



Province of
British Columbia

MINISTRY OF FORESTS AND LANDS

PULPWOOD AGREEMENT

No. 10

THIS AGREEMENT, made September 15, 1986.

BETWEEN:

THE MINISTER OF FORESTS AND LANDS
OF BRITISH COLUMBIA, on behalf of HER MAJESTY
THE QUEEN IN RIGHT OF THE PROVINCE
OF BRITISH COLUMBIA,

(the "Minister")

OF THE FIRST PART,

AND:

LOUISIANA-PACIFIC PANEL PRODUCTS, LTD.
MILE 3, ALASKA HIGHWAY
P.O. BOX 2338
DAWSON CREEK, BRITISH COLUMBIA
V1G 4P2

(the "Company")

OF THE SECOND PART,

WITNESSES that, under section 34 of the Forest Act, the parties agree as follows:

1.00 GRANT OF HARVESTING OPTION, PULPWOOD AREA AND TERM

1.01 Subject to this Agreement and to the availability of Aspen stands, and other pulp quality stands, and in consideration of the Company's covenants in it, the Minister grants to the Company the option, irrevocable during the term of this Agreement, to obtain from the Regional Manager or District Manager, without advertising or competition from other applicants, Timber Sale Licences authorizing the Company to harvest from Crown land in the pulpwood area not more than 452 000 m³ of mature aspen and other pulp quality stands of Crown timber, each year during the term of this Agreement.

Under no circumstances will normal coniferous sawlog stands be included in Timber Sale Licences issued under this section.

1.02 The harvesting option in paragraph 1.01 is exercisable subject to part 3.00 and subject to the availability of harvestable mature aspen stands.

1.03 The pulpwood area is the land shown outlined in bold black on the map attached to this Agreement, save and excepting the area included in the forest licence replacement application for Tree Farm Licence No. 48 approved under Order in Council No. 91 on January 31, 1985.

1.04 The term of this Agreement is 25 years subject to the availability of harvestable mature aspen stands, beginning September 15, 1986.

1.05 On its tenth anniversary this Agreement may be replaced according to section 36 of the Forest Act, subject to the availability of harvestable mature aspen stands.

2.00 PURCHASE OF WOOD RESIDUES

2.01 The Company will purchase from the owners of timber processing facilities in the pulpwood area wood residues offered to the Company

- (a) in volumes equal to the requirements, from time to time, of the Mill minus the volumes of wood residues and other wood fibre produced, from time to time for the Mill by the Company and its affiliates,
- (b) of grades and types that, from time to time, are suitable for use in the Mill, and
- (c) at prices not exceeding, from time to time, the greater of
 - (i) the minimum prices determined for the wood residues by order of the Lieutenant Governor in Council under section 148 of the Forest Act, or
 - (ii) the costs, including delivery costs to the Mill, that would be reasonably incurred by the Company to harvest roundwood timber in the pulpwood area, to deliver it to the Mill and to produce suitable wood residues from it.

3.00 EXERCISE OF HARVESTING OPTION

3.01 The Company may not exercise its harvesting option under paragraph 1.01 unless

- (a) the Company is performing its obligations under paragraph 2.01, and

- (b) the Company has taken all measures that are reasonably necessary to obtain from other sources the total raw material requirements of the Mill, such measures to include but not be limited to
- (i) utilizing pulp timber that is produced in the pulpwood area by the Company and its affiliates,
 - (ii) purchasing pulp timber that is produced in the pulpwood area by persons other than the Company and its affiliates, and is offered to the Company at reasonable prices,
 - (iii) utilizing suitable wood residues produced by the Company and its affiliates, and
 - (iv) purchasing suitable wood residues produced by persons other than the Company and its affiliates outside the pulpwood area, and offered to the Company at prices not exceeding the costs, including delivery costs to the Mill, that would be incurred by the Company to harvest roundwood timber in the pulpwood area and to produce suitable wood residues from it.
- (c) the Company has submitted for approval of the Regional Manager, and has received approval of, a Management and Working Plan for the five year period beginning January 1, 1987, signed and sealed by a registered professional forester, which shall contain such information as the Regional Manager requires concerning the provision of access to, and the location, extent and scheduling of, proposed harvesting operations, and the measures that will be undertaken by the Company to develop, protect, restore and improve the forest resources in the pulpwood area. The Company accepts responsibility for silviculture measures that the Regional Manager will require, including site preparation, to regenerate harvested areas with a species that is acceptable to the Regional Manager. Approved projects will qualify for credit against stumpage payments under Section 88 of the Forest Act.
- (d) the Company will submit for the approval of the Regional Manager proposed management and working plans for periods succeeding the period referred to in subparagraph (c) above, as the Regional Manager directs by notice to the Company.

