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MEMORANDUM OF UNDERSTANDING FOR  
EQUIPMENT PURCHASE AGREEMENT AND LEASE PAY-OFF

This MEMORANDUM OF UNDERSTANDING is made by and between IFC Credit Corporation, ("IFC") and references hereafter to "IFC" shall be deemed to include the interests of IFC's funding sources, including Fortress Credit Corp. and George Washington Savings Bank), and Oconto Falls Tissue, Inc., Partners Concepts Development, Inc., Tissue Products Technology Corporation, Eco-Fibre, Inc. and Ronald H. Van Den Heuvel, individually, and as the corporate representative of Oconto Falls Tissue, Inc., Partner Concepts Development, Inc., Tissue Products Technology Corporation and Eco-Fibre, Inc (the "RVDH Entities").

WHEREAS, there exists between the parties certain agreements, including:

A. A certain Master Lease Agreement No. 801056, dated June 10, 2005, supplemented by Lease Schedule No. 001, dated June 30, 2005, and amended by a First Amendment to Lease Schedule No. 001 dated June 10, 2005 (the "Oconto Lease"), for the subject leased equipment that is commonly referred to as Line No. 2 ("Line No. 2");

B. A certain Master Lease Agreement No. 801070 and Lease Schedules Nos. 01, 03, 04, 05, 07, 010, 011, 012, 013, 014 (the "After-Dryer Lease"), for the subject leased equipment that is commonly referred to as the sixteen (16) After-Dryers (the "After-Dryers"); and

C. A certain Yield Enhancement Agreement (the "Stock Agreement") by and between IFC Credit Corporation and Ronald H. Van Den Heuvel ("RVDH") dated September 30, 2005, whereby RVDH pledged, assigned and delivered to IFC four percent (4%) of the stock of Partners Concept Development, Inc. (the "PCDI Stock"). The Oconto Lease, the After-Dryer Lease, and the Stock Agreement, are collectively referred to as the

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"IFC Agreements". The Line No. 2 equipment, the After-Dryers, and the PCDI Stock are collectively referred to as the "IFC Equipment."

WHEREAS, the RVDH Entities have represented to IFC that certain RVDH Entities have entered into certain Asset Sale Agreements with St Paper, LLC (collectively, the "Asset Sale Agreement"), and RVDH Entities, shall, upon signing this Memorandum, furnish to IFC documents evidencing and confirming the transaction relating to the Asset Sale Agreement with Asset Purchaser; provided that such documents may be redacted in a manner to conform to confidentiality requirements therein and such documents shall be sufficient to satisfy IFC and its funding source, of sufficient available funds from a committed and identified source, with which to pay off IFC and its funding sources; and

WHEREAS, the RVDH Entities have represented to IFC that there is a document closing date projected for December 28, 2006, and a financial funding and closing date projected for December 28, 2006; and

WHEREAS, in connection with the Asset Sale Agreement, the RVDH Entities desire to purchase certain assets and to lease (with no residual value) certain other assets from IFC for no more than a ten month period and to provide guaranties, collateral, and assurances to IFC in connection with the payment therefor; and

WHEREAS, IFC is willing to sell those certain assets and lease certain other assets to RVDH Entities pursuant to a ten-month (10) lease, contingent upon appropriate guaranties, collateral, and assurances of payment as set forth herein; and

WHEREAS, there are claims relating to the Oconto Lease and there is currently pending litigation between IFC and the various RVDH Entities relating to the After-Dryer Lease, including federal litigation, in which IFC, George Washington Savings Bank, and the RVDH entities have

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asserted certain claims regarding the Master Lease Agreement No. 801070 (collectively referred to as the "IFC Litigation"); and

WHEREAS, the parties are desirous of reaching an understanding for the framework to resolve their respective claims and interests as to the IFC Agreements and to resolve the IFC Litigation; and

NOW THEREFORE, the parties enter into this MEMORANDUM OF UNDERSTANDING for the purpose of resolving and liquidating their respective claims and obligations, and if this Memorandum is accepted by all parties, it shall be deemed the basis upon which to proceed to prepare the Definitive Documents, as discussed below.

**1. Scope of Understanding**

A. This Memorandum, subject to the creation and execution of Definitive Documents (as defined below), applies only to: (1) the Oconto Lease and Line No. 2 Equipment, including the funding sources related thereto, including Fortress Credit Corp., (2) the After-Dryers, including the funding sources related thereto, including George Washington Savings Bank; (3) the Yield Enhancement Agreement ("Stock Agreement"), and (4) all claims including those asserted in the IFC Litigation, relating to these matters.

