

GOODWOOD MANAGEMENT CORPORATION LIMITED

REF: OGC-0092-JKJ-GWMC

page 3

properly managed. The manufacturing processes are totally compatible with those for housing components and the two production programs are complementary rather than mutually exclusive. Under a single, profit-oriented management, the complex could serve both markets and achieve a level of plant utilization which would be profitable and enable the operator to pay a reasonable lease or lease/purchase fee. The sale/profit potential of the individual plants within the complex is dealt with later in this report.

Raw material supply, (i.e. logs and lumber), is the key to profitable operation and without an adequate supply base, the plant is of little value to anyone. If Governmental influence could be enlisted to ensure a wood supply it would add greatly to the attractiveness of the plant in the eyes of interested investors.

If a raw material base can be secured, Strategy "B" would definitely be my preferred recommendation.

C. Lease Purchase of Individual Components of the Complex.

Unless a deal can be struck under the foregoing Strategy "B" for integrated operation of the entire complex its recoverable value to the Government is probably greater if disposed of as separate components. In considering this option, however, there should be full awareness of the hazards involved. The experience of agencies such as DBP and PNB with lease or lease/purchase disposal of assets has been problematic.

The lessee usually has little or no equity in the plant and all too often adopts a short-term, exploitive attitude. Maintenance is minimal and sometimes outright looting takes place. Eventually the plant is run into the ground and the lessee abandons it, often with several months lease payments in arrears, and it reverts to the owners in an unuseable, unsaleable state.

Further to the above, there are also a number of practical problems involved in the joint usage of a formerly integrated complex by independent operators of its separate components. In the process, the shared, common facilities are usually abused and/or neglected and it is very difficult to attach responsibility for this.