NALCOR ENERGY

and

EMERA INC.

and

LABRADOR-ISLAND LINK GENERAL PARTNER CORPORATION

and

LABRADOR-ISLAND LINK HOLDING CORPORATION

and

ENL ISLAND LINK INCORPORATED

NEWFOUNDLAND AND LABRADOR DEVELOPMENT AGREEMENT (NLDA)

July 31, 2012

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NEWFOUNDLAND AND LABRADOR DEVELOPMENT AGREEMENT

THIS DEVELOPMENT AGREEMENT is made effective the 31st day of July, 2012 (the "**Effective Date**")

A M O N G:

NALCOR ENERGY, a body corporate existing pursuant to the *Energy Corporation Act* being chapter E-11.01 of the *Statutes of Newfoundland and Labrador, 2007*, solely in its own right and not as agent of the NL Crown ("**Nalcor**")

- and -

EMERA INC., a company incorporated under the laws of the Province of Nova Scotia ("**Emera**")

- and -

LABRADOR-ISLAND LINK GENERAL PARTNER CORPORATION, a NL corporation (the "**General Partner**")

- and -

LABRADOR-ISLAND LINK HOLDING CORPORATION, a NL corporation ("**Nalcor LP**")

- and -

ENL ISLAND LINK INCORPORATED, a NL corporation ("**Emera NL**")

WHEREAS:

A. Nalcor and Emera entered into a term sheet dated November 18, 2010 (the "**Term Sheet**") confirming their common understanding of the purpose, process and timing for the supply and delivery of power and energy from the Province of Newfoundland and Labrador to the Province of Nova Scotia, other Canadian provinces and New England;

B. this Agreement is one of the Formal Agreements contemplated by the Term Sheet; and

C. the Parties desire to record certain of their agreements relating to the Lower Churchill Projects, including establishing a joint development committee and the investment process regarding the LIL;

NOW THEREFORE this Agreement witnesses that in consideration of the mutual covenants and agreements hereinafter contained the Parties, intending to be legally bound, agree as follows:

ARTICLE 1
INTERPRETATION

1.1 Definitions

In this Agreement, including the recitals and, subject to **Section 1.2(h)**, in the Schedules:

"**5.15(a) Closing**" has the meaning set forth in **Section 5.15(a)(ii)**;

"**AFUDC**" means allowance for funds used during construction of the Transmission Assets or any of them, being a noncash item representing the estimated Financing Costs and Return on Equity relating to funds used to finance construction, which allowance is capitalized in the property accounts and included in revenue requirement, as that term is applied by the PUB or other Authorized Authority or the UARB, as applicable;

"**Accumulated Depreciation on the LIL**" means, at the beginning of a Fiscal Year, the sum of Annual Depreciation on the LIL taken in respect of all prior Fiscal Years;

"**Act**" means the *Limited Partnership Act* (NL);

"**Actual AFUDC**" means the total Financing Costs and Return on Equity of all the Transmission Assets or any of them, as at First Commercial Power, as applicable, as approved by the PUB or other Authorized Authority or the UARB, as applicable;

"**Actual Capital Costs**" means the total Capital Costs of the Transmission Assets or any of them, as at First Commercial Power, as applicable, and as reduced by the value of any financial assistance in the form of a direct subsidy or other kind of cash contribution from the Government of Canada but excluding any loans or loan guarantees;

"**Affiliate**" means, with respect to any Person, any other Person who, directly or indirectly, Controls, is Controlled by, or is under common Control with, such Person; provided however that (a) the NL Crown shall be deemed not to be an Affiliate of Nalcor, and (b) if an Affiliate of a Party is a Contractor, that Affiliate, except for the purposes of **Section 3.1(d)** and **Article 9**, shall be deemed not to be an Affiliate of such Party and, for greater certainty, not to be within the Nalcor Group or the Emera Group, as applicable, when acting in its capacity as a Contractor;

"**Affiliate Assignee**" means an Affiliate of a Unitholder to which all or any part of such Unitholder's Partnership Interest has been assigned, either directly by such Unitholder or by any Affiliate of such Unitholder that was a previous assignee of such Unitholder's Partnership Interest;

"**Agreement**" means this agreement, including all Schedules, as it may be modified, amended, supplemented or restated by written agreement between the Parties;

"**Annual Depreciation on the LIL**" means, in any Fiscal Year after First Commercial Power of the LIL, the sum of Actual Capital Costs of the LIL plus Actual AFUDC of the LIL, less Capital Costs related to Overrun Contributions, less Accumulated Depreciation on the LIL, all divided by the remaining Service Life of the LIL;

"**Applicable Law**" means, in relation to any Person, property, transaction or event, all applicable laws, statutes, rules, codes, regulations, treaties, official directives, policies and orders of, and the terms of all judgments, orders and decrees issued by any Authorized Authority by which such Person is bound or having application to the property, transaction or event in question;

"**Authorized Authority**" means, in relation to any Person, property, transaction or event, any (a) federal, provincial, state, territorial, municipal or local governmental body (whether administrative, legislative, executive or otherwise), (b) agency, authority, commission, instrumentality, regulatory body, court or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government, (c) court, arbitrator, commission or body exercising judicial, quasi-judicial, administrative or similar functions, (d) private regulatory entity, self-regulatory organization or other similar Person or (e) other body or entity created under the authority of or otherwise subject to the jurisdiction of any of the foregoing, including any stock or other securities exchange, in each case having jurisdiction over such Person, property, transaction or event;

"**Average Post-FCP True-up Period Balance**" means in respect to any particular Capital Account for any particular Post-FCP True-Up Period the amount obtained by adding the balances of such Capital Account as at the beginning and end of such Post-FCP True-up Period and dividing the sum of such balances by two;

"**Background IP**" means the Nalcor Background IP or the Emera Background IP, or both the Nalcor Background IP and the Emera Background IP, as the context requires;

"**Board of Directors**" means the board of directors of the General Partner;

"**Business**" has the meaning set forth in the recitals to the LIL LP Agreement;

"**Business Day**" means any day that is not a Saturday, Sunday or legal holiday recognized in the City of St. John's, NL, or in Halifax Regional Municipality, NS;

"**Canadian GAAP**" means generally accepted accounting principles as defined by the Canadian Institute of Chartered Accountants or its successors, as amended or replaced by international financial reporting standards or as otherwise amended from time to time;

"**Capacity**" means the capability to provide electrical power, measured and expressed in MW;

"**Capital Account**" means in respect of a class of Units held by a Partner the account maintained by the Partnership showing from time to time all Capital Contributions made by

such Partner (or the Partner's predecessor in interest to the Partner's Partnership Interest) for Units or otherwise, plus Net Income allocated in accordance with Section 5.1 of the LIL LP Agreement, less Net Loss allocated in accordance with Section 5.1 of the LIL LP Agreement, less all Distributions to such Partner (or the Partner's predecessor in interest to the Partner's Partnership Interest), and less all Capital Contributions returned to such Partner (or the Partner's predecessor in interest to the Partner's Partnership Interest);

"**Capital Contribution**" of a Partner means the aggregate of:

(a) the total amount of money paid to the Partnership by such Partner (or the Partner's predecessor in interest to the Partner's Partnership Interest) in consideration for Units or as a contribution thereon;

(b) with respect to Nalcor LP, the value of property contributed by Nalcor LP to the Partnership prior to First Commercial Power of the LIL in accordance with the Nalcor LP Subscription Agreement; and

(c) after First Commercial Power of the LIL, the value as determined by the General Partner, of property (including, for greater certainty, money) contributed to the Partnership by such Partner (or the Partner's predecessor in interest to the Partner's Partnership Interest) in consideration for Units or as a contribution thereon;

"**Capital Costs**" means all costs incurred for Development Activities related to the Transmission Assets, or any of them, determined and calculated in accordance with the Cost Accounting Protocol, or in the case of the ML, in accordance with the cost accounting protocol in the Maritime Link Joint Development Agreement, but for greater certainty excluding, without duplication, AFUDC, Actual AFDUC, Financing Costs and Return on Equity;

"**Cash Call**" means a cash call issued to Nalcor LP under the NEFA and in accordance with **Schedule 13**;

"**Cash Call Due Date**" has the meaning set forth in item 3(d) of **Schedule 13**;

"**Certificate**" means the certificate of limited partnership for the Partnership filed under the Act and all amendments to such certificate and renewals or replacements of such certificate;

"**Claiming Party**" has the meaning set forth in **Section 14.2(a)**;

"**Claims**" means any and all Losses, claims, actions, causes of action, demands, fees (including all legal and other professional fees and disbursements, court costs and experts' fees), levies, Taxes, judgments, fines, charges, deficiencies, interest, penalties and amounts paid in settlement, whether arising in equity, at common law, by statute, or under the law of contracts, torts (including negligence and strict liability without regard to fault) or property, of every kind or character;

"**Class A Limited Unit Capital Account**" means the Capital Account maintained by the Partnership in respect of the Class A Limited Units;

"**Class A Limited Units**" means an undivided interest in the Partnership with the characteristics set forth in Section 3.2(a) of the LIL LP Agreement beneficially held by a Limited Partner as evidenced by a certificate in the form prescribed by the General Partner;

"**Class B Limited Unit Capital Account**" means the Capital Account maintained by the Partnership in respect of the Class B Limited Units;

"**Class B Limited Units**" means an undivided interest in the Partnership with the characteristics set forth in Section 3.2(b) of the LIL LP Agreement beneficially held by a Limited Partner as evidenced by a certificate in the form prescribed by the General Partner;

"**Class C Limited Unit Capital Account**" means the Capital Account maintained by the Partnership in respect of the Class C Limited Units;

"**Class C Limited Units**" means an undivided interest in the Partnership with the characteristics set forth in Section 3.2(c) of the LIL LP Agreement beneficially held by a Limited Partner as evidenced by a certificate in the form prescribed by the General Partner;

"**Commercialization**" has the meaning set forth in **Section 9.3(c)**;

"**Commercializing Party**" has the meaning set forth in **Section 9.3(c)**;

"**Commissioning**" means the start-up and testing activities required to demonstrate that a facility is ready to reliably operate in accordance with its design criteria;

"**Confidential Information**" has the meaning given to such term in the Project NDA;

"**Continuing Option Closing**" has the meaning set forth in **Section 5.15(c)(v)**;

"**Contractor**" means a Person who enters into a Project Contract with Nalcor or the Partnership or an Affiliate of Nalcor;

"**Control**" of a Person means the possession, direct or indirect, of the power to elect or appoint a majority of such Person's board of directors or similar governing body, or to direct or cause the direction of the management, business and/or policies of such Person, whether through ownership of Voting Shares, by contract or otherwise, and, without limiting the generality of the foregoing, a Person shall be deemed to "**Control**" any partnership of which, at the time, the Person is a general partner, in the case of a limited partnership, or is a partner who, under the partnership agreement, has authority to bind the partnership, in all other cases (and the terms "**Controlled by**" and "**under common Control with**" have correlative meanings);

"**Cost Accounting Protocol**" means the methods, procedures and cost accounting principles to be used in determining Capital Costs for the purposes of the LIL LP Agreement and this Agreement, as set forth in **Schedule 12**;

"**Cost Overruns**" means any estimated amount of Capital Costs in respect of Development Activities of the LIL in excess of that previously approved by the PUB or other Authorized Authority;

"**Debt:Equity Ratio**" or "**DER**" means,

(a) in respect of a Limited Partner:

(i) the amount of the Partnership debt, including any related accrued interest, arising from the Financing that is to be attributed to such Limited Partner for the purposes of the calculations required by this Agreement, compared to

(ii) the amount of the Class A Limited Unit Capital Account or the Class B Limited Unit Capital Account, as the case may be, in the name of such Limited Partner; and

(b) in respect of the Partnership:

(i) the amount of the Partnership debt, including any related accrued interest, arising from the Financing, compared to

(ii) the aggregate amount of the Capital Accounts (other than the Class C Limited Unit Capital Account),

expressed as a ratio;

"**Development Activities**" means all activities and undertakings necessary to design, engineer, procure, construct, Commission and achieve First Commercial Power of the MFP and the Transmission Assets or any one of them, including obtaining Regulatory Approvals, environmental and performance testing, and demobilization, and including all related project management services and activities, and includes the product of such activities and undertakings;

"**Dispute**" means any dispute, controversy or claim of any kind whatsoever arising out of or relating to this Agreement, including the interpretation of the terms hereof or any Applicable Law that affects this Agreement, or the transactions contemplated hereunder, or the breach, termination or validity thereof;

"**Dispute Resolution Procedure**" has the meaning set forth in **Section 14.1(a)**;

"**Distributable Cash**" means, in respect of a Fiscal Year, all cash inflows to the Partnership during such Fiscal Year, including Prepaid Rent received in respect of such Fiscal Year, less cash reasonably required to (or to be set aside to) satisfy the current and reasonably foreseeable payments under the Financing Documents, other contractual payment obligations, Tax obligations, ongoing working capital needs, any Reserves or the payment of other Expenditures (excluding any amount to be funded by the holder of Class C Limited

Units) (in each case as determined by the General Partner on a commercially reasonable basis and without duplication);

"**Distributions**" means Periodic Distributions and True-Up Distributions;

"**Earnouts**" has the meaning set forth in **Section 5.15(c)(i)(B)**;

"**Effective Date**" has the meaning set forth in the commencement of this Agreement;

"**Emera**" has the meaning set forth in the preamble to this Agreement and includes Emera's successors and permitted assigns;

"**Emera Affiliate Assignee**" means an Affiliate of Emera to which all or any portion of the Emera NL Partnership Interest has been assigned, either directly by Emera or by any Affiliate of Emera that was a previous assignee of the Emera NL Partnership Interest;

"**Emera Background IP**" means Emera LIL Background IP and the Emera LTA Background IP;

"**Emera Default**" has the meaning set forth in **Section 11.1**;

"**Emera Foreground IP**" means Emera LIL Foreground IP and the Emera LTA Foreground IP;

"**Emera Group**" has the meaning set forth in **Section 12.1**;

"**Emera IP**" means the Emera Background IP and the Emera Foreground IP;

"**Emera LIL Background IP**" means the Intellectual Property Rights owned by Emera, or its Affiliates, which are Used in the LIL but which are not Emera Foreground IP;

"**Emera LIL Foreground IP**" means the Intellectual Property Rights conceived, developed or reduced to practice by Emera, its Affiliates, or employees of Emera or its Affiliates, or which have been assigned to Emera or its Affiliates by Contractors or Subcontractors, whether or not Used in the LIL, that (i) are made with any equipment, supplies or facilities the cost of which are attributable to the LIL, or (ii) arise, at the time of the conception, development or reduction to practice thereof, out of work the cost of which is attributable to the LIL;

"**Emera LTA Background IP**" means the Intellectual Property Rights owned by Emera, or its Affiliates, which are Used in the LTA but which are not Emera Foreground IP;

"**Emera LTA Foreground IP**" means the Intellectual Property Rights conceived, developed or reduced to practice by Emera, its Affiliates or employees of Emera or its Affiliates, or which have been assigned to Emera or its Affiliates by Contractors or Subcontractors, whether or not Used in the LTA, that (i) are made with any equipment, supplies or facilities the cost of which are attributable to the LTA, or (ii) arise, at the time of the conception, development or reduction to practice thereof, out of work the cost of which is attributable to the LTA;

"**Emera NL**" means ENL Island Link Incorporated, a NL corporation that is a Wholly-Owned Subsidiary of Emera and includes its successors and permitted assigns;

"**Emera NL Additional Investment**" has the meaning set forth in **Section 5.19(a)(i)**;

"**Emera NL Cross Default Indemnity Agreement**" means an agreement in the form of **Schedule 9**;

"**Emera NL RROE**" or "**Emera NL Rate of Return on Equity**" means an annual after-Tax rate of return expressed as a percentage determined in accordance with **Section 5.20(a)** or **(b)**, as applicable;

"**Emera NL Subscription Agreement**" means an agreement in the form of **Schedule 2**, pursuant to which Emera NL shall subscribe for Class B Limited Units;

"**Emera NL Target DER**" has the meaning set forth in **Section 5.8(a)(iv)(B)**;

"**Emera NL Target Dollar Attributable Debt**" has the meaning set forth in **Section 5.19(a)(v)(A)**;

"**Emera NL Target Dollar Attributable Equity**" has the meaning set forth in **Section 5.19(a)(v)(B)**;

"**Emera NL Target Dollar Share of the Undepreciated Capital Asset**" has the meaning set forth in **Section 5.19(a)(ii)**;

"**Emera NL Target Percentage Share of the Undepreciated Capital Asset**" means the value as set out in **Section 5.19(a)(iv)(B)**;

"**Emera NL Target Share of LIL LP Equity**" means:

(a) the percentage representing the equity portion of the Emera NL Target DER, multiplied by

(b) the percentage derived from the calculation set out in **Section 5.8(a)(i)**, and

divided by the equity percentage of the Partnership Target DER;

"**Emera Parental Guarantee**" means an agreement in the form of **Schedule 5**;

"**Encumbrance**" means any mortgage, lien, pledge, judgment, execution, charge, security interest, restriction, claim or encumbrance of any nature whatsoever;

"**Energy**" means electrical energy measured and expressed in MWh;

"**Estimated Capital Costs**" means the estimated Capital Costs of the Transmission Assets, as applicable, as estimated by Nalcor (except as otherwise provided in the Maritime Link Joint Development Agreement) from time to time before the determination of the Actual Capital Costs;

"**Excise Tax Act**" means the *Excise Tax Act* (Canada);

"**Exercise Price**" has the meaning set forth in **Section 5.15(c)(v)**;

"**Expenditures**" means all expenditures made by the Partnership or the General Partner in connection with the Business;

"Extended Force Majeure Period" has the meaning set forth in **Section 10.3(a)(ii)**;

"**Final Cost Report**" has the meaning set forth in **Section 5.18(i)**;

"**Financial Close**" means the first closing regarding the Financing;

"**Financing**" means the credit facilities granted or extended to, or invested by way of debt (or the purchase of debt) in, the Partnership whereby or pursuant to which money, credit or other financial accommodation (including by way of hedging, derivative or swap transactions) has been or may be provided, made available or extended to the Partnership by any Person, other than any of the Partners or a Retired Limited Partner or their respective Affiliates, by way of borrowed money, the purchase of debt instruments or securities, bankers acceptances, letters of credit, overdraft or other forms of credit or financial accommodation (including by way of hedging, derivative or swap transactions), in each case to finance or refinance the LIL Development Activities;

"**Financing Costs**" means all costs incurred with respect to debt financing of the Actual Capital Costs, excluding those Actual Capital Costs in respect of the LIL not approved by the PUB or other Authorized Authority, in the following categories:

(a) interest on debt incurred prior to First Commercial Power to finance the respective businesses of each of the Transmission Assets;

(b) costs incurred that are directly attributable to the arrangement of debt financing, including costs associated with legal, Tax, accounting, technical and other internal or third party advisors;

(c) underwriting and commitment fees;

(d) rating agency fees;

(e) costs of financing reserves required by financing parties; and

(f) travel costs associated with the financing effort,

provided however that (i) to the extent that any type of Financing Costs is excluded in the determination of AFUDC and Actual AFUDC, costs of that type shall be deemed to be Capital Costs, and (ii) for greater certainty, Financing Costs excludes Return on Equity;

"**Financing Documents**" means all credit agreements, indentures, bonds, debentures, other debt instruments, guarantees, guarantee issuance agreements, other credit enhancement agreements and other contracts, instruments, agreements and documents evidencing any part of the Financing or any guarantee or other form of credit enhancement for the

Financing and includes all trust deeds, mortgages, security agreements, assignments, escrow account agreements, ISDA Master Agreements and Schedules, guarantee agreements, guarantee issuance agreements, other forms of credit enhancement agreements and other documents relating thereto;

"**Financing Parties**" means all lenders, bondholders and other creditors (including any counterparty to any hedging, derivative or swap transaction) providing any part of the Financing to the Partnership, any guarantor of or other provider of credit enhancement for any part of the Financing which is not an affiliate of Nalcor and includes all agents, collateral agents and collateral trustees acting on their behalf;

"**Financing Pledge and Guarantee**" has the meaning set forth in **Section 5.9**;

"**First Commercial Power**" means:

(a) as regards the LIL, the date following Commissioning of the LIL upon which Nalcor or an Affiliate of Nalcor commences providing transmission service by delivering Energy and Capacity from Labrador to the Island Interconnected System using the LIL;

(b) as regards the LTA, the date following Commissioning of the LTA upon which Nalcor or an Affiliate of Nalcor commences providing transmission service by delivering Energy and Capacity between Muskrat Falls and Churchill Falls using the LTA;

(c) as regards the MFP, the date following Commissioning of all generating units and ancillary equipment in the MFP; and

(d) as regards the ML, has the meaning set forth in the Maritime Link Joint Development Agreement;

"**Fiscal Year**" has the meaning set forth in the LIL LP Agreement;

"**Force Majeure**" means an event, condition or circumstance (each, an "**event**") beyond the reasonable control of Nalcor, the Partnership or an Affiliate of Nalcor, which, despite all commercially reasonable efforts, timely taken, of Nalcor, the Partnership or an Affiliate of Nalcor to prevent its occurrence or mitigate its effects, causes a delay or disruption in the performance of any obligation (other than the obligation to pay monies due) imposed on Nalcor, the Partnership or an Affiliate of Nalcor hereunder. Provided that the foregoing conditions are met, "**Force Majeure**" may include:

(a) an act of God, hurricane or similarly destructive storm, fire, flood, iceberg, ice conditions, epidemic declared by an Authorized Authority having jurisdiction, explosion, earthquake or lightning;

(b) a war, revolution, terrorism, insurrection, riot, blockade, sabotage, civil disturbance, vandalism or any other unlawful act against public order or authority;

(c) a strike, lockout or other industrial disturbance;

(d) an accident causing material physical damage to, or materially impairing the operation of, or access to, the Project Assets;

(e) the inability to obtain or the revocation, failure to renew or other inability to maintain in force or the amendment of any order, permit, licence, certificate or authorization from any Authorized Authority that is required in respect of the Development Activities in respect of the MFP, the LTA or the LIL, unless such inability or amendment is caused by a breach of the terms thereof or results from an agreement made by Nalcor, the Partnership or an Affiliate of Nalcor seeking or holding such order, permit, licence, certificate or authorization; and

(f) any event or circumstance affecting a Contractor that constitutes a force majeure, excusable delay or similar relief event to the extent that the Contractor is relieved from the performance of its obligations under the applicable Project Contract,

provided that:

(i) the effect of such event of Force Majeure must continue for a period of not less than one day;

(ii) lack of finances or changes in economic circumstances of Nalcor, the Partnership or an Affiliate of Nalcor shall not be considered an event of Force Majeure; and

(iii) any delay in the settlement of any Dispute shall not be considered an event of Force Majeure;

"**Foreground IP**" means the Nalcor Foreground IP, the Emera Foreground IP, or the LIL Owned IP owned by the Partnership, or all of the Nalcor Foreground IP, the Emera Foreground IP and the LIL Owned IP owned by the Partnership, as the context requires;

"**Formal Agreements**" means the agreements listed in **Schedule 3**;

"**Funding Amounts**" has the meaning set forth in **Schedule 13**;

"**General Partner**" means Labrador-Island Link General Partner Corporation, a NL corporation and a Wholly-Owned Subsidiary of Nalcor, in its capacity as general partner of the Partnership, or any Person who is a Qualified Partner and is admitted to the Partnership as a successor or assign of the General Partner;

"**Good Utility Practice**" means those project management, design, procurement, construction, operation, maintenance, repair, removal and disposal practices, methods and acts that are engaged in by a significant portion of the electric utility industry in Canada during the relevant time period, or any other practices, methods or acts that, in the exercise of reasonable judgment in light of the facts known at the time a decision is made, could have been expected to accomplish a desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. Good Utility Practice is not

intended to be the optimum practice, method or act to the exclusion of others, but rather to be a spectrum of acceptable practices, methods or acts generally accepted in such electric utility industry for the project management, design, procurement, construction, operation, maintenance, repair, removal and disposal of electric utility facilities in Canada. Notwithstanding the foregoing references to the electric utility industry in Canada, in respect solely of Good Utility Practice regarding subsea HVdc transmission cables, the standards referenced shall be the internationally recognized standards for such practices, methods and acts generally accepted with respect to subsea HVdc transmission cables. Good Utility Practice shall not be determined after the fact in light of the results achieved by the practices, methods or acts undertaken but rather shall be determined based upon the consistency of the practices, methods or acts when undertaken with the standard set forth in the first two sentences of this definition at such time;

"**Granting Party**" has the meaning set forth in **Section 9.1(h)**;

"**HST**" means all amounts exigible pursuant to Part IX of the Excise Tax Act, including, for greater certainty, the Taxes commonly referred to as the goods and services tax (GST) and the harmonized sales tax (HST);

"**IP Commercialization End Date**" means, in respect of each Intellectual Property Right which has achieved Commercialization hereunder, the date which is the earlier of (i) 20 years after the date of Nalcor's acquisition of ownership of the Maritime Link pursuant to a Formal Agreement, or (ii) expiry of such Intellectual Property Right;

"**IP Commercialization Share**" with reference to Nalcor means 50% prior to the IP Commercialization End Date and zero percent after the IP Commercialization End Date, and with reference to Emera means 50% prior to the IP Commercialization End Date and zero percent after the IP Commercialization End Date;

"**Indemnified Party**" has the meaning set forth in **Section 12.3(a)**;

"**Independent Expert**" has the meaning set forth in **Schedule 7**;

"**Indemnitor**" has the meaning set forth in **Section 12.3(a)**;

"**Insolvency Event**" means, in relation to any Party, the occurrence of one or more of the following:

(a) an order is made, or an effective resolution passed, for the winding-up, liquidation or dissolution of such Party;

(b) such Party voluntarily institutes proceedings for its winding up, liquidation or dissolution, or to authorize or enter into an arrangement under the *Corporations Act* (Newfoundland and Labrador) or similar legislation in any other jurisdiction affecting any of its creditors, or takes action to become bankrupt, or consents to the filing of a bankruptcy application against it, or files an assignment, a proposal, a notice of intention to make a proposal, an application, or answer or consent seeking

reorganization, readjustment, arrangement, composition, protection from creditors, or similar relief under any bankruptcy or insolvency law or any other similar Applicable Law, including the *Bankruptcy and Insolvency Act* (Canada) and the *Companies' Creditors Arrangement Act* (Canada), or consents to the filing of any such application for a bankruptcy order, or consents to the appointment of an interim receiver, receiver, monitor, liquidator, restructuring officer or trustee in bankruptcy of all or substantially all of the property of such Party or makes an assignment for the benefit of creditors, or admits in writing its inability to pay its debts generally as they come due or commits any other act of bankruptcy or insolvency, or suspends or threatens to suspend transaction of its usual business, or any action is taken by such Party in furtherance of any of the foregoing;

(c) a court having jurisdiction enters a judgment or order adjudging such Party a bankrupt or an insolvent person, or approving as properly filed an application or motion seeking an arrangement under the *Corporations Act* (Newfoundland and Labrador) or similar legislation in any other jurisdiction affecting any of its creditors or seeking reorganization, readjustment, arrangement, composition, protection from creditors, or similar relief under any bankruptcy or insolvency law or any other similar Applicable Law, or an order of a court having jurisdiction for the appointment of an interim receiver, receiver, monitor, liquidator, restructuring officer or trustee in bankruptcy of all or substantially all of the undertaking or property of such Party, or for the winding up, liquidation or dissolution of its affairs, is entered and such order is not contested and the effect thereof stayed, or any material part of the property of such Party is sequestered or attached and is not returned to the possession of such Party or released from such attachment within 30 days thereafter;

(d) any proceeding or application is commenced respecting such Party without its consent or acquiescence pursuant to any Applicable Law relating to bankruptcy, insolvency, reorganization of debts, winding up, liquidation or dissolution, and such proceeding or application (i) results in a bankruptcy order or the entry of an order for relief and a period of 30 days has elapsed since the issuance of such order without such order having been reversed or set aside or (ii) is not dismissed, discharged, stayed or restrained in each case within 30 days of the commencement of such proceeding or application; or

(e) such Party has ceased paying its current obligations in the ordinary course of business as they generally become due;

"**Intellectual Property Rights**" means:

(a) any and all proprietary rights anywhere in the world provided under (i) patent law, (ii) copyright law (including moral rights), (iii) trade-mark law, (iv) design patent or industrial design law, (v) semi-conductor chip or mask work or integrated circuit topography law, or (vi) any other statutory provision or common law principle applicable to this Agreement, including trade secret law, which may provide rights in

such things as Project Data (but specifically excluding Project Data which relates exclusively to the MFP), Confidential Information, trade-marks, ideas, formulae, algorithms, concepts, inventions, processes, show-how or know-how generally, or the expression or use of such things as Project Data (but specifically excluding Project Data which relates exclusively to the MFP), Confidential Information, trade-marks, ideas, formulae, algorithms, concepts, inventions, processes, show-how or know-how;

(b) any and all applications, registrations, licences, sub-licences, franchises, agreements or any other evidence of a right in any of the foregoing; and

(c) all (i) licences and waivers and benefits of waivers of, (ii) future income and proceeds from, and (iii) rights to damages and profits by reason of the infringement or violation of, any of the intellectual property rights set out in paragraphs **(a)** and **(b)** of this definition;

"**Interim Cost Report**" has the meaning set forth in **Section 5.18(e)**;

"**Island Interconnected System**" means the bulk energy transmission system on the island portion of NL owned and operated by NLH but, for greater certainty, excluding any part of the Labrador-Island Link or the Maritime Link;

"**Joint Operations Agreement**" means the agreement of even date herewith between Nalcor and Emera relating, among other things, to the operation and maintenance of the Transmission Assets;

"**Knowledge**" means in the case of any Party, as applicable, the actual knowledge of any of the executive officers of such Party and other facts or matters that such executive officers could reasonably be expected to discover or otherwise become aware of in the course of performing their ordinary responsibilities as executive officers of such Party;

"**LIL Assets Agreement**" has the meaning set forth in the LIL LP Agreement;

"**LIL Development Activities**" means all activities and undertakings necessary to design, engineer, procure, construct, Commission and achieve First Commercial Power of the Labrador-Island Link, including obtaining Regulatory Approvals, environmental and performance testing, and demobilization, and including all related project management services and activities, and includes the product of such activities and undertakings;

"**LIL Expansion**" means activities, additions or upgrades that are designed to increase the capacity limits of the Labrador-Island Link in excess of the transmission capacity of the Labrador-Island Link as established at the date of LIL Sanction;

"**LIL Licensed IP**" means the Emera LIL Background IP, the Nalcor LIL Background IP and the Third Party Licensed IP Used in the LIL;

"**LIL LP Agreement**" means an agreement of even date herewith between Labrador-Island Link General Partner Corporation, as general partner, and Labrador-Island Link Holding Corporation, as limited partner, providing for the establishment and operation of Labrador-Island Link Limited Partnership;

"**LIL-LTA Cost Data**" has the meaning set forth in **Section 5.18(a)**;

"**LIL Owned IP**" means the Emera LIL Foreground IP, the Nalcor LIL Foreground IP, and the Partnership LIL Foreground IP;

"**LIL Redevelopment**" means one or more programs of activities undertaken to replace major components of the Labrador-Island Link, resulting in a restarted Service Life of the Labrador-Island Link, and for greater clarity:

(a) LIL Redevelopment excludes normal maintenance activities and activities related to Sustaining Capital reinvestment; and

(b) the Service Life of the Labrador-Island Link will be considered to have been restarted if, as a result of one or more programs of activities described above, a new service life in respect of the Labrador-Island Link is designated by the PUB or other Authorized Authority;

"**LIL Sanction**" means final approval by Nalcor and the Partnership to proceed to commencement of construction of the Labrador-Island Link, as evidenced by the passing of a resolution of the board of directors of Nalcor and a resolution of the Board of Directors authorizing the Partnership to undertake activities, enter into contractual obligations and incur costs as required for the purposes of the completion of the LIL Development Activities;

"**LP Registry**" means the Registry of Limited Partnerships maintained by the Registrar of Companies appointed under the *Corporations Act* (Newfoundland and Labrador);

"**LTA Development Activities**" means all activities and undertakings necessary to design, engineer, procure, construct, Commission and achieve First Commercial Power of the Labrador Transmission Assets, including obtaining Regulatory Approvals, environmental and performance testing, and demobilization, and including all related project management services and activities, and includes the product of such activities and undertakings;

"**LTA Licensed IP**" means the Emera LTA Background IP, the Nalcor LTA Background IP and the Third Party Licensed IP Used in the LTA;

"**LTA Owned IP**" means the Emera LTA Foreground IP and the Nalcor LTA Foreground IP;

"**LTA Sanction**" means final approval by Nalcor and the relevant Affiliate of Nalcor to proceed to commencement of construction of the Labrador Transmission Assets, as evidenced by the passing of a resolution of the board of directors of Nalcor and of the relevant Affiliate of Nalcor authorizing it to undertake activities, enter into contractual

obligations and incur costs as required for the purposes of the completion of the LTA Development Activities;

"**Labrador-Island Link**" or "**LIL**" means the transmission facilities to be constructed by or on behalf of the Partnership from central Labrador to Soldiers Pond, NL;

"**Labrador-Island Link Limited Partnership**" means the limited partnership formed pursuant to the Act by the delivery to the LP Registry of a Certificate signed by the General Partner and Nalcor LP in accordance with the LIL LP Agreement;

"**Labrador Transmission Assets**" or "**LTA**" means the transmission facilities to be constructed by an Affiliate of Nalcor between the Muskrat Falls Plant and the generating plant located at Churchill Falls, NL;

"**Legal Proceedings**" means any actions, suits, investigations, proceedings, judgments, rulings or orders by or before any Authorized Authority;

"**Licensing Party**" has the meaning set forth in **Section 9.1(h)**;

"**Limited Partner**" means any Person who is or becomes a limited partner of the Partnership;

"**Losses**" means any and all losses (other than losses of Energy normally incurred in the transmission of Energy), damages, costs, expenses, charges, fines, penalties and injuries of every kind and character;

"**Lower Churchill Projects**" means, collectively, the Labrador Transmission Assets, the Muskrat Falls Plant, the Labrador-Island Link and the Maritime Link;

"**MEPCO Transmission Rights Agreement**" means the agreement of even date herewith between Nalcor and Emera providing for the use by Nalcor of the MEPCO Transmission Rights;

"**MFP Development Activities**" means all activities and undertakings necessary to design, engineer, procure, construct, Commission and achieve First Commercial Power of the Muskrat Falls Plant, including obtaining Regulatory Approvals, environmental and performance testing, and demobilization, and including all related project management services and activities, and includes the product of such activities and undertakings;

"**MFP Sanction**" means final approval by Nalcor or an Affiliate of Nalcor to proceed to commencement of construction of the Muskrat Falls Plant, as evidenced by the passing of a resolution of the board of directors of Nalcor or an Affiliate of Nalcor authorizing it to undertake activities, enter into contractual obligations and incur costs as required for the purposes of the completion of the MFP Development Activities;

"**ML Cost Data**" has the meaning set forth in **Section 5.18(c)**;

"**ML Final Cost Report**" has the meaning set forth in **Section 5.18(h)**;

"**ML Interim Cost Report**" has the meaning set forth in **Section 5.18(d)**;

"**MW**" means megawatt;

"**MWh**" means MW hours;

"**Maritime Link**" or "**ML**" means the transmission facilities to be constructed between the Island Interconnected System and the Nova Scotia Transmission System in accordance with the Maritime Link Joint Development Agreement;

"**Maritime Link Joint Development Agreement**" means the agreement of even date herewith between Nalcor and Emera relating to the development of the Maritime Link;

"**Muskrat Falls Plant**" or "**MFP**" means a hydro-electric generation plant on the Churchill River in the vicinity of Muskrat Falls, NL, to be constructed by an Affiliate of Nalcor;

"**NL**" means the Province of Newfoundland and Labrador;

"**NL corporation**" means a corporation incorporated under the laws of NL;

"**NL Crown**" means Her Majesty the Queen in Right of NL;

"**NL Final Cost Report**" has the meaning set forth in **Section 5.18(g)**;

"**NL Interim Cost Report**" has the meaning set forth in **Section 5.18(b)**;

"**NL JDC**" has the meaning set forth in **Section 3.1(a)**;

"**NL Transmission Assets**" means the LIL and the LTA;

"**NLH**" means Newfoundland and Labrador Hydro, a NL corporation that is a Wholly-Owned Subsidiary of Nalcor, and includes its successors;

"**NLH Cost of Capital Rate**" means a rate of interest equal to the prevailing pre-tax weighted average cost of capital for NLH as accepted by the PUB or other Authorized Authority from time to time;

"**NS**" means the Province of Nova Scotia;

"**Nalcor**" has the meaning set forth in the preamble to this Agreement and includes Nalcor's successors and permitted assigns;

"**Nalcor Asset Transfer Agreement**" has the meaning set forth in **Section 5.4(a)**;

"**Nalcor Background IP**" means Nalcor LIL Background IP and the Nalcor LTA Background IP;

"**Nalcor Default**" has the meaning set forth in **Section 11.4**;

"**Nalcor Equity Funding Agreement**" or "**NEFA**" means the agreement referred to in **Section 5.7(a)**;

"**Nalcor Foreground IP**" means the Nalcor LIL Foreground IP and the Nalcor LTA Foreground IP;

"**Nalcor Group**" has the meaning set forth in **Section 12.2**;

"**Nalcor IP**" means the Nalcor Background IP and the Nalcor Foreground IP;

"**Nalcor LIL Background IP**" means the Intellectual Property Rights owned by Nalcor or its Affiliates which are Used in the LIL but which are not Nalcor Foreground IP;

"**Nalcor LIL Foreground IP**" means the Intellectual Property Rights conceived, developed or reduced to practice by Nalcor, its Affiliates, or employees of Nalcor or its Affiliates, or which have been assigned to Nalcor or its Affiliates by Contractors or Subcontractors, whether or not Used in the LIL, that (i) are made with any equipment, supplies or facilities the cost of which are attributable to the LIL, or (ii) arise, at the time of the conception, development or reduction to practice thereof, out of work the cost of which is attributable to the LIL;

"**Nalcor LP**" means Labrador-Island Link Holding Corporation, a NL corporation that is a Wholly-Owned Subsidiary of Nalcor and includes Nalcor LP's successors and permitted assigns;

"**Nalcor LP Cross Default Indemnity Agreement**" means an agreement in the form of **Schedule 10**;

"**Nalcor LP Subscription Agreement**" means an agreement in the form of **Schedule 4**, pursuant to which Nalcor LP shall subscribe for Class A Limited Units and agree to make Capital Contributions to the Partnership;

"**Nalcor LP Target DER**" has the meaning given in **Section 5.8(a)(iv)(A)**;

"**Nalcor LP Target Dollar Attributable Debt**" has the meaning set forth in **Section 5.19(a)(v)(C)**;

"**Nalcor LP Target Dollar Attributable Equity**" has the meaning set forth in **Section 5.19(a)(v)(D)**;

"**Nalcor LP Target Dollar Share of the Undepreciated Capital Asset**" has the meaning set forth in **Section 5.19(a)(iii)**;

"**Nalcor LP Target Percentage Share of the Undepreciated Capital Asset**" means the value as set out in **Section 5.19(a)(iv)(A)**;

"**Nalcor LP Target Share of LIL LP Equity**" means:

(a) the percentage representing the equity portion of the Nalcor LP Target DER, multiplied by

(b) 100% minus the percentage derived from the calculation set out in **Section 5.8(a)(i)**, and

divided by the equity percentage of the Partnership Target DER;

"**Nalcor LTA Background IP**" means the Intellectual Property Rights owned by Nalcor or its Affiliates which are Used in the LTA but which are not Nalcor Foreground IP;

"**Nalcor LTA Foreground IP**" means the Intellectual Property Rights conceived, developed or reduced to practice by Nalcor, its Affiliates, or employees of Nalcor or its Affiliates, or which have been assigned to Nalcor or its Affiliates by Contractors or Subcontractors, whether or not Used in the LTA, that (i) are made with any equipment, supplies or facilities the cost of which are attributable to the LTA, or (ii) arise out of, at the time of the conception, development or reduction to practice, work the cost of which is attributable to the LTA;

"**Nalcor Payment**" has the meaning set forth in **Section 11.2(b)(ii)**;

"**Nalcor Parental Guarantee**" means an agreement in the form of **Schedule 6**;

"**Net Income**" or "**Net Loss**", in respect of any period, means, respectively, the net income or net loss of the Partnership in respect of such period as determined in accordance with Canadian GAAP as amended to reflect LIL accounting principles as accepted by the PUB or other Authorized Authority;

"**New Brunswick Transmission Utilization Agreement**" means the agreement of even date herewith between Nalcor and Emera providing for the use of the Transmission Rights in New Brunswick;

"**Non-Commercializing Party**" has the meaning set forth in **Section 9.3(c)**;

"**Normal Reassessment Period**" means:

(a) in respect of Canadian federal income Tax of the holder of the Class B Limited Units (in this definition, the "**Holder**") for any particular taxation year of the Holder, the period ending on the later to occur of:

(i) the expiration of the normal reassessment period for such taxation year as determined under the Tax Act; and

(ii) the expiration of any waiver in respect of such taxation year granted by or on behalf of such Holder to the Authorized Authority in respect of Canadian federal income Tax, provided that:

A. the waiver (if granted by the Holder and not by the General Partner) is granted in circumstances where it is reasonable to believe that, but for the granting of the waiver, such Authorized Authority would have issued an assessment or reassessment in respect of such taxation year; and

B. the Holder has not made any misrepresentation that is attributable to neglect, carelessness or wilful default and has not committed any fraud in filing a return or in supplying any information under the Tax Act in respect of such taxation year such that the Authorized Authority would be able to issue an assessment or reassessment after the expiration of the period described in paragraph (a)(i); and

(b) in respect of any other Tax of such Holder for such taxation year, the period ending on the later to occur of:

(i) the expiration of the period during which an Authorized Authority in respect of such Tax may assess or reassess the Holder in respect of such Tax for such taxation year absent any misrepresentation that is attributable to neglect, carelessness or wilful default or any fraud in filing a return or in supplying any information under the Applicable Law or any conduct on the part of the Holder amounting to wilfulness, gross negligence or similar conduct that would have the effect of extending the period during which the Authorized Authority may assess or reassess Tax in respect of such taxation year; and

(ii) the expiration of any waiver granted by or on behalf of the Holder to such Authorized Authority in respect of such taxation year in circumstances comparable to those set out in paragraph (a)(ii);

"**Notice**" means a communication required or contemplated to be given by any Party to the other under this Agreement, which communication shall be given in accordance with **Section 15.1**;

"**Nova Scotia Transmission System**" means the bulk energy transmission system in NS;

"**Opco**" means Labrador-Island Link Operating Corporation, a NL corporation that is a Wholly-Owned Subsidiary of Nalcor, and includes its successors;

"**Overrun Contribution**" has the meaning set forth in **Section 2.6(b)**;

"**PUB**" means the Board of Commissioners of Public Utilities established by the *Public Utilities Act* (Newfoundland and Labrador) or any successor;

"**Parties**" means the parties to this Agreement, and "**Party**" means one of them;

"**Partners**" means the General Partner and the Limited Partners, collectively, and "**Partner**" means any one of them;

"**Partnership**" means the Labrador-Island Link Limited Partnership formed under the Act;

"**Partnership Capital Account**" means, at a particular time, the aggregate of all Capital Accounts, except the Class C Limited Unit Capital Account;

"**Partnership Interest**" means, in respect of any Partner, such Partner's interest in the Partnership, represented by such Partner's Units, Capital Account and all other rights and entitlements related thereto under the LIL LP Agreement;

"**Partnership LIL Foreground IP**" means all Intellectual Property Rights conceived, developed or reduced to practice by the Partnership, or employees of the Partnership, or which have been assigned to the Partnership by Contractors or Subcontractors, whether or not Used in the LIL, that (i) are made with any equipment, supplies or facilities the cost of which are attributable to the LIL, or (ii) arise out of, at the time of the conception, development or reduction to practice, work the cost of which is attributable to the LIL;

"**Partnership Target DER**" has the meaning set forth in **Section 5.8(a)(iv)(C)**;

"**Periodic Distribution**" means a distribution of Distributable Cash to Partners, to be made on a quarterly basis (or such other period consistent with the Financing Documents as may be determined by the General Partner, acting reasonably, to be necessary in the interests of the Partnership), as set forth in Section 5.3 of the LIL LP Agreement;

"**Person**" includes an individual, a partnership, a corporation, a company, a joint venture, an unincorporated organization, a union, a government or any department or agency thereof and, except for the purposes of holding a Partnership Interest, a trust, and the heirs, executors, administrators or other legal representatives of an individual;

"**Post-FCP True-up Period**" means a three month period within a Fiscal Year ending on March 31, June 30, September 30 and December 31 (or such other period as may be required by the Financing Documents), with the first Post-FCP True-up Period, which may be less than three months, commencing on the date of First Commercial Power of the LIL and the last Post-FCP True-up Period, which may be less than three months, ending on the last day of the Term;

"**Post First Commercial Power Adjustment**" means the recomputation of certain amounts as provided for in **Section 5.19**;

"**Pre-FCP Average Quarterly Balance**" means in respect to any particular Capital Account for any particular Pre-FCP Quarterly Period the amount obtained by adding each daily balance of such Capital Account as at the end of each day during that Pre-FCP Quarterly Period, excluding any portion of the balance attributable to ROE earned during that Pre-FCP Quarterly Period and dividing the sum by the number of days in that Pre-FCP Quarterly Period. For greater certainty, ROE earned in relation to all prior Pre-FCP Quarterly Periods shall be included in the balance of such Capital Accounts as at the first day of each Pre-FCP Quarterly Period;

"**Pre-FCP Pledge**" means an agreement in the form of **Schedule 14**;

"**Pre-FCP Quarterly Period**" means a three month period within a Fiscal Year ending on March 31, June 30, September 30 and December 31 with the first Pre-FCP Quarterly Period, which may be less than three months, commencing on the date of LIL Sanction and the last Pre-FCP Quarterly Period, which may be less than three months, ending on the date of First Commercial Power of the LIL;

"**Prepaid Rent**" means rent paid to the Partnership in advance by Opco under the LIL Assets Agreement;

"**Prime Rate**" means the variable rate of interest per annum expressed on the basis of a year of 365 or 366 days, as the case may be, established from time to time by The Bank of Nova Scotia, or any successor thereto, as its reference rate for the determination of interest rates that it will charge on commercial loans in Canadian dollars made in Canada;

"**Project Assets**" means all real and personal property, contracts, choses in action, assets and undertakings used for the purposes of the MFP, the LTA or the LIL, as the case may be, from time to time, including relevant real property interests and Project Data;

"**Project Contract**" means a contract entered into by or on behalf of Nalcor or the Partnership or an Affiliate of Nalcor regarding the MFP, the LTA or the LIL with a Contractor engaged to perform work or provide services, equipment, materials or supplies forming part of or procured in connection with Development Activities;

"**Project Data**" means all data, documents, reports, analyses, tests, specifications, charts, plans, drawings, ideas, schemes, correspondence, communications, lists, manuals, technology, techniques, methods, processes, services, routines, systems, procedures, practices, operations, modes of operations, know-how, trade or other secrets, contracts, MFP, LTA or LIL (or any one of them) financial information, engineering reports, environmental reports, information concerning relevant real property interests, field notes, sketches, photographs, computer programs, records or software (in both source code and object code form), specifications, models or other information resulting from Development Activities, and includes the media on which such data and information is stored, obtained or received by any Party;

"**Project Milestones**" means the key milestones as identified in the Project Schedule relating to the MFP, the LTA and the LIL;

"**Project NDA**" means the Restricted Use and Non-Disclosure Agreement dated June 20, 2011 between Nalcor and Emera;

"**Project Policies**" means policies, processes and procedures established from time to time by Nalcor that are applicable to the conduct of Development Activities relating to the MFP, the LTA or the LIL;

"**Project Schedule**" means the schedules approved by Nalcor and in effect at the time of Sanction of the MFP, the LTA and the LIL by Nalcor, as such schedule or schedules may be extended (i) as a result of the operation of **Section 2.10** or **2.12** or (ii) by Nalcor as a result of additions, modifications, alterations, substitutions, variations, deductions or cancellations of any aspect of the Development Activities relating to the MFP, the LTA and the LIL;

"**Proportionate Interest**" means, with respect to a Limited Partner as of any specific time, the percentage that the amount of the Class A Limited Unit Capital Account and the Class B Limited Unit Capital Account, then outstanding, as the case may be, of such Partner at such time is of the aggregate amount of the Class A Limited Unit Capital Account and the Class B Limited Unit Capital Account of all Limited Partners at such time;

"**Proposed Amendments**" has the meaning set forth in **Section 5.24(a)(ii)**;

"**Proprietary Information**" means all information, including trade secrets, processes, designs, specifications, concepts, know-how, techniques, notes, marketing plans, strategies, forecasts, financial and cost information, and other similar types of information, which, if known to a bidder for work on the Lower Churchill Projects, would give such bidder an unfair advantage over other bidders;

"**Purchase Note**" has the meaning set forth in **Section 5.4(d)**;

"**Purchasers**" has the meaning set forth in **Sections 5.15(c)(i)(B)** and **(C)**;

"**Qualified Partner**" has the meaning set forth in the LIL LP Agreement;

"**Quarterly Emera NL RROE**" means the amount determined by the formula: (((1+Emera NL RROE)^(n/365)) - 1), where "n" represents the number of days in the Pre-FCP Quarterly Period and "^" represents the function "to the power of";

"**Recipient Party**" has the meaning set forth in **Section 14.2(a)**;

"**Register**" has the meaning set forth in the LIL LP Agreement;

"**Regular Business Hours**" means 8:30 a.m. through 4:30 p.m. local time on Business Days in St. John's, NL, when referring to the Regular Business Hours of Nalcor, and 9:00 a.m. through 5:00 p.m. local time on Business Days in Halifax Regional Municipality, NS, when referring to the Regular Business Hours of Emera;

"**Regulatory Approval**" means any approval required by any Authorized Authority, including any regulatory, environmental, development, zoning, building, subdivision or occupancy permit, licence, approval or other authorization;

"**Requested Party**" has the meaning set forth in **Section 5.24(a)**;

"**Requesting Party**" has the meaning set forth in **Section 5.24(a)**;

"**Reserves**" means reserves as approved by the PUB or other Authorized Authority:

(a) required under the Financing Documents; or

(b) determined by the General Partner acting reasonably to be necessary in the interests of the Partnership,

to be withheld from any Distribution to Partners having regard to the current and anticipated future cash requirements of the Partnership, including administrative and operating expenses, payments in respect of any Financing or other commitments and obligations, Capital Costs, allowance for contingencies and working capital as considered appropriate by the General Partner from time to time and reserves to ensure compliance with the agreements to which the Partnership is subject or funding of any sinking fund deemed necessary to enable the preservation of the Emera NL Target Share of LIL LP Equity and the Nalcor LP Target Share of LIL LP Equity where the Service Life has been shortened, but excluding any Reserves related to assets funded by an Overrun Contribution;

"**Retired Limited Partner**" has the meaning set forth in the LIL LP Agreement;

"**Retirement Payment**" has the meaning set forth in the LIL LP Agreement;

"**Return on Equity**" or "**ROE**" means the amount of return to providers of equity capital and, in the case of the LIL specifically, means the amount of return to Partners in respect of the capital invested in the Labrador-Island Link which capital investment is as reflected in the Capital Accounts of the Partners from time to time with ROE thereon equal to the Net Income or Net Loss allocated to the Limited Partners in accordance with Section 5.1 of the LIL LP Agreement;

"**Sanction**" means:

(a) MFP Sanction, LTA Sanction or LIL Sanction, as applicable; and

(b) as regards the Maritime Link, final approval by Emera and Nalcor (or Nalcor alone in certain circumstances) to proceed to commencement of construction of the Maritime Link, as evidenced by the passing of a resolution of the board of directors of such Party authorizing the Party to undertake activities, enter into contractual obligations and incur costs as required for the purposes of the completion of the Maritime Link;

"**Securities Legislation**" means, collectively, the *Securities Act* (NL) and the regulations, rules and policies thereunder and comparable legislation, rules and policies in effect in any other applicable jurisdiction;

"**Service Life**" means the period of time immediately following First Commercial Power of the LIL, as designated by the PUB from time to time, during which the LIL can continue to transmit Energy and Capacity at required reliability levels, and for greater clarity, a new Service Life will be established upon any LIL Redevelopment;

"**Specified Dispute**" has the meaning set forth in the Dispute Resolution Procedure;

"**Subcontractor**" means any Person (other than a Contractor) retained to perform work or provide services or supplies as part of the Development Activities relating to the MFP, the LTA or the LIL;

"**Subscription Agreements**" means, collectively, the Nalcor LP Subscription Agreement and the Emera NL Subscription Agreement;

"**Sustaining Capital**" means, with respect to the LIL, Expenditures of a capital nature as determined in accordance with accounting principles accepted by the PUB or other Authorized Authority, subsequent to First Commercial Power of the LIL, excluding any amount related to a LIL Redevelopment or a LIL Expansion;

"**Tariff Charges**" means any charges arising pursuant to a tariff or other schedule of fees in respect of electricity transmission services;

"**Tax**" or "**Taxes**" means any tax, fee, levy, rental, duty, charge, royalty or similar charge including, for greater certainty, any federal, state, provincial, municipal, local, aboriginal, foreign or any other assessment, governmental charge, imposition or tariff (other than Tariff Charges) wherever imposed, assessed or collected, and whether based on or measured by gross receipts, income, profits, sales, use and occupation or otherwise, and including any income tax, capital gains tax, payroll tax, fuel tax, capital tax, goods and services tax, harmonized sales tax, value added tax, sales tax, withholding tax, property tax, business tax, ad valorem tax, transfer tax, franchise tax or excise tax, together with all interest, penalties, fines or additions imposed, assessed or collected with respect to any such amounts;

"**Tax Act**" means the *Income Tax Act* (Canada);

"**Tax Adjustment Amount**" for a particular Fiscal Year means the amount determined in accordance with the regulatory accounting policy then approved by the PUB or other Authorized Authority for such purpose, included in the rent paid to the Partnership by Opco under the LIL Assets Agreement for such Fiscal Year, calculated to be the aggregate of the following positive or negative amounts:

(a) the estimated Canadian federal and NL income Taxes of the holder of the Class B Limited Units in respect of such Fiscal Year arising from the holding by such holder of such Units (including, for greater certainty, any Canadian federal and NL income Taxes arising from a deemed gain by such holder of such Units during such Fiscal Year as a result of the adjusted cost base of such Units becoming negative in such Fiscal Year); plus

(b) all other estimated Canadian federal and NL Taxes of such holder in respect of such Fiscal Year that are attributable to the holding by such holder of such Units to the extent that such other Canadian federal and NL Taxes are not otherwise recoverable by such holder; plus or minus, as the case may be; and

(c) the Tax Adjustment Amount True-Up in respect of such Fiscal Year,

provided (for greater certainty) that the computation of the Canadian federal and NL Taxes included in paragraphs (a), (b) and (c) shall:

(d) in all respects be calculated without duplication;

(e) take into account any Tax savings realized or to be realized by such holder for its relevant taxation year resulting from the financing of (y) the Capital Contributions made by such holder and (z) the acquisition of its Partnership Interest;

(f) take into account any Canadian federal and NL income and other Taxes which were refunded (or are refundable or otherwise creditable against Taxes) to the holder of the Class B Limited Units, to the extent that the Taxes so refunded were included in the calculation of the Tax Adjustment Amount for any previous Fiscal Year;

(g) not take into account any refundable Taxes or any commodity Taxes (including HST or any other sales or ad valorem Taxes) other than a non-refundable commodity Tax arising directly from the ownership of such Class B Limited Units; and

(h) not take into account any Taxes which are assessed or reassessed in respect of a taxation year of the holder of the Class B Limited Units after the Normal Reassessment Period for such taxation year;

"**Tax Adjustment Amount True-Up**" has the meaning set forth in **Section 5.23**;

"**Taxable Income**" or "**Tax Loss**", in respect of any Fiscal Year, means, respectively, the amount of income or loss of the Partnership for such period as determined by the General Partner in accordance with the provisions of the Tax Act (including the amount of the taxable capital gain or allowable capital loss from the disposition of each capital property of the Partnership as determined by the General Partner in accordance with the provisions of the Tax Act);

"**Term**" has the meaning set forth in **Section 10.1**;

"**Term Sheet**" has the meaning set forth in the preamble to this Agreement;

"**Termination Option Closing**" has the meaning set forth in **Section 5.15(b)(iii)**;

"**third party**" means any Person that does not Control, is not Controlled by and is not under common Control with the applicable Party;

"**Third Party Claim**" means a Claim referred to in **Sections 12.1** or **12.2**;

"**Third Party IP Rights**" means Intellectual Property Rights owned by a third party;

"**Third Party Licensed IP**" means the Third Party IP Rights licensed by a third party to Nalcor or its Affiliates, or to Emera or its Affiliates, for Use in connection with the LIL or the LTA or to the Partnership for use in the LIL;

"**Transfer**" means any sale, exchange, assignment, gift, bequest, disposition, mortgage, hypothec, charge, pledge, encumbrance, grant of security interest, short sale, grant of any option, hedging or similar transaction with the same economic effect as a sale, monetization, securitization, collateralization, delegation, merger, amalgamation or other arrangement of any nature whatsoever by which possession, legal title, beneficial ownership, voting rights or other attributes of ownership passes or may pass from one Person to another or to the same Person in a different capacity, whether or not voluntary and whether or not for value, whether directly or indirectly, and any agreement to effect any of the foregoing;

"**Transfer Date**" means the date of Nalcor's acquisition of ownership of the Maritime Link pursuant to the Maritime Link Joint Development Agreement or any other Formal Agreement;

"**Transmission Assets**" means the LIL, the ML and the LTA;

"**Transmission Rights**" means contractual rights to receive transmission service on specifically identified transmission infrastructure and transmission congestion rights;

"**True-Up Distribution**" in respect of a Fiscal Year, means the final distribution of Distributable Cash to Partners, as set forth in Section 5.3(a)(iii) of the LIL LP Agreement;

"**UARB**" means the body established pursuant to the *Utility and Review Board Act* (Nova Scotia) or any successor performing substantially the same functions;

"**Undepreciated Capital Asset**" at any time means the aggregate of (i) Actual Capital Costs of the LIL, and (ii) Actual AFUDC of the LIL, and (iii) Reserves of the LIL, less (iv) Capital Costs relating to Overrun Contributions (net of related depreciation), less (v) accumulated Annual Depreciation on the LIL;

"**Unit**" means the GP Unit, a Class A Limited Unit, a Class B Limited Unit, a Class C Limited Unit or a unit of another class of limited units created by the General Partner;

"**Unitholder**" or "**holder**" means a holder of one or more Units;

"**Use**" means to do anything which the owner of an Intellectual Property Right has the right to do, or the right to prevent another from doing;

"**Voting Shares**" means shares issued by a corporation in its capital stock, or equivalent interests in any other Person, the holders of which are ordinarily, in the absence of contingencies, entitled to vote for the election of directors (or Persons performing similar functions) of such Person, even if such right to vote has been suspended by the happening of such contingency; and

"**Wholly-Owned Subsidiary**" means, with respect to a Person, any Person in which all of the voting rights and equity interests are held and beneficially owned by such Person, either directly or indirectly through one or more Wholly-Owned Subsidiaries of such Person.

1.2 Construction of Agreement

(a) Interpretation Not Affected by Headings, etc. - The division of this Agreement into articles, sections and other subdivisions, the provision of a table of contents and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement. Unless otherwise indicated, all references to an "**Article**", "**Section**", "**Schedule**" or "**Appendix**" followed by a number and/or a letter refer to the specified article, section, schedule or appendix of this Agreement. The terms "**this Agreement**", "**hereof**", "**herein**", "**hereby**", "**hereunder**" and similar expressions refer to this Agreement and not to any particular Article or Section hereof. All references to a given agreement, instrument or other document shall be a reference to that agreement, instrument or other document as modified, amended, supplemented and restated through the date as of which such reference is made.

(b) Singular/Plural; Derivatives - Whenever the singular or masculine or neuter is used in this Agreement, it shall be interpreted as meaning the plural or feminine or body politic or corporate, and vice versa, as the context requires. Where a term is defined herein, a capitalized derivative of such term has a corresponding meaning unless the context otherwise requires.

(c) "Including" - The word "including", when used in this Agreement, means "including without limitation".

(d) Accounting References - Where the character or amount of any asset or liability or item of income or expense is required to be determined, or any consolidation or other accounting computation is required to be made for the purposes of this Agreement, the same shall be done in accordance with this Agreement and the LIL LP Agreement, or where this Agreement and the LIL LP Agreement is not applicable, shall be done in accordance with Canadian GAAP.

(e) Currency - Unless otherwise indicated, all dollar amounts referred to in this Agreement (including the Schedules) are in lawful money of Canada.

(f) Trade Meanings - Terms and expressions that are not specifically defined in this Agreement, but which have generally accepted meanings in the custom, usage and literature of the electricity industry in Canada as of the date of this Agreement, shall have such generally accepted meanings when used in this Agreement, unless otherwise specified elsewhere in this Agreement.

(g) Statutory References - Any reference in this Agreement to a statute shall include, and shall be deemed to be, a reference to such statute and to the regulations made pursuant thereto, and all amendments made thereto (including changes to section

numbers referenced herein) and in force from time to time, and to any statute or regulation that may be passed that has the effect of supplementing or replacing the statute so referred to or the regulations made pursuant thereto, and any reference to an order, ruling or decision shall be deemed to be a reference to such order, ruling or decision as the same may be varied, amended, modified, supplemented or replaced from time to time.

(h) Terms Defined in Schedules - Terms defined in a Schedule or part of a Schedule to this Agreement shall, unless otherwise specified in such Schedule or part of a Schedule or elsewhere in this Agreement, have the meaning ascribed thereto only in such Schedule or such part of such Schedule.

(i) Calculation of Time - Where, in this Agreement, a period of time is specified or calculated from or after a date or event, such period is to be calculated excluding such date or the date on which such event occurs, as the case may be, and including the date on which the period ends.

(j) Time Falling on Non-Business Day - Whenever the time for doing something under this Agreement falls on a day that is not a Business Day such action is to be taken on the first following Business Day.

(k) No Drafting Presumption - The Parties acknowledge that their respective legal advisors have reviewed and participated in settling the terms of this Agreement and agree that any rule of construction to the effect that any ambiguity is to be resolved against the drafting Party shall not apply to the interpretation of this Agreement.

(l) Approvals, etc. - Except where otherwise expressly provided herein, whenever an action referred to in this Agreement is to be "approved", "determined" or "decided" by a Party or requires a Party's "consent", then

(i) such approval, determination, decision or consent by a Party must be in writing, and

(ii) such Party shall be free to take such action having regard to that Party's own interests, in its sole and absolute discretion.

Notwithstanding the foregoing the General Partner shall always act in the best interests of the Partnership and in accordance with the requirements of the LIL LP Agreement.

(m) Subsequent Agreements - Wherever a provision of this Agreement states that **Section 1.2(m)** applies, in respect of the matters referred to in that provision:

(i) each Party shall use commercially reasonable efforts to reach agreement with the other Party, negotiating in good faith in a manner characterized by honesty in fact and the observance of reasonable commercial standards of fair dealing;

(ii) any failure, inability or refusal of either Party or both Parties to reach agreement shall constitute a Dispute and may be submitted by either Party for resolution pursuant to the Dispute Resolution Procedure;

(iii) such Dispute shall be resolved as a Specified Dispute if so specified in such provision; and

(iv) if such Dispute is not a Specified Dispute, the Parties will be deemed to have agreed pursuant to Section 5.1 of the Dispute Resolution Procedure to resolve the Dispute by arbitration.

(n) Where a provision of this Agreement contemplates there being only two Parties to the Agreement, Nalcor and its Affiliates who are Parties will be deemed to be one Party and shall act collectively, and Emera and its Affiliates who are Parties will be deemed to be one Party and shall act collectively.

1.3 Conflicts between Parts of Agreement

If there is any conflict or inconsistency between a provision of the body of this Agreement and that of a Schedule or any document delivered pursuant to this Agreement, the provision of the body of this Agreement shall prevail.

1.4 Applicable Law and Submission to Jurisdiction

This Agreement shall be governed by and construed in accordance with the laws of NL and the Federal laws of Canada applicable therein, but excluding all choice-of-law provisions. Subject to **Article 14**, the Parties irrevocably consent and submit to the exclusive jurisdiction of the courts of NL with respect to all matters relating to this Agreement, subject to any right of appeal to the Supreme Court of Canada. Each Party waives any objection that it may now or hereafter have to the determination of venue of any proceeding in such courts relating to this Agreement or that it may now or hereafter have that such courts are an inconvenient forum.

1.5 Schedules

The following are the Schedules attached to and incorporated by reference in this Agreement, which are deemed to be part hereof:

Schedule 1 – Funding Computation Examples
Schedule 2 – Emera NL Subscription Agreement
Schedule 3 – Formal Agreements
Schedule 4 – Nalcor LP Subscription Agreement
Schedule 5 – Emera Parental Guarantee
Schedule 6 – Nalcor Parental Guarantee
Schedule 7 – Dispute Resolution Procedure
Schedule 8 – Form of Assignment Agreement

Schedule 9 – Emera NL Cross Default Indemnity Agreement
Schedule 10 – Nalcor LP Cross Default Indemnity Agreement
Schedule 11 – Nalcor Equity Funding Agreement
Schedule 12 – Cost Accounting Protocol
Schedule 13 – Cash Call Procedure
Schedule 14 – Pre-FCP Pledge

PART ONE – CONCERNING DEVELOPMENT

ARTICLE 2
AGREEMENTS CONCERNING DEVELOPMENT

2.1 Muskrat Falls Plant and Labrador Transmission Assets

Nalcor will:

(a) be responsible for managing and executing the MFP Development Activities and the LTA Development Activities; and

(b) be responsible for one hundred percent (100%) of the costs associated with, and, directly or through one or more Wholly-Owned Subsidiaries will have 100% ownership of the Muskrat Falls Plant and the Labrador Transmission Assets.

2.2 Labrador-Island Link

Nalcor will be responsible for managing and executing the LIL Development Activities. The LIL will be owned one hundred percent (100%) by the Partnership. The sources of the funds which shall serve to pay for the Capital Costs associated with constructing the LIL shall be the Financing and the Capital Contributions of the Partners which are provided for in the LIL LP Agreement, the NEFA and this Agreement.

2.3 MFP, LTA, LIL Design

The final configuration and design of the MFP, the LTA and the LIL will be determined by Nalcor prior to MFP Sanction, LTA Sanction and LIL Sanction respectively.

2.4 MFP, LTA, LIL Sanction

(a) In making a decision to proceed with MFP Sanction, LTA Sanction and LIL Sanction, Nalcor, the Partnership or another Affiliate of Nalcor, as the case may be, shall consider all relevant factors including engineering, regulatory, environmental, financial and commercial considerations, but is free to make such decisions having regard to its own interests and in its sole and absolute discretion. Without limiting the foregoing provision of this **Section 2.4**, it is expected that Nalcor, the Partnership or another Affiliate of Nalcor, as the case may be, will not make a Sanction decision until the following have occurred:

(i) any approvals that may be required from applicable Authorized Authorities have been obtained on terms satisfactory to Nalcor, the Partnership or another Affiliate of Nalcor, as the case may be;

(ii) any required changes to legislation or regulation to allow Nalcor, the Partnership or another Affiliate of Nalcor, as the case may be to effect the transactions contemplated by the Formal Agreements have come into force;

(iii) the results of the system impact studies are satisfactory to Nalcor, the Partnership or another Affiliate of Nalcor, as the case may be; and

(iv) satisfactory completion of due diligence by Nalcor, the Partnership or another Affiliate of Nalcor, as the case may be, with respect to all matters and transactions contemplated by the Formal Agreements.

(b) A Party considering Sanction may, in its sole and absolute discretion, waive any one or more of the conditions in **Sections 2.4(a)(i)** to **(iv)** inclusive, in whole or in part.

2.5 **Funding**

(a) Each of Nalcor and Emera respectively will be individually responsible for obtaining its own financing and the costs of financing related to its funding obligations in respect of the MFP, the LTA and the LIL, as applicable.

(b) The respective responsibilities of Nalcor and Emera to make funds available in respect of LIL Development Activities are set forth in **Article 5**, the NEFA and in the LIL LP Agreement.

(c) Nalcor has advised Emera that it intends to employ project financing to provide a portion of the funds required to pay for Development Activities relating to the LIL, the LTA and the MFP respectively. Emera has agreed that it will, as regards the Partnership, cause Emera NL:

(i) to not encumber its Partnership Interest in any way, except as set out in **Section 2.5(c)(ii)** and on a subordinate basis to Nalcor as set out in **Section 5.10(a)**; and

(ii) to pledge its Partnership Interest and to execute any related limited recourse guarantee in favour of the Financing Parties in connection with and as security for the Financing, under such terms and conditions as the Financing Parties may reasonably require from Emera within the context of a limited recourse project financing of the LIL,

and as regards the LTA and the MFP, will cooperate with Nalcor to facilitate Nalcor's financing activities and for such purposes agrees to take such commercially reasonable actions as may be required.

2.6 **Cost Overruns**

(a) If a Cost Overrun is contemplated or occurs which in the opinion of the General Partner, acting reasonably, is of a nature such that it can be expected that the PUB or other Authorized Authority will allow the amount of such Cost Overrun to be included in the Capital Costs of the LIL, the General Partner shall add the appropriate portion of such Cost Overrun to a request for a Capital Contribution, in money, made to the holder of the Class A Limited Units in accordance with Section 2.5 of the NEFA and **Schedule 13**.

(b) (i) If a Cost Overrun is contemplated or occurs which in the opinion of the General Partner, acting reasonably, is of a nature such that it can be expected that the PUB or other Authorized Authority will not allow the amount of such Cost Overrun to be included in the Capital Costs of the LIL; or

(ii) if and to the extent that the PUB or other Authorized Authority declines to add to the Capital Costs of the LIL a Cost Overrun referred to in **Section 2.6(a)**,

the General Partner shall give notice thereof to the holder of the Class A Limited Units, which shall thereupon subscribe and pay for such number of Class C Limited Units, at $1.00 per Class C Limited Unit, as will provide the Partnership with cash equal to the amount of the Cost Overrun (an "**Overrun Contribution**"). An Overrun Contribution shall be credited to the Class C Limited Unit Capital Account.

(c) If an Overrun Contribution is made, the General Partner shall promptly return to the holder of the Class A Limited Units and the Class B Limited Units an amount equal to their respective contributions, if any, to the Cost Overrun.

(d) If a Cost Overrun referred to in **Section 2.6(b)(i)** occurs, but the PUB or other Authorized Authority subsequently allows the amount of such Cost Overrun to be added to the Capital Costs of the LIL, the Partnership shall return the appropriate amount of capital in respect of the Class C Limited Units and the Cost Overrun shall be dealt with as provided in **Section 2.6(a)**.

2.7 **Insurance Program**

(a) Insurance Coverages - Unless otherwise agreed by Nalcor and Emera, Nalcor shall place or cause to be placed a program of insurance covering the MFP, the LTA and the LIL and all Development Activities relating thereto. Such insurance shall include the following coverages:

(i) All-risk Course of Construction (Builder's Risk), including both marine and on-shore property;

(ii) Third Party Liability coverage; and

(iii) other coverages as may be deemed appropriate giving due consideration to the insurable risks of the MFP, LTA and LIL projects.

