Agreement Providing Key Terms and Conditions For the

FEDERAL LOAN GUARANTEE BY HER MAJESTY THE QUEEN IN RIGHT OF CANADA

FOR THE DEBT FINANCING OF THE LOWER CHURCHILL RIVER PROJECTS

PREAMBLE

Nalcor Energy ("Nalcor"), Emera Inc. ("Emera"), the Province of Newfoundland and Labrador ("NL"), and the Province of Nova Scotia ("NS") have informed Her Majesty the Queen in Right of Canada ("Canada") (all collectively called the "Parties") that Nalcor and Emera or their affiliates intend to develop, construct and operate, with the support of NL and NS, the Muskrat Falls Generation Facility, Labrador Transmission Assets, Labrador Island Link, and Maritime Link Projects (the "Projects"). Canada, NL, and NS subsequently signed a Memorandum of Agreement to support the Projects on August 19, 2011 (the "MOA").

It is essential to Canada that the Projects have national and regional significance, economic and financial merit, and significantly reduce greenhouse gas emissions. Canada's Guarantee of the Guaranteed Debt of each Project will significantly enhance the credit quality of the Financing of each Project. Canada hereby agrees to guarantee the Guaranteed Debt of each Project and will provide the Guarantees for the Projects as more fully described, and subject to the terms and conditions described herein.

The agreements of Canada hereunder are made solely for the benefit of Nalcor, Emera, and their affiliates including the Borrowers, and for the benefit of the Lenders ultimately selected by them to make the Financing available for the Projects and may be relied upon by all such persons but may only be enforced by Nalcor and Emera and affiliates including the Borrowers.

Once it has been accepted by all the Parties, this agreement may be disclosed publicly by or on behalf of any of Canada, Nalcor, Emera, their affiliates, NL and NS.

As regards the MF, LTA and LIL Projects, MFCo, LTACo, LILCo, LIL Opco,Nalcor, NL and Canada, 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 and all actions, suits and proceedings arising will be brought in the courts of competent jurisdiction of NL. subject to any right of appeal to the Federal Court of Appeal or to the Supreme Court of Canada. As regards the ML, MLCo, Emera, NS and Canada, this agreement shall be governed by and construed in accordance with the laws of the Province of Nova Scotia and the federal laws of Canada applicable therein and all actions, suits and proceedings arising will be brought in the courts of competent jurisdiction of NS, subject to any right of appeal to the Federal Court of Appeal or the Supreme Court of Canada. This agreement sets forth the entire agreement among the Parties with respect to the matters addressed herein as regards the Projects and supersedes all prior communications, written or oral, with respect thereto including MOA. This agreement may be executed in any number of counterparts, each of which, when so executed, shall be deemed to be an original and all of which, taken together, shall constitute one and the same agreement. Delivery of an executed counterpart of this agreement by telecopier or electronically shall be as effective as delivery of a manually executed counterpart of this agreement.

Canada understands that Nalcor and Emera, or their affiliates, will be soliciting offers for the Financings from a range of Lenders. Given the importance of a Federal Loan Guarantee to the Financing for each Project, Canada hereby acknowledges and agrees that upon request by Nalcor or Emera within a reasonable period of time prior to any proposed meeting, it shall make available senior representatives of Canada, and its legal advisors and financial consultants as appropriate, responsible for the provision and oversight of the Federal Loan Guarantee, for participation in meetings with credit rating agencies and potential Lenders to respond to queries concerning the Federal Loan Guarantee.

TERMS AND CONDITIONS

1. THE PROJECTS AND THE TRANSACTION PARTIES	
1.1 Projects:	The Muskrat Falls Generation Facility ("MF"), the Labrador Transmission Assets ("LTA"), the Labrador-Island Link ("LIL") and the Maritime Link ("ML"), each as more fully described as follows: MF: an 824-MW hydro-electric generation facility in the vicinity of Muskrat Falls, Labrador, which Nalcor will develop. LTA: a 345-kV HVac transmission interconnection between Muskrat Falls and Churchill Falls, which Nalcor will develop. LIL: a HVDC transmission line connecting the Island of Newfoundland to generation facilities in Labrador which Nalcor will develop but in which Emera Inc., via a Newfoundland and Labrador corporate entity, will have an opportunity to invest. ML: a transmission line connecting the Island of Newfoundland to the Province of Nova Scotia, which will be developed by Emera. Each of (i) MF and LTA together; (ii) LIL; and (iii) ML is referred to herein as a "Project" and together as the "Projects".
1.2 Guarantor:	Her Majesty the Queen in Right of Canada ("Canada" or "Guarantor").
1.3 Proponents:	Nalcor Energy ("Nalcor"), acting on its own behalf and not as agent of the Province of Newfoundland and Labrador ("NL Crown"), and Emera Inc. ("Emera.
1.4 Borrowers:	MFCo: a special purpose wholly-owned subsidiary of Nalcor.

