From: jamesmeaney@lowerchurchillproject.ca
Sent: Thursday, March 30, 2017 6:56 PM
To: John Skinner; Colleen Baker
Subject: Fwd: FLG2 Agreement and COREA & PFE Acknowledgement
Attachments: COREA and PFE Acknowledgement.pdf; FLG2 Agreement (Executed).pdf

FYI....

Sent from my iPhone

Begin forwarded message:

From: "Angela Onesi" <aonesi@fasken.com>

To: "amanzer@casselsbrock.com" <amanzer@casselsbrock.com>, "anne.boudreau@ic.gc.ca" <anne.boudreau@ic.gc.ca>, "AuburnWarren@nalcorenergy.com" <AuburnWarren@nalcorenergy.com>, "Fowler, Bruce E. (BFowler@blg.com)" <BFowler@blg.com>, "CBown@gov.nl.ca" <CBown@gov.nl.ca>, "DaveJones@nalcorenergy.com" <DaveJones@nalcorenergy.com>, "dbrewer@gov.nl.ca" <dbrewer@gov.nl.ca>, "DSturge@nalcorenergy.com" <DSturge@nalcorenergy.com>, "ElizabethLewis@nalcorenergy.com" <ElizabethLewis@nalcorenergy.com>, "Hanrahand@gov.nl.ca" <Hanrahand@gov.nl.ca>, "RandyPelletier@gov.nl.ca" <RandyPelletier@gov.nl.ca>, "ScottPelley@nalcorenergy.com" <ScottPelley@nalcorenergy.com>, "Stanley, Todd" <toddstanley@gov.nl.ca>, "WalterParsons@gov.nl.ca" <WalterParsons@gov.nl.ca>, "MeaghanMcConnell@gov.nl.ca" <MeaghanMcConnell@gov.nl.ca>, "JamesMeaney@lowerchurchillproject.ca" <JamesMeaney@lowerchurchillproject.ca>

Cc: "Xeno Martis" <xmartis@fasken.com>, "Félix Gutierrez " <fgutierrez@fasken.com>

Subject: FLG2 Agreement and COREA & PFE Acknowledgement

Dear all:

Please find attached a fully executed copy of the FLG2 Agreement and the COREA & PFE Acknowledgement.

Congratulations to all.

Best regards,

Angela

Angela Onesi | Associée | Partner

T. +1 514 397 7681 | C. +1 514 944 7681 | F. +1 514 397 7600

aonesi@fasken.com | http://www.fasken.com/en/Angela-Onesi

Fasken Martineau DuMoulin S.E.N.C.R.L., s.r.l.

800 Place Victoria, Bureau 3700, Montréal, Québec, H4Z 1E9

FASKEN MARTINEAU

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ACKNOWLEDGEMENT- AMENDED AND RESTATED MUSKRAT/LTA PROJECT FINANCE AGREEMENT AND AMENDED AND RESTATED LIL PROJECT FINANCE AGREEMENT

[COREA AND PREFUNDED EQUITY FUNDING]

This Acknowledgement is made as of March 30, 2017.

AMONG:	**HER MAJESTY THE QUEEN IN RIGHT OF CANADA,** as a GAA Finance Party under the MFLTA PFA and the LIL PFA and as Guarantor under the FLG2 Key Terms Agreement ("**Canada**")
AND:	**MUSKRAT FALLS CORPORATION**, as a Credit Party under the MFLTA PFA
AND:	**LABRADOR TRANSMISSION CORPORATION**, as a Credit Party under the MFLTA PFA
AND:	**LABRADOR - ISLAND LINK LIMITED PARTNERSHIP**, as a Credit Party under the LIL PFA
AND:	**LABRADOR - ISLAND LINK OPERATING CORPORATION**, as a Credit Party under the LIL PFA

Reference is made to **(i)** each of the Amended and Restated Muskrat/LTA Project Finance Agreement (the "**MFLTA PFA**") and the Amended and Restated LIL Project Finance Agreement (the "**LIL PFA**"), each made as of July 16, 2015 among, *inter alios*, the Credit Parties hereinbefore set out and The Toronto-Dominion Bank as Collateral Agent, **(ii)** the Waiver and Consent relating to the funding of the COREA on December 13, 2016 made as of December 13, 2016 among the Credit Parties hereinbefore set out and the Collateral Agent (the "**Waiver and Consent**"), and **(iii)** the Agreement Providing the Key Terms and Conditions for the Additional Federal Loan Guarantee by Her Majesty the Queen in Right of Canada for the Lower Churchill Projects made as of March 30, 2017 among Her Majesty the Queen in Right of Canada, Her Majesty in Right of the Province of Newfoundland and Labrador, Nalcor Energy and the Credit Parties hereinbefore set out (the "**FLG2 Key Terms Agreement**").

