

APPENDIX TWO
FOREST MANAGEMENT AGREEMENT



BLUE RIDGE LUMBER INC.
A SUBSIDIARY OF WEST FRASER MILLS LTD.

DFMP

DETAILED FOREST MANAGEMENT PLAN

TEXT REPORT

UNOFFICIAL OFFICE CONSOLIDATION

GOVERNMENT OF THE PROVINCE OF ALBERTA

THE FORESTS ACT

FOREST MANAGEMENT AGREEMENT

O.C. 505/95, dated at EDMONTON

July 13, 1995

Including amendments authorized by O.C. 26/99 and 100/99

MEMORANDUM OF AGREEMENT

BETWEEN:

HER MAJESTY THE QUEEN in right of the Province of Alberta, as represented by the Minister of Environmental Protection, (hereinafter referred to as "the Minister"),

OF THE FIRST PART

and

BLUE RIDGE LUMBER (1981) LTD. a body corporate, registered under the laws of Alberta, with a business office in Blue Ridge, Alberta, and assigned on January 1, 2002 in favour of

BLUE RIDGE LUMBER INC. a body corporate, registered under the laws of Alberta, with a business office in Blue Ridge, Alberta, (hereinafter referred to as "the Company"),

OF THE SECOND PART

WHEREAS the Company has established and operates a major lumber production facility (the "lumber production facility") in the vicinity of Whitecourt, and

WHEREAS the Company has established and operates a medium density fibreboard (MDF) processing facility (the "MDF facility"), and

WHEREAS the Minister, recognizing the Company's needs for a forest management agreement to warrant these facilities, desires to provide for a perpetual sustained yield of timber in order to provide adequate fibre for such operations; and

WHEREAS the Minister desires to provide for sustainable development of all resources and to provide for the fullest possible economic utilization of timber from the forest management area and stable employment in local communities by maximizing the value of the timber resource base while maintaining a forest environment of high quality;

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the premises, terms, conditions, covenants, stipulations, agreements and provisions herein contained, the Minister and the Company hereby agree as follows:

DEFINITIONS

1. (1) In this Agreement
 - (a) "allowable cut" is the amount of timber that may be harvested annually or periodically as stipulated in the pertinent management plan approved by the Minister;
 - (b) "cut control period" means a period of five consecutive forest management operating years;
 - (c) "Department" means the Department of Environmental Protection;
 - (d) "forest management area" refers to the tract of forest land over which the Company has been given management rights for establishing, growing and harvesting trees on a perpetual sustained yield basis for a defined period of time;
 - (e) "Minister" means the Minister of Environmental Protection;
 - (f) "Scaling Regulation" means Alberta Regulation 336/79 authorized by Ministerial Order 40/79 and any amendments thereto or substitutions therefor;
 - (g) "Surface Materials Regulation" means Alberta Regulation 11/78 and any amendments thereto or substitutions therefor;
 - (h) "Timber Management Regulation" means Alberta Regulation 60/73 authorized under Order-in-Council 309/73 and any amendments or substitutions thereto;
 - (i) "Timber Regulation" means Alberta Regulation 268/78 and any amendments or substitutions thereto;
 - (j) "volume supply area 1" means that area depicted as such on Appendix "C".
 - (2) The *Forests Act*, the *Public Lands Act*, and the regulations made thereunder shall mean for the purpose of this Agreement, those Acts and the regulations as each may from time to time be amended respectively or such Acts or regulations as may in the future from time to time be substituted therefor, and terms defined by the *Forests Act*, the *Public Lands Act*, and the regulations made thereunder shall for the purpose of this Agreement, have the meaning given to them by those Acts and regulations as each may be amended or substituted from time to time.
2. (1) This Agreement shall commence on the 1st day of September, 1995 (hereinafter referred to as the commencement date) and shall expire on the 31st day of August, 2015 unless renewed under the provisions of subparagraph (3).
 - (2) It is the intention of the parties hereto to continue the rights of the Company under paragraph 7 to establish, grow and harvest timber on the forest management area for terms of twenty years if pursuant to subparagraph (3) mutual agreement thereon can be reached by the Minister and the Company and such agreement is approved by the Lieutenant Governor in Council.
 - (3) Subject to the approval of the Lieutenant Governor in Council and provided that the Company is not in default as to any of the terms, conditions, stipulations, covenants, agreements and provisions of this Agreement, the Company shall be

entitled to a renewal of this Agreement whereby its rights under paragraph 7 to establish, grow and harvest timber are continued on condition that

- (a) the Company gives notice to the Minister during the ninth year following the commencement date of this Agreement of its desire to renew this Agreement; and
 - (b) mutually acceptable terms, conditions, stipulations, covenants, agreements and provisions including further renewal provisions or other requirements can be renegotiated at the time of renewal.
- (4) Within sixty (60) days of receiving such notice under subparagraph (3)(a), the Minister shall commence discussions with the Company to negotiate the terms, conditions, stipulations, covenants, agreements and provisions of the renewal Agreement.
 - (5) The Company and the Minister shall act reasonably and continue to carry out good faith negotiations in an attempt to agree on a renewal Agreement with a term of twenty years and have it approved by the Lieutenant Governor in Council prior to the tenth anniversary of this Agreement.
 - (6) If the renewal negotiations are completed after the tenth year, the term of the renewed forest management agreement may be reduced by the extent of the delay.
 - (7) The Company and the Minister may agree to commence negotiations earlier than provided for in subparagraph (3).

FOREST MANAGEMENT AREA

3. The Minister and the Company hereby enter into a forest management agreement in respect of the forest management area comprising, subject to paragraphs 4, 5, and 6, public lands within the boundaries shown outlined on a map registered in the Department, a copy of which is annexed hereto as Appendix "A".
4. Out of the forest management area the following are excepted:
 - (a) land heretofore sold, patented, licensed, or leased; and
 - (b) the beds and shores of all permanent and naturally occurring bodies of water and all naturally occurring rivers, streams, watercourses and lakes;
5. Whenever any of the land excepted or subsequently withdrawn from the forest management area becomes available for disposition, such land shall be added to the forest management area and form a part thereof.

WITHDRAWALS

6. (1) The Minister may, at any time in his discretion, after consultation with the Company, either permanently or for a for a specified term, withdraw from the forest management area:
 - (a) any land which cannot be logged without causing substantial harm to the water table or to lakes, rivers, streams or other bodies of water, to the margins of water courses or to roads;
 - (b) any lands required for rights-of-way, water resource development or for any other purposes deemed by the Minister to be required for the human or physical resource development of the Province;

