

Execution Copy

CONFIFEX INC.

- and -

CONFIFEX TIMBER INC.

- and -

HAMPTON LUMBER MILLS – CANADA LTD.

ASSET PURCHASE AGREEMENT

June 24, 2019

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ASSET PURCHASE AGREEMENT

This Agreement dated June 24, 2019,

AMONG:

CONIFEX INC., a corporation under the federal laws of Canada having a registered office at 1000 Cathedral Place, 925 West Georgia Street, Vancouver, British Columbia V6C 3L2

(the "Seller")

AND:

CONIFEX TIMBER INC., a corporation under the federal laws of Canada having a registered office at 1000 Cathedral Place, 925 West Georgia Street, Vancouver, British Columbia V6C 3L2

(the "Seller's Guarantor")

AND:

HAMPTON LUMBER MILLS – CANADA LTD., a company under the laws of the Province of British Columbia having a registered office at 400 - 725 Granville Street, P.O. Box 10325, Vancouver, British Columbia V7Y 1G5

(the "Buyer")

RECITALS:

- A. The Seller owns the Purchased Assets, which it uses to carry on the Business;
- B. The Seller wishes to sell to the Buyer, and the Buyer wishes to purchase from the Seller, the Purchased Assets free and clear of all Encumbrances, other than Permitted Encumbrances, on the terms and subject to the conditions set forth in this Agreement; and
- C. The Seller's Guarantor owns all of the issued and outstanding shares of the Seller and is a party to this Agreement for the purpose of jointly and severally with the Seller agreeing to indemnify the Buyer for the obligations of the Seller under this Agreement.

THE PARTIES AGREE AS FOLLOWS:

**ARTICLE 1
INTERPRETATION**

1.1 Definitions. In this Agreement, including the Recitals to this Agreement, unless the context otherwise requires:

- (1) **"Accounts Receivable"** means all accounts receivable, trade accounts receivable, notes receivable, book debts and other debts due or accruing due to the Seller.
- (2) **"Accrued Silviculture Amount"** means the amount of Redacted being the estimated accrued amount of the Silviculture Obligations as at June 23, 2019 determined in accordance with the methodology set forth in Schedule 1.1(2).
- (3) **"Advance Ruling Certificate"** means an advance ruling certificate issued by the Commissioner pursuant to section 102 of the Competition Act with respect to the Transactions.
- (4) **"Affiliate"** means, with respect to any Person, any other Person that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, such specified Person.
- (5) **"Agreement"** means this asset purchase agreement, including all Schedules to this asset purchase agreement, as amended, supplemented, restated and replaced from time to time in writing in accordance with its provisions.
- (6) **"Ancillary Agreements"** has the meaning attributed to that term in Section 8.6.
- (7) **"Applicable Law"** means:
 - (a) any domestic or foreign (whether federal, provincial, regional, district, municipal or other) statute, law (including common and civil law), code, ordinance, rule, regulation, order-in-council, restriction or by-law (zoning or otherwise);
 - (b) any judgment, order, writ, injunction, directive, decision, ruling, decree or award;
 - (c) any regulatory policy, practice, standard or guideline;
 - (d) any published administrative position; or
 - (e) the requirements of any Permit;of any Governmental Authority, binding on or affecting the Person referred to in the context in which the term is used or binding on or affecting the property of that Person.

- (8) **"Approvals"** means franchises, licences, qualifications, authorizations, consents, certificates, registrations, exemptions, waivers, filings, grants, notifications, privileges, rights, orders, judgments, rulings, directives, Permits, and other approvals.
- (9) **"Assumed Contracts"** means the Contracts listed in Schedule 1.1(9).
- (10) **"Assumed Obligations"** means:
- (a) the Silviculture Obligations;
 - (b) all obligations arising out of the ownership or operation of the Purchased Assets that arise solely as a result of any act, omission or state of facts that occurs on or after the Closing Date, including:
 - (i) all Post-Closing Environmental Liabilities that arise solely as a result of any act, omission or state of facts that occurs on or after the Closing Date; and
 - (ii) all obligations and liabilities arising from, or related to, the union Employees that arise solely as a result of any act, omission or state of facts that occurs on or after the Closing Date; and
 - (c) all obligations for Pre-Closing Environmental Liabilities that arise out of any matter specifically identified in the Phase I Report or the Phase II Report or any other Pre-Closing Environmental Liabilities that arise out of any other matter expressly disclosed in writing by the Seller or the Seller's Guarantor to the Buyer before the date hereof.
- (11) **"Assumed Permits"** means the Permits listed in Schedule 1.1(11).
- (12) **"Auditor's Silviculture Amount"** has the meaning given to that term in Section 2.7(5).
- (13) **"Books and Records"** means all books, records, files and papers of the Seller relating to any of the other Purchased Assets or the Assumed Obligations, including title documentation, maintenance records, environmental compliance records, equipment drawings (including operator and user manuals, training materials, guides, listings, specifications and any revisions or additions to such documents), electronic data, records of the non-union Employees who are offered and accept employment with the Buyer as contemplated in Section 6.11(2) (as permitted by Applicable Laws), all other documents and data (technical or otherwise), and all copies and recordings of the foregoing.
- (14) **"Buildings"** means the buildings, structures, fixtures, improvements and appurtenances located on or forming part of the Real Property.

- (15) **"Business"** means the sawmilling business and related operations carried on by the Seller at Fort St. James, British Columbia, including the operations at the FSJ Mill related to FL955 and the operations under FL955, prior to the curtailment of operations by the Seller.
- (16) **"Business Day"** means any day, except Saturdays and Sundays, on which banks are generally open for non-automated business:
- (a) for purposes of Section 8.13, in the place specified in that Section; and
 - (b) for all other purposes in this Agreement, in the City of Vancouver, British Columbia, Canada.
- (17) **"Buyer"** has the meaning given to that term on page one of this Agreement.
- (18) **"Buyer's Counsel"** means Borden Ladner Gervais LLP.
- (19) **"Buyer Indemnitees"** has the meaning given to that term in Section 7.3.
- (20) **"Buyer's Silviculture Estimate"** has the meaning given to that term in Section 2.7(2)(a).
- (21) **"Claim"** means any act, omission or state of facts and any demand, action, investigation, inquiry, suit, proceeding, claim, assessment, judgment or settlement or compromise relating thereto which may give rise to a right of indemnification under this Agreement.
- (22) **"Clean-Up and Capping Work"** has the meaning attributed to that term in Section 6.9(1).
- (23) **"Closing"** means the completion of the Transactions on the Closing Date in accordance with this Agreement.
- (24) **"Closing Accrued Silviculture Amount"** has the meaning attributed to that term in Section 2.7(1).
- (25) **"Closing Date"** means the fifth (5th) Business Day after the Material Governmental Approvals have been obtained, or such other date as may be agreed to by the Parties in writing.
- (26) [Reserved.]
- (27) **"Collective Agreement"** means the collective agreement entered into the 1st day of July, 2013 between the Seller, Fort St. James Division, and USW, Local 1-424 and the MOA and all letters of understanding and memorandums of agreement related to the foregoing.

- (28) **“Commissioner”** means the Commissioner of Competition appointed under the Competition Act and includes any person duly authorized to exercise the powers and perform the duties on behalf of the Commissioner of Competition.
- (29) **“Competition Act”** means the *Competition Act* (Canada) and the regulations made thereunder.
- (30) **“Competition Act Approval”** means:
- (a) the issuance of an Advance Ruling Certificate; or
 - (b) the applicable waiting period under section 123 of the Competition Act has expired or been waived and a No Action Letter has been issued in accordance with section 123(2) of the Competition Act.
- (31) **“Completion Report”** has the meaning attributed to that term in Section 6.9(2).
- (32) **“Constating Documents”** means, with respect to any Person, its articles or certificate of incorporation, amendment, amalgamation or continuance, memorandum and articles of association, letters patent, supplementary letters patent, by-laws, partnership agreement, limited liability company agreement or other similar document, and all unanimous shareholder agreements, other shareholder agreements, voting trusts, pooling agreements and similar Contracts, arrangements and understandings, all as amended, supplemented, restated and replaced from time to time.
- (33) **“Contaminant”** means any substance, emission or thing, howsoever occurring, which has, or may have, an adverse effect on the environment, any ecological system or natural resource, the use or enjoyment of property, or human health or safety, and includes any “contaminant” or “pollutant”, any substance defined or regulated as “hazardous”, “toxic”, or “dangerous” or any type of “waste”, in each case which is defined or regulated by any Applicable Law, and includes petroleum hydrocarbons and fractions thereof, halogenated or chlorinated solvents, asbestos and asbestos-containing materials, and polychlorinated biphenyls.
- (34) **“Contract”** means any agreement, contract, indenture, lease, occupancy agreement, deed of trust, licence, option, undertaking, promise or any other commitment or obligation, whether oral or written, express or implied, other than a Permit.
- (35) **“CRA”** means the Canada Revenue Agency or any successor agency.
- (36) **“Credit Agreement”** means that credit agreement dated July 9, 2018 among, inter alia, the Seller's Guarantor, the lenders party thereto and PNC Bank Canada Branch as agent for the Lenders.
- (37) **“Deductible”** has the meaning attributed to such term in Section 7.5(a)(i).

- (38) **"Disabling Code"** means any clock, timer, counter, computer virus, worm, Software lock, drop dead device, Trojan horse routine, trap door, time bomb, or any other codes, designs, routines or instructions that may be used to access, modify, replicate, distort, delete, damage or disable any Hardware or Software, including Internal IT Systems, the Books and Records and any other data or information.
- (39) **"Duties"** means any monies paid, remitted or deposited by or on behalf of the Seller to the U.S. Department of Commerce (or other relevant Governmental Authority) at any time prior to Closing in respect of (a) countervailing or anti-dumping duties on softwood lumber imported by or on behalf of the Seller into the United States from Canada at any time prior to Closing or (b) any settlement in respect of the imposition and collection of countervailing or anti-dumping duties on softwood lumber imported by or on behalf of the Seller into the United States from Canada at any time prior to Closing.
- (40) **"Employee Obligations"** means any and all liabilities, obligations and commitments to any and all of the Employees, whether in respect of any matter that arose before or arises after the Closing (other than with respect to union Employees, which is limited to any such matters arising out of any act, omission or state of facts that occurred prior to Closing), and whether in respect of the employment of the Employees by the Seller or any predecessor of the Seller or the termination of their employment with the Seller or any predecessor of the Seller, including obligations for severance and other Employee benefits (and like payments including for "bridging", etc.) for non-union Employees of the Seller (including those arising at common law, under statute or under Contract), and including benefits owing to non-union Employees who are offered and accept employment with the Buyer as contemplated in Section 6.11(2) for the time prior to the Closing Date and including amounts payable under the MOA to union Employees, including amounts payable under the MOA to those union Employees who are on any kind of leave but does not become payable to those union Employees until after the Closing.
- (41) **"Employee Plans"** has the meaning attributed to that term in Section 5.1(26)(a).
- (42) **"Employees"** means all current or former employees of the Seller employed in connection with the Business, including employees of the Seller who are employed in connection with the Business immediately prior to the Closing, whether full-time, part-time, salaried, hourly, unionized or non-unionized, and including those on any type of leave (including maternity or paternity leave, short term or long term disability or otherwise).
- (43) **"Encumbrance"** means any encumbrance, legal notation, lien, charge, hypothec, pledge, mortgage, title retention agreement, security interest of any nature, prior claim, adverse claim, exception, reservation, encroachment, restrictive or statutory covenant, agreement, easement (whether or not registered against title), lease, licence, right of occupation, right of re-entry, *profit a prendre*, option, right

of use, right of first refusal, right of pre-emption, privilege or any matter capable of registration against title or any matter of any kind or nature whatsoever which constitutes or becomes by operation of law or otherwise a legal notation, lien, interest or other encumbrance or title defect, or any Contract to create any of the foregoing.

- (44) **"Environment"** means the environment as defined in Environmental Laws and includes soil, land, surface or subsurface strata, surface waters (including, without limitation, navigable waters, ocean waters, streams, ponds, drainage basins, and wetlands), groundwaters, drinking water supply, stream sediments, ambient air (including indoor air), plant and animal life, and any other environmental medium or natural resource.
- (45) **"Environmental Condition"** means the Release of a Contaminant, or the presence of a Contaminant, in the Environment other than the presence of a Contaminant in locations or at concentrations that are naturally occurring or otherwise permitted by law.
- (46) **"Environmental Consultant"** means Redacted. Confidential Supplier.
- (47) **"Environmental Laws"** means any and all Applicable Laws relating to: (i) the protection of the environment or any natural resource; (ii) the presence, release, discharge, handling, transportation, storage, remediation or disposal of Contaminants; (iii) the ownership, occupation, management, transfer or sale of contaminated sites; (iv) the exposure of workers to Contaminants in the workplace, and worker right-to-know legislation pertaining thereto; (v) the manufacture, distribution, labelling, import, export or sale of products or product ingredients by virtue of their composition or any other physical properties; (vi) climate change, greenhouse gas emissions and the regulation of carbon; (vii) the protection of endangered species and their habitat; and (viii) the reporting of environmental matters or liabilities to any Governmental Authority or in any publicly accessible venue.
- (48) **"Environmental Liabilities"** means any and all liabilities, obligations and commitments (whether arising under Environmental Laws, Environmental Permits, common law, Contracts or otherwise in any manner whatsoever, whether known or unknown on the Closing Date) arising out of or relating to:
- (a) the presence in, on, at or under, or the Release to, at or from any of the Purchased Assets, including all of the Real Property and the Buildings, or the Leased or Licenced Property or any other lands or waters any interest in which is included in the Purchased Assets or over which the Business is or has been operated (including all soil, sediments, water, groundwater, buildings, structures, fixtures, improvements and equipment thereon or thereunder and releases therefrom into the air) of any Contaminants;

- (b) the presence of any Contaminants in, on, at or under any land, sediments, water, groundwater or any other location whatsoever, whether discovered before or after the Closing, where such Contaminants originated from the ownership or operation of any of the Purchased Assets, including all of the Real Property and the Buildings, or the Leased or Licenced Property or any other lands or waters over which the Business is or has been operated (including, without limitation, all soil, sediments, water, groundwater, buildings, structures, fixtures, improvements and equipment thereon or thereunder); and
 - (c) any other circumstance, condition, matter, occurrence, issue, event or requirement relating to the environment (which includes building, structure, fixture, improvement or equipment on or forming part of any of the Purchased Assets, including all of the Real Property and the Buildings, or the Leased or Licenced Property or any other lands or waters any interest in which is included in the Purchased Assets or over which the Business is or has been operated), health or safety that exists in, on, at or under any of the Purchased Assets, including all of the Real Property and the Buildings, or the Leased or Licenced Property or any other lands or waters over which the Business is or has been operated, or that is or was caused (directly or indirectly) by, or arises from, the operation of the Business or the Purchased Assets, including all of the Real Property and the Buildings, or the Leased or Licenced Property or any other lands or waters over which the Business is or has been operated.
- (49) **“Environmental Permits”** means any Permit which is issued under, or pursuant to any Environmental Law.
- (50) **“Environmental Remedial Action”** means any and all actions required, ordered or undertaken to (i) investigate, clean up, remove, treat, contain, or in any other way address, or to take remedial action with respect to, Contaminants in the Environment, (ii) prevent the Release, the threat of a Release, or to minimize any future Release of Contaminants, or to prevent or minimize the migration or movement of Contaminants in the Environment, (iii) protect public or occupational health, safety and welfare and the Environment from harm or potential harm associated with a Release or subsequent migration or movement of Contaminants, (iv) perform pre-remedial studies and investigations and pre-remedial and post-remedial monitoring and care, or (v) comply with any Environmental Laws.
- (51) **“Equipment”** means all:
- (a) machinery, equipment, office equipment, fixtures, furniture, furnishings and accessories, and all other fixed assets immobilized by nature owned by the Seller that are located on or at any of the Real Property or within any of the Buildings and are not otherwise included as part of the Real Property or the Buildings, including those listed in Schedule 1.1(51);

- (b) trucks, cars and other vehicles and all rolling stock owned by the Seller that are located on or at any of the Real Property or within any of the Buildings, including those listed in Schedule 1.1(51); and
 - (c) telephone Hardware, automatic machinery owned by the Seller that are located on or at any of the Real Property or within any of the Buildings and are not otherwise included as part of the Real Property or the Buildings, including those listed in Schedule 1.1(51); and
 - (d) any other equipment or other tangible personal property that is listed in Schedule 1.1(51).
- (52) “**Escrow Agreement**” means an escrow agreement substantially in the form of Schedule 1.1(52).
- (53) “**Escrow Holder**” means the third party escrow holder that is party to the Escrow Agreement.
- (54) “**Escrowed Portion of the Purchase Price**” means the amount of one million five hundred thousand dollars (\$1,500,000), which is to be held in escrow pursuant to the terms of the Escrow Agreement as security for the indemnification obligations of the Seller and the Seller’s Guarantor under this Agreement as contemplated herein, plus any amounts to be escrowed pursuant to Section 2.6 and Section 2.7.
- (55) “**ETA**” means the *Excise Tax Act* (Canada) and the regulations made thereunder.
- (56) “**Excluded Assets**” means all the assets of the Seller other than the Purchased Assets, including:
- (a) all cash on hand or in banks or other depositories, term or time deposits and similar cash items including all accrued interest thereon and any capital gains relating thereto;
 - (b) all Accounts Receivable and other indebtedness owing to the Seller by any Person;
 - (c) all Duties and all claims and rights of the Seller with respect to Duties;
 - (d) all rights to prepaid Taxes, rents, amounts paid for utilities, other prepaid items and deposits associated with any of the Purchased Assets that are not adjusted for pursuant to Section 2.8;
 - (e) all personnel and employment records that the Seller is required by Applicable Law to retain;
 - (f) all Employee Plans and all rights of the Seller under, and assets of, the Employee Plans and all Contracts relating to the Employee Plans; and

- (g) all Constatng Documents, minute books, shareholder records and corporate seals of the Seller.
- (57) **"Excluded Liabilities"** means all liabilities and obligations of the Seller, or otherwise, relating to or arising out of the Purchased Assets prior to Closing, including all:
- (a) Employee Obligations;
 - (b) liabilities and obligations for Taxes as contemplated by Section 2.11;
 - (c) liabilities and obligations of the Seller owing to a lender or creditor, including any bank overdrafts or bank indebtedness and any indebtedness or liabilities owing under any promissory note or Contract for the borrowing of money;
 - (d) liabilities and obligations arising out of or relating to products or services of the Seller to the extent manufactured, sold, shipped or rendered prior to the Closing;
 - (e) liabilities and obligations under all Employee Plans and Contracts relating thereto;
 - (f) liabilities and obligations under any Contracts that are not Assumed Contracts listed in Schedule 1.1(9);
 - (g) liabilities and obligations under any Permits that are not Assumed Permits listed in Schedule 1.1(11);
 - (h) all Pre-Closing Environmental Liabilities, other than any matter specifically identified in the Phase I Report or the Phase II Report or any other Pre-Closing Environmental Liabilities that arise out of any other matter expressly disclosed in writing by the Seller or the Seller's Guarantor to the Buyer before the date hereof; and
 - (i) liabilities and obligations relating to an Excluded Asset;
- other than the Assumed Obligations.
- (58) **"Finished Lumber and Log Amount"** means an amount equal to the market value of the Finished Lumber Inventory and the Log Inventory, being the value of such inventory, less the cost of loading and shipping the inventory to a buyer and less duties or taxes payable on sale determined in accordance with Section 2.6.
- (59) **"Finished Lumber Inventory"** means the finished lumber inventory located at the FSJ Mill on the Closing Date which is of merchantable quality.

- (60) "FL955" means forest licence A77955 owned by the Seller with an allowable annual cut, as at the date hereof, of not less than 396,000 cubic meters.
- (61) "Forest Act" means the *Forest Act* of British Columbia and all regulations thereunder, as it or they may be amended from time to time.
- (62) "Forest Act Approval" means the approval, in writing, of the Minister under section 54(2)(a) of the *Forest Act* to the disposition of FL955 and any road permits included in the Assumed Permits from the Seller to the Buyer with an allowable annual cut of no less than 396,000 cubic metres authorized under FL955.
- (63) "Forest Legislation" means the Forest Act, FRPA and the Wildfire Act.
- (64) "Form A Transfer" means the form A - freehold transfers required to transfer title to the Real Property by the Seller to or as directed by the Buyer.
- (65) "FRPA" means the *Forest and Range Practices Act* of British Columbia and all regulations and standards thereunder as it or they may be amended from time to time.
- (66) "FSJ Mill" means the sawmill owned and operated by the Seller at Fort St. James, British Columbia, consisting of:
- (a) the Real Property;
 - (b) the Buildings;
 - (c) the Supplies and Spare Parts; and
 - (d) the Equipment.
- (67) "General Conveyance and Assumption Agreement" means the general conveyance and assumption agreement between the Seller and the Buyer substantially in the form of Schedule 1.1(67).
- (68) "GST/HST" means all Taxes payable under Part IX of the ETA (including where applicable both the federal and provincial portion of those Taxes) or under any provincial legislation imposing a similar value added or multi-staged tax.
- (69) "Governmental Authority" means any domestic or foreign government, whether federal, provincial, state, territorial, local, regional, district, municipal, or other political jurisdiction or subdivision thereof, and any ministry, department, agency, authority, instrumentality, court, tribunal, board, commission, bureau, arbitrator, arbitration tribunal or other tribunal, or any quasi-governmental or other entity, body, organization or agency, insofar as it exercises a legislative, judicial, regulatory, administrative, expropriation or taxing power or function of or pertaining to government, including the Ministry of Forests.

- (70) "**Hardware**" means computers, computer hardware, mainframes, servers, client/server stations, network equipment, routers, semi-conductor chips, embedded Software, communication lines, storage media and other similar equipment or devices.
- (71) "**IFRS**" means International Financial Reporting Standards in effect as at the date hereof.
- (72) "**Indemnified Party**" has the meaning given to that term in Section 7.6.
- (73) "**Indemnifying Party**" has the meaning given to that term in Section 7.6.
- (74) "**Independent Auditor**" means Deloitte LLP.
- (75) "**Infringe**" means infringe (whether directly, contributorily, by inducement or otherwise), misappropriate, violate or otherwise conflict with or harm (whether direct, contributory, by inducement or otherwise) and "**Infringed**" and "**Infringement**" have a corresponding meaning.
- (76) "**Intellectual Property**" means any patents (including all reissues, divisions, continuations, continuations-in-part and extensions thereof), patent applications, patent rights, trademarks, trademark registrations, trademark applications, service marks, trade names, trade dress, business names, brand names, domain names, copyrights, copyright registrations, designs and design registrations.
- (77) "**Interim Period**" means the period between the date of this Agreement to the Closing Date.
- (78) "**Internal IT Systems**" means all Hardware, Software and internal networks and communications technologies and services owned, leased or licensed by the Seller that is located at or in the FSJ Mill, including those listed in Schedule 1.1(78), and including all such Software used to control production equipment.
- (79) "**Investment Canada Act**" means the *Investment Canada Act* (Canada) and the regulations made thereunder.
- (80) "**Leased or Licenced Property**" means the real property used by the Seller in the Business as lessee or licensee that is listed in Schedule 1.1(80).
- (81) "**Leases and Licences**" has the meaning attributed to that term in Section 5.1(10).
- (82) "**Lenders**" means PNC Bank Canada Branch, and such other lenders party to the Credit Agreement.
- (83) "**Log Inventory**" means the log inventory located at the FSJ Mill on the Closing Date.

- (84) **"Losses"** means any and all loss, liability, obligation, damage, reasonable cost and expense, charge, fine, penalty or assessment, suffered, incurred, sustained or required to be paid by the Person seeking indemnification (including reasonable lawyers', experts' and consultants' fees and expenses), directly resulting from or arising out of any Claim, including the reasonable costs and expenses of any action, suit, proceeding, investigation, clean-up costs, inquiry, arbitration award, grievance, demand, assessment, judgment, settlement or compromise relating thereto.
- (85) **"Material Adverse Change" or "Material Adverse Effect"** means: (i) any physical loss, damage or destruction or the appropriation, expropriation or seizure by any Governmental Authority of any of the Purchased Assets; or (ii) any circumstance, change in or effect on the Business that is materially adverse to the results of operations or the financial condition of the Business, taken as a whole; provided, however, that none of the following, either alone or in combination, shall be considered in determining whether there has been a "Material Adverse Change" or "Material Adverse Effect": (a) any reduction in the volume of timber harvestable under the FL955 in any cut control or other relevant period related to forest fires, flooding or other natural disasters; (b) changes in the markets for forest products or general economic or political conditions or events, circumstances, changes or effects affecting the financial or securities markets generally; (c) events, circumstances, changes or effects relating to foreign currency exchange rate fluctuations; (d) changes arising from the consummation of the Transactions, or the announcement of the execution of this Agreement, including (i) any actions of competitors, (ii) any labour disruption actions taken by or departures of Employees or (iii) any delays or cancellations of orders for products or services; (e) any reduction in the price of services or products offered by the Business in response to the reduction in price of comparable services or products offered by a competitor; (f) any circumstance, change or effect that results from any action taken pursuant to or in accordance with this Agreement or at the request of the Buyer; and (g) changes caused by acts of war, armed hostilities or terrorism or any escalation or worsening of current conditions caused by such acts of war, armed hostilities or terrorism (whether or not declared) occurring after the date hereof.
- (86) **"Material Governmental Approvals"** means:
- (a) the Forest Act Approval; and
 - (b) the Competition Act Approval.
- (87) **"MEPP"** means a multi-employer pension plan within the meaning of the *Pension Benefits Standards Act* (BC) or any other Applicable Laws.
- (88) **"Minister"** means the minister of the Province of British Columbia responsible for the Forest Act, and includes any properly authorized delegate of that minister.

- (89) **“Ministry of Forests”** means the British Columbia Ministry of Forests, Lands, Natural Resource Operations and Rural Development or any successor ministry that is responsible for the Forest Act.
- (90) **“MOA”** means the memorandum of agreement between Council on Northern Interior Forest Employment Relations and its memorandum companies (including the Seller) and USW, Local 1-2017 signed the 13th day of February, 2019.
- (91) **“No Action Letter”** means written confirmation from the Commissioner that he or she does not, at that time, intend to make an application under Section 92 of the Competition Act in respect of the Transactions.
- (92) **“Notice of Claim”** has the meaning given to that term in Section 7.6.
- (93) **“Occupational Health and Safety”** means any obligation imposed on an employer pursuant to the *Workers’ Compensation Act* (British Columbia) or any of the regulations thereunder.
- (94) **“Ordinary Course”** means, with respect to an action taken by a Person that the action is consistent with the past practices of the Person and is taken in the normal day-to-day operations of the Person.
- (95) **“Owned Software”** means all Software that is owned by the Seller and located at the FSJ Mill.
- (96) **“Parties”** means collectively, the Seller, the Seller’s Guarantor, and the Buyer, and **“Party”** means any of them.
- (97) **“Payment and Discharge Statement”** means a written statement in form reasonably satisfactory to the Buyer signed, on behalf of the Lenders, by PNC Bank Canada Branch, in respect of any Encumbrances in or to the Purchased Assets in favour of the Lenders pursuant to the Credit Agreement with a discharge, in registrable form, of all Encumbrances in or to the Purchased Assets in favour of the Lenders, including the PNC Mortgage and a discharge, partial discharge or no interest letter in respect of the financing statement registered in the British Columbia Personal Property Security Registry under base registration number 874209K in favour of PNC Bank Canada Branch as agent over all of the Seller’s present and after acquired personal property.
- (98) **“Permits”** means franchises, licences, qualifications, approvals, authorizations, consents, certificates, certificates of authorization, decrees, orders-in-council, registrations, exemptions, consents, variances, waivers, filings, grants, notifications, privileges, rights, orders, permits and other approvals, obtained from, issued by or required by a Governmental Authority.

- (99) **"Permitted Encumbrances"** means the Permitted Encumbrances described in Schedule 1.1(99).
- (100) **"Person"** is to be broadly interpreted and includes an individual, a corporation, a partnership (including a limited partnership), a joint venture, a trust, an association, a syndicate, an unincorporated organization, a Governmental Authority, an executor or administrator or other legal or personal representative, or any other juridical entity.
- (101) **"Personal Information"** means any information about an identifiable natural person.
- (102) **"Phase I Report"** means the Phase I Environmental Site Assessment dated 24 June 2019 and prepared by Redacted. Confidential Supplier name.
- (103) **"Phase II Report"** means the Phase II Environmental Site Assessment dated 24 June 2019 and prepared by Redacted. Confidential Supplier name.
- (104) **"PNC Mortgage"** means that certain mortgage and assignment of rents registered to PNC under charge numbers CA6013055 and CA6913056 in connection with the Credit Agreement.
- (105) **"Post-Closing Environmental Liabilities"** means any Environmental Liabilities arising out of or relating to the ownership or operation of the Purchased Assets from and after the Closing Date.
- (106) **"Pre-Closing Environmental Liabilities"** means any Environmental Liabilities arising out of or relating to the ownership or operation of the Purchased Assets prior to the Closing Date.
- (107) **"Proceeding"** means:
- (a) any suit, action, dispute, investigation, claim, arbitration, order, summons, citation, directive, charge, demand or prosecution, whether legal or administrative;
 - (b) any other proceeding; or
 - (c) any appeal or application for review;
- whether at law, in equity or otherwise or before or by any Governmental Authority.
- (108) **"PST"** means provincial sales tax under the *Provincial Sales Tax Act* (British Columbia);
- (109) **"Purchase Price"** means:

- (a) the amount of thirty-nine million dollars (\$39,000,000), plus or minus any adjustments required by either of Section 2.6, Section 2.7 or Section 2.8 and minus any adjustments required by Section 6.9;
 - (b) plus the Finished Lumber and Log Amount; and
 - (c) the assumption of the Assumed Obligations as more particularly set forth in the General Conveyance and Assumption Agreement.
- (110) **"Purchased Assets"** means:
- (a) the FSJ Mill;
 - (b) FL955, and all timber that has been harvested pursuant to FL955 that has been decked and is still at the harvest site as of the date of this Agreement except as disclosed in Schedule 6.4(e);
 - (c) the Finished Lumber Inventory and the Log Inventory;
 - (d) the Assumed Contracts and Assumed Permits;
 - (e) the Books and Records;
 - (f) the Internal IT Systems; and
 - (g) all rights to prepaid Taxes, rents, amounts paid for utilities and other similar prepaid items and deposits associated with any of the Purchased Assets that are adjusted for pursuant to Section 2.8, but excluding, for greater certainty, the Duties.
- (111) **"Real Property"** means the real property listed in Schedule 1.1(111) and all rights and benefits appurtenant to and for the benefit of that real property.
- (112) **"Release"** has the meaning prescribed in any applicable Environmental Law, and includes any release, spill, leak, pumping, pouring, emission, emptying, discharge, injection, escape, leaching, disposal, dumping, deposit, spraying, burial, abandonment, incineration, seepage and placement.
- (113) **"Representatives"** means, with respect to any Party, its Affiliates and its and their respective directors, officers, employees, agents and other representatives and advisors, and its lenders.
- (114) **"Seller"** has the meaning given to that term on page one of this Agreement.
- (115) **"Seller Indemnitees"** has the meaning given to that term in Section 7.4.
- (116) **"Seller's Counsel"** means Sangra Moller LLP.

- (117) **"Seller's Guarantor"** has the meaning given to that term on page one of this Agreement.
- (118) **"Seller's Silviculture Estimate"** has the meaning given to that term in Section 2.7(2)(b).
- (119) **"Silviculture Obligations"** means the silviculture obligations associated with FL955 to reforest areas where timber harvesting has occurred pursuant to FL955 and ensure that free growing stands are established on those areas as required under FRPA.
- (120) **"Software"** means software, including all versions thereof, whether installed locally, on a local area network or delivered through the internet, and all related documentation, manuals, source code and object code, program files, data files, computer related data, field and data definitions and relationships, data definition specifications, data models, program and system logic, interfaces, program modules, routines, sub-routines, algorithms, program architecture, design concepts, system designs, program structure, sequence and organization, screen displays and report layouts, including any and all modifications, changes, release, versions, upgrades, updates or patches of any of the foregoing, and all other material related to such software.
- (121) **"Statutory Plans"** means benefit plans that the Seller is required by any domestic or foreign statutes to participate in or contribute to in respect of an Employee, director or officer of the Seller or any beneficiary or dependent thereof, including the Canada Pension Plan and plans administered pursuant to applicable health, Tax, workplace safety insurance, workers' compensation and employment insurance legislation.
- (122) **"Supplies and Spare Parts"** means all supplies, spare parts and tools that are owned by the Seller and are located within any of the Buildings or on or at any of the Real Property, including those listed in Schedule 1.1(122) (subject to ordinary course consumption related to any operations of the FSJ Mill prior to Closing);
- (123) **"Tax Act"** or any reference to a specific provision thereof means the *Income Tax Act* (Canada) and legislation of any legislature of any province or territory of Canada and any regulations thereunder in force of like or similar effect.
- (124) **"Taxes"** means taxes, duties, fees, premiums, assessments, imposts, levies and other charges of any kind whatsoever imposed by any Governmental Authority, including all interest, penalties, fines, additions to tax or other additional amounts imposed in respect thereof (including those levied on, or measured by, or referred to as, income, gross receipts, profits, capital, transfer, land transfer, property transfer, gains, capital stock, production, gift, wealth, environment, net worth, utility, sales, goods and services, harmonized sales, use, consumption, valued-added, excise, stamp, withholding, premium, business, franchising, property, employer health, payroll, employment, health, social services, education and

social security taxes, surtaxes, customs duties and import and export taxes, development, occupancy, social services, licence, franchise and registration fees and employment insurance, health insurance and Canada and other government pension plan premiums or contributions), including GST/HST and PST, and "Tax" has a corresponding meaning.

- (125) "Transactions" means the purchase and sale of the Purchased Assets and all other transactions to occur at Closing contemplated by this Agreement.
- (126) "Wildfire Act" means the *Wildfire Act* of British Columbia and all regulations thereunder, as it or they may be amended from time to time.
- (127) "Work Order" has the meaning given to that term in Section 5.1(11)(b).

1.2 Construction. This Agreement has been negotiated by each Party with the benefit of legal representation, and any rule of construction to the effect that any ambiguities are to be resolved against the drafting party does not apply to the construction or interpretation of this Agreement.

1.3 Certain Rules of Interpretation. In this Agreement:

- (a) the division into Articles and Sections and the insertion of headings and the Table of Contents are for convenience of reference only and do not affect the construction or interpretation of this Agreement;
- (b) the expressions "hereof", "herein", "hereto", "hereunder", "hereby" and similar expressions refer to this Agreement and not to any particular portion of this Agreement; and
-
- (c) unless specified otherwise or the context otherwise requires:
- (i) references to any Article, Section or Schedule are references to the Article or Section of, or Schedule to, this Agreement;
 - (ii) "including" or "includes" means "including (or includes) but is not limited to" and is not to be construed to limit any general statement preceding it to the specific or similar items or matters immediately following it;
 - (iii) "the aggregate of", "the total of", "the sum of", or a phrase of similar meaning means "the aggregate (or total or sum), without duplication, of";
 - (iv) references to Contracts include all existing amendments, supplements, restatements and replacements to those Contracts;
 - (v) references to any legislation, statutory instrument or regulation or a section thereof are references to the legislation, statutory

instrument, regulation or section as amended, re-enacted, consolidated or replaced from time to time; and

- (vi) words in the singular include the plural and vice-versa and words in one gender include all genders.

1.4 Knowledge. As used herein with respect to the Seller or the Seller's Guarantor, the term "knowledge" (whether or not capitalized) shall mean the actual knowledge of any of Kenneth A. Shields, Yuri Lewis or Adam Infanti, after making reasonable inquiries, including inquiries of Employees who have direct responsibility for any applicable area. As used herein with respect to the Buyer, the term "knowledge" (whether or not capitalized) shall mean the actual knowledge of any of Steve Zika, after making reasonable inquiries.

1.5 Computation of Time. In this Agreement, unless specified otherwise or the context otherwise requires:

- (a) a reference to a period of days is deemed to begin on the first day after the event that started the period and to end at 5:00 p.m. on the last day of the period, but if the last day of the period does not fall on a Business Day, the period ends at 5:00 p.m. on the next succeeding Business Day;
- (b) all references to specific times are references to local time in Vancouver, British Columbia, Canada; and
- (c) with respect to the calculation of any period of time, references to "from" mean "from and excluding" and references to "to" or "until" mean "to and including".

1.6 Performance on Business Days. If any action is required to be taken pursuant to this Agreement on or by a specified date that is not a Business Day, the action will be taken on or by the next succeeding Business Day.

1.7 Calculation of Interest. In calculating interest payable under this Agreement for any period of time, the first day of the period is included and the last day is excluded.

1.8 Currency and Payment. In this Agreement, unless specified otherwise:

- (a) references to dollar amounts or "\$" are to Canadian dollars;
- (b) any payment is to be made by an official bank draft drawn on a Canadian chartered bank, wire transfer or certified cheque that provides immediately available funds; and
- (c) except in the case of any payment due on the Closing Date, any payment due on a particular day must be received and available by 2:00 p.m. on the due date and any payment received and available after that time is deemed to have been made and received on the next succeeding Business Day.

1.9 Accounting Terms. In this Agreement, unless specified otherwise, each accounting term has the meaning assigned to it under IFRS.

1.10 Schedules. The following Schedules are attached to and form part of this Agreement:

Schedule 1.1(2)	Methodology for Determining the Accrued Silviculture Amount
Schedule 1.1(9)	Assumed Contracts
Schedule 1.1(11)	Assumed Permits
Schedule 1.1(51)	Equipment
Schedule 1.1(52)	Escrow Agreement
Schedule 1.1(67)	General Conveyance and Assumption Agreement
Schedule 1.1(78)	Internal IT Systems
Schedule 1.1(80)	Leased or Licenced Property
Schedule 1.1(99)	Permitted Encumbrances
Schedule 1.1(111)	Real Property
Schedule 1.1(122)	Supplies and Spare Parts
Schedule 2.5(2)	Purchase Price Allocation
Schedule 3.1(1)(a)	Form of Seller's Bring-Down Certificate
Schedule 3.2(1)(a)	Form of Buyer's Bring-Down Certificate
Schedule 5.1(12)	Location of Purchased Assets
Schedule 4.2(e)	Reliance Letter
Schedule 5.1(20)(a)	Regulatory Approvals
Schedule 5.1(20)(b)	Third Party Contractual Approvals
Schedule 5.1(22)	Changes since Financial Statement Date
Schedule 5.1(24)	Litigation
Schedule 5.1(25)	Environmental Matters
Schedule 5.1(26)(a)	Employee Matters
Schedule 5.1(27)	Labour Matters
Schedule 5.1(28)	Employees and Others
Schedule 5.1(29)	Seller's Finder Fees
Schedule 5.2(5)	Buyer Consents and Approvals
Schedule 6.4(b)	Curtailment (Mothballing) Tasks
Schedule 6.4(e)	Seller's Log Sales Commitments
Schedule 6.9	Clean-Up and Capping Work and Costs

ARTICLE 2 PURCHASE AND SALE

2.1 Agreement to Purchase and Sell. Subject to the terms and conditions of this Agreement, on the Closing Date the Seller will sell, transfer, convey and assign to the Buyer, and the Buyer will purchase and acquire from the Seller, free and clear of all Encumbrances other than Permitted Encumbrances, all of the Purchased Assets in consideration for which the Buyer will pay to the Seller the Purchase Price.

2.2 Excluded Assets. The Excluded Assets are not included in the Purchased Assets and remain the property of the Seller.

2.3 Liabilities.

- (1) At the Closing, the Buyer will assume, be responsible for, and agree to pay for, discharge, perform, fulfil or otherwise satisfy, from and after the Closing, all of the Assumed Obligations.
- (2) The Buyer will not assume, be responsible for, or agree to pay for, discharge, perform, fulfil or otherwise satisfy any of the Excluded Liabilities. All Excluded Liabilities remain the obligation of the Seller and the Seller will remain responsible for, pay for, discharge, perform, fulfil or otherwise satisfy all of the Excluded Liabilities.

2.4 Non-Transferrable or Assignable Assets.

- (1) Notwithstanding Section 2.1, nothing in this Agreement shall be construed as a transfer or assignment by the Seller, or an attempt by the Seller to transfer or assign, to the Buyer any Contract or Permit included in or comprising part of the Purchased Assets that, as a matter of law or by the terms of the Contract or Permit, is (i) not assignable, or (ii) not assignable without the Approval of a third party, including the other party or parties thereto or the issuer thereof, without first obtaining that Approval and the Seller will, at the reasonable request of the Buyer:
 - (a) reasonably assist the Buyer in applying for all Approvals required by any such Contract or Permit, in a form satisfactory to the Buyer as provided in Section 6.8 or obtaining a replacement for any such Contract or Permit for the Buyer's use or ownership of the Purchased Assets;
 - (b) co-operate with the Buyer at the cost of the Buyer in any reasonable and lawful arrangements designed to provide the benefits of any such Contract or Permit to the Buyer, including holding any such Contract or Permit as bare trustee, nominee and agent for the Buyer;
 - (c) enforce, at the sole cost of the Buyer, any rights of the Seller arising from any such Contract or Permit against any third party, including the other party or parties thereto or the issuer thereof; and
 - (d) take all such reasonable actions and do, or cause to be done, all such things at the sole cost of the Buyer as are reasonably necessary and proper so the value of any such Contract or Permit may be preserved and enure to the benefit of the Buyer, including accounting for all direct benefits from any such Contract or Permit to the Buyer and pay over to the Buyer all moneys collected by or paid to the Seller in respect of any such Contract or Permit.

If the Seller is unable to lawfully provide the benefit of any such Contract or Permit to the Buyer, it will not at any time use the Contract or Permit for its own

purpose or assign or provide the benefit of the Contract or Permit to any other Person.

- (2) Nothing in this Section 2.4 constitutes a waiver of any right of the Buyer to require delivery of the Approvals on the Closing Date pursuant to Section 3.1(1)(c).

2.5 Payment and Allocation of the Purchase Price.

- (1) The Buyer shall pay and satisfy the Purchase Price:
 - (a) by payment at Closing as provided in Section 4.3 and Section 4.4 of:
 - (i) the amount of thirty-nine million dollars (\$39,000,000) plus or minus any adjustments required by Section 2.6, Section 2.7 or Section 2.8 and minus any adjustments required by Section 6.9; and
 - (ii) the Finished Lumber and Log Amount; and
 - (b) by assuming the Assumed Obligations, as more particularly set forth in the General Conveyance and Assumption Agreement.
- (2) The Buyer and the Seller will allocate the Purchase Price and any adjustments to the Purchase Price among the Purchased Assets in accordance with Schedule 2.5(2) and will report the purchase and sale of the Purchased Assets for all Tax purposes in a manner consistent with that allocation.

2.6 Finished Lumber and Log Amount.

- (1) The Seller and the Buyer will jointly carry out an inventory inspection as near to the Closing Date as reasonably practicable to allow a determination of the Finished Lumber and Log Amount. If at least five (5) Business Days prior to the Closing Date the Buyer and the Seller agree on the Finished Lumber and Log Amount, the Buyer and the Seller will, at such time, jointly sign a certificate setting forth the agreed amount of the Finished Lumber and Log Amount.
- (2) If at least five (5) Business Days prior to the Closing Date the Buyer and the Seller do not agree on the Finished Lumber and Log Amount, at least two (2) Business Days prior to the Closing Date:
 - (a) the Buyer will prepare and deliver to the Seller a written statement certified by a senior executive officer of the Buyer containing the Buyer's good faith best estimate of a detailed calculation of the Finished Lumber and Log Amount;
 - (b) the Seller will prepare and deliver to the Buyer a written statement certified by a senior executive officer of the Seller containing the Seller's

good faith best estimate of a detailed calculation of the Finished Lumber and Log Amount;

(c) an amount:

(i) equal to the Finished Lumber and Log Amount set forth in the statement containing the Buyer's good faith best estimate of a detailed calculation of the Finished Lumber and Log Amount will be paid by the Buyer to the Seller at Closing as part of the Purchase Price; and

(ii) equal to:

(A) the Finished Lumber and Log Amount set forth in the statement containing the Seller's good faith best estimate of the Finished Lumber and Log Amount;

minus:

(B) the Finished Lumber and Log Amount set forth in the statement containing the Buyer's good faith best estimate of the Finished Lumber and Log Amount;

will be paid by the Buyer into escrow pursuant to the Escrow Agreement to be held in and released from escrow by the Escrow Holder as provided in Section 2.6(3); and

(d) the items in dispute between the statements referenced in paragraphs (a) and (b) above will be resolved by the Independent Auditor as provided in Section 2.6(3).

(3) Within two (2) Business Days after the Closing Date, the Buyer and the Seller will each furnish to the Independent Auditor those working papers, schedules and other documents, accounting books and records and information relating to the items in dispute, that are available to it or its auditors as the Independent Auditor may require. The Buyer and the Seller will each instruct the Independent Auditor that time is of the essence in proceeding with its determination of any item in dispute, and that the Finished Lumber and Log Amount as determined by the Independent Auditor must not be lower than the Finished Lumber and Log Amount set forth in the statement containing the Buyer's good faith best estimate of the Finished Lumber and Log Amount nor higher than the Finished Lumber and Log Amount set forth in the statement containing the Seller's good faith best estimate of the Finished Lumber and Log Amount. The decision of the Independent Auditor with respect to any item in dispute is to be in writing and, absent any manifest error, is final and binding on the Seller and the Buyer with no rights of challenge, review or appeal to the courts in any manner. The Independent Auditor, in making its determination of any dispute, is acting as an expert and not as an arbitrator and is not required to engage in a judicial inquiry

worked out in a judicial manner. The fees and expenses of the Independent Auditor will be paid by the Buyer and the Seller in proportion to the success or failure of the positions put forward by the Buyer and the Seller relative to the decision of the Independent Auditor as determined by the Independent Auditor, but each of the Seller and the Buyer will be responsible for its own costs and expenses. Once the Independent Auditor has made its determination:

- (a) if the Finished Lumber and Log Amount determined by the Independent Auditor is equal to the Finished Lumber and Log Amount set forth in the statement containing the Buyer's good faith best estimate of the Finished Lumber and Log Amount, the amount paid into escrow pursuant to Section 2.6(2)(c)(i) will be released from escrow and paid to the Buyer in accordance with the Escrow Agreement; or
- (b) if the Finished Lumber and Log Amount determined by the Independent Auditor is greater than the Finished Lumber and Log Amount set forth in the statement containing the Buyer's good faith best estimate of the Finished Lumber and Log Amount, the amount paid into escrow pursuant to Section 2.6(2)(c)(i) will be released from escrow and paid as follows:
 - (i) the difference between the Finished Lumber and Log Amount determined by the Independent Auditor and the Finished Lumber and Log Amount set forth in the statement containing the Buyer's good faith best estimate of the Finished Lumber and Log Amount will be released from escrow and paid to the Seller; and
 - (ii) the balance of the amount, if any, paid into escrow pursuant to Section 2.6(2)(c)(i) will be released from escrow and paid to the Buyer.

2.7 Adjustments to the Purchase Price for the Accrued Silviculture Amount.

- (1) The Seller and the Buyer will jointly carry out a review of the Books and Records, and to the extent provided in Schedule 1.1(2) also include a field review of FL955, as near to the Closing Date as reasonably practicable to allow a determination of the Silviculture Obligations on the Closing Date using the methodology set forth in Schedule 1.1(2) (the "Closing Accrued Silviculture Amount"). If at least five (5) Business Days prior to the Closing Date the Buyer and the Seller agree on the Closing Accrued Silviculture Amount, at such time the Buyer and the Seller will jointly sign a certificate setting forth the agreed Closing Accrued Silviculture Amount and if the Accrued Silviculture Amount is:
 - (a) less than the Closing Accrued Silviculture Amount, the Purchase Price payable at Closing will be decreased by the amount of the difference; or
 - (b) greater than the Closing Accrued Silviculture Amount, the Purchase Price payable at Closing will be increased by the amount of the difference;

and if the Accrued Silviculture Amount is equal to the Closing Accrued Silviculture Amount, there will be no adjustment to the Purchase Price payable at Closing.

(2) If at least five (5) Business Days prior to the Closing Date the Buyer and the Seller do not agree on the Closing Accrued Silviculture Amount, at least two (2) Business Days prior to the Closing Date:

(a) the Buyer will prepare and deliver to the Seller a written statement certified by a senior executive officer of the Buyer containing the Buyer's good faith best estimate of a detailed calculation of the Closing Accrued Silviculture Amount (the "Buyer's Silviculture Estimate"); and

(b) the Seller will prepare and deliver to the Buyer a written statement certified by a senior executive officer of the Seller containing the Seller's good faith best estimate of a detailed calculation of the Closing Accrued Silviculture Amount (the "Seller's Silviculture Estimate").

(3) If the Buyer's Silviculture Estimate is:

(a) less than the Accrued Silviculture Amount, the Purchase Price payable to the Seller at Closing will be increased by difference between:

(i) the Accrued Silviculture Amount;

minus:

(ii) the Buyer's Silviculture Estimate; or

(b) greater than the Accrued Silviculture Amount, the Purchase Price payable to the Seller at Closing will be decreased by difference between:

(i) the Buyer's Silviculture Estimate;

minus:

(ii) the Accrued Silviculture Amount; or

(c) equal to the Accrued Silviculture Amount, there will be no change to the Purchase Price payable to the Seller at Closing;

and the difference between the Buyer's Silviculture Estimate and the Seller's Silviculture Estimate will be dealt with as provided in Section 2.7(4).

(4) The difference between:

(a) the Buyer's Silviculture Estimate;

minus:

(b) the Seller's Silviculture Estimate;

will be paid by the Buyer into escrow pursuant to the Escrow Agreement to be held in and released from escrow by the Escrow Holder as provided in Section 2.7(5), and the items in dispute between the Buyer's Silviculture Estimate and the Seller's Silviculture Estimate will be resolved by the Independent Auditor as provided in Section 2.7(5).

(5) Within two (2) Business Days after the Closing Date, the Buyer and the Seller will each furnish to the Independent Auditor those working papers, schedules and other documents, accounting books and records and information relating to the items in dispute, that are available to it or its auditors as the Independent Auditor may require. The Buyer and the Seller will each instruct the Independent Auditor that time is of the essence in proceeding with its determination of any item in dispute, and that the Closing Accrued Silviculture Amount as determined by the Independent Auditor (the "Auditor's Silviculture Amount") must not be lower than the Seller's Silviculture Estimate nor higher than the Buyer's Silviculture Estimate. The decision of the Independent Auditor with respect to any item in dispute is to be in writing and, absent any manifest error, is final and binding on the Seller and the Buyer with no rights of challenge, review or appeal to the courts in any manner. The Independent Auditor, in making its determination of any dispute, is acting as an expert and not as an arbitrator and is not required to engage in a judicial inquiry worked out in a judicial manner. The fees and expenses of the Independent Auditor will be paid by the Buyer and the Seller in proportion to the success or failure of the positions put forward by the Buyer and the Seller relative to the decision of the Independent Auditor as determined by the Independent Auditor, but each of the Seller and the Buyer will be responsible for its own costs and expenses. Once the Independent Auditor has made its determination:

- (a) if the Auditor's Silviculture Amount is equal to the Buyer's Silviculture Estimate, the amount paid into escrow pursuant to Section 2.7(4) will be released from escrow and paid to the Buyer in accordance with the Escrow Agreement; or
- (b) if the Auditor's Silviculture Amount is less than the Buyer's Silviculture Estimate, the amount paid into escrow pursuant to Section 2.7(4) will be released from escrow and paid as follows:
 - (i) the difference between the Buyer's Silviculture Estimate minus the Auditor's Silviculture Amount will be released from escrow and paid to the Seller; and
 - (ii) the balance of the amount, if any, paid into escrow pursuant to Section 2.7(4) will be released from escrow and paid to the Buyer.

2.8 Other Adjustments to Purchase Price.

- (1) Taxes in respect of Real Property and other similar Taxes levied with respect to the Purchased Assets for a taxable period that includes but does not end on the Closing Date are to be apportioned between the Seller and the Buyer on the Closing Date such that the Seller is liable for the amount determined by multiplying the Taxes to be apportioned by a fraction, the numerator of which is the number of the days in the taxable period up to but excluding the Closing Date and the denominator of which is the total number of days in the period, and the Buyer is liable for the balance. The Purchase Price payable at Closing will be increased or decreased as required to reflect the amount of any such apportionment.
- (2) Any rents, amounts paid for utilities and any other prepaid items with respect to the Purchased Assets or the Assumed Obligations for a period that includes but does not end on the Closing Date are to be apportioned between the Seller and the Buyer on the Closing Date such that the Seller is liable for the amount determined by multiplying the amount of the relevant item to be apportioned by a fraction, the numerator of which is the number of the days in the period up to but excluding the Closing Date and the denominator of which is the total number of days in the period, and the Buyer is liable for the balance. The Purchase Price payable at Closing will be increased or decreased as required to reflect the amount of any such apportionment.
- (3) The Purchase Price will also be increased by the amount of any deposits with respect to the Purchased Assets or the Assumed Obligations that the Buyer and the Seller agree in writing to adjust for instead of having returned to the Seller and replaced with deposits put up by the Buyer. If it is not possible or practicable for the deposit to be returned to the Seller and replaced with deposits put up by the Buyer and the full benefit of such deposits can be effectively assigned to the Buyer, then the Purchase Price will be increased by the amount of such deposits and such deposits will be included in the Purchased Assets.

2.9 Transfer Taxes. The Buyer will pay to the appropriate Governmental Authorities all sales and transfer taxes, property transfer taxes, registration charges and transfer fees, including GST/HST (subject to Section 2.10), payable by it in respect of the purchase and sale of the Purchased Assets under this Agreement. The Buyer and the Seller will cooperate in timely preparing for and executing at Closing, and filing upon Closing, all Tax returns as may be required to comply with the provisions of any applicable Tax laws relating to payment of such Taxes. The Buyer and the Seller will also cooperate to identify, in a timely manner before the Closing Date, all production machinery and equipment comprising part of the Purchased Assets and cooperate to claim the applicable production machinery and equipment exemption under the *Provincial Sale Tax Act* (British Columbia) to the maximum extent possible under that Act.

2.10 GST/HST. The Buyer and the Seller will jointly elect under subsection 167(1) of the ETA and under any similar provision of any applicable provincial legislation imposing a similar value added or multi-staged tax, that no tax be payable with respect to the purchase and sale of the Purchased Assets pursuant to this Agreement. The Buyer

and the Seller will make those elections in prescribed form containing prescribed information and will file those elections in compliance with the requirements of applicable legislation. The Buyer will deliver to the Seller at Closing a GST/HST certificate certifying (i) that the Buyer is registered for GST/HST, (ii) the Buyer's GST/HST number, and (iii) that the Buyer will account for and remit any GST/HST payable with respect to the purchase and sale of the Purchased Assets pursuant to this Agreement with its regular GST/HST return.

