



Canada Development Investment Corporation La corporation de développement des investissements du Canada

November 5, 2018

Dear Sirs/Mesdames:

Re: Sales Process - Ridley Terminals Inc. (“RTI”)

The Government of Canada (“**Canada**”) has mandated Canada Development Investment Corporation (both acting for itself and on behalf of Canada, “**CDEV**”) to conduct and manage a sales process (the “**Sales Process**”) that is intended to lead to a negotiated agreement with an approved buyer (the “**Buyer**”) for the purchase of 90 percent of the shares of RTI (the “**Proposed Transaction**”).

Canada currently owns 100 percent of the shares of RTI. Upon the closing of the Proposed Transaction, the successful Buyer will own 90 percent of the shares of RTI, and the other 10 percent of the shares of RTI will be held, directly or indirectly, by the Lax Kw’alaams Band and the Metlakatla First Nation, who are supporting the Proposed Transaction.

RTI owns and operates a marine bulk handling terminal (the “**Terminal**”) on Ridley Island, near Prince Rupert, British Columbia. The Terminal provides rail car and vessel loading and unloading and product storage services.

This letter (the “**Letter**”) is intended for parties who are participating in the Sales Process as potential buyers (each such party acting alone or together as part of a consortium is described in this letter as a “**Prospective Purchaser**”).

1. **Overview**

Canada’s objective for the Sales Process is to obtain the best value for Canada from a Buyer that will operate the Terminal with open access on a long-term, sustainable basis.

CDEV has engaged Macquarie Capital Markets Canada Limited as financial advisor and Fasken Martineau DuMoulin LLP (“**Fasken**”) as legal counsel in respect of the Sales Process and the Proposed Transaction.

Summary of Sales Process

CDEV intends that the Sales Process will consist of two stages. As part of the first stage of the Sales Process (the “**First Stage**”), CDEV has provided Prospective Purchasers with this Letter and on request, will also provide a form of non-disclosure agreement (the “**NDA**”) with CDEV. Upon execution of the NDA by CDEV and a Prospective Purchaser, CDEV will provide a confidential information memorandum about RTI to the Prospective Purchaser, and the Prospective Purchaser will be permitted to submit a non-binding proposal as more fully described later in this Letter (each, a “**Non-Binding Proposal**”).

On the basis of these Non-Binding Proposals, CDEV will select a short-list of Prospective Purchasers to participate in the second and final stage of the Sales Process. Prospective Purchasers should send their signed NDAs to RTI-NDA@fasken.com.

In the final stage of the Sales Process (the “**Final Stage**”), the short-listed Prospective Purchasers may be asked to implement additional protective measures with respect to competitive and commercially sensitive information, and subject to compliance with such measures, if any, will be provided with access to a data room with more detailed and confidential information about RTI and a copy of the proposed form of definitive purchase agreement. The short-listed Prospective Purchasers will also have opportunities to meet with RTI’s management team, the Lax Kw’alaams Band and the Metlakatla First Nation, and to conduct a site visit. Short-listed Prospective Purchasers will be asked to submit final offers that will include mark-ups of the proposed form of definitive purchase agreement. Following receipt of final offers from the short-listed Prospective Purchasers, CDEV will recommend a Prospective Purchaser to be the Buyer and a form of definitive purchase agreement for the Proposed Transaction, for consideration by Canada.

Canada will then consider CDEV’s recommendation, select a Buyer and approve the form of definitive purchase agreement. It is expected that the Proposed Transaction will close in the summer of 2019.

No Sales Process Obligations

This Letter does not create any obligations on the part of Canada or CDEV to any Prospective Purchaser or any other person. For greater certainty, this Letter is not intended to be or create, and does not and will not create, a legally binding process, purchase or sale obligations, or any other contractual relationship, nor is it intended to create any express or implied duty of fairness or good faith or any other legal obligations on the part of Canada or CDEV or any Prospective Purchaser, with respect to the Sales Process or the Proposed Transaction.

Except as may be specifically contained in the NDA, until a definitive purchase agreement is executed setting out the terms and conditions of the sale of RTI, neither Canada nor CDEV shall have any obligations with respect to the Sales Process or the Proposed Transaction. The only obligations of Canada and CDEV with respect to the Sales Process and Proposed Transaction will be (i) those obligations specifically contained in the NDA, and (ii) those obligations to the successful Buyer set forth in such definitive purchase agreement, as executed by Canada and the Buyer.