	LTACo: a special purpose wholly-owned subsidiary of Nalcor. LILCo: a special purpose limited partnership controlled by Nalcor and held by it alone or together with Emera ("LILCo"). The obligations of LILCo will be guaranteed by LIL OpCo, a special purpose wholly-owned subsidiary of Nalcor ("LIL OpCo"). MLCo: a special purpose wholly-owned subsidiary of Emera. Each a "Borrower" and collectively, the "Borrowers".
1.5 Lenders:	Subject to the form of Financing Structure selected by the Borrower, with respect to each Borrower, a financial institution or a group of financial institutions or financiers that will purchase debt securities to be issued by such Borrower or make credit facilities available to such Borrower, which will be guaranteed by Canada pursuant to the Federal Loan Guarantee, defined herein (the "Lender" or "Lenders"). Lenders shall include a Guarantee Agent and Collateral Trustee for the benefit of the Lender, where applicable.
2. TRANSACTIONS	
2.1 Federal Loan Guarantee:	The Federal Loan Guarantee ("FLG") shall, in respect of each Project, be an absolute, continuing, unconditional and irrevocable guarantee of payment (not collection) when due of the Guaranteed Debt of the relevant Borrower to the Lenders. The Lenders shall not be bound to pursue or exhaust their recourses against the relevant Borrower or any security held by them before demanding payment from the Guarantor. Subrogation - Canada shall be subrogated in the rights of the Lenders for any Project in respect of and at the time of each and every particular payment made by the Guarantor. Acceleration - It shall be a term of any Financing Document for any Project that in the event of default by a Borrower thereunder, the Lenders shall not accelerate the loan. With respect to MF, LTA and LIL, "FLG Agreement" means the agreement among the Guarantor, MFCo, LTACo, LILCo and Nalcor containing their respective rights and obligations as contained in this Term Sheet. With respect to ML, "FLG Agreement" means the agreement among the Guarantor, ML and Emera containing their respective rights and obligations as contained in this Term Sheet.
2.2 Transaction Structure:	Canada, the Borrowers and the Proponents will work to agree on a Transaction Structure that in conjunction with the FLG Agreement will result in the Project debt achieving Canada's AAA credit rating. The parties agree that the credit rating agencies will be asked to confirm that the FLG Agreement and Transaction Structure would achieve this objective. The Parties agree that they will work together to finalize the Transaction Structure and form of

	Guarantee, including obtaining confirmation from the credit rating agencies, by January 31, 2013 in order to facilitate the start of the financing process.
2.3 Financing Structure:	Following the execution and delivery of all Financing Documents (defined in Section 3.5), ("Financial Close"), the Borrowers intend to pay for Project costs which would include construction costs, interest, fees and other related costs, using a combination of equity to be provided by the Proponents and debt to be made available by the relevant Lenders. The Parties agree that Financial Close for ML must occur by the later of 90 days after the Nalcor Projects, or December 31, 2013. The Financing Structure will be flexible enough to allow each Borrower to raise debt , by way of: (i) bank credit facilities; (ii) a commercial paper program; (iii) a single bond or a series of bonds with staggered short-term maturity dates or a single maturity date issued and maturing within the Construction Period (the period between Financial Close and Commercial Operations Date (defined herein)); (iv) a single long-term bond or a series of long-term bonds issued during the Construction Period; or (v) a combination of one or more of the foregoing options, together with any related hedging instruments. The Guaranteed Debt incurred during the Construction Period for each Project may be refinanced by way of loans, bonds or a combination thereof, provided that: (a) the principal amount of such refinancing does not exceed the then outstanding principal amount of the Guaranteed Debt; and (b) the term thereof does not extend beyond the end of the FLG Term, it being expressly agreed that any loan or bond that matures on or after the earlier of: (i) 2 years after COD; or (ii) 7 years after Financial Close, may not be further refinanced. All of the foregoing is hereinafter collectively referred to as the "Financing". As may be required by the nature of the Financing, a hedging program shall be put in place for each Borrower at Financial Close. In order to ensure certainty in the cost of the Financing for each of the Projects, any interest expense risk will be hedged. The Project hedging principles will be agreed to with the Guarantor prior to Financial Close. Canada, the Borrowers and the Proponents will work to agree on a Financing Structure for the Projects, it being acknowledged that a range of financing structures may be considered. "Commercial Operations Date" ("COD"), in respect of each Project, shall be the date upon which construction is certified by the Borrowers' Engineer to be complete and confirmed by the Independent Engineer, which is currently expected to be July, 2017.

