

PULPWOOD HARVESTING AREA NO. 3

-oOo-

PULPWOOD HARVESTING AREA NO. 3

THIS AGREEMENT made in duplicate this 30th
day of October, A.D. 1964,

BETWEEN:

THE MINISTER OF LANDS, FORESTS, AND WATER RESOURCES of the
Province of British Columbia, who, with his successors in
office, is

hereinafter referred to as "The Minister"

OF THE FIRST PART,

AND:

NORTHWOOD PULP LIMITED, a Company incorporated under the laws
of the Province of British Columbia, having its registered
office in the City of Vancouver in the said Province

hereinafter referred to as "The Company"

OF THE SECOND PART.

WHEREAS there is a large volume of pulpwood and waste wood
in the Prince George Forest District suitable for the manufacture of pulp
and paper which is not capable of being economically utilized by the
existing logging and sawmill industry within the said District:

AND WHEREAS the Minister desires to encourage the establishment
of a pulp or paper mill within the said District so that economical
utilization may be made of such pulpwood and waste wood;

AND WHEREAS pursuant to Section 17A of the Forest Act, being
Chapter 153 of the Revised Statutes of British Columbia, 1960, as enacted
by Chapter 20 of the Statutes of British Columbia, 1961 and as amended
by Chapter 24 of the Statutes of British Columbia, 1962, the Minister has
approved a proposal submitted on behalf of the Company in accordance with
the provisions of the said Section 17A;

AND WHEREAS the Company has agreed to build a pulp mill in the
Province of British Columbia accessible to the pulpwood harvesting area
as designated by the Minister and set forth in this Agreement;

AND WHEREAS pursuant to the said Section 17A, the Minister has granted to the Company an option to purchase the pulpwood from the designated pulpwood harvesting area to ensure a sufficient supply of pulpwood, as set forth in this Agreement, to sustain the pulp manufacturing facilities established by the Company;

AND WHEREAS pursuant to Order-In-Council No. 2791, approved on the 1st day of October, 1964, the Lieutenant-Governor in Council approved the terms and conditions of this Agreement:

NOW THEREFORE, in consideration of the premises,

IT IS HEREBY AGREED AS FOLLOWS THAT:

1. The Minister hereby grants to the Company an option to purchase from the Crown pulpwood as hereunder defined from the designated pulpwood harvesting area, being more particularly described as comprised of five administrative units, namely the Purden Public Working Circle and the Monkman, Bowron, Longworth and Robson Sustained Yield Units as shown outlined in bold black on the map attached hereto, and subject to the terms and conditions hereunder set forth.
2. The option granted in clause 1 above is for the purpose of enabling the Company to obtain a sufficient supply of pulpwood in addition to any pulpwood obtained from any Tree Farm Licences owned or controlled by the Company or any affiliated Companies to sustain the pulp mill required to be built under this Agreement as more particularly set forth in clause 14. All pulpwood cut pursuant to this Agreement shall be used in the said pulp mill unless otherwise authorized by the Minister.
3. The term of this Agreement shall be for a period of 21 years from the date hereof and shall be renewable on application by the Company and on order of the Lieutenant-Governor in Council but subject to negotiation of terms and conditions according to the provisions of the Forest Act and regulations in force at the time of application for renewal and according to clause 33.

4.

Pursuant to the provisions of Section 60 of the Forest Act and for the purpose of this Agreement, the Minister herewith declares pulpwood to include wood which is below the standard of utilization for sawmilling purposes in the Prince George Forest District as shown by current sawlog Timber Sales of the District.

- (a) On Crown lands which have been logged over, or are being logged over, for logs suitable for sawmilling purposes and on which there are quantities of wood (other than standing live trees designated by the Chief Forester as being required for silvicultural purposes) which have been declared by the Minister to be pulpwood for the purpose of this Agreement; without limiting the generality of the foregoing, such wood to include:
- (i) portions of the trunks of trees left as tops or long butts;
 - (ii) damaged or down trees;
 - (iii) logs below the standard of utilization for sawmilling;
 - (iv) standing live trees of a size or species not suitable for utilization for sawmilling.
- (b) In stands of timber which are decadent and/or unsuitable for sawmilling purposes; and
- (c) In stands of timber which, as designated by the Minister, will be below the standard of utilization for sawmilling purposes in the Prince George Forest District at the rotation ages currently in effect in the administrative unit wherein such stands are located.

5.

