

TERM SHEET

February 14, 2022

AGREEMENT PROVIDING THE KEY TERMS AND CONDITIONS FOR A THIRD FEDERAL LOAN GUARANTEE BY HER MAJESTY IN RIGHT OF CANADA FOR THE LOWER CHURCHILL PROJECTS TO BE KNOWN AS "FLG3"

The Lower Churchill Projects (the "**Projects**") as defined in Section 1.1 below) rely in part on third-party debt financing for purposes of funding the construction costs of the Projects. In 2013, the Federal Government provided a Federal Loan Guarantee (the "**FLG**") to support the construction and operation of the Projects in view of the national and regional significance, economic and financial merit of the Projects and their contribution to significantly reducing greenhouse gas emissions once they are completed and thereby significantly enhanced the credit quality of the FLG Debt (as hereinafter defined). In 2017, the Federal Government provided a second Federal Loan Guarantee (the "**FLG2**") and thereby increased its support to the Projects.

The FLG and FLG2 bonds were issued to the public by two (2) special purpose funding trusts (each, a "**Funder**") pursuant to two (2) trust indentures executed in 2013 and two (2) trust indentures executed in 2017, the terms of which are outlined in the public debt agreements (the "**FLG Agreements**"). Each of FLG and FLG2 is secured and documented as a modified credit wrap secured guarantee in a series of project debt documents with, insofar as they relate to the MF and LTA Projects (as defined in Section 1.1 below), the Borrowers (the "**Project Finance Documents**"). On December 13, 2013, two Funders issued public debt in an aggregate amount of \$5,000 million ("**FLG Debt**") comprised of a \$2,600 million financing for the MF and LTA Projects and a \$2,400 million financing for the LIL Project (as defined in Section 1.1 below), all pursuant to the FLG Agreements executed in 2013. On May 25, 2017, two Funders issued public debt in an aggregate amount of \$2,900 million ("**FLG2 Debt**") comprised of a \$1,850 million financing for the MF and LTA Projects and a \$1,050 million financing for the LIL Project, all pursuant to the FLG Agreements executed in 2017.

This agreement (this "**Agreement**") sets forth a summary of the key terms and conditions of the additional Federal Loan Guarantee (the "**FLG3**") to guarantee \$1,000 million of additional debt ("**FLG3 Debt**" or collectively with the FLG Debt and FLG2 Debt, the "**Guaranteed Debt**") for the MF and LTA Projects.

This Agreement is intended to serve as an outline for amendments to the Project Finance Documents and as an outline for the new agreements to govern the FLG3 Debt to be issued by MFLTA FV (as defined in Section 1.4 below) for the MF and LTA Projects and for the related additional guarantee of the FLG3 (the "**FLG3 Agreements**"), which the parties hereto will negotiate in good faith.

Canada (as defined in Section 1.2 below) hereby agrees to guarantee the FLG3 Debt and to provide the FLG3 as more fully described and subject to the key terms and conditions described herein.

The agreements of Canada hereunder are made solely for the benefit of Nalcor (as defined in Section 1.3 below), the Borrowers (as defined in Section 1.6 below), NL Crown (as defined in Section 1.3 below) and the Lenders (as defined in Section 1.5 below) ultimately selected by them to make the FLG3 Debt available for the benefit of the MF/LTA, and may be relied upon by all such persons but may only be enforced by any of the NL Crown, Nalcor or any of its affiliates, including the Borrowers. Once this Agreement has been executed by all the parties hereto, it may be disclosed publicly by or on behalf of any of Canada, Nalcor and its affiliates, and NL Crown.

Canada understands that Nalcor or its affiliates will be soliciting offers for the FLG3 Debt from various Lenders to be agreed. Given the importance of the FLG3 to the FLG3 Debt for the MF/LTA Project, Canada hereby acknowledges and agrees that upon request by Nalcor 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 FLG3, for participation in meetings with credit rating agencies and potential lenders to respond to queries concerning the FLG3 to be provided.

