PRELIMINARY & CONFIDENTIAL – WITHOUT PREJUDICE

May 4, 2017 Settlement Meeting Presentation Materials

Lower Churchill Project

Contract Between Island Link Limited Partnership and Valard Construction LP

Newfoundland and Labrador, Canada

nalcor energy

Valard
A QUANTA SERVICES COMPANY

McLean & Armstrong LLP

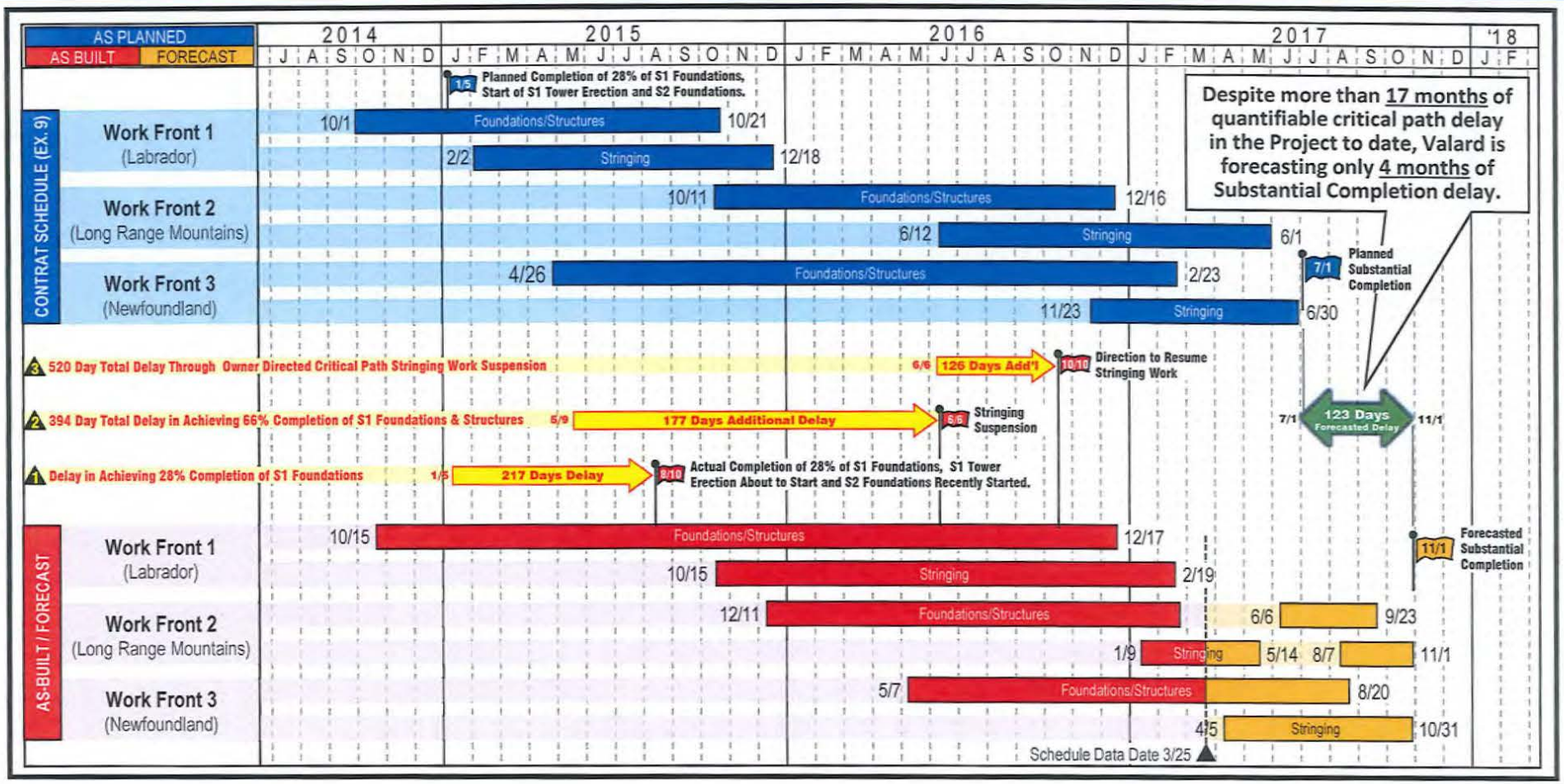
Privileged & Confidential

C2G INTERNATIONAL

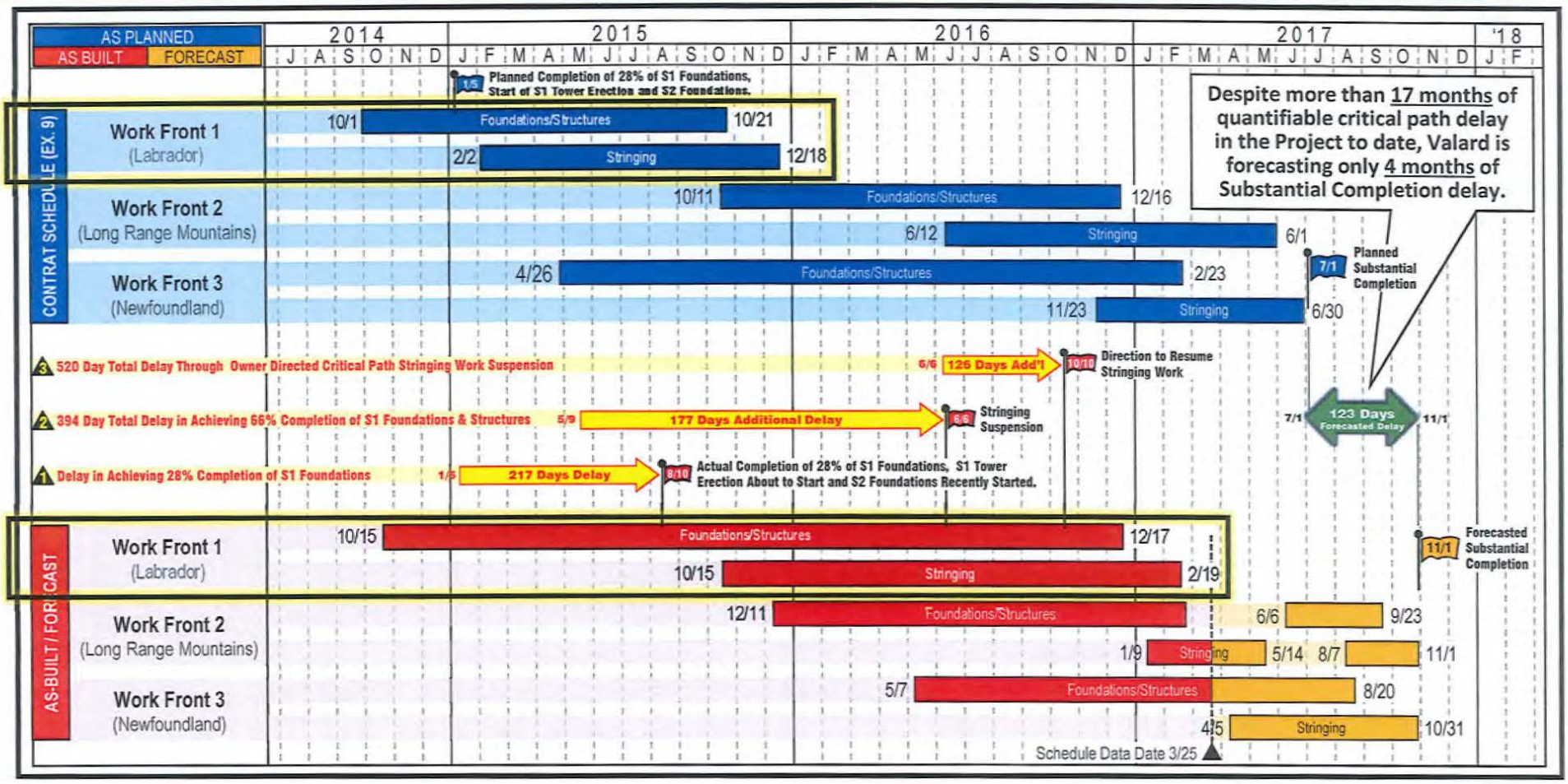
Topics of Discussion

- **Schedule Summary:**
  - ✓ Overview of Project Delays
  - ✓ Critical Path Through Work Front 1
- **Delay & Impact Causation:**
  - ✓ Summary of Impacts Identified
  - ✓ ROW Clearing and Access Road Construction Delays
  - ✓ Access Road Deficiencies
  - ✓ Geo-Program / Foundation Selection Process
- **Cost Impacts:**
  - ✓ Time Related General Conditions
  - ✓ Other Costs:
    - Mechanics
    - Survey
    - Camp Space Impact Costs
- **Conclusions**

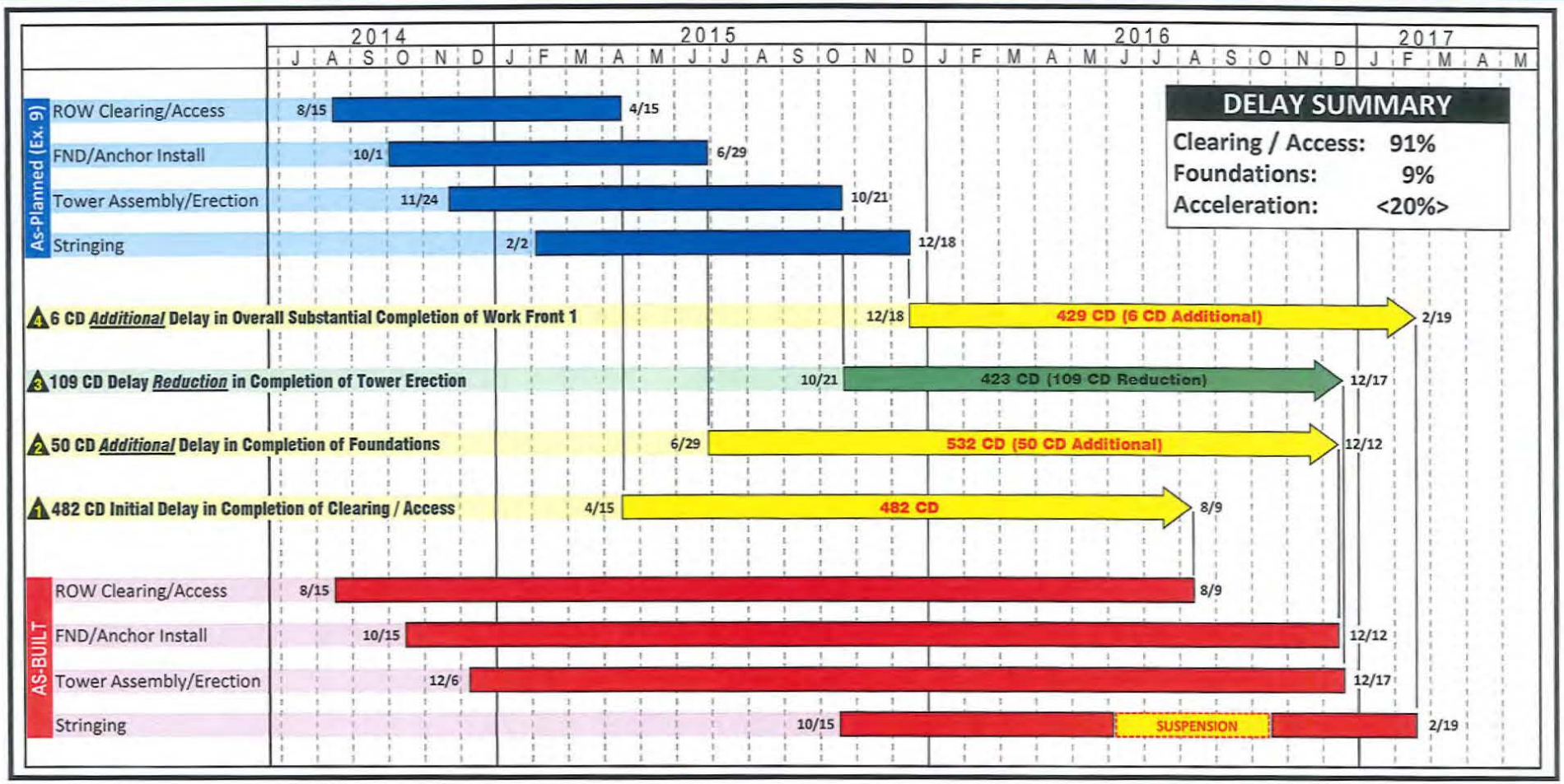
Summary Schedule Comparison



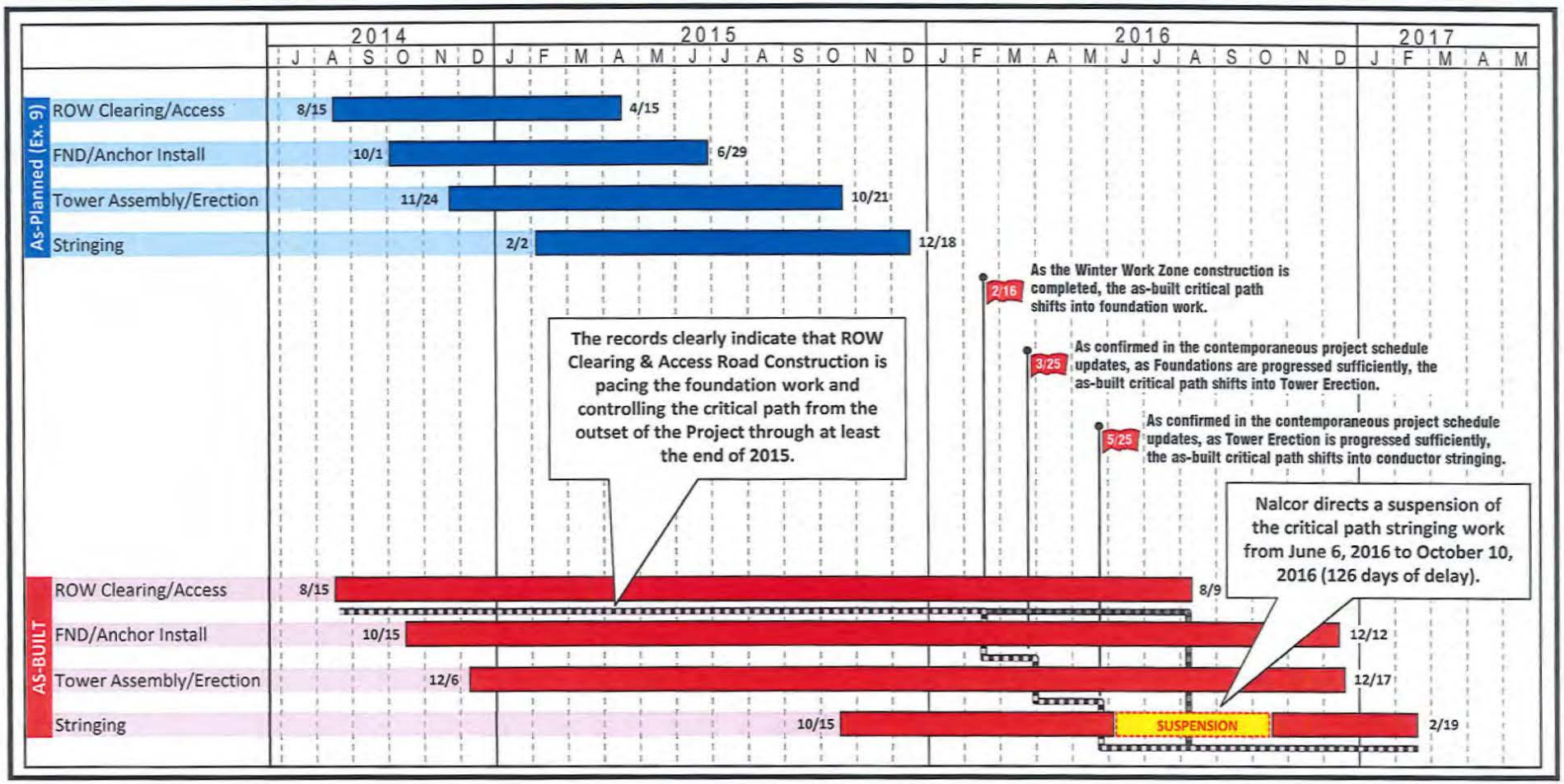
Summary Schedule Comparison



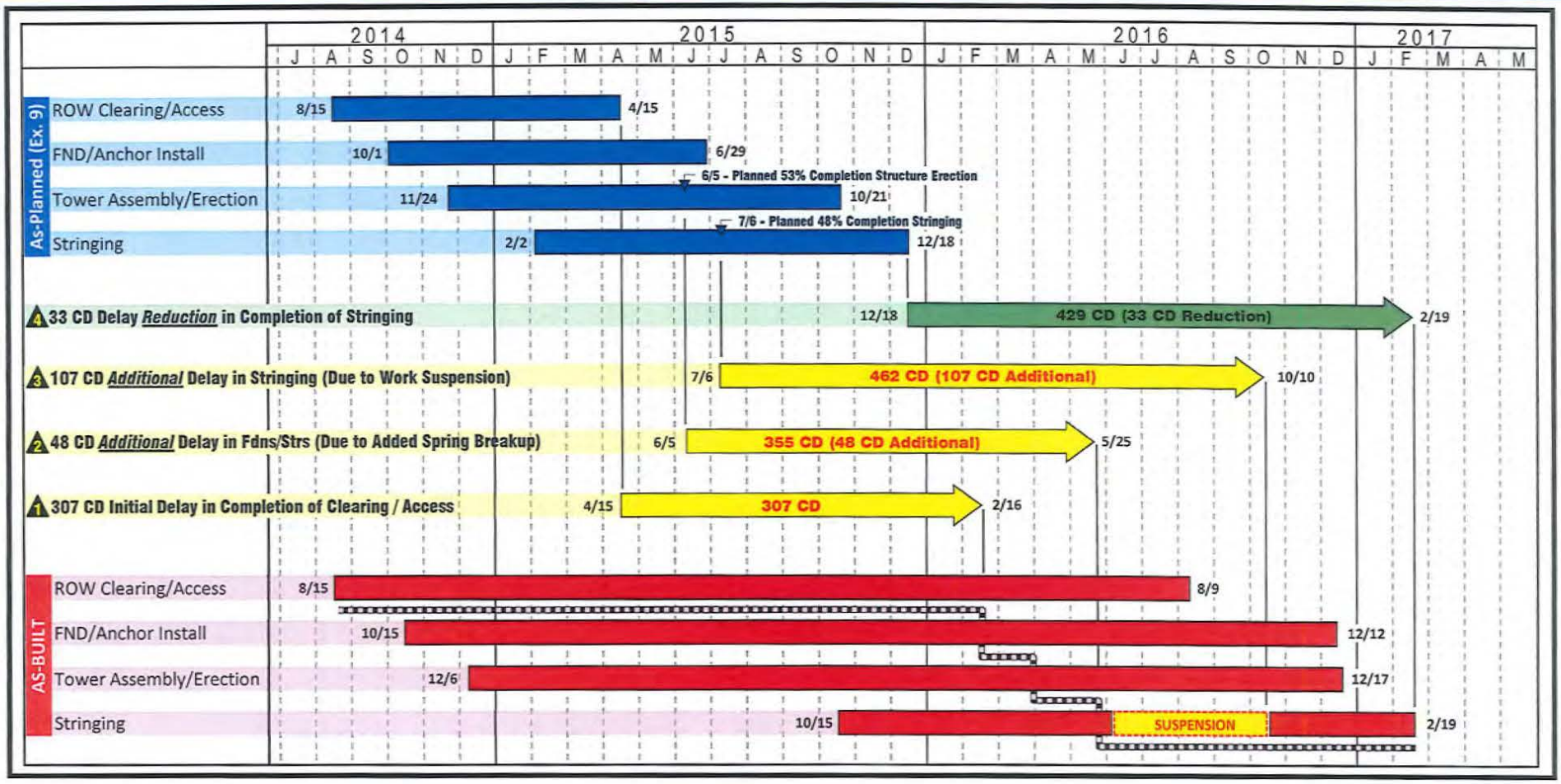
Work Front 1 – As-Planned vs. As-Built Schedule Comparison



Work Front 1 – As-Planned vs. As-Built Schedule Comparison



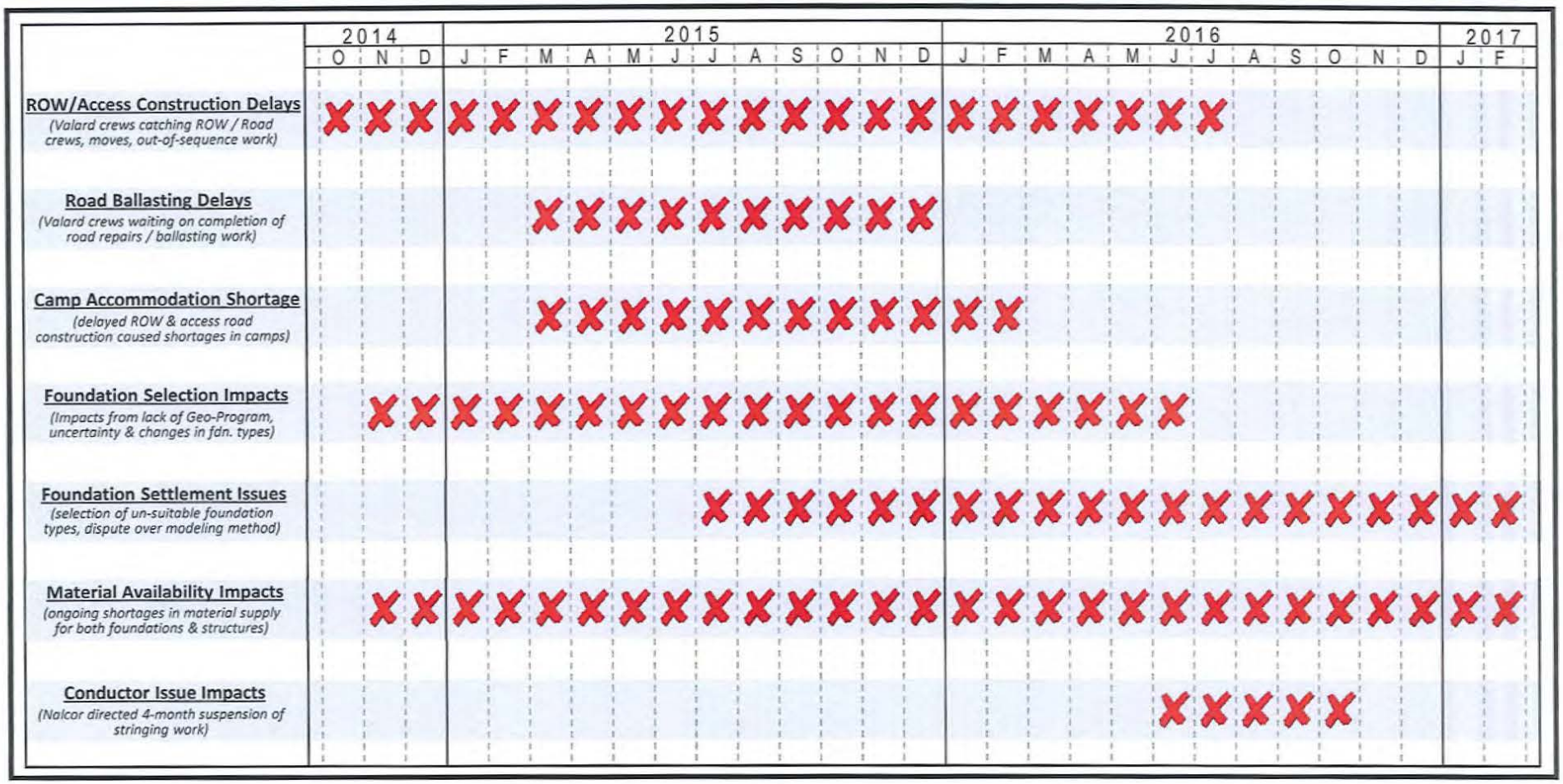
Work Front 1 – As-Planned vs. As-Built Schedule Comparison



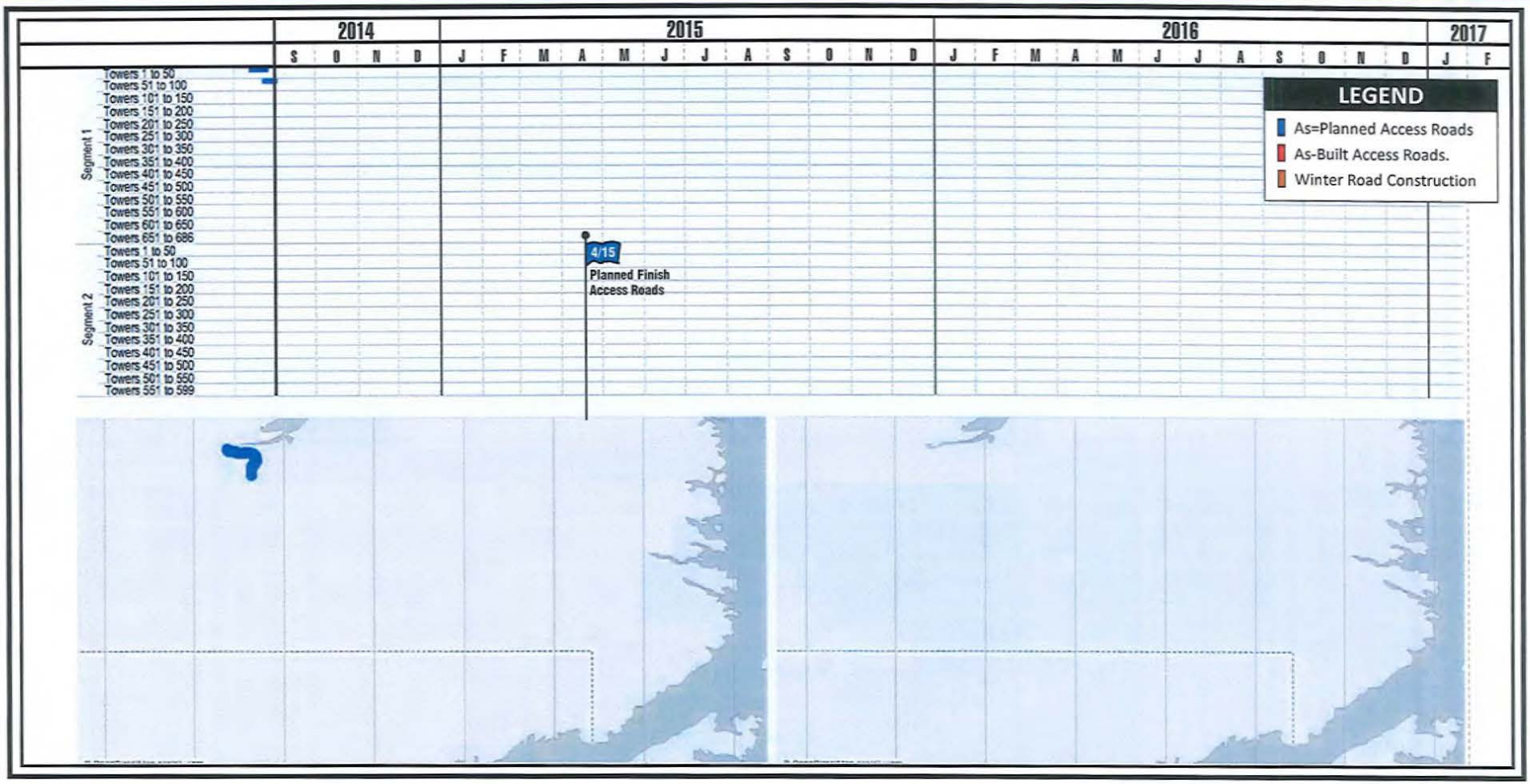
Topics of Discussion

- **Schedule Summary:**
  - ✓ Overview of Project Delays
  - ✓ Critical Path Through Work Front 1
- **Delay & Impact Causation:**
  - ✓ Summary of Impacts Identified
  - ✓ ROW Clearing and Access Road Construction Delays
  - ✓ Access Road Deficiencies
  - ✓ Geo-Program / Foundation Selection Process
- **Cost Impacts:**
  - ✓ Time Related General Conditions
  - ✓ Other Costs:
    - Mechanics
    - Survey
    - Camp Space Impact Costs
- **Conclusions**

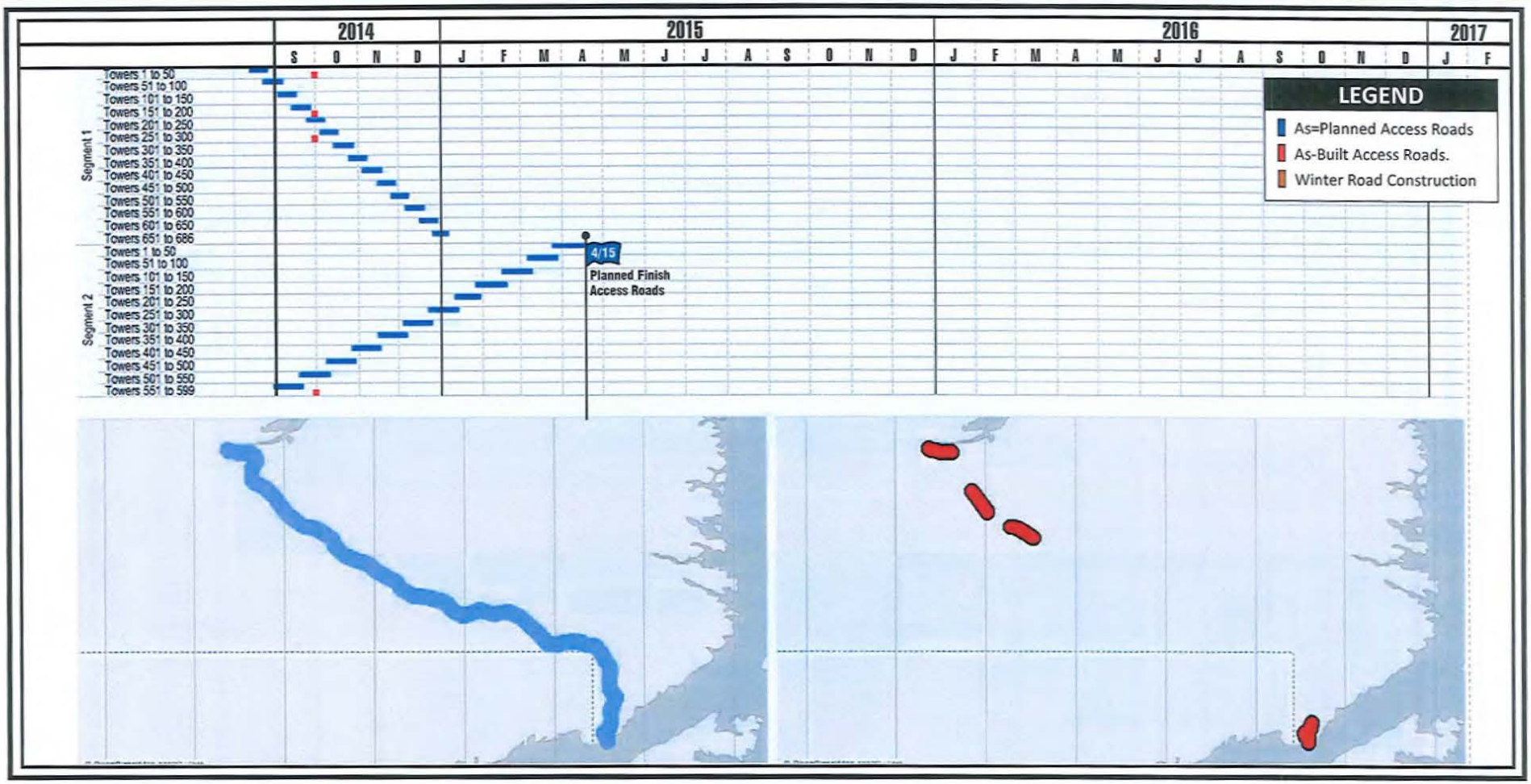
Work Front 1 – Impacts and Delays Noted in Valard Monthly Reports to Nalcor



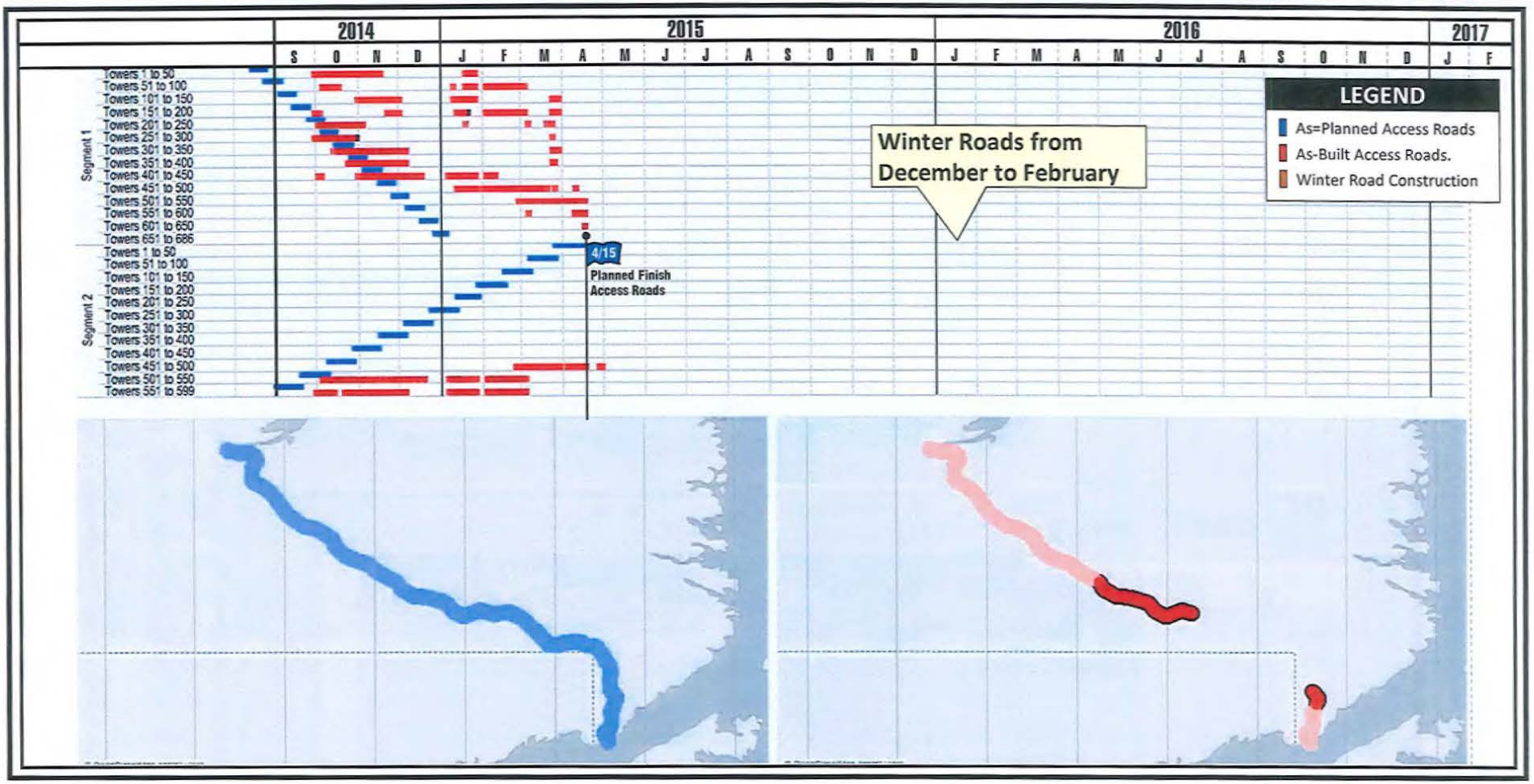
ROW Harvesting & Mulching, Access Road & Bridge Construction - Work Front 1