The Minister, during the term of this Agreement, may change the boundaries of one or more of the five administrative units comprising the pulpwood harvesting area for general administrative purposes of the Forest Service but the boundaries of the Pulpwood

as shown outlined in bold black on the map attached

for higher economic use including experimental forests and recreational use.

6.

During the balance of the term of this Agreement, after construction of the pulp mill has been completed, the Company agrees to utilize sawmilling waste and logging salvage wood suitable for the pulp mill which is developed from logging operations on timber stands suitable for logging for sawmilling purposes and from sawmilling operations in and about the pulpwood harvesting area to the fullest extent consistent with economic feasibility and sound programming of raw material supply for the pulp mill. In this regard, but without limiting the generality of the foregoing, it is understood that the company is expected:

- (a) To utilize pulpwood from timber stands suitable for sawmilling purposes within the pulpwood harvesting area which have been logged or are being logged for logs suitable for sawmilling purposes;
- (b) To purchase surplus top logs and other wood material suitable for the manufacture of pulp from logging operators in and about the pulpwood harvesting area;
- (c) To purchase pulpwood from bona fide settlers;
PROVIDED THAT the wood referred to in (b) and (c) above is offered at prices which are competitive with the cost of all other round wood delivered at the pulp mill.
- (d) To purchase chips, slabs and edgings, free from bark, suitable for the manufacture of pulp from sawmill operators in and about the pulpwood harvesting area at competitive prices.

7.

Notwithstanding the provisions of this Agreement, the Minister may continue to sell Timber Sale licences to cut logs suitable for sawmilling purposes within the pulpwood harvesting area to persons other than the Company. Such Timber Sale licences may include the right to cut and remove the pulpwood when awarded or as an addendum to an existing contract in good standing on the Timber Sale area, provided that the Timber Sale licensee has agreed with the Company to sell such pulpwood to the Company on a first

refusal basis or has obtained from the Company a letter stating that the Company is not interested in acquiring such pulpwood.

8. The Company shall not compete for Timber Sale licences designated to cut logs suitable for sawmilling purposes within the pulpwood harvesting area unless approval in writing has been granted by the Minister provided always that the provisions of this clause shall not be deemed to preclude other persons or corporations which are now or hereafter owned by or affiliated with the Company, which at the date hereof are engaged in the sawmill industry, from competing for said Timber Sale licences.

9. Where a Timber Sale licensee is still operating on a Timber Sale area situate within the pulpwood harvesting area, the Company may be permitted to purchase and harvest the pulpwood on such Timber Sale area, provided that the Company has entered into an agreement with the Timber Sale licensee for the removal of the pulpwood from such Timber Sale area, or has obtained the consent of the Minister so to do.

10. (a) The Chief Forester, in accordance with the principles of sustained yield management, may establish, from time to time, pulpwood cutting budgets for each administrative unit, or any part thereof, within the pulpwood harvesting area and all harvesting of the said pulpwood shall be limited to the amount provided for in the said cutting budgets except as provided in clause 10(b).

(b) Notwithstanding any other provisions contained in this agreement but subject to the Company not being in default hereunder, commencing the 1st day of January, 1966, the Minister shall allow the Company to harvest, or acquire under the provisions of clause 7 hereof, from the pulpwood harvesting area in each calendar year thereafter during the term hereof, the volume of pulpwood which, in the opinion of the Company, is necessary to sustain the continuous operation of the pulp mill during

for the pulp mill, in any calendar year less the
pulpwood committed to that year in accordance with
and 12(b).

11.

The Company shall submit annually, to the Chief Forester for approval, a cutting plan prepared by the Company's Forester showing the areas from which the Company proposes to harvest pulpwood during the forthcoming year. This plan shall include such information and details as are required by the Chief Forester.

12.

(a) The Company shall have the exclusive right to purchase and harvest pulpwood within the pulpwood harvesting area insofar as it applies to the primary logging of pulpwood as declared in accordance with subclauses (b) and (c) of clause 4 above, subject to the provisions of clause 7.

(b) Where a Timber Sale licensee has completed logging on a Timber Sale area suitable for logging for sawmilling purposes and has not elected to purchase the pulpwood located thereon in accordance with clause 7 above such pulpwood may be purchased by the Company, and if within ninety (90) days after such pulpwood has been offered to the Company by the Chief Forester the Company fails to notify the Chief Forester of its intention to include such pulpwood in its next annual cutting plan, then such pulpwood may be sold at public auction as provided for in Section 17 of the Forest Act.