WHEREAS pursuant to the terms of the Waiver and Consent, the Collateral Agent granted a waiver and consented to deferring to March 31, 2017 payment of the funding of the cost overrun accounts as otherwise required by Section 10.28 of the MFLTA PFA and Section 10.28 of the LIL PFA on December 13, 2016 (the "**Deferred COREA Payments**");

WHEREAS pursuant to the terms of the FLG2 Key Terms Agreement, the parties thereto agreed that the funding of the cost overrun accounts currently contemplated in Section 10.28 of each of the MFLTA PFA and the LIL PFA (the "**Current COREA Payments**") including, without limitation, the Deferred COREA Payments, will no longer be required to be made and will be replaced (i) in the case of Muskrat Falls Corporation and Labrador Transmission Corporation, with new annual equity prefunding payments to be made in March 2017 and in December of 2017, 2018 and 2019 (the "**New Annual Equity Prefunding Payments**") and (ii) in the case of all Credit Parties, with revised conditions to fund new cost overruns, which will consist of cost overruns determined as against the June 2016 cost estimates (the "**Revised Cost Overruns**"), if any, as are identified in December 2017 or in December of any subsequent year prior to commissioning;

WHEREAS pursuant to the terms of the FLG2 Key Terms Agreement, Muskrat Falls Corporation and Labrador Transmission Corporation are required to make a New Annual Equity Prefunding Payment in the aggregate amount of CDN$184,000,000 by no later than March 31, 2017, which amount will be deposited initially in the cost overrun escrow account of Muskrat Falls Corporation (the "**First PFE Payment**");

WHEREAS the Credit Parties have requested, and Canada has consented to, an acknowledgement with regard to the First PFE Payment and the termination of the Current COREA Payments including, without limitation, the Deferred COREA Payments;

ACCORDINGLY, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Canada hereby provides to and in favour of the Credit Parties the following acknowledgements and agreements:

1. The deposit of the First PFE Payment into the cost overrun account of Muskrat Falls Corporation **(i)** satisfies the requirement set forth in Section 2.1 of the FLG2 Key Terms Agreement and constitutes the deposit contemplated therein, and **(ii)** eliminates any and all requirements of the Credit Parties to make any Current COREA Payments contemplated in Section 10.28 of the MFLTA PFA and Section 10.28 of the LIL PFA including, without limitation, the Deferred COREA Payments.

2. No additional payment on account of cost overruns will be required to be made by any of the Credit Parties until such time as new Revised Cost Overruns, if any, are identified for payment in December 2017 or in December of any subsequent year prior to commissioning, in which event the payments shall be made in accordance with the principles set forth in Section 2.1 of the FLG2 Key Terms Agreement.

3. Since the FLG Debt (as defined in the FLG2 Key Terms Agreement) under the terms of the MFLTA PFA has been fully exhausted, the amount of the First PFE Payment deposited in the cost overrun account of Muskrat Falls Corporation will be immediately available to Muskrat Falls Corporation and Labrador Transmission Corporation to fund expected costs to complete.

4. This acknowledgement will be governed by the laws of the Province of Newfoundland and Labrador.

[INTENTIONALLY LEFT BLANK]

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

Per: ______________________________

Name: Niall O'Dea
Title: Director General, Electricity Resources

MUSKRAT FALLS CORPORATION

Per: ______________________
Name: Derrick Sturge
Title: Executive Vice-President, Finance & CFO

Per: ______________________
Name: James Meaney
Title: General Manager, Finance

LABRADOR TRANSMISSION CORPORATION

Per: ______________________
Name: Derrick Sturge
Title: Executive Vice-President, Finance & CFO

Per: ______________________
Name: James Meaney
Title: General Manager, Finance

LABRADOR - ISLAND LINK LIMITED PARTNERSHIP, by its general partner,

LABRADOR - ISLAND LINK GENERAL PARTNER CORPORATION

Per: ______________________
Name: Derrick Sturge
Title: Executive Vice-President, Finance & CFO

Per: ______________________
Name: James Meaney
Title: General Manager, Finance

LABRADOR - ISLAND LINK OPERATING CORPORATION

Per: ______________________
Name: Derrick Sturge
Title: Executive Vice-President, Finance & CFO

Per: ______________________
Name: James Meaney
Title: General Manager, Finance

AGREEMENT PROVIDING THE KEY TERMS AND CONDITIONS FOR THE ADDITIONAL FEDERAL LOAN GUARANTEE BY HER MAJESTY THE QUEEN IN RIGHT OF CANADA FOR THE LOWER CHURCHILL PROJECTS

The Lower Churchill Projects (the **"Projects"** as defined in Section 1.1 below) rely in part on third-party debt financing for purposes of funding the construction costs of the Projects. In 2013, the Federal Government provided a Federal Loan Guarantee (the "**FLG**") to support the construction and operation of the Projects in view of the national and regional significance, economic and financial merit of the Projects and their contribution to significantly reducing greenhouse gas emissions once they are completed and thereby significantly enhanced the credit quality of the FLG Debt (as hereinafter defined).

