



Lower Churchill Project
SNC-LAVALIN INC.
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20 November 2013

VIA FAXSIMILE: (709) 737-1985

SLI REFERENCE No.: 505573-0000-30CC-I-1447
LC Ref. No: S011-L010-200-170330-00221
NALCOR REFERENCE No.: L010-S011-200-170331-00229

Nalcor Energy
Hydro Place, 500 Columbus Drive
P.O. Box 12800, St. John's, NL, A1B 0C9 CANADA

ATTENTION: Mr. Paul Harrington, Project Manager

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

Dear Mr. Harrington:

In response to Nalcor letter L010-S011-200-170331-00229, SNC-Lavalin believes that the measures taken so far by Nalcor are unfortunately insufficient to ensure third parties are aware of the changes in our role, as per our discussions.

As explained to Messrs. Hewitt, Bourbeau and Meade on 16 October 2013, the intent of our letter S011-L010-200-170330-00219, was not only to request Nalcor to formally cease from identifying SNC-Lavalin as its EPCM Consultant for the Lower Churchill Project, but also to correct a current misperception and ensure that project stakeholders are likewise aware of this change.

As an example, while new procurement documentation may now be issued in the name of Nalcor, it is possible that parties to earlier documents issued by SNC-Lavalin when we were EPCM Contractor are not yet aware of the change.

As for agencies and authorities, SLI still represents the project at the LCP Contractors Association, reinforcing the perception that SNC-Lavalin is still the EPCM Consultant. Regarding permits, we would need to obtain your confirmation that the reference to SNC-Lavalin as the EPCM consultant does not appear on permit applications.

With respect to other stakeholders, Nalcor stated in their letter that '...the other stakeholders engaged are aware and understand that Nalcor and SNC-Lavalin are working in an "integrated team" environment for procurement and construction management with Nalcor as the lead and responsible party.' We would note that even the concept of 'Integrated Team' is no longer applicable, as Nalcor now refers to the 'Project Delivery Team' and therefore, we would like to ask that you adjust this language accordingly in all future documents and correspondence.



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Furthermore, we do not believe that the true nature of our current relationship is properly known and that Nalcor's approach is misleading for stakeholders and third parties dealing with the project. The following three recent publications clearly demonstrate our points:

- **Raymond James Ltd. Company Brief dated November 13, 2013**
 '...We highlight that SNC is also active on the Muskrat Falls Project as Nalcor Energy's EPCM contractor for both the hydroelectric station and Labrador-Island Transmission Link...'
- **CIBC research on Bloomberg, Reuters: Institutional Equity Research November 13, 2013 - Intraday Note**
 '... SNC is also lead EPCM contractor on the \$6 billion+ Lower Churchill hydro project in Labrador.'
- **ENR – Engineering News Record - 11/06/2013 By Nicholas Zeman**
Risks Pile Up At Canada's Muskrat Falls Hydro
 '.....Several surveying and excavation contracts already have been awarded. SNC Lavalin, Quebec, is EPCM consultant.....'
 '..... "SNC Lavalin and Nalcor would be the only ones holding the exact numbers and expenditures, but it's all being held in secret.....'

These recent publications illustrate that the actions taken so far by Nalcor are insufficient to ensure that project stakeholders and third parties dealing with the project clearly understand that, since the beginning of 2012, SNC-Lavalin's participation in the project has been limited to providing support and personnel for procurement services, construction management services and other project management services at the request and under the direction of Nalcor.

Our Global Corporate Communications Group are informed of the situation and are ready to intervene with external communications as needed. However, we believe this announcement should be conveyed by Nalcor, as it would carry a healthier message to the stakeholders. For this reason, SNC-Lavalin requests Nalcor to, in writing and prior to 27 November 2013, formally inform all project stakeholders as: all members of the Project Delivery Team, present and past contractors/suppliers, LCP Contractors Association and critical stakeholders: Lenders, Lenders Engineer, Federal Loan Guarantor/ Advisor.



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Independent of the present request, SLI wishes to reiterate our commitment to continue supporting Nalcor in the delivery of the Lower Churchill Project in a cooperative, open and transparent relationship. Please let us know if we can assist in any way in making these necessary communications clear and widely known. Thank you in advance for your attention this request.

Sincerely,

SNC-LAVALIN INC.

A handwritten signature in black ink, appearing to read 'Bernard Gagné', with a long horizontal stroke extending to the right.

Bernard Gagné
Acting Vice President and General Manager

c.c.: Scott Thon, Luc Bourbeau