
Undertaking U-4: Provide the retainer letters for the ANSS consultants.

Response U-4:

Attachment 1 is the Consulting Agreement with Bodington & Company (price redacted). Attachment 2 consists of the following documents in connection with retention of ESI Tennessee Inc.:

(a) Nova Scotia Biomass CHP Study, Scope of Work, December 13, 2010;

(b) ESI Study Proposal, December 20, 2010 (price redacted);

(c) Letter of Acceptance, January 4, 2011.

executed

BODINGTON & COMPANY

Investment Bankers to the Electric Power Industry

50 California Street, Suite 630 • San Francisco, CA 94111

February 21, 2011

Mr. Fenton Travis
Marwood
PO Box 338, Station A
Fredericton, New Brunswick
CANADA E3B 4Z9

Re: **Engagement Letter**
Consulting regarding biomass issues

Dear Mr. Travis:

This letter is a consulting agreement ("Agreement") between Bodington & Company ("B&Co") and Marwood Ltd. ("Client"). The services covered by this engagement and their costs are described below.

Summary of Engagement

B&Co is pleased to provide consulting services to Client concerning biomass-fired power project costs, financing, risks, and revenue requirements (the "Project").

B&Co will complete various tasks, to be requested by and approved in advance by Client, concerning the Project. B&Co understands that these tasks may include:

- Evaluate markets, participants, facilities, operations, agreements, and financial performance of one or more small biomass-fired electric power projects in Nova Scotia.
- Provide general information on biomass project equipment, economics and financing to Client.
- Review others materials as requested by Client.
- Prepare testimony and testify in Halifax concerning the topics noted above.

Terms

B&Co may disclose Client as one of B&Co's clients. The parties also understand that engagement-related materials and work product may be subject to a separate Confidentiality Agreement between Client and B&Co.

B&Co, Client will agree on a schedule for this engagement. Client understands that Mr. Bodington will not be available at all during June 9 through June 27, 2011.

The term for this engagement is from the date of this Agreement above through the completion of the tasks summarized above.

[redacted]

B&Co is a California corporation and a member of the National Association of Securities Dealers. This Agreement represents the entire understanding between B&Co and Client and all prior discussions are merged herein. This Agreement may be modified only upon mutual consent and in writing. Either party may assign this Agreement only with the prior written consent of the other. All information provided by B&Co and Client to each other will be believed to be accurate, however, each expressly disclaims liability for all representations and omissions. Neither party provides any indemnity to the other. If there is any dispute between Client and B&Co, the parties will first try to resolve it themselves and if it is not resolved then, second, the parties will submit to mediation and if it is still not resolved then, third, the parties will submit to binding arbitration before the American Arbitration Association.

Sincerely,

Bodington & Company
Name [redacted]
Title [redacted]
Date 2/24/11

ACCEPTED:
Client Marwood Ltd.
Signature [redacted]
Name Fenton Travis
Title Project Manager
Date Feb 21, 2011

Nova Scotia Biomass CHP Study
Scope of Work

Marwood Ltd. in conjunction with
The Alliance of Nova Scotia Sawmillers

Prepared

by

Fenton Travis, P.Eng

December 13, 2010

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1.0 Background

Electricity in Nova Scotia is primarily produced from the combustion of coal and represents approximately 90% of the electricity on the grid. Coal fired generation emits significant amounts of CO_2, SO_x, NO_x, mercury and other environmental undesirables into the atmosphere. To improve the environmental foot print of Nova Scotia's electricity sector the Nova Scotia government has initiated new renewable energy regulations that require the province to generate 25% of its electricity from renewable generation sources by the year 2015. Nova Scotia Power's existing renewable generation resources account for approximately half of this target at 12.5%. The balance of the electricity required to meet the target will be derived from newly constructed generators.

To achieve this target, the government has developed new energy regulations that outline how renewable electricity will be procured in the province. As part of the regulations the province has approved Community Feed-In Tariffs (COMFITs) for tidal, wind, biomass combined heat and power (CHP) and small hydro. The province has given the Nova Scotia Utilities and Review Board (NSUARB) the mandate to set the price of the Feed-In Tariffs for the various renewable technologies and a rate hearing is set for April 4, 2011.

