

ARROW LAKES TREE FARM LICENCE

TREE FARM LICENCE NO. 23

AMENDMENT NUMBER 94

PROVINCE OF BRITISH COLUMBIA

Department of Lands, Forests, and Water Resources

FOREST SERVICE

IN THE MATTER OF TREE FARM LICENCE NUMBER 23

AMENDMENT NUMBER 94

THIS AGREEMENT made in duplicate this first day of January,
in the year of Our Lord one thousand nine hundred and seventy,
BETWEEN:

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

hereinafter called "the Minister"

OF THE ONE PART,

AND

SKEENA KRAFT LIMITED, a Corporation duly incorporated
under the laws of the Province of British Columbia,
and having its registered office in the City of
Vancouver, in the said Province,

hereinafter called "the Licensee"

OF THE OTHER PART.

WHEREAS by an Agreement made in duplicate on the twentieth
day of July, 1955, between the Minister of Lands and Forests of the Province
of British Columbia, therein called "the Licensor" of the one part, and
Celgar Limited (formerly Celgar Development Company Limited), therein called
"the Licensee" of the other part, the said Licensor did, pursuant to Section
33 (now Section 36) of the Forest Act and in consideration of the payments,
Agreements and stipulations to be made and observed on the part of the
Licensee, grant unto the Licensee that certain Tree Farm Licence which was
numbered twenty-three (23) on the Forest Service Register of Tree Farm
Licences and on official atlas maps of the Department of Lands and Forests,
and known as the "Arrow Lakes Tree Farm Licence" or "Tree Farm Licence No. 23";

AND WHEREAS the said Tree Farm Licence No. 23 has been

assigned and transferred as of the first day of January, 1970 by Celgar Limited to Skeena Kraft Limited, and pursuant to an amendment known as Amendment Number 93 to said Tree Farm Licence No. 23 wherein the said Minister consented to such assignment.

AND WHEREAS it is provided by Section 12 of Chapter 17 of the Statutes of British Columbia for 1958 that the words "Tree Farm Licence" shall be substituted for "Forest Management Licence";

AND WHEREAS the parties hereto have mutually agreed to amend the said Tree Farm Licence No. 23 dated the twentieth day of July, 1955, as heretofore amended in the manner hereafter set forth;

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the sum of one dollar (\$1.00) of lawful money of Canada now paid by the Licensee to the Minister the receipt whereof is hereby acknowledged, the parties hereto agree as follows:


- (1) That the said Tree Farm Licence No. 23 or Arrow Lakes Tree Farm Licence dated the twentieth day of July, 1955, as heretofore amended be and the same is hereby further amended by:
 - (i) deleting therefrom paragraphs 1 to 53A, both inclusive, Schedules "A" and "B", Appendix "A", Appendix 1 thereto and the plans attached thereto, all as amended to the date hereof, but excepting the testimonium and attestation clauses, and
 - (ii) substituting therefor Exhibit "A" attached hereto including Schedules "A", "B", "C", "D", "E", "F" thereto and Appendix 1, attached to said Exhibit "A".
- (2) That hereafter the said document marked as Exhibit "A" shall for all purposes, save as provided for in the next succeeding clause, from January 1, 1970 be read and construed as Arrow Lakes Tree Farm Licence or Tree Farm Licence No. 23.

- (3) That subject to the terms of this Agreement, the parties hereto confirm the Agreement of the twentieth July, 1955, in all other respects.

This Agreement shall enure to the benefit of and shall be binding upon, not only the parties hereto, but also the successors in office of the Minister, and the successors and assigns of the Licensee respectively.

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

SIGNED SEALED AND DELIVERED
in the presence of:




Minister of Lands, Forests, and
Water Resources.




Witness

THE COMMON SEAL OF SKEENA KRAFT LIMITED
was hereunto affixed in the presence of:



Vice President



Secretary

EXHIBIT "A"

This is Exhibit "A" referred to in sub-clause (ii) of clause (1) of the Indenture dated the first day of January, in the year of Our Lord one thousand nine hundred and seventy.

ARROW LAKES TREE FARM LICENCE

TREE FARM LICENCE NO. 23

1. This Tree Farm Licence may be referred to as the "Arrow Lakes Tree Farm Licence" or "Tree Farm Licence No. 23" and is numbered Twenty-three (23) on the Forest Service Register of Tree Farm Licences and on the official atlas maps of the Department of Lands, Forests, and Water Resources.
2. This Tree Farm Licence is given for the maintenance of the manufacturing plant or plants owned or operated by the Licensee. Said plant or plants shall be capable of using an amount equivalent to the allowable cut of forest products from the Licence area, and such plant or plants shall be maintained in operation in sufficient continuity to use an amount equivalent to the allowable annual cut from the Licence. Notwithstanding the provisions of this clause, the Minister may, for good and sufficient reasons, at his discretion, in writing, afford such relief from the provisions of this clause as he may see fit.
3. The Licensee shall manage the Tree Farm Licence area in accordance with the provisions of the said Section 36 of the Forest Act and of regulations under the said Act for the regulation of tree-farm licences and in accordance with the Management Working Plan applicable thereto, for the purpose of growing continuously successive crops of forest products to be harvested in approximately equal annual or periodic cuts adjusted to the sustained yield capacity of the Tree Farm Licence area.
4. The term of this Tree Farm Licence shall be twenty-one (21) years commencing from the first day of January, 1970, subject to the provisions of this Agreement and compliance with the Management Working Plan. This Tree Farm Licence shall be renewable but subject to

renegotiation of the terms and conditions of the contract according to the provisions of the Forest Act and the regulations in force at the time of the application for renewal.

5. The Tree Farm Licence area includes all Crown lands not otherwise alienated at this date, as set forth in Schedule "B" hereto, together with all the lands owned or controlled by the Licensee, as set forth in Schedule "A" hereto, all of which lands are within the area outlined in bold black line on the Schedules "C", "D", "E" and "F" attached hereto, subject, however, to any increase or decrease in area as provided by this Agreement or by Subsection (14) of Section 36 of the Forest Act; and in addition it includes any and all lands that may be subsequently acquired by the Licensee and incorporated into the said Schedule "A" pursuant to Clause 7 hereof, provided also that any other tenure included in Schedule "A", the title or interest to which reverts to the Crown, or which the Licensee elects to revert to the Crown shall be included in Schedule "B" immediately following their reversion.

6. The Licensee hereby declares that it owns or controls the cutting rights on each parcel of the lands listed and described in Schedule "A" hereto.

7. The acquisition by the Licensee of forest lands within the Tree Farm Licence area subsequent to the issuance of this Tree Farm Licence, shall, pursuant to Subsection (9) of said Section 36, be reported to the Minister, and such forest lands if they are located in the watershed and drainage basins as defined in Clause 8 hereunder shall be included forthwith in the Tree Farm Licence area and be incorporated in Schedule "A" hereof.

8. For the purposes of Subsection (8) of Section 36 of the Forest Act, the watershed and drainage basins relating to this Tree Farm Licence are defined as the areas within the boundaries of the Tree Farm Licence area.

9. The Minister may from time to time withdraw from the Crown lands included in the Tree Farm Licence area, such lands as are required

for forest experimental purposes, parks, or for aesthetic purposes; but the lands so withdrawn if productive forest land shall not exceed one per cent of the total productive area of forest lands in the Tree Farm Licence area without the consent of the Licensee, and no land shall be withdrawn from areas being developed under the current cutting plan of the Tree Farm Licence without the consent of the Licensee. Any such withdrawals shall be deducted from Schedule "B" of the Tree Farm Licence.

10. If at any time, or from time to time, part of the Crown lands within the Tree Farm Licence area is found to be required for a higher economic use than growing and harvesting forest crops, or for any use deemed to be essential to the public interest, said lands may be withdrawn from Schedule "B" of the Tree Farm Licence area by the Minister, provided that if by such withdrawal the productive capacity of the Licence area is diminished by more than one-half of one per cent of its total productive capacity, other lands, if available, will be added to the Licence area in substitution therefor. Any such withdrawals shall be deducted from Schedule "B", and any such additions shall be added to Schedule "B". For the purposes of this clause, the development of mines and mineral claims may be deemed to be essential to the public interest.

11. It is expressly understood that the Minister may at his discretion and at any time, either permanently or for a specified time, withdraw from this Tree Farm Licence and from the Tree Farm Licence area any Crown lands needed for rights-of-way under Part VI of the Forest Act, or for railway, highway, power transmission, or other right-of-way purposes, and such lands will be deducted from Schedule "B" of the Tree Farm Licence.

