



SFK PULP FUND

INFORMATION CIRCULAR

SOLICITATION OF PROXIES

This Information Circular is furnished in connection with the solicitation of proxies by SFK Holding Inc. (the "Administrator") for use at the Annual Meeting (the "Meeting") of the holders of units (the "Units") of SFK Pulp Fund (the "Fund") to be held at the time and place and for the purposes set forth herein and in the Notice of Meeting accompanying this Information Circular. Unless otherwise indicated or the context otherwise requires, "Unitholder" shall mean a holder of Units and "SFk Pulp" shall mean SFK Pulp Fund, SFK Pulp Trust, SFK Holding Inc., SFK Pulp General Partnership and their respective subsidiaries, collectively. Unless otherwise indicated or the context otherwise requires, "ACI" shall mean Abitibi-Consolidated Inc., having its registered office at 1155 Metcalfe, Suite 800, Montréal, Québec H3B 5H2, or any of its subsidiaries and interests in joint ventures and any other entities or any two of them or more, collectively.

Except as otherwise indicated, the information contained herein is given as at March 29, 2004. The Administrator has fixed the close of business on March 30, 2004 as the record date (the "Record Date") for the determination of the Unitholders entitled to receive notice of and vote at the Meeting.

The solicitation of proxies will be made primarily by mail. However, management of the Administrator may solicit proxies directly, but without additional compensation. In addition, the Fund shall, upon request, reimburse brokerage firms and other custodians for their reasonable expenses in forwarding proxies and related material to beneficial owners of Units. The costs of solicitation will be borne by the Fund. These costs are expected to be nominal.

APPOINTMENT OF PROXYHOLDERS

Unitholders have received with this Information Circular a form of proxy for the Meeting. The persons named in the enclosed form of proxy are officers of the Administrator.

A Unitholder has the right to appoint a person (who need not be a Unitholder) to attend and act for him on his behalf at the Meeting other than the persons designated in the enclosed form of proxy. Such right may be exercised by striking out the names of the persons designated in the enclosed form of proxy and by inserting in the blank space provided for that purpose the name of the desired person or by completing another proper form of proxy and, in either case, delivering the completed and executed proxy to SFK Pulp Fund, c/o Computershare Trust Company of Canada, Stock Transfer Services, 9th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1, for receipt not more than 48 hours (excluding Saturdays, Sundays and holidays in the Province of Québec) preceding the Meeting or any adjournment or postponement thereof at which the proxy is to be used, or delivering it to the Chairman of the Meeting on the day of the Meeting or any adjournment or postponement thereof prior to the time of voting. A proxy should be executed by the Unitholder or his attorney duly authorized in writing or, if the Unitholder is a corporation, by an officer thereof or an attorney thereof duly authorized.

A Unitholder forwarding the enclosed proxy may indicate the manner in which the appointee is to vote with respect to any specific item by checking the appropriate space. If the Unitholder giving the proxy wishes to confer a discretionary authority to the appointee with respect to any item of business, then the space

opposite the item is to be left blank. The securities represented by proxy submitted by a Unitholder will be voted in accordance with the directions, if any, given in the proxy.

REVOCATION OF PROXIES

A Unitholder who has given a proxy may revoke it at any time so long as it has not been exercised. A proxy may be revoked, by instrument in writing executed by the Unitholder or by his attorney duly authorized in writing or, if the Unitholder is a corporation, by an officer or attorney thereof duly authorized in writing and deposited with the Fund, as the case may be, at any time up to and including the last business day preceding the day of the Meeting at which the proxy is to be used or with the Chairman of such Meeting on the date of the Meeting or any adjournment or postponement thereof, and upon either of such deposits the proxy is revoked. A proxy may also be revoked if a Unitholder personally attends the Meeting and votes his Units, or in any other manner permitted by law.

EXERCISE OF DISCRETION BY PROXYHOLDERS

The persons named in the enclosed form of proxy will vote the securities in respect of which they are appointed in accordance with the instructions of the Unitholder appointing them. In the absence of such voting instructions, such securities will be voted **FOR or IN FAVOUR** of those matters set out in the enclosed proxy and at the discretion of the proxyholder with respect to other matters that may properly come before the Meeting. **The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the proxy and with respect to other matters which may properly come before the Meeting.** At the time of printing of this Information Circular, management of the Administrator is not aware of any amendment, variation or other matter expected to come before the Meeting other than those set out herein. Should any amendment, variation or other matter properly come before the Meeting, the persons named in the accompanying form of proxy will vote on such amendments, variations or matters in accordance with their best judgment.

THE FUND

The Fund is an unincorporated open-ended limited purpose trust established under the laws of the Province of Québec pursuant to a trust agreement made as of May 21, 2002, as amended and restated on July 23, 2002 (the "Fund Agreement"), for the purpose of, *inter alia*, holding, indirectly through SFK Pulp Trust (the "Trust"), an interest in SFK Pulp General Partnership ("SFK GP"). Computershare Trust Company of Canada (the "Fund Trustee") has been the Fund Trustee since July 23, 2002. Pursuant to an administration agreement, the Fund has retained the Administrator to provide certain administrative and support services to the Fund (see below under "Administration Agreements").

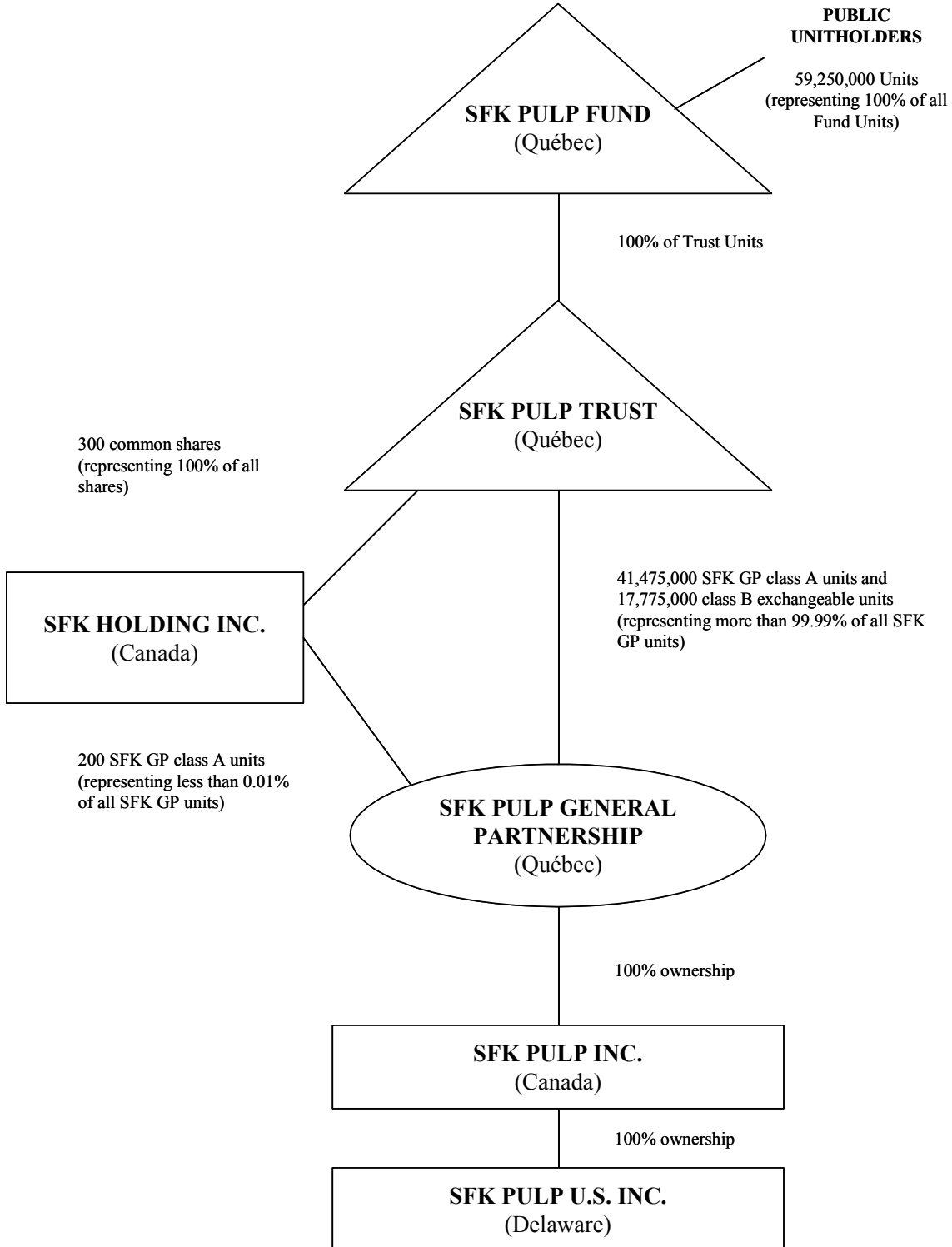
The Trust is an unincorporated open-ended trust established under the laws of the Province of Québec pursuant to a trust agreement made as of May 21, 2002, as amended and restated on July 23, 2002 (the "Trust Agreement"). The Fund is the sole unitholder of the Trust. Pursuant to an administration agreement, the Trust has retained the Administrator to provide certain administrative and support services to the Trust (see below under "Administration Agreements").

