines decision-making authority, several factors are taken into account, including the existence and effect of actual and potential voting rights held by la Caisse that are exercisable, the holding of instruments that are convertible into voting shares, the existence of contractual agreements through which the relevant activities of the entity can be directed, as well as other circumstances that affect decision-making.

La Caisse has joint control over a joint venture when there is a contractual or implicit arrangement whereby decisions about relevant activities require the unanimous consent of the parties sharing control and when these parties have rights to the net assets of the arrangement.

La Caisse has significant influence over an associate when it has the power to participate in the financial and operating policy decisions of the entity. It is deemed to have significant influence when it holds 20% or more of the voting rights of an entity but does not have control or joint control.

**Estimates and assumptions**

The main estimates and assumptions, which are disclosed in Note 6, involve the fair value measurement of investments and investment liabilities classified in Level 3 of the fair value hierarchy. Actual values may differ from the estimated values.

## Financial instruments

La Caisse's financial instruments include cash, amounts receivable from transactions being settled, advances to depositors, accrued and receivable investment income, investments, amounts payable on transactions being settled, other financial liabilities, investment liabilities and net assets attributable to depositors.

**Classification and measurement**

Financial instruments are categorized based on their nature and characteristics. Classification is determined upon initial recognition, which is the date on which la Caisse is subject to the contractual provisions of the instrument. La Caisse's financial assets and liabilities are managed and their performance is evaluated on a fair value basis. Consequently, all of la Caisse's financial assets must be classified at FVTPL while its financial liabilities are designated at FVTPL. Derivative financial instruments and securities sold short must be classified at FVTPL.

Corporate debt commitments are classified at FVTPL when one of the following criteria is met: 1) The commitments are designated as financial liabilities at FVTPL or la Caisse has a practice of selling the loans resulting from its commitments; or 2) The corporate debt commitments can be settled net in cash.

Financial instruments are initially and subsequently recognized at fair value. Changes in the fair value of financial instruments are presented under "Net gains on financial instruments at fair value" in the Consolidated Statements of Comprehensive Income. When the change in the fair value of financial liabilities designated at FVTPL is attributable to changes in la Caisse's own credit risk, it is presented separately in the Consolidated Statements of Comprehensive Income unless doing so creates or enlarges an accounting mismatch, when appropriate. Income and expense are presented under "Net investment income" in the Consolidated Statements of Comprehensive Income.

## Financial instruments (cont.)

### Fair value measurement

Fair value is defined as the price that would be received on the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is determined for each financial instrument, which could be a stand-alone asset or liability (e.g., a share or bond) or a group of assets and liabilities (e.g., an ownership interest in a subsidiary or associate). Upon initial recognition, the best evidence of the fair value of a financial instrument is the transaction price, which is the fair value of the consideration received or given. Subsequently, the fair value of a financial instrument is classified using the fair value hierarchy described in Note 6.

La Caisse applies appropriate valuation techniques based on a financial instrument's characteristics, the availability of inputs, and the assumptions that would be used by market participants, focusing on maximizing the use of relevant observable inputs while minimizing the use of unobservable inputs. The valuation techniques are applied consistently. Fair value information is provided in Note 6.

*Cash*

Cash is the cash deposited with recognized financial institutions and bears interest at market rates.

*Investments*

Investments include cash equivalents, fixed-income securities, variable-income securities, interests in unconsolidated subsidiaries and derivative financial instruments.

Cash equivalents include short-term investments and securities purchased under reverse repurchase agreements. These securities meet the definition of cash equivalents because they are used for cash management purposes, are readily convertible into a known amount of cash, have negligible risk of fair value changes and have initial maturities of three months or less. These financial instruments bear interest at market rates.

Fixed-income securities include short-term investments, securities purchased under reverse repurchase agreements, corporate debt and bonds, which include bond funds. Purchases and sales of fixed-income securities are recorded at the transaction date, except for purchases and sales of corporate debt, which are recorded at the settlement date.

Variable-income securities comprise equities and convertible securities of public companies, private companies (including investment funds, private investment funds and infrastructure funds), and hedge funds. Purchases and sales of equities, convertible securities and hedge funds are recorded at the transaction date, whereas purchases and sales of private investment funds and infrastructure funds are recorded at the settlement date.

Interests in unconsolidated subsidiaries represent la Caisse's investment in controlled entities that are not consolidated under IFRS 10. La Caisse's investment in these entities may be in the form of equity instruments or debt instruments.

*Investment liabilities*

Investment liabilities include securities sold under repurchase agreements, securities sold short, commercial paper payable, loans payable, term notes payable and derivative financial instruments.

Securities sold short are commitments made by la Caisse to purchase securities from third parties to cover its positions. La Caisse may short-sell equities and bonds.

*Derivative financial instruments*

In managing its investments, la Caisse conducts transactions involving various derivative financial instruments for discretionary purposes or to manage the risks associated with exchange rate, interest rate and market fluctuations. Derivative financial instruments whose fair value is favourable are presented under "Investments" in the Consolidated Statements of Financial Position, while those whose fair value is unfavourable are presented under "Investment liabilities" in the Consolidated Statements of Financial Position.

*Transactions being settled*

Transactions with counterparties for the sale or purchase of securities that have not yet been settled at the reporting date are presented respectively under "Amounts receivable from transactions being settled" and "Amounts payable on transactions being settled" in the Consolidated Statements of Financial Position.

### Derecognition of financial assets and liabilities

La Caisse derecognizes financial assets when all of the contractual rights to the assets have expired or when the contractual rights to receive the cash flows from the financial assets have been transferred and when la Caisse has transferred substantially all of the risks and rewards of the financial asset such that it no longer retains control over the asset. If la Caisse considers that it retains substantially all of the risks and rewards of a transferred financial asset, that asset is not derecognized from the Consolidated Statements of Financial Position and, if appropriate, a corresponding financial liability is recorded. Financial assets that have been transferred but not derecognized are disclosed in Note 13. Financial liabilities are derecognized when the related obligation is discharged, cancelled or expired.

## Financial instruments (cont.)

*Securities purchased under reverse repurchase agreements and sold under repurchase agreements*

La Caisse enters into transactions to purchase and sell securities, i.e., short-term investments and bonds, that it agrees to resell to or repurchase from the counterparty at a future date.

The purchased securities are not recognized in the Consolidated Statements of Financial Position because the counterparty retains the risks and rewards of the securities. The cash amounts disbursed are derecognized, and a corresponding asset is recorded in investments under "Securities purchased under reverse repurchase agreements".

The sold securities are not derecognized from the Consolidated Statements of Financial Position because la Caisse retains the risks and rewards of the securities. The cash amounts received are recognized, and a corresponding liability is recorded in investment liabilities under "Securities sold under repurchase agreements".

*Lending and borrowing of securities*

La Caisse conducts securities lending and borrowing transactions involving equities and bonds. These transactions are generally guaranteed by the securities received from the counterparties or pledged by la Caisse, respectively. Loaned securities are not derecognized from, and borrowed securities are not recognized in, the Consolidated Statements of Financial Position because la Caisse or the counterparty, respectively, retains the risks and rewards of the securities. Income and expenses resulting from securities lending and borrowing transactions are presented under "Investment income" and "Investment expense", respectively, in the Consolidated Statements of Comprehensive Income.

### Net assets attributable to depositors

Net assets attributable to depositors consist of demand deposits, term deposits, distributions payable to depositors and participation deposits.

*Demand deposits and term deposits*

Demand deposits bear interest at a variable rate and are repayable on demand. Term deposits bear interest at a fixed or variable rate and are repayable at maturity. Demand deposits and term deposits represent la Caisse's indebtedness towards the depositors in accordance with the *Regulation respecting the terms and conditions of deposits, funds and portfolios of the Caisse de dépôt et placement du Québec* (Regulation).

*Distributions payable to depositors*

Under the Regulation, distributions payable to depositors represent the net income or net loss arising from the specialized portfolios as well as the net realized gains or losses upon cancellation of the participation units of specialized portfolios held by the individual funds that are recorded at the end of the month and are paid into the demand deposit accounts of depositors at the beginning of the following month. Distributions may also be made through the issuance of participation deposit units of individual funds.

*Participation deposits*

Participation deposits are expressed in participation units for each individual fund. Each participation unit gives the holder an interest in the fund's net assets. The per-unit value of the net assets is determined by dividing the individual fund's net assets by the number of outstanding units. Depositors can purchase or cancel participation deposit units at that value at the beginning of each month. The difference between the proceeds of cancellation and the carrying value at issuance is recovered in the depositor's demand deposit account. In addition, holders of participation deposit units are entitled to receive distributions. Participation deposit units are financial instruments defined as depositor's equity in the Regulation and are subordinate to all other categories of financial liabilities.

## Net income

### Dividend and interest income and expense

Dividend income is recognized when la Caisse obtains the right to the dividend, generally on the ex-dividend date. Distributions from funds are recognized as income on the settlement date. Dividend expense from equities sold short is recorded when the shareholders obtain the right to the dividend. Dividend income and expense are presented under "Investment income" and "Investment expense", respectively, in the Consolidated Statements of Comprehensive Income.

Interest income and expense are recognized as amounts are earned or incurred using the prescribed coupon rate method. Interest income and expense are presented under "Investment income" and "Investment expense", respectively, in the Consolidated Statements of Comprehensive Income.

### External management fees

External management fees are amounts paid to external financial institutions, mainly institutional fund managers active in international stock markets, for the management of securities owned by la Caisse. The base fees and performance-related fees of external managers are presented under "Investment expense" and "Net gains on financial instruments at fair value", respectively, in the Consolidated Statements of Comprehensive Income.

### Income tax

Under federal and provincial income tax legislation, la Caisse is exempt from income tax in Canada. Income from foreign affiliates is subject to withholding taxes in certain countries. Withholding taxes are presented under "Net investment income" in the Consolidated Statements of Comprehensive Income.

### Operating expenses

Operating expenses consist of all the expenses incurred to manage and administer la Caisse's investments and are presented separately in the Consolidated Statements of Comprehensive Income.

### Net gains on financial instruments at fair value

Gains and losses realized on investments and investment liabilities represent the difference between settlement value and value at initial recognition and are calculated on a first-in, first-out basis. Gains and losses realized on derivative financial instruments represent payments and receipts. Unrealized gains and losses on financial instruments include net changes in fair value for the year as well as the reversal of prior-year unrealized gains and losses that were realized during the year. Realized and unrealized gains and losses are presented under "Net gains on financial instruments at fair value" in the Consolidated Statements of Comprehensive Income.

Transaction costs directly attributable to the acquisition, sale and issuance of a financial instrument are presented under "Net gains on financial instruments at fair value" in the Consolidated Statements of Comprehensive Income. Transaction costs include commissions, stock exchange fees as well as professional and legal fees related to investing and financing activities.

### Distributions to depositors

Under the Regulation, distributions to depositors consist of the annual net income or loss from the specialized portfolios as well as the net gains or losses realized on the cancellation of participation units of the specialized portfolios held by the individual funds. Distributions to depositors are recorded as finance costs and presented separately in the Consolidated Statements of Comprehensive Income.

## 3. NEW IFRS STANDARDS

No issued or amended standard not yet effective for the year is expected to have an impact on the consolidated financial statements.

# 4. INVESTMENTS AND INVESTMENT LIABILITIES

## a) Investments

The following table shows the fair values of the investments. The geographic allocation is determined according to the country of the issuer's principal place of business. The allocation of interests in unconsolidated subsidiaries is determined according to the country of the underlying investments, while the allocation of derivative financial instruments is determined according to the currency in which the instrument will be settled:

| | **December 31, 2019** | | | December 31, 2018 | | |
|---|---|---|---|---|---|---|
| | **Canada** | **Foreign** | **Fair value[1]** | Canada | Foreign | Fair value[1] |
| **Investments** | | | | | | |
| **Cash equivalents** | | | | | | |
| Short-term investments | **27** | **-** | **27** | - | - | - |
| Securities purchased under reverse repurchase agreements | **101** | **-** | **101** | 360 | - | 360 |
| **Total cash equivalents** | **128** | **-** | **128** | 360 | - | 360 |
| **Fixed-income securities** | | | | | | |
| Short-term investments | **64** | **74** | **138** | 116 | 106 | 222 |
| Securities purchased under reverse repurchase agreements | **12** | **3,524** | **3,536** | 4,540 | 3,735 | 8,275 |
| Corporate debt | **742** | **1,273** | **2,015** | 793 | 1,356 | 2,149 |
| Bonds | | | | | | |
| Governments | **41,969** | **22,042** | **64,011** | 33,840 | 9,299 | 43,139 |
| Government corporations and other public administrations | **6,425** | **574** | **6,999** | 5,940 | 393 | 6,333 |
| Corporate sector | **11,970** | **6,094** | **18,064** | 9,944 | 9,042 | 18,986 |
| Bond funds | **-** | **1,603** | **1,603** | - | 1,552 | 1,552 |
| **Total fixed-income securities** | **61,182** | **35,184** | **96,366** | 55,173 | 25,483 | 80,656 |
| **Variable-income securities** | | | | | | |
| Equities and convertible securities | | | | | | |
| Public companies | **30,322** | **86,863** | **117,185** | 26,042 | 80,230 | 106,272 |
| Private companies | **3,317** | **16,001** | **19,318** | 3,600 | 13,498 | 17,098 |
| Hedge funds | **-** | **1,321** | **1,321** | - | 2,247 | 2,247 |
| **Total variable-income securities** | **33,639** | **104,185** | **137,824** | 29,642 | 95,975 | 125,617 |
| **Interests in unconsolidated subsidiaries** | | | | | | |
| Investments in real estate holdings | **17,975** | **31,019** | **48,994** | 18,343 | 32,228 | 50,571 |
| Investments in real estate debt | **14,290** | **1,197** | **15,487** | 13,395 | - | 13,395 |
| Private equity investments | **3,945** | **27,972** | **31,917** | 2,989 | 23,286 | 26,275 |
| Infrastructure investments | **3,674** | **19,230** | **22,904** | 2,991 | 16,586 | 19,577 |
| Investments in fixed-income securities | **4,809** | **14,592** | **19,401** | 4,019 | 11,924 | 15,943 |
| Investments in hedge funds | **77** | **4,345** | **4,422** | 108 | 5,501 | 5,609 |
| Stock market investments | **1,039** | **2,230** | **3,269** | 1,041 | 1,753 | 2,794 |
| **Total interests in unconsolidated subsidiaries** | **45,809** | **100,585** | **146,394** | 42,886 | 91,278 | 134,164 |
| **Derivative financial instruments *(Note 5)*** | **10** | **1,745** | **1,755** | 28 | 1,179 | 1,207 |
| **Total investments** | **140,768** | **241,699** | **382,467** | 128,089 | 213,915 | 342,004 |

[1] The total cost of the investments amounts to $320,839 million as at December 31, 2019 ($289,453 million as at December 31, 2018).

### Equities in growth markets

La Caisse has Qualified Foreign Institutional Investor status and obtained an investment quota to access the Chinese capital markets. Although la Caisse has a long-term investment strategy, it must meet the conditions set by the regulatory authorities in the event of a repatriation of invested capital. As at December 31, 2019, the fair value of securities invested in China amounted to $2,187 million ($1,629 million as at December 31, 2018).

## b) Investment liabilities

The following table shows the fair values of investment liabilities. The geographic allocation of non-derivative financial liabilities is determined using the country of the issuer's principal place of business, while the allocation of derivative financial instruments is determined according to the currency in which the instrument will be settled:

| | **December 31, 2019** | | | December 31, 2018 | | |
|---|---|---|---|---|---|---|
| | **Canada** | **Foreign** | **Fair value[1]** | Canada | Foreign | Fair value[1] |
| **Investment liabilities** | | | | | | |
| **Non-derivative financial liabilities** | | | | | | |
| Securities sold under repurchase agreements | **15,131** | | | 9,856 | 2,683 | 12,539 |
| Securities sold short | | | | | | |
| Equities | **104** | | | 91 | 433 | 524 |
| Bonds | **172** | **3,496** | **3,668** | 3,976 | 3,302 | 7,278 |
| Commercial paper payable | **8,794** | **-** | **8,794** | 5,921 | - | 5,921 |
| Loans payable | **149** | **219** | **368** | 128 | 162 | 290 |
| Term notes payable | **12,332** | **-** | **12,332** | 9,598 | - | 9,598 |
| **Total non-derivative financial liabilities** | **36,682** | **12,126** | **48,808** | 29,570 | 6,580 | 36,150 |
| **Derivative financial instruments *(Note 5)*** | **27** | **995** | **1,022** | 35 | 2,022 | 2,057 |
| **Total investment liabilities** | **36,709** | **13,121** | **49,830** | 29,605 | 8,602 | 38,207 |

[1] The total cost of the investment liabilities amounts to $47,780 million as at December 31, 2019 ($33,493 million as at December 31, 2018).

# 5. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are financial contracts whose value fluctuates according to an underlying item, which require very little or no initial investment and are settled at a future date. The underlying item may be of a financial nature (interest rate, foreign currency or stock market security or index) or may be a commodity (precious metal, produce or oil). Certain derivative financial instruments are settled through clearing houses. La Caisse uses, among others, the derivative financial instruments described below.

Forward contracts are commitments that enable the purchase or sale of an underlying item, the quantity and price of which are determined in the contract, which includes a predetermined maturity date. Forward contracts have customized terms and conditions negotiated directly between the parties on the over-the-counter market. Futures contracts have terms and conditions determined by an exchange market.

Options are contracts traded on over-the-counter or exchange markets and that give the purchaser the right, but not the obligation, to buy or sell a given amount of an underlying security, index or commodity at a strike price stipulated in advance, either at a determined future date or at any time before a specified maturity date.

Swaps are derivatives traded on over-the-counter markets whereby two parties agree to exchange a series of cash flows according to predetermined conditions that include a notional amount, payment dates and a term to maturity.

Warrants are contracts traded on over-the-counter or exchange markets that enable the purchase of an underlying item, the price of which is determined in the contract, which includes a predetermined maturity date.

The notional amount is the amount to which a rate or price is applied to determine the amounts of cash flows to be exchanged periodically.

## Derivative financial instruments (cont.)

The following table shows the fair values and the notional amounts of the derivative financial instruments held by la Caisse:

| | December 31, 2019 | | | December 31, 2018 | | |
|---|---|---|---|---|---|---|
| | Fair value | | Notional | Fair value | | Notional |
| | Assets | Liabilities | amount | Assets | Liabilities | amount |
| **Exchange markets** | | | | | | |
| **Interest rate derivatives** | | | | | | |
| Futures contracts | - | | | - | - | 120,930 |
| **Equity derivatives** | | | | | | |
| Futures contracts | - | | | - | - | 24,394 |
| Options | - | - | - | 61 | 29 | 1,080 |
| Warrants | 6 | - | 51 | 1 | - | 15 |
| **Commodity derivatives** | | | | | | |
| Futures contracts | 2 | 3 | 777 | 3 | 1 | 845 |
| **Total exchange markets** | 8 | 3 | 89,357 | 65 | 30 | 147,264 |
| **Over-the-counter markets** | | | | | | |
| **Interest rate derivatives** | | | | | | |
| Swaps | 177 | | | 65 | 3 | 1,860 |
| Swaps settled through a clearing house | - | | | - | - | 115,320 |
| Forward contracts | 10 | 10 | 1,459 | 28 | 4 | 4,376 |
| Options | 174 | 214 | 41,329 | 152 | 5 | 2,807 |
| **Currency derivatives** | | | | | | |
| Swaps | 62 | 53 | 5,492 | - | 107 | 1,695 |
| Forward contracts | 894 | 413 | 80,848 | 333 | 1,332 | 59,226 |
| Options | 151 | 36 | 24,191 | 164 | 72 | 18,361 |
| **Credit default derivatives** | | | | | | |
| Swaps settled through a clearing house | - | - | 31,043 | - | - | 18,805 |
| Options | 3 | - | 4,742 | - | - | - |
| **Equity derivatives** | | | | | | |
| Swaps | 112 | 144 | 9,697 | 311 | 389 | 14,149 |
| Options | 164 | 149 | 22,916 | 89 | 115 | 7,630 |
| Warrants | - | - | 2 | - | - | 3 |
| **Total over-the-counter markets** | 1,747 | 1,019 | 308,218 | 1,142 | 2,027 | 244,232 |
| **Total derivative financial instruments** | 1,755 | 1,022 | 397,575 | 1,207 | 2,057 | 391,496 |

# 6. FAIR VALUE MEASUREMENT

## a) Policy, directive, protocols and procedures related to fair value measurement

La Caisse's valuation procedures are governed by la Caisse Investment Valuation Policy, which is approved by the Board of Directors. This general policy is further supported by the valuation directive applicable to private investments and the valuation protocols that stipulate the valuation process and methodology for each type of investment held by la Caisse. The general policy and the directive also establish the governance framework for the valuation and reporting process. Application of the policy is the responsibility of the Valuation Committee, which reports to the Executive Committee, supported by a valuation team. The Valuation Committee approves compliance with the policy and the fair values on a semi-annual basis. Subsequently, the Valuation Committee recommends the fair values to the Audit Committee. For valuations of private investments, consisting of private equity investments, infrastructure investments and specialized financing, the policy provides for an external review, over a period of three years, of substantially all the fair value of these investments. External reviews include valuations by independent valuators, observations of comparable transactions in the market, or valuations by a partner.

The policy also includes directives to be followed when using prices from external sources such as broker quotes and net asset values provided by external administrators of the funds or general partners.

When fair value is determined by external valuators or third parties, the Valuation Committee, supported by the valuation team, verifies the qualifications, experience and independence of these parties. It also reviews the valuation techniques, the significant inputs used in calculating fair value, and the results and conclusions to ensure that they are in compliance with recognized valuation standards.

In addition, to ensure the reasonableness of the fair value determined, la Caisse conducts backtesting, compares the established fair value with values of comparable transactions, including the values of comparable public companies, and uses the services of external valuators.

## b) Fair value valuation techniques

The following paragraphs describe the main valuation techniques used to measure la Caisse's financial instruments.

**Short-term investments, securities purchased under reverse repurchase agreements, securities sold under repurchase agreements, commercial paper payable, loans payable and term notes payable**

The fair value of these financial assets and liabilities is determined using a discounted cash flow technique that primarily uses observable inputs such as the interest rate curves and credit spreads that make up the discount rates.

**Corporate debt**

The fair value of the corporate debt is determined using a discounted cash flow technique that primarily uses observable and unobservable inputs such as the interest rate curves and credit spreads that make up the discount rates. La Caisse may also use prices published by brokers in active markets for identical or similar instruments.

**Bonds**

The fair value of bonds is determined using prices published in active markets for identical or similar instruments. The fair value of bonds that have no published prices is determined using either a discounted cash flow technique or broker quotes. Discounted cash flow valuations use observable and unobservable inputs such as the interest rate curves and credit spreads that make up the discount rates.

**Equities and convertible securities**

*Public companies*

The fair value of equities and convertible securities of public companies is determined based on closing prices observed on major stock exchanges, which represent the active market.

The fair value of an ownership interest in a subsidiary or associate whose securities are listed is determined using a business valuation technique based on observable and unobservable inputs.

*Private companies*

The fair value of equities and convertible securities of private equity investment companies is primarily determined according to the market approach, which includes techniques based on comparable company multiples and comparable transaction multiples. La Caisse identifies comparable companies based on their industry, size, financial position and strategy and selects an appropriate multiple for each comparable company identified. This technique uses observable and unobservable inputs such as earnings before interest, taxes, depreciation and amortization (EBITDA) multiples and other multiples.

The fair value of equities of private infrastructure investment companies is primarily determined using a discounted cash flow technique and corroborated by the market approach. This technique uses observable and unobservable inputs such as discount rates that take into account the risk associated with the investment as well as future cash flows.

La Caisse may also use information about recent transactions carried out in the market for valuations of private equity investments and infrastructure investments.

## Fair value valuation techniques (cont.)

**Funds**

The fair value of bond funds, hedge funds, investment funds and private investment and infrastructure funds is determined using the net assets provided by the administrator or by the general partner, unless there is an indication that the fair value differs from the net asset value provided. La Caisse ensures that the valuation techniques used by the fund's administrator or general partner to determine net asset values are in compliance with IFRS. Furthermore, the net asset value is adjusted to reflect certain factors such as purchases and sales of fund units between the date of the most recent financial statements provided by the fund and the valuation date, the quoted price of the underlyings when there are securities of publicly listed corporations, or when there are other indications requiring judgment to be made.

**Interests in unconsolidated subsidiaries**

The fair value of la Caisse's interests in various unconsolidated subsidiaries is determined using an enterprise valuation technique.

*Investments in real estate holdings*

The fair value resulting from the enterprise value technique is determined using a commonly used method, i.e., the comparable company multiples method, which is supported by observable and unobservable inputs such as the price-to-book value ratio. This value is determined annually by an independent external firm. Enterprise value attributed to equity instruments reflects, among other things, the fair value of the assets and liabilities held directly by these subsidiaries, which include investment property, other real estate investments, which mainly include real estate funds and ownership interests held in companies, liabilities associated with investment property, as well as the fair value resulting from the quality of the portfolio and the integrated management of the platform of these subsidiaries.

The fair value of interests in the form of debt instruments in these subsidiaries is determined using the discounted cash flow technique, which is supported mainly by observable inputs such as the interest rates and credit spreads that make up the discount rates.

The fair value of investment property, which is measured according to the highest and best use, is determined and certified semi-annually by external, recognized and independent chartered real estate appraisers. Valuations are carried out in compliance with the valuation standards in effect in each market. The valuation techniques used are based primarily on two recognized methodologies, namely, the discounted cash flow technique and the capitalization of revenue technique. These techniques use observable and unobservable inputs such as lease terms and conditions, operating expenses, residual value and rates of return, discount rates and capitalization rates. Values observed for comparable transactions are used to determine the representative fair value range and support the fair value determined.

The fair value of other real estate investments is determined based on characteristics specific to these assets, whose value is based on net assets which may be provided by an administrator or available in a published financial statement. The net asset value is adjusted to reflect external factors or when there are other indications requiring judgment to be exercised.

The fair value of financial liabilities associated with investment property is determined based on the discounted cash flow technique. This technique uses observable and unobservable inputs such as the interest rates and credit spreads that make up the discount rates.

*Investments in real estate debt*

The fair value of la Caisse's interests in real estate debt subsidiaries is determined using an enterprise valuation technique. Enterprise value reflects the fair value of the assets held directly by these subsidiaries, which primarily include commercial mortgages. The fair value of interests in the form of equity instruments held by these subsidiaries corresponds to the net assets in the audited financial statements.

The fair value of interests in the form of debt instruments in these subsidiaries is determined using the discounted cash flow technique. This valuation primarily uses observable inputs such as the interest rates and credit spreads that make up the discount rates.

The fair value of commercial mortgages is determined using the discounted cash flow technique and are divided into risk categories, according to the loan-to-value ratio, and for which an appropriate discount rate is determined. Commercial mortgage valuations are reviewed annually by an independent external firm.

*Private equity, infrastructure, fixed-income securities, hedge funds, and stock markets*

Enterprise value reflects the fair value of assets held directly by these subsidiaries, which include bonds, corporate debt, equities of private companies, equities of public companies as well as funds whose valuation techniques are described above.

La Caisse may also use information about recent transactions carried out in the market for valuations of these financial assets.

**Securities sold short**

The fair value of bonds and equities that are sold short is determined using the fair value of the security that is sold short. The techniques for valuing these securities have been described above.

**Derivative financial instruments**

The fair value of derivative financial instruments is determined according to the type of instrument. The fair value of derivative financial instruments traded on exchange markets and on over-the-counter markets that are settled through a clearing house is determined, respectively, using the prices on the major stock exchanges representing the active market and clearing house prices. The fair value of the other derivative financial instruments traded on over-the-counter markets is determined using recognized and commonly used valuation techniques such as the discounted cash flow technique or other financial models. These techniques require the development and use of assumptions that take into account observable and unobservable inputs such as the interest rate curves and credit spreads that make up the discount rates as well as foreign exchange rate curves, prices of the underlying, and volatility.

## Fair value valuation techniques (cont.)

**Net assets attributable to depositors**

*Demand deposits*

The fair value of demand deposits is determined based on their nominal value, as they are repayable at any time at the option of the issuer without penalty.

*Term deposits and distributions payable to depositors*

The fair value of term deposits and distributions payable to depositors is determined using the discounted cash flow technique. This valuation technique mainly uses observable inputs such as the interest rate curves and credit spreads that make up the discount rates.

*Participation deposits*

The fair value of depositor participation deposits stems from a valuation of all the financial assets and liabilities held by la Caisse.

## c) Fair value hierarchy

La Caisse's financial instruments at FVTPL are classified according to the below-described fair value hierarchy, based on the lowest level of significant input used in measuring fair value.

*Level 1:* The fair value calculation of the financial instrument is based on observable prices (unadjusted) in active markets that the entity can access at the measurement date for identical assets or liabilities.

*Level 2:* The fair value of the financial instrument is calculated using valuation techniques for which the significant inputs are observable, either directly or indirectly.

*Level 3:* The fair value of the financial instrument is calculated using valuation techniques for which the significant inputs are unobservable. This level includes financial instruments whose valuation is based on prices observed for similar financial instruments, substantially adjusted to reflect the characteristics specific to the financial instrument being measured and available market data.

## Fair value hierarchy (cont.)

Classification into the fair value hierarchy levels is determined upon initial measurement of the financial instrument and is reviewed on each subsequent measurement date. Transfers between levels of the fair value hierarchy are measured at fair value at the beginning of each fiscal year.

The following tables show an allocation of the fair value of financial instruments into the three levels of the fair value hierarchy:

| | | | | December 31, 2019 |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **Financial assets** | | | | |
| Amounts receivable from transactions being settled | - | 6,223 | - | 6,223 |
| Advances to depositors | - | 960 | - | 960 |
| Investment income, accrued and receivable | - | 1,391 | - | 1,391 |
| Investments | | | | |
| Cash equivalents | - | 128 | - | 128 |
| Short-term investments | - | 138 | - | 138 |
| Securities purchased under reverse repurchase agreements | - | 3,536 | - | 3,536 |
| Corporate debt | - | - | 2,015 | 2,015 |
| Bonds | 63,550 | 26,409 | 718 | 90,677 |
| Equities and convertible securities | | | | |
| Public companies | 115,487 | 616 | 1,082 | 117,185 |
| Private companies | - | 2,722 | 16,596 | 19,318 |
| Hedge funds | - | 1,078 | 243 | 1,321 |
| Interests in unconsolidated subsidiaries | | | | |
| Investments in real estate holdings | - | 9,304 | 39,690 | 48,994 |
| Investments in real estate debt | - | 12,386 | 3,101 | 15,487 |
| Private equity investments | - | - | 31,917 | 31,917 |
| Infrastructure investments | - | - | 22,904 | 22,904 |
| Investments in fixed-income securities | - | 3,273 | 16,128 | 19,401 |
| Investments in hedge funds | - | 4,422 | - | 4,422 |
| Stock market investments | - | 1,039 | 2,230 | 3,269 |
| Derivative financial instruments | 8 | 1,747 | - | 1,755 |
| | 179,045 | 75,372 | 136,624 | 391,041 |
| **Financial liabilities excluding net assets attributable to depositors** | | | | |
| Amounts payable on transactions being settled | - | 1,537 | - | 1,537 |
| Other financial liabilities | - | 1,143 | - | 1,143 |
| Investment liabilities | | | | |
| Securities sold under repurchase agreements | - | 23,527 | - | 23,527 |
| Securities sold short | 1,167 | 2,614 | 6 | 3,787 |
| Commercial paper payable | - | 8,794 | - | 8,794 |
| Loans payable | - | 368 | - | 368 |
| Term notes payable | - | 12,332 | - | 12,332 |
| Derivative financial instruments | 3 | 1,007 | 12 | 1,022 |
| | 1,170 | 51,322 | 18 | 52,510 |
| **Net assets attributable to depositors** | | | | |
| Demand deposits | - | 406 | - | 406 |
| Term deposits | - | 6 | - | 6 |
| Distributions payable to depositors | - | 2,961 | - | 2,961 |
| Participation deposits | - | 336,736 | - | 336,736 |
| | - | 340,109 | - | 340,109 |

## Fair value hierarchy (cont.)

| | | | | December 31, 2018 |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **Financial assets** | | | | |
| Amounts receivable from transactions being settled | - | 4,587 | - | 4,587 |
| Advances to depositors | - | 903 | - | 903 |
| Investment income, accrued and receivable | - | 1,352 | - | 1,352 |
| Investments | | | | |
| Cash equivalents | - | 360 | - | 360 |
| Short-term investments | - | 222 | - | 222 |
| Securities purchased under reverse repurchase agreements | - | 8,275 | - | 8,275 |
| Corporate debt | - | 76 | 2,073 | 2,149 |
| Bonds[1] | 45,984 | 23,304 | 722 | 70,010 |
| Equities and convertible securities | | | | |
| Public companies | 105,631 | 641 | - | 106,272 |
| Private companies | - | 1,138 | 15,960 | 17,098 |
| Hedge funds | - | 1,947 | 300 | 2,247 |
| Interests in unconsolidated subsidiaries | | | | |
| Investments in real estate holdings | - | 12,254 | 38,317 | 50,571 |
| Investments in real estate debt | - | 10,613 | 2,782 | 13,395 |
| Private equity investments | - | - | 26,275 | 26,275 |
| Infrastructure investments | - | - | 19,577 | 19,577 |
| Investments in fixed-income securities | - | 7,174 | 8,769 | 15,943 |
| Investments in hedge funds | - | 5,609 | - | 5,609 |
| Stock market investments | - | 1,041 | 1,753 | 2,794 |
| Derivative financial instruments | 65 | 1,142 | - | 1,207 |
| | 151,680 | 80,638 | 116,528 | 348,846 |
| **Financial liabilities excluding net assets attributable to depositors** | | | | |
| Amounts payable on transactions being settled | - | 1,113 | - | 1,113 |
| Other financial liabilities | - | 1,172 | - | 1,172 |
| Investment liabilities | | | | |
| Securities sold under repurchase agreements | - | 12,539 | - | 12,539 |
| Securities sold short[1] | 5,805 | 1,989 | 8 | 7,802 |
| Commercial paper payable | - | 5,921 | - | 5,921 |
| Loans payable | - | 290 | - | 290 |
| Term notes payable | - | 9,598 | - | 9,598 |
| Derivative financial instruments | 30 | 2,007 | 20 | 2,057 |
| | 5,835 | 34,629 | 28 | 40,492 |
| **Net assets attributable to depositors** | | | | |
| Demand deposits | - | 712 | - | 712 |
| Term deposits | - | 6 | - | 6 |
| Distributions payable to depositors | - | 2,506 | - | 2,506 |
| Participation deposits | - | 306,287 | - | 306,287 |
| | - | 309,511 | - | 309,511 |

[1] Due to a change in the fair value hierarchy classification determination method, bonds with a value of $45,984 million and securities sold short with a value of $5,289 million were reclassified from Level 2 to Level 1 as at December 31, 2018.

**Transfers between levels of the fair value hierarchy**

During the year ended December 31, 2019, due to changes in the availability of observable inputs given changing market conditions, financial instruments with a value of $1,398 million were transferred from Level 1 to Level 2, of $949 million from Level 2 to Level 1, of $4,747 million from Level 2 to Level 3, and of $528 million from Level 3 to Level 2.

During the year ended December 31, 2018, due to changes in the availability of observable inputs given changing market conditions, financial instruments with a value of $237 million were transferred from Level 1 to Level 2, of $62 million from Level 1 to Level 3, of $306 million from Level 2 to Level 1, of $645 million from Level 2 to Level 3, and of $1,077 million from Level 3 to Level 2.

## d) Level 3: Reconciliation between opening and closing balances

For financial instruments classified in Level 3 of the hierarchy, reconciliations between the opening and closing balances as at December 31, 2019 and 2018 are as follows:

| | | | | | | | | **2019** |
|---|---|---|---|---|---|---|---|---|
| | **Opening balance (assets / (liabilities))** | **Gains (losses) recognized in comprehensive income[2]** | **Purchases** | **Sales** | **Settlements** | **Transfers** | **Closing balance (assets / (liabilities))** | **Unrealized gains (losses) on financial instruments held at year-end[2]** |
| Corporate debt | **2,073** | **13** | **454** | **(227)** | **(298)** | **-** | **2,015** | **(32)** |
| Bonds | **722** | **37** | **113** | **(106)** | **(11)** | **(37)** | **718** | **21** |
| Equities and convertible securities | **16,260** | **656** | **3,043** | **(1,711)** | **-** | **(327)** | **17,921** | **476** |
| Interests in unconsolidated subsidiaries | **97,473** | **(649)** | **18,976** | **(4,413)** | **-** | **4,583** | **115,970** | **(449)** |
| Derivative financial instruments[1] | **(20)** | | | | | | | |
| Securities sold short | **(8)** | **2** | **-** | **-** | **-** | **-** | **(6)** | **2** |

| | | | | | | | | 2018 |
|---|---|---|---|---|---|---|---|---|
| | Opening balance (assets / (liabilities)) | Gains (losses) recognized in comprehensive income[2] | Purchases | Sales | Settlements | Transfers | Closing balance (assets / (liabilities)) | Unrealized gains (losses) on financial instruments held at year-end[2] |
| Corporate debt | 2,014 | (53) | 638 | (209) | (317) | - | 2,073 | (54) |
| Bonds | 143 | 45 | - | - | (16) | 550 | 722 | 38 |
| Equities and convertible securities | 15,318 | 1,804 | 3,284 | (3,359) | - | (787) | 16,260 | 1,218 |
| Interests in unconsolidated subsidiaries | 73,906 | 7,554 | 20,399 | (4,253) | - | (133) | 97,473 | 7,436 |
| Derivative financial instruments[1] | (28) | (2) | - | (1) | 11 | - | (20) | (1) |
| Securities sold short | (6) | (2) | - | - | - | - | (8) | (2) |

[1] The assets and liabilities related to derivative financial instruments are presented on a net basis.

[2] Presented under "Net gains on financial instruments at fair value" in the Consolidated Statements of Comprehensive Income.

## e) Level 3: Fair value measurement based on reasonably possible alternative assumptions

In certain cases, the assumptions used in the valuation techniques are based on unobservable inputs or observable inputs adjusted significantly to reflect the characteristics specific to the financial instrument being measured. While la Caisse considers its fair value measurements to be appropriate, the use of reasonably possible alternative assumptions could result in different fair values. For a given measurement date, it is possible that other market participants could measure a same financial instrument at a different fair value, with the valuation techniques and inputs used by these market participants still meeting the definition of fair value. The fact that different fair value measurements exist reflects the judgment, estimates and assumptions applied as well as the uncertainty involved in determining the fair value of these financial instruments.

## Level 3: Fair value measurement based on reasonably possible alternative assumptions (cont.)

The following tables present quantitative information on the primary valuation techniques and unobservable inputs for the main financial instruments classified in Level 3 of the fair value hierarchy that are subject to the sensitivity analysis in Note 6f as well as those that are excluded from the analysis:

| | | | | December 31, 2019 |
|---|---|---|---|---|
| | **Fair value** | **Valuation techniques** | **Unobservable inputs** | **Range (weighted average)** |
| **Included in the sensitivity analysis** | | | | |
| Corporate debt | **1,713** | **Discounted cash flows** | **Credit spreads** | **0.4% to 2.4% (1.5%)** |
| | | | **Discount rates** | **6.0% to 9.3% (6.9%)** |
| Equities and convertible securities | | | | |
| Private equity investments | **6,833** | **Comparable company multiples** | **EBITDA multiples** | **8.7 to 16.0 (11.7)** |
| Infrastructure investments | **5,311** | | | **6.0% to 9.8% (8.7%)** |
| Interests in unconsolidated subsidiaries | | | | |
| Investments in real estate holdings | **39,690** | **Comparable company multiples** | **Price-to-book value ratios** | **1.05** |
| | | **Discounted cash flows** | **Discount rates** | **4.0% to 13.5% (6.4 %)** |
| | | | **Credit spreads** | **0.0% to 9.8% (1.6%)** |
| | | **Capitalization of revenue** | **Capitalization rate** | **2.7% to 10.5% (5.3%)** |
| | | **Net real estate assets** | **Discounts to net asset value** | **0.0% to 8.0% (2.3%)** |
| Private equity investments | **12,001** | **multiples** | | **9.0 to 17.0 (12.4)** |
| Infrastructure investments | **16,983** | | | **6.0% to 13.8% (9.2%)** |
| Investments in fixed-income securities | **9,894** | **Discounted cash flows** | **Discount rates** | **6.9%** |
| | | | **Credit spreads** | **1.1% to 8.5% (3.6%)** |
| | **92,425** | | | |
| **Excluded from the sensitivity analysis** | | | | |
| Financial instruments[1] | **44,181** | **Recent transactions[2]**<br>**Broker quotes[3]**<br>**Net assets[3]** | **n.a.**<br>**n.a.**<br>**n.a.** | **n.a.**<br>**n.a.**<br>**n.a.** |
| **Net financial instruments classified in Level 3** | **136,606** | | | |

n.a.: not applicable

[1] The fair value of financial instruments presented in this item includes corporate debt, bonds, equities, interests in unconsolidated subsidiaries, derivative financial instruments, and securities sold short.

[2] When fair value is determined based on recent transaction information, this value is the most representative indication of fair value. Consequently, la Caisse did not conduct a sensitivity analysis.

[3] When fair value is determined using broker quotes or net asset value, this value is the only reasonable indication of fair value. Consequently, la Caisse is unable to conduct a sensitivity analysis.

## Level 3: Fair value measurement based on reasonably possible alternative assumptions (cont.)

| | Fair value | Valuation techniques | Unobservable inputs | December 31, 2018<br>Range (weighted average) |
|---|---|---|---|---|
| **Included in the sensitivity analysis** | | | | |
| Corporate debt | 1,861 | Discounted cash flows | Credit spreads | 1.2% to 11.1% (3.9%) |
| | | | Discount rates | 7.5% to 9.3% (7.8%) |
| Equities and convertible securities | | | | |
| Private equity investments | 5,191 | Comparable company multiples | EBITDA multiples | 6.8 to 16.5 (11.4) |
| Infrastructure investments | 3,642 | Discounted cash flows | Discount rates | 6.0% to 10.3% (9.7%) |
| Interests in unconsolidated subsidiaries | | | | |
| Investments in real estate holdings | 38,317 | Comparable company multiples | Price-to-book value ratios | 1.06 |
| | | Discounted cash flows | Discount rates | 4.8% to 13.3% (6.4%) |
| | | | Credit spreads | 0.0% to 12.0% (1.6%) |
| | | Capitalization of revenue | Capitalization rates | 4.1% to 12.6% (5.3%) |
| | | Net real estate assets | Discounts to net asset value | 0.0% to 17.5% (5.1%) |
| Private equity investments | 4,263 | Comparable company multiples | EBITDA multiples | 8.5 to 13.0 (12.2) |
| Infrastructure investments | 10,682 | Discounted cash flows | Discount rates | 7.2% to 13.0% (9.0%) |
| Investments in fixed-income securities | 6,525 | Discounted cash flows | Discount rates | 6.4% |
| | | | Credit spreads | 0.9% to 9.4% (4.6%) |
| | 70,481 | | | |
| **Excluded from the sensitivity analysis** | | | | |
| Financial instruments[1] | 46,019 | Recent transactions[2]<br>Broker quotes[3]<br>Net assets[3] | n.a.<br>n.a.<br>n.a. | n.a.<br>n.a.<br>n.a. |
| **Net financial instruments classified in Level 3** | 116,500 | | | |

n.a.: not applicable

1 The fair value of financial instruments presented in this item includes corporate debt, bonds, equities, interests in unconsolidated subsidiaries, derivative financial instruments and securities sold short.

2 When fair value is determined based on recent transaction information, this value is the most representative indication of fair value. Consequently, la Caisse did not conduct a sensitivity analysis.

3 When fair value is determined using broker quotes or net asset value, this value is the only reasonable indication of fair value. Consequently, la Caisse is unable to conduct a sensitivity analysis.

### f) Sensitivity analysis of fair value

The following analysis shows the sensitivity of fair value measurements to reasonably possible alternative assumptions for the significant unobservable inputs shown in the preceding tables of Note 6e. La Caisse identified reasonably possible alternative assumptions using its judgment and knowledge of the markets. The following table shows the increases and decreases in fair value that would result from these alternative assumptions for the main financial instruments classified in Level 3 of the fair value hierarchy that are subject to a sensitivity analysis:

| | **December 31, 2019** | | December 31, 2018 | |
|---|---|---|---|---|
| | **Increase** | **Decrease** | Increase | Decrease |
| Sensitivity of fair value | **6,263** | **(5,609)** | 4,691 | (4,348) |

As at December 31, 2019, the fair value sensitivity analysis above shows an increase in fair value of $2,754 million ($2,800 million as at December 31, 2018) and a decrease in fair value of $2,392 million ($2,551 million as at December 31, 2018) attributable to investments in real estate holdings.

There is a correlation between unobservable inputs and the determination of fair value. Therefore, an increase (decrease) in discount rates, credit spreads, capitalization rates and discounts to net asset value would result in a decrease (increase) in fair value. Furthermore, an increase (decrease) in EBITDA multiples and price-to-book value ratios would result in an increase (decrease) in fair value. There is no predictable correlation between unobservable inputs.

## 7. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

A financial asset and a financial liability must be offset in the Consolidated Statements of Financial Position when la Caisse has a legally enforceable right of set-off and intends either to settle on a net basis or to realize the financial asset and settle the financial liability simultaneously with the counterparty. La Caisse has a legally enforceable right of set-off when this right is exercisable in the normal course of business and in the event of default, insolvency or bankruptcy.

Amounts receivable from and amounts payable on transactions being settled, securities purchased under reverse repurchase agreements, securities sold under repurchase agreements and derivative financial instruments traded on over-the-counter markets in accordance with agreements of the International Swaps and Derivatives Association (ISDA) are subject to master netting agreements that do not meet the criteria for offsetting in the Consolidated Statements of Financial Position as they give a right of set-off that is enforceable only in the event of default, insolvency or bankruptcy.

Securities purchased under reverse repurchase agreements and securities sold under repurchase agreements settled through a clearing house satisfy the offsetting criteria. Derivative financial instruments traded on exchange markets as well as those settled by clearing houses through brokers also satisfy offsetting criteria.

