THIS IS **EXHIBIT "B"** TO THE AFFIDAVIT OF GORDON P. ACTON
SWORN BEFORE ME THIS 6TH DAY OF OCTOBER, 2011

ASSET PURCHASE AGREEMENT

THIS AGREEMENT is made as of May 25, 2007

BETWEEN

ST. MARYS PAPER CORP., a corporation incorporated under the laws of Ontario (the "Purchaser"),

- and -

RSM RICHTER INC., in its capacity as receiver of the assets, property and undertaking of St. Marys Paper Ltd., and not in its personal capacity (the "Vendor").

RECITALS:

A. On October 25, 2006, St. Marys Paper Ltd. (the "Company") obtained the Initial Order (as defined below) commencing the CCAA Proceeding (as defined below);

B. On March 20, 2007, the Court (as defined below) issued the Wind-Down Order (as defined below) approving an orderly wind-down plan for the Company, which plan also included a process for the sale of the Company's capital assets (the "Sale Process");

C. In connection with the Sale Process, Deloitte & Touche Inc., in its capacity as monitor (the "Monitor") of the Company prepared and circulated a tender package for the sale of the Company's business and assets;

D. On April 27, 2007, the Court issued an Order (the "Appointment Order") pursuant to section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended, *inter alia*, appointing the Vendor as receiver of all of the Company's current and future assets, property and undertaking, except for certain trust property, and authorizing the Vendor to continue and complete the Sale Process. On the same day, the Court also issued a Bankruptcy Order (as defined below) adjudging the Company bankrupt;

E. On May 4, 2007, the Purchaser submitted a bid to purchase the Company's assets en bloc and operate the Company's business on a going concern basis; and

F. This Agreement is subject to the consent of the DIP Lender (as defined below) and the approval of the Court.

NOW THEREFORE, in consideration of the covenants and agreements herein contained, and other good and valuable consideration, the receipt and sufficiency whereof are hereby acknowledged, the parties agree as follows:

ARTICLE 1
INTERPRETATION

1.01 Definitions

In this Agreement, unless something in the subject matter or context is inconsistent therewith:

"Agreement" means this agreement, including its recitals and schedules, as amended from time to time.

"Applicable Law" means

(i) any applicable domestic or foreign law including any statute, subordinate legislation or treaty, and

(ii) any applicable guideline, directive, rule, standard, requirement, policy, order, judgment, injunction, award or decree of a Governmental Authority having the force of law.

"Approval and Vesting Order" means an order of the Court substantially in the form of Schedule "D" hereof.

"Assumed Obligations" means all obligations and liabilities expressly assumed under this Agreement including, without limitation: (i) the obligations set out in Section 2.02 hereunder; (ii) any and all obligations owing to suppliers of wood pulp which may have priority lien claims against the pulpwood; (iii) the obligations owed to the Province on account of stumpage and silviculture royalties which have accrued from and after February 14, 2007; and (iv) outstanding realty taxes in respect of the Huron Street Property.

"Bankruptcy Court" means the Ontario Superior Court of Justice in Bankruptcy and Insolvency.

"Bankruptcy Order" means the Order obtained from the Bankruptcy Court dated April 27, 2007 adjudging the Company bankrupt pursuant to the *Bankruptcy and Insolvency Act* (Canada).

"Business" means the business of manufacturing super-calendered (SC) paper formerly carried on by the Company at the Facility.

"Business Day" means a day other than a Saturday, Sunday or statutory holiday in the Province.

"CCAA Proceeding" means the proceeding pursuant to the *Companies' Creditors Arrangement Act* (Canada) commenced by the Company pursuant to the terms of the Initial Order.

"Claims" means all losses, damages, expenses, liabilities (whether accrued, actual, contingent, latent or otherwise), interest, penalties, costs, claims, complaints and demands of whatever nature or kind including all legal fees and costs on a solicitor and client basis.

"Closing Date" means June 6, 2007, or such other date as may be agreed to in writing between the Vendor and the Purchaser, or as may be extended by the Vendor pursuant to Section 8.01, but in any event shall be no later than two (2) business days following Court approval of the transaction contemplated by this Agreement.

"Clothing Deposits" means funds paid during the CCAA proceedings to Albany International Canada Inc. ($300,000), Asten Johnson Inc. ($60,000) and Tamfelt PMC Canada Inc. ($250,000) on account of supplies to be provided on future dates.

"Confidentiality Agreement" means the confidentiality agreement entered into between the Company and the Purchaser and submitted to the Monitor on April 12, 2007.

"Contract" means the contracts, agreements and licenses relating to the Business to which the Company is a party, including the contracts, agreements and licenses described in Schedule "E" attached hereto but excluding the contracts, agreements or licenses identified on Schedule "B" attached hereto.

"Court" means the Ontario Superior Court of Justice - Commercial List.

"DIP Lender" means Bank of America, N.A., acting through its Canada Branch.

"Excluded Assets" means those assets listed on Schedule "B" attached hereto.

"Facility" means the groundwood pulp and paper mill located on the Huron Street Property in Sault Ste-Marie, Ontario.

"Governmental Authority" means any domestic or foreign legislative, executive, judicial or administrative body or person having or purporting to have jurisdiction in the relevant circumstances.

"Huron Street Property" means all freehold property and interests, including all rights of way, licences or rights of occupation, easements or other similar rights of the Business in connection with such freehold property municipally known as 75 Huron Street, Sault Ste-Marie, Ontario and legally described in Schedule "A", Section "F".

"Initial Order" means the order obtained from the Court dated October 25, 2006, commencing the CCAA Proceeding.

"Indemnified Parties" has the meaning set out in Section 4.02(4).

"Permitted Encumbrances" means those liens and other registrations and encumbrances set out in Schedule "F", including the lien of the municipality of Sault Ste. Marie for realty taxes in respect of the Huron Street Property.

"Province" means the Province of Ontario.

"Purchased Assets Documents" means records, logs, manuals, inspection records and other books and documents which are in the possession or control of the Company.

"Real Property" means the real property set out and described on Schedule "A", Section (F).

"Tax Act" means the *Income Tax Act* (Canada).

"Time of Closing" means 9:00 a.m. EST (Eastern Standard Time) on the Closing Date, or such later time on the Closing Date as the Vendor and the Purchaser may agree to when all the conditions of closing have been satisfied and all documents and funds have been advanced.

"Transfer Taxes" has the meaning set out in Section 2.08.

"Trustee" means RSM Richter Inc., as Trustee in Bankruptcy appointed by the Court on April 27, 2007.

"Wind-Down Order" means the Order obtained from the Court dated March 20, 2007, approving the orderly wind-down plan for the Company, and the steps involved in the Sale Process.

1.02 Headings

The division of this Agreement into Articles and Sections and the insertion of a table of contents and headings are for convenience of reference only and do not affect the construction or interpretation of this Agreement. The terms "hereof", "hereunder" and similar expressions refer to this Agreement and not to any particular Article, Section or other portion hereof. Unless something in the subject matter or context is inconsistent therewith, references herein to Articles, Sections and Schedules are to Articles and Sections of and Schedules to this Agreement.

1.03 Extended Meanings

In this Agreement words importing the singular number only include the plural and *vice versa*, words importing any gender include all genders and words importing persons include individuals, corporations, limited and unlimited liability companies, general and limited partnerships, associations, trusts, unincorporated organizations, joint ventures and Governmental Authorities. The term "including" means "including without limiting the generality of the foregoing".

1.04 Statutory References

In this Agreement, unless something in the subject matter or context is inconsistent therewith or unless otherwise herein provided, a reference to any statute is to that statute as now enacted or as the same may from time to time be amended, re-enacted or replaced and includes any regulations made thereunder.

1.05 Currency

All references to currency herein are to lawful money of Canada unless otherwise noted.

ARTICLE 2
SALE AND PURCHASE

2.01 Assets to be Sold and Purchased

(1) Upon and subject to the terms and conditions hereof, the Vendor will sell to the Purchaser and the Purchaser will purchase from the Vendor, as of and with effect from the Time of Closing, all of the right, title, benefit and interest of the Company in and to the assets enumerated in Schedule "A" attached hereto but excluding, for greater certainty, the Excluded Assets (collectively, the "Purchased Assets").

(2) The Purchaser hereby acknowledges and agrees that, to the extent that any of the Purchased Assets may be subject to the terms of any lease, licence or consent of any licensor or lessee, it is the responsibility of the Purchaser to make the necessary arrangements with any such lessee or licensor in order to effectuate the transfer of the Purchased Assets, and the Vendor shall reasonably cooperate to effect such transfer including executing any documents to reflect the spirit and intent of this agreement, provided the Vendor shall not have any obligation to provide any consideration to any party in this regard.

2.02 Assignment of Contracts

Subject to the conditions and terms hereof, the Vendor shall assign to the Purchaser all of the Company's rights, benefits and interests in and to the Contracts and the Purchaser shall assume the obligations of the Company under the Contracts, save and except for those Contracts which are listed in Schedule "B" hereto as the same may be supplemented pursuant to the exercise of the Purchaser of its rights pursuant to Section 2.04.

This Agreement and any document delivered under this Agreement shall not constitute an assignment or an attempted assignment of any Contract contemplated to be assigned to the Purchaser under this Agreement which is not assignable without the consent of a third party if such consent has not been obtained and such assignment or attempted assignment would constitute a breach of such Contract. If as a result of this paragraph the Purchaser does not obtain the rights or benefits of any Contract, then the obligations and liabilities under such Contract shall not be Assumed Obligations, notwithstanding that they might otherwise be Assumed Obligations under the provisions of Section 2.03 of this Agreement and the assumption agreement referred to therein.

All monies due and owing which accrued between the 27th day of April, 2007 and the date of closing in respect of the Contracts assigned by the Vendor, and assumed by the Purchaser, shall by paid by the Vendor.

2.03 Assumed Obligations

In connection with its acquisition of the Purchased Assets and the assignment of the Contracts, the Purchaser shall assume the Assumed Obligations. On the Closing Date, the Purchaser shall enter into an assumption agreement with respect to the Assumed Obligations, in form and substance satisfactory to the Vendor and Purchaser, both acting reasonably, provided that the Vendor shall have no obligation to provide any consideration to any party with respect to the Assumed Obligations, other than for the amounts which accrued between the 27th day of April, 2007 and the date of closing.

2.04 Excluded Assets and Excluded Obligations

On or before June 4, 2007, the Purchaser shall advise the Vendor by notice in writing as to those Purchased Assets and Contracts which the Purchaser deems to be Excluded Assets, and such Excluded Assets shall thereupon be excluded from the transactions under this Agreement and from the definitions of Purchased Assets or Contracts, as applicable, herein, and the obligations pursuant to those Purchased Assets and Contracts shall not constitute Assumed Obligations under Section 2.03. For greater certainty, the Purchaser shall not have the right to delete any of the Excluded Assets presently listed on Schedule "B" or any Real Property, unless agreed to by the Vendor.

2.05 Purchase Price

The purchase price payable by the Purchaser to the Vendor for the Purchased Assets (such amount being hereinafter referred to as the "Purchase Price") will be the aggregate of the following:

(a) SIX MILLION DOLLARS ($6,000,000.00);

(b) assumption of the outstanding taxes on the Real Property as at the Closing Date (an Assumed Obligation);

(c) SEVEN HUNDRED AND FIFTY THOUSAND DOLLARS ($750,000.00) for pulpwood inventory in the yard, satellite yards and the woodlands; plus assumption and payment of the unsubordinated Provincial Crown lien (estimated to be in the amount of $264,000.00) and all amounts due to contractors for the supply of pulpwood (estimated to be in the amount of $738,903);

(d) EIGHTY THOUSAND SEVEN HUNDRED AND FORTY DOLLARS ($80,740.00) for the 367 tons of cull rolls and unassigned inventory located in the City of Sault Ste. Marie, Ontario; and

(e) FOUR HUNDRED AND FIFTY THOUSAND DOLLARS ($450,000.00) for the assignment of all rights to the Clothing Deposits;

to be allocated as set out in Section 2.07.

2.06 Adjustment of Purchase Price

On the Closing Date, the cash portion of the Purchase Price shall be adjusted for the benefit of the Purchaser on a dollar-for-dollar basis for every dollar that the outstanding municipal taxes relating to the Real Property on the Closing Date is greater than ONE MILLION DOLLARS ($1,000,000).

2.07 Allocation of Purchase Price

The Purchase Price will be allocated among the Purchased Assets by the Purchaser and the Vendor as set out in Schedule "C". The Purchaser will make and file all tax returns and filings on a basis which is consistent with the amount and allocation of the Purchase Price set out in Schedule "C".

2.08 Payment of Taxes

The Purchaser will be liable for and will pay, or cause to be paid, any applicable federal and provincial sales taxes, goods and services taxes, excise taxes, all transfer, land transfer, value added, *ad-valorem*, use, consumption, harmonized sales, retail sales, social services, or other similar taxes, registration fees or duties (other than income taxes of the Vendor or the Company) payable under any Applicable Law on or with respect to the sale and purchase of the Purchased Assets or the assignment of the Contracts under this Agreement, (collectively, "Transfer Taxes"). At the Time of Closing, the Purchaser will either pay the Transfer Taxes to the Vendor or deliver to the Vendor evidence confirming the Purchaser's payment of or exemption from payment of the Transfer Taxes in form and substance acceptable to the Vendor. The Purchaser will prepare and file any affidavits or returns required in connection with the foregoing at its own cost and expense. To the extent that any Transfer Taxes are required to be paid by or are imposed upon the Company or the Vendor, the Purchaser will reimburse to the Vendor such taxes within five Business Days of payment of such taxes by the Vendor. The Purchaser will indemnify and hold the Vendor harmless in respect of any Transfer Taxes, penalties, interest and other amounts that may be assessed against the Company or the Vendor under any Applicable Law or by any Governmental Authority as a result of the sale of the Purchased Assets or the assignment of the Contracts.

2.09 Elections

(1) The Vendor and the Purchaser will on or before the Time of Closing jointly execute an election, if available, in the prescribed form and containing the prescribed information, to have subsection 167(1.1) of the *Excise Tax Act* (Canada) apply to the sale and purchase of the Purchased Assets hereunder so that no tax is payable in respect of such sale and purchase under Part IX of the *Excise Tax Act* (Canada). The Purchaser will file such election with the Minister of National Revenue within the time prescribed by the *Excise Tax Act* (Canada).

(2) The Vendor and the Purchaser agree to make, execute and file with the appropriate taxing authorities such other elections or purchase exemption certificates as the parties hereto agree are mutually desirable, if any, in prescribed form and within the prescribed time.

2.10 Payment of Purchase Price

(1) The Purchase Price will be payable as follows:

(a) $600,000, which amount has been paid to the Vendor as a deposit (the "Deposit") to be held in an interest-bearing account and paid as provided in Section 2.10(2); and

(b) subject to the Purchase Price adjustments set out in Section 2.06, the balance of the Purchase Price on the Closing Date, by the delivery to the Vendor of a certified cheque or bank draft payable to the Vendor at par in Toronto.

(2) The Deposit will be dealt with as follows:

(a) If, the sale and purchase of the Purchased Assets provided for herein is not completed in accordance with the terms and conditions hereof as of the Closing Date or such other date as mutually agreed to by the parties, the Vendor shall be entitled to keep the Deposit, together with any accrued interest thereon, as liquidated damages and not as a penalty, unless such non-completion is due to the Purchaser having rescinded this Agreement pursuant to Section 5.01(2)(a) or Section 8.04(3); or

(b) If the sale and purchase of the Purchased Assets provided for herein is not completed in accordance with the terms and conditions hereof as of the Closing Date or such other date as mutually agreed to by the parties, and such non-completion is due to the Purchaser having rescinded this Agreement pursuant to Section 5.01(2)(a) or Section 8.04(3), the Deposit, together with any accrued interest thereon, shall be returned to the Purchaser.

ARTICLE 3
REPRESENTATIONS, WARRANTIES AND ACKNOWLEDGEMENTS

3.01 Vendor's Representations and Warranties

The Vendor represents and warrants to the Purchaser that:

(a) The Vendor has been duly appointed as the receiver of the Purchased Assets pursuant to the Appointment Order with authority to exercise the powers of sale contained therein.

(b) The Vendor has the right to enter into this Agreement and to complete the transactions contemplated herein, subject to the granting of the Approval and Vesting Order.

(c) Except for this Agreement, to the best of the Vendor's knowledge, there are no outstanding options, agreements or rights capable of becoming an agreement obligating the Vendor to sell the Purchased Assets or any of them to any person other than the Purchaser.

(d) The Vendor is not a non-resident person within the meaning of section 116 of the Tax Act.

3.02 Purchaser's Representations and Warranties

The Purchaser represents and warrants to the Vendor that:

(a) The Purchaser is a corporation duly incorporated, organized and subsisting under the laws of Ontario and has all the necessary corporate power and authority to enter into this Agreement and to carry out its obligations hereunder.

(b) The Purchaser has good and sufficient power, authority and right to enter into and deliver this Agreement and to complete the transactions to be completed by the Purchaser contemplated hereunder.

(c) This Agreement and the documents to be delivered hereto constitute valid and legally binding obligations of the Purchaser, enforceable against the Purchaser in accordance with their respective terms.

(d) Neither the entering into nor the delivery of this Agreement nor the completion of the transactions contemplated hereby by the Purchaser will result in a violation of:

(i) any of the provisions of the constating documents or by-laws of the Purchaser;

(ii) any agreement or other instrument to which the Purchaser is a party or by which the Purchaser is bound; or

(iii) any Applicable Law.

(e) The Purchaser is registered under Part IX of the *Excise Tax Act* (Canada) with a valid registration number.

(f) The Purchaser has sufficient unencumbered funds to enable it to pay the Purchase Price and all other amounts payable by it in connection with this Agreement and the transactions contemplated hereby.

(g) The Purchaser acknowledges that it or its representatives have been furnished with all information regarding the Purchased Assets and the Contracts that the Purchaser requires to enable it to enter into this Agreement.

3.03 "As Is, Where Is"

Notwithstanding any other provision of this Agreement, the Purchaser acknowledges and agrees that it is purchasing the Company's right, title and interest in the Purchased Assets and assuming the Assumed Obligations on an "as is, where is" basis and on the basis that the Purchaser has inspected the Purchased Assets and reviewed the Contracts and will accept the same at the Time of Closing in their then current state, condition and location. Except as otherwise expressly provided in this Agreement, no representation, warranty or condition whether statutory (including under the *Sale of Goods Act* (Ontario), the *International Sale of Goods Contracts Convention Act* (Canada) and the *International Sale of Goods Act* (Ontario) or any international equivalent act which may be applicable to the subject matter pursuant to the provisions of this Agreement, including the *United Nations Convention on Contracts for the International Sale of Goods*), expressed or implied, oral or written, legal, equitable, conventional, collateral or otherwise has been or will be given by the Vendor as to title, outstanding liens or encumbrances, description, fitness for purpose, merchantability, quantity, condition, defect, quality, suitability, durability, assignability, or marketability thereof or any other matter or thing whatsoever, and all of the same are expressly excluded. The Purchaser acknowledges and agrees that it has inspected the Purchased Assets and reviewed the Contracts and has relied on its own investigations as to the matters set out above and in determining to purchase the Purchased Assets and assume the Assumed Obligations pursuant to this Agreement. The Purchaser acknowledges that some of its principals are former employees and/or executives of the Company and have knowledge of the Purchased Assets, Contracts and the Business. The description of the Purchased Assets and the Contracts contained herein (including in the Schedules hereto) is for the purpose of identification only and no condition, warranty or representation has been or will be given by the Vendor concerning the accuracy, completeness or any other matter concerning such descriptions.

ARTICLE 4
COVENANTS

4.01 Covenants of the Vendor

The Vendor will ensure that the representations and warranties of the Vendor set out in Section 3.01 are true and correct at the Time of Closing and that the conditions of closing set out in Sections 5.01(1) and 5.01(2) over which the Vendor has reasonable control have been performed or complied with by the Time of Closing.

4.02 Covenants of the Purchaser

(1) The Purchaser will ensure that the representations and warranties of the Purchaser set out in Section 3.02 are true and correct at the Time of Closing and that the conditions of closing set out in Sections 5.02(1) and 5.02(2) over which the Purchaser has reasonable control have been performed or complied with by the Time of Closing.

(2) The Purchaser will preserve the Purchased Assets Documents delivered to it in good order and provide the Vendor with reasonable access thereto during normal business hours, and the right to make copies thereof, at the Vendor's expense, as reasonably requested by the Vendor, for a period not less than the statutory requirement under the Tax Act. The Purchaser will provide the Vendor within 10 Business Days' notice of its intention to destroy any of the Purchased Assets Documents.

(3) Intentionally Deleted.

(4) In addition to any other provision for indemnification by the Purchaser contained in this Agreement, the Purchaser will indemnify and save harmless the Vendor, RSM

Richter Inc., in its capacity as trustee in bankruptcy of the Company (the "Trustee"), and in its personal capacity, the DIP Lender, and their respective directors, officers, employees, agents, legal counsel and other advisors (collectively, the "Indemnified Parties") from and against: all Claims incurred by the Indemnified Parties directly or indirectly resulting from and arising out of or relating to any breach of any covenant of the Purchaser contained in this Agreement or from any inaccuracy or misrepresentation in any representation or warranty set forth in this Agreement including all Claims incurred by or alleged against the Indemnified Parties directly or indirectly as a result of: (i) the Vendor not collecting or remitting any tax under Part IX of the *Excise Tax Act* (Canada) in respect of the sale of the Purchased Assets, or because of the Purchaser's failure to file the elections referred to in Section 2.09 in a timely fashion; (ii) any Claims arising from any damage, environmental spills or discharge caused by the Purchaser; and (iii) failure of the Purchaser to assume, fulfil, perform or pay any liabilities assumed by the Purchaser pursuant to this Agreement including, without limitation, the Assumed Obligations. The provisions of this Section 4.02 shall survive Closing and will enure to the benefit of the Vendor and the Trustee and shall be binding on the Purchaser and their respective successors and assigns.

(5) Intentionally Deleted.

(6) Intentionally Deleted.

4.03 Cooperation on Tax Matters

The Vendor and the Purchaser will furnish or cause to be furnished to each other, at the expense of the requesting party, as promptly as practicable, such information and assistance, and provide additional information and explanations of any material provided, relating to the Purchased Assets or the Contracts as is reasonably necessary for the filing of any tax returns, for the preparation of any audit, and for the prosecution or defence of any claim, suit or proceeding relating to any adjustment or proposed adjustment with respect to taxes.

ARTICLE 5
CONDITIONS

5.01 Conditions for the Benefit of the Purchaser

(1) The sale by the Vendor and the purchase by the Purchaser of the Purchased Assets, the assignment of the Contracts and the assumption of the Assumed Obligations are subject to the following conditions, which are for the exclusive benefit of the Purchaser and which are to be performed or complied with at or prior to the Time of Closing:

(a) the representations and warranties of the Vendor set forth in Section 3.01 will be true and correct at the Time of Closing with the same force and effect as if made at and as of such time;

(b) the Vendor will have performed or complied with all of the terms, covenants and conditions of this Agreement to be performed or complied with by the Vendor at or prior to the Time of Closing;

(c) the Vendor will have delivered or caused to be delivered to the Purchaser each of the items listed in Section 8.05;

(d) no action or proceeding will be pending to restrain, enjoin or prohibit the purchase and sale of the Purchased Assets; and

(e) the Approval and Vesting Order will have been granted by the Court in a form acceptable to the Purchaser, acting reasonably, and such order will not have been stayed, varied, set aside or appealed at the Time of Closing and no motion seeking any relief from the Approval and Vesting Order will have been served or be pending as of the Time of Closing.

(2) In case any material term or covenant of the Vendor or material condition to be performed or complied with for the benefit of the Purchaser at or prior to the Time of Closing has not been performed or complied with at or prior to the Time of Closing, the Purchaser may, at its sole discretion, acting reasonably, without limiting any other right of the Purchaser, either:

(a) rescind this Agreement by notice to the Vendor, and in such event the Purchaser will be released from all obligations hereunder; or

(b) waive compliance with any such condition in whole or in part on such terms as may be agreed upon without prejudice to any of its rights of rescission in the event of non-performance of any other term, covenant or condition in whole or in part;

and, if the Purchaser rescinds this Agreement pursuant to Section 5.01(2)(a), the Vendor will also be released from all obligations hereunder unless the term, covenant or condition for which the Purchaser has rescinded this Agreement was one that the Vendor had covenanted, pursuant to Section 4.01, to ensure had been performed or complied with, in which event the Vendor will be liable to the Purchaser for any Claims incurred by the Purchaser directly or indirectly as a result of such breach, and the Deposit shall be returned to the Purchaser in accordance with Section 2.10(2)(b) in full satisfaction of any and all liabilities of the Vendor for any such Claims incurred by the Purchaser.

5.02 <u>Conditions for the Benefit of the Vendor</u>

(1) The sale by the Vendor and the purchase by the Purchaser of the Purchased Assets, the assignment of the Contracts and the assumption of the Assumed Obligations are subject to the following conditions, which are for the exclusive benefit of the Vendor and which are to be performed or complied with at or prior to the Time of Closing:

(a) the representations and warranties of the Purchaser set forth in Section 3.02 will be true and correct at the Time of Closing with the same force and effect as if made at and as of such time;

(b) the Purchaser will have performed or complied with all of the terms, covenants and conditions of this Agreement to be performed or complied with by the Purchaser at or prior to the Time of Closing;

(c) the Purchaser will have delivered or caused to be delivered to the Vendor each of the items listed in Section 8.06;

(d) the DIP Lender will have consented to this Agreement;

(e) no action or proceeding will be pending to restrain, enjoin or prohibit the purchase and sale of the Purchased Assets or the assignment of the Contracts; and

(f) the Approval and Vesting Order will have been granted by the Court and such order will not have been stayed, varied, set aside or appealed and no motion seeking any relief from the Approval and Vesting Order will have been served or be pending as of the Time of Closing.

(2) In case any material term or covenant of the Purchaser or condition to be performed or complied with for the benefit of the Vendor at or prior to the Time of Closing has not been performed or complied with at or prior to the Time of Closing, the Vendor may, at its sole option acting reasonably, without limiting any other right of the Vendor, either :

(a) rescind this Agreement by notice to the Purchaser, and in such event the Vendor will be released from all obligations hereunder, or

(b) waive compliance with any such condition in whole or in part on such terms as may be agreed upon without prejudice to any of its rights of rescission in the event of non-performance of any other term, covenant or condition in whole or in part,

and, if the Vendor rescinds this Agreement pursuant to Section 5.02(2)(a), the Purchaser will also be released from all obligations hereunder unless the term, covenant or condition for which the Vendor has rescinded this Agreement was one that the Purchaser had covenanted, pursuant to Section 4.02(1), to ensure had been performed or complied with, in which event the Purchaser will be liable to the Vendor for any Claims incurred by the Vendor directly or indirectly as a result of such breach. In that event, the Purchased Assets may be resold by the Vendor and all money paid by the Purchaser under this Agreement, including the Deposit, plus interest, will be forfeited on account of liquidated damages (and not as a penalty), but such forfeiture will not be deemed to constitute the full extent of liquidated damages (and not as a penalty), payable by the Purchaser as a result of the Vendor's rescission pursuant to Section 5.02(2)(a). The Purchaser also hereby agrees that, as a result of the Vendor's rescission pursuant to Section 5.02(1)(a), the Purchaser will pay, on account of liquidated damages (and not as a penalty), (a) an amount equal to the amount, if any, by which the Purchase Price exceeds the proceeds received by the Vendor in connection with any re-sale of such Purchased Assets, and (b) an amount equal to all costs and expenses incurred by the Vendor in connection with the Purchaser's failure to complete the purchase of the Purchased Assets.

ARTICLE 6
COLLECTION OF TRADE ACCOUNTS RECEIVABLE

6.01 Appointment

The Vendor hereby appoints the Purchaser as its agent and the Purchaser hereby accepts such appointment to collect all trade accounts receivable owed to the Company and identified on the list of trade accounts receivable attached hereto as Schedule "G", to be updated and provided by the Vendor to the Purchaser on the Closing Date (the "Trade Accounts Receivable"), for and on behalf of the Vendor, upon and subject to the terms and conditions set out in this Article.

6.02 Duties of Agent

The Purchaser's sole duty shall be to collect the Trade Accounts Receivable for and on behalf of the Vendor. The amounts received shall be deemed to be payment of the longest outstanding invoices, subject to credits and discounts agreed to by the Vendor. The Purchaser shall remit such Trade Accounts Receivable collections to the Vendor within 24 hours of receipt. For greater certainty, the Purchaser shall not be required to initiate legal action in respect of the Trade Accounts Receivable or instruct counsel to prepare letters in contemplation of any such legal action.

6.03 Collection Proceeds

All amounts collected on account of the Trade Accounts Receivable from the account debtors shall at all times remain the sole property of the Vendor and shall be held by the Purchaser in trust for the benefit of the Vendor. The Purchaser shall deposit or cause to be deposited promptly, and in any event no later than the Business Day following receipt thereof, all cash, cheques, drafts or other similar payment items relating to or constituting payments made in respect of any and all Trade Accounts Receivable as directed by the Vendor.

6.04 Consultation

The Purchaser shall report daily to the Vendor on a regular and timely basis as to the status of the Trade Accounts Receivable or on such other terms as agreed to by the Purchaser and the Vendor. Without limiting the foregoing, to the extent a Trade Account Receivable or any portion thereof is not paid in accordance with the payment terms in relation to such Trade Account Receivable, the Purchaser shall forthwith notify the Vendor. If after a Trade Account Receivable remains unpaid for more than thirty (30) days past its due date, the Vendor may take such steps and initiate such action as it considers appropriate in the circumstances. In no event shall the Purchaser be entitled to compromise or settle any Trade Account Receivable without the prior approval of the Vendor.

ARTICLE 7
REORGANIZATION OF THE COMPANY

7.01 Reorganization

At the option of the Purchaser, the Purchaser may elect to reorganize the Company in order that the Purchaser benefit from any non-capital losses, undepreciated capital cost allowance balances, investment tax credits and corporate minimum taxes (collectively referred to as "tax carry forward amounts") which may be available to the Purchaser upon amalgamation, merger or other transaction involving the Company with the Purchaser. As set out below, the Purchaser may elect to reorganize the Company after closing by giving written notice to the Vendor and the Purchaser shall be responsible for the payment of all legal and professional fees to accomplish the reorganization of the Company.

In consideration of such right to acquire the Company and reorganize the same as aforesaid, the Purchaser shall pay to the Vendor 15% of the tax savings realized from such reorganization of the Company, if and when realized by the Purchaser.

The Purchaser shall be required to provide full disclosure of all use of the aforementioned tax carry forward amounts in order that the Vendor may assure itself as to the exact sum due and owing to the Vendor and when.

The Purchaser shall notify the Vendor upon realization of the said tax carry forward amounts which may be used over a period of years at the discretion of the Purchaser.

The Purchaser may elect within 120 days of the Closing Date to cause the Vendor to initiate a restructuring of the Company that will allow the Purchaser the benefit of the tax attributes of the Company, excluding any refunds in respect of goods and services tax payable to the Company.

The Purchaser acknowledges that the Vendor may not have the legal capacity to initiate the restructuring contemplated by this Agreement, and that such capacity may be within the exclusive jurisdiction of the Trustee. If the Purchaser makes the election contemplated by this provision, and the jurisdiction to commence the restructuring resides solely with the Trustee, the Trustee will recommend to the inspectors that they vote to restructure the Company on the basis contemplated by this Agreement. Upon receiving approval of the majority of the inspectors, the Trustee shall initiate the restructuring.

Notwithstanding the foregoing, the Vendor will seek the Court's approval to restructure the Company on the basis contemplated by this Article 7.

7.02 SR&ED Credits

The Vendor, working cooperatively with the Purchaser, shall prepare the tax returns necessary to realize on the Company's Scientific Research and Experimental Development tax credits ("SRED") if the Vendor determines, in its sole discretion, acting reasonably, that the refunds will generate a cash recovery and not a tax credit. In this regard, net of the costs of SRED collection process, cash receipts received in respect of SRED recoveries are to be allocated as follows:

(a) 50% to the Vendor; and

(b) 50% to the Purchaser.

SRED tax credits, as distinct from cash refunds may be used by the Purchaser subject to, and in accordance with, Article 7.01; provided that to the extent there is an option as to whether the SRED benefit is received as a tax credit or cash refund, the parties agree that they shall request a cash refund.

ARTICLE 8
CLOSING ARRANGEMENTS

8.01 Closing

The sale and purchase of the Purchased Assets will be completed at the Time of Closing at the offices of counsel to the Vendor, being 79 Wellington Street West, Suite 3000, Toronto Dominion Centre, Toronto, Ontario, M5K 1N2. In the event that the Vendor is unable to obtain the Approval and Vesting Order by the Closing Date, the Vendor shall be at liberty to unilaterally extend the Closing Date by up to ten Business Days.

8.02 Examination of Purchased Assets Documents and Purchased Assets

The Vendor will forthwith make available to the Purchaser and its authorized representatives for examination the Purchased Assets Documents. The Vendor will give the Purchaser and its authorized representatives every reasonable opportunity to have access to and to inspect the Purchased Assets and the Contracts during regular business hours between the hours of 9:00 a.m. and 5:00 p.m. on 24 hours prior written notice.

8.03 Title

Subject to the Approval and Vesting Order, all of the right, title and interest of the Company in and to the Purchased Assets and the Contracts will pass from the Company to the Purchaser at the Time of Closing. At the Time of Closing, the Purchaser will take possession of the Purchased Assets where situated.

8.04 Risk of Loss

(1) Until the Time of Closing, the Purchased Assets will remain at the risk of the Vendor. The Vendor will maintain first party all risk property insurance and boiler and machinery insurance in respect of loss or damage in respect of the Purchased Assets. Such insurance provides for loss settlement on a replacement cost basis if the Purchased Assets are repaired or replaced and on an actual cash value basis if the Purchased Assets are not repaired or replaced in accordance with the terms of the policies in place at any given time. In the event of any loss, damage or claim in respect of any risk for which insurance is carried as aforesaid arising before the Time of Closing, the Purchaser, as an

additional condition of closing, will be entitled to be satisfied that the Vendor has put the applicable insurers on written notice of the loss. From and after the Time of Closing, the Vendor will not be an insurer of the Purchased Assets, nor will it have the liabilities and duties of a warehouseman, bailee or trustee of the Purchased Assets.

(2) If any destruction or damage occurs to the Purchased Assets on or before the Time of Closing or if any or all of the Purchased Assets are appropriated, expropriated or seized by Governmental Authority on or before the Time of Closing, and in the event that the Proceeds (as defined below) in respect of such destruction, damage, appropriation, expropriation or seizure are estimated by the Vendor, acting reasonably, to be less than the Purchase Price, the Vendor will forthwith give notice thereof to the Purchaser and the Purchaser will have the option, exercisable by notice to the Vendor on or before the Time of Closing, to reduce the Purchase Price by an amount equal to the proceeds of insurance (and, if any such policy provided for a deductible amount, by an amount equal to such deductible amount) if the said proceeds of insurance are to be paid to the Vendor, in which case, the Purchaser will provide any consents that may be required to authorize the insurers to pay in this manner to the Vendor, or compensation for destruction or damage or appropriation, expropriation or seizure with respect thereto and, for greater certainty, excluding any proceeds in connection with business interruption insurance (in this Section 8.04(2) referred to as the "Proceeds"), and to complete the purchase.

(3) If any destruction or damage occurs to the Purchased Assets on or before the Time of Closing, or if any or all of the Purchased Assets are appropriated, expropriated or seized by Government Authority on or before the Time of Closing, and in the event that the Proceeds in respect of such destruction, damage, appropriation, expropriation or seizure are estimated by the Vendor, acting reasonably, to be greater than the value of the Purchase Price, the Vendor may, at its option, terminate this Agreement. In the case of such termination, the Deposit, together with interest accrued thereon, will be returned to the Purchaser and the Purchaser waives and releases any and all Claims that it may have against the Vendor as a result of such termination.

(4) With respect to business interruption proceeds arising from an insurable loss, the Vendor will be entitled to all the business interruption proceeds arising from the insurable loss up to and including the Closing Date. Any deductible or self insured retention applying to the loss will be applied to the direct damage or loss portion of the loss and not to the business interruption portion of the loss. The Purchaser will take such reasonable actions as may be required to support any such contingent business interruption claims that may arise subject to the beneficiary of any such claim agreeing to pay the reasonable expenses of the Purchaser in this regard.