- (c) any lands required for commercial and industrial facilities; and
 - (d) any lands which are not capable of producing merchantable coniferous and deciduous timber.
- (2) A withdrawal shall take effect
- (a) on the date the notice of withdrawal is given by the Minister to the Company, or
 - (b) where the notice given states that the withdrawal shall take effect at a future date, on the date stated in the notice.
- (3) In the event from time to time of any withdrawal or withdrawals of land from the forest management area by the Minister:
- (a) for disposition to users other than the Crown, the Company shall be entitled to reasonable compensation from the users for any loss of profit or other damage or loss suffered by the Company, including by way of example, but without limitation, damage to timber, improvements, regeneration, forest growth, or to its operations on the forest management area resulting from such withdrawal;
 - (b) for use by the Crown wherein the net aggregate area withdrawn on a cumulative basis does not exceed 2% of the net forest management area, the Minister shall determine the compensation and arrange for reimbursement to the Company for the actual loss or damage resulting from such withdrawal to any improvements created by the Company's efforts, but not for any loss of profit, inconvenience nor increased costs reasonably incurred by the Company in harvesting an equivalent volume of timber elsewhere;
 - (c) for use by the Crown wherein the net aggregate area withdrawn on a cumulative basis does exceed 2% of the net forest management area, the Minister shall determine the compensation in respect of such excess and arrange for reimbursement to the Company for any increased costs reasonably incurred by the Company in replacing the lost volume of timber and for any loss or damage suffered by the Company, including damage to timber, regeneration, forest growth, improvements, or to its operations on the forest management area.
- (4) The Minister may, from time to time add available public land to the forest management area as full or partial compensation to the Company under subparagraph (3)(b) or (c).
- (5) If the administration and control of any of the lands comprising the forest management area is transferred to the Crown in right of Canada, the Company shall be entitled to compensation under subparagraph (3) as if the lands were withdrawn for use by the Crown.
- (6) For the purposes of applying subparagraphs (3)(b) and (c), the net area for the forest management area shall be established and agreed upon by both parties to be effective on the commencement date of this Agreement.
- (7) For purposes other than applying subparagraphs (3)(b) and (c), the net area shall be adjusted annually on the anniversary date of this Agreement in accordance with all exceptions, additions to and withdrawals from the forest management area.

- (8) Monetary compensation received by the Company under this paragraph and paragraph 8(1)(b) shall only be used to offset damage to improvements such as plantations, roads, bridges or other facilities and to replace lost timber resource to the extent that the losses or damages can be replaced through
 - (a) enhanced forest management programs,
 - (b) purchasing roundwood from "arm's" length parties, or
 - (c) any other such activities as the Minister may approve.
- (9) The Company shall maintain complete and accurate records of the receipt and use of all compensation funds received under this paragraph and paragraph 8(1)(b).
- (10) The Minister may from time to time at his discretion request verifiable documentation of the use of compensation funds received under this paragraph and paragraph 8(1)(b) and the Company shall comply with any such request.

RIGHTS OVER THE LAND

7. (1) Subject to all the terms and conditions of this Agreement, the Minister grants to the Company the rights, during the term of this Agreement, to establish, grow and harvest timber on the forest management area on a perpetual sustained yield basis, such rights being,
 - (a) the right during the term of this Agreement to enter and occupy the forest management area for the purposes referred to in subparagraphs (b), (c), (d) and (e);
 - (b) the right during the term of this Agreement to harvest and remove coniferous timber on and from the forest management area;
 - (c) the right during the term of this Agreement to harvest and remove deciduous timber on and from the forest management area when such timber is mixed in a merchantable coniferous stand located outside of volume supply area 1;
 - (d) the right during the term of this Agreement to carry out silviculture and other programs that are approved by the Minister in accordance with this Agreement; and
 - (e) the right during the term of this Agreement to construct, operate and maintain camps, roads, wood concentration yards, sawmills and other installations necessary and incidental to the Company's logging and silvicultural operations on the forest management area.
- (2) For the purpose of interpreting the *Surface Rights Act*, as amended from time to time, the Company is an occupant of the public lands comprising the forest management area.
- (3) The Minister shall cause land dispositions required within the forest management area for work such as roads, bridges, camps, timber processing operations, and other necessary works incidental to the Company's logging and silvicultural operations to be issued to the Company without any dues, fees or rental charges being paid but such dispositions shall otherwise be subject to any pertinent regulations.
- (4) Notwithstanding subparagraph (3), the Company may obtain sand and gravel needed for its operations under this Agreement from any vacant public land on the

forest management area pursuant to the Surface Materials Regulation, subject to the payment by the Company of all required fees and royalties. In no case, however, shall the Company have to pay fees or royalties for in situ right-of-way material located and used where it is found within the right-of-way.

8. (1) It is recognized by the Minister that the Company's use of the forest management area for growing and harvesting timber is to be the primary use thereof and that the Company is to be protected therein, but in keeping with the policy of providing for multiple uses of the same public land, the Minister reserves all land rights on the forest management area not specifically given hereby, including by way of example, but without limiting the generality:
 - (a) the right of others to travel, hunt, fish, and otherwise use the said lands for recreational purposes, subject only to any necessary restrictions approved by the Minister for the purpose of prevention of accidents, fire control and seasonal protection of roads;
 - (b) the right to authorize any person to conduct any work in connection with or incidental to geological or geophysical exploration pursuant to *The Mines and Minerals Act*, or the Exploration Regulation; provided that the Company shall be entitled to reasonable compensation, from the person conducting the exploration, for any loss or damage suffered by the Company and resulting from such exploration including by way of example but without limitation, for any damage to timber, forest growth, regeneration, improvements or any of its operations on the forest management area; and provided further that the Company shall not be entitled to compensation for damage to timber or forest growth caused by any such geological or geophysical exploration where the rights to cut such timber has been granted to a third party under a timber licence or permit;
 - (c) the right to maintain and enhance fish and wildlife resources; and
 - (d) the right to authorize trapping and domestic stock grazing provided, however, that the growth performance of the managed species is not impaired and the regeneration will not be damaged by domestic stock grazing to the point where the overall stocking is reduced below the reforestation standard as set out in the Timber Management Regulation and provided the Company's rights to manage the area for timber production is not significantly impaired.
- (2) The Minister also reserves the following rights to the timber on the forest management area:
 - (a) the right to issue timber permits, not exceeding one year in duration, to provide timber for local use in construction and maintenance of public works by any local authority, municipality, county, the Crown in the right of Alberta or Canada and for local residents for their own use and sale provided, however, that the total volume of timber cut under authority of such permits on the forest management area in any timber operating year does not exceed one-half of one percent (0.5%) of the approved annual allowable cut;
 - (b) the right to issue timber dispositions to the quota holders listed in Appendix "B" to maintain their operations but shall not increase the annual allowable cuts of those quota certificates beyond normal volume increases under the provisions which exist in the quota certificates and provided for by legislation, but shall not issue any new or additional quota certificates except as provided for in subparagraphs (2)(e) and (f),

- (c) the right, after consulting with the Company, to issue deciduous timber dispositions outside of volume supply area 1 for the harvest and removal of deciduous timber when such timber is not scheduled to be harvested by the Company in their approved annual operating plan submitted under paragraph 13,
 - (d) the right, after consulting with the Company, to issue coniferous timber permits for the removal of smallwood coniferous timber when such timber is not scheduled to be harvested by the Company in their approved annual operating plan submitted under paragraph 13,
 - (e) the right, after consulting with the Company, to issue a coniferous timber quota from volume supply area 1 in accordance with a letter agreement dated July 17, 1997, between the Company and the Minister,
 - (f) the right, after consultation with the Company, to issue deciduous timber allocations and deciduous timber dispositions in volume supply area 1 to third parties for the harvest and removal of deciduous timber, and
 - (g) the right, after consultation with the Company, to issue timber dispositions for birch timber.
- (3) For the purposes of determining the volume to be included in the one-half of one percent limitation for permits referred to in subparagraph (2)(a), the volume of birch and balsam poplar issued under permits shall not be included, except that in the event that the Company commits through their annual operating plan, to the full utilization of the balsam poplar which is outside of volume supply area 1, then the balsam poplar shall be included in the one-half of one percent limitation for permits referred to in subparagraph (2)(a).
- (4) The Minister shall provide such available information as the Company may reasonably request concerning the operations authorized under permit and licence and consult with the Company on an ongoing basis as may be required to minimize any conflict between the operations authorized under the permits and licences issued pursuant to subparagraph (2) and the operations of the Company.

