

THIS AGREEMENT is made the 29th day of November, 2013.

BETWEEN:

HER MAJESTY THE QUEEN IN RIGHT OF CANADA, as represented by
the Minister of Natural Resources

("Canada")

HER MAJESTY IN RIGHT OF NEWFOUNDLAND AND LABRADOR, as
represented by the Minister of Natural Resources, the Minister for
Intergovernmental Affairs, and the Minister of Finance

("NL")

(each a "Party" and collectively the "Parties")

WHEREAS:

- A. Nalcor Energy, a Crown corporation of NL ("Nalcor") is undertaking an infrastructure project consisting of three components to be constructed by Nalcor through subsidiary corporations: (1) an 824 MW generating facility to be located at Muskrat Falls, Labrador, and to be 100% owned by Nalcor ("MF"); (2) a 345 kV HVac transmission interconnection system between Muskrat Falls and Churchill Falls and to be 100% owned by Nalcor ("LTA"); and (3) a HVDC transmission line connecting the Island of Newfoundland to the generation facilities in Labrador ("LIL" collectively with MF and LTA, the "Projects") which Nalcor will develop but in which Emera Inc., via a Newfoundland and Labrador corporate entity, will have an opportunity to invest;
- B. On 30 November 2012, Canada, Nalcor, NL, Emera Inc. and Her Majesty in Right of Nova Scotia executed an agreement (the "FLG Agreement") providing for the key terms and conditions for the guarantee by Canada (the "Federal Loan Guarantee") of the debt financing of the Projects in which Canada committed to provide a loan guarantee to support the financing of the Projects;
- C. The FLG Agreement contained as a condition precedent to provision of the Federal Loan Guarantee that Canada and NL execute an intergovernmental agreement in which, amongst other requirements, NL agreed to indemnify Canada for any costs that it may incur under the Federal Loan Guarantee as a result of a regulatory decision or regulatory change (including through legislation or policy) that prevents the Project Entities from being able to recover Project Costs and fully service the debt guaranteed by Canada under the Federal Loan Guarantee;
- D. The Formal Agreements have been negotiated to implement the commitment contained in the FLG Agreement. As a condition of execution of the Formal Agreements, Canada and NL have requested the assurances contained herein.

NOW, THEREFORE, the Parties agree for good and valuable consideration as follows:

Definitions

1. The capitalized words and expressions, wherever used in this Agreement shall have the meanings ascribed thereto in Schedule "A" hereof.

Effective Date

2. Notwithstanding any provision of this Agreement, this Agreement shall only come into force and effect upon the execution of the Guarantee Agreements (the "Effective Date").

NL Commitments in FLG 3.5 A(v)(a)

3. It is acknowledged and agreed that the commitments of NL to Canada outlined in Schedule "A" of the FLG Agreement have been satisfied by the actions referenced in Schedule "B" hereof.

NL Commitments in FLG 3.5 A(v)(b)

4. NL hereby agrees to indemnify Canada for any Costs that Canada may incur under the Federal Loan Guarantee as a result of a Government Action that prevents a Project Entity from being able to recover Project Costs and fully servicing its Project Debt, which would otherwise permit the relevant Funding Vehicle to fully service its Guaranteed Debt (each an "Indemnifiable Event").

5. For the purposes of Section 4,

"Government Action" means a regulatory decision or regulatory change (including through legislation or policy) by NL (or the Board of Commissioners of Public Utilities of Newfoundland and Labrador) which results in an Indemnifiable Event unless and except for such actions which are:

- (a) undertaken with the consent of Canada or Canada's authorized representatives; or
- (b) required as a consequence of a regulatory decision or regulatory change (including through legislation or policy) made by Canada, provided that:
 - NL has given Canada prior written notice of such required action; and
 - Canada, acting reasonably, agrees that the action was required as a consequence of a regulatory decision or regulatory change made by Canada.

