This is the 8th affidavit of
B. Baarda in this case and was
made on May 7, 2012

No. S-120712
Vancouver Registry

IN THE SUPREME COURT OF BRITISH COLUMBIA

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND

IN THE MATTER OF THE *CANADA BUSINESS CORPORATIONS ACT*, R.S.C. 1985, c. C-44

AND

IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*, S.B.C. 2002, c. 57

AND

IN THE MATTER OF CATALYST PAPER CORPORATION AND THE PETITIONERS LISTED IN SCHEDULE "A"

PETITIONERS

AFFIDAVIT

I, Brian Baarda, businessperson, of 2nd Floor, 3600 Lysander Lane, Richmond, British Columbia, AFFIRM THAT:

1. I am the Vice President, Finance and Chief Financial Officer of Catalyst Paper Corporation ("**CPC**"), a Petitioner in this proceeding (along with the other Petitioners and Catalyst Paper General Partnership, the "**Company**"), and as such I have personal

knowledge of the matters deposed to in this Affidavit except where I depose to a matter based on information from an informant I identify, in which case I believe that both the information from the informant and the resulting statement are true.

2. All capitalized terms used in this Affidavit and not defined below shall have the same meaning as that ascribed to them in my Affidavit #1 in this proceeding, made January 31, 2012 (the "**First Affidavit**").

Postponement of Annual Meeting of Shareholders

3. CPC held its last annual meeting of shareholders on April 28, 2011.

4. CPC is a reporting issuer that has been delisted from the Toronto Stock Exchange (the "**TSX**"). In part as a result of being traded on the TSX, CPC has a significant number of shareholders. Currently, the Company is attempting to address its liquidity challenges through these proceedings. The Company needs to marshal its resources and use its available cash to fund its restructuring, its interim expenses, and maintain its operations as a going concern. Given the currency of the CCAA Proceedings as well as the administrative and financial cost of holding an annual meeting of shareholders, I am satisfied that it would be impracticable for CPC to hold its next annual meeting of shareholders prior to the completion of the Company's proceedings under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36 (the "**CCAA Proceedings**").

5. Under the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, CPC would be required to hold its next annual meeting of shareholders by June 29, 2012. In order to hold an annual meeting on that date, CPC would have to advise its clearing agent immediately.

6. Accordingly, I am of the view that it is prudent and necessary to postpone CPC's next annual meeting of shareholders until the CCAA Proceedings are completed, in order for CPC to focus its resources and the attention of its management on ensuring the Company successfully emerges from the CCAA Proceedings.

7. As a reporting issuer, CPC is required to and intends to continue to comply with the continuous disclosure requirements under Canadian securities laws and regulations, including the requirement to issue press releases and material change reports when material changes occur. CPC will provide the various provincial Securities Commissions which regulate CPC with such disclosure. In addition, details of the CCAA Proceedings and copies of the Reports issued by the Monitor are publicly available on the Monitor's website.

Powell River Property Tax Agreement

The Company and Powell River

8. As described in greater detail in the First Affidavit, Catalyst has faced increasingly challenging business conditions and the Company's financial circumstances deteriorated throughout the 2000s. In 2008, as a result of its challenging financial circumstances, the Company began to work with the city councils of the municipalities in which it had operating mills, including Powell River, British Columbia ("**Powell River**"), to reduce the property tax burden that the Company was paying. The Company was in regular communication with elected representatives and residents from the respective municipalities.

9. The pulp and paper mill (the "**Mill**") in Powell River, currently operated by Catalyst, has been part of the community of Powell River for one hundred years. The Company has a longstanding presence in the community and has regularly worked cooperatively with the local government, the City of Powell River (the "**City**"). Along with the Mill, the Company has various other interests in Powell River.

10. Arising out of this relationship, the Company communicated with representatives of the City between 2008 and 2010 in an effort to come to an agreement that would provide Catalyst with much needed relief through a reduction of property taxes. The City requested that Catalyst assist the City in meeting its objectives to reduce future expenditures and replace a portion of lost taxation revenues so that the City could reduce property tax rates for the Company.

11. The City has implemented several programs over the last six to seven years to shift the property tax burden and assist the Company as the market became less favourable to the pulp and paper industry. Mayor Dave Formosa of the City advises me, and I believe it to be true, that over this period Catalyst has saved approximately $18 million to date.

12. In 2009, Catalyst brought petitions before the British Columbia Supreme Court (the "**Court**") to address its concerns over the property taxes levied by all the municipalities in which it had operating mills. With respect to Powell River, Catalyst challenged certain municipal bylaws made by the City setting the property taxes in 2009, and subsequently appealed the decision made by the Court (the "**Taxation Proceeding**"). As a result of the Taxation Proceeding, Catalyst paid a portion of the property taxes outstanding for 2009.

13. Despite the Taxation Proceeding, the Company and the City continued negotiations regarding the Company's property taxes. The City cooperated extensively with the Company and accepted that it was important for the City and Catalyst to address the Company's property tax concerns by coming to a collective compromise. As noted above, Catalyst was dealing with several municipalities regarding property tax issues. Of these municipalities, the City was the first mover to broach an agreement with the Company. The City's effort and co-operation have been of assistance in Catalyst's discussions with other municipalities. The City is the leading community in providing the Company with property tax relief, as attested to by the AIP (defined below) and the agreement that Catalyst seeks Court approval of in this application.

The Agreement in Principle

14. After years of negotiation, on April 8, 2010, the Company and the City entered into an Agreement in Principle (the "**AIP**"). The AIP includes the following terms:

(a) The City will modify its bylaws so that the property taxes payable by Catalyst for the Mill will not exceed $2,250,000 per year for 2010 to 2014.

(b) Catalyst and the City will jointly pursue environmental permit amendments and related arrangements that would enable a lengthy service

agreement under which Catalyst will treat the City's liquid waste using the Mill's effluent system and burn the City's bio-solids (the "**Effluent Treatment**").

(c) Catalyst will transfer an office building and associated lands in Powell River (the "**Office Building**") to the City. The transfer of the Office Building would occur once the lands associated with the Office Building were subdivided as necessary (the "**Subdivision**").

(d) Catalyst would expand the leased area of a selection of waterfront lands in Powell River (the "**Waterfront Lands**") for use by the City and provide a right of way over the Surrounding Land (defined below) to provide access to the Waterfront Lands.

(e) Catalyst would extend the Mortgage over the PRSC Properties by four years to facilitate land sales for the benefit of PRSC. (These terms are defined and discussed in greater detail below.)

(f) Catalyst will pay its property taxes owing to the City for 2009 and withdraw the Taxation Proceeding.

15. Attached to this my Affidavit and marked as **Exhibit "A"** is a copy of the AIP. Attached to this my Affidavit and marked as **Exhibit "B"** is a copy of the press release from the Company dated April 9, 2010 announcing the AIP.

16. The AIP provides the Company with various benefits, the most significant one being the reduction of the Company's property tax burden.

17. From 2007 to 2009, the Company paid the City an average of $4,192,890 per year. Between 2010 and 2011, under the AIP, the Company paid the City an average of $2,285,380 per year in property taxes. (This number exceeds $2,250,000 due to the property taxes paid by the Company on properties in Powell River that are not part of the Mill site.) That amounts to a reduction in property taxes of nearly $2 million per year. The Company considers that it is in its best interests to continue this property tax certainty as long as the City will agree to do so.

Interests Subject to the AIP

18. The Company owns the Office Building, which was once used by Catalyst in the administration of the Mill. The Company no longer uses the Office Building. The Office

Building has remained vacant for approximately five years. After vacating the Office Building, the Company tried to sell the Office Building for a period of time but had no success.

19. I am aware that there are a number of vacant office buildings for sale in Powell River and that the Office Building is among the largest of these vacant buildings. The Company has previously made efforts to sell the Office Building on the market but was unsuccessful. Even if the Company was successful in marketing the Office Building, Warren Behan, a realtor in Power River used by the Company, informs me that he expects it would be sold for approximately $400,000 to $500,000, and that it could take up to two years to sell it.

20. The Company has been required to maintain the Office Building while it has sat vacant. Despite the Company's efforts, it has not been able to sell the Office Building. The City has informed the Company that, after the Subdivision, it would attempt to attract an employer who would be able to use the Office Building.

21. The Company also currently owns the Waterfront Lands. If the Company were to sell the Waterfront Lands considered as part of the Powell River Property Tax Agreement (defined below) on the market, Mr. Behan informs me that the value will be between $500,000 and $600,000. As with the Office Building, Mr. Behan informs me that such a sale could take several years to conclude.

22. The Company has not used the Waterfront Lands for over two years. The City has developed the Waterfront Lands as a barge facility since the AIP to replace the City's facility at South Harbour.

23. Both the Waterfront Lands and the Office Building are near the Mill and the Company owns much of the land between the Office Building and the Waterfront Lands, in particular a parking lot and, in particular, an access way to the Waterfront Land (the "**Surrounding Land**"). As part of the Powell River Property Tax Agreement (defined below), the Company will grant an easement over the access way to the Waterfront

Lands. The City would use the Surrounding Land to allow access to the barge facility at the Waterfront Lands and provide related services.

24. Catalyst, through its subsidiary 0606890 B.C. Ltd. ("**0606**"), owns a one third interest in the PRSC Limited Partnership ("**PRSC**"). The two other partners in PRSC are the City and the Sliammon First Nation (the "**Sliammon**"). The City and the Sliammon also hold their respective interests through subsidiaries.

25. PRSC was set up in 2006 for the purpose of selling surplus Catalyst properties. In 2006, Catalyst transferred five properties in Powell River (the "**PRSC Properties**") to PRSC and 0606 was granted a mortgage of $4.5 million (the "**Mortgage**") over the PRSC Properties. Attached to this my Affidavit and marked as **Exhibit "C"** is a copy of the Form B filed with the British Columbia Land Title Office setting out the Mortgage for the PRSC Properties. The maturity date of the Mortgage was December 2011, but subject to renewal under the AIP.

26. In repayment of the Mortgage as set out by a commitment letter from 0606 to PRSC dated June 30, 2006 (the "**Commitment Letter**"), PRSC is only required to pay the greater of 110% of the acquisition price, as determined by 0606, or 60% of the net sale proceeds of any of the PRSC Properties towards the amount outstanding under the Mortgage. Attached to this my Affidavit and marked as **Exhibit "D"** is a copy of the Commitment Letter.

27. The PRSC Properties have been listed for sale for at least two years. Some parcels have been listed for four years. Mr. Behan, who is the real estate listing agent for the PRSC Properties, is of the opinion that, given the current economic conditions in Powell River, in order to sell the PRSC Properties in the next six to twelve months, the aggregate listing price would have to be approximately $3.7 million, which, after sales commissions, would generate net proceeds to the Company of approximately $3.5 million, of which PRSC may only be obliged to pay the Company 60% pursuant to the Commitment Letter. The outstanding amount on the Mortgage is currently $4.4 million. Attached to this my Affidavit and marked as **Exhibit "E"** is a letter from Mr. Behan to PRSC dated March 22, 2012.

Powell River Property Tax Agreement

28. After the Company entered the CCAA Proceedings, the City and the Sliammon made an unsolicited offer for the PRSC Properties for $3 million in satisfaction of the Mortgage. The City and Sliammon would also purchase all of 0606's interest in PRSC. This offer was made in the context of the parties continuing to fulfill their obligations under the AIP.

29. The Company agreed to sell its interest in the Mortgage in part because the Company considers it unlikely that it will be able to realize the full amount of the Mortgage given the nature of the PRSC Properties and the state of the real estate market in Powell River. The $3 million will provide an immediate benefit to the Company, which a continuation of the Mortgage would not.

30. CPC and the City have entered into an agreement dated April 27, 2012 to bring into effect, among other things, the property tax reduction, the transfer of the Office Building and the Waterfront Lands, and the sale of 0606's interest in PRSC (the "**Powell River Property Tax Agreement**"). The Powell River Property Tax Agreement is a complex structure arising from the AIP and resulting from extensive negotiations between the Company and the City.

Material Terms of the Powell River Property Tax Agreement

31. The Powell River Property Tax Agreement includes the following terms and conditions:

(a) The City shall administer a tax exemption program so that the property taxes payable by the Company for the Mill site will not exceed $2,250,000.

(b) Catalyst shall grant rights of way, leases and rights of occupation over, or transfer to the City, the Office Building, the Waterfront Lands, and an access way between the Office Building and the Waterfront Lands. The Office Building is among the properties that will be transferred to the City, subject to the completion of the Subdivision.

(c) Catalyst shall discharge the Mortgage and cause 0606 to transfer its interest in PRSC to the City. A condition precedent for this provision is

that either the City, or the City and the Sliammon, will pay Catalyst $3 million.

(d) Catalyst shall permit the City to explore the possibility of certain economic development opportunities in the vicinity of the Mill.

(e) After Catalyst emerges from the CCAA Proceedings, Catalyst shall pay to the City up to $500,000 if the return on capital employed at the Mill fulfills a particular calculated amount.

32. Attached to this my Affidavit and marked as **Exhibit "F"** is a copy of the Powell River Property Tax Agreement. The Company has executed a version of the Powell River Property Tax Agreement. I am aware that the City has approved and resolved to enter into the Powell River Property Tax Agreement in the form attached. The Powell River Property Tax Agreement is also subject to Court approval.

Powell River Property Tax Agreement and the AIP

33. Since the date of the AIP, both the City and Catalyst have acted in accordance with its terms as far as each has been able. The City has reduced the property taxes paid by the Company in 2010 and 2011. Catalyst withdrew the Taxation Proceeding and paid the balance of its property taxes for 2009. The City has constructed a barge facility on the Waterfront Lands and has been operating for over a year. Although the Company planned to renew the Mortgage, it has not yet been able to do so expeditiously as a result of issues surrounding the recapitalization of the Company.

34. The Effluent Treatment depends, in part, on the City receiving funding from the Province of British Columbia, which it has not yet received. As such, the Effluent Treatment was not included in the Powell River Property Tax Agreement.

35. The transfer of the Office Building had been delayed as the Subdivision is not yet complete. In addition, Powell River had an election at the end of 2011 and any developments in furthering the AIP between the City and the Company were temporarily put on hold until a new city council was elected.

36. Now that the elections are complete, the City and the Company entered the Powell River Property Tax Agreement in furtherance of the AIP and in consideration of both Powell River's and the Company's current circumstances.

The Powell River Property Tax Agreement is Fair and Reasonable

37. In 2012 through 2014, the Company will continue to pay approximately $2 million less per year and receive property tax certainty that will allow it to continue to operate with a reduced tax burden. Property taxes have been a difficult issue for the Company in recent years and the reduction and certainty set out by the Powell River tax Agreement is essential to the Company's continued operations.

38. The Office Building has been sitting vacant for several years and a further agreement with respect to its sale to the City would have been completed but for the time taken to complete the Subdivision and temporary delays as a result of the City's election.

39. The Powell River Property Tax Agreement has the following additional benefits:

(a) The Company has received the joint benefits of a reduced tax amount of approximately $2 million per year and tax certainty that will continue to receive that benefit until 2014.

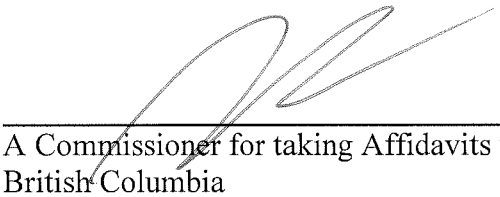
(b) The Company divests itself of the Office Building and some of the Waterfront Lands, which have various costs associated with general upkeep and maintenance and that the Company has been unable, in the case of the Office Building, or unlikely, in the case of the Waterfront Lands, to sell.

(c) The Company gets immediate benefit of $3 million in proceeds in place of the Mortgage, which the Company would likely not be able to fully realize on.

40. It is the Company's opinion that the Powell River Property Tax Agreement is fair and reasonable in the circumstances. It will divest the Company of unused properties that have provided little value to the Company in recent years and that have received minimum interest from other purchasers and provides the Company with tax certainty going forward.

41. No other potential purchaser of the Company's interest in PRSC, the Office Building and the Waterfront Lands can offer the property tax relief that the City can provide. This benefit to the Company is substantial, both monetarily and to set an example to other municipalities in which Catalyst conducts business.

AFFIRMED BEFORE ME at Vancouver, British Columbia on May 7, 2012.



A Commissioner for taking Affidavits for British Columbia

Brian Baarda

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SCHEDULE "A"

LIST OF ADDITIONAL PETITIONERS

Catalyst Pulp Operations Limited

Catalyst Pulp Sales Inc.

Pacifica Poplars Ltd.

Catalyst Pulp and Paper Sales Inc.

Elk Falls Pulp and Paper Limited

Catalyst Paper Energy Holdings Inc.

0606890 B.C. Ltd.

Catalyst Paper Recycling Inc.

Catalyst Paper (Snowflake) Inc.

Catalyst Paper Holdings Inc.

Pacifica Papers U.S. Inc.

Pacifica Poplars Inc.

Pacifica Papers Sales Inc.

Catalyst Paper (USA) Inc.

The Apache Railway Company

This is **Exhibit "A"** referred to in the Affidavit #8 of Brian Baarda made before me at Vancouver, British Columbia this 7th day of May 2012.

A Commissioner for the taking Affidavits
for British Columbia

Agreement in Principle

This Agreement dated 08 April 2010 is between:

Catalyst Paper Corporation

("Catalyst")

- and -

City of Powell River

(the "City")

Background:

A. As part of its plan to reduce the property tax rate for major industry, the City has requested that Catalyst assist the City in meeting its objectives to reduce certain future expenditures and replace a portion of lost taxation revenues;

B. Catalyst is prepared to provide the commitments to the City set out in this Agreement to assist the City in meeting its objectives in return for the City's commitments as set out in this Agreement.

Therefore, the parties agree in principle to the following:

1. **Property Tax Reduction**

(a) The City commits to make the appropriate changes to its bylaws so that property taxes payable to the City by Catalyst for its properties in the City of Powell River currently classified as "Class 4 Major Industrial" will not exceed a total of more than $2,250,000 per year for 2010 to 2014.

(b) To secure the above commitment, the parties will proceed, expeditiously, with negotiation of a tax revitalization agreement to be supported by the necessary Tax Revitalization Bylaw under section 226 of the *Community Charter*, all with a target date for bylaw enactment of October 15, 2010.

2. **Other Commitments**.

The City and Catalyst also agree in principle to the following items in connection with the property tax limitation referred to in Section 1:

(a) **Co-Treatment of Liquid Waste and Bio Solids.** The City and Catalyst will enter into a contract with an initial term of 20 years (with options to renew on a rolling 5 year basis) under which Catalyst would on a services basis treat the City's liquid wastes in the

effluent system at Catalyst's Powell River paper mill operation (including the burning of biosolids removed in the treatment process subject to any required permit amendments) including the following:

(i) the City will pay Catalyst an annual fee for the effluent services, the fee for the first 5 years being $750,000 per year and the fee for subsequent years being $750,000 increased by the same percentage as the percentage by which Catalyst's annual property taxes payable to the City exceed $2,250,000;

(ii) the effluent services fee will be paid commencing when Catalyst starts providing the effluent treatment services, each party agreeing to use its reasonable efforts to have that occur as soon as possible with the intention that it will be no later than 18 months from the date of this Agreement;

(iii) the contract will require that Catalyst's obligations under the contract be assumed by purchasers of the Catalyst paper mill operation and the parties will explore including contractual terms to permit access, repair and use of the mill's effluent system by the City during and after continuing defaults and/or bankruptcy proceedings through a right of way interest or other equivalent access right;

(iv) Catalyst will provide, at no cost to the City, registered easements or rights of way reasonably required to connect the City's sewer system to the mill's effluent system (and allowing for the maintenance of the works associated with the connection) in locations that do not impact mill operations will be put in place to facilitate the operation of the contract. Any necessary surveying expenses, and the costs of emplacement of piping infrastructure, will be the responsibility of the City; and

(v) Catalyst and the City will explore the feasibility of burning the City's present waste treatment systems' bio solids in Catalyst's power boiler and incorporating that arrangement in the contract.

(b) **Mill Administration Office Building (6270 Yew Street).** Catalyst will sell the old mill administration office building and associated land to the City for $1.00 and, as part of that transfer, provide for access for the City to the proposed industrial park below Marine Avenue via a right of way. The old mill administration office building and associated land are shown outlined in red on the photograph entitled "'Land coming with the building" attached to this Agreement. Catalyst will proceed with the necessary subdivision of the property, and the target date for transfer to the City will be December 31, 2010.

(c) **PRSC Mortgage Extension.** Catalyst will extend the maturity date of the PRSC Land Developments Inc. mortgage by 4 years to August, 2015 to allow PRSC to facilitate land sales to diversify the local economy.

(d) **Additional Waterfront Lands.** Catalyst will explore expanding the leased area under the existing Spick lease (or independently with the City) by adding additional waterfront land without increase in annual rental subject to: (i) completion of an appropriate

agreement between the City and Catalyst, (ii) mutual agreement on the size and location of the expansion area, and (iii) the expansion area not interfering with current or future mill expansion.

(e) **Economic Development Opportunities**

(i) **Deep Sea Port.** Catalyst will allow the City to explore the possibility of establishing a deep sea port in the vicinity of the mill's old deep sea dock that would enable the potential for additional economic activities subject to those activities not impeding Catalyst's mill operations or creating any additional liabilities or safety concerns for mill personnel.

(ii) **Bio Energy Projects.** Catalyst will give the City the opportunity to explore potential participation in new alternative energy projects implemented by Catalyst or the City at the Powell River mill site other than the current biomass energy project and energy projects that are subject to existing commitments

(iii) **Stump Debris as Hog Fuel.** Catalyst will explore the possibility of contracting with the City to grind and remove wood debris from the City's stump disposal program for use as hog fuel in Catalyst's operations.

(f) **Revenue Upside.** During the five year period from the beginning of 2010 to the end of 2014 while the $2,250,000 property tax limitation referred to in Section 1 is in effect, Catalyst will pay to the City (by way of a credit to the effluent services fee) a portion of operating earnings from Catalyst's Powell River operation each year that the return on capital employed for Catalyst's Powell River operation is in excess of 10% calculated as set out in the sample calculations attached to this Agreement, to a maximum of $500,000 per year. In five years, the parties will consider the possibility of establishing a revised upside contribution formula for the 5 year period commencing 2015.

3. **2009 Property Taxes**

Catalyst will pay its outstanding City of Powell River 2009 property taxes, together with applicable penalties and interest, into trust with the City's solicitors within 3 business days after the signing of this Agreement by both the City and Catalyst. Once the City advises Catalyst in writing that the City will proceed with this Agreement, such property tax payment shall be released to the City and Catalyst will then also take the necessary steps to withdraw its current appeal proceeding against the City in connection with its 2009 property tax assessment.

4. **Nature of Agreement in Principle**

This Agreement comes into effect once both parties have signed below. This Agreement is intended to be binding on the parties subject to the condition referred to in the following paragraph and other conditions as specified that may be applicable to particular items. A further agreement however will be required to detail the terms and conditions applicable to the effluent treatment services to be provided by Catalyst as set out in Section 2(a) and various approvals,

subdivisions and other documentation may be necessary to facilitate the land transfers and lease changes referred to in Section 2.

The obligations of the City and Catalyst under this Agreement are subject to the commitment of the British Columbia government to assist the City in the implementation of the City's business plan of March 2010 to the satisfaction of the City of Powell River. Catalyst and the City will provide reasonable cooperation to each other in order to obtain such a commitment from the British Columbia government. This condition will cease to apply once the City advises Catalyst in writing that the City will proceed with this Agreement.

5. Adjustment if Taxes Increased

If the City does not adopt the necessary bylaws to limit property taxes payable by Catalyst for 2010 to 2014 in keeping with the commitment in Section 1, the transactions in Section 2 will be adjusted to reflect the fair market value of the applicable services and land interests to the extent necessary to make up the excess property taxes charged and the City will make the appropriate adjusting payments to Catalyst. If the total property taxes payable by Catalyst to the City in any year from 2010 to 2014 for its properties in the City of Powell River currently classified as "Class 4 Major Industrial" exceed $2,250,000, the minimum increase pursuant to the above adjustments applicable to the $750,000 per year payable by the City for effluent services pursuant to Section 2(a) will be a percentage increase that equals the percentage by which such annual property taxes exceed $2,250,000.

6. Funding of Activities

Each party will be responsible for the costs and expenses it incurs in conducting its own activities under this Agreement.

7. Implementation of Agreement

Each of Catalyst and the City will do such further acts and things and execute and deliver such further documents as may be reasonably required to implement and give effect to this Agreement.

Signed by the parties:

Catalyst Paper Corporation

By: _____

Date 9 April 2010

City of Powell River

By: _____
Stewart B. Alsgard, Mayor

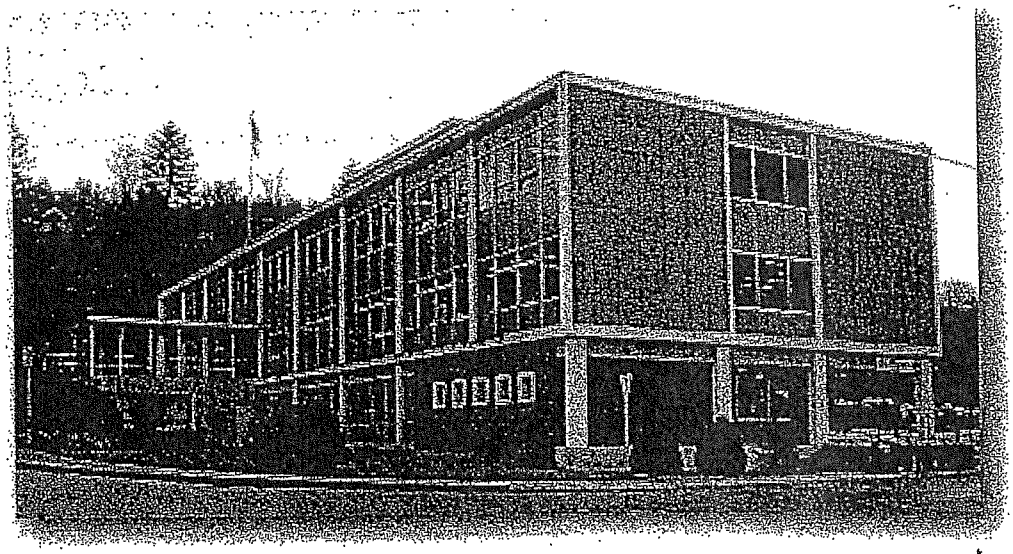
_____
Stan Westby, Chief Administrative Officer

Date: 09 April 2010

Powell River Mill Property Tax Agreement

Property Tax Upside Thousand of $	Sample Calculations		
Mill Operating Earnings	95,000	75,000	35,000
Book value of PPE	416,000	416,000	416,000
Working capital	60,000	60,000	60,000
Capital employed	476,000	476,000	476,000
Return on capital employed	19.96%	15.76%	7.35%
Excess over 10%	9.96%	5.76%	-2.65%
Property taxes (net of effluent services fee)	1,500	1,500	1,500
Additional (= operating earnings x excess % x 0.1; capped at $500)	500	432	0
Total	2,000	1,932	1,500

Administration Building Powell River



Catalyst

Land coming with the building

This is **Exhibit "B"** referred to in the Affidavit #8 of Brian Baarda made before me at Vancouver, British Columbia this 7th day of May 2012.

A Commissioner for the taking Affidavits
for British Columbia

Catalyst
Fresh thinking on paper

Catalyst Paper, City of Powell River achieve unique tax solution

Release Date: Friday, April 9, 2010

Friday, April 9, 2010

Powell River, BC – Catalyst Paper and the City of Powell River have inked an agreement in principle to achieve the twin objectives of reducing the Class 4 property tax rate paid by the company's Powell River mill while assisting the City in reducing significantly its capital expenditures for future municipal service infrastructure.

"Council committed to looking for solutions to the major industry property tax in Powell River," said Mayor Stewart Alsgard. "We have held frank, realistic discussions with Catalyst culminating in a very positive outcome that reflects the needs of the community and provides for a way forward under challenging circumstances."

Under the agreement, the City has committed that the company's annual property taxes payable to the City will not exceed $2.25 million for five years. In addition, the City and Catalyst agreed to jointly pursue environmental permit amendments and related arrangements that would enable a 20-year service agreement valued at $750,000 annually in the first five years, under which Catalyst will treat the City's liquid waste using the mill's effluent system and burn the City's bio-solids in the mill's waste wood boiler.

"We saw that we both had a cost problem associated with municipal services. And we came to a shared conclusion that, going forward, the City's circumstances could be addressed more cost-efficiently by making our mill infrastructure available for municipal use," said Richard Garneau, Catalyst president and chief executive officer. "Cooperation and flexibility helped us take a big step toward the $1.5 million property tax goal, and together the City and Catalyst were able to find a solution that's right for Powell River."

The agreement will see Catalyst drop its legal appeal of the City's 2009 municipal tax levy and pay into trust $2.5 million in outstanding 2009 municipal property taxes including penalties and interest, pending the City's completion of arrangements for implementing its 2010 business plan with the provincial government. Related commitments by the company include sale to the City of the mill's unoccupied administration office building and associated lands for a nominal price, and a four-year mortgage extension to PRSC LLP, a three-way partnership with the City and Tla'Amin First Nation formed in 2006 to facilitate local economic diversification through land sales.

The City and Catalyst will also explore a variety of joint economic development initiatives and a revenue upside contribution arrangement, capped at $500,000 annually, based on the Powell River paper mill's ability to achieve a return on capital employed in excess of 10%.

Catalyst Paper manufactures diverse specialty mechanical printing papers, newsprint and pulp. Its customers include retailers, publishers and commercial printers in North America, Latin America, the Pacific Rim and Europe. With six facilities located in British Columbia and Arizona, Catalyst has a combined annual production capacity of 2.5 million tonnes. The company is headquartered in Richmond, British Columbia, Canada and its common shares trade on the Toronto Stock Exchange under the symbol CTL. Catalyst is listed on the Jantzi Social Index® and is ranked by Corporate Knights magazine as one of the 50 Best Corporate Citizens in Canada.