This Agreement supersedes all prior communications, written or oral, with respect to the FLG3 and the FLG3 Debt and the other matters expressly contemplated herein (the "**FLG3 Matters**"), including the provisions of the Agreement in Principle entered into between Canada and the NL Crown on July 28, 2021 (the "**AIP**") as they relate to the FLG3 Matters.

This Agreement shall be governed by, and construed in accordance with, the laws of the Province of Newfoundland and Labrador ("**NL**") 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 Newfoundland and Labrador Court of Appeal, Federal Court of Appeal or to the Supreme Court of Canada. 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.

TERMS AND CONDITIONS

1. THE PROJECT AND THE TRANSACTION PARTIES	
1.1 Projects for the FLG3	The Muskrat Falls Generation Facility (" MF "), the Labrador Transmission Assets (" LTA " and collectively with MF, " MF/LTA "), each as more fully described as follows: MF: an 824-MW hydro-electric generation facility in the vicinity of Muskrat Falls, Labrador developed by Nalcor. LTA: a 345-kV HVac transmission interconnection between Muskrat Falls and Churchill Falls developed by Nalcor.
Related Project	The Labrador-Island Link (" LIL "): a HVdc transmission line connecting the Island of Newfoundland to generation facilities in Labrador being developed by Nalcor in which Emera Inc., via a Newfoundland and Labrador corporate entity, is an investor. (collectively the " Projects ")
1.2 Guarantor	Her Majesty in right of Canada (" Canada " or " Guarantor ").
1.3 Proponent	Nalcor Energy (" Nalcor "), acting on its own behalf and not as agent of Her Majesty in right of Newfoundland and Labrador (" NL Crown ").
1.4 Funder	Muskrat Falls / Labrador Transmission Assets Funding Trust (" MFLTA FV "), a trust formed under the Laws of NL pursuant to a Declaration of Trust, also referred to herein as a Funder.

1.5 Borrowers	<p>Muskrat Falls Corporation: a special purpose wholly-owned subsidiary of Nalcor ("MF Corp").</p> <p>Labrador Transmission Corporation: a special purpose wholly-owned subsidiary of Nalcor ("Labrador Transco").</p> <p>Each a "Borrower" and collectively, the "Borrowers".</p>
1.6 Lenders	<p>As to the FLG3 Debt, with respect to MFLTA FV, a financial institution or a group of financial institutions, financiers or others that will purchase debt securities to be issued by MFLTA FV to permit it to, in turn, make credit facilities available to the Borrowers, which FLG3 Debt will be guaranteed by Canada pursuant to the FLG3 (the "Lender" or "Lenders"). The structure will include trustees and collateral agents, in the same structure as the FLG and FLG2, for the benefit of the Lenders and Canada.</p>
1.7 Definitions	<p>All defined terms in this Agreement not defined herein are as defined in the Second Amended and Restated MFLTA Master Definitions Agreement.</p>
<p>2. <u>TRANSACTIONS</u></p>	
2.1 Federal Loan Guarantee	<p>The FLG3 shall, in respect of the MF/LTA Project, be an absolute, continuing, unconditional and irrevocable guarantee of payment (not collection) when due of the FLG3 Debt of MFLTA FV to the Lenders. The Lenders shall not be bound to pursue or exhaust their recourses against MFLTA FV or any security held by it before demanding payment from the Guarantor. The form and terms of the FLG3 will be substantially the same as those for the FLG2 except as expressly amended by the terms of this Agreement.</p> <p>Security - Canada shall be given security in the same form as, and <i>pari passu</i> with, the existing security given by MFLTA FV for the FLG and FLG2 and security given by the Borrowers in favour of MFLTA FV in connection with the FLG3 Debt proceeds on-lent to them shall be in the same form as, and <i>pari passu</i> with, the existing security given by the Borrowers for the FLG and FLG2.</p> <p>Acceleration - It shall be a term of the FLG3 Agreements for the MF/LTA Project that in the event of default by MFLTA FV thereunder, the Lenders will not have the right to accelerate the FLG3 Debt unless they have failed to receive payments in accordance with the scheduled payments under the FLG3. Canada's payment under the FLG3 within the stated notice period will satisfy payment and prevent acceleration.</p> <p>Full Credit Substitution - Canada acknowledges that consistent with the FLG Debt and FLG2 Debt, for the full benefit of the FLG3 to be realized, its terms and implication for any financing undertaken must satisfy the requirements of full credit substitution published by the applicable credit rating agencies.</p>

