

MINUTES OF THE SIXTY-SECOND MEETING OF THE BOARD OF DIRECTORS OF NALCOR ENERGY HELD IN THE BOARDROOM, SIXTH LEVEL, HYDRO PLACE, ST. JOHN'S, NEWFOUNDLAND AND LABRADOR ON WEDNESDAY, DECEMBER 5, 2012 AT 09:30 A.M.

Present in Person: T. Styles, Chair
T. Clift
E. Martin

Present by Telephone: L. Abbass
E. Breen
A. Hawkins
K. Marshall
G. Shortall

Present by Invitation: D. Sturge, Vice-President Finance
and Chief Financial Officer
G. Bennett, Vice-President Lower
Churchill Project (10:40)

Secretary: W. Chamberlain

756. CONSTITUTION OF THE MEETING

Notice of the meeting was sent to Directors on December 4, 2012. A quorum of Directors being present, the Chair declared the meeting duly called and validly constituted for the transaction of business.

757. SAFETY MOMENT

Mr. Chamberlain provided a safety moment on carbon monoxide.

758. SANCTION OF LOWER CHURCHILL PROJECTS

Mr. Martin advised that on December 4, 2012 Management provided the Board with a memorandum outlining the purpose, background and draft resolutions for seeking the approval of the Board to sanction the following Lower Churchill projects: (i) Maritime Link (ML), (ii) Muskrat Falls Plant (MFP), (iii) Labrador Transmission Assets (LTA) and (iv) Labrador-Island Link (LIL). A Federal Loan Guarantee Briefing presentation was also provided to the Board by email on the same date.

Mr. Martin provided the Board with a high level overview of the sequence of events and key factors leading Management to seek the Board's approval to sanction the aforesaid projects, noting among other things, the requirement for additional generation, that the interconnected Island option is the least-cost option, receipt of an investment grade rating from the credit rating agencies and the additional net benefits to the Province. He then provided an overview of the capital cost risks and in particular the challenges with respect to labour costs and productivity and advised that such risks are being mitigated and managed to the extent possible.

He provided a brief overview of the background and matters relating to the sanction of the Maritime Link and the risks related to the approval by the Nova Scotia Utility and Review Board (UARB). He then provided an update with respect to the negotiation of key terms and conditions in a separate sanction agreement with Emera to respond to risks related to capital costs of the ML and FLG conditions precedent. He noted that in order for Nalcor to have control over transmission and construction of the ML in order to ensure long term reliability and quality, it was appropriate to share in the capital cost risks.

Mr. Martin responded to the comments and questions from the Board with respect to the capital cost risks related to the UARB approval of the Maritime Link.

Mr. Bennett joined the meeting.

Mr. Martin confirmed that the Shareholder has been informed of the benefits and risks related to the Maritime Link and the other Lower Churchill projects.

Mr. Bennett advised that Nalcor has provided input to Emera in the development of the ML DG2 package and that the engineering work with respect to the ML is similar to the engineering work completed with respect to the LIL. He further

advised that Nalcor's CEO generally has the authority to make the final determination with respect to disputes arising with regard to the construction of the ML. He also noted that Nalcor will have the opportunity to provide input into the submission to be made to the UARB to approve the Maritime Link.

He stated that Nalcor has assembled a strong team with utility and mega project experience and that a delay in sanction of the Lower Churchill projects could result in some of these people being lost to other projects and opportunities.

Mr. Martin canvassed Board members individually with respect to whether they had any additional questions or concerns. Board members confirmed they were satisfied with the level of engagement and information.

