

COPY

LITTLE SLOCAN FOREST MANAGEMENT LICENCE

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Forest Management Licence No. 3

THIS INDENTURE made in duplicate this *First* day of *February* in the year of Our Lord One Thousand Nine Hundred and Fifty.

BETWEEN:

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

hereinafter called "the Licensor", of the one part,

AND

PASSMORE LUMBER COMPANY, LIMITED, a corporation duly incorporated under the laws of the Province of British Columbia, and having its registered office in the City of Nelson in the said Province,

hereinafter called "the Licensee", of the other part.

WHEREAS by Subsection (2) of Section 33 of the "Forest Act", being Chapter 128 of the Revised Statutes of British Columbia, 1948, it is provided that the Minister may enter into an agreement to be described as a forest management licence with any person for the management of Crown lands specified in the agreement and reserved to the sole use of the Licensee for the purpose of growing continuously and perpetually successive crops of forest products to be harvested in approximately equal annual or periodic cuts adjusted to the sustained yield capacity of the lands in the area covered by the licence, or may enter into an agreement to be known as a forest management licence with the owner of other tenures to combine such other tenures and Crown forest lands into a single unit reserved by mutual consent and contract to the sole use of the Licensee for the like purpose:

AND WHEREAS the conditions precedent to the issuance of this licence, as set forth in said Section 33, have been complied with to the satisfaction of the Minister:

NOW THIS INDENTURE WITNESSETH THAT pursuant to Section 33 of the "Forest Act" and in consideration of the payments, agreements and stipulations to be made and observed by and on the part of the Licensee as hereinafter mentioned, the Licensor doth hereby grant unto the Licensee the management of the Crown lands specified in Schedule "B" to this agreement, which lands are reserved to the sole use of the Licensee

for the purpose of growing continuously and perpetually successive crops of forest products to be harvested in approximately equal annual or periodic cuts adjusted to the sustained-yield capacity of the said lands:

And in consideration of the premises, IT IS HEREBY AGREED AS FOLLOWS:

1. This forest management licence may be referred to as the "Little Slocan Management Licence" and is numbered three(3) on the Forest Service register of forest management licences and on the official atlas maps of the Department of Lands and Forests.
2. This licence is given for the maintenance of a manufacturing plant or plants capable of utilizing, subject as hereinafter provided, not less than one million, eight hundred thousand (1,800,000) cubic feet of wood per year. Provided also the said manufacturing plant or plants shall be maintained in operation within a radius of twenty-five (25) miles of the junction of the Little Slocan and the Slocan Rivers.
3. The licence is designed to maintain an annual harvest of one million eight hundred thousand (1,800,000) cubic feet of wood per year.
4. The Licensee shall manage the licence area in accordance with the provisions of the said Section 33 of the "Forest Act" and of regulations under the said Act for the regulation of forest management licences, and in accordance with the management working plan applicable thereto, for the purpose of growing continuously and perpetually successive crops of forest products to be harvested in approximately equal annual or periodic cuts adjusted to the sustained yield capacity of the licence area.
5. Subject to compliance on the part of the Licensee with the provisions of the "Forest Act" and the regulations made thereunder, and the terms and conditions of this licence and the management working plan, the licence is perpetual.

6. The 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, both of which are shown outlined in red on the plan attached hereto; and in addition it includes any and all lands that may be subsequently acquired by the Licensee and incorporated into said Schedule "A" pursuant to paragraph 8 hereof.

7. 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 and that each parcel contains the merchantable timber set opposite each parcel in the said Schedule "A" at the time this agreement is entered into.

8. The acquisition by the Licensee of forest lands subsequent to the issuance of this licence shall, pursuant to Subsection (9) of said Section 33, be reported to the Minister, and such forest lands shall be included forthwith in the licence area and be incorporated in Schedule "A" hereof to the extent required by said Subsection (9).