(c) A Timber Sale licence in a form and subject to such terms and conditions as the Chief Forester approves, consistent with the provisions and intent of this Agreement, shall be executed by the Company and the Chief Forester for each sale of pulpwood to the Company made pursuant to this Agreement. Provided that a notice of the intention to grant a sale of such pulpwood shall be given by a notice

published in one issue of the British Columbia Gazette at

prepared in accordance with clause 4 (a) and (b)

until November 22nd 1983 shall be appraised and

as provided by Section 59 of the Forest Act and after that date the rate shall be appraised and assessed by the Forest Service from time to time according to the method of appraisal then in use by the Forest Service.

(ii) The stumpage inclusive of royalty payable for pulpwood as declared in accordance with clause 4 (c) above until December 31st 1978 shall be appraised and assessed at the royalty rates as provided in Section 60 of the Forest Act as enacted as of the date of this Agreement and after December 31st 1978 the rate shall be appraised and assessed by the Forest Service, from time to time according to the method of appraisal then in use by the Forest Service.

13. The Company shall ensure that areas over which it has removed pulpwood in primary logging become restocked to a standard and within the times as fixed by the Chief Forester provided that such requirements are not more onerous than the requirements generally imposed on other operators who harvest timber from within the same administrative units.
14. The Company covenants and agrees with the Minister that the Company will forthwith, on the execution of this Agreement, commence the establishment of a pulp mill of at least 500 tons rated daily capacity in the Prince George Forest District. The pulp mill to be in operation on or before December 31st, 1966.
15. The Company herewith delivers to the Minister a performance bond in the penal sum of five hundred thousand dollars (\$500,000) of lawful money of Canada as guarantee of performance in respect of clause 14 above, provided that such performance bond shall be released and returned to the Company by the Minister when the pulp mill commences to operate.
16. The Company agrees to submit to the Minister whenever so requested by him and at regular six-month intervals from the date of this Agreement, and until commencement of production,

forth information as to the stage of construction of the pulp mill, any contracts that have been made or let and any commitments for the equipment to be installed in the pulp mill.

17. (a) In the event of the Company failing to have the pulp mill in operation within the time specified the Minister may require the Company to remedy the matter complained of within three months from date of written notice to the Company and on failure to do so the Minister may declare the rights of the Company under this Agreement, forfeited, and thereupon the performance bond delivered pursuant to clause 15 shall be forfeited and become the absolute property of the Crown and this Agreement shall be void, terminated and of no further force or effect.
- (b) In the event the Company is delayed by reason of circumstances beyond its reasonable control, the Minister shall give such reasonable extension of time for the commencement of the operation of the pulp mill at least equal to the period of delay.
- (c) The Minister, in his discretion, may waive any default or extend the time for the completion or commencement of any act.
- (d) Any commencement or extensions of time given by the Minister pursuant to subclauses (b) and (c) above shall not apply to enable the term of this Agreement, as set forth in clause 3, to be extended.

18. This Agreement shall not in any way limit or impair any rights of the Crown to grant, lease, licence, or permit any use (including recreational use) pursuant to any Statutes or Regulations for the use and occupation of any of the lands included within the areas described in this Agreement as shown outlined in bold black on the map attached hereto provided that such use and occupation does not impede or obstruct the operations of the Company or its contractors carried on pursuant to this Agreement.

19. Where sale contracts as provided under clause 12 (c) of this Agreement or road or other easements are granted to the Company

within the intent of this Agreement lie within Crown lands used for grazing purposes, such sale contracts or easement agreements shall contain such conditions as are necessary to protect the rights of the grazing licensees and all range improvements.

20. Where improvements exist on any Crown lands from which pulpwood is to be removed as provided in clauses 9 and 12, and such improvements are not being lawfully used or occupied by anyone, the Company shall be entitled to use such improvements on compliance with the applicable regulations respecting permits.
21. Where roads and other improvements are occupied or used by a Timber Sale licensee as an integral part of the operations of the Timber Sale licensee, the Company shall not occupy or use such improvements without the prior consent of the Timber Sale licensee, except as provided in Section 56 of the Forest Act.
Where the rights to grant the use and occupation have been reserved to the Crown the Company shall obtain from the Crown the necessary authority for such use and occupation.
22. It is understood and agreed that all areas and lands covered with water and all lakes, rivers and streams, are excluded from this Agreement and from any area on which the Company is given authority to cut pulpwood and that the Company shall have no foreshore or riparian rights or any rights whatsoever by virtue of this Agreement with regard to the lakes, rivers and streams and the Crown reserves the right to grant all uses of any of the said lakes, rivers and streams including any foreshore and riparian rights as it may see fit.
23. The Minister does not guarantee any specific quantity of pulpwood on areas covered by Timber Sale licences awarded to the Company pursuant to this Agreement.
24. Pulpwood cut from the pulpwood harvesting area shall be subject in all respects to the provisions of Part X of the Forest Act insofar as they relate to lands granted after the 12th day of March, 1906.

