



Executive Council Office

One Government Place, PO Box 2125, Halifax, Nova Scotia, Canada B3J 3B7 • Telephone 902 424-8940 Fax 902 424-0667 • novascotia.ca

November 21, 2016

Mr. Kevin Lacey
2615 Fuller Terrace
Halifax, NS B3K 3V8

Dear Mr. Lacey:

Re: Application [EXE-12-2 / FI-12-80] and Review Report [16-11]

The Executive Council Office has reviewed the above noted Report and Recommendations of the Information Access and Privacy Commissioner (formerly the Review Officer) and have made our decision on disclosure.

Due to the length of time and therefore the changed circumstances between the original disclosure decision by Executive Council Office on July 23, 2012, and the Review Report dated October 20, 2016, we have decided to provide additional disclosures in this matter at this time.

Under Section 40(2) of the *Freedom of Information and Protection of Privacy Act*, you have a right to appeal this decision to the Supreme Court of Nova Scotia.

If you have any questions in respect to this matter, please contact our IAP Administrator, Arilea Sill, at 902-424-3787 or Arilea.Sill@novascotia.ca.

Sincerely,

Laura Lee Langley
Clerk of the Executive Council

cc: Catherine Tully, Information and Privacy Commissioner

NOVASCOTIA

Economic and Rural Development and Tourism
Deputy Minister

1500 Holly Street
Centennial Building, Suite 800
PO Box 2311
Halifax, NS B3J 2C8
Canada

JAN 16 2012

902 424-2001 T
902 424-0819 F
www.gov.ns.ca

January 10, 2012

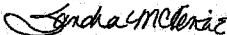
Mr. William C. MacLean, CA
Chief Financial Officer
Irving Shipbuilding Inc.
300 Union Street
Saint John, NB E2L 4Z2

Dear Mr. MacLean:

Further to your request dated December 7, 2011, regarding an extension of the acceptance dates contained in the Province of Nova Scotia letters of offer dated July 8, 2011 pertaining to a capital loan not to exceed \$260 million, a value proposition loan not to exceed \$44 million and a guarantee not to exceed \$200 million, I advise that the acceptance date has been amended to December 31, 2012 from December 31, 2011. In all other respects the terms and conditions of the letters of offer remain unchanged.

If you have any questions, please do not hesitate to contact me.

Sincerely,



Sandra McKenzie
Acting Deputy Minister

c: Marvin Robar, VP, Investment, Economic and Rural Development and Tourism



Economic and Rural Development and Tourism
Deputy Minister

1600 Halls Street
Commercial Building, Suite 100
PO Box 1311
Halifax, NS B3J 3C8
Canada

902 424-2001
902 424-9819
www.gov.ns.ca

July 8, 2011

PRIVATE AND CONFIDENTIAL

Mr. William C. MacLean
Chief Financial Officer
Irving Shipbuilding Inc.
300 Union Street
Saint John, NB E2L 4Z2

Dear Mr. MacLean:

Re: Financial Assistance Irving Shipbuilding Inc.

In response to your request for financial assistance, the Province of Nova Scotia is committed to supporting Irving Shipbuilding Inc. due to the long-term employment and associated long-term economic benefits that will accrue to the Province. We confirm the approval by the Province of Nova Scotia as represented by the Minister of Economic and Rural Development and Tourism (the "Minister"), subject to the approval of the Governor in Council of the Province of Nova Scotia and the issuance of an Order in Council, of a Loan in an amount not to exceed the amount set out below in relation to either the Combat Program or the Non-Combat Program, subject to the terms and conditions contained in this Letter of Offer and the Standard Terms and Conditions attached as Appendix "A".

PROGRAM AND FINANCING

COMBAT PROGRAM	\$	FINANCING	\$
Capital Infrastructure for NSPS	260,000,000	Capital Loan	260,000,000
Value Proposition	44,000,000	Value proposition Loan	44,000,000
TOTAL PROGRAM:	304,000,000	TOTAL FINANCING	304,000,000

NON-COMBAT PROGRAM	\$	FINANCING	\$
Capital Infrastructure for NSPS	147,000,000	Capital Loan	147,000,000
Value Proposition	15,000,000	Value proposition Loan	15,000,000
TOTAL PROGRAM:	162,000,000	TOTAL FINANCING	162,000,000

The assistance being provided under this Letter of Offer shall be for only one of the following programs, it being the intention that following selection this Letter of Offer shall be read as including only the Program and Financing selected. In the event of any dispute on interpretation on which terms and conditions shall apply the decision of the Minister shall be final and binding.

DEFINITIONS

"Annual Qualified Amount" means the aggregate of (i) 8.5% of T4 Earnings; and (ii) 8.5% of T4 Earnings in relation to the wages paid to Nova Scotia Residents by Nova Scotia Subcontractors engaged by the Company in carrying out the Program.

"Company" means Irving Shipbuilding Inc.

"Forgiveness Window" means successive five year periods within which forgiveness targets will be monitored and loan forgiveness may be earned within individual years as well as potentially earned based on the cumulative five year targets as well.

"FTE" means full time equivalent based upon 1810 labour hours per annum.

"FTE Percentage" means the percentage of actual FTE employment levels in a year in relation to the FTE Phase Estimates.

"FTE Range" means an FTE Percentage from and including 80% to and including 106%.

"Minister" shall mean the Minister of Economic and Rural Development and Tourism.

"Nova Scotia Resident" means a person who files a Province of Nova Scotia income tax return and who was a resident in the Province of Nova Scotia for all of the calendar year for which an income tax return is filed.

