



KMI Pulp Moulding System # KMI-540-210, Machine with a single source pulping system #M540-210, Process #P540-210 c/w Single Pass, One Zone Dryer D540-210, Product vacuum transfer to auto stackers, Two stackers and packing tables,

5040 trays per hour

Delivery: 12 months from receipt of deposit for Machine

On site assembly: 2 weeks

List of Equipment supplied with each KMI pulp moulding machine M540-210

- Four face VFD driven stainless steel moulding drum with quick die clamps suited for quick die change, anti friction bearings (Platen size 1372 mm x 381mm)single face transfer.
- Automatic die and decal wash system. This water is heated through a heat exchange system from the seal water in the vacuum pump.
- Automatic transfer die oiling and cleaning system.
- Manual and automatic operating settings.
- One air receiver and two air puff receiver tanks with inline filter, regulator and lubricators.
- All necessary electrical controls and starters all wired to a control panel that can be run in automatic or manual.
- One stainless steel moulding vat with a constant pulp flow system for product weight control, one 1100 liters per minute pulp transfer pump and 450 liter stainless steel circulation tank with automatic pulp level control from the pulpers.
- One 230 psi die and decal wash pump and spray wash gun for cleaning dies.
- One Travaini vacuum pump 75 Kw – 50 cubic meters per minute.
- One 130 liters per minute seal water pump.
- One white water pump 900 liters per minute.
- One 1400 liter stainless steel vacuum tanks and white water return pump @ 900 liters per minute.
- One 900 liter stainless steel vacuum accumulator tank.
- Five heavy structural assembly frame epoxy coated.
- Technical Services Supplied for installation and start-up.
- Drawings
- Assembly
- Crating
- Loading
- Documentation
- Jobsite Installation Materials
- Spare Parts (limited supply)
- All required electrical wiring (Note: the Buyer shall supply at its expense all the necessary electrical power including transformer as required by Seller for the Equipment as well as all cables up to the Seller's control panels).

Single Source Pulping System

- Two Pulpers with 37Kw drives @2600@ 5.5% and 5800 liter @ 1.8%



These pulpers work in sequence and are completely automated. You push the start button and #1 pulper fills up to the pulping level, the lift bin is loaded with paper manually, dumps into the pulper automatically. The pulper then pulps for a preset time (on the panel) and then automatically fills up to the final usage level. At this time the pulper drive goes down to low and is ready to use. This tank is selected and automatically screened and then fed into the pulp storage tank. The pulp is now ready for use in the pulp circulation system for moulding. When the tank is empty a red light comes on (pulper #1) and then pulper #2 which has already gone through the same process as pulper #1 is selected. Then pulper #1 and so on. Two pulpers supplying 352 Kg per hour

Pulp is supplied on demand to the pulp circulation tank by gravity. Two 12,000 liter white water tanks with agitators.

KMI Dryer D540-210:

- This single Pass Two Zone Dryer (for 54" system) has:
- One 47 meter dryer zone. Bidirectional air flow.
- One main conveyor drive motor with a VFD control to match the speed of the moulder.
- One 2.5 meter lead-in and out conveyors with adjustable height.
- Automatic tray transfer to two stackers.
- One automatic chain oiling system
- Fabricated from structural steel and heavy galvanized steel sheeting
- Has a continuous variable speed roller chain tray conveyors that automatically matches the moulding speed of the KMI moulder.
- One Natural gas or oil burners Total 3,000,000 btu's
- Two plug circulation fans per zone. (285 cubic meters per minute)
- One exhaust fan (112 cubic meters per minute).
- Two heat transfer inlet fans (.35 cubic meters per minute)
- Has a high temperature cut off and E stops
- The dryer is complete with a user friendly PLC main control panel.
- One heat exchange system, c/w stainless steel storage tank, pump, heat exchange coils for makeup air and the process water and related controls to operate the system.
- This heat exchange system removes heat energy from the exhaust and returns it back into the makeup air for the dryer and then goes into the white water tanks to heat them.
- The exhaust heat exchange system duct system returning heat energy back to the dryer.
- The insulation is 10 cm rock wool fiber board. The panels are assembled to provide a sealed enclosure.
- Paper lifts with built in scale and automatic dumping to pulpers.