12. Notwithstanding the provisions of Clauses 10 and 11, if in the opinion of the Minister it is not necessary to withdraw any part of the Crown lands within the Tree Farm Licence area for the purposes mentioned in said clauses the Minister may, subject as hereinafter provided, in lieu of effecting any such withdrawal, grant the use of such lands for the said

purposes. Before making any such grant of use, the Minister shall notify the Licensee of the particulars of the proposed use in respect of which such grant is intended to be made, at the same time advising that the Licensee has a period of thirty (30) days from the date of such notice to file an objection in writing thereto. If the Licensee shall so object to the Minister's proposed grant of use, the Minister and the Licensee shall endeavour to agree upon mutually agreeable terms for the grant of such use by the Minister and, should the Minister and Licensee fail to so agree within thirty (30) days from the date of the filing of the said objection, the Minister may make the proposed grant of use upon such terms and conditions as he deems advisable and shall furnish the Licensee with a copy of such grant, or, if so requested in writing by the Licensee, shall withdraw from the Tree Farm Licence area the lands proposed for such use.

13. In the event of the withdrawal of any lands from the Tree Farm Licence area pursuant to Clauses 9, 10, 11 and 15 hereof or pursuant to the provisions of the Forest Act, the Licensee may remove and the Minister may require the Licensee to remove from such lands, within one hundred and twenty (120) days thereafter, all timber then cut thereon and all buildings, machinery, equipment, and other property placed by it thereon and which is capable of removal.

Compensation shall be paid to the Licensee in respect of improvements capable of removal from the lands so withdrawn to the extent only of the cost of removal and damage incidental thereto; and compensation shall be paid to the Licensee in respect of improvements not capable of removal on the basis of cost less depreciation. Without limiting the generality of the foregoing, the term "improvements" means all roads, buildings, structures, fixtures and things erected or built upon or affixed to the said lands and used in connection with the business of the Licensee in the management or operation of the Tree Farm Licence. Improvements shall also mean areas artificially reforested by planting and other

silvicultural acts, compensation for which shall be the cost incurred in the act of reforesting.

If the amount of compensation payable to the Licensee is not agreed upon, then such amount shall be appraised and awarded by a single arbitrator in case the Minister and Licensee agree upon one; otherwise by three arbitrators, one to be appointed by the Minister and one by the Licensee and the third to be appointed by writing under the hands of the two appointed, such arbitration to be in accordance with the provisions of the Arbitration Act of the Province of British Columbia. In the event that both parties are unable to agree on a third arbitrator, the Chief Justice of the Supreme Court of British Columbia shall be requested to make an appointment.

14. If at any time, or from time to time, part of the lands included in Schedule "A" is found to be required for a higher economic use than raising forest crops, said lands may be withdrawn from the Tree Farm Licence area by the Minister at the request of the Licensee and after such withdrawal such lands will be deducted from Schedule "A" and shall be used or disposed of by the Licensee for the purpose for which they were withdrawn.

15. Where the Tree Farm Licence insofar as Crown lands in Schedule "B" are concerned, includes within the described boundaries a belt or area of non-productive land surrounding or adjacent to the productive forest land of the Licence, any or all of such non-productive land may be withdrawn from the Tree Farm Licence at the pleasure of the Minister unless the Licensee has a use for such non-productive land related to the management of the Tree Farm Licence.

16. Other tenures included in this Tree Farm Licence shall not be sold, transferred or otherwise disposed of except as hereinbefore provided or except as provided in Section 36 of the Forest Act.

17. This Tree Farm Licence, insofar as Crown lands in Schedule "B" are concerned, shall not be considered to limit the use of the lands

at the discretion of the Minister for other purposes such as mining, trapping, hunting, fishing, hydro-electric development, or any use that does not materially prejudice the rights granted to the Licensee to employ the use of the lands for the growing and harvesting of forest products under the terms of this Tree Farm Licence.

18. It is understood and agreed between the parties hereto that any rights under this Agreement in respect of Crown lands in Schedule "B" hereof do not include any riparian or foreshore rights, and all such riparian and foreshore rights vested in the Crown in respect of the said Crown lands shall remain in the same status as if this Agreement had not been entered into, and the Licensee shall have no rights or claims whatsoever in respect thereto by virtue of this Agreement.

19. The Minister may direct the Licensee to have surveyed and defined on the ground, and at the Licensee's expense, any or all the boundaries of the Tree Farm Licence area which he may deem necessary to have so surveyed and defined. In the event of failure of the Licensee to complete any such survey within time limits set by the Minister, the Minister may cause the survey to be made and the costs shall be charged to and be payable forthwith by the Licensee.

20. As a first essential to the primary object of sustained yield management of this Tree Farm Licence, it is agreed that all denuded forest land within the Tree Farm Licence area shall be kept by the Licensee in growing stock as provided in Clause 21 hereof, and adequately stocked in accordance with standards to be defined from time to time by the Chief Forester for lands of comparable site quality in British Columbia.

21. Any lands in the Tree Farm Licence area denuded before July twentieth, 1955, which are found to be stocked below the minimum standards defined by the Chief Forester as provided in Clause 20 above, shall be classified as to forest-site quality and those determined by the Forest Service to be of a site quality index equal to or better than 80, unless in the opinion of the Minister they are occupied by an advanced

growth of brush to such an extent, or otherwise in such condition or location as to make planting operations economically impractical, shall be reforested by the Licensee by artificial means with a merchantable timber species suitable and adapted to the locality at a rate per year of not less than one thousand acres, or ten per cent of the total acreage of such lands, whichever is the less, all to the satisfaction of the Minister.

Any lands in the Tree Farm Licence area denuded on or after July twentieth, 1955 shall be artificially regenerated by the Licensee with timber tree species as follows:

- (a) those of a forest site quality index better than 110 and not found to be restocked satisfactorily five (5) years after such denudation will be so regenerated before the end of the seventh (7th) year; and
- (b) those of a forest site quality index between 80 and 110 and not found to be restocked satisfactorily eight (8) years after such denudation will be so regenerated before the end of the tenth (10th) year;

all to the satisfaction of the Minister.

22. On failure of the Licensee to comply with the provisions of Clause 21, the Minister, by the Forest Service, may enter on the lands in respect of which the Licensee is in default, and reforest them, and the cost thereof shall be recoverable by the Crown from the Licensee and may be taken in whole or in part from the deposit referred to in Clause 36 hereof.

23. The operations covered by the Tree Farm Licence shall be managed in accordance with the currently approved Management Working Plan, each of which, in turn, as approved for each successive period, is hereby incorporated into and made part of this Tree Farm Licence.

24. Management Working Plans for the Tree Farm Licence will be approved for such period as the Chief Forester may decide and will be subject to revision as set forth in the said Plans.

25. Revised Management Working Plans for the Tree Farm Licence shall be submitted for the approval of the Chief Forester not later than six months prior to the expiry of currently approved plans.

26. The object of each succeeding Plan shall be to implement the primary object of the Tree Farm Licence; i.e., sustained yield in equal annual or periodic cuts, and the Plan may embody any method of attaining that objective that over a reasonable period of years is likely to prove economically feasible, that is approved by the Chief Forester, and that is consistent with the spirit and intent of the Act and regulations.

27. Should it appear at any time to either party hereto necessary or expedient in case of emergency to increase or decrease the rate of cutting contemplated by the Tree Farm Licence cutting budget then in effect, or to alter the cutting plan then being observed, then, subject to the approval of the Chief Forester, emergency revision of the Management Working Plan will be undertaken upon the request of either the Licensee or the Chief Forester.

"Emergency" shall include an economic depression severe enough in the opinion of the Minister to justify revision of the Management Working Plan.

28. In the process of harvesting the crop from the Tree Farm Licence area, regardless of the tenure of the land from which it is harvested, the Licensee shall provide the opportunity for contractors, other than the Licensee's own employees or shareholders who own more than one per cent interest to harvest up to the equivalent of fifty per cent of the allowable cut from Crown lands in Schedule "B" hereof, not held under other tenure but where the Minister is satisfied that such contract operation is not feasible, either by reason of lack of operators or for other good and sufficient reason, the Minister may relieve the Licensee in whole or in part from this responsibility.

29. In the event of the development on the Tree Farm Licence area of injurious insects in numbers which in the opinion of the Minister will seriously reduce the current or future allowable annual harvest of

wood, and which in the opinion of the Minister can be controlled, then the Licensee and the Minister shall take such control measures as may be mutually agreed upon, or the Licensee shall take such control measures as the Minister shall direct, provided that the cost of such control measures to the Licensee at its own expense in any one calendar year shall not exceed one-half the cost of such control measures incurred during that calendar year, or the total stumpage of that year's allowable cut, whichever may prove to be the lesser. For the purposes of this Clause, the stumpage shall be the stumpage at rates as appraised by the Forest Service.

30. In the event that mutual agreement cannot be reached between the parties hereto as to the allowable annual cut of the Tree Farm Licence or as to the sequence or methods of cutting to be employed at the time an emergency, or any other revision of the cutting plan or cutting budget is undertaken, the Minister shall determine the allowable annual cut and the plan and methods of cutting.

31. The Licensee, in its logging operations on the Tree Farm Licence area, shall at all times maintain at least as high a standard of utilization as, in the Chief Forester's opinion, is being maintained by well-conducted logging operations in the Nelson Forest District.