Located on the Sunshine coast 125 km north of Vancouver, Powell River is a vibrant and progressive community of approximately 13,500 with access to Vancouver, Vancouver Island and the Sechelt Peninsula. Powell River has an extensive variety of recreational activities and festivals, excellent schools, a modern multi-purpose recreational complex, golf course, new hospital and an active arts community. With something for everyone, Powell River has a high quality of life in a natural and beautiful environment.

For more information:

Lyn Brown
Vice President, Corporate Relations
Catalyst Paper Corporation
604-247-4713

Stan Westby, CA
Chief Administrative Officer
City of Powell River
604-485-8618

Source URL: http://www.catalystpaper.com/media/news/community/catalyst-paper-city-powell-river-achieve-unique-tax-solution

This is **Exhibit "C"** referred to in the Affidavit #8 of Brian Baarda made before me at Vancouver, British Columbia this 7th day of May 2012.

A Commissioner for the taking Affidavits
for British Columbia

FORM_B_V10

LAND TITLE ACT
FORM B (Section 225)

MORTGAGE – PART 1 Province of British Columbia

Your digital signature is a representation that you are a subscriber as defined by the Land Title Act, RSBC 1996 c.250, and that you have applied your digital signature in accordance with Section 168.3, and a true copy, or a copy of that true copy, is in your possession.

Milda Margaret Karen-Byng QLF67S

Digitally signed by Milda Margaret Karen-Byng QLF67S
DN: cn=Milda Margaret Karen-Byng QLF67S, c=CA, o=Verify ID at www.juricert.com/LKUP.cfm?id=QLF67S, ou=Practising Lawyer BC
Date: 2006.08.02 14:33:03 -07'00'

1. APPLICATION: (Name, address, phone number of applicant, applicant's solicitor or agent)

Milda Karen-Byng, WHYARD VILLANI, Barristers and Solicitors
4448A Marine Avenue
Powell River, B.C., V8A 2K2, (604) 485-6188
File No. 5589

2. PARCEL IDENTIFIER AND LEGAL DESCRIPTION OF LAND:
[PID] [legal description]

SEE SCHEDULE

STC? YES ☐

3. BORROWER(S) (MORTGAGOR(S)): (including postal address(es) and postal code(s))

PRSC LAND DEVELOPMENTS LTD.

4448A MARINE AVENUE
POWELL RIVER BRITISH COLUMBIA V8A 2K2 CANADA

Incorporation No BC0757323

4. LENDER(S) (MORTGAGEE(S)): (including occupation(s), postal address(es) and postal code(s))

0606890 B.C. LTD.
16TH FLOOR, 250 HOWE STREET
VANCOUVER BRITISH COLUMBIA V6C 3R8
CANADA

Incorporation No BC0606890

5. PAYMENT PROVISIONS:

(a) Principal Amount:	(b) Interest Rate:	(c) Interest Adjustment Date:	Y	M	D
$4,500,000.00	5% PER ANNUM	N/A			
(d) Interest Calculation Period:	(e) Payment Dates:	(f) First Payment Date:			
MONTHLY	N/A	N/A			
(g) Amount of each periodic payment:	(h) *Interest Act* (Canada) Statement. The equivalent rate of interest calculated half yearly not in advance is	(i) Last Payment Date:			
N/A	N/A % per annum.	N/A			
(j) Assignment of Rents which the applicant wants registered ? YES ☑ NO ☐ If YES, page and paragraph number: Pages 24 and 25, Paragraph 7 of Express Mortgage Terms attached as Part 2	(k) Place of payment: POSTAL ADDRESS IN ITEM 4	(l) Balance Due Date:	11	08	01

FORM_B_V10

LAND TITLE ACT
FORM B (Section 225)

MORTGAGE – PART 1 **Province of British Columbia** PAGE 1 of 25 pages

Your digital signature is a representation that you are a subscriber as defined by the Land Title Act, RSBC 1996 c.250, and that you have applied your digital signature in accordance with Section 168.3, and a true copy, or a copy of that true copy, is in your possession.

1. APPLICATION: (Name, address, phone number of applicant, applicant's solicitor or agent)
Milda Karen-Byng, WHYARD VILLANI, Barristers and Solicitors
4448A Marine Avenue
Powell River, B.C., V8A 2K2, (604) 485-6188
File No. 5589

2. PARCEL IDENTIFIER AND LEGAL DESCRIPTION OF LAND:
[PID] [legal description]

SEE SCHEDULE

STC? YES ☐

3. BORROWER(S) (MORTGAGOR(S)): (including postal address(es) and postal code(s))
PRSC LAND DEVELOPMENTS LTD.

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POWELL RIVER BRITISH COLUMBIA
V8A 2K2 CANADA
Incorporation No
BC0757323

4. LENDER(S) (MORTGAGEE(S)): (including occupation(s), postal address(es) and postal code(s))
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V6C 3R8
CANADA
Incorporation No
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5. PAYMENT PROVISIONS:

(a) Principal Amount:	(b) Interest Rate:	(c) Interest Adjustment Date:	Y	M	D
$4,500,000.00	5% PER ANNUM	N/A			
(d) Interest Calculation Period:	(e) Payment Dates:	(f) First Payment Date:			
MONTHLY	N/A	N/A			
(g) Amount of each periodic payment:	(h) *Interest Act* (Canada) Statement. The equivalent rate of interest calculated half yearly not in advance is N/A % per annum.	(i) Last Payment Date:			
N/A		N/A			
(j) Assignment of Rents which the applicant wants registered ? YES ☑ NO ☐ If YES, page and paragraph number: Pages 24 and 25, Paragraph 7 of Express Mortgage Terms attached as Part 2	(k) Place of payment: POSTAL ADDRESS IN ITEM 4	(l) Balance Due Date:	11	08	01

MORTGAGE – PART 1 PAGE 2 of 25 pages

6. MORTGAGE contains floating charge on land ?
YES ☑ NO ☐

7. MORTGAGE secures a current or running account ?
YES ☑ NO ☐

8. INTEREST MORTGAGED:
Freehold ☑
Other (specify) ☐

9. MORTGAGE TERMS:
Part 2 of this mortgage consists of (select one only):
(a) Prescribed Standard Mortgage Terms ☐
(b) Filed Standard Mortgage Terms ☐ D F Number:
(c) Express Mortgage Terms ☑ (annexed to this mortgage as Part 2)
A selection of (a) or (b) includes any additional or modified terms referred to in item 10 or in a schedule annexed to this mortgage.

10. ADDITIONAL OR MODIFIED TERMS:
N/A

11. PRIOR ENCUMBRANCES PERMITTED BY LENDER:
N/A

12. EXECUTION(S): This mortgage charges the Borrower's interest in the land mortgaged as security for payment of all money due and performance of all obligations in accordance with the mortgage terms referred to in item 9 and the Borrower(s) and every other signatory agree(s) to be bound by, and acknowledge(s) receipt of a true copy of, those terms.

Officer Signature(s)
VALERIE SEAGER
Barrister & Solicitor
16th Floor, 250 Howe Street
Vancouver, BC V6C 3R8
Cas to Lyn Brown's signature
Milda Karen-Byng HILDA KAREN-BYNG
BARRISTER & SOLICITOR
4448A MARINE AVE
POWELL RIVER B.C.
V8A 2K2
(as to ~~all signatures~~ other 2 signatures) ~~WALTER PAUL AND STEWART ALSGARD~~

Execution Date		
Y	M	D
06	07	05
06		
06	07	21

Borrower(s) Signature(s)
PRSC LAND DEVELOPMENTS LTD., by its authorized signatory(ies):
Name: LYN BROWN
Name: WALTER PAUL
Name: STEWART ALSGARD

OFFICER CERTIFICATION:
Your signature constitutes a representation that you are a solicitor, notary public or other person authorized by the *Evidence Act*, R.S.B.C. 1996, c.124, to take affidavits for use in British Columbia and certifies the matters set out in Part 5 of the *Land Title Act* as they pertain to the execution of this instrument.

FORM_E_V19

LAND TITLE ACT
FORM E
SCHEDULE

PARCEL IDENTIFIER AND LEGAL DESCRIPTION OF LAND:
[PID] [legal description]

026-686-589 LOT A DISTRICT LOT 450 GROUP 1 NWD PLAN BCP23890

STC? YES ☐

PARCEL IDENTIFIER AND LEGAL DESCRIPTION OF LAND:
[PID] [legal description]

026-685-591 LOT A DISTRICT LOT 450 GROUP 1 NWD PLAN BCP23887

STC? YES ☐

PARCEL IDENTIFIER AND LEGAL DESCRIPTION OF LAND:
[PID] [legal description]

026-685-621 LOT C DISTRICT LOT 450 GROUP 1 NWD PLAN BCP23887

STC? YES ☐

FORM_E_V10

LAND TITLE ACT
FORM E
SCHEDULE

PARCEL IDENTIFIER AND LEGAL DESCRIPTION OF LAND:
[PID] [legal description]

026-686-546 LOT 1 DISTRICT LOT 450 GROUP 1 NWD PLAN BCP23888

STC? YES ☐

PARCEL IDENTIFIER AND LEGAL DESCRIPTION OF LAND:
[PID] [legal description]

026-741-580 LOT 2 DISTRICT LOT 450 GROUP 1 NWD PLAN BCP23888

STC? YES ☐

PARCEL IDENTIFIER AND LEGAL DESCRIPTION OF LAND:
[PID] [legal description]

026-686-554 LOT 1 DISTRICT LOT 1901A GROUP 1 NWD PLAN BCP23889

STC? YES ☐

FORM_E_V10

LAND TITLE ACT
FORM E
SCHEDULE

PARCEL IDENTIFIER AND LEGAL DESCRIPTION OF LAND:
[PID] [legal description]

023-209-119 LOT B DISTRICT LOT 450 GROUP 1 NWD PLAN LMP25234

STC? YES ☐

PARCEL IDENTIFIER AND LEGAL DESCRIPTION OF LAND:
[PID] [legal description]

010-267-409 BLOCK 56, EXCEPT PART IN PLAN 12767, DISTRICT LOT 450 PLAN 8096

STC? YES ☐

PARCEL IDENTIFIER AND LEGAL DESCRIPTION OF LAND:
[PID] [legal description]

010-263-501 BLOCK 37 (EXPLANATORY PLAN 4343), EXCEPT PART IN PLAN 13855, DISTRICT LOT 450 PLAN 8096

STC? YES ☐

FORM_E_V10

LAND TITLE ACT
FORM E
SCHEDULE

PARCEL IDENTIFIER AND LEGAL DESCRIPTION OF LAND:
[PID] [legal description]

015-863-310 DISTRICT LOT 4070 GROUP 1 NWD, EXCEPT PART IN REFERENCE PLAN 2267

STC? YES ☐

PARCEL IDENTIFIER AND LEGAL DESCRIPTION OF LAND:
[PID] [legal description]

STC? YES ☐

PARCEL IDENTIFIER AND LEGAL DESCRIPTION OF LAND:
[PID] [legal description]

STC? YES ☐

EXPRESS MORTGAGE TERMS - PART 2

PURSUANT TO THE LAND TRANSFER FORM ACT, PART 3

1. Interpretation

Definitions

1.1. Where used herein or in any amendment hereto, unless the context otherwise requires, each of the underlined words and phrases set out below shall have the following meanings ascribed thereto:

1.1.1. "Act" means, for the purposes of Part 6 of this Mortgage, the Strata Property Act (British Columbia) and any amendments thereto;

1.1.2. "Commitment Letter" means the Commitment Letter dated June ____, 2006 issued by the Mortgagee to PRSC Limited Partnership, as such Commitment Letter may be modified, amended, extended, supplemented or replaced from time to time;

1.1.3. "Lands" means the entire right, title and interest of the Mortgagor in and to the lands and premises described as the "Parcel Identifier(s) and Legal Description(s) of the Mortgaged Land" in item 2 of the Mortgage Form together with all buildings and improvements thereon and all appurtenances thereto;

1.1.4. "Loan" means the loan or loans established or maintained by the Mortgagee in favour of PRSC Limited Partnership pursuant to the terms of the Commitment Letter, and indebtedness of which is evidenced by the Promissory Note;

1.1.5. "Maximum Amount" means the amount described as the "Principal Amount" in Item 5(a) of the Mortgage Form;

1.1.6. "Mortgage" means the Mortgage Form and these express mortgage terms, read together;

1.1.7. "Mortgagee" means the party described as Lender(s) Mortgagee(s) in Item 4 of the Mortgage Form;

1.1.8. "Mortgage Form" means the document prescribed by Regulation under the Land Title Act (British Columbia) as Form B and attached as Part 1 of this Mortgage, and includes all schedules to such document;

1.1.9. "Mortgage Rate" means the interest rate per annum payable to the Mortgagee in respect of the Loan, both before and after maturity and default, to a maximum of the rate set out in Item 5(b) of the Mortgage Form;

1.1.10. "Mortgagor" means the person or persons who have signed the Mortgage Form as Mortgagor(s) as described in Item 3 of the Mortgage Form;

1.1.11. "Obligor" means any Person other than the Mortgagor who is liable to the Mortgagee with respect to the Indebtedness or any part thereof;

1.1.12. "Permitted Encumbrances" means the encumbrances, if any, described in Item 11 of the Mortgage Form or otherwise consented to in writing by the Lender;

1.1.13. "Person" includes any individual, a partnership, a corporation, a joint stock company, a trust, an unincorporated association, a joint venture or other entity;

1.1.14. "Promissory Note" means the promissory note made by PRSC Limited Partnership in favour of the Mortgagee in the principal amount of $4,500,000 dated ●, 2006 as such promissory note, and the indebtedness evidenced thereby or due and owing thereunder, may be modified, amended, extended, supplemented or replaced from time to time;

1.1.15. "Receiver" means a receiver, receiver-manager or receiver and manager of the Lands appointed under Section 4.1.29 of this Mortgage;

1.1.16. "Strata Corporation" means the corporation formed as a result of the filing of the strata plan, if any, described in Item 2 of the Mortgage Form; and

1.1.17. "Taxes" means all taxes, rates, duties and assessments levied on the Lands and all penalties and interest payable in connection therewith.

Included Words

1.2. Wherever the singular, masculine or body politic or corporate are used herein, the plural, feminine, masculine or the body politic or corporate shall be deemed to be included where the context so requires.

Headings

1.3. The headings to the parts and sections of these standard mortgage terms are inserted for convenience only and shall not affect the construction hereof.

References

1.4. Unless otherwise stated, a reference herein to a numbered or lettered part or section refers to the part or section having that part or section number or letter in these standard mortgage terms or the Mortgage Form, and a reference to these mortgage terms or herein means these standard mortgage terms including any schedules or amendments hereto.

2. Property Charged

To secure the repayment of the Loan and the interest thereon and other monies owing hereunder, the Mortgagor does hereby grant and mortgage unto the Mortgagee, its successors and assigns ALL AND SINGULAR the Lands, to have and to hold the Lands unto and to the use of the Mortgagee, forever, subject to the redemption provision set out in Part 3 hereof.

3. Redemption Provision

3.1. PROVIDED this Mortgage shall be void upon:

3.1.1. payment by the Mortgagor to the Mortgagee, on demand, of:

(a) the principal balance outstanding under the Loan as at the date of demand, up to the Maximum Amount;

(b) interest on the amount outstanding under the Loan from time to time computed from the date of initial advance under the Loan at the Mortgage Rate, or such other rate or rates as may be agreed upon from time to time between the Mortgagor and the Mortgagee in writing;

(c) all other sums to which the Mortgagee may be entitled by virtue of this Mortgage, as and when such sums shall become due and payable together with interest thereon at the applicable Mortgage Rate, calculated as set out herein;

3.1.2. observance and performance of all covenants, provisions and conditions with respect to the Indebtedness whether contained in this Mortgage, the Commitment Letter or the Promissory Note,

and the Mortgagor releases to the Mortgagee all of the Mortgagor's claim upon the Lands, subject to the foregoing redemption provision.

3.2. If the Mortgagor fails to pay when due the monies hereby secured or any part thereof those monies shall bear compound interest at the applicable Mortgage Rate both before and after default to be computed on the last day of each month.

3.3. All payments to the Mortgagee shall be made at the office of the Mortgagee set out in the Mortgage Form or such other place that the Mortgagee may designate.

4. General Covenants

4.1. The Mortgagor covenants with the Mortgagee that:

4.1.1. Repay the Loan and any interest thereon to the Mortgagee in accordance with the terms of the Commitment Letter;

4.1.2. The Mortgagor has the right to mortgage and charge the Lands in favour of the Mortgagee on the covenants, agreements, conditions and provisions contained in this Mortgage, and the Mortgagor shall observe these covenants, agreements, conditions and provisions;

4.1.3. Neither the preparation, execution or registration of this Mortgage nor the advance of any monies to the Mortgagor or any other person shall bind the Mortgagee to advance further monies, it being understood that the advance of any monies from time to time shall be in such manner and in such amounts as the Mortgagee in its sole discretion may determine;

4.1.4. The charge created by this Mortgage shall take effect immediately upon the execution of this Mortgage;

4.1.5. The Mortgagor has good title to the Lands subject only to the Permitted Encumbrances;

4.1.6. On default hereunder, the Mortgagee shall have quiet possession of the Lands free from all encumbrances, other than the Permitted Encumbrances, provided that until default hereunder the Mortgagor shall have quiet possession of the Lands;

4.1.7. The Mortgagor has done no act nor been guilty of any omission or laches whereby the rights of the Mortgagor in the Lands have become in any way impaired or invalid;

4.1.8. The Mortgagor shall promptly comply with all restrictive covenants and all federal, provincial, state or local statutes, regulations, by-laws and ordinances affecting the Lands, now or hereafter in effect;

4.1.9. The Mortgagor shall execute such further assurances of the Lands that may be required by the Mortgagee;

4.1.10. The Mortgagor shall immediately upon:

(a) the initiation of legal proceedings against the Lands by any party whatsoever if, in the reasonable opinion of the Lender, such legal proceedings would have a material adverse effect on this Mortgage or on the Borrower's ability to repay the Loan or other amounts secured by this Mortgage; or

(b) demand by the Mortgagee (i) upon the occurrence of an Event of Default or (ii) upon the maturity of the Loan as set out in the Commitment Letter,

pay to the Mortgagee the outstanding amounts set out in Sections 3.1.1(a), (b) and (c);

4.1.11. The Mortgagor shall immediately pay and discharge or cause to be paid and discharged:

(a) all Taxes when due, and shall furnish the Mortgagee with receipts for those payments;

(b) all liens, charges, and encumbrances which rank or could in any event rank in priority to this Mortgage, other than the Permitted Encumbrances;

(c) all amounts falling due under any Permitted Encumbrances;

(d) all costs, charges, expenses, and legal fees (between solicitor and his own client) which may be incurred by the Mortgagee in:

(i) taking, recovering, and keeping possession of the Lands;

(ii) preparing a discharge of this Mortgage;

(iii) preparing mortgage statements as requested by the Mortgagor; and

(iv) all proceedings taken in connection with or to realize the monies hereby secured;

4.1.12. If the Mortgagor fails to make any payments under the preceding section the Mortgagee may, but shall not be obligated to, make those payments and the amounts thereof:

(a) shall be a charge on the Lands in favour of the Mortgagee in priority to all claims arising subsequent to this Mortgage;

(b) shall be payable by the Mortgagor immediately with interest at the Mortgage Rate until paid; and

(c) shall with interest at the Mortgage Rate be added to the monies hereby secured;

4.1.13. If the Mortgagee pays and satisfies, on behalf of the Mortgagor, the whole or any part of any Taxes, rates, duties, assessments, liens, charges, or encumbrances now or hereafter existing or claimed in respect of the Lands, the Mortgagee shall be entitled to all the equities and securities of the person or persons so paid and is hereby authorized to retain any discharge thereof without registration for so long as it may see fit to do so;

4.1.14. The Mortgagor shall:

(a) insure and keep insured against loss or damage by fire and any other insurable risks and perils on the terms specified in the Commitment Letter; and

(b) obtain such new insurance as the Mortgagee may require if the insurer or the insurance ceases to have the approval of the Mortgagee;

4.1.15. If the Mortgagor fails to properly insure, the Mortgagee may, but shall not be obligated to, effect such insurance as it sees fit which may be solely for the benefit of the Mortgagee, with no duty to account for the proceeds thereof, and the costs of that insurance:

(a) shall be a charge on the Lands in favour of the Mortgagee in priority to all claims arising subsequent to this Mortgage;

(b) shall be payable by the Mortgagor immediately with interest at the Mortgage Rate until paid; and

(c) shall with interest at the Mortgage Rate be added to the monies hereby secured as if those costs, charges and expenses had originally formed part of the Loan;

4.1.16. If the whole or any part of the improvements now and hereafter on the Lands are damaged or destroyed the Mortgagor shall immediately notify the Mortgagee in writing, and shall furnish at its own expense all necessary proofs and do all necessary acts to enable the Mortgagee to obtain payment of the insurance proceeds. Any insurance proceeds received may, at the option of the Mortgagee, be applied wholly or in part in reduction of the monies hereby secured and interest and other sums then remaining unpaid, notwithstanding that no amount at such time may be due and payable under the terms of this Mortgage, and/or may be applied in rebuilding, reinstating or repairing the aforesaid premises and improvements. No damage may be repaired nor any reconstruction effected by the Mortgagor without the prior written approval of the Mortgagee;

4.1.17. All improvements now and hereafter on the Lands including, but not limiting the generality of the foregoing, all buildings, fences, heating, plumbing, air conditioning, ventilating, lighting and water heating equipment, cooking and refrigeration equipment, window blinds, floor coverings, storm windows and storm doors, window screens and screen doors, and all apparatus and equipment appurtenant thereto, are and shall, in addition to other fixtures thereon, be and become fixtures and an accession to the freehold and a part of the Lands as between the parties hereto and shall be a portion of the security for the monies hereby secured, but the Mortgagor shall not make or permit to be made any alterations or additions to the Lands or any building or improvement thereon without the consent of the Mortgagee and will not use

the Lands or permit them to be used, without the consent of the Mortgagee, for a purpose other than that disclosed to the Mortgagee prior to the granting of this Mortgage;

4.1.18. The Mortgagor shall not permit any building being erected on the Lands to remain unfinished or without any work being done on it for a period exceeding 30 days and once an occupation permit has been issued, the Mortgagor shall not permit such building to be unoccupied or unused for a period exceeding 30 days;

4.1.19. The Mortgagor shall not permit waste to be committed or suffered on the Lands and shall maintain or cause to be maintained the improvements now and hereafter on the Lands in good order and repair to the satisfaction of the Mortgagee;

4.1.20. The Mortgagee may, at any time that the Mortgagee may deem necessary and without the concurrence of any other person, make arrangements for the repairing, finishing, and putting in order of any improvements now and hereafter on the Lands, and for the inspecting, maintaining, leasing, collecting of rents of, and managing generally the Lands as the Mortgagee may deem expedient, without thereby becoming liable as a mortgagee in possession, and all reasonable costs, charges, and expenses and legal fees (between a solicitor and his own client) incurred in connection therewith including allowance for the time and services of any authorized employee of the Mortgagee or other persons appointed for the above purpose:

(a) shall be a charge on the Lands in favour of the Mortgagee in priority to all claims subsequent to this Mortgage;

(b) shall be payable by the Mortgagor immediately with interest at the Mortgage Rate until paid; and

(c) shall with interest at the Mortgage Rate be added to the monies hereby secured as if those costs, charges and expenses had originally formed part of the Loan;

4.1.21. the Mortgagor shall not:

(a) sell, lease, convey or transfer title to, the Lands to anyone not approved by the Mortgagee;

(b) permit any legal proceedings to continue which in any way affect the title to the Lands;

(c) grant any further mortgage, charge or other encumbrance on the Lands; or

(d) commit any breach or default of any Permitted Encumbrances;

4.1.22. Upon:

(a) default of payment of the Loan or so much thereon as remains unpaid and interest thereon as set out above (excluding Annual Interest Payments (as defined in the Commitment Letter));

(b) the occurrence of an Event of Default (as that term is defined in the Commitment Letter);

(c) default of payment of any other monies owing under this Mortgage when payable;

(d) it being discovered that any statement in this Mortgage is untrue;

(e) the occurrence of a default set out in Section 6.1.2 hereof;

(f) any breach of Section 4.1.21; or

(g) a breach of any other covenant, agreement, condition or proviso contained in this Mortgage which breach is not rectified within ten (10) days of notice of the breach being given to the Mortgagor or any Obligor, as the case may be,

then at the sole discretion of the Mortgagee and notwithstanding the other provisions of this Mortgage, all monies hereby secured shall immediately become due and be paid, and the Mortgagee may, without notice, take possession of the Lands and sell the Lands or any part thereof by public auction or private sale for the price that can reasonably be obtained therefor, and on terms as to credit and otherwise and with the conditions of sale and stipulations as to title or evidence of title or otherwise that the Mortgagee in its sole discretion deems fit, and in the event of a sale under this Section 4.1.22, Sections 4.1.23 to 4.1.28, inclusive, shall apply;

4.1.23. In the event of any sale on credit or for part cash and part credit, the Mortgagee shall not be accountable for or charged with any monies until actually received;

4.1.24. The Mortgagee may rescind or vary any contract of sale and may buy and re-sell the Lands or any part thereof without being answerable for any loss occasioned thereby;

4.1.25. No purchaser shall be bound to inquire into the legality, regularity or propriety of any sale or be affected by notice of any irregularity or impropriety;

4.1.26. No lack or default or want of notice or other requirement or any irregularity or impropriety of any kind shall invalidate any sale;

4.1.27. The Mortgagee may take sale proceedings hereunder, notwithstanding that other proceedings, have been taken or are then pending;

4.1.28. The proceeds of any sale hereunder shall be applied:

FIRSTLY: in payment to the Mortgagee on account of any costs, charges, and expenses (on a solicitor and client basis) attending that sale or incurred in taking, recovering, or keeping possession of the Lands or by reason of non-payment or procuring of the monies hereby secured;

SECONDLY: in payment to the Mortgagee on account of the Loan;

THIRDLY: in payment to the Mortgagee on account of interest on the Loan and any other monies secured hereby or owing under this Mortgage; and

FOURTHLY: in payment to the Mortgagor of any surplus, provided that if any party claims a charge against all or a portion of the surplus, the Receiver shall make such disposition of all or a portion of the surplus as the Receiver sees fit in the circumstances;

4.1.29. Upon the occurrence of any one or more of the events set out in any of Sections 4.1.22, the Mortgagee may from time to time appoint by writing a Receiver of the Lands, with or without bond, and may from time to time remove the Receiver and appoint another in its stead;

4.1.30. Any Receiver appointed hereunder shall by virtue of that appointment be the agent of the Mortgagor and shall have the following powers:

(a) to take possession of the Lands and for that purpose to enter into and upon any buildings and premises wheresoever and whatsoever and for that purpose to do any and take any proceedings in the name of the Mortgagor or otherwise as the Receiver may see fit;

(b) to carry on or concur in carrying on the business of the Mortgagor on the Lands, including the development thereof, and to employ and discharge agents, workmen, accountants, and others upon the terms and for the salaries, wages, or remuneration that the Receiver shall think proper and to repair and keep in repair the Lands and to do all necessary acts and things for the carrying on of the business of the Mortgagor on the Lands and the protection of the Lands;

(c) to cease carrying on the business of the Mortgagor on the Lands and to sell or lease or concur in selling or leasing any or all of the Lands, or any part thereof, and to carry any sale or lease into effect by conveying in the name of or on behalf of the Mortgagor or otherwise, and any sale may be made from time to time as to the whole or any part or parts of the Lands. To this end, the Receiver may:

(i) make any stipulations as to title or conveyance or commencement of title or otherwise which the Receiver shall see fit;

(ii) buy in or rescind or vary any contracts for the sale of any part of the Lands and may re-sell any of the Lands; and

(iii) sell any of the Lands on terms of credit or part cash and part credit or otherwise that shall appear to be most advantageous and at the prices that can reasonably be obtained,

and in the event of a sale on credit, neither the Receiver nor the Mortgagee shall be accountable for or charged with any monies until actually received;

(d) to make any arrangement or compromise which the Receiver may think expedient in the interest of the Mortgagee and to consent to any modification or change in or omission from the provisions of this Mortgage;

(e) to exchange any part or parts of the Lands for any other property which the Receiver determines to be suitable for the purposes of the Mortgagor and upon the terms that the Receiver shall see fit and either with or without payment or exchange of money or regard to the equality of the exchange or otherwise;

(f) to borrow money to carry on the business, if any, of the Mortgagor on the Lands, including the development thereof, or to maintain the whole or any part of the Lands in the amounts that the Receiver may from time to time see fit and in so doing the Receiver may issue certificates that may be payable when the Receiver thinks expedient and shall bear interest as stated therein and the amounts from time to time payable under those certificates shall be a charge on the Lands in priority to this Mortgage;

(g) to execute and prosecute all suits, proceedings, and actions which the Receiver in his sole discretion may see fit for the proper protection of the Lands, to defend all suits, proceedings, and actions against the Mortgagor or the Receiver, to appear in and conduct the prosecution and defence of any suit, proceeding, or action then pending or thereafter instituted and to appeal any suit, proceeding, or action;

(h) to execute and deliver to the purchaser of any part or parts of the Lands, good and sufficient deeds, the Receiver hereby being constituted the irrevocable attorney of the Mortgagor for the purpose of making a sale and executing a deed, and any disposition made as set out in Section 4.1.30(c) or (e) shall be a perpetual bar both in law and equity against the Mortgagor, and all other persons claiming the

Lands or any part or parts thereof by, from, through, or under the Mortgagor and the proceeds of any sale shall be distributed in the manner set out in Section 4.1.31,

and it is agreed that no purchaser at any sale purporting to be made under these powers shall be bound or concerned to see or inquire whether any default has been made or continued, or whether any notice required hereunder has been given, or as to the necessity or expediency of the stipulations subject to which any sale shall have been made, or otherwise as to the propriety of any sale or regularity of its proceedings, or be affected by notice that no default has been made or continues, or notice given, or that the sale is otherwise unnecessary, improper, or irregular; and notwithstanding any impropriety or irregularity or notice thereof to that purchaser, the sale as regards that purchaser shall be deemed to be within these powers and be valid accordingly and the remedy (if any) of the Mortgagor, or of any party claiming by or under it, in respect of any impropriety or irregularity whatsoever in any sale, shall be in damages only;

