

PROVINCE OF BRITISH COLUMBIA

MINISTRY OF FORESTS

PULPWOOD AGREEMENT NO. 16

AMENDED

THIS AGREEMENT, dated October 22, 2004

BETWEEN:

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

(the "Minister")

AND:

Ainsworth Lumber Co. Ltd.
P.O. Box 49307
Bentall 4, #3194 – 1055 Dunsmuir Street
Vancouver, B. C.
V7X 1L3

(604) 661-3201 Facsimile

(the "Licensee")

WHEREAS:

- A In response to the Minister's July 19, 1988 advertisement, Ainsworth Lumber Co. Ltd. submitted on November 30, 1988 their proposal for Pulpwood Agreement 16.
- B David Ainsworth's letter of August 17, 1989 accepted the Minister of Forests' August 15, 1989 offer of Pulpwood Agreement 16.
- C The Minister of Forests and Ainsworth Lumber Co. Ltd. entered into Pulpwood Agreement 16 on April 26, 1990 for a 25 year term.
- D This Agreement amends the Agreement issued on April 26, 1990.

THE PARTIES agree as follows:

1.00 GRANT OF RIGHTS

1.01 Subject to:

- (a) this Agreement and the Acts, regulations and standards referred to in paragraph 9.02, and
- (b) the availability of timber stands specified under paragraph 8.01,

the Minister grants to the Licensee the option to obtain from the District Manager under section 41 (1) (e) of the *Forest Act*, without advertising or competition from other applicants, Forestry Licences to Cut authorizing the Licensee to harvest timber, specified under paragraph 8.01, from Crown land in the Pulpwood Area, as identified by the bold black line on the attached Exhibit "A" map.

1.02 Subject to paragraph 2.04 and harvest control under Part 5, for each harvest control year, the total volume of timber determined under 1.07 (c) as the annual harvest level must not exceed 330 000 m³.

1.03 Subject to paragraph 1.02 and harvest control under Part 5, the coniferous timber volume determined under 1.07 (c) as the annual coniferous harvest level available for a harvest control year, must not exceed the volume of coniferous timber that the Regional Manager has determined under 1.07 (b) as the average annual coniferous volume that was processed through the OSB Plant during the three preceding harvest control years.

1.04 The volume referred to in paragraph 1.02 is deemed to be reduced according to any reduction made under this Agreement.

1.05 The term of this Agreement is 25 years, beginning April 26, 1990.

1.06 Prior to any harvesting under this Agreement in any harvest control year:

- a) The Licensee must have an approved Management Plan in effect, which includes:

- ✓ Section 3 i) a description of the OSB Plant's volume requirements for raw material,
- ~ 3 ii) for the purposes of Part 4, a description of timber that the Licensee is unable to utilize in the OSB Plant,
- ~ 5 iii) for the purposes of Part 4, a proposed process for determining an economically unacceptable asking price for pulp logs or wood residue suitable for processing in the OSB Plant,

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- iv) for the purposes of Part 5, describe the “timber specifications” that the Licensee agrees will be included in all cutting authorities issued under this Agreement and under any other agreements the Licensee holds in the Pulpwood Area,
- v) a description of the Licensee’s proposed process and format to be used for advertising their interest in purchasing all timber that is suitable for processing in the OSB Plant that may be available in the Pulpwood Area,
- vi) a description of the Licensee’s proposed process for reporting to the Regional Manager the coniferous volume processed through the OSB Plant in a specific harvest control year,
- vii) a proposal for apportioning the harvest level available to the Licensee between the timber supply areas within the Pulpwood Area,
- viii) the Licensee’s commitment to forest health management within the Pulpwood Area,
- ix) a description of how the Licensee has met the Regional Manager’s requirements, if any, for providing opportunity for public review and comment on the Management Plan, and
- x) other information as may be requested by the Regional Manager.

b) The Licensee must have received from the Regional Manager the written notification, required under paragraph 1.09.

1.07 The Regional Manager will determine on an annual basis:

- (a) whether the Licensee has performed in accordance with all the conditions of this Agreement, including the implementation of the approved Management Plan,
- (b) the average annual volume of coniferous timber that was processed through the OSB Plant during the previous 3 harvest control years, and
- (c) subject to paragraphs 1.02, 1.03, and 5.06 the level of total harvest and coniferous harvest available for the upcoming harvest control year, to be known as the “annual harvest level” and “coniferous harvest level” respectively.

1.08 If the Regional Manager determines that the Licensee has not performed in accordance with all the conditions of this Agreement, then the Regional

Manager is not required to approve a level of harvest for a harvest control year.

