

UNOFFICIAL OFFICE CONSOLIDATION

GOVERNMENT OF THE PROVINCE OF ALBERTA

FORESTS ACT

FOREST MANAGEMENT AGREEMENT

O.C. 257/97, Dated at EDMONTON

June 11, 1997

Including amendments authorized by O.C. 381/99

MEMORANDUM OF AGREEMENT

BETWEEN:

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

OF THE FIRST PART

and

WEYERHAEUSER COMPANY LIMITED, a body corporate, registered under the laws of Alberta, with a business office in Edson, Alberta, and its head office in Edmonton, Alberta (hereinafter referred to as "the Company"),

OF THE SECOND PART

WHEREAS the Company owns and operates an oriented strand board plant (the "OSB facility") at Edson, Alberta with a rated capacity of 415 million square feet (3/8" basis) of oriented strand board annually; and

WHEREAS the Company owns and operates an oriented strand board plant (the "OSB facility") at Drayton Valley, Alberta with a rated capacity of 445 million square feet (3/8" basis) of oriented strand board annually; and

WHEREAS the Company owns and operates a sawmill/planer mill facility (the facility") at Drayton Valley, with a rated capacity of 120 million board feet of lumber annually; and

WHEREAS the Minister, recognizing the Company's needs for a forest management agreement to warrant the continued operation of its plant site facilities, desires to provide for a perpetual sustained yield of timber for such operations; and

WHEREAS it has been mutually agreed by the parties hereto that it is a convenient time to enter into a forest management agreement to supply a portion of the facilities' needs; 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) "annual allowable cut" is the amount of timber that may be harvested in any one year as stipulated in the pertinent forest management plan approved by the Minister;
 - (b) "Crown" means Her Majesty the Queen in right of Alberta;
 - (c) "cubic metre" shall have the same meaning as that prescribed by the Timber Management Regulation;
 - (d) "cut control period" means a period of five consecutive forest management operating years or as otherwise agreed to by the Minister and the Company;
 - (e) "Department" means the Department of Environmental Protection of Alberta;
 - (f) "dollar" means Canadian currency of the value of one Canadian dollar, or the equivalent value in any other currency;
 - (g) "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; and as specifically defined in paragraph 3;
 - (h) "periodic allowable cut" is the total of the annual allowable cuts approved for a five-year cut control period;
 - (i) "Scaling Regulation" means Alberta Regulation 336/79 authorized by Ministerial Order 40/79 and any amendments thereto or substitutions therefor;
 - (j) "Surface Materials Regulation" means Alberta Regulation 11/78 and any amendments thereto or substitutions therefor;
 - (k) "Timber Management Regulation" means Alberta Regulation 60/73 authorized under Order-in-Council 309/73 and any amendments thereto or substitutions therefor;
 - (l) "Timber Regulation" means Alberta Regulation 268/78 and any amendments thereto or substitutions therefor;
 - (m) "volume supply area 1" means that area depicted as such on Appendix "C";
 - (n) "volume supply area 2" means that area depicted as such on Appendix "C"; and
 - (o) "volume supply area 3" means that area depicted as such on Appendix "C";

- (2) Any reference in this Agreement to a statute or regulation of Alberta shall mean, for the purposes of this Agreement, those Alberta statutes and regulations as may from time to time be amended, or such acts or regulations as may from time to time, be substituted therefore, and the terms defined in the *Forests Act* or the *Public Lands Act* or the regulations made thereunder shall, for the purposes 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.
 - (3) In this Agreement, a reference to “Minister” means Her Majesty the Queen in right of the Province of Alberta.
 - (4) Any power, duty or function conferred on the Minister may be exercised by the Minister of Environment or the Associate Minister of Forestry.
2. (1) This Agreement shall commence on the 1st day of July, 1997 (hereinafter referred to as the commencement date) and shall expire on the 30th day of June, 2017 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 additional terms of up to twenty years each beyond the initial twenty year term of this Agreement 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 provided that
 - (a) mutually acceptable terms, conditions, stipulations, covenants, agreements and provisions including further renewal provisions or other requirements can be renegotiated at the time of renewal; and
 - (b) the Company gives notice to the Minister within nine years following the commencement date of this Agreement of its desire to negotiate a renewal.
 - (4) Where the Company gives a notice under subparagraph (3)(b), the Company and the Minister shall carry out negotiations.
 - (5) The Company and the Minister may agree to commence negotiations earlier than provided for in subparagraph (3)(b).

