

PARTICIPATION AGREEMENT 1977

PARTICIPATION AGREEMENT dated as of January 2, 1977, between CHURCHILL FALLS (LABRADOR) CORPORATION LIMITED, incorporated under the Companies Act of Canada (hereinafter called "Churchill"), IRON ORE COMPANY OF CANADA, a Delaware corporation (hereinafter called "IOC"), WABUSH IRON CO. LIMITED, an Ohio corporation (hereinafter called "Wabush Iron"), THE STEEL COMPANY OF CANADA, LIMITED, incorporated under the Companies Act of Canada (hereinafter called "Stelco"), DOMINION FOUNDRIES AND STEEL, LIMITED, incorporated under the Companies Act of Canada (hereinafter called "Dofasco") and TWIN FALLS POWER CORPORATION LIMITED, incorporated under the Companies Act of Canada (hereinafter called "Twinco").

## W I T N E S S E T H:

WHEREAS by an agreement entitled "Participation Agreement" dated as of April 15, 1963, and amended as of January 1, 1967, (which Agreement replaced the Participation Agreement dated as of November 15, 1961) the then shareholders of Twinco entered into agreements with Twinco providing for certain terms and conditions therein more fully set forth relating to the shares of Twinco and other matters; and

WHEREAS Churchill owns all of the issued and outstanding Class A shares of Common Stock of Twinco, and IOC, Wabush Iron, Stelco and Dofasco own all of the issued and outstanding Class B shares of Common Stock of Twinco, each share having a par value of Ten Dollars (\$10.00); and

WHEREAS on or about April 2, 1970 the parties agreed in writing that, effective January 1, 1970, the installed capacity of the Second Expanded Project, being the manufacturer's rating of the hydraulic turbines installed at the generating plant, was 307,000 horsepower;

WHEREAS it is desirable to enter into this Agreement;

NOW THEREFORE, in consideration of the premises and of the mutual undertakings and agreements of the parties hereinafter set forth, it is agreed that, effective from and after the date hereof, this Participation Agreement 1977 shall replace and be substituted for the Participation Agreement dated as of April 15, 1963, as amended, which said agreement is hereby cancelled and terminated. The parties hereto acknowledge that all the obligations and undertakings under the said Participation Agreement, and under any agreements or instruments whereby any obligations thereunder were transferred, have been fulfilled and complied with.

1. The terms used in this Agreement which are defined in the Indenture hereinafter mentioned shall have the meanings therein specified unless the context of this Agreement otherwise requires and except as otherwise defined herein.

All of the following definitions shall be applicable to both the singular and plural forms of any of the terms defined.

The term "Affiliate" shall mean any person or corporation directly or indirectly controlling, controlled by or under direct or indirect common control with, the corporation concerned.

The term "Amended Power Contracts" shall mean the Amended Power Contract of IOC and the Amended Power Contract of the New Joint Venturers.

The term "Amended Power Contract of IOC" shall mean the Amended Power Contract dated as of November 30, 1967, between IOC, Twinco and the Trustee with Churchill and the New Joint Venturers as intervenors.

The term "Amended Power Contract of the New Joint Venturers" shall mean the Amended Power Contract dated as of November 30, 1967, between the New Joint Venturers, Twinco and the Trustee with Churchill and IOC as intervenors.

The term "Consumer" shall mean IOC (and any assignee to which an assignment is made pursuant to the Amended Power Contract of IOC or the Reserved Power Contract of IOC) and the New Joint Venturers (and any assignee to which an assignment is made pursuant to the Amended Power Contract of the New Joint Venturers) and any assignee to which an assignment is made of any New Long Term Power Contract of IOC or of the New Joint Venturers.

The term "controlled by" shall mean in the case of a corporation, ownership or control, directly or indirectly, of more than 50% of the shares of stock having general voting power under ordinary circumstances to elect a majority of the board of directors, managers or trustees of such corporation (irrespective of whether or not at the time stock of any other class or classes shall have or might have voting power by reason of the happening of any contingency) and in the case of a Person which is not a corporation, effective control at least equal to that which is required in the case of a corporation.

The term "Customer" shall mean any party which is purchasing power from Twinco pursuant to a New Power Contract or a New Long Term Power Contract, other than a Consumer.

