

COPY

Share and Unit Transfer Agreement

THIS AGREEMENT dated for reference August 29th, 2014

BETWEEN:

CATALYST PAPER CORPORATION, a company incorporated under the laws of British Columbia (Incorporation No. 55302A), having a place of business at 2nd Floor, 3600 Lysander Lane, Richmond, British Columbia, V7B 1C3

("CPC")

AND:

0606890 BC LTD., a company incorporated under the laws of British Columbia (Incorporation No. BC0606890), having a place of business at 2nd Floor, 3600 Lysander Lane, Richmond, British Columbia, V7B 1C3

("0606890")

AND:

THE CITY OF POWELL RIVER, a municipal corporation incorporated pursuant to the *Local Government Act*, having offices at 6910 Duncan Street, Powell River, British Columbia, V8A 1V4

(the "City")

AND:

POWELL RIVER WATERFRONT DEVELOPMENT CORPORATION, a company incorporated under the laws of British Columbia (Incorporation No. BC0675277), having a place of business at #103 - 7020 Duncan Street, Powell River, British Columbia, V8A 1V9

("PRWDC")

AND:

SLIAMMON FIRST NATION, a first nation and an Indian Band under the *Indian Act*, as represented by its Council, having a postal office address having an office at RR#2, 6686 Sliammon Rd, Powell River, British Columbia, V8A-0B8

("SFN")

AND:

TEES'KWAT LAND HOLDINGS LTD., a corporation incorporated under the laws of the Province of British Columbia, with its registered office at RR#2, 6686 Sliammon Road, Powell River, British Columbia, V8A 4Z3

("TLH")

AND:

SLIAMMON DEVELOPMENT CORPORATION, a company incorporated under the laws of British Columbia (Incorporation No. BC0491626), having a place of business at RR#2, 6686 Sliammon Road, RR 2, Powell River, British Columbia, V8A 1V9

("SDC")

AND:

PRSC LAND DEVELOPMENTS LTD., a company incorporated under the laws of British Columbia (Incorporation No. BC0675277), having a place of business at 4760 Joyce Avenue, Powell River, British Columbia, V8A 3B6

("PRSC")

WHEREAS:

- A. 0606890, PRWDC and TLH are equal limited partners in the PRSC Limited Partnership (the "**Partnership**") under a Partnership Agreement between them dated June 8, 2006 (the "**Partnership Agreement**"), with each party owning 50,000 Units in the Partnership;
- B. The General Partner of the Partnership is PRSC and all of the issued and outstanding shares of PRSC are owned equally by 0606890, PRWDC and SDC, with each party owning 30 Common Voting Shares in PRSC;
- C. 0606890, PRWDC, TLH, SDC and PRSC are also parties to a Shareholders/Unitholders Agreement dated June 8, 2006 (the "**Shareholders' Agreement**") with respect to PRSC;
- D. Section 3.11 of the Partnership Agreement permits a party to the Partnership Agreement to assign its interests in the Partnership in accordance with that section 3.11 and sections 3.2, 3.3 and 4.4 of the Shareholders' Agreement permit a party to the Shareholders' Agreement to transfer its interests in the Partnership and PRSC in accordance with those sections 3.2, 3.3 and 4.4;
- E. The assets of the Partnership consist of six (6) parcels of land (the "**Lands**") formerly

owned by Catalyst Paper Corporation, within the boundaries of the City, as set out in Schedule F attached to this Agreement and the Lands constitute the only significant assets of the Partnership;

- F. There is registered against the Lands a mortgage CA264094 and assignment of rents CA264095 (collectively, the "**Mortgage**") in favour of 0606890 having a principal outstanding balance of approximately \$4.3 million with interest accruing on the Mortgage at 5% per annum (the "**Mortgage Obligation**");
- G. As of the Closing Date, the Partnership will have Accounts Payable outstanding in the amount of \$348,966.05 and the Accounts Payable, the Mortgage and accrued interest on the Mortgage constitute the only liabilities of the Partnership;
- H. 0606890 BC Ltd. is controlled by CPC, PRWDC is controlled by the City and TLH and SDC are controlled by SFN as the term "controlled" is defined in the section 2(3) of the *Business Corporations Act*, SBC 2002, c. 57, as amended;
- I. The City entered into an agreement with CPC dated April 27, 2012 (the "**2012 Agreement**") whereby CPC agreed to transfer all of 0606890's interest in the Partnership and PRSC to the City for consideration of \$10.00 subject to certain terms and conditions detailed in section 3(a) of the 2012 Agreement including , among other things, the City agreeing to pay \$3,000,000 towards the Mortgage Obligation in return for CPC discharging the Mortgage against title to the Lands and the City and SFN entering into an agreement for SFN to contribute \$1,500,000 in funding to the City;
- J. The parties have now agreed to amend the 2012 Agreement whereby, among other things, PRWDC and SFN will each provide the Partnership with \$1,500,000 as their respective shares of the Mortgage Obligation for a total of \$3,000,000 which the Partnership will then pay to 0606890 in respect of the Mortgage Obligation and upon payment of these funds, 0606890 will discharge the Mortgage from title to the Lands and PRWDC will acquire one-half of 0606890's interest in the Partnership and PRSC, SFN shall acquire the remaining half of 0606890's interest in the Partnership and SDC shall acquire the remaining half of 0606890's interest in PRSC;

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of one dollar and the premises and mutual agreements and covenants herein contained (the receipt and adequacy of such consideration being mutually acknowledged by each party), the parties covenant and agree as follows:

1. INTERPRETATION

1.1 Definitions

In this Agreement the following words and phrases shall have the following meanings:

- (a) "0606890" shall have the meaning ascribed in the preamble to this Agreement;
- (b) "2012 Agreement" shall have the meaning ascribed in paragraph I of the preamble to this Agreement;
- (c) "Accounts Payable" means the accounts payable of PRSC as of the Closing Date being those amounts detailed in Schedule E and totaling \$348,966.05;
- (d) "Assets" means all property or assets of any nature or kind, whether real or personal, tangible or intangible, corporeal or incorporeal, and includes any interest therein and includes those Assets detailed in Schedule F;
- (e) "*Business Corporations Act*" means the *Business Corporations Act*, SBC 2002, c. 57, as amended;
- (f) "City" shall have the meaning ascribed in the preamble to this Agreement;
- (g) "Closing", "Closing Time", "Closing Date" means 11:00 a.m. on August 29, 2014 or such other time or date as may be agreed upon in writing by the parties;
- (h) "CPC" shall have the meaning ascribed in the preamble to this Agreement;
- (i) "Encumbrances" means any lien, claim, charge, pledge, hypothecation, security interest, mortgage, title retention agreement, option or encumbrance of any nature or kind whatsoever and includes those Encumbrances detailed in Schedules E and F;
- (j) "Financial Statements" means the financial statements of PRSC for the fiscal year of PRSC ended March 31st, 2014 and the financial statements of the Partnership for the fiscal year of the Partnership ended March 31st, 2014, each consisting of a balance sheet, income statement or statement of loss and such other documents and information, including the notes to such financial statements, as included therein, copies of which are attached as Schedule B;
- (k) "*Income Tax Act*" means the *Income Tax Act* of Canada in effect on the date of this Agreement;
- (l) "Lands" shall have the meaning ascribed in paragraph E of the preamble to this Agreement;
- (m) "Material Contracts" means those subsisting commitments, contracts, instruments, leases and other agreements, oral or written, entered into by PRSC, by which it is bound or to which it or its Assets are subject which have total payment obligations on the part of PRSC which exceed \$500.00 or are for a term of or in excess of 12 months;
- (n) "Mortgage" shall have the meaning ascribed in paragraph F of the preamble to this

Agreement and as detailed in Schedule E to this Agreement;

- (o) **"Mortgage Obligation"** means the outstanding balance of approximately \$4.3 million owing on the Mortgage as detailed in paragraph F of the preamble, plus accrued and unpaid interest;
- (p) **"Partnership"** shall have the meaning ascribed in paragraph A of the preamble to this Agreement;
- (q) **"Partnership Agreement"** shall have the meaning ascribed in paragraph A of the preamble to this Agreement;
- (r) **"Person"** includes an individual, corporation, body corporate, partnership, joint venture, association, trust or unincorporated organization or any trustee, executor, administrator or other legal representative thereof;
- (s) **"PRSC"** shall have the meaning ascribed in the preamble to this Agreement;
- (t) **"PRWDC"** shall have the meaning ascribed in the preamble to this Agreement;
- (u) **"Purchase Price"** means thirty-one dollars (\$31.00) to be paid by PRWDC and SFN as the purchasers to 0606890 as vendor of the Purchased Units and the Purchased Shares under the terms of this Agreement;
- (v) **"Purchased Shares"** means 30 Shares of PRSC owned by 0606890 to be transferred by 0606890 to PRWDC and SDC under the terms of this Agreement;
- (w) **"Purchased Units"** means 50,000 Units owned by 0606890 in the Partnership to be transferred by 0606890 to PRWDC and SFN under the terms of this Agreement;
- (x) **"SDC"** shall have the meaning ascribed in the preamble to this Agreement;
- (y) **"Shares"** means all of the issued and outstanding shares in the capital of PRSC being 90 Common Voting Shares;
- (z) **"Shareholders' Agreement"** shall have the meaning ascribed in paragraph C of the preamble to this Agreement;
- (aa) **"Shareholder Loans"** means any amount loaned by any of the parties to PRSC as of the Closing Date and as detailed in Schedule A;
- (bb) **"Solicitor"** means legal counsel retained by a party in connection with this Agreement;
- (cc) **"SFN"** shall have the meaning ascribed in the preamble to this Agreement and shall include any corporation controlled by it;

- (dd) "TLH" shall have the meaning ascribed in the preamble to this Agreement; and
- (ee) "Units" means the issued and outstanding limited partner units of the Partnership which, as of the date of this Agreement, consists of 150,000 Units.