3. FLG TERMS

3.1 Guaranteed Debt:	A. The total maximum amount of borrowing and hedging obligations (including principal, interest, fees, and costs) under the Financing to be guaranteed by Canada ("Guaranteed Debt") shall be the lesser of the following for each of the Projects: i. A fixed dollar-based cap of $6.3 billion, allocated among the Projects as follows: a. MF/LTA: up to $2.6 billion, b. LIL: up to $2.4 billion; and c. ML: up to $1.3 billion; herein called "Individual Project Debt Caps". ii. The amount of debt implied by the maximum Debt to Equity Ratios ("DER") for each Project as follows: a. MF/LTA: 65:35 b. LIL: 75:25 c. ML: lower of Nova Scotia Utility and Review Board (UARB) approval or 70: higher of UARB approval or 30; or iii. The amount of debt that provides a minimum Debt Service Coverage Ratio ("DSCR") of 1.40x for each Project throughout the Term of the FLG. B. The terms and conditions of the Guaranteed Debt shall be those commonly used in similar commercial transactions, shall be subject to Canada's approval, acting reasonably, and shall include the following: (i) Rate of Interest that is no greater than that which would be offered by Lenders to an entity with a "AAA" credit rating; (ii) The proceeds from the Guaranteed Debt and the Additional Debt shall be used for the sole purpose of the Project; and (iii) Any long-term bond issued in connection with the Guaranteed Debt may carry a call feature.
3.2 Term of the FLG:	The FLG Term shall begin on Financial Close and shall terminate on the earlier of: (a) payment in full of the Guaranteed Debt; or (b) the Maximum Term for each Project, as follows: (i) MF/LTA: 35 years after Financial Close; (ii) LIL: 40 years after Financial Close; and (iii) ML: 40 years after Financial Close.
3.3 FLG Amortization Profile:	The Guaranteed Debt shall be repaid in accordance with the following amortization profile: MF/ LTA : simple mortgage-style amortization, ending no later than 35 years after Financial Close; LIL : level amortization, ending no later than 55 Years after Financial Close; and

	ML : level amortization, ending no later than 40 years after Financial Close. The Amortization period is to begin on the earlier of: (i) Commercial Operations Date, and (ii) seven (7) years after Financial Close. The Amortization Profile shall be such that there is no principal outstanding at the end of each amortization period for each Project. In each case, save if bullet maturity bonds are used, there shall be at least one payment a year. Bullet maturity bonds may be used instead of amortizing bonds. Bullet maturities will be matched as closely as possible to the relevant FLG Amortization Profile.
3.4 FLG Maximum Exposure:	The maximum exposure to the Guarantor under the FLG at any given time shall be the actual amount outstanding on the Guaranteed Debt at such time based on the FLG Amortization Profile.
3.5 FLG Conditions Precedent:	A. The following conditions precedent (the "FLG Conditions Precedent") must be satisfied in form and substance acceptable to the Guarantor prior to the execution and delivery of the FLG for all Projects: (i) Confirmation by Credit Rating Agencies of indicative credit ratings for each of MF, LTA, and LIL (prepared on a non-guaranteed basis) equal to or higher than investment grade; (ii) Provision by Credit Rating Agencies of indicative credit ratings for the ML (prepared on a non-guaranteed basis and based on information provided in the application to the UARB) equal to or higher than investment grade; (iii) Enactment of legislation, and execution of formal agreements between the NL Crown and Nalcor (or related entities), which put into legally binding effect the commitments made by the NL Crown as outlined in Schedule "A", both the legislation and the agreements being to the Guarantor's satisfaction.; (iv) The formalization of a regulatory framework by the Province of Nova Scotia ("NS") in legislation and/or regulations; (v) Execution of an inter-governmental agreement (the "IGA") between Canada and the NL Crown in which NL Crown: (a) makes the commitments outlined in Schedule "A" to Canada; (b) indemnifies Canada for any costs that it may incur under the FLG as a result of a regulatory decision or regulatory change (including through legislation or policy) that prevents a Borrower from recovering Project costs and fully servicing the Guaranteed Debt; and (c) guarantees completion of the MF, LTA and LIL Projects to COD such that, where non-completion is due to NL Crown's failure to comply with the commitments outlined in Schedule "A", NL Crown shall indemnify Canada for any costs Canada may incur as a result of those Projects not achieving COD. (vi) Execution of an agreement between Canada and NS in which NS