(b) Limits, Deductibles and Exclusions - In each case, the insurance shall provide for limits, deductibles, exclusions and other terms and conditions as may be appropriate for the MFP, LTA and LIL projects, giving due consideration to:

(i) the values at risk and the maximum loss exposures;

(ii) exposures to third party liabilities;

(iii) commercial availability and commercially reasonable cost of such insurance;

(iv) the reasonable practices employed by similar entities and similar projects in Canada; and

(v) Nalcor's and Emera's financial ability and desire to retain certain risks.

(c) Other Requirements - Unless otherwise agreed by Nalcor and Emera, all insurance procured pursuant to this **Section 2.7** shall, as applicable:

(i) be at the expense of the applicable Affiliate of Nalcor and be primary, non-contributing with, and not in excess of, any other insurance available to Emera;

(ii) provide for 30 days notice to Emera in the event of cancellation or material change that reduces or restricts the insurance, provided that if insurers shall provide notice earlier than 30 days, Nalcor shall immediately provide Notice to Emera of same; and

(iii) remain in full force and effect at all times until First Commercial Power in respect of each of the MFP, the LTA and the LIL.

(d) Lender Requirements - Nalcor and Emera shall cooperate fully with each other and shall assist each other in complying with obligations imposed by Financing Parties relating to insurance coverage provided pursuant to this **Section 2.7**.

(e) Benefit of Insurance - The insurance programs and policies are for the mutual benefit of Nalcor and Emera and their respective Affiliates. Unless both Nalcor and Emera and their applicable respective Affiliates are named insureds, each policy shall include a waiver of subrogation in favour of, and shall name as additional insured, Nalcor or Emera, as the case may be, their Affiliates as appropriate, and their respective directors, officers and employees.

(f) Contractors - Contractors, to the extent their contracts require them to procure insurance, shall be required to comply with insurance provisions as may be required.

(g) Evidence of Insurance - If requested by a Party, the procuring Party shall supply satisfactory evidence of insurance obtained pursuant to this **Section 2.7** when obtained and thereafter upon renewal of such insurance.

(h) Placement of Required Insurance - If a Party fails to obtain or maintain any insurance required to be maintained by it hereunder, any other Party intended to have the benefit of such insurance may place insurance on its behalf and all costs thereof or in relation thereto shall be for the sole account of the Party that failed to obtain the insurance.

(i) Effect of Failure to Insure - Notwithstanding **Section 2.7(h)**, none of the obligations of the Parties in this Agreement or the LIL LP Agreement shall be reduced, or in any way affected, or diminished in any respect, by a failure of a Party to obtain insurance or to obtain adequate insurance coverage, either as agreed in this Agreement or otherwise or at all, or by a denial of coverage of any insurance, nor shall any Party be entitled to any indemnity or contribution as a result of any such failure to obtain insurance or to obtain adequate insurance coverage, either as agreed in this Agreement or otherwise or at all, or by any denial of coverage of any insurance.

2.8 Licences and Compliance with Law

(a) The Parties shall each be responsible for obtaining and maintaining any licences and permits as may be required for their respective performance of this Agreement.

(b) Each Party shall comply with any Applicable Law of any Authorized Authority with jurisdiction over the subject matter of this Agreement.

2.9 Project Milestones

(a) Achievement of Milestones - Without limiting any other obligation of Nalcor under this Agreement, Nalcor shall use commercially reasonable efforts to cause the Development Activities relating to the MFP, the LTA and the LIL to be carried out so as to achieve the Project Milestones relating to the MFP, the LTA and the LIL.

(b) Managing Schedule - Nalcor shall use commercially reasonable efforts to avoid or mitigate the impacts of any forecasted delays in achieving the Project Milestones relating to the MFP, the LTA and the LIL.

(c) Nalcor Liability - Notwithstanding any other provision of this Agreement, Nalcor is not liable for the consequences of any failure to achieve the Project Milestones relating to the MFP, the LTA and the LIL except when due to the gross negligence or wilful misconduct of Nalcor.

2.10 Suspension of Development Activities

Nalcor, the Partnership or an Affiliate of Nalcor may, at any time after Sanction by Nalcor of the MFP, the LTA or the LIL, as the case may be, approve suspension of Development

Activities in respect of the MFP, the LTA or the LIL for a period not to exceed 180 consecutive days. At the expiry of the suspension period, Nalcor, the Partnership or an Affiliate of Nalcor shall forthwith resume Development Activities.

2.11 Delays and Notice

Nalcor, the Partnership or an Affiliate of Nalcor shall promptly give Notice to Emera of any delay in the progress of Development Activities relating to the MFP, the LTA or the LIL that may result in failure to complete the MFP, the LTA or the LIL in accordance with the relevant Project Milestones. The causes and effects of any such delay, and the steps being taken by Nalcor, the Partnership or an Affiliate of Nalcor to mitigate the impact of the delay in the Project Milestones, shall be detailed in Nalcor's reports pursuant to **Section 3.1(c)** and reviewed by the NL JDC at all regular meetings. Any such delay shall be managed under the change management process detailed in the Project Policies.

2.12 Force Majeure

If by reason of an event of Force Majeure Nalcor, the Partnership or an Affiliate of Nalcor is not reasonably able to fulfil an obligation relating to the Development Activities in respect of the MFP, the LTA or the LIL, other than an obligation to pay or spend money, in accordance with the terms of this Agreement, then Nalcor, the Partnership or such Affiliate of Nalcor shall:

(a) forthwith Notify Emera of such Force Majeure, or orally so notify Emera (confirmed in writing), which Notice (and any written confirmation of an oral notice) shall provide reasonably full particulars of such Force Majeure;

(b) be relieved from fulfilling such obligation or obligations during the continuance of such Force Majeure but only to the extent of the inability to perform so caused, from and after the occurrence of such Force Majeure;

(c) employ all commercially reasonable means to reduce the consequences of such Force Majeure, including the expenditure of funds that it would not otherwise have been required to expend, if the amount of such expenditure is not commercially unreasonable in the circumstances existing at such time, and provided further that the foregoing shall not be construed as requiring Nalcor, the Partnership or an Affiliate of Nalcor to accede to the demands of its opponents in any strike, lockout or other labour disturbance;

(d) as soon as reasonably possible after such Force Majeure, fulfil or resume fulfilling its obligations hereunder;

(e) provide Emera with prompt Notice of the cessation or partial cessation of such Force Majeure; and

(f) not be responsible or liable to Emera for any loss or damage that Emera may suffer or incur as a result of such Force Majeure.

ARTICLE 3
JOINT DEVELOPMENT COMMITTEE

3.1 **Purpose**

(a) Upon the execution of this Agreement, a joint development committee for the MFP, the LTA and the LIL (the "**NL JDC**") is established consisting of representatives from both Nalcor and Emera, the initial members of which shall be named forthwith after such execution.

(b) The NL JDC will meet as determined under **Section 3.7** in order to provide a common understanding of project progress and to discuss issues related to Development Activities of the MFP, the LTA and the LIL, respectively.

(c) The following topics shall be reported upon at meetings of the NL JDC:

(i) safety performance;

(ii) environmental assessment update and compliance;

(iii) budget and monthly actual to budget variance reports;

(iv) reports of forecasted funding requirements for the LIL for the upcoming calendar quarter;

(v) activity status reports (percent of project completion compared to percent of budget spent to date);

(vi) changes to the basis of design of the LTA, MFP and LIL;

(vii) financing update;

(viii) labour strategy and updates; and

(ix) other topics as the NL JDC may from time to time determine.

(d) Nalcor and Emera mutually acknowledge that, with respect to the Lower Churchill Projects, the importance of maintaining both competition and confidentiality requires each of them to be vigilant regarding the avoidance of breaches of their respective confidentiality obligations and conflicts of interest, whether real or perceived, including with respect to the provision of services to the Lower Churchill Projects by their respective Affiliates. If either Party identifies a matter in which possible confidentiality or conflict concerns exist, the Parties will consult as soon as reasonably possible to seek to resolve the matter in a mutually satisfactory manner prior to releasing related information. This **Section 3.1(d)** applies in respect of the LIL, notwithstanding Section 6.9 of the LIL LP Agreement.

3.2 Composition

The NL JDC shall be comprised of four representatives of Nalcor and two representatives of Emera. The Chair shall be one of the four Nalcor representatives chosen by Nalcor and the Vice-Chair shall be one of the two Emera representatives chosen by Emera.

3.3 Appointment of Sub-Committees

From time to time, as it deems appropriate, the NL JDC may appoint standing, due diligence or other teams or subcommittees. Emera is entitled to at least one representative on each NL JDC subcommittee.

3.4 Quorum

The Chair and the Vice-Chair or their delegates shall constitute a quorum for the transaction of the business of the NL JDC.

3.5 Duration

The NL JDC shall continue to exist until the earlier of:

(a) the termination of this Agreement; and

(b) the day that is one year after the date upon which Nalcor delivers Energy, for other than testing and Commissioning purposes, from the MFP over the LIL.

3.6 Differing Views

In the event that Nalcor representatives and Emera representatives have different views on matters before the NL JDC, the Nalcor representatives and the Emera representatives shall separately determine the positions of Nalcor and Emera respectively, and the position of Nalcor shall prevail.

3.7 Meetings of NL JDC

(a) Regular Meetings - The NL JDC shall meet at least monthly in accordance with the schedule determined by the NL JDC.

(b) Calling of Meetings - The Chair may call a meeting of the NL JDC by issuing a notice to the members of the NL JDC to that effect. Either Nalcor or Emera may request a meeting of the NL JDC by issuing a notice to the Chair of the NL JDC to that effect. Upon receiving notice of a requested meeting, the Chair shall promptly call for a meeting. Any meeting shall, except as otherwise provided in this Agreement, be for a date not less than five Business Days following the sending of the notice of meeting by the Chair.

(c) Waiver of Notice - The notice periods set forth in **Section 3.7(b)** may only be waived with the unanimous consent of the NL JDC.

(d) Meeting Notice Particulars - Each notice of a meeting of the NL JDC shall be provided by the Chair and shall contain:

(i) the date, time and location of the meeting; and

(ii) an agenda of the matters to be considered at the meeting together with sufficient information to permit the other NL JDC members to properly and effectively consider the matters to be discussed at such meeting.

(e) Additions to Agenda - A member of the NL JDC may, by notice to the other members given not less than three Business Days prior to a meeting of the NL JDC, add matters to the agenda for that meeting, provided that the proposed agenda matter is within the scope of **Sections 3.1(b)** and **3.1(c)**, and that sufficient information is provided with such notice to permit the other NL JDC members to properly and effectively consider the matters to be discussed at such meeting.

(f) Non-Agenda Matters - At the request of a member of the NL JDC, and provided the Chair consents, the NL JDC may, at any meeting of the NL JDC, consider any matter not otherwise on the agenda for that meeting.

(g) Location of Meetings - Each meeting of the NL JDC shall be held at St. John's, NL, or as may be otherwise determined by the NL JDC.

(h) Chair's Duties for Meeting - The Chair shall chair meetings of the NL JDC (and in the absence of the Chair, the Chair shall choose a delegate who shall act as chair of the meeting) and shall see to:

(i) timely preparation and distribution of the notice of meeting, the agenda and supporting material;

(ii) organization and conduct of the meeting; and

(iii) preparation of written minutes of the meeting.

(i) Failure of Quorum - If a quorum for a meeting of the NL JDC is not present within 30 minutes of the time set for the commencement of a duly called meeting of the NL JDC, that meeting shall be adjourned until the same time and day of the week in the following week, and at such subsequent meeting the persons attending shall constitute a quorum.

(j) Advisors - Each Party may, at its cost, or as otherwise agreed by the Parties, also bring to any NL JDC meeting such reasonable number of technical and other advisors it considers necessary or appropriate to address the matters being considered at the meeting.

(k) Telephone or Video Conference Meetings - Participation in NL JDC meetings for purposes of determining a quorum and otherwise may be by telephone or other electronic telecommunication or video conference device that permits all Persons participating in the meeting to hear and communicate with each other simultaneously, and all Persons so participating shall be considered present at that meeting for all purposes.

(l) Minutes - The Chair shall provide each member of the NL JDC with draft minutes of each NL JDC meeting within 14 days following the meeting. The minutes shall be considered for approval at the next meeting of the NL JDC.

3.8 Costs of NL JDC Participation

Each Party shall bear its own internal costs and the Parties shall share equally all third party costs related to the administration of the NL JDC.

3.9 Competitive Bidding

Project Contracts will be open to competitive bidding in accordance with the Project Policies.

3.10 Development Activities by Parties and Affiliates

Development Activities in relation to the MFP, the LTA and the LIL to be provided or performed by a Party or an Affiliate of a Party must comply with the guidelines set out in Project Policies.

3.11 Notice of Planned First Commercial Power

Nalcor shall provide Notice to Emera, in each case at least 30 days before Nalcor reasonably expects First Commercial Power to occur, in respect of each of the LIL, the LTA and the MFP.

ARTICLE 4
INFORMATION AND AUDIT RIGHTS

4.1 Information and Audits

(a) Subject to **Section 3.1(d)**, Emera shall have the right to receive from Nalcor:

(i) the progress reports regarding the MFP, the LTA and the LIL provided to the NL JDC;

(ii) periodic reports regarding the MFP, the LTA and the LIL filed by Nalcor, the Partnership or Affiliates of Nalcor with the PUB; and

(iii) for calculating Capital Costs of the Transmission Assets, a calculation (with any necessary explanatory information) of the Estimated Capital Costs of:

(A) the LTA; and

(B) the LIL,

at LIL Sanction.

(b) Nalcor shall have the right to receive from Emera a calculation (with any necessary explanatory information) of the then-current Estimated Capital Costs of the ML at LIL Sanction.

(c) The General Partner shall provide to Emera NL a copy of any written communication sent to any Limited Partner.

4.2 Right to Inspect and Audit

(a) Each of Emera and Nalcor shall have the right at their own cost from time to time to inspect and audit the books, records, accounts and relevant documents maintained by the other or the Partnership relating to the LIL, the LTA and the ML respectively and this Agreement.

(b) Emera at its own cost shall have the right from time to time to inspect and audit the books, records, accounts and relevant documents maintained by Opco relating solely to the LIL.

4.3 Access and Information

(a) Right of Access - Each Party shall have the right on seven days' Notice to the other Party during the Regular Business Hours of the other Party to enter upon any premises or places where any books, records, accounts or relevant documents are kept concerning the LIL, the LTA and the ML respectively and this Agreement.

(b) Information and Assistance - Each Party shall provide the other Party with:

(i) all requested information and documentation and access thereto on a timely basis; and

(ii) all reasonable assistance in the exercise by the other Party of its rights of access, inspection and audit hereunder, including all reasonable access to their officers, agents, supervisors, employees, contractors, suppliers, insurers, sureties, engineers and consultants, and shall use commercially reasonable efforts to cause such persons to fully and accurately answer questions and comply with all requests of the other Party.

This **Section 4.3(b)** does not apply to give Emera direct access and audit rights with respect to non-Affiliated Contractors and Subcontractors unless specifically agreed to in the applicable Project Contract.

(c) Duration of Access and Audit Rights - The Parties' rights of access, inspection and audit pursuant to this Agreement shall expire 10 years after termination of this Agreement in accordance with **Section 10.1**. Any matter not disputed in writing by a Party within five years after the end of the calendar year in which the matter occurred will not be subject to the Dispute Resolution Procedure.

(d) Minimal Disruption - Each Party, in exercising rights of access, inspection and audit pursuant to this Agreement, shall use all reasonable efforts to minimize any disruption to any other Person.

(e) Copies of Documents - Subject to **Section 10.4(a)**, each Party shall be entitled to make and retain copies of all books, records, accounts and relevant documents.

(f) No Relief from Obligations - The existence or the exercise by a Party of rights of access, inspection and audit shall not in any manner reduce or limit the obligations and responsibilities of the other Party pursuant to this Agreement.

4.4 Preservation of Records

Nalcor shall include in all Project Contracts provisions that require the Contractor to preserve and cause its Subcontractors to preserve all documents and records pertaining to work relating to Development Activities relating to the MFP, the LTA and the LIL for a period of not less than seven years after final acceptance of the work under the Project Contract or termination of this Agreement, whichever occurs first.

4.5 UARB Confidentiality

In respect to information of a commercially sensitive and confidential nature (as determined by Nalcor) regarding the MFP, the LTA or the LIL which Emera may be required to disclose to the UARB, Emera shall use commercially reasonable efforts in accordance with UARB policy to ensure that such information shall be filed and held on a confidential basis by the UARB and not released into the public domain.

PART TWO – LABRADOR-ISLAND LINK

ARTICLE 5
AGREEMENTS CONCERNING THE LIL

5.1 Labrador-Island Link Transmission Rights

Nalcor shall own indirectly through one or more Wholly-Owned Subsidiaries all of the Transmission Rights in the LIL. This shall be accomplished by the Partnership entering into the LIL Assets Agreement and the agreements and Transfers provided for therein.

5.2 LIL Approvals

Prior to LIL Sanction, Nalcor and Emera will work together to facilitate all necessary environmental and other Regulatory Approvals with respect to the LIL. Following LIL Sanction the General Partner shall perform such tasks and may request the assistance of either Nalcor or Emera in that effort, which assistance each of Nalcor and Emera shall use commercially reasonable efforts to provide.

5.3 Initial Capital Contributions to the Partnership

As provided in Section 4.2(a) of the LIL LP Agreement, forthwith upon filing of the Certificate with the LP Registry and contemporaneously with the payment to the Partnership by the General Partner of $100.00 by way of contribution to acquire its general partner interest, as provided in Section 4.1 of the LIL LP Agreement:

(a) Nalcor LP shall pay to the Partnership in cash the sum of $1.00 for one Class C Limited Unit; and

(b) the General Partner shall issue to Nalcor LP one Class C Limited Unit in consideration of the sum of $1.00 paid and establish on the books of the Partnership in the name of Nalcor LP a Class C Limited Unit Capital Account to which the $1.00 shall be credited.

5.4 Partnership Asset Transfer

At a time determined by Nalcor, after the completion of the transactions contemplated in **Section 5.3** and before LIL Sanction:

(a) Nalcor shall enter into an asset transfer agreement in favour of the Partnership pursuant to which all of the Project Assets relating to the LIL as at the date thereof are to be conveyed to the Partnership for the consideration described in **Section 5.4(d)** (the "**Nalcor Asset Transfer Agreement**");

(b) the General Partner shall accept and execute the Nalcor Asset Transfer Agreement;

(c) pursuant to the Nalcor Asset Transfer Agreement, Nalcor shall convey all of the Project Assets relating to the LIL to the Partnership;

(d) pursuant to the Nalcor Asset Transfer Agreement, the Partnership shall issue to Nalcor a promissory note of the Partnership having a principal amount equal to (i) all the costs incurred by Nalcor to acquire the Project Assets relating to the LIL conveyed plus interest accrued thereon at the NLH Cost of Capital Rate prevailing at the time the expenditure was made, less (ii) all the assumed liabilities as described in the Nalcor Asset Transfer Agreement (the "**Purchase Note**"). If any of such costs or assumed liabilities are unknown at the time of the issue of the Purchase Note, the Partnership and the holder of the Purchase Note shall make such subsequent adjustments to the principal amount as the circumstances may require; and

(e) promptly after the Project Assets relating to the LIL are conveyed to the Partnership, Nalcor shall assign the Purchase Note to Nalcor LP.

5.5 Issuance to Nalcor LP of Class A Limited Units and Establishment of Class A Limited Unit Capital Account

Forthwith after the assignment to Nalcor LP of the Purchase Note as contemplated by **Section 5.4(e)**:

(a) Nalcor LP shall:

(i) enter into the Nalcor LP Subscription Agreement; and

(ii) pursuant to such Nalcor LP Subscription Agreement, assign the Purchase Note to the Partnership in consideration of the issue to Nalcor LP of 75 Class A Limited Units; and

(b) the General Partner shall:

(i) accept and execute the Nalcor LP Subscription Agreement; and

(ii) issue to Nalcor LP 75 Class A Limited Units in consideration of the assignment to the Partnership of the Purchase Note and establish on the books of the Partnership in the name of Nalcor LP a Class A Limited Unit Capital Account to which it shall credit the principal amount of the Purchase Note, and the Purchase Note shall thereupon be cancelled.

5.6 Issuance to Emera NL of Class B Limited Units and Establishment of Class B Limited Unit Capital Account

Forthwith upon Emera's receipt of Notice from Nalcor of LIL Sanction:

(a) Emera shall enter into the Emera Parental Guarantee;

(b) Emera NL shall:

(i) enter into the Emera NL Subscription Agreement and the Emera NL Cross Default Indemnity Agreement; and

(ii) pursuant to such Emera NL Subscription Agreement, pay to the Partnership in cash the sum of $1,000 for 25 Class B Limited Units; and

(c) the General Partner shall:

(i) accept and execute the Emera NL Subscription Agreement; and

(ii) issue to Emera NL 25 Class B Limited Units in consideration of the sum of $1,000 so paid and establish on the books of the Partnership in the name of

Emera NL a Class B Limited Unit Capital Account to which the $1,000 shall be credited;

(d) Nalcor shall enter into the Nalcor Parental Guarantee;

(e) Nalcor LP shall enter into the Nalcor LP Cross Default Indemnity Agreement; and

(f) Emera NL shall execute the Pre-FCP Pledge and deliver it and the certificate representing the Class B Limited Units to Nalcor LP.

5.7 Nalcor Equity Funding Agreement

(a) Contemporaneously with LIL Sanction, Nalcor LP shall execute and deliver to the Partnership an agreement in the form of **Schedule 11** (the "**NEFA**"), pursuant to which Nalcor LP shall be obligated to make Capital Contributions on Class A Limited Units or to procure Capital Contributions on Class B Limited Units, in a timely manner, in response to such Cash Calls as may be issued by the General Partner pursuant to **Schedule 13**.

(b) As between Nalcor LP and Emera NL:

(i) Nalcor LP shall make all Capital Contributions required to be made before LIL Sanction as set forth in **Schedule 13**; and

(ii) Nalcor LP agrees to give Emera NL the opportunity and Emera NL agrees with Nalcor LP that it shall pay, in a timely manner to the Partnership, such portion of such Cash Calls as is determined in accordance with **Section 5.8** (including for greater certainty, Cost Overruns allowed by the PUB or other Authorized Authority to be included in the Capital Costs of the LIL) by making Capital Contributions on its Class B Limited Units, in accordance with the provisions of this Agreement.

(c) Concurrently with the issue by the General Partner of a Cash Call, Nalcor LP shall Notify Emera NL of the amount of such Cash Call that it should contribute, computed in accordance with this Agreement.

5.8 Funding Obligations – Nalcor And Emera

(a) At and after LIL Sanction, Nalcor agrees to give Emera the opportunity, and Emera agrees to cause Emera NL, to pay to the Partnership a portion of each Cash Call made in accordance with **Schedule 13** by the Partnership on Nalcor LP as holder of the Class A Limited Units, in accordance with the following provisions; provided however that notwithstanding anything contained in this Agreement, Nalcor LP shall at all times be solely liable to the Partnership for its obligations set forth in the NEFA:

(i) the amount of the Emera NL funding obligation (in money) shall be calculated as the difference between:

(A) 49% of the Estimated Capital Costs for the Transmission Assets; and

(B) the Estimated Capital Costs for the Maritime Link,

both as of the date of Sanction of the LIL. The amount of the Emera NL funding obligation, expressed as a percentage, is the percentage derived by dividing the amount of Emera NL's obligation by the Estimated Capital Costs for the LIL as of the date of LIL Sanction;

(ii) Nalcor LP's obligation (in money) from time to time is the balance of the Estimated Capital Costs for the LIL, after subtracting Emera's obligation (if any). The amount of the Nalcor LP funding obligation, expressed as a percentage, is the percentage derived by dividing the amount of Nalcor LP's obligation by the Estimated Capital Costs for the LIL as of the date of LIL Sanction;

(iii) at and after LIL Sanction until Financial Close:

(A) within 60 days after LIL Sanction, Emera NL shall contribute, in response to a Cash Call made in accordance with **Schedule 13,** an amount in cash such that after such Capital Contribution, the Proportionate Interest of Emera NL as holder of the Class B Limited Units is equal to the percentage derived from the calculation set out in **Section 5.8(a)(i)**;

(B) until Emera NL makes the Capital Contribution referred to in **Section 5.8(a)(iii)(A)**, Emera NL shall pay in respect of any other Cash Call made in accordance with **Schedule 13** such amount as is equal to the percentage derived by the operation of **Section 5.8(a)(i)**;

(C) until the cash balance of the Partnership resulting from the Capital Contribution from Emera NL referred to in **Section 5.8(a)(iii)(A)** is spent on LIL Development Activities, Nalcor LP shall not be required to make any additional contribution; and

(D) after the cash referred to in **Section 5.8(a)(iii)(A)** is spent, all Funding Amounts required by the Partnership shall be contributed in cash, in response to Cash Calls made in accordance with **Schedule 13**, by Nalcor LP and Emera NL in amounts equal to their respective Proportionate Interests;

(iv) 90 days prior to Financial Close, the General Partner shall request and:

(A) Nalcor LP as holder of the Class A Limited Units shall by Notice advise the General Partner of the target Debt:Equity Ratio ("**Nalcor LP Target DER**") such holder wishes to achieve in respect to its investment in the Partnership;

(B) Emera NL as holder of the Class B Limited Units shall by Notice advise the General Partner of the DER determined in accordance with **Section 5.20(c)** (the "**Emera NL Target DER**"). The Emera NL Target DER shall remain fixed from the time of Financial Close; and

(C) the General Partner, upon receiving the Notices referred to in **Sections 5.8(a)(iv)(A)** and **(B)**, shall calculate the weighted average of the Nalcor LP Target DER and the Emera NL Target DER and the result shall be the target DER for the Partnership ("**Partnership Target DER**");

(v) after Financial Close, until the Partnership Target DER is achieved, subject to any covenants in the Financing Documents, LIL Development Activities shall be paid for with cash proceeds resulting from the Financing and the holders of the Class A Limited Units and the Class B Limited Units respectively shall not be required to make any additional contribution;

(vi) after the Partnership Target DER is achieved, all Funding Amounts required by the Partnership:

(A) to the extent of the debt percentage of the Partnership Target DER of the Funding Amount required at any particular time, shall be drawn from the cash proceeds resulting from the Financing; and

(B) until Emera NL has achieved the Emera NL Target Share of LIL LP Equity and Nalcor LP has achieved the Nalcor LP Target Share of LIL LP Equity, only Emera NL as the holder of the Class B Limited Units shall make such contributions in response to Cash Calls;

(vii) after the Emera NL Target Share of LIL LP Equity is achieved, Emera NL as the holder of the Class B Limited Units shall make in respect of each such Cash Call a contribution in an amount equal to the Emera NL Target Share of LIL LP Equity multiplied by the amount requested by the General Partner in such Cash Call;

(viii) subject to **Section 2.6**, if the cash proceeds resulting from the Financing at any time are not sufficient, when combined with Capital Contributions of the Unitholders already received, to permit the Partnership to pay in full the Funding Amounts for the completion of the LIL, Emera NL as the holder of the Class B Limited Units shall make in respect of each Cash Call a

contribution in an amount equal to the percentage derived from the calculation set out in **Section 5.8(a)(i)** multiplied by the amount requested by the General Partner; and

(ix) notwithstanding the provisions of **Section 5.8(a)**, if at First Commercial Power of the LIL the Emera NL Target Share of LIL LP Equity and Nalcor LP Target Share of LIL LP Equity are not achieved, Nalcor LP or Emera NL, as the case may be, shall make an appropriate additional Capital Contribution and the General Partner shall return the equivalent amount of the Class A Limited Unit Capital Account or the Class B Limited Unit Capital Account, as the case may be, to achieve the Emera NL Target Share of LIL LP Equity and Nalcor LP Target Share of LIL LP Equity.

(b) For certainty, to the extent that LIL Development Activities are required to be paid for after the receipt by the Partnership of the Interim Cost Report contemplated by **Section 5.18(e)**, the provisions of **Section 5.8(a)(viii)** shall apply.

(c) In connection with each Capital Contribution to the Partnership in response to a Cash Call, as contemplated by this **Section 5.8**, Emera hereby makes, on its own behalf and on behalf of Emera NL, to the Partnership, each of the representations set forth in Article 4 of the Emera NL Subscription Agreement, which Article 4 is hereby incorporated herein by reference and made a part of this Agreement.

(d) To the extent that Emera NL as the holder of the Class B Limited Units makes a Capital Contribution in response to a Cash Call:

(i) the Partnership shall accept such Capital Contribution;

(ii) the Partnership shall credit the amount received to the Class B Limited Unit Capital Account maintained in the name of such holder of the Class B Limited Units; and

(iii) the obligation of the holder of the Class A Limited Units in respect of such Cash Call shall be discharged proportionately.

(e) If a variation occurs between the Nalcor LP Target DER, the Emera NL Target DER or the Partnership Target DER, respectively, and the actual Nalcor LP DER, the actual Emera NL DER and the actual Partnership DER, respectively, achieved, the General Partner shall change the amount of the rent under the LIL Assets Agreement in order to recover the appropriate amount.

(f) In calculating each respective DER, the Emera NL Target Share of LIL LP Equity and the Nalcor LP Target Share of LIL LP Equity:

(i) the total debt balance arising from the Financing shall reflect unpaid Financing Costs of the LIL accrued on a monthly basis to the date of calculation; and

(ii) the Capital Account balances shall include ROE accrued to the date of calculation.

5.9 Nalcor and Emera Pledge of Partnership Interests (Financing)

Nalcor and Emera recognize that in connection with the Financing it will be necessary for the General Partner and Nalcor LP and Emera NL as Limited Partners in the Partnership to pledge their respective Partnership Interests and execute any related limited recourse guarantee in favour of the Financing Parties (or a security trustee on behalf of the Financing Parties) for the term of the Financing under such terms and conditions as the Financing Parties may reasonably require from each of them within the context of a limited recourse financing of the LIL (each a "**Financing Pledge and Guarantee**"). The General Partner, Nalcor LP and Emera NL respectively shall execute, deliver and perform their obligations under the relevant Financing Pledge and Guarantee.

5.10 Emera NL Pledge of Partnership Interests (Cross Defaults)

(a) To secure the performance of the obligations of Emera and Emera NL under this Agreement and the LIL LP Agreement arising prior to First Commercial Power of the LIL, Emera NL shall pledge to and create a security interest in favour of Nalcor and Nalcor LP (which shall in all respects be subject and subordinate to Emera NL's Financing Pledge and Guarantee) in the Emera NL Partnership Interest by executing the Pre-FCP Pledge.

(b) After First Commercial Power of the LIL, Nalcor LP shall have the option:

(i) to pledge to and create a security interest in favour of Emera and Emera NL (which shall in all respects be subject and subordinate only to Nalcor LP's Financing Pledge) in the Nalcor LP Partnership Interest or, at Nalcor's option from time to time, in the Distributions to be made in respect of such Partnership Interest, to secure the performance of the obligations of Nalcor and Nalcor LP arising under this Agreement, the LIL LP Agreement, the NEFA and the Nalcor LP Cross Default Indemnity Agreement; and if so

(ii) to require Emera NL and Emera NL to pledge to and create a security interest in favour of Nalcor and Nalcor LP (which shall in all respects be subject and subordinate only to Emera NL's Financing Pledge) in the Emera NL Partnership Interest or, if and to the extent that Nalcor correspondingly elects pursuant to **Section 5.10(b)(i)** from time to time, in the Distributions to be made in respect of such Partnership Interest, to secure the performance of the obligations of Emera and Emera NL arising under this Agreement, the LIL LP Agreement, and the Emera NL Cross Default Indemnity Agreement, upon the same terms and conditions in all respects as Nalcor LP's pledge (including subordination to the Financing Parties under such terms and conditions as the Financing Parties may reasonably require in connection with the Financing).

5.11 Parental Guarantees

(a) Emera and Nalcor shall each guarantee to the other the respective obligations of their respective Wholly-Owned Subsidiaries, other than the General Partner, except Nalcor shall guarantee that the General Partner as general partner of the Partnership will duly and punctually perform each and every obligation respecting the determination of Distributable Cash, the charging and collection of Rent as defined in the LIL Assets Agreement and the payment to Emera NL of Distributions which is imposed upon it hereunder or under the LIL LP Agreement, (including their respective obligations to make Capital Contributions) provided for in the Subscription Agreements, this Agreement, the LIL LP Agreement, the NEFA, the Emera NL Cross Default Indemnity Agreement and the Nalcor LP Cross Default Indemnity Agreement, by executing the guarantees in the form of **Schedule 5** and **Schedule 6**, respectively.

(b) Nalcor shall guarantee to the Financing Parties under any Financing of the Partnership the obligations of Nalcor LP to pay subscription prices, and to make Capital Contributions provided for in the Nalcor LP Subscription Agreement, the Nalcor Equity Funding Agreement and the LIL LP Agreement.

5.12 PUB Regulation

Nalcor shall use commercially reasonable efforts to cause the Partnership to be a public utility regulated by the PUB or other Authorized Authority allowed to recover costs associated with the LIL on a cost of service basis.

5.13 Emera ROE True-Up

So long as Emera NL is a Limited Partner or is entitled to receive payments pursuant to **Section 5.15(c)** of this Agreement or payments and allocations of Net Income under the LIL LP Agreement (including, for greater certainty, allocations and payments pursuant to Section 3.12(c) of the LIL LP Agreement), Nalcor shall pay Emera NL within 30 days of the Partnership making the True-Up Distribution in respect of a Fiscal Year (or, if there is no True-Up Distribution in respect of a Fiscal Year, within 180 days following the end of such Fiscal Year) the positive amount, if any, calculated as follows:

[A-(B-C)]/(1-Etax),

Where:

A	=	(a)	In respect of a Fiscal Year (or part thereof) during the period commencing on LIL Sanction and ending at First Commercial Power of the LIL, the aggregate of the product obtained for each Pre-FCP Quarterly Period during such Fiscal Year by multiplying the Quarterly Emera NL RROE by the Pre-FCP Average Quarterly Balance of the Class B Limited Unit Capital Account and of any other Capital

		Account held by Emera NL; or (b) In respect of any other Fiscal Year (or part thereof) during the period between First Commercial Power of the LIL and the end of the Term, the aggregate of the product obtained for each Post-FCP True-up Period during such Fiscal Year by multiplying the applicable Emera NL RROE by the number of days in each Post-FCP True-up Period divided by 365, and multiplying the product thereof by each Average Post-FCP True-Up Period Balance of the Class B Limited Unit Capital Account and Average Post-FCP True-Up Period Balance of any other Capital Account held by Emera NL
B	=	the amount of total Net Income allocated to the holder of the Class B Limited Units for such Fiscal Year in accordance with Section 5.1 of the LIL LP Agreement
C	=	Tax Adjustment Amount for such Fiscal Year
Etax	=	Emera NL's actual statutory income tax rate for such Fiscal Year (expressed as the decimal equivalent of the applicable percentage amount), determined as the aggregate of: (a) the average statutory rate of income Tax applicable to Emera NL for such Fiscal Year pursuant to the Tax Act; and (b) the average statutory rate of income Tax applicable to Emera NL for such Fiscal Year pursuant to the *Income Tax Act* (Newfoundland and Labrador)

In the event that the amount is negative, Emera NL shall pay such amount to Nalcor within 30 days of the Partnership making the True-Up Distribution in respect of a Fiscal Year (or, if there is no True-Up Distribution in respect of a Fiscal Year, within 180 days following the end of such Fiscal Year). Each of Emera NL and Nalcor shall have 30 days after payment (whether by Nalcor to Emera NL or by Emera NL to Nalcor) to object to the calculation of the amount and to refer it for resolution as a Specified Dispute pursuant to the Dispute Resolution Procedure.

5.14 Partnership Interests

Emera NL shall enter into the Emera NL Subscription Agreement and undertake to make the Capital Contributions to the Partnership therein provided for. So long as Emera NL or an Affiliate holds the Emera NL Partnership Interest, Emera shall ensure that Emera NL or the Affiliate holding the Emera NL Partnership Interest is established and operating in NL with its sole permanent establishment for provincial income tax purposes in NL.

5.15 Certain Options of Nalcor

(a) *Maritime Link Non Sanction Option*

(i) If Nalcor decides not to Sanction the Maritime Link, Nalcor, directly or through one or more Wholly-Owned Subsidiaries, shall have the option to acquire all but not less than all of Emera NL's Partnership Interest for an amount equal to the balance in the Class B Limited Unit Capital Account, less any amounts then owing by Emera NL to the Partnership and any amount owing by Emera or Emera NL under this Agreement.

(ii) The option set out in this **Section 5.15(a)** may be exercised at any time within 90 days after Nalcor decides not to Sanction the Maritime Link, by Nalcor LP delivering Notice of exercise of such option in writing to Emera NL setting out a time (which shall be not more than 30 days after the date of delivery of such Notice) and place for closing of the transaction (the "**5.15(a) Closing**").

(iii) Upon receipt of a Notice of exercise pursuant to **Section 5.15(a)(ii)**, Emera NL shall cease to have any obligation to make payment with respect to any subsequent Cash Calls issued under the NEFA.

(iv) At the 5.15(a) Closing:

(A) Nalcor LP shall deliver to Emera NL:

(1) by electronic funds transfer, the amount of the consideration payable;

(2) a release executed by the Partnership releasing Emera NL (subject to any continuing obligation such as an unresolved dispute) from any further liability, subject to **Section 10.4**, under this Agreement, the Emera NL Subscription Agreement and the LIL LP Agreement;

(3) a release executed by Nalcor releasing Emera NL (subject to any continuing obligation such as an unresolved dispute) from any further liability or obligations under the Emera NL Cross Default Indemnity Agreement;

(4) a release executed by Nalcor and Nalcor LP releasing Emera NL (subject to any continuing obligation such as an unresolved dispute) from any further liability or obligations under the Pre-FCP Pledge;

(5) a release executed by Nalcor and Nalcor LP releasing Emera (subject to any continuing obligation such as an unresolved dispute) from any further liability or obligations, subject to **Section 10.4**, under this Agreement;

(6) a release executed by the Financing Parties releasing Emera NL (subject to any continuing obligation such as an unresolved dispute) from any further liability or obligations under Emera NL's Financing Pledge and Guarantee, together with releases in respect of any other security documents of any nature whatsoever provided by either of Emera and Emera NL to the Financing Parties pursuant to Emera NL's Financing Pledge and Guarantee;

(7) releases by Nalcor or Nalcor LP, as applicable, of any other agreements entered into by Emera NL directly related to its investment in the Partnership (but excluding, for greater certainty, any of the Formal Agreements other than this Agreement and the LIL LP Agreement) releasing Emera NL (subject to any continuing obligation such as an unresolved dispute) from any further liability or obligations under such other agreements; and

(8) a release executed by Nalcor and Nalcor LP releasing Emera (subject to **(A)** any continuing obligation such as an unresolved dispute under this Agreement, and any and all liabilities and obligations arising under **Section 10.4**, and **(B)** any continuing obligation such as an unresolved dispute, and any and all liabilities and obligations of Emera NL which have accrued prior to the 5.15(a) Closing under the LIL LP Agreement, the Emera NL Subscription Agreement, the Emera NL Cross Default Indemnity Agreement or the Pre-FCP Pledge) from any further liability or obligations under the Emera Parental Guarantee; and

(B) Emera NL shall deliver to Nalcor LP free and clear of all encumbrances other than a security interest in favour of the Financing Parties:

(1) certificates representing all of the Class B Limited Units owned by it as at the date of closing;

(2) such forms of assignment and such other documents as may be required by the General Partner in order to complete the registration of the Transfer of Emera NL's Partnership Interest from Emera NL to Nalcor LP or as it may direct;

(3) a release executed by Emera releasing Nalcor LP (subject to any continuing obligation such as an unresolved dispute) from any further liability or obligations under the Nalcor LP Cross Default Indemnity Agreement; and

(4) a release executed by Emera and Emera NL releasing Nalcor (subject to any continuing obligation such as an unresolved dispute under this Agreement, and any and all liabilities and obligations arising under **Section 10.4**) from any further liability or obligations under the Nalcor Parental Guarantee.

(b) *Termination Option*

(i) At the end of the Service Life of the Labrador-Island Link, Nalcor shall have the option to acquire, directly or through one or more Wholly-Owned Subsidiaries, all but not less than all of the Partnership Interest owned by Emera NL at an aggregate price of (A) $1.00 plus (B) the remaining balance of any Capital Account owned by Emera NL applicable to Sustaining Capital.

(ii) The Parties recognize that the Service Life of the LIL as originally established by the PUB or other Authorized Authority prior to First Commercial Power of the LIL may be lengthened or shortened from time to time by the PUB or other Authorized Authority for a number of reasons other than a LIL Redevelopment. In **Section 5.15(b)(i)**:

(A) if the Service Life is unchanged or lengthened, the phrase "at the end of the Service Life" refers to the later of the Service Life of the LIL as originally established or as lengthened; and

(B) if the Service Life is shortened, the phrase "at the end of the Service Life" refers to the Service Life of the LIL as originally established.

If a LIL Redevelopment occurs, the phrase "at the end of the Service Life" when used in **Section 5.15(b)(i)** shall mean the date that is the "end of the Service Life" of the LIL immediately before the commencement of such LIL Redevelopment.

(iii) The option set out in this **Section 5.15(b)** may be exercised at any time within 90 days after the end of the Service Life of the LIL as so determined, by Nalcor LP delivering Notice of exercise of such option in writing to Emera and Emera NL setting out a time (which shall be not more than 30 days after the date of delivery of such Notice) and place for closing of the transaction ("**Termination Option Closing**").

(iv) At the Termination Option Closing:

(A) Nalcor LP shall deliver to Emera NL:

(1) a certified cheque, or electronic funds transfer, for $1.00 and an amount equal to the remaining balance of any Capital Account owned by Emera NL applicable to Sustaining Capital;

(2) a release executed by the Partnership releasing Emera NL (subject to any continuing obligation such as an unresolved dispute) from any further liability, subject to **Section 10.4**, under this Agreement, the Emera NL Subscription Agreement and the LIL LP Agreement;

(3) a release executed by Nalcor releasing Emera NL (subject to any continuing obligation such as an unresolved dispute) from any further liability or obligations under the Emera NL Cross Default Indemnity Agreement;

(4) a release executed by Nalcor and Nalcor LP releasing Emera NL (subject to any continuing obligation such as an unresolved dispute) from any further liability or obligations under the Pre-FCP Pledge;

(5) a release executed by Nalcor and Nalcor LP releasing Emera (subject to any continuing obligation such as an unresolved dispute) from any further liability or obligations, subject to **Section 10.4**, under this Agreement;

(6) a release executed by the Financing Parties releasing Emera NL (subject to any continuing obligation such as an unresolved dispute) from any further liability or obligations under Emera NL's Financing Pledge and Guarantee, together with releases in respect of any other security documents of any nature whatsoever provided by either of Emera and Emera NL to the Financing Parties pursuant to Emera NL's Financing Pledge and Guarantee;

(7) releases by Nalcor or Nalcor LP, as applicable, of any other agreements entered into by Emera NL directly related to its investment in the Partnership (but excluding, for greater certainty, any of the Formal Agreements other than this Agreement and the LIL LP Agreement) releasing Emera NL (subject to any continuing obligation such as an unresolved dispute) from any further liability or obligations under such other agreements; and

(8) a release executed by Nalcor and Nalcor LP releasing Emera (subject to **(A)** any continuing obligation such as an unresolved dispute under this Agreement, and any and all liabilities and obligations arising under **Section 10.4**, and **(B)** any continuing obligation such as an unresolved dispute, and any and all liabilities and obligations of Emera NL which have accrued prior to the Termination Option Closing under the LIL LP Agreement, the Emera NL Subscription Agreement, the Emera NL Cross Default Indemnity Agreement or the Pre-FCP Pledge) from any further liability or obligations under the Emera Parental Guarantee; and

(B) Emera NL shall deliver to Nalcor LP free and clear of all encumbrances other than a security interest in favour of the Financing Parties:

(1) certificates representing all of the Class B Limited Units as at the date of closing;

(2) such forms of assignment and such other documents as may be required by the General Partner in order to complete the registration of the Transfer of Emera NL's Partnership Interest from Emera NL to Nalcor LP or as it may direct;

(3) a release executed by Emera releasing Nalcor LP (subject to any continuing obligation such as an unresolved dispute) from any further liability or obligations under the Nalcor LP Cross Default Indemnity Agreement; and

(4) a release executed by Emera and Emera NL releasing Nalcor (subject to any continuing obligation such as an unresolved dispute under this Agreement, and any and all liabilities and obligations arising under **Section 10.4**) from any further liability or obligations under the Nalcor Parental Guarantee.

(c) *Continuing Option*

(i) In addition to any other rights set out in this Agreement, at any time after First Commercial Power of the LIL, Nalcor LP shall have, at its sole discretion, but subject to **Section 5.15(c)(ii)**, the following options:

(A) the option to require that Emera NL retire as a Limited Partner, which shall be effected pursuant to and in accordance with Section 3.12 of the LIL LP Agreement;

(B) the option to acquire, directly or through one or more Affiliates (collectively, in this Section, the "**Purchasers**"), all but not less than

all of the Partnership Interest owned by Emera NL for a price, payable in money, consisting of an initial payment of $1.00 plus earnout payments (the "**Earnouts**") for the remainder of the Service Life, dependent on the Distributions received in each Fiscal Year by the Purchasers on the Class B Limited Units acquired by the Purchasers from Emera NL, provided that such purchase price and the Earnouts shall be reduced by any amounts then owing by Emera NL to the Partnership and any amounts owing by Emera or Emera NL under this Agreement or the LIL LP Agreement at such time. The Earnouts shall be payable to Emera NL by the Purchasers in accordance with the principles set out in **Section 5.15(c)(ii)**;

(C) the option to acquire, directly or through one or more Affiliates (collectively, in this Section, the "**Purchasers**"), all but not less than all of the Partnership Interest owned by Emera NL for a price, payable by:

(1) an initial payment of $1.00; plus

(2) the delivery to Emera NL of a promissory note with a principal amount equal to the balance in the Capital Account of the Class B Limited Units owned by Emera NL and providing for a rate of interest such that the promissory note shall require the Purchasers to make payments to Emera NL for the remainder of the Service Life (subject to **Section 5.15(b)(ii)**) dependent on the Distributions received in each Fiscal Year by the Purchasers on the Class B Limited Units acquired by the Purchasers from Emera NL, with the payments under such note to be payable to Emera NL by the Purchasers in accordance with the principles set out in **Section 5.15(c)(ii)**,

provided that such purchase price and such payments shall be reduced by any amounts then owing by Emera NL to the Partnership and any amounts owing by Emera or Emera NL under this Agreement or the LIL LP Agreement at such time; and

(D) the option to acquire all but not less than all of the Partnership Interest owned by Emera NL for a price and otherwise on terms and conditions as may be agreed between Nalcor LP and Emera NL.

(ii) Nalcor, Nalcor LP, Emera and Emera NL agree that the following principles shall apply with respect to the exercise by Nalcor LP of the continuing option, four alternatives of which are set out in **Section 5.15(c)(i)**:

(A) unless Nalcor LP and Emera NL agree pursuant to **Section 5.15(c)(i)(D)**, the net after-Tax amounts retained by Emera NL

further to payments by Nalcor LP or the Partnership, as applicable, shall be no less favourable to Emera NL than, and shall be allocated and paid at the same times as, the after-Tax Net Income and Distributions Emera NL would have been allocated and paid had it continued to be a Limited Partner until, subject to **Section 5.15(b)(ii)**, the end of the Service Life, determined on the assumption that this Agreement and the LIL LP Agreement continue in all respects to be binding and enforceable, unamended, from the Continuing Option Closing;

(B) if the exercise of the option causes Emera NL to be liable for any Taxes at the Continuing Option Closing or thereafter until, subject to **Section 5.15(b)(ii)**, the end of the Service Life, the amount payable to Emera NL under the option shall be increased to the extent necessary to ensure that the net after-Tax amount retained by Emera NL has the result set out in **Section 5.15(c)(ii)(A)**. The computation of the amount of Taxes recoverable by Emera NL in respect of a Fiscal Year and the computation of the amount payable for such Fiscal Year pursuant to **Section 5.13** shall be computed without duplication, and in particular, the Taxes recoverable pursuant to **Section 5.15(c)** in respect of a Fiscal Year shall not include any amount on account of a Tax which has effectively been reimbursed, recovered, paid or is payable (in each case by Nalcor to Emera NL) pursuant to **Section 5.13** in that or in any other Fiscal Year. For greater certainty, the computation of the amount of Taxes recoverable by Emera NL pursuant to **Section 5.15(c)** in respect of Taxes paid or payable by Emera NL shall:

(1) only include Taxes paid or payable by Emera NL to the extent that they do not exceed the amount of Taxes Emera NL would otherwise have paid in such Fiscal Year pursuant to the Tax Act, the Income Tax Act (NL) and any other Canadian federal or NL Tax statute applicable at that time if it was resident in Canada and had its sole permanent establishment in NL in such Fiscal Year;

(2) in all respects be calculated without duplication;

(3) take into account any income and other Tax savings realized or to be realized by Emera NL for its relevant taxation year resulting from the financing of (y) the Capital Contributions previously made by it and (z) the acquisition of its Partnership Interest;

(4) take into account and be reduced by the amount, if any, of any such Taxes which were refunded, refundable, or

otherwise recoverable or creditable against Taxes, in any manner whatsoever, to or by Emera NL, to the extent that such Taxes were included in the calculation of the Taxes recoverable by Emera NL for that or any other Fiscal Year (including any Taxes recovered by Emera NL pursuant to the Tax Adjustment Amount in any previous Fiscal Year, including any Fiscal Year before the Continuing Option Closing);

(5) not take into account any refundable Taxes or any commodity Taxes (including HST or any other sales or ad valorem Taxes); and

(6) not take into account any Taxes which are assessed or reassessed in respect of a taxation year of Emera NL after the Normal Reassessment Period (read as if Emera NL was a "Holder" as defined therein) for such taxation year;

(C) Nalcor LP and Emera NL shall use their respective commercially reasonable efforts to minimize Taxes (in a manner consistent with **Section 5.25**), cost and risk for both Nalcor LP and Emera NL;

(D) for greater certainty, until the Continuing Option Closing (including a Continuing Option Closing occurring as a result of the application of Section 2.7(d)(iv) of the LIL LP Agreement), Emera NL shall continue in all respects to be a Limited Partner and to have all of the rights and obligations as such; and

(E) as and from the Continuing Option Closing, Emera NL shall cease to be a Limited Partner and to have any rights or obligations as such (except for any rights and obligations provided in **Section 5.15(c)**), its sole right being to receive payments in respect of the unpaid portion of the amount referred to in **Section 5.15(c)(i)**, if and as same may become due, as a creditor of (as the case may be) Nalcor LP or the Partnership.

(iii) In addition to the notification procedure set forth in **Section 5.15(c)(v)**, at the time of exercising its option under **Section 5.15(c)(i)** (including, for greater certainty, the exercise of such option as a result of the application of Section 2.7(d)(iv) of the LIL LP Agreement):

(A) Nalcor LP shall provide to Emera NL a description of the manner in which Nalcor LP intends to effect the exercise of the option (which, for greater certainty, may be to require that Emera NL retire as a Limited Partner, which shall be effected pursuant to and in accordance with Section 3.12 of the LIL LP Agreement);

(B) Emera NL shall have a period of 45 days following receipt of a Notice from Nalcor LP pursuant to **Section 5.15(c)(v)** to give to Nalcor LP a Notice advising that Emera NL either accepts that Nalcor LP's proposed arrangement meets the principles enunciated in **Section 5.15(c)(ii)** or challenges whether Nalcor LP's proposed arrangement meets such principles, provided that if Emera NL fails to deliver any such Notice to Nalcor LP within such 45-day period, Emera NL shall be deemed to have given to Nalcor LP Notice that Emera NL accepts that Nalcor LP's proposed arrangement meets such principles. If Emera NL gives to Nalcor LP a Notice challenging whether Nalcor LP's proposed arrangement meets the principles enunciated in **Section 5.15(c)(ii)**, such issue shall be submitted for resolution as a Specified Dispute. If the Independent Expert determines that the proposed arrangement does not meet the principles set out in **Section 5.15(c)(ii)**, Nalcor LP shall revise its proposal and repeat the process. If, after two revised proposals, the Independent Expert determines that the proposed arrangement, as revised, does not meet the principles set out in **Section 5.15(c)(ii)**, Nalcor LP shall be required to effect the exercise of the option in accordance with its last revised proposed arrangement and Nalcor and Nalcor LP shall jointly and severally indemnify and save harmless Emera and Emera NL from and against any and all Losses arising from any and all claims, demands, actions, suits or proceedings, whether civil, criminal, administrative or investigative, in which it or they may be involved, or is threatened to be involved, as a party or otherwise, or any loss, claim, damage or liability it or they may incur, by reason of the failure by Nalcor LP to comply with the principles set forth in **Section 5.15(c)(ii)** and, for greater certainty, "Loss" shall include any additional Taxes incurred by Emera NL as a result of the last proposed arrangement not meeting the principles set out in **Section 5.15(c)(ii)**. Any Dispute as to Losses, including any additional Taxes, shall be a Specified Dispute; and

(C) Nalcor LP acknowledges that by executing this Agreement and the Emera NL Subscription Agreement, Emera NL does not waive any right to contest that the Retired Limited Partner option effected pursuant to and in accordance with Section 3.12 of the LIL LP Agreement as written complies with the principles set out in **Section 5.15(c)(ii)**.

(iv) For the purpose of determining the amount of any Taxes recoverable by Emera NL pursuant to **Section 5.15(c)** in the Fiscal Year in which the Continuing Option Closing occurs and in each applicable Fiscal Year thereafter:

(A) Emera NL shall, not later than 45 days following receipt of the Notice provided pursuant to **Section 5.15(c)(v)** (subject to such longer period of time as is reasonably necessary if it challenges Nalcor LP's proposed arrangement in accordance with **Section 5.15(c)(iii)(B)**), deliver to Nalcor LP a Notice setting out its estimate of the amount of Taxes payable by it in the Fiscal Year in which the Continuing Option Closing occurs pursuant to the exercise of the option (subject to the limitations set out in **Section 5.15(c)**), including sufficient detail thereof to permit Nalcor LP to undertake a detailed review thereof. Nalcor LP shall have a period of 30 days after receipt of such Notice to determine whether to accept Emera NL's estimate of such Taxes or to refer the determination for resolution as a Specified Dispute pursuant to the Dispute Resolution Procedure. Emera NL's estimate of such Taxes (if accepted by Nalcor LP without dispute) or the amount determined pursuant to the Dispute Resolution Procedure, as the case may be, shall be the basis upon which the amount of Taxes recoverable by Emera NL for such Fiscal Year shall be determined, provided that such amount shall be increased to the extent necessary to ensure that the net after-Tax amount retained by Emera NL shall equal the amount so determined;

(B) if applicable in respect of each Fiscal Year after the Fiscal Year in which the Continuing Option Closing occurs, Nalcor LP shall, not later than six months prior to the beginning of each such Fiscal Year (or as soon as is reasonable in respect of the first Fiscal year following the Fiscal Year in which the option is exercised), deliver to Emera NL a Notice setting out Nalcor LP's estimate of the amounts that will be allocated and paid to Emera NL in such Fiscal Year, including, if applicable, the amounts of Taxable Income and Distributions of the Partnership that will be allocated in respect of such Fiscal Year to Emera NL;

(C) Emera NL shall, not later than one month following receipt of the Notice provided pursuant to **Section 5.15(c)(iv)(B)**, deliver to Nalcor LP a Notice setting out Emera NL's estimate of its Taxes recoverable for such Fiscal Year pursuant to **Section 5.15(c)** (which shall include a true-up, whether positive or negative, in respect of previous Fiscal Years, as applicable), including sufficient detail thereof to permit Nalcor LP to undertake a detailed review thereof. Nalcor LP shall have a period of 30 days after receipt of such Notice to determine whether to accept Emera NL's estimate of such Taxes recoverable or to refer the determination for resolution as a Specified Dispute pursuant to the Dispute Resolution Procedure. Emera NL's estimate of such Taxes recoverable (if accepted by Nalcor LP without dispute) or the amount determined pursuant to the Dispute Resolution

Procedure, as the case may be, shall be Emera NL's Taxes recoverable for such Fiscal Year pursuant to **Section 5.15(c)**; and

(D) Emera NL shall advise Nalcor LP within 30 days of any change in its taxation year for the purposes of the Tax Act.

(v) The options set out in **Sections 5.15(c)(i)(A), (B), (C)** and **(D)** may be exercised, at any time after First Commercial Power of the LIL, by Nalcor LP delivering Notice of exercise of such option in writing to Emera NL setting out a time (which shall be not less than 45 days after the date of delivery of such Notice) and place for closing of the transaction (the "**Continuing Option Closing**") and, where applicable and with reasonable detail, the applicable purchase price as determined by Nalcor in accordance with this **Section 5.15(c)** (the "**Exercise Price**"); provided however that before First Commercial Power of the LIL, Nalcor LP may only give Emera NL an irrevocable Notice of intention to exercise an option on a day certain occurring during the first 60 days after First Commercial Power of the LIL. If Emera NL challenges Nalcor LP's proposed arrangement in accordance with **Section 5.15(c)(iii)(B)**, the Continuing Option Closing shall be 10 days after the earlier to occur of (x) Emera NL giving (or being deemed to have given) Notice of its agreement to the proposed arrangement (whether original or as revised), (y) the date on which the Independent Expert determines that the proposed arrangement (whether original or as revised) meets the principles set out in **Section 5.15(c)(ii)** and (z) the date on which the Independent Expert determines that Nalcor LP's second revised proposed arrangement does not meet the principles set out in **Section 5.15(c)(ii)** and as a result Nalcor LP is required to effect the exercise of the option in accordance with its last revised proposed arrangement.

(vi) After the Continuing Option Closing, Emera NL shall cease to have any obligation to make payments with respect to any subsequent Cash Calls issued under the NEFA. If Emera NL receives a Notice of intention referred to in the proviso to **Section 5.15(c)(v)**, it shall continue to be obliged to make payments with respect to any subsequent Cash Calls issued under the NEFA until the day certain referred to in such Notice.

(vii) At the Continuing Option Closing:

(A) Nalcor LP shall deliver to Emera NL:

(1) where applicable in accordance with **Section 5.15(c)(i)**, a certified cheque or electronic funds transfer for the amount of $1.00;

(2) where applicable, a promissory note;

(3) a release executed by the Partnership releasing Emera NL (subject to any continuing obligation such as an unresolved dispute) from any further liability, subject to **Section 10.4**, under this Agreement, the Emera NL Subscription Agreement and the LIL LP Agreement;

(4) a release executed by Nalcor releasing Emera NL (subject to any continuing obligation such as an unresolved dispute) from any further liability or obligations under the Emera NL Cross Default Indemnity Agreement;

(5) a release executed by Nalcor and Nalcor LP releasing Emera NL (subject to any continuing obligation such as an unresolved dispute) from any further liability or obligations under the Pre-FCP Pledge;

(6) a release executed by Nalcor and Nalcor LP releasing Emera (subject to any continuing obligation such as an unresolved dispute) from any further liability or obligations, subject to **Section 10.4**, under this Agreement;

(7) a release executed by the Financing Parties releasing Emera NL (subject to any continuing obligation such as an unresolved dispute) from any further liability or obligations under Emera NL's Financing Pledge and Guarantee, together with releases in respect of any other security documents of any nature whatsoever provided by either of Emera and Emera NL to the Financing Parties pursuant to Emera NL's Financing Pledge and Guarantee;

(8) releases by Nalcor or Nalcor LP, as applicable, of any other agreements entered into by Emera NL directly related to its investment in the Partnership (but excluding, for greater certainty, any of the Formal Agreements other than this Agreement and the LIL LP Agreement) releasing Emera NL (subject to any continuing obligation such as an unresolved dispute) from any further liability or obligations under such other agreements; and

(9) a release executed by Nalcor and Nalcor LP releasing Emera (subject to (y) any continuing obligation such as an unresolved dispute under this Agreement, and any and all liabilities and obligations arising under **Sections 5.15(c)(viii)** or **10.4**, and (z) any continuing obligation such as an unresolved dispute, and any and all liabilities and obligations of Emera NL which have accrued prior to the Continuing

Option Closing under the LIL LP Agreement, the Emera NL Subscription Agreement, the Emera NL Cross Default Indemnity Agreement or the Pre-FCP Pledge) from any further liability or obligations under the Emera Parental Guarantee;

(B) Emera NL shall deliver to Nalcor LP:

(1) certificates representing all of the Class B Limited Units and any other Limited Units owned by Emera NL as at the date of closing;

(2) such forms of assignment and such other documents as may be required by the General Partner in order to complete the (y) registration of the Transfer of Emera NL's Partnership Interest from Emera NL to Nalcor LP (or as it may direct), or (z) redemption of Emera NL's Class B Limited Units and any other Limited Units owned by Emera NL at such time;

(3) a release executed by Emera releasing Nalcor LP (subject to any continuing obligation such as an unresolved dispute) from any further liability or obligations under the Nalcor LP Cross Default Indemnity Agreement; and

(4) unless otherwise agreed under **Section 5.15(c)(i)(D)** or determined under **Section 5.15(c)(iii)(B)**, where a lump sum payment is made at the Continuing Option Closing in full satisfaction of the obligations of Nalcor and Nalcor LP to Emera NL arising from the exercise of the Continuing Option, a release executed by Emera and Emera NL releasing Nalcor (subject to any continuing obligation such as an unresolved dispute under this Agreement and any and all liabilities and obligations under **Section 10.4**) from any further liability or obligations under the Nalcor Parental Guarantee,

provided that, where the manner of effecting the exercise of the Continuing Option does not provide for such a lump sum payment in full satisfaction of the obligations to Emera NL, the obligation to deliver such a release shall not arise until all periodic payments provided for in relation thereto have been paid; and

(C) if Emera fails to deliver the certificates, forms of assignment, release or other required documents in accordance with **Section 5.15(c)(vii)(B)** (including, if applicable, any unanimous consent required to effect the retirement of Emera NL pursuant to Section 3.12 of the LIL LP Agreement), Emera NL hereby grants the General

Partner an irrevocable power of attorney (and for such purpose the power of attorney granted by Emera NL pursuant to Section 2.10 of the LIL LP Agreement shall be deemed to apply, *mutatis mutandis*) to sign on its behalf and deliver any such certificates, forms of assignment, release or other required documents (including, if applicable, any unanimous consent referred to in Section 3.12 of the LIL LP Agreement).

(viii) Notwithstanding any other provision of this Agreement or the LIL LP Agreement, the obligations of Emera NL or its Affiliates pursuant to Section 10.6 of the LIL LP Agreement shall not be released and shall not terminate at the Continuing Option Closing. At, and at any time after, the Continuing Option Closing, Nalcor LP shall be entitled to collect from Emera NL any amount owing by Emera NL or its Affiliates pursuant to such obligations (or from Emera pursuant to the Emera Parental Guarantee in respect of such obligations), including by setting-off any amounts then owing by Nalcor LP or its Affiliates to Emera NL or its Affiliates pursuant to this Agreement against any amounts then owing by Emera NL or its Affiliates to Nalcor LP or its Affiliates pursuant to this Agreement or Section 10.6 of the LIL LP Agreement.

(ix) If a Dispute (other than a Specified Dispute) arises with respect to any matter set out in this **Section 5.15(c)**, the Parties will be deemed to have agreed pursuant to Section 5.1 of the Dispute Resolution Procedure to resolve the Dispute by arbitration.

5.16 Sustaining Capital

If, after First Commercial Power of the LIL, Opco determines that it is necessary to incur Sustaining Capital with respect to the LIL, Nalcor shall cause Opco to so advise Nalcor and Emera, whereupon Nalcor and Emera shall respectively cause the holder of the Class A Limited Units and the holder of the Class B Limited Units to agree to amend the LIL LP Agreement in a manner to allow for additional units which would have the same rights as the holder of Class A Limited Units and the holder of Class B Limited Units as they pertain to the funding of such Sustaining Capital *mutatis mutandis*. **Section 1.2(m)** applies to this **Section 5.16**.

5.17 Emera Obligation to Provide Investment Opportunities

(a) Emera shall provide Nalcor with opportunities to invest in existing assets or in future investments being considered by Emera up to an amount equivalent to the Emera NL Additional Investment on similar terms and conditions to those under which Emera is making or has made the investment in the existing asset or the future investments, provided that any benefits or value to Emera from such investment that accrue only to Emera shall be excluded in establishing such similar terms and conditions.

(b) To facilitate this, the Parties agree that senior representatives of each Party shall meet no less than twice in each year following the Effective Date to review and discuss investment opportunities. If Nalcor is interested in investing in any such opportunity, it shall so advise Emera and Nalcor and Emera shall thereafter negotiate with a view to agreeing upon a basis for such investment. **Section 1.2(m)** applies to this **Section 5.17(b)**.

5.18 **Determination of Actual Capital Costs, Actual AFUDC and Reserves**

(a) Within 180 days after First Commercial Power in respect of the LIL, Nalcor shall provide to Emera:

(i) a draft interim report of:

(A) the Actual Capital Costs of the LIL and the Actual Capital Costs of the LIL funded by an Overrun Contribution, all prepared in accordance with the Cost Accounting Protocol;

(B) the Actual AFUDC of the LIL; and

(C) the Reserves at First Commercial Power of the LIL,

based upon the information available as at the date of preparation; and

(ii) a similar report respecting the Estimated Capital Costs of the LTA, or if then available, the Actual Capital Costs of the LTA,

(collectively, the "**LIL-LTA Cost Data**").

(b) Within 45 days after receiving the draft interim reports pursuant to **Section 5.18(a)**, Emera shall provide any comments it may have on the drafts in writing to Nalcor. Nalcor shall consider any comments made by Emera and within a further 45 days issue an interim report of the LIL-LTA Cost Data (the "**NL Interim Cost Report**") based upon the information available as at the date of preparation including initial adjustments for unresolved claims and liabilities at that time. Such report shall identify amounts related to (i) costs awaiting approval of the PUB or other Authorized Authority, (ii) accruals for claims by Contractors and suppliers, (iii) unsettled insurance claims, and (iv) any other contingent liabilities and recoveries.

(c) Within 180 days after First Commercial Power in respect of the LIL, Emera shall provide Nalcor with a draft interim report of the Estimated Capital Costs of the Maritime Link, or, if then available, the Actual Capital Costs of the Maritime Link prepared in accordance with the cost accounting protocol attached to the Maritime Link Joint Development Agreement (the "**ML Cost Data**").

(d) Within 45 days after receiving the draft report pursuant to **Section 5.18(c)** Nalcor shall provide any comments it may have on the draft in writing to Emera. Emera

shall consider any comments made by Nalcor and within a further 45 days issue an interim report of the ML Cost Data (the "**ML Interim Cost Report**") based upon the information available as at the date of preparation, including initial adjustments for unresolved claims and liabilities at that time. Such report shall identify amounts related to (i) costs awaiting UARB approval, (ii) accruals for claims by contractors and suppliers, (iii) unsettled insurance claims, (iv) unresolved claims pursuant to Section 3.2(e) of the Maritime Link Joint Development Agreement, and (v) any other contingent liabilities and recoveries.

(e) Within 30 days after the later of Nalcor's issuance of the NL Interim Cost Report to Emera and Nalcor's receipt of the ML Interim Cost Report, Nalcor shall consolidate the NL Interim Cost Report and the ML Interim Cost Report and, based on the information therein and subject to any adjustments Nalcor considers necessary to conform to the requirements of this **Section 5.18**, shall issue to Emera an interim report of the Actual Capital Costs of the Transmission Assets (the "**Interim Cost Report**").

(f) Emera shall be deemed to have approved the Interim Cost Report unless within 45 days after Emera's receipt thereof Emera gives Nalcor a Notice of Dispute with respect to the Interim Cost Report.

(g) Within 180 days after the first to occur of:

(i) the date when all matters referred to in the last sentence of **Section 5.18(b)** have been finally resolved; and

(ii) the fifth anniversary of First Commercial Power in respect of all of the Transmission Assets,

Nalcor shall determine the adjustments to be made to the NL Interim Cost Report resulting from the resolution in the meantime of any of the matters referred to in the last sentence of **Section 5.18(b)** to produce a final report of the Actual Capital Costs of the LIL and the LTA and Actual Capital Costs in respect of the LIL not approved by the PUB or other Authorized Authority (the "**NL Final Cost Report**"). If **Section 5.18(g)(ii)** applies, any unresolved claims and liabilities at that date shall be valued by Nalcor unless within 45 days after Emera's receipt of the NL Final Cost report Emera gives Nalcor a Notice of Dispute with respect thereto.

(h) Within 180 days after the first to occur of:

(i) the date when all matters referred to in the last sentence of **Section 5.18(d)** are finally resolved; and

(ii) the fifth anniversary of First Commercial Power in respect of all of the Transmission Assets,

Emera shall determine the adjustments to be made to the ML Interim Cost Report resulting from the resolution in the meantime of any of the matters referred to in the last sentence of **Section 5.18(d)** to produce a final report of the Actual Capital Costs of the Maritime Link prepared in accordance with the cost accounting protocol attached to the Maritime Link Joint Development Agreement (the "**ML Final Cost Report**"). If **Section 5.18(h)(ii)** applies, any unresolved claims and liabilities at that date shall be valued by Emera unless within 45 days after Nalcor's receipt of the ML Final Cost report Nalcor gives Emera a Notice of Dispute with respect thereto.

(i) Within 30 days after the later of Nalcor's issuance of the NL Final Cost Report to Emera and Nalcor's receipt of the ML Final Cost Report, Nalcor shall consolidate the NL Final Cost Report and the ML Final Cost Report and, based on the information therein and, subject to any adjustments Nalcor considers necessary to conform to the requirements of this **Section 5.18**, shall issue a final report to Emera of the Actual Capital Costs of the Transmission Assets (the "**Final Cost Report**").

(j) Emera shall be deemed to have approved the Final Cost Report unless within 45 days after Emera's receipt thereof Emera gives Nalcor a Notice of Dispute with respect to the Final Cost Report.

(k) In order to permit the calculations called for by this **Section 5.18** in respect of the LIL, the General Partner shall provide to Nalcor any information in its possession which may be required by Nalcor respecting the Capital Costs of the LIL.