1.2 Schedules

The following are the schedules to this Agreement:

- Schedule A—Unit Holdings, Share Holdings and Shareholders Loans
- Schedule B—Financial Statements
- Schedule C—Employees
- Schedule D—Material Contracts, Permits and Licences
- Schedule E—Liabilities and Encumbrances
- Schedule F—Assets

1.3 Interpretation

For the purposes of this Agreement, except as otherwise expressly provided herein:

- (a) "this Agreement" means this Agreement, including the Schedules hereto, as it may from time to time be supplemented or amended;
- (b) all references in this Agreement to a designated Article, section, subsection, paragraph, or other subdivision, or to a Schedule, is to the designated Article, section, subsection, paragraph or other subdivision of or Schedule to this Agreement unless otherwise specifically stated;
- (c) the words "herein", "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Article, section, subsection, clause, subclause or other subdivision or Schedule;
- (d) the singular of any term includes the plural and vice versa and the use of any term is equally applicable to any gender and where applicable to a body corporate;
- (e) the word "or" is not exclusive and the word "including" is not limiting (whether or not non-limiting language such as "without limitation" or "but not limited to" or other words of similar import are used with reference thereto);
- (f) any words used herein which are defined in the *Business Corporations Act*, unless otherwise defined herein or unless there is something in the subject matter or context inconsistent therewith, have the meanings ascribed to such words in the *Business Corporations Act*;

- (g) all accounting terms not otherwise defined in this Agreement have the meanings assigned to them in accordance with generally accepted accounting principles applicable in Canada;
- (h) except as otherwise provided, any reference to a statute includes and is a reference to such statute and to the regulations made pursuant thereto with all amendments made thereto and in force from time to time, and to any statute or regulations that may be passed which have the effect of supplementing or superseding such statute or such regulations;
- (i) where the phrase "to the best of the knowledge of" or phrases of similar import are used in this Agreement, it shall be a requirement that the person in respect of whom the phrase is used shall have made such due enquiries as are reasonably necessary to enable such person to make the statement or disclosure;
- (j) the headings to the Articles and sections of this Agreement are inserted for convenience only and do not form a part of this Agreement and are not intended to interpret, define or limit the scope, extent or intent of this Agreement or any provision hereof;
- (k) any reference to a corporate entity includes and is also a reference to any corporate entity that is a successor to such entity;
- (l) the parties acknowledge that this Agreement is the product of arm's length negotiation between the parties, each having obtained its own independent legal advice, and that this Agreement shall be construed neither strictly for nor strictly against any party irrespective of which party was responsible for drafting this Agreement;
- (m) the representations, warranties, covenants and agreements contained in this Agreement shall not merge at the Closing and shall continue in full force and effect from and after the Closing Date for the applicable period set out in this Agreement; and
- (n) unless otherwise specifically noted, all references to money in this Agreement and in the Financial Statements are or shall be to money in lawful money of Canada. If it is necessary to convert money from another currency to lawful money of Canada, such money shall be converted to lawful money of Canada using the exchange rates in effect at the Closing Date.

2. PURCHASE AND SALE AND DISCHARGE OF MORTGAGE

2.1 Shares

Based and relying on the representations and warranties set forth in Articles 3 and 4, effective on the Closing Date:

- (a) PRWDC agrees to pay:

- (i) to 0606890, one-half of the Purchase Price, namely fifteen dollars and fifty cents (\$15.50) to purchase one-half of the Purchased Shares, namely 15 Shares, and one-half of the Purchased Units, namely 25,000 Units, and 0606890 agrees to transfer one-half of the Purchased Shares and one-half of the Purchased Units to PRWDC, free and clear of all Encumbrances and on the terms and conditions hereinafter set forth; and
 - (ii) to the Partnership, \$1,441,839, being the difference between PRWDC's \$1,500,000 share of the Mortgage Obligation and \$58,161.00 being half of 0606890's share of the Accounts Payable which shall be credited against PRWDC's share of the Mortgage Obligation pursuant to section 2.4; and
- (b) SFN and SDC agree to pay:
- (i) to 0606890, one-half of the Purchase Price, namely fifteen dollars and fifty cents (\$15.50) to purchase one-half of the Purchased Shares, namely 15 Shares, and one-half of the Purchased Units, namely 25,000 Units, and 0606890 agrees to transfer one-half of the Purchased Shares to SDC and one-half of the Purchased Units to SFN, free and clear of all Encumbrances and on the terms and conditions hereinafter set forth; and
 - (ii) to the Partnership, \$1,441,839, being the difference between SFN's and SDC's \$1,500,000 share of the Mortgage Obligation and \$58,161.00 being half of 0606890's share of the Accounts Payable which shall be credited against SFN's and SDC's share of the Mortgage Obligation pursuant to section 2.4.

2.2 Shares and Units of Purchaser after Transfer

The parties agree that following the transfers set out in section 2.1:

- (a) PRWDC and SDC shall each own 45 Shares in PRSC; and
- (b) PRWDC and SFN shall each own 75,000 Units in the Partnership.

2.3 Purchase Price Allocation

The Purchase Price shall be allocated between the Purchased Shares and Units owned by 0606890 on the following basis:

Shares/ Units	Amount Allocated
Shares	\$30.00

Units	\$1.00
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2.4 Payment of Accounts Payable on or before Closing Date

On or before Closing, 0606890, PRWDC and SDC shall provide PRSC with sufficient monies in equal shares to pay its Accounts Payable so that at Closing, there is no outstanding Accounts Payable. The parties acknowledge and agree that 0606890's share of the Accounts Payable will be satisfied by crediting PRWDC with \$58,161.00 against its share of the Mortgage Obligation pursuant to section 2.1(a)(ii) and by crediting SFN and SDC with \$58,161.00 against their share of the Mortgage Obligation pursuant to section 2.1(b)(ii). For greater certainty, PRWDC shall pay \$174,483.03 towards the Accounts Payable and SFN and SDC shall pay \$174,483.02 towards the Accounts Payable.

2.5 Discharge of Mortgage from Title to Lands

The Partnership and 0606890 agree that:

- (a) upon payment of the monies detailed in clauses 2.1(a)(ii) and 2.1(b)(ii), the Partnership shall forthwith pay the monies to 0606890 in respect of the Mortgage registered against title to the Lands; and
- (b) upon payment of the monies detailed in clauses 2.1(a)(ii) and 2.1(b)(ii), 0606890 agrees:
 - (i) to forthwith discharge the Mortgage from title to the Lands; and
 - (ii) the City, PRWDC, SFN, SDC and TLH shall be released absolutely from any further claims with respect to the Mortgage.

