

UNOFFICIAL OFFICE CONSOLIDATION

GOVERNMENT OF THE PROVINCE OF ALBERTA

FORESTS ACT

FOREST MANAGEMENT AGREEMENT

O.C. 614/90, dated at EDMONTON

NOVEMBER 7, 1990

including amendments authorized by O.C. 130/96; 26/99; and 219/2001.

MEMORANDUM OF AGREEMENT

BETWEEN:

HER MAJESTY THE QUEEN in the right of the Province of Alberta, as represented by the Minister of Forestry, Lands and Wildlife, (hereinafter referred to as "the Minister"),

OF THE FIRST PART

and

SLAVE LAKE PULP CORPORATION, a body corporate, registered under the laws of Alberta, with a business office in Slave Lake, Alberta, (hereinafter referred to as "the Company"),

OF THE SECOND PART

WHEREAS the Company proposes to construct and operate a chemi-thermomechanical pulpmill (the "CTMP" mill) near the town of Slave Lake, Alberta for the manufacture of pulp products with an initial rated capacity of 110 000 air dry metric tonnes annually; and

WHEREAS it is anticipated that the initial production of pulp products will be increased to 190 000 air dry metric tonnes or more of pulp annually; and

WHEREAS the Minister, recognizing the Company's needs for a forest management agreement to warrant establishment of a CTMP mill, desires to provide for a perpetual sustained yield of deciduous 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; and

WHEREAS Alberta Energy Company Ltd. has agreed to surrender its rights to the timber in the Cold Lake Air Weapons Range as outlined in the document duly registered with the Department of Forestry, Lands and Wildlife dated December 1, 1988.

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 deciduous timber that may be harvested in any one year as stipulated in the pertinent forest management plan approved by the Minister;
 - (b) "commencement of construction" means the date on which construction physically begins on a site under the terms of a firm construction contract or the first of a series of firm construction contracts with a reputable contractor or contractors, providing for continuing construction leading to the completion of a facility by the applicable date prescribed herein;
 - (c) "completion of construction" means the date on which a facility is physically capable of production at its initial rated capacity;
 - (d) "cut control period" means a period of five consecutive forest management operating years;
 - (e) "cubic metre" shall have the same meaning as that prescribed by the Timber Management Regulation;
 - (f) "Department" means the Department of Sustainable Resource Development;
 - (g) "dollar" means Canadian currency of the value of one Canadian dollar, or the equivalent value in any other currency;
 - (h) "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;
 - (i) "periodic allowable cut" is the total of the annual allowable cuts approved for a five-year cut control period;
 - (j) "Scaling Regulation" means Alberta Regulation 336/79 authorized by Ministerial Order 40/79 and any amendments thereto or substitutions therefor;
 - (k) "Surface Materials Regulation" means Alberta Regulation 11/78 and any amendments thereto or substitutions therefor;
 - (l) "Timber Management Regulation" means Alberta Regulation 60/73 authorized under Order-in-Council 309/73 and any amendments thereto or substitutions therefor; and
 - (m) "Timber Regulation" means Alberta Regulation 268/78 and any amendments thereto or substitutions therefor.

2. (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 or substituted, and terms defined by the *Forests Act*, the *Public Lands Act*, and the regulations made thereunder shall, in and 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 15th day of November, 1990 hereinafter referred to as the commencement date and shall expire on the 14th day of November, 2020 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 year 2010 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 November 15, 2010.

- (6) 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) areas which are the subject of any timber dispositions issued pursuant to the *Forests Act*, 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;
 - (c) lands applied for in respect of which a timber disposition under the *Forests Act* or a disposition under the *Public Lands Act* is pending prior to the date of this Agreement;
 - (d) Deleted O.C. 219/2001;
 - (e) the beds and shores of all permanent and naturally occurring bodies of water and all naturally occurring rivers, streams, watercourses and lakes; and
 - (f) lands contained within any Provincial Park or Forest Recreation area prior to the date of this Agreement.
5. Whenever any of the productive or potentially productive land excepted under paragraph 4 (a), (b) and (c) 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, 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 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 or 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 except where that use has been designated for exemption by the Minister, 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 deciduous timber, regeneration, forest growth, improvements, or to its operations on the forest management area resulting from such withdrawal and the Company shall determine such compensation for damage to deciduous timber, deciduous regeneration and deciduous forest growth in accordance with the Department's stand damage appraisal table and associated guidelines as amended or replaced from time to time;
- (b) for use by the Crown, and for uses designated for exemption by the Minister, wherein the net aggregate area withdrawn on a cumulative basis does not exceed 3% 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, and for uses designated for exemption by the Minister, wherein the net aggregate area withdrawn on a cumulative basis does exceed 3% 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 deciduous timber and for any loss or damage suffered by the Company, including damage to deciduous timber, regeneration, forest growth, improvements, or to its operations on the forest management area. The Minister shall determine such compensation for damage to deciduous timber, deciduous regeneration and deciduous forest growth in accordance with the Department's stand damage appraisal table and associated guidelines as amended or replaced from time to time.
- (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 subparagraphs (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) 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 through:
 - (a) enhanced forest management programs,
 - (b) purchase of private land for timber production, and
 - (c) participation in woodlot management programs; or

