

SB

310

DEPARTMENT OF NATURAL RESOURCES

P. O. BOX 107005
ANCHORAGE, AK 99510-7005
PHONE: (907) 762-2501

DIVISION OF FORESTRY

March 24, 1994

The Honorable Mike Miller
Alaska State Senate
Chairman, Senate Resources Committee
Room 423, State Capitol
Juneau, Alaska

Dear Senator Miller:

This letter and its attached table responds to a request for information. You asked me for timber volumes sold by the state for the past five years. The attached table shows both the amounts cut and sold during the past six calendar years.

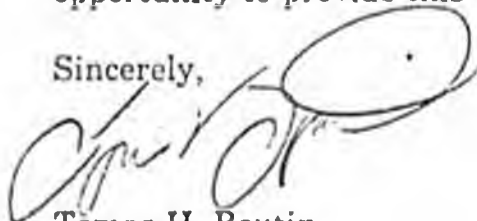
The amount sold is in parenthesis and has ranged from as much as 35,782 thousand board feet (MBF) in 1990 to as little as 10,773 MBF in 1992. The average over the six years shown has been 22,542 MBF.

The annual amount sold has varied for a number of reasons. Fairbanks area sales from the Rosie Creek burn were over by 1988. There were some staffing cutbacks reflected in 1991 and 1992 sales volumes. There was a large Icy Bay sale in 1990. Two large Fairbanks sales were returned to the state in 1992, reducing the volume for that year. Those sales will be sold this Spring.

The amounts planned to be offered for sale for the years 1995 through 1998 as shown in 5 year harvest schedules are; 132,700 MBF; 56,600 MBF; 73,700 MBF; and, 130,400 MBF. There will be delays moving some volumes to later years and no doubt some sales will not be offered at all due to circumstances which cannot be known now. Not included in these volumes is the sale of interior hardwood now in the 5 year harvest schedules for Fairbanks, Delta and Tok beginning in 1997.

I would be glad to provide any information you would like. I appreciate the opportunity to provide this information.

Sincerely,



Tomas H. Boutin
State Forester

mm
February 24, 1994

Senator Mike Miller
State Capitol
Juneau, Alaska 99801-1182

Dear Senator Miller:

I wish to comment in opposition to Senate Bill 310, the forest management bill. By way of background, I am a wildlife biologist, a hunter and a life-long Alaskan.

In all honesty, your bill scares me. It opens the door to industrial forest practices that threaten the very values that make the Tanana valley and Fairbanks attractive to me. It stridently removes planning and review options that allow the public to influence forest management policies and actions. The only ones I see benefiting from this legislation are big outside business interests who would exploit our forests at the expense of existing businesses, activities and lifestyles.

How are we to ensure that current uses do not foreclose future options if we do not create a vision of what we collectively desire from our forests and systematically move in that direction? Many local residents who will have to live with the results of large-scale timber development do not share industry's vision for our forests. I strongly feel the public should have a say in the direction that forest management takes. The specter of secret deals between the state and big business is totally unacceptable.

Senate Bill 310 removes other opportunities for public involvement as well, and excludes involvement by agencies that might argue for public interests other than timber production. This is contrary to the direction the Division of Forestry has been taking in the Interior recently to broaden opportunities for public involvement in the formulation of forest management decisions and certainly contrary to public expectations.

The forests of interior Alaska provide many products and uses besides timber, and these diverse needs can all be met if the demand for logging is kept reasonable. Unfortunately, the type of value-added industry some people want requires huge amounts of cutting. Division of Forestry documents on the Fiberform proposal in 1992 indicated that it would take the total allowable cut from the hardwood component of the Tanana Valley State Forest to feed their proposed oriented-strand-board plant.

Cuts of this magnitude are of great concern to me. Large-scale industrial cutting is more likely to be detrimental to the long-term welfare of the forest and associated fish and wildlife than smaller-scale sales geared to meeting local needs. It is also harder to provide for other uses of the forest when one use is carried to an extreme.

It seems unavoidable that this proposed legislation will lead to timber exploitation or "tree farming" on a scale that will have profound effects on the integrity and quality of our forests. For myself and many others who value the forest for more than sawlogs and fiber, it will make Fairbanks and the rest of the Tanana basin a less desirable place to live. Thus, I urge you to reconsider. Let this bill die the early death it deserves.

Sincerely,

Dale A. Haggstrom

Dale A. Haggstrom
P.O. Box 61056
Fairbanks, Alaska 99706-1056

DIVISION OF LEGAL SERVICES

LEGISLATIVE AFFAIRS AGENCY STATE OF ALASKA

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130 Seward Street, Suite 409
Juneau, Alaska 99801-2105

MEMORANDUM

February 24, 1994

SUBJECT: Sectional Summary of SB 310. (Work Order No. 18-LS1558VJ)

TO: Senator Steve Frank
Attn: Rick Solie

FROM: Jerry Luckhaupt *JLB*
Legislative Counsel

You have requested a sectional summary of the above-described bill. As a preliminary matter, please note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill - the bill itself is the best statement of its contents.

Section 1 of the bill repeals and reenacts AS 38.05.112 dealing with the sale of state timber.

Section 2 of the bill amends AS 38.05.113(c) by providing that sales under 500,000 board feet are exempt from the requirement of AS 38.05.113 that all sales must be reflected in the two five-year schedules of sales preceding the sale.

Section 3 of the bill amends AS 38.05 by adding a new section to provide that the commissioner of natural resources may enter into forest management agreements with persons so that the person may enter on state forest land and select, harvest, and regenerate timber. Detailed procedures for these forest management agreements are provided. It is not clear if "state forest land" means state forests established by the Legislature under AS 41.17.210, a unit of land classified by the commissioner as forest land, or forested land that's owned by the state as the term "forest land" is used in AS 41.17.950(5).

Section 4 of the bill amends AS 38.05.300(a) to provide that land may not be classified by the commissioner of natural resources so as to preclude the harvesting of timber except in certain limited circumstances.

SECTIONAL ANALYSIS

Section 5 of the bill amends AS 38.05.300(c) to provide an exception to section 4 of the bill that allows the commissioner of natural resources to classify land so that the harvest of timber is precluded if the legislature approves the classification.

Section 6 of the bill amends AS 41.17.060(b) relating to reforestation standards on state, municipal, and private forest land.

Section 7 of the bill amends AS 41.17.060(c) relating to standards for the administration of state and municipal forest land.

Section 8 of the bill amends AS 41.17.090(a) to exclude state forest land from the reach of AS 41.17.090's requirement that the commissioner of natural resources be notified prior to timber operations being commenced.

Section 9 of the bill amends AS 41.17.090(c) to make a conforming change to that provided in section 8 of the bill.

Section 10 of the bill amends AS 41.17.118(b) to make a conforming change to the rewrite of AS 38.05.112 provided in section 1 of the bill.

Section 11 of the bill amends AS 41.17.200 to restate the primary purpose of state forests.

Section 12 of the bill amends AS 41.17.200 by adding a new subsection by providing the commissioner of natural resources with direction for the management of state forests.

Section 13 of the bill amends AS 41.17.210(a) by removing some of the requirements for the proposal of new state forests.

Section 14 of the bill amends AS 41.17.400(c) by making a conforming change to the change made in section 1 of the bill to AS 38.05.112.

Section 15 of the bill amends AS 41.17.400(c) by instructing the Department of Natural Resources how to determine sustained yield for forestry purposes.

Section 16 of the bill repeals AS 38.05.113(b).

Section 17 of the bill provides an immediate effective date.