3.02 The Regional Manager, in a notice to the Company, may require that a Management and Working Plan be amended or replaced, and the Company will, within 6 months after the notice, submit for the Regional Manager's approval a proposed management and working plan or a proposed amendment to the management and working plan, as the case may be, to have effect during the unexpired term of the then current management and working plan.

3.03 A Management and Working Plan shall be deemed to be a part of, and shall be consistent with, this Agreement.

3.04 The onus of proving that the conditions in paragraph 3.01 are met is on the Company.

3.05 The volume of timber in respect of which the Company may exercise its harvesting option under paragraph 1.01 during any year may not exceed 452 000 m³, minus the total of

- (a) the volume of pulp timber
 - (i) produced during the year by the Company and its affiliates in the pulpwood area, and
 - (ii) purchased by the Company for the Mill,
- (b) the roundwood equivalent of the volume of wood residues produced during the year by the Company and its affiliates in the pulpwood area, that are suitable for use in the Mill, and
- (c) the roundwood equivalent of the total volume of wood residues that are suitable for use in the Mill
 - (i) purchased or otherwise acquired during the year by the Company for use in the Mill, and
 - (ii) offered to the Company, but not purchased or otherwise acquired by the Company, during the year by the owners of timber processing facilities in the pulpwood area at prices not exceeding the greater of
 - A. the minimum prices determined, from time to time, for the wood residues by order of the Lieutenant Governor in Council under section 148 of the Forest Act, or
 - B. the costs, including delivery costs to the Mill, that would be reasonably incurred by the Company to harvest roundwood in the pulpwood area and to produce suitable wood residues from it.

3.06 Subject to this part the Company may, from time to time, exercise the harvesting option under paragraph 1.01 by giving written notice to the Regional Manager or District Manager, applying for a Timber Sale Licence and specifying

- (a) the volume of timber the Company is eligible for under paragraph 3.05,
- (b) the Company's inventory of wood residues and pulp timber, and
- (c) the location the Company proposes for the Timber Sale Licence, and a proposal for obtaining access to timber to be harvested under it.

3.07 Within 90 days after the Company gives a notice under paragraph 3.06 the Regional Manager or District Manager will, without advertising or competition from other applicants, in a notice to the Company, offer a Timber Sale Licence substantially in the form then in use generally in the pulpwood area, with such modifications, consistent with the Forest Act and this Agreement, as are reasonably necessary to meet the circumstances,

- (a) authorizing the Company to harvest from specific areas in the pulpwood area, according to the Management and Working Plan, a volume of mature Aspen, or Crown timber below the standards of utilization for saw timber for use in the Mill equal to the volume the Company is eligible for under paragraph 3.05, and
- (b) for a term the Regional Manager or District Manager considers will be adequate to meet the Company's requirements.

3.08 The Company may accept an offer made under paragraph 3.07 by executing the Timber Sale Licence and returning it to the Regional Manager or District Manager within 30 days after the offer is made.

3.09 Application may be made for one or more Timber Sale Licences under paragraph 3.06 and one or more Timber Sale Licences may be offered and accepted under paragraphs 3.07 and 3.08.

3.10 A Timber Sale Licence entered into under this Agreement shall require the Company to pay to the Crown, in respect of timber harvested under the Licence, stumpage at rates determined under the Forest Act and regulations.

3.11 The Company will not use any timber harvested under a Timber Sale Licence entered into under this Agreement otherwise than in the Mill, but the Company may trade timber harvested under the Timber Sale Licence for other pulp timber, or equivalent volumes of wood residues, to be used in the Mill.