- 1.09 The Regional Manager must provide the Licensee with a notice of his determinations under paragraphs 1.07 and 1.08 and detail the level of harvest approved for the current harvest control year.
- 1.10 The Regional Manager within 90 days of receiving a proposed Management Plan submitted to meet the requirements of subparagraph 1.06 (a) or paragraph 1.13, may, in a notice given to the Licensee, approve the proposed Management Plan subject to such conditions as the Regional Manager considers necessary or appropriate, if the Regional Manager is satisfied the proposed Management Plan meets a satisfactory standard and the requirements of subparagraph 1.06 (a).
- 1.11 If the Regional Manager does not approve a Management Plan under paragraph 1.10, then:
 - (a) the Regional Manager, within 90 days after the date on which the Regional Manager receives the proposed Management Plan, will specify in a notice given to the Licensee the reason why the Regional Manager has not approved the proposed Management Plan, and
 - (b) the Licensee, within 30 days, or an alternative period of time specified by the Regional Manager in a notice to the Licensee, after the date on which the Licensee is given the notice referred in subparagraph (a), must submit a new or revised proposed Management Plan to the Regional Manager.
- 1.12 A Management Plan submitted to accommodate subparagraph 1.06 (a) or paragraph 1.13 and approved by the Regional Manager becomes part of this Agreement, and the Licensee must abide by the approved Management Plan.
- 1.13 The Regional Manager may request a new Management Plan at his or her discretion and the Licensee must submit a new Management Plan within 4 months of the request.
- 1.14 This Agreement is not replaceable under the *Forest Act*.
- 1.15 This document is an amendment to Pulpwood Agreement No. 16, dated April 26, 1990, and replaces that document as of November 1, 2004.

2.00 TIMBER PROCESSING

- 2.01 In this Part, a *force majeure* event means any of the following which is beyond the control of the Licensee and could not reasonably have been foreseen by the Licensee:

- (a) acts of God, acts of the public enemy, riots, fires, storms, floods, or explosions,
- (b) labour disputes,
- (c) inability to obtain any approvals required from any regulatory authority,
- (d) the invoking of a *force majeure* clause by a customer for the product produced by the OSB Plant, except where the clause is invoked because of lack of markets or uneconomic market conditions unrelated to any of the events described in subparagraphs (a), (b) or (c) above, and
- (e) any similar event other than lack of markets or uneconomic market conditions unrelated to any of the events described in subparagraphs (a), (b) or (c) above.

2.02 The Licensee must not make any significant capital expenditure for expansion of the OSB Plant capacity, unless prior written approval has been granted by the Minister.

2.03 The Licensee must give the Minister at least 90 days notice prior to any closure of the OSB Plant or any reduction in its production if the Licensee knows or should reasonably expect that the closure or reduction might extend beyond 90 consecutive days.

2.04 The Licensee must not close the OSB Plant or reduce its production for a period longer than 90 consecutive days, except as a consequence of a *force majeure* event. At any time within 12 months after the closure or reduction the Regional Manager may suspend, in whole or in part, rights under the Agreement, pursuant to section 76 of the *Forest Act*.

3.00 UTILIZATION OF TIMBER HARVESTED UNDER A FORESTRY LICENCE TO CUT

3.01 The Licensee must process all timber harvested under this Agreement or a Road Permit, or equivalent volumes in the OSB Plant.

4.00 UTILIZATION OF PULP LOGS AND WOOD RESIDUE

4.01 The Licensee must ensure all pulp quality timber, that has been identified as suitable for oriented strand board in the Management Plan, that is available for harvest by the Licensee and its affiliates within the Pulpwood Area under a Forestry Licence to Cut, is harvested and utilized.

4.02 (a) The Licensee must purchase and utilize:

- (ii) a minimum of 150,000 m³/year of logs meeting oriented strand board specifications every year following 2006,

from West Fraser Mills Ltd's operations under Forest Licence A18690 and Forest Licence A20002 in accordance with the terms and conditions under the "Fibre Flow Agreement" unless otherwise exempted in writing by the Regional Manager.

- (b) Subject to paragraph 4.03, the Licensee must purchase all available pulp logs and wood residue within the Pulpwood Area, suitable for processing in the OSB Plant.