25. In all respects the Company shall be deemed to be in occupation of all areas covered by Timber Sale licences, awarded to the Company pursuant to this Agreement that are from time to time current and subsisting and shall be subject to the provisions of Part XI of the Forest Act for such areas.

26. The Head Office of the Company shall be maintained and remain in the Province of British Columbia and the books of the Company shall be kept at the said Head Office, except the "Minute Book or Minutes Books of the Company" in which case an accurate duplicate or duplicates thereof shall be kept at Head Office.

27. The Company shall use such techniques as are available and practical in the construction and operation of the pulp mill to safeguard the public generally from any deleterious effects which may result from the processing of pulp.

28. This agreement shall be binding upon and enure to the benefit of the Company, its successors and assigns, but this Agreement and the rights of the Company shall not be assigned, mortgaged, hypothecated or transferred without the consent of the Minister. Provided, however, that the restriction on assignment, mortgage, hypothecation or transfer herein contained shall not apply to an assignment, mortgage charge, hypothecation or transfer made to a Trustee for the holder(s) or made to holder(s) of bonds, debentures or other securities of the Company issued for the purpose of financing in whole or in part the construction, equipment and operation of the pulp mill for the manufacturing of wood pulp and other products or anything incidental thereto.

29. (a) This Agreement may be terminated at any time by mutual consent of the parties hereto.

(b) The Company may terminate this Agreement on two years'

notice in writing given to the Minister subject as here-

such termination shall be subject to the following

ns:

(i) All monies held pursuant to this Agreement as security deposit of whatsoever nature or kind, or any part thereof, may be declared by the Minister payable to the Crown for damages or otherwise and the Minister shall not be obliged to account in respect thereof.

(ii) Subject to the provisions of subclause (c) (iv) below, all improvements made on Crown lands shall become and be the property of the Crown and the Company shall have no claim or in any way be entitled to compensation therefor. Provided, that the Company may remove its own improvements and fixtures in such a manner as not to damage other improvements. Provided further that such removal shall not in any way effect the lien of the Crown on such improvements and fixtures as provided in the Forest Act.

(iii) The Company shall forthwith pay all monies owing on outstanding accounts for stumpage, royalty, taxes, and annual rental.

(iv) All rights granted pursuant to any Statute or Regulation or under this Agreement as ancillary thereto and which would not have been granted but for this Agreement and all appurtenances shall be cancelled effective on the termination of this Agreement, save and except where a contrary provision is contained in the grant of such rights or where such rights are granted in fee simple.

If the Company shall make any general assignment for the benefit of creditors or becoming bankrupt or insolvent shall take the benefit of any Act that may be in force for bankrupt or insolvent debtors, the Minister may, on written notice, cancel this agreement

and any or all monies on deposit pursuant to this agreement may be
used for damages.

Trustee or a Receiver for the holder(s) or the exercise by
holder(s) of bonds, debentures or other securities of the
30.

Company of any rights or remedies contained in any Deed of Trust and Mortgage or other agreement under which such bonds, debentures or other securities are issued or secured including, without restricting the generality of the foregoing, the taking of possession by such Trustee or Receiver or said holders of the Company's properties and assets and the operation or disposition thereof for the benefit of the holders of the Company's securities.

31. Upon the approval of the Lieutenant-Governor in Council this Agreement may be amended by the parties hereto by memorandum in writing signed by the parties hereto.
32. Any notice required to be given to the Company by the Minister under this Agreement may be given by written notice sent by registered mail or delivered to the registered office of the Company in British Columbia and shall be deemed to be given on the day it would be received by the Company in the ordinary course of post or on the day it was so delivered.
33. The purpose and intent of this Agreement, as hereinbefore mentioned, is to grant to the Company an option to purchase pulpwood within the pulpwood harvesting area for the purpose of ensuring a sufficient supply of raw materials to sustain the said pulp mill to be constructed as hereinbefore mentioned. This Agreement shall be renewable subject to renegotiation of reasonable terms and conditions consistent with past performance with particular reference to the extent to which utilization is made of sawmilling waste and logging salvage wood as referred to in clause 6 of this Agreement as demonstrated during the term of this Agreement, and future needs, and according to the provisions of the Forest Act and the Regulations in force at the time of application for renewal. The purpose and intent of this clause is to provide an incentive for the Company to purchase and utilize as large an amount of waste wood as possible, and nothing herein contained shall be construed to mean that because the Company has done a satisfactory job in the utilization of waste wood during the term of this Agreement,