NL Commitments in FLG 3.5 (A)(v)(c)

6. In the event that any failure to complete the Projects by the relevant Project Entity arises as a consequence of the failure of NL to comply with the commitments and requirements as outlined in Schedule B hereto, NL: (i) hereby indemnifies Canada for any Costs that Canada may incur under the Federal Loan Guarantee as a result of any Project not achieving Commissioning as defined in the MF/LTA MDA and the LIL MDA applicable to such Project and (ii) hereby acknowledges and confirms that the equity contribution obligations of Nalcor under the equity support agreements and of NL under the equity support guarantees (collectively, the "Equity Support Agreements") described in Schedule C, remain in full force and effect in accordance with their respective terms.

Mechanics of Indemnification

7. Each of NL and Canada agrees to promptly notify the other of them upon becoming aware of a Government Action or default of the requirements pursuant to Schedule B as to the indemnities at sections 4 and 6 where the Party notifying reasonably believes that a consequence that is indemnified for may arise. NL and Canada will consult and cooperate to attempt to resolve situations potentially giving rise to the obligation of indemnity hereunder, each to work in good faith to resolve the identified event. Each of NL and Canada shall share the information requested by

the other of them in connection with the notified potential claim for indemnity, each to respond promptly to requests for information, and meetings or consultation, pursuant to the agreement to consult, cooperate and work in good faith.

8. Despite section 7, Canada shall be entitled to require payment pursuant to the indemnities set out in this Agreement at sections 4 and 6 by issuing demand therefor upon the occurrence of the relevant matter so indemnified. Payment shall be made by NL within five (5) business days of such written demand from Canada and shall be made on a payment-by-payment basis, or, if the Guaranteed Debt is redeemed by Canada or Canada is exercising its rights to prepay in full the Guaranteed Debt, on a redemption or prepayment basis at Canada's discretion. Failure by Canada to promptly provide NL with a written demand shall not relieve NL of its obligations hereunder.
9. Canada agrees that if at any time the consultation, cooperation and discussions between NL and Canada as described above result in a written agreement to a remedy, or solution, that such will, upon satisfaction of such agreed remedy or solution, be deemed to have remedied and satisfied the event, and the indemnity arising in connection therewith.
10. An event giving rise to indemnity as to the indemnities at sections 4 and 6 will only be waived by an agreement of waiver in writing provided by Canada to NL, and will not be waived by the undertaking of consultation or cooperation as provided.

Dispute Resolution

11. All questions, differences, claims and disputes arising out of or in connection with subparagraph 5(b) (a "Dispute") shall be resolved by arbitration.
12. The arbitration will be conducted by a single arbitrator. Any Party hereto (the "Complainant") may initiate arbitration by giving written notice in the manner provided for in Section 26 of this Agreement to the other Party (the "Respondent") of the Complainant's desire to submit a Dispute to arbitration in accordance with this Section (the "Complaint").
13. The Complaint shall describe with reasonable particularity the subject-matter of the Dispute and shall nominate an arbitrator (the "Proposed Arbitrator"). The Proposed Arbitrator shall determine the Dispute unless, within ten (10) calendar days of receipt of the Complaint (the "Response Period"), a Respondent, by written notice to the Complainant, objects to the appointment of the Proposed Arbitrator. If, within the Response Period, a Respondent objects to the appointment of the Proposed Arbitrator and the Complainant and the Respondents do not otherwise agree on the appointment of an arbitrator, the arbitrator may be appointed by a judge of the Supreme Court of Newfoundland and Labrador upon application of either Party.
14. The arbitration shall take place in St. John's, NL.
15. Except as otherwise provided in this Section, the arbitration will be governed by the *Arbitration Act*, NL. To the extent not otherwise provided for in this Section, the procedure to be followed, including the confidentiality of any element of the arbitration, will be as agreed to by the Parties or, in default of such agreement, as determined by the arbitrator.
16. Unless the arbitrator otherwise determines, the fees of the arbitrator and the costs and expenses of the arbitration will be borne and paid equally by the Parties.
17. The decision of the arbitrator shall be final and binding as between the Parties to this Agreement and there shall be no rights of appeal of any kind. Judgment upon the award, including any interim award, rendered by the arbitrator, may be entered in any court having jurisdiction.

