

THIS LEASE 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 "Landlord")

- and -

SCOTT MARITIMES LIMITED, a body corporate under the laws of Nova Scotia (hereinafter referred to as "Scott")

(hereinafter referred to as (the "Tenant")),

WHEREAS pursuant to an agreement (the "Memorandum of Understanding") the Landlord has agreed to lease to the Tenant certain lands more particularly described in Schedule 2 hereto (the "Lands"), together with fixtures presently standing thereon, for a term of ten (10) years.

IN CONSIDERATION of the rents hereby reserved and the covenants contained on the part of the Tenant, the Landlord grants this lease to the Tenant and the parties hereby agree as follows:

1. **Definitions and Interpretation**

(a) **Definitions.** The following expressions, where used in this lease mean:

- (i) "Memorandum of Understanding" means the agreement dated the 1st day of December, 1995, between the Landlord and the Tenant;
- (ii) "Lands" means the Lands in the County of Pictou in the Province of Nova Scotia more particularly depicted as outlined in red on the Plan annexed hereto as Schedule 2;
- (iii) "Reconfigured Facility" or "Facility" means the Effluent Treatment System which consists of a pipeline for the transmission of effluent from the Mill commencing at a standpipe located on Scott's property at Abercrombie Point, Pictou County, Nova Scotia, and leading under the East River and discharging into Settling Ponds at Boat Harbour, the Settling Ponds, and ASB and discharging into Boat Harbour at Point C (which Point C shall

become the "Effluent Outfall" of the Reconfigured Facility after the upgrades contemplated herein are satisfactorily completed and the Reconfigured Facility can be operated in compliance with Environmental Laws at Point C) and all other appurtenances affixed or appended thereto, more particularly depicted on the Plan attached hereto as Schedule 2 and all lands and facilities necessary to permit the receipt and lawful disposal of effluent from the Mill, commencing at the said standpipe;

- (iv) "Indemnified Parties" has the meaning ascribed to it in the Indemnity Agreement bearing even date herewith;
 - (v) "Environmental Laws" means all applicable laws, statutes, ordinances, rules, by-laws, guidelines, treaties, and Regulations, and all applicable directives, rules, standards, requirements, policies, orders, judgments, injunctions, or decrees which have the force of law or which are capable of having the force of law, with respect to environmental or health matters including, without limitation, the following: the *Fisheries Act* (Canada), the *Canadian Environmental Protection Act*, the *Canadian Environmental Assessment Act*, the *Transportation of Dangerous Goods Act* (Canada), the *Navigable Waters Protection Act* (Canada), the *Environmental Act* (Nova Scotia), the *Occupational Health and Safety Act* (Nova Scotia), the *Indian Act* (Canada), and any Regulations or guidelines made pursuant to the foregoing;
 - (vi) "Term" means the term of this lease as set out in paragraph 3;
- (b) Interpretation. The captions and headings in this lease are for convenience of reference only, and do not affect the scope, intent, or interpretation of any provision. This lease is governed by the laws of the Province of Nova Scotia. This lease shall be construed in accordance with and subject to the Memorandum of Understanding and does not supersede the said Memorandum of Understanding and it is confirmed that the entry into this Lease does not result in a novation of the Memorandum of Understanding.

2. **Grant**

The Landlord leases to the Tenant the Lands together with the Existing Buildings and all fixtures and improvements forming part of the Facility thereon, for the Term.

3. **Term**

Term. To hold the Lands, the Facility, and all buildings, fixtures and improvements from time to time upon or appurtenant thereto for the term of ten (10) years commencing on the 31st day of December, 1995.

4. **Rent**

The Tenant shall pay to the Landlord at the commencement term of the rent of One Dollar (\$1.00) as full rental for the term, the receipt and sufficiency of which is hereby acknowledged by the Landlord.

5. **General Covenants of Landlord and Tenant**

(a) General covenant of the Tenant. The Tenant covenants with the Landlord:

- (i) to pay rent; and
- (ii) to observe and perform all the covenants, and provisos of this lease on the part of the Tenant to be observed and performed.

(b) General covenant of the Landlord. The Landlord covenants with the Tenant:

- (i) for quiet enjoyment;
- (ii) to observe and perform all the covenants, and provisos of this lease on the part of the Landlord to be observed and performed; and
- (iii) to indemnify the Indemnified Parties as set out in the Indemnity Agreement bearing even date herewith.

