

THIS INDEMNITY AGREEMENT made the 31st day of December, 1995,

BETWEEN:

HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF NOVA SCOTIA, as represented by the Minister of Supply and Services

(hereinafter referred to as "Nova Scotia")

- and -

SCOTT MARITIMES LIMITED, a body corporate, under the laws of the Province of Nova Scotia

WHEREAS pursuant to an agreement (the "Memorandum of Understanding") Nova Scotia has agreed to indemnify the Indemnified Parties, as defined herein, against certain Claims and/or Expenses, as defined herein.

IN CONSIDERATION of the sum of One Dollar (\$1.00) and other good and valuable consideration, the parties hereby agree as follows:

Indemnity by Nova Scotia in Favour of Indemnified Parties

1.01 Notwithstanding any other provision in any Agreement between the parties, Nova Scotia shall indemnify and hold Scott Maritimes Limited and Scott Paper Company and their respective officers, directors, shareholders, employees, agents, consultants, advisors and their respective heirs, successors (including successors in title), assigns and legal representatives, shareholders, and their respective officers, directors, shareholders, employees, agents, consultants and advisors (hereinafter referred to as the "Indemnified Parties") harmless from and against any and all:

- (a) liabilities, losses, claims, demands, actions, causes of action, damages, (including, without limitation, lost profits, consequential damages, interest, penalties, fines and monetary sanctions) including amounts paid to settle actions, whether before or after litigation or other proceedings or activities of any nature, or to satisfy judgments, orders or directives including, without limitation, any judgment, order or directive imposing joint and several liability on the Indemnified Parties and any costs (including the cost of diverting or altering components of the Facility in response to Claims), liability or damages:
 - (i) arising out of the designation of the Facility or Reconfigured Facility as a contaminated site within the meaning of any Environmental Laws;
 - (ii) arising out of or in any way related to the existence or operation of the Facility by Nova Scotia up to the effective date of this Agreement;

- (iii) arising out of any claim based in nuisance, including any claim for a permanent or temporary injunction; or
 - (iv) any claim arising out of the construction or location of the Facility or Reconfigured Facility, including claims based in trespass whether such claims relate to activities occurring before or after the effective date of this Agreement (hereinafter collectively referred to as "Claims").
- (b) legal fees on a solicitor and client basis, consultants fees and all other out-of-pocket expenses arising because of Claims (hereinafter referred to as "Expenses")

incurred or suffered by the Indemnified Parties, whether such Claims and/or Expenses arise under statute or not, which may at any time or from time to time be paid, incurred, claimed or asserted against any of the Indemnified Parties for, with respect to, or as a direct or indirect result of the construction, location or existence of the Facility or Reconfigured Facility or the past operation of the Facility by Nova Scotia including, **without limitation:**

- A. Claims made and/or Expenses arising due to the presence on or under, or the discharge, escape, seepage, leakage, spillage, emission, exhaust, or release from the Facility into the environment or into or upon land, the atmosphere, or any water course, body of water or wetlands, of any substance, pollutant, waste, contaminant, harmful or hazardous material, fumes, steam, or odour due to or in any way related to the Facility and, without limiting the generality of the foregoing, Nova Scotia undertakes that this Indemnity shall apply to the costs of defending and/or counter-claiming or claiming over and against third parties in such manner as the Indemnified Parties in their sole discretion may determine in respect of any action, proceeding or matter raised in connection with the Facility.
- B. The breach of any Environmental Laws by Nova Scotia;
- C. The trespass of the Facility or any part thereof on adjacent lands or any tort or other common law claim relating to or arising out of the past, present or future use of the Facility, or arising out of the design, construction, location or configuration of the Facility, including any claim for injunction raised in any such claim;
- D. Subrogation claims made by Her Majesty the Queen in Right of Canada (Canada) pursuant to a Settlement Agreement dated July 20, 1993, between Canada and The Pictou Landing Indian Band.

1.02 The Indemnified Parties shall be held harmless as contemplated herein notwithstanding the provisions of any Ministerial Order or other directive issued or made pursuant to present or future Environmental Laws.

1.03 Without restricting the generality of the foregoing, this undertaking and indemnity shall extend to all Claims made by any person or government made on their own behalf, on the public's behalf (for example in public nuisance) or on behalf of any other party (including, without limitation, claims arising by statute or by subrogation). The undertaking and indemnification set out herein shall remain in full force and effect perpetually following the transfer of responsibility for operation of the Facility from Nova Scotia to Scott Maritimes Limited.

1.04 The foregoing indemnity is intended to provide the broadest possible indemnity to the Indemnified Parties and it is hereby mutually agreed that it is not to be interpreted *contra proferentum* or restrictively but is to be given a broad and liberal interpretation in favour of the Indemnified Parties and is to be construed in a manner consistent with the Memorandum of Understanding.

1.05 Nova Scotia shall not be held responsible hereunder if the fulfilment of any terms hereunder shall be delayed or prevented by civil disorders, wars, acts of enemies, acts of God, or by any other cause not within control of the party whose performance is interfered with, and which by the exercise of reasonable diligence, said party is unable to prevent or eliminate.


WITNESS WHEREOF Her Majesty the Queen in Right of the Province of Nova Scotia executed this Agreement as of the day and year first above written.

SIGNED, SEALED AND DELIVERED)
in the presence of:)

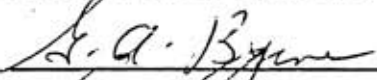


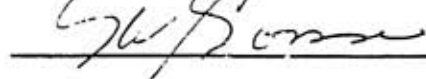


HER MAJESTY THE QUEEN in right of
the Province of Nova Scotia, as
represented by the Minister of
Supply and Services

Per: 

SCOTT MARITIMES LIMITED

Per: 

Per: 

DATED: December 31, 1995

BETWEEN:

**HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF
NOVA SCOTIA**, as represented by the Minister of Supply and Services

- and -

SCOTT MARITIMES LIMITED, a body corporate, under the laws of
the Province of Nova Scotia

INDEMNITY AGREEMENT

McInnes Cooper & Robertson
Summit Place
1601 Lower Water Street
P.O. Box 730
Halifax, NS B3J 2V1

BFM/dlb (570461.03)

BM-468/9798