Overview
Newfoundland and Labrador Agreements
November 12, 2013

Boundless Energy

Confidential and Commercially Sensitive

NL Agreements Introduction

NL Agreements – Overview

- Structure and contractual obligations
  - All contract cash flows will originate from NLH and will be directed by the Collateral Agent to the project lenders in priority order as per the Federal Loan Guarantee ("FLG") transaction structure.
  - Arrangements will provide for full recovery of all project costs from NLH, and allow for a defined equity return to the project owners.
- NL Agreements comprise six key commercial agreements
  - Power Purchase Agreement ("PPA");
  - Generator Interconnection Agreement ("GIA");
  - LIL Assets Agreement;
  - LIL Lease ("Lease");
  - Transmission Funding Agreement ("TFA"); and
  - LIL Remedies Agreement ("LRA").
- Consistency across the NL Agreements
  - Standardized structure.
  - Generally common provisions and definitions – applicable law, indemnities, dispute resolution, limitation of liability, assignment, and confidentiality.

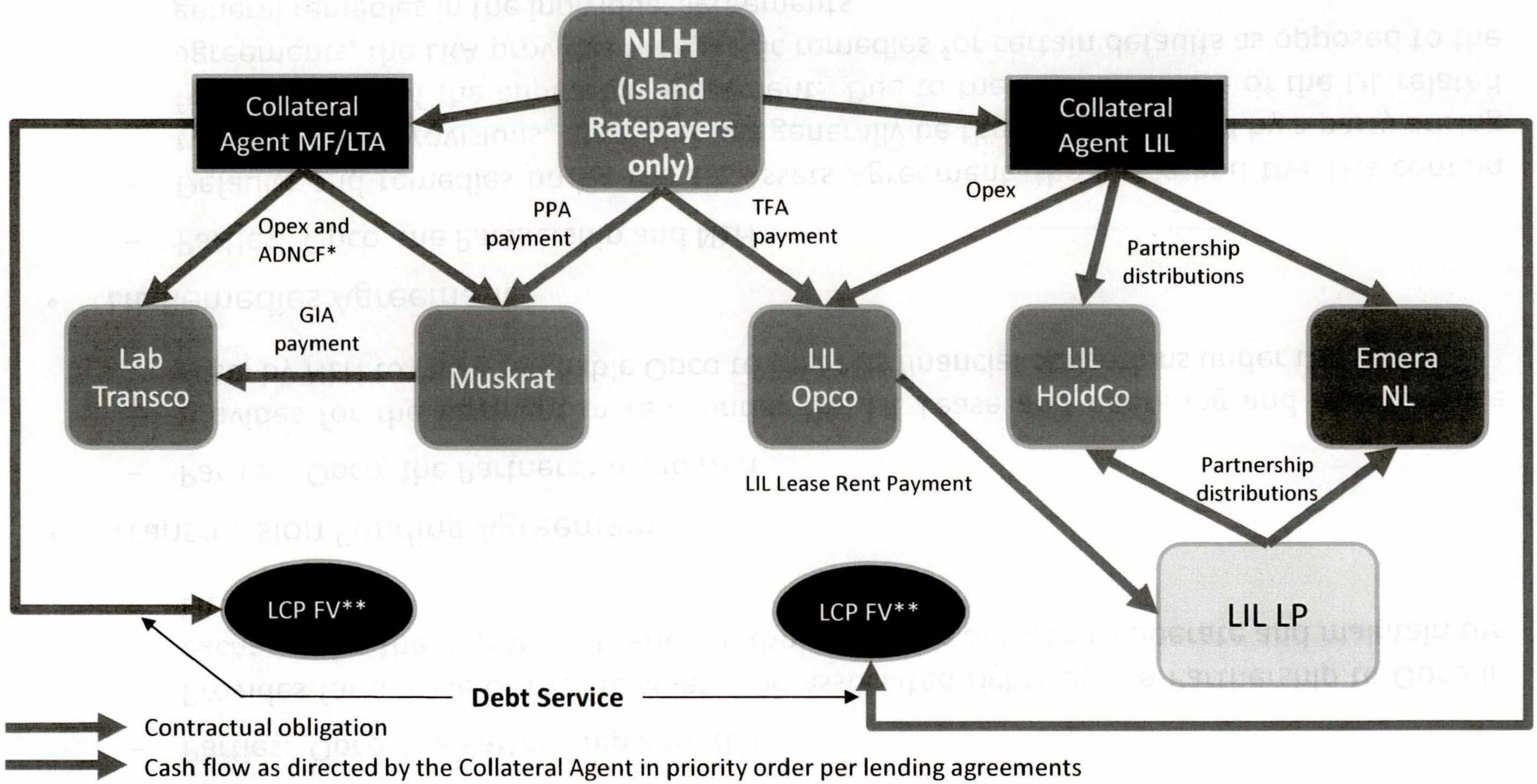
NL Agreements – Overview

- Power Purchase Agreement
  - Parties: NLH and Muskrat
  - Will provide for the purchase by NLH and the sale by Muskrat of energy, capacity, ancillary services and greenhouse gas credits, payments for which are made on a full cost recovery basis.
- Generator Interconnection Agreement
  - Parties: NL System Operator, Labrador Transco and Muskrat
  - Will provide for the construction of Labrador Transmission Assets (LTA) by Labrador Transco to enable interconnection of the MF Plant with the NL transmission system. Muskrat makes payments to Labrador Transco and recovers such costs from NLH via the PPA (flow-through cost recovery).
- LIL Assets Agreement
  - Parties: Opco and the LIL Limited Partnership (the "Partnership")
  - Provides for the interconnection of the LIL with the NL transmission system, the provision of budget information prior to commissioning of the LIL, and the payment of prepaid rent.

NL Agreements – Overview

- LIL Lease
  - Parties: Opco, the Partnership and NLH
  - Provides for a lease of the LIL assets and associated rights by the Partnership to Opco in exchange for the payment of rent and the obligation of Opco to operate and maintain the LIL.
- Transmission Funding Agreement
  - Parties: Opco, the Partnership and NLH