Marwood Ltd. along with five other sawmills in Nova Scotia have formed an association called 'The Alliance of Nova Scotia Sawmillers". The purpose of the group is to ensure our industries interests are represented at the NSUARB COMFIT price setting hearings. The Alliance of Nova Scotia Sawmillers includes Marwood Ltd., Ledwidge Lumber Company, Elmsdale Lumber Company, Harry Freeman and Son Limited, J.D. Irving Truro and Groupe Savoie. Of particular interest to this group is the COMFIT price that will be established for combined heat and power projects. All sawmills in the group have heat loads and biomass fuel supplies that make CHP projects a natural fit for our businesses. We are all driven by the common interest of securing an opportunity to enhance our revenue through the sale of renewable electricity under the newly established COMFIT.

2.0 Purpose

The NSUARB has hired Synapse Energy Economics, Inc., a consulting company from Massachusetts, to derive the prices for the various COMFITs. The consulting group will be evaluating a number of factors in the determination of the COMFIT price for biomass CHP. Our group requires engineering expertise regarding the generating cost of CHP plants such that we may compare our

information with the consultant's model to determine its level of accuracy. The process for determining the COMFIT by the NSUARB consultants will be highly transparent and we will have direct access to the models, variables and assumptions that the consultants will use to determine the COMFIT price. This allows us to directly compare the information we acquire from the study to the variables used in the consultant's model. Should the information from the study vary considerably from the consultant's information we will challenge the consultants information at the rate hearing in April 2011.

In the event that the information in the study is presented as evidence, a representative from ESI Inc. of Tennessee will be required to answer questions on the details of the study during cross examination by intervenors, the NSUARB or its consultants.

The study is intended to be a Phase I engineering study that contains enough detail for our group to make a reasonably accurate assessment of the cost of generating the electricity from a plant with the parameters described in this document.

3.0 System Design

The plant will be designed based on conventional steam technology using a boiler and steam turbine for the generation of heat and electricity. Given the broad range of companies within our group we would like to investigate the cost of generating electricity at both the 2MWe and 5MWe scale. Some companies within our group have the biomass resources and heat loads necessary to generate at 5MWe while others will be in between 5MWe and 2MWe. It should be assumed that the CHP plant will be located and integrated into an existing sawmill site. The sawmill will provide bark and sawdust to fuel the CHP plant and the CHP plant will generate electricity for sale to the grid while producing steam to heat the sawmill dry kilns. The system should be designed with the consideration that the primary heat load, which is the dry kiln operations, runs at approximately 180 °F at 75 psi. It should also be assumed that serving manufacturing heat loads will take priority over electricity generation. We are gathering information from our sawmills to determine the appropriate assumptions to use regarding the total annual energy used for process heat along with maximum steam flow requirements.

3.1 Consideration of Turbine Configuration

Due to the unpredictable nature of the operation of the heat load at a sawmill our initial assumption is that a back pressure configuration is not well suited for

power generation in this application. A sawmill may elect to shut down for a period of time based on conditions of the lumber market which would prevent electricity generation under a backpressure configuration. During such a shutdown, revenue from power sales would not be available to service power plant debt or pay boiler engineer wages. The sawmill may also reduce capacity to one shift or may have other scenarios where the heat load is not available, thus prohibiting the generation of electricity. Under these conditions the capacity factor of the power plant may not be high enough to generate enough revenue to cover expenses.

Alternatively, a full condensing steam turbine allows for the generation of electricity without the operation of the heat load, giving the sawmill the ability to shutdown and continue earning revenue from the operation of the power plant.

Based on these factors, the system should be designed using a full condensing steam turbine with an extraction to supply the heat load for the sawmill dry kilns.

3.1 Environment

The system will be designed to meet all required environmental standards of the province of Nova Scotia for CHP plants of the specified scale.

3.2 Transmission

Interconnection to the transmission system will be at the distribution level which is considered to be all electrical transmission below 69kV. Only distribution interconnected projects are permitted under the COMFIT regulations. It is understood that cost estimates regarding interconnection to the distribution system may vary considerably depending on a number of factors related to the specific site. Nova Scotia's local utility has been consulted on interconnection cost and has estimated interconnection to cost $175,000 on average. This interconnection estimate can be used in the assessment of the overall capital cost.