FOREST MANAGEMENT AREA

3. The Minister and the Company hereby enter into this 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) areas which are the subject of any existing timber dispositions issued pursuant to the *Forest Act*, prior to the date of this Agreement or areas in respect of which timber disposition under the *Forest Act* is pending prior to the date of this Agreement;

- (b) lands which are the subject of a disposition issued pursuant to the *Public Lands Act* prior to the date of this Agreement or lands in respect of which a disposition under the *Public Lands Act* is pending prior to the date of this Agreement.
 - (c) lands which have been reserved under Section 17 (d) of the *Public Lands Act* or in respect of which a reservation is pending, in either case, prior to the date of this Agreement;
 - (d) the bed and shores of all permanent and naturally occurring bodies of water and all naturally occurring rivers, streams, water courses and lakes;
 - (e) lands contained within any provincial park, forest recreation area, natural area or ecological reserve existing prior to the date of this Agreement.
5. Whenever any of the productive or potentially productive land excepted under paragraph 4(a), (b), (c) or (d) or subsequently withdrawn from the forest management area becomes available for disposition and where such land is intended to be returned to timber production by the Minister, the Minister shall return these lands back to the forest management area in a productive or potentially productive state.

WITHDRAWALS

6. (1) The Minister may, at any time in his discretion, after consultation with the Company with respect to the effect any such withdrawal may have on the forest management area, either permanently or 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 and agricultural 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 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 under subparagraph (1) then, except as provided in subparagraphs (5) and (6), the Company shall be entitled to reasonable compensation from the users of the area withdrawn 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.

- (4) For the purpose of subparagraph (3), the Company shall be entitled to compensation for damage to timber, regeneration and forest growth by multiplying the amount of compensation the Company would have been entitled to if it had full rights to the timber being withdrawn by the percentage of the annual allowable cut the Company has in the forest management unit affected by the withdrawal. There shall be a separate calculation for coniferous and deciduous timber.
- (5) The Minister may from time to time designate certain uses for which the withdrawal of lands under subparagraph (1) shall be exempt from subparagraph (3) and where the Minister has so designated, the compensation with respect to such withdrawals and uses shall be as set out in subparagraph (6).
- (6) In the event from time to time of any withdrawal or withdrawals of land from the forest management area by the Minister under subparagraph (1) for use by the Crown, and for uses designated for exemption by the Minister in subparagraph (5), wherein the cumulative net aggregate productive area withdrawn:
 - (a) does not exceed 2.5% of the original net productive 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;
 - (b) does exceed 2.5% of the original net productive 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.
- (7) For the purposes of paragraph 6, "net productive area" is that land area within the forest management area which contributes to the annual allowable cut or which is otherwise forested. For the purpose of applying subparagraphs (6)(a) and (b),
 - (a) the original net productive area within the forest management area shall be established and agreed upon by both parties to be effective on the commencement date of this Agreement, and
 - (b) the net aggregate productive area withdrawn shall be calculated taking into consideration all exceptions and additions to the net productive area and all withdrawals from the net productive area under subparagraph (1).
- (8) Compensation under subparagraph (6)(a) and (b) may be monetary or by the addition of available public lands to the forest management area or a combination of both.
- (9) 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 (6) as if the lands were withdrawn for use by the Crown.

RIGHTS OVER THE LAND

7. (1) Subject to all the terms and conditions of this Agreement, the Minister grants to the Company the right, during the term of this Agreement, to enter upon the forest management area to establish, grow, harvest and remove timber thereon on a perpetual sustained yield basis, and for the purposes of the construction, operation and maintenance of camps, roads, wood concentration yards and other installations necessary and incidental to the Company's logging and silvicultural operations.
 - (2) For the purpose of interpreting the *Surface Rights Act*, 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 harvesting and silvicultural operations to be issued to the Company without any dues 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.
 - (5) The Minister grants to the Company the right to all incidental coniferous and deciduous timber on the forest management area not expressly reserved by the Minister under paragraph 8(2) of this Agreement.
8. (1) It is recognized by the Minister, that the Company's use of the forest management area for establishing, growing, harvesting and removing timber is to be the primary use thereof and that it is to be protected therein in keeping with the principles of sustainable forest management. In keeping with public values and recognizing that certain portions of the forest management area may have other resource values, 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 of the foregoing:
 - (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, protection of wildlife 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 or company which holds the authorization to conduct 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 to 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 right to cut such timber has been granted to a third party under timber licence or permit;

- (c) the right to maintain or enhance forest resources, including fish and wildlife resources; and
 - (d) the right to authorize trapping and, after consultation with the Company, to authorize 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 dispositions to the existing quota holders listed in Appendix "B" but shall not increase the annual allowable cuts of those existing 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)(b) and (c);
 - (b) Deleted O.C. 381/99;
 - (c) after consultation with the Company, the right to issue timber dispositions or quota certificates and licences for that percentage of the annual allowable cut which, at the date of this Agreement, was the subject of a quota listed in Appendix "B" but which ceases to be the subject of a quota, whether listed in Appendix "B" or not;
 - (d) the right to manage and reforest tree species on any lands which may be required to meet the Minister's obligations to disposition holders;
 - (e) the right, after consulting with the Company, to issue timber permits from within the forest management area 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 private use by local residents provided, however, that the total volume of timber cut under authority of such permits does not exceed 0.5% of the Company's approved annual allowable cut.
 - (f) the right, after consulting with the Company, to issue timber dispositions from within the forest management area to maintain the Community Timber Program and allocate timber for local contractors provided that the total volume of timber cut or made available annually under authority of such dispositions does not exceed