5.19 **Post First Commercial Power Adjustments**

After the Interim Cost Report is received, and again after the Final Cost Report is received, the required amounts of Capital Contributions of Nalcor LP and Emera NL under this Agreement will be recomputed and adjusted in accordance with the following provisions:

(a) First Adjustment- Once the Actual Capital Costs of the Transmission Assets are known as a result of the issuance of the Interim Cost Report or the Final Cost Report, as the case may be, the following shall be calculated based upon the amounts set out in such Interim Cost Report or Final Cost Report, as the case may be:

(i) calculate the dollar amount of Emera NL's investment in the Partnership, including both its Class B Limited Unit Capital Account and the portion of the Partnership debt which is attributed to Emera NL for the purposes of these calculations (the "**Emera NL Additional Investment**"), which is intended to equal the positive difference, if any, derived by subtracting:

(A) the Actual Capital Costs of the Maritime Link as shown in the Interim Cost Report or the Final Cost Report, as the case may be; from

(B) 49% of the Actual Capital Costs of the Transmission Assets as shown in the Interim Cost Report or the Final Cost Report, as the case may

be, less any Actual Capital Costs in respect of the LIL that were not approved by the PUB or other Authorized Authority, if any;

(ii) calculate the Emera NL Target Dollar Share of the Undepreciated Capital Asset as at First Commercial Power of the LIL (which is its Class B Limited Unit Capital Account and the portion of the Partnership debt which is attributed to Emera NL for the purposes of these calculations) computed as:

(A) the dollar value of the Emera NL Additional Investment as calculated under **Section 5.19(a)(i)**; plus

(B) total Actual AFUDC and Reserves as at First Commercial Power of the LIL related to the Emera NL Additional Investment, which is:

(1) the dollar value of the Emera NL Additional Investment as calculated under **Section 5.19(a)(i)**, multiplied by

(2) the total Actual AFUDC and Reserves as at First Commercial Power for the LIL, excluding any Actual AFUDC and Reserves as at First Commercial Power of the LIL related to Capital Costs of the LIL not approved by the PUB or other Authorized Authority, divided by

(3) the Actual Capital Costs of the LIL less Capital Costs relating to Overrun Contributions;

(iii) calculate the Nalcor LP Target Dollar Share of the Undepreciated Capital Asset as at First Commercial Power of the LIL (which includes both its Class A Limited Unit Capital Account and the portion of the Partnership debt which is attributed to Nalcor LP for the purposes of these calculations) computed as:

(A) the dollar value of the Undepreciated Capital Asset as at First Commercial Power of the LIL, less

(B) the dollar value of the Emera NL Target Dollar Share of the Undepreciated Capital Asset as at First Commercial Power of the LIL;

(iv) calculate:

(A) the Nalcor LP Target Percentage Share of the Undepreciated Capital Asset, which is the percentage that the Nalcor LP Target Dollar Share of the Undepreciated Capital Asset as at First Commercial Power of the LIL, is of the Undepreciated Capital Asset as at First Commercial Power of the LIL; and

(B) the Emera NL Target Percentage Share of the Undepreciated Capital Asset, which is the percentage that the Emera NL Target Dollar Share of the Undepreciated Capital Asset as at First Commercial Power of the LIL, is of the Undepreciated Capital Asset as at First Commercial Power of the LIL;

(v) calculate:

(A) the Emera NL Target Dollar Attributable Debt as at the date of the Post First Commercial Power Adjustment, which is equal to:

(1) the Emera NL Target Percentage Share of the Undepreciated Capital Asset, multiplied by

(2) the value of the Undepreciated Capital Asset as at the date of the Post First Commercial Power Adjustment, multiplied by

(3) the debt percentage in Emera NL's Target DER;

(B) the Emera NL Target Dollar Attributable Equity as at the date of the Post First Commercial Power Adjustment, which is equal to:

(1) the Emera NL Target Percentage Share of the Undepreciated Capital Asset, multiplied by

(2) the value of the Undepreciated Capital Asset as at the date of the Post First Commercial Power Adjustment, multiplied by

(3) 100% minus the debt percentage in Emera NL's Target DER;

(C) the Nalcor LP Target Dollar Attributable Debt as at the date of the Post First Commercial Power Adjustment, which is equal to:

(1) total Partnership debt as at the date of the Post First Commercial Power Adjustment, less

(2) the Emera NL Target Dollar Attributable Debt as at the date of the Post First Commercial Power Adjustment; and

(D) the Nalcor LP Target Dollar Attributable Equity as at the date of the Post First Commercial Power Adjustment, which is equal to:

(1) the Partnership Capital Account as at the date of the Post First Commercial Power Adjustment, less

(2) the Emera NL Target Dollar Attributable Equity as at the date of the Post First Commercial Power Adjustment; and

(vi) calculate the resulting Nalcor LP DER as illustrated in part 3 of **Schedule 1**.

(b) The Parties agree that the illustrative examples set out in **Schedule 1** show the calculations to be made under **Section 5.19(a)**.

(c) To achieve the desired equity values as described above, Nalcor LP or Emera NL as the case may be, shall make an appropriate additional Capital Contribution and the General Partner shall return the equivalent amount of the Class A Limited Unit Capital Account or the Class B Limited Unit Capital Account, as the case may be.

(d) Once the Actual Capital Costs, Actual AFUDC and Reserves of the Transmission Assets are known as a result of the issue of the Final Cost Report as provided in **Section 5.18(i)** each of the calculations set out in **Section 5.19(a)** shall be re-calculated based upon the amounts set out in such Final Cost Report and Nalcor shall make such re-calculation.

(e) The transaction described in **Section 5.19(c)** will be done on the basis of the Undepreciated Capital Asset values as at the date of the Interim Cost Report and the Final Cost Report respectively. No adjustment will be made to prior Partnership Distributions, nor to Emera NL's filed tax returns.

(f) For the purposes of the calculations provided for in this **Section 5.19**, if:

(i) Emera has not sanctioned the ML, but Nalcor has elected to proceed with its construction; or

(ii) neither Nalcor nor Emera has sanctioned the ML,

but Emera continues to hold its investment in the Partnership, the ML shall be deemed to be owned by Emera and the Actual Capital Costs of the ML shall be deemed to be equal to the Estimated Capital Costs of the Maritime Link available at the time of the Emera decision not to sanction the Maritime Link.

5.20 **Emera NL RROE and Capital Structure**

(a) The Emera NL RROE to be earned by Emera NL in respect of any Fiscal Year shall be determined in accordance with the following principles and shall be changed whenever a reference rate of return is made effective by the PUB, with the prior Emera NL RROE applying during the part of the Fiscal Year before the change and the changed Emera NL RROE applying during the portion of the Fiscal Year after the change:

(i) if during such Fiscal Year there is only one privately-owned regulated electrical utility in NL, the Emera NL RROE shall be equal to the rate of after-tax return on equity approved by the PUB in respect of such utility for such Fiscal Year; and

(ii) if during such Fiscal Year there is more than one privately-owned regulated electrical utility in NL, the Emera NL RROE shall be the average of the rates of after-tax return on equity approved by the PUB in respect of all such utilities for such Fiscal Year.

(b) If during such Fiscal Year there are no privately-owned regulated electrical utilities in NL, the Emera NL RROE for such Fiscal Year shall be the average of the rates of after-tax return on equity approved for such Fiscal Year for the four largest (measured by asset base) privately-owned regulated electrical utilities in Canada (but excluding both Nalcor and Emera and their Affiliates), provided that if there are fewer than four such utilities, the average referred to above shall be the average of all such utilities.

(c) The intent of **Section 5.8(a)(iv)(B)** is that the holder of the Class B Limited Units is provided with a capital structure equal to a debt:equity ratio having the maximum equity percentage approved by the PUB for privately-owned regulated electrical utilities. The DER applicable to Emera NL to be established under **Section 5.8(a)(iv)(B)** shall be determined in accordance with the following principles and shall apply from Financial Close in respect of every Fiscal Year and except as permitted under **Section 5.20(c)(iv)** shall not be changed:

(i) if at the time of the establishment of the DER under **Section 5.8(a)(iv)(B)** there is only one privately-owned regulated electrical utility in NL, the DER referred to in **Section 5.8(a)(iv)(B)** shall be equal to the debt:equity ratio having the maximum equity percentage allowed to such utility;

(ii) if at the time of the establishment of the DER under **Section 5.8(a)(iv)(B)** there is more than one privately-owned regulated electrical utility in NL, the DER referred to in **Section 5.8(a)(iv)(B)** shall be the average of the debt:equity ratios each having the maximum equity percentage allowed to each of such privately-owned regulated electrical utilities;

(iii) if at the time of the establishment of the DER under **Section 5.8(a)(iv)(B)** there is no privately-owned regulated electrical utility in NL, the DER referred to in **Section 5.8(a)(iv)(B)** shall be the average of the debt:equity ratios each having the maximum equity percentage allowed to the four largest (measured by asset base) privately-owned regulated electrical utilities in Canada (but excluding both Nalcor and Emera and their Affiliates) and if there are less than four, then the average of all of such privately-owned regulated electrical utilities; and

(iv) notwithstanding **Sections 5.20(c)(i)** through **(iii)**, the DER applicable to Emera NL under **Section 5.8(a)(iv)(B)** may be altered at the discretion of the General Partner in the event of an extension to the Service Life, in order to allow for an equity percentage in the capital structure greater than that as determined under **Sections 5.20(c)(i)** through **(iii)**.

5.21 Repayment of Excess Distribution

If, as determined by the General Partner, any Limited Partner or Retired Limited Partner has received a Distribution or any Retired Limited Partner has received a Retirement Payment which exceeds the entitlement of such Limited Partner or Retired Limited Partner, such Limited Partner or Retired Limited Partner shall forthwith on demand from the General Partner repay to the Partnership the amount thereof upon receipt of Notice to such effect and, if such amount is not then repaid, the General Partner may deduct such amount from any subsequent Distribution to such Limited Partner or Retirement Payment to such Retired Limited Partner, together with interest thereon at a rate per annum equal to the Prime Rate plus 3% for the period from and including the third Business Day following such Notice to but excluding the date of repayment, provided that so long as it continues, such failure shall constitute a default under this Agreement.

5.22 Tax Adjustment Amount

For the purpose of determining the Tax Adjustment Amount in respect of each Fiscal Year:

(a) the General Partner shall, not later than six months prior to the beginning of each Fiscal Year, deliver to the holder of the Class B Limited Units a Notice setting out the General Partner's estimate of the Taxable Income of the Partnership that will be allocated in respect of such Fiscal Year to the holder of the Class B Limited Units;

(b) the holder of the Class B Limited Units shall, not later than one month following receipt of the Notice provided pursuant to **Section 5.22(a)**, deliver to the General Partner a Notice setting out the holder's estimate of its Tax Adjustment Amount for such Fiscal Year, including sufficient detail thereof to permit the General Partner to undertake a detailed review thereof. The General Partner shall have a period of 30 days after receipt of such Notice to determine whether to accept the Class B Limited Unit holder's estimate of such Tax Adjustment Amount or to refer the determination for resolution as a Specified Dispute pursuant to the Dispute Resolution Procedure. The Class B Limited Unit holder's estimate of such Tax Adjustment Amount (if accepted by the General Partner without dispute) or the amount determined pursuant to the Dispute Resolution Procedure, as the case may be, shall be the Class B Unit holder's Tax Adjustment Amount for such Fiscal Year;

(c) together with the Notice provided pursuant to **Section 5.22(b)**, the holder of the Class B Limited Units shall provide the General Partner, on a yearly basis, with the amount (including sufficient detail thereof to permit the General Partner to undertake a detailed review thereof) of all deductions taken into account in the determination of income and taxable income for the purposes of the Tax Act and the Income Tax Act (NL) to which the holder of the Class B Limited Units is entitled for the portion of its taxation year or years that is within the Fiscal Year and which are directly related to the financing of the Capital Contributions made by the holder of the Class B Limited Units; and

(d) for greater certainty, the computation of the Tax Adjustment Amount, including the Tax Adjustment Amount True-Up, in respect of a Fiscal Year and the computation of the amount payable for such Fiscal Year pursuant to **Section 5.13** shall be computed without duplication, and in particular, the Tax Adjustment Amount and the Tax Adjustment Amount True-Up in respect of a Fiscal Year shall not include any amount on account of a Tax which has effectively been reimbursed, recovered, paid or is payable pursuant to **Section 5.13**.

5.23 **Tax Adjustment Amount True-Up**

In each Fiscal Year, the holder of the Class B Limited Units shall, not later than seven months following the end of each previous Fiscal Year, deliver to the General Partner a Notice disclosing:

(a) the amount of the Canadian federal and NL income Taxes comprising paragraph (a) of the Tax Adjustment Amount paid and payable by such holder in respect of such previous Fiscal Year;

(b) the amount of the other Canadian federal and NL Taxes comprising paragraph (b) of the Tax Adjustment Amount paid and payable by such holder in respect of such previous Fiscal Year;

(c) the amount of any Canadian federal and NL Taxes refunded or otherwise credited against Taxes in such previous Fiscal Year in respect of that or any other previous Fiscal Year; and

(d) the amount of any Canadian federal and NL Taxes assessed or reassessed in such previous Fiscal Year in respect of that or any other previous Fiscal Year, excluding, however, any Taxes assessed or reassessed after the Normal Reassessment Period applicable to such Taxes.

The amount (whether positive or negative) by which the aggregate of the amounts determined pursuant to **Sections 5.23(a)**, **(b)**, **(c)** and **(d)** differs from the aggregate of the amounts determined pursuant to paragraphs (a) and (b) of the definition of the expression "Tax Adjustment Amount" for such previous Fiscal Year shall be the Tax Adjustment Amount True-Up ("**Tax Adjustment Amount True-Up**") for the Fiscal Year following the first referenced Fiscal Year in this **Section 5.23**. The General Partner shall have a period of 30 days after receipt of such Notice to determine whether to accept the Class B Limited Unit holder's determination of such Tax Adjustment Amount True-Up or to refer the determination for resolution as a Specified Dispute pursuant to the Dispute Resolution Procedure. The Class B Limited Unit holder's determination of such Tax Adjustment Amount True-Up (if accepted by the General Partner without dispute) or the amount determined pursuant to the Dispute Resolution Procedure, as the case may be, shall:

(e) be the Class B Limited Unit holder's Tax Adjustment Amount True-Up for the Fiscal Year following the first referenced Fiscal Year in this **Section 5.23**; and

(f) be:

(i) if a positive amount, an entitlement of the Class B Limited Unit holder and an obligation of the Partnership; or

(ii) if a negative amount, an entitlement of the Partnership and an obligation of the Class B Limited Unit holder,

in either case to be collected or adjusted in accordance with the provisions of the LIL LP Agreement and this Agreement relating to the determination, collection and distribution of the Tax Adjustment Amount.

5.24 Change in Taxation Years

Neither the Partnership nor the holder of the Class B Limited Units shall change its taxation year for the purposes of the Tax Act unless it first complies with the following procedure:

(a) the Person seeking to change its taxation year (the "**Requesting Party**") shall give to the other Party (the "**Requested Party**") a Notice setting forth the following information:

(i) the proposed new taxation year for the Requesting Party; and

(ii) the specific text of all amendments (the "**Proposed Amendments**") to this Agreement and the LIL LP Agreement proposed by the Requesting Party for the purpose of:

(A) making any necessary adjustments to the method of determining and calculating the Tax Adjustment Amount and the Tax Adjustment Amount True-Up (including any necessary adjustments to the method of calculating or determining any amount required for such purpose, and the application of any provision of this Agreement or the LIL LP Agreement relevant for such purpose); and

(B) ensuring that the change in the taxation year of the Requesting Party, if implemented, would not cause the Requested Party (or, if the holder of the Class B Limited Units is the Requesting Party, any other Partner) to incur any Loss;

(b) the Requested Party shall have a period of 30 days following receipt of the Requesting Party's Notice to determine whether to approve the Requesting Party's proposed change in its taxation year and the Proposed Amendments or whether to refer the matter for resolution as a Specified Dispute pursuant to the Dispute Resolution Procedure (the issue for resolution being whether the Proposed Amendments would accomplish the objectives described in **Sections 5.24(a)(ii)(A)** and **(B)**). If:

(i) the Requested Party approves the Requesting Party's proposed change in its taxation year and the Proposed Amendments as set forth in the Requesting Party's Notice; or

(ii) it is determined pursuant to the Dispute Resolution Procedure that the Proposed Amendments as set forth in the Requesting Party's Notice will accomplish the objectives described in **Sections 5.24(a)(ii)(A)** and **(B)**,

all Partners shall enter into an agreement to implement the Proposed Amendments, and the Requesting Party shall, upon such Proposed Amendments taking effect, change its taxation year to the new taxation year set forth in the Requesting Party's Notice.

If either the Partnership or the holder of the Class B Limited Units is required, due to a change in Applicable Law or any other event beyond its control, to change its taxation year, the Parties will amend this Agreement and the LIL LP Agreement for the purpose of accomplishing the objectives described in **Sections 5.24(a)(ii)(A)** and **(B)**. **Section 1.2(m)** applies to this paragraph.

5.25 **Tax**

(a) The Parties agree to collaborate and work constructively to address and minimize present and future Tax costs and risks, in accordance with reasonable commercial terms and practice and within the Tax Act and any other Applicable Law, so long as the tax-exempt status of Nalcor and its Affiliates, including Nalcor LP, Opco and the General Partner, is preserved.

(b) If Nalcor, Nalcor LP, Opco, the General Partner, or any other applicable Nalcor Affiliate generally becomes subject to income Tax pursuant to the Tax Act, the Income Tax Act (NL) or any other similar Applicable Law, the Parties agree to collaborate and work constructively to address and minimize present and future Tax costs and risks, in accordance with reasonable commercial terms and practice and within the Tax Act, the Income Tax Act (NL) and any other Applicable Law, including:

(i) make any necessary amendments to the Agreement, the LIL LP Agreement and the LIL Assets Agreement (including the provision of a Tax recovery mechanism similar to the Tax Adjustment Amount to enable the recovery of income and other Taxes payable by Nalcor, Nalcor LP, Opco, the General Partner, or any other applicable Nalcor Affiliate); and

(ii) undertake any necessary reorganizations of the Partnership or the LIL corporate structure,

provided that neither Emera, Emera NL nor any Affiliate of Emera or Emera NL shall be required to take any actions hereunder that such Person determines, acting reasonably, would have a material adverse effect on such Person. **Section 1.2(m)** applies to this **Section 5.25(b)**.

5.26 Amendment of LIL LP Agreement

The LIL LP Agreement will not be amended prior to the execution of the Emera NL Subscription Agreement without the mutual agreement of Nalcor and Emera.

5.27 Funding Computation Examples

Schedule 1 sets forth illustrative examples of the operation of the funding and contribution provisions of **Sections 5.7(b)(i)** and **5.8** and the Post First Commercial Power Adjustments of **Section 5.19**.

PART THREE - PROVISIONS OF GENERAL APPLICATION

ARTICLE 6
ASSIGNMENT AND CHANGE OF CONTROL

6.1 Nalcor Assignment Rights

(a) Notwithstanding anything contained in this Agreement to the contrary, but subject always to the LIL LP Agreement as regards the Transfer of Partnership Interests, Nalcor or Nalcor LP,

(i) after First Commercial Power may Transfer all or any part of its Partnership Interest together with a proportionate interest in the rights and responsibilities of Nalcor and Nalcor LP or either of them under this Agreement to any Person; and

(ii) before First Commercial Power may pledge all or any part of its Partnership Interest together with a proportionate interest in the rights and responsibilities of Nalcor and Nalcor LP or either of them under this Agreement in connection with a Financing,

without the consent of Emera or Emera NL,

provided, for certainty, that any Transfer (other than in connection with a Financing) of the whole or any part of a Partnership Interest to a Person that is not an Affiliate of Nalcor shall be accompanied by an assignment to such Person of a proportionate interest in the rights and an assumption by such person of the proportionate responsibilities of Nalcor and Nalcor LP under this Agreement so as to preserve as against such Person the rights of Emera and Emera NL hereunder and under the Nalcor LP Cross Default Indemnity Agreement.

(b) If Nalcor LP or an affiliate of Nalcor assigns in whole or in part its Partnership Interest to an Affiliate of Nalcor, Nalcor shall promptly execute and deliver to the Partnership a Nalcor Parental Guarantee in respect of the Affiliate to which such assignment has occurred, in the form of **Schedule 6**.

(c) No Transfer or assignment may be made of all or any portion of the Partnership Interest originally issued by the Partnership to Nalcor LP and a proportionate interest in the rights and responsibilities of Nalcor or Nalcor LP under this Agreement unless Nalcor, Nalcor LP or the assignor thereof obtains the written agreement of all Persons party to the assignment confirming that the transferee thereof shall, from and after the date of the assignment, be bound by the provisions of this Agreement as regards the Partnership Interest and such rights and obligations as if such transferee were Nalcor or Nalcor LP and shall assume all liabilities for, and in due and proper manner, pay, satisfy, discharge, perform and fulfill all covenants, obligations and liabilities of Nalcor, Nalcor LP or the assignor thereof under this Agreement arising on and in respect of matters occurring after the effective date of the Transfer and assignment.

(d) Notwithstanding **Section 6.1(c)**, Nalcor expressly acknowledges and agrees that it shall remain liable to Emera as a primary obligor under this Agreement to observe and perform all of the conditions and obligations in this Agreement which Nalcor or Nalcor LP, and as of the effective date of the Transfer and assignment, the transferee thereof, are bound to observe and perform.

6.2 **Emera Assignment Rights**

(a) Notwithstanding anything contained in this Agreement to the contrary, but subject always to **Section 5.15**, and subject always to the LIL LP Agreement as regards the Transfer of Partnership Interests, Emera or Emera NL,

(i) after First Commercial Power may Transfer all or any part of its Partnership Interest together with a proportionate interest in the rights and responsibilities of Emera and Emera NL or either of them under this Agreement to any Person; and

(ii) before First Commercial Power may pledge all or any part of its Partnership Interest together with a proportionate interest in the rights and responsibilities of Emera and Emera NL or either of them under this Agreement in connection with a Financing,

without the consent of Nalcor or Nalcor LP,

provided, for certainty, that any Transfer (other than in connection with a Financing) of the whole or any part of a Partnership Interest to a Person that is not an Affiliate of Emera shall be accompanied by an assignment to such Person of a proportionate interest in the rights and an assumption by such person of the proportionate responsibilities of Emera and Emera NL under this Agreement so as to preserve as against such Person the rights of Nalcor and Nalcor LP hereunder and under the Emera NL Cross Default Indemnity Agreement.

(b) If Emera NL or an Affiliate of Emera assigns in whole or in part its Partnership Interest to an Affiliate of Emera, Emera shall promptly execute and deliver to Nalcor

an Emera Parental Guarantee in respect of the Affiliate to which such assignment has occurred, in the form of **Schedule 5**.

(c) No Transfer or assignment may be made of all or any portion of the Partnership Interest originally issued by the Partnership to Emera NL and a proportionate interest in the rights and responsibilities of Emera or Emera NL under this Agreement unless Emera, Emera NL or the assignor thereof obtains the written agreement of all Persons party to the assignment confirming that the transferee thereof shall, from and after the date of the assignment, be bound by the provisions of this Agreement as regards the Partnership Interest and such rights and obligations as if such transferee were Emera or Emera NL and shall assume all liabilities for, and in due and proper manner, pay, satisfy, discharge, perform and fulfill all covenants, obligations and liabilities of Emera, Emera NL or the assignor thereof under this Agreement arising on and in respect of matters occurring after the effective date of the Transfer and assignment.

(d) Notwithstanding **Section 6.2(c)**, Emera expressly acknowledges and agrees that it shall remain liable to Nalcor as a primary obligor under this Agreement to observe and perform all of the conditions and obligations in this Agreement which Emera or Emera NL, and as of the effective date of the Transfer and assignment, the transferee thereof, are bound to observe and perform.

ARTICLE 7
REPRESENTATIONS AND WARRANTIES

7.1 Nalcor and Nalcor LP Representations and Warranties

Each of Nalcor and Nalcor LP represents and warrants to Emera and Emera NL that, as of the Effective Date:

(a) it is duly organized and validly existing under the Applicable Law of the jurisdiction of its formation and is qualified to conduct its business to the extent necessary in each jurisdiction in which it will perform its obligations under this Agreement;

(b) the execution, delivery and performance of this Agreement are within its powers, have been duly authorized by all necessary corporate action on the part of Nalcor and Nalcor LP and do not violate any of the terms and conditions in its governing documents, any contracts to which it is a party or any Applicable Law;

(c) this Agreement has been duly executed and delivered on its behalf by its appropriate officers and constitutes its legally valid and binding obligation enforceable against it in accordance with its terms, except as the enforceability thereof may be limited by:

(i) bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally; and

(ii) general principles of equity whether considered in a proceeding in equity or at law;

(d) no Insolvency Event has occurred, is pending or being contemplated by it or, to its Knowledge, threatened against it;

(e) each of the representations and warranties made by Nalcor LP in the Partnership Agreement are true and correct;

(f) except as disclosed by it to Emera in writing on or before the Effective Date, there are no Legal Proceedings pending or, to its Knowledge, threatened against it that may materially adversely affect its ability to perform its obligations under this Agreement;

(g) no consent or other approval, order, authorization or action by, or filing with, any Person is required to be made or obtained by such Party for such Party's lawful execution, delivery and performance of this Agreement, except for:

(i) such consents, approvals, authorizations, actions and filings that have been made or obtained prior to the date hereof;

(ii) such consents, approvals, authorizations, actions and filings the failure of which would not have, or could not reasonably be expected to have, a material adverse effect on such Party's ability to perform its obligations under this Agreement; and

(iii) the Regulatory Approvals; and

(h) it does not have any liability or obligation to pay any fees or commissions to any broker, finder or agent with respect to the transactions contemplated by this Agreement.

7.2 **Emera and Emera NL Representations and Warranties**

Each of Emera and Emera NL represents and warrants to Nalcor and Nalcor LP that, as of the Effective Date:

(a) it is duly organized and validly existing under the Applicable Law of the jurisdiction of its formation and is qualified to conduct its business to the extent necessary in each jurisdiction in which it will perform its obligations under this Agreement;

(b) the execution, delivery and performance of this Agreement are within its powers, have been duly authorized by all necessary corporate action on the part of Emera and Emera NL and do not violate any of the terms and conditions in its governing documents, any contracts to which it is a party or any Applicable Law;

(c) this Agreement has been duly executed and delivered on its behalf by its appropriate officers and constitutes its legally valid and binding obligation

enforceable against it in accordance with its terms, except as the enforceability thereof may be limited by:

(i) bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally; and

(ii) general principles of equity whether considered in a proceeding in equity or at law;

(d) no Insolvency Event has occurred, is pending or being contemplated by it or, to its Knowledge, threatened against it;

(e) each of the representations and warranties to be made by Emera NL in the Partnership Agreement will be true and correct;

(f) there are no Legal Proceedings pending or, to its Knowledge, threatened against it that may materially adversely affect its ability to perform its obligations under this Agreement;

(g) no consent or other approval, order, authorization or action by, or filing with, any Person is required to be made or obtained by such Party for such Party's lawful execution, delivery and performance of this Agreement, except for:

(i) such consents, approvals, authorizations, actions and filings that have been made or obtained prior to the date hereof;

(ii) such consents, approvals, authorizations, actions and filings the failure of which would not have, or could not reasonably be expected to have, a material adverse effect on such Party's ability to perform its obligations under this Agreement; and

(iii) the Regulatory Approvals; and

(h) it does not have any liability or obligation to pay any fees or commissions to any broker, finder or agent with respect to the transactions contemplated by this Agreement.

ARTICLE 8
CONFIDENTIALITY

8.1 Confidentiality

(a) Incorporation of Project NDA - The Parties agree that the Project NDA is incorporated in this Agreement by reference and applies to all Confidential Information disclosed by either Party to the other under or in connection with this Agreement, the Party disclosing Confidential Information being a Disclosing Party as defined in the Project NDA, and the Party receiving Confidential Information being a Receiving Party as defined in the Project NDA.

(b) Disclosure of Agreement - Each Party hereby agrees to the other Party making this Agreement public at any time and from time to time after the Effective Date.

8.2 Confidentiality of Proprietary Information

Without in any way limiting the generality of the confidentiality obligations set out in the Project NDA, Emera shall keep in confidence any Proprietary Information belonging to Nalcor it receives by way of the NL JDC and shall not, without the prior written approval of Nalcor, disclose Nalcor Proprietary Information to anyone except Emera directors, officers and employees having a need to know the Proprietary Information for the purposes of monitoring the progress of the Lower Churchill Projects by means of the NL JDC. Each of Nalcor and Emera shall ensure that none of the Proprietary Information is made available to any Affiliate bidding or preparing to bid on proposed Project Contracts.

ARTICLE 9
CERTAIN JOINT PROPERTY OWNERSHIP RIGHTS

9.1 Intellectual Property

(a) Rights Created by or for Emera - Emera shall be the first owner of all Emera Foreground IP.

(b) Rights Created by or for Nalcor - Nalcor shall be the first owner of all Nalcor Foreground IP.

(c) Rights Created by or for the General Partner - The Partnership shall be the first owner of all Partnership LIL Foreground IP.

(d) Assignment to Nalcor of Emera Foreground IP in the NL Transmission Assets - In the event Emera or any of its Affiliates is contracted by Nalcor or its Affiliates to do work on the NL Transmission Assets, and such work results in Emera Foreground IP, then effective and conditional upon payment for such work by Nalcor or its Affiliates, Emera hereby assigns to Nalcor, all of its right, title and interest in such Emera Foreground IP, free and clear of all Encumbrances, other than the licences and restrictions granted and continuing pursuant to in this **Article 9**.

(e) Assignment to the Partnership of Emera LIL Foreground IP in the NL Transmission Assets - In the event Emera or any of its Affiliates is contracted by the General Partner to do work on the LIL, and such work results in Emera LIL Foreground IP, then effective and conditional upon payment for such work by the General Partner, Emera hereby assigns to the Partnership, all of its right, title and interest in such Emera LIL Foreground IP, free and clear of all Encumbrances, other than the licences and restrictions granted and continuing pursuant to in this **Article 9**.

(f) Assignment to the Partnership of LIL Owned IP - Effective upon Nalcor entering into the Nalcor Asset Transfer Agreement pursuant to **Section 5.4(a)**, Nalcor shall assign to the Partnership all of its right, title and interest in the LIL Owned IP at that time,

free and clear of all Encumbrances, other than the licences and restrictions granted and continuing pursuant to this **Article 9**. In the event Nalcor or any of its Affiliates is contracted by the General Partner to do work on the LIL, from time to time after the initial transfer pursuant to the Nalcor Asset Transfer Agreement referred to in the previous sentence, and such work results in Nalcor LIL Foreground IP, then effective and conditional upon payment for such work by the General Partner, Nalcor hereby assigns to the Partnership, all of its right, title and interest in such Nalcor LIL Foreground IP, free and clear of all Encumbrances, other than the licences and restrictions granted and continuing pursuant to this **Article 9**.

(g) LIL Owned IP and LTA Owned IP Held in Trust - Each of Emera, Nalcor and the General Partner shall, and Nalcor shall cause any permitted assignee to, subject to the Encumbrances and rights of the Financing Parties, hold the LIL Owned IP and the LTA Owned IP owned by such Party or other Person, at any given time, in trust for the mutual benefit of Emera and Nalcor, and such Party or other Person shall have no right to license the LIL Owned IP or the LTA Owned IP to any third party except in accordance with **Section 9.3(c)**.

(h) Grant of Licence - Subject to the terms hereof, each of Nalcor, Emera and the General Partner, subject to the Encumbrances and rights of the Financing Parties, grants to the other two of such Parties (each such Party granting a licence a "**Granting Party**", and each such Party receiving a licence a "**Licensing Party**"):

(i) a non-exclusive, worldwide, fully paid-up licence to Use any of the LIL Owned IP or LTA Owned IP owned by the Granting Party and any of the Granting Party's Background IP in connection with all activity, licences and sublicences only as reasonably necessary or desirable for the purposes of the Transmission Assets, LIL Development Activities, the LTA Development Activities, and for the use, operation, maintenance, repair, rehabilitation, replacement and expansion of each Transmission Asset during, and for its decommissioning and removal at the end of, its Service Life, as defined in the Joint Operations Agreement, and for ancillary purposes, including the operation, maintenance, repair, rehabilitation, replacement and expansion of electricity transmission facilities interconnected with the Transmission Assets;

(ii) a non-exclusive, worldwide, fully paid-up licence to Use any of the LIL Owned IP, LTA Owned IP and any of the Granting Party's Background IP necessary for the Licensing Party to exercise this licence to the LIL Owned IP or LTA Owned IP for the Licensing Party's and its Affiliates' own business purposes, without any right to sublicense; and

(iii) a non-exclusive right to grant to third parties such non-exclusive, commercial, sublicences to the LIL Owned IP or LTA Owned IP and any portion of the Granting Party's Background IP necessary for the exercise of

the sublicensed right to the LIL Owned IP or LTA Owned IP as the Parties may agree in accordance with **Section 9.3(c)**.

(i) Licence Restrictions - The Licensing Party may not Use the trade-marks in the Background IP of the Granting Party, without the Granting Party's prior written consent, evidencing care and control of the marks, on such commercially reasonable terms as the applicable Granting Party may agree. The assignments in **Sections 9.1(d)**, **9.1(e)** and **9.1(f)** shall be subject to the licences in **Section 9.1(h)**. Subject to **Section 9.3(c)**, the licences in **Section 9.1(h)** shall be royalty free and shall remain in full force and effect for the duration of the Intellectual Property Rights, provided that such licences shall not include Intellectual Property Rights arising after the earlier of:

(i) termination of this Agreement; and

(ii) the date of Nalcor's acquisition of ownership of the Maritime Link pursuant to a Formal Agreement.

(j) Protection of the LIL Owned IP and the LTA Owned IP - Nalcor or the General Partner shall, each at its own cost and expense, take all commercially reasonable steps to preserve and protect the value of the LIL Owned IP and the LTA Owned IP, using counsel of Nalcor's choice, and shall notify Emera in advance of all proposed steps in any process to secure registered Intellectual Property Rights in the LIL Owned IP or the LTA Owned IP. Neither Nalcor nor the General Partner may file for patent protection or otherwise disclose the LIL Owned IP or the LTA Owned IP without the consent of Emera, where such filing or other disclosure would impact the Intellectual Property Rights of Emera. If Nalcor or the General Partner decides not to pursue patent protection for some of the LIL Owned IP or the LTA Owned IP, Emera shall have the right, at its cost and expense, to seek patent protection for such LIL Owned IP or LTA Owned IP in Nalcor's name or the name of the Partnership using counsel of Emera's choice.

(k) Pursuit of Application - Once a Party has filed for patent protection, it must diligently pursue all applications, and may not allow them to go abandoned or expire during their term without notifying the other Party and permitting the other Party to assume prosecution of such registered patents or patent applications; provided that the filing Party shall have the right to prosecute, amend and withdraw claims in any patent application without notifying the other Party unless such step would amount to the withdrawal or cancellation of all claims in respect of a particular invention.

(l) Notice of Infringement - Each of Nalcor and Emera shall Notify the other if it becomes aware of any infringement or possible infringement of any of the LIL Owned IP or the LTA Owned IP by a third party, and also shall notify the General Partner if it becomes aware of any infringement or possible infringement of any of the LIL Owned IP. None of Emera, Nalcor or the General Partner shall be under any obligation to enforce any of the LIL Owned IP or the LTA Owned IP against third parties. Each of Nalcor and Emera shall have the right to bring a Claim for

infringement of any of the LIL Owned IP or the LTA Owned IP by a third party in the name of the Party which owns the LIL Owned IP or the LTA Owned IP, if the owner does not do so within a reasonable period of time following receipt of Notice thereof. The Party choosing to bring a Claim shall bear its own costs and expenses in the proceeding, unless otherwise agreed. The Party not bringing a Claim referred to in this Section shall have the right to participate therein at its own cost and expense. In the event of a successful Claim, each of Nalcor and Emera shall be entitled to its IP Commercialization Share of any award or settlement after deduction of legal fees and disbursements associated with the Claim and, subject to the provisions of the Financing Documents and the Encumbrances and rights of the Financing Parties, the General Partner shall make any such payment due to Emera. Neither Nalcor nor Emera may settle any Claim brought by it related to the LIL Owned IP or the LTA Owned IP without the consent of the other, and the General Partner shall seek the consent of Emera in respect of any such Claim brought by it.

9.2 Intellectual Property Rights Licensed for the Transmission Assets

(a) Cooperation in Procurement - In acquiring Third Party IP Rights, Nalcor and Emera shall work together to determine whether similar rights are required in connection with the Maritime Link, the Labrador-Island Link and the Labrador Transmission Assets, and shall work in good faith, each at its own cost and expense, to secure sufficient rights for all of the Transmission Assets, as applicable.

(b) Third Party IP Rights - If Nalcor, Emera or the General Partner enters into a licence or other similar arrangement with a third party in respect of any Third Party IP Rights for use in connection with that Party's obligations under this Agreement, that Party shall use commercially reasonable efforts to allow:

(i) the other two of such Parties to Use such Third Party IP Rights for the purposes of those other Parties' obligations under this Agreement; and

(ii) any Contractor or Subcontractor of Nalcor, Emera or the General Partner to Use such Third Party IP Rights for purposes contemplated by this Agreement.

9.3 Further Representations, Warranties and Covenants Regarding IP

(a) Nalcor Representations and Warranties - Nalcor represents and warrants that:

(i) except to the extent of any Third Party Licensed IP or Emera IP incorporated therein, the Nalcor Foreground IP shall at all times prior to the assignment contemplated by **Section 9.1(f)** be owned by Nalcor, and shall be available for transfer to the Partnership as contemplated by **Section 9.1(f)**; and

(ii) Nalcor has the rights to grant the assignments and licences contemplated by this **Article 9**.

(b) Emera Representations and Warranties - Emera represents and warrants that:

(i) except to the extent of any Third Party Licensed IP or Nalcor IP incorporated therein, the Emera Foreground IP shall at all times prior to the assignment contemplated by **Section 9.1(d)** and **Section 9.1(e)** be owned by Emera, and shall be available for transfer to Nalcor as contemplated by **Section 9.1(d)** and to the Partnership as contemplated by **Section 9.1(e)**; and

(ii) Emera has the rights to grant the assignments and licences contemplated by this **Article 9**.

(c) Commercialization and Reporting of Licensing Revenue - This **Section 9.3(c)** shall apply to all licences granted by owners to third parties of the LIL Owned IP or the LTA Owned IP held in trust pursuant to **Section 9.1(g)** and to all sublicences granted by a Licensing Party to a third party pursuant to **Section 9.1(h)(iii)** (the "**Commercialization**") which may be made by Emera or its Affiliates, Nalcor or its Affiliates, or the General Partner (such licensor in each particular case, a "**Commercializing Party**"). The Party or the General Partner that is not the Commercializing Party or the applicable Affiliate of the Commercializing Party, in the particular case, is referred to herein as a "**Non-Commercializing Party**". Subject to the provisions of the Financing Documents and the Encumbrances and rights of the Financing Parties, in respect of:

(i) Commercialization sought by a Commercializing Party, the Commercializing Party shall obtain the consent of the Non-Commercializing Parties prior to Commercialization, which consent may not be unreasonably withheld in respect of LIL Owned IP or LTA Owned IP, and which consent may be arbitrarily withheld in respect of a Non-Commercializing Party's Background IP;

(ii) licences purported to be granted by a Commercializing Party without the requisite consent in **Section 9.3(c)(i)** shall be void and of no force or effect;

(iii) all Commercialization, the Commercializing Party shall, within 30 days of the end of the month in which a payment is received, (A) provide a detailed reporting of all payments received from time to time to the Non-Commercializing Parties, and (B) pay to the Non-Commercializing Parties the IP Commercialization Share to which it is entitled;

(iv) LIL Owned IP, LTA Owned IP and any Background IP which has achieved Commercialization prior to the date of Nalcor's acquisition of ownership of the Maritime Link pursuant to a Formal Agreement, the rights and obligations in **Sections 9.1(g)**, **9.1(i)**, **9.1(j)**, **9.1(k)** and **9.1(l)** and this **Section 9.3(c)** and the right to grant sublicences in **Section 9.1(h)(iii)** shall survive this Agreement and shall continue until they terminate on the IP Commercialization End Date; and

(v) LIL Owned IP, LTA Owned IP or Background IP which has not achieved Commercialization prior to the date of Nalcor's acquisition of ownership of the Maritime Link pursuant to a Formal Agreement, the rights and obligations in **Sections 9.1(g), 9.1(i), 9.1(j), 9.1(k) and 9.1(l)** and this **Section 9.3(c)** and the right to grant sublicences in **Section 9.1(h)(iii)** shall terminate upon the such date.

For greater certainly, no Party may grant licences of the other Party's Background IP to any third party except as expressly set forth herein, and all revenues from Commercialization arising after the IP Commercialization End Date shall accrue to the owner of the LIL Owned IP and the LTA Owned IP respectively at such time.

(d) Audit of Licensing Revenue - The Non-Commercializing Parties shall have the right, on reasonable notice, to audit or have its external auditors audit the books and records of the Commercializing Party to determine compliance with this **Article 9**. The audit shall be at the auditing Party's cost and expense unless the audit reveals a payment discrepancy of more than five percent, in which case the Commercializing Party shall pay all reasonable out-of-pocket costs and expenses associated with the audit. This right to audit shall survive for a period of two years following the IP Commercialization End Date.

(e) Residuals - Subject to the terms and conditions of this Agreement, either Party may use and exploit any Project Data developed or created in the course of performing the Development Activities, which relates to the Development Activities and which may be retained in the unaided memory of such Party's personnel, provided that in doing so such Party does not breach its obligations in the Project NDA, or infringe, violate or constitute a misappropriation of any Intellectual Property Right of any third party.

(f) Parties Retain Ownership - Except as provided in this **Article 9**, or as may be expressly agreed in writing by a Party, neither Party will acquire any interest in or to the Intellectual Property Rights of the other Party.

(g) Restrictions under Project NDA - The Parties acknowledge and agree that any exploitation of Intellectual Property Rights shall be subject to the Project NDA and the restriction on use of Proprietary Information in **Section 8.2**.

ARTICLE 10
TERM AND TERMINATION

10.1 Term

The term of this Agreement (the "**Term**") shall commence on the Effective Date and terminate in accordance with **Section 10.2**.

10.2 Termination

This Agreement shall terminate on the earliest to occur of any of the following events:

(a) December 31, 2081;

(b) written agreement of the Parties to terminate;

(c) a decision by Nalcor not to Sanction the MFP, the LIL or the LTA;

(d) the dissolution of the Partnership; and

(e) termination pursuant to **Section 11.7**.

10.3 Extended Force Majeure

(a) Termination of Agreement - If:

(i) Nalcor, the Partnership or an Affiliate of Nalcor, as the case may be, has given Notice under **Section 2.12** of a Force Majeure event which prevents Nalcor, the Partnership or an Affiliate of Nalcor from proceeding with all or a material portion of the Development Activities in respect of the MFP, the LTA or the LIL;

(ii) despite Nalcor, the Partnership or such Affiliate of Nalcor complying with its obligations under **Section 2.12(c)**, there are no commercially reasonable means to rectify the consequences of such Force Majeure event within 36 months after the Force Majeure event commenced (the "**Extended Force Majeure Period**"); and

(iii) unless Nalcor and Emera otherwise agree in writing, the period of Force Majeure extends for a period greater than the Extended Force Majeure Period,

then, unless the Extended Force Majeure Period is extended pursuant to **Section 10.3(b)**, either Nalcor or Emera may elect on 60 days' Notice to the other to terminate this Agreement without liability to the other, except for the liabilities and obligations provided for in **Section 10.4**.

(b) Extension of Time for Rectification - If the consequences of the Force Majeure event can be rectified, and Nalcor, the Partnership or an Affiliate of Nalcor, as the case may be, is diligently proceeding with such measures as are required to rectify the consequences of the Force Majeure event, the Extended Force Majeure Period shall be extended by such period as is required for Nalcor, the Partnership or such Affiliate of Nalcor, as the case may be, to complete such measures.

10.4 Effect of Termination

(a) Obligations on Termination - When this Agreement terminates:

(i) each Party shall promptly return to the other Party all Confidential Information of the other Party in the possession of such Party, and destroy any internal documents to the extent that they contain any Confidential Information of the other Party (except such internal documents as are reasonably required for the maintenance of proper corporate records and to comply with Applicable Law and for the purposes of the resolution of any Dispute, which shall continue to be held in accordance with the provisions of **Section 4.3** and **Article 8**); and

(ii) neither Party shall have any obligation to the other Party in relation to this Agreement or the termination hereof, except as set out in this **Section 10.4**.

(b) Survival - Notwithstanding the termination of this Agreement, the Parties shall be bound by the terms of this Agreement in respect of:

(i) the final settlement of all accounts between the Parties;

(ii) the readjustment of any accounts as a result of the settlement of insurance claims or third party claims after the date of termination;

(iii) any rights, liabilities and obligations arising or accruing under the terms of this Agreement prior to the date of termination or which are expressly stated to survive the termination of this Agreement;

(iv) all entitlements of Emera NL to receive payments (whether in the form of Distributions, true-up payments, indemnity payments or otherwise), allocations of Net Income, or both, from the Partnership, Nalcor or Nalcor LP pursuant to any of **Sections 5.13, 5.15(c)** or **15.16** and all entitlements of Nalcor to receive payments pursuant to **Section 5.13**; and

(v) any other obligations that survive pursuant to **Section 15.13**.

ARTICLE 11
DEFAULT AND REMEDIES

11.1 Emera Events of Default

The occurrence of one or more of the following events shall constitute a default by Emera under this Agreement (an "**Emera Default**"):

(a) Emera or Emera NL fails to pay or advance any amount (other than in respect to a Cash Call) to be paid or advanced under this Agreement, the Emera NL Subscription Agreement, the LIL LP Agreement, the Pre-FCP Pledge, the Emera Parental Guarantee or the Emera NL Cross Default Indemnity Agreement at the time and in

the manner required by this Agreement, the Emera NL Subscription Agreement, the LIL LP Agreement, the Pre-FCP Pledge, the Emera Parental Guarantee or the Emera NL Cross Default Indemnity Agreement, as applicable, which failure is not cured within 10 days after the receipt of a Notice from Nalcor that such amount is due and owing;

(b) Emera NL fails to pay an amount owing by it in respect to a Cash Call in accordance with the provisions of this Agreement;

(c) a distress or execution or similar legal process seeking to recover $5,000,000 or more is levied or enforced upon or against any part of the assets of Emera or Emera NL, and the same remains unsatisfied for a period of 30 days (or if the legal process is capable of being cured and Emera is diligently pursuing the cure, such longer period of time as is agreed by Nalcor);

(d) Emera or Emera NL is in default or in breach of any term, condition or obligation under this Agreement, the Emera NL Subscription Agreement, the LIL LP Agreement, the Pre-FCP Pledge, the Emera Parental Guarantee or the Emera NL Cross Default Indemnity Agreement, other than those described in **Sections 11.1(a)**, **(b)** or **(c)**, and, if the default or breach is capable of being cured, it continues for 30 days after the receipt by Emera or Emera NL of Notice thereof from Nalcor, unless the cure reasonably requires a longer period, Emera or Emera NL, as applicable, is diligently pursuing the cure, and it is cured within such longer period of time as is agreed by Nalcor;

(e) any representation or warranty made by Emera or Emera NL in this Agreement is false or misleading in any material respect;

(f) Emera or Emera NL ceases to carry on all or substantially all of its business or Transfers all or substantially all of its undertaking and assets;

(g) any Insolvency Event occurs with respect to Emera NL or Emera; and

(h) Emera or an Affiliate of Emera, as applicable, is in default of its obligations under the New Brunswick Transmission Utilization Agreement or the MEPCO Transmission Rights Agreement and has not cured such default within the time periods provided for therein.

11.2 Nalcor Remedies upon Emera Event of Default or Failure to Pay in Respect of a Cash Call

(a) General - Upon the occurrence of an Emera Default and at any time thereafter, provided Nalcor and Nalcor LP are in material compliance with their obligations under this Agreement and provided a right, remedy or recourse is not expressly stated in this Agreement as being the sole and exclusive right, remedy or recourse,

(i) Nalcor and Nalcor LP shall be entitled to exercise all or any of their rights, remedies or recourse available under this Agreement, the Emera NL Subscription Agreement, the LIL LP Agreement, the Pre-FCP Pledge, the Emera Parental Guarantee, the Emera NL Cross Default Indemnity Agreement or otherwise available at law or in equity; and

(ii) the rights, remedies and recourse available to Nalcor and Nalcor LP are cumulative and may be exercised separately or in combination.

The exercise of, or failure to exercise, any available right, remedy or recourse does not preclude the exercise of any other rights, remedies or recourse or in any way limit such rights, remedies or recourse.

(b) Emera NL Failure to Pay in Respect of a Cash Call - If (y) Emera NL fails to pay its obligation hereunder in respect of a Cash Call or any portion thereof to the Partnership on the due date thereof as provided in this Agreement, and (z) an Insolvency Event has not occurred with respect to Emera NL or Emera, then, provided that Nalcor LP is not in default of its obligations to provide Emera NL with the opportunity to make Capital Contributions and copies of notices of Cash Calls have been sent to Emera NL in accordance with **Schedule 13**:

(i) Nalcor LP shall be entitled to pay the amount Emera NL has failed to pay;

(ii) any such amount paid by Nalcor LP (the "**Nalcor Payment**") in respect of the Cash Call shall, if paid by the end of the fifth Business Day after the due date of the Cash Call, bear interest from and including such due date at the Prime Rate plus three percent until paid to Nalcor LP;

(iii) if payment of the Nalcor Payment and the interest accrued thereon is not made to Nalcor LP by Emera NL or Emera by the end of the fifth Business Day after the due date of the Cash Call, the amount of the Nalcor Payment and interest thereon accrued pursuant to **Section 11.2(b)(ii)** shall bear interest from and including such due date at the lesser of:

(y) 0.1% per day; and

(z) the maximum rate of interest per annum which is not a "criminal rate" within the meaning of Section 347 of the *Criminal Code* (Canada),

such enhanced rate of interest is agreed by the Parties to constitute liquidated damages;

(iv) if the aggregate of the Nalcor Payment, the liquidated damages and accrued interest is not paid to Nalcor LP by the end of the 60th day after the original due date of the Cash Call, Nalcor LP and Nalcor shall have the option to purchase Emera NL's Partnership Interest for an amount equal to the

balance in the Class B Limited Unit Capital Account of Emera NL, from which amount Nalcor or Nalcor LP, as applicable, shall be entitled to deduct and retain (without duplication):

(A) any reasonable expenses incurred by Nalcor, Nalcor LP or the General Partner in connection with the transaction;

(B) any amounts that Nalcor or Nalcor LP has paid to the Partnership that should have been paid by Emera NL together with interest at the Prime Rate plus three percent;

(C) any other amount owed by Emera or Emera NL under this Agreement; and

(D) the amount of the liquidated damages;

(v) any sale transaction pursuant to this **Section 11.2(b)** shall close on the 5th day after the expiry of the 60 day period referred to in **Section 11.2(b)(iv)**, or earlier if agreed by the Parties. All other terms and conditions of the purchase and sale shall be in accordance with **Section 5.15(a)(iv)**; and

(vi) if Nalcor elects to purchase Emera NL's Partnership Interest pursuant to **Section 11.2(b)(iv)**, the sole and exclusive right, remedy and recourse of Nalcor arising from the failure of Emera NL to pay a Cash Call are as set forth in **Section 11.2(b)(iv)**. Completion of the sale transaction pursuant to **Section 11.2(b)(iv)** will constitute full and final satisfaction of all amounts that may be claimed by Nalcor for and in respect of this Agreement, and Emera will be released and forever discharged from any and all liability in respect of this Agreement.

(c) Emera NL Failure to Pay in respect of a Cash Call - Insolvency Event - If (y) Emera NL fails to pay its obligation hereunder in respect of a Cash Call or any portion thereof to the Partnership on the due date thereof as provided for in this Agreement, and (z) an Insolvency Event has occurred with respect to Emera NL or Emera, then:

(i) Nalcor LP shall be entitled to pay the amount Emera NL has failed to pay;

(ii) the Nalcor Payment in respect of the Cash Call shall bear interest at the Prime Rate plus three percent until paid to Nalcor LP;

(iii) if payment of the Nalcor Payment and the interest accrued thereon is not made to Nalcor LP by Emera NL or Emera by the end of the second Business Day after the due date of the Cash Call, Nalcor and Nalcor LP shall have the option to purchase Emera NL's Partnership Interest for an amount equal to the balance in the Class B Limited Unit Capital Account of Emera NL, from which amount Nalcor or Nalcor LP, as applicable, shall be entitled to deduct and retain (without duplication):

(A) any reasonable expenses incurred by Nalcor, Nalcor LP or the General Partner in connection with the transaction;

(B) any amounts that Nalcor or Nalcor LP has paid to the Partnership that should have been paid by Emera NL together with interest at the Prime Rate plus three percent; and

(C) any other amount owed by Emera or Emera NL under this Agreement.

(iv) any sale transaction pursuant to this **Section 11.2(c)** shall close on the 5th Business Day after the due date of the Cash Call, or earlier if agreed by the Parties. All other terms and conditions of such purchase and sale shall be in accordance with **Section 5.15(a)(iv)**; and

(v) if Nalcor elects to purchase Emera NL's Partnership Interest pursuant to **Section 11.2(c)(iii)**, the sole and exclusive right, remedy and recourse of Nalcor arising from the failure of Emera NL to pay a Cash Call are as set forth in this **Section 11.2(c)(iii)**. Completion of the sale transaction pursuant to **Section 11.2(c)(iii)** will constitute full and final satisfaction of all amounts that may be claimed by Nalcor for and in respect of this Agreement, and Emera will be released and forever discharged from any and all liability in respect of this Agreement.

(d) Losses - Subject to **Article 13**, Nalcor LP may recover all Losses suffered by Nalcor and Nalcor LP that are due to an Emera Default, including, for the avoidance of doubt, any costs or expenses (including legal fees and expenses on a solicitor and his or her own client basis) reasonably incurred by Nalcor or Nalcor LP to recover any amounts owed to Nalcor or Nalcor LP by Emera or Emera NL under this Agreement.

(e) Guarantees - Upon the occurrence of an Emera Default, and in addition to any other rights it may have under this Agreement, Nalcor and Nalcor LP may exercise and enforce any and all rights and remedies under any guarantee of performance or financial assurances in respect of Emera or Emera NL held by Nalcor or Nalcor LP.

(f) Equitable Relief - Nothing in this **Article 11** will limit or prevent Nalcor or Nalcor LP from seeking equitable relief, including specific performance or a declaration, to enforce the obligations of Emera and Emera NL under this Agreement.

11.3 Set-off

If (i) there is an Emera Default as set forth in **Section 11.1(h)**, (ii) there are damages due to Nalcor or an Affiliate of Nalcor under the New Brunswick Transmission Utilization Agreement or the MEPCO Transmission Rights Agreement, and (iii) Nalcor or Nalcor LP exercises an option to purchase Emera NL's Partnership Interest as set forth in this Agreement, the purchase price payable pursuant to such option shall be reduced by the amount of such damages due. Nalcor shall not apply damages due under the New Brunswick Transmission Utilization Agreement or the MEPCO

Transmission Rights Agreement against the amount payable pursuant to an option exercised by Nalcor or Nalcor LP under this Agreement if Emera or an Affiliate of Emera is contesting the Emera Default or the damages due under the New Brunswick Transmission Utilization Agreement or the MEPCO Transmission Rights Agreement, until the matter has been determined in accordance with the dispute resolution procedure under the applicable agreement.

11.4 Nalcor Events of Default

Except to the extent excused as a result of an event of Force Majeure in accordance with **Section 2.12**, the occurrence of one or more of the following events shall constitute a default by Nalcor under this Agreement (a "**Nalcor Default**"):

(a) Nalcor or Nalcor LP fails to pay or advance any amount to be paid or advanced under this Agreement, including Cash Calls, the Nalcor LP Subscription Agreement, the NEFA, the Nalcor LP Cross Default Indemnity Agreement, the Nalcor Parental Guarantee or the LIL LP Agreement at the time and in the manner required by this Agreement, the Nalcor LP Subscription Agreement, the NEFA, the Nalcor Cross Default Indemnity Agreement, the Nalcor Parental Guarantee or the LIL LP Agreement, as applicable, which failure is not cured within 10 days after the receipt of a Notice from Emera that such amount is due and owing;

(b) a distress or execution or similar legal process seeking to recover $5,000,000 or more is levied or enforced upon or against any part of the assets of Nalcor or Nalcor LP, and the same remains unsatisfied for a period of 30 days (or if the legal process is capable of being cured and Nalcor is diligently pursuing the cure, such longer period of time as is agreed by Emera);

(c) Nalcor or Nalcor LP is in default or in breach of any term, condition or obligation under this Agreement, the Nalcor LP Subscription Agreement, the Nalcor Asset Transfer Agreement, the NEFA, the Nalcor LP Cross Default Indemnity Agreement, the Nalcor Parental Guarantee or the LIL LP Agreement other than those described in **Section 11.4(a)** or **(b)**, and, if the default or breach is capable of being cured, it continues for 30 days after the receipt by Nalcor or Nalcor LP of Notice thereof from Emera, unless the cure reasonably requires a longer period and Nalcor or Nalcor LP, as applicable, is diligently pursuing the cure, and it is cured within such longer period of time as is agreed by Emera;

(d) any representation or warranty made by Nalcor or Nalcor LP in this Agreement is false or misleading in any material respect;

(e) Nalcor or Nalcor LP ceases to carry on all or substantially all of its business or Transfers all or substantially all of its undertaking and assets;

(f) any Insolvency Event occurs with respect to Nalcor or Nalcor LP;

(g) except as permitted by **Section 2.10**, all or a material portion of the LIL Development Activities are discontinued or cease for a single continuous period in excess of 120

days, unless contemplated by the project schedule or for seasonal interruptions that are customary in the usual and ordinary course of the LIL Development Activities; and

(h) Nalcor is in default of its obligations under the New Brunswick Transmission Utilization Agreement or the MEPCO Transmission Rights Agreement and has not cured such default within the time periods provided for therein.

For clarity, a delay in the construction or Commissioning of the LTA, the MFP or the LIL shall not constitute a Nalcor Default.

11.5 Emera Remedies upon Nalcor Default

(a) General - Upon the occurrence of a Nalcor Default and at any time thereafter, provided Emera and Emera NL are in material compliance with their obligations under this Agreement and provided a right, remedy or recourse is not expressly stated in this Agreement as being the sole and exclusive right, remedy and recourse:

(i) Emera and Emera NL shall be entitled to exercise all or any of their rights, remedies or recourse available under this Agreement, the Nalcor LP Subscription Agreement, the Nalcor Asset Transfer Agreement, the Nalcor LP Cross Default Indemnity Agreement, the Nalcor Parental Guarantee or the LIL LP Agreement or otherwise available at law or equity; and

(ii) the rights, remedies and recourse available to Emera and Emera NL are cumulative and may be exercised separately or in combination.

The exercise of, or failure to exercise, any available right, remedy or recourse does not preclude the exercise of any other rights, remedies or recourse or in any way limit such rights, remedies or recourse.

(b) Nalcor Failure to pay a Cash Call - If the Nalcor Default is a failure to pay a Cash Call other than such portion of a Cash Call which Emera NL has undertaken to make under the terms of this Agreement, and no Insolvency Event has occurred with respect to Nalcor or Nalcor LP, the sole and exclusive right, remedy and recourse of Emera and Emera NL shall be to require Nalcor LP to exercise its option under **Section 5.15(c)** and perform the applicable obligations related thereto. If Nalcor LP fails to exercise such option within 30 days of demand by Emera NL, Emera and Emera NL shall be entitled to exercise all rights, remedies and recourse available to them pursuant to this Agreement to recover their Losses.

(c) Losses - Subject to **Article 13**, Emera and Emera NL may recover all Losses suffered by Emera and Emera NL that are due to a Nalcor Default, including, for the avoidance of doubt, any costs or expenses (including legal fees and expenses on a solicitor and his or her own client basis) reasonably incurred by Emera or Emera NL to recover any amounts owed to Emera or Emera NL by Nalcor or Nalcor LP under this Agreement.

(d) Guarantees - Upon the occurrence of a Nalcor Default, and in addition to any other rights it may have under this Agreement, Emera and Emera NL may exercise and enforce any and all rights and remedies under any guarantee of performance or financial assurances in respect of Nalcor or Nalcor LP held by Emera or Emera NL.

(e) Equitable Relief - Nothing in this **Article 11** will limit or prevent Emera or Emera NL from seeking equitable relief, including specific performance or a declaration, to enforce the obligations of Nalcor and Nalcor LP under this Agreement.

11.6 Set-off

If (i) there is a Nalcor Default as set forth in **Section 11.4(h)**, (ii) there are damages owing by Nalcor or an Affiliate of Nalcor under the New Brunswick Transmission Utilization Agreement or the MEPCO Transmission Rights Agreement, and (iii) Nalcor or Nalcor LP exercises an option to purchase Emera NL's Partnership Interest as set forth in this Agreement, the purchase price payable pursuant to such option shall be increased by the amount outstanding. Nalcor shall not increase the monies payable on exercise of an option to purchase Emera NL's Partnership Interest by the amount owing under the New Brunswick Transmission Utilization Agreement or the MEPCO Transmission Rights Agreement if Nalcor or an Affiliate of Nalcor is contesting the Nalcor Default or the damages due under the New Brunswick Transmission Utilization Agreement or the MEPCO Transmission Rights Agreement, until the matter has been determined in accordance with the dispute resolution procedure under the applicable agreement.

11.7 Nalcor Default Under Section 11.4(g)

Upon the occurrence of a Nalcor Default referred to in **Section 11.4(g)**, Emera may, at its option, provide Notice to Nalcor that it intends to terminate this Agreement. On providing such Notice, Emera shall be entitled to exercise all rights, remedies and recourse as set forth in **Section 11.5(a)** to recover all Losses arising from the failure of Nalcor to complete the LIL Development Activities in accordance with the provisions of this Agreement. On payment to Emera of such Losses, Emera shall cause Emera NL to transfer to Nalcor LP free and clear of all encumbrances the Partnership Interest of Emera NL for a nominal amount, and this Agreement shall terminate without further liability of either Party to the other.

ARTICLE 12
LIABILITY AND INDEMNITY

12.1 Nalcor Indemnity

Nalcor shall indemnify, defend, reimburse, release and save harmless Emera and its Affiliates and their respective directors, officers, managers, employees, agents and representatives, and the successors and permitted assigns of each of them (collectively, the "**Emera Group**") from and against, and as a separate and independent covenant agrees to be liable for, all Claims that may be brought against any member of the Emera Group by or in favour of a third party to the proportionate extent that the Claim is based upon, in connection with, relating to or arising out of the gross negligence or wilful misconduct of any member of the Nalcor Group occurring in

connection with, incidental to or resulting from Nalcor's or Nalcor LP's obligations under this Agreement.

12.2 Emera Indemnity

Emera shall indemnify, defend, reimburse, release and save harmless Nalcor and its Affiliates and their respective directors, officers, managers, employees, agents and representatives, and the successors and permitted assigns of each of them, (collectively, the "**Nalcor Group**") from and against, and as a separate and independent covenant agrees to be liable for, all Claims that may be brought against any member of the Nalcor Group by or in favour of a third party to the proportionate extent that the Claim is based upon, in connection with, relating to or arising out of the gross negligence or wilful misconduct of any member of the Emera Group occurring in connection with, incidental to or resulting from Emera's or Emera NL's obligations under this Agreement.

12.3 Indemnification Procedure

(a) Generally - Each Party (each, an "**Indemnitor**") shall indemnify and hold harmless the other Party and the other Persons as set forth in **Section 12.1** or **12.2**, as applicable, (individually and collectively, an "**Indemnified Party**") as provided therein in the manner set forth in this **Section 12.3**.

(b) Notice of Claims - If any Indemnified Party desires to assert its right to indemnification from an Indemnitor required to indemnify such Indemnified Party, the Indemnified Party shall give the Indemnitor prompt Notice of the Claim giving rise thereto, which shall describe the Claim in reasonable detail and shall indicate the estimated amount, if practicable, of the indemnifiable loss that has been or may be sustained by the Indemnified Party. The failure to promptly provide Notice to the Indemnitor hereunder shall not relieve the Indemnitor of its obligations hereunder, except to the extent that the Indemnitor is actually and materially prejudiced by the failure to so notify promptly.

(c) Right to Participate - The Indemnitor shall have the right to participate in or, by giving Notice to the Indemnified Party, to elect to assume the defence of a Third Party Claim in the manner provided in this **Section 12.3** at the Indemnitor's own expense and by the Indemnitor's own counsel (satisfactory to the Indemnified Party, acting reasonably), and the Indemnified Party shall co-operate in good faith in such defence.

(d) Notice of Assumption of Defence - If the Indemnitor desires to assume the defence of a Third Party Claim, it shall deliver to the Indemnified Party Notice of its election within 30 days following the Indemnitor's receipt of the Indemnified Party's Notice of such Third Party Claim. Until such time as the Indemnified Party shall have received such Notice of election, it shall be free to defend such Third Party Claim in any reasonable manner it shall see fit and in any event shall take all actions necessary to preserve its rights to object to or defend against such Third Party Claim and shall not make any admission of liability regarding or settle or compromise such

Third Party Claim. If the Indemnitor elects to assume such defence, it shall promptly reimburse the Indemnified Party for all reasonable third party expenses incurred by it up to that time in connection with such Third Party Claim but it shall not be liable for any legal expenses incurred by the Indemnified Party in connection with the defence thereof subsequent to the time the Indemnitor commences to defend such Third Party Claim, subject to the right of the Indemnified Party to separate counsel at the expense of the Indemnitor as provided in **Section 12.3(h)**.

(e) Admissions of Liability and Settlements - Without the prior consent of the Indemnified Party (which consent shall not be unreasonably withheld), the Indemnitor shall not make any admission of liability regarding or enter into any settlement or compromise of or compromise any Third Party Claim that would lead to liability or create any financial or other obligation on the part of the Indemnified Party for which the Indemnified Party is not entitled to full indemnification hereunder or for which the Indemnified Party has not been fully released and discharged from all liability or obligations. Similarly, the Indemnified Party shall not make any admission of liability regarding or settle or compromise such Third Party Claim without the prior consent of the Indemnitor (which consent shall not be unreasonably withheld). If a firm offer is made to settle a Third Party Claim without leading to liability or the creation of a financial or other obligation of the part of the Indemnified Party for which the Indemnified Party is not entitled to full indemnification hereunder or for which the Indemnified Party has not been fully released and discharged from further liability or obligations, and the Indemnitor desires to accept and agree to such offer, the Indemnitor shall give Notice to the Indemnified Party to that effect. If the Indemnified Party fails to consent to such firm offer within seven days after receipt of such Notice or such shorter period as may be required by the offer to settle, the Indemnitor may continue to contest or defend such Third Party Claim and, in such event, the maximum liability of the Indemnitor in relation to such Third Party Claim shall be the amount of such settlement offer, plus reasonable costs and expenses paid or incurred by the Indemnified Party up to the date of such Notice.

(f) Cooperation of Indemnified Party - The Indemnified Party shall use all reasonable efforts to make available to the Indemnitor or its representatives all books, records, documents and other materials and shall use all reasonable efforts to provide access to its employees and make such employees available as witnesses as reasonably required by the Indemnitor for its use in defending any Third Party Claim and shall otherwise co-operate to the fullest extent reasonable with the Indemnitor in the defence of such Third Party Claim. The Indemnitor shall be responsible for all reasonable third party expenses associated with making such books, records, documents, materials, employees and witnesses available to the Indemnitor or its representatives.

(g) Rights Cumulative - Subject to the limitations contained herein, the right of any Indemnified Party to the indemnification provided herein shall be cumulative of, and in addition to, any and all rights to which such Indemnified Party may otherwise be

entitled by contract or as a matter of law or equity and shall extend to the Indemnified Party's heirs, successors, permitted assigns and legal representatives.

(h) Indemnified Party's Right to Separate Counsel - If the Indemnitor has undertaken the defence of a Third Party Claim where the named parties to any action or proceeding arising from such Third Party Claim include both the Indemnitor and the Indemnified Party, and a representation of both the Indemnitor and the Indemnified Party by the same counsel would be inappropriate due to the actual or potential differing interests between them (such as the availability of different defences), then the Indemnified Party shall have the right, at the cost and expense of the Indemnitor, to engage separate counsel to defend such Third Party Claim on behalf of the Indemnified Party and all other provisions of this **Section 12.3** shall continue to apply to the defence of the Third Party Claim, including the Indemnified Party's obligation not to make any admission of liability regarding, or settle or compromise, such Third Party Claim without the Indemnitor's prior consent. In addition, the Indemnified Party shall have the right to employ separate counsel and to participate in the defence of such Third Party Claim at any time, with the fees and expenses of such counsel at the expense of the Indemnified Party.

12.4 Insurer Approval

In the event that any Claim arising hereunder is, or could potentially be determined to be, an insured claim in accordance with the insurance coverage carried by a Party or the Partnership, neither the Indemnified Party nor the Indemnitor, as the case may be, shall negotiate, settle, retain counsel to defend or defend any such Claim, without having first obtained the prior approval of the insurer(s) providing such insurance coverage.

ARTICLE 13
LIMITATION OF DAMAGES

13.1 Limitations and Indemnities Effective Regardless of Cause of Damages

Except as expressly set forth in this Agreement, the indemnity obligations and limitations and exclusions of liability set forth in **Article 12** and **Article 13** of this Agreement shall apply to any and all Claims.

13.2 No Consequential Loss

Notwithstanding any other provision of this Agreement, in no event shall Nalcor or any other member of the Nalcor Group be liable to Emera or any other member of the Emera Group, nor shall Emera or any member of the Emera Group be liable to Nalcor or any member of the Nalcor Group, for a decline in market capitalization or increased cost of capital or borrowing, or for any consequential, incidental, indirect or punitive damages, for any reason with respect to any matter arising out of or relating to this Agreement, except that such consequential, incidental, indirect or punitive damages awarded against a member of the Nalcor Group or the Emera Group, as the case may be, with respect to matters relating to the LIL, in favour of a third party shall be deemed to be direct, actual damages, as between the Parties, for the purposes of this **Section 13.2**.

For the purposes of this **Section 13.2**, lost revenues or profits in relation to the purchase or sale of Energy or Capacity shall not be considered to be consequential, incidental or indirect damages, provided however that a Party must still establish such lost revenues or profits in accordance with Applicable Law.

13.3 Liquidated Damages

To the extent that any damages required to be paid under this Agreement are expressly stated to be liquidated damages, the Parties have computed, estimated and agreed upon the amount of such damages as a reasonable forecast of anticipated or actual Losses in view of the difficulty in calculating or determining the consequences of the harm or the amount of the Losses. The Parties agree that such liquidated damages are a genuine pre-estimate of damages, are not a penalty, and are intended to protect both Parties from uncertainties. The obligation of a Party to pay, and the other Party to accept such amount, as applicable, shall be legally enforceable and binding upon the Parties.

13.4 Insurance Proceeds

Except as expressly set forth in this Agreement, a Claim for indemnification by a Party shall be calculated or determined in accordance with Applicable Law, and shall be calculated after giving effect to (i) any insurance proceeds received or entitled to be received in relation to the Claim, and (ii) the value of any related, determinable Tax benefits realized or capable of being realized by the affected Party in relation to the occurrence of such net loss or cost.

13.5 No Breakage or Other Similar Financing Costs Permitted

Notwithstanding any other provision of this Agreement, no Party shall be entitled to claim from another Party any breakage fees or other similar fees or charges by a lender to a Party that are due to such lender by reason of such lender calling for early repayment of debt associated with a Party's financing related to the Formal Agreements or any Energy sales by Nalcor or an Affiliate of Nalcor.

ARTICLE 14
DISPUTE RESOLUTION

14.1 General

(a) Dispute Resolution Procedure - The Parties agree to resolve all Disputes pursuant to the dispute resolution procedure set out in **Schedule 7** (the "**Dispute Resolution Procedure**").