"Program" means the Combat Vessel work package or the Non-Combat Vessel work package as specified in Public Works and Government Services Canada Request for Proposal dated February 7, 2011 and for which the Company was selected as the successful bidder.

"Substantial" means 60% or more and shall be determined by the Company but subject to review by the Minister.

"T4 Earnings" means the T4 earnings attributed to the Company substantially associated with the Program, excluding East Isle Shipbuilding. For purposes of this Agreement 50% of overhead labour will be included in T4 Earnings until 2017 after which 100% of overhead labour will be included in T4 Earnings to the extent the Company's activity is substantially related to the Program. If the activity of the Company is not substantially related to the Program, the estimated activity related to the Program as a proportion of total Company activity will be used as the percentage applied to calculate the overhead labour component.

CAPITAL INFRASTRUCTURE LOAN

TERM

The Loan shall mature on December 31, 2041 for the Combat Program and on December 31, 2018 for the Non-Combat Program. Any outstanding balance of the Loan shall be due and payable in full at maturity.

INTEREST

Interest shall be charged at the Province of Nova Scotia's 30 year fixed rate at time of disbursement. Currently, this rate is approximately 4.5%.

REPAYMENT OF PRINCIPAL AND INTEREST

A. Wage Incentive

During the term of this Loan, the Company is eligible to earn loan forgiveness in respect to wages that shall be applied first to interest and then to principal employing the following methodology.

1. Phase Estimates

T4 Earnings of the Company

Attached as Appendix C is a preliminary estimate of the expected FTE levels of employment from 2011 to 2041 relating to the Project which estimates will be updated upon the Company selling budgets for the various phases of the Project as follows (the "Phase Estimates"):

- a. Capital improvement activities;
- b. Arctic/Offshore Patrol Ship construction (AOPS);

c. Canadian Surface Combatant construction (CSC);

Phase Estimates, including the percentage of T4 earnings, for each of the above phases will be established upon the Company entering into a binding contract(s) in relation to such phase. Phase Estimates will be reset upon:

- (i) substantial completion of estimating/production engineering for any class of vessel;
- (ii) delivery of the first ship of any class of vessel;
- (iii) delivery of the third ship of any class of vessel.

T4 Earnings of Nova Scotia sub-contractors engaged by the Company

Annually 6.5% of the direct wages of subcontractors paid to Nova Scotia residents engaged by the Company in the NSPS contract work. This value will be based on a determination of the Nova Scotia resident wage component of subcontractor work determined by the Nova Scotia Department of Finance Economics and Statistics Division and agreed with the Company. The Company will provide annual, audited documentation of payments to subcontractors, noting the location where the subcontractors perform the work and the nature of the work performed. In the event of disagreement, the parties will engage Statistics Canada to prepare an impartial review and calculation.

ii. Determination of Annual Loan Forgiveness

Each year the Company will earn annual Loan forgiveness based on the product of the Annual Qualified Amount and the FTE Percentage (the "Annual Loan Forgiveness"). No Annual Loan Forgiveness will be earned if the FTE Percentage is below the FTE Range. To the extent that the FTE Range restricts the Annual Loan Forgiveness in a year (the "Restricted Year"), the Company will be eligible to earn the full amount of the shortfall so that the forgiveness earned does not exceed 100% for that Restricted Year;

- (i) If FTE Percentages in other years of the current Forgiveness Window or the immediately following Forgiveness Window, in the aggregate, exceed 100% by at least the amount that the FTE Percentage was below FTE Range in the Restricted Year.

For greater certainty, FTE Percentages over 100% in any year will be aggregated during the current Forgiveness Window and will be applied first to Restricted Years within the same Range and the remainder of such aggregated FTE Percentage will be used for Loan forgiveness in that year not to exceed 100% of the target. Further, Loan forgiveness related to sub-contractor wages paid to Nova Scotia residents is contingent on the Company achieving the FTE target as set out in Schedule A, and as updated through the course of this agreement. This Loan forgiveness shortfall shall be considered part of the Restricted Year shortfall and therefore eligible for earning if the Company achieves FTE Percentages as noted in (i) above.

B. Capital Incentive

During the term of this Loan, the Company is eligible to earn Loan forgiveness with respect to construction activities ("Capital Costs") that shall be applied first to interest and then to principal employing the following methodology.

Annually, the Company is eligible to earn Loan forgiveness based on Capital Costs associated with the projects set out in Appendix B (as updated annually during the term of this Agreement) based on the incremental tax benefits to the Province of Nova Scotia as determined by the Department of Finance and estimated to be about 5% of the Capital Cost of such projects.

GENERAL

The Company's annual application for Loan forgiveness shall be evidenced by an auditor's report prepared by its independent external auditor attesting to T4 Earnings and Capital Costs in such form and detail acceptable to the Minister.

In the event that circumstances outside the Company's control result in the inability to achieve prescribed levels of employment, the Company may make application to the Minister to remediate the deficiency.

Any outstanding amount of interest is payable initially at the end of the second Phase Estimate Period and thereafter at the end of each Phase Estimate Period to the extent not satisfied by loan forgiveness earned pursuant to this Agreement.

The outstanding balance of the loan will be due and payable at maturity.

The loan may be repaid in full or part at any time without penalty.

VALUE PROPOSITION LOAN

TERM

The Loan shall mature on December 31, 2041 for the Combat Program and on December 31, 2018 for the Non-Combat Program.