The term "Churchill Group" shall mean Churchill, such Persons as are now or who shall hereafter become shareholders of Churchill and such other Persons as shall be controlled by Churchill or by one or more of such shareholders of Churchill.

The term "Indenture" shall mean the Deed of Trust and Mortgage dated as of November 15, 1961, from Twinco to The Royal Trust Company as Trustee, as the same may be supplemented and amended from time to time.

The term "Group" or "Shareholders' Group" shall mean, as the context shall indicate, the Churchill Group,

IOC Group or Wabush Group.

The term "IOC Group" shall mean IOC, such Persons as are now or who shall hereafter become shareholders of IOC, such other Persons as shall be controlled by IOC or by one or more of such shareholders of IOC, and any Person to whom a permitted assignment of rights under the Amended Power Contract of IOC is made and who is acting pursuant to such assigned rights.

The term "New Joint Venturers" shall mean Wabush Iron, Stelco and Dofasco.

The term "New Long Term Power Contract" shall mean any contract (other than the Amended Power Contract) to purchase primary power generated by Twinco from the said maximum installed capacity of 307,000 horsepower or supplied by Churchill as a result of, and to the extent contemplated by, the suspension of the Twinco facilities pursuant to clause 8 of Part IV of the Sublease on a horsepower per year basis for at least twenty (20) years beginning with the date of the first delivery of power thereunder, or such lesser period as may be agreed to by Churchill, IOC and the New Joint Venturers.

The term "New Power Contract" shall mean any contract (other than Amended Power Contracts and New Long Term Power Contracts) to purchase primary power from Twinco on a horsepower per year basis.

The term "Reserved Power Contract of IOC" shall mean the Power Contract dated as of August 1 1976 between IOC, Twinco and the Trustee with the New Joint Venturers as intervenors.

The term "Shareholder" shall mean Churchill, IOC, Wabush Iron, Stelco or Dofasco.

The term "Third Expansion" shall mean those additional facilities, buildings, machinery, equipment, and property installed or added since July 1971 or being installed or added at the step-down station owned by Twinco near Wabush

Lake and which are more fully described in Schedule A attached to Agreement between IOC and Twinco made as of December 31, 1974 and which shall include without limitation:

- (i) Two 60 MVAR synchronous condensers including auxiliaries, buildings, step-up transformers, 46 KV cabling and circuit breakers,
- (ii) one 47/65 MVA transformer including associated 230 KV bay, bus work and disconnects,
- (iii) expansion of the 46 KV section of the switchyard including structural steel and foundations, circuit breakers, disconnects and relocation of existing customer feeders,
- (iv) the addition, replacement or modification to control cabling, protective relaying, station controls, remote supervisory control and communications required to accommodate the expanded station,
- (v) the lease of surface rights to additional property as set forth in the Indenture entered into as of October 1, 1971 between Wabush Iron Co. Limited, Twinco and others; and
- (vi) all other additions, rights, facilities, property, easements and rights-of-way relating to the foregoing.

The term "Wabush Group" shall mean Wabush Iron Co. Limited, the Steel Company of Canada, Limited, Pickands Mather & Co., and Dominion Foundries and Steel, Limited, (which corporations are participating in the commercial development and operation of an iron ore body at Wabush Lake in Labrador, Canada), such Persons as are now or who shall hereafter become shareholders of Wabush Iron, such other Persons as shall be controlled by Wabush Iron or by one or more of such participating corporations or shareholders and any Person to whom a permitted assignment of rights under

the Amended Power Contract of the New Joint Venturers is made and who is acting pursuant to such assigned rights.

Whenever there is a reference in this Agreement to "the amount of power contracted for", "the total amount of power then contracted for" or "the amount of power agreed to be purchased" or any such similar expression, it is agreed between the parties that the aggregate amount of such power can never exceed that amount capable of being generated from the said installed capacity of 307,000 horsepower or supplied by Churchill as a result of, and to the extent contemplated by, the suspension of the Twinco facilities pursuant to clause 8 of Part IV of the Sublease and this Agreement is to be read and construed as if such limitation had expressly qualified each such reference notwithstanding the generality of any words or expressions to the contrary. The parties acknowledge and declare that, with the implementation of the Reserved Power Contract of IOC (which the parties recognize and agree does not constitute a New Long Term Power Contract), the installed capacity of Twinco and/or the amount of power to be supplied by Churchill as a result of, and to the extent contemplated by, the suspension of the Twinco facilities has been fully utilized or fulfilled, as the case may be.