General Clauses

18. This Agreement shall terminate (i) with respect to the provisions of section 6 upon Commissioning of all Projects as defined in the MFLTA MDA and LIL MDA, and (ii) with respect to the provisions of section 4 upon the indefeasible payment in full of all amounts payable under the Operative Documents provided that if payment has been made by Canada pursuant to the requirements of the Guarantee Agreements then this Agreement shall terminate with respect to the provisions of Section 4 upon the indefeasible payment in full of all amounts payable to Canada as satisfaction and reimbursement of Costs incurred by Canada pursuant to the Guarantee Agreements.
19. Each Party hereby agrees with the other Party making this Agreement public at any time and from time to time after this Agreement is executed by both Parties.
20. Each Party agrees to ensure early and full communication with the other Party in respect of any issues relating to the operation of this Agreement, the Formal Agreements and the Operative Documents.
21. This Agreement shall be governed and interpreted in accordance with the laws of the Province of Newfoundland and Labrador, and the laws of Canada applicable therein, and any proceeding will be brought exclusively in the Supreme Court of Newfoundland and Labrador, subject to any right to appeal.
22. This Agreement may be executed in any number of counterparts, each of which will be considered an original of this Agreement, and which together will constitute one and the same instrument. No Party will be bound to this Agreement unless and until both Parties have executed a counterpart. A facsimile signature or an otherwise electronically reproduced signature of either Party shall be deemed to be an original.
23. No assignment or transfer of any rights hereunder may be made by either Party without the express written consent of the other Party.
24. It is the intention of each of Canada and NL that this Agreement constitutes a commercial agreement which is legally binding on each of them and enforceable in accordance with its terms. Neither Party shall: (1) make any claim or pursue any action, suit or proceeding whatsoever challenging the validity, enforceability, or effectiveness of any provision of this Agreement; or (2) participate in or co-operate with any other party to pursue any such action, suit or proceeding, it being the intention that each Party is proceeding with the arrangements between them on the basis that this Agreement is enforceable.
25. No modification, amendment or waiver of the obligations or terms of this Agreement shall be effective unless made in writing and signed by each of the Parties.
26. All notices or other communication contemplated to be given by Canada or NL under this Agreement shall be in writing and delivered personally or by courier or mailed by registered mail, postage prepaid and return receipt requested, to the applicable address set out below or to such other address as a party hereto may from time to time designate to the other parties set out below in such manner:

To Canada:

Director General
Natural Resources Canada
Electricity Resources Branch

580 Booth Street, 17th Floor, Room: C7-2
Ottawa, Ontario K1A 0E4
Canada

Attention: Mr. Jonathan Will

With a copy to:

Director, Renewable and Electrical Division
Natural Resources Canada
Renewable and Electrical Energy Division

580 Booth Street, 17th Floor, Room: B7-3
Ottawa, Ontario K1A 0E4
Canada

Attention: Mr. Anoop Kapoor

To NL:

Government of Newfoundland and Labrador
Department of Natural Resources
P. O. Box 8700
St. John's, NL
A1B 4J6

Attention: Deputy Minister

With a copy to:

Government of Newfoundland and Labrador
Department of Natural Resources
P. O. Box 8700
St. John's, NL
A1B 4J6

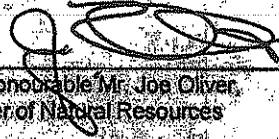
Attention: Associate Deputy Minister - Energy

Notices given by personal delivery, by courier or mail shall be effective upon actual receipt.

[Signature Page to follow on the next page]

Executed as of the 29th day of November, 2013

HER MAJESTY THE QUEEN IN RIGHT OF CANADA, as
represented by THE MINISTER OF NATURAL
RESOURCES



The Honourable Mr. Joe Oliver,
Minister of Natural Resources

HER MAJESTY IN RIGHT OF NEWFOUNDLAND AND
LABRADOR



The Honourable Demick Dalley,
Minister of Natural Resources



The Honourable Steve Kent,
Minister for Intergovernmental Affairs



The Honourable Thomas W. Marshall, O.C.,
Minister of Finance

SCHEDULE "A"**DEFINITIONS**

"Agreement" means this agreement, including all schedules, as it may be modified, amended, supplemented, or restated from time to time by written agreement between the Parties;