form or rights to cut stands of timber in the pulpwood harvesting area is any less urgent or important. It is understood, however, that if, at the time for renewal of this Agreement, it is demonstrated, in accordance with the principles of sustained yield management, that the total of the pulpwood cutting budgets for the administrative units within the pulpwood harvesting area exceeds the then current and estimated future requirements of the Company for the pulp manufacturing facilities established by the Company, the Minister may after consultation with the Company, decrease the size of the pulpwood harvesting area, provided that the Company is assured of being allowed to harvest a sufficient volume of pulpwood from the pulpwood harvesting area to sustain the continuous operation of the pulp manufacturing facilities established by the Company.

34. In this Agreement, the expressions following shall have the meanings hereinafter mentioned:
- "Pulp" means and includes wood pulp, paper or other products manufactured from wood pulp.
- "Pulp mill" means and includes a mill which produces wood pulp, paper or other products manufactured from wood pulp.
- "Administrative units" means areas administered by the Forest Service for the purpose of growing and sustaining crops of trees continuously thereon for periodic harvesting which areas, at the date of this Agreement, are commonly known as Public Working Circles and Sustained Yield Units.
35. This Agreement is subject to the provisions of the Forest Act and such amendments thereto as may be made from time to time and the regulations made pursuant thereto except where otherwise specified in this Agreement.
36. This Agreement shall enure to the benefit of and be binding upon the parties thereto their respective successors and successors in office and the permitted assigns of the Company.

- 14 -

IN WITNESS WHEREOF the Minister has executed these presents and the Company has hereunto affixed its corporate seal by the hands of its proper officers in that behalf.

SIGNED SEALED AND DELIVERED
in the presence of:

"Eleanor Challen"

Witness

"Ray Williston"

Minister of Lands, Forests, and Water Resources

THE CORPORATE SEAL OF THE COMPANY
was hereunto affixed in the
presence of:

"A.H. Zimmerman"

President

"J.O. Hinds"

Secretary

MONKMAN

PURDEN

LONGWORTH

BOWRON

ROBSON

WELLS GRAY

PULRWOOD HARVESTING AREA NO. 3

DATE: October 30th, 1964
SCALE: 25MM/IN

865.

report:

THAT by Order-in-Council No. 2791, approved on the 1st day of October, 1964, pursuant to provisions of the Forest Act the Minister of Lands, Forests, and Water Resources entered into an option agreement with Northwood Pulp Limited;

AND that it is found necessary to amend said agreement;

AND TO RECOMMEND that pursuant to the provisions of the Forest Act the Minister of Lands, Forests, and Water Resources be authorized to enter into an agreement to amend the aforementioned agreement in the form of the draft attached hereto.

DATED this 25th day of March A.D. 1966

"Ray Williston"

.....
Minister of Lands, Forests, and Water Resources

APPROVED this 25th day of March A.D. 1966

"W.A.C. Bennett"

.....
Presiding Member of the Executive Council

Department of Lands, Forests, and Water Resources

FOREST SERVICE

IN THE MATTER OF PULPWOOD HARVESTING AREA NO. 3

AMENDMENT NUMBER 1

THIS AGREEMENT made in duplicate this _____ day of

_____ A.D. 1966.

BETWEEN:

THE MINISTER OF LANDS, FORESTS, AND WATER RESOURCES,
of the Province of British Columbia, who, with his
successors in office, is

hereinafter referred to as "the Minister"

OF THE FIRST PART,

AND

NORTHWOOD PULP LIMITED, a Company incorporated under
the laws of the Province of British Columbia, having
its registered office in the City of Vancouver, in
the said Province

hereinafter referred to as "the Company"

OF THE SECOND PART.