4.1.31. The net profits of the business of the Mortgagor on the Lands and the net proceeds of any sale of the Lands or part thereof shall be applied by the Receiver subject to the claims of any creditors ranking in priority to this Mortgage:

(a) FIRSTLY, in payment to the Receiver on account of all costs, charges, and expenses of and incidental to the appointment of the Receiver and the exercise by the Receiver of all or any of the powers set out in the previous section including the reasonable remuneration of the Receiver and all amounts properly payable by it;

(b) SECONDLY, in payment to the Receiver and the Mortgagee, as the case may be, on account of all costs, charges, and expenses payable hereunder, including the legal fees of the Receiver and of the Mortgagee on a solicitor and client basis;

(c) THIRDLY, in payment to the Mortgagee on account of the Loan;

(d) FOURTHLY, in payment to the Mortgagee on account of interest on the Loan and any other monies remaining unpaid hereunder; and

(e) FIFTHLY, in payment to the Mortgagor of any surplus, provided that if any party claims a charge against all or a portion of the surplus, the Receiver shall make such disposition of all or a portion of the surplus as the Receiver sees fit in the circumstances;

4.1.32. The appointment of any Receiver hereunder shall not render the Mortgagee a mortgagee in possession;

4.1.33. The Mortgagee shall not be liable to the Receiver for its remuneration, costs, charges, or expenses and the Receiver shall not be liable for any loss, howsoever arising, unless that loss shall be caused by the gross negligence or wilful default of the Receiver and the Mortgagor shall be solely responsible for the acts, defaults, and remuneration of the Receiver;

4.1.34. The taking of a judgment or judgments on any of the covenants herein contained shall not operate as a merger of those covenants or affect the Mortgagee's right to interest at the Mortgage Rate and at the times herein provided and any judgment may provide that interest thereon be computed at the Mortgage Rate until that judgment shall have been fully paid and satisfied;

4.1.35. All remedies stipulated for the Mortgagee herein shall be in addition to and not restrictive of the remedies of a mortgagee at law and in equity;

4.1.36. Each remedy of the Mortgagee may be enforced in priority to or concurrently with or subsequent to any other remedy or remedies of the Mortgagee;

4.1.37. The Mortgagee may realize upon various securities and the parts thereof in any order that the Mortgagee may determine and any realization upon any security or securities shall not bar realization upon any other security or securities;

4.1.38. Any demand, notice, or court process may be effectively given to or served upon the Mortgagor by the Mortgagee:

(a) by leaving the demand, notice, or court process with an adult person on the Lands, if occupied, or placing it on some portion thereof, if unoccupied;

(b) by mailing that demand, notice, or court process by prepaid post to the Mortgagor at the Mortgagor's address set out in the Mortgage Form or at any other address that may be given in writing by the Mortgagor to the Mortgagee;

(c) if the Mortgagor is a corporation, by mailing any demand, notice, or court process to the Mortgagor at its registered office; or

(d) by publishing the demand, notice, or court process twice in a newspaper published or circulating in the county or district in which the Lands are situate,

and to the Mortgagee by the Mortgagor by mailing any notice by prepaid registered mail to the Mortgagee at the Mortgagee's address set out in the Mortgage Form or to any other address that may be given by the Mortgagee to the Mortgagor;

4.1.39. Every part into which the Lands are or may hereafter be divided does and shall stand charged with the whole of the monies hereby secured and no person shall have any right to require the monies hereby secured to be apportioned on or in respect of these parts, but the Mortgagee may release any part or parts of the Lands, with or without sufficient consideration, without thereby releasing the Mortgagor from this Mortgage;

4.1.40. No sale or other dealing by the Mortgagor with the equity of redemption in the Lands shall in any way change the liability of the Mortgagor or any Obligor or in any way alter the rights of the Mortgagee as against the Mortgagor or any Obligor or any other person liable for payment of the monies secured by this Mortgage;

4.1.41. The Mortgagee may make advances and re-advances to the Mortgagor or any Obligor in one or more sums at any future date or dates and this Mortgage shall be deemed to be taken as security for the ultimate balance of the Indebtedness and interest thereon at the Mortgage Rate including, without limitation, any part of the Indebtedness arising from current and running accounts between the Mortgagor or any Obligor and the Mortgagee represented by advances and re-advances by the Mortgagee to the Mortgagor or any Obligor, at the time of demand hereunder, together with interest thereon at the Mortgage Rate and other monies hereby secured;

4.1.42. If this Mortgage is redeemed by the Mortgagor, it shall be cancelled and shall not be re-issued but:

(a) any partial payment made by any Obligor or by the Mortgagor to the Mortgagee; or

(b) any ceasing by any Obligor or the Mortgagor to be indebted to the Mortgagee;

shall be deemed not to be a redemption or cancellation pro tanto or otherwise and this Mortgage shall remain valid security for any subsequent Indebtedness until the Mortgagee has delivered a registrable discharge of this Mortgage to the Mortgagor;

4.1.43. Any and all payments made by any Obligor, the Mortgagor or others in respect of the monies secured by the Mortgagee, and any monies or other proceeds realized from any securities held as security for the Indebtedness (including this Mortgage) may be applied, and re-applied, notwithstanding any previous application, on the part or parts of the monies secured by this Mortgage as the Mortgagee may see fit;

4.1.44. Every certificate signed by an authorized employee of the Mortgagee purporting to show, at any particular time, the amount outstanding under the Loan or any other amount due and payable under this Mortgage shall be prima facie evidence as against the Mortgagor of such amount or rate;

4.1.45. This Mortgage shall not nor shall anything contained in this Mortgage operate so as to create any merger, rebate, or discharge of any debt owing to the Mortgagee or of any lien, bond, promissory note, bill of exchange, or other security held by or which may hereafter be held by the Mortgagee from any Obligor or the Mortgagor or from any other person or persons whomsoever, and this Mortgage shall not in any way prejudicially affect any security held or which may hereafter be held by the Mortgagee for the Indebtedness or the other monies hereby secured or any part or parts thereof or the liability of any endorser or any other person upon any lien, bond, promissory note, bill of exchange, or other security or any contract or any renewal or renewals thereof held by the Mortgagee for or on account of the Indebtedness or the other monies hereby secured or any part or parts thereof, nor shall the remedies of the Mortgagee in respect thereof be merged, prejudiced or delayed in any manner whatsoever by the taking of this Mortgage;

4.1.46. The Mortgagee may grant time, renewals, extensions, indulgences, releases, and discharges to, may take securities from, and give them and any and all existing securities up to, may abstain from taking securities from or from perfecting securities of, may accept compositions from, and may otherwise deal with any Obligor and the Mortgagor and all other persons and securities that the Mortgagee may see fit without prejudicing the rights of the Mortgagee under this Mortgage;

4.1.47. If the provisions of any section of this Mortgage shall be held to be unenforceable or otherwise invalid, that holding shall not in any way affect the enforceability or validity of the remaining sections of this Mortgage;

4.1.48. All amounts payable to the Mortgagee hereunder shall be made without deduction, compensation, set-off, or counterclaim;

4.1.49. Any rights, claims, or causes of action which the Mortgagor now has or in the future may have against any vendor, contractor, materialman, or other party with respect to the Lands or any buildings or improvements thereon are hereby assigned to the Mortgagee as further security for the amounts secured by this Mortgage;

4.1.50. All covenants and liabilities entered into or imposed hereunder upon the Mortgagor shall enure to the benefit of and be binding upon the Mortgagor and the heirs, executors, administrators, and assigns of the Mortgagor (and if the Mortgagor is a corporation, its successors and assigns). All rights, advantages, privileges, immunities, powers, and things hereby secured to the Mortgagee, shall be equally secured to and exercisable by its successors and assigns;

4.1.51. The common law right of consolidation is retained and preserved, and the Mortgagee may, in its sole discretion, invoke the right to consolidate at any

applicable time, and for the purposes hereof, Section 31 of the *Property Law Act* (British Columbia) and any other statutory provision abolishing, or purporting to abolish the right of consolidation, is hereby expressly excluded;

4.1.52. Time shall be of the essence hereof; and

4.1.53. The Mortgagor shall promptly comply with all statutes, regulations and ordinances, and with all orders, decrees or judgments of governmental authorities or courts having jurisdiction, relating to the use, collection, storage, treatment, control, removal or cleanup of regulated, hazardous or toxic substances in, on, or under the Lands or in, on, or under any adjacent property that becomes contaminated with regulated, hazardous or toxic substances as a result of construction, operations or other activities on, or the contamination of, the Lands, or incorporated in any improvements thereon. The Mortgagee may, but shall not be obligated to, enter upon the Lands and take such actions and incur such costs and expenses to effect such compliance as it deems advisable and the Mortgagor shall reimburse the Mortgagee on demand for the full amount of all costs and expenses incurred by the Mortgagee in connection with such compliance activities and such costs and expenses:

(a) shall be a charge on the Lands in favour of the Mortgagee in priority to all claims subsequent to this Mortgage;

(b) shall be payable by the Mortgagor immediately with interest at the Mortgage Rate until paid;

(c) shall with interest at the Mortgage Rate be added to the monies hereby secured;

4.1.54. Before commencing any application to court seeking an order for the reorganization of the Mortgagor's financial affairs (whether or not such order is sought pursuant to the provisions of the Companies' Creditors Arrangement Act) in any manner which could limit or restrict the Mortgagee's rights and remedies under this Mortgage, the Mortgagor will give not less than 10 days notice of such application to the Mortgagee.

5. Notice of Priority

5.1. In respect to the priority to be given this Mortgage:

5.1.1. the Mortgagor shall not be at liberty to, and the Mortgagor hereby covenants to not create or suffer to be created, any mortgage, charge, lien, or encumbrance upon the Lands ranking or capable of ranking in priority to or pari passu with this Mortgage; and

5.1.2. this provision being a term of this Mortgage, shall be notice within the meaning of section 27(1)(b) of the Land Title Act (British Columbia) to

every person dealing with the Lands that any mortgage, charge, lien, or encumbrance upon the Lands which is registered subsequently to this Mortgage shall be subject to and rank in priority after the right, title, and interest of the Mortgagee under this Mortgage in all respects as if:

(a) this Mortgage had been executed, delivered, and registered;

(b) all monies hereby secured had been advanced; and

(c) demand had been made for repayment of the Indebtedness,

before the execution, delivery, or registration of any subsequently registered mortgage, charge, lien, or encumbrance or the advance of any part of the monies thereby secured and any mortgage, charge, lien, or encumbrance upon the Lands shall so provide but the omission of that provision shall not prejudice the priority of this Mortgage.

6. Strata Property Act

6.1. If the Lands comprise a strata lot and interest in common property created under the Act and any amendments thereto, or any similar prior legislation:

6.1.1. The Mortgagor shall, on or before the due dates thereof, pay each and every assessment, contribution, or levy made against the strata lot and interest in the common property hereby charged by the owners of the Strata Corporation;

6.1.2. If the Mortgagor fails to pay any one or more of those assessments, contributions, or levies on or before their due dates including, but not limiting the generality of the foregoing, a default by the Mortgagor in payment of the Mortgagor's share of the common expenses, whereby the Strata Corporation may register a certificate in Form G under the Act, that failure shall constitute default under this Mortgage and the whole of the Indebtedness, then owing under or secured by this Mortgage shall, at the sole discretion of the Mortgagee, immediately become due and be paid;

6.1.3. Upon the Mortgagor's failure to pay any assessment, contribution, or levy, the Mortgagee may make that payment but shall not be obligated to do so, and any amount so paid by the Mortgagee shall be added to and form part of the monies owing hereunder and bear interest at the Mortgage Rate until paid by the Mortgagor, and shall be paid to the Mortgagee together with interest thereon immediately without demand;

6.1.4. The Mortgagor shall observe and carry out all the duties and requirements of the by-laws of the Strata Corporation;

6.1.5. Subject to the provisions of the Act, the Mortgagor hereby authorizes and empowers the Mortgagee to exercise all powers of voting conferred on the

Mortgagor by or under the Act, provided that the Mortgagee shall not be responsible in any way to the Mortgagor for the consequences of the exercise of or the failure to exercise that vote;

6.1.6. The Mortgagor hereby authorizes in writing any authorized employee of the Mortgagee to apply at any time and from time to time during the term hereof to the Strata Corporation to have the by-laws for the time being in force governing the strata lot and interest in the common property hereby mortgaged made available for inspection by that authorized employee of the Mortgagee;

6.1.7. The Mortgagor hereby provides authority under the Act to any authorized employee of the Mortgagee to apply at any time and from time to time to the Strata Corporation for certification to the Mortgagee of:

(a) the amount of any contribution determined as a contribution of the Mortgagor;

(b) the manner in which the contribution is payable;

(c) the extent to which the contribution has been paid by the Mortgagor; and

(d) the amount of any money expended on behalf of the Mortgagor under the Act and not recovered by the Strata Corporation;

6.1.8. The Mortgagor irrevocably appoints the Mortgagee as the agent of the Mortgagor for the purpose of obtaining any information relating to the strata lot and in particular, information relating to levies and assessments applicable to that strata lot, provided that the Mortgagee shall not be responsible to the Mortgagor in any way for any act or omission under this appointment;

6.1.9. The Mortgagor shall, upon execution of this Mortgage or immediately upon demand of the Mortgagee at any time thereafter, execute an instrument in the form that the Mortgagee may present irrevocably appointing the Mortgagee or any other person that the Mortgagee may designate as the proxy of the Mortgagor to exercise the vote of the Mortgagor at all meetings of the owners of the Strata Corporation;

6.1.10. The Mortgagor hereby authorizes any authorized employee of the Mortgagee to apply at any time and from time to time to the Strata Corporation on behalf of the Mortgagor for a certificate in Form F under the Act that no monies are owing to the Strata Corporation;

6.1.11. Upon request of the Mortgagee, the Mortgagor shall deliver to the Mortgagee copies of all notices of meetings, minutes, financial statements, and documents of a similar nature of the Strata Corporation and delivered by the Strata Corporation to the Mortgagor;

6.1.12. Subject to the provisions of the Act, the Mortgagor hereby assigns to the Mortgagee all the Mortgagor's rights under the Act, the by-laws of the Strata Corporation and any rules and regulations thereunder;

6.1.13. Nothing herein contained shall render the Mortgagee a mortgagee in possession; and

6.1.14. The Mortgagor not shall give up possession of the strata lot and interest in the common property hereby mortgaged to a person on the basis of an agreement providing for the purchase of the strata lot by the occupier or on the basis of a lease, sublease, or assignment of lease for a term of three (3) years or more if by so doing the Mortgagor is deemed under the Act to have assigned to the occupier all the Mortgagor's rights, powers, duties, and obligations under the Act or the by-laws created under the Act.

7. Assignment of Rents

7.1. The Mortgagor does hereby assign and transfer unto the Mortgagee, ALL AND SINGULAR the rents and leases, verbal or written, made with respect to the Lands, now or at any time in the future, together with all the benefits and advantages to be derived from the said rents or leases and each of them and all the rights therein, TO HAVE AND TO HOLD and to receive the same unto the Mortgagee its successors and assigns, until all amounts set out in Section 3.1.1 have been fully paid and satisfied.

7.2. Nothing contained herein shall be deemed to have the effect of making the Mortgagee responsible for the collection of the said rents or any part or parts thereof or for the observance or performance of any of the covenants, terms or conditions, either by the lessor or the lessee under the said lease or leases, to be observed or performed.

7.3. The Mortgagee shall be liable to account only for such monies as may actually come into its hands by virtue of these presents, less proper collection charges, and that such monies when so received by it shall, at the discretion of the Mortgagee, be applied on account of the monies secured by this Mortgage.

7.4. In the event of default by the Mortgagor under this Mortgage, proceedings may, at the option of the Mortgagee, be taken under this assignment of rents either independently or in conjunction with the other rights and remedies of the Mortgagee under this Mortgage.

7.5. The Mortgagor shall not, without the prior written consent of the Mortgagee, accept prepayment of any rent due or to accrue due in respect of the said leases or any of them, but shall accept payment thereof only in the amounts and on the days and at the times and in the manner stipulated in the said leases.

7.6. This assignment of rents shall be deemed to apply to and have effect in respect of any further or other lease, agreement for lease or right of occupancy of the Lands or any part or parts thereof situate on the Lands, which may exist during the currency of this Mortgage, whether in substitution for or in addition to those leases which are currently in effect.

7.7. Should the Mortgagee, in its absolute discretion, deem it advisable to take proceedings either judicial or extra-judicial by way of distress or otherwise for the enforcement of the payment of the rents assigned herein, the Mortgagor will join with the Mortgagee in such proceedings and does hereby grant to the Mortgagee irrevocable authority to join the Mortgagor in such proceedings.

7.8. Any monies received by the Mortgagor from the tenants of the Lands shall, unless otherwise permitted in writing by the Mortgagee, be held by the Mortgagor in trust for the Mortgagee, and shall be paid to the Mortgagee on demand.

In witness whereof and to acknowledge their acceptance of and agreement to be bound by the forgoing express mortgage terms, the Mortgagor has executed the Mortgage Form on the date indicated opposite its name in Item 12 thereof.

This is **Exhibit "D"** referred to in the Affidavit #8 of Brian Baarda made before me at Vancouver, British Columbia this 7th day of May 2012.

A Commissioner for the taking Affidavits
for British Columbia

June 30, 2006

PRSC Limited Partnership
c/o PRSC Land Developments Ltd.
4448A Marine Avenue
Powell River, BC
V8A 2K2

Dear Sirs and Mesdames:

We are pleased to advise that 0606890 B.C. Ltd. (the "**Lender**") has authorized and hereby offers to make available to you the following credit facility on the terms and conditions set out below:

1. **Borrower:**

   PRSC Limited Partnership (the "**Borrower**").

2. **Credit Facility:**

   New term non-revolving loan in the principal amount of $4,500,000 (the "**Loan**").

3. **Definitions and Schedule:**

   The capitalized terms used in this Commitment Letter shall have the meanings given to such terms either in the body of this Commitment Letter or in Schedule A attached hereto ("**Schedule A**"), whichever is applicable. Schedule A and all of the provisions thereof and any additional schedules to this Commitment Letter are hereby incorporated into and shall form an integral part of this Commitment Letter.

4. **Purpose:**

   The Loan shall be used solely to assist the Borrower in financing the acquisition of the Property.

5. **Availability:**

   The Loan shall be made available by way of a single lump sum advance upon the satisfaction of the conditions precedent set forth below.

6. **Repayment and Term:**

All amounts outstanding under or in respect of the Loan shall be paid by the Borrower to the Lender on demand by the Lender upon the occurrence of an Event of Default, provided that, unless and until otherwise so demanded:

6.1. the Borrower shall pay:

6.1.1. interest, as and at the rate specified in Section 7.1 below, on an annual basis in respect of all amounts outstanding from time to time under or in connection with the Loan, with such payments to be made on December 31 of each and every year (the "**Annual Interest Payments**") commencing December 31, 2006 and to continue to be made on the last day of each and every year thereafter until the Indebtedness has been paid in full;

6.1.2. the greater of:

(a) the outstanding balance of the Loan if the Property or the remainder thereof is sold, assigned, transferred or conveyed, as a whole, or if a part of the Property (a "**Parcel**") is sold, assigned, transferred or conveyed, an amount equal to 110% of the acquisition price paid by the Borrower for the Parcel being sold plus accrued and unpaid interest, if any, on the acquisition price of the Parcel. If the acquisition price for the Parcel has not been previously determined, it will be determined by the Lender, acting reasonably; and

(b) 60% of the Net Sales Proceeds realized on the sale, assignment, transfer or conveyance of the Property (legal or beneficial) or a Parcel,

to the Lender to be applied against accrued interest not previously paid, with the balance, if any, to be applied against the principal outstanding from time to time; and

6.1.3. 60% of the Borrower's net income, calculated on a quarterly basis in accordance with GAAP (excluding profits from the sale of the Property or a part thereof) to the Lender to be applied against accrued interest not previously paid, with the balance, if any, to be applied against the principal outstanding from time to time.

6.2. the Indebtedness shall, in any event, be repaid by not later than the date which is five (5) years from the date of the advance of the Loan (the "**Term**"); provided that if there is no Event of Default and the Borrower requests an extension prior to the expiry of the Term, the Lender agrees to consider extending the Term, without any obligation to do so, on terms that reflect the then market rates of interest;

6.3. notwithstanding the foregoing, the Borrower shall have the privilege at any time of prepaying the whole or any part of the principal sum due hereunder, without notice, penalty or bonus, provided that all interest accrued, if any, to and including the date of such payment is paid in full at such time. For clarification purposes, any amount provided to the Lender as a prepayment of any amount owing hereunder shall be applied first towards any interest accrued and remaining unpaid hereunder and only thereafter to any unpaid principal.

7. Interest:

7.1. Interest shall be payable on the daily balance of principal outstanding under the Loan from time to time at a rate equal to five percent (5.0%) per annum.

7.2. Interest payable under the Loan as aforesaid shall be calculated and compounded annually, not in advance, from the date of advance, both before and after demand, default and judgment, until actual payment is made, with overdue interest to be added to principal and to bear interest at the same rate.

8. Security:

The Loan and the obligations and liabilities of the Borrower hereunder shall be evidenced and secured by the following documents (the "**Security Documents**") completed and, where necessary, registered, in a form and manner satisfactory to the Lender's solicitors:

8.1. promissory note in the principal amount of $4,500,000 for execution by the Borrower;

8.2. $4,500,000 inter alia collateral mortgage and assignment of rents (together, the "**Mortgage**") for execution by the Borrower creating a first fixed financial charge over the Lands;

8.3. confirmation of placement by the Borrower of all risk insurance policy (with extended coverage endorsement and earthquake endorsement, if applicable) on the Property, which confirmation shall identify the Borrower and any other individual or entity having a beneficial interest in the Lands as named insureds, confirm the Lender is first loss payee under such policy and confirm that such policy includes an Insurance Bureau of Canada standard mortgage endorsement (IBC 3000) and public liability insurance, in amounts and from an insurer or insurers satisfactory to the Lender; and

8.4. all such other certificates, documents and opinions as the Lender or its solicitors shall reasonably require.

9. **Conditions Precedent:**

It shall be a condition precedent to the availability of the Loan that the Lender shall have received in form and substance satisfactory to the Lender and its solicitors:

9.1. the Security Documents completed, and where necessary, registered;

9.2. confirmation of insurance arranged by the Borrower conforming to the Lender's requirements as specified in this Commitment Letter under the heading "Security" above; and

9.3. satisfactory report from the Lender's solicitors advising that a Land Title Office search conducted in respect of the Lands immediately prior to the Loan being advanced shows the title to the Lands as being free and clear of all financial encumbrances except for the Mortgage.

10. **Conditions of Loan:**

In addition to the covenants and agreements of the Borrower contained in Schedule A, the Borrower hereby covenants and agrees that, so long as the Borrower is indebted to the Lender, it shall:

10.1. not without the prior written consent of the Lender sell, assign, transfer or convey, or enter into any contract to sell, assign, transfer or convey the Property (legal or beneficial) or any part thereof:

10.1.1. for less than the fair market value; and

10.1.2. to a person who is not a bona fide arm's length party to the Borrower;

10.2. ensure that property taxes for the Lands are fully paid and up to date.

11. **Financial Statements and Reports:**

The Borrower will provide to the Lender the following:

11.1. quarterly, within 60 days from the last day of each calendar quarter-end, unaudited financial statements of the Borrower, which financial statements shall be in accordance with GAAP applied on a consistent basis and shall include, among other things, a balance sheet, a profit and loss statement, a statement of retained earnings and a statement of changes in financial position and be in form and content satisfactory to the Lender;

11.2. within 30 days of the due date for the payment thereof in each year, confirmation that the property taxes with respect to the Lands have been paid in full for the current year; and

11.3. . such additional financial and other information as the Lender may reasonably require from time to time.

12. **Partial Discharge:**

The Lender will provide the Borrower with a partial discharge of the Mortgage upon sales of the Lands made in accordance with Section 10.1 provided that the Net Sale Proceeds are paid in accordance with Section 6.1 above.

This offer of credit may be accepted by the Borrower by dating and returning to the Lender by 5:00 p.m. on July 7, 2006 the enclosed copy of this letter duly executed by the Borrower. The Lender has instructed its solicitors to commence preparation of the Security Documents.

Yours very truly,
0606890 B.C. LTD.

By: _____
Name: Valerie Seager
Title: Corporate Secretary and Legal Counsel

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AGREED TO AND ACCEPTED THIS 2nd DAY OF August, 2006.

THE BORROWER:

PRSC LIMITED PARTNERSHIP,
by its general partner **PRSC LAND DEVELOPMENTS LTD.**, by its authorized signatory(ies):

By: _____
Name: Lyn Brown
Title: ~~Director~~

By: _____
Name: Walter Paul
Title: Director

By: _____
Name: Stewart Brett Alsgard
Title: Director

SCHEDULE "A" TO AND FORMING PART OF THE COMMITMENT LETTER FROM 0606890 B.C. LTD. TO PRSC LIMITED PARTNERSHIP DATED JUNE 30, 2006

1. **Interest, Fees and Payment**

1.1. Any amount which becomes payable to the Lender under the Commitment Letter or any of the Security Documents which is not paid when due and in respect of which no other rate of interest is specified as being applicable in respect of such amount, shall bear interest and be payable from the due date at a rate equal to 10% per annum, calculated, compounded and payable monthly on the last day of each month, both before and after demand, default and judgment;

1.2. All payments required to be made by the Borrower under the Commitment Letter or any of the Security Documents shall be made by the Borrower at the address set out in Section 6.9 in this Schedule or at such other place as the Lender may specify in writing from time to time. Any payment received by the Lender by 1:00 p.m. local Vancouver time at the place where such payment is to be made shall be credited as of that day, but if received after such time shall be credited as of the next Business Day;

1.3. If the "interest" (as defined by or determined pursuant to any statute establishing or defining illegal rates of interest) (the "**Interest**") charged or chargeable on the credit advanced pursuant to the Commitment Letter, whether pursuant to any provision contained in the Commitment Letter or any of the Security Documents (any of which provisions being the "**Interest Provisions**") would, except for this section, constitute an illegal rate of interest, then the Interest on the credit so advanced or secured shall be reduced such that the total Interest under the Interest Provisions shall be that amount or rate which collectively equates to that rate of interest that is one percent (1%) per annum less than the minimum rate that would be an illegal rate of interest, calculated according to generally accepted accounting practices and principles. Such reduction shall be effected by reducing, or refunding to the Borrower, such of the interest, charges, and expenses (or a combination thereof) constituting Interest payable hereunder as may be designated by the Lender in its sole discretion;

1.4. The obligations of the Borrower to make all payments under the Commitment Letter and the Security Documents shall be absolute and unconditional and shall not be limited or affected by any circumstance including, without limitation:

1.4.1. any set off, compensation, counter-claim, recoupment, defence or other right which the Borrower may have or assert against the Lender or any other Person for any reason whatsoever; or

1.4.2. any insolvency, bankruptcy, reorganization or similar proceedings by or against the Borrower.

2. **Conditions of the Loan**

In addition to the covenants and agreements of the Borrower contained in the Commitment Letter:

2.1. the Borrower hereby covenants and agrees that, so long as the Borrower is indebted to the Lender, the Borrower shall:

2.1.1. from time to time and at any such time as the Lender may, in its sole discretion, request, and at the sole cost of the Borrower, provide the Lender with an updated appraisal in respect of the Property prepared by a licensed appraiser acceptable to the Lender for the purpose of determining their fair market value;

2.1.2. not, without the prior written consent of the Lender:

(a) except as provided herein, grant or allow any Lien to be registered against or exist on any assets of the Borrower, including the Property and any personal property located upon, used in connection with or arising therefrom;

(b) enter into or create any trust deed or declaration in respect of the Property, or any part thereof;

(c) become guarantor or endorser or otherwise become liable upon any note or other obligation other than in the normal course of business of the Borrower;

(d) amalgamate with or permit all or substantially all of its assets to be acquired by any other person, firm or corporation or permit any reorganization or Change of Control of the GP;

(e) use, store, or permit to exist on the Lands any Hazardous Substance.

2.1.3. immediately give notice to the Lender of any claim of builder's lien filed or registered against the Lands.

3. **Representations and Warranties**

Each of the Borrower and GP hereby represents and warrants to and shall be deemed to continuously represent and warrant to the Lender, that:

3.1. the GP is the sole general partner of the Borrower;

3.2. if a corporation, it has been duly incorporated and organized, validity exists, is in good standing, is entitled to conduct its business in all jurisdictions in which it carries on business or has assets and has all requisite corporate power and capacity to own its properties, carry on the business presently carried on by it, to execute and deliver the Commitment Letter and the Security Documents, such of them as may be applicable, and to observe and perform the provisions thereof;

3.3. if a corporation, the Commitment Letter and the Security Documents, or such of them as may be applicable, have been or will be duly authorized, executed and delivered by it;

3.4. the Commitment Letter and the Security Documents, or such of them as may be applicable, constitute or will, upon execution and delivery by it, constitute valid and binding obligations and are or will be enforceable against it in accordance with their respective terms;

3.5. the execution of the Commitment Letter and the Security Documents, or such of them as may be applicable, and the incurring of liability and indebtedness to the Lender in accordance herewith does not and will not contravene:

3.5.1. any Legal Requirements; or

3.5.2. any provision contained in any other loan or credit agreement or borrowing instrument or contract to which it is a party;

3.6. all necessary Legal Requirements have been met and all other authorizations, approvals, consents and orders have been obtained with respect to the Loan and the execution and delivery of the Security Documents.