3. REPRESENTATIONS, WARRANTIES AND COVENANTS OF 0606890

3.1 Representations and Warranties

0606890 represents and warrants to each of PRWDC, SFN and SDC as follows:

- (a) Organization and Good Standing of PRSC—PRSC is duly incorporated, validly existing, and in good standing with respect to the filing of annual reports under the *Business Corporations Act*, and has all necessary corporate power, authority and capacity to own its Assets and to carry on its business as presently conducted. Neither the nature of the business of PRSC nor the location or character of the Assets owned or leased by it requires that PRSC be registered or otherwise qualified or to be in good standing in any other jurisdiction;
- (b) Capitalization of Company—The authorized and issued share capital of PRSC together with the names and the number, class and kind of shares held by each of the shareholders

of PRSC is as set forth on Schedule A;

- (c) Title—0606890 owns and has good and marketable title to all the Shares and Units set forth opposite its name on Schedule A as the legal and beneficial owner thereof, free of all Encumbrances, all the Purchased Shares have been duly and validly issued and are outstanding as fully paid and non-assessable shares in the capital of PRSC and all the Purchased Units have been duly and validly issued and are outstanding as fully paid and non-assessable Units of the Partnership;
- (d) Authority—0606890 is duly incorporated, validly existing, and in good standing with respect to the filing of annual reports under the *Business Corporations Act* and has due and sufficient right and authority to enter into this Agreement on the terms and conditions set forth and to transfer the legal and beneficial title and ownership of the Purchased Shares and the Purchased Units to PRWDC and SFN;
- (e) Residency of Vendor—0606890 is not a “non-resident” of Canada within the meaning of s. 116 of the *Income Tax Act*;
- (f) Agreement Valid—This Agreement constitutes a valid and binding obligation of 0606890. 0606890 and PRSC are not a party to, bound by or subject to any indenture, mortgage, lease, agreement, instrument, statute, regulation, order, judgment, decree or law which would be violated, contravened or breached by, or under which any default would occur as a result of, the execution and delivery by 0606890 and PRSC of this Agreement or the performance by 0606890 or PRSC of any of the terms hereof;
- (g) Financial Statements—The Financial Statements have been prepared in accordance with generally accepted accounting principles applied on a basis consistent with that of prior fiscal years. The Financial Statements present fairly the financial position of PRSC as at the date thereof and the results of PRSC’s operations and the changes in PRSC’s financial position for the period then ending;
- (h) Absence of Undisclosed Liabilities—Except to the extent detailed in Schedule E or reflected or reserved against in the Financial Statements or incurred subsequent to the date of the balance sheet included in the Financial Statements in the ordinary and usual course of the business of PRSC, 0606890 is not aware of PRSC having any outstanding indebtedness or any liabilities or obligations (whether accrued, absolute, contingent or otherwise), and any liabilities or obligations incurred in the ordinary and usual course of business since the date of the balance sheet included in the Financial Statements have not had a materially adverse impact on the financial condition of PRSC;
- (i) Absence of Changes—Since the date of the balance sheet included in the Financial Statements, there have not been:
 - (i) any changes in the condition or operations of the business, Assets or financial affairs of PRSC which are, individually or in the aggregate, materially adverse; or

- (ii) any damage, destruction or loss, labour trouble or other event, development or condition, of any character (whether or not covered by insurance) which is not generally known or which has not been disclosed to PRWDC or SFN, which has or may materially adversely affect the business, Assets or future prospects of PRSC;
- (j) Accuracy of Records—All material financial transactions of PRSC have been accurately recorded in the books and records of PRSC and such books and records fairly present the financial position and the affairs of PRSC;
- (k) Title to Assets—PRSC has good and marketable title to all of its Assets, including those reflected in the balance sheet included in the Financial Statements or acquired since the date of the balance sheet included in the Financial Statements (except as since transferred, sold or otherwise disposed of in the ordinary and usual course of business for fair market value) and those listed on Schedule F, free and clear of all Encumbrances except as shown in Schedule E and none of PRSC's Assets are in the possession of or under the control of any other person;
- (l) Real Property—Schedule F contains accurate descriptions of all real property in respect of which the Partnership holds an interest, whether freehold, leasehold or otherwise. The Partnership is not party to or bound by any leases of real property other than those referred to in Schedule E and all interests held by the Partnership whether as owner or as lessee are free and clear of all Encumbrances except as set out in Schedule E. All rental and other payments required to be paid by the Partnership under such leases have been duly paid and the Partnership is not otherwise in default in meeting its obligations under any such lease;
- (m) Material Contracts—Except for the liabilities and Encumbrances listed in Schedule E, PRSC is not party to or bound by any Material Contract, whether oral or written, other than those detailed in Schedule D and the contracts and agreements listed in Schedule D are all valid and subsisting, in full force and effect and unamended, no material default exists in respect thereof on the part of PRSC or 0606890 or, to the best of the knowledge of 0606890, on the part of any of the other parties thereto, 0606890 is not aware of any intention on the part of any of the other parties thereto to terminate or materially alter any such contracts or agreements, and Schedule D lists all the present outstanding Material Contracts entered into by PRSC in the course of carrying on its business;
- (n) Permits and Licences—PRSC holds all authorizations, approvals, orders, licenses, permits or consents issued by any government or governmental authority of Canada or any province of Canada, or any municipal, regional or other authority, or any regulatory body or agency, including any governmental department, commission, bureau, board or administrative agency, which are necessary or desirable in connection with the conduct and operation of PRSC's business and the ownership, leasing or use of its Assets as the same are now owned, leased, used conducted or operated, PRSC is not in breach of or in

default under any of the terms or conditions thereof, and all such authorizations, approvals, orders, licences, permits and consent are listed in Schedule D;

- (o) Indebtedness to Vendor—Except for the payment of salaries and reimbursement for out-of-pocket expenses in the ordinary and usual course and except for the Mortgage and other amounts disclosed in the Schedules, PRSC is not indebted to 0606890 or any directors, officers or employees of PRSC or any affiliate or associate of any of them, on any account whatsoever;
- (p) Undisclosed Information—0606890 does not have any specific information relating to PRSC which is not generally known or which has not been disclosed to PRWDC and SDC and which if known could reasonably be expected to have a materially adverse effect on the value of the Purchased Shares; and
- (q) Shareholder Loans— the Shareholder Loans advanced by 0606890 to PRSC as of the Closing Date are detailed in Schedule A and shall be cancelled as of the Closing such that no Shareholder Loans or any other amount shall be due and owing to 0606890 as of the Closing Date.

3.2 Other Representations

All statements contained in any certificate or other instrument delivered by or on behalf of 0606890 pursuant hereto or in connection with the transactions contemplated by this Agreement shall be deemed to be representations and warranties by 0606890 hereunder.

3.3 Survival

The representations and warranties of 0606890 hereunder shall survive the Closing and the payment of the Purchase Price and, notwithstanding the Closing and the payment of the Purchase Price, and notwithstanding the waiver of any condition by PRWDC or SFN, the representations, warranties, covenants and agreements of 0606890 shall (except where otherwise specifically provided in this Agreement) survive the Closing and shall continue in full force and effect for a period of two years from the Closing Date for all matters except:

- (a) the representations, warranties, covenants and agreements of 0606890 with respect to due issue and transfer of the Purchased Shares and Purchased Units and title to the Purchased Shares and Purchased Units and the absence of any Encumbrance affecting such title set out above shall survive the Closing and continue in full force and effect indefinitely; and
- (b) a claim for breach of any of the representations and warranties by 0606890 in or pursuant to this Agreement involving fraud or fraudulent misrepresentation on the part of 0606890 may be made against 0606890 at any time following the Closing Date, subject only to applicable limitation periods imposed by law.

3.4 Covenants

0606890 covenants to PRWDC, SFN and SDC as follows:

- (a) upon payment of the monies detailed in clauses 2.1(a)(ii) and 2.1(b)(ii), it will take all necessary actions to discharge the Mortgage from title to the Lands and provide confirmation in writing to PRWDC and SDC;
- (b) it will cause its appointees as directors and officer of PRSC to resign from their appointments concurrent with Closing; and
- (c) it will deliver all of the certification documents, instruments and other items set out in subsection 6.1(g) below.

3.5 Waiver/Survival of Covenants

The covenants set forth in section 3.4 are for the exclusive benefit of PRWDC and SDC and may be waived by either of them in writing for its own part in whole or in part. Notwithstanding any such waiver, the covenants in section 3.4 shall survive the Closing and shall remain in effect indefinitely.

4. REPRESENTATIONS, WARRANTIES AND COVENANTS OF PRWDC, SDC AND TLII

4.1 Representations and Warranties

- (a) In order to induce 0606890, SFN and SDC to enter into and to consummate the transactions contemplated by this Agreement, PRWDC represents and warrants to 0606890, SFN and SDC that:
 - (i) Organization and Good Standing of PRSC—PRSC is duly incorporated, validly existing, and in good standing with respect to the filing of annual reports under the *Business Corporations Act*, and has all necessary corporate power, authority and capacity to own its assets and to carry on its business as presently conducted. Neither the nature of the business of PRSC nor the location or character of the Assets owned or leased by it requires that PRSC be registered or otherwise qualified or to be in good standing in any other jurisdiction;
 - (ii) Capitalization of Company—The authorized and issued share capital of PRSC together with the names and the number, class and kind of shares held by each of the shareholders of PRSC is as set forth on Schedule A;
 - (iii) Title—PRWDC owns and has good and marketable title to all the Shares and Units set forth opposite its name on Schedule A as the legal and beneficial owner thereof, free of all Encumbrances, all the Shares have been duly and validly issued

and are outstanding as fully paid and non-assessable Shares in the capital of PRSC and all the Units have been duly and validly issued and are outstanding as fully paid and non-assessable Units of the Partnership;