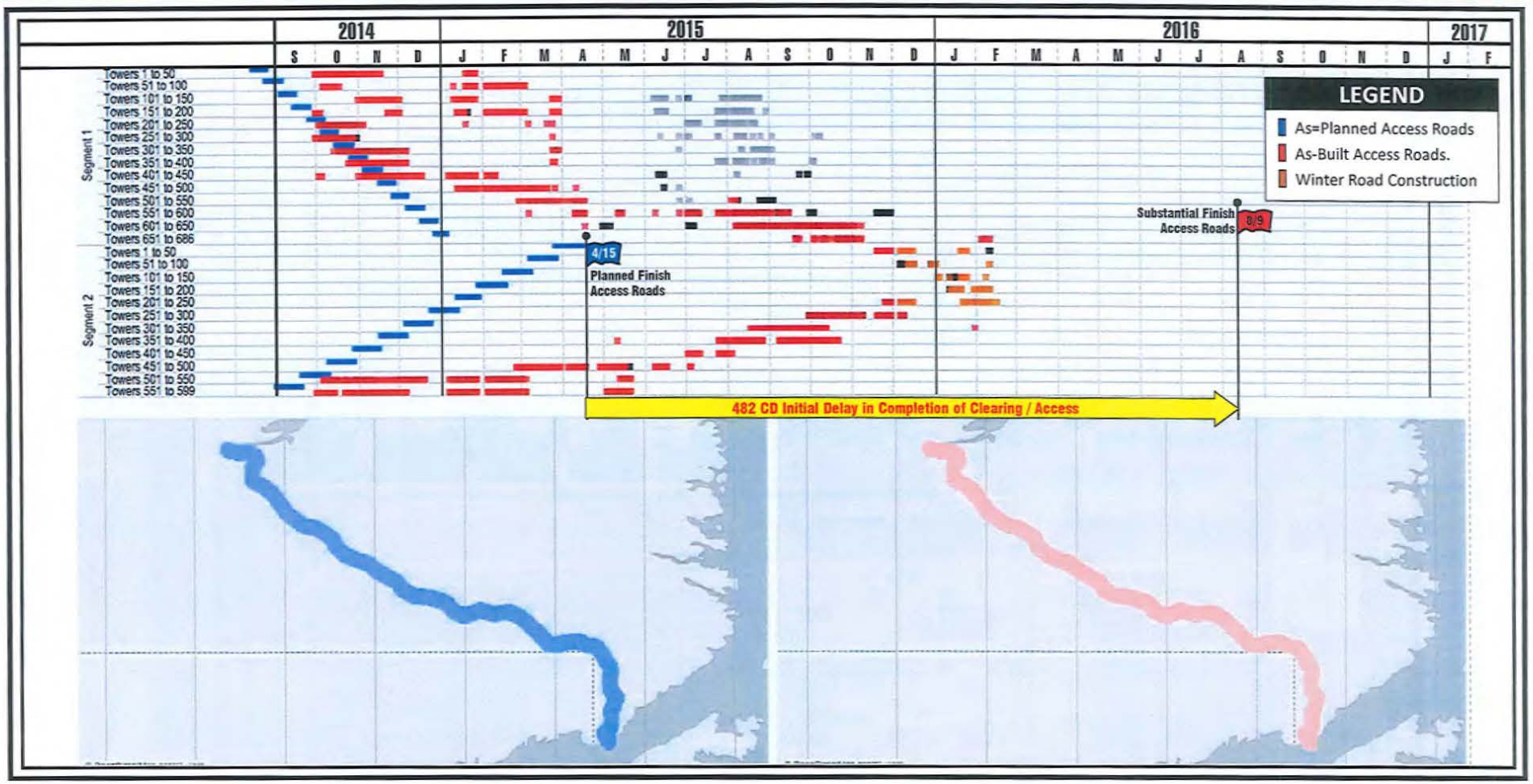
ROW Harvesting & Mulching, Access Road & Bridge Construction - Work Front 1



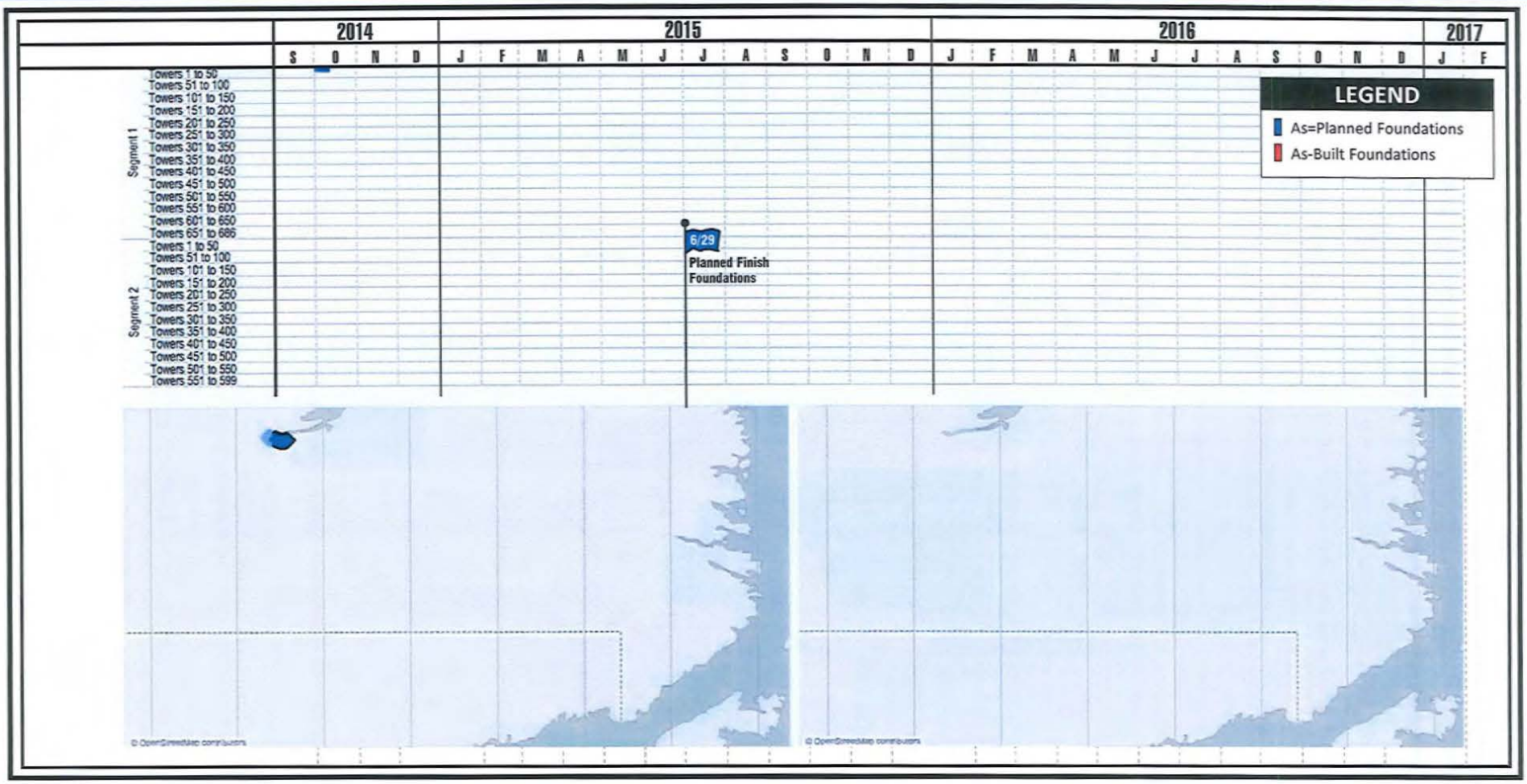
ROW Harvesting & Mulching, Access Road & Bridge Construction - Work Front 1



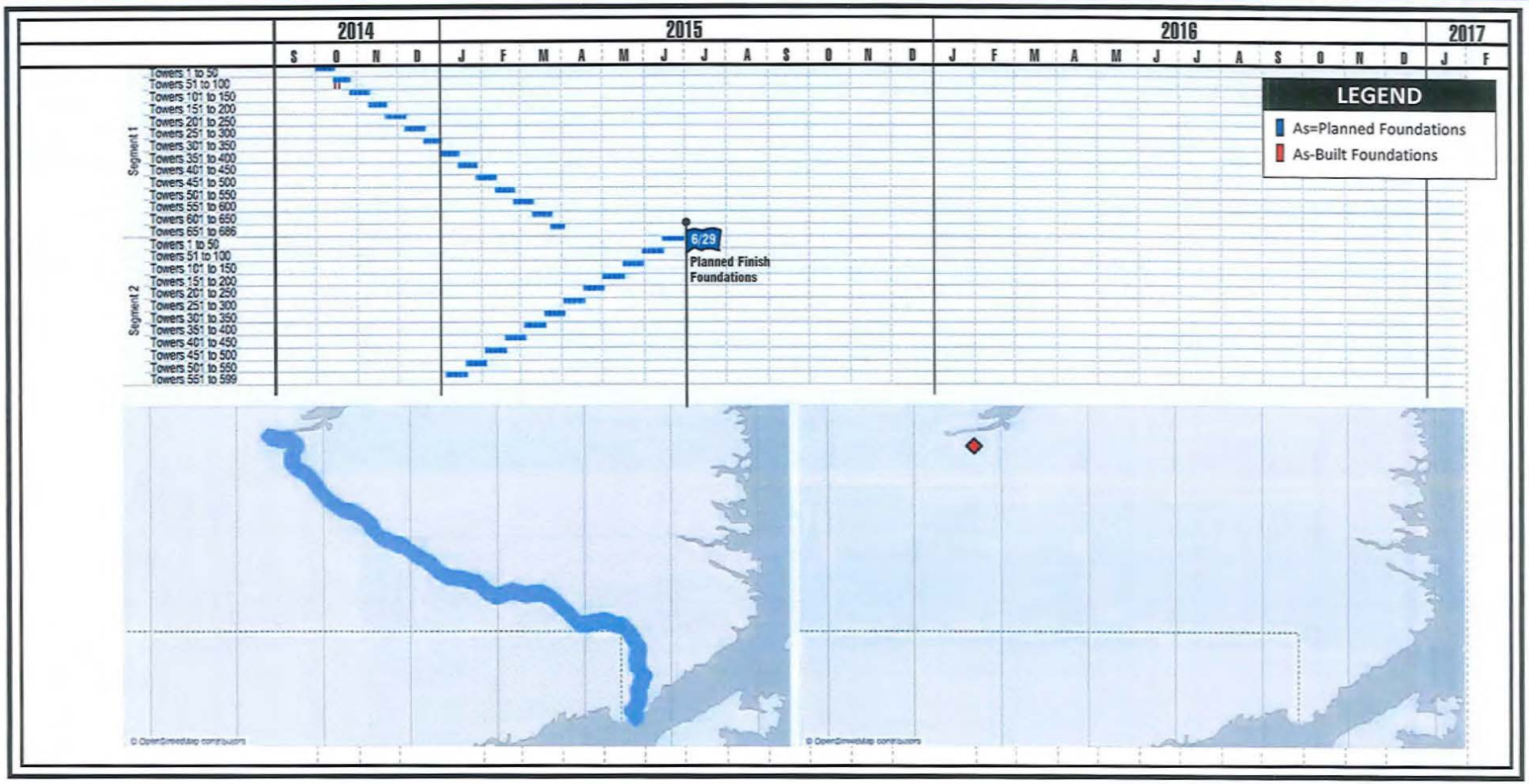
ROW Harvesting & Mulching, Access Road & Bridge Construction - Work Front 1



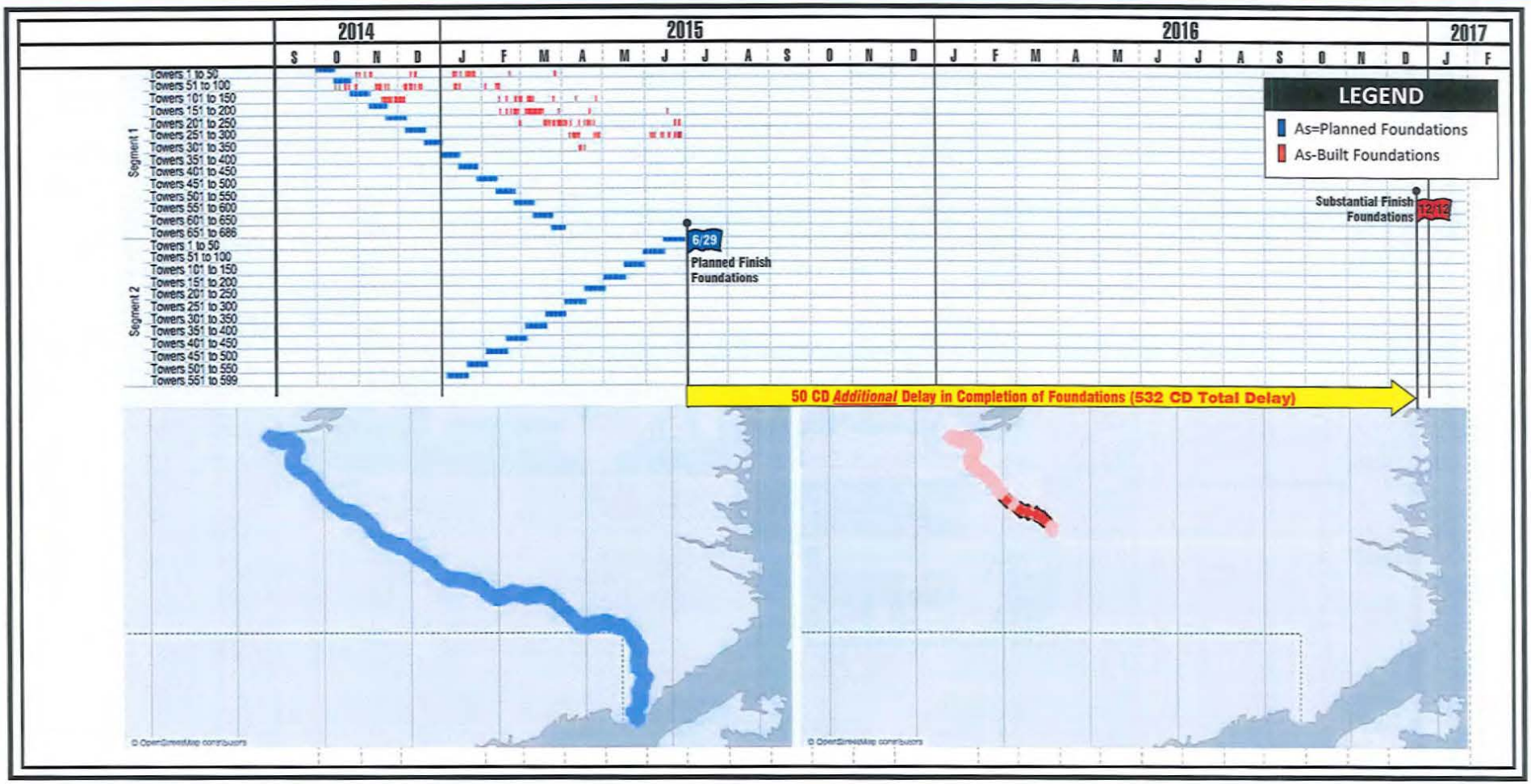
Foundations – Work Front 1



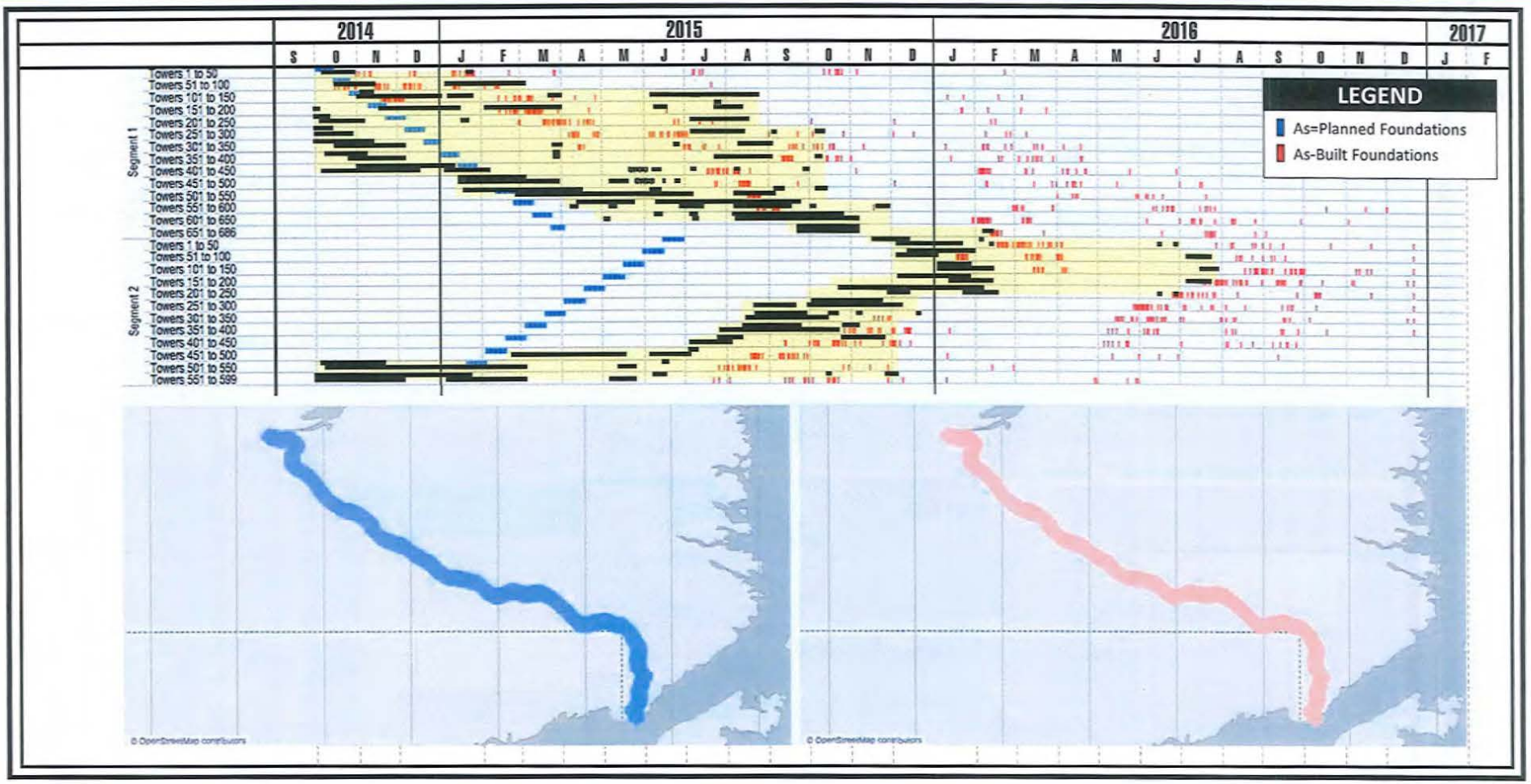
Foundations – Work Front 1



Foundations – Work Front 1



Foundations – Work Front 1



ROW Harvesting & Mulching, Access Road & Bridge Construction - Work Front 1

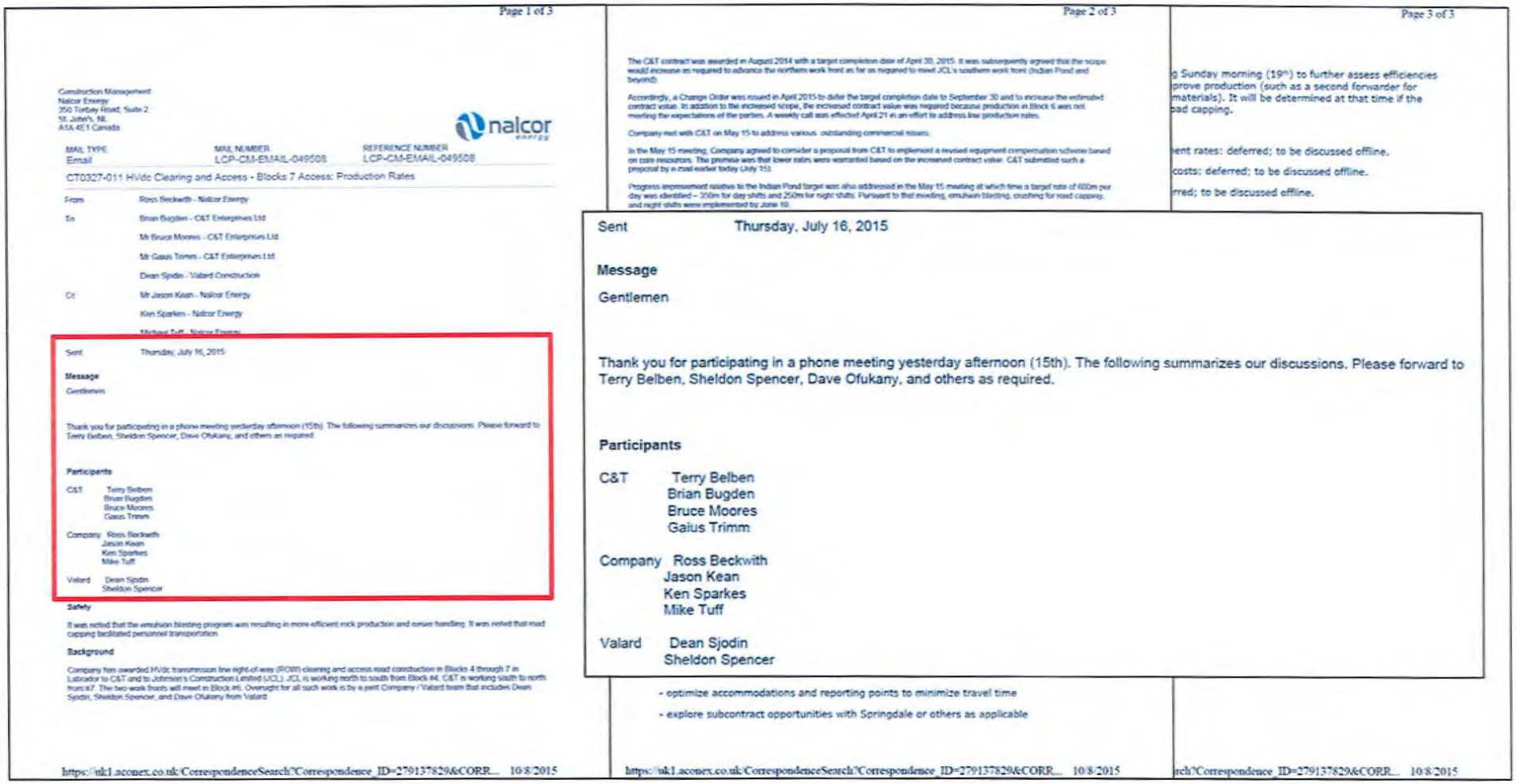
While the original Contract contemplated that Valard would manage ROW clearing and access work (Part B of Contract), it was never afforded the opportunity to do so:

- Valard was not able to manage as Nalcor overrode Valard decisions; did not communicate financial terms of roadbuilding contracts; and directed contractors without Valard involvement.
  - ✓ Valard did not have any control (no authority under the contracts of roadbuilding subcontractors) and they would not take direction from Valard.
  - ✓ Despite making numerous requests, Valard was not provided detailed insight into the costs of the Nalcor roadbuilding subcontractors and could not manage the costs without this knowledge.
  - ✓ Nalcor decided (unilaterally) not to cap the road with crushed stone in many places which did not meet the all season "fit for purpose" standard.
  - ✓ When Valard raised road capping issue, Nalcor management took the position that Valard was in charge of the road, but when the Valard tried to have capping completed, roads widened, further access built and more road maintenance Nalcor refused.
  - ✓ Given the situation, delays in real time decision field making lead to compounding delays.
  - ✓ Nalcor arbitrarily elected to move resources from Labrador to get started on work fronts 2 and 3, which in turn further delayed the completion of access in Labrador.
- Valard's Part B role was terminated early in 2016.

PRELIMINARY & CONFIDENTIAL – WITHOUT PREJUDICE

ROW Harvesting & Mulching, Access Road & Bridge Construction - Work Front 1

SLIDE 19



Page 1 of 3

Construction Management
Nalcor Energy
350 Torbay Road, Suite 2
St. John's, NL
A1A 4E1 Canada

nalcor energy

MAIL TYPE	MAIL NUMBER	REFERENCE NUMBER
Email	LCP-CM-EMAIL-049508	LCP-CM-EMAIL-049508

CT0327-011 HVdc Clearing and Access - Blocks 7 Access: Production Rates

From Ross Beckwith - Nalcor Energy

To Brian Bugden - C&T Enterprises Ltd
Mr Bruce Moores - C&T Enterprises Ltd
Mr Gaius Timm - C&T Enterprises Ltd
Dean Sjodin - Valard Construction

Cc Mr Jason Kean - Nalcor Energy
Ken Sparkes - Nalcor Energy
Michael Tuff - Nalcor Energy

Sent Thursday, July 16, 2015

Message

Gentlemen

Thank you for participating in a phone meeting yesterday afternoon (15th). The following summarizes our discussions. Please forward to Terry Belben, Sheldon Spencer, Dave Ofukany, and others as required.

Participants

C&T Terry Belben
Brian Bugden
Bruce Moores
Gaius Timm

Company Ross Beckwith
Jason Kean
Ken Sparkes
Mike Tuff

Valard Dean Sjodin
Sheldon Spencer

Safety

It was noted that the emulsion blasting program was resulting in more efficient rock production and easier handling. It was noted that road capping facilitated personnel transportation.

Background

Company has awarded HVdc transmission line right-of-way (ROW) clearing and access road construction in Blocks 4 through 7 in Labrador to C&T and to Johnsen's Construction Limited (JCL). JCL is working north to south from Block #4. C&T is working south to north from #7. The two work fronts will meet in Block #6. Oversight for all such work is by a joint Company / Valard team that includes Dean Sjodin, Sheldon Spencer, and Dave Ofukany from Valard.

https://uk1.aconex.co.uk/CorrespondenceSearch?Correspondence_ID=27913782...&CORR... 10/8/2015

Page 2 of 3

The C&T contract was awarded in August 2014 with a target completion date of April 30, 2015. It was subsequently agreed that the scope would increase as required to advance the northern work front as far as required to meet JCL's southern work front (Indian Pond and beyond).

Accordingly, a Change Order was issued in April 2015 to defer the target completion date to September 30 and to increase the estimated contract value. In addition to the increased scope, the increased contract value was required because production in Block 6 was not meeting the expectations of the parties. A weekly call was effected April 21 in an effort to address low production rates.

Company met with C&T on May 15 to address various outstanding commercial issues.

In the May 15 meeting, Company agreed to consider a proposal from C&T to implement a revised equipment compensation scheme based on core resources. The premise was that lower rates were warranted based on the increased contract value. C&T submitted such a proposal by e-mail earlier today (July 15).

Progress improvement relative to the Indian Pond target was also addressed in the May 15 meeting at which time a target rate of 600m per day was identified – 350m for day shifts and 250m for night shifts. Pursuant to that meeting, emulsion blasting, crushing for road capping, and night shifts were implemented by June 10.

- optimize accommodations and reporting points to minimize travel time
- explore subcontract opportunities with Springdale or others as applicable

https://uk1.aconex.co.uk/CorrespondenceSearch?Correspondence_ID=27913782...&CORR... 10/8/2015

Page 3 of 3

g Sunday morning (19th) to further assess efficiencies
prove production (such as a second forwarder for
materials). It will be determined at that time if the
bad capping.

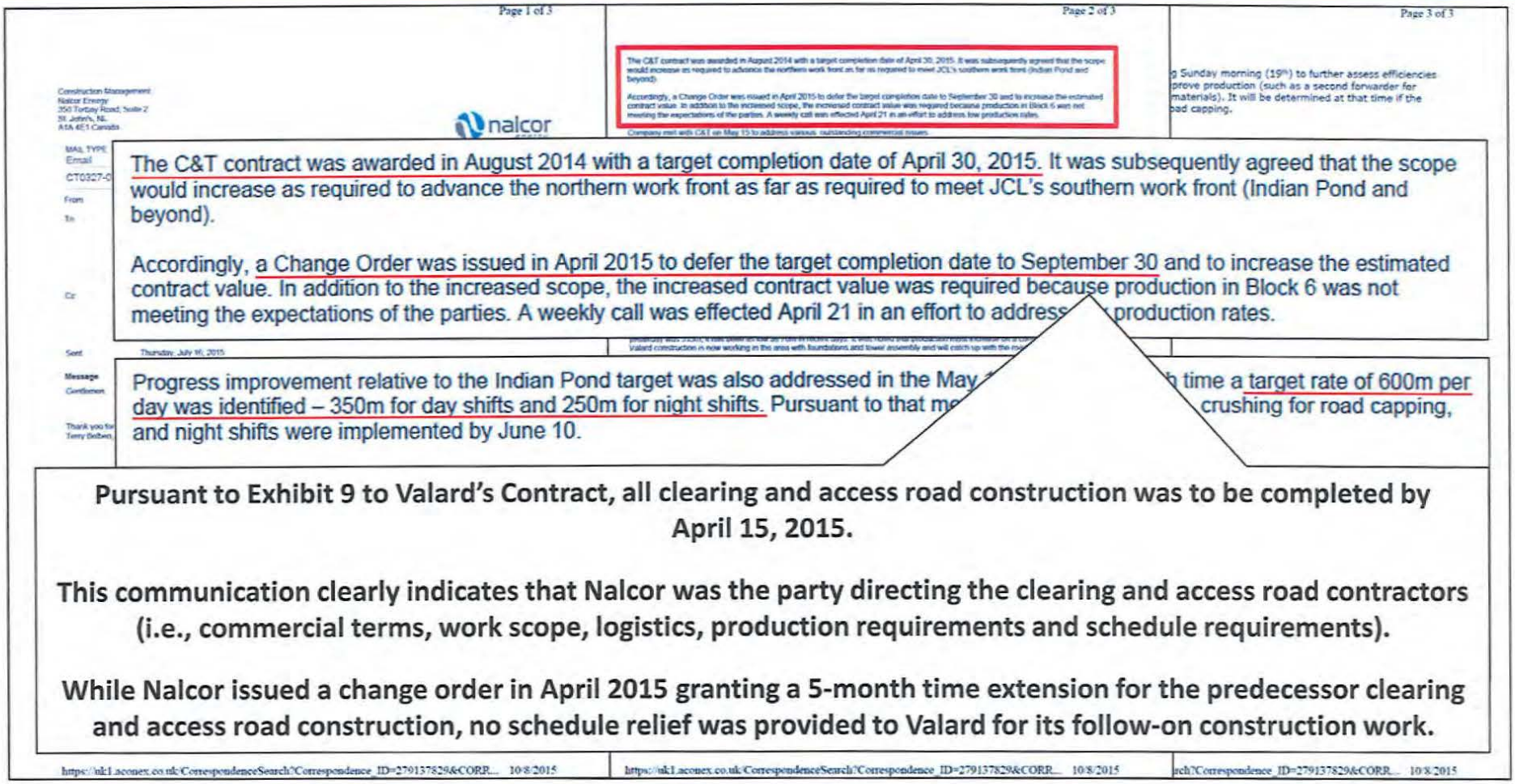
ent rates: deferred; to be discussed offline.

costs: deferred; to be discussed offline.

rred; to be discussed offline.

rch?Correspondence_ID=27913782...&CORR... 10/8/2015

ROW Harvesting & Mulching, Access Road & Bridge Construction - Work Front 1



Page 1 of 3

Page 2 of 3

Page 3 of 3

The C&T contract was awarded in August 2014 with a target completion date of April 30, 2015. It was subsequently agreed that the scope would increase as required to advance the northern work front as far as required to meet JCL's southern work front (Indian Pond and beyond).

Accordingly, a Change Order was issued in April 2015 to defer the target completion date to September 30 and to increase the estimated contract value. In addition to the increased scope, the increased contract value was required because production in Block 6 was not meeting the expectations of the parties. A weekly call was effected April 21 in an effort to address production rates.

Progress improvement relative to the Indian Pond target was also addressed in the May ... time a target rate of 600m per day was identified – 350m for day shifts and 250m for night shifts. Pursuant to that m... crushing for road capping, and night shifts were implemented by June 10.

Pursuant to Exhibit 9 to Valard's Contract, all clearing and access road construction was to be completed by April 15, 2015.

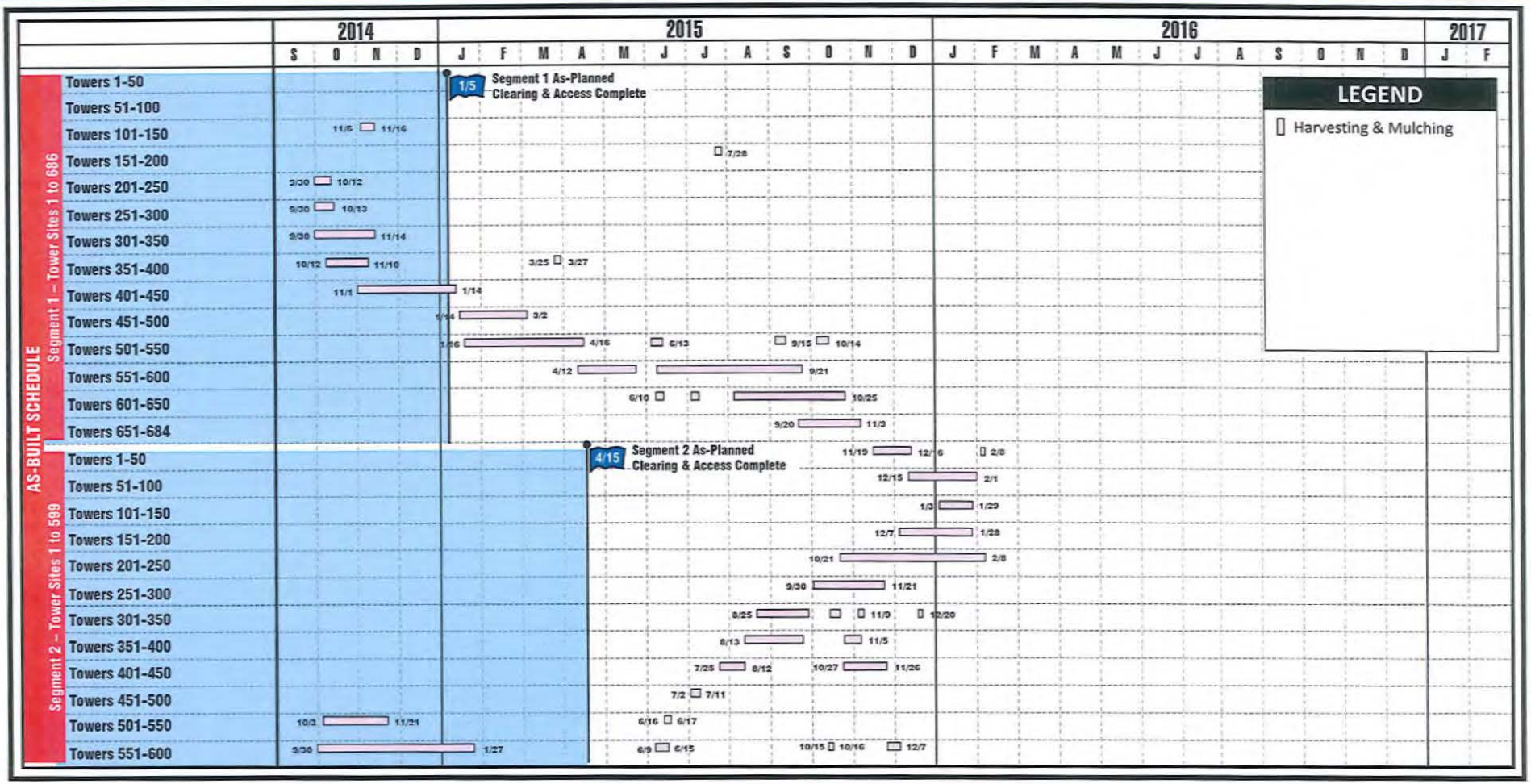
This communication clearly indicates that Nalcor was the party directing the clearing and access road contractors (i.e., commercial terms, work scope, logistics, production requirements and schedule requirements).

While Nalcor issued a change order in April 2015 granting a 5-month time extension for the predecessor clearing and access road construction, no schedule relief was provided to Valard for its follow-on construction work.