4. **Hazardous Substances**

4.1. The Borrower agrees to provide written notice to the Lender immediately upon the Borrower becoming aware that the Lands or any adjacent property are being or have been contaminated with any Hazardous Substance and otherwise in compliance with all Legal Requirements. The Borrower will not permit any activities on the Lands which directly or indirectly could result in the Lands or any other property being contaminated with any Hazardous Substance except in compliance with all Legal Requirements;

4.2. The Borrower shall promptly comply with all statutes, regulations and ordinances, and with all orders, decrees or judgments of governmental authorities or courts having jurisdiction, relating to the use, collection, storage, treatment, control, removal or cleanup of any Hazardous Substance in, on, or under the Lands or in, on or under any adjacent property that becomes contaminated with any Hazardous Substance as a result of construction, operations or other activities on, or the contamination of, the Lands, or incorporated in any improvements thereon. The Lender may, but shall not be obligated to, enter upon the Lands and take such actions and incur such costs and expenses to effect such compliance as it deems advisable and the Borrower shall reimburse the Lender on demand for the full amount of all costs and expenses incurred by the Lender in connection with such compliance activities; and

4.3. The assets of the Borrower, which are now or in the future encumbered by the Security Documents are hereby further mortgaged and charged to the Lender, and the Lender shall have a security interest in such assets, as security for the repayment of such costs and expenses and interest thereon, as if such costs and expenses had originally formed part of the Loan.

5. **Events of Default**

5.1. The Indebtedness shall, at the option of the Lender, immediately become due and payable and the Security Documents will become enforceable upon the occurrence of any one or more of the following events (collectively, the "**Events of Default**"):

5.1.1. **Default** - if the Borrower defaults in any payment of principal, interest, or other moneys payable by it hereunder or under any of the Security Documents when the same becomes due hereunder or thereunder, or defaults in the observance or performance of something required to be done or some covenant or condition required to be observed or performed herein or in the Security Documents

provided that the non-payment of any Annual Interest Payment alone shall not be an Event of Default (rather such interest will become principal);

5.1.2. **Misrepresentation** - if any representation or warranty given by the Borrower or by any director or officer of the GP is untrue in any material respect;

5.1.3. **Winding-Up** - if an order is made, a resolution is passed or proceedings are commenced for the dissolution, liquidation or winding-up of the Borrower, or if a petition is filed for the winding-up of the Borrower;

5.1.4. **Bankruptcy** – if the Borrower or the GP is adjudged or declared bankrupt or insolvent or makes an assignment for the benefit of creditors, or petitions or applies to any tribunal for the appointment of a receiver, custodian, trustee or similar officer for it or for any substantial part of its property, or commences any proceedings relating to it under any reorganization, arrangement, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction whether now or hereafter in effect, or by any act or failure to act indicates its consent to, approval of, or acquiescence in, any such proceeding for it or for any substantial part of its property;

5.1.5. **Receivership** - if a receiver, receiver and manager, or receiver-manager, or any person with like powers, is appointed for all or any of the assets of the Borrower or the GP;

5.1.6. **Arrangement** - if any proceedings with respect to the Borrower or the GP are commenced under the *Companies Creditors Arrangement Act* under the *Bankruptcy and Insolvency Act*;

5.1.7. **Other Indebtedness** - if the Borrower permits any sum which has been admitted as due by it, or is not disputed to be due by it, and which forms or is capable of being made a charge upon any of the property of the Borrower in priority to any charge created by the Security Documents, to remain unpaid for 10 days after proceedings have been taken to enforce the same;

5.1.8. **Enforcement of Other Encumbrance** - if the holder of any other Lien or claim against the Lands does anything to enforce or realize on such Lien or claim and if, in the reasonable opinion of the Lender, such enforcement or realization would have a material adverse effect on the Lender's security for the Loan or on the Borrower's ability to repay the Loan;

5.1.9. **Property in Jeopardy** - if the Lender in good faith believes, and has commercially reasonable grounds to believe, that the prospect of repayment of the Loan is impaired or the Lands are, or are about to be, placed in jeopardy;

5.1.10. **Execution** - if a writ, execution, attachment or similar process is issued or levied against all or substantially all of the property of the Borrower or the GP in connection with any judgement against the Borrower or the GP in any amount which materially affects the assets of such Borrower or the GP and such writ, execution, attachment or similar process is not released, bonded, satisfied, discharged, vacated or stayed within ten (10) Business Days after its entry, commencement or levy;

5.1.11. **Lien Seizure** – if an encumbrancer or lienor takes possession of all or substantially all of the properties or assets of the Borrower;

5.1.12. **Expropriation** - an order is made or any action or proceedings commenced or legislation introduced in the legislative body of Canada or any province thereof or by any other Governmental Authority or authority for the expropriation, confiscation, forfeiture, escheating, involuntary purchase and sale or other taking, whether or not with compensation, of all or substantially all of the property, assets or business of the Borrower or the GP; or

5.1.13. **Distress** - if a distress or analogous process is levied upon the Lands or any part thereof, unless the process is disputed in good faith and adequate security is given to pay the amount claimed in full.

6. **General**

6.1. **Site Visits** - Representatives of the Lender shall be entitled to attend at and view the Lands and all personal property thereon and all financial records of the Borrower at any time, on reasonable notice, and in any event not less frequently than annually.

6.2. **Legal and Other Expenses** - The Borrower shall pay all legal fees and disbursements in respect of the enforcement and preservation of the Lender's rights and remedies, all appraisals, insurance consultation, and similar fees and all other fees and disbursements of the Lender.

6.3. **Non-Merger and Conflict** - None of the execution, delivery or, where applicable, registration of the Security Documents or the disbursement of funds under the Loan will in any way merge or extinguish the terms and conditions of the Commitment Letter, which terms and conditions will continue in full force and effect. In the event of any inconsistency or conflict between any provision contained in the Commitment Letter and any provision contained in any of the Security Documents, the provisions of the Commitment Letter shall prevail, but the omission from the Commitment Letter of any provision contained in any of the Security Documents shall not be considered to be an inconsistency or conflict for the purposes hereof.

6.4. **Assignment** - The Borrower shall not be entitled to assign any of the rights and benefits conferred by the Commitment Letter. The Commitment Letter and the Security Documents may be freely assigned by the Lender, in whole or in part, without the consent of the Borrower.

6.5. **Waiver** - Failure by the Lender to insist upon strict performance by the Borrower of any obligation or covenant under the Commitment Letter or any of the Security Documents or to exercise any option or right herein or therein shall not be a waiver or relinquishment for the future of such obligation or covenant, option or right, but the same shall remain in full force and effect and the Lender shall have the right to insist upon the strict performance by the Borrower of any and all of the terms and provisions of the Commitment Letter and the Security Documents.

6.6. **Variation** - No term or requirement of the Commitment Letter or any of the Security Documents may be waived or varied orally or by any course of conduct of any officer, employee, or agent of the Lender. Any amendment to the Commitment Letter or any of

the Security Documents must be in writing and signed by a duly authorized officer of the Lender.

6.7. **Counterparts and Telecopy** - The Commitment Letter may be executed and delivered in one or more counterparts and by telecopier, all of which when taken together shall constitute one and the same Commitment Letter.

6.8. **Time of Essence** - Time shall be of the essence of the Commitment Letter.

6.9. **Notice**

Any notice required to be given hereunder or under any Security Document shall be in writing and may effectively be given by a party hereto by delivery of such notice to the other party at the address below or at such other address as either party may in writing notify the other party or by facsimile transmission and confirmed in writing to:

In the case of the Lender:

16th Floor, 250 Howe Street
Vancouver, BC V6C 3R8

Attention: Vice President and General Counsel
Telecopier No. (604) 654-4132

In the case of the Borrower:

c/o PRSC Land Developments Ltd.
c/o 4448A Marine Avenue
Powell River, BC V8A 2K2

Attention: President
Telecopier No. (604) 485-6923

Notice shall be deemed to have been received by a party the Business Days of delivery to the applicable address contemplated above. Notices by facsimile transmission shall be deemed to have been given upon receipt thereof at the address indicated above.

6.10. **Governing Law** - This Commitment Letter shall be governed by and construed in accordance with the laws of the Province of British Columbia and the laws of Canada applicable therein.

6.11. **Lender's Accounts** - The Borrower acknowledges that the actual recording of the amount of any advance or repayment thereof under the Loan, and interest, fees and other amounts due in connection with the Loan, in an account of the Borrower maintained by the Lender shall constitute prima facie evidence of the Borrower's indebtedness and liability from time to time under the Loan; provided that the obligation of the Borrower to pay or repay any indebtedness and liability in accordance with the terms and conditions of the Loan shall not be affected by the failure of the Lender to make such recording. The Borrower also acknowledges being indebted to the Lender for principal amounts shown as outstanding from time to time in the Lender's account records, and all

accrued and unpaid interest in respect of such amounts, in accordance with the terms and conditions of this Commitment Letter.

6.12. **Remedies Cumulative** – The Borrower expressly agrees that the rights and remedies of the Lender under the Security Documents and this Commitment Letter are cumulative and in addition to, and not in substitution for, any rights or remedies provided by law; any single or partial exercise by the Lender of any right or remedy for a default or breach of any term, covenant, condition or agreement in the Security Documents and this Commitment Letter does not affect its rights and does not waive, alter, affect, or prejudice any other right or remedy to which the Lender may by law be fully entitled for the same default or breach.

6.13. **Paramountcy** - In the event of any conflict of inconsistency between the provisions of this Commitment Letter and the provisions of the any Security Document then, the provisions contained in this Commitment Letter will prevail and the provisions of the Security Document will be deemed to be amended to the extent necessary to eliminate such conflict or inconsistency. In particular, if any act or omission of the Borrower or the GP is expressly permitted under this Commitment Letter but is expressly prohibited under a Security Document, such act or omission shall be permitted. If any act or omission is expressly prohibited under a Security Document, but this Commitment Letter does not expressly permit such act or omission, or if any act is expressly required to be performed under such Security Document but this Commitment Letter does not expressly relieve the applicable Person from such performance, such circumstance shall not constitute a conflict in or between the provisions of this Commitment Letter and the provisions of such Security Document.

7. **Definitions and Interpretation**

7.1. In the attached Commitment Letter the following terms shall have the following meanings:

7.1.1. "Agreement of Purchase and Sale" means that certain sale and purchase agreement dated as of 1st day of June, 2006 between Catalyst Paper Corporation, Pacifica Poplars Ltd., the Lender and the GP as may be amended, supplemented or replaced from time to time;

7.1.2. "Business Day" means any day, other than Saturday, Sunday or any statutory holiday in the Province of British Columbia, on which the commercial banks located in Powell River, British Columbia are open for business during normal banking hours;

7.1.3. "Change of Control" means the acquisition by any Person or group of Persons, beneficially or otherwise (whether by purchase, exchange, merger, consolidation or otherwise), directly or indirectly, in one transaction or in a series of related transactions of Voting Stock comprising (or the right to exercise the voting rights with respect to Voting Stock comprising) more than 20% of the Voting Stock of the GP;

7.1.4. "Events of Default" means that term as defined in section 5 of this Schedule A, and "Event of Default" means any one of them;

7.1.5. "Commitment Letter" means the Commitment Letter attached hereto and this and all other schedules attached thereto, as they may be amended, supplemented or replaced from time to time;

7.1.6. "Generally Accepted Accounting Principles" or "GAAP" means the generally accepted accounting principles from time to time recommended by the Canadian Institute of Chartered Accountants, or any successor institutes, by the "CICA Handbook" applicable as of the date on which such calculation is made or required to be made in accordance with generally accepted accounting principles consistently applied. All accounting terms not otherwise defined in this Agreement shall have the meanings ascribed to them in accordance with GAAP, applied on a consistent basis with prior periods;

7.1.7. "GP" means PRSC Land Developments Ltd.;

7.1.8. "Government Authority" means any government legislature, regulatory authority, agency, commission, board or court or other law, regulation or rule making entity having or purporting to have jurisdiction on behalf of any nation, country, province, state, municipality or other subdivision;

7.1.9. "Hazardous Substance" means any substance defined or designated as hazardous or toxic waste, hazardous or toxic material, a hazardous, toxic or radioactive substance or other similar term, by any applicable federal, provincial or local statute, regulation or ordinance now or in the future in effect, or any substance or materials, the use or disposition of which is regulated by any such statute, regulation or ordinance;

7.1.10. "Indebtedness" means the full amount of all indebtedness and liability, direct or indirect, of the Borrower to the Lender arising under or in connection with the Commitment Letter and the Security Documents, and any of them, outstanding from time to time;

7.1.11. "Lands" means those lands legally described in Schedule B hereto;

7.1.12. "Legal Requirements" means all laws, statutes, codes, ordinances, orders, awards, judgments, decrees, injunctions, rules, regulations, authorizations, consents, approvals, orders, permits, franchises, licences, directions and requirements of all Governmental Authorities;

7.1.13. "Lien" means, any mortgage, lien, pledge, charge, security interest or other encumbrance (including any judgment or attachment lien); or any interest or title of any vendor, lessor, consignor or lender to, or other secured party of, a Person under any consignment, conditional sale or other title retention agreement or lease, upon or with respect to any property or asset of such Person; and any liens for taxes and any liens, trusts or deemed trusts in favour of any Government Authority of any kind whatsoever;

7.1.14. "Net Sales Proceeds" means the gross selling price of the Property or a Parcel, less all normal adjustments for real estate commissions, taxes, utilities and any builders' lien holdback and soft and hard costs incurred by the Borrower in developing the Property or a Parcel (as verified by the Lender);

7.1.15. "Person" means any individual, partnership, limited partnership, joint venture, syndicate, sole proprietorship, company or corporation with or without share capital, unincorporated association, trust, trustee, executor, administrator or other legal personal representative, regulatory body or agency, government or governmental agency, authority or entity however designated or constituted;

7.1.16. "Property" as that term is defined in the Agreement of Purchase and Sale;

7.1.17. "Stock" means all shares, options, warrants, equity interests, equity participations, or other equivalents (regardless of how designated) of or in a corporation, partnership, limited partnership or equivalent entity whether voting or nonvoting or participating or non-participating; and

7.1.18. "Voting Stock" means Stock of any class the holder of which is entitled to vote in any or all circumstances.

7.2. "Herein", "hereunder", and similar terms refer to the Commitment Letter above mentioned and all schedules thereto as a whole and not to any specific clause or provision thereof.

7.3. When the context makes it possible, the singular includes the plural and vice versa, and all references to any person, whether a party to this Commitment Letter or not, will be read with such changes in number or gender as the party or reference requires.

7.4. If any provision, covenant, or agreement contained in this Commitment Letter is invalid or unenforceable in whole or in part, then such invalid or unenforceable provision, covenant, or agreement or part thereof will be severed from and will not affect the validity or enforceability of the remainder of this Commitment Letter.

7.5. Any reference in the Commitment Letter to a statute will include any amendment or successor statute and any regulations thereunder in force from time to time.

7.6. The Commitment Letter will enure to the benefit of and be binding upon the successors and assigns of the Lender and the heirs, executors, administrators, successors and permitted assigns of the Borrower.

SCHEDULE "B" TO AND FORMING PART OF THE COMMITMENT LETTER FROM 0606890 B.C. LTD. TO PRSC LIMITED PARTNERSHIP DATED JUNE 30, 2006

The Lands

1. Lot A, District Lot 450, Group 1, New Westminster District, Plan BCP 23890;

2. Lot A, District Lot 450, Group 1, New Westminster District, Plan BCP 23887;

3. Lot C, District Lot 450, Group 1, New Westminster District, Plan BCP 23887;

4. Lot 1, District Lot 450, Group 1, New Westminster District, Plan BCP 23888;

5. Lot 2, District Lot 450, Group 1, New Westminster District, Plan BCP 23888;

6. Lot 1, District Lots ~~450 and~~ 1901A, Group 1 New Westminster District, Plan BCP 23889;

7. Lot B, District Lot 450, Group 1 New Westminster District, Plan LMP25234 (PID 023 209 119);

8. Block 56, Except Part in Plan 12767, District Lot 450 Plan 8096 (PID 010 267 409);

9. Block 37 (Explanatory Plan 4343), Except Part in Plan 13855, District Lot 450, Plan 8096 (PID 010 263 501); and

10. District Lot 4070, Group 1 New Westminster District Except Part in Reference Plan 2267 (PID 015 863 310) (Water Lot).

This is **Exhibit "E"** referred to in the Affidavit #8 of Brian Baarda made before me at Vancouver, British Columbia this 7th day of May 2012.

A Commissioner for the taking Affidavits
for British Columbia

Coast Realty GROUP

March 22, 2012

Scott Randolph
PRSC Limited Partnership
4760 Joyce Avenue
Powell River, BC V8A 3B6

RE: PRSC Properties

Gentlemen:

Further to my discussion with Scott regarding the remaining PRSC properties in Powell River, the following is my considered opinion of current market values. I have been a licensed Realtor in Powell River for nearly 22 years.

Block 56 Lund Street, 102 acres in ALR
Block 56, DL 450, Plan 8096 except Plans 12767 and BCP46067
Listed October 3, 2010 and on the market for 536 days - the property has had several inquiries but no written offers to date, with most comments referring to the cost of turning this property into farmable land.
Approximate current market value of $220,000.

Lot A Lund Street, 245 acres in ALR
Lot A, DL 450, Group 1 New Westminster District, Plan BCP23890
Listed April 15, 2009 and on the market for 1072 days - property has had several inquiries but no written offers to date.
Approximate current market value of $1,200,000.

Lot 1 Lund Street, 20.64 acres
Lot 1, DL 1901A, Group 1 New Westminster District, Plan BCP23889
Listed November 26, 2008 and on the market for 1212 days - property has had some interest but no offers.
Approximate current market value of $225,000.

(604) 485-4231
www.coastrealty.com

Coast Realty Group
(Powell River) Ltd.

4766-B Joyce Avenue
Powell River, BC
V8A 3B6

Toll Free:
1-877-485-4231

Fax:
(604) 485-4230

Email:
powellriver@coastrealty.com

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Coast Realty
GROUP

Marine Avenue mill site including old golf course, 116 acres including foreshore
Lot 2, DL 450, Group 1 New Westminster District, Plan BCP23888
DL 4070, Group 1 New Westminster District, except part in Reference Plan 2267
Listed March 12, 2009 and on the market for 1106 days - we have had a couple of good offers but unfortunately these have fallen apart at the due dilligence stage.
Approximate current market value of $1,800,000.

Remainder of Lot A Marine Avenue, 132 acres
Lot A, DL 450, Group 1 New Westminster District, Plan BCP23887 except part subdivided in Plan BCP42255
Listed June 2, 2010 and on the market for 659 days - has had some interest but with cost of development, no offers have transpired.
Approximate current market value of $250,000.

Please feel free to contact me should you have any questions regarding the above values.

Sincerely,

Warren M. Behan
REALTOR®
warren@warrenbehan.com
www.warrenbehan.com

The Warren Behan Home Selling Team
Warren Behan Personal Real Estate Corporation

(604) 485-4231
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This is **Exhibit "F"** referred to in the Affidavit #8 of Brian Baarda made before me at Vancouver, British Columbia this 7th day of May 2012.

A Commissioner for the taking Affidavits
for British Columbia

THIS AGREEMENT dated for reference the 27th day of April, 2012

BETWEEN:

THE CITY OF POWELL RIVER, of 6910 Duncan Street, Powell River, BC V8A 1V4

(the "City")

AND:

CATALYST PAPER CORPORATION, (Federal Inc. No. 3937615; B.C. Registration No. A0055302), of 2nd Floor - 3600 Lysander Lane, Richmond BC V7B 1C3

("Catalyst")

GIVEN THAT:

A. The City has established a revitalization tax exemption program in relation to Class Four Major Industrial land and improvements in the revitalization area shown on Schedule "A" to the Bylaw, and has adopted Revitalization Tax Exemption Bylaws XXX, 2010 and YYY, 2011 to implement the program in reliance on the representations of Catalyst as set out in the Agreement in Principle dated April 8, 2010 between the parties;

B. The City's objective for the revitalization tax exemption program in the major industrial area is to support the investment and revitalization of industry generally and the pulp mill in particular to secure the future economic and social health of the City;

C. The City is of the opinion that the revitalization tax exemption program will stimulate the rejuvenation of the major industry district and thus achieve the City's objectives;

D. As part of its plan to implement a revitalization tax exemption program for major industry, the City has requested that Catalyst assist the City in meeting its objectives to reduce certain future expenditures and replace a portion of lost taxation revenues;

E. The City and Catalyst are also providing reasonable cooperation to each other in order to obtain the commitment from the British Columbia government to assist the City in the implementation of the City's business plan and liquid waste management plans;

F. Catalyst provides the commitments to the City set out in this Agreement to assist the City in meeting its objectives in return for the City's commitments as set out in this Agreement.

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the promises and covenants contained herein and sum of $10.00 now paid by each party to the other, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. **Property Tax Reduction**

(a) Subject to Catalyst applying for exemptions and subject to the City Council's unfettered discretion, the City will administer the revitalization tax exemption program so that property taxes payable to the City by Catalyst for its real property in the City of Powell River currently classified as "Class 4 Major Industrial" will not exceed a total of more than $2,250,000 for calendar years 2012 through 2014.

(b) To secure the revitalization tax exemption, Catalyst must apply for the exemptions and enter into tax revitalization agreements under section 226 of the *Community Charter*, the agreements being in the form and with the content of that agreement attached as Appendix A. The City acknowledges and agrees that Catalyst has applied for the exemption for 2012.

(c) Catalyst acknowledges that the City's Council is in the process of creating a tax parity scheme among the municipal property value tax classifications to be in effect in respect of the calendar year 2014, such that subject to paragraph (a) any tax rate increases or decreases for the business class after 2014 would also apply to the industrial class during the same calendar year.

2. **Additional Waterfront Lands**

(a) Catalyst will

(i) on the day that is 60 days after Court approval of the transactions set out in this section 2 (the "Closing Date"),

(A) at the request of JRK Holdings Ltd., accept a surrender by JRK Holdings Ltd. of that form of long term land tenure agreement entered into on August 1, 2008 between Catalyst and JRK Holdings Ltd. attached as Appendix C, provided that the surrender document is in form and content satisfactory to Catalyst;

(B) subject to JRK Holdings Ltd. having surrendering its long term land tenure agreement as contemplated by clause 2(a)(i)(A), for consideration of $10.00 grant the City a statutory right of way over the area of land shown cross-hatched in green on Schedule B in a form and with content satisfactory to the City's Council and Catalyst under section 218 of the *Land Title Act* (British Columbia) for the City and its invitees to pass and

repass by motor or other vehicles and to access the sea and the areas of land shown cross-hatched in blue and in purple on Appendix B;

(C) subject to JRK Holdings Ltd. having surrendering its long term land tenure agreement as contemplated by clause 2(a)(i)(A), for consideration of $10.00 grant the City a 30 year licence of occupation and a 3 year unregistered lease to use the area of land shown cross-hatched in green on Appendix B, in a form and with content satisfactory to the City's Council and Catalyst, for the uses that were permitted under the long term land tenure agreement entered into on August 1, 2008 between Catalyst and JRK Holdings Ltd. attached as Appendix C, PROVIDED THAT the City may at any time without the prior consent of Catalyst assign any part of its interest in the licence and lease to JRK Holdings Ltd.;

(ii) on the date of the deposit in the Land Title Office of the subdivision plan to create a separate title for the area of land shown cross-hatched in green on Schedule B, transfer to the City for consideration of $10.00 an estate in fee simple of the land shown cross-hatched in green on Appendix B;

(iii) on the Closing Date, grant the City

(A) for consideration of $10.00 a statutory right of way over the area of land shown cross-hatched in blue on Appendix B in a form and with content satisfactory to the City's Council and Catalyst under section 218 of the *Land Title Act* (British Columbia) for the City and its invitees to pass and repass by motor or other vehicles and to access the sea and the area of land shown cross-hatched in green on Appendix B; and

(B) for consideration of $10.00 a 30 year licence of occupation and a 3 year unregistered lease to use the area of land shown cross-hatched in blue on Appendix B, in a form and with content satisfactory to the City's Council and Catalyst, to use the area for a barge ramp facility and auxiliary uses;

(iv) on the date of the deposit in the Land Title Office of the subdivision to create a separate title for the area of land shown cross-hatched in blue on Appendix B, transfer to the City for the consideration of $10.00 an estate in fee simple of the land shown cross-hatched in blue on Appendix B;

(v) on the Closing Date, subject to JRK Holdings Ltd. having given its prior written consent and any approval that may be required by the lessor of the head lease of such area, grant the City a 30 year licence of occupation over the area shown cross-hatched in pink on Appendix B in a form and with content satisfactory to the City's Council and Catalyst, and the licence will provide that the City may assign any part of its licence to JRK Holdings Ltd. without the prior consent of Catalyst;

(vi) on the date of the deposit in the Land Title Office of the subdivision to create a separate title for the area of land shown cross-hatched in green on Appendix B, and subject to having the prior written consent of the Province and the support of the Sliammon First Nation, grant to the City for the consideration of $10.00 a sub-lease for the remainder of the term of the head lease of the area shown cross-hatched in pink on Appendix B, in a form and with content satisfactory to the City's Council and Catalyst, PROVIDED THAT the sub-lease will allow Catalyst to continue to use the area for navigation and shipping and provided that the lease area fronting the area cross-hatched in green will afford riparian access to that occupier of that green area;

(vii) on the Closing Date, grant the City for consideration of $10.00 a statutory right of way over the area of land shown cross-hatched in purple on Appendix B in a form and with content satisfactory to the City's Council and Catalyst under section 218 of the *Land Title Act* (British Columbia) for the City and its invitees to pass and repass by motor or other vehicles and to access the areas of land shown cross-hatched in orange and in green on Appendix B;

(viii) on the Closing Date, grant the City for consideration of $10.00 a statutory right of way over the area of land shown cross-hatched in orange on Appendix B in a form and with content satisfactory to the City's Council and Catalyst under section 218 of the *Land Title Act* (British Columbia) for the City and its invitees to pass and repass by motor or other vehicles and to access the area of land shown cross-hatched in purple on Appendix B and to access Yew and Walnut Streets;

(ix) on the Closing Date, grant the City a 30 year licence of occupation and 3 year unregistered lease over the area shown cross-hatched in orange on Appendix B in a form and with content satisfactory to the City's Council and Catalyst, and the licence and lease will provide that the City may use the land for municipal purposes;

(x) on the date of deposit in the Land Title Office of the subdivision to create a separate title for the area of land shown cross-hatched in orange on Appendix B, transfer to the City for the consideration of $10.00 an estate in fee simple of the land shown cross-hatched in orange on Appendix B.

(b) The City's standard land acquisition closing procedures apply to the grants and transfers referred to in paragraph (a).

(c) The grants by Catalyst of the rights of way, leases and rights of occupation over, or the transfer to the City of, the lands shown cross-hatched in blue, green, purple and orange, shall be subject to Catalyst retaining easement or rights of way (i) for access for Catalyst and its employees agents or invitees, with or without vehicles, over the

areas of such lands for which it is reasonable to have access and (ii) to maintain and repair existing pipelines and other utilities over or under such lands.

3. **PRSC Lands**

(a) Subject to the following conditions precedent:

(i) approval by the City's Council;
(ii) approval by the Catalyst Board of Directors, the Supreme Court of British Columbia and monitor in relation to Catalyst's position under the *Companies' Creditors Arrangement Act* (Canada),
(iii) the City electing to proceed after the City enters into an agreement with the Sliammon First Nation to contribute $1.5 million of First Nation funding,
(iv) approval by the Inspector of Municipalities, and
(v) payment by the City or the City and the Sliammon First Nation of $3 million to Catalyst in return for the discharge of the mortgages registered in the Land Title Office under No. CA264094 and BB840770 over the lands legally described as:

1. 015-863-310
2. 026-686-554
3. 026-741-580
4. 026-686-589
5. 026-685-591
6. 010-267-409,

Catalyst will cause 0606890 B.C. Ltd., its subsidiary that is a limited partner in the PRSC Limited Partnership and a shareholder of PRSC Land Development Ltd. (the general partner of the PRSC Limited Partnership), to transfer to the City for the sum of ten dollars ($10.00) all of the issued shares held by 0606890 B.C. Ltd in PRSC Land Development Ltd. and the limited partnership interest of 0606890 B.C. Ltd. in the PRSC Limited Partnership as of the date that is 30 days after satisfaction or permitted waiver of the conditions set out in paragraphs (a) (i) through (iv).

(b) The City may at any time waive sub paragraph 3(a)(iii) by delivering prior written notice of the waiver to Catalyst

(c) The conditions in paragraph 3 (a)(i) through (v) may not be waived by either party, except the City may waive sub paragraph (3)(a)(iii).

4. **Economic Development Opportunities**

(a) **Deep Sea Port.** Catalyst will allow the City to explore the possibility of establishing a deep sea port in the vicinity of the mill's old deep sea dock that would enable the potential for additional economic activities subject to those activities not impeding Catalyst's mill operations or creating any additional liabilities or safety concerns for mill personnel

(b) **Bio Energy Projects.** Catalyst will give the City the opportunity to explore potential participation in new alternative energy projects implemented by Catalyst or the City at the Powell River mill site other than the current biomass energy project and energy projects that are subject to existing commitments.

5. **Revenue Upside**

After Catalyst emerges from CCAA protection and is operating under an accounting Fresh Start, and as a condition of the 2013 and 2014 tax exemptions during the period of January 1, 2012 to December 31, 2014, if the amount of the property tax limitation referred to in Section 1 is in effect, Catalyst will pay to the City a portion of operating earnings from Catalyst's Powell River operation each year that the return on capital employed for Catalyst's Powell River operation is in excess of 10% calculated as set out in the sample calculations attached to this Agreement as Appendix D (modified per the following paragraph), to a maximum of $500,000 per year. Before January 1, 2015, the parties will establish a revised upside contribution formula for the 5 year period commencing July 1, 2015.

The calculations in Appendix D are based on the book value of the assets and capital structure of Catalyst and its subsidiaries as of April 30, 2010 and do not take into account impairment of assets since that date and changes in capital structure contemplated by the CCAA process. Modifications will be required to those calculations in order for the modified calculations to yield the same result post exit from the CCAA as would have been the case had the calculations been made using the position on April 30, 2010.

6. **Nature of this Agreement**

This Agreement comes into effect on the reference date. This Agreement is binding on the parties.

7. **General**

7.1 No Waiver of Expropriation Rights – Catalyst and the City acknowledge and agree that the terms and the execution and delivery of this Agreement are without prejudice to any rights of the City or Catalyst under the British Columbia

Expropriation Act or otherwise, in the event that the transactions contemplated by this Agreement are not completed for any reason.

