

# The Assignment and Option Agreement

*between*

Great Pacific Capital Corp, wholly owned by Jim Pattison,  
a director of Brookfield Asset Management

*and*

1439442 Alberta Ltd. and Tricap Partners,  
wholly owned subsidiaries of  
Brookfield Asset Management

## Grant of Options

(i)

acquire 30% of the aggregate amount of Pattison's Principal Debt and the Senior Principal Debt (such aggregate amount equaling \$63,780,000 See below, and which aggregate amount is referred to herein as the "Total Principal Debt"), that is outstanding at the time the Option is validly exercised;

**OR**

(ii)

if at the conclusion of the Birch Mountain receivership proceedings Tricap acquires Birch Mountain or substantially all of Birch Mountain's assets, acquire 30% of the shares in the capital of 1439442 Ltd., wholly owned by Tricap, wholly owned by Brookfield.

Subject to clause 3 (b)

### The Option Period

Beginning  
November 27, 2008  
and ending  
November 7, 2013

**3 (b)** In the event Mr. Pattison wishes to exercise the Option, he shall do so by providing written notice to Tricap prior to the expiry of the Option Period. Such exercise of the Option shall not be valid or effective unless and until:

(i) the Assignor pays the Option Price to Tricap by way of certified cheque or bank draft.

**The Option Price shall be:**

Option Period	Base Amount	Plus Maximum Multiplier Amt. <small>(Base amount X 25% X n/365)</small>	Total Cdn \$ amount to exercise
November 27, 2008 November 5, 2009	\$11,812,500		\$11,812,500
November 5, 2009 November 5, 2010	\$11,812,500	\$2,953,125	\$14,765,625
November 5, 2010 November 5, 2011	\$14,765,625	3,691,406	18,457,671

(i) acquire 30% of the aggregate amount of Pattison's Principal Debt and the Senior Principal Debt (such aggregate amount equaling \$63,780,000 See below, and which aggregate amount is referred to herein as the "Total Principal Debt"), that is outstanding at the time the Option is validly exercised;

Option Price depends on Option Period

Option Period	Base	Plus Premium	Total Cdn \$ amount
November 27, 2008 November 5, 2009	\$11,812,500		\$11,812,500
November 5, 2009 November 5, 2010	\$11,812,500	\$2,953,125	\$14,765,625
November 5, 2010 November 5, 2011	\$14,765,625	3,691,406	18,457,671

\$29,280,000 assigned investment amt.  
\$11,812,500 additional investment amt.  
 \$41,092,500  
 - \$10 less paid amount  
 \$41,092,490

Mr. Pattison's total cash outlay would be \$41,092,490 to own \$19,134,000 of new debt.  
 (30% of \$63,780,000 = \$19,134,000)

\$29,280,000 assigned investment amt.  
\$14,765,625 additional investment amt.  
 \$44,045,625  
 - \$10 less paid amount  
 \$44,045,615

Mr. Pattison's total cash outlay would be \$44,045,615 to own \$19,134,000 of new debt.  
 (30% of \$63,780,000 = \$19,134,000)

\$29,280,000 assigned investment amt.  
\$18,457,671 additional investment amt.  
 \$47,737,671  
 - \$10 less paid amount  
 \$47,737,661

Mr. Pattison's total cash outlay would be \$47,737,661 to own \$19,134,000 of new debt.  
 (30% of \$63,780,000 = \$19,134,000)

Let's make a deal:

Mr. Pattison assigns his investment (see 13G statement) and all accorded rights to his subordinate convertible debenture investment of \$29,279,990\* for the privilege to purchase 30% of the new debt which only amounts to \$19,134,000.\*\*

If the receiver was able to sell the assets of Birch Mountain and pay all the creditors, this option would give Mr. Pattison a **total loss** of \$21,958,490.\*\*\*

\* (\$29,280,000 - \$10 - \$29,279,990)

\*\* (30% of aggregate principal debt \$63,780,000 = \$19,134,000)

\*\*\* assuming exercising the option in the first option period November 27, 2008 - November 5, 2009. (\$41,092,490 - \$19,134,000 = \$21,958,490)

\*\*\* Option (i) results in a **LOSS** of investment in the amount range of \$21,958,490 - \$28,603,661.

If Tricap provides additional financing instead of taking over the asset, Pattison will net a greater **loss** with an increase to the base amount calculated as 125%- 157% of 30% of the gross amount of financing.

It is not in the best interest of Pattison to exercise option (i).

(ii) if at the conclusion of the Birch Mountain receivership proceedings Tricap acquires Birch Mountain or substantially all of Birch Mountain's assets, acquire 30% of the shares in the capital of 1439442 Ltd., wholly owned by Tricap, wholly owned by Brookfield.

Option Price depends on Option Period

Option Period	Base	Plus Max Premium	Total Cdn \$ amount
November 27, 2008 November 5, 2009	\$11,812,500		\$11,812,500
November 5, 2009 November 5, 2010	\$11,812,500	\$2,953,125	\$14,765,625
November 5, 2010 November 5, 2011	\$14,765,625	3,691,406	18,457,671

\$29,280,000 assigned investment amt.  
 \$11,812,500 additional investment amt.  
 \$41,092,500  
 - \$10 less paid amount  
 \$41,092,490

Mr. Pattison's total cash outlay would be \$41,092,490 to own \$480,000,000 of capital shares in the new private company.