9. For the purposes of Subsection (8) of Section 33 of the "Forest Act", the watershed and drainage basins relating to this licence are defined as the watersheds and drainage basins of the Greater Slocan Drainage basin.

10. The Minister may from time to time withdraw from the Crown lands included in the licence area such lands as are required for forest experimental purposes, parks or for aesthetic purposes; but the lands so withdrawn shall not exceed one percent of the total area of lands in the licence area without the consent of the Licensee, and no land shall be withdrawn from areas being developed under the current cutting plan without the consent of the Licensee. Any such withdrawals shall be deducted from Schedule "B".

11. If at any time, or from time to time, part of the Crown lands within the management licence area is found to be required for a higher economic use than raising forest crops, said lands may be with-

drawn from the 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 percent 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".

12. 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 licence and from the licence area any Crown lands needed for rights-of-way under Part VI of the "Forest Act" or for railway, highway or power transmission or other right-of-way purposes, and such lands will be deducted from Schedule "B".

13. In the event of the withdrawal of any lands from the licence area pursuant to Clauses 10, 11 and 12 hereof, the Minister may require the Licensee to remove from such lands within 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 buildings, structures, fixtures, and things erected upon or affixed to such lands and shall include machinery, boilers, tanks, pipes, dams, flumes, roads, railways, transmission lines and other works used in connection with the business of the Licensee. (Improvements shall also mean areas artificially reforested by planting, compensation for which shall be the cost incurred in the act of planting.)

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 Licensor and Licensee agree upon one,

otherwise by three arbitrators, one to be appointed by the Licensor, one to be appointed 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.

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 licence area on the consent of the Minister and at the request of the Licensee, and after such withdrawal such lands will be deducted from Schedule "A" and may be disposed of by the Licensee for the purpose for which they were withdrawn.

15. Other tenures included in this management licence shall not be sold, transferred, or otherwise disposed of except as hereinbefore provided and as provided in Section 33 of the "Forest Act".

16. This licence shall be appurtenant to the Licensee's mill or plant as provided in Clause 2 hereof, and not less than eighty per cent of the annual or periodic sawlog cut shall be processed in the Licensee's mill or plant, unless permission in writing is given by the Minister to process less than eighty percent. Such permission, if given, shall not extend to a period of more than one year under any one permit.

17. This licence, insofar as Crown lands in Schedule "B" are concerned, shall not be considered to limit the use at the discretion of the Government 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 timber under the terms of this licence.

18. 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 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.

19. As a first essential to the primary object of sustained yield management of this licence, it is agreed that all potentially productive forest land within the licence area shall be kept by the Licensee in growing stock as provided in Clause 20 hereof, and adequately stocked in accordance with standards to be defined from time to time by the Forest Service for comparable lands in British Columbia.

20. Any lands in the licence area denuded before the date of this licence which are found to be stocked below the minimum standards defined by the Forest Service as provided in Clause 19 above, shall be classified as to 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, or otherwise in such condition as to make planting operations economically impractical, shall be reforested by the Licensee by artificial means with a timber producing species suitable to the locality at a rate per year of not less than one thousand acres, or ten percent of the total acreage of such lands, whichever is the lesser, all to the satisfaction of the Minister.

The Licensee further agrees that lands of site quality index better than 110 denuded after the date of this licence, and not found to be restocked satisfactorily five years after logging, will be artificially regenerated by the Licensee before the end of the seventh year after logging; and that lands of site quality index between 80 and 110 not found to be restocked satisfactorily eight years after logging, will be artificially regenerated by the Licensee before the end of the tenth year after logging, all to the satisfaction of the Minister.

21. On failure of the Licensee to comply with the provisions of Clause 20, the Forest Service may enter on the lands in respect of which the Licensee is in default, and restock them, 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 33 hereof.

22. The operations covered by this licence shall be managed in accordance with the currently approved management working plan, which is hereby incorporated into and made a part of this licence.