- (d) any other such activities as the Minister may approve.
- (7) 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).
- (8) 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.
- (9) For the purposes of applying subparagraphs (3)(b) and (c), the net area for the initial forest management area shall be established and agreed upon by both parties to be effective on the commencement date of this Agreement, and shall be recalculated at such time as the lands depicted on Appendix "A" as "AREA ADDED TO THE FOREST MANAGEMENT AREA" are added to the forest management area pursuant to paragraph 37(6).
- (10) 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.

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), (e) and (f);
 - (b) the right during the term of this Agreement to grow, cut and remove deciduous timber on and from the forest management area;
 - (c) subject to paragraph 21 and Appendix "D" of this Agreement, the right during the term of this Agreement to harvest coniferous timber where it occurs in D stands where that coniferous timber has been approved for harvest under the approved annual operating plan;
 - (d) the right to grow coniferous timber on the forest management area in accordance with paragraphs 24(2) and 26 and the right to cut and remove that coniferous timber;
 - (e) the right during the term of this Agreement to carry out reforestation and other programs that are approved by the Minister in accordance with this Agreement; and
 - (f) the right during the term of this Agreement to construct, operate and maintain camps, roads, wood concentration yards 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.
- (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 be designated for 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, trap 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 road;
 - (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 deciduous timber, forest growth, regeneration, improvements, or to any of its operations on the forest management area;
 - (c) the right to maintain and enhance fish and wildlife resources; and
 - (d) the right 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 deciduous 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 two percent (2%) of the approved deciduous annual allowable cut:

- (b) Deleted O.C. 219/2001;
 - (c) the right to issue coniferous quotas and to issue licences and permits to coniferous quota holders listed in Appendix "C" to maintain their operations after the commencement date of this Agreement;
 - (d) the right to issue coniferous timber permits on C, CD and DC stands;
 - (e) the right to issue coniferous timber permits on D stands where that coniferous timber has not been approved for harvest under the Company's approved annual operating plan; and
 - (f) the right to manage and reforest coniferous tree species on non-productive lands and on C, CD, and DC timber stands which may be required to maintain the coniferous annual allowable cut.
- (3) 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:
- (a) follow sound forestry practices with the purpose of achieving and maintaining a perpetual sustained yield of timber from the productive forest land, while not diminishing the productivity of the land or adversely affecting the coniferous timber stands identified by the Minister;
 - (b) follow sound forestry practices in accordance with Appendix "D"; and
 - (c) harvest the annual allowable cut of merchantable deciduous trees from merchantable stands in accordance with paragraph 12.
10. (1) Not more than twelve months following the commencement date of this Agreement and in any case before the commencement of woods operations, the Company shall submit for the Minister's approval a preliminary forest management plan describing the methods that the Company will follow in managing the timber located within the forest management area on a sustained yield basis and establishing a preliminary estimate of the sustainable annual allowable cut for deciduous timber.

- (2) Before the Company submits a plan referred to in subparagraphs (3), (4) and (5) 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 and timber disposition holders, the Company shall incorporate in the forest management plan its response to the concerns raised by the public and timber disposition holders respecting the proposed forest management plan and shall submit this plan to the Minister within the time specified in subparagraphs (4) and (5) as the case may be for the Minister's review and approval.