- One set egg tray dies, 16- transfer and 16-forming dies are included:
- **Training** on the moulder and process is provided as part of the installation cost. All maintenance staff and skilled operational personnel are required to be on-site and assist in the installation of the equipment. All production staff required for every shift must be available for training during the last two weeks of installation. Schedule TBD by Seller Installation manager.
- **Technology improvements:** At KMI Pulp Machines we are always working on improvements to our products. Our primary focus is on energy savings and recovery from the dryers. These new improvements will be offered to our customers at cost for a period of three years.
- **Programming improvements:** KMI Software improvements will be offered at no charge. KMI Hardware improvements will be offered at cost for a period of two years.
- **On-site Technical visits:** During the warranty period of the KMI moulding system KMI personnel will visit the buyers' facility. While visiting the buyers' facility the seller will observe the operation of the equipment and made recommendations if required.

On site assembly:

Two weeks plus two weeks of training of pulp formulations and machine settings. Placement and reassembly of the system, electrical connections, air connections and water connections to be done by customer under the supervision of three KMI technicians. Exhaust on dryer to be vented outside by customer. All fluids required to run the system are to be supplied by the customer (example: Hydraulic oil, Glycol, chemical additives for moulded products... etc.)



Buyer is required to supply the following during installation:

1. Off-loading facilities on the arrival of the containers. Unload and place the system in its location. A 5 ton forklift during construction and a light mobile crane.
2. A crew of skilled construction workers for the duration of the installation and commissioning of the machine. These workers will include a qualified electrician, pipe fitter and rigger with assistant to work under the supervision of KMI Pulp Machines Inc.'s technicians. Two technical people that will be the maintenance and operator staff for this system should be available for the duration of the installation
3. Connection of the electrical, water and natural gas (or Fuel oil) as required by the moulding system.
4. A sump or drainage for accidental spills – this will be needed during installation, training, and general operation. Even though this is a closed system, accidental spills occur.
5. Openings in the roof for exhaust duct, cooling tower and vacuum separator. Weather proofing of the ducts after installation. Note: Cooling tower is best vented outside the building.
6. Insurance to cover all risks during construction including damage or loss to new and existing equipment and buildings.
7. Access to fax, telephone, and email facilities for KMI Pulp Machines Inc.'s Technicians.
8. Compressor for the system is to be supplied by the customer.
9. Access to the site 12 hours a day seven days a week during installation.

Total Cost:

KMI Pulp Moulding Machine System KMI 540-2100, Machine #M540-210, Process #P540-210 c/w a One pass Dryer D540-210, 16 egg flat dies, Two stackers and packing tables.



Total Price: \$1,595,000.00 US f.o.b. Jacksonville, Florida, 32217

TERMS OF PAYMENT: For the Equipment (f.o.b. Jacksonville, Florida), the Buyer shall pay the Contract Price in full to the Seller on the following terms:

- (a) By Wire Transfer: 35% of the total Contract Price in US funds, payable within 15 days of signing of this Quotation by the Buyer.
- (b) By Wire Transfer: 30% of the total Contract Price in US funds, payable within 75 days of signing of this Quotation by the Buyer.
- (c) By Wire Transfer: 30% of the total Contract Price in US funds, payable prior to shipping after copies of the:
 - i. Bill of Lading in 3 copies
 - ii. Packing List in 3 copies
 - iii. Commercial Invoice in 3 copies have been submitted to the client.
- (d) 5% of the total Contract price upon start-up

The costs of all bank charges, bank guarantees etc. are to be paid for the Buyer. Any such costs incurred by the Seller shall be reimbursed by the Buyer to the Seller on demand of the Seller.