CDEV reserves the right at any time in its sole discretion, with or without notice, without limitation, to: amend the procedures and timelines relating to the Sales Process; suspend or terminate the Sales Process; not proceed with the Proposed Transaction; conduct discussions or negotiate exclusively or with one or more Prospective Purchasers, concurrently or consecutively; decline to select any Prospective Purchaser to participate in the Sales Process or any stage of the Sales Process; terminate negotiations with any Prospective Purchaser for any reason or for no reason and without explanation; adopt and apply additional, contrary, or different process terms or conditions to certain Prospective Purchasers (including with respect to the protection of competitive and commercially

sensitive information); and approve or reject changes in the management, ownership, financing, investment or corporate or other structure of any Prospective Purchaser after receipt of any proposal or offer.

In this Letter, the terms “non-Canadian”, “state-owned enterprise”, “control” and “controlled” should be interpreted in accordance with the *Investment Canada Act* (R.S.C., 1985, c. 28 (1st Supp.)) and related guidance.

2. **Objectives**

As noted above, Canada’s objective for the Sales Process is to obtain the best value for Canada from a Buyer that will operate the Terminal with open access on a long-term, sustainable basis.

The factors outlined below in relation to “open access” and “long-term sustainability” are indicative only, and are not the exclusive factors that CDEV and Canada will consider throughout the Sales Process. Canada (and CDEV on its behalf) reserves the right to consider or review different or additional objectives, factors, considerations or qualifications. Moreover, none of the factors listed below will be determinative, but failure by a Prospective Purchaser to address these factors may be adverse to the consideration of its Non-Binding Proposal or any other offer or proposal.

Factors to be Considered

- (a) As a group, (i) customers of RTI (any party that has contracted for services from RTI) and (ii) significant providers of transportation to and from the Terminal, should not, together with each other and their respective affiliates, collectively hold more than a 49.99 per cent equity interest in, nor otherwise control, the Buyer.
- (b) Consistent with Canada’s current guidelines under the *Investment Canada Act*, any Prospective Purchaser that is, or is controlled by, a non-Canadian state-owned enterprise should demonstrate in its Non-Binding Proposal that it adheres to free market principles and address its susceptibility to foreign state influence. Such a Prospective Purchaser should also demonstrate that it adheres to Canadian standards of corporate governance (including, among other matters, commitment to transparency and disclosure, independent members of the board of directors, independent audit committees and equitable treatment of shareholders) and that it will operate on a commercial basis.
- (c) Prospective Purchasers should have an intention to operate the Terminal on a “long-term sustainable basis”, and demonstrate the following:
 - (i) the ability to purchase, finance and operate an asset of the significance of the Terminal;
 - (ii) the ability to operate assets comparable to the Terminal in terms of scale, scope and complexity;

- (iii) a history of responsible management of its investments;
- (iv) a history of reliable environmental stewardship and, where applicable, a history of successful interactions with communities and Aboriginal groups;
- (v) a proposed ownership and capital structure sufficient to operate the Terminal in a variety of market conditions; and
- (vi) sufficient financial soundness and a sufficiently sound financial plan.

In addition to the foregoing, agreements that the successful Buyer will sign at closing will prohibit the Buyer, for a period of five (5) years after closing, from: (i) selling its shares of RTI; (ii) selling the Terminal; or (iii) undergoing a change of control.

3. **Governmental & Regulatory Approvals**

The Proposed Transaction will be subject to the completion of certain approvals and clearances and completion of the review processes described below. The Proposed Transaction may also be subject to additional approvals and notification and review requirements pursuant to the laws of Canada and the Province of British Columbia.

(a) Competition Act Clearance

All short-listed Prospective Purchasers selected to participate in the Final Stage should promptly contact the Competition Bureau, and at their own expense, secure clearance from the Commissioner of Competition by the time their final offers are due to be submitted. Short-listed Prospective Purchasers will be required to submit an advance ruling certificate or “no action” letter that is satisfactory to Canada as part of their final offers. Given the foregoing, any Prospective Purchaser that might be expected to require more time to obtain clearance should consider contacting the Competition Bureau for guidance in the First Stage. At CDEV’s discretion, such Prospective Purchasers may be requested to provide undertakings or agreements with respect to competition clearance as part of their Non-Binding Proposals.

(b) National Security Review

All Prospective Purchasers that are or include non-Canadians (“**Non-Canadian Prospective Purchasers**”) may be subject to a review for potential national security concerns. Non-Canadian Prospective Purchasers may be requested to provide additional information to Canada should such review be deemed required.