FOREST MANAGEMENT

A. GENERAL PROVISIONS

9. On the forest management area the Company shall follow sound forestry practices including landscape elements in managing the land base for the purpose of achieving and maintaining a perpetual sustained timber yield from the productive forest land without reducing the productivity of the land.
10. (1) The Company shall conduct its operations in accordance with the forest management plan developed by Alberta Energy Company Ltd. and approved by the predecessor of the Minister until such time as the detailed forest management plan replaces it in accordance with subparagraph (4). For the purposes of this Agreement the forest management plan referred to in this subparagraph shall be deemed to be an approved plan.
- (2) Before the Company submits a forest management plan referred to in subparagraphs (3) and (4) to the Minister for his review and approval, the Company shall

- (a) make the necessary arrangements required for and shall conduct public presentations and reviews of their proposed forest management plans; and
 - (b) provide the opportunity for third parties holding timber quota(s) and commercial timber permit(s) on the forest management area to participate as specified in the forest management planning manual, in the formulation of the Company's proposed forest management plans to ensure that the long-term sustainable objectives and principles of forest management are maintained.
- (3) After these presentations and reviews with the public, quota holders and permittees, the Company shall incorporate in the forest management plan its response to the concerns raised by the public, quota holders and permittees respecting the proposed forest management plan and shall submit this plan to the Minister within the time specified in subparagraphs (4) or (5) as the case may be for the Minister's review and approval.
 - (4) Not more than four years after the commencement date of this Agreement, the Company shall submit for the Minister's approval a detailed forest management plan.
 - (5) Not later than the tenth anniversary of the commencement date of this Agreement the Company shall submit for the Minister's approval a revised detailed forest management plan, and this revised plan when approved will replace that plan approved under subparagraph (4).
 - (6) The Company shall prepare the forest management plans referred to in subparagraphs (4) and (5) in accordance with the forest management planning manual prepared by the Minister, as amended from time to time. The forest management planning manual contains provisions respecting the contents and preparation of forest management plans and forest operation prescriptions, including public, quota holder and permittee involvement and decision making processes.
 - (7) The Minister may require the Company, after discussing any proposed changes with the Company, to alter any of the methods described in its forest management plans before approving such plans provided however, the changes required by the Minister are consistent with the forest management planning manual referred to in subparagraph (6).
- 11.
- (1) The Company shall conduct its timber harvesting and reforestation operations in accordance with the approved ground rules developed jointly by Alberta Energy Company Ltd. and by the predecessor of the Minister until such time as they are replaced by the new set of ground rules under subparagraph (2).
 - (2) Within six months following the approval of the detailed forest management plan under paragraph 10(4), the Minister and the Company shall jointly develop a new set of ground rules consistent with the detailed management plan objectives, for the preparation of operating plans and to guide harvesting and reforestation operations. This new set of ground rules upon approval by the Minister shall replace the ground rules referred to in subparagraph (1).
 - (3) In the event that new ground rules cannot be established by mutual agreement after good-faith negotiations, the Minister may establish new ground rules but only with the approval of the Lieutenant Governor in Council.

- (4) At the initiative of either party the established or new ground rules shall be reviewed jointly by the Minister and the Company. These ground rules may be altered by mutual agreement of the Minister and the Company.
12.
 - (1) The term of this Agreement shall be divided into four cut control periods each with a duration of five years. The annual allowable cut shall be recalculated when requested by the Minister and not later than by the end of the second control period.
 - (2) The Company shall meet a minimum of 90% production of the periodic allowable cut in each cut control period.
 - (3) Roundwood timber purchased by the Company from other companies or individuals located in the Province of Alberta may, at the discretion of the Company, be considered as production under this Agreement within the applicable five year cut control period.
 - (4) If the Company does not harvest (as supplemented by purchases under subparagraph (3)) the required minimum volumes of timber specified in subparagraph (2) during the relevant period, it may during the subsequent 12 month period submit a program satisfactory to the Minister making up the shortfall within the subsequent five-year period.
 - (5) If the Company does not submit a program satisfactory to the Minister under subparagraph (4), the Minister may, during the subsequent period make the entire unused volume available to operators other than the Company provided that the areas to be harvested shall be determined by the Minister after consultation with the Company.
 - (6) If the Company over cuts the periodic allowable cut the Minister may reduce the allowable cut during the subsequent period by an amount equivalent to the entire overcut volume.
13.
 - (1) The Company shall forthwith upon the commencement of this Agreement establish a forest management operating year that shall commence and end on dates approved by the Minister.
 - (2) The Company shall submit to the Minister an annual operating plan in accordance with the ground rules established under paragraph 11.
 - (3) Each annual operating plan shall be in accordance with the approved forest management plan and include an operating projection showing the proposed harvesting operation intended by the Company. Such operating projection shall be in accordance with the standards and shall cover the period of time specified in the ground rules established under paragraph 11.
 - (4) The Minister may approve such plans as are submitted, or may require the Company, after discussing any proposed changes with the Company, to alter any harvesting operations described in the plans, provided that the Minister shall not thereby alter the ground rules and acts promptly so as to avoid delay in the Company's operations.
 - (5) When the operating plan does not provide for the salvage of dead, damaged, diseased or decadent timber, the Minister may give notice to the Company that he requires provision for its salvage in such plan. The Company shall have thirty days from the date on which such notice is given to it by the Minister within which to amend the plan or to justify the exclusion of such timber from its plan, but if it fails or elects not to do either within such period, the Company shall not be deemed to be in default and the Minister may dispose of such timber to any

person by license or permit not exceeding one year in duration without compensating the Company and the volume of timber so disposed may be charged by the Minister as production against the forest management area.

14. When, in the opinion of the Minister, any plan approved by him becomes obsolete, he may, by reasonable notice in writing, require the Company to submit a revised plan for his approval within a specified time, or within any extended time he may subsequently allow.
15. The Company may not commence or carry on any construction project or any operation on the forest management area until the relevant plans which are required to be submitted pursuant to paragraphs 10, 13 and 14 have been submitted by the Company and approved in writing by the Minister, and the Company may not digress from the approved plans without the Minister's consent in writing; with the understanding that the Minister shall provide a full explanation wherever consent is withheld.
16. The Company shall at its own expense, conduct such forest inventories of the forest management area as are necessary to prepare the plans required by paragraphs 10, 13 and 14.
17.
 - (1) The Company shall maintain a complete and accurate forest inventory of the forest management area and shall update it annually.
 - (2) All information and data related to the forest management area that has been collected by the Company such as but not limited to forest inventory, other resource uses, the inventory referred to in subparagraph (1), growth and yield data, reforestation results, and operational and detailed planning maps shall be made available to the Minister free of charge upon his request for such information for the specific purpose of developing forest management plans and annual operating plans or such other uses as agreed to by the Company.
18. The Company shall utilize all the merchantable timber cut in road construction and other incidental operations of the Company unless otherwise permitted in writing by the Minister.
19.
 - (1) The Company shall not hinder or obstruct the lawful timber operations of licensees and permittees.
 - (2) It is recognized that during their operations, the licensees and permittees may cause some incidental damage to timber. No claim shall be made by the Company against any licensee, permittee or the Minister for such incidental damage to timber.
 - (3) The Minister shall ensure that all timber licences and permits issued on the forest management area after the commencement date of this Agreement shall include a provision preventing a claim by the licensee or permittee against the Company for incidental damage to timber.
20. The Minister shall consult with the Company concerning proposed areas and methods of harvesting by timber licensees and permittees in the forest management area before designating the areas in which their operations may be carried on and the Company shall schedule in its management plans and annual operating plans for the Minister's approval areas available for harvesting by timber licensees and permittees.
21. The Minister shall require timber licensees and permittees operating within the forest management area to conduct all harvesting operations in accordance with sound forestry and ecological principles and to refrain from hindering or obstructing the lawful operations of the Company.