7.2 Tender – Any tender of documents or money may be made upon the party being tendered or upon its solicitors by certified solicitor's trust cheque, certified cheque or bank draft.

7.3 Time of Essence – Time is of the essence of this Agreement, provided that the time for doing or completing any matter provided for herein may be extended or abridged by an agreement in writing signed by the City and Catalyst or by their respective solicitors who are hereby expressly appointed in this regard.

7.4 Unavoidable Delay - Notwithstanding anything in this Agreement to the contrary, whenever and to the extent that any party hereto shall be unable to fulfil, or shall be delayed or restricted in the fulfilment of any obligation hereunder by reason of strike, lock-out, war or acts of military authority, rebellion or civil commotion, fire or explosion, flood, wind, water, earthquake, act of God, virulent or communicable disease outbreak, public health emergency, epidemic, quarantine, pandemic, other casualty or by reason of any statute, law or Order-in-Council or any regulation or order passed or made pursuant thereto or by reason of the order or direction of any administrator, controller or board, or any governmental department or officer or other authority, or by reason of not being able to obtain any permission or authority required thereby, or by reason of any other cause beyond its control, whether of the foregoing character or not, including without limitation, such failure occasioned by, or as a result or consequence of computer breakdown or malfunction caused by computer virus, such party shall be entitled to extend the time for fulfilment of such obligation by a time equal to the duration of such delay or restriction, and neither party hereto shall be entitled to compensation for any inconvenience, nuisance or discomfort thereby occasioned, and shall not be entitled to cancel or terminate this Agreement. The date or period by which any obligation of the parties hereto is to be performed or any consent or approval is to be provided or obtained shall be automatically extended for the period of such delay or restriction. Upon the expiry of such period of delay and restriction, time shall again become of the essence of this Agreement.

7.5 Binding Agreement – The parties hereto acknowledge and agree that although the obligations of the City and Catalyst to complete the transaction contemplated by this Agreement is subject to the waiver or satisfaction of the Subject Conditions and the Closing Conditions:

(a) the Subject Conditions and the Closing Conditions are not a condition to this Agreement being a binding agreement of purchase and sale; and
(b) this Agreement once executed by the parties is not void, voidable, revocable or otherwise capable of being terminated by any party until the respective times limited for the satisfaction or waiver of the Subject Conditions and the Closing Conditions has expired, unless otherwise expressly provided herein or otherwise agreed by the City and Catalyst in writing.

7.6 Notices – Any notice to be given under this Agreement shall be in writing and shall be validly given if delivered, transmitted by facsimile or mailed in Canada by prepaid registered post to the parties as follows:

(a) to the City at:

THE CITY OF POWELL RIVER
6910 Duncan Street
Powell River, BC V8A 1V4

with a copy to:

(b) to Catalyst at:

CATALYST PAPER CORPORATION, (Federal Inc. No. 3937615; B.C. Registration No. A0055302), of 2nd Floor - 3600 Lysander Lane, Richmond BC V7B 1C3

or to such other address or facsimile number as a party may advise the other by written notice hereunder. Any notice addressed and provided as aforesaid shall be deemed to have been given on the day of delivery or transmission by facsimile if a Business Day and if not a Business Day, then on the next Business Day or if mailed, on the third Business Day following the posting thereof, provided that if there is a postal strike, dispute or slowdown, notices shall only be effective if delivered or transmitted by facsimile.

7.7 Entire Agreement – This Agreement is the entire agreement between the parties and supersedes all prior agreements, negotiations and discussions, whether oral or written, of Catalyst and the City, and there are no agreements, covenants, representations or warranties, express, implied, statutory, collateral or otherwise, save as set forth herein. This Agreement shall not be amended except in a written instrument executed by the City and Catalyst or their solicitors and stated to be an amendment to this Agreement.

7.8 Assignment – Neither the City nor Catalyst may assign their respective interests in any part of this Agreement without the prior written consent of the other, acting reasonably, provided always that Catalyst may, without the consent of the City, assign its interest in this Agreement to any successor entity, having the same or similar legislative status, function and role as Catalyst.

7.9 Other Consents – To the extent that any consents from third parties are required in order to carry out the transactions contemplated by this Agreement, Catalyst or the City, as applicable, will secure and deliver such consents on or before the applicable Closing Date. The transfers to be made by Catalyst under this Agreement and under the Term Sheet attached as Appendix E are subject to approval by the Supreme Court of British Columbia and monitor in relation to Catalyst's position under the *Companies' Creditors Arrangement Act* (Canada).

7.10 Commission –Catalyst acknowledges and agrees that it has not retained real estate agents in connection with the transactions contemplated by this Agreement and that there are no real estate commissions payable in connection with this Agreement.

7.11 Costs and Expenses – Each party shall bear its own costs, expenses and legal fees incurred or to be incurred in negotiating and preparing this Agreement and otherwise in connection with this transaction.

7.12 Site Profile – The City hereby waives any requirement for Catalyst to provide the City with a site profile for any portion of the subject lands under the Environmental Management Act of British Columbia or any regulation in respect thereto.

7.13 Governing Law – This Agreement shall be governed by and construed in accordance with the laws of the Province of British Columbia and the laws of Canada applicable therein. Catalyst and the City agree to submit to the exclusive jurisdiction of the courts of the Province of British Columbia with respect to any dispute relating to this Agreement or the transactions contemplated herein and to appoint respective agents for the receipt and service of process in British Columbia.

7.14 Binding Effect – This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns.

7.15 Further Assurances – The parties shall with reasonable diligence do all such things and provide all such reasonable assurances as may be required to consummate the transactions contemplated by this Agreement, and each party shall provide such further documents or instruments required by any other party as may be reasonably necessary or desirable to effect the purpose of this Agreement and carry out its provisions.

7.16 Survival – This Agreement shall survive the delivery and registration, where necessary, of the closing documents on the applicable Closing Date and shall remain in full force and effect thereafter in accordance with its terms.

7.17 Execution – This Agreement may be executed by the parties and transmitted by facsimile or other electronic means and if so executed and transmitted, this Agreement shall be for all purposes as effective as if the parties had delivered an executed original Agreement.

7.18 Counterparts – This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same document, provided that the parties will, within a reasonable period of time following the date of any counterparts or electronic execution of this Agreement, deliver to each other an originally executed copy of this Agreement.

IN WITNESS WHEREOF THE PARTIES hereto and hereunto executed these presents on the day and year set out under the signatures of their authorized signatories.

Catalyst Paper Corporation	**City of Powell River**
By: _____	By: _____ Mayor
	_____ City Clerk
Date: _____	Date: _____

APPENDIX A
[Tax Exemption Agreements]

CITY OF POWELL RIVER

BYLAW 2304, 2011

A bylaw to establish a Revitalization Tax Exemption Program for a term of 4 years

WHEREAS, under Section 226 of the *Community Charter*, S.B.C. 2003, c. 26 (the "*Community Charter*"), the City of Powell River Council may establish a revitalization tax exemption program;

AND WHEREAS Council wishes to establish a revitalization tax exemption program in relation to land and improvements in the major industry areas, shown in bold outline on Schedule "A" attached to, and forming part of this bylaw;

AND WHEREAS Council's objective for the revitalization tax exemption program in the major industry area is to support the investment and revitalization of industry to secure the future economic and social health of the City,

AND WHEREAS Council is of the opinion that the revitalization tax exemption program will stimulate the rejuvenation of the major industry district and thus achieve Council's objectives;

AND WHEREAS Council also wishes to establish a revitalization tax exemption program in relation to all major industry in future years to support the investment and revitalization of industry to secure the future economic and social health of the City;

AND WHEREAS Section 227(1) of the *Community Charter* requires that notice be given of a revitalization tax exemption and notice of this bylaw has been given accordingly;

AND WHEREAS Council has considered this bylaw in conjunction with the objectives and policies set out for the use of permissive tax exemptions under the Five Year Financial Plan Bylaw 2295, 2011 and determined that this bylaw is compatible with those objective and policies,

NOW THEREFORE the Council for the City of Powell River in open meeting assembled enacts as follows:

Citation

1. This bylaw may be cited as "Revitalization Tax Exemption Program Bylaw 2304, 2011"

Definitions:

2. (1) For the purposes of this bylaw

   (a) "Agreement" means a revitalization tax exemption agreement between the owner of a parcel and the City, substantially in the form attached to and forming part of this bylaw as Schedule "B";

   (b) "Parcel" has the same meaning as in the Schedule to the *Community Charter* and, for the purposes of this bylaw, means the area of a parcel of land situated within the Revitalization Area that is classified as Class 4 Major Industrial;

   (c) "Revitalization Area" means the area within the bold outline on the drawing which is attached as Schedule "A" to this bylaw, and the area includes major industry within the City of Powell River,

(d) "Tax Exemption" means a revitalization tax exemption for which a Tax Exemption Certificate has been issued;

(e) "Tax Exemption Certificate" or "Certificate" means a revitalization Tax Exemption certificate issued by the City of Powell River under this bylaw and the *Community Charter*, substantially in the form attached to and forming part of this Bylaw as Schedule "C".

(2) Words defined in the *Community Charter* have the same meaning when used in this bylaw unless defined in this bylaw.

Establishment of Revitalization Tax Exemption Program

3. There is established a revitalization tax exemption program for the granting of Tax Exemptions and issuance of Tax Exemption Certificates for Parcels in accordance with the terms and conditions prescribed by this bylaw.

Kinds of Property to be Exempted

4. The kind of property that is eligible for a Tax Exemption under this bylaw is Class 4 Major Industrial land and improvements within the Revitalization Area.

Extent and Amount of Tax Exemption

5. The extent of the Tax Exemption under this bylaw will be in relation to Class 4 Major Industrial land and improvements located in the Revitalization Area, subject to section 6.

6. The amount of the Tax Exemption for each calendar year during the period for which the Tax Exemption Certificate is issued shall be calculated on the basis of the following formula:

(a) the property value tax for the year for the Parcel based on the applicable assessed value of the Class 4 Major Industrial Land and Improvements times the rate of 20.57567 per thousand dollars of assessment, minus

(b) the sum of $2,250,000.

Conditions

7. The following conditions must be met before the City will issue a Certificate to the owner of a parcel:

(a) delivery to the City of the application and fee set out in sections 9 and 10; and

(b) execution and delivery to the City of the agreement substantially in the form and with the content of that set out in Schedule B.

Term

8. The term of a Tax Exemption is four years. An owner of a parcel in the Revitalization Area may apply to Council under section 9 for a single additional term of one or more additional years under this bylaw and the Agreement, in which case Council may consider extending the Tax Exemption for the renewal term. The maximum total term must not exceed ten years.

Application for Tax Exemption

9. Application for a Tax Exemption for a taxation year must be submitted in a form acceptable to the Director of Financial Services no later than September 30 in the year proceeding the year for which the exemption is sought.

10. If an owner of a Parcel wishes Council to consider entering into an Agreement with the owner, the owner must apply to the City in writing and must submit the following:

    (a) a completed application form as provided by the City and available from the Financial Services Department;

    (b) a certificate that all taxes assessed and rates, charges and fees imposed on the Parcel have been paid, and where taxes, rates or assessments are payable by installments, that all installments owing at the date of application have been paid; and

    (c) a fee in the amount of $200.00.

Recapture

11. If, pursuant to the terms and conditions specified in the Agreement or the Tax Exemption Certificate, the Certificate is cancelled, the owner of the property for which the Certificate was issued will remit to the City, no later than 30 days after the date of the cancellation of the Certificate, an amount equal to the amount of the Tax Exemption received after the effective date of the cancellation of the Certificate.

12. The Director of Financial Services for the City of Powell River, or the Director's designate, is the designated municipal officer for the purpose of receiving applications and issuing Tax Exemption Certificates.

13. The Schedules to this bylaw form a part of and are enforceable in the same manner as this bylaw.

READ a first time the 21st day of July 2011.

READ a second time the 21st day of July 2011.

READ a third time the 21st day of July 2011.

THIRD READING RESCINDED the 18th day of August 2011.

AMENDED the 18th day of August 2011.

THIRD READING AS AMENDED 18th day of August 2011.

NOTICE published the 26th day of August 2011 and the 02nd day of September 2011.

ADOPTED the 15th day of September 2011.

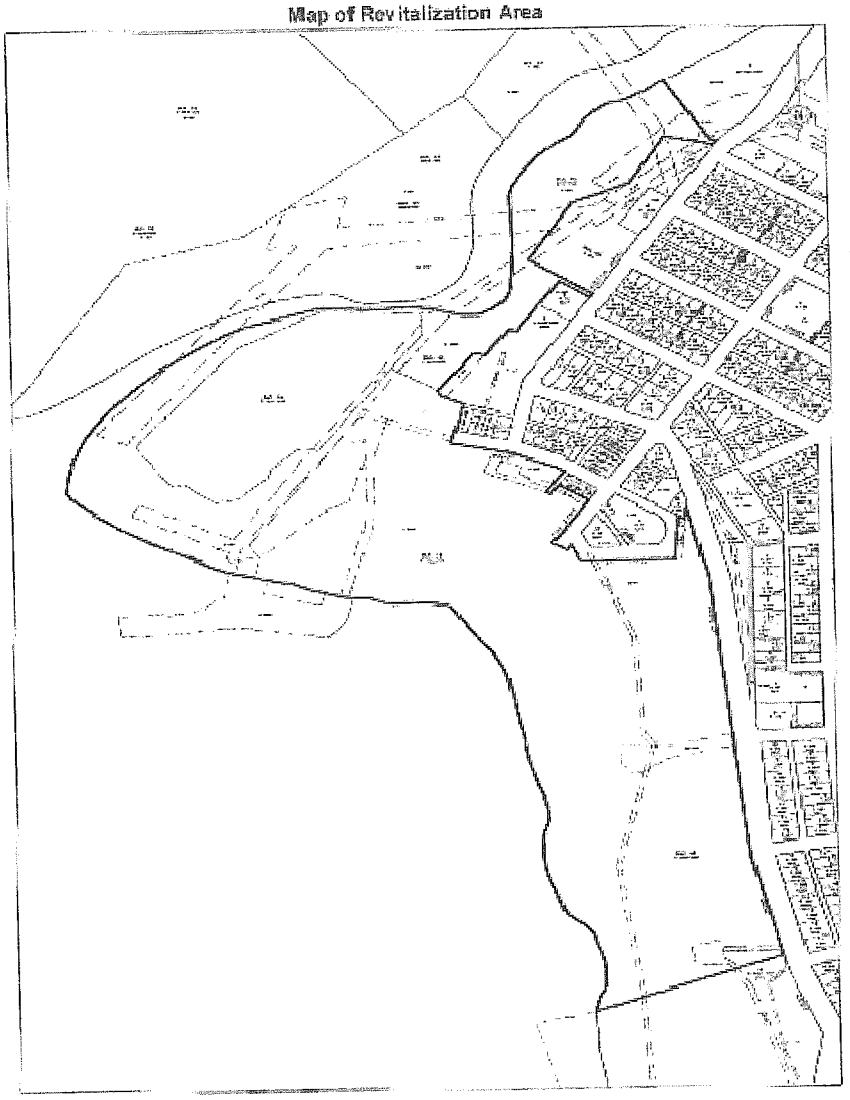
Stewart B. Alsgard, Mayor

Marie Claxton, City Clerk

BYLAW 2304, 2011

SCHEDULE "A"

Map of Revitalization Area



BYLAW 2304, 2011

SCHEDULE "B"

THIS AGREEMENT, dated for reference the_____ day of _____, 20_____, is

BETWEEN

[insert name and address of the Owner of the Parcel for which the tax exemption will apply]

(the "Owner")

AND:

The Corporation of the City of Powell River, being a municipal corporation incorporated under the *Local Government Act*, R.S.B.C. 1996, c. 323 and having an address for delivery of 6910 Duncan Street, Powell River, BC, V8A 1V4,

(the "City")

GIVEN THAT:

A. The Owner is the registered owner in fee simple of Property within the City of Powell River with a civic address of *[enter civic address]* and legally described as *[enter legal description]* (the "Property");

B. The Property is within an area that Council has designated as a revitalization area under the City of Powell River Revitalization Tax Exemption Bylaw 2304, 2011;

C. The Property Owner has applied to the City to participate in the revitalization tax exemption program;

NOW THEREFORE in consideration of the mutual covenants and agreements contained in this Agreement, the receipt and sufficiency of which are acknowledged, the Owner and the City agree as follows:

DEFINITIONS:

1. In this Agreement the following words have the following meanings:

   (a) "Agreement" means this Agreement , including the standard charge terms contained in this Agreement, together with the General Instrument defined in this Agreement;

   (b) "Assessed Value" means the most recent assessed value of the Property as determined by the assessment authority in the area in which the Property are located; if such value is not available then the assessed value means the highest price in terms of money that the real property will fetch under all conditions requisite to a fair sale with the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus as estimated by a real estate appraiser accredited in the jurisdiction in which the Property is located;

   (c) "Bylaw" means the "City of Powell River Revitalization Tax Exemption Program Bylaw 2304, 2011", in force from time to time;

   (d) "CPI" means the All Items Consumer Price Index for Vancouver, British Columbia, published from time to time by Statistics Canada, or its successor in function, where the base amount year, defined in this Agreement, equals 100;

(e) "Dispose" means to transfer by any method and includes assign, give, sell, grant, charge, convey, bequeath, devise, lease, rent or sublet, divest release or agree to do any of those things;

(f) "General Instrument" means the Form C under the Land Title (Transfer Forms) Regulation as amended, and all schedules and addenda to the Form C charging the Property and citing the terms and conditions of this Agreement as the "standard charge Terms" for the purposes of the Form C;

(g) "Property" means the Property legally described in Item 2 of the General Instrument and any part into which the Property is subdivided;

(h) "LTO" means the New Westminster/Vancouver Land Title Office or its successor;

(i) "Owner" means the transferor described in the General Instrument and any subsequent owner of the Property or any parts into which the Property are subdivided, and includes any person who is registered owner in fee simple of the Property from time to time;

(j) "Prime Rate" means the annual rate of interest, expressed as a percentage, used as a reference rate by the Royal Bank of Canada at its main branch in Vancouver, British Columbia, for Canadian dollar loans and designated by the Royal Bank of Canada from time to time as its prime rate;

TERM

2. The Owner COVENANTS AND AGREES WITH THE City that the term of this Agreement is [*insert number of years*] years commencing on 1 January of the first calendar year after the calendar year referred to in the reference date of this Agreement as made.

APPLICABLE LAND AND IMPROVEMENTS

3. The tax exemption provided for under the bylaw applies to Class 4 Major Industrial land and improvements in respect of the Property located in the Revitalization Area defined in the Bylaw.

REVITALIZATION TAX EXEMPTION CERTIFICATE

4. (a) The City must issue a revitalization tax exemption certificate to the owner of the Property if the owner and the Property are otherwise in compliance with this Agreement.

(b) A revitalization tax exemption certificate must, in accordance with the Bylaw and this Agreement, specify the following.

i) the amount of the tax exemption or the formula for determining the exemption;

ii) the term of the tax exemption;

iii) the conditions on which the tax exemption is provided;

iv) that a recapture is payable if the certificate is cancelled and how that amount is to be determined.

TAX EXEMPTION

5. So long as a revitalization tax exemption certificate in respect of the Property has not been cancelled, the Property is exempt, to the extent, for the period and subject to the conditions provided in the certificate, from municipal property taxation.

6. The revitalization tax exemption certificate may be cancelled by the Council of the City
   (a) on the request of the Owner, or

   (b) if any of the conditions in the certificate are not met.

OWNERS OBLIGATIONS

7. The Owner must comply with:

   (a) all enactments, laws, statutes, regulations and Orders of any authority having jurisdiction, including bylaws of the City, and

   (b) all federal, provincial, municipal and environmental licenses, permits and approvals required under applicable enactments, and

   (c) the Bylaw, including section 7 of the Bylaw.

OBLIGATIONS OF CITY

8. The City must issue a revitalization tax exemption certificate to the owner in respect of the Property so long as the Owner and the Property are otherwise in compliance with the Bylaw and this Agreement.

CITY'S RIGHTS AND POWERS

9. Nothing contained or implied in this Agreement prejudices or affects the City's rights and powers in the exercise of its functions or its rights and powers under any public and private statutes, bylaws, orders, or regulations to the extent the same are applicable to the Property, all of which may be fully and effectively exercised in relation to the Property as if this Agreement had not been executed and delivered by the Owner.

GENERAL PROVISIONS

10. It is mutually understood, agreed, and declared by and between the parties that the City of Powell River has made no representations, covenants, warranties, guarantees, promises, or agreements (oral or otherwise), express or implied, with the Owner in relation to the quantum and term of the tax exemption other than those expressly contained in this Agreement.

11. For greater certainty, under no circumstances will the Owner be entitled, under this Agreement, the Bylaw, the Certificate or the City's revitalization tax exemption program, to any cash credit, any carry forward tax exemption credit or any refund for any property taxes paid.

12. The covenants set forth in this Agreement shall charge the Property pursuant to Section 219 of the *Land Title Act* and shall be covenants the burden of which shall run with the Property and bind the Property and every part or parts thereof, and every part to which the Property may be divided or subdivided, whether by subdivision plan, strata plan, or otherwise.

13. The covenants set forth in this Agreement shall not terminate if and when a purchaser becomes an owner in fee simple of the Property or any portion thereof, but shall charge the whole of the interest of such purchaser and shall continue to run with the Property and bind the Property and all future owners for the time being of the Property or any portion thereof, except the owner will be entitled to a partial discharge of this Agreement with respect to any subdivided parcel of the Property on acceptance of the works and on compliance by the Owner with all requirements under this Agreement with respect to the subdivided portion of the Property.

14. It is further expressly agreed that the benefit of all covenants made by the Owner herein shall accrue solely to the City and this Agreement may only be modified by agreement of the City with the Owner, or discharged by the City pursuant to the provisions of Section 219 of the *Land Title Act* and this Agreement. All of the costs of the preparation, execution, and registration of any amendments or discharges shall be borne by the Owner.

15. This agreement shall enure to the benefit of and is binding on the parties and their respective heirs, executors, administrators, successors and assigns.

16. The Owner shall, on the request of the City, execute and deliver or cause to be executed and delivered, all such further transfers, agreements, documents, instruments, easements, statutory rights of way, deeds and assurances, and do and perform or cause to be done and performed, all such acts and things as may be, in the opinion of the City necessary to give full effect to the intent of this Agreement.

17. Time is of the essence of this Agreement.

18. Any notice or other communication required or contemplated to be given or made by any provision of this Agreement shall be given or made in writing and either delivered personally (and if so shall be deemed to be received when delivered) or mailed by prepaid registered mail in any Canada Post Office (and if so, shall be deemed to be delivered on the sixth business day following such mailing except that, in the event of interruption of mail service notice shall be deemed to be delivered only when actually received by the party to whom it is addressed), so long as the notice is addressed as follow:

    To the Owner at:

    (insert name)
    Attention: (insert contact)
    (insert address)

    and

    to the City at:

    City of Powell River
    Attention: Director of Financial Services
    6910 Duncan Street
    Powell River BC V8A 1V4

    or to such other address to which a party hereto from time to time notifies the other parties in writing.

19. No amendment or waiver of any portion of this Agreement shall be valid unless in writing and executed by the Parties to this Agreement and Waiver of any default by a party shall not be deemed to be a waiver of any subsequent default by that party.

20. This Agreement is not intended to create a partnership, joint venture, or agency between the Owner and the City.

21. This Agreement shall be construed according to the laws of the Province of British Columbia.

22. A reference in this Agreement to the City or the Owner includes their permitted assigns, heirs, successors, officers, employees, and agents.

23. This Agreement is effective from and after the reference date in this Agreement, but only if this Agreement has been executed and delivered by the Owner and executed by the City.

24. The parties intend, by their execution and delivery of this Agreement, to create a covenant granted to the City under Section 219 of the *Land Title Act*, a contract, and a deed executed and delivered to the City under seal.

25. Unless otherwise expressly provided in this Agreement, whenever the City is permitted to make or give any decision, direction, determination, or consent, the City may act in its sole discretion, but will act reasonably.

26. Unless otherwise expressly provided in this Agreement, the Expense of performing obligations and covenants of the Owner contained in this Agreement, and of all matters incidental to them, is solely that of the Owner.

27. The Owner represents and warrants to the City that:

(a) all necessary corporate actions and proceedings have been taken by the Owner to authorize its entry into and performance of this Agreement;

(b) upon execution and delivery on behalf of the Owner, this Agreement constitutes a valid and binding contractual obligation of the Owner;

(c) neither the execution and delivery, nor the performance, of this Agreement shall breach any other Agreement or obligation, or cause the Owner to be in default of any other Agreement or obligation, respecting the Property; and

(d) the Owner has the corporate capacity and authority to enter into and perform this Agreement.

28. Unless otherwise expressly provided in this Agreement, the expense of performing the obligations and covenants of the Owner contained in this Agreement, and of all matters incidental to them, is solely that of the Owner.

IN WITNESS WHEREOF the parties have affixed their hands and seals and where a party is a corporate entity, the corporate seal of that company has been affixed in the presence of its duly authorized officers effective the day and year first recited above.

SIGNED, SEALED AND DELIVERED BY THE CITY OF POWELL RIVER in the presence of:

Mayor

Witness

Chief Administrative Officer

SIGNED BY THE OWNER OF THE ABOVE NOTED PROPERTY in the presence of:

Witness

BYLAW 2304, 2011

SCHEDULE "C"

Tax Exemption Certificate

In accordance with the City of Powell River Revitalization Tax Exemption Bylaw 2304, 2011 (the "Bylaw"), and in accordance with a Revitalization Tax Exemption Agreement dated for reference the _____ day of _____, 20___ (the "Agreement") entered into between the City of Powell River (the "City") and _____ (the "Owner"), the registered owners(s) of [*insert legal description of property*) _____ (the "Parcel").

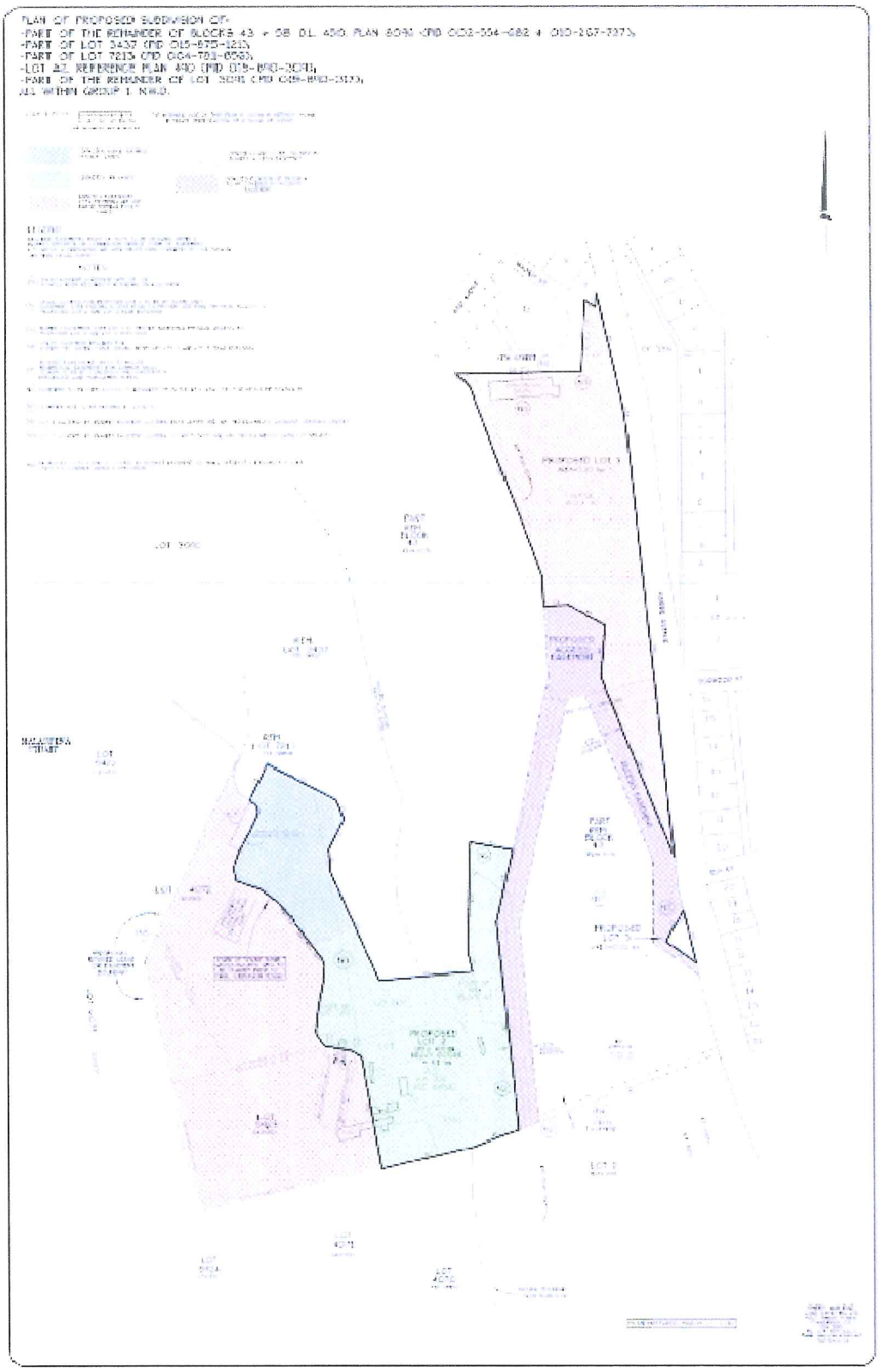
This certificate certifies that the Parcel is subject to a revitalization tax exemption equal to _____, or the total amount of the municipal share of property tax due in relation to the improvements on the Parcel, whichever is less (the "Tax Exemption"), for each of the taxation years 20 ____ to 20____ inclusive.

The Tax Exemption is provided under the following conditions:

1. the Owner does not breach any term, condition or provision of, and performs all obligations set out in, the Agreement and the Bylaw;
2. The Owner has not sold all or any portion of his or her equitable or legal fee simple interest in the Parcel without the transferee taking an assignment of the Agreement, and agreeing to be bound by it;
3. The Owner, or successor in title to the Owner, has not allowed the property taxes for the Parcel to go into arrears or to become delinquent;
4. The Exempt use (as defined in the Agreement) of the Project is not discontinued.