2.11 Payment of Taxes for Prior to Closing. The Seller will pay, collect and remit all Taxes relating to the Business which arise, or are related to a period of time, ending prior to the Closing Date, except to the extent they are adjusted pursuant to Section 2.8.

2.12 PST Clearance Certificate. At the Closing, the Seller will deliver to the Buyer a clearance certificate under section 187 of the Provincial Sales Tax Act (British Columbia).

2.13 Vehicle Transfers. Upon Closing, the Seller and the Buyer will take all actions necessary to transfer the registration of all registered vehicles of the Seller included in the Purchased Assets into the Buyer's name. The Buyer will be responsible for paying all PST payable on the transfer of the vehicles.

2.14 Payment and Discharge Statement. The Seller shall use reasonable commercial efforts to provide the executed Payment and Discharge Statement to the Buyer at least one (1) Business Day prior to the Closing Date, but in any event shall provide the executed Payment and Discharge Statement prior to Closing. The Buyer's Counsel will be provided the opportunity to comment on and settle the wording included in the Payment and Discharge Statement regarding the release and discharge of any interest over the Purchased Assets before it is finalized and the executed Payment and Discharge Statement is provided to the Buyer.

ARTICLE 3 CONDITIONS OF CLOSING

3.1 Conditions for the Benefit of the Buyer.

- (1) The Buyer will be obliged to complete the Transactions only if each of the following conditions precedent has been satisfied in full at or before the time of Closing on the Closing Date:
 - (a) the Material Governmental Approvals shall have been obtained without any terms and conditions that are not acceptable to the Buyer, acting reasonably (provided that, for greater certainty, any condition of the Forest Act Approval that would require or result in the allowable annual cut of FL955 being less than 396,000 cubic meters will not be acceptable to the Buyer) and shall be in full force and effect;
 - (b) the representations and warranties of the Seller contained in Section 5.1 shall be, individually and collectively, true and correct in all material

respects (except those subject to a materiality qualifier, which shall be true in all respects) (i) at and as of the date of this Agreement and (ii) on and as of the Closing Date as if made on the Closing Date, except to the extent that any representation or warranty is limited by its terms to a specific date or range of dates (in which case such representation or warranty need only be true and correct on the date or during the range of dates so specified) and all of the covenants in this Agreement to be complied with or performed by the Seller by the Closing shall have been complied with or performed in all material respects, and a certificate of a senior officer of the Seller (in his or her representative and not personal capacity), dated the Closing Date, to that effect shall have been delivered to the Buyer substantially in the form of Schedule 3.1(1)(a);

- (c) all Approvals described in Schedule 5.1(20)(a) and Schedule 5.1(20)(b) shall have been obtained, in each case in form and substance satisfactory to the Buyer, acting reasonably, and shall be in full force and effect;
 - (d) no temporary restraining order, preliminary, temporary or permanent injunction or other order issued by any Governmental Authority or court, or other legal restraint or prohibition under any Applicable Laws, preventing the Buyer from proceeding with the Closing of the Transactions shall be in effect;
 - (e) since the date of this Agreement there shall not have occurred any Material Adverse Effect.
- (2) Each of the conditions set out in Section 3.1(1) is for the exclusive benefit of the Buyer and the Buyer may waive compliance with any such condition in whole or in part by notice in writing to the Seller and proceed with the completion of the Transactions. Any such waiver and election by the Buyer will only serve as a waiver of the specific closing condition that is waived and not any of the other conditions, and the Seller will have no liability with respect to the specific closing condition that is waived.
- (3) The Parties acknowledge and agree that: (i) although the obligations to complete the Transactions are subject to the waiver or satisfaction of the conditions set out in Section 3.1(1), the conditions set out in Section 3.1(1) are not a condition to this Agreement being a binding agreement; (ii) this Agreement is not void, voidable, revocable or otherwise capable of being terminated except as provided in Section 3.3; and (iii) the Parties irrevocably agree that they have exchanged valuable consideration in respect of the foregoing, including the respective obligations of the Parties contained in this Agreement that are not subject to the conditions set out in Section 3.1(1).

3.2 Conditions for the Benefit of the Seller.

- (1) The Seller shall be obliged to complete the Transactions only if each of the following conditions precedent has been satisfied in full at or before the time of Closing on the Closing Date:
 - (a) the representations and warranties of the Buyer contained in Article 5 shall be, individually and collectively, true and correct in all material respects (except those already subject to a materiality qualifier, which shall be true in all respects) (i) at and as of the date of this Agreement and (ii) on and as of the Closing Date as if made on the Closing Date, except to the extent that any representation or warranty is limited by its terms to a specific date or range of dates (in which case such representation or warranty need only be true and correct on the date or during the range of dates so specified) and all of the covenants in this Agreement to be complied with or performed by the Buyer by the Closing shall have been complied with or performed in all material respects, and a certificate of a senior officer of the Buyer (in his or her representative and not personal capacity), dated the Closing Date, to that effect shall have been delivered to the Seller substantially in the form of Schedule 3.2(1)(a);
 - (b) no temporary restraining order, preliminary, temporary or permanent injunction or other order issued by any Governmental Authority or court, or other legal restraint or prohibition under any Applicable Laws, preventing the Seller from proceeding with the Closing of the Transactions shall be in effect; and
 - (c) the Material Governmental Approvals shall have been obtained without any terms and conditions that are not acceptable to the Seller, acting reasonably, and shall be in full force and effect.
- (2) Each of the conditions set out in Section 3.2(1) is for the exclusive benefit of the Seller and the Seller may waive compliance with any such condition in whole or in part by notice in writing to the Buyer and proceed with the completion of the Transactions. Any such waiver and election by the Seller will only serve as a waiver of the specific closing condition that is waived and not any of the other conditions, and the Buyer will have no liability with respect to the specific closing condition that is waived.
- (3) The Parties acknowledge and agree that: (i) although the obligations to complete the Transactions are subject to the waiver or satisfaction of the conditions set out in Section 3.2(1), the conditions set out in Section 3.2(1) are not a condition to this Agreement being a binding agreement; (ii) this Agreement is not void, voidable, revocable or otherwise capable of being terminated except as provided in Section 3.3; and (iii) the Parties irrevocably agree that they have exchanged valuable consideration in respect of the foregoing, including the respective obligations of the Parties contained in this Agreement that are not subject to the conditions set out in Section 3.2(1).

3.3 Termination Events. By notice in writing given prior to Closing, subject to Section 3.4, this Agreement may be terminated as follows:

- (a) by the Buyer or the Seller unless it is in material breach of this Agreement if the Closing has not occurred on or before November 30, 2019;
- (b) by the Buyer if, before the Closing, any of the Purchased Assets is lost, damaged or destroyed or is appropriated, expropriated or seized by any Governmental Authority, and the loss, damage, destruction, appropriation, expropriation or seizure constitutes a Material Adverse Change;
- (c) by the Buyer if any condition in Section 3.1 has not been satisfied as of the Closing Date or if the satisfaction of any condition by the Closing Date is or becomes impossible (other than through the failure of the Buyer to comply with its obligations under this Agreement), and the Buyer has not waived that condition on or before Closing Date;
- (d) by the Seller if any condition in Section 3.2 has not been satisfied as of the Closing Date or if the satisfaction of any condition by the Closing Date is or becomes impossible (other than through the failure of the Seller to comply with its obligations under this Agreement), and the Seller has not waived that condition on or before the Closing Date; and
- (e) by mutual written consent of the Buyer and the Seller.

3.4 Effect of Termination. Each Party's right of termination under Section 3.3 is in addition to any other rights it may have under this Agreement or otherwise, whether at law, in equity or otherwise, and the exercise of that right of termination is not an election of remedies. If this Agreement is terminated pursuant to Section 3.3, all obligations of the Parties under this Agreement will terminate except that the obligations contained in Article 8 will survive, provided that if this Agreement is terminated pursuant to Section 3.3(c) or 3.3(d), the terminating Party's right to pursue all legal remedies will survive that termination unimpaired.

ARTICLE 4 CLOSING ARRANGEMENTS

4.1 Closing. Subject to the satisfaction or waiver in writing by the applicable Party of the conditions set out in Article 3, the Closing shall commence at 10:00 a.m. on the Closing Date, at the offices of the Buyer's Counsel in the City of Vancouver, British Columbia, Canada, or at such other time and place or in such other manner as may be agreed to by the Seller and the Buyer.

4.2 Seller's Closing Deliveries. At the Closing, the Seller will deliver or cause to be delivered in trust to the Buyer's Counsel on trust conditions and undertakings commonly used in commercial real estate purchase and sale transactions in British Columbia:

- (a) a certificate of status under the laws of the jurisdiction of its incorporation for each of the Seller and the Seller's Guarantor;
- (b) a certificate of a senior officer of the Seller and the Seller's Guarantor (in his or her representative and not personal capacity) dated the Closing Date certifying:
 - (i) the resolutions of the board of directors of the Seller authorizing the execution, delivery and performance of this Agreement and of all Contracts, instruments, certificates and other documents required by this Agreement to be delivered by the Seller;
 - (ii) the resolutions of the board of directors of the Seller's Guarantor authorizing the execution, delivery and performance of this Agreement;
 - (iii) the special resolution of the shareholder of the Seller authorizing the sale and disposition of the Purchased Assets as all or substantially all of the assets or undertaking of the Seller; and
 - (iv) the incumbency and signatures of the officers of each of the Seller and the Seller's Guarantor executing this Agreement and any other document relating to the Transactions;
- (c) a statement of any adjustments pursuant to Section 2.8 executed by the Seller;
- (d) the Form A Transfer executed by the Seller;
- (e) transmittal letter in respect of each of the Phase I Report and the Phase II Report from SLR Consulting (Canada) Ltd. entitling the Buyer to rely on each of the Phase I Report and the Phase II Report in the form attached as Schedule 4.2(e);
- (f) an undertaking to re-adjust the adjustments referred to in Section 2.8 to the extent those adjustments were made for Closing based on estimated amounts rather than final amounts, duly executed by the Seller;
- (g) the General Conveyance and Assumption Agreement executed by the Seller;
- (h) the Escrow Agreement, duly executed by the Seller;
- (i) all other deeds, conveyances, bills of sale, assurances, transfers, assignments and any other documentation or action which in the opinion of the Buyer, acting reasonably, are necessary or reasonably required to transfer the Purchased Assets to the Buyer, free and clear of all Encumbrances except for Permitted Encumbrances (including a bill of

sale for any personal property that may be required in connection with any PST payable on the transfer of the personal property), in each case duly executed by the Seller and in form and substance satisfactory to the Buyer, acting reasonably;

- (j) any Tax returns required from the Seller pursuant to Section 2.9, duly executed by the Seller;
- (k) the GST/HST election referred to in Section 2.10, if applicable, duly executed by the Seller;
- (l) the clearance certificate in respect of the Seller under section 187 of the *Provincial Sales Tax Act* (British Columbia) as referred to in Section 2.12;
- (m) the Payment and Discharge Statement settled as contemplated in Section 2.14;
- (n) evidence of the release and discharge of all other Encumbrances affecting any of the Purchased Assets other than the Permitted Encumbrances; and
- (o) such other documentation as the Buyer reasonably requests in a timely manner in order to establish the completion of the Transactions and conveyance of the Purchased Assets from the Seller to the Buyer, in each case in form and substance satisfactory to the Buyer, acting reasonably.

4.3 Buyer's Closing Deliveries. At the Closing, the Buyer will deliver or cause to be delivered in trust to the Seller's Counsel on trust conditions and undertakings commonly used in commercial real estate purchase and sale transactions in British Columbia:

- (a) a certificate of good standing under the laws of the jurisdiction of its incorporation for the Buyer;
- (b) a certificate of a senior officer of the Buyer (in his or her representative and not personal capacity) dated the Closing Date certifying:
 - (i) the resolutions of the board of directors of the Buyer authorizing the execution, delivery and performance of this Agreement and of all Contracts, instruments, certificates and other documents required by this Agreement to be delivered by the Buyer;
 - (ii) the incumbency and signatures of the officers of the Buyer executing this Agreement and any other document relating to the Transactions;
- (c) an undertaking to re-adjust the adjustments referred to in Section 2.8 to the extent those adjustments were made for Closing based on estimated amounts rather than final amounts, duly executed by the Buyer;

- (d) the General Conveyance and Assumption Agreement, duly executed by the Buyer;
- (e) the Escrow Agreement, duly executed by the Buyer and the Escrow Holder;
- (f) any Tax returns required from the Seller pursuant to Section 2.9, duly executed by the Seller;
- (g) the GST/HST election or GST/HST certificate referred to in Section 2.10, as applicable, duly executed by the Buyer; and
- (h) such other documentation as the Seller reasonably requests in a timely manner in order to establish the completion of the Transactions and the assumption by the Buyer of the Assumed Obligations, in each case in form and substance satisfactory to the Seller, acting reasonably;

and the Buyer will deliver the payment of the amount required to be paid on the Closing Date under Section 2.5 to the Buyer's Counsel by wire payable to the Buyer's Counsel in trust.

4.4 Closing Procedure. After receipt by the Seller's Counsel of the documents and items referred to in Section 4.3 and receipt by the Buyer's Counsel of the documents and items referred to in Section 4.2 and payment of the amount required to be paid on the Closing Date under Section 2.5, the Buyer will cause the Buyer's Counsel to file the Form A Transfer for registration with the applicable land title office. Promptly following the filing of the Form A Transfer for registration with the applicable land title office and upon the Buyer's Counsel conducting post-filing title searches of the Real Property disclosing only the following:

- (a) the existing title number to the Real Property;
- (b) the Permitted Encumbrances applicable to the title to the Real Property (and any Encumbrances to be paid out and discharged by the Seller as provided in Section 4.5); and
- (c) the pending numbers assigned to the Form A Transfer;

the Buyer will cause the Buyer's Counsel to wire the amount pursuant to the large value transfer system required to be paid on the Closing Date under Section 2.5 to the Seller's Counsel, less the Escrowed Portion of the Purchase Price, which Escrowed Portion of the Purchase Price will be wired to the Escrow Holder to be held pursuant to the Escrow Agreement. Filing of the Form A Transfer and all matters of payment and delivery of documents by one Party to another will be deemed to be concurrent requirements of the Closing so that the Closing will not happen until everything has been paid, delivered and submitted for registration on a pending basis in the land title office.

4.5 Discharge of Encumbrances by the Seller. If on the Closing Date if there any judgments, liens, claims of lien or any other Encumbrances of a financial nature against title to any of the Purchased Asset which are not Permitted Encumbrances for which the Seller requires the proceeds from the Purchase Price to clear from title, then the Seller will be required to obtain discharges in registerable form (including the discharge provided as part of the Payment and Discharge Statement) prior to the Closing Date, and such discharges shall be registered in the applicable land title office (and, if applicable, payment required thereunder will be made) on undertakings from the Seller's Solicitors, satisfactory to the Buyer's Solicitors, acting reasonably.

ARTICLE 5 REPRESENTATIONS AND WARRANTIES

5.1 Representations and Warranties of the Seller. The Seller represents and warrants to the Buyer as follows and acknowledges that the Buyer is relying on these representations and warranties in connection with its purchase of the Purchased Assets and that the Buyer would not purchase the Purchased Assets and assume the Assumed Obligations without these representations and warranties:

- (1) Organization and Status. Each of the Seller and the Seller's Guarantor is duly incorporated and organized, and is validly subsisting, under the *Canada Business Corporations Act* and is up-to-date in the filing of all annual returns under the *Canada Business Corporations Act*. The Seller is registered as an extra-provincial company under the *Business Corporations Act* (British Columbia) and is up-to-date in the filing of all annual reports under the *Business Corporations Act* (British Columbia). There are no other jurisdictions other than British Columbia where the Seller owns or operates any of the Purchased Assets or in which the nature of the Purchased Assets makes the registration, licensing or qualification as an extra-provincial or foreign corporation necessary.
- (2) Corporate Power. The Seller has all necessary corporate power and authority to own or lease or dispose of its undertakings, property and assets, including the Purchased Assets. Each of the Seller and the Seller's Guarantor has all necessary corporate power and authority to enter into this Agreement and the Contracts and instruments required by this Agreement to be delivered by it, and to perform its obligations hereunder and thereunder.
- (3) Authorization. All necessary corporate action has been taken by each of the Seller and the Seller's Guarantor to authorize its execution and delivery of this Agreement and the Contracts and instruments required by this Agreement to be delivered by it and the performance of its obligations hereunder and thereunder.
- (4) Enforceability. This Agreement has been duly executed and delivered by each of the Seller and the Seller's Guarantor and (assuming due execution and delivery by the other Parties) is a legal, valid and binding obligation of it enforceable against it in accordance with its terms, except as that enforcement may be limited by bankruptcy, insolvency and other similar laws affecting the rights of creditors

generally and except that equitable remedies may be granted only in the discretion of a court of competent jurisdiction. Each of the Contracts and instruments required by this Agreement to be delivered by it at the Closing will at the Closing have been duly executed and delivered by it and (assuming due execution and delivery by the other parties thereto) be enforceable against it in accordance with its terms, except as that enforcement may be limited by bankruptcy, insolvency and other laws affecting the rights of creditors generally and except that equitable remedies may be granted only in the discretion of a court of competent jurisdiction.

- (5) No Other Agreements to Purchase. No Person other than the Buyer pursuant to this Agreement has any Contract or any right or privilege capable of becoming a Contract for the purchase or acquisition from the Seller of any of the Purchased Assets.
- (6) Bankruptcy. Neither the Seller nor the Seller's Guarantor is an insolvent Person within the meaning of the *Bankruptcy and Insolvency Act (Canada)* and neither the Seller nor the Seller's Guarantor has made an assignment in favour of its creditors or a proposal in bankruptcy to its creditors or any class thereof, and no petition for a receiving order has been presented in respect of it. Neither the Seller nor the Seller's Guarantor has initiated proceedings with respect to a compromise or arrangement with its creditors or for its winding up, liquidation or dissolution. No receiver or interim receiver has been appointed in respect of either of the Seller or the Seller's Guarantor or any of its undertakings, property or assets (including any of the Purchased Assets) and no execution or distress has been levied on any of its undertakings, property or assets (including any of the Purchased Assets), nor have any proceedings been commenced in connection with any of the foregoing.
- (7) Absence of Conflict. The execution, delivery and performance of this Agreement by each of the Seller and the Seller's Guarantor and the completion of the Transactions will not (whether after the passage of time or notice or both) result in:
- (a) the breach or violation of any of the provisions of, or constitute a default under, or give any Person the right to seek or cause a termination, cancellation, or material amendment or renegotiation of any Assumed Contract;
 - (b) the breach or violation of any of the provisions of, or constitute a default under, or conflict with any of its obligations under:
 - (i) any provision of its Constatting Documents or resolutions of its board of directors (or any committee thereof) or shareholders;
 - (ii) any judgment, decree, order or award of any Governmental Authority having jurisdiction over it;

- (iii) any Approval issued to, or held by, the Seller for the benefit of or necessary to the operation of the Purchased Assets; or
 - (iv) to its knowledge, any Applicable Law; or
 - (c) the creation or imposition of any Encumbrance over any of the Purchased Assets.
- (8) Conduct of Business. The Seller has complied with, and has operated the Purchased Assets in compliance with, all Applicable Laws in all material respects. The Purchased Assets are sufficient to permit the operation of the Business in substantially the same manner as conducted in the one year period preceding the date of this Agreement prior to the curtailment by the Seller of the operations at the FSJ Mill.
- (9) Location of Real Property and Leased or Licenced Property. Schedule 1.1(111) sets out the municipal address and a true, accurate and complete legal description of each parcel of the Real Property and Schedule 1.1(80) sets out the municipal address and a true, accurate and complete legal description of each parcel of the Leased or Licenced Property used in the Business. The Seller is not the beneficial or registered owner of or the lessee or licensee of, and has not agreed to acquire or lease or licence, any real property or any interest in any real property for use in the Business other than the Real Property and the Leased or Licenced Property.
- (10) Real Property Leases and Licences. There are no leases, licences or agreements in the nature of a lease or licence granted by the Seller as lessor or licensor to any Person in respect of the Real Property. Schedule 1.1(80) is a true, accurate and complete list of all leases, licences and agreements in the nature of a lease or licence (including all amendments, renewals, extensions, assignments, occupancy agreements, and subleases, sublicences, agreements to lease or licence and agreements to sublease or sublicense) in respect of the Leased or Licenced Property (the "Leases and Licences"). The Seller is not a party to, and has not agreed to enter into, any lease, licence or agreement in the nature of a lease or licence in respect of any of the real property that is included in the Purchased Assets or used in connection with the Business, whether as lessor or lessee, other than the Leases and Licences. True, accurate and complete copies of all of the Leases and Licences set out in Schedule 1.1(80) (as well as of any estoppel certificate executed by the Seller) have been provided to the Buyer and where those Leases and Licences are oral, true, accurate and complete summaries of their terms is contained in Schedule 1.1(80). Each of the Leases and Licences is in full force and effect and unamended, except as set out in Schedule 1.1(80). Each of the Leases and Licences is in good standing, and neither the Seller nor any other party thereto is in breach of any covenant, condition or obligation contained therein in any material respect. There is no dispute between the Seller and any other party under any of the Leases and Licences. None of the Leases and Licences creates any Encumbrance in any of the Purchased Assets. No amount is payable after Closing as a commission or finder's fee under an

arrangement to which the Seller is a party in respect of any of the Leases and Licences or any renewal or extension or exercise of any option or right pursuant to any of the Leases and Licences.

- (11) Title to Real Property and Other Real Property Matters. The Seller is the sole legal and beneficial owner of the Real Property. The Seller has the exclusive right to possess, use and occupy, and has good title in fee simple to all the Real Property, free and clear of all Encumbrances other than the Permitted Encumbrances. The Seller occupies the Leased or Licenced Property and has the exclusive right to possess, use and occupy the Leased or Licenced Property during the term of each of the applicable Leases and Licences, subject to the terms of such Leases and Licences. None of the Buildings situated on the Real Property or the Leased or Licenced Property (or any Equipment therein), nor the operation or maintenance thereof, violates any restrictive covenant or any provision of any Applicable Law in any material respect, or encroaches on any property owned by others. The Seller has adequate lawful rights of ingress and egress for the operation of the Business in the Ordinary Course. Without limiting the generality of the foregoing:
- (a) the Real Property, the Leased or Licenced Property, the uses of and the conduct of the Business on the Real Property and the Leased or Licenced Property complied, in all material respects, with all Applicable Laws, including those dealing with zoning, bylaw, parking, access, loading facilities, landscaped areas, building construction, fire and public health and safety, and comply in all material respects with all applicable covenants, registered or unregistered restrictions, land use constraints or any requirement under any applicable Permitted Encumbrances;
 - (b) no alteration, repair, improvement or other work has been ordered or directed in writing to be done or performed to or in respect of the Real Property or the Leased or Licenced Property by any Governmental Authority (a "Work Order") or to any of the plumbing, heating, ventilating, air-conditioning, sprinkler, elevating, water, drainage, mechanical or electrical systems, fixtures or works by any Governmental Authority, which Work Order has not been completed in all material respects, and no written notification has been given to the Seller of any such Work Order being ordered, directed or requested, other than those that have been complied with;
 - (c) all accounts for work done, services performed and materials supplied, placed or furnished on or in respect of any Real Property or Leased or Licenced Property at the request of or on behalf of the Seller have been fully paid and satisfied in the Ordinary Course, and no Person is entitled to claim any Encumbrance under the *Builders Lien Act* (British Columbia) or similar legislation in the other provinces and territories of Canada against any or the Real Property or the Leased or Licenced Property;

- (d) there is nothing owing in respect of the Real Property or the Leased or Licenced Property by the Seller to any municipal corporation or to any other corporation or commission owning or operating a public utility for water, gas, electrical power or energy, steam or hot water, or for the use thereof, other than current accounts in respect of which the payment due date has not yet passed;
- (e) there is nothing owing to any person which might now or hereafter by operation of law or otherwise constitute an Encumbrance on all or part of the Real Property or the Leased or Licenced Property, or which could affect the Buyer's right to own, occupy and obtain revenue from all or part of the Real Property or the Leased or Licenced Property;
- (f) as of the Closing Date, there shall be no present or future obligations to construct or provide, or to pay any amount to any person, concerning off-site services, utilities or similar services concerning any of the Real Property and there are no agreements with any Governmental Authority which would have the result of making any of the Real Property subject to special levies, sewer charges, local improvement rates or charges of a similar nature other than is currently assessed;
- (g) no part of the Real Property or the Leased or Licenced Property has been taken or expropriated by any competent Governmental Authority nor has any notice or proceeding in respect thereof been given or commenced;
- (h) as at the Closing Date, the Permitted Encumbrances shall constitute all of the Encumbrances that affect the Real Property or the leasehold or licence interest of the Seller in the Leased or Licenced Property, and there is no breach or default under any of the Permitted Encumbrances in any material respect;
- (i) each of the Real Property and Leased or Licenced Property is fully serviced and has suitable open and legal access to public roads, and the FSJ Mill has legal road access to and from the FSJ Mill Real Property from and to Takla Road in Fort St. James, British Columbia;
- (j) no amount of Taxes payable in respect of any of the Real Property and no amount of Taxes payable by the Seller in respect of any of the Leased or Licenced Property is owing, other than current accounts in respect of which the payment due date has not yet passed;
- (k) there are no levies, charges or fees assessed against any of the Real Property by any Governmental Authority and there are no levies, charges or fees payable by the Seller assessed against any of the Leased or Licenced Property by any Governmental Authority (including in each case development or improvement levies, charges or fees) which have not been paid in full, and there are no amounts payable by the Seller which have

not been paid in full in respect of any Real Property or any Leased or Licenced Property pursuant to any financial agreement, cost-sharing agreement or other agreement requiring financial contribution by the Seller; and

- (l) the Buildings are wholly within the boundaries of the Real Property and do not infringe on any easement or right of way area affecting the Real Property, the boundaries of each Real Property do not conflict with those of any adjoining property, and there are no encroachments from any Real Property onto, and no encroachments onto any Real Property from, the adjoining properties or streets and there are no encroachments onto any part of any Real Property that is subject to an unregistered easement or right-of-way.
- (12) Title to Purchased Assets. The Seller has good and marketable title to all the Purchased Assets, free and clear of any and all Encumbrances other than the Permitted Encumbrances. Schedule 5.1(12) is a true, accurate and complete list of all locations where the Purchased Assets are situated.
- (13) Equipment. Schedule 1.1(51) is a true, accurate and complete list of all of the Equipment.
- (14) Forestry Matters.
 - (a) FL955 and each of the road permits included in the Assumed Permits is validly subsisting and all levies, fees, rentals, charges, dues, stumpage and other costs payable (and due) or accrued (but not yet due) up to the Closing Date have, in all material respects (or shall prior to the Closing Date have) been paid (in the case of those that are payable and due) or accounted for (in the case of those that are accrued but not yet due) by the Seller.
 - (b) The Seller has observed and performed in all material respects all covenants, agreements and obligations on its part to be observed or performed under the provisions of FL955 and each of the road permits included in the Assumed Permits and the Forest Legislation applicable to FL955 and each of the road permits included in the Assumed Permits.
 - (c) The Seller has not received any notice of any material breach of FL955 or any of the road permits included in the Assumed Permits or any Forest Legislation in relation to FL955 or any of the road permits included in the Assumed Permits.
 - (d) There are no replaceable contracts, and the Seller is not required by any Applicable Law to have any replaceable contracts, under the *Timber Harvesting Contract and Subcontract Regulation* that relate to FL955 or any of the road permits included in the Assumed Permits.

- (e) The allowable annual cut of FL955 is, as at the date hereof, not less than 396,000 m³ of timber per year.
- (f) No Governmental Authority has given any written notice to the Seller in the last three years with respect to FL955 or any of the road permits included in the Assumed Permits which would have the effect of reducing, impairing, suspending or terminating in any manner FL955 or any of the road permits included in the Assumed Permits or any rights or privileges attached thereto.

(15) [Reserved.]

(16) Internal IT Systems.

- (a) The Internal IT Systems are either owned by, or properly licensed or leased to, the Seller. The Seller is not in default under the licences or leases and to the Seller's knowledge, there are no grounds on which they might reasonably likely be terminated.
- (b) The Internal IT Systems have not failed to any material extent and the data which they process has not been corrupted. The Seller has, in accordance with common industry practice, taken precautions to preserve the availability, security and integrity of the Internal IT Systems and the data and information stored on the Internal IT Systems. The Internal IT Systems do not, to the Seller's knowledge, contain any Disabling Code, and the Seller has taken reasonable steps and implemented reasonable procedures, in accordance with common industry practice, to ensure that its Internal IT Systems do not and will not contain Disabling Code.
- (c) The Internal IT Systems are all such systems necessary to operate, in all material respects, the equipment included in the FSJ Mill as it was historically operated prior to the curtailment of operations at the FSJ Mill. None of the Internal IT Systems is subject to any outstanding order, award, decision, injunction, judgment, decree, stipulation or agreement materially restricting the transfer, use, enforcement or licensing thereof by the Seller in the operation of the Business.
- (d) Neither the use of the Internal IT Systems nor the operation of the Purchased Assets has, to the Seller's knowledge, infringed the Intellectual Property of any other Person. The Seller has not received any notice that the use of the Internal IT Systems or the operation of the Purchased Assets infringes any Intellectual Property of any other Person, and no Proceedings have been instituted or, to the Seller's knowledge, are pending or threatened, alleging any such Infringement.
- (e) The Internal IT Systems are not subject to any Proceedings for cancellation, expungement, impeachment, re-examination, invalidity or any termination or limitation thereof.

- (f) There are no material problems or defects known to the Seller in the Owned Software including bugs, logic errors or failures of the Owned Software to operate as described in the related documentation and the Owned Software materially operates in accordance with its documentation and specifications.
- (17) No Expropriation. None of the Purchased Assets have been taken or expropriated by any Governmental Authority nor has any notice or proceeding in respect thereof been given or commenced and there is not any intent or proposal to give any such notice or commence any such proceeding.
- (18) Contracts. True, accurate and complete copies of all of the Assumed Contracts have been provided to the Buyer or, where those Contracts are oral, true, accurate and complete summaries of their terms are set out in Schedule 1.1(9). The Seller has performed in all material respects all of the obligations required to be performed by it and is entitled to all benefits under, and is not in default or alleged to be in default in respect of, any of the Assumed Contracts. All of the Assumed Contracts are in good standing and in full force and effect, and no event, condition or occurrence exists that, after notice or lapse of time, would constitute a default under any of the Assumed Contracts. There is no dispute between the Seller and any other party under any of the Assumed Contracts. Except as disclosed in the Schedule 1.1(9), none of the Assumed Contracts contain terms under which the execution or performance of this Agreement would give any other contracting party the right to terminate or adversely change the terms of that Contract or otherwise require the Approval of any Person. None of the Assumed Contracts have been assigned, or if applicable subleased or sublicenced, in whole or in part.
- (19) Permits. True, accurate and complete copies of all of the Assumed Permits have been provided to the Buyer. The Assumed Permits are all the Permits necessary to own, lease or operate any of the Purchased Assets in compliance with all Applicable Laws as operated prior to the curtailment of the FSJ Mill. The Seller has performed all of the obligations required to be performed by it in all material respects and is entitled to all benefits under, and is not in default or alleged to be in default in respect of, any of the Assumed Permits in any material respects. All of the Assumed Permits are valid, subsisting and in good standing and in full force and effect with all applicable fees having been paid and there is no action or proceeding pending or, to the knowledge of the Seller, threatened to revoke, suspend, amend or limit any of the Assumed Permits. There is no dispute between the Seller and any Governmental Authority under any of the Assumed Permits. None of the Assumed Permits have been assigned, or if applicable subleased or sublicenced, in whole or in part.
- (20) Regulatory and Third Party Approvals. Except the Material Government Approvals:
- (a) There are no Approvals required to be obtained by the Seller under any Applicable Laws for the lawful assignment by the Seller to the Buyer of

any of the Assumed Permits or Assumed Contracts, except for the Approvals described in Schedule 5.1(20)(a).

- (b) There is no requirement under any of the Assumed Contracts or any other Contract relating to the Purchased Assets, the Permitted Encumbrances or the Assumed Obligations to which the Seller is a party or by which the Purchased Assets or the Seller is bound or affected for any Approvals from any party to that Contract or from any other Person relating to the completion of the Transactions except for the Approvals described in Schedule 5.1(20)(b).

(21) Books and Records. The Seller has disclosed the existence of and made available for review by the Buyer all of the Books and Records. The system of internal accounting controls is sufficient to provide reasonable assurances that transactions are executed in accordance with management's general or specific authorization and that transactions are recorded as necessary to permit preparation of financial statements in conformity with IFRS. The Books and Records are not recorded, stored, maintained, operated or otherwise dependent on or held by any means (including any electronic, mechanical or photographic process, whether computerized or not), which are not or will not be available to the Buyer after Closing.

(22) Absence of Changes. Except as described in Schedule 5.1(22), since May 21, 2019, the Seller has carried on the Business and conducted its operations and affairs only in the Ordinary Course (for greater certainty, subject to the curtailment of operations at the FSJ Mill and general market considerations related to FL955) and:

- (a) there has been no Material Adverse Change;
- (b) there has been no damage, destruction or loss (whether or not covered by insurance) affecting any of the Purchased Assets that could reasonably be expected to result in a Material Adverse Change; and
- (c) the Seller has not suffered any labour disruption, including any strike or lock out, adversely affecting the Business in any material respect.

(23) Taxes.

- (a) The Seller is not a non-resident of Canada for purposes of the Tax Act.
- (b) There are no outstanding liabilities for Taxes payable, collectible or remittable by the Seller, whether assessed or not, which could reasonably likely result in an Encumbrance on or other claim against or seizure of all or any part of the Purchased Assets or which would otherwise adversely affect the Purchased Assets or would result in the Buyer becoming liable or responsible for those liabilities.

- (c) The Seller is duly registered under Subdivision (d) of Division V of Part IX of the ETA and its registration number is Redacted, Confidential Financial Information.
- (d) The Seller has not made any election or designation for purposes of any Applicable Law relating to Taxes that would affect the Purchased Assets after the Closing.
- (24) Litigation. Except as described in Schedule 5.1(24), there are no Proceedings (whether or not purportedly on behalf of the Seller) pending or, to the knowledge of the Seller, threatened against or affecting the Seller or the Purchased Assets.
- (25) Environmental. Other than as specifically identified in the Phase I Report or Phase II Report or otherwise disclosed in writing to the Buyer prior to the date hereof:
- (a) Except as described in Schedule 5.1(25), the Seller, in respect of the Purchased Assets, has been and is in compliance in all material respects with all Environmental Laws and none of the Purchased Assets, the Leased or Licenced Property nor the use of the Purchased Assets or the Leased or Licenced Property has violated any Environmental Laws in any material respect. The Seller and all of its agents and subcontractors have utilized, handled, stored, delivered for disposal, disposed of and transported all Contaminants, in material compliance with all Environmental Laws and so as not to contaminate any of the Purchased Assets, the Leased or Licenced Property or any other properties in any material respect and so as not to give rise to any reporting, remediation or clean-up obligation under any Environmental Laws. Except as described in Schedule 5.1(25), none of the Purchased Assets, the Leased or Licenced Property nor any other buildings, fixtures, machinery and equipment now or previously on or part of any of the Purchased Assets or the Leased or Licenced Property has been contaminated, tainted or polluted in violation of Environmental Laws, whether as a result of activities conducted by the Seller or any of its agents, contractors or subcontractors, to its knowledge, or by the migration of Contaminants from adjacent property or otherwise.
- (b) The Seller has obtained all Environmental Permits required for the operation of the Business, all of which are described in Schedule 5.1(25). Each such Environmental Permit is valid, subsisting and in good standing with all applicable fees having been paid and the Seller is not in default or breach of any Environmental Permit in any material respect and no proceeding is pending or, to the Seller's knowledge, threatened to revoke or limit any Environmental Permit. The Seller will not take any action to amend, suspend, cancel or terminate any of the Environmental Permits described in Schedule 5.1(25) during the Interim Period. The Seller has kept all records and made all reports and filings required by the Environmental Permits described in Schedule 5.1(25) in all material respects.

- (c) Except as permitted under Applicable Law or as described in Schedule 5.1(25), the Seller has not used or permitted to be used any of the Purchased Assets, the Leased or Licenced Property or any property or facility that was at any time owned, occupied, operated, managed, used or controlled in connection with the Business, for the disposal of Contaminants, and there has not been any such use of any of the Purchased Assets or the Leased or Licenced Property. None of the Purchased Assets or the Leased or Licenced Property has been used to handle, treat, store or dispose of or has been contaminated in violation of Environmental Laws (including contamination of soils, subsurface groundwater and surface waters located on, in or under those premises) with or by any Contaminants or other substance, which would reasonably likely give rise to a reporting, remediation or clean-up obligation on the part of the Buyer with respect to any of the Purchased Assets, the Leased or Licenced Property or the property of others under any Environmental Laws. All wastes generated at the FSJ Mill or the Leased or Licenced Property have been either left for pick-up by municipal operated garbage trucks or disposed of at municipal owned and operated landfill sites in compliance with all Environmental Laws in all material respects.
- (d) Except as disclosed in Schedule 5.1(25), the Seller is not subject to any Environmental Liability relating to any of the Purchased Assets or the Leased or Licenced Property or required to take Environmental Remedial Action relating to any of the Purchased Assets or the Leased or Licenced Property. Without limiting the foregoing, except as disclosed in Schedule 5.1(25), the Seller is not subject to and has not received notice from any Governmental Authority of, any demand or requirement for, Environmental Remedial Action or any actual or potential Environmental Liability pending against the Seller or in relation to any of the Purchased Assets or the Leased or Licenced Property including: (i) the violation or noncompliance with any Environmental Law or Environmental Permit, (ii) the ownership or operation of any of the Purchased Assets or the Leased or Licenced Property, or any condition at, the FSJ Mill, (iii) the Release, threatened Release or presence of any Contaminants from, at, on or under the FSJ Mill or otherwise in connection with the Purchased Assets or the Leased or Licenced Property, (iv) any management, transportation, disposal, storage or treatment of any Contaminants by the Seller conducted in relation to the FSJ Mill or the Purchased Assets or the Leased or Licenced Property, (v) any Release by the Seller of any Contaminants on or at any other property relating to any of the Purchased Assets or the Leased or Licenced Property, and (vi) any Environmental Remedial Action required to be taken by the Seller relating to any of the Purchased Assets or the Leased or Licenced Property.
- (e) The Seller has never been prosecuted for an offence alleging non-compliance with any Environmental Laws related to the Purchased Assets and the Seller has not settled any allegation of non-compliance short of

prosecution in relation to any of the Purchased Assets, the Leased or Licenced Property or the Business.

- (f) There are no orders or directions issued or pending under Environmental Laws relating to the Business, any of the Purchased Assets or any of the Leased or Licenced Property, nor has the Seller received notice of any such orders or directions.
- (g) The Seller has not, in violation of Environmental Laws, caused or permitted the release, migration or discharge, in any material respect, of any Contaminant from any of the Purchased Assets, the Leased or Licenced Property or any property or facility that the Seller previously owned or leased and utilized in connection with the Purchased Assets or from a facility owned or operated by third parties but with respect to which the Seller in connection with the Purchased Assets is or may reasonably be alleged to have liability.
- (h) Except as disclosed in Schedule 5.1(25), there is and has been no Release of any Contaminants to the Environment at, on, under, migrating from, or related to any of the Purchased Assets or the Leased or Licenced Property in material violation of any Environmental Law or Environmental Permit. Except as disclosed in Schedule 5.1(25), there are no Contaminants present in the Environment at, or under the FSJ Mill or any of the Leased or Licenced Property, in violation of any Environmental Law or Environmental Permit.
- (i) Neither the Seller nor any of its agents, contractors or subcontractors is remediating or has remediated any Contaminants at the FSJ Mill or the Leased or Licenced Property. The Seller has not received a notice of, and the Seller has no knowledge of any, violation, request for information, notice, demand or other communication of any type that states or alleges that the Seller or any Person or entity associated with Seller, is or may be potentially responsible, in whole or in part, with respect to any alleged non-compliance with Environmental Law or any Environmental Permit or for any Environmental Liability or Environmental Condition or Environmental Remedial Action arising out of or related to any of the Purchased Assets or the Leased or Licenced Property. There are no pending or, to the Seller's knowledge, threatened demands or claims related to an Environmental Remedial Action or Environmental Liability or other claim by or against the Seller or its agents under any Environmental Laws or in relation to any Environmental Permits that arises out of or relates to any of the Purchased Assets or the Leased or Licenced Property.
- (j) True, accurate and complete copies of all material documents, including Environmental Permits and any certificates, disclosure documents, or reports, issued, filed or registered on title or with any Governmental

Authority, pursuant to Environmental Laws with respect to the Purchased Assets and the Leased or Licenced Property have been provided to the Buyer.

- (k) Schedule 5.1(25) contains a true, accurate and complete list of all material environmental audits, site assessments, risk assessments, studies, reports, investigations, analysis or tests relating to any of the Purchased Assets, the Leased or Licenced Property or to any facility or property which the Seller has at any time owned, occupied, leased, managed or controlled or in which it has at any time had a legal or beneficial interest, in connection with the Purchased Assets, that were commissioned by or for the Seller or that are in the possession or control of the Seller, true, accurate and complete copies of which have been provided to the Buyer.
- (l) Except as disclosed on Schedule 5.1(25), there are not now and have not been, any above ground or underground storage tanks on or at the FSJ Mill or the Leased or Licenced Property. To the Seller's knowledge, all existing storage tanks on or at the FSJ Mill or the Leased or Licenced Property have been properly maintained, tested and monitored in compliance with applicable Environmental Law and Environmental Permits.
- (m) No Encumbrance has attached to any of the Purchased Assets or the Leased or Licenced Property pursuant to any Environmental Laws and, to the Seller's knowledge, no event or circumstance exists that will give rise to such an Encumbrance after the Closing.

(26) Employee Matters.

- (a) Schedule 5.1(26)(a) identifies each deferred compensation, bonus, incentive or other compensation, share option or purchase, severance, change of control, termination pay, hospitalization or other medical benefit, life or other insurance, vision, dental, drug, employee life and health, sick leave, disability, salary continuation, vacation, supplemental unemployment benefits, profit sharing, mortgage assistance, employee loan, discount, assistance or counselling, pension or supplemental pension, retirement compensation, group registered retirement savings, deferred profit sharing, employee profit sharing, savings, retirement or supplemental retirement, and any other plan, program or arrangement, whether funded or unfunded, formal or informal, written or unwritten, including all policies with respect to holidays, sick leave, expense reimbursement, automobile allowances and rights to company-provided automobiles, that is maintained, contributed to, or required to be maintained or contributed to, by the Seller, or to which the Seller is a party, or bound by, or under which the Seller has any liability or contingent liability, for the benefit of the union Employees other than Statutory Plans (the "Employee Plans"). All union Employees are only employed in the

Province of British Columbia. All members of, and Persons eligible to join, each Employee Plan are only employed in the Province of British Columbia and all former members of each Employee Plan were only employed in the Province of British Columbia during their membership.

- (b) A true, accurate and complete copy of each written Employee Plan (as amended to date) and a written summary of all material terms of each unwritten Employee Plan have been provided to the Buyer together with true, accurate and complete copies of all documents relating to each Employee Plan.
- (c) Each of the Employee Plans is, and has been, established, registered, insured, administered and invested in material compliance with the terms thereof, all Applicable Laws, the Collective Agreement, the administrative practices of the applicable pension regulator and the CRA, and all Canadian Association of Pension Supervisory Authorities' guidelines, and the Seller has not received any notice from any person questioning or challenging that compliance.
- (d) All obligations of the Seller due prior to Closing under or in respect of the Employee Plans and the Statutory Plans (whether pursuant to the terms thereof, any Applicable Law, the Collective Agreement) have been satisfied, and there are no outstanding defaults or violations thereunder by the Seller. The Seller does not have any knowledge of any default or violation by any other person in respect of the Employee Plans.
- (e) There are no improvements, increases or changes promised to the benefits provided under the Employee Plans nor is there any pattern of *ad hoc* benefit increases and none of the Employee Plans provide for benefit increases or the acceleration of funding obligations or vesting that are contingent on, or will be triggered by, the entering into of this Agreement or the completion of the Transactions. The entering into of this Agreement or completion of the Transactions will not result in any payment (including bonus, golden parachute, retirement or other enhanced benefit) becoming payable under any Employee Plan that will remain outstanding after Closing.
- (f) There is no audit or other Proceeding by any applicable Governmental Authority, including the applicable pension regulator and the CRA, or by any Person (other than routine claims for payment of benefits) pending or, to the knowledge of the Seller, threatened in respect of any of the Employee Plans or their assets.
- (g) With respect to any Employee Plan that is registered under any Applicable Law, no event has occurred respecting that Employee Plan which could reasonably be expected to result in the revocation of that registration or

entitle any Person (without the consent of the Seller) to wind up or terminate that Employee Plan, in whole or in part.

- (h) No material changes have occurred in respect of any of the Employee Plans since the date of its most recent financial, accounting, actuarial or other report, as applicable, (or where applicable, such report filed with the applicable pension regulator, the CRA and any other applicable Governmental Authority) in connection with that Employee Plan, nor have there been any events occurring prior to the most recent financial, accounting, actuarial or other report which are not disclosed in that report which could reasonably be expected to adversely affect the relevant report (including rendering it misleading in any material respect) or to have materially affected the funding or financial status of that Employee Plan. No Employee Plan is subject to any retroactive adjustment of premiums, contributions or payments.
- (i) All pension plans related to the Seller are fully funded, on an ongoing basis, in accordance with the terms thereof and taking into consideration all promised amendments thereto, Applicable Laws and the administrative requirements of the pension regulator and there are no solvency deficiencies respecting the any pension plan related to the Seller.
- (j) There has not been any partial wind-up of any pension plan related to the Seller or any withdrawal of, application for, or payment of, any surplus or other funds out of any pension plan by any person including the Seller.
- (k) No pension plan related to the Seller has participated in any merger or demerger with any other pension plan or arrangement nor undergone any conversion or any material restructuring. Without limiting the generality of the foregoing, the assets of the pension fund of all pension plans related to the Seller are not derived directly or indirectly from the pension fund of any other pension plan. If there has been any pension asset transfer from any pension plan related to the Seller, the assets, (including surplus, if any) at the time of that transfer were dealt with in accordance with all Applicable Laws and the respective terms of the applicable pension plan related to the Seller and the transferee pension plan.
- (l) The Employee Plans may be amended, terminated or wound-up by the Seller at any time without incurring any liabilities, costs, expenses or any other obligations, except ordinary administrative costs or expenses relating to that amendment, termination or wind-up.
- (m) None of the Employee Plans nor the Seller provide or have promised to provide benefits beyond retirement or other termination of service to current and former directors, officers, shareholders, consultants, contractors or Employees and their respective beneficiaries or dependents.

- (n) All material employee data necessary to administer the Employee Plans (including all plan records of all pension plan related to the Seller from inception to Closing) is, and will on Closing continue to be, in the possession of the Seller and is complete, correct, accurate and in a form which is sufficient for the proper administration of the Employee Plans.
- (o) Each of the Employee Plans, which purports to qualify as a particular type of plan under the Tax Act or which has or purports to have Tax-favoured treatment, meets all requirements in effect under the Tax Act for such qualification or treatment and has complied with the provisions of the Tax Act and the administrative practices of the CRA applicable to that type of plan or treatment. No event has occurred respecting any Employee Plan which could reasonably be expected to adversely affect the Tax-favoured status of the Employee Plan or its qualification as a particular type of plan under the Tax Act.
- (p) Schedule 5.1(26)(a) contains a true, accurate and complete list of the names of all individuals who are current Employees of the Seller in connection with the Business specifying:
 - (i) with respect to the unionized Employees, the rate of hourly pay, seniority and date of hire, vacation entitlement and accrual and whether or not the Employee is absent for any reason such as lay off, leave of absence, salary, insurance or workers' compensation; and
 - (ii) with respect to non-unionized Employees the length of service, title, rate of salary, commission structure, vacation entitlement and accrual for each such Employee and whether or not such Employee is absent for any reason such as lay off, leave of absence, salary, insurance or workers' compensation.

(27) Labour Matters.

- (a) True, accurate and complete copies of the Collective Agreement (including the collective agreement entered into the 1st day of July, 2013 between the Seller, Fort St. James Division, and USW, Local 1-424, the MOA and all material letters of understanding and memorandums of agreement related to the foregoing) have been provided to the Buyer. Except for the Collective Agreement:
 - (i) the Seller is not a party to or bound by, either directly or by operation of Applicable Law, any collective agreement, labour contract, letter of intent, voluntary recognition agreement or legally binding commitment or written communication to any labour union, trade union or employee organization or group that may qualify as a trade union or association in respect of or

affecting any individuals nor is the Seller aware that it is subject to any union organization effort, nor is it engaged in any labour negotiation;

- (ii) the Employees or independent contractors of the Seller are not subject to any collective agreement, labour contract, letter of intent, voluntary recognition agreement or legally binding commitment or written communication to any labour union, trade union or employee organization or group that may qualify as a trade union or association, contingent or otherwise, and are not, in their capacities as Employees, represented by any trade union or association or organization or group that may qualify as a trade union or association other than USW, Local 1-2017.
- (b) Other than the grievances disclosed in Schedule 5.1(27) there are no complaints, appeals, claims or charges outstanding or pending, nor are there any orders or convictions currently registered or outstanding by any Governmental Agency against the Seller, or in respect of the Business under or in respect of any Applicable Laws relating to labour matters, employment, employment practices or standards, workers' compensation, discrimination or the protection of the health and safety of employees
- (c) Except as set forth in Schedule 5.1(27), there are no controversies, labour disturbances, investigations or Proceedings pending or threatened, by any Governmental Authority or between the Seller and any Employee or one or more parties representing any of those Employees before any court, arbitrator, officer, inspector, board, commission, tribunal or agency, including the British Columbia Employment Standards Branch, the Human Rights Tribunal of British Columbia, the British Columbia Labour Relations Board or the British Columbia Workers' Compensation Board.
- (d) The Seller is not aware of any organizational efforts currently being made, threatened by or on behalf of, any trade union or association or organization that may qualify as a trade union or association with respect to the Employees. Except as set forth in Schedule 5.1(27), the Seller has not experienced a work stoppage, strike, lock out or other labour disturbance at the FSJ Mill or in connection with the Business and there is no such work stoppage, strike, lock-out or other labour disturbance currently occurring or, to the knowledge of the Seller, threatened.
- (e) There are no outstanding decisions, orders, charges, tickets, notices, settlements or pending settlements under applicable employment standards legislation, human rights legislation or Occupational Health and Safety legislation that place any obligation on the Seller to do or refrain from doing any act. All costs, charges, experience rating assessments or other assessments or other liabilities, contingent or otherwise, under workers' compensation legislation or other legislation relating to industrial

accidents and/or occupational diseases claims applicable to the Seller have been paid or accrued and there has not been any special or penalty charge or assessment under those legislation against the Seller that has not been paid.

- (f) The Seller is in material compliance with its duties and obligations under the Collective Agreement and all applicable employment-related statutes and laws, including specifically, the *Employment Standards Act* (British Columbia), the *Human Rights Code* (British Columbia), the *Labour Relations Act* (British Columbia), the *Workers' Compensation Act* (British Columbia) and the regulations made under those Acts, and the Seller is not subject to or liable for any arrears of wages, penalties, fines, orders to pay, assessments, charges, damages or Taxes for failure to comply with any of the foregoing.
- (28) Employees and Others. No notice has been received by the Seller of any complaint filed by any of the Employees against the Seller instituting a proceeding or claiming that the Seller has violated the *Employment Standards Act* (British Columbia) or the *Human Rights Code* (British Columbia) or of any complaints or proceedings of any kind involving the Seller or any of the Employees before any labour relations board, except as disclosed in Schedule 5.1(28). There are no outstanding orders or charges against the Seller under the *Workers Compensation Act* (British Columbia). All levies, assessments and penalties made against the Seller pursuant to the *Workers Compensation Act* (British Columbia) relating to the Purchased Assets have been paid by the Seller and the Seller has not been reassessed under any such legislation.
- (29) No Finder's Fees. Other than as set forth at Schedule 5.1(29), neither the Seller nor the Seller's Guarantor is responsible for the payment of any claim for a brokerage commission, finder's fee or other similar arrangement in connection with this Agreement and the transactions contemplated hereby.
- (30) Full Disclosure. Neither this Agreement nor any other contract, agreement, instrument, certificate or other document required to be delivered by or otherwise to be delivered pursuant to this Agreement by the Seller or the Seller's Guarantor nor any certificate, report, statement or other document furnished by the Seller or the Seller's Guarantor in connection with the negotiation of this Agreement contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary to make the statements contained herein or therein not misleading. There has been no event, transaction or information regarding the Purchased Assets that has come to the attention of the Seller or the Seller's Guarantor that has not been disclosed to the Buyer in writing that could reasonably be expected to have a Material Adverse Effect.
- (31) Investment Canada Act. The Seller is not engaged in a cultural business within the meaning of the Investment Canada Act, and the enterprise value of the

Purchased Assets, as calculated in accordance with the Investment Canada Act, is less than \$1.568 billion.

5.2 Representations and Warranties of the Buyer. The Buyer represents and warrants to the Seller as follows and acknowledges that the Seller is relying on these representations and warranties in connection with the sale by the Seller of the Purchased Assets and would not sell the Purchased Assets without these representations and warranties:

- (1) Organization and Corporate Power. The Buyer is a corporation duly incorporated and organized, and is validly subsisting, under the laws of the Province of British Columbia and is up-to-date in the filing of all corporate and similar returns under the laws of that jurisdiction. The Buyer has all necessary limited partnership power and authority to acquire the Purchased Assets, to enter into this Agreement and to perform its obligations hereunder.
- (2) Authorization. All necessary corporate and partnership, as applicable, action has been taken by or on the part of the Buyer to authorize its execution and delivery of this Agreement and the contracts, agreements and instruments required by this Agreement to be delivered by it and the performance of its obligations hereunder and thereunder.
- (3) Enforceability. This Agreement has been duly executed and delivered by the Buyer and (assuming due execution and delivery by the other Parties) is a legal, valid and binding obligation of the Buyer enforceable against it in accordance with its terms, except as that enforcement may be limited by bankruptcy, insolvency and other laws affecting the rights of creditors generally and except that equitable remedies may be granted only in the discretion of a court of competent jurisdiction. Each of the contracts, agreements and instruments required by this Agreement to be delivered by the Buyer at the Closing will at the Closing have been duly executed and delivered by it and (assuming due execution and delivery by the other parties thereto) be enforceable against it in accordance with its terms, except as that enforcement may be limited by bankruptcy, insolvency and other laws affecting the rights of creditors generally and except that equitable remedies may be granted only in the discretion of a court of competent jurisdiction.
- (4) Bankruptcy. The Buyer is not an insolvent person within the meaning of the *Bankruptcy and Insolvency Act* (Canada) and the Buyer has not made an assignment in favour of its creditors or a proposal in bankruptcy to its creditors or any class thereof, and no petition for a receiving order has been presented in respect of it. The Buyer has not initiated proceedings with respect to a compromise or arrangement with its creditors or for its winding up, liquidation or dissolution. No receiver or interim receiver has been appointed in respect of the Buyer or any of its undertakings, property or assets and no execution or distress has been levied on any of its undertakings, property or assets, nor have any proceedings been commenced in connection with any of the foregoing.