3.12 The Company will notify the Regional Manager of all trades of timber referred to in paragraph 3.11 and will, at the request of the Regional Manager, submit reports to the Regional Manager containing such information concerning the trades as the Regional Manager requires.

4.00 TIMBER PROCESSING

4.01 The Company will not cause the Mill that processes timber or wood residue or both, from this Agreement

(a) to be reduced in capacity, or

(b) to be closed for a sustained period of time,

unless, and to the extent that, the Minister exempts the Company from the requirements of this paragraph.

4.02 Unless otherwise authorized by the Minister, the Company covenants and agrees to maintain in operation in accordance with the proposal, a timber processing facility capable of producing wafers from trees harvested from Timber Sale Licences issued pursuant to this Agreement from mature aspen and other pulp quality stands and from purchased material suitable for wafer manufacture. Without limiting the generality of the foregoing such facility shall include debarking and wafer manufacturing facilities and the Company further agrees that the wood harvested under this Agreement shall be processed in the said facility. The Minister may in writing release the Company absolutely or conditionally in whole or in part from these covenants.

4.03 The Company covenants and agrees that it will diligently pursue its proposal for the establishment of a timber processing facility that is capable of utilizing not less than 452 000 m³ of timber per year. The timber processing facility shall be in full operation on or before June 1, 1987.

4.04 The Company shall maintain a performance bond in the sum of FOUR HUNDRED THOUSAND DOLLARS (\$400,000) of lawful money of Canada as guarantee of performance in respect of paragraph 4.03 above, provided that such performance bond shall be released and returned to the Company by the Minister when the timber processing facility is fully operational.

4.05 The Company agrees to submit to the Minister whenever so requested by the Minister and at regular six-month intervals from the date of this Agreement until commencement of production, a progress report on the construction of the timber processing facility.

4.06 Termination for Non Performance

(a) Subject to the provisions of this subparagraph in the event the Company fails to have the timber processing facility in full operation within the time specified the Minister may require the Company to remedy the matter within six months from the date of a written notice to the Company, and on failure to do so the Minister may declare the rights of the Company under this Agreement cancelled, and the performance bond held under paragraph 4.04 forfeited.

- (b) In the event the construction of the timber processing facility is delayed for reasons that are beyond the reasonable control of the Company, the Minister may give reasonable extension of time for the commencement of the operation of the timber processing facility.
- (c) The Minister may waive any default or extend any time for the completion or commencement of any act.
- (d) Any commencement or extension of time given by the Minister pursuant to subparagraphs (b) and (c) above shall not extend the term of this Agreement.

5.00 TERMINATION

5.01 If this Agreement is terminated, expires and is not replaced under section 36 of the Forest Act, or if this Agreement is cancelled, Timber Sale Licences entered into pursuant to this Agreement that are in effect at the time of termination or cancellation, will terminate when the termination or cancellation occurs.

5.02 Subject to paragraph 5.03 if the Company commits an act of bankruptcy, makes a general assignment for the benefit of its creditors or otherwise acknowledges its insolvency, the Minister may cancel this Agreement in a notice served on the Company.

5.03 The Minister will not cancel this Agreement under paragraph 5.02 unless and until

- (a) the Minister gives notice to
 - (i) the holder of a debenture, mortgage or other debt security that charges this Agreement, then registered against the Company under the Company Act, and
 - (ii) the trustee for the holder of a bond or debenture issued under a deed of trust that charges this Agreement, then registered against the Company under the Company Act, and
- (b) a person referred to in clause (a)(i) or (a)(ii) has had a reasonable opportunity to exercise his rights and to pursue his remedies under the deed of trust, debenture, mortgage or other debt security, including the taking of possession of the Company's properties and assets.

00 MISCELLANEOUS

6.01 By June 1 of every year during the term of this Agreement the Minister may require that the Company will deliver to the Regional Manager an annual report in respect of this Agreement for the preceding calendar year, containing such information as the Regional Manager requires.

6.02 The Minister reserves the right to grant Pulpwood - Agreements to other parties within the pulpwood area defined in paragraph 1.03 subject to the prior rights of the Company under this Agreement and the Minister also reserves the right to allow the Regional Manager or District Manager to sell mature aspen to other interested parties in the Chetwynd area and the volume reserved for sale to other parties shall not exceed fifteen (15) percent of the mature aspen stands in the pulpwood area.