23. Management working plans 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.

24. Revised management working plans will be submitted for the approval of the Chief Forester not later than three months prior to the expiry of currently approved plans.

25. The object of each succeeding plan shall be to implement the primary object of the licence; i.e., sustained yield in equal annual or periodic cuts, and may embody any method of attaining that objective that is approved by the Chief Forester and that is not inconsistent with the spirit and intent of the Act and regulations. In preparing the management working plan advantage shall be taken of all available data and experience.

26. Should at any time it appear to either party hereto necessary in case of emergency to increase or decrease the rate of cutting contemplated by the cutting budget then in effect, or to alter the cutting plan then being observed, emergency revision of the management working plan will be undertaken upon the request of either the Licensee or the Chief Forester.

Without limiting the generalities of the preceding paragraph, cause for revision on account of emergency conditions will cover such things as fire damage of major proportions, serious windthrow, insect or disease attacks, serious damage to the Licensee's manufacturing plant, or other catastrophe of great moment, or should there occur a national emergency brought about by war or a severe economic depression.

27. In the event that mutual agreement cannot be reached between the parties hereto as to the sustained-yield cutting capacity or as to the sequence or methods of cutting to be employed at the time emergency, or any other, revision of the cutting plan or cutting budget



is undertaken, the Minister shall determine the permissible cut and the plan and methods of cutting.

28. Cutting on the 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 by the Chief Forester if the proposed cutting is in keeping with the provisions of this licence and the management working plan. If the proposed cutting is to be on other tenures, the cutting permit will constitute the Minister's concurrence that the cutting is according to plan and specify such other details as he may deem necessary, such details, however, always to be in keeping with the provisions of the management working plan and this licence. If cutting is on Crown lands not held under other tenures, the cutting permit will, in addition, fix the stumpage in accordance with Subsection (20), Clause (c) of Section 33 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 a sum by the Minister in respect thereof in an amount not in excess of the value of the logs or other product so cut or wasted or destroyed.

29. The Licensee agrees to pay to the Crown on all timber on Crown lands, in the licence area not held under other tenure, full stumpage, inclusive of royalty, as and when the timber is cut, in such sum per unit of measurement as is appraised and assessed by the Forest Service; and the appraisal shall allow as a cost of logging such costs of management, protection, and silvicultural treatment of the licence area as the Minister deems to be just and proper charges, but in other respects the method of appraisal shall be the method currently in use by the Forest Service at the time the appraisal is made.

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

31. All timber cut on the licence area shall be scaled in cubic feet in accordance with the provisions of Part VIII of the "Forest Act".

32. Timber and wood cut from lands included in this 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 12th day of March 1906.

33. The Licensee herewith deposits, pursuant to Subsection (6) of Section 33 of the "Forest Act", the sum of \$2,500.00, receipt of which is acknowledged, and will supplement this deposit by the payment of eight cents on each one hundred cubic feet of wood harvested, but the sum total of deposits held at any one time by the Minister under this clause shall not exceed \$3,500.00. In the event that the amount of the deposit becomes less than \$2,500.00 the Licensee will forthwith deposit sufficient money with the Minister to bring the total amount up to \$2,500.00 and thereafter will supplement the deposit by the payment of eight cents on each one hundred cubic feet of wood harvested to bring the amount of the deposit up to \$3,500.00. The said deposits shall be held for the purpose of ensuring compliance on the part of the Licensee with the terms of the "Forest Act", the regulations made thereunder, this licence and the management working plan (and any permit issued pursuant to this agreement).

34. The Licensee agrees to pay stumpage on all merchantable wood cut, wasted, or removed by the Licensee or his agents on or from that part of the licence area described in Schedule "B" hereto, as provided in this licence, the "Forest Act" and the cutting permit.

35. Starting on the 1st day of January next following the date of this licence, the wood harvested from the licence area in any one year shall not be less than fifty per cent and not more than one hundred and fifty percent of the approved annual cut, and shall not vary more than five percent from the total approved cut over a period of five years.