32. Cutting on the Tree Farm Licence area shall be done only in accordance with the Management Working Plan, and only after notice of intent has been given to the Forest Service and a Cutting Permit has been issued. Such Cutting Permit shall be issued on the direction of the Chief Forester if the proposed cutting is in keeping with the provisions of this Agreement and the Management Working Plan. If cutting is on Crown lands not held under other tenures, the Cutting Permit will fix the stumpage rates in accordance with Subsection (20), Section 36 of the Forest Act. Any cutting not covered by a Cutting Permit will be deemed to be in trespass and the Licensee may be assessed damages by the Minister in amounts not in excess of the value of the logs or other products so cut, which may be charged against the deposit.

33. Timber marks shall be secured by the Licensee and marking of all timber carried out as required by Part IX of the Forest Act.

34. All timber harvested on the Tree Farm Licence area shall be scaled in cubic feet in accordance with the provisions of Part VIII of the Forest Act and regulations made pursuant thereto.

35. Timber and wood cut from lands included in this Tree Farm Licence, regardless of the tenure of the lands, 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 twelfth day of March, 1906.

36. The Licensee herewith deposits, pursuant to Subsection (6) of Section 36 of the Forest Act, the sum of Ninety Thousand Dollars (\$90,000.00), receipt of which is acknowledged. The said deposit shall be held by the Minister for the purpose of ensuring compliance on the part of the Licensee with the provisions of the Forest Act, the regulations made thereunder and the terms and conditions of this Tree Farm Licence, of the Management Working Plan and any permit issued pursuant thereto.

37. The Licensee agrees to pay stumpage on all merchantable wood cut, wasted or removed by the Licensee, its agents or servants on or from the lands described in Schedule "B" of this Tree Farm Licence, as provided in the Forest Act and any Cutting Permit issued pursuant to this Agreement.

38. Starting on the first day of January, 1966, the wood harvested from the Tree Farm Licence area in any one year shall not be less than fifty per cent and not more than one hundred and fifty per cent of the approved annual cut, and shall not vary more than ten per cent from the total approved cut over a period of five consecutive years.

39. Damages, recoverable in full or in part from the deposit made by the Licensee under Clause 36 hereof, may be assessed by the Minister for failure to observe the provisions of Clause 38 of this Tree Farm Licence as follows:

(a) The full stumpage as appraised by the Forest Service on

the quantity of timber by which the year's cut falls below fifty per cent of the approved annual cut.

(b) Double the stumpage as appraised by the Forest Service on the quantity of timber by which the year's cut is in excess of one hundred and fifty (150) per cent of the approved annual cut, whether cut from Crown lands or from other tenures, and any stumpage paid on such excess will be credited against such assessment.

(c) Should the total cut for five (5) consecutive years vary more than ten (10) per cent in excess of the total of the five (5) years' approved cut, a sum calculated at rates per one hundred (100) cubic feet of double the stumpage rates, as established for the fifth year of the period, will be assessed by the Minister for the quantity of timber in excess of the ten (10) per cent allowance, whether such timber was cut from Crown land or from other tenures. Should the total quantity of timber cut for five (5) consecutive years vary more than ten (10) per cent under the total of the five (5) years' approved cut, a sum calculated at rates per one hundred (100) cubic feet equal to the stumpage rates as established for the fifth year of the period will be assessed by the Minister on the quantity of timber less than the ten (10) per cent allowance whether from Crown land or from other tenures.

(d) Should the total cut for ten (10) consecutive years, including the five-year period referred to in (c) above, vary less than ten (10) per cent from the total of the ten-year cutting budget as approved in the Working Plan, the sum assessed under Paragraph (c) above, if any, will be refunded or credited.

(e) For the purposes of this clause stumpage shall be appraised on the same basis and in the same manner as provided in Clause 32 hereof.

(f) Any damages provided for in any Cutting Permit may be deducted from the deposit and thereupon the Licensee shall forthwith pay to the Minister sufficient moneys to make the said deposit equal to the amount of deposit required under Clause 36.

(g) In the event that the Tree Farm Licence is cancelled by reason of any default or breach of the Tree Farm Licence by the Licensee, then all moneys on deposit with the Minister under the terms of this Agreement shall be payable to the Crown for damages.

40. For the purpose of carrying out the provisions of Clauses 38 and 39 hereof, the Licensee may elect to start a new five-year period from any year in which the quantity of timber cut for the preceding five-year period is within ten (10) per cent of the accumulated approved annual cuts.

41. The aggregate acreage of the Crown lands not held under other tenure in the Tree Farm Licence area for the purposes of rental under Subsection (19) of Section 36 of the Forest Act, as of this date, shall be the acreage as set forth in the current approved Working Plan.

42. The allowable annual cut of the Tree Farm Licence shall be as may be determined in the current approved Working Plan, and forest protection tax shall be payable as provided by Section 126, Subsection (2) of the Forest Act.

43. All camps or other living quarters established incident to the management of the Tree Farm Licence area shall be of a standard at least as high as those that, in the Minister's opinion, are being maintained by comparable well-conducted forest operations in the Nelson Forest District.

44. All roads, on lands within the boundaries of this Tree Farm Licence, including the lands listed in Schedule "A", shall be held available for public use in accordance with the terms of the Forest Act relating thereto.

45. The Licensee shall provide, to the satisfaction of the Chief Forester, office and living accommodation for a Forest Service inspection staff on the Tree Farm Licence area or at any headquarters, plant or operation maintained by the Licensee, if instructed by the Chief Forester in writing so to do.

46. The Licensee shall employ one Forester, registered under the terms of Chapter 37, R.S.B.C., 1960, and amendments thereto, and as many

additional Registered Foresters as may be deemed necessary by the Chief Forester. The Working Plan and all revisions and amendments thereto shall be signed and sealed by the Registered Forester and by one other officer authorized to sign contracts for the Licensee.

47. If the Licensee shall make any assignment for the benefit of creditors, or becoming bankrupt or insolvent, take the benefit of any Act that may be in force for bankrupt or insolvent debtors, the Minister may cancel this Agreement and any or all moneys on deposit may be declared by the Minister to be payable to the Crown for damages. Provided, however, that this clause shall not become effective until the Minister has given written notice to any and all Trustees for the holders of bonds, debentures or other securities of the Licensee of which he has notice of his intention to cancel this Agreement and has given such Trustee or Trustees reasonable time to exercise for the holders of bonds, debentures or other securities of the Licensee, or such holders themselves, reasonable time to exercise 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 any such Trustee of the Licensee's properties and assets and the operation or disposition thereof for the benefit of the holders of the Licensee's bonds, debentures or other securities.

48. This Agreement may be amended by the parties hereto by a memorandum in writing signed by the parties hereto.

49. Without the written consent of the Minister first having been obtained, this Tree Farm Licence shall not be sold or transferred by the Licensee within ten (10) years from the first day of January, 1970 and the control of the Tree Farm Licence shall not be transferred in any manner whatsoever to any person or persons, firm or firms, corporation or corporations. Provided that nothing hereinbefore contained in this Clause 49 or in Clause 16 shall apply to any sale,

assignment or transfer made to

- (a) a trustee for the holders of bonds, debentures and other securities of the Licensee or a mortgagee of the Licensee; and
- (b) a person, firm or corporation upon the sale or other disposition by or on behalf of such trustee or mortgagee aforesaid or other person realizing upon or enforcing any security for the benefit of the holders of such bonds, debentures or other securities of the Licensee or any mortgagee of the Licensee; and

the Minister insofar as is necessary to give effect to (a) and (b) above hereby consents pursuant to Section 36 (22) of the Forest Act to any such sale, assignment or transfer.

50. Any notice required to be given to the Licensee by the Minister or Chief Forester under this Agreement, may be given by written notice sent by registered mail or delivered to the registered office of the Licensee in British Columbia, and shall be deemed to be so given on the day it would have been received by the Licensee in the ordinary course of post, or on the day it was so delivered.

51. (a) This Tree Farm Licence may be terminated at any time by mutual consent of the parties hereto.

(b) The Licensee may terminate this Tree Farm Licence on two years' notice in writing given to the Minister subject as hereinafter provided.

(c) In the event that the Licensee serves notice of termination of this Tree Farm Licence as provided in Subclause (b) above or if the Minister terminates this Tree Farm Licence such termination shall be subject to the following conditions:

- (i) All moneys held 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) All tenures which have reverted to the Crown pursuant to this Contract shall not revest in the Licensee.
- (iii) All improvements made on Crown lands included in Schedule "B" shall become and be the property of the Crown and the Licensee shall have no claim or in any way be entitled to compensation therefor: Provided the Licensee may remove its own improvements which are capable of removal in such a manner as not to damage other improvements; provided also such removal shall not in any way affect the lien of the Crown on such fixtures as provided in the Forest Act.
- (iv) All Cutting Permits issued pursuant to this Agreement shall terminate on the termination of the Agreement.
- (v) The Licensee shall forthwith pay all moneys owing on outstanding accounts for stumpage, royalty, taxes and annual rental.
- (vi) All rights granted pursuant to any statute or regulation or under this Agreement as ancillary thereto and all appurtenances shall be cancelled effective on the termination of this Tree Farm Licence.