INTEREST

Interest shall be charged at the Province of Nova Scotia's 30 year fixed rate at time of disbursement. Currently, this rate is approximately 4.5%.

REPAYMENT OF PRINCIPAL AND INTEREST

Interest only will be payable for the first five years of the terms annually on the anniversary date of first advance. Blended monthly payments of principal and interest on the outstanding

principal balance shall commence on the 61 month from the date of first advance and continue thereafter until the loan is repaid in full.

The loan may be repaid in full or part at any time without penalty.

COMMON CONDITIONS

SECURITY

A first security interest on all land buildings and equipment of Irving Shipbuilding Inc. and a general security interest in all other personal property subject only to prior security in favour of the Province of Nova Scotia and any Deed of License to the Government of Canada, and subject to any security interest of the Financial Institution on inventories and receivables.

Except as to inventories and Receivables as provided herein, under no circumstances is a PMSI (personal money security interest) or similar charge permitted which takes priority, or may take priority in the opinion of the Minister, over the province's first charge against such personal property, and for greater certainty, this includes equipment now owned or which may later be purchased by the Company while this assistance continues.

GENERAL

In connection with each shipbuilding contract awarded to the Company under the National Shipbuilding Procurement Strategy, the Company will hold a Nova Scotia supplier conference for those Nova Scotia companies interested in working with the Company in relation to the new contract. The conference will describe the purchasing process and provide information to companies on the requirements to become a supplier to the Company under the contract.

The Company will create and fund in the amount of \$250,000/year the Irving Centre of Excellence for Shipbuilders at Nova Scotia Community College to help train and retain the best shipbuilders in the world.

The Irving Centre of Excellence for Shipbuilding will provide information on careers in the shipyard, with a particular emphasis on recruiting and training Aboriginale, visible minorities and women.

The Company shall meet semi-annually with representatives of the Province of Nova Scotia commencing not less than six months after the award of contract to provide a report on the progress of the program and such other times as the Minister may reasonably request.

CONDITIONS PRECEDENT

Award of contract under the National Shipbuilding Procurement Strategy on terms and conditions satisfactory to the Minister including a provision for repayment of the loan in the event of contract cancellation by the Federal Government.

All security to the Province to be in place before or at time of disbursement of the loan.

There shall be detailed loan and guarantee agreements on terms acceptable to both the Province and the Company which should reflect the principles generally outlined in the LOOs, but providing further and additional terms and conditions to both clarify, expand, and add to the terms and conditions provided in this LOO. Among other things, the agreements may reflect the terms of any final award by the Government of Canada provided always, however, that the agreements in final form must be accepted by both the Company and the Province.

FINANCIAL STATEMENT REQUIREMENTS

The Company shall provide audited financial statements prepared on an annual basis to the Minister within 120 days of the Company's fiscal year end, which is December 31.

APPLICATION OF STANDARD TERMS AND CONDITIONS

The provision of the Loan is subject to the Standard Terms and Conditions, attached as Appendix "A" to this Letter of Offer, as amended and agreed between the parties, as follows:

- The first sentence in the second paragraph of Section 3 is deleted and replaced by the following:

"This Agreement may, at the discretion of the Province, be cancelled or withdrawn in the event the Company is found to be involved in litigation or any proceeding before a government board, tribunal, or agency which has not been disclosed to the Province and which has a material adverse effect on the ability of the Company to fulfill its obligations hereunder, or in the event the Company or any of its officers, directors, employees or agents has intentionally made any material misstatement in any information provided to the Province for purposes of obtaining the Loan, whether before or after execution of the Letter of Offer by the Company."

- The third paragraph of Section 3 is modified by changing the period within which the Company must request disbursement of the full amount of the Loan from 180 days to 72 months;

Section 4 is deleted in its entirety.

- The second paragraph of Section 7 is deleted and replaced by the following:
"The Loan will be disbursed by the Province in accordance with the Letter of Offer. The Company will provide evidence of expenditures to the Province upon request."
- Section 10 is deleted and replaced by the following:

10. Limitations on Company Activities and Actions

This Agreement is not assignable by the Company without the prior written consent of the Province.

The Company further covenants and agrees that, prior to the disbursement of all or any portion of the Loan and until such time as the Company has fully satisfied all of its obligations under this Agreement, it will ensure that the business and assets of the Company are and will continue to be operated in compliance with all applicable federal, provincial and municipal statutes, regulations, ordinances, and by-laws (including the Nova Scotia Environment Act, Occupational Health and Safety Act, Labour Standards Code and Human Rights Act to the extent they apply) and any enforcement action that is, or will be, pending of which the Company has knowledge with respect to any such statute, regulation, ordinance or by-law will be disclosed to the Province, and will ensure that all transactions with related, affiliated or associated companies, and with its shareholders, directors and employees are based on fair market values other than changes allocated to the Company on a cost recovery basis for services provided to the Company by affiliates.

The Company shall refrain from doing any or all of the following until such time as the shareholders equity of the Company exceeds \$75 million plus the aggregate of the Value Proposition Loan, the authorized amount of the Working Capital Guarantee and the authorized amount of any financial surety provided by the Province in relation to a contract award under the NSPS or without the prior written consent of the Province:

- a) redeem or purchase any shares of the Company or pay dividends thereon;
- b) issue shares of the Company if such issuance would result in a change of control;
- c) repay any shareholders' loans or pay interest thereon;
- d) make loans to, guarantee or assume liability for or make investments in other parties, including related, affiliated or associated companies;
- e) sell, lease, exchange or otherwise dispose of the property of the Company other than in the ordinary course of business or in the case of obsolete or surplus property or for tax planning purposes;
- f) institute proceedings for the winding-up, reorganization or dissolution of the Company; and
- g) fundamentally change the nature of the Company's business.