(5) With respect to any insurance claim adjustment wherein the Vendor receives the proceeds of insurance, the Purchaser will allow the Vendor and its insurers and their agents reasonable access to the Books and Records that may be in the possession of the Purchaser arising from the sale so as to complete the insurance recovery.

8.05 Vendor's Closing Deliveries

On or before the Time of Closing, the Vendor will deliver or cause to be delivered to the Purchaser the following:

(a) a certificate executed by an officer of the Vendor confirming that the representations and warranties of the Vendor in Section 3.01 are true and correct as of the Time of Closing and that the obligations of the Vendor to be performed prior to the Time of Closing have been performed;

(b) a copy of the issued and entered Approval and Vesting Order;

(c) the tax election as contemplated by Section 2.09(1) executed by the Vendor, provided that the Purchaser is a registrant for the purposes of s. 167(1.1) of the *Excise Tax Act* (Canada);

(d) an agreement between the Vendor and the Purchaser on mutually satisfactory terms, acting reasonably, with respect to the on-site storage of paper inventory at the Huron Street Property (and at third party warehouses) at no cost to the Vendor and the sale of such paper inventory by the Purchaser or an entity affiliated with the Purchaser, as agent for the Vendor;

(e) an agreement between the Vendor and the Purchaser, on mutually satisfactory terms, acting reasonably, with respect to the Trade Accounts Receivable and proceeds thereof from and after the Closing Date, as referenced in Article 6 hereof; and

(f) such deeds, documents of title, conveyances, transfers, assignments, indentures and instruments necessary or desirable in the opinion of the parties hereto and their respective counsel, acting reasonably, to effect the assignment, transfer and sale of the Purchased Assets and the Contracts to the Purchaser and such other documents or instruments as contemplated or required to be delivered by the Vendor pursuant to this Agreement.

8.06 Purchaser's Closing Deliveries

On or before the Time of Closing, the Purchaser will deliver or cause to be delivered to the Vendor the following:

(a) the payment of the Purchase Price as contemplated by Section 2.10;

(b) a certificate executed by a senior officer of the Purchaser confirming that the representations and warranties of the Purchaser in Section 3.02 are true and correct as of the Time of Closing and that the obligations of the Purchaser to be performed prior to the Time of Closing have been performed;

(c) GST declaration and indemnity or evidence satisfactory to the Vendor of the payment of Transfer Taxes as contemplated by Section 2.08;

(d) the tax election contemplated by Section 2.09(1) executed by the Purchaser, provided the Purchaser is a registrant for the purposes of s. 167(1.1) of the *Excise Tax Act* (Canada);

(e) evidence satisfactory to the Vendor that the Purchaser has provided the Independent Electricity System Operator ("IESO") with a letter of credit sufficient to IESO to result in the release by IESO of the duplicate original letter of credit dated July 30, 2004 (the "IESO Letter of Credit") issued by the DIP Lender in favour of IESO in the amount of $1,429,182.12;

(f) evidence satisfactory to the Vendor that the Purchaser has provided Clergue Forest Management Inc. ("Clergue") with a letter of credit sufficient to Clergue to result in the release by Clergue of the original letter of credit dated July 30, 2004 issued by the DIP Lender in favour of Clergue in the amount of $125,000;

(g) an agreement between the Vendor and the Purchaser on mutually satisfactory terms, acting reasonably, with respect to the on-site storage of paper inventory at the Huron Street Property (and at third party warehouses) at no cost to the Vendor and the sale of such paper inventory by the Purchaser or an entity affiliated with the Purchaser, as agent for the Vendor; and

(h) such other deeds, documents of title, conveyances, transfers, assignments, indentures and instruments necessary or desirable in the opinion of the parties hereto and their respective counsel, acting reasonably, to effect the assignment, transfer and sale of the Purchased Assets and Contracts. to the Purchaser and the assumption of the Assumed Obligation by the Purchaser and such other documents, instruments or indemnities as contemplated or required to be delivered by the Purchaser pursuant to this Agreement.

ARTICLE 9
GENERAL

9.01 Further Assurances

Each of the Vendor and the Purchaser will from time to time and at all times hereafter execute and deliver all such further documents and instruments and do all acts and things as the other party may reasonably require to effectively carry out or better evidence or implement the full intent and meaning of this Agreement.

9.02 Binding Offer

This Agreement shall, upon execution of this Agreement by the Purchaser, form a binding and irrevocable offer by the Purchaser to purchase the Purchased Assets and take an assignment of the Contracts, but shall not bind nor create any obligation or liability on the part of the Vendor until it has been duly authorized and executed by the Vendor, consented to by the DIP Lender and approved by the Court.

9.03 **<u>Time of the Essence</u>**

Time is of the essence of this Agreement.

9.04 **<u>Fees and Commissions</u>**

Each of the Vendor and the Purchaser will pay its respective legal and accounting costs and expenses incurred in connection with the preparation, execution and delivery of this Agreement and all documents and instruments executed pursuant to this Agreement and any other costs and expenses whatsoever and howsoever incurred and represent and warrant that neither has taken and both agree not to take any action that would cause the other party to become liable for any broker's, finder's or placement fee or commission in connection with the transactions under this Agreement.

9.05 **<u>Public Announcements and Confidentiality</u>**

Except as required by law, no public announcement or press release concerning the sale and purchase of the Purchased Assets may be made by the Vendor or the Purchaser without the prior consent and joint approval of the Vendor and the Purchaser. The Purchaser hereby agrees that it will submit to the Vendor for approval no later than five (5) Business Days prior to any proposed advertisement or announcement in connection with the purchase and sale of the Purchased Assets, all such advertisements or announcements which the Purchaser intends to make. The Vendor shall be entitled to disclose information about this Agreement as may be required to obtain the Approval and Vesting Order.

9.06 **<u>Benefit of the Agreement</u>**

This Agreement will enure to the benefit of and be binding upon the respective successors and permitted assigns of the parties hereto.

9.07 **<u>Entire Agreement</u>**

This Agreement and the Confidentiality Agreement constitute the entire agreement between the parties hereto with respect to the subject matter hereof and such agreements cancel and supersede any prior understandings and agreements between the parties hereto with respect thereto. There are no representations, warranties, terms, conditions, undertakings or collateral agreements, express, implied or statutory, between the parties other than as expressly set forth in this Agreement or in the Confidentiality Agreement. In the event of any inconsistency between this Agreement and any other document provided to the Purchaser by or on behalf of the Vendor, this Agreement shall govern.

9.08 **<u>*Planning Act* (Ontario)</u>**

This Agreement and the transaction of purchase and sale contemplated herein is subject to the compliance by the Purchaser with the subdivision control provisions of the *Planning Act* (Ontario) on or before the Time of Closing.

9.09 Amendments and Waivers

No amendment to this Agreement will be valid or binding unless set forth in writing and duly executed by both of the parties hereto. No waiver of any breach of any provision of this Agreement will be effective or binding unless made in writing and signed by the party purporting to give the same and, unless otherwise provided, will be limited to the specific breach waived.

9.10 Assignment

This Agreement may not be assigned by either party without the prior written consent of the other.

9.11 Notices

Any demand, notice or other communication to be given in connection with this Agreement must be given in writing and will be given by personal delivery or by electronic means of communication addressed to the recipient as follows:

To the Vendor and Trustee/Receiver:

RSM RICHTER INC.
in its capacity as receiver
of the assets, property and undertaking of
St. Marys Paper Ltd. and not in its personal capacity

200 King Street West
Suite 100 P.O. Box 48
Toronto, ON M5H 3T4
Fax: (416) 932-6200

Attention: Robert Kofman

To the Purchaser:

St. Mary's Paper Corp.
c/o Wishart Law Firm LLP
390 Bay Street, 5th Floor
Sault Ste Marie, ON P6A 1X2

Fax : (705) 949-2465

Attention: Gordon P. Acton

or to such other street address, individual or electronic communication number or address as may be designated by notice given by either party to the other. Any demand, notice or other communication given by personal delivery will be conclusively deemed to have been given on the day of actual delivery thereof and, if given by electronic communication, on the day of transmittal thereof if given during the normal business hours of the recipient and on the Business

Day during which such normal business hours next occur if not given during such hours on any day.

9.12 Remedies Cumulative

The right and remedies of the parties under this Agreement are cumulative and are in addition to, and not in substitution for, any other rights and remedies available at law or in equity or otherwise. No single or partial exercise by a party of any right or remedy precludes or otherwise affects the exercise of any other right or remedy to which that party may be entitled.

9.13 No Third Party Beneficiaries

Except as provided in Section 4.02(4), this Agreement is solely for the benefit of:

(a) the Vendor, and its successors and permitted assigns, with respect to the obligations of the Purchaser under this Agreement; and

(b) the Purchaser, and its successors and permitted assigns, with respect to the obligations of the Vendor under this Agreement,

and this Agreement will not be deemed to confer upon or give to any other person any remedy, claim, liability, reimbursement, cause of action or other right.

9.14 Governing Law

This Agreement is governed by and will be construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

9.15 Attornment

For the purpose of all legal proceedings this Agreement will be deemed to have been performed in the Province of Ontario and the courts of the Province of Ontario will have jurisdiction to entertain any action arising under this Agreement. The Vendor and the Purchaser each attorns to the jurisdiction of the courts of the Province of Ontario.

9.16 Severability

If any provision of this Agreement or any document delivered in connection with this Agreement is partially or completely invalid or unenforceable, the invalidity or unenforceability of that provision will not affect the validity or enforceability of any other provision of this Agreement, all of which will be construed and enforced as if that invalid or unenforceable provision were omitted. The invalidity or unenforceability of any provision in one jurisdiction will not affect such provision validity or enforceability in any other jurisdiction.

9.17 Capacity of Vendor

The Purchaser acknowledges that the Vendor is entering into this Agreement solely in its capacity as receiver of the assets, property and undertaking of St. Marys Paper Ltd. and not in its personal capacity.

9.18 Counterparts

This Agreement may be executed in any number of counterparts, each of which will be deemed to be an original and all of which taken together will be deemed to constitute one and the same instrument.

9.19 Electronic Transmission

Delivery of an executed signature page to this Agreement by any party by electronic transmission will be as effective as delivery of a manually executed copy of this Agreement by such party.

[Signature Page To Follow]

IN WITNESS WHEREOF the parties have executed this Agreement effective as of the date first set out above.

RSM RICHTER INC., in its capacity as receiver of the assets, property and undertaking of St. Marys Paper Ltd., and not in its personal capacity

Per: ______________________

Name: Robert Kofman
Title: Senior Vice-President

ST. MARY'S PAPER CORP.

Per: ______________________

Name: THROON ACTON
Title: PRESIDENT

IN WITNESS WHEREOF the Trustee acknowledges this Agreement effective as of the date first set out above.

RSM RICHTER INC., in its capacity as trustee in bankruptcy of St. Marys Paper Ltd., and not in its personal capacity

Per: ______________________________

Name: Robert Kofman
Title: Senior Vice-President

SCHEDULE "A"

PURCHASED ASSETS

A. All assets described in Parcels 1 through 16 attached;

B. The Company's right, title and interest in the outstanding municipal tax assessment appeals;

C. Any other assets, property and undertaking of any nature whatsoever which are not listed in the Parcel lists, including assignable contracts but excluding the Excluded Assets; and

D. All pulpwood, inventory in the yard, satellite yard and in the woodlands, for which Purchaser shall take responsibility to pay the Province its unsubordinated lien, and contractors for the amounts owed for the supply of such pulpwood.

E. Approximately 367 tons of cull rolls and unassigned inventory.

F. The real property described by the following PIN Nos.:

31193-0001

31577-0013

31577-0009

31577-0012

31577-0014

31577-0015

31577-0016

31577-0026

31577-0027

31577-0032

31577-0033

31577-0034

31577-0035

31577-0037

31577-0038

31577-0039

31577-0050

PARCEL 1
PAPER MACHINE 3 (PM 3)

Item	Qty.	Description
1	1	PAPER MACHINE #3 BROKE RECOVERY AND FLOW APPROACH PROCESSING AND DISTRIBUTION SYSTEM INCLUDING INSTRUMENTATION AND CONTROLS C/O: (1) DORR-OLIVER-LONG DISC SAVE-ALL FILTER, SIZE 8' DIA X 14 DISCS, SS TUB, SS HOOD, SHOWER ATTACHMENT WITH AGITATOR ARM, MAIN DRIVE WITH GREAR REDUCER COUPLING AND MOTOR C/O RELATED SUPPORTING EQUIPMENT (2) CANADIAN INGERSOLL-RAND PRIMARY CENTRISCREENS, MDL # 14L, SIZE 48" DIA SIZE 14 X 14" OUT AND INLET, V B.D. WITH VERT MOTORS 40/1200 (1) CANADIAN INGERSOLL-RAND SECONDARY CENTRISCREEN, MDL # 6L, SIZE 6" X 4" OUTLET, 24" DIA SS V B.D. AND VERT MOTOR 15/1800 (1) BAUER CENTRI CLEANING INSTALLATION INCLUDING SS PIPING WITH RELATED STRUCTURAL STEEL SUPPORT AND C/O 13 CENTRICLEANERS, MDL # 623B, SIZE 12" DIA ON SUPPORTING STEEL STANDWITH RELATED WATER PIPING AND ASSOC EQUIPMENT (1) SS FLOW TANK, SIZE 102" X 37" X 48" HIGH, O.A. DIM, OPEN TOP AND REINFORCED CONCRETE SLAB AND C/O: -(1) GOULDS CENT SGL SUCTION PUMP, SIZE 4 X 3 ADN MOTOR 7.5/1800 (1) INSTRUMENT CONTROL PANEL WITH 9 INSTRUMENT RECORDERS, PBC SWITCHES, RELATED SUPPORTING EQUIPMENT AND INSTRUMENTATION BELOIT FOURDRINIER PAPER MACHINE #3 SIZE 186" WIDE, 183" TRIM, 1650FPM, 150 TONS PER DAY INCLUDING MISC. INSTRUMENTATION, CONTROLS AND SUPPORTING EQUIPMENT AND C/O: (1) SS CONSISTENCY REGULATOR ON SUPPORTING STEEL STAND WITH RELATED MIXING EQUIPMENT AND MOTOR, (1) BELOIT IRON WORKS PRESSURIZED SS HEAD BOX, SIZE 198" WIDE INCLUDING RECTIFIER ROLLS, HIGH PRESSURE STOCK AND INLET SLICE ARRANGEMENT WITH RELATED ATTACHMENT AND CONTROLS. INCLUDES RELATED PAPER ROLLS.
2	1	(1) FOURDRINIER PAPER MACHINE #3 FORMING BOARD NON-REMOVABLE INCLUDING WIRE GUIDE, WIRE TRIM, WIRE STRETCHER, DOCTOR BLADES, WIRE RETURN ROLLS AND: -(1) S/S COVERED BREAST ROLL, SIZE 22" DIA -(1) FOURDRINIER FORMING WIRE, SIZE 198.5" X 75.5' LONG, 4 WIRE ROLLS, SIZE 13" DIA, RUBBER COVERED -(8) DECKLE TRIM BOARDS WITH 25 DECKLE FOIL STRIPS, SS SUPPORTING BASE AND RELATED ATTACHMENT -(4) SS SUCTION BOXES WITH ANTI-FRICTION BEARINGS AND RELATED ATTACHMENT -(1) SUCTION COUCH ROLL, 36" DIA S/S COVERED (1) BELOIT FOURDRINIER PAPER MACHINE #3 PRESS INSTALLATION, 2 SECTIONS INCLUDING ROLL SUPPORTING STEEL HOUSING FRAME, ROLL LOADING, FELT GUIDE, FELT STRECHER, FELT POSITIONER, FELT

CLEANERS, FELT ROLLS, SAVE-ALL SS COLLECTION PANS, RELATED SUPPORTING EQUIPMENT, INSTRUMENTATION AND COTROLS C/O: (1) FIRST PRESS WITH TOP PRESSURE ROLL, 38" DIA AND BOTTOM RUBBER COVERED GROOVED ROLL, 32" DIA RELATED DOCTOR AND ASSOC EQUIPMENT (1) SECOND PRESS WITH TOP PRESSURE ROLL, 36" DIA GRANITE COVERED INCLUDING BOTTOM BLIND DRILL RUBBER COVERED ROL, SIZE 30" DIA WITH DOCTOR BLADE AND RELATED EQUIPMENT (12) FELT ROLLS, 13" DIA, RUBBER COVERED (1) FIRST AND SECOND PRESS WET FELT, SIZE 189" WIDE X 63 YARDS (1) FIRST PRESS BOTTOM WET FELT, SIZE 198" X 54 YARDS (1) BOTTOM PRESS WET FELT, SIZE 198" WIDE X 55-2/3 YARDS (2) BOTTOM PRESS WET FELTS, SIZE 198" X 44' AND 58' LONG (1) BELOIT PAPER MACHINE DRYER INSTALLATION - FOURDRINIER PAPER MACHINE #3 INCLUDING DRYER ROLLS, DOCTOR BLADES, FELT STRETCHERS, FELT GUIDES, FELT CLEANERS, INSTRUMENTATION AND CONTROLS C/O: 32 MAIN CYLINDRICAL STEAM DRYER ROLLS, 60" DIA WITH RELATED SUPPORTING EQUIPMENT (2) FELT DRYERS, SIZE 48" DIA INCLUDING PRESSURE 30PSI, SHEAHAN PAPER CARRIER FOR ALL DYERS, DOCTOR BLADES, SPRING ROLLS, RELATED SUPPORTING EQUIPMENT

3 (1) ROSS HEATING AND VENTILATION SYSTEM INCLUDING VAPOR ABSORPTION SUPPLY UNITS, ECONOMIZERS, EXHAUST FANS, RELATED SUPPORTING DUCTING, BLOWERS AND MOTORS (1) ROSS ENGINEERING DRYER HOOD, SIZE 20 X 120 X 6' HIGH O.A. DIM WITH DROP SIDES, STEEL FRAME, CORRUGATED ALUMINUM COVERED INCLUDING EXHAUST DUCT, BLOWER AND MOTORS RELATED INSTRUMENTATION AND CONTROLS (1) FARRELL FOUNDRY & MACHINE CO CALENDER STACKS, 10 ROLLS CAP, INCLUDING CALENDER COOLANT WITH BLOWERS, DOCTOR BLADE, RELATED SUPPORTING EQUIPMENT C/O: -(2) KING ROLLS, 34" DIA, CHILLED IRON -(1) QUEEN ROLL, 20" DIA, CHILLED IRON -RELATED SUPPORTING EQUIPMENT AND ASSOC ELECTRICS (1) MEASUREX HIGH RELIABILITY SCANNER, MDL # VISION 2002, WITH COMPUTER CONTROL ATTACHMENT INSTRUMENTATION AND ASSOC ELECTRICS (1) BLACK CLAWSON PAPER WINDING REEL, MDL # 36 SUPER, 36" DIA CAP X 180" FACE, INCLUDING: -(2) HYDR OPERATING ROLL LIFT ARMS, ROLL REST, MISC SUPPORTING EQUIPMENT, INSTRUMENTATION AND ELECTRICS -(1) VIKING VOID DETECTOR UNIT, INSTRUMENTATION AND CONTROLS -(1) AVATRON SPEED CONTROL UNIT WITH RELATED ATTACHMENT, INSTRUMENTATION AND CONTROLS (1) PAPER MACHINE #3 BACK LINE INSTALLATION INCLUDING LINE SHAFT, BELT AND PULLEY ARRANGEMENT, MOTOR AND COUPLING DRIVE SYSTEM C/O: -(6) ENCLOSED GEAR DRIVE UNITS WITH RELATED SUPPORTING DC DRIVE MOTORS ASSOC EQUIPMENT AND CONTROLS

PARCEL 2
PAPER MACHINE 4(PM 4)

Item	Qty.	Description
1	1	PAPER MACHINE NO. 4 BROKE RECOVERY, FLOW APPROACH PROCESSING, CLEANING AND SCREENING SYSTEM INCL: -2 BIRD CENTRISCREENS, 48" DIA INGERSOLL RAND., 14"X14" INTAKE AND OUTLET -1 SECONDARY CENTRISCREEN 24" DIA X 6" X 4" OUTLET AND INTAKE INGERSOLL RAND, S/S FLOW TANK 36"X24"X36", CENTRI CLEANING STATION -2 PRIMARY CENTRICLEANERS 12" DIA, 3 S/S SECONDARY CENTRICLEANERS 12" DIA, INSTRUMENT CONTROL BOARD, 8 RECORDERS DOMINION ENGINEERING FOURDRINIER PAPER MACHINE #4 SIZE 186" WIDE, 175" TRIM, 1650 FPM, 145 TONS PER DAY CAP INCLUDING INSTRUMENTATION AND CONTROLS C/O: -(1) SS CONSISTENCY REGULATOR INCLUDING MIXER AND MOTOR ON SUPPORTING STRUCTURAL STEEL STAND WITH WALKWAY AND GUARD RAILS -(1) DOMINION PRESSURIZED SS HEAD BOX, WITH RECTIFIER ROLLS, HIGH PRESSURE STOCK INLET SLIDE ARRANGEMENT AND RELATED SUPPORTING EQUIPMENT (1) FOURDRINIER FORMING TABLE, NON-REMOVABLE INCLUDING WIRE STRETCHER, SIRE GUIDE, DOCTOR BLADES, WIRE TRIM, SHOWER ATTACHMENT, MOSC RELATED SUPPORTING EQUIPMENT C/O: -(1) S/S COVERED BREAST ROLL, 22" DIA -(1) FOURDINIER FORMING WIRE, SIZE 187.5" WIDE X 85'9.5" LONG WITH RELATED ATTACHMENT -(9) DECKLE BOARDS, S/S BASE INCLUDING 25 FOIL STRIPS -(3) S/S SAVE-ALL PANS BELOW AND RELATED ATTACHMENT(5) S/S SUCTION BOXES, S/S BASE SUPPORT AND RELATED ATTACHEMENT -(1) SUCTION COUCH S/S ROLL, SIZE 36" DIA WITH RELATED SUPPORTING ATTACHMENT, 2003 NEW COUCH ROLLS, PRESS BLOWBOX, REEL AND DRUM (1) DOMINION ENGINEERING PRESS INSTALLATION: -(2) SECTIONS INCLUDING STEEL SUPPORTING HOUSING FRAME, ROLL LOADING, SS SAVE-ALL WATER COLLECTION PANS, FELT GUIDES, FELT POSITIONER, FELT STRETCHER, FELT ROLLS, RELATED SUPPORTING EQUIPMENT C/O: -(1) DOMINION ENGINEERING FIRST PRESS, 2500RPM, 450PSI, SIZE 38" DIA, GRANITE. INCLUDES RELATED PAPER ROLLS.
2		-(1) BROKE RECOVERY CLEANING AND SCREENING SYSTEM INCLUDING INSTRUMENTATION AND CONTROLS C/O: -(2) CANADIAN INGERSOLL-RAND BIRD CENTRISCREENS, MDL # 14L, SIZE 48" DIA, SIZE 14" X 14" INLET AND OUTLET, PIPING, V B.D. WITH VERT MOTORS 30/1200 -(1) CANADIAN INGERSOLL-RAND SECONDARY CENTRISCREEN, MDL # 6L, SIZE 6" X 4" OUTLET AND INLET, 24" DIA, V B.D. WITH VERT MOTOR 15/1800 -(1) SS FLOW TANK, SIZE 36" X 24" X 36" HIGH, CLOSED TOP ON REINFORCED CONCRETE SLAB (1) BAUER

CENTRI CLEANING SYSTEM STATION INCLUDING SUPPORTING SS PIPING C/O: -(2) PRIMARY CENTRICLEANERS, MDL #623B, SIZE 12" DIA, -(3) SS SECONDARY CENTRICLEANERS, SIZE 12" DIA WITH RELATED SUPPORTING SS PIPING, ASSOC EQUIPMENT INSTRUMENTATION AND CONTROLS -(1) INSTRUMENT CONTROL BOARD -(2) SECTIONS INCLUDING 8 INSTRUMENT RECORDERS, PB PANELS, RELATED ATTACHMENT AND ELECTRICS -(1) BOTTOM GROOVED RUBBER COVERED ROLL, 36" DIA WITH DOCTOR BLADE, -(1) DOMINION ENGINEERING SECOND PRESS, 2500FPM, 450PSI WITH TOP PRESSURE ROLL, 30" DIA, DOCTOR BLADE AND RELATED

3 -(2) BLACK CLAWSON CALENDER STACKS WITH NO ROLLS ON, 8 AND 10 ROLLS CAP -(1) MEASUREX HIGH RELIABILITY COMPUTER CONTROLLED PAPER SCANNER, MDL # 2002, WITH RELATED SUPPORTING EQUIPMENT AND CONTROLS -(1) BLACK CLAWSON PAPER ROLL WINDING REEL, MDL # SUPER 36, 36" DIA X 182" FACE INCLUDING 2 HYDR SUPPORTED ROCKER ARM ROLL RESTS, RELATED SUPPORTING EQUIPMENT AND ELECTRICS, 5 NEW DRYER CANS 2003 -(1) PAPER MACHINE AVTRON SPEED CONTROL UNIT WITH RELATED SUPPORTING EQUIPMENT AND ELECTRIS -(1) VIKING VOID DETECTION UNIT WITH RELATED ATTACHMENT AND CONTROLS -(1) PAPER MACHINE #4 SECTIONAL DRIVE BACK LINE INSTALLATION INCLUDING LINE SHAFT AND BELT ARRANGEMENT WITH COUPLING, MAIN DRIVE MOTORS, GEAR REDUCER, DC DRIVE, INSTRUMENTATION AND CONTROLS

PARCEL 3
PAPER MACHINE 5 (PM 5)

Item	Qty.	Description
1	1	TAMPELLA FOURDRINIER TWIN WIRE NO 5 PAPER MACHINE, SIZE 208" WIDE, 184" TRIM, 4600RPM, 454 SHORT TONS PER DAY CAP, WITH BASIS WEIGHT 33.5# RELATED SUPPORTING EQUIPMENT, INSTRUMENTATION AND CONTROLS: (1) TAMPELLA SS PRESSURIZED HEAD BOX, WITH SIZE 276" WIDE, 21,6000GPM MAX CAP, 10,000GPM MAX CAP WITH 16,700GPM CONSISTENCY @1-1/2% INCLUDING SLICE INLET AND RELATED SUPPORTING EQUIPMENT (1) TAMPELLA CANTILIVER TYPE NON-REMOVABLE FOURDRINIER FORMING SECTION INCLUDING WIRE STRETCHER, WIRE GUIDE, WIRE TRIM, DOCTOR BLADES, SHOWER ATTACHMENT, RELATED SUPPORTING EQUIPMENT C/O: -(1) FORMING WIRE, SIZE 205" WIDE -(1) BREAST ROLL, 30" DIA, RUBBER COVERED -(13) DECKLE FOIL BOARDS WITH BOXES INCLUDING 52 FOIL STRIPS -(4) SUCTION BOXES, 199" WIDE, SS -(5) WIRE ROLLS, 22" DIA, RUBBER COVERED WITH DOCTOR BLADES -(1) WIRE TURNING ROLL, 30" DIA, RUBBER COVERED -(1) SUCTION COUCH ROLL, SS FACE, 44" DIA (1) TAMPELLA TOP FORMING SECTION WITH STEEL FRAME SUPERSTRUCTURE, WIRE STRETCHER, WIRE GUIDE, SHOWER ATTACHMENT, RELATED SUPPORTING EQUIPMENT AND INCLUDING: -(1) TOP FORMING WIRE, 208" X 72' -(1) FORMING ROLL, SIZE 39.4" DIA, SS COVERED -(1) SECOND RUBBER COVERED FORMING ROLL, SIZE 39.8" DIA -(3) WIRE ROLLS, SIZE 30" DIA, RUBBER COVERED -(1) WIRE GUIDE ROLL, 22" DIA, RUBBER COVERED -(5) DECKLE FOIL BOARDS WITH DECKLE STRIPS, RELATED SUPPORTING EQUIPMENT (1) TAMPELLA PRESS INSTALLATION, 4 SECTIONS INCLUDING STEEL HOUSING, FRAME, ROLL LOADING, FELT ROLLS, FELT GUIDES, FELT STRETCHERS, FELT CLEANERS, RELATED SUPPORTING EQUIPMENT C/O: -(1) TAKEUP ROLL, SIZE 27" DIA X 212" -(1) TRANSFER SUCTION ROLL, 7" DIA X 212" FACE -(1) FIRST PRESS WITH TOP ROLL, 44.5" X 212" FACE, STEEL WITH POLYCAST OVER, INCLUDING BOTTOM ROLL, 40" DIA X 211" FACE STEEL WITH POLYCAST OVER. INCLUDES RELATED PAPER ROLLS.
2		-(1) SECOND PRESS WITH TOP ROLL, 40" DIA, STEEL WITH POLYCAST OVER INCLUDING CENTER ROLL, 55" DIA X 209" FACE WITH DYNAROCK COVER OVER -(1) THIRD PRESS WITH 30" DIA TOP ROLL, STEEL WITH DYNAROCK OVER -(1) FOURTH PRESS WITH 55" DIA X 209" FACE WITH DYNAROCK OVER INCLUDING BOTTOM ROLL, 40" DIA WITH POLYCAST OVER -(21) FELT ROLLS, 16" DIA X 215" FACE -(3) PAPER ROLLS, 16" DIA -(4) BOWED ROLLS, 10" DIA -(2) DC DRIVE MOTORS 800/1150-1250RPM, 550V -(1) DC DRIVE MOTOR 500/1150-1250, 550V -(4) DC DRIVE MOTORS 350/1150-1250, 550V (1) TAMPELLA DRYER

INSTALLATION INCLUDING: -(5) SECTIONS, FELT ROLLS, SHEAHAN ROPE PAPER CARRIER, FELT GUIDES, FELT STRETCHERS, FELT CLEANERS, DOCTOR BLADES, MISC RELATED SUPPORTING EQUIPMENT C/O: -(38) MAIN PAPER DRYERS, 72" DIA X 199" FACE, 72.6PSI, 460 DEGREES F -(3) MAIN PAPER DRYERS, 60" DIA X 199" FACE, 72.6PSI, 460 DEGREES F -(12) DOCTOR BLADES -(2) PAPER ROLLS, 16" DIA X 201" FACE -(82) FELT DRYER ROLLS, 16" DIZ X 216" FACE -(5) DC MOTORS 2@200HP, 1200RPM, 550V AND 3@350HP, 12

3 (15) PAPER ROLL REELS INCLUDING ROLL REST, P.B. CONTROL CONSOLE, DC DRIVE MOTOR 200/1200, 550V, (1) AVATRON SPEED CONTROL UNIT WITH RELATED ATTACHMENT AND DC DRIVE ARRANGEMENT, (1) TAMPELLA PAPER MACHINE MEASUREX CENTRAL CONTROL CONSOLE INCLUDING 4 MONITOR STATIONS WITH P.B. SWITCHES AND RELATED EQUIPMENT, (1) TAMPELLA BROKE RECOVERY AND FLOW APPROACH SYSTEM, INCLUDING CLEANING, FILTERING AND DISTRIBUTION INCLUDING INSTRUMENTATION AND CONTROLS C/O: (1) HYMAC DECULATOR CLEANING SYSTEM WITH DEAERATION VESSEL, MDL # DF-820, SIZE 8' DIA X 20' LONG, INSULATED WITH METAL STRAP OVER, ROOF SUPPORTED (1) HYMAC CLEANING SYSTEM, 5 STAGES INCLUDING SS CLEANERS, 7" DIA, SS TUBING, STEEL FRAME SUPPORT, RELATED ATTACHMENT AND C/O: -2 BANKS OF 96 7" DIA, PRIMARY CENTRICLEANERS, MDL # RB-200, -1 BANK OF 36 7" DIA SS CENTRICLEANERS -1 BANK OF 12 TERTIARY 7" DIA, SS CENTRICLEANERS -1 BANK OF 3 QUINTERNARY CENTRICLEANERS, 7" DIA, SS -1 BANK OF 1 QUINTERNARY CENTRICLEANERS, 7" DIA, RELATED SUPPORTING EQUIPMENT AND ASSOC EQUIPMENT (1) NASH DEAERATION VESSEL VACUUM PUMP, SIZE 16", V B.D. AND MOTOR 50/1800, INCLUDING SNUBBER TANK (1) IMPCO DISC SAVE-ALL (BROKE FILTER) SIZE 12' DIA X 24 DISC, SS TUB, SS HOOD, SHOWER ATTACHMENT, REPULPER SCREW CONVEYOR, 24" DIA X 20' ON CENTER WITH REDUCER AND MOTOR

4 1 MAIN AIR SUPPLY SYSTEM INCLUDING PIPING AND VALVES AND C/O: (2) ATLAS COPCO ROTARY ENCL SCREW COMPRESSORS, MDL ZR, WATER COOLED, OIL FREE WITHMOTOR 350/1800 (2) ATLAS COOPER AIR DRYER, MDL # DH1500, 1500/1279SFM, 100PSI, 100 DEGREES F, 2 CYLINDERS WITH 2 AIR FILTERS, RELATED ATTACHEMENT AND ELECTRICS (2) VERT AIR RECEIVERS, STEEL TANK, SIZE 48" DIA X 144" HIGH ON SUPPORTING STEEL STAND

PARCEL 4
SUPERCALENDERS

Item	Qty.	Description
1	2	WARTSILA SUPER CALENDERS, MDL # 10/193, 3500FPM, 193" WIDE, 10 ROLLS HIGH CAP INCLUDING: (1) CHILLED IRON CROWN TOP ROLL, 25.5" DIA (5) INTERMEDIATE PAPER ROLLS, 5.5" DIA (3) INTERMEDIATE CHILLED IRON STEAM PRESSURE ROLLS, 20" DIA, KING ROLL, 30" DIA INCLUDING DRIVE ROLLER, DOCTORS, TENSION ROLLS, GLYCOL TEMPERATURE CONTROL SYSTEM WITH PUMPS AND MOTORS, HYDR SYSTEM WITH CIRC PUMPS, MOTORS AND RELATED ATTACHMENT, DRIVE MOTOR, COOLING FANS WITH DUCTING TO MOTOR AND RELATED ATTACHMENT, ASEA MAIN DC DRIVE MOTOR 800/1200, 500V ON REINFORCED CONCRETE SLAB, UNWINDING STAND ON SUPPORTING STEEL PLATFORM WITH DC DRIVE MOTOR 56KW, 3590537-1810RPM, VARIABLE SPEED, WIND-UP STAND WITH ASEA, DC MOTOR 56KW, 359-5371810RPM, P B.C. STATION WITH ASSOC INSTRUMENTATION AND CONTROL (2) ROLL STORAGE RACKS, 7 ROLLS HIGH CAP, SUPPORTED STRUCTURAL STEEL FRAME WITH RELATED DRIVE ATTACHMENT (4) CONE SUSPENDED M.D. HOISTS, 5 TON CAP, P.B.F.C, NIP RELIEVING, CALCOILS HEAT UNITS HONEYWELL MEASURING SCANNERS W/ CONTROLS AND SOFTWARE, MODEL 4000, OSC7-QCS04, CO # 3 AND 4
2	3	VALMET SUPER CALENDERS, MDL # 10/193, 193" WIDE, 3500RPM, 10 ROLLS HIGH CAP, INCLUDING: (3) CHILLED IRON INTERMEDIATE ROLLS, 20" DIA (5) INTERMEDIATE PAPER ROLLS, 25.5" DIA, TOP QUEEN ROLL, 26" DIA, KING ROLL, 30" DIA WITH (8) PAPER FLY TENSION ROLLS, STEEL FRAME HOUSING, UNWINDING STAND AND WIND UP STANDS, DOCTOR BLADES, HYDR UNITS, TEMP CONTROL UNITS WITH CIRC PUMPS AND RELATED EQUIPMENT C/O: -(2) DC UNWIND AND WIND UP STANDS, MOTOR 75/3501850, 550V -(1) MAIN DC STACK DRIVE MOTOR 800HP, 1200RPM, 550V WITH AIR COOLED FAN, DUCTWORK AND RELATED SUPPORTING EQUIPMENT (1) TAMPELLA ROLL STORAGE BACK STAND, 6 ROLLS CAP WITH AUTO HOIST AND RELATED EQUIPMENT (4) KONE SUSPENDED M.D. ROLL STACKING HOISTS, 5 TON CAP, 2004 HONEYWELL MDL 4000 MEASURING SCANNERS MDL OSC9-QSC9-Q04 -CO#'S 5,6 &7,NEW OPTILOAD UPGRADE 2002, NEW STEAMBOXES 2001