52. In the event that this Tree Farm Licence is cancelled or terminated, existing other tenures owned or controlled by the Licensee

included within the Tree Farm Licence area shall in no way be encumbered by any commitments, agreements, understanding or in any other manner arising out of the execution of this Tree Farm Licence.

53. The Licensee shall use such techniques as are available and practical in the operation of the plants referred to in Clause 2 hereof to safeguard the public generally from any deleterious effects which may result from the processing of pulp.

54. During the period from the nineteenth day of March, 1968 to and including the 19th day of July, 1976, the Minister may from time to time sell timber by licence to Downie Street Sawmills Ltd. Such licence or licences will permit cutting and removal of timber not exceeding during the whole of such period and any permitted extension thereof, an aggregate of 6,000,000 cubic feet on an intermediate utilization basis from that part of the licence area more particularly described in Appendix 1 attached hereto; provided that if in the opinion of the Minister such area will not provide the said 6,000,000 cubic feet of timber, the Minister may, upon reference to the Licensee, amend Appendix 1 by adding thereto such other lands in the licence area as are necessary to provide the said 6,000,000 cubic feet of timber, and the Minister may grant licences to cut timber on the amended area; provided further that on the granting of the right to cut and remove timber pursuant to this clause the Tree Farm Licence holder shall not be deemed to be in occupancy pursuant to Section 120 of the Forest Act and shall be exempt from the obligation to pay forest protection tax and annual rental in respect of those portions of the licence area referred to in Appendix 1, as the same may be amended; and further provided that any licence or licences issued pursuant to this clause shall only be valid for so long as the provisions of the following sub-clauses are fully complied with:

(a) The licences shall terminate on or before

July 19, 1976, subject to extensions of

time at the discretion of the Minister for a period not exceeding six months for the sole purpose of completing existing operations;

- (b) The licences will be administered according to Forest Service administration of timber sales in the same Forest District and shall be subject to the provisions of the Forest Act and regulations made thereunder;
- (c) In the event the licences are cancelled or otherwise terminated by the Minister and no other licences under this clause shall then be in effect or in the process of being issued, the Minister shall thereupon notify the Tree Farm Licence holder and from the date of such notice, or upon the twentieth day of January, 1977, if there is no earlier cancellation or termination, Clause 54 shall be deemed to be deleted from this Agreement and the land referred to in Appendix 1, as the same may be amended, shall revert to the Tree Farm Licence;

The Minister will not give his consent to any assignment of the licence or licences mentioned in Clause 54, granted to the said Downie Street Sawmills Ltd.

55. This Agreement is subject to the provisions of the Forest Act and any amendments thereto made from time to time and the regulations made from time to time pursuant thereto.

56. In this Agreement:

Forest Act and Act mean the Forest Act, R.S.B.C. 1960, Chapter 153, and amendments thereto in force from time to time during the currency of this Agreement, and the regulations made pursuant thereto.

"Approved" if not otherwise defined in the context, means approved by the Minister.

"Denuded" or "denuded lands" means any forest lands in the Tree Farm Licence area from or on which substantially all mature or immature timber has been cut, logged, or destroyed, and on which trees of young growth in sufficient numbers to produce a valuable crop according to the standards defined by the Chief Forester have not yet been established.

"Forest Service" means the Forest Service of the Department of Lands, Forests, and Water Resources of British Columbia and officers thereof.

"Higher economic use" means that use which in the opinion of the Minister will contribute most to the good and welfare of the Province, including non-monetary uses.


"Other Tenures" means any title, licence, lease or berth whereby the Licensee has the right to cut timber on land in Schedule "A" hereto, or on land that subsequently may be acquired by the Licensee and added to the Licence pursuant to Clause 7 hereof.

"Minister" means the Minister of Lands, Forests, and Water Resources and his successors in office.

"Management Working Plan" means the Management and Working Plan submitted by the Licensee with the application for this Tree Farm Licence and approved prior to the execution of these presents and subsequent revised management working plans submitted or to be submitted by the applicant in accordance with the terms of this Licence as herein appearing.

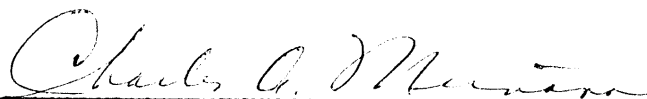
57. This Licence shall enure to the benefit of and shall be binding upon, not only the parties hereto but also the successors in office of the Minister and the successors and assigns of the Licensee, respectively.

SIGNED SEALED AND DELIVERED
in the presence of:


Minister of Lands, Forests,
and Water Resources


Witness

THE COMMON SEAL OF SKEENA KRAFT LIMITED
was hereunto affixed in the presence of:


Vice President


Secretary

APPENDIX 1

TREE FARM LICENCE NO. 23

Commencing at the southwest corner of Lot 2772, Kootenay Land District, situate near the confluence of Downie Creek and Columbia River; thence northerly and easterly along the westerly and northerly boundaries of said lot to the northeast corner thereof; thence southerly along the easterly boundary of Lot 2772 to the right bank of Downie Creek; thence northeasterly along said creek-bank to the southerly boundary of Lot 7820, Kootenay Land District; thence westerly and northerly along the southerly and westerly boundaries of Lot 7820 to the northwest corner thereof; thence east 13 chains; thence north 116 chains; thence west 90 chains; thence north 80 chains; thence west 90 chains; thence north 80 chains; thence west 40 chains; thence north 40 chains; thence west 40 chains; thence north 60 chains; thence west 90 chains, more or less, to a point due south of the northeast corner of S.T.L. 11077P; thence north 135 chains, more or less, to the said northeast corner; thence westerly along the northerly boundary of S.T.L. 11077P, 160 chains, more or less, to the easterly boundary of S.T.L. 5372P; thence southerly following the jogs of the easterly boundaries of S.T.L.s 5372P and 2980P to the southeast corner of S.T.L. 2980P; thence westerly along the southerly boundary of S.T.L. 2980P to the left bank of Columbia River; thence southerly along said river bank to the right bank of Downie Creek; thence along said right bank upstream to the southerly boundary of Lot 2772; thence westerly along said southerly boundary to point of commencement; save and excepting thereout Big Bend Highway, alienated areas not held by the Licensee of Tree Farm Licence No. 23 and any reserved areas.

SCHEDULE "A"

ARROW LAKES TREE FARM LICENCE

TREE FARM LICENCE NO. 23

Forest lands in other tenures owned or controlled by the Licensee included in the Arrow Lakes Tree Farm Licence No. 23, all within the Kootenay Land District.

A. CROWN GRANTS

<u>Description</u>	<u>Area in Acres</u>
✓ Lot 373, Pcl. A, Plan X-13, except that Part shown on Ref. Plan 110363	155.00
Lot 439	160.00
✓ Lot 770	320.00
✓ Lot 772	160.00
✓ Lot 811, Pcl. A, Sketch Plan 596-I	5,578.00
✓ Lot 860	2,676.00
✓ Lot 870	749.00
✓ Lot 2719	136.00
Lot 3257	82.00
✓ Lot 4599, Sub-Lot 6, Plan X-35	140.00
✓ Lot 5069	186.00
Lot 6549; Blks. 1-5, 7-12, Plan 1605; and Blk. 6, Plan 853	163.00
✓ Lot 7045	87.00
✓ Lot 7046	93.00
✓ Lot 7648	160.57
Lots 7893 and 7894; Blks. 17, 18, 20-37, 40, 42-44, 49, 50, 77, 83, 85, 86, Plan 1194	495.00
✓ Lot 7959; except Pcl. 1 (Ref. Plan 5828-I) and that part of said Lot subdivided by Plan 1321, C. of T. 136312-I	270.00
✓ Lot 8029; Blks. 20, 21, 22, 23	43.00
Lot 8653	108.00
Lot 9126	40.00
Section 13, Tp 21, R1, W6M --only L.S. 3 and 6 and Fr. Sub-div. 8	106.3

Section 13, Tp 21, R1, W6M;-only L.S. 10,
C. of T. 122048-I

40.5

Total Crown Grants

11,948.37

B. TIMBER BERTHS

T.B. 333

156.8

T.B. 392

4,672.00

T.B. 499

220

Total Timber Berths

5,048.8

C. TIMBER LICENCES

T.L. 595

390.0

T.L. 600

142.0

T.L. 601

110.0

T.L. 602

86.0

T.L. 604

325.0

T.L. 607

192.0

T.L. 879

302.0

T.L. 880

551.0

T.L. 881

164.0

T.L. 882

550.0

T.L. 883

458.0

T.L. 884

30.0

T.L. 885

546.0

T.L. 2328

473.5

T.L. 2671

159.0

T.L. 2737

335.0

T.L. 2982

640.0

T.L. 2983

640.0

T.L. 2984

208.0

T.L. 2985

640.0

T.L. 4842

67.0

T.L. 4843

228.0

T.L. 4845	154.0
T.L. 4898	640.0
T.L. 5372	582.0
T.L. 7318	345.0
T.L. 7319	38.0
T.L. 10014	25.0
T.L. 10015	113.0
T.L. 10016	302.0
T.L. 10017	331.0
T.L. 10018	394.0
T.L. 10019	376.0
T.L. 10028	18.0
T.L. 10029	375.0
T.L. 10030	347.0
T.L. 10031	412.0
T.L. 12439	367.0
T.L. 12440	640.0
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Total Timber Licences	12,695.5
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Grand Total Schedule "A"	29,692.67
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SCHEDULE "B"