- 4.03 Subject to the Management Plan approved under paragraph 1.10, the Licensee need not purchase, or cause to be purchased, pulp logs or wood residue under paragraph 4.02 if the Regional Manager determines that the asking price for the pulp logs or wood residue is economically unacceptable.
- 4.04 Upon the request of the Licensee, or at his own discretion, the Regional Manager may refer the question of whether the asking price for pulp logs or wood residue is economically unacceptable to an independent expert acceptable to the Licensee, such acceptance not to be unreasonably withheld, and, if the Regional Manager does so, the determination of the independent expert is deemed to be the determination of the Regional Manager for the purpose of paragraph 4.03.
- 4.05 Subject to paragraph 4.06, the Licensee must take delivery of pulp logs or wood residue purchased under paragraph 4.02 within 3 months or within such longer period as is agreed to by the Regional Manager.
- 4.06 Subject to the Management Plan under paragraph 1.10, the District Manager, in a notice given to the Licensee, may specify a period that is shorter than the 3 months referred to in paragraph 4.05 if the timber from which the pulp logs or wood residue will be produced, must be harvested and utilized expeditiously to prevent the reduction in volume or the loss or destruction of timber.
- 4.07 Subject to the Management Plan approved under paragraph 1.10, for the purposes of this Agreement, all pulp logs or wood residues are deemed to be suitable for processing in the OSB Plant unless the Regional Manager determines that a species or type of pulp log or wood residue is unsuitable for processing in the OSB Plant having regard to the design and technological capability of the OSB Plant to manufacture a marketable end product from the pulp logs or wood residues.

4.08 Upon the request of the Licensee, or at his own discretion, the Regional Manager may refer the question of whether a species or type of pulp log or wood residue is unsuitable for processing in the OSB Plant to an independent expert acceptable to the Licensee. If the Regional Manager does so, the determination of the independent expert is deemed to be the determination of the Regional Manager for the purpose of paragraph 4.03.

4.09 The Licensee must pay all costs and expenses of an independent expert referred to in paragraph 4.04 or 4.08, where the Licensee has requested the review by an independent expert.

5.00 HARVEST CONTROL

5.01 In this Part,

- (a) “volume of timber harvested” means, the total of the following volumes that are charged to the Licence in the “harvest control year” in statements or invoices issued on behalf of the government,
 - (i) the volume of timber cut that meets the timber specifications under the Forestry Licences to Cut and Road Permits associated with this Agreement,
 - (ii) the volume of timber estimated to be wasted or damaged under the Forestry Licences to Cut and Road Permits associated with this Agreement,
 - (iii) the volume of timber cut, damaged or destroyed by the Licensee without authorization under this Agreement,
 - (iv) the volume of timber estimated, in accordance with applicable Forestry Legislation, to be wasted on any cutting authorities under Forest Licence A18700, within the Pulpwood Area,
 - (v) the volume of timber the Regional Manager has determined must have been purchased under paragraph 4.02, which was not purchased by the Licensee, and
 - (vi) volume identified as an “overcut adjustment”.

5.02 The Licensee must not fell standing timber, or must not buck or Remove felled or dead and down timber, as the case may be, if the timber is specified as reserved timber in a Forestry Licence to Cut.

5.03 Subject to paragraph 5.02, all standing or felled timber that meets or exceeds the Timber Specifications, as described in the approved Management Plan, and that could have been Removed but which is not Removed may be dealt with by the Government as if it had been Removed for the purposes of determining:

- (a) the volume Removed in compliance with paragraph 1.09, and
 - (b) the volume of timber harvested as per paragraph 5.01.
- 5.04 All timber that meets or exceeds the dimensions specified in the waste assessment manual and that is not Removed by the Licensee but that could have been Removed will be identified in an assessment as described in paragraph 5.05, and will also be dealt with as if it had been Removed for purposes of determining stumpage under paragraph 5.06.
- 5.05 For the purpose of conducting the assessment of the volume of timber that was not Removed as described in paragraph 5.04 and for the purpose of determining the volume of timber that is Waste for the purposes of paragraph 5.06:
- (a) the Licensee must conduct an assessment in accordance with the current Waste Assessment Manual after the Licensee has declared that Primary Logging has been completed for each Forestry Licence to Cut, or
 - (b) the Regional Manager or District Manager may conduct an assessment in accordance with the Waste Assessment Manual after the expiry of the term of a Forestry Licence to Cut or Agreement or the Agreement and/or Forestry Licence to Cut otherwise being terminated, whichever occurs first.
- 5.06 The Regional Manager or District Manager, in a notice given to the Licensee, may require the Licensee to pay in respect of the volume of timber determined under paragraph 5.05, a monetary assessment for all Waste.
- 5.07 The Licensee must ensure that the volume of timber harvested during a harvest control year is not more than 105 percent of the volume levels approved by the Regional Manager, under paragraph 1.09, for the harvest control year.
- 5.08 If the volume of timber harvested during a harvest control year is more than the maximum allowed during that period under paragraph 5.07, then the Regional Manager or District Manager in a notice given to the Licensee, may vary or suspend, in whole or in part, or refuse to issue, a Forestry Licence to Cut or Road Permit to the extent necessary to offset the difference between the volume of timber harvested during the harvest control year and the volume levels approved under paragraph 1.09 for that harvest control year.
- 5.09 If the volume of timber harvested during a harvest control year is more than the maximum allowed during that period under paragraph 5.07, then the Regional Manager in a notice given to the Licensee, may require the

