

INSTRUMENT NUMBER 3

Attached to and forming part of Tree Farm Licence No. 49.
This agreement is dated the 13th day of June, 1990,

BETWEEN:

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

(the "Licensor")

OF THE FIRST PART

AND:

Crown Forest Industries Limited
820 Guy Street
Kelowna, British Columbia
V1Y 7R5

(the "Licensee")

OF THE SECOND PART

WHEREAS:

- A. The Licensor and Licensee have entered into Tree Farm Licence No. 49 (the "Licence"), dated July 1, 1985 pursuant to section 33 of the Forest Act, R.S.B.C. 1979, c. 140 (the "Forest Act");
- B. Effective January 1, 1988 and January 1, 1989, respectively, section 33 of the Forest Amendment Act, 1988, S.B.C. 1988, c. 37, reduces the allowable annual cut that was available on December 31, 1987 to the holder of a tree farm licence replaceable under the Forest Act from the Crown land referred to in section 28 (1)(b)(i) of the Forest Act;
- C. The Crown land referred to in section 28 (1)(b)(i) of the Forest Act is the land described in the Licence as Schedule "B" land; and
- D. The allowable annual cut available to the Licensee from the Schedule "B" land on December 31, 1987 was 378 513 m³.

THIS AGREEMENT WITNESSES that the parties agree as follows:

1. Part 1.00 of the Licence is amended by adding the following paragraphs:
 - ✓1.07 For purposes of the Small Business Forest Enterprise Program, the Licensor retains the right to harvest from Schedule "B" Land
 - (a) 9 463 m³ of the Allowable Annual Cut in the year beginning January 1, 1988, and
 - (b) 18 926 m³ of the Allowable Annual Cut in the year beginning January 1, 1989, and in each subsequent year during the term of the Licence.
 - ✓1.08 The Licensee and the District Manager shall agree upon the areas to be harvested pursuant to paragraph 1.07 and make reasonable efforts to ensure that the Average Net Value of the timber harvested within such areas is equal to the Average Net Value of the timber harvested by the Licensee within the Schedule "B" Land.
 - ✓1.09 If the Licensee and the District Manager do not agree on the areas to be harvested pursuant to paragraph 1.07, the District Manager will determine the areas to be harvested.
2. Part 4.00 of the Licence is amended by adding the following paragraph:
 - ✓4.05 For the purpose of determining compliance by the Licensee with the provisions of sections 55 to 55.3, inclusive, of the Forest Act, the volume of timber harvested under any timber sale licence entered into by the Licensor, Regional Manager or District Manager pursuant to paragraph 1.07 or the Forest Act, shall not be included.

3. Part 10.00 of the Licence is amended by substituting the contents of subparagraph 10.01(b) with the following:

the result obtained by the division of,

- ✓ (i) the portion of the Allowable Annual Cut specified in subparagraph 2.06(c) as being attributable to Schedule "B" Land, minus the volume specified in paragraph 1.07, by
 - ✓(ii) the allowable annual cut specified in subparagraph 2.06(a) as being the Allowable Annual Cut for the Licence area, minus the volume specified in paragraph 1.07.
4. Part 12.00 of the Licence is amended by adding the words "paragraph 1.07, or" at the end of clause 12.01 (c)(ii).
5. Part 15.00 of the Licence is amended by

- (a) Substituting the contents of subparagraph 15.01(a) with the following:

"Allowable Annual Cut" means the rate of timber harvesting specified in the Management and Working Plan as being the allowable annual cut for the Licence Area,

- ✓(b) Adding the following subparagraph after subparagraph 15.01(a):

(a.1) "Average Net Value" means the value index for timber in a specified area as determined in accordance section 84 of the Forest Act,

- ✓(c) Adding the following subparagraph after subparagraph 15.01(w):

(w.1) "Small Business Forest Enterprise Program" means the program established under B.C. Regulation 265/88,

6. Except as expressly amended by this agreement, the Licence continues in full force and effect.
7. This agreement shall benefit and be binding upon the parties and their respective successors and permitted assigns.

This agreement has been executed by the Licensor and Licensee on the day and year first written above.

SIGNED, SEALED AND DELIVERED)
by the Minister of Forests)
on behalf of Her Majesty)
The Queen in Right of the)
Province of British Columbia)
in the presence of:)

[Handwritten Signature]
.....)
.....)
.....)

[Handwritten Signature]
.....)
Minister of Forests

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

.....)
Authorized Signatory)
[Handwritten Signature]
.....)
~~Title~~ Authorized Signatory)

REVIEWED & APPROVED

[Handwritten Signature]
.....

c/s

(or)

SIGNED, SEALED AND DELIVERED)
by the Licensee in the)
presence of:)

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

.....)
Authorized Signatory
.....)
Title