The FLG supports bonds issued to the public by two special purpose funding trusts (each, a "**Funder**") pursuant to two (2) trust indentures, the terms of which are outlined in the public debt agreements (the "**FLG Agreements**"). The FLG is secured and documented as a modified credit wrap secured guarantee in a series of project debt documents with the Borrowers (the "**Project Finance Documents**"). On December 13, 2013, two Funders issued public debt in an aggregate amount of $5,000 million ("**FLG Debt**") comprised of a $2,600 million financing for the MF and LTA Projects (as defined in Section 1.1 below) and a $2,400 million financing for the LIL Project (as defined in Section 1.1 below), all pursuant to the FLG Agreements.

This agreement (the "**Agreement**") sets forth a summary of the key terms and conditions of the additional Federal Loan Guarantee ("**FLG2**") to guarantee $2,900 million of debt ("**FLG2 Debt**" or collectively with the FLG Debt, the "**Guaranteed Debt**") for the Projects.

This Agreement is intended to serve as an outline for amendments to the Project Finance Documents and creation of new agreements to govern the FLG2 Debt to be issued by the two Funders and related additional guarantee of the FLG2 (the "**FLG2 Agreements**"), which the parties hereto will negotiate in good faith.

Canada (as defined in Section 1.2 below) hereby agrees to guarantee the FLG2 Debt and to provide the FLG2 as more fully described and subject to the key terms and conditions described herein.

The agreements of Canada hereunder are made solely for the benefit of Nalcor (as defined in Section 1.3), the Borrowers (as defined in Section 1.5 below) and the lenders ultimately selected by them to make the FLG2 Debt available for the benefit of the Projects, and may be relied upon by all such persons but may only be enforced by Nalcor and its affiliates including the Borrowers. Once this Agreement has been executed by all the parties hereto, it may be disclosed publicly by or on behalf of any of Canada, Nalcor and its affiliates, and NL Crown (as defined in Section 1.3 below).

Canada understands that Nalcor or its affiliates will be soliciting offers for the FLG2 Debt from various lenders to be agreed. Given the importance of the FLG2 to the FLG2 Debt for the Projects, Canada hereby acknowledges and agrees that upon request by Nalcor within a reasonable period of time prior to any proposed meeting, it shall make available senior representatives of Canada and its legal advisors and financial consultants as appropriate, responsible for the provision and oversight of the FLG2, for participation in meetings with credit rating agencies and potential lenders to respond to queries concerning the FLG2 to be provided.

This Agreement shall be governed by, and construed in accordance with, the laws of the Province of Newfoundland and Labrador ("**NL**") and the federal laws of Canada applicable therein and all actions, suits and proceedings arising will be brought in the courts of competent jurisdiction of NL, subject to any right of appeal to the Federal Court of Appeal or to the Supreme Court of Canada. This agreement may be executed in any number of counterparts, each of which, when so executed, shall be deemed to be an original and all of which, taken together, shall constitute one and the same agreement. Delivery of an executed counterpart of this agreement by telecopier or electronically shall be as effective as delivery of a manually executed counterpart of this agreement.

TERMS AND CONDITIONS

1. THE PROJECTS AND THE TRANSACTION PARTIES	
1.1 Projects	The Muskrat Falls Generation Facility ("**MF**"), the Labrador Transmission Assets ("**LTA**") and the Labrador-Island Link ("**LIL**"), each as more fully described as follows: MF: an 824-MW hydro-electric generation facility in the vicinity of Muskrat Falls, Labrador being developed by Nalcor. LTA: a 345-kV HVac transmission interconnection between Muskrat Falls and Churchill Falls being developed by Nalcor. LIL: a HVDC transmission line connecting the Island of Newfoundland to generation facilities in Labrador being developed by Nalcor in which Emera Inc., via a Newfoundland and Labrador corporate entity, is an investor. Each of (i) MF and LTA together ("**MFLTA**"); and (ii) LIL; is referred to herein as a "**Project**" and together as the "**Projects**".
1.2 Guarantor	Her Majesty the Queen in Right of Canada ("**Canada**" or "**Guarantor**").
1.3 Proponent	Nalcor Energy ("**Nalcor**"), acting on its own behalf and not as agent of the Her Majesty in Right of Newfoundland and Labrador ("**NL Crown**").
1.4 Funders	Muskrat Falls / Labrador Transmission Assets Funding Trust ("**MFLTA FV**"), a trust formed under the Laws of NL pursuant to a Declaration of Trust. Labrador - Island Link Funding Trust ("**LIL FV**"), a trust formed under the Laws of NL pursuant to a Declaration of Trust. Each a "**Funder**" and collectively, the "**Funders**".
1.5 Borrowers	Muskrat Falls Corporation: a special purpose wholly-owned subsidiary of Nalcor ("**MF Corp**"). Labrador Transmission Corporation: a special purpose wholly-owned subsidiary of Nalcor ("**Labrador Transco**"). Labrador-Island Link Limited Partnership: a special purpose limited partnership controlled by Nalcor and held by it together with Emera Inc. ("**LIL LP**"). The obligations of LIL LP will be guaranteed by Labrador - Island Link Operating Corporation.