36. Damages, recoverable in full or in part from the deposit made by the Licensee under Clause 33 hereof, may be assessed by the Minister for failure to observe the provisions of Clause 35 of this licence, as follows:

(a) The full stumpage value as appraised by the Forest Service on the quantity of timber by which the year's cut falls below fifty percent of the approved annual cut.

(b) Double the stumpage value 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 percent of the approved annual cut, whether cut from Crown lands or from other tenures.

(c) Should the total cut over five consecutive years vary more than five percent over or under the total of the five years' approved cut, the full stumpage value as fixed for the fifth year's operations will be assessed on the amount cut over or under the five percent allowance, whether cut from Crown land or from other tenures.

(d) Should the total cut over ten consecutive years, including the five-year period referred to in (c) above, vary less than five percent from the total of the ten-year cutting budget as approved in the working plan, the damage assessed in paragraph (c) above, if any, will be refunded.

(e) For the purposes of this paragraph, stumpage shall be appraised on the same basis and in the same manner as provided in Clause 29 hereof.

(f) Any damages provided for in any cutting permit mentioned in Clause 28 may be deducted from the deposit mentioned in Clause 33 and thereupon the Licensee shall forthwith deposit with the Minister sufficient moneys to make the said deposit equal to the amount of deposit thus required.

(g) In the event that the licence is cancelled by reason of any default or breach of the licence by the Licensee then all moneys or deposits shall be payable to the Crown for damages.

37. For the purpose of carrying out the provisions of Clause 35 hereof, the Licensee may elect to start a new five-year period from any year in which the periodic cut for the preceding five-year period is within five percent of the accumulated approved annual cuts.

38. The aggregate acreage of the Crown lands in the licence area for the purposes of the rental under Subsection (19) of Section 33 of the "Forest Act" shall be 92,960 acres.

39. For the purposes of Section 124, Subsection (1) of the "Forest Act" as amended by Chapter 24 of the Statutes of British Columbia for 1949, the approved annual productive capacity of the licence shall be such as may be determined in the current approved working plan and forest protection tax shall be payable as provided by the said Section 124.

40. The Licensee shall provide, to the satisfaction of the Minister, reasonable office and living accommodation for a reasonable Forest Service inspection staff on the licence area or at any headquarters, plant, or operation maintained by the Licensee, if instructed by the Minister in writing so to do.

41. The Licensee shall employ one Forester, registered under the terms of Chapter 127, R.S.B.C., 1948, and as many additional registered Foresters as may be deemed necessary. The working plan and all revisions and amendments thereto shall be signed and sealed by the registered Forester.

42. In the event of the bankruptcy or insolvency of the Licensee, the Minister may cancel the licence and any or all moneys or deposit may be declared by the Minister to be payable to the Crown for damages.

43. This agreement may be amended by the parties hereto by a memorandum in writing signed by the parties hereto.

44. This management licence shall not be sold or transferred by the Licensee separately from the mill or plant during the continuance of the management licence and this licence shall not be transferred except on the written consent of the Licensor.

45. Any notice required to be given to the Licensee by the Licensor or the Minister under this licence, 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 be received by the Licensee in the ordinary course of

post, or on the day it was so delivered.

46. This licence may be terminated at any time by mutual consent of the parties hereto.

47. In this licence,--

"Act" means the "Forest Act", R.S.B.C. 1948, Chapter 128 and amendments thereto in force from time to time during the currency of this licence.

"Approved" means approved by the Minister.

"Denuded" or "denuded lands" means any forest lands in the licence area from or on which substantially all mature 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 of the Forest Service have not yet been established.

"Forest Service" means the Forest Service of the Department of Lands and Forests of British Columbia.

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

"Minister" means the Minister of Lands and Forests and his successors in office, and includes the Deputy Minister of Forests and his successors in office.

