

MINUTES OF THE SEVENTY-SECOND MEETING OF THE BOARD OF DIRECTORS OF NALCOR ENERGY HELD IN THE BOARDROOM, LEVEL 6, HYDRO PLACE, ST. JOHN'S, NEWFOUNDLAND AND LABRADOR ON TUESDAY, DECEMBER 3, 2013 AT 08:30 A.M.

Present in Person: E. Martin

Present by Phone: T. Styles, Chair
T. Clift
K. Marshall
L. Abbass
A. Hawkins
G. Shortall

Absent: E. Breen

Present by Invitation: R. Daw, Member, Board of Director of Muskrat Falls Corporation (by phone)
J. Quaicoe, Member, Board of Director of Muskrat Falls Corporation (by phone)

Present by Invitation: D. Sturge, Vice-President Finance and Chief Financial Officer
J. Meaney, General Manager Finance, Lower Churchill Project
G. Bennett, Vice-President Lower Churchill Project

Secretary (acting): P. Hickman

901. CONSTITUTION OF THE MEETING

A Notice had been forwarded to all members of the Board. A quorum being present, the meeting was declared duly called and validly constituted for the transaction of business.

902. SAFETY MOMENT

Mr. Hickman provided a safety moment with respect to slips, trips and falls.

Mr. Marshall noted a recent motor vehicle accident that had occurred in New Brunswick involving four young people, all of whom died as a result of the accident and all of whom were not wearing their seatbelts.

903. LCP FINANCING

Mr. Martin reported to the Board that the Federal Government has confirmed that they will be providing a loan guarantee ("FLG") for the financing of the Lower Churchill Project. He stated that this confirmation had been received the night before. All condition precedents relating to the provision of the FLG had been satisfied and appropriate documentation will be executed in the coming days.

Mr. Sturge then reviewed the schedule of activities over the coming two weeks with respect to the financing. He anticipated financing being in place by the end of the following week.

904. HEDGING

Mr. Sturge stated that the Toronto-Dominion Bank has advised the Corporation that it should hedge the interest rate risk associated with the LCP financing. He said that the risk is associated with the Government of Canada rate, as this rate could increase between now and the time of the closing of the financing. The advice is that Nalcor should lock in the Government of Canada rate for a portion of the financing. This will off-set any instability in the market, as putting hedges in place will help to stabilize the market. The more hedging that is put in place, the more stable the rates will be, but there are limitations on the amount that can be hedged. The Corporation only has four days available to hedge, which limits the amount of hedging that can be put in place. Mr. Sturge stated that the hedges are not without risk and as Muskrat Falls has no credit and the FLG does not apply to hedges, Nalcor will need to guarantee the hedges. Any losses that occur will then have to be covered by Nalcor, so if rates do go down during the

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hedging period, Nalcor will have to provide money to Muskrat Falls to cover the associated losses. Mr. Sturge noted that as Government will not provide Nalcor with any more equity, Nalcor will have to fund any such loss out of its operating line, so that is also limiting the amount of the hedging. Mr. Sturge noted that any reduction in the rates will be beneficial in the long run, as it will mean lower rates for the financing of the project. He emphasized that TD Bank is adamant that Nalcor/Muskrat Falls should undertake this hedging.

Mr. Martin stated that consideration had been given to delaying the financing to mid-January which would allow more time to put additional hedging in place, which would lead to more stability in the market. However, it was agreed that an unanticipated event causing an increase in rates could occur in the interim. The market is very good at the present time, so it was agreed that the financing should go ahead at this time. The Board agreed with this assessment.

The Board discussed the hedging proposal and agreed that it should be done. They also agreed that it should approve as much hedging as can be put in place up to an amount of \$2.5 billion.

On motion duly made by G. Shortall, seconded by E. Martin and unanimously carried, it was resolved:

Approval to Management to execute a Guarantee to TD Bank to guarantee the bond forward hedging obligations of Muskrat Falls Corporation (not to exceed \$2.5 billion) to be executed as required by Muskrat Falls Corporation upon issue of the Federal Loan Guarantee by Canada to the Indenture Trustee of the Muskrat Falls/LTA Funding Vehicle, with the bond forwards to be settled on the date that the Muskrat Falls/LTA Funding Vehicle debt is priced (currently estimated to be December 10, 2013) and paid on the Settlement Date for the bonds.

Mr. Marshall inquired about the status of the Federal Environmental approval and whether or not full approval had been obtained. Mr. Bennett noted that while full

approval has been obtained, an application for judicial review can be filed by a third party within 30 days of that approval.


The Board commended the team on the work that was done to put the FLG in place. Mr. Martin thanked the Directors for their support over the years with respect to the Lower Churchill Project.

Mr. Sturge outlined the institutions involved in the syndicate that will be undertaking the financing. This aligns with the Province's syndicate for its financings.

905.

TERMINATION

There being no further business, the meeting was terminated.


Secretary

Verified at a meeting held on

March 27, 2014


Chairperson