

HIBERNIA DIVIDEND BACKED ANNUITY AGREEMENT

THIS AGREEMENT (the "Agreement") is dated April 1, 2019.

BETWEEN:

HER MAJESTY THE QUEEN IN RIGHT OF CANADA, as
represented by the Minister of Finance,

-and-

**HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE
OF NEWFOUNDLAND AND LABRADOR**, as represented by the
Premier of Newfoundland and Labrador,

RECITALS:

- A. Canada indirectly owns, through its wholly owned agent parent Crown Corporation CDEV, all of the issued and outstanding shares of CHHC.
- B. CHHC is a single purpose entity that holds, manages, administers and operates an 8.5% working interest in Hibernia.
- C. Newfoundland and Labrador wishes to acquire from Canada a long-term stream of cash flows expected to be funded by Hibernia Dividends and which takes into account CHHC Provincial Taxes.

NOW THEREFORE, in consideration of the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. DEFINITIONS AND INTERPRETATION

In this Agreement, including in the recitals to this Agreement, unless the context otherwise requires:

"**Accord Acts**" means collectively the *Canada-Newfoundland and Labrador Atlantic Accord Implementation Act*, and the *Canada-Newfoundland and Labrador Atlantic Accord Implementation Newfoundland and Labrador Act*.

"**Canada**" means Her Majesty the Queen in Right of Canada.

"**CDEV**" means the Canada Development Investment Corporation and its successors.

"**CHHC**" means the Canada Hibernia Holding Corporation and its successors.

"**CHHC Provincial Taxes**" means, in respect of any applicable period, CHHC's income and capital tax liability to Newfoundland and Labrador for the period, initially determined as filed by CHHC but adjusted from time to time, as applicable, to equal the liability that is finally determined once there are no further rights of objection or any appeal in respect of any assessment of income or capital tax for the year.

"Effective Date" means the date first written above.

"Hibernia" means the Hibernia Development Project and the Hibernia Southern Extension Project, and for certainty includes any future expansion of the Hibernia Development Project.

"Hibernia Dividends" means all dividends declared payable to Canada by CDEV and that are derived from dividends received by CDEV from CHHC or from such other sources of income of CDEV that Canada may prescribe.

"Hibernia Dividend Backed Annuity" or "HDBA" means the stream of cash flows described in Schedule "A" that Canada has agreed Newfoundland and Labrador will receive, in the amounts and in the years specified in Schedule "A", over the Term in accordance with the terms of this Agreement.

"Newfoundland and Labrador" means Her Majesty the Queen in Right of Newfoundland and Labrador.

"Term" has the meaning ascribed thereto in Section 2.

The following Schedules form part of and are subject to the terms of this Agreement:

- Schedule "A" - Hibernia Dividend Backed Annuity Payments
- Schedule "B" - Newfoundland and Labrador Payment Schedule

2. TERM

This Agreement shall be effective as of the Effective Date and shall continue in full force and effect until April 1, 2057 (the "Term"). Upon the expiry of the Term, the parties shall have no further obligations under this Agreement except for such obligations which by their nature survive the expiry of this Agreement including, without limitation, any payment obligations in respect of the HDBA under Section 3, or payments by Newfoundland and Labrador under Section 4, that have accrued prior to the expiry of the Term.

3. PAYMENT OF HDBA BY CANADA

Canada agrees that the Hibernia Dividend Backed Annuity will be paid to Newfoundland and Labrador as follows:

- (a) The HDBA payments to be made to Newfoundland and Labrador, inclusive of the CHHC Provincial Taxes, shall begin in calendar year 2019 and end in calendar year 2056. The annual HDBA amounts are described in Schedule "A", and will total CAD \$3,301,239,000 in the aggregate. For each year of the Term, Newfoundland and Labrador shall receive the HDBA amount in respect of that year described in Schedule "A" as follows:
 - (i) Hibernia Dividends for that year, by no later than December 31;
 - (ii) the CHHC Provincial Taxes in respect of that year, at the times such amounts are due by CHHC in accordance with applicable law; and
 - (iii) the remaining balance, if any, in accordance with Section 3(c).
- (b) Canada shall cause CDEV to pay all Hibernia Dividends to Newfoundland and Labrador, provided that any Hibernia Dividends for a year in excess of the annual amount due to

Newfoundland and Labrador under the HDBA shall be paid by CDEV to Canada for Canada's own use. In the event that, in any year, the amount of Hibernia Dividends paid to Newfoundland and Labrador is less than the amount due to Newfoundland and Labrador under the HDBA for such year, Canada shall, or shall cause CDEV to, make a payment to Newfoundland and Labrador equal to the difference as described in Section 3(c).