(30% of \$1.6B = \$480,000,000)

\$29,280,000 assigned investment amt.  
 \$14,765,625 additional investment amt.  
 \$44,045,625  
 - \$10 less paid amount  
 \$44,045,615

Mr. Pattison's total cash outlay would be \$44,045,625 to own \$480,000,000 of capital shares in the new private company.

(30% of \$1.6B = \$480,000,000)

\$29,280,000 assigned investment amt.  
 \$18,457,671 additional investment amt.  
 \$47,737,671  
 - \$10 less paid amount  
 \$47,737,661

Mr. Pattison's total cash outlay would be \$47,737,671 to own \$480,000,000 of capital shares in the new private company.

(30% of \$1.6B = \$480,000,000)

Let's make a better deal:

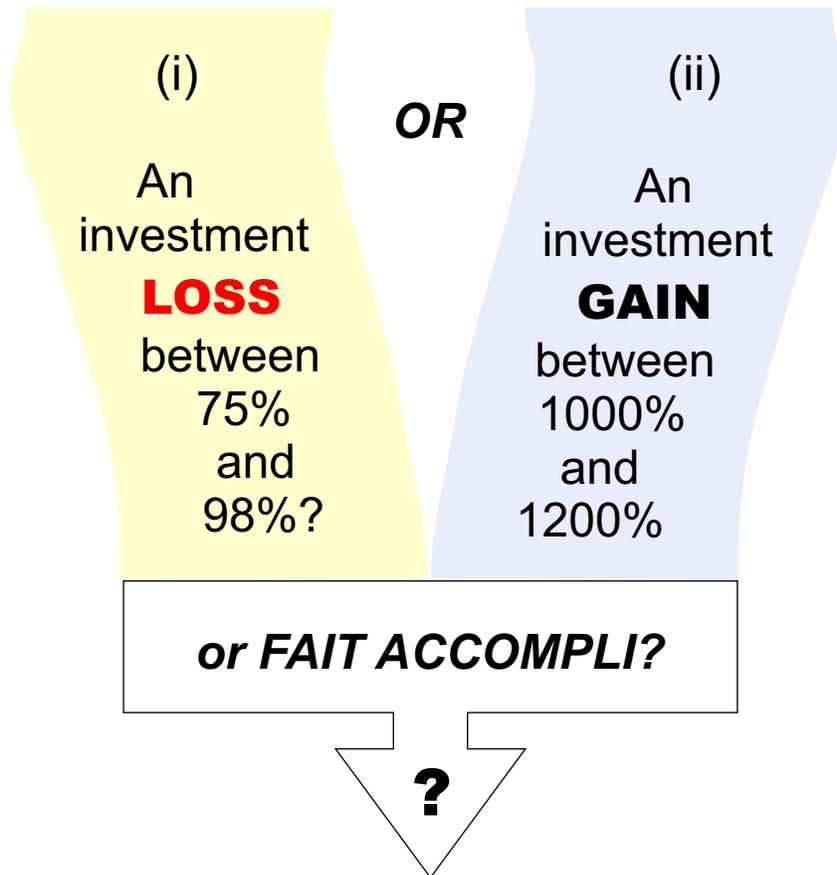
Mr. Pattison assigns his investment (see 13G statement) and all accorded rights to his subordinate convertible debenture investment of \$29,279,990\* for the privilege to purchase 30% of the shares in the capital of 1439442 Alberta Ltd. once they own the asset valued at \$1.6B.

If the receiver was able to sell the \$1.6B valued asset to 1439442 Alberta Ltd. this option would give Mr. Pattison a **total gain** of \$438,907,510\*\*

\* (\$29,280,000 - \$10 - \$29,279,990)

\*\* assuming exercising the option in the first year November 27, 2008 - November 5, 2009. (\$480,000,000 - \$41,092,490 = \$438,907,510)

\*\*\* Option (ii) results in a **GAIN** in investment in the amount range of \$438,907,510 - \$432,262,339.



**4. Receivership Proceedings**

**Tricap will, before and after any exercise of the Option by Mr. Pattison, retain full decision-making authority in its sole and absolute discretion with respect to receivership proceedings pertaining to the Birch Mountain Resources,** and the Total Principal Debt and all interest, fees and other amounts which may have accrued or which may accrue in the future from time to time on or in respect thereof. However, Tricap will communicate regularly with Mr. Pattison regarding the status of such proceedings. If the Senior Secured Debenture is repaid in full as a result of the receivership proceedings, Tricap shall provide the Mr. Pattison with notice as soon as commercially possible with a view to providing Mr. Pattison with sufficient notice so that he can assess whether he wishes to exercise his Option.

**Is this (4) a “control” statement?**

*Is this an under-handed assurance to Pattison that the outcome of the receivership will be favorable to Pattison? After all, the agreement is not to be disclosed.*

*Is the statement about the Senior Secured Debenture being repaid in full misleading? Wouldn't that outcome of the receivership make Pattison's exercise of option (i) even more absurd for such an astute businessman?*

**Would you sign this Option Agreement unless you were certain you would be able to exercise option (ii)?**