	indemnifies Canada for any costs it may incur under the FLG as a result of a regulatory decision or regulatory change (including through legislation or policy) that prevents a Borrower from recovering Project costs and fully servicing Guaranteed Debt; (vii) Sanction of all Projects, including ML; (viii) Execution of an agreement (the "Emera Guarantee Agreement") between Canada and Emera, wherein Emera shall guarantee: (a) the payment of $60 million to the Guarantor in the event that Financial Close is not achieved by the date set out herein or funds are not drawn from Guaranteed Debt within a reasonable time after Financial Close; and (b) following the first draw of Guaranteed Debt, Emera will guarantee to complete the ML or to provide required funds to complete the ML; (ix) That all necessary environmental legal and policy authorities have been complied with to the satisfaction of the Guarantor; and (x) That all necessary aboriginal consultation obligations have been complied with to the satisfaction of the Guarantor. B. The following conditions precedent (the "FLG Conditions Precedent") must be satisfied by the applicable Borrower in form and substance acceptable to the Guarantor prior to the execution and delivery of the FLG for each Project of such Borrower: (i) Execution of the FLG Agreements and all other relevant documents necessary to effect Financial Close ("Financing Documents"); (ii) Provision by Credit Rating Agencies of indicative credit ratings for the ML (prepared on a non-guaranteed basis) equal to or higher than investment grade in the event that the UARB decision differs from the application submitted by MLCo; (iii) Satisfaction, in the sole discretion of the Guarantor, of any and all Project-related due diligence deemed necessary by the Guarantor, including satisfactory review of all required revenue-producing agreements and other agreements including the MF PPA, TFA, LIL Assets Agreement; (iv) Approval by the Guarantor, acting reasonably, of the Financing, Financing Structure, Financing Documents, and the Transaction Structure; (v) A report provided by an independent expert that the Projects have sufficient insurance coverage in place that is customary in projects of this nature and size; (vi) As required by the nature of the Financing, an interest rate hedging program be in place to hedge expected interest expense with respect to the Guaranteed Debt; (vii) All necessary permits, approvals, land-use agreements and other authorizations required at Financial Close have been obtained;

	(viii) Execution and delivery of the indemnity referred to in Section 4.9; (ix) Review of technical aspects of the Projects, including engineering, water resource and any other required due diligence by the Independent Engineer (as defined herein), and preparation and finalization (as confirmed by the Guarantor and Lenders, acting reasonably) of a technical due diligence report (the "IE DD Report") confirming that the Project execution plans are commercially reasonable, and consistent with Good Utility Practice; and (x) Other Conditions Precedent customarily included in commercial project financing transactions.
Date: _____ 3.6 Costs Incurred by Guarantor:	All reasonable third-party costs incurred by the Guarantor in relation to an FLG shall be at the expense of the Borrower for the benefit of which such FLG has been issued.
3.7 Guarantee Fee:	No fees shall be payable to the Guarantor in respect of the provision of any FLG.
3.8. Commitment Fees:	Any fees paid to the Lenders under the Project Financing, such as commitment fees or up-front fees, shall be commercially reasonable.
4. PROJECT DEBT	
4.1 Debt Service Coverage Ratio Definition and Test:	Definition: The Debt Service Coverage Ratio ("DSCR") in respect of any Borrower, and in respect of any 12-month period shall be calculated as follows: DSCR = Base Cash Flow / Debt Service, where: Base Cash Flow = Liquidity Reserves plus Contracted Revenues less Cash Operating Costs Debt Service = Amortization plus Interest Expense Amortization = The amortization amount corresponding to the FLG Amortization profile in respect of each Borrower Interest Expense = The interest expense for the period Contracted Revenues: (i) MF: (a) For purposes of Initial Debt Sizing, DSCR shall include only the Base Block Revenue plus Liquidity Reserve; and (b) For all other purposes, DSCR shall include the Base Block Revenue plus Liquidity Reserve, plus revenue from power purchase agreements with investment grade parties, based on total annual energy sales not to exceed (P50) energy production for MF. (ii) LTA: For all purposes, DSCR shall include LTA Tariff Revenue plus Liquidity Reserve. (iii) LIL: For all purposes, DSCR shall include revenue from NL Hydro under