## Offsetting financial assets and financial liabilities (cont.)

The following tables show information about financial assets and liabilities that are offset and not offset in the Consolidated Statements of Financial Position and that are subject to master netting agreements or similar arrangements:

| | | | | | | **December 31, 2019** |
|---|---|---|---|---|---|---|
| | **Gross amounts recognized** | **Amounts offset** | **Net amounts presented in the Consolidated Statements of Financial Position[1]** | **Amounts subject to master netting agreements** | **Collateral received/ pledged[2]** | **Net amounts** |
| **Financial assets** | | | | | | |
| Amounts receivable from transactions being settled | **6,223** | **-** | **6,223** | **(602)** | **-** | **5,621** |
| Securities purchased under reverse repurchase agreements[3] | **8,502** | **(4,865)** | **3,637** | **(3,622)** | **(13)** | **2** |
| Derivative financial instruments[3] | **1,777** | **(5)** | **1,772** | **(930)** | **(475)** | **367** |
| | **16,502** | **(4,870)** | **11,632** | **(5,154)** | **(488)** | **5,990** |
| **Financial liabilities** | | | | | | |
| Amounts payable on transactions being settled | **1,537** | **-** | **1,537** | **(602)** | **-** | **935** |
| Securities sold under repurchase agreements[3] | **28,414** | **(4,865)** | **23,549** | **(3,622)** | **(19,866)** | **61** |
| Derivative financial instruments[3] | **1,062** | **(5)** | **1,057** | **(930)** | **(108)** | **19** |
| | **31,013** | **(4,870)** | **26,143** | **(5,154)** | **(19,974)** | **1,015** |

| | | | | | | December 31, 2018 |
|---|---|---|---|---|---|---|
| | Gross amounts recognized | Amounts offset | Net amounts presented in the Consolidated Statements of Financial Position[1] | Amounts subject to master netting agreements | Collateral received/ pledged[2] | Net amounts |
| **Financial assets** | | | | | | |
| Amounts receivable from transactions being settled | 4,587 | - | 4,587 | (498) | - | 4,089 |
| Securities purchased under reverse repurchase agreements | 10,859 | (2,224) | 8,635 | (6,869) | (1,759) | 7 |
| Derivative financial instruments[3] | 1,257 | (36) | 1,221 | (981) | (114) | 126 |
| | 16,703 | (2,260) | 14,443 | (8,348) | (1,873) | 4,222 |
| **Financial liabilities** | | | | | | |
| Amounts payable on transactions being settled | 1,113 | - | 1,113 | (933) | - | 180 |
| Securities sold under repurchase agreements | 14,763 | (2,224) | 12,539 | (6,434) | (6,102) | 3 |
| Derivative financial instruments[3] | 2,111 | (36) | 2,075 | (981) | (1,016) | 78 |
| | 17,987 | (2,260) | 15,727 | (8,348) | (7,118) | 261 |

[1] Net amounts presented in the Consolidated Statements of Financial Position or in Notes 4a and 4b.

[2] The financial collateral received or pledged cannot include a net amount per counterparty less than zero. The total amounts of financial collateral received or pledged are disclosed in Notes 13 and 14.

[3] The amounts presented in this item include amounts receivable and payable presented, respectively, under “Investment income, accrued and receivable” and “Other financial liabilities”.

# 8. INVESTMENT RESULT BEFORE DISTRIBUTIONS TO DEPOSITORS

The following table shows the net investment income, net gains (losses) on financial instruments at FVTPL as well as operating expenses:

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | **Net investment income** | **Net gains (losses)[1]** | **Total** | Net investment income | Net gains (losses)[1] | Total |
| **Cash management activities** | **40** | **(7)** | **33** | 23 | 3 | 26 |
| **Investing activities** | | | | | | |
| Short-term investments | **1** | **(7)** | **(6)** | 4 | 14 | 18 |
| Securities purchased under reverse repurchase agreements | **100** | **(204)** | **(104)** | 144 | 214 | 358 |
| Corporate debt | **95** | **13** | **108** | 152 | 13 | 165 |
| Bonds | **2,658** | **3,555** | **6,213** | 2,661 | (172) | 2,489 |
| Equities and convertible securities | **4,273** | **18,336** | **22,609** | 3,655 | (2,713) | 942 |
| Interests in unconsolidated subsidiaries | **3,661** | **(620)** | **3,041** | 3,503 | 8,171 | 11,674 |
| Net derivative financial instruments | **-** | **699** | **699** | - | (462) | (462) |
| Other | **10** | **(61)** | **(51)** | 80 | 62 | 142 |
| | **10,838** | **21,704** | **32,542** | 10,222 | 5,130 | 15,352 |
| **Investment liability activities** | | | | | | |
| Securities sold under repurchase agreements | **(372)** | **328** | **(44)** | (249) | (283) | (532) |
| Securities sold short | **(58)** | **(296)** | **(354)** | (101) | (763) | (864) |
| **Financing activities** | | | | | | |
| Commercial paper payable | **-** | **164** | **164** | (106) | (416) | (522) |
| Loans payable | **(5)** | **7** | **2** | (3) | (17) | (20) |
| Term notes payable | **(441)** | **249** | **(192)** | (369) | (412) | (781) |
| **Other** | | | | | | |
| External management fees | **(69)** | **(58)** | **(127)** | (58) | (37) | (95) |
| Transaction costs | **-** | **(215)** | **(215)** | - | (163) | (163) |
| | **(945)** | **179** | **(766)** | (886) | (2,091) | (2,977) |
| | **9,893** | **21,883** | **31,776** | 9,336 | 3,039 | 12,375 |
| Operating expenses *(Note 9)* | | | **(630)** | | | (585) |
| **Investment result before distributions to depositors** | | | **31,146** | | | 11,790 |

[1] For the year ended December 31, 2019, the net gains (losses) included $10,142 million in net realized gains and $11,741 million in net unrealized gains (for the year ended December 31, 2018, net realized gains of $7,980 million and net unrealized losses of $4,941 million).

# 9. OPERATING EXPENSES

The following table shows the operating expenses:

| | 2019 | 2018 |
|---|---|---|
| Salaries and employee benefits | **405** | 377 |
| Information technology and professional services | **68** | 59 |
| Maintenance, equipment and amortization | **57** | 55 |
| Data services and subscriptions | **24** | 21 |
| Rent | **19** | 18 |
| Other expenses | **38** | 37 |
| | **611** | 567 |
| Safekeeping of securities | **19** | 18 |
| | **630** | 585 |

# 10. SEGMENT INFORMATION

La Caisse enables its depositors to allocate their funds to specialized portfolios that hold securities of the same type. These portfolios represent operating segments that have been grouped into three separate segments according to management approach, economic characteristics, and performance targets:

- Fixed Income: This segment's objective is to reduce the overall risk level of la Caisse's portfolio and match its depositors' assets and liabilities while providing a significant source of liquidity. This segment consists of the Rates, Credit, Short Term Investments, Long Term Bonds, and Real Return Bonds specialized portfolios.
- Real Assets: This segment's objective is to expose la Caisse to markets for which investment income is indexed to inflation and to partially hedge the inflation risk associated with the liabilities of several depositors. This segment consists of the Real Estate and Infrastructure specialized portfolios.
- Equities: This segment's objective is to increase the depositors' long-term target returns. This segment consists of the Equity Markets and Private Equity specialized portfolios.

The following table shows the allocation of net assets attributable to depositors according to each of la Caisse's segments:

| | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Fixed Income | **102,890** | 94,285 |
| Real Assets | **67,481** | 60,966 |
| Equities | **167,117** | 151,228 |
| Other[1] | **2,621** | 3,032 |
| **Net assets attributable to depositors** | **340,109** | 309,511 |

The following table shows the allocation of the investment result before distributions to depositors for each of la Caisse's segments:

| | 2019 | 2018 |
|---|---|---|
| Fixed Income | **8,165** | 1,897 |
| Real Assets | **560** | 4,771 |
| Equities | **22,169** | 4,840 |
| Other[1] | **252** | 282 |
| **Investment result before distributions to depositors** | **31,146** | 11,790 |

[1] The Other item includes the Active Overlay Strategies and Asset Allocation specialized portfolios, cash activities, and the customized operations of individual funds, which consist of direct holdings of derivative financial instruments by the individual funds for the customized management of the desired exposure by each depositor.

# 11. RISK IDENTIFICATION AND MANAGEMENT

## Risk management policies, directives and procedures related to investment activities

La Caisse is responsible for managing deposits in accordance with service agreements and depositor investment policies, the investment policies for specialized portfolios and the integrated risk management policy. To do so, it has implemented various policies, directives and procedures to oversee the management of the risks relating to its operations.

The integrated risk management policy is adopted by la Caisse's Board of Directors. The purpose of this policy is to promote a rigorous risk management culture and practices that help la Caisse carry out its mission on behalf of its depositors. The integrated risk management policy defines market risk, concentration risk, credit risk, counterparty risk associated with derivative financial instruments, and financing-liquidity risk.

Specifically, this policy aims to:

- Establish the guiding principles that support la Caisse's integrated risk management framework and promote a sound risk management culture at all levels of the organization
- Set out the risk management model and governance structure
- Define the roles and responsibilities of stakeholders
- Establish oversight of the main risks to which la Caisse is exposed

La Caisse's governance and risk management are based on the following twelve guiding principles:

- A risk tolerance framework
- The roles of the Board of Directors and senior executives
- A client-centric approach that focuses on the needs of depositors
- A long-term investment strategy
- Liquidity and financing management
- In-depth knowledge of assets and markets
- Independent functions and stakeholder accountability
- Collaboration for comprehensive risk management
- Operational excellence
- Use of derivative financial instruments and counterparty risk management
- Oversight of new investment activities and new financial instruments
- A responsible investment framework

The levels of control and parties responsible for risk management governance are as follows:

1. Investment groups have the primary responsibility for managing the risks related to their operations.
2. Independent teams and internal committees are responsible for supporting investment group employees and setting appropriate control mechanisms.
3. The Board of Directors and its committees ensure a management framework is adopted, and the Internal Audit group ensures execution and compliance with the established risk management framework.

## Risk management policies, directives and procedures related to investment activities (cont.)

The integrated risk management policy sets out risk limits and authorization levels for la Caisse as a whole as well as limits applicable to cross-functional activities. In addition, la Caisse develops and periodically reviews the specialized portfolio investment policies that are designed to oversee the work of the specialized portfolio managers. A separate investment policy sets out investment strategy, management style, eligible investments, target returns, benchmark index, and concentration and risk limits.

Furthermore, each investment group must adopt an investment strategy. Strategic investment planning (SIP) seeks to strengthen the decision-making process by achieving a better matching of return to risk when choosing investments. SIP sets future directions, strengthens the collaboration and information sharing processes required to make strategic investment decisions and ensures a better alignment between the directions and strategies. The SIP process is conducted annually and includes the following steps: 1) Diagnostic and strategic directions; 2) Strategic plans; 3) Review and approval and 4) Execution and accountability. Investment plans are presented to the Investment-Risk Committee (IRC) for approval and are communicated to the Executive Committee and Board of Directors.

La Caisse is exposed to various financial risks. Detailed information regarding these risks is disclosed in the following sections.

## Market risk

Market risk is the risk of financial loss arising from fluctuations in the fair value of financial instruments. Volatility in financial instrument prices stems from changes in market risk factors, in particular interest rates, credit spreads, exchange rates, share prices and commodity prices. La Caisse uses derivative financial instruments to manage market risks.

La Caisse manages all market risks according to an integrated approach for all specialized portfolios. The main factors contributing to risks, such as industry sector, geographic region and issuer, are taken into account. La Caisse's market risks are managed and calculated according to factors that can influence the fair value of investments and investment liabilities.

La Caisse measures its market risk using Value-at-Risk (VaR), which is based on a statistical estimate of the volatility of the fair value of each position and of correlations between market risk factors. VaR is a statistical estimate of the potential financial loss that could be incurred by la Caisse's actual portfolio, based on a predetermined confidence level and a given exposure period. The market VaR is estimated with a 95% confidence level over an exposure period of one year. To summarize, VaR indicates the level of loss that the actual portfolio of la Caisse could exceed in 5% of cases. La Caisse estimates VaR for each instrument held in its specialized portfolios and aggregates the information for la Caisse's actual portfolio.

The historical-simulation method is used to measure VaR. This method is based mainly on the assumption that the future will be similar to the past. It requires that historical data series on all the risk factors needed to estimate the returns on financial instruments be available. In the absence of historical data, alternative methods are used.

The calculation results obtained by applying this methodology do not make it possible to estimate the amount of loss, based on a specific event, that would be incurred by la Caisse's portfolio if this event re-occurred. For example, if future conditions and market risk factors were substantially different from past economic conditions, actual losses could differ substantially from estimated losses. Moreover, these estimates at a given date do not take into account all possible losses resulting from exceptional market events or losses that could arise over and above the 95% confidence level. Consequently, in light of these limitations, la Caisse's actual portfolio losses could exceed the estimates.

A history of 3,000 days of observation of risk factors is used to measure the volatility of returns and the correlation between the return of financial instruments. Moreover, due to the methodology, the effects on the portfolio of the unfavourable events seen over a one-month horizon are repeated several times during the year.

Two risk measures are calculated and analyzed:

- The absolute risk of the actual portfolio represents the total risk associated with the categories of financial instruments that make up la Caisse's actual portfolio.
- The absolute risk of the benchmark portfolio targeted by depositors represents the total risk of the benchmark indexes associated with the categories of financial instruments that make up la Caisse's benchmark portfolio.

The absolute risks of la Caisse's actual and benchmark portfolios are measured regularly and used to calculate the absolute risk ratio, which is subject to certain limitations. The absolute risk ratio is obtained by dividing the absolute risk of the actual portfolio by the absolute risk of the benchmark portfolio.

The absolute risk of the actual portfolio and the absolute risk of the benchmark portfolio, including the risk associated with the underlying investments of unconsolidated subsidiaries whose risk is managed by la Caisse, as a percentage of net assets, according to a 95% confidence level and a history of 3,000 days, as well as the absolute risk ratio, are as follows:

| | **December 31, 2019** | | | December 31, 2018 | | |
|---|---|---|---|---|---|---|
| | **Absolute risk of the actual portfolio** | **Absolute risk of the benchmark portfolio** | **Absolute risk ratio** | Absolute risk of the actual portfolio | Absolute risk of the benchmark portfolio | Absolute risk ratio |
| Value at risk | **13.7%** | **13.6%** | **1.01** | 13.7% | 13.8% | 0.99 |

## Market risk (cont.)

Moreover, when managing market risk, la Caisse uses stress tests that allow it to evaluate the consequences of specific circumstances on the returns of la Caisse's actual portfolio based on historical, hypothetical or risk factor sensitivity scenarios. Using various types of scenarios, stress tests measure the gains or losses in value of a financial instrument following a change in one or more often-related risk factors, such as share prices, interest rates, rate spreads, exchange rates, commodity prices and market volatility.

### Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. This risk is integrated into the VaR measurement.

La Caisse uses a dynamic management approach for the main currencies of developed countries. Dynamic management is used to protect certain specialized portfolios when the Canadian dollar appears to be significantly undervalued or overvalued compared to its equilibrium value according to the valuation models. Dynamic hedging should therefore be less frequent, but the duration of the hedge, being unforeseeable, may vary widely and last for a few weeks to several months. Certain specialized portfolios may therefore be partially hedged against foreign exchange risk.

To strategically manage currency risk, la Caisse uses currency derivatives to manage its exposure to the main currencies of developed countries according to hedging targets. For other currencies, a discretionary hedge may be implemented to manage the foreign currency exposures of the portfolios or of certain investments. Moreover, currency risk can be managed by way of natural hedging activities, including the financing of investments in the same currency.

The net exposure to foreign currencies takes into account the effects of currency derivatives, natural hedging and the underlying investments in currencies of unconsolidated subsidiaries whose currency risk is managed by la Caisse. La Caisse's net exposure to foreign currencies, as a percentage of net assets including purchases and cancellations of participation units of the specialized portfolios completed at the beginning of each month, is as follows:

| | **December 31, 2019** | December 31, 2018 |
|---|---|---|
| Canadian dollar | **50%** | 45% |
| U.S. dollar | **21%** | 27% |
| Euro | **7%** | 7% |
| Pound sterling | **4%** | 4% |
| Mexican peso | **2%** | 1% |
| Yen | **1%** | 2% |
| Australian dollar | **1%** | 1% |
| Other | **14%** | 13% |
| | **100%** | 100% |

### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. This risk is integrated into the VaR measurement.

### Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than changes arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or by factors that affect all similar financial instruments traded on the market. This risk is integrated into the VaR measurement.

## Concentration risk

La Caisse analyzes overall concentration risk for the entire group of specialized portfolios it manages. The integrated risk management policy sets out exposure limits according to category of financial instrument, according to issuer, for growth markets and for certain countries. Moreover, the investment policies of the specialized portfolios set out specific limits for each issuer, industry sector, and geographic region.

The concentration limit by issuer is 3% of la Caisse's total assets, with the exception of securities issued by the Canadian or U.S. governments or by their agencies and that feature an explicit guarantee or those issued by a Canadian province or territory of Canada or a ministry or agency thereof or by sovereign issuers rated AAA, which are not included in the concentration limit. Concentration by issuer is monitored monthly or upon initiation of a transaction requiring approval of the IRC or the Board of Directors, as appropriate.

The following table shows the main geographic concentrations as a percentage of total net exposure, established according to the country of the issuers' principal place of business, after the effects of certain derivative financial instruments and including the underlying investments in unconsolidated subsidiaries whose concentration risk is managed by la Caisse:

| | **December 31, 2019** | December 31, 2018 |
|---|---|---|
| Canada | **34%** | 36% |
| United States | **33%** | 30% |
| Europe | **14%** | 14% |
| Growth markets | **14%** | 14% |
| Other | **5%** | 6% |
| | **100%** | 100% |

The following table shows the principal industry sector concentrations as a percentage of total net exposure, established according to the industry sector in which the issuers operate, after the effects of certain derivative financial instruments and including the underlying investments in unconsolidated subsidiaries whose concentration risk is managed by la Caisse:

| | **December 31, 2019** | December 31, 2018 |
|---|---|---|
| **Industry sector** | | |
| Real estate | **17%** | 19% |
| Industrials | **11%** | 12% |
| Financials | **10%** | 9% |
| Information technology | **6%** | 6% |
| Consumer discretionary | **5%** | 5% |
| Health care | **5%** | 5% |
| Utilities | **5%** | 6% |
| Consumer staples | **4%** | 5% |
| Real estate debt | **4%** | 4% |
| Energy | **4%** | 5% |
| Telecommunication services | **4%** | 4% |
| Materials | **2%** | 2% |
| Other | **3%** | 3% |
| **Government sector** | | |
| Government of the United States | **7%** | 1% |
| Government of Canada | **6%** | 5% |
| Government of Québec | **3%** | 4% |
| Government corporations and other public administrations in Québec | **2%** | 2% |
| Other | **2%** | 3% |
| | **100%** | 100% |

## Credit risk

Credit risk is the possibility of incurring a loss in value should a borrower, endorser, or guarantor experience a deterioration in financial position, fail to meet an obligation to repay a loan or fail to meet any other financial commitment.

Maximum credit risk exposure is measured based on the fair value of financial instruments without taking into account guarantees or other credit enhancements. For the other items, the maximum exposure to credit risk is the total amount guaranteed or committed.

The following table shows the maximum exposure to credit risk:

| | **December 31, 2019** | December 31, 2018 |
|---|---|---|
| Cash | **994** | 675 |
| Amounts receivable from transactions being settled | **6,223** | 4,587 |
| Advances to depositors | **960** | 903 |
| Investment income, accrued and receivable | **1,391** | 1,352 |
| Investments | | |
| Cash equivalents | **128** | 360 |
| Fixed-income securities | **96,366** | 80,656 |
| Interests in unconsolidated subsidiaries in the form of debt instruments | **28,189** | 27,922 |
| Derivative financial instruments | **1,755** | 1,207 |
| | **136,006** | 117,662 |
| **Other items** | | |
| Financial guarantees *(Note 18)* | **616** | 397 |
| | **136,622** | 118,059 |

La Caisse enters into master netting agreements *(Note 7),* receives guarantees *(Note 14)* and may also use derivative financial instruments such as credit default swaps to reduce its total credit risk exposure.

In addition, to manage credit risk, la Caisse closely monitors changes in the credit cycle of issuers and uses a credit VaR to calculate the potential financial loss related to possible changes in the credit quality of issuers of fixed-income securities.

**Concentration of credit risk**

A credit risk concentration analysis measures the fair value of all financial instruments related to a same issuer. The investment policy of the specialized portfolios sets out concentration limits according to credit rating. The credit risk analysis considers the probability of default and the recovery rate on debt securities held by la Caisse and monitors changes in the credit quality of issuers.

The following table shows the credit risk concentration according to the credit ratings of issuers of fixed-income securities and certain derivative financial instruments used to manage credit risk, as a percentage of the total exposure to credit concentration risk:

| | **December 31, 2019** | December 31, 2018 |
|---|---|---|
| **Credit rating** | | |
| AAA – AA | **64%** | 26% |
| A | **5%** | 32% |
| BBB | **11%** | 18% |
| BB or lower | **16%** | 19% |
| No credit rating | **4%** | 5% |
| | **100%** | 100% |

The credit ratings of securities issued or guaranteed by governments are obtained from recognized credit rating agencies. For corporate sector securities, credit ratings are determined using an internal rating process that monitors changes in the credit cycle annually when the necessary information is available. Otherwise, la Caisse uses recognized credit rating agencies.

## Credit risk (cont.)

**Counterparty risk related to derivative financial instruments**

Certain over-the-counter financial instruments give rise to counterparty risk because they are negotiated by contract without being traded or settled through a clearing house. Counterparty risk related to derivative financial instruments is the credit risk created by current or potential exposures arising from derivative financial instrument transactions where the counterparty becomes unable to honour the terms of the contracts.

To limit its exposure to the counterparty risk arising from transactions involving over-the-counter derivative financial instruments, la Caisse carries out transactions with financial institutions in accordance with management’s criteria regarding the quality of the issuer. Moreover, la Caisse enters into legal agreements based on ISDA standards under which it benefits from the compensating effects between at-risk amounts and the collateral exchanged in order to limit its net exposure to this risk.

This risk is measured by counterparty, pursuant to the applicable legal agreement, from which it is possible to calculate the net exposure created by all of the over-the-counter derivative financial instruments and collateral exchanged. Actual exposure to counterparty risk is measured on a daily basis, whereas potential exposure to counterparty risk is measured on a monthly basis.

As at December 31, 2019, the legal agreements and the collateral received helped reduce exposure to the counterparty risk of over-the-counter derivative financial instruments. The maximum exposure to this risk was $317 million related to 33 counterparties ($61 million related to 33 counterparties as at December 31, 2018).

## Liquidity risk

Liquidity risk is the possibility of la Caisse not always being able to honour its financial liability commitments without having to obtain funds at abnormally high prices or having to sell assets through forced liquidation. It is also the risk of la Caisse not being able to quickly sell investments without having a significant unfavourable effect on the price of the investment in question.

Liquidity is managed across all of la Caisse’s cash activities. Compliance with the established rules is analyzed on a monthly basis, and the liquidity status is determined daily. Managers are responsible for evaluating the liquidity of the markets in which la Caisse obtains financing for its operations.

To ensure that sources of liquidity and potential liquidity requirements are properly aligned, la Caisse has a number of sources of liquidity in addition to its cash and cash equivalents, including receipt of investment income, the sale of bonds, sales under repurchase agreements, and liquid money market securities. In addition, la Caisse may issue commercial paper and term notes payable as well as a committed credit facility totalling US$4 billion to meet its contractual commitments and financial obligations. As at December 31, 2019, la Caisse had close to $46 billion in liquidity in the form of government bonds and money market securities ($37 billion as at December 31, 2018).

Furthermore, to manage liquidity risk, la Caisse conducts simulations of scenarios over different horizons and examines events that could lead to a liquidity crisis.

An analysis of undiscounted contractual cash flows of financial liabilities, shown in the table below, is a component of liquidity and financing management. However, this by-maturity allocation is not necessarily representative of the manner in which la Caisse manages its liquidity risk and financing requirements.

## Liquidity risk (cont.)

The following tables show the maturities of the undiscounted contractual cash flows of non-derivative financial liabilities, derivative financial instruments and other items:

| | December 31, 2019 | | | | |
|---|---|---|---|---|---|
| | On demand | Less than 1 year | 1 year to 5 years | More than 5 years | Total |
| **Non-derivative financial liabilities** | | | | | |
| Amounts payable on transactions being settled | - | (1,537) | - | - | (1,537) |
| Other financial liabilities | - | (677) | (59) | (465) | (1,201) |
| Investment liabilities | | | | | |
| Securities sold under repurchase agreements | - | (23,577) | - | - | (23,577) |
| Securities sold short | - | (3,787) | - | - | (3,787) |
| Commercial paper payable | - | (8,822) | - | - | (8,822) |
| Loans payable | - | (368) | - | - | (368) |
| Term notes payable | - | (2,487) | (8,648) | (2,955) | (14,090) |
| **Net assets attributable to depositors** | | | | | |
| Demand and term deposits | (406) | (6) | - | - | (412) |
| Distributions payable to depositors | - | (2,961) | - | - | (2,961) |
| | (406) | (44,222) | (8,707) | (3,420) | (56,755) |
| **Derivative financial instruments** | | | | | |
| Derivative instruments with net settlement | - | (57) | 62 | 109 | 114 |
| Derivative instruments with gross settlement | | | | | |
| Contractual cash flows receivable | - | 102,277 | 4,143 | 1,342 | 107,762 |
| Contractual cash flows payable | - | (101,694) | (4,102) | (1,491) | (107,287) |
| | - | 526 | 103 | (40) | 589 |
| **Other items** | | | | | |
| Commitments *(Note 18)* | (9) | (19,713) | (74) | (411) | (20,207) |
| Financial guarantees *(Note 18)* | - | (106) | (305) | (205) | (616) |
| | (9) | (19,819) | (379) | (616) | (20,823) |
| | (415) | (63,515) | (8,983) | (4,076) | (76,989) |

## Liquidity risk (cont.)

| | December 31, 2018 | | | | |
|---|---|---|---|---|---|
| | On demand | Less than 1 year | 1 year to 5 years | More than 5 years | Total |
| **Non-derivative financial liabilities** | | | | | |
| Amounts payable on transactions being settled | - | (1,113) | - | - | (1,113) |
| Other financial liabilities | - | (881) | - | - | (881) |
| Investment liabilities | | | | | |
| Securities sold under repurchase agreements | - | (12,562) | - | - | (12,562) |
| Securities sold short | - | (659) | (3,802) | (5,540) | (10,001) |
| Commercial paper payable | - | (5,939) | - | - | (5,939) |
| Loans payable | - | (290) | - | - | (290) |
| Term notes payable | - | (2,746) | (3,019) | (5,680) | (11,445) |
| **Net assets attributable to depositors** | | | | | |
| Demand and term deposits | (712) | (6) | - | - | (718) |
| Distributions payable to depositors | - | (2,506) | - | - | (2,506) |
| | (712) | (26,702) | (6,821) | (11,220) | (45,455) |
| **Derivative financial instruments** | | | | | |
| Derivative instruments with net settlement | - | (4,409) | 157 | 50 | (4,202) |
| Derivative instruments with gross settlement | | | | | |
| Contractual cash flows receivable | - | 72,651 | 1,245 | 1,016 | 74,912 |
| Contractual cash flows payable | - | (73,629) | (1,274) | (1,105) | (76,008) |
| | - | (5,387) | 128 | (39) | (5,298) |
| **Other items** | | | | | |
| Commitments *(Note 18)* | (11) | (18,474) | (134) | (347) | (18,966) |
| Financial guarantees *(Note 18)* | - | (40) | (357) | - | (397) |
| | (11) | (18,514) | (491) | (347) | (19,363) |
| | (723) | (50,603) | (7,184) | (11,606) | (70,116) |

Moreover, concerning net assets attributable to depositors, the Regulation sets monthly limits for cancelling participation units, i.e., a depositor is limited to a maximum reimbursement of all their participation units in all of la Caisse's specialized portfolios of $50 million (in 2018, $15 million plus the proceeds of $2 million multiplied by the number of months that have elapsed since receipt of the notice of withdrawal). Any participation units that are not cancelled given the maximum amount permitted is carried forward to the first day of the subsequent month and are cancelled as soon as the limit permits. The purpose of the limits is to ensure optimal management of la Caisse's overall liquidity. Moreover, substantially all depositors are required to invest with la Caisse in accordance with the Act or the respective applicable legislation.

## Liquidity risk (cont.)

**Financing-liquidity risk**

The following tables show the main terms and conditions and interest rates of the investment liabilities related to la Caisse's financing activities:

| | | | | **December 31, 2019** |
|---|---|---|---|---|
| | **Currency** | **Nominal value[1]** | **Maturity** | **Interest rate** |
| Loans payable | **USD** | **368** | **Less than one year** | **2.28%** |
| | | **368** | | |
| Commercial paper payable | **CAD** | **1,000** | **Less than one year** | **1.77%** |
| | **USD** | **7,823** | **Less than one year** | **1.90%** |
| | | **8,823** | | |
| Term notes payable | **EUR** | **1,092** | **June 2020** | **3.50%** |
| | **CAD** | **1,000** | **July 2020** | **4.60%** |
| | **USD** | **2,594** | **June 2021** | **2.13%** |
| | **USD** | **2,594** | **March 2022** | **2.75%** |
| | **USD** | **2,594** | **July 2024** | **3.15%** |
| | **USD** | **1,621** | **November 2039** | **5.60%** |
| | | **11,495** | | |

| | | | | December 31, 2018 |
|---|---|---|---|---|
| | Currency | Nominal value[1] | Maturity | Interest rate |
| Loans payable | USD | 290 | Less than one year | 2.37% |
| | | 290 | | |
| Commercial paper payable | CAD | 1,000 | Less than one year | 1.90% |
| | USD | 4,945 | Less than one year | 2.60% |
| | | 5,945 | | |
| Term notes payable | USD | 2,390 | November 2019 | 4.40% |
| | EUR | 1,171 | June 2020 | 3.50% |
| | CAD | 1,000 | July 2020 | 4.60% |
| | USD | 2,732 | July 2024 | 3.15% |
| | USD | 1,707 | November 2039 | 5.60% |
| | | 9,000 | | |

[1] The amounts shown are translated into Canadian dollars and represent amounts to be repaid at maturity.

Commercial paper payable is issued at fixed rates, with maturities not exceeding 12 months, guaranteed by la Caisse's assets. The nominal value for all outstanding commercial paper may never exceed CA$3 billion and US$10 billion (US$5 billion as at December 31, 2018) in accordance with the limit prescribed in the commercial paper issuance information document.

Term notes payable are repayable at maturity and guaranteed by la Caisse's assets. Certain interest-bearing fixed-rate term notes have an optional prepayment clause at the option of the issuer.

Furthermore, during the year ended December 31, 2019, la Caisse renewed its credit facility arranged with a banking syndicate for a total amount of approximately CA$5 billion, i.e., in two tranches of US$2 billion that are renewable annually for terms of two and three years, respectively. The credit facility bears interest at a variable rate and is entirely secured, unconditionally and irrevocably, by la Caisse. As at December 31, 2019 and 2018, no amount had been drawn on this credit facility.

## 12. CAPITAL MANAGEMENT

La Caisse defines its capital as net assets attributable to depositors. La Caisse's capital may fluctuate according to depositor demands for cancellations and issuances of participation deposit units and for deposits and withdrawals of demand and term deposits. La Caisse's capital management objective is to invest contributions and deposits in the best interests of the depositors in accordance with the Act in order to achieve an optimal return while respecting the depositor investment policies.

La Caisse is not subject to external capital requirements.

Furthermore, la Caisse's objective is to maintain its AAA credit rating to ensure access to capital markets at the best cost through its CDP Financial Inc subsidiary. Consequently, the Board of Directors has limited the amount of notes that la Caisse may issue on capital markets to 10% of its net assets attributable to depositors, to which is added the fair value of outstanding notes (adjusted net assets).

## 13. FINANCIAL ASSETS TRANSFERRED BUT NOT DERECOGNIZED

La Caisse enters into securities lending and borrowing transactions as well as securities repurchase agreements whereby it transfers financial assets to counterparties. The transferred securities do not meet derecognition criteria since la Caisse retains most of the risks such as credit risk, interest rate risk, currency risk, and price risk, as well as most of the related rewards such as cash flows.

The following table shows the fair values of the financial assets transferred but not derecognized from the Consolidated Statements of Financial Position as well as the fair values of the associated liabilities:

| | **December 31, 2019** | December 31, 2018 |
|---|---|---|
| **Financial assets transferred but not derecognized** | | |
| Bonds | **33,897** | 15,001 |
| Equities | **10,359** | 12,420 |
| | **44,256** | 27,421 |
| **Associated financial liabilities** | | |
| Loans payable[1] | **368** | 237 |
| Securities sold under repurchase agreements[2] | **28,414** | 14,763 |
| | **28,782** | 15,000 |

[1] The amount presented corresponds to cash received as collateral on securities lending transactions and derivative financial instruments.

[2] The net amount is disclosed in Notes 4 and 7.

## 14. GUARANTEES

### Financial assets pledged as collateral

In the normal course of business, la Caisse pledges financial assets as collateral for transactions involving securities borrowings, securities sold under repurchase agreements and derivative financial instruments. The counterparties are authorized, by way of legal contract or market practices, to either sell or repledge these securities as collateral. On certain conditions, la Caisse may have to pledge additional collateral if the pledged securities lose value.

The following table shows the fair value of collateral pledged by la Caisse according to transaction type:

| | **December 31, 2019** | December 31, 2018 |
|---|---|---|
| Securities borrowing | **99** | 120 |
| Securities sold under repurchase agreements | **28,535** | 14,935 |
| Exchange-traded derivative financial instruments | **1,037** | 715 |
| Over-the-counter derivative financial instruments | **994** | 1,545 |
| | **30,665** | 17,315 |

### Financial assets received as collateral

La Caisse receives financial assets as collateral for transactions involving securities lending, securities purchased under reverse repurchase agreements and derivative financial instruments. If the fair value of the collateral received decreases, la Caisse may, in certain cases, request additional collateral. La Caisse is authorized to sell or repledge as collateral certain securities in the absence of default by the counterparty. However, no security received as collateral was sold or repledged as collateral for the years ended December 31, 2019 and 2018.

The following table shows the fair value of collateral received by la Caisse according to transaction type:

| | **December 31, 2019** | December 31, 2018 |
|---|---|---|
| Securities lending | **16,238** | 12,488 |
| Securities purchased under reverse repurchase agreements | **8,483** | 10,454 |
| Over-the-counter derivative financial instruments | **193** | - |
| | **24,914** | 22,942 |

## 15. RELATED PARTY DISCLOSURES

### Related party transactions

La Caisse's primary related parties include unconsolidated subsidiaries, joint ventures, associates, and la Caisse's key management personnel.

La Caisse enters into various transactions with related parties. These transactions are concluded under the same conditions as those prevailing in the market with unrelated parties and are measured at fair value. Given the very nature of la Caisse's activities as an investment entity, it may make investments in several investment categories, including investments in unconsolidated subsidiaries, joint ventures and associates.

As a result of the adoption of IFRS 16 on January 1, 2019, la Caisse recognized a right-of-use asset and a lease liability arising from a related party transaction.

### Compensation of key management personnel

La Caisse's key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, either directly or indirectly. These persons are the members of the Board of Directors, the President and Chief Executive Officer, and key members of the Executive Committee.

The following table shows the compensation of la Caisse's key management personnel:

| | **2019** | 2018 |
|---|---|---|
| Salaries and other short-term employee benefits | **14** | 9 |
| Post-employment benefits | **1** | 2 |
| Other long-term employee benefits | **5** | 7 |
| | **20** | 18 |

### Other related parties

La Caisse is governed by the Act, and the Government of Québec appoints the Board of Director members, at least two-thirds of whom must be independent. The Government of Québec also approves the appointment of the President and Chief Executive Officer. Consequently, la Caisse has availed itself of the exemption set out in IAS 24 – *Related Party Disclosures* regarding the disclosure of transactions with a related government and with any entities related to the related government. The transactions carried out with the Government of Québec and its related entities are investment activities involving bonds issued by or guaranteed by the government and are carried out under normal market conditions through external brokers. These bonds are included in the "Governments" and "Government corporations and other public administrations" bond categories of Note 4a. In addition, la Caisse discloses information on the Government sector category in the "Government of Québec" and "Government corporations and other public administrations in Québec" items of Note 11. Furthermore, the Government of Québec and its related entities have entered into agreements related to a public infrastructure project in Québec being carried out through CDPQ Infra Inc, a subsidiary of la Caisse. These agreements were signed in the subsidiary's normal course of business.

# 16. INTERESTS IN OTHER ENTITIES

## Subsidiaries

**Consolidated subsidiary**

CDP Financial Inc is a wholly owned subsidiary that issues debt securities in order to finance la Caisse's investments at an optimal financing cost.

**Unconsolidated subsidiaries**

The subsidiaries presented in this category are entities controlled by la Caisse either directly or indirectly through subsidiaries in accordance with the criteria in IFRS 10.

**Intermediate subsidiaries**

As part of certain investment activities, la Caisse may use intermediate subsidiaries whose sole purpose is to hold investments for la Caisse. They are therefore not included in the information shown in the following tables, while the main underlying ownership interests in subsidiaries, joint ventures, associates and non-controlled structured entities are shown.

The following table shows the ownership interests held in the main consolidated and unconsolidated subsidiaries as at December 31, 2019 as well as the comparative ownership interests as at December 31, 2018:

| | | **December 31, 2019** | December 31, 2018 |
|---|---|---|---|
| | **Principal place of business** | **Ownership interest** | Ownership interest |
| **Consolidated subsidiary** | | | |
| CDP Financial Inc | Canada | **100.0%** | 100.0% |
| **Unconsolidated subsidiaries** | | | |
| ***Real estate debt*** | | | |
| Otéra Capital Inc[1] | Canada | **97.5%** | 97.5% |
| ***Energy*** | | | |
| Southern Star Acquisition Corporation | United States | **79.9%** | 100.0% |
| Tenedora de Energía Renovable Sol y Viento S.A.P.I. de C.V. [2] | Mexico | **67.1%** | 67.1% |
| Trencap LP (Énergir)[3] | Canada | **64.7%** | 64.7% |
| ***Hedge funds*** | | | |
| CTA ALP Fund, LP | United States | **100.0%** | 100.0% |
| CTA FCW Fund, LP | United States | **100.0%** | 100.0% |
| CTA JNM Fund, LP | United States | **-** | 100.0% |
| CTA QN5 Fund, LP | United States | **100.0%** | 100.0% |
| CTA WLH Fund, LP | United Kingdom[4] | **100.0%** | 100.0% |
| EMN ANF Fund, LP (formerly AIM Quantitative Global SF II Ltd) | United States | **100.0%** | 100.0% |
| EMN CDM Fund, LP | United States | **100.0%** | - |
| EMN CNM Fund, LP | United States | **100.0%** | 100.0% |
| EMN DLC Fund, LP (formerly DSAM Neutral LP) | United Kingdom[4] | **100.0%** | 100.0% |
| EMN ENP Fund, LP | United States | **100.0%** | 100.0% |
| GMAC ASO Fund Inc | Singapore[5] | **100.0%** | - |
| Ionic Pamli Global Credit Strategies Fund | United States[5] | **100.0%** | 100.0% |
| Kildonan Quebec Fund Ltd | United States[5] | **-** | 100.0% |
| ***Private debt fund*** | | | |
| Global Credit Opportunities (Canada) LP | Canada | **100.0%** | 100.0% |
| ***Private investment funds*** | | | |
| Apollo Hercules Partners LP | United States[5] | **97.6%** | 97.6% |
| EC Partners LP | Singapore | **100.0%** | 100.0% |
| GSO Churchill Partners LP | United States[5] | **98.0%** | 98.0% |
| GSO Churchill Partners II LP | United States[5] | **98.0%** | 98.0% |
| KKR-CDP Partners LP | United States[5] | **90.1%** | 90.1% |
| ***Real estate – Ivanhoé Cambridge Group*** | | | |
| Careit Canada DCR GP | Canada | **94.7%** | 94.2% |
| Careit Canada GP | Canada | **94.7%** | 94.2% |
| IC Australia Trust | Australia | **94.7%** | 94.2% |
| IC Investments US GP | Canada | **94.7%** | 94.2% |
| IC Investments Mexico GP | Canada | **94.7%** | 94.2% |
| IC Multi Equities LP | Canada | **94.7%** | - |
| Ivanhoé Cambridge Inc | Canada | **94.7%** | 94.2% |
| SITQ E.U. LP | United States | **94.6%** | 94.1% |

[1] Otéra Capital Inc owns 78.4% of MCAP Commercial LP as at December 31, 2019 (78.1% as at December 31, 2018).
[2] Voting rights amount to 60.0%.
[3] Trencap LP owns 61.1% of Noverco Inc, which owns 100.0% of Énergir Inc and 100.0% of Valener Inc, which together own 100.0% of Énergir LP.
[4] Constituted in the United States.
[5] Constituted in the Cayman Islands in accordance with the limited partner structure.

## Subsidiaries (cont.)

| | Principal place of business | December 31, 2019 Ownership interest | December 31, 2018 Ownership interest |
|---|---|---|---|
| ***Industrials*** | | | |
| CDPQ Infra Inc | Canada | **100.0%** | 100.0% |
| Einn Volant Aircraft Leasing Holdings Ltd | Ireland[5] | **90.5%** | 90.5% |
| Patina Rail LLP[1] | United Kingdom | **75.0%** | 75.0% |
| Spinner US AcquireCo Inc (Student Transportation of America) | United States | **79.9%** | 79.9% |
| Trust No. 2431[2] | Mexico | **43.0%** | 43.0% |
| ***Materials*** | | | |
| McInnis Cement Inc[3] (formerly Beaudier Ciment Inc) | Canada | **27.5%** | 57.3% |
| ***Services*** | | | |
| Datamars SA[4] | Switzerland | **64.8%** | 64.8% |

[1] Patina Rail LLP owns 40.0% of Eurostar International Limited.
[2] La Caisse exercises control through a majority of the members of the board of directors. Trust No. 2431 owns 49.0% of ICA Operadora de Vias Terrestres, S.A.P.I. de C.V.
[3] La Caisse exercises control over McInnis Cement Inc since it holds 50.0% of the seats on the board of directors of McInnis Holding LP as well as the deciding vote in the event of an impasse.
[4] Voting rights amount to 55.0%.
[5] Constituted in Bermuda.

## Joint ventures

The following table shows the ownership interests held in the main joint ventures as at December 31, 2019 as well as the comparative ownership interests as at December 31, 2018:

| | Principal place of business | December 31, 2019 Ownership interest | December 31, 2018 Ownership interest |
|---|---|---|---|
| ***Consumer discretionary*** | | | |
| MED ParentCo LP | United States | **-** | 47.7% |
| ***Energy*** | | | |
| HEF HoldCo II, Inc | United States | **33.3%** | 33.3% |
| ***Financials*** | | | |
| USI Advantage Corp[1] | United States | **26.0%** | 26.0% |
| ***Industrials*** | | | |
| Delachaux SA[1] | France | **43.0%** | 43.0% |
| DP World Australia B.V. | Australia[3] | **45.0%** | - |
| DP World Canada Investment Inc | Canada | **45.0%** | 45.0% |
| DP World Caucedo (Caucedo Investments Inc, Caucedo Services Inc) | Dominican Republic[4] | **45.0%** | - |
| DP World Holding UK Limited (UK) | Chile[5] | **45.0%** | - |
| ***Information technology*** | | | |
| Kiwi Holdco Cayco, Ltd (FNZ)[2] | United Kingdom[6] | **72.0%** | 72.0% |

[1] Voting rights amount to 50.0%.
[2] La Caisse exercises joint control through agreements with the other shareholders.
[3] Constituted in the Netherlands.
[4] Constituted in the British Virgin Islands.
[5] Constituted in the United Kingdom.
[6] Constituted in the Cayman Islands.

## Associates

The following table shows the ownership interests held in the main associates as at December 31, 2019 as well as the comparative ownership interests as at December 31, 2018:

| | | December 31, 2019 | December 31, 2018 |
|---|---|---|---|
| | Principal place of business | Ownership interest | Ownership interest |
| ***Consumer discretionary*** | | | |
| Cogeco Communications USA Inc | United States | **21.0%** | 21.0% |
| SGU Holdings LP | United States[8] | **46.7%** | 46.7% |
| ***Energy*** | | | |
| Azure Power Global Ltd | India[9] | **49.7%** | 40.3% |
| Corex Resources Ltd | Canada | **49.5%** | 49.5% |
| Fluxys SA | Belgium | **20.0%** | 20.0% |
| Invenergy Renewables LLC[1] | United States | **65.0%** | 53.6% |
| IPALCO Enterprises, Inc | United States | **30.0%** | 30.0% |
| London Array Ltd, London Array Unincorporated JV | United Kingdom | **25.0%** | 25.0% |
| NSW Electricity Networks Assets Holding Trust, NSW Electricity Networks Operations Holding Trust (TransGrid) | Australia | **22.5%** | 22.5% |
| Suez Water Technologies and solutions SA | France | **30.0%** | 30.0% |
| Techem GmbH | Germany | **24.5%** | 24.5% |
| Transportadora Associada de Gas SA | Brazil | **31.5%** | - |
| ***Financials*** | | | |
| Avison Young (Canada) Inc | Canada | **33.3%** | 33.3% |
| First Lion Holdings Inc | Canada | **22.3%** | - |
| Greenstone Ltd | Australia | **30.0%** | 30.0% |
| Hilco Trading LLC | United States | **27.3%** | - |
| Hyperion Insurance Group Ltd | United Kingdom | **29.6%** | 29.6% |
| ***Industrials*** | | | |
| Airport Holding Kft | Hungary | **21.2%** | 21.2% |
| Alix Partners LLP | United States | **21.0%** | 21.0% |
| Allied Universal Holdco LLC | United States | **41.5%** | - |
| Alvest International Equity SAS[2] | France | **39.9%** | 39.9% |
| Clarios Power Solutions Holdings LP | United States[8] | **30.0%** | - |
| Fives Group[3] | France | **30.4%** | 30.4% |
| Groupe Keolis SAS | France | **30.0%** | 30.0% |
| Groupe Solmax Inc | Canada | **30.0%** | 30.0% |
| Knowlton Development Corporation Inc[4] | Canada | **35.8%** | 35.8% |
| Lightspeed POS Inc[5] | Canada | **20.4%** | 44.6% |
| NRT Group Holdings Unit Trust, NRT Group Holdings Pty Ltd (Sydney Metro) | Australia | **24.9%** | - |
| Organización de Proyectos de Infraestructura, S.A.P.I. de C.V. (OPI), OPCEM, S.A.P.I. de C.V. (OPCEM) | Mexico | **45.5%** | 45.5% |
| IPL Plastics Inc | Canada | **27.1%** | 27.4% |
| PlusGrade Parent LP[6] | Canada | **39.9%** | 39.9% |
| QPH Hold Trust, QPH Hold Co PTY Limited (Port of Brisbane) | Australia | **26.7%** | 26.7% |
| TVS Supply Chain Solutions Limited (formerly TVS Logistics services) | India | **38.2%** | 38.2% |
| ***Health care*** | | | |
| ANZ Hospital Topco | Australia | **21.3%** | - |
| Invekra, S.A.P.I. de C.V. | Mexico | **22.7%** | - |
| ***Utilities*** | | | |
| CLP India Pvt Ltd | India | **40.0%** | 40.0% |
| ***Real estate services*** | | | |
| Groupe Foncia | France | **29.1%** | 29.1% |
| ***Information technology*** | | | |
| Nuvei Corporation[7] | Canada | **28.0%** | - |
| ***Telecommunications*** | | | |
| Vertical Bridge Reit LLC | United States | **30.0%** | - |
| ***Rail transport*** | | | |
| Bombardier Transportation (Investment) UK Limited | Germany[10] | **30.0%** | 27.5% |

[1] Voting rights amount to 45.0%.
[2] Voting rights amount to 28.6%.
[3] Voting rights amount to 20.3%.
[4] Voting rights amount to 27.8%.
[5] Voting rights amount to 22.9%.
[6] Voting rights amount to 37.5%.
[7] Voting rights amount to 22.9%.
[8] Constituted in Canada.
[9] Constituted in Mauritius.
[10] Constituted in the United Kingdom.