- (4) On or before November 15, 2000, the Company shall submit for the Minister's approval a detailed forest management plan for the revised forest management area. For greater certainty, prior to approval of the detailed forest management plan for the revised forest management area, the Company shall conduct its woods operations in accordance with the preliminary forest management plan approved on July 4, 1991, or other plans subsequently approved by the Minister, until the earlier of November 15, 2000, and the date the detailed forest management plan is approved under this subparagraph. If the detailed forest management plan is not approved by November 15, 2001, the Minister has the right to set interim levels of harvest and sequencing until the detailed forest management plan is approved.

- (5) On or before November 15, 2010, 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.

- (7) The management strategies in the detailed forest management plan under subparagraph (4) shall

- (a) provide for the maintenance of the annual allowable cut for both the coniferous and deciduous species subject to the occurrence of natural disasters; and
- (b) account for both the coniferous and deciduous components of the growing stock in all stands in the forest management area, and shall ensure that these components are being replaced through strategies acceptable to the Minister through the approved forest management plans and annual operating plans.

- (8) 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 must be consistent with the forest management planning manual referred to in subparagraph (6).
11. (1) Within six months following the commencement date of this Agreement, the Minister and the Company shall jointly develop a set of ground rules to provide guidelines for the preparation of annual operating plans and management plans which will facilitate supervision of timber harvesting and reforestation operations.
 - (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) 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.
 - (4) 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.
 12. (1) The term of this Agreement shall be divided into six 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 the overcut results from 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 in the subsequent cut control period.
 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 annual operating plans 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) Each operating plan shall provide for the harvesting and management of timber in the forest management area in accordance with the guidelines set forth in Appendix "D" and shall provide for the full utilization of the timber resource and shall minimize the adverse impact on public resources such as fish and wildlife throughout the forest management area.
 14. (5) 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.
 - (6) 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.
 15. 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 for his approval within a specified time, or within any extended time he may subsequently allow.
 - (1) 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.
 16. (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 annually.
 - (3) The Company shall establish and implement a deciduous 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 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 resource uses, the inventory referred to in 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, or as otherwise agreed to in a separate data sharing agreement between the Minister and the Company.

17. The Company shall utilize all the merchantable trees cut in road construction and other incidental operations of the Company unless otherwise permitted in writing by the Minister.
18. The Company shall conduct its woods operations and manufacturing operations in such a manner as to achieve the highest degree of economic utilization of the timber on the forest management area and shall not commit acts of waste in respect of such timber; provided, however, that nothing in this Agreement shall preclude the Company from using any wood harvested for the purpose of manufacturing pulp.
19.
 - (1) The Company shall use every reasonable effort to purchase roundwood offered to the Company at prevailing market prices, provided that the roundwood possesses a standard of quality suitable, in the opinion of the Company, for use in facilities of the Company.
 - (2) Effective January 1, 2002, in every period between January 1 in one year and December 31 in the next year, the Company shall use 50,000 cubic metres of deciduous timber in a mill facility located in Alberta, for the manufacture of solid wood products.
 - (3) If the Company uses less than 50,000 cubic metres of deciduous timber for the manufacture of solid wood products in any period referred to in subparagraph (2), the Company shall offer, on reasonable terms and conditions, the shortfall volume of deciduous timber suitable for the manufacture of solid wood products to non pulp producing mills in Alberta in trade for an equivalent volume of fibre.
 - (4) If the Company and a party wishing to acquire the deciduous timber from the Company disagree 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 pursuant to the *Arbitration Act* by either the Company or that other party, and the offer shall be held in abeyance pending the arbitrator(s) determination, which determination shall be binding on the Company.
 - (5) If the deciduous timber referred to in subparagraph (3) is offered for trade in accordance with that subparagraph and there is no interest in a trade for that timber or if the timber is offered for trade under the arbitrated terms established under subparagraph (4) and the party interested in trading for the deciduous timber does not accept the arbitrated terms, it may be used by the Company.
 - (6) The only remedy of the Minister under this Agreement where the Company has not complied with subparagraph (2) are those remedies set out in subparagraphs (3), (4) and (5). The Company will not be in breach or default of this Agreement and paragraphs 44, 45, 46 and 47 shall not apply to a failure by the Company to comply with subparagraph (2).
20. The Company shall use every reasonable effort to purchase pulp quality woodchips which are not directed by the Minister and are offered to the Company from any quota holder or permittee within the Province at prevailing market prices or at some price mutually agreed upon by the disposition holder and the Company.
21.
 - (1) Effective November 15, 2000, the Company shall annually offer the coniferous timber referred to in paragraph 7(1)(c) which has been harvested under the approved annual operating plan to the coniferous quota holder(s) in the forest management unit from which the coniferous timber originated. Where more than one quota holder exists within a forest management unit, the timber shall