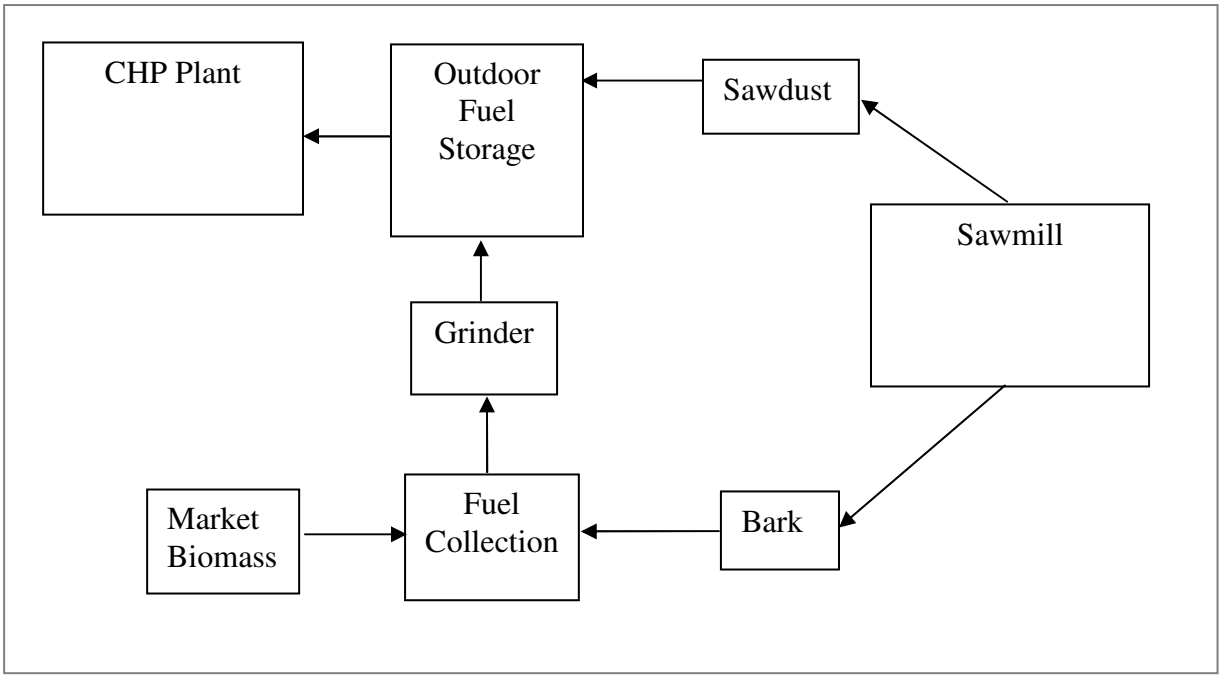
3.3 Fuel

Fuel for the plant will be sourced primarily from the debarking of logs and the sawdust generated during the lumber production process from the sawmill. Additional biomass required beyond the supply available at the mill will include woody biomass purchased from the Nova Scotia biomass market. The fuel for the system should be assumed to have an average moisture content of 50%.

3.4 Materials Handling

Depending on the range of particle sizes that the boiler is capable of accepting, the biomass material from the sawmill may require further sizing using a grinder. Sawdust from the sawmill should be sufficiently fine that no further sizing should be required, however, bark generated from the debarking of logs may have larger particle sizes and may require further sizing to accommodate the boiler. In addition to the sawmill derived fuel sources, chipped biomass purchased from Nova Scotia's biomass market may also have to be sized prior to delivery to the boiler. A diagram illustrating this concept can be seen in Figure 1. Consideration should be given to the biomass size requirements for the boiler and whether there is a need for material sizing when contemplating the materials handling design for the plant.