	Each a "**Borrower**" and collectively, the "**Borrowers**".
1.6 Lenders	As to the additional debt to be issued under the FLG2 Debt, with respect to each Funder, a financial institution or a group of financial institutions or financiers that will purchase debt securities to be issued by such Funder to permit such Funder to in turn make credit facilities available to the applicable Borrowers, which FLG2 Debt will be guaranteed by Canada pursuant to the FLG2 (the "**Lender**" or "**Lenders**"). The structure will include trustees and collateral agents in the same structure as the FLG for the benefit of the Lenders and Canada.
2. <u>AMENDMENTS TO AGREEMENTS</u>	
2.1 Cost Overrun Escrow Accounts Funding Requirements & Annual Equity Prefunding Requirements	The Cost Overrun Escrow Account ("**COREA**") payments currently contemplated in the FLG Agreements and Project Finance Agreements will no longer be required to be made. These payments will be replaced with new annual equity prefunding requirements ("**New Annual Equity Prefunding Payments**") that will be made in each of March 2017 and December 2017, 2018 and 2019. The New Annual Equity Prefunding Payments for each Project will be as follows: (i) MFLTA: $184 million; provided, however, that the New Annual Equity Prefunding Payment shall take into account and be reduced by an amount equal to any equity funded by MF Corp and Labrador Transco from fresh sources in the same year as the New Annual Equity Prefunding Payment is required to be made (and not from release from other reserve accounts including the COREA) prior to the date the New Annual Equity Prefunding Payment is made; for clarity this is to mean that for the March 2017 payment, the amount of the New Annual Equity Prefunding Payment will be reduced by any fresh equity contributions that occur from the time that the FLG Debt is exhausted to the time when that deposit is made and for the December 2017 payment, the amount of the New Annual Equity Prefunding Payment will be reduced by any fresh equity contributions that occur from March 31, 2017 to December 13, 2017; and (ii) LIL: $0 million. Each Borrower will provide quarterly revised cash flows, including an explanation of any change in anticipated equity contribution requirements and timing. The New Annual Equity Prefunding Payments correspond to the equity required from the time the FLG Debt is fully drawn until expected Commissioning based on the cost estimates provided by Nalcor in June 2016 (the "**2016 Cost Estimate**") <u>less</u> the Existing COREA Balances (as

	hereinafter defined) for each Project divided into four (4) equal payments. Funds will be held in the Equity Prefunding Reserve Account as an account controlled by the Collateral Agent and released at the times and in accordance with the funding process pursuant to the funding request conditions. Once the FLG Debt is fully drawn, the existing balance in the applicable COREA account as of execution of this Agreement (each, an "**Existing COREA Balance**") of each Borrower will be transferred to a new dedicated reserve account of such Borrower or, in the case of LIL LP, a new dedicated reserve account of Nalcor LP, to which the New Annual Equity Prefunding Payments will be made (each, an "**Equity Prefunding Reserve Account**"). The funds in the Equity Prefunding Reserve Account for each Project (including the Existing COREA Balance for each Project) will become available to the Borrowers following the full drawdown of the FLG Debt for each specific Project. The funds in the Equity Prefunding Reserve Account (including the Existing COREA Balance for each Project) may only be used by the Borrowers to fund the Expected Costs to Complete as equity funded in conjunction with FLG2 Debt and will not be included as equity contributions made for purposes of the calculation of the DER or the AFUDC until released and so used. To the extent equity is contributed to MF Corp and Labrador Transco by Nalcor that is not: (i) equity required against FLG Debt; and (ii) equity transferred into the MFLTA Equity Prefunding Reserve Accounts from the MFLTA COREA, these equity contributions can be used to reduce the $184 million March 2017 New Annual Equity Prefunding Payment. During any year, to the extent that the Equity Prefunding Reserve Account does not have a sufficient balance to support the equity contributions required with respect to the FLG2 Debt requirements and Nalcor funds these equity requirements with new equity, the next scheduled New Annual Equity Prefunding Payment will be reduced by the equivalent amount of new equity contributed. In October of each year until Commissioning each Borrower will provide up to date cost estimates to that date, then in December of each year prior to the Commissioning Date, the most up-to-date cost estimates available at that time, being not older than the October estimates, will be used to determine if cost overruns have arisen since the prior year. To the extent that new cost overruns arise in a given year, an Additional COREA Payment will be calculated as follows: Additional COREA Payment$_{year}$: (i) the amount of the cost overruns that have arisen over the year divided by (ii) the number of years remaining until the expected Commissioning Date. For example, the calculation of Additional COREA Payment$_{2017}$ in December 2017 would be equal to (i) the amount of cost overruns that exceed the 2016 Costs