PARCEL 5
WINDERS AND REWINDER

Item	Qty.	Description
1	1	WARTSILA (SWEDEN) SLITTER WINDER SIZE 195" WIDE, 2 DRUMS, 30" DIA, 5,000FPM INCLUDING BELOIT MODEL K1500 ACTUATOR RIDER ROLLS, EDGE GUIDE, WONDERWARE SOFTWARE, SLITTER BAR AND ASSEMBLIES, TROM BLOWER SYSTEM WITH BLOWER AND MOTORS, ROLL LOWERATOR PLATFORM WITH RELATED ATTACHMENT, TENSION ROLLS, RELATED SUPPORTING EQUIPMENT AND 2 DC MOTORS 176KW819RPM, AIR COOLED 1 WARTSILA UNWINDING BACK STAND, 195" WIDE INCLUDING CLUTCH AND BRAKE ASSEMBLY WITH ASEA DC AIR COOLED DRIVE, MOTOR 234KW/267-400-485RPM, 500V WITH INSTRUMENT CONTROL AND P B. PANEL, CO#5
2	1	VALMET SLITTER WINDER, MDL # KL500, SIZE 184" WIDE, 8000FPM, 2 DRUMS, 30" DIA, 100" DIA ROLL CAP INCLUDING EDGE GUIDE, BELOIT ARTICULATING RIDER ROLL, SLITTER BAR AND ASSEMBLIES, TRIM BLOWER WITH MOTOR, ROLL LOWERATING PLATFORM, TENSION ROLLS WITH MISC ATTACHMENT AND INCLUDING (2) DC DRIVE MOTORS, AIR COOLED, 200/1180, 550V, INSTRUMENTATION, (1) VALMET UNWINDING BACK STAND, 195" WIDE WITH DC DRIVE 250/300-1537, 550V ON REINFORCED CONCRETE SLAB WITH INSTRUMENTATION AND CONTROL PANEL,CO#6
3	1	VALMET SLITTER WINDER, MODEL WINBELT, 10 SLITTING HEADS, 7,500 FPM, 11" DIA X 186" WIDTH UNWIND STAND, 60" DIA X 181" TRIM SHIPPING ROLLS, CO #7
4	1	TAMPELLA SLITTER WINDER AND CALENDER STACK BROKE PAPER PULPER, SIZE 8' DIA X 7' HIGH O.A. SS TUB ON REINFORCED CONCRETE SLAB, SS HOOD INCLUDING: (1) TAMPELLA SIDE ENTERING AGITATOR, MDL # HD24OOB, SIZE 24" DIA IMPELLER, V B.D. WITH VERT MOTOR 75/1200, 550V (2) WORTHINGTON CENT SGL SUCTION PUMPS, SIZE 4 X 3, AND MOTOR 20/1200
5	1	VALMET REWINDER W/ 5 SLITTING HEAD, 5,000 FPM CAP, 20" X 146" WIDE UNWIND 146" MAX TRIM, 60" MAX DIA ROLLS, CO #8

PARCEL 6
WOODROOM AND GROUNDWOOD MILL EQUIPMENT

Item	Qty.	Description
1	1	NEW WOOD ROOM INCL: BID CANADA INFEED SYSTEM W/INFEED/TRANSFER DECK 10' WIDE X 40'L, HYD DRIVE 10' X 10.5' TRANSFER DECK, LOG INFEED CHAIN CONVEYOR W/ 3 SPIKE INFEED ROLLS 85' LONG, CAE FUJI KING DEBARKER W/3-30' MODULES EQ W/VFD MOTOR/REDUCER 125/1200, SORTER INFEED CONVEYOR 4' X 16', SORTER DECK 5' X31.5', SORTER CAMERA SYSTEM, SORTER OUTFEED CHAIN CONVEYOR 4' X 22' HUOT WASTE HANDLING SYSTEM INCLUDING: DEBARKER WASTE BELT CONVEYOR, 42" x 203', WASTE COLLECTION CHAIN CONVEYOR, 2 CHAINS, 69' LENGTH, WASTE HOG INFEED BELT CONVEYOR 42" X 87', VK BURNETT WASTE HOG GRIZZLY MILL MODEL VKB-CBI 450/1200 MOTOR, WASTE OUTFEED CHAIN CONVEYOR, 2 CHAINS, 25' LENGTH, SORTER INFEED WASTE CONVEYOR, 1 CHAIN, 45', WASTE TRANSFER CONVEYOR, 1 CHAIN, 37', BELT CONVEYOR 30" X 57', CONTROL ROOM &DCS CONTROLS, KRAVERT BRIDGE CRANE, DOUBLE GIRDER, 5 TON W/2-2.5 TON SHAW BOX HOISTS, 47.5' SPAN, RADIO CONTROL, UNDERSLUNG WOOD SLASHING SORTING SYSTEM INCL ANDRITZ DEBARKER OUTFEED CONVEYOR 4.5' X 21 LONG, SLASHER INFEED ROLLER CONVEYOR 4' X 20', SLASHER DECK 10' X 23', 4 BUTTING ROLLS, 2- 62' SAWS W/100/1200 MOTORS, SLASHER BYPASS CHAIN CONVEYOR 4' X 22', SLASHER OUTFEED BELT CONVEYOR 4' X 30' GROUNDWOOD PULP PROCESSING SYSTEM INCLUDING INSTRUMENTATION AND CONTROLS, PULP PRESSING, SCREENING, FULTERING AND DISTRIBUTION SYSTEM AND C/O: (3) THUNE SS PULP DEWATERING PRESSES, SIZE 20" DIA X 96" LONG O.A. DIM, SS CASING, GEAR REDUCER, V B.D. MOTOR 60/180 INCLUDING 1 SS HEAD FEED TANK (1) CONTINENTAL CONVEYOR AND MACHINE WORKS, INCLINED SS OUTFEED SCREW CONVEYOR, SIZE 20" DIA X 25' LONG, ENGL WITH GEAR REDUCER AND MOTOR (1) JEFFREY HORIZ. SS SCREW CONVEYOR, SIZE 16" DIA X 30' LONG ON SUPPORTING STEEL STAND WITH GEAR REDUCER AND MOTOR (3) SPROUT WALDRON HORIZ. CROSS FEED REFINER SCREW CONVEYORS, SIZE 8" DIA X 3/5' LONG WITH GEAR REDUCER AND MOTOR, WITH RELATED ATTACHMENT AND MOTOR
2		(4) SPROUT WALDRON (KOPPERS CO. INC) REFINERS, MDL # 42-1B-EM, SIZE 42" DIA INCLUDING: FEED DUCT FROM ABOVE, PULP SCREW FEEDER WITH GEAR REDUCER ADN MOTOR, OIL GROUNDWOOD PULP PROCESSING SYSTEM INCLUDING: LUBRICATION CIRC. SYSTEM WITH PUMP AND MOTOR, INDIVIDUAL INSTRUMENT CONTROL PANELS, INDUCTION DRIVE MOTORS, 2500 HP, 1800 RPM, 2300/416V, AIR COOLED (1) DORR OLIVER LONG GROUNDWOOD DISC FILTER, FIBERGLASS

SHOW COVER, SHOWER ATTACHMENT, REPULPER SCREW CONVEYOR, 24" DIA X 20' LONG, GEAR REDUCER AND MOTOR ON SUPPORTING STRUCTURAL STEEL STAND AND RELATED EQUIPMENT, MISC. UNLISTED FOXBORO INSTRUMENT RECORDER PANELS WITH INSTRUMENT RECORDER, ASSOC ELECTRICS AND CONTROLS (1) HALSTROM FIBREFLOW GROUNDWOOD CLEANING SYSTEM, 4 STAGES INCLUDING: -3 BANKS OF 156 PRIMARY CENTRICLEANERS, SIZE 6" DIA, FIBERGLASS CONSTRUCTION -2 BANKS OF 92 SECONDARY CENTRICLEANERS, SIZE 6" DIA, FIBERGLASS CONSTRUCTION -1 BAND OF 16 TERTIARY CENTRICLEANERS, 6" DIA, FIBERGLASS CONSTRUCTION -1 BANK OF 4 QUATERNARY CENTRICLEANERS, 6" DIA, FIBERGLASS CONSTRUCTION -1 FIBER RECOVERY CENTRICLEANER, 6" DIA, FIBERGLASS CONSTRUCTION INCLUDING SUPPORTING SS TROUGH, SS PIPING, CIRC PUMPS WITH RELATED SUPPORTING EQUIPMENT AND ELECTRICS, 2 ZINTAGE SCREENS GROUNDWOOD PULP PROCESSING SYSTEM INCLUDING: (1) HOR. SS CENT PULP SCREEN, HEAD FEED TUBE, SIZE 48" DIA X 50' LONG ON SUPPORTING STEEL STAND (2) HYDRAULIC MACHINERY CO, LTD, CENT PULP SCREENS, MDL #243, SIZE 36" DIA X 36" FACE, SS FILLINGS, V B.D. MOTOR 75/900 (4) HYDRAULIC MACHINERY CO, LTD, CENT PULP SCREENS, TUPE 330, SIZE 42" DIA X 42" FACE, ON REINFORCED CONCRETE SLAB, V B.D. MOTOR 100/900 WITH RELATED ATTACHMENT AND ELECTRICS

3 1 INDUSTRIAL DESIGN & MACHINERY CORP BLEACH CHEMICAL PREP SYSTEM, 2003, INCLUDING: SUPPORTING STRUCTURAL STEEL STAND AND INSTRUMENT CONTROL PANEL AND C/O SS FEED HOPPER WITH FEEDER AND STEEL SUPPORTING ATTACHMENT WITH MOTOR AND GEAR REDUCER SS MIX TANK ON SUPPORTING STAND WITH PORT MIXER AND MOTOR (2) GOULDS CENT SGL. SUCTION PUMPS, SIZE 3X1.5 AND MOTOR 5/1800, SS FILTER TRANSMITTERS, PIPING AND INSTRUMENT CONTROLS

4 1 COLOR MIX AND DISTRIBUTION SYSTEM, 2003, INCLUDING: SUPPORTING STRUCTURAL STEEL PLATFORM, WALKWAY, GUARD RAIL, STAIRS AND CONTROL PANEL AND C/O (2) VERT POLY SUPPLY TANKS, SIZE 48" DIA X 66" HIGH ON SUPPORTING STEEL STAND WITH PORT MIXER AND MOTOR, 2 AHLSTROM PRIMARY SCREENS MODEL MODUSCREEN F4 W/200 HP GE DC MOTORS

5 1 COLOR MIX AND DISTRIBUTION TOTE SYSTEM, INCLUDING: (3) RONNINGEN-PETTER SS FILTERS WITH SS PIPING ON SUPPORTING STEEL STAND (9) PUMPS WITH CIRC ATTACHMENT AND FRACT HP MOTOR (2) PUMPS, MDL # 766, 108GPH WITH RELATED ATTACHMENT AND MOTOR 2/1800

PARCEL 6 (Continued)
WOODROOM AND GROUNDWOOD MILL EQUIPMENT

Item	Qty.	Description
6	1	NATIONAL STARCH & CHEMICAL COPR MIXING SYSTEM INCLUDING: SUPPORTING PIPING, INSTRUMENTATION AND CONTROLS C/O SS FEED HOPPER 48" X 48" X 48" ON SUPPORTING STRUCTURAL STEEL STAND WITH INCLINED OUTFEED SCREW CONVEYOR, 9" DIA X 6' LONG GEAR REDUCER AND MOTOR, SS MIX TANK, SIZE 60" DIA X 8' HIGH ON SUPPORTING STEEL STAND WITH PORT MIXER AND MOTOR 3/1800 (1) GOULDS CENT SGL. SUCTION PUMP, SIZE 3 X 2 AND MOTOR 15/1800, INSTRUMENT PANEL WITH RECORDERS AND CONTROLS
7	1	CANBAR VERT FIBERGLASS CHEMICAL STORAGE TANK, SIZE 8' DIA X 10' HIGH ON REINFORCED CONCRETE SLAB AND INCLUDING: (2) KLOCKNER-MOELLER CHEMICAL MIXER, SS POWDER DISSOLVING TANKS, MIXER AND MOTOR, CIRC PUMP AND MOTOR, FILTERING SYSTEM W/ SS PIPING FILTERS, CIRCULATORS, ALL ON SUPPORTING STRUCTURAL STEEL STAND WITH INSTRUMENT RECORDERS, ELECTRICS AND CONTROLS
8	1	VERT SS CENTRI CLEANER FEED TANK, SIZE 90" DIA X 99" HGIH ON REINFORCED CONCRETE SLAB AND INCLUDING: (1) ALLIS CHALMERS CENT SGL SUCTION PUMP, SIZE 8 X 6-17 AND MOTOR 150/1800, 2300V (1) WORTHINGTON CENT SGL SUCTION PUMP, SIZE 10 X 8 WITH MOTOR 250/1800
9	1	VERT SS CLOUDY DISC FILTER WHITE WATER STORAGE TANK, SIZE 64" X 122" X 121" HIGH O.A. DIM ON SUPPORTING STAND ON REINFORCED CONCRETE SLAB AND INCLUDING: (1) CANADA PUMP LTD CENT SGL SUCTION PUMP, SIZE 6 X 4 AND MOTOR 20/1800
10	1	SS SCREEN WATER STORAGE TANK, SIZE 8 X 6 X 5' HIGH O.A. DIM, ON REINFORCED CONCRETE SLAB AND INCLUDING: (1) JOHNSON VIBRATORY KNOTTER DISPOSAL SCREEN, MDL # 24, SIZE 6' X 4', SS ON SPRING LOADED BASE WITH GEAR REDUCER AND MOTOR (1) ALLIS CHALMERS CENT SGL SUCTION PUMP, SIZE 6 X 4 AND MOTOR 401/1800
11	1	KRAFT PULP REFINING SYSTEM INCLUDING INSTRUMENTATION AND CONTROLS AND C/O: (3) SPROUT WALDRON & BAUER KRAFT PULP REFINERS, MDL 34EM-111, SIZE 34" DIA, INCLUDING PULP FEEDER WITH DRIVE ARR, OIL CIRC AND LUBRICATION SYSTEM, INDUCTION DRIVE MOTOR 800/600, 2300V WITH INSTRUMENTATION AND CONTROLS (1) SPROUT WALDRON & BAUER KRAFT PULP REFINER, MDL # R26DM, SIZE 26" DIA WITH PULP FEEDERS AND RELATED ASSOC EQUIPMENT, OIL LUBIRCATION AND CIRC SYSTEM WITH INDUCTION DRIVE MOTOR 600/700, 2300V, INSTRUMENTATION AND CONTROLS

12 1 PURCHASED KRAFT PULP HANDLING AND CONVEYING SYSTEM INCLUDING INSTRUMENTATION AND CONTROLS AND C/O: (1) HORIZ CONTINUOUS LIVE ROLLER INFEED PULP CONVEYOR, SIZE 30" X 16" ON CENTER ON STEEL FRAME SUPPORTS, SIDE GUARD, CHAIN DRIVE AND ELECTRICS (1) MEASUREX PULPING PROCESS CONTROL COMPUTER SYSTEM, MDL # VISION 2002, INCLUDING CONTROL MONITOR, RELATED INSTRUMENT PANEL AND ASSOC ELECTRICS (1) HOR CONTINUOUS LIVE ROLLER PULP BALE TILTER, SIZE 42" X 40" CAP INCLUDING HYDR LIFT ATTACHMENT, CHAIN DRIVE, GEAR REDUCER AND MOTOR (1) HOR FLAT ROLLER BED INFEED PULPER CONVEYOR, SIZE 36" X 10' ON CENTER, ON STEEL FRAME SUPPORT, CHAIN DRIVE, GEAR REDUCER AND MOTOR 2/1800 (1) LIVE CONTINUOUS CROSS OVER PULP BALE CONVEYOR, SIZE 40" X 36" WIDE, STEEL FRAME SUPPORT, CHAIN DRIVE AND MOTOR (1) INCLINED FLAT ROLLER BELT PULP DUMPING CONVEYOR, SIZE 30" X 15" ON CENTER, STEEL FRAME STRUCTURAL SUPPORT, GEAR REDUCER AND MOTOR (1) FOXBORO INSTRUMENT CONTROL PANEL, 1 SECTION, 5 INSTRUMENT RECORDERS WITH MISC INSTRUMENTATION, P B. CONSOLE CONTROL PANEL AND RELATED ELECTRICS

13 1 BLACK CLAWSON KRAFT PULP HYDRA PULPER, MDL # 14'8CV, SS TUB ON SUPPORTING STAND WITH V B.D. VERT MOTOR 300/900, 2300V, AIR COOLED WITH DUCTWORK, BLOWER AND RELATED ELECTRICS (1) WORTHINGTON KRAFT PULPER CENT SGL SUCTION PUMP, SIZE 6 X 4, MOTOR 40/1200

14 1 KRAFT PULPING SYSTEM INCLUDING: (1) CANADA PUMP LTD KRAFT STORAGE CHEST, CENT SUCTION PUMP, SIZE 12 X 10, MOTOR 60/1200 (1) WORTHINGTON CENT SGL SUCTION REFINED KRAFT CHEST, CENT PUMP, MDL # 3FRBH-141, SIZE 6 X 3 AND MOTOR 40/1800 (2) CANADA PUMP LTD CENT SGL SUCTION PUMPS, SIZE 6 X 10CPL WITH MOTOR 60/1200

15 1 PULP PUMPING SYSTEM INCLUDING: (1) WORTHINGTON CENT SGL SUCTION PUMP, MDL #4RBH-182, SIZE 8 X 4 AND MOTOR 50/1200 (1) WORTHINGTON DBL SUCTION CENT PUMP, SIZE 8 X 6 AND MOTOR 250/1800, 2300V (1) WORTHINGTON CENT SGL SUCTION PUMP, SIZE 6 X 4 AND MOTOR 40/1800

PARCEL 6 (Continued)
WOODROOM AND GROUNDWOOD MILL EQUIPMENT

Ite m	Qt y.	Description
16	1	WATEROUS PULPWOOD GRINDING INSTALLATION INCLUDING WALKWAYS, STRUCTURAL STEEL FRAME SUPPORT AND C/O: (2) WATEROUS PULPWOOD POCKET GRINDERS, SIZE 48", WITH STONE 67" DIA X 48" FACE INCLUDING 3 ELEC LOAD GOVERNORS, WATTMETER TYPE, MISC ACCESSORY EQUIPMENT AND INCLUDING: -(3) CANADIAN GE SYN DRIVE MOTORS, 3 PHASE, 60 HERTZ, 100%P F, 800HP, 300RPM, 6150KVA, 11,500V WITH RELATED ACCESSORY EQUIPMENT
17	1	GRINDER WATER SUPPLY SYSTEM INCLUDING PIPING, GAGES, AND C/O: (1) STEEL WATER STORAGE TANK 6' X 12' X 5' HGIH, O.A. DIM ON REINFORCED CONCRETE SLAB (3) CANADA PUMPS LTD CENT SGL SUCTION PUMPS, SIZE 4 X 3, 3 STAGE AND INCLUDING COMMON DRIVE MOTOR 125/3600 (1) WORTHINGTON CENT SGL SUCTION PUMP, SIZE 4 X 310 AND MOTOR 100/3600 (3) CANADA PUMP LTD CENT SGL SUCTION PUMPS, SIZE 4 X 3, 3 STAGE WITH COMMON DRIVE MOTOR 125/3600 (1) WORTHINGTON CENT SGL SUCTION PUMP, SIZE 2 X 1.5, MOTOR 50/3600 (1) VERT STEEL AIR RECEIVING TANK, SIZE 7' DIA X 13' HIGH ON SUPPORTING STEEL STAND
18	1	AIR SUPPLY SYSTEM INCLUDING PIPING, GAUGES, AND C/O: (2) VERT STEEL AIR RECEIVING TANKS, SIZE 48" DIA X 8' HGIH ON SUPPORTING STEEL STAND (1) QUINCY BASE MOUNTED AIR COMPRESSOR WITH V B.D. MOTOR 3/1800 (1) VERT STEEL AIR TANK, 30" DIA X 60" HIGH ON SUPPORTING STEEL STAND (1) INGERSOLL-RAND TANK MOUNTED AIR COMPRESSOR, TYPE 30 WITH V D.B MOTOR 5/1800
19	1	TAMPELLA PULP LOG GRINDING INSTALLATION INCLUDING INSTRUMENTATION AND CONTROLS AND C/O: (1) INCLINED AND HOR SPIKED ROLLER LOG INFEED CONVEYOR, REVERSING TUPE, 28 ROLLS, 12" DIA X 36" WIDE ROLLS, STEEL APRON SIDES, STEEL FRAME SUPPORT WITH GEAR REDUCER, CHAIN DRIVE AND MOTORS (1) RAUMA-REPOLA CORNER DRUM, SIZE 72" DIA X 54" FACE, STRUCTURAL STEEL STAND WITH DRIVE MOTOR (2) FLAT HOR ROLLER BELT LOG GRINDER INFEED CONVEYORS, SIZE 48" X 12' ON CENTER AND 48" X 15' ON CENTER, STEEL APRON TYPE, STEEL FRAME STRUCTURAL SUPPORT, GEAR REDUCERS AND MOTORS (1) HOR STEEL LOG CONVEYOR WATER TROUGH TO GRINDERS, SIZE 54" WIDE X 24" DEEP X APPROX 60' SUPPORTING STRUCTURAL STEEL STAND WITH WALKWAY AND GUARD RAILS (1) LOG GRINDING CONTROL TOWER WITH P B. SWITCHES, MONITORS, INSTRUMENTATION AND ELECTRICAL CONTROLS (1) INCLINED SGL CHAIN YARD PILE LOG CONVEYOR, SIZE 75' ON CENTER, STEEL APRON SIDES, STEEL FRAME SUPPORT, CHAIN DRIVE, GEAR REDUCER AND MOTOR (1) INCLINED

SGL CHAIN LOG REJECT CHAIN CONVEYOR, SIZE 65' ON CENTER, STEEL FRAME SUPPORT, GEAR REDUCER AND MOTOR (1) INCLINED SGL CHAIN LOG RETURN CONVEYOR, SIZE 110' ON CNETER, STEEL FRAME SUPPORTS WITH GEAR REDUCER, MOTOR 15/1800 (2) TAMPELLA HYDR PULP LOG MAGAZINE GRINDERS, MDL #54, SIZE 54" DIA X 54" FACE INCLUDING ELEC LOAD GOVERNOR, WATTMETER TYPE, MISC ASSESORY EQUIPMENT C/O: -(1) ELEC SYN DRIVE MOTOR 1300HP, 300RPM, 12,000V, RELATED INSTRUMENTATION AND CONTROLS (1) TAMPELLA HYDR LOG MAGAZINE GRINDERS, MDL #54, SIZE 67" DIA X 54" FACE INCLUDING ELEC LOAD GOVERNORS, MISC ACCESSORY EQUIPMENT AND INSTRUMENTATION AND C/O SYN DRIVE MOTOR 14,000/300

20 1 GROUNDWOOD SCREENING, TAILING COLLECTION, SHREDDING AND DISPOSAL SYSTEM INCLUDING: INSTRUMENTATION AND CONTROLS AND C/O: (3) ALLIS CHALMERS ROTARY BULL SCREENS, SIZE 5' DIA X 14' FACE, NO 3 MESH WITH STEEL ENCLOSURES, CHIAN DRIVE, GEAR REDUCER AND MOTOR 7.5/1800, FLOW TANK, RELATED OVERHEAD HOOD AND MISC ATTACHMENT (1) VERT CENT SGL SUCTION PUMP, SIZE 6 WITH VERT MOTOR 7.5/900 (1) REINFORCED CONCRETE GROUNDWOOD PULP STORAGE CHEST , TILE LINED INSIDE, SIZE 24 X 27 X 12' HIGH O.A. DIM ON REINFORCED CONCRETE SLAB AND INCLUDING 2 LIGHTNIN HOR SIDE ENTERING AGITATORS, 3" DIA SHAFT, V B.D. MOTOR 15/1200, 2 ALLIS CHALMERS VERT CENT GROUNDWOOD PULP PUMPS, TUPE SSOR-V, SIZE 12 X 10, 5000 US GPM, 72' HEAD, E/W VERT MOTORS 300/1200, 2300V, 1 BABCOCK & WILCOX HOR CENT PUMP SIZE 12 X 10 WITH VERT MOTORS 150/900 (1) INCLINDED SGL CHAIN BULL SCREEN TAILINGS REJECT DRAG FEED CONVEYOR, SIZE 50' ON CENTER, STEEL FRAME SUPPORT, STEEL APRON PIPE IN PART, GEAR REDUCER AND MOTOR (1) JEFFREY GROUNDWOOD TAILINGS SHREDDER, SIZE 36" X 24", MDL B-3, 8 TONS PER DAY WITH DIRECT CONN MOTOR 250/300-1200 (1) HAMMERMILL DRESSER CONSTRUCTION AND MINING EQUIPMENT, NO 2 GROUNDWOOD TAILINGS SHREDDER, MDL #65R, SIZE 55" DIA X 45" FACE INCLUDING STEEL FEED HOPPER ABOVE, STEEL GRID PLATFORM, DRIVE MOTOR 300/500, 2300/4160V, RELATED SUPPORTING EQUIPMENT AND ELECTRICS

PARCEL 6 (Continued)
WOODROOM AND GROUNDWOOD MILL EQUIPMENT

Item	Qty.	Description
21	1	PULP THICKENING AND STORAGE FACILITY INCLUDING INSTRUMENTATION AND CONTROLS C/O: (2) DORR-OLIVER-LONG DISC THICKENERS (FILTER) SIZE 12' DIA X 30 DISCS, SS TUB, SS HOOD, SHOWER ATTACHMENT WITH AGITATOR, REDUCER COUPLING AND MAIN DRIVE MOTOR 30/1200 (1) STEBBINS CONCRETE BLOCK TILE LINED MEDIUM DENSITY STOCK STORAGE CHEST, SIZE 38" DIA/24" DIA X 56' HIGH ON REINFORCED CONCRETE SLAB, IRREGULARLY SHAPED AND INCLUDING: -(1) LIGHTNIN SIDE ENTERING AGITATOR, MDL # 4VS-75, SIZE 4" DIA SHAFT, V B.D. MOTOR 75/1800 -(1) WORTHINGTON CENT SGL SUCTION PUMP, SIZE 10 X 6 AND MOTOR 100/1200 -(1) ALLIS CHALMERS CENT SGL SUCTION PUMP, SIZE 16 X 8 AND MOTOR 50/1200 (1) CANADIAN STEBBINS VERT CONCRETE BLOCK LOW DENSITY STORAGE TANK, TILE LINED INSIDE, 40' DIA X 6' HIGH ON REINFORCED CONCRETE SLAB, STRAIGHT SIDES AND INCLUDING: -(1) LIGHTNIN SIDE ENTERING AGITATOR, MDL # 4VS-100, SIZE 4' DIA SHAFT, V B.D. MOTOR 100/1800 -(1) WORTHINGTON CENT SGL SUCTION PUMP, SIZE 8 X 4 WITH MOTOR 60/1200 -(1) WORTHINGTON CENT SGL SUCTION PUMP, SIZE 10 X 6 AND MOTOR 40/1200

PARCEL 7
WRAP LINE

Ite m	Qt y.	Description
1	1	VALMET ROLL HANDLING SYSTEM INCLUDING: (2) ROLL STOPS AT WINDER #7 (5) TURN TABLES (14) SLAT CONVEYORS TOTALLING 480' (2) ROLL KICKERS AT WINDER #8 (1) ROLL ELEVATOR (1) UPENDER (1) WEIGH CONVEYOR
2	1	VALMET WRAPLINE SYSTEM, ALLEN BRADLEY COMPUTER CONTROLS, 2 PAPER UNWIND STANDS, LABEL PRINTER, METTLER TOLEDO DIGITAL SCALE, MAX ROLL WIDTH 146", MAX ROLL DIA 60", MAX ROLL WEIGHT 18,214 LBS

PARCEL 8
MISCELLANEOUS STORES OF SPARE PARTS

Item	Qty.	Description
1		MISCELLANEOUS STORES OF SPARE PARTS AND RELATED EQUIPMENT INCLUDED WITH STOCK AND SUPPLIES.

PARCEL 9
MISCELLANEOUS EQUIPMENT

Item	Qty.	Description
1	1	TOS ENGINE LATHE 20" SWING x 72" BED LENGTH, MODEL SN50C
2	1	MYSORE - KIRLOSKAR LTD. (INDIA) GEAR HEAD ENTERPRISE ENGINE LATHE, MDL # EP2215, SIZE 300GT, 40" SWING, 150" BED CAP INCLUDING CHIP PAN, COOLANT AND ELECTRICS
3	1	TOS GEAR HEAD ENGINE LATHE, SIZE 20" SWING X 80" ON CENTER INCLUDING CHIP PAN, TAPER AND MOTOR, MODEL 630N
4	1	FEXEC UNIVERSAL MILLING MACHINE, SIZE 14" X 71" TABLE, AUTO CYCLE ATTACHMENT, COOLANT, RELATED SUPPORTING EQUIPMENT AND ELECTRICS
5	1	BAKER BROS. KEYSEATER, SIZE 30" X 36" GEARED DRIVE, V B. D. MOTOR 3/1800
6	1	MODERN GEAR HEAD ENGINE LATHE, SIZE 30" SWING X 60" ON CENTER INCLUDING CHIP PAN, TAPER, COOLANT AND ELECTRICS, MODEL 6251X1500
7	1	ROBAX KEYSEATER, MDL # S64, SIZE 24" X 24" TABLE, V B. D. MOTOR
8	1	ROCKFORD MACHINE & TOOL CO HYDR. PLAIN CRANK SHAPER, SIZE 24" STRAIGHT INCLUDING POWER DOWN FEED ATTACHMENT WITH RELATED ATTACHMENT AND MOTOR 7.5/1200
9	1	KALAMAZOO HORIZ BAND SAW, MDL # 13AW, INCLUDING COOLANT, STOCK TABLE AND ELECTRICS
10	1	SAFOP (ITALY) GEAR HEAD ENGINE LATHE, MDL # LEONARD - 30/360, 24" SWING, HARDENED BED WAYS WITH RELATED ATTACHMENT
11	1	LANDIS PIPE THREADER, SIZE 1.5" CAP INCLUDING COOLANT, RELATED ATTACHMENT AND ELECTRICS
12	1	PROGRESS UPRIGHT DRILL PRESS, MDL # 5E, INCLUDING COOLANT DISTRIBUTION SYSTEM WITH MOTOR 1.5/188, PROD. TYPE TABLE AND RELATED ATTACHMENT
13	1	SORALUCE RADIAL DRILL PRESS, MDL # TR1-1600, SIZE 13" DIA COLUMN, 5.5' ARM, STANDARD BASE, PLAIN TABLE, ELEC. CLAMPED COLUMN, COOLANT AND RELATED ELECTRICS
14	1	PEARSON POWER SHEAR, MDL # 00'X .375, 3/8", MILD STEEL CAP, 1/4" SS CAP, 10' BED, FRONT GAUGE ATTACHMENT, COUNTER ATTACHMENT, ASSOC EQUIPMENT AND ELECTRICS
15	1	PEDDINGHAUS UNIVERSAL IRONWORKER, TYPE 210/13, RELATED ATTACHMENT AND ELECTRICS

Item	Qty.	Description
16	1	PULLMAX DEEP THROAT CIRC. CUTTING SHEAR, TYPE P5, RELATED ATTACHMENT AND ELECTRICS
17	1	MISC. UNLISTED SMALL MAINTENANCE EQUIPMENT, INCLUDING BAXTER BANDSAW, MORRISON KEYSEATER, RIGID PIPETHREADER, STRANDS DRILL PRESS, KALAMAZOO CUT OFF SAW, CUSTOM 100 TON H FRAME SHOP PRESS
18	1	MISC. UNLISTED WELDERS AND RELATED ATTACHMENT
19	1	STORE ROOM TESTING APPARATUS, STOOLS AND WORKBENCHES
20	1	LANDIS PIPE THREADING LATHE, TYPE 2-4" CAP INCLUDING COOLANT SYSTEM, RELATED ATTACHMENT AND MOTOR 5/1800
21	1	LANDIS SGL. BOLT THREADER, SIZE 1-2" CAP INCLUDING COOLAND SYSTEM AND M.I.B.
22	1	BROWN BOGGS ROLL FORMER, MDL #81, SIZE 5" DIA X 49" FACE ROLLS, V B.D. MOTOR 5/1800
23	1	BROWN BOGGS ROLL FORMING SET, SIZE 2" DIA X 40" FACE ROLL, HAND OPER ON ANGLE IRON STAND WITH RELATED ATTACHMENT
24	1	BROWN BOGGS STEEL BENDING HAND BRAKE, 96" WIDE, HAND OPERATED ON C.I. FRAME
25	1	RANSOME CIRC. WOOD CUTTING SAW, SIZE 18" DIA BLADE, STOCK FEED TABLE AND MOTOR
26	1	WADKIN VERT WOOD CUTTING BAND SAW, SZIE 36" THROAT, C.I. FRAME WITH V B.D. MOTOR 5/1800
27	1	BERTRAM MACHINERY CO ROLL GRINDING LATHE, SIZE 48" SWING X 24' ON CENTER, 1 HEAD, 36' LONG BED WITH RELATED SUPPORTING DUST COLLECTION HOPPER WITH CABINET, ASSOC EQUIPMENT AND ELECTRICS, OLDER 1940'S
28	1	HANCHETT KNIFE GRINDER, MDL # SK24 WITH COLLANT AND ELECTRICS

Item	Qty.	Description
29	1	SET OF CORE MACHINES INCLUDING: (1) MONTAGUE MACHINE CO CORE STRETCHER, SIZE 4" DIA AND ELECTRICS (1) BERLIN FOUNDRY CORE NOTCHER, SIZE 3/4" X 3/4" M.I.B. (1) BERLIN FOUNDRY HYDR CORE AND METAL FASTENER, SIZE 4" DIA AND ELECTRICS (1) MONTAGUE CORE AND METAL SQUEEZER, SIZE 4" DIA AND ELECTRICS (1) MONTAGUE CORE SQUEEZER, 4: DIA AND RELATED ELECTRICS (1) BERLIN FOUNDRY CORE NOTCHER, SIZE 1 7/8" X 1 7/8" AND M.I.B. (1) SONOCO CIRC CORE SAW, MDL 98-32, SIZE 80" DIA WITH MOTOR 5/3600 INCLUDING PROVAC DUST COLLECTOR (1) BUFFALO FORGE EXHAUSTER BLOWER, SIZE 36" DIA, V B.D. MOTOR 15/1800 (1) UPTON MFG CORE TUBE CUTTER, 3" DIA CAP, MDL # S1010 AND RELATED ELECTRICS
30	1	VERT SS FIELD WELDED STORAGE TANK, SIZE 15' DIA X 16' HIGH ON REINFORCED CONCRETE PLATFORM AND INCLUDING: (1) CANADA PUMP CENT SGL SUCTION PUMP, SIZE 2.5 X 1 AND MOTOR 30/3600 (1) CHEMICAL FEED PUMP WITH FRACT HP MOTOR
31		HANCHETT KNIFE GRINDER TYPE MECGK SIZE 112" CAP, 16" DIA GRINDING WHEEL, MOTOR 7.5/1800
32	1	TRUCK SCALES
33	2	GE RAILWAY SHINT LOCOMOTIVE, MDL # BB-160/160, 80 TONS CAP, DIESEL OPER
34		MISC UNLISTED SMALL EQUIPMENT, INCLUDING EQUIPMENT STORED AT A LEASED WAREHOUSE (SUPERIOR INDUSTRIAL SERVICES, 1231 PEOPLES ROAD, SSM)
35		MISC SWITCHGEARS AND MCC PANELS INCLUDING POWER WIRING
36	1	1999 FORD CONTOUR

PARCEL 10
REAL PROPERTY AND ATTACHED EQUIPMENT

REAL PROPERTY

Highlights of the real property are as follows:

Location		75 Huron Street, Sault Ste-Marie, Ontario
Assessor's Parcel Number		57-61-040-031-107 (Plant) 57-61-040-031-104 (Parking)
Highest and Best Use		
As Though Vacant		Industrial and Commercial
As Improved		Large Manufacturing Plant
Land Area		
Parking		1.07 AC
Main Site - Office Pad		0.50 AC
Westerly Storage Land		2.19 AC
Main Site - Manufacturing Facility		34.74 AC
Sub-Total		38.49 AC
Improvements Summary		
Number of Buildings		4
Number of Stories		1 to 4
Gross Building Area	(Approximate)	
	Ground Floor	323,119 SF
	Basement Floor Area	190,998 SF
	Above Floor Area	572,370 SF
Office Area		45,000 SF (7.9% of Total)
Clear Height		25.0 FT

ATTACHED EQUIPMENT

Item	Qty.	Description
1	1	SHAW-BOX OVERHEAD DBL BEAM TOP RIDING TROLLEY CRANE, 30' SPAN, 25 TONS CAP, P B. F C. INCLUDING ELECTRICS AND SUPPORTING EQUIPMENT
2	2	STEBBINS VERT CONCRETE BLOCK LOW AND MEDIUM DENSITY TYPE STORAGE TANKS, SIZE 40' DIA X 41' HIGH, 395,000 GALS CAP, TILED INSIDE ON REINFORCED CONCRETE SLAB INCLUDING: (1) LIGHTNIN SIDE ENTERING AGITATOR, MDL # 4-VS-75, SIZE 4" DIA SHAFT, V B.D.