The Company shall advise the Province immediately if it registers a name change.

- Section 11 is deleted and replaced by the following:

11. Requirement to Maintain and Enhance Investment in Nova Scotia

Where commercially reasonable, the Company shall employ and purchase Nova Scotia contractors, labour, products, materials and services in the operation of its business. Further, the Company shall make all commercially reasonable efforts to enhance its business operations in Nova Scotia by increasing the employment of Nova Scotia residents.

Until the Loan is repaid in full, the Company will use commercially reasonable efforts to maintain any existing business operations or premises in Nova Scotia.

- Section 12 is deleted and replaced by the following:

12. Environmental

The Company hereby represents and warrants that its business and assets and those of any subsidiary companies are operated in compliance in all material respects with applicable environmental legislation, regulations, rules and orders (collectively, "Environmental Laws") and that no enforcement action in respect thereof is threatened or, to the knowledge of the Company, pending. The Company further covenants to continue to operate in accordance with Environmental Laws, and to permit the Province to conduct inspections and appraisals of all or any of its records, businesses and assets at the Company's expense, if an event of default has occurred and is continuing, for purposes of ensuring the Company is in compliance with Environmental Laws. The Company shall indemnify the Province with respect to any failure by it or its subsidiaries to comply with Environmental Laws, and agree that, in the event the Province incurs third party expenses because of the application of Environmental Laws to the Company, the amounts expended by the Province for such purpose shall be added to the Principal Amount owing by the Company under the terms of the Agreement. The Company shall fully and accurately complete an environmental questionnaire annually upon the request of the Province.

- Section 14 is deleted in its entirety
- Section 15 is deleted in its entirety

Letter of Offer – Irving Shipbuilding Inc
July 8, 2011
Page 10

The account manager responsible for the administration of the financial assistance will be Mervyn Robar. He will be happy to respond to any questions or concerns you may have from time to time.

Please signify your acceptance of this offer by signing and returning the duplicate copy of this letter. The offer will remain open for acceptance until December 31, 2011. We are pleased the Province is able to offer this assistance and look forward to the successful operation of your company.

Sincerely,



Ian Thompson
Deputy Minister

Attachments

**WE HEREBY ACCEPT THIS OFFER AND AGREE WITH THE TERMS AND CONDITIONS
CONTAINED HEREIN AND IN THE ATTACHED APPENDIX "A".**



S20(1)

Date: March 15, 2012

APPENDIX "A"

STANDARD TERMS AND CONDITIONS
RELATING TO FINANCIAL ASSISTANCE (THE "LOAN") AUTHORIZED UNDER THE
INDUSTRIAL DEVELOPMENT ACT

DEFINITIONS:

"Agreement" refers collectively to this Appendix "A" and the Letter of Offer to which it is attached.

"Cost of Funds" means the interest rate(s) payable by the Province on all monies disbursed to the Company under the terms of this Agreement. The Cost of Funds will be determined by the Province and communicated to the Company on the date of each disbursement of the Loan.

"Minister" means the Minister of Economic and Rural Development.

"Province" means Her Majesty the Queen in Right of the Province of Nova Scotia.

Definitions not set out in the Letter of Offer are incorporated herein to the extent they do not conflict with any provision of this Appendix "A".

1. Incompatibility with Industrial Development Act and Regulations (if any)

The Company hereby acknowledges and agrees that the Industrial Development Act (the "Act") and all regulations, if any, enacted pursuant to it (the "Regulations") are applicable to the Loan provided by the Province under the terms of this Agreement. In the event of incompatibility between the terms and conditions of this Agreement and the provisions of the Act or its Regulations, the Act and Regulations shall prevail.

2. Execution of Letter of Offer

Should the Company fail to execute the Security required under this Agreement within six (6) months of the date of the Letter of Offer, the Letter of Offer shall expire, provided only that the Minister may at his sole discretion provide written agreement to extend the deadline. In the event of execution of the Letter of Offer, any costs incurred by the Province prior to or following its execution, for legal and other services, shall be the responsibility of the Company and the Queen(s).

3. Province's Rights to Terminate the Agreement and/or Withhold Further Disbursements

Notwithstanding execution of this Agreement by the Company, the Province may refuse to disburse the Loan or any portion of it if, in its sole opinion, there has been a material and adverse alteration in risk since the Letter of Offer was issued.

When the Company has not requested disbursement of the full amount of the loan within 180 days following the advance by the Province of the first disbursement, the Company's right to request further disbursements expires and the Minister may at his or her sole discretion decline to make any further disbursements under this Agreement.

This Agreement may, at the discretion of the Minister, be cancelled or withdrawn in the event the Company or its officers or directors are found to be involved in litigation or any proceedings before a government body, tribunal, or agency which has not been disclosed to the Province, or in the event the Company or any of its officers, directors, employees or agents has intentionally made any material misstatement in any information provided to the Province for purposes of obtaining the Loan, whether before or after execution of the Letter of Offer by the Company.

The Province may terminate this Agreement if the Company is in default under other financial assistance agreement(s), if any.
Rev'd 2009 09 17 - Loans

with the Province of Nova Scotia or any of its agencies, including crown corporations or government business organizations.