B. REFORESTATION

22. (1) The Company shall reforest at its own expense all lands
- (a) cut over by Simpson Timber Co. (Alberta) Ltd. and Alberta Energy Company Ltd. under the forest management agreement authorized by Order-in-Council 1507/75; and
 - (b) cut over by the Company under this Agreement
- to the required reforestation standard and shall describe its reforestation program in its management and annual operating plans.
- (2) In this Agreement the required reforestation standard means the reforestation standard under the Timber Management Regulation as amended from time to time or in any regulations passed in substitution thereof.
23. (1) As part of its operations under this Agreement the Company shall, at its sole expense, furnish all of the coniferous and deciduous seedling trees and propagules required for its reforestation needs.
- (2) Seed, seedling trees and propagules used for reforestation programs under this Agreement shall be produced in accordance with the rules established by the Minister governing the source and type of tree seed and species used to reforest public land.
24. (1) The Company and the Minister may devise a program designed to carry out silviculture programs on lands in the forest management area capable of supporting tree growth on which the timber was cut over by individuals other than quota holders or the Company or destroyed at any time by natural agencies, such as fire or disease, and which nature has failed to restock to the required reforestation standard.
- (2) The Company shall be solely responsible for reforesting to the required reforestation standard all productive and potentially productive lands burned by fire within the forest management area, when the fire has been caused by the Company, its employees, its agents or its contractors.
25. (1) The Minister shall be responsible for insuring that forest lands on the forest management area cut over after the date of this Agreement by persons other than the Company, are reforested to the required reforestation standard but the Company may, with the Minister's approval, undertake at its own expense, coniferous regeneration of forest lands cut over on the forest management area by holders of deciduous timber dispositions.
- (2) The Company shall account for the incidental coniferous growing stock in their forest management plans, and shall ensure, through the approved forest management plans and annual operating plans, that the incidental coniferous timber component is being sustained through strategies acceptable to the Minister.
26. (1) The Company may devise and implement more intensive silvicultural practices than required under this Agreement. The Company and the Minister may enter into an agreement which will define the programs and conditions that, in the Minister's opinion, will establish a sustainable increase in the allowable cut approved by the Minister in the Company's management plans submitted under paragraph 10.

- (2) Where the Company implements the intensive silvicultural program under the terms of such an agreement, and where the Minister and the Company agree on the amount of additional allowable cut which will result from the Company's silvicultural efforts over and above those required under this Agreement and the *Forests Act*, then such additional allowable cut shall be offered by the Minister to the Company free of timber dues provided the Minister has been duly authorized to do so by a regulation passed under section 4 of the *Forests Act*.
 - (3) The additional allowable cut resulting from the Company's intensive silvicultural efforts will only be offered to the Company free of timber dues after the Company has fully utilized the annual allowable cut approved in the Company's management plans.
 - (4) The additional allowable cuts agreed upon by both parties shall not be used for the purpose of calculating the periodic allowable cuts for cut control purposes specified in paragraph 12.
27. (1) The Company shall establish a growth and yield program acceptable to the Minister on lands within the forest management area and the Minister's acceptance shall not be unreasonably withheld.
- (2) The growth and yield program will include the establishment of a system of permanent sample plots which will be used to monitor the results of different harvesting systems during the term of this Agreement so as to provide accurate information for the preparation of reliable coniferous and deciduous yield tables.
 - (3) The permanent sample plots established under subparagraph (2) shall also be used to provide additional information related to other resource uses on the forest management area such as the effects of harvesting on wildlife and watershed.

C. FOREST PROTECTION

28. (1) The Minister agrees to provide and maintain an organization of men and equipment necessary for the protection of the forest from and suppression of forest fires on the forest management area and, except as herein otherwise provided, to pay the cost of fighting any forest fire that originates on the forest management area on the understanding that the Minister will not be liable for damages to the Company resulting from a failure to prevent, control or suppress any fire.
- (2) Notwithstanding subparagraph (1), the Company shall pay the cost of suppressing any forest fire that originates on the forest management area if the fire is caused by or arises out of any of the operations or activities conducted on the forest management area by the Company, its employees, agents or contractors; provided, however, that in no event shall the liability of the Company exceed the liability provided for in a separate Fire Control Agreement which may be negotiated and entered into by the Minister with the Company. If the cause of any fire is disputed by the Company, the dispute shall be resolved by means of civil suit in the courts of Alberta.
 - (3) Notwithstanding anything contained in this Agreement, the Company shall not be liable for loss of or damage to Crown timber by fire that is caused by or arises out of any of the operations conducted on the forest management area by the Company, its employees, agents or contractors.
 - (4) In the event of an occurrence of insect damage of epidemic nature to forest growth or a disease epidemic affecting forest growth on the forest management area the parties hereto will co-operate in suppressing the epidemic.

RECORDS AND SCALING

29. (1) All scaling, measuring and weighing of timber shall be performed by the Company.
 - (2) All scaling and measuring of timber weights and volumes shall be conducted in accordance with the Timber Regulation, the Scaling Regulation and the published instructions of the Department.
 - (3) The Company shall maintain in the form and in the manner approved by the Minister complete and accurate records of the operations it conducts on the forest management area.
 - (4) The Minister, or any person authorized by him, may inspect the records maintained by the Company pursuant to subparagraph (3).
30. (1) Within 30 days of the termination of every three month period, the Company shall submit in confidence to the Minister in writing, on a form prescribed by the Minister, a return reporting for each such period:
 - (a) the volume of timber cut by and for the Company;
 - (b) the volume of timber cut or destroyed by others for which the Company is entitled to compensation under this Agreement;
 - (c) at the request of the Minister, the volumes of primary timber products manufactured and sold by and for the Company from each of its manufacturing facilities in Alberta; and
 - (d) at the request of the Minister, the volume of timber and primary timber products purchased for use in its mills and timber and primary timber products sold by the Company, from its operations in Alberta, the names of all persons from whom timber and primary timber products were purchased, to whom timber and primary timber products were sold, and the land from which the timber was cut.
 - (2) Unless otherwise authorized in writing by the Minister, the Company shall remit to the Minister with its quarterly returns of production the amount of all dues payable for the volume of timber shown in such returns.

CHARGES AND DUES

31. (1) Once a year during the term of this Agreement, the Company shall pay to the Minister on or before a date specified by the Minister a holding and forest protection charge.
- (2) Initially, on the commencement date of this Agreement the charges in subparagraph (1) will be:
 - (a) a holding charge of \$1.43 per square kilometre; and
 - (b) a forest protection charge of \$32.59 per square kilometre.
- (3) In 1999, the holding and forest protection charge will be \$212,617.
- (4) Subsequent holding charges and forest protection charges shall be adjusted annually on the anniversary of the commencement date of this Agreement using

the Annual Implicit Price Index for government current expenditure in goods and service, as published by Statistics Canada, in the following formula:

$$\text{Charge for Year of Payment} = \text{Charge for Previous Year} \times \frac{\text{Index for Year Prior to Year of Payment}}{\text{Index for Second Year Prior to Year of Payment}}$$

Example:

$$2000 \text{ Holding and Protection Charge} = \$212,617 \times \frac{1999 \text{ Index}}{1998 \text{ Index}}$$

In the event that the Annual Implicit Price Index is no longer published or in the event of a change in the method used to calculate the Index, the Minister and the Company shall mutually and reasonably agree on a comparable published index to be used in the above formula.