2 / 25 / 94

Senator Steve Frank
Alaska State Legislature
State Capitol (MS 3100)
Juneau, Alaska 99801-1182

RECEIVED FEB 20 1994

Re: SB 310

Dear Senator,

I am writing as an individual Planning Commissioner of the Fairbanks North Star Borough to express my concern at provisions of Senate Bill 310, which proposes to amend the Forest Practices Act. The Tanana Basin Area Plan and the Tanana Valley State Forest Management Plan were carefully worked out during the last decade with tremendous public, industry, and official input to provide for the balanced management of the resources of much of Interior Alaska, specifically recognizing and protecting a variety of public and private interests, consistent with our Forest Practices Act. The proposed SB 310 would fundamentally disrupt that balance and violate those public plans by making commercial forestry the sole significant criteria for future decisions and by removing public hearing and comment from much of the decision making process. While attempting to balance interests is a difficult task, it is the fundamental task of any government, and no-one ever said that government is easy. To put it bluntly, I am appalled at SB 310's violation of the public trust and abdication of basic governmental responsibility. How can our Planning Commission responsibly attempt to coordinate our planning with an agency that is given license to violate its own plans? Whatever practical short-term administrative convenience SB 310 might provide to the State, it is a clear disservice to the long-term public interest

Thank you very much for your consideration on this matter. I look forward to your response.

Sincerely,



William Walters
Planning Commissioner
Fairbanks North Star Borough
P. Box 71267
Fairbanks, Alaska 99707-1267

cc: Alaska State Senators
Alaska State Representatives
James Sampson, Mayor, Fairbanks North Star Borough
Rex Nutter, Director, FNSB Planning Dep't
Fairbanks Daily News-Miner

LETTERS OF OPPOSITION

Husky Wood, Inc.
2900 Boniface Parkway #672
Anchorage, AK 99504

Phone (907) 333-9462
Telefax (907) 333-9462

February 26, 1994

Senator Steve Frank
Alaska State Senate
Room 518 State Capitol
Juneau, AK 99801 1182

Dear Senator Frank:

By this letter I endorse Senate Bill No. 310, "An Act relating to management and sale of state timber; relating to the classification of state land that would preclude harvesting of timber or would designate timber harvesting as an incompatible use; relating to the administration of forest land, proposals for state forest, and the determination of sustained yield; and providing for an effective date."

Enclosed are several documents that I feel will strengthen the argument in favor of contracting with private firms for Forest Management Agreements.

- What is Sustained Yield?
- An Independent Report concerning the 1992-1993 Forest Health Initiative
- A draft of a Forest Stewardship (Management) Agreement
- Draft of the Economic Impact, 1993, of the spruce bark beetle epidemic.
- A series of charts putting Alaska's forests in perspective, vis a vis the nation and the western states.
- A February 1993 announcement that this firm is prepared to build a modern plywood/LVL facility in Alaska's Railbelt Region, provided raw material is available.

This material is self-explanatory.

If there is any further help I or this firm can give to further the reasonable utilization of the renewable forests resources of Alaska (all ownerships) please contact me directly.

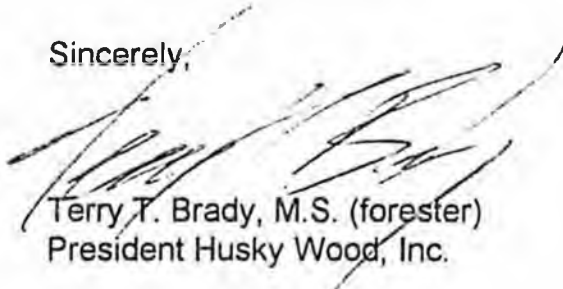
The Forest management Concept works well where it is an honest attempt between governments (the Owner State) and private industry in the business for the "long haul."

This is a means to stop the export of round logs from state lands, and still meet constitutional requirements. It is a means to encourage private land holders to work with companies who will add value (provide jobs) to wood.

The State of Alaska hold about one-third of the commercial timber in Alaska. The State can "set the pace" as to utilization, development and maintenance of the timber resource.

Unfortunately, to date, the State's Bureaucratic dominated system has failed, at the current rat of nearly \$1 billion per year in opportunity costs --- just from the spruce bark beetle alone.

Sincerely,



Terry T. Brady, M.S. (forester)
President Husky Wood, Inc.

encl:

cc: Sherman C. "Red" Smith, chairman
Darrell Pierson

Dear Senator Miller.

27 Feb. 1994

I recently heard of S.B. 310 which will be coming up for hearing on March 2nd.

I don't think the provisions of the bill are for the best interests of the many Alaskans who want to use our forests for hunting, trapping, recreation, fishing, subsistence, and for small logging operations. The present legislation for the Haines and Tanana Valley State Forests provides for multiple use. The proposed bill would change this legislation, making the TVSF's primary purpose the development of commercial forest land by big timber companies.

Also, the Commissioner of Natural Resources would be mandated to solicit 20-year guaranteed timber-cutting contracts with no public knowledge until after a tentative contract agreement were struck. These contracts could provide a 20-year maximum extension.

A provision includes permission by the state to allow variable periodic output; this means that the harvest could exceed annual regrowth.

I urge you to vote against this bill.

Yours,

William H. Fuller
Box 123
Ester, Alaska
99725



STATEMENT OF SUPPORT BY THE ALASKA FOREST ASSOCIATION
FOR SENATE BILL 310 WHICH WOULD ALLOW
FOR FOREST MANAGEMENT REQUIREMENTS AND OTHER
CHANGES IN TITLE 38 OF THE ALASKA STATUTES
FEBRUARY 28, 1994

The Alaska Forest Association is a coalition of individuals and companies who are dependent or believe in the importance of the forest products industry in Alaska. AFA represents over 300 companies, their employees and communities across all of Alaska.

AFA believes the changes proposed in this legislation are important for the growth of the forest products industry. In the Interior and South Central, this legislation would make it possible to establish an industry which will provide year around employment and tax revenues.

In addition to fixing many of the hurdles which now prevent a traditional State timber sale program, it also provides a means to make forest management profitable to State government. The forest management agreements which could be produced by this legislation would mean private enterprise would be paying for the management of State lands, but in turn increase net revenues to the State treasury.

While this legislation would provide an avenue toward the management of Alaska State forest lands, it would not do so at the detriment of the forest environment. The State of Alaska would still retain control of the land and the practices undertaken. However, this would result in much less cost to State government. AFA believes that the Forest Practices Act and provisions of this legislation would result in protection of fish, wildlife and other public resources.

The legislation still provides for public comment and comments by all public agencies. In no way would this legislation lock anyone out of the process. It would also not damage any of the other important industries which rely on forest environment. Southeast Alaska has already exhibited that a significant forest products industry is consistent with tourism and fishing.

Alaska's state forest lands are in need of careful management activities if we are to protect wildlife, watersheds and the economic values they contain. If we do not soon start the management of our State forest lands, the chance of some natural disaster wiping out these values will continue to increase.

Alaska State Legislature

STEVE FRANK

119 N. Cushman, Rm. 213
Fairbanks, Alaska 99701
(907) 452-3421



While in Juneau
P.O. Box V
Juneau, Alaska 99811
(907) 465-3709
Capitol Rm. 417

Senate

SPONSOR STATEMENT - SENATE BILL NO. 310 Management and Sale of State Timber

The purpose of SB310 is to encourage investment in the timber industry to enhance the potential for the creation of long term employment in the forest industry.

The legislation would authorize the Department of Natural Resources to utilize Forest Management Agreements (FMA's) on state land. Forest Management Agreement legislation was passed by the Senate in 1987 by a vote of 20-0. Also, some of the duplicative planning requirements currently in law would be modified, while maintaining a public process.

Forest Management Agreements have become an desirable tool in accomplishing responsible timber development because the government owner can spell out in a contract the specific terms and conditions of timber harvest, and the cost of that development is born by the operator.

Further, because FMA's are negotiated, they can provide a long term stable supply of timber to the operator which is a critical element in a companies' decision to invest because value added timber development is usually capital intensive and those investments require a long time to pay back.

Finally, FMA's can be negotiated to provide for local value added manufacturing, something that the Department cannot do today, because current law does not allow for negotiated agreements on timber sales.

I believe the general public wants new long term jobs and I believe that they support responsible development of our timber resource.