Licensee to pay, as a reasonable pre-estimate of liquidated damages, in addition to stumpage payable under the Forestry Licences to Cut, an amount no greater than the amount determined in accordance with paragraph 5.05.

and period, by

- (b) the average of those bonus bids accepted during the harvest control year in respect of timber in the Pulpwood Agreement area sold under section 20 of the *Forest Act* that the Regional Manager considers appropriate.

5.11 If the volume of timber harvested during a harvest control year is more than the maximum allowed during that period under paragraph 1.09, then the Regional Manager will reduce the available harvest level for the next harvest control year, determined under subparagraph 1.07 (c), by the overcut volume amount.

5.12 The powers conferred on the Regional Manager or District Manager under this Part may be exercised separately, concurrently or cumulatively.

6.00 APPLICATION FOR A FORESTRY LICENCE TO CUT

6.01 The Licensee may only apply for a Forestry Licence to Cut if the Regional Manager is satisfied the Licensee has met all of its obligations under Parts 2.00, 3.00, and 4.00.

6.02 Subject to paragraphs 6.01, and 6.03 through 6.05 inclusive, the Licensee may submit an application to the District Manager for a Forestry Licence to Cut to authorize harvesting of timber specified under Part 8 on one or more areas of Crown land within the Pulpwood Area, that are either:

- (a) identified on a forest development plan as cutblocks for which the Licensee may, during the term of the forest development plan, apply for a Forestry Licence to Cut, or
- (b) exempted under the *Forest Practices Code of British Columbia Act* from the requirement for a forest development plan, or exempted under the *Forest and Range Practices Act* from the requirement for a Forest Stewardship Plan, or
- (c) located within a forest development unit of a Forest Stewardship Plan.

- 6.03 Before submitting an application for a Forestry Licence to Cut, the Licensee must compile:
- (a) cruise data, and
 - (b) appraisal data,
- in accordance with the requirements of Part 7.00, for the harvest areas to be included in the application.
- 6.04 An application for a Forestry Licence to Cut must:
- (a) be in a form acceptable to the District Manager,
 - (b) include:
 - (i) any information the District Manager may require to determine whether the Licensee has complied with Parts 2.00, 3.00 and 4.00,
 - (ii) a map to a scale acceptable to the District Manager showing the areas referred to in the application,
 - (iii) the cruise data and appraisal data referred to in paragraph 6.03, and
 - (iv) a description acceptable to the District Manager of any timber that is reserved from cutting,
 - (c) if required by the District Manager, identify the sequence in which the areas of land referred to in the application would be harvested if a Forestry Licence to Cut is entered into.
- 6.05 The areas of land shown on the map referred to in clause 6.04 (b) (ii) must be the same size, shape and locations as the:
- (a) cutblocks referred to in subparagraph 6.02 (a), or
 - (b) areas referred to in subparagraph 6.02 (b), or
 - (c) forest development units referred to in subparagraph 6.02 (c)
- allowing for any difference in scale between maps used in the Forest Development Plan or Forest Stewardship Plan or exemption and the map referred to in clause 6.04 (b) (ii).
- 6.06 Subject to paragraphs 6.07 through 6.11 inclusive and 6.05, upon receipt of an application for a Forestry Licence to Cut submitted under paragraph 6.02, the District Manager will enter into a Forestry Licence to Cut with the Licensee if:
- (a) the District Manager is satisfied that:
 - (i) the requirements of paragraphs 6.01 and 6.03 through 6.05 inclusive have been met,

- (ii) the areas of land referred to in the application for the Forestry Licence to Cut contain timber stands specified under Part 8, and
 - (iii) the cruise data and appraisal data referred in clause 6.04 (b) (iii) meet the requirements of Part 7.00, and
- (b) where subparagraph 6.04 (c) applies, the District Manager is satisfied with the sequence of harvesting.