ARROW LAKES TREE FARM LICENCE

TREE FARM LICENCE NO. 23

Description

All Crown lands not otherwise alienated within the Kootenay Land District and situated in the Arrow Lakes and Upper Columbia River region, described as follows:

Block I

"Commencing at the northeast corner of Timber Berth 74, Kootenay Land District, being a point on the right bank of the Columbia River, and situated northerly from Revelstoke; thence westerly along the northerly boundary of said Timber Berth 74 and the westerly prolongation thereof, to the easterly boundary of the watershed of Jordan River; thence in a general northerly and westerly direction along the easterly and northerly boundaries of the watershed of said Jordan River to the westerly boundary of the watershed of Frisby Creek, being a point on the westerly boundary of the watershed of the aforesaid Columbia River; thence in a general northerly direction along the said westerly boundary of the watershed of the Columbia River to a point due west of the northwest corner of S.T.L. 1526P; thence east to the said northwest corner of S.T.L. 1526P; thence easterly along the northerly boundary of said S.T.L. 1526P to the northeast corner thereof; thence South 65 degrees East to the easterly boundary of the watershed of Mica Creek; thence in a general southerly direction along the easterly boundaries of the watersheds of Mica Creek, Bigmouth Creek, Goldstream River, Downie Creek, Carnes Creek and La Forme Creek to the northerly boundary of Mount Revelstoke Park; thence westerly along the said northerly boundary of Mount Revelstoke Park to the westerly boundary of the watershed of aforesaid La Forme Creek; thence in a general northerly direction along the said westerly boundary of the watershed of La Forme Creek to the northerly boundary of the watershed of Martha Creek; thence in a general westerly direction along the said northerly boundary of the watershed of Martha Creek to the highwater mark on the left bank of the Columbia River; thence westerly in a straight line to the northeast corner of Timber Berth 74, being the point of commencement."

Block II

"Commencing at the southwest corner of S.T.L. 5194P, Kootenay Land District, being a point on the easterly highwater mark of Upper Arrow Lake and situated north of Nakusp; thence in a general northwesterly direction along the said easterly highwater mark of Upper Arrow Lake to the southeast corner of Lot 8130; thence northerly and westerly along the easterly and northerly boundaries of Lots 8130 and 8408 to the northwest corner of said Lot 8408, being a point on the aforesaid easterly highwater mark of Upper Arrow Lake; thence in a general northerly direction along the said easterly highwater mark of Upper Arrow Lake to the southwest corner of Lot 1139; thence easterly to the southeast corner of said Lot 1139; thence northerly and westerly along the easterly and northerly boundaries of Lots 1139 and 5069 to the aforesaid easterly highwater mark of Upper Arrow Lake; thence in a general northerly direction along the said easterly highwater mark of Upper Arrow Lake to the southwest corner of Lot 11005; thence easterly and northerly along the southerly and easterly boundaries of Lots 11005, 2451 and 100, to the northeast corner of said Lot 100; thence westerly to the northwest corner of said Lot 100, being a point on the aforesaid easterly highwater mark of Upper Arrow Lake; thence in a general northerly direction along the said easterly highwater mark to the most westerly northwest corner of Lot 12459; thence southerly and easterly along the westerly and southerly boundaries of Lots 12459 and 1146 to the southeast corner of said Lot 1146; thence northerly to the northeast corner of said Lot 1146; thence easterly and northerly along the boundaries of Lot 7044 to the northeast corner thereof; thence easterly to the southeast corner of Lot 7635; thence southerly, easterly, northerly, easterly and northerly along the boundaries of Lot 10633 to the northeast corner thereof; thence easterly to the southeast corner of Lot 1143; thence northerly along the easterly boundaries of Lots 1143 and 2112 and the northerly prolongation thereof to the southerly boundary of Lot 7818; thence easterly to the southeast corner of said Lot 7818; thence northerly along the easterly boundaries of Lots 7818, 8668, 7956, 7957, 7583 and 8406 to the northeast

corner of said Lot 8406; thence easterly and northerly along the boundaries of Lot 7584 to the northeast corner thereof; thence westerly along the northerly boundaries of Lots 7584, 8308, 8309, 8683 and 8614 to the northwest corner of said Lot 8614; thence southerly to the southwest corner of said Lot 8614; thence westerly along the northerly boundaries of Lots 2111 and 8407 to the northwest corner of said Lot 8407; thence southerly to the northeast corner of Lot 8653; thence westerly and southerly along the boundaries of said Lot 8653 to the southwest corner thereof, being a point on the aforesaid highwater mark of Upper Arrow Lake; thence in a general westerly and northerly direction along the said highwater mark of Upper Arrow Lake to the northwest corner of Lot 7045; thence southerly to the southwest corner of said Lot 7045; thence easterly and northerly along the southerly and easterly boundaries of Lots 7045 and 7046 to the northeast corner of said Lot 7046, being a point on the southerly highwater mark of the Northeast Arm of aforesaid Upper Arrow Lake; thence in a general northeasterly direction along the said southerly highwater mark of the Northeast Arm of Upper Arrow Lake to a point due west of the northwest corner of Lot 7586 (T.L. 4872P); thence east to said northwest corner of Lot 7586; thence easterly to the northeast corner of Lot 7586; thence due east to the left bank of Beaton Creek; thence in a general northerly direction along the said left bank of Beaton Creek to the southerly boundary of Lot 505; thence easterly and northerly along the boundaries of said Lot 505 to the northeast corner thereof; thence easterly along the southerly boundaries of Lots 502 and 7959 to the southeast corner of said Lot 7959; thence northerly to the northeast corner of said Lot 7959; thence westerly along the northerly boundaries of Lots 7959, 502 and 501 to the southwest corner of Lot 503; thence northerly and easterly along the boundaries of said Lot 503 to the southwest corner of Lot 7643 (T.L. 2112P); thence northerly to the northwest corner of said Lot 7643; thence westerly along the southerly boundary of T.L. 2737P to the southwest corner thereof; thence northerly in a straight line to the summit of Comaplix Mountain; being a point on the westerly boundary of the watershed of Incomappleux River;

thence in a general northerly direction following the said westerly boundary of the watershed of Incomappleux River to the northerly boundary of the watershed of MacDougal Creek being a portion of the southerly boundary of Glacier National Park; thence in a general easterly direction along the said southerly boundary of Glacier National Park to the easterly boundary of the watershed of Battle Creek; thence southerly along the easterly boundaries of the watersheds of Battle Creek, Kellie Creek, Boyd Creek and Ferguson Creek to the northerly boundary of the watershed of Finkle Creek, being a point on the northerly boundary of the watershed of Lardeau Creek; thence in a general easterly and southerly direction along the northerly and easterly boundaries of the watershed of Lardeau Creek to a point due east of the most southerly corner of Lot 8681; thence west to the said most southerly corner of Lot 8681; thence southwesterly in a straight line to the southeast corner of S.T.L. 7835P; thence southwesterly in a straight line to the southeast corner of S.T.L. 7833P, being a point on the northeasterly highwater mark of Trout Lake; thence in a general northwesterly direction along the said northeasterly highwater mark of Trout Lake to the most southerly southwest corner of Lot 10645; thence easterly, northerly and westerly along the boundaries of said Lot 10645 to the southeast corner of Lot 769; thence northerly along the easterly boundaries of Lots 769 and 1147 to the northeast corner of said Lot 1147; thence westerly to the northwest corner of said Lot 1147; thence northerly to the northeast corner of Lot 771; thence westerly, southerly and easterly along the northerly, westerly and southerly boundaries of said Lot 771 to the northwest corner of Lot 11328; thence southerly and easterly along the westerly and southerly boundaries of Lots 11328 and 190 to the southeast corner of said Lot 190, being a point on the southwesterly highwater mark of Trout Lake; thence in a general southeasterly direction along the said southwesterly highwater mark of Trout Lake to the southeast corner of S.T.L. 11050P; thence South 60 degrees West to the easterly boundary of the watershed of Halfway Creek; thence in a general southerly direction

along the easterly boundaries of the watersheds of Halfway Creek and St. Leon Creek to the northerly boundary of the watershed of Kuskanax Creek; thence in a general southwesterly direction along the said northerly boundary of the watershed of Kuskanax Creek to a point due east of the southeast corner of T.L. 2733P; thence west to said corner; thence westerly along the southerly boundaries of S.T.L.s 2733P and 5194P to the aforesaid southwest corner of S.T.L. 5194P, being the point of commencement except thereout the following, namely: Lots 3505, 4818, 7865, 11333, 7805, 7491, 6020, 12899, 5693, 5694, 7950, 7951 and that part of Lot 7582 (T.L. 11057P) lying south of a line drawn due west of the northwest corner of Lot 7950 and north of a line drawn southeasterly from the southeast corner of Lot 770 to the southwest corner of Lot 7950."

