

**MINUTES OF THE FIFTY-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, JULY 25, 2012 AT 02:30 P.M.**

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**Present in Person:** T. Clift  
A. Hawkins  
K. Marshall  
E. Martin

**Present by Telephone:** T. Styles, Chair  
E. Breen  
G. Shortall  
L. Abbass

**Present by Invitation:** D. Sturge, Vice-President and Chief Financial Officer  
R. Henderson, Manager System Operations & Integration Support  
R. Hull, General Manager Commercial & Financing

**Secretary:** W. Chamberlain

**690. CONSTITUTION OF THE MEETING**

Notice for the meeting was forwarded to Directors on July 24, 2012. A quorum of Directors being present, the meeting was declared duly called and validly constituted for the transaction of business.

Mr. Sturge, Mr. Henderson and Mr. Hull joined the meeting.

**691. SAFETY MOMENT**

Mr. Keating provided a safety moment on tips for safely walking alone and recalled an incident in Corner Brook where a woman was attacked when walking a trail.

**692. APPROVAL OF NALCOR ENERGY AND  
EMERA INC. AGREEMENTS**

Mr. Hull advised that the due diligence process of the Nalcor Energy/Emera Inc. agreements was concluded and noted that there were 189 items identified, the large majority of which were viewed as being minor in nature. The items were further discussed and negotiated and the issues list was narrowed to approximately 10 issues which were successfully negotiated last Wednesday with the involvement and assistance of the respective CEOs. He further noted that there were no material issues requiring further discussion with the Board.

Mr. Martin advised that the previously negotiated Term Sheet was helpful in assisting the parties to conclude the outstanding issues and the final negotiated positions were where we expected to be. He further advised that with respect to the agreements that we were successful in including legislative stability in not only Nova Scotia and New Brunswick but also with respect to the State of Maine. We were successful in including a dispute resolution remedy with respect to their commitment to provide additional investment opportunities to Nalcor regarding future Emera Inc. investment opportunities. He also summarized how a difference of opinion regarding the structure of paying for transmission rights after initial term of the agreement was resolved.

He also provided an overview of the key elements of the agreements overall noting that the power being exported is excess power which can be exported until required. In return for providing Emera Inc. with the Nova Scotia block, Emera will build the Maritime Link and provide Nalcor with ownership of all of the transmission rights of the Maritime Link above that is required to deliver the Nova Scotia block at no cost. We will also have a right to transmission access in Nova Scotia, New Brunswick and Maine and only pay when we transmit power. Emera is also provided with an opportunity to invest in the Island Transmission Link and we have a similar opportunity to invest in Emera future business opportunities.

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Mr. Martin advised that a Shareholder communications strategy is being developed announcing the signing of Nalcor Energy/Emera Inc. agreements and Dawn Dalley and Brian Crawley are working on a communications plan. There is sensitivity as to there being a timely communications and disclosure of the agreements as Emera Inc. has specific obligations as a publicly traded company.

He also provided an overview of the current status of the negotiations regarding the federal loan guarantee and the complexity of the issues related to the timing and its application with regard to Project sanction and the Emera agreements.

He advised that capital costs have increased as a result of dam design changes, overhead transmission voltage, mapping of the transmission route and cost to locate the engineering in the Province and that the biggest cost risk will be labour, although this is being managed in an effective manner.

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

**WHEREAS** the Corporation and Emera Inc. 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** the Term Sheet contemplates that the Corporation and Emera will enter into a number of agreements in respect of the Lower Churchill Project;

**BE IT RESOLVED THAT:**

1. The Corporation be and it is hereby authorized to do the following:
  - (a) to enter into with Emera the Maritime Link – Joint Development Agreement which provides for the sanction, design, engineering, construction and commissioning of the Maritime Link;
  - (b) to enter into with Emera the Energy and Capacity Agreement which provides for the purchase by Emera and the sale by Nalcor of the Nova Scotia Block;
  - (c) to enter into with Emera the Maritime Link (Nalcor)

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- Transmission Service Agreement which provides for the provision of Transmission Rights by Emera to Nalcor over the Maritime Link;
- (d) to enter into with Emera the Nova Scotia Transmission Utilization Agreement which provides for the provision of the Nova Scotia Transmission Rights by Emera to Nalcor;
  - (e) to enter into with Emera the New Brunswick Transmission Utilization Agreement which provides for transmission service for Nalcor in and through the Province of New Brunswick;
  - (f) to enter into with Emera the MEPCO Transmission Rights Agreement which provides for the use by Nalcor of the MEPCO Transmission Rights;
  - (g) to enter into with Emera the Joint Operations Agreement which provides for the operation and maintenance of the Maritime Link, the Labrador-Island Link and the Labrador Transmission Assets, and the eventual delivery of the Maritime Link to Nalcor;
  - (h) to enter into with Emera, Labrador-Island Link General Partner Corporation, Labrador-Island Link Holding Corporation and ENL Island Link Incorporated the Newfoundland and Labrador Development Agreement which establishes the Joint Development Committee for the non-Maritime Link assets (the Muskrat Falls Plant, the Labrador Transmission Assets and the Labrador-Island Link) forming part of the Lower Churchill Project, confirms the ownership structure that applies to them, 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 LIL Partnership);
  - (i) to enter into with Emera, Her Majesty in Right of Newfoundland and Labrador and Her Majesty in Right of Nova Scotia the Inter-Provincial Agreement which provides the commitment of Newfoundland and Labrador and Nova Scotia to support the Project; and
  - (j) to enter into with Emera the Supplemental Agreement which establishes a formal memorandum of certain possible future transactions and activities between the Corporation and Emera that could be of mutual benefit.

