SECTION 16

Compensation and Taxation

16.1 Compensation

16.1.1 Canada and Québec, each in the amount and as provided in this section, shall pay a total amount of six million dollars ($6,000,000) as monetary compensation to the Naskapis of Québec. Québec's share, in whole or in part, may be paid by any corporation designated by Québec.

16.1.2 The said total amount of six million dollars ($6,000 000) shall be divided in two (2) equal amounts for the purposes of this section and referred to as the first $3,000,000 and the second $3,000,000 respectively.

16.1.3 The payment of both the first $3,000,000 and the second $3,000,000 shall be made to the Naskapis of Québec by payments to the Corporation referred to in section 17.

16.1.4 The obligation to pay the first $3,000,000 to the Naskapis of Québec shall be assumed as follows:

Québec: $1,689,990

Canada: $1,310,010

16.1.5 Subject to subsection 2.6 and the trust arrangements specified in paragraph 9.1.2, Canada's portion of the first $3,000,000, namely the amount of $1,310,010, shall be paid to the Naskapis of Québec within two (2) months after the approval of the present Agreement, and until paid, shall bear interest calculated monthly from the date of the execution of the present Agreement, at the average prime-rate of Canadian chartered banks in effect from time to time, and Québec's portion of the first $3,000 000, namely the amount of $1,689,990, shall be paid to the Naskapis of Québec according to schedule 1 to this section.

16.1.6 The second $3,000,000 shall be paid to the Naskapis of Québec by la Société d'énergie de la Baie James or by la Commission hydroélectrique de Québec (Hydro-Québec), or by both. Canada shall not be obliged to pay any part of the second $3,000,000.

16.1.7 The second $3,000,000 shall be paid to the Naskapis of Québec by payments calculated with reference to installed generating capacity of hydro-electric generating stations built in the Territory and north of the forty-ninth (49th) parallel of latitude after the execution of the James Bay and Northern Québec Agreement.

16.1.8 No payment shall be made, and the Naskapis of Québec shall not be entitled to claim any compensation, with respect to installed generating capacity of hydro-electric generating stations built in the Territory prior to the execution of the James Bay and Northern Québec Agreement.

16.1.9 A fixed sum of twenty dollars ($20) per megawatt per year of installed hydro-electric generating capacity as contracted for by la Société d'énergie de la Baie James or by la Commission hydroélectrique de Québec (Hydro-Québec), or by both, and as indicated on the name plate of each installed turbine-generator, shall be payable to the Naskapis of Québec on account of the second $3,000,000, one year after each turbine-generator has been in commercial operation and yearly thereafter until full payment

of the second $3,000,000. La Société d'énergie de la Baie James or la Commission hydroélectrique de Québec (Hydro-Québec), or both, shall notify the payee which is to receive the compensation on behalf of the Naskapis of Québec of the date each of such turbine-generators enters into commercial operation.

16.1.10 The determination of when a turbine-generator becomes a commercial operation shall be established according to the present accounting principles of la Société d'énergie de la Baie James or la Commission hydroélectrique de Québec (Hydro-Québec), or of both.

16.1.11 The payments on account of the second $3,000,000 determined in accordance with paragraph 16.1.9 shall be, with respect to all turbine-generators installed in the Territory and north of the forty-ninth (49th) parallel of latitude after the execution of the James Bay and Northern Québec Agreement, and which have entered into commercial operation, payable quarterly on the 31st of March, the 30th of June, the 30th of September and the 31st of December, as follows:

16.1.11.1) the payment to be made on the 31st of March shall include the sum payable for all such turbine-generators that have entered into commercial operation in January, February and March of all previous years since the execution of the James Bay and Northern Québec Agreement;

16.1.11.2) the payment to be made on the 30th of June shall include the sum payable for all such turbine-generators that have entered into commercial operation in April, May and June of all previous years since the execution of the James Bay and Northern Québec Agreement;

16.1.11.3) the payment to be made on the 30th of September shall include the sum payable for all such turbine-generators that have entered into commercial operation in July, August and September of all previous years since the execution of the James Bay and Northern Québec Agreement;

16.1.11.4) the payment to be made on the 31st of December shall include the sum payable for all such turbine-generators that have entered into commercial operation in October, November and December of all previous years since the execution of the James Bay and Northern Québec Agreement.

16.1.12 The payments on account of the second $3,000,000 to be made pursuant to paragraphs 16.1.9 and 16.1.11 shall be paid in full within the following periods:

16.1.12.1) no later that the 31st of December 1996 if only Le Complexe La Grande (1975) or part thereof is constructed; or

16.1.12.2) if at any time after a period of twelve and a half (12½) years from the date of the first payment and prior to the 31st of December 1996 at least five thousand (5,000) megawatts of installed generating capacity other than Le Complexe La Grande (1975), exclusive of Laforge 1 (LA 1) and Eastmain 1 (EM 1), is installed in the Territory and north of the forty-ninth (49th) parallel of latitude and if such installed generating capacity has been in commercial operation for a period of more than one year, then any balance of the second $3,000,000 will become payable at the next payment date.