BLOCK III

"Commencing at the northeast corner of Lot 10391, Kootenay District, being a point on the westerly highwater mark of Lower Arrow Lake and situated north of Needles; thence westerly and southerly along the boundaries of said Lot 10391 to the northerly boundary of Lot 8180; thence westerly along the said northerly boundary of Lot 8180 to the easterly boundary of Lot 8409; thence northerly and westerly along the easterly and northerly boundaries of Lots 8409 and 10026 to the northwest corner of said Lot 10026; thence southerly to the most northerly northeast corner of Lot 10387; thence westerly to the northwest corner of said Lot 10387; thence southerly along the westerly boundaries of Lots 10387 and 8101 to the southwest corner of said Lot 8101; thence southwesterly in a straight line to the southeast corner of Lot 9882 (T.L. 6929P); thence westerly along the southerly boundaries of Lots 9882 and 8546 to the southwest corner of said Lot 8546; thence northerly along the westerly boundary of said Lot 8546 to the southeast corner of Lot 7893; thence westerly along the southerly boundary of said Lot 7893 to the southwest corner thereof, being also the southwest corner of Lot 86 of Lot 7893, Kootenay District, Plan 1194, registered in the Land Registry Office Nelson; thence northerly along the westerly boundaries of Lots 86 and 85, said Plan 1194 to the northwest corner of said Lot 85; thence easterly along the northerly boundary of said Lot 85, said Plan 1194 to the northeast corner thereof; thence east to the northwest corner of Lot 18, said Plan 1194; thence easterly along the northerly boundary of said Lot 18, said Plan 1194 to the southeast corner of Lot 19, said Plan 1194; thence northerly along the easterly boundary of said Lot 19, said Plan 1194 to the southeast corner of Lot 20, said Plan 1194; thence westerly along the southerly boundary of said Lot 20, said Plan 1194 to the southwest corner thereof; thence west to the southeast corner of Lot 83, said Plan 1194; thence westerly along the southerly boundary of said Lot 83, said Plan 1194 to the southwest corner thereof; thence northerly

along the westerly boundaries of Lots 83, 22, 24, 26, 28, 30, 32 and 34, said Plan 1194, to the southwest corner of Lot 36, said Plan 1194; thence northerly and easterly along the westerly and northerly boundaries of Lots 36 and 43, said Plan 1194, to a point due south of the southwest corner of Lot 44, said Plan 1194; thence north to said corner; thence northerly and easterly along the westerly and northerly boundaries of said Lot 44, said Plan 1194 to the northwest corner of Lot 40, said Plan 1194; thence easterly, southerly and easterly along the northerly boundary of said Lot 40, said Plan 1194 to the most easterly northeast corner thereof; thence southerly along the easterly boundary of said Lot 40, said Plan 1194 to the southeast corner thereof; thence due south to the northerly boundary of Lot 42, said Plan 1194; thence easterly along the said northerly boundary of Lot 42, said Plan 1194 to the northeast corner thereof; thence east to the northwest corner of Lot 37, said Plan 1194; thence easterly along the northerly boundary of said Lot 37, said Plan 1194 to the northeast corner thereof, being a point on the highwater mark of Barnes Creek on the right bank thereof; thence in a general southerly direction along the easterly boundaries of Lots 37, 35, 33, 31, 29, 27 and 25 to the northerly boundary of Lot 23, said Plan 1194; thence easterly along the northerly boundary of said Lot 23, said Plan 1194 to the northeast corner thereof, being a point on the westerly boundary of aforesaid Lot 8546; thence northerly and easterly along the westerly and northerly boundaries of said Lots 8546 and 9882 to the northeast corner of said Lot 9882; thence northerly and westerly along the easterly and northerly boundaries of Lots 8548 and 8170 to the northwest corner of said Lot 8170, being a point on the easterly highwater mark of Whatshan Lake; thence in a general southerly, westerly and northerly direction along the said highwater mark of Whatshan Lake to the southeast corner of Lot 8187; thence westerly and northerly along the boundaries of said Lot 8187 to the most southerly southeast corner of Lot 8189; thence westerly along the southerly boundaries of Lots 8189 and 8544 and the westerly prolongation

thereof to the westerly boundary of the watershed of Barnes Creek; thence in a general northerly direction along the westerly boundaries of the watersheds of Barnes Creek, Whatshan Lake, Arrow Park Creek and Upper Arrow Lake to the southerly boundary of the watershed of Margie Lake, being the southerly boundary of Monashee Provincial Park; thence in a general easterly direction (following the boundaries of Monashee Provincial Park) along the said southerly boundary of the watershed of Margie Lake to the most southerly point thereon; thence due east to the middle line of Fosthall Creek; thence in a general northerly direction along the said middle line of Fosthall Creek to its intersection with the middle line of an unnamed creek, flowing southerly into said Fosthall Creek at a distance of 40 chains, more or less, easterly from the outlet of Margie Lake; thence in a general northerly direction along the said middle line of the unnamed creek to the headwaters thereof, being a point on the northerly boundary of the watershed of aforesaid Margie Lake; thence in a general westerly direction along the said northerly boundary of the watershed of Margie Lake to the aforesaid westerly boundary of the watershed of Upper Arrow Lake; thence in a general northerly direction along the westerly boundaries of the watersheds of Upper Arrow Lake and the Columbia River to a point due west of the northwest corner of Section 35, Township 22, Range 2, West of the Sixth Meridian; thence east to the said northwest corner of Section 35; thence southerly to the southwest corner of said Section 35; thence easterly along the southerly boundaries of Sections 35 and 36 to the right bank of the Columbia River; thence in a general southerly direction along the said right bank of the Columbia River to the most easterly northeast corner of Section 7 of Township 22, Range 1; thence southerly along the easterly boundaries of Sections 7 and 6 to the northwest corner of the southwest quarter of Section 5; thence easterly and southerly along the northerly and easterly boundaries of the southwest quarter of Section 5, Township 22, Range 1, Section 32, the southwest quarter of Section 33 and Section 28, Township

21, Range 1, to the southwest corner of the north half of the north half of Section 27, Township 21, Range 1; thence easterly along the southerly boundary of the said north half of the north half of Section 27, to the aforesaid right bank of the Columbia River; thence in a general southerly direction along the said right bank of the Columbia River to the easterly boundary of the west half of Section 26, of said Township 21, Range 1; thence southerly along the easterly boundaries of the west halves of Sections 26 and 23 to the southeast corner of the west half of said Section 23; thence easterly to the northeast corner of Section 14, of said Township 21, Range 1; thence southerly along the easterly boundaries of Sections 14 and 11 to the southeast corner of said Section 11; thence easterly and southerly along the boundaries of the northwest quarter of Section 1, of said Township 21, Range 1, to the southeast corner thereof; thence easterly to the northeast corner of the southeast quarter of said Section 1; thence southerly to the northwest corner of the fractional south half of Section 31, Township 20, Range 29, West of the Fifth meridian; thence easterly to the northeast corner of the said south half of Section 31; thence southerly along the easterly boundaries of fractional Sections 31 and 30 to the southeast corner of said fractional Section 30; thence easterly along the southerly boundary of Fractional Section 29, of said Township 20, Range 29 to a point due north of the northwest corner of Lot 5092; thence south to the said northwest corner of Lot 5092; thence southerly and easterly along the boundaries of said Lot 5092 to the northwest corner of Lot 3257; thence southerly along the westerly boundary of said Lot 3257 to the highwater mark of Columbia River on the right bank thereof, being also the easterly boundary of Lot 811; thence in a general southerly and easterly direction along the said easterly boundary of Lot 811 to the southwest corner of Lot 12898; being on the highwater mark of Upper Arrow Lake on the westerly shore thereof; thence in a general southerly direction along the said westerly highwater mark of Upper Arrow Lake to the northeast corner of Lot 4576; thence westerly along the northerly boundaries of Lots 4576 and 7897 to the