- (5) Notwithstanding subparagraph (4), the Lieutenant Governor in Council may by regulation establish the amounts of annual holding and protection charges to be paid by the Company. After five years following the commencement date of this Agreement, if the holding and protection charges are established by regulation then the holding and protection charges established by regulation shall replace those charges established under this paragraph provided those regulations are of general application (subject only to limitations imposed by contract).
- (6) When the net forest management area is larger or smaller than the initial net area by more than 2%, the annual holding and forest protection charges otherwise payable by the Company under this Agreement shall be adjusted proportionately by the full percentage increase or decrease, as the case may be.
- (7)
 - (a) the holding and forest protection charges otherwise payable by the Company shall be reduced by the eligible expenditures actually made by the Company in carrying out the approved forest protection plans submitted under subparagraph (9).
 - (b) eligible expenditures can only be used to reduce the holding and protection charges otherwise payable in the year following the year the expenditures were made and then only to the limit of those charges.
- (8) For the purposes of subparagraph (7), expenditures shall not include costs of suppressing forest fires or epidemics of insects or disease.
- (9) The Company shall submit annually a forest protection plan for the Minister's approval.
- (10) The forest protection plan shall include a description and an estimated cost for those proposed expenditures the Company wishes to claim under subparagraph (7). Within thirty (30) days of submission of the forest protection plan, the Minister shall indicate those proposed expenditures that are eligible to reduce the holding and forest protection charges otherwise payable by the Company.
- (11) The Company shall annually submit an audited annual financial report detailing the amount spent by the Company in implementing the plans referred to in subparagraph (9). The audited financial reports shall be prepared by an independent, qualified auditor and shall be prepared in accordance with the Canadian Institute of Chartered Accountants Handbook.

- (12) The Company shall maintain and retain for three years such records of the expenditures claimed under subparagraph (7) as would allow a proper audit of these expenditures and shall, during normal business hours, make available to the Crown, including but not limited to Crown appointed auditors, the existing records in whatever form relating to those expenditures.
32. (1) The Company shall pay dues in accordance with this agreement in respect of all timber for which the Company is entitled to compensation and in respect of all timber cut by and for the Company on the forest management area.
- (2) For all wood cut by or for the Company and sold or used for purposes other than the production of wood pulp, the Company shall pay to the Minister timber dues at the rates established under the Timber Management Regulation.
- (3) On the commencement date of this Agreement the Company shall pay to the Minister dues on all timber cut for manufacture as pulp at the following rates:
- (a) all coniferous species \$2.09 per cubic metre; and
- (b) all deciduous species \$0.40 per cubic metre.
- (4) The rates of dues to be paid by the Company on all timber cut by or for the Company for manufacture as pulp shall be adjusted effective on July 1, 1996 and annually thereafter effective on July 1 of every year of this Agreement by multiplying:
- (a) the rates of dues applicable in the previous year

BY

- (b) the price for July 1 of the then current year divided by the price for July 1 of the previous year.

The above being illustrated as follows:

$$\text{Timber Dues for current year} = \text{Calculated Rate of Timber Dues for previous year} \times \frac{\text{Price for July 1 of current year}}{\text{Price for July 1 of the previous year}}$$

- (5) In subparagraph (4),
- (a) "price for July 1 of the then current year" means the price quoted in U.S. dollars for the third quarter of the then current year for one air dried metric ton of bleached kraft pulp delivered in U.S. market of the applicable type referred to in subparagraph (6)(b). Such price is to be obtained from the first issue of Pulp & Paper Week in the then current year which correctly states the third quarter price.
- (b) "price for July 1 of the previous year" means the price quoted in U.S. dollars for the third quarter of the previous year for one air dried metric ton of bleached kraft pulp delivered in U.S. market of the applicable type referred to in subparagraph (6)(b). Such price is to be obtained from the first issue of the Pulp & Paper Week in that previous year which correctly states the third quarter price.
- (6) For the purposes of subparagraphs (4) and (5):

- (a) A separate calculation shall be made for coniferous species and for deciduous species.
 - (b) The adjustment for coniferous species shall use the prices quoted in Pulp & Paper Week for Canadian/U.S. bleached softwood kraft pulp and the adjustment for deciduous species shall use the prices quoted in the Pulp & Paper Week for Canadian bleached hardwood kraft pulp.
 - (c) In the event that the selling prices are no longer published in the Pulp & Paper Week or in the event of a change in the method used to calculate the price listings, the Minister and the Company shall mutually and reasonably agree on comparable published price lists to be used in the above formula and provisions.
- (7) Notwithstanding subparagraphs (1) to (6), and subject to subparagraph (8), on and after March 1, 1999, for all timber for which the Company is entitled to compensation and for all timber cut by or for the Company under this Agreement, the Company shall pay to the Minister timber dues at the rates established under the Timber Management Regulation, provided those rates are of general application (subject only to limitations imposed by contract).
- (8) (a) The exceptions to the general rates of timber dues in sections 81(3), 81(4), 81.1, and 81.3, in force on March 1, 1999 under the Timber Management Regulation, apply to the calculation of timber dues for all coniferous timber used or to be used to make pulp and which meet the criteria set out in those sections of the Timber Management Regulation;
- (b) Schedule 5 of the Timber Management Regulation in force on March 1, 1999, adjusted annually as provided for in that Schedule, applies to the calculation of timber dues for all deciduous timber used or to be used to make pulp.
- (9) The Company shall maintain a program to enhance the management activities and level of understanding of the forest resources and forest products within the forest management area. The minimum annual funding for this paragraph will be \$0.25 per cubic metre based on all timber cut by or for the Company from the forest management area.
- (10) The Company shall annually, and as otherwise requested by the Minister, provide a report that details the activities of the program under subparagraph (9).

FACILITY OPERATION

33. The Company will notify the Minister, in writing, of any intended major reduction in production levels of its mill facilities, and such notification will be submitted to the Minister at least six weeks prior to the intended reduction taking effect.
34. (1) If, at any time the lumber production facility ceases to be in production and operation for a period of twelve consecutive months, the Company shall have no right to and shall not harvest timber on the forest management area until such time as the Company advises the Minister in writing of its intentions to resume production and operation of the lumber production facility.
- (2) Notwithstanding subparagraph (1), where the Company fails to recommence production and operation of the lumber production facility after such period of twelve consecutive months, the Company shall, subject to paragraph 37, be in default under this Agreement.

35. (1) If the Company at any time makes default under any of the covenants, terms, conditions, provisions, agreements and stipulations in this Agreement, the Minister may give notice to the Company setting out the default complained of and requiring the Company to remedy the default within six months of the giving of notice, and if the Company fails to remedy the default complained of within the said period of six months, the Minister may suspend timber harvesting operations and shall not approve the next operating plan unless the default complained of has been remedied to the satisfaction of the Minister.
- (2) The Lieutenant Governor in Council may from time to time extend the period during which the Company is required to remedy any default complained of in a notice given pursuant to subparagraph (1).
36. Notwithstanding the right of the Minister under paragraph 35(1) to suspend timber harvesting operations, the Minister shall have the right to have the Company perform all the covenants, terms, conditions, stipulations, provisions and agreements and obligations upon it as contained in this entire Agreement or to sue the Company for damages for any breach or breaches thereof and the Minister shall also have the right to cancel this Agreement as set forth in paragraph 38 and the rights of the Minister to have the Company perform the Agreement and to sue for damages as aforesaid as well as the right of cancellation shall be construed as additional remedies to forfeiture and not an alternative to it.
37. When any default or delay by the Company in the performance or observance of any of the terms, conditions, provisions, agreements, covenants and stipulations of this Agreement is occasioned in whole or in part through
- (a) industrial disputes,
 - (b) governmental review or judicial proceedings respecting the possible environmental impact of the mill facilities, or
 - (c) interruption which is not the result of any wilful or negligent act or omission by the Company, such as power failure, fire, sabotage, tempest, war or acts of God

and not avoidable by reasonable effort or foresight, the Company shall not be deemed in default under this Agreement and the time for performance or observance of such term, condition, provision, agreement, covenant or stipulation shall be extended by such reasonable period of time as the Minister may specify in writing to the Company.