	<p>Hedging Excluded – For avoidance of doubt, hedging instruments shall not benefit from, and the obligations created thereby shall not be guaranteed by, the FLG3, notwithstanding that such hedging instruments may form a part of the proposed Financing Structure which has been approved by Canada.</p> <p>The Guarantor, MFLTA FV, the Borrowers and the Collateral Agent will enter into an amended and restated guarantee assurance agreement adding the FLG3 (the "FLG3 Assurance Agreement").</p>
2.2 Transaction Structure	<p>The FLG3 Debt will be structured in the same format as the FLG Debt and FLG2 Debt. There will be debt issued by MFLTA FV which will be unsecured and covered by the FLG3. There will be an amendment to the Project Finance Documents to add the FLG3 Debt on the same terms as currently contemplated in the Project Finance Documents thereby providing the secured lender rights and benefits to Canada to support the FLG3. The FLG3 Assurance Agreement will be drafted to take into account the FLG3 Debt and reflect the terms contained in this Agreement but otherwise be in the same form and substance as the guarantee assurance agreement currently in force with respect to the FLG Debt and the FLG2 Debt.</p> <p>Since the amount of the debt that can be issued by MFLTA FV pursuant to the existing trust indentures is capped and the full amount of that cap has been utilized, the FLG3 Debt will be issued pursuant to a new trust indenture in the same form and substance as the existing trust indenture pursuant to which the FLG Debt and FLG2 Debt was issued by MFLTA FV.</p>
2.3 Financing Structure	<p>The execution and delivery of all amended Project Finance Documents and the FLG3 Agreements as well as the satisfaction of the FLG3 Conditions Precedent in Section 3.6 and issuance of the FLG3 Debt will constitute "FLG3 Close".</p> <p>The drafting, negotiation and execution of the definitive agreements is to be pursued as expeditiously as possible and may conclude before all of the conditions precedent are satisfied.</p> <p>After the satisfaction of the FLG3 Conditions Precedent in Section 3.6, MFLTA FV may raise the FLG3 Debt on the public or corporate markets.</p> <p>The structure of this financing will be done in a manner that generally aligns with the existing FLG Debt and FLG2 Debt and is flexible enough to allow MFLTA FV to raise the FLG3 Debt by way of (the "Financing Structure") and may include:</p> <ul style="list-style-type: none">(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 following Commissioning of the MF/LTA Project;