- (i) 85.09% of the coniferous annual allowable cut approved under paragraph 10 from volume supply area 1, and 80% of the annual production of incidental coniferous timber from volume supply area 1,
 - (ii) 1 500 cubic metres of deciduous timber from volume supply area 1,
 - (iii) 100% of the annual allowable cut approved under paragraph 10 for coniferous timber from volume supply area 2, and 100% of the annual production of incidental coniferous timber from volume supply area 2,
 - (iv) 4 000 cubic metres of deciduous timber from pure deciduous stands and 100% of the annual production of incidental deciduous timber from volume supply area 2,
 - (v) 28 252 cubic metres of coniferous timber and 17 591 cubic metres of deciduous timber from volume supply area 3.
- (g) the right, after consultation with the Company, to issue timber dispositions for birch timber; and
 - (h) the right, with the consent of the Company, to issue coniferous timber dispositions for the removal of smallwood coniferous timber from mature and over mature timber which is not scheduled to be harvested by the Company.
- (3) In order to enhance the economic benefits to the region, the Company shall maintain a program to provide opportunities to local “arms length” contractors to harvest and deliver an annual volume of 10 000 cubic metres of deciduous timber to the Company’s facilities provided a demand exists for logging opportunities and the costs are reasonable.
 - (4) The Minister and the Company agree to provide, each to the other, in confidence such available information as the Minister and the Company may reasonably request concerning the operations on the forest management area authorized under timber disposition. The Minister shall consult with the Company on an ongoing basis as may be required to minimize any conflict on the forest management area between the operations authorized under the timber dispositions 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) Before the Company submits a plan referred to in subparagraphs (2), (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) make the necessary arrangements required for third parties holding timber quota(s) and commercial timber permit(s) on the forest management area to participate in the formulation of the objectives and strategies which form the basis for the Company's proposed forest management plans to ensure that the long-term sustainable objectives and principles of forest management are maintained.
 - (2) 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 (3), (4) or (5) as the case may be for the Minister's review and approval.
 - (3) Not more than twelve months following the commencement date of this Agreement, the Company shall submit for the Minister's approval a preliminary forest management plan. Upon the Minister approving such preliminary forest management plan, the Minister shall cancel the dispositions described in paragraph 54. For greater certainty, prior to approval of the preliminary forest management plan the Company shall continue to conduct harvesting of timber under the authority, and in accordance with the terms of the dispositions listed in paragraph 54.
 - (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 (3), (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.
11. Subject to paragraph 10(3), 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 this Agreement 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 whenever consent is withheld.
12. When, in the opinion of the Minister, any plan approved by him becomes obsolete or inadequate, he may, by reasonable notice in writing, require the Company to submit a revised plan in accordance with the provisions and timing defined in the planning manual.

13.
 - (1) 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.
 - (2) 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 operation may be carried on.
 - (3) The Company shall, through sustainable forest management planning, make reasonable efforts to integrate and co-ordinate the management of the forest resources with all timber licensees and permittees operating within the forest management area.
14.
 - (1) The Minister shall require timber licensees and permittees operating within the forest management area to conduct all harvesting operations in accordance with the Company's approved plans and to refrain from hindering or obstructing the lawful operations of the Company.
 - (2) The Company shall have the right to negotiate the purchase of timber quota certificates or negotiate other arrangements with holders of certificates, licences and permits in order to combine timber harvesting operations for maximum utilization of timber resources.
15.
 - (1) The Company shall conduct such forest inventories of the forest management area as are necessary to prepare the plans required by this Agreement.
 - (2) The Company shall maintain a reasonably complete and accurate forest inventory collected to Alberta Vegetation Inventory Standards version 2.1 of the forest management area, or as otherwise mutually agreed, and shall update all depletions and reforestation.
 - (3) The Company shall establish and implement a growth and yield program as part of the detailed management plan on lands within the forest management area.
 - (4) 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 silvicultural systems during the term of this Agreement so as to provide accurate information for the preparation of reliable coniferous and deciduous yield tables.
 - (5) All information and data related to the forest management area that has been collected by the Company or the Minister relating to forest inventory, other resources uses, the inventory referred to subparagraph (2), growth and yield data, reforestation results, and operational and detailed planning maps shall be made available to the Minister, or the Company, whichever is the case, free of charge upon request and on a confidential basis if so requested.
16.
 - (1) The Company shall conduct their timber harvesting and reforestation operations in accordance with the approved "Alberta Timber Harvest Planning and Operating Ground Rules" until such time as they are replaced by the established set of ground rules under subparagraph (2).
 - (2) Within six months following the approval of the detailed management plan under paragraph 10(4), the Minister and the Company shall jointly develop a new set of ground rules consistent with the management plan objectives, for the preparation of operating plans and to guide harvesting and reforestation operations.

