

From: jamesmeaney@nalcoreenergy.com
To: [John Matovich](#)
Subject: Re: RFF Path Forward - Key Points for Tomorrow's Discussion
Date: Friday, October 18, 2013 11:51:03 AM

Had some further dialogue with Ed, Nalcor team and NL Finance today. Process is basically the same other than preference seems to be meet all 3 proponent teams to nail their feet to the floor on few specific issues (including delayed FC mechanism) on oct 22 with revised proposals by oct 24.

Sent from my iPad

On Oct 18, 2013, at 11:42 AM, "John Matovich" <[johnmatovich@\[REDACTED\]](mailto:johnmatovich@[REDACTED])> wrote:

Looks good to me. I think you have captured everything we discussed and I haven't had any epiphany's over night.

Let me know if you want to chat today.

JM

From: "JamesMeaney@nalcoreenergy.com" <JamesMeaney@nalcoreenergy.com>

To: DSturge@nalcoreenergy.com; AuburnWarren@nalcoreenergy.com; RobHull@nalcoreenergy.com; John Matovich <[johnmatovich@\[REDACTED\]](mailto:johnmatovich@[REDACTED])>; John Matovich <jmatovich@atlanticpower.com>

Sent: Thursday, October 17, 2013 8:07:37 PM

Subject: RFF Path Forward - Key Points for Tomorrow's Discussion

Hi folks

I have tried to put on paper some key points for our discussion tomorrow morning with Nalcor/NL financing team and then Ed/Charles as it relates to the possible path forward for the RFF. We can fine tune during the meeting that starts at 8:30am, but in the meantime let me know if you think there are other key points or required revisions

Regards

Jim

- Re-evaluated options discussed with Ed/Charles on Oct 16 with respect to moving RFF process forward while uncertainty still exists relating to satisfaction of NS/Emera CP's required by Canada to issue FLG for mid-November and achieve Dec 2 Financial Close

- o Select Lead Arranger now and try to negotiate revised terms in the event Dec 2 Financial Close cannot be achieved

- o Put entire RFF process on hold until certainty achieved with respect to FLG CP's and then ask Proponents to re-submit with goal of shortened selection/execution timeline

- Key objectives are, to the extent possible, maintain competitive tension amongst Proponents while at the same time leverage the benefits of the RFF process/evaluation conducted to date

- Proposed approach would involve the following:

- o Issue notice to all Proponents on [Oct 17 or 21] that Preferred Proponent Notification will be extended from Oct 22 to [Oct 29] to provide Nalcor with additional time to evaluate revised proposals submitted on Oct 11. The target date for execution of the Financing Commitment Letter with the Lead Arranger will be extended to [Nov 5]. **Maintains competitive tension amongst all Proponents.**

- o Meet with TD/GS on [Oct 21 or 22], as they are the leading Proponent after both initial RFF submission and the BAFO process. **Leverages the benefits of the RFF process conducted to date.**

- o Indicate Nalcor views their revised proposal as favorable, however, a number of clarifications/amendments would be required if we were to consider moving to the next stage with TD/GS

§ Proposed SDN not compliant with terms of FLG and poses some risk concerns from Canada's perspective. Need TD/GS to propose solution for only bond holding account/construction period. Nalcor will manage investment strategy for sinking funds separately

§ Need to TD/GS to propose mechanism by which their Fully Underwritten commitment can be maintained in the event Financial Close delayed beyond Dec 2. Nalcor and Canada are working together to satisfy FLG CP's and achieve Financial Close in the timeline contemplated, but have collectively agreed that a mechanism which provides some flexibility would be prudent. Nalcor will consider a risk-sharing/credit spread adjustment mechanism that allows for an outside date on Financial Close of [March 1]

- o Nalcor would require TD/GS to submit a revised proposal by [Oct 24]

§ If outcome not satisfactory, would engage with CIBC/BMO with similar message and focus on (i) extending the outside date in their Financial Close Delay mechanism from Jan 31 to [Mar 1] and (ii) their problematic comments provided on Collateral Agency Agreement

- Risk exists that Proponents may not be prepared to revise their proposals or that spreads/fees/conditions become less favorable. Nalcor will need to evaluate once the above process unfolds and if outcome not acceptable, consider putting RFF process on hold.

- Nalcor/NL need to work on solution to fund projected construction expenditures on "interim basis" in the event of delayed Financial Close given that approved 2013/2014 equity contribution expected to be fully drawn by end of November and Nalcor's operating line capacity would be exhausted by end of December. Needs to consider implications of:

- o Going back to the House for issuance of special warrants for additional equity

- o Financial market perception if Nalcor/NL approach relationship banks for bridge financing

- o Impact of curtailing construction expenditures on confidence of key contractors such as Astaldi, potential for claims/additional costs due to schedule delays, construction market confidence in MF project and pricing impact for major contracts currently out for bid or to be issued shortly (eg. HVAC transmission line), etc.

- o Canada's perception of strength of NL equity commitment provided in the FLG and the importance of this with respect to key provisions in project finance agreements, revenue agreements, ESA/ESG which to date they are comfortable with