Thank you for your consideration.

SPONSOR STATEMENT

VOLUME CUT AND SOLD (MBF)

	1993	1992	1991	1990	1989	1988
SOUTHEAST	3,700	15,328	2,728	7,558	8,311	14,762
	(9,721)	(92)	(72)	(18,065)	(5,738)	(6,452)
KETCHIKAN						
JUNEAU						
HAINES						
SOUTHCENTRAL	1,046	1,530	2,513	507	1,859	1,529
	(1,098)	(1,546)	(565)	(3,399)	(1,990)	(4,513)
KENAI						
MAT-SU						
MCGRATH						
COPPER RV						
NORTHERN	5,412	12,067	11,000	10,565	12,541	8,883
	(18,648)	(9,135)	(9,519)	(14,318)	(13,873)	(16,510)
FBX						
DELTA						
TOK						
TOTAL						
CUT	10,158	28,925	16,241	18,630	22,711	25,174
(SOLD)	(29,467)	(10,773)	(10,156)	(35,782)	(21,601)	(27,475)

MBF= 1000 BOARDFEET

FISCAL NOTE

STATE OF ALASKA
1994 LEGISLATIVE SESSION

BILL NO. SB310

Revision Date: Original Dept Affected: Natural Resources
 Title: "An Act relating to the management and sale of BRU: Resource Development
state timber; relating to the classification of state land..." Component: Forest Management and Development
 Sponsor: Senator Frank
 Requestor: Senator Frank Component Serial No. 435

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY95	FY96	FY97	FY98	FY99	FY00
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY94) cost: \$ None

POSITIONS

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

There is no incremental cost expected to the Department of Natural Resources.

Prepared by: Tomas H. Boutin, Director Phone: 465-3379
 Division: Forestry Date: 2-Mar-94
 Approved by Commissioner: Harry A. Noon Date: 2-Mar-94
 Agency: Natural Resources

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE

A M E N D M E N T

OFFERED IN THE SENATE

BY SENATOR FRANK

TO: CSSB 310(), Draft dated 3/18/94

Page 2, line 18, following "section":

Insert "if public notice of the proposed sale is provided in the manner specified in AS 38.05.945(b)"

A M E N D M E N T

OFFERED IN THE SENATE

BY SENATOR FRANK

TO: CSSB 310(), Draft dated 3/18/94

Page 3, line 10:

Delete "exceed 30"

Insert "be less than 30 days nor more than 60"

A M E N D M E N T

OFFERED IN THE SENATE

BY SENATOR FRANK

TO: CSSB 310(), Draft dated 3/18/94

Page 5, lines 10 - 11:

Delete all material.

Reletter the following subparagraphs accordingly.

Page 6, following line 31:

Insert a new subsection to read:

"(1) Upon the completion of three-quarters of the total term of the agreement, the commissioner shall review the operation and performance of the agreement and determine whether it is in the best interest of the state to renew the agreement. If the commissioner determines that it is in the best interest of the state, the commissioner shall solicit and evaluate proposals as provided in this section, for renewal of the agreement, including a proposal from the current operator."

Reletter the following subsections accordingly.

A M E N D M E N T

OFFERED IN THE SENATE

BY SENATOR FRANK

TO: CSSB 310(), Draft dated 3/18/94

Page 6, line 3:

Delete "and"

Page 6, line 4, following "years":

Insert "; and

(O) provisions for deactivation or termination, that may include bonding, to ensure reforestation, stabilization, monitoring, and other residual obligations"

A M E N D M E N T

OFFERED IN THE SENATE

BY SENATOR FRANK

TO: CSSB 310(), Draft dated 3/18/94

Page 7, line 8:

Delete "AS 41.17.950"

Insert "AS 38.04.910"

8-LS1558X ✓

Luckhaupt

~~3/28/94~~

CS FOR SENATE BILL NO. 310(RES)
IN THE LEGISLATURE OF THE STATE OF ALASKA
EIGHTEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE RESOURCES COMMITTEE

Offered:
Referred:

Sponsor(s): SENATORS FRANK, Taylor, Pearce, Sharp, Miller, Kelly, Halford

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the management and sale of state timber and relating to the
2 administration of forest land."

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

4 * Section 1. AS 38.05.112(c) is amended to read:

5 (c) A forest land use plan shall consider [IN ADDITION TO] the
6 requirements of AS 38.04.065(b) only for areas where a land use plan under
7 AS 38.04.065(a) or a forest management plan under AS 41.17.230 has not been
8 adopted. Regardless of whether there is a land use plan or a forest management
9 plan. each [, A] forest land use plan shall consider

10 (1) commercial timber harvesting, including related activities;

11 (2) harvesting of forest products for personal use;

12 (3) fish and wildlife habitat, including

13 (A) identification and protection of important wildlife habitat;

14 (B) retention of riparian, wetland, and ocean-shoreline

1 vegetation critical for fish and wildlife habitat; and

2 (C) classification of water bodies according to physical
3 characteristics;

4 (4) uses of forest land for nontimber purposes, including

5 (A) recreation, tourism, and related activities;

6 (B) mining, mining claims, mineral leaseholds, and material
7 extraction;

8 (C) uses of fish and wildlife;

9 (D) agriculture, including grazing; and

10 (E) other resources and uses appropriate to the area, including
11 compatible traditional uses;

12 (5) soil characteristics and productivity;

13 (6) water quality; and

14 (7) watershed management.

15 * Sec. 2. AS 38.05.113(c) is amended to read:

16 (c) Sales under 500,000 board feet [THE DEPARTMENT MAY ADOPT
17 REGULATIONS EXEMPTING SMALL] and emergency sales are exempt from the
18 requirements of this section if public notice of the proposed sale is provided in the
19 manner specified in AS 38.05.945(b). Exempt sales, other than emergency sales,
20 under this subsection may not exceed 1,000,000 board feet in a calendar year in
21 each region.

22 * Sec. 3. AS 38.05 is amended by adding a new section to article 4 to read:

23 Sec. 38.05.122. FOREST MANAGEMENT AGREEMENTS. (a)

24 Notwithstanding the requirements of AS 38.05.110 - 38.05.120 or another provision
25 of this chapter, the commissioner, under the procedures set out in this section and if
26 not inconsistent with a land use plan then in effect, may enter into a forest
27 management agreement with a person to authorize the person to enter on the state
28 forest land covered by the agreement for the purposes of selecting, harvesting, and
29 regenerating timber in a manner consistent with sustained yield.

30 (b) At least once each calendar year, the commissioner shall solicit proposals
31 for forest management agreements on state forest land. The commissioner shall provide

1 notice of the solicitation to all persons who have requested notification and may
2 provide for any additional notice that the commissioner determines is ~~is~~ appropriate.
3 Regardless of whether the commissioner has solicited proposals under this subsection,
4 a person may submit a proposal for a forest management agreement to the
5 commissioner at any time for consideration. The commissioner may not consider
6 unsolicited proposals for a parcel of land covered by a solicited proposal until the
7 commissioner has completed the review and determination required under this section
8 concerning the solicited proposals.

9 (c) The commissioner shall solicit public comment for a proposed agreement
10 unless the evaluation under (d) indicates it is unlikely that the proposed agreement will
11 be selected as a tentatively successful proposed agreement. The public comment
12 period under this subsection may not be less than 30 days nor more than 60 days.

