

**MINUTES OF THE SECOND MEETING OF THE BOARD OF DIRECTORS OF
LOWER CHURCHILL MANAGEMENT CORPORATION HELD IN THE
BOARDROOM, 6TH LEVEL, HYDRO PLACE, ST. JOHN'S, NEWFOUNDLAND
AND LABRADOR ON TUESDAY, MARCH 18, 2014 AT NOON**

Present in Person: E. Martin, Chair
G. Bennett, Member
J. Perry, Member
D. Sturge, Member
D. Stone, Member

Absent: G. McDonald, Member

**Present by Invitation
in Person:** J. Meaney, General Manager, Finance,
Lower Churchill Project
R. Hull, General Manager, Finance
E. Lewis, Assistant Corporate Controller

Secretary (acting): P. Hickman

14. CONSTITUTION OF THE MEETING

Notice of the meeting was sent out to all Directors on February 27, 2014. A quorum of Directors being present, the meeting was declared duly called and validly constituted for the transaction of business.

15. SAFETY MOMENT

Mr. Hickman provided a safety moment on the symptoms of the flu versus a cold.

16. BACKGROUND INFORMATION

Mr. Meaney provided some background information to the Board of Directors with respect to Lower Churchill Management Corporation (LCMC). He outlined the corporate structure as it relates to the Muskrat Falls Project and reviewed

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LCMC's role in that corporate structure. He stated that a creation of a company like LCMC is common in mega projects such as Muskrat Falls.

One of the main purposes of the creation of LCMC is to limit liability to Nalcor Energy and the Government. The Federal Government wanted a project development contract as part of security for guaranteeing the Muskrat Falls financing. Mr. Martin explained that if any of the Lower Churchill Project companies were to default on the financing, then the Federal Government will step into the project development contracts these entities have with LCMC.

Ms. Stone inquired as to how involved the Board would be in labour negotiations and disputes. Mr. Martin stated that it should be minimal as the collective agreement is with Employers Council as opposed to directly with LCMC. As well, the collective agreement is for the term of the Project so there will be no negotiations and any strike would be a "wild cat" strike. It was also noted that the unionized workers are involved in contracts with the other Lower Churchill entities.

17. VERIFICATION OF MINUTES

The Board reviewed the minutes of the first meeting of the Board of Directors of the Corporation held on November 22, 2013, a copy of which is included in the meeting papers.

On motion duly made by J. Perry and seconded by G. Bennett and unanimously carried, it was resolved:

THAT the minutes of the **FIRST** meeting of the Board of Directors of Lower Churchill Management held on November 22, 2013 which minutes are currently before this meeting, be and they are hereby verified as being correct; and

THAT the Chairperson be and is hereby authorized to verify the minutes by signing the Minute Book.

18. REPORT FROM AUDIT COMMITTEE

Mr. Sturge noted that normally the Audit Committee would meet prior to this meeting of the Board in order to review the Financial Statements. He explained that due to scheduling difficulties this did not occur. Therefore there would no report from the Audit Committee with respect to the Financial Statements.

19. 2013 FINANCIAL STATEMENTS

Mr. Hull stated that the Financial Statements for 2013 are not audited as there were no major transactions. The only item included is an accrual of \$3,000.00 for Director's fees. He stated that as the company moves forward there will be more significant transactions. He also noted that the Corporation will not have any physical assets as its expenditures will be related to labour and people.

Mr. Martin stated that Nalcor Energy, Muskrat Falls Corporation, Labrador-Island Link General Partner Corporation, Labrador Transmission Corporation and SNC Lavalin all have contracts with LCMC with respect to providing services for the development of the Muskrat Falls Project. The individuals that make up the "owner's team" consist of people seconded from Nalcor Energy, employees of SNC Lavalin and direct contractors with the above listed entities. He stated that the work of LCMC is being done on behalf of the asset owners. Mr. Hull then reviewed the Financial Statements included in the meeting papers.

Ms. Perry asked about enhanced Government oversight of the Muskrat Falls Project, which had recently been announced by the Government of Newfoundland and Labrador. Mr. Martin stated that this is evolving and he is working with Government on the Government oversight process, but stated that Government is not looking to have any more control over the project. He stated

that Government needs to be assured that things are progressing well so a process has to be put in place to keep them informed.