- (5) Consents and Approvals. Except the Material Governmental Approvals and except as set out in Schedule 5.2(5), there is no requirement for the Buyer to make any filing with or give any notice to any Governmental Authority or to obtain any Approvals, as a condition to the lawful completion of the Transactions.
- (6) Absence of Conflict. The execution, delivery and performance by the Buyer of this Agreement and the completion of the Transactions will not (whether after the passage of time or notice or both), result in:
- (a) the breach or violation of any of the provisions of, or constitute a default under, or conflict with or cause the acceleration of any of its obligations, under:
 - (i) any provision of its Constatng Documents or resolutions of its board of directors (or any committee thereof) or shareholders;
 - (ii) any Approval issued to, held by or for the benefit of, the Buyer;
 - (iii) any Applicable Law; or
 - (b) the requirement for any Approval from any creditor of the Buyer.
- (7) Financial Ability. The Buyer will have, as of the Closing, sufficient funds to enable the Buyer to consummate the transactions contemplated by this Agreement and to satisfy its obligations hereunder, including payment of the Purchase Price and fees and expenses owed by the Buyer relating to the transactions contemplated by this Agreement. The Buyer acknowledges and agrees that its obligations hereunder are not subject to any conditions regarding the Buyer's or any other Person's ability to obtain financing for the consummation of the transactions contemplated by this Agreement.
- (8) Anti-Corruption and Money Laundering. Neither the Buyer, nor any of its respective directors, officers, members, agents, employees, managers, or any other Person acting for or on its behalf has, directly or indirectly to the knowledge of the Buyer, violated any applicable laws related to money laundering or government guidance regarding anti-money laundering and international anti-money laundering principles or procedures of an intergovernmental group or organization and any executive order, directive or regulation under the authority of any of the foregoing, or any orders or licenses issued thereunder in each case to which the Buyer is subject.
- (9) Investment Canada. The Buyer is a trade agreement investor within the meaning of the *Investment Canada Act*.
- (10) ETA Registration. The Buyer is duly registered under Subdivision (d) of Division V of Part IX of the ETA and its registration number is Redacted, Confidential Business Information.

- (11) No Finder's Fees. The Buyer has not taken, and the Buyer will not take, any action that would cause the Seller or the Seller's Guarantor to become liable to any claim for a brokerage commission, finder's fee or other similar arrangement.

5.3 Independent Significance. The Parties intend that each representation, warranty, and covenant contained in this Agreement shall have independent significance. If any Party has breached any representation, warranty, or covenant contained in this Agreement in any respect, the fact that there exists another representation, warranty, or covenant relating to the same subject matter (regardless of the relative levels of specificity) that the Party has not breached shall not detract from or mitigate the fact that the Party is in breach of the first representation, warranty, or covenant.

ARTICLE 6 COVENANTS

6.1 Exclusive Dealings. During the Interim Period, the Seller and the Seller's Guarantor will not take any action, directly or indirectly, to encourage, initiate or engage in discussions or negotiations with, or provide any information to, or enter into any agreement or arrangement or understanding with, any Person, other than the Buyer and its designated and authorized Representatives, concerning any sale, transfer or assignment of any portion of the Business or the Purchased Assets. The Seller and the Seller's Guarantor shall notify the Buyer promptly if any such discussions or negotiations are sought or if any proposal for a sale, transfer or assignment of any portion of the Business or the Purchased Assets is received or being considered.

6.2 Investigation.

- (1) During the Interim Period, the Seller will allow the Buyer and its advisors reasonable access to the facilities, records and key Employees, suppliers and advisors of the Business (including interviewing and interacting with employees) for the purpose of verifying the truth and accuracy of the Seller's representations and warranties contained in this Agreement and determining which non-union employees the Buyer may want to offer employment to as contemplated in Section 6.11(2). The Buyer's investigation will include, but is not limited to, a review of the financial, legal, Tax, pension, environmental and labor records and agreements of the Business, site visits (at mutually agreed upon times and schedules) and meetings with the Employees and senior executives of the Seller and any other reasonable matters as the Buyer's accountants, Tax and legal counsel, and other advisors deem relevant. Any communications with key Employees, suppliers and advisors will be arranged solely and directly with and through the Seller and supplier calls or meetings will be the final items that are done. The Buyer acknowledges that any site visits to the Seller's facilities or operations, including the FSJ Mill and any log harvesting areas, are at the Buyer's own risk and the Seller shall not in any circumstances take any responsibility or liability for Losses caused by such site visits.

- (2) At the Buyer's request, the Seller will execute, or cause to be executed, such reasonable consents, authorizations and directions as may be necessary to permit any inspection of the Business and any of the Purchased Assets or the Assumed Obligations and to enable the Buyer or its authorized Representatives to obtain full access to all files and records relating to the Business or relating to any of the Purchased Assets or the Assumed Obligations maintained by Governmental Authorities and self-regulating authorities to verify the truth and accuracy of the Seller's representations and warranties contained in this Agreement.
- (3) The exercise of any rights of inspection by or on behalf of the Buyer under this Section 6.2 does not mitigate or otherwise affect the representations and warranties of the Seller under this Agreement, which continue in full force and effect as provided in Section 7.1.

6.3 Personal Information.

- (1) The Seller and the Buyer will:
 - (a) at all times, use and disclose the Personal Information under its control solely for the purposes for which the Personal Information was collected or permitted to be used or disclosed, unless to the extent required by Applicable Law, the Seller or the Buyer, as the case may be, has obtained the consent of or has given notice to the individual to whom the Personal Information relates of the additional purposes for which the Personal Information is to be used or disclosed, or such additional purposes are permitted or authorized by Applicable Law;
 - (b) protect the Personal Information using security safeguards that meet or exceed industry standards, taking into account the sensitivity of the Personal Information; and
 - (c) give effect to any withdrawal of consent by the individual to whom the Personal Information relates where the Personal Information was collected with consent.
- (2) The Seller will, to the extent required by Applicable Law, notify the individuals to whom the Personal Information relates that the Transactions have been completed and of the disclosure of their Personal Information to the Buyer.

6.4 Conduct Prior to Closing. Without in any way limiting any other obligations of the Seller hereunder, during the Interim Period, the Seller will:

- (a) use commercially reasonable efforts to maintain the condition of the Purchased Assets (subject to Section 6.4(d)) in its current state but subject to the fact the FSJ Mill has been curtailed and subject to market conditions applicable to FL955;

- (b) without limiting Section 6.4(a), the Seller will immediately upon discontinuing the FSJ Mill operations, and in any event the Seller will by the Closing Date, prepare the FSJ Mill for long term curtailment, including protecting equipment so that it will not be damaged by normal weather conditions and completing the tasks specified in Schedule 6.4(b) and leave the Buildings in a "broom clean" condition, and the Seller will curtail all operations at the FSJ Mill prior to the Closing Date;
- (c) not move any timber that has been harvested pursuant to FL955 that has been decked and is still at the harvest site as of the date of this Agreement except as disclosed in Schedule 6.4(e);
- (d) not sell any Finished Lumber Inventory or Log Inventory after the Buyer and the Seller have carried out the joint inspection referred to in Section 2.6(1);
- (e) not harvest timber pursuant to FL955 except as disclosed in Schedule 6.4(e);
- (f) not, without the prior written consent of the Buyer, enter into any transaction or refrain from doing any action that, if effected before the date of this Agreement, would constitute a breach of any representation, warranty, covenant or other obligation of the Seller in this Agreement;
- (g) continue to maintain in full force and effect all the insurance policies or renewals thereof currently in effect over the Purchased Assets (subject to any amendments necessitated thereto in accordance with customary industry practice to reflect any long term curtailment of the FSJ Mill);
- (h) report all claims or known circumstances or events to its insurers as required to be given under the insurance policies or renewals thereof currently in effect over the Purchased Assets in a due and timely manner to the Closing Date and provide copies of those reports to the Buyer;
- (i) preserve intact in the Ordinary Course the Purchased Assets (subject to the fact that the FSJ Mill has been curtailed) and provided that any reduction in the amount of timber harvestable under to FL955 in any cut control or other relevant period as a result of forest fires, flooding or natural disasters shall not be deemed a failure by the Seller to comply with this Section 6.4(i);
- (j) pay and discharge the liabilities of the Seller relating to the Purchased Assets in the Ordinary Course in accordance and consistent with the previous practice of the Seller, except those contested in good faith by the Seller;
- (k) periodically report to the Buyer as it reasonably requests concerning the state of the Purchased Assets;

- (l) maintain a spare part inventory substantially at levels that existed in 2018;
- (m) test the transformers at the FSJ Mill, remove any of the transformers that are leaking polychlorinated biphenyl tainted oil or contain polychlorinated biphenyls in excess of permissible limits under applicable Environmental Laws from the FSJ Mill and remediate the soil on which any of the transformers have leaked in compliance with applicable Environmental Laws; and
- (n) use its reasonable commercial efforts to satisfy the conditions contained in Section 3.1.

6.5 Notification of Certain Matters.

- (1) During the Interim Period, the Seller will give prompt notice in writing to the Buyer of:
 - (a) the occurrence, or failure to occur, of any event, which occurrence or failure would be likely to cause any of the representations or warranties of the Seller contained in this Agreement to be untrue or inaccurate during the Interim Period in any material respect;
 - (b) any notice or communication from any Person alleging that the Approval of such Person is or may be required in connection with the Transactions;
 - (c) any notice or communication from any Governmental Authority in connection with the Transactions;
 - (d) any Proceeding commenced or, to the knowledge of the Seller, threatened against the Seller or the Seller's Guarantor in connection with, relating to or involving or otherwise affecting any of the Purchased Assets or the Assumed Obligations, or which relates to the consummation of the Transactions; and
 - (e) any failure by the Seller to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied under this Agreement.
- (2) The Seller will notify the Buyer of any emergency or other change in the Ordinary Course and of any governmental complaints, investigations or hearings (or communications indicating that such may be contemplated) or adjudicatory proceedings involving any portion of the Purchased Assets or the Assumed Obligations, and will keep the Buyer fully informed of such events and permit the Representatives of the Buyer reasonable access to all materials prepared in connection therewith.
- (3) The giving of any notice under this Section 6.5 does not in any way change or modify the representations and warranties of the Seller, or the conditions to the

obligations of the Buyer, contained in this Agreement or otherwise affect the remedies available to the Buyer under this Agreement.

6.6 Competition Act Approval.

- (1) Unless the Parties determine it is not required: (a) the Buyer and the Seller will each make a premerger notification filing with the Commissioner in accordance with Part IX of the *Competition Act* and the Buyer will request a No Action Letter as soon as reasonably practicable; (b) the Buyer will file a request to the Commissioner for an Advance-Ruling Certificate; or (c) the Buyer and the Seller will undertake both of the actions described above in (a) and (b). The government filing fees payable with this filing will be paid by the Buyer.
- (2) The Buyer and the Seller will cooperate with one another in connection with obtaining the Competition Act Approval, including providing or submitting to the Commissioner on a timely basis, and as promptly as practicable, all documentation and information that is required, requested, or reasonably advisable, in connection with obtaining the Competition Act Approval.
- (3) The Buyer and the Seller will cooperate and keep one another reasonably informed as to the status of the proceedings in connection with obtaining the Competition Act Approval. Without limiting the generality of the foregoing, the Buyer and the Seller will provide the other (or its external counsel in respect of competitively-sensitive, privileged or confidential matters) with reasonable opportunity to review and comment on all filings, applications and submissions to the Commissioner to be made by it in connection with the Competition Act Approval and the other will use its commercially reasonable efforts to cooperate with and assist such Party in the preparation and making of all such filings, applications and submissions. The Buyer and the Seller will not participate in any substantive meetings or any material conversations with the Commissioner in respect of the transactions contemplated by this Agreement unless it consults with the other in advance and, to the extent not precluded by the Commissioner, gives the other Party (or its external counsel) the opportunity to attend and participate in any substantive meetings or material communications.

6.7 Forest Act Approval.

- (1) Upon execution and delivery of this Agreement, the Buyer will request the Forest Act Approval from the Minister. Any government filing fees payable to request the Forest Act Approval will be paid by the Buyer.
- (2) The Buyer and the Seller will cooperate with one another in connection with obtaining the Forest Act Approval, including providing or submitting to the Minister and the Ministry of Forests on a timely basis, and as promptly as practicable, all documentation and information that is required, requested, or reasonably advisable, in connection with obtaining the Forest Act Approval, including any information required under section 54(2.1) of the Forest Act and

the Buyer shall provide the Seller with (i) prior drafts of any filings, notices or other materials required to be submitted to the Minister and the Ministry of Forests and (ii) a reasonable opportunity to review and comment on drafts of such documents, including the final drafts of such documents, and shall give reasonable consideration to comments made by the Seller.

- (3) In connection with obtaining the Forest Act Approval, the Seller will enter into an arrangement for payment approved by the revenue minister in accordance with section 54(2)(b) of the Forest Act for any amounts referred to in section 54(2)(b)(i) and (ii) of the Forest Act in respect of FL955 and any road permits included in the Assumed Permits that have not been paid.
- (4) The Buyer and the Seller will cooperate and keep one another informed as to the status of the proceedings in connection with obtaining the Forest Act Approval.
- (5) Upon Closing, the Buyer and the Seller will provide notice of completion of the Transactions in writing to the Minister of Forests within seven (7) days after the Closing as required by section 54.2(1) of the Forest Act.

6.8 Other Approvals.

- (1) Upon execution and delivery of this Agreement, the Buyer will request from all appropriate Governmental Authorities the other Approvals described in Schedule 5.1(20)(a) and from the other applicable Persons the Approvals described in Schedule 5.1(20)(b). Any government filing fees payable to request the Approvals will be paid by the Buyer.
- (2) The Seller will cooperate with the Buyer and render all necessary reasonable assistance required by the Buyer to obtain from the appropriate Governmental Authorities the other Approvals described in Schedule 5.1(20)(a) and each Party will co-operate with the other and render all necessary reasonable assistance required by the other to obtain from the other applicable Persons the Approvals described in Schedules 5.1(20)(b) and 5.2(5) as applicable.

6.9 The Seller's Clean-up and Landfill Obligations.

- (1) During the Interim Period, the Seller use commercially reasonable efforts to carry out the following work (the "Clean-Up and Capping Work") at the Seller's sole cost and expense:
 - (a) clean-up the junk and material around the yard at the FSJ Mill and remove it from the mill site in accordance with the requirements of Schedule 6.9
 - (b) clean-up the wood waste at the FSJ Mill and remove it from the mill site or lawfully put it in the Seller's landfill in accordance with the requirements of Schedule 6.9;
 - (c) cap the landfill at the FSJ Mill in accordance with Applicable Laws; and

- (d) remove Contaminants from the soil at the FSJ Mill that are at levels in excess of what is permitted under applicable Environmental Laws readings above legal standards as identified Schedule 6.9.
- (2) The Seller will complete the Clean-Up and Capping Work in material compliance with all Applicable Laws, Environmental Permits and the requirements of all Governmental Authorities having jurisdiction with respect to the Clean-Up and Capping Work, and will be responsible for obtaining all required Approvals (including any amendments to existing Permits) from any Governmental Authorities in connection with the Clean-Up and Capping Work. Subject to receipt of any applicable required Approvals of any Governmental Authorities, the Seller will cause the Clean-Up and Capping Work to be commenced as soon as practicable and will use reasonable commercial efforts to complete the work prior to the Closing. The Seller will provide to the Buyer a report or reports following completion of the Clean-Up and Capping Work documenting the completion of the Clean-Up and Capping Work (the "Completion Report"). The Buyer will be entitled to reasonable monitoring of the Clean-Up and Capping Work and the Seller will provide reasonable access to the work site to the Buyer and its consultants for such purpose (at mutually agreed upon times and schedules). The Seller will provide copies to the Buyer of all material correspondence to or from any Governmental Authority with respect to the Clean-Up and Capping Work.
- (3) If the Seller has not completed the Clean-Up and Capping Work and provided the Completion Report to the Buyer at least ten (10) Business Days prior to the Closing Date, the Buyer will be entitled to assume conduct of the Clean-Up and Capping Work and completion of the Completion Report and the Purchase Price will be reduced by the amount of costs associated with completing the Clean-Up and Capping Work and the Completion Report based on the costs and assumptions set forth in Schedule 6.9, subject to Section 6.9(4).
- (4) If there is any dispute between the Seller and the Buyer as to what portion of the Clean-Up and Capping Work has not been completed by the Closing and the costs associated with completing the Clean-Up and Capping Work and the Completion Report based on the costs and assumptions set forth in Schedule 6.9, the dispute will be resolved by the Environmental Consultant. The Buyer and the Seller will each furnish to the Environmental Consultant those documents and information relating to the items in dispute that are available to it as the Environmental Consultant may require. The Buyer and the Seller will each instruct the Environmental Consultant that time is of the essence in proceeding with its determination of any item in dispute, and that the costs associated with completing the Clean-Up and Capping Work and the Completion Report are to be determined by the Environmental Consultant based on the costs and assumptions set forth in Schedule 6.9 prior to the Closing. The decision of the Environmental Consultant with respect to any item in dispute is to be in writing and, absent any manifest error, is final and binding on the Seller and the Buyer with no rights of challenge, review or appeal to the courts in any manner. The Environmental Consultant, in

making its determination of any dispute, is acting as an expert and not as an arbitrator and is not required to engage in a judicial inquiry worked out in a judicial manner. The fees and expenses of the Environmental Consultant will be paid by the Buyer and the Seller in proportion to the success or failure of the positions put forward by the Buyer and the Seller relative to the decision of the Environmental Consultant as determined by the Environmental Consultant, but each of the Seller and the Buyer will be responsible for its own costs and expenses.

6.10 Asbestos Testing. During the Interim Period, the Buyer will be entitled, but not obligated, to test, at the Buyer's expense, for asbestos at the FSJ Mill. The Seller will provide the Buyer and its Representatives with reasonable access to the area of the FSJ Mill for the purpose of carrying out the testing for asbestos. The Buyer acknowledges, covenants and agrees that any testing of asbestos at the FSJ Mill will be conducted at the Buyer's own risk and the Seller shall not in any circumstances take any responsibility or liability for Losses caused by such site visits.

6.11 Employees.

- (1) The Seller will: (i) comply with all of its obligations to the Employees, however arising, including by statute, Contract or pursuant to the Collective Agreement (including those obligations triggered or arising as a result of the Transactions), up to the Closing Date, (ii) comply with the requirements of section 54 of the *Labour Relations Code* (British Columbia), including the provision of the required notice, if any, as a result of the Transaction and all matters occurring up to the Closing Date; (iii) lay-off all of the union Employees, and (iv) terminate the employment of all of the non-union Employees and be responsible for all severance obligations for those non-union Employees (including those arising at common law, under statute or under Contract), except those who are offered and accept employment with the Buyer pursuant to Section 6.11(2). The Seller will be responsible for (i) all amounts payable in connection with any notice required under section 54 of the *Labour Relations Code* (British Columbia) as a result of the Transaction and all matters occurring up to and including the Closing Date, and (ii) all amounts payable under the Collective Agreement for the time up to the Closing Date (including accrued vacation) and all bonuses arising out of the MOA, regardless of when the MOA is ratified, including all retroactive pay attributable for the time up to the Closing Date and including amounts payable under the MOA that do not become payable until after the Closing (such as to union Employees who are away on any kind of leave and do not return to work until after Closing). The Seller will provide to the Buyer copies of all notices given to the union Employees pursuant to its obligations under this Section 6.11(1).
- (2) The Buyer will: (i) become a successor employer of the union Employees upon completion of the Transactions at the Closing, (ii) comply with the requirements of section 54 of the *Labour Relations Code* (British Columbia), including the provision of the required notice, if any, as a result of the Buyer's plans for the Business and all matters occurring after the Closing Date and (iii) determine in its

sole discretion with or without reason which, if any, of the non-union Employees it will offer employment to, and, conditional upon completion of the Transactions at the Closing, the Buyer will offer employment to those non-union Employees on terms and conditions reasonably comparable to the terms and conditions on which they are currently employed by the Seller. The Buyer will be responsible for all amounts payable in connection with any notice required under Section 54 of the *Labour Relations Code* (British Columbia) as a result of the Buyer's plans for the Business and all matters occurring after the Closing Date.

- (3) No Employee is entitled to any rights under this Section 6.11 or under any other provisions of this Agreement.

6.12 Employee Plans.

- (1) The Buyer is not assuming, nor will it have any liability for, any of the Employee Plans, and the Buyer will establish its own Employee Plans for any of the non-union Employees to whom the Buyer decides to offer employment pursuant to Section 6.11(2) who accept the Buyer's offer of employment.
- (2) The Seller shall remain liable for all obligations for benefit claims under the Employee Plans in respect of the Employees incurred prior to, on or after the Closing Date, except as otherwise expressly provided in this Section 6.12(2). The Buyer will be liable for all obligations for benefit claims under its own Employee Plans but only for the non-union Employees to whom the Buyer decides to offer employment pursuant to Section 6.11(2) who accept the Buyer's offer of employment and only for such benefit claims incurred from or after the Closing Date. For purposes of this Section 6.12(2), a benefit claim is deemed incurred: in the case of medical or dental benefits, when the services that are subject to the benefit claim are performed; in the case of life insurance, when the death occurs; in the case of long-term disability benefits, when the disability occurs; and in the case of workers' compensation benefits, when the event giving rise to the benefits occurs; and in respect of any benefit claim (including but not limited to disability-related benefit claim) recurring after the Closing Date, the Seller is liable for that recurring benefit claim. Any non-union Employees to whom the Buyer decides to offer employment pursuant to Section 6.11(2) who accept the Buyer's offer of employment who, at 12:00 a.m. on the Closing Date, is considered disabled shall continue to receive benefits under the Employee Plans until such employee commences his or her active employment with the Buyer.
- (3) Notwithstanding anything to the contrary in this Agreement, nothing herein shall require the Buyer to set up or make available to any Employee pension and employee benefit arrangements or to provide pension and employee benefits.

6.13 Transfer of Books and Records.

- (1) On the Closing Date, the Seller shall deliver, and shall cause to be delivered, to the Buyer the Books and Records and all documents (except, in the case of those

required by Applicable Law to be retained by the Seller, including personnel and employment records that the Seller is required by Applicable Law to retain, copies thereof) and other data, technical or otherwise, which are owned by the Seller at the Closing Date, relating to the Purchased Assets. The Buyer shall preserve all those documents delivered to it in accordance with the Buyer's document retention procedures or for such longer period as is required by Applicable Law. The Buyer shall permit the Seller and its authorized Representatives reasonable access to those documents while they are in the Buyer's possession or control, but the Buyer shall not be responsible or liable to the Seller for, or as a result of, any loss or destruction of or damage to any such documents and other data unless that destruction, loss or damage is caused by the Buyer's negligence or wilful misconduct.

- (2) Notwithstanding Section 6.13(1), the Seller shall be entitled to retain copies of any documents or other data delivered to the Buyer pursuant to Section 6.13(1) provided that those documents or data are reasonably required and only used or relied on by the Seller to perform its obligations under this Agreement or under Applicable Law. The Seller shall retain any documents or data retained by the Seller pursuant to this Section 6.13(2) in strict confidence and shall not use or otherwise disclose the data or information contained therein except as permitted by Section 8.1(3).

6.14 Access to Systems. Promptly after Closing, the Seller will allow the Buyer access to the systems described on Part A of Schedule 1.1(78) to facilitate, and will cooperate with the Buyer in, migrating data relating to the Purchased Assets to the Buyer's systems. The Seller will reasonably cooperate with the Buyer, before and after Closing, in developing a plan to transition the systems described in part C of Schedule 1.1(78) to the Buyer.

ARTICLE 7 SURVIVAL AND INDEMNITY

7.1 Survival of Representations, Warranties and Covenants of the Seller and the Seller's Guarantor. The representations and warranties of the Seller contained in this Agreement and in any certificate delivered pursuant to this Agreement, and, to the extent that they have not been fully performed or waived at or prior to the Closing, the covenants and other obligations of the Seller and the Seller's Guarantor contained in this Agreement and in any certificate delivered pursuant to this Agreement, shall survive the Closing and continue for the benefit of the Buyer notwithstanding the Closing, subject to the following:

- (1) the representations and warranties set out in Sections 5.1(1), 5.1(2), 5.1(3), 5.1(5) and 5.1(12) will survive the Closing and continue in full force and effect for a period of two (2) years;

- (2) the remainder of the representations and warranties set out in Section 5.1 will survive the Closing and continue in full force and effect until, but not beyond, that date which is twelve (12) months after the Closing Date; and
- (3) the covenants set out in Sections 6.1 – 6.10 shall survive the Closing and continue in full force and effect for a period of 12 months.

7.2 Survival of Representations, Warranties and Covenants of the Buyer. The representations and warranties of the Buyer contained in this Agreement and in any certificate delivered pursuant to this Agreement, and, to the extent that they have not been fully performed or waived at or prior to the Closing, the covenants and other obligations of the Buyer contained in this Agreement and in any certificate delivered pursuant to this Agreement, shall survive the Closing and continue for the benefit of the Seller notwithstanding the Closing, subject to the following:

- (1) the representations and warranties set out in Sections 5.2(1), 5.2(2) and 5.2(8) will survive the Closing and continue in full force and effect for a period of two (2) years; and
- (2) the remainder of the representations and warranties set out in Section 5.2 will survive the Closing and continue in full force and effect until, but not beyond, that date which is twelve (12) months after the Closing Date.

7.3 Indemnification by the Seller and the Seller's Guarantor. Subject to this Article 7, from and after the date hereof, the Seller and the Seller's Guarantor shall jointly and severally indemnify, defend and hold the Buyer and its directors, officers, employees, shareholders, agents and Affiliates (the "Buyer Indemnitees") harmless against Losses suffered or incurred directly or indirectly by the Buyer Indemnitees, which arise out of or are in respect of:

- (a) any inaccuracy of or any breach of any representation or warranty made by the Seller in this Agreement or in any Contract, instrument, certificate or other document delivered pursuant to this Agreement;
- (b) any breach or non-performance by the Seller of any covenant or other obligation contained in this Agreement or in any Contract, instrument, certificate or other document delivered pursuant to this Agreement, including any breach of the Seller's obligations in Section 6.11(1);
- (c) the ownership and operation of the Purchased Assets up to the time of Closing, except to the extent it constitutes an Assumed Obligation;
- (d) any of the Excluded Assets or Excluded Liabilities; or
- (e) any Claim by any Person for brokerage or finder's fees, commission or similar payments based on any agreement or understanding made or alleged to have been made by any such Person with the Seller or the

Seller's Guarantor (or any Person acting on their behalf) in connection with the Transactions.

7.4 Indemnification by the Buyer. Subject to this Article 7, the Buyer shall indemnify, defend and hold the Seller and its directors, officers, employees, shareholders, agents and Affiliates (the "Seller Indemnitees") harmless against Losses suffered or incurred directly or indirectly by the Seller Indemnitees, which arise out of or are in respect of:

- (a) any inaccuracy of or any breach of any representation or warranty made by the Buyer in this Agreement or in any Contract, instrument, certificate or other document delivered pursuant to this Agreement;
- (b) any breach or non-performance by the Buyer of any covenant or other obligation contained in this Agreement or in any Contract, instrument, certificate or other document delivered pursuant to this Agreement;
- (c) the ownership and operation of the Purchased Assets from and after Closing, except to the extent it constitutes Excluded Liabilities;
- (d) any of the Assumed Obligations; or
- (e) any Claim by any Person for brokerage or finder's fees, commission or similar payments based on any agreement or understanding made or alleged to have been made by any such Person with the Buyer (or any Person acting on its behalf) in connection with the Transactions.

7.5 Limitations. The Buyer Indemnitees right to indemnification pursuant to Section 7.3 and the Seller's right to indemnification pursuant to Section 7.4 are each subject to the following limitations:

- (a) Except in the case of fraud, fraudulent misrepresentation, intentional misrepresentation or deliberate or willful breach, the Seller shall not have an obligation or liability to the Buyer Indemnitees pursuant to Section 7.3(a), and the Buyer shall not have any obligation to the Seller Indemnitees pursuant to Section 7.4(a):
 - (i) for any Loss, except to the extent all Losses for which the Person is entitled to indemnification exceeds fifty thousand dollars (\$50,000) (the "Deductible"), and in the case of any Claim for indemnification pursuant to Section 7.3(a) or Section 7.4(a), as the case may be, any materiality qualifier contained in any applicable representation and warranty shall be disregarded for purposes of calculating the Loss and determining whether or not the Deductible has been exceeded;

(ii) for any Loss with respect to which a Notice of Claim is provided more than 12 months after the Closing Date, except in the case of a Claim for indemnification pursuant to:

(A) Section 7.3(a) for breach of the representations and warranties set out in Sections 5.1(1), 5.1(2), 5.1(3), 5.1(5) or 5.1(12); or

(B) Section 7.4(a) for breach of the representations and warranties set out in Sections 5.2(1), 5.2(2) or 5.2(8);

for which a Claim for indemnification may be made within two (2) years of Closing subject only to applicable limitation periods imposed by Applicable Law; or

(iii) to the extent that the aggregate of any and all Losses exceeds one million five hundred thousand dollars (\$1,500,000), except in the case of a Claim for indemnification pursuant to:

(A) Section 7.3(a) for breach of the representations and warranties set out in Sections 5.1(1), 5.1(2), 5.1(3), 5.1(5) or 5.1(12); or

(B) Section 7.4(a) for breach of the representations and warranties set out in Sections 5.2(1), 5.2(2) or 5.2(8).

(b) Notwithstanding anything to the contrary in this Agreement, no Indemnifying Party shall have any liability under any provision of this Agreement or the Ancillary Agreements for special, exemplary or punitive damages, except to the extent awarded by a court of competent jurisdiction in connection with a claim made by a third party where the third party is claiming special, exemplary or punitive damages.

(c) Each party shall use commercially reasonable efforts in order to minimize the Losses for which indemnification is provided under Section 7.3 or Section 7.4.

7.6 Notice of Claim. Promptly upon obtaining knowledge of any claim, event, fact or demand which gives rise to, or is reasonably expected to give rise to, a claim for indemnification hereunder, any party seeking indemnification under Section 7.3 or Section 7.4, as applicable, (an "Indemnified Party") shall give written notice of such claim or demand ("Notice of Claim") to the party from which indemnification is sought (an "Indemnifying Party"), setting forth the amount of the claim, if known. The Indemnified Party shall furnish to the Indemnifying Party, in reasonable detail, such information as it may have with respect to such indemnification claim (including copies of any summons, complaint or other pleading which may have been served on it and any written claim, demand, invoice, billing or other document evidencing or asserting the same). No failure or delay by the Indemnified Party in the performance of the foregoing

shall reduce or otherwise affect the obligation of any Indemnifying Party to indemnify, defend and hold the Indemnified Party harmless, except to the extent that such failure or delay shall have materially adversely affected the Indemnifying Party's ability to defend against, settle, mitigate or satisfy any Loss for which the Indemnified Party is entitled to indemnification hereunder.

7.7 Indemnification Procedure. If the claim or demand set forth in the Notice of Claim given by the Indemnified Party pursuant to Section 7.6 relates to a claim or demand asserted by a third party, the Indemnifying Party shall have the right to elect (by notice in writing to the Indemnified Party within thirty (30) days after the date the Notice of Claim is deemed delivered pursuant to Section 7.6) to defend such third party claim or demand on behalf of the Indemnified Party, at the Indemnifying Party's sole cost and expense, if (i) the Indemnifying Party acknowledges that it is obligated to indemnify the Indemnified Party in respect of such claim or Proceeding, and (ii) the third party claim involves only monetary damages and does not seek an injunction or other equitable relief. If the Indemnifying Party elects to defend such third party claim or demand, the Indemnified Party shall make available to the Indemnifying Party and its agents and representatives as reasonably requested all records and other materials which are reasonably required in the defense of such third party claim or demand and shall otherwise reasonably cooperate with and assist the Indemnifying Party in the defense of such third party claim or demand, subject to the reimbursement of the reasonable costs and expenses incurred by the Indemnified Party as a result of a request by the Indemnifying Party to so cooperate. So long as the Indemnifying Party is defending such third party claim or demand in good faith, the Indemnified Party shall not pay, settle or compromise such third party claim or demand without the consent of the Indemnifying Party, such consent not to be unreasonably withheld, delayed or conditioned. If the Indemnifying Party elects to defend such third party claim or demand, the Indemnified Party shall have the right to participate in the defense of such third party claim or demand, at its own expense, provided, however, that if the Indemnifying Party does not elect to defend such third party claim or demand, does not defend such third party claim in good faith or a timely manner, or if there are one or more legal defenses available to the Indemnified Party that conflict with those available to the Indemnifying Party, the Indemnified Party shall have the right, in addition to any other right or remedy it may have hereunder, at the Indemnifying Party's expense, to defend or participate in the defense of such third party claim or demand.

7.8 Effect of Indemnity Payments. The parties agree to treat all payments made under the indemnity provisions of Section 7.3 or Section 7.4 as adjustments to the Purchase Price for Tax purposes to the extent allowable by Law and that such agreed treatment shall govern for purposes hereof.

7.9 Exclusive Remedy. Each Party acknowledges and agrees that, from and after the date hereof (except for (i) disputes under Section 2.6, Section 2.7 or Section 6.9(4), which disputes will be resolved in accordance with the dispute mechanism set forth in such Sections, (ii) as provided in Article 3, and (iii) Claims for fraud, fraudulent misrepresentation, intentional misrepresentation or deliberate or wilful breach), its sole and exclusive remedy with respect to any and all rights, claims and causes of action it may have against any other Party hereto and its Affiliates and their respective

stockholders, members, managers, trustees, officers, directors, employees, agents, representatives, successors and assigns for claims arising out of any breach of, non-fulfillment of or inaccuracy in any representation, warranty, covenant, agreement or obligation contained in this Agreement or in the Closing deliverables resulting from or relating to the subject matter of this Agreement and the transactions contemplated hereby (provided, that such Closing deliverables exclude the Ancillary Agreements other than this Agreement), whether arising under or based upon any law or otherwise, shall be pursuant to the indemnification provisions set forth in this Article 7.

ARTICLE 8 GENERAL

8.1 Confidentiality of Information.

- (1) For the purposes of this Section 8.1, “**Confidential Information**” of a Party at any time means all information relating to that Party which at the time is of a confidential nature (whether or not specifically identified as confidential), is known or should be known by the other relevant Party or its Representatives as being confidential, and has been or is from time to time made known to or is otherwise learned by the relevant other Party or any of its Representatives as a result of the matters provided for in this Agreement, and includes:
- (a) the existence and the terms of this Agreement and of any other contract, agreement, instrument, certificate or other document to be entered into as contemplated by this Agreement;
 - (b) a Party's business records;
 - (c) all Personal Information;
 - (d) all Books and Records and all other information and documentation with respect to the Business and the Purchased Assets provided by the Seller to the Buyer and its Representatives, including all notes, analyses, compilations, studies, summaries and other material prepared by the Buyer and its Representatives as a result of the Books and Records, information or documentation; and
 - (e) all copies of documents and data retained by the Seller pursuant to Section 6.13(2).

Notwithstanding the foregoing, Confidential Information does not include any information that at the time has become generally available to the public other than as a result of a disclosure by the other Party or any of its Representatives, any information that was available to the other Party or its Representatives on a non-confidential basis before the date of this Agreement or any information that becomes available to the other Party or its Representatives on a non-confidential basis from a Person (other than the Party to which the information relates or any of its Representatives) who is not, to the knowledge of the other Party or its

Representatives, otherwise bound by confidentiality obligations to the Party to which the information relates in respect of the information or otherwise prohibited from transmitting the information to the other Party or its Representatives.

- (2) Each Party shall (and shall cause each of its Representatives to) hold in strictest confidence and not use in any manner, other than as expressly contemplated by this Agreement, all Confidential Information of the other Parties.
- (3) Subject to Section 8.2, Section 8.1(2) shall not apply to the disclosure of any Confidential Information where that disclosure is required by Applicable Law. In that case, the Party required to disclose (or whose Representative is required to disclose) shall, as soon as possible in the circumstances, notify the other Parties of the requirement of the disclosure including the nature and extent of the disclosure and the provision of Applicable Law pursuant to which the disclosure is required. To the extent possible, the Party required to make the disclosure shall, before doing so, provide to the other Parties the text of any disclosure. On receiving the notification, the other Parties may take any reasonable action to challenge the requirement, and the affected Party shall (or shall cause the applicable Representative to), at the expense of the other Parties, assist the other Parties in taking that reasonable action. Notwithstanding the foregoing, no disclosure shall be made of the amount of the Purchase Price, unless and to the extent required by Applicable Law.
- (4) Following the termination of this Agreement in accordance with the provisions of Section 3.3, each Party shall (and shall cause each of its Representatives to) promptly, on a request from any other Party, return to the requesting Party all copies of any tangible items (other than this Agreement), if any, that are or that contain Confidential Information of the requesting Party, except that if the Party so obligated to return Confidential Information or its Representatives have prepared notes, analyses, compilations, studies or summaries containing or concerning any Confidential Information, then that Party may, instead of returning the notes, analyses, compilations, studies or summaries, destroy them and provide a certificate to that effect to the requesting Party.

8.2 Public Announcements. No Party shall issue any press release concerning the Transactions except as agreed by the Parties acting reasonably or as may be necessary, in the opinion of counsel to the Party making that disclosure, to comply with the requirements of all Applicable Law. If any press release is so required, the Party issuing the press release shall use reasonable commercial efforts to consult with the other Parties before issuing that press release, and the Parties shall use all reasonable commercial efforts, acting in good faith, to agree on a text for the press release that is satisfactory to the Parties.

8.3 Disclosure and Consultation.

- (1) Before any public statement or press release concerning the Transactions, no Party shall disclose this Agreement or any aspect of the Transactions except to its

board of directors, its senior management and employees; its legal, accounting, financial or other professional advisors, any financial institution contacted by it with respect to any financing required in connection with the Transactions and counsel to that institution, or as may be required by any Applicable Law or as agreed by the Parties.

- (2) The Seller and the Buyer shall consult with each other concerning the manner by which the Seller's Employees, suppliers and other Persons having dealings with the Seller shall be informed of the Transactions, and the Buyer shall have the right to be present for any such communication.

8.4 Expenses. Other than as contemplated herein, each Party shall pay all expenses (including Taxes imposed on those expenses) it incurs in the authorization, negotiation, preparation, execution and performance of this Agreement and the Transactions, including all fees and expenses of its legal counsel, bankers, investment bankers, brokers, accountants or other representatives or consultants.

8.5 No Third Party Beneficiary. Except as provided for this Agreement, this Agreement is solely for the benefit of the Parties and no third party accrues any benefit, claim or right of any kind pursuant to, under, by or through this Agreement.

8.6 Entire Agreement. This Agreement together with the other agreements to be entered into as contemplated by this Agreement (the "**Ancillary Agreements**") constitute the entire agreement between the Parties pertaining to the subject matter of this Agreement and the Ancillary Agreements and supersede all prior correspondence, agreements, negotiations, discussions and understandings, written or oral.

8.7 Non-Merger. Except as otherwise provided in this Agreement, the covenants, representations and warranties set out in this Agreement do not merge but survive Closing and, notwithstanding such Closing or any investigation by or on behalf of a Party, continue in full force and effect. Closing does not prejudice any right of one Party against another Party in respect of any remedy in connection with anything done or omitted to be done under this Agreement.

8.8 Time of Essence. Time is of the essence of this Agreement.

8.9 Amendment. This Agreement may be supplemented, amended, restated or replaced only by written agreement signed by each Party.

8.10 Waiver of Rights. Any waiver of, or consent to depart from, the requirements of any provision of this Agreement is effective only if it is in writing and signed by the Party giving it, and only in the specific instance and for the specific purpose for which it has been given. No failure on the part of any Party to exercise, and no delay in exercising, any right under this Agreement operates as a waiver of that right. No single or partial exercise of any such right precludes any other or further exercise of that right or the exercise of any other right.

8.11 Jurisdiction. The Parties irrevocably and unconditionally attorn to the jurisdiction of the courts of the Province of British Columbia sitting in the City of Vancouver in respect of all disputes arising out of, or in connection with, this Agreement, or in respect of any legal relationship associated with it or derived from it.

8.12 Governing Law. This Agreement is governed by, and interpreted and enforced in accordance with, the laws of the Province of British Columbia and the laws of Canada applicable in the Province of British Columbia, excluding the choice of law rules of that province.

8.13 Notices.

(1) Any notice, demand or other communication (in this Section 8.13, a "notice") required or permitted to be given or made under this Agreement must be in writing and is sufficiently given or made if:

- (a) delivered in person and left with a receptionist or other responsible employee of the relevant Party at the applicable address set forth below; or
- (b) sent by prepaid courier service or (except in the case of actual or apprehended disruption of postal service) mail;

in the case of a notice to the Seller or the Seller's Guarantor, addressed to it at:

Conifex Timber Inc.
980 – 700 West Georgia Street
Vancouver, British Columbia
Canada V7Y 1B6

Attention:
E-mail:

Redacted.

with a copy (not constituting notice) to:

Sangra Moller LLP
1000 – 925 West Georgia Street
Vancouver, British Columbia
Canada V6C 3L2

Attention: Harjit Sangra / Gary Gill
E-mail: hsangra@sangramoller.com / ggill@sangramoller.com

in the case of a notice to the Buyer, addressed to it at:

Hampton Lumber Mills – Canada Ltd.
c/o 9600 SW Barnes Road

Suite 200
Portland, Oregon
USA 97225

Attention:
E-mail:

Redacted.

with a copy (not constituting notice) to:

Hampton Lumber Mills -- Canada Ltd.
c/o 9600 SW Barnes Road
Suite 200
Portland, Oregon
USA 97225

Attention:
E-mail:

Redacted.

- (2) Any notice sent in accordance with this Section 8.13 is deemed to have been received:
- (a) if delivered prior to or during normal business hours on a Business Day in the place where the notice is received, on the date of delivery;
 - (b) if sent by mail, on the fifth Business Day after mailing in the place where the notice is received, or, in the case of disruption of postal service, on the fifth Business Day after cessation of that disruption; or
 - (c) if sent in any other manner, on the date of actual receipt;

except that any notice delivered in person not on a Business Day or after normal business hours on a Business Day, in each case in the place where the notice is received, is deemed to have been received on the next succeeding Business Day in the place where the notice is received.

- (3) Any Party may change its address for notice by giving notice to the other Parties.

8.14 Assignment.

- (1) Subject to Section 8.14(2), no Party may assign or transfer, whether absolutely, by way of security or otherwise, all or any part of its rights or obligations under this Agreement to any Person.
- (2) Notwithstanding Section 8.14(1): (i) the Buyer may assign all of its rights and obligation under this Agreement to an Affiliate, except that any such assignment will not relieve the Buyer of any of its obligations under this Agreement; and (ii) the Buyer may direct the Seller to transfer title to the Purchased Assets to a bare trustee, nominee or the general partner of the Buyer.

8.15 Further Assurances. Each Party shall promptly do, execute, deliver or cause to be done, executed or delivered all further acts, documents and matters in connection with this Agreement that any other Party may reasonably require, for the purposes of giving effect to this Agreement.

8.16 Successors. This Agreement is binding on, and enures to the benefit of, the Parties and their respective successors.

8.17 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which taken together constitute one agreement. Delivery of an executed counterpart of this Agreement by facsimile or transmitted electronically in legible form, including in a tagged image format file (TIFF) or portable document format (PDF), shall be equally effective as delivery of a manually executed counterpart of this Agreement.

IN WITNESS WHEREOF, the Parties have duly executed this Agreement on the date first above written.

CONIFEX INC.

CONIFEX TIMBER INC.

By: /s/ Ken Shields
Name: Ken Shields
Title: Chief Executive Officer

By: /s/ Ken Shields
Name: Ken Shields
Title: Chief Executive Officer

**HAMPTON LUMBER MILLS -
CANADA LTD.**

By: /s/ Steven J. Zika
Name: Steven J. Zika
Title: Chief Executive Officer

**Schedule 1.1(2)
Methodology for Determining the Accrued Silviculture Amount**

Silviculture Accrual

Redacted. Confidential business information.

Redacted. Confidential business information.

Redacted. Confidential business information.

Field Review for Silviculture Activities for 2019.

Redacted. Confidential business information.

Redacted. Confidential business information.

**Schedule 1.1(9)
Assumed Contracts**

Redacted. Confidential business information.

**Schedule 1.1(11)
Assumed Permits**

Redacted. Confidential business information.

Redacted. Confidential business information.

Redacted. Confidential business information.

Redacted. Confidential business information.

**Schedule 1.1(51)
Equipment**

Redacted. Confidential business information.

Redacted. Confidential business information.

Redacted. Confidential business information.

Redacted. Confidential business information.

Schedule 1.1(52)
Escrow Agreement

ESCROW AGREEMENT

THIS AGREEMENT dated the ___ day of _____, 2019,

AMONG:

CONIFEX INC., a corporation under the federal laws of Canada having a registered office at 1000 Cathedral Place, 925 West Georgia Street, Vancouver, British Columbia V6C 3L2

(the "**Seller**")

AND:

HAMPTON LUMBER MILLS – CANADA LTD., a company under the laws of the Province of British Columbia having a registered office at 400 - 725 Granville Street, P.O. Box 10325, Vancouver, British Columbia V7Y 1G5

(the "**Buyer**")

AND:

COMPUTERSHARE TRUST COMPANY OF CANADA

(the "**Escrow Agent**")

RECITALS:

- A. The Seller and the Buyer entered into an asset purchase agreement (the "**Purchase Agreement**") dated June ___, 2019 among the Seller, Conifex Timber Inc. and the Buyer providing for the sale by the Seller to the Buyer of the Seller's sawmill facilities located at Fort St. James, British Columbia, and certain related assets; and
- B. Pursuant to Section 4.4 of the Purchase Agreement, the Buyer has agreed to pay the Escrowed Portion of the Purchase Price to the Escrow Agent to be held pursuant to the terms of this Agreement.

IN CONSIDERATION of the mutual covenants and agreements contained in this Agreement and for other good and valuable consideration (the receipt and adequacy of which are acknowledged), the Parties agree as follows:

ARTICLE 1
INTERPRETATION

1.1 Definitions. In this Agreement, including the Recitals to this Agreement, unless the context requires otherwise:

- (1) **“Agreement”** means this escrow agreement as amended, supplemented, restated and replaced from time to time in writing in accordance with its provisions.
- (2) **“Business Day”** means any day, except Saturdays and Sundays, on which banks are generally open for business in the City of Vancouver, British Columbia, Canada.
- (3) **“Buyer”** has the meaning set forth on page one of this Agreement.
- (4) **“Delivering Party”** means whichever of the Buyer or the Seller has delivered an Officer’s Certificate to the Escrow Agent pursuant to this Agreement.
- (5) **“Escrow Agent”** has the meaning set forth on page one of this Agreement.
- (6) **“Escrow Amount”** means the Escrowed Portion of the Purchase Price plus accrued Interest.
- (7) **“Escrow Fees”** has the meaning set forth in Section 4.9.
- (8) **“Escrowed Portion of the Purchase Price”** means the amount of \$1,500,000 plus any amounts under Section 2.6 and Section 2.7 of the Purchase Agreement that are to be included in the Escrowed Portion of the Purchase Price.
- (9) **“Final Determination”** means an order from which there is no further right of appeal or, if there is a further right of appeal, the time within which an appeal of the order may be filed has expired with no appeal being filed and then served within five (5) Business Days of the expiry of the time within which an appeal of the order may have been filed.
- (10) **“Interest”** has the meaning given to that term in Section 2.3.
- (11) **“notice”** has the meaning given to that term in Section 5.7(1).
- (12) **“Officer’s Certificate”** means:
 - (a) a certificate signed by a senior officer of the Buyer, which states that an amount is owing by the Seller to the Buyer pursuant to Section 2.6, Section 2.7 or Section 7.3 of the Purchase Agreement and sets out the amount and the details of the amount that is owing; or
 - (b) a certificate signed by a senior officer of the Seller, which states that an amount is owing by the Buyer to the Seller pursuant to Section 2.6 or Section 2.7 of the Purchase Agreement and sets out the amount and the details of the amount that is owing;

as the case may be.

- (13) **“Parties”** means collectively the Seller, the Buyer and the Escrow Agent, and **“Party”** means any of them.
- (14) **“Purchase Agreement”** has the meaning given to that term in Recital A.
- (15) **“Recipient”** means, in the case of any Officer’s Certificate, whichever of the Buyer or the Seller did not deliver the Officer’s Certificate to the Escrow Agent.
- (16) **“Response”** means:
 - (a) in the case of an Officer’s Certificate that has been delivered by the Buyer, a written statement signed by a senior officer the Seller setting forth, in reasonable detail, the basis of any objection to the claim asserted in the Officer’s Certificate; or
 - (b) in the case of an Officer’s Certificate that has been delivered by the Seller, a written statement signed by a senior officer the Buyer setting forth, in reasonable detail, the basis of any objection to the claim asserted in the Officer’s Certificate;

as the case may be.

- (17) **“Seller”** has the meaning set forth on page one of this Agreement.
- (18) **“Successor Escrow Agent”** has the meaning given to that term in Section 4.8.
- (19) **“Transmission”** has the meaning given to that term in Section 5.7(1)(c).

1.2 Certain Rules of Interpretation. In this Agreement:

- (a) the division into Articles and Sections and the insertion of headings are for convenience of reference only and do not affect the construction or interpretation of this Agreement;
- (b) the expressions "hereof", "herein", "hereto", "hereunder", "hereby" and similar expressions refer to this Agreement and not to any particular portion of this Agreement; and
- (c) unless specified otherwise or the context otherwise requires:
 - (i) references to any Article, Section or Schedule are references to the Article or Section of, or Schedule to, this Agreement; and
 - (ii) words in the singular include the plural and vice-versa and words in one gender include all genders.

1.3 Performance on Business Days. If any action is required to be taken pursuant to this Agreement on or by a specified date that is not a Business Day, the action is valid if taken on or by the next succeeding Business Day.

- 1.4 **Currency and Payment.** In this Agreement, unless specified otherwise references to dollar amounts or "\$" are to Canadian dollars.

ARTICLE 2 ESCROW

- 2.1 **Appointment of Escrow Agent.** The Seller and the Buyer hereby appoint the Escrow Agent to act as escrow agent in accordance with the terms and conditions set out in this Agreement and the Escrow Agent hereby accepts that appointment.
- 2.2 **Delivery of the Escrowed Portion of the Purchase Price into Escrow.** The Buyer has delivered the Escrowed Portion of the Purchase Price to the Escrow Agent on the date of this Agreement, receipt of which is hereby acknowledged by the Escrow Agent. The Escrow Agent shall hold and disburse the Escrowed Portion of the Purchase Price and accrued Interest only in accordance with, and subject to the terms and conditions, of this Agreement.
- 2.3 **Interest on Escrow Amount.** The Escrow Agent will invest and retain the Escrowed Portion of the Purchase Price in its name, in an interest-bearing account at a Schedule I Canadian chartered bank. Any interest accrued on the Escrowed Portion of the Purchase Price and any interest on accrued interest (collectively, "**Interest**") will accrue to the benefit of the Seller, and shall be reported to the Seller at the end of each calendar quarter. Accrued Interest will be added to and included in the Escrow Amount.
- 2.4 **Release of Escrow Amount.** The Escrow Agent shall retain the Escrow Amount until the twelvth (12th) month anniversary of the date of this Agreement, at which time the Escrow Amount will be released from escrow and paid to the Seller, except as otherwise provided in Article 3.
- 2.5 **Termination of Escrow.** Upon the release and disbursement by the Escrow Agent of all of the Escrow Amount in accordance with the terms of this Agreement, this Agreement will terminate and be of no further force and effect, except to the extent necessary in order for Sections 4.3, 4.5, 4.6, 4.7 and 4.9 to continue to be of full force and effect, and the Escrow Agent will be automatically released from all of its duties and liabilities under this Agreement.

ARTICLE 3 CLAIMS AGAINST THE ESCROW AMOUNT

- 3.1 **Notice of Claims.** If at any time and from time to time prior to the twelvth (12th) month anniversary of the date of this Agreement, the Buyer or the Seller may deliver an Officer's Certificate to the Escrow Agent with a concurrent copy to the Recipient, and upon receipt of the Officer's Certificate the Escrow Agent shall also deliver a copy of the Officer's Certificate to the Recipient. The Recipient may respond to the Officer's Certificate within thirty (30) days after it receives the Officer's Certificate from the Delivering Party by delivering a Response to the Escrow Agent with a concurrent copy to the Delivering Party. If the Escrow Agent has not received a Response within that thirty (30) day period, then the Escrow Agent shall pay the amount set forth in the Officer's Certificate to the

Delivering Party from the Escrow Amount (subject to the maximum amount of the Escrow Amount remaining at that time) by the delivery to the Delivering Party of a cheque for that amount or by wire transfer to an account designated by the Delivering Party.

3.2 Disputed Claims. – If the Escrow Agent receives a Response from the Recipient within the thirty (30) day period set forth above contesting the amount of the Escrow Amount to be released to the Delivering Party, then the Escrow Agent will not pay the amount set forth in the Officer's Certificate to the Delivering Party from the Escrow Amount until the Escrow Agent has received:

- (a) a written direction signed by the Recipient directing the Escrow Agent to pay the amount set forth in the Officer's Certificate (or a lesser amount) to the Delivering Party from the Escrow Amount, upon which the Escrow Agent will pay such amount to the Delivering Party from the Escrow Amount (subject to the maximum amount of the Escrow Amount remaining at that time) by the delivery to the Delivering Party of a cheque for that amount or by wire transfer to an account designated by the Delivering Party;
- (b) an authorization in writing executed by each of the Seller and the Buyer directing the delivery of the amount set forth in the Officer's Certificate as contemplated in Section 4.5 (or a lesser amount), upon which the Escrow Agent will pay the Escrow Amount (subject to the maximum amount of the Escrow Amount remaining at that time) in accordance with the authorization; or
- (c) from the Buyer or the Seller a certified copy of a Final Determination of a court of competent jurisdiction directing the Escrow Agent as to how to pay the Escrow Amount as referred to in Section 4.5, upon which the Escrow Holder will pay the Escrow Amount (up to the maximum amount of the Escrow Amount at that time) as so ordered.