SFK GP is a general partnership formed under the laws of the Province of Québec pursuant to a partnership agreement made as of May 21, 2002, as amended and restated on July 23, 2002 (the "Partnership Agreement"). SFK GP owns and operates a northern bleached softwood kraft ("NBSK") pulp mill located in Saint-Félicien, Québec (the "Mill"). The Trust holds 41,475,000 class A units and 17,775,000 class B exchangeable units of SFK GP (representing more than 99.99% of all SFK GP units) and the Administrator holds 200 class A units of SFK GP (representing less than 0.01% of all SFK GP units). The Administrator is the managing partner of SFK GP. ACI no longer holds class B exchangeable units of SFK GP, as it sold all of said units in a transaction completed on February 27, 2004. See "Interest of Informed Persons in Material Transactions – Exchange Agreement".

SFK GP owns all the outstanding shares of SFK Pulp Inc., which in turn holds all the outstanding shares of SFK Pulp U.S. Inc. SFK Pulp Inc. is a corporation incorporated under the *Canada Business Corporations Act* on June 16, 2002. SFK Pulp U.S. Inc. is a corporation incorporated under the laws of Delaware on July 19, 2002.

The Administrator is a corporation incorporated on June 10, 2002 under the *Canada Business Corporations Act*. On February 27, 2004, the Trust purchased the 200 preferred shares of the Administrator held by ACI for an aggregate price of \$2,000. See “Interest of Informed Persons in Material Transactions – Offering of Units”. Such preferred shares were thereafter purchased by the Administrator for an aggregate price of \$2,000. Accordingly there are no more preferred shares of the Administrator outstanding. All of the issued and outstanding common shares of the Administrator are held by the Trust.

The following chart illustrates the ownership and structure of SFK Pulp, as of the date hereof.



**INTEREST OF CERTAIN PERSONS AND COMPANIES
IN MATTERS TO BE ACTED UPON**

No Fund Trustee, trustee of the Trust (a "Trustee"), director of the Administrator (a "Director") or officer of the Administrator, nor their associates or affiliates, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting, other than as set forth herein.

**VOTING SECURITIES AND PRINCIPAL
HOLDERS OF VOTING SECURITIES**

Fund Units

Pursuant to the Fund Agreement, the Fund is authorized to issue an unlimited number of Units. As of the date hereof, there were 59,250,000 Units issued and outstanding, each of which carries the right to one vote at meetings of Unitholders.

As of the date hereof, to the knowledge of the Directors and officers of the Administrator, no party beneficially owns or exercises control or direction over securities carrying more than 10% of the voting rights attached to all Units of the Fund.

As of the date hereof, to the knowledge of the Directors and officers of the Administrator, the Directors and officers of the Administrator and the Trustees, as a group, hold and exercise control or direction over, or have a direct or indirect beneficial interest in 78,768 Units representing 1.33% of the issued and outstanding Units.

Trust Units

The Trust is authorized to issue an unlimited number of units. As of the date hereof, there were 20,432,240 units issued and outstanding, each of which carries the right to one vote at meetings of unitholders of the Trust.

As of the date hereof, to the knowledge of the Directors and officers of the Administrator, the Fund holds all of the units of the Trust.

Shares of the Administrator

The Administrator is authorized to issue an unlimited number of common shares and of preferred shares. As of the date hereof, there were only 300 common shares issued and outstanding, each of which carries the right to one vote at meetings of shareholders of the Administrator.

As of the date hereof, to the knowledge of the Directors and officers of the Administrator, the Trust holds all of the common shares of the Administrator.

ELECTION OF FUND TRUSTEE, TRUSTEES AND DIRECTORS

Fund Trustee

The Fund Agreement provides that there shall be not less than one nor more than nine Fund Trustees, as determined from time to time by the Fund Trustees. Presently, the number of Fund Trustees is set at one.

The Fund Trustee, if elected, is to hold office until the next annual meeting of the Fund or until his successor is elected or appointed. Unless otherwise instructed, proxies given pursuant to this solicitation by management of the Administrator will be voted **FOR** the election of Computershare Trust Company of Canada, having its registered office at 100 University Avenue, Toronto, Ontario M5J 2Y1, as trustee of the Fund. Computershare Trust Company of Canada became Fund Trustee of the Fund on July 23, 2002 and does not, as of the date hereof, beneficially own, on its own behalf, directly or indirectly, nor exercise control or direction over, any Units.

Trustees

According to the Fund Agreement and the Trust Agreement, Unitholders must, at each annual meeting of the Fund, direct and instruct the Fund Trustee as to the manner in which the Trust units held by the Fund shall be voted in respect of the election of the Trustees.

The Trust Agreement provides that there shall be not less than one nor more than nine Trustees, as determined from time to time by the Trustees. Presently, the number of Trustees is set at five.

Each Trustee, if elected by the Fund Trustee, as directed and instructed by the Unitholders, is to hold office until the next annual meeting of holders of Trust units or until his successor is elected or appointed. Unless otherwise instructed, proxies given pursuant to this solicitation by management of the Administrator will be voted **FOR** the election by the Fund Trustee of the following proposed nominees as Trustees of the Trust.

The names of all nominees for election as Trustees, their principal occupation, the dates upon which they became Trustees of the Trust and the number of Units beneficially owned by them, directly or indirectly, or over which any of them exercises control or direction, as of the date hereof, are as follows:

Name	Principal occupation	Trustee Since	Units beneficially owned, directly or indirectly, or over which control or direction is exercised
Dino Fuoco ⁽¹⁾⁽²⁾ Québec, Canada	President, Société financière Opal Inc.	June 13, 2002	2,333
Alain Grandmont Québec, Canada	Senior Vice President, Value-Added Paper Operations, Abitibi-Consolidated Inc.	June 13, 2002	1,833
Hubert T. Lacroix ⁽²⁾⁽³⁾⁽⁴⁾ Québec, Canada	Consultant	June 13, 2002	10,918
Adam Lapointe ⁽³⁾⁽⁵⁾ Québec, Canada	President, Pluri-Capital (PCI) Inc.	June 13, 2002	6,063
Pierre Rougeau Québec, Canada	Senior Vice-President, Corporate Development and Chief Financial Officer, Abitibi-Consolidated Inc.	June 13, 2002	7,333

(1) Chairman of the Audit Committee.

(2) Member of the Corporate Governance and Human Resources Committee.

(3) Member of the Audit Committee.

(4) Chairman of the Board of Directors.

(5) Chairman of the Corporate Governance and Human Resources Committee.

Messrs Fuoco and Lacroix each acted as director of a company that, within a year of ceasing to act in such capacity, became bankrupt. Mr. Lacroix acted as director of Adventure Electronics Inc. from April 1994 to February 6, 1998, date on which he resigned, being approximately nine months prior to Adventure

Electronic Inc.'s bankruptcy on November 17, 1998. Mr. Fuoco acted as director of Multipartn'r Technologies (TMI) Inc. from May 1998 to September 7, 2001, date on which he resigned, being approximately one month prior to Multipartn'r Technologies (TMI) Inc.'s bankruptcy on October 2, 2001.

Board of Directors

According to the Fund Agreement and the Trust Agreement, Unitholders must, at each annual meeting of the Fund, direct and instruct the Fund Trustee, which in turn will direct and instruct the Trustees, as to the manner in which the shares of the Administrator held by the Trust shall be voted in respect of the election of the Directors.

The Articles of Incorporation of the Administrator provide that there shall be not less than five nor more than fifteen Directors, as determined from time to time by the Directors. Presently, the number of Directors is set at five.

Each Director, if elected by the Trustees as directed and instructed by the Unitholders, is to hold office until the next annual meeting of shareholders of the Administrator or until his successor is elected or appointed. Unless otherwise instructed, proxies given pursuant to this solicitation by management of the Administrator will be voted **FOR** the election by the Trustees of the following proposed nominees as Directors of the Administrator.

The names of all nominees for election as Directors of the Administrator, their principal occupation, the dates upon which they became Directors and the number of Units beneficially owned by them, directly or indirectly, or over which any of them exercises control or direction, as of the date hereof, are set forth above under "Trustees".

APPOINTMENT OF AUDITORS

According to the Fund Agreement and the Trust Agreement, Unitholders must, at each annual meeting of the Fund, in addition to voting in respect of the appointment of the auditors of the Fund, (i) direct and instruct the Fund Trustee as to the manner in which the Trust units held by the Fund shall be voted in respect of the appointment of the auditors of the Trust, and (ii) direct and instruct the Fund Trustee, which in turn will direct and instruct the Trustees, as to the manner in which the shares of the Administrator held by the Trust shall be voted in respect of the appointment of the auditors of the Administrator.