northwest corner of said Lot 7897; thence southerly and easterly along the westerly and southerly boundaries of Lots 7897 and 7677 to the southeast corner of said Lot 7677; thence easterly to the southeast corner of Lot 7676, being a point on the aforesaid westerly highwater mark of Upper Arrow Lake; thence in a general southerly direction along the said westerly highwater mark of Upper Arrow Lake to the northeast corner of Lot 8033; thence westerly and southerly along the boundaries of said Lot 8033 to the southwest corner thereof; thence westerly to the northeast corner of Lot 8510; thence westerly and southerly along the northerly and westerly boundaries of Lots 8510, 12774, 8564 and 12775 to the southwest corner of said Lot 12775; thence westerly to the northwest corner of Lot 8566; thence northerly and westerly along the boundaries of Lot 12340 to the northwest corner thereof; thence westerly and southerly along the boundaries of Lot 8333 to the southwest corner thereof; thence westerly and southerly along the northerly and westerly boundaries of Lots 373 and 8029 to the southwest corner of said Lot 8029; thence easterly to the northwest corner of Lot 8030; thence southerly along the westerly boundaries of Lots 8030 and 12776 to the southwest corner of said Lot 12776; thence easterly along the southerly boundaries of Lots 12776 and 7105 to the northwest corner of Lot 7104; thence southerly along the westerly boundaries of Lots 7104 and 8512 to the southwest corner of Lot 8512; thence easterly to the northwest corner of Lot 8027; thence southerly and easterly along the boundaries of said Lot 8027 to the southeast corner thereof; thence southerly along the westerly boundaries of Lots 3619, 3620, and 7690 to the southwest corner of said Lot 7690; thence easterly to the northwest corner of Lot 7691; thence southerly along the westerly boundaries of Lots 7691 and 12777 to the southwest corner of said Lot 12777; thence easterly along the southerly boundaries of Lots 12777, 8159 and 7692 to the southeast corner of said Lot 7692, being a point on the right bank of the Columbia River; thence in a general southwesterly direction along the said right bank of the Columbia River and the highwater mark of Lower Arrow Lake to the

southerly boundary of Lot 2719; thence westerly, northerly and easterly along the southerly, westerly and northerly boundaries of said Lot 2719 to the southeast corner of Lot 7967; thence northerly to the northeast corner of said Lot 7967; thence westerly along the northerly boundaries of Lots 7967 and 8691 to the northwest corner of said Lot 8691; thence northerly and westerly along the boundaries of Lot 10593 to the easterly boundary of Lot 12786; thence northerly along the easterly boundaries of Lots 12786, 12785 and 9892 to the northeast corner of said Lot 9892; thence westerly and southerly along the boundaries of said Lot 9892 to the southwest corner thereof; thence westerly along the northerly boundaries of Lots 9889 and 11162 to the northwest corner of said Lot 11162; thence southerly along the westerly boundaries of Lots 11162, 12784 and 9893 to the southwest corner of said Lot 9893; thence easterly to the northwest corner of Lot 9895; thence southerly and easterly along the boundaries of said Lot 9895 to the southeast corner thereof; thence northerly along the easterly boundaries of Lots 9895 and 9894 to the southwest corner of Lot 12786; thence easterly along the southerly boundaries of Lots 12786 and 10593 to the southeast corner of said Lot 10593; thence southerly along the westerly boundaries of Lots 8691 and 12895 to the most northerly northwest corner of Indian Reserve "Arrow Lake"; thence southerly, westerly, southerly and easterly along the boundaries of said Indian Reserve "Arrow Lake" to the southeast corner thereof, being a point on the aforesaid westerly highwater mark of Lower Arrow Lake; thence in a general southwesterly direction along the said westerly highwater mark of Lower Arrow Lake to the aforesaid northeast corner of Lot 10391, being the point of commencement."

Block IV

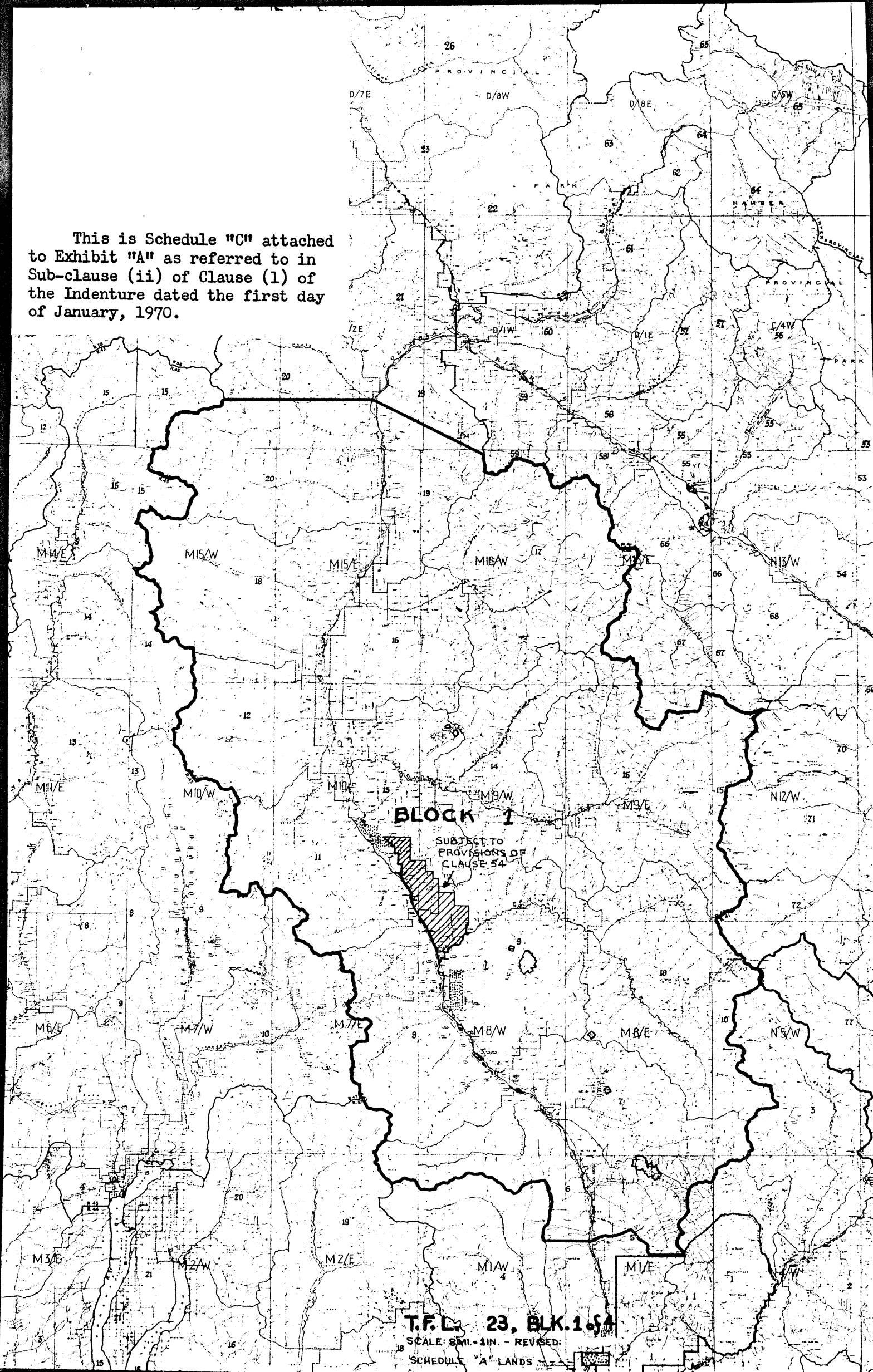
"Commencing at the northwest corner of Lot 7630, Kootenay Land District, being a point on the easterly highwater mark of Lower Arrow Lake, situated southwest of Burton; thence southerly, easterly, northerly and easterly along the boundaries of said Lot 7630 to the southwest corner of Lot 7629; thence easterly along the southerly boundaries of Lots 7629 and 7628 to the most southerly southeast corner of said Lot 7628; thence northerly and easterly along the boundaries of said Lot 7628 to the most easterly southeast corner thereof; thence easterly along the southerly boundaries of Lots 8032 and 7977 to the most southerly southeast corner of said Lot 7977; thence northerly and easterly along the boundaries of said Lot 7977 to the most easterly southeast corner thereof; thence southerly and easterly along the westerly and southerly boundaries of Lots 8026, 8160 and 7696 to the northwest corner of Lot 8161; thence southerly to the southwest corner of said Lot 8161; thence westerly to the northwest corner of Lot 8700; thence southerly and easterly along the westerly and southerly boundaries of Lots 8700 and 8031 to the southeast corner of said Lot 8031; thence northerly to the most westerly southwest corner of Lot 8047; thence easterly, southerly and easterly along the boundaries of said Lot 8047 to the southeast corner thereof; thence easterly, northerly and westerly along the boundaries of Lot 8048 to the northwest corner thereof; thence northerly along the easterly boundary of Lot 7980 and the northerly prolongation thereof to the northerly boundary of the watershed of the main stream of Snow Creek; thence in a general easterly direction along the said northerly boundary of the watershed of Snow Creek to the easterly boundary of the watershed thereof, being a point on the easterly boundary of the watershed of Lower Arrow Lake; thence in a general southerly direction along the said easterly boundary of the watershed of Lower Arrow Lake to the northerly boundary of the watershed of Syringa Creek; thence in a general westerly direction along the said northerly boundary of the watershed of Syringa Creek to the easterly