- (3) In the event that a set of 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 any 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.
17.
 - (1) The term of this Agreement shall be divided into four cut control periods each with a duration of five years.
 - (2) If the Company overcuts the periodic allowable cut the Minister shall reduce the allowable cut during the subsequent period by an amount equivalent to the entire overcut volume, except to the extent such overcut results from the salvage of dead, damaged, endangered, diseased, decadent or fire killed timber.
 - (3) Where production is lower than the periodic allowable cut, the Company may submit a program satisfactory to the Minister making up the under cut volume in the subsequent cut control period.
18.
 - (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 annual operating plans in accordance with the ground rules referred to in paragraph 16.
 - (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 referred to in paragraph 16.
 - (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 annual operating plan does not provide for the salvage, on a proportionate basis, of dead, damaged, endangered, diseased, decadent or fire killed 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 will be charged by the Minister as production against the forest management area.
19. The Company shall use every reasonable effort to purchase roundwood offered to the Company at fair market value, provided that the roundwood possesses a standard of quality suitable in the opinion of the Company for use in the facilities of the Company.
20.
 - (1) If concurrent with the grant of this forest management agreement, Sundance Forest Industries Ltd. or any affiliate of it or any successor in title to its Edson facility (herein referred to as "Sundance") is not granted a forest management

agreement containing the provisions of subparagraphs (1) through (8) inclusive with the intent that Sundance, as holder of a forest management agreement, shall have reciprocal obligations in favour of the Company respecting the provision to the Company of 43,500 cubic metres of harvested merchantable deciduous timber annually (such forest management agreement incorporating the remnant forest management units R3, R4 and E1 situated outside of the forest management area herein granted to the Company), then the Minister shall grant to the Company as soon as practicable thereafter, for the sum of \$1.00, one or more deciduous timber allocations within the remnant forest management units R3, R4 and E1 or any combination thereof situated outside the forest management area with an annual allowable cut of 43,500 cubic metres of merchantable deciduous timber annually. If the unit annual allowable cut is thereafter adjusted to allow for either a decrease or increase in annual harvest, the annual allowable cut as allocated will be adjusted accordingly. Such deciduous timber allocations shall remain in effect until such time as Sundance is granted a forest management agreement incorporating the remnant forest management units R3, R4 and E1 situated outside the forest management area herein granted to the Company and containing the provisions referenced in subparagraph (1) whereupon the Company shall surrender their deciduous timber allocation(s) and the provisions of subparagraphs (3) through (9) inclusive shall become operative.

- (2) The Company shall offer to Sundance, on reasonable terms and conditions, 43,500 cubic metres of harvested merchantable coniferous timber annually or other volume as is mutually agreed upon by the Company and Sundance which has been harvested under the approved annual operating plan of the Company. Such merchantable coniferous timber shall be made available to Sundance in trade for an equal annual volume of harvested merchantable deciduous timber from Sundance, or such other volume as is mutually agreed upon by the Company and Sundance. If there is any dispute as to whether or not the offer made by the Company is on reasonable terms and conditions, the matter in dispute shall be referred to arbitration by either of the Company or Sundance pursuant to the *Arbitration Act*, and the offer shall be held in abeyance pending the arbitrator(s)' determination, which determination shall be final and binding on the Company and Sundance.
- (3) If Sundance cannot accept the volume of merchantable coniferous timber referred to in subparagraph (3), or any part thereof, such volume of merchantable coniferous timber may be used or disposed of by the Company as it may determine in its sole discretion, and such merchantable coniferous timber will not be subject to further direction by the Minister and the Company shall not be considered in default under this Agreement.
- (4) The Company shall pay to the Minister timber dues on all coniferous timber referred to in subparagraph (3) and (4) at the rates set out in the Timber Management Regulation.
- (5) If the Company does not supply the contracted volume of harvested merchantable coniferous timber to Sundance in accordance with the terms of the accepted offer described in subparagraph (3), then at the request of Sundance, the Minister shall require the Company to harvest and deliver a volume of merchantable coniferous timber which is equal to the volume of merchantable coniferous timber remaining undelivered under the terms of the accepted offer described in subparagraph (3).
- (6) If the Company fails to comply with the requirements of the Minister under subparagraph (5), the Minister shall authorize Sundance to enter onto those specific cut blocks within the forest management area acceptable to Sundance to remove a volume of merchantable coniferous timber equal to the volume of

coniferous timber remaining undelivered under the terms of the accepted offer referred to in subparagraph (3) and no compensation shall be required to be paid by Sundance to the Company in respect of the merchantable coniferous timber.