### Non-controlled structured entities

La Caisse holds interests in non-controlled structured entities, the majority of which represent private investment funds or limited partnerships. The interests held by la Caisse do not give it power over the relevant activities of these entities, as control is established by contractual agreement in favour, generally, of a general partner or administrator. The maximum exposure to loss attributable to the various interests held in the main non-controlled structured entities is limited to the fair value of the investment held by la Caisse, i.e., $28,181 million in 216 companies as at December 31, 2019 ($25,732 million in 207 companies as at December 31, 2018).

## 17. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The following tables show changes in liabilities arising from financing activities, including non-cash changes:

| | | | **Non-Cash Changes** | | |
|---|---|---|---|---|---|
| | **December 31, 2018** | **Cash flows from financing activities** | **Change in foreign exchange** | **Change in fair value** | **December 31, 2019** |
| Commercial paper payable | **5,921** | **3,131** | **(272)** | **14** | **8,794** |
| Loans payable | **290** | **85** | **(7)** | **-** | **368** |
| Term notes payable | **9,598** | **2,983** | **(493)** | **244** | **12,332** |
| | **15,809** | **6,199** | **(772)** | **258** | **21,494** |

| | | | Non-Cash Changes | | |
|---|---|---|---|---|---|
| | December 31, 2017 | Cash flows from financing activities | Change in foreign exchange | Change in fair value | December 31, 2018 |
| Commercial paper payable | 4,556 | 1,180 | 182 | 3 | 5,921 |
| Loans payable | 364 | (80) | - | 6 | 290 |
| Term notes payable | 9,198 | - | 607 | (207) | 9,598 |
| | 14,118 | 1,100 | 789 | (198) | 15,809 |

## 18. COMMITMENTS AND FINANCIAL GUARANTEES

Given the nature of its activities, la Caisse enters into various investment purchase commitments that will be settled in the coming fiscal years in accordance with the terms and conditions in the related agreements.

For la Caisse, financial guarantees consist of providing guarantees, to financial institutions and corporations, on derivative financial instrument transactions, repayment of loans taken by companies in which it has an economic interest, and certain letters of credit of its subsidiaries. As part of certain investment transactions, la Caisse may also provide financial guarantees or issue letters of credit to third parties. The maturities of the commitments are disclosed in Note 11.

The commitments and financial guarantees are detailed as follows:

| | **December 31, 2019** | December 31, 2018 |
|---|---|---|
| Investment purchase commitments | **19,702** | 18,450 |
| Commitments under leases | **505** | 516 |
| Financial guarantees | **616** | 397 |
| | **20,823** | 19,363 |

### Litigation

In the normal course of business, la Caisse may be subject to legal actions. Although la Caisse cannot predict the outcomes of any ongoing legal proceedings as at December 31, 2019, it has no reason to believe that the settlement of any one of these proceedings could have a material impact on its financial position.

# 19. SUPPLEMENTARY INFORMATION

The following statements present the financial information of the specialized portfolios:

| | SHORT TERM INVESTMENTS (740) | | RATES (765) | | CREDIT (766) | |
|---|---|---|---|---|---|---|
| **STATEMENT OF FINANCIAL POSITION** | **2019** | 2018 | **2019** | 2018 | **2019** | 2018 |
| **Total assets** | **1,566** | 868 | **61,244** | 50,950 | **96,714** | 64,792 |
| **Total liabilities excluding net assets attributable to holders of participation units** | **685** | 2 | **30,053** | 18,166 | **30,784** | 9,117 |
| **NET ASSETS ATTRIBUTABLE TO HOLDERS OF PARTICIPATION UNITS** | **881** | 866 | **31,191** | 32,784 | **65,930** | 55,675 |

| **STATEMENT OF COMPREHENSIVE INCOME** | **2019** | 2018 | **2019** | 2018 | **2019** | 2018 |
|---|---|---|---|---|---|---|
| **Net income** | **15** | 15 | **666** | 926 | **2,355** | 2,245 |
| **Net gains (losses) on financial instruments at fair value** | **0** | 0 | **790** | (175) | **3,879** | (1,112) |
| **Investment result before distributions to (recoveries from) holders of participation units** | **15** | 15 | **1,456** | 751 | **6,234** | 1,133 |
| Recoveries (distributions) | **(15)** | (15) | **(666)** | (926) | **(2,355)** | (2,245) |
| **Net income and comprehensive income attributable to holders of participation units** | **0** | 0 | **790** | (175) | **3,879** | (1,112) |

| **STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF PARTICIPATION UNITS** | **2019** | 2018 | **2019** | 2018 | **2019** | 2018 |
|---|---|---|---|---|---|---|
| Balance at beginning of the year | **866** | 1,892 | **32,784** | 40,012 | **55,675** | 50,073 |
| Net change in participation units for the year | **15** | (1,026) | **(2,383)** | (7,053) | **6,376** | 6,714 |
| Net income and comprehensive income attributable to holders of participation units | **0** | 0 | **790** | (175) | **3,879** | (1,112) |
| **BALANCE AT END OF THE YEAR** | **881** | 866 | **31,191** | 32,784 | **65,930** | 55,675 |

| | LONG TERM BONDS (764) | | REAL RETURN BONDS (762) | | INFRASTRUCTURE (782) | |
|---|---|---|---|---|---|---|
| **STATEMENT OF FINANCIAL POSITION** | **2019** | 2018 | **2019** | 2018 | **2019** | 2018 |
| **Total assets** | **3,572** | 3,681 | **1,282** | 1,311 | **30,613** | 24,447 |
| **Total liabilities excluding net assets attributable to holders of participation units** | **508** | 836 | **2** | 116 | **3,238** | 1,897 |
| **NET ASSETS ATTRIBUTABLE TO HOLDERS OF PARTICIPATION UNITS** | **3,064** | 2,845 | **1,280** | 1,195 | **27,375** | 22,550 |

| **STATEMENT OF COMPREHENSIVE INCOME** | **2019** | 2018 | **2019** | 2018 | **2019** | 2018 |
|---|---|---|---|---|---|---|
| **Net income** | **96** | 82 | **26** | 26 | **964** | 771 |
| **Net gains (losses) on financial instruments at fair value** | **266** | (84) | **72** | (27) | **724** | 1,265 |
| **Investment result before distributions to (recoveries from) holders of participation units** | **362** | (2) | **98** | (1) | **1,688** | 2,036 |
| Recoveries (distributions) | **(96)** | (82) | **(26)** | (26) | **(964)** | (771) |
| **Net income and comprehensive income attributable to holders of participation units** | **266** | (84) | **72** | (27) | **724** | 1,265 |

| **STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF PARTICIPATION UNITS** | **2019** | 2018 | **2019** | 2018 | **2019** | 2018 |
|---|---|---|---|---|---|---|
| Balance at beginning of the year | **2,845** | 2,929 | **1,195** | 1,185 | **22,550** | 15,974 |
| Net change in participation units for the year | **(47)** | 0 | **13** | 37 | **4,101** | 5,311 |
| Net income and comprehensive income attributable to holders of participation units | **266** | (84) | **72** | (27) | **724** | 1,265 |
| **BALANCE AT END OF THE YEAR** | **3,064** | 2,845 | **1,280** | 1,195 | **27,375** | 22,550 |

## Supplementary information (cont.)

| | REAL ESTATE (710) | | EQUITY MARKETS (737) | | PRIVATE EQUITY (780) | |
|---|---|---|---|---|---|---|
| **STATEMENT OF FINANCIAL POSITION** | **2019** | 2018 | **2019** | 2018 | **2019** | 2018 |
| **Total assets** | **48,651** | 38,326 | **118,393** | 109,820 | **52,018** | 44,479 |
| **Total liabilities excluding net assets attributable to holders of participation units** | **8,952** | 100 | **1,706** | 1,805 | **2,885** | 2,337 |
| **NET ASSETS ATTRIBUTABLE TO HOLDERS OF PARTICIPATION UNITS** | **39,699** | 38,226 | **116,687** | 108,015 | **49,133** | 42,142 |
| **STATEMENT OF COMPREHENSIVE INCOME** | **2019** | 2018 | **2019** | 2018 | **2019** | 2018 |
| **Net income** | **19** | 6 | **2,633** | 2,611 | **2,297** | 1,903 |
| **Net gains (losses) on financial instruments at fair value** | **(1,147)** | 2,729 | **15,053** | (3,639) | **2,186** | 3,965 |
| **Investment result before distributions to (recoveries from) holders of participation units** | **(1,128)** | 2,735 | **17,686** | (1,028) | **4,483** | 5,868 |
| Recoveries (distributions) | **(19)** | (6) | **(2,633)** | (2,611) | **(2,297)** | (1,903) |
| **Net income and comprehensive income attributable to holders of participation units** | **(1,147)** | 2,729 | **15,053** | (3,639) | **2,186** | 3,965 |
| **STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF PARTICIPATION UNITS** | **2019** | 2018 | **2019** | 2018 | **2019** | 2018 |
| Balance at beginning of the year | **38,226** | 34,264 | **108,015** | 111,961 | **42,142** | 36,500 |
| Net change in participation units for the year | **2,620** | 1,233 | **(6,381)** | (307) | **4,805** | 1,677 |
| Net income and comprehensive income attributable to holders of participation units | **(1,147)** | 2,729 | **15,053** | (3,639) | **2,186** | 3,965 |
| **BALANCE AT END OF THE YEAR** | **39,699** | 38,226 | **116,687** | 108,015 | **49,133** | 42,142 |

| | ASSET ALLOCATION (771) | | ACTIVE OVERLAY STRATEGIES (773) | |
|---|---|---|---|---|
| **STATEMENT OF FINANCIAL POSITION** | **2019** | 2018 | **2019** | 2018 |
| **Total assets** | **2,725** | 5,530 | **6,058** | 9,576 |
| **Total liabilities excluding net assets attributable to holders of participation units** | **1,087** | 3,906 | **5,381** | 9,047 |
| **NET ASSETS ATTRIBUTABLE TO HOLDERS OF PARTICIPATION UNITS** | **1,638** | 1,624 | **677** | 529 |
| **STATEMENT OF COMPREHENSIVE INCOME** | **2019** | 2018 | **2019** | 2018 |
| **Net income** | **5** | (23) | **(33)** | 84 |
| **Net gains (losses) on financial instruments at fair value** | **(255)** | 26 | **239** | (247) |
| **Investment result before distributions to (recoveries from) holders of participation units** | **(250)** | 3 | **206** | (163) |
| Recoveries (distributions) | **(5)** | 23 | **33** | (84) |
| **Net income and comprehensive income attributable to holders of participation units** | **(255)** | 26 | **239** | (247) |
| **STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF PARTICIPATION UNITS** | **2019** | 2018 | **2019** | 2018 |
| Balance at beginning of the year | **1,624** | 1,358 | **529** | 573 |
| Net change in participation units for the year | **269** | 240 | **(91)** | 203 |
| Net income and comprehensive income attributable to holders of participation units | **(255)** | 26 | **239** | (247) |
| **BALANCE AT END OF THE YEAR** | **1,638** | 1,624 | **677** | 529 |

Caisse de dépôt et placement du Québec

# CONSOLIDATED FINANCIAL STATEMENTS

# 2018 and 2017

# MANAGEMENT’S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL REPORTING

The preparation and presentation of the consolidated financial statements of la Caisse de dépôt et placement du Québec (“la Caisse”) are the responsibility of management. The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) and incorporated into the CPA Canada Handbook. We ensure that the financial information in the Annual Report is consistent with the information in the consolidated financial statements.

The consolidated financial statements include amounts that are based on management’s best estimates and judgment, with due regard for their relative importance. Moreover, when preparing the financial information, management has made decisions regarding the information to be presented as well as estimates and assumptions that affect the information presented. Future results may differ considerably from our current estimates, as changes to financial markets or other events could have an impact on the fair value of the investments.

In our responsibility for the reliability of financial information, we rely on disclosure controls and procedures and internal controls over financial reporting. In particular, these controls include a clear definition of responsibilities, delegation of powers, allocation of duties, ethical standards, employee hiring and training criteria as well as policies, guidelines and procedures designed to ensure that transactions are duly authorized, assets are properly measured and safeguarded, and proper records are maintained.

Moreover, la Caisse’s internal audit group audits the internal controls on a regular basis. These controls and audits are designed to provide reasonable assurance regarding the reliability of the accounting records used to prepare the consolidated financial statements and to ensure that assets are not used or disposed of in any unauthorized manner, that liabilities are recorded, and that we meet all the legal requirements to which la Caisse is subject, including the *Act respecting the Caisse de dépôt et placement du Québec.*

Each year, we certify that the design of the internal control over financial information is sufficient and that the design and operation of the financial information disclosure controls and procedures are effective. We report any significant irregularity to the Audit Committee of the Board of Directors of la Caisse, as necessary.

The Auditor General of Québec and Ernst & Young LLP (the “co-auditors”) have audited the consolidated financial statements of la Caisse as at December 31, 2018 and 2017 and for the years then ended and their report covers the nature and scope of the audit and expresses their opinion. The co-auditors have unrestricted access to the Audit Committee to discuss any matter related to their audit.

The Board of Directors and its committees supervise the manner in which management fulfills its responsibility for the establishment and presentation of financial information, maintenance of appropriate internal controls, compliance with the requirements of laws and regulations, management of and control over the main risks, and evaluation of major transactions. Moreover, it approves the consolidated financial statements and the Annual Report.

The Board of Directors approved the consolidated financial statements as at December 31, 2018 and 2017 and for the years then ended. It is assisted in its responsibilities by the Audit Committee, of which all members are independent directors. This Committee meets with management and the co-auditors, examines the consolidated financial statements, and recommends the approval thereof to the Board of Directors.

Michael Sabia
President and Chief Executive Officer

Maarika Paul, FCPA, FCA, CBV, ICD.D
Executive Vice-President and
Chief Financial and Operations Officer

Montréal, February 19, 2019

**INDEPENDENT AUDITORS' REPORT**

To the National Assembly

**Report on the audit of the consolidated financial statements**

**Opinion**

We have audited the consolidated financial statements of la Caisse de dépôt et placement du Québec and its subsidiaries (the "Group"), which comprise the Consolidated Statements of Financial Position as at December 31, 2018 and 2017 and the Consolidated Statements of Comprehensive Income, the Consolidated Statements of Changes in Net Assets Attributable to Depositors and the Consolidated Statements of Cash Flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017 and its consolidated financial performance and its consolidated cash flows for the years then ended, in accordance with International Financial Reporting Standards (IFRS).

**Basis for opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of this auditors' report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Other information included in the Group's 2018 Annual Report:**

Management is responsible for the other information. The other information comprises the information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

The Annual Report is expected to be made available to us after the date of the auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

**Responsibilities of management and those charged with governance for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

**Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. Future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the Group. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Report on other legal and regulatory requirements**

As required by the *Auditor General Act* (CQLR, chapter V-5.01), we report that, in our opinion, these accounting standards have been applied for the current fiscal year on a basis consistent with that of the preceding year, except for the accounting policy changes related to financial instruments explained in Note 2.

Auditor General of Québec,

Guylaine Leclerc FCPA Auditor, FCA

Guylaine Leclerc, FCPA auditor, FCA
Canada, Montréal, February 19, 2019

Ernst & Young LLP

Ernst & Young LLP[1]

[1] CPA auditor, CA, public accountancy permit no. A112431
Canada, Montréal, February 19, 2019

# CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

*(in millions of Canadian dollars)*

| | Note | **December 31, 2018** | December 31, 2017 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash | | **675** | 947 |
| Amounts receivable from transactions being settled | | **4,587** | 2,447 |
| Advances to depositors | | **903** | 1,056 |
| Investment income, accrued and receivable | | **1,352** | 1,395 |
| Other assets | | **482** | 255 |
| Investments | 4 | **342,004** | 331,050 |
| **Total assets** | | **350,003** | 337,150 |
| **LIABILITIES** | | | |
| Amounts payable on transactions being settled | | **1,113** | 2,102 |
| Other financial liabilities | | **1,172** | 691 |
| Investment liabilities | 4 | **38,207** | 35,845 |
| **Total liabilities excluding net assets attributable to depositors** | | **40,492** | 38,638 |
| **NET ASSETS ATTRIBUTABLE TO DEPOSITORS** | | **309,511** | 298,512 |

The accompanying notes are an integral part of the consolidated financial statements.

On behalf of the Board of Directors,

Michael Sabia

François Joly

# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31

*(in millions of Canadian dollars)*

| | Notes | **2018** | 2017 |
|---|---|---|---|
| Investment income | 9 | **10,222** | 9,576 |
| Investment expense | 9 | **(886)** | (650) |
| Net investment income | 9 | **9,336** | 8,926 |
| Operating expenses | 11 | **(585)** | (536) |
| **Net income** | | **8,751** | 8,390 |
| **Net gains on financial instruments at fair value** | 10 | **3,039** | 16,206 |
| **Investment result before distributions to depositors** | 10 | **11,790** | 24,596 |
| Distributions to depositors | | **(12,222)** | (9,844) |
| **Net income and comprehensive income attributable to depositors** | | **(432)** | 14,752 |

The accompanying notes are an integral part of the consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO DEPOSITORS

For the years ended December 31

*(in millions of Canadian dollars)*

| | Demand deposits | Term deposits | Distributions payable to depositors | Participation deposits | Net assets attributable to depositors |
|---|---|---|---|---|---|
| Balance as at December 31, 2016 | 728 | 6 | 1,373 | 268,639 | 270,746 |
| **Attributions and distributions** | | | | | |
| Net income and comprehensive income attributable to depositors | - | - | - | 14,752 | 14,752 |
| Distributions to depositors | 9,242 | - | 602 | - | 9,844 |
| **Participation deposits** | | | | | |
| Issuance of participation deposit units | (19,484) | - | - | 19,484 | - |
| Cancellation of participation deposit units | 6,432 | - | - | (6,432) | - |
| **Net deposits** | | | | | |
| Net contributions | 3,170 | - | - | - | 3,170 |
| **BALANCE AS AT DECEMBER 31, 2017** | 88 | 6 | 1,975 | 296,443 | 298,512 |
| **Attributions and distributions** | | | | | |
| Net income and comprehensive income attributable to depositors | **-** | **-** | **-** | **(432)** | **(432)** |
| Distributions to depositors | **11,691** | **-** | **531** | **-** | **12,222** |
| **Participation deposits** | | | | | |
| Issuance of participation deposit units | **(14,566)** | **-** | **-** | **14,566** | **-** |
| Cancellation of participation deposit units | **4,290** | **-** | **-** | **(4,290)** | **-** |
| **Net deposits** | | | | | |
| Net withdrawals | **(791)** | **-** | **-** | **-** | **(791)** |
| **BALANCE AS AT DECEMBER 31, 2018** | **712** | **6** | **2,506** | **306,287** | **309,511** |

The accompanying notes are an integral part of the consolidated financial statements.

CAISSE DE DÉPÔT ET PLACEMENT DU QUÉBEC

# CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31

*(in millions of Canadian dollars)*

| | **2018** | 2017 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net income and comprehensive income attributable to depositors | **(432)** | 14,752 |
| **Adjustments for:** | | |
| Unrealized net (gains) losses on commercial paper, term notes and loans payable | **591** | (483) |
| Distributions to depositors | **12,222** | 9,844 |
| **Net changes in operating assets and liabilities** | | |
| Amounts receivable from transactions being settled | **(2,140)** | 1,451 |
| Advances to depositors | **153** | 12 |
| Investment income, accrued and receivable | **43** | (222) |
| Other assets | **(227)** | (61) |
| Investments | **(10,594)** | (23,415) |
| Amounts payable on transactions being settled | **(989)** | 415 |
| Other financial liabilities | **481** | 155 |
| Investment liabilities | **671** | (6,587) |
| | **(221)** | (4,139) |
| **Cash flows from financing activities** | | |
| Net change in commercial paper payable | **2,386** | 270 |
| Issuance of commercial paper payable | **5,443** | 7,663 |
| Repayment of commercial paper payable | **(6,649)** | (8,084) |
| Net change in loans payable | **(80)** | 176 |
| Net contributions (net withdrawals) | **(791)** | 3,170 |
| | **309** | 3,195 |
| **Net increase (decrease) in cash and cash equivalents** | **88** | (944) |
| Cash and cash equivalents at the beginning of the year | **947** | 1,891 |
| **Cash and cash equivalents at the end of the year** | **1,035** | 947 |
| **Cash and cash equivalents comprise:** | | |
| Cash | **675** | 947 |
| Securities purchased under reverse repurchase agreements | **360** | - |
| | **1,035** | 947 |
| **Supplemental information on cash flows from operating activities** | | |
| Interest and dividends received | **10,115** | 9,787 |
| Interest paid | **(800)** | (539) |

The accompanying notes are an integral part of the consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*(Tabular amounts are presented in millions of Canadian dollars, unless otherwise indicated.)*

## 1. CONSTITUTION AND NATURE OF OPERATIONS

La Caisse de dépôt et placement du Québec ("la Caisse"), a legal person established in the public interest within the meaning of the *Civil Code of Québec,* is governed by the *Act respecting the Caisse de dépôt et placement du Québec* (CQLR, chapter C-2) (the "Act").

La Caisse is domiciled in Québec, Canada. Its head office is located at 65 Sainte-Anne, Québec City, Canada and its main office is located at 1000 Place Jean-Paul-Riopelle, Montréal, Canada.

La Caisse's mission is to receive moneys on deposit as provided by the Act and to manage them with a view to achieving an optimal return on depositors' capital within the framework of the depositor investment policies while also contributing to Québec's economic development.

**CONSOLIDATED FINANCIAL STATEMENTS**

These consolidated financial statements have been prepared for the purposes of presenting la Caisse's financial position, financial performance and cash flows. La Caisse's consolidated financial statements include the accounts of the General Fund, of the individual funds, and of the specialized portfolios as well as the accounts of its subsidiaries that exclusively offer services related to financing, administrative and management activities. In preparing the consolidated financial statements, all intercompany transactions and balances have been eliminated.

The investing activities of the depositors in la Caisse's various specialized portfolios are concluded through the participation deposit units of individual funds.

**General Fund**

The General Fund comprises cash and cash equivalent activities that include the management of demand deposits, term deposits, and the financing activities of la Caisse.

**Individual Funds**

The individual funds consist mainly of diversified investments in specialized portfolios. Each individual fund is dedicated to a single depositor who invests in the participation deposits of individual funds.

The individual funds of depositors are as follows:

**Fund 300:** Québec Pension Plan Fund, administered by Retraite Québec

**Fund 301:** Government and Public Employees Retirement Plan, administered by Retraite Québec

**Fund 302:** Pension Plan of Management Personnel, administered by Retraite Québec

**Fund 303:** Pension Plan for Federal Employees Transferred to Employment with the Gouvernement du Québec (formerly Special Plans), administered by Retraite Québec

**Fund 305:** Pension Plan of Elected Municipal Officers (PPEMO), administered by Retraite Québec

**Fund 306:** Régime complémentaire de rentes des techniciens ambulanciers/paramédics et des services préhospitaliers d'urgence – Volet à prestations déterminées, administered by the Comité de retraite

**Fund 307:** Fonds d'assurance automobile du Québec, administered by the Société de l'assurance automobile du Québec

**Fund 310:** Régime de retraite des chauffeurs d'autobus de la Société de transport de Laval, administered by the Comité de retraite (created January 1, 2017)

**Fund 311:** Supplemental Pension Plan for Employees of the Québec Construction Industry – General Account, administered by the Commission de la construction du Québec

**Fund 312:** Supplemental Pension Plan for Employees of the Québec Construction Industry – Retirees Account, administered by the Commission de la construction du Québec

**Fund 313:** Supplemental Pension Plan for Employees of the Québec Construction Industry – Supplementary Account, administered by the Commission de la construction du Québec

**Fund 314:** Deposit Insurance Fund, administered by the Autorité des marchés financiers

**Fund 315:** Dedicated account, administered by La Financière agricole du Québec

**Fund 316:** Retirement Plans Sinking Fund – RREGOP (RPSF-RREGOP), administered by the ministère des Finances, Government of Québec

**Fund 317:** Retirement Plans Sinking Fund – PPMP (RPSF-PPMP), administered by the ministère des Finances, Government of Québec

**Fund 318:** Retirement Plans Sinking Fund – Others (RPSF-Others), administered by the ministère des Finances, Government of Québec

**Fund 326:** Crop Insurance Fund, administered by La Financière agricole du Québec

**Fund 328:** Survivor's Pension Plan, administered by the Secrétariat du Conseil du trésor

**Fund 329:** Fonds d'assurance-garantie, administered by la Régie des marchés agricoles et alimentaires du Québec

**Fund 330:** Fonds de la santé et de la sécurité du travail, administered by the Commission des normes, de l'équité, de la santé et de la sécurité du travail

**Fund 331:** Régime de retraite des employés du Réseau de Transport de la Capitale, administered by the Comité de retraite (created January 1, 2017)

**Fund 332:** Fonds des cautionnements des agents de voyages – cautionnements individuels, administered by the Office de la protection du consommateur

**Fund 333:** Compensation Fund for Customers of Travel Agents, administered by the Office de la protection du consommateur

**Individual Funds (cont.)**

**Fund 335:** Régime complémentaire de rentes des techniciens ambulanciers/paramédics et des services préhospitaliers d'urgence – Fonds 2020, administered by the Comité de retraite

**Fund 336:** Régime complémentaire de rentes des techniciens ambulanciers/paramédics et des services préhospitaliers d'urgence – Fonds 2030, administered by the Comité de retraite

**Fund 337:** Régime complémentaire de rentes des techniciens ambulanciers/paramédics et des services préhospitaliers d'urgence – Fonds 2040, administered by the Comité de retraite

**Fund 338:** Régime complémentaire de rentes des techniciens ambulanciers/paramédics et des services préhospitaliers d'urgence – Fonds 2050, administered by the Comité de retraite

**Fund 339:** Fonds d'indemnisation des services financiers, administered by the Autorité des marchés financiers

**Fund 340:** Régimes de retraite de la Ville de Terrebonne, administered by the Comité de retraite conjoint des Régimes de retraite de la Ville de Terrebonne

**Fund 342:** Régime de retraite de l'Université du Québec, administered by the Comité de retraite du Régime de retraite de l'Université du Québec

**Fund 343:** Parental Insurance Fund administered by the Conseil de gestion de l'assurance parentale (inactive since June 1, 2017)

**Fund 344:** Réserve administered by La Financière agricole du Québec

**Fund 347:** Régime de retraite du personnel des CPE et des garderies privées conventionnées du Québec, administered by the Investment Committee

**Fund 351:** Generations Fund, administered by the ministère des Finances, Government of Québec

**Fund 353:** Superannuation Plan for the Members of the Sûreté du Québec – Participants' Fund (SPMSQ-part.), administered by Retraite Québec

**Fund 354:** Superannuation Plan for the Members of the Sûreté du Québec – Employers' Fund (SPMSQ-empl.), administered by the ministère des Finances, Government of Québec

**Fund 361:** Pension Plan of the non-teaching Staff of the Commission des écoles catholiques de Montréal, administered by the Secrétariat du Conseil du trésor

**Fund 362:** Régime de retraite pour certains employés de la Commission scolaire de la Capitale, administered by the Secrétariat du Conseil du trésor

**Fund 363:** Régime de retraite des employés de la Ville de Laval, administered by the Comité de retraite

**Fund 367:** Territorial Information Fund, administered by the ministère des Finances, Government of Québec

**Fund 368:** Education and Good Governance Fund – Capitalized Fund (EGGF-CF), administered by the Autorité des marchés financiers

**Fund 369:** Accumulated Sick Leave Fund, administered by the ministère des Finances, Government of Québec

**Fund 371:** Accumulated Sick Leave Fund – ARQ, administered by the Agence du revenu du Québec

**Fund 372:** Fonds commun de placement des régimes de retraite de l'Université Laval, administered by the Comités de retraite

**Fund 373:** Retirement Plan for Active Members of the Centre hospitalier Côte-des-Neiges, administered by Retraite Québec

**Fund 374:** Fiducie globale Ville de Magog, administered by the Comité de retraite mixte

**Fund 376:** Régime de retraite des employées et employés de la Ville de Sherbrooke, administered by the Comité de retraite des employées et employés de la Ville de Sherbrooke

**Fund 378:** Pension Plan of Peace Officers in Correctional Services – Employees' Contribution Fund administered by Retraite Québec

**Fund 383:** Régime complémentaire de retraite des employés réguliers de la Société de transport de Sherbrooke, administered by the Comité de retraite

**Fund 384:** Régime de retraite des cadres de la Ville de Québec, administered by the Bureau de la retraite

**Fund 385:** Régime de retraite des employés manuels de la Ville de Québec, administered by the Bureau de la retraite

**Fund 386:** Régime de retraite des fonctionnaires de la Ville de Québec, administered by the Bureau de la retraite

**Fund 387:** Régime de retraite du personnel professionnel de la Ville de Québec, administered by the Bureau de la retraite

**Fund 388:** Régime de retraite des policiers et policières de la Ville de Québec, administered by the Bureau de la retraite

**Fund 389:** Régime de retraite des pompiers de la Ville de Québec, administered by the Bureau de la retraite

**Fund 393:** Régime de retraite de la Corporation de l'École Polytechnique, administered by the Comité de retraite

**Fund 395:** Retirement Plan for the Mayors and Councillors of Municipalities, administered by Retraite Québec

**Specialized Portfolios**

The specialized portfolios consist of common funds in which the individual funds may invest in the form of participation deposits. La Caisse's specialized portfolios are as follows:

- Short Term Investments (740)
- Rates (765)
- Credit (766)
- Long Term Bonds (764)
- Real Return Bonds (762)
- Infrastructure (782)
- Real Estate (710)
- Equity Markets (737)
- Private Equity (780)
- Asset Allocation (771)
- Active Overlay Strategies (773)

# 2. SIGNIFICANT ACCOUNTING POLICIES

## STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). The accounting policies described below have been applied consistently to all reporting periods presented, with the exception of matters pertaining to the adoption of IFRS 9.

## ADOPTION OF NEW IFRS

In July 2014, the IASB issued the final version of IFRS 9 – *Financial Instruments,* which replaced IAS 39 – *Financial Instruments: Recognition and Measurement.* The new standard addresses the classification and measurement of financial assets and financial liabilities as well as the impairment of financial assets and hedge accounting. As of January 1, 2018, the date of initial application, la Caisse has applied IFRS 9 retrospectively without restating comparative information for the financial instruments recognized, as permitted by the standard.

Under IAS 39, all of la Caisse's financial instruments had been designated at fair value through profit or loss (FVTPL) and measured at fair value, except for derivative financial instruments and securities sold short, which had to be classified as held for trading and measured at fair value.

The adoption of IFRS 9 has the following impacts:

- The financial assets and liabilities of la Caisse are managed and their performance is evaluated on a fair value basis. Consequently, as of the IFRS 9 adoption date, all of la Caisse's financial assets must be classified at FVTPL and measured at fair value. The financial liabilities of la Caisse will continue to be designated at FVTPL and measured at fair value, while derivative financial instruments and securities sold short must continue to be classified at FVTPL and measured at fair value. The FVTPL measurement of la Caisse's financial assets and financial liabilities have therefore not changed following the adoption of IFRS 9.
- When the change in the fair value of financial liabilities designated at FVTPL is attributable to a change in la Caisse's own credit risk, it is presented separately in the Consolidated Statements of Comprehensive Income unless doing so creates or enlarges an accounting mismatch, when appropriate.
- Under IAS 39, interest income and interest expense had been recognized using the effective interest method, which included amortization of the premium or discount. Following the adoption of IFRS 9, interest income and interest expense are recognized using the prescribed coupon rate method, which excludes amortization of the premium or discount. This change in method had no impact on the opening balances in the consolidated financial statements.

The adoption of IFRS 9 did not have any other impacts.

## PRESENTATION AND MEASUREMENT BASIS

La Caisse measures all of its financial instruments, including investments in unconsolidated subsidiaries, joint ventures, associates and structured entities at FVTPL. Subsidiaries that solely provide services related to financing, administrative and management activities are consolidated in accordance with the guidance set out in IFRS 10 – *Consolidated Financial Statements.*

The Consolidated Statements of Financial Position are presented based on liquidity.

## APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors approved la Caisse's consolidated financial statements and the publication thereof on February 19, 2019.

## FUNCTIONAL AND PRESENTATION CURRENCY

La Caisse's consolidated financial statements are presented in Canadian dollars, which is the functional currency.

## FOREIGN CURRENCY TRANSLATION

Financial assets and liabilities denominated in a foreign currency are translated into Canadian dollars at the exchange rate in effect at the reporting date. Foreign currency transactions are translated into Canadian dollars at the exchange rate in effect at the transaction date.

Translation differences on investments and investment liabilities at fair value and on other monetary financial assets and liabilities are presented under "Net gains on financial instruments at fair value" in the Consolidated Statements of Comprehensive Income.

## USE OF JUDGMENTS AND ESTIMATES

In preparing la Caisse's consolidated financial statements in accordance with IFRS, management must make judgments, estimates and assumptions that affect the application of the significant accounting policies described below and the amounts reported in the Consolidated Statements of Financial Position and the Consolidated Statements of Comprehensive Income.

## Judgment

***Qualification as an investment entity***

Judgment is required when qualifying la Caisse as an investment entity. La Caisse meets the three mandatory criteria of the IFRS 10 definition: 1) Obtain funds from one or more depositors; 2) Commit to its depositors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and 3) Measure and evaluate the performance of its investments on a fair value basis.

IFRS 10 also suggests four typical characteristics be considered in assessing whether an entity qualifies as an investment entity: 1) Have more than one investment; 2) Have more than one depositor; 3) Have investors that are not related parties; and 4) Have ownership interests in the form of equity or similar interests. La Caisse does not satisfy the third typical characteristic of an investment entity because la Caisse and the depositors are related. However, la Caisse nonetheless qualifies as an investment entity, as management believes that having depositors related to the investment entity does not compromise la Caisse's mission of investing for returns from capital appreciation, investment income, or both, for its depositors.

***Fair value hierarchy of financial instruments***

Management must use judgment in determining the significance of each input used when establishing the classification into the fair value hierarchy, as explained in Note 7.

***Interests in entities***

Management must use judgment in determining whether la Caisse has control, joint control or significant influence over certain entities, as explained in Note 17, and over the holding of interests in structured entities. Judgment on the relationship between la Caisse and any entity in which la Caisse holds an interest is exercised upon initial investment and must be reassessed when facts and circumstances indicate that there are one or more changes to the elements of control.

La Caisse holds interests in a structured entity when voting or similar rights are not the dominant factor in deciding who controls the entity.

La Caisse controls a subsidiary, including a structured entity, only if the IFRS 10 criteria are met: 1) It has decision-making authority regarding the entity's relevant activities; 2) It has exposure or rights to variable returns from its involvement with the entity; and 3) It has the ability to use its power to affect the amount of the returns. When management determines decision-making authority, several factors are taken into account, including the existence and effect of actual and potential voting rights held by la Caisse that are exercisable, the holding of instruments that are convertible into voting shares, the existence of contractual agreements through which the relevant activities of the entity can be directed, as well as other circumstances that affect decision-making.

La Caisse has significant influence over an associate when it has the power to participate in the financial and operating policy decisions of the entity. It is deemed to have significant influence when it holds 20% or more of the voting rights of an entity but does not have control or joint control. La Caisse has joint control over a joint venture when there is a contractual or implicit arrangement whereby decisions about relevant activities require the unanimous consent of the parties sharing control and when these parties have rights to the net assets of the arrangement.

## Estimates and Assumptions

The main estimates and assumptions, which are presented in Note 7, involve the fair value measurement of investments and investment liabilities classified in Level 3 of the fair value hierarchy. Actual values may differ from the estimated values.

# FINANCIAL INSTRUMENTS

La Caisse's financial instruments include cash, amounts receivable from transactions being settled, advances to depositors, accrued and receivable investment income, investments, amounts payable on transactions being settled, other financial liabilities, investment liabilities and net assets attributable to depositors.

## Classification and Measurement

Financial instruments are categorized based on their nature and characteristics. Classification is determined upon initial recognition, which is the date on which la Caisse is subject to the contractual provisions of the instrument. La Caisse's financial assets and liabilities are managed and their performance is evaluated on a fair value basis. Consequently, all of la Caisse's financial assets must be classified at FVTPL while its financial liabilities are designated at FVTPL. Derivative financial instruments and securities sold short must be classified at FVTPL.

Corporate debt commitments are classified at FVTPL when one of the following criteria is met: 1) The commitments are designated as financial liabilities at FVTPL or la Caisse has a practice of selling the loans resulting from its commitments; or 2) The corporate debt commitments can be settled net in cash.

Financial instruments are initially and subsequently recognized at fair value. All changes in the fair value of financial instruments are presented under "Net gains on financial instruments at fair value" in the Consolidated Statements of Comprehensive Income. When the change in the fair value of financial liabilities designated at FVTPL is attributable to changes in la Caisse's own credit risk, it is presented separately in the Consolidated Statements of Comprehensive Income unless doing so creates or enlarges an accounting mismatch, when appropriate. Income and expenses are presented under "Net investment income" in the Consolidated Statements of Comprehensive Income.

## Financial Instruments (cont.)

## Fair Value Measurement

Fair value is defined as the price that would be received on the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is determined for each financial instrument, which could be a stand-alone asset or liability (e.g., a share or bond) or a group of assets and liabilities (e.g., an ownership interest in a subsidiary or associate). Upon initial recognition, the best evidence of the fair value of a financial instrument is the transaction price, which is the fair value of the consideration received or given. Subsequently, the fair value of a financial instrument is determined using the fair value hierarchy described in Note 7.

La Caisse applies appropriate valuation techniques based on a financial instrument's characteristics, the availability of inputs, and the assumptions that would be used by market participants, focusing on maximizing the use of relevant observable inputs while minimizing the use of unobservable inputs. The valuation techniques are applied consistently. Fair value information is provided in Note 7.

***Cash***

Cash is the cash deposited with recognized financial institutions and bears interest at market rates.

***Investments***

Investments include cash equivalents, fixed-income securities, variable-income securities, interests in unconsolidated subsidiaries and derivative financial instruments.

Cash equivalents include securities purchased under reverse repurchase agreements. These securities meet the definition of cash equivalents because they are used for cash management purposes, are readily convertible into a known amount of cash, have negligible risk of fair value changes and have initial maturities of three months or less. These financial instruments bear interest at market rates.

Fixed-income securities include short-term investments, securities purchased under reverse repurchase agreements, corporate debt and bonds. Purchases and sales of fixed-income securities are recorded at the transaction date, except for purchases and sales of corporate debt, which are recorded at the settlement date.

Variable-income securities comprise equities and convertible securities of public companies, private companies (including investment funds, private investment funds and infrastructure funds), and hedge funds. Purchases and sales of equities, convertible securities and hedge funds are recorded at the transaction date, whereas purchases and sales of private investment funds and infrastructure funds are recorded at the settlement date.

Interests in unconsolidated subsidiaries represent la Caisse's investment in controlled entities that are not consolidated under IFRS 10. La Caisse's investment in these entities may be in the form of equity instruments or debt instruments.

***Investment liabilities***

Investment liabilities include securities sold under repurchase agreements, securities sold short, commercial paper payable, loans payable, term notes payable and derivative financial instruments.

Securities sold short are commitments made by la Caisse to purchase securities from third parties to cover its positions. La Caisse may short-sell equities and bonds.

***Derivative financial instruments***

In managing its investments, la Caisse conducts transactions involving various derivative financial instruments for discretionary purposes or to manage the risks associated with exchange rate, interest rate and market fluctuations. Derivative financial instruments whose fair value is favourable are presented under "Investments" in the Consolidated Statements of Financial Position, while those whose fair value is unfavourable are presented under "Investment liabilities" in the Consolidated Statements of Financial Position.

***Transactions being settled***

Transactions with counterparties for the sale or purchase of securities that have not yet been settled at the reporting date are presented respectively under "Amounts receivable from transactions being settled" and "Amounts payable on transactions being settled" in the Consolidated Statements of Financial Position.

## Derecognition of Financial Assets and Liabilities

La Caisse derecognizes financial assets when all of the contractual rights to the assets have expired or when the contractual rights to receive the cash flows from the financial assets have been transferred and when la Caisse has transferred substantially all of the risks and rewards of the financial asset such that it no longer retains control over the asset. If la Caisse considers that it retains substantially all of the risks and rewards of a transferred financial asset, that asset is not derecognized from the Consolidated Statements of Financial Position and, if appropriate, a corresponding financial liability is recorded. Financial assets that have been transferred but not derecognized are presented in Note 14. Financial liabilities are derecognized when the related obligation is discharged, cancelled or expired.

## Financial Instruments (cont.)

***Securities purchased under reverse repurchase agreements and sold under repurchase agreements***

La Caisse enters into transactions to purchase and sell securities, i.e., short-term investments and bonds, that it agrees to resell to or repurchase from the counterparty at a future date.

The purchased securities are not recognized in the Consolidated Statements of Financial Position because the counterparty retains the risks and rewards of the securities. The cash amounts disbursed are derecognized, and a corresponding asset is recorded in investments under "Securities purchased under reverse repurchase agreements".

The sold securities are not derecognized from the Consolidated Statements of Financial Position because la Caisse retains the risks and rewards of the securities. The cash amounts received are recognized, and a corresponding liability is recorded in investment liabilities under "Securities sold under repurchase agreements".

***Lending and borrowing of securities***

La Caisse conducts securities lending and borrowing transactions involving equities. These transactions are generally guaranteed by the securities received from the counterparties or pledged by la Caisse, respectively. Loaned securities are not derecognized from, and borrowed securities are not recognized in, the Consolidated Statements of Financial Position because la Caisse or the counterparty, respectively, retains the risks and rewards of the securities. Income and expenses resulting from securities lending and borrowing transactions are presented under "Investment income" and "Investment expense," respectively, in the Consolidated Statements of Comprehensive Income.

## Net Assets Attributable to Depositors

Net assets attributable to depositors consist of demand deposits, term deposits, distributions payable to depositors and participation deposits.

***Demand deposits and term deposits***

Demand deposits bear interest at a variable rate and are repayable on demand. Term deposits bear interest at a fixed or variable rate and are repayable at maturity. Demand deposits and term deposits represent la Caisse's indebtedness towards the depositors in accordance with the *Regulation respecting the terms and conditions of deposits, funds and portfolios of the Caisse de dépôt et placement du Québec* (Regulation).

***Distributions payable to depositors***

Under the Regulation, distributions payable to depositors represent the net income or net loss arising from the specialized portfolios as well as the net realized gains or losses upon cancellation of the participation units of specialized portfolios held by the individual funds that are recorded at the end of the month and are paid into the demand deposit accounts of depositors at the beginning of the following month. Distributions may also be made through the issuance of participation deposit units of individual funds.

***Participation deposits***

Participation deposits are expressed in participation units for each individual fund. Each participation unit gives the holder an interest in the fund's net assets. The per-unit value of the net assets is determined by dividing the individual fund's net assets by the number of outstanding units. Depositors can purchase or cancel participation deposit units at that value at the beginning of each month. The difference between the proceeds of cancellation and the carrying value at issuance is recovered in the depositor's demand deposit account. In addition, holders of participation deposit units are entitled to receive distributions. Participation deposit units are financial instruments defined as depositor's equity in the Regulation and are subordinate to all other categories of financial liabilities.

## NET INCOME

## Dividend and Interest Income and Expense

Dividend income is recognized when la Caisse obtains the right to the dividend, generally on the ex-dividend date. Distributions from funds are recognized as income on the settlement date. Dividend expense from equities sold short is recorded when the shareholders obtain the right to the dividend. Dividend income and expenses are presented under "Investment income" and "Investment expense" respectively in the Consolidated Statements of Comprehensive Income.

Interest income and expenses are recognized as amounts are earned or incurred using the prescribed coupon rate method. Interest income includes the difference between the purchase price and the resale price in the case of securities purchased under reverse repurchase agreements. Interest income and expenses are presented under "Investment income" and "Investment expense" respectively in the Consolidated Statements of Comprehensive Income.

## External Management Fees

External management fees are amounts paid to external financial institutions, mainly institutional fund managers active in international stock markets, for the management of securities owned by la Caisse. The base fees and performance-related fees of external managers are presented under "Investment expense" and "Net gains on financial instruments at fair value" respectively in the Consolidated Statements of Comprehensive Income.

## Income Tax

Under federal and provincial income tax legislation, la Caisse is exempt from income tax in Canada. Income from foreign affiliates is subject to withholding taxes in certain countries. Withholding taxes are presented under "Net investment income" in the Consolidated Statements of Comprehensive Income.

## Operating Expenses

Operating expenses consist of all the expenses incurred to manage and administer la Caisse's investments and are presented separately in the Consolidated Statements of Comprehensive Income.