16.1.13 Notwithstanding paragraph 16.1.6, in the event that no turbine-generator has been put into commercial operation in the Territory and north of the forty-ninth (49th) parallel of latitude between the date of the execution of the James Bay and Northern Québec Agreement and the 31st of December

1986, Québec shall pay the second $3,000,000 or any part thereof otherwise payable by la Société d'énergie de la Baie James or by la Commission hydroélectrique de Québec (Hydro-Québec), or by both, in ten (10) equal annual payments payable on the 31st of December of each year commencing on the 31st of December 1987. In such event, la Société d'énergie de la Baie James and la Commission hydroélectrique de Québec (Hydro-Québec) shall be released of their obligation to pay the second $3,000,000 otherwise payable in virtue of the preceding paragraphs 16.1.6 through 16.1.12.

16.2 Compensation for future development

16.2.1 The Naskapis of Québec forever and absolutely renounce any and all claims, if any, past, present, or future, against Québec with respect to royalties, mining duties, taxes or equivalent or similar benefits and revenues, derived and resulting from development and exploitation in the Territory.

16.2.2 In full and final consideration of the absolute renunciation by the Naskapis of Québec stipulated in the preceding paragraph, Québec shall pay to the Naskapis of Québec an additional amount of three million dollars ($3,000,000) in the manner hereinafter set forth, and hereinafter referred to as the third three million dollars ($3,000,000).

16.2.3 Québec shall pay to the Corporation referred to in section 17 the third $3,000,000 by way of the issuance and delivery over a four-year period of $3,000,000 aggregate principal amount of Province of Québec debentures to be issued in five (5) series of $600,000 each. Each series shall be dated as of February 1, in each of the years 1978, 1979, 1980, 1981 and 1982, shall mature twenty (20) years from February 1, 1978, 1979, 1980, 1981 and 1982 respectively, shall bear interest from February 1, 1978, 1979, 1980, 1981 and 1982, respectively, notwithstanding their actual date of issue, and shall have the following characteristics:

16.2.3.1) the debentures shall be direct obligations of Québec and a charge as to principal and interest on the consolidated revenue fund of Québec;

16.2.3.2) the holder of debentures so issued may elect that all or part of the debentures of each series held by it mature at par on the tenth or fifteenth anniversary dates of each respective issue upon not less than six (6) months nor more than twelve (12) months prior notice in each case;

16.2.3.3) principal and half-yearly interest in arrears shall be payable in lawful money of Canada;

16.2.3.4) the debentures will be issued in fully registered form in the usual denominations of Québec debentures;

16.2.3.5) the debentures shall not be transferable, except as between the Corporation and any other legal entity contemplated in section 17. Notwithstanding the foregoing, the registered holder may assign payment of the principal on the debentures before maturity jointly to the registered holder and to a chartered bank or caisse populaire;

16.2.3.6) the debentures shall not be redeemable by Québec prior to maturity and no sinking fund shall be created for their payment.

In all other respects the debentures will contain all the usual features of long-term public issues of Québec debentures made on the Canadian market.

16.2.4 The rate of interest on each series of debentures shall be equal to the yield on the date of each series (February 1, 1978, 1979, 1980, 1981 and 1982) of similar issues of Québec debentures made on the Canadian market. Such rate shall be determined by a designated representative of the Ministère des Finances du Québec in consultation with one designated representative from the Naskapis of Québec.

16.2.5 The debentures issued as provided above shall be delivered without cost to the Corporation referred to in section 17.

16.2.6 Any series of said debentures dated prior to the creation of the Corporation referred to in section 17 shall be delivered within thirty (30) days of the date of the creation of the Corporation together with accrued interest if the delivery is made subsequent to an interest payment date and interest on any accrued interest from the date of such interest payment date. The Naskapis of Québec shall not be entitled to receive, retain or use the said interest prior to the delivery of the debentures to the said Corporation.

16.3 Interest

16.3.1 The first payment of four hundred and fifty thousand six hundred and sixty nine dollars and sixty three cents ($450,669.63), referred to in schedule 1 to this section, shall bear interest from the date of execution of the present Agreement to the date such first payment is made, calculated semi-annually at the average prime rate of Canadian chartered banks in effect from time to time. The Naskapi Native party, for the benefit of the Naskapis of Québec, shall also be entitled to interest on any overdue interest at the same average prime rate.

16.3.2 Québec shall not be obliged to pay any interest on any sum deposited in trust pursuant to the provisions of paragraph 9.1.2 from the date of any such deposit. In calculating the amount of interest payable pursuant to the provisions of paragraph 16.3.1, the sum to be loaned to the Naskapi native party, for the benefit of the Naskapis of Québec, in virtue of paragraph 16.5.1 shall be deducted, from the date of said loan, from the capital amount of four hundred and fifty thousand six hundred and sixty nine dollars and sixty-three cents ($450,669.63) on which interest would otherwise be due.