- (iv) Authority—PRWDC is duly incorporated, validly existing, and in good standing with respect to the filing of annual reports under the *Business Corporations Act* and has due and sufficient right and authority to enter into this Agreement on the terms and conditions set forth;
- (v) Residency of Vendor—PRWDC is not a “non-resident” of Canada within the meaning of s. 116 of the *Income Tax Act*;
- (vi) Agreement Valid—This Agreement constitutes a valid and binding obligation of PRWDC. PRWDC and PRSC are not a party to, bound by or subject to any indenture, mortgage, lease, agreement, instrument, statute, regulation, order, judgment, decree or law which would be violated, contravened or breached by, or under which any default would occur as a result of, the execution and delivery by PRWDC and PRSC of this Agreement or the performance by PRWDC or PRSC of any of the terms hereof;
- (vii) Financial Statements—The Financial Statements have been prepared in accordance with generally accepted accounting principles applied on a basis consistent with that of prior fiscal years. The Financial Statements present fairly the financial position of PRSC as at the date thereof and the results of PRSC’s operations and the changes in PRSC’s financial position for the period then ending;
- (viii) Absence of Undisclosed Liabilities—Except to the extent detailed in Schedule E or reflected or reserved against in the Financial Statements or incurred subsequent to the date of the balance sheet included in the Financial Statements in the ordinary and usual course of the business of PRSC, PRWDC is not aware of PRSC having any outstanding indebtedness or any liabilities or obligations (whether accrued, absolute, contingent or otherwise), and any liabilities or obligations incurred in the ordinary and usual course of business since the date of the balance sheet included in the Financial Statements have not had a materially adverse impact on the financial condition of PRSC;
- (ix) Absence of Changes—Since the date of the balance sheet included in the Financial Statements, there have not been:
 - (A) any changes in the condition or operations of the business, Assets or financial affairs of PRSC which are, individually or in the aggregate, materially adverse; or
 - (B) any damage, destruction or loss, labour trouble or other event,

development or condition, of any character (whether or not covered by insurance) which is not generally known or which has not been disclosed to 0606890 or SDC, which has or may materially adversely affect the business, Assets or future prospects of PRSC;

- (x) Accuracy of Records—All material financial transactions of PRSC have been accurately recorded in the books and records of PRSC and such books and records fairly present the financial position and the affairs of PRSC;
- (xi) Title to Assets—PRSC has good and marketable title to all of its Assets, including those reflected in the balance sheet included in the Financial Statements or acquired since the date of the balance sheet included in the Financial Statements (except as since transferred, sold or otherwise disposed of in the ordinary and usual course of business for fair market value) and those listed on Schedule F, free and clear of all Encumbrances except as shown in Schedule E and none of PRSC's Assets are in the possession of or under the control of any other person;
- (xii) Real Property—Schedule F contains accurate descriptions of all real property in respect of which the Partnership holds an interest, whether freehold, leasehold or otherwise. The Partnership is not party to or bound by any leases of real property other than those referred to in Schedule E and all interests held by the Partnership whether as owner or as lessee are free and clear of all Encumbrances except as set out in Schedule E. All rental and other payments required to be paid by the Partnership under such leases have been duly paid and the Partnership is not otherwise in default in meeting its obligations under any such lease;
- (xiii) Material Contracts—Except for the liabilities and Encumbrances listed in Schedule E, PRSC is not party to or bound by any Material Contract, whether oral or written, other than those detailed in Schedule D and the contracts and agreements listed in Schedule D are all valid and subsisting, in full force and effect and unamended, no material default exists in respect thereof on the part of PRSC or PRWDC or, to the best of the knowledge of PRWDC, on the part of any of the other parties thereto, PRWDC is not aware of any intention on the part of any of the other parties thereto to terminate or materially alter any such contracts or agreements, and Schedule D lists all the present outstanding Material Contracts entered into by PRSC in the course of carrying on its business;
- (xiv) Permits and Licences—PRSC holds all authorizations, approvals, orders, licenses, permits or consents issued by any government or governmental authority of Canada or any province of Canada, or any municipal, regional or other authority, or any regulatory body or agency, including any governmental department, commission, bureau, board or administrative agency, which are necessary or desirable in connection with the conduct and operation of PRSC's business and the ownership, leasing or use of its Assets as the same are now owned, leased, used conducted or operated, PRSC is not in breach of or in default under any of

the terms or conditions thereof, and all such authorizations, approvals, orders, licences, permits and consent are listed in Schedule D;

- (xv) Indebtedness to PRWDC—Except for the payment of salaries and reimbursement for out-of-pocket expenses in the ordinary and usual course and except for any amounts disclosed in the Schedules, PRSC is not indebted to PRWDC or any directors, officers or employees of PRSC or any affiliate or associate of any of them, on any account whatsoever;
 - (xvi) Undisclosed Information—PRWDC does not have any specific information relating to PRSC which is not generally known or which has not been disclosed to 0606890 and SDC and which if known could reasonably be expected to have a materially adverse effect on the value of the Purchased Shares; and
 - (xvii) Shareholder Loans—the Shareholder Loans advanced by PRWDC to PRSC as of the Closing Date are detailed in Schedule A and unless otherwise agreed between PRWDC and SDC, shall remain due and owing to PRWDC as of the Closing Date.
- (b) In order to induce 0606890 and PRWDC to enter into and to consummate the transactions contemplated by this Agreement, SFN, SDC and TLH represent and warrant to 0606890 and PRWDC that:
- (i) Organization and Good Standing of PRSC— PRSC is duly incorporated, validly existing, and in good standing with respect to the filing of annual reports under the *Business Corporations Act*, and have all necessary corporate power, authority and capacity to own its Assets and to carry on its business as presently conducted. Neither the nature of the business of PRSC nor the location or character of the Assets owned or leased by it requires that PRSC be registered or otherwise qualified or to be in good standing in any other jurisdiction;
 - (ii) Capitalization of Company—The authorized and issued share capital of PRSC together with the names and the number, class and kind of shares held by each of the shareholders of PRSC is as set forth on Schedule A;
 - (iii) Title—SDC and TLH own and have good and marketable title to all the Shares and Units set forth opposite their names on Schedule A as the legal and beneficial owners thereof, free of all Encumbrances, all the Shares have been duly and validly issued and are outstanding as fully paid and non-assessable Shares in the capital of PRSC and all the Units have been duly and validly issued and are outstanding as fully paid and non-assessable Units of the Partnership;
 - (iv) Authority—SDC and TLH are duly incorporated, validly existing, and in good standing with respect to the filing of annual reports under the *Business Corporations Act* and have due and sufficient right and authority to enter into this

Agreement on the terms and conditions set forth;

- (v) Residency of Vendor—Neither SDC or TLH is a “non-resident” of Canada within the meaning of s. 116 of the *Income Tax Act*;
- (vi) Agreement Valid—This Agreement constitutes a valid and binding obligation of SDC, TLH and SFN. SDC, TLH, SFN and PRSC are not a party to, bound by or subject to any indenture, mortgage, lease, agreement, instrument, statute, regulation, order, judgment, decree or law which would be violated, contravened or breached by, or under which any default would occur as a result of, the execution and delivery by SDC, TLH, SFN and PRSC of this Agreement or the performance by SDC, TLH, SFN or PRSC of any of the terms hereof;
- (vii) Financial Statements—The Financial Statements have been prepared in accordance with generally accepted accounting principles applied on a basis consistent with that of prior fiscal years. The Financial Statements present fairly the financial position of PRSC as at the date thereof and the results of PRSC’s operations and the changes in PRSC’s financial position for the period then ending;
- (viii) Absence of Undisclosed Liabilities—Except to the extent detailed in Schedule E or reflected or reserved against in the Financial Statements or incurred subsequent to the date of the balance sheet included in the Financial Statements in the ordinary and usual course of the business of PRSC, SDC and TLH are not aware of PRSC having any outstanding indebtedness or any liabilities or obligations (whether accrued, absolute, contingent or otherwise), and any liabilities or obligations incurred in the ordinary and usual course of business since the date of the balance sheet included in the Financial Statements have not had a materially adverse impact on the financial condition of PRSC;
- (ix) Absence of Changes—Since the date of the balance sheet included in the Financial Statements, there have not been:
 - (A) any changes in the condition or operations of the business, Assets or financial affairs of PRSC which are, individually or in the aggregate, materially adverse; or
 - (B) any damage, destruction or loss, labour trouble or other event, development or condition, of any character (whether or not covered by insurance) which is not generally known or which has not been disclosed to 0606890 or PRWDC which has or may materially adversely affect the business, Assets or future prospects of PRSC;
- (x) Accuracy of Records—All material financial transactions of PRSC have been accurately recorded in the books and records of PRSC and such books and records

fairly present the financial position and the affairs of PRSC;