3.3 Release of Escrow. If by the twelfth (12th) month anniversary of the date of this Agreement the Escrow Agent:

- (a) has received any Officer's Certificates for which a Response has been received but not been dealt with and resolved as provided in Section 3.1 or Section 3.2 above, the Escrow Agent will continue to hold the amounts referred to in those Officer's Certificates (or remaining amounts if a lesser amount has already been paid) in escrow pursuant to this Escrow Agreement until they have been dealt with and resolved as provided in Section 3.1 or Section 3.2 above, but will release that portion (if any) of the Escrow Amount in excess of those unresolved amounts to the Seller; or
- (b) has not received an Officer's Certificate for which a Response has been received but not been dealt with and resolved as provided in Section 3.1 or Section 3.2 above, the Escrow Agent will release the Escrow Amount or any remaining portion of the Escrow Amount to the Seller.

ARTICLE 4
CONCERNING THE ESCROW AGENT

4.1 Duties and Liability of Escrow Agent.

- (1) The Escrow Agent has no duties other than those duties expressly set forth in this Agreement. The Escrow Agent will not refer to, and is not bound by, the provisions of any agreement other than the terms of this Agreement and no implied duties or obligations of the Escrow Agent may be read into this Agreement.
- (2) Notwithstanding anything contained in this Agreement or in the Purchase Agreement to the contrary, the Escrow Agent has no duty to determine the performance or non-performance of any term or provision of the Purchase Agreement, has no obligation or responsibility to determine any dispute or evaluate any equities between the parties regardless of any knowledge or any fact that the Escrow Agent may have or receive, and has no obligations, responsibilities or liability arising under any other agreement to which the Escrow Agent is not a party, even though reference to such other agreement may be made in this Agreement or the Purchase Agreement.
- (3) Nothing in this Agreement is to be construed as creating a relationship of trust between the Escrow Agent and the Seller and Buyer or any of them. The Seller and the Buyer understand and agree that the duties of the Escrow Agent under this Agreement are purely ministerial in nature and that the Escrow Agent is not liable for any error, judgement, or for any act done or step taken or omitted by it in good faith, or for any mistake of fact or law, or for anything which it may do or refrain from doing in connection herewith, except for its own fraud, gross negligence or wilful misconduct.
- (4) The Escrow Agent is not under any duty to give the Escrow Amount held by it under this Agreement any greater degree of care than it gives its own similar property. The Escrow Agent's duties with respect to delivery of the Escrow Amount under this Agreement will be fully performed by delivering the Escrow Amount in accordance with Section 2.4.
- (5) The appointment of the Escrow Agent is a personal one and the duty of the Escrow Agent is only to the other Parties, their successors and assigns, and to no other Person whomsoever.

4.2 Legal Counsel. The Escrow Agent has the right to consult with counsel of its own choice and is not be liable for any action taken, suffered or omitted to be taken by it if the Escrow Agent acts in accordance with the advice of such counsel.

4.3 Indemnity. The Seller and the Buyer will each severally (and not jointly and severally) indemnify and save harmless the Escrow Agent from and against one-half of any and all actions, causes of action, claims, losses, demands, damages, expenses, costs, liabilities, penalties and expenses whatsoever and to reimburse the Escrow Agent for any legal or related expenses (collectively, the "**Claims**") which the Escrow Agent may suffer or incur in connection with its acting as Escrow Agent under this Agreement, other than Claims arising as a result of the fraud, gross negligence or wilful misconduct of the Escrow Agent in the performance of its duties under this Agreement. The Escrow Agent will in no event

be liable for any loss, Claim or indirect, consequential, incidental or punitive damages to any of the Seller or the Buyer, regardless of whether or not such losses, claims or damages were reasonably foreseeable by the Escrow Agent.

4.4 Reliance.

(1) The Escrow Agent may:

- (a) act in reliance on any writing or instrument or signature which it, in good faith, believes to be genuine;
- (b) assume the validity and accuracy of any statement or assertion contained in such a writing or instrument; and
- (c) assume that any Person purporting to give any written notice, advice or instructions on behalf of any of the other Parties in connection with the provisions of this Agreement has been duly authorized to do so.

The Escrow Agent is not, as such, liable in any manner for the sufficiency or correctness as to form, execution, or validity of any document, nor as to the identity, authority, or right of any Person executing the document.

(2) The Escrow Agent is not required to make any determination or decision with respect to the validity of any claim made by any Party, or of any denial thereof but is entitled to rely conclusively on the terms of this Agreement and the documents tendered to it in accordance with the terms of this Agreement.

4.5 Disputes. If there is any dispute as to whether the Escrow Agent is obligated to deliver the Escrow Amount to the Seller or the Buyer, the Escrow Agent shall hold such Escrow Amount until receipt of an authorization in writing executed by each of the Seller and the Buyer directing the delivery thereof, or in the absence of such authorization, the Escrow Agent may hold the Escrow Amount until the Final Determination of the rights of the Parties in an appropriate court proceeding. If such written authorization is not given, or proceedings for such Final Determination have not begun and been diligently continued, the Escrow Agent may bring, but is not required to bring, an appropriate action or proceeding pursuant to Section 4.6 for leave to deposit the Escrow Amount into court pending such determination. If a judicial proceeding is instituted by the Escrow Agent, the Escrow Agent will be entitled to reasonable solicitor's fees.

4.6 Interpleader. Without limiting Section 4.5, if:

- (a) any action is threatened or instituted against the Escrow Agent;
- (b) any dispute arises, or any action is threatened or instituted, concerning the entitlement of a Party to the Escrow Amount; or
- (c) if at any time the Escrow Agent is uncertain as to its obligations under this Agreement,

the Escrow Agent may apply to a court of competent jurisdiction in the Province of British Columbia for clarification or directions with respect to its obligations under this Agreement, and in such event, or if any other person should apply to a court of competent jurisdiction (which must be in the Province of British Columbia) on any matter affecting the obligations of the Escrow Agent under this Agreement or otherwise relating to the Escrow Amount, the Escrow Agent may and is hereby authorized to release, deliver or otherwise deal with the Escrow Amount in accordance with the directions, order, judgment or decree of such court.

4.7 Court Orders.

- (1) The Escrow Agent is hereby authorized, in its sole discretion, to comply with all writs, orders or decrees entered or issued, whether with or without jurisdiction, which purport to:
 - (a) attach, garnish or be levied on any part of the Escrow Amount that becomes payable to the Buyer or the Seller, once such amount becomes payable to such Party;
 - (b) stay or enjoin the disbursement, payment or delivery of any part of the Escrow Amount; or
 - (c) affect any part of the Escrow Amount in any way.

The Escrow Agent is not liable to any of the other Parties or to any other Person because it obeys or complies with any such writ, order or decree, even if such writ, order or decree is subsequently reversed, modified, annulled, set aside or vacated.

4.8 Resignation, Removal and Replacement of Escrow Agent. The Escrow Agent may resign by notice to the other Parties. Upon the effective date of such resignation, the Escrow Agent shall deliver the Escrow Amount then held by it under this Agreement to such Person as may be jointly designated in writing by the Seller and the Buyer as the new escrow agent (the "**Successor Escrow Agent**"). If the Seller and the Buyer fail to deliver such a written designation, the Escrow Agent will not resign its position until such designation is delivered or until the Escrowed Amount then held is delivered to the control of a court of competent jurisdiction. Upon the delivery of the Escrow Amount to the Successor Escrow Agent or to the control of a court of competent jurisdiction, all of the Escrow Agent's obligations as escrow agent under this Agreement will cease and terminate.

4.9 Fees and Out-of-Pocket Expenses. The Escrow Agent is entitled to reasonable fees, and to reimbursement of out-of-pocket expenses (the "**Escrow Fees**") for carrying out its duties under this Agreement. The Escrow Agent shall be entitled to withhold from the interest earned in respect of the Escrow Amount an amount up to the amount of its Escrow Fees and the Seller and the Buyer will each be severally (and not jointly and severally) liable for one-half of any remaining unpaid Escrow Fees.

ARTICLE 5 GENERAL

5.1 Time of Essence. Time is of the essence of this Agreement.

5.2 Amendment. This Agreement may be supplemented, amended, restated or replaced only by a written agreement signed by each Party.

5.3 Waiver of Rights. Any waiver of, or consent to depart from, the requirements of any provision of this Agreement is effective only if it is in writing and signed by the Party giving it, and only in the specific instance and for the specific purpose for which it has been given. No failure on the part of any Party to exercise, and no delay in exercising, any right under this Agreement operates as a waiver of such right. No single or partial exercise of any such right precludes any other or further exercise of such right or the exercise of any other right.

5.4 Jurisdiction. The Parties irrevocably and unconditionally attorn to the jurisdiction of the courts of the Province of British Columbia sitting in the City of Vancouver in respect of all disputes arising out of, or in connection with, this Agreement, or in respect of any legal relationship associated with it or derived from it.

5.5 Governing Law. This Agreement is governed by, and interpreted and enforced in accordance with, the laws of the Province of British Columbia and the laws of Canada applicable in that province, excluding the choice of law rules of that province.

5.6 Entire Agreement. This Agreement constitutes the entire agreement between the Parties pertaining to the subject matter of this Agreement and supersedes all prior correspondence, agreements, negotiations, discussions and understandings, written or oral.

5.7 Notices.

(1) Any notice, demand or other communication (in this Section 5.7, a "**notice**") required or permitted to be given or made under this Agreement must be in writing and is sufficiently given or made if:

- (a) delivered in person and left with a receptionist or other responsible employee of the relevant Party at the applicable address set forth below;
- (b) sent by prepaid courier service or (except in the case of actual or apprehended disruption of postal service) mail; or
- (c) sent by email transmission, with confirmation of transmission by the transmitting computer (a "**Transmission**");

in the case of a notice to the Seller addressed to the Seller at:

Conifex Timber Inc.
980 – 700 West Georgia Street
Vancouver, British Columbia
Canada V7Y 1B6

Attention: Redacted.
E-mail: Redacted.

with a copy (not constituting notice) to:

Sangra Moller LLP
1000 – 925 West Georgia Street
Vancouver, British Columbia
Canada V6C 3L2

Attention: Harjit Sangra/Gary Gill
E-mail:hsangra@sangramoller.com/ggill@sangramoller.com

and in the case of a notice to the Buyer, addressed to it at:

Hampton Lumber Mills – Canada Ltd.
c/o 9600 SW Barnes Road
Suite 200
Portland, Oregon
USA 97225

Attention: **Redacted.**
E-mail: **Redacted.**

with a copy (not constituting notice) to:

Hampton Lumber Mills – Canada Ltd.
c/o 9600 SW Barnes Road
Suite 200
Portland, Oregon
USA 97225

Attention: **Redacted.**
E-mail: **Redacted.**

and in the case of a notice to the Escrow Agent, addressed to it at:

Attention:
E-mail:

- (2) Any notice sent in accordance with this Section 5.7 shall be deemed to have been received:
 - (a) if delivered in person during normal business hours on a Business Day in the place where the notice is received, on the date of delivery;

- (b) if sent by prepaid mail, on the fifth Business Day in the place where the notice is received after mailing, or, in the case of disruption of postal service, on the fifth Business Day after cessation of such disruption;
- (c) if sent by email, on the first Business Day after an acknowledgment of receipt has been received; or
- (d) if sent in any other manner permitted by Section 5.7(1), on the date of actual receipt;

except that any notice delivered in person not on a Business Day or after normal business hours on a Business Day in the place where the notice is received shall be deemed to have been received on the next succeeding Business Day in the place where the notice is received.

(3) Any Party may change its address for notice by giving notice to the other Parties.

5.8 Assignment. No Party may assign or transfer, whether absolutely, by way of security or otherwise, all or any part of its rights or obligations under this Agreement to any Person without the prior written consent of the other Parties.

5.9 Further Assurances. Each Party shall, at the expense of another Party, promptly do, execute, deliver or cause to be done, executed or delivered all further acts, documents and matters in connection with this Agreement that such other Party may reasonably require, for the purposes of giving effect to this Agreement.

5.10 Successors and Assigns. This Agreement is binding on, and enures to the benefit of, the Parties and their respective successors and permitted assigns.

5.11 Counterparts. This Agreement may be executed in any number of counterparts, each of which is deemed to be an original and all of which taken together constitutes one agreement. To evidence the fact that it has executed this Agreement, a Party may send a copy of its executed counterpart to all other Parties by Transmission and the signature transmitted by Transmission is deemed to be its original signature for all purposes.

IN WITNESS WHEREOF, the Parties have duly executed this Agreement on the date of this Agreement.

CONIFEX INC.

**HAMPTON LUMBER MILLS – CANADA
LTD**

By: _____
Name:
Title:

By: _____
Name:
Title:

**COMUPTERSHARE TRUST COMPANY
OF CANADA**

By: _____
Name:
Title:

**Schedule 1.1(67)
General Conveyance and Assumption Agreement**

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**Schedule 1.1(78)
Internal IT Systems**

<i>PART A: Seller will allow buyer reasonable access to the following systems for data extract or data migration:</i>	
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Redacted. Confidential business information.

**Schedule 1.1(80)
Leased or Licenced Property**

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**Schedule 1.1(99)
Permitted Encumbrances**

The Real Property is subject to the following Permitted Encumbrances:

Legal Notations:

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Redacted. Confidential business information.

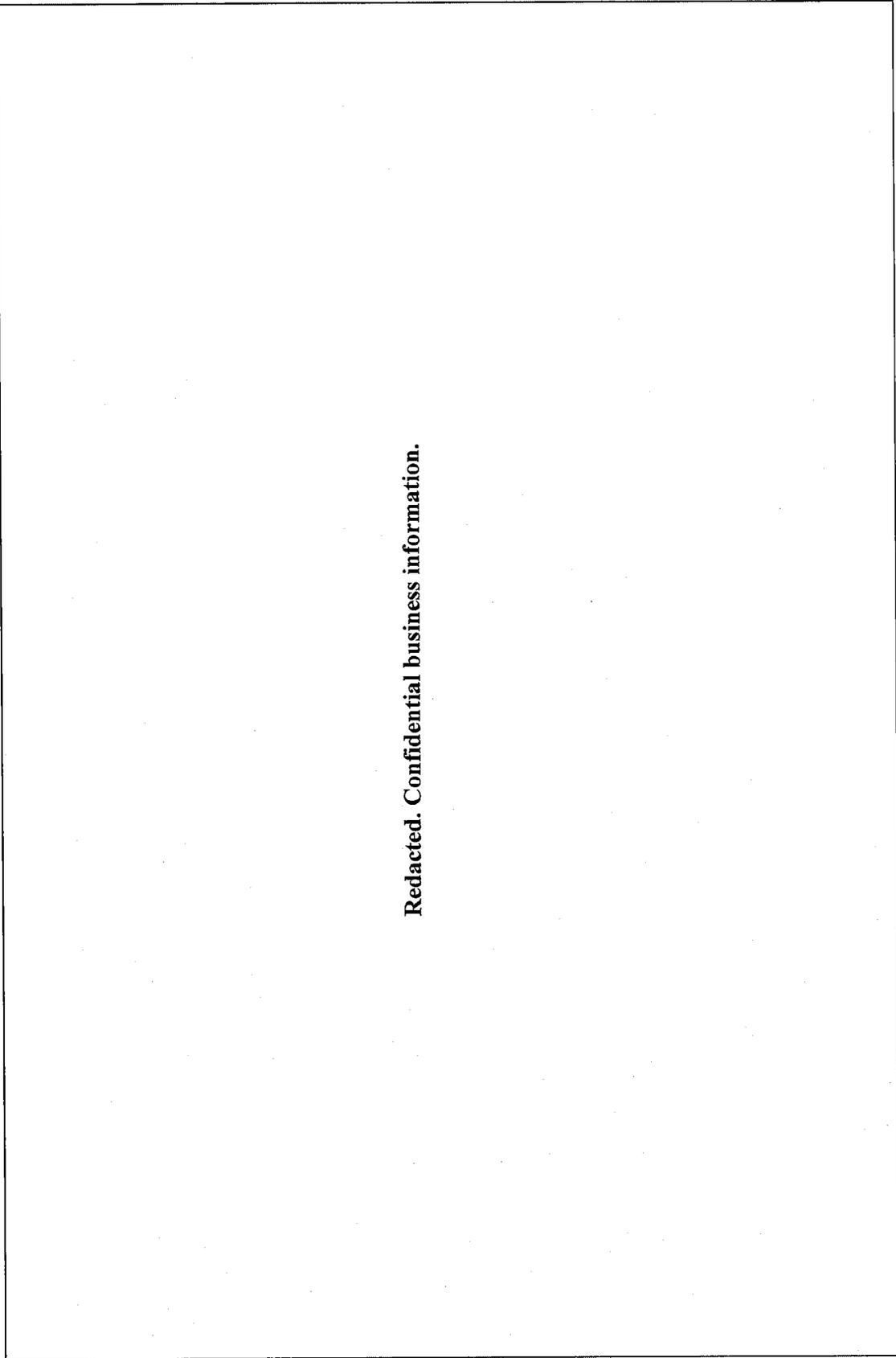
Schedule 1.1(111)
Real Property

1. The real property located in part at 300 Takla Road, Fort St. James, British Columbia, within the District of Fort St. James and in part at E Tachie Road, Fort St. James, British Columbia, within the District of Vanderhoof (Regional District of Bulkley-Nechako) having a legal description of:

PID: 026-468-646, Lot A Plan BCP20449 District Lot 4749 Range 5 Coast Range
5 Land District & DL 4749, 4750, 4751, 4752

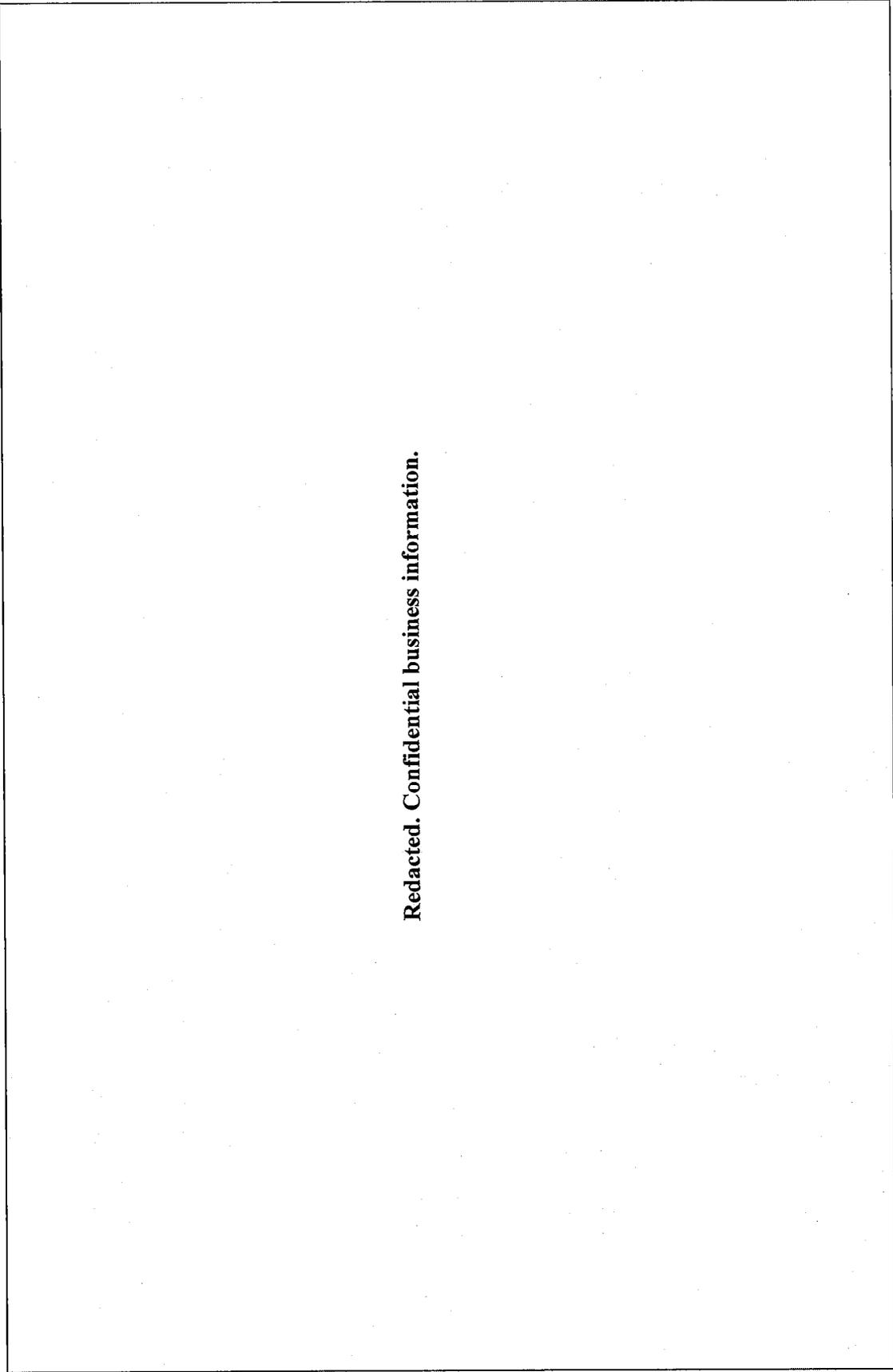
**Schedule 1.1(122)
Supplies and Spare Parts**

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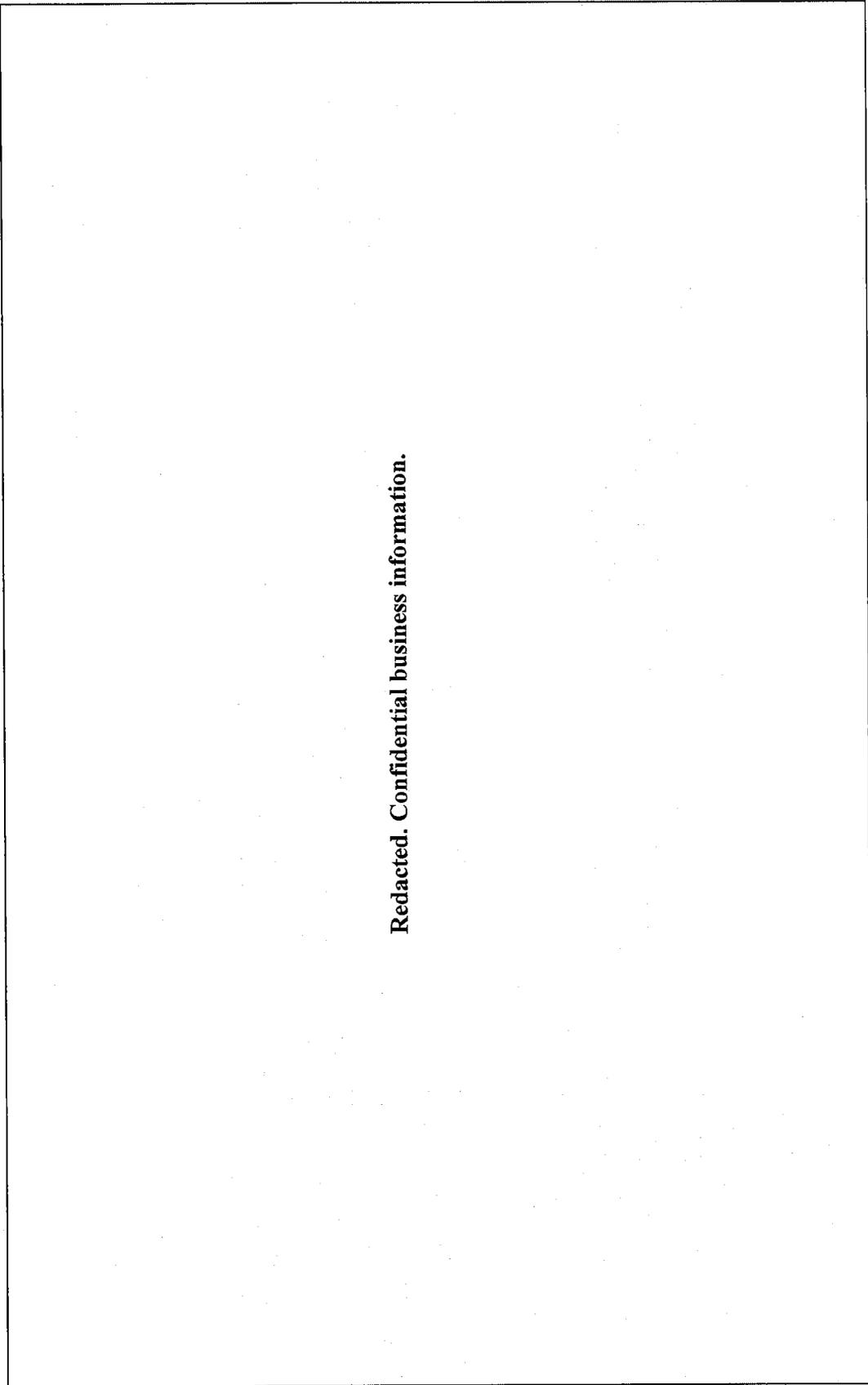


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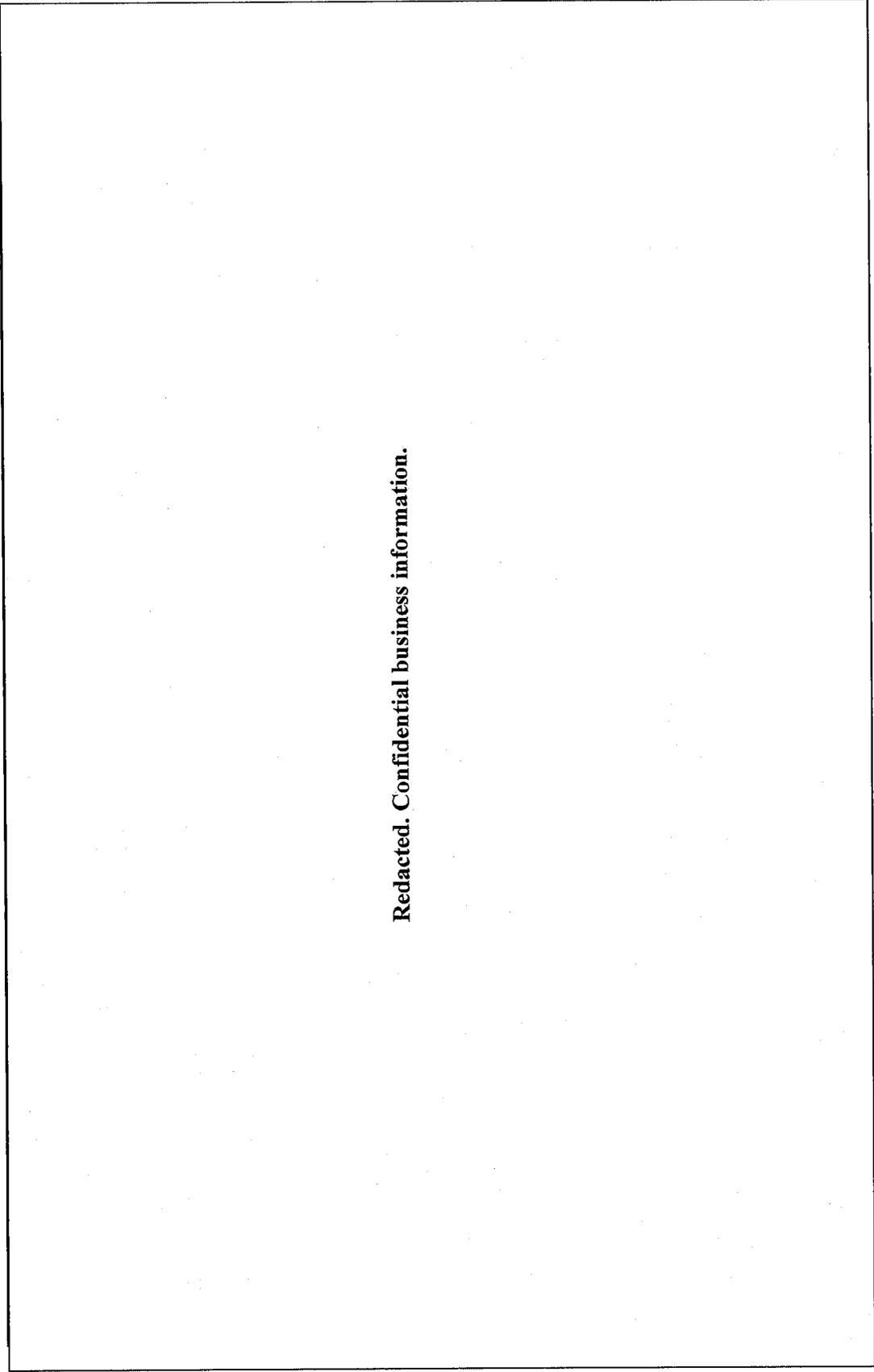
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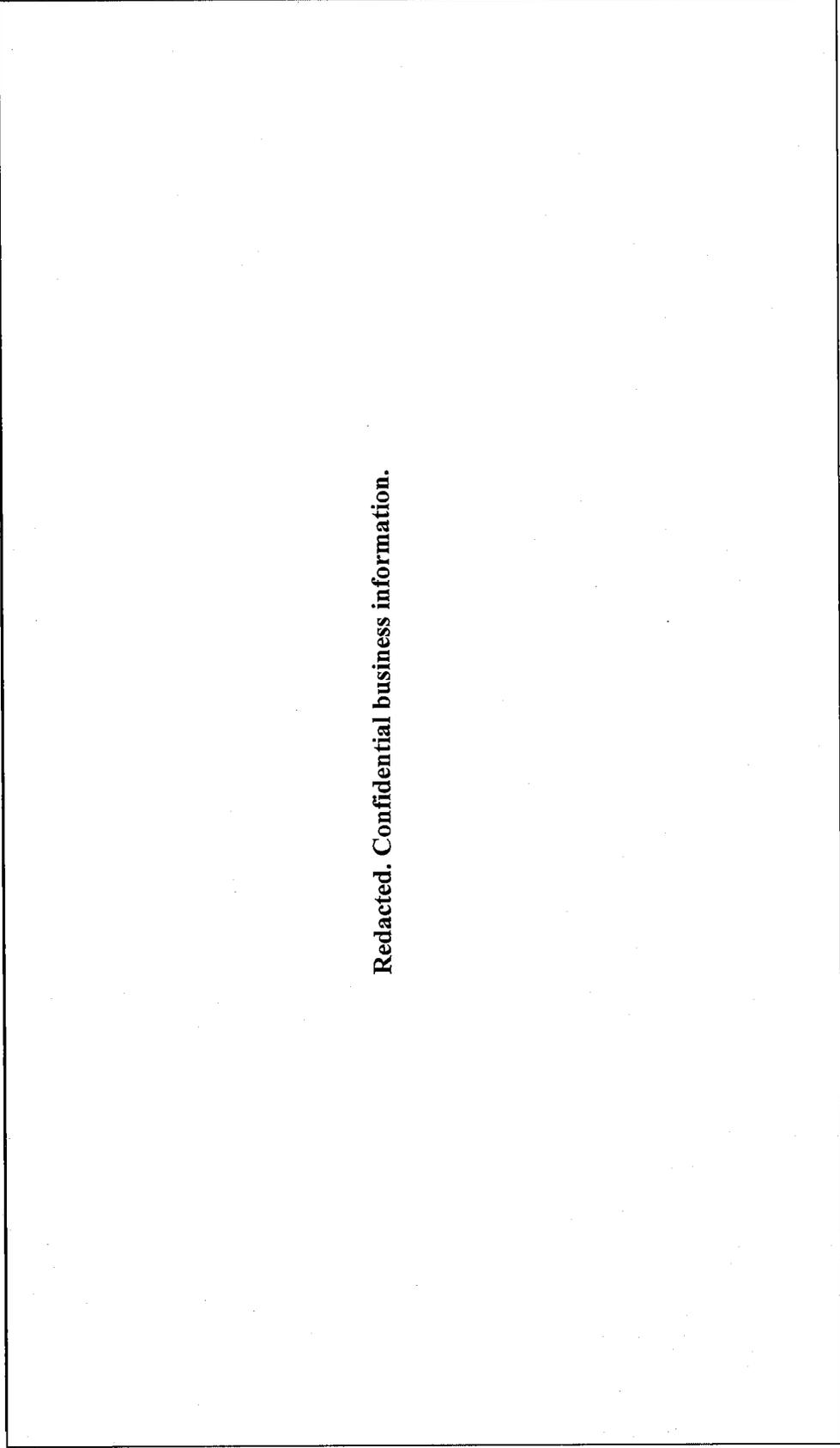
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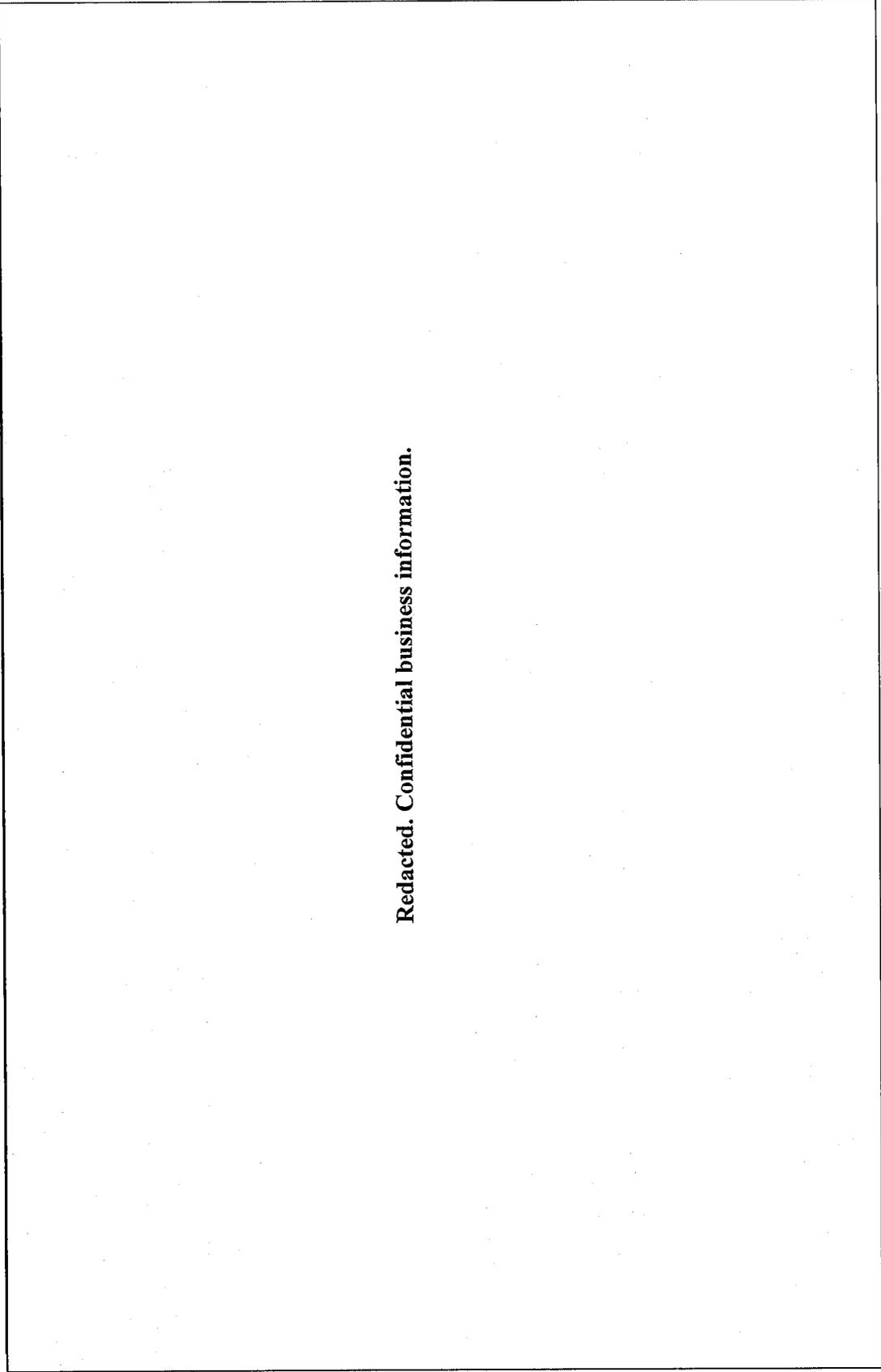


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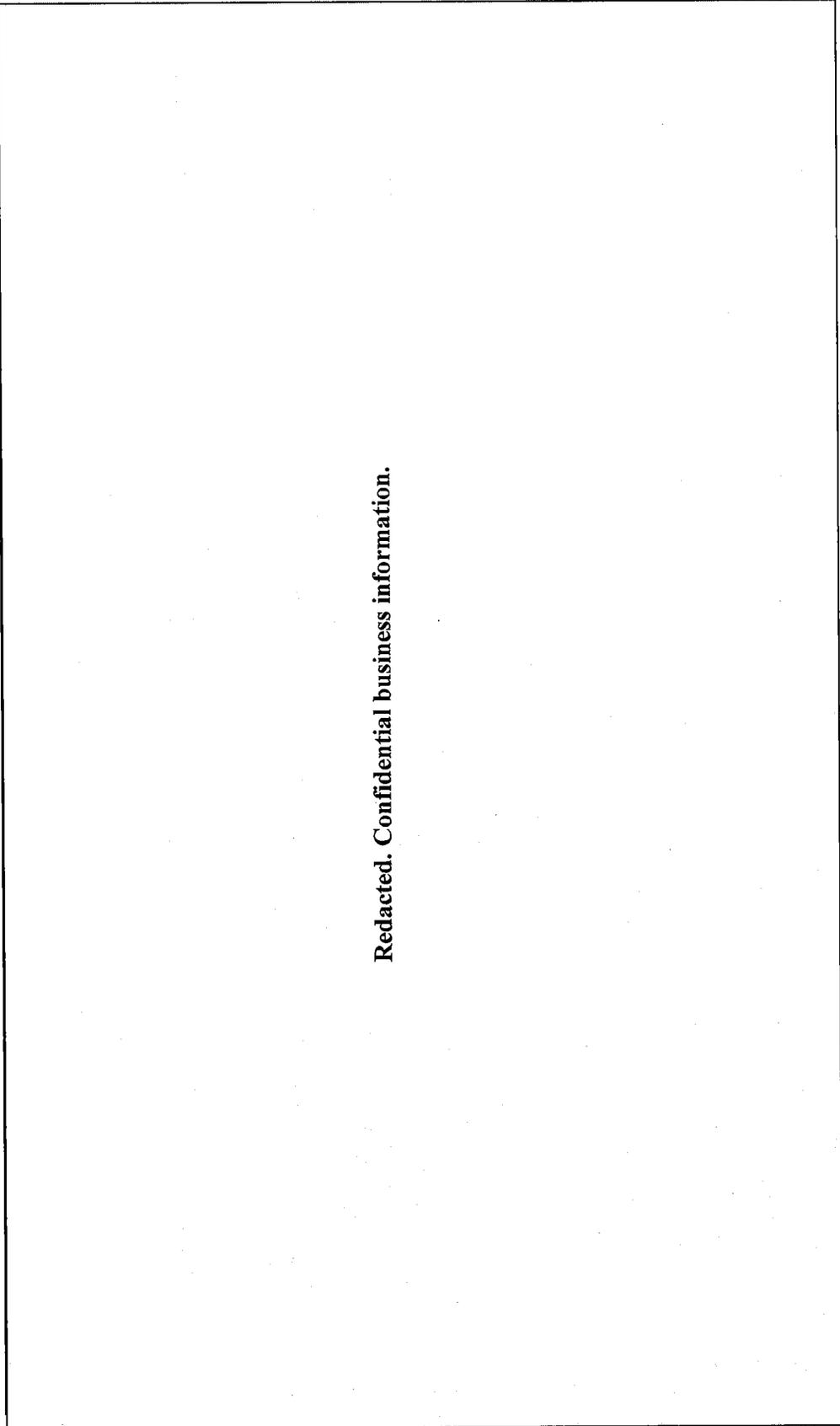


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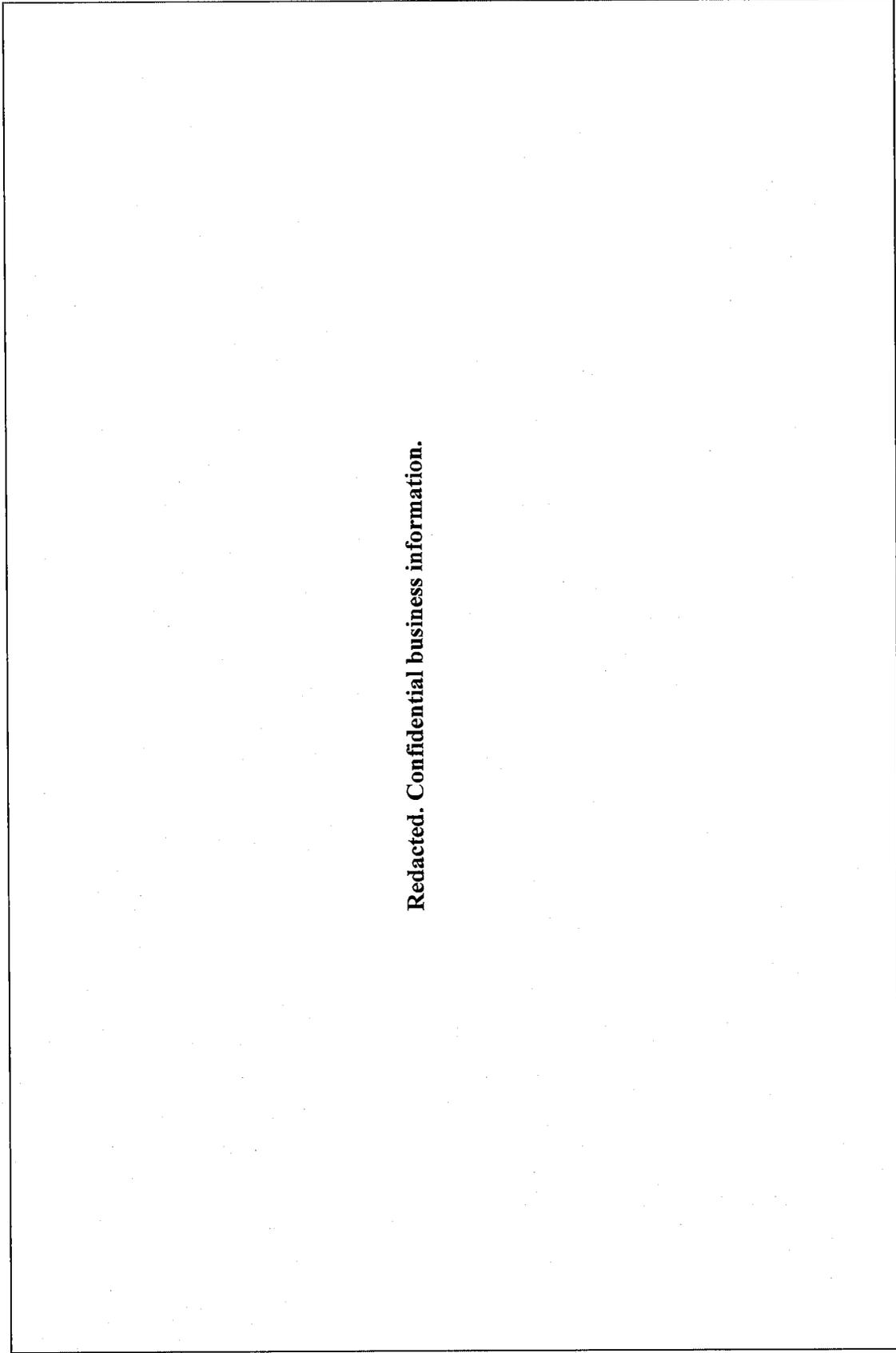
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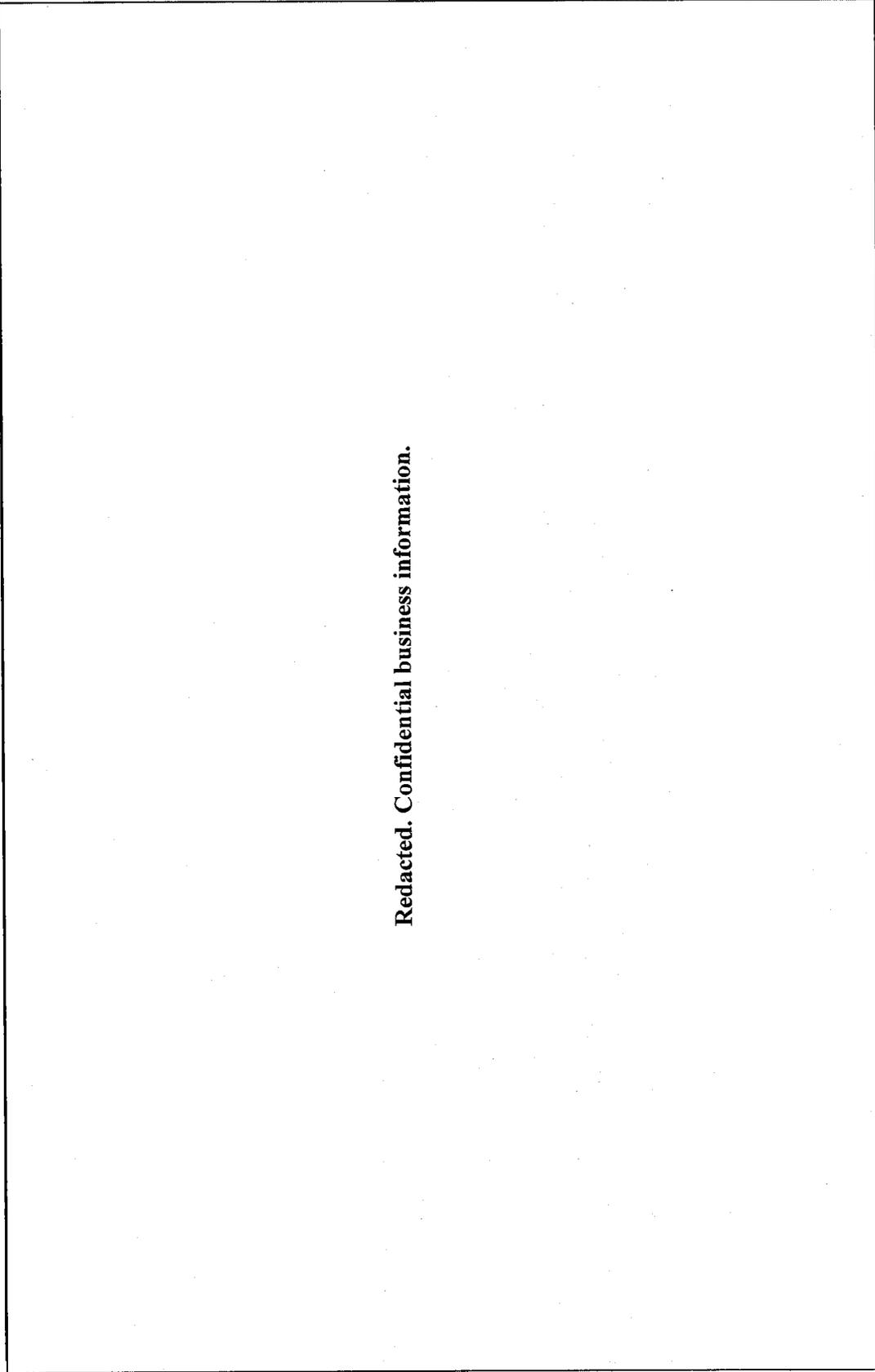
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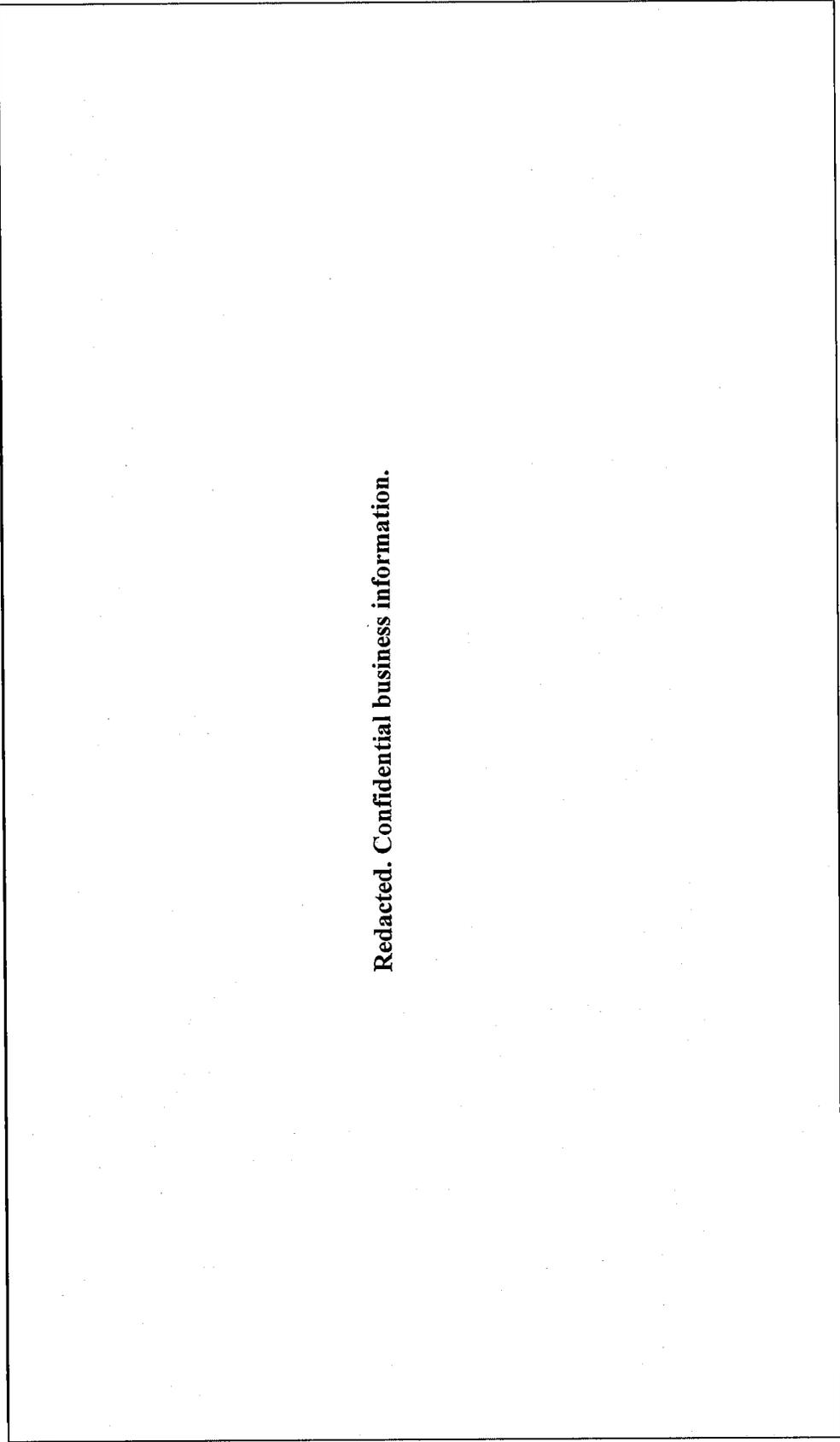


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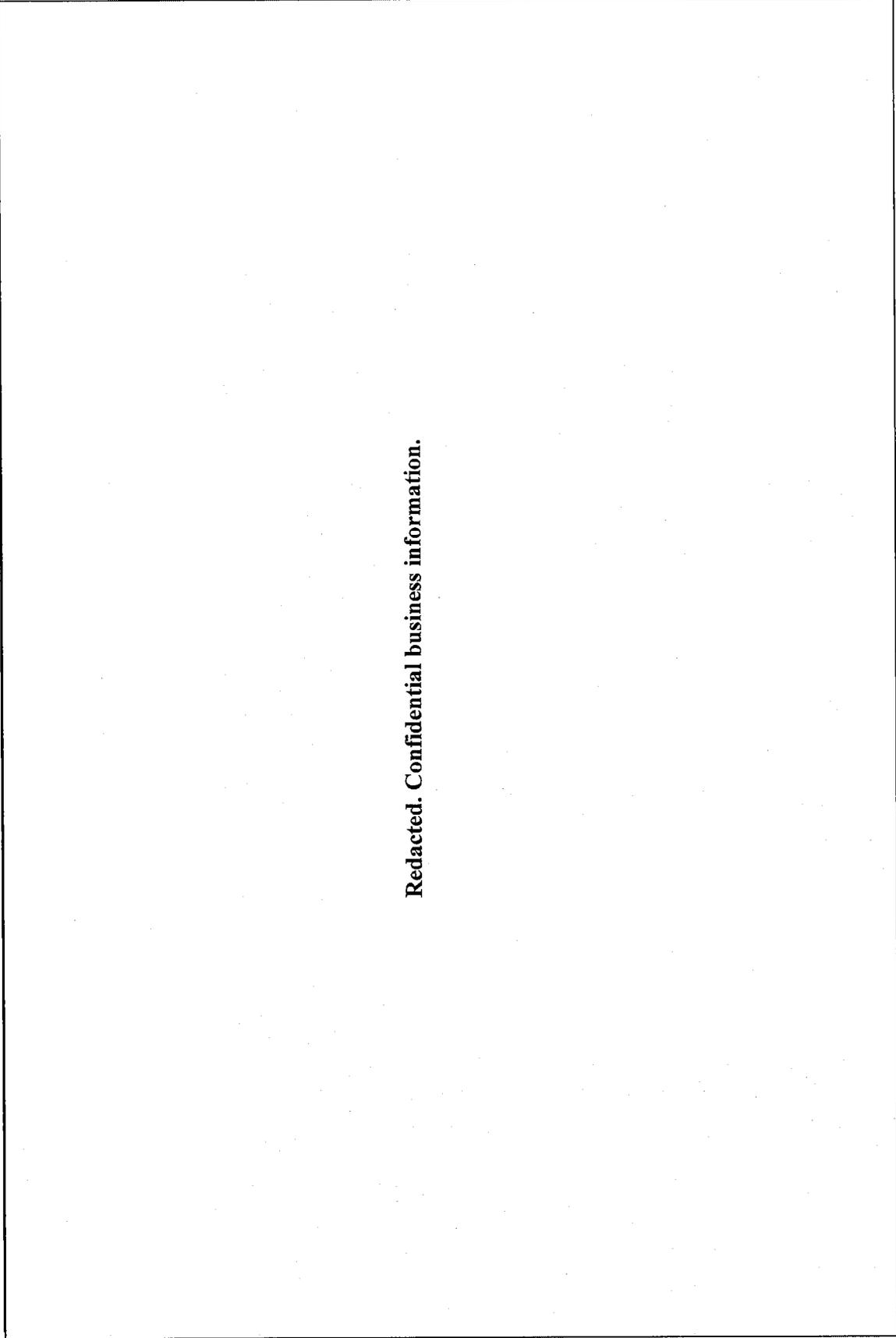