According to the Partnership Agreement, the Administrator, acting as managing partner of SFK GP, has the capacity and authority to appoint the auditors of SFK GP. The Administrator has appointed Samson Bélair / Deloitte & Touche s.e.n.c.r.l. ("SBDT") as auditors of SFK GP to hold office for the ensuing year.

Unless otherwise instructed, the proxies given pursuant to this solicitation by management of the Administrator will be voted **FOR** the appointment of SBDT as auditors of the Fund to hold office for the ensuing year, at a remuneration to be fixed by the Audit Committee of the Administrator.

Unless otherwise instructed, the proxies given pursuant to this solicitation by management of the Administrator will be voted **FOR** the appointment by the Fund Trustee of SBDT as auditors of the Trust to hold office for the ensuing year, at a remuneration to be fixed by the Audit Committee of the Administrator.

Unless otherwise instructed, the proxies given pursuant to this solicitation by management of the Administrator will be voted **FOR** the appointment by the Trustees of SBDT as auditors of the Administrator to hold office for the ensuing year, at a remuneration to be fixed by the Audit Committee of the Administrator.

SBDT was first appointed on February 4, 2003 and such appointment was confirmed at the general meeting of Unitholders held on April 25, 2003.

REPORT ON EXECUTIVE COMPENSATION

SFK Pulp created a Corporate Governance and Human Resources Committee on February 6, 2004. Previously, the responsibilities normally assumed by such a committee were assumed by the Board of Directors of the Administrator. The Corporate Governance and Human Resources Committee is composed of three Directors, all of which are “unrelated” and “independent” Directors (as such terms are respectively defined in the Company Manual of the Toronto Stock Exchange – “TSX” – and in Multilateral Instrument 52-110).

The Corporate Governance and Human Resources Committee is responsible for determining the level of compensation in respect of senior officers with a view to providing such officers with a competitive compensation package having regard to the performance of the Fund. The compensation of senior officers is composed of three principal components, namely: base salary, annual incentives and long term incentives.

Base Salary

In establishing the base salary of senior officers, including the President and Chief Executive Officer, SFK Pulp takes into consideration individual performance, responsibilities, length of service and salaries paid by major Canadian organizations for positions similar in magnitude, scope and complexity. The Corporate Governance and Human Resources Committee reviews the base salary of each senior officer annually and recommends that the Board approve appropriate adjustments within the salary range in order to maintain a competitive position within the market place.

Annual Incentives

Pursuant to the Annual Incentive Plan (the “AIP”), bonuses paid to senior officers, including the President and Chief Executive Officer, are based upon SFK Pulp’s financial performance and certain Mill productivity criteria. The AIP is administered by the Board, based on recommendations of the Corporate Governance and Human Resources Committee. The target and maximum payouts to senior officers under the AIP (expressed as a percentage of their base salary) are as follows:

	Target (% of base salary)	Maximum (% of base salary)
President and Chief Executive Officer	25%	50%
Chief Financial Officer	20%	40%
Vice-Presidents	20%	40%
Managers	11% - 15%	22% - 30%

On March 17, 2004, the Board adopted certain changes to the financial performance and Mill productivity criteria established under the AIP. As part of the changes made to the AIP, it was decided that certain financial performance objectives will take into consideration the exchange rates and pulp prices which prevailed during the year. These changes will begin affecting the calculation of the payouts with the year ending December 31, 2004.

Long Term Incentives

SFK Pulp also awards long term incentives to senior officers under its long term incentive plan (the “LTIP”) to attract, retain and motivate key personnel and to reward senior officers for significant performance and cash flow growth of SFK Pulp. The LTIP is administered by the Board, based on recommendations of the Corporate Governance and Human Resources Committee. Accordingly, the Board has the power to, among other things (i) determine those senior officers or key employees who participate in the LTIP, and (ii) determine the long term incentives awarded to each participant.

Pursuant to the LTIP, senior officers are awarded long-term incentives based upon the average distributable cash generated by SFK Pulp over three-year periods (for the purposes of the LTIP, “distributable cash” means earnings before interest, income taxes, depreciation and amortization less capital expenditures, interest accrued for and in respect of any indebtedness of SFK Pulp and income taxes). The three-year period resets at the beginning of each financial year. The amount of the long-term incentives earned is determined and paid at the end of each three-year period. Consequently, as the LTIP was established in 2002, awards under the LTIP will only begin upon completion of SFK Pulp’s financial year ending December 31, 2004. Participants are entitled to receive their awards in Units, or 50% in cash and 50% in Units. The Units will be purchased by SFK Pulp on the market, for and on behalf of the participants.

The threshold, target and maximum payouts to senior officers under the LTIP (expressed as a percentage of their base salary) are as follows, the Board setting the actual performance objectives for each three-year period, based on the Corporate Governance and Human Resources Committee’s recommendations:

	Threshold (% of base salary)	Target (% of base salary)	Maximum (% of base salary)
President and Chief Executive Officer	12.5%	25%	50%
Chief Financial Officer	7.5%	15%	30%
Vice-Presidents	7.5%	15%	30%

Initial Grant Plan

In connection with The Fund’s initial public offering, SFK Pulp established an initial grant plan (the “IGP”) to attract Directors, Trustees and senior officers and to align the interests of Directors, Trustees and senior officers of SFK Pulp with those of Unitholders. The IGP is administered by the Board, based on the Corporate Governance and Human Resources Committee recommendations. Pursuant to the IGP, participants were awarded the right to receive an aggregate of 55,000 Units at the time of the Fund’s initial public offering; this right vests over a three-year period for Directors and Trustees, and over a five-year period for senior officers, from their first appointment or from becoming employed by SFK Pulp. An aggregate of 5,000 rights to receive Units were granted to Directors and Trustees (1,000 rights to each person) while 50,000 rights to receive Units were divided amongst the senior officers of SFK Pulp (see below under “Executive and other Compensation – Compensation of Named Executive Officers”). No exercise price is payable by the participants to receive the Units underlying the vested rights. The Units are purchased by SFK Pulp on the market, for and on behalf of the participants, at the market price of the Units on each purchase date. No further rights to receive Units will be awarded under the IGP.

In the first quarter of 2004, an aggregate of 1,665 Units (333 Units per person) were purchased by SFK Pulp on the market, for and on behalf of the Directors and Trustees, pursuant to partial vesting of the rights granted to the Directors and Trustees under the IGP. Consequently, as of the date hereof, Directors and Trustees still hold an aggregate of 3,335 unvested rights to receive Units (667 rights per person) and senior officers still hold an aggregate of 50,000 unvested rights.

Unit Holding Policy

Also, as a way to align the interests of Directors, Trustees and senior officers of SFK Pulp with those of Unitholders, SFK Pulp established a Unit Holding Policy (the “UHP”). Pursuant to the UHP, each Director and Trustee is required to acquire at least 2,000 Units over the two-year period following his appointment, the President and Chief Executive Officer is required to acquire at least a number of Units equal in value to one time his annual base salary over the five-year period following his appointment and the Chief Financial Officer and Vice-Presidents are required to each acquire at least a number of Units equal in value to one-half time their annual base salary over the five-year period following their appointment. Under the UHP, in the event of a base salary increase during the five-year period, the President and Chief Executive Officer, the Chief Financial Officer and the Vice-Presidents are granted an additional five-year period to reach the Unit holding level required for the difference between the initial base salary and the new base salary.

As of December 31, 2003, the President and Chief Executive Officer had attained a level of ownership of 93%, the Chief Financial Officer and the Vice-Presidents had attained an average level of ownership of 32% of their target and the Directors and Trustees had attained an average level of ownership of 95% of their target. The aforementioned ownership levels for the President and Chief Executive Officer, Chief Financial Officer and Vice-Presidents have been calculated using the closing price of the Units on the TSX on December 31, 2003 and annual base salaries for the year 2002.

This report is submitted by the Corporate Governance and Human Resources Committee.

Adam Lapointe (Chairman)
Hubert T. Lacroix
Dino Fuoco

EXECUTIVE AND OTHER COMPENSATION

Compensation of Fund Trustee

During the financial year ended December 31, 2003, SFK Pulp paid fees of \$180,313 to the Fund Trustee for its services.

Compensation of Administrator

The Administrator receives no fee for its services as administrator of the Fund and of the Trust. However, it is entitled to be reimbursed for its reasonable direct and indirect costs and expenses. During the financial year ended December 31, 2003, the Administrator did not incur costs or expenses in connection with the services it rendered.

Compensation of Directors and Trustees

Directors and Trustees who are not employed by SFK Pulp are entitled to an aggregate remuneration equal to \$10,000 per year and \$1,000 per Board and committee meeting. In addition to that annual remuneration, the Chairman of the Board of the Administrator, the Chairman of the Audit Committee and, since February 6, 2004, the Chairman of the Corporate Governance and Human Resources Committee are entitled to a special remuneration equal to \$30,000 per year, \$10,000 per year and \$5,000 per year, respectively. During the period from August 1 to December 31, 2003, the responsibilities assumed by the Corporate Governance and Human Resources Committee were assumed by the Board of Directors, with Adam Lapointe acting as Director responsible for supervising compensation and human resources matters. As such, Mr. Lapointe was entitled to a special remuneration of \$5,000 per year. See "Report on Executive Compensation".