6. **Ownership of Facility and Fixtures**

(a) Tenant's ownership of Facility and Fixtures installed during Term. The Landlord and the Tenant agree that any buildings and all fixed improvements which the Tenant may construct upon the Lands from time to time are and are intended to remain the absolute property of the Tenant upon the expiration of this lease, and are deemed as between the Landlord and the Tenant during this lease, to be the separate property of the Tenant and not the Landlord but subject to and governed by all the provisions of this lease applicable thereto. The Landlord and the Tenant further agree that during the term of the Lease the Tenant shall be considered the Owner of the Facility for all purposes.

- (b) Removal of Tenant's Fixtures. The Tenant may at or immediately before the expiration of the term of this lease, remove its fixtures, chattels and other property and the Tenant may from time to time remove such fixtures in the ordinary course of its business or in the event of any reconstruction, changes and alterations to the Lands.

7. (a) **Real Estate Taxes**

Real estate taxes. The Landlord shall be responsible for all real estate taxes which may at any time during the Term be imposed, assessed or levied in respect of the Landlord's reversionary interest in the premises. The Tenant shall be responsible for all real estate taxes and occupancy taxes which may at any time during the Term be imposed, assessed or levied in respect of the Tenant's leasehold interest in the premises or its occupation of the premises.

- (b) Utility charges. The Tenant shall pay or cause to be paid when due all charges for electricity, light, heat, power, telephone and other utilities and services used in or supplied to the Lands throughout the Term of this lease.

8. **Maintenance of Facility**

The Tenant shall throughout the Term at its own expense keep in good and tenantlike repair, the Facility and all structures, improvements and fixtures at any time erected upon the Lands and subject to its right to make alterations and remove fixtures, the Tenant shall, at the end of the term, give up possession of the Facility in a state similar to its state of repair at the commencement of the lease, reasonable wear and tear excepted.

9. **Changes and Alterations in Facility**

The Tenant has the right from time to time during the Term to make changes, alterations, additions, extensions or rebuildings, structural or otherwise (collectively called "Improvements") in and to the Facility as the Tenant thinks necessary, provided, however, that the Tenant shall, if requested to do so by the Landlord, restore the premises to the condition they were in at the commencement of the Lease, reasonable wear and tear excepted.

10. **Construction Liens**

The Tenant shall not permit any lien under the *Mechanics' Lien Act* or any like statute to be filed or registered against the Lands, the Facility or any fixtures or Improvements on the Lands, by reason of work, labour, services or material supplied or claimed to have been supplied to the Tenant or anyone holding any interest in any part thereof

through or under the Tenant. If any lien is at any time filed or registered the Tenant shall procure registration of its discharge within twenty days after the lien has come to its notice or knowledge; provided that if the Tenant desires to contest in good faith the amount or validity of any lien and has not notified the Landlord, and if the Tenant has deposited with the Landlord or with the trustee, or paid into court to the credit of any lien action, the amount of lien claimed plus a reasonable amount for costs, then the Tenant may defer payment of the lien claim for a period of time sufficient to enable the Tenant to contest the claim with due diligence, provided always that neither the Lands nor the Facility or any part thereof, nor the Tenant's leasehold interest therein thereby becomes liable to forfeiture or sale.

11. **Assignment and Other Dealings by Landlord**

Right of Landlord to deal with reversion. Nothing contained in this lease prohibits or restricts the Landlord or implies any prohibition or restriction from transferring or otherwise dealing with its reversionary interest in the Lands but subject always to this lease and the rights of the Tenant hereunder. The Landlord covenants not to assign its rights under the Lease without the prior written consent of the Tenant.

12. **Indemnity**

The Landlord hereby restates its indemnity obligations as set out in Schedule 5 of the Memorandum of Understanding and the Indemnity Agreement bearing even date herewith.

13. **Notices**

Any notice, election, demand or exercise of option to which a party to this lease is entitled or required to give is deemed to have been duly given to any other party if in writing and delivered personally.

14. **Compliance with Laws Generally**

In addition to complying with the requirements of the lease, the Tenant shall ensure, in its use and occupation of the Lands and Facility and other fixtures and Improvements on the Lands, and in the conduct of its business thereon, and in the maintenance and repair thereof, and as to all other matters or things pertaining to the Lands, compliance with all laws, by-laws, statutes, orders and regulations of all governmental authorities having jurisdiction and the Landlord shall provide all reasonable assistance to the Tenant to comply therewith.

15. **Binding Effect**

This lease and the covenants and agreements herein contained extend to and enure to the benefit of and are binding upon the Landlord, the Tenant, and their respective heirs, executors, successors and assigns, according to the purport and intent of their respective covenants and agreements.