## NET GAINS ON FINANCIAL INSTRUMENTS AT FAIR VALUE

Gains and losses realized on investments and investment liabilities represent the difference between settlement value and value at initial recognition and are calculated on a first-in, first-out basis. Gains and losses realized on derivative financial instruments represent payments and receipts. Unrealized gains and losses on financial instruments include net changes in fair value for the year as well as the reversal of prior-year unrealized gains and losses that were realized during the year. Realized and unrealized gains and losses are presented under "Net gains on financial instruments at fair value" in the Consolidated Statements of Comprehensive Income.

Transaction costs directly attributable to the acquisition, sale and issuance of a financial instrument are presented under "Net gains on financial instruments at fair value" in the Consolidated Statements of Comprehensive Income. Transaction costs include commissions, stock exchange fees as well as professional and legal fees related to investing and financing activities.

## DISTRIBUTIONS TO DEPOSITORS

Under the Regulation, distributions to depositors consist of the annual net income or loss from the specialized portfolios as well as the net gains or losses realized on the cancellation of participation units of the specialized portfolios held by the individual funds. Distributions to depositors are recorded as finance costs and presented separately in the Consolidated Statements of Comprehensive Income.

# 3. NEW IFRS STANDARDS

**Issued but not yet in effect**

*IFRS 16 – Leases: Effective Date – January 1, 2019*

In January 2016, the IASB issued a new standard, IFRS 16 – *Leases,* which will replace the current standard and interpretations on lease accounting. IFRS 16 establishes a single lease accounting model for lessees. Under this model, lessees recognize most leases on their consolidated statements of financial position. This new standard is to be applied retrospectively as of its effective date. As a result of adopting this standard, assets and liabilities will increase by $310 million at the effective date.

No other newly issued or amended standard not yet in effect for the year is expected to have an impact on the consolidated financial statements.

# 4. INVESTMENTS AND INVESTMENT LIABILITIES

## a) Investments

The following table presents the fair values of the investments. The geographic allocation is determined according to the country of the issuer's principal place of business. The allocation of interests in unconsolidated subsidiaries is determined according to the country of the underlying investments, while the allocation of derivative financial instruments is determined according to the currency in which the instrument will be settled:

| | **December 31, 2018** | | | December 31, 2017 | | |
|---|---|---|---|---|---|---|
| | **Canada** | **Foreign** | **Fair value[2]** | Canada | Foreign | Fair value[2] |
| **Investments** | | | | | | |
| **Cash equivalents** | | | | | | |
| Securities purchased under reverse repurchase agreements | **360** | **-** | **360** | - | - | - |
| **Total cash equivalents** | **360** | **-** | **360** | - | - | - |
| **Fixed-income securities** | | | | | | |
| Short-term investments | **116** | | | 118 | 158 | 276 |
| Securities purchased under reverse repurchase agreements | **4,540** | **3,735** | **8,275** | 4,583 | 5,705 | 10,288 |
| Corporate debt[1] | **793** | **1,356** | **2,149** | 1,129 | 1,457 | 2,586 |
| Bonds | | | | | | |
| Governments | **33,840** | **9,299** | **43,139** | 49,490 | 6,058 | 55,548 |
| Government corporations and other public administrations | **5,940** | **393** | **6,333** | 5,996 | 440 | 6,436 |
| Corporate sector[1] | **9,944** | **9,042** | **18,986** | 11,786 | 5,384 | 17,170 |
| Bond funds | **-** | **1,552** | **1,552** | - | 1,551 | 1,551 |
| **Total fixed-income securities** | **55,173** | **25,483** | **80,656** | 73,102 | 20,753 | 93,855 |
| **Variable-income securities** | | | | | | |
| Equities and convertible securities | | | | | | |
| Public companies | **26,042** | **80,230** | **106,272** | 32,020 | 83,434 | 115,454 |
| Private companies | **3,600** | **13,498** | **17,098** | 3,332 | 11,863 | 15,195 |
| Hedge funds | **-** | **2,247** | **2,247** | - | 2,322 | 2,322 |
| **Total variable-income securities** | **29,642** | **95,975** | **125,617** | 35,352 | 97,619 | 132,971 |
| **Interests in unconsolidated subsidiaries** | | | | | | |
| Investments in real estate holdings | **18,343** | **32,228** | **50,571** | 17,518 | 26,210 | 43,728 |
| Investments in real estate debt | **13,395** | **-** | **13,395** | 11,991 | - | 11,991 |
| Private equity investments | **2,989** | **23,286** | **26,275** | 3,951 | 15,794 | 19,745 |
| Infrastructure investments | **2,991** | **16,586** | **19,577** | 1,138 | 10,301 | 11,439 |
| Investments in fixed-income securities | **4,019** | **11,924** | **15,943** | 3,405 | 6,696 | 10,101 |
| Investments in hedge funds | **108** | **5,501** | **5,609** | 109 | 3,889 | 3,998 |
| Stock market investments | **1,041** | **1,753** | **2,794** | 937 | 1,582 | 2,519 |
| **Total interests in unconsolidated subsidiaries** | **42,886** | **91,278** | **134,164** | 39,049 | 64,472 | 103,521 |
| **Derivative financial instruments *(Note 6)*** | **28** | **1,179** | **1,207** | 3 | 700 | 703 |
| **Total investments** | **128,089** | **213,915** | **342,004** | 147,506 | 183,544 | 331,050 |

[1] An amount of $1,410 million was reclassified from corporate sector bonds to corporate debt as at December 31, 2017.

[2] The total acquisition cost of the investments amounts to $289,453 million as at December 31, 2018 ($275,870 million as at December 31, 2017).

### Equities in growth markets

La Caisse has Qualified Foreign Institutional Investor status and obtained an investment quota to access the Chinese capital markets. Although la Caisse has a long-term investment strategy, it must meet the conditions set by the regulatory authorities in the event of a repatriation of invested capital. As at December 31, 2018, the fair value of securities invested in China amounted to $1,629 million ($2,466 million as at December 31, 2017).

## b) Investment Liabilities

The following table presents the fair values of investment liabilities. The geographic allocation of non-derivative financial liabilities is determined using the country of the issuer's principal place of business, while the allocation of derivative financial instruments is determined according to the currency in which the instrument will be settled:

| | **December 31, 2018** | | | December 31, 2017 | | |
|---|---|---|---|---|---|---|
| | **Canada** | **Foreign** | **Fair value[1]** | Canada | Foreign | Fair value[1] |
| **Investment liabilities** | | | | | | |
| **Non-derivative financial liabilities** | | | | | | |
| Securities sold under repurchase agreements | **9,856** | | | 12,430 | 3,542 | 15,972 |
| Securities sold short | | | | | | |
| Equities | **91** | | | 384 | 224 | 608 |
| Bonds | **3,976** | **3,302** | **7,278** | 291 | 4,197 | 4,488 |
| Commercial paper payable | **5,921** | **-** | **5,921** | 4,556 | - | 4,556 |
| Loans payable | **128** | **162** | **290** | 129 | 235 | 364 |
| Term notes payable | **9,598** | **-** | **9,598** | 9,198 | - | 9,198 |
| **Total non-derivative financial liabilities** | **29,570** | **6,580** | **36,150** | 26,988 | 8,198 | 35,186 |
| **Derivative financial instruments *(Note 6)*** | **35** | **2,022** | **2,057** | 36 | 623 | 659 |
| **Total investment liabilities** | **29,605** | **8,602** | **38,207** | 27,024 | 8,821 | 35,845 |

[1] The total acquisition cost of the investment liabilities amounts to $33,493 million as at December 31, 2018 ($33,443 million as at December 31, 2017).

# 5. ALLOCATION OF NET ASSETS ATTRIBUTABLE TO DEPOSITORS

The following table presents the allocation of net assets attributable to depositors according to la Caisse's total specialized portfolios offering:

| | **December 31, 2018** | December 31, 2017 |
|---|---|---|
| **Fixed income** | | |
| Short Term Investments | **867** | 1,892 |
| Rates | **32,985** | 40,065 |
| Credit | **56,378** | 50,645 |
| Long Term Bonds | **2,863** | 2,935 |
| Real Return Bonds | **1,192** | 1,187 |
| | **94,285** | 96,724 |
| **Real assets** | | |
| Infrastructure | **22,741** | 16,177 |
| Real Estate | **38,225** | 34,260 |
| | **60,966** | 50,437 |
| **Equities** | | |
| Equity Markets | **108,301** | 112,179 |
| Private Equity | **42,927** | 37,332 |
| | **151,228** | 149,511 |
| **Other** | | |
| Asset Allocation | **1,611** | 1,356 |
| Active Overlay Strategies | **586** | 563 |
| | **2,197** | 1,919 |
| Customized strategies of individual funds[1] and cash activities | **835** | (79) |
| **Net assets attributable to depositors** | **309,511** | 298,512 |

[1] The customized strategies consist of direct holdings of derivative financial instruments by the individual funds for the customized management of the desired exposure by each depositor.

# 6. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are financial contracts whose value fluctuates according to an underlying item, which require very little or no initial investment and are settled at a future date. The underlying item may be of a financial nature (interest rate, foreign currency or stock market security or index) or may be a commodity (precious metal, produce or oil). Certain derivative financial instruments are settled through clearing houses. La Caisse uses, among others, the derivative financial instruments described below.

Forward contracts are commitments that enable the purchase or sale of an underlying item, the quantity and price of which are determined in the contract, which includes a predetermined maturity date. Forward contracts have customized terms and conditions negotiated directly between the parties on the over-the-counter market. Futures contracts have terms and conditions determined by an exchange market.

Options are contracts traded on over-the-counter or exchange markets and that give the purchaser the right, but not the obligation, to buy or sell a given amount of an underlying security, index or commodity at a strike price stipulated in advance, either at a determined future date or at any time before a specified maturity date.

Swaps are derivatives traded on over-the-counter markets whereby two parties agree to exchange a series of cash flows according to predetermined conditions that include a notional amount, payment dates and a term to maturity.

Warrants are contracts traded on over-the-counter or exchange markets that enable the purchase of an underlying item, the price of which is determined in the contract, which includes a predetermined maturity date.

The notional amount is the amount to which a rate or price is applied to determine the amounts of cash flows to be exchanged periodically.

## Derivative Financial Instruments (cont.)

The following table presents the fair values and the notional amounts of the derivative financial instruments held by la Caisse:

| | **December 31, 2018** | | | December 31, 2017 | | |
|---|---|---|---|---|---|---|
| | **Fair value** | | **Notional** | Fair value | | Notional |
| | **Assets** | **Liabilities** | **amount** | Assets | Liabilities | amount |
| **Exchange markets** | | | | | | |
| **Interest rate derivatives** | | | | | | |
| Futures contracts | **-** | | | - | - | 119,618 |
| **Equity derivatives** | | | | | | |
| Futures contracts | **-** | | | - | - | 22,909 |
| Options | **61** | **29** | **1,080** | 58 | 11 | 6,079 |
| Warrants | **1** | **-** | **15** | 3 | - | 10 |
| **Commodity derivatives** | | | | | | |
| Futures contracts | **3** | **1** | **845** | 1 | 1 | 1,034 |
| Options | **-** | **-** | **-** | 1 | - | 27 |
| **Total exchange markets** | **65** | **30** | **147,264** | 63 | 12 | 149,677 |
| **Over-the-counter markets** | | | | | | |
| **Interest rate derivatives** | | | | | | |
| Swaps | **65** | **3** | **1,860** | 95 | - | 1,606 |
| Swaps settled through a clearing house | **-** | **-** | **115,320** | - | - | 49,951 |
| Forward contracts | **28** | **4** | **4,376** | - | 6 | 1,497 |
| Options | **152** | **5** | **2,807** | 2 | - | 18,794 |
| **Currency derivatives** | | | | | | |
| Swaps | **-** | **107** | **1,695** | 5 | 38 | 662 |
| Forward contracts | **333** | **1,332** | **59,226** | 288 | 329 | 41,189 |
| Options | **164** | **72** | **18,361** | 21 | 43 | 5,928 |
| **Credit default derivatives** | | | | | | |
| Swaps settled through a clearing house | **-** | **-** | **18,805** | - | - | 11,642 |
| **Equity derivatives** | | | | | | |
| Swaps | **311** | **389** | **14,149** | 197 | 213 | 15,420 |
| Options | **89** | **115** | **7,630** | 32 | 18 | 4,301 |
| Warrants | **-** | **-** | **3** | - | - | 9 |
| **Total over-the-counter markets** | **1,142** | **2,027** | **244,232** | 640 | 647 | 150,999 |
| **Total derivative financial instruments** | **1,207** | **2,057** | **391,496** | 703 | 659 | 300,676 |

# 7. FAIR VALUE MEASUREMENT

## a) The Policies, Directives, Protocols and Procedures Related to Fair Value Measurement

La Caisse's valuation procedures are governed by the *Caisse Investment Valuation Policy*, which is approved by the Board of Directors. This general policy is further supported by the valuation directive applicable to private investments and the valuation protocols that stipulate the valuation process and methodology for each type of investment held by la Caisse. The general policy and the directive also establish the governance framework for the valuation and reporting process. Application of the policy is the responsibility of the Valuation Committee, which reports to the Executive Committee, supported by a valuation team. The Valuation Committee approves compliance with the policy and the fair values on a semi-annual basis. Subsequently, the Valuation Committee recommends the fair values to the Audit Committee. For valuations of private investments, consisting of private equity investments and infrastructure investments as well as specialized financing, the policy provides for an external review, over a period of three years, of substantially all the fair value of these investments. External reviews include valuations by independent valuators, observations of comparable transactions in the market, or valuations by a partner.

The policy also includes directives to be followed when using prices from external sources such as broker quotes and net asset values provided by external administrators of the funds or general partners.

When fair value is determined by external valuators or third parties, the Valuation Committee, supported by the valuation team, verifies the qualifications, experience and independence of these parties. It also reviews the valuation techniques, the significant inputs used in calculating fair value, and the results and conclusions to ensure that they are in compliance with recognized valuation standards.

In addition, to ensure the reasonableness of the fair value determined, la Caisse conducts backtesting, compares the established fair value with values of comparable transactions, including the values of comparable public companies, and uses the services of external valuators.

## b) Fair Value Valuation Techniques

The following paragraphs describe the main valuation techniques used to measure la Caisse's financial instruments.

**Short-term investments, securities purchased under reverse repurchase agreements, securities sold under repurchase agreements, commercial paper payable, loans payable and term notes payable**

The fair value of these financial assets and liabilities is determined using a discounted cash flow technique that primarily uses observable inputs such as the interest rate curves and credit spreads that make up the discount rates.

**Corporate debt**

The fair value of the corporate debt is determined using a discounted cash flow technique that primarily uses observable and unobservable inputs such as the interest rate curves and credit spreads that make up the discount rates. La Caisse may also use prices published by brokers in active markets for identical or similar instruments.

**Bonds**

The fair value of bonds, with the exception of bond funds, is determined using prices published in active markets for identical or similar instruments. The fair value of bonds that have no published prices is determined using either a discounted cash flow technique or broker quotes. Discounted cash flow valuations use observable and unobservable inputs such as the interest rate curves and credit spreads that make up the discount rates.

**Equities and convertible securities**

*Public companies*

The fair value of equities and convertible securities of public companies is determined based on closing prices observed on major stock exchanges, which represent the active market.

The fair value of an ownership interest in a subsidiary or associate whose securities are listed is determined using a business valuation technique based on observable and unobservable inputs.

*Private companies*

The fair value of equities of private equity investment companies, with the exception of private investment funds, is primarily determined according to the market approach, which includes techniques based on comparable company multiples and comparable transaction multiples. La Caisse identifies comparable companies based on their industry, size, financial position and strategy and selects an appropriate multiple for each comparable company identified. This technique uses observable and unobservable inputs such as earnings before interest, taxes, depreciation and amortization (EBITDA) multiples and other multiples.

The fair value of equities of private infrastructure investment companies, with the exception of infrastructure investment funds, is primarily determined using a discounted cash flow technique and corroborated by the market approach. This technique uses observable and unobservable inputs such as discount rates that take into account the risk associated with the investment as well as future cash flows.

La Caisse may also use information about recent transactions carried out in the market for valuations of private equity investments and infrastructure investments.

## Fair Value Valuation Techniques (cont.)

**Funds**

The fair value of bond funds, hedge funds, investment funds, private investment funds and infrastructure funds is determined using the net assets provided by the administrator or by the general partner, unless there is an indication that the fair value differs from the value of the net assets provided. La Caisse ensures that the valuation techniques used by the fund's administrator or general partner to determine the fair value of the net assets are in compliance with IFRS. Furthermore, the fair value of the net assets is adjusted to reflect purchases and sales of fund units between the fund's financial statement date and the valuation date when there are securities of publicly listed corporations where the closing price is adjusted to the quoted price of the underlyings or when there are other indications requiring judgment to be made.

**Interests in unconsolidated subsidiaries**

The fair value of la Caisse's interests in various unconsolidated subsidiaries is determined using an enterprise valuation technique.

*Investments in real estate holdings*

The fair value resulting from the enterprise value technique is determined using a commonly used method, i.e., the comparable company multiples method, which is supported by observable and unobservable inputs such as the price-to-book value ratio. This value is determined annually by an independent external firm. Enterprise value attributed to equity instruments reflects, among other things, the fair value of the assets and liabilities held directly by these subsidiaries, which include investment property, other real estate investments, which mainly include real estate funds and ownership interests held in companies, liabilities associated with investment property, as well as the fair value resulting from the quality of the portfolio and the integrated management of the platform of these subsidiaries.

The fair value of interests in the form of debt instruments in these subsidiaries is determined using the discounted cash flow technique, which is supported mainly by observable inputs such as the interest rates and credit spreads that make up the discount rates.

The fair value of investment property, which is measured according to the highest and best use, is determined and certified semi-annually by external, recognized and independent chartered real estate appraisers. Valuations are carried out in compliance with the valuation standards in effect in each market. The valuation techniques used are based primarily on two recognized methodologies, namely, the discounted cash flow technique and the capitalization of revenue technique. These techniques use observable and unobservable inputs such as lease terms and conditions, operating expenses, residual value and rates of return, discount rates and capitalization rates. Values observed for comparable transactions are used to determine the representative fair value range and support the fair value determined.

The fair value of other real estate investments is determined based on characteristics specific to these assets, whose value is based on net assets which may be provided by an administrator or available in a published financial statement. The net asset value is adjusted to reflect external factors or when there are other indications requiring judgment to be exercised.

The fair value of financial liabilities associated with investment property is determined based on the discounted cash flow technique. This technique uses observable and unobservable inputs such as the interest rates and credit spreads that make up the discount rates.

*Investments in real estate debt*

Enterprise value reflects the fair value of the assets held directly by these subsidiaries, which primarily include commercial mortgages. The fair value of interests in the form of equity instruments in these subsidiaries corresponds to the net assets in the audited financial statements.

The fair value of interests in the form of debt instruments in these subsidiaries is determined using the discounted cash flow technique. This valuation primarily uses observable inputs such as the interest rates and credit spreads that make up the discount rates.

The fair value of commercial mortgages is determined using the discounted cash flow technique and are divided into risk categories, according to the loan-to-value ratio, and for which an appropriate discount rate is determined. Commercial mortgage valuations are reviewed annually by an independent external firm.

*Private equity, infrastructure, fixed-income securities, hedge funds, and stock markets*

Enterprise value reflects the fair value of assets held directly by these subsidiaries, which include bonds, corporate debt, equities of private companies, equities of public companies as well as funds whose valuation techniques are described above.

The fair value of interests in specialized finance activities included in fixed-income security investments is determined using a discounted cash flow technique. This valuation technique uses observable and unobservable inputs such as discount rates that reflect the risk associated with the investment.

La Caisse may also use information about recent transactions carried out in the market for valuations of these financial assets.

**Securities sold short**

The fair value of bonds and equities that are sold short is determined using the fair value of the security that is sold short. The techniques for valuing these securities have been described above.

**Derivative financial instruments**

The fair value of derivative financial instruments is determined according to the type of derivative financial instrument. The fair value of derivative financial instruments traded on exchange markets and derivative financial instruments traded on over-the-counter markets that are settled through a clearing house is determined, respectively, using the prices on the major stock exchanges representing the active market and clearing house prices. The fair value of the other derivative financial instruments traded on over-the-counter markets is determined using recognized and commonly used valuation techniques such as the discounted cash flow technique or other financial models. These techniques require the development and use of assumptions that take into account observable and unobservable inputs such as the interest rate curves and credit spreads that make up the discount rates as well as foreign exchange rate curves, prices of the underlying, and volatility.

## Fair Value Valuation Techniques (cont.)

**Net assets attributable to depositors**

***Demand deposits***

The fair value of demand deposits is determined based on their nominal value, as they are repayable at any time at the option of the issuer without penalty.

***Term deposits and distributions payable to depositors***

The fair value of term deposits and distributions payable to depositors is determined using the discounted cash flow technique. This valuation technique mainly uses observable inputs such as the interest rate curves and credit spreads that make up the discount rates.

***Participation deposits***

The fair value of depositor participation deposits stems from a valuation of all the financial assets and liabilities held by la Caisse.

## c) Fair Value Hierarchy

La Caisse's financial instruments at FVTPL are classified according to the below-described fair value hierarchy, based on the lowest level of significant input used in measuring fair value.

*Level 1:* The fair value calculation of the financial instrument is based on observable prices (unadjusted) in active markets that the entity can access at the measurement date for identical assets or liabilities.

*Level 2:* The fair value of the financial instrument is calculated using valuation techniques for which the significant inputs are observable, either directly or indirectly.

*Level 3:* The fair value of the financial instrument is calculated using valuation techniques for which the significant inputs are unobservable. This level includes financial instruments whose valuation is based on prices observed for similar financial instruments, substantially adjusted to reflect the characteristics specific to the financial instrument being measured and available market data.

## Fair Value Hierarchy (cont.)

Classification into the fair value hierarchy levels is determined upon initial measurement of the financial instrument and is reviewed on each subsequent measurement date. Transfers between levels of the fair value hierarchy are measured at fair value at the beginning of each fiscal year.

The following tables present an allocation of the fair value of financial instruments into the three levels of the fair value hierarchy:

| | | | | December 31, 2018 |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **Financial assets** | | | | |
| Amounts receivable from transactions being settled | - | 4,587 | - | 4,587 |
| Advances to depositors | - | 903 | - | 903 |
| Investment income, accrued and receivable | - | 1,352 | - | 1,352 |
| Investments | | | | |
| Cash equivalents | - | 360 | - | 360 |
| Short-term investments | - | 222 | - | 222 |
| Securities purchased under reverse repurchase agreements | - | 8,275 | - | 8,275 |
| Corporate debt | - | 76 | 2,073 | 2,149 |
| Bonds | - | 69,288 | 722 | 70,010 |
| Equities and convertible securities | | | | |
| Public companies | 105,631 | 641 | - | 106,272 |
| Private companies | - | 1,138 | 15,960 | 17,098 |
| Hedge funds | - | 1,947 | 300 | 2,247 |
| Interests in unconsolidated subsidiaries | | | | |
| Investments in real estate holdings | - | 12,254 | 38,317 | 50,571 |
| Investments in real estate debt | - | 10,613 | 2,782 | 13,395 |
| Private equity investments | - | - | 26,275 | 26,275 |
| Infrastructure investments | - | - | 19,577 | 19,577 |
| Investments in fixed-income securities | - | 7,174 | 8,769 | 15,943 |
| Investments in hedge funds | - | 5,609 | - | 5,609 |
| Stock market investments | - | 1,041 | 1,753 | 2,794 |
| Derivative financial instruments | 65 | 1,142 | - | 1,207 |
| | 105,696 | 126,622 | 116,528 | 348,846 |
| **Financial liabilities excluding net assets attributable to depositors** | | | | |
| Amounts payable on transactions being settled | - | 1,113 | - | 1,113 |
| Other financial liabilities | - | 1,172 | - | 1,172 |
| Investment liabilities | | | | |
| Securities sold under repurchase agreements | - | 12,539 | - | 12,539 |
| Securities sold short | 516 | 7,278 | 8 | 7,802 |
| Commercial paper payable | - | 5,921 | - | 5,921 |
| Loans payable | - | 290 | - | 290 |
| Term notes payable | - | 9,598 | - | 9,598 |
| Derivative financial instruments | 30 | 2,007 | 20 | 2,057 |
| | 546 | 39,918 | 28 | 40,492 |
| **Net assets attributable to depositors** | | | | |
| Demand deposits | - | 712 | - | 712 |
| Term deposits | - | 6 | - | 6 |
| Distributions payable to depositors | - | 2,506 | - | 2,506 |
| Participation deposits | - | 306,287 | - | 306,287 |
| | - | 309,511 | - | 309,511 |

### Transfers between levels of the fair value hierarchy

During the year ended December 31, 2018, due to changes in the availability of observable inputs given changing market conditions, financial instruments with a value of $237 million were transferred from Level 1 to Level 2, of $62 million from Level 1 to Level 3, of $306 million from Level 2 to Level 1, of $645 million from Level 2 to Level 3, and of $1,077 million from Level 3 to Level 2.

## Fair Value Hierarchy (cont.)

| | December 31, 2017 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **Financial assets** | | | | |
| Amounts receivable from transactions being settled | - | 2,447 | - | 2,447 |
| Advances to depositors | - | 1,056 | - | 1,056 |
| Investment income, accrued and receivable | - | 1,395 | - | 1,395 |
| Investments | | | | |
| Short-term investments | - | 276 | - | 276 |
| Securities purchased under reverse repurchase agreements | - | 10,288 | - | 10,288 |
| Corporate debt | - | 572 | 2,014 | 2,586 |
| Bonds | - | 80,562 | 143 | 80,705 |
| Equities and convertible securities | | | | |
| Public companies | 114,643 | 811 | - | 115,454 |
| Private companies | - | 279 | 14,916 | 15,195 |
| Hedge funds | - | 1,920 | 402 | 2,322 |
| Interests in unconsolidated subsidiaries | | | | |
| Investments in real estate holdings | - | 9,327 | 34,401 | 43,728 |
| Investments in real estate debt | - | 9,649 | 2,342 | 11,991 |
| Private equity investments | - | 169 | 19,576 | 19,745 |
| Infrastructure investments | - | - | 11,439 | 11,439 |
| Investments in fixed-income securities | - | 5,535 | 4,566 | 10,101 |
| Investments in hedge funds | - | 3,998 | - | 3,998 |
| Stock market investments | - | 937 | 1,582 | 2,519 |
| Derivative financial instruments | 59 | 642 | 2 | 703 |
| | 114,702 | 129,863 | 91,383 | 335,948 |
| **Financial liabilities excluding net assets attributable to depositors** | | | | |
| Amounts payable on transactions being settled | - | 2,102 | - | 2,102 |
| Other financial liabilities | - | 691 | - | 691 |
| Investment liabilities | | | | |
| Securities sold under repurchase agreements | - | 15,972 | - | 15,972 |
| Securities sold short | 602 | 4,488 | 6 | 5,096 |
| Commercial paper payable | - | 4,556 | - | 4,556 |
| Loans payable | - | 364 | - | 364 |
| Term notes payable | - | 9,198 | - | 9,198 |
| Derivative financial instruments | 12 | 617 | 30 | 659 |
| | 614 | 37,988 | 36 | 38,638 |
| **Net assets attributable to depositors** | | | | |
| Demand deposits | - | 88 | - | 88 |
| Term deposits | - | 6 | - | 6 |
| Distributions payable to depositors | - | 1,975 | - | 1,975 |
| Participation deposits | - | 296,443 | - | 296,443 |
| | - | 298,512 | - | 298,512 |

### Transfers between levels of the fair value hierarchy

During the year ended December 31, 2017, due to changes in the availability of observable inputs given changing market conditions, financial instruments with a value of $217 million were transferred from Level 1 to Level 2, of $12 million from Level 2 to Level 1, of $2,130 million from Level 2 to Level 3, and of $395 million from Level 3 to Level 2.

## d) Level 3: Reconciliation Between Opening and Closing Balances

For financial instruments classified in Level 3 of the hierarchy, reconciliations between the opening and closing balances as at December 31, 2018 and 2017 are as follows:

| | | | | | | | | **2018** |
|---|---|---|---|---|---|---|---|---|
| | **Opening balance (assets/(liabilities))** | **Gains (losses) recognized in comprehensive income[2]** | **Purchases** | **Sales** | **Settlements** | **Transfers** | **Closing balance (assets/(liabilities))** | **Unrealized gains (losses) on financial instruments held at year-end[2]** |
| Corporate debt | **2,014** | **(53)** | **638** | **(209)** | **(317)** | **-** | **2,073** | **(54)** |
| Bonds | **143** | **45** | **-** | **-** | **(16)** | **550** | **722** | **38** |
| Equities and convertible securities | **15,318** | **1,804** | **3,284** | **(3,359)** | **-** | **(787)** | **16,260** | **1,218** |
| Interests in unconsolidated subsidiaries | **73,906** | **7,554** | **20,399** | **(4,253)** | **-** | **(133)** | **97,473** | **7,436** |
| Derivative financial instruments[1] | **(28)** | **(2)** | **-** | **(1)** | **11** | **-** | **(20)** | **(1)** |
| Securities sold short | **(6)** | **(2)** | **-** | **-** | **-** | **-** | **(8)** | **(2)** |

| | | | | | | | | 2017 |
|---|---|---|---|---|---|---|---|---|
| | Opening balance (assets/(liabilities)) | Gains (losses) recognized in comprehensive income[2] | Purchases | Sales | Settlements | Transfers | Closing balance (assets/(liabilities)) | Unrealized gains (losses) on financial instruments held at year-end[2] |
| Corporate debt | 1,256 | (13) | 581 | (24) | (101) | 315 | 2,014 | (11) |
| Bonds | 127 | (3) | 59 | (38) | (10) | 8 | 143 | (3) |
| ABTNs | 3,970 | 9 | - | - | (3,979) | - | - | - |
| Equities and convertible securities | 13,616 | 683 | 4,347 | (2,933) | - | (395) | 15,318 | 954 |
| Interests in unconsolidated subsidiaries | 59,995 | 3,748 | 15,011 | (6,653) | - | 1,805 | 73,906 | 3,884 |
| Derivative financial instruments[1] | (72) | (2) | - | (2) | 46 | 2 | (28) | (1) |
| Securities sold short | (9) | 1 | 2 | - | - | - | (6) | 2 |

[1] The assets and liabilities related to derivative financial instruments are presented on a net basis.

[2] Presented under “Net gains on financial instruments at fair value” in the Consolidated Statements of Comprehensive Income.

## e) Level 3: Fair Value Measurement Based on Reasonably Possible Alternative Assumptions

In certain cases, the assumptions used in the valuation techniques are based on unobservable inputs or observable inputs adjusted significantly to reflect the characteristics specific to the financial instrument being measured. While la Caisse considers its fair value measurements to be appropriate, the use of reasonably possible alternative assumptions could result in different fair values. For a given measurement date, it is possible that other market participants could measure a same financial instrument at a different fair value, with the valuation techniques and inputs used by these market participants still meeting the definition of fair value. The fact that different fair value measurements exist reflects the judgment, estimates and assumptions applied as well as the uncertainty involved in determining the fair value of these financial instruments.

### Level 3: Fair Value Measurement Based on Reasonably Possible Alternative Assumptions (cont.)

The following tables present quantitative information on the primary valuation techniques and unobservable inputs for the main financial instruments classified in Level 3 of the fair value hierarchy that are subject to the sensitivity analysis in Note 7f as well as those that are excluded from the analysis:

| | | | | December 31, 2018 |
|---|---|---|---|---|
| | **Fair value** | **Valuation techniques** | **Unobservable inputs** | **Range (weighted average)** |
| **Included in the sensitivity analysis** | | | | |
| Corporate debt | **1,861** | **Discounted cash flows** | **Credit spreads** | **1.2% to 11.1% (3.9%)** |
| | | | **Discount rates** | **7.5% to 9.3% (7.8%)** |
| Equities of private companies | | | | |
| Private equity investments | **5,191** | **Comparable company multiples** | **EBITDA multiples** | **6.8 to 16.5 (11.4)** |
| Infrastructure investments | **3,642** | **Discounted cash flows** | **Discount rates** | **6.0% to 10.3% (9.7%)** |
| Interests in unconsolidated subsidiaries | | | | |
| Investments in real estate holdings | **38,317** | **Comparable company multiples** | **Price-to-book value ratios** | **1.06** |
| | | **Discounted cash flows** | **Discount rates** | **4.8% to 13.3% (6.4%)** |
| | | | **Credit spreads** | **0.0% to 12.0% (1.6%)** |
| | | **Capitalization of revenue** | **Capitalization rates** | **4.1% to 12.6% (5.3%)** |
| | | **Net real estate assets** | **Discounts to net asset value** | **0.0% to 17.5% (5.1%)** |
| Private equity investments | **4,263** | **Comparable company multiples** | **EBITDA multiples** | **8.5 to 13.0 (12.2)** |
| Infrastructure investments | **10,682** | **Discounted cash flows** | **Discount rates** | **7.2% to 13.0% (9.0%)** |
| Investments in fixed-income securities | **6,525** | **Discounted cash flows** | **Discount rates** | **6.4%** |
| | | | **Credit spreads** | **0.9% to 9.4% (4.6%)** |
| | **70,481** | | | |
| **Excluded from the sensitivity analysis** | | | | |
| Financial instruments[1] | **46,019** | **Recent transactions[2]** | **n.a.** | **n.a.** |
| | | **Broker quotes[3]** | **n.a.** | **n.a.** |
| | | **Net assets[3]** | **n.a.** | **n.a.** |
| **Net financial instruments classified in Level 3** | **116,500** | | | |

n.a.: not applicable

[1] The fair value of the financial instruments presented in this item includes corporate debt, bonds, equities, interests in unconsolidated subsidiaries, derivative financial instruments, and securities sold short.

[2] When fair value is determined based on recent transaction information, this value is the most representative indication of fair value. Consequently, la Caisse did not conduct a sensitivity analysis.

[3] When fair value is determined using broker quotes or net asset value, this value is the only reasonable indication of fair value. Consequently, la Caisse is unable to conduct a sensitivity analysis.

## Level 3: Fair Value Measurement Based on Reasonably Possible Alternative Assumptions (cont.)

| | | | | December 31, 2017 |
|---|---|---|---|---|
| | Fair value | Valuation techniques | Unobservable inputs | Range (weighted average) |
| **Included in the sensitivity analysis** | | | | |
| Corporate debt | 1,488 | Discounted cash flows | Credit spreads | 1.1% to 2.5% (2.0%) |
| | | | Discount rates | 8.0% |
| Equities of private companies | | | | |
| Private equity investments | 3,258 | Comparable company multiples | EBITDA multiples | 7.5 to 11.5 (9.6) |
| Infrastructure investments | 3,318 | Discounted cash flows | Discount rates | 6.0% to 11.9% (10.5%) |
| Interests in unconsolidated subsidiaries | | | | |
| Investments in real estate holdings | 34,401 | Comparable company multiples | Price-to-book value ratios | 1.06 |
| | | Discounted cash flows | Discount rates | 4.8% to 13.3% (6.4%) |
| | | | Credit spreads | 0.0% to 10.5% (1.7%) |
| | | Capitalization of revenue | Capitalization rates | 4.1% to 11.6% (5.3%) |
| | | Net real estate assets | Discounts to net asset value | 0.0% |
| Private equity investments | 7,353 | Comparable company multiples | EBITDA multiples | 7.5 to 13.0 (11.0) |
| Infrastructure investments | 10,620 | Discounted cash flows | Discount rates | 6.8% to 12.5% (8.8%) |
| | | Comparable company multiples | EBITDA multiples | 10.8 |
| Investments in fixed-income securities | 3,404 | Discounted cash flows | Credit spreads | 1.0% to 9.2% (4.5%) |
| | 63,842 | | | |
| **Excluded from the sensitivity analysis** | | | | |
| Financial instruments[1] | 27,505 | Recent transactions[2]<br>Broker quotes[3]<br>Net assets[3] | n.a.<br>n.a.<br>n.a. | n.a.<br>n.a.<br>n.a. |
| **Net financial instruments classified in Level 3** | 91,347 | | | |

n.a.: not applicable

[1] The fair value of the financial instruments presented in this item includes corporate debt, bonds, equities, interests in unconsolidated subsidiaries, derivative financial instruments and securities sold short.

[2] When fair value is determined based on recent transaction information, this value is the most representative indication of fair value. Consequently, la Caisse did not conduct a sensitivity analysis.

[3] When fair value is determined using broker quotes or net asset value, this value is the only reasonable indication of fair value. Consequently, la Caisse is unable to conduct a sensitivity analysis.

## f) Sensitivity Analysis of Fair Value

The following analysis shows the sensitivity of fair value measurements to reasonably possible alternative assumptions for the significant unobservable inputs presented in the preceding tables of Note 7e. La Caisse identified reasonably possible alternative assumptions using its judgment and knowledge of the markets. The following table shows the increases and decreases in fair value that would result from these alternative assumptions for the main financial instruments classified in Level 3 of the fair value hierarchy that are subject to a sensitivity analysis:

| | **December 31, 2018** | | December 31, 2017 | |
|---|---|---|---|---|
| | **Increase** | **Decrease** | Increase | Decrease |
| Sensitivity of fair value | **4,691** | **(4,348)** | 4,153 | (3,871) |

As at December 31, 2018, the fair value sensitivity analysis above shows an increase in fair value of $2,800 million ($2,445 million as at December 31, 2017) and a decrease in fair value of $2,551 million ($2,236 million as at December 31, 2017) attributable to investments in real estate holdings.

There is a correlation between unobservable inputs and the determination of fair value. Therefore, an increase (decrease) in discount rates, credit spreads, capitalization rates and discounts to net asset value would result in a decrease (increase) in fair value. Furthermore, an increase (decrease) in EBITDA multiples and price-to-book value ratios would result in an increase (decrease) in fair value. There is no predictable correlation between unobservable inputs.

# 8. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

A financial asset and a financial liability must be offset in the Consolidated Statements of Financial Position when la Caisse has a legally enforceable right of set-off and intends either to settle on a net basis or to realize the financial asset and settle the financial liability simultaneously with the counterparty. La Caisse has a legally enforceable right of set-off when this right is exercisable in the normal course of business and in the event of default, insolvency or bankruptcy.

Amounts receivable from and amounts payable on transactions being settled, securities purchased under reverse repurchase agreements, securities sold under repurchase agreements and derivative financial instruments traded on over-the-counter markets in accordance with agreements of the International Swaps and Derivatives Association (ISDA) are subject to master netting agreements that do not meet the criteria for offsetting in the Consolidated Statements of Financial Position as they give a right of set-off that is enforceable only in the event of default, insolvency or bankruptcy.

Securities purchased under reverse repurchase agreements and securities sold under repurchase agreements settled through a clearing house satisfy the offsetting criteria. Derivative financial instruments traded on exchange markets as well as those settled by clearing houses through brokers also satisfy offsetting criteria.

The following tables present information about financial assets and liabilities that are offset and not offset in the Consolidated Statements of Financial Position and that are subject to master netting agreements or similar arrangements:

| | | | | | | December 31, 2018 |
|---|---|---|---|---|---|---|
| | Gross amounts recognized | Amounts offset | Net amounts presented in the Consolidated Statements of Financial Position[1] | Amounts subject to master netting agreements | Collateral received/ pledged[2] | Net amounts |
| **Financial assets** | | | | | | |
| Amounts receivable from transactions being settled | **4,587** | **-** | **4,587** | **(498)** | **-** | **4,089** |
| Securities purchased under reverse repurchase agreements | **10,859** | **(2,224)** | **8,635** | **(6,869)** | **(1,759)** | **7** |
| Derivative financial instruments[3] | **1,257** | **(36)** | **1,221** | **(981)** | **(114)** | **126** |
| | **16,703** | **(2,260)** | **14,443** | **(8,348)** | **(1,873)** | **4,222** |
| **Financial liabilities** | | | | | | |
| Amounts payable on transactions being settled | **1,113** | **-** | **1,113** | **(933)** | **-** | **180** |
| Securities sold under repurchase agreements | **14,763** | **(2,224)** | **12,539** | **(6,434)** | **(6,102)** | **3** |
| Derivative financial instruments[3] | **2,111** | **(36)** | **2,075** | **(981)** | **(1,016)** | **78** |
| | **17,987** | **(2,260)** | **15,727** | **(8,348)** | **(7,118)** | **261** |

[1] Net amounts presented in the Consolidated Statements of Financial Position or in Notes 4a and 4b.

[2] The financial collateral received or pledged cannot include a net amount per counterparty less than zero. The total amounts of financial collateral received or pledged are presented in Notes 14 and 15.

[3] The amounts presented in this item include amounts receivable and payable related to derivative financial instruments presented, respectively, under "Investment income, accrued and receivable" and "Other financial liabilities".

## Offsetting Financial Assets and Financial Liabilities (cont.)

| | | | | | | December 31, 2017 |
|---|---|---|---|---|---|---|
| | Gross amounts recognized | Amounts offset | Net amounts presented in the Consolidated Statements of Financial Position[1] | Amounts subject to master netting agreements | Collateral received/ pledged[2] | Net amounts |
| **Financial assets** | | | | | | |
| Amounts receivable from transactions being settled | 2,447 | - | 2,447 | (670) | - | 1,777 |
| Securities purchased under reverse repurchase agreements | 10,288 | - | 10,288 | (5,508) | (4,763) | 17 |
| Derivative financial instruments[3] | 753 | (26) | 727 | (426) | (128) | 173 |
| | 13,488 | (26) | 13,462 | (6,604) | (4,891) | 1,967 |
| **Financial liabilities** | | | | | | |
| Amounts payable on transactions being settled | 2,102 | - | 2,102 | (1,458) | - | 644 |
| Securities sold under repurchase agreements | 15,972 | - | 15,972 | (4,720) | (11,246) | 6 |
| Derivative financial instruments[3] | 697 | (26) | 671 | (426) | (212) | 33 |
| | 18,771 | (26) | 18,745 | (6,604) | (11,458) | 683 |

[1] Net amounts presented in the Consolidated Statements of Financial Position or in Notes 4a and 4b.

[2] The financial collateral received or pledged cannot include a net amount per counterparty less than zero. The total amounts of financial collateral received or pledged are presented in Notes 14 and 15.

[3] The amounts presented in this item include amounts receivable and payable related to derivative financial instruments presented, respectively, under “Investment income, accrued and receivable” and “Other financial liabilities”.

# 9. NET INVESTMENT INCOME

The following table presents the investment income and expense of the financial instruments at FVTPL:

| | | | 2018 | | | 2017 |
|---|---|---|---|---|---|---|
| | Dividend income (expense) | Interest income (expense) | Net investment income | Dividend income (expense) | Interest income (expense) | Net investment income |
| **Cash management activities** | **-** | **23** | **23** | - | 17 | 17 |
| **Investing activities** | | | | | | |
| Short-term investments | **-** | **4** | **4** | - | 15 | 15 |
| Securities purchased under reverse repurchase agreements | **-** | **144** | **144** | - | 43 | 43 |
| Corporate debt | **-** | **152** | **152** | - | 183 | 183 |
| Bonds | **-** | **2,661** | **2,661** | - | 1,975 | 1,975 |
| Equities and convertible securities | **3,655** | **-** | **3,655** | 4,226 | 7 | 4,233 |
| Interests in unconsolidated subsidiaries | **2,530** | **973** | **3,503** | 2,204 | 839 | 3,043 |
| | **6,185** | **3,957** | **10,142** | 6,430 | 3,079 | 9,509 |
| Other | | | **80** | | | 67 |
| **Total investment income** | | | **10,222** | | | 9,576 |
| **Investment liability activities** | | | | | | |
| Securities sold under repurchase agreements | **-** | **(249)** | **(249)** | - | (115) | (115) |
| Securities sold short | **(14)** | **(87)** | **(101)** | (17) | (48) | (65) |
| **Financing activities** | | | | | | |
| Commercial paper payable | **-** | **(106)** | **(106)** | - | (58) | (58) |
| Loans payable | **-** | **(3)** | **(3)** | - | (2) | (2) |
| Term notes payable | **-** | **(369)** | **(369)** | - | (356) | (356) |
| | **(14)** | **(814)** | **(828)** | (17) | (579) | (596) |
| **Other expenses** | | | | | | |
| External management fees | | | **(58)** | | | (54) |
| **Total investment expense** | | | **(886)** | | | (650) |
| **Net investment income** | | | **9,336** | | | 8,926 |

# 10. INVESTMENT RESULT BEFORE DISTRIBUTIONS TO DEPOSITORS

The following table presents the net investment income, net gains (losses) on financial instruments at FVTPL as well as operating expenses:

| | **2018** | | | 2017 | | |
|---|---|---|---|---|---|---|
| | **Net investment income** ***(Note 9)*** | **Net gains (losses)[1]** | **Total** | Net investment income *(Note 9)* | Net gains (losses)[1] | Total |
| **Cash management activities** | **23** | **3** | **26** | 17 | 4 | 21 |
| **Investing activities** | | | | | | |
| Short-term investments | **4** | **14** | **18** | 15 | (14) | 1 |
| Securities purchased under reverse repurchase agreements | **144** | **214** | **358** | 43 | (239) | (196) |
| Corporate debt | **152** | **13** | **165** | 183 | (178) | 5 |
| Bonds | **2,661** | **(172)** | **2,489** | 1,975 | (390) | 1,585 |
| Equities and convertible securities | **3,655** | **(2,713)** | **942** | 4,233 | 12,982 | 17,215 |
| Interests in unconsolidated subsidiaries | **3,503** | **8,171** | **11,674** | 3,043 | 2,907 | 5,950 |
| Net derivative financial instruments | **-** | **(462)** | **(462)** | - | (5) | (5) |
| Other | **80** | **62** | **142** | 67 | (55) | 12 |
| | **10,222** | **5,130** | **15,352** | 9,576 | 15,012 | 24,588 |
| **Investment liability activities** | | | | | | |
| Securities sold under repurchase agreements | **(249)** | **(283)** | **(532)** | (115) | 518 | 403 |
| Securities sold short | **(101)** | **(763)** | **(864)** | (65) | 200 | 135 |
| **Financing activities** | | | | | | |
| Commercial paper payable | **(106)** | **(416)** | **(522)** | (58) | 258 | 200 |
| Loans payable | **(3)** | **(17)** | **(20)** | (2) | 11 | 9 |
| Term notes payable | **(369)** | **(412)** | **(781)** | (356) | 378 | 22 |
| **Other** | | | | | | |
| External management fees | **(58)** | **(37)** | **(95)** | (54) | (32) | (86) |
| Transaction costs | **-** | **(163)** | **(163)** | - | (139) | (139) |
| | **(886)** | **(2,091)** | **(2,977)** | (650) | 1,194 | 544 |
| | **9,336** | **3,039** | **12,375** | 8,926 | 16,206 | 25,132 |
| Operating expenses *(Note 11)* | | | **(585)** | | | (536) |
| **Investment result before distributions to depositors** | | | **11,790** | | | 24,596 |

[1] For the year ended December 31, 2018, the net gains (losses) included $7,980 million in net realized gains and $4,941 million in net unrealized losses (for the year ended December 31, 2017, net realized gains of $9,822 million and net unrealized gains of $6,384 million).