(b) Disputed Payment - If the amount or timing of any payment hereunder or under the NEFA is disputed by a Party, the Party liable to pay shall make the payment in full on the date such payment is due, prior to initiating any dispute resolution procedure relating thereto.

(c) Performance to Continue - Each Party shall continue to perform all of its obligations under this Agreement during any negotiations or dispute resolution proceedings pursuant to this **Article 14**, without prejudice to either Party's rights pursuant to this Agreement.

14.2 Procedure for Inter-Party Claims

(a) Notice of Claims - Subject to and without restricting the effect of any specific Notice requirement in this Agreement, a Party (the "**Claiming Party**") intending to assert a Claim against another Party (the "**Recipient Party**") shall give the Recipient Party prompt Notice of the Claim, which shall describe the Claim in reasonable detail and shall indicate the estimated amount, if practicable, of the Losses that have been or may be sustained by the Claiming Party. The Claiming Party's failure to promptly Notify the Recipient Party shall not relieve the Recipient Party of its obligations hereunder, except to the extent that the Recipient Party is actually and materially prejudiced by the failure to so Notify promptly.

(b) Claims Process - Following receipt of Notice of a Claim from the Claiming Party, the Recipient Party shall have 20 Business Days to make such investigation of the Claim as is considered necessary or desirable. For the purpose of such investigation, the Claiming Party shall make available to the Recipient Party the information relied upon by the Claiming Party to substantiate the Claim, together with all such other information as the Recipient Party may reasonably request. If both Parties agree at or prior to the expiration of such 20 Business Day period (or any mutually agreed upon extension thereof) to the validity and amount of such Claim, the Recipient Party shall immediately pay to the Claiming Party, or expressly agree with the Claiming Party to be responsible for, the full agreed upon amount of the Claim, failing which the matter will constitute a Dispute and be resolved in accordance with the Dispute Resolution Procedure.

ARTICLE 15
MISCELLANEOUS PROVISIONS

15.1 Notices

Notices, where required herein, shall be in writing and shall be sufficiently given if delivered personally or by courier or sent by electronic mail or facsimile transmission, directed as follows:

To Nalcor:

Nalcor Energy
500 Columbus Drive
P.O. Box 12800
St. John's, NL A1B 0C9
Attention: Chief Executive Officer
Fax: (709) 737-1782

with a copy to:

Nalcor Energy
500 Columbus Drive
P.O. Box 12800
St. John's, NL A1B 0C9
Attention: Corporate Secretary
Fax: (709) 737-1782

To the General Partner:

c/o Nalcor Energy
500 Columbus Drive
P.O. Box 12800
St. John's, NL A1B 0C9
Attention: Chief Executive Officer
Fax: (709) 737-1782

with a copy to:

Nalcor Energy
500 Columbus Drive
P.O. Box 12800
St. John's, NL A1B 0C9
Attention: Corporate Secretary
Fax: (709) 737-1782

To Nalcor LP:

c/o Nalcor Energy
500 Columbus Drive
P.O. Box 12800
St. John's, NL A1B 0C9
Attention: Chief Executive Officer
Fax: (709) 737-1782

with a copy to:

Nalcor Energy
500 Columbus Drive
P.O. Box 12800
St. John's, NL A1B 0C9
Attention: Corporate Secretary
Fax: (709) 737-1782

To Emera:

Emera Inc.
1223 Lower Water Street
Halifax, NS B3J 3S8
Attention: Corporate Secretary
Fax: 902-428-6112

with a copy to:

ENL Maritime Link Incorporated
9 Austin Street
St. John's, NL A1B 4C1
Attention: President
Fax: (709) 722-2083

To Emera NL:

ENL Island Link Incorporated
9 Austin Street
St. John's, NL A1B 4C1
Attention: President
Fax: (709) 722-2083

Such Notice shall (i) if delivered personally or by courier, be deemed to have been given or made on the day of delivery, and (ii) if sent by electronic mail or facsimile transmission and confirmed by a copy immediately sent by courier, be deemed to have been given or made on the day it was successfully transmitted by electronic mail or facsimile transmission as evidenced by automatic confirmation of receipt; provided however that if in any case such day is not a Business Day or if the Notice is received after Regular Business Hours (time and place of receipt), the Notice shall be deemed to have been given or made on the next Business Day. Either Party may change its address or fax number hereunder from time to time by giving Notice of such change to the other Party.

15.2 Counterparts

This Agreement may be executed in counterparts, each of which when so executed shall be deemed to be an original, and such counterparts together shall constitute but one and the same instrument. Signatures delivered by facsimile or electronic mail shall be deemed for all purposes to be original counterparts of this Agreement.

15.3 Announcements

No announcement with respect to this Agreement shall be made by any Party without the prior approval of the other Parties. The foregoing shall not apply to any announcement by a Party required in order to comply with Applicable Law; provided that such Party consults with the other Parties before making any such announcement and gives due consideration to the views

of the other Parties with respect thereto. The Parties shall use reasonable efforts to agree on the text of any proposed announcement.

15.4 Relationship of the Parties

The Parties hereby disclaim any intention to create by this Agreement any partnership, joint venture, association, trust, or fiduciary relationship between them. Except as expressly provided herein or in the LIL LP Agreement, neither this Agreement nor any other agreement or arrangement between the Parties pertaining to the MFP, the LTA or the LIL shall be construed or considered as creating any such partnership, joint venture, association, trust or fiduciary relationship, or as constituting a Party as the agent or legal representative of any other Party for any purpose nor to permit a Party to enter into agreements or incur any obligations for or on behalf of any other Party.

15.5 Further Assurances

Each of the Parties shall, from time to time, do all such acts and things and execute and deliver, from time to time, all such further documents and assurances as may be reasonably necessary to carry out and give effect to the terms of this Agreement.

15.6 Severability

If any provision of this Agreement is determined by a court of competent jurisdiction to be wholly or partially illegal, invalid, void, voidable or unenforceable in any jurisdiction for any reason, such illegality, invalidity or unenforceability shall not affect the legality, validity and enforceability of the balance of this Agreement or its legality, validity or enforceability in any other jurisdiction. If any provision is so determined to be wholly or partially illegal, invalid or unenforceable for any reason, the Parties shall negotiate in good faith a new legal, valid and enforceable provision to replace such illegal, invalid or unenforceable provision, which, as nearly as practically possible, has the same effect as the illegal, invalid or unenforceable provision.

15.7 Time of the Essence

Time shall be of the essence.

15.8 Amendments

No amendment or modification to this Agreement shall be effective unless it is in writing and signed by all Parties.

15.9 No Waiver

Any failure or delay of a Party to enforce any of the provisions of this Agreement or to require compliance with any of its terms at any time during the Term shall not affect the validity of this Agreement, or any part hereof, and shall not be deemed a waiver of the right of such Party thereafter to enforce any and each such provision. Any consent or approval given by a Party pursuant to this Agreement shall be limited to its express terms and shall not otherwise increase

the obligations of the Party giving such consent or approval or otherwise reduce the obligations of the Parties receiving such consent or approval.

15.10 No Third Party Beneficiaries

Except as otherwise provided herein or permitted hereby, this Agreement is not made for the benefit of any Person not a party to this Agreement, and no Person other than the Parties or their respective successors and permitted assigns shall acquire or have any right, remedy or claim under or by virtue of this Agreement.

15.11 Waiver of Sovereign Immunity

A Party that now or hereafter has a right to claim sovereign immunity for itself or any of its assets hereby waives any such immunity to the fullest extent permitted by Applicable Law. This waiver includes immunity from:

(a) any proceedings under the Dispute Resolution Procedure;

(b) any judicial, administrative or other proceedings to aid the Dispute Resolution Procedure; and

(c) any confirmation, enforcement or execution of any decision, settlement, award, judgment, service of process, execution order or attachment (including pre-judgment attachment) that results from the Dispute Resolution Procedure or any judicial, administrative or other proceedings commenced pursuant to this Agreement. Each Party acknowledges that its rights and obligations under this Agreement are of a commercial and not a governmental nature.

15.12 Capacity of Nalcor

Nalcor is entering into this Agreement, and Emera and Emera NL acknowledge that Nalcor is entering into this Agreement, solely in its own right and not on behalf of or as agent of the NL Crown.

15.13 Survival

All provisions of this Agreement that expressly or by their nature are intended to survive the termination (however caused) of this Agreement, including covenants, warranties, guarantees, releases and indemnities, continue as valid and enforceable rights and obligations (as the case may be) of the Parties, notwithstanding any such termination, until they are satisfied in full or by their nature expire.

15.14 Successors and Assigns

This Agreement shall be binding upon and enure to the benefit of the Parties and their respective successors and permitted assigns.

15.15 General Partner Execution

The General Partner executes this Agreement only for the purpose of acknowledging that it is bound by the provisions of **Sections 4.1(c), 5.5(b), 5.6(c), 5.9, 5.18(k), 5.19(c), 5.22, 9.1(c), 9.1(g), 9.1(h), 9.1(i), 9.1(j), 9.1(k), 9.1(l), 9.2(b), 9.3(c), 9.3(d), 9.3(e)** and **9.3(g)**.

15.16 Nalcor Indemnity for General Partner

To the extent that the General Partner is required to carry out any provision of this Agreement, and the General Partner fails to perform such obligation or action, Nalcor shall indemnify and save harmless Emera for any Losses sustained by Emera, or any Affiliate of Emera, as applicable, as a result of any such failure by the General Partner. Nothing in this provision affects any other applicable remedy under this Agreement or any other Formal Agreement.

[Remainder of this page intentionally left blank.]

IN WITNESS WHEREOF the Parties have executed this Agreement as of the date first written above.

Executed and delivered by Nalcor Energy, in the presence of:

NALCOR ENERGY

By: _____
Name: Ed Martin
Title: President and Chief Executive Officer

By: _____
Name: Derrick Sturge
Title: Vice President, Finance and Chief Financial Officer

_____
Name: Rob Hull

By: _____
Name: Gilbert Bennett
Title: Vice President, Lower Churchill Project

We have authority to bind the corporation.

Executed and delivered by Emera Inc., in the presence of:

EMERA INC.

By: _____
Name: Chris Huskilson
Title: President and Chief Executive Officer

_____
Name: Peter Doig

By: _____
Name: Nancy Tower
Title: Executive Vice-President, Business Development

We have authority to bind the company.

Executed and delivered by Labrador-Island Link General Partner Corporation, in the presence of:

Name: Rob Hull

LABRADOR-ISLAND LINK GENERAL PARTNER CORPORATION

By: _____
Name: Ed Martin
Title: President and Chief Executive Officer

By: _____
Name: Gilbert Bennett
Title: Vice President, Lower Churchill Project

We have authority to bind the corporation.

Executed and delivered by Labrador-Island Link Holding Corporation, in the presence of:

Name: Rob Hull

LABRADOR-ISLAND LINK HOLDING CORPORATION

By: _____
Name: Tom Clift
Title: Chairperson

By: _____
Name: Derrick Sturge
Title: President and Chief Executive Officer

We have authority to bind the corporation.

Executed and delivered by ENL Island Link Incorporated, in the presence of:

Name: Peter Doig

ENL ISLAND LINK INCORPORATED

By: _____
Name: Richard Janega
Title: President

By: _____
Name: Nancy Tower
Title: Chief Executive Officer

We have authority to bind the corporation.

NEWFOUNDLAND AND LABRADOR DEVELOPMENT AGREEMENT (NLDA)

SCHEDULE 1

FUNDING COMPUTATION EXAMPLES

FUNDING COMPUTATION EXAMPLES

This Schedule provides illustrative examples of the calculations to be made pursuant to Sections 5.7(b)(i), 5.8, and 5.19 of the Agreement. Section numbers referenced in this Schedule are to sections of the Agreement.

All figures in this Schedule are purely illustrative and are not to be taken as representing the financial projections of Nalcor or Emera.

In the illustrative tables, totals may not add due to rounding.

Part 1: Defined Terms

In this Schedule:

"**DER**" means debt:equity ratio, expressed in this Schedule A as the percentage of debt divided by the sum of debt plus equity for a Limited Partner or the Partnership. For clarity, a DER of 55:45 as defined in the Agreement would be a DER of 55% in this Schedule;

"**e**" as a subscript refers to Emera NL's share;

"**LIL LP**" means the Partnership;

"**n**" as a subscript refers to Nalcor LP's share;

"**PCTCA**" means the Limited Partner share of Capital Account expressed as a percentage;

"**PCTRB**" means the percent allocation of rate base (RB) to Nalcor LP and Emera NL, calculated according to Section 5.8(a); the percentage per Section 5.8(a)(i) is PCTRBe and the percentage per Section 5.8(a)(ii) is PCTRBn;

"**RB**" means rate base, the remaining undepreciated average rate base at any point in time, expressed as a dollar amount; this value being equal to the Undepreciated Capital Asset; and

"**t**" as a subscript refers to the LIL in its entirety.

Part 2: Funding Prior to Post First Commercial Power Adjustments

Section 5.7(b)(i): Prior to LIL Sanction

In this period, all funding requirements are made by Nalcor equity investment in LIL costs prior to the execution of the Nalcor Asset Transfer Agreement. Prior to LIL Sanction, assets are transferred to the Partnership pursuant to the Nalcor Asset Transfer Agreement.

Activity Prior to and at LIL Sanction	Nalcor LP	Emera NL	Total
Funding requirement prior to asset transfer			$100
Asset transfer:	$100	$0	
PCTRB	100.0%	0.0%	
DER	0.0%	N/A	

Section 5.8(a): Subsequent to LIL Sanction

Section 5.8(a) sets out the calculations related to the funding obligations of Nalcor and Emera, after LIL Sanction but prior to Post Commercial Power Adjustments (which are addressed in Section 5.19).

Section 5.8(a)(i) and (ii): Estimated Capital Costs Funding Obligations

The calculations illustrated below demonstrate the Estimated Capital Costs funding obligations (as percentages) for Nalcor LP and Emera NL (PCTRB). Note that Estimated Capital Costs excludes AFUDC but includes financing fees and Reserves mandated by applicable lending agreements, to the extent that these fees and Reserves are not included in AFUDC.

Emera NL Additional Investment Calculation

$ millions

	Estimated
Capital Cost:	
LIL	2,180
LTA	405
ML	1,250
	3,835
49% of Capital Cost for ML, LIL, LTA	1,879
Less value of ML	1,250
Equals Emera NL Additional Investment per Section 5.8(a)(i)	629
Percentage per Section 5.8(a)(i)	29%
Percentage per section 5.8(a)(ii)	71%

Section 5.8(a)(iii)(A): Cash Payment at LIL Sanction

At LIL Sanction, Emera contributes, in response to a Cash Call, an amount sufficient such that PCTRBe and PCTRBn achieve target values (29% and 71% in the example above).

Sanction	Nalcor LP	Emera NL	Total Partnership
Starting funded balance and Capital Cost	$100		$100
PCTRBn and PCTRBe	71%	29%	100%
Required Emera NL contribution		$40.8	
Total Capital Contributions	$100	$41	$141
PCTRBn and PCTRBe	71%	29%	100%
Ending Capital Cost (no change)			$100
Ending cash balance			$41

Section 5.8(a)(iii)(C): LIL Sanction to Disbursement of Cash Balance after Section 5.8(a)(iii)(A)

In this period, Partnership cash balances are used to meet funding requirements.

While not shown in the table below, Nalcor LP and Emera NL continue to earn ROE on their respective Capital Accounts.

Sanction to Disbursement of Cash Balances	Nalcor LP	Emera NL	Total Partnership
Starting Capital Contributions	$100	$41	$141
PCTRBn and PCTRBe	71%	29%	100%
Starting cash balance			$41
Disbursements funded by cash			$41
Ending Capital Cost			$141
Ending cash balance			$0

Section 5.8(a)(iii)(D): LIL Sanction to Financial Close, After Disbursement of Cash Balance per Section 5.8(a)(iii)(C)

In this period, funding requirements are met by Partner Capital Contributions, according to PCTRB. Accrued ROE must be accounted for. In the example below, ROE is purely illustrative.

Sanction to Financial Close after Disbursement of Cash Balances	Nalcor LP	Emera NL	Total Partnership
Required funding during this period			$100.0
PCTRBn and PCTRBe	71%	29%	100%
Cash Calls for Capital Contributions	$71	$29	$100
Ending cumulative Capital Contributions	$171	$70	$241
Accumulated ROE (illustrative)	$3	$1	$5
Ending Capital Account	$174	$71	$246
PCTRBn and PCTRBe	71%	29%	100%

The total capital of the Partnership is comprised of Capital Contributions by the Partners and accrued ROE. PCTRB percentages are unchanged.

Section 5.8(a)(iv): Calculation of Partnership Target DER

At Financial Close, the Limited Partners advise the General Partner of their respective target DERs, and the General Partner calculates the target DER for LIL LP as a whole.

Calculation of Partnership Target DER	Nalcor LP	Emera NL	Total Partnership
Target DER, Limited Partners	75%	55%	
PCTRBn and PCTRBe	71%	29%	100%
PartnershipTarget DER			69.2%

Algebraically:

DERt = PCTRBn x DERn + PCTRBe x DERe

Section 5.8(a)(v): Achievement of Partnership Target DER

In this period, the proceeds of debt financing at Financial Close are used for funding requirements until the Partnership Target DER is achieved. ROE continues to accrue; again, values shown are strictly illustrative.

Achievement of Partnership Target DER	Nalcor LP	Emera NL	Total Partnership
Starting Capital Account	$174	$71	$246
ROE in this period	$5	$2	$7
Ending Capital Account	$180	$73	$253
Partnership Target DER			69.2%
Disbursements to be made entirely by debt including interest			$569
Capital Cost + AFUDC			$822
Partnership Target DER			69.2%
Ending PCTCAn and PCTCAe	71%	29%	100%

Section 5.8(a)(vi): Nalcor LP and Emera NL Target Shares of LIL LP Equity Achieved

In this period, funding requirements are met by debt and equity according to the Partnership Target DER. All equity funding requirements are met by Emera NL until the respective Target Shares of LIL LP equity are met. ROE continues to accrue.

The duration of this phase is driven by the need for Emera NL equity to rise from the share derived in Section 5.8(a)(i) (29% in the example above) to the target value (42.4% in the current example, being 45% (the equity portion of Emera NL Target DER) times 29% (Emera NL PCTRB); the result divided by 30.8% (the equity portion of LIL LP DER)). To maintain the Partnership Target DER, debt (including interest during construction ("IDC")) contributes to funding requirements as well.

At the end of this phase, the following targets are achieved:

- Partnership Target DER;
- Target DERs for each of Nalcor LP and Emera NL; and
- Nalcor LP and Emera NL Target Shares of LIL LP Equity.

Nalcor LP and Emera NL Target Shares of LIL LP Equity Achieved	Nalcor LP	Emera NL	Total Partnership
Starting Capital Account	$180	$73	$253
Accrued ROE on starting Capital Acccount	$5	$2	$8
Starting Capital Account including accrued ROE	$185	$76	$261
Target DER	75%	55%	69.2%
PCTRBn and PCTRBe	71%	29%	100%
Target Share of LIL LP Equity	57.6%	42.4%	100.0%
Equity to be invested by Emera NL alone to achieve target share of LIL LP Equity (includes accrued ROE)		$60	$60
Ending Capital Account	$185	$136	$321
Share of LIL LP Equity[1]	57.6%	42.4%	100.0%
Existing debt including interest			$569
Period debt including interest			$153
Ending debt (to achieve Partnership Target DER)			$721
Ending Capital Costs + AFUDC (apportioned according to PCTRB)	$740	$302	$1,042
DER			69.2%
Attributable debt	75%	55%	
	$555	$166	$721
Proof - Capital Costs + AFUDC (= debt plus Capital Account)	$740	$302	$1,042

Note 1:

The Nalcor LP and Emera NL shares of LIL equity are calculated using the percentages derived in Section 5.8(a), and the respective target DERs for Nalcor LP and Emera NL.

For Nalcor LP, equity investment as a percentage of total LIL LP equity is:

- 71%, Nalcor's PCTRB per Section 5.8(a)(ii); times
- 25%, Nalcor's equity as a percentage of Nalcor's PCTRB per Nalcor LP's DER;
- Equals 17.75%;
- Divided by 30.8% which is the equity portion of LIL LP's DER;
- Equals 57.6%

The 42.4% shown for Emera NL is calculated similarly, using its PCTRB of 29% and its equity percentage of DER of 45%.

Section 5.8(a)(vii): Thereafter until First Commercial Power

In this period, funding requirements (including AFUDC) are met according to the Partnership Target DER and target shares of LIL LP equity.

Thereafter until First Commercial Power	Nalcor LP	Emera NL	Total Partnership
Funding requirement (including AFUDC)	$1,167	$477	$1,643
	71%	29%	100%
Amount funded by debt (including IDC)	$875	$262	$1,137
			69.2%
Amount funded by equity (Capital Account) including accrued ROE	$292	$214	$506
			30.8%
Target shares of LIL LP equity	57.6%	42.4%	
Ending Capital Account	$477	$350	$827
Ending debt	$1,430	$428	$1,859
Ending Capital Costs plus AFUDC (= debt plus Capital Account = Undepreciated Capital Asset as at First Commercial Power)	$1,907	$779	$2,686
DER	75.0%	55.0%	69.2%
Share of LIL LP Equity (PCTCA)	57.6%	42.4%	100.0%

Section 5.8(a)(viii): If Debt Financing is Not Available

If this situation were to arise, Capital Contributions would be made according to the percentages determined under Sections 5.8(a)(i) and (ii).

While not shown in the table below, Nalcor LP and Emera NL continue to earn ROE on their respective Capital Accounts.

If Debt Financing is Not Available	Nalcor LP	Emera NL	Total Partnership
Funding requirement, after Financial Close, but debt financing is not available			$100
Apportionment	71%	29%	100%
Dollar apportionment of funding requirement	$71	$29	$100

Algebraic Expression

By the end of the funding phase, at First Commercial Power, using the terms defined at the beginning of this Schedule, the target values for PCTCAn and PCTCAe, as at in-service, are as follows:

- PCTCAn = ((100% - DERn) x PCTRBn) / [((100% - DERn) x PCTRBn) + ((100% - DERe) x PCTRBe)]; and
- PCTCAe = ((100% - DERe) x PCTRBe) / [((100% - DERn) x PCTRBn) + ((100% - DERe) x PCTRBe)]

Part 3: Section 5.19 – Post First Commercial Power Adjustments

After the Interim Cost Report is received and again, after the Final Cost Report is received, the calculations provided for in Section 5.8(a) will require recomputation in accordance with the following provisions:

Assumptions

The following assumptions are used in this Schedule:

$ millions	Estimated	Final
Capital Cost:		
LIL	2,180	2,328
LTA	405	400
ML	1,250	1,400
	3,835	4,128

Revision to LIL Capital Values at Post First Commercial Power Adjustments	Estimated	Final
Construction cost	2,060	2,200
Financing fees not included in AFUDC	30	32
Reserves in cost base	90	96
Subtotal - Capital Costs	2,180	2,328
AFUDC	505	540
Undepreciated Capital Asset as at First Commercial Power	2,685	2,868
AFUDC as a percent of Capital Costs	23.2%	23.2%

First Adjustment

Once Actual Capital Costs of the Transmission Assets are known as a result of the issue of the Interim Cost Report as provided in Section 5.18, the following shall be calculated based upon the amounts set out in such Interim Cost Report:

- calculate the dollar amount that the Emera NL Additional Investment (Emera NL's investment in the Partnership, including both its Class B Limited Unit Capital Account and the portion of the Partnership debt which is attributed to Emera NL for the purposes of these calculations) ought to be, on the basis that it should be equal to the difference between:
    - 49% of the Actual Capital Costs of the Transmission Assets as shown in the Interim Cost Report less any Capital Costs in respect of the LIL that are not approved by the PUB or other Authorized Authority, if any, and
    - the Actual Capital Costs of the Maritime Link as shown in the Interim Cost Report.

Recalculation of Emera NL Additional Investment

$ millions

	Estimated	Final
Capital Cost:		
LIL	2,180	2,328
LTA	405	400
ML	1,250	1,400
	3,835	4,128
49% of Capital Cost for ML, LIL, LTA	1,879	2,023
Less value of ML	1,250	1,400
Equals Emera NL Additional Investment	629	623

- calculate the Emera NL Target Dollar Share of the Undepreciated Capital Asset as at First Commercial Power (which includes both its Class B Limited Unit Capital Account and the portion of the Partnership debt which is attributed to Emera NL for the purposes of these calculations) and is:
    - the dollar value of the Emera NL Additional Investment as described above; plus
    - total Actual AFUDC on the Emera NL Additional Investment, which is:
        - the Emera NL Additional Investment; times
        - the total Actual AFUDC for the LIL; divided by
        - the Actual Capital Costs of the LIL excluding any Capital Costs not approved by the PUB or other Authorized Authority.

Calculation of Emera NL Target Dollar Share of the Undepreciated Capital Asset

Emera NL Additional Investment		623
Plus: total AFUDC using a factor of:	23.2%	144
Emera NL Target Dollar Share of the Undepreciated Capital Asset		767

- calculate the **Nalcor LP Target Dollar Share of the Undepreciated Capital Asset** as at First Commercial Power of the LIL (which includes both its Class A Limited Unit Capital Account and the portion of the Partnership debt which is attributed to Nalcor LP for the purposes of these calculations) and is:
    - the dollar value of the **Undepreciated Capital Asset** as at First Commercial Power of the LIL, less
    - the dollar value of the Emera NL Target Dollar Share of the Undepreciated Capital Asset as at First Commercial Power of the LIL;

Calculation of Nalcor LP Target Dollar Share of the Undepreciated Capital Asset

Undepreciated Capital Asset	2,868
Less: Emera NL Target Dollar Share of the Undepreciated Capital Asset	767
Equals: Nalcor LP Target Dollar Share of the Undepreciated Capital Asset	2,101

- calculate the percentage that:
    - the Nalcor LP Target Dollar Share of the Undepreciated Capital Asset is of the Undepreciated Capital Asset (the "**Nalcor LP Target Percentage Share of the Undepreciated Capital Asset**"); and
    - the Emera NL Target Dollar Share of the Undepreciated Capital Asset is of the Undepreciated Capital Asset (the "**Emera NL Target Percentage Share of the Undepreciated Capital Asset**"),
    - all as at First Commercial Power.

Calculation of Target Percentage Shares of the Undepreciated Capital Asset	
Emera NL Target Dollar Share of the Undepreciated Capital Asset	767
Divided by Undepreciated Capital Asset	2,868
Equals Emera NL Target Percentage Share of Undepreciated Capital Asset	26.8%
Nalcor LP Target Dollar Share of the Undepreciated Capital Asset	2,101
Divided by Undepreciated Capital Asset	2,868
Equals Nalcor LP Target Percentage Share of the Undepreciated Capital Asset	73.2%

- calculate:
    - **Emera NL Target Dollar Attributable Debt** as at the post First Commercial Power adjustment which is equal to:
        - the Emera NL Target Percentage Share of the Undepreciated Capital Asset, multiplied by
        - the value of the Undepreciated Capital Asset as at the post First Commercial Power adjustment; multiplied by
        - the debt percentage in Emera NL Target DER (55% in the current example); and
    - **Emera NL Target Dollar Attributable Equity** as at the post First Commercial Power adjustment which is equal to:
        - the Emera NL Target Percentage Share of the Undepreciated Capital Asset; multiplied by
        - the value of the Undepreciated Capital Asset as at the post First Commercial Power adjustment; multiplied by
        - 100% minus the debt percentage in Emera NL Target DER (100% - 55% = 45% in the current example);
    - **Nalcor LP Target Dollar Attributable Debt** as at the post First Commercial Power adjustment which is equal to:
        - total Partnership debt as at the post First Commercial Power adjustment, less
        - **Emera NL Target Dollar Attributable Debt** as at the post First Commercial Power adjustment; and

- **Nalcor LP Target Dollar Attributable Equity** as at the post First Commercial Power adjustment which is equal to:
  - the Partnership Capital Accounts as at the post First Commercial Power adjustment, less
  - Emera NL Target Dollar Attributable Equity as at the post First Commercial Power adjustment.

Calculation of Emera NL Attributable Debt and Equity			
Total Emera NL Target Dollar Share of the Undepreciated Capital Asset		767	
of which	Attributable Debt	422	55.0%
(using Emera NL Target DER)	Equity (Capital Account)	345	45.0%

Calculation of Nalcor LP Attributable Debt and Equity			
Total Nalcor LP Target Dollar Share of the Undepreciated Capital Asset		2,101	
of which	Attributable Debt (LIL LP total debt less that attributable to Emera NL)	1,563	74.4%
	Equity (Capital Account) - Nalcor LP Target Dollar share of the Undepreciated Capital Asset, less Nalcor LP attributable debt)	537	25.6%

- calculate the resulting Nalcor LP DER.

Calculation of Nalcor LP DER
Example shown based on values as at in-service; at the time, will be done based on the value of the Undepreciated Capital Asset at the time

	Nalcor LP	Emera NL	Total	
Target DER	N/A	55.0%	69.2%	
Share of Undepreciated Capital Asset	73.2%	26.8%	100.0%	new percentages
Attributable total capital (Undepreciated Capital Asset)	2,101	767	2,868	
Adjusted equity (Capital Account)	537	345	883	total same as before Post
Adjusted attributable debt	1,563	422	1,985	First Commercial Power Adjustments
Resulting Nalcor LP DER	74.4%			

The total debt and equity of LIL LP will not be affected by the Post First Commercial Power Adjustments.

Transaction

Nalcor LP and Emera NL will transact with the General Partner to achieve the desired equity values calculated as described above.

Before any adjustments, but using revised post First Commercial Power values, the relevant values are as follows:

	Nalcor LP	Emera NL	Total
Using Updated Costs but Before Post First Commercial Power Adjustments:			
Target DER	75.0%	55.0%	69.2%
Share of Undepreciated Capital Asset	71.1%	28.9%	100.0%
Attributable Undepreciated Capital Asset	2,040	828	2,868
Equity (attributable Undepreciated Capital Asset times equity portion of DER)	510	372	883
Attributable debt (attributable Undepreciated Capital Asset times debt portion of DER)	1,530	455	1,985

To achieve target values as described above, a transaction would occur as follows:

Capital Account Transaction

		Nalcor LP	Emera NL	Total
Pre-adjustment	Target DER	75%	55%	69.2%
	Share of Undepreciated Capital Asset	71%	29%	100%
	Capital Account	510	372	883
	Attributable Debt	1,530	455	1,985
	Total Undepreciated Capital Asset	2,040	828	2,868
Post-adjustment	Capital Account	537	345	883
	Attributable Debt	1,563	422	1,985
	Total	2,101	767	2,868
Exchange of Capital Account (cash transaction with General Partner)		27	(27)	-
Exchange of attributable debt (non-cash)		33	(33)	-

Final Adjustment

Final Adjustment - Once Actual Capital Costs, Actual AFUDC and Reserves of the Transmission Assets are known as a result of the issue of the Final Cost Report as provided in Section 5.18, each of the foregoing calculations shall be re-calculated based upon the amounts set out in such Final Cost Report.

Calculation Basis

The transaction described above whereby equity value is transacted, will be done on the basis of the Undepreciated Capital Asset values as at the post First Commercial Power adjustment. No adjustment will be made to prior Partnership Distributions, or to Emera NL's filed tax returns.

NEWFOUNDLAND AND LABRADOR DEVELOPMENT AGREEMENT (NLDA)

SCHEDULE 2

EMERA NL SUBSCRIPTION AGREEMENT

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EMERA NL SUBSCRIPTION AGREEMENT

THIS EMERA NL SUBSCRIPTION AGREEMENT is made effective the • day of •, 201• (the "**Effective Date**")

BETWEEN:

ENL ISLAND LINK INCORPORATED ("**Emera NL**")

- and -

LABRADOR-ISLAND LINK LIMITED PARTNERSHIP (the "**Partnership**") acting by its general partner, **LABRADOR-ISLAND LINK GENERAL PARTNER CORPORATION** (the "**General Partner**")

WHEREAS Emera NL is a Wholly-Owned Subsidiary of Emera Inc. ("**Emera**");

NOW THEREFORE this Agreement witnesses that in consideration of the mutual covenants and agreements hereinafter contained the Parties, intending to be legally bound, agree as follows:

ARTICLE 1
INTERPRETATION

1.1 Definitions

In this Agreement, and subject to **Section 1.2**, in the Appendices, capitalized terms which are defined in the LIL LP Agreement and are not otherwise defined herein have the meanings ascribed thereto in the LIL LP Agreement when used in this Agreement and the following terms shall have the meanings set forth below:

"**Agreement**" means this agreement, including all Appendices, as it may be modified, amended, supplemented or restated by written agreement between the Parties;

"**Knowledge**" means in the case of either Party, as applicable, the actual knowledge of any of the executive officers of such Party and other facts or matters that such executive officers could reasonably be expected to discover or otherwise become aware of in the course of performing their ordinary responsibilities as executive officers of such Party;

"**LIL LP Agreement**" means an agreement dated July 31, 2012 between the General Partner, as general partner, and Nalcor LP, as limited partner, providing for the establishment and operation of Labrador-Island Link Limited Partnership;

"**Legal Proceedings**" means any actions, suits, investigations, proceedings, judgments, rulings or orders by or before any Authorized Authority;

"**MEPCO Transmission Rights Agreement**" means the agreement of even date herewith between Nalcor and Emera providing for the use by Nalcor of the MEPCO transmission rights;

"**New Brunswick Transmission Utilization Agreement**" means the agreement of even date herewith between Nalcor and Emera providing for the use of transmission rights in New Brunswick;

"**Party**" means a Person party to this Agreement.

1.2 Construction of Agreement

(a) Interpretation Not Affected by Headings, etc. - The division of this Agreement into articles, sections and other subdivisions, the provision of a table of contents and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement. Unless otherwise indicated, all references to an "**Article**", "**Section**" or "**Appendix**" followed by a number and/or a letter refer to the specified article, section or appendix of this Agreement. The terms "**this Agreement**", "**hereof**", "**herein**", "**hereby**", "**hereunder**" and similar expressions refer to this Agreement and not to any particular Article or Section hereof. All references to a given agreement, instrument or other document shall be a reference to that agreement, instrument or other document as modified, amended, supplemented and restated through the date as of which such reference is made.

(b) Recitals - The recitals form part of this Agreement.

(c) Singular/Plural; Derivatives - Whenever the singular or masculine or neuter is used in this Agreement, it shall be interpreted as meaning the plural or feminine or body politic or corporate, and vice versa, as the context requires. Where a term is defined herein, a capitalized derivative of such term has a corresponding meaning unless the context otherwise requires.

(d) "Including" - The word "including", when used in this Agreement, means "including without limitation".

(f) Currency - Unless otherwise indicated, all dollar amounts referred to in this Agreement (including the Appendices) are in lawful money of Canada.

(g) Trade Meanings - Terms and expressions that are not specifically defined in this Agreement, but which have generally accepted meanings in the custom, usage and literature of the electricity industry in Canada as of the date of this Agreement, shall have such generally accepted meanings when used in this Agreement, unless otherwise specified elsewhere in this Agreement.

(h) Statutory References - Any reference in this Agreement to a statute shall include, and shall be deemed to be, a reference to such statute and to the regulations made

pursuant thereto, and all amendments made thereto (including changes to section numbers referenced herein) and in force from time to time, and to any statute or regulation that may be passed that has the effect of supplementing or replacing the statute so referred to or the regulations made pursuant thereto, and any reference to an order, ruling or decision shall be deemed to be a reference to such order, ruling or decision as the same may be varied, amended, modified, supplemented or replaced from time to time.

(i) Terms Defined in Appendices - Terms defined in an Appendix or part of an Appendix to this Agreement shall, unless otherwise specified in such Appendix or part of an Appendix or elsewhere in this Agreement, have the meaning set forth only in such Appendix or such part of such Appendix.

(j) Calculation of Time - Where, in this Agreement, a period of time is specified or calculated from or after a date or event, such period is to be calculated excluding such date or the date on which such event occurs, as the case may be, and including the date on which the period ends.

(k) Time Falling on Non-Business Day - Whenever the time for doing something under this Agreement falls on a day that is not a Business Day such action is to be taken on the first following Business Day.

(l) No Drafting Presumption - The Parties acknowledge that their respective legal advisors have reviewed and participated in settling the terms of this Agreement and agree that any rule of construction to the effect that any ambiguity is to be resolved against the drafting Party shall not apply to the interpretation of this Agreement.

(m) Approvals, etc. - Except where otherwise expressly provided herein, whenever an action referred to in this Agreement is to be "approved", or "determined" by a Party or requires a Party's "consent", then

(i) such approval, determination or consent by a Party must be in writing; and

(ii) such Party shall be free to take such action having regard to that Party's own interests, in its sole and absolute discretion.

1.3 Conflicts Between Parts of Agreement

If there is any conflict or inconsistency between a provision of the body of this Agreement and that of an Appendix or any document delivered pursuant to this Agreement, the provision of the body of this Agreement shall prevail.

1.4 Applicable Law and Submission to Jurisdiction

This Agreement shall be governed by and construed in accordance with the laws of NL and the Federal laws of Canada applicable therein, but excluding all choice-of-law provisions. The Parties irrevocably consent and submit to the exclusive jurisdiction of the courts of the Province

of Newfoundland and Labrador with respect to all matters relating to this Agreement, subject to any right of appeal to the Supreme Court of Canada. Each Party waives any objection that it may now or hereafter have to the determination of venue of any proceeding in such courts relating to this Agreement or that it may now or hereafter have that such courts are an inconvenient forum.

1.5 Appendices

The following are the Appendices attached to and incorporated by reference in this Agreement, which are deemed to be part hereof:

Appendix A – Accredited Investor Form

ARTICLE 2
SUBSCRIPTION

2.1 Issuance to Emera NL of Class B Limited Units and Establishment of Class B Limited Unit Capital Account

Emera NL hereby subscribes and agrees to pay for a Partnership Interest consisting of 25 Class B Limited Units for a Capital Contribution of $1,000, which amount is tendered herewith.

2.2 Subscription Accepted

The General Partner hereby accepts the subscription of Emera NL set out in **Section 2.1** and hereby:

(a) issues to Emera NL 25 Class B Limited Units in consideration of the sum of $1,000 the receipt and sufficiency whereof are hereby acknowledged; and

(b) establishes on the books of the Partnership a Class B Limited Unit Capital Account in the name of Emera NL to which the $1,000 shall be credited.

2.3 No Further Issue

The Partnership agrees that no further Class B Limited Units will be issued; all Capital Contributions by Emera NL shall be credited to the Class B Limited Unit Capital Account and any adjustments required by this Agreement or the LIL LP Agreement shall be made by an appropriate debit or credit to the Class B Limited Unit Capital Account.

2.4 Further Amounts to be Credited to Emera NL Partnership Capital Account

If Emera NL makes further Capital Contributions, the amount thereof shall be credited to such Capital Account.

2.5 Subscription Irrevocable

The foregoing subscription is irrevocable.

ARTICLE 3
POWER OF ATTORNEY

3.1 **Power of Attorney to General Partner**

In consideration of the General Partner accepting this subscription and conditional thereon:

(a) Emera NL hereby agrees to be bound as a Partner in the Partnership by the terms of the LIL LP Agreement as from time to time amended and in effect and Emera NL hereby expressly ratifies and confirms the power of attorney given to the General Partner in Section 2.10 of the LIL LP Agreement; and by way of confirmation thereof:

(i) Emera NL hereby irrevocably nominates, constitutes and appoints the General Partner, with full power of substitution, as Emera NL's agent and true and lawful attorney to act on Emera NL's behalf with full power and authority in Emera NL's name, place and stead to execute and record or file as and where required:

(A) (1) the LIL LP Agreement;

(2) any amendment to the LIL LP Agreement subject to required Partner approval, if any; and

(3) any other instruments or documents,

but only to the extent required to continue and keep in good standing the Partnership as a limited partnership under the Act, or otherwise to comply with the laws of any jurisdiction in which the Partnership may carry on business or own or lease property in order to maintain the limited liability of the Limited Partners and to comply with the Applicable Laws of that jurisdiction (including any amendments to the Certificate or the Register as may be necessary to reflect the admission to the Partnership of subscribers for or transferees of a Partnership Interest as contemplated by the LIL LP Agreement);

(B) all instruments and any amendments to the Certificate necessary to reflect any amendment to the LIL LP Agreement;

(C) any instrument required in connection with the dissolution and termination of the Partnership in accordance with the provisions of the LIL LP Agreement, including any elections, determinations or designations in respect of such dissolution and termination under the Tax Act or under any other taxation legislation or laws of like import of Canada or of any province or jurisdiction;

(D) the documents necessary to be filed with the appropriate Authorized Authority in connection with the Business, property, assets and undertaking of the Partnership;

(E) the documents on Emera NL's behalf and in Emera NL's name as may be necessary to give effect to the admission of a subscriber for or a transferee of a Partnership Interest in the Partnership;

(F) any election, determination, designation, information return or similar document or instrument as may be required or desirable at any time under the Tax Act or under any other taxation legislation or laws of like import of Canada or of any province or jurisdiction which relates to the affairs of the Partnership or its Affiliates or the interest of any Person in the Partnership; and

(G) all other instruments and documents on Emera NL's behalf and in Emera NL's name or in the name of the Partnership as may be deemed necessary by the General Partner to carry out fully this Agreement in accordance with its terms.

(b) The power of attorney granted in this Subscription Agreement is irrevocable, is a power coupled with an interest and is given for consideration, and will survive the transfer or assignment by Emera NL of the whole or any part of the interest of Emera NL in the Partnership, and extends to the successors, transferees and assigns of Emera NL, and may be exercised by the General Partner on behalf of Emera NL by executing any instrument by a facsimile signature or by listing all the Partners and executing that instrument with a single signature as attorney and agent for all of them.

(c) Emera NL agrees to be bound by any representation or action made or taken by the General Partner with regard to Emera NL pursuant to such power of attorney and hereby waives any and all defences which may be available to contest, negate or disaffirm the action of the General Partner taken in good faith under such power of attorney.

(d) The foregoing power of attorney shall be governed by the laws of the Province of Newfoundland and Labrador and the federal laws of Canada applicable therein.

(e) The foregoing power of attorney will continue in respect of the General Partner so long as it is the General Partner of the Partnership, and will terminate thereafter, but will continue in respect of a new General Partner as if the new General Partner were the original attorney.

ARTICLE 4
REPRESENTATIONS AND WARRANTIES

4.1 **Emera NL**

Emera NL represents, warrants, covenants and agrees with each other Partner that:

(a) Emera NL is and shall continue to be a Wholly-Owned Subsidiary of Emera;

(b) Emera NL is and shall continue to be a corporation validly incorporated under the laws of NL and is and shall continue to be validly subsisting under the laws of, and is qualified to conduct its business in, NL;

(c) Emera NL is operating in NL, for securities law purposes is resident only in NL, and has its sole permanent establishment for provincial income tax purposes in NL;

(d) Emera NL has the capacity and authority to enter into and perform its obligations under this Agreement and to subscribe for the Partnership Interest as herein provided and shall, at the request of the General Partner, provide such evidence of compliance with such representation, warranty and covenant as the General Partner may request;

(e) Emera NL has full power and authority to execute this Agreement and all other agreements contemplated hereby required to be executed by it and to take all actions required pursuant hereto, and has obtained all necessary approvals of its directors and shareholders and such execution and the performance of its obligations under this Agreement do not and shall not conflict with or constitute a default under its articles, by-laws or any agreement by which it is bound;

(f) Emera NL has duly authorized, executed and delivered this Agreement and that this Agreement constitutes a legal, valid and binding obligation of Emera NL enforceable against Emera NL in accordance with its terms, except as the enforceability thereof may be limited by:

(i) bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally; and

(ii) general principles of equity whether considered in a proceeding in equity or at law;

(g) no Insolvency Event has occurred, is pending or being contemplated by it or, to its Knowledge, threatened against it;

(h) there are no Legal Proceedings pending or, to its Knowledge, threatened against it that may materially adversely affect its ability to perform its obligations under this Agreement;

(i) no consent or other approval, order, authorization or action by, or filing with, any Person is required to be made or obtained by Emera NL for its lawful execution, delivery and performance of this Agreement, except for:

(i) such consents, approvals, authorizations, actions and filings that have been made or obtained prior to the date hereof;

(ii) such consents, approvals, authorizations, actions and filings the failure of which would not have, or could not reasonably be expected to have, a material adverse effect on Emera NL's ability to perform its obligations under this Agreement; and

(iii) the Regulatory Approvals;

(j) Emera NL does not have any liability or obligation to pay any fees or commissions to any broker, finder or agent with respect to the transactions contemplated by this Agreement;

(k) Emera NL understands that the Partnership Interest which is subscribed for has not been qualified under a prospectus and sold through a registrant under applicable Securities Legislation, and accordingly, is subject to resale restrictions and may not be offered or sold except under a qualified prospectus and through a registrant under applicable Securities Legislation unless offered or sold pursuant to an exemption from the prospectus and registration requirements of applicable Securities Legislation. Emera NL further understands that no public market presently exists for any securities of the Partnership and there can be no assurance that any such market will be created;

(l) the Partnership Interest subscribed for is being acquired by Emera NL as principal for its own account and not as a nominee or agent, for investment only and not with a view to the resale or distribution of any part thereof, and Emera NL has no present intention of selling, granting any participation in, or otherwise distributing the same;

(m) Emera NL is an "accredited investor" as that term is defined in National Instrument 45-106 and shall, contemporaneously with the execution of this Agreement, execute and deliver a completed Accredited Investor Certificate in the form annexed as **Appendix "1"**;

(n) Emera NL acknowledges that the Partnership Interest subscribed for is subject to transfer restrictions pursuant to the LIL LP Agreement;

(o) Emera NL acknowledges that this Subscription Agreement requires Emera NL to provide certain personal information to the Partnership. Such information is being collected by the Partnership for the purposes of completing the issuance of the Partnership Interest subscribed for hereby, including a determination as to Emera NL's eligibility to purchase such Partnership Interest under applicable securities legislation, preparing and registering any certificates representing Units,

coordinating clearance certificate applications and comfort letters and completing filings required by any securities regulatory authority; Emera NL's personal information may be disclosed by the Partnership to: (i) securities regulatory authorities, (ii) any Person appointed to maintain the Partnership's Register, (iii) any of the other parties involved in the transactions contemplated by this Agreement, including legal counsel to the Partnership; (iv) any Person for the purpose of mitigating any Tax withholding or remittance obligations; and (v) any other Person for the purpose of administering the affairs of the Partnership. By executing this Subscription Agreement, Emera NL consents to the foregoing collection, use and disclosure of its personal information;

(p) other than the options in favour of Nalcor and Nalcor LP contained in the Newfoundland and Labrador Development Agreement dated July 31, 2012 among Nalcor and Emera and certain of their respective Affiliates relating, among other things, to the development of the Labrador-Island Link, no Person has any option, warrant, right, call, commitment, conversion right, right of exchange or other agreement or any right or privilege (whether by law, pre emptive or contractual) capable of becoming an option, warrant, right, call, commitment, conversion right, right of exchange or other agreement for the purchase from Emera NL of any of the Partnership Interest subscribed for hereby;

(q) Emera NL is and shall remain a resident of Canada for purposes of the Tax Act;

(r) Emera NL is acting on its own behalf, and will be and shall remain the beneficial owner of its Partnership Interest and no interest in Emera NL is or shall be a "tax shelter investment" as that term is defined in the Tax Act and Emera NL's interest in the Partnership is and shall not be a "tax shelter investment" as that term is defined in the Tax Act;

(s) Emera NL is and shall remain a Qualified Partner;

(t) Emera NL shall from time to time promptly provide to the General Partner such evidence of its status as the General Partner may reasonably request; and

(u) neither Emera nor any Affiliate of Emera has given Notice of the termination of either the New Brunswick Transmission Utilization Agreement or the MEPCO Transmission Rights Agreement.

4.2 Maintain Status

Emera NL covenants and agrees that it shall maintain its status as described above and that it shall not Transfer or purport to Transfer the whole or any part of its Partnership Interest including the Units to any Person who is or would be unable to make the representations and warranties set out in **Section 4.1**.

4.3 Provide Information

Emera NL will, promptly upon request by the General Partner, provide the Partnership with such information and execute and deliver to the Partnership such additional undertakings, questionnaires, reports and other documents as the Partnership may reasonably request in connection with the issue and sale of the Partnership Interest subscribed for hereby and consents to the filing of such undertakings, questionnaires, reports and other documents (and to the disclosure of the information contained therein) as may be required to be filed with any stock exchange or securities regulatory authority in connection with the transactions contemplated hereby.

4.4 Security Law Matters

Emera NL:

(a) acknowledges that pursuant to Securities Legislation, Emera NL may be required to file reports with the NL Securities Commission or other applicable securities regulatory authorities in the required form within the time period specified by such securities commission of each disposition of all or any of the Partnership Interest subscribed for hereby and, if so required, Emera NL undertakes to file the required reports;

(b) understands and acknowledges that the Partnership Interest subscribed for hereby will be subject to certain resale restrictions under Securities Legislation and in particular, Emera NL understands and acknowledges that the Partnership is not a reporting issuer in any province or territory of Canada or in any other jurisdiction and, therefore, such Partnership Interest is subject to a statutory hold period which will be of an indefinite period and during such statutory hold period none of such securities may be resold in Canada except pursuant to a statutory exemption or a discretionary ruling issued by the securities regulatory authority in the transferee's jurisdiction of residence. Emera NL also acknowledges that it has been advised to consult its own legal advisors with respect to applicable resale restrictions and that it is solely responsible for complying with such restrictions (and the Partnership is not in any manner responsible for ensuring compliance by Emera NL with such restrictions). Emera NL will not resell any of such Partnership Interest except in accordance with the provisions of Securities Legislation;

(c) is acquiring the Partnership Interest subscribed for hereby to be held for investment only and not with a view to resale or distribution;

(d) acknowledges and agrees that the sale and delivery of the Partnership Interest subscribed for hereby is conditional upon such sale being exempt from the requirements under applicable Securities Legislation requiring the filing of a prospectus in connection with the distribution of the Partnership Interest subscribed for hereby or upon the issuance of such rulings, orders, consents or approvals as may be required to permit such sale without the requirement of filing a prospectus;

(e) has not received a prospectus, an offering memorandum (as such term is defined in the *Securities Act* (NL)) or sales or advertising literature in connection with the offering and has not received, nor has Emera NL requested, nor does Emera NL need to receive, any other document;

(f) acknowledges that it has not acquired the Partnership Interest subscribed for hereby as a result of any general solicitation or general advertising, including advertisements, articles, notices or other communications published in any newspaper, magazine or similar media or broadcast over radio, television or telecommunications, including electronic display, or any seminar or meeting whose attendees have been invited by any general solicitation or general advertising;

(g) has such knowledge and experience in financial and business affairs as to be capable of evaluating the merits and risks of the investment hereunder in the Partnership Interest subscribed for hereby and is able to bear the economic risk of loss of such investment; and

(h) acknowledges and agrees that it is responsible for obtaining such legal, tax and other advice as it considers appropriate in connection with the execution, delivery and performance by it of this Agreement and the transactions contemplated hereunder.

4.5 Non-Residence

If at any time Emera NL is a non-resident of Canada for purposes of the Tax Act, the General Partner may, in the circumstances and under the terms and conditions set forth in Section 2.7(d) of the LIL LP Agreement, require Emera NL to transfer its Partnership Interest to a Person which qualifies as a Qualified Partner.

4.6 Survival of Representations, Warranties and Covenants

The representations, warranties and covenants made pursuant to this **Article 4** above shall survive execution of this Agreement, and Emera NL covenants and agrees to ensure that each representation, warranty and covenant made pursuant to this **Article 4** remains true so long as it remains a Partner.

ARTICLE 5
CONFIDENTIALITY

5.1 Confidentiality

(a) Incorporation of Project NDA - The Parties agree that the Project NDA is incorporated in this Agreement by reference and applies to all Confidential Information disclosed by either Party to the other under or in connection with this Agreement, the Party disclosing Confidential Information being a Disclosing Party as defined in the Project NDA, and the Party receiving Confidential Information being a Receiving Party as defined in the Project NDA.

(b) Disclosure of Agreement - Each Party hereby agrees to the other Party making this Agreement public at any time and from time to time after the Effective Date.

ARTICLE 6
MISCELLANEOUS PROVISIONS

6.1 Notices

Notices, where required herein, shall be in writing and shall be sufficiently given if delivered personally or by courier or sent by electronic mail or facsimile transmission, directed as follows:

To Emera NL:

ENL Island Link Incorporated
9 Austin Street
St. John's, NL A1B 4C1
Attention: President
Fax: (709) 722-2083

with a copy to:

Emera Inc.
1223 Lower Water Street
Halifax, NS B3J 3S8
Attention: Corporate Secretary
Fax: 902-428-6112

To the Partnership c/o the General Partner:

Labrador-Island Link General Partner Corporation
c/o Nalcor Energy
500 Columbus Drive
P.O. Box 12800
St. John's, NL A1B 0C9
Attention: Chief Executive Officer
Fax: (709) 737-1782

with a copy to:

c/o Nalcor Energy
500 Columbus Drive
P.O. Box 12800
St. John's, NL A1B 0C9
Attention: Corporate Secretary
Fax: (709) 737-1782

Such Notice shall (i) if delivered personally or by courier, be deemed to have been given or made on the day of delivery, and (ii) if sent by electronic mail or facsimile transmission and confirmed by a copy immediately sent by courier, be deemed to have been given or made on the day it was successfully transmitted by electronic mail or facsimile transmission as evidenced by automatic confirmation of receipt; provided however that if in any case such day is not a Business Day or if the Notice is received after Regular Business Hours (time and place of receipt), the Notice shall be deemed to have been given or made on the next Business Day. Either Party may change its address or fax number hereunder from time to time by giving Notice of such change to the other Party.

6.2 Counterparts

This Agreement may be executed in counterparts, each of which when so executed shall be deemed to be an original, and such counterparts together shall constitute but one and the same instrument. Signatures delivered by facsimile or electronic mail shall be deemed for all purposes to be original counterparts of this Agreement.

6.3 Announcements

No announcement with respect to this Agreement shall be made by either Party without the prior approval of the other Party. The foregoing shall not apply to any announcement by a Party required in order to comply with Applicable Law; provided that such Party consults with the other Party before making any such announcement and gives due consideration to the views of the other Party with respect thereto. Both Parties shall use reasonable efforts to agree on the text of any proposed announcement.

6.4 Further Assurances

Each of the Parties shall, from time to time, do all such acts and things and execute and deliver, from time to time, all such further documents and assurances as may be reasonably necessary to carry out and give effect to the terms of this Agreement.

6.5 Severability

If any provision of this Agreement is determined by a court of competent jurisdiction to be wholly or partially illegal, invalid, void, voidable or unenforceable in any jurisdiction for any reason, such illegality, invalidity or unenforceability shall not affect the legality, validity and enforceability of the balance of this Agreement or its legality, validity or enforceability in any other jurisdiction. If any provision is so determined to be wholly or partially illegal, invalid or unenforceable for any reason, the Parties shall negotiate in good faith a new legal, valid and enforceable provision to replace such illegal, invalid or unenforceable provision, which, as nearly as practically possible, has the same effect as the illegal, invalid or unenforceable provision.

6.6 Time of the Essence

Time shall be of the essence.

6.7 Amendments

No amendment or modification to this Agreement shall be effective unless it is in writing and signed by both Parties.

6.8 No Waiver

Any failure or delay of either Party to enforce any of the provisions of this Agreement or to require compliance with any of its terms at any time during the Term shall not affect the validity of this Agreement, or any part hereof, and shall not be deemed a waiver of the right of such Party thereafter to enforce any and each such provision. Any consent or approval given by a Party pursuant to this Agreement shall be limited to its express terms and shall not otherwise increase the obligations of the Party giving such consent or approval or otherwise reduce the obligations of the Party receiving such consent or approval.

6.9 No Third Party Beneficiaries

Except as otherwise provided herein or permitted hereby, this Agreement is not made for the benefit of any Person not a party to this Agreement, and no Person other than the Parties or their respective successors and permitted assigns shall acquire or have any right, remedy or claim under or by virtue of this Agreement.

6.10 Survival

All provisions of this Agreement that expressly or by their nature are intended to survive the termination (however caused) of this Agreement, including covenants, warranties, guarantees, releases and indemnities, continue as valid and enforceable rights and obligations (as the case may be) of the Parties, notwithstanding any such termination, until they are satisfied in full or by their nature expire.

6.11 Successors and Assigns

This Agreement shall be binding upon and enure to the benefit of the Parties and their respective successors and permitted assigns.

[Remainder of this page intentionally left blank.]

IN WITNESS WHEREOF the Parties have executed this Agreement as of the date first written above.

ENL ISLAND LINK INCORPORATED

By:_____
Name:
Title:

By:_____
Name:
Title:

We have authority to bind the corporation.

LABRADOR-ISLAND LINK LIMITED PARTNERSHIP acting by its general partner, **LABRADOR-ISLAND LINK GENERAL PARTNER CORPORATION**

By:_____
Name:
Title:

By:_____
Name:
Title:

We have authority to bind the corporation.

Appendix A
to Emera NL Subscription Agreement

ACCREDITED INVESTOR FORM

ACCREDITED INVESTOR FORM

The categories listed herein contain certain specifically defined terms. If you are unsure as to the meanings of those terms, or are unsure as to the applicability of any below category, please contact your broker and/or legal advisor before completing this form.

TO: Labrador-Island Link Limited Partnership

In connection with the subscription by the undersigned purchaser (the "**Purchaser**") of Class B Limited Units (the "**Subject Units**") of Labrador-Island Link Limited Partnership (the "**Issuer**"), the Purchaser certifies that:

1. The Purchaser is purchasing the Subject Units in the Issuer as principal and not as agent and is purchasing for investment only and not with a view to resale or distribution.

2. The Purchaser is a resident of Newfoundland and Labrador.

3. The Purchaser is an "accredited investor" within the meaning of National Instrument 45-106 - *Prospectus and Registration Exemptions* ("NI 45-106") on the basis that it is:

(PLEASE INITIAL NEXT TO THE APPLICABLE CATEGORY)

☐ (a) a Canadian financial institution, or a Schedule III bank;

☐ (b) the Business Development Bank of Canada incorporated under the *Business Development Bank of Canada Act* (Canada);

☐ (c) a subsidiary of any person referred to in paragraphs (a) or (b), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by directors of that subsidiary;

☐ (d) a person registered under the securities legislation of a jurisdiction of Canada as an adviser or dealer, other than a person registered solely as a limited market dealer under one or both of the *Securities Act* (Ontario) or the *Securities Act* (Newfoundland and Labrador);

☐ (e) an individual registered or formerly registered under the securities legislation of a jurisdiction of Canada as a representative of a person referred to in paragraph (d);

☐ (f) the Government of Canada or a jurisdiction of Canada, or any crown corporation, agency or wholly owned entity of the Government of Canada or a jurisdiction of Canada;

☐ (g) a municipality, public board or commission in Canada and a metropolitan community, school board, the Comité de gestion de la taxe scolaire de l'île de Montréal or an intermunicipal management board in Québec;

☐ (h) any national, federal, state, provincial, territorial or municipal government of or in any foreign jurisdiction, or any agency of that government;

☐ (i) a pension fund that is regulated by either the Office of the Superintendent of Financial Institutions (Canada) or a pension commission or similar regulatory authority of a jurisdiction of Canada;

☐ (j) an individual who, either alone or with a spouse, beneficially owns financial assets having an aggregate realizable value that before taxes, but net of any related liabilities, exceeds $1,000,000;

☐ (k) an individual whose net income before taxes exceeded $200,000 in each of the two most recent calendar years or whose net income before taxes combined with that of a spouse exceeded $300,000 in each of the two most recent calendar years and who, in either case, reasonably expects to exceed that net income level in the current calendar year;

☐ (l) an individual who, either alone or with a spouse, has net assets of at least $5,000,000;

☐ (m) a person, other than an individual or investment fund, that has net assets of at least $5,000,000 as shown on its most recently prepared financial statements;

☐ (n) an investment fund that distributes or has distributed its securities only to (i) a person that is or was an accredited investor at the time of the distribution, (ii) a person that acquires or acquired securities in the circumstances referred to in sections 2.10 [Minimum amount investment] or 2.19 [Additional investment in investment funds] of NI 45-106, or (iii) a person described in paragraph (i) or (ii) that acquires or acquired securities under section 2.18 [Investment fund reinvestment] of NI 45-106;

☐ (o) an investment fund that distributes or has distributed securities under a prospectus in a jurisdiction of Canada for which the regulator or, in Québec, the securities regulatory authority, has issued a receipt;

☐ (p) a trust company or trust corporation registered or authorized to carry on business under the *Trust and Loan Companies Act* (Canada) or under comparable legislation in a jurisdiction of Canada or a foreign jurisdiction, acting on behalf of a fully managed account managed by the trust company or trust corporation, as the case may be;

☐ (q) a person acting on behalf of a fully managed account managed by that person, if that person (i) is registered or authorized to carry on business as an adviser or the equivalent under the securities legislation of a jurisdiction of Canada or a foreign jurisdiction, and (ii) in Ontario, is purchasing a security that is not a security of an investment fund;

☐ (r) a registered charity under the *Income Tax Act* (Canada) that, in regard to the trade, has obtained advice from an eligibility adviser or an adviser registered under the securities legislation of the jurisdiction of the registered charity to give advice on the securities being traded;

☐ (s) an entity organized in a foreign jurisdiction that is analogous to any of the entities referred to in paragraphs (a) to (d) or paragraph (i) in form and function;

☐ (t) a person in respect of which all of the owners of interests, direct, indirect or beneficial, except the voting securities required by law to be owned by directors, are persons that are accredited investors;

☐ (u) an investment fund that is advised by a person registered as an adviser or a person that is exempt from registration as an adviser; or

☐ (v) a person that is recognized or designated by the securities regulatory authority or, except in Ontario and Québec, the regulator as an accredited investor.

For the purposes hereof, the following definitions are included for convenience:

(i) "Canadian financial institution" means (i) an association governed by the *Cooperative Credit Associations Act* (Canada) or a central cooperative credit society for which an order has been made under section 473(1) of that Act, or (ii) a bank, loan corporation, trust company, trust corporation, insurance company, treasury branch, credit union, caisse populaire, financial services cooperative, or league that, in each case, is authorized by an enactment of Canada or a jurisdiction of Canada to carry on business in Canada or a jurisdiction of Canada;

(ii) "control person" has the same meaning as in securities legislation except in Manitoba, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Ontario, Prince Edward Island and Quebéc where control person means any person that holds or is one of a combination of persons that holds (i) a sufficient number of any of the securities of an issuer so as to affect materially the control of the issuer, or (ii) more than 20% of the outstanding voting securities of an issuer except where there is evidence showing that the holding of those securities does not affect materially the control of the issuer;

(iii) "entity" means a company, syndicate, partnership, trust or unincorporated organization;

(iv) "financial assets" means (a) cash, (b) securities, or (c) a contract of insurance, a deposit or an evidence of a deposit that is not a security for the purposes of securities legislation;

(v) "founder" means, in respect of an issuer, a person who, (i) acting alone, in conjunction, or in concert with one or more persons, directly or indirectly, takes the initiative in founding, organizing or substantially reorganizing the business of the issuer, and (ii) at the time of the trade is actively involved in the business of the issuer;

(vi) "fully managed account" means an account of a client for which a person makes the investment decisions if that person has full discretion to trade in securities for the account without requiring the client's express consent to a transaction;

(vii) "investment fund" means a mutual fund or a non-redeemable investment fund, and, for greater certainty in British Columbia, includes an employee venture capital corporation that does not have a restricted constitution, and is registered under Part 2 of the *Employee Investment Act* (British Columbia), R.S.B.C. 1996 c. 112, and whose business objective is making multiple investments and a venture capital corporation registered under Part 1 of the *Small Business Venture Capital Act* (British Columbia), R.S.B.C. 1996 c. 429 whose business objective is making multiple investments;

(viii) "person" includes (a) an individual, (b) a corporation, (c) a partnership, trust, fund and an association, syndicate, organization or other organized group of persons, whether incorporated or not, and (d) an individual or other person in that person's capacity as a trustee, executor, administrator or personal or other legal representative;

(ix) "related liabilities" means (a) liabilities incurred or assumed for the purpose of financing the acquisition or ownership of financial assets or (b) liabilities that are secured by financial assets;

(x) "Schedule III bank" means an authorized foreign bank named in Schedule III of the *Bank Act* (Canada);

(xi) "spouse" means an individual who (i) is married to another individual and is not living separate and apart within the meaning of the *Divorce Act* (Canada), from the other individual, (ii) is living with another individual in a marriage-like relationship, including a marriage-like relationship between individuals of the same gender, or (iii) in Alberta, is an individual referred to in paragraph (i) or (ii), or is an adult interdependent partner within the meaning of the *Adult Interdependent Relationships Act* (Alberta); and

(xii) "subsidiary" means an issuer that is controlled directly or indirectly by another issuer and includes a subsidiary of that subsidiary.

In NI 45-106 a person or company is considered to be an affiliated entity of another person or company if one is a subsidiary entity of the other, or if both are subsidiary entities of the same person or company, or if each of them is controlled by the same person or company.

In NI 45-106 and except in Part 2 Division 4 of NI 45-106, a person (first person) is considered to control another person (second person) if (a) the first person, directly or indirectly, beneficially owns or exercises control or direction over securities of the second person carrying votes which, if exercised, would entitle the first person to elect a majority of the directors of the second person, unless that first person holds the voting securities only to secure an obligation, (b) the second person is a partnership, other than a limited partnership, and the first person holds more than 50% of the interests of the partnership, or (c) the second person is a limited partnership and the general partner of the limited partnership is the first person.

In NI 45-106 a trust company or trust corporation described in paragraph (p) above of the definition of "accredited investor" (other than in respect of a trust company or trust corporation registered under the laws of Prince Edward Island that is not registered or authorized under the *Trust and Loan Companies Act* (Canada) or under comparable legislation in another jurisdiction of Canada) is deemed to be purchasing as principal.

In NI 45-106 a person described in paragraph (q) above of the definition of "accredited investor" is deemed to be purchasing as principal.

4. The Purchaser has not been provided with any offering memorandum within the meaning of securities laws.

The foregoing representations contained in this certificate are true and accurate as of the date of the Agreement to which it is attached as Appendix "1".

DATED this __ day of _____, 2012.

ENL ISLAND LINK INCORPORATED

_____ _____

Witness:

_____

NEWFOUNDLAND AND LABRADOR DEVELOPMENT AGREEMENT (NLDA)

SCHEDULE 3

FORMAL AGREEMENTS

FORMAL AGREEMENTS

1. Maritime Link Joint Development Agreement
2. Energy and Capacity Agreement
3. Maritime Link (Nalcor) Transmission Service Agreement
4. Maritime Link (Emera) Transmission Service Agreement
5. Nova Scotia Transmission Utilization Agreement
6. New Brunswick Transmission Utilization Agreement
7. MEPCO Transmission Rights Agreement
8. Interconnection Operators Agreement
9. Joint Operations Agreement
10. Newfoundland and Labrador Development Agreement
11. Labrador-Island Link Limited Partnership Agreement
12. Inter-Provincial Agreement
13. Supplemental Agreement

NEWFOUNDLAND AND LABRADOR DEVELOPMENT AGREEMENT (NLDA)

SCHEDULE 4

NALCOR LP SUBSCRIPTION AGREEMENT

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NALCOR LP SUBSCRIPTION AGREEMENT

THIS NALCOR LP SUBSCRIPTION AGREEMENT is made effective the ● day of ●, 201● (the "**Effective Date**")

BETWEEN:

LABRADOR-ISLAND LINK HOLDING CORPORATION ("**Nalcor LP**")

- and -

LABRADOR-ISLAND LINK LIMITED PARTNERSHIP (the "**Partnership**") acting by its general partner, **LABRADOR-ISLAND LINK GENERAL PARTNER CORPORATION** (the "**General Partner**")

WHEREAS each of Nalcor LP and the General Partner is a Wholly-Owned Subsidiary of Nalcor;

NOW THEREFORE this Agreement witnesses that in consideration of the mutual covenants and agreements hereinafter contained the Parties, intending to be legally bound, agree as follows:

ARTICLE 1
INTERPRETATION

1.1 Definitions

In this Agreement, capitalized terms which are defined in the LIL LP Agreement and are not otherwise defined herein have the meanings ascribed thereto in the LIL LP Agreement when used in this Agreement and the following terms shall have the meanings set forth below:

"**Agreement**" means this agreement as it may be modified, amended, supplemented or restated by written agreement between the Parties;

"**Knowledge**" means in the case of either Party, as applicable, the actual knowledge of any of the executive officers of such Party and other facts or matters that such executive officers could reasonably be expected to discover or otherwise become aware of in the course of performing their ordinary responsibilities as executive officers of such Party;

"**LIL LP Agreement**" means an agreement dated July 31, 2012 between the General Partner, as general partner, and Nalcor LP, as limited partner, providing for the establishment and operation of Labrador-Island Link Limited Partnership;

"**Legal Proceedings**" means any actions, suits, investigations, proceedings, judgments, rulings or orders by or before any Authorized Authority;

"**Party**" means a Person party to this Agreement; and

"**Purchase Note**" has the meaning set forth in Section 5.4(d) of the NLDA.

1.2 Construction of Agreement

(a) Interpretation Not Affected by Headings, etc. - The division of this Agreement into articles, sections and other subdivisions, the provision of a table of contents and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement. Unless otherwise indicated, all references to an "**Article**" or "**Section**" followed by a number and/or a letter refer to the specified article or section of this Agreement. The terms "**this Agreement**", "**hereof**", "**herein**", "**hereby**", "**hereunder**" and similar expressions refer to this Agreement and not to any particular Article or Section hereof. All references to a given agreement, instrument or other document shall be a reference to that agreement, instrument or other document as modified, amended, supplemented and restated through the date as of which such reference is made.

(b) Recitals - The recitals form part of this Agreement.

(c) Singular/Plural; Derivatives - Whenever the singular or masculine or neuter is used in this Agreement, it shall be interpreted as meaning the plural or feminine or body politic or corporate, and vice versa, as the context requires. Where a term is defined herein, a capitalized derivative of such term has a corresponding meaning unless the context otherwise requires.

(d) "Including" - The word "including", when used in this Agreement, means "including without limitation".

(f) Currency - Unless otherwise indicated, all dollar amounts referred to in this Agreement are in lawful money of Canada.

(g) Trade Meanings - Terms and expressions that are not specifically defined in this Agreement, but which have generally accepted meanings in the custom, usage and literature of the electricity industry in Canada as of the date of this Agreement, shall have such generally accepted meanings when used in this Agreement, unless otherwise specified elsewhere in this Agreement.

(h) Statutory References - Any reference in this Agreement to a statute shall include, and shall be deemed to be, a reference to such statute and to the regulations made pursuant thereto, and all amendments made thereto (including changes to section numbers referenced herein) and in force from time to time, and to any statute or regulation that may be passed that has the effect of supplementing or replacing the statute so referred to or the regulations made pursuant thereto, and any reference to an order, ruling or decision shall be deemed to be a reference to such order, ruling or decision as the same may be varied, amended, modified, supplemented or replaced from time to time.

(i) Calculation of Time - Where, in this Agreement, a period of time is specified or calculated from or after a date or event, such period is to be calculated excluding such date or the date on which such event occurs, as the case may be, and including the date on which the period ends.