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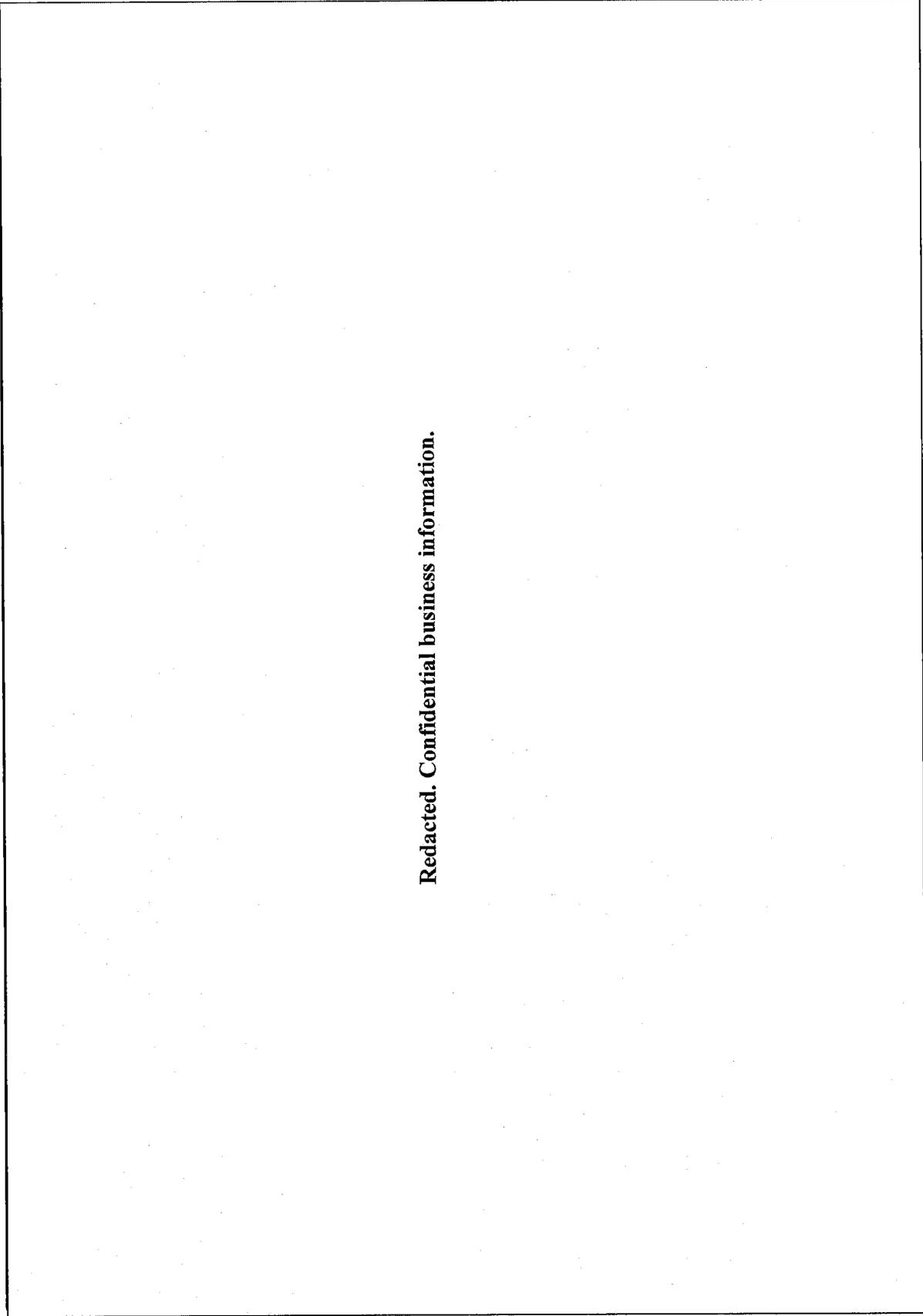
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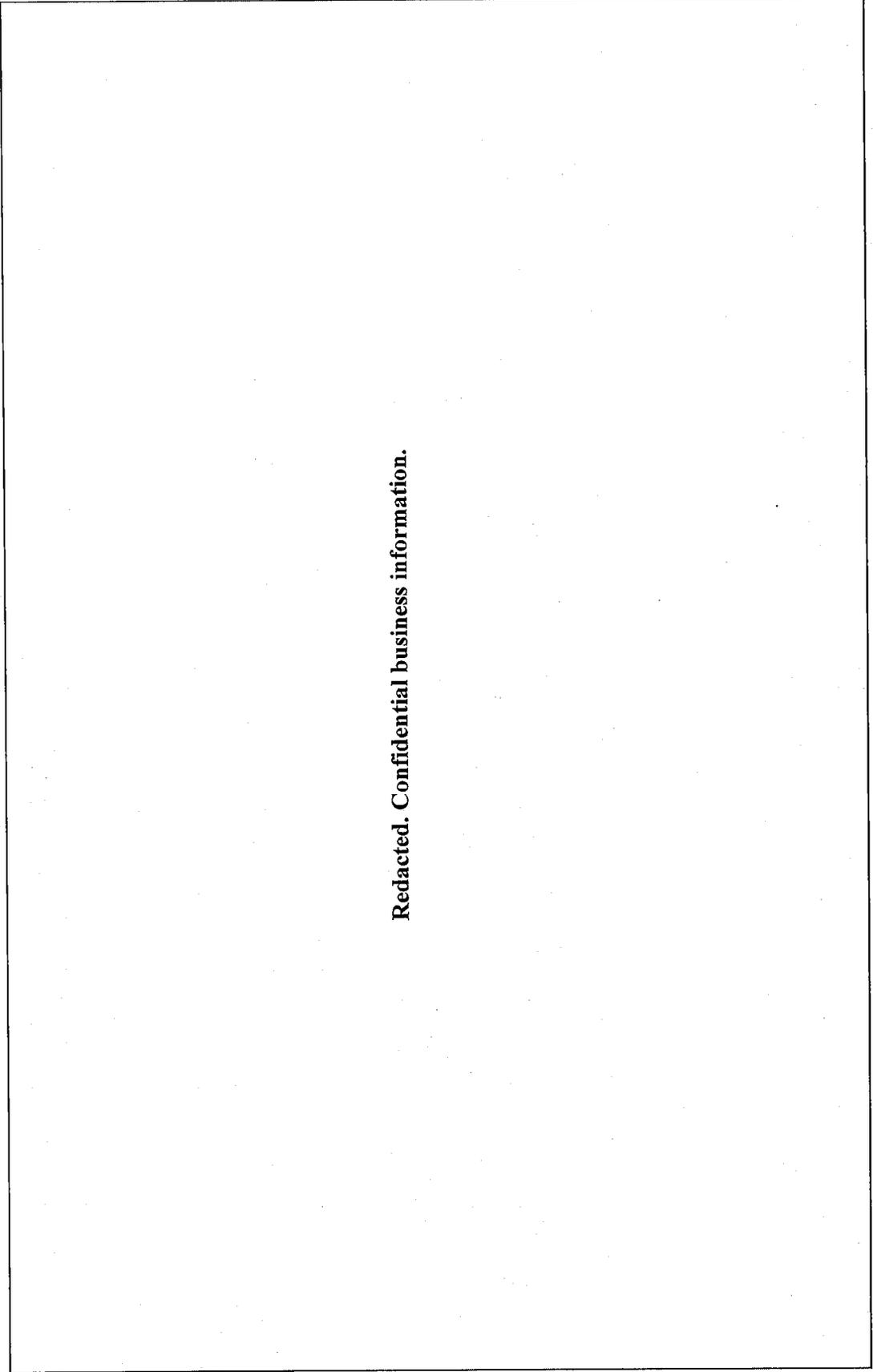
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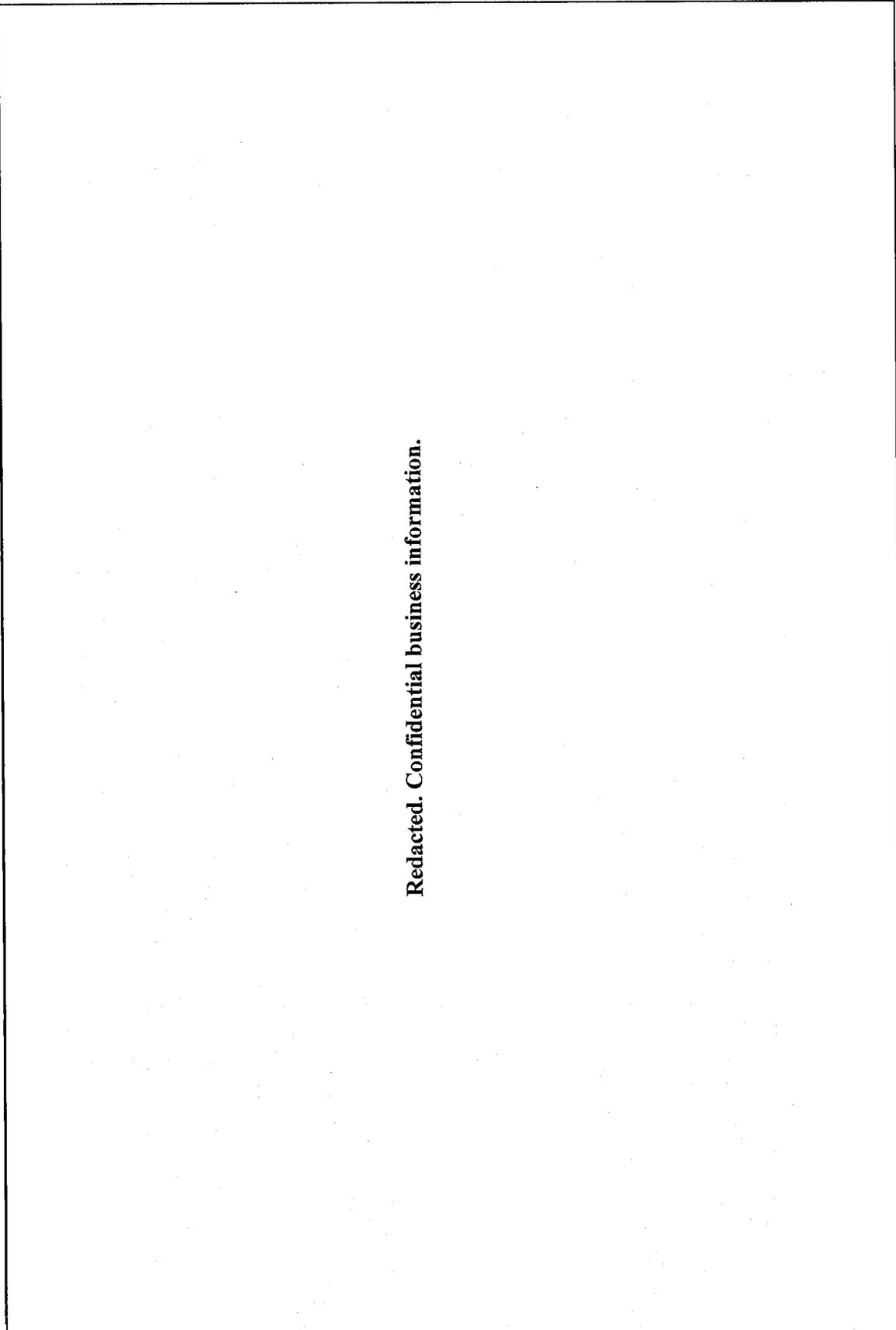
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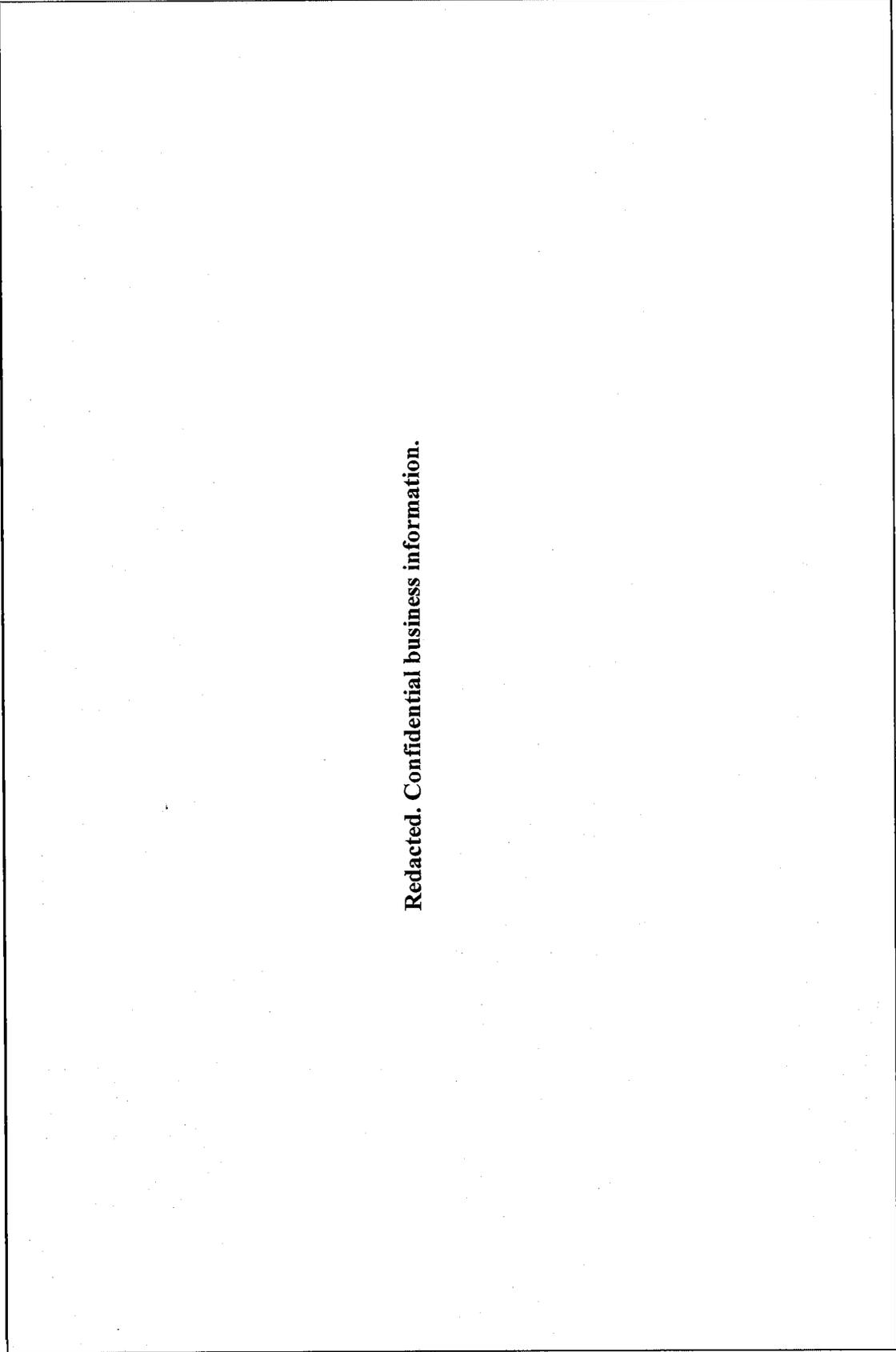
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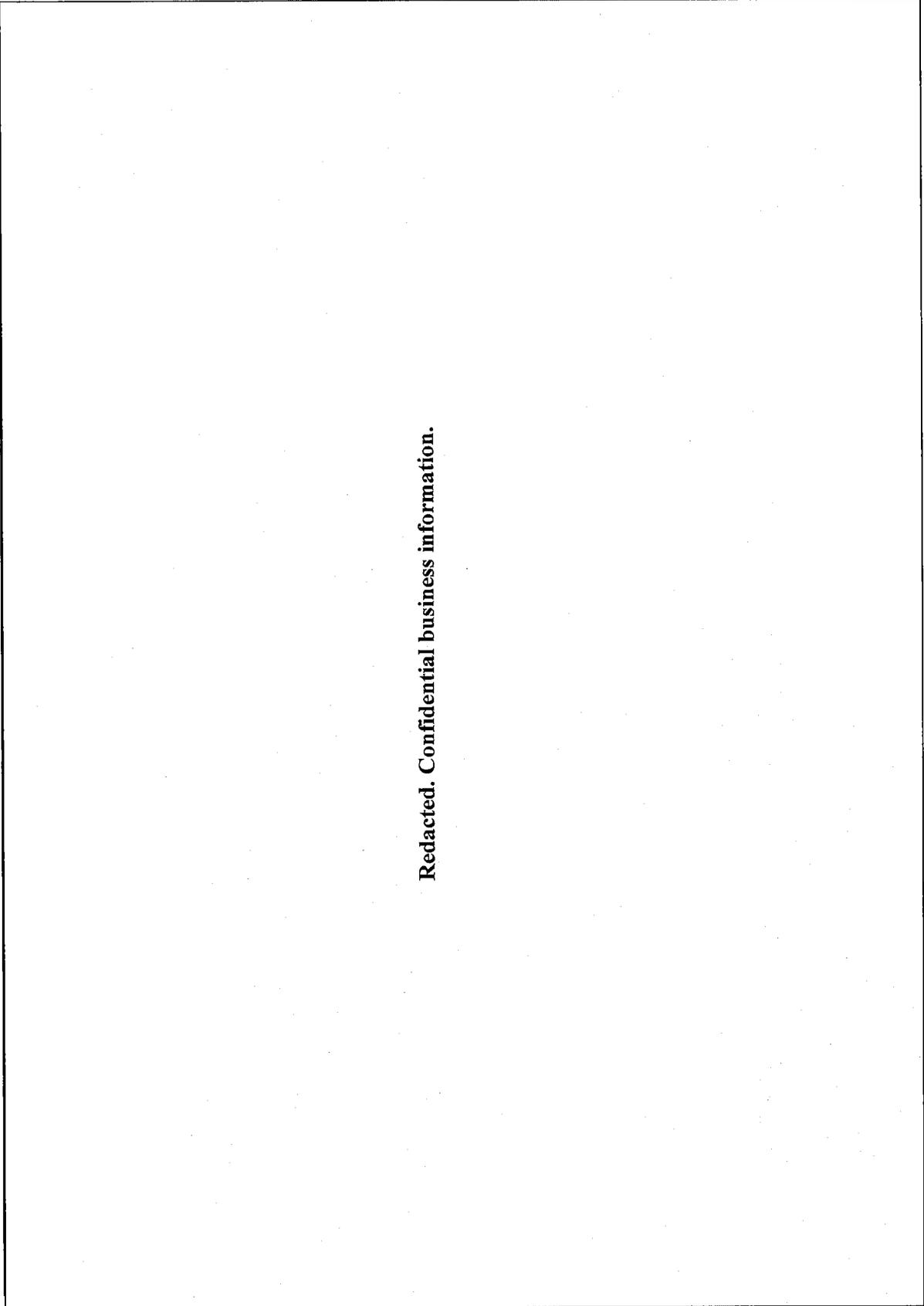
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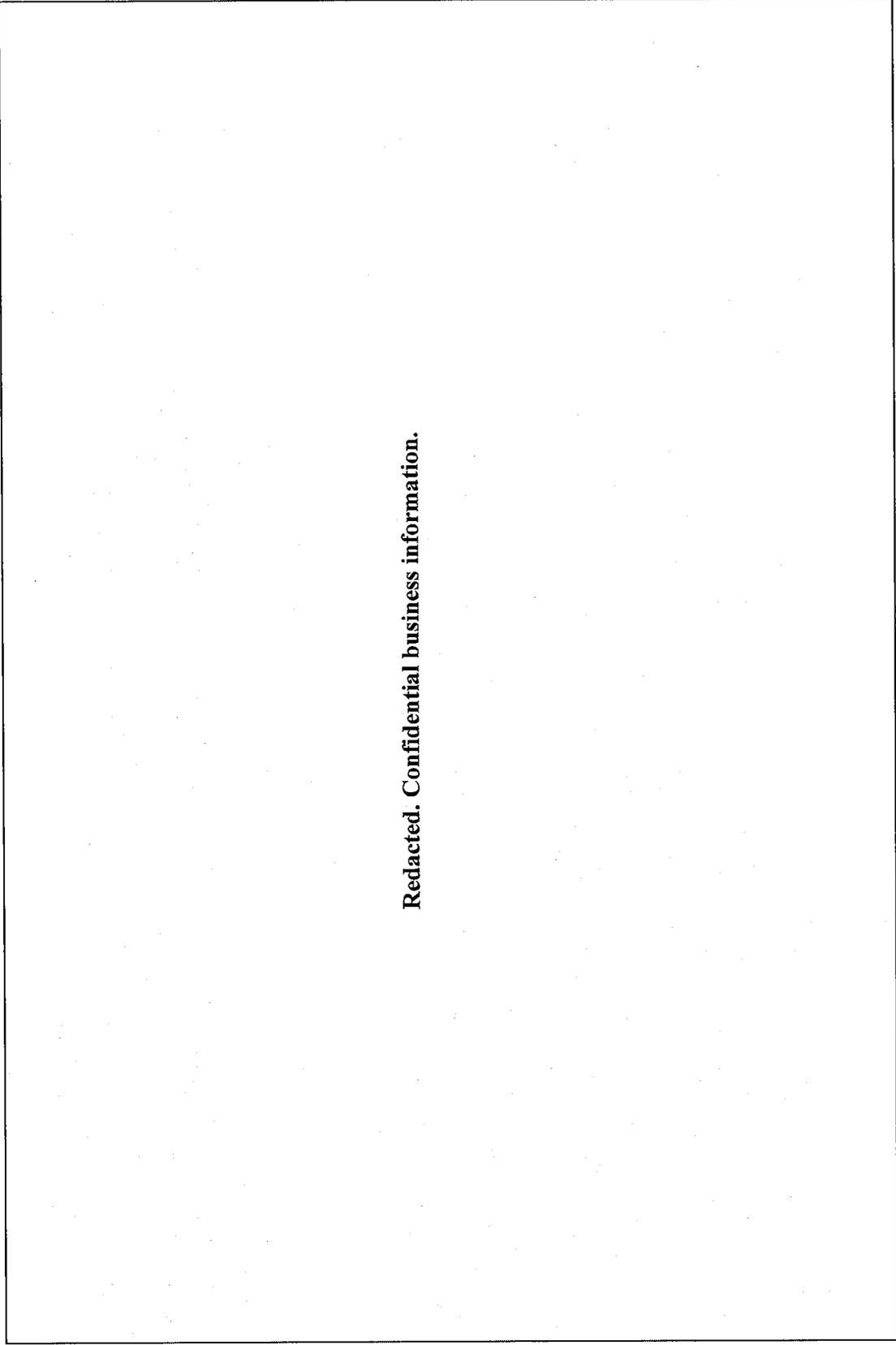
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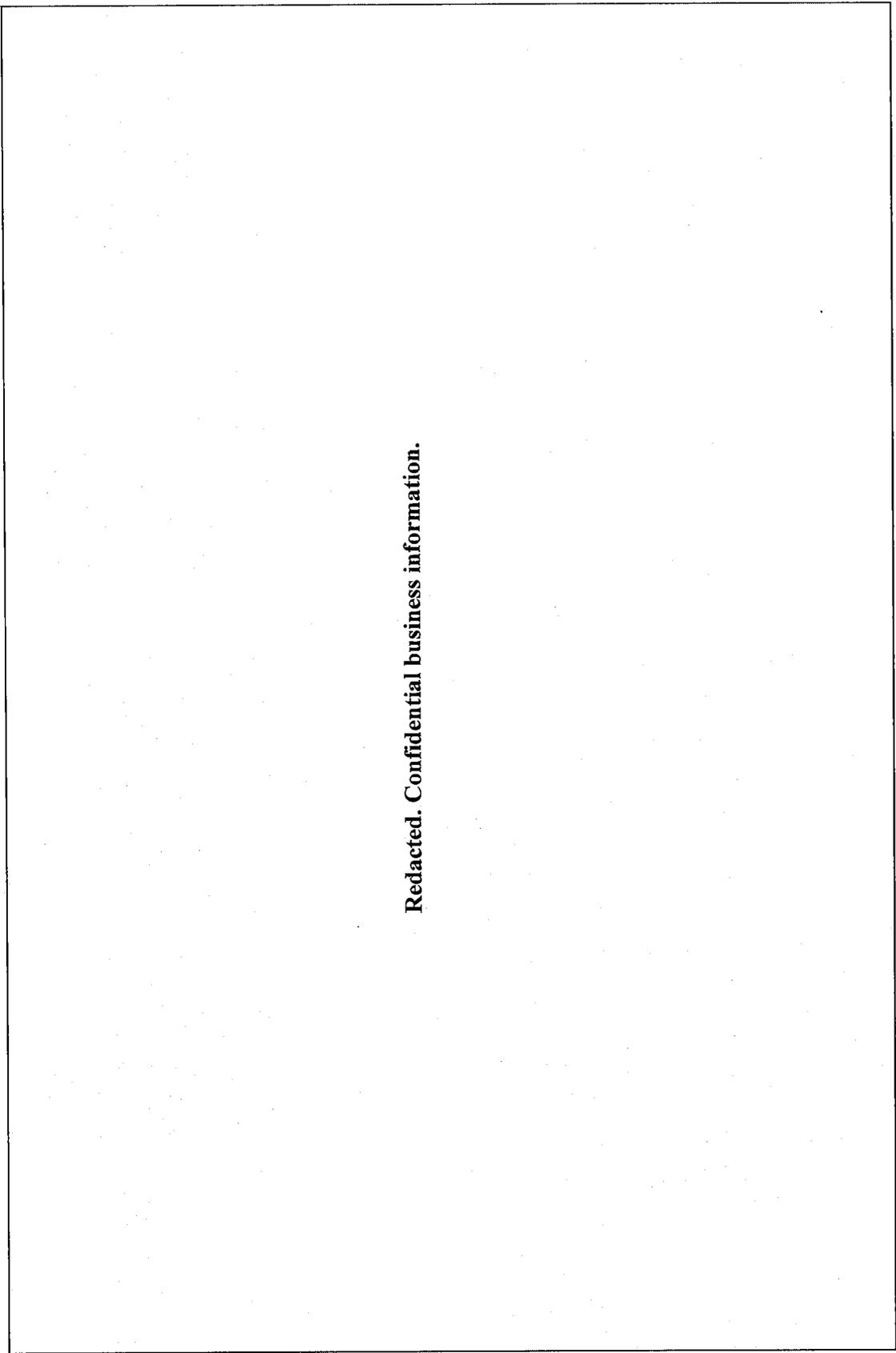
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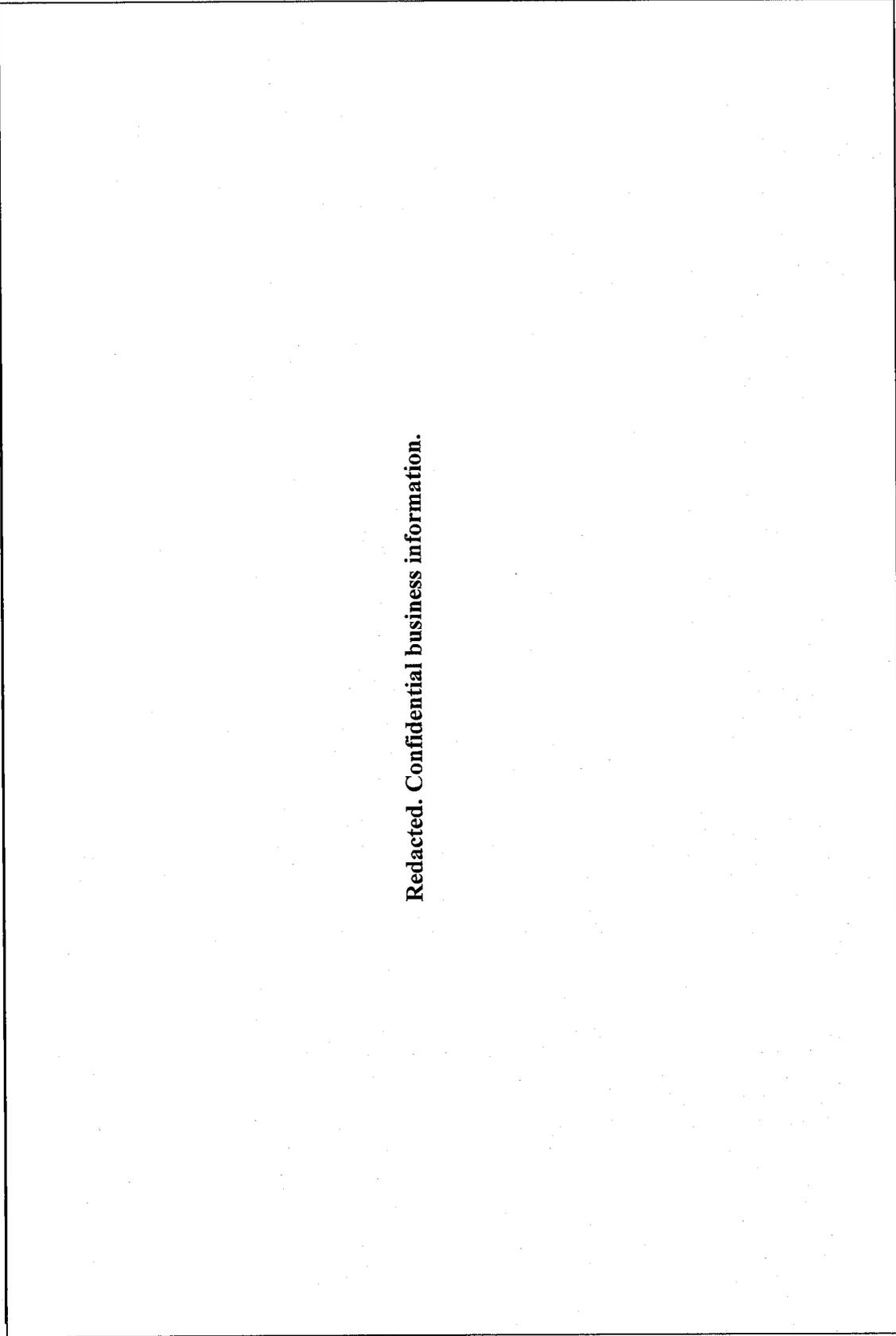
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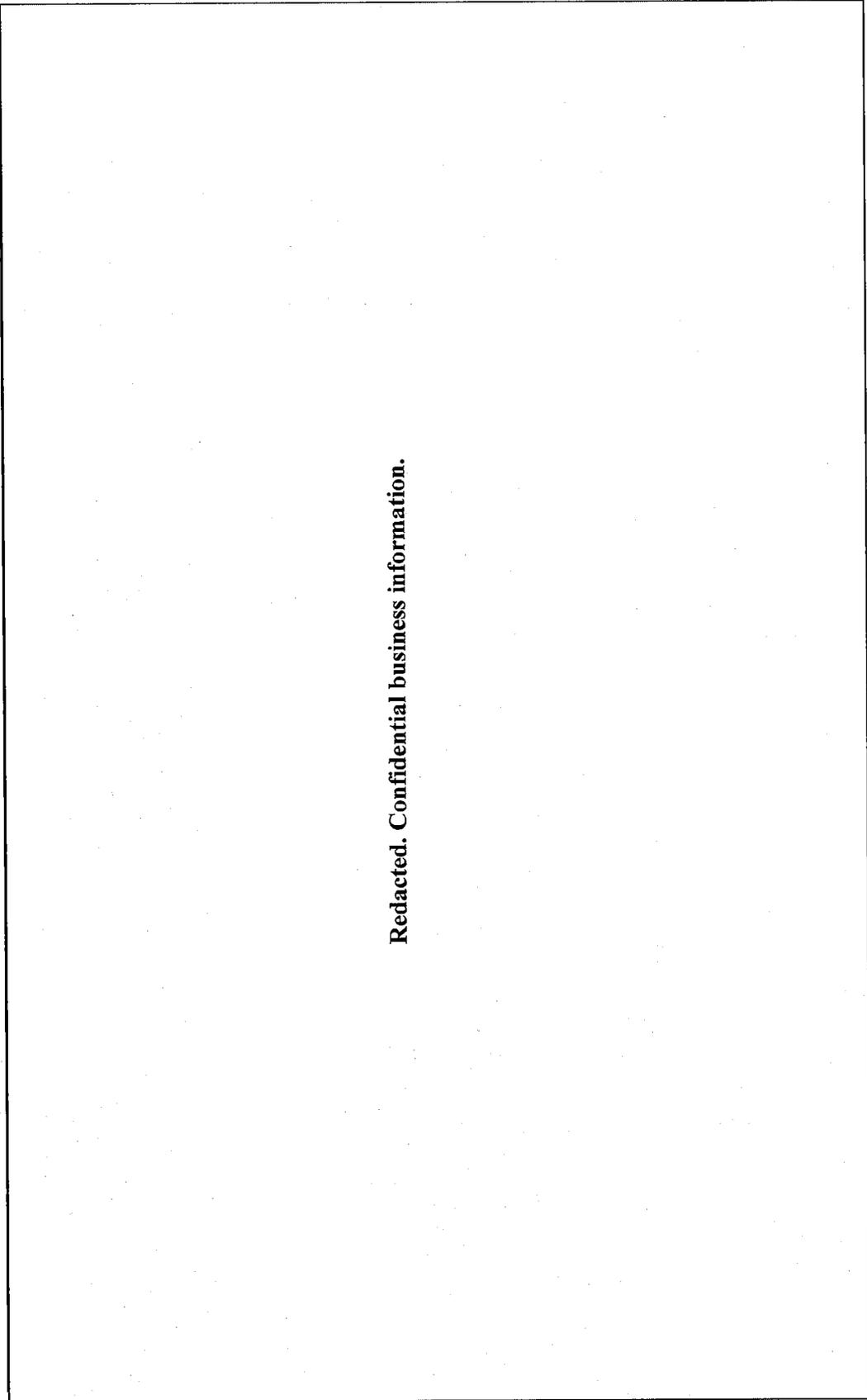
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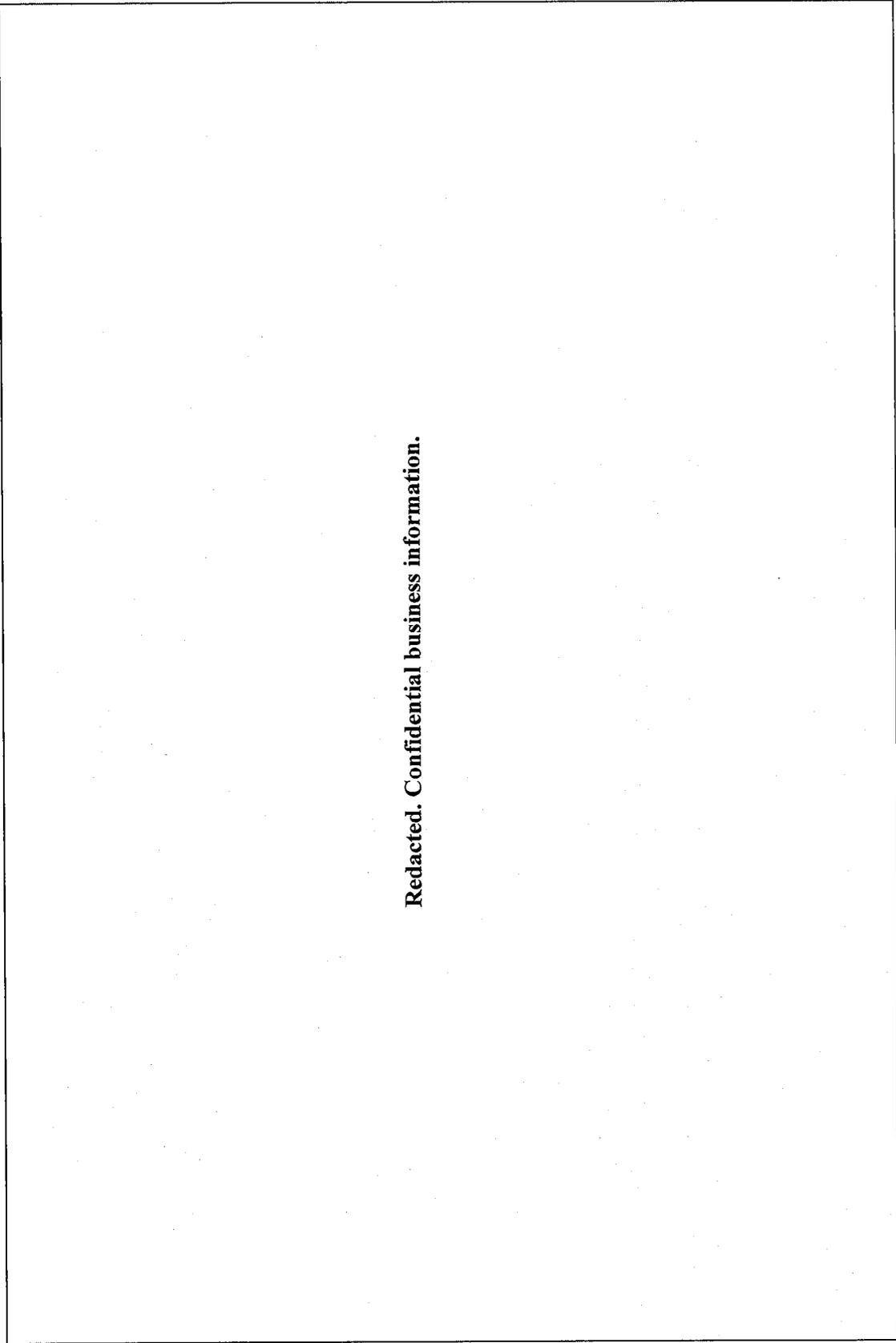
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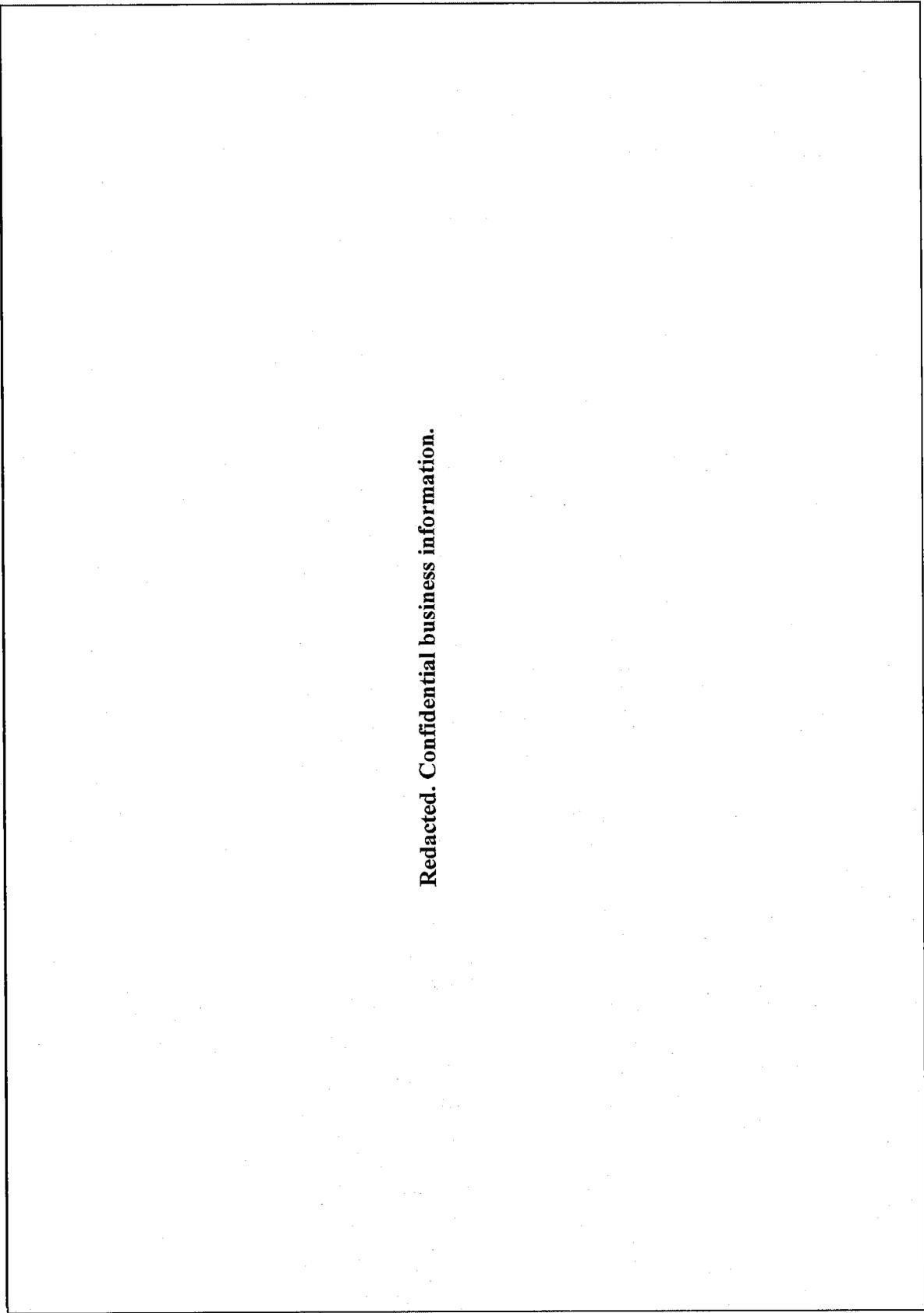
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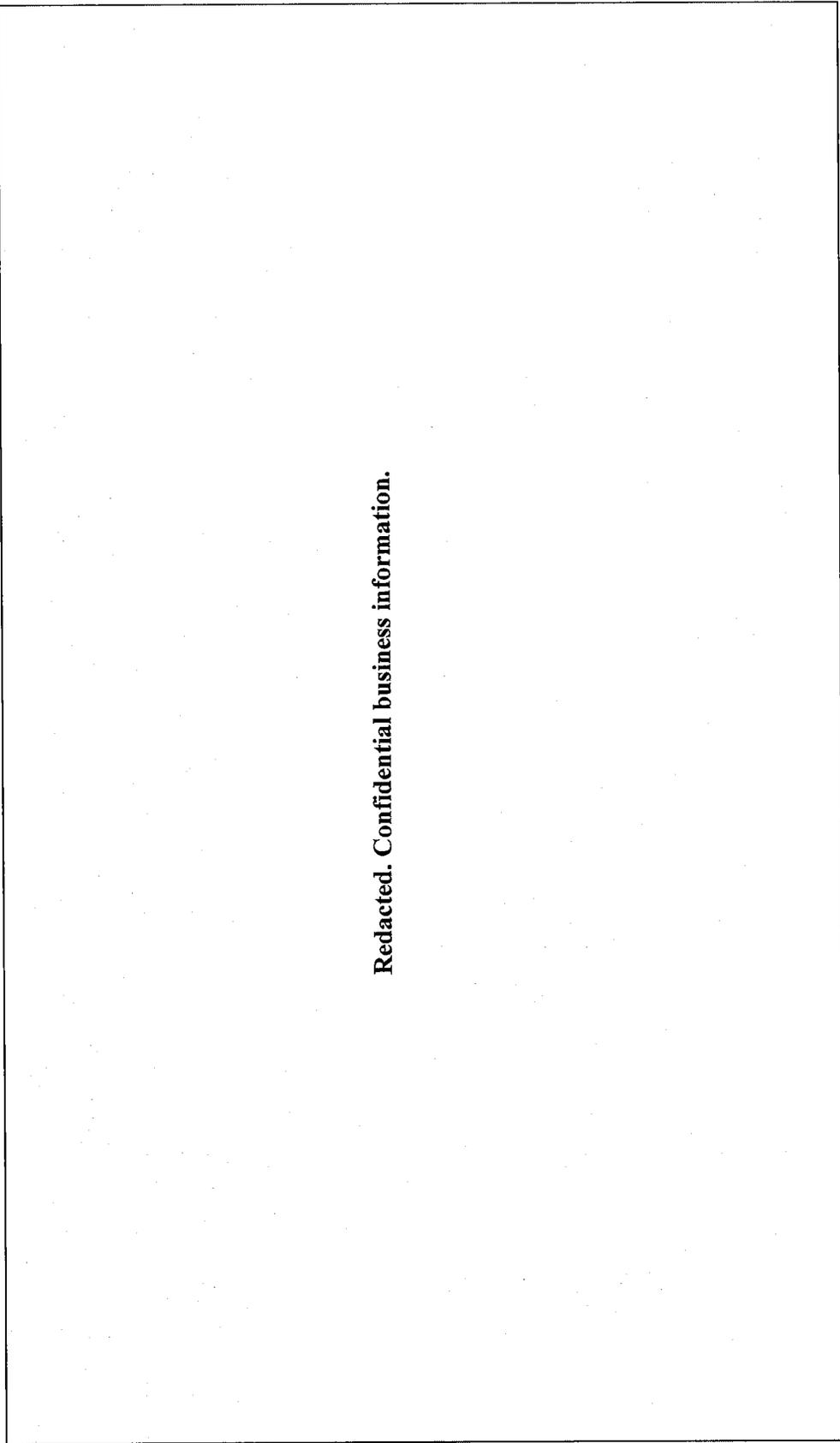
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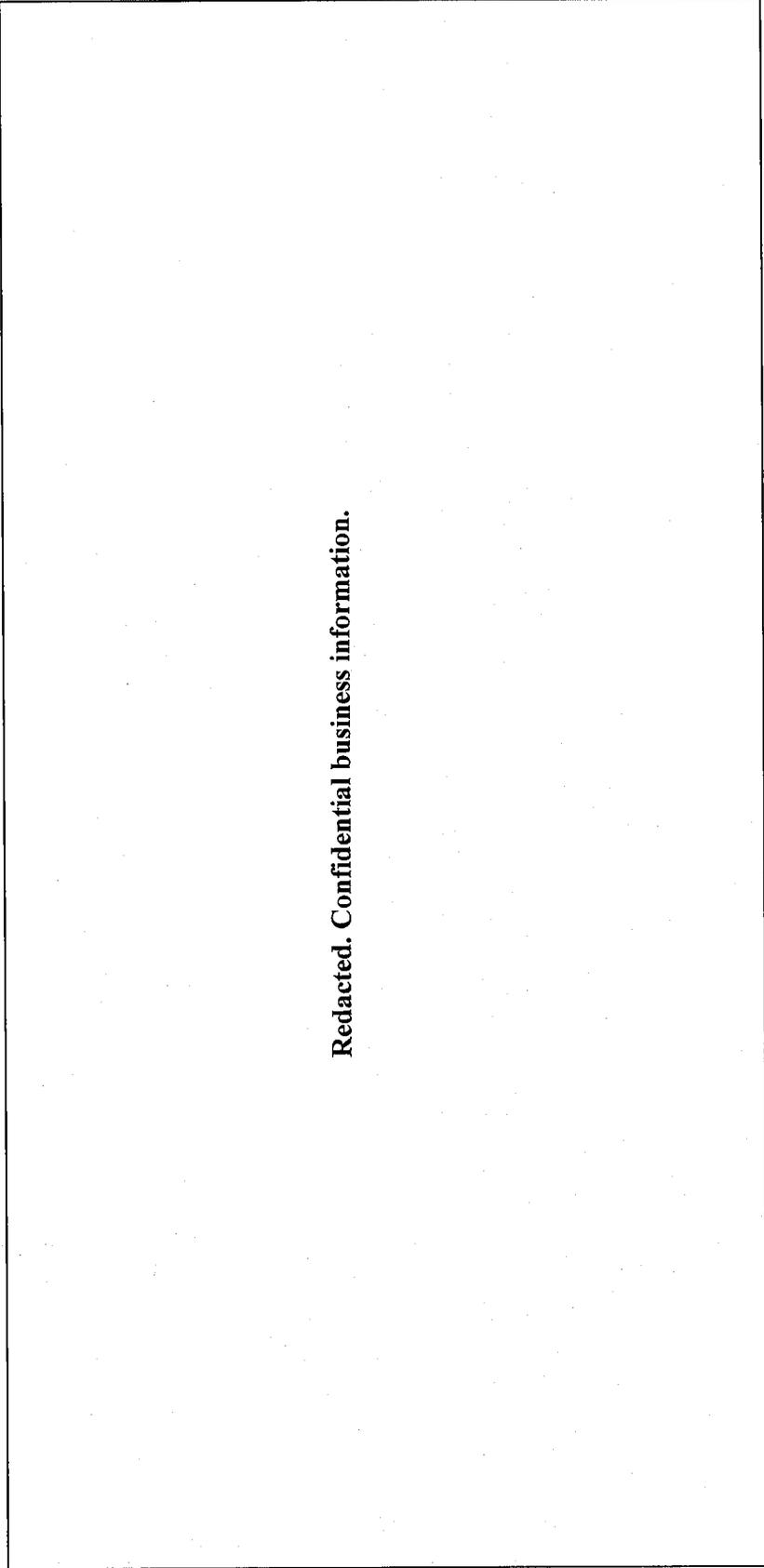