# 11. OPERATING EXPENSES

The following table presents the operating expenses:

| | **2018** | 2017 |
|---|---|---|
| Salaries and employee benefits | **377** | 331 |
| Information technology and professional services | **59** | 64 |
| Maintenance, equipment and amortization | **55** | 54 |
| Data services and subscriptions | **21** | 21 |
| Rent | **18** | 18 |
| Other expenses | **37** | 32 |
| | **567** | 520 |
| Safekeeping of securities | **18** | 16 |
| | **585** | 536 |

# 12. RISK IDENTIFICATION AND MANAGEMENT

## Risk Management Policies, Directives and Procedures Related to Investment Activities

La Caisse is responsible for managing deposits in accordance with service agreements and depositor investment policies, the investment policies for specialized portfolios and the integrated risk management policy. To do so, it has implemented various policies, directives and procedures to oversee the management of the risks relating to its operations.

The integrated risk management policy is adopted by la Caisse's Board of Directors. The purpose of this policy is to promote a rigorous risk management culture and practices that help la Caisse carry out its mission on behalf of its depositors. The integrated risk management policy defines market risk, concentration risk, credit risk, counterparty risk associated with derivative financial instruments, and financing-liquidity risk.

Specifically, this policy aims to:

- Establish the guiding principles that support la Caisse's integrated risk management framework and promote a sound risk management culture at all levels of the organization
- Set out the risk management model and governance structure
- Define the roles and responsibilities of stakeholders
- Establish oversight of the main risks to which la Caisse is exposed

La Caisse's governance and risk management are based on the following twelve guiding principles:

- A risk tolerance framework
- The roles of the Board of Directors and senior executives
- A client-centric approach that focuses on the needs of depositors
- A long-term investment strategy
- Liquidity and financing management
- In-depth knowledge of assets and markets
- Independent functions and stakeholder accountability
- Collaboration for comprehensive risk management
- Operational excellence
- Use of derivative financial instruments and counterparty risk management
- Oversight of new investment activities and new financial instruments
- A responsible investment framework

The levels of control and parties responsible for risk management governance are as follows:

1. Investment groups have the primary responsibility for managing the risks related to their operations.
2. Independent teams and internal committees are responsible for supporting investment group employees and setting appropriate control mechanisms.
3. The Board of Directors and its committees ensure a management framework is adopted, and the Internal Audit group ensures execution and compliance with the established risk management framework.

## Risk Management Policies, Directives and Procedures Related to Investment Activities (cont.)

The integrated risk management policy sets out risk limits and authorization levels for la Caisse as a whole as well as limits applicable to cross-functional activities. In addition, la Caisse develops and periodically reviews the specialized portfolio investment policies that are designed to oversee the work of the specialized portfolio managers. A separate investment policy sets out investment strategy, management style, eligible investments, target returns, benchmark index, and concentration and risk limits.

Furthermore, each investment group must adopt an investment strategy. Strategic investment planning (SIP) seeks to strengthen the decision-making process by achieving a better matching of return to risk when choosing investments. SIP sets future directions, strengthens the collaboration and information sharing processes required to make strategic investment decisions and ensures a better alignment between the directions and strategies. The SIP process is conducted annually and includes the following steps: 1) Diagnostic and strategic directions; 2) Strategic plans; 3) Review and approval and 4) Execution and accountability. Investment plans are presented to the Investment-Risk Committee (IRC) for approval and are communicated to the Executive Committee and Board of Directors.

La Caisse is exposed to various financial risks. Detailed information regarding these risks is presented in the following sections.

## Market Risk

Market risk is the risk of financial loss arising from fluctuations in the fair value of financial instruments. Volatility in financial instrument prices stems from changes in market risk factors, in particular interest rates, credit spreads, exchange rates, share prices and commodity prices. La Caisse uses derivative financial instruments to manage market risks.

La Caisse manages all market risks according to an integrated approach for all specialized portfolios. The main factors contributing to risk, such as industry sector, geographic region and issuer, are taken into account. La Caisse's market risks are managed and calculated according to factors that can influence the fair value of investments and investment liabilities.

La Caisse measures its market risk using Value-at-Risk (VaR), which is based on a statistical estimate of the volatility of the fair value of each position and of correlations between market risk factors. VaR is a statistical estimate of the potential financial loss that could be incurred by la Caisse's actual portfolio, based on a predetermined confidence level and a given exposure period. The market VaR is estimated with a 95% confidence level over an exposure period of one year. To summarize, VaR indicates the level of loss that the actual portfolio of la Caisse could exceed in 5% of cases. La Caisse estimates VaR for each instrument held in its specialized portfolios and aggregates the information for la Caisse's actual portfolio.

The historical-simulation method is used to measure VaR. This method is based mainly on the assumption that the future will be similar to the past. It requires that historical data series on all the risk factors needed to estimate the returns on financial instruments be available. In the absence of historical data, alternative methods are used.

The calculation results obtained by applying this methodology do not make it possible to estimate the amount of loss, based on a specific event, that would be incurred by la Caisse's portfolio if this event re-occurred. For example, if future conditions and market risk factors were substantially different from past economic conditions, actual losses could differ substantially from estimated losses. Moreover, these estimates at a given date do not take into account all possible losses resulting from exceptional market events or losses that could arise over and above the 95% confidence level. Consequently, in light of these limitations, la Caisse's actual portfolio losses could exceed the estimates.

A history of 3,000 days of observation of risk factors is used to measure the volatility of returns and the correlation between the return of financial instruments. Moreover, due to the methodology, the effects on the portfolio of the unfavourable events seen over a one-month horizon are repeated several times during the year.

Two risk measures are calculated and analyzed:

- The absolute risk of the actual portfolio represents the total risk associated with the categories of financial instruments that make up la Caisse's actual portfolio.
- The absolute risk of the benchmark portfolio targeted by depositors represents the total risk of the benchmark indexes associated with the categories of financial instruments that make up la Caisse's benchmark portfolio.

The absolute risks of la Caisse's actual and benchmark portfolios are measured regularly and used to calculate the absolute risk ratio, which is subject to certain limitations. The absolute risk ratio is obtained by dividing the absolute risk of the actual portfolio by the absolute risk of the benchmark portfolio.

The absolute risk of the actual portfolio and the absolute risk of the benchmark portfolio, including the risk associated with the underlying investments of unconsolidated subsidiaries whose risk is managed by la Caisse, as a percentage of net assets, according to a 95% confidence level and a history of 3,000 days, are as follows:

| | | | **December 31, 2018** | | | December 31, 2017 |
|---|---|---|---|---|---|---|
| | **Absolute risk of the actual portfolio** | **Absolute risk of the benchmark portfolio** | **Absolute risk ratio** | Absolute risk of the actual portfolio | Absolute risk of the benchmark portfolio | Absolute risk ratio |
| Value at risk | **13.7%** | **13.8%** | **0.99** | 13.4% | 13.6% | 0.99 |

## Market Risk (cont.)

Moreover, when managing market risk, la Caisse uses stress tests that allow it to evaluate the consequences of specific circumstances on the returns of la Caisse's actual portfolio based on historical, hypothetical or risk factor sensitivity scenarios. Using various types of scenarios, stress tests measure the gains or losses in value of a financial instrument following a change in one or more often-related risk factors, such as share prices, interest rates, rate spreads, exchange rates, commodity prices and market volatility.

***Currency risk***

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. This risk is integrated into the VaR measurement.

La Caisse uses a dynamic management approach for the main currencies of developed countries. Dynamic management is used to protect certain specialized portfolios when the Canadian dollar appears to be significantly undervalued or overvalued compared to its equilibrium value according to the valuation models. Dynamic hedging should therefore be less frequent, but the duration of the hedge, being unforeseeable, may vary widely and last for a few weeks to several months. Certain specialized portfolios may therefore be partially hedged against foreign exchange risk.

When managing currency risk, la Caisse uses derivative financial instruments to manage its exposure to currencies. Moreover, currency risk can be managed by way of natural hedging activities, including the financing of investments in the same currency.

The net exposure to foreign currencies takes into account the effects of currency derivatives, natural hedging and the underlying investments in currencies of unconsolidated subsidiaries whose currency risk is managed by la Caisse. La Caisse's net exposure to foreign currencies, as a percentage of net assets including purchases and cancellations of participation units of the specialized portfolios completed at the beginning of each month, is as follows:

| | **December 31, 2018** | December 31, 2017 |
|---|---|---|
| Canadian dollar | **45%** | 51% |
| U.S. dollar | **27%** | 23% |
| Euro | **7%** | 7% |
| Pound sterling | **4%** | 3% |
| Yen | **2%** | 2% |
| Australian dollar | **1%** | 2% |
| Other | **14%** | 12% |
| | **100%** | 100% |

***Interest rate risk***

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. This risk is integrated into the VaR measurement.

***Price risk***

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than changes arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or by factors that affect all similar financial instruments traded on the market. This risk is integrated into the VaR measurement.

## Concentration Risk

La Caisse analyzes overall concentration risk for the entire group of specialized portfolios it manages. The integrated risk management policy sets out exposure limits according to category of financial instrument and according to issuer for growth markets and for certain countries. Moreover, the investment policies of the specialized portfolios set out specific limits for each issuer, industry sector, and geographic region.

The concentration limit by issuer is 3% of la Caisse's total assets, with the exception of securities issued by the Canadian or U.S. governments or by their agencies and that feature an explicit guarantee or those issued by a Canadian province or territory of Canada or a ministry or agency thereof or by sovereign issuers rated AAA, which are not included in the concentration limit. Concentration by issuer is monitored monthly or upon initiation of a transaction requiring approval of the IRC or the Board of Directors, as appropriate.

The following table presents the principal geographic concentrations as a percentage of total net exposure, established according to the country of the issuers' principal place of business, after the effects of certain derivative financial instruments and including the underlying investments in unconsolidated subsidiaries whose concentration risk is managed by la Caisse:

| | **December 31, 2018** | December 31, 2017 |
|---|---|---|
| Canada | **36%** | 42% |
| United States | **30%** | 28% |
| Europe | **14%** | 13% |
| Growth markets | **14%** | 11% |
| Other | **6%** | 6% |
| | **100%** | 100% |

The following table presents the principal industry sector concentrations as a percentage of total net exposure, established according to the industry sector in which the issuers operate, after the effects of certain derivative financial instruments and including the underlying investments in unconsolidated subsidiaries whose concentration risk is managed by la Caisse:

| | **December 31, 2018** | December 31, 2017 |
|---|---|---|
| **Industry sector** | | |
| Real estate | **19%** | 18% |
| Financials | **9%** | 10% |
| Industrials | **12%** | 9% |
| Consumer discretionary | **5%** | 7% |
| Information technology | **6%** | 6% |
| Energy | **5%** | 5% |
| Consumer staples | **5%** | 5% |
| Utilities | **6%** | 4% |
| Real estate debt | **4%** | 4% |
| Health care | **5%** | 4% |
| Materials | **2%** | 3% |
| Telecommunication services | **4%** | 2% |
| Other | **3%** | 3% |
| **Government sector** | | |
| Government of Canada | **5%** | 8% |
| Government of Québec | **4%** | 5% |
| Government corporations and other public administrations in Québec | **2%** | 2% |
| Other | **4%** | 5% |
| | **100%** | 100% |

## Credit Risk

Credit risk is the possibility of incurring a loss in value should a borrower, endorser, or guarantor experience a deterioration in financial position, fail to meet an obligation to repay a loan or fail to meet any other financial commitment.

Maximum credit risk exposure is measured based on the fair value of financial instruments without taking into account guarantees or other credit enhancements. For the other items, the maximum exposure to credit risk is the total amount guaranteed or committed.

The following table presents the maximum exposure to credit risk:

| | **December 31, 2018** | December 31, 2017 |
|---|---|---|
| Cash | **675** | 947 |
| Amounts receivable from transactions being settled | **4,587** | 2,447 |
| Advances to depositors | **903** | 1,056 |
| Investment income, accrued and receivable | **1,352** | 1,395 |
| Investments | | |
| Cash equivalents | **360** | - |
| Fixed-income securities | **80,656** | 93,855 |
| Interests in unconsolidated subsidiaries in the form of debt instruments | **27,922** | 22,159 |
| Derivative financial instruments | **1,207** | 703 |
| | **117,662** | 122,562 |
| **Other items** | | |
| Guarantees *(Note 19)* | **397** | 86 |
| | **118,059** | 122,648 |

La Caisse enters into master netting agreements *(Note 8)*, receives guarantees *(Note 15)* and may also use derivative financial instruments such as credit default swaps to reduce its total credit risk exposure.

In addition, to manage credit risk, la Caisse closely monitors changes in the credit cycle of issuers and uses a credit VaR to calculate the potential financial loss related to possible changes in the credit quality of issuers of fixed-income securities.

***Concentration of credit risk***

A credit risk concentration analysis measures the fair value of all financial instruments related to a same issuer. The investment policy of the specialized portfolios sets out concentration limits according to credit rating. The credit risk analysis considers the probability of default and the recovery rate on debt securities held by la Caisse and monitors changes in the credit quality of issuers.

The following table presents the credit risk concentration according to the credit ratings of issuers of fixed-income securities and certain derivative financial instruments used to manage credit risk, as a percentage of the total exposure to credit concentration risk:

| | **December 31, 2018** | December 31, 2017 |
|---|---|---|
| **Credit rating** | | |
| AAA – AA | **26%** | 37% |
| A | **32%** | 34% |
| BBB | **18%** | 11% |
| BB or lower | **19%** | 14% |
| No credit rating | **5%** | 4% |
| | **100%** | 100% |

The credit ratings of securities issued or guaranteed by governments are obtained from recognized credit rating agencies. For corporate sector securities, credit ratings are determined using an internal rating process that monitors changes in the credit cycle annually when the necessary information is available. Otherwise, la Caisse uses recognized credit rating agencies.

## Credit Risk (cont.)

***Counterparty risk related to derivative financial instruments***

Certain over-the-counter financial instruments give rise to counterparty risk because they are negotiated by contract without being traded or settled through a clearing house. Counterparty risk related to derivative financial instruments is the credit risk created by current or potential exposures arising from derivative financial instrument transactions where the counterparty becomes unable to honour the terms of the contracts.

To limit its exposure to the counterparty risk arising from transactions involving over-the-counter derivative financial instruments, la Caisse carries out transactions with financial institutions in accordance with management's criteria regarding the quality of the issuer. Moreover, la Caisse enters into legal agreements based on ISDA standards under which it benefits from the compensating effects between at-risk amounts and the collateral exchanged in order to limit its net exposure to this risk.

This risk is measured by counterparty, pursuant to the applicable legal agreement, from which it is possible to calculate the net exposure created by all of the over-the-counter derivative financial instruments and collateral exchanged. Actual exposure to counterparty risk is measured on a daily basis, whereas potential exposure to counterparty risk is measured on a monthly basis.

As at December 31, 2018, the legal agreements and the collateral received helped reduce exposure to the counterparty risk of over-the-counter derivative financial instruments. The maximum exposure to this risk was $61 million ($138 million as at December 31, 2017) related to 33 counterparties (29 counterparties as at December 31, 2017).

## Liquidity Risk

Liquidity risk is the possibility of la Caisse not always being able to honour its financial liability commitments without having to obtain funds at abnormally high prices or having to sell assets through forced liquidation. It is also the risk of la Caisse not being able to quickly sell investments without having a significant unfavourable effect on the price of the investment in question.

Liquidity is managed across all of la Caisse's cash activities. Compliance with the established rules is analyzed on a monthly basis, and the liquidity status is determined daily. Managers are responsible for evaluating the liquidity of the markets in which la Caisse obtains financing for its operations.

To ensure that sources of liquidity and potential liquidity requirements are properly aligned, la Caisse has a number of sources of liquidity in addition to its cash and cash equivalents, including receipt of investment income, the sale of bonds, sales under repurchase agreements, and liquid money market securities. In addition, la Caisse may issue commercial paper and term notes payable as well as a committed credit facility totalling US$4 billion to meet its contractual commitments and financial obligations. As at December 31, 2018, la Caisse had close to $37 billion in liquidity in the form of government bonds and money market securities ($47 billion as at December 31, 2017).

Furthermore, to manage liquidity risk, la Caisse conducts simulations of scenarios over different horizons and examines events that could lead to a liquidity crisis.

An analysis of undiscounted contractual cash flows of financial liabilities, presented in the table below, is a component of liquidity and financing management. However, this by-maturity allocation is not necessarily representative of the manner in which la Caisse manages its liquidity risk and financing requirements.

## Liquidity Risk (cont.)

The following tables present the maturities of the undiscounted contractual cash flows of non-derivative financial liabilities, derivative financial instruments and other items:

| | | | | | December 31, 2018 |
|---|---|---|---|---|---|
| | On demand | Less than 1 year | 1 year to 5 years | More than 5 years | Total |
| **Non-derivative financial liabilities** | | | | | |
| Amounts payable on transactions being settled | - | (1,113) | - | - | (1,113) |
| Other financial liabilities | - | (881) | - | - | (881) |
| Investment liabilities | | | | | |
| Securities sold under repurchase agreements | - | (12,562) | - | - | (12,562) |
| Securities sold short | - | (659) | (3,802) | (5,540) | (10,001) |
| Commercial paper payable | - | (5,939) | - | - | (5,939) |
| Loans payable | - | (290) | - | - | (290) |
| Term notes payable | - | (2,746) | (3,019) | (5,680) | (11,445) |
| **Net assets attributable to depositors** | | | | | |
| Demand and term deposits | (712) | (6) | - | - | (718) |
| Distributions payable to depositors | - | (2,506) | - | - | (2,506) |
| | (712) | (26,702) | (6,821) | (11,220) | (45,455) |
| **Derivative financial instruments** | | | | | |
| Derivative instruments with net settlement | - | (4,409) | 157 | 50 | (4,202) |
| Derivative instruments with gross settlement | | | | | |
| Contractual cash flows receivable | - | 72,651 | 1,245 | 1,016 | 74,912 |
| Contractual cash flows payable | - | (73,629) | (1,274) | (1,105) | (76,008) |
| | - | (5,387) | 128 | (39) | (5,298) |
| **Other items** | | | | | |
| Commitments *(Note 19)* | (11) | (18,474) | (134) | (347) | (18,966) |
| Guarantees *(Note 19)* | - | (40) | (357) | - | (397) |
| | (11) | (18,514) | (491) | (347) | (19,363) |
| | (723) | (50,603) | (7,184) | (11,606) | (70,116) |

## Liquidity Risk (cont.)

| | | | | | December 31, 2017 |
|---|---|---|---|---|---|
| | On demand | Less than 1 year | 1 year to 5 years | More than 5 years | Total |
| **Non-derivative financial liabilities** | | | | | |
| Amounts payable on transactions being settled | - | (2,102) | - | - | (2,102) |
| Other financial liabilities | - | (576) | - | - | (576) |
| Investment liabilities | | | | | |
| Securities sold under repurchase agreements | - | (15,977) | - | - | (15,977) |
| Securities sold short | - | (654) | (3,043) | (1,842) | (5,539) |
| Commercial paper payable | - | (4,567) | - | - | (4,567) |
| Loans payable | - | (364) | - | - | (364) |
| Term notes payable | - | (348) | (5,298) | (5,499) | (11,145) |
| **Net assets attributable to depositors** | | | | | |
| Demand and term deposits | (88) | (6) | - | - | (94) |
| Distributions payable to depositors | - | (1,975) | - | - | (1,975) |
| | (88) | (26,569) | (8,341) | (7,341) | (42,339) |
| **Derivative financial instruments** | | | | | |
| Derivative instruments with net settlement | - | (1,400) | (1) | 75 | (1,326) |
| Derivative instruments with gross settlement | | | | | |
| Contractual cash flows receivable | - | 44,289 | 213 | 594 | 45,096 |
| Contractual cash flows payable | - | (44,330) | (228) | (605) | (45,163) |
| | - | (1,441) | (16) | 64 | (1,393) |
| **Other items** | | | | | |
| Commitments *(Note 19)* | (50) | (19,296) | (124) | (386) | (19,856) |
| Guarantees *(Note 19)* | - | (36) | (7) | (43) | (86) |
| | (50) | (19,332) | (131) | (429) | (19,942) |
| | (138) | (47,342) | (8,488) | (7,706) | (63,674) |

Moreover, concerning net assets attributable to holders of participation deposits, the Regulation sets monthly limits for cancelling participation units, i.e., a depositor is limited to a maximum reimbursement of all their participation units in all of la Caisse's specialized portfolios of $15 million plus the proceeds of $2 million multiplied by the number of months that have elapsed since receipt of the notice of withdrawal. Any participation units that are not cancelled given the maximum amount permitted is carried forward to the first day of the subsequent month and are cancelled as soon as the limit permits. The purpose of the limits is to ensure optimal management of la Caisse's overall liquidity. Moreover, substantially all depositors are required to invest with la Caisse in accordance with the Act or the respective applicable legislation.

## Liquidity Risk (cont.)

***Financing-liquidity risk***

The following tables present the main terms and conditions and interest rates of the investment liabilities related to la Caisse's financing activities:

| | | | | December 31, 2018 |
|---|---|---|---|---|
| | Currency | Nominal value[1] | Maturity | Interest rate |
| Loans payable | **USD** | **290** | **Less than one year** | **2.37%** |
| | | **290** | | |
| Commercial paper payable | **CAD** | **1,000** | **Less than one year** | **1.90%** |
| | **USD** | **4,945** | **Less than one year** | **2.60%** |
| | | **5,945** | | |
| Term notes payable | **USD** | **2,390** | **November 2019** | **4.40%** |
| | **EUR** | **1,171** | **June 2020** | **3.50%** |
| | **CAD** | **1,000** | **July 2020** | **4.60%** |
| | **USD** | **2,732** | **July 2024** | **3.15%** |
| | **USD** | **1,707** | **November 2039** | **5.60%** |
| | | **9,000** | | |

| | | | | December 31, 2017 |
|---|---|---|---|---|
| | Currency | Nominal value[1] | Maturity | Interest rate |
| Loans payable | USD | 364 | Less than one year | 1.37% |
| | | 364 | | |
| Commercial paper payable | CAD | 1,000 | Less than one year | 1.12% |
| | USD | 3,571 | Less than one year | 1.53% |
| | | 4,571 | | |
| Term notes payable | USD | 2,193 | November 2019 | 4.40% |
| | EUR | 1,128 | June 2020 | 3.50% |
| | CAD | 1,000 | July 2020 | 4.60% |
| | USD | 2,506 | July 2024 | 3.15% |
| | USD | 1,566 | November 2039 | 5.60% |
| | | 8,393 | | |

[1] The amounts shown are translated into Canadian dollars and represent amounts to be repaid at maturity.

Commercial paper payable is issued at fixed rates, with maturities not exceeding 12 months, guaranteed by la Caisse's assets. The nominal value for all outstanding commercial paper may never exceed CA$3 billion and US$5 billion in accordance with the limit prescribed in the commercial paper issuance information document.

Term notes payable are repayable at maturity and guaranteed by la Caisse's assets. Certain interest-bearing fixed-rate term notes have an optional prepayment clause at the option of the issuer.

Furthermore, during the year ended December 31, 2018, la Caisse renewed its credit facility arranged with a banking syndicate for an amount of CA$5 billion, i.e., in two tranches of US$2 billion that are renewable after two and three years, respectively. The credit facility bears interest at a variable rate and is entirely secured, unconditionally and irrevocably, by la Caisse. As at December 31, 2018 and 2017, no amount had been drawn on this credit facility.

# 13. CAPITAL MANAGEMENT

La Caisse defines its capital as net assets attributable to depositors. La Caisse’s capital may fluctuate according to depositor demands for cancellations and issuances of participation deposit units and for deposits and withdrawals of demand and term deposits. La Caisse’s capital management objective is to invest contributions and deposits in the best interests of the depositors in accordance with the Act in order to achieve an optimal return while respecting the depositor investment policies.

La Caisse is not subject to external capital requirements.

Furthermore, la Caisse’s objective is to maintain its AAA credit rating to ensure access to capital markets at the best cost through its CDP Financial Inc. subsidiary. Consequently, the Board of Directors has limited the amount of notes that la Caisse may issue on capital markets to 10% of its net assets attributable to depositors, to which is added the fair value of outstanding notes (adjusted net assets).

# 14. FINANCIAL ASSETS TRANSFERRED BUT NOT DERECOGNIZED

La Caisse enters into securities lending and borrowing transactions as well as securities repurchase agreements whereby it transfers financial assets to counterparties. The transferred securities do not meet derecognition criteria since la Caisse retains most of the risks such as credit risk, interest rate risk, currency risk, and price risk, as well as most of the related rewards such as cash flows.

The following table presents the fair values of the financial assets transferred but not derecognized from the Consolidated Statements of Financial Position as well as the fair values of the associated liabilities:

| | **December 31, 2018** | December 31, 2017 |
|---|---|---|
| **Financial assets transferred but not derecognized** | | |
| Bonds | **15,001** | 16,143 |
| Equities | **12,420** | 9,935 |
| | **27,421** | 26,078 |
| **Associated financial liabilities** | | |
| Loans payable[1] | **237** | 239 |
| Securities sold under repurchase agreements[2] | **14,763** | 15,972 |
| | **15,000** | 16,211 |

[1] The amount presented corresponds to cash received as collateral on securities lending transactions and derivative financial instruments.

[2] The net amount is presented in Notes 4 and 8.

# 15. GUARANTEES

***Financial assets pledged as collateral***

In the normal course of business, la Caisse pledges financial assets as collateral for transactions involving securities borrowings, securities sold under repurchase agreements and derivative financial instruments. The counterparties are authorized, by way of legal contract or market practices, to either sell or repledge these securities as collateral. On certain conditions, la Caisse may have to pledge additional collateral if the pledged securities lose value.

The following table presents the fair value of collateral pledged by la Caisse according to transaction type:

| | **December 31, 2018** | December 31, 2017 |
|---|---|---|
| Securities borrowing | **120** | 157 |
| Securities sold under repurchase agreements | **14,935** | 15,986 |
| Exchange-traded derivative financial instruments | **715** | 1,092 |
| Over-the-counter derivative financial instruments | **1,545** | 648 |
| | **17,315** | 17,883 |

***Financial assets received as collateral***

La Caisse receives financial assets as collateral for transactions involving securities lending, securities purchased under reverse repurchase agreements and derivative financial instruments. If the fair value of the collateral received decreases, la Caisse may, in certain cases, request additional collateral. La Caisse is authorized to sell or repledge as collateral certain securities in the absence of default by the counterparty. However, no security received as collateral was sold or repledged as collateral for the years ended December 31, 2018 and 2017.

***Financial assets received as collateral* (cont.)**

The following table presents the fair value of collateral received by la Caisse according to transaction type:

| | **December 31, 2018** | December 31, 2017 |
|---|---|---|
| Securities lending | **12,488** | 9,740 |
| Securities purchased under reverse repurchase agreements | **10,454** | 9,496 |
| Over-the-counter derivative financial instruments | **-** | 40 |
| | **22,942** | 19,276 |

# 16. RELATED PARTY DISCLOSURES

***Related party transactions***

La Caisse's primary related parties include unconsolidated subsidiaries, joint ventures, associates, and la Caisse's key management personnel.

La Caisse enters into various transactions with related parties. These transactions are concluded under the same conditions as those prevailing in the market with unrelated parties and are measured at fair value. Given the very nature of la Caisse's activities as an investment entity, it may make investments in several investment categories, including investments in unconsolidated subsidiaries, joint ventures and associates.

***Other related parties***

La Caisse is governed by the Act, and the Government of Québec appoints the Board of Director members, at least two-thirds of whom must be independent. The Government of Québec also approves the appointment of the President and Chief Executive Officer. Consequently, la Caisse has availed itself of the exemption set out in IAS 24 – *Related Party Disclosures* regarding the disclosure of transactions with a related government and with any entities related to the related government. The transactions carried out with the Government of Québec and its related entities are investment activities involving bonds issued by or guaranteed by the government and are carried out under normal market conditions through external brokers. These bonds are included in the "Governments" and "Government corporations and other public administrations" bond categories of Note 4a. In addition, la Caisse discloses information on the Government sector category in the "Government of Québec" and "Government corporations and other public administrations in Québec" items of Note 12. Furthermore, the Government of Québec and its related entities have entered into agreements related to a public infrastructure project in Québec being carried out through CDPQ Infra Inc, a subsidiary of la Caisse. These agreements were signed in the subsidiary's normal course of business.

***Compensation of key management personnel***

La Caisse's key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, either directly or indirectly. These persons are the members of the Board of Directors, the President and Chief Executive Officer, and key members of the Executive Committee.

The following table presents the compensation of la Caisse's key management personnel:

| | **2018** | 2017 |
|---|---|---|
| Salaries and other short-term employee benefits | **9** | 8 |
| Post-employment benefits | **2** | 1 |
| Other long-term employee benefits | **7** | 6 |
| | **18** | 15 |

# 17. INTERESTS IN OTHER ENTITIES

## Subsidiaries

*Consolidated subsidiary*

CDP Financial Inc is a wholly owned subsidiary that issues debt securities in order to finance la Caisse's investments at an optimal financing cost.

*Unconsolidated subsidiaries*

The subsidiaries presented in this category are entities controlled by la Caisse either directly or indirectly through subsidiaries in accordance with the criteria in IFRS 10.

*Intermediate subsidiaries*

As part of certain investment activities, la Caisse may use intermediate subsidiaries whose sole purpose is to hold investments for la Caisse. They are therefore not included in the information presented in the following tables, while the main underlying ownership interests in subsidiaries, joint ventures, associates and non-controlled structured entities are presented.

## Subsidiaries (cont.)

The following table presents the ownership interests held in the main consolidated and unconsolidated subsidiaries as at December 31, 2018 as well as the comparative ownership interests as at December 31, 2017:

| | | **December 31, 2018** | December 31, 2017 |
|---|---|---|---|
| | **Principal place of business** | **Ownership interest** | Ownership interest |
| **Consolidated subsidiary** | | | |
| CDP Financial Inc | Canada | **100.0%** | 100.0% |
| **Unconsolidated subsidiaries** | | | |
| ***Real estate debt*** | | | |
| Otéra Capital inc[1] | Canada | **97.5%** | 97.5% |
| ***Energy*** | | | |
| Southern Star Acquisition Corporation[2] | United States | **100.0%** | 50.0% |
| Tenedora de Energía Renovable Sol y Viento S.A.P.I. de C.V.[3] | Mexico | **67.1%** | - |
| Trencap LP (Énergir)[4] | Canada | **64.7%** | 64.7% |
| ***Hedge funds*** | | | |
| AIM Quantitative Global SF II Ltd | United States[9] | **100.0%** | 100.0% |
| CTA ALP Fund, LP | United States | **100.0%** | - |
| CTA FCW Fund, LP | United States | **100.0%** | - |
| CTA JNM Fund, LP (formerly JMFFO Ltd) | United States | **100.0%** | 100.0% |
| CTA QN5 Fund, LP (formerly AlphaQuest Original Ltd) | United States | **100.0%** | 100.0% |
| CTA WLH Fund, LP (formerly CDP WTN Diversified Strategy Fund Limited) | United Kingdom[10] | **100.0%** | 100.0% |
| DSAM Neutral LP | United Kingdom[9] | **100.0%** | - |
| EMN CNM Fund, LP | United States | **100.0%** | - |
| EMN ENP Fund, LP | United States | **100.0%** | - |
| Ionic Pamli Global Credit Strategies Fund | United States[9] | **100.0%** | 100.0% |
| Kildonan Quebec Fund Ltd | United States[9] | **100.0%** | 100.0% |
| Newport Mount Royal Opportunity Fund Ltd | United States[9] | **-** | 100.0% |
| ***Private debt fund*** | | | |
| Global Credit Opportunities (Canada) LP | Canada | **100.0%** | - |
| ***Private investment funds*** | | | |
| Apollo Hercules Partners LP | United States[9] | **97.6%** | 97.6% |
| EC Partners LP | Singapore | **100.0%** | 100.0% |
| GSO Churchill Partners LP | United States[9] | **98.0%** | 98.0% |
| GSO Churchill Partners II LP | United States[9] | **98.0%** | 98.0% |
| KKR-CDP Partners LP | United States[9] | **90.1%** | 90.1% |
| ***Real estate - Ivanhoé Cambridge Group*** | | | |
| Careit Canada DCR GP | Canada | **94.2%** | 93.5% |
| Careit Canada GP | Canada | **94.2%** | 93.5% |
| IC Australia Trust | Australia | **94.2%** | 93.5% |
| IC Investments US G.P. | Canada | **94.2%** | 93.5% |
| IC Investments Mexico G.P. | Canada | **94.2%** | 93.5% |
| Ivanhoé Cambridge Inc | Canada | **94.2%** | 93.5% |
| SITQ E.U. LP | United States | **94.1%** | 93.4% |
| ***Industrials*** | | | |
| CDPQ Infra Inc | Canada | **100.0%** | 100.0% |
| Einn Volant Aircraft Leasing Holdings Ltd | Ireland[11] | **90.5%** | 90.5% |
| Patina Rail LLP[5] | United Kingdom | **75.0%** | 75.0% |
| Spinner US AcquireCo Inc (Student Transportation of America) | United States | **79.9%** | - |
| Trust No. 2431[6] | Mexico | **43.0%** | 43.0% |
| ***Materials*** | | | |
| Beaudier Ciment Inc (Ciment McInnis Inc)[7] | Canada | **57.3%** | 58.9% |
| ***Services*** | | | |
| Datamars SA[8] | Switzerland | **64.8%** | 65.1% |

[1] Otéra Capital inc owns 78.1% of MCAP Commercial LP.
[2] Southern Star Acquisition Corporation was an unconsolidated subsidiary as at December 31, 2018 (presented in the Joint Ventures category as at December 31, 2017).
[3] Voting rights amount to 60%.
[4] Trencap LP owns 61.1% of Noverco Inc, which owns 100.0% of Énergir Inc., which owns 71.0% of Énergir LP.
[5] Patina Rail LLP owns 40.0% of Eurostar International Limited.
[6] La Caisse exercises control through a majority of the members of the Board of Directors. Trust No. 2431 owns 49.0% of ICA Operadora de Vias Terrestres, S.A.P.I. de C.V.
[7] Beaudier Ciment Inc owns 67.8% of Ciment McInnis Inc (65.5% as at December 31, 2017).
[8] Voting rights amount to 55.0% as at December 31, 2018 (55.5% as at December 31, 2017).
[9] Constituted in the Cayman Islands in accordance with the limited partner structure.
[10] Constituted in the United States.
[11] Constituted in Bermuda.

## Joint Ventures

The following table presents the ownership interests held in the main joint ventures as at December 31, 2018 as well as the comparative ownership interests as at December 31, 2017:

| | | December 31, 2018 | December 31, 2017 |
|---|---|---|---|
| | **Principal place of business** | **Ownership interest** | Ownership interest |
| ***Consumer discretionary*** | | | |
| MED ParentCo LP | United States | **47.7%** | 47.7% |
| ***Energy*** | | | |
| HEF HoldCo II, Inc | United States | **33.3%** | 33.3% |
| ***Financials*** | | | |
| USI Advantage Corp[1] | United States | **26.0%** | 26.0% |
| ***Industrials*** | | | |
| Delachaux SA[2] | France | **43.0%** | - |
| DP World Canada Investment Inc | Canada | **45.0%** | 45.0% |
| ***Information technology*** | | | |
| Kiwi Holdco Cayco, Ltd (FNZ)[3] | United Kingdom[4] | **72.0%** | - |

[1] Voting rights amount to 50.0%.
[2] Voting rights amount to 50.0%.
[3] La Caisse exercises joint control through agreements with the other shareholders.
[4] Constituted in the Cayman Islands.

## Associates

The following table presents the ownership interests held in the main associates as at December 31, 2018 as well as the comparative ownership interests as at December 31, 2017:

| | | December 31, 2018 | December 31, 2017 |
|---|---|---|---|
| | Principal place of business | Ownership interest | Ownership interest |
| ***Consumer discretionary*** | | | |
| Cogeco Communications USA Inc | United States | **21.0%** | - |
| Québecor Média Inc[1] | Canada | **-** | 18.5% |
| SGU Holdings LP | United States[10] | **46.7%** | 46.7% |
| ***Energy*** | | | |
| Azure Power Global Ltd | India[11] | **40.3%** | 21.0% |
| Corex Resources Ltd | Canada | **49.5%** | 49.5% |
| Fluxys SA | Belgium | **20.0%** | 20.0% |
| Interconnector UK Ltd | United Kingdom | **-** | 33.5% |
| Invenergy Renewables LLC[2] | United States | **53.6%** | 31.7% |
| IPALCO Enterprises, Inc | United States | **30.0%** | 30.0% |
| London Array Ltd, London Array Unincorporated JV | United Kingdom | **25.0%** | 25.0% |
| NSW Electricity Networks Assets Holding Trust, NSW Electricity Networks Operations Holding Trust (TransGrid) | Australia | **22.5%** | 22.5% |
| Suez Water Technologies and Solutions SA | France | **30.0%** | 30.0% |
| Techem GmbH | Germany | **24.5%** | - |
| ***Finance*** | | | |
| Avison Young (Canada) Inc | Canada | **33.3%** | - |
| Catalina Holdings (Bermuda) Ltd | United States[12] | **-** | 29.9% |
| Greenstone Ltd | Australia | **30.0%** | 30.0% |
| Hyperion Insurance Group Ltd | United Kingdom | **29.6%** | - |
| ***Industrials*** | | | |
| Airport Holding Kft | Hungary | **21.2%** | 21.2% |
| Alix Partners LLP | United States | **21.0%** | 21.0% |
| Alvest International Equity SAS[3] | France | **39.9%** | - |
| CAMSO Inc[4] | Canada | **-** | 19.5% |
| Fives Group[5] | France | **30.4%** | - |
| Groupe Keolis SAS | France | **30.0%** | 30.0% |
| Groupe Solmax Inc | Canada | **30.0%** | 30.0% |
| Knowlton Development Corporation Inc[6] | Canada | **35.8%** | - |
| Lightspeed POS Inc | Canada | **44.6%** | 44.6% |
| Organización de Proyectos de Infraestructura, S.A.P.I. de C.V. (OPI), OPCEM, S.A.P.I. de C.V. (OPCEM) | Mexico | **45.5%** | - |
| IPL Plastics Inc. (formerly IPL Plastics Plc) | Canada | **27.4%** | 26.6% |
| PlusGrade Parent LP[7] | Canada | **39.9%** | - |
| QPH Hold Trust, QPH Hold Co PTY Limited (Port of Brisbane) | Australia | **26.7%** | 26.7% |
| Sedgwick LLP (formerly Sedgwick Inc)[8] | United States | **21.0%** | 29.2% |
| TVS Logistics Services | India | **38.2%** | 38.2% |
| ***Health care*** | | | |
| Image Networks Holdings Pty Ltd | Australia | **-** | 30.0% |
| Sphinx SAS (formerly Sam Topco SAS)[9] | France | **-** | 49.1% |
| ***Community services*** | | | |
| CLP India Pvt Ltd | India | **40.0%** | - |
| ***Real estate services*** | | | |
| Groupe Foncia | France | **29.1%** | 29.1% |
| ***Rail transport*** | | | |
| Bombardier Transportation (Investment) UK Limited | Germany[13] | **27.5%** | 30.0% |

[1] Voting rights amount to 20.0% as at December 31, 2017.
[2] Voting rights amount to 45.0%. La Caisse did not have any significant influence as at December 31, 2017.
[3] Voting rights amount to 28.6%.
[4] Voting rights amount to 22.2% as at December 31, 2017.
[5] Voting rights amount to 20.3%.
[6] Voting rights amount to 27.8%.
[7] Voting rights amount to 37.5%.
[8] La Caisse ceased to have significant influence in 2018 as a result of a transaction.
[9] Voting rights amount to 20.0% as at December 31, 2017.
[10] Constituted in Canada.
[11] Constituted in Mauritius.
[12] Constituted in Bermuda in accordance with the limited partner structure.
[13] Constituted in the United Kingdom.

## Non-Controlled Structured Entities

La Caisse holds interests in non-controlled structured entities, the majority of which represent private investment funds or limited partnerships. The interests held by la Caisse do not give it power over the relevant activities of these entities, as control is established by contractual agreement in favour, generally, of a general partner or administrator. The maximum exposure to loss attributable to the various interests held in the main non-controlled structured entities is limited to the fair value of the investment held by la Caisse, i.e., $25,732 million in 207 companies as at December 31, 2018 ($23,517 million in 261 companies as at December 31, 2017).

# 18. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The following tables present changes in liabilities arising from financing activities, including non-cash changes:

| | | | Non-cash changes | | |
|---|---|---|---|---|---|
| | **January 1, 2018** | **Cash flows from financing activities** | **Change in foreign exchange** | **Change in fair value** | **December 31, 2018** |
| Commercial paper payable | **4,556** | **1,180** | **182** | **3** | **5,921** |
| Loans payable | **364** | **(80)** | **-** | **6** | **290** |
| Term notes payable | **9,198** | **-** | **607** | **(207)** | **9,598** |
| | **14,118** | **1,100** | **789** | **(198)** | **15,809** |

| | | | Non-cash changes | | |
|---|---|---|---|---|---|
| | January 1, 2017 | Cash flows from financing activities | Change in foreign exchange | Change in fair value | December 31, 2017 |
| Commercial paper payable | 4,813 | (151) | (106) | - | 4,556 |
| Loans payable | 189 | 176 | (1) | - | 364 |
| Term notes payable | 9,574 | - | (372) | (4) | 9,198 |
| | 14,576 | 25 | (479) | (4) | 14,118 |

# 19. COMMITMENTS AND CONTINGENCIES

Given the nature of its activities, la Caisse enters into various investment purchase commitments that will be settled in the coming fiscal years in accordance with the terms and conditions in the related agreements.

For la Caisse, guarantees consist of providing guarantees, to financial institutions and corporations, on derivative financial instrument transactions, repayment of loans taken by companies in which it has an economic interest, and certain letters of credit of its subsidiaries. As part of certain investment transactions, la Caisse may also provide guarantees or issue letters of credit to third parties. The maturities of the commitments are presented in Note 12.

The commitments and guarantees are detailed as follows:

| | **December 31, 2018** | December 31, 2017 |
|---|---|---|
| Investment purchase commitments | **18,450** | 19,314 |
| Commitments under operating leases | **516** | 542 |
| Guarantees | **397** | 86 |
| | **19,363** | 19,942 |

***Litigation***

In the normal course of business, la Caisse may be subject to legal actions. Although la Caisse cannot predict the outcomes of any ongoing legal proceedings as at December 31, 2018, it has no reason to believe that the settlement of any one of these proceedings could have a material impact on its financial position.