GENERAL PROVISIONS

38. (1) The Minister may by giving to the Company ninety (90) days notice in writing, cancel this Agreement when:
- (a) any goods or chattels of the Company, having a value in excess of \$2,000,000.00, and which are liable to distress, are lawfully seized or taken in execution by a creditor of the Company, and the Company has failed to take any legal action to contest the same within ninety (90) days after such seizure or taking, or
 - (b) the Company makes any general assignment for the benefit of its creditors or an assignment in bankruptcy or takes the benefit of any Act in force for bankrupt or insolvent debtors, or

- (c) the Company fails from time to time to observe or perform any of the covenants, stipulations, terms, conditions, provisions and agreements required to be observed or performed by the Company under this Agreement, and having been given notice of such failure under paragraph 35(1) of this Agreement, fails to remedy such failure within the time allowed by the said paragraph for so doing, or any extension thereof given by the Lieutenant Governor in Council.
 - (2) Subparagraphs (1) (a) and (b) do not apply if a trustee for the holders or receiver managers or the holders themselves of bonds, debentures, or other securities of the Company exercises any rights or remedies related to realization of security for obligations contained in any deed of trust or mortgage or other agreement under which such bonds, debentures or other securities are issued or secured, including but without restricting the generality of the foregoing, the taking of possession by the trustee, receiver managers or the holders themselves of the Company's properties and assets and the operation or disposition thereof for the benefit of the holders of the Company's bonds, debentures or other securities.
39. The Minister does not guarantee any quality or quantity of timber on the forest management area.
40. No implied contract of any kind by or on behalf of either party shall arise or be construed from any thing contained in this Agreement and the only rights, powers and privileges granted to the Company are those contained in this Agreement.
41. The Minister and the Company agree that the lines on the map shown in appendix "A" hereunto annexed are intended, where those lines outline areas that are yet unsurveyed, to be the survey lines of the townships, sections or half sections, as the case may be, that would exist if such areas were surveyed under the system of township surveys prescribed by the *Surveys Act* of Alberta and any amendments or substitutions thereto.
42. The Company shall comply with and observe all the provisions and requirements of:
- (a) The *Forests Act* as amended from time to time, and
 - (b) Any Acts of the Legislature of the Province of Alberta in force, or enacted hereafter from time to time, and as amended from time to time, and
 - (c) Any Regulation inclusive of any amendments or substitutions in force from time to time under any of the Acts referred to in subparagraphs (a) and (b)
- that apply to the Company or to this Agreement either specially or generally by express wording or by implication.
43. The Company shall during the term of this Agreement maintain an office in the Province of Alberta or obtain and maintain a registration under the *Business Corporations Act* of Alberta, its regulations or as each may be amended from time to time.
44. (1) Where any dispute arises between the parties to this Agreement concerning the application or interpretation of this Agreement the dispute may be referred to arbitration pursuant to the *Arbitration Act* of Alberta but only upon the mutual agreement of both parties.
- (2) Where both parties do not agree to refer a dispute concerning this Agreement to arbitration as provided in subparagraph (1) the dispute shall be resolved by means of civil action before the Courts of the Province of Alberta.

45. (1) The Company shall not assign this Agreement or any of the rights granted to it by this Agreement without the consent of the Minister in writing and such consent may in his sole discretion be withheld. Where the Minister refuses consent to an assignment, he shall advise the Company in writing of his reasons for so refusing.
- (2) Subparagraph (1) does not apply to:
- (a) the employment of one or more contractors to cut and remove timber;
 - (b) an assignment or transfer of this Agreement by way of mortgage or charge or the grant of a security interest in this Agreement to lenders to or trustees for lenders to the Company;
 - (c) an assignment or transfer to a person, firm or corporation upon the sale or other disposition by or on behalf of lenders to or trustees for lenders referred to in subparagraph (2)(b) in the course of realization or enforcement of security against the facilities, provided that any such assignment, transfer or other disposition shall not be made without the consent of the Minister in writing, such consent not to be unreasonably withheld.
46. Any waiver by the Minister of the strict performance by the Company of its covenants or of any term, condition, stipulation, agreement or provision under this Agreement is not binding upon the Minister unless it is expressed in writing under the authority of the Minister, and any such waiver or any extension of time granted by the Lieutenant Governor in Council hereunder shall not abrogate such or any covenant, term, condition, stipulation, agreement or provision herein or constitute a waiver or extension of time as to any subsequent breach of the same or any other covenant, term, condition, stipulation, agreement or provision herein.
47. The Company covenants and agrees to observe, perform and keep all covenants, terms, conditions, stipulations, agreements and provisions herein on its part to be observed, performed and kept and time shall be and remain of the essence thereof and notwithstanding any binding waiver given by the Minister as referred to in paragraph 46 or any extensions of time given by the Lieutenant Governor in Council under this Agreement that thereby may affect the time for performing any particular act, covenant, term, condition, stipulation, agreement, or provision of this Agreement herein, time shall be and shall remain of the essence pertaining to all subsequent performance by the Company of any and all acts, covenants, terms, conditions, stipulations, agreements and provisions herein contained and to this entire Agreement.
48. The Company assumes liability for and shall pay all claims of the Minister for all damages to any real or personal property other than timber of the Crown in right of Alberta caused by the Company, its servants, agents, workmen and contractors in the course of the exercise or purported exercise of its rights, powers and privileges under this Agreement, whether or not the damage so caused is due to the negligence of the Company, its servants, agents, workmen and contractors, as the case may be.
49. The Company shall keep the Minister indemnified against all claims and demands that may be made against the Minister by reason of anything done by the Company, its servants, workmen, agents and contractors on the forest management area in the exercise or purported exercise of its rights, powers and privileges under this Agreement.
50. Any notice required to be given under this Agreement shall be deemed to be well and sufficiently given if delivered to the address set out below or if mailed at any government post office in the Province of Alberta by prepaid registered mail addressed as follows:
- (a) to the Company:

Blue Ridge Lumber (1981) Ltd.
P.O. Box 1079
Whitecourt, Alberta
T7S 1P9

(b) to the Minister:

Minister of Environmental Protection
Legislature Building
Edmonton, Alberta
T5K 2B7

or to such other address either party may from time to time inform the other party in writing, and any such notice shall be deemed to have been received on the fourth business day after the mailing thereof, or if delivered, when delivered; provided that if mailed should there be between the time of mailing and the actual receipt of the notice a mail strike, slow down or other labour dispute which might affect the delivery of such notice then such notice shall only be effective if and when actually delivered.