Furthermore, during the year ended December 31, 2003, Pierre Rougeau and Alain Grandmont were not, as representatives of ACI, entitled to any remuneration or attendance fees for their services as Directors and Trustees of SFK Pulp. ACI no longer holds an interest in SFK Pulp, as it sold its class B exchangeable units of SFK GP in a transaction completed on February 27, 2004. See "Interest of Informed Persons in Material Transactions – Exchange Agreement". As a result, Messrs. Rougeau and Grandmont are entitled since that date to receive the above-mentioned remuneration for their services as Directors and Trustees.

Consequently, during the financial year ended December 31, 2003, the three non-executive and non-ACI Directors and Trustees earned a total of \$30,000 (half paid in cash and half in Units) for their annual remuneration and a total of \$45,000 (half paid in cash and half in Units) for their attendance at Board or committee meetings. Furthermore, for their special remuneration, the Chairman of the Board earned \$30,000 (half paid in cash and half in Units), the Chairman of the Audit Committee earned \$10,000 (all paid in cash) and the Director responsible for supervising compensation and human resources matters at Board level earned \$2,083 (all paid in Units). Directors and Trustees of SFK Pulp may elect to receive up to 100% of their remuneration and attendance fees in Units. Messrs Grandmont, Lapointe and Rougeau have elected to receive all of their remuneration and attendance fees in Units and Mr. Lacroix has elected to receive half of his remuneration and attendance fees in cash and half in Units. Units are purchased on the market by SFK Pulp, for the account of the Directors and Trustees.

The Corporate Governance and Human Resources Committee has recently undertaken a review of the Directors and Trustees' remuneration. In order to do so, it has retained the services of a human resources expert who will, among other things, benchmark the Directors and Trustees' remuneration against that of comparable companies and income funds. The remuneration of Directors and Trustees will be modified in due course, if required, based on such expert's recommendations.

The Directors and Trustees of SFK Pulp are members of the Boards of Directors of the following public companies:

Directors and Trustees	Public Corporations
Dino Fuoco	n/a
Alain Grandmont	n/a
Hubert T. Lacroix	Trancontinental Inc. ITS Investments Limited Partnership Zarlink Semiconductor Inc.
Adam Lapointe	Bennett Environmental Inc.
Pierre Rougeau	La Senza Corporation

Compensation of Named Executive Officers

The following table sets forth all compensation earned for services in all capacities to SFK Pulp for the financial years ended December 31, 2003 and 2002, in respect of individuals who were as at December 31, 2003, the President and Chief Executive Officer, the Chief Financial Officer and the other three most highly compensated officers of SFK Pulp (the “Named Executive Officers”). The Fund was created on May 21, 2002 and, consequently, no compensation was earned by Named Executive Officers of SFK Pulp for the financial year ended December 31, 2001.

Name and Principal Position	Financial Year Ended December 31	Annual Compensation ⁽¹⁾			Long-Term Compensation			All other Compensation (\$)
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Awards		Payouts	
					Units under Options/SARs Granted ⁽²⁾ (#)	Units subject to resale restrictions (\$)	LTIP Payouts (\$)	
André Bernier, President and Chief Executive Officer	2003	200,000	32,100	18,872	-	-	-	-
	2002	83,333	26,250	5,761	20,000	-	-	-
Paul Bourque, Chief Financial Officer	2003	145,000	18,618	10,617	-	-	-	-
	2002	60,417	15,225	5,480	10,000	-	-	-
Robert E. Balogh, Vice-President, Sales ⁽³⁾	2003	241,183	30,968	11,834	-	-	-	28,591 ⁽⁴⁾
	2002	112,596	28,374	9,646	10,000	-	-	10,892 ⁽⁴⁾
Florian Thivierge, Operations Manager, Saint-Félicien	2003	145,000	18,502	3,429	-	-	-	-
	2002	60,417	15,225	1,495	2,000	-	-	-
James W. Monroe, Pulp Sales Manager ⁽³⁾⁽⁵⁾	2003	85,141	6,753	1,972	-	-	-	8,684 ⁽⁴⁾
	2002	-	-	-	-	-	-	-

(1) André Bernier, Robert E. Balogh, Paul Bourque and Florian Thivierge have been employed by SFK Pulp since the closing of its initial public offering on August 1, 2002 (representing 5 months). Therefore, their 2002 salary is for the five-month period ended December 31, 2002 and has not been annualized.

(2) Right to receive Units granted under the IGP.

(3) Mr. Balogh and Mr. Monroe were paid in US dollars. The amounts reported have been expressed in Canadian dollars converted at an average annual rate of CDN \$1.4015 = US \$1.00 for 2003 and at an average annual rate of CDN \$1.5703 = US\$1.00 for 2002.

(4) Represents the contribution of SFK Pulp under the US qualified defined contribution plan (see below under “Pension Plans”).

(5) Mr. Monroe was appointed as Pulp Sales Manager of SFK Pulp effective as of May 5, 2003. Therefore, his 2003 salary is for the period beginning May 5, 2003 and ending December 31, 2003 and has not been annualized.

Long Term Incentive Plan

The following table sets forth the long-term incentives awarded to Named Executive Officers under the LTIP during the financial year ended December 31, 2003. The LTIP is described above under “Report on Executive Compensation – Long-Term Incentives”.

Name	Award	Performance or Other Period Until Maturation or Payout	Estimated Future Payouts under the LTIP ⁽¹⁾		
			Threshold \$	Target \$	Maximum \$
André Bernier	_(2)	12 months 24 months	25,000 25,000	50,000 50,000	100,000 100,000
Paul Bourque	_(2)	12 months 24 months	10,875 10,875	21,750 21,750	43,500 43,500
Robert E. Balogh ⁽³⁾	_(2)	12 months 24 months	20,267 18,089	40,535 36,177	81,069 72,355
Florian Thivierge ⁽⁴⁾	-	-	-	-	-
James W. Monroe ⁽⁴⁾	-	-	-	-	-

- (1) Estimated Future Payouts are on an annualized basis.
- (2) There were no awards under the LTIP during the financial year ended December 31, 2003. The amount of the long-term incentives earned is determined at the end of each three-year period. Consequently, as the LTIP was established in 2002, awards under the LTIP will only begin upon completion of SFK Pulp’s financial year ending December 31, 2004.
- (3) Mr. Balogh is paid in US dollars. The amounts reported have been expressed in Canadian dollars converted at an average annual rate of CDN \$1.4015 = US \$1.00 for 2003 and at an average annual rate of CDN \$1.5703 = US \$1.00 for 2002.
- (4) Not eligible to participate in the LTIP.

Initial Grant Plan

No rights to receive Units were granted under the IGP during the financial year ended December 31, 2003. In fact, no further rights will ever be granted under the IGP. The following table sets forth the number of Units received by Named Executive Officers during the financial year ended December 31, 2003 upon partial vesting of rights granted under the IGP as well as the number of Units underlying unvested rights as at December 31, 2003.

Name	Units received (#)	Aggregate value realized (\$)	Units underlying unvested rights (#)	Value of Units underlying unvested rights as at December 31, 2003 ⁽¹⁾
André Bernier	_(2)	-	20,000	152,000
Paul Bourque	_(2)	-	10,000	76,000
Robert E. Balogh	_(2)	-	10,000	76,000
Florian Thivierge	_(2)	-	2,000	15,200
James W. Monroe ⁽³⁾	-	-	-	-

- (1) No exercise price is payable by the Named Executive Officer to receive the Units underlying the vested rights. The Units will be purchased by SFK Pulp on the market, for and on behalf of the Named Executive Officer, at the market price of the Units on each purchase date. The value of a Unit underlying unvested rights as at December 31, 2003 is equal to \$7.60, being the closing price of the Units on the TSX on December 31, 2003.
- (2) The rights to receive Units awarded to Named Executive Officers under the IGP will only begin vesting on August 1, 2005.
- (3) Not eligible to participate in the IGP.

Securities Authorized for Issuance under Equity Compensation Plans

SFK Pulp does not have compensation plans under which Units are authorized for issuance. All equity compensation plans of SFK Pulp contemplate that Units granted will be purchased on the market. However, as of December 31, 2003, ACI held 14,812,500 class B exchangeable units of SFK GP which were indirectly exchangeable for no additional consideration by ACI for cash or Units on a one-for-one basis at any time at the option of ACI. Such class B exchangeable units were exchanged by ACI for cash on February 27, 2004. See “Interest of Informed Persons in Material Transactions – Exchange Agreement”.

Pension Plans

Named Executive Officers (with the exception of Named Executive Officers working in the United States) participate in the registered defined benefit pension plan for non-unionized employees of SFK Pulp (the “Pension Plan”). The President and Chief Executive Officer of SFK Pulp also participates in a defined benefit supplementary executive retirement plan (the “Supplementary Plan”). Named Executive Officers working in the United States participate in SFK Pulp’s US qualified defined contribution plan (a 401(k) plan) pursuant to which SFK Pulp contributes certain amounts.