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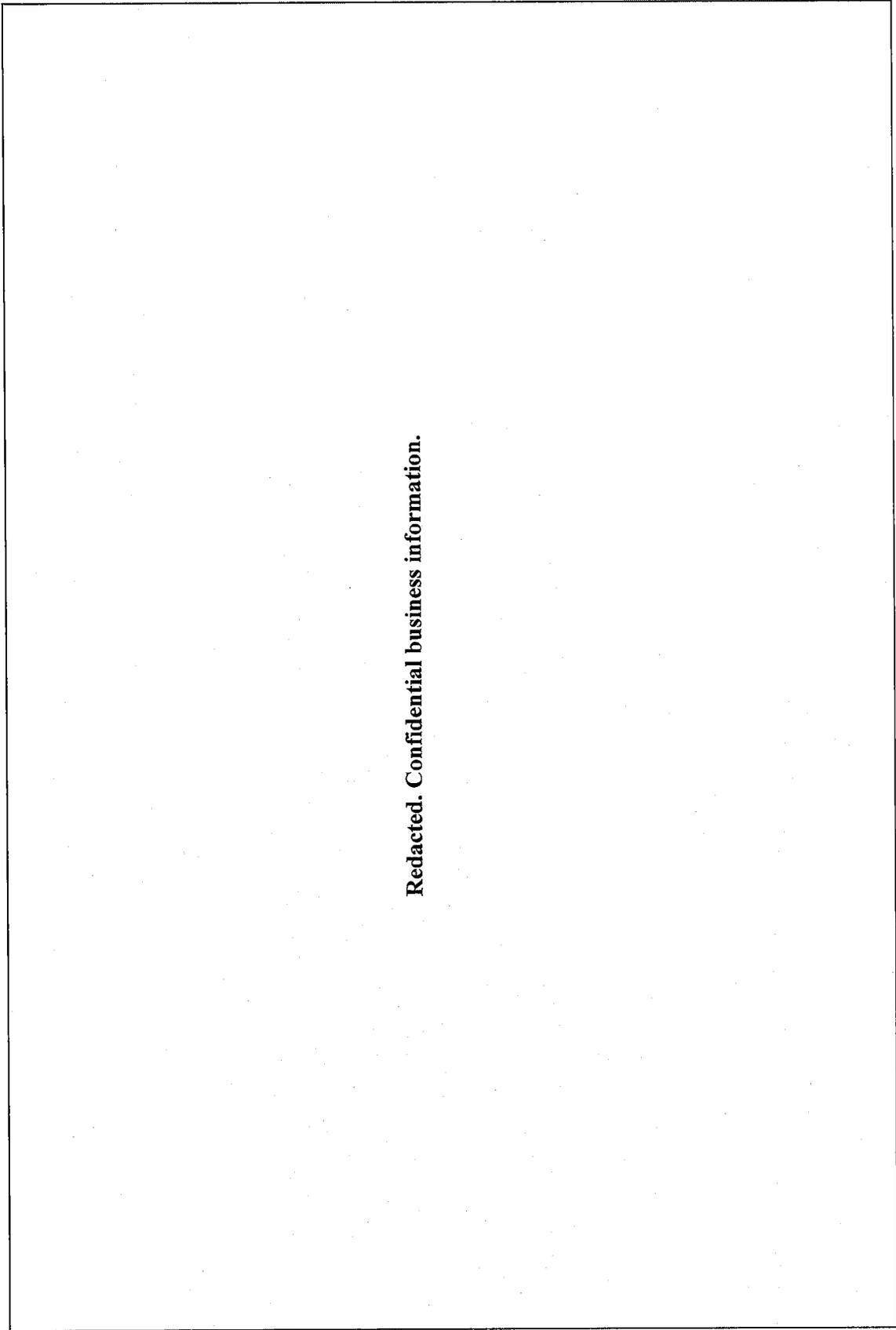
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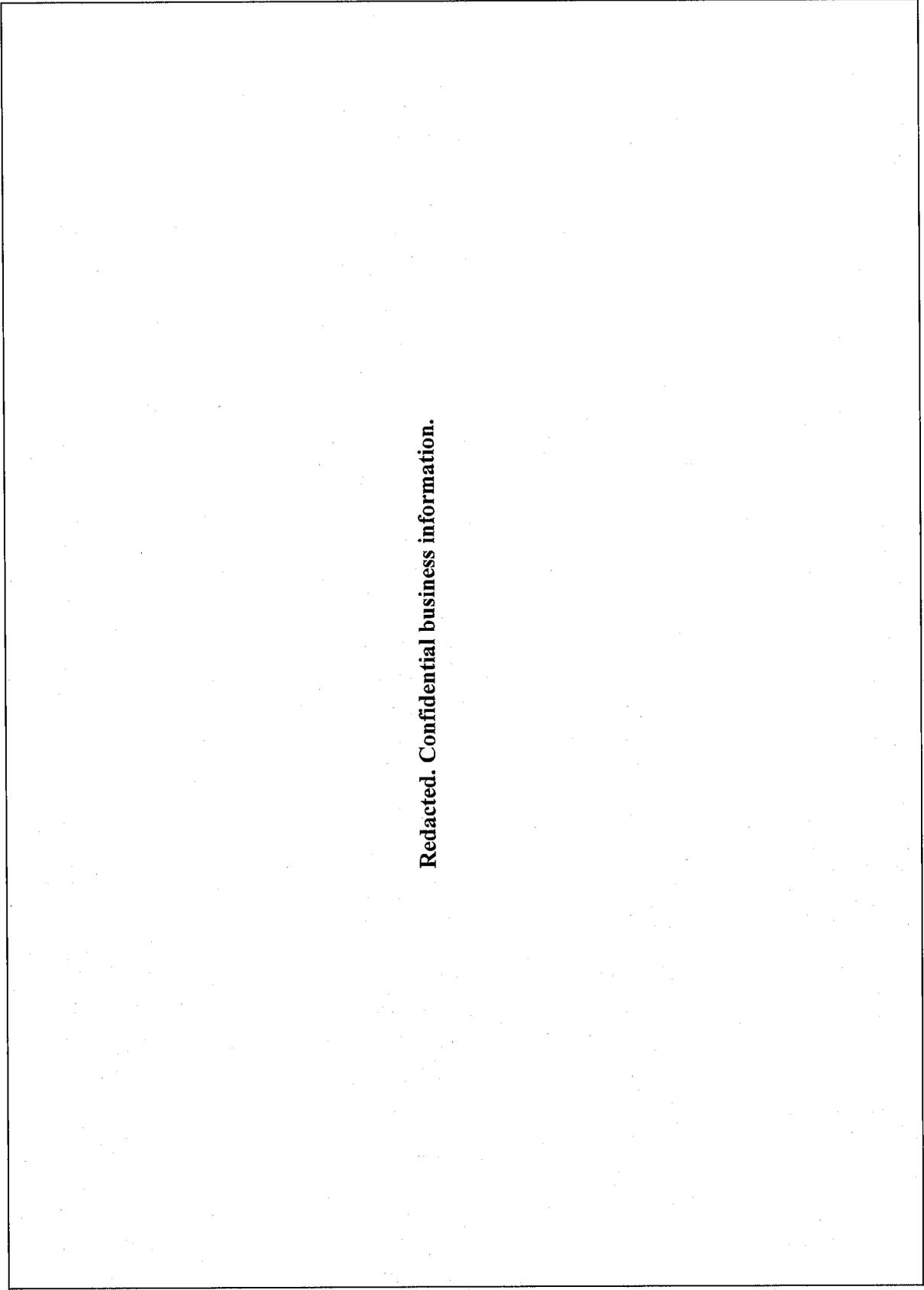
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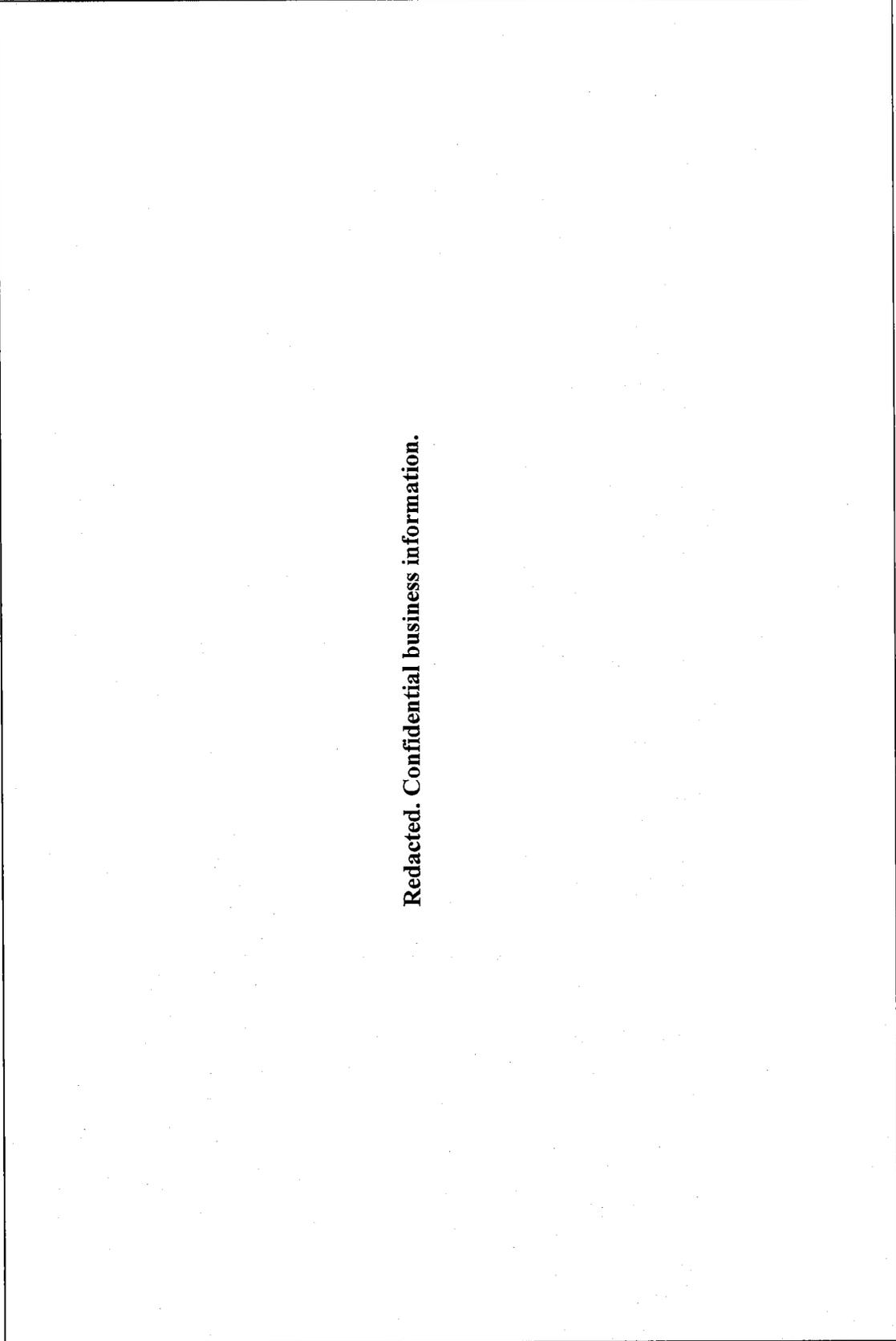
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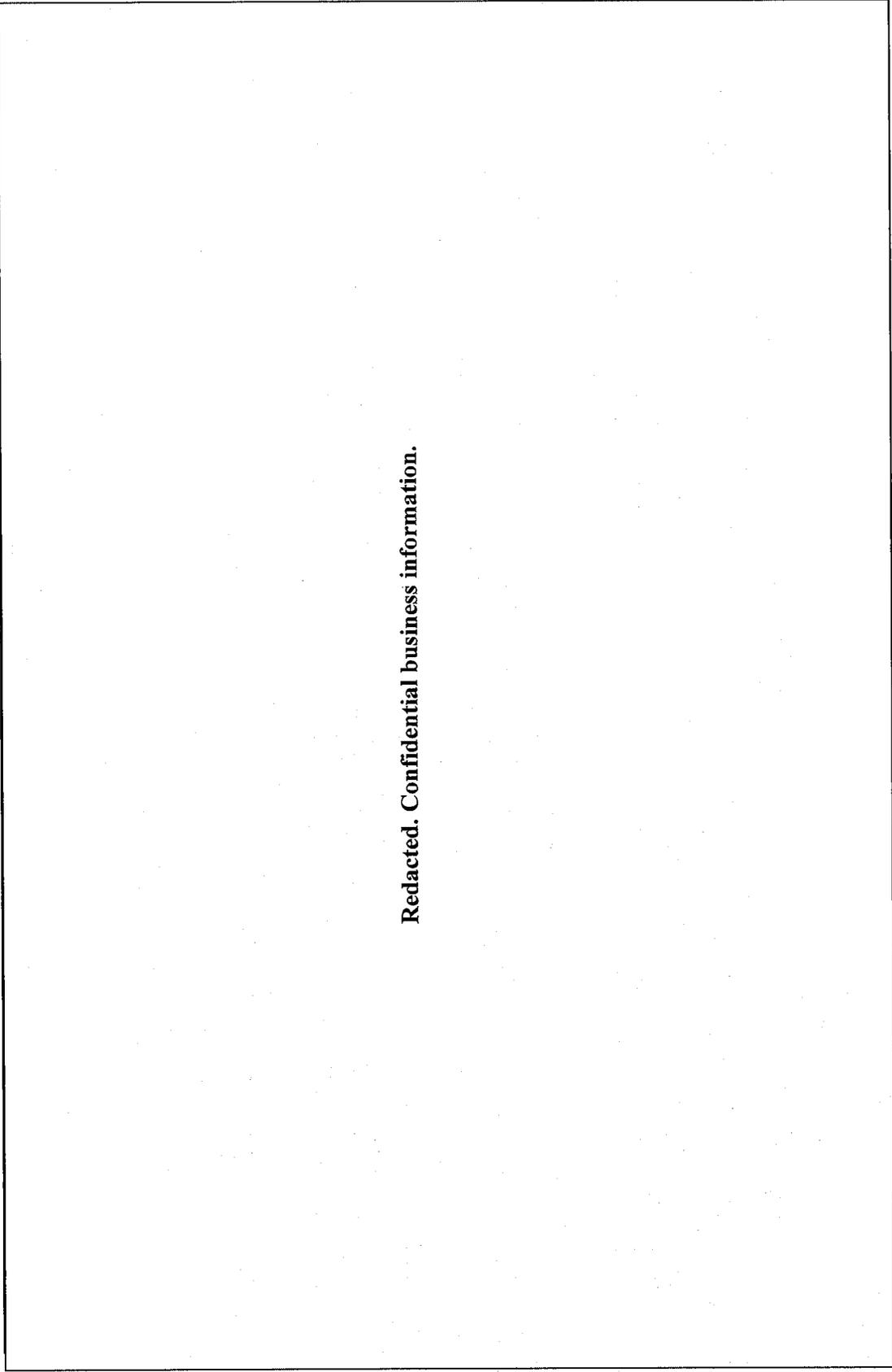
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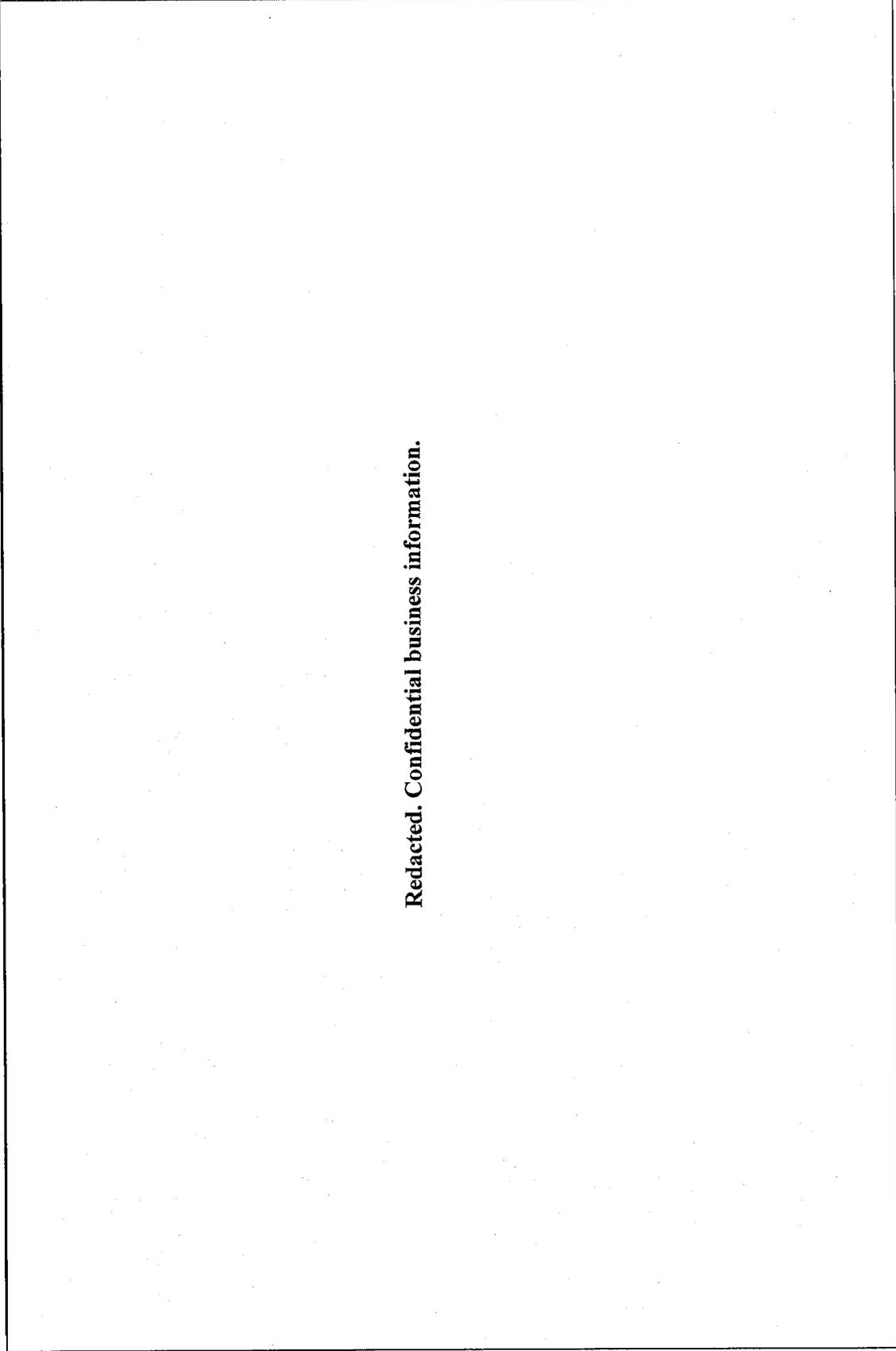
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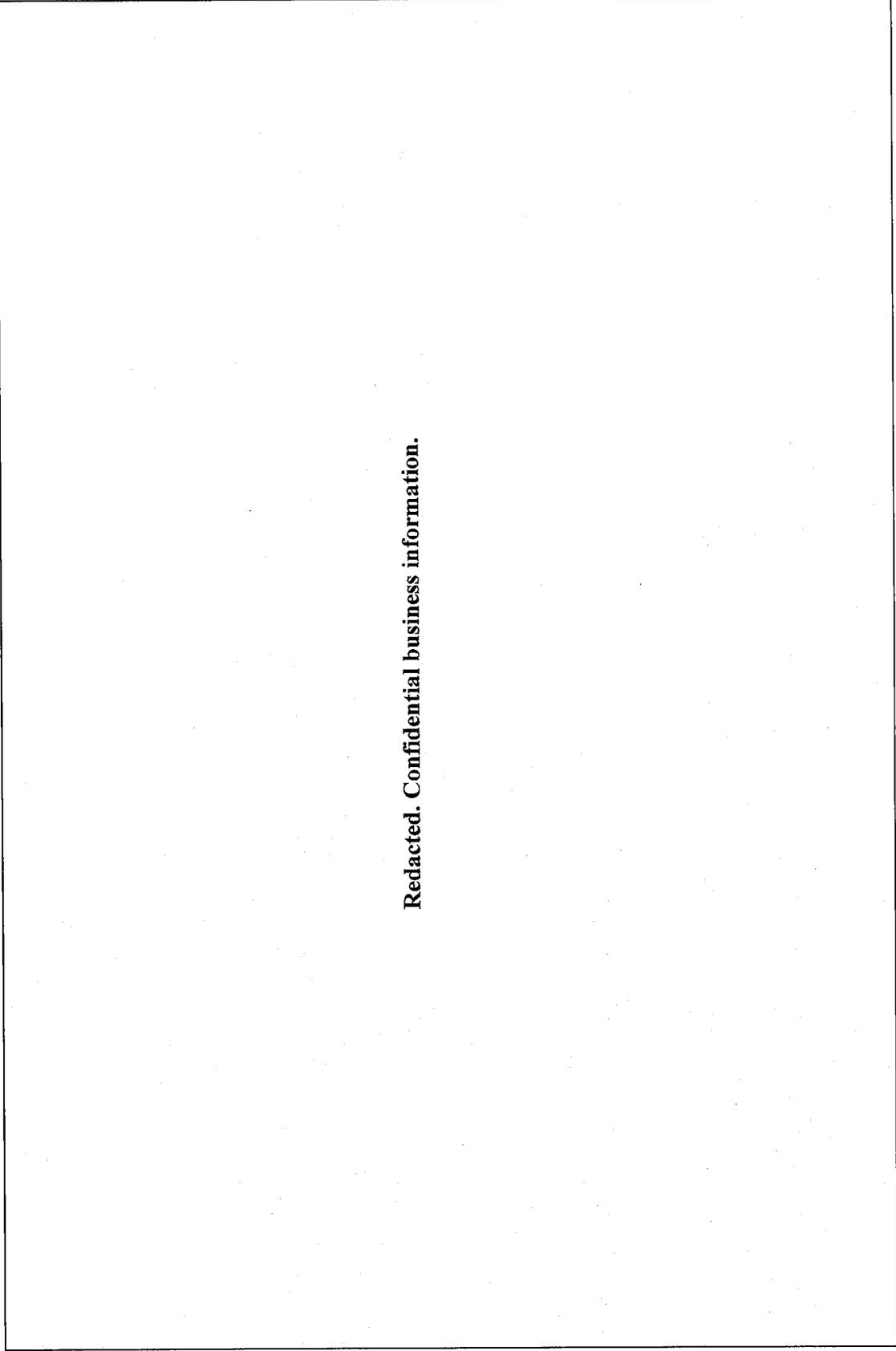
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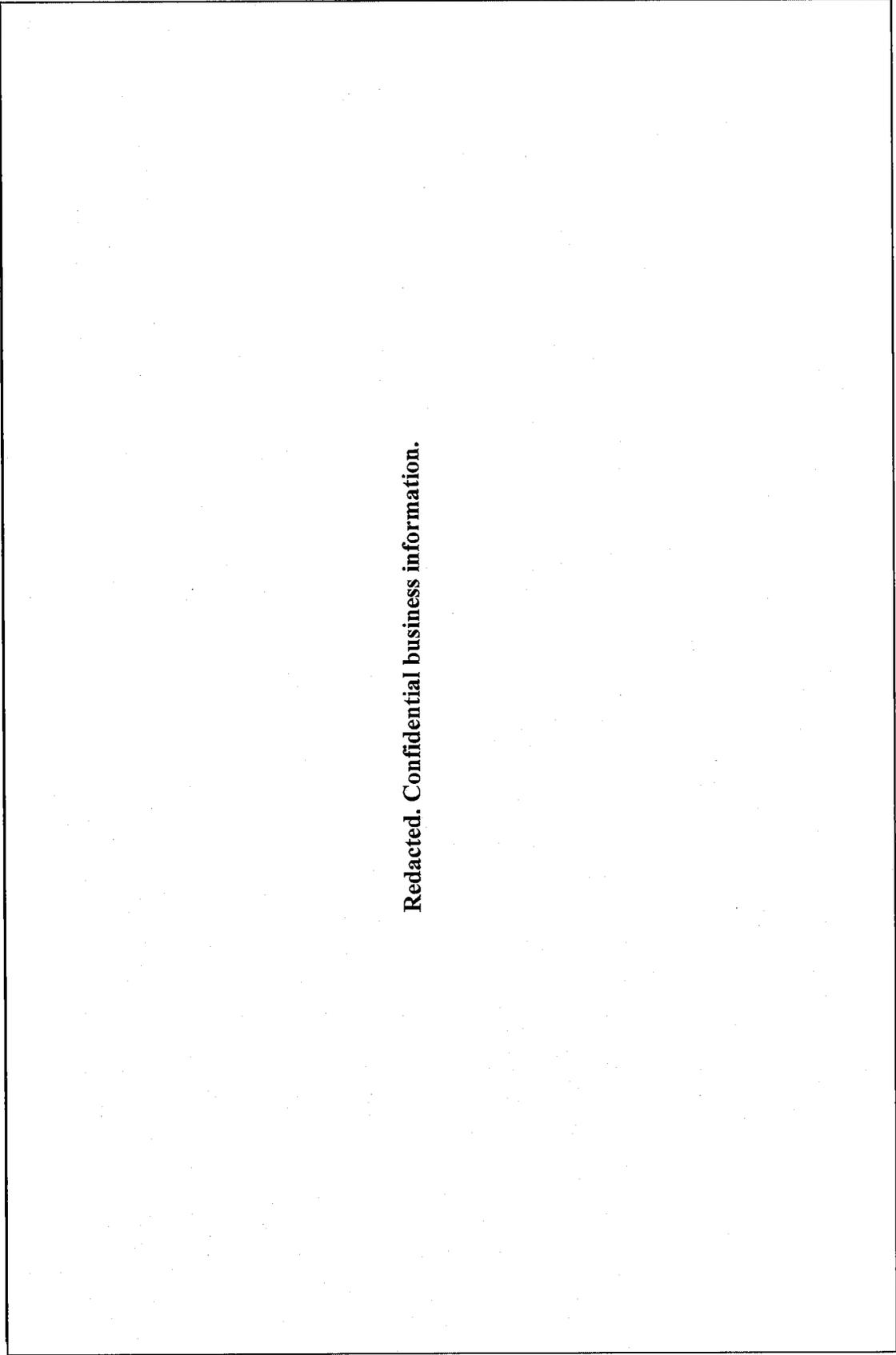
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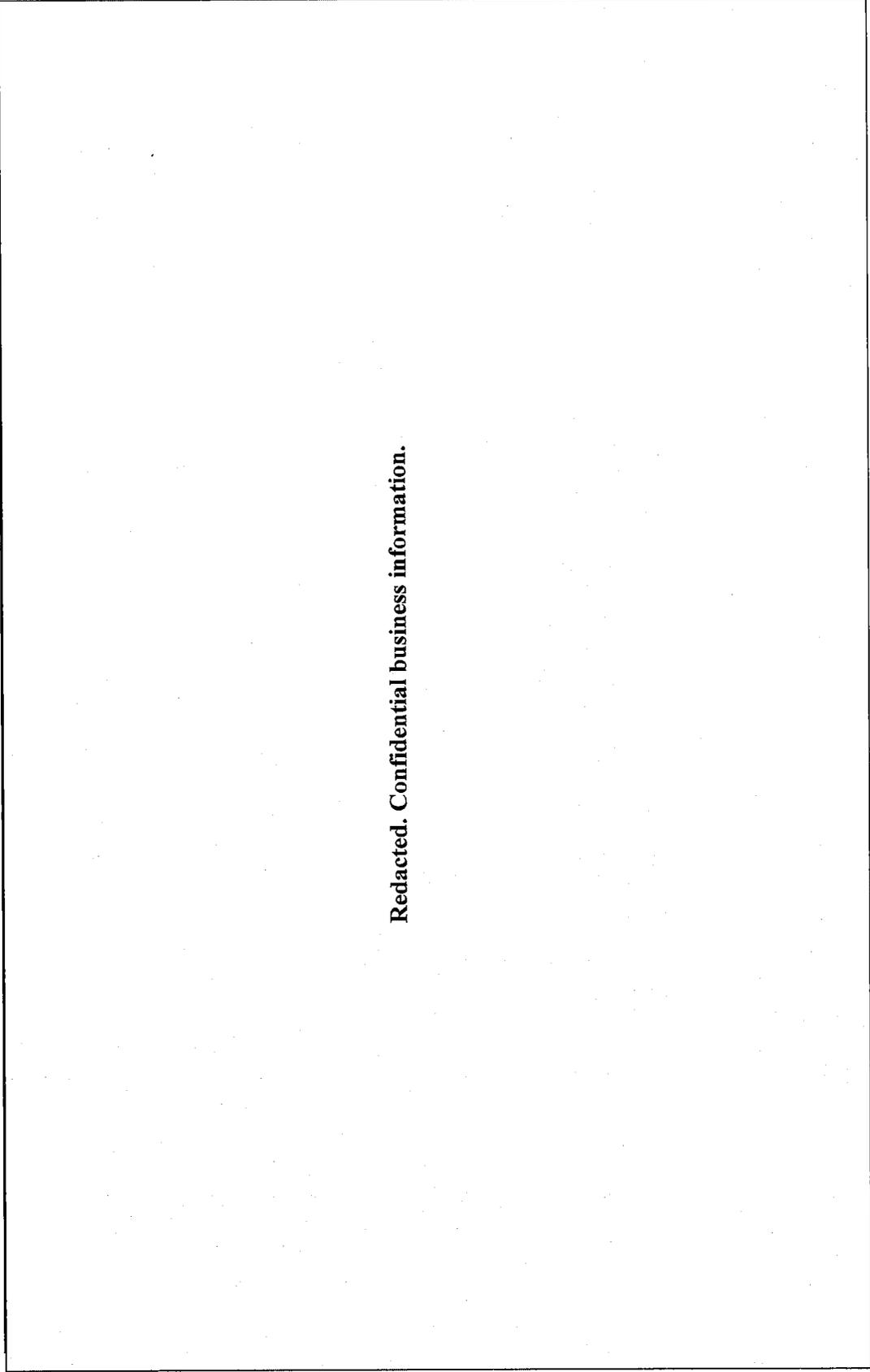
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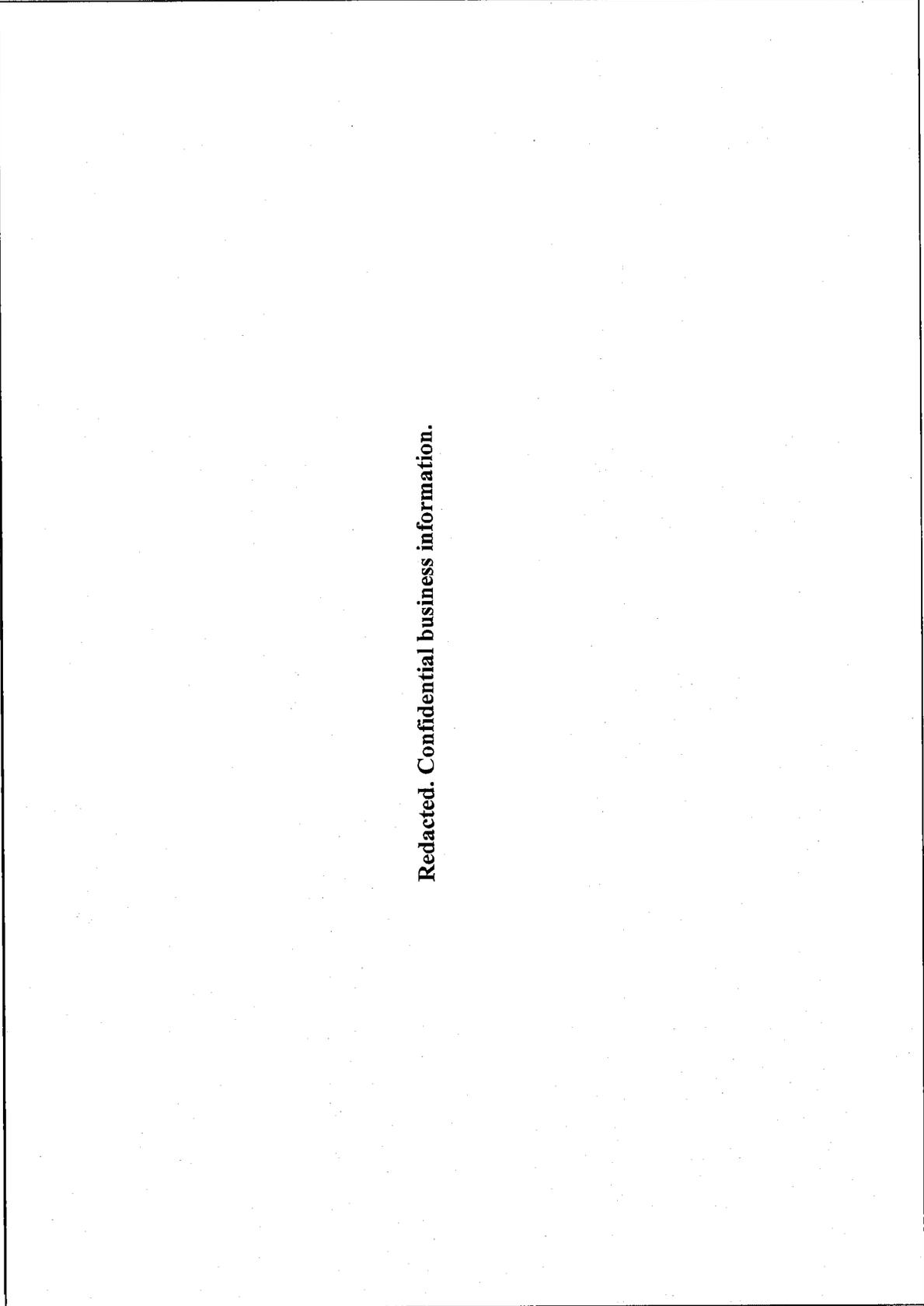
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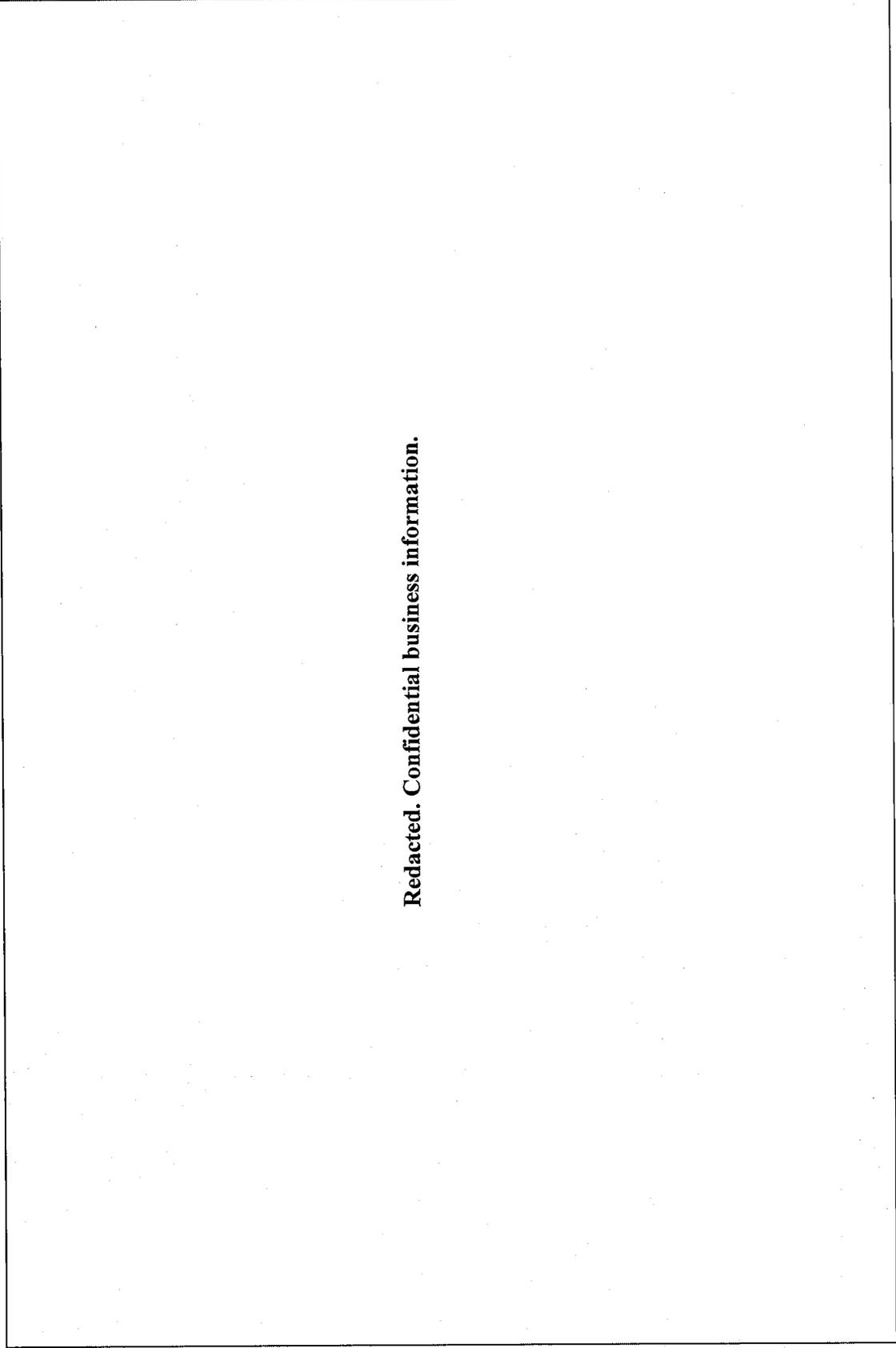
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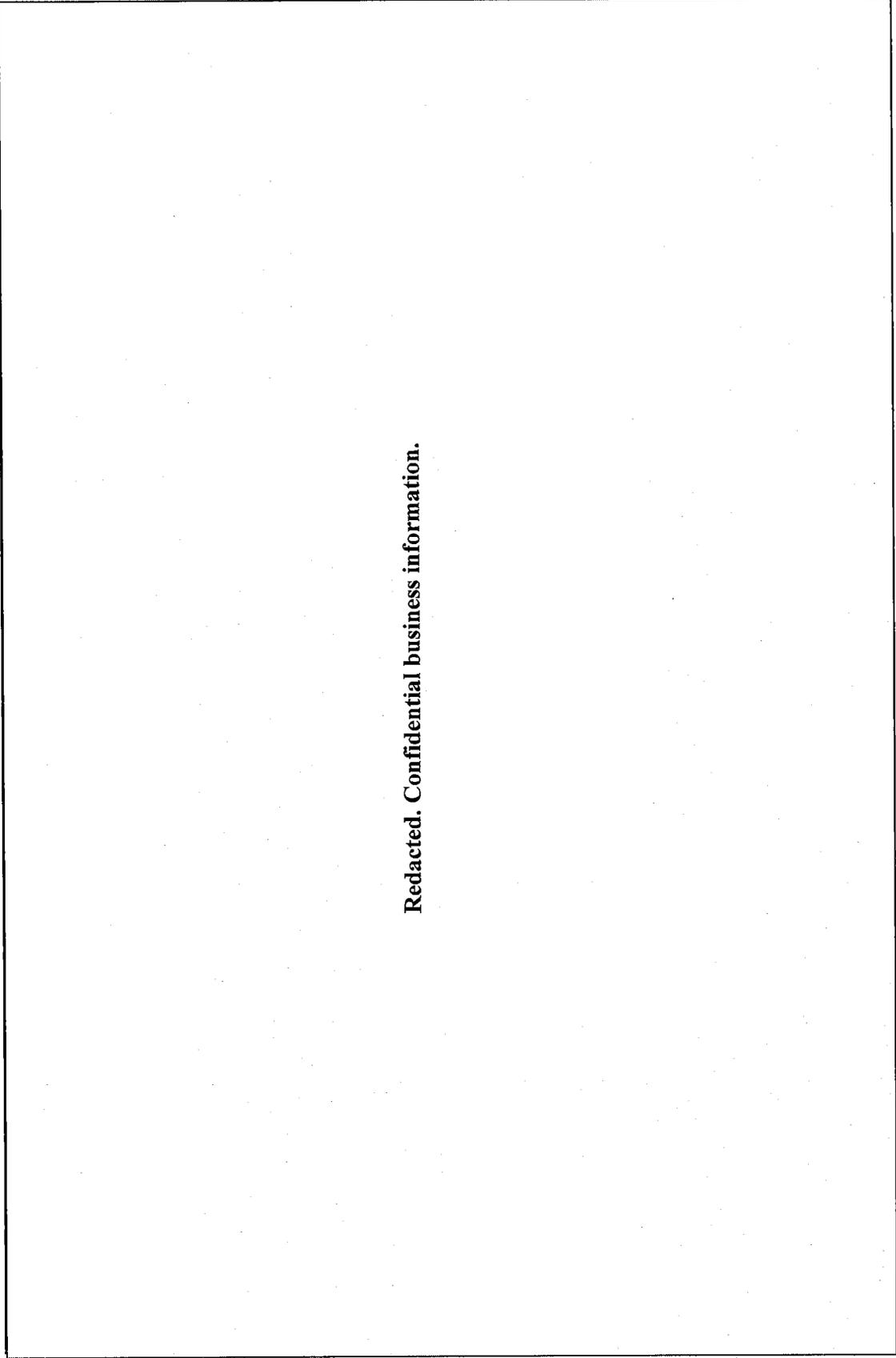
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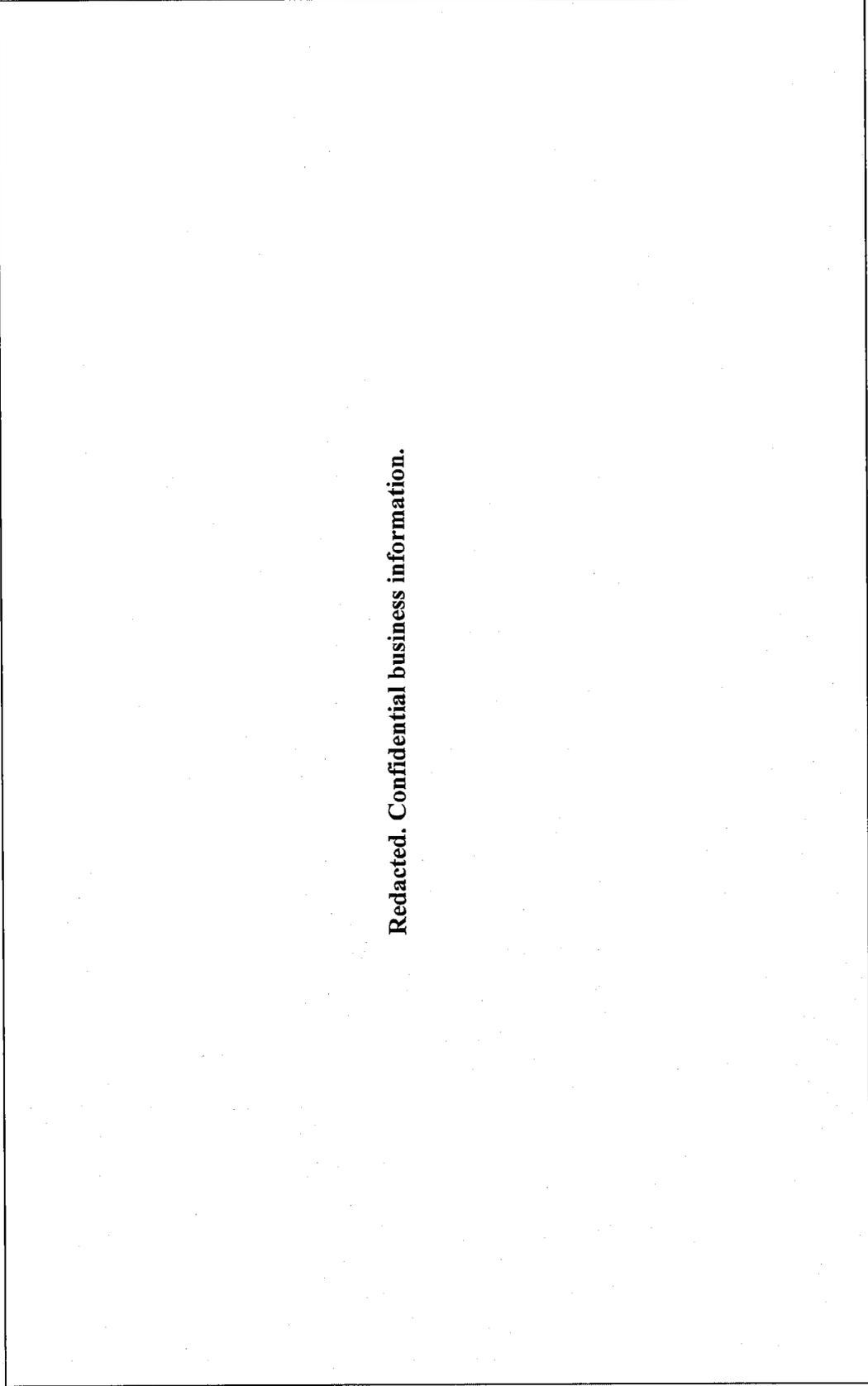


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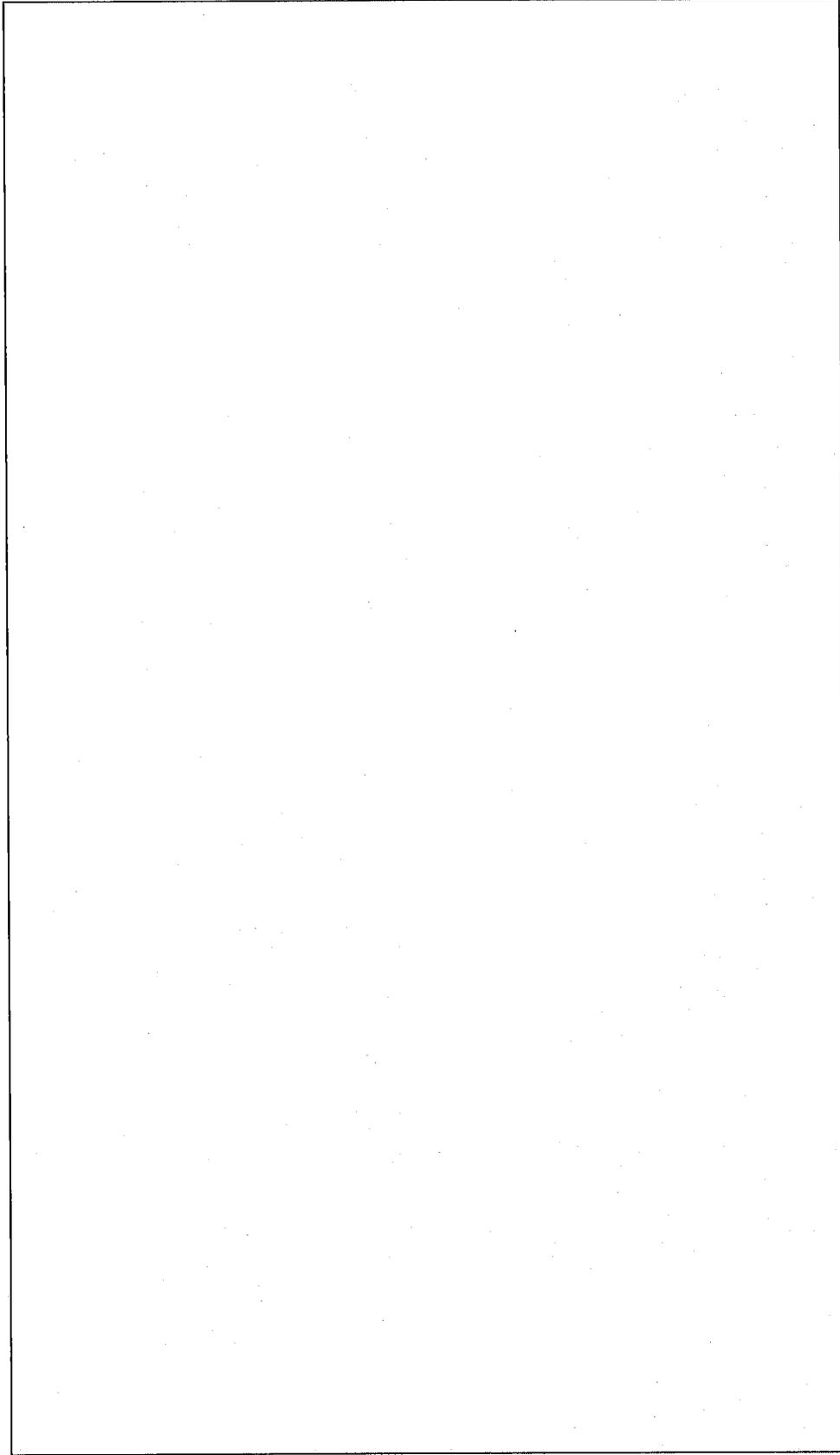


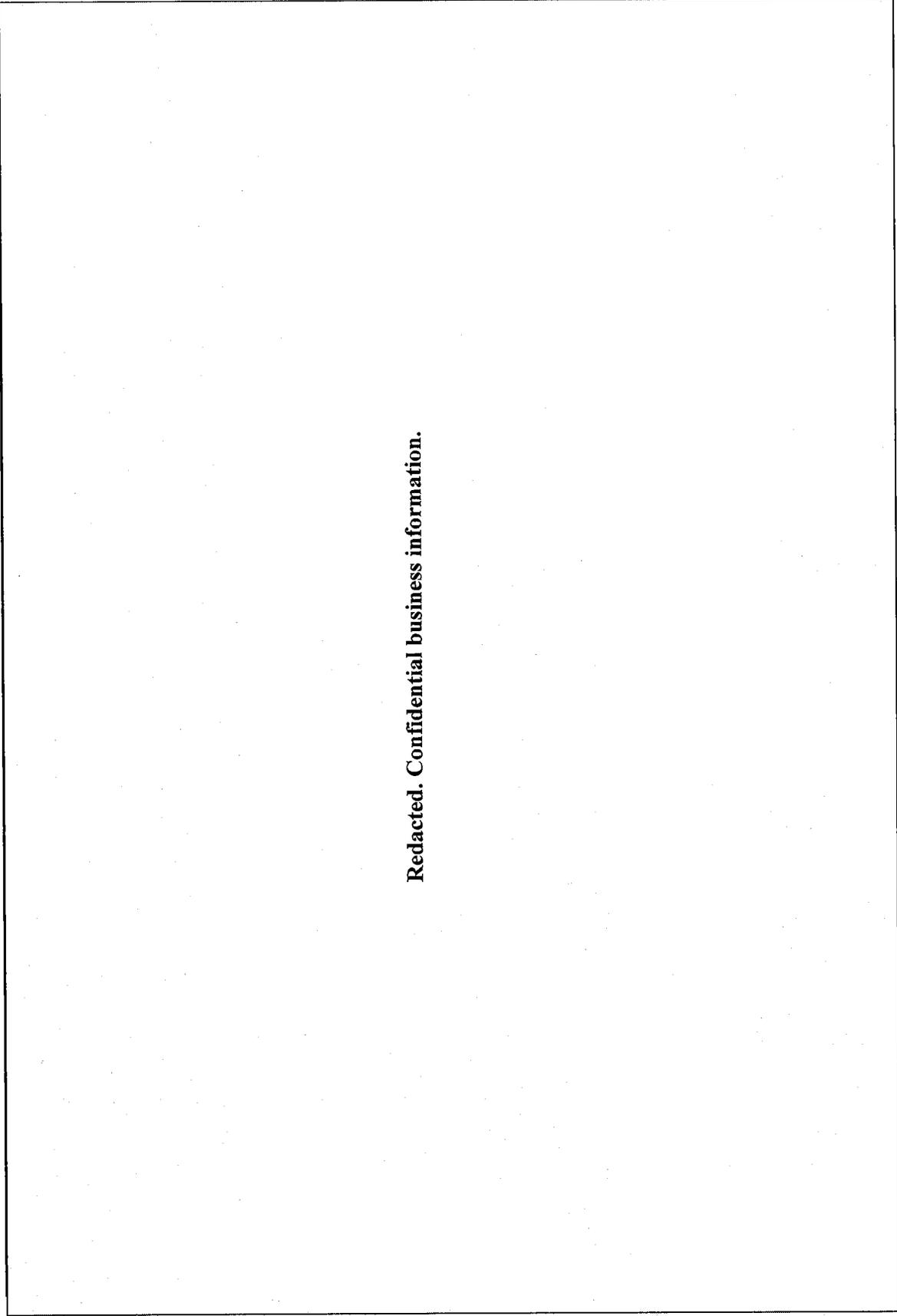
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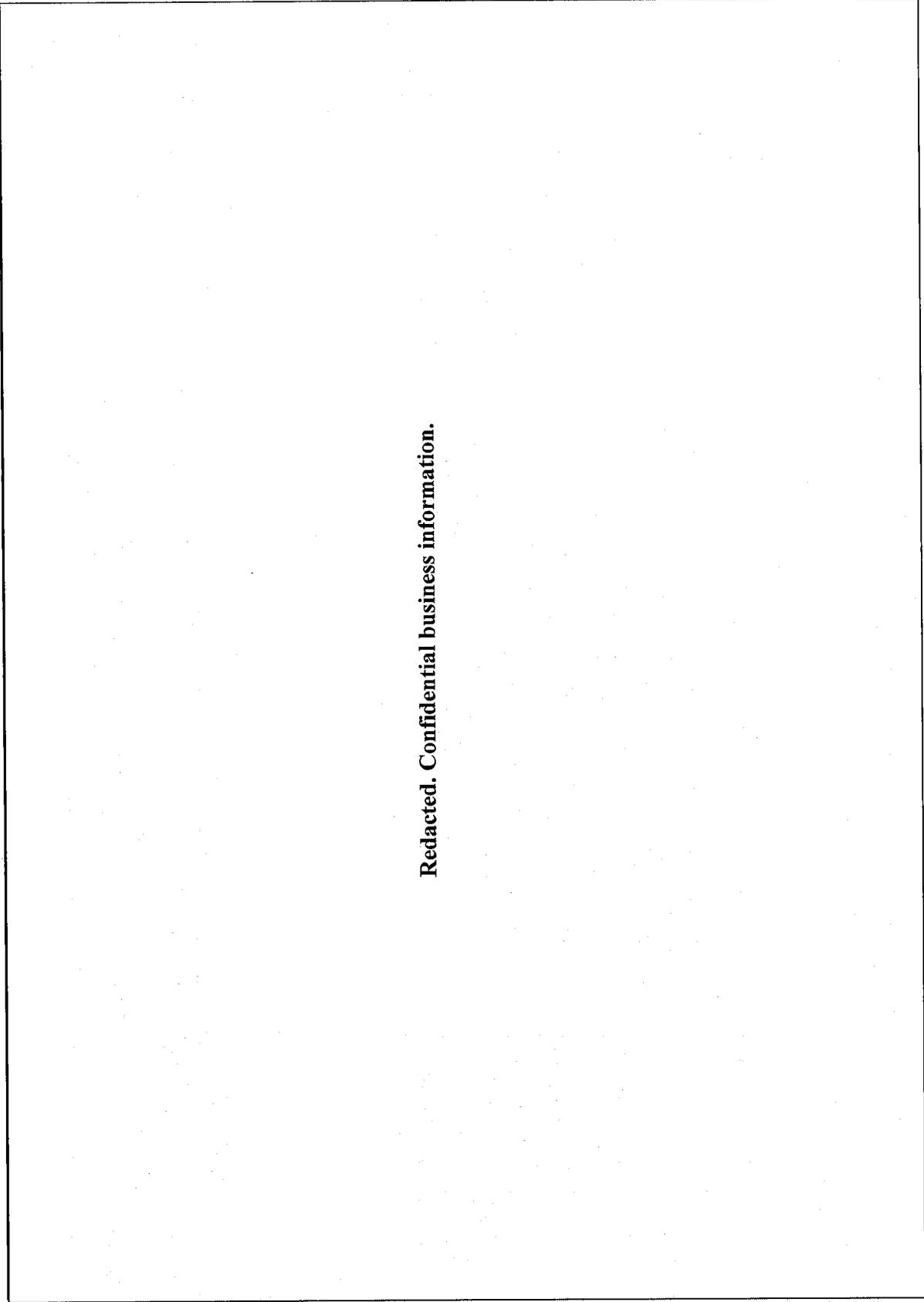
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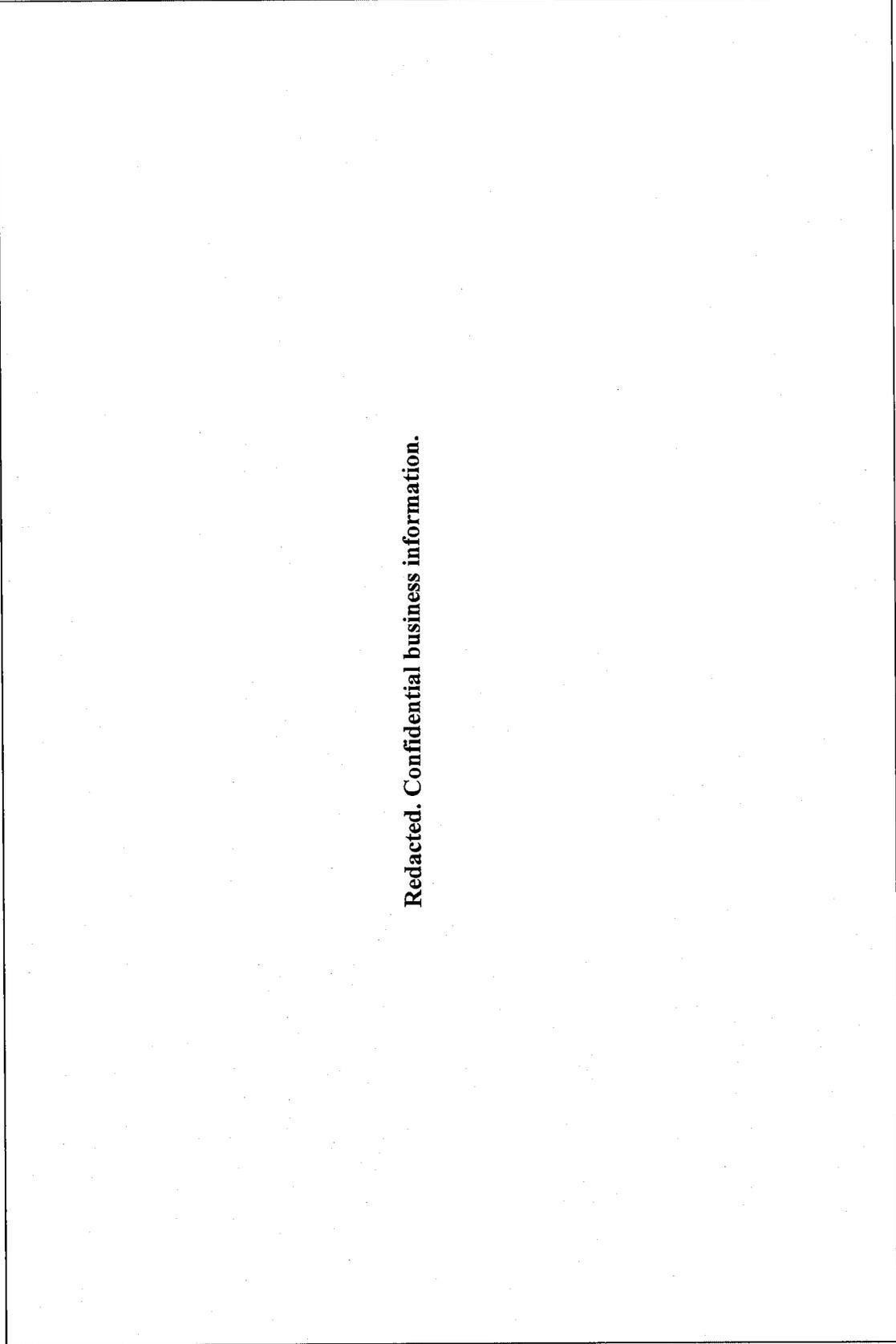