	the LIL Assets Agreement plus any Liquidity Reserve. (iv) ML: For all purposes, DSCR shall include revenues collected from ratepayers under the cost-recovery framework imposed by the Nova Scotia Utility and Review Board plus any Liquidity Reserve. Cash Operating Costs includes all cash costs of the Borrower, excluding interest and principal on any Guaranteed Debt. <u>Test:</u> The DSCR Test shall apply both prospectively and retrospectively except as follows: (a) The DSCR Test shall apply prospectively in the context of the maximum Guaranteed Debt as defined in 3.1; and (b) The DSCR Test shall apply prospectively in the context of the Additional Debt. For purposes of the ML, the prospective calculation of the DSCR shall be based on the UARB-approved return on equity. DSCR will be calculated monthly on a rolling 12-month basis. "Base Block Revenue" means amounts paid by NL Hydro to MF in respect of the Base Block Energy purchase commitments as set out in the MF power purchase agreement and as described in the Memorandum of Principles.
4.2 Debt Service Coverage Ratio:	The DSCR for each Project shall be a minimum of 1.40x.
	If the DSCR falls below 1.40x, then a 30-day consultation process between the Guarantor and the relevant Borrower is triggered during which time information shall be provided to Canada to advise it of the reasons for such a decline and how the Borrower proposes to increase the DSCR. If it falls below 1.20x, then there shall be no distribution to equity holders. If it falls below 1.10x, it shall constitute an Event of Default.
4.3 Cross-Default Provisions:	MF, LTA, and LIL will have cross-default provisions such that an event of default of any one Borrower will represent an event of default of each of the other two Borrowers. There shall be no cross-default provisions in respect of Maritime Link.
4.4 FLG Events of Default:	The following is a non-exhaustive list of Events of Default in respect of each Project for purposes of the FLG: (i) Failure to satisfy any covenants in the Financing Documents or FLG Agreement, and to cure same within 30 days of notice of default; (ii) Misrepresentation, fraud, or breach of material representation; (iii) Bankruptcy, restructuring, and insolvency of a Proponent or a Borrower; (iv) Termination (other than a scheduled termination), invalidity, unenforceability or default (by any party to such agreement) of any key project agreement (eg. the MF PPA, TFA, LIL Assets Agreement, ML revenue collection agreement) that is not cured within any applicable grace period in that agreement (or within 30 days of the date of occurrence of such event if there is no applicable grace period), or replaced by an equivalent agreement within 30 days. This will be an Event of Default for the defaulting Party only; (v) Sale or Change of Control of Nalcor or the Borrowers, other than

	among the Parties, or non-permitted assignment of any key contracts; (vi) Insufficient funding of Cost Overruns or Cost Escalations that continues for 90 days after being identified by the Independent Engineer; (vii) Abandonment of a Project by the owner of the Project; (viii) Breach or termination of any contract of the Borrowers, including the commercial agreements between Nalcor and Emera, that is not cured within any applicable grace period in that agreement, (or within 30 days of the date of occurrence of such event if there is no applicable grace period) or replaced by an equivalent agreement within 30 days. This will be an Event of Default for the defaulting Party only; (ix) Unauthorized sale of any material Project assets; (x) Failure to provide certificate of the Independent Engineer confirming that budgeting and maintenance of the Project is being conducted in conformity with Good Utility Practice and such failure is not cured within 30 days; (xi) The DSCR falls below 1.10x; (xii) Failure to fund or maintain the Debt Service Reserves or the Liquidity Reserves as required in Section 4.16 and to cure same within 5 business days of payment therefrom; (xiii) Failure to pay principal or interest within 5 business days of due date; and (xiv) Other Events of Default customarily included in commercial financing documents.
4.5 Lenders' Events of Default:	The only Lenders' Event of Default in respect of the Guaranteed Debt shall be the failure by a Borrower and the Guarantor to pay a scheduled principal and interest payment. Upon the occurrence of a Lender's Event of Default, Lenders shall have all available remedies.
4.6 Security:	The security for the Guaranteed Debt shall include the following: (i) the assets of the Borrowers (including Liquidity and Debt Service Reserves); (ii) all contracts of the Borrowers, including key project agreements, as identified by the Guarantor; and (iii) the shares of the Borrowers provided that the shares of MFCo, LTACo and LILCo, may only be pledged to Canada or an agent of Canada. For greater certainty, the priorities of Security taken by the Guarantor shall be determined by the Financing Structure agreed upon, and in any event shall be subject in priority only to Security taken by a Lender, if any. The Borrowers shall take all actions necessary, in the opinion of the Guarantor, to maintain the validity, enforceability, and priority of the Guarantor's security.
4.7 Permitted Liens:	The Borrowers shall not be permitted to create or suffer to exist any lien on their assets except liens that are customary in project financing transactions including, without limitation: (i) liens for assessments or governmental charges or levies which are not delinquent (taking into account any relevant grace periods) or, if overdue, the