boundary of the watershed of Tulip Creek; thence in a general southerly direction along the said easterly boundary of the watershed of Tulip Creek to the northerly boundary of Lot 9154; thence westerly and southerly along the northerly and westerly boundaries of Lots 9154 and 9068 to the southwest corner of said Lot 9068, being a point on the northeasterly highwater mark of Lower Arrow Lake; thence in a general northwesterly direction along the said northeasterly highwater mark of Lower Arrow Lake to the southeast corner of Lot 8070; thence northerly and westerly along the boundaries of said Lot 8070 to the northwest corner thereof, being a point on the aforesaid northeasterly highwater mark of Lower Arrow Lake; thence in a general northwesterly direction along the said northeasterly highwater mark of Lower Arrow Lake to the southeast corner of Lot 400; thence northerly and westerly along the easterly and northerly boundaries of Lot 400 and Sub-Lot 22, of Lot 5817 to the northwest corner of said Sub-Lot 22, of Lot 5817; thence southerly to the northerly boundary of Sub-Lot 3, of said Lot 5817; thence westerly and southerly along the boundaries of said Sub-Lot 3, of Lot 5817 to the most northerly northeast corner of Sub-Lot 17, of said Lot 5817; thence westerly to the northwest corner of said Sub-Lot 17; thence northerly and westerly along the easterly and northerly boundaries of Sub-Lot 21, of said Lot 5817 to the northwest corner thereof, being a point on the easterly highwater mark of aforesaid Lower Arrow Lake; thence westerly in a straight line to the most northerly northeast corner of Lot 8069, being a point on the westerly highwater mark of aforesaid Lower Arrow Lake; thence westerly to the northwest corner of said Lot 8069; thence southerly along the westerly boundary of said Lot 8069 and the southerly prolongation thereof, to the southerly boundary of Sub-Lot 18, of aforesaid Lot 5817; thence easterly along the southerly boundaries of Sub-Lots 18 and 10, of said Lot 5817 to the southeast corner of said Sub-Lot 10, being a point on the aforesaid westerly highwater mark of Lower Arrow Lake; thence in a general southeasterly direction along the said highwater mark of Lower

Arrow Lake to the most northerly northeast corner of Sub-Lot 24 of aforesaid Lot 5817; thence westerly to the northwest corner of said Sub-Lot 24, of Lot 5817; thence southwesterly in a straight line to the northeast corner of Lot 10199 (T.L. 5481P); thence westerly along the northerly boundary of said Lot 10199 and the westerly prolongation thereof to the westerly boundary of the watershed of aforesaid Lower Arrow Lake; thence in a general northerly direction along the said westerly boundary of the watershed of Lower Arrow Lake to a point due west of the southwest corner of Sub-Lot 17, of Lot 7159; thence east to the said southwest corner of Sub-Lot 17, of Lot 7159; thence easterly to the southeast corner of said Sub-Lot 17, of Lot 7159; thence northeasterly in a straight line to the southwest corner of Lot 7771; thence easterly along the southerly boundaries of Lots 7771 and 9144 to the southeast corner of said Lot 9144; thence northerly to the northeast corner of said Lot 9144; thence easterly and northerly along the southerly and easterly boundaries of Lots 9146 and 6902 to the northeast corner of said Lot 6902; thence westerly to the southeast corner of Lot 8097; thence northerly along the easterly boundaries of Lots 8097, 6900 and 8095 to the northeast corner of said Lot 8095; thence westerly, northerly and easterly along the boundaries of Lot 11910 to the southeast corner of Lot 10588; thence northerly along the easterly boundaries of Lots 10588, 7670 and 7126 to the southwest corner of Lot 9159; thence easterly to the southeast corner of said Lot 9159; thence northerly along the easterly boundaries of Lots 9159 and 10389 to the northeast corner of said Lot 10389; thence easterly to the southeast corner of Lot 9158; thence northerly along the easterly boundaries of Lots 9158 and 8164 to the northeast corner of said Lot 8164; thence easterly, northerly and westerly along the boundaries of Lot 8165 to the southeast corner of Lot 8163; thence northerly to the southwest corner of Lot 10029; thence easterly and northerly along the southerly and easterly boundaries of Lots 10029, 8808 and 8809 to the northeast corner of said Lot 8809, being a point on the aforesaid easterly highwater mark of Lower Arrow Lake; thence in a general northerly direction

along the said easterly highwater mark of Lower Arrow Lake to the northwest corner of Lot 7630, being the point of commencement except thereout the following, namely: Sub-Lots 1 and 30 of Lot 5817, Lots 7605, 8066, 8065 and 13032 and Deer Creek Reserve, more particularly described in Gazette Notice dated 7/11/57."

This is Schedule "C" attached to Exhibit "A" as referred to in Sub-clause (ii) of Clause (1) of the Indenture dated the first day of January, 1970.

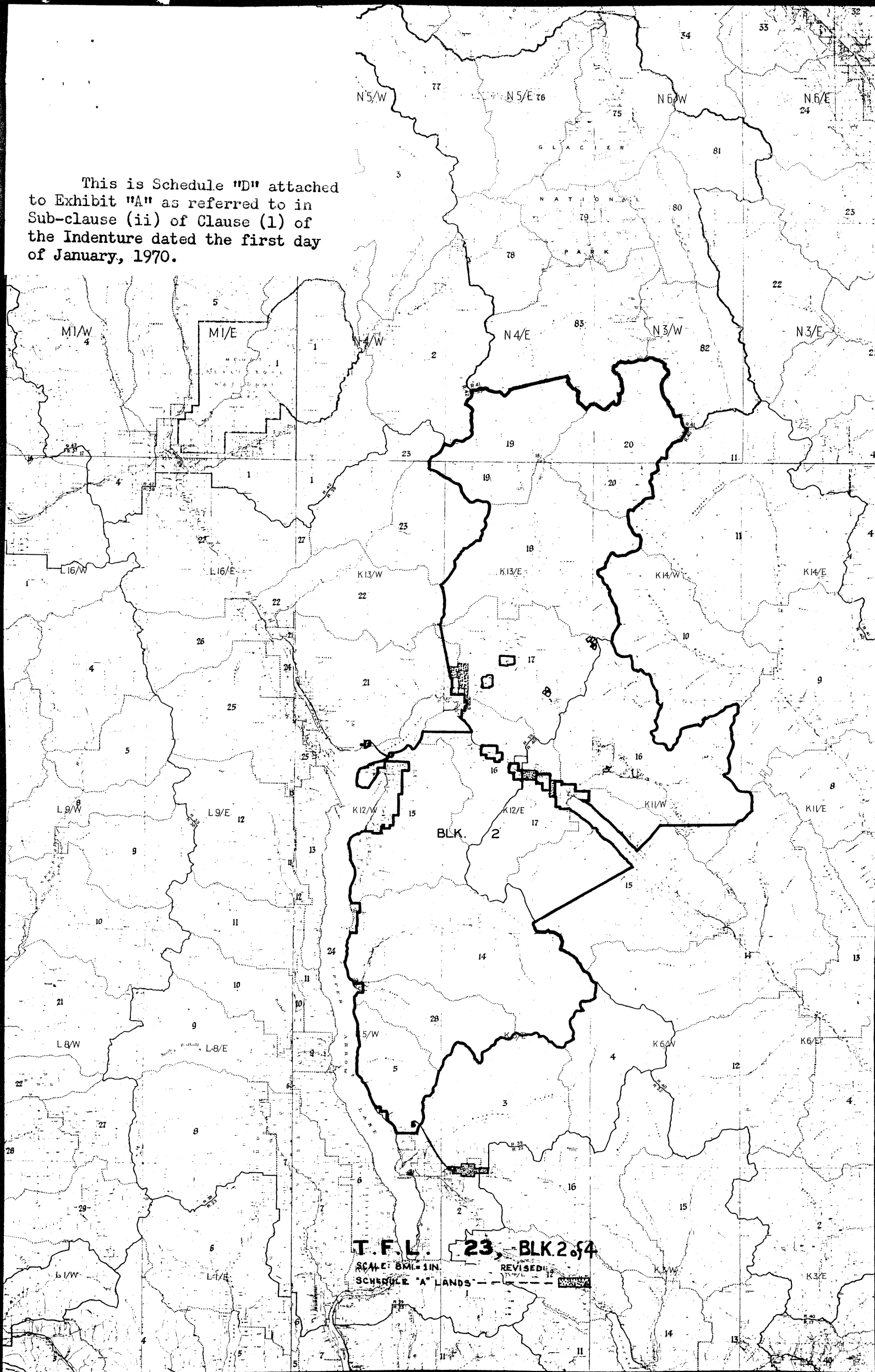


T.F.L. 23, BLK. 1.54

SCALE: 8 IN. = 1 IN. - REVISED

SCHEDULE "A" LANDS

This is Schedule "D" attached to Exhibit "A" as referred to in Sub-clause (ii) of Clause (1) of the Indenture dated the first day of January, 1970.



This is Schedule "E" attached to Exhibit "A" as referred to in Sub-clause (ii) of Clause (1) of the Indenture dated the first day of January, 1970.

BLOCK 3

T. 23, B. 3 & 4

SCALE: 1 IN. = 1 MI. REVISION

SCHEDULE "A" LANDS

This is Schedule "F" attached to Exhibit "A" as referred to in Sub-clause (ii) of Clause (1) of the Indenture dated the first day of January, 1970.