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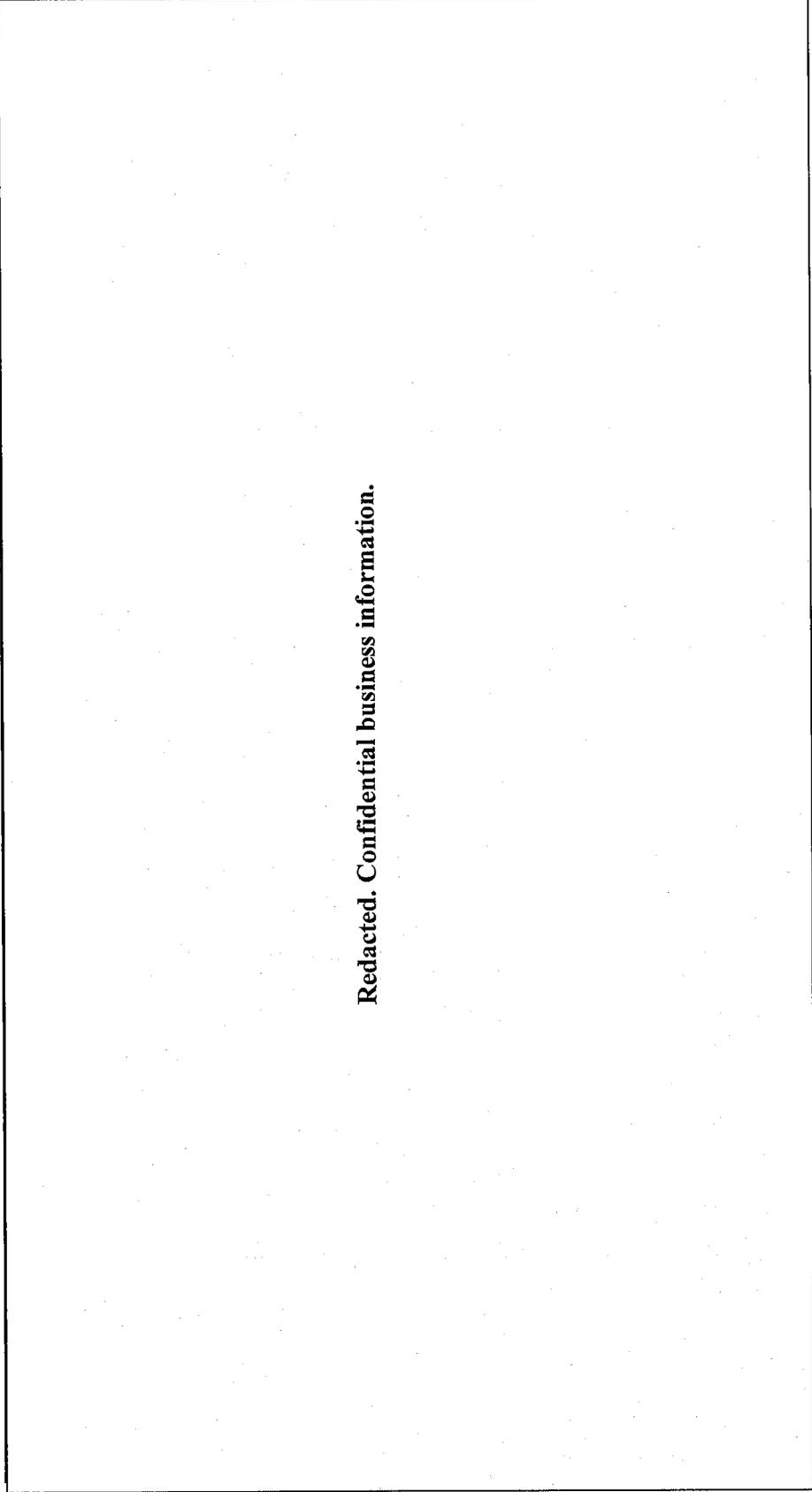
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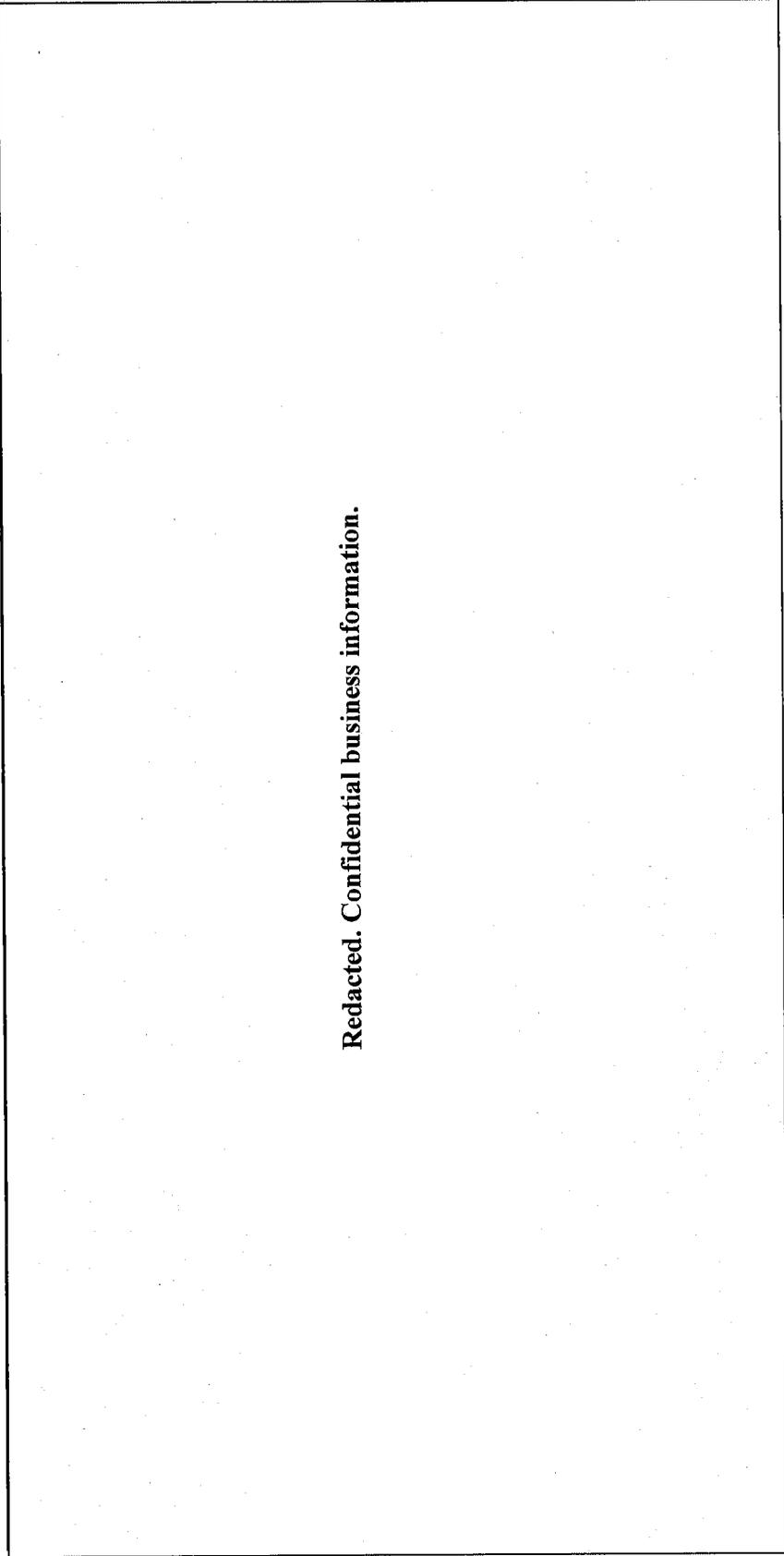
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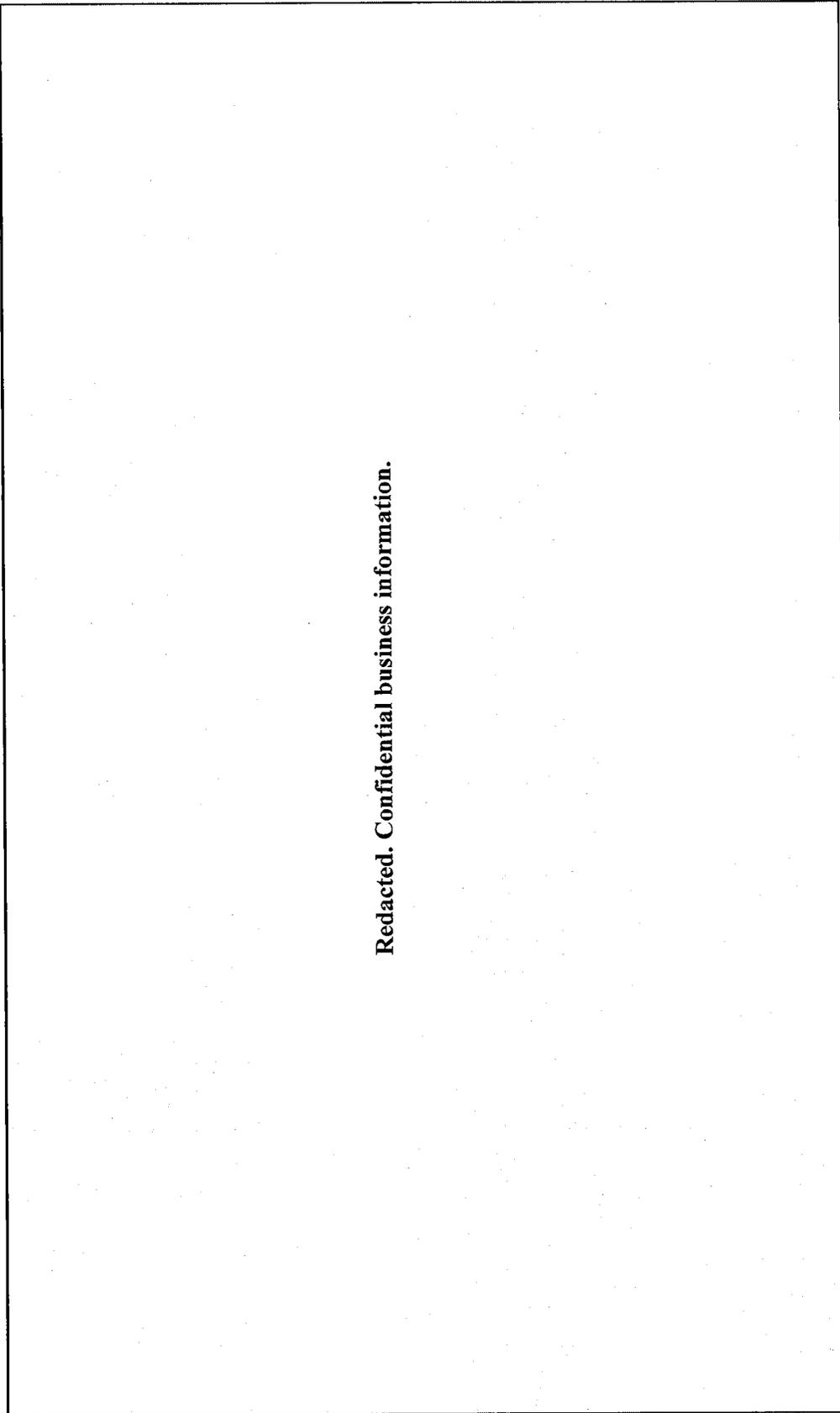


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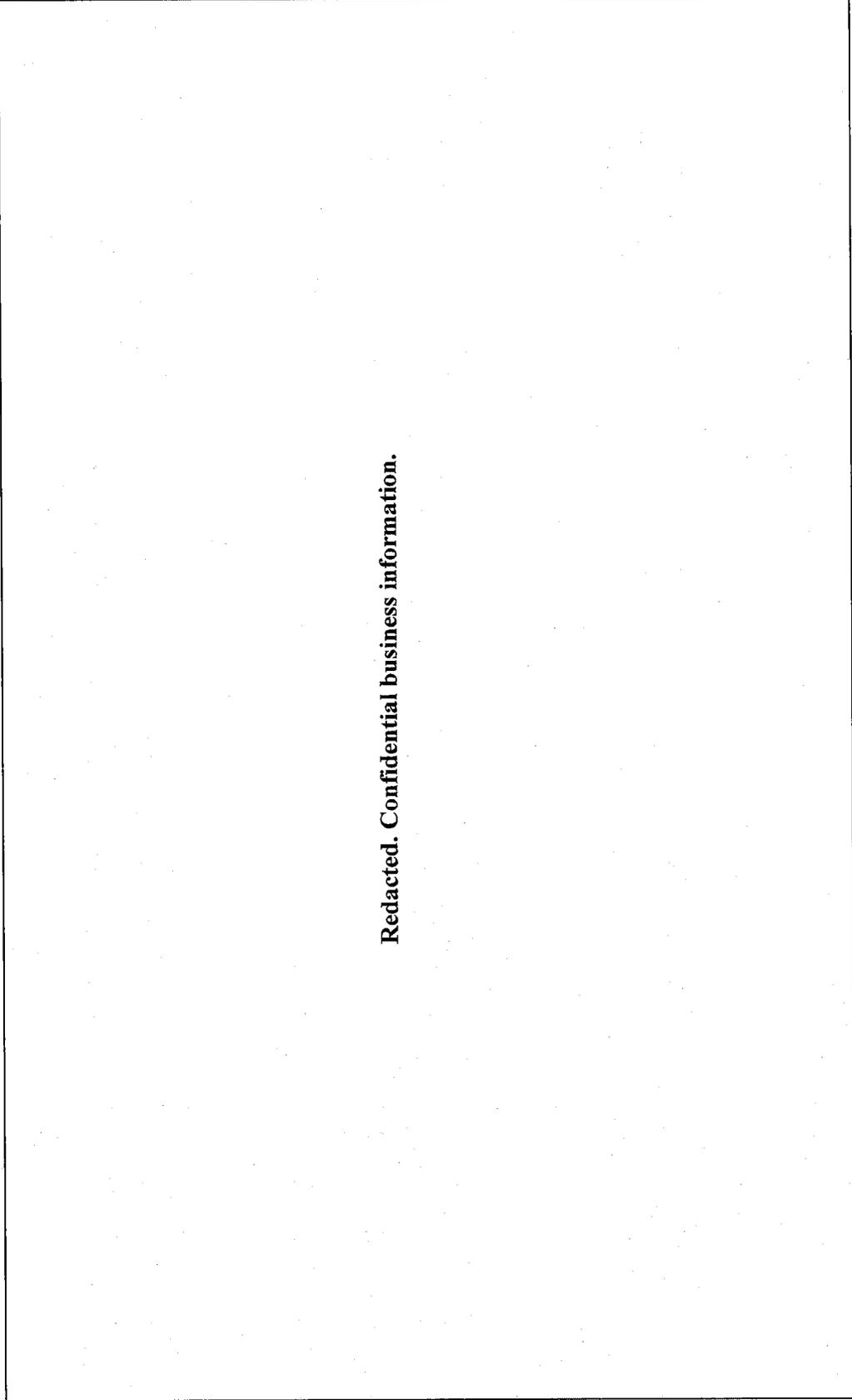


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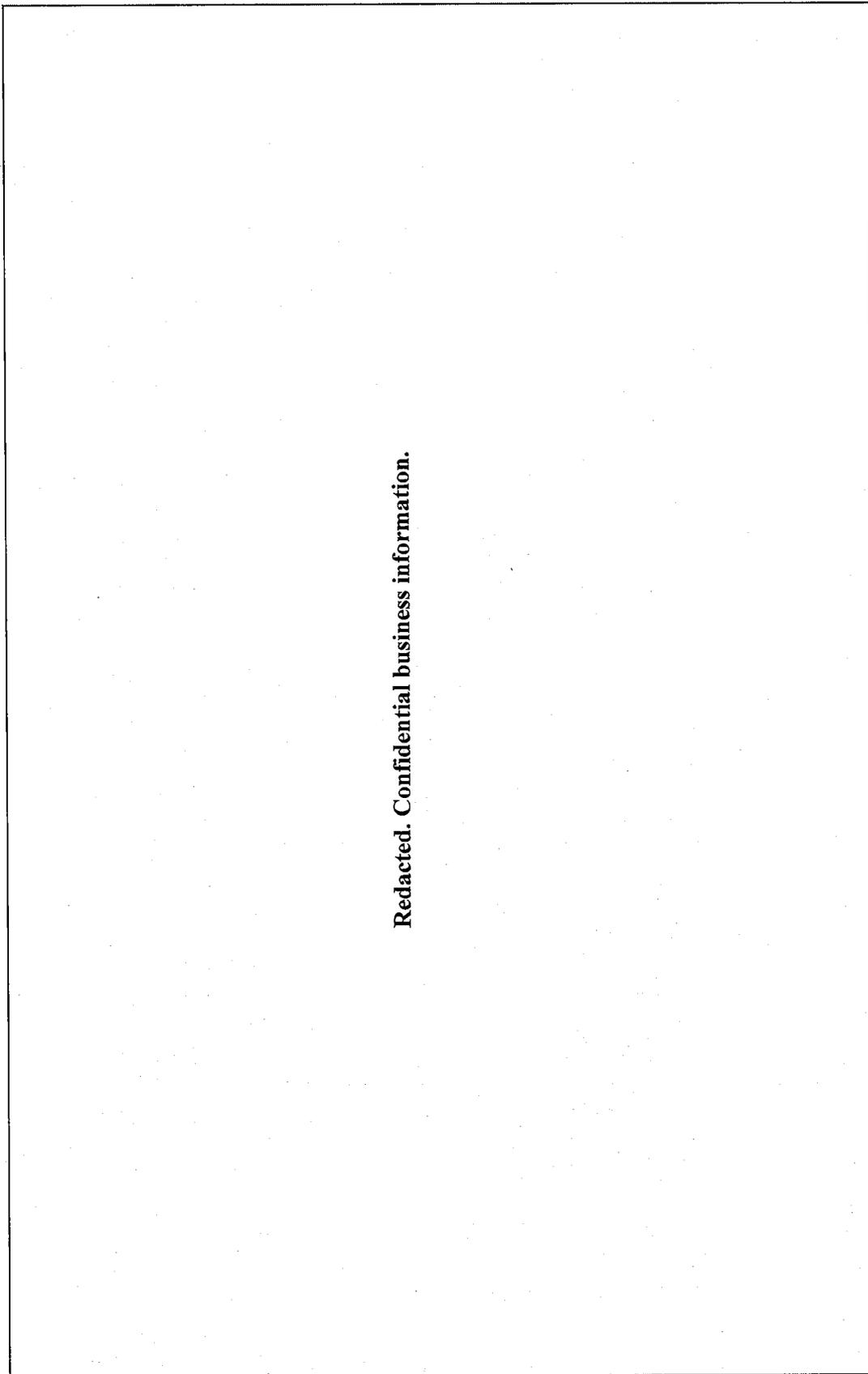


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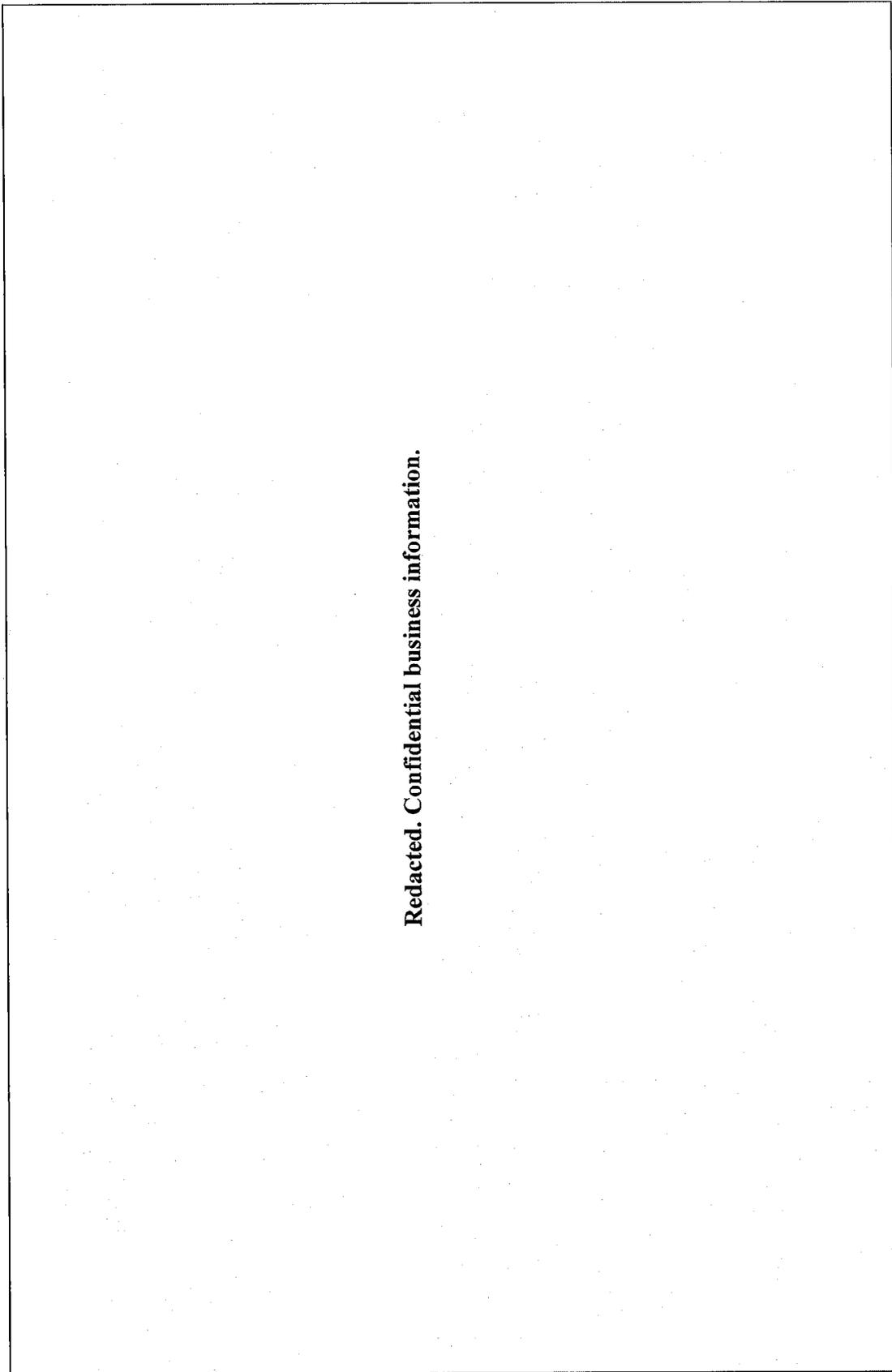
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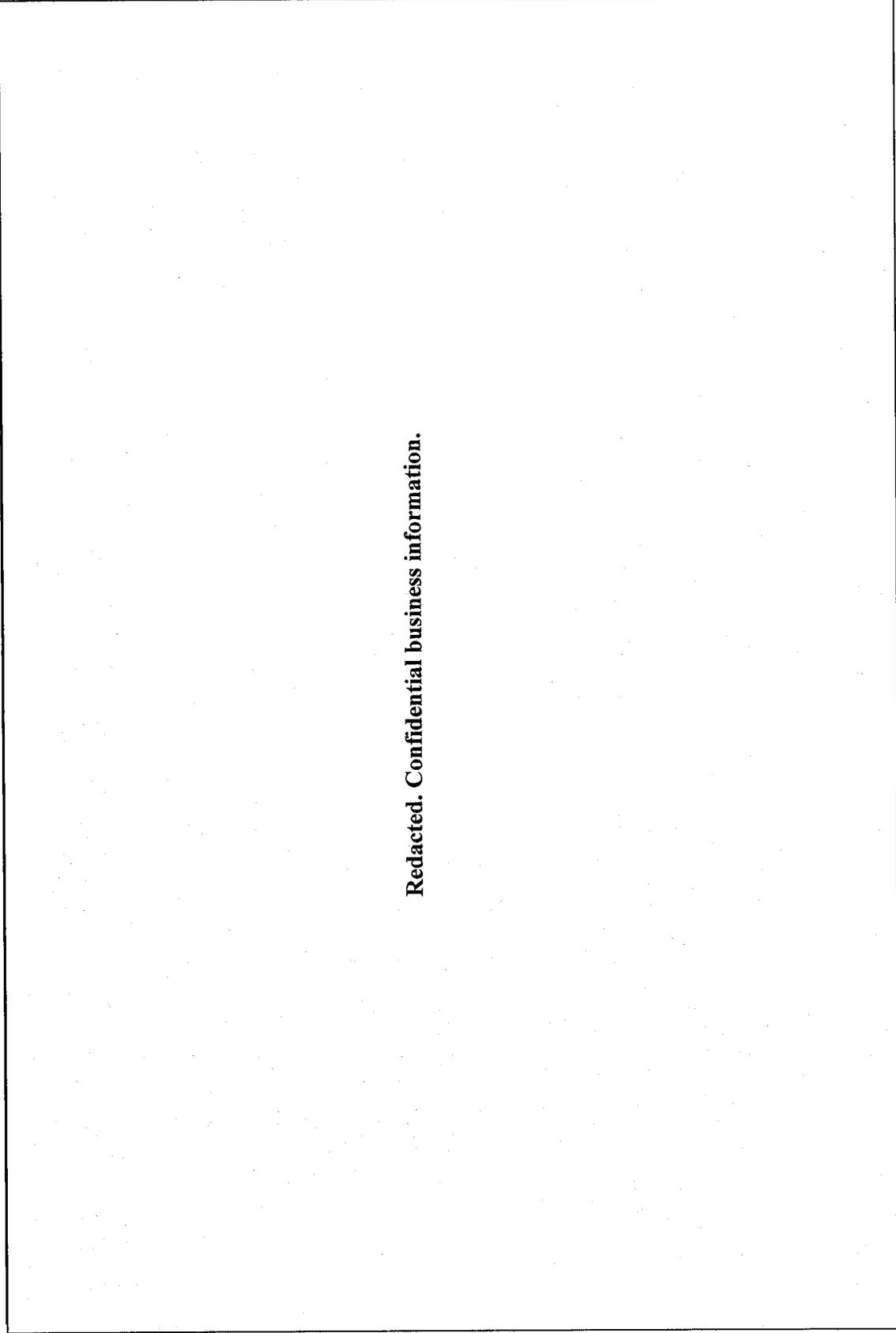


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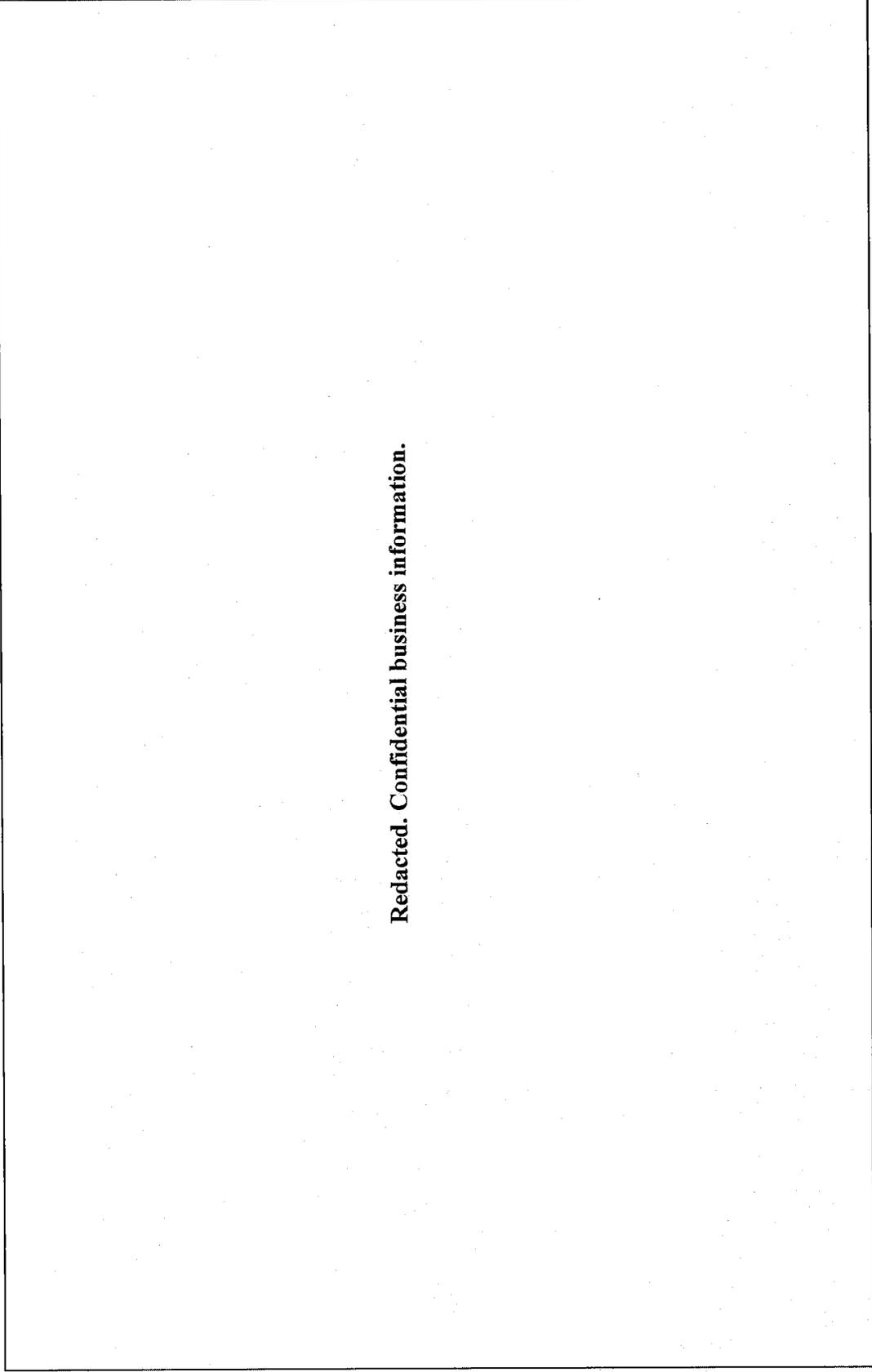
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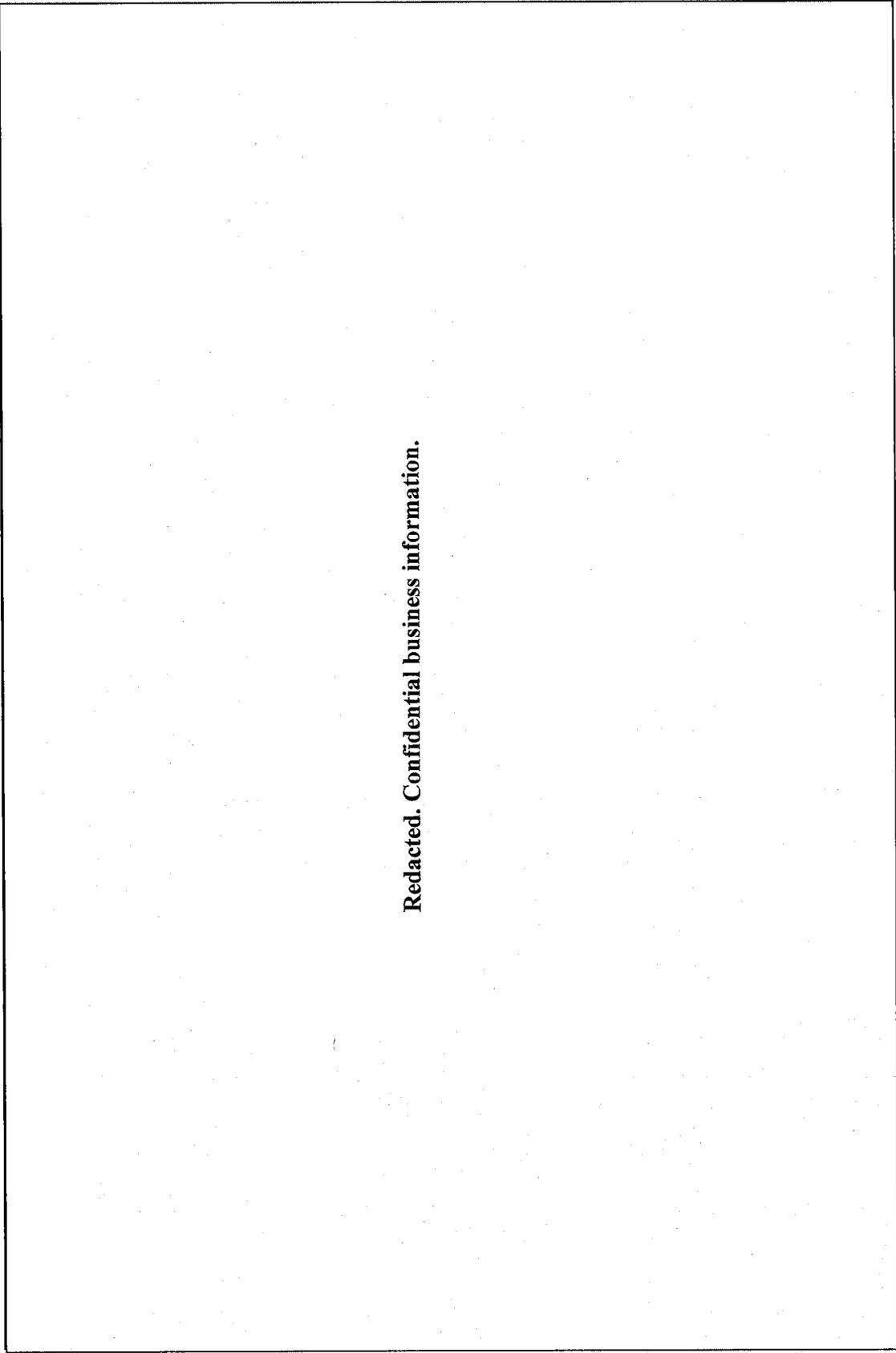
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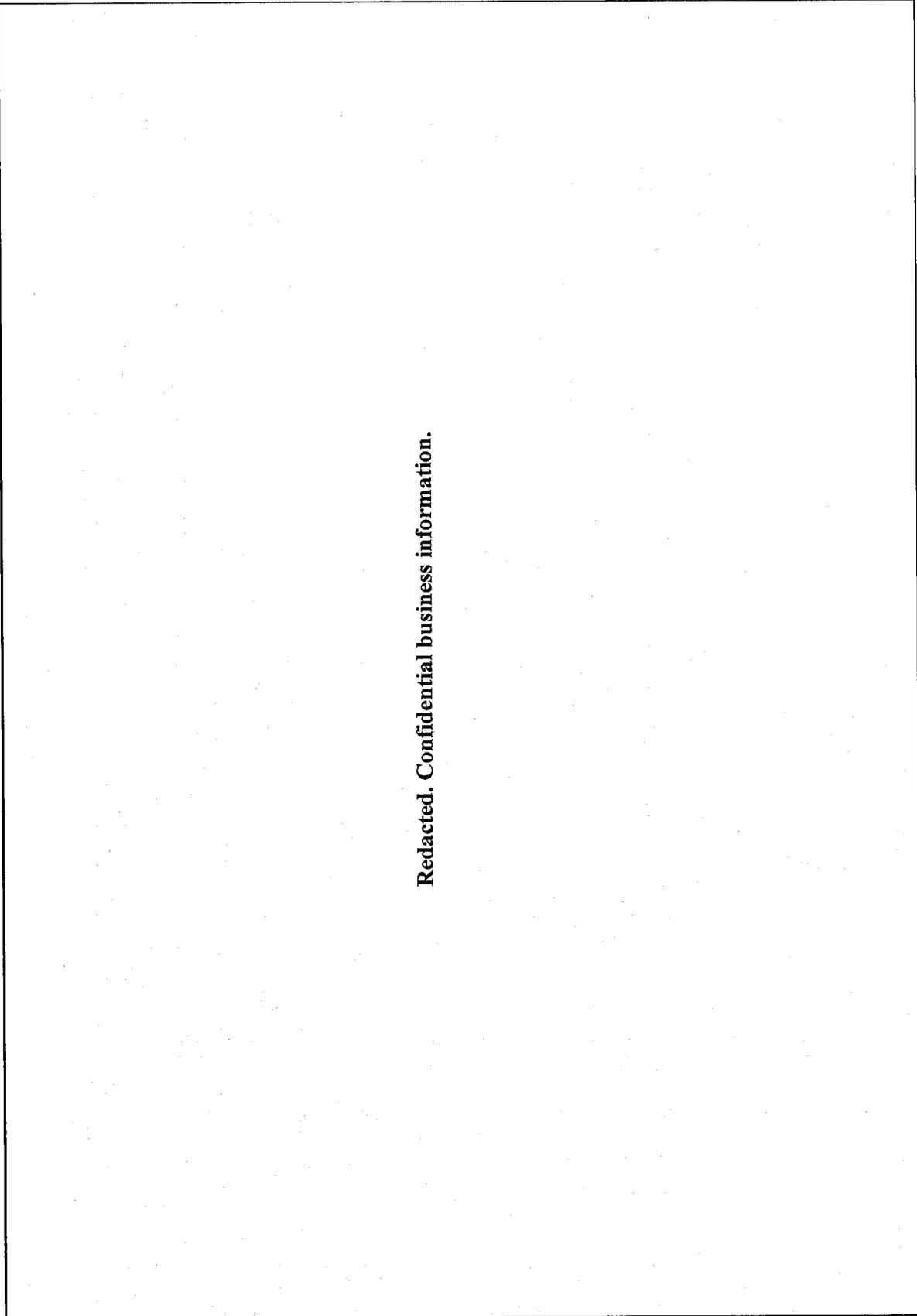
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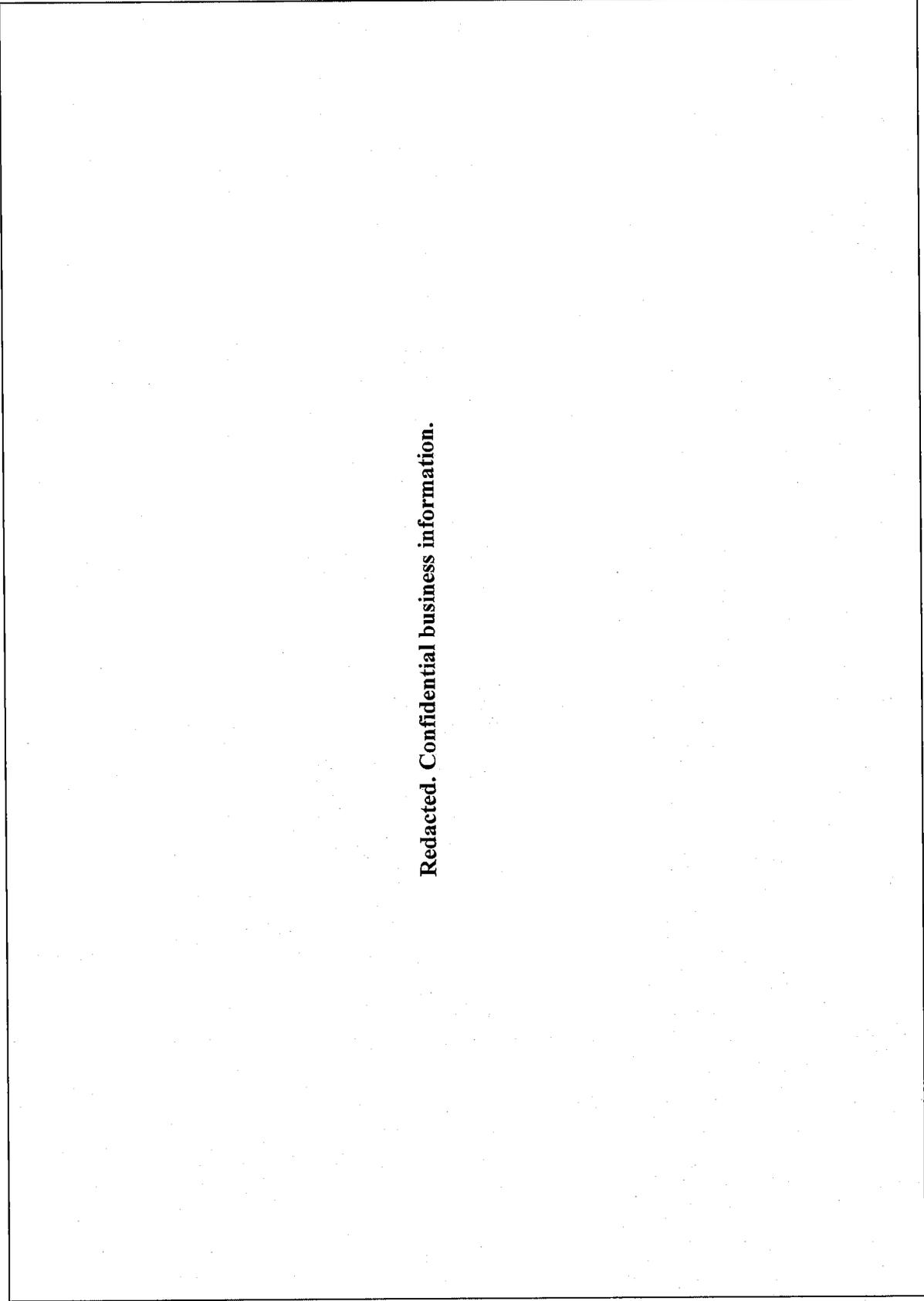
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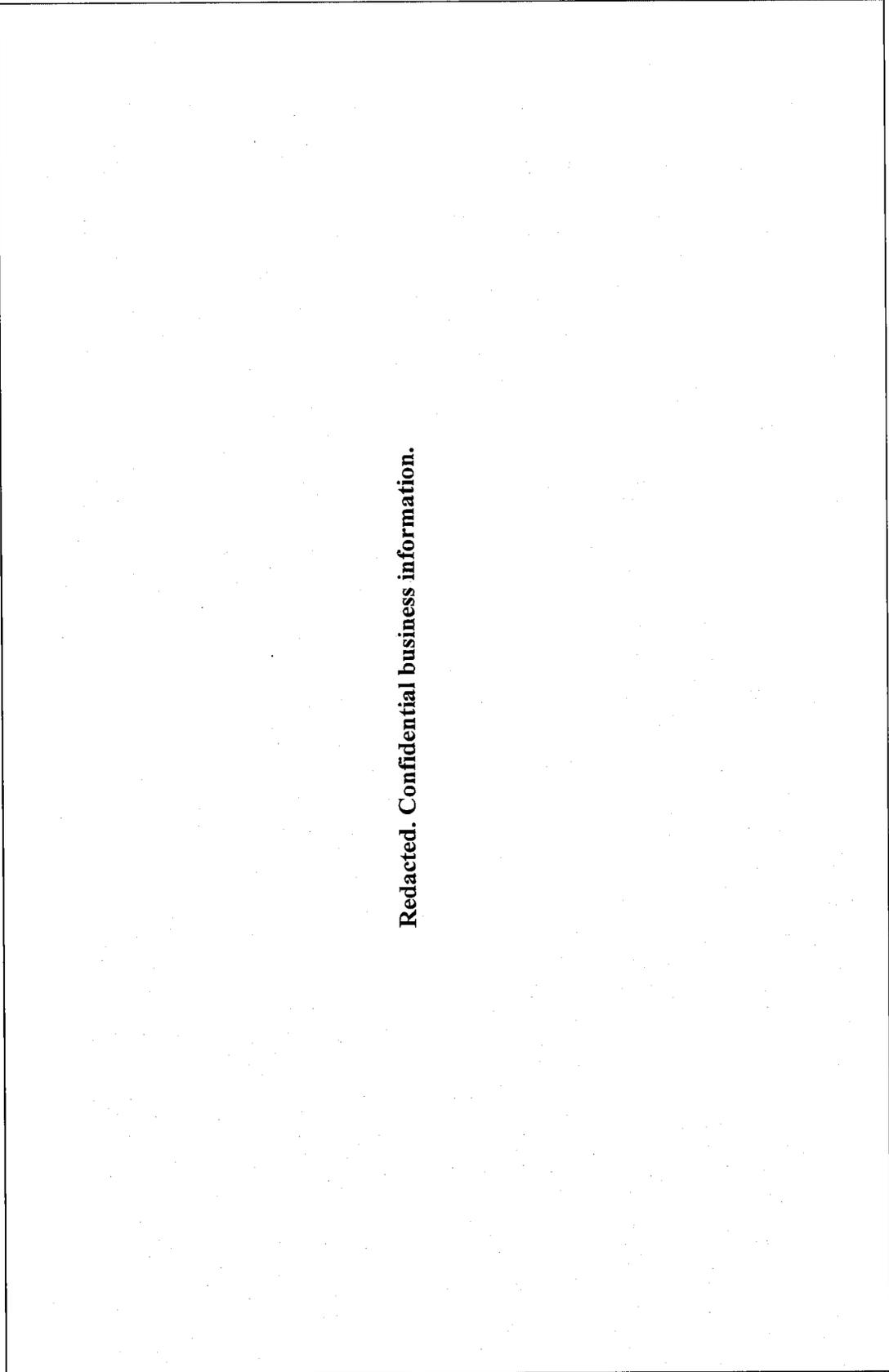
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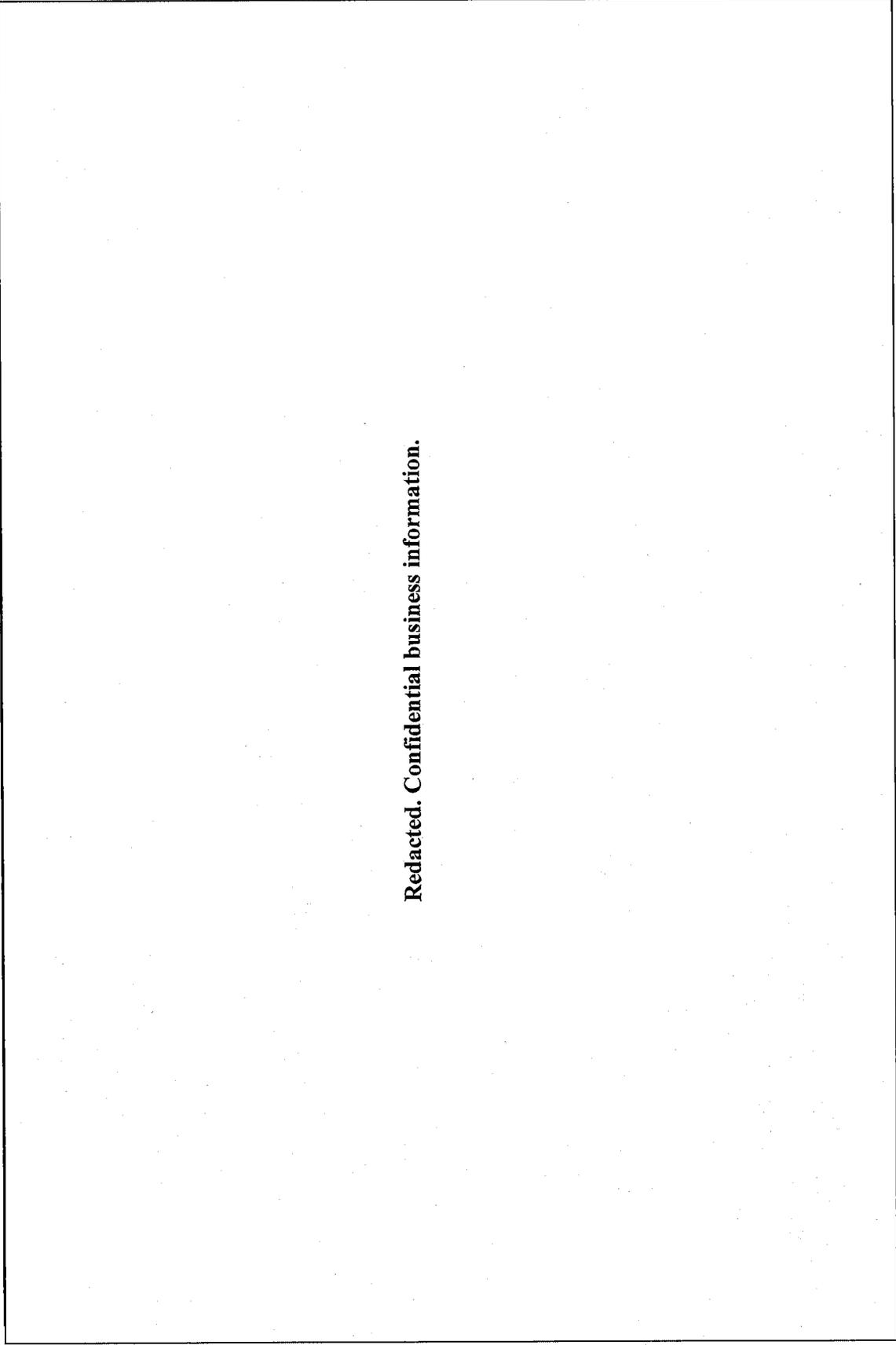
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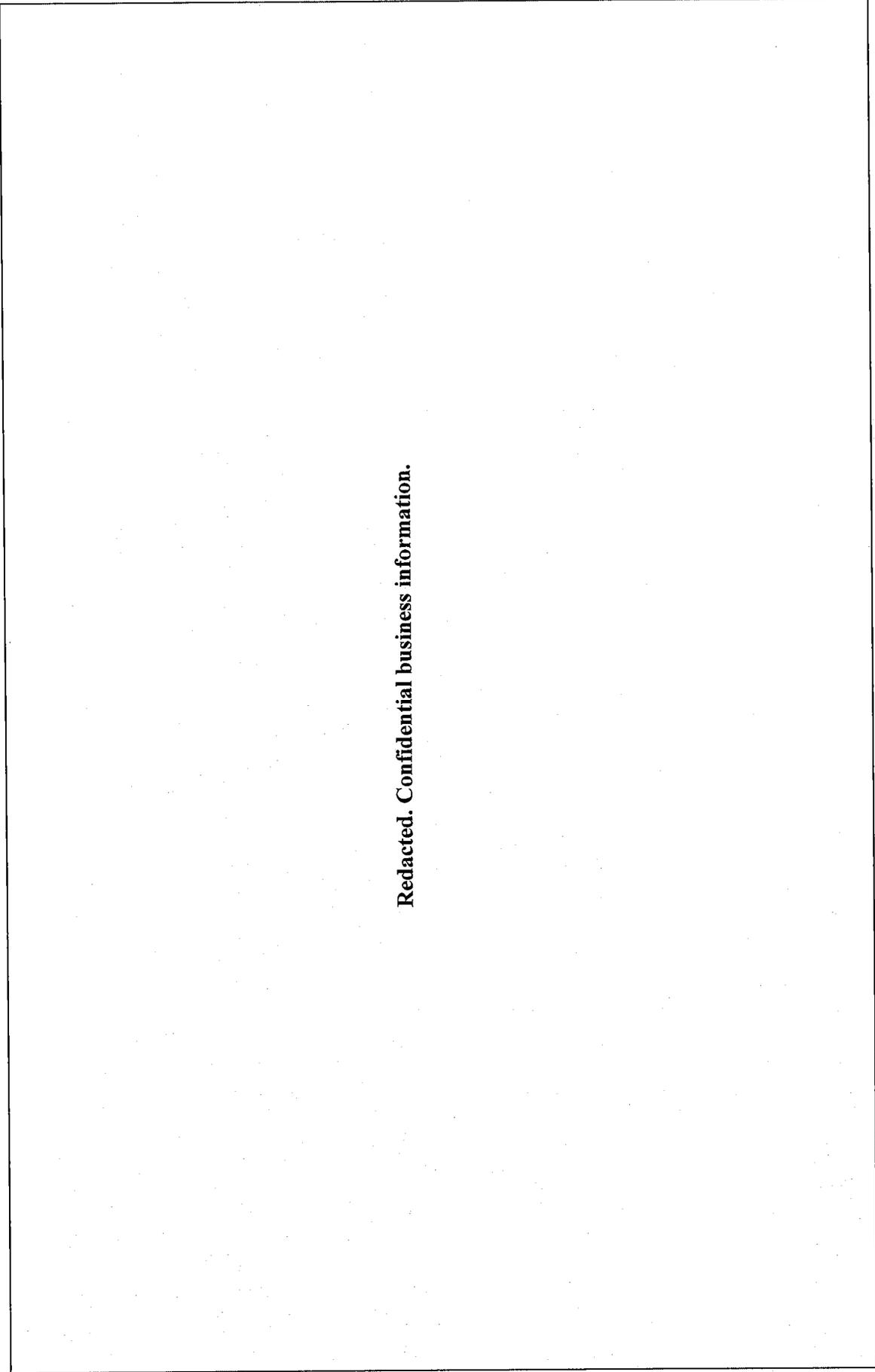