- (xi) Title to Assets—PRSC has good and marketable title to all of its Assets, including those reflected in the balance sheet included in the Financial Statements or acquired since the date of the balance sheet included in the Financial Statements (except as since transferred, sold or otherwise disposed of in the ordinary and usual course of business for fair market value) and those listed on Schedule F, free and clear of all Encumbrances except as shown in Schedule E and none of PRSC's Assets are in the possession of or under the control of any other person;
- (xii) Real Property—Schedule F contains accurate descriptions of all real property in respect of which the Partnership holds an interest, whether freehold, leasehold or otherwise. The Partnership is not party to or bound by any leases of real property other than those referred to in Schedule E and all interests held by the Partnership whether as owner or as lessee are free and clear of all Encumbrances except as set out in Schedule E. All rental and other payments required to be paid by the Partnership under such leases have been duly paid and the Partnership is not otherwise in default in meeting its obligations under any such lease;
- (xiii) Material Contracts—Except for the liabilities and Encumbrances listed in Schedule E, PRSC is not party to or bound by any Material Contract, whether oral or written, other than those detailed in Schedule D and the contracts and agreements listed in Schedule D are all valid and subsisting, in full force and effect and unamended, no material default exists in respect thereof on the part of PRSC or SDC and TLH or, to the best of the knowledge of SDC and TLH, on the part of any of the other parties thereto, SDC and TLH are not aware of any intention on the part of any of the other parties thereto to terminate or materially alter any such contracts or agreements, and Schedule D lists all the present outstanding Material Contracts entered into by PRSC in the course of carrying on its business;
- (xiv) Permits and Licences—PRSC holds all authorizations, approvals, orders, licenses, permits or consents issued by any government or governmental authority of Canada or any province of Canada, or any municipal, regional or other authority, or any regulatory body or agency, including any governmental department, commission, bureau, board or administrative agency, which are necessary or desirable in connection with the conduct and operation of PRSC's business and the ownership, leasing or use of its Assets as the same are now owned, leased, used conducted or operated, PRSC is not in breach of or in default under any of the terms or conditions thereof, and all such authorizations, approvals, orders, licences, permits and consent are listed in Schedule D;
- (xv) Indebtedness to SDC and TLH—Except for the payment of salaries and reimbursement for out-of-pocket expenses in the ordinary and usual course and except for any amounts disclosed in the Schedules, PRSC is not indebted to SFN,

SDC or TLH or any directors, officers or employees of PRSC or any affiliate or associate of any of them, on any account whatsoever;

- (xvi) Undisclosed Information—SDC and TLH does not have any specific information relating to PRSC which is not generally known or which has not been disclosed to 0606890 and PRWDC and which if known could reasonably be expected to have a materially adverse effect on the value of the Purchased Shares; and
- (xvii) Shareholder Loans—the Shareholder Loans advanced by SDC to PRSC as of the Closing Date are detailed in Schedule A and unless otherwise agreed between PRWDC and SDC, shall remain due and owing to SDC as of the Closing Date.

4.2 Other Representations

- (a) All statements contained in any certificate or other instrument delivered by or on behalf of PRWDC pursuant hereto or in connection with the transactions contemplated by this Agreement shall be deemed to be representations and warranties by PRWDC hereunder.
- (b) All statements contained in any certificate or other instrument delivered by or on behalf of SFN, TLH and SDC pursuant hereto or in connection with the transactions contemplated by this Agreement shall be deemed to be representations and warranties by SFN, TLH and SDC hereunder.

4.3 Survival

- (a) The representations and warranties of PRWDC hereunder shall survive the Closing and the purchase of the Purchased Shares, and, notwithstanding the Closing and the purchase of the Purchased Shares, the representations and warranties of PRWDC shall continue in full force and effect for the benefit of 0606890, SFN and SDC for two years from the Closing Date.
- (b) The representations and warranties of SFN where indicated and of SDC and TLH hereunder shall survive the Closing and the purchase of the Purchased Shares and, notwithstanding the Closing and the purchase of the Purchased Shares, the representations and warranties of SFN and SDC shall continue in full force and effect for the benefit of 0606890 and PRWDC for two years from the Closing Date.

4.4 Covenants

- (a) PRWDC covenants to 0606890, SFN and SDC that on or before Closing, it will pay the sum of \$174,483.03 towards its share of the outstanding Accounts Payable of the Partnership.
- (b) SFN and SDC covenant to 0606890 and PRWDC that before Closing, they will pay the sum of \$174,483.02 towards their share of the outstanding Accounts Payable of the

Partnership.

5. CLOSING

5.1 Closing Date and Location

The transactions contemplated by this Agreement shall be completed at 11:00 A.M. on August 29, 2014 at the offices of PRWDCs' Solicitors, or at such other time or at such other location as may be mutually agreed upon in writing by the parties.

5.2 Vendor's Closing Documents

On the Closing Date, 0606890 shall deliver, or cause to be delivered, to PRWDC, SFN and SDC the documents set forth in subsection 6.1(g) and such other documents as PRWDC, SFN and SDC may reasonably require to perfect the purchase and sale intended hereby.

5.3 Purchasers' Closing Documents

- (a) On the Closing Date, PRWDC shall deliver to 0606890 by cash or cheque the sum of fifteen dollars and fifty cents (\$15.50) being one-half (1/2) of the Purchase Price and a bank draft, a certified cheque or a solicitor's trust cheque made payable to the Partnership's Solicitors, in trust, in the amount of \$1,441,839.
- (b) On the Closing Date, SFN shall deliver to 0606890 by cash or cheque the sum of fifteen dollars and fifty cents (\$15.50) being one-half (1/2) of the Purchase Price and a bank draft, a certified cheque or a solicitor's trust cheque made payable to the Partnership's Solicitors, in trust, in the amount of \$1,441,839.

6. CONDITIONS PRECEDENT TO THE PERFORMANCE BY PRWDC, SFN AND SDC OF THEIR OBLIGATIONS UNDER THIS AGREEMENT

6.1 Purchasers' Conditions

The obligations of PRWDC, SFN and SDC to complete the purchase of the Purchased Shares and the Purchased Units shall be subject to the satisfaction of, or compliance with, at or before the Closing Time, each of the following conditions precedent:

- (a) Truth and Accuracy of Representations of 0606890 at Closing—The representations and warranties of 0606890 made in Article 3 shall be true and correct at the Closing and with the same effect as if made at and as of the Closing;
- (b) Performance of Obligations—PRSC and 0606890 shall have performed and complied with all the obligations, covenants and agreements to be performed and complied with by them;

- (c) Absence of Injunctions—No injunction or restraining order of any court or administrative tribunal of competent jurisdiction shall be in effect prohibiting the transactions contemplated by this Agreement and no action or proceeding shall have been instituted or be pending before any court or administrative tribunal to restrain or prohibit the transactions between the parties contemplated by this Agreement;
- (d) Absence of Change of Conditions—No event shall have occurred or condition or situation shall have arisen or legislation (whether by statute, rule, regulation, by-law or otherwise) shall have been introduced which might reasonably be expected to have a materially adverse effect upon the financial condition, results of operations or business prospects of PRSC;
- (e) Compliance with statutory obligations – PRWDC and the City shall have complied with all of their obligations under the *Community Charter, SBC 2003, c. 26*, the *Local Government Act, RSBC 1996, c. 323* or any other applicable enactment;
- (f) Amendment of the Shareholders' Agreement and Partnership Agreement— The parties to the Shareholders' Agreement and the Partnership Agreement shall have agreed in writing to amend the Shareholders' Agreement, the Articles of PRSC and the Partnership Agreement in a mutually agreeable manner including, but not limited to
 - (i) amending the number of directors so that following the performance of this Agreement, the City and SFN, or corporations controlled by them, shall each have an equal number of directors on the board of PRSC;
 - (ii) identifying certain Lands to be owned or used exclusively by each of SFN, SDC and PRWDC; and
 - (iii) providing for PRWDC and SFN to apply for and obtain such property tax exemptions as may be applicable under the *Community Charter SBC 2003, c. 26*, the *Local Government Act, RSBC 1996, c. 323* or any other applicable enactment; and
- (g) Closing Documentation—Each of PRWDC, SFN and SDC shall have received from 0606890 or PRSC, as applicable, the following closing documentation:
 - (i) from 0606890, a share certificate representing the Purchased Shares issued in the name of 0606890, duly endorsed for transfer of one-half (1/2) of the Purchased Shares to PRWDC and one-half (1/2) of the Purchased Shares to SDC;
 - (ii) from PRSC, a certified copy of resolutions of the directors of PRSC authorizing the transfer of the Purchased Shares to PRWDC and SDC and the Purchased Units to PRWDC and SFN, the registration of one-half (1/2) of the Purchased Shares and the Purchased Units in the name of PRWDC and one-half (1/2) of the Purchased Shares in the name of SDC and one-half(1/2) of the Purchased Units in

the name of SFN, the issue of share certificates representing one-half (1/2) of the Purchased Shares registered in the name of PRWDC and one-half (1/2) of the Purchased Shares registered in the name of SDC and effecting the necessary changes in the directors and officers of PRSC;