2. The determination of the book value of any shares of common stock of Twinco offered or sold pursuant to the provisions of this Agreement shall be made by an Accountant. Such determination shall be conclusive and binding upon all the parties hereto as to the book value of Twinco common stock. Such determination shall be made not later than sixty (60) days after any offering of shares which requires such determination to be made and shall be based on the audited balance sheet (or audited consolidated balance sheet if the company has one or more subsidiaries) as at the end of the month preceding the date of offer, all in accordance with sound accounting principles applied on a basis consistent

with that in the preceding fiscal year except that the following adjustments shall be made if required:

- (a) Depreciation shall be adjusted to a straight line basis. It shall be computed monthly at the rate of 4% per annum with respect to depreciable assets included in the Expanded Project, at the rate of 5% per annum with respect to depreciable assets included in the Second Expansion and at the rate as recorded in the books of account of the company with respect to all other depreciable assets except that such rate shall not exceed 5% per annum with respect to depreciable assets included in the Third Expansion. Depreciation on depreciable assets included in the Expanded Project shall begin on the Completion Date, depreciation on depreciable assets included in the Second Expansion shall begin on the Second Completion Date, depreciation on depreciable assets included in the Third Expansion shall begin on January 1, 1974 and depreciation on all other depreciable assets shall begin when first recorded in the books of account of the company. Depreciation on any renewals or replacements of depreciable assets included in the Expanded Project, the Second Expansion or the Third Expansion shall be computed monthly at the rates as recorded in the books of account of the company. Depreciation on such company renewals or replacements and any such additions shall begin on the first day of the month of acquisition thereof.
- (b) If depreciation for income tax purposes has been taken on a basis other than that set forth in (a) above, a related adjustment with respect to future income taxes shall be made for each year on the basis of the rates in effect from year to year and the aggregate total of the related income tax

adjustment shall be added to or subtracted from the shareholders' equity in calculating the book value per share for the purpose of this Agreement. For example: If the depreciation adjustment results in aggregate depreciation in excess of the depreciation claimed for income tax purposes to that date, the related income tax amount shall be added to the shareholders' equity; if the adjustment results in aggregate depreciation less than the depreciation claimed for income tax purposes to that date the related income tax amount shall be deducted from shareholders' equity.

- (c) Any marketable securities held by the Company and included in the balance sheet at other than market value shall be adjusted to their market value at the date of the balance sheet.
- (d) All reserves or appropriations of surplus in the balance sheet (except such reserves for actual or estimated liabilities which sound accounting principles require to be set up) shall be considered as part of the shareholders' equity in calculating the book value per share.

When an offering of shares is required to be made and is made at a book value then determined, the offer shall be subject to acceptance within twenty (20) days after the offer is made. When any offering is required to be made and is made at a book value not then determined, the offer shall be subject to acceptance within twenty (20) days after receipt of written notice of the book value which has been determined. Payment for and delivery of shares sold pursuant to the provisions of this Agreement shall be made within ten (10) days after acceptance of the offer.

3. If Twinco issues any additional shares of Class A or Class B Common Stock, such shares shall be issued as follows:



- (a) All Class A shares and all Class B shares offered to Churchill, IOC and the New Joint Venturers shall be offered by Twinco, unless otherwise specified in the context, at the book value of the outstanding Class A and Class B shares as at the end of the month preceding the date of the new offering, but at not less than the par value thereof.
- (b) One Class A share shall be offered to Churchill for each two Class B shares offered. If Churchill waives its right to or fails to take up and pay for all or part of the Class A shares so offered to it, the Class A shares which are not taken by Churchill shall be reoffered to IOC and the New Joint Venturers by Twinco at the original offering price to Churchill as follows: (i) if the Class A shares are being offered to provide funds for additional facilities solely for a Consumer which is a member of the IOC Group or a Consumer which is a member of the Wabush Group, or both, the Class A shares shall be offered to both IOC and the New Joint Venturers pro rata based on the total holdings of Class B shares by the IOC Group and the Wabush Group, respectively, after giving effect to any Class B shares acquired by IOC and the New Joint Venturers pursuant to subparagraphs (c) or (d) of this Section 3 and contemporaneously with the offering of the Class A shares to Churchill, and to any adjustment pursuant to Section 4 hereof which results from New Long Term Power Contracts entered into in connection with the provisions of such additional facilities; (ii) if the Class A shares are being offered to provide funds for additional facilities solely for a Customer or Customers, one-half of such Class A shares shall