- (7) If Sundance is authorized to enter onto lands within the forest management area for the purpose of removing merchantable coniferous timber as provided for in subparagraph (6), such entry will be granted to Sundance provided Sundance shall pay the Crown charges prescribed under the Timber Management Regulation. Prior to such entry, the Company shall prepare a plan, in consultation with the Minister, which defines the specific cut blocks to be harvested by Sundance.
 - (8) The Company agrees to undertake in favour of Sundance to perform its obligations in favour of Sundance as set out in this paragraph 20.
 - (9) It is acknowledged that the Company is also party to a separate forest management agreement approved by Order in Council OC 796/85 (the "Drayton Valley FMA"). The Drayton Valley FMA includes a similar provision to paragraph 20 of this Agreement. To avoid misinterpretation and for greater certainty, the Minister acknowledges and agrees that the Company's obligations to Sundance under both this Agreement and under the Drayton Valley FMA shall, in the aggregate, mean the Company is to offer to Sundance no more than 43,500 cubic metres of harvested merchantable coniferous timber annually, unless otherwise mutually agreed upon by the Company and Sundance.
- 21.
- (1) If directed to do so by the Minister, the Company shall offer, on reasonable terms and conditions, all residual coniferous woodchips produced by the Drayton Valley sawmill from timber cut under authority of this Agreement to a purchaser acceptable to the Minister under a contract with a term which is suitable to the purchaser provided it does not extend beyond June 14, 2013.
 - (2) If there is a dispute as to whether or not the offer made by the Company is on reasonable terms and conditions, the dispute shall be referred to arbitration by either the Company or the purchaser pursuant to the *Arbitration Act*, and the offer shall be held in abeyance pending the arbitrator(s) determination, which determination shall be final and binding on the Company and the purchaser.
 - (3) If the Company fails to supply its contracted volumes of coniferous woodchips under subparagraph (1), then, at the request of the purchaser, the Minister shall require that the Company harvest and deliver a volume of merchantable timber which is equivalent to the volume of coniferous woodchips remaining undelivered under the terms of the contract under subparagraph (1).
 - (4) In the event that the Company fails to deliver the volumes required of it under subparagraph (3), the Minister shall authorize the purchaser to enter onto lands within the forest management area to remove a volume of merchantable coniferous timber which is equivalent to the volume of coniferous timber remaining undelivered.
 - (5) In the event that the purchaser is authorized to enter onto lands within the forest management area for the purpose of removing merchantable coniferous timber as provided for in subparagraph (4), such entry will be granted to the purchaser provided the purchaser shall pay the Crown charges prescribed under the Timber Management Regulation. Prior to such entry, the Company shall prepare a plan, in consultation with the Minister, which defines the specific cut blocks to be harvested by the purchaser.

- (6) If the purchaser, for whatever reason, does not purchase all of the merchantable coniferous timber offered to it under subparagraph (3), then the Minister shall have no further obligation to direct merchantable coniferous timber, but the Company shall not be considered in default under this Agreement.
22. The Company shall utilize all merchantable trees cut in road construction and other incidental operations of the Company unless otherwise permitted in writing by the Minister.
23. (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 reasonably unavoidable 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 against the Company for reasonably unavoidable incidental damage to timber.

B. REFORESTATION

24. (1) The Company shall reforest at its own expense all lands cut over by the Company under this Agreement to the required reforestation standard and shall describe its reforestation program in their management and annual operating plans.
- (2) The Company shall be responsible for reforesting those lands cut over by Weyerhaeuser Canada Ltd., Pelican Spruce Mills Ltd., A&V Logging Ltd., Branch Pole Ltd., and L.H. Rehn Lumber Ltd., that comprise part of the forest management area, and were the Company's responsibility to reforest and that have not been recognized by the Minister as being satisfactorily regenerated and shall reforest those lands to the reforestation standard under subparagraph (3).
- (3) In this Agreement the required reforestation standard means the reforestation standard under the Timber Management Regulation.
- (4) As part of its operations under this Agreement the Company shall, at its sole expense, furnish all of the seedling trees and propagules required for its reforestation needs.
- (5) 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.
25. (1) The Company shall account for the incidental coniferous and deciduous growing stock in their forest management plans, and shall ensure, through the approved forest management plans and annual operating plans, that these incidental coniferous and deciduous timber components are being sustained through strategies acceptable to the Minister.
- (2) The Company shall annually, and otherwise as requested by the Minister, provide a complete and accurate record of their activities under this paragraph.

26. (1) The Company 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 has failed to meet the required reforestation standard.
- (2) The Company shall be solely responsible for reforesting to the required reforestation standard all productive forested lands burned by fire within the forest management area, when the fire has been caused by the Company, their employees, agents or contractors.
27. (1) The Company may devise and implement more intensive silvicultural practices than those 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*. The amount of additional allowable cut shall be offered dues free only after the periodic allowable cut has been fully utilized by the Company.
- (3) 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 17.