- (iii) from PRSC, a share certificate registered in the name of PRWDC, signed by the president of PRSC, representing one-half (1/2) of the Purchased Shares and a share certificate registered in the name of SDC, signed by the president of PRSC, representing one-half (1/2) of the Purchased Shares;
- (iv) duly-executed assignments of the Purchased Units and Unit Certificates evidencing assignment of one-half (1/2) of the Purchased Units to PRWDC and one-half (1/2) of the Purchased Units to SFN in accordance with section 3.11 of the Partnership Agreement;
- (v) from PRSC, a certified copy of the register of members of PRSC showing PRWDC as the registered owner of one half (1/2) of the Purchased Shares and the Purchased Units, SDC as the registered owner of one-half (1/2) of the Purchased Shares and SFN as the registered owner of one-half (1/2) of the Purchased Units;
- (vi) from PRSC, duly signed resignations of 0606890's appointees as directors and officers of PRSC;
- (vii) releases, in form and substance satisfactory to each of PRWDC and SDC, acting reasonably, executed by 0606890 in favour of PRSC releasing PRSC from any and all manner of actions, causes of action, suits, proceedings, debts, dues, profits, expenses, contracts, damages, claims, demands and liabilities whatsoever, in law or equity, which 0606890, ever had, now has or may have against PRSC for or by reason of any matter, cause or thing whatsoever done or omitted to be done by PRSC up to the Closing other than in respect of obligations of PRSC to 0606890 arising in respect of ongoing obligations to them agreed to in writing by each of PRWDC and SDC;
- (viii) all other necessary consents, waivers, including waivers of pre-emptive rights, and authorizations required to enable the transfer of the Purchased Shares and the Purchased Units to PRWDC, SFN and SDC as provided for in this Agreement;
- (ix) all such instruments of transfer, duly executed, which in the opinion of each of PRWDC, SFN and SDC acting reasonably are necessary to effect and evidence the transfer of the Purchased Shares and the Purchased Units to PRWDC, SFN and SDC free and clear of all Encumbrances; and
- (x) documentation reasonably required by each of PRWDC and SDC to confirm that the Mortgage will be discharged against title the Lands so that following the performance of this Agreement, PRSC shall hold the lands free and clear of any

encumbrances other than those agreed to in writing by PRWDC and SDC.

6.2 Waiver/Survival

The conditions set forth in this Article 6 are for the exclusive benefit of each of PRWDC, SFN and SDC and may be waived by either of PRWDC, SFN or SDC for its own part in writing in whole or in part on or before the Closing Date. Notwithstanding any such waiver, the completion of the purchase and sale contemplated by this Agreement by PRWDC, SFN and SDC shall not prejudice or affect in any way the rights of PRWDC, SFN or SDC in respect of the warranties and representations of 0606890 in this Agreement, and the representations and warranties of 0606890 in this Agreement shall survive the Closing and payment of the Purchase Price for the applicable period set out in section 3.3.

7. CONDITIONS PRECEDENT TO THE PERFORMANCE BY 0606890 OF ITS OBLIGATIONS UNDER THIS AGREEMENT

7.1 Vendor's Conditions

The obligations of 0606890 to complete the sale of the Purchased Shares shall be subject to the satisfaction of, or compliance with, at or before the Closing Time, each of the following conditions precedent:

- (a) Truth and Accuracy of Representations of PRWDC, SFN, TLH and SDC at Closing—The representations and warranties of each of PRWDC, SFN where indicated, and TLH and SDC made in Article 4 shall be true and correct at Closing and with the same effect as if made at and as of Closing;
- (b) Performance of Agreements—Each of PRWDC, SFN, TLH and SDC shall have performed and complied all the obligations, covenants and agreements to be performed and complied with by them;
- (c) Absence of Injunctions—No injunction or restraining order of any court or administrative tribunal of competent jurisdiction shall be in effect prohibiting the transactions contemplated by this Agreement and no action or proceeding shall have been instituted or be pending before any court or administrative tribunal to restrain or prohibit the transactions between the parties contemplated by this Agreement;
- (d) Purchase Price—The Purchase Price shall have been paid by the City and SFN in accordance with section 5.3; and
- (e) Payment of Mortgage Obligation – The Partnership shall have paid \$2,883,678 to 0606890 to discharge the Mortgage against title to the Lands in accordance with clauses 2.1(a)(ii) and 2.1(b)(ii).

7.2 Waiver/Survival

The conditions set forth in this Article 7 are for the exclusive benefit of 0606890 and may be waived by 0606890 in writing in whole or in part on or before the Closing Date. Notwithstanding any such waiver, completion of the purchase and sale contemplated by this Agreement by 0606890 shall not prejudice or affect in any way the rights of 0606890 in respect of the warranties and representations of either of PRWDC, SFN or SDC set forth in this Agreement, and the representations and warranties of each of PRWDC, SFN and SDC in this Agreement shall survive the Closing and payment of the Purchase Price for a period of two years from the date hereof.

8. CONDUCT OF BUSINESS PRIOR TO CLOSING

8.1 Conduct

Except as otherwise contemplated or permitted by this Agreement, during the period from the date of this Agreement to the Closing Time, 0606890, for its part, shall not do anything to prevent PRSC from doing the following:

- (a) **Conduct Business in Ordinary and Usual Course**—Conduct PRSC's business in the ordinary and usual course thereof and not, without the prior written consent of PRWDC and SDC, enter into any transaction which would constitute a breach of 0606890's representations, warranties or agreements contained herein;
- (b) **Continue Insurance**—Continue in force all existing policies of insurance presently maintained by PRSC;
- (c) **Perform Obligations**—Comply with all laws affecting the operation of PRSC's businesses and pay all required taxes;
- (d) **Pay Liabilities**—Pay and discharge all liabilities or obligations of PRSC in the ordinary and usual course of business consistent with past business practice, except for such liabilities or obligations as may be contested by PRSC in good faith;
- (e) **No Breach**—Not take any action or omit to take any action which would, or would reasonably be expected to, result in a breach of or render untrue any representation, warranty, covenant, or other obligation of 0606890 contained herein;
- (f) **Licences**—Obtain, or provide PRWDC and SDC with all co-operation or support reasonably required to allow PRWDC and SDC to obtain, at or before the Closing Date, from all appropriate federal, provincial, state, municipal or other governmental or regulatory bodies, any licences, permits, consents, approvals, certificates, registrations and authorizations required to permit the completion of the transactions contemplated by this Agreement;

- (g) **Preserve Business**—Preserve intact the business and the Assets, operations and affairs of PRSC and carry on the business and the affairs of PRSC as currently conducted, and promote and preserve for PRWDC and SDC the goodwill of suppliers, customers and others having business relations with PRSC;
- (h) **Necessary Steps**—Take all necessary actions, steps and proceedings that are necessary or desirable to approve or authorize, or to validly and effectively undertake, the execution and delivery of this Agreement and the completion of the transactions contemplated by this Agreement; and
- (i) **Compliance with Article 9**—Comply with the provisions of Article 9.

9. EXAMINATIONS AND WAIVERS

9.1 Access for Investigation

0606890, for its part, shall permit, and shall cause PRSC to permit, PRWDC and SDC and their respective employees, agents, professional advisors and other representatives between the date hereof and the Closing Date, to have access during normal business hours to the premises and to all the books, accounts, records and other data of PRSC (including all corporate, accounting and tax records and any electronic or computer accessed data) and to the Assets of PRSC and 0606890 shall cause PRSC to furnish, and require that PRSC's principal bankers, appraisers and independent auditors and other advisors furnish, to PRWDC and SDC such financial and operating data and other information with respect to the business and Assets of PRSC as either PRWDC or SDC shall from time to time reasonably request to enable confirmation of the matters warranted in Article 3. It is also the intention of the parties that PRWDC and SDC will be entitled to meet with PRSC's major clients, customers and suppliers before Closing.

9.2 Disclosure of Information

Until the Closing Time and, in the event of the termination of this Agreement without consummation of the transactions contemplated by this Agreement, thereafter, PRWDC, SFN and SDC will keep confidential any information (unless otherwise required by law or such information is readily available or becomes readily available, from public or published information or sources) obtained from PRSC or from 0606890. If this Agreement is so terminated, promptly after such termination all documents, work papers and other written material obtained from a party in connection with this Agreement and not theretofore made public (including all copies and photocopies thereof), shall be returned to the party that provided such material. Before and after Closing 0606890, PRWDC, SFN and SDC will not disclose the Purchase Price except as reasonably required for income tax and other reporting requirements.

10. GENERAL

10.1 Public Notices

The parties agree that all notices to third parties and all other publicity concerning the transactions contemplated by this Agreement shall be jointly planned and co-ordinated and no party shall act unilaterally in this regard without the prior approval of the others, such approval not to be unreasonably withheld.

10.2 Expenses

All costs and expenses incurred in connection with the preparation of this Agreement and the transactions contemplated by this Agreement shall be paid by the party incurring such expenses.

10.3 Time

Time shall be of the essence hereof.