The Pension Plan is intended to provide a pension at normal retirement age 65 that is equal to 1.75% of the average annual compensation multiplied by the years of credited service, up to the limit permitted under the provisions of the *Income Tax Act* (Canada), as determined on the participants retirement date. Compensation is based on the average of the highest five consecutive years of base salary within the last 10 years of service.

The Supplementary Plan together with the Pension Plan is intended to provide SFK Pulp’s President and Chief Executive Officer a pension at normal retirement age 65 that is equal to 2% of the average annual compensation multiplied by the years of credited service, up to a maximum of 70% of such earnings. Compensation is based on the average of the highest five consecutive years of base salary within the last 10 years of service plus the average of the five highest annual cash awards paid pursuant to the AIP within the last 10 years of service. Awards paid under the LTIP are not recognized for purposes of calculating benefits under the Supplementary Plan.

Under the Pension Plan and the Supplementary Plan, no benefits accrue beyond the normal retirement date. A member may elect early retirement without actuarial reduction upon reaching age 58, if the sum of such participant’s age and years of service totals at least 80. Reduced early retirement benefits are available at age 55 for participants with at least two years of service.

Under the Pension Plan and the Supplementary Plan, pension benefits are payable to participants for life, and in the event of the death of any participant (i) in the form of a 60% joint and survivor benefit for any participant who has a spouse at retirement, or (ii) in the form of a 10-year guarantee (15-year guarantee for service before January 1st, 2002) payable to the legal heirs, otherwise. Participants may elect other forms of payment, subject to actuarial adjustment.

As of December 31, 2003, completed years of service credited to each Named Executive Officer under the terms of the Pension Plan and the Supplementary Plan were:

Years of pensionable service	
André Bernier	4.9
Paul Bourque	18.0
Robert E. Balogh	N/A ⁽¹⁾
Florian Thivierge	24.1
James W. Monroe	N/A ⁽¹⁾

(1) The US plan in which Robert E. Balogh and James W. Monroe participate is a defined contribution plan.

The following tables show the estimated annual benefits payable upon retirement of Named Executive Officers who participate in the Pension Plan and in the Supplementary Plan.

PENSION PLAN

Based on years of service at normal retirement date ^{(1) (2)}

Average Compensation (\$)	10	15	20	25	30	35
125,000	18,333	27,500	36,667	45,833	55,000	64,167
150,000	18,333	27,500	36,667	45,833	55,000	64,167
175,000	18,333	27,500	36,667	45,833	55,000	64,167
200,000	18,333	27,500	36,667	45,833	55,000	64,167
225,000	18,333	27,500	36,667	45,833	55,000	64,167
250,000	18,333	27,500	36,667	45,833	55,000	64,167
275,000	18,333	27,500	36,667	45,833	55,000	64,167
300,000	18,333	27,500	36,667	45,833	55,000	64,167
325,000	18,333	27,500	36,667	45,833	55,000	64,167
350,000	18,333	27,500	36,667	45,833	55,000	64,167
375,000	18,333	27,500	36,667	45,833	55,000	64,167
400,000	18,333	27,500	36,667	45,833	55,000	64,167

(1) Benefits shown in this table are based on the limit permitted for 2004 under the provisions of the *Income tax Act* (Canada), which is of \$1,833 per year of credited service. The maximum benefits permitted under the *Income Tax Act* (Canada) will be of \$2,000 per year of credited service in 2005 and thereafter should be indexed annually based on the Average Index Wage.

(2) Benefits in this table are not subject to deductions for social security or other offset amounts.

SUPPLEMENTARY PLAN ^{(1) (2)}

Based on years of service at normal retirement date

Average Compensation (\$)	10	15	20	25	30	35
125,000	25,000	37,500	50,000	62,500	75,000	87,500
150,000	30,000	45,000	60,000	75,000	90,000	105,000
175,000	35,000	52,500	70,000	87,500	105,000	122,500
200,000	40,000	60,000	80,000	100,000	120,000	140,000
225,000	45,000	67,500	90,000	112,500	135,000	157,500
250,000	50,000	75,000	100,000	125,000	150,000	175,000
275,000	55,000	82,500	110,000	137,500	165,000	192,500
300,000	60,000	90,000	120,000	150,000	180,000	210,000
325,000	65,000	97,500	130,000	162,500	195,000	227,500
350,000	70,000	105,000	140,000	175,000	210,000	245,000
375,000	75,000	112,500	150,000	187,500	225,000	262,500
400,000	80,000	120,000	160,000	200,000	240,000	280,000

(1) Amounts of pension benefits shown on this table include the pension benefits payable under the Pension Plan.

(2) Benefits in this table are not subject to deductions for social security or other offset amounts.

Employment Agreements

On August 1, 2002, SFK Pulp entered into employment agreements with each of André Bernier, Paul Bourque and Robert E. Balogh for an indefinite term. The employment agreements provide for the

payment of a base salary, annual incentives and long term incentives (see “Report on Executive Compensation” and “Executive and Other Compensation”).

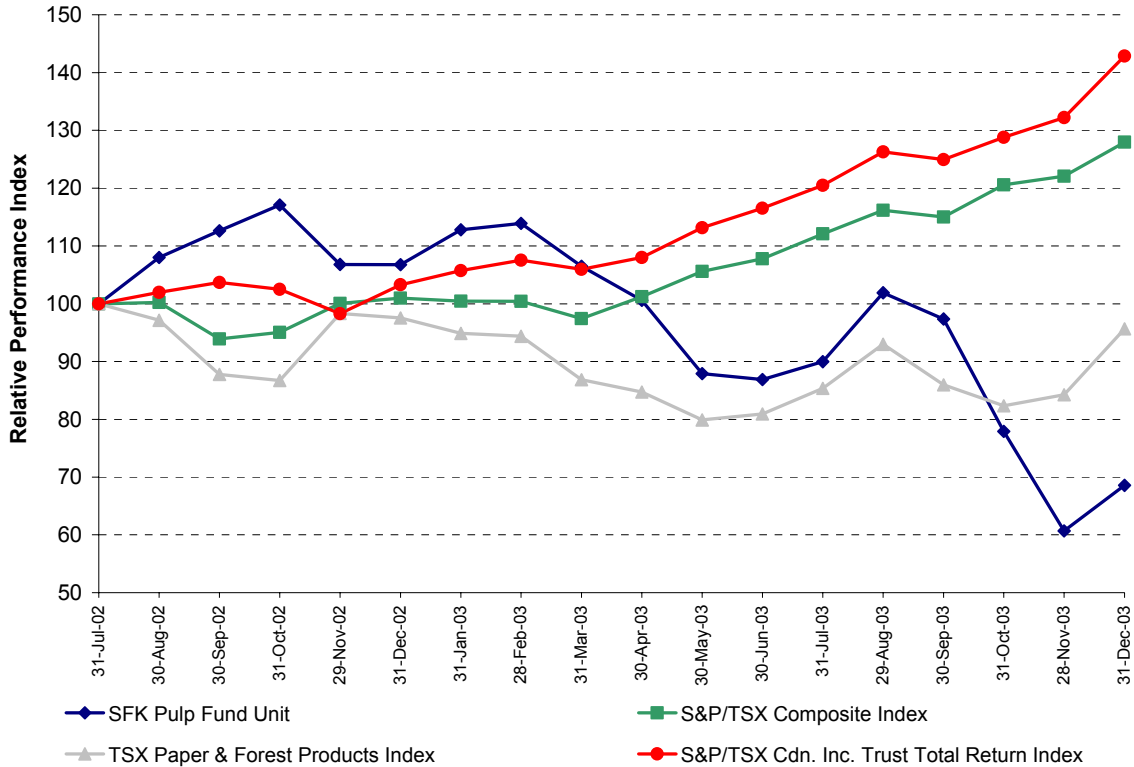
The employment of each of Messrs. Bernier, Bourque and Balogh can be terminated for cause. In the event the employment of any of them is terminated without cause, the executive shall be entitled to (i) eighteen months of base salary and bonus pursuant to the AIP, being the average of the bonuses paid during the last two full calendar years, and (ii) the bonus payable under the AIP for the year of such termination, pro-rated based on the number of days elapsed in such year prior to the effective date of termination. In the event the employment of any of them is terminated upon the death of the executive, his estate shall be entitled to the bonus payable under the AIP for the year of such termination, pro-rated based on the number of days elapsed in such financial year prior to the effective date of termination.

Under the terms of their employment agreements, André Bernier, Paul Bourque and Robert E. Balogh were granted 20,000, 10,000 and 10,000 Units, respectively, pursuant to the IGP. In the event any of these executives is terminated without cause or if the Fund is privatized before the end of the acquisition period, the vesting of the Units shall be prorated to the period actually worked between August 1, 2002 and the end of the vesting period.