  - Provides for the payment of rent under the LIL Lease and operating and maintenance costs by NLH to Opco to enable Opco to meet its financial obligations under the Lease.
- LIL Remedies Agreement
  - Parties: Opco, the Partnership and NLH
  - Defaults and remedies under the LIL Assets Agreement, the Lease and the TFA contain typical default provisions. Damages will generally be the losses suffered by a party arising from a breach of the applicable agreement. Due to the legal structure of the LIL related agreements, the LRA provides for specific remedies for certain defaults as opposed to the general remedies in the individual agreements.

NL Agreements - Structure



***ADNCF** - After Debt Net Cash Flow

****FV** – Funding Vehicle

NL Agreements Key Commercial Terms

Power Purchase Agreement

- Muskrat is obligated to provide three blocks of energy to NLH to ensure NLH receives energy where required to meet Island load:
  - **Base Block Energy:** an amount of energy predetermined at the date of execution of the PPA based on the latest load forecast. Should the energy requirements of NLH not require Base Block Energy to be provided in any given year, such energy, at NLH's option, may be deferred for use in future years or sold into the market for NLH's benefit. In addition, Base Block Energy deliveries may also be accelerated to allow NLH to manage hydrology risk due to dry conditions on the Island.
  - **Supplemental Block Energy:** an amount of energy available to NLH if load requirements exceed the initial load forecast as per above. This energy block ensures excess energy produced by the MF Plant is made available to meet NLH requirements, assuming NLH nominates the requirement in accordance with the scheduling provisions of the PPA. Further, the Supplemental Block Energy will be provided at no additional cost to NLH beyond the payment described below.
  - **Commissioning Period Block Energy:** an amount of energy available to NLH during the commissioning period. NLH will nominate the price, if any, that it will pay for such energy sales.
- In exchange for the Base Block Energy, NLH makes irrevocable and unconditional payments during the term of the FLG related debt (based on an escalating supply price) that provides for full cost recovery, including capital, operating and maintenance, taxes, GIA payments, debt service costs and a defined return on equity. When the debt related to the FLG is repaid, the payment obligation becomes a traditional "take or pay" obligation.