	Estimate divided by (ii) three (3) - which is the number of years until the expected Commissioning Date. The process for determination and certification as to the Additional COREA Payment will be consistent with past practice and the Additional COREA Payment will be funded at the time of calculation and in each following December until the expected Commissioning Date. A new Additional COREA Payment will be calculated in each year that new cost overruns arise.
2.2 Sinking Fund Funding Requirements	The sinking fund contribution requirements for the FLG Debt that is currently scheduled to begin in December 2018 under the Project Finance Documents will be delayed such that the first payment will be made on December 1, 2020 ("**SF Funding Date**") The sinking fund contribution requirements for the FLG2 Debt will also begin on the SF Funding Date. The contributions that would have been made to the sinking funds for FLG between December 2018 and SF Funding Date will be spread equally over the remaining life of the bond to which the sinking fund relates such that on maturity of the bond the sinking fund will be funded to the same level as it would have under the initial funding schedule.
2.3 Date Certain	The Commissioning by Date Certain event of default found in the Project Finance Documents will be amended to define Date Certain as February 28, 2021, subject to the option of the Borrowers to extend that date by one (1) additional six (6) month period in accordance with the conditions for extension currently contemplated in the Project Finance Documents.
2.4 DSRA Prefunding	The obligation contemplated in the Project Finance Agreements to make any DSRA Prefunding will be amended to permit the equity rateable share of funding first using balances, if any, in the COREA (as may be permitted) and the Equity Prefunding Reserve Account and to provide that the combined balances in the applicable bond proceeds account, working capital reserve accounts, Equity Prefunding Reserve Account, COREA and DSRA cannot at any time be less than the required funding at that date for the DSRA Prefunding.
3. TRANSACTIONS	
3.1 Federal Loan Guarantee	The FLG2 shall, in respect of each Project, be an absolute, continuing, unconditional and irrevocable guarantee of payment (not collection) when due of the FLG2 Debt of the relevant Funder to the Lenders. The Lenders shall not be bound to pursue or exhaust their recourses against the relevant Funder or any security held by it before demanding payment from the Guarantor. The form and terms of the FLG2 will be the same as those for the FLG. Security - Canada shall be given security in the same form as, and *pari passu* with, the existing security given by the Funders for the FLG and security given by the Borrowers in favour of the Funders in connection

	with the FLG2 Debt proceeds on-lent to them shall be in the same form as, and *pari passu* with, the existing security given by the Borrowers. Acceleration - It shall be a term of the FLG2 Agreements for any Project that in the event of default by a Funder thereunder, the Lenders will not have the right to accelerate the FLG2 Debt unless they have failed to receive payments in accordance with the scheduled payments under the FLG2. Canada's payment under the FLG2 within the stated notice period will satisfy payment and prevent acceleration. Full Credit Substitution - Canada acknowledges that consistent with the FLG Debt, for the full benefit of the FLG2 to be realized, its terms and implication for any financing undertaken must satisfy the requirements of full credit substitution published by the applicable credit rating agencies. The Guarantor, the Funders, the Borrowers and the Collateral Agent will enter into a guarantee assurance agreement setting out their respective rights and obligations as regards the FLG2 (the "**FLG2 Assurance Agreement**").
3.2 Transaction Structure	The FLG2 Debt will be structured in the same format as the FLG Debt. There will be debt issued by each Funder which will be unsecured and covered by the FLG2. There will be an amendment to the project level debt documents with the Borrowers to add the FLG2 Debt on the same terms as the FLG Debt providing the secured lender rights and benefits to Canada to support the FLG2. The FLG2 Assurance Agreement will be drafted to take into account the FLG2 Debt and reflect the terms contained in this Agreement and be in the same form and substance as the guarantee assurance agreement currently in force with respect to the FLG Debt. Since the amount of the debt that can be issued pursuant to the existing trust indenture of each Funder is capped and the full amount of that cap has been utilized, the FLG2 Debt will be issued pursuant to new trust indentures in the same form and substance as the existing trust indentures pursuant to which the FLG Debt was issued by the Funders.