"Other tenure" means any title, licence, lease or berth whereby the Licensee has the right to cut timber on land included in Schedule "A" hereto, or on land that subsequently may be acquired by the Licensee pursuant to paragraph 8 hereof.

"Management working plan" means the management and working plan submitted by the Licensee with the application for this forest management licence and approved prior to the execution of these presents and subsequent revised management working plans to be submitted by the applicant in accordance with the terms of this licence as herein appearing.

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 Licensor and the successors and assigns of the Licensee respectively.

This Licence and Agreement is issued subject to the provisions of the above-mentioned "Forest Act" and regulations made thereunder.

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

SIGNED SEALED AND DELIVERED  
in the presence of:

W. O. O'Connell                      J. G. Kennedy  
Witness.                                      Minister of Lands and Forests.

THE COMMON SEAL OF THE LICENSEE  
was hereunto affixed in the  
presence of:

W. J. Burns President

G. H. Burns Vice President

SCHEDULE A

Little Slocan Forest Management Licence

Forest Management Licence No. 3

Forest lands controlled by the Licensee in the Little  
Slocan Forest Management Licence:

	<u>Area (Acres)</u>
Timber Sale X42380	525
Timber Sale X38860	510
Timber Sale X39323	825
Timber Sale X3843	2,050
Timber Sale X42836	430
Timber Sale X43233	162
Timber Sale X38360	160
Timber Sale X39941	190
Timber Sale X44916	1,440
Timber Sale X38123	1,529

SCHEDULE B

Little Slocan Forest Management Licence

Forest Management Licence No. 3.

Description of Crown lands other than other tenures included in the Little Slocan Forest Management Licence, No. 3.

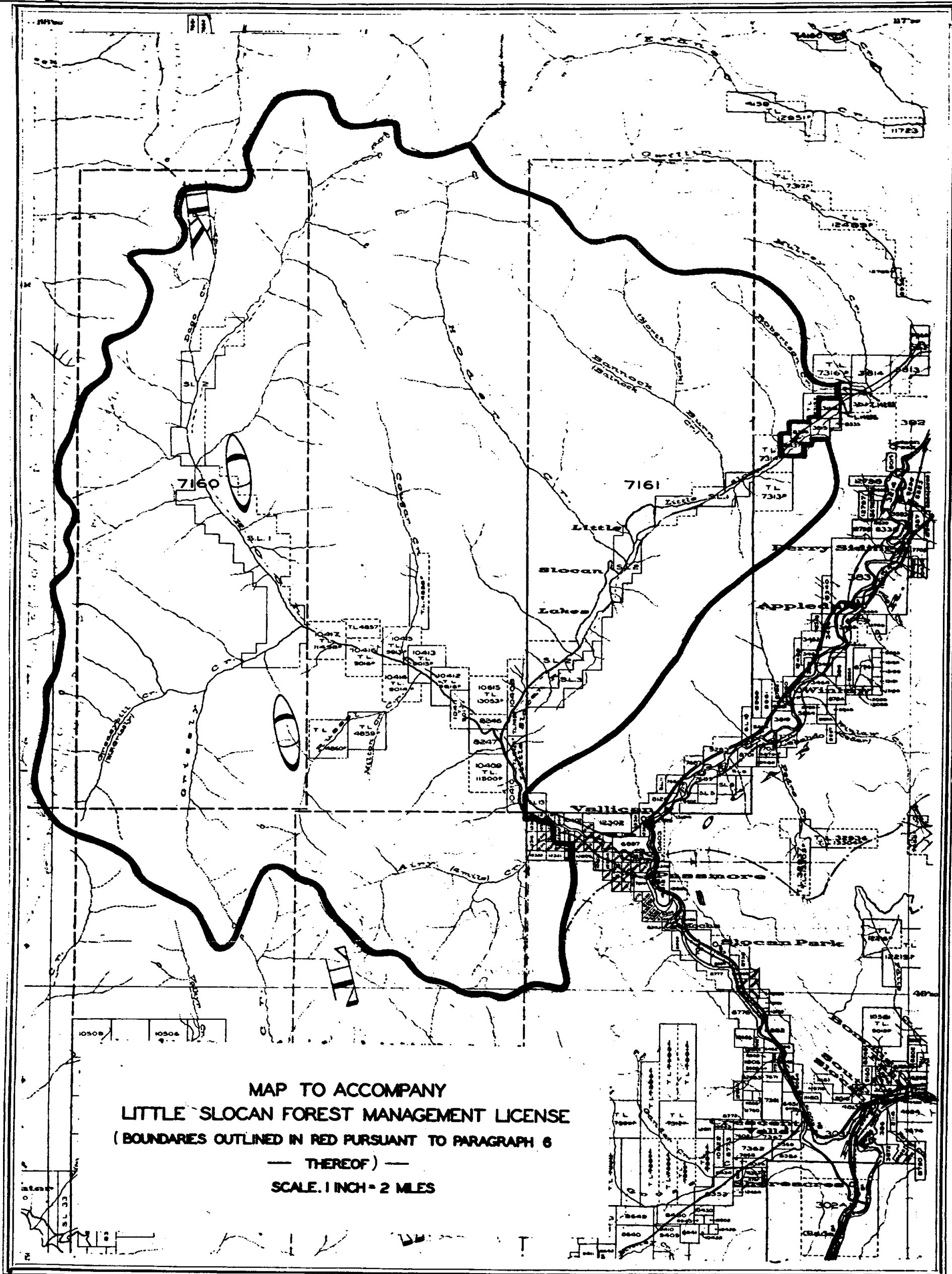
Description.