22.
 - (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 coniferous licensees and permittees may cause some incidental damage to deciduous timber. No claim shall be made by the Company against any licensee, permittee or the Minister for such incidental damage to deciduous timber.
 - (3) The Minister shall ensure that all timber licenses 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 coniferous timber.
 - (4) If the coniferous timber referred to in subparagraph (3) is offered for trade or sale under the arbitrated terms, and the quota holder does not accept the offer, it may be used by the Company.
23.
 - (1) 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 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.
 - (2) The Minister shall require timber licensees and permittees operating within the forest management area to conduct all harvesting operations in accordance with sound forestry practices and to refrain from hindering or obstructing the lawful operations of the Company.
24.
 - (1) **B. REFORESTATION**
The Company shall be obliged to progressively reforest at its own expense all land cut over by the Company under authority of this Agreement and shall describe its reforestation program in its management and annual operating plans.
 - (2) In accordance with its approved management and annual operating plans, the Company may, with the Minister's approval, reforest to coniferous species

be divided amongst the quota holders according to their percentage share of the approved annual allowable cut for that forest management unit.

All coniferous timber referred to in subparagraph (1) shall be felled, skidded and decked and made available in accordance with an agreement between the Company and the party using the coniferous timber.

With respect to any coniferous timber referred to in subparagraphs (1) and (2) which the Company has not been able to trade or sell with the quota holder(s) under this paragraph, the Minister may

(a) allow the Company to use that coniferous timber, or

(b) appoint a single arbitrator under the *Arbitration Act* to establish reasonable terms of trade or sale of that coniferous timber under which terms the timber must be offered for trade or sale by the Company.

those deciduous stands that were harvested by the Company and which have been designated in those plans as to be reforested to coniferous species.

- (3) For the purpose of the reforestation requirements, "year" shall mean the period from May 1st to April 30th until such time as the phrase "timber year" is defined in the Timber Management Regulation and from that time on shall have the same meaning as may be thereby ascribed to that phrase.
- (4) Considering the year of cut or, in the case of supplemental reforestation areas the year of treatment, as being year zero, the Company shall complete a reforestation survey which meets the specifications of the Minister for all areas that it is obliged to reforest and submit same to the Minister in accordance with the Timber Management Regulation.
- (5) In this Agreement, the required reforestation standard means the reforestation standard set out in the Timber Management Regulation as amended from time to time or in any regulations passed in substitution thereof.
- (6) Where the Company fails to reforest any area it is obliged to reforest to the required reforestation standard in accordance with the Timber Management Regulation the Company shall comply with any direction received from the Minister in relation to the reforestation of the area.
- (7) In the event that the Company does not comply with the Minister's direction under subparagraph (6), the Minister may suspend timber harvesting operations until such time as the Company has complied with the Minister's direction in relation to the reforestation of the area.
25. (1) Deciduous seed, deciduous seedling trees and propagules for reforestation programs under this Agreement shall be native to and produced and grown within the Province of Alberta unless the Company requests otherwise and the Minister approves the request in writing.
 - (2) As part of its operations under this Agreement the Company shall, at its sole expense, furnish all of the deciduous seedling trees and propagules required for its reforestation needs.
 - (3) Where the Company has supplied clean extracted seed to the Minister in order to meet the Company's reforestation needs, the Minister shall, without charge to the Company, store such seed for delivery to the Company on demand.
26. 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 agents, such as fire or disease, and which has failed to meet the required reforestation standard.
27. The Company shall be solely responsible for reforesting 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.
 - (1) The Company may devise and implement more intensive silvicultural practices than required by the Minister under this Agreement, such as but not limited to spacing, fertilization, and genetics. 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
28. (1) The Company may devise and implement more intensive silvicultural practices than required by the Minister under this Agreement, such as but not limited to spacing, fertilization, and genetics. 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.