After further discussion, it was agreed that at a future meeting the Board would be provided with a presentation on the various controls in place to provide oversight of the Project, including the audit processes that are in place.

Mr. Martin provided the Board with an overview of the Corporate Governance Committee established by the Nalcor Energy Board and work that has been carried out with respect to corporate governance within the Nalcor Energy Companies. It was agreed that an outline on this would be included on the agenda for a future meeting of the Board.

On motion duly made by D. Stone, seconded by G. Bennett and unanimously carried, it was resolved:

THAT the 2013 Financial Statements (unaudited) comprising of the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows, all for the year-ended December 31, 2013, in a form substantially as tabled and initialed by the Secretary for identification, be and they are hereby approved; and

THAT D. Stone and E. Martin, or any two Directors be and they are hereby authorized to sign said Financial Statements on behalf of the Board.

20.

COMPLIANCE CERTIFICATE

Included in the meeting papers was a copy of the Corporate Compliance Certificate. Mr. Martin explained that the purpose of the Certificate is to provide the Board with assurance that the appropriate filings, deductions, etc. have been made with respect to the Corporation.

21. BOARD OF DIRECTORS ROLES AND RESPONSIBILITIES

Mr. Meaney reviewed the presentation included in the meeting papers relating to the Board of Directors roles and responsibilities. He noted that this presentation had previously been provided to the Board of Directors but it was felt that given the fact that the Corporation had been recently incorporated, a recap would be appropriate.

Mr. Martin stated that he would outline for the Board at a future meeting the Muskrat Falls Project management structure.

22. PRESIDENT'S REPORT

Mr. Martin provided a review of the corporate planning process that is carried out by Nalcor Energy and its various business units and subsidiaries. He stated that a corporate vision and corporate values were developed, followed by five main corporate goals. Each business unit then sets goals in support of those corporate goals for the next five years. He further outlined the corporate planning process undertaken by the business units.

Mr. Bennett then reviewed the President's Report, a copy of which was included in the meeting papers.

Mr. Martin outlined the capital costs associated with the Muskrat Falls Project. He stated that the original estimate at the time of sanction was that the capital cost would be approximately \$6.2 billion. This amount has increased to approximately \$6.5 billion, but work is continuing to complete the estimate and it could be higher when finalized. He stated that this increase is a result of market pressures, as well as costs incurred on measures to improve productivity and design improvements. He stated that offsetting the above were savings in Financing costs due to lower interest rates than originally estimated. He stated that these savings are not included in the \$6.5 billion. Mr. Martin also noted that

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operating costs related to the project are basically the same as originally estimated at the time of sanction. In addition, on the revenue side, another \$100 million is expected as a result of the sale of surplus energy to Emera. He stated that issues are being managed and he is confident that the final cost will be within an acceptable range.

23. APPROVAL OF ADMINISTRATION AGREEMENTS

Mr. Meaney reviewed the presentation included in the meeting papers relating to the approval of Administration Agreements. He explained the need and role of the Administrator in the Financing structure. He stated that this was to have been filled by an external entity but when the market was approached there were conflicts which prevented this from occurring. It was discussed with the Federal Government and it was agreed that a Nalcor entity could carry out the function. It was also agreed that LCMC would be the appropriate entity to do that.

Mr. Meaney stated that the Articles of Incorporation for the company were amended by the Shareholder to allow LCMC to carry out this function. The Board is now being asked to approve the execution of the Administration Agreements.

On motion duly made by D. Stone, seconded by D. Sturge and unanimously carried, it was resolved:

WHEREAS the Articles of Incorporation of the Corporation have been amended to permit it to, *inter alia*, carry on the business of acting as administrative agent on behalf of the trustee for each of the Muskrat Falls / Labrador Transmission Assets Funding Trust, LIL Construction Project Trust and Labrador - Island Link Funding Trust and performing all activities incidental and ancillary thereto.

AND WHEREAS briefings and updates have been provided to the board of directors on the Administration Agreements (as defined below).

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AND WHEREAS the Corporation has determined that it is in the best interests of the Corporation to enter into the Administration Agreements.