AND MOTOR 75/1800, (1) WORTHINGTON CENT SGL. SUCTION PUMP, SIZE 8 X 4, MOTOR 50/1200, (1) WORTHINGTON CENT SGL. SUCTION PUMP, SIZE 8 X 6 AND MOTOR 100/1800, (1) WORTHINGTON CENT. SGL. SUCTION PUMP, SIZE 10 X 8 AND MOTOR 50/1200

3	1	STEBBINS VERT CONCRETE BLOCK HIGH DENSITY STOCK STORAGE TANK, SIZE 20' DIA X 40' DIA X 73' HIGH, REINFORCED CONCRETE SLAB, IRREGULARLY SHAPED AND TILE INSIDE INCLUDING: (1) LIGHTNIN SIDE ENTERING AGITATOR, MDL # 43-VS-65, SIZE 3.5" DIA SHAFT, V B.D. MOTOR 60/1800, (1) WORTHINGTON CENT SGL. SUCTION PUMP, SIZE 10 X 6, MOTOR 125/1200

PARCEL 10 (Continued)
REAL PROPERTY AND ATTACHED EQUIPMENT

Item	Qty.	Description
4	1	(1) REINFORCED CONCRETE LATENCY CHEST, SIZE 168'X9'X8' HIGH O.A. DIM. ON REINFORCED CONCRETE AND C/O 1 CANADA PUMP LTD, DBL SUCTION CENT PUMP, SIZE 10X8 AND MOTOR 40/1800 (1) ALLIS CHALMERS CENT SGL. SUCTION PUMP, SIZE 12X10 AND MOTOR 125/1800 (1) SS STEEL STOCK FLOW THROUGH, SIZE 96'X2'X4' HIGH O.A. DIA ON REINFORCED CONCRETE SLAB (1) BAUER REJECT REFINER, MDL #900 SIZE 30" DIA, SGL DISC INCLUDING PULP FEEDER, OIL LUBRICATION SYSTEM WITH CIRC PUMP AND MOTOR, MAIN DRIVE MOTOR 600/700, 2300V, P B.C. WITH INSTRUMENT RECORDER MEASUREX COMPUTER PROCESS CONTROL SYSTEM, MDL # VISION 2002, 1984, INCLUDING (2) MONITORS, P B. SWITCHES, COMPUTER CONTROL PANELS, RELATED INSTRUMENTATION AND ASSOC ELECTRICS
5	1	PLANT EFFLUENT DISPOSAL AND PUMPING SYSTEM INCLUDING: (1) BULL SCREEN, SIZE 72' WIDE X APPROX 30' ON CENTER, DBL CHAIN WITH FLIGHT SCRAPER, B.D. GEAR REDUCER AND MOTOR 2/1800 INCLUDING REINFORCED CONCRETE WATER COLLECTION PIT, SIZE 20 X 20 X 6' HIGH D.A. DIM (2) ALLIS CHALMERS HOR DBL SUCTION CENT PUMPS, SIZE 16 X 12 WITH MOTORS 400/1200, 2300V INCLUDING INSTRUMENT CONTROL PANELS WITH INSTRUMENT RECORDER AND ASSOC ELECTRICS
6	1	TILED GROUNDWOOD TAILINGS LATENCY STORAGE CHEST, SIZE 36 X 18 X 13' HIGH O.A. DIM, 3" THICK WOOD COVER ON REINFORCED CONCRETE SLAB AND INCLUDING: (1) FLECK SIDE ENTERING AGITATOR, SIZE 18" DIA PROPELLER, 3.25" SHAFT WITH GEAR REDUCER AND MOTOR 75/1800 (1) WORTHINGTON CENT SGL SUCTION PUMP, SIZE 8 X 6 AND MOTOR 60/1200 (2) WORTHINGTON & WILCOX CENT SGL SUCTION PUMPS, MDL # 12FRBH234, SIZE 12 X 12 AND MOTORS 250/1200, 2300V
7	1	TILED GROUNDWOOD PULP STORAGE CHEST, SIZE 35 X 18 X 14' HIGH ON REINFORCED CONCRETE SLAB WITH 3" THICK WOOD COVERING AND INCLUDING: (1) ALLIS CHALMERS CENT SGL SUCTION PUMP, SIZE 8 X 8 WITH MOTOR 250/1800, 2300V (1) WORTHINGTON CENT SGL SUCTION PUMP, MDL # 12FRBH-234, SIZE 14 X 12 WITH MOTOR 300/1200, 2300V
8	1	TILE GOUNDWOOD TAILINGS STORAGE TANK, SIZE 14' DIA X 14.5' HIGH ON REINFORCED CONCRETE SLAB AND INCLUDING: (1) LIGHTNIN SIDE ENTERING AGITATOR, MDL # 2VS-30, SIZE 2.25" DIA SHAFT, V B.D. MOTOR 30/1800 (1) CANADA PUMP LTD CENT SGL

SUCTION PUMP, SIZE 8 X 6 AND MOTOR 60/1800 (1) CANADA PUMP LTD CENT SGL SUCTION PUMP, SIZE 12 X 8 AND MOTOR 50/1200

9 1 VERT TILED PULP STORAGE TANK, SIZE 12' DIA X 12.5' HIGH ON VERT TILED PULP STORAGE TANK, REINFORCED CONCRETE SLAB AND INCLUDING: (1) LIGHTNIN SIDE ENTERING AGITATOR, MDL # 2VS-20, SIZE 2.75" DIA SHAFT, V B.D. MOTOR 30/1200 (1) CANADA PUMP CENT SGL SUCTION PUMP, SIZE 10 X 6 AND MOTOR 60/1200

10 2 VERT TILED PULP STORAGE CHEST, SIZE 12' DIA X 12.5' HIGH ON REINFORCED CONCRETE SLAB AND INCLUDING: (1) LIGHTNIN SIDE ENTERING AGITATOR, SIZE 3" DIA SHAFT V B.D. MOTOR 30/1800 (1) CANADA PUMP LTD CENT SGL SUCTION PUMP, SIZE 10 X 6 AND MOTOR 50/1800 (1) ALLIS CHALMERS CENT SGL SUCTION PUMP, SIZE 8 X 4-17 AND MOTOR 75/1800

11 1 REINFORCED CONCRETE DECKER AND SCREEN PULP STORAGE CHEST, SIZE 10' X 20' X 18' HIGH O.A. DIM, REINFORCED CONCRETE DECKER AND SCREEN PULP 2 SECTIONS ON REINFORCED CONCRETE SLAB AND INCLUDING: (1) FLECK SIDE ENTERING AGITATOR, SIZE 4" DIA SHAFT, GEAR REDUCER AND MOTOR 30/1200 (1) WORTHINGTON CENT SGL SUCTION PUMP, MDL # 3FRBH-141, SIZE 6 X 3 AND MOTOR 25/1800 (1) WORTHINGTON CENT SGL SUCTION PUMP, MDL # 6FRBH-183, SIZE 8 X 6 AND MOTOR 60/1200 (1) WORTHINGTON CENT SGL SUCTION PUMP, MDL # 10FRBH-182, SIZE 12 X 10 AND MOTOR 200/1200 (1) GOULDS DBL SUCTION CENT PUMP, MDL# 3420, SIZE 20 X 24-28, 19,776GPM, 163' HEAD WITH MOTOR 1000/900, 2300V (1) CANADA PUMP LTD CENT SGL SUCTION PUMP, MDL # 8BS, SIZE 8 X 6, 2500GPM, 6' HEAD WITH MOTOR 75/1200 (1) ALLIS CHALMERS CENT SGL SUCTION PUMP, SIZE 8 X 6-21 AND MOTOR 125/1800

12 1 VERT TILED GROUNDWOOD PULP STORAGE CHEST, SIZE 10' DIA X 12.5' HIGH ON REINFORCED CONCRETE SLAB AND INCLUDING: (1) LIGHTNIN SIDE ENTERING AGITATOR, MDL # 2VS-30, 2.25" DIA SHAFT, V B.D. MOTOR 30/1800 (1) CANADA PUMP LTD CENT SGL SUCTION PUMP SIZE 6 X 4 AND MOTOR 50/1800

13 2 VERT TILED CLAY STORAGE CHESTS, SIZE 12' DIA X 14.5' HIGH ON REINFORCED CONCRETE SLAB AND INCLUDING: (1) LIGHTNIN SIDE ENTERING AGITATOR, MDL # 2VS-30, SIZE 2.75" DIA SHAFT, V B.D. AND MOTOR 30/1800 (6) ROBBINS & MEYERS MOYNO PUMPS, TYPE CDQ, # 3L6, 3 X 2" WITH MOTORS 3/1800 AND 2 MOTORS 7.5/1800, RELATED SUPPORTING SS PIPING AND ATTACHMENTS

PARCEL 10 (Continued)
REAL PROPERTY AND ATTACHED EQUIPMENT

Item	Qty.	Description
14	1	VERT TILED #4 PAPER MACHINE SHOWER WATER STORAGE TANK, SIZE 20 X 6 X 12' HIGH O.A. DIM, ON REINFORCED CONCRETE SLAB AND INCLUDING: (2) GOULDS CENT SGL SUCTUION PUMPS, SIZE 4 X 3 WITH MOTORS 75/2600 AND 30/3600
15	1	VERT TILED STARCH STORAGE CHEST, SIZE 10' DIA X 12' HIGH ON REINFORCED CONCRETE SLAB INCLUDING: (1) LIGHTNIN SIDE ENTERING AGITATOR, MDL # 2VS-30, SIZE 2.75" DIA SHAFT, V D.B. MOTOR 30/1800 (2) GOULDS CENT SGL SUCTION PUMPS, SIZE 1.5 X 1 AND MOTOR 7.5/1800
16	2	VERT TILED STARCH STORAGE CHESTS, SIZE 10.5' DIA X 12.5' HIGH ON REINFORCED CONCRETE SLAB AND INCLUDING: (1) GOULDS CENT SGL STARCH SHOWER WATER PUMP, SIZE 4 X 3 AND MOTOR 75/3600 (4) MOYNO SS PUMPS, SIZES 2 X 1 AND 23 X 2 WITH MOTORS 3/1800
17	1	VERT TILED CLOUDY SEAL WATER TANK, SIZE 20 X 10 X 6' HIGH O.A. DIM ON REINFORCED CONCRETE SLAB, 2 SECTIONS, OPEN TOP AND C/O: (1) GOULDS CENT SGL SUCTION PUMP, SIZE 6 X 4 AND MOTOR 50/1800 (1) CANADA PUMPS LTD DBL SUCTION CENT PUMP, SIZE 8 X 6 AND MOTOR 75/1800
18	1	REINFORCED CONCRETE FLAT FRESH WATER SCREEN TANK, SIZE 20 X 25 X 8' HIGH O.A. DIM ON REINFORCED CONCRETE SLAB AND INCLUDING: (1) FLAT MESH FACE SCREEN, SIZE 15' X 20' WOOD FRAME (1) BABCOCK & WILCOX DBL SUCTION CENT PUMP SIZE 16 X 16 WITH MOTORS 200/730, 2300V (1) WORTHINGTON CENT SGL SUCTION PUMP, SIZE 10 X 6 WITH MOTORS 250/1800, 2300V
19	2	STEBBINS VERT TILED BLEACH GROUNDWOOD STORAGE TOWERS, SIZE 13' DIA X 40' HIGH ON REINFORCED CONCRETE SLAB AND INCLUDING: (1) PROCHEM SIDE ENTERING AGITATOR, MDL # PVDL-20350, 3" DIA SHAFT AND MOTOR 20/1800 (1) CANADA PUMP LTD CENT SGL SUCTION PUMP, SIZE 12 X 8 AND MOTOR 60/1800 (2) SHERBROOKE PULP CIRCULATROS (AGITATORS), SIZE 4" DIA SHAFT, TYPE 122, V B.D. MOTOR 25/900 (1) CANADA PUMP LTD CENT SGL SUCTION PUMP , SIZE 10 X 8 AND MOTOR 100/1800
20	1	REINFORCED CONCRETE BLEACH PULP STORAGE CHEST, SIZE 38 X 30 X 18' HIGH O.A. DIM ON REINFORECED CONCRETE SLAB AND C/O: (3) LIGHTNIN SIDE ENTERING AGITATORS, SIZE 3" DIA, V B.D. MOTOR 40/1800 (1) CANADA PUMP LTD CENT SGL SUCTION PUMP, SIZE 10 X 8BSA AND MOTOR 150/1800 (1) ALLIS CHALMERS CENT SGL SUCTION PUMP, SIZE 8 X 6-21 AND MOTOR 100/1200, (1) WORTHINGTON CENT

SGL SUCTION PUMP, SIZE 20 X 14 AND MOTOR 500/1200, 2300V (1) WORTHINGTON GROUNDWOOD CLOUDY WATER CENT SGL SUCTION PUMP, MDL # 6FHRB-183, SIZE 10 X 6 AND MOTOR 20/1200, 575V (1) GOULDS DBL SUCTION CENT PUMP, SIZE 16 X 10 WITH MOTOR 500/1800, 2300V (1) WORTHINGTON CENT SGL SUCTION PUMP, MDL #8FRBH-152, SIZE 10 X 8 AND MOTOR 60/1200

21	1	MATERIAL HANDLING SYSTEM INCLUDING: (2) SHAW BOX DBL BEAM TOP RIDING TROLLEY ASSEMBLY CRANES, 85' SPAN, 20 TONS CAP (2) SUSPENDED M.D. HOISTS, 10 TON CAP EACH P.B.F.C. (1) SHAW BOX DBL BEAM OVERHEAD ELEC TRAVELING TOP RIDING CRANES, 90' SPAN, 20 TONS CAP, INCLUDING: -(2) BRIDGE SUPPORTED M.D. HOISTS, 10 TON CAP, EACH P.B.F.C. -(1) SHAW BOX OVERHEAD DBL BEAM ELEC TRAVELING CRANE, 90' SPAN, 15 TONS CAP INCLUDING -(2) METEOR BRIDGE HOISTS WITH SUSPENDED M.D. HOISTS, 7.5 TONS EACH, P.B.F.C.
22	2	KONE DBL 80X BEAN ELEC TRAVELING CRANES, 90' SPAN, 25 TONS CAP, INCLUDING (2) BRIDGE SUPPORTED HOISTS, 12.5 TON CAP EACH, P.B.F.C.
23	2	KONE SGL BEAN WITH SQUARING BEAM ELEC TRAVELING CRANES INCLUDING SUSPENDED M.D. HOISTS, 10 TON CAP, 12' SPAN, P.B.F.C. WITH CRANEWAYS AND RELATED SUPPORTING ATTACHMENT
24	1	REINFORCED CONCRETE REFINED KRAFT STORAGE PULP CHEST, SIZE 75 X 49 X 10' HIGH O.A. DIM, TILE LINED INSIDE ON REINFORCED CONCRETE SLAB AND INCLUDING: (1) TURBOFLEX SIDE ENTERING AGITATOR, SIZE 3" DIA SHAFT WITH GEAR REDUCER AND MOTOR 25/1200
25	2	TURBOTAK INC STEAM GENERATOR FLUE GAS SCRUBBERS, 60,000CFM INCLUDING: BUFFALO CENT FANS, 130" DIA, DUCTING, D B.D. MOTORS 100/1200, 575V ON REINFORCED CONCRETE SLABD, COLLECTION SCRUBBER UNITS, SIZE 132" X 138" HIGH, INSULATED, AGITATOR AND MOTOR 7.5/1800 ON TOP, DUST COLLECTION UNITS 14' X 6' X 13', 60,000CFM, INSULATED WITH ASSOC DUCTING AND SUPPORTING EQUIPMENT
26	1	T. S. MFG CO NDS 2 AND 3 STEAM GENERATORS, BARK FEED SYSTEM INCLUDING BELT FEED CONVEYOR 30" X 185' WITH DRIVE MOTOR AND SUPPORT EQUIPMENT, HOR VIBRATING FEEDER 30" X 72' LONG AND ASSOCIATED EQUIPMENT

PARCEL 10 (Continued)
REAL PROPERTY AND ATTACHED EQUIPMENT

Item	Qty.	Description
27	1	BOILER HOG FUEL FEED SYSTEM, 45' CHAIN CONVEYOR, 4 BARK CHUTES, 3 PNEUMATIC GATES (FOR ALL THREE BOILERS)
28	1	FLUE GAS ASH DEWATERING UNIT, SIZE 40'X 36" X 48" O.A. IRREGULAR SHAPED INCLUDING: SGL STRAND DRAG CONVEYOR, 35' ON CENTER WITH DBLE STRAND SECTION, 16' ON CENTER DRIVES AND MOTORS ON STEEL FRAME SUPPORT, HOR YARD DUMP SCREW CONVEYOR, SIZE 10" X 30' LONG, ENCL WITH DRIVE AND MOTOR, VERT ASH WATER TANK, SIZE 42" X 72" HIGH ON STEEL STAND (2) GOULDS CENT SGL SUCTION PUMPS, SIZE 3 X 2 AND MOTOR 15/1800 (2) WORTHINGTON DBL SUCTION CENT PUMPS, SIZE 3 X 2 INCLUDING TWIN FILTER UNIT, DRIVE AND MOTOR 25/1800
29	1	UNITED CONVEYOR PNEU CONVEYOR ASH HANDLING AND DISPOSAL SYSTEM INCLUDING TILE ASH STORAGE SILO, 17' OUTER DIA X 27' HIGH, 6" THICK TILE, 6'3" NUEYOR WASHER WITH 8" INLET, 20" DIA X 8', 10" EXTERNAL SEPARATOR WITH SWING GATE ASSEMBLY, 4' DIA X 8'3" NUEYOR RECEIVER, 8" INLET WITH SWING GATE ASSEMBLY, 30" DIA ROTARY UNLOADER ON ROTOVANE FEEDER, MISC INSTRUMENTATION AND ACCESSORY EQUIPMENT
30	1	BABCOCK & WILCOX BOILER UNIT, NO 1, WATERTUBE, FIELD ERECTED, 100,000# PER HOUR, 650PSI, 400-750 DEGREES F, 2 DRUM, STERLING TYPE, 54" X 20'3", 42" X 20'3", PEND TYPE INCLUDING SUPERHEATER, AIR PREHEATER, GAS FIRED, FORCED AND INDUCED DRAFT FANS, SOOT BLOWERS, BREECHING (1) PRECIPITATION TUBULAR DUST COLLECTOR, MDL # DECYCLONE, TYPE 9VG12, SIZE 90/9 WITH RELATED ATTACHMENT (1) STEEL STACK, 5'6" DIA X 53'8" HIGH, MISC CONTROLS, ACCESSORY EQUIPMENT, 2003 NEW HOG FUEL SYSTEM W/AIR INJECTION AND ASH REMOVAL (ALSO FEEDS BOILERS #2 AND #3)
31	1	BABCOCK & WILCOX/GOLDIE MCCULLOCK FIELD ERECTED WATERTUBE BOILER, NO 2, 90,000# PER HOUR CAP, 650PSI, 500-750 DEGREES F, 2 DRUMS, STERLING TYPE, 54" DIA X 20'3" ON 42" DIA X 23" SIZE, INCLUDING SUPERHEATER AND AIR HEATER, BARK GAS FIRED, FORCED AND INDUCED DRAFT FANS WITH BREECHING, GAS BURNERS AND BAKER BURNERS AND INCLUDING INSTRUMENTATION AND CONTROLS
32	1	BABCOCK & WILCOX/GOLDIE MCCULLOCK FIELD ERECTED WATERTUBE BOILER, NO 3, 90,000# PER HOUR CAP, 650PSI, 180-250 DEGREESF, 2 DRUMS, STERLING TYPE 4" X 20'3" AND 42" X 20'3" SIZE INCLUDING SUPERHEATER, AIR HEATER, FORCED AND INDUCED

DRAFT FANS, GAS BURNERS, BARK BURNERS, MISC INSTRUMENTATION AND CONTROLS AND C/O: (1) STEEL STACK, 5' DIA/6' X 53'8" WITH RELATED SUPPORT

33	1	BOILER FEEDWATER AND TREATMENT SYSTEM INCLUDING: (1) A.S. LEITCH CO LTD FEEDWATER HEATER , SIZE 60" DIA X 60" HIGH DEAERATOR HEATER, 260,000# PER HOUR CAP ON HOR INSULATED WATER STORAGE STELL TANK, 8' DIA X 16' LONG ON SUPPORTING STRUCTURAL STEEL PLATFORM (1) VERT STEEL FLASH TANK, 30" DIZ X 6' HIGH, INSULTATED ON SUPPORTING STAND (1) HOR INSULATED CONDENSOR, SIZE 30" DIA X 11' HIGH ON SUPPORTING STAND (1) STEEL CHEMICAL MIXING TANK, 48" DIA X 72" HIGH ON STAND WITH MIXER AND MOTOR, CENT SGL SUCTION PUMP, SIZE 4 X 3 AND MOTOR 15/1800 (1) CHEMICAL VERT STEEL MIXING FEED TANK, SIZE 36" DIA X 48" HIGH ON STAND INCLUDING MIXER AND MOTOR, CHEMICAL FEED PUMP AND MOTOR (2) DAVIS CLEAR VIEW HOR FILTERS, MDL #48/18/8/B, 400GPM, 140/800PSIG, 44, 000GPH, 80# PRESSURE, ON SUPPORTING STAND WITH RELATED ATTACHMENT (1) VERT STEEL MIXING TANK 4' X 4' WITH LIGHTNIN PORT MIXER AND MOTOR (3) PERMUTIT VERT WATER SOFTENERS, 166,000 US GALS FOR 27 HOURS, 495KG, SIZE 6' DIA X 6", INSULTATED ON SUPPORTING STEEL STAND (1) VERT COAGULATOR HERESITE LINED STEEL TANK, SIZE 8' DIA X 8' HIGH ON SUPPORTING STEEL STAND (3) PERMITIT VERT WATER PRESSURE FILTERS, SIZE 6'6" DIA X 5' HIGH, HERSITE LINED, 100PSI ON SUPPORTING STEEL STAND (1) STEEL TANK, 4'4" DIA X 3' HIGH, COVERED WITH LIGHTNIN PORT MIXER AND MOTOR (4) VERT SS COVERED MIXING TANKS, 2'5" DIA X 3' HIGH INCLUDING 4 LIGHTNIN PORT MIXERS, MDL # DC, WITH FRACT HP MOTOR, 5 MILTON ROY SIMPLEX CHIMCAL FEED PUMPS, MDL # 1-32-4 WITH FACT HP MOTOR (2) CANADA PUMP LTD BDL SUCTION CENT PUMPS, SIZE 4 X 3, E/W DIRECT CONN MOTOR 25/1800
34		(1) BABCOCK & WILCOX/GOLDIE-MCCULLOCK BOILER FEEDWATER PUMP, SIZE 6 X 4, 2 STAGE WITH STEAM TURBINE DIRVE UNIT, TUPE H1, 1100HP, 150/30# PRESSURE WITH MISC STEAM FITTINGS AND RELATED ATTACHMENT (1) ALLIS CHALMERS BOILER FEED PUMP, SIZE 6 X 4, 4 STAGE, TYPE MJ-4, 6000GPM, 520' HEAD WITH DIRECT CONN MOTOR 150/1800

PARCEL 10 (Continued)
REAL PROPERTY AND ATTACHED EQUIPMENT

Item	Qty.	Description
35	1	PLANT AIR SUPPLY INSTALLATION INCLUDING PIPING, VALVES, GAGES, AND C/O: (1) REAVELL ENGINEERING CO VERT INSTRUMENT AIR COMPRESSOR, TYPE LS865-720RPM, 100PSI, V B.D. MOTOR 25/1800 INCLUDING 1 VERT AIR TANK, 36" DIA X 8' HIGH ON SUPPORTING STEEL STAND (2) CANADIAN INGERSOLL-RAND RIGHT ANGLE COMPOUND AIR COMPRESSORS, SIZE 23 X 14.5 X 12XVHE2, 327RPM, 100PSI, DIRECT CONN SYN MOTOR 300/327, 2300V, 1 P F INCLUDING AFTERCOOLER AND FORCED FEED OUL LUBRICATION SYSTEM (1) CANADIAN INGERSOLL-RAND RIGHT ANGLE AIR COMPRESSOR, SIZE 17 X 10.5 X 10XVHE-2, 360RPM, 110PSI WITH DIRECT CONN SYN MOTOR 150/3600, 2300V, 100% P F INCLUDING AFTERCOOLER AND FORCED FEED LUBIRCATION SYSTEM (1) VERT STEEL AIR RECIEVER TANK, SIZE 4' DIA X 13' HIGH ON SUPPORTING STAND (1) VERT STEEL AIR RECIEVER TANK, SIZE 36" DIA X 10' HIGH ON SUPPORTING STAND (1) VERT STEEL AIR RECIEVER TANK, SIZE 42" DIA X 12' HIGH ON SUPPORTING STAND (1) VERT STEEL AIR RECIEVER TANK, SIZE 42" DIA X 9' HIGH ON SUPPORTING STAND (1) VERT STEEL AIR RECIEVER TANK, SIZE 30" DIA X 7' HIGH ON SUPPORTING STAND (1) ENER-VAC AIR DRYER, MDL # E2DB305, 125PSIG, 2 CYLINDERS WITH FILTER, RELATED SUPPORTING PIPING, GAGES, AND ELECTRICS
36	2	ALTAS COPCO ROTARY AIR SCREW COMPRESSOR, MDL ZR4, WATER COOLED, OIL FREE AND MOTOR 350/1800, 575V
37	1	EFFLUENT SLUDGE WASTE COLLECTION SYSTEM INCLUDING PRESSNG, GLUING AND RELATED INSTRUMENTATION AND CONTROLS AND C/O: (1) EIMCO VACUUM BELT SLUDGE FILTER, SIZE 11.5' DIA X 16.5 MAIN CYLINDRICAL ROLL INCLUDING FILTER CAKE SHREDDER ROLL AND MOTOR VACUUM BELT, SLUDGE AGITATOR ARM WITH GREAR REDUCER AND MOTOR , SHOWER ATTACHMENT, SS TUB, RADICON GEAR REDUCER WITH COUPLING DRIVE ARR AND MOTOR 5/1800 INCLUDING WALKWAY, RELATED STRUCTURAL STEEL FRAME SUPPORT (1) CENT SGL SUCTION PUMP, SIZE 3 X 2 AND MOTOR 5/1800 (1) EIMCO SS SLUDGE DESPATCH SHREDDER SCREW CONVEYOR, SIZE 12" DIA X 20' LONG, V B.D. MOTOR 5/1800 (1) SS FILTRATE TANK, SIZE 6" DIA X 8'5" ON ANGLE FRAME STAND (1) WORTHINGTON CENT SGL SUCTION PUMP, MDL 4CNX, SIZE 6 X 4 WITH MOTOR 7.5/1200 (1) NASH VACUUM FILTER PUMP, SIZE CL2002, 22" WIDE, V B.D. MOTOR 125/1800 INCLUDING REALTED SUPPORTING EQUIPMENT
38	1	CONDENSATE RETURN AND COLLECTION SYSTEM INCLUDING: (1) HOR VERT CONDENSER, 16" DIA X 7' LONG, INSULATED ON

SUPPORTING STEEL STAND (1) HOR CONDENSATE RECEIVING STEEL TANK, SIZE 8' DIA X 16' LONG, INSULATED ON STRUCTURAL STEEL STAND (2) CANADIAN INGERSOLL-RAND, CONDENSATE CENT TRANSFER PUMPS, MDL # 3GT, 2 STAGE, 300GPM, 200' HEAD WITH DIRECT CONN MOTOR 30/1800

39	1	NORTHERN OVERHEAD DBL BEAM TOP RIDING TRAVELLING CRANE, 45' SPAN, 15 TONS CAP, FLOOR AND CHAIN OPER
40	1	KONE DBL BEAM ELEC TRAVELLING CRANE, 70' SPAN, 60 TONS CAP, 2 BRIDGE SUPPORTED HOISTS, 30 TONS EACH, P.B.F.C.
41	1	CLAY STORAGE INTALLATION INCLUDING PIPING, GAGES, AND C/O: (2) VERT STEEL INSULATED CLAY STORAGE TANKS, SIZE 14' DIA X 25.5' HIGH AND 28' HIGH, COVERED ON 8" REINFORCED CONCRETE SLAB (1) VERT TILED CLAY STORAGE AND MIXING TANK, 21' DIA X 22.5' HIGH ON 12" REINFORCED CONCRETE TOP INCLUDING TOP MOUNTED MIXER WITH GEAR REDUCER AND MOTOR (2) MORRIS CENT SGL SUCTION PUMPS, SIZE 3 X 2 AND MOTOR 15/1200
42	1	PLANT EFFLUENT WATER CLARIFICATION SYSTEM, 9,000,000GPD INCLUDING: (1) EIMCO REINFORCED CONCRETE (ENVIROTECH) REACTOR CLARIFIER, 600 US GPM, SIZE 100' DIA X 16' HIGH ON PRECAST AND REINFORCED CONCRETE COLUMNS INCLUDING AGITATOR DRIVE MECHANISM WITH BRIDGE OVER, GEAR REDUCER ADN MOTOR, STEEL GRID STAIRS, RELATED SUPPORTING TURBINE DRIVE MOTOR 7.5/1800 AND RAKE DRIVE MOTOR 5/1800 WITH CONTROLS (1) REINFORCED CONCRETE SLUDGE COLLECTION TANK, SIZE 18 X 14 X 13' HIGH O.A. DIM ON REINFORCED CONCRETE SLAB AND INCLUDING 1 PROCHEM SIDE ENTERING AGITATOR, MDL # PFSL-15-230, SIZE 41" DIA IMPELLER, 3" DIA SHAFT, V B.D. MOTOR 15/1200 (2) WEMCO CENT SGL SUCTION PUMPS, SIZE 4 X 4-15, V B.D. MOTOR 25/1200, SECONDARY TREATMENT BLOWER BULIDING AND PUMPS, ELECTRICAL (2) CONCRETE TANKS (#1) 120' DIA AND (#2) 80' DIA

PARCEL 10 (Continued)
REAL PROPERTY AND ATTACHED EQUIPMENT

Item	Qty.	Description
43	2	SHAW-BOX DBL BOX BEAM ELEC TRAVELING CRANES, 65' SPAN, 30 TONS CAP, 2 BRIDGE SUPPORTED HOISTS, 15 TONS EACH, P.B.F.C.
44	1	CONCRETE BLOCK TILED LINED SAVE-ALL PULP STORAGE CHEST, SIZE 35 X 18 X 15' HIGH O.A. DIM ON REINFORCED CONCRETE SLAB AND INCLUDING: (1) LIGHTNIN SIDE ENTERING AGITATOR, MDL # 2VS-30, 2.75" DIA SHAFT V B.D. MOTOR 30/1800 (1) WORTHINGTON CENT SGL SUCTION PUMP SIZE 8 X 6 AND MOTOR 30/1200, (2) WORTHINGTON CENT SGL SUCTION PUMPS, SIZE 3 X 2 WITH MOTORS 15/3600 AND 125/3600 (1) WORTHINGTON CENT SGL SUCTION PUMP, SIZE 12 X 8 AND MOTOR 40/1200, (2) WORTHINGTON CENT SGL SUCTION PUMPS, SIZE 8 X 6 WITH MOTOR 30/1800 AND 100/1800
45	1	KONE DBL BOX BEAM ELEC TRAVELING CRANE, 25' SPAN, 30 TONS CAP WITH 2 BRIDGE SUPPORTED HOISTS, 15 TONS EACH, P.B.F.C.
46	1	BRIDGE CRANE, 150 TON, 2 HOIST, SHAW-BOX 30 TON, 62' SPAN

PARCEL 11
OFFICE FURNITURE AND EQUIPMENT

Office furniture and equipment, including desks and filing cabinets, not falling within the description of other parcels, and other contents located within the four buildings owned by the Company.

PARCEL 12
COMPUTER EQUIPMENT

Computer hardware and software servers, printers, scanners, and other computer accessories and peripherals, owned by St. Marys Paper Ltd. (excluding computer equipment identified in Excluded Assets).

PARCEL 13
TRADEMARKS

Trade Mark	Registration No.	Date of Registration or Renewal
StM St. Marys Paper	TMA313154	1984 - 09 - 18

PARCEL 14
SMP RESOURCES INC.

All of the outstanding shares of SMP Resources Inc. in the name of the Company

PARCEL 15
MILLWOOD CAMP

PIN No. 31193-0001

PARCEL 16
STUMPAGE RIGHTS

Any right, title and interest of St. Marys Paper Ltd. in an agreement with Superior Land Management (Meakin Forest Enterprises) wherein St. Marys Paper Ltd. pre-purchased of stumpage relative to wood to be harvested from a tract of private land.

St. Marys Paper Ltd.'s records reflect that the current prepaid amount as at March 31, 2007 is $731,000.

SCHEDULE "B"

EXCLUDED ASSETS

Trade Accounts Receivable of the Company and proceeds thereof.

All pre-paid inventory with the exception of the Clothing Deposits and for greater certainty excluding the paper inventory being purchased as part of this Agreement.

All paper inventory and proceeds thereof, other than cull rolls and unassigned inventory of approximately 367 tons, located in Sault Ste. Marie, and as described in Schedule "A".

All cash on hand of the Company as at the Time of Closing.

The property in the Trust (as defined under the Appointment Order) and proceeds thereof and the Company's beneficial interest in the Trust.

Truck scales owned by the Ministry of Natural Resources.

All refunds and credits owing or payable to the Company for goods and services taxes.

SCHEDULE "C"
ALLOCATION OF PURCHASE PRICE

All Real Property

1. Millwood Camp - $30,000.00

2. Eastern Parking Lot, Assessment Roll 57-61-040-031-104 - $50,000.00

3. Balance of Real Estate - $220,000.00

Total of THREE HUNDRED THOUSAND DOLLARS ($300,000.00)

Equipment

SIX MILLION ONE HUNDRED AND THIRTY FIVE THOUSAND DOLLARS ($6,135,000 CDN)

Office Equipment FIVE THOUSAND DOLLARS ($5,000.00)

Consumables (Clothing Deposits) - Six Hundred and Ten Thousand Dollars ($610,000.00)

Shares in SMP Resources

Four Hundred Thousand Dollars, ($400,000.00)

PULP WOOD INVENTORY

SEVEN HUNDRED AND FIFTY THOUSAND DOLLARS ($750,000.00), plus the Purchaser shall pay directly to the Province its unsubordinated lien of (estimated to be in the amount of $264,000) and amounts owing to the contractors for the supply of the pulpwood of (estimated to be in the amount of $738,903)

CULL ROLLS AND UNASSIGNED INVENTORY

367 tons, at $220 ($80,740.00) per ton, of cull rolls and unassigned inventory located in Sault Ste. Marie, Ontario.