Figure 1 – Materials Handling Diagram



4.0 Study Deliverables

The cost of generating electricity can be categorized into 4 principal components; capital cost, non-fuel O&M, fuel cost and financing. The purpose of this study is to determine values for the capital cost, non-fuel O&M and principal operating parameters of the plant (fuel requirements, gross power output, net output etc.).

The balance of the variables that comprise the cost of generation will be sourced independently by our group. Information on wood fuel cost is an area where we already have specific expertise and details pertaining to project financing will be sourced from the Canadian financial community. These items would generally include;

- target return on equity
- capital structure
- amortization period of debt
- interest rates on debt
- depreciation
- Canadian federal income tax
- Nova Scotia income tax
- All other financial related variables

4.1 Capital Cost Estimate

The capital cost estimate should cover all equipment supply, materials, labor and supervision required to provide a fully functional CHP plant as described. The expected level of accuracy regarding the capital cost estimate for the plant is +/- 20%. The estimate should include the premium required for the EPC contractor to provide a fixed cost turnkey price on the construction of the plant, including performance guarantees and other related services. The estimate should include but is not limited to the following items;

<u>Capital Cost Items</u>

- Boiler
- Particulate Removal (As required by the Province of Nova Scotia)
- Emissions Monitoring/Emissions Controls (As required by the Province of Nova Scotia)
- Controls
- Steam Turbine & Generator
- Materials Handling System
- Water Treatment
- Land purchase

- Building
- Fuel Storage Yard
- Fuel Chipping/Sizing
- Engineering
- Construction
- Yard equipment
- Distribution system interconnection
- Engineering & Start-up
- EPC Profit & Fee
- Bonds & Insurance
- Spares
- Contingency

Assumptions regarding capital cost estimate

- The plant location will be on an existing brown field site where the sawmill is currently located
- For civil engineering, assume average soil conditions for Nova Scotia
- The estimate is based on a turnkey project where the EPC company provides fixed cost guarantee for construction of the plant.
- Costs associated with equipment outside of the plant, such as dry kiln heaters and other related process heat equipment are not included in the estimate. Only equipment related to the production of electricity and heat for the processes.

4.3 Operating and Maintenance

Sawmills have existing employees such as accountants, loader drivers and other related overheads that will not be considered in the labor cost estimate. Boiler engineers are the most likely source of labor required in addition to labor available at the sawmills. Any major replacement or major maintenance required over the life of the asset should also be included in the O&M estimate. The assessment of operating and maintenance costs should include but is not limited to the following items;

<u>O&M Cost Items</u>

- Maintenance
- Employees required (total cost including benefits)
- Parasitic power requirements
- All consumables
- Ash disposal
- Insurance
- Major planned maintenance (turbine blade refurbishment etc.)

- Property tax

4.4 Plant Operating Parameters

The study should provide information on the electrical generation capacity of the power plant under varying process heat load conditions. If possible, a curve should be provided demonstrating generator output as a function of process heat demand. The study should also include but is not limited to the following items;

- Gross power generating capacity (Evaluate at zero process heat load and full process heat load)
- Expected Capacity Factor
- Gross power generated (Evaluate at zero process heat load and full process heat load)
- Parasitic power required (kWh/yr)
- Net power generated (Evaluate at zero process heat load and full process heat load)
- Power plant gross heat rate (btu/kWh)
- Power plant net heat rate (btu/kWh)
- Power plant gross efficiency (Evaluate at zero process heat load and full process heat load)
- Power plant net efficiency (Evaluate at zero process heat load and full process heat load)
- Total system efficiency including electricity and heat (Evaluate at full process heat load)
- Process heat capacity (MMbtu/hr)
- Process steam pressure, temperature, flow.
- System diagram outlining operating pressures and temperatures
- Total water consumption
- Water capacity

4.4 Report Structure

The submission of the final report should contain and follow the general outline as specified. The report should be submitted electronically in searchable PDF format.

Report General Outline

- Executive Summary
- Introduction/Background
- Description of assumptions (process heat required etc.)
- Boiler/turbine sizing criteria/specifications
- Wood handling requirements/sizing

- Balance of Plant description
- Layouts
- Flow diagrams
- Cost Estimates
- O&M details
- Appendices as required

4.5 Deadlines and Communication

The deadlines established for this study are of paramount importance as it is likely that the information in the study will be submitted as evidence at the NSUARB rate hearings regarding the establishment of the biomass CHP COMFIT. Dates have been set for submission of evidence for these hearings and information submitted past the deadlines will not be accepted by the NSUARB. As such, information delivered after the deadline is of no value to our group.