"Business Day" means any day that is not a Saturday, Sunday or legal holiday recognized in the City of St. John's, NL or in Ottawa, ON;

"Canada" has the meaning ascribed thereto in the introduction to this Agreement;

"Costs" includes costs, losses, claims, liabilities, actions or damages incurred by Canada, net of all recoveries in respect of such costs, losses, claims, liabilities, actions or damages, including amounts recovered by Canada in any Realization Proceeding or Enforcement Proceeding undertaken by Canada, without obligation on the part of Canada to take such Realization Proceeding or Enforcement Proceeding;

"Effective Date" has the meaning ascribed thereto in section 2 hereof;

"Enforcement Proceeding" with respect to any person (which in this Agreement shall include a partnership and a trust), refers to any personal action, provisional measure, any other real or personal right, any other remedy whether same is exercised under the terms of any security or any other recourse whatsoever and including, without limitation:

1. the right to accelerate any indebtedness owed to such person or to demand payment of any indebtedness payable on demand or to demand payment under any guarantee;
2. the right to institute or prosecute any litigation, legal action, lawsuit or other proceeding (whether civil or administrative) by or before any governmental authority;
3. the right, whether legal or contractual, to effect set-off;
4. the right to initiate or prosecute Insolvency Proceedings or Realization Proceedings; and the exercise of the rights of a creditor under any Insolvency Proceeding;

"Federal Loan Guarantee" has the meaning ascribed thereto in paragraph B of the recitals;

"FLG Agreement" has the meaning ascribed thereto in paragraph B of the recitals;

"Formal Agreements" means, as applicable, (i) the Guarantee Transaction Documents as defined in the MF/LTA MDA and (ii) the Guarantee Transaction Documents as defined in the LIL MDA;

"Funding Vehicle" means, as applicable, (i) the Funding Vehicle as defined in the MF/LTA MDA and (ii) the Funding Vehicle as defined in the LIL MDA;

"Government Action" has the meaning ascribed thereto in section 5 hereof;

"Guarantee Agreements" means, as applicable, (i) the Federal Loan Guarantee as defined in the MF/LTA MDA and (ii) the Federal Loan Guarantee as defined in the LIL MDA;

"Guaranteed Debt" means, as applicable, the Guaranteed Obligations as such term is defined in each of the Guarantee Agreements;

"Indemnifiable Event" has the meaning ascribed thereto in section 4 hereof;

"Insolvency Proceeding" refers to any proceeding in connection with:

1. an assignment for the benefit of creditors, the filing of a petition in bankruptcy, a proposal or a notice of intention under the *Bankruptcy and Insolvency Act* (Canada) or any other similar law of any other jurisdiction;
2. the adjudication of any person as insolvent or bankrupt;
3. the petition or application to any tribunal for any receiver, trustee, liquidator or sequestrator of any person or for any portion of such person's property; or
4. any person or any property of any person under the *Bankruptcy and Insolvency Act* (Canada), the *Companies' Creditors Arrangement Act* (Canada), the *Corporations Act* (NL) or any other reorganization, arrangement, readjustment, composition, dissolution, winding-up or liquidation law of any jurisdiction, whether now or hereafter in effect;

"LIL" has the meaning ascribed thereto in paragraph A of the recitals;

"LIL MDA" means the master definition agreement dated on or about the date hereof entered into among Canada, NL, and others in relation to LIL, as same may be amended, restated, supplemented or otherwise modified or replaced from time to time;

"LTA" has the meaning ascribed thereto in paragraph A of the recitals;

"MF" has the meaning ascribed thereto in paragraph A of the recitals;

"MF/LTA MDA" means the master definition agreement dated on or about the date hereof entered into among Canada, NL, and others in relation to MF and LTA, as same may be amended, restated, supplemented or otherwise modified or replaced from time to time;

"Nalcor" has the meaning ascribed thereto in paragraph A of the recitals;

"NL" has the meaning ascribed thereto in the introduction to this Agreement;

"Nova Scotia" means Her Majesty in Right of Nova Scotia;