29. Deleted O.C. 219/200.

C. FOREST PROTECTION

30. (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. 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 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

31. (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).
- (5) The measurement of the volume of all wood cut by or for the Company and sold to others or purchased by the Company may be determined, at the option of the Company, by physical measurement of said wood or by derivation of volume/weight factors by sampling in the manner prescribed by the Minister.
- (6) The Company may establish and use a constant conversion factor to convert the weight of wood delivered to cubic metres. The constant conversion factor will be re-established at appropriate intervals according to procedures prescribed by the Minister.
32. (1) Within 21 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

33. (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 \$1.25 per square kilometer; and
 - (b) a forest protection charge of \$28.05 per square kilometer.
- (3) Effective November 15, 2000, the holding and forest protection charge will be \$117,579.
- (4) Effective November 15, 2008, the holding and protection charge will be \$244,118.
- (5) 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:

Charge for Year =	Charge for	X	Prior to Year of Payment
	Previous Year	Index for	Second Year
		X	Prior to Year of Payment

Index for Year

Example:

2001 Holding and Protection Charge = \$117,579 X 2000 Index
1999 Index

2009 Holding and Protection Charge = \$117,579 X 2008 Index
2007 Index
- (6) 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.
- (7) On or before November, 15 of each year up to and including 1999, the Company shall and has paid to the Minister, the sum of \$27,000.00 as compensation to the Minister for unrealized holding and protection revenues associated with the deciduous timber in forest management unit S1.
- (8) Notwithstanding subparagraph (5), the Lieutenant Governor in Council may by regulation establish the amounts of annual holding and protection charges to be paid by the Company. 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).
- (9) 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.
- (10) 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 (11).

- (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.
 - (10) For the purposes of subparagraph (9), expenditures shall not include costs of suppressing forest fires or epidemics of insects or disease.
 - (11) The Company shall submit annually a forest protection plan for the Minister's approval.
 - (12) The forest protection plan shall include a description and an estimated cost for those proposed expenditures the Company wishes to claim under subparagraph (9). 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.
 - (13) The Company shall annually submit an audited financial report detailing the amount spent by the Company in implementing the plans referred to in subparagraph (11). 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.
 - (14) The Company shall maintain and retain for three years such records of the expenditures claimed under subparagraph (9) 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.
34. Deleted O.C. 26/99.
35. (1) 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.
- (2) 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, 1991 and annually thereafter effective on July 1 of every year of this Agreement by multiplying:
- (a) the rates of dues calculated 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:

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

- (3) In subparagraph (2),
 - (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 (4)(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 (4)(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.
- (4) For the purposes of subparagraphs (2) and (3):
 - (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.
- (5) Notwithstanding subparagraphs (1) to (4), and subject to subparagraph (6), 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).
- (6) (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.

(7) 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.

(8) The Company shall annually, and as otherwise requested by the Minister, provide a report that details the activities of the program under subparagraph (7).

36. The Minister has, in addition to any rights and powers conferred on him by this Agreement, all the rights and powers for enforcing the payment of Crown charges that are provided for pursuant to the *Forests Act*. In addition, nothing in this Agreement shall, or shall be construed so as to, limit or restrict the Minister's rights and remedies at common law or in equity.

MILL CONSTRUCTION AND OPERATION

37. (1) The Company has completed the construction of a chemithermomechanical pulp mill (the "CTMP mill") near the town of Slave Lake, Alberta for the manufacture of wood pulp having a rated capacity of 110 000 air dry metric tonnes of pulp annually at a cost of approximately one hundred and sixty-eight (168) million dollars.

(2) The Company has expanded the CTMP mill under subparagraph (1) to increase the manufacturing capacity of wood pulp of the mill to a rated capacity of 165 000 air dry metric tonnes of pulp annually.

(3) The Company shall complete an expansion to the CTMP mill under subparagraphs (1) and (2) by November 30, 2008, which will increase the manufacturing capacity of wood pulp of the mill to a rated capacity of 190 000 air dry metric tonnes of pulp annually.

(4) If the Company fails to complete the expansion of the CTMP mill under subparagraph (3), the Minister shall have the right to issue a deciduous timber forest management area at the Minister's discretion.

(5) The failure of the Company to complete the expansion of the CTMP mill under subparagraph (3) shall not amount to a default or breach by the Company of any of the provisions of this Agreement.

(6) In order to satisfy the wood requirements of the Company's CTMP mill at Slave Lake, Alberta, the Minister shall add to the forest management area those lands depicted on Appendix "A" as "AREA ADDED TO THE FOREST MANAGEMENT AREA".

(7) Subject to subparagraphs (8) and (9), in addition to the timber dues payable to the Minister in accordance with paragraph 35 on deciduous timber harvested by or for the Company from forest management unit ("FMU") S1, commencing on October 1, 2000, the Company shall also pay to the Minister quarterly a sum equal to the timber dues for that deciduous timber.