13 (d) The commissioner shall evaluate proposed agreements submitted under (b)
14 of this section. In evaluating a proposed agreement, the commissioner shall consider
15 the

16 (1) effect of the agreement on the following:

17 (A) commercial timber harvesting, including related activities;

18 (B) harvesting of forest products for personal use;

19 (C) fish and wildlife habitat, including

20 (i) identification and protection of important wildlife
21 habitat;

22 (ii) retention of riparian, wetland, and ocean shoreline
23 vegetation critical for fish and wildlife habitat; and

24 (iii) classification of water bodies according to physical
25 characteristics;

26 (D) uses of forest land for nontimber purposes, including

27 (i) recreation, tourism, and related activities;

28 (ii) mining, mining claims, mineral leaseholds, and
29 material extraction;

30 (iii) uses of fish and wildlife;

31 (iv) agriculture, including grazing; and

- 1 (v) other resources and uses appropriate to the area,
2 including compatible traditional uses;
- 3 (E) soil characteristics and productivity;
4 (F) water quality; and
5 (G) watershed management;
- 6 (2) necessary public access for uses described in (1) of this subsection;
7 (3) financial feasibility of the proposed agreement;
8 (4) technical and financial qualifications of the proposer;
9 (5) stumpage payments offered to be paid;
10 (6) economic benefits from the proposed agreement to the region in
11 which the land that is to be covered by the agreement is located;
12 (7) economic benefits to state forest land under the proposed
13 agreement; and
14 (8) other factors that the commissioner determines are relevant and
15 appropriate.
- 16 (e) After evaluating proposed agreements under (d) of this section, the
17 commissioner may designate a tentatively successful proposed agreement. A proposed
18 agreement may not be designated under this subsection until public comment has been
19 solicited under (c) of this section. A tentatively successful proposed agreement may
20 not be designated unless the commissioner includes, and makes a written finding that
21 sets out facts and applicable law to support the commissioner's conclusion, that
- 22 (1) land or timber covered by the tentatively successful proposed
23 agreement is not reasonably necessary to provide sustained harvest for a sawmill or
24 wood processing facility using that land or timber at the time the proposed agreement
25 was evaluated, or that a final agreement can adequately address those needs; and
26 (2) the tentatively successful proposed agreement will best serve the
27 interests of the state and is consistent with applicable land use or management plans
28 then in effect.
- 29 (f) The commissioner shall provide notice under AS 38.05.945(b) and (c) of
30 a finding under (e) of this section and designation of a tentatively successful proposed
31 agreement at least 90 days prior to entering into a final agreement. The commissioner

1 shall solicit comments from the public and from state and local government agencies
2 on a tentatively successful proposed agreement. ~~-----~~

3 (g) If a tentatively successful proposed agreement is designated under (e) of
4 this section, the commissioner, after considering comments and recommendations
5 received under (f) of this section, may proceed to develop a proposed final agreement
6 between the proposer and the state. A proposed final agreement

7 (1) shall provide for terms, conditions, and limitations determined by
8 the commissioner to be in the public interest;

9 (2) must contain

10 (A) the initial term of the agreement, which may not exceed 20
11 years;

12 (B) the stumpage prices for the timber;

13 (C) provisions regarding compensation from the proposer for
14 scaling services required in order to account for timber sold;

15 (D) provisions regarding compensation, if required by the
16 department, for state services provided to administer the agreement;

17 (E) provisions regarding responsibilities for construction and
18 maintenance of access roads necessary to manage the land that is to be covered
19 by the agreement;

20 (F) provisions regarding consideration for the sale of material
21 obtained from state land for the construction of access roads on the land that
22 is to be covered by the agreement;

23 (G) provisions regarding responsibilities for reforestation and
24 silvicultural practices on land that is to be covered by the agreement;

25 (H) a statement that activities under the agreement are governed
26 by the provisions of AS 41.17 and regulations adopted under AS 41.17
27 applicable to operations on state land;

28 (I) provisions for the submission and approval of biennial
29 operational plans for activities authorized or required by the agreement;

30 (J) requirements for reports and submission of information to
31 the department regarding performance under the agreement;

1 (K) procedures for enforcement and termination of the
2 agreement;

3 (L) provisions for existing public access;

4 (M) an operational level forest inventory every five years; and

5 (N) provisions for deactivation or termination, that may include
6 bonding, to ensure reforestation, stabilization, monitoring, and other residual
7 obligations.

8 (h) The form of the proposed final agreement developed under (g) of this
9 section must be approved by the attorney general before the agreement is signed by
10 the commissioner. After approval by the attorney general under this subsection, the
11 commissioner and the proposer may sign the proposed final agreement.

12 (i) When the commissioner solicits public comment under (c) of this section,
13 and at all times thereafter, the proposed agreements are public records and are open
14 to public inspection and disclosure under AS 09.25.120. Prior to solicitation of public
15 comment under (c) of this section, proposed agreements submitted under this section
16 are confidential and are not open to public inspection or disclosure under
17 AS 09.25.120. When the commissioner selects a tentatively successful proposed
18 agreement under (e) of this section, all documents regarding that proposed agreement
19 and all other competing proposed agreements, as well as a subsequent final agreement
20 and all documents leading up to that agreement, are public records and are open for
21 inspection under AS 09.25.120.

22 (j) All right, title, and interest in or to timber or material in or on land covered
23 by a final forest management agreement remains with the state until the timber or
24 material has been cut or severed, determined as to volume, removed from the site, and
25 paid for in compliance with the agreement. Timber or material that is not removed
26 from land covered by a final forest management agreement within the period specified
27 by the agreement or by an extension of the agreement remains the property of the
28 state.

29 (k) An interest in a final forest management agreement may not be assigned
30 without the prior written consent of the commissioner. An assignment without the
31 prior written consent of the commissioner is void. The commissioner may not consent

1 under this subsection unless the assignment is of the entire interest in the final forest
2 management agreement. The commissioner shall consider all of the factors of this
3 section when making a determination concerning an assignment.

4 (l) Upon the completion of three-quarters of the total term of the agreement,
5 the commissioner shall review the operation and performance of the agreement and
6 determine whether it is in the best interest of the state to renew the agreement. If the
7 commissioner determines that it is in the best interest of the state, the commissioner
8 shall solicit and evaluate proposals, as provided in this section, for renewal of the
9 agreement, including a proposal from the current operator.

10 (m) The activities conducted under a final forest management agreement are
11 governed by AS 41.17 and regulations adopted under AS 41.17 applicable to
12 operations on state land.

13 (n) In this section,

14 (1) "agreement" means a forest management agreement;

15 (2) "proposer" means the person who submitted a proposed forest
16 management agreement under (b) of this section;

17 (3) "sustained yield" has the meaning given in AS 38.04.910.

18 * Sec. 4. AS 41.17.060(c) is amended to read:

19 (c) With respect to state and municipal forest land only, the following
20 standards also apply:

21 (1) forest land shall be administered for the multiple use of the
22 renewable and nonrenewable resources and for the sustained yield of the renewable
23 resources of the land in the manner that best provides for the present needs and
24 preserves the future options of the people of the state;

25 (2) a system of allocating predominant uses or values to particular units
26 within a contiguous area of land shall reflect in reasonable proportion the various
27 resources and values present in that area;

28 (3) to the extent its capacity permits, forest land shall be administered
29 so as to provide for the continuation and expansion of businesses, activities, and
30 lifestyles that are dependent upon or derived from forest resources;

31 (4) timber harvesting is limited to areas where data and information

1 demonstrate that natural or artificial reforestation techniques will result in the
2 production of a sustained yield of merchantable timber from that area; ~~and~~

3 (5) there may not be significant impairment of the productivity of the
4 land and water with respect to renewable resources;

5 (6) allowance shall be made for scenic quality in or adjacent to areas
6 of substantial importance to the tourism and recreation industry; and

7 (7) allowance shall be made for important fish and wildlife habitat.

8 * Sec. 5. AS 41.17.200 is amended to read:

9 Sec. 41.17.200. STATE FOREST PURPOSES. The purpose of AS 41.17.200
10 - 41.17.230 is to permit the establishment of designated state-owned or acquired land
11 and water areas as state forests. The primary purpose in the establishment of state
12 forests is the development of commercial forest land under the principles of
13 sustained yield and multiple use while perpetuating [PERPETUATION OF]
14 personal, commercial, and other beneficial uses of resources through multiple-use
15 management.