B. This Memorandum does not in any way relate to, or dispose of, or address any other obligations or interests relating to the Plane Loan, or any property, collateral, interests, obligations or undertakings relating to transactions other than those set forth in Paragraph 1A above.

**2. Payment to IFC**

The RVDH Entities shall pay to IFC the sum of \$23,400,000 (adjusted as described below) payable as follows and in satisfaction of all amounts owed under the IFC Agreements, which is



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inclusive of legal fees. Adjustments to the \$20 million payment to be made in Paragraph 2.A below, shall be as follows:

1. Credits (Reductions) to the payment owed by the RVDH Entities shall be:
  - a. \$140,000 principal balance credit for each payment made to Fortress after November 4, 2006 until the closing date.
  - b. \$35,000 principal balance credit for each additional security deposit fund payment made to Fortress after November 4, 2006 until the closing date.
2. Debits (Increases) to the payment owed by the RVDH Entities shall be:
  - a. \$75,000 as and for attorneys' fees
  - b. \$60,000 per month charge as of November, 2006 and for each month thereafter for the interest component of the After Dryer Lease, prorated to the date of closing.

A. **Wire Transfer of \$20 Million Upon Closing.** \$20 million (as adjusted by the preceding paragraph) shall be paid by or on behalf of the RVDH Entities by wire transfer directly to IFC in good and immediately available funds from the financial closing to be conducted on December 28, 2006, or such closing date, of the Asset Sales Agreement transaction. Said transfer of immediately available funds shall be confirmed in writing to IFC's bank not later than 3:30 p.m. (Chicago time), December 28, 2006, (or such closing date). Such payment shall be applied to the following buyout and lease obligations:

- i. Line No. 2 Equipment. IFC (and all of IFC's funding sources including Fortress Credit Corp.); will sell, transfer, and assign the Line No. 2 equipment to the RVDH Entities and/or Asset Purchaser or their nominee, in consideration of the payment set forth herein, free and clear of all liens relating to any transactions with IFC.

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ii. Obligations of RVDH Entities. IFC (and all of IFC's funding sources, including Fortress Credit Corp.) shall release and discharge the RVDH entities from all obligations relating to Line No. 2, except only as set forth in Paragraph 2.B. below; and

iii. Release of Certain Interests. IFC will provide to the RVDH Entities and the Asset Purchaser a complete and full transfer and release of any title, interest, claim, lien or other filings which IFC may have or which was created by or through IFC as against, in, or to the IFC Equipment and under the IFC Agreements or by IFC's funding sources, except only for Paragraph 2.B. below, relating to the IFC Equipment covered by the scope of this Agreement and relating to the After Dryers.

B. Payment of \$3.4 Million in Installments. The RVDH Entities and/or the Asset Purchaser shall pay to IFC \$3.4 million in ten (10) equal and consecutive monthly payments of \$340,000 each (the "Series Payments") beginning 30 days after the Closing Date, pursuant to the following:

i. New Lease of After-Dryers. IFC and the RVDH Entities and Asset Purchaser shall enter into a New Equipment Lease Agreement covering the sixteen (16) After-Dryers, utilizing a standard Lease Agreement (with no residual value, no prepayment penalties and an early buy-out amount calculated by just adding the remaining Series Payments) and all additional and ancillary documents necessary to evidence IFC's interest in said property.

ii. The PCDI Stock Pledge. The PCDI Stock pledged, assigned and delivered constituting four percent (4%) of the stock of PCDI, shall continue to be held by IFC until the above amounts have been fully paid to IFC;

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iii. Guaranty. The guaranty of PCDI and the personal guaranty of Ronald H. Van Den Heuvel shall be provided to IFC guaranteeing all Series Payments.

iv. Assigned Agreements. The RVDH entities shall assign and provide to IFC the first and paramount rights to receive payments under the Fixed Price Engineering, Procurement and Construction Agreement dated as of August 4, 2006 between ST Paper, LLC and Spirit Construction Services, Inc. up to \$340,000 per month and in an aggregate amount of \$3,400,000.

v. Default. The RVDH Entities and Asset Purchaser shall pay any and all expenses, costs, legal fees, and default interest in the event of any further default of any of the payments required to be made to IFC under the IFC Agreements or pursuant to the contemplated Definitive Documents. In the event of default, the RVDH Entities specifically consent to the confession of judgment as to all unpaid amounts on the New Lease and default expenses.