This Agreement shall become a firm and binding contract only upon acceptance and signature of this Agreement by the Seller; notwithstanding such acceptance and signature, the performance by the Seller of its obligations under this Agreement is conditional on the part of the Seller, until such time as the Buyer fulfills its payment and delivery obligations set out in this Terms of Payment section.

GENERAL:

The Buyer shall pay any and all sales tax, value added taxes, goods and services taxes, transfer taxes and transaction taxes or other taxes that are or may hereafter be levied by any government or other taxing authority on any Equipment or services sold, leased, rented or otherwise provided by the Seller to the Buyer pursuant to this Agreement. The buyer shall pay for all certifications and inspections required before and upon arrival at its destination for equipment. (As required by countries regulations)

The buyer shall pay for all certifications and inspections for this equipment.

The Seller shall have the right to make partial shipments of Equipment and invoices covering the same shall be due and payable.



This Agreement constitutes the entire understanding between the Seller and the Buyer with respect to the sale and purchase of the Equipment and the installation and servicing thereof and supersedes all previous negotiations, agreements, representations, warranties, commitments, writings and guarantees, if any, with respect thereto. There are no representations, conditions, warranties, guarantees, express or implied, statutory or otherwise, other than those contained in this Agreement. No representations or warranties shall be deemed hereafter to be given by virtue of any course of conduct discussion or otherwise, unless expressly made in writing and expressed to be an amendment of this Agreement.

This Agreement and all documents relating hereto including the technical specifications, drawings, printed cuts, description and correspondence between the Buyer and the Seller shall be in the English language.

This Agreement and any disputes pertaining hereto shall be governed and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable thereto.

The Buyer shall be responsible for arranging for and expediting of work visas for the Seller's technical personnel, and such work visas shall be supplied by the Buyer to the Seller prior to such technical personnel arriving at the appropriate installation site. In addition, the Buyer shall be responsible and pay for the accommodation, meals, air transportation to the site and transportation costs of such technical personnel during their stay at or near the installation site. The buyer is responsible to cover transportation costs to and from the airport. Should the Buyer require additional time for the technical personnel beyond the Seller's standard installation time, the Buyer shall pay the Seller an additional amount of \$650.00 (US)/day. It is required that flights over five hours will be business class. Buyer shall be required to pay the cost of the translator if one is required.

Equipment shall be shipped F.O.B. Jacksonville or the points of manufacture for truck shipments and FAS Jacksonville or points of manufacture for ocean shipments. If such shipment is prevented or postponed by reason of any event of Force Majeure or any action or inaction on the part of the Buyer, its agents or employees, the Seller shall be entitled at its option to tender delivery to the Buyer at Jacksonville or the points of manufacture, and in default of acceptance by the Buyer, the Seller shall cause the Equipment or any part thereof to be stored at Jacksonville or such points of manufacture at Buyer's expense and payable by the Buyer on demand. Such tender or such storage shall constitute shipment for all purposes of this Agreement, provided the Contract Price shall in such cases be adjusted by excluding there from any freight charges from Toronto or the points of manufacture.

The Seller shall not be responsible for any Equipment or any part thereof shipped or deemed shipped to the Buyer by the Seller in accordance with this or any other written agreement between the parties. It is the responsibility of the Buyer to provide and pay for adequate insurance for Equipment or part thereof shipped or deemed to have been shipped to the Buyer in accordance with this or any other written agreement between the parties (overall insurance policy), and the Buyer shall provide to the Seller written proof thereof.

The Seller warrants that the Equipment and parts thereof as applicable of its manufacture, supplied hereunder, will be free from defects in material or workmanship for a period of One (1) year from the date of shipment or deemed shipment in accordance with this Agreement, hereinafter called the "Warranty Period". All claims to be made hereunder shall be made in writing during the Warranty Period. During the Warranty Period, the Seller's obligations under this Agreement shall be limited to repair or replacement, at