C. FOREST PROTECTION

28. (1) The Minister agrees to provide and maintain an organization of people 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. The Minister agrees to inform the Company on an annual basis respecting the Minister's forest protection and suppression plans.
- (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, their 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. Until such time as a Fire Control Agreement has been entered into, the Company agrees to have on hand in good working order such fire fighting equipment and shall train such employees in fire suppression as specified by the Minister. 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 or activities 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 cooperate in suppressing the epidemic.

RECORDS AND SCALING

- 29. (1) 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.
- (2) 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.
- (3) The Minister, or any person authorized by the Minister, may inspect the records maintained by the Company pursuant to subparagraph (2).
- 30. (1) Unless otherwise prescribed in the Timber Management Regulation, within thirty days of the termination of every calendar quarter, the Company shall submit in confidence to the Minister in writing, on a form prescribed by the Minister, a return reporting
 - (a) the volume of merchantable coniferous and deciduous timber cut by and for the Company;
 - (b) the volume of merchantable coniferous and deciduous timber cut or destroyed by others for which the Company is entitled to compensation under this Agreement;
 - (c) the volumes of primary timber products manufactured and sold by and for the Company from their manufacturing facilities in Edson, Alberta; and
 - (d) the volume of timber and primary timber products purchased for use in their mills and timber and primary timber products sold by the Company, from their operations in Edson, Alberta.
- (2) The Company shall remit to the Minister with its returns the amount of all dues payable for the volume of timber shown on 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, the charge in subparagraph (1) will be \$187,000.
- (3) Subsequent holding 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:

$$\text{charge for year of payment} = \text{charge for previous Year} \times \frac{\text{Index for Year Prior to Year of payment}}{\text{Index for Second Year}}$$

Example:

$$1998 \text{ Holding and Protection charge} = \$187,000 \times \frac{1997 \text{ Index}}{1996 \text{ Index}}$$

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.

- (4) Notwithstanding subparagraph (3), 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, 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).
- (5)
 - (a) Subject to subparagraph (b), when the net productive forest management area is larger or smaller than the initial net productive forest management 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.
 - (b) Areas excepted under paragraph 4(a) and added to the forest management area shall not be considered as increasing the net productive forest management area for the purposes of subparagraph (a).
- (6)
 - (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 (8),
 - (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.
- (7) For the purposes of subparagraph (6), expenditures shall not include costs of suppressing forest fires or epidemics of insects or disease.
- (8) The Company shall submit annually a forest protection plan for the Minister's approval in accordance with the Fire Control Agreement referred to in paragraph 28.
- (9) The forest protection plan shall include a description and an estimated cost for those proposed expenditures the Company wishes to claim under subparagraph (6). 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.
- (10) The Company shall annually submit an audited annual financial report detailing how much was spent on eligible expenses by the Company in implementing the plans referred to in subparagraph (8). 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.

- (11) The Company shall maintain and retain for three years such records of the expenditures claimed under subparagraph (6) 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) For all timber on the forest management area cut by or for the Company or for which the Company is entitled to compensation, the Company shall pay to the Minister timber dues at the rates established under the Timber Management Regulation.
 - (2) 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 will be \$0.25 per cubic metre based on all timber cut by or for the Company from the forest management area.
 - (3) The Company shall annually, and as otherwise requested by the Minister, provide a report that details the activities of the program.

FACILITY OPERATION

33. The Company will notify the Minister, in writing, of any intended major reduction in production levels of the facilities in Edson, and Drayton Valley, Alberta. Such notification will be submitted to the Minister at least six weeks prior to the intended reduction taking effect.
34. The Company agrees to make reasonable efforts to meet the objectives of the Alberta Industrial Benefits Strategy. When requested by the Minister of Economic Development and Tourism, the Company shall provide a report on its industrial benefits and achievements in support of the Alberta Industrial Benefits Strategy.
35. (1) If, at any time the oriented strand board plant in Edson, Alberta ceases to be in production and operation for a period of eighteen consecutive months, the Company shall have no right to and shall not harvest deciduous timber on the forest management area, except for that volume of deciduous timber processed into OSB in the oriented strand board plant at Drayton Valley, Alberta. Subject to the foregoing the Minister shall have the right to issue short term deciduous timber dispositions to third parties on the forest management area for up to 100% of the approved deciduous annual allowable cut until such time as the Company advises the Minister in writing of its intentions to resume production and operation of the oriented strand board plant at Edson, Alberta.
- (2) If, at any time the OSB facility in Edson, Alberta ceases to be in production and operation for a cumulative, but not necessarily consecutive, period of thirty-six months, the Minister shall have the right to cancel this Agreement.
- (3) Notwithstanding subparagraph (2), if the Company submits a proposal for a forest industry project including an implementation time table as a replacement for the OSB facility, which project is acceptable to the Minister, the Minister shall delay exercising his right to cancel this Agreement under subparagraph (2).
- (4) If the Company has submitted a proposal acceptable to the Minister under subparagraph (3) and, in the opinion of the Minister, the Company is not

carrying out the proposal in accordance with its terms, the Minister may cancel this Agreement.