be offered to each of IOC and the New Joint Venturers or, if there is then only one Group with a Consumer or Consumers, all of such shares shall be offered to IOC if such Group be the IOC Group or to the New Joint Venturers if such Group be the Wabush Group; (iii) if the Class A shares are being offered to provide funds for additional facilities described in both (i) and (ii), an equitable allocation of the total of such Class A shares shall be made based on that portion of the total additional facilities described in (i) which shares so allocated shall be offered as provided therein, and on that portion of the total additional facilities described in (ii) which shares so allocated shall be offered as provided therein. Any Class A shares offered to IOC or the New Joint Venturers pursuant to this subparagraph (b) and not purchased by IOC or the New Joint Venturers, as the case may be, shall be then offered at the original offering price to the other of IOC or the New Joint Venturers.

- (c) Two Class B shares shall be offered for each Class A share offered to Churchill. If the Class B shares are being offered to provide funds for additional facilities described in Section 3(b)(i), the Class B shares shall be offered to IOC or the New Joint Venturers or to both IOC and the New Joint Venturers, in such amounts as will effectuate the provisions of the first paragraph of Section 4, after giving effect to each New Long Term Power Contract executed or to be executed by IOC or the New Joint Venturers providing for power from such additional facilities, and IOC and the New Joint Venturers shall purchase the Class B shares so offered.

(d) If the Class B shares are being offered to provide funds for additional facilities solely for a Customer or Customers, one-half of such Class B shares so offered shall be offered to each of IOC and the New Joint Venturers or if there is then only one Group with a Consumer or Consumers, all of such shares shall be offered to IOC if such Group be the IOC Group or to the New Joint Venturers if such Group be the Wabush Group; provided, however, that Twinco may offer all or part of such Class B shares to such Customer at such prices as may be determined by the Board of Directors of Twinco if the offering of such Class B shares to such Customer is determined by Churchill, IOC and the New Joint Venturers to be desirable; and provided, further, that the number of Class B Shares to be so offered to such Customer shall not exceed (i) that number of Class B shares which bears to the same ratio to the total Class B shares to be outstanding immediately thereafter which the amount of power such Customer has agreed to purchase annually pursuant to a New Power Contract or a New Long Term Power Contract bears to the total amount of power then agreed to be purchased annually pursuant to all Amended Power Contracts, New Power Contracts, New Long Term Power Contracts and the Reserved Power Contract of IOC; or (ii) the total number of Class B shares then being offered, whichever is lesser. If none or only part of such Class B shares are purchased by such Customer, one-half of the balance of such Class B shares shall be offered to each of IOC and the New Joint Venturers, or if there is then only one Group with a Consumer or Consumers, all to IOC

if such Group be the IOC Group or to the New Joint Venturers if such Group be the Wabush Group.

Any Class B shares offered to IOC and the New Joint Venturers pursuant to the provisions of this subparagraph (d) and not taken by either of them, shall be reoffered to Churchill or, if taken by only one of them, the balance shall be reoffered in equal amounts to the other and to Churchill.

- (e) If Class B shares are being offered to provide funds for additional facilities referred to in Section 3(b)(iii), an equitable allocation of the total of such Class B shares shall be made based on that portion of the total additional facilities described in Section 3(b)(i) which shares so allocated shall be offered as provided in Section 3(c) and on that portion of the total additional facilities described in Section 3(b)(ii) which shares so allocated shall be offered as provided in Section 3(d).
  - (f) In the event that IOC and the New Joint Venturers disagree as to the proper number of Class A or Class B shares to be offered to or purchased by them pursuant to this Section 3, such Class A or Class B shares shall be offered to and purchased by them in equal amounts, and subject to the subsequent proper allocation of such shares to effectuate the holdings of Class A and Class B shares prescribed in Section 4(a).
4. (a) The IOC Group and the Wabush Group shall each hold Class B shares, excluding Class B shares acquired pursuant to offerings provided for in Sections 3(d), 7 and 8, in the same proportionate amount as the amount of power contracted for, respectively, by Consumers in the IOC Group and