3.3 Financing Structure	The execution and delivery of all amended Project Finance Documents and FLG2 Agreements and issuance of the FLG2 Debt will constitute "**FLG2 Close**". Upon FLG2 Close, the Funders will raise the FLG2 Debt on the public or corporate markets. The structure of this financing will be done in a manner that aligns with the existing FLG Debt and is flexible enough to allow each Funder to raise the FLG2 Debt by way of (the "**Financing Structure**"): (i) bank credit facilities; (ii) a commercial paper program; (iii) a single bond or a series of bonds with staggered short-term maturity dates or a single maturity date, issued prior to or immediately following Commissioning; (iv) a single long-term bond or a series of long-term bonds issued prior to or immediately following Commissioning; or (v) a combination of one or more of the foregoing options, together with any related hedging instruments. The FLG2 Amortization Profile shall be consistent with the amortization profile outlined in Section 4.3 of this Agreement. All of the foregoing is hereinafter collectively referred to as the "**Financing**". Canada will consider structures similar to the FLG Debt structure or such other structures as may be proposed by the Proponent and/or the underwriters (with the approval of the Proponent) that could reduce the total interest costs while managing the refinancing risk for the Projects in a manner consistent with that of the FLG Debt. This must also be consistent with the concepts of the Project Finance Agreements.

4. FLG2 TERMS

4.1 FLG2 Debt	The total maximum amount of borrowing under the Financing to be guaranteed by Canada by the FLG2 shall be: (i) A fixed dollar-based cap of $2,900 million, allocated among the Projects as follows: (a) MFLTA: up to $1,850 million, (b) LIL: up to $1,050 million; and Herein called "**Individual Project Debt Caps**". The terms and conditions of the FLG2 Debt shall be consistent with those in the FLG Debt and shall be subject to Canada's approval, acting reasonably. The terms and conditions of the project level debt, except as amended by this Agreement, will remain the same.
4.2 Term of the FLG2	The FLG2 Term shall begin on FLG2 Close and shall terminate on the earlier of: (a) payment in full of the FLG2 Debt; or (b) the Maximum Term for each Project, as follows: (a) MFLTA: June 1, 2052; and (b) LIL: June 1, 2057.
4.3 FLG2 Amortization Profile	The FLG2 Debt shall be repaid in accordance with the following amortization profile ("**FLG2 Amortization Profile**"): MFLTA: simple mortgage-style amortization, over a term ending on June 1, 2052, and the first sinking fund payment with respect to the FLG2 Debt of MFLTA FV being made in December 2020. LIL: level dollar amortization, over a term ending on June 1, 2070, and the first sinking fund payment with respect to the FLG2 Debt of LIL FV being made in December 2020. The FLG2 Amortization Profile shall be such that there is no principal outstanding at the end of each amortization period for each Project. In the case of amortizing bonds, there shall be at least one payment a year. Bullet maturity bonds may be used instead of amortizing bonds. Bullet maturity bonds must be accompanied with sinking funds to match the required FLG2 Amortization Profile. LIL LP may seek third-party refinancing as required for the purposes of refinancing the outstanding balance of the FLG2 Debt of the LIL FV at the end of the term of such debt.

4.4 FLG2 Maximum Exposure	The maximum exposure to the Guarantor under the FLG2 at any given time shall be actual principal amounts outstanding on the FLG2 Debt at such time plus interest, fees and costs. The Guarantor will have security over any amounts in the FLG2 related sinking funds which will act to reduce the maximum exposure by offsetting the principal amounts outstanding.
4.5 FLG2 Conditions Precedent	The following conditions precedent (the "**FLG2 Conditions Precedent**") must be satisfied in form and substance acceptable to the Guarantor, acting reasonably, prior to the execution and delivery of the FLG2: (i) Execution of the FLG2 Assurance Agreement and all other relevant documents necessary to effect FLG2 Close ("**Financing Documents**"); (ii) Amendment of the intergovernmental agreement (the "**IGA**") between Canada and the NL Crown to provide identical commitments by NL Crown for the FLG2 as were provided for the FLG; (iii) Approval by the Guarantor, acting reasonably, of the Financing, Financing Structure, Financing Documents, and the Transaction Structure; (iv) A satisfactory report provided by an independent expert that the Projects have insurance coverage in place that is customary in projects of this nature and size; (v) Execution of a certificate by each Borrower that all necessary permits, approvals, land-use agreements and other required authorities have been obtained and remain in good standing or have been planned in accordance with industry practice and covenanted to be obtained as required; (vi) Confirmation of the continuance of the indemnity referred to in Section 5.9 and executed with the FLG Agreements and Project Finance Agreements; and (vii) Other reasonable conditions precedent customary in commercial project financing transactions.
4.6 Costs Incurred by Guarantor	All reasonable third-party costs incurred by the Guarantor in relation to the FLG2 shall be at the expense of the Borrowers consistent with past practice as to responsibility, billing and payment.
4.7 Guarantee Fee	The Funders will pay an annual guarantee fee, which will form a project cost, of 0.5% of the net amount of FLG2 Debt outstanding ("**Guarantee Fee**"). The Guarantee Fee will be split proportionally between MFLTA FV and LIL FV based on the respective amount of debt outstanding (total debt less sinking fund balances). The Guarantee Fee will be payable on the anniversary date of FLG2 Close from FLG2 Close until such time as the

	FLG2 Debt of a Funder has been fully repaid.