759. Sanction of the Maritime Link

On motion duly made by Mr. Shortall, seconded by Ms. Breen and unanimously carried, it was resolved:

WHEREAS Nalcor and Emera Inc. ("**Emera**") entered into a term sheet dated November 18, 2010 (the "**Term Sheet**") confirming their common understanding of the purpose, process and timing for the supply and delivery of power and energy from the Province of Newfoundland and Labrador to the Province of Nova Scotia, other Canadian provinces and New England;

AND WHEREAS in accordance with the Term Sheet and to give effect to the transactions as contemplated in the Term Sheet, Nalcor and Emera, together with various subsidiaries and other parties entered into a series of formal agreements each dated July 31, 2012 (the "**Formal Agreements**");

AND WHEREAS one of the Formal Agreements, the Maritime Link-Joint Development Agreement (the "**ML-JDA**") between Emera and Nalcor, provides for the Sanction and development of the Maritime Link;

AND WHEREAS Nalcor and Emera will enter into a term sheet (the "**ML Sanction Term Sheet**") providing for the Sanction of the Maritime Link and certain critical terms and conditions related to such Sanction, including consequential amendments to the Formal Agreements,

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preparation and submission of the application for approval of the Maritime Link to the UARB and the agreement among the parties to address conditions which may be imposed on the development of the Maritime Link by the UARB;

AND WHEREAS the Government of Newfoundland and Labrador has made commitments in support of Nalcor's development of the Muskrat Falls Projects as outlined in the Commitment Letter dated October 18, 2011 from Premier Kathy Dunderdale to Ed Martin, President and CEO of Nalcor;

AND WHEREAS Nalcor wishes, subject to the authorization of the Government of Newfoundland and Labrador for Nalcor to sanction and proceed with the development of the Muskrat Falls Projects, including the Muskrat Falls Plant, Labrador Transmission Assets, Labrador-Island Link and Maritime Link (the "**GNL Authorization**"), to sanction the Maritime Link;

AND WHEREAS capitalized terms not otherwise defined in this Resolution shall have the meaning set forth in the ML-JDA.

NOW THEREFORE BE IT RESOLVED THAT:

1. Subject to there being no material change in the terms of the ML Sanction Term Sheet as disclosed to the Board by the President and CEO, the execution by Nalcor and delivery of the ML Sanction Term Sheet is hereby authorized and approved.
2. Subject to the GNL Authorization and the finalization of the ML Sanction Term Sheet.

Sanction of the Maritime Link – The Sanction of the Maritime Link is authorized and approved, and Nalcor is authorized to undertake activities, enter into contractual obligations and incur costs as required for the purposes of the completion of the Development Activities.

3. Any two of the officers and directors of Nalcor be and are hereby authorized and directed to execute and deliver or cause to be executed and delivered such notices and instruments, agreements, certificates, assignments, acknowledgments, declarations and documents to give effect to the foregoing Resolution, all to be in such form and on such terms as such persons shall approve, such approval to be conclusively evidenced by their execution thereof.

760. **Sanction of the Muskrat Falls Plant, the Labrador Transmission Assets and the Labrador-Island Link**

On motion duly made by Mr. Shortall, seconded by Mr. Clift and unanimously carried, it was resolved:

WHEREAS Nalcor and Emera Inc. ("**Emera**") entered into a term sheet dated November 18, 2010 (the "**Term Sheet**") confirming their common understanding of the purpose, process and timing for the supply and delivery of power and energy from the Province of Newfoundland and Labrador to the Province of Nova Scotia, other Canadian provinces and New England;

AND WHEREAS in accordance with the Term Sheet and to give effect to the transactions as contemplated in the Term Sheet, Nalcor and Emera, together with various subsidiaries and other parties entered into a series of formal agreements each dated July 31, 2012 (the "**Formal Agreements**");

AND WHEREAS one of the Formal Agreements, the Newfoundland and Labrador Development Agreement (the "**NLDA**") between Emera, Nalcor, Labrador-Island Link General Partner Corporation ("**Nalcor GP**"), Labrador-Island Link Holding Corporation ("**Nalcor LP**") and ENL Island Link Incorporated ("**Emera NL**"), provides for the sanction and development of the Labrador-Island Link, and contemplates the sanction of the Muskrat Falls Plant and the Labrador Transmission Assets;

AND WHEREAS the Government of Newfoundland and Labrador has made commitments in support of Nalcor's development of the Muskrat Falls Projects as outlined in the Commitment Letter dated October 18, 2011 from Premier Kathy Dunderdale to Ed Martin, President and CEO of Nalcor;