16 * Sec. 6. AS 41.17.200 is amended by adding a new subsection to read:

17 (b) In managing a state forest the commissioner shall

18 (1) allow for the fullest possible access to, and use of, the natural
19 resources, including timber, fish, game, and minerals; the allowance under this
20 paragraph shall take into account the interests of private landowners;

21 (2) maintain forest growth at a high level of productivity; and

22 (3) restrict the public use of the land and its resources only when
23 necessary to carry out the purposes of this chapter.

GOVERNMENT OF THE PROVINCE OF ALBERTA

FORESTS ACT

FOREST MANAGEMENT AGREEMENT

(O.C. 614/90)

Approved and Ordered

Helen Hunley
Lieutenant Governor

Edmonton, November 7, 1990

Upon the recommendation of the Honourable the Minister of Forestry, Lands and Wildlife, the Lieutenant Governor in Council, pursuant to section 16(1) of the Forests Act, approves the entry by the Minister of Forestry, Lands and Wildlife into a forest management agreement with Slave Lake Pulp Corporation in accordance with the attached Appendix.

Don R. Getty (Chairman)

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 and its head office in Edmonton, Alberta, (hereinafter referred to as "the Company"),

OF THE SECOND PART

WHEREAS the Company proposes to construct and operate a chemithermomechanical 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 220 000 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

FOREST MGMT. AGREEMENT:
PROVINCE OF ALBERTA and
SLAVE LAKE PULP CORPORATION

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 Forestry, Lands and Wildlife;
 - (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) a "merchantable coniferous stand" is a stand having at least 47.5 cubic metres net volume per hectare of merchantable coniferous trees;
 - (j) a "merchantable coniferous tree" is one having a minimum 15 centimetre diameter, measured outside bark at 30 centimetres above ground level, and having a minimum 3.66 metre usable length to a 10 centimetre top diameter, measured inside bark, unless otherwise mutually agreed;
 - (k) a "merchantable deciduous stand" is a stand having at least 50 cubic metres net volume per hectare of merchantable deciduous trees;
 - (l) a "merchantable deciduous tree" is one having a minimum 15 centimetre diameter, measured outside bark at 30 centimetres above ground level, and having a minimum 3.66

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(m) "periodic allowable cut" is the total of the annual allow-
able cuts approved for a five-year cut control period;

(n) "Scaling Regulation" means Alberta Regulation 336/79
authorized by Ministerial Order 40/79 and any amendments
thereto or substitutions therefor;

(o) "Surface Materials Regulation" means Alberta Regulation
11/78 and any amendments thereto or substitutions
therefor;

(p) "Timber Management Regulation" means Alberta Regulation
60/73 authorized under Order-in-Council 309/73 and any
amendments thereto or substitutions therefor; and

(q) "Timber Regulation" means Alberta Regulation 268/78 and any
amendments thereto or substitutions therefor.

(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, 2010 unless renewed under
the provisions of subparagraph (3) or extended under the
provisions of subparagraph (4).

(2) It is the intention of the parties hereto to continue the rights
of the Company under paragraph 7 to grow and harvest timber on
the forest management area for additional terms of twenty years
each not limited to 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 on the expiry
date 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 grow and harvest timber are
continued for a further term of 20 years on condition that
mutually acceptable terms, conditions, stipulations, covenants,
agreements and provisions including further renewal provisions
or other requirements can be renegotiated at the time of
renewal. The Company shall give notice to the Minister of its
desire to renew twelve months prior to the expiry date of this
Agreement and within sixty days of receiving such notice the
Minister shall commence discussions with the Company to
negotiate the terms, conditions, stipulations, covenants,
agreements, and provisions of the renewal agreement.

(4) Notwithstanding subparagraphs (1), (2) and (3), if a renewal
agreement cannot be agreed upon by the Company and the Minister
and approved by the Lieutenant Governor in Council by the expiry
date of this Agreement then this Agreement shall be extended for
a further term of five years from that date and 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 and have it approved by the Lieutenant Governor in Council before the end of the five year period.

FOREST MANAGEMENT AREA

3. (1) 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".
 - (2) In order to satisfy the wood requirements of the Company's expanded or additional CTMP mill facilities under paragraph 37(3), the Minister agrees to set aside a "deciduous timber reserve area for second line" for a period of five years following the commencement date of this Agreement or a period of 7 years if an extension is given under subparagraph (6).
 - (3) The areas depicted in Appendix "A" as "deciduous timber reserve area for second line" do not form a part of the forest management area until they are added to it in accordance with subparagraph (4) and the Minister shall have the right to issue competitive deciduous timber permits up to the allowable cut for deciduous timber on this reserve area until such time that it is added to the forest management area. The terms of these permits shall not exceed three years each.
 - (4) Should the Company proceed to commence construction within five years following the commencement date of this Agreement as required under paragraph 37(3) or within 7 years if an extension has been given under subparagraph (6), the lands depicted on Appendix "A" as "deciduous timber reserve area for second line" shall be added to the forest management area; provided, however, that the Company's rights under this Agreement on these additional lands shall be limited to the deciduous timber.
 - (5) The Company may request in writing that the period for the "deciduous timber reserve area for second line" be extended for a period of two years from five years to seven years.
 - (6) Where the Company has requested an extension under subparagraph (5), the Company shall pay to the Minister the sum of 500 thousand dollars (\$500,000.00) as compensation for holding the deciduous timber in the "deciduous timber reserve area for second line" for the Company's use in the CTMP mill facilities described in paragraph 37(3) and the period for the "deciduous timber reserve area for second line" shall be extended from 5 years to 7 years.
 - (7) If the Company fails to complete construction in accordance with paragraph 37(4), or extended under the provisions of paragraph 37(6), the Minister shall withdraw the "deciduous timber reserve area for second line" from the forest management area and the Company shall have no further rights with respect to those lands.
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;

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- (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) lands which were reforested by the Minister under the "Maintaining Our Forests" program prior to the date of this Agreement as depicted on Appendix "B".
 - (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) intensive forest management programs;
 - (b) purchasing logs from farmers and permittees who are logging on lands outside the forest management area; and
 - (c) purchasing woodchips that are not the subject of chip direction by the Minister; or
 - (d) any other such activities as the Minister may approve.
 - (7) 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.
 - (8) 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

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- (9) 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 and D(C) 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.

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B. (1) It is recognized by the Minister that the Company's use of the forest management area for growing and harvesting timber is to be the primary use thereof and that it is to be protected therein, but in keeping with the policy of providing for multiple uses of the same public land and recognizing that certain portions of the forest management area have been designated for uses by integrated resource plans, 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 roads;
- (b) the right to authorize any person to conduct any work in connection with or incidental to geological or geophysical exploration pursuant to the Mines and Minerals Act, or the Exploration Regulation; provided that the Company shall be entitled to reasonable compensation, from the person conducting the exploration, for any loss or damage suffered by the Company and resulting from such exploration including by way of example but without limitation, for any damage to deciduous 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 coniferous timber or coniferous forest growth caused by any such geological or geophysical exploration;
- (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) for the purposes of determining the volume to be included in the two percent limitation for permits referred to in subparagraph (2)(a), the volume of birch and balsam poplar issued under permits shall not be included, except that in the event that the Company commits to the full utilization of the balsam poplar through their annual operating plan, then the balsam poplar shall be included in the two percent limitation for permits referred to in subparagraph (2)(a);

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- (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 and D(C) 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) Not more than three years after the commencement date of this Agreement, the Company shall submit to the Minister a detailed 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 for a period equivalent to one approved full rotation and this plan upon approval by the Minister shall replace the preliminary plan. The plan shall reflect sound reforestation and multiple use management practices and shall include yield projections for a period equivalent to at least one full rotation plus a harvest schedule and road development plan for the duration of this Agreement. The Company shall specify in their detailed

management plan the amount of annual allowable cut which will be allocated to supply the Company's manufacturing facilities.