	<p>(iv) a single long-term bond or a series of long-term bonds issued following Commissioning of the MF/LTA Project; or</p> <p>(v) a combination of one or more of the foregoing options, together with any related hedging instruments (including hedges that, with the consent of Canada, may be implemented prior to satisfaction of the FLG3 Conditions Precedent in Section 3.6, if the parties determine such hedges to be in the best interest of the Projects and without adverse fiscal effect for Canada).</p> <p>The FLG3 Amortization Profile shall be consistent with the amortization profile outlined in Section 3.4 of this Agreement. All of the foregoing is hereinafter collectively referred to as the "Financing".</p> <p>Canada will consider financing structures for the bonds similar to the FLG Debt or FLG2 Debt structure or such other structures as may be proposed by the Proponent and/or the underwriters (with the approval of the Proponent) that could reduce the total interest costs while managing the refinancing risk for the MF/LTA Project in a manner consistent with that of the FLG Debt and FLG2 Debt. Proposed Financing Structures must also be consistent with the concepts of the Project Finance Agreements.</p> <p>As was done in 2013 in connection with the FLG Debt, the Request for Financing process (RFF) may be initiated. Discussions, market preparation, market sounding, RFF or similar proposal processes designed and documents all reviewed and approved with key participants including Canada, the rating agencies and the proposed lead agents, on a fully confidential basis, may run in parallel with the drafting and negotiation of the definitive master agreements contemplated in the AIP. The FLG3 Debt may be offered after execution of the definitive documents described in Section 3.6 but may only close on or after all of the FLG3 Conditions Precedent in section 3.6 are met.</p>
<u>3. FLG3 TERMS AND CONDITIONS</u>	
3.1 FLG3 Debt	<p>The total maximum amount of borrowing under the Financing to be guaranteed by Canada by the FLG3 shall be \$1 billion, \$992,351,000 of which will cover all principal payments due before June 30, 2029 under the MF/LTA FLG Debt and MF/LTA FLG2 Debt (including the December 1, 2021 MF/LTA FLG2 principal payment) with the remaining balance to contribute to the funding of issuance costs.</p> <p>The terms and conditions of the FLG3 Debt shall be consistent in all material respects with those in the FLG Debt and the FLG2 Debt and shall be subject to Canada's approval, acting reasonably. The terms and conditions of the project level debt, except as amended by this Agreement, will remain the same.</p>

3.2 FLG3 Funds Release	<p>A. Once the FLG3 Debt proceeds are received, \$992,351,000 of such proceeds will be placed in escrow and used to fund principal repayments of the MF/LTA FLG Tranche A and the MF/LTA FLG2 bullet bonds until June 30, 2029. The remaining approximately \$8 million of proceeds from the FLG3 Debt will be released on closing and be used towards payment of expenses related to the FLG3 Debt. \$992,351,000 of the proceeds of the FLG3 Debt, when raised as described and permitted herein, will be held in a dedicated account controlled by the Collateral Agent (the Muskrat/LTA Proceeds Account (the “Proceeds Account”)) and released in accordance with a funding process to be agreed in the Muskrat/LTA Project Finance Agreement, as was the case for FLG and FLG2 Debt proceeds. Interest on funds held in escrow accrues to the benefit of the MF/LTA Project.</p> <p>B. The FLG3 Debt proceeds in escrow will only be released from the Proceeds Account to fund FLG Tranche A and FLG2 principal payments after the Commissioning of the LIL in accordance with the LIL Project Finance Agreement. Notwithstanding the foregoing, funds from the FLG3 Debt proceeds may be released from the Proceeds Account to reimburse Nalcor or a subsidiary for amounts paid in respect of the MF/LTA FLG 2 principal payments due on December 1, 2021; furthermore, (i) upon execution and delivery of this Term Sheet, any amounts funded or pre funded to the MF/LTA Sinking Fund Account (in respect of the December 1, 2021 FLG Tranche A sinking fund payment), may be released from the MF/LTA Sinking Fund Account to reimburse Nalcor or a subsidiary for amounts paid to that account, and (ii) after the FLG3 Debt issuance is complete and the proceeds are placed in the Proceeds Account, any amounts funded or pre funded to the Muskrat Prepaid Debt Service Escrow Account (in respect of the June 1, 2022 FLG2 principal payment, Guarantee Fee payment and FLG Tranche A sinking fund payment, as prefunded in accordance with the revenue agreements) or the Labrador Transco Prepaid Debt Service Escrow Account (in respect of the June 1, 2022 FLG2 principal payment, Guarantee Fee payment and FLG Tranche A sinking fund payment, as prefunded in accordance with the revenue agreements), as the case may be, may be released from the Muskrat Prepaid Debt Service Escrow Account or the Labrador Transco Prepaid Debt Service Escrow Account, as the case may be, to reimburse Nalcor or a subsidiary for amounts paid to that account.</p>
3.3 Term of the FLG3	The FLG3 Term shall begin on FLG3 Close and shall terminate on the earlier of: (a) payment in full of the FLG3 Debt; or (b) the maximum term established by the amortization requirements. In any event, the FLG3’s maximum term limit will be no later than June 1, 2057.
3.4 FLG3 Amortization Profile	The FLG3 Debt shall be repaid in accordance with, subject to the last paragraph of this section, a level annual amortization profile (“ FLG3 Amortization Profile ”).