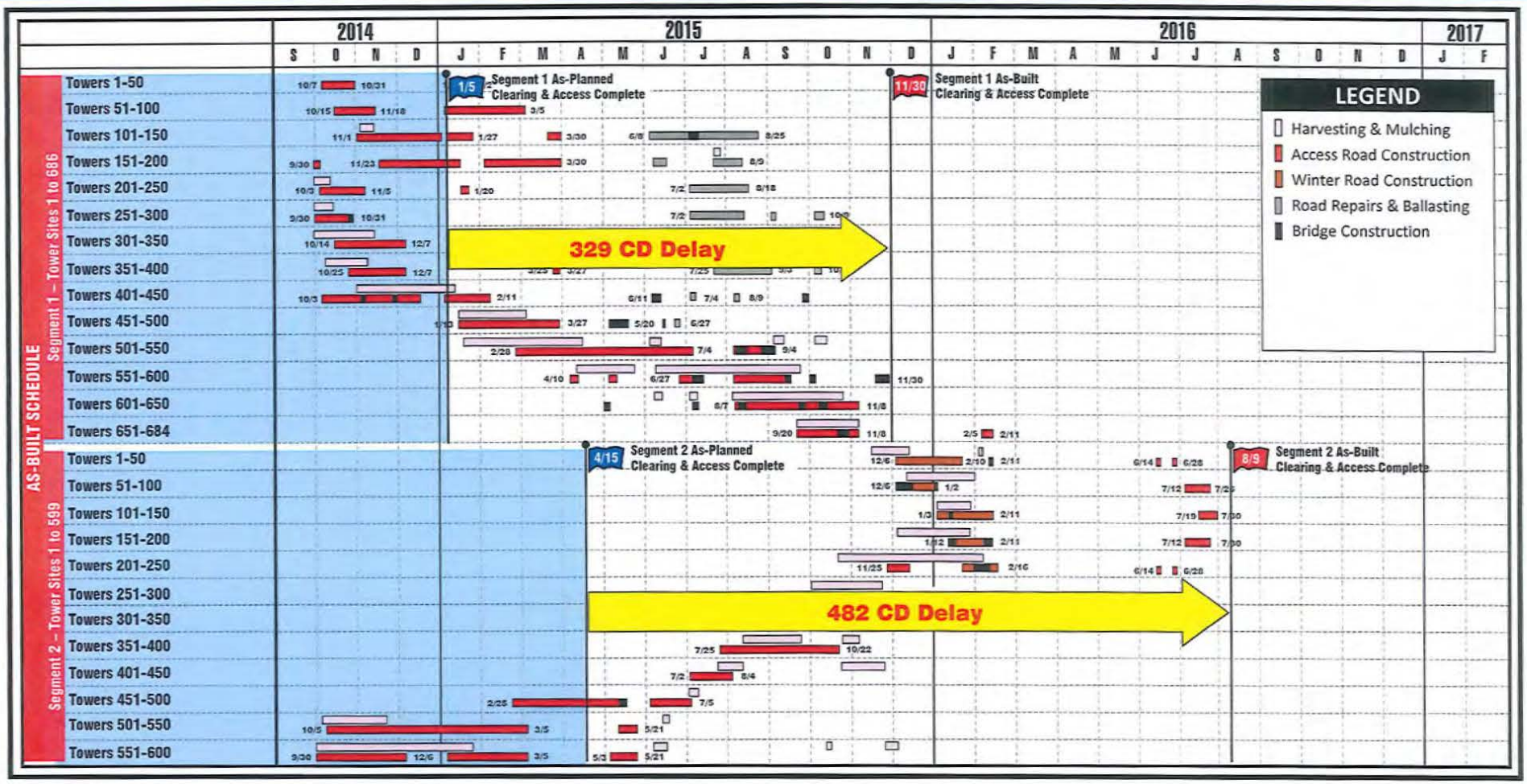
Topics of Discussion

- **Schedule Summary:**
  - ✓ Overview of Project Delays
  - ✓ Critical Path Through Work Front 1
- **Delay & Impact Causation:**
  - ✓ Summary of Impacts Identified
  - ✓ ROW Clearing and Access Road Construction Delays
  - ✓ Access Road Deficiencies
  - ✓ Geo-Program / Foundation Selection Process
- **Cost Impacts:**
  - ✓ Time Related General Conditions
  - ✓ Other Costs:
    - Mechanics
    - Survey
    - Camp Space Impact Costs
- **Conclusions**

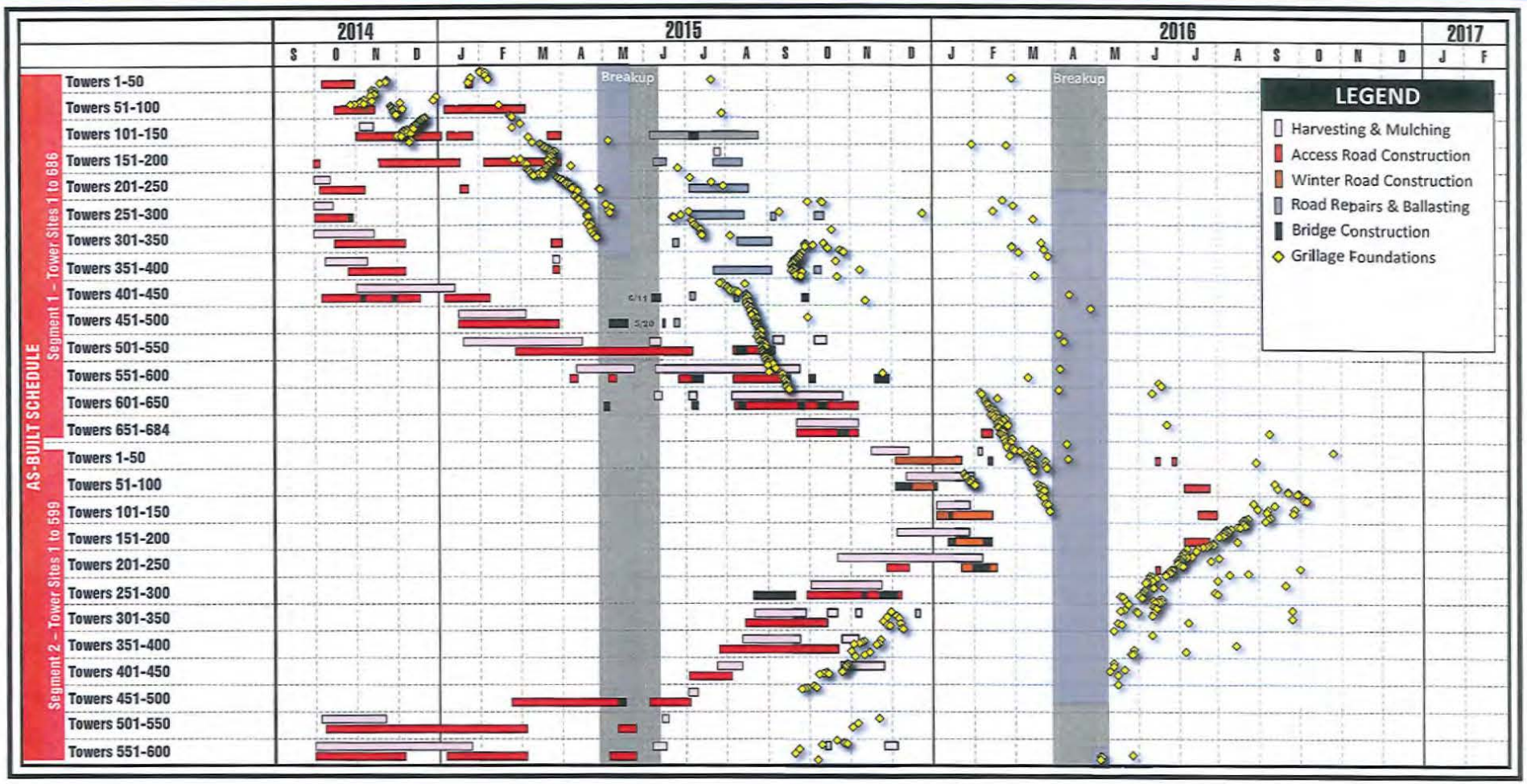
ROW Harvesting & Mulching - Work Front 1



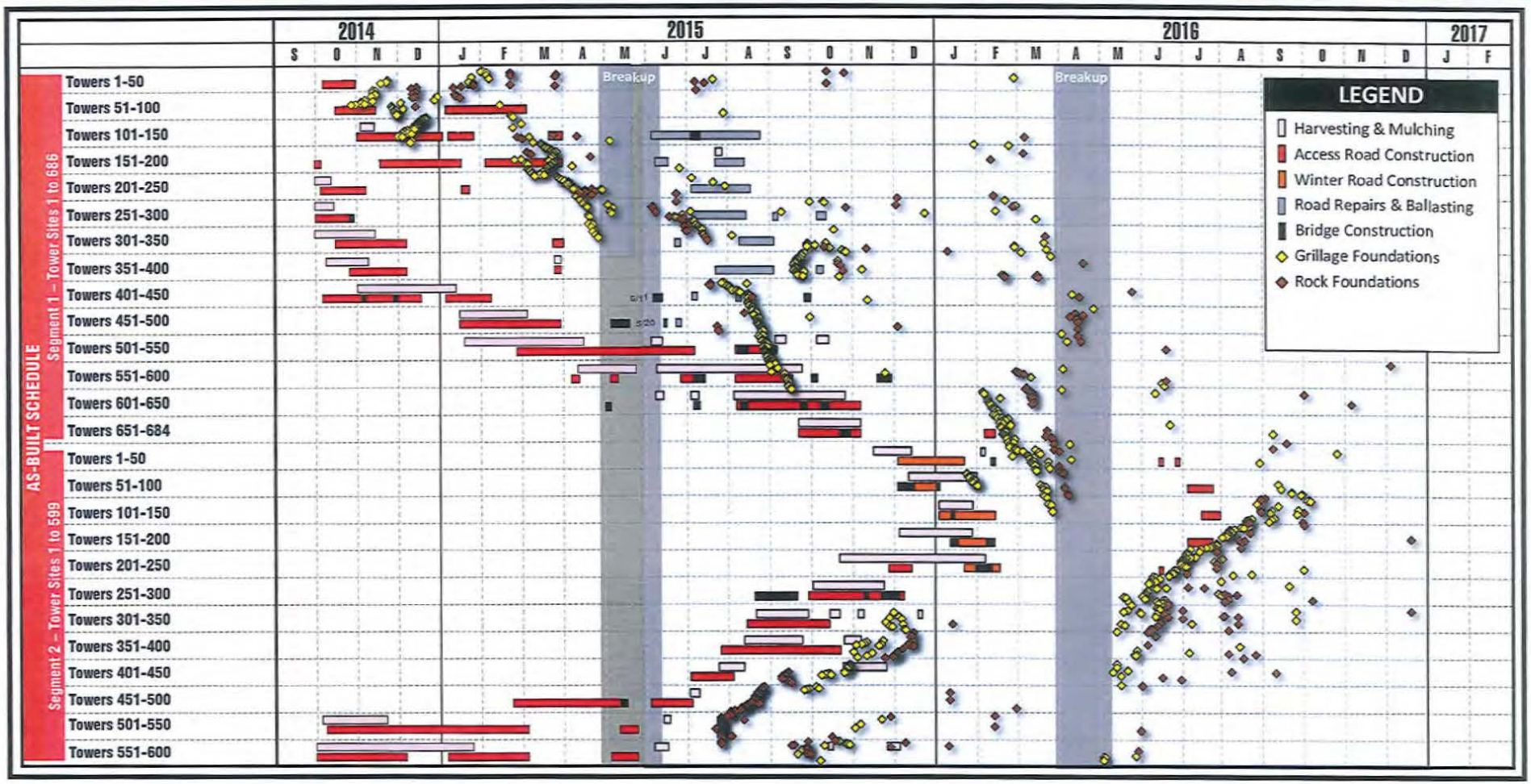
ROW Harvesting & Mulching, Access Road & Bridge Construction - Work Front 1



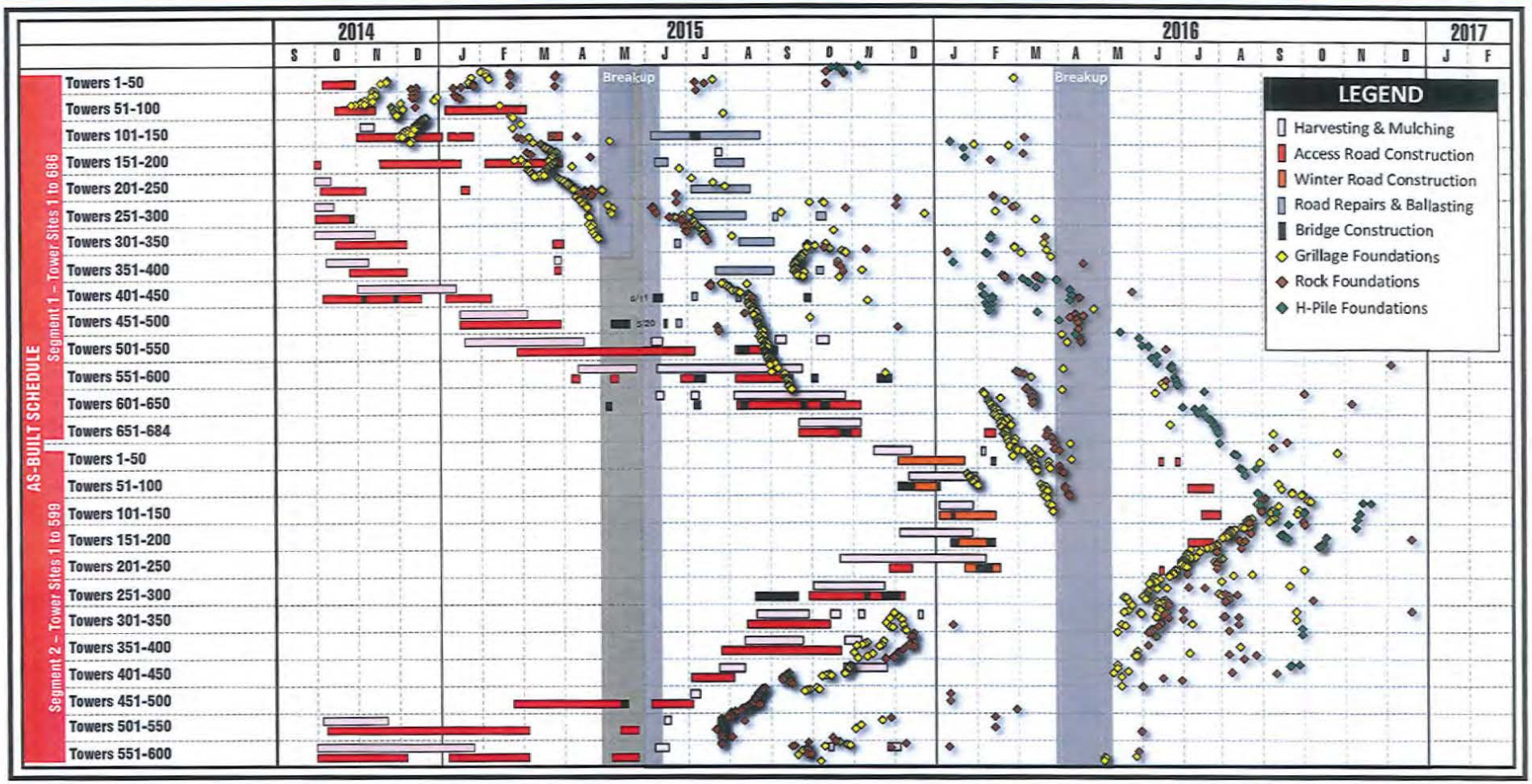
ROW Harvesting & Mulching, Access Road & Bridge Construction (with Foundations) – WF1



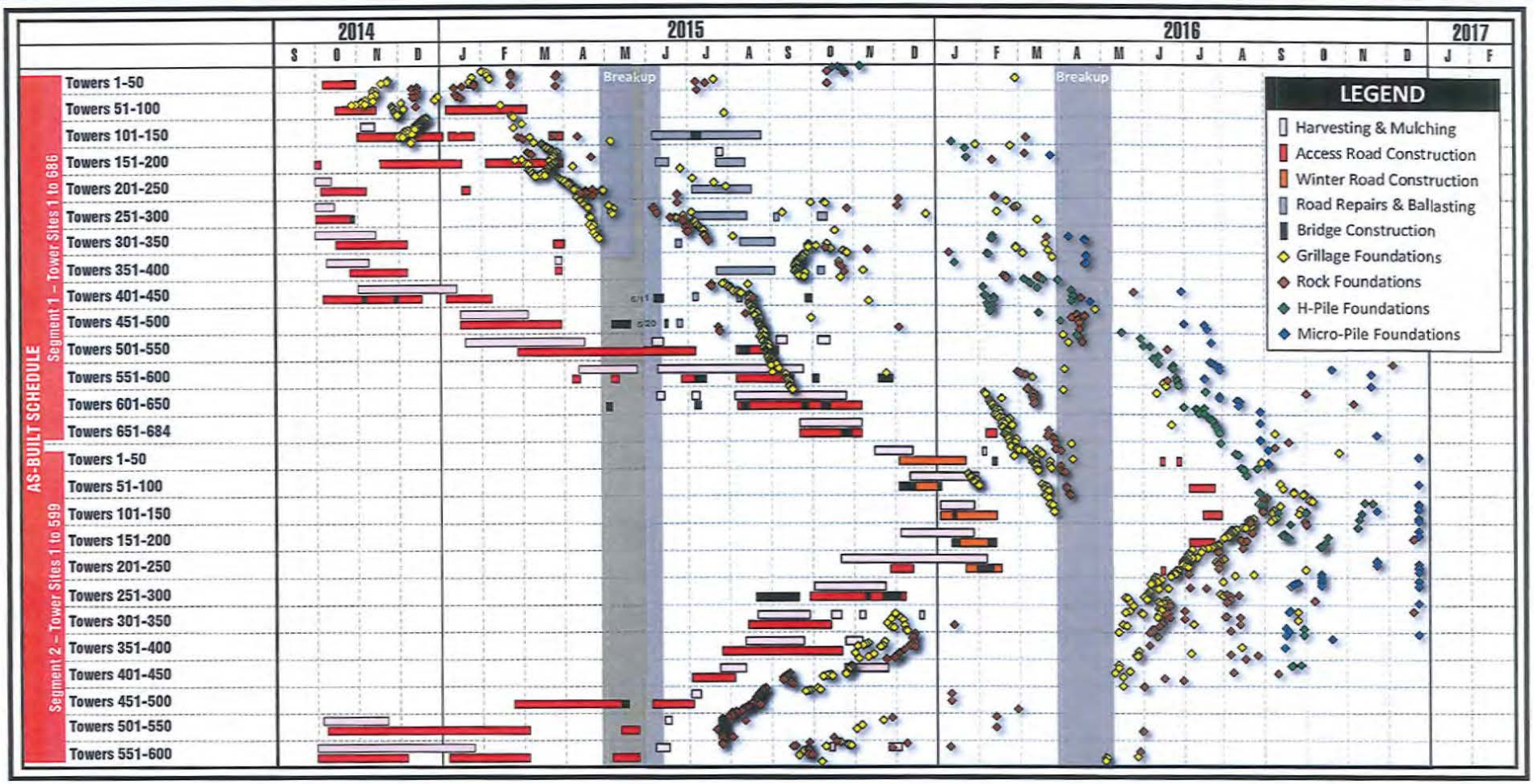
ROW Harvesting & Mulching, Access Road & Bridge Construction (with Foundations) – WF1



ROW Harvesting & Mulching, Access Road & Bridge Construction (with Foundations) – WF1



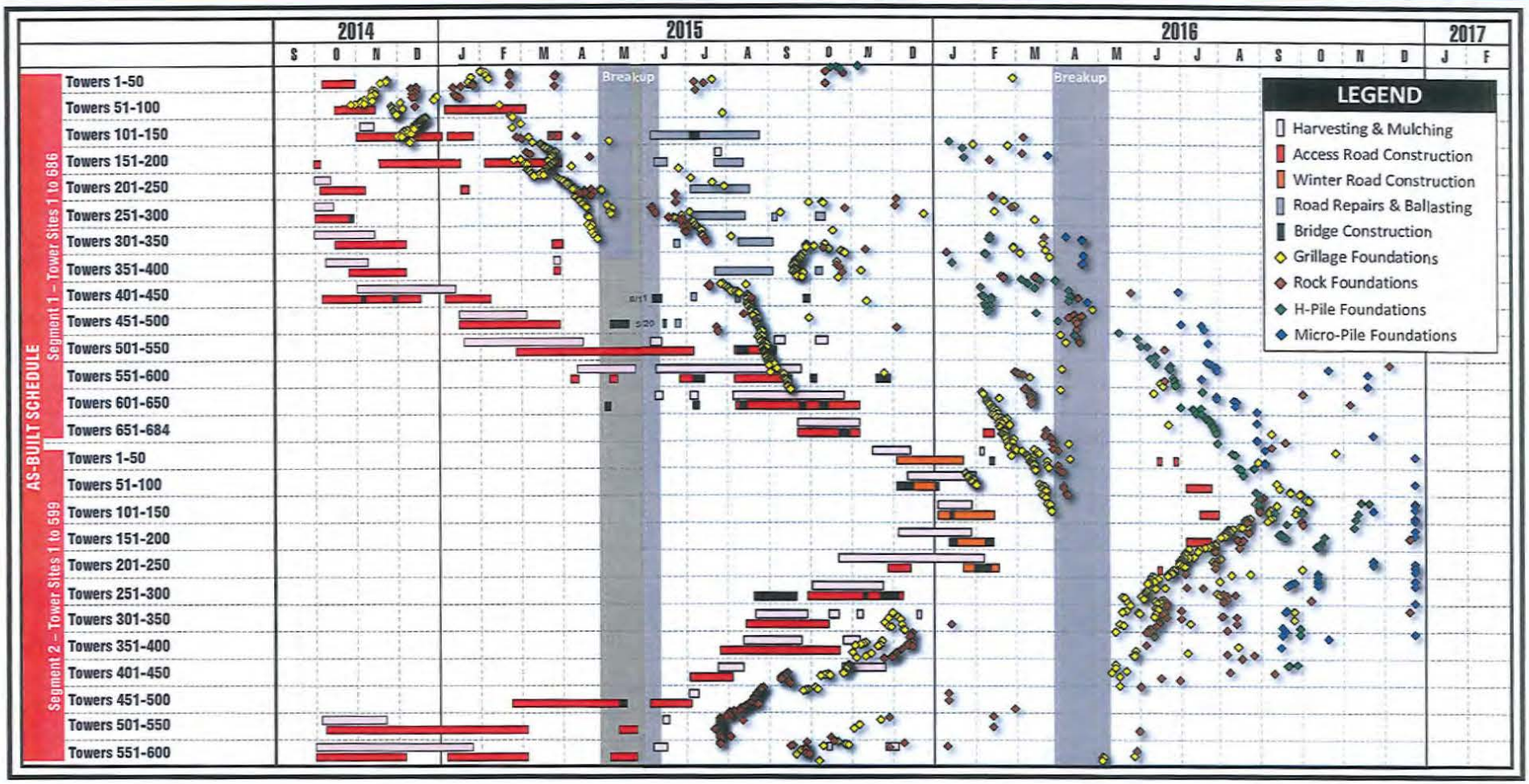
ROW Harvesting & Mulching, Access Road & Bridge Construction (with Foundations) – WF1



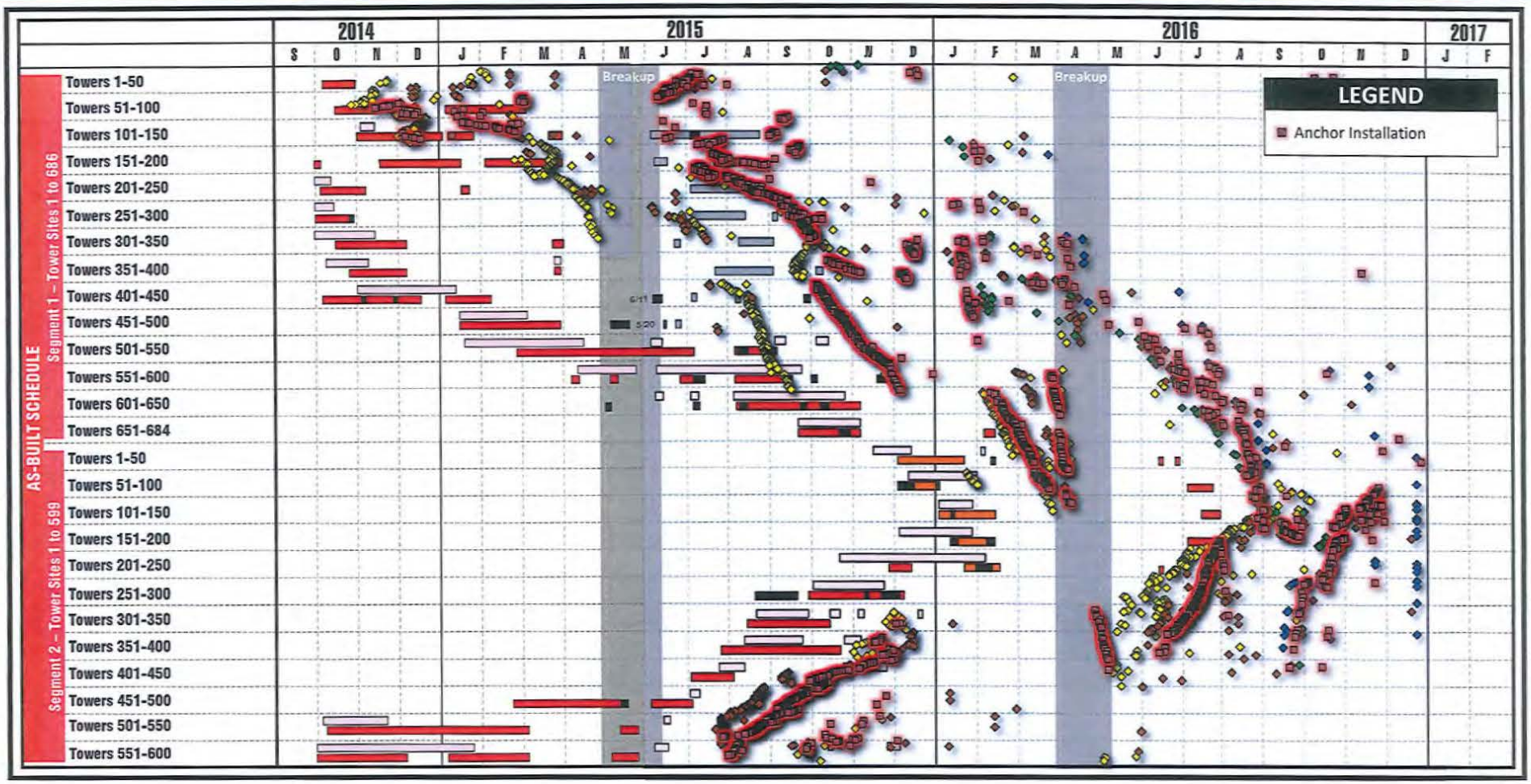
PRELIMINARY & CONFIDENTIAL – WITHOUT PREJUDICE

ROW Harvesting & Mulching, Access Road & Bridge Construction (with Foundations) – WF1

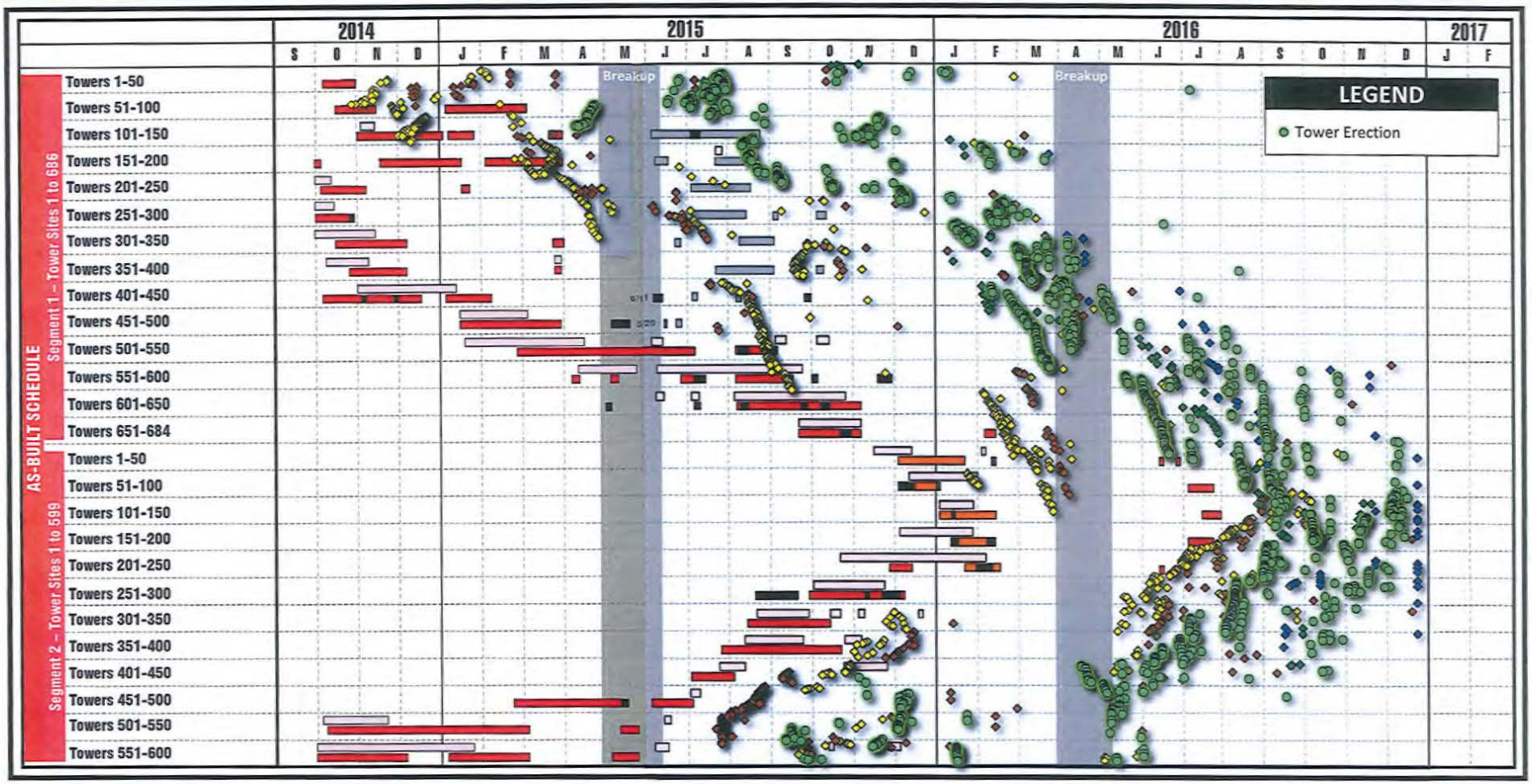
SLIDE 28



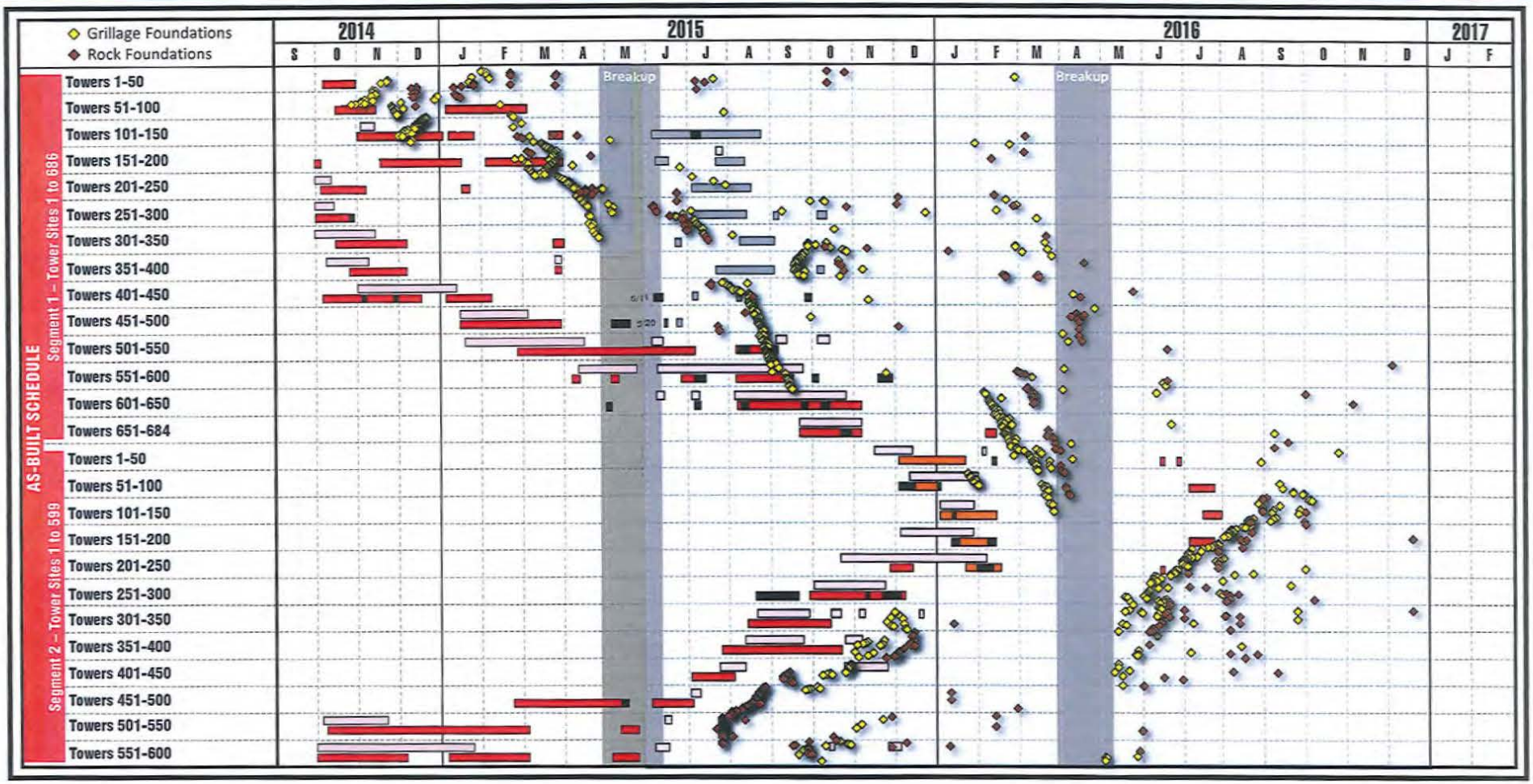
ROW Harvesting & Mulching, Access Road & Bridge Construction (with Foundations) – WF1



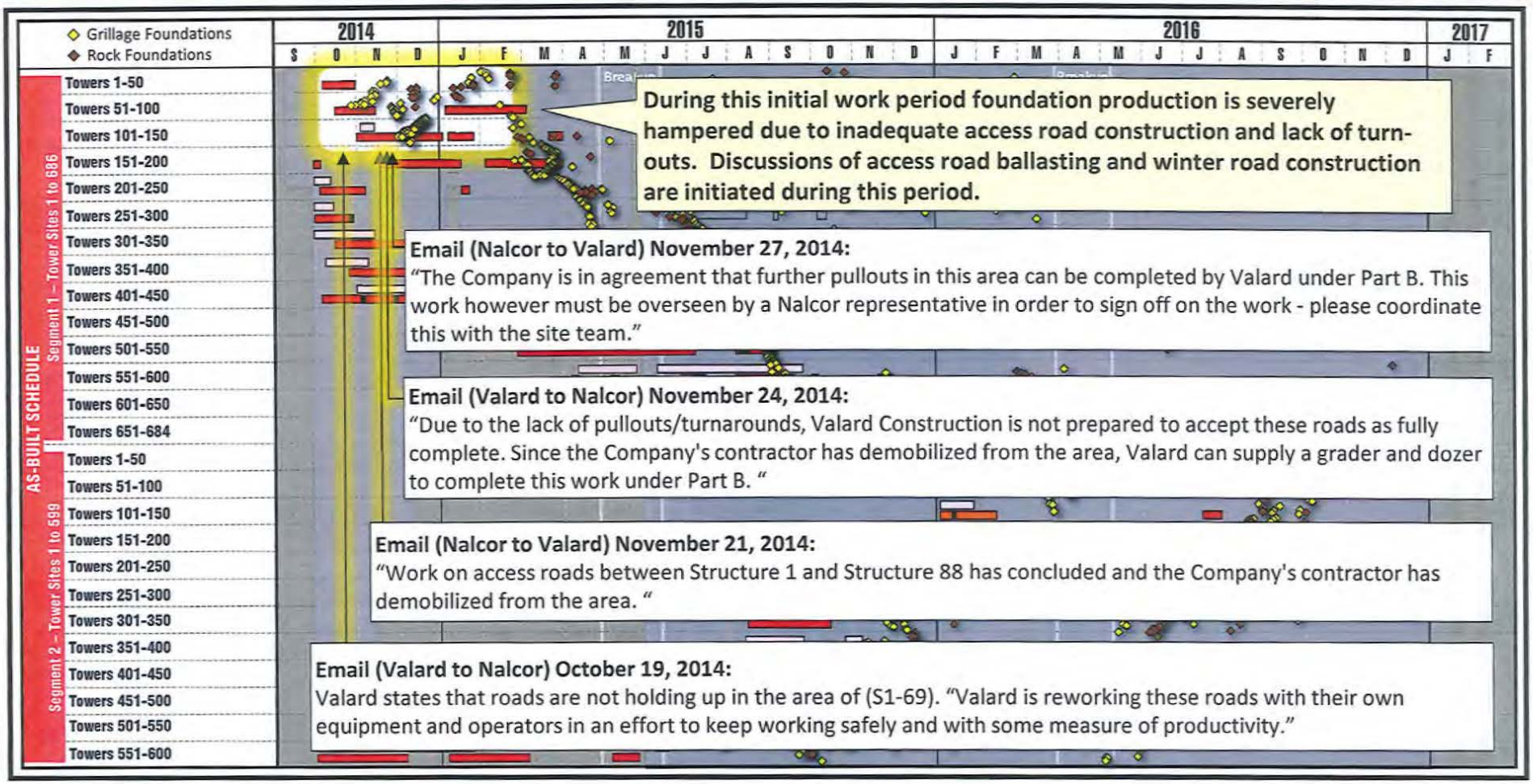
ROW Harvesting & Mulching, Access Road & Bridge Construction (with Towers) – WF1