the Wabush Group pursuant to Amended Power Contracts plus the amount of power contracted for which is then being delivered or is to be delivered pursuant to New Long Term Power Contracts. For the purposes of adjustments pursuant to this Section 4, any Class B shares which have been transferred pursuant to Section 7 or 8 hereof by any member of the IOC Group to a transferee not in the IOC Group or by any member of the Wabush Group to a transferee not in the Wabush Group shall be considered as still held by the IOC Group or the Wabush Group, respectively, and any acquisition by a member of the IOC Group or of the Wabush Group pursuant to offerings provided for in Sections 3(d) 7 and 8 shall not be considered as a part of the holdings of the IOC Group or the Wabush Group, respectively. The IOC and Wabush Groups shall also hold Class A shares purchased by them in equal amounts pursuant to Section 3(f), on the pro rata basis prescribed in Section 3(b)(i).

- (b) Whenever there is an increase or decrease in the amount of power contracted for by Consumers which are members of the IOC Group or by Consumers which are members of the Wabush Group under Amended Power Contracts and New Long Term Power Contracts (other than a decrease by reason of a default under, and resulting in the termination of, any Amended Power Contract or New Long Term Power Contract), with the result that the number of Class B shares held by the IOC Group and by the Wabush Group, respectively, including all additional Class B shares issued by Twinco to provide additional facilities to furnish such power, are not proportionate to the total amount of power then contracted for by all such Consumers, re-

spectively, pursuant to Amended Power Contracts plus the amount of power contracted for which is then being delivered or is to be delivered pursuant to New Long Term Power Contracts, IOC will forthwith offer or cause to be offered to the New Joint Venturers and the New Joint Venturers will purchase, and the New Joint Venturers will forthwith offer or cause to be offered to IOC and IOC will purchase, such number of Class B shares as will result in the stock holdings prescribed in Section 4(a), at a purchase price equivalent to the book value of such shares. Whenever there is a purchase of Class A or Class B shares pursuant to the provisions of Section 3(f), IOC will forthwith offer or cause to be offered to the New Joint Venturers and the New Joint Venturers will purchase, and the New Joint Venturers will forthwith offer or cause to be offered to IOC and IOC will purchase, such number of Class B shares as will result in the stock holdings of such shares prescribed in Section 4(a) and such number of Class A shares as will result in the stock holdings of such shares prescribed in Section 3(b).

5. Wherever in Sections 3 and 4, it is provided that any shares of Twinco shall be offered or re-offered to any party hereto, such offer shall be made in writing as more fully provided in Section 17 hereof and shall be deemed to have expired and be of no effect if the offeree has either failed to accept such offer or to pay for the shares within the delays stipulated in the last paragraph of Section 2 hereof; provided, however, that wherever it appears from the provisions hereof that any party hereto must acquire the Twinco shares offered, the offer shall be accepted and such shares paid for within such delays.

6. Any Shareholder may transfer or dispose of all or any part of its shares of Twinco to a member of its Group and, in such event, or in the event of any sale pursuant to Section 4, the transferor shall also assign to the transferee all of the transferor's rights and obligations under this Agreement with respect to the shares so transferred and the transferee shall immediately upon such transfer assume all such obligations; provided, however, that no such transfer shall release such transferor from any of such obligations assumed by the transferee.

7. Any Shareholder may transfer or dispose of all or any part of its shares of Twinco provided that such Shareholder shall first offer to:

- (i) IOC and the New Joint Venturers, if the offeror be Churchill;
- (ii) Churchill and the New Joint Venturers, if the offeror be IOC;
- (iii) Churchill and IOC, if the offeror be the New Joint Venturers or any of them;

pro rata (based on the holdings of all Common Stock of Twinco by the Churchill Group in the case of an offering to Churchill, by the IOC Group in the case of an offering to IOC and made by the Wabush Group in the case of an offering to the New Joint Venturers) or to the remaining offeree if there is then only one offeree which is a Shareholder (and reoffer to either offeree any such shares not purchased by the other offeror) the right to purchase the shares which such Shareholder desires to transfer or dispose of, and at the same selling price and upon the same terms and conditions as have been or are to be provided in the proposed transfer or disposition; provided further that the preceding provisions of this Section shall not apply to a sale or transfer to members of the seller's or transferor's Group or to sales pursuant to Section 4. When any offer is made

pursuant to this Section 7, the offer shall be made in writing as more fully provided in Section 17 hereof, shall be subject to acceptance within thirty (30) days after the offer is made and the purchase price for the shares paid for within twenty (20) days of such acceptance failing which, in either event, the offer shall be deemed to have expired and be of no effect.