	<p>In the case of amortizing bonds, there shall be at least one payment a year commencing in 2037.</p> <p>Bullet maturity bonds may be used instead of amortizing bonds. Bullet maturity bonds must be accompanied with sinking funds to match the required FLG3 Amortization Profile.</p> <p>The FLG3 Debt will have a final maturity of no later than June 1, 2057 and is to be amortized on a level amortization basis over 20 years between 2037 and 2057 or an alternative amortization schedule mutually agreed upon.</p>
<p>3.5 FLG3 Maximum Exposure</p>	<p>The maximum exposure to Canada under the FLG3 at any given time shall be actual principal amounts outstanding on the FLG3 Debt at such time plus interest, fees and costs. Canada will have security over any amounts in the Proceeds Account, and if applicable any sinking fund account, which will thereby reduce Canada’s maximum exposure.</p>
<p>3.6 FLG3 Conditions Precedent</p>	<p>The following conditions precedent (the "FLG3 Conditions Precedent") must be satisfied in form and substance acceptable to Canada and NL, acting reasonably, prior to the closing of the FLG3 by execution and delivery of the FLG3:</p> <ul style="list-style-type: none"> (i) Execution of the agreements to reflect the FLG3 consisting of the same form of agreements as executed for the FLG2 amended as required for the terms of this Agreement; (ii) Amendment of the intergovernmental agreement (the "IGA") between Canada and the NL Crown to provide identical commitments by NL Crown for the FLG3 as were provided for the FLG and FLG2 as amended to account for completion of the Projects to the state of Commissioning; (iii) Execution of the Convertible Debenture and the limited partnership agreement for LIL (2021) LP for investment in the Labrador Island Link Project by Canada pursuant to the Term Sheet for the “LIL” Project (the “LIL Investment”) dated _____ February 14 , 2022; (iv) Approval of the Transactions by Canada and the NL Crown, including any revisions to regulations, legislation or ministerial authorizations as are necessary to complete the transactions; (v) Approval of the board of directors of any entity so requiring; (vi) Completion of satisfactory due diligence by Canada and the NL Crown; (vii) Commissioning of the MF/LTA Projects to the requirements of Commissioning as set out pursuant to the Second Amended and Restated MFLTA Project Financing Agreement dated as of May 10,