Each of Messrs. Bernier, Bourque and Balogh is also bound by confidentiality and non-competition covenants under his employment agreement.

Performance Graph

The following graph compares the total cumulative return for \$100 invested in Units with the total cumulative return of the TSX Paper & Forest Products Index, the S&P/TSX Composite Index and the S&P/TSX Canadian Income Trust Index (assuming reinvestment of distributions) for the period from August 1, 2002 (the date of closing of the Fund’s initial public offering) to December 31, 2003.



INDEBTEDNESS OF THE FUND TRUSTEE, THE TRUSTEES, THE ADMINISTRATOR AND THE DIRECTORS AND EXECUTIVE OFFICERS

Neither the Fund Trustee, the Trustees, the Administrator, the Directors nor any of the executive officers of SFK Pulp, nor any proposed nominee for election as Fund Trustee, Trustee or Director, nor any associate of any one of them, is or has been indebted at any time since January 1, 2003, directly or indirectly, to SFK Pulp.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Except as disclosed elsewhere herein and as described below, no Fund Trustee, Trustee, Director, executive officer of SFK Pulp or other informed person of SFK Pulp, nor any associate or affiliate of the foregoing persons has any substantial interest, direct or indirect, in any material transaction since the commencement of SFK Pulp’s last financial year.

Messrs. Pierre Rougeau and Alain Grandmont, both Directors and Trustees of SFK Pulp, are respectively Senior Vice-President, Corporate Development and Chief Financial Officer, and Senior Vice-President, Value-Added Paper Operations of ACI. SFK Pulp has concluded several material transactions with ACI since its creation in May 2002. Such material transactions are as described below.

Offering of Units

On February 27, 2004, the Fund completed an offering on a bought-deal basis of 14,812,500 Units at a purchase price of \$8 per Unit, for an aggregate consideration of \$118,500,000, pursuant to a short form prospectus dated February 19, 2004 (the "Offering"). The net proceeds of the Offering of \$112,075,000 were used by the Fund to acquire 8,776,000 additional Trust units and additional Trust notes series 1 having an aggregate principal amount of \$41,867,000, allowing the Trust to purchase the 14,812,500 class B exchangeable units of SFK GP held by ACI as well as the 200 preferred shares of the Administrator held by ACI, pursuant to the exercise of its exchange rights under the Exchange Agreement. See below under "Partnership Agreement" and "Exchange Agreement".

ACI agreed, pursuant to the Exchange Agreement, to indemnify the Fund and the Trust and their respective trustees with respect to any statement in or omission from the above-mentioned short form prospectus, if such statement or omission was made in reliance upon written information furnished to the Fund and the Trust by ACI for use in the preparation of the short form prospectus or a document incorporated by reference. Conversely, the Fund and the Trust solidarily agreed to indemnify ACI and the underwriters with respect to any untrue statement of, or omission to state, any material fact in the short form prospectus, provided that neither the Fund nor the Trust shall be liable to ACI or the underwriters, to the extent that the matter giving rise to the indemnification arises out of any untrue statement or omission made in reliance upon written information furnished to the Fund and the Trust by ACI or the underwriters for use in the preparation of the short form prospectus.

Acquisition of the Mill

On August 1, 2002 (the "Closing Date of the Acquisition"), SFK GP acquired from ACI the Mill and ancillary assets under the terms of an asset purchase agreement (the "Acquisition Agreement"). In payment of the purchase price, ACI received \$451,583,750 in cash (\$11,079,750 of which was reserved as set out below under "Exchange Agreement – Contingency Reserve") and \$177,750,000 through the issuance of class B exchangeable units of SFK GP.

Under the Acquisition Agreement, SFK GP assumed all of the liabilities of ACI related to the Mill as at the Closing Date of the Acquisition and acquired the Mill, including: (a) all machinery and equipment used in the operation of the Mill; (b) the rights and obligations of ACI under all transferable agreements and permits relating to the Mill; and (c) the land on which the Mill is located. ACI provided representations, warranties and related indemnities relating to corporate matters, compliance with applicable laws, environmental matters, litigation, financial statements and absence of material adverse changes, required governmental and third party consents, title to, sufficiency and condition of assets, pension matters, intellectual property and permits and contracts, in respect of conditions existing as of August 1, 2002. The representations, warranties and related indemnities survive until August 1, 2005, except with respect to environmental matters for which the survival period will terminate on August 1, 2006.

ACI agreed to indemnify the Fund and SFK GP in respect of breaches of representations and warranties in the Acquisition Agreement. ACI also provided an indemnity until August 1, 2006 regarding obligations to deal with or address any contamination associated with the Mill existing as of August 1, 2002 that are imposed pursuant to Québec Bill 72, entitled an *Act to amend the Environmental Quality Act and other legislative provisions with regard to land protection and rehabilitation*, provided applicable parameters identified in any regulations thereunder are not different in effect from existing standards as identified in the Acquisition Agreement. Recourse under the general indemnification provisions of the Acquisition Agreement can only be taken when the aggregate amount of claims totals at least \$250,000. The maximum liability of ACI under the Acquisition Agreement is limited to the net consideration received by ACI under the Acquisition Agreement (net of any contingency reserve amounts contributed to the Fund by ACI until December 31, 2003 but including the net proceeds received by ACI pursuant to the exchange of its class B exchangeable units), which represents in the aggregate approximately \$571 million. The indemnification obligations are also subject to a number of restrictions, including that (i) SFK GP has no recourse to ACI for environmental matters discovered in any manner other than through normal course activities or investigations imposed by law or regulation, (ii) any remediation at the Mill in respect of environmental matters must be to levels or standards for industrial use (rather than any other property use) and (iii) except for claims relating to Québec Bill 72 requirements, no claims can be made for remediation or other

environmental-related activities if such remediation or other activity would not have been required under applicable laws and regulations at the time of the Fund's initial public offering.

In connection with the acquisition of the Mill, SFK Pulp and ACI had agreed to establish the amount of compensation to be paid (in the case of surplus) or to be received (in the case of deficit) by SFK Pulp in connection with the pension plans that were transferred from ACI to SFK Pulp, based on actuarial valuations as of August 1, 2002 and December 31, 2003. The parties have established that SFK Pulp owes \$350,000 to ACI on account of pension fund surplus, and that this amount is payable in twelve equal monthly instalments starting March 1, 2004.

Services Agreements

Concurrently with the Acquisition Agreement, ACI and SFK GP entered into a transitional services agreement (the "Transitional Services Agreement") pursuant to which ACI agreed, during a six-month period following the Closing Date of the Acquisition, to provide SFK GP with certain specific services in order to facilitate the transfer of operations and the sale of the Mill to SFK GP. On January 17, 2003, the Transitional Services Agreement was extended until April 30, 2003 for certain services and until December 31, 2005 for others. ACI does not receive any fee for the provision of services but is reimbursed for its direct and indirect costs and expenses.

Supply Agreements

Concurrently with the Acquisition Agreement, ACI and SFK GP entered into a 20-year fibre supply agreement (the "Fibre Supply Agreement") pursuant to which ACI agreed to fulfil all of the Mill's fibre requirements, except in the event of a *force majeure* (as defined in the Fibre Supply Agreement). Subject to certain conditions, the price payable by the Mill under the Fibre Supply Agreement is tied to SFK GP's net sales for the first 740,000 metric tonnes of fibre per year. However, the Fibre Supply Agreement provides that the price per metric tonne of fibre will never be less than \$20 below or more than \$20 above the market price for a metric tonne of fibre in any given year, as determined by the parties based on prices paid by other significant fibre purchasers in Québec. The market price for any given year is determined retroactively to January 1 in each year by the parties, by no later than the 60th day preceding the end of such year. Any quantity of fibre required by the Mill in excess of 740,000 metric tonnes per year is provided at the cost incurred by ACI. After its initial term, the Fibre Supply Agreement will automatically be renewed for consecutive one-year periods on the same terms and conditions, unless terminated by either party upon at least five years' notice.

SFK Pulp has the capacity to generate all of its required electricity for the pulp manufacturing process at the Mill. Two turbogenerators fulfil the Mill's electricity requirements by using steam generated through the combustion of black liquor, biomass (including bark) and bunker C. Concurrently with the Acquisition Agreement, ACI and SFK GP entered into a 20-year bark supply agreement pursuant to which ACI agreed to sell to the Mill, subject to certain conditions, 124,000 metric tonnes of bark at market price for purposes of fulfilling the Mill's current bark requirements. After its initial term, the bark supply agreement will automatically be renewed for consecutive one-year periods on the same terms and conditions, unless terminated by either party upon at least five years' notice.

Concurrently, with the Acquisition Agreement, ACI and SFK GP entered into a 27-month wood pulp contract pursuant to which SFK GP agreed to sell to ACI, and ACI agreed to purchase, subject to certain conditions, 36,000 air-dried metric tonnes of wood pulp produced at the Mill at market conditions. After its initial term, the wood pulp contract will automatically be renewed for consecutive one-year periods on the same terms and conditions, unless terminated by either party upon at least six months' notice.