- (3) Not later than the tenth anniversary date of this Agreement the Company shall submit for the Minister's approval a revised detailed management plan, and this revised plan when approved will replace that supplied under subparagraph (2).
 - (4) 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, that in so doing, the Minister may not unilaterally alter the ground rules.
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) At the initiative of either party and in any event at intervals not exceeding five years, the established 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.
 - (3) In the event that the initial ground rules or a revision to a set of ground rules cannot be established by mutual agreement after good-faith negotiations, the Minister may establish or revise a set of ground rules but only with the approval of the Lieutenant Governor in Council.
12. (1) The term of this Agreement shall be divided into four cut control periods each with a duration of five years. The annual allowable cut shall be recalculated when requested by the Minister and not later than by the end of the second control period.
- (2) The required production in each period shall be controlled as follows:

CUT CONTROL PERIOD	REQUIRED MINIMUM VOLUME OF TIMBER TO BE CUT IN THE PERIOD
First	60% of the Periodic Allowable Cut
Second	60% of the Periodic Allowable Cut
Third	90% of the Periodic Allowable Cut
Fourth	90% of the Periodic Allowable Cut

- (3) Roundwood timber or pulp quality woodchips purchased by the Company from Alberta sawmills or from other companies or individuals located in the Province of Alberta may, at the discretion of the Company, be considered as production under this Agreement within the applicable five year cut control period.
- (4) If the Company does not harvest (as supplemented by purchases under subparagraph (3)) the required minimum volumes of timber specified in subparagraph (2) during the relevant period, it may during the subsequent 12 month period submit a program satisfactory to the Minister making up the shortfall within the subsequent five-year period.
- (5) If the Company does not submit a program satisfactory to the Minister under subparagraph (4), the Minister may, during the subsequent period make the entire unused volume available to

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(6) If the Company over cuts the periodic allowable cut the Minister may reduce the allowable cut during the subsequent period by an amount equivalent to the entire overcut volume.

(7) (a) If the Company does not harvest (as supplemented by purchases under subparagraph (3)) the required minimum volumes of deciduous timber specified in subparagraph (2) in either the second, third or fourth cut control period, and if, in the opinion of the Minister, such underutilization is significant, both parties shall review the situation with a view to achieving the full utilization of the deciduous timber growing on the forest management area by either expanding the Company's facilities in Alberta, or by reducing the forest management area.

(b) If the Company does not expand the Company's facilities in Alberta such that the Company will be capable of using the underutilized volume by a reasonable date specified by the Minister, the Minister may, at any time during the six month period following that date and after consultation with the Company, unilaterally reduce the forest management area to accommodate the Company's annual allowable cut requirements as approved by the Minister by deleting from the designated area listed below in the order indicated, exhausting S1 before removing land(s) from S2 so that the remaining forest management area will accommodate the Company's annual allowable cut requirements:

- i) forest management unit S1
- ii) forest management unit S2.

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) Not less than four months before the commencement of each forest management operating year or within such shorter period as may be permitted by the Minister, the Company shall submit to the Minister an operating plan, which plan shall include reforestation and forest protection plans and road construction and maintenance plans covering the next ensuing forest management operating year.

(3) Each operating plan shall be in accordance with the forest management plan and include a two-year operating projection showing the entire harvesting operation intended by the Company to be implemented during the next ensuing two forest management operating years.

(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.

(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.
14. 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.
15. The Company may not commence or carry on any construction project or any operation on the forest management area until the relevant plans which are required to be submitted pursuant to 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. The Company shall at its own expense make such surveys of the forest management area as are necessary to prepare the plans required by paragraphs 10, 13 and 14.
17. The Company shall utilize all the merchantable trees growing within merchantable stands 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. 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.
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) The Company shall offer the coniferous timber referred to in paragraph 7(1)(c) which has been harvested under the approved annual operating plan to independent "arm's length" sawmills in Alberta in trade for deciduous timber, coniferous timber or pulp quality woodchips, for sale, or a combination of trade and sale.
- (2) Notwithstanding subparagraph (1), the Minister may specify that the Company shall offer coniferous timber harvested from designated stands under the approved annual operating plan to specified sawmills chosen by the Minister and in specified

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(3) 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 sawmill operators 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.

(4) If the coniferous timber referred to in subparagraph (3) is offered for trade or sale under the arbitrated terms, and the sawmill operator does not accept the offer, it may be used by the Company.

(5) The Company shall pay to the Minister reforestation charges on all coniferous timber referred to in this paragraph, at the rates set out in the Timber Management Regulation.

(6) The Company shall pay to the Minister timber dues on all coniferous timber referred to in this paragraph, at the rates provided under paragraph 35 based on the products produced from that timber.

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 licences and permits issued on the forest management area after the commencement date of this Agreement shall include a provision preventing a claim by the licensee or permittee against the Company for incidental damage to coniferous timber.

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.

B. REFORESTATION

24. (1) 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 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. (1) The Company and the Minister shall devise and implement a reforestation program (hereinafter referred to as "supplemental reforestation") on potentially productive lands in the forest management area, on which the timber was cut over by individuals other than quota holders or the Company prior to this Agreement or destroyed at any time by natural agencies or is currently in a non-merchantable and non-productive state due to decadence or over-maturity and which have not been restocked to the required reforestation standard.
- (2) The Company and the Minister shall each undertake to effect one-half of the supplemental reforestation program on an area basis.
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- (3) The maximum supplemental reforestation that the Company and the Minister jointly may be required to carry out during any operating year shall not exceed 15% of the total area harvested by the Company in the immediately preceding operating year. Over any five-year period the average annual supplemental reforestation shall not exceed one-twentieth of the total area found to be not satisfactorily regenerated.
 - (4) The Minister may direct in any operating year that the maximum supplemental reforestation program area be reduced to the extent necessary to fit either party's estimated budget for that purpose.
 - (5) The supplemental reforestation program shall be included in the Company's annual operating plan submission.
 - (6) Deciduous seedlings and propagules required by the Company for supplemental reforestation shall be supplied by the Company at its sole expense.
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.
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. (1) The Company shall establish a deciduous growth and yield program acceptable to the Minister on lands within the forest management area and the Minister's acceptance shall not be unreasonably withheld.
- (2) The growth and yield program will include the establishment of a system of permanent sample plots which will be used to monitor the results of different harvesting systems during the term of this Agreement so as to provide accurate information for the preparation of reliable deciduous yield tables.

- (3) The permanent sample plots established under subparagraph (2) shall also be used to provide additional information related to other resource uses on the forest management area such as the effects of harvesting on wildlife and watershed.
- (4) The Company shall undertake a cooperative cost sharing (50/50 basis) deciduous tree improvement program with the Minister, whereby the Company will establish trial plantations of both imported deciduous stock and genetically selected Alberta stock and shall monitor their performance on a continuing basis during the term of this Agreement.
- (5) All of the information collected by the Company under this paragraph shall be provided to the Minister free of charge upon his request for such information for the specific purpose of developing the forest management plan and annual operating plans or such other uses as agreed to by the Company.

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.

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- (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) a holding charge, and
 - (b) a forest protection charge

for every square kilometer, to the nearest square kilometer, within the forest management area on the commencement date of this Agreement with respect to the initial payment and on each anniversary date of this Agreement with respect to each subsequent payment.
- (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) Subsequent holding charges and forest protection charges shall be adjusted annually on the anniversary of the commencement date of this Agreement using the Annual Implicit Price Index for government current expenditure in goods and service, as published by Statistics Canada, in the following formula:

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

Example:

(a) 1991 Holding Charge = \$1.25 X $\frac{1990 \text{ Index}}{1989 \text{ Index}}$

(b) 1991 Forest Protection Charge = \$28.05 X $\frac{1990 \text{ Index}}{1989 \text{ Index}}$

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) Until such time as the "deciduous timber reserve area for second line" has been added to the forest management area, the Company shall pay to the Minister annually on the anniversary date of this Agreement, 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.
 - (5) Where the lands shown on appendix "A" as "deciduous timber reserve area for second line" have been added to the forest management area under the provisions of paragraph 3(4), the holding charge and forest protection charge on this "deciduous timber reserve area for second line" on the next anniversary date of the commencement date of this Agreement following the occurrence of such an event shall be an amount equal to the holding charge and forest protection charge calculated under subparagraph (3) for the forest management area and shall be subject to subsequent indexing in accordance with subparagraph (3).
 - (6) The annual holding and forest protection charges otherwise payable by the Company under this Agreement shall be reduced by \$0.15 for every cubic metre of annual allowable cut under active coniferous timber quota certificates within the forest management area in the immediately preceding 12 month period.
34. The Company shall pay dues in accordance with this Agreement in respect of all timber for which the Company is entitled to compensation and in respect of all timber cut by and for the Company on the forest management area.
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.