AND WHEREAS Nalcor wishes, subject to the authorization of the Government of Newfoundland and Labrador for Nalcor to sanction and proceed with the development of the Muskrat Falls Projects, including the Muskrat Falls Plant, Labrador Transmission Assets, Labrador-Island Link and Maritime Link (the "**GNL Authorization**"), to sanction the Muskrat Falls Plant, Labrador Transmission Assets and Labrador-Island Link;

AND WHEREAS capitalized terms not otherwise defined in this Resolution shall have the meaning set forth in the NLDA.

NOW THEREFORE BE IT RESOLVED THAT:

Subject to sanction of the Maritime Link by Nalcor and further subject to the GNL Authorization:

1. Sanction of the Labrador Island Link – The sanction of the Labrador-Island Link (LIL Sanction) is authorized and approved, and Nalcor is authorized to undertake activities, enter into contractual obligations and incur costs as required for the purposes of the completion of the LIL Development Activities.
2. Sanction of the Muskrat Falls Plant – The sanction of the Muskrat Falls Plant (MFP Sanction) is authorized and approved, and Nalcor is authorized to undertake activities, enter into contractual obligations and incur costs as required for the purposes of completion of the MFP Development Activities.
3. Sanction of the Labrador Transmission Assets – The sanction of the Labrador Transmission Assets (LTA Sanction) is authorized and approved, and Nalcor is authorized to undertake activities, enter into contractual obligations and incur costs as required for the purposes of completion of the LTA Development Activities.
4. Any two of the officers and directors of Nalcor be and are hereby authorized and directed to execute and deliver or cause to be executed and delivered such notices and instruments, agreements, certificates, assignments, acknowledgments, declarations and documents to give effect to the foregoing Resolution, all to be in such form and on such terms as such persons shall approve, such approval to be conclusively evidenced by their execution thereof.

761. Matters Related to the Sanction of the Labrador-Island Link

On motion duly made by Mr. Marshall, seconded by Mr. Hawkins and unanimously carried, it was resolved:

WHEREAS Nalcor and Emera Inc. (“**Emera**”) entered into a term sheet dated November 18, 2010 (the “**Term Sheet**”) confirming their common understanding of the purpose, process and timing for the supply and delivery of power and energy from the Province of Newfoundland and Labrador to the Province of Nova Scotia, other Canadian provinces and New England;

AND WHEREAS in accordance with the Term Sheet and to give effect to the transactions as contemplated in the Term Sheet, Nalcor and Emera,

together with various subsidiaries and other parties entered into a series of formal agreements each dated July 31, 2012 (the "**Formal Agreements**");

AND WHEREAS one of the Formal Agreements, the Newfoundland and Labrador Development Agreement (the "**NLDA**") between Emera, Nalcor, Labrador-Island Link General Partner Corporation ("**Nalcor GP**"), Labrador-Island Link Holding Corporation ("**Nalcor LP**") and ENL Island Link Incorporated ("**Emera NL**"), provides for the sanction and development of the Labrador-Island Link, establishes the Joint Development Committee for the Muskrat Falls Plant, the Labrador Transmission Assets and the Labrador-Island Link, confirms the ownership structure that applies to these projects, and provides the mechanics related to the funding of the Labrador-Island Link and Emera's ownership interest in it through Emera NL's participation in the Labrador-Island Link Limited Partnership ("**LIL Partnership**");

AND WHEREAS the NLDA sets out transactions which are to occur and agreements which are to be entered into prior to, at and promptly after LIL Sanction;

AND WHEREAS the Government of Newfoundland and Labrador has made commitments in support of Nalcor's development of the Muskrat Falls Projects as outlined in the Commitment Letter dated October 18, 2011 from Premier Kathy Dunderdale to Ed Martin, President and CEO of Nalcor;

AND WHEREAS Nalcor has, subject to the finalization of the Maritime Link Sanction Term Sheet and further subject to the authorization of the Government of Newfoundland and Labrador for Nalcor to sanction and proceed with the development of the Muskrat Falls Projects, including the Muskrat Falls Plant, Labrador Transmission Assets, Labrador-Island Link and Maritime Link (the "**GNL Authorization**"), sanctioned the Muskrat Falls Plant, Labrador Transmission Assets, Labrador-Island Link and Maritime Link;

AND WHEREAS capitalized terms not otherwise defined in this Resolution shall have the meaning set forth in the NLDA.