	<p>2017 (the “Second Amended and Restated MFLTA PFA”) or as Canada agrees otherwise;</p> <p>(viii) Comfort letter from the Province and Nalcor that the allocation of responsibility for the Lower Churchill Projects reaching Commissioning, as to cost and technical aspects, remains with the NL Crown, Nalcor and its subsidiaries as set out in the FLG and FLG2;</p> <p>(ix) Comfort letter from the Province and Nalcor providing confirmation that the scope of the Lower Churchill Projects subject to the arrangements with Canada remains unchanged such that any additional investments in project assets or broader electrical system assets that may be required will be to the risk of the NL Crown and Nalcor and its subsidiaries that have contractual obligations to the Projects; and</p> <p>(x) Nalcor will have amended the capital structure of the MF/LTA Project as described in Section 5.1. These preferred shares will not be able to be redeemed during the period that any of the FLG Debt, FLG2 Debt or FLG3 Debt is still outstanding, without the consent of Canada.</p>
3.7 Commissioning Requirement	The current terms of the Second Amended and Restated MFLTA PFA as to Commissioning of the MF/LTA Project will be maintained or amended as Canada otherwise agrees.
3.8 Costs Incurred by Guarantor	All reasonable third-party costs incurred by the Guarantor in relation to the FLG3 shall be at the expense of the Borrowers consistent with past practice as to responsibility, billing and payment in FLG and FLG2.
3.9 Funding Mechanics	<p>The FLG3 Debt issuance may proceed on the following basis:</p> <p>a) upon i) the Commissioning of the MF/LTA Project as described in Section 3.6 (vii) and ii) signing of the definitive agreements (including the signing of agreements associated with the LIL Investment, held in escrow), The Proponent can proceed with the issuance of the FLG3 Debt provided \$992,351,000 of the proceeds will be placed in escrow on receipt as contemplated in Section 3.2A; and</p> <p>b) the FLG3 Debt proceeds in escrow will remain in escrow until Commissioning of the LIL in accordance with the Second Amended & Restated LIL Project Finance Agreement dated as of May 10, 2017, but with release permitted in accordance with Section 3.2B.</p>
3.10 FLG3 Guarantee Fee	There is no guarantee fee for the FLG3.
3.11 Cost Recovery Assurance	Interest on and principal repayment of the FLG3 debt to be included in the cost recovery regulatory protected structure in the same manner as FLG and FLG2.

4. <u>FLG3 REQUIRED AGREEMENT TERMS</u>	
4.1 Terms of the FLG3 Agreements	The terms of the Second Amended and Restated MFLTA PFA and Second Amended and Restated MFLTA Master Definitions Agreement will remain generally the same but will be adjusted to take into account the FLG3 Debt, the changes contemplated in Sections 6.1 and 6.2, changes to representations and covenants as required to reflect the FLG3 Debt and the transactions contemplated herein and other non-consequential amendments.
4.2 Security	<p>The FLG3 Debt will rank <i>pari passu</i> and pro rata with the FLG Debt and FLG2 Debt issued by MFLTA FV in all respects as to rights, payments and security. The security for the FLG3 Debt shall be in the same form as the existing security given by MFLTA FV for the FLG and FLG2 and security given by the Borrowers in favour of MFLTA FV in connection with the FLG3 Debt proceeds on-lent to them shall be in the same form as the existing security given by the Borrowers for the FLG and FLG2.</p> <p>The FLG3 Debt shall benefit in all the same fashion as the FLG Debt and FLG2 Debt from the IGA which will be amended to incorporate the additional debt terms and to reflect the fact that completion of the MF/LTA Project to the state of Commissioning has occurred.</p>
4.3 Permitted Liens	The Borrowers shall have the same restrictions on Permitted Liens as currently contemplated in the Project Finance Agreements, as amended to permit the issuance of the FLG3.
4.4 Permitted Debt & Additional Debt	The Borrowers shall have the same restrictions on Permitted Debt as currently contemplated in the FLG2 Project Finance Agreements provided that to the extent required, the preferred shares to be issued to Nalcor in connection with the capital restructuring of MF/LTA contemplated in Section 5.1 shall be permitted.
4.5 Independent Engineer	<p>The amended Project Finance Documents for the FLG3 will continue as to the terms relating to the current engineer appointed by the Guarantor (the "Independent Engineer" or "IE"). Specifically, the IE shall continue to have the same level of access to management and employees of the Proponent or Borrowers as provided in the FLG2 agreements.</p> <p>The cost of the Independent Engineer shall continue to be borne by the Borrowers. The terms of the Project Finance Documents that Borrowers indemnify and save the Guarantor harmless from and against any liability that the Guarantor incurs, in respect of the period prior to any realization of security in connection with an uncured Event of Default, solely by virtue of being found, in respect of the Projects, liable as a partner or joint venturer shall remain in force and extend to the FLG3.</p>
4.6 Account Funding	The process of funding and release of funds as regards Punch List Costs and Demobilization Costs will be simplified and amended as previously agreed between Nalcor and Canada.