(8) If the actual volume of deciduous timber harvested by or for the Company from FMU S1 in any twelve month period between October 1 in one year and September 30 in the next year is less than 70,000 cubic metres, then the

volume used to calculate the additional sum to be paid to the Minister under subparagraph (7) shall be 70,000 cubic metres for that twelve month period. The shortfall volume shall be paid for on a pro rated basis over the twelve month period.

(9) The obligation of the Company to pay an additional sum to the Minister under subparagraph (7) shall continue until the earlier of November 30, 2008 and the date the annual production of the CTMP mill reaches 190,000 air dry metric tonnes.

(10) The Minister may from time to time extend the commencement and completion dates for construction set out in this paragraph.

38. (1) If the Company has failed to commence construction of the CTMP mill within the time specified in paragraph 37(1) or fails to commence production from the CTMP mill on or before December 1, 1991, the Minister may give notice to the Company stating the default complained of and requiring the Company to remedy such default within six months of the date of such notice, and if the Company fails to remedy the default within the said period of six months, the Minister may cancel this Agreement and declare the rights of the Company under this Agreement to be at an end and thereupon the deposit referred to in paragraph 43(1) shall be forfeited and become the property of the Crown, unless the Lieutenant Governor in Council extends the period as provided in subparagraph (2) below.

(2) The Lieutenant Governor in Council may from time to time extend the period during which the Company is to remedy the default complained of in a notice given under subparagraph (1).

39. (1) If at any time after completion of construction, the CTMP mill 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 CTMP mill within six months.

(2) If at any time after completion of construction, the CTMP mill ceases to be in production and operation for a period of twelve consecutive months, the Minister shall have the right to issue deciduous timber dispositions to third parties on the forest management area for up to 100% of the approved deciduous annual allowable cut until six months prior to the planned resumption of production and operation of the CTMP mill.

(3) If the CTMP mill in Slave Lake, 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.

(4) Notwithstanding subparagraph (3), if the Company submits a proposal for a forest industry project, including an implementation timetable, as a replacement for the CTMP mill, which proposal is acceptable to the Minister, the Minister shall not cancel this Agreement under subparagraph (3).

(5) If the Company has submitted a proposal acceptable to the Minister under subparagraph (4) 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.

40. The Company shall satisfy the Minister of Economic Development throughout the term of this Agreement with respect to the use, wherever practicable of Alberta engineering and other professional services, and Alberta tradesmen and other construction personnel, equipment, materials and supplies from Alberta.
41. The Company shall submit to the Minister when required any information or documents the Minister may reasonably request relating to the progress of the facilities required to be constructed or expanded by the Company and other matters relating to this Agreement for the purpose of verifying the Company's continued compliance with the terms of this Agreement.
42. The Company will notify the Minister, in writing, of any intended major reduction in production levels of its mill facilities described in paragraph 37, and such notification will be submitted to the Minister at least six weeks prior to the intended reduction taking effect.

DEPOSIT

43. (1) The Company shall deposit with the Minister the sum of \$1,000,000.00 on the date this Agreement is executed.
- (2) The deposit referred to in subparagraph (1) may consist in whole or in part of cash, a certified cheque or letter of credit submitted in accordance with all of the requirements of the Minister, or bearer bonds of the Government of Canada or of the Province of Alberta having a market value at time of placement equivalent to the sum of such deposit.
- (3) The interest coupons attached to any bonds deposited pursuant to subparagraph (2) shall, as they fall due for payment, be detached and returned by the Minister to the Company.
- (4) Upon the completion of construction and commencement of production of the CTMP mill referred to in paragraph 37(1), the Company may make application for a partial refund of deposit whereupon the Minister shall retain \$750,000.00 as a deposit to guarantee against default by the Company of any of the covenants, terms, stipulations, conditions, agreements and provisions of this Agreement and will return the balance to the Company.
- (5) Upon the completion of construction and commencement of production of the additional CTMP mill or the expanded CTMP mill, the Company may make application for a partial refund of deposit whereupon the Minister shall retain \$250,000.00 as a deposit to guarantee against default by the Company of any of the covenants, terms, stipulations, conditions, agreements and provisions of this Agreement and will return the balance to the Company.
- (6) The Company may with the consent of the Minister, at any time during the existence of this Agreement, substitute one or more forms of deposit as described in subparagraph (2) herein, for any one or more forms of deposit held by the Minister pursuant to this Agreement.
- (7) When this Agreement expires and if it is not renewed, and there is not then an unremedied default under this Agreement of which the Company has been notified, the Minister will return to the Company all deposits then held by the Minister under this Agreement.