4. Payment Method

All payments will be made by pre-authorized debit. The Province's standard pre-authorized interbank debit form shall be completed by the Company and provided to the Province with the acceptance of this Agreement.

5. Returned Items

Where for any reason a financial institution fails to honour a cheque issued or interbank debit authorized by the Company, the Company shall pay to the Province on demand a Returned Item Fee, which Fee may be reduced by the Province from time to time without notice to the Company. Any Fee remaining unpaid shall be added to the Principal Amount of the Loan.

6. Additional Information

The Company shall provide such other information as the Minister may from time to time reasonably request.

7. Disbursement of the Loan

Prior to disbursement of all or any portion of the Loan, the Security described in the Letter of Offer, in a form satisfactory to the Province, shall be executed and delivered to the Province or its solicitors.

The Loan will be disbursed by the Province against original receipted invoices and cancelled cheques or other documentation acceptable to the Province evidencing programmed expenditures. The Province reserves the right to request that the Company provide certification from a third party professional to confirm expenditures with the cost of same (to be borne by the Company).

Cost overruns, if any, on the Program as described in the Letter of Offer are the responsibility of the Company.

8. Legal Fees and Costs

The Company shall pay all legal fees and costs relating to the Loan, including preparation, execution and registration of security documents, and legal fees and costs, if any, relating to administration of this Agreement. Legal fees may be deducted from disbursements under the Loan. The Company agrees this applies even if the Loan does not for any reason proceed and for funds not yet disbursed.

9. Insurance

The Company shall purchase and maintain standard commercial insurance policies with respect to the real and personal property covered by the Security until such time as it has fully satisfied all of its obligations to the Province under this Agreement, which insurance policies shall be in a form satisfactory to the Province and show the Province as loss payee so its interests may appear.

The Company shall also purchase and maintain standard commercial insurance policies in relation to its general operations until such time as it has fully satisfied all of its obligations to the Province, which insurance policies shall provide public and product liability coverage.

10. Limitation on Company Activities and Actions

a. This Agreement is not assignable by the Company without the prior written consent of the Province.

b. The Company will ensure that all transactions with related, affiliated or associated companies and with its shareholders, directors and employees are based on fair market values.

c. The Company shall refrain from doing any or all of the following without the prior written consent of the Province, which consent will not be unreasonably withheld:

(1) Redeem or purchase any shares of the Company or pay dividends thereon;

(2) Issue shares of the Company if such issuance would result in a change of control;

(3) Repay any shareholders' loans or pay interest thereon;

(4) Make loans to, guarantee or assume liability for or make investments in other parties, including related, affiliated or associated companies;

(5) Incorporate, purchase, acquire, fund, sell or dispose of any subsidiary or affiliate, whether wholly or partially owned by the Company;

(6) Sell, lease, exchange or otherwise dispose of the property of the Company other than in the ordinary course of business;

(7) Institute proceedings for the winding-up, reorganization or dissolution of the Company; and

(8) Change the nature of the Company's business.

d. The Company consents that all dealings between the Company and any related, associated or affiliated companies shall be at fair market value.

e. The Company shall advise the Province immediately if it registers a name change.

11. Compliance with Laws

The Company covenants and agrees that, until such time as the Company has fully satisfied all of its obligations under this Agreement, it will ensure that the business and assets of the Company and any subsidiaries of the Company are and will continue to be operated in compliance with all federal (including the Income Tax Act (Canada)) and provincial and territorial statutes, regulations, ordinances, and by-laws including the Nova Scotia Environmental Act, Occupational Health and Safety Act, Labour Standards Act, Code and Human Rights Act and that no enforcement action is, or will be, pending with respect to any such statute, regulation, ordinance or by-law.

12. Right to Appoint or Nominates a Director or Observer to Company's Board of Directors

So long as the Loan is in effect and until such time as all of the Company's obligations to the Province have been discharged, the Province shall be entitled to appoint or nominate a director or an observer to the Company's Board of Directors.

13. Requirement to Maintain and Enhance Investment in Nova Scotia

Where commercially reasonable, the Company shall employ and purchase Nova Scotia construction, labour, products, materials and services in the operation of its business. Further, the Company shall make all commercially reasonable efforts to enhance its business operations in Nova Scotia by increasing

the employment of Nova Scotia residents, and locating any new business premises in the Province.

Until the Loan is repaid in full, the Company is prohibited from transferring any existing business operations or premises from Nova Scotia to a location outside of the Province without the prior written approval of the Province, which approval shall not be unreasonably withheld.

14. Environmental

The Company hereby represents and warrants that its business and assets and those of any subsidiary companies are operated in compliance with applicable environmental legislation, regulations, rules and orders (collectively, "Environmental Laws") and that no enforcement action is pending or threatened in respect of pending. The Company further covenants to continue to operate in accordance with Environmental Laws, to come to the attention of the Province, and to permit the Province to conduct inspections and assessments of all or any of its and its subsidiaries' records, businesses and assets at the Company's expense, at any time and from time to time, for purposes of ensuring the Company and its subsidiaries are in compliance with Environmental Laws. The Company shall indemnify the Province with respect to any claims by it or its subsidiaries to comply with Environmental Laws, and agrees that, to the extent the Province incurs expenses because of the application of Environmental Laws to the Company or any of its subsidiaries, the amounts expended by the Province for such purposes shall be added to the indebtedness of the Company under the terms of this Agreement. The Company shall fully and accurately complete an environmental questionnaire annually upon the request of the Province.