- 6.07 The District Manager may consult any aboriginal group(s) who may be exercising or claiming to hold Aboriginal Interest(s) or proven aboriginal right, including aboriginal title, or a treaty right(s) that may be unjustifiably infringed by activities or operations under or associated with a Forestry Licence to Cut.
- 6.08 The District Manager may impose conditions in a Forestry Licence to Cut to address Aboriginal Interest(s), or proven aboriginal right(s), including aboriginal title, or treaty right(s).
- 6.09 The District Manager may refuse to issue a Forestry Licence to Cut if, in the opinion of the District Manager, issuance of the Forestry Licence to Cut would result in an unjustifiable infringement of an Aboriginal Interest, or proven aboriginal right, including aboriginal title, or a treaty right(s).
- 6.10 If the District Manager:
- (a) determines that a Forestry Licence to Cut may not be entered into because the requirements of paragraph 6.06 have not been met,
 - (b) is carrying out consultations under paragraph 6.07, or
 - (c) refuses to enter into a Forestry Licence to Cut under paragraph 6.09,

the District Manager will notify the Licensee within 45 days of the date on which the application for the Forestry Licence to Cut was submitted.

- 6.11 A Forestry Licence to Cut must:
- (a) meet the content requirements of section 47.7 of the *Forest Act*,
 - (b) be for a term not exceeding the term of this Agreement or 5 years whichever is less,
 - (c) specify a timber mark to be used in conjunction with the timber harvesting operations carried on under the Forestry Licence to Cut,
 - (d) specify whether, for the purpose of determining the amount of stumpage payable in respect of timber harvested under the Forestry Licence to Cut, the volume and quantity of timber is to be determined using information provided by:

- (e) provide for determining the volume of timber that was not removed and is waste for the purposes of monetary assessment in respect of waste, and
- (f) include such other provisions, consistent with the Acts, regulations and standards, as the District Manager considers necessary or appropriate, including provisions to:
 - (i) address issues associated with:
 - (A) potentially existing aboriginal interests or treaty rights, and
 - (B) trappers, guide outfitters, range tenure holders and other licensed resource users, and
 - (ii) ensure activities and operations under or associated with the Forestry Licence to Cut will adequately manage and conserve the forest resources of the areas referred to in the Forestry Licence to Cut.

7.00 CRUISE AND APPRAISAL INFORMATION

7.01 The Licensee must ensure that cruise data submitted under this Agreement are:

- (a) compiled in accordance with the Cruising Compilation Design Manual, and
- (b) based on cruises carried out in accordance with the *Cruising Manual* prepared by the Ministry of Forests.

7.02 The Licensee must ensure that appraisal data submitted under this Agreement:

- (a) is compiled in accordance with, and
- (b) includes all data required under,

the policies and procedures approved by the Minister from time to time under section 105 of the *Forest Act*.

8.00 TIMBER STANDS AVAILABLE FOR HARVEST

8.01 Unless different criteria are approved in a Management Plan submitted under subparagraph 1.06 (a), the following timber stands, within the Pulpwood Area, will be available for harvest by the Licensee:

- (a) timber stands where the cruise under Part 7 has confirmed that 51 percent (%) or greater of the merchantable basal area of the stand is deciduous;
- (b) timber stands where the cruise under Part 7 confirms that:
 - i) 51 percent (%) or greater of the merchantable volume of the stand is lodgepole pine volume, and
 - ii) the average age of the stand is greater than 80 years, and
 - iii) the calculated “average piece size” of the coniferous timber in the stand is less than 0.2 m³/tree.
- (c) timber stands where the cruise under Part 7 confirms that:
 - i) 51 percent (%) or greater of the merchantable volume of the stand is Douglas-fir, spruce or balsam volume, or a combination thereof, and
 - ii) the average age of the stand is greater than 120 years, and
 - iii) the average height of the co-dominant trees in the stand is less than 20 metres.

8.02 The Regional Manager or District Manager, in a notice given to the Licensee, may advise the Licensee that after the date specified in the notice the Licensee may only submit applications for Forestry Licences to Cut for areas of Crown land meeting the requirements set out in the notice.

8.03 Before giving notice under paragraph 8.02, the Regional Manager or District Manager will consult with and will consider the comments of the Licensee.

9.00 LEGISLATIVE FRAMEWORK

9.01 The laws of British Columbia will govern the interpretation and the performance of the Parties' obligations under this Agreement and each Forestry Licence to Cut.

9.02 This Agreement and each Forestry Licence to Cut is subject to the following (the “Forestry Legislation”):

- (a) the *Forest Act*,
- (b) the *Forest Practices Code of British Columbia Act*,
- (c) the *Forest and Range Practices Act*, and
- (d) the regulations and standards made under these Acts.