(j) Time Falling on Non-Business Day - Whenever the time for doing something under this Agreement falls on a day that is not a Business Day such action is to be taken on the first following Business Day.

(k) No Drafting Presumption - The Parties acknowledge that their respective legal advisors have reviewed and participated in settling the terms of this Agreement and agree that any rule of construction to the effect that any ambiguity is to be resolved against the drafting Party shall not apply to the interpretation of this Agreement.

(l) Approvals, etc. - Except where otherwise expressly provided herein, whenever an action referred to in this Agreement is to be "approved" or "determined" by a Party or requires a Party's "consent", then

(i) such approval, determination or consent by a Party must be in writing; and

(ii) such Party shall be free to take such action having regard to that Party's own interests, in its sole and absolute discretion.

1.3 Applicable Law and Submission to Jurisdiction

This Agreement shall be governed by and construed in accordance with the laws of NL and the Federal laws of Canada applicable therein, but excluding all choice-of-law provisions. The Parties irrevocably consent and submit to the exclusive jurisdiction of the courts of the Province of Newfoundland and Labrador with respect to all matters relating to this Agreement, subject to any right of appeal to the Supreme Court of Canada. Each Party waives any objection that it may now or hereafter have to the determination of venue of any proceeding in such courts relating to this Agreement or that it may now or hereafter have that such courts are an inconvenient forum.

ARTICLE 2
SUBSCRIPTION

2.1 Issuance to Nalcor LP of Class A Limited Units and Establishment of Class A Limited Unit Capital Account

Nalcor LP hereby subscribes and agrees to pay for a Partnership Interest consisting of 75 Class A Limited Units for a Capital Contribution in consideration of the assignment to the Partnership for cancellation of the Purchase Note.

2.2 Subscription Accepted

The General Partner hereby accepts the subscription of Nalcor LP set out in **Section 2.1** and hereby:

(a) acknowledges receipt of the Purchase Note and an absolute assignment to the Partnership of the Purchase Note;

(b) issues to Nalcor LP 75 Class A Limited Units in consideration of such assignment; and

(c) establishes on the books of the Partnership a Class A Limited Unit Capital Account in the name of Nalcor LP to which the principal amount of the Purchase Note is credited.

2.3 No Further Issue

The Partnership agrees that no further Class A Limited Units will be issued; all Capital Contributions in respect of Class A Limited Units by Nalcor LP shall be credited to the Class A Limited Unit Capital Account and any adjustments required by this Agreement or the LIL LP Agreement shall be made by an appropriate debit or credit to the Class A Limited Unit Capital Account.

2.4 Subscription Irrevocable

The foregoing subscription is irrevocable.

2.5 Overruns and Establishment of Class C Limited Unit Capital Account

Nalcor LP acknowledges that Section 2.6 of the NLDA provides for it to subscribe and pay for Class C Limited Units in the circumstances therein described. Nalcor LP agrees that it is bound by such obligations.

ARTICLE 3
POWER OF ATTORNEY

3.1 Power of Attorney to General Partner

In consideration of the General Partner accepting this subscription and conditional thereon:

(a) Nalcor LP hereby agrees to be bound as a Partner in the Partnership by the terms of the LIL LP Agreement as from time to time amended and in effect and Nalcor LP hereby expressly ratifies and confirms the power of attorney given to the General Partner in Section 2.10 of the LIL LP Agreement; and by way of confirmation thereof:

(i) Nalcor LP hereby irrevocably nominates, constitutes and appoints the General Partner, with full power of substitution, as Nalcor LP's agent and true and lawful attorney to act on Nalcor LP's behalf with full power and authority in Nalcor LP's name, place and stead to execute and record or file as and where required:

(A) (1) the LIL LP Agreement;

(2) any amendment to the LIL LP Agreement subject to required Partner approval, if any; and

(3) any other instruments or documents,

but only to the extent required to continue and keep in good standing the Partnership as a limited partnership under the Act, or otherwise to comply with the laws of any jurisdiction in which the Partnership may carry on business or own or lease property in order to maintain the limited liability of the Limited Partners and to comply with the Applicable Laws of that jurisdiction (including any amendments to the Certificate or the Register as may be necessary to reflect the admission to the Partnership of subscribers for or transferees of Partnership Interests as contemplated by the LIL LP Agreement);

(B) all instruments and any amendments to the Certificate necessary to reflect any amendment to the LIL LP Agreement;

(C) any instrument required in connection with the dissolution and termination of the Partnership in accordance with the provisions of the LIL LP Agreement, including any elections, determinations or designations in respect of such dissolution and termination under the Tax Act or under any other taxation legislation or laws of like import of Canada or of any province or jurisdiction;

(D) the documents necessary to be filed with the appropriate Authorized Authority in connection with the Business, property, assets and undertaking of the Partnership;

(E) the documents on Nalcor LP's behalf and in Nalcor LP's name as may be necessary to give effect to the admission of a subscriber for or a transferee of a Partnership Interest in the Partnership;

(F) any election, determination, designation, information return or similar document or instrument as may be required or desirable at any time under the Tax Act or under any other taxation legislation or laws of like import of Canada or of any province or jurisdiction which relates to the affairs of the Partnership or its Affiliates or the interest of any Person in the Partnership; and

(G) all other instruments and documents on Nalcor LP's behalf and in Nalcor LP's name or in the name of the Partnership as may be deemed necessary by the General Partner to carry out fully this Agreement in accordance with its terms.

(b) The power of attorney granted in this Subscription Agreement is irrevocable, is a power coupled with an interest and is given for consideration, and will survive the transfer or assignment by Nalcor LP of the whole or any part of the interest of Nalcor LP in the Partnership, and extends to the successors, transferees and assigns of Nalcor LP, and may be exercised by the General Partner on behalf of Nalcor LP by executing any instrument by a facsimile signature or by listing all the Partners and executing that instrument with a single signature as attorney and agent for all of them.

(c) Nalcor LP agrees to be bound by any representation or action made or taken by the General Partner with regard to Nalcor LP pursuant to such power of attorney and hereby waives any and all defences which may be available to contest, negate or disaffirm the action of the General Partner taken in good faith under such power of attorney.

(d) The foregoing power of attorney shall be governed by the laws of the Province of Newfoundland and Labrador and the federal laws of Canada applicable therein.

(e) The foregoing power of attorney will continue in respect of the General Partner so long as it is the General Partner of the Partnership, and will terminate thereafter, but will continue in respect of a new General Partner as if the new General Partner were the original attorney.

ARTICLE 4
REPRESENTATIONS AND WARRANTIES

4.1 **Nalcor LP**

Nalcor LP represents, warrants, covenants and agrees with each other Partner that:

(a) Nalcor LP is and shall continue to be a Wholly-Owned Subsidiary of Nalcor;

(b) Nalcor LP is and shall continue to be a corporation validly incorporated under the laws of NL and is and shall continue to be validly subsisting under the laws of, and is qualified to conduct its business in, NL;

(c) Nalcor LP is operating in NL, for securities law purposes is resident only in NL, and has its sole permanent establishment for provincial income tax purposes in NL;

(d) Nalcor LP has the capacity and authority to enter into and perform its obligations under this Agreement and to subscribe for the Partnership Interest as herein provided and shall, at the request of the General Partner, provide such evidence of compliance with such representation, warranty and covenant as the General Partner may request;

(e) Nalcor LP has full power and authority to execute this Agreement and all other agreements contemplated hereby required to be executed by it and to take all

actions required pursuant hereto, and has obtained all necessary approvals of its directors and shareholders and such execution and the performance of its obligations under this Agreement do not and shall not conflict with or constitute a default under its articles, by-laws or any agreement by which it is bound;

(f) Nalcor LP has duly authorized, executed and delivered this Agreement and that this Agreement constitutes a legal, valid and binding obligation of Nalcor LP enforceable against Nalcor LP in accordance with its terms, except as the enforceability thereof may be limited by:

(i) bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally; and

(ii) general principles of equity whether considered in a proceeding in equity or at law;

(g) no Insolvency Event has occurred, is pending or being contemplated by it or, to its Knowledge, threatened against it;

(h) there are no Legal Proceedings pending or, to its Knowledge, threatened against it that may materially adversely affect its ability to perform its obligations under this Agreement;

(i) no consent or other approval, order, authorization or action by, or filing with, any Person is required to be made or obtained by Nalcor LP for its lawful execution, delivery and performance of this Agreement, except for:

(i) such consents, approvals, authorizations, actions and filings that have been made or obtained prior to the date hereof;

(ii) such consents, approvals, authorizations, actions and filings the failure of which would not have, or could not reasonably be expected to have, a material adverse effect on Nalcor LP's ability to perform its obligations under this Agreement; and

(iii) the Regulatory Approvals;

(j) Nalcor LP does not have any liability or obligation to pay any fees or commissions to any broker, finder or agent with respect to the transactions contemplated by this Agreement;

(k) Nalcor LP understands that the Partnership Interest which is subscribed for has not been qualified under a prospectus and sold through a registrant under applicable Securities Legislation, and accordingly, is subject to resale restrictions and may not be offered or sold except under a qualified prospectus and through a registrant under applicable Securities Legislation unless offered or sold pursuant to an exemption from the prospectus and registration requirements of applicable

Securities Legislation. Nalcor LP further understands that no public market presently exists for any securities of the Partnership and there can be no assurance that any such market will be created;

(l) the Partnership Interest subscribed for is being acquired by Nalcor LP as principal for its own account and not as a nominee or agent, for investment only and not with a view to the resale or distribution of any part thereof, and Nalcor LP has no present intention of selling, granting any participation in, or otherwise distributing the same;

(m) Nalcor LP acknowledges that the Partnership interest subscribed for is subject to transfer restrictions pursuant to the LIL LP Agreement;

(n) Nalcor LP acknowledges that this Subscription Agreement requires Nalcor LP to provide certain personal information to the Partnership. Such information is being collected by the Partnership for the purposes of completing the issuance of the Partnership Interest subscribed for hereby, including a determination as to Nalcor LP's eligibility to purchase such Partnership Interest under applicable securities legislation, preparing and registering any certificates representing Units, coordinating clearance certificate applications and comfort letters and completing filings required by any securities regulatory authority; Nalcor LP's personal information may be disclosed by the Partnership to: (a) securities regulatory authorities, (b) any Person appointed to maintain the Partnership's Register, (c) any of the other parties involved in the transactions contemplated by this Agreement, including legal counsel to the Partnership; (d) any Person for the purpose of mitigating any Tax withholding or remittance obligations; and (e) any other Person for the purpose of administering the affairs of the Partnership. By executing this Subscription Agreement, Nalcor LP consents to the foregoing collection, use and disclosure of its personal information;

(o) no Person has any option, warrant, right, call, commitment, conversion right, right of exchange or other agreement or any right or privilege (whether by law, pre emptive or contractual) capable of becoming an option, warrant, right, call, commitment, conversion right, right of exchange or other agreement for the purchase from Nalcor LP of any of the Partnership Interest subscribed for hereby;

(p) Nalcor LP is and shall remain a resident of Canada for purposes of the Tax Act;

(q) Nalcor LP is acting on its own behalf, and will be and shall remain the beneficial owner of its Partnership Interest and no interest in Nalcor LP is or shall be a "tax shelter investment" as that term is defined in the Tax Act and Nalcor LP's interest in the Partnership is and shall not be a "tax shelter investment" as that term is defined in the Tax Act;

(s) Nalcor LP is and shall remain a Qualified Partner; and

(t) Nalcor LP shall from time to time promptly provide to the General Partner such evidence of its status as the General Partner may reasonably request.

4.2 Maintain Status

Nalcor LP covenants and agrees that it shall maintain its status as described above and that it shall not Transfer or purport to Transfer the whole or any part of its Partnership Interest including the Units to any Person who is or would be unable to make the representations and warranties set out in **Section 4.1**.

4.3 Provide Information

Nalcor LP will, promptly upon request by the General Partner, provide the Partnership with such information and execute and deliver to the Partnership such additional undertakings, questionnaires, reports and other documents as the Partnership may reasonably request in connection with the issue and sale of the Partnership Interest subscribed for hereby and consents to the filing of such undertakings, questionnaires, reports and other documents (and to the disclosure of the information contained therein) as may be required to be filed with any stock exchange or securities regulatory authority in connection with the transactions contemplated hereby.

4.4 Security Law Matters

Nalcor LP:

(a) acknowledges that pursuant to Securities Legislation, Nalcor LP may be required to file reports with the NL Securities Commission or other applicable securities regulatory authorities in the required form within the time period specified by such securities commission of each disposition of all or any of the Partnership Interest subscribed for hereby and, if so required, Nalcor LP undertakes to file the required reports;

(b) understands and acknowledges that the Partnership Interest subscribed for hereby will be subject to certain resale restrictions under Securities Legislation and in particular, Nalcor LP understands and acknowledges that the Partnership is not a reporting issuer in any province or territory of Canada or in any other jurisdiction and, therefore, such Partnership Interest is subject to a statutory hold period which will be of an indefinite period and during such statutory hold period none of such securities may be resold in Canada except pursuant to a statutory exemption or a discretionary ruling issued by the securities regulatory authority in the transferee's jurisdiction of residence. Nalcor LP also acknowledges that it has been advised to consult its own legal advisors with respect to applicable resale restrictions and that it is solely responsible for complying with such restrictions (and the Partnership is not in any manner responsible for ensuring compliance by Nalcor LP with such restrictions). Nalcor LP will not resell any of such Partnership Interest except in accordance with the provisions of Securities Legislation;

(c) is acquiring the Partnership Interest subscribed for hereby to be held for investment only and not with a view to resale or distribution;

(d) acknowledges and agrees that the sale and delivery of the Partnership Interest subscribed for hereby is conditional upon such sale being exempt from the requirements under applicable Securities Legislation requiring the filing of a prospectus in connection with the distribution of the Partnership Interest subscribed for hereby or upon the issuance of such rulings, orders, consents or approvals as may be required to permit such sale without the requirement of filing a prospectus;

(e) has not received a prospectus, an offering memorandum (as such term is defined in the *Securities Act* (NL)) or sales or advertising literature in connection with the offering and has not received, nor has Nalcor LP requested, nor does Nalcor LP need to receive, any other document;

(f) acknowledges that it has not acquired the Partnership Interest subscribed for hereby as a result of any general solicitation or general advertising, including advertisements, articles, notices or other communications published in any newspaper, magazine or similar media or broadcast over radio, television or telecommunications, including electronic display, or any seminar or meeting whose attendees have been invited by any general solicitation or general advertising;

(g) has such knowledge and experience in financial and business affairs as to be capable of evaluating the merits and risks of the investment hereunder in the Partnership Interest subscribed for hereby and is able to bear the economic risk of loss of such investment; and

(h) acknowledges and agrees that it is responsible for obtaining such legal, tax and other advice as it considers appropriate in connection with the execution, delivery and performance by it of this Agreement and the transactions contemplated hereunder.

4.5 Non-Residence

If at any time Nalcor LP is a non-resident of Canada for purposes of the Tax Act, the General Partner may, in the circumstances and under the terms and conditions set forth in Section 2.7(d) of the LIL LP Agreement, require Nalcor LP to transfer its Partnership Interest to a Person which qualifies as a Qualified Partner.

4.6 Survival of Representations, Warranties and Covenants

The representations, warranties and covenants made pursuant to this **Article 4** above shall survive execution of this Agreement, and Nalcor LP covenants and agrees to ensure that each representation, warranty and covenant made pursuant to this **Article 4** remains true so long as it remains a Partner.

ARTICLE 5
CONFIDENTIALITY

5.1 Confidentiality

(a) Incorporation of Project NDA - The Parties agree that the Project NDA is incorporated in this Agreement by reference and applies to all Confidential Information disclosed by either Party to the other under or in connection with this Agreement, the Party disclosing Confidential Information being a Disclosing Party as defined in the Project NDA, and the Party receiving Confidential Information being a Receiving Party as defined in the Project NDA.

(b) Disclosure of Agreement - Each Party hereby agrees to the other Party making this Agreement public at any time and from time to time after the Effective Date.

ARTICLE 6
MISCELLANEOUS PROVISIONS

6.1 Notices

Notices, where required herein, shall be in writing and shall be sufficiently given if delivered personally or by courier or sent by electronic mail or facsimile transmission, directed as follows:

To Nalcor LP:

Labrador-Island Link Holding Corporation
c/o Nalcor Energy
500 Columbus Drive
P.O. Box 12800
St. John's, NL A1B 0C9
Attention: Chief Executive Officer
Fax: (709) 737-1782

with a copy to:

c/o Nalcor Energy
500 Columbus Drive
P.O. Box 12800
St. John's, NL A1B 0C9
Attention: Corporate Secretary
Fax: (709) 737-1782

To the Partnership c/o the General Partner:

Labrador-Island Link General Partner Corporation
c/o Nalcor Energy
500 Columbus Drive
P.O. Box 12800
St. John's, NL A1B 0C9
Attention: Chief Executive Officer
Fax: (709) 737-1782

with a copy to:

c/o Nalcor Energy
500 Columbus Drive
P.O. Box 12800
St. John's, NL A1B 0C9
Attention: Corporate Secretary
Fax: (709) 737-1782

Such Notice shall (i) if delivered personally or by courier, be deemed to have been given or made on the day of delivery, and (ii) if sent by electronic mail or facsimile transmission and confirmed by a copy immediately sent by courier, be deemed to have been given or made on the day it was successfully transmitted by electronic mail or facsimile transmission as evidenced by automatic confirmation of receipt; provided however that if in any case such day is not a Business Day or if the Notice is received after Regular Business Hours (time and place of receipt), the Notice shall be deemed to have been given or made on the next Business Day. Either Party may change its address or fax number hereunder from time to time by giving Notice of such change to the other Party.

6.2 Counterparts

This Agreement may be executed in counterparts, each of which when so executed shall be deemed to be an original, and such counterparts together shall constitute but one and the same instrument. Signatures delivered by facsimile or electronic mail shall be deemed for all purposes to be original counterparts of this Agreement.

6.3 Announcements

No announcement with respect to this Agreement shall be made by either Party without the prior approval of the other Party. The foregoing shall not apply to any announcement by a Party required in order to comply with Applicable Law; provided that such Party consults with the other Party before making any such announcement and gives due consideration to the views of the other Party with respect thereto. Both Parties shall use reasonable efforts to agree on the text of any proposed announcement.

6.4 Further Assurances

Each of the Parties shall, from time to time, do all such acts and things and execute and deliver, from time to time, all such further documents and assurances as may be reasonably necessary to carry out and give effect to the terms of this Agreement.

6.5 Severability

If any provision of this Agreement is determined by a court of competent jurisdiction to be wholly or partially illegal, invalid, void, voidable or unenforceable in any jurisdiction for any reason, such illegality, invalidity or unenforceability shall not affect the legality, validity and enforceability of the balance of this Agreement or its legality, validity or enforceability in any other jurisdiction. If any provision is so determined to be wholly or partially illegal, invalid or unenforceable for any reason, the Parties shall negotiate in good faith a new legal, valid and enforceable provision to replace such illegal, invalid or unenforceable provision, which, as nearly as practically possible, has the same effect as the illegal, invalid or unenforceable provision.

6.6 Time of the Essence

Time shall be of the essence.

6.7 Amendments

No amendment or modification to this Agreement shall be effective unless it is in writing and signed by both Parties.

6.8 No Waiver

Any failure or delay of either Party to enforce any of the provisions of this Agreement or to require compliance with any of its terms at any time during the Term shall not affect the validity of this Agreement, or any part hereof, and shall not be deemed a waiver of the right of such Party thereafter to enforce any and each such provision. Any consent or approval given by a Party pursuant to this Agreement shall be limited to its express terms and shall not otherwise increase the obligations of the Party giving such consent or approval or otherwise reduce the obligations of the Party receiving such consent or approval.

6.9 No Third Party Beneficiaries

Except as otherwise provided herein or permitted hereby, this Agreement is not made for the benefit of any Person not a party to this Agreement, and no Person other than the Parties or their respective successors and permitted assigns shall acquire or have any right, remedy or claim under or by virtue of this Agreement.

6.10 Survival

All provisions of this Agreement that expressly or by their nature are intended to survive the termination (however caused) of this Agreement, including covenants, warranties, guarantees, releases and indemnities, continue as valid and enforceable rights and obligations (as

the case may be) of the Parties, notwithstanding any such termination, until they are satisfied in full or by their nature expire.

6.11 Successors and Assigns

This Agreement shall be binding upon and enure to the benefit of the Parties and their respective successors and permitted assigns.

[Remainder of this page intentionally left blank.]

IN WITNESS WHEREOF the Parties have executed this Agreement as of the date first written above.

LABRADOR-ISLAND LINK HOLDING CORPORATION

By:_____
Name:
Title:

By:_____
Name:
Title:

We have authority to bind the corporation.

LABRADOR-ISLAND LINK LIMITED PARTNERSHIP acting by its general partner, **LABRADOR-ISLAND LINK GENERAL PARTNER CORPORATION**

By:_____
Name:
Title:

By:_____
Name:
Title:

We have authority to bind the corporation.

NEWFOUNDLAND AND LABRADOR DEVELOPMENT AGREEMENT (NLDA)

SCHEDULE 5

EMERA PARENTAL GUARANTEE

AGREEMENT OF GUARANTEE

THIS AGREEMENT OF GUARANTEE ("**Agreement**" or "**Guarantee**") is made effective the ● day of ●, 201●.

AMONG:

EMERA INC., a company incorporated under the laws of the Province of Nova Scotia ("**Emera**" or "**Guarantor**")

- and -

NALCOR ENERGY, a body corporate existing pursuant to the *Energy Corporation Act* being chapter E-11.01 of the *Statutes of Newfoundland and Labrador*, 2007, solely in its own right and not as agent of the NL Crown ("**Nalcor**")

- and -

LABRADOR-ISLAND LINK HOLDING CORPORATION, a corporation incorporated under the laws of the Province of Newfoundland and Labrador ("**Nalcor LP**")

WHEREAS:

A. an agreement ("**LIL LP Agreement**") dated July 31, 2012 between Labrador-Island Link General Partner Corporation ("**Nalcor GP**"), as general partner, and Nalcor LP, as limited partner, provided for the establishment and operation of the Labrador-Island Link Limited Partnership (the "**Partnership**");

B. the Partnership was formed under the *Limited Partnership Act* (NL) by the filing of a certificate of limited partnership;

C. ENL Island Link Incorporated, a corporation incorporated under the laws of the Province of Newfoundland and Labrador (NL) ("**Emera NL**") has entered into a subscription agreement ("**Emera NL Subscription Agreement**") with the Partnership setting out the terms and conditions under which it will acquire and pay for a limited partner interest in the Partnership;

D. Emera, Nalcor, Nalcor LP, Nalcor GP and Emera NL have entered into an agreement ("**NLDA**") dated July 31, 2012 which, among other things, confirms the manner in which Emera NL and Nalcor LP will act in relation to one another and each of Nalcor and Emera have agreed to provide their respective parental guarantees of the performance of their respective Wholly-Owned Subsidiaries which are or will be limited partners in the Partnership;

E. Nalcor LP is a Wholly-Owned Subsidiary of Nalcor; and

F. Emera NL is a Wholly-Owned Subsidiary of Emera;

NOW THEREFORE this Agreement witnesses that in consideration of the mutual covenants and agreements hereinafter contained the Parties, intending to be legally bound, agree as follows:

ARTICLE 1
GUARANTEE

1.1 Capitalised terms not defined herein shall have the meaning set forth in the NLDA.

1.2 For valuable consideration, the Guarantor irrevocably, absolutely and unconditionally guarantees and covenants with and for the joint and several benefit of Nalcor and Nalcor LP (the "**Guarantee Beneficiaries**") that Emera NL will duly and punctually pay to each of the Guarantee Beneficiaries all debts and liabilities, present or future, direct or indirect, absolute or contingent, matured or not and will duly and punctually perform each of the obligations at any time owing by Emera NL to each of the Guarantee Beneficiaries under the NLDA, the LIL LP Agreement, the Emera NL Subscription Agreement, the Emera NL Cross Default Indemnity Agreement and the Pre-FCP Pledge (the "**Emera NL Documents**") in accordance with their respective terms (the "**Guaranteed Obligations**") as and when the same become due and payable or are to be performed according to the terms of the Emera NL Documents. This guarantee shall be an absolute, continuing, unconditional and irrevocable guarantee by the Guarantor of all the Guaranteed Obligations and constitutes a guarantee of payment and performance and not merely of collection.

1.3 A fresh cause of action shall be deemed to arise hereunder in respect of each default by Emera NL under any of the Guaranteed Obligations. The Guarantor shall irrevocably, absolutely and unconditionally pay to the Guarantee Beneficiaries all such amounts as shall be required from time to time to ensure that they are each fully indemnified against and saved fully harmless from and against all losses, costs and expenses which either may at any time suffer or incur by reason of or otherwise in connection with (a) the unenforceability or invalidity of the Guaranteed Obligations or any failure by Emera NL to duly and punctually pay in full the Guaranteed Obligations when due, (b) any loss of any right of either of the Guarantee Beneficiaries against Emera NL in respect of the Guaranteed Obligations for any reason whatsoever, including by operation of any bankruptcy, insolvency or similar such laws, any laws affecting creditors' rights generally or general principles of equity and (c) any act or omission of either of the Guarantee Beneficiaries in connection with the enforcement of any of its rights against Emera NL.

1.4 The Guarantor hereby acknowledges that the terms of the Emera NL Documents have been communicated to it and consents to and approves of the same. The guarantee herein contained shall take effect and be binding upon the Guarantor notwithstanding any defect in or omission from any documentation or security delivered by Emera NL to each of the Guarantee Beneficiaries or any default in or omission from the Emera NL Documents or any non-registration or non-filing or defective registration or filing or by reason of any failure of the security intended to be created by the Emera NL Documents or any other security documentation contemplated thereby.

1.5 The liability of the Guarantor under **Sections 1.2** and **1.3** hereof shall be absolute, irrevocable and unconditional. The Guarantor shall for all purposes of the guarantee be regarded as a principal debtor and not as surety, and hereby expressly waives demand, presentment, protest and notice thereof and of default.

ARTICLE 2
DEFAULT AND ENFORCEMENT

2.1 Upon the occurrence and during the continuation of an Emera Default including a failure by Emera NL to make any payment under the Guaranteed Obligations or a failure to pay its proportionate share of any Cash Call as and when provided under the provisions of any of the Emera NL Documents (an "**Event of Default**"), the Guarantor shall forthwith on demand by either Guarantee Beneficiary pay, as directed by such Guarantee Beneficiary, the amount claimed in immediately available funds as directed by the Guarantee Beneficiary, or cause the Guaranteed Obligations claimed by the Guarantee Beneficiary to be performed. All payments due to the Guarantee Beneficiaries hereunder and all of the other covenants and agreements to be performed by the Guarantor hereunder, whether in respect of the Guaranteed Obligations or otherwise, shall be made or performed by the Guarantor without any reduction whatsoever, including, without limitation, any reduction resulting from any defence, right of action, right of set-off or compensation, right of recoupment or counterclaim of any nature whatsoever that Emera NL or the Guarantor may have or have had at any time against either of the Guarantee Beneficiaries or any other person whether with respect to this Agreement, the Emera NL Documents or otherwise.

2.2 All amounts payable by the Guarantor hereunder shall be made free and clear of and without deduction for or on account of any present or future taxes, charges, fees, levies, duties or withholdings of any kind. If the Guarantor is obliged to deduct or withhold an amount in respect of any such taxes, charges, fees, levies, duties or withholdings, then in such event the Guarantor shall pay to the Guarantee Beneficiaries such additional amount as is necessary to ensure that they receive and retain (on an after-tax basis, after payment of any and all income or other taxes on such additional amounts) an amount equal to the full amount otherwise payable hereunder, net of any such taxes, charges, fees, levies, duties or withholdings.

2.3 If upon the occurrence and during the continuation of an Event of Default, the Guarantor shall fail forthwith on demand to pay to either of the Guarantee Beneficiaries or to perform or cause to be performed the Guaranteed Obligations, either Guarantee Beneficiary may in its discretion proceed with the enforcement of its rights hereunder prior to, contemporaneously with or after any action taken under the Emera NL Documents or any security or other documents delivered by Emera NL to either Guarantee Beneficiary. The Guarantor shall pay on demand all costs and expenses (including legal fees on a solicitor and own client basis) incurred by each Guarantee Beneficiary in enforcing or attempting to enforce its rights hereunder and all proceedings taken in relation hereto. No exercise by any Guarantee Beneficiary of any of its rights hereunder or under any security delivered by Emera NL shall in any way limit the exercise of any rights or recourses by either Guarantee Beneficiary against the Guarantor or any subsidiary thereof under the Emera NL Documents

or any other agreement in connection with any Event of Default by Emera NL (the "**Nalcor Rights**").

2.4 All amounts payable by the Guarantor hereunder shall bear interest payable by the Guarantor from the date of demand for payment both before and after default and judgment at the rate applicable to the Guaranteed Obligations under the Emera NL Documents.

2.5 Any statement of account prepared by either Guarantee Beneficiary as regards the Guaranteed Obligations shall constitute *prima facie* evidence of the amount which, as at the date of the statement so prepared, is due by Emera NL to either Guarantee Beneficiary and the Guarantor hereby acknowledges and agrees that, absent manifest error, it shall be bound by each such statement. Nalcor agrees to provide the Guarantor with the computations and calculations used by it to prepare each such statement of account promptly following a request therefor.

2.6 Neither Guarantee Beneficiary shall be bound to seek or exhaust its recourse or remedies against Emera NL, any other guarantor or any other person nor to enforce, marshal or value any liens in its favour before being entitled to payment hereunder.

2.7 All sums paid to or recovered by either Guarantee Beneficiary pursuant to the provisions hereof shall be applied by it in payment of its costs and expenses payable hereunder and the principal, interest and other monies owing to either Guarantee Beneficiary under any of the Emera NL Documents in such order as such Guarantee Beneficiary in its sole discretion may determine.

2.8 Either Guarantee Beneficiary may waive any default of the Guarantor hereunder upon such terms and conditions as it may determine provided that no such waiver shall extend to or be taken in any manner whatsoever to affect any subsequent default or the rights resulting therefrom or the enforcement by either Guarantee Beneficiary of any of the Nalcor Rights.

2.9 Any monies paid by or recovered from the Guarantor hereunder shall be deemed for all purposes to have been paid solely in discharge or partial discharge of the liability of the Guarantor hereunder to the extent only of the monies actually paid by or recovered from the Guarantor, but not in discharge of the liability of Emera NL, and in the event of any such payment by or recovery from Emera NL, the Guarantor hereby assigns any rights with respect to or arising from such payment or recovery (including without limitation any right of subrogation) to either Guarantee Beneficiary unless or until each Guarantee Beneficiary has received in the aggregate indefeasible payment in full of the Guaranteed Obligations. Subject to the immediately preceding sentence, if the Guarantor receives money from Emera NL in payment of any such debts and liabilities, the Guarantor will hold them in trust for, and will immediately pay such funds to, the Guarantee Beneficiaries without reducing the Guarantor's liability under this Guarantee.

2.10 The Guarantor further acknowledges and agrees that it shall not be subrogated to any right of either Guarantee Beneficiary until indefeasible payment in full of all the Guaranteed Obligations. Furthermore, in the event of any payment by or recovery from the Guarantor

under the provisions hereof, the rights of the Guarantor shall in respect of such payment rank subsequent to and not *pari passu* with the rights of the Guarantee Beneficiaries.

2.11 Each payment to be made by the Guarantor hereunder in respect of its obligations hereunder shall be made without regard to any equities between or among any of Emera NL, the Guarantor, Nalcor and Nalcor LP and without set-off, counterclaim, reduction, recoupment, retention or diminution of any kind or nature (including as a result of any defence, right of action, right of set-off, recoupment, retention or counterclaim of any nature that Emera NL or the Guarantor may have or have had against either Guarantee Beneficiary or any other person).

ARTICLE 3
ABSOLUTE LIABILITY

3.1 The obligations of the Guarantor under this Guarantee are absolute, irrevocable and unconditional and will not be diminished, limited, discharged or in any way affected by any one or more of the following events (whether or not the same shall have occurred or failed to occur once or more than once and, in the case of extensions of time for payment, observance or performance of obligations, whether such extensions or any of them are for periods longer than the respective periods then specified therefor and whether or not the Guarantor shall have received notice thereof or assented thereto):

(a) any termination, invalidity, unenforceability or release by either Guarantee Beneficiary of any of its rights against Emera NL or against any other person or of any security (other than by reason of the indefeasible payment in full of the Guaranteed Obligations);

(b) any increase, reduction, renewal, substitution or other change in, or discontinuance of, the terms relating to:

(i) the Emera NL Documents or any security or other documents delivered by Emera NL to either Guarantee Beneficiary or to any credit extended by either Guarantee Beneficiary to Emera NL;

(ii) any agreement to any proposal or scheme of arrangement concerning the Guaranteed Obligations;

(iii) the granting of any extensions of time or any other indulgences or concessions to Emera NL or any other Person;

(iv) the taking or giving up or release of any security;

(v) the abstaining from taking, perfecting, filing or registering any security;

(vi) allowing any security to lapse (whether by failing to make or maintain any registration, filing or otherwise);

(vii) any neglect or omission by either of the Guarantee Beneficiaries in respect of, or in the course of, doing any of the above things;

(c) accepting compositions from, compromises, arrangements or plans of reorganization or granting releases or discharges to, Emera NL or any other Person, or any other dealing with Emera NL or any other Person or with any security that either Guarantee Beneficiary considers appropriate;

(d) any unenforceability or loss of or in respect of the Emera NL Documents or any security held from time to time by either Guarantee Beneficiary or both of them from Emera NL whether the loss is due to the means or timing of any registration, disposition or realization of any collateral that is the subject of that security or otherwise due to either Guarantee Beneficiary's fault or any other reason;

(e) any change in the financial condition of Emera NL or that of the Guarantor or any other guarantor (including insolvency and bankruptcy);

(f) any event, whether or not attributable to either Guarantee Beneficiary or both of them, that may be considered to have caused or accelerated the bankruptcy or insolvency of Emera NL or the Guarantor, or to have resulted in the initiation of any such proceedings;

(g) the filing by either Guarantee Beneficiary of any claim for payment with any administrator, provisional liquidator, conservator, trustee, receiver, custodian or other similar officer appointed for Emera NL or for all or substantially all of the assets of Emera NL;

(h) any event whatsoever that might be a defence available to, or result in a reduction or discharge of, Emera NL or any other Person in respect of either the liability of Emera NL under the Emera NL Documents or the Guarantor's liability under this Guarantee;

(i) any amendment to the Emera NL Documents or any other security or agreements as between Emera NL and either Guarantee Beneficiary;

(j) any extension of the time for payment, observance or performance, or any other amendment or modification of any of the terms and conditions of the Guaranteed Obligations or the Emera NL Documents;

(k) any composition or settlement (whether by way of release, acceptance of a plan of reorganization or otherwise) of the Guaranteed Obligations;

(l) any failure to exercise, delay in the exercise of, exercise or waiver of, or forbearance or other indulgence with respect to any rights, remedies and/or recourses available to either Guarantee Beneficiary, including but not limited to:

(i) any exercise of or failure to exercise any right of set-off, counterclaim, reduction, recoupment or retention;

(ii) any election of rights, remedies and/or recourses effected by it;

(iii) any subordination by operation of Applicable Law, whether present or future, of any or all of the Guaranteed Obligations;

(iv) any election not or failure to protect or preserve any collateral or protect, perfect or continue the perfection of any lien upon any collateral now or hereafter securing any or all of the Guaranteed Obligations;

(v) any disallowance, invalidity, illegality, voidness or unenforceability of any or all liens securing any or all of the Guaranteed Obligations; or

(vi) any other act or failure to act which varies the risks of the Guarantor hereunder or, but for the provisions hereof, under the terms of any Applicable Law, would operate to reduce, limit or terminate the obligations of the Guarantor from any obligation hereunder.

3.2 The Guarantor hereby acknowledges and agrees that either Guarantee Beneficiary may at any time or from time to time, without the consent of, or notice to, the Guarantor:

(a) change or extend the manner, place or terms of payment of, or renew, alter, compromise, suspend, waive, replace or novate all or any portion of, the Emera NL Documents, the Guaranteed Obligations and any security and guarantees therefor;

(b) take any action under or in respect of, the Emera NL Documents or this Guarantee in the exercise of any remedy, power or privilege contained therein or available to it at law, equity or otherwise, or waive or refrain from exercising any such remedies, powers or privileges;

(c) amend, restate, supplement, suspend, waive, compromise, extend, renew or replace, in whole or in part, any of the provisions of the Emera NL Documents;

(d) grant time, renewals, extensions, compromises, concessions, waivers, releases, discharges and other indulgences to Emera NL or any other Person;

(e) extend or waive the time for performance of, or compliance with, any term, covenant or agreement to be performed or observed by Emera NL under the Emera NL Documents, or waive such performance or compliance or consent to a failure of, or departure from, such performance or compliance;

(f) release anyone who may be liable in any manner for the payment or performance of any of the Guaranteed Obligations by the Guarantor to either Guarantee Beneficiary;

(g) modify or terminate the terms of any intercreditor or subordination agreement pursuant to which claims of other creditors of the Guarantor are subordinated to the claims of either Guarantee Beneficiary; or

(h) apply any sums by whomever paid or however realized to any amounts owing by Emera NL to either Guarantee Beneficiary in such manner as either Guarantee Beneficiary shall determine in its discretion,

and neither Guarantee Beneficiary shall incur any liability to the Guarantor as a result thereof, and no such action shall impair or release the Guaranteed Obligations of the Guarantor under this Guarantee.

3.3 The Guarantor hereby waives:

(a) any requirement and any right to require that any power be exercised or any action be taken against Emera NL or any other person or any collateral for any of the Guaranteed Obligations;

(b) any and all defences to and set-offs, counterclaims and claims of recoupment against any and all of the Guaranteed Obligations that may at any time be available to Emera NL or any other Person;

(c) any notice of acceptance of the incurrence or renewal of any Guaranteed Obligations;

(d) all notices which may be required by Applicable Law to preserve any rights against the Guarantor hereunder including, but not limited to, any notice of default, demand, dishonour, presentment and protest;

(e) any failure or alleged failure by either Guarantee Beneficiary to act with diligence or at all in the enforcement of its rights in respect of the Guaranteed Obligations or any of them;

(f) any defence based upon, arising out of or in any way related to (i) any claim that any election of remedies by either Guarantee Beneficiary impaired, reduced, released or extinguished any rights that the Guarantor might otherwise have had against Emera NL or any other person; and (ii) any claim that the Guaranteed Obligations should be strictly construed against either Guarantee Beneficiary; and

(g) any and all other defences related to the Guaranteed Obligations save and except for the receipt by each of the Guarantee Beneficiaries of the full, final and definitive amount of its claim against Emera NL with respect to the Guaranteed Obligations.

3.4 No settlement or discharge of the Guaranteed Obligations shall be effective if any payment by the Guarantor in respect thereof is avoided or reduced by virtue of any provision or enactment relating to bankruptcy, insolvency, liquidation, fraudulent conveyances, assignments and preferences or similar laws of general application from time to time, and if

such payment is so avoided or reduced, either Guarantee Beneficiary shall be entitled to recover the amount of such payment as if such settlement or discharge had not occurred.

3.5 This Guarantee shall be in addition to and without prejudice to any other security by whomsoever given, held at any time by either Guarantee Beneficiary. Neither Guarantee Beneficiary shall be under any obligation to marshal any such security or any of the funds or assets it may be entitled to receive or have a claim upon.

3.6 The Guaranteed Obligations shall be deemed not to have been paid, observed or performed, and the liability of the Guarantor hereunder in respect thereof shall continue and not be discharged, to the extent that any payment, observance or performance thereof by Emera NL or any other guarantor, or out of the proceeds of any collateral (collectively referred to herein as the "**Disgorged Amount**"), is recovered from or reimbursed by or for the account of either Guarantee Beneficiary for any reason, including, but not limited to, a preference or fraudulent transfer or by virtue of any subordination (whether present or future or contractual or otherwise) of the Guaranteed Obligations, whether such recovery or payment over is effected by any judgment, decree or order of any court or Authorized Authority, by any plan of reorganization or by settlement or compromise by either Guarantee Beneficiary (whether or not consented to by Emera NL, the Guarantor or any other guarantor) of any claim for any such recovery or payment over. The Guarantor hereby expressly waives the benefit of any Applicable Law of limitations and agrees that it shall be liable hereunder whenever such a recovery or payment ever occurs.

3.7 This Guarantee shall continue in full force and effect until the indefeasible payment, observance and performance in full of the Guaranteed Obligations, provided however that where at any time either Guarantee Beneficiary is required to pay over any Disgorged Amount, or pursuant to **Section 3.4**, either Guarantee Beneficiary shall be permitted to make a claim therefor under the provisions of **Section 3.4** or **3.6**, as applicable.

3.8 The Guarantor agrees that each of the waivers, renunciations, declarations and authorizations set forth in this Guarantee is made with full knowledge of its significance and consequences and if any of such waivers, renunciations, declarations and authorizations is determined to be contrary to any Applicable Law or public policy, such waivers, renunciations, declarations and authorizations shall be effective only to the maximum extent permitted by Applicable Law.

3.9 After all Guaranteed Obligations have indefeasibly been paid in full, subject to the provisions of **Sections 3.4, 3.6** and **3.7**, this Guarantee shall cease and become null and void and each Guarantee Beneficiary shall, at the request and at the expense of the Guarantor execute and deliver a release to the Guarantor.

ARTICLE 4
MISCELLANEOUS

4.1 Notices, where required herein, shall be in writing and shall be sufficiently given if delivered personally or by courier or sent by electronic mail or facsimile transmission, directed as follows:

To:

the Guarantor:

Emera Inc.
1223 Lower Water Street
Halifax, NS B3J 3S8

Attention: Corporate Secretary
Fax: 902-428-6112

with a copy to:

Emera Newfoundland and Labrador Inc.
1223 Lower Water Street
Halifax, NS B3J 3S8

Attention: President
Fax: 902-428-6112

To:

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

Attention: Chief Executive Officer
Fax: (709) 737-1782

with a copy to:

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

Attention: Corporate Secretary
Fax: (709) 737-1782

To:

Labrador-Island Link Holding Corporation
c/o Nalcor Energy
500 Columbus Drive
P.O. Box 12800
St. John's, NL A1B 0C9

Attention: Chief Executive Officer
Fax: (709) 737-1782

with a copy to:

Labrador-Island Link Holding Corporation
c/o Nalcor Energy
500 Columbus Drive
P.O. Box 12800
St. John's, NL A1B 0C9

Attention: Corporate Secretary
Fax: (709) 737-1782

Such Notice shall (i) if delivered personally or by courier, be deemed to have been given or made on the day of delivery, and (ii) if sent by electronic mail or facsimile transmission and confirmed by a copy immediately sent by courier, shall be deemed to have been given or made on the day it was successfully transmitted by electronic mail or facsimile transmission as evidenced by automatic confirmation of receipt, provided however that if in any case such day is not a Business Day or if the Notice is received after Regular Business Hours (time and place of receipt), the Notice shall be deemed to have been given or made on the next Business Day. Any Party may change its address or fax number hereunder from time to time by giving Notice of such change to the other Parties.

4.2 No failure on the part of either Guarantee Beneficiary to exercise, and no delay in exercising, any right or remedy shall operate as a waiver of such right or remedy, nor shall any single or partial exercise of any right or remedy under this Guarantee preclude any other or further exercise thereof or the exercise of any other right or remedy, nor shall any waiver of one provision be deemed to constitute a waiver of any other provision. No waiver of any of the provisions of this Guarantee by either Guarantee Beneficiary shall be effective unless it is in writing duly executed by that Guarantee Beneficiary.

4.3 This Guarantee may be executed in any number of counterparts, each of which shall be deemed to be an original, but all such separate counterparts shall together constitute but one and the same instrument.

4.4 If for the purpose of obtaining or enforcing judgment in any court or for any other purpose hereunder, it is necessary to convert an amount due hereunder in the currency in which it is

due (the "**Original Currency**") into another currency (the "**Second Currency**"), the rate of exchange applied shall be the noon mid-market spot rate quoted by the Bank of Canada for conversion of the Original Currency into the Second Currency on the Business Day on which judgment is given or the amount is due, as the case may be.

4.5 The Guarantor agrees that its obligations in respect of any amounts due from it to either Guarantee Beneficiary in the Original Currency hereunder, notwithstanding any payment or tender, including pursuant to any judgment expressed or payment made in the Second Currency, shall be discharged only to the extent that, on the Business Day following receipt of any sums so paid in the Second Currency, either Guarantee Beneficiary may purchase in the Canadian money market or the Canadian foreign exchange market, as the case may be, the Original Currency with the amount of the Second Currency so paid; and, if the amount of the Original Currency so purchased is less than the amount originally due in the Original Currency, the Guarantor agrees as a separate and independent obligation and notwithstanding any such payment or judgment to indemnify each Guarantee Beneficiary against such loss and, if the amount of the Original Currency so purchased is greater than the amount originally due in the Original Currency, either Guarantee Beneficiary, notwithstanding any such payment or judgment, shall remit to the Guarantor, on demand, any such excess. The obligation provided for in this **Section 4.6** shall not be affected by or merged with any judgment obtained under this Guarantee.

4.6 The rights of the Guarantor hereunder are declared to be purely personal and may therefore not be assigned or transferred, nor can the Guarantor assign or transfer any of its obligations, any such assignment being null and void insofar the Guarantee Beneficiaries is concerned.

4.7 The Guarantor hereby acknowledges that it has received and taken cognizance of an original executed copy of the Emera NL Documents and is familiar with the provisions thereof.

4.8 Any provision of this Guarantee that is found to be void or unenforceable by a court of competent jurisdiction shall be ineffective without invalidating the remaining provisions of this Guarantee.

4.9 This Guarantee shall be governed by and construed in accordance with the laws of the Province of Newfoundland and Labrador and the Federal laws of Canada applicable therein, but excluding all choice-of-law provisions. The Parties irrevocably consent and submit to the exclusive jurisdiction of the courts of the Province of Newfoundland and Labrador with respect to all matters relating to this Agreement, subject to any right of appeal to the Supreme Court of Canada. Each Party waives any objection that it may now or hereafter have to the determination of venue of any proceeding in such courts relating to this Agreement or that it may now or hereafter have that such courts are an inconvenient forum.

4.10 Nalcor is entering into this Guarantee, and Emera acknowledges that Nalcor is entering into this Guarantee, solely in its own right and not on behalf of or as agent of the NL Crown.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF the Guarantor and the Guarantee Beneficiaries have executed this Guarantee as of the date first above written.

EMERA INC.

By:_____
Name:
Title:

By:_____
Name:
Title:

We have authority to bind the company.

LABRADOR-ISLAND LINK HOLDING CORPORATION

By:_____
Name:
Title:

By:_____
Name:
Title:

We have authority to bind the corporation.

NALCOR ENERGY

By:_____
Name:
Title:

By:_____
Name:
Title:

We have authority to bind the corporation.

NEWFOUNDLAND AND LABRADOR DEVELOPMENT AGREEMENT (NLDA)

SCHEDULE 6

NALCOR PARENTAL GUARANTEE

NALCOR PARENTAL GUARANTEE

THIS AGREEMENT OF GUARANTEE ("**Agreement**" or "**Guarantee**") is made effective the ● day of ●, 201●.

AMONG:

NALCOR ENERGY, a body corporate existing pursuant to the *Energy Corporation Act* being chapter E-11.01 of the *Statutes of Newfoundland and Labrador*, 2007, solely in its own right and not as agent of the NL Crown ("**Nalcor**" or "**Guarantor**")

- and -

EMERA INC., a company incorporated under the laws of the Province of Nova Scotia ("**Emera**")

- and -

ENL ISLAND LINK INCORPORATED, a corporation incorporated under the laws of the Province of Newfoundland and Labrador ("**Emera NL**")

WHEREAS:

A. an agreement ("**LIL LP Agreement**") dated July 31, 2012 between Labrador-Island Link General Partner Corporation ("**Nalcor GP**"), as general partner, and Labrador-Island Link Holding Corporation, a corporation incorporated under the laws of the Province of Newfoundland and Labrador ("**NL**") ("**Nalcor LP**"), as limited partner, provided for the establishment and operation of the Labrador-Island Link Limited Partnership (the "**Partnership**");

B. the Partnership was formed under the *Limited Partnership Act* (NL) by the filing of a certificate of limited partnership;

C. Nalcor LP has entered into a subscription agreement ("**Nalcor LP Subscription Agreement**") with the Partnership setting out the terms and conditions under which it will acquire and pay for a limited partner interest in the Partnership;

D. Emera, Nalcor, Nalcor LP, Nalcor GP and Emera NL have entered into an agreement, ("**NLDA**") dated July 31, 2012 which, among other things, confirms the manner in which Emera NL and Nalcor LP will act in relation to one another and each of Nalcor and Emera have agreed to provide their respective parental guarantees of the performance of their respective Wholly-Owned Subsidiaries which are or will be limited partners in the Partnership, and Nalcor has agreed to guarantee certain obligations of Nalcor GP;

E. Nalcor GP is a Wholly-Owned Subsidiary of Nalcor;

F. Nalcor LP is a Wholly-Owned Subsidiary of Nalcor; and

G. Emera NL is a Wholly-Owned Subsidiary of Emera;

NOW THEREFORE this Agreement witnesses that in consideration of the mutual covenants and agreements hereinafter contained the Parties, intending to be legally bound, agree as follows:

ARTICLE 1
GUARANTEE

1.1 Capitalised terms not defined herein shall have the meaning set forth in the NLDA.

1.2 For valuable consideration, the Guarantor irrevocably, absolutely and unconditionally guarantees and covenants with and for the joint and several benefit of Emera and Emera NL (the "**Guarantee Beneficiaries**")

(a) that Nalcor GP as general partner of the Partnership will duly and punctually perform each and every obligation respecting the determination of Distributable Cash, the charging and collection of Rent as defined in the LIL Assets Agreement and the payment to Emera NL of Distributions which is imposed upon it; and

(b) that Nalcor LP will duly and punctually pay to each of the Guarantee Beneficiaries all debts and liabilities, present or future, direct or indirect, absolute or contingent, matured or not and will duly and punctually perform each of the obligations at any time owing by Nalcor LP to each of the Guarantee Beneficiaries,

under the NLDA, the LIL LP Agreement, the Nalcor LP Subscription Agreement, the Nalcor LP Cross Default Indemnity Agreement and the NEFA (the "**Nalcor LP Documents**") in accordance with their respective terms (the "**Guaranteed Obligations**") as and when the same become due and payable or are to be performed according to the terms of the Nalcor LP Documents. This guarantee shall be an absolute, continuing, unconditional and irrevocable guarantee by the Guarantor of all the Guaranteed Obligations and constitutes a guarantee of payment and performance and not merely of collection.

1.3 A fresh cause of action shall be deemed to arise hereunder in respect of each default by Nalcor GP or Nalcor LP, as the case may be, under any of the Guaranteed Obligations. The Guarantor shall irrevocably, absolutely and unconditionally pay to the Guarantee Beneficiaries all such amounts as shall be required from time to time to ensure that they are each fully indemnified against and saved fully harmless from and against all losses, costs and expenses which either may at any time suffer or incur by reason of or otherwise in connection with (a) the unenforceability or invalidity of the Guaranteed Obligations or any failure by Nalcor GP or Nalcor LP, as the case may be, to duly and punctually pay in full the Guaranteed Obligations when due, (b) any loss of any right of either of the Guarantee Beneficiaries against Nalcor GP or Nalcor LP, as the case may be, in respect of the Guaranteed Obligations for any reason whatsoever, including by operation of any bankruptcy, insolvency or similar such laws, any laws affecting creditors' rights generally or

general principles of equity and (c) any act or omission of either of the Guarantee Beneficiaries in connection with the enforcement of any of its rights against Nalcor GP or Nalcor LP, as the case may be.

1.4 The Guarantor hereby acknowledges that the terms of the Nalcor LP Documents have been communicated to it and consents to and approves of the same. The guarantee herein contained shall take effect and be binding upon the Guarantor notwithstanding any defect in or omission from any documentation or security delivered by Nalcor GP or Nalcor LP, as the case may be, to each of the Guarantee Beneficiaries or any default in or omission from the Nalcor LP Documents or any non-registration or non-filing or defective registration or filing or by reason of any failure of the security intended to be created by the Nalcor LP Documents or any other security documentation contemplated thereby.

1.5 The liability of the Guarantor under **Sections 1.2** and **1.3** hereof shall be absolute, irrevocable and unconditional. The Guarantor shall for all purposes of the guarantee be regarded as a principal debtor and not as surety, and hereby expressly waives demand, presentment, protest and notice thereof and of default.

ARTICLE 2
DEFAULT AND ENFORCEMENT

2.1 Upon the occurrence and during the continuation of a Nalcor Default including a failure by Nalcor GP or Nalcor LP, as the case may be, to make any payment under the Guaranteed Obligations or a failure to pay its proportionate share of any Cash Call as and when provided under the provisions of any of the Nalcor LP Documents (an "**Event of Default**"), the Guarantor shall forthwith on demand by either Guarantee Beneficiary pay, as directed by such Guarantee Beneficiary, the amount claimed in immediately available funds as directed by the Guarantee Beneficiary, or cause the Guaranteed Obligations claimed by the Guarantee Beneficiary to be performed. All payments due to the Guarantee Beneficiaries hereunder and all of the other covenants and agreements to be performed by the Guarantor hereunder, whether in respect of the Guaranteed Obligations or otherwise, shall be made or performed by the Guarantor without any reduction whatsoever, including, without limitation, any reduction resulting from any defence, right of action, right of set-off or compensation, right of recoupment or counterclaim of any nature whatsoever that Nalcor GP or Nalcor LP, as the case may be, or the Guarantor may have or have had at any time against either of the Guarantee Beneficiaries or any other Person whether with respect to this Agreement, the Nalcor LP Documents or otherwise.

2.2 All amounts payable by the Guarantor hereunder shall be made free and clear of and without deduction for or on account of any present or future taxes, charges, fees, levies, duties or withholdings of any kind. If the Guarantor is obliged to deduct or withhold an amount in respect of any such taxes, charges, fees, levies, duties or withholdings, then in such event the Guarantor shall pay to the Guarantee Beneficiaries such additional amount as is necessary to ensure that they receive and retain (on an after-tax basis, after payment of any and all income or other taxes on such additional amounts) an amount equal to the

full amount otherwise payable hereunder, net of any such taxes, charges, fees, levies, duties or withholdings.

2.3 If upon the occurrence and during the continuation of an Event of Default, the Guarantor shall fail forthwith on demand to pay to either of the Guarantee Beneficiaries or to perform or cause to be performed the Guaranteed Obligations, either Guarantee Beneficiary may in its discretion proceed with the enforcement of its rights hereunder prior to, contemporaneously with or after any action taken under the Nalcor LP Documents or any security or other documents delivered by Nalcor GP or Nalcor LP, as the case may be, to either Guarantee Beneficiary. The Guarantor shall pay on demand all costs and expenses (including legal fees on a solicitor and own client basis) incurred by each Guarantee Beneficiary in enforcing or attempting to enforce its rights hereunder and all proceedings taken in relation hereto. No exercise by any Guarantee Beneficiary of any of its rights hereunder or under any security delivered by Nalcor GP or Nalcor LP shall in any way limit the exercise of any rights or recourses by either Guarantee Beneficiary against the Guarantor or any subsidiary thereof under the Nalcor LP Documents or any other agreement in connection with any Event of Default by Nalcor GP or Nalcor LP, as the case may be (the "**Emera Rights**").

2.4 All amounts payable by the Guarantor hereunder shall bear interest payable by the Guarantor from the date of demand for payment both before and after default and judgment at the rate applicable to the Guaranteed Obligations under the Nalcor LP Documents.

2.5 Any statement of account prepared by either Guarantee Beneficiary as regards the Guaranteed Obligations shall constitute *prima facie* evidence of the amount which, as at the date of the statement so prepared, is due by Nalcor GP or Nalcor LP, as the case may be, to either Guarantee Beneficiary and the Guarantor hereby acknowledges and agrees that, absent manifest error, it shall be bound by each such statement. Emera agrees to provide the Guarantor with the computations and calculations used by it to prepare each such statement of account promptly following a request therefor.

2.6 Neither Guarantee Beneficiary shall be bound to seek or exhaust its recourse or remedies against Nalcor GP or Nalcor LP, as the case may be, any other guarantor or any other Person nor to enforce, marshal or value any liens in its favour before being entitled to payment hereunder.

2.7 All sums paid to or recovered by either Guarantee Beneficiary pursuant to the provisions hereof shall be applied by it in payment of its costs and expenses payable hereunder and the principal, interest and other monies owing to either Guarantee Beneficiary under any of the Nalcor LP Documents in such order as such Guarantee Beneficiary in its sole discretion may determine.

2.8 Either Guarantee Beneficiary may waive any default of the Guarantor hereunder upon such terms and conditions as it may determine provided that no such waiver shall extend to or be taken in any manner whatsoever to affect any subsequent default or the rights resulting therefrom or the enforcement by either Guarantee Beneficiary of any of the Emera Rights.

2.9 Any monies paid by or recovered from the Guarantor hereunder shall be deemed for all purposes to have been paid solely in discharge or partial discharge of the liability of the Guarantor hereunder to the extent only of the monies actually paid by or recovered from the Guarantor, but not in discharge of the liability of Nalcor GP or Nalcor LP, as the case may be, and in the event of any such payment by or recovery from Nalcor GP or Nalcor LP, as the case may be, the Guarantor hereby assigns any rights with respect to or arising from such payment or recovery (including without limitation any right of subrogation) to either Guarantee Beneficiary unless or until each Guarantee Beneficiary has received in the aggregate indefeasible payment in full of the Guaranteed Obligations. Subject to the immediately preceding sentence, if the Guarantor receives money from Nalcor GP or Nalcor LP, as the case may be, in payment of any such debts and liabilities, the Guarantor will hold them in trust for, and will immediately pay such funds to, the Guarantee Beneficiaries without reducing the Guarantor's liability under this Guarantee.

2.10 The Guarantor further acknowledges and agrees that it shall not be subrogated to any right of either Guarantee Beneficiary until indefeasible payment in full of all the Guaranteed Obligations. Furthermore, in the event of any payment by or recovery from the Guarantor under the provisions hereof, the rights of the Guarantor shall in respect of such payment rank subsequent to and not *pari passu* with the rights of the Guarantee Beneficiaries.

2.11 Each payment to be made by the Guarantor hereunder in respect of its obligations hereunder shall be made without regard to any equities between or among any of Nalcor GP or Nalcor LP, as the case may be, the Guarantor, Emera and Emera NL and without set-off, counterclaim, reduction, recoupment, retention or diminution of any kind or nature (including as a result of any defence, right of action, right of set-off, recoupment, retention or counterclaim of any nature that Nalcor GP or Nalcor LP, as the case may be, or the Guarantor may have or have had against either Guarantee Beneficiary or any other Person).

ARTICLE 3
ABSOLUTE LIABILITY

3.1 The obligations of the Guarantor under this Guarantee are absolute, irrevocable and unconditional and will not be diminished, limited, discharged or in any way affected by any one or more of the following events (whether or not the same shall have occurred or failed to occur once or more than once and, in the case of extensions of time for payment, observance or performance of obligations, whether such extensions or any of them are for periods longer than the respective periods then specified therefor and whether or not the Guarantor shall have received notice thereof or assented thereto):

(a) any termination, invalidity, unenforceability or release by either Guarantee Beneficiary of any of its rights against Nalcor GP or Nalcor LP, as the case may be, or against any other Person or of any security (other than by reason of the indefeasible payment in full of the Guaranteed Obligations);

(b) any increase, reduction, renewal, substitution or other change in, or discontinuance of, the terms relating to:

(i) the Nalcor LP Documents or any security or other documents delivered by Nalcor GP or Nalcor LP, as the case may be, to either Guarantee Beneficiary or to any credit extended by either Guarantee Beneficiary to Nalcor GP or Nalcor LP, as the case may be;

(ii) any agreement to any proposal or scheme of arrangement concerning the Guaranteed Obligations;

(iii) the granting of any extensions of time or any other indulgences or concessions to Nalcor GP or Nalcor LP, as the case may be, or any other Person;

(iv) the taking or giving up or release of any security;

(v) the abstaining from taking, perfecting, filing or registering any security;

(vi) allowing any security to lapse (whether by failing to make or maintain any registration, filing or otherwise);

(vii) any neglect or omission by either of the Guarantee Beneficiaries in respect of, or in the course of, doing any of the above things;

(c) accepting compositions from, compromises, arrangements or plans of reorganization or granting releases or discharges to, Nalcor GP or Nalcor LP, as the case may be, or any other Person, or any other dealing with Nalcor GP or Nalcor LP, as the case may be, or any other Person or with any security that either Guarantee Beneficiary considers appropriate;

(d) any unenforceability or loss of or in respect of the Nalcor LP Documents or any security held from time to time by either Guarantee Beneficiary or both of them from Nalcor GP or Nalcor LP, as the case may be, whether the loss is due to the means or timing of any registration, disposition or realization of any collateral that is the subject of that security or otherwise due to either Guarantee Beneficiary's fault or any other reason;

(e) any change in the financial condition of Nalcor GP or Nalcor LP, as the case may be, or that of the Guarantor or any other guarantor (including insolvency and bankruptcy);

(f) any event, whether or not attributable to either Guarantee Beneficiary or both of them, that may be considered to have caused or accelerated the bankruptcy or insolvency of Nalcor GP or Nalcor LP, as the case may be, or the Guarantor, or to have resulted in the initiation of any such proceedings;

(g) the filing by either Guarantee Beneficiary of any claim for payment with any administrator, provisional liquidator, conservator, trustee, receiver, custodian or

other similar officer appointed for Nalcor GP or Nalcor LP, as the case may be, or for all or substantially all of the assets of Nalcor GP or Nalcor LP, as the case may be;

(h) any event whatsoever that might be a defence available to, or result in a reduction or discharge of, Nalcor GP or Nalcor LP, as the case may be, or any other Person in respect of either the liability of Nalcor GP or Nalcor LP, as the case may be, under the Nalcor LP Documents or the Guarantor's liability under this Guarantee;

(i) any amendment to the Nalcor LP Documents or any other security or agreements as between Nalcor GP or Nalcor LP, as the case may be, and either Guarantee Beneficiary;

(j) any extension of the time for payment, observance or performance, or any other amendment or modification of any of the terms and conditions of the Guaranteed Obligations or the Nalcor LP Documents;

(k) any composition or settlement (whether by way of release, acceptance of a plan of reorganization or otherwise) of the Guaranteed Obligations;

(l) any failure to exercise, delay in the exercise of, exercise or waiver of, or forbearance or other indulgence with respect to any rights, remedies and/or recourses available to either Guarantee Beneficiary, including but not limited to:

(i) any exercise of or failure to exercise any right of set-off, counterclaim, reduction, recoupment or retention;

(ii) any election of rights, remedies and/or recourses effected by it;

(iii) any subordination by operation of Applicable Law, whether present or future, of any or all of the Guaranteed Obligations;

(iv) any election not or failure to protect or preserve any collateral or protect, perfect or continue the perfection of any lien upon any collateral now or hereafter securing any or all of the Guaranteed Obligations;

(v) any disallowance, invalidity, illegality, voidness or unenforceability of any or all liens securing any or all of the Guaranteed Obligations; or

(vi) any other act or failure to act which varies the risks of the Guarantor hereunder or, but for the provisions hereof, under the terms of any Applicable Law, would operate to reduce, limit or terminate the obligations of the Guarantor from any obligation hereunder.

3.2 The Guarantor hereby acknowledges and agrees that either Guarantee Beneficiary may at any time or from time to time, without the consent of, or notice to, the Guarantor:

(a) change or extend the manner, place or terms of payment of, or renew, alter, compromise, suspend, waive, replace or novate all or any portion of, the Nalcor LP Documents, the Guaranteed Obligations and any security and guarantees therefor;

(b) take any action under or in respect of, the Nalcor LP Documents or this Guarantee in the exercise of any remedy, power or privilege contained therein or available to it at law, equity or otherwise, or waive or refrain from exercising any such remedies, powers or privileges;

(c) amend, restate, supplement, suspend, waive, compromise, extend, renew or replace, in whole or in part, any of the provisions of the Nalcor LP Documents;

(d) grant time, renewals, extensions, compromises, concessions, waivers, releases, discharges and other indulgences to Nalcor GP or Nalcor LP, as the case may be, or any other Person;

(e) extend or waive the time for performance of, or compliance with, any term, covenant or agreement to be performed or observed by Nalcor GP or Nalcor LP, as the case may be, under the Nalcor LP Documents, or waive such performance or compliance or consent to a failure of, or departure from, such performance or compliance;

(f) release anyone who may be liable in any manner for the payment or performance of any of the Guaranteed Obligations by the Guarantor to either Guarantee Beneficiary;

(g) modify or terminate the terms of any intercreditor or subordination agreement pursuant to which claims of other creditors of the Guarantor are subordinated to the claims of either Guarantee Beneficiary; or

(h) apply any sums by whomever paid or however realized to any amounts owing by Nalcor GP or Nalcor LP, as the case may be, to either Guarantee Beneficiary in such manner as either Guarantee Beneficiary shall determine in its discretion,

and neither Guarantee Beneficiary shall incur any liability to the Guarantor as a result thereof, and no such action shall impair or release the Guaranteed Obligations of the Guarantor under this Guarantee.

3.3 The Guarantor hereby waives:

(a) any requirement and any right to require that any power be exercised or any action be taken against Nalcor GP or Nalcor LP, as the case may be, or any other Person or any collateral for any of the Guaranteed Obligations;

(b) any and all defences to and set-offs, counterclaims and claims of recoupment against any and all of the Guaranteed Obligations that may at any time be available to Nalcor GP or Nalcor LP, as the case may be, or any other Person;

(c) any notice of acceptance of the incurrence or renewal of any Guaranteed Obligations;

(d) all notices which may be required by Applicable Law to preserve any rights against the Guarantor hereunder including, but not limited to, any notice of default, demand, dishonour, presentment and protest;

(e) any failure or alleged failure by either Guarantee Beneficiary to act with diligence or at all in the enforcement of its rights in respect of the Guaranteed Obligations or any of them;

(f) any defence based upon, arising out of or in any way related to (i) any claim that any election of remedies by either Guarantee Beneficiary impaired, reduced, released or extinguished any rights that the Guarantor might otherwise have had against Nalcor GP or Nalcor LP, as the case may be, or any other Person; and (ii) any claim that the Guaranteed Obligations should be strictly construed against either Guarantee Beneficiary; and

(g) any and all other defences related to the Guaranteed Obligations save and except for the receipt by each of the Guarantee Beneficiaries of the full, final and definitive amount of its claim against Nalcor GP or Nalcor LP, as the case may be, with respect to the Guaranteed Obligations.

3.4 No settlement or discharge of the Guaranteed Obligations shall be effective if any payment by the Guarantor in respect thereof is avoided or reduced by virtue of any provision or enactment relating to bankruptcy, insolvency, liquidation, fraudulent conveyances, assignments and preferences or similar laws of general application from time to time, and if such payment is so avoided or reduced, either Guarantee Beneficiary shall be entitled to recover the amount of such payment as if such settlement or discharge had not occurred.

3.5 This Guarantee shall be in addition to and without prejudice to any other security by whomsoever given, held at any time by either Guarantee Beneficiary. Neither Guarantee Beneficiary shall be under any obligation to marshal any such security or any of the funds or assets it may be entitled to receive or have a claim upon.

3.6 The Guaranteed Obligations shall be deemed not to have been paid, observed or performed, and the liability of the Guarantor hereunder in respect thereof shall continue and not be discharged, to the extent that any payment, observance or performance thereof by Nalcor GP or Nalcor LP, as the case may be, or any other guarantor, or out of the proceeds of any collateral (collectively referred to herein as the "**Disgorged Amount**"), is recovered from or reimbursed by or for the account of either Guarantee Beneficiary for any reason, including, but not limited to, a preference or fraudulent transfer or by virtue of any subordination (whether present or future or contractual or otherwise) of the Guaranteed Obligations, whether such recovery or payment over is effected by any judgment, decree or order of any court or Authorized Authority, by any plan of reorganization or by settlement or compromise by either Guarantee Beneficiary (whether or not consented to by Nalcor GP or Nalcor LP, as the case may be, the Guarantor or any other guarantor) of any claim for any

such recovery or payment over. The Guarantor hereby expressly waives the benefit of any Applicable Law of limitations and agrees that it shall be liable hereunder whenever such a recovery or payment ever occurs.

3.7 This Guarantee shall continue in full force and effect until the indefeasible payment, observance and performance in full of the Guaranteed Obligations, provided however that where at any time either Guarantee Beneficiary is required to pay over any Disgorged Amount or pursuant to **Section 3.4**, either Guarantee Beneficiary shall be permitted to make a claim therefor under the provisions of **Section 3.4** or **3.6**, as applicable.

3.8 The Guarantor agrees that each of the waivers, renunciations, declarations and authorizations set forth in this Guarantee is made with full knowledge of its significance and consequences and if any of such waivers, renunciations, declarations and authorizations is determined to be contrary to any Applicable Law or public policy, such waivers, renunciations, declarations and authorizations shall be effective only to the maximum extent permitted by Applicable Law.

3.9 After all Guaranteed Obligations have indefeasibly been paid in full, subject to the provisions of **Sections 3.4**, **3.6** and **3.7**, this Guarantee shall cease and become null and void and each Guarantee Beneficiary shall, at the request and at the expense of the Guarantor execute and deliver a release to the Guarantor.

ARTICLE 4
MISCELLANEOUS

4.1 Notices, where required herein, shall be in writing and shall be sufficiently given if delivered personally or by courier or sent by electronic mail or facsimile transmission, directed as follows:

To the Guarantor:

Nalcor Energy
500 Columbus Drive
P.O. Box 12800
St. John's, NL A1B 0C9
Attention: Chief Executive Officer
Fax: (709) 737-1782

with a copy to:

Nalcor Energy
500 Columbus Drive
P.O. Box 12800
St. John's, NL A1B 0C9
Attention: Corporate Secretary
Fax: (709) 737-1782

To Emera:

Emera Inc.
1223 Lower Water Street
Halifax, NS B3J 3S8
Attention: Corporate Secretary
Fax: 902-428-6112

with a copy to:

Emera Newfoundland and Labrador Inc.
1223 Lower Water Street
Halifax, NS B3J 3S8
Attention: President
Fax: 902-428-6112

Such Notice shall (i) if delivered personally or by courier, be deemed to have been given or made on the day of delivery, and (ii) if sent by electronic mail or facsimile transmission and confirmed by a copy immediately sent by courier, shall be deemed to have been given or made on the day it was successfully transmitted by electronic mail or facsimile transmission as evidenced by automatic confirmation of receipt, provided however that if in any case such day is not a Business Day or if the Notice is received after Regular Business Hours (time and place of receipt), the Notice shall be deemed to have been given or made on the next Business Day. Any Party may change its address or fax number hereunder from time to time by giving Notice of such change to the other Parties.

4.2 No failure on the part of either Guarantee Beneficiary to exercise, and no delay in exercising, any right or remedy shall operate as a waiver of such right or remedy, nor shall any single or partial exercise of any right or remedy under this Guarantee preclude any other or further exercise thereof or the exercise of any other right or remedy, nor shall any waiver of one provision be deemed to constitute a waiver of any other provision. No waiver of any of the provisions of this Guarantee by either Guarantee Beneficiary shall be effective unless it is in writing duly executed by that Guarantee Beneficiary.