8. Any offer of Twinco shares to the New Joint Venturers pursuant to Section 7 shall expire unless accepted by at least one of them and the purchase price paid for all the shares offered within the delay provided.

9. If IOC or the New Joint Venturers default at any time under any Amended Power Contract, the Reserved Power Contract of IOC, New Power Contract or New Long Term Power Contract, the non-defaulting Consumer will not be obligated to assume any such contracts of the defaulting Consumer or to increase its payments under any of such contracts to which the non-defaulting Consumer is a party.

10. (a) If at any time no Consumer which is a member of the IOC Group remains obligated under any outstanding contract with Twinco to purchase power, each member of the IOC Group holding stock of Twinco shall within ten (10) days after such obligation ceases offer all of its Common Stock in Twinco to the New Joint Venturers at the book value thereof, unless at the time of such offering there is then a Customer or Customers obligated for power under New Power Contracts or New Long Term Power Contracts, in which event the stock shall be offered as provided in clause (c) of this Section 10.

(b) If at any time no Consumer which is a member of the Wabush Group remains obligated under any outstanding contract with Twinco to purchase power,



each member of the Wabush Group holding stock of Twinco shall within ten (10) days after such obligation ceases offer all of its Common Stock in Twinco to IOC at the book value thereof, unless at the time of such offering there is then a Customer or Customers obligated for power under New Power Contracts or New Long Term Power Contracts, in which event the stock shall be offered as provided in clause (c) of this Section 10.

(c) If at the time of any offering pursuant to clauses (a) and (b) of this Section 10 there is a Customer or Customers obligated to purchase power under New Power Contracts or New Long Term Power Contracts all Class B shares shall be offered on a proportionate basis so that if the offer is accepted the Churchill Group and the IOC Group or the Wabush Group as the case may be shall then hold Class B shares in the proportions respectively that the amount of power contracted for by such other Customer or Customers and by all Consumers which are members of the IOC Group (if offered to IOC) or of the Wabush Group (if offered to the New Joint Venturers) bears to the total amount of power contracted for by them; all Class A shares shall be offered one-half to Churchill and one-half to IOC or the New Joint Venturers, as the case may be.

(d) If at any time all Consumers contemporaneously cease to be obligated under any outstanding contract with Twinco to purchase power, each member of the IOC Group and the Wabush Group shall within ten (10) days thereafter offer all of their Common Stock in Twinco to Churchill at the book value thereof.

11. IOC and the New Joint Venturers agree that the provisions for consent of IOC and the New Joint Venturers, respectively, in Articles 3.04 of the Amended Power Contract of IOC and of the Amended Power Contracts of the New Joint Venturers shall not apply to any power contract providing for delivery of power to IOC or a permitted assignee of IOC or to the New Joint Venturers or a permitted assignee of the New Joint Venturers or to Churchill, on a temporary basis not exceeding one year.

12. Twinco shall not, without first obtaining the approval of Churchill, IOC and the New Joint Venturers, which approval shall not be withheld unreasonably from the standpoint of the self-interest of the corporation with-  
holding such approval,

- (a) Make any major corporate change such as the sale of substantially all of Twinco's assets, substantial capital expenditures (other than for repairs or renewals of the Second Expanded Project or the Third Expansion), a merger into or consolidation with another corporation or any borrowing in excess of One Million Dollars (\$1,000,000); provided, however, that Twinco may, without the approval of IOC and the New Joint Venturers, make borrowings of any amounts if such borrowings are used to repay Subordinated Notes and/or Subordinated Debentures; and provided further that Twinco shall not, without the consent of IOC and the New Joint Venturers, make any borrowings to be used for replacements of the Second Expanded Project if the interest payable thereon would be considered part of the net capital cost of such replacement as provided in Articles 3.03 of the Amended Power Contracts;
- (b) Change the terms and provisions of Class A or

Class B shares of Common Stock of Twinco or make or approve any changes, amendments or modifications in the terms and provisions of the Indenture, the Series A Bonds and the Series B Bonds;