Partnership Agreement

Under SFK GP's Partnership Agreement, all cash distributions on class B exchangeable units were subordinated to distributions on Units until December 31, 2003. Consequently, during such period, ACI, as a holder of 14,812,500 class B exchangeable units, was not entitled to receive monthly cash distributions until each holder of Units had received the base distribution of \$0.10 per Unit. For the year ended December 31, 2003, no distributions were paid on class B exchangeable units held by ACI.

The subordination of ACI's interest in SFK Pulp terminated on December 31, 2003 and as a result, all distributions declared since January 1, 2004 are allocated among 59,250,000 Units (on a fully diluted basis). From the period beginning on January 1, 2004 and ending at the time of closing of the Offering, distributions in an aggregate amount of \$481,406 were declared on class B exchangeable units held by ACI.

ACI no longer holds class B exchangeable units of SFK GP, as it sold all of said units in a transaction completed on February 27, 2004. See above under "Offering of Units" and below under "Exchange Agreement".

Exchange Agreement

Concurrently with the Acquisition Agreement, ACI, the Fund, the Trust and SFK GP entered into the Exchange Agreement.

Exchange Rights

Pursuant to the Exchange Agreement, the class B exchangeable units of SFK GP held by ACI were indirectly exchangeable by ACI for cash or Units on a one-for-one basis at any time at the option of ACI unless the exchange would jeopardize the Fund's status as a "unit trust" or "mutual fund trust" under the *Income Tax Act* (Canada).

On August 16, 2002, upon exercise in full of the over-allotment option granted to the underwriters in connection with the Fund's initial public offering, ACI exercised its exchange rights for 2,962,500 class B exchangeable units of SFK GP. As a result, ACI received \$27,995,625 in cash (\$5,036,250 of which was reserved as set out below under "Contingency Reserve") and reduced its holding of class B exchangeable units of SFK GP to 14,812,500 class B exchangeable units.

On the date of closing of the Offering, ACI exercised the exchange rights with respect to its remaining class B exchangeable units. Accordingly, it received all of the net proceeds of \$112,075,000 from the Offering. SFK Pulp assumed no costs with respect to the Offering. See above under "Offering of Units".

Contingency Reserve

Pursuant to the Exchange Agreement, amounts were reserved on the Closing Date of the Acquisition out of the purchase price paid to ACI and upon the exercise of the over-allotment option granted in connection with the Fund's initial public offering to maintain, until December 31, 2003, the level of monthly distributions that would have been payable on all Units outstanding had ACI held on the Closing Date of the Acquisition and retained an indirect economic interest of 41% in the Fund. During the period beginning on the Closing Date of the Acquisition and ending on December 31, 2003, SFK Pulp fully used the monthly reserved amounts (representing \$948,000 per month) to pay monthly distributions on Units. As of December 31, 2003, the contingency reserve had been entirely used. Therefore, all distributions declared since January 1, 2004 are based exclusively on SFK Pulp's available cash.

No amounts were reserved when ACI exercised the exchange rights attached to its remaining class B exchangeable units of SFK GP. See "Exchange Rights" above.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The Board of Directors of SFK Pulp believes that sound corporate governance practices are important in the overall success of SFK Pulp. Under the rules of the TSX, SFK Pulp is required to describe its approach

to corporate governance with reference to guidelines set out in the TSX's Company Manual (the "TSX Guidelines"). The TSX Guidelines address such matters as the constitution and independence of boards, the functions to be performed by boards and their committees and the recruitment, effectiveness and education of board members. The description of SFK Pulp's approach to corporate governance addressing each of the TSX Guidelines is set out in Schedule "A" to this Information Circular.

Over the year 2003, SFK Pulp has worked, and intends to continuing working, to attain the highest standards of corporate governance practices, namely by implementing in 2004 a code of conduct which will include, among others, a "whistle-blowing" policy.

AUDIT COMMITTEE

Reference is made to "Audit Committee" on pages 19 to 20 of the Annual Information Form of SFK Pulp dated March 29, 2004 which may be found through the internet on the Canadian System for Electronic Document Analysis and Retrieval ("SEDAR") which can be accessed at www.sedar.com.

CORPORATE GOVERNANCE AND HUMAN RESOURCES COMMITTEE

In keeping with its vision to be the benchmark in every aspect of its business, SFK Pulp recently created the Corporate Governance and Human Resources Committee which is entirely composed of "unrelated" and "independent" Directors (as such terms are respectively defined in the Company Manual of the TSX and in Multilateral Instrument 52-110). This committee is responsible for overseeing and assessing the functioning of the Board and the committees of the Board and for the development, recommendation to the Board, implementation and assessment of effective corporate governance principles. It is also responsible for overseeing human resources matters, including compensation of senior management, and making appropriate recommendations to the Board.

ADMINISTRATION AGREEMENTS

Under two administration agreements (the "Administration Agreements"), the Fund and the Trust have retained the services of the Administrator to perform some of the Fund Trustee's and the Trustees' functions to provide certain administrative and support services to the Fund and the Trust, and to consult with and provide advice to the Fund Trustee and the Trustees. The Administration Agreements have an initial 20-year term and will automatically renew thereafter for consecutive five-year terms unless terminated in accordance with their respective terms. The Administration Agreements may be terminated by the parties thereto in the event of the insolvency or receivership of the other party or in the case of default by the other party in a material obligation thereunder which is not remedied within 30 days after notice thereof has been delivered to such other party.

The Administrator does not receive any fee for the provision of these services but is entitled to be reimbursed for its reasonable direct and indirect costs and expenses. See above under "Executive and Other Compensation – Compensation of Administrator".

LIABILITY INSURANCE

SFK Pulp purchases and maintains in force liability insurance for the Fund Trustee, the Trustees and the Directors and the senior officers of SFK Pulp. This insurance provides an aggregate coverage limit of \$25 million. For the financial year ended December 31, 2003, SFK Pulp paid \$286,667 in liability insurance premiums.

OTHER MATTERS

The contents of this Information Circular and the sending thereof have been approved by the Fund Trustee, the Trustees and the Board of Directors of SFK Holding Inc., in its own capacity and in its capacities as Administrator of the Fund and as managing partner of SFK GP.

ADDITIONAL INFORMATION

Additional information relating to SFK Pulp may be found through the internet on SEDAR which can be accessed at www.sedar.com. Financial information relating to SFK Pulp is provided in SFK Pulp's comparative financial statements and management's discussion and analysis for its financial year ended December 31, 2003, both of which may be obtained through the internet on SEDAR or upon request to the Secretary of SFK Pulp at 4000 St-Eusèbe Road, Saint-Félicien, Québec, G8K 2R6.

DATED at Saint-Félicien, Québec, this 29th day of March 2004.

By Order of the Board
of the Administrator of the Fund

A handwritten signature in black ink, appearing to read "André Bernier". The signature is written in a cursive style with a large initial 'A' and 'B'.

André Bernier
President and Chief Executive Officer

SCHEDULE "A"

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

GUIDELINES	COMMENTS
1. The Board of Directors should explicitly assume responsibility for the stewardship of SFK Pulp, including:	The mandate of the Board of Directors is to assume the stewardship of SFK Pulp's overall administration and to oversee the management of SFK Pulp's operations.
(a) Adoption of a strategic planning process;	The Board of Directors intends to adopt a written mandate for its activities and responsibilities in 2004.
(b) Identification of the principal risks of SFK Pulp's business and implementation of appropriate systems to manage these risks;	The Board of Directors identifies with management, the principal risks of SFK Pulp's business and the systems put in place to manage these risks as well as monitors, on a continuous basis, the adequacy of such systems.
(c) Succession planning, including appointing, training and monitoring senior management;	SFK Pulp has recently put in place a succession plan for senior officers. The Corporate Governance and Human Resources Committee is responsible for overseeing, reporting and providing recommendations to the Board on succession planning matters.
(d) SFK Pulp's communications policy; and	SFK Pulp believes it is senior management's responsibility to issue statements on behalf of SFK Pulp in matters relating to communications with investors. The Board of Directors reviews, and where required, approves statutory disclosure documents prior to their distribution to SFK Pulp's Unitholders. In order to ensure that all material information is made available to the investment community in a timely fashion and on a simultaneous basis, SFK Pulp has adopted a disclosure policy.
(e) Integrity of SFK Pulp's internal control and management information systems.	The Audit Committee is responsible for assisting the Board of Directors in the fulfilment of its duties with respect to financial accounting and reporting practices as well as the adequacy and integrity of internal controls, risk management and management information systems. The committee reports to the Board with respect to such controls and systems. SFK Pulp intends to formalize and document in 2004 the existing internal controls and management

GUIDELINES	COMMENTS
2. The Board of Directors should be constituted with a majority of individuals who qualify as unrelated directors.	information systems to support the certification requirements of Multilateral Instrument 52-109. The Board of Directors is composed of five Directors, three of whom are “unrelated” and “independent” Directors (as such terms are respectively defined in the TSX Company Manual and Multilateral Instrument 52-110).
3. The analysis of the application of the principles supporting the conclusion in paragraph 2 above.	<u>Related or non-independent:</u> Alain Grandmont Senior Vice-President, Value-Added Paper Operations of ACI Pierre Rougeau Senior Vice-President, Corporate Development and Chief Financial Officer of ACI <u>Unrelated and independent:</u> Dino Fuoco Hubert T. Lacroix (Chairman) Adam Lapointe As part of the transition process following the sale of ACI’s remaining interest in SFK Pulp (see “Interest of Informed Persons in Material Transactions – Exchange Agreement” in the Information Circular), the Corporate Governance and Human Resources Committee has undertaken the task of identifying potential nominees to replace in an orderly fashion Messrs Rougeau and Grandmont on the Board of Directors.
4. The Board of Directors should appoint a committee of directors: a) Composed exclusively of outside, i.e. non-management, directors, a majority of whom are unrelated directors; and	The Corporate Governance and Human Resources Committee is composed exclusively of “unrelated” and “independent” Directors (as such terms are respectively defined in the TSX Company Manual and Multilateral Instrument 52-110).