6.03 There is reserved from the rights granted hereunder the right of the Crown and its agents to grant cutting authorization under Forest Licence A26301, and its replacement, from lands in the pulpwood area.

6.04 This Agreement is subject to the Forest Act.

6.05 Where service of a notice or a document is required under this Agreement, the notice or document shall be in writing and shall be deemed to have been served if delivered to, or if sent by prepaid registered mail addressed to:

The Minister:

Honourable Minister of Forests and Lands,
Parliament Buildings,
Victoria, British Columbia
V8V 1X4, and

The Company:

Louisiana-Pacific Panel Products, Ltd.
Mile 3, Alaska Highway
P.O. Box 2338
Dawson Creek, British Columbia
V1G 4P2

and to

Louisiana-Pacific Corporation,
111 Southwest 5th Avenue
Portland, Oregon 97204, U.S.A.
Attention: Mr. Vern Talcott, General Manager

and, subject to paragraph 6.06 where service is by registered mail the notice or document shall be conclusively deemed to be served on the eighth day after its deposit in a Canada Post Office at any place in Canada.



6.06 Where, between the time a notice is mailed under paragraph 6.05 and the time it is actually received by a party, there occurs a postal strike, lockout or slowdown that might reasonably affect delivery of the notice, the notice shall not be deemed to be served until the party actually receives it.

6.07 This Agreement will enure to the benefit of, and will be binding on the parties and their respective successors and permitted assigns.

6.08 Notwithstanding Part 3.00 the Minister reserves the right to allow the Regional Manager or the District Manager to sell to others any unused volumes during consecutive 5 year periods commencing on the date of award of this Agreement.

7.00 INTERPRETATION

7.01 In this Agreement, unless the context otherwise requires,

- (a) "affiliate" means affiliate within the meaning of the Company Act,
- (b) "District Manager" means a district manager appointed under the Ministry of Forests Act, for the forest district in which the pulpwood area, or part, is situated,
- (c) "Mill" means a timber processing facility that produces wafers and manufactures them into finished waferboard panels,
- (d) "Minister" means the minister within the meaning of the Forest Act,
- (e) "person" includes a corporation and a partnership,
- (f) "pulp timber" means mature aspen, and other species of roundwood timber of a quality that, from time to time, is below the standard of utilization by sawmills and/or veneer mills, but is suitable for use in the Mill,
- (g) "Regional Manager" means the regional manager appointed under the Ministry of Forests Act, for the forest region in which the pulpwood area, or part, is situated,
- (h) "timber processing facility" includes sawmills, veneer plants and plywood plants, but does not include pulp mills, and other fibre-using mills, and
- (i) "wood residue" means logging residue, slabs, edgings, and wafers.

7.02 In this Agreement, unless the context otherwise requires,

- (a) the singular includes the plural and the plural includes the singular,

- (b) the masculine, the feminine and the neuter are interchangeable, and
- (c) a reference to a series of numbers or letters, by the first and last numbers or letters of the series, includes the number or letter referred to first and the number or letter referred to last.

7.03 This Agreement is divided into parts, paragraphs, subparagraphs, clauses and subclauses, illustrated as follows:

- 1.00 part,
 - 1.01 paragraph,
 - (a) subparagraph,
 - (i) clause,
 - A. subclause;

and a reference to a subparagraph, clause or subclause shall be construed as a reference to a subparagraph, clause or subclause of the paragraph, subparagraph or clause, as the case may be, in which the reference occurs.

7.04 Where a section of the Forest Act referred to in this Agreement is renumbered, the reference in this Agreement shall be construed to be the section as renumbered.

IN WITNESS to this Agreement, the Minister has signed it on behalf of the Crown, and the common seal of the Company has been affixed to it in the presence of its officers who are authorized to do so.

SIGNED, SEALED AND
 DELIVERED by the
 HONOURABLE MINISTER OF
 FORESTS AND LANDS,
 on behalf of the Crown
 in the presence of:
Colin J. McD

[Handwritten Signature]

THE COMMON SEAL of the
 Company was affixed in
 the presence of:
[Handwritten Signature]
 Director.