The final report must be submitted by no later than Monday February 28, 2011.

All invoices should be addressed to Marwood Ltd.;

Marwood Ltd.
PO Box 338 Station “A”
Fredericton, NB
E3B 4Z9
Canada

Invoices and all other correspondence should be emailed to Fenton Travis at fenton.travis@marwoodltd.com.

ESI Inc. of Tennessee
1250 Roberts Blvd
Kennesaw, GA 30144
Phone: 770-427-6200
Fax: 770-425-3660
www.esitenn.com

Design/Build Engineers & Contractors
Specialists in Steam and Cogeneration Systems

December 20, 2010

Fenton Travis
Project Manager
Marwood Ltd.
PO Box 338, Station "A"
Fredericton, New Brunswick
Canada E3B 4Z9

Re: Nova Scotia Biomass CHP Study
For Marwood Ltd. in Conjunction with the Alliance of Nova Scotia Sawmillers

Dear Fenton:

Pursuant to our meeting in Orlando last week, this letter is a proposal for ESI Inc. of Tennessee to perform the Nova Scotia Biomass CHP Study (Study) in accordance with your RFQ document dated December 13, 2010.

ESI has reviewed your RFQ document and is prepared to provide this Study including all required deliverables in full compliance with the requirements of the RFQ document. We find the RFQ document to be well written and self explanatory with regard to the scope of the Study and the required deliverables. ESI has the following comments with regard to the requested deliverables and items provided by Marwood on behalf of the Alliance of Nova Scotia Sawmillers:

- ESI can provide all the capital cost requirements as specified; however, we would need some assistance with regard to the cost of land purchase.
- ESI would need some assistance in calculating the property tax component of the O&M costs. We would assume that the Marwood could help with that calculation once the capital cost estimate has been completed.
- ESI would provide a preliminary proforma economic model that will incorporate the capital cost, O&M costs, and financial parameters to determine internal rate of return, net present value, and other economic parameters. This model would be used to develop a sensitivity analysis of these economic parameters as a function the power selling price.

Study Pricing & Schedule

ESI will perform this engineering Study as defined by this proposal and the subject RFQ document dated December 13, 2010 [redacted]

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[redacted]Based upon a purchase order and release to proceed by January 5, 2011, ESI can provide the draft of the Study deliverable document by the required date of February 28, 2011. This schedule assumes that ESI and Marwood can reach agreement by January 14, 2011 on the following two key design points:

- The biomass fuel specification to be used as the fuel design basis.
- The maximum, minimum, and average thermal load requirements of both the 2 and 5 MW systems.

ESI does not require any meetings to conduct this Study. Accordingly, this pricing does not include any travel and expenses for any meetings that may be desired by Marwood or the Alliance. Any travel requirements will be billed on a time and material basis pursuant to the attached ESI Standard Rate Schedule.

As we discussed in our meeting, ESI would be more than happy to support the Marwood and the Alliance with attendance at any hearings or other meetings as deemed necessary. These services would be at an additional cost to the services quoted herein and would be billed on a time and material basis plus expenses.

Invoices would be forwarded to Marwood as follows with payments due net 30 days:

- 50% down payment with purchase order
- Final 50% upon submittal of draft Study document

Experience Qualifications of ESI

ESI is a design engineering and construction firm that specializes in the engineering, procurement, and construction (EPC) of steam and cogeneration facilities. As the Special Forces™ of the steam and power business, ESI brings innovative, cost effective, and environmentally friendly solutions to its clients steam and power needs. ESI has a long list of repeat Fortune 500 clients for whom ESI performs all their steam and power projects using a negotiated open book approach.

ESI has a great deal of experience performing EPC projects that handle and burn biomass waste, paper mill sludge, petroleum coke, high carbon fly ash, and other waste fuels in addition to conventional fossil fuels such as coal, oil, and natural gas.