4.3 This Guarantee may be executed in any number of counterparts, each of which shall be deemed to be an original, but all such separate counterparts shall together constitute but one and the same instrument.

4.4 If for the purpose of obtaining or enforcing judgment in any court or for any other purpose hereunder, it is necessary to convert an amount due hereunder in the currency in which it is due (the "**Original Currency**") into another currency (the "**Second Currency**"), the rate of exchange applied shall be the noon mid-market spot rate quoted by the Bank of Canada for conversion of the Original Currency into the Second Currency on the Business Day on which judgment is given or the amount is due, as the case may be.

4.5 The Guarantor agrees that its obligations in respect of any amounts due from it to either Guarantee Beneficiary in the Original Currency hereunder, notwithstanding any payment or tender, including pursuant to any judgment expressed or payment made in the Second Currency, shall be discharged only to the extent that, on the Business Day following receipt of any sums so paid in the Second Currency, either Guarantee Beneficiary may purchase in the Canadian money market or the Canadian foreign exchange market, as the case may be, the Original Currency with the amount of the Second Currency so paid; and, if the amount of the Original Currency so purchased is less than the amount originally due in the Original Currency, the Guarantor agrees as a separate and independent obligation and notwithstanding any such payment or judgment to indemnify each Guarantee Beneficiary against such loss and, if the amount of the Original Currency so purchased is greater than the amount originally due in the Original Currency, either Guarantee Beneficiary, notwithstanding any such payment or judgment, shall remit to the Guarantor, on demand, any such excess. The obligation provided for in this **Section 4.6** shall not be affected by or merged with any judgment obtained under this Guarantee.

4.6 The rights of the Guarantor hereunder are declared to be purely personal and may therefore not be assigned or transferred, nor can the Guarantor assign or transfer any of its obligations, any such assignment being null and void insofar the Guarantee Beneficiaries is concerned.

4.7 The Guarantor hereby acknowledges that it has received and taken cognizance of an original executed copy of the Nalcor LP Documents and is familiar with the provisions thereof.

4.8 Any provision of this Guarantee that is found to be void or unenforceable by a court of competent jurisdiction shall be ineffective without invalidating the remaining provisions of this Guarantee.

4.9 This Guarantee shall be governed by and construed in accordance with the laws of the Province of Newfoundland and Labrador and the Federal laws of Canada applicable therein, but excluding all choice-of-law provisions. The Parties irrevocably consent and submit to the exclusive jurisdiction of the courts of the Province of Newfoundland and Labrador with respect to all matters relating to this Agreement, subject to any right of appeal to the Supreme Court of Canada. Each Party waives any objection that it may now or hereafter have to the determination of venue of any proceeding in such courts relating to this Agreement or that it may now or hereafter have that such courts are an inconvenient forum.

4.10 Nalcor is entering into this Guarantee, and Emera and Emera NL acknowledge that Nalcor is entering into this Guarantee, solely in its own right and not on behalf of or as agent of the NL Crown.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF the Guarantor and the Guarantee Beneficiaries have executed this Guarantee as of the date first above written.

NALCOR ENERGY

By: _____
Name:
Title:

By: _____
Name:
Title:

We have authority to bind the corporation.

EMERA INC.

By: _____
Name:
Title:

By: _____
Name:
Title:

We have authority to bind the company.

ENL ISLAND LINK INCORPORATED

By: _____
Name:
Title:

By: _____
Name:
Title:

We have authority to bind the corporation.

NEWFOUNDLAND AND LABRADOR DEVELOPMENT AGREEMENT

SCHEDULE 7

DISPUTE RESOLUTION PROCEDURE

DISPUTE RESOLUTION PROCEDURE

Article 1– INTERPRETATION

1.1 Definitions

In this Schedule, the definitions set forth in the Articles of Agreement apply and in addition thereto:

"**Appointment Date**" has the meaning set forth in **Section 6.4**;

"**Arbitration Act**" means the *Arbitration Act* (Newfoundland and Labrador);

"**Arbitration Notice**" has the meaning set forth in **Section 5.1(a)**;

"**Arbitration Procedure**" means the provisions of **Section 5**;

"**Arbitrator**" means an arbitrator appointed pursuant to the Arbitration Procedure;

"**Articles of Agreement**" means the main body of the Agreement;

"**Chair**" means the person elected or appointed to chair the Tribunal;

"**Code**" means the Commercial Arbitration Code as set out in the *Commercial Arbitration Act* (Canada) as of the Effective Date, a copy of which is attached hereto as **Appendix A**;

"**Consent to Arbitration**" means, with respect to an Arbitration Notice, a Notice given by the Notified Party to the Notifying Party stating that the Notified Party consents to arbitration of the Dispute referred to in the Arbitration Notice;

"**Delegate**" has the meaning set forth in **Section 6.3(c)**;

"**Dispute Context**" has the meaning set forth in **Section 6.6**;

"**document**" includes a film, photograph, videotape, chart, graph, map, plan, survey, book of account, recording of sound, and information recorded or stored by means of any device;

"**Expert Determination Procedure**" means the provisions of **Section 6**;

"**General Dispute**" means a Dispute that is not a Specified Dispute;

"**Independent Expert**" means the Person appointed as such to conduct an expert determination in accordance with the Expert Determination Procedure;

"**Information**" means all documents and information, including Confidential Information, disclosed by a Party for the purposes of this Dispute Resolution Procedure;

"**Initial Meeting**" has the meaning set forth in **Section 6.8**;

"**Mediation Notice**" has the meaning set forth in **Section 4.1(a)**;

"**Mediation Procedure**" means the provisions of **Section 4**;

"**Mediation Response**" has the meaning set forth in **Section 4.1(d)**;

"**Mediator**" means the mediator appointed pursuant to the Mediation Procedure;

"**Negotiation Procedure**" means the provisions of **Section 3**;

"**Non-Consent to Arbitration**" means, with respect to an Arbitration Notice, a Notice given by the Notified Party to the Notifying Party stating that the Notified Party does not consent to arbitration of the Dispute referred to in the Arbitration Notice;

"**Notified Party**" has the meaning set forth in **Section 5.1(a)**;

"**Notifying Party**" has the meaning set forth in **Section 5.1(a)**;

"**Referral Notice**" has the meaning set forth in **Section 6.1**;

"**Referring Party**" has the meaning set forth in **Section 6.1**;

"**Requesting Party**" has the meaning set forth in **Section 4.1(a)**;

"**Responding Party**" has the meaning set forth in **Section 6.1**;

"**Response**" has the meaning set forth in **Section 6.9(b)**;

"**Review Notice**" has the meaning set forth in **Section 3.1**;

"**Specified Dispute**" means a Dispute required to be finally resolved by expert determination and specified as such in the Articles of Agreement;

"**Submission**" has the meaning set forth in **Section 6.9(a)**;

"**Terms of Reference**" has the meaning set forth in **Section 6.4**; and

"**Tribunal**" means either a single Arbitrator or a panel of Arbitrators, as the case may be, appointed pursuant to the Arbitration Procedure to serve as the arbitrator or arbitrators of a General Dispute.

1.2 Section References

Unless otherwise indicated, all references in this Schedule to a "Section" followed by a number and/or a letter refer to the specified Section of this Schedule.

1.3 Appendix

The following Appendix is attached to and incorporated by reference in this Schedule, and is deemed to be part hereof:

Appendix A - *Commercial Arbitration Code* (Canada)

Article 2– ALTERNATIVE DISPUTE RESOLUTION

2.1 Purpose and Sequence of Dispute Resolution

The purpose of this Schedule is to set forth a framework and procedures to resolve any Disputes that may arise under the Agreement in an amicable manner, in private and confidential proceedings, and where possible, without resort to litigation. The Parties agree to exclusively utilize the following process to achieve this goal, which shall be undertaken in the following order:

(a) first, by referring the Dispute to negotiation pursuant to the Negotiation Procedure; and

(b) in the case of a General Dispute:

(i) second, by way of mediation pursuant to the Mediation Procedure; and

(ii) third, either:

(A) by arbitration pursuant to the Arbitration Procedure where the Parties agree or are deemed to have agreed to arbitration; or

(B) by litigation, where the Parties do not agree and are not deemed to have agreed to arbitration pursuant to the Arbitration Procedure; or

(c) in the case of a Specified Dispute, second by expert determination in accordance with the Expert Determination Procedure.

2.2 Confidentiality

(a) Subject to **Section 2.2(b)**, all Information disclosed by a Party pursuant to the Negotiation Procedure, the Mediation Procedure, the Arbitration Procedure or the Expert Determination Procedure shall be treated as confidential by the Parties and any Mediator, Arbitrator or Independent Expert. Neither the disclosure nor production of Information will represent any waiver of privilege by the disclosing Party. Each Party agrees not to disclose Information provided by the other Party for the purposes hereof to any other Person for any other purpose. Further, such Information shall not be used in any subsequent proceedings without the consent of the Party that disclosed it.

(b) **Section 2.2(a)** does not prevent a Party from disclosing or using Information not received by it exclusively pursuant to the Negotiation Procedure, the Mediation Procedure, the Arbitration Procedure or the Expert Determination Procedure as and to the extent permitted under the Project NDA.

2.3 Interim Measures

Either Party may apply to a court for interim measures to protect its interest during the period that it is attempting to resolve a Dispute prior to the constitution of a Tribunal, including preliminary injunction or other equitable relief concerning that Dispute. The Parties agree that seeking and obtaining any such interim measure will not waive the Parties' obligation to proceed in accordance with **Section 2.1.**

2.4 Parties to Proceedings

(a) For the purposes of this Schedule and any Dispute submitted for resolution hereunder, any of Nalcor Energy and its Affiliates who are Parties and have the same interest in the Dispute will be deemed to be one Party and shall act collectively, and any of Emera Inc. and its Affiliates who are Parties and have the same interest in the Dispute will be deemed to be one Party and shall act collectively. When applicable, in this Schedule references to a "Party" are to either such collective, and references to the "Parties" are to both such collectives.

(b) Notwithstanding **Section 2.4(a)**, (i) any Notice given by Nalcor or an Affiliate of Nalcor in connection with this Dispute Resolution Procedure shall be given to Emera Inc., if it is a Party, and to all Affiliates of Emera Inc. that are Parties, and (ii) any Notice given by Emera or an Affiliate of Emera in connection with this Dispute Resolution Procedure shall be given to Nalcor Energy, if it is a Party, and to all Affiliates of Nalcor Energy that are Parties.

2.5 Mediator or Arbitrator as Witness

The Parties agree that any Mediator or Arbitrator appointed hereunder shall not be compelled as a witness in any proceedings for any purpose whatsoever in relation to the Agreement.

Article 3– NEGOTIATION PROCEDURE

3.1 Negotiation of Dispute

All Disputes shall be first referred in writing to appropriate representatives of the Parties, as designated by each Party, or in the absence of a Party's specific designation, to the CEO of that Party. References to such representatives hereunder may be initiated at any time by either Party by Notice to the other Party requesting a review under this **Section 3** (a "**Review Notice**"). Each Party shall be afforded a reasonable opportunity to present all relevant Information regarding its position to the other Party's representative. The Parties shall consider the Information provided and seek to resolve the Dispute through negotiation. Negotiations shall be concluded within 15

Business Days from the date of delivery of the Review Notice or within such extended period as may be agreed in writing by the Parties.

3.2 Reservation of Rights

Except to the extent that such negotiations result in a settlement, such negotiations and exchange of Information will be without prejudice and inadmissible against a Party's interest in any subsequent proceedings and neither Party will be considered to have waived any privilege it may have. No settlement will be considered to have been reached until it is reduced to writing and signed by the Parties.

3.3 Failure of Negotiations

If the Parties have not resolved the Dispute to the satisfaction of both Parties within 15 Business Days after delivery of the Review Notice, or within such extended period as may be agreed in writing by the Parties, negotiations will be deemed to have failed to resolve the Dispute and either Party may then request that the matter be referred to non-binding mediation pursuant to the Mediation Procedure.

Article 4– MEDIATION PROCEDURE

4.1 Request for Mediation

(a) If the Parties are unable to resolve a Dispute through the Negotiation Procedure, a Party (the "**Requesting Party**"), by Notice to the other Party given within five Business Days after expiry of the period set out in or agreed by the Parties under **Section 3.3**, may request that the Dispute be mediated through non-binding mediation under this **Section 4** by delivering to the other Party a Notice (a "**Mediation Notice**") containing a written summary of relevant Information relative to the matters that remain in Dispute and the names of three individuals who are acceptable to the Requesting Party to act as a sole Mediator.

(b) Any Mediator must be impartial and independent of each of the Parties, be an experienced commercial mediator, and preferably have experience and knowledge concerning the subject matter of the Dispute.

(c) Any mediation commenced under this Mediation Procedure will continue only until the first of the following occurs:

(i) the Party in receipt of a Mediation Notice declines to submit to mediation and gives Notice thereof to the Requesting Party;

(ii) the Party in receipt of a Mediation Notice fails to send a Mediation Response in accordance with **Section 4.1(d)**;

(iii) the Parties are unable to appoint a Mediator within the period allowed by **Section 4.2**;

(iv) either Party gives Notice to the other Party that it terminates the mediation;

(v) the Mediator provides the Parties with a written determination that the mediation is terminated because the Dispute cannot be resolved through mediation;

(vi) **Section 4.3(d)** applies; or

(vii) the Dispute is settled as provided in **Section 4.4.**

(d) If the mediation proceeds, within five Business Days after receiving the Mediation Notice the receiving Party shall send a written response to the Mediation Notice (the "**Mediation Response**") to the Requesting Party including a summary of Information relating to the matters that remain in Dispute and accepting one of the individuals proposed as Mediator in the Mediation Notice, or proposing another individual or individuals, up to a maximum of three, as Mediator.

4.2 Appointment of Mediator

Within 10 Business Days after receipt of the Mediation Response by the Requesting Party, the Parties shall attempt to appoint a Mediator to assist the parties in resolving the Dispute. The appointment shall be in writing and signed by the Parties and the Mediator.

4.3 Mediation Process

(a) The Parties shall participate in good faith and in a timely and responsive manner in the Mediation Procedure. A copy of the Mediation Notice and the Mediation Response shall be delivered to the Mediator within two Business Days after his or her appointment. The Mediator shall, after consultation with the Parties, set the date, time and place for the mediation as soon as possible after being appointed.

(b) The location of the mediation will be St. John's, Newfoundland and Labrador, unless otherwise agreed to by the Parties, and the language of the mediation will be English.

(c) The Parties shall provide such assistance and produce such Information as may be reasonably necessary, and shall meet together with the Mediator, or as otherwise determined by the Mediator, in order to resolve the Dispute.

(d) If the mediation is not completed within 10 Business Days after appointment of the Mediator pursuant to **Section 4.2**, the mediation will be considered to have failed to resolve the Dispute and the Mediation Procedure will be deemed to be terminated, unless the Parties agree in writing to extend the time to resolve the Dispute by mediation.

(e) Each Party shall each bear its own costs and expenses associated with the mediation, but the Parties shall share the common costs of the mediation equally

(or in such other proportions as they may agree), including the costs of or attributable to the Mediator and the facilities used for the mediation.

4.4 Reservation of Rights

Any mediation undertaken hereunder will be non-binding, and except to the extent a settlement is reached, will be considered without prejudice and inadmissible against a Party's interest in any subsequent proceedings and neither Party will be considered to have waived any privilege it may have. No settlement will be considered to have been reached until it is reduced to writing and signed by the Parties.

Article 5– ARBITRATION PROCEDURE

5.1 Submission to Binding Arbitration

(a) If the Parties are unable to resolve a General Dispute through the Negotiation Procedure or the Mediation Procedure, then following termination of the mediation, or, if no Mediation Notice is given, following failure of negotiations as provided in **Section 3.3**:

(i) either Party (the "**Notifying Party**") may submit the General Dispute to binding arbitration under this **Section 5** and give Notice to the other Party (the "**Notified Party**") of such submission (an "**Arbitration Notice**"); or

(ii) if **Section 5.1(e)** does not apply, either Party may elect, by giving notice thereof to the other Party, to proceed with resolution of the General Dispute pursuant to Section **2.1(b)(ii)(B)**.

(b) A Notified Party may consent to arbitration of the Dispute referred to in the Arbitration Notice by giving a Consent to Arbitration within 10 Business Days after the day the Arbitration Notice was given.

(c) If the Notified Party does not give a Consent to Arbitration within 10 Business Days after the day the Arbitration Notice was given, the Notified Party will be deemed to have given a Consent to Arbitration on the last day of such 10 Business Day period.

(d) If the Notified Party delivers a Non-Consent to Arbitration with 10 Business Days after the day the Arbitration Notice was given, **Section 2.1(b)(ii)(B)** will apply.

(e) Notwithstanding **Sections 5.1(b)**, **5.1(c)** and **5.1(d)**, where under the Agreement the Parties are deemed to have agreed pursuant to this **Section 5.1** to resolve the Dispute by arbitration, the Notified Party will be deemed to have given a Consent to Arbitration on the day the Arbitration Notice is given.

(f) When a Notifying Party has given an Arbitration Notice and the Notified Party has given or been deemed pursuant to **Section 5.1(c)** or **5.1(e)** to have given a Consent to Arbitration, the Dispute referred to in the Arbitration Notice shall be resolved by

arbitration pursuant to this **Section 5**. The arbitration will be subject to the Arbitration Act and conducted in accordance with the Code, as supplemented and modified by this **Section 5**.

5.2 **Provisions Relating to the Arbitration Act and the Code**

(a) The Tribunal will not have the power provided for in subsection 10(b) of the Arbitration Act.

(b) Notwithstanding Article 3 of the Code, Notices for the purposes of an arbitration under this **Section 5** shall be given and deemed received in accordance with the provisions of the Agreement relating to Notices.

(c) For the purposes of Article 7 of the Code, this **Section 5** constitutes the "arbitration agreement".

(d) A reference in the Code to "a court or other authority specified in article 6", will be considered to be a reference to the Trial Division of the Supreme Court of Newfoundland and Labrador.

(e) The rules of law applicable to a General Dispute arbitrated under this **Section 5** will be the laws of Newfoundland and Labrador.

(f) Nothing in Article 5 or Article 34 of the Code will be interpreted to restrict any right of a Party pursuant to the Arbitration Act.

(g) For the purposes of Section 3 of the Arbitration Act, once a Consent to Arbitration has been given or deemed to have been given, the submission to arbitration will be deemed to be irrevocable.

(h) For greater certainty, Articles 8 and 9 of the Code shall only apply when the Parties have both agreed or been deemed to have agreed to binding arbitration under the Agreement or this **Section 5**.

(i) Where there is a conflict between this **Section 5** and the Code, this **Section 5** will prevail.

5.3 **Appointment of Tribunal**

(a) Subject to **Section 5.4**, the arbitration will be heard and determined by three Arbitrators. Each Party shall appoint an Arbitrator of its choice within 20 Business Days after delivery or deemed delivery of the Consent to Arbitration. The Party-appointed Arbitrators shall in turn appoint a third Arbitrator, who shall act as Chair of the Tribunal, within 20 Business Days after the appointment of both Party-appointed Arbitrators. If the Party-appointed Arbitrators cannot reach agreement on a third Arbitrator, or if a Party fails or refuses to appoint its Party-appointed Arbitrator within 20 Business Days after delivery or deemed delivery of the Consent

to Arbitration, the appointment of the Chair of the Tribunal and the third Arbitrator will be made in accordance with Article 11 of the Code.

(b) Except for the appointment of an Arbitrator pursuant to the Code, the appointment of an Arbitrator must be in writing and accepted in writing by the Arbitrator.

5.4 Arbitration by Single Arbitrator

The arbitration will be heard and determined by one Arbitrator where the Parties agree to arbitration by a single Arbitrator and jointly appoint the Arbitrator within 15 Business Days after the Consent to Arbitration is given or deemed to have been given. If the Parties do not agree to arbitration by a single Arbitrator and appoint the Arbitrator within such time, the arbitration will be heard by three Arbitrators appointed pursuant to **Section 5.3**.

5.5 Procedure

(a) Unless otherwise agreed by the Parties, the place of the arbitration will be St. John's, Newfoundland and Labrador.

(b) The arbitration shall be conducted in the English language and the Arbitrators must be fluent in the English language.

(c) If the Parties initiate multiple arbitration proceedings under the Agreement and other Formal Agreements, the subject matters of which are related by common questions of law or fact and which could result in conflicting awards or obligations, then all such proceedings may, with the written consent of all Parties in all such proceedings, be consolidated into a single arbitration proceeding.

(d) The Parties may agree as to the manner in which the Tribunal shall promptly hear witnesses and arguments, review documents and otherwise conduct the arbitration. Failing such agreement within 20 Business Days from the date of selection or appointment of the Tribunal, the Tribunal shall promptly and expeditiously conduct the arbitration proceedings in accordance with the Code. The Parties intend that the arbitration hearing should commence as soon as reasonably practicable following the appointment of the Tribunal.

(e) Nothing in this **Section 5** will prevent either Party from applying to a court of competent jurisdiction pending final disposition of the arbitration proceeding for such relief as may be necessary to assist the arbitration process, to ensure that the arbitration is carried out in accordance with the Arbitration Procedure, or to prevent manifestly unfair or unequal treatment of either Party.

(f) In no event will the Tribunal have the jurisdiction to amend or vary the terms of this Schedule or of the Code.

5.6 Awards

(a) The arbitration award shall be given in writing, will be final and binding on the Parties, and will not be subject to any appeal.

(b) Each Party shall bear its own costs in relation to the arbitration, but the Parties shall equally bear the common costs of the Arbitration, including the costs of or attributable to the Tribunal and the facilities used for the arbitration.

(c) No arbitration award issued hereunder will expand or increase the liabilities, obligations or remedies of the Parties beyond those permitted by the Agreement.

(d) Judgment upon the arbitration award may be entered in any court having jurisdiction, or application may be made to such court for a judicial recognition of the arbitration award or an order of enforcement thereof, as the case may be.

(e) The amount of the arbitration award including costs will bear interest at the Prime Rate plus three percent per annum, or such other rate, and from such date, as determined by the Tribunal, until the amount of the arbitration award, costs and interest thereon is paid in full.

(f) Subject to **Section 5.5(e)**, the Parties agree that arbitration conducted pursuant to this Arbitration Procedure will be the final and exclusive forum for the resolution of General Disputes.

5.7 Settlement

If the Parties settle the Dispute before the Tribunal delivers its written award, the arbitration will be terminated and the Tribunal shall record the terms of settlement in the form of a an award made on consent of the Parties.

Article 6– EXPERT DETERMINATION PROCEDURE

6.1 Referral for Expert Determination

Where permitted or required by the Agreement, a Party (the "**Referring Party**") may by Notice to the other Party (the "**Responding Party**") require referral of a Specified Dispute to an Independent Expert for determination pursuant to this **Section 6** (the "**Referral Notice**").

6.2 Qualifications of Independent Expert

Any Independent Expert appointed under this **Section 6** shall be:

(a) independent of each of the Parties;

(b) of national or international standing;

(c) well qualified by education, technical training and experience, and hold the appropriate professional qualifications, to determine the matters in issue in the Specified Dispute; and

(d) impartial and have no interest or obligation in conflict with the task to be performed as an Independent Expert for the Parties. Without limiting the generality of the foregoing, a conflict will be deemed to exist, unless otherwise agreed in writing by the Parties, if the Independent Expert at any time previously performed work in connection with matters covered by any of the Formal Agreements, or during the preceding three years performed any other work for either of the Parties or any of their Affiliates. Any direct or beneficial equity interest the Independent Expert has in one or more of the Parties or their Affiliates, or *vice versa,* shall be declared by each Party and the Independent Expert prior to the Independent Expert being retained.

6.3 Selection of the Independent Expert

(a) Within 10 Business Days after delivery of the Referral Notice, each Party shall deliver to the other Party, in a simultaneous exchange, a list of the names of five Persons (ranked 1 - 5 in order of preference, 5 being that Party's first preference) who are acceptable to the Party to act as the Independent Expert. If one Person only is named in both lists, that Person shall be the Independent Expert to determine the Specified Dispute. If more than one Person is named in both lists, the Person with the highest total numerical ranking, determined by adding the rankings from both lists, shall be the Independent Expert to determine the Specified Dispute. In the event of a tie in the rankings, the Person to be the Independent Expert shall be selected by lot from among those of highest equal rank.

(b) If the Parties fail to select an Independent Expert from the initial lists provided pursuant to **Section 6.3(a)**, the process under **Section 6.3(a)** shall be repeated with a second list of five names from each Party, except that the Parties shall exchange lists within five Business Days after the end of the 10 Business Day period under **Section 6.3(a)**.

(c) If the Parties fail to select an Independent Expert pursuant to **Section 6.3(a)** or **6.3(b)** or otherwise within 15 Business Days after the Referral Notice is given, within a further period of five Business Days after the end of such 15 day period the Parties shall jointly request the President of ADR Chambers in Toronto, Ontario or his or her designate (the "**Delegate**") to appoint the Independent Expert from a list submitted by the Parties with the request. Each Party may nominate up to three proposed Independent Experts for inclusion on the list. The Parties shall not advise the Delegate which Party nominated a particular nominee. Each Party shall be responsible for one-half of the costs of the Delegate.

6.4 Terms of Reference

Once an Independent Expert is selected pursuant to **Section 6.3**, the Parties shall use commercially reasonable efforts to enter into an appropriate engagement agreement with the Independent Expert (the "**Terms of Reference**") as soon as practicable, and in any event within 20 Business Days, after selection of the Independent Expert pursuant to **Section 6.3.** Failure of the Parties and the Independent Expert to agree upon the Terms of Reference will be deemed to be a General Dispute and the Terms of Reference will be resolved by a single Arbitrator pursuant to the Arbitration Procedure. The date of execution of the Terms of Reference by all of the Parties and the Independent Expert is herein called the "**Appointment Date**".

6.5 Information Provided to Independent Expert

For the purpose of the Expert Determination Procedure, the Parties shall provide to the Independent Expert the following within five Business Days after the Appointment Date:

(a) a copy of the Agreement, including the Schedules;

(b) copies of or full access to all documents relevant to the Specified Dispute to be determined by the Independent Expert; and

(c) other data and reports as may be mutually agreed by the Parties.

6.6 Dispute Context

The Independent Expert shall review and analyze, as necessary, the materials provided to it by the Parties pursuant to **Section 6.5**. The Independent Expert shall make its determination pursuant to the Terms of Reference based upon the materials provided by the Parties and in accordance with the Article, Section or Schedule of the Agreement under which the Specified Dispute to be determined arose (the "**Dispute Context**").

6.7 No *ex parte* Communication

No communication between the Independent Expert and either of the Parties shall be permitted from the Appointment Date until after delivery of the Independent Expert's final decision except:

(a) with the approval of both Parties;

(b) as provided by this **Section 6**; or

(c) to address strictly administrative matters.

All communications permitted by this **Section 6.7** between either Party and the Independent Expert shall be conducted in writing, with copies sent simultaneously to the other Party in the same manner.

6.8 Initial Meeting and Joint Presentations by the Parties

Within 10 Business Days after the Appointment Date, the Independent Expert and the Parties shall attend an initial informational meeting (the "**Initial Meeting**") in St. John's, Newfoundland and Labrador, or at such other location as may be mutually agreed by the Parties, at a time, date and location as determined by the Independent Expert, at which the Parties shall provide an overview of the Specified Dispute to be determined, review the Expert Determination Procedure, and establish a timetable and deadlines for the Independent Expert's review, all of which are to be consistent with the Agreement.

6.9 Written Submissions and Responses

(a) Within the time specified at the Initial Meeting, but in any event not later than 20 Business Days after the Initial Meeting, each Party shall provide to the Independent Expert a written submission (a "**Submission**") respecting its interpretation and evaluation of the Specified Dispute.

(b) Within the time specified at the Initial Meeting, but in any event not later than 20 Business Days after receipt of the other Party's Submission, each Party shall have the opportunity to provide comments on the other Party's Submission by written submissions (a "**Response**") provided to the Independent Expert and the other Party.

(c) The Parties shall provide any Information deemed necessary by the Independent Expert to complete the evaluation required pursuant to this **Section 6.**

(d) A Party that fails to submit a Submission or a Response to the Independent Expert within the time allowed by this **Section 6.9** will be deemed to have waived its right to make a Submission or Response, as the case may be.

6.10 Independent Expert Clarifications

(a) Following receipt of the Submissions and Responses, the Independent Expert may, at its discretion, seek any number of clarifications with respect to any aspect of either Party's Submission or Response. Such requests for clarifications shall be made by the Independent Expert in writing and the clarifications by the Parties shall be made in writing as requested by the Independent Expert, provided that the other Party shall be provided with a copy of such requests and clarifications.

(b) The purpose of such clarifications will be to allow the Independent Expert to fully understand the technical and/or financial basis and methodologies used in the preparation of the Submission and Response of each Party, it being understood that each Party's Submission and Response will be the primary basis upon which the Independent Expert shall make its determination.

(c) All requests for clarifications and all questions in relation thereto will be initiated or posed exclusively by the Independent Expert to the Party from whom clarification is

sought as seen fit by the Independent Expert, in its sole discretion, and free of any interruption or interjection by the other Party. Neither Party will have any right to cross-examine the other Party in respect of such Party's Submission or Response or its responses to the Independent Expert pursuant to this **Section 6.10**.

6.11 Method of Evaluation

(a) The Independent Expert's assessment shall include the method of evaluation elements set out in the Dispute Context.

(b) The Independent Expert's assessment, including its economic model, cash flows and analysis, if any, will be made available to the Parties.

6.12 Decision and Presentation of Report

The Independent Expert shall complete its assessment and deliver a written decision of its determination of the Specified Dispute within 40 Business Days after the Independent Expert's receipt of the Responses.

6.13 Costs of Expert Determination

Each Party shall be responsible for one-half of the costs of the Independent Expert. Each Party shall bear its own costs related to the expert determination.

6.14 Effect of Determination

(a) The Independent Expert's determination pursuant to this **Section 6** will be final and binding upon the Parties and not reviewable by a court for any reason whatsoever.

(b) The Independent Expert is not an arbitrator of the Specified Dispute and is deemed not to be acting in an arbitral capacity. The Independent Expert's determination pursuant to this **Section 6** is not an arbitration under the Arbitration Act or any other federal or provincial legislation.

6.15 Settlement

If the Parties settle the Specified Dispute before the Independent Expert delivers its written decision, the expert determination will be terminated and the Independent Expert shall record the settlement in the form of a consent decision of the Parties.

Appendix A
to Dispute Resolution Procedure

COMMERCIAL ARBITRATION CODE

Appendix A

COMMERCIAL ARBITRATION CODE

(Based on the Model Law on International Commercial Arbitration as adopted by the United Nations Commission on International Trade Law on June 21, 1985)

Note: The word "international", which appears in paragraph (1) of article 1 of the Model Law, has been deleted from paragraph (1) of article 1 below. Paragraphs (3) and (4) of article 1, which contain a description of when arbitration is international, are deleted. Paragraph (5) appears as paragraph (3).

Any additions or substitutions to the Model Law are indicated by the use of italics.

Except as otherwise indicated, the material that follows reproduces exactly the Model Law.

CHAPTER I. GENERAL PROVISIONS

ARTICLE 1
SCOPE OF APPLICATION

(1) This *Code* applies to commercial arbitration, subject to any agreement in force between *Canada* and any other State or States.

(2) The provisions of this *Code,* except articles 8, 9, 35 and 36, apply only if the place of arbitration is in *Canada.*

(3) This *Code* shall not affect any other law of *Parliament* by virtue of which certain disputes may not be submitted to arbitration or may be submitted to arbitration only according to provisions other than those of this *Code.*

ARTICLE 2
DEFINITIONS AND RULES OF INTERPRETATION

For the purposes of this *Code:*

(a) "arbitration" means any arbitration whether or not administered by a permanent arbitral institution;

(b) "arbitral tribunal" means a sole arbitrator or a panel of arbitrators;

(c) "court" means a body or organ of the judicial system of a State;

(d) where a provision of this *Code,* except article 28, leaves the parties free to determine a certain issue, such freedom includes the right of the parties to authorize a third party, including an institution, to make that determination;

(e) where a provision of this *Code* refers to the fact that the parties have agreed or that they may agree or in any other way refers to an agreement of the parties, such agreement includes any arbitration rules referred to in that agreement;

(f) where a provision of this *Code,* other than in articles 25(a) and 32(2)(a), refers to a claim, it also applies to a counterclaim, and where it refers to a defence, it also applies to a defence to such counter-claim.

ARTICLE 3
RECEIPT OF WRITTEN COMMUNICATIONS

(1) Unless otherwise agreed by the parties:

(a) any written communication is deemed to have been received if it is delivered to the addressee personally or if it is delivered at his place of business, habitual residence or mailing address; if none of these can be found after making a reasonable inquiry, a written communication is deemed to have been received if it is sent to the addressee's last-known place of business, habitual residence or mailing address by registered letter or any other means which provides a record of the attempt to deliver it;

(b) the communication is deemed to have been received on the day it is so delivered.

(2) The provisions of this article do not apply to communications in court proceedings.

ARTICLE 4
WAIVER OF RIGHT TO OBJECT

A party who knows that any provision of this *Code* from which the parties may derogate or any requirement under the arbitration agreement has not been complied with and yet proceeds with the arbitration without stating his objection to such non-compliance without undue delay or, if a time-limit is provided therefor, within such period of time, shall be deemed to have waived his right to object.

ARTICLE 5
EXTENT OF COURT INTERVENTION

In matters governed by this *Code,* no court shall intervene except where so provided in this *Code.*

ARTICLE 6
COURT OR OTHER AUTHORITY FOR CERTAIN FUNCTIONS OF ARBITRATION ASSISTANCE AND SUPERVISION

The functions referred to in articles 11(3), 11(4), 13(3), 14, 16(3) and 34(2) shall be performed by *the Federal Court or any superior, county or district court.*

CHAPTER II. ARBITRATION AGREEMENT

ARTICLE 7
DEFINITION AND FORM OF ARBITRATION AGREEMENT

(1) "Arbitration agreement" is an agreement by the parties to submit to arbitration all or certain disputes which have arisen or which may arise between them in respect of a defined legal relationship, whether contractual or not. An arbitration agreement may be in the form of an arbitration clause in a contract or in the form of a separate agreement.

(2) The arbitration agreement shall be in writing. An agreement is in writing if it is contained in a document signed by the parties or in an exchange of letters, telex, telegrams or other means of telecommunication which provide a record of the agreement, or in an exchange of statements of claim and defence in which the existence of an agreement is alleged by one party and not denied by another. The reference in a contract to a document containing an arbitration clause constitutes an arbitration agreement provided that the contract is in writing and the reference is such as to make that clause part of the contract.

ARTICLE 8
ARBITRATION AGREEMENT AND SUBSTANTIVE CLAIM BEFORE COURT

(1) A court before which an action is brought in a matter which is the subject of an arbitration agreement shall, if a party so requests not later than when submitting his first statement on the substance of the dispute, refer the parties to arbitration unless it finds that the agreement is null and void, inoperative or incapable of being performed.

(2) Where an action referred to in paragraph (1) of this article has been brought, arbitral proceedings may nevertheless be commenced or continued, and an award may be made, while the issue is pending before the court.

ARTICLE 9
ARBITRATION AGREEMENT AND INTERIM MEASURES BY COURT

It is not incompatible with an arbitration agreement for a party to request, before or during arbitral proceedings, from a court an interim measure of protection and for a court to grant such measure.

CHAPTER III. COMPOSITION OF ARBITRAL TRIBUNAL

ARTICLE 10
NUMBER OF ARBITRATORS

(1) The parties are free to determine the number of arbitrators.

(2) Failing such determination, the number of arbitrators shall be three.

ARTICLE 11
APPOINTMENT OF ARBITRATORS

(1) No person shall be precluded by reason of his nationality from acting as an arbitrator, unless otherwise agreed by the parties.

(2) The parties are free to agree on a procedure of appointing the arbitrator or arbitrators, subject to the provisions of paragraphs (4) and (5) of this article.

(3) Failing such agreement,

(a) in an arbitration with three arbitrators, each party shall appoint one arbitrator, and the two arbitrators thus appointed shall appoint the third arbitrator; if a party fails to appoint the arbitrator within thirty days of receipt of a request to do so from the other party, or if the two arbitrators fail to agree on the third arbitrator within thirty days of their appointment, the appointment shall be made, upon request of a party, by the court or other authority specified in article 6;

(b) in an arbitration with a sole arbitrator, if the parties are unable to agree on the arbitrator, he shall be appointed, upon request of a party, by the court or other authority specified in article 6.

(4) Where, under an appointment procedure agreed upon by the parties,

(c) a party fails to act as required under such procedure, or

(d) the parties, or two arbitrators, are unable to reach an agreement expected of them under such procedure, or

(e) a third party, including an institution, fails to perform any function entrusted to it under such procedure,

any party may request the court or other authority specified in article 6 to take the necessary measure, unless the agreement on the appointment procedure provides other means for securing the appointment.

(5) A decision on a matter entrusted by paragraph (3) or (4) of this article to the court or other authority specified in article 6 shall be subject to no appeal. The court or other authority, in appointing an arbitrator, shall have due regard to any qualifications required of the arbitrator by the agreement of the parties and to such considerations as are likely to secure the appointment of an independent and impartial arbitrator and, in the case of a sole or third arbitrator, shall take into account as well the advisability of appointing an arbitrator of a nationality other than those of the parties.

ARTICLE 12
GROUNDS FOR CHALLENGE

(1) When a person is approached in connection with his possible appointment as an arbitrator, he shall disclose any circumstances likely to give rise to justifiable doubts as to his impartiality or independence. An arbitrator, from the time of his appointment and throughout the arbitral proceedings, shall without delay disclose any such circumstances to the parties unless they have already been informed of them by him.

(2) An arbitrator may be challenged only if circumstances exist that give rise to justifiable doubts as to his impartiality or independence, or if he does not possess qualifications agreed to by the parties. A party may challenge an arbitrator appointed by him, or in whose appointment he has participated, only for reasons of which he becomes aware after the appointment has been made.

ARTICLE 13
CHALLENGE PROCEDURE

(1) The parties are free to agree on a procedure for challenging an arbitrator, subject to the provisions of paragraph (3) of this article.

(2) Failing such agreement, a party who intends to challenge an arbitrator shall, within fifteen days after becoming aware of the constitution of the arbitral tribunal or after becoming aware of any circumstances referred to in article 12(2), send a written statement of the reasons for the challenge to the arbitral tribunal. Unless the challenged arbitrator withdraws from his office or the other party agrees to the challenge, the arbitral tribunal shall decide on the challenge.

(3) If a challenge under any procedure agreed upon by the parties or under the procedure of paragraph (2) of this article is not successful, the challenging party may request, within thirty days after having received notice of the decision rejecting the challenge, the court or other authority specified in article 6 to decide on the challenge, which decision shall be subject to no appeal; while such a request is pending, the arbitral tribunal, including the challenged arbitrator, may continue the arbitral proceedings and make an award.

ARTICLE 14
FAILURE OR IMPOSSIBILITY TO ACT

(1) If an arbitrator becomes *de jure* or *de facto* unable to perform his functions or for other reasons fails to act without undue delay, his mandate terminates if he withdraws from his office or if the parties agree on the termination. Otherwise, if a controversy remains concerning any of these grounds, any party may request the court or other authority specified in article 6 to decide on the termination of the mandate, which decision shall be subject to no appeal.

(2) If, under this article or article 13(2), an arbitrator withdraws from his office or a party agrees to the termination of the mandate of an arbitrator, this does not imply acceptance of the validity of any ground referred to in this article or article 12 (2).

ARTICLE 15
APPOINTMENT OF SUBSTITUTE ARBITRATOR

Where the mandate of an arbitrator terminates under article 13 or 14 or because of his withdrawal from office for any other reason or because of the revocation of his mandate by agreement of the parties or in any other case of termination of his mandate, a substitute arbitrator shall be appointed according to the rules that were applicable to the appointment of the arbitrator being replaced.

CHAPTER IV. JURISDICTION OF ARBITRAL TRIBUNAL

ARTICLE 16
COMPETENCE OF ARBITRAL TRIBUNAL TO RULE ON ITS JURISDICTION

(1) The arbitral tribunal may rule on its own jurisdiction, including any objections with respect to the existence or validity of the arbitration agreement. For that purpose, an arbitration clause which forms part of a contract shall be treated as an agreement independent of the other terms of the contract. A decision by the arbitral tribunal that the contract is null and void shall not entail *ipso jure* the invalidity of the arbitration clause.

(2) A plea that the arbitral tribunal does not have jurisdiction shall be raised not later than the submission of the statement of defence. A party is not precluded from raising such a plea by the fact that he has appointed, or participated in the appointment of, an arbitrator. A plea that the arbitral tribunal is exceeding the scope of its authority shall be raised as soon as the matter alleged to be beyond the scope of its authority is raised during the arbitral proceedings. The arbitral tribunal may, in either case, admit a later plea if it considers the delay justified.

(3) The arbitral tribunal may rule on a plea referred to in paragraph (2) of this article either as a preliminary question or in an award on the merits. If the arbitral tribunal rules as a preliminary question that it has jurisdiction, any party may request, within thirty days after having received notice of that ruling, the court specified in article 6 to decide the matter, which decision shall be subject to no appeal; while such a request is pending, the arbitral tribunal may continue the arbitral proceedings and make an award.

ARTICLE 17
POWER OF ARBITRAL TRIBUNAL TO ORDER INTERIM MEASURES

Unless otherwise agreed by the parties, the arbitral tribunal may, at the request of a party, order any party to take such interim measure of protection as the arbitral tribunal may consider necessary in respect of the subject-matter of the dispute. The arbitral tribunal may require any party to provide appropriate security in connection with such measure.

CHAPTER V. CONDUCT OF ARBITRAL PROCEEDINGS

ARTICLE 18
EQUAL TREATMENT OF PARTIES

The parties shall be treated with equality and each party shall be given a full opportunity of presenting his case.

ARTICLE 19
DETERMINATION OF RULES OF PROCEDURE

(1) Subject to the provisions of this *Code*, the parties are free to agree on the procedure to be followed by the arbitral tribunal in conducting the proceedings.

(2) Failing such agreement, the arbitral tribunal may, subject to the provisions of this *Code*, conduct the arbitration in such manner as it considers appropriate. The power conferred upon the arbitral tribunal includes the power to determine the admissibility, relevance, materiality and weight of any evidence.

ARTICLE 20
PLACE OF ARBITRATION

(1) The parties are free to agree on the place of arbitration. Failing such agreement, the place of arbitration shall be determined by the arbitral tribunal having regard to the circumstances of the case, including the convenience of the parties.

(2) Notwithstanding the provisions of paragraph (1) of this article, the arbitral tribunal may, unless otherwise agreed by the parties, meet at any place it considers appropriate for consultation among its members, for hearing witnesses, experts or the parties, or for inspection of goods, other property or documents.

ARTICLE 21
COMMENCEMENT OF ARBITRAL PROCEEDINGS

Unless otherwise agreed by the parties, the arbitral proceedings in respect of a particular dispute commence on the date on which a request for that dispute to be referred to arbitration is received by the respondent.

ARTICLE 22
LANGUAGE

(1) The parties are free to agree on the language or languages to be used in the arbitral proceedings. Failing such agreement, the arbitral tribunal shall determine the language or languages to be used in the proceedings. This agreement or determination, unless otherwise specified therein, shall apply to any written statement by a party, any hearing and any award, decision or other communication by the arbitral tribunal.

(2) The arbitral tribunal may order that any documentary evidence shall be accompanied by a translation into the language or languages agreed upon by the parties or determined by the arbitral tribunal.

ARTICLE 23
STATEMENTS OF CLAIM AND DEFENCE

(1) Within the period of time agreed by the parties or determined by the arbitral tribunal, the claimant shall state the facts supporting his claim, the points at issue and the relief or remedy sought, and the respondent shall state his defence in respect of these particulars, unless the parties have otherwise agreed as to the required elements of such statements. The parties may submit with their statements all documents they consider to be relevant or may add a reference to the documents or other evidence they will submit.

(2) Unless otherwise agreed by the parties, either party may amend or supplement his claim or defence during the course of the arbitral proceedings, unless the arbitral tribunal considers it inappropriate to allow such amendment having regard to the delay in making it.

ARTICLE 24
HEARINGS AND WRITTEN PROCEEDINGS

(1) Subject to any contrary agreement by the parties, the arbitral tribunal shall decide whether to hold oral hearings for the presentation of evidence or for oral argument, or whether the proceedings shall be conducted on the basis of documents and other materials. However, unless the parties have agreed that no hearings shall be held, the arbitral tribunal shall hold such hearings at an appropriate stage of the proceedings, if so requested by a party.

(2) The parties shall be given sufficient advance notice of any hearing and of any meeting of the arbitral tribunal for the purposes of inspection of goods, other property or documents.

(3) All statements, documents or other information supplied to the arbitral tribunal by one party shall be communicated to the other party. Also any expert report or evidentiary document on which the arbitral tribunal may rely in making its decision shall be communicated to the parties.

ARTICLE 25
DEFAULT OF A PARTY

Unless otherwise agreed by the parties, if, without showing sufficient cause,

(a) the claimant fails to communicate his statement of claim in accordance with article 23(1), the arbitral tribunal shall terminate the proceedings;

(b) the respondent fails to communicate his statement of defence in accordance with article 23(1), the arbitral tribunal shall continue the proceedings without treating such failure in itself as an admission of the claimant's allegations;

(c) any party fails to appear at a hearing or to produce documentary evidence, the arbitral tribunal may continue the proceedings and make the award on the evidence before it.

ARTICLE 26
EXPERT APPOINTED BY ARBITRAL TRIBUNAL

(1) Unless otherwise agreed by the parties, the arbitral tribunal

(a) may appoint one or more experts to report to it on specific issues to be determined by the arbitral tribunal;

(b) may require a party to give the expert any relevant information or to produce, or to provide access to, any relevant documents, goods or other property for his inspection.

(2) Unless otherwise agreed by the parties, if a party so requests or if the arbitral tribunal considers it necessary, the expert shall, after delivery of his written or oral report, participate in a hearing where the parties have the opportunity to put questions to him and to present expert witnesses in order to testify on the points at issue.

ARTICLE 27
COURT ASSISTANCE IN TAKING EVIDENCE

The arbitral tribunal or a party with the approval of the arbitral tribunal may request from a competent court of *Canada* assistance in taking evidence. The court may execute the request within its competence and according to its rules on taking evidence.

CHAPTER VI. MAKING OF AWARD AND TERMINATION OF PROCEEDINGS

ARTICLE 28
RULES APPLICABLE TO SUBSTANCE OF DISPUTE

(1) The arbitral tribunal shall decide the dispute in accordance with such rules of law as are chosen by the parties as applicable to the substance of the dispute. Any designation of the law or legal system of a given State shall be construed, unless otherwise expressed, as directly referring to the substantive law of that State and not to its conflict of laws rules.

(2) Failing any designation by the parties, the arbitral tribunal shall apply the law determined by the conflict of laws rules which it considers applicable.

(3) The arbitral tribunal shall decide *ex aequo et bono* or as *amiable compositeur* only if the parties have expressly authorized it to do so.

(4) In all cases, the arbitral tribunal shall decide in accordance with the terms of the contract and shall take into account the usages of the trade applicable to the transaction.

ARTICLE 29
DECISION-MAKING BY PANEL OF ARBITRATORS

In arbitral proceedings with more than one arbitrator, any decision of the arbitral tribunal shall be made, unless otherwise agreed by the parties, by a majority of all its members. However, questions of procedure may be decided by a presiding arbitrator, if so authorized by the parties or all members of the arbitral tribunal.

ARTICLE 30
SETTLEMENT

(1) If, during arbitral proceedings, the parties settle the dispute, the arbitral tribunal shall terminate the proceedings and, if requested by the parties and not objected to by the arbitral tribunal, record the settlement in the form of an arbitral award on agreed terms.

(2) An award on agreed terms shall be made in accordance with the provisions of article 31 and shall state that it is an award. Such an award has the same status and effect as any other award on the merits of the case.

ARTICLE 31
FORM AND CONTENTS OF AWARD

(1) The award shall be made in writing and shall be signed by the arbitrator or arbitrators. In arbitral proceedings with more than one arbitrator, the signature of the majority of all members of the arbitral tribunal shall suffice, provided that the reason for any omitted signature is stated.

(2) The award shall state the reasons upon which it is based, unless the parties have agreed that no reasons are to be given or the award is an award on agreed terms under article 30.

(3) The award shall state its date and the place of arbitration as determined in accordance with article 20(1). The award shall be deemed to have been made at that place.

(4) After the award is made, a copy signed by the arbitrators in accordance with paragraph (1) of this article shall be delivered to each party.

ARTICLE 32
TERMINATION OF PROCEEDINGS

(1) The arbitral proceedings are terminated by the final award or by an order of the arbitral tribunal in accordance with paragraph (2) of this article.

(2) The arbitral tribunal shall issue an order for the termination of the arbitral proceedings when:

(a) the claimant withdraws his claim, unless the respondent objects thereto and the arbitral tribunal recognizes a legitimate interest on his part in obtaining a final settlement of the dispute;

(b) the parties agree on the termination of the proceedings;

(c) the arbitral tribunal finds that the continuation of the proceedings has for any other reason become unnecessary or impossible.

(3) The mandate of the arbitral tribunal terminates with the termination of the arbitral proceedings, subject to the provisions of articles 33 and 34(4).

ARTICLE 33
CORRECTION AND INTERPRETATION OF AWARD; ADDITIONAL AWARD

(1) Within thirty days of receipt of the award, unless another period of time has been agreed upon by the parties:

(a) a party, with notice to the other party, may request the arbitral tribunal to correct in the award any errors in computation, any clerical or typographical errors or any errors of similar nature;

(b) if so agreed by the parties, a party, with notice to the other party, may request the arbitral tribunal to give an interpretation of a specific point or part of the award.

If the arbitral tribunal considers the request to be justified, it shall make the correction or give the interpretation within thirty days of receipt of the request. The interpretation shall form part of the award.

(2) The arbitral tribunal may correct any error of the type referred to in paragraph (1)(a) of this article on its own initiative within thirty days of the date of the award.

(3) Unless otherwise agreed by the parties, a party, with notice to the other party, may request, within thirty days of receipt of the award, the arbitral tribunal to make an additional award as to claims presented in the arbitral proceedings but omitted from the award. If the arbitral tribunal considers the request to be justified, it shall make the additional award within sixty days.

(4) The arbitral tribunal may extend, if necessary, the period of time within which it shall make a correction, interpretation or an additional award under paragraph (1) or (3) of this article.

(5) The provisions of article 31 shall apply to a correction or interpretation of the award or to an additional award.

CHAPTER VII. RECOURSE AGAINST AWARD

ARTICLE 34
APPLICATION FOR SETTING ASIDE AS EXCLUSIVE RECOURSE AGAINST ARBITRAL AWARD

(1) Recourse to a court against an arbitral award may be made only by an application for setting aside in accordance with paragraphs (2) and (3) of this article.

(2) An arbitral award may be set aside by the court specified in article 6 only if:

(a) the party making the application furnishes proof that:

(i) a party to the arbitration agreement referred to in article 7 was under some incapacity; or the said agreement is not valid under the law to which the parties have subjected it or, failing any indication thereon, under the law of *Canada;* or

(ii) the party making the application was not given proper notice of the appointment of an arbitrator or of the arbitral proceedings or was otherwise unable to present his case; or

(iii) the award deals with a dispute not contemplated by or not falling within the terms of the submission to arbitration, or contains decisions on matters beyond the scope of the submission to arbitration, provided that, if the decisions on matters submitted to arbitration can be separated from those not so submitted, only that part of the award which contains decisions on matters not submitted to arbitration may be set aside; or

(iv) the composition of the arbitral tribunal or the arbitral procedure was not in accordance with the agreement of the parties, unless such agreement was in conflict with a provision of this *Code* from which the parties cannot derogate, or, failing such agreement, was not in accordance with this *Code;* or

(b) the court finds that:

(i) the subject-matter of the dispute is not capable of settlement by arbitration under the law of *Canada;* or

(ii) the award is in conflict with the public policy of *Canada.*

(3) An application for setting aside may not be made after three months have elapsed from the date on which the party making that application had received the award or, if a request had been made under article 33, from the date on which that request had been disposed of by the arbitral tribunal.

(4) The court, when asked to set aside an award, may, where appropriate and so requested by a party, suspend the setting aside proceedings for a period of time determined by it in order to give the arbitral tribunal an opportunity to resume the arbitral proceedings or to take such other action as in the arbitral tribunal's opinion will eliminate the grounds for setting aside.

CHAPTER VIII. RECOGNITION AND ENFORCEMENT OF AWARDS

ARTICLE 35
RECOGNITION AND ENFORCEMENT

(1) An arbitral award, irrespective of the country in which it was made, shall be recognized as binding and, upon application in writing to the competent court, shall be enforced subject to the provisions of this article and of article 36.

(2) The party relying on an award or applying for its enforcement shall supply the duly authenticated original award or a duly certified copy thereof, and the original arbitration agreement referred to in article 7 or a duly certified copy thereof. If the award or agreement is not made in an official language of *Canada*, the party shall supply a duly certified translation thereof into such language.

ARTICLE 36
GROUNDS FOR REFUSING RECOGNITION OR ENFORCEMENT

(1) Recognition or enforcement of an arbitral award, irrespective of the country in which it was made, may be refused only:

(a) at the request of the party against whom it is invoked, if that party furnishes to the competent court where recognition or enforcement is sought proof that:

(i) a party to the arbitration agreement referred to in article 7 was under some incapacity; or the said agreement is not valid under the law to which the parties have subjected it or, failing any indication thereon, under the law of the country where the award was made; or

(ii) the party against whom the award is invoked was not given proper notice of the appointment of an arbitrator or of the arbitral proceedings or was otherwise unable to present his case; or

(iii) the award deals with a dispute not contemplated by or not falling within the terms of the submission to arbitration, or it contains decisions on matters beyond the scope of the submission to arbitration, provided that, if the decisions on matters submitted to arbitration can be separated from those not so submitted, that part of the award which contains decisions on matters submitted to arbitration may be recognized and enforced; or

(iv) the composition of the arbitral tribunal or the arbitral procedure was not in accordance with the agreement of the parties or, failing such agreement, was not in accordance with the law of the country where the arbitration took place; or

(v) the award has not yet become binding on the parties or has been set aside or suspended by a court of the country in which, or under the law of which, that award was made; or

(b) if the court finds that:

(i) the subject-matter of the dispute is not capable of settlement by arbitration under the law of *Canada;* or

(ii) the recognition or enforcement of the award would be contrary to the public policy of *Canada.*

(2) If an application for setting aside or suspension of an award has been made to a court referred to in paragraph (1)(a) (v) of this article, the court where recognition or enforcement is sought may, if it considers it proper, adjourn its decision and may also, on the application of the party claiming recognition or enforcement of the award, order the other party to provide appropriate security.

NEWFOUNDLAND AND LABRADOR DEVELOPMENT AGREEMENT (NLDA)

SCHEDULE 8

FORM OF ASSIGNMENT AGREEMENT

ASSIGNMENT OF [NAME OF] AGREEMENT

[NTD: Form to be amended as required if only a portion of the Assignor's interest in the Assigned Agreement is being transferred to the Assignee, including appropriate amendments to Sections 2.1, 2.2 and 2.3.]

THIS ASSIGNMENT AGREEMENT is made effective the ● day of ●, 20__ (**"Effective Date"**)

AMONG:

NALCOR ENERGY, a body corporate existing pursuant to the *Energy Corporation Act* being chapter E-11.01 of the *Statutes of Newfoundland and Labrador, 2007*, solely in its own right and not as agent of the NL Crown (**"Nalcor"**)

- or -

EMERA INC., a company incorporated under the laws of the Province of Nova Scotia (**"Emera"**)

- and -

AFFILIATE of NALCOR or EMERA, a *[type of entity and jurisdiction or statute of incorporation or formation]* (**"Assignee"**)

- and -

EMERA INC., a company incorporated under the laws of the Province of Nova Scotia (**"Emera"**)

- or -

NALCOR ENERGY, a body corporate existing pursuant to the *Energy Corporation Act* being chapter E-11.01 of the *Statutes of Newfoundland and Labrador, 2007*, solely in its own right and not as agent of the NL Crown (**"Nalcor"**)

[NTD: Need to add Affiliate of Nalcor or Emera, as applicable, as party in event of prior assignments.]

WHEREAS:

A. Nalcor Energy and Emera Inc. have entered into a Term Sheet dated November 18, 2010 (the **"Term Sheet"**) confirming their common understanding of the purpose, process and timing for the supply and delivery of power and energy from the Province of Newfoundland and Labrador to the Province of Nova Scotia, other Canadian provinces and New England;

B. Nalcor and Emera entered into a _____ Agreement on , 2012 (the "**Assigned Agreement**") **[NTD: Need to add any required references to other assigned rights]**;

NOW THEREFORE this Agreement witnesses that in consideration of the mutual covenants and agreements hereinafter contained the Parties, intending to be legally bound, agree as follows:

ARTICLE 1
INTERPRETATION

1.1 Definitions

In this Agreement, including the recitals:

"**Affiliate**" means, with respect to any Person, any other Person who directly or indirectly Controls, is Controlled by, or is under common Control with, such Person, provided however that the NL Crown shall be deemed not to be an affiliate of Nalcor;

"**Agreement**" means this agreement, as it may be modified, amended, supplemented or restated by written agreement between the Parties;

"**Applicable Law**" means, in relation to any Person, property, transaction or event, all applicable laws, statutes, rules, codes, regulations, treaties, official directives, policies and orders of and the terms of all judgments, orders and decrees issued by any Authorized Authority by which such Person is bound or having application to the property, transaction or event in question;

"**Assigned Agreement**" has the meaning set forth in the recitals;

"**Assignee**" means _____, an Affiliate of the Assignor;

"**Assignor**" means [Nalcor/Emera or an Affiliate of Nalcor/Emera, as applicable];

"**Authorized Authority**" means, in relation to any Person, property, transaction or event, any (a) federal, provincial, state, territorial, municipal or local governmental body (whether administrative, legislative, executive or otherwise), (b) agency, authority, commission, instrumentality, regulatory body, court or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government, (c) court, arbitrator, commission or body exercising judicial, quasi-judicial, administrative or similar functions, (d) private regulatory entity, self-regulatory organization or other similar Person, or (e) other body or entity created under the authority of or otherwise subject to the jurisdiction of any of the foregoing, including any stock or other securities exchange, in each case having jurisdiction over such Person, property, transaction or event;

"**Business Day**" means any day that is not a Saturday, Sunday or legal holiday recognized in the City of St. John's, NL, or in Halifax Regional Municipality, NS;

"**Consenting Party**" means [Nalcor/Emera or, if applicable as a result of prior assignments, specified Affiliates];

"**Control**" of a Person means the possession, direct or indirect, of the power to elect or appoint a majority of such Person's board of directors or similar governing body, or to direct or cause the direction of the management, business and/or policies of such Person, whether through ownership of Voting Shares, by contract or otherwise, and, without limiting the generality of the foregoing, a Person shall be deemed to "**Control**" any partnership of which, at the time, the Person is a general partner, in the case of a limited partnership, or is a partner who, under the partnership agreement, has authority to bind the partnership, in all other cases (and the terms "**Controlled by**" and "**under common Control with**" have correlative meanings);

"**Dispute Resolution Procedure**" has the meaning set forth in **Section 4.1(a)**;

"**Effective Date**" has the meaning set forth in the commencement of this Agreement;

"**Emera**" has the meaning set forth in the preamble to this Agreement and includes Emera's successors and permitted assigns;

"**Excise Tax Act**" means the *Excise Tax Act* (Canada);

"**HST**" means all amounts exigible pursuant to Part IX of the Excise Tax Act, including, for greater certainty, the Taxes commonly referred to as the goods and services tax (GST) and the harmonized sales tax (HST);

"**Income Tax Act**" means the *Income Tax Act* (Canada);

"**Insolvency Event**" means, in relation to any Party, the occurrence of one or more of the following:

(a) an order is made, or an effective resolution passed, for the winding-up, liquidation or dissolution of such Party;

(b) such Party voluntarily institutes proceedings for its winding up, liquidation or dissolution, or to authorize or enter into an arrangement under the *Corporations Act* (Newfoundland and Labrador) or similar legislation in any other jurisdiction affecting any of its creditors, or takes action to become bankrupt, or consents to the filing of a bankruptcy application against it, or files an assignment, a proposal, a notice of intention to make a proposal, an application, or answer or consent seeking reorganization, readjustment, arrangement, composition, protection from creditors, or similar relief under any bankruptcy or insolvency law or any other similar Applicable Law, including the *Bankruptcy and Insolvency Act* (Canada) and the *Companies' Creditors Arrangement Act* (Canada), or consents to the filing of any such application for a bankruptcy order, or consents to the appointment of an interim receiver, receiver, monitor, liquidator, restructuring officer or trustee in bankruptcy of all or substantially all of the property of such Party or makes an assignment for the benefit of creditors, or admits in writing its inability to pay its debts generally as they come due or commits any other act of bankruptcy or

insolvency, or suspends or threatens to suspend transaction of its usual business, or any action is taken by such Party in furtherance of any of the foregoing;

(c) a court having jurisdiction enters a judgment or order adjudging such Party a bankrupt or an insolvent person, or approving as properly filed an application or motion seeking an arrangement under the *Corporations Act* (Newfoundland and Labrador) or similar legislation in any other jurisdiction affecting any of its creditors or seeking reorganization, readjustment, arrangement, composition, protection from creditors, or similar relief under any bankruptcy or insolvency law or any other similar Applicable Law, or an order of a court having jurisdiction for the appointment of an interim receiver, receiver, monitor, liquidator, restructuring officer or trustee in bankruptcy of all or substantially all of the undertaking or property of such Party, or for the winding up, liquidation or dissolution of its affairs, is entered and such order is not contested and the effect thereof stayed, or any material part of the property of such Party is sequestered or attached and is not returned to the possession of such Party or released from such attachment within 30 days thereafter;

(d) any proceeding or application is commenced respecting such Party without its consent or acquiescence pursuant to any Applicable Law relating to bankruptcy, insolvency, reorganization of debts, winding up, liquidation or dissolution, and such proceeding or application (i) results in a bankruptcy order or the entry of an order for relief and a period of 30 days has elapsed since the issuance of such order without such order having been reversed or set aside or (ii) is not dismissed, discharged, stayed or restrained in each case within 30 days of the commencement of such proceeding or application; or

(e) such Party has ceased paying its current obligations in the ordinary course of business as they generally become due;

"**Knowledge**" means in the case of a Party, as applicable, the actual knowledge of any of the executive officers of such Party and other facts or matters that such executive officers could reasonably be expected to discover or otherwise become aware of in the course of performing their ordinary responsibilities as executive officers of such Party;

"**Legal Proceedings**" means any actions, suits, investigations, proceedings, judgments, rulings or orders by or before any Authorized Authority;

"**NL Crown**" means Her Majesty the Queen in Right of the Province of Newfoundland and Labrador;

"**Nalcor**" has the meaning set forth in the preamble to this Agreement and includes Nalcor's successors and permitted assigns;

"**Notice**" means a communication required or contemplated to be given by either Party to the other under this Agreement, which communication shall be given in accordance with **Section 5.1**;

"**Parties**" means the parties to this Agreement, and "**Party**" means one of them;

"**Person**" includes an individual, a partnership, a corporation, a company, a trust, a joint venture, an unincorporated organization, a union, a government or any department or agency thereof and the heirs, executors, administrators or other legal representatives of an individual;

"**Regular Business Hours**" means 8:30 a.m. through 4:30 p.m. local time on Business Days in St. John's, NL, when referring to the Regular Business Hours of Nalcor, and 9:00 a.m. through 5:00 p.m. local time on Business Days in Halifax Regional Municipality, NS, when referring to the Regular Business Hours of Emera;

"**Regulatory Approval**" means any approval required by any Authorized Authority, including any regulatory, environmental, development, zoning, building, subdivision or occupancy permit, licence, approval or other authorization;

"**Tax**" or "**Taxes**" means any tax, fee, levy, rental, duty, charge, royalty or similar charge including, for greater certainty, any federal, state, provincial, municipal, local, aboriginal, foreign or any other assessment, governmental charge, imposition or tariff (other than a tariff or fees in respect of electricity transmission services) wherever imposed, assessed or collected, and whether based on or measured by gross receipts, income, profits, sales, use and occupation or otherwise, and including any income tax, capital gains tax, payroll tax, fuel tax, capital tax, goods and services tax, harmonized sales tax, value added tax, sales tax, withholding tax, property tax, business tax, ad valorem tax, transfer tax, franchise tax or excise tax, together with all interest, penalties, fines or additions imposed, assessed or collected with respect to any such amounts;

"**Term Sheet**" has the meaning set forth in the preamble to this Agreement;

"**third party**" means any Person that does not Control, is not Controlled by and is not under common Control with the applicable Party; and

"**Voting Shares**" means shares issued by a corporation in its capital stock, or equivalent interests in any other Person, the holders of which are ordinarily, in the absence of contingencies, entitled to vote for the election of directors (or Persons performing similar functions) of such Person, even if such right to vote has been suspended by the happening of such contingency.

1.2 Construction of Agreement

(a) Interpretation Not Affected by Headings, etc. - The division of this Agreement into articles, sections and other subdivisions, the provision of a table of contents and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement. Unless otherwise indicated, all references to an "**Article**" or "**Section**" followed by a number and/or a letter refer to the specified article or section of this Agreement. The terms "**this Agreement**", "**hereof**", "**herein**", "**hereby**", "**hereunder**" and similar expressions refer to this Agreement and not to any particular Article or Section hereof. All references to a

given agreement, instrument or other document shall be a reference to that agreement, instrument or other document as modified, amended, supplemented and restated through the date as of which such reference is made.

(b) Singular/Plural; Derivatives - Whenever the singular or masculine or neuter is used in this Agreement, it shall be interpreted as meaning the plural or feminine or body politic or corporate, and vice versa, as the context requires. Where a term is defined herein, a capitalized derivative of such term has a corresponding meaning unless the context otherwise requires.

(c) "Including" - The word "including", when used in this Agreement, means "including without limitation".

(d) Trade Meanings - Terms and expressions that are not specifically defined in this Agreement, but which have generally accepted meanings in the custom, usage and literature of the electricity industry in Canada as of the date of this Agreement, shall have such generally accepted meanings when used in this Agreement, unless otherwise specified elsewhere in this Agreement.

(e) Statutory References - Any reference in this Agreement to a statute shall include, and shall be deemed to be, a reference to such statute and to the regulations made pursuant thereto, and all amendments made thereto (including changes to section numbers referenced herein) and in force from time to time, and to any statute or regulation that may be passed that has the effect of supplementing or replacing the statute so referred to or the regulations made pursuant thereto, and any reference to an order, ruling or decision shall be deemed to be a reference to such order, ruling or decision as the same may be varied, amended, modified, supplemented or replaced from time to time.

(f) Calculation of Time - Where, in this Agreement, a period of time is specified or calculated from or after a date or event, such period is to be calculated excluding such date or the date on which such event occurs, as the case may be, and including the date on which the period ends.

(g) Time Falling on Non-Business Day - Whenever the time for doing something under this Agreement falls on a day that is not a Business Day such action is to be taken on the first following Business Day.

(h) No Drafting Presumption - The Parties acknowledge that their respective legal advisors have reviewed and participated in settling the terms of this Agreement and agree that any rule of construction to the effect that any ambiguity is to be resolved against the drafting Party shall not apply to the interpretation of this Agreement.

1.3 Applicable Law and Submission to Jurisdiction

This Agreement shall be governed by and construed in accordance with the laws of the Province of Newfoundland and Labrador and the Federal laws of Canada applicable therein, but excluding all choice-of-law provisions. Subject to **Article 4**, the Parties irrevocably consent and

submit to the exclusive jurisdiction of the courts of the Province of Newfoundland and Labrador with respect to all matters relating to this Agreement, subject to any right of appeal to the Supreme Court of Canada. Each Party waives any objection that it may now or hereafter have to the determination of venue of any proceeding in such courts relating to this Agreement or that it may now or hereafter have that such courts are an inconvenient forum.

ARTICLE 2
ASSIGNMENT

2.1 Assignment to Affiliate

As of the Effective Date, the Assignor hereby assigns, transfers and sets over to the Assignee, its successors and permitted assigns, all of the Assignor's right, title and interest in the Assigned Agreement and all the benefits and advantages derived therefrom for the remainder of the term of the Assigned Agreement and any renewals or extensions thereof.

2.2 Assumption of Liabilities

The Assignee hereby accepts the within assignment of the Assigned Agreement as of the Effective Date and covenants and agrees with the Assignor and the Consenting Party to assume the covenants and obligations of the Assignor under the Assigned Agreement. The Assignee hereby agrees to assume all liabilities for, and in due and proper manner, to pay, satisfy, discharge, perform and fulfill all covenants, obligations and liabilities of the Assignor under the Assigned Agreement arising on and in respect of matters occurring after the Effective Date.

2.3 Limitations on Assignment / Assumption

The Assignor reserves to itself and does not assign to the Assignee, and the Assignee does not assume from the Assignor the following rights and/or obligations:

(a) ....

(b) ....

2.4 Confirmation of Status of Assigned Agreement

The Assignor hereby confirms to the Assignee that neither it nor, to its Knowledge, the Consenting Party is in default of any of its obligations under the Assigned Agreement. The Consenting Party hereby confirms to the Assignee that neither it nor, to its Knowledge, the Assignor is in default of any of its obligations under the Assigned Agreement.

2.5 Assignor to Remain Liable

Notwithstanding the foregoing, [Nalcor/Emera] expressly acknowledges and agrees that it shall remain liable to the Consenting Party as a primary obligor under the Assigned Agreement to observe and perform all of the conditions and obligations in the Assigned Agreement which the Assignor, and as of the Effective Date the Assignee, are bound to observe and perform.

2.6 [Nalcor/Emera] Defaults

The Assignee shall be in default of the Assigned Agreement if at any time:

(a) [Nalcor/Emera] ceases to carry on all or substantially all of its business or, except as permitted under the Assigned Agreement, transfers all or substantially all of its undertaking and assets; or

(b) an Insolvency Event occurs with respect to [Nalcor/Emera].

2.7 Acknowledgement of Consenting Party

The Consenting Party acknowledges, consents to and accepts the within assignment and assumption of the Assigned Agreement, subject to the terms and conditions herein and confirms to the Assignor and the Assignee that this consent constitutes any prior written consent stipulated in the Assigned Agreement.

2.8 Supplies and Payments Exclusive of Taxes

(a) Payment of Taxes - Each Party is separately responsible for, and shall in a timely manner discharge, its separate obligations in respect of the payment, withholding and remittance of all Taxes in accordance with Applicable Law.

(b) HST - Notwithstanding **Section 2.8(a)**, each of the Parties acknowledges and agrees that:

(i) all amounts of consideration, or payments and other amounts due and payable to or recoverable by or from another Party, under this Agreement are exclusive of any Taxes that may be exigible in respect of such payments or other amounts (including, for greater certainty, any applicable HST), and if any such Taxes shall be applicable, such Taxes shall be in addition to all such amounts and shall be paid, collected and remitted in accordance with Applicable Law; and

(ii) if one Party is required to collect Taxes pursuant to this Agreement, it shall forthwith provide to the other applicable Party such documentation required pursuant to **Section 2.10**.