TOTAL: $8,280,740.00

SCHEDULE "D"
FORM OF APPROVAL AND VESTING ORDER

[See attached]

Court File No. 07-CL-6958

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE	)	■ DAY, THE ■TH
	)	
JUSTICE ■	)	DAY OF ■, 2007

B E T W E E N:

BANK OF AMERICA, N.A.

Applicant

- and -

ST. MARYS PAPER LTD.

Respondent

IN THE MATTER OF AN APPLICATION PURSUANT TO SECTION 101 OF THE *COURTS OF JUSTICE ACT*, R.S.O. 1990, c. C.43, AS AMENDED

APPROVAL AND VESTING ORDER

THIS MOTION, made by RSM Richter Inc., in its capacity as receiver (the "Receiver") of the assets, property and undertaking of St. Marys Paper Ltd. (the "Debtor"), and not in its personal capacity, for an order approving the sale transaction (the "Transaction") contemplated by an agreement of purchase and sale (the "Sale Agreement") between the Receiver and St. Mary's Paper Corp. (the "Purchaser") made as of May ■, 2007 and appended to the ■ Report of the Receiver dated ■, 2007 (the "■ Report"), and vesting in the Purchaser the Debtor's right, title and interest in and to the assets described in the Sale Agreement (the "Purchased Assets"), was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the ■ Report and on hearing the submissions of counsel for the Receiver, and no one appearing for any other person on the service list, although properly served as appears from the affidavit of ■ sworn ■, 2007, filed:

1. **THIS COURT ORDERS AND DECLARES** that the Transaction is hereby approved, and that the Sale Agreement is commercially reasonable and in the best interests of the Debtor and its stakeholders. The execution of the Sale Agreement by the Receiver is hereby authorized and approved, and the Receiver is hereby authorized and directed to take such additional steps and execute such additional documents as may be necessary or desirable for the completion of the Transaction and for the conveyance of the Purchased Assets to the Purchaser.

2. **THIS COURT ORDERS AND DECLARES** that upon the delivery of a Receiver's certificate to the Purchaser, substantially in the form attached as Schedule A hereto (the "Receiver's Certificate"), all of the Debtor's right, title and interest in and to the Purchased Assets described in the Sale Agreement (and listed on Schedule B hereto) shall vest absolutely in the Purchaser, free and clear of and from any and all security interests (whether contractual, statutory, or otherwise), hypothecs, mortgages, trusts or deemed trusts (whether contractual, statutory, or otherwise), liens, executions, levies, charges, or other financial or monetary claims, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise (collectively, the "Claims") including, without limiting the generality of the foregoing: (i) any encumbrances or charges created by the Order of the Honourable Justice Pepall dated October 25, 2006, as amended, and the Honourable Justice Campbell dated April 27, 2007; (ii) all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* (Ontario) or any other personal property registry system; and (iii) those Claims listed on Schedule C hereto (all of which are collectively referred to as the "Encumbrances", which term shall not include the permitted encumbrances, easements and restrictive covenants listed on Schedule D) and, for greater certainty, this Court orders that all of the Encumbrances affecting or relating to the Purchased Assets are hereby expunged and discharged as against the Purchased Assets.

3. **THIS COURT ORDERS** that upon the registration in the Land Registry Office for the Land Titles Division of Algoma of a transfer/deed in favour of the Purchaser in the form prescribed by the *Land Registration Reform Act* duly executed by the Receiver, the Land Registrar is hereby directed to enter the Purchaser as the owner of the subject real property identified in Schedule B hereto (the "Real Property") in fee simple, and is hereby directed to delete and expunge from title to the Real Property all of the Claims listed in Schedule C hereto.

4. **THIS COURT ORDERS** that for the purposes of determining the nature and priority of Claims, the net proceeds from the sale of the Purchased Assets shall stand in the place and stead of the Purchased Assets, and that from and after the delivery of the Receiver's Certificate all Claims and Encumbrances shall attach to the net proceeds from the sale of the Purchased Assets with the same priority as they had with respect to the Purchased Assets immediately prior to the sale, as if the Purchased Assets had not been sold and remained in the possession or control of the person having that possession or control immediately prior to the sale.

5. **THIS COURT ORDERS AND DIRECTS** the Receiver to file with the Court a copy of the Receiver's Certificate, forthwith after delivery thereof.

6. **THIS COURT ORDERS** that, pursuant to clause 7(3)(c) of the Canada *Personal Information Protection and Electronic Documents Act*, the Receiver is authorized and permitted to disclose and transfer to the Purchaser all human resources and payroll information in the Company's records pertaining to the Debtor's past and current employees, including personal information of those employees listed on Schedule "■" to the Sale Agreement. The Purchaser shall maintain and protect the privacy of such information and shall be entitled to use the personal information provided to it in a manner which is in all material respects identical to the prior use of such information by the Debtor.

7. **THIS COURT ORDERS** that, notwithstanding:

(a) the pendency of these proceedings;

(b) any applications for a bankruptcy order now or hereafter issued pursuant to the *Bankruptcy and Insolvency Act* (Canada) in respect of the Debtor and any bankruptcy order issued pursuant to any such applications; and

(c) any assignment in bankruptcy made in respect of the Debtor;

the vesting of the Purchased Assets in the Purchaser pursuant to this Order shall be binding on any trustee in bankruptcy that may be appointed in respect of the Debtor and shall not be void or voidable by creditors of the Debtor, nor shall it constitute nor be deemed to be a settlement, fraudulent preference, assignment, fraudulent conveyance or other reviewable transaction under the *Bankruptcy and Insolvency Act* (Canada) or any other applicable federal or provincial legislation, nor shall it constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

8. **THIS COURT ORDERS AND DECLARES** that the Transaction is exempt from the application of the *Bulk Sales Act* (Ontario).

9. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.

Schedule A – Form of Receiver's Certificate

Court File No. 07-CL-6958

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

B E T W E E N:

BANK OF AMERICA, N.A.

Applicant

- and -

ST. MARYS PAPER LTD.

Respondent

IN THE MATTER OF AN APPLICATION PURSUANT TO SECTION 101 OF THE *COURTS OF JUSTICE ACT*, R.S.O. 1990, c. C.43, AS AMENDED

RECEIVER'S CERTIFICATE

RECITALS

A. Pursuant to an Order of the Honourable Campbell of the Ontario Superior Court of Justice (the "Court") dated April 27, 2007, RSM Richter Inc. was appointed as receiver (the "Receiver") of the undertaking, property and assets of St. Marys Paper Ltd. (the "Debtor").

B. Pursuant to an Order of the Court dated ■, 2007, the Court approved the agreement of purchase and sale made as of May ■, 2007 (the "Sale Agreement") between the Receiver and St. Mary's Paper Corp. (the "Purchaser") and provided for the vesting in the Purchaser of the Debtor's right, title and interest in and to the Purchased Assets, which vesting is to be effective with respect to the Purchased Assets upon the delivery by the Receiver to the Purchaser of a certificate confirming (i) the payment by the Purchaser of the Purchase Price for the Purchased Assets; (ii) that the conditions to Closing as set out in Article **[5]** of the Sale Agreement have been satisfied or waived by the Receiver and the Purchaser; and (iii) the Transaction has been completed to the satisfaction of the Receiver.

C. Unless otherwise indicated herein, terms with initial capitals have the meanings set out in the Sale Agreement.

THE RECEIVER CERTIFIES the following:

1. The Purchaser has paid and the Receiver has received the Purchase Price for the Purchased Assets payable on the Closing Date pursuant to the Sale Agreement;

2. The conditions to Closing as set out in Article **[5]** of the Sale Agreement have been satisfied or waived by the Receiver and the Purchaser; and

3. The Transaction has been completed to the satisfaction of the Receiver.

4. This Certificate was delivered by the Receiver at ________ [TIME] on ________ [DATE].

RSM RICHTER INC., , in its capacity as receiver of the undertaking, property and assets of St. Marys Paper Ltd., and not in its personal capacity

Per: ______________________________

Name: Robert Kofman
Title: Senior Vice-President

Schedule B – Purchased Assets

Schedule C – Claims to be deleted and expunged from title to Real Property

1. Instrument No. LT126831 is a Provisional Certificate for Waste Disposal - Ministry of Environment.

2. Instrument No. LT154663 registered June 6, 1988 is a Notice of Security Interest in favour of Measurex Inc. with respect to computer and related equipment described as Measurex Vision 2002 and Control System.

3. Instrument No. T449847 registered on July 30, 2004 is a Charge from St. Mary's Paper Ltd. in favour of Bank of America, N.A. as agent in the original principal amount of $50,000,000.00.

4. Instrument No. LT251094 registered on July 30, 2004 is a Charge from St. Mary's Paper Ltd. in favour of Bank of America, N.A. as agent in the original principal amount of $50,000,000.00.

5. Instrument No. LT454943 registered on January 27, 2005 is a Postponement of Charge T449847 to in favour of Easement T454942.

6. Instrument No. LT254164 registered on January 27, 2005 is a Postponement of Charge T251094 in favour of Easement LT254163.

Personal Property Security Act (Ontario) ("PPSA")[1]

No.	Page No.	File No.	Debtor(s)	Secured Party(ies)	Registration No./Date of Registration	Registration/ Renewal Period (Years)	Collateral Classification	Comments
1	2-3	631663776	ST. MARYS PAPER LTD.	METSO PAPER LTD. / METSO PAPIER LTEE	20061222 1445 1862 6918 (DEC 22, 2006) AMENDED 20070108 1111 1862 7431 (JAN 8, 2007)	3	GENERAL COLLATERAL	SUPER CALENDERER ROLLS MANUFACTURED BY WARSTILA AND PAPER MACHINE NUMBER 5
2	4-5	631641798	ST. MARYS PAPER LTD.	NEW NORTH FUELS INC.	20061221 1945 1531 2630 (DEC 21, 2006) AMENDED (to include description of collateral) 20061222 1447 1530 8830 (DEC 22, 2006)	5	E, A, O	CARD LOCK FUELLING SYSTEM WITH TANKAGE AND ALL APPURTENANCES
3	6	630141039	ST. MARYS PAPER LTD.	MARATHON PULP INC.	20061027 1540 1590 4245 (OCT 27, 2006)	5	I, O	
4	7	630103824	ST. MARYS PAPER LTD.	TEMBEC INDUSTRIES INC.	20061026 1841 1590 4162 (OCT 26, 2006)	5	I, O	

[1] CG = Consumer Goods, I = Inventory, E = Equipment, BD = Book Debts, A = Accounts, O = Other, MV = Motor Vehicle

No.	Page No.	File No.	Debtor(s)	Secured Party(ies)	Registration No./Date of Registration	Registration/ Renewal Period (Years)	Collateral Classification	Comments
5	8-11	629664147	ST. MARYS PAPER LTD.	CITICORP VENDOR FINANCE, LTD.	20061011 1516 1862 1095 (OCT 11, 2006) AMENDED 20061108 1400 1862 3357 (NOV 8, 2006)	4	E, O, MV	MV: 2006 CATERPILLAR GC55K-LP-STR (VIN AT88A00552) MV: 2006 CASCADE ROLL CLAMP 90f-RCP-61332 (VIN 647917-1) MATERIAL HANDLING EQUIPMENT, TOGETHER WITH ALL PARTS, ATTACHMENTS, ACCESSORIES, ADDITIONS, BATTERIES, CHARGERS, REPAIR PARTS AND OTHER EQUIPMENT PLACED ON OR FORMING PART OF THE GOODS DESCRIBED HEREIN WITH ANY PROCEEDS THEREOF AND THEREFROM INCLUDING WITHOUT LIMITATION, ALL GOODS, SECURITIES, INSTRUMENTS, DOCUMENTS OF TITLE, CHATTEL PAPER AND INTANGIBLES (AS DEFINED IN THE PERSONAL PROPERTY SECURITY ACT).
6	12	627552891	ST. MARYS PAPER LTD.	CATERPILLAR FINANCIAL SERVICES LIMITED	20060731 1434 8077 3466 (JUL 31, 2006)	4	E, O, MV	MV: 2006 CATERPILLAR 980H (VIN CAT0980HCJMS01056)

No.	Page No.	File No.	Debtor(s)	Secured Party(ies)	Registration No./Date of Registration	Registration/ Renewal Period (Years)	Collateral Classification	Comments
7	13-14	623299851	ST. MARYS PAPER LTD.	CITICORP VENDOR FINANCE, LTD.	20060310 1736 7029 9485 (MAR 10, 2006)	4	E, O, MV	MV: 2005 CATERPILLAR C6000-LP (VIN AT83F01680) MATERIAL HANDLING EQUIPMENT, TOGETHER WITH ALL PARTS, ATTACHMENTS, ACCESSORIES, ADDITIONS, BATTERIES, CHARGERS, REPAIR PARTS AND OTHER EQUIPMENT PLACED ON OR FORMING PART OF THE GOODS DESCRIBED HEREIN WITH ANY PROCEEDS THEREOF AND THEREFROM INCLUDING WITHOUT LIMITATION, ALL GOODS, SECURITIES, INSTRUMENTS, DOCUMENTS OF TITLE, CHATTEL PAPER AND INTANGIBLES (AS DEFINED IN THE PERSONAL PROPERTY SECURITY ACT).
8	15	622725237	ST. MARYS PAPER LTD.	NEW NORTH FUELS INC.	20060214 1515 2201 0260 (FEB 14, 2006)	5	E	CARD LOCK FUELING SYSTEM WITH TANKAGE INCLUDING ALL REQUIRED MECHANICAL, ELECTRICAL AND SITE PREPARATIONS BEING ORDERED BY ST. MARYS PAPER LTD.

No.	Page No.	File No.	Debtor(s)	Secured Party(ies)	Registration No./Date of Registration	Registration/ Renewal Period (Years)	Collateral Classification	Comments
9	16-17	621108504	ST. MARYS PAPER LTD.	CITICORP VENDOR FINANCE, LTD.	20051207 1446 7029 8170 (DEC 7, 2005)	4	E, O, MV	MV: 2005 CATERPILLAR GC55K (VIN AT88A00388) MATERIAL HANDLING EQUIPMENT, TOGETHER WITH ALL PARTS, ATTACHMENTS, ACCESSORIES, ADDITIONS, BATTERIES, CHARGERS, REPAIR PARTS AND OTHER EQUIPMENT PLACED ON OR FORMING PART OF THE GOODS DESCRIBED HEREIN WITH ANY PROCEEDS THEREOF AND THEREFROM INCLUDING WITHOUT LIMITATION, ALL GOODS, SECURITIES, INSTRUMENTS, DOCUMENTS OF TITLE, CHATTEL PAPER AND INTANGIBLES (AS DEFINED IN THE PERSONAL PROPERTY SECURITY ACT).

No.	Page No.	File No.	Debtor(s)	Secured Party(ies)	Registration No./Date of Registration	Registration/ Renewal Period (Years)	Collateral Classification	Comments
10	18-19	612693585	ST. MARYS PAPER LTD.	CITICORP VENDOR FINANCE, LTD.	20050215 1525 7029 2154 (FEB 15, 2005)	4	E, O, MV	MV 2005 CATERPILLAR GC55K-LP-STR (VIN AT88A00176) MATERIAL HANDLING EQUIPMENT, TOGETHER WITH ALL PARTS, ATTACHMENTS, ACCESSORIES, ADDITIONS, BATTERIES, CHARGERS, REPAIR PARTS AND OTHER EQUIPMENT PLACED ON OR FORMING PART OF THE GOODS DESCRIBED HEREIN WITH ANY PROCEEDS THEREOF AND THEREFROM INCLUDING WITHOUT LIMITATION, ALL GOODS, SECURITIES, INSTRUMENTS, DOCUMENTS OF TITLE, CHATTEL PAPER AND INTANGIBLES (AS DEFINED IN THE PERSONAL PROPERTY SECURITY ACT).
11	20	610996419	ST. MARYS PAPER LTD.	CATERPILLAR FINANCIAL SERVICES LIMITED	20041130 1440 8077 6913 (NOV 30, 2004)	4	E, O, MV	MV: 2003 CATERPILLAR 980GII (VIN CAT0980GVAWH00835)
12	21-24	608168547	ST. MARYS PAPER LTD.	GE TECHNOLOGY FINANCE	20040816 1054 1529 7663 (AUG 16, 2004) SECURED PARTY NAME / ADDRESS CHANGE 20050426 1455 1530 0588 (APR 26, 2005)	10	E, O	ALL PROPERTY LEASED BY SECURED PARTY TO DEBTOR FROM TIME TO TIME FORMING PART OF MASTER LEASE AGREEMENT NUMBER MLTSM001
13	25	607534398	ST. MARYS PAPER LTD.	CATERPILLAR FINANCIAL SERVICES LIMITED	20040721 1655 8077 1644 (JUL 21, 2004)	4	E, O, MV	MV: 2004 CATERPILLAR 966GII (VIN CAT0966GKANT00266)
14	26	606754764	ST. MARYS PAPER LTD.	BANK OF AMERICA, N.A., AS AGENT	20040625 1214 1862 7517 (JUN 25, 2004)	5	I, E, A, O, MV	

No.	Page No.	File No.	Debtor(s)	Secured Party(ies)	Registration No./Date of Registration	Registration/ Renewal Period (Years)	Collateral Classification	Comments
15	27-28	604564245	ST. MARYS PAPER LTD.	GE CANADA LEASING SERVICES COMPANY	20040414 1031 2078 7339 (APR 14, 2004) RENEWAL 20040422 1425 2078 7369 (APR 22, 2004)	3 1	I, E, A, O, MV	MV: 2004 MODER LATHE NL1\YAN\C6251X1500 (VIN 311105)
16	29	602989695	ST. MARYS PAPER LTD.	HEWLETT-PACKARD FINANCIAL SERVICES CANADA COMPANY	20040209 1758 8077 4345 (FEB 9, 2004)	4	E, O	LEASE AGREEMENT. ANY AND ALL EQUIPMENT, TANGIBLE AND INTANGIBLE, PURSUANT TO LEASE NO 70822 DATED 01/01/2003, AND ALL AMOUNTS OWING THEREUNDER.
17	30	897097761	ST. MARYS PAPER LTD.	HEWLETT-PACKARD FINANCIAL SERVICES CANADA COMPANY	20030806 1711 8077 7269 (AUG 6, 2003)	4	E, O	LEASE AGREEMENT. ANY AND ALL EQUIPMENT, TANGIBLE AND INTANGIBLE, PURSUANT TO LEASE NO 72657 DATED JULY 23, 2003, AND ALL AMOUNTS OWING THEREUNDER.
18	31	897009795	ST. MARYS PAPER LTD.	XEROX CANADA LTD	20030805 1001 1715 2248 (AUG 5, 2003)	5	E, O	
19	32	893849535	ST. MARYS PAPER INC	KUBOTA CANADA LTD.	20030430 1045 1529 9988 (APR 30, 2003)	4	E, O	2002, GEHL, SL4335DXT, 302368
20	33-34	871482186	ST. MARYS PAPER LTD.	ASTENJOHNSON, INC.	20010417 1032 1529 8054 (APR 17, 2001) RENEWAL 20060306 1049 1590 2977 (MAR 6, 2006)	5 5	I	

Schedule D – Permitted Encumbrances, Easements and Restrictive Covenants related to the Real Property

(unaffected by the Vesting Order)

1. Lien of the Municipality of Sault Ste. Marie for realty taxes in respect of the Huron Street Property

2. Easement in favour of The International Bridge Authority of Michigan over Parts 1 & 2 on Plan AR-42 for the purposes of operating and maintaining a highway bridge together with supporting piers and columns which was registered in the land titles office on January 19, 1965 as Instrument No. LT57299.

3. By-Law 3523 of the City of Sault Ste. Marie designating certain areas of subdivision control and part lot control which was registered in the land titles office on June 23, 1965 as Instrument No. LT58071.

4. Easement in favour of Great Lakes Power Corporation over Parts 6 and 7 Plan 1R-4409 for dykes and retaining walls which was registered on March 19, 1981 as Instrument No. T218158.

5. By Law 83-60 of the City of Sault Ste. Marie designating The Abitibi-Price Head Office at Huron Street to be of architectural and/or historic value which was registered on March 16, 1983 in the land titles office as Instrument No. LT122661 and the registry office as Instrument No. T234205.

6. Notice of Lease from Great Lakes Power Limited to Abitibi-Price Inc. which was registered in the land titles office on August 20, 1984 as Instrument No. LT130084 and assigned to St. Marys Paper Inc. by Assignment of Lease registered on May 31, 1984 as LT132064 which lease appears to have expired by its terms.

7. By Law 2002-39 of the City of Sault Ste. Marie designating the property at 75 Huron Street as being of architectural or historic value which was registered in the registry office on June 4, 2002 as Instrument No. T429687.

8. Easement in favour of Great Lakes Power Limited over Parts 1 & 3 on Plan 1R-4290 for the purposes of an electrical transmission line which was registered on January 27, 2005 in the registry office as Instrument No. T454942 and in the land titles office as Instrument No. LT254163.

9. Court Order to amend title by deleting certain title qualifications registered in the land titles office on January 27, 2006 as Instrument No. LT254162.

10. Notice of a Heritage Agreement with the Corporation of the City of Sault Ste Marie pertaining to the heritage attributes of the head office building and North West Company Lock which was registered in the registry office on November 9, 2006 as Instrument No. AL9468.

SCHEDULE "E"
CONTRACTS

COMPANY	TERM	EQUIPMENT	DEPT.	EFFECTIVE	EXPIRY	P/O#	BUYOUT $	COMMENTS
GE CANADA	36 MO.	MODERN LATHE C6251 x 1500	**MECH**	April 8, 2004	**April 8, 2007**	131640	$1,590.00	
TOROMONT	36 MO.	966G LOADER	**Stm/ Pulp**	-May 1, 2004	**May 1, 2007**	130500	$51,468.00	
GE IT SOLUTIONS	36 MO.	#SCTSMO11, COMPUTERS (59 HP Dc5000 P4, 60 256MB DDR, 1 HP Dc5000 P4 1 NX9500 P4)	**IT**	August 1, 2004	**August 1, 2007**	MLTSM001	FMV	
GE IT SOLUTIONS	36 MO.	#SCTSM012, COMPUTERS (1 NX 9500P4)	**IT**	August 1, 2004	**August 1, 2007**	SCTSMO12	FMV	
GE IT SOLUTIONS	36 MO.	#SCTSM013, COMPUTERS (1 NX9030)	**IT**	August 1, 2004	**August 1, 2007**	SCTSM013	FMV	
TOROMONT	36 MO.	980G II CAT LOGLOADER	**WDRM**	- Nov. 1, 2004	**- Nov. 1, 2007**	134610	$122,000.00	
TOROMONT	36 MO.	CAT 980H		- Aug. 15, 2006	**- Aug. 15, 2009**	149610	$135,500.00	
CITICORP	40 MO.	PROPANE LIFT TRUCK - MODEL C6000-LP		- April 1, 2006	**- July 1, 2009**	144997		
CITICORP	40 MO.	PROPANE LIFT TRUCK - MODEL GC55K		- Dec. 1, 2005	**- March 1, 2009**	142396		
CITICORP	36 MO.	LIFT TRUCK MODEL GC55-K-LP STR		- March 1, 2005	**-January 1, 2008**	134414		
CITICORP	40 MO.	LIFT TRUCK MODEL GC55-K-LP STR		September 1, 2006	**- December 1, 2009**	150554	$19,200.00	
XEROX CANADA LTD.	66 MO.	PRODUCTION DOCUCOLOR 1632 XEROX COPIER	**IT**	August 21, 2003	**February 20, 2009**	143012	$13,802.00	
XEROX CANADA LTD.	66 MO.	ACCOUNTING DOCUCLOR 1632 XEROX COPIER	**IT**	August 21, 2003	**February 20, 2009**	143012	$14,875.00	
XEROX CANADA LTD.	66 MO.	HR XEROX COPIER DC425ST	**IT**	November 30, 2001	**May 29, 2007**	143012	$6,024.00	
XEROX CANADA LTD.	66 MO.	DOCUSHARE DIRECT MODULE	**IT**	November 30, 2001	**May 29, 2007**	143012	$486.00	
XEROX CANADA LTD.	66 MO.	DOCUSHARE 2.2 SP1	**IT**	November 30, 2001	**May 29, 2007**	143012	$912.00	

XEROX CANADA LTD.		66 MO.	SCAN TO DESKTOP		**IT**	November 30, 2001		**May 29, 2007**	1430 12	$122.00	
XEROX CANADA LTD.		60 MO.	WORKCENTRE PRO 765 FAX		**IT**	November 27, 2002		**November 26, 2007**		$1,124.00	
XEROX CANADA LTD.			TECHNICAL COPIER XEROX 420		**IT**	January 31, 2001		**October 30, 2006***		n/a	
XEROX CANADA LTD.		66 MO.	PM2 COPIER XEROX 420		**IT**	December 8, 2000		**December 7, 2006***	1430 24	n/a	
XEROX CANADA LTD.		48 MO.	PULPMILL COPIER XEROX 420		**IT**	August 19, 2003		**August 18, 2006***		n/a	
XEROX CANADA LTD.		66 MO.	MAILROOM COPIER XEROX 332		**IT**	December 8, 2000		**December 7, 2006***	1430 24	n/a	
XEROX CANADA LTD.		60 MO.	STORES COPIER XEROX 425		**IT**	December 20, 2001		**December 20, 2006***		n/a	
XEROX CANADA LTD.		60 MO.	SALES COPIER XEROX 425		**IT**	August 8, 2002		**July 2, 2008**		$5,631.00	
XEROX CANADA LTD.		60 MO.	XEROX 580 FAX SCALER SHACK		**IT**	July 30, 2004		**July 29, 2009**		$891.00	
XEROX CANADA LTD.		60 MO.	DOCUSHARE 3.1		**IT**	September 30, 2004		**September 29, 2009**		$4,382.00	
XEROX CANADA LTD.		60 MO.	DOCUSHARE DIRECT 3		**IT**	September 30, 2004		**September 29, 2009**		$616.00	
SHARP ELECTRON ICS		MON THL Y	AR405 DIGITAL COPIER		**IT**						**Demo Unit - Monthly rental basis**
NOR-CHIP LTD.		mont hly	Volvo 120 loader		**Yard s**	June 1, 2006				$2,500 and $25/hr	**Monthly rental**

SCHEDULE "F"
PERMITTED ENCUMBRANCES

1. Lien of the Municipality of Sault Ste. Marie for realty taxes in respect of the Huron Street Property

2. Easement in favour of The International Bridge Authority of Michigan over Parts 1 & 2 on Plan AR-42 for the purposes of operating and maintaining a highway bridge together with supporting piers and columns which was registered in the land titles office on January 19, 1965 as Instrument No. LT57299.

3. By-Law 3523 of the City of Sault Ste. Marie designating certain areas of subdivision control and part lot control which was registered in the land titles office on June 23, 1965 as Instrument No. LT58071.

4. Easement in favour of Great Lakes Power Corporation over Parts 6 and 7 Plan 1R-4409 for dykes and retaining walls which was registered on March 19, 1981 as Instrument No. T218158.

5. By Law 83-60 of the City of Sault Ste. Marie designating The Abitibi-Price Head Office at Huron Street to be of architectural and/or historic value which was registered on March 16, 1983 in the land titles office as Instrument No. LT122661 and the registry office as Instrument No. T234205.

6. Notice of Lease from Great Lakes Power Limited to Abitibi-Price Inc. which was registered in the land titles office on August 20, 1984 as Instrument No. LT130084 and assigned to St. Marys Paper Inc. by Assignment of Lease registered on May 31, 1984 as LT132064 which lease appears to have expired by its terms.

7. By Law 2002-39 of the City of Sault Ste. Marie designating the property at 75 Huron Street as being of architectural or historic value which was registered in the registry office on June 4, 2002 as Instrument No. T429687.

8. Easement in favour of Great Lakes Power Limited over Parts 1 & 3 on Plan 1R-4290 for the purposes of an electrical transmission line which was registered on January 27, 2005 in the registry office as Instrument No. T454942 and in the land titles office as Instrument No. LT254163.

9. Court Order to amend title by deleting certain title qualifications registered in the land titles office on January 27, 2006 as Instrument No. LT254162.

10. Notice of a Heritage Agreement with the Corporation of the City of Sault Ste Marie pertaining to the heritage attributes of the head office building and North West Company Lock which was registered in the registry office on November 9, 2006 as Instrument No. AL9468.

SCHEDULE "G"
TRADE ACCOUNTS RECEIVABLE

To be provided on the Closing Date.

THIS IS **EXHIBIT "C"** TO THE AFFIDAVIT OF GORDON P. ACTON
SWORN BEFORE ME THIS 6TH DAY OF OCTOBER, 2011

Environment and Land Tribunals Ontario

Assessment Review Board

655 Bay Street, Suite 1500
Toronto, Ontario M5G 1E5

Telephone:	(416) 212-6349
Toll Free:	1-866-448-2248
Fax:	(416) 314-3717
Toll Free Fax:	1-877-849-2066
Web Site:	www.elto.gov.on.ca

Tribunaux de l'environnement et de l'aménagement du territoire Ontario

Commission de révision de l'évaluation foncière

655 rue Bay, Suite 1500
Toronto, Ontario M5G 1E5

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Sans Frais:	1-877-849-2066
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Ontario

RECEIVED

SEP 2 9 2011

DECISION

TO: WISHART LAW FIRM LLP
J. PAUL R. CASSAN
390 BAY STREET
SUITE 500
SAULT STE. MARIE ON P6A 1X2

Decision No.: 2550223
Region No.: 31
Hearing No.: 387662
Hearing Date: May 11,2011

ROLL NO: 5761-040-031-10700-0000

APPEAL NO.: 1819104

00075 HURON ST RP 1R5861 PT 1-4 PT 8-16 PT

Sault Ste Marie City

SECTION: 40 Assessment made in **2005** for taxation commencing **January 01, 2006**

THE ASSESSMENT REVIEW BOARD HAS MADE THE FOLLOWING DECISION:

CHANGE TOTAL VALUE FROM $12,935,000 TO $3,280,000

WRITTEN REASONS ATTACHED

COMMERCIAL (FULL) VALUE CONFIRMED AT $250,798

CHANGE LARGE INDUSTRIAL (FULL) VALUE FROM $12,648,701 TO $2,993,701

LARGE INDUSTRIAL (EXCESS LAND) VALUE CONFIRMED AT $35,501

OTHER DISPOSITION:

APPELLANT:	ST MARYS PAPER LTD
APPELLANTS COUNSEL:	WISHART LAW FIRM LLP
ASSESSED:	ST MARYS PAPER LTD
MPAC COUNSEL:	CARRELL & PARTNERS
MUNICIPAL REPRESENTATIVE:	CITY OF SAULT STE MARIE
MUNICIPAL REPRESENTATIVE:	CITY OF GREATER SUDBURY
REPRESENTATIVE:	CUSHMAN & WAKEFIELD LEPAGE INC

If the decision has changed the assessed value on the property, questions regarding tax refunds or adjustments should be made to the municipality.

A copy of this Decision has been mailed to the following parties or their representatives: the Appellant(s), the Assessed Person(s), the Municipal Clerk and the Municipal Property Assessment Corporation.

Registrar

Decision released on: September 27, 2011

Environment and Land Tribunals Ontario

Assessment Review Board

655 Bay Street, Suite 1500
Toronto, Ontario M5G 1E5

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Toll Free:	1-866-448-2248
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Tribunaux de l'environnement et de l'aménagement du territoire Ontario

Commission de révision de l'évaluation foncière

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Ontario

DECISION

TO: **WISHART LAW FIRM LLP**
J. PAUL R. CASSAN
390 BAY STREET
SUITE 500
SAULT STE. MARIE ON P6A 1X2

Decision No.: 2550224
Region No.: 31
Hearing No.: 387662
Hearing Date: May 11,2011

ROLL NO: 5761-040-031-10700-0000

00075 HURON ST RP 1R5861 PT 1-4 PT 8-16 PT

DEEMED APPEAL NO.: 1930751

Sault Ste Marie City

SECTION: 40 Assessment made in **2006** for taxation commencing **January 01, 2007**

THE ASSESSMENT REVIEW BOARD HAS MADE THE FOLLOWING DECISION:

CHANGE TOTAL VALUE FROM $12,935,000 TO $3,280,000

WRITTEN REASONS ATTACHED

COMMERCIAL (FULL) VALUE CONFIRMED AT $250,798

CHANGE LARGE INDUSTRIAL (FULL) VALUE FROM $12,648,701 TO $2,993,701

LARGE INDUSTRIAL (EXCESS LAND) VALUE CONFIRMED AT $35,501

OTHER DISPOSITION:

APPELLANT:	ST MARYS PAPER LTD
APPELLANTS COUNSEL:	WISHART LAW FIRM LLP
ASSESSED:	ST MARYS PAPER LTD
MPAC COUNSEL:	CARRELL & PARTNERS
MUNICIPAL REPRESENTATIVE:	CITY OF SAULT STE MARIE
MUNICIPAL REPRESENTATIVE:	CITY OF GREATER SUDBURY
REPRESENTATIVE:	CUSHMAN & WAKEFIELD LEPAGE INC

If the decision has changed the assessed value on the property, questions regarding tax refunds or adjustments should be made to the municipality.

A copy of this Decision has been mailed to the following parties or their representatives: the Appellant(s), the Assessed Person(s), the Municipal Clerk and the Municipal Property Assessment Corporation.

Registrar

Decision released on: September 27, 2011

Environment and Land Tribunals Ontario

Assessment Review Board

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Toronto, Ontario M5G 1E5

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Tribunaux de l'environnement et de l'aménagement du territoire Ontario

Commission de révision de l'évaluation foncière

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Ontario

DECISION

TO: WISHART LAW FIRM LLP
J. PAUL R. CASSAN
390 BAY STREET
SUITE 500
SAULT STE. MARIE ON P6A 1X2

Decision No.: 2550225
Region No.: 31
Hearing No.: 387662
Hearing Date: May 11,2011

ROLL NO: 5761-040-031-10700-0000

75 HURON ST RP 1R5861 PT 1-4 PT 8-16 PT

DEEMED APPEAL NO.: 1987038

Sault Ste Marie City

SECTION: 40 Assessment made in **2007** for taxation commencing **January 01, 2008**
THE ASSESSMENT REVIEW BOARD HAS MADE THE FOLLOWING DECISION:
CHANGE TOTAL VALUE FROM $12,935,000 TO $3,280,000
WRITTEN REASONS ATTACHED
COMMERCIAL (FULL) VALUE CONFIRMED AT $250,798
CHANGE LARGE INDUSTRIAL (FULL) VALUE FROM $12,648,701 TO $2,993,701
LARGE INDUSTRIAL (EXCESS LAND) VALUE CONFIRMED AT $35,501
OTHER DISPOSITION:

APPELLANT:	ST MARYS PAPER LTD
APPELLANTS COUNSEL:	WISHART LAW FIRM LLP
ASSESSED:	ST MARYS PAPER CORP
MPAC COUNSEL:	CARRELL & PARTNERS
MUNICIPAL REPRESENTATIVE:	CITY OF SAULT STE MARIE
MUNICIPAL REPRESENTATIVE:	CITY OF GREATER SUDBURY
REPRESENTATIVE:	CUSHMAN & WAKEFIELD LEPAGE INC

If the decision has changed the assessed value on the property, questions regarding tax refunds or adjustments should be made to the municipality.

A copy of this Decision has been mailed to the following parties or their representatives: the Appellant(s), the Assessed Person(s), the Municipal Clerk and the Municipal Property Assessment Corporation.

Registrar

Decision released on: September 27, 2011

Ontario

Assessment Review Board

Commission de révision de l'évaluation foncière

File No: WR 108766

Region Number:	31
Municipality:	City of Sault Ste. Marie
Roll Number:	5761-040-031-10700-0000
Hearing Number:	387662
Appeal Numbers:	1819104, 1930751 and 1987038

In the matter of Section 40 of the *Assessment Act*, R.S.O. 1990, c. A.31, as amended, and in the matter of appeals with respect to taxation years 2006, 2007 and 2008 on premises known municipally as 75 Huron Street.