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

The above being illustrated as follows:

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

(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) The adjusted rates of dues to be paid by the Company under subparagraph (2) on all timber cut by or for the Company for manufacture as pulp shall not be reduced below the rates of dues established under subparagraph (1).

(6) Notwithstanding subparagraph (2), where the Company has failed to construct an additional CTMP mill or an expansion of the CTMP mill under paragraph 37, the Minister shall have the right, after prior consultation with the Company, to unilaterally

establish new rates of timber dues to be paid by the Company on all timber cut for manufacture as pulp and these new rates shall be subject to subsequent indexing in accordance with subparagraph (2).

- (7) For all wood cut by or for the Company and sold or used for purposes other than the production of wood pulp, the Company shall pay to the Minister timber dues at the General Rates of Crown Dues as established pursuant to the Timber Management Regulation.
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) On or before December 1, 1989, the Company shall commence 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 not less than one hundred and sixty-eight (168) million dollars.
 - (2) The Company shall complete the construction of the CTMP mill under subparagraph (1) on a schedule that will permit commencement of production on or before December 1, 1991.
 - (3) Within five years following the commencement date of this Agreement or within 7 years if an extension has been given under paragraph 3(6), the Company shall commence construction of an additional CTMP mill (the "additional CTMP mill") in Alberta or an expansion of the CTMP mill under subparagraph (1) such that when completed the CTMP mill and the additional CTMP mill combined or the expanded CTMP mill will have a minimum rated capacity of 220 000 air dry metric tonnes of wood pulp annually.
 - (4) The Company shall complete the construction of the additional CTMP mill or the expanded CTMP mill under subparagraph (3) within 24 months following commencement of such construction.
 - (5) Upon commencement of construction of the additional CTMP mill or the expanded CTMP mill under subparagraph (3), the Company shall have the right during the term of this Agreement to grow, cut and remove deciduous timber from those lands shown on Appendix "A" as "deciduous timber reserve area for second line" that have been added to the forest management area under paragraph 3(4).
 - (6) The Lieutenant Governor in Council may from time to time extend the commencement and completion dates for construction set out in this paragraph.
 - (7) The failure of the Company to commence or complete in accordance with subparagraphs (3) and (4) the construction of or expansion to such facility shall not amount to a default or breach by the Company of any of the provisions of this Agreement.
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

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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.
- (2) Notwithstanding subparagraph (1), where the Company fails to recommence production and operation of the CTMP mill under paragraph 37(1) after such period of twelve consecutive months, the Company shall, subject to paragraph 46, be in default under this Agreement.
- (3) If, at any time after completion of construction of the additional CTMP mill or the expanded CTMP mill, such additional CTMP mill or expanded 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 those lands that were added to the forest management area under paragraph 3(4) until such time as the Company advises the Minister in writing of its intentions to recommence production and operation of either the additional CTMP mill or the expanded CTMP mill as the case may be.
- (4) If, at any time after completion of the CTMP mill and the additional or expanded CTMP mill, such facilities in their aggregate cease to be in production and operation after such period of twelve consecutive months, the Company shall, subject to paragraph 46, be in default under 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.

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(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.

- no. 324000-2
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" hereunto annexed are intended, where those lines outline areas that are yet unsurveyed, to be the survey lines of the townships, sections, or half sections, as the case may be, that would exist if such areas were surveyed under the system of township surveys prescribed by the Surveys Act of Alberta and any amendments or substitutions thereto.
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
 - (c) any Regulation inclusive of any amendments or substitutions in force from time to time under any of the Acts referred to in subparagraphs (a) and (b)

that apply to the Company or to this Agreement either specially or generally by express wording or by implication.

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

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assignment, he shall advise the Company in writing of his reasons for so refusing.

(2) Subparagraph (1) does not apply to:

- (a) the employment of one or more contractors to cut and remove timber;
- (b) an assignment or transfer of this Agreement by way of mortgage or charge or the grant of a security interest in this Agreement to lenders to or trustees for lenders 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
1200, 10707 - 100 Avenue
Edmonton, Alberta
T5J 3M1
Attention: President

(b) to the Minister:

Minister of Forestry, Lands and Wildlife
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.

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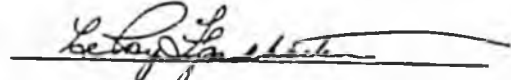
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IN WITNESS WHEREOF the party of the first part executes this Agreement under the hand of the Minister subscribed hereunder and the party of the second part executes this Agreement by subscribing hereunder the signatures of its duly authorized corporate officers and by attesting hereto its lawful corporate seal this 15th day of November 1990.

Her Majesty the Queen in Right of Alberta

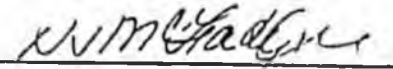


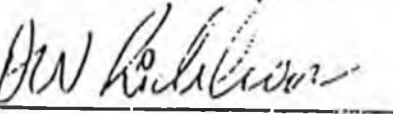
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Minister of Forestry, Lands and Wildlife

Slave Lake Pulp Corporation

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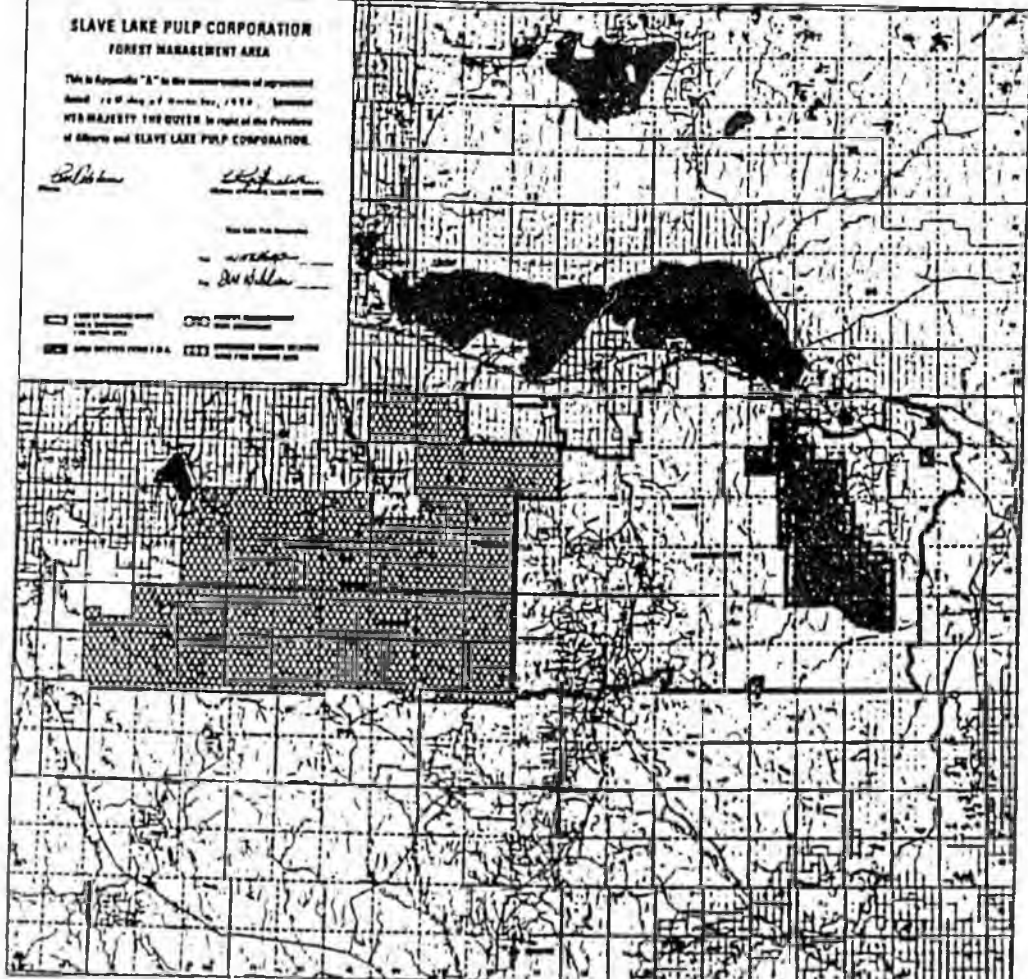
**SLAVE LAKE PULP CORPORATION
FOREST MANAGEMENT AREA**