GENERAL PROVISIONS

36. (1) If the Company at any time is in 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.
- (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).
37. 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 39 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.
38. 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 woodlands operations or 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.

39. (1) Except as otherwise provided in paragraph 35, the Minister may, by giving the Company ninety (90) days notice in writing, cancel this Agreement when:
- (a) any goods or chattels of the Company, constituting a material portion of its assets 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 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 36 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 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.
40. The Minister does not guarantee any quality or quantity of timber on the forest management area.
41. No implied contract of any kind by or on behalf of the Minister shall arise or be construed from anything contained in this Agreement and the only rights, powers and privileges granted to the Company are those contained in this Agreement.
42. 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 not surveyed, 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.
43. The Company shall comply with and observe all the provisions and requirements of all relevant Acts of the Province of Alberta and the regulations thereunder in force from time to time that apply to the Company or to this Agreement either specially or generally by express wording or by implication.
44. The Company shall during the term of this Agreement maintain an office in the Province of Alberta and maintain a registration under the *Business Corporations Act* (Alberta), and its regulations.
45. (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* (Alberta) as may be amended from time to time, 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.
46. (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 in the normal conduct of its operations;
 - (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 mill 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.
47. 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 such waiver 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.
48. 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 47 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 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.
49. (1) 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 caused by the Company, its servants, agents, workmen and contractors, 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, provided that such liability under this subparagraph shall not include economic loss or incidental and consequential loss and damage.
- (2) Subparagraph (1) shall not restrict, in any manner, the ability of the Minister to pursue the Company under the common law for economic loss or incidental and consequential loss and damage, which liability may be resolved by means of arbitration pursuant to the *Arbitration Act* with the mutual agreement of both parties, or failing such agreement, by civil action before the courts of the Province of Alberta.
50. The Company agrees to hold harmless the Minister from any and all third party claims and demands or actions for which the Company is legally responsible, including those arising out of negligence, wilful harm, or crimes by the Company or the Company's employees or agents.
51. The Company shall submit to the Minister when required any information or documents the Minister may reasonably request in respect of matters relating to this

Agreement for the purpose of verifying the Company's continued compliance with the terms of this Agreement.

52. 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 City of Edmonton, Alberta by prepaid registered mail addressed as follows:

(a) to the Company:

Weyerhaeuser Canada Ltd.
11553 - 154 Street
Edmonton, Alberta
T5M 3N7

(b) to the Minister:

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

or to such other address any 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.

53. This Agreement is made subject to its approval by the Lieutenant Governor in Council.

54. (1) The Company agrees that the Minister shall cancel the following timber quotas upon approval of the Company's forest management plan under paragraph 10(3) provided however, if the forest management area does not include all areas covered by the timber quotas described below, the Minister shall cause to be concurrently issued to the Company, for the sum of one dollar (\$1.00) each, further timber quotas for those portions of the forest management units originally forming part of the timber quotas described below that are not included in the forest management area. The timber quota certificates subject to cancellation are as follows:

<u>CONIFEROUS QUOTA CERTIFICATE</u>	<u>AUTHORIZED ANNUAL HARVEST (CUBIC METRES)</u>
CTQE010009	49,246
CTQE010016	25,612
CTQE020001	6,570
CTQW060007	14,298
CTQW060009	<u>42,960</u>
TOTAL	138,686

DECIDUOUS TIMBER
ALLOCATION

AUTHORIZED ANNUAL HARVEST
(CUBIC METRES)

DTAE010001	36,360
DTAE020001	63,300
DTAW050001	14,970
DTAW060007	27,164
DTAW060008	<u>71,905</u>
TOTAL	213,699

- (2) In the event that this Agreement is cancelled for any reason, the Minister shall grant to the Company for the sum of \$1.00 each, coniferous quota certificates and deciduous timber allocations in the forest management area for the volume of coniferous and deciduous timber that becomes available as a result of the cancellation of this Agreement.
- (3) The obligation of the Minister to grant timber quota certificates under subparagraph (2) shall survive the cancellation of this Agreement.

55. This Agreement inures to the benefit of and is binding upon the Crown and Her assigns, and the Company and its successors and assigns if approved by the Minister in accordance with the provisions of this Agreement.

56. 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 at Edmonton, Alberta this 23rd day of June, 1997.

Her Majesty the Queen
in Right of Alberta

Original signed

Witness

Original signed by the Minister

Minister of Environmental Protection

Original signed

Witness

Weyerhaeuser Canada Ltd.