NOW THEREFORE BE IT RESOLVED THAT:

1. Nalcor be and it is hereby authorized to do the following:
 - (a) Nalcor Asset Transfer Agreement - The transfer of assets in accordance with, and the execution and performance of, the Nalcor Asset Transfer Agreement, which agreement provides for the transfer by Nalcor to the LIL Partnership (effective as of 12:01am December 1, 2012) of the Project

Assets relating to the LIL in return for the Purchase Note equal to all the costs incurred by Nalcor to acquire the Project Assets relating to the LIL plus interest accrued thereon at the NLH Cost of Capital Rate prevailing at the time the expenditure was made; and

- (b) Project Management and Development Agreement – The execution and performance of the Project Management and Development Agreement, which agreement provides, among other things, for the management of the LIL Development Activities by Nalcor (effective as of 12:01am December 1, 2012).

- 2. Subject to sanction by Nalcor of the Labrador-Island Link and subject to the GNL Authorization, Nalcor be and it is hereby authorized to do the following:

- (a) Transfer of the Purchase Note to Nalcor LP - The transfer of the Purchase Note to Nalcor LP as a capital contribution on the existing 100 common shares which Nalcor holds in Nalcor LP;
- (b) Nalcor Parental Guarantee - The execution and performance of the Nalcor Parental Guarantee, which agreement is in the form attached as a schedule to the NLDA as approved by the Nalcor board of directors, and sets forth the guarantee of Nalcor to Emera and Emera NL that (i) Nalcor GP, as general partner of the LIL Partnership, will make distributions of income to Emera NL in accordance with its obligations under the Labrador-Island Link Limited Partnership Agreement, and (ii) Nalcor LP will perform its obligations under the NLDA, the Labrador-Island Link Limited Partnership Agreement, the Nalcor LP Subscription Agreement, the Nalcor LP Cross Default Indemnity Agreement and the Nalcor Equity Funding Agreement;
- (c) Emera Parental Guarantee - The execution of the Emera Parental Guarantee, which agreement is in the form attached as a schedule to the NLDA as approved by the Nalcor board of directors, and sets forth the guarantee of Emera to Nalcor and Nalcor LP that Emera NL will perform its obligations under the NLDA, the Labrador-Island Link Limited Partnership Agreement, the Emera NL Subscription Agreement, the Emera NL Cross Default Indemnity Agreement and the Pre-FCP Pledge;

- (d) Nalcor LP Cross Default Indemnity Agreement - The execution and performance of the Nalcor LP Cross Default Indemnity Agreement, which agreement is in the form attached as a schedule to the NLDA as approved by the Nalcor board of directors, and sets forth the obligation of Nalcor LP to indemnify (and use the Distributions it receives as a Limited Partner in the LIL Partnership to satisfy such indemnity) Emera for losses arising from a default by Nalcor or an Affiliate of Nalcor under the NLDA, the Labrador-Island Link Limited Partnership Agreement, the Nalcor Equity Funding Agreement, the New Brunswick Transmission Utilization Agreement or the MEPCO Transmission Rights Agreement;
- (e) Emera NL Cross Default Indemnity Agreement - The execution of the Emera NL Cross Default Indemnity Agreement, which agreement is in the form attached as a schedule to the NLDA as approved by the Nalcor board of directors, and sets forth the obligation of Emera NL to indemnify (and use the Distributions it receives as a Limited Partner in the LIL Partnership to satisfy such indemnity) Nalcor for losses arising from a default by Emera or an Affiliate of Emera under the NLDA, the Labrador-Island Link Limited Partnership Agreement, the New Brunswick Transmission Utilization Agreement or the MEPCO Transmission Rights Agreement;
- (f) Pre-FCP Pledge – The execution of the Pre-FCP Pledge, which agreement is in the form attached as a schedule to the NLDA as approved by the Nalcor board of directors, and sets forth the grant by Emera NL to Nalcor of a security interest in the Partnership Interest of Emera NL as security for the debts and obligations of (i) Emera arising prior to First Commercial Power of the LIL under the Pre-FCP Pledge and the NLDA and (ii) Emera NL arising prior to First Commercial Power of the LIL under the Pre-FCP Pledge, the NLDA, the Emera NL Subscription Agreement and the Labrador-Island Link Limited Partnership Agreement; and
- (g) Funding of the LIL Partnership – The funding by Nalcor of the LIL Partnership by way of payment of trade payables arising as a result of LIL management and development activities for the LIL Partnership pursuant to the Project Management and Development Agreement prior to LIL Sanction and thereafter as required to carry out LIL Development Activities until the Cash Call procedures set forth in the NLDA are activated.