5. <u>PROJECT DEBT</u>

5.1 Debt Service Coverage Ratio	<u>Definition</u>: The Debt Service Coverage Ratio ("**DSCR**") in respect of any Borrower, and in respect of any 12-month period, shall be calculated as follows: DSCR = Base Cash Flow/Debt Service, where: Base Cash Flow = Liquidity Reserves plus Contracted Revenues less Cash Operating Costs Debt Service = Amortization plus Interest Expense “Amortization” means the amortization amount of the FLG Debt, FLG2 Debt and Additional Debt for the period in question in respect of each Borrower (other than bullet payments of principal required to be made during any calculation period) “Interest Expense” means the interest expense of the FLG Debt, FLG2 Debt and Additional Debt for the period Contracted Revenues: (i) MFLTA: DSCR shall include the Base Block Revenue plus Liquidity Reserve, plus revenue from power purchase agreements with investment grade parties, based on total annual energy sales not to exceed (P50) energy production for MF plus LTA Tariff Revenue. (ii) LIL: DSCR shall include revenue from NL Hydro under the LIL Lease and Transmission Funding Agreement. “Cash Operating Costs” include all cash costs of the Borrowers, excluding interest and principal on any Guaranteed Debt. <u>Test</u>: The DSCR Test shall apply both prospectively and retrospectively except the DSCR Test shall apply only prospectively in the context of Additional Debt. DSCR will be calculated monthly on a rolling 12-month basis. "Base Block Revenue" means amounts paid by NL Hydro to MF in respect of the Base Block Energy purchase commitments as set out in the MF Power Purchase Agreement.

5.2 Debt Service Coverage Ratio	The DSCR for each Project shall be a minimum of 1.40x.
5.3 FLG2 DSCR Protocol	FLG2 DSCR protocol for disputes will be the same as the FLG DSCR Protocol.
5.4 Debt Equity Ratio	The maximum debt to equity ratios ("**DER**") of the Projects, on a fully combined basis, are: (a) MFLTA-65:35 (b) LIL-75:25
5.5 FLG2 Events of Default	Events of default will be the same as the events of default in the Project Finance Documents, including as to the cross-default provisions.
5.6 Security	The FLG2 Debt will rank *pari passu*, pro rata with the FLG Debt in all respects as to rights, payments and security. The security for the FLG2 Debt shall be in the same form as the existing security given by the Funders for the FLG and security given by the Borrowers in favour of the Funders in connection with the FLG2 Debt proceeds on-lent to them shall be in the same form as the existing security given by the Borrowers. The FLG2 Debt shall benefit in all the same fashion as the FLG Debt from the IGA which will be amended to incorporate the additional debt and terms.
5.7 Permitted Liens	The Borrowers shall have the same restrictions on Permitted Liens as currently contemplated in the Project Finance Agreements.
5.8 Permitted Debt & Additional Debt	The Borrowers shall have the same restrictions on Permitted Debt as currently contemplated in the Project Finance Agreements. No additional debt may be incurred by the Borrowers during the term of the FLG2, other than additional debt (i) constituting an operating line of credit, (ii) to finance a portion of cost increases from the 2016 Cost Estimate provided to the Guarantor to finance cost increases thereafter ("**Cost Overruns**"), or (iii) to finance costs associated with major repairs and refurbishments following the Commissioning Date (i to iii collectively, "**Additional Debt**"). Additional Debt shall be subject to the following conditions: (a) It shall not be covered by the FLG2; (b) It may be secured provided that it is subordinate to the Guaranteed Debt; and (c) It must satisfy the DER and DSCR-based tests on prospective, aggregate basis (taking into account the Guaranteed Debt and the Additional Debt) throughout the term of the Additional Debt.