51. This Agreement is made subject to its approval by the Lieutenant Governor in Council.
52. This Agreement inures to the benefit of and is binding upon Her Majesty the Queen in Right of the Province of Alberta and Her assigns, and the Company and its successors and assigns if approved by the Minister in accordance with the provisions of this Agreement.
53. This Agreement shall be construed as having been made in the Province of Alberta and the laws of the Province of Alberta shall be applied in the event of any action or arbitration mutually agreed to, respecting any dispute arising from this Agreement, its formulation, interpretation, and each and every other aspect pertaining to or resulting from its entire contents.

IN WITNESS WHEREOF the party of the first part executes this Agreement under the hand of the Minister subscribed hereunder and the party of the second part executes this Agreement by subscribing hereunder the signatures of its duly authorized corporate officers this 20th day of July, 1995.

Her Majesty the Queen
in Right of Alberta

Original signed

Original signed by the Minister

Witness

Minister of Environmental Protection

Blue Ridge Lumber (1981) Ltd.

Original signed

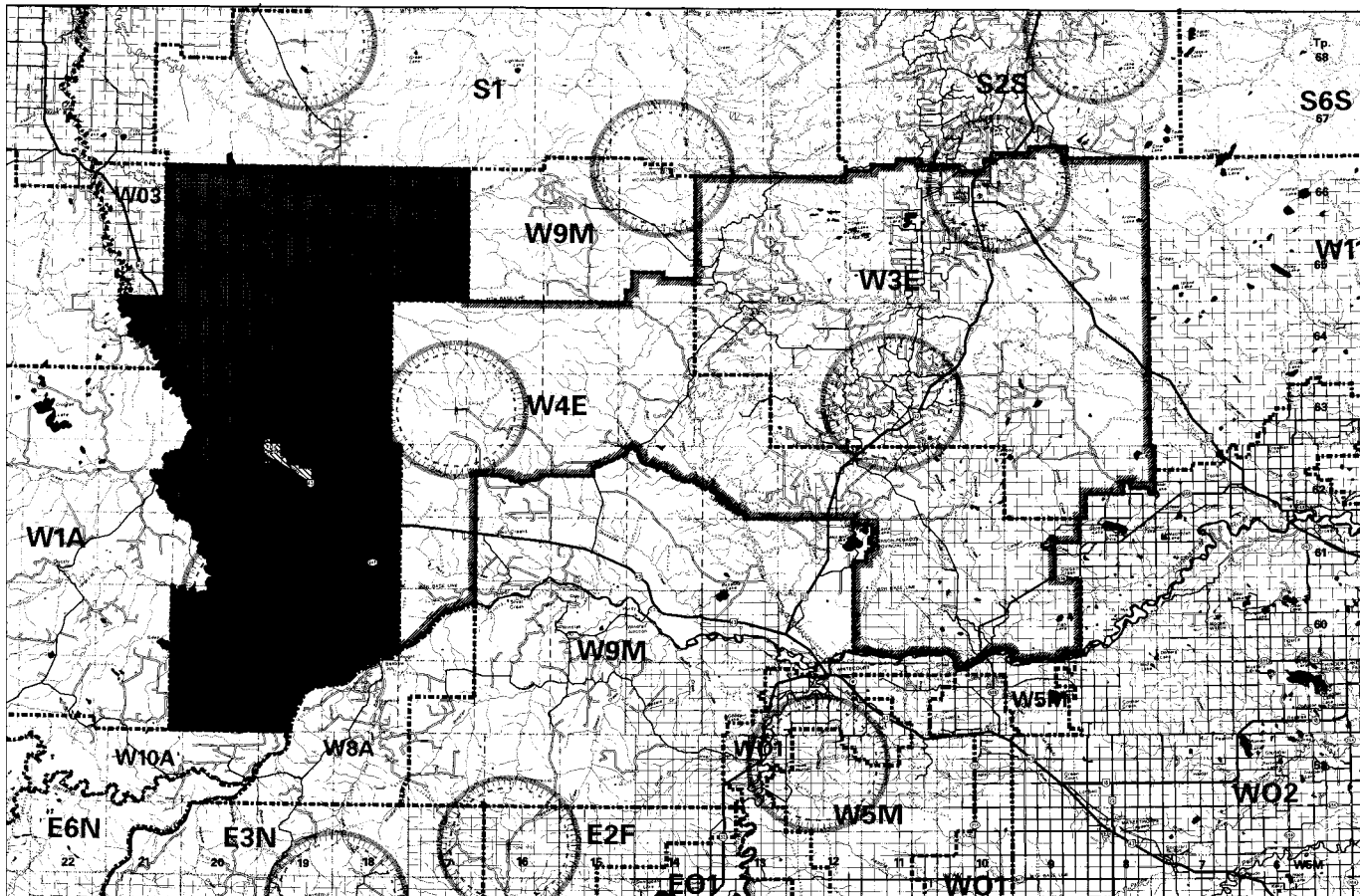
*Original signed by the
Company Representative*

Witness




Per: _____

BLUE RIDGE LUMBER (1981) LTD

APPENDIX "A"

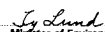


**BLUE RIDGE LUMBER (1981) LTD.
FOREST MANAGEMENT AREA
APPENDIX "A"**

-  FOREST MANAGEMENT AREA BOUNDARY
-  LAND ADDED TO FOREST MANAGEMENT AREA
-  LAND DELETED FROM FOREST MANAGEMENT AREA

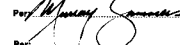
This is Appendix "A" to the memorandum of agreement dated April 21, 1999 between HER MAJESTY, THE QUEEN, in right of the Province of Alberta and BLUE RIDGE LUMBER (1981) LTD.

Witness 


Minister of Environmental Protection

Blue Ridge Lumber (1981) Ltd.

Witness 

Per: 
Per:

BLUE RIDGE LUMBER (1981) LTD.

APPENDIX "B"