Power Purchase Agreement

- The PPA contains detailed provisions surrounding energy and capacity management/scheduling allowing NLH the flexibility required to ensure it can meet NL native load during the contract term. Muskrat cannot sell excess energy until NLH has an opportunity to nominate such energy to meet its load forecast in accordance with the stated scheduling provisions.
- Base Block Energy payment includes an adjustment mechanism to ensure debt service obligations will always be met – if the mechanism is utilized, NLH will be reimbursed at a future date.
- The PPA includes an agreement in favour of the lenders allowing the lenders to step into the PPA arrangements in the event of a default under the FLG arrangements.
- Muskrat will place property and liability insurance coverages as are appropriate.

Power Purchase Agreement

- Defaults and remedies under the agreement contain typical default provisions. Damages will generally be the losses suffered by a party arising from a breach of the agreement. In addition, specific remedies are provided to protect the parties and ratepayers as follows:
  - **Failure by NLH to make Base Block Energy payments:** Muskrat may give notice to NLH to make a liquidated damages payment to Muskrat equal to the cost of redeeming the debt of Muskrat (including costs). Muskrat will then recalculate the Base Block Energy payments to reflect the redemption payment and may pursue further losses at law, equity or pursuant to the agreement.
  - **Failure by Muskrat to provide PPA services (including after default under lending agreements)**: If the PPA services are not available for a period of 24 consecutive hours or 24 non-consecutive hours within a seven day period, NLH may give notice that it will take operational control of the MF Plant , which may be returned to Muskrat at NLH's option upon five business days notice. This ensures that the MF Plant is available to meet native load for the benefit of the ratepayers (even in the event of default) as long as NLH continues to make payment.
- The PPA will terminate at the earlier of:
  - a period of not less than 50 years from the date of commissioning; and
  - by written agreement of the parties (subject to approval of the lenders).

Generator Interconnection Agreement

- Muskrat shall make irrevocable and unconditional payments (based on an escalating supply price) that provides for full LTA cost recovery, including capital, operating and maintenance, taxes, debt service costs and a defined return on equity. These costs are then recovered from NLH by Muskrat via the PPA.
- Labrador Transco will place property and liability insurance coverages as are appropriate.
- Defaults and remedies under the agreement contain typical default provisions. Damages will generally be the losses suffered by a party arising from a breach of the agreement. In addition, specific remedies are provided as follows (which remedies may be assigned to NLH under the PPA for the benefit of NLH and ratepayers)
  - **Failure by Muskrat to make LTA payments:** Labrador Transco may give notice to Muskrat that it requires Muskrat to make a liquidated damages payment to Labrador Transco equal to the cost of redeeming the debt of Labrador Transco (including costs). Labrador Transco will then recalculate the LTA payments to reflect the redemption payment and may pursue further losses at law, equity or pursuant to the agreement.
  - **Failure by Labrador Transco to provide LTA services after default under lending agreements**: If LTA services are not available for 24 consecutive hours or 24 non-consecutive hours within a seven day period, Muskrat may give notice that it will take operational control of the LTA, which operational control may be returned to Labrador Transco at Muskrat's option upon five business days notice.

Generator Interconnection Agreement

- The GIA includes an agreement in favour of the lenders allowing the lenders to step into the GIA arrangements in the event of a default under the FLG arrangements.
- The GIA will terminate at the earlier of:
  - upon the end of the term of the PPA (on 90 days notice);
  - the end of the earlier of the LTA service life and the MF Plant service life, provided that the obligation to make the payments under the GIA shall continue for 50 years after the LTA is commissioned; and
  - by written agreement of the parties (subject to approval of the lenders).

LIL Assets Agreement

- Commits the Partnership to interconnect the LIL with the NLH transmission facilities and the LTA, and to complete upgrades to the Island interconnected system to facilitate the operation of the LIL for the benefit of NLH and ratepayers.
- Commits the parties to provide step-in agreements in favour of the Security Trustee.
- Provides for the prepayment of rent due under the Lease to ensure compliance with the LIL LP Agreement and tax laws.
- Obligates Opco to provide operations and maintenance budget information to the Partnership prior to commissioning of the LIL.
- Obligates the Partnership to provide appropriate insurance during the construction period.
- The LIL Assets Agreement includes an agreement in favour of the lenders allowing the lenders to step into the LIL Assets Agreement and the Lease in the event of a default under the FLG arrangements.
- Term commences on signing and terminates upon commissioning of the LIL.