	validity or amount of which is being contested diligently and in good faith by appropriate proceedings and in respect of which adequate reserves in accordance with the accounting standard that has been adopted by the Borrower, that is, International Financial Reporting Standards, US GAAP or another recognized reporting standard, have been recorded on the balance sheet of such Borrower; (ii) construction, mechanics', carriers', warehousemen's, storage, repairers' and materialmen's liens but only if the obligations secured by such liens are not due and delinquent and no lien has been registered against title to any assets of such Borrower, or if a lien has been registered, same does not affect the Guarantor's priority in the Security and is being defended diligently and in good faith by appropriate proceedings and in respect of which adequate reserves in the amount of the lien plus 20% have been recorded on the balance sheet of such Borrower; (iii) easements, encroachments, rights of way, licences, reservations, covenants, restrictive covenants or other similar rights in land granted to or reserved by other persons provided that they are reasonable and have been complied with and can be assigned to the Guarantor; (iv) any lien securing purchase money obligations permitted to be outstanding, provided that each such lien affects only the property with respect to which the purchase money obligation it secures was incurred; and (v) any lien securing Additional Debt (defined in Section 4.8) permitted to be outstanding.
4.8 Permitted Debt:	The Borrowers shall not incur debt during the Construction Period and the FLG Term except for: (i) Guaranteed Debt (also known as "Project Debt"); (ii) Additional Debt (as described in 4.8(a)); (iii) Debt secured by a lien which is a Permitted Lien (other than a lien securing purchase money obligations); (iv) Trade payables or similar debt incurred in the ordinary course of business and for the purpose of carrying on same, representing the deferred purchase price of property or services; (v) Debt under purchase money obligations provided, however, that the aggregate principal amount of purchase money obligations outstanding at any time shall not exceed at any time: (i) for MF/LTA $15 million; (ii) for LIL $15 million; and (iii) for ML $15 million.
4.8(a) Additional Debt:	No additional debt may be incurred by the Borrowers during the term of the FLG, other than: (i) for an operating line of credit to a maximum of $10 million for MF/LTA, for LIL, and for ML; and (ii) additional debt to finance cost increases from the DG3 capital cost estimates provided to the Guarantor and the final estimates at Financial Close ("Cost Escalations"), to finance cost increases after Financial Close ("Cost Overruns"), and to finance costs associated with major repairs and refurbishments after COD, (collectively called "Additional Debt").

	Additional Debt shall be subject to the following conditions: (a) It shall not be covered by the FLG; (b) It may be secured provided that it is subordinate to the Guaranteed Debt; and (c) It must satisfy the Debt Equity Ratios and DSCR-based tests on a prospective, aggregate basis (taking into account the Guaranteed Debt and the Additional Debt) throughout the term of the Additional Debt. Additional Debt with bullet maturities will be subject to a deemed periodic amortization profile in order to preserve the validity of the DSCR-based test.
4.9 Independent Engineer:	An engineer (the "Independent Engineer" or "IE") shall have been appointed to permit each Lender and the Guarantor to complete their due diligence and to ensure compliance with the terms of the FLG Agreements and all Financing Documents required to effect Financial Close. The Independent Engineer will represent the Guarantor and the Lenders. The Borrowers shall provide written confirmation, that has been confirmed in writing by the IE, that they have no contractual or other relationship with the IE other than the obligation to pay the fees of the IE. The IE shall review the Project documents and any information provided in support of any drawdown requested by a Borrower and shall make a recommendation to the Lender by way of an IE certificate. The Independent Engineer shall be assigned a scope of responsibility designed to ensure the Projects are developed, maintained, and operated in a manner which is consistent with Good Utility Practice (as defined herein). The Independent Engineer shall have full access to all information related to the Projects and access to management and employees of the Proponents or Borrowers as required. The cost of the Independent Engineer shall be borne by the Borrowers. The Borrowers shall indemnify and save the Guarantor harmless from and against any liability that the Guarantor incurs solely by virtue of being found, in respect of the Projects, liable as a partner or joint venturer.
4.10 Expected Costs to Complete:	Cost Overruns for a Project must be funded with Equity and/or Additional Debt (subject to the provisions of section 4.8(a)) as follows: (i) Equal annual amounts calculated by dividing such Cost Overrun amount by the number of years remaining until COD. Each annual payment shall be funded no later than the date of the first advance of Guaranteed Debt in each year prior to COD, and the first annual amount shall be funded prior to the first advance under Guaranteed Debt after such calculation is made; (ii) The Independent Engineer will confirm the Borrower's revised estimates of Expected Costs to Complete and any related changes to the construction schedule, all by way of an IE certificate; and (iii) Adjustments may be made to such funding requirements from time to time as estimates of Expected Costs to Complete (and related date at which COD is expected to be achieved) are updated or