# 20. SUPPLEMENTARY INFORMATION

The following statements present the financial information of the specialized portfolios:

| | SHORT TERM INVESTMENTS (740) | | TAUX (765) | | CREDIT (766) | |
|---|---|---|---|---|---|---|
| **STATEMENT OF FINANCIAL POSITION** | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 |
| **ASSETS** | | | | | | |
| Investments | **866** | 1 892 | **47 154** | 59 599 | **63 842** | 67 532 |
| Other financial assets | **2** | - | **3 796** | 1 500 | **950** | 739 |
| **Total assets** | **868** | 1 892 | **50 950** | 61 099 | **64 792** | 68 271 |
| **LIABILITIES** | | | | | | |
| Investment liabilities | **-** | - | **17 681** | 20 541 | **7 203** | 16 693 |
| Other financial liabilities | **2** | - | **485** | 546 | **1 914** | 1 505 |
| **Total liabilities excluding net assets attributable to holders of participation units** | **2** | - | **18 166** | 21 087 | **9 117** | 18 198 |
| **NET ASSETS ATTRIBUTABLE TO HOLDERS OF PARTICIPATION UNITS** | **866** | 1 892 | **32 784** | 40 012 | **55 675** | 50 073 |

| **STATEMENT OF COMPREHENSIVE INCOME** | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 |
|---|---|---|---|---|---|---|
| Investment income | **16** | 22 | **1 225** | 904 | **2 732** | 2 057 |
| Investment expense | **(1)** | - | **(275)** | (185) | **(415)** | (292) |
| Net investment income | **15** | 22 | **950** | 719 | **2 317** | 1 765 |
| Operating expenses | **-** | - | **(24)** | (19) | **(72)** | (67) |
| **Net income** | **15** | 22 | **926** | 700 | **2 245** | 1 698 |
| **Net gains (losses) on financial instruments at fair value** | **-** | - | **(175)** | (35) | **(1 112)** | 563 |
| **Investment result before distributions to (recoveries from) holders of participation units** | **15** | 22 | **751** | 665 | **1 133** | 2 261 |
| Recoveries (distributions) | **(15)** | (22) | **(926)** | (700) | **(2 245)** | (1 698) |
| **Net income and comprehensive income attributable to holders of participation units** | **-** | - | **(175)** | (35) | **(1 112)** | 563 |

| **STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF PARTICIPATION UNITS** | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 |
|---|---|---|---|---|---|---|
| Balance at beginning of the year | **1 892** | 6 154 | **40 012** | 36 817 | **50 073** | 42 686 |
| Participation units | | | | | | |
| Units issued | **963** | 2 926 | **4 185** | 5 684 | **8 294** | 7 964 |
| Units cancelled | **(1 989)** | (7 188) | **(11 238)** | (2 454) | **(1 580)** | (1 140) |
| Net change in participation units for the year | **(1 026)** | (4 262) | **(7 053)** | 3 230 | **6 714** | 6 824 |
| Net income and comprehensive income attributable to holders of participation units | **-** | - | **(175)** | (35) | **(1 112)** | 563 |
| **BALANCE AT END OF THE YEAR** | **866** | 1 892 | **32 784** | 40 012 | **55 675** | 50 073 |

## Supplementary Information (cont.)

| STATEMENT OF FINANCIAL POSITION | LONG TERM BONDS (764) 2018 | LONG TERM BONDS (764) 2017 | REAL RETURN BONDS (762) 2018 | REAL RETURN BONDS (762) 2017 | INFRASTRUCTURE (782) 2018 | INFRASTRUCTURE (782) 2017 |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| Investments | **3 637** | 3 697 | **1 294** | 1 199 | **24 383** | 16 236 |
| Other financial assets | **44** | 34 | **17** | 2 | **64** | 15 |
| **Total assets** | **3 681** | 3 731 | **1 311** | 1 201 | **24 447** | 16 251 |
| **LIABILITIES** | | | | | | |
| Investment liabilities | **818** | 793 | **116** | 10 | **1 699** | 50 |
| Other financial liabilities | **18** | 9 | **-** | 6 | **198** | 227 |
| **Total liabilities excluding net assets attributable to holders of participation units** | **836** | 802 | **116** | 16 | **1 897** | 277 |
| **NET ASSETS ATTRIBUTABLE TO HOLDERS OF PARTICIPATION UNITS** | **2 845** | 2 929 | **1 195** | 1 185 | **22 550** | 15 974 |

| STATEMENT OF COMPREHENSIVE INCOME | LONG TERM BONDS (764) 2018 | LONG TERM BONDS (764) 2017 | REAL RETURN BONDS (762) 2018 | REAL RETURN BONDS (762) 2017 | INFRASTRUCTURE (782) 2018 | INFRASTRUCTURE (782) 2017 |
|---|---|---|---|---|---|---|
| Investment income | **83** | 83 | **27** | 23 | **974** | 762 |
| Investment expense | **(1)** | - | **-** | - | **(106)** | (4) |
| Net investment income | **82** | 83 | **27** | 23 | **868** | 758 |
| Operating expenses | **-** | (1) | **(1)** | - | **(97)** | (74) |
| **Net income** | **82** | 82 | **26** | 23 | **771** | 684 |
| **Net gains (losses) on financial instruments at fair value** | **(84)** | 141 | **(27)** | (13) | **1 265** | 756 |
| **Investment result before distributions to (recoveries from) holders of participation units** | **(2)** | 223 | **(1)** | 10 | **2 036** | 1 440 |
| Recoveries (distributions) | **(82)** | (82) | **(26)** | (23) | **(771)** | (684) |
| **Net income and comprehensive income attributable to holders of participation units** | **(84)** | 141 | **(27)** | (13) | **1 265** | 756 |

| STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF PARTICIPATION UNITS | LONG TERM BONDS (764) 2018 | LONG TERM BONDS (764) 2017 | REAL RETURN BONDS (762) 2018 | REAL RETURN BONDS (762) 2017 | INFRASTRUCTURE (782) 2018 | INFRASTRUCTURE (782) 2017 |
|---|---|---|---|---|---|---|
| Balance at beginning of the year | **2 929** | 2 633 | **1 185** | 1 085 | **15 974** | 14 563 |
| Participation units | | | | | | |
| Units issued | **393** | 356 | **146** | 154 | **5 956** | 1 741 |
| Units cancelled | **(393)** | (201) | **(109)** | (41) | **(645)** | (1 086) |
| Net change in participation units for the year | **-** | 155 | **37** | 113 | **5 311** | 655 |
| Net income and comprehensive income attributable to holders of participation units | **(84)** | 141 | **(27)** | (13) | **1 265** | 756 |
| **BALANCE AT END OF THE YEAR** | **2 845** | 2 929 | **1 195** | 1 185 | **22 550** | 15 974 |

## Supplementary Information (cont.)

| STATEMENT OF FINANCIAL POSITION | REAL ESTATE (710) 2018 | REAL ESTATE (710) 2017 | EQUITY MARKETS (737) 2018 | EQUITY MARKETS (737) 2017 | PRIVATE EQUITY (780) 2018 | PRIVATE EQUITY (780) 2017 |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| Investments | **38 317** | 34 401 | **104 327** | 111 125 | **44 323** | 36 718 |
| Other financial assets | **9** | 4 | **5 493** | 4 214 | **156** | 1 026 |
| **Total assets** | **38 326** | 34 405 | **109 820** | 115 339 | **44 479** | 37 744 |
| **LIABILITIES** | | | | | | |
| Investment liabilities | **19** | 30 | **1 341** | 2 841 | **1 361** | 406 |
| Other financial liabilities | **81** | 111 | **464** | 537 | **976** | 838 |
| **Total liabilities excluding net assets attributable to holders of participation units** | **100** | 141 | **1 805** | 3 378 | **2 337** | 1 244 |
| **NET ASSETS ATTRIBUTABLE TO HOLDERS OF PARTICIPATION UNITS** | **38 226** | 34 264 | **108 015** | 111 961 | **42 142** | 36 500 |

| STATEMENT OF COMPREHENSIVE INCOME | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
|---|---|---|---|---|---|---|
| Investment income | **17** | 190 | **2 849** | 2 669 | **2 114** | 2 760 |
| Investment expense | **(1)** | - | **(101)** | (81) | **(12)** | (10) |
| Net investment income | **16** | 190 | **2 748** | 2 588 | **2 102** | 2 750 |
| Operating expenses | **(10)** | (14) | **(137)** | (135) | **(199)** | (178) |
| **Net income** | **6** | 176 | **2 611** | 2 453 | **1 903** | 2 572 |
| **Net gains (losses) on financial instruments at fair value** | **2 729** | 2 363 | **(3 639)** | 11 104 | **3 965** | 1 427 |
| **Investment result before distributions to (recoveries from) holders of participation units** | **2 735** | 2 539 | **(1 028)** | 13 557 | **5 868** | 3 999 |
| Recoveries (distributions) | **(6)** | (176) | **(2 611)** | (2 453) | **(1 903)** | (2 572) |
| **Net income and comprehensive income attributable to holders of participation units** | **2 729** | 2 363 | **(3 639)** | 11 104 | **3 965** | 1 427 |

| STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF PARTICIPATION UNITS | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
|---|---|---|---|---|---|---|
| Balance at beginning of the year | **34 264** | 31 724 | **111 961** | 101 040 | **36 500** | 29 960 |
| Participation units | | | | | | |
| Units issued | **1 416** | 1 222 | **7 636** | 7 945 | **4 908** | 7 141 |
| Units cancelled | **(183)** | (1 045) | **(7 943)** | (8 128) | **(3 231)** | (2 028) |
| Net change in participation units for the year | **1 233** | 177 | **(307)** | (183) | **1 677** | 5 113 |
| Net income and comprehensive income attributable to holders of participation units | **2 729** | 2 363 | **(3 639)** | 11 104 | **3 965** | 1 427 |
| **BALANCE AT END OF THE YEAR** | **38 226** | 34 264 | **108 015** | 111 961 | **42 142** | 36 500 |

## Supplementary Information (cont.)

| | ASSET ALLOCATION (771) | | ACTIVE OVERLAY STRATEGIES (773) | |
|---|---|---|---|---|
| **STATEMENT OF FINANCIAL POSITION** | **2018** | 2017 | **2018** | 2017 |
| **ASSETS** | | | | |
| Investments | **4 204** | 5 072 | **9 068** | 7 202 |
| Other financial assets | **1 326** | 1 362 | **508** | 272 |
| **Total assets** | **5 530** | 6 434 | **9 576** | 7 474 |
| **LIABILITIES** | | | | |
| Investment liabilities | **3 441** | 4 235 | **8 957** | 6 885 |
| Other financial liabilities | **465** | 841 | **90** | 16 |
| **Total liabilities excluding net assets attributable to holders of participation units** | **3 906** | 5 076 | **9 047** | 6 901 |
| **NET ASSETS ATTRIBUTABLE TO HOLDERS OF PARTICIPATION UNITS** | **1 624** | 1 358 | **529** | 573 |

| **STATEMENT OF COMPREHENSIVE INCOME** | **2018** | 2017 | **2018** | 2017 |
|---|---|---|---|---|
| Investment income | **61** | 77 | **297** | 18 |
| Investment expense | **(69)** | (38) | **(185)** | (94) |
| Net investment income | **(8)** | 39 | **112** | (76) |
| Operating expenses | **(15)** | (11) | **(28)** | (33) |
| **Net income** | **(23)** | 28 | **84** | (109) |
| **Net gains (losses) on financial instruments at fair value** | **26** | (859) | **(247)** | (16) |
| **Investment result before distributions to (recoveries from) holders of participation units** | **3** | (831) | **(163)** | (125) |
| Recoveries (distributions) | **23** | (28) | **(84)** | 109 |
| **Net income and comprehensive income attributable to holders of participation units** | **26** | (859) | **(247)** | (16) |

| **STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF PARTICIPATION UNITS** | **2018** | 2017 | **2018** | 2017 |
|---|---|---|---|---|
| Balance at beginning of the year | **1 358** | 1 356 | **573** | 629 |
| Participation units | | | | |
| Units issued | **735** | 940 | **550** | 232 |
| Units cancelled | **(495)** | (79) | **(347)** | (272) |
| Net change in participation units for the year | **240** | 861 | **203** | (40) |
| Net income and comprehensive income attributable to holders of participation units | **26** | (859) | **(247)** | (16) |
| **BALANCE AT END OF THE YEAR** | **1 624** | 1 358 | **529** | 573 |

# EXHIBIT C

## PROJECT-SPECIFIC INFORMATION

# Document A305™ – 2020 Exhibit C

## *Project Specific Information*

This Exhibit is part of the Contractor's Qualification Statement, submitted by Plenary Americas US Holdings Inc. and dated the Third day of December in the year Two Thousand Twenty
*(In words, indicate day, month and year.)*

**ADDITIONS AND DELETIONS:**
The author of this document has added information needed for its completion. The author may also have revised the text of the original AIA standard form. An *Additions and Deletions Report* that notes added information as well as revisions to the standard form text is available from the author and should be reviewed. A vertical line in the left margin of this document indicates where the author has added necessary information and where the author has added to or deleted from the original AIA text.

This document has important legal consequences. Consultation with an attorney is encouraged with respect to its completion or modification.

**PROJECT:**
*(Name and location or address.)*

City of Tampa, Mass Transit Facility Public Private Partnership

**CONTRACTOR'S PROJECT OFFICE:**
*(Identify the office out of which the contractor proposes to perform the work for the Project.)*

Plenary operates as a single integrated business across all of its North American offices; however leadership for this Project is based out of Plenary's Tampa, FL office.

**TYPE OF WORK SOUGHT**
*(Indicate the type of work you are seeking for this Project, such as general contracting, construction manager as constructor, design-build, HVAC subcontracting, electrical subcontracting, plumbing subcontracting, etc.)*

Project Development and delivery through a Public-Private Partnership, as further described in Sections 1 through 7 of the proposal

**CONFLICT OF INTEREST**
Describe any conflict of interest your organization, its parent, or a subsidiary, affiliate, or other entity having common ownership or management, or any of the individuals listed in Exhibit A Section 1.2, may have regarding this Project.

None.

**§ C.1 PERFORMANCE OF THE WORK**
**§ C.1.1** When was the Contractor's Project Office established?

2016

**§ C.1.2** How many full-time field and office staff are respectively employed at the Contractor's Project Office?

7

**§ C.1.3** List the business license and contractor license or registration numbers for the Contractor's Project Office that pertain to the Project.

n/a

**§ C.1.4** Identify key personnel from your organization who will be meaningfully involved with work on this Project and indicate (1) their position on the Project team, (2) their office location, (3) their expertise and experience, and (4) projects similar to the Project on which they have worked.

Please reference Section 6, Organizational Structure and Appendix 1, Key Personnel Resumes for information responsive to this question.

**§ C.1.5** Identify portions of work that you intend to self-perform on this Project.

Plenary Americas US Holdings Ltd., itself and through affiliate entities, will self-perform overall project development and planning activities, financial structuring and sourcing, equity investment, asset management, and certain operations services. Specific services and activities in support of these efforts are intended to be subcontracted, including design and construction services.

**§ C.1.6** To the extent known, list the subcontractors you intend to use for major portions of work on the Project.

Kisinger Campo and Associates – Concept Planning, Environmental Review and Approvals, and Preliminary Design Services.

**§ C.2 EXPERIENCE RELATED TO THE PROJECT**

**§ C.2.1** Complete Exhibit D to describe up to four projects performed by the Contractor's Project Office, either completed or in progress, that are relevant to this Project, such as projects in a similar geographic area or of similar project type. If you have already completed Exhibit D, but want to provide further examples of projects that are relevant to this Project, you may complete Exhibit E.

**§ C.2.2** State the total dollar value of work currently under contract at the Contractor's Project Office:

Plenary operates as a single integrated business across all of its North American offices. Please Reference Form A305 Exhibit A, Section A.2.2

**§ C.2.3** Of the amount stated in Section C.2.2, state the dollar value of work that remains to be completed:

Plenary operates as a single integrated business across all of its North American offices. Please reference Form A305 Exhibit A, Section A.2.3.

**§ C.2.4** State the average annual dollar value of construction work performed by the Contractor's Project Office during the last five years.

Plenary operates as a single integrated business across all of its North American offices. Please reference Form A305 Exhibit A, Section A.2.4.

**§ C.2.5** List the total number of projects the Contractor's Project Office has completed in the last five years and state the dollar value of the largest contract the Contractor's Project Office has completed during that time.

Plenary operates as a single integrated business across all of its North American offices. Plenary has been awarded, closed, and started construction on 16 projects in the last five years. The largest contract secured during that time was for the UC Merced 2020 project, with a construction cost of approximately $1.3 billion and a net present value of the full contract of $1.7 billion, which completed construction in September 2020.

**§ C.3 SAFETY PROGRAM AND RECORD**

**§ C.3.1** Does the Contractor's Project Office have a written safety program?

Yes.

**§ C.3.2** List all safety-related citations and penalties the Contractor's Project Office has received in the last three years.

None.

**§ C.3.3** Attach the Contractor's Project Office's OSHA 300a Summary of Work-Related Injuries and Illnesses form for the last three years.

**§ C.3.4** Attach a copy of your insurance agent's verification letter for your organization's current workers' compensation experience modification rate and rates for the last three years.

**§ C.4 INSURANCE**

**§ C.4.1** Attach current certificates of insurance for your commercial general liability policy, umbrella insurance policy, and professional liability insurance policy, if any. Identify deductibles or self-insured retentions for your commercial general liability policy.

**§ C.4.2** If requested, will your organization be able to provide property insurance for the Project written on a builder's risk "all-risks" completed value or equivalent policy form and sufficient to cover the total value of the entire Project on a replacement cost basis?

Yes.

**§ C.4.3** Does your commercial general liability policy contain any exclusions or restrictions of coverage that are prohibited in AIA Document A101-2017, Exhibit A, Insurance A.3.2.2.3? If so, identify.

No.

**§ C.5 SURETY**

**§ C.5.1** If requested, will your organization be able to provide a performance and payment bond for this Project?

Yes. Under a P3 project structure, the provision of the Performance and Payment Bond for the project is typically provided by the general contractor to whom Plenary will subcontract the construction services. Provision of performance and payment bonds will be a requirement of the general contractor selected as part of the competitive procurement during the Interim Agreement.

**§ C.5.2** Surety company name:

n/a

**§ C.5.3** Surety agent name and contact information:

n/a

**§ C.5.4** Total bonding capacity:

n/a

**§ C.5.5** Available bonding capacity as of the date of this qualification statement:

n/a

# OSHA's Form 300A (Rev. 04/2004)

# Summary of Work-Related Injuries and Illnesses

**Note: You can type input into this form and save it.**
Because the forms in this recordkeeping package are "fillable/writable" PDF documents, you can type into the input form fields and then save your inputs using the free Adobe PDF Reader.

Year 20 19

U.S. Department of Labor
Occupational Safety and Health Administration

Form approved OMB no. 1218-0176

*All establishments covered by Part 1904 must complete this Summary page, even if no work-related injuries or illnesses occurred during the year. Remember to review the Log to verify that the entries are complete and accurate before completing this summary.*

*Using the Log, count the individual entries you made for each category. Then write the totals below, making sure you've added the entries from every page of the Log. If you had no cases, write "0."*

*Employees, former employees, and their representatives have the right to review the OSHA Form 300 in its entirety. They also have limited access to the OSHA Form 301 or its equivalent. See 29 CFR Part 1904.35, in OSHA's recordkeeping rule, for further details on the access provisions for these forms.*

## Number of Cases

| Total number of deaths | Total number of cases with days away from work | Total number of cases with job transfer or restriction | Total number of other recordable cases |
|---|---|---|---|
| 0 | 0 | 0 | 0 |
| (G) | (H) | (I) | (J) |

## Number of Days

| Total number of days away from work | Total number of days of job transfer or restriction |
|---|---|
| 0 | 0 |
| (K) | (L) |

## Injury and Illness Types

Total number of . . .
(M)

| | | | |
|---|---|---|---|
| (1) Injuries | 0 | (4) Poisonings | 0 |
| (2) Skin disorders | 0 | (5) Hearing loss | 0 |
| (3) Respiratory conditions | 0 | (6) All other illnesses | 0 |

***Post this Summary page from February 1 to April 30 of the year following the year covered by the form.***

Public reporting burden for this collection of information is estimated to average 58 minutes per response, including time to review the instructions, search and gather the data needed, and complete and review the collection of information. Persons are not required to respond to the collection of information unless it displays a currently valid OMB control number. If you have any comments about these estimates or any other aspects of this data collection, contact: US Department of Labor, OSHA Office of Statistical Analysis, Room N-3644, 200 Constitution Avenue, NW, Washington, DC 20210. Do not send the completed forms to this office.

### Establishment information

Your establishment name: PLENARY AMERICAS USA LTD.

Street: 555 W. 5th Street, Suite 3150

City: Los Angeles State: CA Zip: 90013

Industry description (*e.g., Manufacture of motor truck trailers*)

Provide management and finance services for public infrastructure projects

North American Industrial Classification (NAICS), if known (e.g., 336212)

| 5 | 4 | 1 | 6 | 0 | 0 |
|---|---|---|---|---|---|

### Employment information *(If you don't have these figures, see the Worksheet on the next page to estimate.)*

Annual average number of employees: 29

Total hours worked by all employees last year: 60,320

***Sign here***

**Knowingly falsifying this document may result in a fine.**

I certify that I have examined this document and that to the best of my knowledge the entries are true, accurate, and complete.

Tia Parekh — Company executive

Head, Human Resources — Title

Phone: 416-322-8538

Date: December 2, 2020

Reset

**Rhanz Cuison**
Senior Vice President

Marsh Risk & Insurance Services
633 W. Fifth Street, Suite 1200
Los Angeles, CA 90071
California Insurance License # 0437153
Tel: 213.361.1810
Rhanz.Cuison@marsh.com
www.marsh.com

November 19, 2020

RE: Plenary Americas USA Ltd.
WCIRB of California Experience Modification Rating History
NCCI Experience Modification Rating History

To Whom It May Concern:

Please be advised that the experience rating factors published by the Workers Compensation Insurance Rating Bureau of California and the National Council on Compensation Insurance (NCCI) for the current and past years are as follows:

| Policy Term | NCCI EMR/Effective | CA EMR/Effective |
|---|---|---|
| 2021 | 0.88 / 2/23/2021 | 0.80 / 2/23/2021 |
| 2020 | 0.91 / 2/23/2020 | 0.84 / 2/23/2020 |
| 2019 | N/A / 2/23/2019 | 0.85 / 2/23/2019 |

Should you have any questions or concerns, please feel free to contact me.

Sincerely,

Rhanz Cuison, Marsh Risk & Insurance Services (Broker)
Senior Vice President

ACORD®

# CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY): 12/03/2020

**THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.**

**IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must have ADDITIONAL INSURED provisions or be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).**

**PRODUCER**
Marsh Risk & Insurance Services
CA License #0437153
633 W. Fifth Street, Suite 1200
Los Angeles, CA 90071
Attn: LosAngeles.CertRequest@marsh.com

**CONTACT NAME:**
**PHONE (A/C, No, Ext):** **FAX (A/C, No):**
**E-MAIL ADDRESS:**

| INSURER(S) AFFORDING COVERAGE | NAIC # |
|---|---|
| INSURER A : Continental Casualty Company | 20443 |
| INSURER B : Continental Insurance Company | 35289 |
| INSURER C : National Fire Insurance Company of Hartford | 20478 |
| INSURER D : | |
| INSURER E : | |
| INSURER F : | |

**INSURED**
Plenary Americas US Holdings Inc.
555 West Fifth Street, Suite 3150
Los Angeles, CA 90041

**COVERAGES** **CERTIFICATE NUMBER:** LOS-002474514-04 **REVISION NUMBER:** 4

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

| INSR LTR | TYPE OF INSURANCE | ADDL INSD | SUBR WVD | POLICY NUMBER | POLICY EFF (MM/DD/YYYY) | POLICY EXP (MM/DD/YYYY) | LIMITS | |
|---|---|---|---|---|---|---|---|---|
| A | X COMMERCIAL GENERAL LIABILITY | | | 6057246298 | 05/01/2020 | 05/01/2021 | EACH OCCURRENCE | $ 1,000,000 |
| | CLAIMS-MADE X OCCUR | | | | | | DAMAGE TO RENTED PREMISES (Ea occurrence) | $ 100,000 |
| | | | | | | | MED EXP (Any one person) | $ 15,000 |
| | | | | | | | PERSONAL & ADV INJURY | $ 1,000,000 |
| | GEN'L AGGREGATE LIMIT APPLIES PER: | | | | | | GENERAL AGGREGATE | $ 2,000,000 |
| | X POLICY PRO-JECT LOC | | | | | | PRODUCTS - COMP/OP AGG | $ 2,000,000 |
| | OTHER: | | | | | | | $ |
| A | AUTOMOBILE LIABILITY | | | BUA 6057246270 | 05/01/2020 | 05/01/2021 | COMBINED SINGLE LIMIT (Ea accident) | $ 1,000,000 |
| | X ANY AUTO | | | | | | BODILY INJURY (Per person) | $ |
| | OWNED AUTOS ONLY / SCHEDULED AUTOS | | | | | | BODILY INJURY (Per accident) | $ |
| | X HIRED AUTOS ONLY / X NON-OWNED AUTOS ONLY | | | | | | PROPERTY DAMAGE (Per accident) | $ |
| | | | | | | | PD Comp/Coll Ded. | $ 500 |
| B | UMBRELLA LIAB X OCCUR | | | 6083282306 | 05/01/2020 | 05/01/2021 | EACH OCCURRENCE | $ 10,000,000 |
| | X EXCESS LIAB CLAIMS-MADE | | | | | | AGGREGATE | $ 10,000,000 |
| | DED X RETENTION $ 10,000 | | | | | | | $ |
| A<br>C | WORKERS COMPENSATION AND EMPLOYERS' LIABILITY Y/N<br>ANYPROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? N<br>(Mandatory in NH)<br>If yes, describe under DESCRIPTION OF OPERATIONS below | N / A | | 6057490839 (Other States)<br>6057536119 (CA) | 02/23/2020<br>02/23/2020 | 02/23/2021<br>02/23/2021 | X PER STATUTE / OTH-ER | |
| | | | | | | | E.L. EACH ACCIDENT | $ 1,000,000 |
| | | | | | | | E.L. DISEASE - EA EMPLOYEE | $ 1,000,000 |
| | | | | | | | E.L. DISEASE - POLICY LIMIT | $ 1,000,000 |

**DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)**
Evidence of Insurance

$0 Deductible Workers' Compensation, General Liability and Auto Liability

**CERTIFICATE HOLDER**

Plenary Americas US Holdings Inc.
555 West Fifth Street, Suite 3150
Los Angeles, CA 90041

**CANCELLATION**

**SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.**

**AUTHORIZED REPRESENTATIVE**
**of Marsh Risk & Insurance Services**
Daniel Zarate
Daniel Zarate



 

# EXHIBIT D

PAST PROJECT
EXPERIENCE

# AIA® Document A305™ – 2020 Exhibit D

## *Contractor's Past Project Experience*

| | 1 | 2 | 3 | 4 |
|---|---|---|---|---|
| PROJECT NAME | «Gold Coast Light Rail» | «Waterloo Light Rapid Transit» | «Winnipeg Southwest Rapid Transitway» | «Sydney Metro Northwest» |
| PROJECT LOCATION | «Queensland, Australia» | «Waterloo, Ontario, Canada» | «Winnipeg, Manitoba, Canada» | «Sydney, New South Wales, Australia» |
| PROJECT TYPE | «Light Rail» | «Light Rail» | «Bus Rapid Transit» | «Heavy Rail Transit» |
| OWNER | «Queensland Government» | «Regional Municipality of Waterloo» | «City of Winnipeg» | «Transport for New South Wales» |
| ARCHITECT | «John Holland» | «AECOM» | «Morrison Hershfield» | «MTR» |
| CONTRACTOR'S PROJECT EXECUTIVE | «Paul Digby» | «Matt Girard» | «Terry Ostrom» | «Patrick Lauren» |
| KEY PERSONNEL (include titles) | «n/a» | «Dale Bonner - Government and Community Relations» | «Brian Clark - Project Director<br>Christian Guevara - O&M Manager» | «n/a» |
| PROJECT DETAILS | Contract Amount<br>«$856M (NPV)»<br><br>Completion Date<br>«June 2014»<br><br>% Self-Performed Work<br>«n/a» | Contract Amount<br>«$436M (NPV)»<br><br>Completion Date<br>«December 2018»<br><br>% Self-Performed Work<br>«n/a» | Contract Amount<br>«$274M (NPV)»<br><br>Completion Date<br>«October 2019»<br><br>% Self-Performed Work<br>«n/a» | Contract Amount<br>«$2.6 B (NPV)»<br><br>Completion Date<br>«October 2019»<br><br>% Self-Performed Work<br>«n/a» |
| PROJECT DELIVERY METHOD | ☐ Design-bid-build<br>☐ Design-build<br>☐ CM constructor<br>☐ CM advisor<br>☒ Other:<br>«P3 DBFOM» | ☐ Design-bid-build<br>☐ Design-build<br>☐ CM constructor<br>☐ CM advisor<br>☒ Other:<br>«P3 DBFOM» | ☐ Design-bid-build<br>☐ Design-build<br>☐ CM constructor<br>☐ CM advisor<br>☒ Other:<br>«P3 DBFOM» | ☐ Design-bid-build<br>☐ Design-build<br>☐ CM constructor<br>☐ CM advisor<br>☒ Other:<br>«P3 DBFOM» |
| SUSTAINABILITY CERTIFICATIONS | «n/a» | «n/a» | «n/a» | «n/a» |

# APPENDIX 3

KEY PERSONNEL
RESUMES

# MIKE SCHUTT
PROJECT DIRECTOR

Mike will have overall responsibility for the success of the Project, and be responsible for overseeing and coordinating all planning, development, and financing activities. He will act as the primary point of contact for communication between the City and Plenary, ensuring that the team achieves all project objectives and moves the project forward through every step of development. Mike will spearhead all internal efforts to assess and evaluate all technical and financial options for the project and coordinate with all parties to deliver a comprehensive solution which is able to achieve closing and be implemented.

## BIOGRAPHY

Mike is a Vice President of Plenary and has led the successful development of eight critical infrastructure P3 projects in North America totaling over $4 billion in value. These diverse projects included standard P3 bid structures and CDP delivery models, availability payments and commercial revenue, as well as both civil infrastructure and buildings. Mike grew up in Tampa, and after working for Plenary in Toronto and Los Angeles, returned to the City in 2016, choosing to establish Plenary's eastern US office here. Prior to joining Plenary, Mike worked for Skanska providing construction project management services on a range of projects throughout the southeast US and in the United Kingdom.

## EDUCATION AND CERTIFICATIONS

- Masters of Business Administration, Harvard Business School
- Bachelor of Science, Building Construction, University of Florida
- Licensed General Contractor (CA)

## RELEVANT EXPERIENCE

### Miami-Dade County Civil and Probate Courthouse | Miami, FL | Project Director

As Project Director, Mike led the Plenary Justice Miami consortium in the development and design of the new Miami-Dade County Civil & Probate Courthouse. Mike was the primary point of contact between the County representatives and the consortium and was ultimately responsible for ensuring the comprehensive Plenary solution achieved the County's goals. The project consists of construction of a new Civil and Probate Courthouse located in the heart of downtown Miami. Mike oversaw the development of the design, construction, financing, and O&M plans for the Courthouse which was the first social infrastructure P3 project closed in Florida. Plenary's proposal resulted in cost savings to the County of $390 million over the contract term compared to initially budgeted amounts.

### Pennsylvania Rapid Bridge Replacement Project | Pennsylvania | Project Director

Mike led the Plenary consortium to successfully plan, design, and structure this complex $1.1 billion civil infrastructure project to demolish and replace 558 structurally deficient bridges located throughout the Commonwealth. Mike structured the project financial plan, including direct oversight of the financial model, which included private activity bonds, variable availability payments based on the completion of each of 558 bridges, and multiple milestone payments during and shortly after construction. He also developed the PABs marketing plan and the Offering Statement, managed the rating process to achieve the desired final rating, and oversaw the pricing and sale of the PABs at spread levels not previously realized at that time for the rating level – all for the largest P3 allocated PABs transaction to date.

### Belle Chasse Bridge and Tunnel Replacement | Belle Chasse, LA | Project Director

Mike led the Plenary Infrastructure Belle Chasse (PIBC) team in development of the comprehensive technical, commercial, and financial solution for this complex bridge and tunnel replacement project outside of New Orleans, LA. The new Belle Chasse Bridge will span the Gulf Intracoastal Waterway and be located directly between the existing, and still active, lift bridge and tunnel currently serving travelers on LA 23. In addition to providing all O&M services for the lift bridge (which raises for frequent barge traffic) and existing tunnel, PIBC must maintain the existing four lanes of traffic on the corridor serving 33,000 ADT throughout construction. The LA 23 corridor is extremely narrow at this crossing, with numerous businesses, residences, and utilities, directly adjacent, along with a railroad running parallel to the roadway. PIBC is responsible for performing all ROW acquisition work, as well as all utility relocations on the corridor, securing permits with the Army Corps of Engineers, US Coast Guard, and other federal agencies, and performing all railroad coordination.

## RELEVANT EXPERIENCE (CONT.)

Project revenues are derived from toll revenue received from travelers crossing the new bridge over the 30 year operational term, combined with partial construction progress payments made by the State. Mike led the financial sourcing and structuring, securing committed private placement debt financing, which is the first privately placed P3 financing for a greenfield toll revenue project in the US.

### Long Beach Civic Center | Long Beach, CA | Commercial and Financial Director

Under a CDP approach, Mike led the detailed commercial and financial development of this complex urban redevelopment project with the City of Long Beach, which includes the design, construction, financing, operations and maintenance of the new Civic Center development. Additionally, Mike successfully oversaw and provided leadership in the design of the project, which consists of a 270,000 ft², 11-story City Hall; 237,000 ft², 11-story Port Headquarters building; 95,000 ft² library; new Lincoln Park; and a private development site for future mixed use residential, commercial, and hotel uses. The project involves substantial community engagement and outreach, as well as a complex site logistics plan to allow the entire civic block to be redeveloped under the Comprehensive Agreement. Construction was completed on schedule in summer 2019.

### UC Merced 2020 | Merced, CA | Commercial and Financial Director

Mike had full responsibility for the financial and commercial structuring of the project, along with overseeing development of the comprehensive technical solution for this $1.3 billion complex, multi-asset, phased development project. This role involved negotiation of all contracts and funding agreements and oversight of the financial solution. Mike structured and secured financing commitments at bid from five unique private placement investors, totaling over $660 million, the largest debt issuance in the social P3 space in US history. The financial plan at bid submission also included $300 million in credit facility commitments from two international banks scheduled to be repaid after construction completion.

The UC Merced 2020 Project is a 1.2 million ft² campus expansion and redevelopment project on the UC Merced campus in Merced, California that has doubled the campus' physical capacity. The project is the first in the UC system to use a single private development team for a multi-year, multi-building project of this scope. To accommodate changing needs over time, the design and construction approaches were flexible and highly adaptable, helping the campus achieve long-term life cycle and sustainability goals.

### Purdue University Student Housing | West Lafayette, IN | Project Director

Mike led the development of the comprehensive project solution, include design, commercial and financial structuring, and construction and operations planning for these two student housing facilities located on the Purdue University campus. The project was delivered under a CDP structure (as further detailed in Section 5.1). The 65-year concession term is a first in the market and includes debt and equity structuring elements that maintained a low, fixed weighted average cost of capital for the entire concession. Under the Availability Payment P3 structure implemented for the project, Plenary provides a guaranteed level of quality and facility performance for 65 years at a fixed cost, while Purdue retains the ability to manage student residence life services and establish leasing rates and policies for students.

# SIA KUSHA

PLANNING AND DESIGN-BUILD EXECUTIVE

Sia will act as the Planning and Design-Build Executive for Plenary, providing strategic guidance and oversight to ensure the project is developed in a manner that achieves its key objectives, receives all necessary approvals, and maintains its accelerated timeframes. He will leverage his decades of experience leading the complex development of transit and civil projects in the P3 and engineering industry to guide the project team, including in the procurement, selection, coordination, and management of all consultants and contractor partners.

## BIOGRAPHY

Sia is a Senior Vice President and Group Head of Project Development and Partnering at Plenary. In this role, he has direct authority and accountability for business and project opportunity development across both Civil and Buildings sectors. He is responsible for identification, assessment and development of new project opportunities as well as positioning Plenary with appropriate partners for these projects through leveraging industry relationships across North America. He also provides ongoing support to Plenary's project teams through all phases of Project Development, with a particular focus on permitting and approvals processes, governmental and regulatory considerations, and design and construction related issues.

Prior to joining Plenary, Sia served as Senior Vice President and Managing Director of AECOM's Design and Consulting Services Integrated Delivery group in the Americas. In his role, he was the firm's Chief Strategy and Development officer for DB and P3 projects in the Americas.

A 39 year veteran of the industry, Sia is a highly experienced program and project executive who has delivered a variety of infrastructure programs and projects for a diverse range of public and private clients. He has been instrumental in Integrated Delivery policy development in the United States and has helped public owners develop design-build and P3 legislation, programs, project pipelines and procurement processes in Arizona, California, Florida, Georgia, North Carolina, West Virginia, and Virginia.

## EDUCATION AND CERTIFICATIONS

- Bachelor of Science, Civil and Environmental Engineering (Transportation), University of Wisconsin, Madison
- Professional Engineer: FL, GA, NC, WI, MN, AZ

## RELEVANT EXPERIENCE

### Réseau Express Métropolitain (REM) | Montréal, QC | Project Executive

The Réseau express métropolitain (REM) is a 67 km light rail system with 26 stations linking downtown, the airport and the Greater Montréal area. The REM is the largest public transit project undertaken in Québec in the last 50 years. The first trains are expected to start running in 2021 from the South Shore to Bonaventure-Central Station. Then, the other branches of the network will be gradually put into service in 2022-2023.

As the tender phase project executive Sia was responsible for the design efforts across the design team and served as a member of Design JV governing board directing bid development design activities. His oversight also included coordination and interaction with the rolling stock provider in order to ensure appropriate level of interface existed between multiple parties.

### Eglinton Crosstown Light Rail Transit | Toronto, ON | Principal-in-Charge

The Eglinton Crosstown LRT is part of Metrolinx's regional transportation plan, The Big Move, and is one of the first large-scale transit projects for the Toronto area. The LRT will provide fast, reliable and comfortable transit along Eglinton Avenue and will help to reduce congestion, offer reliable transit to Toronto residents and integrate transit services. The Eglinton Crosstown LRT will run across Eglinton Avenue between Mount Dennis (Weston Road) and Kennedy Station.

Sia was the Principal-in-Charge of tender phase design development and bid preparation for the AECOM-Arup design joint venture working for the design-build joint venture. He provided leadership in capture strategy and tender phase design development, bid preparation, contract negotiations, stakeholder engagement, and owner interface.

## RELEVANT EXPERIENCE (CONT.)

### Gordie Howe International Bridge | Windsor, ON | Project Executive

This once-in-a-generation undertaking includes a 2.5 km cable-stayed bridge with six lanes (three Canadian-bound and three U.S.-bound), and two approach bridges. The project also includes a 130-acre Canadian Port of Entry and a 148-acre U.S. Port of Entry.

Sia was the project executive in charge of tender phase design development and bid preparation for AECOM's design joint venture working for the concession team. Sia assembled the successful project consortium, provided leadership in win strategy and tender phase design development, bid preparation, contract negotiations, stakeholder engagement, and owner interface.

### Additional Relevant Experience

Prior to joining Plenary, Sia served as AECOM's Design and Consulting Services (DCS) Senior Managing Director for integrated delivery services, as well as AECOM's Southeast Division Transportation business unit Chief Executive. One local example of his leadership in this role was in leading AECOM's successful selection to design the Selmon Expressway Extension in Tampa, having responsibility for selecting AECOM's design build team (Kiewit), managing all procurement activities, supervising tender phase design, and overseeing the development of Kiewit/AECOM's winning proposal. He was intimately involved in design development, owner interface and contract negotiations, as well as stakeholder engagement.

During his career, Sia has led and managed the development and creation of multiple environmental clearance documents in accordance with the National Environmental Policies Act (NEPA) and a series of local subsets of jurisdictions including Florida, California, Georgia, Virginia, and Arizona. Sia has completed, as well as managed various classes of action for required environmental clearance on numerous projects, including Miami Dade Transit's original East-West Corridor EIS

For Plenary, Sia is currently overseeing San Mateo Transit District's Dumbarton Transit Corridor environmental clearance process in accordance to both NEPA and CEQA.

## BRIAN MIDDLETON
PROJECT DEVELOPMENT MANAGER

Plenary

Brian will lead the detailed planning and project development efforts for Plenary. In this role, he will be responsible for establishing and managing all consultant and contractor procurements, coordination of all environmental approvals processes, and development of the detailed technical solution. Brian's unique background includes working on similar projects from both the public sector and contractor's perspectives. This experience positions Brian to provide holistic and effective management of each stage of the project development process, and ensure robust coordination and communication with the City and all Project Stakeholders.

### BIOGRAPHY

Brian has worked around the globe and across the nation, leading innovative transportation projects as the Project Manager on behalf of both contractors and owners. He has 41 total years of industry experience, 18 as a contractor and 23 as an owner's representative providing unique and valuable expertise to the team.

### EDUCATION AND CERTIFICATIONS

- Masters of Business Administration, Brunel University
- Diploma, Electrical and Electronic Engineering, Plymouth Polytechnic

### RELEVANT EXPERIENCE

**Denver Regional Transportation District, FasTracks** | Denver, CO | Project Manager

Brian served as the Project Manager for the $7 billion FasTracks program, leading the Project Support Consultant team through the planning, design, and implementation phases. He also served as a senior advisor on the program, leveraging his transit and construction experience to inform and advise the RTD Board, general manager, and senior leadership team. Brian served as Project Director for RTD and led the development and implementation of the $2.2 billion Public Private Partnership Eagle project that is the delivery contract for three rail corridors and maintenance facility. The project includes an FFGA of $1.03 billion, a $280 million TIFIA loan and $450 million of private financing that was provided during the design and construction phase. The concession includes operations and maintenance services for the duration of the concession, approximately 34 years. Brian developed the strategy, led the development of the procurement process and RFQ/RFP documents, and managed the procurement process through to a successful conclusion, culminating in the selection of a concessionaire in June 2010 and financial close in August 2010. All of the rail lines are in operation and exceeding all expectations. This was the first P3 in transit in the nation.

**Los Angeles County MTA** | Los Angeles, CA | P3 Project Advisor

Brian served as Project Manager for the Sepulveda Transit Corridor project that will use a pre-development agreement (PDA) with two developers to advance the project during planning and ultimately likely design, build, finance, operate and maintain the project. He worked with a team that included financial advisors and outside counsel to develop procurement documents on this highly accelerated project.

Brian served as specialist P3 project advisor to Metro on the West Santa Ana Branch and East San Fernando Valley light rail projects. Metro are considering innovative delivery methods and as part of the team that includes financial advisors and outside counsel, Brian assisted with analyses, strategy development, and procurement planning and production of procurement documents.

**Los Angeles World Airports** | Los Angeles, CA | Project Manager

Brian served as the project manager for the procurement and implementation of the nation's largest consolidated rent-a-car facility and the first to be delivered as a P3. Working closely with financial advisors and outside counsel Brian developed the strategy and plan for the procurement and managed the process through selection of the Developer. This 5.3 million ft², +$1 billion project is an integral part of LAWA's modernization program to relieve traffic in the terminal area and create a new gateway to the region. Working in close coordination with the team managing the automated people mover that connects the ConRAC with the terminal area, Brian oversaw the start of design and construction of the facility.

## RELEVANT EXPERIENCE (CONT.)

### Metropolitan Transit Authority of Harris County (Houston Metro), Metro Solutions | Houston, TX | Project Manager

Brian provided specialist procurement and public-private financing support to the program. He prepared an acquisition plan, assisted with the development of the procurement strategy, and drafted sections of various requests for proposals to obtain design, engineering, and construction services. The project used a pre-development agreement to advance the project through design and entitlements. Brian participated in proposal review and served on the evaluation committee. In this role, he provided risk assessment and management support for the on-going project, including an innovative approach to light rail car procurement. Brian led the negotiations with the selected contractor on behalf of Metro. The agreements included the plan of finance, prime contract, and four major subcontracts.

### Department of Rail and Public Transportation, Dulles Corridor Rapid Transit Project | Washington, DC | Project Manager

Brian supported negotiation of a comprehensive agreement for the development, design, and construction of this project. The project was to build the first phase of an extension of the subway system in Washington to Dulles airport. This $1.5 billion project was advanced using a public-private initiative. Brian also assisted with other tasks in support of the project.

### Pasadena to Los Angeles Metro Blue Line Construction Authority | Southern California, CA | Project Manager

Brian provided expert procurement methodology advice in a study to determine the optimum method to bring the Pasadena Blue Line project to the market in the shortest possible time and at the best possible cost. He subsequently assisted with the development of the design-build procurement documents and led a review of the complete package prior to the issuance of the request for proposals and participated in the bid evaluation process.

### NJ Transit, Southern New Jersey Light Rail Transit System RiverLine DBOM Procurement | Southern New Jersey, NJ | Project Manager

As Project Manager, Brian managed the contracting strategy, business planning, operations planning, and overall system design and integration. He also provided extensive management support to the project team in developing strategies for budget and schedule management, change management, and management of third parties. He led a team, including railroad professionals, with expertise in vehicle and systems engineering, operations and maintenance, contract management, safety and security, and quality assurance. The engineers were specialists in light rail vehicles, signaling, communications, fare collection, and yard and shop equipment. This project was the second DBOM contract and is the first use of diesel light rail cars in the US.

# CHRISTIAN GUEVARA

O&M MANAGER

Christian will serve as the O&M Manager for the Plenary team, leading all efforts in development of the O&M plan, strategy, and budget, including life cycle analysis and assisting during the design phase to ensure the project achieves maximum operational efficiency. He will use his past experience in similar roles planning, managing, and executing operations and maintenance plans for complex civil infrastructure assets to ensure an optimal whole-of-life cost solution is developed and implemented.

## BIOGRAPHY

With over 12 years of previous experience, Christian is a Vice President of Operations for Plenary Group. He currently serves as the Director of Operations for Plenary's US 36 Managed Lanes project where he has overall responsibility for the performance-based maintenance services of this highly traveled corridor. Christian's background also includes lifecycle review and analysis as well as structures management and inspection. He has assisted local and state agencies in managing and executing maintenance plans to prolong the serviceability of their structures and effectively maintain lifecycle aspects and planning. Christian is a FHWA certified Bridge Inspection Team Leader.

## EDUCATION AND CERTIFICATIONS

- Bachelor of Science, Civil Engineering, University of Colorado at Boulder

## RELEVANT EXPERIENCE

### US 36 Managed Lanes Project | Denver, CO | Director of Operations

As the Director of Operations, Christian is responsible for implementing and overseeing the operations and maintenance program for this 50-year Concession Agreement with CDOT and HPTE. During the proposal, design, and construction phases Christian worked with the design-build JV, lead engineer, O&M subcontractor, 3rd party tolling provider, HPTE, and CDOT to ensure that the project incorporated maintainability and life cycle performance in design, construction, and operational solutions.

Upon project closing, Christian led Plenary's efforts to take over responsibility for daily operations of the existing I-25 and Phase 1 of US36, while also managing the O&M during construction responsibilities for Phase 2 of US36 (which Plenary's DB partner was now constructing). This phase also included quality oversight to help ensure construction activities followed the design approach that had been developed in support of the long term life cycle plan. Now fully in operations, Christian has primary responsibility for overseeing Plenary's current operating subcontractor, as well as monitoring life cycle performance and planning major maintenance interventions. This also requires managing Plenary's on site team with responsibility for tolling infrastructure, including interfacing with the 3rd party tolling provider.

### Belle Chasse Bridge and Tunnel Replacement | Belle Chasse, LA | Operations and Maintenance Manger

In his role for this new bridge project located outside of New Orleans, Louisiana, Christian was responsible for developing Plenary Infrastructure Belle Chasse's (PIBC) full term operations and maintenance plan, which involves a subcontract during the construction period for operations of the existing lift bridge and tunnel, along with full operations and maintenance self-performance of the new bridge by Plenary during the 30 year operating term. The project includes extensive and complex O&M obligations during construction of the existing mechanical lift bridge and tunnel. Christian collaborated with PIBC's construction phase O&M subcontractor to develop these operation plans, and implement the transition of these operations from the Louisiana DOTD to PIBC. This work also includes ongoing asset condition assessments of the existing bridge and tunnel, for the purposes of identifying any major maintenance work that needs to be performed to ensure public safety.

## RELEVANT EXPERIENCE (CONT.)

Christian worked closely with the design and construction team during the project development phase to provide maintenance and life cycle input into design and planning decisions. This feedback was instrumental in the team's selection of bridge structure type, resulting in a cost efficient design.

Christian also worked closely with the toll systems technology supplier in the development of the design and toll collection business rules for the Project. Electronic toll collection and intelligent traffic systems design, construction, startup, operations, and maintenance are the responsibility of PIBC on this project, with the toll technology supplier performing system implementation and operation. PIBC is retaining responsibility for all on-site maintenance, and Christian worked with the toll system supplier to develop the overall toll collection system maintenance plan which includes the protocols for interfacing and coordinating in respect of each party's responsibilities.