- (c) Approve, or make any changes, amendments or modifications in, any of the following documents:
- 1) Statutory Lease dated May 16, 1961;
  - 2) Sublease;
  - 3) Leases or licences from Churchill or surface rights for the dam site, power house and step-down station areas and a right-of-way for transmission lines, together with all appropriate consents and releases;
  - 4) Operating Lease;
  - 5) Services Agreement between British Newfoundland Corporation Limited ("Brinco") and Twinco dated November 18, 1964 and assigned by Brinco to Churchill pursuant to an Assignment Agreement dated January 1, 1969 between the said parties and Twinco, provided, however, that Twinco may make such changes as do not increase the annual fee or do not create any expenses which would not otherwise have been incurred in respect of the Second Expanded Project;
  - 6) Agreement between IOC and Twinco made as of December 31, 1974 relating to the Third Expansion;
  - 7) Any of the financing documents relating to the Second Expanded Project including, without limitation, the Bond Purchase Agreement, the Second Bond Purchase Agreement, the Third Bond Purchase Agreement, the Second Financing and Subordination Agreement, the Amended Power Contracts and the Indenture.
- (d) Adopt detailed plans, specifications and layouts

for any further development by Twinco to provide additional power for a Consumer or Consumers, or approve estimates of the capital cost of such further development and the method of financing thereof;

- (e) Construct a power plant to replace the present power plant in the event it shall be substantially destroyed or demolished; provided, however, that if Churchill, IOC and the New Joint Venturers do not approve such replacement, Twinco shall be relieved of its obligations to IOC and the New Joint Venturers under any and all power contracts, or
- (f) Make any changes in the appointment of the auditors.

The approval of each of Churchill, IOC and the New Joint Venturers shall be required by this Section 12 only as long as it or any member of its Group is a Shareholder of Twinco and shall be deemed to have been given (a) if given in writing signed by a President or a Vice President of Churchill, of IOC or by an officer of the representative of the New Joint Venturers, as the case may be; or (b) if the representative(s) of Churchill, IOC and the New Joint Venturers, respectively, on the Board of Directors of Twinco as provided in Section 13 shall have voted unanimously in favour of the matter in question, and such action has been recorded in the minutes of such meeting. The unanimous approval of the representatives of Churchill, IOC and the New Joint Venturers given in either of the foregoing ways shall constitute full, complete and conclusive authority to Twinco to take the action or to undertake the program or procedures in respect of which the approval has been given to the same extent and with the same effect as if Churchill, IOC and each of the New Joint Venturers had given their respective written consents thereto and to all documentation

required to implement same, and Churchill, IOC and the New Joint Venturers shall be conclusively bound by the unanimous approval of their representatives and to the consequences resulting therefrom.

For the purposes of Section 3(d), Section 7 and this Section 12, the New Joint Venturers hereby agree that they and the members of the Wabush Group shall act as a unit and shall at all times have a representative with authority to bind them and hereby appoint, as of the date hereof, Pickands Mather & Co. as such representative, reserving the right to designate by written notice to the other parties hereto successor or substitute representatives.

13. Churchill, IOC and the New Joint Venturers (as a group) shall each be entitled to representation on the Board of Directors of Twinco as long as it or any member of its Group is a Shareholder of Twinco. So long as IOC and the New Joint Venturers have one representative each on said Board, Churchill shall be entitled to three representatives and for each additional representative appointed by IOC or the New Joint Venturers, Churchill shall be entitled to an additional representative and, subject to its shareholders' approval, Twinco shall promptly take the necessary corporate action to give effect to any changes in the number of directors.

14. In the event Churchill elects not to buy, or does not buy, all the shares offered to it pursuant to Section 10(d), the provisions of this Section 14 shall apply -

If, at the determination of the Sublease, Churchill shall be desirous of purchasing all or any of the moveable machinery, plants and other articles and things of Twinco upon the demised lands subleased to Twinco (including all things in the nature of fixtures which would be moveable) and of such desire shall give notice in writing to Twinco at least one calendar month before the determination of the tenancy (unless determined by re-entry in which case the

notice may be given within one calendar month after such determination), then and in such case the articles and things specified in such notice shall not be removed by Twinco but shall be taken by Churchill at a price to be agreed upon between the parties or in case of differences to be settled by arbitration, the valuation to be based upon the value of equipment in the open market for use in a going power plant or plants less the cost of removal and transportation to the area of such plant or plants and to be paid by Churchill within two calendar months after settlement of the price with interest thereon at the rate of 5% per annum from the date of settlement until payment.