WHEREAS by an Agreement dated the 30th of October, 1964 made
between the parties hereto (hereinafter referred to as the "said Agreement"),
the Minister did grant unto the Company an option to purchase pulpwood from
a pulpwood harvesting area therein described subject to the terms and
conditions set forth in the said Agreement, which said Agreement is known and
referred to as Pulpwood Harvesting Area No. 3 and is shown on the Forest
Service register of Pulpwood Harvesting Areas and on the official atlas maps
of the Department of Lands, Forests, and Water Resources.

AND WHEREAS the parties hereto have mutually agreed to amend the
provisions of the said Agreement in certain respects as hereinafter set
forth;

- 2 -

AND WHEREAS pursuant to Order-in-Council No. _____ approved on the _____ day of _____, 1966, the Lieutenant-Governor in Council approved the terms and conditions of this Agreement.

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the premises and of respective covenants and agreements herein contained, IT IS HEREBY AGREED AS FOLLOWS THAT:

1. The said Agreement dated the 30th day of October, 1964 is amended:

(a) By deleting Clause 2 of the said Agreement and replacing it by the following:-

"2. The option granted in clause 1 above is for the purpose of enabling the Company to obtain a supply of pulpwood to sustain the pulp mill required to be built under this Agreement as more particularly set forth in clause 14. All wood harvested pursuant to this Agreement shall be used in the manufacture of pulp in the said pulp mill but the Company may sell or trade volumes of wood with other operators in which case the volume equivalent to the volume sold or traded by the Company shall be used in the manufacture of pulp in the said pulp mill. Provided that the Company agrees to submit to the Minister, whenever so requested by him and at the end of each calendar year during the term of this Agreement, a return of any sale or trade of timber harvested under this Agreement setting forth the volumes sold or traded in cubic feet and the volume in cubic feet or other measure converted to cubic feet of the wood received in trade."

(b) By striking out the word and letter "and (b)", from line two of Subclause 12 (d) (i) of the said Agreement, so that the Subclause shall read as follows:-

"(d)(i) The stumpage inclusive of royalty payable for pulpwood as declared in accordance with clause 4(a) above until November 22nd, 1983 shall be appraised and assessed at the salvage rate of 20 cents per 100 cubic feet as provided by Section 59 of

the Forest Act and after that date the rate shall be appraised and assessed by the Forest Service from time to time according to the method of appraisal then in use by the Forest Service."

- (c) By inserting after the number "4" in line two of Subclause 12 (d) (ii) of the said Agreement the letter and word "(b) and", so that the Subclause shall read as follows:-

"(ii) The stumpage inclusive of royalty payable for pulpwood as declared in accordance with clause 4(b) and (c) above until December 31st, 1978 shall be appraised and assessed at the royalty rates as provided in Section 60 of the Forest Act as enacted as of the date of this Agreement and after December 31st, 1978 the rate shall be appraised and assessed by the Forest Service, from time to time according to the method of appraisal then in use by the Forest Service."

- (d) By deleting Clause 25 of the said Agreement and replacing it by the following:-

"25. For the purposes of fire suppression the Company shall be deemed to be in occupation of all areas covered by Timber Sale licences awarded to the Company pursuant to this Agreement that are from time to time current and subsisting."

- (e) By adding a new Clause 37 to the said Agreement as follows:-

"37. Notwithstanding the terms of this Agreement the Minister agrees to advertise for sale and sell a licence or licences to cut and remove Crown timber, up to December 31st, 1978, from the thrifty mature pulp stands as defined in clause 39 hereafter, or from any other stands of timber where the highest economic use of such timber would be in the manufacture of pulp, located on or within the area established as a Special Sale Area pursuant to the provisions of Section 27 of the Forest Act by Order-in-Council No. 2811, approved on the 22nd day of November, 1962 and amended by Order-in-Council No. 1509 approved on the 26th day of May, 1965 and further amended by Order-in-Council No. 768 approved on the 15th day of March, 1966. Provided that the Minister shall be obliged to sell

to the Company pursuant to the provisions of this clause a quantity of timber up to but not exceeding two hundred million (200,000,000) cubic feet; provided further such commitment by the Minister shall be considered by the Company as a supplementary supply to the timber to be harvested by the Company from the pulpwood harvesting area described in this Agreement; and provided further that the said sale shall be advertised as being subject to the following conditions:

