

Canada 

**Newfoundland
Labrador** 

NOVA SCOTIA 

**MEMORANDUM OF AGREEMENT
BETWEEN
THE GOVERNMENT OF CANADA**

AND

**THE GOVERNMENT OF
NEWFOUNDLAND AND LABRADOR**

AND

THE GOVERNMENT OF NOVA SCOTIA

**TO SUPPORT THE
LOWER CHURCHILL RIVER
HYDROELECTRICITY PROJECTS**

MEMORANDUM OF AGREEMENT
BETWEEN
THE GOVERNMENT OF CANADA
AND
THE GOVERNMENT OF NEWFOUNDLAND AND LABRADOR
AND
THE GOVERNMENT OF NOVA SCOTIA

(hereinafter referred collectively as “the Parties”)

In its June 3, 2011 Speech from the Throne the federal Government expressed its commitment to support the lower Churchill River hydroelectricity projects, as an important action to support our broader objective to develop Canada’s extraordinary resource wealth in a way that protects the environment.

The Government of Canada confirms the projects collectively have national and regional significance, economic and financial merit, and will significantly reduce greenhouse gas emissions.

The Government of Canada will provide or purchase a loan guarantee for the lower Churchill River hydroelectricity projects. The loan guarantee will be payable upon the default of the borrower should such a default occur. The projects include the following:

- Muskrat Falls hydroelectric generation facility
- Labrador Transmission Assets
- Labrador-Island Link
- Maritime Link

If the Government of Canada chooses to purchase rather than provide the loan guarantee it undertakes that the economic value to the projects will be equivalent.

The term of the guarantee will extend to both the construction and post-construction periods.

The guarantee for the projects will apply to the aggregate construction debt and the initial long term debt arranged with lenders at financial close for each project, based on commercially reasonable capital structures arranged by Nalcor and Emera.

There will be no fees payable by Nalcor, Emera or the Governments of Newfoundland and Labrador and Nova Scotia for the loan guarantee.

The Government of Canada will enter into a term sheet with Nalcor Energy and Emera structured in a form to reflect the contents of this Memorandum of Agreement as well as further definition required to support engagement with capital markets.

The federal government is retaining financial advisors to complete due diligence analysis. The purpose of due diligence is to assist the Government of Canada in the implementation of this Memorandum of Agreement.

In the context of this Memorandum of Agreement the Government of Canada, Nalcor and Emera are seeking to assess and minimize risks associated with the projects.

A committee will be established that includes representatives from Nalcor, Emera, the Government of Canada, the Government of Newfoundland and Labrador and the Government of Nova Scotia to facilitate information sharing and complete the matters outlined herein.

The Parties agree that time shall be of the essence in this agreement and will be bound by this agreement including the following timelines, unless otherwise extended by mutual agreement: on or before August 31, 2011 – announcement of the terms of this agreement; on or before November 30, 2011 or 8 weeks following access by the Government of Canada to the projects' data room and detailed analyses and representations by credit rating agencies – agreement on term sheet for engagement with capital markets; and on or before financial close – completion of formal agreements for provision of the loan guarantee.

This Memorandum of Agreement takes effect on August _____, 2011

In WITNESS WHEREOF, the Parties have executed this Memorandum of Agreement:

The Government of Canada
As represented by the Minister of Natural Resources
The Honourable Joe Oliver

The Government of Newfoundland and Labrador
As represented by the Minister of Natural Resources
The Honourable Shawn Skinner

The Government of Newfoundland and Labrador
As represented by the Minister of Intergovernmental
Affairs
The Honourable Dave Denine

The Government of Nova Scotia
As represented by the Minister of Energy
The Honourable Charlie Parker

Canada 

Newfoundland
Labrador 


NOVA SCOTIA