BETWEEN: St. Marys Paper Corp.
St. Marys Paper Limited

Assessed Persons/
Appellant

\- and -

The Municipal Property Assessment Corporation,
Region No. 31 and the City of Sault Ste. Marie

Respondents

APPEARING:	P. Cassan (Wishart Law Firm)	- Counsel for the Assessed Persons/ Appellant
	J. Jamieson (Carrell + Partners)	- Counsel for the Municipal Property Assessment Corporation
	P. Liepa	- for the Municipality

DECISION OF THE ASSESSMENT REVIEW BOARD delivered by:

J.M. Wyger

These appeals came before the Assessment Review Board on January 10, 2011 in the City of Sault Ste. Marie.

INTRODUCTION

On the shores of the St. Mary River, as it enters the City of Sault Ste. Marie, sits an industrial complex housing all of the machinery necessary to make paper. The pulp and paper industry fell on some hard times in the 2000's, and the St. Marys' mill teetered on the brink of bankruptcy.

A local entrepreneur put together a group to rescue the mill, with an ambitious plan to use its waste to generate electrical power as well as produce paper. This group paid $9.283 million to the trustee in bankruptcy for all of the assets of the bankrupt company, and contends that most of that is allocated to the paper making equipment and other items. Their appraisal of the realty is on the basis that the century old structures on the land are economically obsolete, and the highest and best use is as vacant redevelopment land. They allocated a value to the 37.24 acre parcel in the amount of $300,000, and maintain that this should be the assessed value.

The Municipal Property Assessment Corporation (MPAC) values the property as an operating mill, and its automated cost system (ACS) produced a value of $12,935,000. This value was fine-tuned down to MPAC's recommended value of $10,087,000. They argue that the sale is not an arm's length open market transaction, and that neither this sale, nor the sales of other troubled mills in Northern Ontario provide any evidence as to the correct current value.

ISSUES

The parties and their respective experts are nearly $10 million apart in their valuations. The main issues are:

1. What the highest and best use of the property was from 2006 through 2008; and

2. Given that use, what the market value of the realty was as of June 2005.

DECISION

The highest and best use of the property during the applicable time period was as an operating paper mill, and the current value of that use was $3,280,000. Therefore, the assessment of the property is reduced from $12,935,000 to $3,280,000 and the apportionment shall be as follows:

Large Industrial (Full)	$2,993,701
Large Industrial (Excess Land)	$ 35,501
Commercial (Full)	$ 250,798

REASONS FOR DECISION

Legislation

Subsection 19.(1) of the *Assessment Act* (*Act*) states:

> ***19.(1) Assessment based on current value.*** *– The assessment of land shall be based on its current value or average current value, as determined under section 19.1.*

Subsection 44.(2) of the *Act* states:

> ***44.(2) Reference to similar lands in the vicinity.*** *– For taxation years before 2009, in determining the value at which any land shall be assessed, reference shall be had to the value at which similar lands in the vicinity are assessed.*

The Evidence

(A) Mr. Gordon Acton

The president of St. Marys paper is Mr. Gordon Acton. He detailed his experience in deal-making in the mining, aggregate, bio-gas, forestry and pulp and paper industries as a lawyer, investor and as an entrepreneur. He explained the rising importance of co-generation facilities due to increases in the cost of energy. The bio-mass waste from these industries is a valuable resource, which can be converted to electricity to power the plant and/or sell electrical power into the grid. He testified that at the time of purchase, electricity costs in Ontario were 15% to 20% higher than in other jurisdictions. He asserted that energy costs affect the values of mills and that a plan for a co-gen facility was a key driver of financing for the project.

Mr. Acton explained that in his experience, transactions involving sawmills or pulp and paper mills or other large industrial facilities are not sold employing the Multiple Listing Service (MLS). Typically, the word is put out to potential buyers through industry publications, newsletters, websites, the press and communications targeted directly to people in the know to gauge the interest of potential buyers. Such parties are invited into a digital "data room", which contains information and full disclosure on the assets for sale. Mr. Acton advanced his opinion that all vendors, whether owners, receivers, mortgagees or bankruptcy trustees, market their properties in this fashion to secure the best price possible basing their valuations on many factors, none of which include the replacement cost new less depreciation (RCNLD).

Mr. Acton gave a detailed description of the St. Marys facility and the process that was involved in producing the "super-calender paper" (SC paper). He described how the mill site is constrained from expansion on all sides by residential and commercial development, railway tracks, the river and an international bridge. He explained how the mill requires much more space for log storage, now that they are no longer floated to the mill by the river. Mr. Acton explained in detail how the non-linear layout of the mill was far less than ideal: extra rail spurs are required; paper rolls should be longer and need to be off-rolled and re-rolled and craned and trolleyed around the facility in a multi-level process; clarifiers are too far from the process; bio-mass storage and handling is very problematic due to the layout; the relative locations and constraining features of bearing walls, clarifiers, water flow, log and clay storage, basement, machine shop and administrative office make for a very inefficient paper-making process. Mr. Acton described how water under pressure from an above-grade headrace, which acts like a dike, floods through the century old sandstone construction and into the facility, requiring constant pumping.

Mr. Acton recounted the tale of woe that has beset the whole fibre industry of late, and how St. Marys Paper Ltd. fell into bankruptcy. With the advent of electronic media and communications, paper consumption decreased, and the fibre sector fell under severe financial strain in the early 2000's. Mr. Acton characterized the downturn as a structural change to the industry that was not coming back unlike previous cyclical downturns. The fibre industry was in poor financial health, and this extended to SC paper which also experienced a significant downward trend. It was Mr. Acton's estimation, that for a mill to survive this long-term decline, a bio-mass, electricity co-generation facility was required for sustainability. By 2004, the mill was laying off employees, and by 2005 the owners were actively marketing the property for sale.

Mr. Acton described the sale process that lead to his purchase of the mill. In 2005 and 2006, the owners were unable to generate an interested buyer, and were still losing money. In October 2006, St. Marys Paper Ltd. filed for protection from its creditors under the *Companies Creditor's Arrangement Act* (*CCAA*), and a monitor was appointed by the Court to ensure continued operation of the mill, while circulating a "sales letter" to interested parties and setting up the virtual data room. The owners embarked on a re-structuring towards long-term viability. Several reports of the monitor to the Court detailed "vigorous efforts" by owners working "diligently and tirelessly" to effect a viable re-structuring, to no avail. Key impediments to profitability were pension legacy costs and energy costs.

By March 2007, the Debtor-in Possession (DIP) lender refused to extend further credit, and a winding down plan was initiated, that would result in the liquidation of capital assets while trying to complete outstanding orders and collect accounts receivable. By this time, Mr. Acton testified that he was actively performing due diligence with a view to buying the mill and re-structuring its operations to transition it into a modern converter of fibre into consumable products, using bio-fuels in the process. He studied mature co-gen projects in Europe to determine feasibility since nearby Algoma Steel had expressed interest in jointly building a co-gen that would create power from their combined waste products. A business plan was developed that would require a new union contract, and he found a financier for the project. He and his team of industry players prepared a bid to buy the mill conditional on union concessions and a provincial government commitment involving the co-gen.

Mr. Acton stated that the union was in discussions with several other paper people who were considering purchasing the mill as a going concern. By April 2007, the mill shut down operations, the *CCAA* process failed, leading to automatic bankruptcy and the appointment of a receiver to continue the sale process that had been carried on first by the owner and then the Monitor. The receiver obtained 13 bids on the assets, with seven of those being liquidation bids. The receiver recommended the only bid which it described as a "going-concern" bid, from Mr. Acton's group. In negotiations with Mr. Acton's group, the receiver was able to "ratchet up" the final bid to $9,283,643 for all of the assets of the bankrupt company. Mr. Acton asserted that most of that value was in the paper-making machinery and very little in the realty. In the schedule to the Asset Purchase Agreement that allocates the total price to different assets is $300,000 to the realty, the same number reported on the *Land Transfer Tax Act* Affidavit as consideration for the land and fixtures.

Mr. Acton pointed to Court documents describing the sale as "commercially reasonable" and that further time marketing the assets "is unlikely to result in a better offer", particularly since the sale process "was the second such process carried out since October 2006". He maintains that many eyes were on both the transaction and the allocation in support of his position that the market value of the realty is $300,000. In further support, he placed into evidence a report by CB Richard Ellis, which he relied on in making the allocation to the realty. The report concludes with a realty value, assuming no environmental contamination, of $500,000. A Gordon Brothers report was relied on by him to allocate $6,135,000 to the paper-making equipment in the mill.

Mr. Acton's group, as St. Marys Paper Corp., re-started operations immediately after closing the deal in June 2007. It lost money in the next six months, but returned the mill to profitability in 2008. Despite this, Mr. Acton enumerated a number of factors that made the prospects for the mill look bleak at the time, including the exchange rate, offshore competition, loss of market share to makers of lesser quality paper, external obsolescence, re-start costs, environmental contamination, needed capital expenditures, and energy costs due to the uncertainty of the co-gen. coming to fruition.

Mr. Acton derided MPAC's costing number of over $10 million as unrealistic relative to real market values, showing that the assessed values of other struggling mills in the north being set at two to three times the prices that they are selling for. In his estimation, the ACS figure does not adequately account for the external economic obsolescence in the fibre industry, demonstrated by these real market sales.

On cross-examination, Mr. Acton conceded that from 2005 through 2008, St. Marys Paper's share of the SC market increased from 9% to 11%, and that an industry report forecast more growth. He agreed that the $16 million profit in 2008 was more than projected. He agreed it was a fair statement that a trustee in bankruptcy would not have the same tax concerns regarding relative allocations as would a typical seller. Mr. Acton was unsure whether or not he should have included the $1,578,000 property tax lien on the Land Transfer Tax Affidavit as consideration, suggesting "that's the way it is done" and that it was part of the deal with the receiver and not part of the value.

Mr. Acton is clearly a very successful, entrepreneurial deal-maker, deserving of accolades for his efforts to save the paper mill in Sault Ste. Marie. I was impressed with his skills and perseverance in bringing the mill back from the brink of total failure. I was not as impressed with Mr. Acton's estimation of a relatively negligible value attributable to the realty for the purposes of allocation, land transfer tax or property tax assessment; realty which he continues to utilize for its intended purpose to this day.

(B) Mr. Brent King

Mr. King was qualified as the appellant's expert valuation witness. He has experience in the appraisal and assessment of special purpose properties in industries such as mining, forestry, chemical, resource and pulp and paper. Mr. King described the 100 year old mill as a small site with multi-level buildings of various piecemeal shapes and heights that is prone to flooding, and teeming with asbestos. Mr. King and the assessor Mr. Pelletier agreed to all of the piecemeal and functional obsolescence in agreeing to the ACS value of $10.087 million. He maintained however that the ACS model did not come close to recognizing the economic obsolescence inherent in the "sunset" industry of paper products. Mr. King detailed a variety of mill layoffs and closures, and re-iterated Mr. Acton's assertion that the fibre industry is slowly dying.

Mr. King pointed to a document referred to as the "Larry Letter", so-called because it was penned by Mr. Larry Hummel, evidently a figure of some authority at MPAC. This missive dated December 22, 1997, deals with industrial appeals and the new emphasis on "value in exchange" rather than "value in use". Mr. Hummel directed his Commissioners that "If there is strong evidence in the marketplace of the existence of economic obsolescence, then we must be prepared to recognize it." This recognition is applied through a "market adjustment factor" (MAF) to bring ACS values more in line with actual market transactions. The MAF applied to the St. Marys paper mill is 15%, which Mr. King characterized as unrepresentative of the market forces at work in the fibre industry. Mr. King surmised that there were no resource property sales included in MPAC's MAF Study. He indicated that even facilities in the industrial heartland of Southern Ontario received MAFs of up to 40%, inferring that the lack of fibre industry sales in the MAF Study rendered its validity questionable.

Mr. King also referenced an MPAC "slide show" to the Sault Ste. Marie council in April 2008, detailing the assessment challenges faced by MPAC in assessing large industrial properties in the north and recognizing the economic turbulence in the wood fibre sector. A slide entitled the "The Challenge of Current Value" charted for several mills in the north, how the assessed values were substantially higher than the reported sale values on a massive scale. In Mr. King's opinion, the ongoing decline in the forestry industry, being a permanent rather than cyclical trend, has reduced these purpose-built facilities to a minimal or negative value when they transact, a consideration that is missing from MPAC's ACS valuations.

Some of these sales and other listings were used by Mr. King as comparables to support his $300,000 estimation of value, based on the sale of the subject mill, which he insists was widely marketed to people in the know. Mr. King considers that sale to be a good indicator of the market value, and re-iterated many of the factors referred to by Mr. Acton in support of its validity. He did not consider there to have been any undue pressure on the vendor, or the sale to have been unusual or complex for the specialized properties in this industry.

Mr. King agreed that the CB Richard Ellis report was based on atypical, extraordinary assumptions in reaching a valuation of $500,000. Its stated purpose is to provide an "Alternative Use Market Value...that render the report a Consultancy Report rather than an Appraisal", requiring "some departures from the Canadian Uniform Standards of Professional Appraisal Practice." Chief among these departures was that they "have been instructed to value the subject real estate as if the subject paper mill was closed and the equipment totally dismantled and disposed of." In effect, CB Richard Ellis did not consider the highest and best use, but had been told to assume that it is not the current and continuing use as an operating paper mill.

On the issue of highest and best use, Mr. King's report states the existing use as a Coated Paper facility "likely constitutes the only feasible use of this site." He goes on to temper this opinion, suggesting the current use is in "survival mode", dependant on starving the facility of capital and deferring maintenance, and other "desperate measures". He foresaw no substantial usage of the mill in the future since it is not financially feasible, unless a co-generation facility became a reality. He characterized a valuation based on such potential as "hope value". For these reasons, Mr. King explained that he based his valuation on the alternative highest and best use (HBU) of the property as vacant redevelopment land, although this conclusion is not stated in his written report. I note that Mr. King's foresight has not been validated by hindsight, as the paper mill has continued to operate in the intervening four years, and Mr. Acton's hoped for co-gen facility has recently been green-lighted, thanks to a 10 year power purchase agreement with the province.

On cross-examination, Mr. King agreed with the extract from the appraisal text that it is generally true that "the highest and best use of a special-purpose property as improved is probably the continuation of its current use if that use remains viable." He allowed that "in theory", financial feasibility meant a positive return from the property, but insisted that the mill was at the end of its useful life. Mr. King agreed that of his eight comparables, most were not operating at the time of sale, only five were fibre-related, and only three were actual sales. I found Mr. King to be a professional and credible witness, in the sense that he believes in his analysis of the HBU and the valuation. I have difficulty accepting the logic of his analysis of employing an alternative HBU, while the current use as a mill met the conditions for highest and best use throughout the taxation years and beyond.

(C) Mr. Peter Brull

Mr. Brull was qualified as MPAC's expert witness in the assessment of large industrial properties. He had experience in assessing properties in the oil and gas, steel and resource industries. He explained the costing approach used to value such properties. He met with Mr. Pelletier, a representative of the appellant to work out the "bricks and mortar" costing issues, and they came to an agreement on a pre-MAF figure of $11,867,000. The 15% MAF reduced this value to the $10,087,000 that MPAC is defending at this hearing. He detailed the piecemeal and depreciation allowances that were agreed covered the functional obsolescence within the mill.

Mr. Brull testified that there was no discussion on economic obsolescence with Mr. Pelletier, and that for the 2005 base year, that issue would have been covered by the MAF allowance. Mr. Brull explained how the 15% MAF applied to the subject property accounts for external forces that reduce the value of the property. He explained that going forward, the economic obsolescence would be more property specific, calculated on the same basis as the MAF, only applied differently.

Mr. Brull stated that the 15% MAF was applied in all regions north of the French River, and that it was based on a sales study. This 2005 base year MAF study was not produced at the hearing because it could not be located. I enquired of Mr. Brull how it is that not a single copy of this MPAC document could be found. Counsel for MPAC, Mr. Jack Jamieson expressed his regret and some embarrassment at the disappearance of this important document, stating that "it doesn't exist anymore". In his submissions, counsel for St. Marys Paper Ltd., Mr. Paul Cassan provided case-law in support of his position that the Board was entitled under the doctrine of spoliation, to presume that the evidence would have been unfavourable to MPAC. He urged the Board to find that the MAF study could not have included the sales of northern mill properties, and therefore did not properly deal with economic obsolescence. Given the evidence, I consider this to be a reasonable proposition. Mr. Brull conceded that the MAF was not working well in reflecting economic obsolescence on large industrial properties in the north.

On highest and best use (HBU), Mr. Brull took the simple approach that as long the value as improved is greater than the value as vacant, the HBU is the use as improved. While the mill was up and running, it was making money and therefore passed the test of being financially feasible. He contended that only when there is a change event such as a permanent closure of the mill, does the HBU change because the closure proves that the use as a mill is not financially feasible. He pointed to comments in the company business plan, an industry report from RISI, and the CB Richard Ellis report as evidence of the good outlook for SC paper at the time. In hindsight, the projection that the use was likely to continue has been borne out as well.

Mr. Brull discounted the comparable properties brought forward by Mr. King, although he admitted that he did not investigate them. Algoma Tubes was not a fibre property and was not operating at time of sale; Atlas Steel was not a fibre property and was closed at the time of sale; Bonniferro was a closed sawmill with insufficient comparability; Norampac was a closed linerboard mill; Flakeboard was a closed particleboard mill; Marathon and Tembec were closed pulp mills that did not sell; Cascades was a closed paper mill that was not a real estate sale. Mr. Brull opined that just because these mills are worthless or have negative value does not mean the subject operating paper mill is worthless, largely because it produced a niche product with a good outlook.

Mr. Brull was questioned by Mr. Cassan on an extract from the Appraisal of Real Estate published by the Appraisal Institute of Canada. The extract was about evaluating functional utility in special-purpose buildings and it urged the appraiser to "search for market data on similar – i.e. not directly comparable – or related facilities" and to interview operators, brokers, appraisers and others with experience in the industry. Mr. Brull conceded that he did not take these steps, but asserted that no conclusions could be drawn from Mr. King's sales.

Mr. Brull contended that the sale of the mill to Mr. Acton's group provided no guidance as to the value of the realty. He characterized the sale as a forced sale of great complexity, with a definite deadline and no willing seller in the guise of the bankruptcy trustee. His opinion was that it was a "fire sale" in which Mr. Acton received more value than the $9.2 million purchase price. He asserted that there were no independent appraisals and no negotiation on the allocation of the price to realty and other assets, since the trustee had no stake in how it was allocated.

On questioning regarding negative external influences adversely affecting the realty value, Mr. Brull explained that the land and infrastructure housing the business does not change in value with fluctuations in the business cycle but conceded that if the decline is cumulative over a long period, there is reduced market demand for those properties leading to downward pressure on values. Such a negative trend can be accounted for with an increase to the MAF.

On the sale of the property, Mr. Brull did not dispute that substantial efforts were made to market the property, or that the sale was commercially reasonable and provided the greatest recovery available. Yet he maintained that willing vendors and purchasers would transact the mill's realty at over $10 million.. I found Mr. Brull to be a professional and credible witness in the sense that he believed in the reliability of his own evidence. I am not persuaded that Mr. Brull's devotion to the MAF-adjusted ACS, and his insistence that the market evidence surrounding St. Marys and other mills provides absolutely no indicator of current value, or that MAF may be deficient.

The Appellant's Submissions

Mr. Cassan called Mr. Brull's credibility into question, citing:

- His non-adherence to MPAC policies, in particular making proper allowance for economic obsolescence where the market dictates;
- The misapplication of appraisal techniques, by not considering sales, listings or whatever evidence of market was available for this limited market property;
- The destruction or unavailability of key evidence (the MAF study);
- Giving opinion evidence beyond his expertise in discussing large commercial transactions, taxation, allocations, and what is "typical" in the sale of fibre mills.

Mr. Cassan characterized Mr. Brull's evidence as careless, not objective and not within his expertise. He urged the Board to reject it completely.

Mr. Cassan submitted the sale of the mill was the most important evidence, arguing that it was a valid arm's length sale, largely due to a trustee's duty to obtain fair market value, and the length of time the mill was being shopped prior to the bankruptcy proceedings. He urged me to accept the allocation which was supported by several appraisals and by Mr. King who complied with the tenets of the appraisal text, unlike Mr. Brull. He contended that MPAC's MAF in no way reflected the economic obsolescence or the market for fibre properties, and invited me to draw inferences detrimental to MPAC, from the fact that the MAF study was not produced.

Mr. Cassan provided several cases to support the proposition that so-called "distress" sales should be given weight, and if they are not used, a true reflection of real market value is not attainable. He rejected MPAC's contention that Mr. Acton's sale price reflected the purchase of a closed mill with a different HBU, emphasizing that the mill was up and running throughout most of the sale process as a going concern. He emphasized that other mills that were operating while for sale, attracted no one bidding anywhere near the higher values that those mills were assessed for. He asserted that all the market evidence pointed to his requested realty value of $300,000.

MPAC's Submissions

Mr. Jamieson submitted that Mr. Acton's group received much more value than the price paid for the mill, re-iterating Mr. Brull's "fire sale" theme. He stressed that the price reflected the value of a closed mill, while the HBU was and still is an operating mill, and that is the value to be assessed. He rejected the allegation that Mr. Brull exceeded his expertise, and maintained that he and Mr. King had resolved all costing issues save for economic obsolescence.

Mr. Jamieson emphasized that the HBU of the property was key to determining its value, and the continuing use of the mill as an SC paper producing facility met all of the tests for HBU. He argued that both Mr. Acton and Mr. King described that use as being feasible with conditions. Mr. Jamieson attacked the credibility of Mr. King's opinion that the appropriate HBU going forward was as a vacant site because the mill was in "the last stage" of its useful life, while that stage had still not ended. He criticized Mr. Acton's assertion that HBU as a paper mill was conditional on a co-gen facility, since his financial projections did not include that factor, and in fact the mill operated at a profit without it. He characterized the appellant's position as an "extraordinary view" that the current use is not the HBU, as long as it is making any money, and therefore financially feasible during the applicable time period.

Mr. Jamieson urged the Board not to give any weight to the sales of closed mills, as their HBUs would be different from an operating mill. No weight should be given to the CB Richard Ellis appraisal which specifically excluded an operating mill as HBU. He characterized Mr. Acton's deal as the purchase of a closed mill, arguing that the price reflected that use, and not the HBU as an operating mill. That is the key reason why the purchase price gives no guidance as to the mill's value as a fully functioning paper-producer. He repeated Mr. Brull's contention that it was also a forced sale and a "fire sale" 29 months out from the valuation date, by a trustee/receiver under time constraints. He urged me not to consider it in determining current value.

Mr. Jamieson described the allocation of the purchase price as Mr. Acton being keen to allocate the lowest number to the realty, for a variety of business reasons, a subjective assignment of values that ought not to be relied on.

Analysis – Highest and Best Use (HBU)

The key issues on this appeal is to determine the highest and best use of the mill property as of January 2005, and what if anything the sale price of the property says about that use. I conclude that the use as an operating paper mill clearly meets the three tests for HBU, set out in the appraisal text. It is reasonably probable and physically possible. It is legally possible. On the most contentious of the three tests, I find on the evidence of financial information that it was also financially feasible at roll return and throughout the three taxation years. I find from all the financial information in evidence, that while profit margins may have been slim and prognostications were dire, in fact the mill made money during the time in question. I accept Mr. Brull's opinion that as long as the mill showed some positive return, it demonstrated that SC paper-producing was still viable and therefore financially feasible.

I have considered the appellant's evidence and argument that the mill should be valued as vacant development land, and am persuaded that this position does not conform with proper appraisal practice. Mr. King testified that he saw no substantial usage of the property as a mill in the future, while the cloud of steam over the mill that was visible from our hearing location gave testament to the contrary. To premise the valuation on the possibility that the mill might not suivive while it in fact continues to operate, is premature at best. Despite all of the evidence showing that the sun is setting on mills of various descriptions including fibre mills in Northern Ontario, Mr. Acton's rescue plan for St. Marys SC mill has succeeded, and forestalled that plight for the mill in question at least in the near term.

I agree with Mr. Brull and Mr. Jamieson that the HBU of the property will change only when and if the mill does in fact close permanently. I accept as proper appraisal practice, that the current use is the HBU until there is a major change event such as a permanent shut-down. For this reason, the CB Richard Ellis appraisal is only speculative, and Mr. King's conclusion of value is flawed and unpersuasive.

Analysis – Comparative Sales

While I accept Mr. Brull's evidence that the HBU is an operating paper mill, I remain unconvinced by his rejection of any and all market evidence to assist in valuing that use, and by his opinion that a willing buyer would pay a purely cost-derived $10 million plus for the privilege of owning that operating mill use.

There was much evidence and argument regarding the sales and listings of other Northern Ontario mills provided by Mr. King. Some were closed, some were operating, and some were for sale while operating, then sold after closure. It is difficult to glean much useful information from these sales since the HBU was something of a moving target. While most of the sales were of closed mills, it is important to consider that most were also for sale while they were operating at their HBUs as functioning mills. The lack of any willing buyers for these money-losing going concerns, underlines the appellant's submissions regarding the general malaise affecting large industrial properties in the north, and the clear fact that no one would pay anywhere near the assessed values for these properties whether operating or not. The MPAC brain trust conceded as much in their slideshow, that referenced these sale values in juxtaposition to their ACS values which were generally three to four times higher. There was also evidence of large negotiated reductions in assessed values, presumably in recognition of the market reality.

What sets the subject sale apart from the comparative sales is that Mr. Acton was bidding on the St. Marys' property with a view to continuing the HBU as an operating mill. His position was that this was only going to be viable if he managed to operate in conjunction with a co-gen plant, yet his financial projections did not include this factor, and in fact the mill operated profitably without the co-gen.

I conclude that it is not appropriate to use the depressed or nominal or even negative sale prices of other northern mills to determine the value of a mill with a viable niche market, that sold as a going concern. I consider that it is appropriate to use the market activity surrounding these other mills in the more generalized fashion set out in the appraisal text, of using "whatever evidence of market value is available" to draw the broad inference that no mill in Northern Ontario, whether operating or not, is likely to sell for the assessed value that is produced by the ACS less a 15% MAF.

Analysis – Sale of the Subject Property – Validity

Mr. Jamieson's submission that the sale was not a valid indicator of the mill's value was based on the atypical complexity of the deal, the atypical motivation of the vendor trustee, the time pressures felt by the parties, and the fact that it was the purchase of a closed mill, which is not what is being assessed. Mr. Cassan countered that the complexity is common for special purpose property deals, the trustee was duty-bound to obtain fair market value (FMV), the sale process pre-dated the strict bankruptcy process, and that the price bid was for the going concern, an operating paper mill.

I categorically reject MPAC's evidence and argument that the sale of the subject property itself provides absolutely no hint as to the exchange value of the property itself. While the sale may not be a textbook example of a valid, open market sale, it surely provides a better indicator of exchange value than the cost approach alternative. I accept the appellant's more plausible submissions that the mill was widely marketed by the owners, the monitor and the trustee to all conceivable interested parties, for a sufficient length of time to attract the best possible price for the property as either an operating or closed mill. I accept Mr. Cassan's authorities that a bankruptcy trustee's duty to obtain FMV is greater than is a mortgagee's or other secured party, and that the trustee did his utmost to maximize the return, to the point of haggling with Mr. Acton to "ratchet up" his initial bid price.

The issue of whether the transaction was "atypical" raises the question of just what is a "typical" transaction in this industry in the north. If receivership, bankruptcies and "fire sales" were the predominant type of transaction during this period, does that not make them typical, and so define the market? To posit that some typical "willing buyer" would purchase the realty alone for over $10 million, when a knowledgeable group of industry players would pay only $9.2 million for the whole works, simply does not reflect the real world market in which these properties transacted during that period. In MPAC's scenario, the "willing buyer" is an artificial construct, with no basis in the real world. I doubt that it was the intention of the Legislature to so restrict the "willing buyer" where such "fire sale" buyers and sellers are typical in the market at the time in question. I conclude that the real market value of the realty must lie within the overall $9.2 million purchase price paid to the trustee for the going concern.

Analysis – Sale of Subject Property – Subject-matter

I cannot accept Mr. Jamieson's assertion that the sale price reflected the purchase of a closed mill. Mr. Acton's bid envisioned the continued operation of the paper mill, and almost all of the groundwork and negotiations were carried on while the mill was still in operation. The brief shutdown of the mill was simply the catalyst that enabled the union concessions, allowing the deal to be made, and for Mr. Acton to acquire a more viable going concern than existed prior to the shut-down. It was the liquidation bidders that were clearly intent on buying a closed mill, and assigning nominal value to the realty, although one bidder offered US $2 million to "purchase the real property". What Mr. Acton transacted was a going concern, operating mill at a price that understandably included a discount for the high risk venture even the more viable going concern represented. I am persuaded that the value of the assessable realty is to be found somewhere within the $9.2 million price that was paid for the going concern.

Analysis – Sale of Subject Property – Allocation

I cannot accept Mr. Cassan's submission that Mr. Acton's allocation of the purchase price among the various items is a reliable indicator of the true value of those items, including the real estate. The subjective nature of the exercise, coloured by both the corporate income tax and land transfer tax advantages to minimizing the realty value cannot be ignored. The realty allocation partially relied on an appraisal that was based on the fiction that a vacant lot was being purchased. The Land Transfer Tax Affidavit that was put forward in support of that value was missing assumed liabilities of at least $1.578 million that are defined as consideration under that taxing statute. The transaction included Mr. Acton obtaining the rights to these assessment appeals, and he stands to gain financially from the requested $10 million reduction in the subject matter of those appeals. There is the additional difficulty of the numbers allocated to the various properties, liabilities assumed and side deals that do not add up to the full bid amount. I agree with Mr. Jamieson's contention that to accept the realty allocation as the current value for the property is akin to allowing Mr. Acton to set his own assessment.

Mr. Acton's purchase of the going concern necessarily included substantial value attributable to the land and bricks and mortar and yard works infrastructure that was vital to the continuation of that going concern. This is the reason his bid was higher than those bidders interested only in selling off the paper-making equipment. Implicit in the higher bid was a realization of the value of the realty to that operation. If there was a "fire sale" it was of any goodwill or intangibles normally part of a going concern value, that would have been deeply discounted in the case of a bankrupt company. I find that the two main components of value represented by the purchase price are the paper-making equipment and the realty/infrastructure required to house it. In Mr. Acton's allocation, various items are assigned substantial values, while the realty is treated almost as a "throw-in" part of the deal. In my judgment, it is the realty that has substantive value while being utilized for its purpose, while the other items and side deals are the "throw-ins".

The allocation of the purchase price found in the asset purchase agreement should have assigned more value to the realty, if one accepts the *Land Transfer Tax Act* definition of "consideration". The assumed tax lien added to the $300,000 totals $1.878 million. This figure represents a floor value for the realty, and if it had been employed in the allocation, would have required all the other allocation numbers to change. For this reason, and all the others mentioned above, I reject the allocation contained in the agreement as any evidence of the true values of the items listed therein.

Analysis – Equipment Value

Mr. Cassan referenced the document detailing all of the bids for the mill as one of the most important pieces of evidence. I agree with that submission, because it is hard evidence as to the market value of the paper-making equipment in the mill, one of the two major components of value within the successful bid. There is also the Gordon Brothers appraisal of the liquidation value of that equipment in support. I consider it a reasonable premise that if the fair market value of the equipment can be estimated and backed out of the total bid price, the residual value that results will provide a rough approximation of the value of the other major component, namely the realty.

The liquidation bids ranged from $2,100,000 from Poscor Mill Services Corp. to $8,750,000 from Danbury Industrial. The net minimum guarantees within some of these bids tightens that range from $3 million to $7.5 million. It is difficult to compare the various bids as each one had specific conditions and qualifications including unnamed excluded assets, net minimum guarantees, profit participation arrangements, environmental due diligence, demolition cost estimates and varying occupancy periods. It is not at all certain which bid the trustee would have calculated provided the best recovery on the bankruptcy, had there been no going concern bid. The only reasonable inference I can draw is that the value of the paper-making machinery is within that range of values bid. For the gross bids, the median value was $5.1 million, while the average value was $4.95 million. For the five bids that set out net minimum guarantees, the median is $5.1 million and the average is $5.05 million.

The Gordon Brothers appraisal of the paper-making equipment estimates a "Net Orderly Liquidation Value" for the equipment in the amount of $4.59 million and a "Gross Orderly Liquidation Value" of $6.12 million. Mr. Acton based his allocation of $6.13 million to equipment, largely on the basis of the estimated gross value. The difference between the gross and net figures is the "Estimated Liquidation Expenses" of $1.52

million. It seems to me that the value of the equipment to Mr. Acton's group is better represented by the Net Orderly Liquidation Value, because of course Mr. Acton would incur no such liquidation expenses upon acquiring the mill. I further note that Mr. Acton's original allocation to equipment, prior to the "ratcheting up" was the much lower figure of $4.195 million. Whichever figure is employed, the Gordon Brothers' range was supported in the market by the mean and median of the actual bids which were $4.95 million and $5.1 million respectively. I am persuaded that the market value of the paper-making equipment at the time in question is within the appraisal report range of $4.6 million to $6.2 million. A consideration of the mean and median equipment bids, would place the value of the equipment at or near the $5 million mark, which is nearer the lower end of the Gordon Brothers' range. This value is also proximate to the Net Orderly Liquidation Value, which I consider appropriate for the reasons stated.

Analysis – Realty Value

When the equipment value of $5 million is deducted from the overall bid price of $9.28 million, the result is a value of $4.28 million. I am persuaded by all of the evidence before me that the largest part of that figure represents the value of the realty, including all the buildings and yard works necessary for a functioning mill. The issue arises as to whether any of the value should be allocated to other items such as the outstanding property taxes, pulpwood inventory, clothing deposit, a crown lien and liability to pulpwood suppliers. I have previously referred to these items as "throw-ins" to the overall deal, but must consider their possible effect on the valuation of the realty.

I have no doubt that the property tax lien assumed is part of the consideration for the realty, and is contained within the $4.2 million figure. The pulpwood inventory, clothing deposits, cullrolls and other inventory had numbers assigned to them in the discredited allocation, which are of no assistance in determining their real value. In the case of a going concern going nowhere, it is debatable whether such items have any value or are indeed "throw-ins" to the deal, in similar fashion as St. Marys' trademarks. In Mr. Acton's own words "trademarks had a negative value given the bankruptcy..." and that it "was found prudent to take all of the assets such as trademarks despite their questionable value" (Exhibit 2, Tab 72). I agree with Mr. Acton and find that most of those items had no appreciable value.

There are two items that were part of the deal that were not allocated figures but were actual liabilities in definitive amounts that were assumed by Mr. Acton's group. These were a Crown lien in the amount of $264,000, and a debt owing to pulpwood contractors in the amount of $738,903, totalling $1,002,903. These were amounts that were directly owed to third parties by the bankrupt company, and were not liens that encumbered the realty in the same way as the property tax lien. These amounts were effectively flowed through to the creditors, via the trustee and should rightfully be excluded as part of the consideration for the hard assets of the mill itself. When this $1 million figure is deducted from the $4.28 million derived above, the resulting value is $3.28 million, rounded.

The Market Adjustment Factor (MAF)

The MPAC "slide show" gave a vivid demonstration, worthy of its title "The Challenge of Current Value". Assessment to sale ratios (ASR) for the properties with positive sale values were 3.61, 3.80 and 4.55, with sale amounts ranging from $4,000,000 to $5,215,000. Perhaps the only sale in all of Mr. King's sales that could be described as an actual sale of an operating mill from one paper company to another paper company was the sale of the pulp mill in Terrace Bay from Kimberly Clark to Neenah Paper in November 2004. The consideration for land, buildings and fixtures listed on the Land Transfer Tax Affidavit was $2,976,000, one month prior to the January 2005 valuation day. The assessed value of this property was $32,000,000 or more than ten times higher than the amount it obtained in the market. Without having many details of the property, I consider this sale the nearest comparable sale to the subject mill purchase, only for the purpose of corroboration. It appears to support my conclusion that the level of sales is substantially below the level of assessments not only for closed mills, but for another operating mill that was also purchased for its HBU. I find the market evidence taken as a whole clearly demonstrates that a 15% MAF falls well short of reflecting what market there is for these mill properties in the near north. The absence of the document purporting to support a 15% MAF also supports this finding under the doctrine of spoliation as argued by Mr. Cassan.