3. The Nalcor Asset Transfer Agreement, Nalcor Parental Guarantee, Emera Parental Guarantee, Emera NL Cross Default Indemnity Agreement, Nalcor LP Cross Default Indemnity Agreement, Pre-FCP Pledge and the Project Management and Development Agreement are together referred to herein as the "**LIL Sanction Agreements**".
4. Any two of the officers and directors of Nalcor be and are hereby authorized and directed to execute and deliver each of the LIL Sanction Agreements with such amendments or variations as they may approve. The execution by such officers and directors shall be conclusive proof that Nalcor has authorized such officers and directors to execute the agreements in the form in which they have been executed.
5. Any two of the officers and directors of Nalcor be and they are hereby authorized and directed to do all such further and other acts and things and to execute and deliver or cause to be executed and delivered such further notices and other instruments, agreements, certificates, assignments, acknowledgments, declarations, documents, undertakings and writings as in their opinion may be necessary or desirable to complete the transaction contemplated by the LIL Sanction Agreements or any of the agreements or schedules referred to in the LIL Sanction Agreements or any one of them, and all of the other instruments and agreements referred to in the foregoing Resolution, and to give effect to the foregoing, all to be in such form and on such terms as such persons shall approve, such approval to be conclusively evidenced by their execution thereof.

762. APPROVAL OF EXECUTION OF LCP CONTRACTS

Mr. Sturge stated that a Memorandum on the execution of related Muskrat Falls generation and Labrador transmission agreements was provided to the Board by email on December 4, 2012. He advised that the Board would normally approve the Approval for Expenditure (AFE) approving a stated level of expenditure and would not approve specific contracts. In the absence of the approval of the AFE (which is pending) Management is seeking approval of the three contracts described in the aforesaid Memorandum.

Mr. Bennett briefly reviewed the specific information on each of the three contracts requiring Board approval.

On motion duly made by Mr. Clift, seconded by Mr. Abbass and unanimously carried, it was resolved:

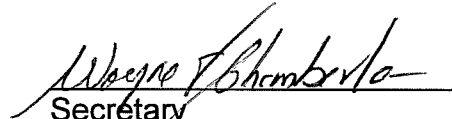
THAT upon Sanction of the Lower Churchill Projects, the Corporation be and it is hereby authorized to execute the following Lower Churchill Projects contracts:

- CH0002 – Supply & Installation of Accommodations Complex Buildings (Contractor – Liannu Limited Partnership)
- PT0302 – Supply of Tower Steel – 315kV HVac Lines (Contractor – SA-RA Energy, Construction, Trade and Industry Inc.)
- LC-SB-033 – Supply & Installation of SOBI Submarine Cable (Contractor – Nexans Norway AS)


763.

TERMINATION

Mr. Martin thanked the Board and stated that this is an important and eventful time not only for the company but also the Province. There being no further business, the meeting was terminated.


Secretary

Verified at a meeting held on

January 18, 2013

Chairperson