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LETTERHEAD OF STAKEHOLDER - SUBJECT TO APPROVAL

Her Majesty the Queen in right of Canada
as represented by the Minister of Transport
330 Sparks Street
Ottawa, ON K1A 0N5

May 22, 2003

RE: **Air Rail Link between Toronto Union Station and the Lester B. Pearson International Airport**

The Toronto and Region Conservation Authority ("TRCA") acknowledges that Her Majesty the Queen in right of Canada as represented by the Minister of Transport ("Transport Canada") issued a "Request for Expressions of Interest, Air Rail Link from Lester B. Pearson International Airport to Union Station" ("RFEOI") dated April 12, 2001 to persons interested in financing, designing, constructing, operating and maintaining a passenger railway service ("Air Rail Link") between Toronto Union Station and Toronto-Lester B. Pearson International Airport ("LBPIA").

TRCA also acknowledges that, pursuant to the RFEOI, Transport Canada qualified four respondents (each a "Respondent"), Transport Canada proposes to issue to each Respondent a "Request for Business Case, Air Rail Link from Toronto-Lester B. Pearson International Airport to Toronto Union Station" ("RFBC") dated May 2003 requesting a business case response ("Response") for financing, designing, constructing, operating and maintaining the Air Rail Link service from Toronto Union Station through the Union Station Rail Corridor and the CN Weston Subdivision and along the track and guideway structure ("Spur Line") that may be constructed from the CN Weston Subdivision (just west of Highway 427) to the limits of the proposed station within LBPIA. TRCA has an interest and is a stakeholder in the proposed Air Rail Link because TRCA regulates development within the Mimico Creek watershed and perhaps other areas required for the Spur Line that are within areas regulated by Ontario Regulation 158 under the Conservation Authorities Act and holds title to land that may be required for the Spur Line, and as such, the involvement of TRCA in the Air Rail Link is required.

TRCA understands that there are a number of other stakeholders in addition to TRCA (each a "Stakeholder") whose collective involvement in the Air Rail Link is required, and that they are issuing letters to Transport Canada with respect to the terms and conditions of their involvement in the Air Rail Link. It is TRCA's understanding that for those Stakeholders who are providing some form of access to their facility, such as the Canadian National Railway Company, Greater Toronto Airports Authority and GO Transit, there is a more comprehensive stakeholder agreement letter ("Stakeholder Agreement Letter") which stipulates terms and conditions. For Stakeholders such as the Toronto and Region

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Conservation Authority, the City of Mississauga, the Ontario Ministry of Transportation, the City of Toronto, the Region of Peel, the Orlando Corporation, and others, Transport Canada has requested that such Stakeholders provide, in letters similar to this, the general terms and conditions ("Stakeholder Terms") of the involvement of such Stakeholders in the Air Rail Link.

Certain of the Stakeholder Terms for TRCA are set forth in this letter and outline in general some of the terms and conditions upon which TRCA will make an easement over TRCA owned lands available for the Spur Line and the details regarding the regulation of development within the Mimico Creek watershed and other areas, if any, subject to its Reg. 158.

TRCA also understands that there will be final stakeholder agreements ("Final Stakeholder Agreements") between all Stakeholders, including TRCA, and the Respondent selected by Transport Canada as the successful respondent ("Successful Respondent"), that will formalize the terms and conditions contained in the Stakeholder Agreement Letters and the Stakeholder Terms. The Final Stakeholder Agreement will be subject to TRCA Reg. 158. Only the Final Stakeholder Agreements will create binding obligations.

TRCA understands that the Successful Respondent shall be responsible for all the costs and expenses associated with the operation and maintenance of the Air Rail Link service, and the design, construction and maintenance of the Spur Line and compliance with all TRCA requirements as agreed upon in the Final Stakeholder Agreement.

Transport Canada has provided TRCA with the elements of a conceptual alignment of the proposed Spur Line as described in the "Concept Level Design of the Air Rail Link Spur Line, Feasibility Study Phase 2, April 2003, ("Delcan Report"). TRCA also understands that this letter will be annexed to the RFBC for the information of the Respondents.