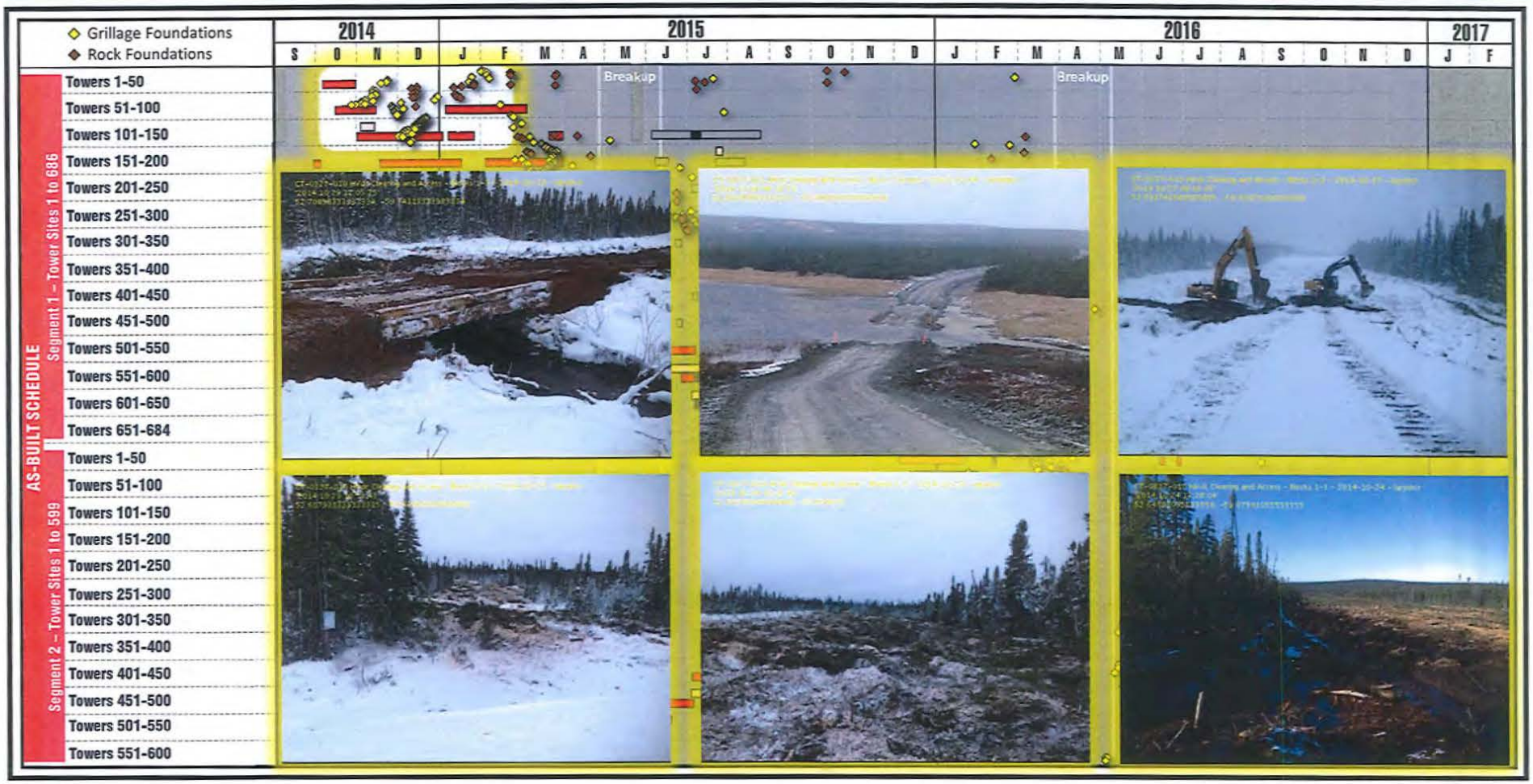
ROW Harvesting & Mulching, Access Road & Bridge Construction (with Foundations) – WF1



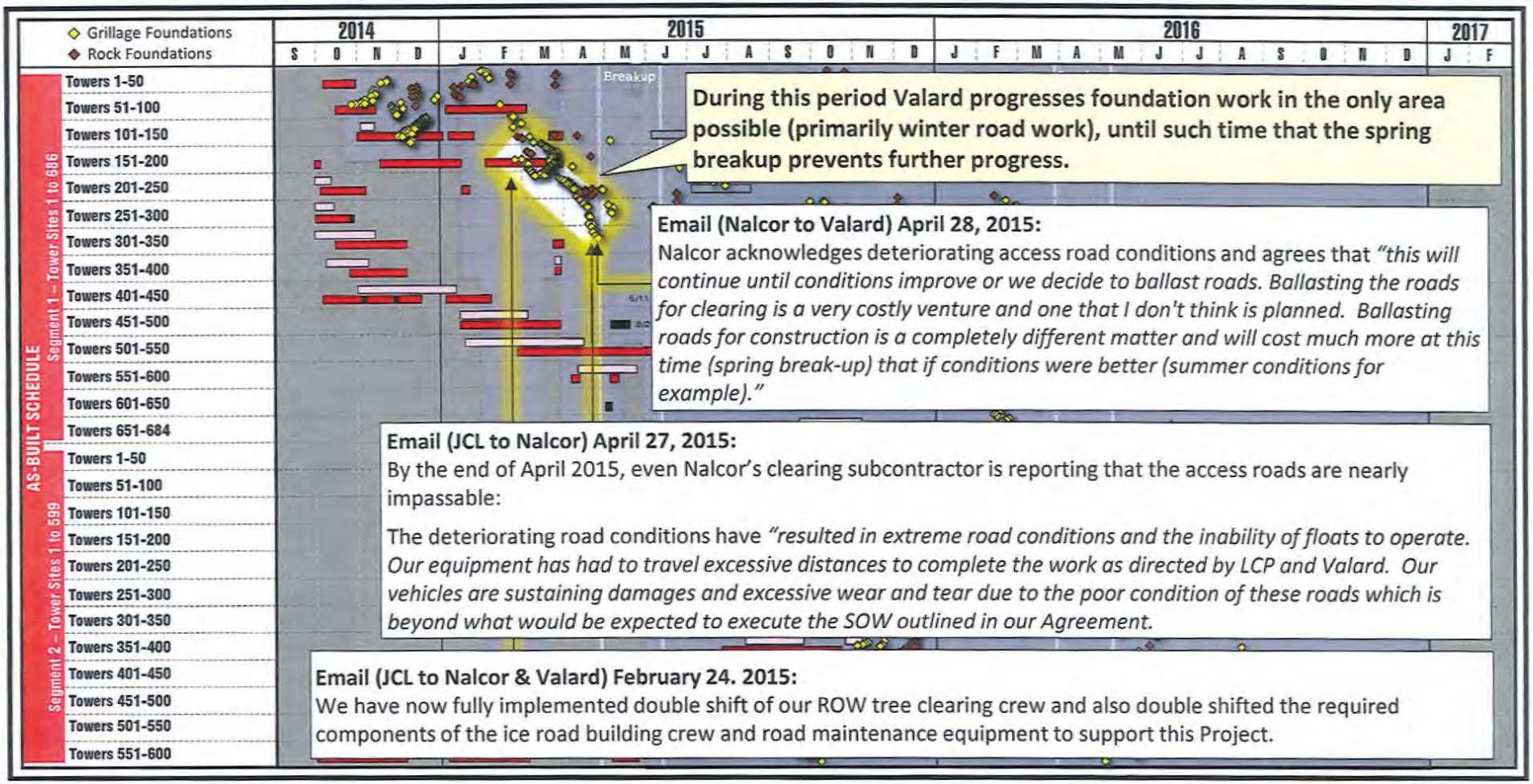
ROW Harvesting & Mulching, Access Road & Bridge Construction (with Foundations) – WF1



ROW Harvesting & Mulching, Access Road & Bridge Construction (with Foundations) – WF1



ROW Harvesting & Mulching, Access Road & Bridge Construction (with Foundations) – WF1



During this period Valard progresses foundation work in the only area possible (primarily winter road work), until such time that the spring breakup prevents further progress.

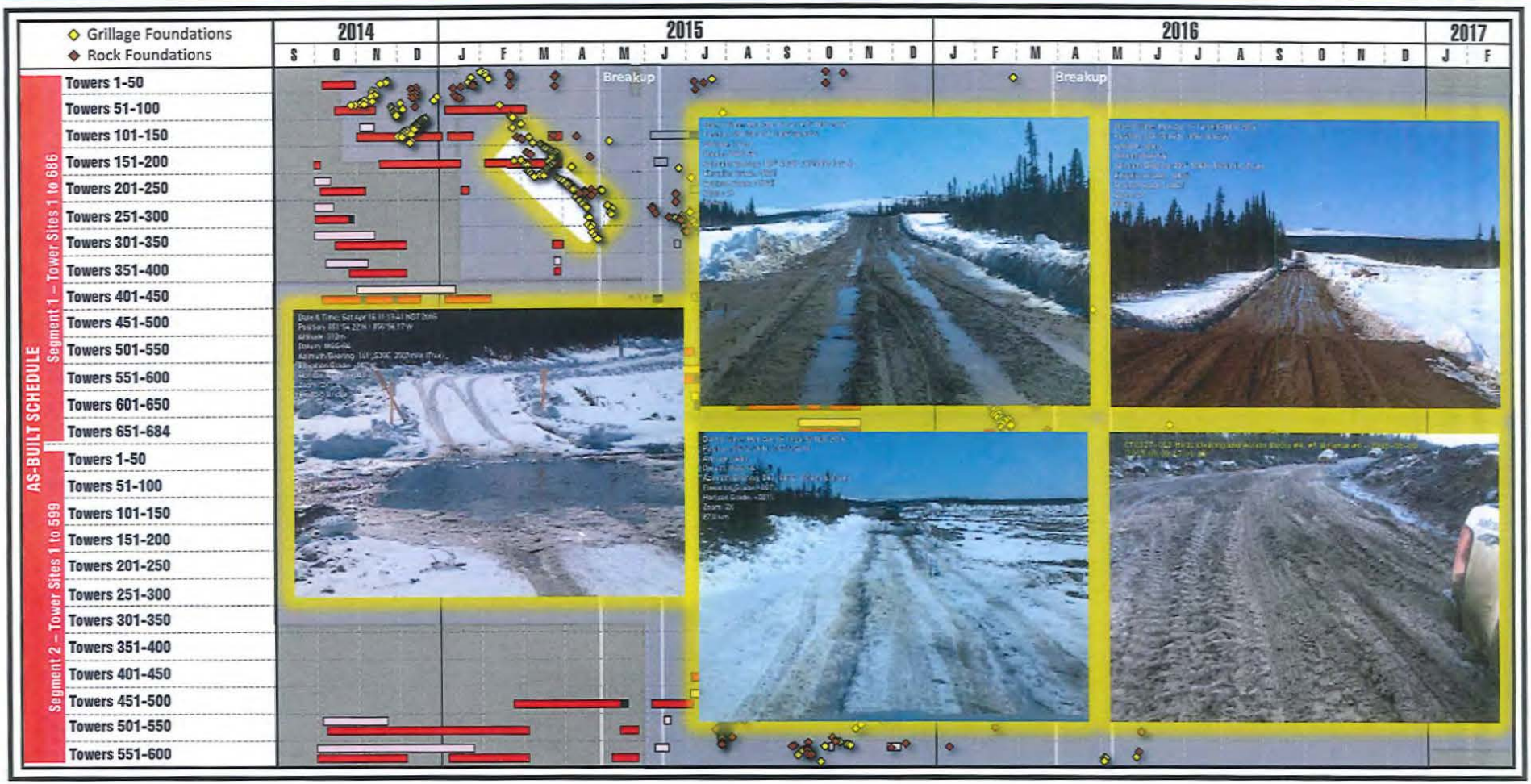
Email (Nalcor to Valard) April 28, 2015:
Nalcor acknowledges deteriorating access road conditions and agrees that *"this will continue until conditions improve or we decide to ballast roads. Ballasting the roads for clearing is a very costly venture and one that I don't think is planned. Ballasting roads for construction is a completely different matter and will cost much more at this time (spring break-up) that if conditions were better (summer conditions for example)."*

Email (JCL to Nalcor) April 27, 2015:
By the end of April 2015, even Nalcor's clearing subcontractor is reporting that the access roads are nearly impassable:

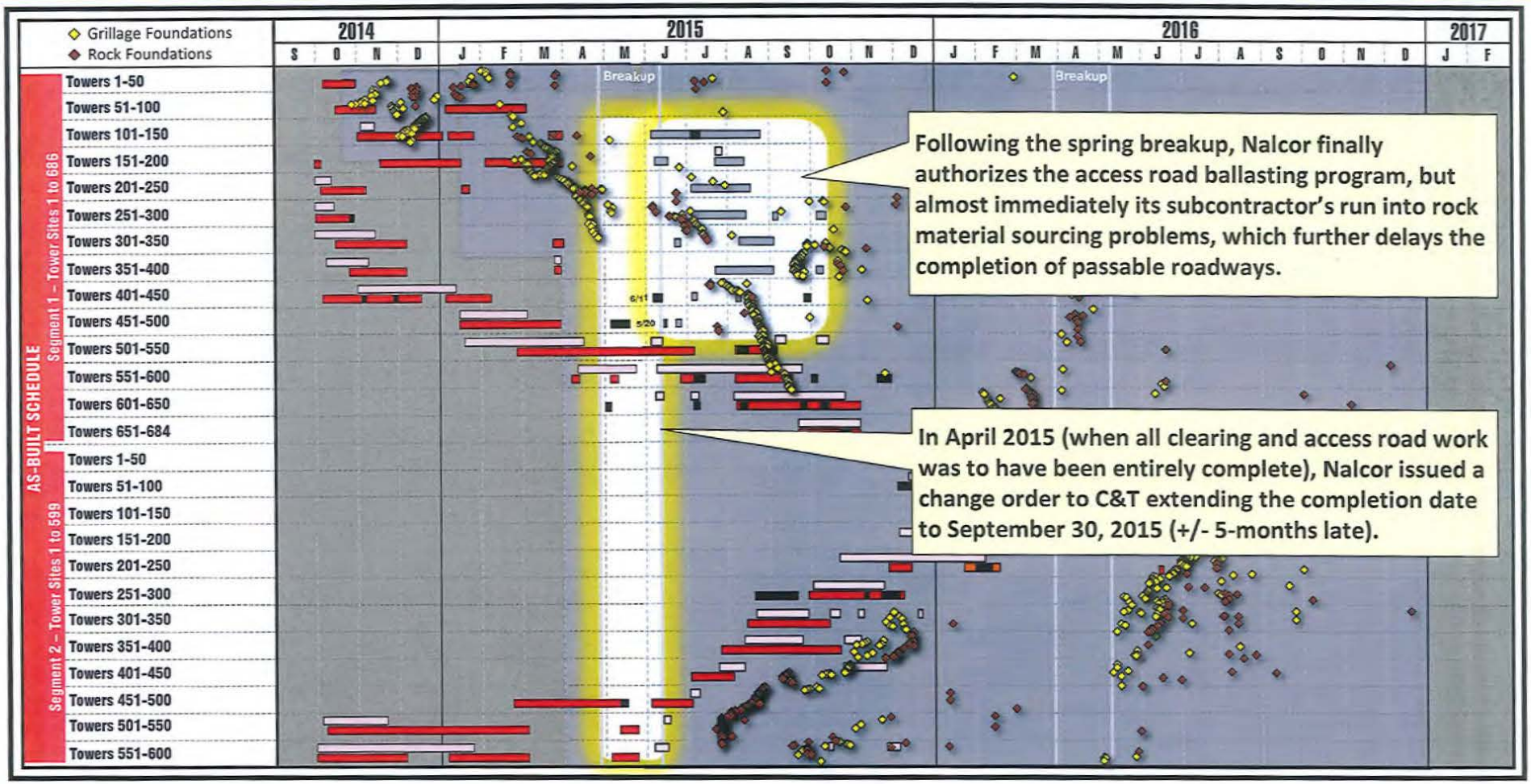
The deteriorating road conditions have *"resulted in extreme road conditions and the inability of floats to operate. Our equipment has had to travel excessive distances to complete the work as directed by LCP and Valard. Our vehicles are sustaining damages and excessive wear and tear due to the poor condition of these roads which is beyond what would be expected to execute the SOW outlined in our Agreement.*

Email (JCL to Nalcor & Valard) February 24. 2015:
We have now fully implemented double shift of our ROW tree clearing crew and also double shifted the required components of the ice road building crew and road maintenance equipment to support this Project.

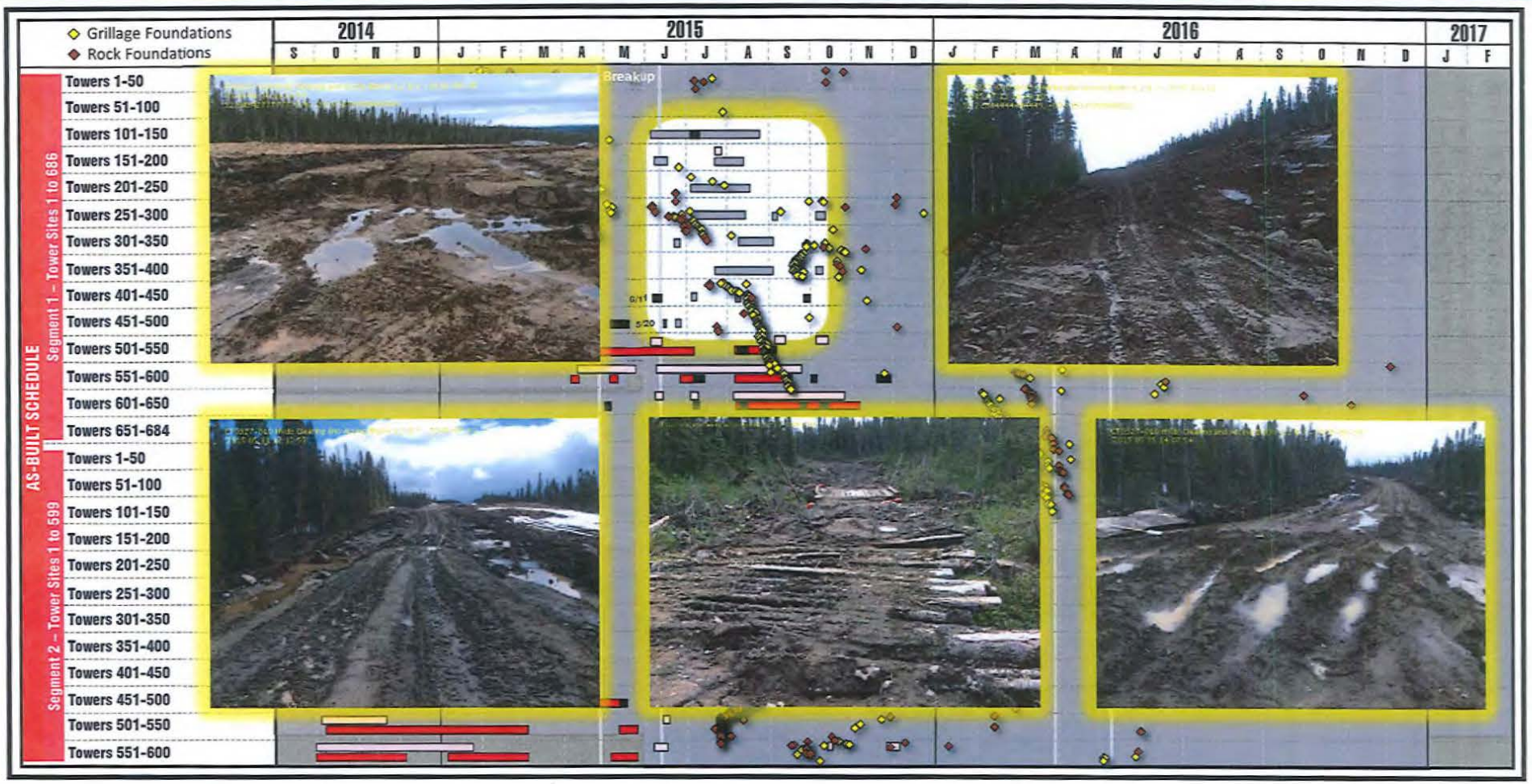
ROW Harvesting & Mulching, Access Road & Bridge Construction (with Foundations) – WF1



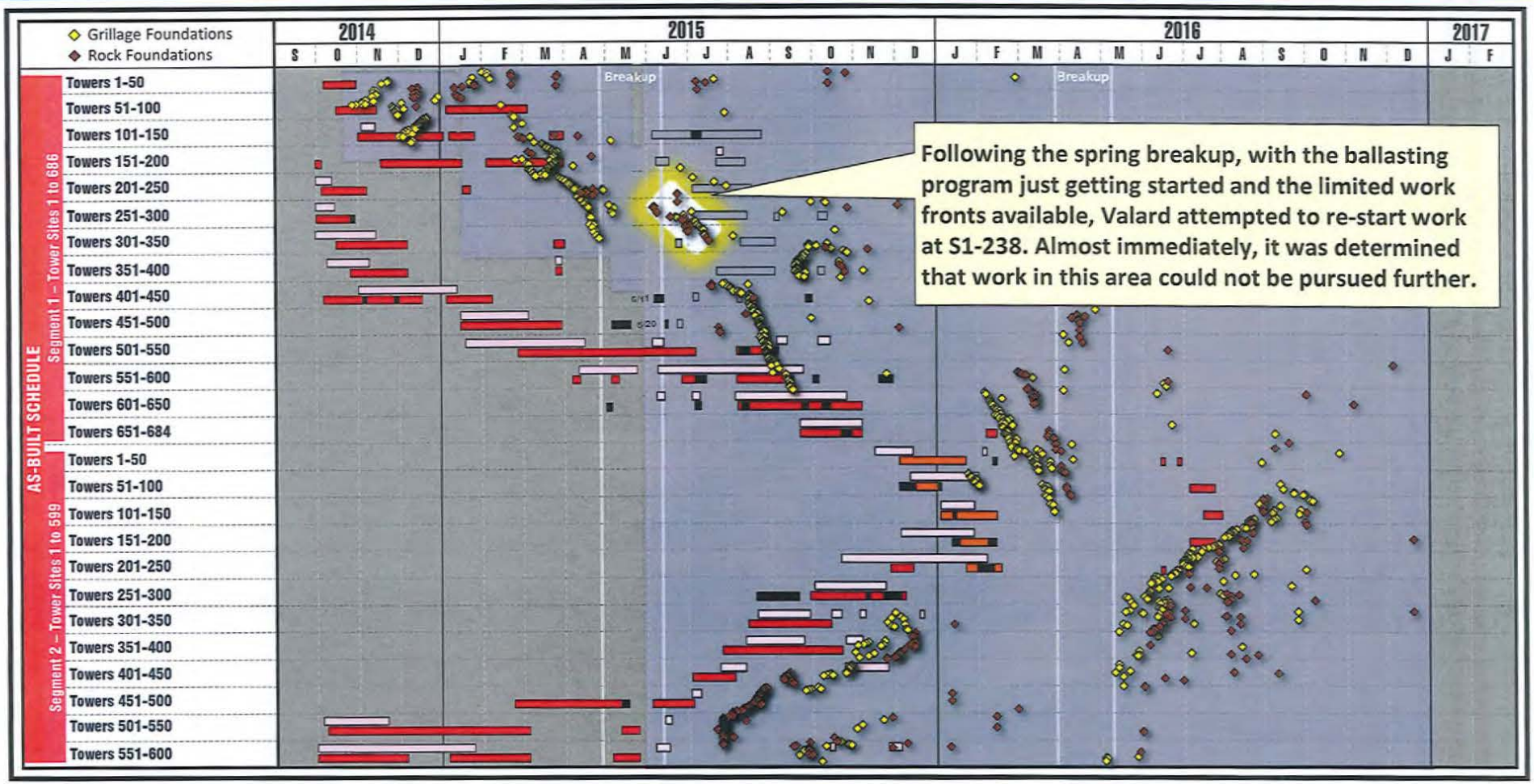
ROW Harvesting & Mulching, Access Road & Bridge Construction (with Foundations) – WF1



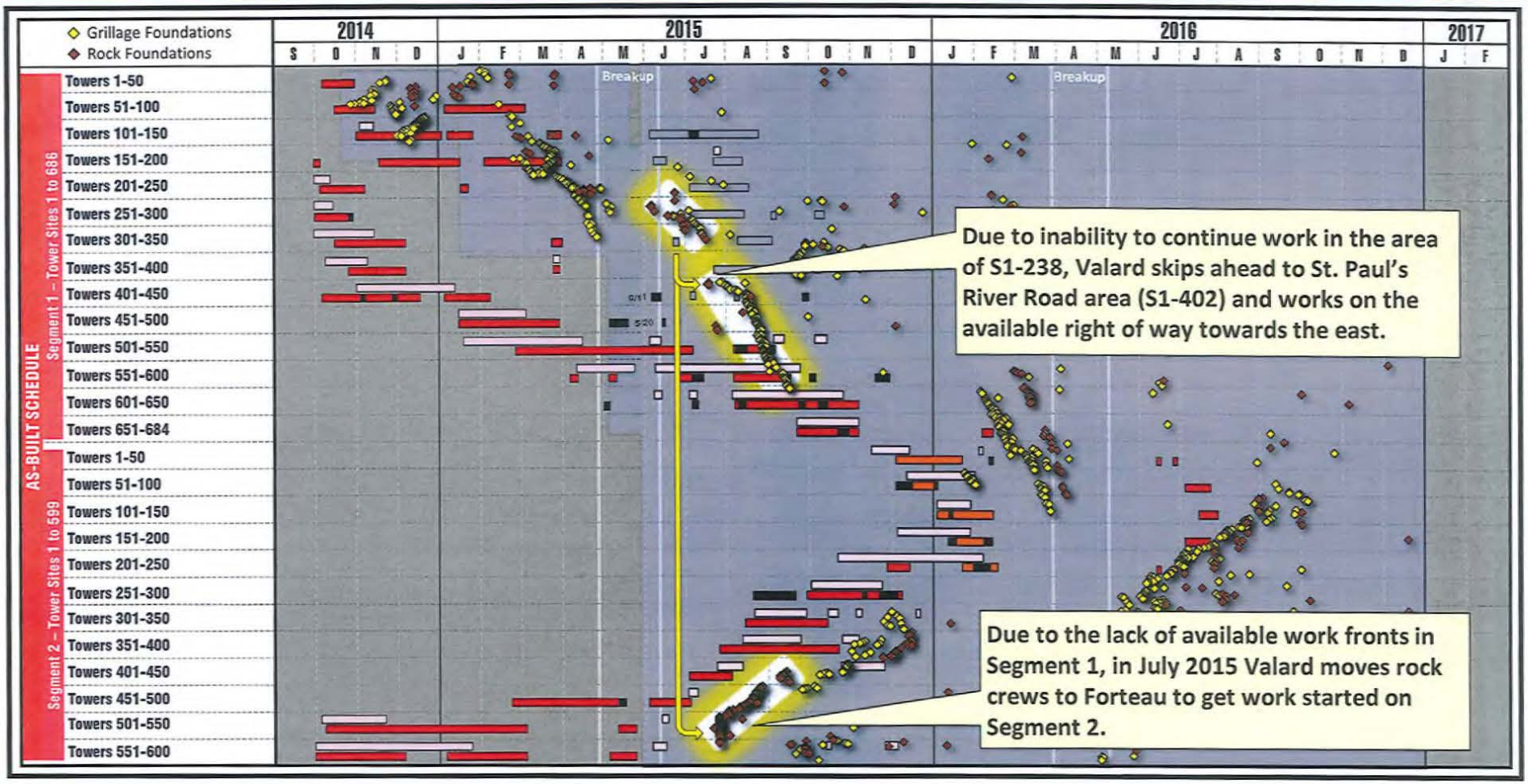
ROW Harvesting & Mulching, Access Road & Bridge Construction (with Foundations) – WF1



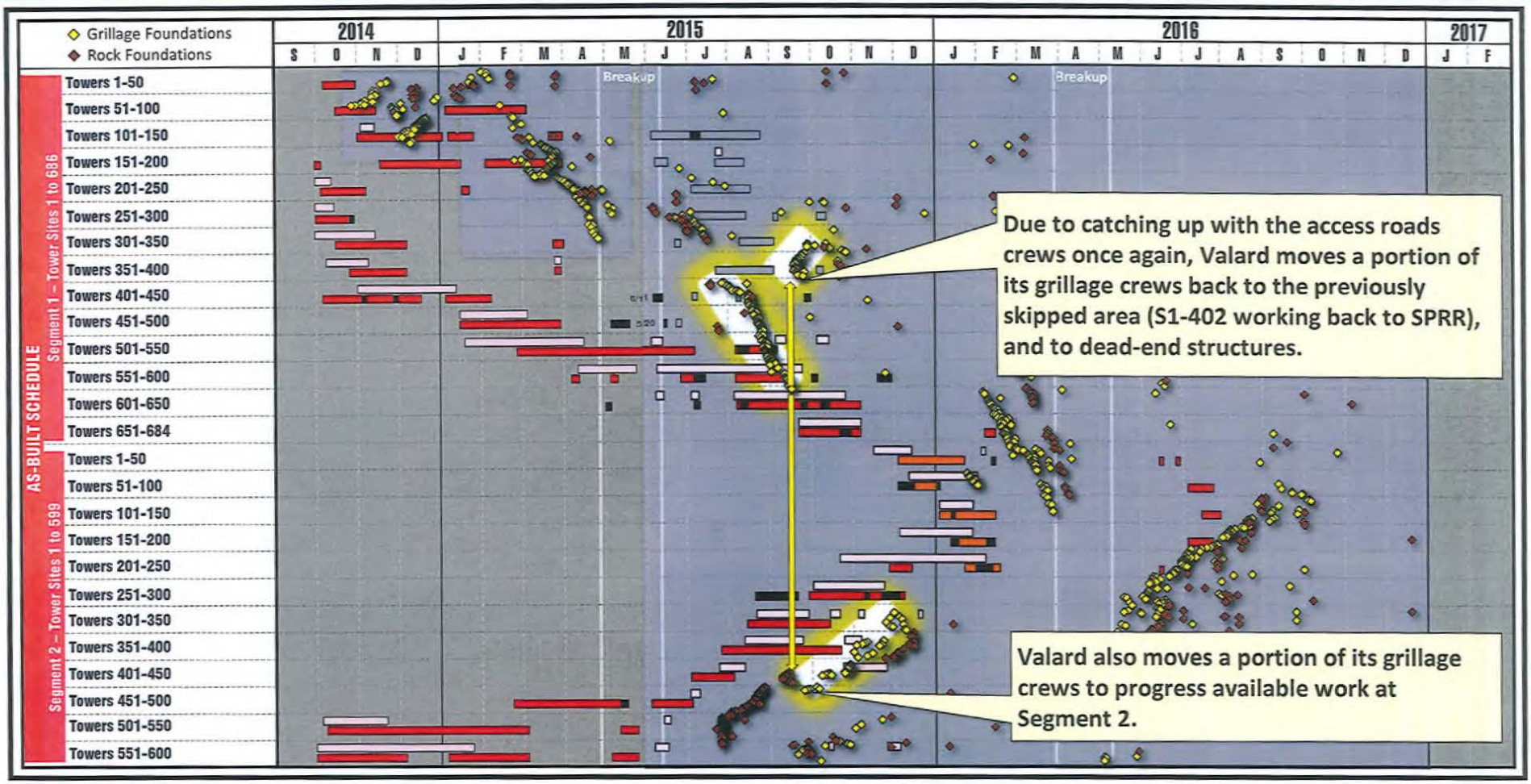
ROW Harvesting & Mulching, Access Road & Bridge Construction (with Foundations) – WF1



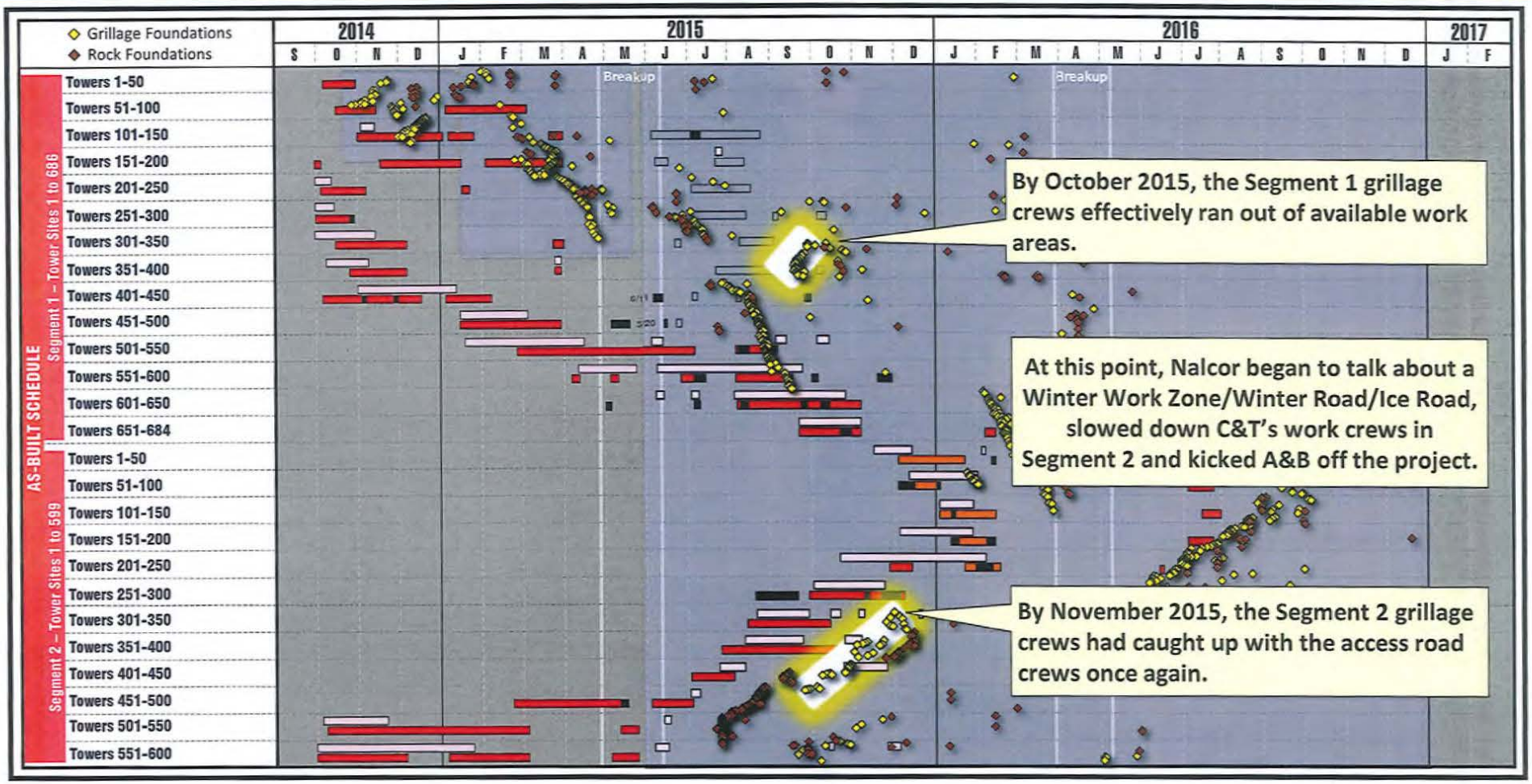
ROW Harvesting & Mulching, Access Road & Bridge Construction (with Foundations) – WF1



ROW Harvesting & Mulching, Access Road & Bridge Construction (with Foundations) – WF1