GUIDELINES	COMMENTS
b) with the responsibility for proposing to the full Board of Directors new nominees to the Board of Directors and for assessing directors on an ongoing basis.	<p>This committee is responsible for proposing to the full Board of Directors new nominees to the Board. When proposing new nominees to the Board, the Corporate Governance and Human Resources Committee considers background, employment and qualifications of possible candidates.</p>
5. The Board of Directors should implement a process to be carried out by the Nominating Committee or other appropriate committee for assessing the effectiveness of the Board of Directors as a whole, the committees of the Board of Directors and the contribution of individual directors.	<p>The committee is also responsible for assessing on an annual basis the overall performance of the Board and its committees as well as the performance of the Chairman of the Board. The results are collected by the Chairman of the committee and communicated to the Board. The Corporate Governance and Human Resources Committee does not assess the contribution of individual Directors. SFK Pulp is of the view that the size of its Board does not require individual Director assessment.</p>
6. Existence of an orientation and education program for new recruits to the Board of Directors.	<p>See 4 above.</p> <p>SFK Pulp does not have any formal orientation and education program for new Directors. New Directors are however provided with a manual which sets forth policies, procedures and plans of SFK Pulp. Furthermore, the meetings in which new Directors participate as well as discussions with other Directors and with management permit new Directors to familiarize themselves with the operations of SFK Pulp. The Board holds at least one meeting per year at the Mill to provide Directors with additional insight regarding SFK Pulp's activities. In addition, executive officers of SFK Pulp and outside service providers are invited on a regular basis to make presentations on various topics to the Board.</p>
7. Size of the Board of Directors and the impact of the number of directors upon effectiveness.	<p>The Corporate Governance and Human Resources Committee is responsible for overseeing the orientation and continuing education of Directors.</p> <p>The Board of Directors is of the view that its size and composition are well suited to the circumstances of SFK Pulp and allow for the efficient functioning of the Board of Directors as a decision-making body.</p>

GUIDELINES	COMMENTS
8. Adequacy and form of the compensation of directors that realistically reflects the responsibilities and risks involved in being an effective director.	<p>The Corporate Governance and Human Resources Committee is responsible for reviewing from time to time the size of the Board to ensure effective decision-making.</p>
	<p>The Corporate Governance and Human Resources Committee is responsible for reviewing Directors' compensation. In determining Directors' remuneration, the committee considers time commitment, comparative fees, risks and responsibilities.</p>
	<p>At the time of its initial public offering, SFK Pulp established the IGP under which Directors were awarded rights to receive Units, which vest over a three-year period upon their first appointment as Director. In addition, Directors of SFK Pulp may elect to receive up to 100% of their remuneration and attendance fees in Units. Units are purchased on the market by SFK Pulp, for and on behalf of the directors. Messrs Grandmont, Lapointe and Rougeau have elected to receive all of their remuneration and attendance fees in Units and Mr. Lacroix has elected to received half of his remuneration and attendance fees in cash and half in Units. Finally, SFK Pulp established the UHP pursuant to which each Director is required to acquire at least 2,000 Units over the two-year period following his appointment. By implementing these measures, SFK Pulp has sought to align the interests of its Unitholders with those of its Directors.</p>
	<p>The Corporate Governance and Human Resources Committee has recently undertaken a review of Directors and Trustees' remuneration. In order to do so, it has retained the services of a human resources expert who will among other things benchmark Directors and Trustees' remuneration against that of comparable companies and income funds. The remuneration of Directors and Trustees will be modified in due course, if required, based on such expert's recommendations.</p>
9. Committees of the Board of Directors should generally be composed of outside directors, a majority of whom are unrelated directors.	<p>The Board has established an Audit Committee and a Corporate Governance and Human Resources Committee. Both committees are composed exclusively of "unrelated" and "independent" Directors (as such terms are respectively defined in the TSX Company Manual and Multilateral Instrument 52-110). The Audit Committee operates according to a written charter approved by the Board</p>

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10. The Board of Directors' responsibility for (or a committee of the Board of Directors' general responsibility for) developing SFK Pulp's approach to governance issues.	of Directors outlining its duties and responsibilities. The Board intends to approve a written charter for the Corporate Governance and Human Resources Committee in the near future.
11. The Board of Directors has developed: (a) Position descriptions for the Board of Directors and for the President and Chief Executive Officer, involving the definition of the limits to management's responsibilities; and (b) the corporate objectives for which the President and Chief Executive Officer is responsible for meeting.	All corporate governance issues are dealt with by the Corporate Governance and Human Resources Committee, which makes appropriate recommendations to the Board. The Board of Directors is, by law, responsible for managing the business and affairs of SFK Pulp. The Board of Directors has delegated to senior executives the responsibility for day to day management of the business of SFK Pulp. Any responsibility which is not delegated to either management or a Board committee remains with the Board. As a general principle, all actions and decisions which are not in SFK Pulp's ordinary course of business require the prior approval of the Board or of a Board committee to which approval authority has been delegated.
12. The structure and procedures ensuring that the Board of Directors can function independently of management.	The Board intends to approve position descriptions for the Directors, the Chairman of the Board, the chairman of each committee and the President and Chief Executive Officer during the year 2004.
13. (a) The Audit Committee of the Board of Directors should be composed only of outside directors. (b) The roles and responsibilities of the Audit Committee should be specifically defined so as to provide appropriate guidance to audit committee members as to their duties.	The Board of Directors is comprised exclusively of outside Directors and therefore, acts independently of management. Furthermore, even though management of SFK Pulp is invited to participate to Board and committee meetings, the agenda of quarterly meetings always include an item whereby the Board of Directors or the applicable committee meets without management being present. The Audit Committee is comprised only of "unrelated" and "independent Directors" (as such terms are respectively defined in the TSX Company Manual and Multilateral Instrument 52-110). The Audit Committee is mandated by the Board of Directors to (i) retain the services of the external auditors and establish their remuneration, (ii) review with the auditors the scope of the audit, (iii) assess the performance and the independence of the external auditors, (iv) review and approve the different services provided by the external auditors and other accounting firms, (v) review with the auditors and

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	<p>management SFK Pulp’s financial accounting and reporting practices, (vi) review the adequacy and integrity of SFK Pulp’s internal controls, risk management and management information systems, (vii) review with the auditors, prior to their submission to the Board of Directors for approval, SFK Pulp’s quarterly and annual financial statements, as well as observation reports from the auditors, (viii) review SFK Pulp’s annual budget, (ix) review all financial disclosure before it is communicated to the public, (x) review the financial position of SFK Pulp’s pension plans as well as the underlying assumptions, (xi) review SFK Pulp’s insurance coverage, (xii) review any pending or threatened litigation involving SFK Pulp, (xiii) review proposed changes to the presentation of financial statements and accounting principles, (xiv) establish and thereafter monitor SFK Pulp’s “whistle-blowing” policy, (xv) establish questions for management and external auditors on an annual basis and review responses, (xvi) establish and review SFK Pulp’s employment policy for former employees of current or former external auditors and (xvii) meet privately on a regular basis with the external auditors, without management present, to discuss the managements of SFK Pulp’s financial affairs and internal controls. The Committee reports to the Board on a regular basis.</p>
<p>(c) The Audit Committee should have direct communication channels with the internal and external auditors to discuss and review specific issues as appropriate.</p>	<p>See 13 (b) above.</p>
<p>(d) The Audit Committee duties should include oversight responsibility for management reporting on internal control and should ensure that management has designed and implemented an effective system of internal control.</p>	<p>See 13 (b) above.</p>
<p>14. Existence of a system which enables an individual director to engage an outside advisor at the expense of SFK Pulp in appropriate circumstances.</p>	<p>Individual Directors may retain, if necessary, outside advisors at SFK Pulp’s expense after informing the Chairman of the Board.</p> <p>The Audit Committee and the Corporate Governance and Human Resources Committee also have the power to retain outside advisors.</p>