44. (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 declare that the whole or part of the deposit referred to in paragraph 43 is forfeited and thereupon the amount becomes the property of the Crown, unless the Lieutenant Governor in Council extends the period as provided in subparagraph (2) below.

- (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).
- (3) Where the whole or part of the deposit has been forfeited pursuant to subparagraph (1), 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 and the deposit re-established. The re-established deposit shall be subject to paragraphs 44 and 45 herein.
- (4) The references in paragraphs 38 and 39 to the Company being in default under certain circumstances does not mean or imply that the absence of such a reference in any other paragraph of this Agreement precludes the Company from being in default with respect to those other paragraphs.

45. Notwithstanding the rights of the Minister as provided for under either or both of paragraphs 38 and 44(1) to declare a forfeiture of the deposit provided pursuant to paragraph 43 or as re-deposited pursuant to the terms of paragraphs 43 and 44, the Minister shall have the right to have the Company perform all the covenants, terms, conditions, stipulations, provisions and agreements 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 47 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.

46. 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 to be constructed by the Company under this Agreement, or
- (c) interruption which is not the result of any willful 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

47. (1) 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, having a value in excess of \$2,000,000.00, 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 44 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.
48. The Minister does not guarantee any quality or quantity of timber on the forest management area.
49. No implied contract of any kind by or on behalf of either party 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.
50. The Minister and the Company agree that the lines on the map shown in Appendix "A" hereto 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 *Survey's Act* of Alberta and any amendments or substitutions thereto.
51. 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
52. 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.
53. (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.
54. (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 this refusal 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 in connection with the construction and operation of the CTMP mill or the additional CTMP mill as the case may be.
 - (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.
55. 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.
56. 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 55 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.

57. 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.

58. 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.

59. The Company shall comply with the requirements of the *Public Health Act*, the *Clean Air Act* and the *Clean Water Act* of Alberta and as amended from time to time and all other applicable provincial and federal legislation now or hereafter enacted and the regulations inclusive of any amendments or substitutions thereunder relating to the control of air and water pollution.

60. 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:
Slave Lake Pulp Corporation
Box 1790
Slave Lake, Alberta T0G 2A0

(b) to the Minister:
Minister of Sustainable Resource Development
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.

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

62. 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.

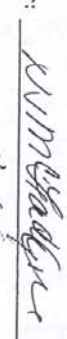

63. This Agreement shall be construed as having been made in the Province of Alberta and the laws of the Province of Alberta shall be applied in the event of any action or arbitration mutually agreed to, respecting any dispute arising from this Agreement, its formulation, interpretation, and each and 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 and by attesting hereto its lawful corporate seal this 15th day of November, 1990.


Her Majesty the Queen in Right of Alberta

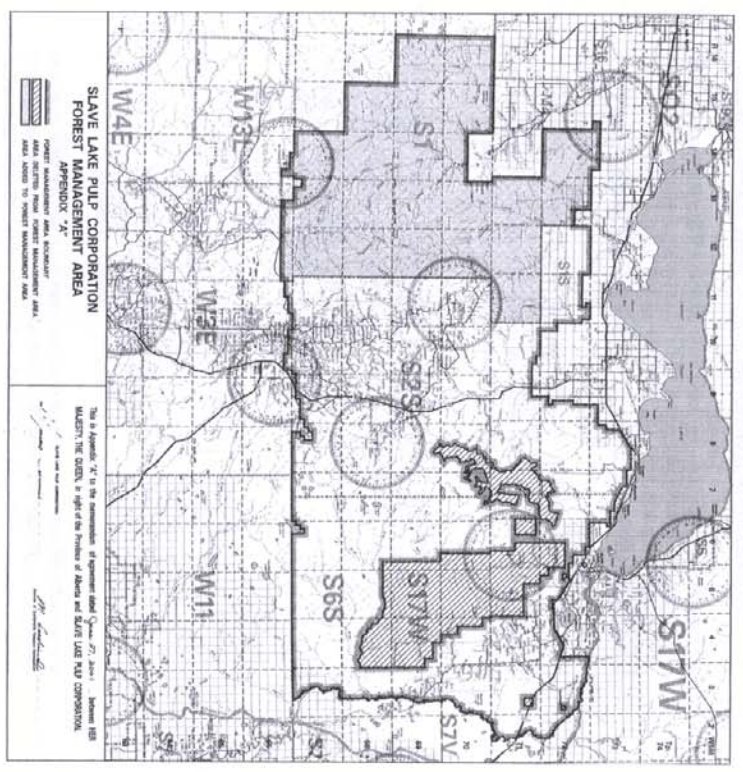
Minister of Forestry, Lands and Wildlife