TRCA acknowledges that Transport Canada will act as a facilitator of the process ("Process") that will be used by Transport Canada to select the Successful Respondent and for the Successful Respondent to enter into the Final Stakeholder Agreements with the Stakeholders. For other good and valuable consideration and for the payment by the Successful Respondent for the easement that may be provided by the TRCA, TRCA further acknowledges:

1. The role of Transport Canada is to facilitate the Process. The selection of the Successful Respondent will enable the Successful Respondent to enter into Final Stakeholder Agreements with each of the Stakeholders to implement the terms and conditions of each Stakeholder Agreement Letter and each of the Stakeholder Terms.
2. The Air Rail Link can only be designed, constructed, operated and maintained through the Final Stakeholder Agreements between the Successful Respondent and each Stakeholder.
3. In order for each Respondent to submit a Response, such Respondent must have certainty, to the extent possible, as to the terms and conditions on which TRCA is prepared to enter into a Final Stakeholder Agreement with such Respondent, should it be selected as the Successful Respondent. However, once the Successful Respondent

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has been selected, TRCA may in its sole and subjective discretion change or add to the terms and conditions described in Section 7 for inclusion in the Final Stakeholder Agreement.

4. In the case of TRCA, the Final Stakeholder Agreement will include an easement ("Easement") over TRCA lands and address the requirement for fill permits as required by Reg. 158, and all other terms and conditions in connection therewith, which may be required by TRCA for the Spur Line. Section 7 of this letter contains terms and conditions which may form part of such agreement. The Final Stakeholder Agreement between TRCA and the Respondent may have terms and conditions additional to those set forth in Section 7. TRCA agrees, acting as quickly as reasonably possible, to negotiate this agreement with the Successful Respondent and in good faith in order that the Final Stakeholder Agreement may be settled, executed and delivered within the time frame described in Section 5.
5. The Successful Respondent and TRCA shall, subject to the other provisions hereof and reaching agreement on all matters enter into the Final Stakeholder Agreement within one hundred and eighty (180) calendar days months following the date of selection of the Successful Respondent.
6. The Final Stakeholder Agreement between TRCA and the Successful Respondent will only become effective when and if the Successful Respondent has provided TRCA with acceptable evidence that the Final Stakeholders Agreements have been obtained from each of GO Transit, Greater Toronto Airports Authority and the Canadian National Railway Company.
7. The following sets forth specific terms and conditions of TRCA's involvement in the Air Rail Link:
 - a) TRCA understands that GO Transit will be the proponent under the federal and provincial environmental assessment processes;
 - b) The Delcan Report indicates that the proposed Spur Line may, subject to the outcome of the federal and provincial environmental assessment processes and final design, traverse Property 11 (refer to Figure 1). TRCA, subject to obtaining all TRCA and other governmental approvals and reaching agreement with the Successful Respondent, will grant the Successful Respondent an Easement through Property 11;
 - c) TRCA agrees that the term ("Term") of the Easement commences on the date in which the Final Stakeholder Agreement becomes effective and shall terminate on November 30, 2056;
 - d) The Successful Respondent will pay \$10,000.00 plus any applicable taxes to the TRCA for the Easement based on an area of 2.6 acres;
 - e) The Successful Respondent will be expected to reimburse TRCA for all professional fees and expenses incurred in respect of this letter and negotiating the

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Final Stakeholder Agreement and assessing the impact of the Air Rail Link on Property 11, including without limitation, all legal, engineering, planning and other consultants required by TRCA in connection with the Air Rail Link project. Prior to the commencement of negotiations with the Successful Respondent, the TRCA will require that the Successful Respondent post security to the satisfaction of the TRCA to cover such professional fees and expenses;