(c) GIC Approval

As part of the Final Stage of the Sales Process, CDEV will recommend to Canada a Prospective Purchaser to be the successful Buyer together with a proposed definitive purchase agreement. Canada will consider CDEV’s recommendation and select a Buyer and form of definitive purchase agreement that will set out the terms and conditions of the Proposed Transaction. Notwithstanding CDEV’s recommendations of a successful Buyer

and the proposed definitive purchase agreement, pursuant to sections 200-212 of the *Economic Action Plan 2013 Act, No. 1*, (S.C. 2013 c. 33), the Proposed Transaction is subject to and conditional on approval from the Governor in Council, in its sole discretion, on the basis or terms that the Governor in Council considers appropriate (the “**GIC Approval**”). None of CDEV, RTI or any other entity has the legal authority to complete the Proposed Transaction unless and until the GIC Approval is obtained.

4. **Lax Kw’alaams Band and the Metlakatla First Nation**

Through consultation, Canada has negotiated the terms on which the Lax Kw’alaams Band and the Metlakatla First Nation will become owners (directly or indirectly) of 10 percent of RTI and related agreements. In the Final Stage, the short-listed Prospective Purchasers will have the opportunity to meet with them. As such, except as permitted by CDEV as part of the Sales Process or otherwise in writing, it is expected that Prospective Purchasers will not attempt to contact or enter into discussions, negotiations, agreements, arrangements or understandings (whether written or oral) with the Lax Kw’alaams Band and the Metlakatla First Nation relating to the ownership of RTI, its business or the Proposed Transaction.

5. **Restricted Parties**

In order to minimize conflicts and maximize the transparency of the Sales Process, CDEV is unlikely to consider submissions or proposals from Prospective Purchasers that, or that include consortium members that:

- (i) have an actual, reasonably perceived or potential conflict of interest;
- (ii) are involved in or threatening material commercial litigation against RTI or related to the Sales Process;
- (iii) pursuant to a contractual right or otherwise, are persons from whom a consent which is desirable in order to facilitate the Proposed Transaction, as determined by Canada in its sole discretion, if such persons have not provided such consent by the end of the First Stage;
- (iv) are prohibited from contracting with Canada pursuant to the *Criminal Code* (R.S.C., 1985, c. C-46);
- (v) have been convicted of or pled guilty to or are currently being or have been investigated for any offence involving fraud, tax evasion, bribery or corruption or any other offence involving moral turpitude or any economic or trade sanctions;
- (vi) are listed in any economic or trade sanctions list or are owned or controlled by any other sanctioned person or persons; or

- (vii) are persons who have engaged in any business, activities or transactions that violate any economic or trade sanctions or that have benefited a person listed on any economic or trade sanctions list;

together with any other party that CDEV, in its discretion, determines should be a restricted party (such parties being the “**Restricted Parties**”, and each, a “**Restricted Party**”).

As of the date of this Letter, CDEV has determined that the following parties are Restricted Parties:

- (i) all current directors, officers or employees of CDEV;
- (ii) RTI and its current directors, officers and employees, or any individuals who have served in such capacity in the past three years;
- (iii) Prince Rupert Port Authority and its current directors, officers and employees, or any individuals who have served such capacity in the past three years;
- (iv) International Longshore and Warehouse Union Canada, Local 523;
- (v) Fasken, counsel to CDEV;
- (vi) Macquarie Group Limited;
- (vii) reporting public office holders and their respective family members as defined in the *Conflict of Interest Act*, S.C. 2006, c.9, s.2; and
- (viii) Members of Parliament and Members of the Senate and their respective immediate families.

CDEV may identify additional parties as Restricted Parties at CDEV’s discretion at any time during the Sales Process. CDEV reserves the right to decline to consider or negotiate with Prospective Purchasers that are, or include consortium members that are, Restricted Parties. Alternatively, CDEV may permit such Prospective Purchasers to continue to participate in the Sales Process provided they agree to such conditions as CDEV may require.

6. **Stage 1 - Submissions of Non-Binding Proposal**

Interested Prospective Purchasers that have signed an NDA may submit a Non-Binding Proposal containing the following:

	Section	Suggested Content
A.	<i>Overview of Prospective Purchaser</i>	Provide an overview of the Prospective Purchaser, including:

	Section	Suggested Content
		<ul style="list-style-type: none"> (i) the identity of all parties comprising the Prospective Purchaser; (ii) details on the corporate structure and ownership interests of the Prospective Purchaser; (iii) identification of any parties acting jointly or in concert with the Prospective Purchaser; and (iv) identification of the Prospective Purchaser’s advisors and consultants.
B.	<i>Experience and Credentials</i>	Describe the experience and credentials of the Prospective Purchaser, in particular with respect to the acquisition, financing and long-term operation of similar companies and assets.
C.	<i>Approach to Sales Process</i>	Describe the Prospective Purchaser’s due diligence expectations and anticipated requirements for the Sales Process. As examples, but without limitation, such information may include any comments or suggestions with respect to the Sales Process outlined in this Letter and any other suggestions for the Sales Process that would enable Canada to receive the best value for Canada.
D.	<i>Financial Capacity</i>	Describe the financial capacity of the Prospective Purchaser and provide evidence of the Prospective Purchaser’s ability to complete the Proposed Transaction including expected financing sources. As examples, but without limitation, such information may include annual historical financial statements of the Prospective Purchaser and, if the Prospective Purchaser is an investment fund, evidence of total funds available for new investments (including identification of any relevant restrictions on how those funds may be invested). The Prospective Purchaser should also describe its capability and track record of raising project and/or corporate financing to fund acquisitions of a similar or greater size. If available, the Prospective Purchaser should itemize intended sources of debt financing.

	Section	Suggested Content
E.	<i>Approach to Open Access</i>	<p>Describe the Prospective Purchaser’s approach to open access, including confirmation of ability and intention to meet open access ownership requirements.</p> <p>If the Prospective Purchaser is a consortium, any agreements that exist or are contemplated with respect to allocation of capacity at the Terminal among consortium members should be disclosed.</p>
F.	<i>Approach to Long-Term Sustainable Basis</i>	<p>Describe the Prospective Purchaser’s approach to operating the Terminal on a long-term sustainable basis, including the Prospective Purchaser’s track record of managing similar investments, including:</p> <ul style="list-style-type: none"> (i) typical approach to financing projects of this type and initial plan for financing an acquisition of the Terminal; (ii) experience with and approach to operation of bulk commodities terminals including approach to ensuring asset condition, environmental compliance and stewardship, and performance over the long-term; (iii) where applicable, a summary of the Prospective Purchaser’s record of successful interactions with communities and Aboriginal groups; (iv) the Prospective Purchaser’s plans for the future of the Terminal; and (v) any other information available to document the Prospective Purchaser’s commitment to operating the Terminal on a long-term sustainable basis.
G.	<i>Competition Act Clearance</i>	<p>Describe the Prospective Purchaser’s general approach to satisfying the merger notification and approval requirements under the <i>Competition Act</i> (Canada), including any anticipated concerns, any proposed measure to address to such concerns and anticipated timelines. At CDEV’s discretion, some Prospective Purchasers may be requested to provide undertakings or agreements with respect to competition clearance as part of their Non-Binding Proposals.</p>
H.	<i>Non-Binding Price Proposal</i>	<p>Please provide your indicative valuation of 90 percent of the shares of RTI as of June 30, 2019, on a cash free and debt free basis.</p>

	Section	Suggested Content
		Please also include any assumptions made in determining the valuation, any key due diligence items you require and the estimate time to complete your diligence review.

Any requests for clarification during Stage 1 should be directed to MACCAPRTIInfo@macquarie.com by **November 30, 2018**.

Prospective Purchasers should provide the information they consider necessary to provide a complete response to the requests outlined above. Prospective Purchasers are encouraged to be concise in their Non-Binding Proposal. We request that the Non-Binding Proposals be no longer than 20 pages, not counting appendices.

The Non-Binding Proposals should be signed by all persons proposed to be part of any consortium forming the Prospective Purchaser, and may be labelled “Commercial Confidential”, if the information contained therein is typically treated in a commercially confidential manner by the Prospective Purchaser.

All Non-Binding Proposals should be emailed to MacCapRTIProposals@macquarie.com by **9am PST (noon EST) on December 7, 2018**.

All documents and other records provided to, in the custody of or under the control of CDEV or Canada, including all Non-Binding Proposals and other later proposals and offers, may be subject to disclosure pursuant to the *Access to Information Act* (R.S.C., 1985, c. A-1) (“ATIA”). Should a Non-Binding Proposal or any later offer or proposal become subject to a request under the ATIA, release of third party commercial information will be considered in the context of the protections afforded by Section 20 of the ATIA.

All costs and expenses in relation to participation in the Sales Process and the preparation and submission of a Non-Binding Proposal or other proposal as part of the Sales Process will be borne by the Prospective Purchaser (including fees payable in connection with filings to secure Competition Act clearance). As set out in the NDA, all Non-Binding Proposals and later offers and proposals submitted to CDEV will become the property of CDEV.

Thank you for your interest in the Sales Process.

Yours truly,

**CANADA DEVELOPMENT INVESTMENT
CORPORATION**

A handwritten signature in black ink, appearing to read 'Zoltan Ambrus', written over a horizontal line.

By:

Zoltan Ambrus
Vice President