- (c) After each fiscal year of CHHC, and thereafter if CHHC Provincial Taxes for a year change from the amount as filed by CHHC ("Tax Adjustment"), a true-up shall be performed by the parties to ensure that (i) the amount of Hibernia Dividends that were paid by CDEV to Newfoundland and Labrador, instead of to Canada, on account of the annual HDBA payment for that year, plus (ii) the amount of CHHC Provincial Taxes in respect of that year, equals the annual HDBA payment due by Canada for that year that is set out in Schedule "A". Any shortfall or surplus in respect of the prior calendar year, or another year as a result of a Tax Adjustment, will be true-up, settled and paid by the parties prior to April 1. For clarity, this will require (i) Canada to, or cause CDEV to, make a payment to Newfoundland and Labrador for any shortfall in the Hibernia Dividends and the CHHC Provincial Taxes to ensure that Newfoundland and Labrador does not receive less than the annual amount due to it under the HDBA in respect of such year as set out in Schedule "A", and (ii) Newfoundland and Labrador to make a payment to Canada for any surplus in the Hibernia Dividends and the CHHC Provincial Taxes to ensure that Newfoundland and Labrador does not receive more than the annual amount due to it under the HDBA in respect of such year as set out in Schedule "A". Canada shall be obligated to make, or cause CDEV to make, such payments regardless of whether CHHC has paid dividends to CDEV, or other amounts, and shall not be limited to the life of, or revenue derived from, Hibernia.
- (d) The annual payments due to Newfoundland and Labrador under the HDBA are fixed and shall not change over time based on the dividends paid by CHHC to CDEV. For greater certainty, Newfoundland and Labrador will not have any right to receive any additional amount in any year where the dividends paid by CHHC to CDEV in that year, together with the CHHC Provincial Taxes, exceed the annual payment due to Newfoundland and Labrador in accordance with Schedule "A".
- (e) Newfoundland and Labrador shall incur no liability in respect of the operations of Hibernia as a result of this Agreement, and shall have no ownership interest or rights in CDEV or CHHC, or in any earnings or dividends arising in respect of Hibernia (other than receiving payment of the Hibernia Dividends, if any, from CDEV as described herein), or any right to participate in the management of CDEV or CHHC.

4. PAYMENT FOR HDBA

In consideration for receiving the HDBA payments in accordance with Section 3, Newfoundland and Labrador agrees to pay to Canada the aggregate amount of CAD \$800,000,000, with payments by Newfoundland and Labrador occurring at the times and in the amounts set out in the payment schedule attached as Schedule "B". Such annual payments may be made in whole, or in part, by way of set-off against tax dollars payable to Newfoundland and Labrador by Canada under tax collection agreements in force at the relevant time, or by way of set-off against HDBA payments to Newfoundland and Labrador, at Canada's sole discretion.

5. NO IMPAIRMENT OF CHHC DIVIDENDS AND RIGHTS

During the Term, Newfoundland and Labrador shall not take any measures, steps or actions which materially reduces the Hibernia Dividends. If Canada reasonably concludes that Newfoundland and Labrador is in breach of its obligations under this Agreement, then Canada shall, in addition to whatever other remedies it may have under applicable law, be entitled to suspend payment of the annual payments of the HDBA pending satisfactory resolution of the matter in accordance with Section 7(g). Notwithstanding the foregoing, Newfoundland and Labrador is permitted to take such measures, steps or actions, consistent with its governmental responsibilities and the provisions of the Accord Acts, including ensuring the proper management of the resources, the protection and maintenance of public health, safety and the protection of the environment, and Newfoundland and Labrador shall retain its applicable discretionary taxing authority.

During the Term, neither party shall take any measures, steps or actions that are inconsistent with or that deny the right of Newfoundland and Labrador to receive payment in full of the HDBA amount set out in Schedule "A" for each year of the Term.

6. RELATED AGREEMENTS AND COVENANTS OF THE PARTIES

In consideration of the obligations of the parties related to the HDBA:

- (a) The parties agree that they have now completed the review of the 2005 Arrangement on Offshore Revenues required pursuant to section 29 of the *Nova Scotia and Newfoundland and Labrador Additional Fiscal Equalization Offset Payments Act* and pursuant to the Arrangement between the Government of Canada and the Government of Newfoundland and Labrador on Offshore Revenues signed on February 14, 2005.
- (b) Canada and Newfoundland and Labrador shall work together to plan the use of the offshore area to develop petroleum resources and protect marine biodiversity. Canada and Newfoundland and Labrador agree (i) to restrict petroleum activities in the proposed Laurentian Channel Marine Protected Area, and (ii) that petroleum activities are permitted in the Northeast Slope Marine Refuge.
- (c) Canada and Newfoundland and Labrador shall conclude discussions on improvements under the Accord Acts within two (2) years of the Effective Date, or within such timeframe as agreed to by the parties, to deepen joint management in areas such as land tenure, worker safety, regulatory efficiency and regulator modernization.