### State Street Redevelopment Project | West Lafayette, IN | Operations and Maintenance Manger

This project involved the reconstruction of 8 different roads in and around Purdue University, each of which had different existing conditions, material types, and traffic uses. A core component of Plenary Roads State Street's proposal solution was to identify which roads required full reconstruction and which could rehabilitate existing structure. Christian led Plenary's diligence and analysis of the existing roadway elements and determination of proposed engineering solutions. A long term life cycle plan was developed taking into account the existing asset condition, level of reconstruction work performed, and projected traffic volumes over time.

In this role Christian was also responsible for developing the comprehensive operations and maintenance plan and budgets, coordinating with the design-build firm around the phased completion of work and commencement of maintenance responsibilities. A key component of the maintenance plan is a proactive and regular inspection program, including both visual inspection and more complex testing such as IRI, among others. As part of the project transition, Christian provided training and oversight to Plenary's project operations manager who now is responsible for performing the ongoing inspections, as well as planned, proactive, and reactive maintenance activities. He continues to provide support as needed and asset management oversight regarding the ongoing conditions assessments of the roadways.

### CDOT Off-System Bridge Inspection Program | Denver, CO | Project Manager

As the Project Manager, Christian was responsible for providing consulting services to multiple local agencies and municipalities on the subject of lifecycle maintenance and asset management. Christian's work with these local agencies was directed toward maximizing the service life of bridge infrastructure through inspection and maintenance planning. Christian also managed the CDOT Off-system Bridge Inspection contract and planned, scheduled, and executed more than 1,500 bridge inspections per year throughout the State of Colorado.

Christian's responsibilities also included load rating of bridges for timber, steel, pre-stressed concrete and truss configurations; specialized access in the inspection of movable and high profile structures, meeting with local agency directors to discuss their infrastructure and how to prolong the service life; presenting findings of inspections to city and county commissioners and public works directors; structural rehabilitation design; and assisting agencies in developing and implementing their own lifecycle planning and maintenance programs.

# BRIAN CLARK

COMMERCIAL AND FINANCIAL DIRECTOR

Brian will support Mike in all aspects of project development and will lead the commercial and financial components of the project, including drafting and negotiations for all contracts. He will leverage his extensive experience structuring and implementing comprehensive infrastructure funding and financing plans to ensure the Project benefits from the lowest possible cost of capital and a robust financial structure.

## BIOGRAPHY

Brian is an infrastructure and project finance professional with more than 15 years experience developing project financings and commercial structures for P3 infrastructure projects. Since joining Plenary in 2007, Brian has been involved in every aspect of project development, including project and design development, contract negotiation, and financial structuring. Brian's specific experience and expertise includes: management of multidisciplinary consortiums bidding, closing, and delivering complex P3 infrastructure projects; the negotiation and optimization of P3 risk transfer terms between the public and private sector; development and negotiation of project documentation to reflect agreements between the public sector client and the private sector provider; projects spanning many sectors including civil, transit/transportation, corrections, special accommodation, and healthcare.

## EDUCATION AND CERTIFICATIONS

- Masters of Business Administration, Dalhousie University
- Bachelor of Laws, Dalhousie University
- Bachelor of Commerce, University of Calgary

## RELEVANT EXPERIENCE

**William H Gray Philadelphia 30th St. Station (Amtrak)** | Philadelphia, PA | Commercial and Financial Director

As commercial and financial director for this major redevelopment of Amtrak's main offices and its Philadelphia station, Brian led the complex commercial structuring negotiations and development of the project financing plan, resulting in the lowest cost and highest value solution for Amtrak. This solution includes Plenary taking responsibility for re-imagining the ground level retail concourse, better integrating it with the surrounding community, and maximizing revenues to support project costs.

**Winnipeg Southwest Bus Rapid Transitway** | Winnipeg, MN | Project Director and Finance Lead

As Project Director, Brian led the consortium through the proposal and planning phase, commercial negotiations, and financial structuring, acting as the primary point of contact with the client, managing the project lenders, and ultimately developing a successful proposal that achieved an accelerated Financial Close. This role required coordinating the interface between the transit operations for the new project with the existing BRT system in Winnipeg. Brian led the integrated team through project planning and design development, including the City government and transit operations staff, ensuring transit operations considerations were addressed and long-term O&M needs were optimized, resulting in a highly efficient and successful project solution.

**Disraeli Bridges and Freeway** | Winnipeg, MN | Project Director and Finance Lead

Brian acted as project director and led the development and commercial negotiations for this two bridge and associated roadway project (total ~7 lane miles). His role included navigating complicated regulatory and environmental management issues as the water-crossing bridge contained a pre-existing contamination plume. With operations and maintenance responsibilities retained by Plenary over the full 30 year operations term, this project demonstrated Brian's ability to develop a unique project structure and address issues relating to municipal-led projects, while at the same time sourcing fully committed financing, and working with lenders to optimize terms relating to the risk of pre-existing environmental contamination.

## RELEVANT EXPERIENCE (CONT.)

### US 36 Express Lanes Project | Denver, CO | Project Director and Finance Lead

Brian led the consortium through project development, commercial and financial negotiations, revenue analysis and structuring, and managed a diverse group of project lenders (including TIFIA lenders and PABs underwriters), and ultimately progressed a successful bid to Financial Close. The funding and financing approach for the project, which relies fully on collection of toll revenue from the managed express lanes, involves an innovative dual TIFA loan structure (one senior, one subordinated), third party subordinated debt, and Private Activity Bonds. Plenary also retains long term roadway operations and maintenance responsibilities over the 50 year project term, which requires ongoing close coordination with the DOT on integrated roadway elements throughout the corridor, as well as with the regional BRT transit which operates in the managed lanes and on improved shoulders. As part of its obligations, Plenary is obligated to ensure the roadway conditions, and traffic volumes, allow for the BRT to maintain minimum speeds when operating in the corridor at all times of the day.

### Gatineau II Library and Archives | Gatineau, QU | Project Director and Finance Lead

Brian led the project development and financial structuring for this innovative and complex DBFM project involving the construction of an archival facility for the Government of Canada. This high-tech, automated facility  is the first Net Zero Carbon archival facility in the Americas. Inside the vaults, strict requirements for temperature and humidity serve to maximize the storage life of the collection. These environmental set points are achieved through individually dedicated mechanical systems, with backup capacity to provide continuous support in the event of a temporary outage. Brian led Plenary's integrated team to develop this innovative facility in a manner that achieved the client's objectives within its strict funding constraints, developed fully committed financing, and oversaw the team in liaising with several important stakeholder groups.

# DALE BONNER

GOVERNMENT AND COMMUNITY RELATIONS

Plenary

Dale will support Mike and the Project team with government and community relations guidance and advice. In his past role, Dale developed the California Public Private Partnership and Design-Build programs, affording him with perspective and expertise to ensure effective communication with the City and other government entities on this project. Dale leads Plenary's efforts for developing and implementing targeted community and stakeholder outreach, engagement, and inclusivity for the communities where Plenary works, and provides strategic support and assistance to public sector clients in respect of project approvals and communications efforts.

## BIOGRAPHY

Dale is the Executive Chairman of Plenary Concessions and a unique asset with his extensive public sector background. From 2007 to 2011, he served as California's Secretary of Business, Transportation, and Housing, a position in which he led a workforce of 45,000 employees and administered an annual budget of more than $20 billion. As secretary, he managed California's transportation infrastructure, business regulation, trade and foreign investment programs, and chaired the California Infrastructure and Economic Development Bank and the Public Infrastructure Advisory Commission. In addition to his role at Plenary, he is currently serving on the Los Angeles Board of Police Commissioners.

## EDUCATION AND CERTIFICATIONS

- Juris Doctor, Georgetown University Law Center
- Bachelor of Arts, Political Science, University of Southern California

## RELEVANT EXPERIENCE

### Long Beach Civic Center Redevelopment Project | Long Beach, CA

Dale provides executive oversight to the overall project, which includes engagement multiple stakeholders and user-groups throughout all phases of the project, helping ensure successful and on-time project delivery. During the CDP phase of this project, Dale was intimately involved in managing one of the most intensive, if not the most intensive, community outreach efforts for a P3 to date; the consortium held over 100 community meetings prior to Financial Close, ensuring that all community concerns, preferences, and objectives were addressed.

### Belle Chasse Bridge and Tunnel Replacement | Belle Chasse, LA

Dale was an integral member of the successful consortium, providing executive oversight and stakeholder relationship support throughout both the qualifications and proposal phase. Dale worked closely with the Plenary team and LA DOTD Secretary after project award to develop and implement a strategy to navigate complex public and elected official dynamics to ensure ongoing project support and a successful project closing.

### US 36 Express Lanes Project | Denver, CO

Dale is responsible for leading the client and stakeholder relations component of this $170 million DBFOM project, providing executive oversight to ensure a smooth working relationship between the client, the project team, and key stakeholders.

### Additional Relevant Experience

- Developing and implementing statewide P3, design-build, and managed lanes programs
- Overseeing the funding, development and delivery of major highway projects
- Administering California's $19 billion transportation bond program

## RELEVANT EXPERIENCE (CONT.)

Dale Bonner served as California's Secretary of Business, Transportation and Housing from March 2007 through January 2011. As Secretary, he oversaw the funding, development and delivery of major transportation projects, implemented the State's design-build and public-private partnership programs, and served as Chairman of the California Infrastructure and Economic Development Bank and Public Infrastructure Advisory Commission. As California's transportation secretary (2007-2011) he oversaw the development and implementation of project delivery plans for major assets, including:

- **Desert Express High Speed Rail**, a negotiated public right-of-way access for a $3 billion private high speed rail project.
- **Colton Crossing** a $200 million P3 for rail-to-rail grade separation.
- **Presidio Parkway**, a P3 achieving commercial close on a $473 million P3 for the design, construction, finance, operation and maintenance of 1.6 mile highway facility providing access to the San Francisco Golden Gate Bridge.
- **Gerald Desmond Bridge** a $950 million design-build bridge replacement project.

# DICK COMBS

CHIEF PD&E SPECIALIST

Dick will have overall leadership responsibility for KCA through the Conceptual Design / Feasibility Analysis, Preliminary Engineering, and Environmental Clearance activities. He will work in close coordination with Brian Middleton to ensure that the Project technical solution is advanced in a manner that achieves the City's objectives, while also maintaining compliance with all state and federal planning and environmental process regulations.

## BIOGRAPHY

Dick was the former Director of Transportation Development at District One and has 40 years of experience in PD&E and design including 5 years as FDOT's Director of Production, 21 years in PD&E at FDOT Districts One and Seven, and 14 years working for consultants. His recent assignment was the lead PD&E Owner's Rep. for the TBNext program and Supplemental Environmental Impact Statement (SEIS) in District Seven. He has completed complex PD&E studies including Environmental Impact Statements (EISs) in Florida, North Carolina, and Michigan. His ability to lead and guide highly skilled, cross functional teams in the design and development of roadways, bridges, and other transportation structures makes him an asset to our team.

## EDUCATION AND CERTIFICATIONS

- B.S., Biology, Florida Institute of Technology, 1979
- Certified Environmental Professional

## RELEVANT EXPERIENCE

### FDOT District Seven | Tampa, FL

As the General Engineering Consultant Services, Dick is responsible for NEPA oversight on the supplemental Environmental Impact Statement being prepared for FHWA approval. He also assists the PD&E Department and provides guidance on other PD&E projects.

### FDOT District One | Bartow, FL

Dick served as the Supervisor for FDOT District One's PD&E Department. His responsibilities included supervision of engineering and environmental staff associated with both short and long-range planning duties; work program and budget development along with other administrative activities were included as specific duties; conducted public hearings associated with the various roadway planning studies as they are completed. Mr. Combs was also involved in the direction of ecological research within the District. He developed and recommended design features, construction techniques, and mitigation plans to offset environmental damages resulting from the Department's projects.

### FDOT District One | Bartow, FL

As Director of Transportation Development, Dick was responsible for the overall direction and management of the Transportation Development functions within the District. Worked with and assisted other departments with environmental issues that come up during all phases of the work program. He conducted re-evaluations for movement of projects from one phase to the next; directed the activities of the modal development intermodal, transit, systems planning, and community liaison functions; and facilitated development of modal programs and grants. He was responsible for the establishment and implementation of policies and procedures.

## RELEVANT EXPERIENCE (CONT.)

### FDOT District One Environmental Management Office | Bartow, FL

As the Planning and Environmental Manager, Dick was responsible for major transportation projects including alternate routes, location, environmental impacts, preliminary engineering studies and public hearings. He evaluated the environmental impacts associated with the development of transportation projects; obtained required NEPA documentation and location and design concept acceptance from FHWA; managed all aspects of the ETDM process.

### SR 70 from Lorraine Road to CR 675/Waterbury Road SWAT, FDOT District One | Manatee County, FL

Development of this project will use the FDOT SWAT process, which will reduce duplicative efforts between PD&E and design. This project involves providing PD&E and design services. This project's purpose is to increase capacity and improve safety on SR 70. KCA will design two four-lane typical sections within the corridor. This project also involves roundabout design for seven intersections. Role: Chief PD&E Specialist

### 19th Avenue NE Widening – US 41 to US 301 PD&E Study | Hillsborough County, FL

KCA was to evaluate improvements along 19th Avenue NE. This PD&E study involves widening 19th Avenue NE, a two-lane undivided road, from US 41 to US 301 to provide a four-lane divided facility with enhanced pedestrian, bicycle, and transit facilities. This project requires widening the existing two-lane I-75 overpass or constructing a new overpass spanning the interstate. KCA is developing PD&E documents and 30% design plans. Role: Chief PD&E Specialist

### SR 70 from Jefferson Avenue to CR 29 PD&E Study, FDOT District One | Highlands County, FL

The objective of this study is to evaluate widening SR 70 between Jefferson Avenue and CR 29 to provide a four-lane facility with paved shoulders. Adding a multi-use trail and sidewalk will also be assessed. The study will cover seven miles and include evaluating improvements to the SR 70 intersection at US 27. Role: Chief PD&E Specialist

# MICHAEL CAMPO

SENIOR PROJECT ENGINEER

Michael will lead Project engineering efforts for KCA, working closely with and in support of Dick. He will interface with and manage key third party consultants, while also coordinating the integration of feedback into the preliminary technical solution from the O&M, Transit Supplier, and DB Contractor teams and processes.

## BIOGRAPHY

Michael has 16 years of experience and will bring an exceptional level of knowledge in complex project management, FDOT guidelines, and transportation solutions on the state, county, and local levels. His expertise in transportation planning, engineering, and design involves a broad array of projects including PD&E studies, interstate widening, arterial highway reconstruction, and RRR projects. He has managed many PD&E and design projects including urban/suburban, arterial widening, grade separation, intersection improvements, and roadway extensions. He served as Deputy PM for the Hillsborough County Maydell Drive Bridge Replacement PD&E and Design project. He recently served as PM and Roadway EOR for the design of FDOT District Seven's $54 million project extending SR 56 to US 301 in Pasco County.

## EDUCATION AND CERTIFICATIONS

- MBA, Business Administration, University of Notre Dame, 2005
- B.S., Civil Engineering, University of Florida, 2004
- B.S., Business Administration / Finance, University of Florida, 2004
- Professional Engineer: Florida, 70651; North Carolina, 041246

## RELEVANT EXPERIENCE

### US 92/SR 600/Gandy Boulevard (East of 4th Street to Westshore Boulevard) PD&E and Design, FDOT District Seven | Hillsborough and Pinellas Counties, FL

KCA was selected to conduct a PD&E study for Gandy Boulevard. This project's purpose is to reduce traffic congestion and improve bicycle and pedestrian accommodations including the existing eastbound and westbound bridges. The improvements will extend the existing controlled access facility on Gandy Boulevard and connect to the Selmon West Extension in Hillsborough County. The 7-mile, four-lane divided facility is classified as an urban principal arterial and is part of FDOT's Strategic Intermodal System (SIS). The PD&E will evaluate improvements including grade separations at major intersections and widening Gandy Boulevard to six lanes. Bridge widening and/or replacement will also be evaluated as part of this project. Role: PM

### SR 70 from CR 29 to Lonesome Island Road PD&E Study, FDOT District One | Highlands County, FL

For this PD&E study, KCA will evaluate the rehabilitation or replacement of a 4.4-mile segment of SR 70, which serves as an east-west corridor across Central Florida from Bradenton to Fort Pierce. SR 70 corridor is classified as a rural principal arterial and is a part of the SIS. The existing roadway is a two-lane undivided facility with 10-foot travel lanes and 6-foot (4-foot paved) shoulders. SR 70 is exhibiting severe pavement distress. KCA will not only be looking at the reconstruction of the existing two-lane roadway, but will also assess the need for a four-lane divided roadway. Role: Deputy PM; Roadway EOR

## RELEVANT EXPERIENCE (CONT.)

### I-75 Overpass Concept, Lakewood Ranch Development | Sarasota County, FL

The KCA team provided a preliminary evaluation and cost estimate and will design an extension of Lakewood Ranch Boulevard from the east side of I-75 to the west side by constructing a bridge over I-75, connecting to North Cattleman Road. The facility will be a four-lane divided roadway with curb and gutter. Bike lanes and sidewalks may be incorporated. The development of this corridor is important to the overall transportation network. This overpass to the south of the mall will provide a vital link that bypasses University Parkway and provides connectivity to Fruitville Road. Role: PM

### SR 56 Extension from Meadow Pointe Boulevard to US 301 D/B, FDOT District Seven | Pasco County, FL

Cone & Graham Inc. (C&G) in association with KCA was selected to provide all aspects of the creation of the SR 56 Extension from Meadow Pointe Boulevard to US 301 in Pasco County. KCA designed the four-lane divided typical section compatible with the ultimate six-lane section and centered in a 250-foot R/W corridor. All ponds were designed and constructed to accommodate the ultimate six-lane typical section with frontage roads. The project included three new signalized intersections. Role: PM/Roadway EOR

### SR 70 from Jefferson Avenue to CR 29 PD&E Study, FDOT District One | Highlands County, FL

SR 70 serves as an east-west corridor across central Florida from Bradenton to Fort Pierce. The objective of this study is to evaluate widening SR 70 between Jefferson Avenue and CR 29 to provide a four-lane facility with paved shoulders. Adding a multi-use trail and sidewalk will also be assessed. The study will cover seven miles and include evaluating improvements to the SR 70 intersection at US 27. Role: PM/Roadway EOR

### US 41 at CSX Grade Separation S. of Causeway Boulevard SWAT, FDOT District Seven | Hillsborough County, FL

As a subconsultant, KCA was selected for the US 41 at CSX Grade Separation project, which involves improving the level of service (LOS) on US 41 by providing grade separation at the CSX railroad crossing and Causeway Boulevard intersection. US 41/SR 45 and SR 676/Causeway Boulevard are vital arterial highways that serve the City of Tampa located in Hillsborough County. This project will be developed using the SWAT process. Role: Deputy PM

### SR 70 from Jefferson Avenue to CR 29 PD&E Study, FDOT District One | Highlands County, FL

The objective of this study is to evaluate widening SR 70 between Jefferson Avenue and CR 29 to provide a four-lane facility with paved shoulders. Adding a multi-use trail and sidewalk will also be assessed. The study will cover seven miles and include evaluating improvements to the SR 70 intersection at US 27. Role: Chief PD&E Specialist

# NICOLE SELLY

NEPA SPECIALIST

KISINGER CAMPO & ASSOCIATES

Nicole will have primary responsibility for advancing the Project through the environmental approvals process to achieve a final environmental clearance. She will ensure key impacts are identified and that any necessary commitments are understood and can be incorporated into the Project solution.

## BIOGRAPHY

Nicole has 14 years of experience in NEPA subject matter, including almost five years in FDOT District Seven PD&E Section. During her time at FDOT, she had served as a the District Specialist on listed species, wetlands, and habitat, ETDM Coordinator, Cultural Resources Coordinator and Contamination Specialist. She has been involved in development, coordination, and review of many NEPA documents, including, Type 1 Categorical Exclusions, Type 2 Categorical Exclusions, State Environmental Impact Reports, and Environmental Assessment/Finding on No Significant Impacts. Project management included coordination with county and local governments and PD&E document review. Prior to work with FDOT, she had experience in biological research and monitoring, petroleum clean-up site management, and floodplain hazard management.

## EDUCATION AND CERTIFICATIONS

- B.S., Marine and Freshwater Biology/Ecology Evolution and Behavior, University of Texas at Austin, 2005
- Certificate, Water and Wetland Resource Management, University of Florida, 2012

## RELEVANT EXPERIENCE

### I-75 Overpass Concept, Lakewood Ranch Development | Sarasota County, FL

The KCA team provided a preliminary evaluation and cost estimate and will design an extension of Lakewood Ranch Boulevard from the east side of I-75 to the west side by constructing a bridge over I-75, connecting to North Cattleman Road. The facility will be a four-lane divided roadway with curb and gutter. Bike lanes and sidewalks may be incorporated. The development of this corridor is important to the overall transportation network. This overpass to the south of the mall will provide a vital link that bypasses University Parkway and provides connectivity to Fruitville Road. Role: Senior Environmental Scientist

### SR 70 from Lorraine Road to CR 675/Waterbury Road SWAT, FDOT District One | Manatee County, FL

Development of this project will use the FDOT SWAT process, which will reduce duplicative efforts between PD&E and design. This project involves providing PD&E and design services. This project's purpose is to increase capacity and improve safety on SR 70. This project also involves roundabout design for seven intersections. Role: Senior Environmental Scientist

## RELEVANT EXPERIENCE (CONT.)

### US 92/SR 600/Gandy Boulevard (East of 4th Street to Westshore Boulevard) PD&E and Design, FDOT District Seven | Hillsborough and Pinellas Counties, FL

KCA was selected to conduct a PD&E study for Gandy Boulevard from East of 4th Street North in Pinellas County to Westshore Boulevard in Hillsborough County as well as prepare 15% Line and Grade design for the project segment from 4th Street North to west of the Gandy Bridge. This project's purpose is to reduce traffic congestion and improve bicycle and pedestrian accommodations along Gandy Boulevard including the existing eastbound and westbound bridges. The improvements will extend the existing controlled access facility on Gandy Boulevard and connect to the Selmon West Extension in Hillsborough County. The 7-mile, four-lane divided facility is classified as an urban principal arterial and is part of FDOT's Strategic Intermodal System (SIS). The PD&E will evaluate improvements including grade separations at major intersections and widening Gandy Boulevard to six lanes. Bridge widening and/or replacement will also be evaluated as part of this project. Role: Senior Environmental Scientist

### Big Carlos Pass PD&E Study and Final Design | Lee County, FL

This project involves conducting a PD&E Study to consider alternatives for replacement or rehabilitation of the Big Carlos Pass Bridge, addressing safety for all road and water users including motorists, bicyclists, pedestrians, and marine vessels. KCA is coordinating with Lee County and FDOT to obtain location and design concept approval from FHWA on a preferred alternative. The study will be in accordance with NEPA, develop the purpose and need for the project, and determine environmental class of action following the FDOT PD&E Manual and using the ETDM process. Role: Senior Environmental Scientist

### Maydell Drive Bridge Replacement, FDOT District Seven and Hillsborough County | Hillsborough County, FL

This Hillsborough County/FDOT LAP project consisted of the replacement of an existing 616-foot bridge, reconstruction of the roadway approaches, and pedestrian connectivity. The structurally deficient bridge was closed to vehicular and pedestrian traffic for several years. KCA guided the County through the SWAT process. Role: Senior Environmental Scientist

### Harborview Road PD&E Study from Melbourne Street to I-75, FDOT District One | Charlotte County, FL

This project involved an impact analysis and study of design alternatives for the widening of approximately 2.3 miles of Harborview Road from a two-lane undivided roadway to a four-lane divided roadway. Environmental concerns included wetlands and protected species. Key tasks included the assessment of wetland impacts and potential impacts to federal and state-listed protected species. Role: Senior Environmental Scientist

# APPENDIX 4

INTERIM AGREEMENT
(DRAFT)

**INTERIM AGREEMENT**

**FOR**

**[TAMPA CROSSTAMPA TRANSIT CONNECTOR PROJECT]**

**BETWEEN**

**[THE CITY OF TAMPA, FLORIDA]**

**AND**

**[PLENARY INFRASTRUCTURE TAMPA LLC]**

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**THIS INTERIM AGREEMENT** (this "IA") is entered into this ___________________________, 2020 ("Effective Date"), by and between the [CITY OF TAMPA, FLORIDA], a [ ] (the "City"), and [PLENARY INFRASTRUCTURE TAMPA LLC], a Delaware corporation (the "Developer"). The City and Developer are sometimes referred to herein individually as "Party" and collectively as "Parties."

## RECITALS

**A.** The City is seeking to develop and implement, pursuant to a P3 delivery model consisting of design, construction, finance, operations, and maintenance under a single Comprehensive Agreement (the "Comprehensive Agreement"), a modern mass transit system on a dedicated route connecting key destinations within the City and associated infrastructure in order to increase community connectivity and accessibility, reduce traffic congestion, and provide long term cost and performance certainty (the "Project").

**B.** On [Date], the Developer submitted its Indicative Proposal and on [Date] the City notified the Developer that it determined that the Developer's Indicative Proposal was acceptable and that it was in the best interest of the City, and that the Developer be selected to enter into this IA; and

**C.** The Parties desire to enter into this IA to establish the framework for a collaborative process to (i) further develop and advance the Project's design, governmental approvals, funding and implementation approach, and performance framework; (ii) identify and select best value companies to perform key scopes of work for the Project, and establish a comprehensive fixed price lump sum committed Proposal for the Project, including a plan of finance and fully committed design, construction, operations, maintenance and lifecycle pricing (a "Committed Proposal"); (iii) establish a productive and interactive working relationship between the Parties; (iv) negotiate the terms and conditions of the Comprehensive Agreement; and (v) fulfill any other objectives and requirements set out in this IA.

**IT IS HEREBY MUTUALLY AGREED BY THE PARTIES AS FOLLOWS:**

## 1. GENERAL TERMS

### 1.1 Incorporation of Proposal by Reference

Developer has been selected to enter into this IA in accordance with the Indicative Proposal, the provisions of which are expressly incorporated herein by reference and made a part of this IA, subject to adjustment as mutually agreeable by the Parties pursuant to the processes of this IA. The Comprehensive Agreement for the Project to be negotiated pursuant to this IA shall be based upon and in substantial accord with the

Indicative Proposal, and this IA. Any conflict between or among this IA and the Indicative Proposal shall be resolved first in favor of this IA, then the Indicative Proposal.

### 1.2 Development Period

1.2.1 The "Development Period" shall commence upon the Effective Date and shall end nine hundred thirteen (913) calendar days after the Effective Date, unless it is extended in accordance with this IA. The Parties agree to perform their development obligations as set out in this IA, negotiate, and conduct due diligence activities, all in good faith, during the Development Period and any extension thereof. If the Comprehensive Agreement has not been executed prior to the expiration of the Development Period, the Development Period may be extended by the mutual written consent of the Developer and the City. Upon written request from the Developer, the Development Period will be extended by the City for an additional term not to exceed three hundred sixty five (365) calendar days in the aggregate, if: (a) the Developer is exercising good faith and diligent efforts toward completion of its responsibilities pursuant to this IA, or (b) pursuant to Sections 5.3, 5.4, or 5.5. Any other/further extension of the Development Period shall require approval by the City and the Developer, pursuant to Section 8.13.

1.2.2 If the City has not signed the Comprehensive Agreement by the expiration of the Development Period and the Development Period has not been extended in accordance with this IA (or if the City has not signed the Comprehensive Agreement by the end of any extension of the Development Period), then this IA shall automatically terminate and be of no further force or effect, except as otherwise provided in this IA.

1.2.3 The Parties agree that the Development Period set out in this IA contemplates the satisfaction of environmental clearance pursuant to an Environmental Assessment and FONSI or a less expansive review, and does not contemplate the use of federal funds or programs in support of the Project. If it is determined that an Environmental Impact Statement is required, or if the City requests that the Developer incorporate the use of federal funds or programs into the Project, the Parties agree to work together to make reasonable adjustments to the Development Period and the Performance Milestones and IA Budget in Exhibit B to reflect such modifications to the Project.

## 2. DEVELOPMENT AND NEGOTIATIONS

### 2.1 Good Faith

2.1.1 The City and Developer agree during the Development Period to work diligently and in good faith to perform their respective obligations under this IA to advance development of the Project, and to collaborate and communicate with the other Party in a good faith manner so as to facilitate the other Party to be able to perform their obligations efficiently and in support of the Project objectives.

2.1.2 The City and the Developer agree during the Development Period to negotiate diligently and in good faith to prepare one or more agreements setting forth the rights and obligations of the Parties with respect to the development, financing, design, construction, operations, and maintenance of the Project, the timing and conditions to closing of the various transactions which are contemplated and/or required to implement the Project, the terms of all documents necessary to close such transactions, and such other agreements deemed necessary by the Parties to implement the Project, as contemplated by this IA and the Proposal (the "Comprehensive Agreement"), and shall use their good faith efforts to seek to enter into a final Comprehensive Agreement.

2.1.3 The Parties further acknowledge and agree that during the Development Period, the Parties shall use their respective good faith efforts to develop and, as applicable, enter into such other agreements with third parties as may be deemed necessary by the Parties to implement the Project.

2.1.4 The obligation to negotiate in good faith requires the Parties to communicate with each other with respect to those issues for which agreement has not been reached, and in such communication to follow reasonable negotiation procedures, including meetings, telephone conversations, and correspondence.

2.1.5 The City anticipates that following execution of this IA, and through the Development Period and preparation of the Comprehensive Agreement, the City, as well as certain consultants and attorneys for the City, will devote substantial time and effort in reviewing documents, proposals, plans, and meeting with the Developer, each other, and other necessary third parties. The City acknowledges that the Developer, and its consultants and team members, will also expend substantial time and financial resources hereunder, and the Parties are willing to engage in all of these activities subject to the terms and conditions set forth in this IA. Except as otherwise provided in this IA, each Party shall be responsible for and bear their respective costs and expenses incurred during and as a result of performing their activities, obligations, and negotiations pursuant to this IA.

### 2.2 Exclusive Negotiations

During the Development Period, the City and the Developer shall work and negotiate exclusively with each other regarding the Project consistent with this IA, and the City shall not entertain proposals from or negotiate with any other person concerning the Project. If negotiations with the Developer under this IA are unsuccessful and do not lead to approval and execution of the Comprehensive Agreement within the Negotiating Period and, pursuant to the terms and conditions of this IA, the City elects to terminate this IA or this IA automatically terminates, the City reserves the right to subsequently negotiate with any other developer**.**

### 2.3 Time is of the Essence

Time is of the essence for each of the Parties' obligations under this IA.

### 2.4 Retention of Discretion to Approve the Project

The Parties acknowledge and agree that the City is reserving the right to exercise discretion as to all matters which the City is entitled or required to exercise in its sole discretion, including, but not limited to, the approval of the Comprehensive Agreement for the Project, and approval of any and all plans, permits, financial plans and strategies, or any other acts or activities requiring the subsequent independent exercise of discretion by the City or any agencies or departments thereof. This IA is merely an agreement to conduct a period of exclusive negotiations and project development diligently and in good faith in accordance with, and subject to, the terms of this IA, reserving for subsequent City action the final discretion and approval regarding the Comprehensive Agreement for the Project, all associated approvals, and all proceedings and decisions in connection therewith. Until and unless the Comprehensive Agreement for the Project is signed by the Developer and approved and executed by the City, no agreement, drafts, actions, deliverables or communications arising from performance of this IA shall impose any legally binding obligation on any Party to enter into or support entering into any Comprehensive Agreement, or be used as evidence of any oral or implied agreement by either Party to enter into any other legally binding document. The Parties understand that the City has complete and unfettered discretion to reject and refuse final approval of the Comprehensive Agreement for the Project, in which instance all costs and expenses incurred by the Developer shall be absorbed entirely by the Developer, except that the Developer shall still be entitled to payment to the extent, if any, set forth in Section 7.3.1.

### 2.5 <u>Temporary Project Site Right of Entry</u>

[NTD: City to advise on procedures for Developer to secure necessary right of entry for performance of diligence and engineering activities.]

### 2.6 <u>Key Partners and Subcontractors</u>

2.6.1 The Developer shall cause the Key Partners identified in Exhibit C to be engaged to perform the roles identified therein, in support of Developer's performance of its obligations under this IA. If the Developer seeks to change any Key Partner, it shall provide the City with a reasonable justification for such change, and information regarding the proposed replacement company. The City shall have the right, acting reasonably, to accept or reject the proposed change in Key Partner.

2.6.2 It is expected that the Developer will engage certain subcontractors, advisors, and consultants to assist in the development of the Project and the performance of Developer's obligations under this IA. Notwithstanding the engagement of any subcontractor, advisor, or consultant by the Developer, the Developer shall retain full responsibility and liability for the performance of its obligations pursuant to this IA.

2.6.3 The City shall be entitled to reasonably approve the selection by the Developer of any subcontractor, advisor, or consultant which the Developer proposes to engage for the provision of any services pursuant to this IA.

## 3. CONFIDENTIALITY

[NTD: City to advise of any applicable public records / disclosure laws, or otherwise of any confidentiality terms requested.]

The Developer acknowledges that the City will need sufficient, detailed information about the Project to negotiate and make informed decisions about the content and approval of the Comprehensive Agreement. The Parties each acknowledge that they have and will continue to be given access to confidential information of the others, and all such information, including as to the financial status, business process or otherwise, of the others, shall be treated as wholly confidential by the other Parties. No Party shall be entitled to release, use, or disclose, any of such confidential information obtained relating to any other Party.

In addition, each Party acknowledges that design, construction methodology, management plan, operations and maintenance plan, financial structure and modeling, materials related to the foregoing and any other information developed by the Parties with regard to the Project during the Development Period, shall also constitute confidential information, and shall, unless otherwise agreed in writing by the Parties, be used solely for the development and delivery of the Project. Each Party shall ensure that it obtains a confidentiality agreement on similar terms as this Section 3 from any person that such Party proposes to provide any confidential information, including but not limited to advisors and the Project lenders.

This IA imposes no obligation upon the Parties with respect to any confidential information (a) that was in the possession of the receiving Party before receipt, as evidenced by competent proof; (b) is or becomes a matter of public knowledge through no fault of the receiving Party; (c) is rightfully received from a third party not owing a duty of confidentiality; (d) is independently developed, as evidenced by competent proof; or (e) is disclosed as required by judicial action, provided receiving Party promptly notifies disclosing Party upon learning that such disclosure may be required, and prior to making such disclosure.

The provisions of this Section 3 shall survive the termination of this IA, for whatever reason, for a period of ten (10) years.

## 4. ROLES AND RESPONSIBILITIES

The major roles and responsibilities of the Developer and the City are detailed in Exhibit A.

### 4.1 Obligations of the Developer

4.1.1 During the Development Period, the Developer shall use diligent good faith efforts to:

(a) Commence and complete its due diligence review and investigation of the potential routes and locations where the Project will be implemented (the "Project Site"), and potential modes of transit technology, and provide a recommended route and mode of transit to the City with necessary supporting analysis and information;

(b) Perform all activities, analysis, investigation, preliminary engineering, stakeholder outreach, and other responsibilities as required to secure required environmental clearances and approvals for the Project;

(c) Prepare and provide the design packages and other design documents for the Project referred to in <u>Exhibit B</u> for review and approval by the City, and as required for any other governmental approvals;

(d) Develop, in a transparent and collaborative manner, the detailed plans, estimates, schedules, and preliminary engineering for the design, construction, commissioning, operations, and maintenance of the Project;

(e) Competitively select a company or group of companies (the "Design-Build Team") to have primary responsibility, under a subcontract to the Developer, for the design, construction, start-up, and commissioning obligations of the Project (the "Design-Build Work"), and develop detailed estimates and plans for performing the Design-Build Work;

(f) Competitively select a company (the "Transit Supplier") to have primary responsibility, under a subcontract to the Developer, for the supply of transit vehicles and systems elements of the Project (the "Transit Supply Work"), and develop detailed estimates and plans for performing the Transit Supply Work;

(g) Develop a comprehensive and cost efficient approach to the long term operations and maintenance of the Project, including for the vehicles, stations, and civil infrastructure (the "O&M Work"), and develop detailed estimates and plans for performing the O&M Work through subcontracts and/or self-perform responsibilities;

(h) Identify and prepare a comprehensive plan for seeking and securing all required governmental or other regulatory approvals for the Project, and secure certain approvals that are determined to be required prior to execution of the Comprehensive Agreement, based on such comprehensive plan;

(i) Establish an efficient financial structure for the project, and arrange for, through a competitive process, and secure on a non-recourse basis, the debt financing of the Project. This includes developing all related materials and managing all financial diligence for the Project.

(j) Identify possible sources of public funding or grants to support the costs of the Project, manage the process, and develop applications which seek to secure any such funding as agreed by the City to be pursued for the Project;

(k) Prepare and provide a complete financial model for the Project, that shall include data book and user guide, assumptions, sources and uses for construction and operations periods, detailed cash flow model showing construction and operating period, complete financial statements, and summary outputs, including payments by the City based on the Committed Proposal for the Project;

(l) Prepare drafts and negotiate the Comprehensive Agreement with the City for development, delivery, and operation of the Project, incorporating specific terms, including the City’s and the Developer's respective rights, duties, obligations, and responsibilities, financing, development standards and requirements, and a performance schedule for the Project, all consistent with this IA;

(m) Prepare and provide a Committed Proposal, as defined in Exhibit B, for review and approval by the City; and

(n) In coordination with the City, develop and implement any stakeholder outreach or management required for the successful development of the Project.

4.1.2 During the Development Period, the Developer shall meet the respective Performance Milestones and schedules as prescribed in Article 5 of this IA, and subject to extension as provided for in this IA.

### 4.2 Obligations of the City

4.2.1 During the Development Period, the City shall use diligent good faith efforts to:

(a) Exclusively negotiate the Comprehensive Agreement with the Developer for the Project, consistent with the terms of (a) this IA and (b) the Indicative Proposal;

(b) Review the Developer's submittals for the Project, provide feedback, and determine consistency with the requirements of this IA and the Indicative Proposal;

(c) Provide the Developer with documents in the City's possession that would assist the Developer with the due diligence activities described in this IA;

(d) Respond on a timely basis, and make key Project decisions, in accordance with the Performance Milestones, to all submittals made by Developer pursuant to this IA;

(e) Collaborate with the Developer, including performance of the City's Roles and Responsibilities as set out in Exhibit A;

(f) Assist the Developer in permit, regulatory, and environmental approval processes;

(g) Lead all required Right of Way activities determined to be required in support of the Project; and

(h) Assist in grant or other governmental funding applications which are determined to be pursued for the Project, including applying for grants or other governmental funding on behalf of the Project, for any sources which require or give preference to applicants that are public sector entities.

4.2.2 During the Development Period, the City shall meet the respective Performance Milestones and schedules as prescribed in Article 5 of this IA, subject to extension as provided for in this IA.

### 4.3 Press Releases

During the Development Period, the Developer shall not issue, or authorize any other party to issue, any written press release, advertisement or other formal communication (individually and collectively, "Press Release") to any media outlet (including, but not limited to, newspapers, radio and television stations and web sites) relating to the Project (collectively, "Press Matters"), without the prior written consent of the City.

## 5. PROCESS AND PERFORMANCE MILESTONES

### 5.1 Development Stages

The Development Period for the Project pursuant to this IA is divided into three stages. Each of the stages includes a specific set of Performance Milestones and concrete work products, as set out in Exhibit B.

### 5.2 Satisfaction of Performance Milestones

During the Development Period, the Developer shall diligently pursue to completion the respective Performance Milestones for the Project in accordance with the schedule set forth in Exhibit B in the manner and in the times set forth therein, and any additional Performance Milestones mutually agreed upon by the Parties. To the extent that the Developer fails to complete a Performance Milestone by the Proposed Completion Date set out in Exhibit B, the Developer shall not be considered in breach of this agreement so long as it has been, and continues to, diligently pursue completion of the Performance Milestone in a good faith manner, and the Developer provides notice to the City of such delay in completion of the respective Performance Milestone, along with a description of the reasons for the delay in completion of the Performance Milestone, recommended actions to mitigate further delays, and proposed adjustments to the Proposed Completion Dates for any impacted Performance Milestones in accordance with this IA. The Developer shall consider in good faith during the Development Period, any feasible additional Performance Milestones proposed by the City for the Project that do not materially increase the Developer's obligations, burdens, or risks during the Development Period. As Performance Milestones are accomplished, the City shall consult with the Developer to update and provide more detailed definition to the remaining Performance Milestones. The Developer's compliance with the Performance Milestones for the Project shall not alter or reduce its obligations to comply with any other provision of this IA.

### 5.3 Waiver or Extension of Performance Milestones

5.3.1 The City reserves the right, in its sole discretion, to waive or extend the times for performance of any of the Performance Milestones, including, without limitation, the right to condition such waiver or extension on additional Performance Milestones or other conditions required by the City in its sole discretion, provided that all such actions shall be effective only if in writing and provided, further, that compliance with the Performance Milestones as so revised shall not alter or reduce Developer's obligations to comply with any other provision of this IA including execution of the Comprehensive Agreement for the Project within the Development Period.

5.3.2 If unforeseen events arise which delay or prevent satisfaction of any of the Performance Milestones, where neither Party has control over such unforeseen circumstances (e.g. third party litigation, strikes or other labor disputes, civil commotion, riots, pandemic, war, etc.) (collectively, hereinafter "force majeure events"), or to the extent Developer encounters a delay in its work in respect of a Performance Milestone, or to the extent a delay is caused by the other Party, then, upon written notice to the other Party providing reasonable explanation for the delay or adjustment in Performance Milestones, the Completion Date (as defined in Exhibit B) for the impacted Performance Milestones (and, subject to Section 1.2.1, the length of the Development Period, if so impacted) shall be extended for a reasonable time to allow the Parties to fully perform, but only to the extent caused by the delay and where performance was actually impacted.

5.3.3 The Parties recognize that the nature of certain obligations and Performance Milestones requires the cooperation and participation from governmental and regulatory agencies and utility owners (collectively "Institutional Third Parties"). Each

Party shall make good faith efforts to proactively work with Institutional Third Parties in the performance of their obligations so as to achieve the Completion Date for each Performance Milestone. Upon request from the Developer, the City shall provide reasonable assistance to the Developer in its interactions with Institutional Third Parties to help the Developer be able to complete the Performance Milestones which rely on the engagement of the Institutional Third Parties. To the extent that the Developer has made good faith efforts to achieve a Performance Milestone but has been delayed in completion of the Performance Milestone due to delays or noncooperation from Institutional Third Parties, then, upon written notice to the City, the Completion Date for the Impacted Performance Milestones (and, subject to Section 1.2.1, the length of the Development Period, if so impacted) shall be extended for a reasonable time to allow the Developer to fully perform, but only to the extent caused by the Institutional Third Party delay and where performance was actually impacted. Alternatively, the Developer and City may mutually agree to any resequencing or adjustments to the obligations of the Developer, Performance Milestones, or the Project, to address such impacts.

### 5.4 Changes by the City

The City may require modifications or changes ("Changes") to the Project from what is described in this IA (including the Indicative Proposal), if such Changes are in response to the request, guidance or requirements of any Regulatory Agencies [(including the City)], as a result of civic engagement, or if the City believes such Changes to be in the best interests of the City and/or the Project. The City shall present any Changes to the Developer to incorporate into the Project. The City shall present to the Developer a detailed description of each of the Changes. Proposed Changes resulting from civic engagement shall be tracked and compiled by Developer, however the City will retain responsibility for reviewing such proposed Changes and determining which ones to ask the Developer to incorporate into the Project. The City shall have the absolute and unfettered discretion to incorporate Changes into Project for any reason. The terms and conditions of this IA (including Performance Milestone completion dates, the IA Budget, and the Development Period) and any resulting agreement(s) relating to the Project cost and schedule, as applicable, shall be equitably adjusted as may be required and as agreed to by the Parties, each acting reasonably, in connection with any Changes the City requires or elects to incorporate into the Project.

### 5.5 Changes by the Developer

The Developer may propose modifications or changes ("Developer Proposed Changes") to the Project from what is described in this IA (including the Indicative Proposal) if such Developer Proposed Changes are in response to the request, guidance or requirements of any Regulatory Agencies [(including the City)], as a result of civic engagement, or if the Developer believes such Developer Proposed Changes to be in the best interests of the City and/or the Project. The Developer shall present the Developer Proposed Changes to the City for review and written approval. As part of any request for approval, the Developer shall present a detailed description of each of the Developer Proposed Changes and explain the reasons supporting such proposed change(s). The City shall have the absolute and unfettered discretion to approve or disapprove any

Developer Proposed Changes to the Project for any reason, unless any such Developer Proposed Change is required by a Regulatory Agency having jurisdiction over the Project, in which cases the Parties will negotiate in good faith as to how to incorporate such Developer Proposed Change into the Project. The terms and conditions of this IA (including Performance Milestone completion dates, the IA Budget, and the Development Period) and any resulting agreement(s) relating to the Project cost and schedule, as applicable, shall be equitably adjusted as may be required and as agreed to by the Parties, each acting reasonably, in connection with any Developer Proposed Changes that the City requires or elects, in its sole discretion, to incorporate into the Project.

### 5.6 Monthly Progress Reporting

The Developer shall submit to the City written reports no later than the fifth day of each month during the Development Period, setting forth a description of the status of the Developer's compliance with the Performance Milestones for the Project, and an update on the overall collaborative development efforts and the Project.

### 5.7 Interim Agreement Budget

5.7.1 The Parties will establish and mutually agree to a budget setting out the estimated costs of any subcontractors, advisors, resources, and consultants expected to be engaged or employed in support of the performance of this IA, which shall include Third Party Costs and Developer Costs (the "IA Budget"). The IA Budget is set out in Exhibit B, and will be used to establish the amount of Performance Payments and Accrued Developer Costs associated with each Performance Milestone in Exhibit B.

5.7.2 The IA Budget may be modified by mutual agreement of the Parties as set out within this IA. In the event of any delays to Performance Milestones or extensions of the Development Period which are not caused by the Developer's failure to comply with its obligations hereunder, the Parties shall work together to make reasonable adjustments to the IA Budget in Exhibit B to reflect such modification.

5.7.3 The Parties acknowledge that the IA Budget represents the Parties best estimate of Third Party Costs required to achieve the noted Performance Milestones. To the extent that the Developer determines that the Third Party Costs required to achieve a particular Performance Milestone are more or less than the amount included in the IA Budget, then the Developer shall be entitled to make reasonable adjustment to the IA Budget, including use of identified contingency amounts, by re-allocating amounts within the overall IA Budget, subject to reasonable approval by the City. The Developer shall not be entitled to increase the total IA Budget without the City's approval in its sole discretion, or as otherwise in accordance with the terms of this IA.