Several of ESI's past projects have been to repower older biomass and other solid fuel fired power boilers by designing and installing state-of-the-technology in bark handling and delivery, overfire air capacity and arrangement, bark feeding and distribution, firing system and grate modifications, and process waste stream incineration. For example, ESI performed the conversion of a 275,000 pph steam capacity retired Kraft liquor boiler by retrofitting the unit with bubbling fluidized bed technology to enable this unit to be

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placed back into service to generate 450,000 pph of steam at 800 psig/850 ºF superheat temperature while burning over 1400 tons per day of paper mill sludge, bark, and tire derived fuel.

In 1998, ESI completed the design and construction of a facility for Minergy Corporation that receives, handles, dries, and burns 1300 tons per day of 60% moisture content paper mill sludge to produce steam, power, and glass aggregate. This facility won the "Power Magazine" 1999 Cogeneration facility of the Year Award.

In 2002, ESI completed the engineering for Cinergy Solutions for the EPC of a new 37 MW wood fired power boiler system located in downtown St. Paul, Minnesota. This new power boiler system sells power to the local utility as well as providing up to 225 mmbtu/hr of thermal energy to the St. Paul District Heating plant.

In 2006, ESI finished the engineering, procurement, project management, and construction management for a new coal and petroleum coke fired CFB boiler for Corn Products in Chicago. This new steam plant system produces 1.1 million pounds of steam per hour at 650 psig / 750 °F superheat. This steam is used to generate power in backpressure steam turbine generators, which exhaust to the process steam header.

In 2009, ESI finished the engineering, procurement, project management, and construction management for a new 30 MW biomass fired power plant for Evergreen Community Power in Reading, Pennsylvania.

ESI has recently completed a project providing design, engineering, procurement, and start-up and commissioning services to DTE Energy Services for the coal to wood fired conversion of an existing 50 MW coal fired station located in Cassville, Wisconsin. This facility commenced commercial operations in August 2010.

ESI is currently working on two nominal 50 MW biomass fired power plants, one as the engineer and partial equity developer and the other, a second project for DTEES.

ESI is also currently under contract with a developer helping them to perform the preliminary design and capital cost estimate of a nominal 5 MW biomass fired power plant facility located in Hawaii.

ESI is uniquely qualified to perform the preliminary engineering and capital and O&M cost estimate required in this Study by Marwood. Since ESI's primary business is the design and construction of steam and cogeneration facilities, ESI differentiates itself from more traditional engineering firms that do not have the experience and expertise to develop comprehensive and accurate EPC capital cost estimates. ESI's business model is the procurement of commercially available technology and equipment at point of manufacture. ESI then designs that equipment into a complete and totally integrated system followed by a construction model that provides the lowest possible construction

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cost. This unique business execution model allows ESI to provide the maximum value to our clients while delivering the best overall project EPC cost possible.

Our business focus is not to sell engineering services, but to help clients move projects from development to reality by providing whatever value added services they require.

For additional information about ESI and our past projects and experience, please visit our website at www.esitenn.com.

Closing

This proposal provides Marwood and the Alliance with the all the specific deliverables and requirements you have outlined in your RFQ. We are confident that ESI can meet the your expectations in the performance of this Study document and with continued support as you endeavor to set realistic pricing for the sale of power from these 2MW and 5MW biomass fired CHP plants. ESI looks forward to further discussions regarding this proposal and working once again with Marwood.

Sincerely Yours,

ESI INC. OF TENNESSEE

William L. Reeves P.E.
President

CC Ross Creelman – Marwood
Jay Garrett
Jeff White
Mitch Hayes

MARWOOD
Creators of Quality Wood Products

January 4, 2011

William L. Reeves P.E.
President & CEO
ESI Inc. of Tennessee
1250 Roberts Blvd.
Kennesaw, GA 30144

Dear Bill,

I have reviewed ESI's proposal to execute a feasibility study for a 2MW and 5MW CHP plant as outlined in our scope of work. I am pleased to inform you that we have accepted the proposal and we are looking forward to working with you and your team.

Sincerely,

Fenton Travis
Project Manager