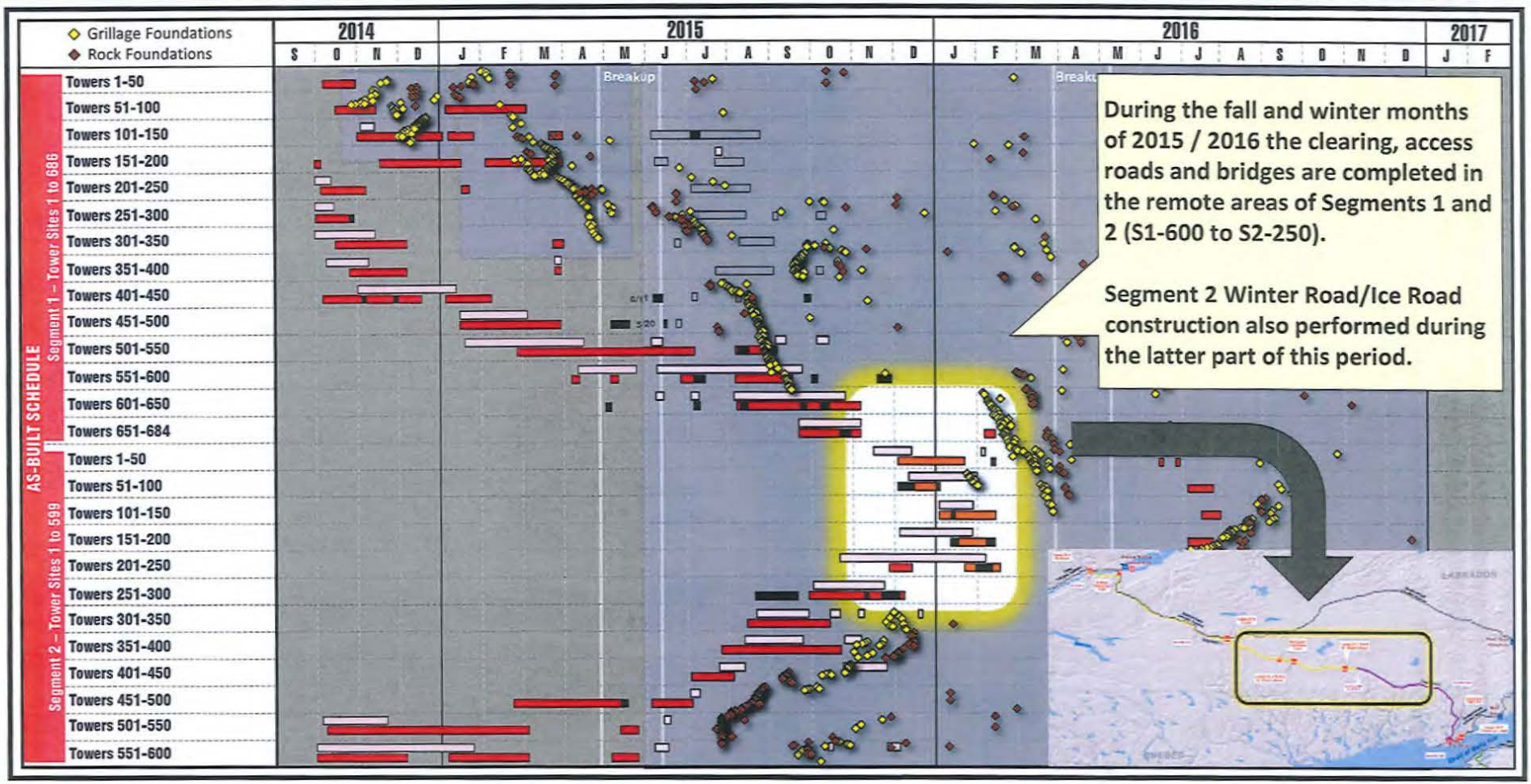
ROW Harvesting & Mulching, Access Road & Bridge Construction (with Foundations) – WF1



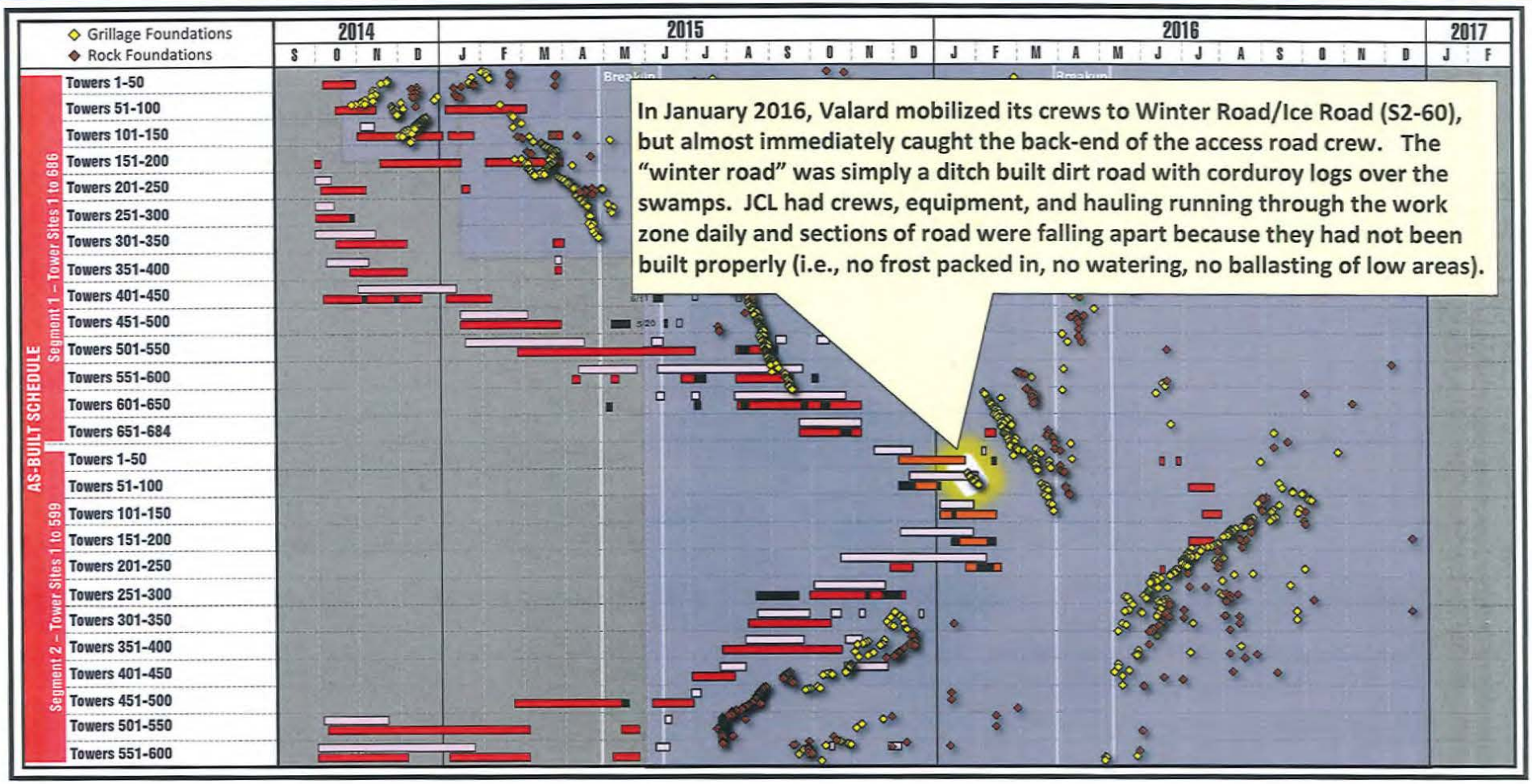
Work Front 1 – Winter Work Zone

- **In December 2015, Valard advised Nalcor that it would NOT be able to complete all of the work in the winter work zone prior to the spring breakup.**
- **To take full advantage of the plan for a winter work zone, Valard advised Nalcor that ALL of the following assumptions would need to be met:**
  - ✓ Adequate winter access is completed by no later than January 29, 2016.
  - ✓ A Geo-Program to allow advanced foundation selection is implemented.
  - ✓ There is an adequate supply of class A, B, and 6-inch minus material available.
  - ✓ There is a full suite of materials available at the Muskrat Falls Laydown Yard to completed each activity.
  - ✓ There is timely delivery of materials from the Muskrat Falls Yard to worksites and laydown yards on the line.
  - ✓ Weather (i.e. wind, snow fall, etc.) is adequate for construction.
  - ✓ Winter access roads and shoo-fly accesses are maintained to an adequate standard (i.e. graded, sanded, etc.).
- **While Nalcor expended significant efforts, none of the assumptions above were fully achieved. In particular, Valard's progress was significantly impacted by:**
  - ✓ Winter Road Construction: Valard's progress was impacted almost immediately by the winter road construction progress and the overall completion of the winter road work went well into February 2016.
  - ✓ The Geo-Program was inundated with a variety of problems.

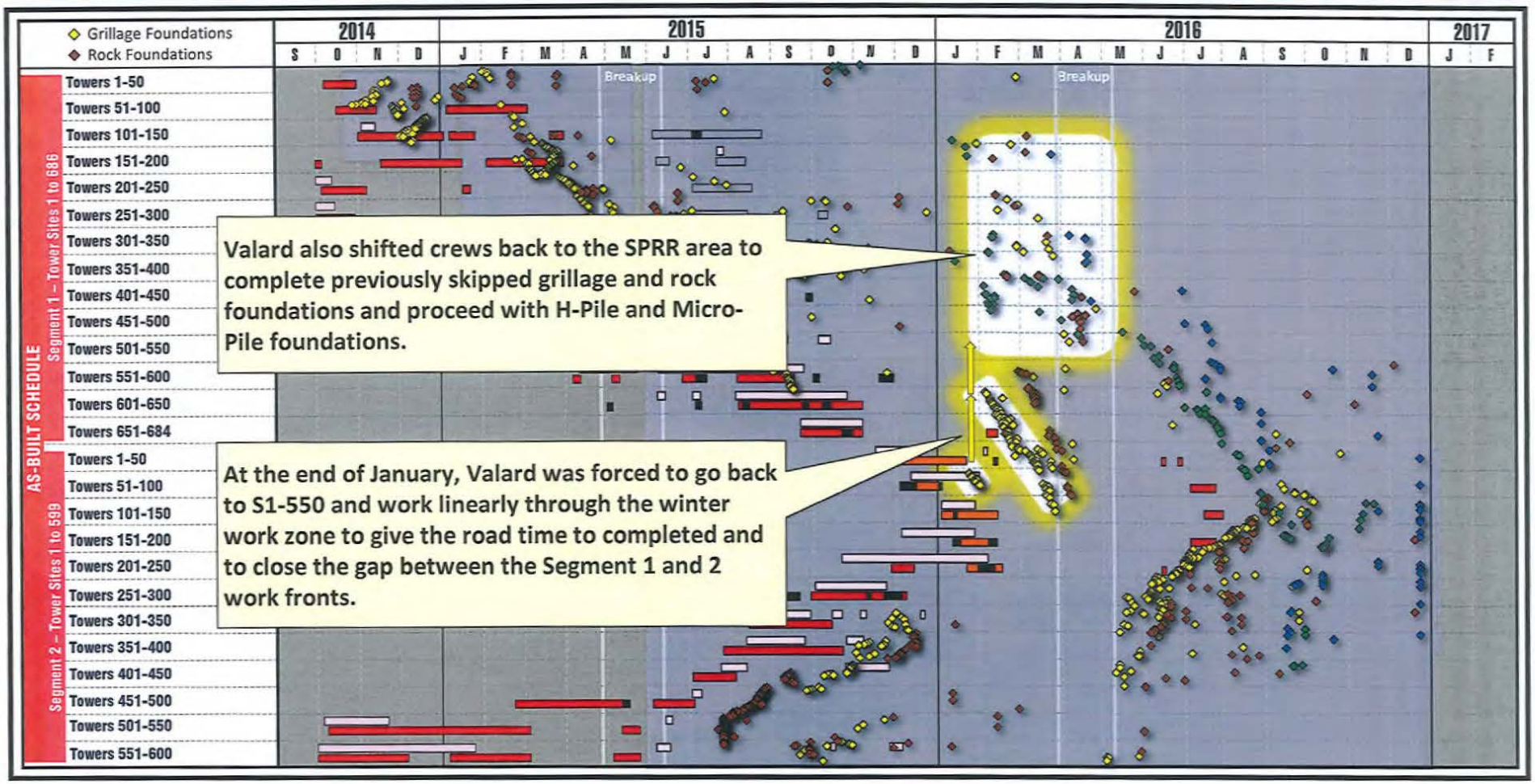
ROW Harvesting & Mulching, Access Road & Bridge Construction (with Foundations) – WF1



ROW Harvesting & Mulching, Access Road & Bridge Construction (with Foundations) – WF1

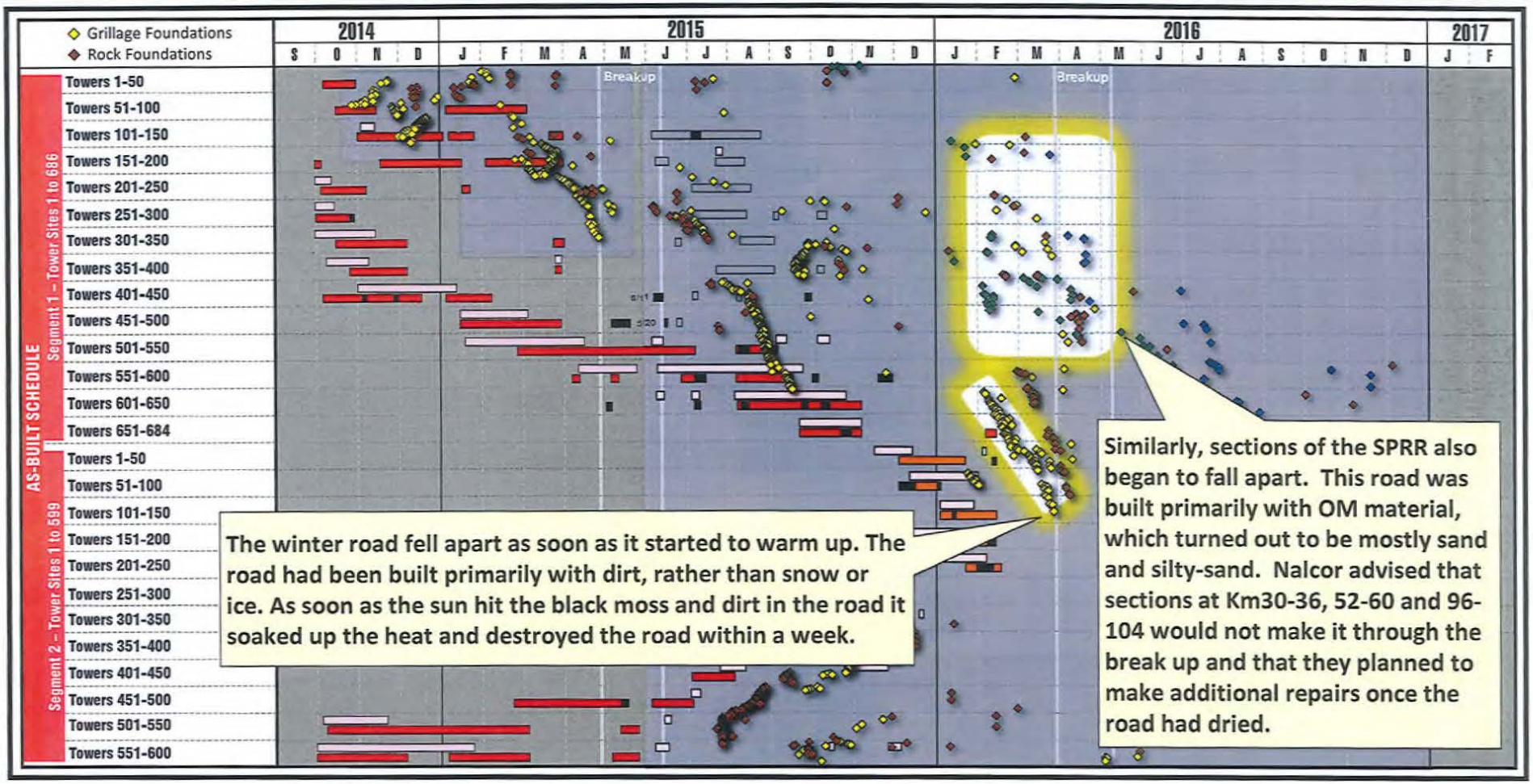


ROW Harvesting & Mulching, Access Road & Bridge Construction (with Foundations) – WF1

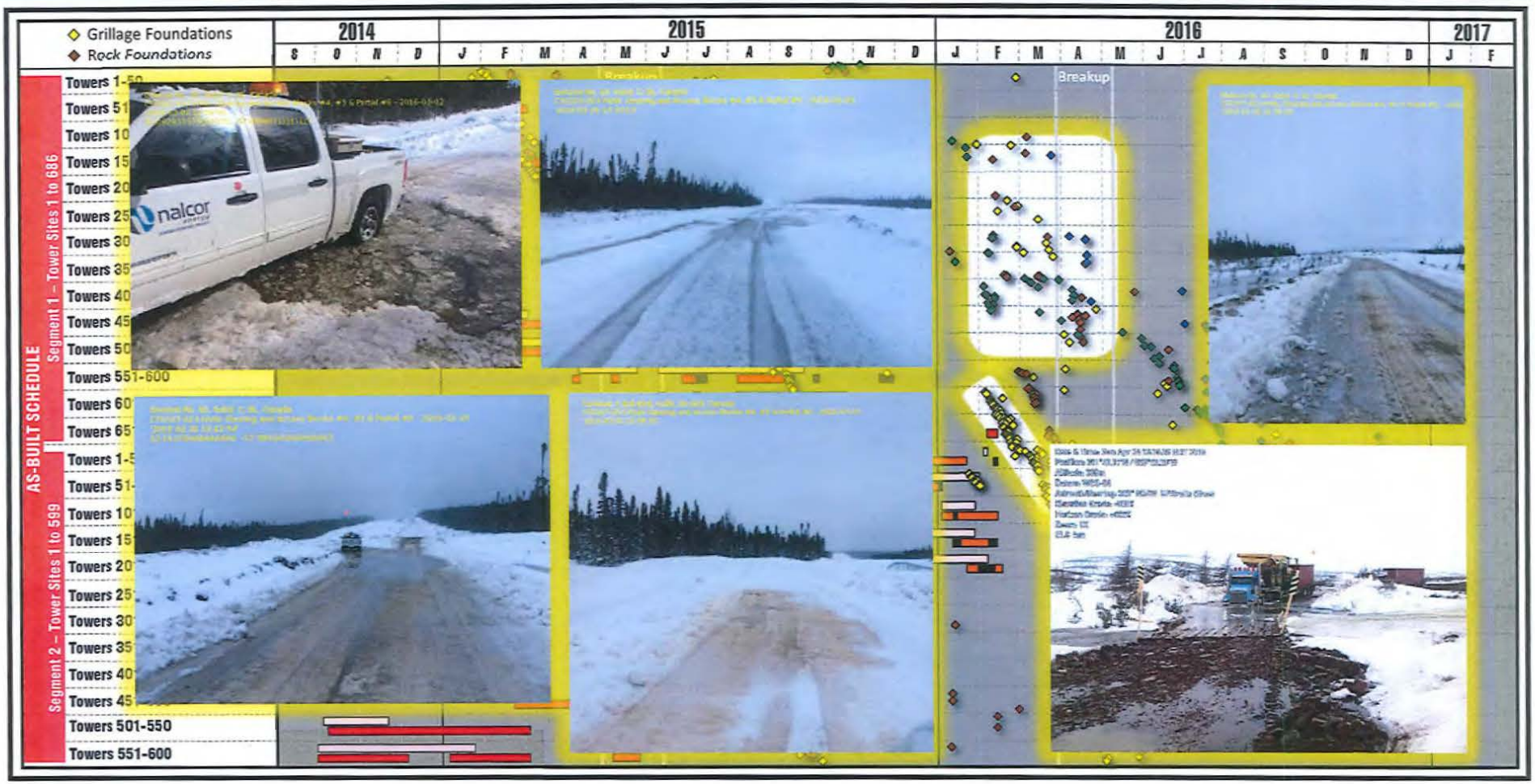


ROW Harvesting & Mulching, Access Road & Bridge Construction (with Foundations) – WF1

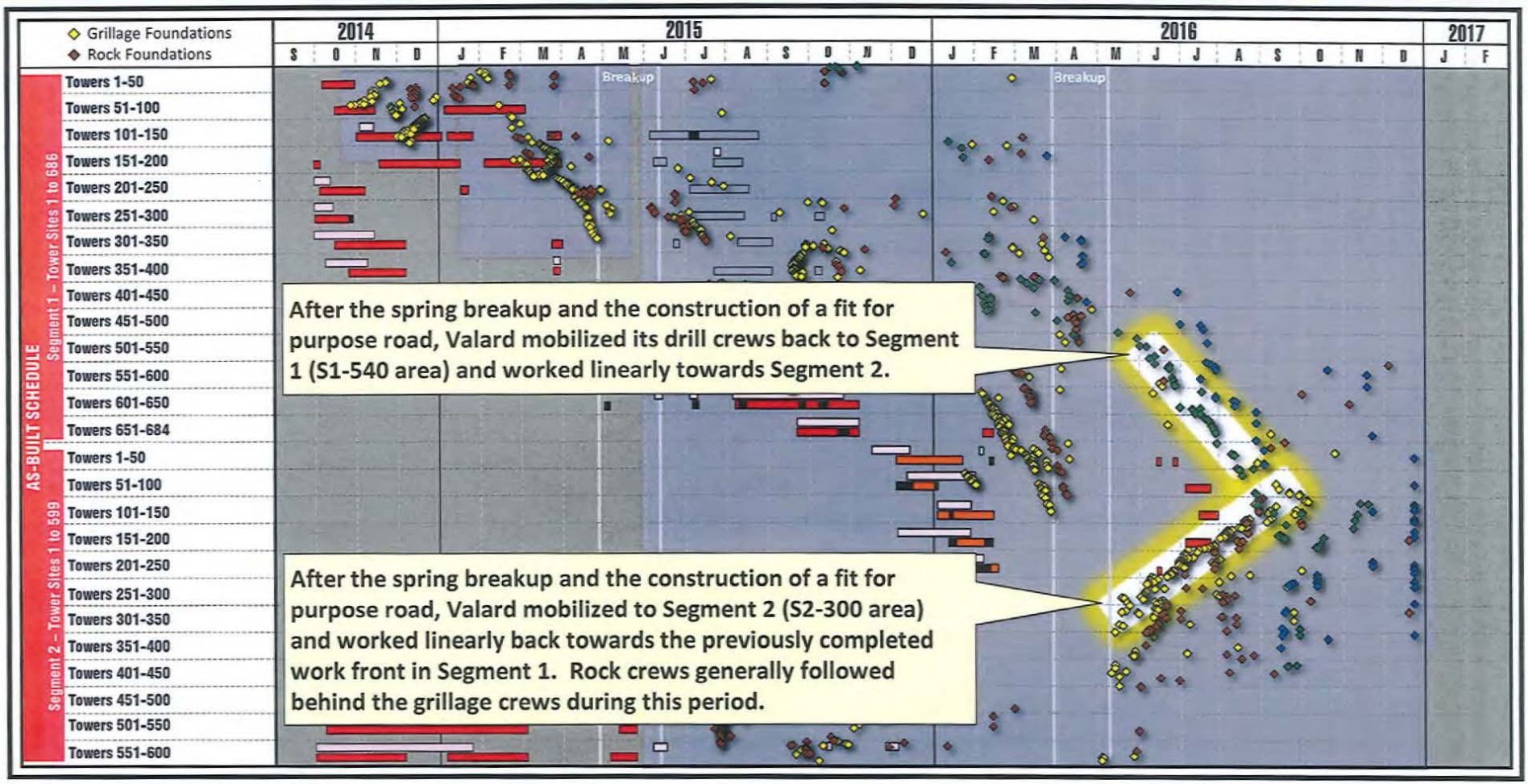
SLIDE 46



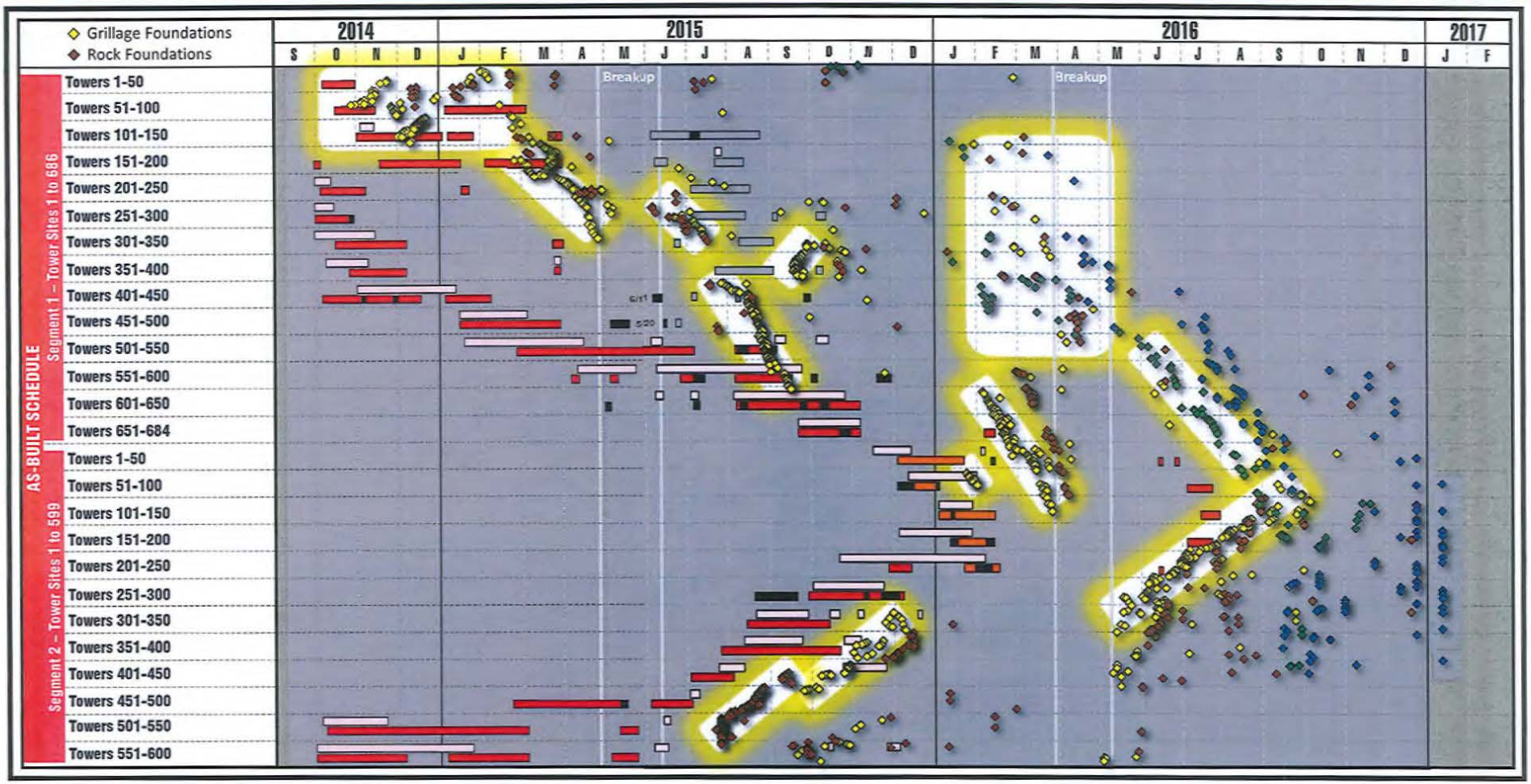
ROW Harvesting & Mulching, Access Road & Bridge Construction (with Foundations) – WF1



ROW Harvesting & Mulching, Access Road & Bridge Construction (with Foundations) – WF1



ROW Harvesting & Mulching, Access Road & Bridge Construction (with Foundations) – WF1



Topics of Discussion

- **Schedule Summary:**
  - ✓ Overview of Project Delays
  - ✓ Critical Path Through Work Front 1
- **Delay & Impact Causation:**
  - ✓ Summary of Impacts Identified
  - ✓ ROW Clearing and Access Road Construction Delays
  - ✓ Access Road Deficiencies
  - ✓ Geo-Program / Foundation Selection Process
- **Cost Impacts:**
  - ✓ Time Related General Conditions
  - ✓ Other Costs:
    - Mechanics
    - Survey
    - Camp Space Impact Costs
- **Conclusions**

ROW Harvesting & Mulching, Access Road & Bridge Construction (with Foundations) – WF1

- **Not only were the access roads constructed much later than planned, but significant access road deficiencies have persisted throughout construction.**
- **Access Road Deficiencies:**
  - ✓ Inconsistent capping.
  - ✓ Turnarounds not provided or inadequate.
  - ✓ Access not maintained (i.e. graded).
  - ✓ A lack of ditches & culverts (wash outs & access road damage).
  - ✓ Narrow and steep accesses.
- **Impacts of the Issue:**
  - ✓ Introduced unsafe conditions and adverse environmental impacts to the Project.
  - ✓ Limited (and slowed) safe travel on the ROW (particularly for heavy equipment).
  - ✓ Tractor Trailers unable to be used for hauling equipment and material (Rock trucks used at times).
  - ✓ Reduced productivity (impacted Valard's schedule and Project Milestones).
  - ✓ Increased operational costs (Substantial negative cost implications to Valard).

Access Expectations - Agreement, Section 2.5 PART B: ROW Clearing and Access Works

- **At a minimum access was expected to be generally completed to the Class 'C' standard** (i.e. normal-use accesses)
  - ✓ Class 'B' access standard was expected for major accesses (i.e. high-use accesses – St. Paul's River Road)
  - ✓ Class 'D' access standard was expected for minor accesses (i.e. low-use accesses)

The access parameters are included in the table below

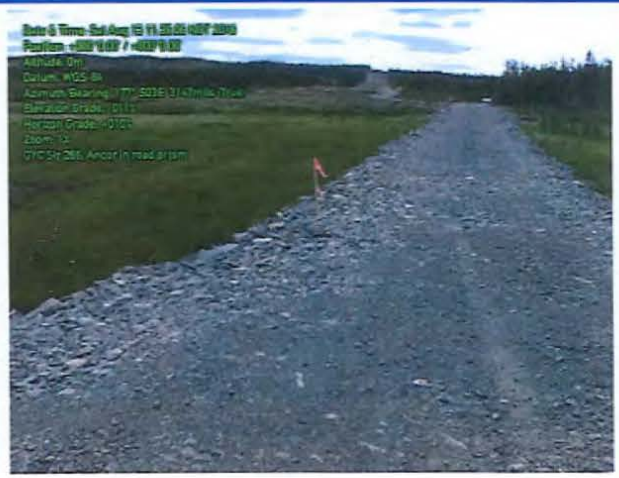
Standard	Class B	Class C	Class D
Cleared Right of Way	25 m	20 m	20 m
Grubbed Right of Way (as required)	23 m	18 m	15 m
Road Width – shoulder to shoulder	7.5 m	5.5 m	5.0 m
Granular Topping Depth – average compacted (subject to Engineer's Approval)	100 mm	100 mm	----
Granular Topping Width (subject to Engineer's Approval)	6.5 m	5.0 m	----
Maximum degree of horizontal curve	20	30	30
Maximum sustained grade	8%	10%	12%
Maximum short pitch grade	12%	15%	18%
Minimum horizontal site distance	120 m	90 m	50 m
Minimum depth of ditch	0.6 m	0.6 m	0.3 m
Maximum depth of ditch	1.2 m	1.2 m	1.2 m
Cross slope (as directed by Engineer)	12 cm crown	10 cm crown	8 cm crown
Fill Slope:			
Rock or Till	1:1	1:1	1:1
Clay	1.5:1	1.5:1	1.5:1
Silt	2.5:1	1.5:1	1.5:1
Cut Slope:			
Rock	1:4	1:4	1:4
Silt	1.5:1	1.5:1	1.5:1
Other	1:1	1:1	1:1

Access Expectations - Agreement, Section 2.5 PART B: ROW Clearing and Access Works

- **Accesses shall be constructed to a standard that can be maintained**
  - ✓ Maintenance includes: snow clearing, sanding, grading, culvert repair, capping, etc.
  - ✓ Access shall be maintained to a reasonable level as to not generate excessive wear and tear of the Parties light and heavy equipment
- **Accesses shall allow for the safe day to day transport of crews**
  - ✓ Safe travel speeds
- **Accesses shall allow for safe and expedient evacuation of work crews (in case of medical emergency)**
- **Accesses shall allow for the safe and expedient access to address environmental concerns (in case of environmental emergency)**
- **Access shall contain pullouts every 300-500 meters, and;**
  - ✓ Be 20 to 40 meters in length providing for a total width, including road width, of 8 to 10 meters
- **All accesses shall contain a reasonable number of turnarounds suitable for tractor trailer and low-beds**
- **Unless otherwise agreed between the Parties, linear ROW access shall be provided at all times**
  - ✓ i.e., water crossings, culverts, snow bridges, etc. shall be utilized as to not impede linear construction progression

Inconsistent Capping

Turnarounds Not Provided or Inadequate



Access Not Maintained (i.e. graded)

Lack of Ditches & Culverts (wash outs & access road damage)

Narrow and Steep Accesses

ROW Harvesting & Mulching, Access Road & Bridge Construction (with Foundations) – WF1

- **Not only were the access roads constructed much later than planned, but significant access road deficiencies have persisted throughout construction.**
- **Access Road Deficiencies:**
  - ✓ Inconsistent capping.
  - ✓ Turnarounds not provided or inadequate.
  - ✓ Access not maintained (i.e. graded).
  - ✓ A lack of ditches & culverts (wash outs & access road damage).
  - ✓ Narrow and steep accesses.
- **Impacts of the Issue:**
  - ✓ Introduced unsafe conditions and adverse environmental impacts to the Project.
  - ✓ Limited (and slowed) safe travel on the ROW (particularly for heavy equipment).
  - ✓ Tractor Trailers unable to be used for hauling equipment and material (Rock trucks used at times).
  - ✓ Reduced productivity (impacted Valard's schedule and Project Milestones).
  - ✓ Increased operational costs (Substantial negative cost implications to Valard).

Topics of Discussion

- **Schedule Summary:**
  - ✓ Overview of Project Delays
  - ✓ Critical Path Through Work Front 1
- **Delay & Impact Causation:**
  - ✓ Summary of Impacts Identified
  - ✓ ROW Clearing and Access Road Construction Delays
  - ✓ Access Road Deficiencies
  - ✓ Geo-Program / Foundation Selection Process
- **Cost Impacts:**
  - ✓ Time Related General Conditions
  - ✓ Other Costs:
    - Mechanics
    - Survey
    - Camp Space Impact Costs
- **Conclusions**

Geo-Program

Impacts associated with foundation selection and the failure to implement a full Geo-Program:

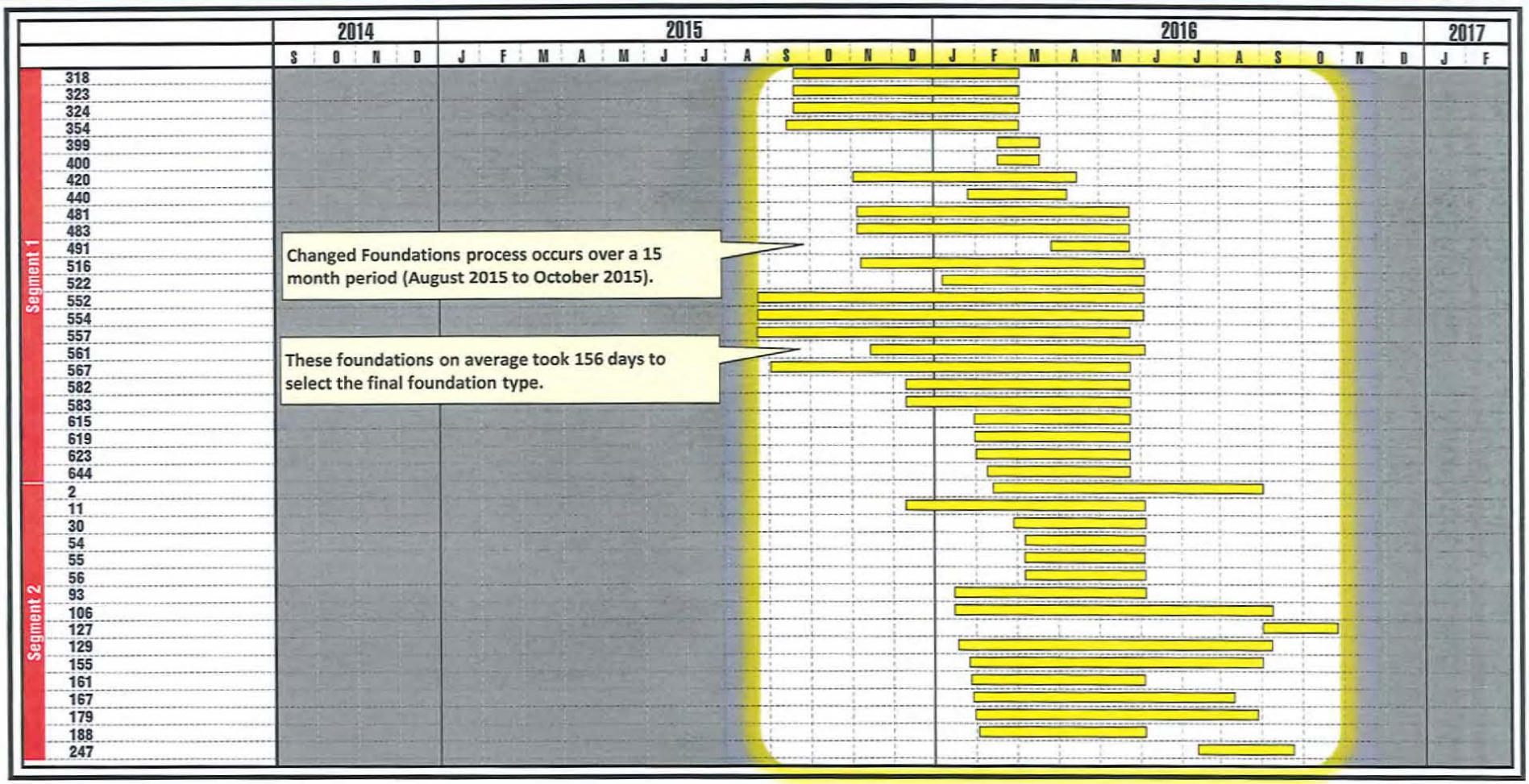
- Full geotechnical analysis not performed prior to bid and contract award.
- Nalcor initially performed only a desktop study for foundation type selection.
- Nalcor provided foundation quantities by type for Valard bid estimate pricing.
- We now know that the desktop study directed the wrong foundation type more than 60% of the time.
- As field work progressed at Work Front 1, Nalcor was reluctant to implement a full "Geo-Program."
- As field work progressed, foundation settlement issues arose at tower foundations that were not part of the Geo-Program.
- Foundations that were not part of the Geo-Program were extensively modified in the field (i.e., over-excavation, use of blast rock and base materials, change in usage of culverts, etc.).
- The lack of a proactive Geo-Program resulted in significant delays in production and rework on Work Front 1.
- Nalcor has elected to implement a full proactive Geo-Program for all foundations in Newfoundland.