4.7 Debt Service Reserves and Liquidity Reserves	Debt Service Reserve and Liquidity Reserve requirements will be revised from those in the FLG2 Project Finance Documents as required to reflect the status of the MF/LTA at Commissioning and on a post-closing basis following the FLG3 Close.
4.8 Use of Funds	The use of funds provisions will be revised to accord with Sections 3.2 and 3.9.
4.9 Debt Service Coverage Ratio	<p>The definition of Total Debt Service will be revised from that set out in the FLG2 Project Finance Documents for the purposes of the relevant Debt Service Coverage Ratio calculations for such period to reflect:</p> <p>(1) the <u>inclusion</u> of all interest relating to the FLG3;</p> <p>(2) the <u>exclusion</u> of all guarantee fees;</p> <p>(3) the <u>exclusion</u>, for the purposes of any retrospective test, where the period included a principal payment in connection with FLG Tranche A or FLG2, the amount of such principal payment paid from amounts drawn from the Proceeds Account; and</p> <p>(4) the <u>exclusion</u>, for the purposes of any prospective test, up to and including June 1, 2029, where the period includes a principal payment to be made in connection with FLG Tranche A or FLG2, the lesser of the amount of such principal payment and the amount on deposit in the Proceeds Account.</p> <p>The parties will effect such other amendments as are needed to ensure that Total Debt Service does not capture the debt service payments made and thereafter released from the MF/LTA Sinking Fund Account, the Muskrat Prepaid Debt Service Escrow Account and the Labrador Transco Prepaid Debt Service Escrow Account in accordance with Section 3.2B.</p>

5. OTHER REQUIRED TRANSACTION AMENDMENTS FOR FLG3

5.1 MF/LTA Capital Restructuring	As a condition for issuance of the FLG3 Debt on the basis of this Agreement, the amount of equity cost overruns in MF/LTA since 2012 to Commissioning (in the amount of the equity contributed for cost overruns in MF/LTA and determinable at the time of issuance of the FLG3 Debt in excess of the budgeted 2012 amount of \$1,434,513,000) will be converted to preferred shares with a 3% coupon rate payable commencing on Commissioning of the MF/LTA and all other equity in MF/LTA will be deemed to be invested as of the date of MF/LTA Commissioning for purposes of determining the revenue requirements under the PPA. A final actual cost reconciliation for purposes of determining equity cost overruns in MF/LTA will be effected on a post-closing basis, and based on such cost reconciliation previously converted preferred shares shall be retracted or additional preferred shares shall be issued, as necessary, to reflect such final reconciliation. Any additional cost overruns (not determinable at the time of issuance of the FLG3 Debt or forming part of the final reconciliation) incurred following Commissioning will be funded either by (x) the issuance of additional preferred equity with a 3% coupon rate payable commencing on the date advanced (such preferred equity to otherwise be on the same terms and conditions as that described above), or (y) recovery under the Revenue Agreements. This reconciliation will occur no later than six months following Financial Close of the FLG3 or such other time as agreed by Canada.
5.2 Power Purchase Agreement	The PPA will be amended, on terms satisfactory to the parties, such that the MF/LTA supply price will be calculated to take into account the costs associated with the FLG3 and will be amended to reflect the capital restructuring described in Section 5.1 above. Such PPA amendments are acknowledged by the parties to be a condition precedent to the arrangements set out herein and the Canada facilities. Therefore, the parties acknowledge that such amendments must be agreed or other agreements or mechanisms must be implemented to achieve the same result contractually as between themselves; provided that such amendments or other agreements may be structured to only be effective so long as the LIL Investment and the FLG, FLG2 and FLG3 remain outstanding.
5.3 Date Certain	The Commissioning by Date Certain event of default found in the Project Finance Documents will be revised to reflect the amendment of Date Certain that was effected by the 2020 MF/LTA Waiver and Amendment.

