



Province of British Columbia Ministry of Forests and Lands

PULPWOOD AGREEMENT

NO. 7

THIS AGREEMENT, made as of January 24, 1987

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:

PRINCE GEORGE PULP AND PAPER LIMITED  
2800 - 1055 DUNSMUIR STREET  
P.O. BOX 49420, BENTALL POSTAL STATION  
VANCOUVER, BRITISH COLUMBIA  
V7X 1B5

(the "Company")

OF THE SECOND PART,

WITNESSES that, under section 39 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 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 a volume not exceeding 1 265 000 m<sup>3</sup> of Crown timber, each year during the term of this Agreement, provided that stands of timber which in the opinion of the Regional Manager are then considered to be predominantly more suitable for processing into sound wood products than for wood chips shall not be included in Timber Sale Licences obtained by the Company under this Agreement.

1.02 The harvesting option in paragraph 1.01 is exercisable subject to part 3.00.

1.03 The pulpwood area is the Crown land within the area shown outlined in bold black on the map attached to this Agreement.

1.04 The term of this Agreement is 25 years, beginning January 24, 1987.

1.05 On its tenth anniversary this Agreement may be replaced according to the Forest Act.

2.00 AVAILABILITY OF WOOD RESIDUES

2.01 The Minister covenants that in every Forest Licence and every Tree Farm Licence entered into by the Crown within the pulpwood area while this Agreement is in force, the Crown will reserve the discretionary right to require that the Licensee shall not, during a period of time stipulated by the Regional Manager, sell, agree to sell, or deliver any wood residues produced by the Licensee from timber harvested under the Licence to any person unless the Licensee first offers to sell the wood residues

*Handwritten initials and scribbles, possibly "M" and "116".*

- (a) to a person designated by the Regional Manager, or
- (b) to persons who own or operate timber processing facilities using wood residues within an area designated by the Regional Manager

on terms substantially the same as those offered or agreed to be paid to the Licensee by any other user within an area designated by the Regional Manager. This paragraph is subject to revision or revocation by the Minister on or after January 24, 1997.

3.00 EXERCISE OF HARVESTING OPTION

3.01 The Company may not exercise its harvesting option under paragraph 1.01 unless the Company has taken all measures that are reasonably necessary to obtain from other sources the total raw material requirements of the Mill at costs 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 wood chips from the roundwood timber, such measures to include but not be limited to

- (a) utilizing wood residues, suitable for use in the Mill, produced by timber processing facilities of the Company and its affiliates, in and about the pulpwood area,

- (b) purchasing wood residues, suitable for use in the Mill, produced by timber processing facilities of other persons,
  - (i) from timber harvested in the pulpwood area and available to the Company, and
  - (ii) from timber harvested outside the pulpwood area and available to the Company at prices substantially the same as the market price within an area designated by the Regional Manager,
- (c) utilizing pulp timber and logging residues produced in the pulpwood area by the Company and its affiliates, and
- (d) purchasing pulp timber and logging residues produced in the pulpwood area by persons other than the Company and its affiliates, and available to the Company at reasonable prices.

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

3.03 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 1 265 000 m<sup>3</sup>, minus the total of

- (a) the roundwood equivalent of the total volume of wood residues, suitable for use in the Mill,
  - (i) produced by timber processing facilities of the Company and its affiliates in and about the pulpwood area,
  - (ii) purchased or otherwise acquired from persons other than the Company and its affiliates during the year by the Company, for use in the Mill, and
  - (iii) offered to the Company at prices substantially the same as the market price within an area designated by the Regional Manager, but not purchased or otherwise acquired by the Company during the year, and
- (b) the volume of pulp timber and logging residues
  - (i) produced during the year in the pulpwood area by the Company and its affiliates, and
  - (ii) the volume purchased by the Company during the year, from persons other than the Company and its affiliates, for use in the Mill.

3.04 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 3.03,
- (b) the Company's inventory of wood residues and pulp timber at the Mill and at the timber processing facilities of the Company and its affiliates in and about the pulpwood area, 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.

3.05 Within 90 days after the Company gives a notice under paragraph 3.04 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, determined by the Regional Manager or District Manager, a volume not exceeding the volume the Company is eligible for under paragraph 3.03, of Crown timber below the standards of utilization for sound wood products for use in the Mill, and
- (b) for a term the Regional Manager or District Manager considers will be adequate to meet the Company's requirements.

3.06 The Company may accept an offer made under paragraph 3.05 by executing the Timber Sale Licence and returning it to the Regional Manager or District Manager within 30 days after the offer is made.

3.07 Application may be made for one or more Timber Sale Licences under paragraph 3.04 and one or more Timber Sale Licences may be offered and accepted under paragraphs 3.05 and 3.06.

3.08 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.

3.09 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.

3.10 The Company will notify the Regional Manager of all trades of timber referred to in paragraph 3.09 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 below its capacity on January 1, 1979, 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.

#### 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.

6.00 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 This Agreement is subject to the Forest Act.

6.03 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:

PRINCE GEORGE PULP AND PAPER LIMITED  
2800 - 1055 DUNSMUIR STREET  
VANCOUVER, BRITISH COLUMBIA  
V7X 1B5

and, subject to paragraph 6.04 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.

6.04 Where, between the time a notice is mailed under paragraph 6.03 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.