Evidence was entered through Mr. Acton detailing settlements and reductions in the assessed values of other mills in the north. The assessment of the Boniferro Mill Works in Sault Ste. Marie was reduced from $2,870,000 to $700,000, a reduction of approximately 75%. The Tembec Mill in Smooth Rock Falls was reduced from $16 million to $2 million, a reduction of 87%. The pulp mill in Terrace Bay discussed earlier herein was to receive a reduction in the order of 68%. Mills in Thunder Bay, Red Rock, Timmins and Englehart were all assessed at over $10 million and were all said to be in negotiations leading to assessed values that would be "substantially" reduced. None of these figures were documented save for the Bonnifero settlement, but given the evidence as a whole, such large reductions in assessed values should come as no surprise.

The current value determined in the amount of $3.28 million represents a substantial reduction from the original ACS returned assessment of $12,935,000. The reduction amounts to approximately 75%, a figure that is not out of line with the figures and ASR's detailed above. The evidence showed that the MAF was instituted to reflect external market influences and economic obsolescence. For these northern mill properties, it ought to reflect the reality that even the purchase of a going concern is a risky business. The MAF should reflect that no prudent buyer would pay anywhere near the replacement cost for the dubious privilege of owning an out-dated, flooded, rusty facility housing a business in a troubled industry that in recent years has hovered near bankruptcy before succumbing to it. My analysis indicates that a willing buyer would discount the cost value of the subject mill by approximately 75% for all of those reasons, and that represents the adjustment that reflects the reality of the market for this property. I find that the MAF, which should have been applicable to the St. Marys paper mill for the tax years in question was 75%.

Conclusion

After careful consideration of all of the evidence, my best estimate of the value of the subject realty is \$3,280,000. Therefore, the assessment of the land is reduced from \$12,935,000 to \$3,280,000 for the 2006, 2007 and 2008 taxation years, and the apportionment shall be as follows:

Large Industrial (Full)	\$2,993,701
Large Industrial (Excess Land)	\$ 35,501
Commercial (Full)	\$ 250,798

"J.M. Wyger"
J.M. Wyger
Member

/ci
DECISION RELEASED ON: September 27, 2011

THIS IS **EXHIBIT "D"** TO THE AFFIDAVIT OF GORDON P. ACTON
SWORN BEFORE ME THIS 6TH DAY OF OCTOBER, 2011

St. Marys Paper Ltd.
Summary of Offers
May 7, 2007
($CAD)

Appendix "A"

No.	Offeror	Notes	Type	Deposit	Amount
1.	Danbury Industrial	1	Liquidation	-	8,750,000
2.	Management Group	2	Going Concern	600,000	7,600,000
3.	Asset Engineering Corporation/Can-Am Machinery Inc.	3	Liquidation	-	6,156,000
4.	Perry Videx	4	Liquidation	555,000	5,643,000
5.	Maynards	5	Liquidation	-	5,100,000
6.	Corporate Assets Inc.	6	Liquidation	-	3,885,000
7.	Platinum Asset Services	7	Liquidation	-	3,000,000
8.	Poscor Mill Services Corp.	8	Liquidation	210,000	2,100,000
9.	Automation Service	9	Liquidation	-	27,140
10.	Jack Berry Contracting	10	Liquidation	2,450	24,500
11.	Legacy Quest Developments Inc.	11	Liquidation	1,500	15,000
12.	Marc Dube	12	Liquidation	1,500	15,000
13.	Metal Resources	13	Liquidation	1,000	11,100

Notes:

General
- Amounts in US$ were converted to CAD$ at a foreign exchange rate of $1.11.

Specific

1. Danbury's offer provided the following two options, both of which include certain "excluded" assets:
   (i) An outright purchase in the amount of $8.75 million; and
   (ii) A net minimum guarantee in the amount of $7.5 million together with a profit participation arrangement whereby sale proceeds in excess of $8.5 million would be shared on a 70%/30% basis in favour of the Company.
   Other key elements of Danbury's offer include:
   - The value of the "excluded" assets that are included in the value of Danbury's offer is approximately $925,000, but this value needs to be finalized;
   - The offer contemplates a 12-month occupancy period;
   - No deposit was provided with Danbury's offer. Danbury has advised that it is willing to provide a deposit in the amount of $500,000 upon agreement of the key business terms and $500,000 upon execution of an asset purchase agreement.

2. This offer is subject to the following conditions which are to be waived by May 18, 2007:
   (i) Entering into a Collective Agreement with the Communications, Energy and Paper Workers Union of Canada on terms satisfactory to the Purchaser and its lender; and
   (ii) The Purchaser receiving a comfort letter, letter or agreement with and from the Province of Ontario on terms satisfactory to the Purchaser and its lender.
   Other key points of this offer include:
   - The Purchaser shall pay directly to the log suppliers and/or the Province the amounts owing in respect of the log inventory. This provision is valued by the Purchaser at approximately $1.6 million (but may be significantly less), as described in Section "4" of the accompanying memorandum;
   - The Purchaser has advised that it has not received a commitment letter/term sheet from its lender;
   - The Vendor is to pay all property tax arrears (which totals approximately $1.5 million) in order to convey clean title of the real property. The Purchaser will seek to minimize this obligation. At a minimum an abatement of approximately $380,000 is believed to be available;
   - The Purchased Assets are to include a transfer/assignment of the outstanding municipal property tax appeal proceeding; and
   - This offer contemplates a May 31, 2007 closing date.

3. This offer is provided on a Net Minimum Guarantee basis in the amount of $6,156,000. Other key terms include:
   - Sale proceeds in excess of $7.31 million are to be shared on a 70%/30% basis in favour of the Company;
   - The offer contemplates an occupancy period of "not less than 12 months and not to exceed 24 months"; and
   - This offer is valid until May 11, 2007.

St. Marys Paper Ltd.
Summary of Offers
May 7, 2007
($CAD)

Appendix "A"

4. Perry Videx's offer is in the amount of US$5.13 million. Other key terms include:
   - If offer is acceptable, Perry Videx makes a further offer to purchase the real property in the amount of US$2 million subject to a 150-day period during which it would conduct environmental due diligence on the property;
   - Offer contemplates an 18-month occupancy period; and
   - This offer is open for acceptance until May 18, 2007.

5. This offer is provided on a Net Minimum Guarantee basis in the amount of $5.1 million. Other key terms include:
   - Sale proceeds in excess of $6 million are to be shared on a 75%/25% basis in favour of the Company;
   - Sale proceeds in excess of $7 million are to be shared on a 70%/30% basis in favour of the Company;
   - Sale proceeds in excess of $8 million are to be shared on a 60%/40% basis in favour of the Company;
   - Sale proceeds in excess of $9 million are to be shared on a 50%/50% basis;
   - Offer indicates that Maynards is willing to consider a cash offer or commission structure;
   - The occupancy period appears to be for the period ending November, 2008; and
   - This offer is open for acceptance until May 10, 2007.

6. This offer is provided on a Net Minimum Guarantee basis in the amount of US$3.5 million. Other key terms include:
   - Sale proceeds in excess of US$4.5 million are to be shared on 80%/20% basis in favour of the Company;
   - Sale proceeds in excess of US$5.5 million are to be shared on a 65%/35% basis in favour of the Company; and
   - Offer contemplates an occupancy period of "no less than 1 year and no more than 2 years".

7. This offer is provided on a Net Minimum Guarantee basis as follows:
   - For all assets other than Paper Machine 5, the Net Minimum Guarantee is $1 million. Sale proceeds in excess of $1.35 million are to be shared on an 80%/20% basis in favour of the Company; and
   - For Paper Machine 5, the Net Minimum Guarantee offered is $2 million. Sale Proceeds in excess of $2.25 million are 100% on account of the Company.

   Other key terms include:
   - The offer contemplates a 24-month occupancy period; and
   - Platinum is willing to submit a deposit in the amount of $100,000 following a 60-day inspection period.

8. Key terms of this offer include:
   - This offer includes the real property. The offer provides that the Purchaser will assume the property tax arrears (estimated value of approximately $1.6 million);
   - The offer appears to indicate that an auction of the assets will take place within 90 days of acceptance of the offer and the Vendor shall be entitled to 50% of the net proceeds;
   - The offer contemplates a May 31, 2007 closing date; and
   - The offer attached a demolition quote from Murray Demolition for all costs related to site cleanup. The Purchaser undertakes the demolition costs in the amount of approximately $5.4 million.

9. This offer is for certain pieces of equipment, as specified therein.

10. This offer is for certain pieces of equipment, as specified therein.

11. This offer is for two parcels of the Company's real property.

12. This offer is for the parcel labelled "Millwood Camp" in the tender package.

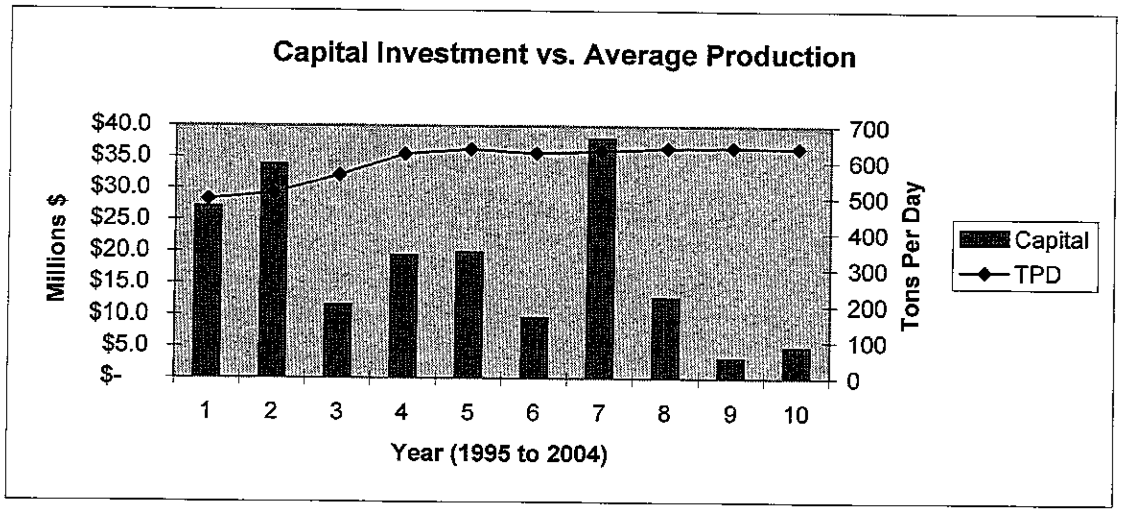
13. This offer contemplates that the Purchaser would assume the property tax arrears (estimated at $1.4 million in the offer).

THIS IS **EXHIBIT "E"** TO THE AFFIDAVIT OF GORDON P. ACTON
SWORN BEFORE ME THIS 6TH DAY OF OCTOBER, 2011

Class	ClassDesc	Full Replacement Cost ValueBasedOnLastCost	Book Value (2007 Adj) ValueBasedOnAveCost	Estimated Liquidation %	Estimated Potential Liquidation Value
BRNGS	Bearings	$1,184,952.70	$373,577.00	50%	$592,476
CABLE	Cable	$14,997.03	$11,240.48	50%	$7,499
CHEMS	Chemicals	$8,331.70	$1,761.87	0%	$0
COMPS	Computers	$214,019.92	$68,581.82	20%	$42,804
COMUN	Communications	$33,388.05	$10,449.51	25%	$8,347
CONVS	Conveyors	$188,814.29	$83,741.55	25%	$47,204
CRANE	Cranes	$69,911.03	$27,951.59	25%	$17,478
ELECT	Electrical Components	$2,121,019.13	$736,013.36	20%	$424,204
FASTN	Fasteners	$390,219.02	$25,116.44	25%	$97,555
FILTR	Filters	$318,461.75	$109,229.12	25%	$79,615
GENST	General Stores	$45,373.22	$20,212.77	50%	$22,687
HVACN	Heating,Ventilation,Air Cond	$52,913.56	$1,790.62	25%	$13,228
HYDRL	Hydraulics	$241,295.15	$63,886.82	25%	$60,324
INSTR	Instrumentation	$391,369.18	$150,937.93	10%	$39,137
LBRTY	Lab Parts	$10,992.27	$4,964.53	10%	$1,099
LTPWR	Light and Power	$90,914.48	$50,205.12	25%	$22,729
LUBES	Lubrication	$72,297.83	$57,654.64	50%	$36,149
METAL	Metals	$53,307.56	$22,280.80	50%	$26,654
MIXEQ	Mixing Equipment	$66,263.12	$13,737.50	25%	$16,566
MOBIL	Mobile Equip Parts	$22,642.54	$14,982.94	25%	$5,661
MTRCN	Motors and Controls	$267,634.11	$101,281.96	25%	$66,909
NONE	None	$15,102.33	$2,558.65	10%	$1,510
OFSUP	Office Supplies	$28,128.92	$9,660.18	10%	$2,813
PNEUM	Pneumatics	$154,510.86	$42,759.34	25%	$38,628
PPFTG	Pipefittings	$891,150.67	$311,651.22	25%	$222,788
PUMPS	Pumps	$971,103.72	$164,083.36	25%	$242,776
PWRTR	Power Transmission	$2,441,378.47	$693,862.84	20%	$488,276
SAFTY	Safety	$18,290.74	$5,536.50	50%	$9,145
SEALS	Seals	$403,753.05	$136,710.86	25%	$100,938
SPFNG	Specialty-Finishing	$57,903.19	$24,122.05	10%	$5,790
SPPLP	Specialty-PulpMill	$633,989.89	$232,092.36	10%	$63,399
SPPML	Specialty-PaperMill	$766,325.23	$175,274.25	10%	$76,633
SPSTM	Specialty-SteamPlant	$56,098.10	$9,655.40	10%	$5,610
TOOLS	Tools	$47,440.80	$32,947.40	50%	$23,720
WELDG	Welding Parts	$13,107.30	$9,597.38	50%	$6,554
Grand Total		**$12,688,543.80**	**$4,101,356.34**		**$2,916,902**

THIS IS **EXHIBIT "F"** TO THE AFFIDAVIT OF GORDON P. ACTON
SWORN BEFORE ME THIS 6TH DAY OF OCTOBER, 2011

Fiscal Year		Capital Invested M$	Average Saleable TPD	Mill Annual Depreciation M$	Comments - Major Projects Approved	Claimed Benefit
1995	$	27.1	495	2.3	PM3 Re-start, Secondary Treatment	Production, Compliance
1996	$	33.8	512	4.7	PM5 Rebuild, Supercalender 7	Production
1997	$	11.5	563	6.7	Screenline Upgrade, Articulating Rider Rolls W5/6	Production, Quality
1998	$	19.4	621	7.2	Winder 7, Wrapline, Rewinder, Cull Pulper	Customer Req'd, Quality
1999	$	19.9	635	8.5	See above	Customer Req'd, Quality
2000	$	9.6	624	10.2	Grinder 7	Cost
2001	$	38.0	631	10.6	Woodroom Replacement, Opti-Load Upgrade	Cost, Quality
2002	$	12.7	638	14	Calcoils	Quality
2003	$	3.2	640	14.4	Boiler Air Lances	Cost
2004	$	4.9	638	14.6	PM5 QCS	Quality
	$	180.1	599.7	93.2		



THIS IS **EXHIBIT "G"** TO THE AFFIDAVIT OF GORDON P. ACTON
SWORN BEFORE ME THIS 6TH DAY OF OCTOBER, 2011

J. Paul R. [signature]

AGREEMENT

THIS AGREEMENT is made in duplicate as of the [date to be inserted by MNDMF]

BETWEEN: **HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF ONTARIO**
as represented by the Minister of Northern Development, Mines and Forestry

(hereinafter referred to as "Ontario")

AND

(hereinafter referred to as the "Recipient")

WHEREAS the Recipient will be constructing and installing in , Ontario (the "Project"), as more particularly described in Schedule "A" hereto and the Business Plan (hereinafter defined);

AND WHEREAS Ontario finds that it would be in the public interest to encourage capital investment, such as the Project, in order to prepare the forest sector in Ontario for the challenges of the future;

AND WHEREAS Ontario is prepared to provide financial assistance to the Recipient in the form of a conditional grant through Ontario's Forest Sector Prosperity Fund to assist the Recipient to deliver the Project, subject to the terms and conditions in this Agreement (hereinafter defined);

AND WHEREAS Ontario and the Recipient wish to set out in this Agreement their respective rights and obligations concerning the Conditional Grant (hereinafter defined) from Ontario.

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the mutual promises and covenants contained in it, Ontario and the Recipient agree as follows:

ARTICLE 1 -INTERPRETATION

1.1 ***Definitions.*** The following terms shall have the meanings ascribed to them below unless there is something in the context inconsistent therewith:

(a) **"Agreement"** means this agreement and all of the Schedules hereto, and all amendments made hereto in accordance with the provisions hereof;

(b) **"Business Plan"** means the Recipient's business plan dated that was submitted to Ontario with the Recipient's application for financial assistance under Ontario's Forest Sector Prosperity Fund and includes any revisions hereafter made to this business plan that are approved in writing and dated by Ontario;

(c) **"Certified Accountant"** means a Chartered Accountant, Certified Management Accountant and Certified General Accountant or any other certification approved in writing by Ontario;

(d) **"Conditional Grant"** means the financial assistance provided by Ontario to the Recipient that is limited to a maximum amount of ($) dollars to be disbursed by Ontario subject to the terms and conditions of this Agreement;

(e) **"Consultant"** means any consultant, engineer, contractor, project manager, architect or other service provider, as the case may be, retained by the Recipient to undertake any part of the work related to the Project;

(f) **"Disbursement"** means the provision of funds by Ontario to the Recipient, in accordance with the terms and conditions of this Agreement, on account of the Conditional Grant;

(g) **"Effective Date"** means the date of execution of this Agreement by both parties;

(h) **"Eligible Project Expenditures"** has the meaning given to it in Schedule "B";

(i) **"Event of Default"** means any of the events specified in Article 8 of this Agreement, provided any requirement or condition of such event for the giving of notice, the lapse of time, and/or the happening of any further conditions, events or acts have been satisfied;

(j) **"Expiration Date"** means two (2) years after the date on which the last Disbursement is made under this Agreement;

(k) **"Facility"** means, [Name of facility A, description and address etc]Ontario;

(l) **"Financial Year"** means the Recipient's financial year, ;

(m) **"Fiscal Year"** means Ontario's fiscal year, being the period running from April 1 in one calendar year to, and including, March 31 in the next calendar year;

(n) **"Indefinite Idling"** means, subject to s. 9.18 of this Agreement, a cessation of production at the Facility where the Recipient does not identify, at which time it notifies the affected employees of the cessation of production, a date within the following twelve (12) months for the resumption of production at the Facility or such resumption does not, in fact, occur within that twelve (12) month period;

(o) **"Indemnified Parties"** means Her Majesty the Queen in right of Ontario, her Ministers, agents, appointees and employees;

(p) **"Material Adverse Effect"** means a material adverse effect on the business operations, assets, condition (financial or otherwise) or prospects of the Recipient or the Project;

(q) **"Milestones and Deliverables"** means the key Project tasks and timelines described in Schedule "A";

(r) **"Person"** includes an individual, partnership, whether general, limited or undeclared, corporation, limited liability company, unlimited liability company, joint stock company, trust, unincorporated association, joint venture, governmental authority or other entity of whatever nature;

(s) **"Project"** means [redacted] to be constructed and installed at the Recipient's [redacted] in [redacted], Ontario, more particularly described in Schedule "A" hereto and the Business Plan;

(t) **"Related Parties"** includes any shareholder, director, officer or employee of the Recipient or any individual related by blood, adoption or marriage to any such Person or any corporation or other Person not dealing at arms' length (as such term is defined in the *Income Tax Act* (Canada)) with any such Person;

(u) **"Request for Disbursement"** means the request, made pursuant to this Agreement, in the form set out in Schedule "C" attached hereto, for Conditional Grant funds for a Project;

(v) **"Term"** has the meaning set out in section 9.1 of this Agreement.

1.2 *Division of Agreement.* The division of this Agreement into articles, sections, clauses, paragraphs and the insertion of headings are for the convenience of reference only and shall not affect the construction or interpretation of this Agreement.

1.3 *Reference to Agreement.* The words "herein", "hereof", "hereto" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular article, section, paragraph or other subdivision of this Agreement.

1.4 ***Currency.*** Any reference to currency is to Canadian currency and any amount advanced, paid or calculated is to be advanced, paid or calculated in Canadian currency.

1.5 ***Schedules.*** All references to Schedules refer to Schedules of this Agreement which are part of and form an integral part of this Agreement. The schedules of this Agreement are:

Schedule "A":	Project Description
Schedule "B":	Eligible Project Expenditures
Schedule "C":	Request for Disbursement
Schedule "C-1":	Certificate of Architect/Engineer
Schedule "C-2":	Schedule of Paid Eligible Project Expenditures
Schedule "C-3":	Project Status Report
Schedule "D":	Reports
Schedule "D-1":	Compliance Certificate

ARTICLE 2 - THE PROJECT

2.1 ***Completion of Project.*** The Recipient shall commence the Project on or before the Effective Date and shall carry out and complete the Project substantially in accordance with the description of the Project and the Milestones and Deliverables described in Schedule "A" to the satisfaction of Ontario. The Recipient shall not make any material change to the Project without the prior written consent of Ontario.

2.2 ***Competitive Process.*** The Recipient shall acquire all supplies, equipment and services with the Conditional Grant through processes that promote the best value for money and, without limiting the foregoing, shall satisfy Ontario that all subcontracts, including consultant contracts, for work, services and the purchase of goods related to the Project that exceed twenty five thousand dollars ($25,000.00) in value are or have been obtained pursuant to a competitive process, except as otherwise approved by Ontario in its sole and absolute discretion.

ARTICLE 3 – REPRESENTATIONS, WARRANTIES, COVENANTS AND CONDITIONS

3.1 ***Covenants, Representations and Warranties.*** The Recipient covenants, represents and warrants to and in favour of Ontario, and acknowledges that Ontario is relying on same, that:

(a) It is a corporation duly incorporated in accordance with the laws of the Province of Ontario or Canada and has the corporate power and authority to carry on its business as presently carried on, to hold property and to enter into this Agreement;

(b) The execution, delivery and performance of this Agreement has been duly and validly authorized by the necessary actions of the Recipient and when executed and delivered by the Recipient constitutes a legal, valid and binding obligation of the Recipient enforceable in accordance with the terms hereof;

(c) It is responsible for the Project and has the expertise and experience needed to carry out the Project;

(d) The sources of funding and financing and the estimates of expenditures and the budget for the Project are accurately set out in Schedule "A";

(e) The information supplied to Ontario, and/or its agent as specified by Ontario, in support of the application by the Recipient for the Conditional Grant is true and accurate;

(f) It has not proposed a compromise or arrangement to its creditors generally, had any petition for a receiving order in bankruptcy filed against it, taken or consented to any proceeding to have itself declared bankrupt or wound-up or to have a receiver appointed over any of its property, had any encumbrancers take possession of any of its property, or had any execution or distress become enforceable or levied upon any of its property;

(g) It is not a party to any agreement which would be contravened by, or under which any obligation would be accelerated or default or termination would occur, as a result of the consummation of any of the transactions provided for in this Agreement;

(h) It is not in default in any material respect of any payment of Canadian federal, provincial, municipal or local taxes, assessments or other imposts or penalties due and unpaid in respect of its income, business or property and has fulfilled all material requirements under the *Income Tax Act*, the *Canada Pension Plan Act* and the *Employment Insurance Act* for withholding of amounts from employees and has remitted all amounts withheld to the appropriate authorities within the prescribed times;

(i) No event has occurred since the date of the most recent financial statements of the Recipient provided to Ontario, or its agent as specified by Ontario, which could reasonably be expected to have a Material Adverse Effect;

(j) It has, and shall maintain for the period during which this Agreement is in effect, by-laws or other legally necessary instruments to:

(i) establish procedures to ensure the ongoing effective functioning of the Recipient;

(ii) establish decision-making mechanisms;

(iii) provide for the prudent and effective management of the Conditional Grant;

(iv) establish procedures to enable the successful completion of the Project;

(v) establish procedures to enable the timely identification of risks to the completion of the Project and strategies to address the identified risks;

(vi) establish procedures to enable the preparation and delivery of all reports required pursuant to Article 6; and

(vii) deal with such other matters as the Recipient considers necessary to ensure that the Recipient carries out its obligations under this Agreement.

3.2 *Acknowledgement of Assistance.* The Recipient shall acknowledge Ontario's financial assistance to the Project under Ontario's Forest Sector Prosperity Fund in reports, news releases, public statements and publications regarding the Project and shall obtain prior written approval from Ontario for any such news releases or public statements. Within a reasonable period of time after receiving a request for such approval from the Recipient, Ontario shall notify the Recipient in writing of Ontario's decision. Nothing in this Agreement shall be construed as providing the Recipient with a licence to use any distinguishing marks of Ontario, including any designs, trademarks or official marks.

3.3 *Disposition of Equipment, etc.* The Recipient shall not sell, lease or otherwise dispose of the buildings, structures or any of the equipment, fixtures or items forming a part of the Project during the Term without the prior written consent of Ontario, which consent will not be unreasonably withheld.

3.4 *Compliance with Laws.* The Recipient shall be in compliance with all applicable federal, provincial and municipal laws, regulations, rules, by-laws, notices, approvals and orders and duly observe all requirements of governmental authorities, and all applicable federal, provincial and municipal laws, regulations, rules, by-laws, notices, approvals and orders which could affect the Recipient and the Project.

3.5 ***Compliance with Recipient's Insurance.*** The Recipient shall comply with all provisions and requirements of any of the Recipient's insurance policies applicable to the Project.

3.6 ***Payment to Related Parties.*** The Recipient will not make any distribution or payment of any amount to or on behalf of any Related Parties, by way of salary, bonus, directors fees, management fees, dividends, loans or otherwise, and whether payments are made to such Persons in their capacities as shareholders, directors, officers, employees or creditors of the Recipient, or otherwise, or any other direct or indirect payment in respect of earnings or capital of the Recipient, except for wages to employees of the Recipient in the ordinary course of business and at levels of compensation paid by comparable businesses to similarly situated employees and dividends and bonuses from earnings disclosed in the annual operating budget for the current Financial Year delivered to Ontario, or its agent as specified by Ontario.

3.7 ***Transactions with Related Parties.*** The Recipient will not sell property or services to, or purchase property or services from, or otherwise engage in any other transactions with, any Related Parties, except for transactions in the ordinary course of business at prices and on terms and conditions not less favourable to the Recipient than could be obtained on an arm's length basis from unrelated third parties.

3.8 ***Notification.*** The Recipient shall notify Ontario promptly if it becomes aware of:

(a) any actual or potential material changes to the Project;

(b) any event that may affect the Recipient's ability to complete the Project in accordance with this Agreement; and

(c) any Material Adverse Effect.

ARTICLE 4 - THE CONDITIONAL GRANT

4.1 ***Provision of Conditional Grant.*** Subject to the terms and conditions of this Agreement and in reliance on the representations and warranties in Article 3, Ontario agrees to provide to the Recipient the Conditional Grant for Eligible Project Expenditures to assist the Recipient to carry out the Project. Ontario is not and shall not be responsible for any cost overruns related to the Project.

4.2 Eligible Amount

The Conditional Grant cannot exceed the lesser of:

(a) 10% of the Eligible Project Expenditures; and

(b) Aggregate of ($), consisting of

(i) + , as described in Schedule + : $, and
(ii) + , as described in Schedule + :$.

4.3 Commitment to Ongoing Operations.

(a) The Recipient agrees to ensure the continuation of production at the Facility for a period of at least three (3) years commencing on the date of final Disbursement (the "Period"). If, during the Period, the Recipient announces a permanent closure of the Facility or there is an Indefinite Idling of the Facility, then Ontario may, in addition to any other remedies available to it under this Agreement or otherwise, require the immediate repayment by the Recipient of any amount of the Conditional Grant disbursed to the Recipient with respect to the Project.

(b) The Recipient agrees to provide as much prior notice to Ontario as reasonably possible where the Recipient intends to announce a decrease in employment, Indefinite Idling or permanent closure of the Facility during the Period.

(c) The provisions of this section shall survive any termination or expiry of this Agreement.

4.4 ***Disbursement Conditional.*** Disbursements on account of the Conditional Grant shall be conditional upon prior completion, to the satisfaction of Ontario, of the terms and conditions set out in Article 5 hereto and this Agreement generally.

4.5 ***Refund, Rebate or Credit.*** If the Recipient has used a Disbursement for any costs, including taxes, goods or services, for which it has received, will receive, or is eligible to receive, a rebate, credit or refund, the Recipient shall immediately notify Ontario in writing. Upon learning of such a rebate, credit or refund, Ontario may require the immediate repayment by the Recipient of, or withhold from or set-off against future Disbursements, the amount of such rebate, credit or refund.

4.6 Overpayment

(a) The Recipient shall repay to Ontario, upon receipt of a written demand and within the period specified by Ontario, that portion of any Conditional Grant provided to the Recipient under this Agreement that exceeds, as determined in the sole opinion of Ontario, the value of the Conditional Grant or any portion thereof available for Disbursement upon completion of any set of Milestones and Deliverables shall be deemed to be a debt owing from the Recipient to Ontario.

(b) Ontario reserves the right to demand interest on any overpayment owing by the Recipient under the terms of this Agreement at the then-current interest rate charged by the Province of Ontario on accounts receivable. The Recipient shall pay the amount of interest owing upon receipt of a written demand and within the period specified by Ontario.

4.7 ***Funding from other sources.*** The Recipient shall not use the Conditional Grant for any Eligible Project Expenditures for which the Recipient is in receipt of funds from other sources. The Recipient shall promptly notify Ontario if any other funds are received for the Project from sources other than those set out in Schedule "A" to this Agreement or in amounts from the sources set out in Schedule "A" that are greater than the amounts set out in Schedule "A". If the Recipient receives or is entitled to receive funds for the Project from sources that are not listed in Schedule "A" or in amounts from the sources set out in Schedule "A" that are greater than the amounts set out in Schedule "A", Ontario may in its sole discretion reduce the amount of the Conditional Grant it provides to the Recipient by, or demand the repayment of, an amount equal to the additional funds, whereupon the amount demanded by Ontario shall immediately become due and payable, to ensure that there is no duplication of funding for the Project.

ARTICLE 5 - TERMS AND CONDITIONS OF DISBURSEMENT

5.1 ***Disbursements.*** Disbursements shall be made in accordance with the "Table of Milestones, Deliverables and Timelines" in Schedule "A" hereto, upon the satisfactory achievement or completion, in the opinion of Ontario, of each set of Milestones and Deliverables.

5.2 ***Appropriations.*** The obligation of Ontario to make Disbursements is subject to there being an appropriation approved by the Legislative Assembly of Ontario for the Fiscal Year in which any Disbursements are to be made.

5.3 ***End of Conditional Grant.*** Notwithstanding anything else in this Agreement and no matter what the state of completion of the Project, Ontario shall not be obligated to make any Disbursement after March 31, 2011.

5.4 ***Request for Disbursement.*** Upon the achievement and completion of each set of Milestones and Deliverables, the Recipient shall submit a Request for Disbursement to Ontario or its agent, as specified by Ontario, only for those Eligible Project Expenditures incurred and paid by, and received, installed, constructed or performed, as the case may be, by or for the Recipient in achieving and completing that set of Milestones and Deliverables. Notwithstanding the foregoing, the Recipient may include in the Request for Disbursement for the final set of Milestones and Deliverables, as specified in the "Table of Milestones, Deliverables and Timelines" in Schedule "A" hereto, any Eligible Project Expenditures relating to the Project that have not been included in a previous Request for Disbursement.

5.5 ***Conditions Precedent for First Disbursement.*** The obligation of Ontario to make the first Disbursement is conditional upon satisfaction of the following conditions:

(a) The receipt by Ontario or its agent, as specified by Ontario, of a legal opinion in form and substance satisfactory to Ontario as to the status, power and authority of the Recipient to enter into and to carry out its obligations under this Agreement, and as to the authorization, execution, delivery and binding nature of this Agreement, and any other matters which Ontario may reasonably request;

(b) The Recipient shall provide evidence satisfactory to Ontario or its agent, as specified by Ontario, of the availability to it of financial assistance to the Project from any other sources as described in Schedule "A"; and

(c) The receipt by Ontario or its agent, as specified by Ontario, of a valid Certificate of Insurance evidencing the insurance coverage that the Recipient is required to maintain pursuant to section 9.15 of this Agreement.

5.6 Method of Disbursement

(a) The Recipient shall submit to Ontario or its agent, as specified by Ontario, a Request for Disbursement, in the form of Schedule "C" attached hereto, certified by an officer of the Recipient. Each Request for Disbursement shall be accompanied by the following documents to the satisfaction of Ontario:

(i) a valid Certificate from an Architect/Engineer in the form of Schedule "C-1" attached hereto, evidencing the completion or achievement of the appropriate set of Milestones and Deliverables;

(ii) a detailed statement and accounting, in accordance with Schedule "C-2" attached hereto, of all Eligible Project Expenditures incurred and paid by the Recipient on account of the Project in achieving or completing the appropriate set of Milestones and Deliverables and for which the Recipient is requesting payment pursuant to the Request for Disbursement, including an itemized invoice;

(iii) a disbursement report, in accordance with Schedule "C-3" attached hereto, on the status of the Project as at the date of the Request for Disbursement which shall contain sufficient information to allow Ontario to assess the progress of the Project and the individual Project tasks and Milestones and Deliverables. The report shall include, but not be limited to, the following:

(A) a summary of the progress made and Milestones and Deliverables achieved and completed; the summary shall contain sufficient information to enable Ontario to assess the achievement and completion of the Milestones and Deliverables; and

(B) the current value of financial assistance expended on the Project from other sources, including those described in Schedule "A".

(iv) proof of payment, to the satisfaction of Ontario, of all Eligible Project Expenditures for which the Recipient is requesting payment pursuant to the Request for Disbursement; and

(v) as requested by Ontario, a certificate of a Certified Accountant indicating that the expenditures claimed by the Recipient in a Request for Disbursement qualify as proper Eligible Project Expenditures pursuant to this Agreement and were paid by the Recipient.

(b) Prior to and as a condition of the final Disbursement, the Recipient shall satisfy Ontario that the aggregate value of all financial assistance received on account of the Project, including in-kind assistance, from Her Majesty the Queen in Right of Ontario and/or Canada, and any agencies thereof, is no greater than one hundred (100) percent of the Eligible Project Expenditures.

5.7 ***Construction Liens.*** Ontario may, at its option, withhold from any Disbursement for which the Recipient may have qualified, such holdbacks as Ontario, in its sole discretion, considers advisable to protect its interests under the provisions of the *Construction Lien Act*, as amended, until Ontario is fully satisfied that all lien periods have expired and that there are no preserved or perfected liens outstanding. The request for the final Disbursement shall be accompanied by evidence satisfactory to Ontario that the construction of the Project described in Schedule "A" has been completed by the Recipient. Nothing in this clause shall be construed to make Ontario an "owner" or "payer" as defined under the *Construction Lien Act*. The Recipient hereby covenants and agrees to comply in all respects with the provisions of the *Construction Lien Act*, as amended.

ARTICLE 6 – AUDITING, REPORTING AND MONITORING

6.1 ***Records.*** The Recipient shall keep and maintain all books and records of account, invoices and other documents relating to the Disbursements in a manner consistent with generally accepted accounting principles and clerical practices, and shall maintain such records and keep them available for review by Ontario and its agents during the Term and for a period of seven (7) years thereafter. The Recipient authorizes Ontario and its agents, upon twenty-four (24) hours' notice and during normal business hours, to visit the Recipient's premises and/or the site of the Project to review the progress of the Project and to inspect and copy any records, invoices and documents in the possession or under the control of the Recipient relating to the Project, the Conditional Grant and Disbursements. Ontario's right of inspection includes the right to perform a full or partial audit. To assist Ontario in the tasks described in this section, the Recipient shall provide any other information to Ontario reasonably requested by Ontario. The provisions of this section shall survive any termination or expiry of this Agreement.

6.2 *Quarterly Un-Audited Financial Statement.* No later than thirty (30) days following the last day of each quarter of each Financial Year during the Term, the Recipient shall provide to Ontario or its agent, as specified by Ontario, a copy of the Recipient's quarterly un-audited financial statement including income statement, cash flow statement and balance sheet for the preceding quarter.