LIL Lease

- In consideration for the payment of rent by Opco to the Partnership and Opco assuming responsibility for operating and maintaining the LIL, the Partnership will lease/sublease the LIL Assets and rights to Opco for the Lease Term. The rent payment is irrevocable and unconditional and is calculated on a traditional cost of service basis equal to depreciation plus a return on rate base (weighted average debt interest cost plus regulated ROE), plus other related amounts (e.g. Tax Adjustment Amount).
- Opco will perform all sustaining activities and the Partnership will pay for all sustaining costs. The Partnership will recover these costs on a traditional cost of service basis through Rent.
- Opco will place property and liability insurances as are appropriate, giving due consideration to the requirements under the financing documents.
- The Lease will terminate at the earlier of:
  - the later of one month prior to the end of the LIL's service life and the date which is five years after the date on which the financing is paid in full;
  - January 1, 2075;
  - such date as may be provided for in the LRA; and
  - by written agreement of the parties (subject to approval of the lenders).

Transmission Funding Agreement

- During the term of the TFA, NLH will irrevocably pay to Opco the TFA Payments, which comprise the rent and the operating and maintenance costs.
- Opco will perform certain general covenants during the term of the Lease (including onward payment of the rent to the Partnership) and will operate and maintain the LIL in a good and reasonable state of repair consistent with good utility practice.
- The TFA includes an agreement in favour of the lenders allowing the lenders to step into the TFA arrangements in the event of a default under the FLG arrangements.
- The TFA will terminate at the earlier of:
  - five years following the date on which the financing is paid in full;
  - 15 years following the date the FLG is released or expires;
  - such date as may be provided for in the LRA; and
  - by written agreement of the parties (subject to approval of the lenders).

LIL Remedies Agreement

- The remedies will be, unless otherwise stated, in addition to and not in substitution for the remedies set forth in the Lease and the TFA.
- Specific remedies:
  - **Failure by NLH to make TFA Payments:** the Partnership may give notice to Opco and NLH that it requires a liquidated damages payment in an amount equal to the cost of redeeming the debt of the Partnership (including costs). Upon receipt of this payment, the TFA and the Lease will terminate without further liability. Opco agrees to enter into a GSA and grant the Partnership a security interest in the TFA as security for this payment.
  - **Failure by the Partnership to pay sustaining costs under the Lease:** NLH will have the right to require Opco to continue the sustaining activities and NLH will fund them.
  - **Failure by the Partnership to provide quiet enjoyment due to wilful act/omission or gross negligence of Financing Party, Agent, or Acquiror**: If the transmission capability of the LIL is not available for a period of 24 consecutive hours or 24 non-consecutive hours within a seven day period, NLH may give notice to Opco and the Partnership that it will suspend the TFA Payments if the default is not rectified and losses paid. NLH will resume payments once the default is cured. If the transmission capability of the LIL is not available for a period of 10 consecutive days or 10 non-consecutive days within a 90 day period, NLH may give notice that it will terminate the TFA. In this event, Opco may then terminate the Lease.

LIL Remedies Agreement

- Specific Remedies (continued):
  - **Failure by Opco to perform operating and maintenance activities:** NLH may cease making the TFA Payments to Opco, assume the rights and obligations of Opco under the Lease (including the payment of rent to the Partnership) and perform the operating and maintenance activities. If NLH does not invoke this right, the Partnership may give notice that it intends to assume the rights and obligations of Opco under the Lease with respect to operating and maintaining the LIL, and NLH will pay the operating and maintenance costs directly to the Partnership.
  - **Failure by Opco to pay Rent:** The Partnership may require Opco to assign to NLH the Lease and NLH will thereafter assume and perform the conditions and obligations of Opco in the Lease.