10.4 Notices

Any notice or other writing required or permitted to be given hereunder or for the purposes hereof shall be sufficiently given if delivered or telecopied to the party to whom it is given or, if mailed, by prepaid registered mail addressed to such party at:

- (a) If to PRWDC or the City at: #103 – 7020 Duncan Street, Powell River, British Columbia, V8A 1V9;

with a copy to PRWDC's and the City's Solicitors at: 1300 – 128 Pender Street West, Vancouver, British Columbia, V6B 1R8;

- (b) If to 0606890 or CPC at: 2nd Floor, 3600 Lysander Lane, Richmond, British Columbia, V7B 1C3;

with a copy to 0606890's and CPC's Solicitors at: 7020 Duncan St #103, Powell River, British Columbia, V8A 1V9;

- (c) If to SDC, TLH or SFN at: RR#2, 6686 Sliammon Rd, Powell River, British Columbia, V8A-0B8;

with a copy to SDC's, TLH's and SFN's Solicitors at 4571 Marine Avenue, Powell River, British Columbia, V8A 2K5; and

- (d) If to PRSC at: 4760 Joyce Avenue, Powell River, British Columbia, V8A 3B6;

with a copy to PRSC's Solicitors at: 7020 Duncan St #103, Powell River, British

Columbia, V8A 1V9;

or at such other address as the party to whom such writing is to be given shall have last notified to the party giving the same in the manner provided in this section. Any notice mailed shall be deemed to have been given and received on the fifth business day next following the date of its mailing unless at the time of mailing or within five business days thereafter there occurs a postal interruption which could have the effect of delaying the mail in the ordinary and usual course, in which case any notice shall only be effectively given if actually delivered or sent by telecopy. Any notice delivered or telecopied to the party to whom it is addressed shall be deemed to have been given and received on the business day next following the day it was delivered or telecopied.

10.5 Governing Law

This Agreement shall be governed by and construed in accordance with the law of the province of British Columbia and the parties submit and attorn to the jurisdiction of the courts of the province of British Columbia.

10.6 Severability

If a court of other tribunal of competent jurisdiction determines that any one or more of the provisions contained in this Agreement is invalid, illegal or unenforceable in any respect in any jurisdiction, the validity, legality and enforceability of such provision or provisions shall not in any way be affected or impaired thereby in any other jurisdiction and the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby, unless in either case as a result of such determination this Agreement would fail in its essential purpose.

10.7 Entire Agreement

This Agreement constitutes the entire agreement between the parties and supersedes all prior agreements and understandings, oral or written, by and between any of the parties with respect to the subject matter hereof.

10.8 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 the other party as may be reasonably necessary or desirable to give effect to the purpose of this Agreement and carry out its provisions whether before or after the Closing Date.

10.9 Enurement

This Agreement and each of the terms and provisions hereof shall enure to the benefit of and be


binding upon the parties and their respective heirs, executors, administrators, personal representatives, successors and assigns.

10.10 Counterparts


This Agreement may be executed in as many counterparts as may be necessary or by facsimile and each such counterpart agreement or facsimile so executed shall be deemed to be an original and such counterparts and facsimile copies together shall constitute one and the same instrument.

IN WITNESS WHEREOF the parties have duly executed this Agreement as of the day and year first above written.

CATALYST PAPER CORPORATION, by its authorized signatory(ies):

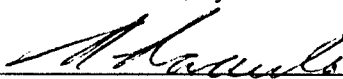


Signatory




Signatory

0606890 BC LTD., by its authorized signatory(ies):



Signatory



Signatory

THE CITY OF POWELL RIVER, by its authorized signatory(ies):

Signatory

Signatory


binding upon the parties and their respective heirs, executors, administrators, personal representatives, successors and assigns.

10.10 Counterparts


This Agreement may be executed in as many counterparts as may be necessary or by facsimile and each such counterpart agreement or facsimile so executed shall be deemed to be an original and such counterparts and facsimile copies together shall constitute one and the same instrument.

IN WITNESS WHEREOF the parties have duly executed this Agreement as of the day and year first above written.

CATALYST PAPER CORPORATION, by its authorized signatory(ies):



Signatory




Signatory

0606890 BC LTD., by its authorized signatory(ies):



Signatory

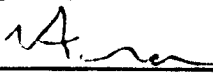


Signatory

THE CITY OF POWELL RIVER, by its authorized signatory(ies):

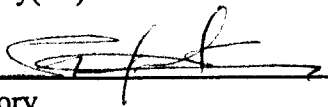


Signatory



Signatory

POWELL RIVER WATERFRONT DEVELOPMENT CORPORATION, by its authorized signatory(ies):



Signatory

Signatory

SLIAMMON FIRST NATION, by its authorized signatory(ies):

Signatory

Signatory

TEES'KWAT LAND HOLDINGS LTD., by its authorized signatory(ies):

Signatory

Signatory

SLIAMMON DEVELOPMENT CORPORATION, by its authorized signatory(ies):

Signatory

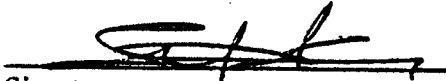
Signatory

PRSC LAND DEVELOPMENTS LTD., by its authorized signatory(ies):


Signatory

Signatory

POWELL RIVER WATERFRONT DEVELOPMENT CORPORATION, by its authorized signatory(ies):




Signatory




Signatory

SLIAMMON FIRST NATION, by its authorized signatory(ies):

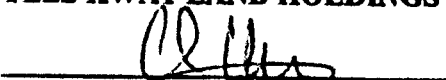


Signatory




Signatory

TEES'KWAT LAND HOLDINGS LTD., by its authorized signatory(ies):




Signatory




Signatory

SLIAMMON DEVELOPMENT CORPORATION, by its authorized signatory(ies):

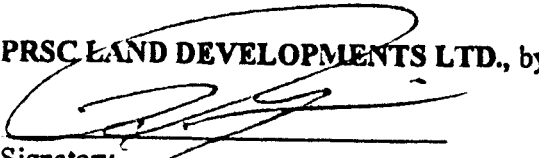


Signatory

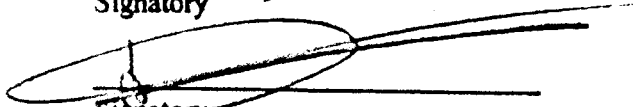


Signatory

PRSC LAND DEVELOPMENTS LTD., by its authorized signatory(ies):




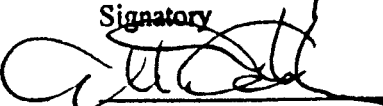
Signatory



Signatory


POWELL RIVER WATERFRONT DEVELOPMENT CORPORATION, by its authorized signatory(ies):




Signatory


Signatory


SLIAMMON FIRST NATION, by its authorized signatory(ies):




Signatory


Signatory


TEES'KWAT LAND HOLDINGS LTD., by its authorized signatory(ies):




Signatory


Signatory


SLIAMMON DEVELOPMENT CORPORATION, by its authorized signatory(ies):




Signatory


Signatory

PRSC LAND DEVELOPMENTS LTD., by its authorized signatory(ies):



Signatory


Signatory

Schedule A—Unit Holdings, Share Holdings and Shareholder Loans**Unit Holdings**

0606890	50,000 Units
PRWDC	50,000 Units
TLH	50,000 Units

Share Holdings

0606890	30 Common Voting Shares
PRWDC	30 Common Voting Shares
SDC	30 Common Voting Shares

Shareholder Loans

<u>Item</u>	<u>0606890</u>	<u>PRWDC</u>	<u>SDC</u>
September, 2013: for property Taxes	\$27,546.16	\$26,091.68	\$26,091.68
January, 2014: for amounts owing to local businesses	\$10,188.22	\$10,188.22	\$10,188.22
May 2014: for insurance costs	\$513.33	\$513.33	\$513.33
July 2014: for insurance costs	\$350.00	\$350.00	\$350.00
Totals	\$38,597.71	\$37,143.23	\$37,143.23

Schedule B—Financial Statements

PRSC LIMITED PARTNERSHIP

Financial Statements

Year Ended March 31, 2014

(Unaudited - See Notice To Reader)

PRSC LIMITED PARTNERSHIP
Index to Financial Statements
Year Ended March 31, 2014
(Unaudited - See Notice To Reader)

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Statement of Partners' Deficiency	4

DEL MISTRO DUNN
LICENSED PROFESSIONAL ACCOUNTANTS

L. Del Mistro, BSc CA
D. Dunn, CGA CA
S. Beck, CGA
Suite 201, 7385 Duncan Street
Powell River, British Columbia V8A 1W6
Phone 604-485-2726 Fax 604-485-7910

A partnership of incorporated professionals
www.delmistrodunn.ca
Vancouver office, Suite 1500
885 West Georgia Street
Vancouver, British Columbia V6C 3E8
Phone 604-689-4008 Fax 1-604-485-7910

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NOTICE TO READER

On the basis of information provided by management, we have compiled the balance sheet of PRSC Limited Partnership as at March 31, 2014 and the statements of loss and partners' deficiency for the year then ended.