Geo-Program

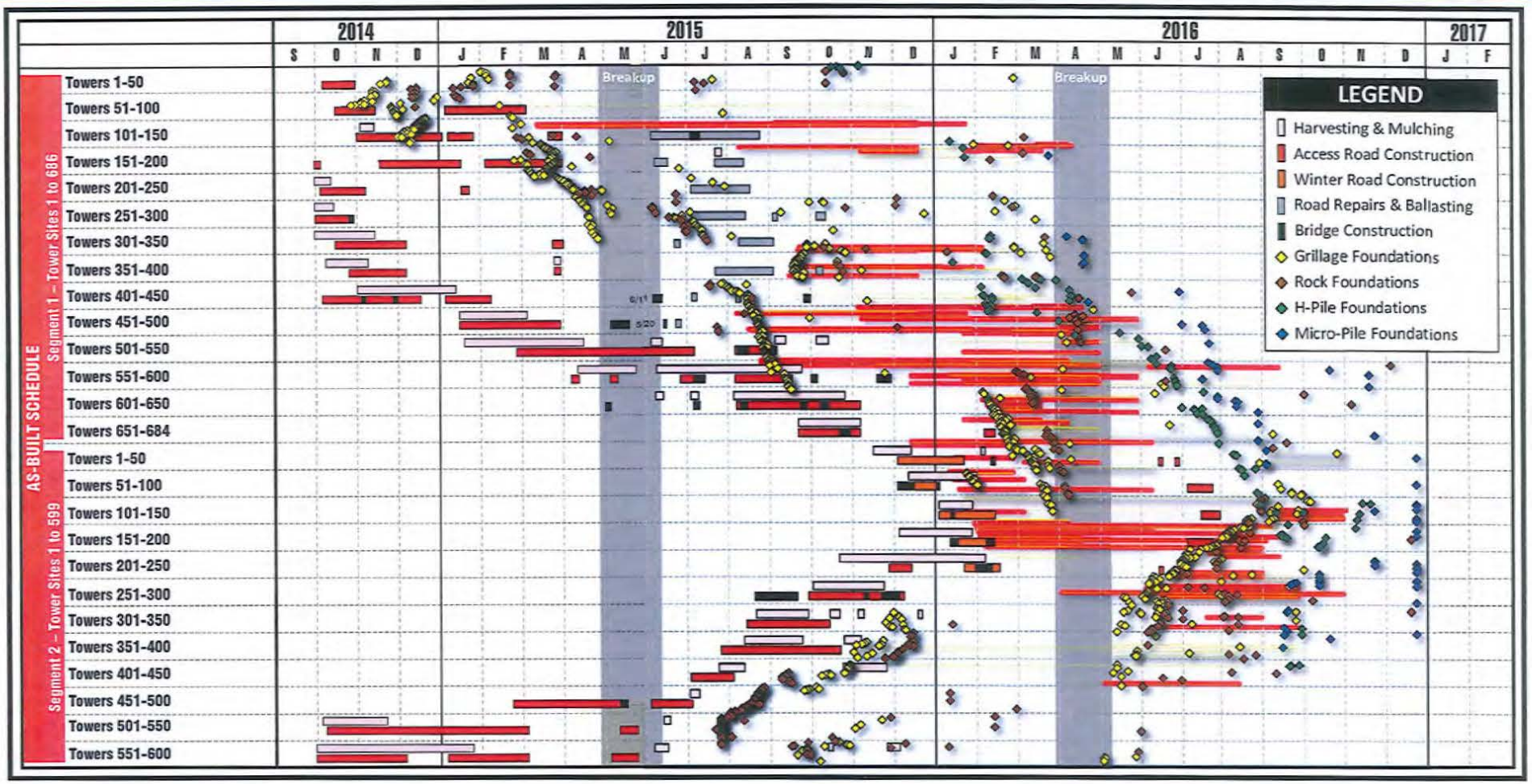
Results of Nalcor's Limited Geo-Program:

- Nalcor eventually authorized a limited Geo-Program for only 15% of the foundations (191 foundations) on Work Front 1.
- Foundation selection should have been performed well in advance of foundation field work.
- The average time required for a full Geo-Program review to select a foundation type was 111 days.
- 126 of the foundation investigations took more than 60 days to complete.
- Because the Geo-Program was being performed concurrently with foundation construction, further delay and disruption occurred in the field.
- The majority of the foundations that went through the Geo-Program were changed to alternate type foundations (H-Pile / Micropile).
- For 40 of the foundations that went through the Geo-Program, Nalcor's initial foundation type selection eventually changed.
- The Geo-Program for these 40 foundations occurred over a 15 month period (August 2015 to October 2016).

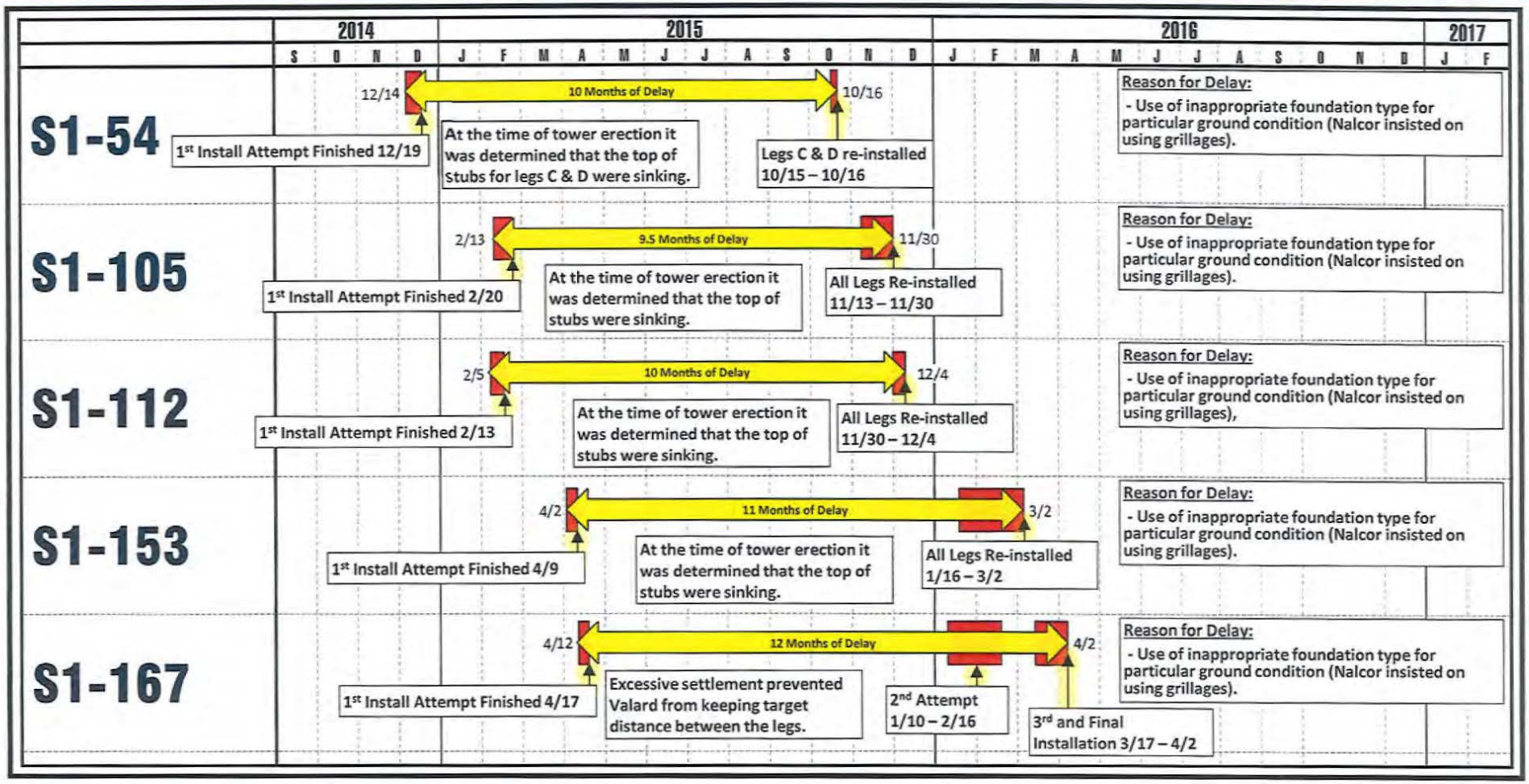
Geo-Program Changed Foundations



ROW Harvesting & Mulching, Access Road & Bridge Construction (with Foundations) – WF1



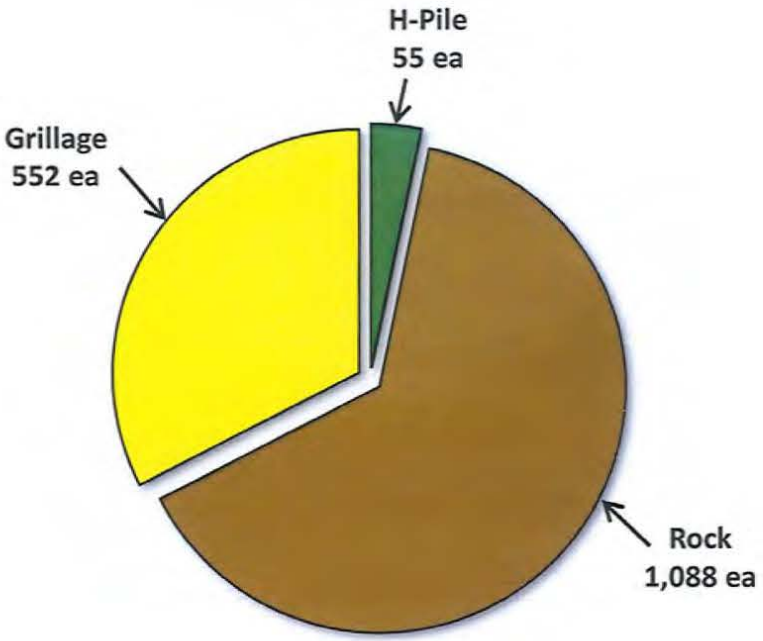
Example of Towers where Multiple Foundation Installation Attempts Were Performed



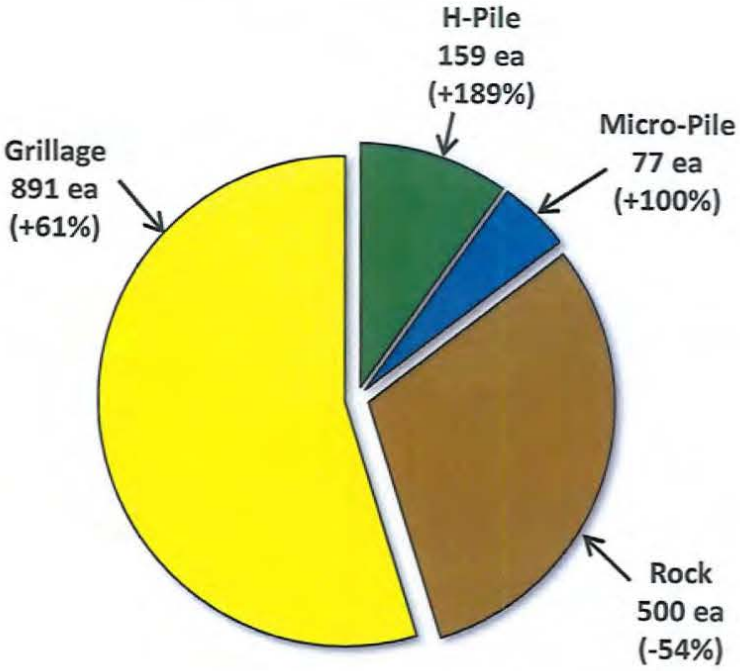
Work Front 1 – Foundation Type Changes

The substantial changes in foundation types (estimated vs. actual), coupled with the lack of a proactive Geo-Program prevented any ability to implement long term planning and gain efficiencies through proper resource staging.

ESTIMATED

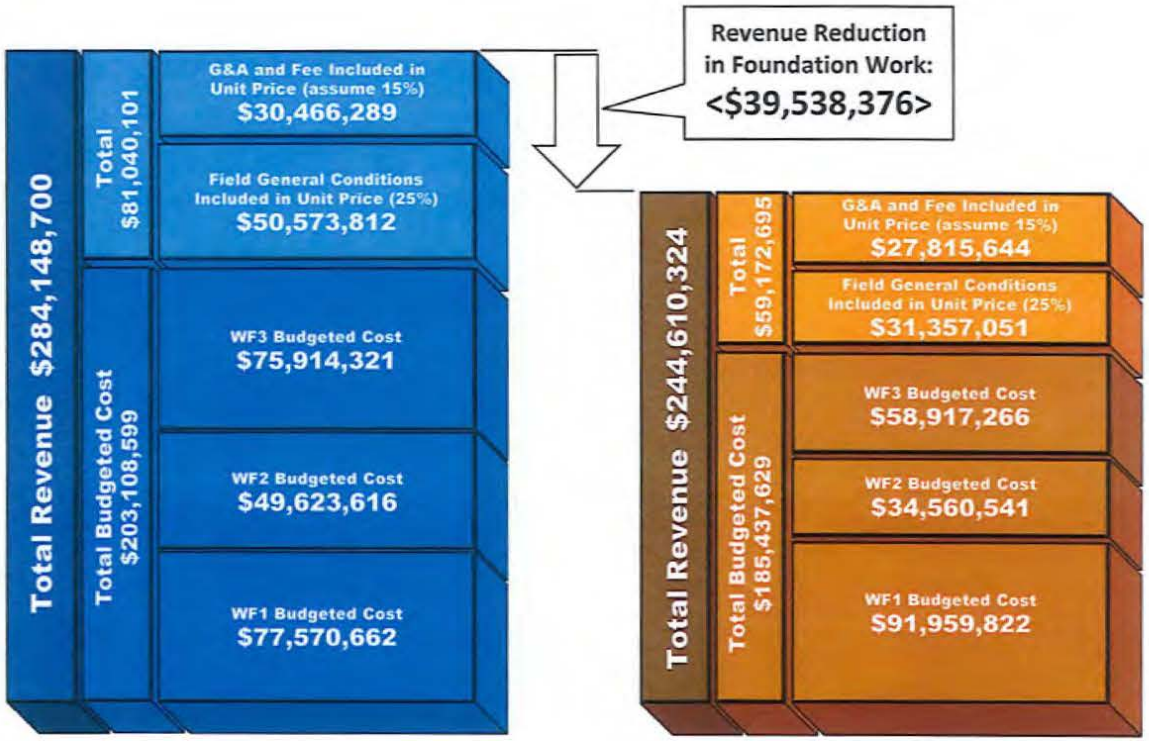


ACTUAL



All Work Fronts – Foundation Type Changes

The extensive changes in foundation types have resulted in substantial financial losses to Valard:

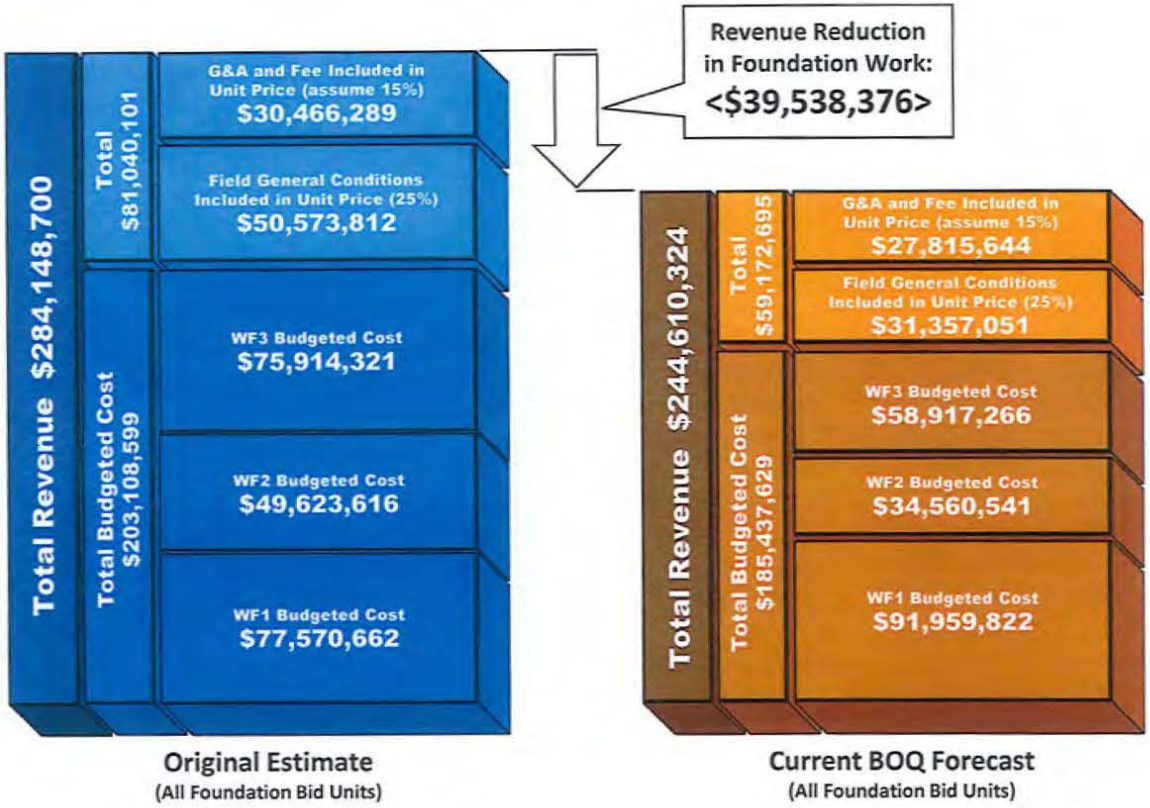


Original Estimate
(All Foundation Bid Units)

Current BOQ Forecast
(All Foundation Bid Units)

All Work Fronts – Foundation Type Changes

The extensive changes in foundation types have resulted in substantial financial losses to Valard:



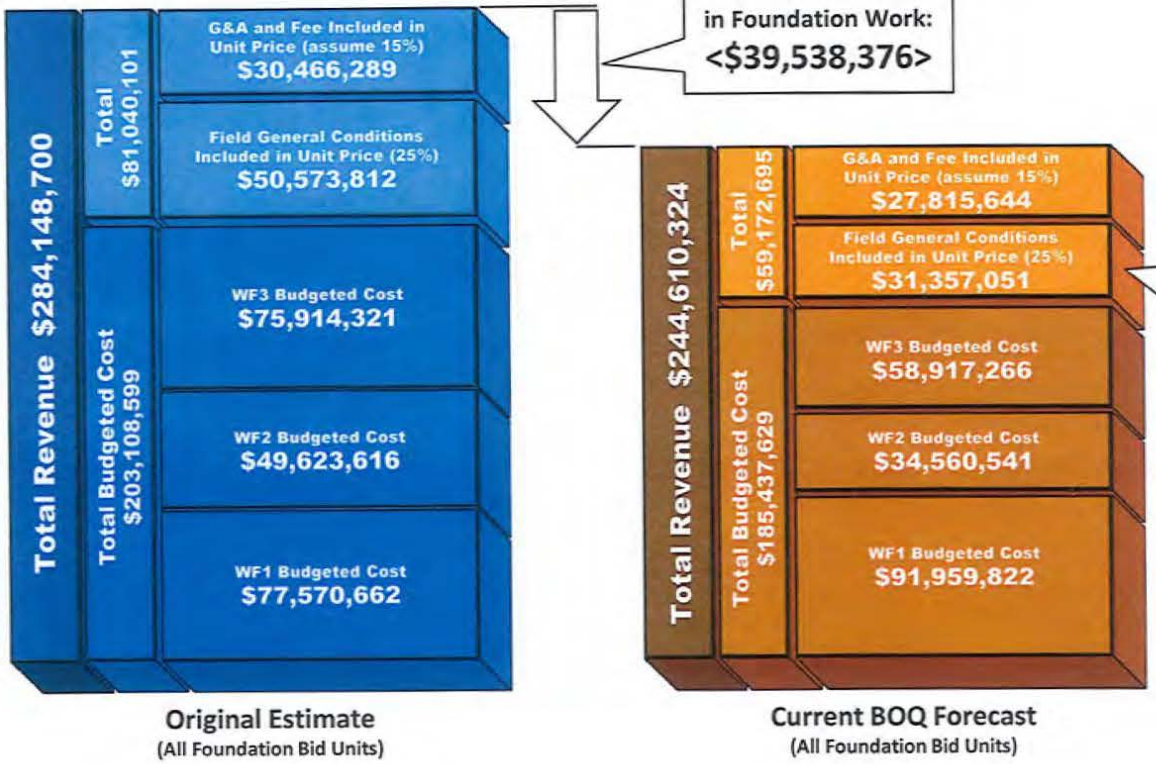
Because this is a unit price project, Valard's estimate spread its field general conditions and fee amounts among the various unit price bid items.

Substantial reductions and/or changes in actual unit price payments can have an adverse impact on Valard's overall financial position.

Exhibit 1, Attachment 2:
The Contract Price shall include all items that are not expressly stated in Appendix A – Schedule of Price Breakdown, but that are required for the performance of the Work. These items include, but are not limited to, indirect costs, travel, tools, operating costs, consumables, costs associated with quality assurance, quality control, environmental compliance, environmental ground truthing, permitting, re-sequencing of the Work due to environmental constraints, logistics, material management, health and safety compliance, medical services, management oversight, meetings, reporting, scheduling, monitoring, auditing, Site access, security, surveying, staking, transportation, accommodations, labour relations, commissioning, start-up, insurance, costs associated with all types of summer and winter weather conditions (including severe summer and winter conditions), or anything else required to complete the Work.

All Work Fronts – Foundation Type Changes

The extensive changes in foundation types have resulted in substantial financial losses to Valard:



Because this is a unit price project, Valard's estimate spread its field general conditions and fee amounts among the various unit price bid items.

Substantial reductions and/or changes in actual unit price payments can have an adverse impact on Valard's overall financial position.

Unit price reductions and changes in foundation types has resulted in a substantial loss in general conditions revenue to Valard:

• Estimated GC's carried in unit pricing	$50,573,812
• Revised BOQ GC's now carried in unit pricing	$31,357,051
Loss	$19,216,761

All Work Fronts – Foundation Type Changes

The extensive changes in foundation types have resulted in substantial financial losses to Valard:

Foundation Quantities (All Work Fronts):

	Estimate	Revised BOQ	Percentage Change
• Rock	2,952	1,260	42%
• Grillage	1,474	2,486	169%
• Piles	142	379	267%

Example Using Average Units

1,012 Rock Foundations are changed to Grillage Foundations:

GC Incl. in Rock Units	$11,081
GC Incl. in Grillage Units	-$5,651
Delta	$5,430
Units Changed to Grillage	1,012
GC Lost	$5,495,160

	Contract Revenue (Overall Average per Unit)		Estimated Cost of Work (Overall Average per Unit)		Estimated G&A and Fee (15%) (Overall Average per Unit)		Estimated General Conditions (Overall Average per Unit)
Rock Foundation	$36,218		$21,858		$3,279		$11,081
Grillage Foundation	$19,113		$11,707		$1,756		$5,651
H-Pile Foundation	$186,651		$154,502		$23,175		$8,974

All Work Fronts – Foundation Type Changes

SLIDE 71

The extensive changes in foundation types have resulted in substantial financial losses to Valard:

Work Front	Revenue Variance
WF1 Guy Wires	$4,206,895
WF2 Guy Wires	($3,616,346)
WF3 Guy Wires	($5,804,067)
Subtotal Guy Wires	**($5,213,518)**
WF1 Grillage Foundations	$6,031,529
WF2 Grillage Foundations	$1,923,381
WF3 Grillage Foundations	$7,263,761
Subtotal Grillage Foundations	**$15,218,671**
WF1 Rock Foundations	($20,333,047)
WF2 Rock Foundations	($7,962,059)
WF3 Rock Foundations	($30,574,988)
Subtotal Rock Foundations	**($58,870,094)**
WF1 Pile Foundations	$30,181,120
WF2 Pile Foundations	($3,493,188)
WF2 Pile Foundations	$14,096,507
Subtotal Pile Foundations	**$40,784,439**
WF1 Earthwork	($10,236,956)
WF2 Earthwork	($7,197,877)
WF3 Earthwork	($14,023,041)
Subtotal - Earthwork	**($31,457,874)**
Grand Totals	**($39,538,376)**

All Work Fronts – Foundation Type Changes

The extensive changes in foundation types have resulted in substantial financial losses to Valard:

Work Front	Revenue Variance	Estimated Direct Cost Variance
WF1 Guy Wires	$4,206,895	$3,705,745
WF2 Guy Wires	($3,616,346)	($3,161,364)
WF3 Guy Wires	($5,804,067)	($5,037,737)
Subtotal Guy Wires	**($5,213,518)**	**($4,493,355)**
WF1 Grillage Foundations	$6,031,529	$3,595,497
WF2 Grillage Foundations	$1,923,381	$1,283,132
WF3 Grillage Foundations	$7,263,761	$4,261,502
Subtotal Grillage Foundations	**$15,218,671**	**$9,140,131**
WF1 Rock Foundations	($20,333,047)	($11,972,435)
WF2 Rock Foundations	($7,962,059)	($5,178,192)
WF3 Rock Foundations	($30,574,988)	($18,031,548)
Subtotal Rock Foundations	**($58,870,094)**	**($35,182,174)**
WF1 Pile Foundations	$30,181,120	$25,233,670
WF2 Pile Foundations	($3,493,188)	($2,800,713)
WF2 Pile Foundations	$14,096,507	$11,418,796
Subtotal Pile Foundations	**$40,784,439**	**$33,851,753**
WF1 Earthwork	($10,236,956)	($6,173,318)
WF2 Earthwork	($7,197,877)	($5,205,938)
WF3 Earthwork	($14,023,041)	($9,608,068)
Subtotal - Earthwork	**($31,457,874)**	**($20,987,324)**
Grand Totals	**($39,538,376)**	**($17,670,970)**

All Work Fronts – Foundation Type Changes

The extensive changes in foundation types have resulted in substantial financial losses to Valard:

Work Front	Revenue Variance	Estimated Direct Cost Variance	Indirect Costs & Markups Variance
WF1 Guy Wires	$4,206,895	$3,705,745	$501,149
WF2 Guy Wires	($3,616,346)	($3,161,364)	($454,982)
WF3 Guy Wires	($5,804,067)	($5,037,737)	($766,330)
Subtotal Guy Wires	**($5,213,518)**	**($4,493,355)**	**($720,163)**
WF1 Grillage Foundations	$6,031,529	$3,595,497	$2,436,032
WF2 Grillage Foundations	$1,923,381	$1,283,132	$640,249
WF3 Grillage Foundations	$7,263,761	$4,261,502	$3,002,259
Subtotal Grillage Foundations	**$15,218,671**	**$9,140,131**	**$6,078,540**
WF1 Rock Foundations	($20,333,047)	($11,972,435)	($8,360,612)
WF2 Rock Foundations	($7,962,059)	($5,178,192)	($2,783,867)
WF3 Rock Foundations	($30,574,988)	($18,031,548)	($12,543,440)
Subtotal Rock Foundations	**($58,870,094)**	**($35,182,174)**	**($23,687,920)**
WF1 Pile Foundations	$30,181,120	$25,233,670	$4,947,449
WF2 Pile Foundations	($3,493,188)	($2,800,713)	($692,474)
WF2 Pile Foundations	$14,096,507	$11,418,796	$2,677,712
Subtotal Pile Foundations	**$40,784,439**	**$33,851,753**	**$6,932,686**
WF1 Earthwork	($10,236,956)	($6,173,318)	($4,063,638)
WF2 Earthwork	($7,197,877)	($5,205,938)	($1,991,939)
WF3 Earthwork	($14,023,041)	($9,608,068)	($4,414,973)
Subtotal - Earthwork	**($31,457,874)**	**($20,987,324)**	**($10,470,550)**
Grand Totals	**($39,538,376)**	**($17,670,970)**	**($21,867,406)**

All Work Fronts – Foundation Type Changes

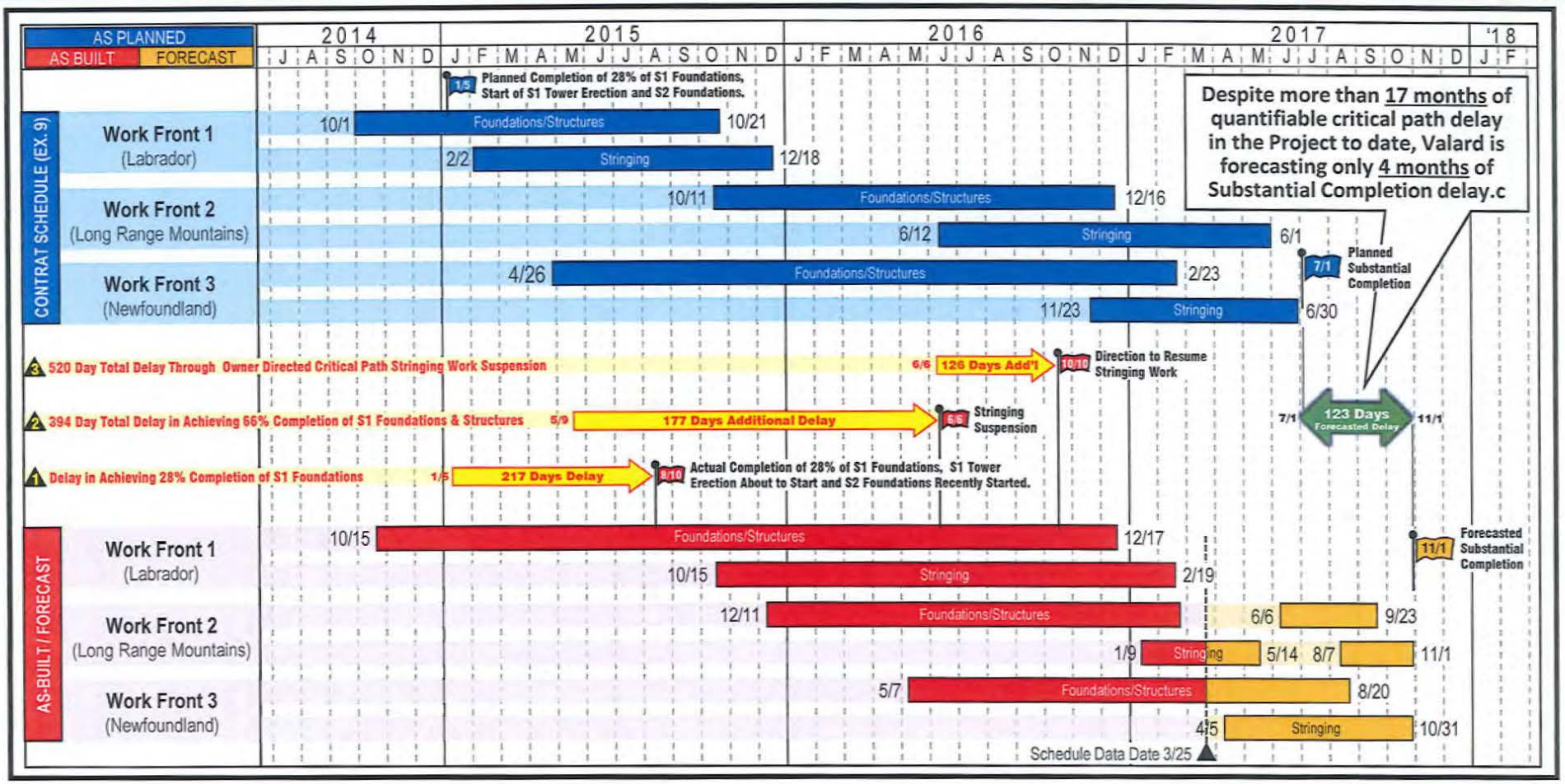
The extensive changes in foundation types have resulted in substantial financial losses to Valard:

Work Front	Revenue Variance	Estimated Direct Cost Variance	Indirect Costs & Markups Variance	G&A and Fee (15%) Variance	Field General Conditions Variance
WF1 Guy Wires	$4,206,895	$3,705,745	$501,149	$555,862	($54,713)
WF2 Guy Wires	($3,616,346)	($3,161,364)	($454,982)	($474,205)	$19,223
WF3 Guy Wires	($5,804,067)	($5,037,737)	($766,330)	($755,660)	($10,670)
Subtotal Guy Wires	**($5,213,518)**	**($4,493,355)**	**($720,163)**	**($674,003)**	**($46,159)**
WF1 Grillage Foundations	$6,031,529	$3,595,497	$2,436,032	$539,325	$1,896,708
WF2 Grillage Foundations	$1,923,381	$1,283,132	$640,249	$192,470	$447,779
WF3 Grillage Foundations	$7,263,761	$4,261,502	$3,002,259	$639,225	$2,363,034
Subtotal Grillage Foundations	**$15,218,671**	**$9,140,131**	**$6,078,540**	**$1,371,020**	**$4,707,520**
WF1 Rock Foundations	($20,333,047)	($11,972,435)	($8,360,612)	($1,795,865)	($6,564,747)
WF2 Rock Foundations	($7,962,059)	($5,178,192)	($2,783,867)	($776,729)	($2,007,139)
WF3 Rock Foundations	($30,574,988)	($18,031,548)	($12,543,440)	($2,704,732)	($9,838,708)
Subtotal Rock Foundations	**($58,870,094)**	**($35,182,174)**	**($23,687,920)**	**($5,277,326)**	**($18,410,594)**
WF1 Pile Foundations	$30,181,120	$25,233,670	$4,947,449	$3,785,051	$1,162,399
WF2 Pile Foundations	($3,493,188)	($2,800,713)	($692,474)	($420,107)	($272,368)
WF2 Pile Foundations	$14,096,507	$11,418,796	$2,677,712	$1,712,819	$964,893
Subtotal Pile Foundations	**$40,784,439**	**$33,851,753**	**$6,932,686**	**$5,077,763**	**$1,854,924**
WF1 Earthwork	($10,236,956)	($6,173,318)	($4,063,638)	($925,998)	($3,137,640)
WF2 Earthwork	($7,197,877)	($5,205,938)	($1,991,939)	($780,891)	($1,211,048)
WF3 Earthwork	($14,023,041)	($9,608,068)	($4,414,973)	($1,441,210)	($2,973,763)
Subtotal - Earthwork	**($31,457,874)**	**($20,987,324)**	**($10,470,550)**	**($3,148,099)**	**($7,322,451)**
Grand Totals	**($39,538,376)**	**($17,670,970)**	**($21,867,406)**	**($2,650,645)**	**($19,216,761)**