the Seller's sole option, FOB Jacksonville or points of manufacture, exclusive of removal and installation labour, of any Equipment, or parts thereof of Seller's manufacture which if properly installed, operated and maintained, prove defective in materials or workmanship provided that written notice of any such defect and satisfactory proof thereof is promptly given by the Buyer to the Seller. The Buyer agrees to allow the Seller in each instance the opportunity to make repeated efforts to make necessary repairs or replacements in order to correct any above-mentioned defects of which Seller has received proper notice and satisfactory proof in accordance with this Agreement from the Buyer. The Buyer and Seller agree that any damage, decomposition or any other deterioration of the Equipment by corrosion or chemical action, improper storage, improper maintenance or wear and tear caused by the presence of abrasive material or otherwise, or improper or abnormal use or operation or operator error shall not constitute defects repairable under warranty pursuant to this Agreement. Machinery, parts and equipment supplied under this Agreement that are not manufactured by the Seller are not warranted by the Seller. The Seller agrees to use its reasonable best efforts to assign the benefit of any such manufacturer's warranties to the Buyer to the extent the same is assignable and to use its reasonable best effort to assist the Buyer in utilizing any such warranty, if required, against the manufacturer. The Buyer shall be responsible for providing the necessary written notice to such manufacture as may be required.

The Seller agrees that small items of warranty for which the Seller is responsible that in the Seller's sole judgment can be repaired locally will be so repaired on facsimile advice from the Seller and reimbursed by the Seller for such reasonable repair cost. For larger items subject to warranty, if the Seller determines in its sole judgment that the item may be repaired at Buyer's premises, the Seller will make available a service technician on reasonable notice from the Buyer to supervise the repair of the same. Should any service call prove to be the result of a non-warranty item, including without limitation, defects relating to operator inexperience, improper maintenance, the cost thereof, at the Seller's then current applicable rate, including without limitation, charges for the technician and travel costs of same, shall be paid by the Buyer to the Seller forthwith on demand.

The Seller shall not be responsible for repairs, alterations or work done by anyone other than the Seller, unless the Seller specifically agrees to the same in writing or by facsimile.

Seller's liability on any claim under this Agreement, or otherwise, for any loss, or damage arising out of, in connection with, or resulting from the manufacture, sale, service, delivery, resale, repair, replacement or use of any Equipment or part thereof, documents or information supplied under the terms of this Agreement including without limitation any products manufactured by the aforementioned Equipment or part thereof, shall in no case exceed the repair or replacement cost (whichever is the lesser) of the Equipment or part thereof, service or information which gives rise to the claim. In no event shall Seller be liable for any loss of use or any general, special, indirect, incidental, consequential or punitive damages arising out of this Agreement or any breach hereof or any defect in, or failure of or malfunction of the Equipment or part thereof, including without limitation, whether based on loss of use, loss of profits or revenue, loss by reason of shutdown, non-operation or loss of production, or otherwise, regardless of the basis for the claim.

The Seller shall not be liable for any delay in performance or non-performance of this Agreement or any part thereof, resulting directly or indirectly from any events of Force Majeure. For the purposes of this Agreement, "Force Majeure" shall include without limitation : (1) Earthquakes; (2) epidemics; (3) act of any governmental authority, domestic or foreign, including but not limited to war, declared or undeclared, priorities, quarantines, embargoes, licensing controls or production or distribution restrictions; (4) accidents



and disruptions including but not limited to fires, explosions, breakdowns of essential machinery or equipment and power shortages; (5) transportation or storage delays, accidents or shortages; (6) labour difficulties including but not limited to strikes, slowdowns, lockouts, sabotage and labour shortages; (7) failure or delay in Seller's source of supply; (8) acts or omissions of the Buyer; (9) any cause beyond Seller's reasonable control whether similar or dissimilar to those above mentioned. All of the provisions of this Article shall apply, all other provisions of this Agreement notwithstanding, whether the disruption, delay in performance or non-performance is total or partial in its effect upon the ability of the Seller to perform its obligations under this Agreement. The Seller does not warranty or guarantee shipment or delivery dates or dates for provision of Equipment or part thereof, supervision, service, technical assistance or parts.