We have not performed an audit or a review engagement in respect of these financial statements and, accordingly, we express no assurance thereon.

Readers are cautioned that these statements may not be appropriate for their purposes.

Powell River, British Columbia
August 8, 2014


LICENSED PROFESSIONAL ACCOUNTANTS

PRSC LIMITED PARTNERSHIP

Balance Sheet

March 31, 2014

(Unaudited - See Notice To Reader)

	2014	2013
ASSETS		
CURRENT		
Cash	\$ 59	\$ 4,619
Goods and services tax recoverable	30	418
Inventory	4,975,754	4,650,958
Due from general partner	17,953	15,499
	<u>\$ 4,993,796</u>	<u>\$ 4,671,494</u>
LIABILITIES AND PARTNERS' DEFICIENCY		
CURRENT		
Accounts payable	\$ 269,394	\$ 243,967
LONG TERM DEBT FROM LIMITED PARTNER		
	<u>4,876,889</u>	<u>4,639,523</u>
	5,146,283	4,883,490
PARTNERS' DEFICIENCY		
	<u>(152,487)</u>	<u>(211,996)</u>
	<u>\$ 4,993,796</u>	<u>\$ 4,671,494</u>

APPROVED BY THE PARTNERS

Partner

Partner

These financial statements do not include all the disclosures required under Canadian generally accepted accounting principles.
Some users may require further information as these statements have not been prepared for general purposes.

PRSC LIMITED PARTNERSHIP

Statement of Loss

Year Ended March 31, 2014

(Unaudited - See Notice To Reader)

	2014	2013
EXPENSES		
Accounting fees	\$ 2,400	\$ 2,400
Foreshore lease	6,600	6,639
Insurance	5,032	4,591
Interest and bank charges	8,123	108
Management fees	26,840	29,280
Professional fees	1,792	7,158
	<u>50,787</u>	<u>50,176</u>
LOSS FROM OPERATIONS	(50,787)	(50,176)
Interest income	<u>2</u>	<u>2</u>
NET LOSS	\$ (50,785)	\$ (50,174)

These financial statements do not include all the disclosures required under Canadian generally accepted accounting principles.
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PRSC LIMITED PARTNERSHIP

Statement of Partners' Deficiency

Year Ended March 31, 2014

(Unaudited - See Notice To Reader)

		2013			2014
	%	Balance	Net Loss	Contributions	Balance
0606890 B.C. Ltd.	33.3330	\$ (70,665)	\$ (16,928)	\$ 37,734	\$ (49,859)
Tees'kwat Land Holdings Ltd.	33.3330	(70,666)	(16,928)	36,280	(51,314)
Powell River Waterfront Development Corporation	33.3330	(70,665)	(16,929)	36,280	(51,314)
PRSC Land Developments Ltd.	0.0010	-	-	-	-
	100.0000	\$ (211,996)	\$ (50,785)	\$ 110,294	\$ (152,487)

		2012			2013
	%	Balance	Net Loss	Contributions	Balance
0606890 B.C. Ltd.	33.3330	\$ (53,941)	\$ (16,725)	-	\$ (70,666)
Tees'kwat Land Holdings Ltd.	33.3330	(53,941)	(16,725)	-	(70,666)
Powell River Waterfront Development Corporation	33.3330	(53,940)	(16,724)	-	(70,664)
PRSC Land Developments Ltd.	0.0010	-	-	-	-
	100.0000	\$ (161,822)	\$ (50,174)	-	\$ (211,996)

These financial statements do not include all the disclosures required under Canadian generally accepted accounting principles. Some users may require further information as these statements have not been prepared for general purposes.

PRSC LAND DEVELOPMENTS LTD.

Financial Statements

Year Ended March 31, 2014

(Unaudited - See Notice To Reader)

PRSC LAND DEVELOPMENTS LTD.

Index to Financial Statements

Year Ended March 31, 2014

(Unaudited - See Notice To Reader)

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NOTICE TO READER

On the basis of information provided by management, we have compiled the balance sheet of PRSC Land Developments Ltd. as at March 31, 2014 and the statement of loss and deficit for the year then ended.

We have not performed an audit or a review engagement in respect of these financial statements and, accordingly, we express no assurance thereon.

Readers are cautioned that these statements may not be appropriate for their purposes.

Powell River, British Columbia
August 5, 2014

Del Mistro Dunn
LICENSED PROFESSIONAL ACCOUNTANTS

PRSC LAND DEVELOPMENTS LTD.

Balance Sheet

March 31, 2014

(Unaudited - See Notice To Reader)

	2014	2013
ASSETS		
CURRENT		
Future income taxes	\$ 7,136	\$ 6,523
LIABILITIES		
CURRENT		
Accounts payable	\$ 977	\$ 1,819
Due to related party	17,953	15,499
	<u>18,930</u>	<u>17,318</u>
SHAREHOLDERS' DEFICIENCY		
Share capital	90	90
Deficit	(11,884)	(10,885)
	<u>(11,794)</u>	<u>(10,795)</u>
	<u>\$ 7,136</u>	<u>\$ 6,523</u>

ON BEHALF OF THE BOARD

Director

Director

The accompanying notes form an integral part of these financial statements.

PRSC LAND DEVELOPMENTS LTD.

Statement of Loss and Deficit

Year Ended March 31, 2014

(Unaudited - See Notice To Reader)

	2014	2013
EXPENSES		
Interest and bank charges	\$ 62	\$ 54
Professional fees	<u>1,550</u>	<u>2,637</u>
	<u>1,612</u>	<u>2,691</u>
LOSS BEFORE INCOME TAXES	(1,612)	(2,691)
FUTURE INCOME TAXES (RECOVERED)	<u>(613)</u>	<u>(1,022)</u>
NET LOSS	(999)	(1,669)
DEFICIT - BEGINNING OF YEAR	<u>(10,885)</u>	<u>(9,216)</u>
DEFICIT - END OF YEAR	<u>\$ (11,884)</u>	<u>\$ (10,885)</u>

The accompanying notes form an integral part of these financial statements.

PRSC LAND DEVELOPMENTS LTD.

Notes to Financial Statements

Year Ended March 31, 2014

(Unaudited - See Notice To Reader)

1. FINANCIAL STATEMENT DISCLOSURE

These financial statements do not include all the disclosures required under Canadian generally accepted accounting principles.

Some users may require further information as these statements have not been prepared for general purposes.

2. INVESTMENT IN PARTNERSHIP

The Company's investment in PRSC Limited Partnership (0.001% interest) is recorded using the equity basis. The value of the investment is nominal and, consequently, does not appear on the balance sheet in the current year.

Schedule C—Employees

- None.

Schedule D—Material Contracts, Permits and Licences

- Letter of engagement with Lamont and Company for book keeping services.
- Letters of engagement with Del Mistro Dunn to complete the 2014 year end financials for the Partnership and PRSC.

Schedule E—Liabilities and Encumbrances**Accounts Payable of Partnership (as of August 29, 2014)**

Catalyst (foreshore lease):	\$13,941.75
City of Powell River (outstanding property taxes, including interest):	\$259,901.38
Del Mistro Dunn Licensed Professional Accountants (accounting expenses)	\$4570.13
Lamont & Company (accounting expenses):	\$1989.78
Powell River Economic Development Society (management services):	\$68,238.83
Villani & Company (2014 annual report)	\$324.18
Total Accounts Payable (as of the Closing Date):	\$348,966.05

Mortgage Payable by the Partnership (as of August 29, 2014)

Held by 0606890 and having a principal outstanding balance of approximately \$4.3 million with interest accruing on the Mortgage at 5% per annum.

Schedule F—Assets

Legal Description of Lands

PARCEL IDENTIFIER: 010-267-409
BLOCK 56, DISTRICT LOT 450, PLAN 8096, EXCEPT PLANS 12767 AND BCP46067

PARCEL IDENTIFIER: 015-863-310
DISTRICT LOT 4070, GROUP 1, NEW WESTMINSTER DISTRICT, EXCEPT PART IN
REFERENCE PLAN 2267

PARCEL IDENTIFIER: 026-685-591
LOT A, DISTRICT LOT 450, GROUP 1, NEW WESTMINSTER DISTRICT, PLAN
BCP23887, EXCEPT: PART SUBDIVIDED BY PLAN BCP42255

PARCEL IDENTIFIER: 026-686-554
LOT 1, DISTRICT LOT 1901A, GROUP 1, NEW WESTMINSTER DISTRICT, PLAN
BCP23889

PARCEL IDENTIFIER: 026-741-580
LOT 2, DISTRICT LOT 450, GROUP 1, NEW WESTMINSTER DISTRICT, PLAN BCP23888

PARCEL IDENTIFIER: 026-686-589
LOT A, DISTRICT LOT 450, GROUP 1, NEW WESTMINSTER DISTRICT, PLAN BCP23890