- f) TRCA acknowledges and agrees that the Successful Respondent will own the portion of the Spur Line that crosses Property 11 for the duration of the Term and Successful Respondent will be responsible for removing the Spur Line at its cost at the end of the term of the Easement;
- g) Prior to undertaking the construction of the Spur Line, the Successful Respondent will submit final Spur Line design details and construction specification to TRCA and must obtain the written approval of TRCA. Such approval shall not be unreasonably withheld if:
 - i) the final Spur Line alignment generally conforms to the Delcan Report;
 - ii) all portions of the Spur line that cross over Mimico Creek or over lands owned or regulated by TRCA comply with all applicable approvals and by-laws, including but not limited to:
 - (A) Ontario Regulation 158 (Fill, Construction, and Alteration to Waterways); Conservation Authorities Act; all environmental laws and regulations have been or will be complied with during the Term.
 - (B) Section 4.3 of "The Toronto and Region Conservation Authority, Stream and Corridor Management Program", dated October 1994; and
 - (C) the Fisheries Act.
 - iii) the Easement is in compliance with the Planning Act.
- h) TRCA reserves at no cost to TRCA, a permanent right in favour of TRCA and other third parties for utilities and trails that run through, under or over the Easement that do not unreasonably interfere with the Spur Line;
- i) The Successful Respondent shall, at its sole cost, provide TRCA with a legal survey that will define and fix the specific and final locations of the Easement, subject to TRCA approval;
- j) The Successful Respondent shall maintain and provide to TRCA, at Respondent's sole cost, as-built construction drawings of the Spur Line; and
- k) The Successful Respondent shall indemnify and save TRCA harmless from and

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against all construction, safety and environmental risks and uses associated with the Air Rail Link and all claims against the TRCA in connection therewith and will provide proof of insurance with TRCA as a named insured and such security as may be reasonable requested against liens.

8. TRCA understands that any requests for information and data required by a Respondent from TRCA in connection with the Process will be submitted to Transport Canada who will provide the TRCA information and data to such Respondent. The costs incurred by TRCA for providing such information shall be paid for by the Successful Respondent.
9. At the written request of Transport Canada, TRCA will permit the Respondent and its representatives, subject to standard permission to enter requirements of TRCA, to have access to Property 11 for the purpose of obtaining information in order to permit the Respondent to prepare its Response.
10. TRCA acknowledges and agrees that:
 - a) Transport Canada will not be a part of or involved in any negotiations between any Respondent and Orlando;
 - b) Transport Canada shall have no obligation or responsibilities with respect to financing, designing, constructing, operating or maintaining the Air Rail Link;
 - c) Transport Canada shall have no liability to TRCA arising out of or related to the Stakeholder Terms of TRCA and the Final Stakeholder Agreement or any other agreements relating to the Air Rail Link, between TRCA and a Respondent;
 - d) Transport Canada shall have no liability of any kind to TRCA arising out of or related to the Process, including the RFEOI and the RFBC;
 - e) Transport Canada is not obligated pursuant to the Process, to provide any funding to TRCA or the Successful Respondent with respect to or in connection with the Air Rail Link; and
 - f) Nothing contained in this letter nor any acts of TRCA or Transport Canada shall constitute or be deemed to constitute TRCA and Transport Canada as partners, joint venturers or principal and agent in any way or for any purpose. Neither shall represent or hold itself out to be an agent of the other.
11. For the duration of the Process, TRCA shall negotiate exclusively with the Successful Respondent in connection with the Air Rail Link.
12. TRCA agrees to provide Transport Canada with a copy of the Final Stakeholder Agreement between TRCA and the Successful Respondent once it has been executed and delivered.
13. TRCA shall negotiate in good faith with the Respondents in order to facilitate the

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creation of the Air Rail Link and shall act reasonably with respect to any issues which arise with respect to the involvement of TRCA in the Air Rail Link, which are not specifically addressed in this letter.

14. This letter is a binding undertaking of TRCA in favour of Transport Canada, it shall be governed by and construed in accordance with the laws of the Province of Ontario and it shall enure to the benefit of Transport Canada and its successors and assigns and shall be binding upon TRCA and its successors.
15. Only a formal agreement signed by TRCA and the Successful Respondent shall create any binding rights and obligations between the TRCA and the Successful Respondent.

**Toronto and Region Conservation
Authority**

By:

Authorized Officer

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