15. Public Assessments

The Company consents to a public assessment by or on behalf of the Province advising that a Loan has or will be provided by the Province pursuant to this Agreement. The Company shall be free to make its own public assessment with respect to the Loan any time after execution of this Agreement, provided that such public assessment is submitted to a debt and loan acceptable to the Province. The Company hereby consents to the participation of a representative of the Province and the lender responsible for the Province or its or her designee in any event held in consultation with a public assessment by the Company.

16. Exchange of Credit Information

The Company consents to the receipt and exchange of credit and/or other information from time to time by the Province, including receipt from and exchange with any financial institution, credit bureau, credit reporting agency or any person, firm or corporation with which the Company has or proposes to have financial relations. The Company acknowledges and agrees that this information may be used for purposes of establishing and maintaining the Company's relationship with the Province. The Company hereby consents to the release of credit and other information to the Province by any other person, firm or corporation with which it has or proposes to have financial relations.

17. Agreement to Release of Financial Statements

By acceptance of the Letter of Offer, the Company authorizes its financial controllers and auditors to provide copies of the Company's financial statements to the Province as and when requested by the Province.

18. Confidentiality of Information

Subject to Sections 16, 19 and 17 above, and to the provisions of the Freedom of Information and Access to Information Act, or under any rules of the Legislature of the Province and any other

applicable legislation, all documentation and information provided by the Company to the Province for purposes of obtaining a Loan shall be kept strictly confidential.

19. Bankruptcy or Insolvency of the Company

The Company hereby acknowledges and agrees that the Province's obligations with respect to the provision of the Loan, whether accrued, due, or to become due, under this Agreement shall immediately cease in the event the Company becomes insolvent or makes an assignment under the *Bankruptcy and Insolvency Act*, makes a proposal to creditors (whether voluntary or involuntary) under the *Bankruptcy and Insolvency Act*, has a petition filed or presented against it pursuant to the *Bankruptcy and Insolvency Act*, takes or proposes to take the benefit of any provision of the *Companies Winding Up Act* or the *Companies Creditors Arrangement Act*, is subject to or takes steps similar to any of the foregoing pursuant to any other legislation, or ceases to carry on business in the Province of New Brunswick.

20. No Contingency Fee Paid

The Company warrants and represents that no contingency fee for the solicitation, negotiation, or obtaining of this Agreement has been or will be paid directly or indirectly to any person other than to an employee of the Company acting within the scope of his or her employment.

21. Prepayment

Partial prepayments shall be applied retroactively on the term that matching payment of principal. The outstanding principal of the Loan may be prepaid in full or in part provided the Company pay to the Province the interest owing to the time of payment together with an interest equal to an interest differential charge. The interest differential charge is applicable if, on the date prepayment is received, the Province's Cost of Funds for the Corresponding Term is lower than the Province's Cost of Funds in effect when the Company either advanced or renewed the current term being prepaid, whichever is most recent. The interest differential is the difference between these two rates. The interest differential is calculated by the principal that would have been outstanding at the first day of each month until the expiry of the current term (or the maturity of the principal if earlier). Then the present value of the amount of amounts obtained by such multiplication is calculated by discounting each amount or amounts using the Province's Cost of Funds for the Corresponding Term as the discount factor. The total of the present values is the interest differential charge.

22. Waivers

No duty or obligation to exercise any right or remedy accruing to the Province upon any breach or default by the Company under this Agreement shall inure any such right or remedy or be considered as a waiver of the breach or default or of any similar breach or default occurring hereafter, nor shall any single or partial exercise thereof preclude any other or further exercise

hereof or the exercise of any other right or remedy. No waiver of a single breach or default shall operate or be construed as a waiver of any subsequent breach or default. All waivers hereunder must be in writing and signed by the waiving party.

23. Forum and Choice of Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of New Brunswick and the federal laws of Canada applicable therein, and shall be treated in all respects as a New Brunswick contract.

The Company agrees that any suit, action or proceeding arising from or in relation to this Agreement, agreement to it or its contents, may be brought in the Supreme Court of New Brunswick, the Federal Court of Canada or any other Court to which, at its sole discretion, the Province chooses to bring such suit, action or proceeding, and the Company hereby generally, irrevocably and unconditionally submits to the non-exclusive jurisdiction of any or all such Courts over any such suit, action or proceeding. The Company further agrees that all judgments in such suits, actions or proceedings shall be conclusive and binding upon it and that such judgments may, at the sole election of the Province, be enforced in any jurisdiction or jurisdictions selected by the Province.

24. Complete Agreement

This Agreement constitutes the entire, full and complete agreement entered into by parties regarding the subject matter herein, and replaces all previous agreements with respect to the said subject matter. Neither party has been induced to execute this Agreement by any former representation, and as no representation, encouragement, promise or agreement, whether verbal or other, between the parties, other than so expressly provided for herein, is in force or has any effect in relation to this Agreement or otherwise.

25. Amendments

No change to the Program and Financing described in the Letter of Offer may be made by the Company without the prior written consent of the Province.

No amendment, change or variation to this Agreement will be binding upon the parties unless it has been agreed to in writing by both parties. The Company hereby acknowledges that, in accordance with the Act and Regulations, amendments, changes or variations of a material nature require the approval of the Provincial Government in Council, otherwise with the prior written consent of the Minister.

26. Headings

Headings are included only for convenience and are in no way to be considered as defining the scope of any provision of the Agreement.