DEFAULT: The Seller and Buyer agree that the Seller, at its sole option, shall have the right to terminate this Agreement either in whole or in part without notice by reason of one or more of the following:

- (i) If the Buyer fails to make any payments due hereunder, including, without limitation, the 35% initial payment referred to herein;
- (ii) If the Buyer violates or fails to perform or otherwise breaches any term, covenant or condition contained in this or any other agreement between the parties.

NOTICE:

- (a) Notices and other communications from the Buyer to the Seller shall be deemed validly given if transmitted in writing or by facsimile or registered or equivalent letter addressed to the Seller as follows:

KMI Pulp Machines
Aurora, Ontario
Canada, L4G 6N5

Email: Don@kmipulpmachines.com

- (b) Notices and other communications from the Seller to the Buyer shall be deemed validly given if transmitted in writing or by facsimile, email, or registered or equivalent letter addressed to the Buyer as follows:

Name:

Email:

and in each case, mailed by registered or equivalent mail, postage prepaid or sent by facsimile delivered to that address; if mailed as aforesaid any such notice or other communication shall have been deemed to have been given on the 10th business day following that on which it is posted; if sent by facsimile any such notice or other communication shall have been deemed to have been given on the first business day



following the day the facsimile is sent.

SITE PREPARATION: The Buyer shall provide at its sole cost all foundations, and supports of whatever nature required for completion of this Agreement or as specified by the Seller and do all necessary millwright, piping, electrical and machine installation work and mason work. Buyer to supply and install at its cost all natural gas piping from the main gas meter (as applicable) to all the dryer burners and all water supply and drainage requirements.

TECHNICAL DEVELOPMENT: The parties, including the Buyer's (which term for the purposes of this Technical Development section includes directors, officers, employees and agents) hereby agree that the design, specifications, and manufacturing processes, utilized in producing the Equipment or part thereof, its components, dies, screens, parts, drawings and other documents or information being supplied by the Seller to the Buyer under this Agreement have been the result of many years of engineering research development and financial expenditure on the part of the Seller and constitute and incorporate confidential information, trade secrets, technical expertise, proprietary information and data belonging solely to the Seller (the "Confidential Information"). The designs, pattern work and moulds required for the Equipment or part thereof, components, dies and screening dies belong to the Seller. The Buyer shall only use the Confidential Information, the Equipment or part thereof, components, dies, screens, parts, drawings and other documents and information supplied by the Seller under this Agreement for production by the Buyer of its own pulp moulding products and for no other use and the Buyer shall not directly or indirectly disclose, divulge or publish to any third party any Confidential Information. The Buyer shall not duplicate or assist any other party in duplicating the Equipment, components, dies, screens, parts, drawings and other documents or information and Confidential Information supplied by the Seller under this Agreement.

The Buyer shall not manufacture, duplicate or have any other party on its behalf manufacture or duplicate any of the Equipment or part thereof, components, dies, screens, drawings or other documents or information supplied by the Seller under this Agreement, or Confidential Information without first obtaining written consent of the Seller.

The Buyer and Seller hereby agree that the Seller shall be permitted repeat visits with its staff and prospective customer or customers to the Buyer's plant to show the Equipment or part thereof and parts supplied to the Buyer under this Agreement to such prospective customer or customers of the Seller. The aforementioned visit or visits shall be confirmed by the Seller in writing provided to the Buyer and shall set out the dates of the visit or visits. These visits shall be permitted by the Buyer at no cost to the Seller or its prospective customer or customers. This clause shall survive any termination, cancellation or expiry of this Agreement and shall be binding and contractually binding on the Buyer, its successors, administrators or assigns, notwithstanding any termination, cancellation or expiry of this Agreement.

SURVIVAL: The Warranty and Technical Development sections of this Agreement shall survive the expiration, completion or any termination of this Agreement.

IN WITNESS WHEREOF the parties hereto have hereunto applied their respective corporate seals, attested by the hands of their respective officers duly authorized in that behalf, as of this _____ day of _____, 2011.



Company Name

Per: _____ c/s

Name

KMI Pulp Machines

Per: _____ c/s

Don Kennedy