A. CONIFEROUS QUOTA HOLDERS WITHIN THE FOREST MANAGEMENT AREA

1. Gordon Buchanan Enterprises Ltd.
2. Mostowich Lumber Ltd.
3. Zeidler Forest Industries Ltd.

B. CONIFEROUS QUOTA CERTIFICATES ISSUED WITHIN THE FOREST MANAGEMENT AREA

CTQW020014 CTQW020016 CTQW030004

C. DECIDUOUS TIMBER ALLOCATION HOLDERS WITHIN THE FOREST MANAGEMENT AREA

1. Millar Western Forest Products Ltd.
2. ANC Timber Ltd.

D. DECIDUOUS TIMBER ALLOCATION ISSUED WITHIN THE FOREST MANAGEMENT AREA

DTAW910001

E. SALEABLE CONIFEROUS QUOTA CERTIFICATE(S) AND DECIDUOUS TIMBER ALLOCATION(S) IN FOREST MANAGEMENT UNIT W2

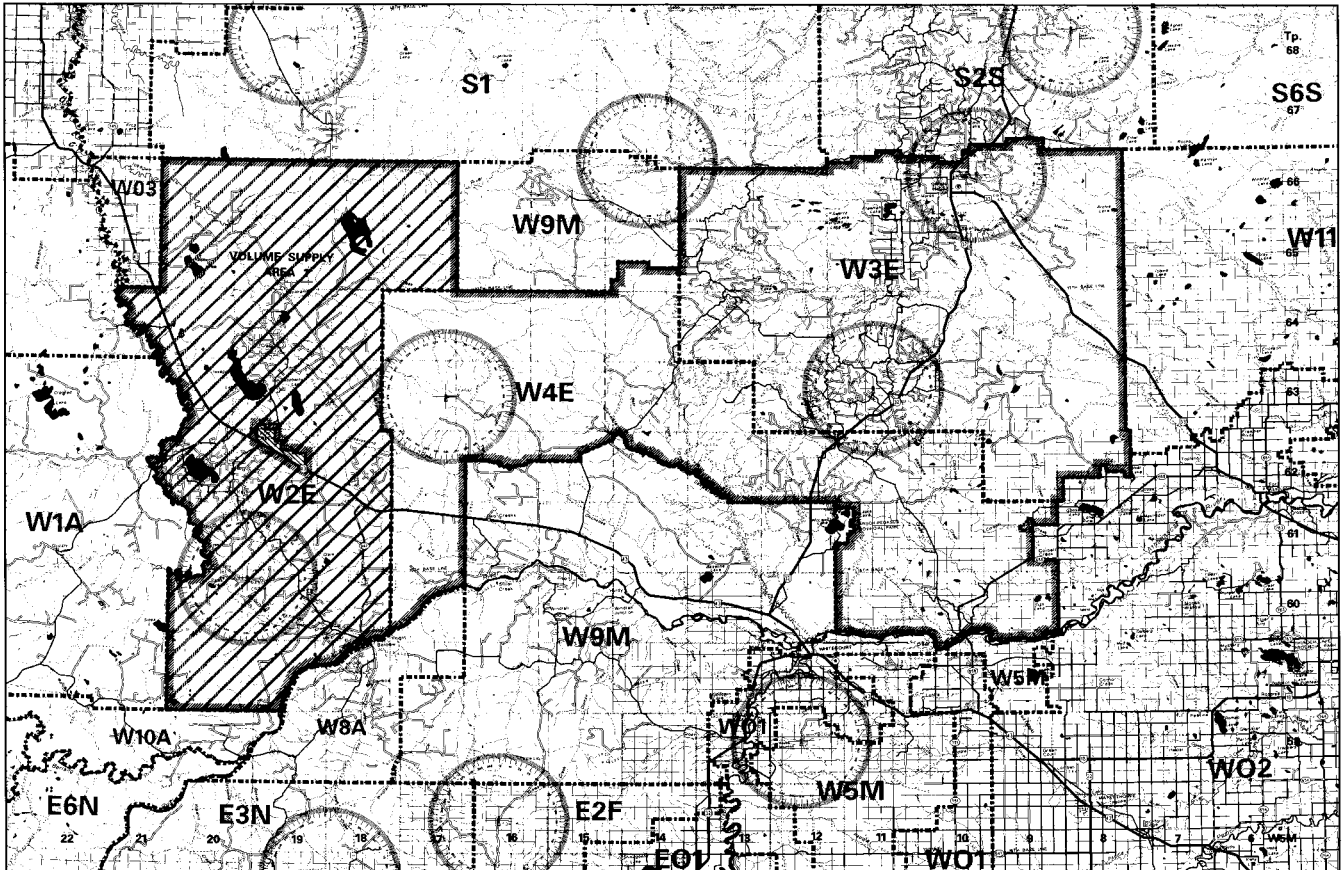
Paragraph 8.(2)(e) and (f).

The following clause shall apply to the list of quotas in Appendix "B".




- (a) Where a quota listed above is merged with one or more quotas, the new quota shall be deemed to be listed in Appendix "B" for the purpose of paragraph 8(2)(b) of this Agreement.

BLUE RIDGE LUMBER (1981) LTD

APPENDIX "C"



**BLUE RIDGE LUMBER (1981) LTD.
VOLUME SUPPLY AREA
APPENDIX "C"**


-  FOREST MANAGEMENT AREA BOUNDARY
-  VOLUME SUPPLY AREA 1
-  LAND DELETED FROM FOREST MANAGEMENT AREA

This is Appendix "C" to the memorandum of agreement dated *April 21, 1999* between HER MAJESTY, THE QUEEN, in right of the Province of Alberta and BLUE RIDGE LUMBER (1981) LTD.

Witness 


Minister of Environmental Protection

Blue Ridge Lumber (1981) Ltd.

Witness 

Per: 
Par:



Northern East Slopes Region
Land and Forest Service
c/o Provincial Bldg. 5020 - 52 Avenue
Whitecourt, Alberta
T7S 1N2

File No.

July 17, 1997

File: W2MOST4.WPD

Dear Mr. Arnie Mostowich & Mr. Murray Summers:

RE: Finalization of Volume Adjustments in W1

In order to finalize the volume adjustments for Mostowich Lumber Ltd., the following proposal has been agreed upon.

1. The Blue Ridge Lumber Ltd. (BRL) existing forest management agreement (FMA) will be amended to include the W2 Forest Management Unit (FMU) subject to the following conditions:

- i) A new quota for 42,282 m³ (18.87%) will be issued to BRL in the W6 FMU and will commence May 1, 1996.

- ii) As a condition of amending BRL's FMA and incorporating W2, Mostowich Lumber Ltd. will be allocated two new quotas in the W2 FMU. The first quota for 5,522 m³ will be issued immediately from currently uncommitted volume in W2. The second quota of 9,247 m³ represents a volume BRL has agreed to relinquish to Mostowich Lumber Ltd. from their quota CTQW020018. Mostowich's new quota of 9,247 m³ in W2 will have a 5 year licence sequenced from BRL's cut plan area #4 with longer term sequencing being determined during the development of the forest management plan.

In addition, BRL will relinquish 9,247 m³ in W1 FMU from their quota CTQW010004 which will be issued as a new quota to Mostowich Lumber Ltd. This new quota will commence May 1, 1996 and may be amalgamated with Mostowich's existing quota. This will complete the W1 volume adjustments strategy. The additional volume assigned to Mostowich in W1 of 9,247 m³ will be sequenced from within existing Mostowich cut plan areas. If a shortfall exists then Mostowich and BRL will work together to define an area for this volume.

2. The two new quotas in W2 can be amalgamated with Mostowich Lumber Ltd's existing quota in W2. Mostowich Lumber Ltd's new W2 quota will be 65,922 m³ which represents the current W2 quota volume of 51,153 m³ and the two new quota allocations of 14,769 m³. The proposed new W2 quota's AAC, commencing May 1, 1996, will be 65,922 m³ (37.24%) @ 15/11 cm utilization standard.
3. The quota volume in W2 (65,922 m³) will be guaranteed while BRL prepares a new forest management plan for the FMA. Once the plan is completed, Mostowich Lumber Ltd. will receive a new quota certificate, with a total quota allocation of 65,922 m³, redefined as a percentage of the new and larger amalgamated unit. The quota AAC of 65,922 m³ will remain secure until a revision to the forest management plan (anticipated in 10 years) is required and a new AAC is determined.
4. If utilization standards are adjusted, Mostowich Lumber Ltd. will have the rights to a proportional

share of small wood volume (eg. 13/9 cm utilization).

5. Mostowich Lumber Ltd. will participate in the development of the Forest Management Plan and General Development Plans prepared by BRL for those portions of the plans that affect Mostowich Lumber Ltd.'s operations. Any concerns with these plans will be addressed by BRL to the satisfaction of the Minister.

If your company agrees with the above conditions, please sign the original letter and return to this office. I will proceed with the FMA amendment and quota issuance/adjustments once I receive your favourable response.

Your cooperation is appreciated in this matter.

Sincerely,

Original Signed

Jerry Sunderland
Regional Director

These points of mutual understanding are fully agreed to and are subject to the successful completion of the FMA amendment negotiations between BRL and the Government of Alberta.

Per: ***Original Signed***

Mostowich Lumber

Per: ***Original Signed***

Blue Ridge Lumber

cc C.J. Henderson, Assistant Deputy Minister
cc D. Wilkinson, Forest Management Division