	revised, all as confirmed by the Independent Engineer. The foregoing shall not in any way limit the enforceability of the provisions of Sections 3.1 or 4.8. The expected costs to complete ("Expected Costs to Complete") in respect of any Borrower at any given time shall be determined by the Borrowers and reviewed and confirmed by the IE by way of an IE certificate to be provided in connection with any drawdown requests prior to COD. The DG3 Capital Cost Estimates shall form the basis for the Independent Engineer's review of and confirmation of any proposed changes to such estimates on an ongoing basis as construction proceeds. Expected Costs to Complete shall include contingencies and escalation. Expected Costs to Complete shall also include any interest during construction and costs associated with the Financing prior to COD, calculated on a pro forma basis.
4.11 Change of Control:	There shall be,no sale or change of control of any Borrower or subsidiaries, except as among the Parties, and no sale of any material Project assets. There shall be no sale or change of control of Nalcor.
4.12 Independent Engineer Certificate post COD::	On each anniversary following COD, and until the end of the FLG Term, the Borrower or the IE shall provide an Independent Engineer's certificate, in form and substance acceptable to the Guarantor, acting reasonably, confirming that budgeting and maintenance of the Project are being conducted in conformity with Good Utility Practice. Failure of the Borrower to budget and maintain in accordance with Good Utility Practice that results in the IE being unable to provide such certification shall constitute an Event of Default subject to a 30-day cure period.
4.13 Good Utility Practice:	"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.

4.14 Debt-Equity Contributions:	Construction costs shall be funded only with equity prior to Financial Close. Subject to the conditions provided herein (including, without limitation, the Individual Project Debt Caps in respect of any Guaranteed Debt, and the funding of Cost Overruns), following Financial Close, debt and equity funds shall be invested as follows: (i) 100% debt until such time as the target Debt Equity Ratio is achieved; and (ii) thereafter, debt and equity shall be invested on a *pro rata* basis in accordance with the targeted Debt Equity Ratio for each Project.
4.15 Distributions:	There shall be no distribution to shareholders by the Borrowers: (i) Where the DSCR is below 1.20x; (ii) During the Construction Period; and (iii) Where an Event of Default has occurred which has not been cured during the cure period if same has been provided.
4.16 Debt Service Reserves and Liquidity Reserves:	Each Borrower shall at all times maintain Debt Service Reserves in a dedicated reserve account. The Debt Service Reserves will, at all times, be funded in an amount at least equal to the debt service (principal and interest) obligations of such Borrower for the forward-looking 6-month period. The Debt Service Reserve is for the benefit of the Guarantor and in the event that the Guarantor is required to make payment to the Lenders under the FLG, then it shall be entitled to immediate reimbursement of such amount from the Debt Service Reserve. MFCo and LTACo shall, for the MF/LTA Project, also fund with equity and maintain a Liquidity Reserve in a dedicated reserve account that permits MFCo and LTACo to maintain a DSCR of no less than 1.40x for a period of ten (10) years after COD. LIL and ML may each establish a Liquidity Reserve in connection with the DSCR.
4.17 Prepaid Rent Reserve for LIL:	During the Construction Period all prepaid rent received by LILCo from LIL Opco under the LIL Assets Agreement shall be kept in a reserve account and upon completion and receipt of the first rental payment from LIL Opco the amounts in the prepaid rent reserve shall be released and applied in accordance with the waterfall established under the LIL Project Financing Documents. During the Construction Period, distributions equal to the investment returns on the capital invested in the prepaid rent reserve account may be made to the Nalcor LIL limited partner provided no default or Event of Default exists.