NOW THEREFORE BE IT RESOLVED THAT:

1. the Corporation be and is hereby authorized to negotiate, execute and deliver each of the following agreements (collectively the "**Administration Agreements**") substantially as contemplated by the briefings and updates provided to the board and each of which are hereby approved upon execution as authorized by this resolution:
 - a. Administration Agreement among BNY Trust Company of Canada as Issuer Trustee of Muskrat Falls / Labrador Transmission Assets Funding Trust, the Corporation as Administrator, Her Majesty The Queen In Right Of Canada as Guarantor, Muskrat Falls Corporation and Labrador Transmission Corporation, as Borrowers.
 - b. Administration Agreement among BNY Trust Company of Canada as IT Trustee of LIL Construction Project Trust, the Corporation as Administrator, Her Majesty The Queen In Right Of Canada as Guarantor, and Labrador-Island Link Limited Partnership, as Borrower.
 - c. Administration Agreement among BNY Trust Company of Canada as Issuer Trustee of Labrador-Island Link Funding Trust, the Corporation as Administrator, Her Majesty The Queen In Right Of Canada as Guarantor, and Labrador-Island Link Limited Partnership, as Borrower.
2. Any two of the officers or directors of the Corporation be and are hereby authorized and directed to negotiate, execute and deliver each of the Administration Agreements with such amendments or variations thereto as they may approve. The execution by such officers or directors shall be conclusive proof that the Corporation has authorized such officers or directors to execute the agreements in the form in which they have been executed.

Any two of the officers or directors of the Corporation be and they are hereby authorized and directed to do all such further and other acts and things and to execute and deliver or cause to be executed and delivered such further and other instruments,

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agreements, certificates, deeds, assignments, acknowledgements, declarations, documents, undertakings and writings as in their discretion may be necessary or desirable to complete the transactions contemplated by the Administration Agreements or any of the agreements or schedules referred to therein or any one of them, and all of the other instruments and agreements referred to in the foregoing resolution, and to give effect to the foregoing, all to be in such form and on such terms as such persons shall approve, such approval and the approval of the board of directors to be conclusively evidenced by their execution thereof.

24. APPROVAL OF CODE OF BUSINESS CONDUCT AND ETHICS

On motion duly made by G. Bennett, seconded by J. Perry and unanimously carried, it was resolved:

THAT the Code of Business Conduct and Ethics presented to the Board of Directors on March 18, 2014, be and it is hereby approved.

25. APPROVAL OF DIRECTOR'S CHARTER

On motion duly made by J. Perry, seconded by D. Stone and unanimously carried, it was resolved:

THAT the Director's Charter presented to the Board of Directors at its meeting of March 18, 2014, be and it is hereby approved.

26. APPOINTMENT OF OFFICER

Mr. Sturge explained that there had been some changes in the Finance area of Nalcor Energy. This resulted in the re-assignment of some individuals and as a result it is being recommended that the Board approve the appointment of Auburn Warren as General Manager, Commercial, Treasury and Risk and Chief Risk Officer of the Corporation. Mr. Sturge provided some background information on Mr. Warren.

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On motion duly made by D. Stone, seconded by G. Bennett and unanimously carried, it was resolved:

WHEREAS Robert Hull has resigned as General Manager, Commercial/Financing effective January 16, 2014;

AND WHEREAS pursuant to Section 5.01 of By-Law No. 1 of the Corporation, the Board of Directors has the authority to appoint officers of the Corporation;

THEREFORE BE IT RESOLVED THAT Auburn Warren be and he is hereby appointed General Manager, Commercial, Treasury & Risk and Chief Risk Officer of the Corporation, effective January 16, 2014.

27. 2014 MEETING SCHEDULE

The 2014 Meeting Schedule included in the meeting papers was noted.

28. SITE VISIT

The Board expressed the desire to visit the Muskrat Falls site in the not too distant future. It was agreed that Management would schedule such a site visit.

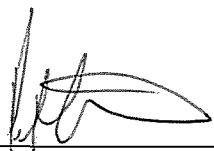
29. IN CAMERA SESSION

The Board met without any members of management present.

Mr. Martin, Ms. Stone and Ms. Perry then met on their own.

30. TERMINATION

There being no further business, the meeting was terminated.



Secretary

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Verified at a meeting held on

June 24, 2014

No longer with the Company
Chairperson