

Sent: Tue, 26 Nov 2013 09:28:54 -0330

CIMFP Exhibit P-02125

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From: dsturje@nalcenergy.com

To: "ed martin/nlhydro", Charles Bown <crown@gov.nl.ca>, Donna Brewer <dbrewer@gov.nl.ca>, P Myrden <pmyrden@gov.nl.ca>

Cc: "auburn warren/nlhydro", "rob hull/nlhydro", "james meaney/nlhydro", "craig hippern/nlhydro", Xeno Martis <xmartis@██████████>

Subject: Outstanding Business Issues with Canada

Hi folks, we heard back from Canada last evening on the outstanding project finance business issues. As you may recall, we gave them a written proposal Thursday evening last week on all of the remaining eight business issues. They came back last evening and gave us everything we asked for with one exception and with two clarifications. Included in the written proposal back to them (that they accepted) was that cost overruns would be pre-funded in an escrow account, but only from the cost estimate at Financial Close, which is certainly better than calculating overruns from the DG3 number. So there are two issues we need to decide on:

1. We asked that Canada not have the ability to assign the loans to a third party after an Event of Default and after we have gone through a 150 day consultation period with Canada. They did not accept this position. We would recommend accepting Canada's position on this.

2. The first clarification relates to the Events of Default that would not be covered by the 150 day consultation period. The items that would be excluded from the 150 day consultation period would be cases where Nalcor take deliberate actions that we know would be creating an Event of Default. These would include items such as insolvency, change of control, and assignment of material contracts. Again, our recommendation would be to accept this position.

3. The second clarification Canada has asked for is that any amounts to required to fund cost overruns through the escrow accounts be covered by the ESA and ESG. Again, we anticipated this request and would recommend we accept this position.

With the changes that have been accepted and agreed by Canada and with our acceptance of these three items, we would then have concluded all of the business issues in the project finance agreements. It is important to get agreement on these positions this morning in order to get the required changes made to the project finance agreement and ESA/ESG today in order to keep closing process moving and commence execution of agreements tomorrow.

We are available to discuss further if you wish, but our recommendation is to accept these changes/clarifications.

derrick

Derrick Sturge, FCA
Vice-President, Finance & CFO
Nalcor Energy

Sent from my iPad