4.18 Reports:	The Guarantor shall be entitled to regular financial and operational reports for the Projects at the expense of the Borrowers. This will include all customary reports and all rights to access and audit as are provided to the Lenders.
4.19 Covenants:	Customary affirmative and negative covenants to be provided by the Borrowers.
4.20 Representations and Warranties:	Customary Representations and Warranties are to be provided by the Borrowers.

SCHEDULE "A"

NL Crown commits to do the following:

1. Approve the creation of those subsidiaries or entities controlled by Nalcor which are required in order to facilitate the development and operation of MF, the LIL and the LTA, and to ensure Nalcor and existing and new subsidiaries or entities have the authorized borrowing powers required to implement the Projects and meet any related contractual or reliability obligations.

2. Provide the base level and contingent equity support that will be required by Nalcor to support successful achievement of in-service for MF, the LTA and the LIL, in cases with and without the participation of Emera.

3. Ensure that, upon MF achieving in-service, the regulated rates for Newfoundland and Labrador Hydro ("NLH") will allow it to collect sufficient revenue in each year to enable NLH to recover those amounts incurred for the purchase and delivery of energy from MF, including those costs incurred by NLH pursuant to any applicable power purchase agreement ("PPA") between NLH and the relevant Nalcor subsidiary or entity controlled by Nalcor that will provide for a recovery of costs over the term of the PPA and relate to:

    a) initial and sustaining capital costs and related financing costs (on both debt and equity), including all debt service costs and a defined internal rate of return on equity over the term of the PPA;

    b) operating and maintenance costs, including those costs associated with transmission service for delivery of MF power over the LTA (as described further in 5 below);

    c) applicable taxes and fees;

    d) payments pursuant to any applicable Impact & Benefit agreements;

    e) payments pursuant to the water lease and water management agreements; and

    f) extraordinary or emergency repairs.

4. Ensure that, upon the LIL achieving in-service, the regulated rates for NLH will allow it to collect sufficient revenue in each year to enable NLH to recover those amounts incurred for transmission services, including those costs incurred by NLH pursuant to any applicable agreements between NLH, the LIL operating entity and/or the entity holding ownership in the LIL assets, that will provide for a recovery of costs over the service life of the LIL and relate to:

    a) initial and sustaining capital costs of the LIL and related financing and debt service costs, including a specific capital structure and regulated rate of return on equity equal to, at least, a minimum value required to achieve the debt service coverage ratio agreed to in lending agreements by the LIL borrowing entity;

b) operating and maintenance costs;

c) applicable taxes and fees; and

d) extraordinary or emergency repairs;

5. Ensure that, upon LTA achieving in-service, the regulated rates for the provision of transmission service over the LTA will provide for a recovery of costs over the service life of the LTA including initial and sustaining capital costs, operating and maintenance costs, extraordinary or emergency repairs, applicable taxes and fees and financing costs (on both debt and equity), including all debt service costs and a defined internal rate of return on equity over the term of any applicable agreement.

This agreement shall ensure to the benefit of Nalcor and Emera and their affiliates including the Borrowers and their respective permitted successors and assigns and shall be binding on the Parties. The Parties represent and warrant that once this agreement is accepted by the Parties as herein provided, it shall constitute the irrevocable, legal, valid and binding obligation of the Parties, enforceable in accordance with its terms.

IN WITNESS WHEREOF each of the Parties has executed this agreement as of the date set forth below.

HER MAJESTY THE QUEEN IN RIGHT OF CANADA, as represented by The Right Honourable Prime Minister of Canada,

Per: _____

The Honourable Stephen Harper

Date: _____

HER MAJESTY IN RIGHT OF NEWFOUNDLAND AND LABRADOR, as represented by the Premier

Per: _____

The Honourable Kathy Dunderdale

Date: _____

HER MAJESTY IN RIGHT OF NOVA SCOTIA, as represented by The Premier

Per: _____

The Honourable Darrell Dexter

Date: _____

NALCOR ENERGY

Per: _____

Name:

Title:

Date:

I / we have authority to bind the Corporation

EMERA INC.

Per: _____

Name:

Title:

Date:

I/we have authority to bind the Corporation

NOV 30 2012