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

6.06 The Minister reserves the right to enter into Pulpwood Agreements with other parties in respect to all or part of the pulpwood area subject to the prior rights of the Company under 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) "logging residue" means logs and portions of trees, from which wood chips suitable for the Mill can be produced at costs 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 wood chips from the roundwood timber,
- (d) "Mill" means the pulp mill of the Company located at Prince George, and termed the Intercontinental Pulp Division,
- (e) "Minister" means minister within the meaning of the Forest Act,
- (f) "person" includes a corporation and a partnership,
- (g) "pulp timber" means roundwood timber of a quality that, from time to time, is below the standard of utilization that is acceptable for processing into sound wood products, but is suitable for use in the Mill,
- (h) "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,
- (i) "timber processing facility" includes sawmills, veneer plants and plywood plants, but does not include pulp mills, and other fibre-using mills,
- (j) "wood residue" means wood chips, slabs, edgings, sawdust, shavings and hog fuel.

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: )

..... )  
 ..... )  
 ..... )

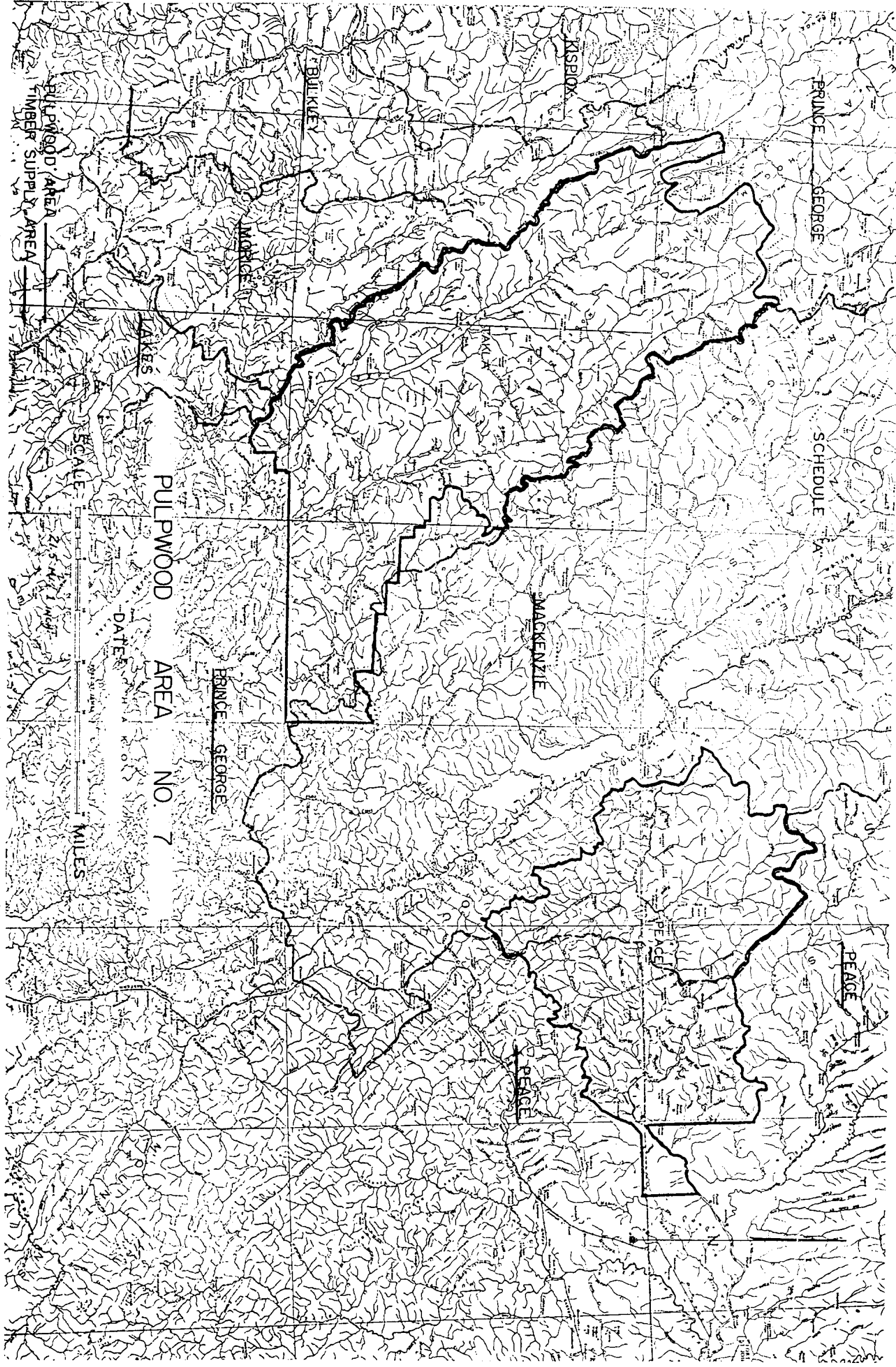
..... )

THE COMMON SEAL of the )  
 Company was affixed in )  
 the presence of: )

..... )  
 Director )

..... )  
 Director )





PRINCE GEORGE

SCHEDULE 7A

KASLOX

MACKENZIE

PEACE

PEACE

PEACE

PRINCE GEORGE

PULPWOOD AREA NO. 7

DATE

SCALE

MILES

PULPWOOD AREA

TIMBER SUPPLY AREA

LAKES

BULKLEY

MORICE