5.7.4 Any adjustments or modifications to Exhibit B shall be acknowledged in writing by the Developer and the City, and thenceforth such modified Exhibit B shall be in effect.

### 5.8 Performance Payments

[NTD: this section to be modified to reflect the City's election for the mechanism of payment of third party costs, i.e. as incurred, upon each Validation Point, or strictly as recovery through the financing of the Project upon execution of the Comprehensive Agreement. The provisions below are drafted to reflect payment by the City upon each Validation Point.]

5.8.1 In return for completion by the Developer of certain Performance Milestones, the City shall make payments to the Developer ("Performance Payments") as set out in this IA.

5.8.2 The Parties acknowledge that the amount of the Performance Payments set out in the IA Budget in Exhibit B represents a reduced cost for the Developer's performance and completion of its obligations in support of each Performance Milestone, reflecting the Developer's, its Key Partners', and Developer's Consultants' shared risk in performing the pre-development obligations of this IA in support of developing the Project in a manner that is consistent with the Indicative Proposal and achieving final approvals from the City and a signed Comprehensive Agreement. It is understood that certain Performance Milestones represent partial work product of a later Performance Milestone, and certain costs in support of such interim Performance Milestone are reflected in the IA Budget as associated with the later Performance Milestone.

5.8.3 Performance Payments will be made in respect of Third Party Costs. Third Party Costs are any costs owed to a consultant or advisor who has a contract with the Developer (including subconsultants) and whose work has directly supported the development of the Project. This includes but is not limited to the costs of the design packages, environmental consultants and documentation, economic advisors, technical advisors and site investigation, legal advisors, and community outreach advisors.

5.8.4 Upon completion by the Developer of any Validation Point Performance Milestone set out in Exhibit B, the Developer shall be entitled to a Performance Payment from the City equal to the lesser of:

(i) Developer's actual third-party costs incurred (including the internal and out-of-pocket costs incurred by Key Partners and Developer's Consultants) in performing its obligations under this IA as of the date of achievement of the relevant Performance Milestone, and

(ii) the amount set out in the IA Budget in Exhibit B corresponding to the relevant Performance Milestone;

In each case applying to such amount a financing charge equal to 7% per annum pro-rated over the period of time from the payment by Developer of such third party cost to the date of receipt of the Performance Payment from the City.

5.8.5 No earlier than five (5) days after the completion of each such relevant Performance Milestone, the Developer shall submit an invoice to the City in respect of such Performance Payment, which invoice shall include backup and supporting documentation that the City reasonably requires to substantiate such Performance Payment amount.

5.8.6 Upon completion of a relevant Performance Milestone and receipt of a properly submitted invoice from the Developer in respect of any Performance Payment, the City shall make such Performance Payment to the Developer within a period of thirty (30) days.

**5.9 Developer Compensation**

5.9.1 The City and the Developer acknowledge that the Developer is investing significant time, resources, and risk into the achievement of each Performance Milestone and the development of the Project.

5.9.2 Accrued Developer Costs shall equal, subject to the maximum aggregate Developer Cost amounts set out in Exhibit B, the Hourly Rate of each Developer Personnel (as set out in Exhibit D) for each hour of time properly applied by such Developer Personnel in support of the Developer's obligations under this IA, multiplied by the Risk-Share Factors as set out below:

(a) For the time of Developer Personnel applied during Stage 1 of the Development Period, the Risk-Share Factor shall be 0 (meaning the Hourly Rate for each Developer Personnel set out in Exhibit B shall be multiplied by 0);

(b) For the time of Developer Personnel applied during Stage 2 of the Development Period, the Risk-Share Factor shall be 1/2 (meaning the Hourly Rate for each Developer Personnel set out in Exhibit B shall be multiplied by 1/2);

(c) For the time of Developer Personnel applied during Stage 3 of the Development Period, the Risk-Share Factor shall be 2/3 (meaning the Hourly Rate for each Developer Personnel set out in Exhibit B shall be multiplied by 2/3);

5.9.3 The Parties agree that the Developer will be compensated for its costs, either:

(a) In the event of a termination of this IA where a Comprehensive Agreement is not entered into between the Developer and the City, as provided for in Section 7.3; or

(b) In the event a Comprehensive Agreement is entered into between the Developer and the City, pursuant to the terms of the Comprehensive Agreement, which shall include a Developer fee to be set out in the financial model and paid on Financial Close from Project funds, which is equal to Accrued Developer Costs, but assuming a Risk-Share Factor of 1 for the full Development Period (with caps in Exhibit

B adjusted accordingly), multiplied by 3; plus 2% of the total capital costs of the Project required to achieve Passenger Readiness, according to the financial model.

5.9.4 The Developer will provide the Project with an equity commitment in support of the Project financing as required by the Comprehensive Agreement, which is consistent with market terms for a P3 project of this type. For an Availability Payment revenue structure, the expectation is that the modeled IRR over the term of the Comprehensive Agreement for such equity investment will be 12%, and that equity capital will comprise between 8% and 10% of total private financing. The Parties will negotiate with each other to determine any adjustments to the modeled IRR to reflect inclusion of any commercial revenue risk as a material portion of the Developer's revenues.

## 6. PROJECT MATERIALS

The term "Project Materials" applies to all reports, studies, plans, drawings, analysis, financial plans, correspondence, other documents related to the physical condition of the Project Site, financing structures, and any similar documents prepared for or commissioned for the Project by the Developer, Key Partners, and Developer's or its Key Partner's architects, engineers, tax and legal advisors, and other consultants ("Project Consultants"). Notwithstanding the foregoing, the Project Materials shall exclude any legally privileged materials and communications; provided Developer agrees that any reports and studies relating to the physical condition of the Project Site which are otherwise subject to a claim of privilege because such factual or expert reports or studies were commissioned by legal counsel shall not be deemed privileged for the purposes of this paragraph; any disclosure of such information deemed not privileged shall be narrowly construed as described herein and shall not be considered a waiver of the attorney-client privilege.

As used in this IA, the term "Intellectual Property" means any and all legally protected ideas, processes, trademarks, service marks, inventions, technology, computer programs, software and source code, original works of authorship, designs, formulas, discoveries, patents, copyrights and all legally protected improvements, rights and claims related to the foregoing, in each case as the same relate to any Project Materials. In the event of any termination of this IA in accordance with Section 7.2, except when due to a City Event of Default, then in return for the City's performance of its obligations in Section 7.3.3 the Developer shall, within thirty (30) days of written notice from the City, and without cost to the City: (a) satisfy all outstanding fees relating to the Project Materials and Intellectual Property that are then due and payable, or will become due and payable to Project Consultants or others for services relating to the Project rendered by any of the Project Consultants up to the date of withdrawal, abandonment, termination, or expiration, as prescribed above, and provide written evidence of such satisfaction to the City; (b) assign to the City, by way of legally binding instruments, all of the Developer's existing rights and interest in the Project Materials and related Intellectual Property (the "Assigned Materials and Rights"); and (c) deliver or have delivered from the Project Consultants and any other appropriate parties to the City, all Assigned Materials and Rights in their native file format, as well as customary evidence of approval of such assignment where necessary or reasonably required.

The Developer, its Key Partners, and its Project Consultants shall be permitted to disclaim any representations or warranties with respect to all Assigned Materials and Rights (other than the payment by the Developer of the fees for such Assigned Materials and Rights); and at the request of the Developer, the City shall provide the Developer its Key Partners, and its Project Consultants with a release from liability for future use of the Assigned Materials and Rights, in a form reasonably acceptable to the Developer and the City. Provided that the City meets the foregoing obligation, the Developer shall be deemed to waive and release the City from any claims of proprietary rights or interest by the Developer in or to all Assigned Materials and Rights, and the Developer agrees that the City may, subject to satisfaction of any Termination Payment due to the Developer pursuant to Article 7, utilize any or all of the Assigned Materials and Rights for any purpose whatsoever, including pursuit of the same or a similar project with another party, including but not limited to, another developer.

## 7. DEFAULT, TERMINATION, AND REMEDIES

### 7.1 Default

7.1.1 Developer's Events of Default. The occurrence of any of the following (each, a "Developer Event of Default") shall constitute a default by the Developer after the expiration of the applicable cure period, if any:

(a) Failure to pay any sums due hereunder when due, where such failure is not cured within thirty (30) days after written notice by the City has been given to the Developer;

(b) Failure to perform or abide by any provision of this IA, if such failure is not cured within thirty (30) days after notice has been given to the Developer by the City. If such default cannot reasonably be cured within thirty (30) days, then a Developer Event of Default shall not occur so long as the Developer commences to cure the default within the thirty (30) day period and diligently and in good faith continues to seek to cure of such default; provided, however, that in no event shall such cure period exceed ninety (90) days; and

(c) Either: (i) the filing by the Developer of a petition to have the Developer adjudicated insolvent and unable to pay its debts as they mature or a petition for reorganization or arrangement under any bankruptcy or insolvency law, or a general assignment by the Developer for the benefit of creditors; or, (ii) the filing by or against the Developer of any action seeking reorganization, arrangement, liquidation, or other relief under any law relating to bankruptcy, insolvency, or reorganization or seeking appointment of a trustee, receiver, or liquidator of the Developer or any substantial part of Developer's assets.

7.1.2 <u>The City's Events of Default</u>. The occurrence of any of the following (each, an "City Event of Default") shall constitute a default by the City after the expiration of the applicable cure period:

(a) Abandonment of the Project by the City during such time that the Developer is not then in default of its obligations under this IA; or

(b) Failure to perform or abide by any provision of this IA, including failure to perform any payment obligation of City under this IA, if such failure is not cured within thirty (30) days after notice has been given to the City by the Developer, shall each constitute a "City Event of Default"; provided, however

(c) With respect to both subclauses (a) and (b) above, if the default cannot reasonably be cured within thirty (30) days, the City shall not be in default of this IA if the City commences to cure the default within the thirty (30) day period and diligently and in good faith continues to seek to cure the default; provided, however, that in no event shall such cure period exceed ninety (90) days.

### 7.2 <u>Termination</u>

(a) Notwithstanding the Development Period hereinabove set forth, either Party may terminate this IA if the other Party has materially defaulted in its obligations set forth herein, and the terminating Party has provided the defaulting Party with written notification of such determination, and the defaulting Party has failed or refused to cure the same within the cure periods set forth in this Article 7. The written notification shall set forth the nature of the actions required to cure such default if curable. The defaulting Party shall have thirty (30) days, or such other period as is otherwise prescribed in this Article 7, from the date of the written notification to cure such default. If such default is not cured within the prescribed period, the termination shall be deemed effective.

(b) Upon thirty (30) days written notice to the other Party, the City and the Developer shall also have the right to terminate this IA in the event that either Party, in its sole discretion, determines that (i) an impasse has been reached in the negotiation of the Comprehensive Agreement for the Project, or (ii) the Project is not feasible.

(c) This IA shall automatically terminate in accordance with the conditions set forth in Section 1.2.2.

(d) Upon the termination of this IA, the obligations set forth in Section 7.3 shall apply and the City may exercise any or all of the options set forth in Section 7.3.2 and may immediately move forward with the negotiation and execution of a Interim Agreement or Comprehensive Agreement with another party, subject to the City's payment to Developer of any Termination Payment due pursuant to this IA.

(e) The Developer shall be entitled to a Termination Payment (as defined in Section 7.3.1(c)) if (i) the City exercises its right to terminate this IA, (ii) the Developer exercises its right to terminate this IA due to a City Event of Default, (iii) this IA automatically terminates as set forth in Section 7.2(c), or (iv) the Parties mutually agree to terminate this IA for any other reason, and in each case there does not exist a Developer Event of Default.

**7.3 Remedies**

7.3.1 Exclusive Remedies of Developer. The Developer's exclusive remedies for a City Event of Default under this IA, for termination by the City under Section 7.2(b), or for termination pursuant to 7.2(c), shall be:

(a) To terminate this IA in accordance with the terms of Section 7.2;

(b) To seek to enforce the City's indemnity obligations under this IA; and

(c) To receive a termination payment ("Termination Payment") from the City as provided in Section 7.3.3.

Except for the Termination Payment, in no event shall the Developer have the right, and the Developer expressly waives the right, to seek monetary damages of any kind (including but not limited to actual damages, economic damages, consequential damages, lost profits, or any other damages) from the City for a City Event of Default under this IA or any action related to this IA, nor shall the Developer have any other right or remedy against the City, including any action for specific performance, the filing of a lis pendens, or otherwise. Developer hereby acknowledges that the waivers and limitations set forth above are a part of the material consideration to City under this IA, and but for such agreements by Developer the City would not enter into this IA.

7.3.2 The City's Remedies. If a Developer Event of Default remains uncured or is deemed to be an incurable default, the City, at its option, may: (i) terminate this IA upon written notice to the Developer as provided above; (ii) seek to recover from the Developer any funds due and owing to the City; (iii) seek to enforce the Developer's indemnity obligations; and/or, (iv) enforce the obligations set forth in Article 6.

In no event shall the City have the right, and the City expressly waives the right, to seek monetary damages of any kind (including but not limited to actual damages, economic damages, consequential damages, lost profits, or any other damages) from the Developer for a Developer Event of Default under this IA or any action related to this IA, nor shall the City have any other right or remedy against the Developer, including any action for specific performance, the filing of a lis pendens, or otherwise. The City hereby acknowledges that the waivers and limitations set forth above are a part of the material consideration to Developer under this IA, and but for such agreements by City the Developer would not enter into this IA.

7.3.3 Termination Payment. Upon a termination of this IA as set out in Section 7.2(e), or otherwise pursuant to Section 7.3.1, the City shall pay a Termination Payment to the Developer within sixty (60) days after the Developer satisfies its obligations under Article 6. In no event shall Developer be entitled to a Termination Payment if a Developer Event of Default has directly caused the termination of this IA.

The amount of the Termination Payment shall be equal to:

(a) An amount equal to the total value of the Performance Payments which have been earned by the Developer pursuant to Section 5.7 as of the effective date of termination, minus the total value of Performance Payments which have been paid by the City to the Developer; plus

(b) For any Performance Milestones that are in progress as of the effective date of the termination, the Third Party Costs associated with such Performance Milestone, which shall be pro-rated based on the level of completion of the Performance Milestone. The Parties will use their best judgment and will mutually agree to the pro-rated amount. The Developer will deliver to the City all interim Project Materials pursuant to Article 6 and copies of invoices paid to third parties to support such determination; plus

(c) The amount of Accrued Developer Costs earned as of the date of the Termination, which shall include a pro-rata amount for Accrued Developer Costs incurred in support of any Performance Milestones that are in progress as of the effective date of termination; plus

(d) If the termination of this IA occurs after the City has provided written approval of Validation Point # 2, and after such termination the City subsequently enters into any contract for the construction of a project similar in nature to the Project within a period of 3 years after the termination of this IA, an amount equal to 50% of the fee that Developer would be entitled to receive pursuant to Section 5.9.3(b) if the Developer and the City were to have entered into a Comprehensive Agreement.

## 8. <u>GENERAL PROVISIONS</u>

### 8.1 <u>Indemnity</u>

To the maximum extent allowed by law, each of the Developer and the City (as applicable, the "Indemnifying Party") shall indemnify, protect, defend and hold harmless the other Party, its council, boards, commissions, elected officials, officers, employees, representatives, members, consultants, and agents (collectively, "Indemnified Parties") from and against any and all losses, liabilities, damages, claims, demands, obligations, causes of action, proceedings, awards, fines, judgments, penalties, or costs and expenses (including attorneys' fees and costs, court costs, experts' and witness' fees, and other costs and fees of litigation) arising out of, related to or resulting from, in whole or in part, out of or in connection with: (i) the Indemnifying Party's breach or failure to comply with any of its obligations contained in this IA, including any obligations arising from compliance with or failure to comply with applicable laws, including all applicable federal and state labor requirements, and/or (ii) the Indemnifying Party's acts, errors, omissions, and/or willful misconduct with respect to the obligations of the Indemnifying

Party, its officers, employees, representatives, members, consultants and agents under this IA or relating to the Project (collectively "Claims" or individually "Claim").

If a court of competent jurisdiction determines that a Claim was caused by the sole negligence or willful misconduct of any Indemnified Parties, the Indemnifying Party's costs of defense and indemnity shall be: (i) reimbursed in full if the court determines sole negligence by the Indemnified Parties, or (ii) reduced by the percentage of willful misconduct attributed by the court to the Indemnified Parties.

The Indemnifying Party's duty to defend the Indemnified Parties from and against all Claims is separate and wholly independent of its other duties set forth above. Such duty to defend shall be at the Indemnifying Party's expense by legal counsel approved by the Indemnified Parties, and shall continue until the Claims are resolved, whether by settlement, judgment or otherwise. No finding or judgment of negligence, fault, breach, or the like on the part of the Indemnifying Party shall be required for the duty to defend to arise.

An Indemnified Party shall notify the Indemnifying Party of the existence of any Claim that it reasonably becomes aware of or to which the Indemnifying Party's indemnification obligations would apply and shall give the Indemnifying Party a reasonable opportunity to defend the same at its sole cost and expense with counsel of its own selection, subject to the Indemnified Parties' reasonable approval. If the Indemnifying Party, within a reasonable time after written notice, fails to defend the Indemnified Parties, the Indemnified Parties shall have the right, but not the obligation, to undertake the defense of, and compromise and settlement of (exercising reasonable business judgment) the Claim on behalf, for the account, and at the risk and expense of the Indemnifying Party. The provisions of this Section 8.1 shall survive any termination of this IA and the expiration of the Development Period.

**8.2 <u>Conflict of Interest</u>**

8.2.1 The Developer shall not hire or otherwise engage in relation to the Project, any City employee or official, or any consultant hired by the City for purposes of the Project; and the Developer shall not in any circumstance knowingly make any payment (including any payment, or agreement to pay, any fee or commission, or any other thing of value) to any City employee or official. By entering into this IA, the Developer certifies to the City that it has not made any payment in violation of this Section 8.2.

8.2.2 The Parties acknowledge that the City reserves the full and sole discretion and authority to determine which consultants, contractors, or employees shall be hired to advise the City on the Project, and to direct and evaluate such work and to establish the amount of compensation paid.

**8.3 <u>Prevailing Wages</u>**

[NTD: City to advise if any prevailing wage provisions apply.]

## 8.4 Nondiscrimination

8.4.1 In connection with performance of this IA and subject to applicable rules and regulations, the Developer shall not discriminate against any employee or applicant for employment because of race, religion, national origin, color, age, sex, sexual orientation, gender identity, AIDS, HIV status, handicap or disability. The Developer shall ensure that applicants are employed, and that employees are treated during their employment, without regard to these bases. These actions shall include, but not be limited to, the following: employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship.

## 8.5 No Representation or Warranty

The Developer agrees and acknowledges that the City has made no representation or warranty that the necessary Regulatory Approvals to allow for the development of the Project can be obtained. The Developer further agrees and acknowledges that although the Project is being developed for the City, the City officials, departments, boards, commissions or agencies (individually defined as "Regulatory Agency" and collectively as "Regulatory Agencies") responsible for the issuance of such required Regulatory Approvals, shall at all times, remain independent in its regulatory role, and that the City is entering into this IA in its capacity as [a public authority], and not as a regulatory agency with certain powers. Accordingly, there is no guarantee or presumption that any of the Regulatory Approvals required for the development of the Project will be issued by the appropriate Regulatory Agency and the City's status as a Regulatory Agency shall in no way limit the obligation of the Developer to obtain approvals from any Regulatory Agencies which have jurisdiction over the Project. Subject to Section 7.3.1, if applicable, the Developer hereby releases and discharges the City from any liability relating to the failure of any Regulatory Agency to issue any required Regulatory Approval.

## 8.6 Advertising

The Developer shall not use the name of the City, its officials or employees in any advertising or solicitation for business or as a reference, without the prior written approval of the City.

## 8.7 Applicable Law; Venue

The laws of the State of Florida shall govern the interpretation and enforcement of this IA. The [Thirteenth Judicial Circuit of Florida in Hillsborough County] shall be the site and have jurisdiction for the resolution of all such actions.

## 8.8 Acceptance of Service of Process

In the event that any legal action is commenced by the Developer against the City, service of process on the City shall be made by personal service upon the City or in such other manner as provided by law. In the event that any legal action is commenced by the

City against the Developer, service of process on the Developer shall be made by personal service upon the Developer or in such other manner as may be provided by law, and shall be valid whether made within or without the State of Florida.

### 8.9 Rights and Remedies are Cumulative

Except as otherwise expressly stated in this IA, the rights and remedies of the Parties are cumulative, and the exercise by either Party of one or more of its rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same default or any other default by the other Party.

### 8.10 Notices, Demands and Communications Between the Parties

Written notices, demands, and communications between the City and the Developer shall be given either by: (i) personal service; (ii) delivery by reputable document delivery service such as Federal Express that provides a receipt showing date and time of delivery; or, (iii) by mailing in the United States mail, certified mail, postage prepaid, return receipt requested, addressed to:

| | |
|---|---|
| To City: | [●] |
| With copy to: | [●] |
| To Developer: | [Plenary Infrastructure Tampa LLC]<br>100 N. Tampa St., Suite 2840<br>Tampa, FL 33602<br>Attn: Mike Schutt |

Notices personally delivered, sent by United States mail, or delivered by document delivery service shall be deemed effective upon receipt. Notices sent solely by mail in the manner provided above shall be deemed effective on the second business day following deposit in the United States mail. Such written notices, demands, and communications shall be sent in the same manner to such other addresses as either Party may from time to time designate by mail.

### 8.11 Non-liability of Agency Officials and Employees

8.11.1 No member, official, employee, consultant, agent or contractor of the City shall be personally liable to the Developer in the event of any default or breach by the City or for any amount which may become due to the Developer, or upon any obligations prescribed by the terms of this IA.

8.11.2 No member, official, employee, consultant, agent or contractor of the Developer shall be personally liable to the City in the event of any default or breach by the Developer or for any amount which may become due to the City, or upon any obligations prescribed by the terms of this IA.

### 8.12 Interpretation

The terms of this IA shall be construed in accordance with the meaning of the language used and in accord with Section 8.18. The part and paragraph headings used in this IA are for purposes of convenience only, and shall not be construed to limit or extend the meaning of this IA.

### 8.13 Waivers and Amendments

All waivers of any of the provisions of this IA must be in writing and signed by the appropriate officials/authorities of the Party to be charged, and all amendments and modifications hereto must be in writing and signed by the appropriate officials/authorities of the City and the Developer.

[NTD: City to advise of which person is authorized to provide approvals, consents, authorizations, waivers, etc. and where any Board approval may be required.]

### 8.14 Counterparts

This IA may be executed in counterparts, each of which, after all the Parties hereto have signed this IA, shall be deemed to be an original, and such counterparts shall constitute one and the same instrument.

### 8.15 Successors

This IA shall be binding upon and shall inure to the benefit of the successors and permitted assigns of each of the Parties hereto.

### 8.16 Severability

In the event any section or portion of this IA shall be held, found, or determined to be unenforceable or invalid for any reason whatsoever, the remaining provisions shall remain in effect, and the Parties hereto shall take further actions as may be reasonably necessary and available to them to effectuate the intent of the Parties as to all provisions set forth in this IA.

### 8.17 Assignment/Transfer

8.17.1 This IA may not be assigned by Developer without the prior written approval of the City, which the City may approve, disapprove, or withhold in its sole and absolute discretion; provided, however, that Developer shall have the right to assign this IA to an entity that controls, is controlled by, or is under common control with, Developer, without requiring the City's consent.

8.17.2 This IA may not be assigned by the City without the prior written approval of the Developer, which the Developer may approve, disapprove or withhold in its reasonable discretion.

### 8.18 Construction

The provisions of this IA should be liberally construed to effectuate its purposes. The language of all parts of this IA shall be construed simply according to its plain meaning and shall not be construed for or against either Party, as each Party has participated in the drafting of this document and had the opportunity to have their counsel review it. Whenever the context and construction so requires, all words used in the singular shall be deemed to be used in the plural, all masculine shall include the feminine and neuter, and vice versa.

### 8.19 Several Obligations

Except where specifically stated in this IA to be otherwise, the duties, obligations, and liabilities of the Parties are intended to be several and not joint or collective. Nothing contained in this IA shall be construed to create an association, trust, partnership, or joint venture or impose a trust or partnership duty, obligation, or liability on or with regard to either Party. Each Party shall be individually and severally liable for its own obligations under this IA.

### 8.20 Attorneys' Fees

If any legal proceeding (lawsuit, arbitration, etc.), including an action for declaratory relief, is brought to enforce or interpret the provisions of this IA, the prevailing Party shall be entitled to recover actual attorneys' fees and costs, which may be determined by the court in the same action or in a separate action brought for that purpose. The attorneys' fees award shall be made as to fully reimburse for all attorneys' fees, paralegal fees, costs and expenses actually incurred in good faith, regardless of the size of the judgment, it being the intention of the Parties to fully compensate for all attorney fees, paralegal fees, costs and expenses paid or incurred in good faith by the prevailing Party.

### 8.21 Authority

Each Party represents and warrants that (i) the individuals executing this IA on behalf of such Party have the authority to execute and deliver this IA on behalf of such Party, (ii) it has the authority to perform all acts and obligations set forth in this IA, and (iii) the consent, approval, or execution of or by any third-party is not required to legally bind such Party to the terms and conditions of this IA.

### 8.22 Survival

Any provision of this IA which by its nature is intended to survive this IA shall so survive the termination of this IA, including without limitation any indemnity and defense obligations.

### 8.23 Entire Agreement

This IA (including the Indicative Proposal, and the exhibits, all of which are incorporated herein by this reference) contains the entire understanding and agreement of the Parties with respect to the Project, and supersedes all prior agreements and understandings, oral and written, between the Parties.  There have been no binding promises, representations, agreements, warranties or undertakings by any of the Parties with respect to the Project, either oral or written, of any character or nature, except as stated in this IA.  This IA may be altered, amended or modified only by an instrument in writing, executed by the Parties to this IA and by no other means. Each Party waives its future right to claim, contest or assert that this IA was modified, canceled, superseded or changed by any oral agreement, course of conduct, waiver or estoppel.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the City and the Developer have signed this IA on the date first written above.

| | |
|---|---|
| **City:**<br>**[City of Tampa, Florida]** | **DEVELOPER:**<br>**[Plenary Infrastructure Tampa LLC]** |
| By: ______________________________ | By: ______________________________ |
| [ ] | Name: ______________________________ |
| | Its: ______________________________ |
| | By: ______________________________ |
| | Name: ______________________________ |
| | Its: ______________________________ |

# Exhibit A

## MAJOR ROLES AND RESPONSIBILITIES

### Key

✓ Party responsible for primary efforts and actions

○ Party has material role in providing support, feedback , or key decision making

| Major Roles and Responsibilities Matrix | Primary Responsible Party | | Notes |
|---|---|---|---|
| | City | Developer | |
| Project Definition | ✓ | | As Owner of the Project, the City has the ultimate authority to define the Project, and the need it is meant to serve. |
| Budget Definition | ✓ | ○ | The City will define a range for the Project budget. Developer will provide support and resources to assist the City in quantifying the scale of the Project that the budget can support. |
| Finalize Project Program and Goals | ✓ | ○ | The City will provide the overall vision for the Project and prioritize the goals of the Project. Developer will provide support, resources, and analysis to assist the City. |
| Conceptual Design and Feasibility Review | ○ | ✓ | Developer will manage the Environmental and Design Consultant (and any other specialty consultants as required), provide guidance to facilitate the design achieving the Project Objectives and target budget, and provide feedback to the City in respect of key design decisions or considerations. The City will provide feedback on preliminary designs and assist in conveying the vision and goals of the Project to the Designer. |
| Environmental Evaluation and Approvals | ○ | ✓ | Developer will manage the process, including management of the Environmental and Design Consultant (and any other specialty consultants as required), to properly advance the Project through any required environmental ad regulatory approvals processes in order to achieve all required environmental clearances. The City will assist in required community outreach, provide feedback on key inputs and decisions such as route, station locations, and transit mode, and provide assistance in coordination with other governmental agencies. |
| Project Site and Right of Way | ✓ | ○ | The City will be responsible for securing rights to all property required for the development and operation of the Project, including acquisition of any required Rights of Way (ROW). The Developer will identify the properties required for the Project, and provide support to the City's ROW acquisition services. |

| | | | |
|---|---|---|---|
| Design-Build Contractor Procurement | | ✓ | Developer will draft all required documentation and run the competitive procurement process for selection of a Design-Build Contractor (and its supporting team, including Lead Engineer), with input from the City on evaluation criteria and the selection. |
| Project Site Due Diligence | | ✓ | Developer will manage competitive RFPs for and oversee performance of site due diligence work such as geotechnical, utilities, hazardous materials, etc. |
| Project Funding | ○ | ✓ | Developer will identify possible sources of public funding or grants to support the costs of the Project, evaluate their impact/benefit, manage the process, and develop applications which seek to secure any such funding as agreed by the City to be pursued for the Project. The City will assist in grant or other governmental funding applications, including applying for grants or other governmental funding on behalf of the Project, for any sources which require or give preference to applicants that are public sector entities. |
| SD+ Design | ○ | ✓ | Developer will hold responsibility for the preparation of the design packages for the Project. The City will provide feedback on draft designs. |
| Design & Construction Technical Requirements Development | | ✓ | With input from the City, Developer will be responsible for drafting the Design & Construction Technical Requirements which will set out the minimum requirements, standards, and criteria for the design and construction of the Project. |
| Operations & Maintenance & Rehabilitation (OM&R) Technical Requirements | | ✓ | With input from the City, Developer will be responsible for drafting the Operations, Maintenance, & Rehabilitation Technical Requirements, which will set out the minimum Requirements, requirements, standards, and performance criteria for the operations, maintenance, rehabilitation, and handback of the Project. |
| Operations, Maintenance & Rehabilitation Pricing | | ✓ | Developer will be responsible, in an open-book and transparent manner, for estimating OM&R costs for the Project to inform development of the project design, whole-of-life cost consideration, and negotiation of risk transfer terms of the Comprehensive Agreement. Developer shall also be responsible, in an open-book and transparent manner, for establishing the final fixed price for OM&R services of the Project, which may include subcontracting services to third parties. The City will make the determination as to whether transit operations will be the responsibility of the Developer or retained by the City (which could include performance by HART through an interlocal agreement or otherwise). |
| Financing | | ✓ | Developer will secure committed financing for the Project, on a cost-efficient, non-recourse basis. This will include developing the financial model and |

| | | | |
|---|---|---|---|
| | | | undertaking all coordination and due diligence required to secure the committed financing. |
| Design-Build Contractor Fixed Price | | ✓ | Developer will work with the Design-Build Contractor to determine a fixed price for the Project in an open-book and transparent process, and consistent with the nature of the Design-Build Contractor Procurement process implemented. |
| Comprehensive Agreement and other Commercial Documentation | ✓ | ✓ | The City and the Developer will work together to draft all commercial agreements, consistent with the P3 Project delivery method. The Developer will retain primary responsibility for drafting all commercial documents, and will be responsible for negotiations between the Developer and all subcontractors. |
| Project Approval | ✓ | | The City will be responsible for securing final approval of the Project. |

# EXHIBIT B

## PERFORMANCE MILESTONES

| PM# | Stage | Performance Milestone | Proposed Completion Dates | Expected Key Third Party Support | Third Party Costs Budget | Maximum Accrued Developer Costs |
|---|---|---|---|---|---|---|
| 1 | 1 | **Draft Community Outreach Program**: The Developer shall provide the City with a draft Community Outreach Program for review and comment by the City. | 6 weeks from Effective Date | a. KCA<br>b. [Outreach consultant] | | |
| 2 | 1 | **Project Program and Goals/Objectives Finalization:** The Developer will deliver to the City a document detailing the Project program and goals, based on a series of collaborative discussions with the City, and which will balance these goals with the City's stated target budget. | 6 weeks from Effective Date | | | |
| 3 | 1 | **Preliminary Project Funding Plan:** Developer will provide to the City documentation of identified possible sources of public funding and potential project revenues, along with the opportunities, constraints, timelines, and likelihood of success for each potential source, and a recommendation for the proposed opportunities to pursue. | 3 months from Effective Date | a. [Economic impact consultant] | | |
| 4 | 1 | **Environmental and Permitting Plan**: Developer will deliver to the City a comprehensive plan outlining required permits, studies, environmental documentation, and the timeline and process for securing each such permits and approvals. | 6 weeks from Validation Point # 1 | a. KCA | | |

| PM# | Stage | Performance Milestone | Proposed Completion Dates | Expected Key Third Party Support | Third Party Costs Budget | Maximum Accrued Developer Costs |
|---|---|---|---|---|---|---|
| 5 | 1 | **Conceptual Design / Feasibility Review:** The Developer will provide the City with a final draft of the Conceptual Design / Feasibility Review, which will have been thoroughly discussed and will be in a form acceptable to the City. This deliverable will include the outcomes of the preliminary Ridership Study, Fatal Flaw analysis of potential environmental clearance concerns or other impacts, review of potential routes, preliminary traffic impacts assessment, preliminary ROW considerations, and preliminary high level cost estimate ranges. | 4 months from Effective Date | a. KCA<br>b. [Ridership consultant]<br>c. [Archaelogical consultant]<br>d. [Sociological consultant]<br>e. [Survey / ROW]<br>f. [Environment]<br>g. [Traffic]<br>h. [Graphical] | | |
| 6 | 1 | **Validation Point # 1:** The City will provide formal written approval to the Developer of the Concept / Feasibility Review. This approval indicates the end of Stage 1 and provides the Developer with confirmation of the City's intention to continue the Project Development under the CDA. | 2 weeks after receipt of Conceptual Design / Feasibility Review Submission | | Technical/Environmental: $[●]<br>Development/Financial/Legal: $[●] | [$0] |
| 7 | 2 | **Project Agreement First Draft:** The Developer shall submit to the City a complete first draft of the Project Agreement for the City's review and comment. | 3 months from Validation Point # 1 | a. [Legal] | | |
| 8 | 2 | **Initial Financial Model and Analysis:** Developer will produce a Project-specific, comprehensive, detailed financial model which will optimize all cost, revenue, and funding inputs for the Project, and which will allow for testing and evaluating a range of potential project considerations, funding sources, and financial structures. | 3 months from Validation Point # 1 | | | |
| 9 | 2 | **NOI / NOP:** Developer will issue the Notice of [Intent] / Notice of Preparation to commence the PD&E phase of the environmental clearance process. | 4 months from Validation Point # 1 | a. KCA | | |
| 10 | 2 | **D&C Technical Requirements:** The Developer will provide to the City a first draft of the D&C Technical Requirements. | 4 months from Validation Point # 1 | a. KCA<br>b. [Ridership consultant] | | |

| PM# | Stage | Performance Milestone | Proposed Completion Dates | Expected Key Third Party Support | Third Party Costs Budget | Maximum Accrued Developer Costs |
|---|---|---|---|---|---|---|
| 11 | 2 | **O&M Technical Requirements:** The Developer will provide to the City a first draft of the OM&R Technical Requirements. | 4 months from Validation Point # 1 | a. KCA<br>b. [Ridership consultant] | | |
| 12 | 2 | **Preliminary Project Site Due Diligence:** Developer will complete preliminary site due diligence work including geotechnical, utilities, hazardous materials etc. Reports documenting the findings of site diligence will be provided to the City. | 4 months from Validation Point # 1 | a. KCA<br>b. [Geotechnical engineer]<br>c. [Hazardous material consultant]<br>d. [Archaeological]<br>e. [Natural Environment]<br>f. [Utilities] | | |
| 13 | 2 | **Preliminary Engineering:** Developer will deliver to the City a package reflecting early stage preliminary engineering for the Project and identified alternatives, along with an updated project cost estimate. | 6 months from Validation Point # 1 | a. KCA<br>b. [Ridership consultant] | | |
| 14 | 2 | **Mode Analysis:** The Developer will deliver to the City a detailed assessment considering the potential transit modes and a recommendation for the preferred mode of transit to be implemented for the Project for the City's consideration. | 6 months from Validation Point # 1 | a. KCA<br>b. [Ridership consultant] | | |
| 15 | 2 | **DB Agreement First Draft:** Developer will complete a first draft of the Design-Build Contract. | 6 months from Validation Point # 1 | a. [Legal] | | |
| 16 | 2 | **DB Contractor Procurement RFP:** The Developer will prepare an RFP for the competitive procurement of a Design-Build Contractor team, for review and approval by the City. | 7 months from Validation Point # 1 | a. [Legal] | | |
| 17 | 2 | **Transit Supply Agreement First Draft:** Developer will complete a first draft of the Transit Supply Contract. | 8 months from Validation Point # 1 | a. [Legal] | | |

| PM# | Stage | Performance Milestone | Proposed Completion Dates | Expected Key Third Party Support | Third Party Costs Budget | Maximum Accrued Developer Costs |
|---|---|---|---|---|---|---|
| 18 | 2 | **Project Update Submission:** Developer shall submit to the City a comprehensive update on the status and nature of the project, including overview of commercial agreements and negotiations, design solution, environmental clearance process, DB procurement, transit mode, funding opportunities, and updated project cost estimates. This stage is expected to identify a preferred approach to provision of O&M services, reflecting discussions with the City, Developer, and HART. | 8 months from Validation Point # 1 | | | |
| 19 | 2 | **Intermediate Check-In # 1:** The City shall provide detailed feedback to the Developer regarding the Project Update Submission, with clarification of items which are not aligned with the city's project objectives. | 2 weeks after receipt of Project Update Submission | | | |
| 20 | 2 | **Transit Supplier Procurement RFP:** The Developer will prepare an RFP for the competitive procurement of a Transit Supplier, for review and approval by the City. | 1 month from Intermediate Check-In # 1 | a. [Legal] | | |
| 21 | 2 | **O&M Agreement First Draft:** Developer will complete a first draft of the O&M Contract. | 2 months from Intermediate Check-In # 1 | a. [Legal] | | |
| 22 | 2 | **Technical Requirements Completion:** Developer will have substantially completed the DB and O&M Technical Requirements documents, to the satisfaction of the City, after ongoing development and negotiation of these documents with the City. | 2 months from Intermediate Check-In # 1 | a. KCA<br>b. [Ridership consultant] | | |
| 23 | 2 | **Project Agreement:** The Developer and the City will have agreed upon a draft of the Project Agreement. | 2 months from Intermediate Check-In # 1 | a. [Legal] | | |

| PM# | Stage | Performance Milestone | Proposed Completion Dates | Expected Key Third Party Support | Third Party Costs Budget | Maximum Accrued Developer Costs |
|---|---|---|---|---|---|---|
| 24 | 2 | **DB Agreement:** The Developer shall submit to the City a substantially final version of the DB Agreement which address any intermediate feedback provided by the City on drafts of such documents. | 2 months from Intermediate Check-In # 1 | a. [Legal] | | |
| 25 | 2 | **Define Committed Phase 2 Proposal Deliverables:** The Developer and the City shall have agreed on the items to be included in the Developer's submission of its final Committed Phase 2 Proposal. | 2 months from Intermediate Check-In # 1 | | | |
| 26 | 2 | **Economic Impact and Funding Plan Analysis:** The Developer shall have completed a detailed assessment of the potential economic benefits from implementaiton of the Project to the City and County revenues, including from increased economic activity, TOD, and the potential for deidcated revenues from tax-increment zones and structures. | 2 months from Intermediate Check-In # 1 | a. [Economic impact consultant] | | |
| 27 | 2 | **Grant Applications :** Developer will provide to the City an initial draft of each grant application. The City will provide feedback on the draft, and the Developer will provide a final draft after addressing any comments from the City. | [Continuous basis] | a. TBD for each grant application | Third Party Costs: To be mutually determined prior to beginning each grant application, as needed | |
| 28 | 2 | **Project Site Due Diligence:** Developer will complete site due diligence work including geotechnical, utilities, hazardous materials, etc. Reports documenting the findings of site diligence will be provided to the City. | 3 months from Validation Point # 2 | a. [Geotechnical]<br>b. [Utility consultant]<br>c. [Hazardous material consultant]<br>d. [Natural environment] | | |
| 29 | 2 | **PD&E / Locally Preferred Alternative / Draft Environmental:** Developer will have identified a Locally Preferred Alternative and completion of the PD&E process, reflecting input and feedback provided by the City. | 3 months from Intermediate Check-In # 1 | a. KCA<br>b. [Concept Architect]<br>c. [Ridership consultant]<br>d. [Archaelogical consultant]<br>e. [Sociological consultant]<br>f. [Survey / ROW]<br>g. [Outreach consultant]<br>h. [Graphical] | | |

| PM# | Stage | Performance Milestone | Proposed Completion Dates | Expected Key Third Party Support | Third Party Costs Budget | Maximum Accrued Developer Costs |
|---|---|---|---|---|---|---|
| 30 | 2 | **DB Contractor Procurement:** The Developer will complete the competitive procurement process, and select a DB Contractor, with input from the City on the selection. | 3 months from Intermediate Check-In # 1 | | | |
| 31 | 2 | **LPA Project Update:** Developer shall submit to the City a comprehensive update on the status and nature of the project, including overview of commercial agreements and negotiations, design solution, environmental clearance process, DB procurement, transit mode, O&M approach, funding opportunities, and updated project cost estimates. | 3 months from Intermediate Check-In # 1 | | | |
| 32 | 2 | **Validation Point # 2:** The City will provide formal written approval to the Developer of the LPA, DB Contractor Selection, commercial documents, technical requirements, and LPA Project Update. This approval indicates the end of Stage 2 and provides the Developer with confirmation of the City's intention to continue the Project Development under the CDA. | 1 month after receipt of LPA Project Update | | Technical/Environmental: $[●] Development/Financial/Legal: $[●] | $[●] |
| 33 | 3 | **Transit Supply Agreement:** The Developer shall submit to the City a substantially final version of the Transit Supply Agreement which address any intermediate feedback provided by the City [and HART] on drafts of such documents. | 1 month from Validation Point # 2 | a. [Legal] | | |
| 34 | 3 | **Transit Supplier Procurement:** The Developer will complete the competitive procurement process, and select a Transit Supplier, with input from the City on the selection. | 2 months from Validation Point # 2 | | | |
| 35 | 3 | **O&M Agreement:** The Developer shall submit to the City a substantially final version of the O&M Agreement(s) which address any intermediate feedback provided by the City on drafts of such documents. | 2 months from Validation Point # 2 | a. [Legal] | | |

| PM# | Stage | Performance Milestone | Proposed Completion Dates | Expected Key Third Party Support | Third Party Costs Budget | Maximum Accrued Developer Costs |
|---|---|---|---|---|---|---|
| 36 | 3 | **Final Environmental Documentation**: Developer will provide to the City the final environmental documentation reflecting an environmentally cleared project. | 4 months from Validation Point # 2 | a. KCA | | |
| 37 | 3 | **Project Update Submission:** Developer shall submit to the City a comprehensive update on the status and nature of the project, including overview of commercial agreements and negotiations, design solution, environmental clearance process, DB procurement, transit mode, O&M approach, funding opportunities, financing, and updated project cost estimates. | 4 months from Validation Point # 2 | | | |
| 38 | 3 | **Intermediate Check-In # 2:** The City shall provide detailed feedback to the Developer regarding the Project Update Submission, with clarification of items which are not aligned with the city's project objectives. | 2 weeks after receipt of Project Update Submission | | | |
| 39 | 3 | **Schematic+ Design:** The Developer will provide to the City a final draft of the SD+ design package, which will have been thoroughly discussed and will be in a form acceptable to the City. | 7 months from Validation Point # 2 | a. DB Contractor / Design Team | | |
| 40 | 3 | **DB Pricing Submission:** Developer will submit a final Design-Build price for the project, which will be based upon the Schematic+ Design, completed DB Agreement and DB Technical Requirements, and the result of the open-book progression of the detailed DB cost estimate. | 8 months from Validation Point # 2 | a. DB Contractor / Design Team | | |
| 41 | 3 | **Transit Supplier Pricing Submission:** Developer will submit a final Transit Supplier price for the project, which will be based upon the Transit Supplier Procurement, Schematic+ Design, completed Transit Supplier Agreement and DB and O&M Technical Requirements, and any adjustments from the open-book progression of the Transit Supplier cost submission. | 8 months from Validation Point # 2 | a. Transit Supplier | | |

| PM# | Stage | Performance Milestone | Proposed Completion Dates | Expected Key Third Party Support | Third Party Costs Budget | Maximum Accrued Developer Costs |
|---|---|---|---|---|---|---|
| 42 | 3 | **OM&R Pricing Submission:** Developer will submit a final OM&R price for the project, which will be based upon the Schematic+ Design, completed O&M Agreement and O&M Technical Requirements, and the result of the open-book progression of the detailed O&M cost estimate. | 9 months from Validation Point # 2 | | | |
| 43 | 3 | **Financial Structuring / Committed Debt Solution:** Developer will secure committed debt financing for the Project. | 10 months from Validation Point # 2 | a. [Legal]<br>b. [Lenders Technical Advisor]<br>c. [Lenders Insurance Advisor]<br>d. [Lenders Model Auditor]<br>e. [Rating Agency]<br>f. [Lender legal] | | |
| 44 | All | **Community and Stakeholder Engagement:** Developer will implement and manage a process for engaging with impacted communities and key stakeholders to communicate information relating to the potential Project and receive feedback in support of Project development efforts. | [Continuous basis] | a. [Outreach consultant] | | |
| 45 | 3 | **Committed Phase 2 Proposal:** The Developer will provide to the City a firm fixed price proposal for Phase 2 of the Project. | 10 months from Validation Point # 2 | a. [Legal]<br>b. [Economic Consultant]<br>c. [Graphical] | | |
| 46 | 3 | **Final Project Approval.** The City will review the fixed price proposal and provide final approval, at its discretion, for the Project. Such approval will authorize the City to execute the Project Agreement with the Developer. | 1 month after receipt of Fixed Price Proposal | | Technical/Environmental: $[●]<br>Development/Financial/Legal: $[●] | $[●] |

**EXHIBIT C**

**KEY PARTNERS**

| Role | Key Partner |
|---|---|
| Environmental and Design Consultant | Kisinger Campo & Associates |

# EXHIBIT D

## HOURLY RATES FOR DEVELOPER PERSONNEL

| Developer Personnel | Hourly Rate |
|---|---|
| Project Director | |
| Project Development Manager | |
| Project Delivery PM | |
| Commercial/Financial Director | |
| Financial Associate/Analyst | |
| Senior VP | |

Plenary