9.03 The Licensee must:

- (a) comply with the Forestry Legislation, and

- (b) ensure that its employees, agents and contractors comply with the Forestry Legislation when engaging in or carrying out activities or operations under or associated with this Agreement or any Forestry

10.00 REPORTING

- 10.01 The Regional Manager or District Manager, in a notice given to the Licensee by April 1 of any year, may require the Licensee to submit a report containing such information as the Regional Manager or District Manager requires regarding the Licensee's performance of its obligations under or in respect of this Agreement or a Forestry Licence to Cut if the information is not included in any other reports which the Licensee must submit under this Agreement or the Forestry Legislation.
- 10.02 Upon receipt of a notice referred to in paragraph 10.01, the Licensee, on or before the date specified in the notice, must submit a report to the Regional Manager or District Manager containing the required information.
- 10.03 Subject to paragraph 10.04, the Regional Manager or District Manager may include the information contained in a report submitted under paragraph 10.02 in any reports prepared by the Ministry of Forests for public review.
- 10.04 Subject to the *Freedom of Information and Protection of Privacy Act*, the Regional Manager or District Manager will not disclose information provided in confidence by the Licensee in a report submitted under paragraph 10.02.
- 10.05 In a notice to the Licensee the Regional Manager or District Manager may require the Licensee to provide opportunity to the public to review and comment on any proposed Management Plan that the Licensee intends to submit to meet the requirements of subparagraph 1.07 (a) or paragraph 1.11.

11.00 TERMINATION AND SURRENDER

- 11.01 If this Agreement expires, or is surrendered, cancelled or otherwise terminated:

- (a) all Forestry Licences to Cut entered into pursuant to this Agreement are terminated, and
- (b) title to all:
 - (i) improvements, including roads and bridges, constructed by the Licensee under the authority of a Forestry Licence to Cut, and
 - (ii) timber, including logs and special forest products, cut under the authority of a Forestry Licence to Cut and which are still located on Crown land,

vests in the Government, without right of compensation to the Licensee.

- 11.02 The Licensee must not remove any improvements or Remove any timber referred to in subparagraph 11.01 (b), unless authorized to do so by the Regional Manager or District Manager.
- 11.03 If a Road Permit expires or is surrendered, cancelled or otherwise terminated, all improvements, including roads and bridges, constructed under the authority of the Road Permit will vest in the Government, without right of compensation to the Licensee, unless otherwise specified in the Road Permit.
- 11.04 The Licensee must not take away any improvements vesting in the Government under paragraph 11.03, unless authorized to do so by the Regional Manager or District Manager.
- 11.05 If the Licensee commits an act of bankruptcy, makes a general assignment for the benefit of its creditors or otherwise acknowledges its insolvency, the Licensee is deemed to have failed to perform an obligation under this Licence.

12.00 NOTICE

- 12.01 A notice given under this Agreement must be in writing.
- 12.02 A notice given under this Agreement may be:
 - (a) delivered by hand,
 - (b) sent by mail, or
 - (c) subject to paragraph 12.05, sent by facsimile transmission,

to the address or facsimile number, as applicable, specified on the first page of this Agreement, or to such other address or facsimile number as is specified in a notice given in accordance with this Part.

12.03 If a notice is given under this Agreement, it is deemed to have been given:

- (a) if it is given in accordance with subparagraph 12.02 (a), on the date it is delivered by hand,
- (b) if it is given in accordance with subparagraph 12.02 (b), subject to paragraph 12.04, on the eighth day after its deposit in a Canada Post Office at any place in Canada, and
- (c) if it is given in accordance with subparagraph 12.02 (c), subject to paragraph 12.05, on the date it is sent by facsimile transmission.

12.04 If, between the time a notice is mailed in accordance with subparagraph 12.02 (b) and the time it is actually received, there occurs a postal strike, lockout or slowdown that might reasonably affect delivery of the notice, the notice is not deemed to be given until the party actually receives it.

12.05 If a notice is sent by facsimile transmission, the party sending the notice must take reasonable steps to ensure that the transmission has been successfully completed.

13.00 MISCELLANEOUS

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

13.02 Any power conferred or duty imposed on the Regional Manager or District Manager under this Agreement may be exercised or fulfilled by a person authorized to do so by the Regional Manager or District Manager, as the case may be.

13.03 The laws of British Columbia will govern the interpretation of this Agreement and the performance of the parties' obligations under this Agreement.

13.04 Nothing in this Agreement authorizes the Licensee to in any way restrict the Government's right of access to the areas defined in a Forestry Licence to Cut or Road Permit, or the right of any other authorized entrant, user or occupier of these areas.