"Operative Documents" means, collectively (i) the Muskrat/LTA Project Finance Documents as defined in the MF/LTA MDA and (ii) the Project Finance Documents as defined in the LIL MDA;

"Party" and **"Parties"** have the meaning ascribed thereto in the introduction to this Agreement;

"Projects" have the meaning ascribed thereto in paragraph A of the recitals and "Project" shall mean any one of them;

"Project Costs" means, as applicable, (i) MF Project Costs and LTA Project Costs as defined under the MF/LTA MDA and (ii) Project Costs as defined under the LIL MDA;

"Project Debt" means, collectively, all present and future indebtedness, liabilities, and obligations of any kind, nature, or description whether direct or indirect, joint or several or joint and several, absolute or contingent, matured or unmatured of any Project Entity arising, as applicable, under (i) the Muskrat/LTA Project Finance Agreement as defined in the MF/LTA MDA and (ii) the LIL Project Finance Agreement as defined in the LIL MDA;

"Project Entities" means Muskrat Falls Corporation, Labrador Transmission Corporation and Labrador - Island Link Limited Partnership;

"Realization Proceeding", with respect to any person refers to:

1. any remedy or recourse granted to such person against another person or the properties or assets of such other person as a result of such first person holding, directly or beneficially, liens, mortgages or security interests on the properties or assets of such other person including, without limitation:
 - i. the right to require the surrender of the properties or assets subject to such liens, mortgages or security interests;
 - ii. the right to exercise any mortgage recourse or to foreclose on the properties or assets subject to such liens, mortgages or security interests;
 - iii. the right to withdraw any authorization to collect accounts subject to such liens or security interests;
 - iv. the right to vote any capital stock subject to such liens or security interests or to withdraw any power of attorney to vote any such Capital Stock; and
 - v. the right to take possession, administer, sell or lease any of the properties or assets subject to such liens, mortgages or security interests;
2. the right to seize or request the seizure of the properties or assets of any other person; and
3. the right to institute or prosecute any litigation seeking injunctive relief.

**SCHEDULE "B"
NL FLG AGREEMENT COMMITMENTS**

[NTD: Additions in the right-hand column under review by NL.]

	NL Commitment:	Satisfied By:
1	<p>Approve the creation of those subsidiaries or entities controlled by Nalcor which are required in order to facilitate the development and operation of MF, the LIL and the LTA, and to ensure Nalcor and existing and new subsidiaries or entities have the authorized borrowing powers required to implement the Projects and meet any related contractual or reliability obligations.</p>	<ul style="list-style-type: none"> • Orders-in-council (OIC) for each of MF, LIL & LTA (as per s. 14.1 of the <i>NL Energy Corporation Act</i> (the ECA) which provides for incorporation of subsidiaries by OIC • OIC authorizing Nalcor and subsidiaries to borrow and issue security for repayment by bonds, mortgages, etc. • Approval of Nalcor re: borrowing by subsidiaries (see s. 14.1(3) of the ECA) • Review of by-laws and board resolutions of Nalcor and subsidiaries
2	<p>Provide the base level and contingent equity support that will be required by Nalcor to support successful achievement of in-service for MF, the LTA and the LIL, in cases with and without the participation of Emera.</p>	<ul style="list-style-type: none"> • Execution of Equity Support Agreement and Equity Support Guarantee by Nalcor and NL respectively