2.9 Determination of Value for Tax Compliance Purposes

(a) Subject to the right of final determination as provided under **Section 2.9(b)**, the Parties agree to co-operate in determining a value for any property or service supplied pursuant to this Agreement for non-cash consideration.

(b) If a Party supplying a property or service under this Agreement for non-cash consideration is required to collect Taxes in respect of such supply, or if a Party acquiring a property or service under this Agreement for non-cash consideration is required to self-assess for Taxes in respect of such property or service, that Party

shall determine a value expressed in Canadian dollars for such property or service for purposes of calculating the Taxes collectable or self-assessable, as applicable.

2.10 Invoicing

All invoices issued pursuant to this Agreement shall include all information prescribed by Applicable Law together with all other information required to permit the Party required to pay Taxes, if any, in respect of such supplies to claim input tax credits, refunds, rebates, remission or other recovery, as permitted under Applicable Law. Without limiting the foregoing, except as otherwise agreed to by the Parties in writing, all invoices issued pursuant to this Agreement shall include all of the following particulars:

(a) the HST registration number of the supplier;

(b) the subtotal of all HST taxable supplies;

(c) the applicable HST rate(s) and the amount of HST charged on such HST taxable supplies; and

(d) a subtotal of any amounts charged for any "exempt" or "zero-rated" supplies as defined in Part IX of the Excise Tax Act.

2.11 Payment and Offset

(a) Subject to **Section 2.11(b)**, Taxes collectable by one Party from another Party pursuant to this Agreement will be payable in immediately available funds within 30 days of receipt of an invoice.

(b) A Party may offset amounts of Taxes owing to another Party under this Agreement against Taxes or other amounts receivable from such other Party pursuant to this Agreement or any of the other Formal Agreements, subject to reporting and remittance of such offset Taxes in accordance with Applicable Law.

2.12 HST Registration Status

(a) The Assignee represents and warrants that it is registered for purposes of the HST and that its registration number is ●.

(b) The Assignor represents and warrants that it is registered for purposes of the HST and that its registration number is ●.

2.13 [●]

[Insert any provision required by the Assigned Agreement to be included.]

ARTICLE 3
REPRESENTATIONS AND WARRANTIES

3.1 Assignor and Assignee Representations and Warranties

Each of the Assignor and the Assignee hereby jointly and severally represents and warrants to the Consenting Party that, as of the Effective Date:

(a) it is duly organized and validly existing under the Applicable Law of the jurisdiction of its formation and is qualified to conduct its business to the extent necessary in each jurisdiction in which it will perform its obligations under this Agreement;

(b) the execution, delivery and performance of this Agreement are within its powers, have been duly authorized by all necessary [corporate] action on its part and do not violate any of the terms and conditions in its governing documents, any contracts to which it is a party or any Applicable Law;

(c) this Agreement has been duly executed and delivered on its behalf by its appropriate officers and constitutes its legally valid and binding obligation enforceable against it in accordance with its terms, except as the enforceability thereof may be limited by (i) bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (ii) general principles of equity whether considered in a proceeding in equity or at law;

(d) no Insolvency Event has occurred, is pending or being contemplated by it or, to its Knowledge, threatened against it;

(e) there are **[**no Legal Proceedings **NTD: or set out Legal Proceedings, if any]** pending or, to its Knowledge, threatened against it that may materially adversely affect its ability to perform its obligations under this Agreement;

(f) no consent or other approval, order, authorization or action by, or filing with, any Person is required to be made or obtained by such Party for such Party's lawful execution, delivery and performance of this Agreement, except for (i) such consents, approvals, authorizations, actions and filings that have been made or obtained prior to the date hereof, (ii) such consents, approvals, authorizations, actions and filings the failure of which would not have, or could not reasonably be expected to have, a material adverse effect on such Party's ability to perform its obligations under this Agreement and **[NTD: set out any required Regulatory Approvals]**;

(g) it is not a non-resident of Canada for the purposes of the Income Tax Act; and

(h) the Assignee is an Affiliate of the Assignor.

ARTICLE 4
DISPUTE RESOLUTION PROCEDURE

4.1 General

(a) Dispute Resolution Procedure - The Parties agree to resolve all Disputes pursuant to the dispute resolution procedure set out in Schedule "[ ]" to the Assigned Agreement (the "**Dispute Resolution Procedure**").

(b) Undisputed Amounts - In the event of a Dispute concerning any amount payable by one Party to another Party, the Party with the payment obligation shall pay the whole of such payment in full. **[NTD: Conform to Assigned Agreement]**

ARTICLE 5
MISCELLANEOUS PROVISIONS

5.1 Notices

Notices, where required herein, shall be in writing and shall be sufficiently given if delivered personally or by courier or sent by electronic mail or facsimile transmission, directed as follows:

To Assignor:

[•]

To Assignee:

[•]

To Consenting Party:

[•]

[To Nalcor/Emera:]

[•]

Such Notice shall (i) if delivered personally or by courier, be deemed to have been given or made on the day of delivery, and (ii) if sent by electronic mail or facsimile transmission, and be confirmed by a copy immediately sent by courier, be deemed to have been given or made on the day it was successfully transmitted by electronic mail or facsimile transmission as evidenced by automatic confirmation of receipt, provided however that if in any case such day is not a Business Day or if the Notice is received after Regular Business Hours (time and place of receipt), the Notice shall be deemed to have been given or made on the next Business Day. Any Party may change its address or fax number hereunder from time to time by giving Notice of such change to the other Parties.

5.2 Prior Agreements

This Agreement supersedes all prior communications, understandings, negotiations and agreements between the Parties, whether oral or written, express or implied with respect to the subject matter hereof. There are no representations, warranties, collateral agreements or conditions affecting this Agreement other than as expressed herein. Each of the Parties further acknowledges and agrees that, in entering into this Agreement, it has not in any way relied upon any oral or written agreements, representations, warranties, statements, promises, information, arrangements or understandings, expressed or implied, not specifically set forth in this Agreement or the other Formal Agreements.

5.3 Counterparts

This Agreement may be executed in counterparts, each of which when so executed shall be deemed to be an original, and such counterparts together shall constitute but one and the same instrument. Signatures delivered by facsimile or electronic mail shall be deemed for all purposes to be original counterparts of this Agreement.

5.4 Expenses of Parties

Except as otherwise provided herein, each Party shall bear its own costs and expenses in connection with all matters relating to this Agreement, including the costs and expenses of its legal, tax, technical and other advisors.

5.5 Announcements

No announcement with respect to this Agreement shall be made by any Party without the prior approval of the other Parties. The foregoing shall not apply to any announcement by a Party required in order to comply with Applicable Law; provided that such Party consults with the other Parties before making any such announcement and gives due consideration to the views of the other Parties with respect thereto. The Parties shall use reasonable efforts to agree on the text of any proposed announcement.

5.6 Relationship of the Parties

The Parties hereby disclaim any intention to create by this Agreement any partnership, joint venture, association, trust or fiduciary relationship between them. Except as expressly provided herein, this Agreement shall not be construed or considered as creating any such partnership, joint venture, association, trust or fiduciary relationship, or as constituting any Party as the agent or legal representative of the other Parties for any purpose nor to permit any Party to enter into agreements or incur any obligations for or on behalf of the other Parties.

5.7 Further Assurances

Each of the Parties shall, from time to time, do all such acts and things and execute and deliver, from time to time, all such further documents and assurances as may be reasonably necessary to carry out and give effect to the terms of this Agreement.

5.8 Severability

If any provision of this Agreement is determined by a court of competent jurisdiction to be wholly or partially illegal, invalid, void, voidable or unenforceable in any jurisdiction for any reason, such illegality, invalidity or unenforceability shall not affect the legality, validity and enforceability of the balance of this Agreement or its legality, validity or enforceability in any other jurisdiction. If any provision is so determined to be wholly or partially illegal, invalid or unenforceable for any reason, the Parties shall negotiate in good faith a new legal, valid and enforceable provision to replace such illegal, invalid or unenforceable provision, which, as nearly as practically possible, has the same effect as the illegal, invalid or unenforceable provision.

5.9 Time of the Essence

Time shall be of the essence.

5.10 Amendments

No amendment or modification to this Agreement shall be effective unless it is in writing and signed by all Parties.

5.11 No Waiver

Any failure or delay of a Party to enforce any of the provisions of this Agreement or to require compliance with any of its terms at any time during the Term shall not affect the validity of this Agreement, or any part hereof, and shall not be deemed a waiver of the right of such Party thereafter to enforce any and each such provision. Any consent or approval given by a Party pursuant to this Agreement shall be limited to its express terms and shall not otherwise increase the obligations of the Party giving such consent or approval or otherwise reduce the obligations of a Party receiving such consent or approval.

5.12 No Third Party Beneficiaries

Except as otherwise provided herein or permitted hereby, this Agreement is not made for the benefit of any Person not a party to this Agreement, and no Person other than the Parties or their respective successors and permitted assigns shall acquire or have any right, remedy or claim under or by virtue of this Agreement.

5.13 Survival

All provisions of this Agreement that expressly or by their nature are intended to survive the termination (however caused) of this Agreement, including covenants, warranties, guarantees, releases and indemnities, continue as valid and enforceable rights and obligations (as the case may be) of the Parties, notwithstanding any such termination, until they are satisfied in full or by their nature expire.

5.14 Waiver of Sovereign Immunity

A Party that now or hereafter has a right to claim sovereign immunity for itself or any of its assets hereby waives any such immunity to the fullest extent permitted by Applicable

Law. This waiver includes immunity from (i) any proceedings under the Dispute Resolution Procedure; (ii) any judicial, administrative or other proceedings to aid the Dispute Resolution Procedure; and (iii) any confirmation, enforcement or execution of any decision, settlement, award, judgment, service of process, execution order or attachment (including pre-judgment attachment) that results from the Dispute Resolution Procedure or any judicial, administrative or other proceedings commenced pursuant to this Agreement. Each Party acknowledges that its rights and obligations under this Agreement are of a commercial and not a governmental nature.

5.15 Successors and Assigns

This Agreement shall be binding upon and enure to the benefit of the Parties and their respective successors and permitted assigns.

5.16 [Capacity of Nalcor

Nalcor is entering into this Agreement, and Emera acknowledges that Nalcor is entering into this Agreement, solely in its own right and not on behalf of or as agent of the NL Crown. **NTD: Include if Nalcor signing Agreement.]**

[Remainder of this page intentionally left blank.]

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first above written.

Assignor

By: _____
Name:
Title:

By: _____
Name:
Title:

I/We have authority to bind the
[company]/[corporation]

Assignee

By: _____
Name:
Title:

By: _____
Name:
Title:

I/We have authority to bind the
[company]/[corporation]

Consenting Party

By: _____
Name:
Title:

By: _____
Name:
Title:

I/We have authority to bind the
[company]/[corporation]

[NTD: Need to add Nalcor or Emera, as applicable, in event of prior assignments]

NEWFOUNDLAND AND LABRADOR DEVELOPMENT AGREEMENT (NLDA)

SCHEDULE 9

EMERA NL CROSS DEFAULT INDEMNITY AGREEMENT

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EMERA NL CROSS DEFAULT INDEMNITY AGREEMENT

THIS EMERA NL CROSS DEFAULT INDEMNITY AGREEMENT is made effective the ● day of ●, 201● (the "**Effective Date**").

B E T W E E N:

ENL ISLAND LINK INCORPORATED, a NL corporation ("**Emera NL**")

- and -

NALCOR ENERGY, a body corporate existing pursuant to the Energy Corporation Act being chapter E-11.01 of the Statutes of Newfoundland and Labrador, 2007, solely in its own right and not as agent of the NL crown ("**Nalcor**")

WHEREAS:

A. Emera NL is a wholly-Owned subsidiary of Emera Inc., a company incorporated under the laws of the Province of Nova Scotia ("**Emera**"), and has agreed to indemnify Nalcor in certain circumstances on the terms and conditions set out in this Agreement; and

B. this Agreement is executed as of the date of Emera's receipt of Notice from Nalcor that it has Sanctioned the LIL;

NOW THEREFORE this Agreement witnesses that in consideration of the mutual covenants and agreements hereinafter contained the Parties, intending to be legally bound, agree as follows:

ARTICLE 1
INTERPRETATION

1.1 Definitions

In this Agreement, including the recitals and, subject to **Section 1.2(g)**, in the Appendices, capitalized terms which are defined in the NLDA and are not otherwise defined herein have the meanings ascribed thereto in the NLDA when used in this Agreement, and the following terms shall have the meanings set forth below:

"**Agreement**" means this agreement, including all Appendices, as it may be modified, amended, supplemented or restated by written agreement between the Parties;

"**Deficiency**" has the meaning set forth in **Section 3.2(b)**;

"**Deficiency Notice**" has the meaning set forth in **Section 3.2(b)**;

"**Dispute Resolution Procedure**" has the meaning set forth in **Section 8.1**;

"**Effective Date**" has the meaning set forth in the commencement of this Agreement;

"**Emera**" has the meaning set forth in the recitals and includes Emera's successors;

"**Emera Cross-Default**" has the meaning set forth in **Section 2.1**;

"**Emera NL Rights**" has the meaning set forth in **Section 7.2(a)**;

"**Indemnity Amount**" has the meaning set forth in **Section 2.1**;

"**Loss Notice**" has the meaning set forth in **Section 3.1**;

"**Nalcor Rights**" has the meaning set forth in **Section 7.1(a)**;

"**Newfoundland and Labrador Development Agreement**" or "**NLDA**" means the agreement between Nalcor, Emera and other parties relating, among other things, to the development of the Labrador-Island Link;

"**Notice**" means a communication required or contemplated to be given by either Party to the other under this Agreement, which communication shall be given in accordance with **Section 10.1**;

"**Parties**" means the parties to this Agreement, and "**Party**" means one of them; and

"**Term**" has the meaning set forth in **Section 4.1**.

1.2 Construction of Agreement

(a) Interpretation Not Affected by Headings, etc. - The division of this Agreement into articles, sections and other subdivisions, the provision of a table of contents and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement. Unless otherwise indicated, all references to an "**Article**", "**Section**" or "**Appendix**" followed by a number and/or a letter refer to the specified article, section or appendix of this Agreement. The terms "**this Agreement**", "**hereof**", "**herein**", "**hereby**", "**hereunder**" and similar expressions refer to this Agreement and not to any particular Article or Section hereof. All references to a given agreement, instrument or other document shall be a reference to that agreement, instrument or other document as modified, amended, supplemented and restated through the date as of which such reference is made.

(b) Singular/Plural; Derivatives - Whenever the singular or masculine or neuter is used in this Agreement, it shall be interpreted as meaning the plural or feminine or body politic or corporate, and vice versa, as the context requires. Where a term is defined herein, a capitalized derivative of such term has a corresponding meaning unless the context otherwise requires.

(c) "Including" - The word "including", when used in this Agreement, means "including without limitation".

(d) Currency - Unless otherwise indicated, all dollar amounts referred to in this Agreement (including the Appendices) are in lawful money of Canada.

(e) Trade Meanings - Terms and expressions that are not specifically defined in this Agreement, but which have generally accepted meanings in the custom, usage and literature of the electricity industry in Canada as of the date of this Agreement, shall have such generally accepted meanings when used in this Agreement, unless otherwise specified elsewhere in this Agreement.

(f) Statutory References - Any reference in this Agreement to a statute shall include, and shall be deemed to be, a reference to such statute and to the regulations made pursuant thereto, and all amendments made thereto (including changes to section numbers referenced herein) and in force from time to time, and to any statute or regulation that may be passed that has the effect of supplementing or replacing the statute so referred to or the regulations made pursuant thereto, and any reference to an order, ruling or decision shall be deemed to be a reference to such order, ruling or decision as the same may be varied, amended, modified, supplemented or replaced from time to time.

(g) Terms Defined in Appendices - Terms defined in an Appendix or part of an Appendix to this Agreement shall, unless otherwise specified in such Appendix or part of an Appendix or elsewhere in this Agreement, have the meaning ascribed thereto only in such Appendix or such part of such Appendix.

(h) Calculation of Time - Where, in this Agreement, a period of time is specified or calculated from or after a date or event, such period is to be calculated excluding such date or the date on which such event occurs, as the case may be, and including the date on which the period ends.

(i) Time Falling on Non-Business Day - Whenever the time for doing something under this Agreement falls on a day that is not a Business Day such action is to be taken on the first following Business Day.

(j) No Drafting Presumption - The Parties acknowledge that their respective legal advisors have reviewed and participated in settling the terms of this Agreement and agree that any rule of construction to the effect that any ambiguity is to be resolved against the drafting Party shall not apply to the interpretation of this Agreement.

1.3 Conflicts between Parts of Agreement

If there is any conflict or inconsistency between a provision of the body of this Agreement and that of an Appendix or any document delivered pursuant to this Agreement, the provision of the body of this Agreement shall prevail.

1.4 Applicable Law and Submission to Jurisdiction

This Agreement shall be governed by and construed in accordance with the laws of NL and the Federal laws of Canada applicable therein, but excluding all choice-of-law provisions. Subject to **Article 8**, the Parties irrevocably consent and submit to the exclusive jurisdiction of the courts of the Province of Newfoundland and Labrador with respect to all matters relating to this Agreement, subject to any right of appeal to the Supreme Court of Canada. Each Party waives any

objection that it may now or hereafter have to the determination of venue of any proceeding in such courts relating to this Agreement or that it may now or hereafter have that such courts are an inconvenient forum.

ARTICLE 2
INDEMNIFICATION

2.1 **Indemnity in Certain Events**

In the event Emera or an Affiliate of Emera is in default of any of its obligations under:

(a) the NLDA;

(b) the LIL LP Agreement;

(c) the New Brunswick Transmission Utilization Agreement; or

(d) the MEPCO Transmission Rights Agreement,

and has not cured such default within the time period provided for therein (any of which are hereinafter referred to as an "**Emera Cross-Default**"), Emera NL shall and hereby agrees, subject to **Section 2.2**, to indemnify Nalcor in an amount ("**Indemnity Amount**") equal to the Losses sustained by Nalcor, or an Affiliate of Nalcor, as applicable, arising out of or in connection with the Emera Cross-Default.

2.2 **Dispute Resolution to Determine Indemnity Amount**

If Emera or an Affiliate of Emera is contesting the Emera Cross-Default or the Losses arising therefrom pursuant to the dispute resolution procedure under the NLDA, the LIL LP Agreement, the New Brunswick Transmission Utilization Agreement or the MEPCO Transmission Rights Agreement, as applicable, the Indemnity Amount shall be as determined pursuant to such dispute resolution procedure.

ARTICLE 3
DISTRIBUTIONS TO SATISFY INDEMNITY AMOUNT

3.1 **Notice**

As soon as possible after the Indemnity Amount is finally determined pursuant to **Article 2**, Nalcor shall give Notice (a "**Loss Notice**") to Emera NL of the Indemnity Amount. Loss Notices for continuing Emera Cross-Defaults which are not the subject of dispute resolution may be issued in such frequency and covering such time period as Nalcor so chooses until the Losses incurred by Nalcor or an Affiliate of Nalcor arising out of or in connection with the Emera Cross-Default have been satisfied in full.

3.2 Payment

(a) Emera NL shall, on or before the 30th day after receiving the Loss Notice, pay to Nalcor an amount equal to the amount referred to in the Loss Notice.

(b) If, for any reason, Emera NL does not pay to Nalcor an amount equal to the amount referred to in the Loss Notice, Nalcor shall be entitled to give Notice ("**Deficiency Notice**") of such failure to the General Partner, specifying the portion of the Indemnity Amount remaining unpaid ("**Deficiency**"). The General Partner shall promptly acknowledge receipt thereof and thereafter the General Partner shall pay the full amount of Distributions otherwise becoming payable to Emera NL to Nalcor until such Deficiency has been paid in full together with interest thereon at the Prime Rate plus 3%.

(c) If a Deficiency Notice has been given and Emera NL or Emera subsequently pays an amount to Nalcor in reduction of the Deficiency, Nalcor shall so advise the General Partner and the payments provided for in **Section 3.2(b)** shall be adjusted accordingly.

(d) When Nalcor or an Affiliate of Nalcor has received the full amount of the Indemnity Amount together, if applicable, with interest thereon calculated at the Prime Rate plus 3%, Nalcor shall issue a receipt therefor and send a copy to Emera NL, and if a Deficiency Notice has been issued, to the General Partner.

3.3 Security Interest

For the avoidance of doubt, the rights of Nalcor under this **Article 3** are a security interest within the meaning of the *Personal Property Security Act (NL)* in the Distributions referred to in this **Article 3**. The security interest granted by Emera NL shall in all respects be subject and subordinate to Emera NL's Financing Pledge and Guarantee.

ARTICLE 4
TERM AND TERMINATION

4.1 Term

The term of this Agreement (the "**Term**") shall commence on the Effective Date and terminate in accordance with **Section 4.2.**

4.2 Termination

This Agreement shall terminate on the earliest to occur of any of the following events:

(a) expiry of the Service Life;

(b) written agreement of the Parties to terminate; and

(c) termination of the NLDA.

4.3 Effect of Termination

(a) Obligations on Termination - When this Agreement terminates:

(i) each Party shall promptly return to the other Party all Confidential Information of the other Party in the possession of such Party, and destroy any internal documents to the extent that they contain any Confidential Information of the other Party (except such internal documents as are reasonably required for the maintenance of proper corporate records and to comply with Applicable Law and for the purposes of the resolution of any Dispute, which shall continue to be held in accordance with the provisions of **Section 6.1**); and

(ii) neither Party shall have any obligation to the other Party in relation to this Agreement or the termination hereof, except as set out in this **Section 4.3**.

(b) Survival - Notwithstanding the termination of this Agreement, the Parties shall be bound by the terms of this Agreement in respect of:

(i) the final settlement of all accounts between the Parties;

(ii) the readjustment of any accounts as a result of the settlement of insurance claims or third party claims after the date of termination;

(iii) any rights, liabilities and obligations arising or accruing under the terms of this Agreement prior to the date of termination or which are expressly stated to survive the termination of this Agreement; and

(iv) any other obligations that survive pursuant to **Section 10.13**.

ARTICLE 5
LIMITATION OF DAMAGES

5.1 No Consequential Loss

Notwithstanding any other provision of this Agreement, in no event shall Emera NL or any other member of the Emera Group be liable to Nalcor or any other member of the Nalcor Group, nor shall Nalcor or any member of the Nalcor Group be liable to Emera NL or any member of the Emera Group, for a decline in market capitalization, increased cost of capital or borrowing, or for any consequential, incidental, indirect or punitive damages, for any reason with respect to any matter arising out of or relating to this Agreement. For the purpose of this **Section 5.1**, lost revenues or profits in relation to the purchase or sale of Energy or Capacity shall not be considered to be consequential, incidental or indirect damages, provided however that a Party must still establish such lost revenues or profits in accordance with Applicable Law.

ARTICLE 6
CONFIDENTIALITY

6.1 **Incorporation of Project NDA**

The Parties agree that the Project NDA is incorporated in this Agreement by reference and applies to all Confidential Information disclosed by either Party to the other under or in connection with this Agreement, the Party disclosing Confidential Information being a Disclosing Party as defined in the Project NDA, and the Party receiving Confidential Information being a Recipient Party as defined in the Project NDA.

6.2 **Disclosure of Agreement**

Each Party hereby agrees to the other Party making this Agreement public at any time and from time to time after the Effective Date.

ARTICLE 7
ASSIGNMENT AND CHANGE OF CONTROL

7.1 **Nalcor Assignment Rights**

(a) General - After, but not before, First Commercial Power of the LIL, Nalcor shall be entitled to assign all or any portion of its interest in this Agreement or any Claim (collectively, the "**Nalcor Rights**") to any Person which has become the owner of the whole or any part of the Partnership Interest of Nalcor LP in accordance with the provisions of the NLDA and the LIL LP Agreement.

(b) Agreement to be Bound - No assignment may be made of all or any portion of the Nalcor Rights unless Nalcor or the assignor thereof obtains the written agreement of all Persons party to the assignment confirming that the transferee thereof shall, from and after the date of the assignment, be bound by the provisions of this Agreement, the assigned Nalcor Rights and all such rights and obligations as if such transferee was Nalcor, and shall assume all liabilities for, and in due and proper manner, pay, satisfy, discharge, perform and fulfill all covenants, obligations and liabilities of Nalcor or the assignor thereof under this Agreement arising on and in respect of matters occurring after the effective date of the assignment.

(c) Continuing Obligations - Notwithstanding **Section 7.1(b)**, Nalcor expressly acknowledges and agrees that it remains liable to Emera NL as a primary obligor under this Agreement to observe and perform all of the conditions and obligations in this Agreement which Nalcor, and as of the effective date of the assignment, the transferee thereof, are bound to observe and perform.

(d) Non-Permitted Assignment - Any assignment in contravention of this **Section 7.1** will be null and void.

7.2 Emera NL Assignment Rights

(a) General - After, but not before, First Commercial Power of the LIL, Emera NL shall be entitled to assign all or any portion of its interest in this Agreement or any Claim (collectively, the "**Emera NL Rights**") to any Person which has become the owner of the whole or any part of the Partnership Interest of Emera NL in accordance with the provisions of the NLDA and the LIL LP Agreement.

(b) Agreement to be Bound - No assignment may be made of all or any portion of the Emera NL Rights unless Emera NL or the assignor thereof obtains the written agreement of all Persons party to the assignment confirming that the transferee thereof shall, from and after the date of the assignment, be bound by the provisions of this Agreement, the assigned Emera NL Rights and all such rights and obligations as if such transferee was Emera NL, and shall assume all liabilities for, and in due and proper manner, pay, satisfy, discharge, perform and fulfill all covenants, obligations and liabilities of Emera NL or the assignor thereof under this Agreement arising on and in respect of matters occurring after the effective date of the assignment.

(c) Continuing Obligations - Notwithstanding **Section 7.2(b)**, Emera NL expressly acknowledges and agrees that it remains liable to Nalcor as a primary obligor under this Agreement to observe and perform all of the conditions and obligations in this Agreement which Emera NL, and as of the effective date of the assignment, the transferee thereof, are bound to observe and perform.

(d) Non-Permitted Assignment - Any assignment in contravention of this **Section 7.2** will be null and void.

ARTICLE 8
DISPUTE RESOLUTION

8.1 General

(a) Dispute Resolution Procedure - The Parties agree to resolve all Disputes pursuant to the dispute resolution procedure set out in Schedule 7 to the NLDA (the "**Dispute Resolution Procedure**").

(b) Performance to Continue - Each Party shall continue to perform all of its obligations under this Agreement during any negotiations or dispute resolution proceedings pursuant to this **Article 8**, without prejudice to either Party's rights pursuant to this Agreement.

ARTICLE 9
REPRESENTATIONS AND WARRANTIES

9.1 Nalcor Representations and Warranties

Nalcor represents and warrants to Emera NL that, as of the Effective Date:

(a) it is duly organized and validly existing under the Applicable Law of the jurisdiction of its formation and is qualified to conduct its business to the extent necessary in each jurisdiction in which it will perform its obligations under this Agreement;

(b) the execution, delivery and performance of this Agreement are within its powers, have been duly authorized by all necessary corporate action on the part of Nalcor and do not violate any of the terms and conditions in its governing documents, any contracts to which it is a party or any Applicable Law;

(c) this Agreement has been duly executed and delivered on its behalf by its appropriate officers and constitutes its legally valid and binding obligation enforceable against it in accordance with its terms, except as the enforceability thereof may be limited by (i) bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (ii) general principles of equity whether considered in a proceeding in equity or at law;

(d) no Insolvency Event has occurred, is pending or being contemplated by it or, to its Knowledge, threatened against it;

(e) except as disclosed by it to Emera NL on or before the Effective Date, there are no Legal Proceedings pending or, to its Knowledge, threatened against it that may materially adversely affect its ability to perform its obligations under this Agreement;

(f) no consent or other approval, order, authorization or action by, or filing with, any Person is required to be made or obtained by such Party for such Party's lawful execution, delivery and performance of this Agreement, except for (i) such consents, approvals, authorizations, actions and filings that have been made or obtained prior to the date hereof, (ii) such consents, approvals, authorizations, actions and filings the failure of which would not have, or could not reasonably be expected to have, a material adverse effect on such Party's ability to perform its obligations under this Agreement and (iii) the Regulatory Approvals; and

(g) it does not have any liability or obligation to pay any fees or commissions to any broker, finder or agent with respect to the transactions contemplated by this Agreement.

9.2 Emera NL Representations and Warranties

Emera NL represents and warrants to Nalcor that, as of the Effective Date:

(a) it is duly organized and validly existing under the Applicable Law of the jurisdiction of its formation and is qualified to conduct its business to the extent necessary in each jurisdiction in which it will perform its obligations under this Agreement;

(b) the execution, delivery and performance of this Agreement are within its powers, have been duly authorized by all necessary corporate action on the part of Emera NL and do not violate any of the terms and conditions in its governing documents, any contracts to which it is a party or any Applicable Law;

(c) this Agreement has been duly executed and delivered on its behalf by its appropriate officers and constitutes its legally valid and binding obligation enforceable against it in accordance with its terms, except as the enforceability thereof may be limited by (i) bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (ii) general principles of equity whether considered in a proceeding in equity or at law;

(d) no Insolvency Event has occurred, is pending or being contemplated by it or, to its Knowledge, threatened against it;

(e) there are no Legal Proceedings pending or, to its Knowledge, threatened against it that may materially adversely affect its ability to perform its obligations under this Agreement;

(f) no consent or other approval, order, authorization or action by, or filing with, any Person is required to be made or obtained by such Party for such Party's lawful execution, delivery and performance of this Agreement, except for (i) such consents, approvals, authorizations, actions and filings that have been made or obtained prior to the date hereof, (ii) such consents, approvals, authorizations, actions and filings the failure of which would not have, or could not reasonably be expected to have, a material adverse effect on such Party's ability to perform its obligations under this Agreement and (iii) the Regulatory Approvals; and

(g) it does not have any liability or obligation to pay any fees or commissions to any broker, finder or agent with respect to the transactions contemplated by this Agreement.

ARTICLE 10
MISCELLANEOUS PROVISIONS

10.1 Notices

Notices, where required herein, shall be in writing and shall be sufficiently given if delivered personally or by courier or sent by electronic mail or facsimile transmission, directed as follows:

To Nalcor:

Nalcor Energy
500 Columbus Drive
P.O. Box 12800
St. John's, NL
A1B 0C9
Attention: Corporate Secretary
Fax: (709) 737-1782

with a copy to:

Labrador-Island Link Holding Corporation
500 Columbus Drive
P.O. Box 12800
St. John's, NL
A1B 0C9
Attention: Chief Executive Officer
Fax: (709) 737-1782

To Emera NL:

Emera Newfoundland and Labrador Inc.
9 Austin Street
St. John's, NL
A1B 4C1
Attention: President
Fax: (709) 722-2083

with a copy to:

Emera Inc.
1223 Lower Water Street
Halifax, NS
B3J 3S8
Attention: Corporate Secretary
Fax: (902) 428-6112

Such Notice shall (i) if delivered personally or by courier, be deemed to have been given or made on the day of delivery, and (ii) if sent by electronic mail or facsimile transmission and confirmed by a copy immediately sent by courier, be deemed to have been given or made on the day it was successfully transmitted by electronic mail or facsimile transmission as evidenced by automatic confirmation of receipt; provided however that if in any case such day is not a Business Day or if the Notice is received after Regular Business Hours (time and place of receipt), the Notice shall be deemed to have been given or made on the next Business Day. Either Party may change its address or fax number hereunder from time to time by giving Notice of such change to the other Party.

10.2 Prior Agreements

This Agreement supersedes all prior communications, understandings, negotiations and agreements between the Parties, whether oral or written, express or implied with respect to the subject matter hereof. There are no representations, warranties, collateral agreements or conditions affecting this Agreement other than as expressed herein. Each of the Parties further acknowledges and agrees that, in entering into this Agreement, it has not in any way relied upon any oral or written agreements, representations, warranties, statements, promises, information, arrangements or understandings, expressed or implied, not specifically set forth in this Agreement or the other Formal Agreements.

10.3 Counterparts

This Agreement may be executed in counterparts, each of which when so executed shall be deemed to be an original, and such counterparts together shall constitute but one and the same instrument. Signatures delivered by facsimile or electronic mail shall be deemed for all purposes to be original counterparts of this Agreement.

10.4 Expenses of Parties

Except as otherwise provided herein, each Party shall bear its own costs and expenses in connection with all matters relating to this Agreement, including the costs and expenses of its legal, tax, technical and other advisors.

10.5 Announcements

No announcement with respect to this Agreement shall be made by either Party without the prior approval of the other Party. The foregoing shall not apply to any announcement by a Party required in order to comply with Applicable Law; provided that such Party consults with the other Party before making any such announcement and gives due consideration to the views of the other Party with respect thereto. Both Parties shall use reasonable efforts to agree on the text of any proposed announcement.

10.6 Relationship of the Parties

The Parties hereby disclaim any intention to create by this Agreement any partnership, joint venture, association, trust or fiduciary relationship between them. Except as expressly provided herein, neither this Agreement nor any other agreement or arrangement between the Parties shall be construed or considered as creating any such partnership, joint venture, association, trust or fiduciary relationship, or as constituting either Party as the agent or legal representative of the other Party for any purpose nor to permit either Party to enter into agreements or incur any obligations for or on behalf of the other Party.

10.7 Further Assurances

Each of the Parties shall, from time to time, do all such acts and things and execute and deliver, from time to time, all such further documents and assurances as may be reasonably necessary to carry out and give effect to the terms of this Agreement.

10.8 Severability

If any provision of this Agreement is determined by a court of competent jurisdiction to be wholly or partially illegal, invalid, void, voidable or unenforceable in any jurisdiction for any reason, such illegality, invalidity or unenforceability shall not affect the legality, validity and enforceability of the balance of this Agreement or its legality, validity or enforceability in any other jurisdiction. If any provision is so determined to be wholly or partially illegal, invalid or unenforceable for any reason, the Parties shall negotiate in good faith a new legal, valid and enforceable provision to replace such illegal, invalid or unenforceable provision, which, as nearly as practically possible, has the same effect as the illegal, invalid or unenforceable provision.

10.9 Time of the Essence

Time shall be of the essence.

10.10 Amendments

No amendment or modification to this Agreement shall be effective unless it is in writing and signed by both Parties.

10.11 No Waiver

Any failure or delay of either Party to enforce any of the provisions of this Agreement or to require compliance with any of its terms at any time during the Term shall not affect the validity of this Agreement, or any part hereof, and shall not be deemed a waiver of the right of such Party thereafter to enforce any and each such provision. Any consent or approval given by a Party pursuant to this Agreement shall be limited to its express terms and shall not otherwise increase the obligations of the Party giving such consent or approval or otherwise reduce the obligations of the Party receiving such consent or approval.

10.12 No Third Party Beneficiaries

Except as otherwise provided herein or permitted hereby, this Agreement is not made for the benefit of any Person not a party to this Agreement, and no Person other than the Parties or their respective successors and permitted assigns shall acquire or have any right, remedy or claim under or by virtue of this Agreement.

10.13 Survival

All provisions of this Agreement that expressly or by their nature are intended to survive the termination (however caused) of this Agreement, including covenants, warranties, guarantees, releases and indemnities, continue as valid and enforceable rights and obligations (as the case may be) of the Parties, notwithstanding any such termination, until they are satisfied in full or by their nature expire.

10.14 Waiver of Sovereign Immunity

A Party that now or hereafter has a right to claim sovereign immunity for itself or any of its assets hereby waives any such immunity to the fullest extent permitted by Applicable Law. This waiver includes immunity from (a) any proceedings under the Dispute Resolution Procedure; (b) any judicial, administrative or other proceedings to aid the Dispute Resolution Procedure; and (c) any confirmation, enforcement or execution of any decision, settlement, award, judgment, service of process, execution order or attachment (including pre-judgment attachment) that results from the Dispute Resolution Procedure or any judicial, administrative or other proceedings commenced pursuant to this Agreement. Each Party acknowledges that its rights and obligations under this Agreement are of a commercial and not a governmental nature.

10.15 Successors and Assigns

This Agreement shall be binding upon and enure to the benefit of the Parties and their respective successors and permitted assigns.

10.16 Capacity of Nalcor

Nalcor is entering into this Agreement, and Emera NL acknowledges that Nalcor is entering into this Agreement, solely in its own right and not on behalf of or as agent of the NL Crown.

[Remainder of this page intentionally left blank.]

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first written above.

ENL ISLAND LINK INCORPORATED

By: _____
Name:
Title:

By: _____
Name:
Title:

We have authority to bind the corporation.

NALCOR ENERGY

By: _____
Name:
Title:

By: _____
Name:
Title:

We have authority to bind the corporation.

NEWFOUNDLAND AND LABRADOR DEVELOPMENT AGREEMENT (NLDA)

SCHEDULE 10

NALCOR LP CROSS DEFAULT INDEMNITY AGREEMENT

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NALCOR LP CROSS DEFAULT INDEMNITY AGREEMENT

THIS NALCOR LP CROSS DEFAULT INDEMNITY AGREEMENT is made effective the ● day of ●, 201● (the "**Effective Date**").

B E T W E E N:

LABRADOR-ISLAND LINK HOLDING CORPORATION, a Newfoundland and Labrador corporation ("**Nalcor LP**")

- and -

EMERA INC., a company incorporated under the laws of the Province of Nova Scotia ("**Emera**")

WHEREAS:

A. Nalcor LP is a Wholly-Owned Subsidiary of Nalcor Energy, a body corporate existing pursuant to the *Energy Corporation Act* being Chapter E-11.01 of the *Statutes of Newfoundland and Labrador*, 2007 ("**Nalcor**"), and has agreed to indemnify Emera in certain circumstances on the terms and conditions set out in this Agreement; and

B. this Agreement is executed as of the date of Emera's receipt of Notice from Nalcor that it has Sanctioned the LIL;

NOW THEREFORE this Agreement witnesses that in consideration of the mutual covenants and agreements hereinafter contained the Parties, intending to be legally bound, agree as follows:

ARTICLE 1
INTERPRETATION

1.1 Definitions

In this Agreement, including the recitals and, subject to **Section 1.2(g)**, in the Appendices, capitalized terms which are defined in the NLDA and are not otherwise defined herein have the meanings ascribed thereto in the NLDA when used in this Agreement, and the following terms shall have the meanings set forth below:

"**Agreement**" means this agreement, including all Appendices, as it may be modified, amended, supplemented or restated by written agreement between the Parties;

"**Deficiency**" has the meaning set forth in **Section 3.2(b)**;

"**Deficiency Notice**" has the meaning set forth in **Section 3.2(b)**;

"**Dispute Resolution Procedure**" has the meaning set forth in **Section 8.1**;

"**Effective Date**" has the meaning set forth in the commencement of this Agreement;

"**Emera Rights**" has the meaning set forth in **Section 7.2(a)**;

"**Indemnity Amount**" has the meaning set forth in **Section 2.1**;

"**Loss Notice**" has the meaning set forth in **Section 3.1**;

"**Nalcor**" has the meaning set forth in the preamble to this Agreement and includes Nalcor's successors;

"**Nalcor Cross-Default**" has the meaning set forth in **Section 2.1**;

"**Nalcor LP Rights**" has the meaning set forth in **Section 7.1(a)**;

"**Newfoundland and Labrador Development Agreement**" or "**NLDA**" means the agreement between Nalcor, Emera and other parties relating, among other things, to the development of the Labrador-Island Link;

"**Notice**" means a communication required or contemplated to be given by either Party to the other under this Agreement, which communication shall be given in accordance with **Section 10.1**;

"**Parties**" means the parties to this Agreement, and "**Party**" means one of them; and

"**Term**" has the meaning set forth in **Section 4.1.**

1.2 **Construction of Agreement**

(a) Interpretation Not Affected by Headings, etc. - The division of this Agreement into articles, sections and other subdivisions, the provision of a table of contents and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement. Unless otherwise indicated, all references to an "**Article**", "**Section**" or "**Appendix**" followed by a number and/or a letter refer to the specified article, section or appendix of this Agreement. The terms "**this Agreement**", "**hereof**", "**herein**", "**hereby**", "**hereunder**" and similar expressions refer to this Agreement and not to any particular Article or Section hereof. All references to a given agreement, instrument or other document shall be a reference to that agreement, instrument or other document as modified, amended, supplemented and restated through the date as of which such reference is made.

(b) Singular/Plural; Derivatives - Whenever the singular or masculine or neuter is used in this Agreement, it shall be interpreted as meaning the plural or feminine or body politic or corporate, and vice versa, as the context requires. Where a term is defined herein, a capitalized derivative of such term has a corresponding meaning unless the context otherwise requires.

(c) "Including" - The word "including", when used in this Agreement, means "including without limitation".

(d) Currency - Unless otherwise indicated, all dollar amounts referred to in this Agreement (including the Appendices) are in lawful money of Canada.

(e) Trade Meanings - Terms and expressions that are not specifically defined in this Agreement, but which have generally accepted meanings in the custom, usage and literature of the electricity industry in Canada as of the date of this Agreement, shall have such generally accepted meanings when used in this Agreement, unless otherwise specified elsewhere in this Agreement.

(f) Statutory References - Any reference in this Agreement to a statute shall include, and shall be deemed to be, a reference to such statute and to the regulations made pursuant thereto, and all amendments made thereto (including changes to section numbers referenced herein) and in force from time to time, and to any statute or regulation that may be passed that has the effect of supplementing or replacing the statute so referred to or the regulations made pursuant thereto, and any reference to an order, ruling or decision shall be deemed to be a reference to such order, ruling or decision as the same may be varied, amended, modified, supplemented or replaced from time to time.

(g) Terms Defined in Appendices - Terms defined in an Appendix or part of an Appendix to this Agreement shall, unless otherwise specified in such Appendix or part of an Appendix or elsewhere in this Agreement, have the meaning ascribed thereto only in such Appendix or such part of such Appendix.

(h) Calculation of Time - Where, in this Agreement, a period of time is specified or calculated from or after a date or event, such period is to be calculated excluding such date or the date on which such event occurs, as the case may be, and including the date on which the period ends.

(i) Time Falling on Non-Business Day - Whenever the time for doing something under this Agreement falls on a day that is not a Business Day such action is to be taken on the first following Business Day.

(j) No Drafting Presumption - The Parties acknowledge that their respective legal advisors have reviewed and participated in settling the terms of this Agreement and agree that any rule of construction to the effect that any ambiguity is to be resolved against the drafting Party shall not apply to the interpretation of this Agreement.

1.3 Conflicts between Parts of Agreement

If there is any conflict or inconsistency between a provision of the body of this Agreement and that of an Appendix or any document delivered pursuant to this Agreement, the provision of the body of this Agreement shall prevail.

1.4 Applicable Law and Submission to Jurisdiction

This Agreement shall be governed by and construed in accordance with the laws of NL and the Federal laws of Canada applicable therein, but excluding all choice-of-law provisions. Subject to **Article 8**, the Parties irrevocably consent and submit to the exclusive jurisdiction of the courts of the Province of Newfoundland and Labrador with respect to all matters relating to this Agreement, subject to any right of appeal to the Supreme Court of Canada. Each Party waives any objection that it may now or hereafter have to the determination of venue of any proceeding in such courts relating to this Agreement or that it may now or hereafter have that such courts are an inconvenient forum.

ARTICLE 2
INDEMNIFICATION

2.1 Indemnity in Certain Events

In the event Nalcor or an Affiliate of Nalcor is in default of any of its obligations under:

(a) the NLDA;

(b) the LIL LP Agreement;

(c) the NEFA;

(d) the New Brunswick Transmission Utilization Agreement; or

(e) the MEPCO Transmission Rights Agreement,

and has not cured such default within the time period provided for therein (any of which are hereinafter referred to as a "**Nalcor Cross-Default**") Nalcor LP shall and hereby agrees, subject to **Section 2.2**, to indemnify Emera in an amount ("**Indemnity Amount**") equal to the Losses sustained by Emera, or an Affiliate of Emera, as applicable, arising out of or in connection with the Nalcor Cross-Default.

2.2 Dispute Resolution to Determine Indemnity Amount

If Nalcor or an Affiliate of Nalcor is contesting the Nalcor Cross-Default or the Losses arising therefrom pursuant to the dispute resolution procedure under the NLDA, the LIL LP Agreement, the NEFA, the New Brunswick Transmission Utilization Agreement or the MEPCO Transmission Rights Agreement, as applicable, the Indemnity Amount shall be as determined pursuant to such dispute resolution procedure.

ARTICLE 3
DISTRIBUTIONS TO SATISFY INDEMNITY AMOUNT

3.1 Notice

As soon as possible after the Indemnity Amount is finally determined pursuant to **Article 2**, Emera shall give Notice (a "**Loss Notice**") to Nalcor LP of the Indemnity Amount. Loss Notices for continuing Nalcor Cross-Defaults which are not the subject of dispute resolution may be issued in such frequency and covering such time period as Emera so chooses until the Losses incurred by Emera or an Affiliate of Emera arising out of or in connection with the Nalcor Cross-Default have been satisfied in full.

3.2 Payment

(a) Nalcor LP shall, on or before the 30th day after receiving the Loss Notice, pay to Emera an amount equal to the amount referred to in the Loss Notice.

(b) If, for any reason, Nalcor LP does not pay to Emera an amount equal to the amount referred to in the Loss Notice, Emera shall be entitled to give Notice ("**Deficiency Notice**") of such failure to the General Partner, specifying the portion of the Indemnity Amount remaining unpaid ("**Deficiency**"). The General Partner shall promptly acknowledge receipt thereof and thereafter the General Partner shall pay the full amount of Distributions otherwise becoming payable to Nalcor LP to Emera until such Deficiency has been paid in full together with interest thereon at the Prime Rate plus 3%.

(c) If a Deficiency Notice has been given and Nalcor LP or Nalcor subsequently pays an amount to Emera in reduction of the Deficiency, Emera shall so advise the General Partner and the payments provided for in **Section 3.2(b)** shall be adjusted accordingly.

(d) When Emera or an Affiliate of Emera has received the full amount of the Indemnity Amount together, if applicable, with interest thereon calculated at the Prime Rate plus 3%, Emera shall issue a receipt therefor and send a copy to Nalcor LP, and if a Deficiency Notice has been issued, to the General Partner.

3.3 Security Interest

For the avoidance of doubt, the rights of Emera under this **Article 3** are a security interest within the meaning of the *Personal Property Security Act (NL)* in the Distributions referred to in this **Article 3**. The security interest granted by Nalcor LP shall in all respects be subject and subordinate to Nalcor LP's Financing Pledge and Guarantee.

ARTICLE 4
TERM AND TERMINATION

4.1 Term

The term of this Agreement (the "**Term**") shall commence on the Effective Date and terminate in accordance with **Section 4.2**.

4.2 Termination

This Agreement shall terminate on the earliest to occur of any of the following events:

(a) the expiry of the Service Life;

(b) written agreement of the Parties to terminate; and

(c) termination of the NLDA.

4.3 Effect of Termination

(a) Obligations on Termination - When this Agreement terminates:

(i) each Party shall promptly return to the other Party all Confidential Information of the other Party in the possession of such Party, and destroy any internal documents to the extent that they contain any Confidential Information of the other Party (except such internal documents as are reasonably required for the maintenance of proper corporate records and to comply with Applicable Law and for the purposes of the resolution of any Dispute, which shall continue to be held in accordance with the provisions of **Section 6.1**); and

(ii) neither Party shall have any obligation to the other Party in relation to this Agreement or the termination hereof, except as set out in this **Section 4.3**.

(b) Survival - Notwithstanding the termination of this Agreement, the Parties shall be bound by the terms of this Agreement in respect of:

(i) the final settlement of all accounts between the Parties;

(ii) the readjustment of any accounts as a result of the settlement of insurance claims or third party claims after the date of termination;

(iii) any rights, liabilities and obligations arising or accruing under the terms of this Agreement prior to the date of termination or which are expressly stated to survive the termination of this Agreement; and

(iv) any other obligations that survive pursuant to **Section 10.13**.

ARTICLE 5
LIMITATION OF DAMAGES

5.1 No Consequential Loss

Notwithstanding any other provision of this Agreement, in no event shall Nalcor LP or any other member of the Nalcor Group be liable to Emera or any other member of the Emera Group, nor shall Emera or any member of the Emera Group be liable to Nalcor LP or any member of the Nalcor Group, for a decline in market capitalization, increased cost of capital or borrowing, or for any consequential, incidental, indirect or punitive damages, for any reason with respect to any matter arising out of or relating to this Agreement. For the purpose of this **Section 5.1**, lost revenues or profits in relation to the purchase or sale of Energy or Capacity shall not be considered to be consequential, incidental or indirect damages, provided however that a Party must still establish such lost revenues or profits in accordance with Applicable Law.

ARTICLE 6
CONFIDENTIALITY

6.1 Incorporation of Project NDA

The Parties agree that the Project NDA is incorporated in this Agreement by reference and applies to all Confidential Information disclosed by either Party to the other under or in connection with this Agreement, the Party disclosing Confidential Information being a Disclosing Party as defined in the Project NDA, and the Party receiving Confidential Information being a Recipient Party as defined in the Project NDA.

6.2 Disclosure of Agreement

Each Party hereby agrees to the other Party making this Agreement public at any time and from time to time after the Effective Date.

ARTICLE 7
ASSIGNMENT AND CHANGE OF CONTROL

7.1 Nalcor LP Assignment Rights

(a) General - After, but not before, First Commercial Power of the LIL Nalcor LP shall be entitled to assign all or any portion of its interest in this Agreement or any Claim (collectively, the "**Nalcor LP Rights**") to any Person which has become the owner of the whole or any part of the Partnership Interest of Nalcor LP in accordance with the provisions of the NLDA and the LIL LP Agreement.

(b) Agreement to be Bound - No assignment may be made of all or any portion of the Nalcor LP Rights unless Nalcor LP or the assignor thereof obtains the written agreement of all Persons party to the assignment confirming that the transferee thereof shall, from and after the date of the assignment, be bound by the provisions of this Agreement, the assigned Nalcor LP Rights and all such rights and obligations

as if such transferee was Nalcor LP, and shall assume all liabilities for, and in due and proper manner, pay, satisfy, discharge, perform and fulfill all covenants, obligations and liabilities of Nalcor LP or the assignor thereof under this Agreement arising on and in respect of matters occurring after the effective date of the assignment.

(c) Continuing Obligations - Notwithstanding **Section 7.1(b)**, Nalcor LP expressly acknowledges and agrees that it remains liable to Emera as a primary obligor under this Agreement to observe and perform all of the conditions and obligations in this Agreement which Nalcor LP, and as of the effective date of the assignment, the transferee thereof, are bound to observe and perform.

(d) Non-Permitted Assignment - Any assignment in contravention of this **Section 7.1** will be null and void.

7.2 Emera Assignment Rights

(a) General - After, but not before, First Commercial Power of the LIL Emera shall be entitled to assign all or any portion of its interest in this Agreement or any Claim (collectively, the "**Emera Rights**") to any Person which has become the owner of the whole or any part of the Partnership Interest of Emera NL in accordance with the provisions of the NLDA and the LIL LP Agreement.

(b) Agreement to be Bound - No assignment may be made of all or any portion of the Emera Rights unless Emera or the assignor thereof obtains the written agreement of all Persons party to the assignment confirming that the transferee thereof shall, from and after the date of the assignment, be bound by the provisions of this Agreement, the assigned Emera Rights and all such rights and obligations as if such transferee was Emera, and shall assume all liabilities for, and in due and proper manner, pay, satisfy, discharge, perform and fulfill all covenants, obligations and liabilities of Emera or the assignor thereof under this Agreement arising on and in respect of matters occurring after the effective date of the assignment.

(c) Continuing Obligations - Notwithstanding **Section 7.2(b)**, Emera expressly acknowledges and agrees that it remains liable to Nalcor LP as a primary obligor under this Agreement to observe and perform all of the conditions and obligations in this Agreement which Emera, and as of the effective date of the assignment, the transferee thereof, are bound to observe and perform.

(d) Non-Permitted Assignment - Any assignment in contravention of this **Section 7.2** will be null and void.

ARTICLE 8
DISPUTE RESOLUTION

8.1 **General**

(a) Dispute Resolution Procedure - The Parties agree to resolve all Disputes pursuant to the dispute resolution procedure set out in Schedule 7 to the NLDA (the "**Dispute Resolution Procedure**").

(b) Performance to Continue - Each Party shall continue to perform all of its obligations under this Agreement during any negotiations or dispute resolution proceedings pursuant to this **Article 8**, without prejudice to either Party's rights pursuant to this Agreement.

ARTICLE 9
REPRESENTATIONS AND WARRANTIES

9.1 **Nalcor LP Representations and Warranties**

Nalcor LP represents and warrants to Emera that, as of the Effective Date:

(a) it is duly organized and validly existing under the Applicable Law of the jurisdiction of its formation and is qualified to conduct its business to the extent necessary in each jurisdiction in which it will perform its obligations under this Agreement;

(b) the execution, delivery and performance of this Agreement are within its powers, have been duly authorized by all necessary corporate action on the part of Nalcor LP and do not violate any of the terms and conditions in its governing documents, any contracts to which it is a party or any Applicable Law;

(c) this Agreement has been duly executed and delivered on its behalf by its appropriate officers and constitutes its legally valid and binding obligation enforceable against it in accordance with its terms, except as the enforceability thereof may be limited by (i) bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (ii) general principles of equity whether considered in a proceeding in equity or at law;

(d) no Insolvency Event has occurred, is pending or being contemplated by it or, to its Knowledge, threatened against it;

(e) except as disclosed by it to Emera on or before the Effective Date, there are no Legal Proceedings pending or, to its Knowledge, threatened against it that may materially adversely affect its ability to perform its obligations under this Agreement;

(f) no consent or other approval, order, authorization or action by, or filing with, any Person is required to be made or obtained by such Party for such Party's lawful execution, delivery and performance of this Agreement, except for (i) such consents,

approvals, authorizations, actions and filings that have been made or obtained prior to the date hereof, (ii) such consents, approvals, authorizations, actions and filings the failure of which would not have, or could not reasonably be expected to have, a material adverse effect on such Party's ability to perform its obligations under this Agreement and (iii) the Regulatory Approvals; and

(g) it does not have any liability or obligation to pay any fees or commissions to any broker, finder or agent with respect to the transactions contemplated by this Agreement.

9.2 **Emera Representations and Warranties**

Emera represents and warrants to Nalcor LP that, as of the Effective Date:

(a) it is duly organized and validly existing under the Applicable Law of the jurisdiction of its formation and is qualified to conduct its business to the extent necessary in each jurisdiction in which it will perform its obligations under this Agreement;

(b) the execution, delivery and performance of this Agreement are within its powers, have been duly authorized by all necessary corporate action on the part of Emera and do not violate any of the terms and conditions in its governing documents, any contracts to which it is a party or any Applicable Law;

(c) this Agreement has been duly executed and delivered on its behalf by its appropriate officers and constitutes its legally valid and binding obligation enforceable against it in accordance with its terms, except as the enforceability thereof may be limited by (i) bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (ii) general principles of equity whether considered in a proceeding in equity or at law;

(d) no Insolvency Event has occurred, is pending or being contemplated by it or, to its Knowledge, threatened against it;

(e) there are no Legal Proceedings pending or, to its Knowledge, threatened against it that may materially adversely affect its ability to perform its obligations under this Agreement;

(f) no consent or other approval, order, authorization or action by, or filing with, any Person is required to be made or obtained by such Party for such Party's lawful execution, delivery and performance of this Agreement, except for (i) such consents, approvals, authorizations, actions and filings that have been made or obtained prior to the date hereof, (ii) such consents, approvals, authorizations, actions and filings the failure of which would not have, or could not reasonably be expected to have, a material adverse effect on such Party's ability to perform its obligations under this Agreement and (iii) the Regulatory Approvals; and

(g) it does not have any liability or obligation to pay any fees or commissions to any broker, finder or agent with respect to the transactions contemplated by this Agreement.

ARTICLE 10
MISCELLANEOUS PROVISIONS

10.1 Notices

Notices, where required herein, shall be in writing and shall be sufficiently given if delivered personally or by courier or sent by electronic mail or facsimile transmission, directed as follows:

To Nalcor LP:

Labrador-Island Link Holding Corporation
500 Columbus Drive
P.O. Box 12800
St. John's, NL
A1B 0C9
Attention: Chief Executive Officer
Fax: (709) 737-1782

with a copy to:

Nalcor Energy
500 Columbus Drive
P.O. Box 12800
St. John's, NL
A1B 0C9
Attention: Corporate Secretary
Fax: (709) 737-1782

To Emera:

Emera Inc.
1223 Lower Water Street
Halifax, NS
B3J 3S8
Attention: Corporate Secretary
Fax: (902) 428-6112

with a copy to:

Emera Newfoundland and Labrador Inc.
9 Austin Street
St. John's, NL
A1B 4C1
Attention: President
Fax: (709) 722-2083

Such Notice shall (i) if delivered personally or by courier, be deemed to have been given or made on the day of delivery, and (ii) if sent by electronic mail or facsimile transmission and confirmed by a copy immediately sent by courier, be deemed to have been given or made on the day it was successfully transmitted by electronic mail or facsimile transmission as evidenced by automatic confirmation of receipt; provided however that if in any case such day is not a Business Day or if the Notice is received after Regular Business Hours (time and place of receipt), the Notice shall be deemed to have been given or made on the next Business Day. Either Party may change its address or fax number hereunder from time to time by giving Notice of such change to the other Party.

10.2 Prior Agreements

This Agreement supersedes all prior communications, understandings, negotiations and agreements between the Parties, whether oral or written, express or implied with respect to the subject matter hereof. There are no representations, warranties, collateral agreements or conditions affecting this Agreement other than as expressed herein. Each of the Parties further acknowledges and agrees that, in entering into this Agreement, it has not in any way relied upon any oral or written agreements, representations, warranties, statements, promises, information, arrangements or understandings, expressed or implied, not specifically set forth in this Agreement or the other Formal Agreements.

10.3 Counterparts

This Agreement may be executed in counterparts, each of which when so executed shall be deemed to be an original, and such counterparts together shall constitute but one and the same instrument. Signatures delivered by facsimile or electronic mail shall be deemed for all purposes to be original counterparts of this Agreement.

10.4 Expenses of Parties

Except as otherwise provided herein, each Party shall bear its own costs and expenses in connection with all matters relating to this Agreement, including the costs and expenses of its legal, tax, technical and other advisors.

10.5 Announcements

No announcement with respect to this Agreement shall be made by either Party without the prior approval of the other Party. The foregoing shall not apply to any announcement by a Party required in order to comply with Applicable Law; provided that such Party consults with

the other Party before making any such announcement and gives due consideration to the views of the other Party with respect thereto. Both Parties shall use reasonable efforts to agree on the text of any proposed announcement.

10.6 Relationship of the Parties

The Parties hereby disclaim any intention to create by this Agreement any partnership, joint venture, association, trust or fiduciary relationship between them. Except as expressly provided herein, neither this Agreement nor any other agreement or arrangement between the Parties shall be construed or considered as creating any such partnership, joint venture, association, trust or fiduciary relationship, or as constituting either Party as the agent or legal representative of the other Party for any purpose nor to permit either Party to enter into agreements or incur any obligations for or on behalf of the other Party.

10.7 Further Assurances

Each of the Parties shall, from time to time, do all such acts and things and execute and deliver, from time to time, all such further documents and assurances as may be reasonably necessary to carry out and give effect to the terms of this Agreement.

10.8 Severability

If any provision of this Agreement is determined by a court of competent jurisdiction to be wholly or partially illegal, invalid, void, voidable or unenforceable in any jurisdiction for any reason, such illegality, invalidity or unenforceability shall not affect the legality, validity and enforceability of the balance of this Agreement or its legality, validity or enforceability in any other jurisdiction. If any provision is so determined to be wholly or partially illegal, invalid or unenforceable for any reason, the Parties shall negotiate in good faith a new legal, valid and enforceable provision to replace such illegal, invalid or unenforceable provision, which, as nearly as practically possible, has the same effect as the illegal, invalid or unenforceable provision.

10.9 Time of the Essence

Time shall be of the essence.

10.10 Amendments

No amendment or modification to this Agreement shall be effective unless it is in writing and signed by both Parties.

10.11 No Waiver

Any failure or delay of either Party to enforce any of the provisions of this Agreement or to require compliance with any of its terms at any time during the Term shall not affect the validity of this Agreement, or any part hereof, and shall not be deemed a waiver of the right of such Party thereafter to enforce any and each such provision. Any consent or approval given by a Party pursuant to this Agreement shall be limited to its express terms and shall not

otherwise increase the obligations of the Party giving such consent or approval or otherwise reduce the obligations of the Party receiving such consent or approval.

10.12 No Third Party Beneficiaries

Except as otherwise provided herein or permitted hereby, this Agreement is not made for the benefit of any Person not a party to this Agreement, and no Person other than the Parties or their respective successors and permitted assigns shall acquire or have any right, remedy or claim under or by virtue of this Agreement.

10.13 Survival

All provisions of this Agreement that expressly or by their nature are intended to survive the termination (however caused) of this Agreement, including covenants, warranties, guarantees, releases and indemnities, continue as valid and enforceable rights and obligations (as the case may be) of the Parties, notwithstanding any such termination, until they are satisfied in full or by their nature expire.

10.14 Waiver of Sovereign Immunity

A Party that now or hereafter has a right to claim sovereign immunity for itself or any of its assets hereby waives any such immunity to the fullest extent permitted by Applicable Law. This waiver includes immunity from (a) any proceedings under the Dispute Resolution Procedure; (b) any judicial, administrative or other proceedings to aid the Dispute Resolution Procedure; and (c) any confirmation, enforcement or execution of any decision, settlement, award, judgment, service of process, execution order or attachment (including pre-judgment attachment) that results from the Dispute Resolution Procedure or any judicial, administrative or other proceedings commenced pursuant to this Agreement. Each Party acknowledges that its rights and obligations under this Agreement are of a commercial and not a governmental nature.

10.15 Successors and Assigns

This Agreement shall be binding upon and enure to the benefit of the Parties and their respective successors and permitted assigns.

[Remainder of this page intentionally left blank.]

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first written above.

LABRADOR-ISLAND LINK HOLDING CORPORATION

By: _____
Name:
Title:

By: _____
Name:
Title:

We have authority to bind the corporation.

EMERA INC.

By: _____
Name:
Title:

By: _____
Name:
Title:

We have authority to bind the company.

NEWFOUNDLAND AND LABRADOR DEVELOPMENT AGREEMENT (NLDA)

SCHEDULE 11

NALCOR EQUITY FUNDING AGREEMENT

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NALCOR EQUITY FUNDING AGREEMENT

THIS NALCOR EQUITY FUNDING AGREEMENT ("**Agreement**") is made effective the ● day of ●, 201● (the "**Effective Date**")

BETWEEN:

LABRADOR-ISLAND LINK HOLDING CORPORATION ("**Nalcor LP**")

- and -

LABRADOR-ISLAND LINK LIMITED PARTNERSHIP (the "**Partnership**") acting by its general partner, **LABRADOR-ISLAND LINK GENERAL PARTNER CORPORATION** (the "**General Partner**")

NOW THEREFORE this Agreement witnesses that in consideration of the mutual covenants and agreements hereinafter contained the Parties, intending to be legally bound, agree as follows:

ARTICLE 1
INTERPRETATION

1.1 Definitions

In this Agreement and, subject to **Section 1.2(i)**, in the Appendices, capitalized terms which are defined in the NLDA and are not otherwise defined herein have the meanings ascribed thereto in the NLDA when used in this Agreement and the following terms shall have the meanings set forth below:

"**Agreement**" means this agreement, including all Appendices, as it may be modified, amended, supplemented or restated by written agreement between the Parties;

"**Cash Call**" means the process described in **Appendix A**, provided however that Cash Calls shall in all cases be limited to amounts required to fund LIL Development Activities not otherwise funded by way of the Financing;

"**Cash Call Amount**" has the meaning set forth in **Appendix A**;

"**Cash Call Due Date**" has the meaning set forth in **Appendix A**;

"**Cash Call Period**" has the meaning set forth in **Appendix A**;

"**Funding Amounts**" has the meaning set forth in **Appendix A**;

"**Knowledge**" means in the case of either Party, as applicable, the actual knowledge of any of the executive officers of such Party and other facts or matters that such executive officers could reasonably be expected to discover or otherwise become aware of in the course of performing their ordinary responsibility as executive officers of such Party;

"**LIL LP Agreement**" means an agreement dated July 31, 2012 between Labrador-Island Link General Partner Corporation, as general partner, and Labrador-Island Link Holding Corporation, as limited partner, providing for the establishment and operation of the Labrador-Island Link Limited Partnership;

"**Nalcor LP Default**" has the meaning set forth in **Section 7.1**;

"**Nalcor LP Rights**" has the meaning set forth in **Section 6.2(a)**;

"**Newfoundland and Labrador Development Agreement**" or "**NLDA**" means the agreement between Nalcor, Emera Inc. and other parties relating, among other things, to the development of the Labrador-Island Link;

"**Partnership Default**" has the meaning set forth in **Section 7.3**;

"**Partnership Rights**" has the meaning set forth in **Section 6.1**;

"**Party**" means a Person party to this Agreement; and

"**Quarterly Report**" has the meaning set forth in **Appendix A**;

1.2 Construction of Agreement

(a) Interpretation Not Affected by Headings, etc. - The division of this Agreement into articles, Sections and other subdivisions, the provision of a table of contents and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement. Unless otherwise indicated, all references to an "**Article**", "**Section**" or "**Appendix**" followed by a number and/or a letter refer to the specified article, section or appendix of this Agreement. The terms "**this Agreement**", "**hereof**", "**herein**", "**hereby**", "**hereunder**" and similar expressions refer to this Agreement and not to any particular Article or Section hereof. All references to a given agreement, instrument or other document shall be a reference to that agreement, instrument or other document as modified, amended, supplemented and restated through the date as of which such reference is made.

(b) Singular/Plural; Derivatives - Whenever the singular or masculine or neuter is used in this Agreement, it shall be interpreted as meaning the plural or feminine or body politic or corporate, and vice versa, as the context requires. Where a term is defined herein, a capitalized derivative of such term has a corresponding meaning unless the context otherwise requires.

(c) "Including" - The word "including", when used in this Agreement, means "including without limitation".

(d) Accounting References - Where the character or amount of any asset or liability or item of income or expense is required to be determined, or any consolidation or other accounting computation is required to be made for the purposes of this Agreement, the same shall be done in accordance with Canadian GAAP except where the application of such principles is inconsistent with, or limited by, the terms of this Agreement.

(e) Currency - Unless otherwise indicated, all dollar amounts referred to in this Agreement (including the Appendices) are in lawful money of Canada.

(f) Trade Meanings - Terms and expressions that are not specifically defined in this Agreement, but which have generally accepted meanings in the custom, usage and literature of the electricity industry in Canada as of the date of this Agreement, shall have such generally accepted meanings when used in this Agreement, unless otherwise specified elsewhere in this Agreement.

(g) Statutory References - Any reference in this Agreement to a statute shall include, and shall be deemed to be, a reference to such statute and to the regulations made pursuant thereto, and all amendments made thereto (including changes to section numbers referenced herein) and in force from time to time, and to any statute or regulation that may be passed that has the effect of supplementing or replacing the statute so referred to or the regulations made pursuant thereto, and any reference to an order, ruling or decision shall be deemed to be a reference to such order, ruling or decision as the same may be varied, amended, modified, supplemented or replaced from time to time.

(h) Terms Defined in Appendices - Terms defined in an Appendix or part of an Appendix to this Agreement shall, unless otherwise specified in such Appendix or part of an Appendix or elsewhere in this Agreement, have the meaning set forth only in such Appendix or such part of such Appendix.

(i) Calculation of Time - Where, in this Agreement, a period of time is specified or calculated from or after a date or event, such period is to be calculated excluding such date or the date on which such event occurs, as the case may be, and including the date on which the period ends.

(j) Time Falling on Non-Business Day - Whenever the time for doing something under this Agreement falls on a day that is not a Business Day such action is to be taken on the first following Business Day.

(k) No Drafting Presumption - The Parties acknowledge that their respective legal advisors have reviewed and participated in settling the terms of this Agreement and agree that any rule of construction to the effect that any ambiguity is to be resolved against the drafting Party shall not apply to the interpretation of this Agreement.

(l) Approvals, etc. - Except where otherwise expressly provided herein, whenever an action referred to in this Agreement is to be "approved" or "determined" by a Party or requires a Party's "consent", then

(i) such approval, determination or consent by a Party must be in writing, and

(ii) such Party shall be free to take such action having regard to that Party's own interests, in its sole and absolute discretion.

1.3 Conflicts Between Parts of Agreement

If there is any conflict or inconsistency between a provision of the body of this Agreement and that of an Appendix or any document delivered pursuant to this Agreement, the provision of the body of this Agreement shall prevail.

1.4 Applicable Law and Submission to Jurisdiction

This Agreement shall be governed by and construed in accordance with the laws of NL and the Federal laws of Canada applicable therein, but excluding all choice-of-law provisions. Subject to **Article 8**, the Parties irrevocably consent and submit to the exclusive jurisdiction of the courts of the Province of Newfoundland and Labrador with respect to all matters relating to this Agreement, subject to any right of appeal to the Supreme Court of Canada. Each Party waives any objection that it may now or hereafter have to the determination of venue of any proceeding in such courts relating to this Agreement or that it may now or hereafter have that such courts are an inconvenient forum.

1.5 Appendices

Appendix A – Cash Call Procedure

ARTICLE 2
SUBSCRIPTION

2.1 Addressee of Cash Calls

On and after the date hereof until Commissioning of the LIL, whenever a Cash Call is made by the Partnership, such Cash Call shall be addressed only to Nalcor LP.

2.2 Payment of Cash Call

Upon receipt of such a Cash Call, Nalcor LP, at its option, on or before the relevant Cash Call Due Date or such later date as may be agreed between the General Partner and Nalcor LP, shall pay or cause to be paid the full amount of such Cash Call provided that in each instance, Nalcor LP shall be liable in full to the Partnership for the payment being made on the due date in accordance with the Cash Call.

2.3 Credit to Relevant Capital Account

Upon receipt of payment of a Cash Call, the Partnership shall:

(a) add an amount equal to the amount paid by Nalcor LP to the Class A Limited Unit Capital Account (or to the Class C Limited Unit Capital Account, if the Cash Call was in respect to a Cost Overrun);

(b) add an amount equal to the amount paid by another Limited Partner, if applicable, to the appropriate Capital Account; and

(c) confirm receipt of the funds by Notice to the Limited Partners, as appropriate.

2.4 Agreement

Nalcor LP's obligations under this Agreement are irrevocable.