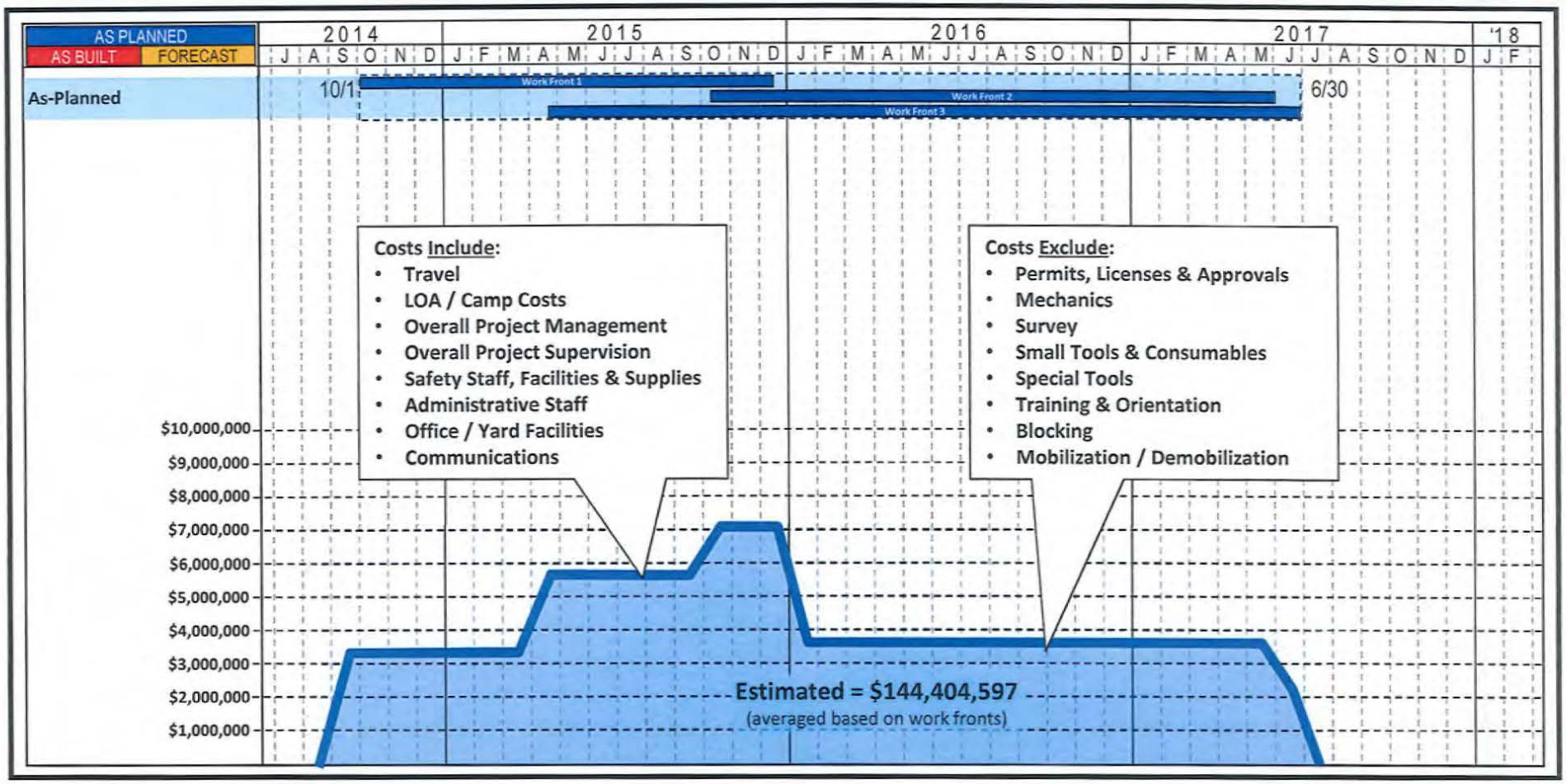
Topics of Discussion

- **Schedule Summary:**
  - ✓ Overview of Project Delays
  - ✓ Critical Path Through Work Front 1
- **Delay & Impact Causation:**
  - ✓ Summary of Impacts Identified
  - ✓ ROW Clearing and Access Road Construction Delays
  - ✓ Access Road Deficiencies
  - ✓ Geo-Program / Foundation Selection Process
- **Cost Impacts:**
  - ✓ Time Related General Conditions
  - ✓ Other Costs:
    - Mechanics
    - Survey
    - Camp Space Impact Costs
- **Conclusions**

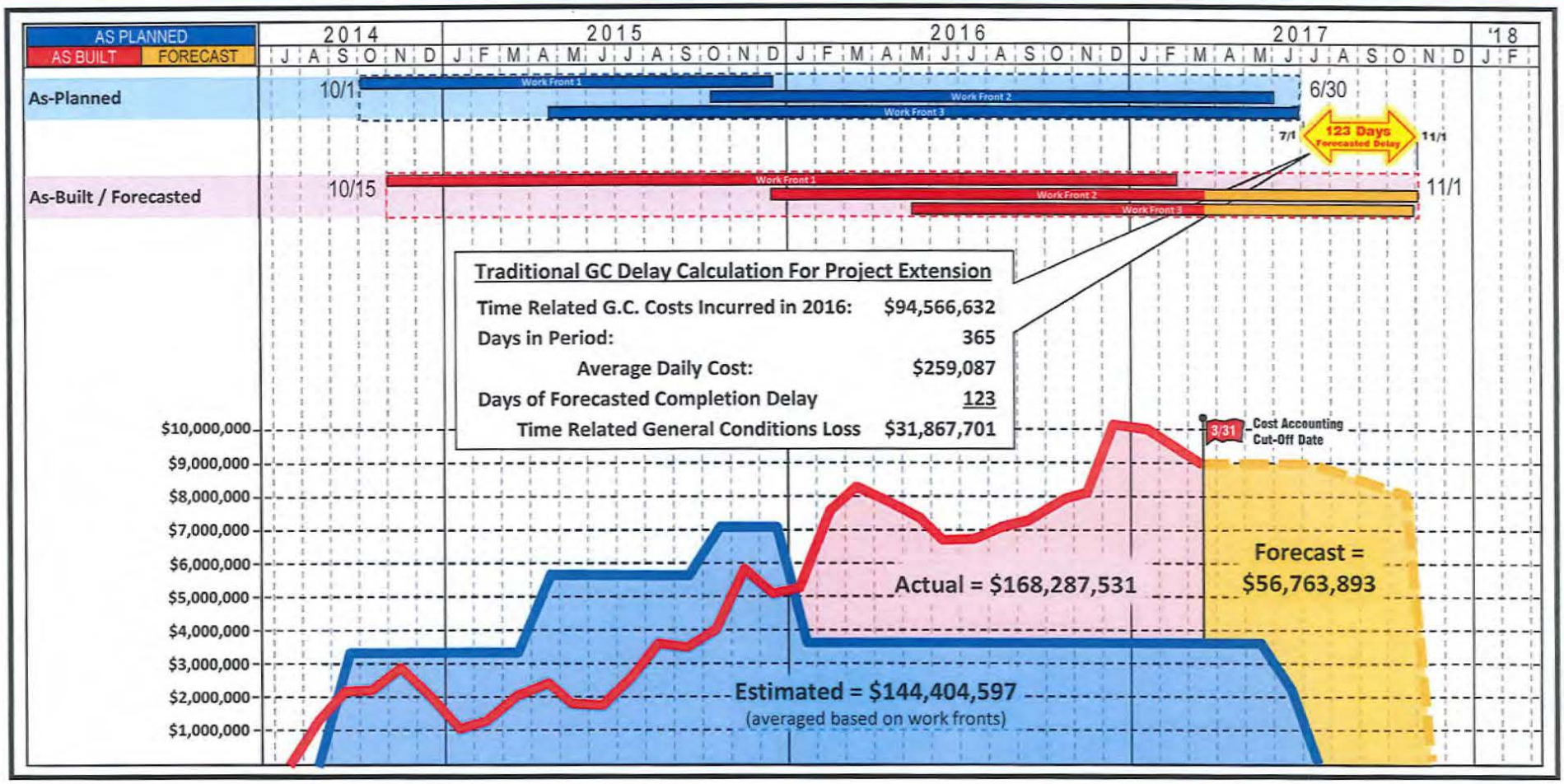
Summary Schedule Comparison



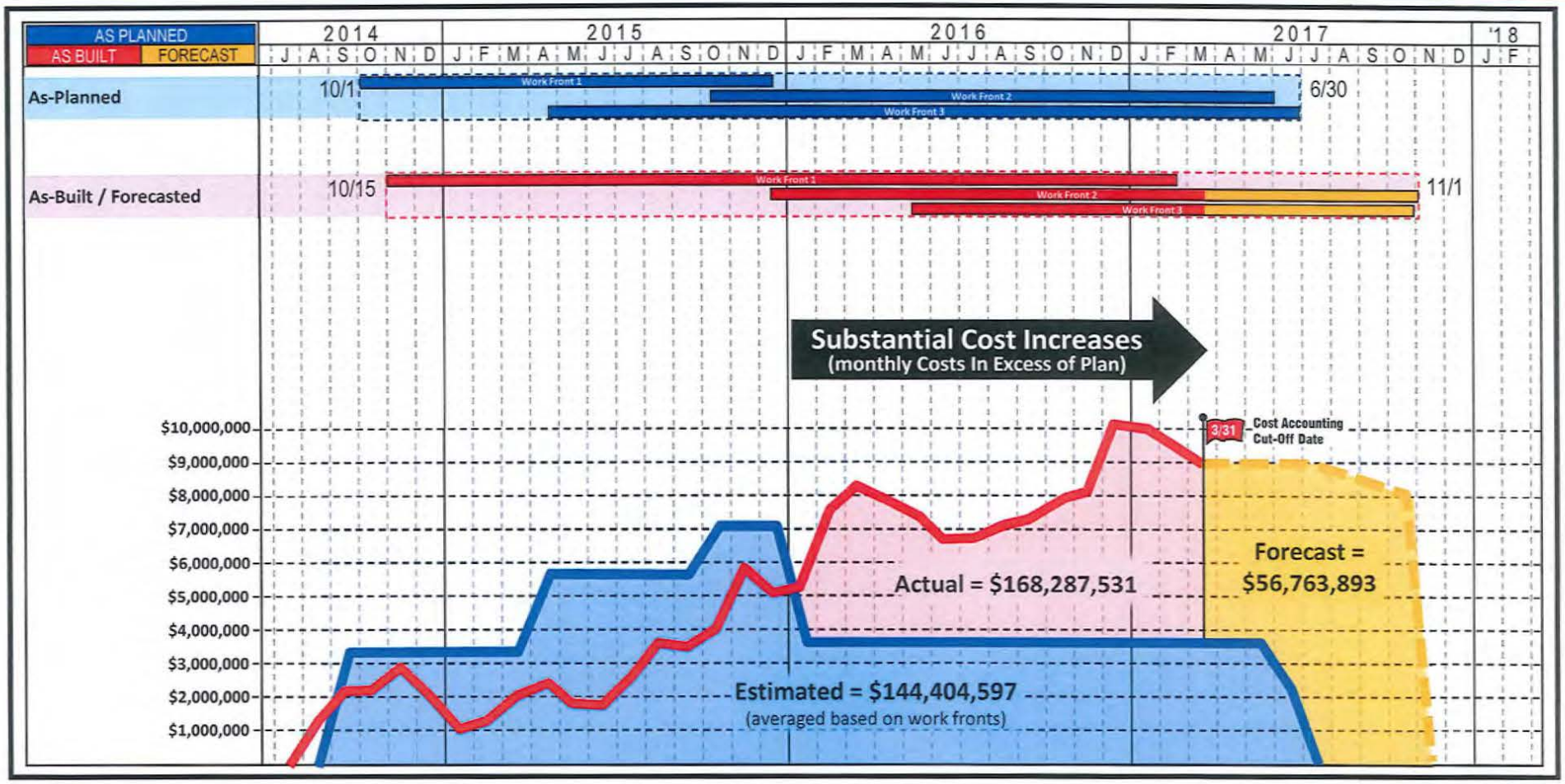
Time Related Field General Conditions Costs



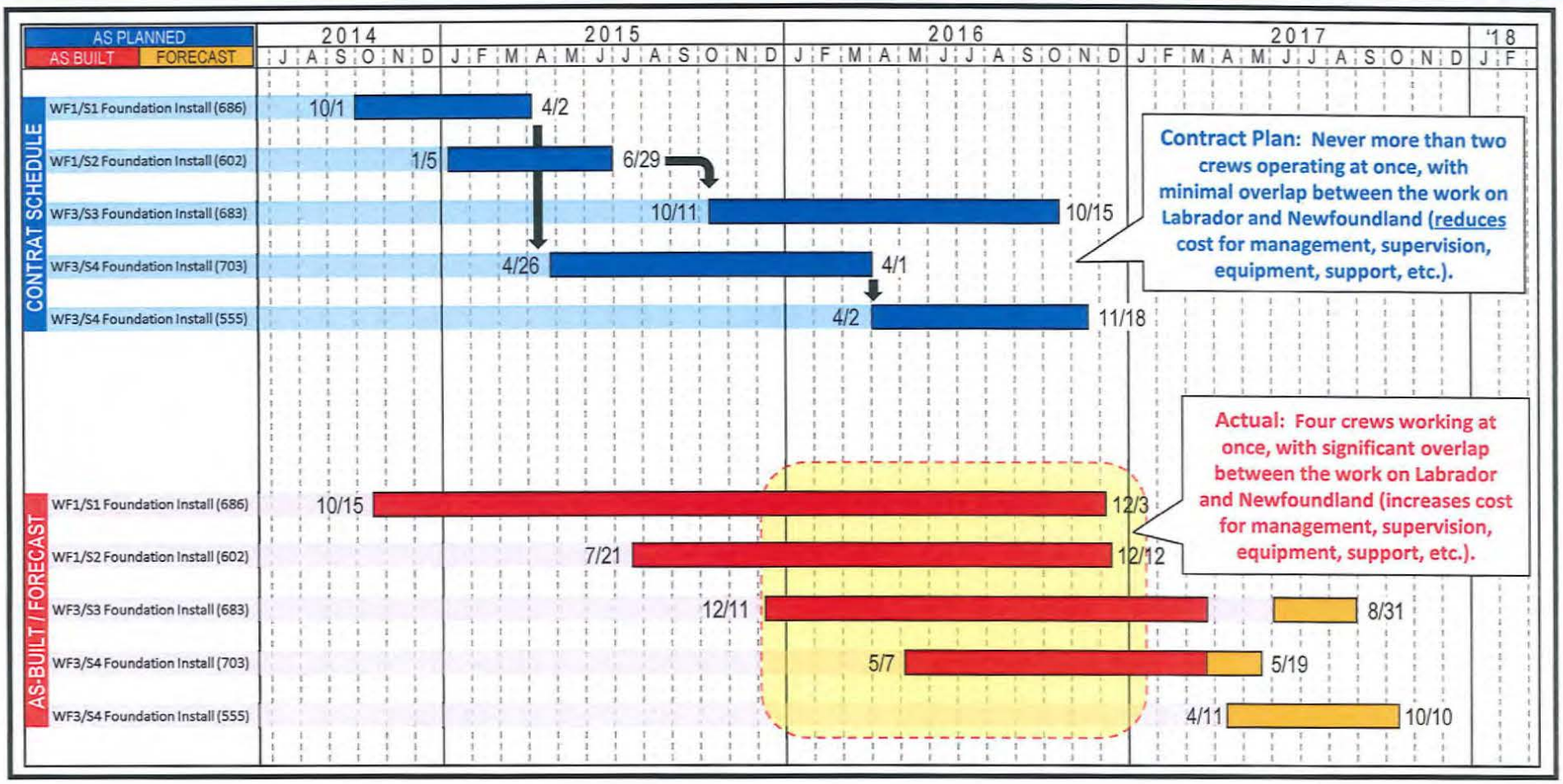
Time Related Field General Conditions Costs



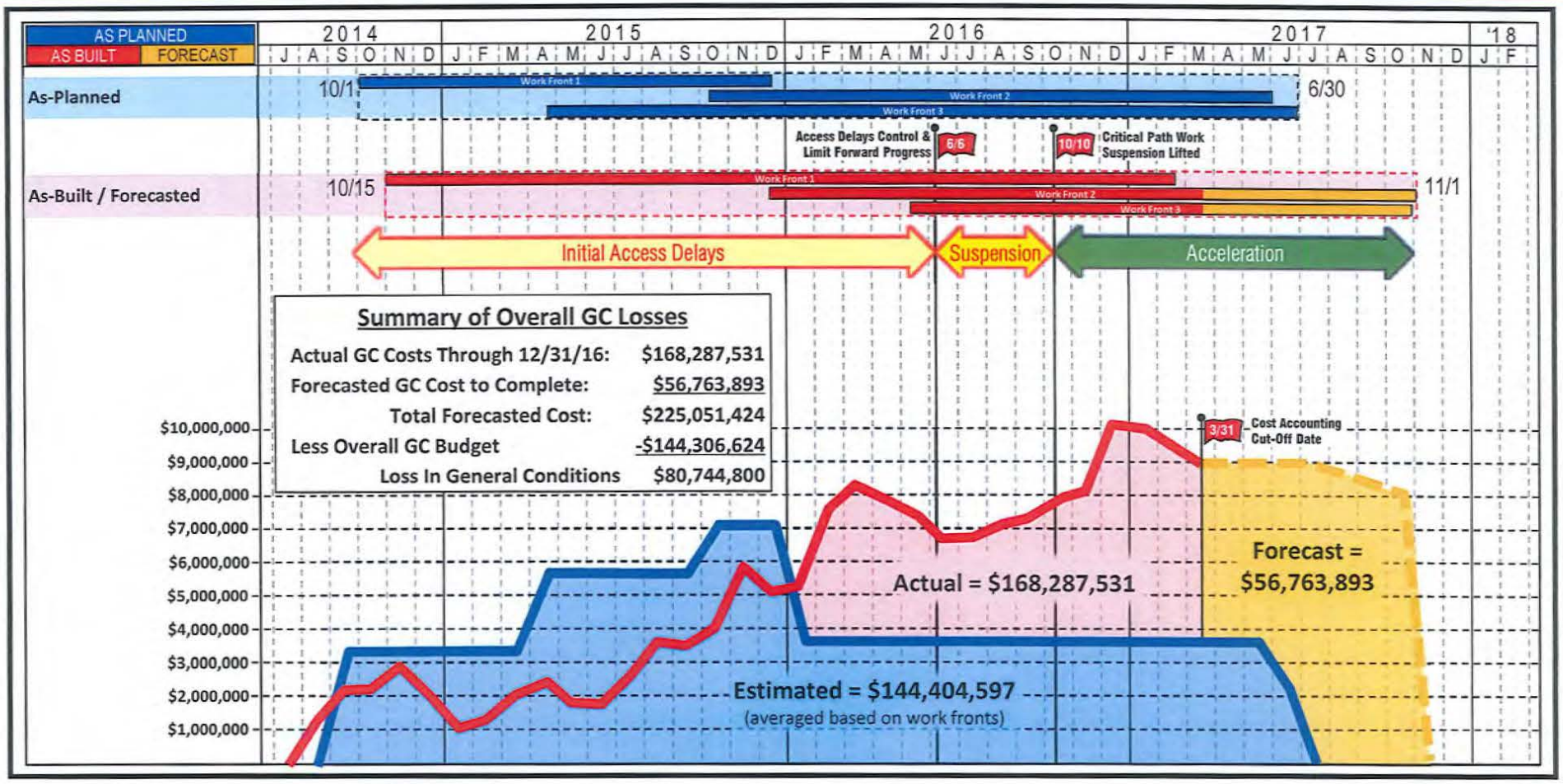
Time Related Field General Conditions Costs



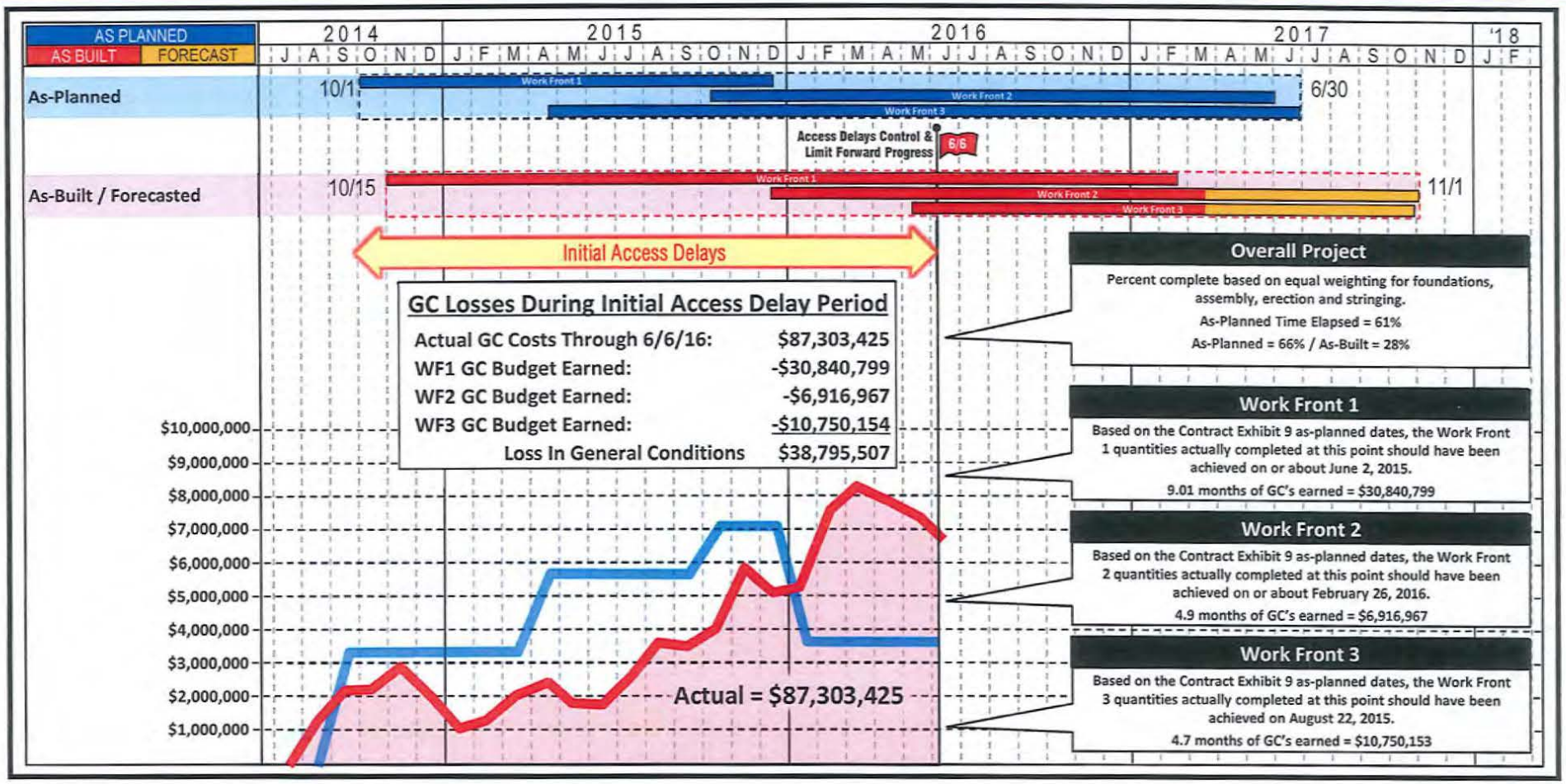
Time Related Field General Conditions Costs (Crew & Logistical Impacts)



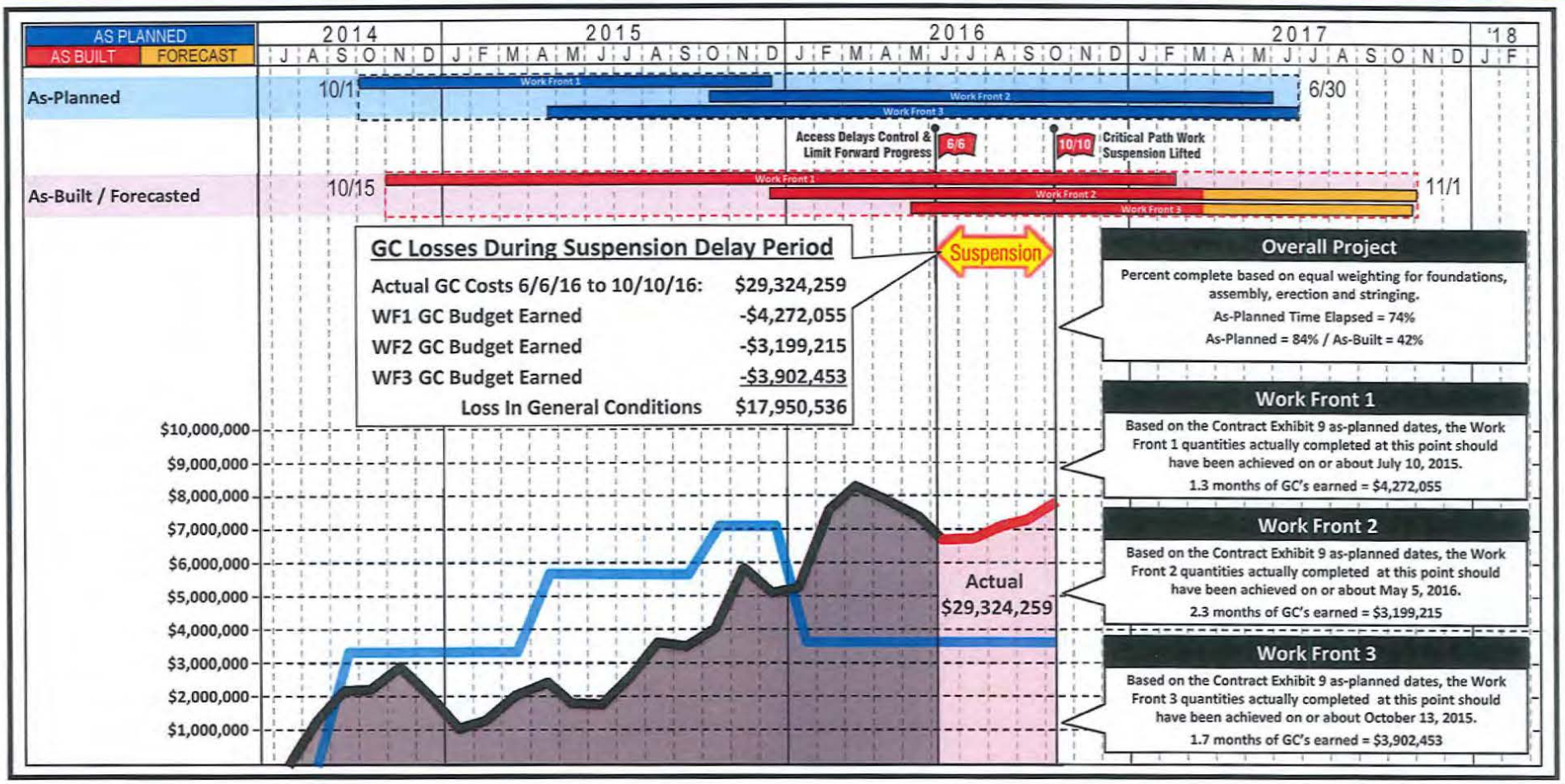
Time Related Field General Conditions Costs



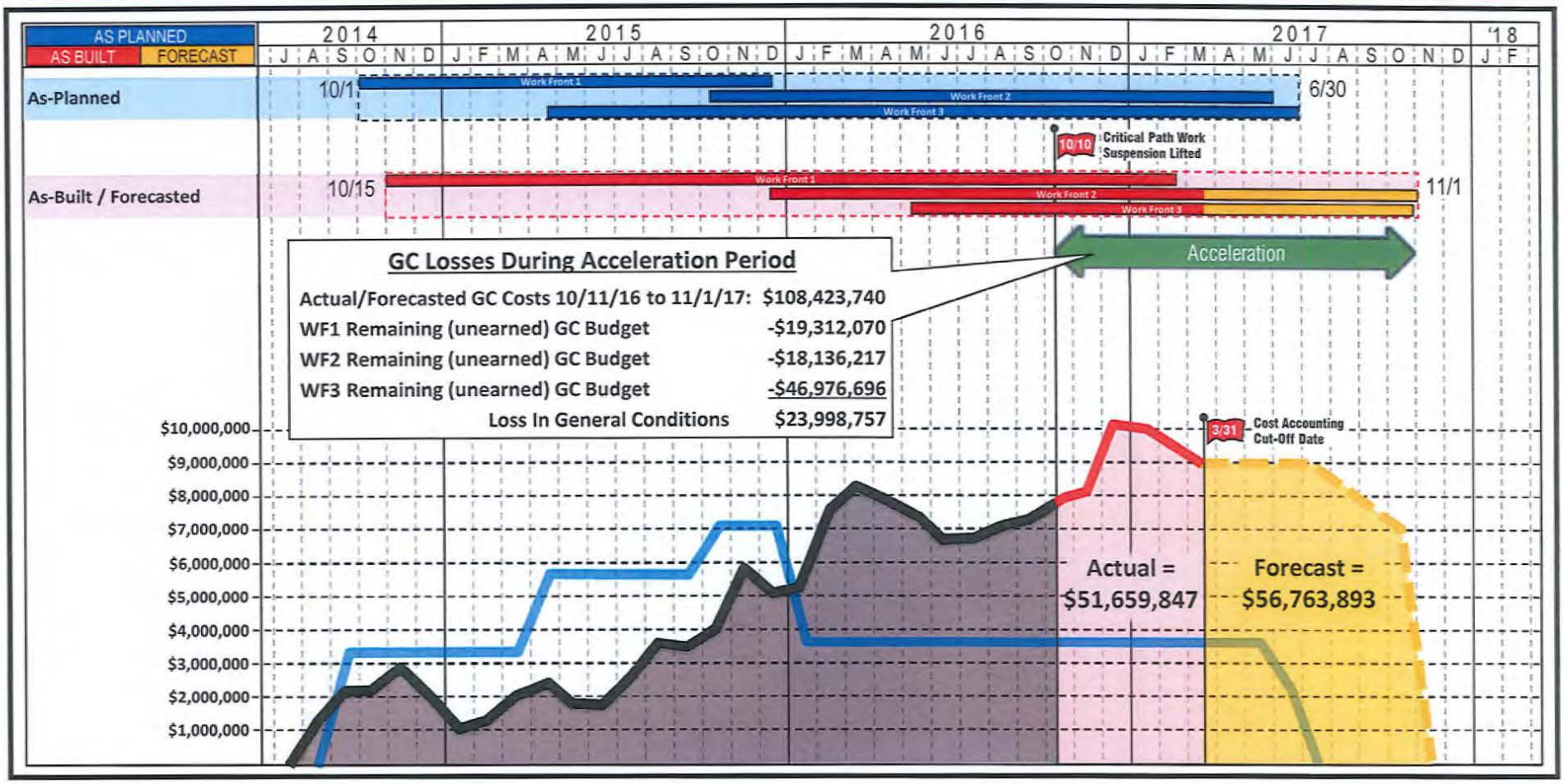
Time Related Field General Conditions Costs



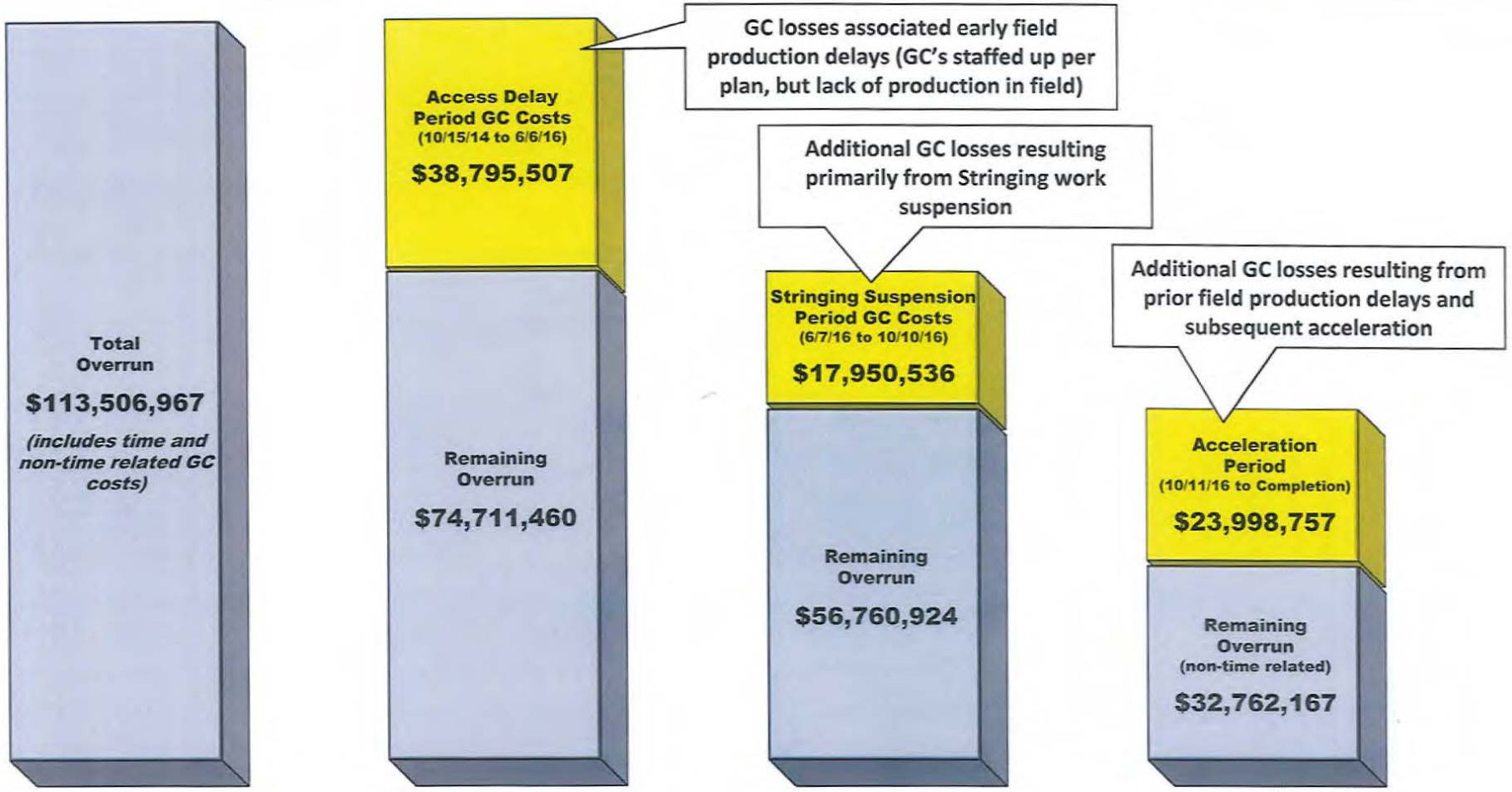
Time Related Field General Conditions Costs



Time Related Field General Conditions Costs



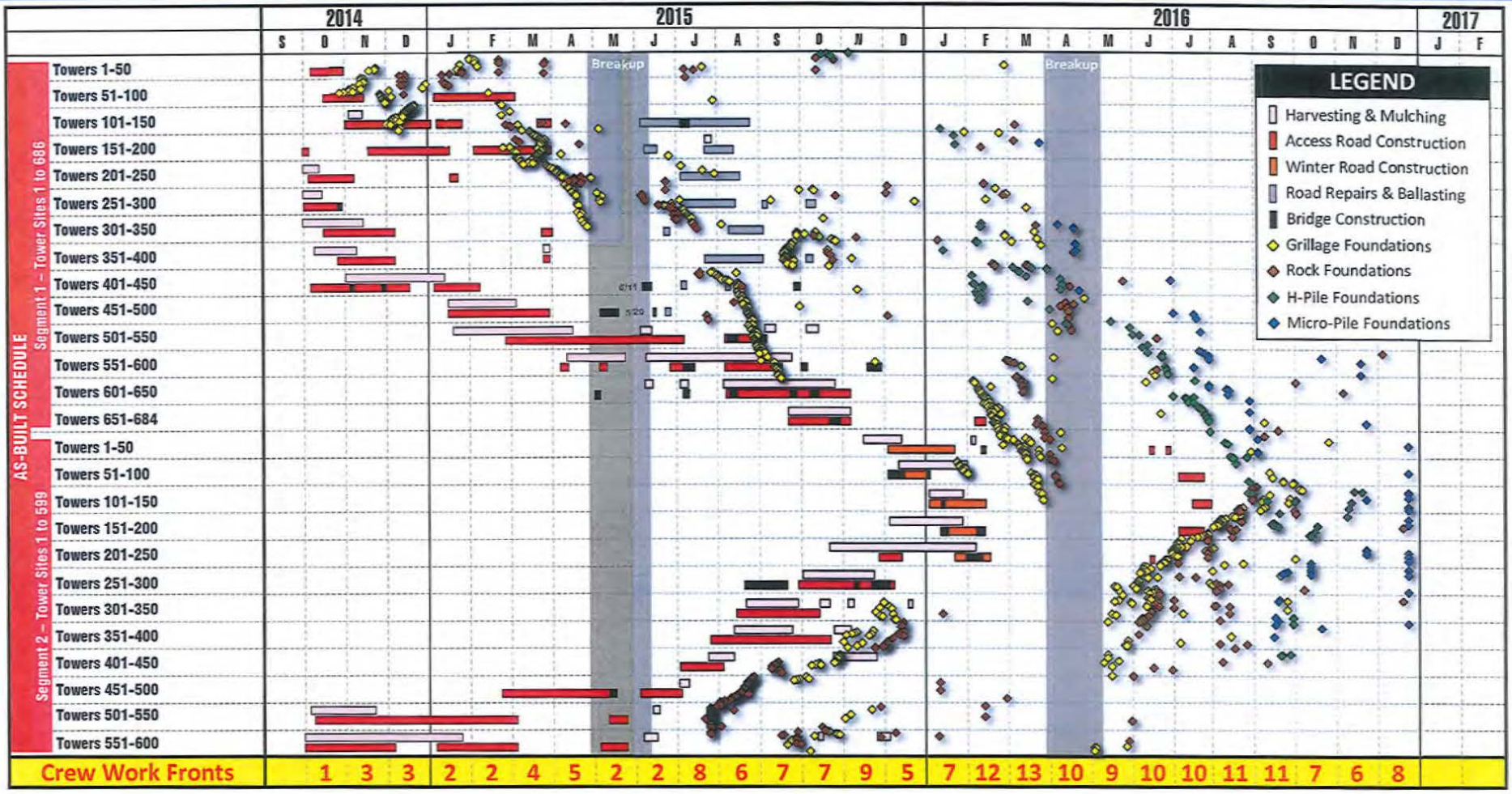
Breakdown of Field General Conditions Loss