16. **Force Majeure**

Neither party shall be held responsible for any losses resulting 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 the parties have properly executed this Lease 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

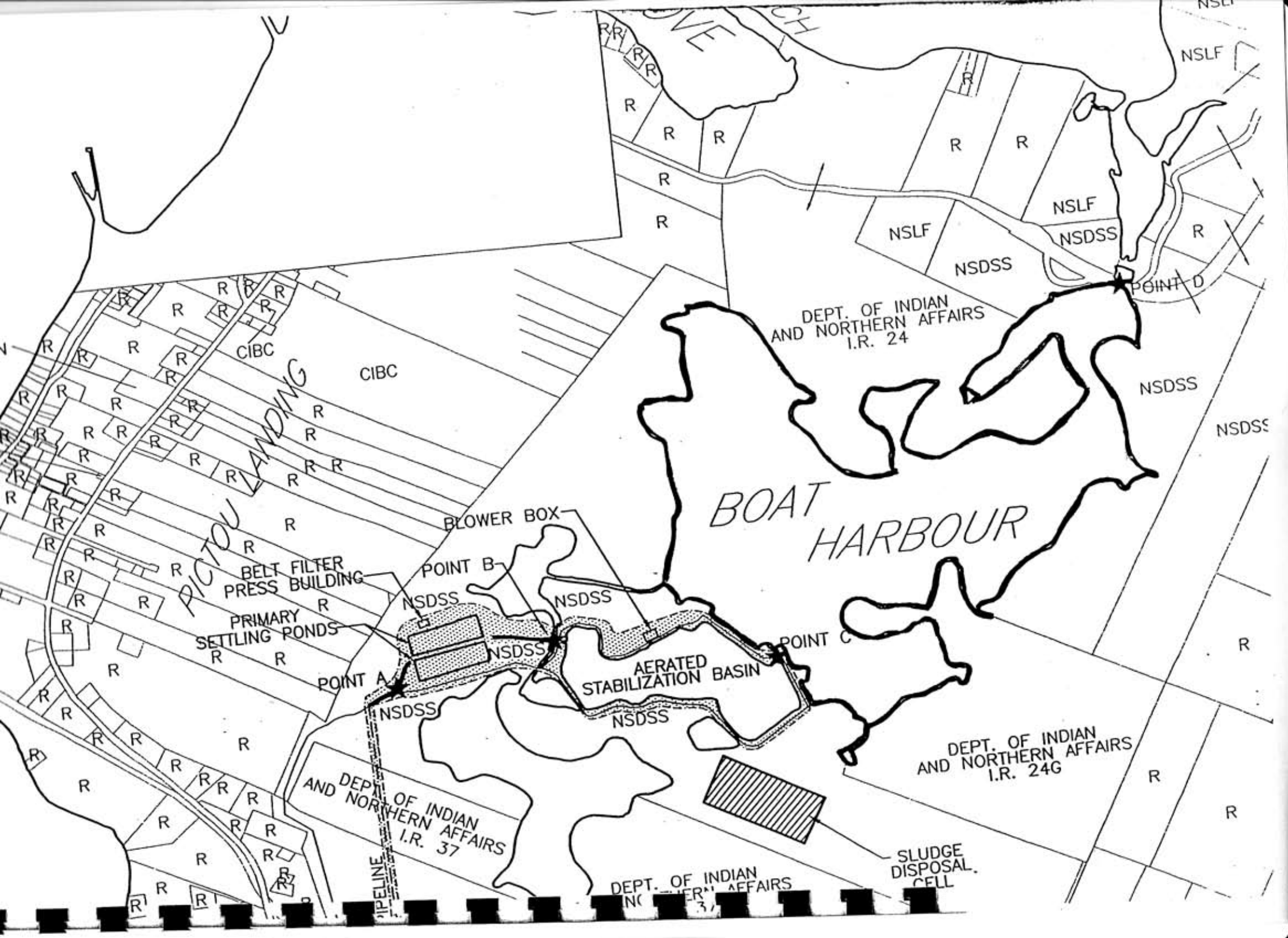
Per: *Gerald Walker*

Don Swan

SCOTT MARITIMES LIMITED
Per: *S.A. Byrne*

Schedule 2

The Leased Premises consist of the pipeline for the transmission of effluent commencing at a Standpipe located on Scott's property at Abercrombie Point, Pictou County and leading under the East River and discharging into settling ponds at Boat Harbour together with the shaded area on the attached plan together with a right-of-way over the existing roadway to the Sludge Disposal Cell.



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

(hereinafter referred to as "Landlord")

- and -

SCOTT MARITIMES LIMITED, a body corporate under the laws of Nova Scotia (hereinafter referred to as "Scott")

(hereinafter referred to as (the "Tenant"),

LEASE

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

BFM/dlb (550800.04)

M-2704/9798