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25 September 2013

SNC-Lavalin Inc.
1801 McGill College Avenue
12th Floor
Montreal, Quebec, H3A 2N4

Attention: Mr. Bernard Gagne

**Subject: Lower Churchill Phase 1 Development
Agreement LC-G-002
Engineering, Procurement and Construction Management (EPCM) Services**

Agreement Amendment

Dear Bernard:

Nalcor is in receipt of your letter, dated 19 September 2013 and addressed to Mr. Paul Harrington, regarding the proposed Agreement amendment. We reiterate Nalcor's previously stated agreement and commitment to conclude an amendment to the Agreement and look forward to resumption of discussions to that end.

I am available on 26 or 27 September to discuss a plan of action and define the heads of agreement for the amendment, as requested in your letter. Please have Mr. Bourbeau contact Clarence Hewitt to coordinate a meeting at a date and time that is convenient for you.

In the meantime, we offer the following comments regarding the contents of your letter:

We are somewhat surprised by your statement that SNC-Lavalin disagrees with the changes made by Nalcor but that nevertheless you are prepared to negotiate an amendment to the Agreement. As you are aware and as previously stated in earlier correspondence, senior management of both parties have already agreed to proceed on the basis of the revised and implemented Project execution methodology.

We agree that the amendment should reflect the integrated Project Delivery Team model, as well as the revised scope of SNC-Lavalin's services. It should form the basis of our renewed commitment to work together to successfully deliver the Project.

Mr. Bernard Gagne
SNC-Lavalin Inc.
25-Sept-2013

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You refer to Nalcor having asserted a unilateral right to make changes to execution of the EPCM contract, to select any personnel and to control any decision with a cost or schedule implication. We maintain that this right is Nalcor's to exercise under the terms of the Agreement.

Pursuant to the Agreement, all SNC-Lavalin Personnel are subject to Nalcor approval. In addition, Article 2.3 reserves to Nalcor the right to engage other consultants or to amend, delete and remove any services from the Agreement and have such services performed by Nalcor or other consultants. Furthermore, it is clear that Nalcor has ultimate responsibility and right of approval for all cost and schedule decisions.

In addition, we agree that SNC-Lavalin's liability for services other than engineering should be based on the degree of management responsibility. In that regard, we are prepared to entertain a revision to Article 27.1 – Indemnity by Consultant of the Agreement.

As noted in your letter, discussions have already been held with respect to revision of Exhibit 3 – Scope of Services. The proposed changes to Exhibit 3 do serve to modify SNC-Lavalin's obligations, responsibilities and liabilities. As noted above, we agree that the amendment should reflect the integrated Project Delivery Team approach.

In addition to those changes you suggest that changes will be required to Exhibit 4 – Compensation and Exhibit 5 – Coordination Procedures. It would be helpful if you could provide, prior to the meeting, your proposed changes to those Exhibits.

Sincerely,


Lance Clarke
Business Services Manager
Lower Churchill Project
CH/ch

cc: P. Harrington
R. Power
C. Hewitt