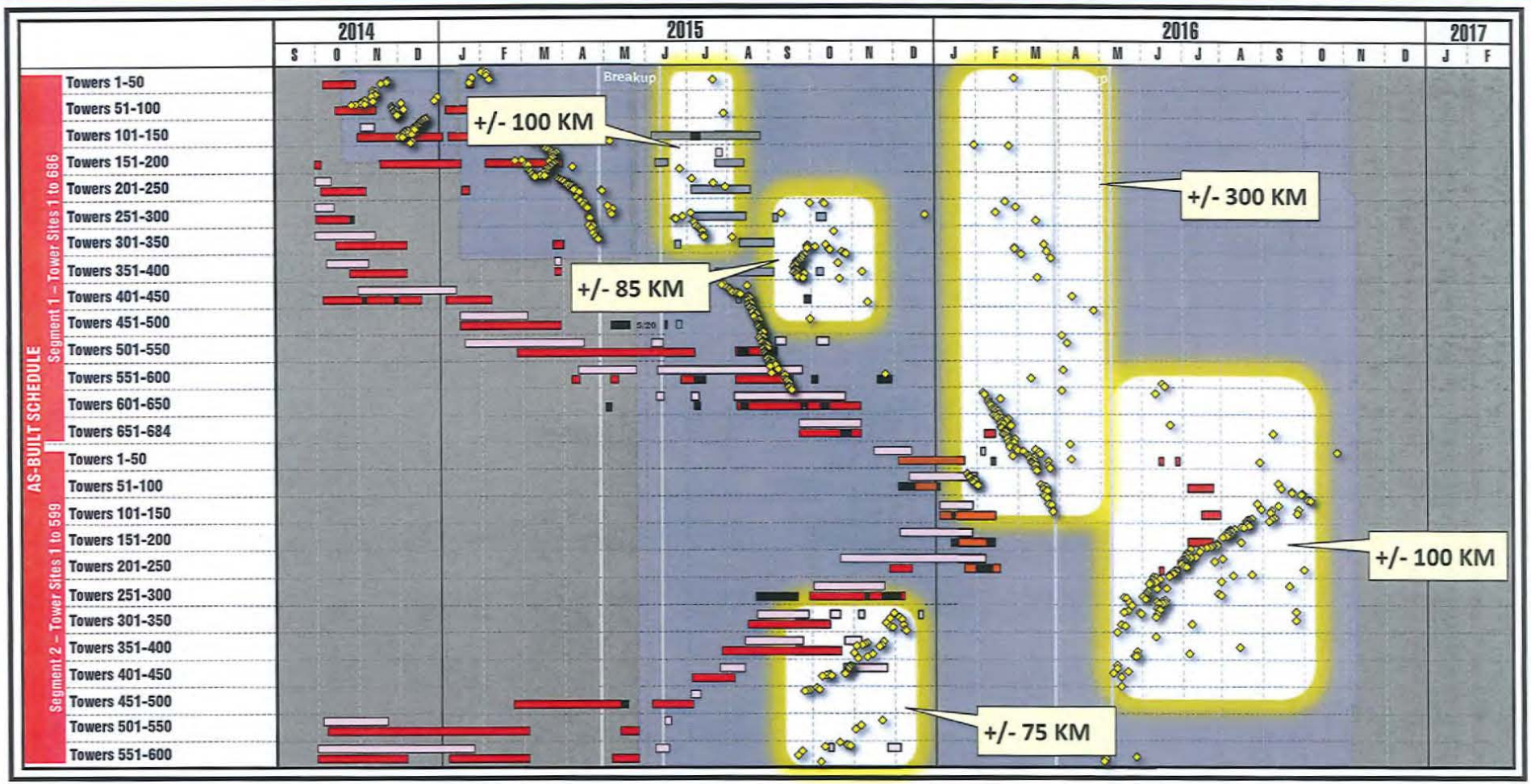
Topics of Discussion

- **Schedule Summary:**
  - ✓ Overview of Project Delays
  - ✓ Critical Path Through Work Front 1
- **Delay & Impact Causation:**
  - ✓ Summary of Impacts Identified
  - ✓ ROW Clearing and Access Road Construction Delays
  - ✓ Access Road Deficiencies
  - ✓ Geo-Program / Foundation Selection Process
- **Cost Impacts:**
  - ✓ Time Related General Conditions
  - ✓ Other Costs:
    - Mechanics
    - Survey
    - Camp Space Impact Costs
- **Conclusions**

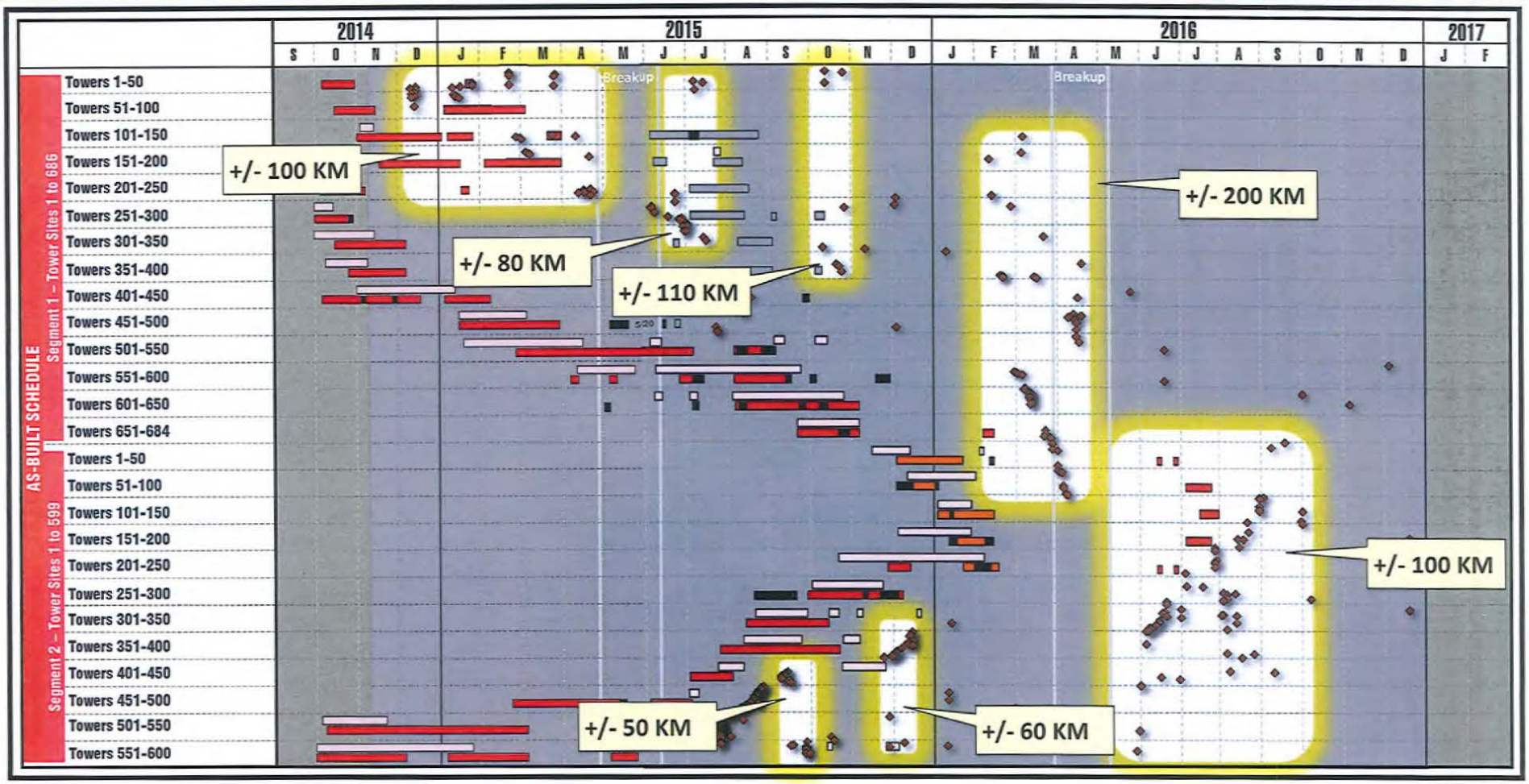
ROW Harvesting & Mulching, Access Road & Bridge Construction (with Foundations) – WF1



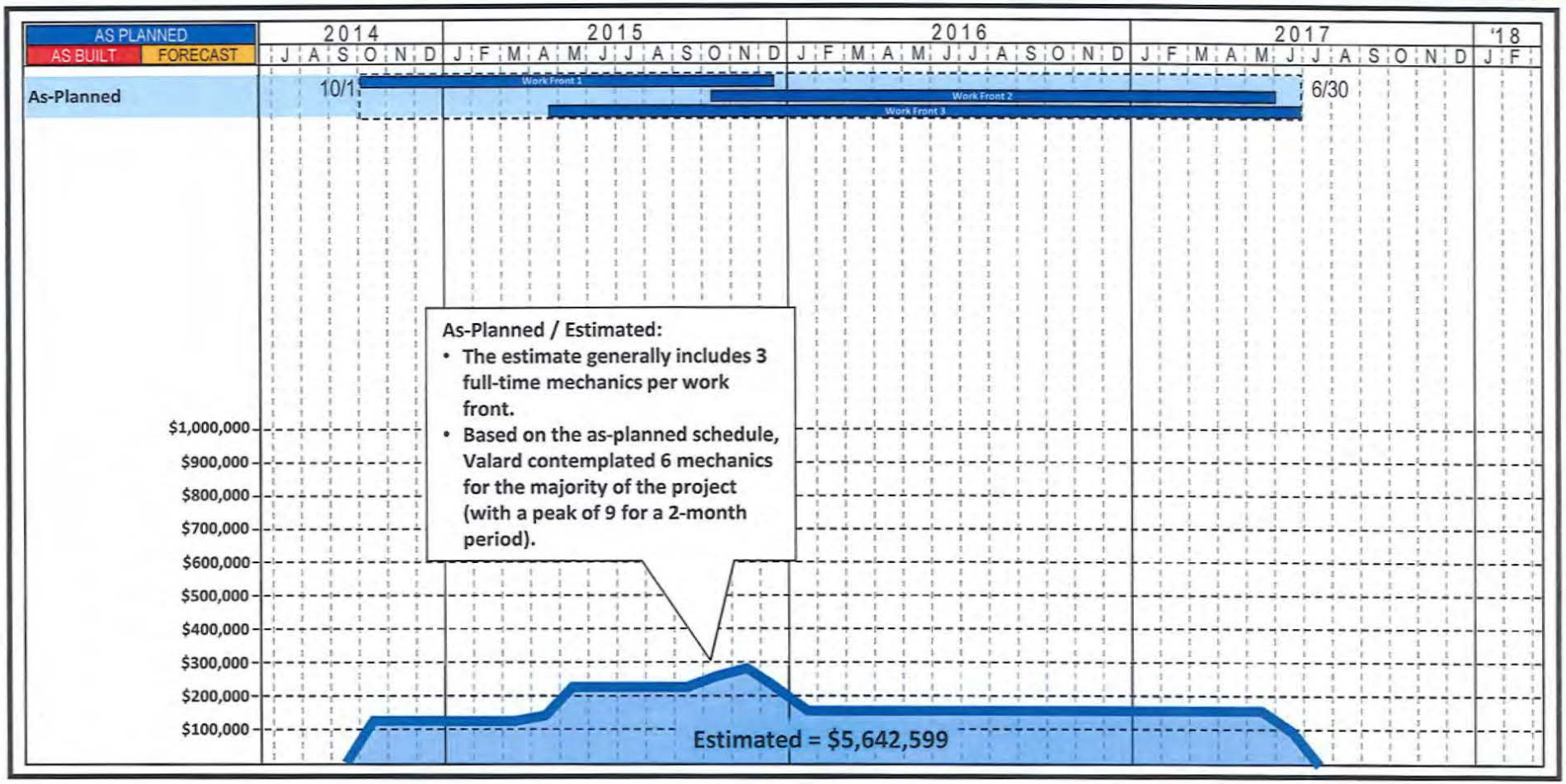
ROW Harvesting & Mulching, Access Road & Bridge Construction (with Foundations) – WF1



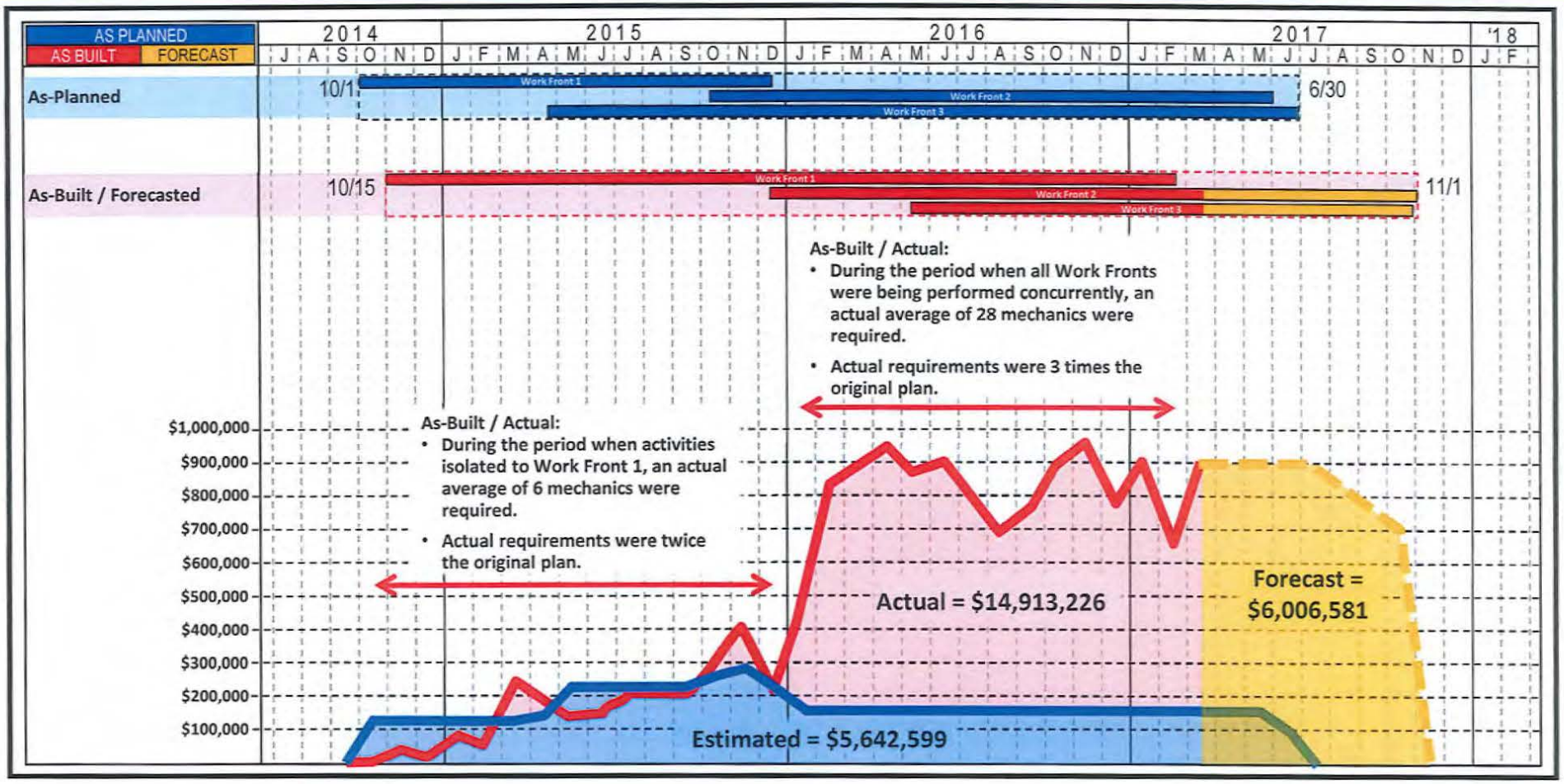
ROW Harvesting & Mulching, Access Road & Bridge Construction (with Foundations) – WF1



Mechanic Costs



Mechanic Costs



Mechanic Costs

- **Work Front 1:**
  - ✓ **Delay Costs:**

Actual average daily costs (October 2014 to December 2015)		$5,828.35
Overall delay days (December 18, 2015 to February 19, 2017)		429
	Delay Costs	**$2,500,362**

  - ✓ **Increased Performance Costs** (due to out-of-sequence work):

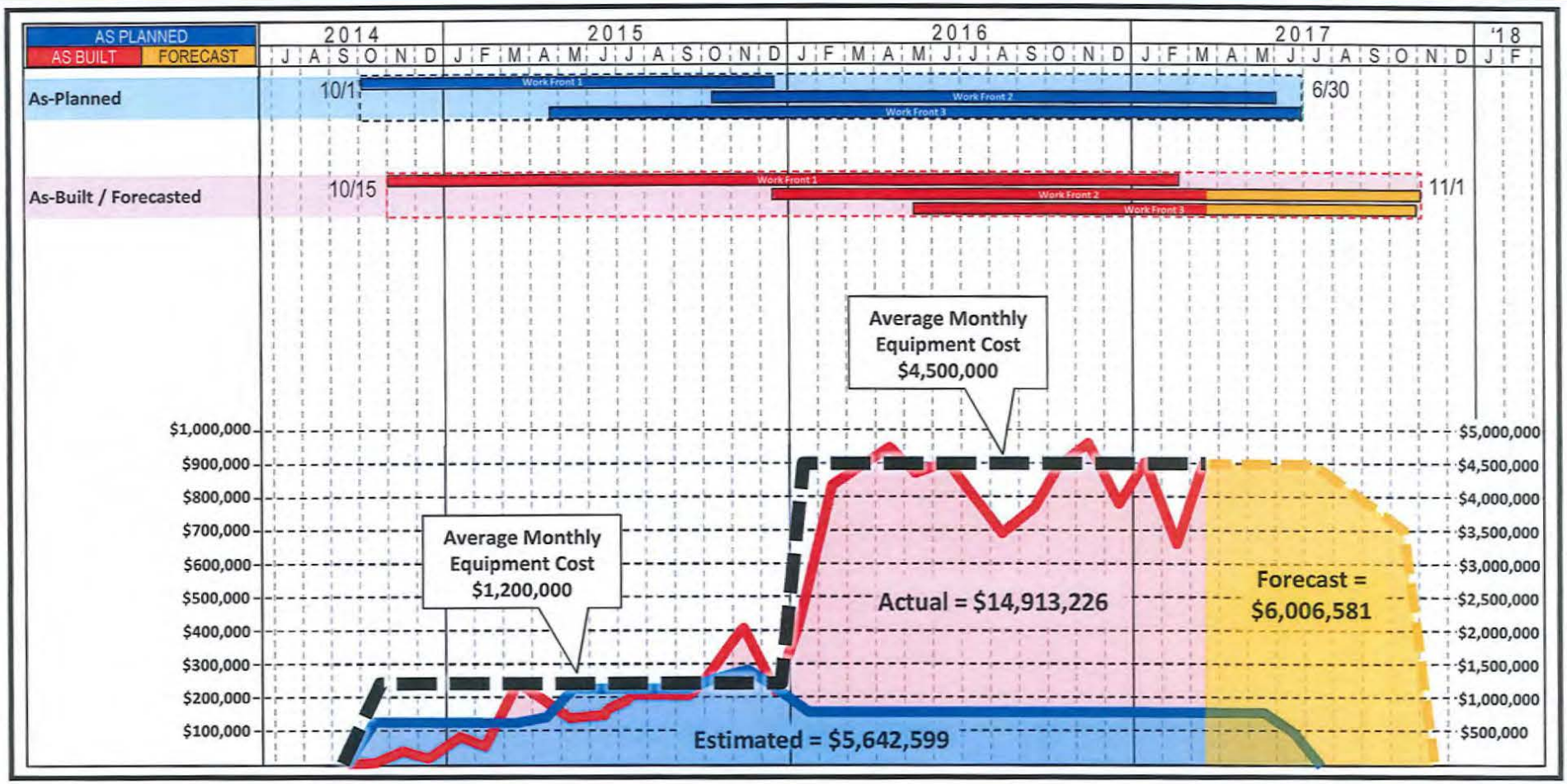
Actual Costs Incurred (October 2014 to December 2015)		$2,546,990
Estimated Costs		-$1,864,952
	Increased Performance Costs	**$682,038**

- **Work Fronts 2 & 3:**
  - ✓ **Increased Performance Costs** (due to acceleration):

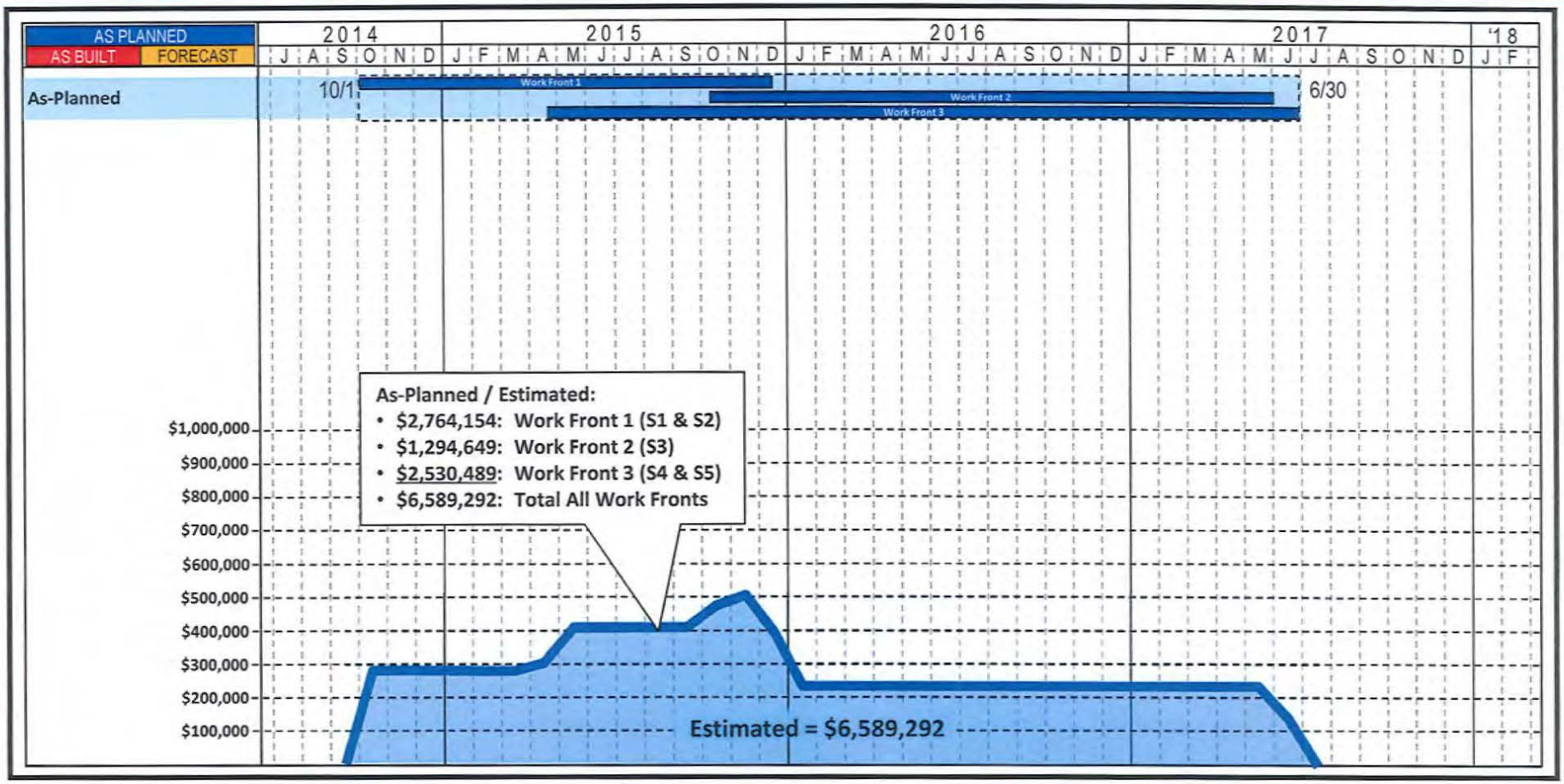
Actual Costs Incurred (actual costs after DEC 2015, less WF1 delay costs above)		$9,865,873
Forecasted Costs (based on trailing 6-months)		+$6,006,581
Estimated Costs		-$3,777,647
	Increased Performance Costs	**$12,094,807**

Majority of cost overrun occurs in acceleration period (staffing substantially increased for work in Newfoundland to mitigate prior delays and accelerate completion)

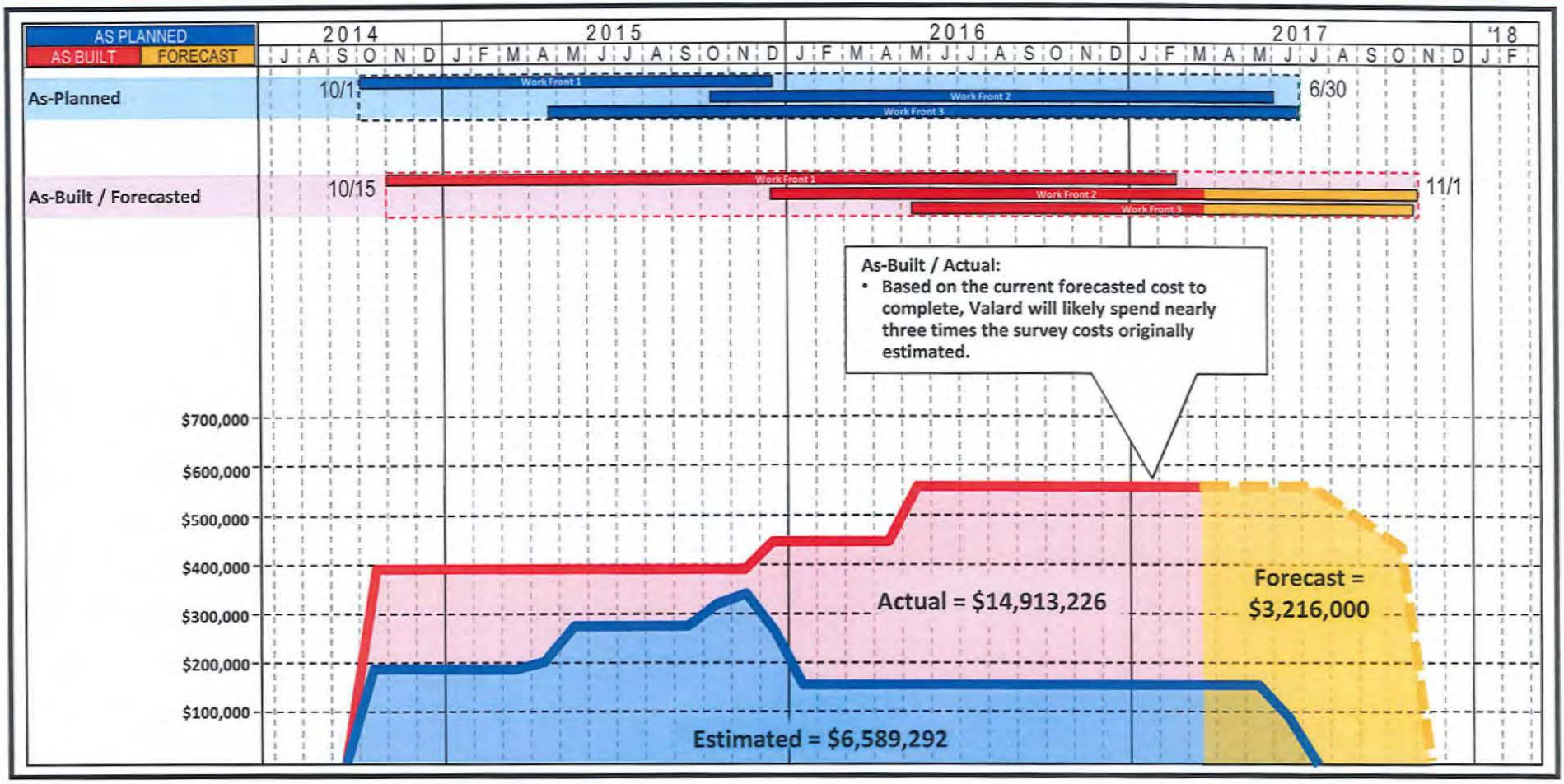
Mechanic Costs



Survey Costs



Survey Costs



Survey Costs

- **Work Front 1:**
  - ✓ **Delay Costs:**

Actual average daily costs (October 2014 to December 2015)		$13,498
Overall delay days (October 21, 2015 to December 17, 2016)		423
	Delay Costs	**$5,709,654**

  - ✓ **Increased Performance Costs** (due to out-of-sequence work):

Actual Costs Incurred (October 2014 to December 2015)		$5,898,620
Estimated Costs		-$2,764,154
	Increased Performance Costs	**$3,134,466**

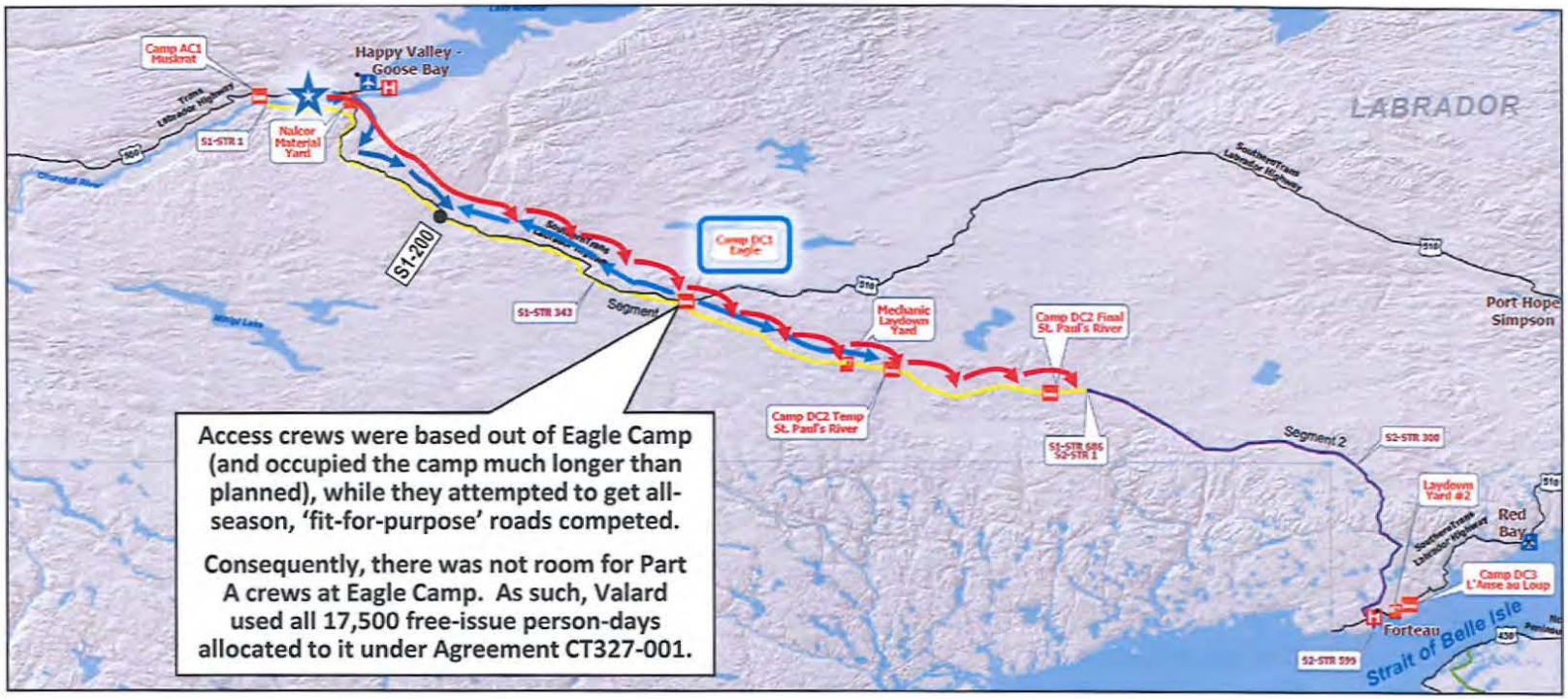
- **Work Fronts 2 & 3:**
  - ✓ **Increased Performance Costs** (due to acceleration):

Actual costs incurred (actual costs after DEC 2015, less WF1 delay costs above)		$2,530,882
Forecasted costs (based on trailing 6-months)		+$3,216,000
Estimated costs		-$3,825,137
	Increased Performance Costs	**$1,921,745**

Majority of cost overrun occurs in delay period (survey work in Labrador much more costly due to access road delays, scattered nature of work & tower location changes).

Work Front 1 – Camp Space Impacts

- With the exception of the construction of the first 70 km of transmission line extending from Muskrat Falls heading south, Valard was responsible for camp facilities (for Valard's work scope and for Nalcor's other contractors)
- For Part A of the work, Nalcor agreed to free-issue up to 17,500 person-days of accommodations at its Muskrat Falls Complex to enable the Work to be completed.



Work Front 1 – Camp Space Impacts

- **LOA Camp Cost Dispute:**
  - ✓ Due to the delays in ROW and access road construction, Valard requested an additional 5,151 free-issue camp days at Nalcor's Muskrat Falls Camp.
  - ✓ Nalcor rejected this request and now apparently seeks to backcharge Valard for an additional 5,845 free-issue camp days at its Muskrat Falls Camp ($1,461,250).
  - ✓ Valard has an independent claim disputing this backcharge.
- **Added Direct Costs:**
  - ✓ Valard incurred additional direct costs associated with longer travel times from the Muskrat Camp to worksites located south of S1-200.
  - ✓ Approximately 93% of the foundations completed after the point in time that Valard exceeded the original free-issue camp day allowance (April 2015) were further south than S1-200 (51% of these foundations were further south than Eagle DC1 camp - extending as far south as the end of Segment 1).
  - ✓ The added travel time from the Muskrat camp to S1-200 is conservatively estimated to be 1-hour each way.
  - ✓ Assuming 93% of the workers staying at the Muskrat camp were working beyond S1-200, Valard estimates these workers incurred added travel time totaling 1-hour each way daily.
  - ✓ Based on an average foundation craftsmen rate of $121.71, the unanticipated costs associated with the added travel time totals $1,323,195.

Topics of Discussion

- **Schedule Summary:**
  - ✓ Overview of Project Delays
  - ✓ Critical Path Through Work Front 1
- **Delay & Impact Causation:**
  - ✓ Summary of Impacts Identified
  - ✓ ROW Clearing and Access Road Construction Delays
  - ✓ Access Road Deficiencies
  - ✓ Geo-Program / Foundation Selection Process
- **Cost Impacts:**
  - ✓ Time Related General Conditions
  - ✓ Other Costs:
    - Mechanics
    - Survey
    - Camp Space Impact Costs
- **Conclusions**

Conclusions

- The vast majority of the delay on the Project to date was incurred in Work Front 1 and is attributable to the delayed predecessor clearing and access road construction:
  - ✓ 307 days of delay in completion of clearing and access road construction;
  - ✓ 48 days additional delay in critical path foundation work due to added spring breakup;
  - ✓ 107 days additional delay due to critical path stringing work suspension;
  - ✓ 33 day *delay reduction* in completion of critical path stringing work; and,
  - ✓ 306 day further *delay reduction* in completion of Work Fronts 2 and 3.
- Valard was not able to manage the clearing and access road construction as Nalcor overrode Valard decisions; did not communicate financial terms of roadbuilding contracts; and directed contractors without Valard involvement.
- Not only were the access roads constructed much later than planned, but significant access road deficiencies have persisted throughout construction.
- The extensive changes in foundation types have resulted in substantial financial losses to Valard.
- The stand-alone costs associated with the forecasted delay in overall project completion totals $31,867,701.
- Our detailed analysis of the time-related field general conditions losses indicates that $56,716,043 of the loss is attributable to delay, and $23,998,757 is attributable to subsequent acceleration efforts.
- Additional losses totaling $15,277,207 have been identified in costs associated with Mechanics.
- Additional losses totaling $10,765,865 have been identified in costs associated with Survey.
- Additional losses totaling $1,323,195 have been identified in costs associated with Camp occupancy impacts.

PRELIMINARY & CONFIDENTIAL — WITHOUT PREJUDICE

May 4, 2017 Settlement Meeting Presentation Materials

Lower Churchill Project

Contract Between Island Link Limited Partnership and Valard Construction LP

Newfoundland and Labrador, Canada

nalcor energy

Valard
A QUANTA SERVICES COMPANY

McLean & Armstrong LLP

Privileged & Confidential

C2G INTERNATIONAL