Q. **On Page 5 of the Guarantee Fee Analysis dated October 2013, Scotiabank points to additional factors that complicate the valuation of guarantee fees. Specifically, Scotiabank states that:**

> ***"…there are two additional features of a Guarantee that are very difficult to value, namely: that during periods of stress in the credit markets, a guarantee from a government entity provides for unrestricted market access and that a guarantee allows for more flexibility as to maturity"***

**Does Grant Thornton agree with this statement? If not, why? If so, is Grant Thornton of the opinion that these features would add value beyond what is indicated by the difference between long-term yields on bonds issued by the Province and the sample of Canadian utilities referred to by Scotiabank**

A. Grant Thornton agrees that during periods of stress in the credit markets a guarantee from a government entity provides for greater, not unrestricted, market access and that a guarantee allows for more flexibility as to maturity. We also agree these features are difficult to value.

However, it is our opinion that the *yield approach*, described in our Amended GRA Financial Consultants Report, June 12, 2015, pages 19 and 20, can reliably value the guarantee without the need for an explicit quantification of the value of these specific features. In the decisions handed down by Justice Hogan in *General Electric Capital Canada Inc. v. The Queen, 2009 TCC 563 (Tax Court of Canada)* and Justices Noël, Pelletier, and Mainville in *The Queen v. General Capital Canada Inc. (2010) F.C.A. 344 (Federal Court of Appeal*), no reference was made of these features in the determination of the value of the guarantee.