This is Schedule "A" in the memorandum of agreement
dated 22nd Aug. 27th March 1954 between
HIS MAJESTY THE QUEEN in right of the Province
of Alberta and SLAVE LAKE PULP CORPORATION.

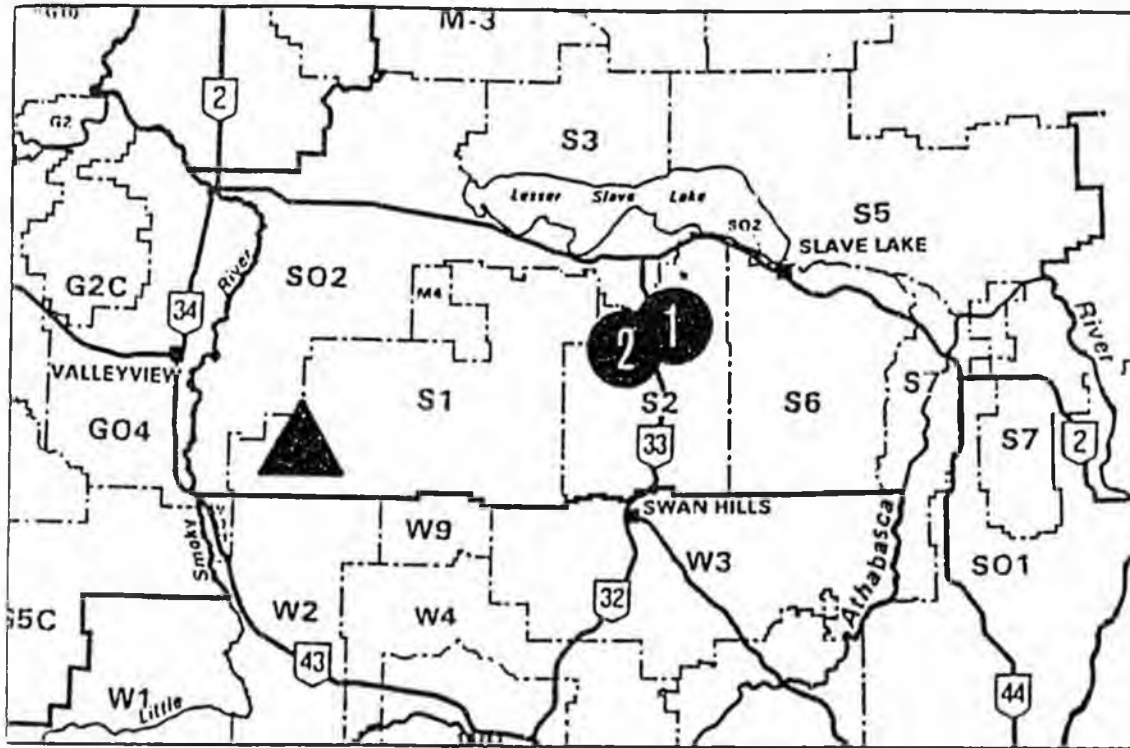
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SLAVE LAKE PULP CORPORATION
 FOREST MANAGEMENT AGREEMENT
 APPENDIX "B"



"MAINTAIN OUR FORESTS" PROGRAMS

LOCATION	PROJECT NAME
1	Frost Hills
2	Shannon Creek

CANADA/ALBERTA



SLAVE LAKE PULP CORPORATION

APPENDIX "C"

A. CONIFEROUS QUOTA HOLDERS WITHIN THE FOREST MANAGEMENT AREA

1. Alberta Energy Company Ltd.
2. Tomen Alberta Timber Industries Ltd.
3. Bissell Bros. Lumber Ltd.
4. Gordon Buchanan Enterprises Ltd.
5. WB Forest Products Ltd.
6. Millar Western Industries Ltd.
7. Vanderwell Contractors (1971) Ltd.
8. Vanderwell Holdings Ltd.
9. Zeidler Forest Industries Ltd.

B. CONIFEROUS QUOTA CERTIFICATES ISSUED WITHIN THE FOREST MANAGEMENT AREA

Initial Forest Management Area

CTQSO10032 (North)	CTQSO60001
CTQSO20005	CTQSO60002
CTQSO20008	CTQSO60003
CTQSO20031	CTQSO60005
CTQSO20032	CTQSO60006
CTQSO20033	CTQSO60008

Deciduous Timber Reserve Area For Second Line

CTQSO10008	CTQSO10030
CTQSO10026	CTQSO10032
CTQSO10028	CTQSO10035
	CTQSO10036

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 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 used in undertaking the provincial Alberta Phase 3 Forest Inventory (ENR Report No. 1/86 and Associated Reports) and as designated on timber type maps produced by the Department of Forestry, Lands and Wildlife, or such maps as are retyped and enhanced by the Company using Phase 3 criteria or such criteria as may be mutually agreed on.

Stand Crown cover shall be classified as follows:

CODE	DESCRIPTION	% CROWN COVER	
		CONIFEROUS	DECIDUOUS
C	Coniferous	80 - 100	0 - 20
CD	Coniferous - Deciduous	50 - 79	21 - 50
DC	Deciduous - Coniferous	21 - 49	51 - 79
D(C)	Deciduous- (Coniferous)	11 - 20	80 - 89
D	Deciduous	0 - 10	90 - 100

2. All stands in the forest management area will be managed and harvested in accordance with the following provisions:
 - (a) All C, CD and DC stands shall be included in the coniferous land base and managed for coniferous production. All D, and D(C) stands containing a coniferous understory which need to be included in the coniferous land base in order to maintain the coniferous annual allowable cut shall also be managed for coniferous production. Coniferous operations will have priority in such stands. All stands managed for coniferous production shall be reforested to coniferous stocking standards.
 - (b) All D and D(C) stands, with the exception of those identified in subparagraph (a), shall be managed for deciduous production and reforested to deciduous stocking standards.
 - (c) The Company shall be allowed to harvest merchantable deciduous trees from all stands which are to be managed for deciduous production 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.
 - (d) For the purposes of this Agreement, a coniferous understory is the second storey of a two-storied stand where the C, CD, DC, D(C) and D understory cover group is two or more height classes lower than the overstorey of the dominant and co-dominant trees in a forest stand. For the purposes of Phase 3, each storey of a two-storied stand is given an independent cover type description.

3. (a) Where a coniferous quota holder desires to harvest deciduous timber located within an active coniferous timber licence in the forest management area, the coniferous quota holder 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 quota holder shall be subject to the approval of their annual operating plan submitted pursuant to their active coniferous timber licence.
4. 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 will be made available in accordance with paragraph 21 of this Agreement.
5. All deciduous timber cut by and for the Company on the forest management area shall be considered as production against the forest management area unless the timber has been designated as quota chargeable.