2.5 Cost Overruns

(a) If a Cost Overrun is contemplated or occurs which in the opinion of the General Partner, acting reasonably, is of a nature such that it can be expected that the PUB or other Authorized Authority will allow the amount of such Cost Overrun to be included in the Capital Costs of the LIL, the General Partner shall add the appropriate portion of such Cost Overrun to a request for a Capital Contribution, in money, made to the holder of the Class A Limited Units in accordance with **Appendix A.**

(b) (i) If a Cost Overrun is contemplated or occurs which in the opinion of the General Partner, acting reasonably, is of a nature such that it can be expected that the PUB or other Authorized Authority will not allow the amount of such Cost Overrun to be included in the Capital Costs of the LIL; or

(ii) if and to the extent that the PUB or other Authorized Authority declines to add to the Capital Costs of the LIL a Cost Overrun referred to in **Section 2.5(a)**,

the General Partner shall give notice thereof to the holder of the Class A Limited Units, which shall thereupon subscribe and pay for such number of Class C Limited Units, at $1.00 per Class C Limited Unit, as will provide the Partnership with cash equal to the amount of the Cost Overrun (an "**Overrun Contribution**"). An Overrun Contribution shall be credited to the Class C Limited Unit Capital Account.

(c) If an Overrun Contribution is made, the General Partner shall promptly return to the holder of the Class A Limited Units and the Class B Limited Units an amount equal to their respective contributions, if any, to the Cost Overrun.

(d) If a Cost Overrun referred to in **Section 2.5(b)(i)** occurs, but the PUB or other Authorized Authority subsequently allows the amount of such Cost Overrun to be added to the Capital Costs of the LIL, the Partnership shall return the appropriate amount of capital in respect of the Class C Limited Units and the Cost Overrun shall be dealt with as provided in **Section 2.5(a)**.

ARTICLE 3
REPRESENTATIONS AND WARRANTIES

3.1 Nalcor LP

Nalcor LP represents, warrants, covenants and agrees as of the Effective Date that:

(a) Nalcor LP is and shall continue to be a Wholly-Owned Subsidiary of Nalcor;

(b) Nalcor LP is and shall continue to be a corporation validly incorporated under the laws of NL and is and shall continue to be validly subsisting under the laws of, and is qualified to conduct its business in, NL;

(c) Nalcor LP is operating in NL, for securities law purposes is resident only in NL, and has its sole permanent establishment for provincial income tax purposes in NL;

(d) Nalcor LP has the capacity and authority to enter into and perform its obligations under this Agreement;

(e) Nalcor LP has full power and authority to execute this Agreement and all other agreements contemplated hereby required to be executed by it and to take all actions required pursuant hereto, and has obtained all necessary approvals of its directors and shareholders and such execution and the performance of its obligations under this Agreement do not and shall not conflict with or constitute a default under its articles, by-laws or any agreement by which it is bound; and

(f) Nalcor LP has duly authorized, executed and delivered this Agreement and this Agreement constitutes a legal, valid and binding obligation of Nalcor LP enforceable against Nalcor LP in accordance with its terms, except as the enforceability thereof may be limited by:

(i) bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally; and

(ii) general principles of equity whether considered in a proceeding in equity or at law.

3.2 Survival of Representations, Warranties and Covenants

The representations, warranties and covenants made pursuant to this **Article 3** above shall survive execution of this Agreement, and Nalcor LP covenants and agrees to ensure that

each representation, warranty and covenant made pursuant to this **Article 3** remains true so long as it remains a Partner.

ARTICLE 4
CONFIDENTIALITY

4.1 **Confidentiality**

(a) The Parties hereby agree that the confidentiality provisions contained at Article 13 of the LIL LP Agreement shall apply to the terms of this Agreement, *mutatis mutandis*.

(b) Each Party hereby agrees to the other Party making this Agreement public at any time and from time to time after the Effective Date.

ARTICLE 5
TERMINATION

5.1 **Termination**

This Agreement shall be in full force and effect from the Effective Date until the earliest of:

(a) the date specified in a written agreement of the Parties to terminate, provided however that for so long as any amounts are outstanding under the Financing or the Partnership has the right to draw under the terms thereof, the Parties shall not terminate this Agreement; and

(b) the dissolution of the Partnership.

ARTICLE 6
CHANGE OF CONTROL

6.1 **Partnership Assignment Rights**

The Partnership shall be entitled to assign without the prior written consent of Nalcor LP all or any portion of its interest in this Agreement or any other agreement relating to any of the foregoing (collectively, the "**Partnership Rights**") only in connection with any Financing.

6.2 **Nalcor LP Assignment Rights**

(a) General - Nalcor LP shall not be entitled to assign all or any portion of its interest in the Partnership, this Agreement, any claim or any other agreement relating to any of the foregoing (collectively, the "**Nalcor LP Rights**") without the prior written consent of the Partnership, which consent may be arbitrarily withheld.

(b) Agreement to be Bound - No assignment may be made of all or any portion of the Nalcor LP Rights by Nalcor LP unless Nalcor LP obtains the written agreement of all

Persons party to the assignment confirming that such Person shall, from and after the date of the assignment, be bound by the provisions of the assigned Nalcor LP Rights and all other relevant agreements affecting the Partnership and any Financing of the Partnership.

(c) Change of Control - A change in the direct or indirect shareholders of or shareholdings in an Nalcor LP Affiliate that would result in such Nalcor LP Affiliate no longer being a Nalcor LP Affiliate will be deemed to be an assignment of Nalcor LP Rights requiring the prior written consent of the Partnership pursuant to **Section 6.2(a)**, which consent may be arbitrarily withheld.

ARTICLE 7
DEFAULT BY NALCOR LP

7.1 Nalcor LP Events of Default

The occurrence of one or more of the following events shall constitute a default by Nalcor LP under this Agreement (a "**Nalcor LP Default**"):

(a) Nalcor LP is in default under this Agreement with respect to the payment of a Cash Call;

(b) Nalcor LP is in default or in breach of any other term, condition or obligation under this Agreement and, if the default or breach is capable of being cured, it continues for 30 days after the receipt by Nalcor LP of Notice thereof from the Partnership, unless the cure reasonably requires a longer period and Nalcor LP is diligently pursuing the cure, and it is cured within such longer period of time as is agreed by the Partnership;

(c) any representation or warranty made by Nalcor LP in this Agreement is false or misleading in any material respect;

(d) Nalcor LP or Nalcor ceases to carry on all or substantially all of its business or, except as permitted hereunder, transfers all or substantially all of its undertaking and assets; or

(e) any Insolvency Event occurs with respect to Nalcor LP or Nalcor.

7.2 Partnership Remedies upon Nalcor LP Event of Default

(a) General - Upon the occurrence of a Nalcor LP Default and at any time thereafter, provided the Partnership is in material compliance with its obligations under this Agreement and provided a right, remedy or recourse is not expressly stated in this Agreement as being the sole and exclusive right, remedy or recourse:

(i) the Partnership shall be entitled to exercise all or any of its rights, remedies or recourse available to it under this Agreement, the LIL LP Agreement or otherwise available at law or in equity; and

(ii) the rights, remedies and recourse available to the Partnership are cumulative and may be exercised separately or in combination.

(b) Remedies Unaffected - The exercise of, or failure to exercise, any available right, remedy or recourse does not preclude the exercise of any other rights, remedies or recourse or in any way limit such rights, remedies or recourse.

(c) Damages - The Partnership may recover all damages suffered by the Partnership that are due to a Nalcor LP Default, including, for the avoidance of doubt, any costs or expenses (including legal fees and expenses on a solicitor and his or her own client basis) reasonably incurred by the Partnership to recover any amounts owed to the Partnership by Nalcor or Nalcor LP under this Agreement, the LIL LP Agreement or any guarantee given be either of them.

(d) Guarantees - Upon the occurrence of a Nalcor LP Default, the Partnership may exercise and enforce any and all rights and remedies under any guarantee of performance or financial assurances held by the Partnership.

7.3 Partnership Events of Default

The occurrence of one or more of the following events shall constitute a default by the Partnership under this Agreement (a "**Partnership Default**"):

(a) the Partnership is in default or in breach of any term, condition or obligation under this Agreement, and, if the default or breach is capable of being cured, it continues for 30 days after the receipt by the Partnership of Notice thereof from Nalcor LP, unless the cure reasonably requires a longer period and the Partnership is diligently pursuing the cure, and it is cured within such longer period of time as is agreed by Nalcor LP;

(b) the Partnership ceases to carry on all or substantially all of its business or, except as permitted hereunder, transfers all or substantially all of its undertaking and assets; or

(c) any Insolvency Event occurs with respect to the Partnership.

7.4 Nalcor LP Remedy upon Partnership Event of Default

(a) General - Upon the occurrence of a Partnership Default and at any time thereafter, provided Nalcor LP is in material compliance with its obligations under this Agreement and provided a right, remedy or recourse is not expressly stated in this Agreement as being the sole and exclusive right, remedy or recourse:

(i) subject to the terms of the Financing Documents, Nalcor LP shall no longer be required to perform any of its obligations hereunder, including for avoidance of doubt, the obligation to fund Cash Calls, and shall be entitled to exercise all or any of its rights, remedies or recourse available to it under this Agreement, the LIL LP Agreement or otherwise available at law or in equity; and

(ii) the rights, remedies and recourse available to Nalcor LP are cumulative and may be exercised separately or in combination.

(b) Remedies Unaffected - The exercise of, or failure to exercise, any available right, remedy or recourse does not preclude the exercise of any other rights, remedies or recourse or in any way limit such rights, remedies or recourse.

(c) Damages - Nalcor LP may recover all damages suffered by Nalcor LP that are due to a Partnership Default, including, for the avoidance of doubt, any costs or expenses (including legal fees and expenses on a solicitor and his or her own client basis) reasonably incurred by Nalcor LP to recover any amounts owed to Nalcor LP by the Partnership under this Agreement or the LIL LP Agreement.

ARTICLE 8
DISPUTE RESOLUTION

8.1 General

The Parties agree to resolve all Disputes in accordance with Article 15 of the LIL LP Agreement.

ARTICLE 9
MISCELLANEOUS PROVISIONS

9.1 Notices

Notices, where required herein, shall be in writing and shall be sufficiently given if delivered personally or by courier or sent by electronic mail or facsimile transmission, directed as follows:

To Nalcor LP:

c/o Nalcor Energy
500 Columbus Drive
P.O. Box 12800
St. John's, NL A1B 0C9
Attention: Chief Executive Officer
Fax: (709) 737-1782

with a copy to:

To the Partnership c/o the General Partner:

Labrador-Island Link General Partner Corporation
c/o Nalcor Energy
500 Columbus Drive
P.O. Box 12800
St. John's, NL A1B 0C9
Attention: Chief Executive Officer
Fax: (709) 737-1782

Such Notice shall (i) if delivered personally or by courier, be deemed to have been given or made on the day of delivery, and (ii) if sent by electronic mail or facsimile transmission and confirmed by a copy immediately sent by courier, be deemed to have been given or made on the day it was successfully transmitted by electronic mail or facsimile transmission as evidenced by automatic confirmation of receipt, provided however that if in any case such day is not a Business Day or if the Notice is received after Regular Business Hours (time and place of receipt), the Notice shall be deemed to have been given or made on the next Business Day. Either Party may change its address or fax number hereunder from time to time by giving Notice of such change to the other Party.

9.2 Counterparts

This Agreement may be executed in counterparts, each of which when so executed shall be deemed to be an original, and such counterparts together shall constitute but one and the same instrument. Signatures delivered by facsimile or electronic mail shall be deemed for all purposes to be original counterparts of this Agreement.

9.3 Announcements

No announcement with respect to this Agreement shall be made by either Party without the prior approval of the other Party. The foregoing shall not apply to any announcement by a Party required in order to comply with Applicable Law; provided that such Party consults with the other Party before making any such announcement and gives due consideration to the views of the other Party with respect thereto. Both Parties shall use reasonable efforts to agree on the text of any proposed announcement.

9.4 Further Assurances

Each of the Parties shall, from time to time, do all such acts and things and execute and deliver, from time to time, all such further documents and assurances as may be reasonably necessary to carry out and give effect to the terms of this Agreement.

9.5 Severability

If any provision of this Agreement is determined by a court of competent jurisdiction to be wholly or partially illegal, invalid, void, voidable or unenforceable in any jurisdiction for any

reason, such illegality, invalidity or unenforceability shall not affect the legality, validity and enforceability of the balance of this Agreement or its legality, validity or enforceability in any other jurisdiction. If any provision is so determined to be wholly or partially illegal, invalid or unenforceable for any reason, the Parties shall negotiate in good faith a new legal, valid and enforceable provision to replace such illegal, invalid or unenforceable provision, which, as nearly as practically possible, has the same effect as the illegal, invalid or unenforceable provision.

9.6 Time of the Essence

Time shall be of the essence.

9.7 Amendments

Subject to the Financing Documents, no amendment or modification to this Agreement shall be effective unless it is in writing and signed by both Parties.

9.8 No Waiver

Any failure or delay of either Party to enforce any of the provisions of this Agreement or to require compliance with any of its terms at any time during the term shall not affect the validity of this Agreement, or any part hereof, and shall not be deemed a waiver of the right of such Party thereafter to enforce any and each such provision. Any consent or approval given by a Party pursuant to this Agreement shall be limited to its express terms and shall not otherwise increase the obligations of the Party giving such consent or approval or otherwise reduce the obligations of the Party receiving such consent or approval.

9.9 No Third Party Beneficiaries

Except as otherwise provided herein or permitted hereby, this Agreement is not made for the benefit of any Person not a party to this Agreement, and no Person other than the Parties or their respective successors and permitted assigns shall acquire or have any right, remedy or claim under or by virtue of this Agreement.

9.10 Waiver of Sovereign Immunity

A Party that now or hereafter has a right to claim sovereign immunity for itself or any of its assets hereby waives any such immunity to the fullest extent permitted by Applicable Law. This waiver includes immunity from (a) any proceedings under the Dispute Resolution Procedure; (b) any judicial, administrative or other proceedings to aid the Dispute Resolution Procedure; and (c) any confirmation, enforcement or execution of any decision, settlement, award, judgment, service of process, execution order or attachment (including pre-judgment attachment) that results from the Dispute Resolution Procedure or any judicial, administrative or other proceedings commenced pursuant to this Agreement. Each Party acknowledges that its rights and obligations under this Agreement are of a commercial and not a governmental nature.

9.11 Survival

All provisions of this Agreement that expressly or by their nature are intended to survive the termination (however caused) of this Agreement, including covenants, warranties, guarantees, releases and indemnities, continue as valid and enforceable rights and obligations (as the case may be) of the Parties, notwithstanding any such termination, until they are satisfied in full or by their nature expire.

9.12 Successors and Assigns

This Agreement shall be binding upon and enure to the benefit of the Parties and their respective successors and permitted assigns.

[Remainder of this page intentionally left blank.]

IN WITNESS WHEREOF the Parties have executed this Agreement as of the date first written above.

LABRADOR-ISLAND LINK HOLDING CORPORATION

By: _____
Name:
Title:

By: _____
Name:
Title:

We have authority to bind the corporation.

LABRADOR-ISLAND LINK LIMITED PARTNERSHIP
acting by its general partner, **LABRADOR-ISLAND LINK GENERAL PARTNER CORPORATION**

By: _____
Name:
Title:

By: _____
Name:
Title:

We have authority to bind the corporation.

Appendix A
to the Nalcor Equity Funding Agreement

CASH CALL PROCEDURE

CASH CALL PROCEDURE

1. In order to facilitate cash flow planning for the Partnership and the Limited Partners, and to ensure the timely availability of funds required to enable the Partnership to pay for the LIL Development Activities ("**Funding Amounts**"), the General Partner shall provide to the Limited Partners, no later than the last Business Day of each of March, June, September and December, a report (each a "**Quarterly Report**") setting forth a forecast of required:

   (a) Funding Amounts for the entire 15 month period (commencing on the first day after the date referred to above) covered by the Quarterly Report containing forecasted monthly Funding Amounts for each of the first six calendar months and the quarterly Funding Amounts for the remaining period; and

   (b) Cash Call Amounts required of each Limited Partner for the first six calendar months covered by the Quarterly Report,

   expressed in each applicable currency.

2. On a monthly basis, or whenever the General Partner determines that it is appropriate to do so, the General Partner shall give to the holders of the Class A Limited Units (and, if any Class B Limited Units are then issued and outstanding, shall concurrently give a copy to the holders of the Class B Limited Units) a Notice of requirement to pay (each a "**Cash Call**") setting out the amounts and currencies of funds which must be paid by such Unitholder as its contribution to Funding Amounts (the "**Cash Call Amount**"). For certainty, the General Partner shall, forthwith after LIL Sanction and the issue of the Class B Limited Units, make a Cash Call for a Cash Call Amount equal to the amount derived from the calculation set out in Section 5.8(a)(i) of the NLDA.

3. A Cash Call shall detail the required Cash Call Amounts for the calendar month immediately following the calendar month in which the Cash Call is given or such other subsequent period as the General Partner determines is appropriate ("**Cash Call Period**") and shall specify:

   (a) the date on which it is given;

   (b) the Cash Call Period;

   (c) the Cash Call Amount;

   (d) the date on which the Cash Call Amount is due and payable ("**Cash Call Due Date**") (which shall, subject to **Section 4** of this Cash Call Procedure, be the fifth Business Day after the date on which the Cash Call is given or such later date as the General Partner may designate in the Cash Call); and

   (e) the place of payment (which shall be a designated account at a named bank).

4. If the aggregate of Cash Call Amounts in respect of a particular Cash Call Period exceeds 130% of the forecast Cash Call Amount for such Cash Call Period set forth in the most recent Quarterly Report given by the General Partner not fewer than five Business Days prior to the giving of the Cash Call, the due date for such excess shall be the tenth Business Day after the date on which any Cash Call requiring the payment of such excess (or any portion thereof) is given.

5. The Unitholder receiving a Cash Call shall pay, by electronic funds transfer, the Cash Call Amount to the General Partner as general partner for the Partnership, at the place of payment specified in the Cash Call, such that the General Partner receives value for that payment in the designated bank account on or before 10:30 am, St John's, NL time, on the Cash Call Due Date.

6. The General Partner shall credit to the applicable Capital Account an amount equal to the amount received pursuant to the Cash Call with effect as of the date upon which the amount is received by the General Partner in the designated bank account.

7. The holder of the Class A Limited Units acknowledges that timely payment of Cash Call Amounts will be a prerequisite of the Partnership's ability to pay Funding Amounts on a timely basis and, after Financial Close, to comply with the requirements under the Financing Documents to obtain advances under the Financing.

8. Where the Cash Call is in excess of actual Funding Amounts paid by the General Partner in the period covered by that Cash Call, such excess shall be applied to the next Cash Call issued by the General Partner after confirmation of the value of such excess amounts.

NEWFOUNDLAND AND LABRADOR DEVELOPMENT AGREEMENT (NLDA)

SCHEDULE 12

COST ACCOUNTING PROTOCOL

COST ACCOUNTING PROTOCOL

1.0 INTRODUCTION

1.1 Purpose of Protocol - The purpose of this Protocol is to set forth certain principles and guidelines that Nalcor and Emera have agreed shall be adhered to and followed for the purposes of determining the Capital Costs incurred and to be incurred to carry out the Development Activities relating to the LIL and the LTA.

1.2 Protocol Updates - Nalcor and Emera shall review this Protocol during the course of the LIL Project, and may make mutually agreed amendments from time to time to reflect current circumstances, in accordance with the principles and guidelines contained herein. If any such amendments are made, Nalcor and Emera shall cause applicable corresponding amendments to be made to Schedule 1 (Cost Accounting Protocol) to the LIL LP Agreement.

1.3 Application to Affiliates - Each of Nalcor and Emera shall ensure compliance by its Affiliates with the requirements of this Protocol.

2.0 DEFINITIONS

In this Protocol:

"**Accounting Principles**" means the generally accepted set of rules, conventions, standards and procedures for reporting financial information used by a Party to compile its financial statements, including Canadian GAAP and US GAAP;

"**Articles of Agreement**" means the main body of the Agreement;

"**CAP Governed Entity**" means any of Nalcor and Emera and their respective Affiliates that may incur Capital Costs for Development Activities related to the LIL or the LTA;

"**Lower Churchill Projects**" means the several Projects comprised of the design, engineering, construction and commissioning of each of the Muskrat Falls Plant, the Labrador Transmission Assets, the Labrador-Island Link and the Maritime Link;

"**Overhead**" means costs incurred by a CAP Governed Entity in support of its business activities generally, including:

(a) indirect labour and associated benefits in service areas such as administration, general accounting, treasury, tax, human resources, payroll, information systems, research, corporate planning and economics, legal counsel, corporate management, risk management, internal audit, health and safety, office services and other similar functions; and

(b) support service costs such as head office lease payments, leasehold improvements, depreciation charges, heat and light, insurance, property tax and maintenance and similar costs associated with operation and maintenance of facilities and equipment;

"**Project**" means any of the Lower Churchill Projects;

"**Protocol**" means this Cost Accounting Protocol; and

"**US GAAP**" means generally accepted accounting principles as defined by the Financial Accounting Standards Board or its successors, as amended from time to time;

3.0 APPLICATION OF ACCOUNTING PRINCIPLES

3.1 General - This Protocol governs the eligibility and allocation of costs as Capital Costs under the Agreement. It does not prescribe what costs are allowable for capitalization under the Accounting Principles used by a Party. Each Party is solely responsible for determining the accounting treatment of costs under its own Accounting Principles.

3.2 Recording of Costs - Each CAP Governed Entity shall ensure that its accounting records relating to Capital Costs contain adequate information to permit compliance with the CAP Governed Entity's Accounting Principles. To facilitate this, each CAP Governed Entity shall record costs separately in the following categories:

(a) third party costs - goods and services;

(b) costs of financial, legal and other professional advisors;

(c) internal labour and equipment;

(d) internal Overhead allocation;

(e) Financing Costs - equity component of AFUDC;

(f) Financing Costs - debt component; and

(g) other costs.

3.3 Special Requirements - Each CAP Governed Entity shall use commercially reasonable efforts to provide any Party with all information it needs to prepare its accounting records in accordance with its Accounting Principles. If such efforts require the CAP Governed Entity to incur additional costs to support compliance with the Party's Accounting Principles, those costs shall be borne by the Party requesting the reporting or record keeping change.

4.0 CAPITAL COSTS

4.1 Qualification as Capital Costs - Subject to **Section 4.2**, all costs incurred by a CAP Governed Entity that are (or were, in the case of costs incurred prior to the date of the Nalcor Asset Transfer Agreement):

(a) properly incurred in connection with the Development Activities relating to the LIL and LTA;

(b) authorized at the appropriate level of approval for expenditures in accordance with the project policies; and

(c) recorded and, where appropriate, allocated in accordance with this Protocol,

constitute Capital Costs of the LIL or the LTA, as the case may be, for the purposes of the Agreement.

4.2 Exclusions - For greater certainty, Financing Costs are not Capital Costs.

4.3 Examples of Capital Costs - If qualified under **Section 4.1** and not excluded under **Section 4.2**, the following types of costs constitute Capital Costs:

(a) costs associated with goods or services received from a third party;

(b) internal direct labour costs including salary and benefits costs, including:

(i) engineering employee costs;

(ii) project management employee costs; and

(iii) internal support labour costs (e.g. legal);

(c) Overhead incurred in support of Development Activities relating to the LIL and LTA, determined based on actual costs incurred and either allocated to the Actual Capital Costs of the LIL and LTA in accordance with the cost allocation principles contained in this Protocol, or charged directly to the Actual Capital Costs of either the LIL or the LTA as appropriate and consistent with the CAP Governed Entities' respective corporate overhead allocation policies;

(d) costs incurred in connection with agreements with aboriginal groups to permit the LIL and LTA Projects to proceed; and

(e) costs incurred in connection with the environmental assessment and approval process for the LIL and LTA Projects.

The foregoing list is illustrative and not intended to exclude other types of costs from treatment as Capital Costs that meet the criteria set out in **Section 4.1** and are not excluded under **Section 4.2.**

4.4 Reporting - Capital Costs shall be reported on an accrual basis such that reported amounts include verified costs for which the CAP Governed Entity has been invoiced and estimates of costs incurred which have not yet been invoiced, but for which the CAP Governed Entity has legal liability.

5.0 COST ALLOCATION PRINCIPLES AND METHODOLOGY

5.1 General - Each CAP Governed Entity shall adopt and follow a methodology for recording and allocating Capital Costs related to the Transmission Assets that is consistent with the principles, guidelines and requirements set forth in this **Section 5.0**, having regard to Applicable Law and the requirements of applicable Authorized Authorities.

5.2 Objective of Allocation - Proper allocation of costs among the Lower Churchill Projects that derive benefit is essential to appropriate financial measurement and reporting by the

Parties. The allocation methodology applied must result in appropriate capital valuation of each Project for accounting, financial reporting and economic regulatory purposes, and provide clear demonstration of appropriate costs charged to each Project.

5.3 Allocation of Costs - Consistent with the matching concept, costs should be allocated to an object based on a "cause and effect" relationship where the cost is allocated to whatever causes or drives the cost. If the driver of a cost cannot be identified, or identified easily, then the cost should be allocated to the appropriate objects in a fair and equitable manner.

5.4 Allocation Process - Allocation is the process of assigning a single cost to more than one cost object. There are three aspects of cost allocation: (i) choosing the object of costing, (ii) choosing and accumulating the costs that relate to the object of costing, and (iii) choosing an appropriate method of allocating the cost to the object. The objectives of cost allocation require that the allocation:

(a) must have a purpose and be relevant, meaning that the cost should be allocated;

(b) should be equitable, which means that a service was performed, the recipient received a benefit from it, and the cost was reasonable;

(c) should be identifiable or traceable; and

(d) should be supported by a methodology that complies with the applicable Accounting Principles and takes into account regulatory requirements.

5.5 Guiding Principles - A CAP Governed Entity's cost allocation methodology should be:

(a) fair and equitable;

(b) easy to administer and understand;

(c) applied systematically and consistently;

(d) changed only when there is a fundamental change in the delivery and/or application of the service associated with the costs being allocated;

(e) dynamic and flexible to ensure alignment with the matching concept;

(f) accommodate inclusion of new projects sharing a benefit or deriving a specific benefit from the service to which the allocated costs pertain; and

(g) subject to due diligence review pursuant to **Section 5.8**.

5.6 Principles of Application of Allocation Methodology

(a) Costs should be allocated based on factors that most fairly and accurately allocate costs to the drivers of those costs.

(b) The allocation methodology should identify a specific charge to a Project where possible or, where not possible, facilitate cost allocation to that Project.

(c) Cost allocation can be achieved by applying one or more of the following application principles:

(i) *Direct* - Whenever possible, costs directly related to a specific Project should be directly charged to that Project.

(ii) *Availability* - Fixed costs of a service available to more than one Project on an equal basis should be allocated equally to the Projects that derive equal benefit, where a Project is deemed to benefit equally if the service is made available to it, whether the service is used or not.

(iii) *Usage* - Variable costs of a service available to more than one Project should be allocated to Projects based on their usage of the service.

(iv) *Proration* - A proportionate allocation could use financial or volumetric factors representing the magnitude of the Project, acting as a proxy for the amount of effort required to manage or support that Project. For example the annual budget of each Project could form the basis of a proportionate allocation, adjusted periodically, using actual cost as the basis of allocation, if the variance is significant enough to warrant such an adjustment.

(v) *Agreed Split* - Where the amount of service or activity is not material, a reasonable predetermined split should be mutually agreed and applied.

5.7 Identification and Documentation - Any CAP Governed Entity may identify costs to be allocated. Once the need is identified the mechanics of the allocation shall be developed in accordance with this Protocol. The following shall be documented:

(a) identification of the object of the cost;

(b) the source of the cost to be allocated;

(c) the rationale for allocation;

(d) the determination of how much is allocated and frequency of allocation; and

(e) a process for performing periodic due diligence reviews pursuant to **Section 5.8.**

5.8 Due Diligence Process - The foregoing allocation application rules are designed to charge each Project with costs that are allocated based on appropriate cost drivers. To validate that the methodology achieves fair and equitable allocations, Nalcor and Emera shall carry out periodic reviews to revalidate the factors and agreed cost splits used in allocating costs. Reviews will be undertaken by collecting appropriate statistics to assess the cost allocations of each Project in the context of appropriate cost drivers.

5.9 Adjustments - Where an inequitable allocation is identified, a one-time adjustment shall be made to correct the inequity and the particular application mechanics shall be refined to minimize the probability of reoccurrence.

6.0 DISPUTES

Any Dispute relating to a Party's compliance with this Cost Accounting Protocol shall be resolved as a Specified Dispute.

NEWFOUNDLAND AND LABRADOR DEVELOPMENT AGREEMENT (NLDA)

SCHEDULE 13

CASH CALL PROCEDURE

CASH CALL PROCEDURE

1. In order to facilitate cash flow planning for the Partnership and the Limited Partners, and to ensure the timely availability of funds required to enable the Partnership to pay for the LIL Development Activities ("**Funding Amounts**"), the General Partner shall provide to the Limited Partners, no later than the last Business Day of each of March, June, September and December, a report (each a "**Quarterly Report**") setting forth a forecast of required:

   (a) Funding Amounts for the entire 15 month period (commencing on the first day after the date referred to above) covered by the Quarterly Report containing forecasted monthly Funding Amounts for each of the first six calendar months and the quarterly Funding Amounts for the remaining period; and

   (b) Cash Call Amounts required of each Limited Partner for the first six calendar months covered by the Quarterly Report,

   expressed in each applicable currency.

2. On a monthly basis, or whenever the General Partner determines that it is appropriate to do so, the General Partner shall give to the holders of the Class A Limited Units (and, if any Class B Limited Units are then issued and outstanding, shall concurrently give a copy to the holders of the Class B Limited Units) a Notice of requirement to pay (each a "**Cash Call**") setting out the amounts and currencies of funds which must be paid by such Unitholder as its contribution to Funding Amounts (the "**Cash Call Amount**"). For certainty, the General Partner shall, forthwith after LIL Sanction and the issue of the Class B Limited Units, make a Cash Call for a Cash Call Amount equal to the amount derived from the calculation set out in Section 5.8(a)(i) of the Agreement.

3. A Cash Call shall detail the required Cash Call Amounts for the calendar month immediately following the calendar month in which the Cash Call is given or such other subsequent period as the General Partner determines is appropriate ("**Cash Call Period**") and shall specify:

   (a) the date on which it is given;

   (b) the Cash Call Period;

   (c) the Cash Call Amount;

   (d) the date on which the Cash Call Amount is due and payable ("**Cash Call Due Date**") (which shall, subject to **Section 4** of this Cash Call Procedure, be the fifth Business Day after the date on which the Cash Call is given or such later date as the General Partner may designate in the Cash Call); and

   (e) the place of payment (which shall be a designated account at a named bank).

4. If the aggregate of Cash Call Amounts in respect of a particular Cash Call Period exceeds 130% of the forecast Cash Call Amount for such Cash Call Period set forth in the most recent

Quarterly Report given by the General Partner not fewer than five Business Days prior to the giving of the Cash Call, the due date for such excess shall be the tenth Business Day after the date on which any Cash Call requiring the payment of such excess (or any portion thereof) is given.

5. The Unitholder receiving a Cash Call shall pay, by electronic funds transfer, the Cash Call Amount to the General Partner as general partner for the Partnership, at the place of payment specified in the Cash Call, such that the General Partner receives value for that payment in the designated bank account on or before 10:30 am, St John's, NL time, on the Cash Call Due Date.

6. The General Partner shall credit to the applicable Capital Account an amount equal to the amount received pursuant to the Cash Call with effect as of the date upon which the amount is received by the General Partner in the designated bank account.

7. The holder of the Class A Limited Units acknowledges that timely payment of Cash Call Amounts will be a prerequisite of the Partnership's ability to pay Funding Amounts on a timely basis and, after Financial Close, to comply with the requirements under the Financing Documents to obtain advances under the Financing.

8. Where the Cash Call is in excess of actual Funding Amounts paid by the General Partner in the period covered by that Cash Call, such excess shall be applied to the next Cash Call issued by the General Partner after confirmation of the value of such excess amounts.

NEWFOUNDLAND AND LABRADOR DEVELOPMENT AGREEMENT (NLDA)

SCHEDULE 14

PRE-FCP PLEDGE

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PRE-FCP PLEDGE AGREEMENT

THIS PRE-FCP PLEDGE AGREEMENT is made effective the ● day of ●, 201● (the "**Effective Date**")

B E T W E E N:

ENL ISLAND LINK INCORPORATED, a Newfoundland and Labrador corporation ("**Emera NL**")

- and -

NALCOR ENERGY, a body corporate existing pursuant to the *Energy Corporation Act* being Chapter E-11.01 of the *Statutes of Newfoundland and Labrador*, 2007, solely in its own right and not as agent of the NL Crown ("**Nalcor**")

- and -

LABRADOR-ISLAND LINK HOLDING CORPORATION, a Newfoundland and Labrador corporation ("**Nalcor LP**")

WHEREAS:

A. Emera NL has agreed to pledge its Partnership Interest in favour of Nalcor and Nalcor LP; and

B. this Agreement is executed as of the date of Emera's receipt of Notice from Nalcor that it has Sanctioned the LIL;

NOW THEREFORE this Agreement witnesses that in consideration of the mutual covenants and agreements hereinafter contained the Parties, intending to be legally bound, agree as follows:

ARTICLE 1
INTERPRETATION

1.1 Definitions

In this Agreement, including the recitals and, subject to **Section 1.2(g)**, in the Appendices, capitalized terms which are defined in the NLDA and are not otherwise defined herein have the meanings ascribed thereto in the NLDA when used in this Agreement, and the following terms shall have the meanings set forth below:

"**Agreement**" means this agreement, including all Appendices, as it may be modified, amended, supplemented or restated by written agreement among the Parties;

"**Collateral**" means the Partnership Interest of Emera NL together with all certificates and instruments evidencing or representing the Partnership Interest of Emera NL from time to time, all rights and interests of Emera NL in respect thereof and evidenced thereby,

including all Distributions and monies received from time to time by Emera NL in connection with the sale or other disposition of its Partnership Interest, all cash, securities and proceeds of the foregoing and all other property that may at any time be received or receivable by or otherwise distributed to Emera NL in respect of, or in substitution for, or in exchange for, any of the foregoing;

"**Dispute**" means any dispute, controversy or claim of any kind whatsoever arising out of or relating to this Agreement, including the interpretation of the terms hereof or any Applicable Law that affects this Agreement, or the transactions contemplated hereunder, or the breach, termination or validity thereof;

"**Dispute Resolution Procedure**" has the meaning set forth in **Section 8.1**;

"**Effective Date**" has the meaning set forth in the commencement of this Agreement;

"**Emera**" means Emera Inc., a company incorporated under the laws of the Province of NS, and includes Emera's successors;

"**Emera NL Default**" has the meaning set forth in **Section 4.1**;

"**Emera NL Rights**" has the meaning set forth in **Section 7.2(a);**

"**Nalcor**" has the meaning set forth in the preamble to this Agreement and includes Nalcor's successors and permitted assigns;

"**Newfoundland and Labrador Development Agreement**" or "**NLDA**" means the agreement between Nalcor, Emera and other parties relating to, among other things, the development of the Labrador-Island Link;

"**Nalcor Rights**" has the meaning set forth in **Section 7.1(a)**;

"**Parties**" means the parties to this Agreement, and "**Party**" means one of them;

"**Pledged Units**" means the Class B Limited Units of Emera NL in the Partnership;

"**PPSA**" means the *Personal Property Security Act* (Newfoundland and Labrador);

"**STA**" means the *Security Transfer Act* (Newfoundland and Labrador);

"**Secured Obligations**" means, collectively, the debts and obligations of Emera arising prior to First Commercial Power of the LIL under this Agreement and the NLDA, and the debts and obligations of Emera NL arising prior to First Commercial Power of the LIL under this Agreement, the NLDA, the Emera NL Subscription Agreement and the LIL LP Agreement; and

"**Term**" has the meaning set forth in **Section 3.1.**

1.2 Construction of Agreement

(a) Interpretation Not Affected by Headings, etc - The division of this Agreement into articles, sections and other subdivisions, the provision of a table of contents and the

insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement. Unless otherwise indicated, all references to an "**Article**", "**Section**" or "**Appendix**" followed by a number and/or a letter refer to the specified article, section or appendix of this Agreement. The terms "**this Agreement**", "**hereof**", "**herein**", "**hereby**", "**hereunder**" and similar expressions refer to this Agreement and not to any particular Article or Section hereof. All references to a given agreement, instrument or other document shall be a reference to that agreement, instrument or other document as modified, amended, supplemented and restated through the date as of which such reference is made.

(b) Singular/Plural; Derivatives - Whenever the singular or masculine or neuter is used in this Agreement, it shall be interpreted as meaning the plural or feminine or body politic or corporate, and vice versa, as the context requires. Where a term is defined herein, a capitalized derivative of such term has a corresponding meaning unless the context otherwise requires.

(c) "Including" - The word "including", when used in this Agreement, means "including without limitation".

(d) Currency - Unless otherwise indicated, all dollar amounts referred to in this Agreement (including the Appendices) are in lawful money of Canada.

(e) Trade Meanings - Terms and expressions that are not specifically defined in this Agreement, but which have generally accepted meanings in the custom, usage and literature of the electricity industry in Canada as of the date of this Agreement, shall have such generally accepted meanings when used in this Agreement, unless otherwise specified elsewhere in this Agreement.

(f) Statutory References - Any reference in this Agreement to a statute shall include, and shall be deemed to be, a reference to such statute and to the regulations made pursuant thereto, and all amendments made thereto (including changes to section numbers referenced herein) and in force from time to time, and to any statute or regulation that may be passed that has the effect of supplementing or replacing the statute so referred to or the regulations made pursuant thereto, and any reference to an order, ruling or decision shall be deemed to be a reference to such order, ruling or decision as the same may be varied, amended, modified, supplemented or replaced from time to time.

(g) Terms Defined in Appendices - Terms defined in an Appendix or part of an Appendix to this Agreement shall, unless otherwise specified in such Appendix or part of an Appendix or elsewhere in this Agreement, have the meaning ascribed thereto only in such Appendix or such part of such Appendix.

(h) Calculation of Time - Where, in this Agreement, a period of time is specified or calculated from or after a date or event, such period is to be calculated excluding such date or the date on which such event occurs, as the case may be, and including the date on which the period ends.

(i) Time Falling on Non-Business Day - Whenever the time for doing something under this Agreement falls on a day that is not a Business Day such action is to be taken on the first following Business Day.

(j) No Drafting Presumption - The Parties acknowledge that their respective legal advisors have reviewed and participated in settling the terms of this Agreement and agree that any rule of construction to the effect that any ambiguity is to be resolved against the drafting Party shall not apply to the interpretation of this Agreement.

1.3 Conflicts between Parts of Agreement

If there is any conflict or inconsistency between a provision of the body of this Agreement and that of an Appendix or any document delivered pursuant to this Agreement, the provision of the body of this Agreement shall prevail.

1.4 Applicable Law and Submission to Jurisdiction

This Agreement shall be governed by and construed in accordance with the laws of NL and the Federal laws of Canada applicable therein, but excluding all choice-of-law provisions. Subject to **Article 8**, the Parties irrevocably consent and submit to the exclusive jurisdiction of the courts of the Province of Newfoundland and Labrador with respect to all matters relating to this Agreement, subject to any right of appeal to the Supreme Court of Canada. Each Party waives any objection that it may now or hereafter have to the determination of venue of any proceeding in such courts relating to this Agreement or that it may now or hereafter have that such courts are an inconvenient forum.

1.5 Appendices

The following are the Appendices attached to and incorporated by reference in this Agreement, which are deemed to be part hereof:

Appendix A - Pledged Units

ARTICLE 2
SECURITY INTEREST AND COVENANTS OF EMERA

2.1 Security Interest

(a) Grant of Security Interest - As general and continuing collateral security for the payment and performance of the Secured Obligations (including the payment of any such Secured Obligations that would become due but for any automatic stay under the provisions of the *Bankruptcy and Insolvency Act* (Canada) or any analogous provisions of any other Applicable Law) Emera NL hereby assigns and pledges to and in favour of Nalcor and Nalcor LP, and grants to Nalcor and Nalcor LP, a continuing security interest in the Collateral.

(b) Delivery of Pledged Units - The certificates representing the Pledged Units duly endorsed by Emera NL in blank for transfer or accompanied by stock powers of attorney satisfactory to Nalcor, and all other materials as may be reasonably

required from time to time to provide Nalcor with control over all Pledged Units in the manner provided under the STA, will forthwith be delivered to and remain in the custody of Nalcor or its nominee. If the constating documents of Emera NL restrict the transfer of the securities held by or owned by Emera NL, Emera NL will also deliver to Nalcor a certified copy of a resolution of the directors or shareholders of Emera NL consenting to the transfer(s) contemplated by this Agreement, including any prospective transfer of the Collateral upon a realization on the security constituted hereby in accordance with this Agreement.

(c) Attachment; No Obligation to Advance - Emera NL confirms that value has been given by Nalcor, that Emera NL has rights in the Collateral (other than after-acquired property) existing at the date of this Agreement, as the case may be, and that Emera NL, Nalcor and Nalcor LP have not agreed to postpone the time for attachment of the security interest created by this Agreement to any of the Collateral. The security interest in respect of the Collateral created by this Agreement will have effect and be deemed to be effective whether or not the Secured Obligations or any part thereof are owing or in existence before or after or upon the date of this Agreement.

(d) Voting Rights - Unless an Emera NL Default has occurred and is continuing, Emera NL will be entitled to exercise all voting power from time to time exercisable in respect of the Pledged Units and give consents, waivers and ratifications in respect thereof; provided however, that no vote will be cast or consent, waiver or ratification given or action taken which would be prejudicial to the interests of Nalcor or Nalcor LP, have the effect of reducing the value of the Partnership Interest of Emera NL, or would impose any restriction on the transferability of any of the Partnership Interest of Emera NL. Immediately upon the occurrence and during the continuance of any Emera NL Default, all such rights of Emera NL to vote and give consents, waivers and ratifications will cease and Nalcor or Nalcor LP will be entitled to exercise all such voting rights and to give all consents, waivers and ratifications.

(e) Distributions - Unless an Emera NL Default has occurred and is continuing, Emera NL will be entitled to receive and avail of any and all Distributions and to avail of all benefits and entitlements of and from the Collateral which it is otherwise entitled to receive pursuant to the provisions of the NLDA. If an Emera NL Default has occurred and is continuing, all rights of Emera NL pursuant to this **Section 2.1(e)** will cease and Nalcor and Nalcor LP will have the sole and exclusive right and authority to receive and retain the Distributions. Any Distributions paid over to Nalcor or Nalcor LP pursuant to the provisions of this **Section 2.1(e)** will be retained by Nalcor and Nalcor LP as additional Collateral and be applied to satisfy the Emera NL Default.

2.2 **Covenants of Emera NL** - Emera NL covenants and agrees with Nalcor and Nalcor LP as follows:

(a) Further Documentation - Emera NL will from time to time, at its expense, promptly and duly authorize, execute and deliver such further instruments and documents, and take such further action, as Nalcor may request for the purpose of obtaining or preserving the full benefits of, and the rights and powers granted by, this Agreement

(including the filing of any financing statements or financing change statements under any applicable legislation with respect to the security interest created by this Agreement). Emera NL acknowledges that this Agreement has been prepared based on the existing laws in NL and that a change in such laws, or the laws of other jurisdictions, may require the execution and delivery of different forms of security documentation to preserve and comply with the intent of this Agreement. Accordingly, Emera NL agrees that Nalcor and Nalcor LP will have the right to require that this Agreement be amended, supplemented or replaced, and that Emera NL will immediately on request by Nalcor or Nalcor LP authorize, execute and deliver any such amendment, supplement or replacement (i) to reflect any changes in such laws, whether arising as a result of statutory amendments, court decisions or otherwise, (ii) to facilitate the creation and registration of appropriate security in all appropriate jurisdictions as a result of any changes in such laws, or (iii) if Emera NL merges, amalgamates or consolidates with any other Person or enters into any corporate reorganization, in each case in order to confer on Nalcor and Nalcor LP, security interests similar to, and having the same effect as, the security interest granted by Emera NL under this Agreement.

(b) Payment of Expenses; Indemnification - Upon the occurrence of an Emera NL Default, Emera NL will pay on demand, and will indemnify and save Nalcor and Nalcor LP harmless from, any and all liabilities, costs and expenses (including legal fees and expenses on a solicitor and his or her own client basis and any Taxes payable to any Authorized Authority with respect to any such liabilities, costs and expenses) (i) incurred by Nalcor or Nalcor LP in the administration or enforcement of this Agreement, or (ii) incurred by Nalcor or Nalcor LP in performing or observing any of the other covenants of Emera NL under this Agreement.

(c) Pledged Unit Securities - Emera NL shall deliver to Nalcor or its nominee such powers of attorney and other materials as may be reasonably required from time to time to provide Nalcor or its nominee with control over all Pledged Units in the manner provided under the STA.

(d) Pledged Unit Entitlements - Emera NL shall deliver to Nalcor or its nominee such documents, agreements and other materials as may be reasonably required from time to time to provide Nalcor or its nominee with control over all Distributions in the manner provided under the STA.

ARTICLE 3
TERM AND TERMINATION

3.1 Term

The term of this Agreement (the "**Term**") shall commence on the Effective Date and terminate in accordance with **Section 3.2**.

3.2 Termination

This Agreement shall terminate on the earliest to occur of any of the following events:

(a) First Commercial Power of the LIL;

(b) written agreement of the Parties to terminate; and

(c) termination of the NLDA.

3.3 Effect of Termination

(a) Obligations on Termination - When this Agreement terminates:

(i) each Party shall promptly return to the other Parties all Confidential Information of the other Parties in the possession of such Party, and destroy any internal documents to the extent that they contain any Confidential Information of the other Parties (except such internal documents as are reasonably required for the maintenance of proper corporate records and to comply with Applicable Law and for the purposes of the resolution of any Dispute, which shall continue to be held in accordance with the provisions of **Section 6.1**; and

(ii) no Party shall have any obligation to the other Parties in relation to this Agreement or the termination thereof, except as set out in this **Section 3.3**.

(b) Survival - Notwithstanding the termination of this Agreement, the Parties shall be bound by the terms of this Agreement in respect of:

(i) the final settlement of all accounts between the Parties;

(ii) the readjustment of any accounts as a result of the settlement of insurance claims or third party claims after the date of termination;

(iii) any rights, liabilities and obligations arising or accruing under the terms of this Agreement prior to the date of termination or which are expressly stated to survive the termination of this Agreement; and

(iv) any other obligations that survive pursuant to **Section 10.13.**

ARTICLE 4
DEFAULT AND REMEDIES

4.1 Emera NL Events of Default

The occurrence of one or more of the following events shall constitute a default by Emera NL under this Agreement (an "**Emera NL Default**"):

(a) Emera or Emera NL defaults under any of the Secured Obligations;

(b) Emera NL defaults or is in breach of any term, condition or obligation under this Agreement, other than those described in **Section 4.1(a)**, and, if the default or breach is capable of being cured, it continues for 30 days after the receipt by Emera NL of Notice thereof from Nalcor or Nalcor LP, unless the cure reasonably requires a longer period and Emera NL is diligently pursuing the cure, and it is cured within such longer period of time as is agreed by Nalcor or Nalcor LP;

(c) any representation or warranty made by Emera NL in this Agreement is false or misleading in any material respect;

(d) Emera NL ceases to carry on all or substantially all of its business or, except as permitted hereunder, transfers all or substantially all of its undertaking and assets; and

(e) any Insolvency Event occurs with respect to Emera NL.

4.2 **Nalcor and Nalcor LP Remedies upon Emera NL Default**

(a) General - Upon the occurrence of an Emera NL Default and at any time thereafter, provided Nalcor and Nalcor LP are in material compliance with their obligations under this Agreement and provided a right, remedy or recourse is not expressly stated in this Agreement as being the sole and exclusive right, remedy or recourse:

(i) Nalcor and Nalcor LP shall be entitled to exercise all or any of their rights, remedies or recourse available to them under this Agreement, or otherwise available at law or in equity, including all of their rights, remedies and recourses as a secured party under and as defined by the PPSA (provided that Nalcor and Nalcor LP shall provide Emera NL not less than 30 days notice pursuant to Section 60(8) of the PPSA); and

(ii) the rights, remedies and recourse available to Nalcor and Nalcor LP are cumulative and may be exercised separately or in combination.

The exercise of, or failure to exercise, any available right, remedy or recourse does not preclude the exercise of any other rights, remedies or recourse or in any way limit such rights, remedies or recourse.

(b) Rights of Nalcor and Nalcor LP - Upon the occurrence of an Emera NL Default and at any time thereafter provided Nalcor and Nalcor LP are in material compliance with their obligations under this Agreement, Nalcor and Nalcor LP may:

(i) exercise against Emera NL all of the rights and remedies granted to lenders under the PPSA (provided that Nalcor and Nalcor LP shall provide Emera NL not less than 30 days notice pursuant to Section 60(8) of the PPSA) and any other Applicable Law;

(ii) realize on any or all of the Collateral and sell, lease, assign, give options to purchase, or otherwise dispose of and deliver any or all of the Collateral (or contract to do any of the above), in one or more parcels at any public or

private sale, at any exchange, broker's board or office of Nalcor or elsewhere, on such terms and conditions as Nalcor may deem advisable and at such prices as it may deem best, for cash or on credit or for future delivery;

(iii) apply to a court of competent jurisdiction for the sale or foreclosure of any or all of the Collateral;

(iv) at any public sale, and to the extent permitted by law on any private sale, bid for and purchase any or all of the Collateral and, upon compliance with the terms of such sale, hold, retain and dispose of such Collateral without any further accountability to Emera NL or any other Person with respect to such holding, retention or disposition, except as required by Applicable Law. In any such sale to Nalcor or Nalcor LP, Nalcor or Nalcor LP may, for the purpose of making payment for all or any part of such Collateral so purchased, use any claim for Secured Obligations then due and payable to it as a credit against the purchase price;

(v) transfer all or part of the Collateral into the name of Nalcor or its nominee, with or without disclosing that the Collateral is subject to the security interest granted by Emera NL under this Agreement;

(vi) vote any or all of the Pledged Units (whether or not transferred to Nalcor or Nalcor LP) and give or withhold all consents, waivers and ratifications in respect thereof and otherwise act with respect thereto as though it were the outright owner thereof;

(vi) exercise any and all rights of conversion, exchange, subscription or any other rights, privileges or options pertaining to any of the Collateral as if it were the absolute owner thereof, and in connection therewith, to deposit and deliver any and all of the Pledged Units with any committee, depositary, transfer agent, registrar or other designated agency upon such terms and conditions as it may determine, all without liability except to account for property actually received by Nalcor or Nalcor LP. Nalcor and Nalcor LP may exercise any or all of the foregoing rights and remedies without demand of performance or other demand, presentment, protest, advertisement or notice of any kind (except as required by Applicable Law) to or on Emera NL or any other Person, and Emera NL by this Agreement waives each such demand, presentment, protest, advertisement and notice to the extent permitted by Applicable Law. None of the above rights or remedies will be exclusive of or dependent on or merge in any other right or remedy, and one or more of such rights and remedies may be exercised independently or in combination from time to time. Without prejudice to the ability of Nalcor and Nalcor LP to dispose of the Collateral in any manner which is commercially reasonable, Emera NL acknowledges that a disposition of its Collateral by Nalcor or Nalcor LP which takes place substantially in accordance with the following provisions will be deemed to be commercially reasonable:

(A) Collateral may be disposed of in whole or in part;

(B) Collateral may be disposed of by tender or private contract, with or without advertising and without any other formality;

(C) a disposition of Collateral may be on such terms and conditions as to credit or otherwise as Nalcor or Nalcor LP, in its sole discretion, may deem advantageous; and

(D) Nalcor or Nalcor LP may establish an upset or reserve bid or price in respect of the Collateral.

4.3 Interest

If any amount payable by Emera NL to Nalcor or Nalcor LP under this Agreement is not paid when due, Emera NL will pay to Nalcor or Nalcor LP, as applicable, immediately on demand, interest on such amount from the date due until paid, at the Prime Rate plus three percent. All amounts payable by Emera NL to Nalcor or Nalcor LP under this Agreement, and all interest on all such amounts, compounded monthly on the last Business Day of each month, will form part of the Secured Obligations of and will be secured by the security interest granted under this Agreement.

4.4 Sale of Securities

Nalcor and Nalcor LP are authorized, in connection with any offer or sale of any Collateral, to comply with any limitation or restriction as it may be advised by counsel is necessary to comply with Applicable Law, including compliance with procedures that may restrict the number of prospective bidders and purchasers, requiring that prospective bidders and purchasers have certain qualifications, and restricting prospective bidders and purchasers to Persons who will represent and agree that they are purchasing for their own account or investment and not with a view to the distribution or resale of the Pledged Units. Emera NL further agrees that compliance with any such limitation or restriction will not result in a sale being considered or deemed not to have been made in a commercially reasonable manner, and Nalcor and Nalcor LP will not be liable or accountable to Emera NL for any discount allowed by reason of the fact that such Collateral is sold in compliance with any such limitation or restriction. If Nalcor or Nalcor LP chooses to exercise its right to sell any or all Collateral, upon written request, Emera NL will furnish to Nalcor or Nalcor LP, as applicable, all such information as it may reasonably request in order to determine the number of Pledged Units and other instruments included in the Collateral which may be sold in exempt transactions under any laws governing securities, and the rules and regulations of any applicable securities regulatory thereunder, as the same are from time to time in effect.

4.5 Nalcor's Appointment as Attorney-in-Fact

Emera NL constitutes and appoints Nalcor and any officer or agent of Nalcor, or a receiver appointed by Nalcor, with full power of substitution, as Emera NL's true and lawful attorney-in-fact with full power and authority in the place of Emera NL and in the name of Emera NL or in its own name, from time to time in Nalcor's discretion after an Emera NL Default, to take any and all appropriate action and to execute any and all documents and instruments as, in the

opinion of such attorney acting reasonably, may be necessary or desirable to accomplish the purposes of this Agreement. These powers are coupled with an interest and are irrevocable until this Agreement is terminated and the security interest created by this Agreement is released. Nothing in this **Section 4.5** affects the right of Nalcor or Nalcor LP as secured party, or any other Person on Nalcor's or Nalcor LP's behalf, to sign and file or deliver (as applicable) all such financing statements, financing change statements, notices, verification statements and other documents relating to the Collateral and this Agreement as Nalcor, Nalcor LP or such other Person considers appropriate.

4.6 Performance by Nalcor or Nalcor LP of Emera NL's Obligations

If Emera NL fails to perform or comply with any of its obligations under this Agreement, Nalcor or Nalcor LP may, but need not, perform or otherwise cause the performance or compliance of such obligation, provided that such performance or compliance will not constitute a waiver, remedy or satisfaction of such failure. The expenses of Nalcor and Nalcor LP incurred in connection with any such performance or compliance will be payable by Emera NL to Nalcor or Nalcor LP, as applicable, immediately on demand, and until paid, any such expenses will form part of the Secured Obligations and will be secured by the secured interest granted under this Agreement.

4.7 Dealings by Nalcor and Nalcor LP

Nalcor and Nalcor LP will not be obliged to exhaust their recourse against Emera NL, Emera or any other Person or against any other security they may hold in respect of the Secured Obligations before realizing upon or otherwise dealing with the Collateral in such manner as Nalcor or Nalcor LP may consider desirable. Nalcor and Nalcor LP may grant extensions of time and other indulgences, take and give up security, accept compositions, grant releases and discharges and otherwise deal with Emera NL, Emera and any other Person, and with any or all of the Collateral, and with other security and sureties, as they may see fit, all without prejudice to the Secured Obligations or to the rights and remedies of Nalcor and Nalcor LP under this Agreement. The powers conferred on Nalcor and Nalcor LP under this Agreement are solely to protect the interests of Nalcor and Nalcor LP in the Collateral and will not impose any duty upon Nalcor or Nalcor LP to exercise any such powers.

ARTICLE 5
LIMITATION OF DAMAGES

5.1 No Consequential Loss

Notwithstanding any other provision of this Agreement, in no event shall Emera NL or any other member of the Emera Group be liable to Nalcor or any other member of the Nalcor Group, nor shall Emera or any member of the Emera Group be liable to Nalcor LP or any member of the Nalcor Group, for a decline in market capitalization, increased cost of capital or borrowing, or for any consequential, incidental, indirect or punitive damages, for any reason whatsoever. For the purpose of this **Section 5.1**, lost revenues or profits in relation to the purchase or sale of Energy or Capacity shall not be considered to be consequential, incidental or indirect damages, provided however that a Party must still establish such lost revenues or profits in accordance with Applicable Law.

ARTICLE 6
CONFIDENTIALITY

6.1 Incorporation of Project NDA

The Parties agree that the Project NDA is incorporated in this Agreement by reference and applies to all Confidential Information disclosed by any Party to any other Party under or in connection with this Agreement, the Party disclosing Confidential Information being a Disclosing Party as defined in the Project NDA, and the Party receiving Confidential Information being a Recipient Party as defined in the Project NDA.

6.2 Disclosure of Agreement

Each Party hereby agrees to any other Party making this Agreement public at any time and from time to time after the Effective Date.

ARTICLE 7
ASSIGNMENT AND CHANGE OF CONTROL

7.1 Nalcor and Nalcor LP Assignment Rights

(a) General - After, but not before, First Commercial Power of the LIL Nalcor and Nalcor LP shall be entitled to assign all or any portion of their interest in this Agreement or any Claim (collectively, the "**Nalcor and Nalcor LP Rights**") to any Person which has become the owner of the whole or any part of the Partnership Interest of Nalcor LP in accordance with the provisions of the NLDA and the LIL LP Agreement.

(b) Agreement to be Bound - No assignment may be made of all or any portion of the Nalcor and Nalcor LP Rights unless Nalcor and Nalcor LP or the assignor thereof obtains the written agreement of all Persons party to the assignment confirming that the transferee thereof shall, from and after the date of the assignment, be bound by the provisions of this Agreement, the assigned Nalcor and Nalcor LP Rights and all such rights and obligations as if such transferee was Nalcor and Nalcor LP, and shall assume all liabilities for, and in due and proper manner, pay, satisfy, discharge, perform and fulfill all covenants, obligations and liabilities of Nalcor and Nalcor LP or the assignor thereof under this Agreement arising on and in respect of matters occurring after the effective date of the assignment.

(c) Continuing Obligations - Notwithstanding **Section 7.1(b)**, Nalcor and Nalcor LP expressly acknowledge and agree that they remain liable to Emera NL as a primary obligor under this Agreement to observe and perform all of the conditions and obligations in this Agreement which Nalcor and Nalcor LP, and as of the effective date of the assignment, the transferee thereof, are bound to observe and perform.

(d) Non-Permitted Assignment - Any assignment in contravention of this **Section 7.1** will be null and void.

7.2 Emera Assignment Rights

(a) General - After, but not before, First Commercial Power of the LIL Emera NL shall be entitled to assign all or any portion of its interest in this Agreement or any Claim (collectively, the "**Emera NL Rights**") to any Person which has become the owner of the whole or any part of the Partnership Interest of Emera NL in accordance with the provisions of the NLDA and the LIL LP Agreement.

(b) Agreement to be Bound - No assignment may be made of all or any portion of the Emera NL Rights unless Emera NL or the assignor thereof obtains the written agreement of all Persons party to the assignment confirming that the transferee thereof shall, from and after the date of the assignment, be bound by the provisions of this Agreement, the assigned Emera NL Rights and all such rights and obligations as if such transferee was Emera NL, and shall assume all liabilities for, and in due and proper manner, pay, satisfy, discharge, perform and fulfill all covenants, obligations and liabilities of Emera NL or the assignor thereof under this Agreement arising on and in respect of matters occurring after the effective date of the assignment.

(c) Continuing Obligations - Notwithstanding **Section 7.2(b)**, Emera NL expressly acknowledges and agrees that it remains liable to Nalcor and Nalcor LP as a primary obligor under this Agreement to observe and perform all of the conditions and obligations in this Agreement which Emera NL, and as of the effective date of the assignment, the transferee thereof, are bound to observe and perform.

(d) Non-Permitted Assignment - Any assignment in contravention of this **Section 7.2** will be null and void.

ARTICLE 8
DISPUTE RESOLUTION

8.1 General

(a) Dispute Resolution Procedure - The Parties agree to resolve all Disputes pursuant to the dispute resolution procedure set out in Schedule 7 to the NLDA (the "**Dispute Resolution Procedure**").

(b) Performance to Continue - Each Party shall continue to perform all of its obligations under this Agreement during any negotiations or dispute resolution proceedings pursuant to this **Article 8**, without prejudice to any Party's rights pursuant to this Agreement.

ARTICLE 9
REPRESENTATIONS AND WARRANTIES

9.1 **Nalcor and Nalcor LP Representations and Warranties**

Each of Nalcor and Nalcor LP represents and warrants to Emera NL that, as of the Effective Date:

(a) it is duly organized and validly existing under the Applicable Law of the jurisdiction of its formation and is qualified to conduct its business to the extent necessary in each jurisdiction in which it will perform its obligations under this Agreement;

(b) the execution, delivery and performance of this Agreement are within its powers, have been duly authorized by all necessary corporate action on the part of Nalcor or Nalcor LP, as the case may be, and do not violate any of the terms and conditions in its governing documents, any contracts to which it is a party or any Applicable Law;

(c) this Agreement has been duly executed and delivered on its behalf by its appropriate officers and constitutes its legally valid and binding obligation enforceable against it in accordance with its terms, except as the enforceability thereof may be limited by (i) bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (ii) general principles of equity whether considered in a proceeding in equity or at law;

(d) no Insolvency Event has occurred, is pending or being contemplated by it or, to its Knowledge, threatened against it;

(e) except as disclosed by it to Emera in writing on or before the Effective Date, there are no Legal Proceedings pending or, to its Knowledge, threatened against it that may materially adversely affect its ability to perform its obligations under this Agreement;

(f) no consent or other approval, order, authorization or action by, or filing with, any Person is required to be made or obtained by such Party for such Party's lawful execution, delivery and performance of this Agreement, except for (i) such consents, approvals, authorizations, actions and filings that have been made or obtained prior to the date hereof, (ii) such consents, approvals, authorizations, actions and filings the failure of which would not have, or could not reasonably be expected to have, a material adverse effect on such Party's ability to perform its obligations under this Agreement and (iii) the Regulatory Approvals; and

(g) it does not have any liability or obligation to pay any fees or commissions to any broker, finder or agent with respect to the transactions contemplated by this Agreement.

9.2 **Emera NL Representations and Warranties**

Emera NL represents and warrants to Nalcor and Nalcor LP that, as of the Effective Date:

(a) it is duly organized and validly existing under the Applicable Law of the jurisdiction of its formation and is qualified to conduct its business to the extent necessary in each jurisdiction in which it will perform its obligations under this Agreement;

(b) the execution, delivery and performance of this Agreement are within its powers, have been duly authorized by all necessary corporate action on the part of Emera NL and do not violate any of the terms and conditions in its governing documents, any contracts to which it is a party or any Applicable Law;

(c) this Agreement has been duly executed and delivered on its behalf by its appropriate officers and constitutes its legally valid and binding obligation enforceable against it in accordance with its terms, except as the enforceability thereof may be limited by (i) bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (ii) general principles of equity whether considered in a proceeding in equity or at law;

(d) no Insolvency Event has occurred, is pending or being contemplated by it or, to its Knowledge, threatened against it;

(e) there are no Legal Proceedings pending or, to its Knowledge, threatened against it that may materially adversely affect its ability to perform its obligations under this Agreement;

(f) no consent or other approval, order, authorization or action by, or filing with, any Person is required to be made or obtained by such Party for such Party's lawful execution, delivery and performance of this Agreement, except for (i) such consents, approvals, authorizations, actions and filings that have been made or obtained prior to the date hereof, (ii) such consents, approvals, authorizations, actions and filings the failure of which would not have, or could not reasonably be expected to have, a material adverse effect on such Party's ability to perform its obligations under this Agreement and (iii) the Regulatory Approvals;

(g) it does not have any liability or obligation to pay any fees or commissions to any broker, finder or agent with respect to the transactions contemplated by this Agreement;

(h) the Pledged Units are listed in Appendix A and are validly issued, fully paid and non-assessable;

(i) no Person, other than Nalcor and Nalcor LP, has any option, warrant, right, call, commitment, conversion right, right of exchange or other agreement or any right or privilege (whether by law, pre-emptive or contractual) capable of becoming an option, warrant, right, call, commitment, conversion right, right of exchange or other agreement for the purchase from Emera NL of any of its Partnership Interest;

(j) the terms of its Partnership Interest expressly provide that each Unit issued by the Partnership is a "security" for the purposes of the STA; and

(k) Emera NL owns the Collateral free and clear of any mortgage, charge, hypothecation, lien or other adverse claim or encumbrance of any nature.

ARTICLE 10
MISCELLANEOUS PROVISIONS

10.1 Notices

Notices, where required herein, shall be in writing and shall be sufficiently given if delivered personally or by courier or sent by electronic mail or facsimile transmission, directed as follows:

To Nalcor or Nalcor LP:

Nalcor Energy
500 Columbus Drive
P.O. Box 12800
St. John's, NL
A1B 0C9
Attention: Corporate Secretary
Fax: (709) 737-1782

with a copy to:

Labrador-Island Link Holding Corporation
500 Columbus Drive
P.O. Box 12800
St. John's, NL
A1B 0C9
Attention: Corporate Secretary
Fax: (709) 737-1782

To Emera NL:

Emera Newfoundland and Labrador Inc.
9 Austin Street
St. John's, NL
A1B 4C1
Attention: President
Fax: (709) 722-2083

with a copy to:

Emera Inc.
1223 Lower Water Street
Halifax, NS
B3J 3S8
Attention: Corporate Secretary
Fax: (902) 428-6112

Such Notice shall (i) if delivered personally or by courier, be deemed to have been given or made on the day of delivery, and (ii) if sent by electronic mail or facsimile transmission and confirmed by a copy immediately sent by courier, be deemed to have been given or made on the day it was successfully transmitted by electronic mail or facsimile transmission as evidenced by automatic confirmation of receipt, provided however that if in any case such day is not a Business Day or if the Notice is received after Regular Business Hours (time and place of receipt), the Notice shall be deemed to have been given or made on the next Business Day. Any Party may change its address or fax number hereunder from time to time by giving Notice of such change to the other Parties.

10.2 Prior Agreements

This Agreement supersedes all prior communications, understandings, negotiations and agreements between the Parties, whether oral or written, express or implied with respect to the subject matter hereof. There are no representations, warranties, collateral agreements or conditions affecting this Agreement other than as expressed herein. Each of the Parties further acknowledges and agrees that, in entering into this Agreement, it has not in any way relied upon any oral or written agreements, representations, warranties, statements, promises, information, arrangements or understandings, expressed or implied, not specifically set forth in this Agreement or the other Formal Agreements.

10.3 Counterparts

This Agreement may be executed in counterparts, each of which when so executed shall be deemed to be an original, and such counterparts together shall constitute but one and the same instrument. Signatures delivered by facsimile or electronic mail shall be deemed for all purposes to be original counterparts of this Agreement.

10.4 Expenses of Parties

Except as otherwise provided herein, each Party shall bear its own costs and expenses in connection with all matters relating to this Agreement, including the costs and expenses of its legal, tax, technical and other advisors.

10.5 Announcements

No announcement with respect to this Agreement shall be made by any Party without the prior approval of the other Parties. The foregoing shall not apply to any announcement by a Party required in order to comply with Applicable Law; provided that such Party consults with the other Parties before making any such announcement and gives due consideration to the views

of the other Parties with respect thereto. All Parties shall use reasonable efforts to agree on the text of any proposed announcement.

10.6 Relationship of the Parties

The Parties hereby disclaim any intention to create by this Agreement any partnership, joint venture, association, trust or fiduciary relationship among or between them. Except as expressly provided herein, neither this Agreement nor any other agreement or arrangement among or between the Parties shall be construed or considered as creating any such partnership, joint venture, association, trust or fiduciary relationship, or as constituting any Party as the agent or legal representative of any other Party or Parties for any purpose nor to permit any Party to enter into agreements or incur any obligations for or on behalf of any other Party.

10.7 Further Assurances

Each of the Parties shall, from time to time, do all such acts and things and execute and deliver, from time to time, all such further documents and assurances as may be reasonably necessary to carry out and give effect to the terms of this Agreement.

10.8 Severability

If any provision of this Agreement is determined by a court of competent jurisdiction to be wholly or partially illegal, invalid, void, voidable or unenforceable in any jurisdiction for any reason, such illegality, invalidity or unenforceability shall not affect the legality, validity and enforceability of the balance of this Agreement or its legality, validity or enforceability in any other jurisdiction. If any provision is so determined to be wholly or partially illegal, invalid or unenforceable for any reason, the Parties shall negotiate in good faith a new legal, valid and enforceable provision to replace such illegal, invalid or unenforceable provision, which, as nearly as practically possible, has the same effect as the illegal, invalid or unenforceable provision.

10.9 Time of the Essence

Time shall be of the essence.

10.10 Amendments

No amendment or modification to this Agreement shall be effective unless it is in writing and signed by all Parties.

10.11 No Waiver

Any failure or delay of any Party to enforce any of the provisions of this Agreement or to require compliance with any of its terms at any time during the Term shall not affect the validity of this Agreement, or any part hereof, and shall not be deemed a waiver of the right of such Party thereafter to enforce any and each such provision. Any consent or approval given by a Party pursuant to this Agreement shall be limited to its express terms and shall not otherwise increase the obligations of the Party giving such consent or approval or otherwise reduce the obligations of the Party receiving such consent or approval.

10.12 No Third Party Beneficiaries

Except as otherwise provided herein or permitted hereby, this Agreement is not made for the benefit of any Person not a party to this Agreement, and no Person other than the Parties or their respective successors and permitted assigns shall acquire or have any right, remedy or claim under or by virtue of this Agreement.

10.13 Survival

All provisions of this Agreement that expressly or by their nature are intended to survive the termination (however caused) of this Agreement, including covenants, representations, warranties and releases, continue as valid and enforceable rights and obligations (as the case may be) of the Parties, notwithstanding any such termination, until they are satisfied in full or by their nature expire.

10.14 Waiver of Sovereign Immunity

A Party that now or hereafter has a right to claim sovereign immunity for itself or any of its assets hereby waives any such immunity to the fullest extent permitted by Applicable Law. This waiver includes immunity from (a) any proceedings under the Dispute Resolution Procedure; (b) any judicial, administrative or other proceedings to aid the Dispute Resolution Procedure; and (c) any confirmation, enforcement or execution of any decision, settlement, award, judgment, service of process, execution order or attachment (including pre-judgment attachment) that results from the Dispute Resolution Procedure or any judicial, administrative or other proceedings commenced pursuant to this Agreement. Each Party acknowledges that its rights and obligations under this Agreement are of a commercial and not a governmental nature.

10.15 Successors and Assigns

This Agreement shall be binding upon and enure to the benefit of the Parties and their respective successors and permitted assigns.

10.16 Capacity of Nalcor

Nalcor and Nalcor LP are entering into this Agreement, and Emera NL acknowledges that Nalcor and Nalcor LP are entering into this Agreement, solely in their own right and not on behalf of or as agent of the NL Crown.

[Remainder of this page intentionally left blank.]

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first written above.

ENL ISLAND LINK INCORPORATED

By: _____
Name:
Title:

By: _____
Name:
Title:

We have authority to bind the corporation.

NALCOR ENERGY

By: _____
Name:
Title:

By: _____
Name:
Title:

We have authority to bind the corporation.

LABRADOR-ISLAND LINK HOLDING CORPORATION

By: _____
Name:
Title:

By: _____
Name:
Title:

We have authority to bind the corporation.

APPENDIX A

Pledged Units