6. AMENDMENTS TO FLG AND FLG2 AGREEMENTS

6.1 Sinking Fund Funding Requirements	The sinking fund contribution requirements for MF/LTA FLG Tranche A Debt are to be waived upon deposit of the FLG3 Debt proceeds into escrow. Notwithstanding the foregoing, as regards the December 2021 sinking fund payment, upon execution and delivery of this Term Sheet, any amounts funded or pre funded to the MF/LTA Sinking Fund Account, may be released from the MF/LTA Sinking Fund Account to reimburse Nalcor or a subsidiary for amounts paid to that account.
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6.2 Guarantee Fee FLG2	The Project Finance Documents will be amended to remove the requirement to pay any FLG2 guarantee fee (i) in June 2022 relating to the period commencing in June 2021 and ending in June 2022 and (ii) at all times thereafter for all subsequent payment periods.
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GENERAL TERMS

**Organization
Structure
Changes/Change of
Control:**

Consistent with previous announcements by the NL Crown, the parties recognize that the parent structure of Nalcor and the governance structure of Nalcor and its subsidiaries can change but the resulting company will continue to be owned 100% by the NL Crown and will continue to directly or indirectly own the Borrowers. Appropriate clauses will be included in the FLG3 documentation (with conforming changes to FLG and FLG2 documentation) if and as necessary to consent to this reorganization.

Confidentiality:

This Agreement is confidential to the parties and their representatives and is subject to the confidentiality agreement entered into between Canada and the NL Crown as of February 23, 2021, which continues in full force and effect

Publicity:

All public notices to third parties and publicity concerning this Agreement and the proposed transactions described herein will be jointly planned and coordinated by Canada and the NL Crown and neither will act unilaterally in this regard without the prior approval of the other party (such approval not to be unreasonably withheld).

Finality:

The parties acknowledge that the steps taken in this restructuring are to be a full and final accommodation by Canada to the terms of the financing of the Projects. The NL Crown and its entities have the responsibility to manage any outstanding risks and costs of the Projects, as may arise from legal, policy, regulatory, market, operational, or other factors.

Governing Law:

The Agreements and any other agreements to be entered into among the parties to reflect the Transactions will 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.

This Agreement shall enure to the benefit of Nalcor and its affiliates including the Borrowers and their respective permitted successors and assigns and shall be binding on the parties hereto. Each of the parties hereto represents and warrants that once this Agreement is accepted by it as herein provided, it shall constitute the irrevocable, legal, valid and binding obligation of such party, enforceable in accordance with its terms.

IN WITNESS WHEREOF each of the parties has executed this Agreement as of the date set forth above.

HER MAJESTY IN RIGHT OF CANADA,
as represented by **THE MINISTER OF NATURAL
RESOURCES**

Per: (Original signed by)

The Honourable Jonathan Wilkinson
Minister of Natural Resources

**HER MAJESTY IN RIGHT OF
NEWFOUNDLAND AND LABRADOR,**
as represented by **THE MINISTER FOR
INTERGOVERNMENTAL AFFAIRS, THE
MINISTER OF INDUSTRY, ENERGY AND
TECHNOLOGY, and THE MINISTER OF
FINANCE**

Per: (Original signed by)

The Honourable Dr. Andrew Furey
Premier and Minister for Intergovernmental
Affairs

Per: (Original signed by)

The Honourable Andrew Parsons, QC
Minister of Industry, Energy and Technology

Per: (Original signed by)

The Honourable Siobhan Coady
Minister of Finance

NALCOR ENERGY

Per: (Original signed by)
Authorized Signatory

Per: (Original signed by)
Authorized Signatory

MUSKRAT FALLS CORPORATION

Per: (Original signed by)
Authorized Signatory

Per: (Original signed by)
Authorized Signatory

LABRADOR TRANSMISSION CORPORATION

Per: (Original signed by)
Authorized Signatory

Per: (Original signed by)
Authorized Signatory