16.4 Cost of negotiations

16.4.1 Canada and Québec shall pay for the benefit of the Naskapi band, the members thereof and the Naskapis of Québec, in respect to the costs of the negotiation of the present Agreement including any related or accessory costs, the sum of six hundred and fifty thousand dollars ($650,000). The said sum shall be paid to the Naskapi band acting through its council. The obligation to pay the said sum shall be assumed as follows:

Québec: $375,000

Canada: $275,000

Canada shall pay the said amount of two hundred and seventy-five thousand dollars ($275,000) within two (2) months after the approval of the present Agreement, and Québec shall pay the said amount of

three hundred and seventy-five thousand dollars ($375,000) within two (2) months of the coming into force of the present Agreement as provided for in subsection 2.5. Upon the said amounts being paid, each and all the parties to the present Agreement shall ipso facto be fully and forever released by the Naskapi band, the members thereof and the Naskapis of Québec from any and all claims of any nature whatsoever concerning the costs of the negotiation of the present Agreement, including any related or accessory costs.

16.4.2 Québec and Canada, having examined the accounts rendered by the Grand Council of the Crees (of Québec) and the Northern Québec Inuit Association in connection with the costs of the negotiation of the present Agreement and Complementary Agreement No.1 to the James Bay and Northern Québec Agreement and of the costs related or accessory thereto, and being satisfied with the said accounts shall pay the following amounts in respect of the said costs:

to the Grand Council of the Crees (of Québec) for the benefit of the James Bay Crees: $150,000;

to the Northern Québec Inuit Association for the benefit of the Inuit of Québec and the Inuit of Port Burwell: $150,000.

The said amounts shall be paid as follows:

Canada and Québec shall on or before April 30, 1978, effect interest free loans of one hundred and fifty thousand dollars ($150,000) to the Grand Council of the Crees (of Québec) and to the Northern Québec Inuit Association. The obligation to effect the said loans shall be assumed as follows:

Québec: $112,500 to each

Canada: $37,500 to each

The said loans shall be forgiven in favour of the Grand Council of the Crees (of Québec) upon the Grand Council of the Crees (of Québec) executing on its own behalf, on behalf of the James Bay Crees and on behalf of the Cree Bands of Fort George, Old Factory, Eastmain, Rupert House, Waswanipi, Mistassini, Nemaska and Great Whale River, a full and final release in favour of each and all of the parties to the present Agreement and to Complementary Agreement No.1 to the James Bay and Northern Québec Agreement with respect to the abovementioned costs and in favour of the Northern Québec Inuit Association executing on its own behalf, on behalf of the Inuit of Québec and on behalf of the Inuit of Port Burwell a full and final release in favour of each and all the parties to the present Agreement and to Complementary Agreement No.1 to the James Bay and Northern Québec Agreement with respect to the abovementioned costs.

16.5 Financing during the transitional period

16.5.1 Québec undertakes that, forthwith upon the approval of the present Agreement, it will advance two hundred and twenty thousand dollars ($220,000) of the amount of four hundred and fifty thousand six hundred and sixty nine dollars and sixty three cents ($450,669.63) to be paid by Québec as the first payment indicated in schedule 1 to this section in the form of an interest free loan to the Naskapi Native party, for the benefit of the Naskapis of Québec, to permit the Naskapi Native party to participate in and act in consequence of the measures provided for in the present Agreement during the Transitional Period. In consequence, Québec shall deposit in trust, pursuant to paragraph 9.1.2, only the sum of two

hundred and thirty thousand six hundred and sixty nine dollars and sixty three cents ($230,669.63) in respect of the first payment to be made by Québec on account of Québec's portion of the first $3,000,000.

16.5.2 The Naskapis of Québec shall repay their loan to Québec upon the present Agreement coming into force and concurrently with Québec paying to the Naskapis of Québec, the amounts due under the provisions of subsection 16.1 and 16.2 and the cost of negotiations provided for in subsection 16.4.

In case the present Agreement does not come into force, the said loan shall be forgiven.

16.5.3 The interested parties agree to execute any documents required to give effect to this subsection.

Annex 1

Québec's portion of the first $3,000,000: $1,689,990

Period of Payment: ten (10) years

The said amount of $1,689,990 shall be paid over a period of ten (10) years in the following manner:

June 15, 1978		$450,669.63
March 15, 1979		$360,525.57
March 15, 1980		$315,470.43
March 15, 1981		$157,726.77
March 15, 1982		$67,599.60
March 15, 1983		$67,599.60
March 15, 1984		$67,599.60
March 15, 1985		$67,599.60
March 15, 1986		$67,599.60
March 15, 1987		$67,599.60
	Total	1 689 990.00 $