If any of these conditions are not met then the Council of the City of Powell River may cancel this Revitalization Tax Exemption Certificate. If such cancellation occurs, the Owner of the Parcel, or a successor in title to the Owner as the case may be, shall remit to the City an amount equal to the value of the exemption received after the date of the cancellation of the certificate.

APPENDIX B
[Land Use Plan]



APPENDIX C
[JRK Holdings Ltd. Agreement]

Part Two – Terms of Instrument

BETWEEN:

CATALYST PAPER CORPORATION

("Landlord")

AND:

JRK HOLDINGS LTD.

("Tenant")

Proposed Lot 4
Powell River Industrial Site

TABLE OF CONTENTS

1. DEFINITIONS 1
2. DEMISE 2
3. TERM 2
4. MINIMUM RENT 3
5. PAYMENT OF RENT 3
6. TITLE AND CONDITION 3
7. WORK TO BE UNDERTAKEN BY THE TENANT 4
8. COMPLIANCE WITH LAWS 5
9. TAXES AND IMPOSITIONS 6
10. INSPECTION 6
11. REPAIR 7
12. ALTERATIONS AND ADDITIONS 7
13. INSURANCE 7
14. INDEMNITY 8
15. ENVIRONMENTAL CONTAMINANTS 9
16. ASSIGNING AND SUBLETTING 10
17. ESTOPPEL CERTIFICATES 10
18. DEFAULTS AND REMEDIES 11
19. LANDLORD'S PERFORMANCE OF TENANT'S COVENANTS 12
20. WAIVER 12
21. QUIET ENJOYMENT 12
22. NET LEASE 13
23. ZONING CHANGES 13
24. USE OF LEASED PREMISES 13

25. TENANT'S OVERHOLDING 13

26. SURRENDER OF LEASE 13

27. COVENANTS OF LANDLORD 13

28. RIGHT OF FIRST REFUSAL TO PURCHASE LEASED PREMISES 14

29. OPTION TO RENEW LEASE 15

30. NOTICES AND DEMANDS 16

31. INDEPENDENT COVENANTS 17

32. NO PARTNERSHIP OR JOINT VENTURE 17

33. FURTHER ASSURANCES 17

34. SUCCESSORS AND ASSIGNS 17

35. ENTIRE AGREEMENT 17

36. GOVERNING LAW 18

LEASE

THIS LEASE made as of the August 1, 2008

BETWEEN:

CATALYST PAPER CORPORATION, 5775 Ash Street, Powell River, B.C. V8A 4R3

(hereinafter called "**Landlord**")

OF THE FIRST PART

AND:

JRK HOLDINGS LTD., 107 – 4675 Marine Avenue, Powell River, B.C. V8A 2L2

(hereinafter called "**Tenant**")

OF THE SECOND PART

WHEREAS this Lease is made upon and subject to the following covenants and conditions which each of the Landlord and the Tenant respectively covenants and agrees to keep, observe and perform to the extent that the same are binding or expressed to be binding upon it.

DEFINITIONS

In this Lease the following words shall have the following meanings:

- "Commencement Date" means August 1, 2008;
- "Contract of Purchase and Sale" means the contract of purchase and sale to be entered into between the Landlord and the Tenant, a copy of which is attached hereto as Schedule "A" pursuant to which the Tenant will purchase the Leased Premises, subject to the terms and conditions of Article 28;
- "Environmental Contaminants" means any substance which, when released on to the Leased Premises, or into the natural environment, is likely to cause, at any time, material harm or degradation to the Leased Premises, or to the natural environment or material risk to human health and includes, without limitation, any flammables, explosives, radioactive materials, asbestos, polychlorinated biphenyls, chlorofluorocarbons, hydro chlorofluorocarbons, urea formaldehyde foam insulation, radon gas, chemicals known to cause cancer or other toxicity, pollutants, contaminants, hazardous wastes, toxic substances declared to be hazardous or toxic or a pollutant, dangerous goods, deleterious substances, effluent, hazardous waste or special waste, or words of similar meaning under any laws now or enacted in the future, which affect or apply to Leased Premises, the Landlord, the Tenant, or any of them;

- "Environmental Laws" means any laws, statutes, regulations, orders, bylaws, permits or lawful requirements of any governmental authority with respect to environmental protection or regulating, controlling, licensing or prohibiting Environmental Contaminants, and which are in force during the Term of this Lease;

- "Improvements" means the improvements that exist on the Leased Premises as at the Commencement Date;

- "Leased Premises" means those lands shown on Schedule "B", being approximately 3.25 hectares, together with the Improvements, which are to be legally subdivided so as to create a separate legal title for the proposed Lot 4; Lease holder will have preferred access to the water lot amended lease area as shown on Schedule "B", that being portions of water lot 4072, water lot 5924 and water lot 5923;

- "Minimum Rent" means Four Thousand Dollars ($4,000) per month, plus GST, payable by the Tenant to the Landlord as set forth in Article 4;

- "Property" means collectively those parcels of land listed in Schedule "C" attached hereto, together with that portion of the Landlord's interest in the foreshore leases shown in Schedule "B";

- "Rent" means the Minimum Rent and any other sum required to be paid to the Landlord by the Tenant pursuant to the provisions of this Lease; and

- "Tenant's Work" means the work required to subdivide the land, access the land and render the land rentable, as more particularly described in Section 7.1

- "Term" means the term of this Lease, being twenty years less one day unless terminated pursuant to Section 3.2 or renewed pursuant to Article 29.

All the provisions of this Lease shall be deemed and construed to be covenants and agreements as though the words specifically expressing or importing such covenants and agreements were used in each separate provision hereof.

DEMISE

In consideration of the rents, covenants and agreements contained in this Lease on the part of the Tenant to be paid, observed and performed, the Landlord does hereby demise and lease unto the Tenant and the Tenant does hereby take and rent, upon and subject to the conditions hereinafter expressed, the Leased Premises.

TERM

The Tenant shall have and hold the Leased Premises for and during the Term commencing on the 1st day of August, 2008 and terminating at midnight on the 31st day of July, 2028 unless sooner terminated pursuant to Section 3.2 or renewed pursuant to Article 29.

Notwithstanding Section 3.1, the term of this Lease shall terminate on the earlier of the date that the Leased Premises are transferred to the Tenant pursuant to the Contract of Purchase and Sale, or the end of the Term or any renewal thereof.

MINIMUM RENT

The Tenant shall pay Minimum Rent in equal monthly instalments of Four Thousand Dollars ($4,000) from the Commencement Date and continuing throughout the Term in advance on the first day of each month. For each lease year, beginning with the lease year commencing August 1, 2009, the Minimum Rent will be the greater of (i) $4,000 and (ii) the product obtained by multiplying the Minimum Rent payable in the immediately preceding lease year by a fraction, the numerator of which is the Consumer Price Index (British Columbia) (the "CPI") as at the April 30 (the "First April 30") immediately preceding the commencement of the applicable lease year and the denominator of which is the CPI as at the April 30 which precedes the First April 30.

PAYMENT OF RENT

The Tenant will pay to the Landlord, at the office of the Landlord, in lawful money of Canada, the Rent hereby reserved without any setoff, abatement or reduction whatsoever and at the times herein specified.

Any items that are usually adjusted between landlords and tenants shall be adjusted as at the Commencement Date and at the termination of the Term and the amount of any such adjustment shall be paid by the one party to the other party when such amount is determined.

Any sums, costs, expenses, or other amounts from time to time due and payable by the Tenant to the Landlord under the provisions of this Lease, and whether or not expressed to be Rent or not, may at the option of the Landlord be treated as and be deemed to be Rent, in

which event the Landlord will have all the remedies for the collection of such sums, costs, expenses, interest, or other amounts, if unpaid after demand, as in the case of Rent in arrears, but this stipulation shall not prejudice or affect any other remedy of the Landlord under this Lease.

TITLE AND CONDITION

The Leased Premises are leased subject to:

- the encumbrances set out in Schedule "B";
- the statutory exceptions to title as set out in Section 23 of the *Land Title Act* (British Columbia);
- any state of fact which an accurate survey or physical inspection of the Leased Premises might show; and
- all applicable zoning regulations, rules and ordinances, building restrictions and other laws now in effect or hereafter adopted by an authority having jurisdiction.

The Tenant acknowledges to the Landlord that the Tenant has made a physical inspection of the Leased Premises and has found the same to be satisfactory for the purposes of the Tenant. With the exception of the obligations of the Landlord contained herein, the Tenant is leasing the Leased Premises on an "as is, where is" basis, and in particular, the Tenant will be responsible for the clean up of old machinery, concrete waste, debris and aggregate which is located on the Leased Premises.

WORK TO BE UNDERTAKEN BY THE TENANT

The Tenant will, at its expense, undertake and complete the following work (the "Tenant's Work") within 12 months of the Commencement Date. The cost of such work shall be credited to the Minimum Rent payable by the Tenant along with appropriate supporting documentation:

- the installation of security fencing along the north and south property lines of the Leased Premises. The fencing will have two gates, one on the new access road and one on the northern section to allow the Landlord to have temporary access to the tug facility prior to it being relocated.

(b) construction of a new access road, with gate, from the Easement Area (over Lot 3, old clarifier site) to the Leased Premises.

(c) work required to complete the subdivision described in section 27.1

The existing ramp and float will remain in place and will either remain in place or be disposed of by and at the cost of the Tenant. The Tenant will not be responsible for moving any of the tugs or other water craft or be responsible for any electrical work that is required in order to complete the Tenant's Work.

The Tenant's Work will be done in a good and workmanlike manner in accordance with all applicable building and zoning ordinances and all applicable laws, orders, rules, regulations and requirements of all federal, provincial and civic governments and agencies.

The Tenant will, during the course of the Tenant's Work, at the Tenant's sole expense, maintain and keep in force comprehensive general liability insurance in amounts satisfactory to the Landlord (minimum $2,000,000), for bodily injury, death and damage to property and will maintain or cause to be maintained by its contractors, contractors all risk insurance in amounts satisfactory to the Landlord, protecting the Landlord, the mortgagee, if any, and Tenant from such risks, together with any other policies of insurance as the Landlord may reasonably require. The Tenant shall provide the Landlord with evidence satisfactory to the Landlord that the premiums on all such policies have been paid and that such policies are in full force and effect. All such policies shall provide that the insurer shall not have any right of subrogation against the Landlord and shall contain severability of interest and cross-liability clauses.

COMPLIANCE WITH LAWS

The Tenant will promptly comply with, observe and fulfil the provisions of all laws, by-laws, regulations, orders, rules and requirements of all authorities having jurisdiction over and which relate to the Leased Premises, and will observe and comply with the requirements of all policies of public liability, fire and other insurance at any time in force with respect to the Leased Premises and any equipment used in connection therewith.

The Tenant will not use or occupy the Leased Premises or any part thereof, or suffer or permit the same to be used or occupied, for any unlawful purpose, nor for any dangerous, noxious or offensive trade or business, nor for any purpose likely to cause any public or private nuisance or which will endanger the general public or neighbouring occupiers.

The Tenant will procure and pay for all necessary permits, licenses and other authorizations, from time to time required for the Tenant's Work, for the lawful and proper installation and maintenance of pipes, wires, conduits, tubes, equipment and appliances used in supplying or disposing of utilities or communication services on the Leased Premises and for the operation of all equipment and fixtures on the Leased Premises including without limitation boilers and electrical systems.

The Tenant will not suffer or permit any workers', materialmen's, suppliers' or other liens or privileges of whatever nature to be registered against the title to the Property or any portion thereof, by reason of any work, labour, services or materials supplied or claimed to have been supplied to the Property or to the Tenant or any one having a right to possession of the Property or any part thereof and should any such lien or privilege be so registered, the Tenant shall discharge the same forthwith, either by payment in full of such lien or privilege or by payment into court pursuant to the *Builders' Lien Act* or other applicable legislation, and if the Tenant fails or neglects so to do within thirty (30) days of such registration, the Landlord may, but without obligation so to do, pay and discharge such lien or privilege. The Tenant may commence legal action in the name of the Landlord in order to remove such a lien or privilege provided that the Tenant shall indemnify and save the Landlord harmless from all costs and expenses related thereto.

The Tenant will procure, maintain and pay for, or cause to be procured, maintained and paid for, full Workers' Compensation coverage in respect of all workers, employees, servants and others engaged in or upon the Tenant's Work or any payment similar thereto which in the future may be required to be paid by the Tenant.

TAXES AND IMPOSITIONS

The Tenant will pay, without duplication, during the Term when due:

(a) the following amounts on account of taxes, rates, duties, assessments, whether municipal, school or otherwise, both general and special, now or hereafter levied, rated, assessed or imposed upon or in respect of the Leased Premises or against any property on the Leased Premises;

on the Commencement Date, the sum of $7,461.31; and

(ii) on January 1st of each year during the Term, $17,907.14 adjusted in accordance with the formula set out in Section 29;

- all taxes which now or hereafter may be levied or assessed against or payable by the Landlord or Tenant on account of the leasing or use of the Leased Premises or any part thereof, including without limitation any value added tax, business transfer, multi-stage or other sales tax in respect of revenue received by the Landlord from leasing the Leased Premises save and except income taxes that are personal to the Landlord and taxes that are based on the capital of the Landlord;

- all charges for water, sewer, gas, telephone, electricity and other utility and communication services used on or about the Leased Premises;

- all license, inspection and like fees and charges now or hereafter required to be paid in connection with the operation of the business of the Tenant from the Leased Premises; and

- on the Commencement Date and on January 1st of each year during the Term, the pro rata cost of maintaining the Landlord's foreshore licences based on the area of the foreshore used by the Tenant divided by the total area of the foreshore licences.

The Tenant shall forthwith pay each sum required to be paid by the Tenant under Section 9.1, and within thirty (30) days after the due date of payment of each such sum, deliver to the Landlord evidence satisfactory to the Landlord of such payment, required by the Landlord, and if the Tenant should fail to pay any such sum when the same is due, the Landlord may, but shall not be obliged to, pay the same without notice to the Tenant.

INSPECTION

Upon reasonable notice to the Tenant it shall be lawful for the Landlord, its employees or agents during normal business hours during the Term to enter upon the Leased Premises for the purpose of inspecting the same, for the purpose of showing the Property to a prospective purchaser, or for any other purpose permitted under this Lease provided however that such inspections do not cause unreasonable disruption to the business of the Tenant or the occupants of the Leased Premises.

REPAIR

The Tenant will keep the "tug office" which forms part of the Improvements in a reasonable state of repair. All other Improvements will be kept in a safe condition and will be repaired

only to the extent required by applicable laws until such time as they are either demolished or removed from the Leased Premises.

ALTERATIONS AND ADDITIONS

The Tenant shall cause all alterations or additions to the Improvements to be done in a good and workmanlike manner in accordance with the plans and specifications previously approved by the Landlord, such approval not to be unreasonably withheld, in accordance with all applicable building and zoning ordinances and all applicable laws, orders, rules, regulations and requirements of all federal, provincial and civic governments and agencies and will at the Tenant's sole expense keep the Landlord indemnified by insurance in amounts and with companies satisfactory to the Landlord against all claims whatsoever arising out of such construction. Due to underground services, all modifications which require excavation will require approval of the Landlord, such approval will not be unreasonably withheld.

INSURANCE

The Tenant will, from and after the Commencement Date, unless similar insurance has been arranged in a form satisfactory to the Landlord in accordance with the terms of this Lease:

- insure and keep insured in an amount not less than its full replacement value, the "tug office" which forms part of the Improvements;
- Maintain general public liability insurance against liability claims arising out of the occupation of the Leased Premises and operation of the business of the Tenant thereon including, but not limited to, claims for personal injury, death and property damage occurring in, on, or about the Leased Premises and the adjoining walks, sidewalks, streets, truck loading docks and other places adjacent to the Leased Premises or resulting in any way from the demolition of the existing structures on the Leased Premises and for amounts acceptable to the Landlord.

All contracts of insurance required to be maintained hereunder shall be in a form and for a period satisfactory to the Landlord, shall be written with companies approved by the Landlord and shall require at least thirty (30) days written notice to the Landlord of any cancellation or expiry thereof or change affecting the Landlord's coverage thereunder. The Tenant shall procure renewals of all such insurance policies at least thirty (30) days before the expiration thereof and shall provide the Landlord with evidence satisfactory to the Landlord that the premiums on all

such policies have been paid and that such policies are in full force and effect.

All contracts of insurance required to be maintained hereunder shall show the Landlord, the Tenant and the mortgagee, if any, as insureds or loss payees, as their interests may appear and shall provide that the insurer shall not have a right of subrogation against the Landlord or Tenant on account of any loss in damage covered by such insurance or on account of payments made to discharge claims against or liabilities of the Landlord or Tenant covered by such insurance and shall contain a severability of interest and cross-liability clause.

The Tenant hereby releases the Landlord from any and all liability for loss or damage caused by any of the perils against which the Tenant shall have insured, or pursuant to the terms of this Lease is obligated to insure,. and the Tenant hereby covenants to indemnify and save harmless the Landlord from and against all manner of actions, causes of action, suits, damages, loss, costs, claims and demands of any nature whatsoever relating to such loss or damage.

The Tenant shall not violate or permit to be violated any of the conditions or provisions of any policy of insurance required to be placed or maintained by the Tenant hereunder and the Tenant shall so perform and satisfy the requirements of the insurers writing such policies.

If at any time the Tenant shall fail to take out, pay for, or maintain any of the insurance policies provided for in this Lease or otherwise be in breach of its obligations under this Article, then the Landlord may, but shall not be obligated so to do, and without waiving or releasing the Tenant from any obligation of the Tenant in this Lease contained, effect any such insurance coverage and pay all premiums thereon, in such manner and to such extent as the Landlord may deem desirable, and in exercising such rights, may pay necessary and incidental costs and expenses. The Tenant agrees that all sums so disbursed by the Landlord shall be payable by the Tenant to the Landlord on demand.

The partial destruction or damage or complete destruction by fire or other casualty of any of the Improvements shall not terminate this Lease or entitle the Tenant to surrender possession of the Leased Premises or to demand any abatement or reduction of the Rent or

other charges payable under this Lease, any law or statute now or in the future to the contrary notwithstanding.

INDEMNITY

Unless caused by the negligence or wilful act of the Landlord or another person for whom the Landlord is responsible in law, the Tenant shall indemnify and save the Landlord harmless from any and all liabilities, damages, costs, suits, actions and expenses arising out of:

- any breach, violation or non-performance of any covenant, condition or agreement contained in this Lease to be performed by the Tenant or any liability for perils against which the Tenant is obliged to insure pursuant to this Lease;
- any damage to property of the Tenant, sub-tenant, licensee and all persons claiming through or under them or damage to any property howsoever occasioned as a result of the use and occupation of the Leased Premises; and
- any injury to person or persons including death, occurring in or about the Leased Premises or the sidewalks or other areas adjacent to the Leased Premises.

Such indemnification shall survive the termination of this Lease. If a claim, action or proceeding is brought against the Landlord, the Tenant, upon notice from the Landlord, at the Tenant's cost will defend such claim or action.

ENVIRONMENTAL CONTAMINANTS

15.1. A Phase II environmental assessment will be completed at a mutually acceptable date. Costs of doing the Phase II assessment will be shared equally by the Landlord and the Tenant. If the Phase II Environmental Assessment indicates any Environmental Contaminants in, on or under the Leased Premises the Landlord will, if so directed by a statutory requirement, deal with any such Environmental Contaminants in a manner which conforms with the statutory requirements as applicable to industrial uses and will repair any damage to the Leased Premises caused by the Landlord's compliance with such statutory requirements. Following completion of such work, the Landlord will have no further liability to the Tenant with respect to any Environmental Contaminants in, on or under the Leased Presmises and in the event of a sale of the Leased Premises to the Tenant the Contract of Purchase and Sale shall explicitly provide that the Leased Premises will be sold to the Tenant "as is, where is" without any representation, warranty or indemnity as to environmental matters whatsoever.

15.2. The Tenant will not store, manufacture, dispose, treat, generate, use, transport, remediate, or release Environmental Contaminants on or from the Leased Premises (including water lot lease areas accessed) except in compliance with all Environmental Laws.

15.3. If the Tenant has knowledge or has reasonable cause to believe that any Environmental Contaminant has come to be located on, under or about the Leased Premises in contravention of any Environmental Laws, the Tenant will, upon discovery of the presence or suspected presence of any such Environmental Contaminant, give written notice of that condition to the Landlord.

15.4 If the Landlord, in its sole discretion, believes that the Leased Premises or environment have become contaminated with any Environmental Contaminant in contravention of any Environmental Laws, the Landlord, in addition to its other rights under this Lease, may enter upon the Leased Premises and obtain samples from the Leased Premises for the purpose of analysing the same to determine whether and to what extent the Leased Premises and environment have become so contaminated. To the extent that such contamination is found and that such contamination was caused by the Tenant or those for whom it is at law responsible, the Tenant will reimburse the Landlord for the costs of such inspection, sampling and analysis.

15.5 If prior to the completion of the Phase II environmental assessment, and any associated remediation work, referred to in section 15.1 the Tenant finds any Environmental Contaminants in, on or under the Leased Premises that the Tenant believes existed prior to the date that the Tenant took possession of the Leased Premises and such belief is confirmed by a written report from a professional approved by the Tenant and the Landlord, both acting reasonably, who is qualified in matters related to the Environmental Contaminants, the Landlord will, if so directed by a statutory requirement, deal with any such Environmental Contaminants in a manner which conforms with the statutory requirements as applicable to industrial uses and will repair any damage to the Leased Premises caused by the Landlord's compliance with such statutory requirements.

15.6 The Tenant will indemnify the Landlord and its shareholders, directors, officers, employees, agents, permitted subtenants, successors and permitted assigns from any and all liabilities, actions, damages, claims, remediation costs, losses, fines, penalties and other expenses, including any and all environmental or statutory liability for remediation, all legal and consultant fees and expenses and the cost of remediation of the Leased Premises or that portion of the Landlord's foreshore licences appurtenant to the Leased Premises arising from the breach or non-compliance by the Tenant of its obligations contained in Section 15. The indemnity of the Tenant under this section 15.6 will survive the expiry or early termination of this Lease.

ASSIGNING AND SUBLETTING

The Tenant may not assign its interest in this Lease. The Tenant may enter into subleases of this Lease to parties that are related to the Tenant, subject to the consent of the Landlord, such consent not to be unreasonably withheld.

ESTOPPEL CERTIFICATES

The Landlord or the Tenant shall upon receiving not less than fourteen (14) days written notice from the other, execute and deliver to the other a statement in writing certifying that this Lease is

unmodified and in full force and effect (or if there have been modifications that the same is in full force and effect as modified and identifying the modifications) the dates to which the Rent has been paid and that so far as the maker of the certificate knows the party who requests the certificate is not in default under any provisions of this Lease (or if in default, the particulars thereof).

DEFAULTS AND REMEDIES

If and whenever:

- the Tenant shall default in the payment of Rent and such default shall continue for seven (7) days after notice thereof given by the Landlord to the Tenant; or
- the Tenant shall default in the performance or observance of any of the other agreements, terms, covenants or conditions herein on the Tenant's part to be performed or observed and such default shall continue for a period of fourteen (14) days after notice thereof by the Landlord to the Tenant or if such default cannot reasonably be cured within such fourteen (14) day period and the Tenant shall not in good faith have commenced to cure the same within such fourteen (14) day period or shall not diligently proceed therewith to completion; or
- the Tenant files in any court a petition in bankruptcy or insolvency or for any reorganization or for the appointment of a receiver or trustee of all or a portion of the Tenant's property or if the Tenant seeks the protection of any legislation for insolvent debtors or if there is filed against the Tenant in any court a petition in bankruptcy or insolvency or for reorganization of the Tenant or for the appointment of a receiver or trustee of all or a portion of the Tenant's property and within thirty (30) days after the commencement of any such proceedings against the Tenant such petition shall not have been dismissed; or
- the Tenant makes a general assignment for the benefit of its creditors; or
- the Tenant shall abandon the Leased Premises; or
- any execution or attachment shall be issued against the Leased Premises, and such execution or attachment shall not be set aside, vacated or discharged in a manner satisfactory to the Landlord within thirty (30) days after the issuance of such execution or attachment; or
- the Tenant shall fail to keep, perform or observe any of the obligations, agreements, conditions or provisions contained in any mortgage by the Tenant in whole or in part and such failure shall continue for, or shall not be remedied by the Tenant, within the period granted by the notice of default given by the mortgagee of the Tenant in accordance with the provisions of such mortgage;

then and in any such event the then current month's Minimum Rent together with the Minimum Rent for the three months next ensuing shall immediately become due and

payable and the Landlord may re-enter upon the Leased Premises whereupon this Lease and the Term hereof as well as all right, title and interest of the Tenant hereunder shall forthwith terminate provided however that such termination shall be wholly without prejudice to the right of the Landlord to recover arrears of Rent and damages for any antecedent breach of covenant on the part of the Tenant.

The Landlord, in addition to any other rights hereby reserved, shall, if the Tenant is in default hereunder, have the right to enter the Leased Premises as agent of the Tenant, and may re-lease or sublet as the Tenant's agent, the Leased Premises or any part thereof and to apply the proceeds of such re-leasing or subletting on account of Rent due or in satisfaction of the breach of any covenant or agreement herein contained and the Tenant shall remain liable for any deficiency together with the Landlord's expenses of retaking and reletting the Leased Premises including legal fees as between solicitor and his own client and the Landlord shall be entitled to recover from the Tenant Rent due for the remainder of the Term in the event the Landlord has not so relet or if the Landlord has relet the Leased Premises to recover from the Tenant the difference in rent payable by any new tenant of the Leased Premises for the balance of the Term and that required to be paid by the Tenant pursuant to this Lease for the balance of the Term and that the Term shall not cease and the Tenant agrees to pay such amount as so determined promptly on demand.

The remedies of the Landlord specified in this Lease are cumulative and are in addition to any remedies of the Landlord at law or in equity. No remedy shall be deemed to be exclusive and the Landlord may from time to time have recourse to one or more or all of the available remedies specified herein or at law or in equity.

LANDLORD'S PERFORMANCE OF TENANT'S COVENANTS

In the event of default by the Tenant in the performance of any of its obligations hereunder other than the payment of Rent the Landlord may perform the same and the amount of any expenditures made by the Landlord in connection therewith, including reasonable legal costs on a solicitor and own client basis, shall be deemed to be Rent payable hereunder and shall be reimbursed to the Landlord by the Tenant on demand. The Landlord shall however be under no obligation to remedy any default of the Tenant and shall not incur any liability to the Tenant for any act or omission in the course of its curing or attempting to cure any such default.

WAIVER

The failure of the Landlord to insist in any one or more cases upon the strict performance of any of the terms, covenants or conditions of this Lease or to exercise any option herein contained shall not be construed as a waiver or a relinquishment of such term, covenant, condition or option. A receipt by the Landlord of Rent with knowledge of the breach of any of the terms, covenants or conditions hereof shall not be a waiver of such breach and no waiver by the Landlord of any provision of this Lease shall be deemed to have been made unless in writing and signed by the Landlord.

QUIET ENJOYMENT

The Landlord covenants that upon the Tenant paying the Rent hereby reserved and performing and observing the covenants herein on its part contained the Tenant shall and may quietly possess and enjoy the Leased Premises for the Term hereby granted without any interruption or disturbance from the Landlord or from any other person or persons lawfully claiming by, from or under it.

NET LEASE

It is the intention of the parties hereto that this Lease shall be a net lease and that the Minimum Rent to be paid to the Landlord hereunder shall be net to the Landlord and shall yield to the Landlord the entire Minimum Rent during the full Term of this Lease and that all costs, expenses and obligations of every kind and nature whatsoever relating to the Leased Premises whether or not herein referred to and whether or not of a kind now existing or within the contemplation of the parties hereto shall be paid by the Tenant.

ZONING CHANGES

Neither the Landlord nor the Tenant will make any application for a change in any zoning ordinance from time to time affecting the Leased Premises without the consent of the other which consent will not be unreasonably withheld.

USE OF LEASED PREMISES

The Tenant may use the Leased Premises for all commercial or industrial uses permitted by the City of Powell River zoning bylaws and any other applicable laws or ordinances.

TENANT'S OVERHOLDING

If at the expiration of the Term of this Lease the Tenant shall overhold for any reason, its tenancy thereafter shall be from month to month only and shall be subject to all the terms and conditions of this Lease, except duration, in the absence of a written agreement to the contrary.

SURRENDER OF LEASE

At the end of the Term, whether by earlier termination or lapse of time, the Tenant shall surrender the Leased Premises to the Landlord in the condition in which they were required to be kept by the Tenant under the provisions of this Lease.

The Tenant will retain the right to remove equipment, fixtures or improvements which are of the nature of usual tenants' fixtures. The Tenant shall make good any damage to the Improvements caused by any removal of tenants' fixtures.

COVENANTS OF LANDLORD

27.1. The Landlord will make commercially reasonable efforts to subdivide the Property so as to create a separate legal parcel and to obtain water and land access to the separate legal parcel, both of which are shown on Schedule "B" attached hereto. The Tenant will perform all work reasonably required to effect such subdivision, including preparing applications for approval from municipal and other government authorities, and the expenses incurred by the Tenant in that regard will be deducted from the Minimum Rent payable by the Tenant to the Landlord.

27.2. **The Landlord will, at the Landlord's expense and at rates set by the Landlord, allow the Tenant access to the current sewage, water (to a maximum cost of $200 per year) and power (at BC Hydro Tier 2 rate which is currently $0.07915 per KWH) being provided to the Leased Premises until such time as the Tenant is able to complete its connections directly with the City of Powell River and BC Hydro.The Landlord will, at the Landlord's expense, install the necessary electrical metering and data collection system.**

The Landlord will allow the Tenant reasonable access to the Leased Premises via the roadway. The Tenant will, at its cost, maintain the road and the Landlord will provide the Tenant with an easement over the roadway, in registerable form, in form and substance satisfactory to the Landlord and the Tenant, both acting reasonably.