6.3 *Annual Audited Financial Statement.* No later than ninety (90) days following the last day of each Financial Year during the Term, the Recipient shall make available to Ontario or its agent, as specified by Ontario, a copy of the annual audited financial statements for the preceding Financial Year for the Recipient

6.4 *Disbursement Close-Off.* The Recipient shall deliver to Ontario or its agent, as specified by Ontario, no later than sixty (60) days after the last Disbursement is made under this Agreement or the termination hereof, whichever is sooner, a final and detailed report with respect to the Project (hereinafter the "Disbursement Close-off Report"), as described in Schedule "D", certified by an officer of the Recipient. The provisions of this section shall survive any termination of this Agreement.

6.5 *Annual Officer's Certificate.* The Recipient shall provide to Ontario or its agent, as specified by Ontario, within 90 days if the end of the Financial Year during each year of the Term a certificate signed by an officer of the Recipient certifying during the previous twelve (12) months, without limitation, the following:

(a) that a review of the activities of the Recipient has been made with a view towards determining whether the Recipient has observed each of the terms and conditions contained in this Agreement including, without limiting the foregoing, confirmation that the Milestones and Deliverables have been completed in accordance with Schedule "A"; and

(b) that the Recipient has performed and observed each of such terms and conditions, or, if such is not the case, specifying all the defaults during such year, and their nature and status.

6.6 *Final Report.* No later than thirty (30) days following the last day of the Term or the termination of this Agreement, whichever is sooner, the Recipient shall provide to Ontario or its agent, as specified by Ontario, a final report (hereinafter the "Final Report") in accordance with Schedule "D" attached hereto. The provisions of this section shall survive any termination or expiry of this Agreement.

6.7 *Additional Reports.* In addition to any reports identified in this Article, the Recipient shall provide to Ontario or its agent, as specified by Ontario, the reports set out in Schedule "D" in accordance with the timeframes set out therein.

6.8 ***Information.*** The Recipient shall make available, upon request, such information in respect of the Project and its results, including without limitation all contracts and agreements related to the Project and all plans and specifications related to the Project, as Ontario may require. If, in the opinion of Ontario, any of the information requirements of this section are not met, Ontario may, in its sole discretion and in addition to any other remedies available to it under this Agreement, require the information as a condition precedent to any Disbursement.

6.9 ***No Control of Records.*** No provision of this Agreement shall be construed so as to give Ontario any control whatsoever over the Recipient's records.

6.10 ***Auditor General.*** For greater certainty, Ontario's rights under this Article are in addition to any rights provided to the Auditor General pursuant to the *Auditor General Act (Ontario).*

6.11 ***Audit report.*** If Ontario or the Auditor General believes that there are inaccuracies in, or inconsistencies between, any Request for Disbursement submitted to Ontario and the Recipient's financial records and books of account, Ontario or the Auditor General may request and the Recipient must provide at its own expense an audit report from a public accountant licensed under the laws of Ontario. The audit report must be satisfactory to Ontario in form and content and address:

(a) Funds received to date;

(b) Eligible Project Expenditures incurred by the Recipient to date;

(c) whether the Eligible Project Expenditures were incurred in accordance with the Project and this Agreement; and

(d) any other financial information pertaining to this Agreement as may be reasonably specified in the request.

ARTICLE 7 - DISCLOSURE OF INFORMATION

7.1 ***Confidential Documentation.*** Reports and documents required to be provided by the Recipient to Ontario under this Agreement (hereinafter the "**Documentation**") are supplied on a confidential basis where they contain confidential technical, commercial and financial information.

7.2 ***Compelled Disclosure.*** If Ontario becomes legally compelled to disclose the Documentation, Ontario will provide the Recipient with prompt written notice so that the Recipient may seek a protective order or other appropriate remedy or waive compliance with the terms of this Agreement. If such protective order or other remedy is not or cannot be obtained, or the Recipient waives compliance with the terms of this Agreement, Ontario will furnish only that portion of the

Documentation that is legally required and will exercise its best efforts to obtain reliable assurances that confidential treatment will be accorded the information.

7.3 *FIPPA.* The parties acknowledge that Ontario is subject to the Ontario *Freedom of Information and Protection of Privacy Act* (the "**FIPPA**"). Where a request is made pursuant to the FIPPA for any record, as defined in the FIPPA, provided to Ontario by the Recipient in accordance with this Agreement, Ontario will notify the Recipient of the request and afford the Recipient the opportunity to make representations as an affected party under the FIPPA as to whether or not the information or records is exempt from disclosure. As an affected party under the FIPPA, the Recipient will have a right to participate as a party and make further representations directly to an adjudicator appointed by the Information and Privacy Commission/Ontario during an inquiry into an appeal of a decision concerning a request made under the FIPPA.

7.4 ***Survival.*** The provisions of this Article shall survive any termination or expiry of this Agreement.

ARTICLE 8 - EVENTS OF DEFAULT AND REMEDIES

8.1 ***Events of Default.*** Each of the following events constitutes an Event of Default under this Agreement:

(a) The Recipient fails, in the opinion of Ontario, to observe or perform a term, condition, obligation, or covenant in this Agreement and such failure continues for a period of twenty (20) days after receipt by the Recipient of written notice by Ontario of such failure;

(b) The Recipient abandons the Project in whole or in part, or ceases to actively cause the Project to be completed in an expeditious manner, without the written approval or consent of Ontario;

(c) The Recipient makes or has made a material misrepresentation in this Agreement or of a material fact relevant to this Agreement, or in its application to Ontario for the Conditional Grant;

(d) The Recipient submits false or misleading information to Ontario;

(e) if the Recipient (i) is dissolved, liquidated or wound up or makes a proposal in writing to be dissolved; (ii) admits in writing its inability generally to pay its debts as they become due; (iii) makes a general assignment, arrangement or composition with or for the benefit of its creditors; (iv) institutes a proceeding seeking a judgment of bankruptcy or a receiving order or an order adjudicating or declaring it to be bankrupt or insolvent or seeking liquidation, winding-up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debt under any law including the Companies Creditors Arrangement Act or the Bankruptcy and Insolvency Act; (v) has a resolution passed for its winding-up, official management or liquidation; (vi) seeks or becomes subject to the appointment of an administrator, liquidator, receiver, receiver-manager, trustee or similar official for it or for all or substantially all its assets; (vii) has a secured party take possession of a substantial or material portion of its assets or has a distress, execution, attachment, sequestration or other legal process levied or enforced on or against a substantial or material part of its assets; (viii) ceases to carry on business; or (ix) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts or events;

(f) if any bankruptcy, reorganization, arrangement or insolvency proceedings for relief under any bankruptcy or similar laws for the relief of debtors, including, without limitation, any of the proceedings or petitions described in subparagraph (e) above are instituted against the Recipient and are consented to by the Recipient or, if contested by the Recipient , are not dismissed within thirty (30) days; and

(g) In the opinion of Ontario, acting reasonably, there is a substantial increase in the degree of risk surrounding the implementation and completion of the Project.

8.2 ***Remedies.*** Immediately upon the occurrence of any of the Events of Default set out in section 8.1:

(a) All obligations of Ontario to make any further Disbursements on account of the Conditional Grant are suspended and/or cease immediately, as Ontario considers appropriate;

(b) Ontario may terminate this Agreement and may demand immediate repayment from the Recipient of all Disbursements made by Ontario or may set off or withhold same of any payment of the Disbursements against any amount owing to the Province of Ontario or any agency; and

(c) All of the rights and remedies granted to Ontario in this Agreement and the other Loan and Conditional Contribution Documents, and any other rights and remedies available to Ontario at law or in equity, shall be cumulative and may be pursued by Ontario separately, successively, or concurrently at the sole discretion of Ontario. The exercise or failure to exercise any of the said remedies shall not constitute a waiver or release thereof or of any other right or remedy, and shall be non-exclusive.

8.3 ***Costs of Collection.*** All reasonable costs and expenses of collection of all amounts owing hereunder shall be for the account of the Recipient and shall be added to the principal amount of the Conditional Grant.

8.4 ***Interest After Default.*** The Recipient expressly acknowledges that the interest at the then current rate charged by the Province of Ontario on accounts receivable shall apply to any amounts of money that become owing, in the sole opinion of Ontario, by the Recipient to Ontario under this Agreement, from the date that such amounts become owing until payment in full, during the course of any and all proceedings to collect such amounts, and such interest rate shall apply to and be exigible as additional damages in any award of damages made by a court of competent jurisdiction pursuant to any such action, all without the necessity of any further act or agreement or notification to the Recipient.

ARTICLE 9 - GENERAL

9.1 *Term.* Subject to the termination of this Agreement or the survival of any provisions of this Agreement pursuant to the provisions contained herein, this Agreement shall be in effect from the Effective Date up to and including the Expiration Date.

9.2 Conflict of Interest

(a) The Recipient shall ensure that the Project is carried out in all its aspects without a conflict of interest (actually or potentially in the sole opinion of Ontario) by any person associated with the Project in whatever capacity. For these purposes, a conflict of interest includes any circumstance or situation where the other commitments, relationships or financial interests of the Recipient, Consultant or any other person associated with the Project: (i) could or could be seen to exercise an improper influence over the objective, unbiased and impartial exercise of its independent judgment; or (ii) could or could be seen to compromise, impair or be incompatible with the effective performance of its contractual obligations. Without limiting the generality of the foregoing, a conflict of interest includes a situation in which a person associated with the Project or any member of his or her family is able to benefit financially from his or her involvement in the Project.

(b) The Recipient shall disclose to Ontario without delay any situation that may be reasonably interpreted as either a conflict of interest or a potential conflict of interest and shall comply with any requirements prescribed by Ontario to resolve any conflict of interest. In addition to all other contractual rights or rights available at law or in equity, Ontario may immediately terminate this Agreement upon giving notice to the Recipient where: (i) the Recipient fails to disclose an actual or potential conflict of interest; (ii) the Recipient fails to comply with any requirements prescribed by Ontario to resolve a conflict of interest; or (iii) the Recipient's conflict of interest cannot be resolved. Ontario may further avail itself of the remedies described in section 8.2 hereto.

9.3 *Applicable Law.* This Agreement is to be governed by and interpreted in all respects in accordance with the laws of the Province of Ontario and of Canada applicable therein.

9.4 *Entire Agreement.* This Agreement contains the entire agreement between the Recipient and Ontario and supersedes all prior agreements, obligations, statements, representations, understandings, warranties, communications and negotiations, whether oral or written, with respect to the subject matter of this Agreement.

9.5 *Amendments.* This Agreement may be amended, altered or modified only by written documents signed by both Ontario and the Recipient.

9.6 *Waiver.* No provision of this Agreement shall be deemed to be waived, and no breach excused, unless such waiver or consent excusing the breach is in writing and signed by the party to be charged with such waiver or consent. A waiver of any provision of this Agreement, or of any breach of any provision of this Agreement, is not to be deemed or construed to be a waiver of any other provision of this Agreement, or of any other breach, whether of the same or of any other provision, nor shall any delay or omission on the part of any party to this Agreement to exercise or avail itself of any right it has or may have under this Agreement, operate as a waiver of any such breach or right, nor will any waiver or failure to enforce any of the provisions of this Agreement in any way affect the validity of this Agreement or any part of it.

9.7 *Materiality and Merger.* All representations, warranties and covenants of the Recipient made in this Agreement, or in any other document, certificate, expenditure statement, or writing delivered by or on behalf of the Recipient pursuant to the provisions of this Agreement, or otherwise with respect to this Agreement and the transactions contemplated in this Agreement, are material, are deemed to have been relied upon by Ontario and survive the execution of this Agreement.

9.8 *Time.* Time is of the essence of this Agreement and no extension or variation of this Agreement shall operate as a waiver of this provision.

9.9 *Severability.* The validity or enforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provisions hereof and such invalid or unenforceable provisions shall be deemed to be severable.

9.10 *Assignment.* This Agreement enures to the benefit of Ontario and the Recipient, Ontario's assigns and successors at law and the Recipient's permitted assigns. This Agreement may not be assigned by the Recipient without the written consent of Ontario.

9.11 *Further Assurances.* The Recipient agrees at any time and from time to time after the execution and delivery of this Agreement to execute and deliver such further acts and things as Ontario may reasonably request in order to fully affect the purpose of this Agreement and the transactions contemplated herein.

9.12 *Limitation of Liability.* In no event will Ontario be responsible for any direct, or indirect, or consequential damages sustained by the Recipient, howsoever caused.

9.13 *Notices.* Any notice, request, demand, consent, approval, correspondence, report or other communication required pursuant to or permitted under this Agreement must be in writing and must be given by personal delivery, or transmitted by facsimile transmission, or other electronic message which provides a hard copy, or be sent by first class mail, postage or charges prepaid, and addressed to the party to whom it is intended at its address as set out below:

To Ontario:

The Ministry of Northern Development, Mines and Forestry
Forest Sector Competitiveness Secretariat
390 Bay Street
Suite 403
Sault Ste. Marie, Ontario
P6A 1X2

Attention: Director
Fax: #

To the Recipient:

#

Attention: #
Fax: #

With a copy to:

#

Attention: #

Any such notice shall be deemed to be received, if personally delivered or sent by telex, telegram, facsimile, or other electronic message on the day it is sent and if such notice is sent by first class mail it shall be deemed to have been received on the date that is five (5) days after the date of mailing. Despite the foregoing, following the occurrence and during the continuation of a postal disruption,

(a) notice by postage-prepaid mail shall not be deemed to be received; and

(b) the party giving notice shall provide notice by personal delivery or by facsimile.

9.14 *Indemnity.* The Recipient agrees to indemnify and hold harmless Her Majesty the Queen in Right of Ontario, Her directors, officers, employees and agents from and against all suits, judgments, claims, demands, expenses, actions, causes of action and losses (including, without limitation, reasonable legal expenses and any claim for lien made pursuant to the *Construction Lien Act* (Ontario)) and for any and all liability for damages to property and injury to persons (including death) howsoever caused (except if caused by the Ministry's own negligence or wilful misconduct), as a result of any claim, demand or action arising out of or in any way related to this Agreement or the Project. The provisions of this section shall survive any termination or expiry of this Agreement.

9.15 Insurance

(a) The Recipient shall maintain for the Term, at its own expense, with insurers having a secure A.M. best rating of B+ or greater, or the equivalent, all the necessary and appropriate insurance that a prudent person in the business of the Recipient would maintain, including, but not limited to, commercial general liability insurance on an occurrence basis for third party bodily injury, personal injury and property damage, to an inclusive amount of not less than five million dollars ($5,000,000.00) per occurrence, five million dollars ($5,000,000.00) products and completed operations aggregate. The commercial general liability policy is to include the following:

(i) the Indemnified Parties as additional insured's with respect to liability arising in the course of performance of the Recipient's obligations under, or otherwise in connection with, this Agreement;
(ii) contractual liability coverage;
(iii) cross-liability clause;
(iv) independent contractor's liability;
(v) employers liability coverage (or compliance with the paragraph below entitled "Proof of WSIA coverage" is required);
(vi) thirty (30) day written notice of cancellation, termination or material change;
(vii) tenants legal liability coverage (if applicable and with applicable sub-limits); and
(viii) non-owned automobile coverage with blanket contractual coverage for hired automobiles.

(b) Prior to submitting the first Request for Disbursement, the Recipient shall provide Ontario upon request, with a valid Certificate of Insurance that references the Project, confirms the above requirements and identifies major exclusions in the policy. The Recipient shall provide Ontario with any renewal replacement certificates as requested by Ontario.

(c) If the Recipient is subject to the Workplace Safety and Insurance Act ("**WSIA**"), it shall submit a valid clearance certificate of WSIA coverage to Ontario prior to the execution of this Agreement. In addition, the Recipient shall, from time to time at the request of Ontario, provide additional WSIA clearance certificates. The Recipient covenants and agrees to pay when due, and to ensure that each of its subcontractors pays when due, all amounts required to be paid by it/its subcontractors, from time to time during the period that this Agreement is in effect, under the WSIA.

(d) The Recipient shall ensure that, throughout the Term, any Consultants or other persons associated with the Project maintain all necessary and appropriate insurance that a prudent person in the business of such Consultants or other persons would maintain in relation to the Project.

9.16 ***Independent Parties.*** The parties are and shall at all times remain independent and are not and shall not represent themselves to be the agent, joint venturer, partner or employee of the other. No representations shall be made or acts taken by either party which could establish or imply any apparent relationship of Recipient, joint venture, partnership or employment and neither party shall be bound in any manner whatsoever by any agreements, warranties or representations made by the other party to any other person nor with respect to any other action of the other party.

9.17 ***Payments by Recipient to Ontario.*** Any monies owing to Ontario pursuant to this Agreement shall be made by way of cheque payable to the "Minister of Finance" and mailed to Ontario at the address provided in section 9.13.

9.18 ***Set Off.*** If the Recipient is indebted to Ontario under this or any other agreement between them, Ontario shall have the right to set off the amount of such indebtedness against the amount of Conditional Grant owing to the Recipient under this Agreement and to reduce the total amount of Conditional Grant payable to the Recipient by such amount.

9.19 ***Responsibility of Recipient.*** The Recipient agrees that it is liable for the acts and omissions of its directors, officers, employees, agents, partners, affiliates, volunteers and subcontractors. This section is in addition to any and all of the Recipient's liabilities under this Agreement, and under the general application of law. The Recipient shall advise these individuals and entities of their obligations under this Agreement and shall ensure their compliance with the applicable terms of this Agreement. In addition to any other liabilities of the Recipient pursuant to this Agreement or otherwise at law or in equity, the Recipient shall be liable for all damages, costs, expenses, losses, claims or actions arising from any breach of this Agreement resulting from the actions of the above mentioned individuals and entities. This section shall survive the termination or expiry of this Agreement.

9.20 ***Force Majeure.*** Neither party shall be responsible for damage caused by delay or failure to perform under the terms of this Agreement resulting from matters beyond the control of the parties, a "Force Majeure", including strike, lockout or any other action arising from a labour dispute, fire, flood, act of God, war, riot or other insurrection, lawful act of public authority, or delay or default caused by a common carrier which cannot be reasonably foreseen or provided against, which is, in the opinion of Ontario a force majeure. Upon the occurrence, if any, of an event which is a Force Majeure, the party whose performance is affected, whether Ontario or the Recipient, shall to the extent reasonably possible, minimize its adverse impact. Neither Ontario nor the Recipient shall be in breach of this Agreement, if, upon the occurrence of a Force Majeure and after minimization of delay by the party whose performance is affected, either Ontario or the Recipient delays performance of its obligations hereunder for such reasonable period of time so as to enable the harmed party to overcome the effects of the Force Majeure; provided, however, neither Ontario nor the Recipient shall delay performance of any obligation of this Agreement such that, cumulatively, such delays shall be in excess of one year. Non performance by the Recipient which is considered to be a Force Majeure pursuant to this section and which continues for more than one year shall be considered to be an Event of Default.

TO WITNESS THEIR AGREEMENT, THE PARTIES HAVE DULY SIGNED THIS AGREEMENT AS OF THE DATE FIRST WRITTEN ABOVE.

HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF ONTARIO as represented by the Minister of Northern Development, Mines and Forestry

Per:____________________________

Per: ____________________________
Authorized Signing Officer

SCHEDULE "A"

PROJECT DESCRIPTION

Company Name:

Project Name:

Project Location:

Project Commencement Date:

Project Completion Date:

Description of Project:

Project Financing and Funding Arrangements

Source	PROJECT FINANCING & FUNDING	
	Applied for $	Approved $
Equity		
Provincial Assistance		
Other		
Total:		

Project Cost Estimate

Project Item Description	**Value**
1.	

2.

3.

4.

5.

6.

Total

The Recipient acknowledges that the estimated costs identified in the above-noted project cost estimate may include some costs that are not eligible for financial assistance under this Agreement and acknowledges that Eligible Project Expenditures will be determined in accordance with the terms and conditions of this Agreement.

Project Management:

Table of Milestones, Deliverables and Timelines:

	MILESTONES & DELIVERABLES	DESCRIPTION	AMOUNT OF CONDITIONAL GRANT AVAILABLE
1.			( ) percent of the Eligible Project Expenditures incurred and paid for by the Recipient in achieving or completing this set of Milestones and Deliverables, up to a maximum amount of _______ dollars ($0.00).
2.			( ) percent of the total Eligible Project Expenditures incurred and paid for by the Recipient in completing this Project, up to a maximum amount of _______ dollars ($0.00) less any prior Disbursements.

SCHEDULE "B"

ELIGIBLE PROJECT EXPENDITURES

"Eligible Project Expenditures" are actual costs incurred by the Recipient that, subject to the terms and conditions of this Agreement, and subject to review and approval by Ontario:

- are reasonable;
- are directly attributable to and necessary for the completion of the Project and are not wholly or partially for another purpose;
- are identified in the Business Plan;
- fall under one or more of the "Categories of Eligible Project Expenditures", as described below;
- are incurred by the Recipient after [redacted] date;
- are paid by the Recipient prior to submitting a Request for Disbursement with respect to such costs; and
- are for goods or services that have been received, installed, constructed or performed, as the case may be.

Eligible Project Expenditures must be documented through invoices, receipts, or Recipient records acceptable to Ontario and are subject to verification by an independent auditor. Evidence of payment must be maintained for audit purposes. Acting reasonably, Ontario's decisions as to the expenditure eligibility and valuation shall be final and determinative.

The costs incurred by the Recipient for any Eligible Project Expenditures can be claimed only once.

Categories of Eligible Project Expenditures:

The categories of Eligible Project Expenditures are:

- Engineering and design
- Pre-Construction site preparation
- Buildings and utility services
- Installed machinery & equipment
- On site roads and transportation infrastructure
- Capital leases

If the total Eligible Project Expenditures paid by the Recipient are less than the estimated Eligible Project Expenditures set out in Schedule "A", Ontario may, in its sole discretion:

(i) vary the amount of Eligible Project Expenditures that it reimburses; and

(ii) where applicable, demand the repayment of the difference between estimated and actual Eligible Project Expenditures, whereupon the amount demand by Ontario shall immediately become due and payable.

Ineligible Cost Categories:

Notwithstanding anything else contained herein, the following costs are specifically designated as non-eligible for financial assistance pursuant to the Conditional Grant:

- Feasibility studies and business case preparation
- Off-Site transportation and utilities
- Vehicles and uninstalled equipment
- Forest harvesting and transportation equipment
- Revolving lines of operating capital
- Interest on revolving lines of operating capital
- Land purchases
- Operating leases
- Worker training and skills development
- Any costs, including taxes, for which the Recipient has received or will receive a rebate, credit, or refund

SCHEDULE "C"

REQUEST FOR DISBURSEMENT

DATE: +

TO: Ministry of Northern Development, Mines and Forestry ("Ontario")
Forest Sector Competitiveness Secretariat
390 Bay Street
Suite 403
Sault Ste. Marie, Ontario
P6A 1X2

Attention: Director

FROM: +

RE: Request for Disbursement pursuant to the Conditional Grant between the Province of Ontario and the Recipient, dated +, (the "Agreement")

Except as otherwise defined herein, all capitalized terms shall have the meanings given to them in the Agreement.

1. I [Insert name and title of senior officer], of the Recipient, on behalf of the Recipient having made such enquiries as I have deemed necessary and advisable for this certificate and hereby certify that to the best of my knowledge, information and belief:

(a) On and as of the date hereof, the Recipient has completed or achieved the appropriate Milestones and Deliverables, as described in Schedule "A" of the Agreement. Attached hereto as Schedule "C-1" is a certificate from [INSERT NAME], licensed architect/engineer, to this effect.

(b) On and as of the date hereof, the facilities associated with the Project have not been destroyed or damaged in any material way which would prevent the Recipient from performing its obligations under the Agreement.

(c) On and as of the date hereof, all representations and warranties contained in Article 3 of the Agreement are true and correct.

(d) On and as of the date hereof, no Event of Default, whether or not Ontario has been given notice thereof, has occurred and is continuing.

(e) On and as of the date hereof, the Recipient is in actual possession of the facilities associated with the Project.

(f) On and as of the date hereof, the Recipient has not incurred a cost overrun for the Project for which the Recipient has not obtained additional financing to pay for any such cost.

(g) On and as of the date hereof, the Recipient is in compliance with all applicable laws, regulations and orders which could affect the Recipient and the Project.

(h) On and as of the date hereof, no Material Adverse Effect has occurred.

(i) Attached hereto as Schedule "C-2" is a Schedule of Paid Eligible Project Expenditures which is true and accurate and relates to the Eligible Project Expenditures on account of the Project which have been incurred and paid by, as well as received, installed, constructed or performed, as the case may be, by or for the Recipient during the period commencing + and ending +.

2. I certify that the information provided herein is accurate and is being relied upon to disburse funds in respect of the Conditional Grant.

3. Attached is a Disbursement Report in the form of Schedule "C-3" which is true and correct.

4. The Recipient hereby requests a Disbursement in the amount of $+.

IN WITNESS WHEREOF the undersigned has hereunto set his hand and seal, this day of +, 200+.

Per: c/s
+[Insert name and title of senior officer] of the Recipient

SCHEDULE "C-1"

[To be prepared by a certified architect or engineer.]

DATE: +

TO: Ministry of Northern Development, Mines and Forestry ("Ontario")
Forest Sector Competitiveness Secretariat
390 Bay Street
Suite 403
Sault Ste. Marie, Ontario
P6A 1X2

Attention: Director

FROM: + [Insert name and title of architect or engineer]

RE: Certificate of Architect/Engineer pursuant to the Conditional Grant between the Province of Ontario and the Recipient, dated +, (the "Agreement")

Except as otherwise defined herein, all capitalized terms shall have the meanings given to them in the Agreement.

1. I, + [Insert name and title of licensed architect or engineer], am a licensed architect/engineer in Ontario/Canada and have been retained by the Recipient to ... As such, I have full knowledge of the matters described herein.

2. Having last visited the site of the Project on +, I hereby certify that, on and as of the date hereof, the following Milestones and Deliverables have been completed or achieved:

IN WITNESS WHEREOF the undersigned has hereunto set his hand and seal, this day of +, 200+.

Per: c/s
+, [Insert name and title of architect or engineer]

SCHEDULE "C-2"

SCHEDULE OF PAID ELIGIBLE PROJECT EXPENDITURES

Company Name:
Disbursement #: ***(insert disbursement number)***
Milestones and Deliverables: ***(briefly describe)***

Eligible Project Expenditures Category	Project Component *(list project components here)*	Eligible Project Expenditures Claimed	%
Engineering and Design	**[NTD: insert/delete rows as appropriate/necessary)**		
	Subtotal	**$**	
Pre-Construction and Site Preparation			
	Subtotal	**$**	
Buildings and Utility Services			
	Subtotal	**$**	
Installed Machinery and Equipment			
	Subtotal	**$**	
On-site Roads and Transportation Infrastructure			
	Subtotal:	**$**	
	Subtotal:	**$**	
Total Eligible Project Expenditures claimed:		**$**	

Total Disbursements to Date

Milestones and Deliverables	Date of Disbursement	Disbursement Amount
(1) *[NTD: Insert Date]*		$
(2)		$
(3)		$
TOTAL		**$**

SCHEDULE "C-3"

PROJECT STATUS REPORT

Project Status Reports shall be submitted with the Request for Disbursement.

Milestone Status

Provide a status report with respect to the achievement of Milestones and Deliverables and timelines for the Project as described in Schedule "A". Explain any actual or anticipated delays with respect to milestone completion under 'Comments' and provide a revised expected completion date, if necessary.

The Project Status Reports will also include detail regarding, without limitation, the following:

- actual costs versus budgeted costs, with an explanation where there is variance of more than eight (8) percent;
- anticipated holdbacks;
- additional financing needed and/or secured;
- details regarding the status of the Project;
- details regarding how the objectives of the Project, as described in the Business plan, have been met;
- details regarding the Recipient's employment levels associated with the Project;
- a pay-back/financial analysis of the Project; and
- a compliance certificate signed by a senior officer of the Recipient, in accordance with Schedule "D-1".

SCHEDULE "D"

REPORTS

1. Quarterly Report

No later than thirty (30) days following the last day of each quarter of each Fiscal Year, the Recipient shall provide to Ontario a quarterly report which will include, without limitation, the following information with respect to the preceding quarter:

- details regarding the status of the Project;
- details regarding how the objectives of the Project, as described in the Business plan, have been met;
- details regarding the Recipient's employment levels associated with the Project;
- a pay-back/financial analysis of the Project;
- an explanation where Project costs vary by more than eight (8) percent from the estimated costs in the budget, as described in the Business Plan.

If the Recipient has submitted a Project Status Report within a quarter, then that report shall be deemed to be the quarterly report for that quarter.

2. Disbursement Close-off Report

In accordance with section 6.4 of the Agreement, the Recipient will provide to Ontario a Disbursement Close-Off Report, which will include, without limitation, the following:

- a detailed description of the Project as completed;
- a summary of the Eligible Project Expenditures;
- an itemized statement with respect to all funding and financing received by the Recipient on account of the Project from all other sources, as well as how such funds were applied to the Eligible Project Expenditures;
- details of any variance from the Project, the Business Plan and the Project budget (where the variance is greater than eight (8%)) and schedule;
- details regarding how the objectives of the Project, as described in the Business plan, have been met;
- new jobs created as a result of the Project; improved efficiencies, other benefits;
- documentation of actual employment levels as compared to those levels specified in the Business Plan;
- particulars of how the communications requirements in section 3.2 of this Agreement have been satisfied;
- any other information respecting the Project or its objectives that may be requested by Ontario.

3. Final Report

In accordance with section 6.6 of this Agreement, the Recipient shall provide to Ontario a Final Report which will include, without limitation, the following information with respect to the Project throughout the Term:

- details regarding the fulfillment of the Project objectives, as described in the Business Plan;
- details regarding the Recipient's employment levels associated with the Project;
- a pay-back/financial analysis of the Project;
- an explanation where Project costs vary by more than eight (8) percent from the estimated costs in the budget, as described in the Business Plan.

SCHEDULE "D-1"

COMPLIANCE CERTIFICATE

DATE: +

TO: Ministry of Northern Development, Mines and Forestry ("Ontario")
Forest Sector Competitiveness Secretariat
390 Bay Street
Suite 403
Sault Ste. Marie, Ontario
P6A 1X2

Attention: Director

FROM: +

RE: Compliance Certificate pursuant to the Conditional Grant between the Province of Ontario and the Recipient, dated +, (the "Agreement")

Except as otherwise defined herein, all capitalized terms shall have the meanings given to them in the Agreement.

1. I, [Insert name and title of senior officer] of the Recipient, on behalf of the Recipient having made such enquiries as I have deemed necessary and advisable for this certificate and hereby certify that to the best of my knowledge, information and belief, the Recipient is, as of the date hereof, and has been throughout the preceding quarter, in compliance with all terms, conditions, obligations and covenants in the Agreement.

2. Without limiting the generality of paragraph 1, above, I hereby certify that:

   (a) The Recipient has completed or achieved the appropriate Milestones and Deliverables, as described in Schedule "A" of the Agreement.

   (b) The facilities associated with the Project have not been destroyed or damaged in any material way which would prevent the Recipient from performing its obligations under the Agreement.

   (c) All representations and warranties contained in Article 3 of the Agreement are true and correct.

(d) No Event of Default, whether or not Ontario has been given notice thereof, has occurred or is continuing.

(e) The Recipient is in actual possession of the facilities associated with the Project.

(f) The Recipient is in compliance with all applicable laws, regulations and orders which could affect the Recipient and the Project.

(g) No Material Adverse Effect has occurred.

IN WITNESS WHEREOF the undersigned has hereunto set his hand and seal, this day of +, 200+.

Per: c/s
+,[Insert name and title of senior officer] of the Recipient

THIS IS **EXHIBIT "H"** TO THE AFFIDAVIT OF GORDON P. ACTON
SWORN BEFORE ME THIS 6TH DAY OF OCTOBER, 2011

Court File No: 25543/11

ONTARIO
SUPERIOR COURT OF JUSTICE
(Proceedings commenced in the District of Algoma)

THE HONOURABLE MR.	)	This DAY, THE 7th DAY OF
JUSTICE J.S. McMurray		JULY, 2011

B E T W E E N:

WISHART LAW FIRM LLP

Applicant

and

ST. MARY'S PAPER CORP.

Respondent

O R D E R

THIS APPLICATION made by the Applicant was heard by me this day at the Court House, 426 Queen Street East, Sault Ste. Marie, Ontario, P6A 5M8.

UPON READING the materials filed and upon hearing counsel for the Applicant and on consent of the parties.

1) THIS COURT ORDERS AND DECLARES that Wishart Law Firm LLP is entitled to a solicitor's lien in the amount of $414,892.88 against any municipal tax refund owing to St. Mary's Corp. from the Corporation of the City of Sault Ste. Marie pursuant to Section 341 of the *Municipal* Act, S.O. 2001, c.25.

2) THIS COURT FURTHER ORDERS the Corporation of the City of Sault Ste. Marie is required to pay the sum of $414,892.88 to Wishart Law Firm LLP out of

any refund due and owing from the Corporation of the City of Sault Ste. Marie to St. Mary's Paper Corp. pursuant to Section 341 of the *Municipal* Act, S.O. 2001, c.25.

3) THIS COURT FURTHER ORDERS that costs in the sum of $1,000.00 be paid by the Respondent to the Applicant.

4) THIS COURT FURTHER ORDERS that a copy of this Order shall be served upon Mr. Bill Frieburger, Treasurer of the Corporation of the City of Sault Ste. Marie, 99 Foster Drive, P O Box 580, Sault Ste. Marie, Ontario, P6A 5N1.

ENTERED AT SAULT STE. MARIE
INSCRIT A SAULT STE. MARIE
AS DOCUMENT:
À TITRE DE DOCUMENT:
No. 73-06
ON / LE Jue 8/11
BY / PAR VB

Court File No.: 25543/11

WISHART LAW FIRM LLP **V.** **ST. MARY'S PAPER CORP.**

ONTARIO
SUPERIOR COURT OF JUSTICE
(Proceedings commenced in the City of Sault Ste. Marie, Ontario)

ORDER

WISHART LAW FIRM LLP
Barristers and Solicitors
390 Bay Street, 5th Floor
Sault Ste. Marie ON P6A 1X2

J. PAUL R. CASSAN
LSUC #38820R

Telephone: 705-949-6700
Fax: 705-949-2465

Lawyers for the Applicant

THIS IS **EXHIBIT** "I" TO THE AFFIDAVIT OF GORDON P. ACTON
SWORN BEFORE ME THIS 6TH DAY OF OCTOBER, 2011

Dan

Thank you for carefully considering my proposal. I am disappointed that IFP is not willing to give us the time we need to finalize interim financing that is very promising and might be completed within two to four weeks without a very expensive legal proceeding.

Your representation that SMPC has "fought, stalled and even threatened IFP at every turn" is disturbing. From my perspective, SMP has acted in good faith and has shared with IFP the work we have been doing to try and secure financing. I believe we have always been clear that those efforts did not represent promises, but gave the facts of the efforts as was understood at the time. In fact we were very open and cooperative with E&Y when they visited on your behalf despite our concerns over a potential conflict.

Another disappointment has been IFP's behavior when it is very clear that, being our sole revenue source, you chose to keep the SMP portion of the paper sold, effectively forcing us into the liquidity crisis you refer to.

Recently you asked that we work together to reconcile our accounts. We asked Carrie Jones and Mike Rilkoff to do so, but they have been unable to get sales information since August 31 despite promises by Kirk to provide data. In fact, the follow-up calls by Carrie are not returned. It remains important to know the status of inventory sales, the price the inventory is being sold for, who it is being sold to and the warehousing and freight costs being incurred. Please provide the data in detail immediately to Carrie Jones so we can be in a position to reconcile the accounts.

Remember that this paper was ordered by IFP, we produced it to your orders, put in the raw materials, energy and labors to make the paper, yet we are now blind to the sales efforts you are making while holding us responsible for ongoing costs.

I will keep you informed about our efforts at interim financing to pay back IFP and end the costly and damaging legal efforts. Meanwhile, we need to agree on the value of inventory you are holding, and finally agree on the amount owed by SMP to IFP as soon as possible.

Sincerely,

Dennis Bunnell

Dennis Bunnell