C. **Release Upon Full Payment.** Upon the full and timely payment of all sums set forth in Paragraph 2.B. above, IFC shall provide the assignment, transfer and/or release to the RVDH Entities and the Asset Purchaser (or as directed by them), of all of IFC's interest, claim or title to the properties subject to and set forth in Paragraphs 2.B.(i) through 2.B.(iv) above.

3. **Dismissal of Litigation**

Upon the execution of the Definitive Documents, the parties to the IFC Litigation shall request that the Court stay all further proceedings in the case until the occurrence of the financial closing or January 15, 2007, whichever occurs first.



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4. Mutual Release

At the Closing Date, IFC and the RVDH entities shall execute releases, releasing each other and IFC's Funding Sources from all claims and causes of action. (Except any claims of IFC relating to failure to make Series Payments and obligations of RVDH. As part of such release, IFC shall indemnify and hold harmless the RVDH Entities from any claims from any IFC funding party relating to Line 2 or the After-Dryer Lease.

5.. Definitive Documents

A. The proposal set forth herein is conditioned upon the negotiation, execution and delivery of the definitive documentation (the "Definitive Documents") customary and appropriate for a transaction of the kind contemplated herein, and a settlement agreement, including complete releases of the parties, relating to the IFC Litigation. The Definitive Documents shall provide for the full release by the RVDH Entities of IFC and its funding sources including Fortress Credit Corp. and George Washington Savings Bank. IFC and the RVDH entities shall not be bound until Definitive Documents have been executed and delivered but shall act in good faith and under a duty of fair dealing to work toward execution and delivery of Definitive Documents.

B. This Memorandum is not intended to, and does not constitute a complete statement of, or a legally binding enforceable agreement by IFC or the RVDH entities with respect to the matters described herein or the transaction contemplated by this Memorandum. Except in relation to the duties of good faith and fair dealing as described in 5.A. above, the parties hereto agree not to assert any argument or claim to the contrary. Except in relation to the duties of good faith and fair dealing as described in 5.A. above, the parties agree that no party shall assert any claim or commence any action or proceeding against the other party relating to or arising from this Memorandum or any oral communication as a result of a failure to enter into the Definitive

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Documents, or for any other reason related to the transaction contemplated by this Memorandum, other than pursuant to the Definitive Documents, following execution and delivery.

C. Notwithstanding any other provision in this Memorandum, this is not intended and shall not be construed as an amendment, modification, supplement, release or any other revision to any of the IFC Agreements until Definitive Documents have been executed.

6. Miscellaneous

A. Neither this Memorandum, nor any of the negotiations or other action undertaken pursuant to this Memorandum, shall constitute a waiver of any party's rights under the IFC Agreements, except as may be specifically stated in a written agreement signed by all parties.

B. All discussions, correspondence, and this Memorandum shall be deemed to be in the nature of settlement and compromise negotiations and shall not be admissible in any legal, equitable or administrative proceedings, deemed actionable under any theory of law, or utilized for any purpose without the consent of all parties.

C. This Memorandum may be executed in one or more counterparts, each of which shall constitute an original and all of which taken together shall constitute one Memorandum. Each party executing this Memorandum represents that such party has full authority and legal power to do so.

D. This Memorandum may be amended only by written agreement executed by all parties.



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Acknowledged and Agreed:

RONALD H. VAN DEN HEUVEL

By: Ronald H. Van den Heuvel Date: 12/22/06

OCONTO FALLS TISSUE, INC.

By: Ronald H. Van den Heuvel Date: 12/22/06  
Name: Ronald H. Van den Heuvel  
Title: President

PARTNERS CONCEPTS DEVELOPMENT, INC.

By: Ronald H. Van den Heuvel Date: 12/22/06  
Name: Ronald H. Van den Heuvel  
Title: President

TISSUE PRODUCTS TECHNOLOGY CORPORATION

By: Ronald H. Van den Heuvel Date: 12/22/06  
Name: Ronald H. Van den Heuvel  
Title: President

ECO-FIBRE, INC.

By: Ronald H. Van den Heuvel Date: 12/22/06  
Name: Ronald H. Van den Heuvel  
Title: President

By: \_\_\_\_\_ Date: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

IFC CREDIT CORPORATION

By: Marc Langs Date: 12/26/06  
Name: Marc Langs  
Title: Chief Financial Officer