Slave Lake Pulp Corporation

Per: 
Per: 

SLAVE LAKE PULP CORPORATION
FOREST MANAGEMENT AGREEMENT
APPENDIX "B"

Deleted O.C. 219/2001



SLAVE LAKE PULP CORPORATION

APPENDIX "C"

A. CONIFEROUS QUOTA HOLDERS WITHIN THE FOREST MANAGEMENT AREA

1. Blue Ridge Lumber (1981) Ltd.
2. Sprucecland Millworks Inc.
3. Gordon Buchanan Enterprises Ltd.
4. Millar Western Forest Products Ltd.
5. Vanderwell Contractors (1971) Ltd.
6. Alberta Plywood Ltd.

B. CONIFEROUS QUOTA CERTIFICATES ISSUED WITHIN THE FOREST MANAGEMENT AREA

CTQS010036	CTQS020005	CTQS060009
CTQS010037	CTQS020008	CTQS060011
CTQS010038	CTQS020034	

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

SLAVE LAKE PULP CORPORATION

APPENDIX "D"

The coniferous and deciduous timber on the forest management area shall be managed, harvested and reforested on a perpetual sustained yield basis in accordance with the provisions of this Agreement including the following guidelines:

1. Timber stands in the forest management area shall be classified in accordance with the forest timber type classification as designated on maps produced using Alberta Vegetation Inventory Standards version 2.1 or such other criteria as may be approved by the Minister.
2. All stands in the forest management area will be managed and harvested in accordance with the following provisions:
 - (a) All pure coniferous and mixedwood stands (C, CD and DC) shall be managed primarily for coniferous production. The detailed forest management plan shall provide for the sustainability of deciduous timber harvested from those coniferous stands managed primarily for coniferous production.
 - (b) All pure deciduous stands (D) shall be managed primarily for deciduous production. The detailed forest management plan shall provide for the sustainability of coniferous timber harvested from those deciduous stands managed primarily for deciduous production.
 - (c) In reference to subparagraphs (a) and (b) above, the detailed forest management plan will provide for the maintenance and protection of biological diversity. The FMA in a manner that recognizes and protects biological diversity. The detailed forest management plan will provide for the monitoring of stand composition changes over time and for the implementation of adaptive management strategies to ensure sustainability of supply of both deciduous and coniferous timber.
3. Other companies to be designated by the Minister (each hereinafter referred to as the "Coniferous Company") shall have the right to harvest coniferous timber in the forest management area by means of coniferous timber dispositions. The Coniferous Company shall have no rights to the deciduous timber on the forest management area.
4. So as to accommodate the full utilization of the timber resource growing on the forest management area and the integration of deciduous and coniferous harvesting:
 - (a) where the Coniferous Company desires to harvest deciduous timber located within an active coniferous timber disposition in the forest management area, the Coniferous Company shall be required to make prior arrangements with the Company for the harvest and removal of such deciduous timber.
 - (b) harvesting and removal of deciduous timber by the Coniferous Company shall be subject to the approval of their annual operating plan submitted pursuant to its active coniferous timber disposition, and
 - (c) harvesting and removal of coniferous timber by the Company shall be subject to the approval of their annual operating plan submitted pursuant to this Agreement. The coniferous timber cut by the

Company from D stands will be made available to coniferous quota holders in accordance with paragraph 21 of this Agreement.

5. The Company shall be allowed to harvest merchantable deciduous trees from all stands even if they contain a coniferous understory, provided, that damage to the coniferous understory is minimized through harvesting techniques, recognizing however, that the Minister shall not require the use of logging methods that unreasonably increase the logging costs of the Company.
6. All deciduous timber cut by and for the Company on the forest management area shall be considered as production against the forest management area.