

**SNC • LAVALIN**

27 June 2012

**SLI Reference No.:** 505573-0000-30CC-I-1387  
**LC Ref. No.:** S011-L010-200-170330-00170Nalcor Energy  
Hydro Place, 500 Columbus Drive  
P.O. Box 12800, St. John's, NL, A1B 0C9**Lower Churchill Project  
SNC - LAVALIN INC.**  
350 Torbay Road, Suite 2  
St. John's, NL A1A 4E1Telephone 709-752-3460  
Fax: 709-752-3480**ATTENTION: Paul Harrington, Project Director****Subject: Lower Churchill Development  
Agreement LC-G-002**


Dear Paul:

The purpose of the email I had sent you last week was to communicate a rift that has started to develop on the project, so that the executive team can step in and re-align the team to the project objectives and basic principles. The letter we received from Nalcor's Project Manager (L010-S011-200-170331-00180) created further ambiguity as it confirmed the way forward with Nalcor's taking over the management of the early works, while reiterating SLI's responsibility for the work managed by Nalcor.

We view the change required by this letter as a fundamental change to our contract. SNC-Lavalin's commitment to the Project remains and is reinforced by the contractual agreement. The roles, responsibilities, and accountability based on the contract must be maintained and reinforced by Nalcor and all of its contractors in order to maintain the contractual commitment for the project's success.

If changes in strategy are deemed necessary, we need to discuss and agree on how we are going to communicate such changes to our team. Execution strategy changes are too critical to be communicated through verbal instructions, casual e-mails or letters issued without discussion with SNC-Lavalin's General Project Director and Corporate Sponsors. The morale impact on our team as partner in your project is detrimental to the health of the project. Admitting that misalignment and communication problems are quite common on such megaprojects, our responsibilities as leaders are to identify and resolve all misalignment and unmet expectations, which can lead to changes in direction or revision to the execution strategy. We should, as partners, have an open and transparent discussion and have a common solution, and then we should communicate the result to the execution team. I am looking for your leadership to support and empower our execution team (SNC-Lavalin & Nalcor) as one integrated team, one purpose, one mission.

I look forward to meeting with you to address all the issues and bring back the team spirit to improve the execution efficiency.

Yours truly,  
**SNC-LAVALIN INC.**  
for Joe Salim  
Vice President – General Manager