5.9 Independent Engineer	The amended Project Finance Documents for FLG2 will continue as to the terms relating to the current engineer appointed by the Guarantor (the "**Independent Engineer**" or "**IE**"). Specifically, the IE shall continue to have the same level of access to management and employees of the Proponent or Borrowers as it enjoys today. The cost of the Independent Engineer shall continue to be borne by the Borrowers.The terms of the Project Finance Documents wherein the Borrowers indemnify and save the Guarantor harmless from and against any liability that the Guarantor incurs, in respect of the period prior to any realization of security in connection with an uncured Event of Default, solely by virtue of being found, in respect of the Projects, liable as a partner or joint venturer shall remain in force and extend to FLG2.
5.10 Expected Costs to Complete:	The expected costs to complete the Projects ("**Expected Costs to Complete**") in respect of any Borrower at any given time shall be determined by the Borrowers and reviewed and confirmed by the IE by way of an IE certificate to be provided in connection with any drawdown requests prior to the Commissioning Date. The 2016 Cost Estimates shall form the basis for the Independent Engineer's review of and confirmation of any proposed changes to such estimates on an ongoing basis as construction proceeds. Expected Costs to Complete shall include contingencies and escalation. Expected Costs to Complete shall also include any interest during construction and costs associated with the Financing prior to the Commissioning Date, calculated on a *pro forma* basis.
5.11 Change of Control	Restrictions on change of control shall be unamended from those in the Project Finance Agreements
5.12 Equipment Monitoring	The requirements for equipment monitoring following Commissioning Date shall be unamended from those in the Project Finance Agreements.
5.13 Good Utility Practice	"**Good Utility Practice**" shall be unamended from those in the Project Finance Agreements.
5.14 Debt-Equity Contributions	Subject to the conditions provided herein (including, without limitation, the Individual Project Debt Caps in respect of any Guaranteed Debt, and the funding of Cost Overruns), following FLG2 Close, debt and equity funds shall be invested as follows: (i) Initial \$2.6 billion FLG Debt of MFLTA FV, \$2.4 billion FLG Debt of LIL FV and equity shall be invested on a pro rata basis in accordance with the maximum DER for each Project until the FLG Debt is exhausted; (ii) FLG2 Debt and equity shall be invested on a pro rata basis in accordance with the maximum DER for each Project until the FLG2 Debt is exhausted; and (iii) thereafter, the Borrowers shall invest in their Projects by way of equity or Additional Debt, at their discretion but subject to maximum DER.

5.15 Distributions	Terms governing distributions will be unamended from those in the Project Finance Documents.
5.16 Debt Service Reserves and Liquidity Reserves	Debt Service Reserve and Liquidity Reserve requirements will be unamended from those in the Project Finance Documents.
5.17 Prepaid Rent Reserve for LIL	Prepaid rent terms will be unamended from those in the Project Finance Documents.
5.18 Reports	Reporting requirements will be unamended from those in the Project Finance Documents except as set out elsewhere in this Agreement.
5.19 Covenants	Affirmative and negative covenants will be unamended from those in the Project Finance Documents except as set out elsewhere in this Agreement.
5.20 Representations and Warranties	Representations and Warranties will be unamended from those in the Project Finance Documents except as set out elsewhere in this Agreement.

This Agreement shall enure to the benefit of Nalcor and its affiliates including the Project Entities and their respective permitted successors and assigns and shall be binding on the parties hereto. Each of the parties hereto represents and warrants that once this Agreement is accepted by it as herein provided, it shall constitute the irrevocable, legal, valid and binding obligation of such party, enforceable in accordance with its terms.

IN WITNESS WHEREOF each of the parties has executed this Agreement as of March 30, 2017.

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

Per: ______________________________
Authorized Signatory

The Honourable James Gordon Carr
Minister of Natural Resources

HER MAJESTY IN RIGHT OF THE PROVINCE OF NEWFOUNDLAND AND LABRADOR,
as represented by

Per: ______________________________
Hon. Dwight Ball, Premier and Minister for Intergovernmental Affairs

Per: ______________________________
Hon. Siobhan Coady, Minister of Natural Resources

Per: ______________________________
Hon. Cathy Bennett, Minister of Finance

NALCOR ENERGY

Per: ______________________________
Stan Marshall, President and CEO

Per: ______________________________
Derrick Sturge, Executive Vice-President,
Finance and CFO

MUSKRAT FALLS CORPORATION

Per: ______________________________
Derrick Sturge, Executive Vice-President,
Finance and CFO

Per: ______________________________
James Meaney, General Manager, Finance

LABRADOR TRANSMISSION CORPORATION

Per: ______________________________
Derrick Sturge, Executive Vice-President,
Finance and CFO

Per: ______________________________
James Meaney, General Manager, Finance

LABRADOR-ISLAND LINK LIMITED PARTNERSHIP, by its general partner, **LABRADOR-ISLAND LINK GENERAL PARTNER CORPORATION**

Per: ______________________________
Derrick Sturge, Executive Vice-President, Finance and CFO

Per: ______________________________
James Meaney, General Manager, Finance