In case Churchill shall not give notice of its intention to purchase as aforesaid all or any of the said articles or things (including all things in the nature of fixtures which would be moveable), or having given notice shall not pay the amount of such valuation within the period of two calendar months as aforesaid, then and in such case it shall be lawful for Twinco to remove the articles and things not so purchased and paid for at any time within two months after the determination of the tenancy or, if there shall have been such default by Churchill as aforesaid, within two calendar months after such default, Twinco doing so in a good and workmanlike manner and causing as little damage as possible to the said demised lands.

It is agreed by and between Churchill and Twinco that in the event Twinco is prevented from removing upon the termination of the tenancy any of said articles and things from the said demised lands which it is permitted to remove under the terms of this Section 14, then Churchill shall purchase from Twinco such of said articles and things as Churchill desires to use, if any, at a price to be agreed upon or settled as herein provided. If the underlying head leases shall be terminated with respect to the whole or any

part of the said demised lands, then Churchill shall pay over to Twinco all sums paid to it by the Lessor in the underlying head leases for the purchase of such Twinco property as shall be purchased pursuant to the underlying head leases by the Lessor thereof, save and except such articles and things as may have been purchased by Churchill as above provided.

15. All offers, acceptances of offers, notices, requests or other communications hereunder shall be in writing, addressed to the respective parties as follows:

Churchill Falls (Labrador) Corporation Limited	Philip Place, Elizabeth Avenue, St. John's, Newfoundland A1A 2X8
Iron Ore Company of Canada	Suite 1150, 1245 Sherbrooke Street West, Montreal, Quebec H3G 1G2
Wabush Iron Co. Limited The Steel Company of Canada, Limited Dominion Foundries and Steel, Limited	c/o Pickands Mather & Co. 1100 Superior Avenue Cleveland, Ohio 44114
Twin Falls Power Corporation Limited	C/O Churchill Falls (Labrador) Corporation Limited Philip Place, Elizabeth Avenue, St. John's, Newfoundland A1A 2X8

All offers, acceptances of offers, notices, requests or other communications so addressed and dispatched by registered mail, return receipt requested, shall be effective as of the time of mailing, if so addressed, but otherwise dispatched they shall be effective when received. The address of any party for any such offer, notice, request or other communication may be changed by giving notice in writing to the other parties at any time.

The offer of any shares of Twinco to the New Joint Venturers hereunder shall be addressed to Pickands Mather & Co. or such successor or successors as the New Joint Venturers shall at any time or from time to time designate as their agent for such purpose by notice in writing to all the other parties hereto.

16. The provisions of the Bond Purchase Agreement, the Second Bond Purchase Agreement, the Third Bond Purchase Agreement, the Amended Power Contracts, the Reserved Power Contract of IOC, the Indenture and the Second Financing and Subordination Agreement shall not be amended by any provisions of this Agreement.

17. This agreement shall be construed in accordance with the laws of the Province of Newfoundland except that the provisions herein relating to rights and obligations of any member of the IOC Group or Wabush Group enforceable against or to any member of that other Group shall be construed in accordance with the laws of Ohio.

IN WITNESS WHEREOF, the parties hereto and the intervenor have caused this agreement to be duly executed on the day and year first above written.

CHURCHILL FALLS (LABRADOR)  
CORPORATION LIMITED

IRON ORE COMPANY OF CANADA

By *W. J. Whelan*

Attest *B. Macnamara*

By *W. J. Whelan*  
President

And *Pierre G. Bourgeois*  
Vice President  
Secretary

WABUSH IRON CO. LIMITED

DOMINION FOUNDRIES & STEEL,  
LIMITED

By *[Signature]*

And *[Signature]*  
Assistant Secretary

By *[Signature]*  
President

Attest *[Signature]*  
Secretary

THE STEEL COMPANY OF CANADA,  
LIMITED

TWIN FALLS POWER CORPORATION  
LIMITED

By *W. J. Whelan*  
President

And *Pierre G. Bourgeois*  
Vice President

By *L. H. S. Ray*  
VICE-PRESIDENT

And *[Signature]*  
VICE-PRESIDENT and SECRETARY