Capitalized terms used in this Section 1 have the meaning given in the applicable agreement being referenced.

2. Each of the Maritime Link – Joint Development Agreement, the Energy and Capacity Agreement, the Maritime Link (Nalcor) Transmission Service Agreement, the Nova Scotia Transmission Utilization Agreement, the New Brunswick Transmission Utilization Agreement, the MEPCO Transmission Rights Agreement, the Joint Operations Agreement, the Newfoundland and Labrador Development Agreement, the Inter-Provincial Agreement and the

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Supplemental Agreement (collectively the "Nalcor/Emera Agreements") business summaries, briefings and updates on which have been provided to the board of directors, be and the same are hereby approved, and the Corporation is hereby authorized to execute and deliver each of the said agreements and to perform its obligations thereunder.

3. Any two of the officers or directors of the Corporation be and are hereby authorized and directed to execute and deliver each of the Nalcor/Emera Agreements with such amendments or variations thereto as they may approve. The execution by such officers or directors shall be conclusive proof that the Corporation has authorized such officers or directors to execute the agreements in the form in which they have been executed.
4. Any two of the officers or directors of the Corporation 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 and other instruments, agreements, certificates, assignments, acknowledgements, declarations, documents, undertakings and writings as in their opinion may be necessary or desirable to complete the transactions contemplated by the Nalcor/Emera Agreements or any of the agreements or schedules referred to in the Nalcor/Emera 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.

**693. APPROVAL OF INCORPORATION OF NALCOR ENERGY  
SUBSIDIARIES (LOWER CHURCHILL PROJECT)**

Mr. Martin advised that Mr. Sturge and the Finance team have developed a corporate structure that meets the needs and requirements of the lenders and also aligns with the requirements of the parties involved in the development of the Project.

Mr. Sturge noted that as per a previous presentation to the Board it is anticipated that there will be seven or eight new entities and that there is an immediate need to create two new corporate entities that would be a party to two of the Nalcor Energy/Emera agreements related to the Labrador-Island Link. These two

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corporate entities are being created to address tax related issues since Emera Inc. is a taxable entity and Nalcor Energy is tax exempt and as a result a limited liability partnership is being created to permit Nalcor Energy to maintain its tax exempt status and associated tax advantages.

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

**THAT** the incorporation of a subsidiary of the Corporation to be called Labrador-Island Link General Partner Corporation is hereby approved, the objects of which shall include:

- acting as the General Partner for a limited partnership to be established under the Limited Partnership Act (Newfoundland Labrador) for the purpose of designing, engineering, constructing, commissioning, owning, financing, operating and maintaining the assets and property constituting the electricity transmission facilities to be constructed from central Labrador to Soldiers Pond, Newfoundland and Labrador (including leasing such assets) and all activities ancillary and incidental thereto;
- and such other activities as are permitted pursuant to Section 5 of the Energy Corporation Act and are approved by Nalcor Energy.

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

**THAT** the incorporation of a subsidiary of the Corporation to be called Labrador-Island Link Holding Corporation is hereby approved, the objects of which shall include:

- holding limited partnership interests in a limited partnership to be established under the Limited Partnership Act (Newfoundland and Labrador) for the purpose of designing, engineering, constructing, commissioning, owning, financing, operating and maintaining the assets and property constituting the electricity transmission facilities to be constructed from central Labrador to Soldiers Pond, Newfoundland and Labrador (including leasing such assets) and all activities ancillary and incidental thereto;

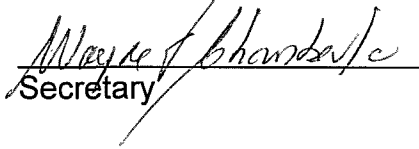
- and such other activities as are permitted pursuant to Section 5 of the Energy Corporation Act and are approved by Nalcor Energy.

**694. OTHER BUSINESS**

Mr. Chamberlain provided the Board with an update on the current status of the two Judicial Review Applications before the Federal Court.

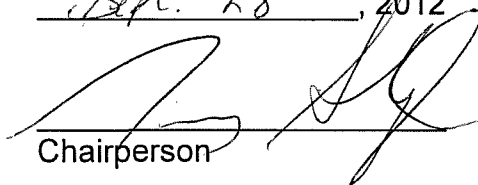
**695. TERMINATION**

There being no further business, the meeting was terminated.

  
Secretary

Verified at a meeting held on

Sept. 28, 2012

  
Chairperson