RIGHT OF FIRST REFUSAL TO PURCHASE LEASED PREMISES

28.1 The Landlord hereby grants to the Tenant a right of first refusal (the "Right of First Refusal"), irrevocable within the time limit specified in this Article 28, to purchase the Leased Premises on the terms and conditions specified in this Article 28. The Landlord hereby covenants and agrees that it will not, prior to the expiration or earlier determination of the Term (including any renewal term) sell, agree to sell, transfer, or in any manner dispose of or agree to dispose of the Leased Premises or any part of them except pursuant to a bona fide arm's length offer (the "Third Party Offer") in accordance with the following procedure:

- if the Landlord receives a Third Party Offer that it is prepared to accept, the Landlord will send a notice of its intention to accept such Third Party Offer together with a duplicate copy of such Third Party Offer to the Tenant;

- the notice and other documents sent to the Tenant pursuant to subclause 28.1(a) will constitute an offer (the "Offer") to the Tenant to sell to the Tenant the Leased Premises for

  the sum of $500,000.00 increased by the increase in the Consumer Price Index (British Columbia) from April 30, 2008 at which time such index was 111.8.

- the Offer will be open for acceptance by the Tenant for a period of 30 days from the date the Offer is received by the Tenant;

- if the Tenant accepts the Offer by written notice to the Landlord within the time limit specified in subclause 28.1(c) then there will be a binding agreement of purchase and sale for the Leased Premises between the Tenant and the Landlord on the terms and conditions and in the form set forth in Schedule A.

- if the Tenant does not accept the Offer by written notice to the Landlord within the time limit specified in subclause 28.1(c) then the Landlord may accept the Third Party Offer and may complete the sale and purchase contemplated therein, and the Tenant will, at the Tenant's cost, provide the Landlord with the necessary release of the Right of First Refusal; and

- if the sale and purchase pursuant to the agreement constituted by the acceptance of the Third Party Offer does not complete on the intended closing date, or within 3 months after that if agreed to by the Landlord and the Third Party, then the Right of First Refusal will again continue to be binding between the Landlord and the Tenant on the terms and conditions of this Article 28.

28.2 The Tenant will have no right to assign this Right of First Refusal.

28.3 Time is of the essence of this Right of First Refusal.

28.4 This Right of First Refusal shall be valid and in effect only for the Term and any renewal term and in the event the Term or any renewal term is terminated for any reason then this Right of First Refusal shall also terminate and be of no further effect as of the date of such termination of the Term or renewal term.

28.5 Should the Landlord, at any time during the Term or any renewal term, wish to sell the Leased Premises to the Tenant without receiving a bona fide offer from a third party and the Tenant agrees to purchase the Leased Premises it is agreed that the purchase price shall be calculated pursuant to the provisions of subclause 28.1.(b).

28.6 The foregoing provisions of this Section 28 shall not apply to any mortgage, pledge, hypotech, lien, charge, assignment by way of security, hypotechation, security interest or other security agreement, trust or arrangement entered into by the Landlord and having the effect of security for the payment of any debt, liability or obligation of the Landlord or any of its affiliates.

OPTION TO RENEW LEASE

29.1 If the Tenant duly and punctually observes and performs the covenants, agreements, conditions, and provisos in this Lease on the part of the Tenant to be observed and performed, the Landlord will at the expiration of the Term, at the cost of the Tenant, and at the Tenant's written request delivered to the Landlord in the manner provided in this Lease not later than 180 days prior to the expiration of the Term, grant to the Tenant a renewal lease of the Leased Premises for a further term of 10 years (the "First Renewal Term") from the expiration of the Term, upon all of the covenants, agreements, conditions, and provisos contained in this Lease except for Article 7 and except the Minimum Rent to be paid during the First Renewal Term.

29.2 The renewal lease for the First Renewal Term will contain a further right of renewal (the 'Second Renewal Term") for a term of 10 years from the expiration of the First Renewal Term in the same form and upon the same covenants, agreements, conditions, and provisos contained in this Lease, except any further right of renewal and Article 7 and except that the time for the Tenant to give its written request to exercise its right to renew will be not later than 180 days prior to the expiration of the First Renewal Term, and except the Minimum Rent to be paid during the Second Renewal Term.

29.3 The Minimum Rent for the First Renewal Term and the Second Renewal Term, as the case may be, will be the Minimum Rent for the Term or the First Renewal Term multiplied by the the Consumer Price Index (British Columbia) as at the commencement of the First Renewal Term or the Second Renewal Term, as the case may be, divided by the Consumer Price Index (British Columbia) as at the commencement of the Term or the First Renewal Term, as the case may be.

29.4 It is acknowledged and agreed that the Consumer Price Index (British Columbia) as at April 30, 2008 is 111.8

29.5 In no event will the Minimum Rent for the First Renewal Term be less than the Minimum Rent for the Term, and the Minimum Rent for the Second Renewal Term shall in no event be less than that for the First Renewal Term.

NOTICES AND DEMANDS

All notices, demands, requests, consents, approvals and other instruments required or permitted to be given pursuant to the terms of this Lease shall be in writing and shall be deemed to have been properly given if delivered:

to the Landlord at:

Catalyst Paper Corporation
5775 Ash Avenue
Powell River, BC V8A 4R3
Attention: Steve Hunter
Facsimile No.: (604)-482-2980

to the Tenant at:

JRK Holdings Ltd.
107 – 4675 Marine Avenue
Powell River, BC V8A 2L2
Attention: John Spick
Facsimile No.: 604-485-0866

provided however that such addresses may be changed upon written notice thereof delivered to the other party.

INDEPENDENT COVENANTS

If any term or provision of this Lease or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Lease or the application of such term or provision to persons or circumstances other than those as to which it is invalid or unenforceable shall not be affected thereby and each term and provision of this Lease shall be valid and shall be enforced to the extent permitted by law.

NO PARTNERSHIP OR JOINT VENTURE

This Lease is not intended nor shall it be construed to create the relationship of either a partnership or a joint venture between the Landlord and the Tenant.

FURTHER ASSURANCES

The Landlord or Tenant will forthwith from time to time execute and do or cause to be executed and done all deeds, documents, acts and things which in the reasonable opinion of the legal advisors of the Landlord or Tenant are necessary or advisable for the better giving and performing of the terms and conditions of this Lease.

SUCCESSORS AND ASSIGNS

The word "Landlord" and "Tenant" wherever they occur in this Lease shall mean and extend to the Landlord and the Tenant respectively, and their successors and permitted assigns.

ENTIRE AGREEMENT

This Lease contains the entire agreement between the Landlord and the Tenant and cannot be amended or terminated orally but only by an instrument in writing executed by the parties.

GOVERNING LAW

This Lease shall be governed by and construed in accordance with the laws of the Province of British Columbia and the laws of Canada applicable therein and the parties hereto each agree to attorn to the jurisdiction of the courts of the Province of British Columbia.

IN WITNESS WHEREOF the Landlord and the Tenant have executed this Lease the day and year first above written.

THE CORPORATE SEAL OF **CATALYST PAPER CORPORATION**, was hereunto affixed in the presence of:

_____
Authorized Signatory

_____
Authorized Signatory

c/s

THE CORPORATE SEAL OF **JRK HOLDINGS LTD.** was hereunto affixed in the presence of:

_____
Authorized Signatory

_____
Authorized Signatory

c/s

SCHEDULE "A"

CONTRACT OF PURCHASE AND SALE

CONTRACT OF PURCHASE AND SALE

PREPARED BY: _____ DATE: _____
(BROKERAGE - PLEASE SIGN)

ADDRESS: _____ PC: _____ PHONE: _____

PER: _____ MLS® No. _____
(LICENSEE - PLEASE PRINT)

SELLER: _____	BUYER: _____
SELLER: _____	BUYER: _____
ADDRESS: _____	ADDRESS: _____
_____	_____
_____ PC: _____	_____ PC: _____
PHONE: _____	PHONE: _____
RESIDENT OF CANADA ☐ NON-RESIDENT OF CANADA ☐ as defined under the *Income Tax Act*.	OCCUPATION: _____

PROPERTY:

UNIT NO.	ADDRESS OF PROPERTY	
CITY / TOWN / MUNICIPALITY	POSTAL CODE	PID
LEGAL DESCRIPTION		

The Buyer agrees to purchase the Property from the Seller on the following terms and subject to the following conditions:

1. **PURCHASE PRICE:** The purchase price of the Property will be _____
_____ DOLLARS $_____ (Purchase Price)

2. **DEPOSIT:** A deposit of $ _____ which will form part of the Purchase Price, will be paid on the following terms: _____
_____
_____

All monies paid pursuant to this section (Deposit) will be delivered in trust to _____ and held in trust in accordance with the provisions of the *Real Estate Services Act*. In the event the Buyer fails to pay the Deposit as required by this Contract, the Seller may, at the Seller's option, terminate this Contract. The party who receives the Deposit is authorized to pay all or any portion of the Deposit to the Buyer's or Seller's conveyancer (the "Conveyancer") without further written direction of the Buyer or Seller, provided that: (a) the Conveyancer is a Lawyer or Notary; (b) such money is to be held in trust by the Conveyancer as stakeholder pursuant to the provisions of the *Real Estate Services Act* pending the completion of the transaction and not on behalf of any of the principals to the transaction; and (c) if the sale does not complete, the money should be returned to such party as stakeholder or paid into Court.

3. **TERMS AND CONDITIONS:** The purchase and sale of the Property includes the following terms and is subject to the following conditions: _____

_____

_____

_____

Each condition, if so indicated, is for the sole benefit of the party indicated. Unless each condition is waived or declared fulfilled by written notice given by the benefiting party to the other party on or before the date specified for each condition, this Contract will be terminated thereupon and the Deposit returnable in accordance with the *Real Estate Service Act*.

4. **COMPLETION:** The sale will be completed on _____, yr. _____ (Completion Date) at the appropriate Land Title Office.

5. **POSSESSION:** The Buyer will have vacant possession of the Property at 12 noon on _____ _____, yr. _____ (Possession Date) OR, subject to the following existing tenancies, if any: _____

6. **ADJUSTMENTS:** The Buyer will assume and pay all taxes, rates, local improvement assessments, fuel, utilities and other charges from, and including, the date set for adjustments, and all adjustments both incoming and outgoing of whatsoever nature will be made as of _____, yr. _____ (Adjustment Date)

7. **INCLUDED ITEMS:** The Purchase Price includes any buildings, improvements, fixtures, appliances, appurtenances and attachments thereto, and all blinds, awnings, screen doors and windows, curtain rods, tracks and valances, fixed mirrors, fixed carpeting, electric, plumbing, heating and air conditioning fixtures and all appurtenances and attachments thereto as viewed by the Buyer at the date of inspection, INCLUDING:

_____

_____

_____

BUT EXCLUDING: _____

8. **VIEWED:** The Property and all included items will be in substantially the same condition at the Possession Date as when viewed by the Buyer on _____, yr. _____.

9. **TITLE:** Free and clear of all encumbrances except subsisting conditions, provisos, restrictions, exceptions and reservations, including royalties, contained in the original grant or contained in any other grant or disposition from the Crown, registered or pending restrictive covenants and rights-of-way in favour of utilities and public authorities, existing tenancies set out in Clause 5, if any, and except as otherwise set out herein.

10. **TENDER:** Tender or payment of monies by the Buyer to the Seller will be by certified cheque, bank draft, cash or Lawyer's/Notary's trust cheque.

11. **DOCUMENTS:** All documents required to give effect to this Contract will be delivered in registerable form where necessary and will be lodged for registration in the appropriate Land Title Office by 4:00 pm on the Completion Date.

12. **TIME:** Time will be of the essence hereof, and unless the balance of the cash payment is paid and such formal agreement to pay the balance as may be necessary is entered into on or before the Completion Date, the Seller may, at the Seller's option, terminate this Contract, and, in such event, the amount paid by the Buyer will be absolutely forfeited to the Seller in accordance with the *Real Estate Service Act*, on account of damages, without prejudice to the Seller's other remedies.

13. **BUYER FINANCING:** If the Buyer is relying upon a new mortgage to finance the Purchase Price, the Buyer, while still required to pay the Purchase Price on the Completion Date, may wait to pay the Purchase Price to the Seller until after the transfer and new mortgage documents have been lodged for registration in the appropriate Land Title Office, but only if, before such lodging, the Buyer has: (a) made available for tender to the Seller that portion of the Purchase Price not secured by the new mortgage, and (b) fulfilled all the new mortgagee's conditions for funding except lodging the mortgage for registration, and (c) made available to the Seller, a Lawyer's or Notary's undertaking to pay the Purchase Price upon the lodging of the transfer and new mortgage documents and the advance by the mortgagee of the mortgage proceeds pursuant to the Canadian Bar Association (BC Branch) (Real Property Section) standard undertakings (the "CBA Standard Undertakings").

14. **CLEARING TITLE:** If the Seller has existing financial charges to be cleared from title, the Seller, while still required to clear such charges, may wait to pay and discharge existing financial charges until immediately after receipt of the Purchase Price, but in this event, the Seller agrees that payment of the Purchase Price shall be made by the Buyer's Lawyer or Notary to the Seller's Lawyer or Notary, on the CBA Standard Undertakings to pay out and discharge the financial charges, and remit the balance, if any, to the Seller

15. **COSTS:** The Buyer will bear all costs of the conveyance and, if applicable, any costs related to arranging a mortgage and the Seller will bear all costs of clearing title.

16. **RISK:** All buildings on the Property and all other items included in the purchase and sale will be, and remain, at the risk of the Seller until 12:01 a.m. on the Completion Date. After that time, the Property and all included items will be at the risk of the Buyer.

17. **PLURAL:** In this Contract, any reference to a party includes that party's heirs, executors, administrators, successors and assigns; singular includes plural and masculine includes feminine.

18. **REPRESENTATIONS AND WARRANTIES:** There are no representations, warranties, guarantees, promises or agreements other than those set out in this Contract and the representations contained in the Property Disclosure Statement if incorporated into and forming part of this Contract, all of which will survive the completion of the sale.

19. **PERSONAL INFORMATION:** The Buyer and the Seller hereby consent to the collection, use and disclosure by the Brokerages and by the managing broker(s), associate broker(s) and representative(s) of those Brokerages (collectively the "Licensee(s)") described in Clause 20, the real estate boards of which those Brokerages and Licensees are members and, if the Property is listed on a Multiple Listing Service®, the real estate board that operates that Multiple Listing Service®, of personal information about the Buyer and the Seller:

    A. for all purposes consistent with the transaction contemplated herein;

    B. if the Property is listed on a Multiple Listing Service®, for the purpose of the compilation, retention and publication by the real estate board that operates the Multiple Listing Service® and other real estate boards of any statistics including historical Multiple Listing Service® data for use by persons authorized to use the Multiple Listing Service® of that real estate board and other real estate boards;

    C. for enforcing codes of professional conduct and ethics for members of real estate boards; and

    D. for the purposes (and to the recipients) described in the brochure published by the British Columbia Real Estate Association entitled *Working With A REALTOR*.

20. **AGENCY DISCLOSURE:** The Seller and the Buyer acknowledge having received, read and understood the brochure published by the British Columbia Real Estate Association entitled *Working With a REALTOR* and acknowledge and confirm as follows:

A. the Seller has an Agency relationship with

_____ and _____
BROKERAGE LICENSEE

B. the Buyer has an Agency relationship with

_____ and _____
BROKERAGE LICENSEE

C. the Buyer and the Seller have consented to a limited dual agency relationship with

_____ and _____
BROKERAGE LICENSEE

_____
LICENSEE

having signed a Limited Dual Agency Agreement dated _____

If only (A) has been completed, the Buyer is acknowledging no agency relationship. If only (B) has been completed, the Seller is acknowledging no agency relationship.

21. **ACCEPTANCE IRREVOCABLE (Buyer and Seller):** The Seller and the Buyer specifically confirm that this Contract of Purchase and Sale is executed under seal. It is agreed and understood, that the Seller's acceptance is irrevocable, including without limitation, during the period prior to the date specified for the Buyer to either:

A. fulfill or waive the terms and conditions herein contained; and/or

B. exercise any option(s) herein contained.

22. **THIS IS A LEGAL DOCUMENT. READ THIS ENTIRE DOCUMENT AND INFORMATION PAGE BEFORE YOU SIGN.**

23. **OFFER:** This offer, or counter-offer, will be open for acceptance until _____ o'clock _____ m. on _____, yr. _____ (unless withdrawn in writing with notification to the other party of such revocation prior to notification of its acceptance), and upon acceptance of the offer, or counter-offer, by accepting in writing and notifying the other party of such acceptance, there will be a binding Contract of Purchase and Sale on the terms and conditions set forth.

X _____ WITNESS	_____ BUYER	(SEAL) _____ PRINT NAME
X _____ WITNESS	_____ BUYER	(SEAL) _____ PRINT NAME

24. **ACCEPTANCE:** The Seller (a) hereby accepts the above offer and agrees to complete the sale upon the terms and conditions set out above, (b) agrees to pay a commission as per the Listing Contract, and (c) authorizes and instructs the Buyer and anyone acting on behalf of the Buyer or Seller to pay the commission out of the cash proceeds of sale and forward copies of the Seller's Statement of Adjustments to the Cooperating/Listing Brokerage, as requested, forthwith after completion.

Seller's acceptance is dated _____, yr. _____

X _____ WITNESS	_____ SELLER	(SEAL) _____ PRINT NAME
X _____ WITNESS	_____ SELLER	(SEAL) _____ PRINT NAME

INFORMATION ABOUT THE CONTRACT

THIS INFORMATION IS INCLUDED FOR THE ASSISTANCE OF THE PARTIES ONLY. IT DOES NOT FORM PART OF THE CONTRACT AND SHOULD NOT AFFECT THE PROPER INTERPRETATION OF ANY OF ITS TERMS.

1. **CONTRACT:** This document, when signed by both parties, is a legally binding contract. READ IT CAREFULLY. The parties should ensure that everything that is agreed to is in writing.

2. **DEPOSIT(S):** Section 28 of the *Real Estate Service Act* requires that money held by a brokerage in respect of a real estate transaction for which there is an agreement between the parties for the acquisition and disposition of the real estate be held by the brokerage as a stakeholder. The money is held for the real estate transaction and not on behalf of one of the parties. If a party does not remove a subject clause, the brokerage requires the written agreement of both parties in order to release the deposit. If both parties do not sign the agreement to release the deposit, then the parties will have to apply to court for a determination of the deposit issue.

3. **COMPLETION:** (Clause 4) Unless the parties are prepared to actually meet at the Land Title Office and exchange title documents for the Purchase Price, it is, in every case, advisable for the completion of the sale to take place in the following sequence:
(a) The Buyer pays the Purchase Price or down payment in trust to the Buyer's Lawyer or Notary (who should advise the Buyer of the exact amount required) several days before the Completion Date, and the Buyer signs the documents.
(b) The Buyer's Lawyer or Notary prepares the documents and forwards them for signature to the Seller's Lawyer or Notary who returns the documents to the Buyer's Lawyer or Notary.
(c) The Buyer's Lawyer or Notary then attends to the deposit of the signed title documents (and any mortgages) in the appropriate Land Title Office.
(d) The Buyer's Lawyer or Notary releases the sale proceeds at the Buyer's Lawyer's or Notary's office.

   Since the Seller is entitled to the Seller's proceeds on the Completion Date, and since the sequence described above takes a day or more, it is strongly recommended that the Buyer deposits the money and the signed documents AT LEAST TWO DAYS before the Completion Date, or at the request of the Conveyancer, and that the Seller delivers the signed transfer documents no later than the morning of the day before the Completion Date.

   While it is possible to have a Saturday Completion Date using the Land Title Office's Electronic Filing System, parties are strongly encouraged NOT to schedule a Saturday Completion Date as it will restrict their access to fewer lawyers or notaries who operate on Saturdays; lenders will generally not fund new mortgages on Saturdays; lenders with existing mortgages may not accept payouts on Saturdays; and other offices necessary as part of the closing process may not be open.

4. **POSSESSION:** (Clause 5) The Buyer should make arrangements through the real estate licensees for obtaining possession. The Seller will not generally let the Buyer move in before the Seller has actually received the sale proceeds. Where residential tenants are involved, Buyers and Sellers should consult the *Residential Tenancy Act*.

5. **TITLE:** (Clause 9) It is up to the Buyer to satisfy the Buyer on matters of zoning or building or use restrictions, toxic or environmental hazards, encroachments on or by the Property and any encumbrances which are staying on title before becoming legally bound. It is up to the Seller to specify in the Contract if there are any encumbrances, other than those listed in Clause 9, which are staying on title before becoming legally bound. If you as the Buyer are taking out a mortgage, make sure that title, zoning and building restrictions are all acceptable to your mortgage company. In certain circumstances, the mortgage company could refuse to advance funds. If you as the Seller are allowing the Buyer to assume your mortgage, you may still be responsible for payment of the mortgage, unless arrangements are made with your mortgage company.

6. **CUSTOMARY COSTS:** (Clause 15) In particular circumstances there may be additional costs, but the following costs are applicable in most circumstances:

Costs to be Borne by the Seller	**Cost to be Borne by the Buyer**
Lawyer or Notary Fees and Expenses: - attending to execution of documents. Costs of clearing title, including: - discharge fees charged by encumbrance holders, - prepayment penalties Real Estate Commission Goods and Services Tax.	Lawyer or Notary Fees and Expenses: - searching title, - investigating title, - drafting documents, - Land Title Registration fees. Survey Certificate (if required). Costs of Mortgage, including: -mortgage company's Lawyer/Notary, - appraisal (if applicable), - Land Title Registration fees. Fire Insurance Premium. Sales Tax (if applicable). Property Transfer Tax. Goods and Services Tax.

7. **RISK:** (Clause 16) The Buyer should arrange for insurance to be effective on the earlier of the Completion Date or the date the Buyer pays the balance of the funds into trust. The Seller should maintain the Seller's insurance in effect until the later of the date the Seller receives the proceeds of sale, or the date the Seller vacates the property.

8. **FORM OF CONTRACT:** This Contract of Purchase and Sale is designed primarily for the purchase and sale of freehold residences. If your transaction involves:
- a house or other building under construction
- a business
- a lease
- other special circumstances

additional provisions, not contained in this form, may be needed, and professional advice should be obtained. A Property Disclosure Statement completed by the Seller may be available.

9. **ALTERNATE DISPUTE RESOLUTION:** Parties to this contract may pursue alternate dispute resolution if a dispute arises after completion of the transaction. It is recommended that the parties first mediate the dispute. Failing agreement to mediate, or if the mediation fails, then disputes can be submitted to an Arbitration under the *Commercial Arbitration Act* (BC). BCREA member boards can provide guidance on the selection of mediation and arbitration services in your area.

PAGE OF PAGES

CONTRACT OF PURCHASE AND SALE ADDENDUM

M.L.S.® NO. DATE

RE: ADDRESS:

LEGAL DESCRIPTION:

PID#:

FURTHER TO THE CONTRACT OF PURCHASE AND SALE DATED

MADE BETWEEN AS BUYER, AND

AS SELLER AND COVERING

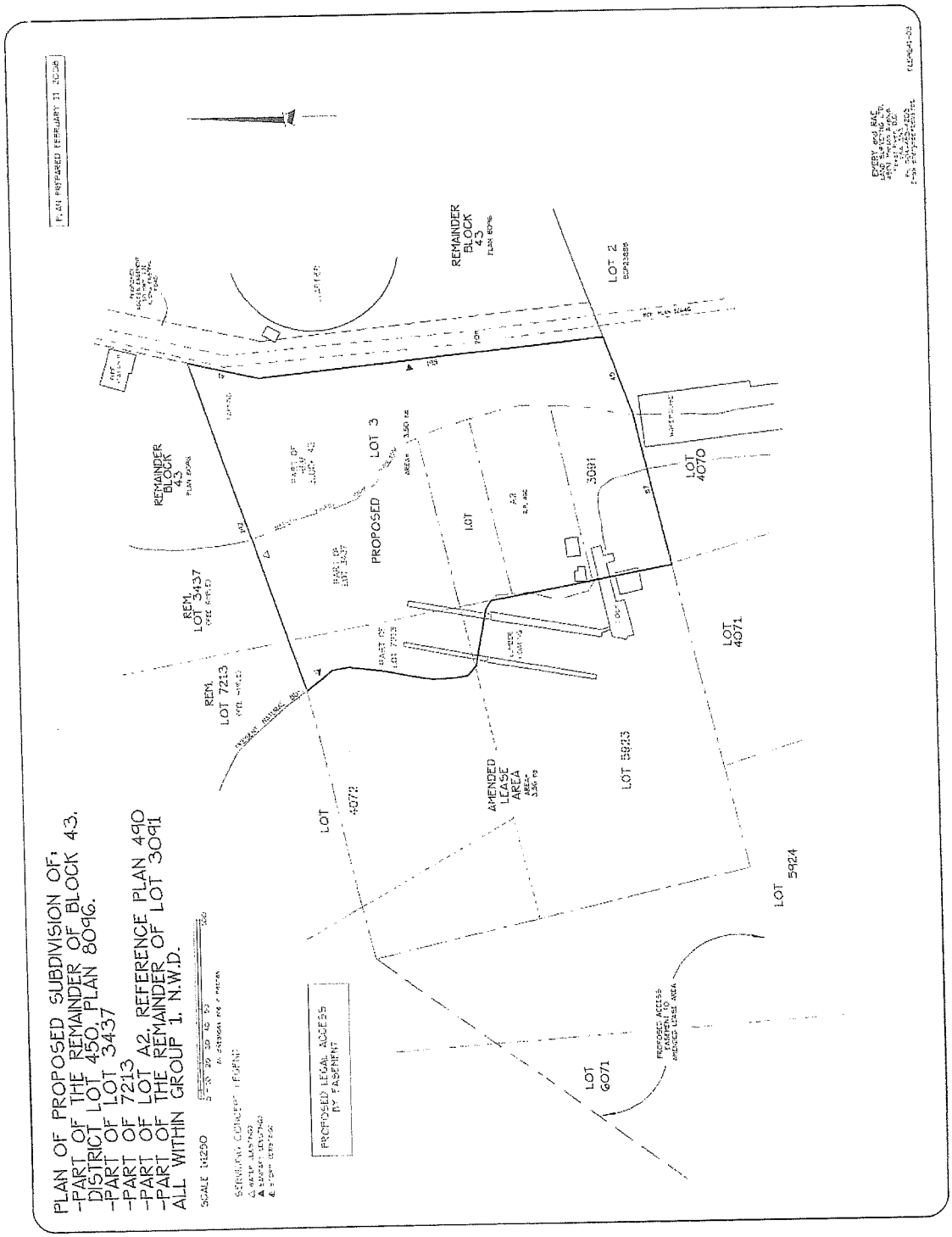
THE ABOVE-MENTIONED PROPERTY, THE UNDERSIGNED HEREBY AGREE AS FOLLOWS:

X WITNESS	SELLER	(SEAL)	PRINT NAME
X WITNESS	SELLER	(SEAL)	PRINT NAME
X WITNESS	BUYER	(SEAL)	PRINT NAME
X WITNESS	BUYER	(SEAL)	PRINT NAME

03456.03456.ELW.3085717.1

SCHEDULE "B"

LEASED PREMISES



SCHEDULE "C"

PROPERTY

Date: 08/03/20 TITLE SEARCH PRINT - VANCOUVER Time: 09:05:41
Requestor: (PH35150) WESTERN PACIFIC TITLE SEARCH LTD. Page: 001
TITLE - BA179178

VANCOUVER LAND TITLE OFFICE TITLE NO: BA179178
FROM TITLE NO: BA151509

APPLICATION FOR REGISTRATION RECEIVED ON: 19 JULY, 2006
ENTERED: 20 JULY, 2006

REGISTERED OWNER IN FEE SIMPLE:
CATALYST PAPER CORPORATION, INC.NO. 55302A
16TH FLOOR - 250 HOWE STREET
VANCOUVER, BC
V6C 3R8

TAXATION AUTHORITY:
CITY OF POWELL RIVER

DESCRIPTION OF LAND:
PARCEL IDENTIFIER: 002-554-682
BLOCK 43, EXCEPT THOSE PORTIONS IN PLANS 12273 AND 14778 EXPLANATORY PLANS 5457, 7624, AND PLANS BCP7701, BCP23888 AND BCP23889; DISTRICT LOT 450 GROUP 1 NEW WESTMINSTER DISTRICT PLAN 8096

LEGAL NOTATIONS:

HERETO IS ANNEXED EASEMENT BA176361 OVER LOTS 1 AND 2 PLAN BCP23888

HERETO IS ANNEXED RESTRICTIVE COVENANT BJ385175 OVER LOT D OF LOTS 7 AND 11 TO 15 BLOCK 18 DISTRICT LOT 450 PLAN 9247
ASSIGNED TO BM155056

HERETO IS ANNEXED EASEMENT BV413604 OVER PART HATCHED (PLAN BCP7701) BLOCK 44 PLAN 8096

LAND HEREIN WITHIN BUILDING SCHEME, SEE 356713L

HERETO IS ANNEXED RESTRICTIVE COVENANT 225746M OVER LOTS 1 TO 4, SUBDIVISION A, BLOCK 38 PLAN 8212, SEE 233042L

HERETO IS ANNEXED RESTRICTIVE COVENANT 140229M OVER PARCEL 1 (REFERENCE PLAN 3573), BLOCK 46, SEE 254428L

HERETO IS ANNEXED RESTRICTIVE COVENANT 148791M OVER LOT 20, BLOCK 15, PLAN 4533, SEE 265798L

HERETO IS ANNEXED RESTRICTIVE COVENANT 148793M OVER LOTS 4 TO 6, BLOCK 14, PLAN 4533, SEE 265800L

HERETO IS ANNEXED EASEMENT 384376M OVER LOT 7, EXCEPT PORTION INCLUDED IN REFERENCE PLAN 5142, BLOCK 13, PLAN 6606, SEE 483045L

HERETO IS ANNEXED RESTRICTIVE COVENANT 384375M OVER LOT 7, EXCEPT PART INCLUDED IN REFERENCE PLAN 5142, BLOCK 13, PLAN 6606 SEE 483045L

HERETO IS ANNEXED RESTRICTIVE COVENANT 388796M OVER LOTS A, B, G, H.