14.00 COURT DETERMINED ABORIGINAL RIGHTS AND/OR TITLE

14.01 Notwithstanding any other provision of this Agreement, if a court of competent jurisdiction:

- (a) determines that activities or operations under or associated with this Agreement will unjustifiably infringe an aboriginal right and/or title, or treaty right,
- (b) grants an injunction further to a determination referred to in subparagraph (a), or
- (c) grants an injunction pending a determination of whether activities or operations under or associated with this Agreement will unjustifiably infringe an aboriginal right and/or title, or treaty right,

then the Regional Manager or District Manager, in a notice given to the Licensee, may vary or suspend, in whole or in part, or refuse to issue a Forestry Licence to Cut or Road Permit so as to be consistent with the court determination.

14.02 Subject to this Agreement and the Forestry Legislation, if:

- (a) the Regional Manager or District Manager has varied a Forestry Licence to Cut or Road Permit under paragraph 14.01,
- (b) a court of competent jurisdiction subsequently overturns, sets aside or dissolves the determination or injunction referred to in that paragraph, and
- (c) it is practical to do so,

then the Regional Manager or District Manager, at the request of the Licensee, will vary the Forestry Licence to Cut or Road Permit to reflect as closely as possible, for the remainder of its term, the terms and conditions of the Forestry Licence to Cut or Road Permit prior to the variation under paragraph 14.01.

14.03 Subject to this Agreement and the Forestry Legislation, if:

- (a) the Regional Manager or District Manager has suspended a Forestry Licence to Cut or Road Permit under paragraph 14.01,
- (b) a court of competent jurisdiction subsequently overturns, sets aside or dissolves the determination or injunction referred to in that paragraph, and
- (c) it is practical to do so,

then the Regional Manager or District Manager, at the request of the Licensee, will reinstate the Forestry Licence to Cut or Road Permit for the remainder of its term.

14.04 Subject to this Agreement and the Forestry Legislation, if:

- (a) the Regional Manager or District Manager has refused to issue a Forestry Licence to Cut or Road Permit under paragraph 14.01,

- (b) a court of competent jurisdiction subsequently overturns, sets aside or dissolves the determination or injunction referred to in that paragraph, and
- (c) it is practical to do so,

then the Regional Manager or District Manager, at the request of the Licensee, will issue the Forestry Licence to Cut or Road Permit.

15.00 INTERPRETATION

15.01 In this Agreement, unless the context otherwise requires:

- (a) "Aboriginal Interests" refers to potentially existing, but unproven, aboriginal right(s) and/or aboriginal title,
- (b) "Affiliate" means affiliate within the meaning of section 53 the *Forest Act*,
- (c) "Close" or "Closure" means cessation of production of the principal forest products normally produced by the OSB Plant,
- (d) "District Manager" means:
 - (i) a District Manager appointed under the *Ministry of Forests Act*, for a forest district in which all or part of the Pulpwood Area is situated, and
 - (ii) any person authorized by the District Manager to exercise a power or fulfil a duty under this Agreement,
- (e) "Fibre Flow Agreement" means the Fibre Flow(OSB) Agreement made the 19th day of April, 2001 between West Fraser Mills Ltd. and Ainsworth Lumber Co. Ltd. as per the copy submitted to the Ministry of Forests under cover letter dated May 16, 2001.
- (f) "*Forest Act*" means the *Forest Act*, R.S.B.C. 1996, c. 157, as amended from time to time, or the successor to that Act if it is repealed,
- (g) "*Forest and Range Practices Act*" means the *Forest and Ranges Practices Act*, S.B.C. 2002, c. 69 as amended from time to time, or the successor to this Act, if it is repealed,
- (h) "Forest Development Plan" means a Forest Development Plan referred to in the *Forest Practices Code of British Columbia Act* that is approved by the District Manager in respect of this Agreement,
- (i) "*Forest Practices Code of British Columbia Act* " means the *Forest Practices Code of British Columbia Act* , S.B.C. 1996, c. 159, as amended from time to time, or the successor to this Act if it is repealed,