Appendix B - Capital Projects

Infrastructure Upgrades for NSPG

<u>Combat Program</u>		<u>Item</u>	<u>\$ Value (\$000s)</u>
Halifax	1	Assembly Hall - Building & Equipment	134,252
	2	Pier 5	34,800
	3	Launch Dock	35,000
	4	Paint Shop	2,894
	6	Exiting Shops - Equipment	15,780
	6	Main Shop Upgrades	1,778
	7	Mod Shop Upgrades	8,577
	8	General Yard Improvements	<u>1,831</u>
		<u>235,489</u>	
Woodside	1	Outfit Steel Shop - Building & Equipment	14,837
	2	Pipe Shop - Building & Equipment	2,504
Shelburne	1	Structural Steel & Sheet Metal Shop - Building & Equipment	3,135
General	1	Software Systems - Planning / Scheduling	3,000
	2	Software Systems - Warehousing / Operations	<u>1,288</u>
		<u>260,290</u>	
<u>Non-Combat Program</u>			
Halifax	1	Assembly Hall - Building & Equipment	37,752
	2	Pier 5	34,800
	3	Launch Dock	25,000
	4	Paint Shop	2,584
	6	Exiting Shops - Equipment	15,780
	6	Main Shop Upgrades	1,778
	7	Mod Shop Upgrades	8,598
	8	General Yard Improvements	<u>1,831</u>
		<u>128,063</u>	
Woodside	1	Outfit Steel Shop - Building & Equipment	10,571
	2	Pipe Shop - Building & Equipment	2,504
Shelburne	1	Structural Steel & Sheet Metal Shop - Building & Equipment	3,135
General	1	Software Systems - Planning / Scheduling	3,000
	2	Software Systems - Warehousing / Operations	<u>1,288</u>
		<u>147,129</u>	

National Shipbuilding Procurement Strategy (NPS) Contract
 Financial Analysis of Requested Assistance to Irving Shipbuilding Inc.

Account title	4,50%	2012	2013	2014	2015
Year					
		Term End Totals			
Beginning balance			58,543,068	154,686,896	251,181,563
Principal advance		60,000,000	100,000,000	100,000,000	
Interest		2,520,893	3,403,869	5,927,223	11,077,628
Forfeitures - savings		434,882,824	2,260,091	4,082,596	5,012,170
Forfeitures - capital costs		3,000,000	5,000,000	5,000,000	
Ending balance		58,543,008	154,686,936	251,181,563	257,247,016
Net interest/forfeitures earned		(1,456,811.63)	(3,854,132.24)	(3,505,377.90)	6,065,453.04
Cumulative			(5,311,003.85)	(9,316,406.77)	(2,752,963.77)
Contract employee		14	166	373	483
Overhead employees		104	304	304	304
		118	270	477	587
Average wage =	65,000	65,000	65,000	66,907	66,970
Wages - direct		7,670,000	37,725,500	31,628,301	39,311,115
Subcontractor assume 50% direct		3,835,000	8,962,750	15,814,150	19,655,567
		11,505,000	26,588,250	47,442,301	58,966,702
Tax ratio	8.50%	977,933	2,260,001	4,052,596	5,012,170
Capital forfeitures		3,000,000	5,000,000	5,000,000	

National Shipbuilding Procurement Strategy (NSPS) Contract
 Financial Analysis of Requested Assistance to Irving Shipbuilding Inc.

	Interest rate 4.50%				
Year	2016	2017	2018	2019	2020
Beginning balance	257,247,015	265,539,038	267,527,718	265,698,982	251,201,441
Principal advance	11,948,313	11,520,132	11,355,457	10,817,274	10,220,151
Interest	5,062,281	7,525,692	15,184,223	23,315,084	24,096,686
Payments - wages					
Payments - capital costs					
Ending balance	263,533,635	267,527,718	269,696,953	251,201,441	237,334,636
Net interest/throughput earned	6,286,021.26	3,594,679.57	(3,228,765.83)	(12,497,810.19)	(19,866,556.04)
Cumulative	3,553,897.53	7,527,717.50	3,698,951.66	(8,798,853.53)	(22,665,393.55)
Contract employee	483	769	1,519	2,417	2,477
Overhead employees	104	104	207	207	207
	587	864	1,726	2,624	2,684
Average wage -	67,630	68,315	66,999	69,699	70,386
Wages - direct	33,704,246	53,024,724	119,897,946	182,863,406	188,915,181
Subcontractor accounts 50% direct	19,851,128	29,512,262	59,546,973	91,431,708	94,457,590
Tax rate	59,556,363	88,537,087	179,657,919	274,295,108	283,372,771
Capital expenditures	5,062,281	7,525,692	15,184,223	23,315,084	24,096,686

National Shipbuilding Procurement Strategy (NSPS) Contract
 Financial Analysis of Requested Assistance to Irving Shipbuilding Inc.

	4.50%				
Year	2021	2022	2023	2024	2025
Beginning balance		223,757,402	211,967,008	199,427,451	186,102,693
Principal advance	237,334,606				
Interest	9,635,465	9,127,766	8,587,785	8,073,598	7,484,787
Forgiveness - wages	23,212,691	20,938,160	21,127,942	21,338,615	21,552,001
Forgiveness - capital costs					
Ending balance		223,757,402	399,427,651	186,102,693	371,853,629
Net interest/forgiveness earned Cumulative	(13,577,204.65)				(36,242,598.01)
Contract employees	2,354	2,078	2,078	2,078	2,078
Overhead employees	207	207	207	207	207
Average wage =	2,561	2,265	2,265	2,265	2,265
Wages - direct	71,090	71,090	71,518	73,144	73,976
	182,960,319	164,064,001	365,704,641	167,361,638	162,053,304
Subcontractor assume 50% direct	31,028,159	62,056,001	62,852,321	63,680,844	64,517,622
Tax rate	273,029,478	246,020,002	248,556,962	251,042,531	253,529,657
Capital forgiveness	23,212,691	20,918,160	21,127,942	21,338,615	21,552,001

National Shipbuilding Procurement Strategy (NSPS) Contract
 Financial Analysis of Requested Assistance to Irving Shipbuilding Inc.