All Crown lands not otherwise alienated within that portion of the Kootenay Land District described as follows:

"Commencing at the south-west corner of Lot 10806, Kootenay Land District; thence north to the north-west corner of Lot 12305; thence west to the south-west corner of Lot 12308; thence north along the western boundary of the said Lot 12308 to the south bank of the Little Slocan River; thence approximately north-west along the said bank of Little Slocan River to the point where the easterly boundary of Lot 4599 intersects the river; thence north along the said eastern boundary of Lot 4599 and continuing north along the western boundary of Lot 7161 to the north-west corner of Sub-lot 13 of said Lot 7161; thence approximately north-east along the divide between the Slocan River and the Little Slocan River, commonly known as the Perry Ridge, to the south-east corner of Lot 3815; thence west to the south-west corner of the said Lot 3815; thence south to the south-east corner of Lot 8336; thence west along the southern boundary of the said Lot 8336 to the eastern boundary of Lot 8337; thence south, west, north, and east along the boundaries of the said Lot 8337 to the western boundary of Lot 8336; thence north and east along the boundaries of said Lot 8336 to the western boundary of Lot 3815; thence north and east along the boundaries of the said Lot 3815 to the south-west corner of Lot 3818; thence north and east along the boundaries of the said Lot 3818 to the western boundary of Lot 14252; thence north along the western boundary of the said Lot 14252 and the western boundary of Lot 14253 to the north-west corner of the said Lot 14253; thence approximately north-west following the



divide between Robertson, Bannock and Hoder Creeks to the south, and Mulvey, Gwillim, and Evans Creeks to the north, to the divide between the Slocan Valley and the Lower Arrow Lake; thence southward and eastward along this divide to the peak of Norns Mountain on the watershed between Norns (Pass) Creek, Airy Creek, and the Slocan River; thence approximately north along the divide between Airy Creek and the Slocan River to the point of commencement."



MAP TO ACCOMPANY  
LITTLE SLOCAN FOREST MANAGEMENT LICENSE  
(BOUNDARIES OUTLINED IN RED PURSUANT TO PARAGRAPH 6  
— THEREOF) —  
SCALE 1 INCH = 2 MILES