CONTINUES ON PAGE 002

Date: 08/03/20 TITLE SEARCH PRINT - VANCOUVER Time: 09:05:41
Requestor: (PH35150) WESTERN PACIFIC TITLE SEARCH LTD. Page: 002
TITLE - BA179178

I, J, O AND P, BLOCK 9, PLAN 9246, SEE 494552L

HERETO IS ANNEXED RESTRICTIVE COVENANT G27264 OVER LOTS 1, 2 AND 3
BLOCK 14 PLAN 4533
ASSIGNED TO BM155053

HERETO IS ANNEXED RESTRICTIVE COVENANT H22912 OVER LOT H, LOTS 13 TO
21 BLOCK 21 DL 450 PLAN 9247

CHARGES, LIENS AND INTERESTS:
NATURE OF CHARGE
CHARGE NUMBER DATE TIME

RIGHT OF WAY
347197M 1962-06-11 15:22
REGISTERED OWNER OF CHARGE:
BRITISH COLUMBIA HYDRO AND POWER AUTHORITY
347197M
REMARKS: PART IN REFERENCE PLAN 6331 WITH ANCILLARY RIGHTS
OVER THE REMAINDER INTER ALIA

RIGHT OF WAY
565988M 1972-09-20 13:45
REGISTERED OWNER OF CHARGE:
BRITISH COLUMBIA HYDRO AND POWER AUTHORITY
565988M
REMARKS: INTER ALIA
PART IN EXPLANATORY PLAN 11400

EASEMENT
N81000 1985-10-01 14:38
REMARKS: INTER ALIA
APPURTENANT TO LOT 9 BLOCK 11 DISTRICT LOT 450
PLAN 6606
OVER ALL EXCEPT: PORTIONS IN EXPLANATORY PLANS
5457 AND 7264 AND PLAN 12273

STATUTORY RIGHT OF WAY
GB89824 1988-08-10 11:59
REGISTERED OWNER OF CHARGE:
BRITISH COLUMBIA HYDRO AND POWER AUTHORITY
GB89824
REMARKS: PART IN REFERENCE PLAN 6331
INTER ALIA

STATUTORY RIGHT OF WAY
GC113947 1989-09-05 13:01
REGISTERED OWNER OF CHARGE:
BRITISH COLUMBIA TELEPHONE COMPANY
GC113947
REMARKS: INTER ALIA
PART IN STATUTORY RIGHT OF WAY PLAN 19726
ANCILLARY RIGHTS

CONTINUES ON PAGE 003

Date: 08/03/20 TITLE SEARCH PRINT - VANCOUVER Time: 09:05:42
Requestor: (PH35150) WESTERN PACIFIC TITLE SEARCH LTD. Page: 003
TITLE - BA179178

STATUTORY RIGHT OF WAY
GD112094 1990-10-23 11:59
REGISTERED OWNER OF CHARGE:
TERASEN GAS (VANCOUVER ISLAND) INC.
INCORPORATION NO. 236352
BV237930
REMARKS: INTER ALIA
PLAN LMP8201

STATUTORY RIGHT OF WAY
GD112095 1990-10-23 12:00
REGISTERED OWNER OF CHARGE:
TERASEN GAS (VANCOUVER ISLAND) INC.
INCORPORATION NO. 236352
BV237929
REMARKS: INTER ALIA
PLAN LMP8201

STATUTORY RIGHT OF WAY
BE115767 1991-06-26 09:28
REGISTERED OWNER OF CHARGE:
TERASEN GAS (VANCOUVER ISLAND) INC.
INCORPORATION NO. 236352
BV237931
REMARKS: INTER ALIA
PLAN LMP8201

STATUTORY RIGHT OF WAY
BE277137 1991-10-22 11:19
REGISTERED OWNER OF CHARGE:
TERASEN GAS (VANCOUVER ISLAND) INC.
INCORPORATION NO. 236352
BV321425
REMARKS: PLAN LMP2475

STATUTORY RIGHT OF WAY
BM139272 1998-05-19 12:18
REGISTERED OWNER OF CHARGE:
POWELL RIVER ENERGY INC.
INCORPORATION NO. 53736A
BR27920
REMARKS: PLAN LMP37386

STATUTORY RIGHT OF WAY
BM139273 1998-05-19 12:19
REGISTERED OWNER OF CHARGE:
POWELL RIVER ENERGY INC.
INCORPORATION NO. 53736A
BR27917
REMARKS: INTER ALIA
PLAN LMP37388
MODIFIED BY BR23061

STATUTORY RIGHT OF WAY

CONTINUES ON PAGE 004

Date: 08/03/20 TITLE SEARCH PRINT - VANCOUVER Time: 09:05:42
Requestor: (PH35150) WESTERN PACIFIC TITLE SEARCH LTD. Page: 004
TITLE - BA179178

BM287778 1998-10-15 13:33
REGISTERED OWNER OF CHARGE:
WESTERN FOREST PRODUCTS INC.
INCORPORATION NO. 70374A
BB475459
REMARKS: INTER ALIA

STATUTORY RIGHT OF WAY
BR23061 2001-01-30 15:13
REMARKS: INTER ALIA
MODIFICATION OF BM139273
SEE BR23048

STATUTORY RIGHT OF WAY
BR23063 2001-01-30 15:14
REGISTERED OWNER OF CHARGE:
CATALYST PAPER CORPORATION
INCORPORATION NO. 55302A
BA151511
REMARKS: INTER ALIA

STATUTORY RIGHT OF WAY
BR23064 2001-01-30 15:16
REGISTERED OWNER OF CHARGE:
POWELL RIVER ENERGY INC.
INCORPORATION NO. 53736A
BR27928
REMARKS: INTER ALIA

MORTGAGE
BR230165 2001-09-04 14:06
REGISTERED OWNER OF CHARGE:
THE CANADA TRUST COMPANY
INCORPORATION NO. 53724A
BR230165
REMARKS: INTER ALIA
OF BR23063
AND FEE-SIMPLE
EXTENDED BY BV500251

ASSIGNMENT OF RENTS
BR230166 2001-09-04 14:06
REGISTERED OWNER OF CHARGE:
THE CANADA TRUST COMPANY
INCORPORATION NO. 53724
BR230166
REMARKS: INTER ALIA
AS TO BR23063
AND FEE-SIMPLE
EXTENDED BY BV500252

MORTGAGE
BT231850 2002-06-28 15:27
REGISTERED OWNER OF CHARGE:

CONTINUES ON PAGE 005

Date: 08/03/20 TITLE SEARCH PRINT - VANCOUVER Time: 09:05:43
Requestor: (PH35150) WESTERN PACIFIC TITLE SEARCH LTD. Page: 005
TITLE - BA179178

COMPUTERSHARE TRUST COMPANY OF CANADA
INCORPORATION NO. 52313A
BT231850
REMARKS: INTER ALIA
OF BM139272, BM139273 (SEE BR23061),
AND BR23064

ASSIGNMENT OF RENTS
BT231851 2002-06-28 15:27
REGISTERED OWNER OF CHARGE:
COMPUTERSHARE TRUST COMPANY OF CANADA
INCORPORATION NO. 52313A
BT231851
REMARKS: INTER ALIA
OF BM139272, BM139273 (SEE BR23061),
AND BR23064

MORTGAGE
BT254019 2002-07-16 15:04
REGISTERED OWNER OF CHARGE:
CANADIAN IMPERIAL BANK OF COMMERCE
BT465288
REMARKS: INTER ALIA
MTGE OF BM139272, BM139273,
MTGE OF BR23064

MORTGAGE
BA91776 2006-05-02 12:51
REGISTERED OWNER OF CHARGE:
BROOKFIELD BRIDGE LENDING FUND INC.
INCORPORATION NO. 63152A
BA91776
REMARKS: INTER ALIA
EXTENSION OF BA473308
OF BM287778

ASSIGNMENT OF RENTS
BA91777 2006-05-02 12:51
REGISTERED OWNER OF CHARGE:
BROOKFIELD BRIDGE LENDING FUND INC.
INCORPORATION NO. 63152A
BA91777
REMARKS: INTER ALIA
EXTENSION OF BA473309
AS TO BM287778

STATUTORY RIGHT OF WAY
BA176362 2006-05-23 13:06
REGISTERED OWNER OF CHARGE:
CITY OF POWELL RIVER
BA176362
REMARKS: INTER ALIA

PRIORITY AGREEMENT

CONTINUES ON PAGE 006

Date: 08/03/20 TITLE SEARCH PRINT - VANCOUVER Time: 09:05:43
Requestor: (PH35150) WESTERN PACIFIC TITLE SEARCH LTD. Page: 006
TITLE - BA179178

BA176363 2006-05-23 13:06
REMARKS: INTER ALIA
GRANTING BA176362 PRIORITY OVER
BR230165 AND BR230166

"CAUTION - CHARGES MAY NOT APPEAR IN ORDER OF PRIORITY. SEE SECTION 28, L.T.A."

DUPLICATE INDEFEASIBLE TITLE: NONE OUTSTANDING

TRANSFERS: NONE

PENDING APPLICATIONS:

002-554-682
BB641993 TO BB641994 CHARGE RELEASE
BB840770 MORTGAGE
BB840771 ASSIGNMENT OF RENTS

*** CURRENT INFORMATION ONLY - NO CANCELLED INFORMATION SHOWN ***

Date: 08/03/20 TITLE SEARCH PRINT - VANCOUVER Time: 09:11:00
Requestor: (PH35150) WESTERN PACIFIC TITLE SEARCH LTD. Page: 001
TITLE - BA151490

VANCOUVER LAND TITLE OFFICE TITLE NO: BA151490
FROM TITLE NO: BR230147

APPLICATION FOR REGISTRATION RECEIVED ON: 09 JANUARY, 2006
ENTERED: 13 JANUARY, 2006

REGISTERED OWNER IN FEE SIMPLE:
CATALYST PAPER CORPORATION, INC.NO. 55302A
16TH FLOOR - 250 HOWE STREET
VANCOUVER, BC
V6C 3R8

TAXATION AUTHORITY:
CITY OF POWELL RIVER

DESCRIPTION OF LAND:
PARCEL IDENTIFIER: 015-875-121
DISTRICT LOT 3437 GROUP 1 NEW WESTMINSTER DISTRICT

LEGAL NOTATIONS:

HERETO IS ANNEXED RESTRICTIVE COVENANT 388796M OVER LOTS A, B, G, H, I, J, O AND P, BLOCK 9, DISTRICT LOT 450, PLAN 9246, SEE 494552L

CHARGES, LIENS AND INTERESTS:
NATURE OF CHARGE
CHARGE NUMBER DATE TIME

STATUTORY RIGHT OF WAY
BR23064 2001-01-30 15:16
REGISTERED OWNER OF CHARGE:
POWELL RIVER ENERGY INC.
INCORPORATION NO. 53736A
BR27928
REMARKS: INTER ALIA

PRIORITY AGREEMENT
BR23065 2001-01-30 15:16
REMARKS: INTER ALIA
GRANTING BR23064 PRIORITY OVER BN58137, BN58138, BN61935 AND BN61936

MORTGAGE
BR230165 2001-09-04 14:06
REGISTERED OWNER OF CHARGE:
THE CANADA TRUST COMPANY
INCORPORATION NO. 53724A
BR230165
REMARKS: INTER ALIA
EXTENDED BY BV500251

ASSIGNMENT OF RENTS
BR230166 2001-09-04 14:06
REGISTERED OWNER OF CHARGE:

CONTINUES ON PAGE 002

Date: 08/03/20 TITLE SEARCH PRINT - VANCOUVER Time: 09:11:00
Requestor: (PH35150) WESTERN PACIFIC TITLE SEARCH LTD. Page: 002
TITLE - BA151490

THE CANADA TRUST COMPANY
INCORPORATION NO. 53724
BR230166
REMARKS: INTER ALIA
EXTENDED BY BV500252

MORTGAGE
BT231850 2002-06-28 15:27
REGISTERED OWNER OF CHARGE:
COMPUTERSHARE TRUST COMPANY OF CANADA
INCORPORATION NO. 52313A
BT231850
REMARKS: INTER ALIA
OF BR23064

ASSIGNMENT OF RENTS
BT231851 2002-06-28 15:27
REGISTERED OWNER OF CHARGE:
COMPUTERSHARE TRUST COMPANY OF CANADA
INCORPORATION NO. 52313A
BT231851
REMARKS: INTER ALIA
OF BR23064

MORTGAGE
BT254019 2002-07-16 15:04
REGISTERED OWNER OF CHARGE:
CANADIAN IMPERIAL BANK OF COMMERCE
BT465288
REMARKS: INTER ALIA
MTGE OF BR23064

"CAUTION - CHARGES MAY NOT APPEAR IN ORDER OF PRIORITY. SEE SECTION 28, L.T.A."

DUPLICATE INDEFEASIBLE TITLE: NONE OUTSTANDING

TRANSFERS: NONE

PENDING APPLICATIONS: NONE

*** CURRENT INFORMATION ONLY - NO CANCELLED INFORMATION SHOWN ***

Date: 08/03/20 TITLE SEARCH PRINT - VANCOUVER Time: 09:12:18
Requestor: (PH35150) WESTERN PACIFIC TITLE SEARCH LTD. Page: 001
TITLE - BA151483

VANCOUVER LAND TITLE OFFICE TITLE NO: BA151483
FROM TITLE NO: BR230138

APPLICATION FOR REGISTRATION RECEIVED ON: 09 JANUARY, 2006
ENTERED: 13 JANUARY, 2006

REGISTERED OWNER IN FEE SIMPLE:
CATALYST PAPER CORPORATION, INC.NO. 55302A
16TH FLOOR - 250 HOWE STREET
VANCOUVER, BC
V6C 3R8

TAXATION AUTHORITY:
CITY OF POWELL RIVER

DESCRIPTION OF LAND:
PARCEL IDENTIFIER: 004-781-856
DISTRICT LOT 7213 GROUP 1 NEW WESTMINSTER DISTRICT

LEGAL NOTATIONS: NONE

CHARGES, LIENS AND INTERESTS:
NATURE OF CHARGE
CHARGE NUMBER DATE TIME

MORTGAGE
BR230165 2001-09-04 14:06
REGISTERED OWNER OF CHARGE:
THE CANADA TRUST COMPANY
INCORPORATION NO. 53724A
BR230165
REMARKS: INTER ALIA
EXTENDED BY BV500251

ASSIGNMENT OF RENTS
BR230166 2001-09-04 14:06
REGISTERED OWNER OF CHARGE:
THE CANADA TRUST COMPANY
INCORPORATION NO. 53724
BR230166
REMARKS: INTER ALIA
EXTENDED BY BV500252

"CAUTION - CHARGES MAY NOT APPEAR IN ORDER OF PRIORITY. SEE SECTION 28, L.T.A."

DUPLICATE INDEFEASIBLE TITLE: NONE OUTSTANDING

TRANSFERS: NONE

PENDING APPLICATIONS: NONE

*** CURRENT INFORMATION ONLY - NO CANCELLED INFORMATION SHOWN ***

Date: 08/03/20 TITLE SEARCH PRINT - VANCOUVER Time: 09:11:53
Requestor: (PH35150) WESTERN PACIFIC TITLE SEARCH LTD. Page: 001
TITLE - BA151486

VANCOUVER LAND TITLE OFFICE TITLE NO: BA151486
FROM TITLE NO: BR230142

APPLICATION FOR REGISTRATION RECEIVED ON: 09 JANUARY, 2006
ENTERED: 13 JANUARY, 2006

REGISTERED OWNER IN FEE SIMPLE:
CATALYST PAPER CORPORATION, INC.NO. 55302A
16TH FLOOR - 250 HOWE STREET
VANCOUVER, BC
V6C 3R8

TAXATION AUTHORITY:
CITY OF POWELL RIVER

DESCRIPTION OF LAND:
PARCEL IDENTIFIER: 015-890-309
LOT A2 (REFERENCE PLAN 490) DISTRICT LOT 3091 GROUP 1 NEW WESTMINSTER DISTRICT

LEGAL NOTATIONS: NONE

CHARGES, LIENS AND INTERESTS:
NATURE OF CHARGE
CHARGE NUMBER DATE TIME

MORTGAGE
BR230165 2001-09-04 14:06
REGISTERED OWNER OF CHARGE:
THE CANADA TRUST COMPANY
INCORPORATION NO. 53724A
BR230165
REMARKS: INTER ALIA
EXTENDED BY BV500251

ASSIGNMENT OF RENTS
BR230166 2001-09-04 14:06
REGISTERED OWNER OF CHARGE:
THE CANADA TRUST COMPANY
INCORPORATION NO. 53724
BR230166
REMARKS: INTER ALIA
EXTENDED BY BV500252

"CAUTION - CHARGES MAY NOT APPEAR IN ORDER OF PRIORITY. SEE SECTION 28, L.T.A."

DUPLICATE INDEFEASIBLE TITLE: NONE OUTSTANDING

TRANSFERS: NONE

PENDING APPLICATIONS: NONE

*** CURRENT INFORMATION ONLY - NO CANCELLED INFORMATION SHOWN ***

MAR.28.2008 9:54AM TRI LIN REGISTRY SERVICES LTD. NO.133 P.2

Date: 08/03/28 TITLE SEARCH PRINT - VANCOUVER Time: 10:52:42
Requestor: (PH35150) WESTERN PACIFIC TITLE SEARCH LTD. Page: 001
TITLE - BA151482

VANCOUVER LAND TITLE OFFICE TITLE NO: BA151482
FROM TITLE NO: BR230135

APPLICATION FOR REGISTRATION RECEIVED ON: 09 JANUARY, 2006
ENTERED: 13 JANUARY, 2006

REGISTERED OWNER IN FEE SIMPLE:
CATALYST PAPER CORPORATION, INC.NO. 55302A
16TH FLOOR - 250 HOWE STREET
VANCOUVER, BC
V6C 3R8

TAXATION AUTHORITY:
CITY OF POWELL RIVER

DESCRIPTION OF LAND:
PARCEL IDENTIFIER: 015-890-317
DISTRICT LOT 3091 GROUP 1 NEW WESTMINSTER DISTRICT EXCEPT LOT A2
(REFERENCE PLAN 490)

LEGAL NOTATIONS:

HERETO IS ANNEXED RESTRICTIVE COVENANT 388796M OVER LOTS "A" "B", "G", "H", "I", "J", "O", AND "P", BLOCK 9, DISTRICT LOT 450, PLAN 9246, SEE H 94552L

CHARGES, LIENS AND INTERESTS:
NATURE OF CHARGE
CHARGE NUMBER DATE TIME

MORTGAGE
BR230165 2001-09-04 14:06
REGISTERED OWNER OF CHARGE:
THE CANADA TRUST COMPANY
INCORPORATION NO. 53724A
BR230165
REMARKS: INTER ALIA
EXTENDED BY BV500251

ASSIGNMENT OF RENTS
BR230166 2001-09-04 14:06
REGISTERED OWNER OF CHARGE:
THE CANADA TRUST COMPANY
INCORPORATION NO. 53724
BR230166
REMARKS: INTER ALIA
EXTENDED BY BV500252

"CAUTION - CHARGES MAY NOT APPEAR IN ORDER OF PRIORITY. SEE SECTION 28, L.T.A."

DUPLICATE INDEFEASIBLE TITLE: NONE OUTSTANDING

TRANSFERS: NONE

CONTINUES ON PAGE 002

Date: 08/03/28 TITLE SEARCH PRINT - VANCOUVER Time: 10:52:42
Requestor: (PH35150) WESTERN PACIFIC TITLE SEARCH LTD. Page: 002
TITLE - BA151482

PENDING APPLICATIONS: NONE

*** CURRENT INFORMATION ONLY - NO CANCELLED INFORMATION SHOWN ***

APPENDIX D
Powell River Mill Property Tax Agreement

Powell River Mill Property Tax Agreement

Property Tax Upside	**Sample Calculations**		
Thousand of $			
Mill Operating Earnings	95,000	75,000	35,000
Book Value of PPE	416,000	416,000	416,000
Working capital	60,000	60,000	60,000
Capital employed	476,000	476,000	476,000
Return on capital employed	19.96%	15.76%	7.35%
Excess over 10%	9.96%	5.76%	-2.65%
Property taxes (net of effluent services fee)	1,500	1,500	1,500
Additional (=operating earnings x excess % x 0.1; capped at $500)	500	432	0
Total	2,000	1,932	1,500

APPENDIX E

Term Sheet

Proposed Agreements among the City of Powell River ("PR"), City Transfer ("CT"), JRK Holdings Ltd. ("JRK") and Catalyst

Land Transfer by Catalyst

1. Subject to Section 2, Catalyst, as the registered owner in fee simple of the lands legally described as follows:

   Block 43, except those portions in Plans 12273 and 14778 Explanatory Plans 5457, 7624, and Plans BCP7701, BCP23888 and BCP23889; District Lot 450 Group 1 New Westminster District Plan 8096;

   District Lot 3437 Group 1 New Westminster District;

   District Lot 7213 Group 1 New Westminster District;

   District Lot 3091 Group 1 New Westminster District except Lot A2 (Reference Plan 490); and

   Lot A2 (Reference Plan 490) District Lot 3091 Group 1 New Westminster District

   (collectively, the "Mill Site Lands"),

   will transfer to PR for the sum of ten dollars ($10.00) each, the following two portions of the Mill Site Lands:

   (a) the area of land shown cross-hatched in green on Schedule 'A' to this Agreement which is currently held under lease by JRK (the "JRK Lands") and

   (b) the area of land shown cross-hatched in blue on Schedule 'A' to this Agreement which is currently held under licence by PR (the "Barge Terminal Facility Lands").

2. Prior to the transfer of the JRK Lands and the Barge Facility Lands by Catalyst to PR, Catalyst will subdivide the JRK Lands and the Barge Terminal Facility Lands from the remainder of the Mill Site Lands. Prior to the subdivision and upon execution of this Agreement, Catalyst will lease the Barge Terminal Facility Lands to PR for one dollar ($1.00) and, with the surrender by

JRK of that form of long term land tenure agreement entered into on August 1, 2008 between Catalyst and JRK (the "JRK Lease"), grant to PR for consideration of ten dollars ($10.00) a 30 year licence of occupation and a 3-year unregistered lease to use the JRK Lands for the uses that were permitted under the JRK Lease, and Catalyst further agrees that PR may, without the prior consent of Catalyst, assign any part of its interest in the licence to JRK Holdings. PR agrees that, prior to the subdivision and upon execution of this Agreement, it will sub-licence and sub-lease its interest in the JRK Lands to JRK for one dollar ($1.00) each month until the transfer occurs.

3. Following the transfer of the JRK Lands by Catalyst to PR under section (1), PR will transfer the JRK Lands to CT, and PR and CT acknowledge and agree that CT's fee simple interest in the JRK Lands shall remain subject to the sub-lease and sub-licence agreement in favour of JRK.

Water Lots

4. Once this Agreement has been executed, Catalyst will grant PR a licence of occupation over those portions of Water Lots 4072, 5923 and 5924 shown cross-hatched in pink on Schedule 'A' to this Agreement and the licence will provide that PR may sub-licence any part of its licence to CT and JRK without the prior consent of Catalyst. The duration of the licence will match the amount of time left on the leases over the Water Lots granted to Catalyst by the Province and will be renewed concurrently with Catalyst's leases. PR agrees that it will grant to CT and JRK sub-licences over those portions of the Water Lots shown cross-hatched in pink on Schedule 'A'.

5. Following the transfer of lands under section (1), and with the consent of the Province and the support of the Sliammon First Nation, Catalyst will grant to PR for the consideration of $10.00 a sub-lease of those portions of Water Lots 4072, 5923 and 5924 shown cross-hatched in pink on Schedule 'A' to this Agreement and the sub-lease will provide that PR may provide a licence over the Water Lots to CT. PR further agrees that it will grant to CT a licence over those portions of the Water Lots shown cross-hatched in pink on Schedule 'A'. The duration of the sub-lease and of the licence will match the amount of time left on the leases over the Water Lots granted to Catalyst by the Province and will be renewed concurrently with Catalyst's leases.

Barge Ramp Engineer

6. CT will, at its sole cost, contract with a professional qualified marine engineer with expertise in barge ramp structures to provide drawings, certifications and confirm under seal that the barge ramp has a minimum life span of twenty (20) years.

Barge Ramp Appraisal

7. CT will, at its sole cost, contract with a professional qualified appraiser of structures similar to the barge ramp to provide a valuation of the barge ramp, which does not include the pilings or upland improvements.

Transfer of Barge Ramp

8. In exchange for and transfer of the JRK Lands by PR to CT under section (3) above, CT will transfer ownership of the Barge Ramp to PR. The parties agree that, for the purposes of this Agreement, the fair market value of the Barge Ramp is equal to the fair market value of the JRK Lands, plus $160,000.00.

Operating Lease Agreement

9. PR and CT will, within 90 days of executing this Agreement, enter into a 20-year operating lease agreement, with options to renew for up to a total of an additional 20 years, under which CT will pay to the City rent in the amount of five thousand dollars ($5,000) each month, subject to CPI adjustments every five (5) years, for exclusive occupation and use of the Barge Terminal Facility Lands and improvements thereon existing as of the date of making the lease.

10. The parties acknowledge and agree that it is intended that the operating lease agreement referred to in section (9) above shall be a "net lease" to CT and that, except as otherwise provided in the specific provisions contained in this Agreement, PR shall not be responsible during the lease term for any costs, charges, expenses, and outlays of any nature whatsoever arising from or relating to the Barge Terminal Facility Lands and any improvements and chattels thereon. CT agrees that it will pay all charges and costs of every nature and kind relating to the Barge Terminal Facility Lands and the use and occupancy thereof, the contents thereof, and the business carried on therein.

11. Under the terms and conditions of the operating agreement referred to in section (9) above, CT will, at its sole cost, complete further improvements to the Barge Terminal Facility Lands and the JRK lands to accommodate the permanent Barge Terminal facility and ensure that it is a safe operating facility which meets all environmental requirements under relevant enactments, and which must be completed by CT within the time required to complete the subdivision plus an additional six (6) months.

12. In addition to the rent set out in section (9) above, CT will pay property value tax or the equivalent and applicable fees and charges in respect of the JRK Lands and the Barge Terminal Facility Lands directly to PR as follows:

    a. Until the subdivision and transfer of lands referred to in sections 1 and 2 above take place, CT will pay to PR annually an amount equivalent to what the property value taxes in respect of the lands would ordinarily be under PR's property taxation bylaw, without the benefit of a taxation exemption;

    b. Once the subdivision and transfer of the JRK Lands and the Barge Terminal Facility Lands takes place and the lease agreements over the lands are registered, the occupiers of the two parcels shall pay property value tax in the amount and manner validly imposed by PR.

13. PR may enter the Barge Terminal Facility Lands with reasonable notice to inspect the Barge Terminal Facility and ancillary improvements and chattels on the lands and confirm they are being well maintained. PR may require CT to carry out any repairs it reasonably believes are necessary at CT's sole cost to keep these assets in safe and good working order. If the parties are in disagreement with respect to repairs, the parties will agree on a qualified third party who will assess the problem and, if necessary, recommend a repair schedule. If the repairs are not completed by CT in a timely manner, PR has the authority to enter onto the lands and carry out the repairs itself, the cost of which will be added to the tax roll.

Right of Way

14. Catalyst will grant to PR a statutory right of way, under s. 218 of the *Land Title Act,* RSBC 1996, c. 250, over the JRK lands, which lands are shown cross-hatched in green on Schedule 'A' to this

Agreement, for the purposes of access and use of a road. The parties agree CT will construct and maintain a road to driveway standards on the statutory right of way over the JRK Lands at its own costs. The parties further agree that PR will require Council to consider the issuance of a development variance permit to allow CT to construct the road to hillside standards in lieu of PR's subdivision bylaw standards. JRK is deemed to consent to the grant of the statutory right of way by signing this Agreement.

15. Catalyst will grant to PR a statutory right of way, under s. 218 of the *Land Title Act,* RSBC 1996, c. 250, over those portions of the Mill site lands shown cross-hatched in purple and orange on Schedule 'A' to this Agreement, with a common law easement over the same statutory right of way area granted to CT.

Payment by the City to CT

16. PR will pay to CT the sum of one-hundred and sixty thousand dollars ($160,000.00) upon execution of this Term Sheet, for extraordinary costs associated with the expedited construction of a temporary Barge Terminal Facility, which costs have been substantiated by the provision of invoices by CT and a sworn statutory declaration by CT's accountant, which payment will be subject to CT's execution of a release of all claims by CT against PR in relation to the temporary barge ramp and the Barge Terminal Facility, save and except for PR's obligations arising pursuant to this Term Sheet, which obligations will be deemed to have been met if the City proceeds pursuant to section (26) of this Agreement (the "Release"). The Release City Transfer agrees to execute is attached to and forms part of this Agreement as Schedule 'B'.

Barge Facility Rates

17. CT will conduct a review and provide recommendations when necessary for public barge ramp rates to PR to obtain council approval to implement recommended rates. In the event of a disagreement, the parties will source arbitration for resolution.

Non-Competition Agreement

18. Subject to section 19, other than the current Barge Terminal Facility business, CT or any affiliate will not at any time within the period of twenty (20) years from the date of execution herein, or at any time within a subsequent period of twenty (20) years if the lease agreement referred to in section (9) above is renewed, either individually or in partnership or in conjunction with any person or persons, firm, association, syndicate, company or corporation, as principal, agent, director, officer, employee, investor or in any other manner whatsoever, directly or indirectly, carry on, be engaged in, be interested in, or be concerned with, or permit any of their names or any part thereof to be used or employed by any such person or persons, firm, association, syndicate, company or corporation, carrying on, engaged in, interested in or concerned with, a business which is the same as or similar to the Barge Terminal Facility business within fifty seven (57) kilometres of the Land. "Barge Terminal Facility business" also means the solicitation of and sale to the present customers of the Barge Terminal Facility business of any services performed in respect of the Barge Terminal Facility business at the date hereof.

19. PR will, acting reasonably, consider granting permission to CT to do the following:

    a. add another ramp to the Barge Terminal Facility; or

    b. provide for another barge ramp at another site.