Interest rate		4.50%						
Year	2005	2007	2008	2009	2010	2011	2012	2013
Beginning balance	171,855,620	156,948,583	141,094,678	124,176,510				87,412,656
Principal advance	6,758,464	6,073,261	5,387,331	4,578,741				3,765,473
Interest	21,787,521	21,985,197	22,205,049	22,427,099				22,651,370
Forgiveness - wages								21,477,864
Forgiveness - capital costs								
Ending balance	156,046,553	141,094,678	124,176,510	106,328,653				87,442,656
Net interest/forgiveness earned								
Cumulative								
Contract employee	2,078	2,078	2,078	2,078				2,078
Overhead employees	307	307	307	307				307
Average wage =	2,285	2,285	2,285	2,285				2,285
Wages - direct	74,736	76,443	76,218	76,980				78,527
	170,723,058	172,452,914	174,157,263	176,898,816				179,454,383
Subcontractor assume 50% direct	85,362,529	86,216,457	87,078,632	87,948,408				88,828,902
	256,085,486	258,649,371	261,235,895	263,848,224				266,486,706
Tax rate	23,787,521	23,985,197	24,205,049	24,427,099				24,651,370
Capital forgiveness								21,877,884

National Shipbuilding Procurement Strategy (NSPS) Contract
 Financial Analysis of Requested Assistance to Irving Shipbuilding Inc.

Interest rate		4.50%						
Year	2082	2083	2084	2085	2086	2087		
Beginning balance	67,470,187	46,359,883	24,058,151	506,560	(23,297,859)	(25,560,291)		
Principal advance	1,596,359	1,685,987	21,917	-	-	-		
Interest	23,106,663	23,337,729	23,571,106	23,806,818	2,262,429	2,288,063		
Repayments - wages	-	-	1	2	3	4		
Repayments - capital costs	46,559,883	24,058,151	506,560	(23,297,859)	(25,560,291)	(27,815,349)		
Ending balance								
Net interest/forfeitures earned								
Comprehensive								
Contract employee	2,078	2,078	2,078	2,078	144	144		
Overhead employees	207	207	207	207	71	71		
	2,285	2,285	2,285	2,285	215	215		
Average wage =	79,312	80,105	80,997	81,716	82,598	83,358		
Wages - direct	181,228,726	183,041,013	184,874,423	186,720,137	17,744,542	17,821,967		
Subcontractor assume 50% direct	90,614,363	91,520,506	92,435,712	93,350,068	8,872,271	8,950,904		
Tax rate	27,191,069	27,458,519	27,730,135	28,006,205	26,616,813	26,882,961		
Capital forfeitures	21,106,663	21,337,729	21,571,106	21,806,818	2,262,429	2,288,063		

National Shipbuilding Procurement Strategy (NSPS) Contract
 Financial Analysis of Requested Assistance to Irving Shipbuilding Inc.

Interest rate	4.50%		
Year	2008	2009	2010
Beginning Balance			
Principal advance	[27,045,349]	[50,153,258]	[52,484,307]
Interest			
Forgiveness - wages	2,307,504	2,330,583	2,354,293
Forgiveness - capital costs	5	6	7
Ending balance	[30,152,293]	[32,484,257]	[34,638,546]
Net interest/forgiveness earned Cumulative			
Contract employee	144	144	144
Overhead employees	71	71	71
	215	215	215
Average wage =	65,000	84,392	85,984
Wages - direct	14,101,207	18,261,219	13,465,041
Subcontractor assume 50% direct	9,050,604	9,141,119	9,232,521
Tax rate	27,151,811	27,402,338	27,697,562
Capital forgiveness	2,307,504	2,330,583	2,354,293

Mar 22, 2012

Mr. William C. MacLean, CA
Chief Financial Officer
Irving Shipbuilding Inc.
300 Union Street
Saint John, NB E2L 4Z2

RE: Amendment to the Letters of Offer

Dear Mr. MacLean,

As a result of the recent repeal of the *Industrial Development Act* under which the original approval was submitted, and its replacement with the new *Nova Scotia Jobs Fund Act*, we require the following amendment to the agreement between Irving and the Province of Nova Scotia, a copy of which is attached.

Please confirm acceptance of this amendment in order that we can resubmit the material for issuance of any necessary Order in Council.

1. All references to the *Industrial Development Act* and the Industrial Expansion Fund contained in the attached agreement, including Appendix "A", shall be read as the *Nova Scotia Jobs Fund Act* and Nova Scotia Jobs Fund respectively.
2. In all other respects the agreement continues in full force and effect, and time continues to be of the essence.

We ask that you signify acceptance of the amendment by signing below and returning one original signed copy to my attention.

Thank you, and if you have any questions please contact the account manager, Marvyn Robar.



Sincerely,

Simon d'Entremont
Deputy Minister

C: Marvyn Robar, VP, Investment, Economic and Rural Development and Tourism

Accepted this day of , 2012

William MacLean, Irving Shipbuilding