(a) The Minister from time to time shall only upon application of the Company advertise for sale and subject to the provisions of Section 27 of the Forest Act sell by public competition a Pulp Timber Sale licence or licences to cut and remove pulpwood from thrifty mature stands or such other stands as above mentioned. Provided that applications for such Pulp Timber Sale licences for the period 1966-1970 inclusive will be confined to the designated area outlined in bold black on the map attached hereto and marked Schedule "B". If it is ascertained prior to December 31st, 1970, that there is not sufficient suitable Crown timber in the designated area to supply two hundred million (200,000,000) cubic feet of wood to the Company (exclusive of the Minister's commitment to supply volumes of wood within the designated area to Northwood Pulp Limited) then the balance will be provided from the area outlined in the black dashed line on the map attached hereto and marked Schedule "B". Further provided that where it is necessary to remove the thrifty mature pulp stands from lands which are required for a higher economic use within the designated area or within the area outlined in the black dashed line on the map attached hereto and marked Schedule "B", then the Chief Forester shall request the Company to make application to purchase the timber thereon. And further provided, that if the

Company fails within thirty days to make application to purchase the timber on the land which is required for a higher economic use, or advise that it does not wish to purchase such timber, the Minister may proceed to dispose of it to other persons.

(b) The cutting and removal of timber pursuant to the said Pulp Timber Sale licence or licences may only commence after the licensee has submitted a logging plan in respect of each said licence and such plan has been approved by the Chief Forester.

(c) In the granting of cutting permits the Minister may take into account whether the commitment by the Minister in the Special Sale Area is being treated by the Company as a supplementary supply to the timber to be harvested by the Company from the pulpwood harvesting area.

(d) Rental and forest protection charges on the Pulp Timber Sale licences shall be payable as provided in Section 17 (3)

(c) and Section 126 (1) (b) of the Forest Act and the regulations.

(e) Only tenders from persons having either in operation or under continuing construction a pulpwood utilization mill with a minimum rated capacity of 300 tons of pulp or paper per day located within the said Special Sale Area shall be considered for the sale of the said Pulp Timber Sale licence.

(f) If the Company's tender does not contain the highest offer for the timber amongst those called for and received by the Minister, the Company may, within such time as the Minister may fix, submit a further tender containing an offer not lower than the highest offer contained in the tenders called for and received, and, if the Company submits such further tender, the sale shall be made to the Company; otherwise, the sale shall be made to the person who initially made the highest offer.

(g) The stumpage rate inclusive of royalty shall be appraised on the basis of assessing the logs suitable for sawmilling purposes in accordance with the method of appraisal in use by the Forest Service at the time the appraisal is made and the pulpwood portion, namely that portion of the total volume of wood in the Pulp Timber Sale licence contained in 16 foot logs whose top diameter inside bark is less than 11 inches, shall be sold at the royalty rate set forth in Section 60 of the Forest Act as enacted as of the date of this Agreement."

(f) By adding a new Clause 38 to the said Agreement as follows:-

"38. If the aggregate volume of timber sold to and removed by the Company pursuant to clause 37 hereof during the said period expiring December 31st, 1978 referred to in clause 37 does not exceed two hundred million (200,000,000) cubic feet, then the Minister upon application by the Company, shall extend the said period to the expiry of this Agreement to allow the Company to purchase additional volumes of Crown timber within the limits of said maximum commitment under the same conditions as specified in clause 37 except that the stumpage rate for the pulpwood portion in clause 37 shall be at the royalty rate obtaining on the date the extension document is executed. At the time for renewal of this Agreement, the Minister shall further extend the said period referred to in clause 37 if the Company has still not purchased all of the said aggregate volume."

(g) By adding a new Clause 39 to the said Agreement as follows:-

"39. In this Agreement, the expressions following shall have the meanings hereinafter mentioned:

"Thrifty-mature pulp stands" means those stands of timber which fall in the 80-140 year class and in which fifty per cent (50%) or more of the gross sound wood volume when utilized to a seven inch (7") diameter breast height and a four inch (4") top diameter is contained in sixteen foot

*Will not be cut -
no more than
the limits -
will use "11"
for 7" & 16"
Lumber
4 ft 1" and 3"
will not require
transferring
contract.*

(16') logs whose top diameter inside bark is less than eleven inches (11").

"Pulpwood" may include logs, individual trees or groups of trees.

"Ton" means a ton of two thousand (2,000) pounds avoirdupois."

2. Subject to the terms of this Agreement the parties hereto confirm the Pulpwood Harvesting Agreement in all other respects.

3. The Company covenants and agrees with the Minister that the Company will observe and perform all of the covenants, agreements, conditions, stipulations and provisos contained in the Pulpwood Harvesting Agreement, as herein amended, which are to be observed and performed on the part of the Company.

