

Date : 4/30/2012 8:17:28 PM

From : "Bown, Charles W."

To : "'DSturge@nalcenergy.com'"

Subject : Fw: Oliver Letters

Attachment : Oliver Letter - CWB april 30 CLEAN.doc; Oliver Letter - CWB april 30.doc;

Derrick

I made some edits to improve flow but keep the same message. I've attached clean and tracked versions.

Charles

Sent Via BlackBerry

From: Charles Bown <charleswesleybown@ [REDACTED]>

To: Bown, Charles W.

Sent: Mon Apr 30 20:15:42 2012

Subject: Oliver Letters

Thank-you for your letter of April 12, 2012, updating me on your progress in implementing the Memorandum of Agreement (“MOA”) that would see the federal government provide a loan guarantee on the debt financing related to Muskrat Falls generation, the Labrador Transmission Assets, and the Labrador Island Link (the “Nalcor Projects”), and the Maritime Link.

I am pleased to inform you that Nalcor Energy (“Nalcor”) and Emera Inc. have agreed on draft Formal Agreements which provide the legal framework for all of the items included in the November 18, 2010 Term Sheet. I have been advised that these draft Formal Agreements have now been included in the data room and the final Formal Agreements will be provided once executed. I was pleased to note in your letter the confirmation that Nalcor has provided all of the required due diligence information necessary for the Nalcor Projects. I also acknowledge from your letter that Emera Inc. will not be in a position to provide all of the required information for the Maritime Link until the second quarter 2013.

The Nalcor Projects and the Maritime Link are being developed to meet future demand in Newfoundland and Labrador, to supply energy to Emera Inc., and to provide transmission access to enable Nalcor to access markets in the Maritime provinces and the U.S. Northeast. In order to achieve these objectives, the Nalcor Projects must be sanctioned and construction activity must commence in 2012.

A requirement that must be met prior to project sanction is a formal assessment of effective financing for the Nalcor Projects. This requirement cannot be satisfied until the federal loan guarantee term sheets are finalized and obtained for the Nalcor Projects. The financing assessment process will require that Nalcor provide the federal loan guarantee term sheets to potential lenders who will, in turn, be relying on these documents in preparing their offers to provide project financing. Nalcor will be selecting one of the financing proposals and then entering into a financing commitment leading to a financial close in 2013 and final federal loan guarantee formal agreements will be required at that time.

In order to address the delay in receiving the required data from Emera Inc, you propose to waive the requirement for credit rating information related to the Maritime Link project as a condition to commencing discussions on the respective term sheets and that you will work with available information to perform your due diligence. We recognize that the credit ratings may be a condition attached to the completion of the federal loan guarantee formal agreements for the Maritime Link. However, as noted above, it is critical that Nalcor has certainty regarding the federal loan guarantee term sheets for the Nalcor Projects in 2012 to obtain the financing commitments from lenders. Once Nalcor commences the financing process on the basis of the federal loan guarantee term sheets there cannot be delay based on the availability of information from Emera Inc. Any change to the availability of the guarantee would likely result in a significant time delay and negative cost impact on the Nalcor Projects and the Maritime Link.

We interpret your letter to mean that the federal loan guarantee term sheets will be concluded within eight weeks commencing immediately as contemplated in the MOA. This will allow Nalcor to move quickly thereafter to sanction the project and to secure its project financing arrangements in the marketplace, with the support of the federal loan guarantee. Your confirmation is requested so that we may know our two governments are fully aligned in our goals and expectations.

This collaboration between the Governments of Nova Scotia, Canada, and Newfoundland and Labrador is an excellent model of economic and environmental policy for the country. We are proud of this partnership and look forward to the benefits it will bring to all parts of Canada.

Thank-you for your letter of April 12, 2012, updating me on your progress in implementing the Memorandum of Agreement ("MOA") that would see the federal government provide a loan guarantee on the debt financing related to Muskrat Falls generation, the Labrador Transmission Assets, and the Labrador Island Link (the "Nalcor Projects"), and the Maritime Link (the "Nalcor Projects").

I am pleased to inform you that Nalcor Energy ("Nalcor") and Emera Inc. have agreed on draft Formal Agreements ~~on which both parties are now completing their final due diligence prior to execution, which provide the legal framework for all of the items included in the November 18, 2010 Term Sheet. I have been advised that these draft Formal Agreements~~ We have now been included ~~these draft Formal Agreements~~ in the data room and ~~will provide you with~~ the final Formal Agreements will be provided once executed. ~~Should any changes to the drafts arise out of our due diligence process we will advise you of the nature of the changes. These Formal Agreements provide the legal framework for all of the items included in the November 18, 2010 Term Sheet.~~ I was pleased to note in your letter the confirmation that Nalcor has provided all of the required due diligence information necessary for the ~~Muskrat Falls, the Labrador Transmission Assets and the Labrador Island Link~~ Nalcor Projects. I also acknowledge from your letter that Emera Inc. will not be in a position to provide all of the required information for the Maritime Link until the second quarter 2013.

The Nalcor Projects and the Maritime Link are being developed to meet future demand in Newfoundland and Labrador, to supply energy to Emera Inc., and to provide transmission access to enable Nalcor to access markets in the Maritime provinces and the U.S. Northeast. In order to achieve these objectives, the Nalcor Projects must be sanctioned and construction activity must commence in 2012.

One-A requirement that must be met prior to project ~~sanctioning the Nalcor Projects~~ is a ~~formal~~ appropriate assessment of ~~obtaining~~ effective financing ~~for~~ the Nalcor Projects. This requirement ~~cannot be satisfied until is achieved under a federal loan guarantee when~~ the federal loan guarantee term sheets are finalized and obtained for the Nalcor Projects ~~which can then be used to start the financing process. This financing process will commence after sanction later in 2012 by engaging in discussions with prospective project lenders with respect to construction and long-term debt financing. The financing assessment process will require that~~ Nalcor ~~will~~ provide the ~~final~~ federal loan guarantee term sheets to ~~these~~ potential lenders who will, in turn, be relying on these documents in preparing their offers to provide project financing ~~to Nalcor~~. Nalcor will be selecting one of the financing proposals and then entering into a financing commitment leading to a financial close in 2013 and final federal loan guarantee formal agreements will be required at that time.

In order to address the delay in receiving the required data from Emera Inc, you propose to waive the requirement for credit rating information related to the Maritime Link project as a condition to commencing discussions on the respective term sheets and that you will work with available information to perform your due diligence. We recognize that the credit ratings may be a condition attached to the completion of the federal loan

guarantee formal agreements for the Maritime Link. However, as noted above, it is critical that Nalcor has certainty regarding the federal loan guarantee term sheets for the Nalcor Projects in 2012 to obtain the financing commitments from lenders. Once Nalcor commences the financing process on the basis of the federal loan guarantee term sheets there cannot be delay based on the availability of information from Emera Inc.; A-any change to the availability of the guarantee would likely result in a significant time delay and negative cost impact on the Nalcor Projects and the Maritime Link.

We interpret your letter to mean that the federal loan guarantee term sheets will be concluded within eight weeks commencing immediately as contemplated in the MOA. This will allow Nalcor to move quickly thereafter to sanction the project and to secure its project financing arrangements in the marketplace, with the support of the federal loan guarantee. Your confirmation is requested so that we may know our two governments are fully aligned in our goals and expectations.

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