*Original signed by the
Company representative*

Per: _____

Original signed

Witness

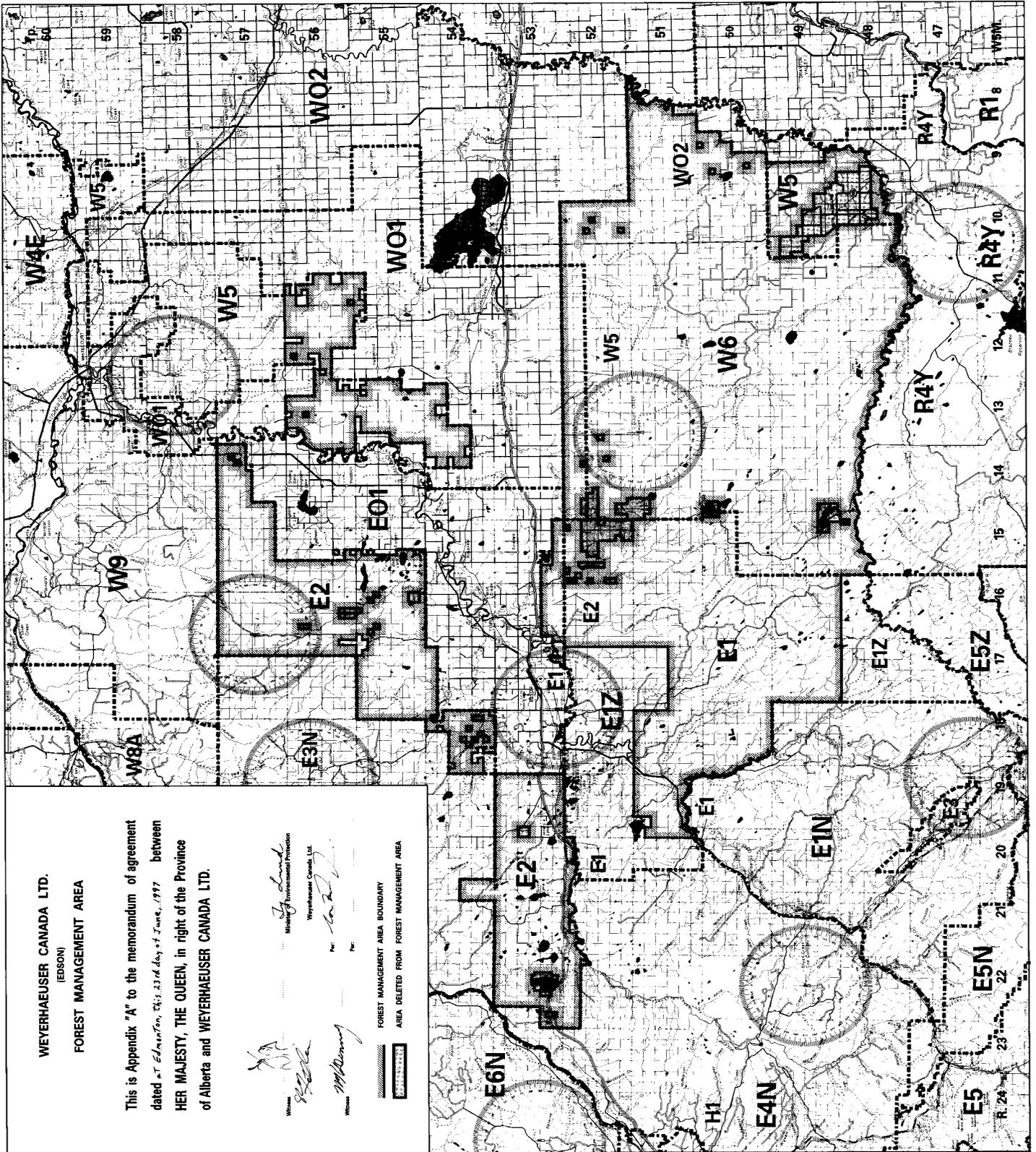
*Original signed by the
Company representative*

Per: _____

Original signed

Witness

WEYERHAEUSER CANADA LTD.
APPENDIX "A"



WEYERHAEUSER CANADA LTD.
APPENDIX "B"

A. CONIFEROUS QUOTA HOLDERS WITHIN THE FOREST
MANAGEMENT AREA

Edson Timber Products Ltd.
Millar Western Forest Products Ltd.
ANC Timber Ltd.
Blue Ridge Lumber (1981) Ltd.

B. CONIFEROUS QUOTA CERTIFICATES ISSUED WITHIN THE
FOREST MANAGEMENT AREA

CTQE010005
CTQW060002
CTQW060010
CTQW060011

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

- (a) Where a coniferous quota listed in Section B 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)(a) of this Agreement.