- (j) "Forest Stewardship Plan" means a Forest Stewardship Plan referred to in the *Forest and Range Practices Act*, that is prepared or approved by the Minister in respect of the Agreement,
- (k) "Forestry Legislation" means the statutes and regulations, to which the Agreement is subject, as set out in Part 9,
- (l) "Forestry Licence to Cut" means a Forestry Licence to Cut granted under section 41 (1) (e) of the *Forest Act*,
- (m) "Government" means the Government of the Province of British Columbia,
- (n) "Harvest Area" means the area or areas allocated for the activities of the Agreement pursuant to this Agreement as identified in paragraph 1.01 and which for greater detail are outlined on the maps found in the Forestry Licence to Cut,
- (o) "Harvest Control Year" means a period from May 1 to April 30 of the following year during the term of the Agreement,
- (p) "Minister" means the Minister responsible for administering the *Forest Act*,
- (q) "OSB Plant" means the oriented strand board Plant owned and operated by the Licensee in the vicinity of 100 Mile House, British Columbia
- (r) "Overcut Adjustment" means the part of the volume of timber harvested under this Agreement during the previous harvest control year in excess of the volume levels approved by the Regional Manager under paragraph 1.09 for that harvest control year.
- (s) "person" includes a corporation and a partnership,
- (t) "pulp logs" means logs which are primarily of a quality that is below the standard of utilization for sawmills within the PA16 area as determined by the Regional Manager or District Manager,
- (u) "Pulpwood Area" means the area of Pulpwood Agreement No. 16 as outlined in bold black on the map attached to this Agreement,
- (v) "Regional Manager" means a Regional Manager appointed under the *Ministry of Forests Act* for a forest region in which all or part of the Pulpwood Area is situated,
- (w) "Remove" means the removal of timber from the Harvest Area and removed" and "removing" have the corresponding meanings,
- (x) "Road Permit" has the meaning given in the *Forest Act*,
- (y) "Timber Specifications" means the specifications for timber, as described in the approved Management Plan, that defines the timber to be charged against the licence as "volume of timber harvested", as defined in paragraph 5.01,

(z) "Waste" means timber, whether standing or felled, that could have been Removed under the Licence but was not Removed, and which meets or exceeds the specifications of timber merchantability as stated in the Waste Assessment Manual, and as determined in accordance with the Waste Assessment Manual, and

(aa) "Waste Assessment Manual" means the "Provincial Logging Residue and Waste Measurements Procedure Manual, as amended from time to time.

15.02 Unless otherwise provided in paragraph 15.01, if a word or phrase used in this Agreement is defined in the *Forest Act* or the *Forest Practices Code of British Columbia Act* or the *Forest and Range Practices Act*, then the definition in the Forestry Legislation applies to this Agreement, and where the word or phrase in the Forestry Legislation is replaced by a new word or phrase having the same meaning, the word or phrase in this Agreement is deemed to have been replaced by the same word or phrase.

15.03 If a provision of the *Forest Act* or the *Forest Practices Code of British Columbia Act* or the *Forest and Range Practices Act* referred to in this Agreement is renumbered, then the reference in this Agreement must be construed as a reference to the provision as renumbered.

15.04 In this Agreement, unless the context otherwise requires:

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

(b) the masculine, the feminine and the neuter are interchangeable.

15.05 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;

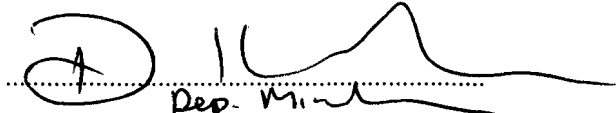
and a reference to a subparagraph, clause or subclause must be construed as a reference to a subparagraph, clause or subclause of the paragraph, subparagraph or clause, as the case may be, in which the reference occurs.

IN WITNESS WHEREOF this Agreement has been executed by the Minister and the Licensee.

SIGNED on.....20....)
by the Minister of Forests)
on behalf of Her Majesty)
the Queen in Right of)
the Province of)
British Columbia in the)
presence of:)

Andrea G. de Lestard)

(Print Name) *Andrea G delestard*)


.....
Dep. Min
The Honourable
Minister of Forests

THE COMMON SEAL of)
the Licensee was affixed)
on *Nov 4*.....20*24*)
in the presence of)

Kevin Ainsworth)

(Print Name) *KEVIN AINSWORTH*)

c/s

(or)

SIGNED on *Nov 4*.....20*24*)
by the Licensee, in the)
presence of:)

Kevin Ainsworth)

(Print Name) *KEVIN AINSWORTH*)

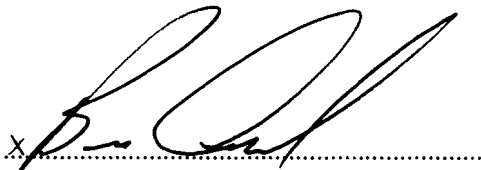

.....
Ainsworth Lumber Co. Ltd.

EXHIBIT "A"

Pulpwood Agreement No. 16 Area Map