7. GENERAL

The parties further agree that:

- (a) The existence and terms of this Agreement are not subject to any confidentiality obligations that may exist between the parties, and each party may comment publicly about the terms of the Agreement including publicly disclosing all or part of the Agreement.
- (b) Time is of the essence in this Agreement.

- (c) This Agreement may be supplemented, amended, restated or replaced only by written agreement signed by each party hereto.
- (d) Neither party may assign its rights, duties, or obligations under this Agreement, to any person or entity, in whole or in part without the written consent of the other party. Any assignment not in accordance with this Agreement shall be deemed null and void.
- (e) Any waiver of, or consent to depart from, the requirements of any provision of this Agreement shall be effective only if it is in writing and signed by the party giving it, and only in the specific instance and for the specific purpose for which it has been given. No failure on the part of any party to exercise, and no delay in exercising, any right under this Agreement shall operate as a waiver of that right. No single or partial exercise of any such right shall preclude any other or further exercise of that right or the exercise of any other right.
- (f) The parties agree that this Agreement shall be governed by the laws of Newfoundland and Labrador and the laws of Canada applicable therein.
- (g) All disputes arising out of, or in connection with, this Agreement that cannot be resolved by direct negotiations between the parties, shall be resolved by arbitration administered by the ADR Institute of Canada under its National Arbitration Rules.
- (h) Each party agrees to introduce the necessary legislative measures and take all necessary steps to seek any other required approvals to give effect to this Agreement. Each party hereto shall cooperate with the other in implementing the terms of this Agreement, and promptly do, execute, deliver or cause to be done, executed or delivered all further acts, documents and matters in connection with this Agreement that the other party may reasonably require, for the purposes of giving effect to this Agreement.

[signature page immediately follows]

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the Effective Date.

**HER MAJESTY THE QUEEN IN RIGHT
OF CANADA, as represented by the
Minister of Finance**

Per:

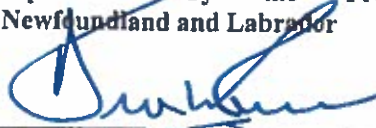


Name:

Title:

**HER MAJESTY THE QUEEN IN RIGHT
OF THE PROVINCE OF
NEWFOUNDLAND AND LABRADOR, as
represented by the Premier of
Newfoundland and Labrador**

Per:



Name:

Title:

SCHEDULE "A"

HIBERNIA DIVIDEND BACKED ANNUITY PAYMENTS

(AMOUNTS ARE INCLUSIVE OF CHHC PROVINCIAL TAXES)

Annual Payments			
Year	\$ CAD	Year	\$ CAD
2019	134,860,000	2039	63,575,000
2020	109,888,000	2040	63,099,000
2021	111,704,000	2041	57,974,000
2022	100,960,000	2042	58,816,000
2023	156,850,000	2043	39,922,286
2024	196,860,000	2044	39,922,286
2025	232,872,000	2045	39,922,286
2026	218,414,000	2046	39,922,286
2027	188,701,000	2047	39,922,286
2028	182,812,000	2048	39,922,286
2029	154,739,000	2049	39,922,286
2030	127,745,000	2050	39,922,286
2031	118,592,000	2051	14,922,286
2032	107,776,000	2052	14,922,286
2033	93,471,000	2053	14,922,286
2034	95,806,000	2054	14,922,286
2035	88,909,000	2055	14,922,286
2036	78,224,000	2056	14,922,286
2037	77,404,000	Total	3,301,239,000
2038	72,276,000		

SCHEDULE "B"

NEWFOUNDLAND AND LABRADOR PAYMENT SCHEDULE*

Annual Repayments	
Year	\$ CAD
2019	-
2020	-
2021	-
2022	-
2023	-
2024	-
2025	-
2026	-
2027	-
2028	-
2029	-
2030	-
2031	-
2032	-
2033	-
2034	-
2035	-
2036	-
2037	-
2038	-
2039	-
2040	-
2041	-
2042	-
2043	-
2044	-
2045	100,000,000
2046	100,000,000
2047	100,000,000
2048	100,000,000
2049	100,000,000
2050	100,000,000
2051	100,000,000
2052	100,000,000
2053	-
2054	-

2055	-
2056	-
Total	800,000,000

*Payments to Canada must be paid in full by December 31st of the scheduled year