<p>3</p>	<p>Ensure that, upon MF achieving in-service, the regulated rates for Newfoundland and Labrador Hydro ("NLH") will allow it to collect sufficient revenue in each year to enable NLH to recover those amounts incurred for the purchase and delivery of energy from MF, including those costs incurred by NLH pursuant to any applicable power purchase agreement ("PPA") between NLH and the relevant Nalcor subsidiary or entity controlled by Nalcor that will provide for a recovery of costs over the term of the PPA and relate to:</p> <ul style="list-style-type: none"> a) initial and sustaining capital costs and related financing costs (on both debt and equity), including all debt service costs and a defined internal rate of return on equity over the term of the PPA; b) operating and maintenance costs, including those costs associated with transmission service for delivery of MF power over the LTA (as described further in 5 below); c) applicable taxes and fees; d) payments pursuant to any applicable Impact & Benefit agreements; e) payments pursuant to the water lease and water management agreements; and f) extraordinary or emergency repairs. 	<ul style="list-style-type: none"> • Execution of (i) Power Purchase Agreement between Muskrat Falls Corporation (MF Co) and NL Hydro and (ii) Generator Interconnection Agreement (GIA) between MF Co, Labrador Transmission Corporation (LTA Co) and NL Hydro • OIC restraining the NL Board of commissioners of Public Utilities (PUB) from exercising its powers or performing its duties upon MF achieving in-service where such exercise or performance would result in regulated rates for NL Hydro insufficient to collect the revenue required to recover amounts incurred for the purchase and delivery of energy from MF Co
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<p>4</p>	<p>Ensure that, upon the LIL achieving in-service, the regulated rates for NLH will allow it to collect sufficient revenue in each year to enable NLH to recover those amounts incurred for transmission services, including those costs incurred by NLH pursuant to any applicable agreements between NLH, the LIL operating entity and/or the entity holding ownership in the LIL assets, that will provide for a recovery of costs over the service life of the LIL and relate to:</p> <ul style="list-style-type: none"> a) initial and sustaining capital costs of the LIL and related financing and debt service costs, including a specific capital structure and regulated rate of return on equity equal to, at least, a minimum value required to achieve the debt service coverage ratio agreed to in lending agreements by the LIL borrowing entity; b) operating and maintenance costs; c) applicable taxes and fees; and d) extraordinary or emergency repairs. 	<ul style="list-style-type: none"> • Execution of (i) Transmission Funding Agreement between Labrador-Island Link Limited Partnership (LIL LP), Labrador-Island Link Operating Corporation (LIL Opco) NL Hydro, (ii) the LIL Assets Agreement between LIL LP and LIL Opco and (iii) LIL Lease between LIL LP, LIL Opco and NL Hydro • OIC restraining the PUB from exercising its powers or performing its duties upon LIL achieving in-service where such exercise or performance would result in regulated rates for NL Hydro insufficient to collect the revenue required to recover amounts incurred for transmission services
<p>5</p>	<p>Ensure that, upon LTA achieving in-service, the regulated rates for the provision of transmission service over the LTA will provide for a recovery of costs over the service life of the LTA including initial and sustaining capital costs, operating and maintenance costs, extraordinary or emergency repairs, applicable taxes and fees and financing costs (on both debt and equity), including all debt service costs and a defined internal rate of return on equity over the term of any applicable agreement.</p>	<ul style="list-style-type: none"> • Execution of GIA • OIC restraining PUB from exercising its powers or performing its duties upon LTA achieving in-service where such exercise or performance would result in regulated rates insufficient to provide for a recovery of costs over the life of the LTA

SCHEDULE C**EQUITY SUPPORT AGREEMENTS**

LIL Equity Support Agreement entered into as of the 29th day of November, 2013, among Nalcor Energy, Labrador-Island Link Holding Corporation, Labrador-Island Link General Partner Corporation, Labrador-Island Link Limited Partnership and The Toronto-Dominion Bank, as Collateral Agent

Guarantee for LIL Equity Support Agreement entered into as of the 29th day of November, 2013, between Her Majesty the Queen in right of the Province of Newfoundland and Labrador and The Toronto-Dominion Bank, as Collateral Agent

MF Equity Support Agreement entered into as of the 29th day of November, 2013, between Nalcor Energy, Muskrat Falls Corporation and The Toronto-Dominion Bank, as Collateral Agent

Guarantee for MF Equity Support Agreement entered into as of the 29th day of November, 2013, between Her Majesty the Queen in right of the Province of Newfoundland and Labrador and The Toronto-Dominion Bank, as Collateral Agent

LTA Equity Support Agreement entered into as of the 29th day of November, 2013, between Nalcor Energy, Labrador Transmission Corporation and The Toronto-Dominion Bank, as Collateral Agent

Guarantee for LTA Equity Support Agreement entered into as of the 29th day of November, 2013, between Her Majesty the Queen in right of the Province of Newfoundland and Labrador and The Toronto-Dominion Bank, as Collateral Agent

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