4. This Agreement shall enure to the benefit of and be binding upon the parties hereto, their respective successors and the permitted assigns of the Company.

IN WITNESS WHEREOF the Minister has executed these presents and the Company has hereunto affixed its corporate seal by the hands of its proper officers in that behalf.

SIGNED SEALED AND DELIVERED
in the presence of:

Witness

Minister of Lands, Forests, and Water Resources

THE CORPORATE SEAL OF THE COMPANY
was hereunto affixed in the
presence of:

SCHEDULE A

NO. 3

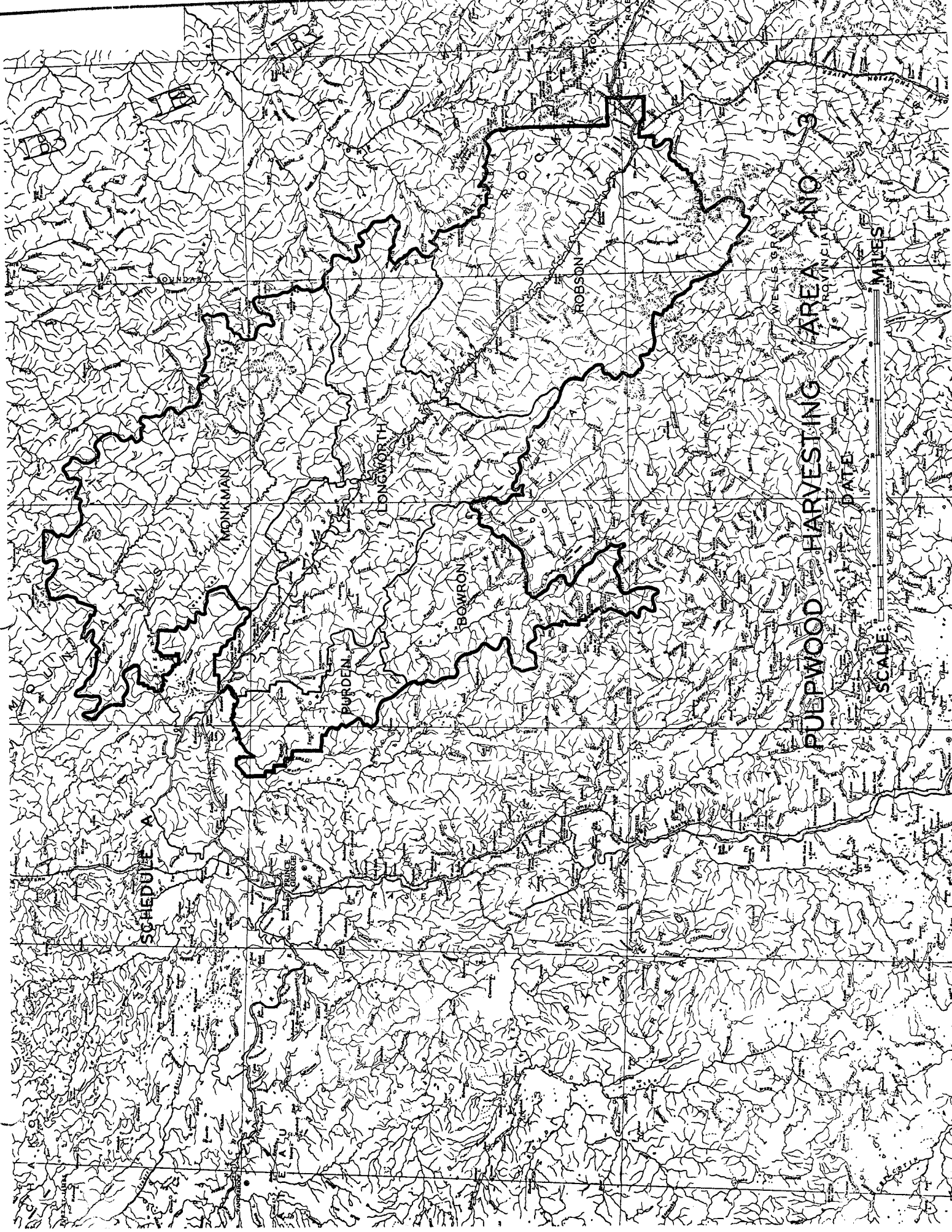
PULPWOOD HARVESTING AREA

PROVINCIAL

DATE

SCALE

MILES



ORDER-IN-COUNCIL NO 381