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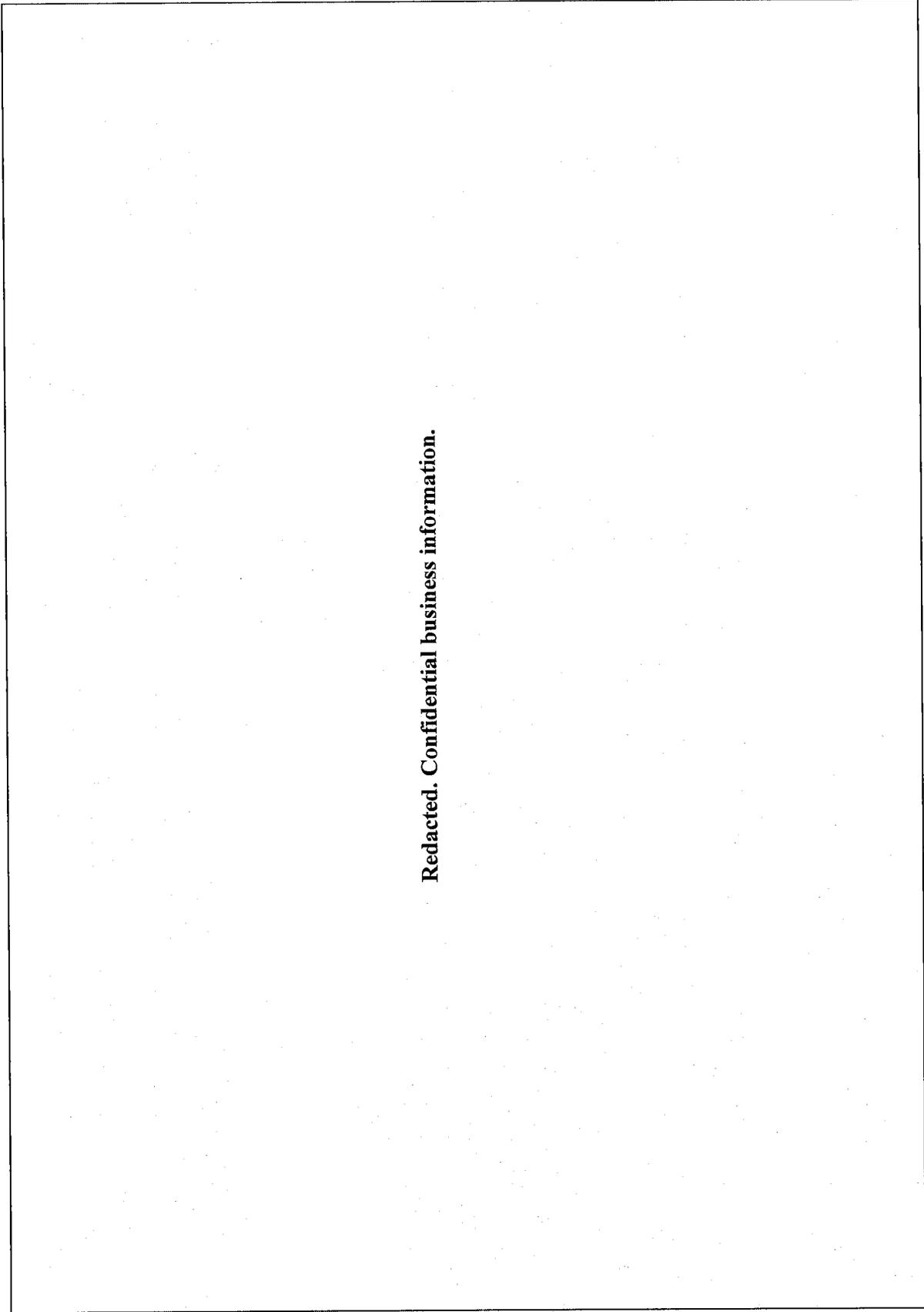
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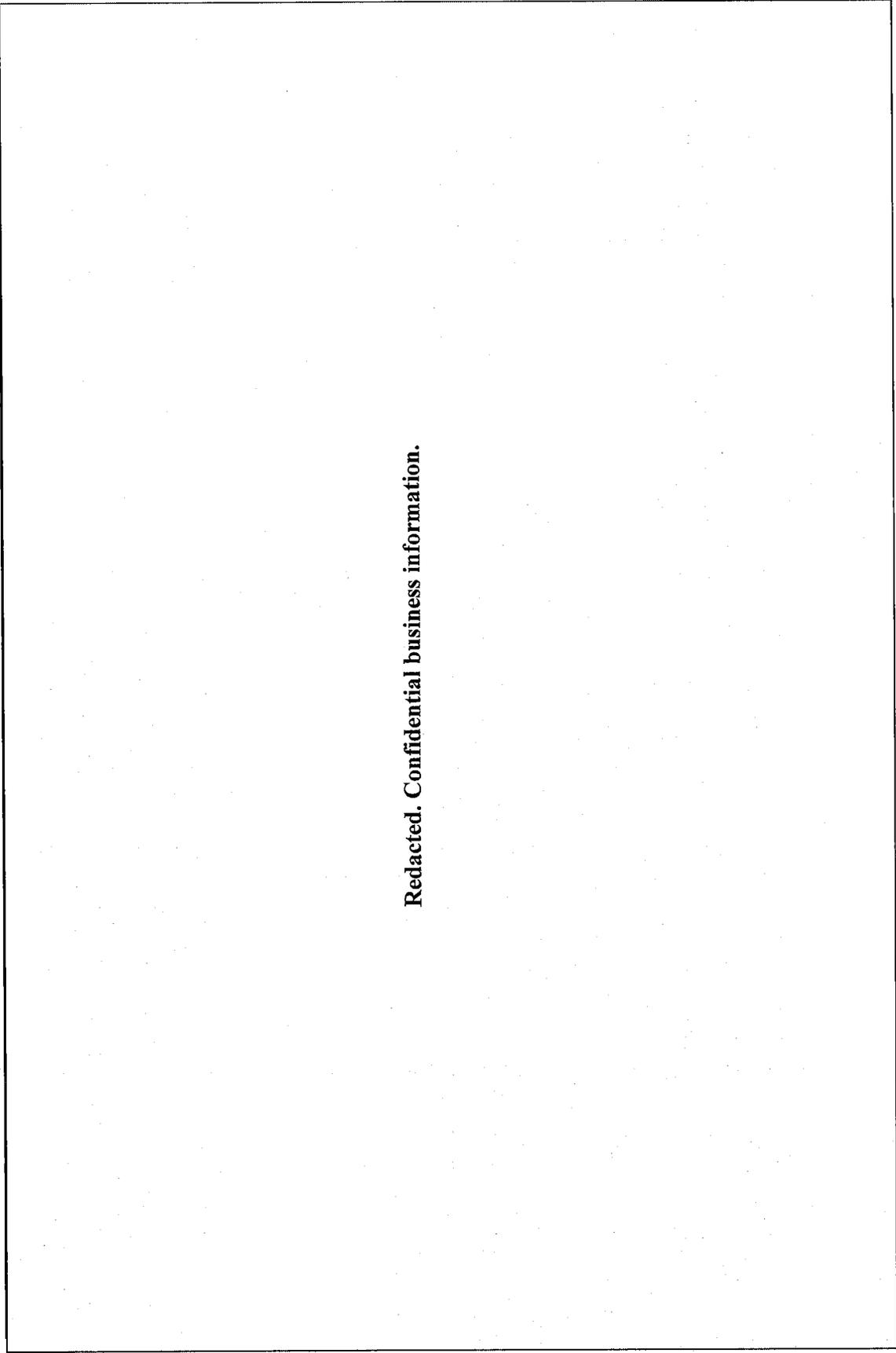
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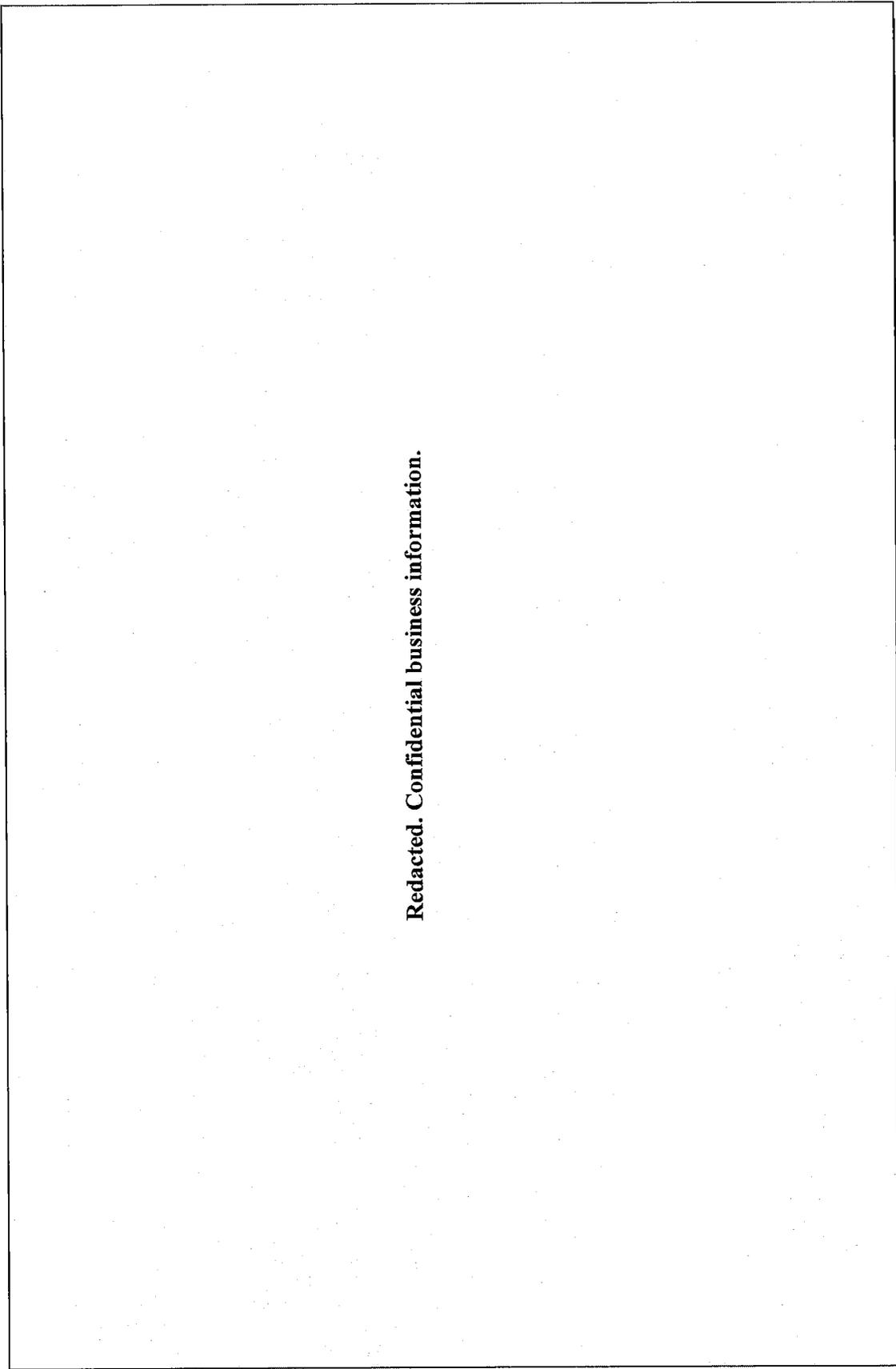


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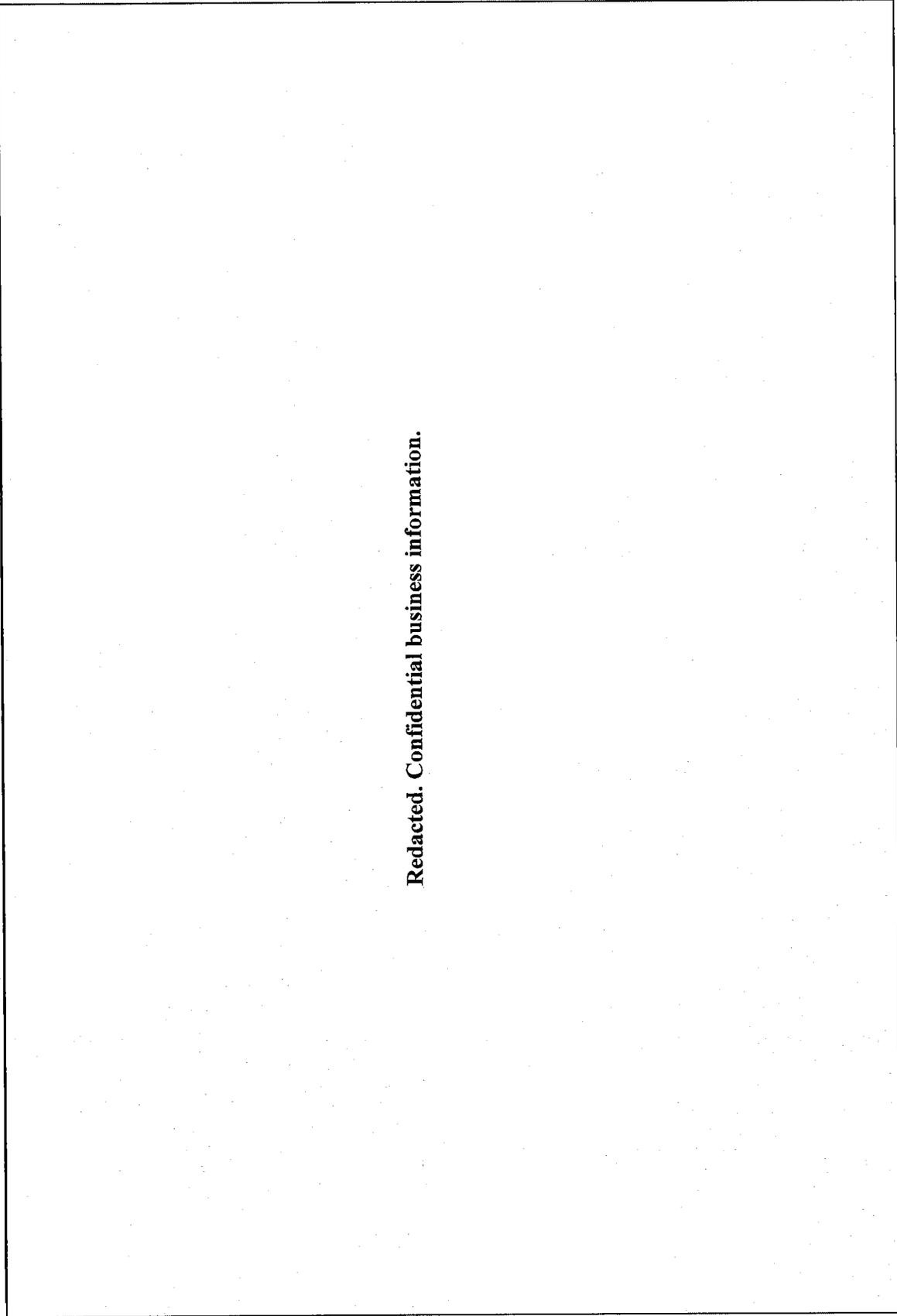
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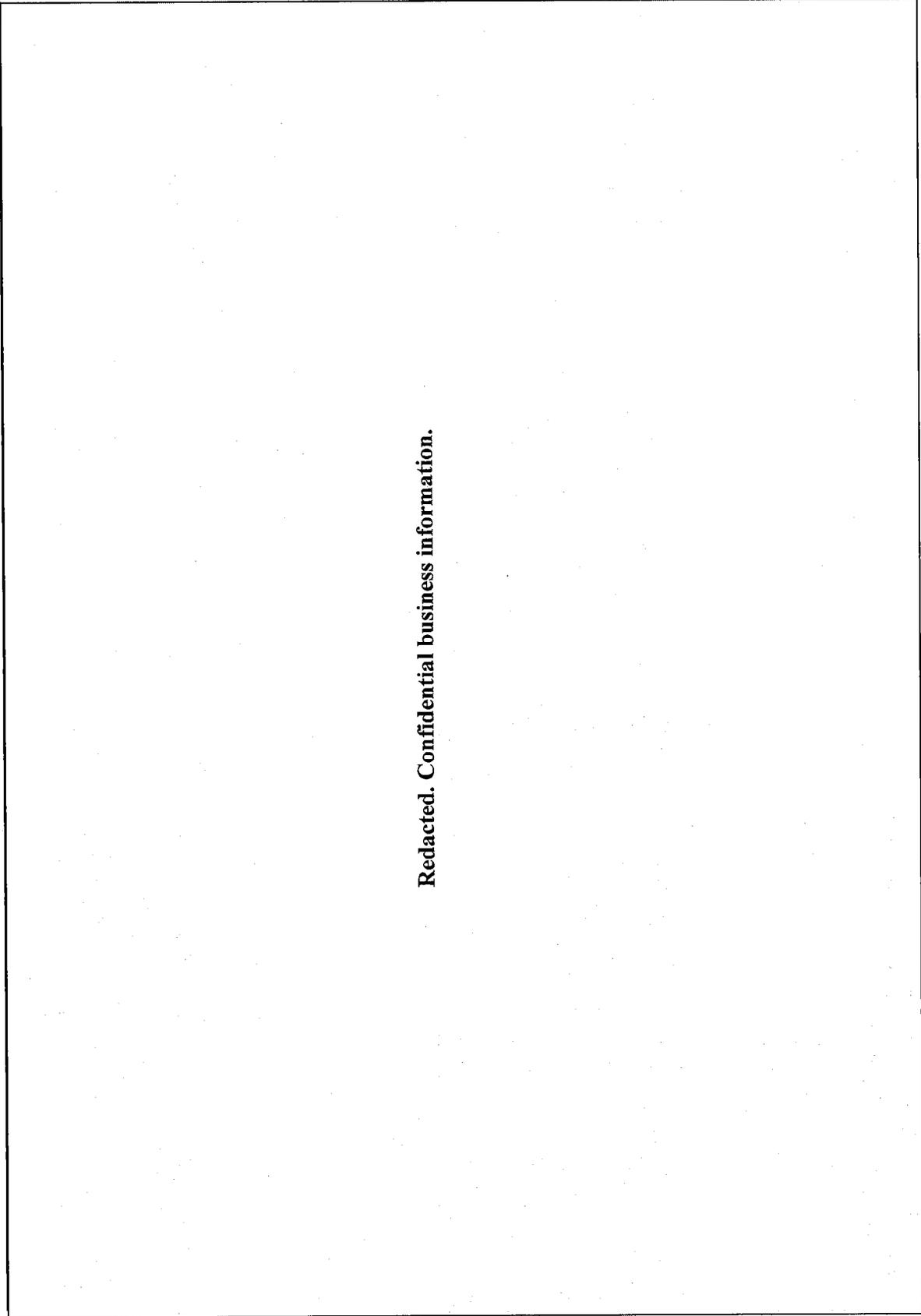
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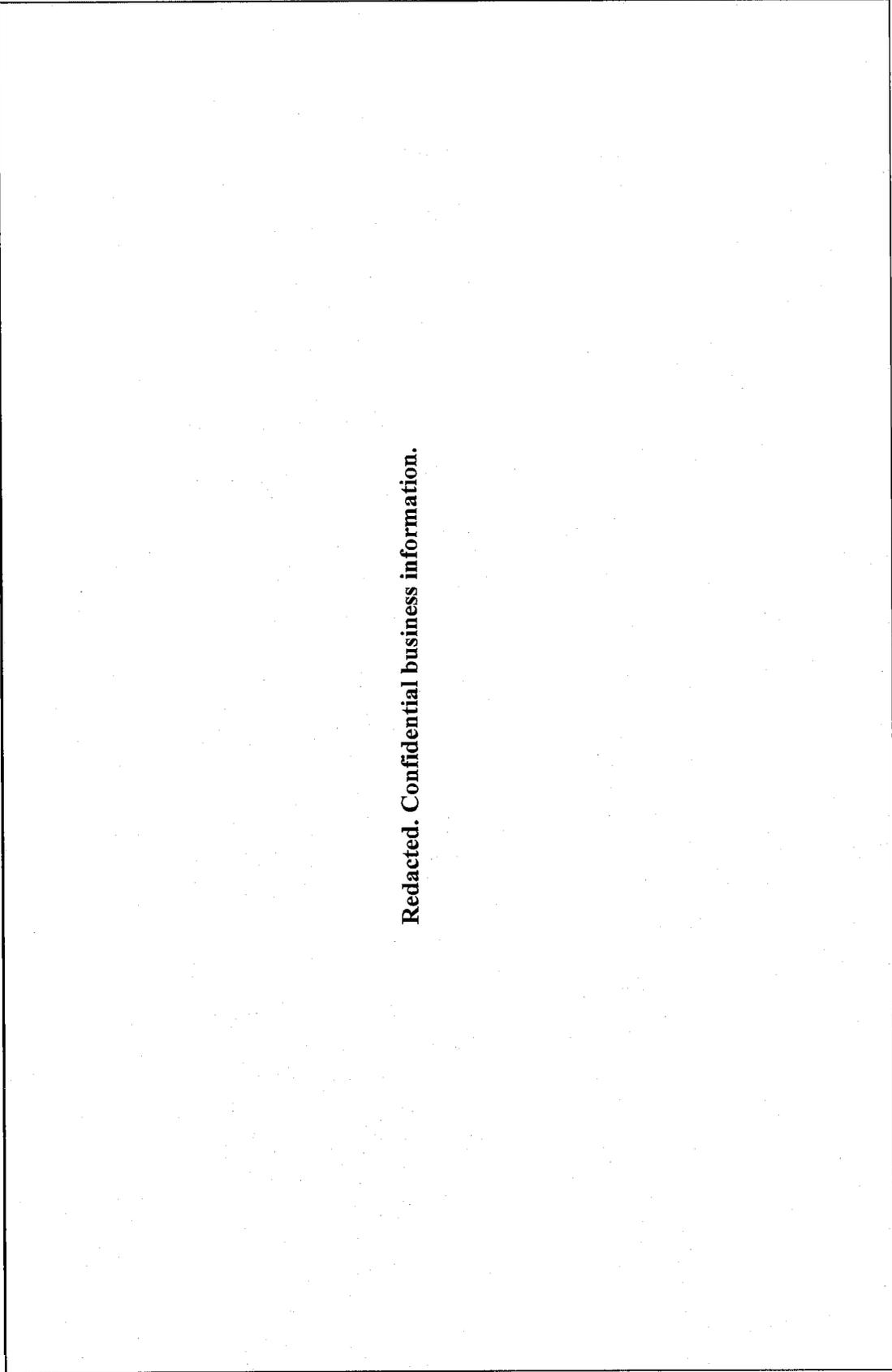
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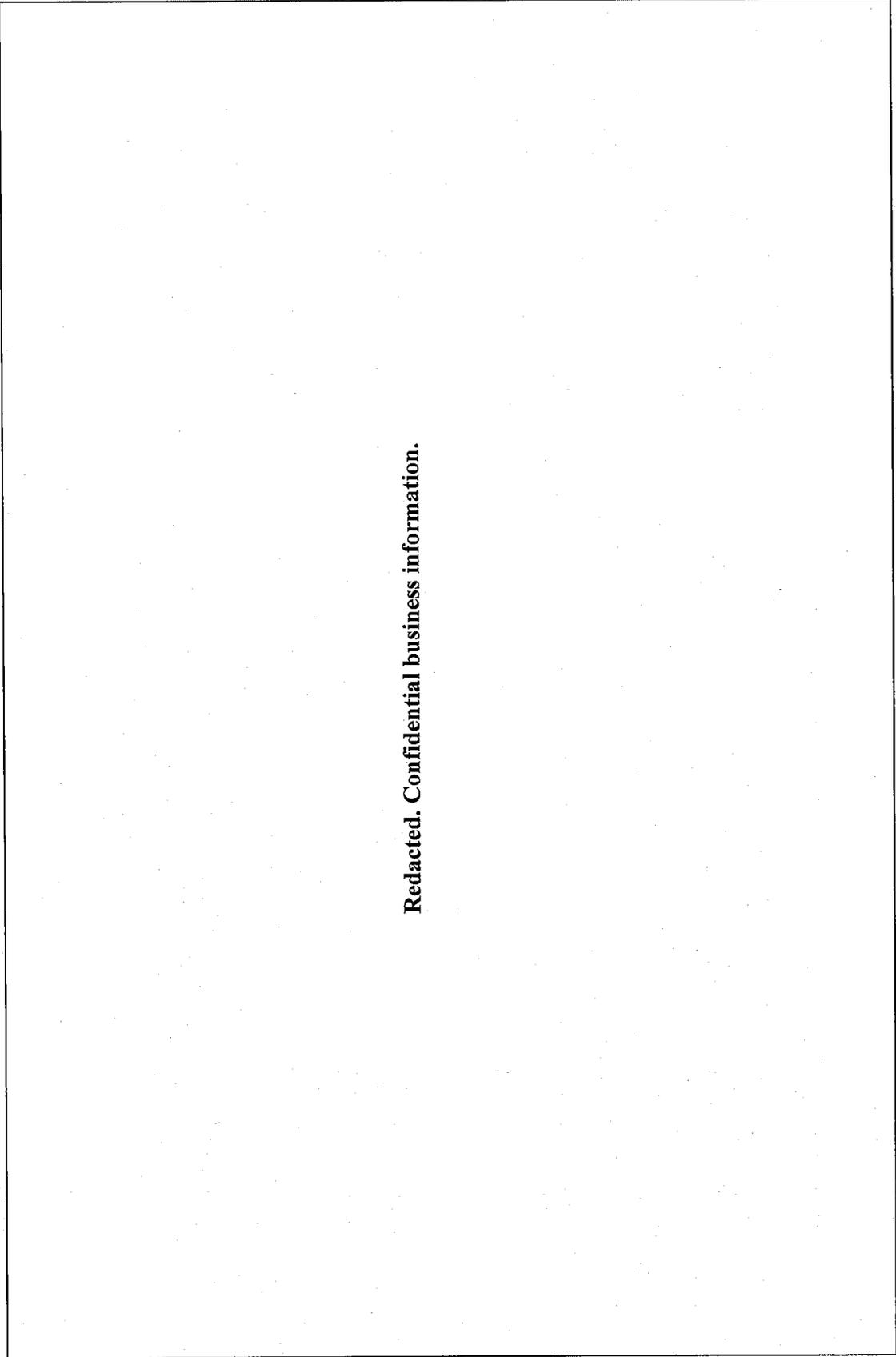
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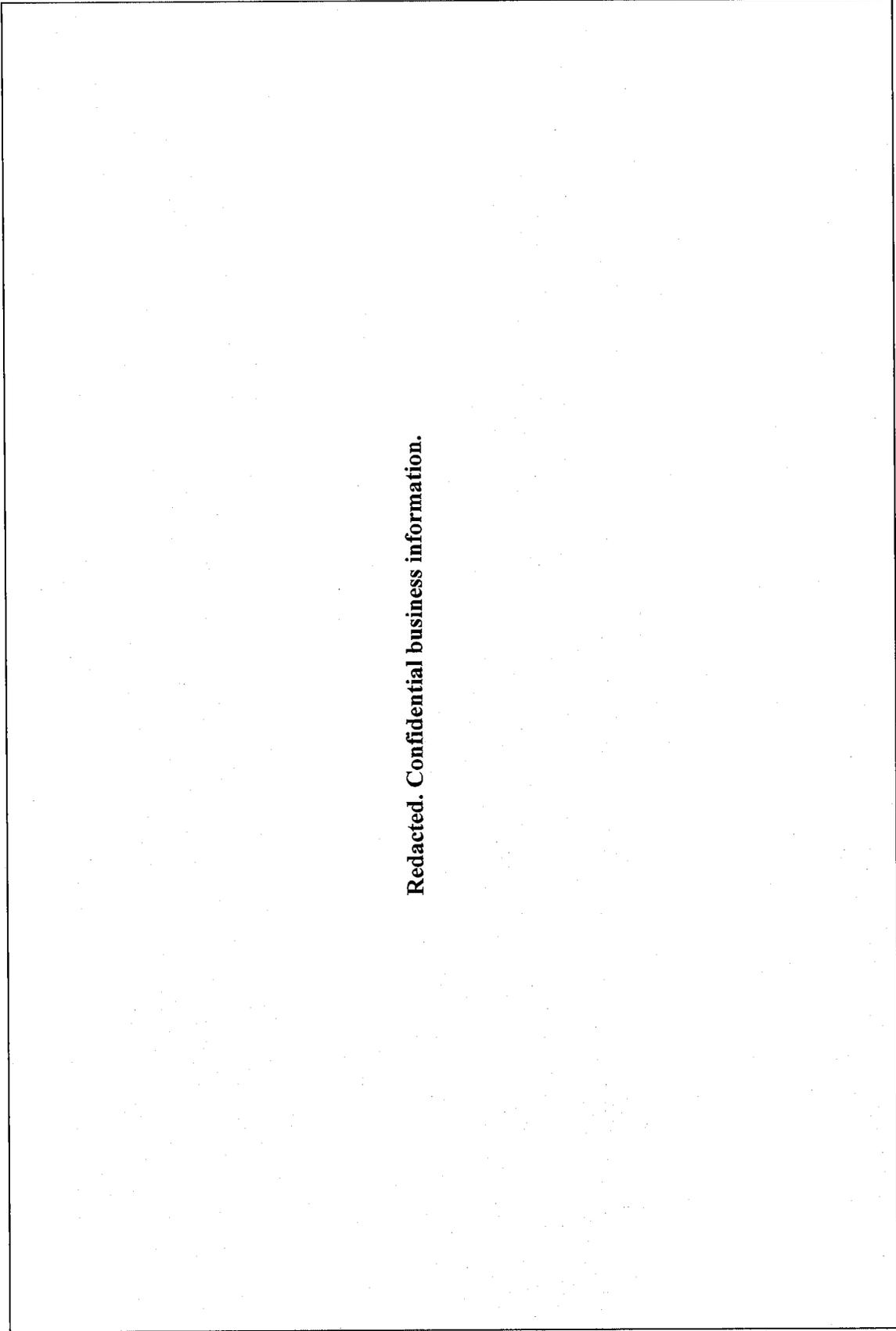
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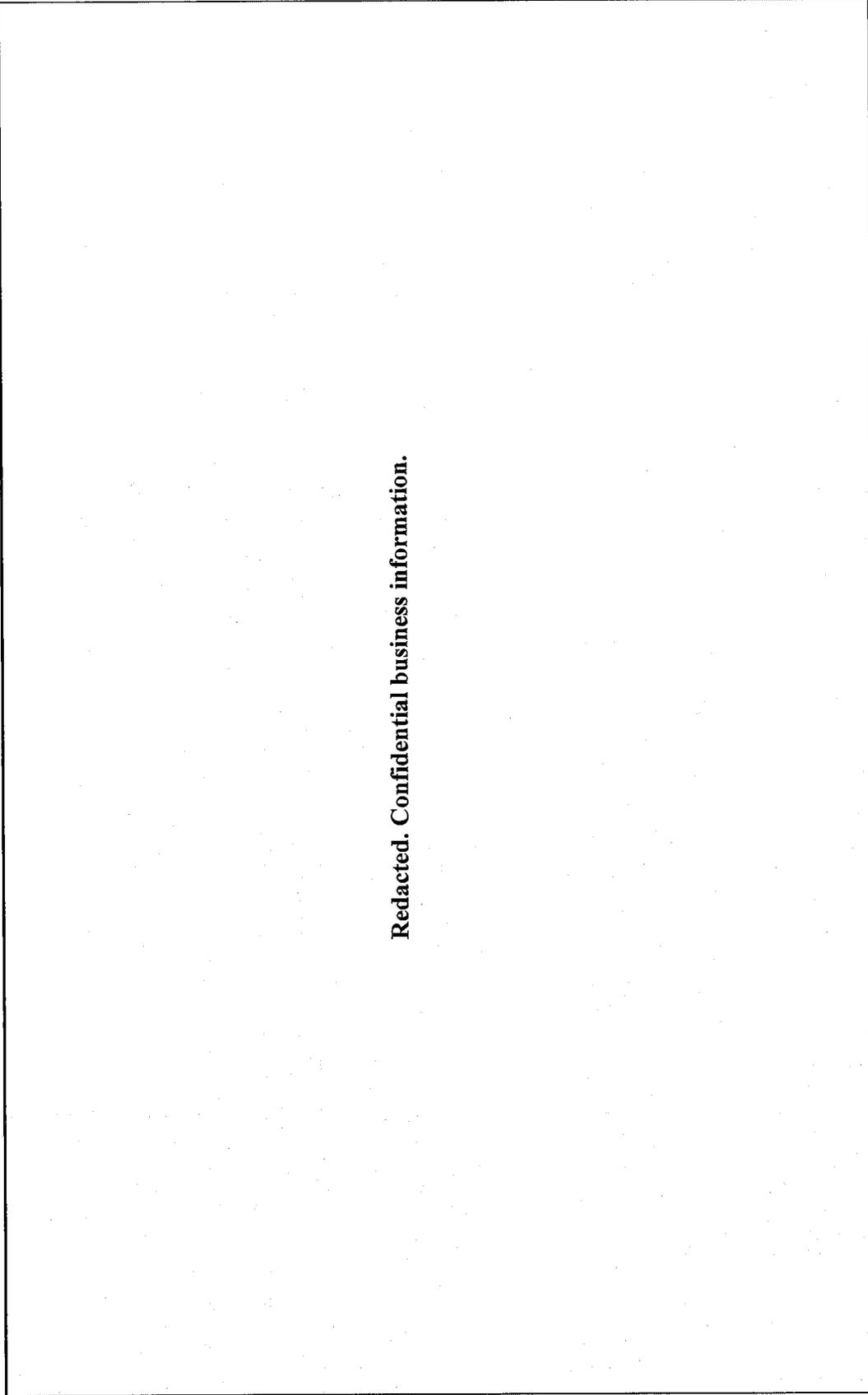
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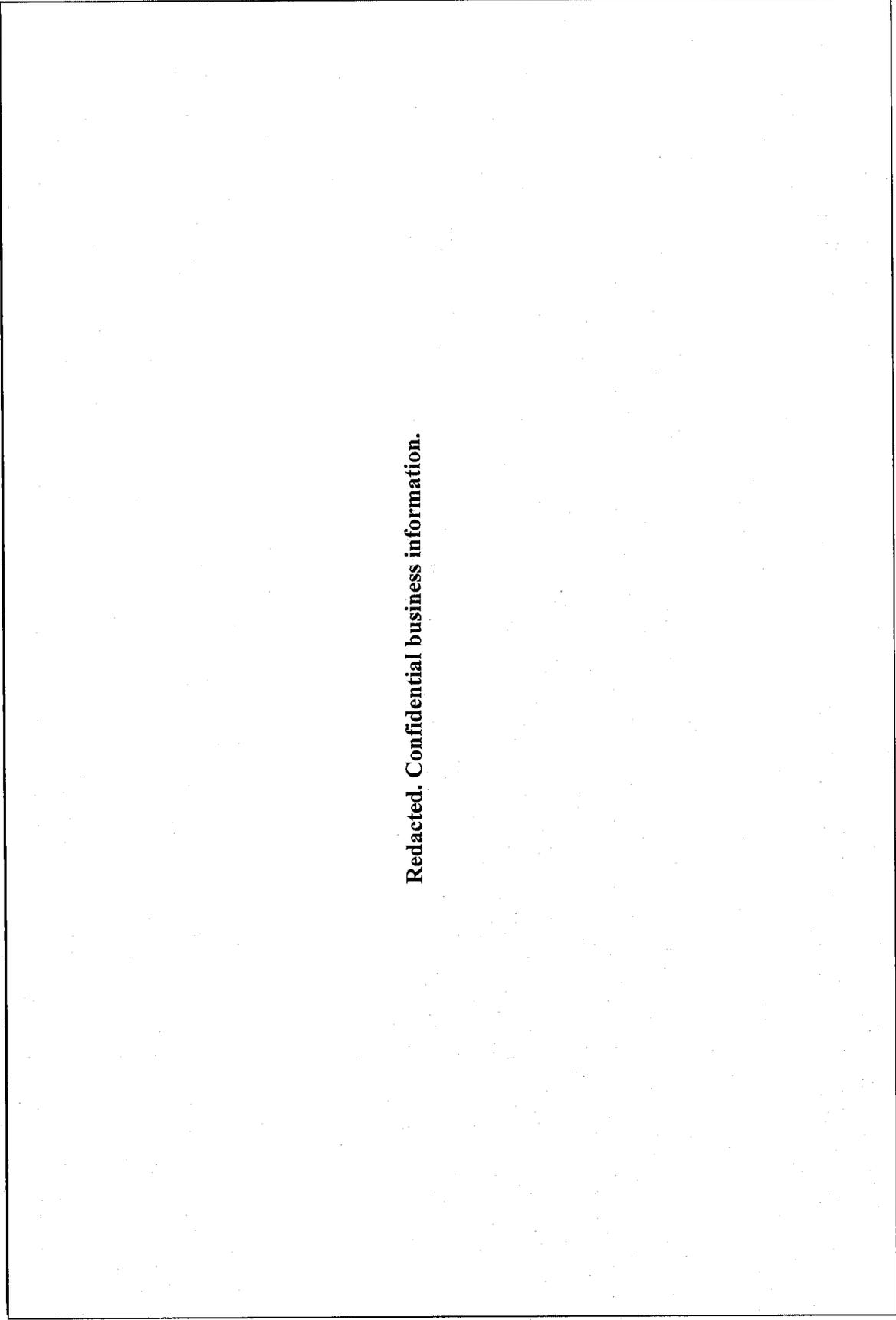
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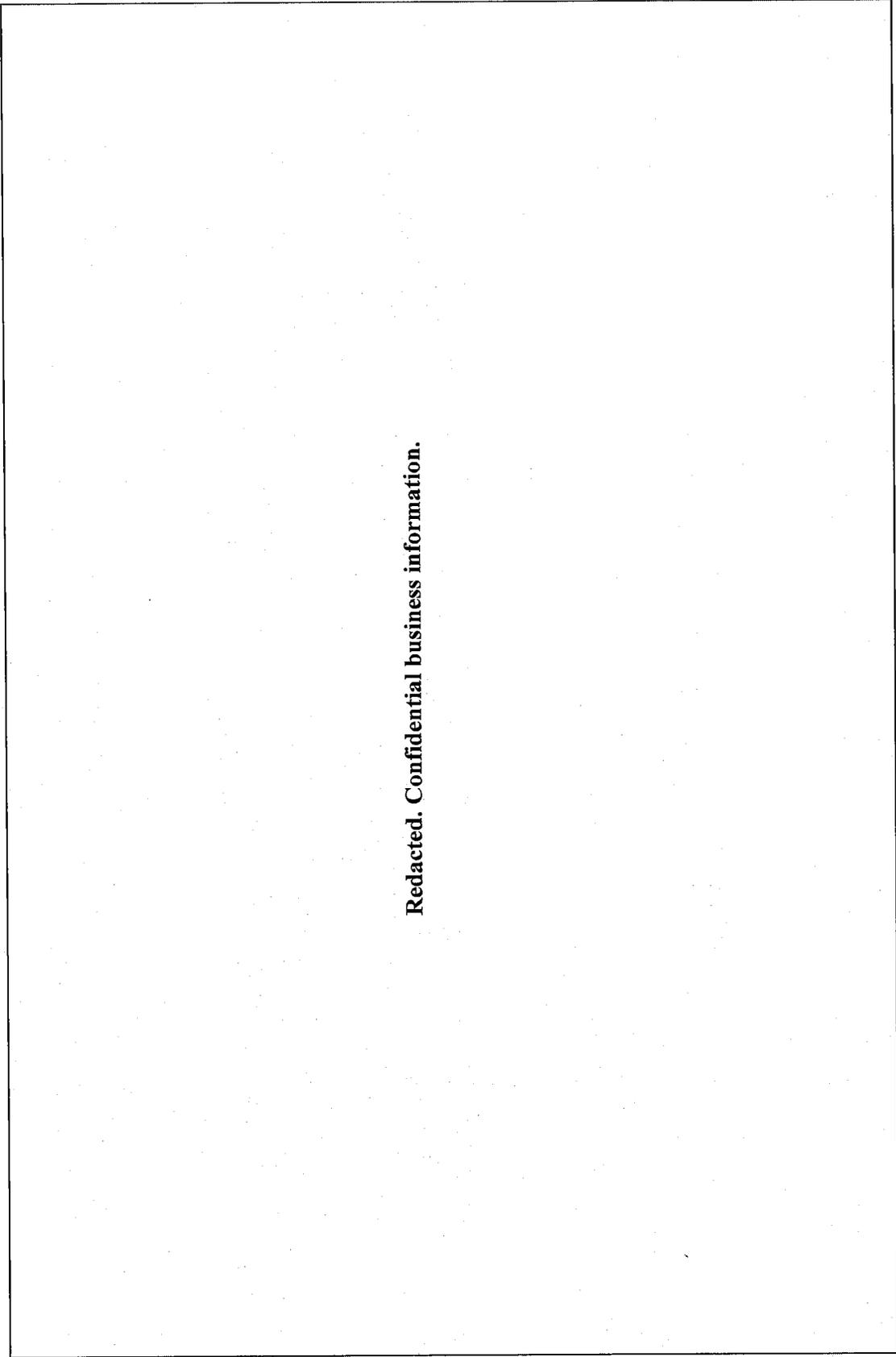
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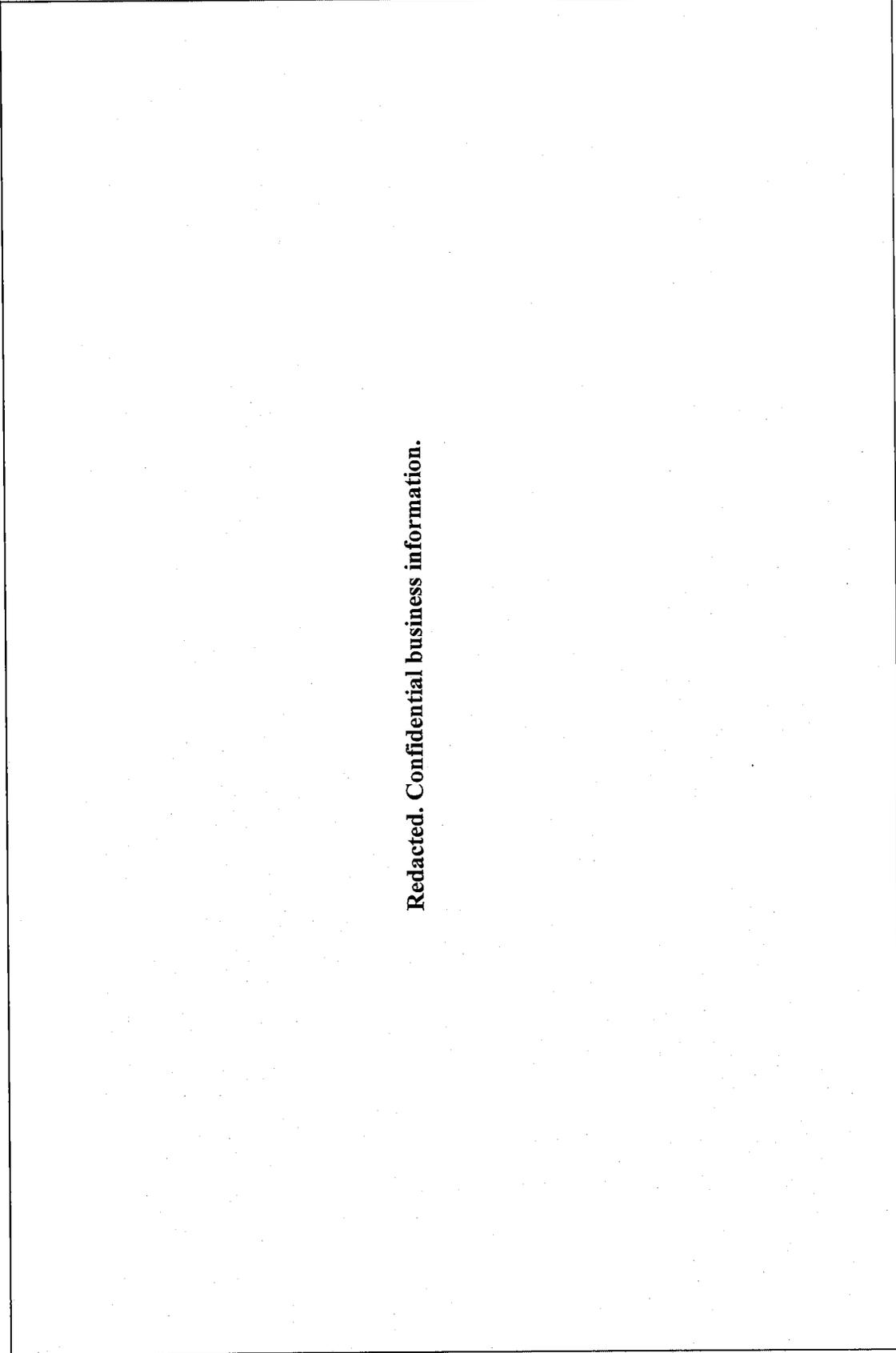
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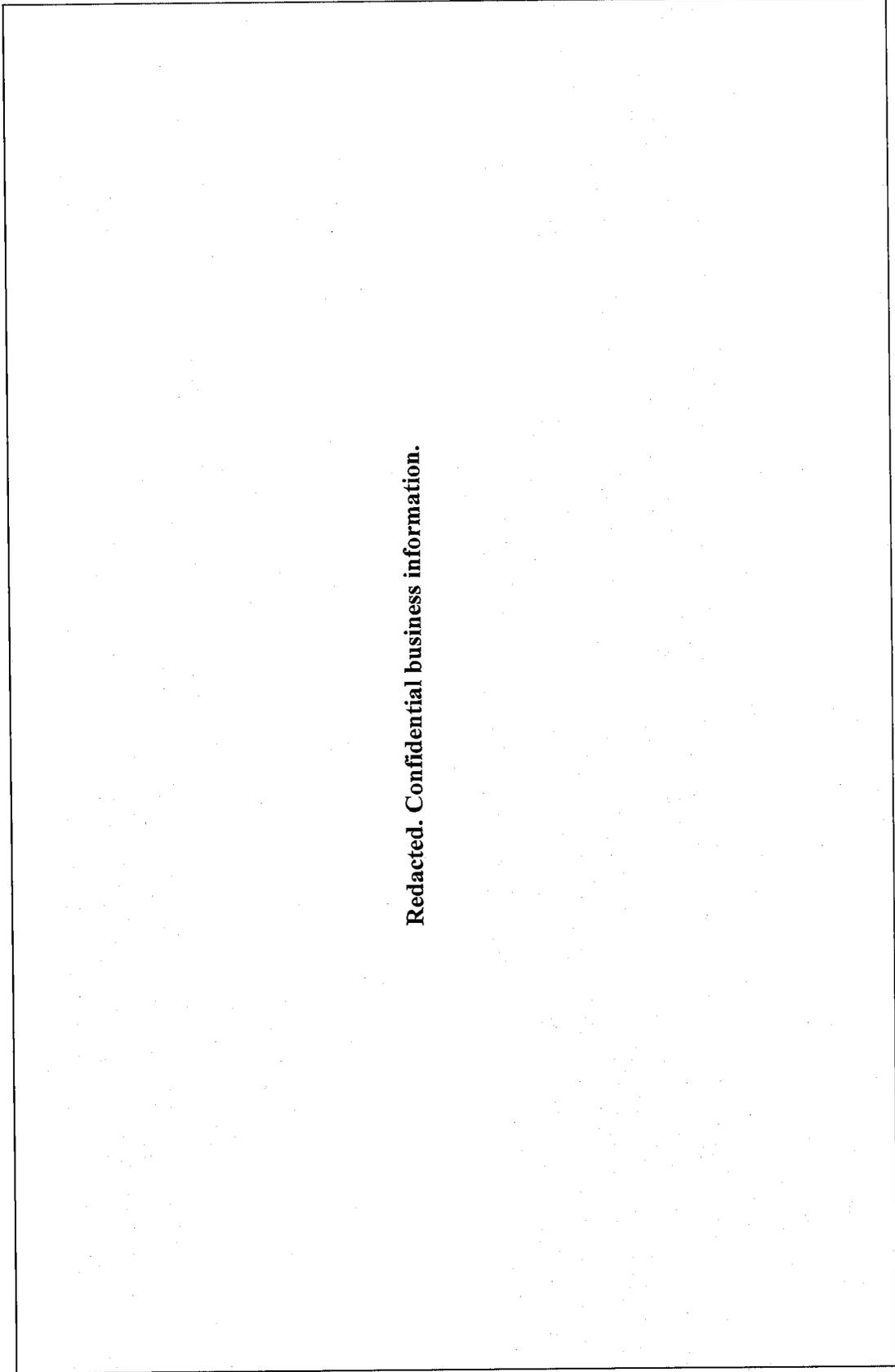
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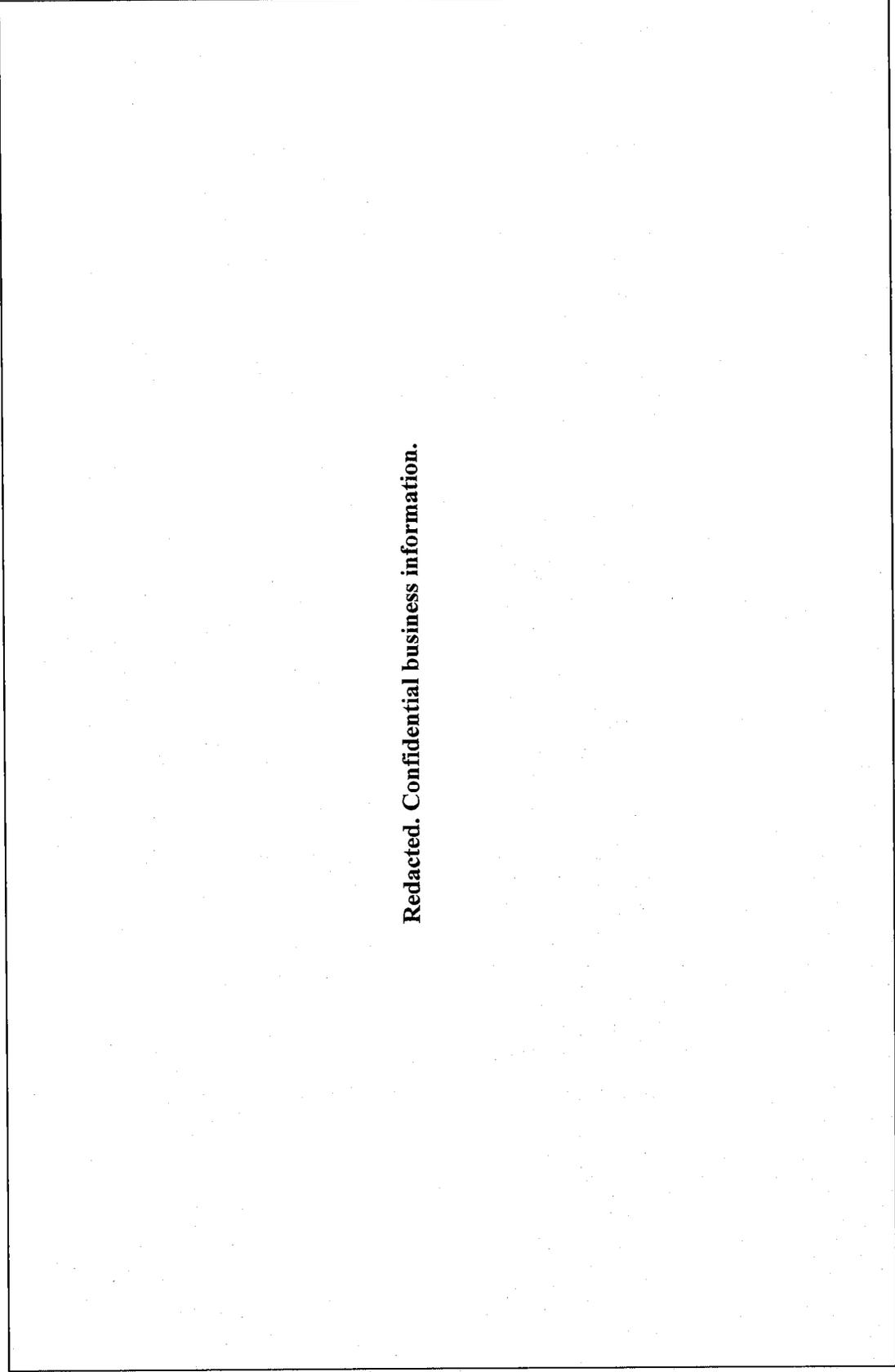


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**Schedule 2.5(2)
Purchase Price Allocation**

Redacted. Confidential business information.

Schedule 3.1(1)(a)
Form of Seller's Bring-Down Certificate

CERTIFICATE

TO: [●] (the "Buyer")

This certificate is given pursuant to section 3.1(1)(b) of the asset purchase agreement (the "**Purchase Agreement**") dated the ____ day of June, 2019 among Conifex Inc. (the "**Seller**"), Conifex Timber Inc. and the Buyer providing for the sale by the Seller to the Buyer of all of the Purchased Assets. Unless otherwise provided in this certificate, terms used in this certificate that are defined in the Purchase Agreement have the meanings given to them in the Purchase Agreement.

I, _____, _____ of the Seller, hereby certify, in my capacity as an officer of the Seller and not in my personal capacity and without personal liability that:

1. I am familiar with and have examined the provisions of the Purchase Agreement;
2. the representations and warranties of the Seller contained in Section 5.1 of the Purchase Agreement were and are, individually and collectively, true and correct in all material respects (except those subject to a materiality qualifier which shall be true in all respects) (i) at and as of the date of the Purchase Agreement, and (ii) on and as of the Closing Date as if made on the Closing Date, except to the extent that any representation or warranty is limited by its terms to a specific date or range of dates (in which case such representation or warranty was true and correct on the date or during the range of dates so specified); and
3. all of the covenants in the Purchase Agreement to be complied with or performed by the Seller by the Closing have been complied with or performed in all material respects.

Dated the ____ day of _____, 2019.

Name:

Title:

Schedule 3.2(1)(a)
Form of Buyer's Bring-Down Certificate

CERTIFICATE

TO: Conifex Inc. (the "Seller")

This certificate is given pursuant to section 3.2(1)(a) of the asset purchase agreement (the "**Purchase Agreement**") dated the ____ day of June, 2019 among the Seller, Conifex Timber Inc. and Hampton Lumber Mills – Canada Ltd. (the "**Buyer**") providing for the sale by the Seller to the Buyer of all of the Purchased Assets. Unless otherwise provided in this certificate, terms used in this certificate that are defined in the Purchase Agreement have the meanings given to them in the Purchase Agreement.

I, _____, _____ of the Buyer, hereby certify, in my capacity as an officer of the Buyer and not in my personal capacity and without personal liability, that:

1. I am familiar with and have examined the provisions of the Purchase Agreement;
2. the representations and warranties of the Buyer contained in Section 5.2 of the Purchase Agreement were and are, individually and collectively, true and correct in all material respects (except those subject to a materiality qualifier which shall be true in all respects) (i) at and as of the date of the Purchase Agreement, and (ii) on and as of the Closing Date as if made on the Closing Date, except to the extent that any representation or warranty is limited by its terms to a specific date or range of dates (in which case such representation or warranty was true and correct on the date or during the range of dates so specified); and
3. all of the covenants in this Agreement to be complied with or performed by the Buyer by the Closing shall have been complied with or performed in all material respects.

Dated the ____ day of _____, 2019.

Name:

Title:

**Schedule 4.2(e)
Transmittal Letter**

[see attached]

Redacted. Confidential business information.

Schedule 5.1(12)
Location of Purchased Assets

- Real Property located at 300 Takla Road, Fort St. James, British Columbia having a legal description of:
 - PID: 026-468-646, Lot A Plan BCP20449 District Lot 4749 Range 5 Coast Range 5 Land District & DL 4749, 4750, 4751, 4752
- The physical locations referred to in items listed under Schedule 1.1(79) Leased or Licensed Property.

**Schedule 5.1(20)(a)
Regulatory Approvals**

Redacted. Confidential business information.

**Schedule 5.1(20)(b)
Third Party Contractual Approvals**

Redacted. Confidential business information.

**Schedule 5.1(22)
Changes**

None.

Schedule 5.1(24)
Litigation

None.

Schedule 5.1(25)
Environmental Matters

- (a) None, except as specifically identified in the Phase I or Phase II Report.
- (b) None, except as specifically identified in the Phase I or Phase II Report.
- (c) None, except as specifically identified in the Phase I or Phase II Report.
- (d) None, except as specifically identified in the Phase I or Phase II Report.
- (h) None, except as specifically identified in the Phase I or Phase II Report.
- (k) None, except as specifically identified in the Phase I or Phase II Report.
- (l) None, except as specifically identified in the Phase I or Phase II Report.

**Schedule 5.1(26)(a)
Employee Matters**

Current Unionized Employees

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Non-Unionized Employees

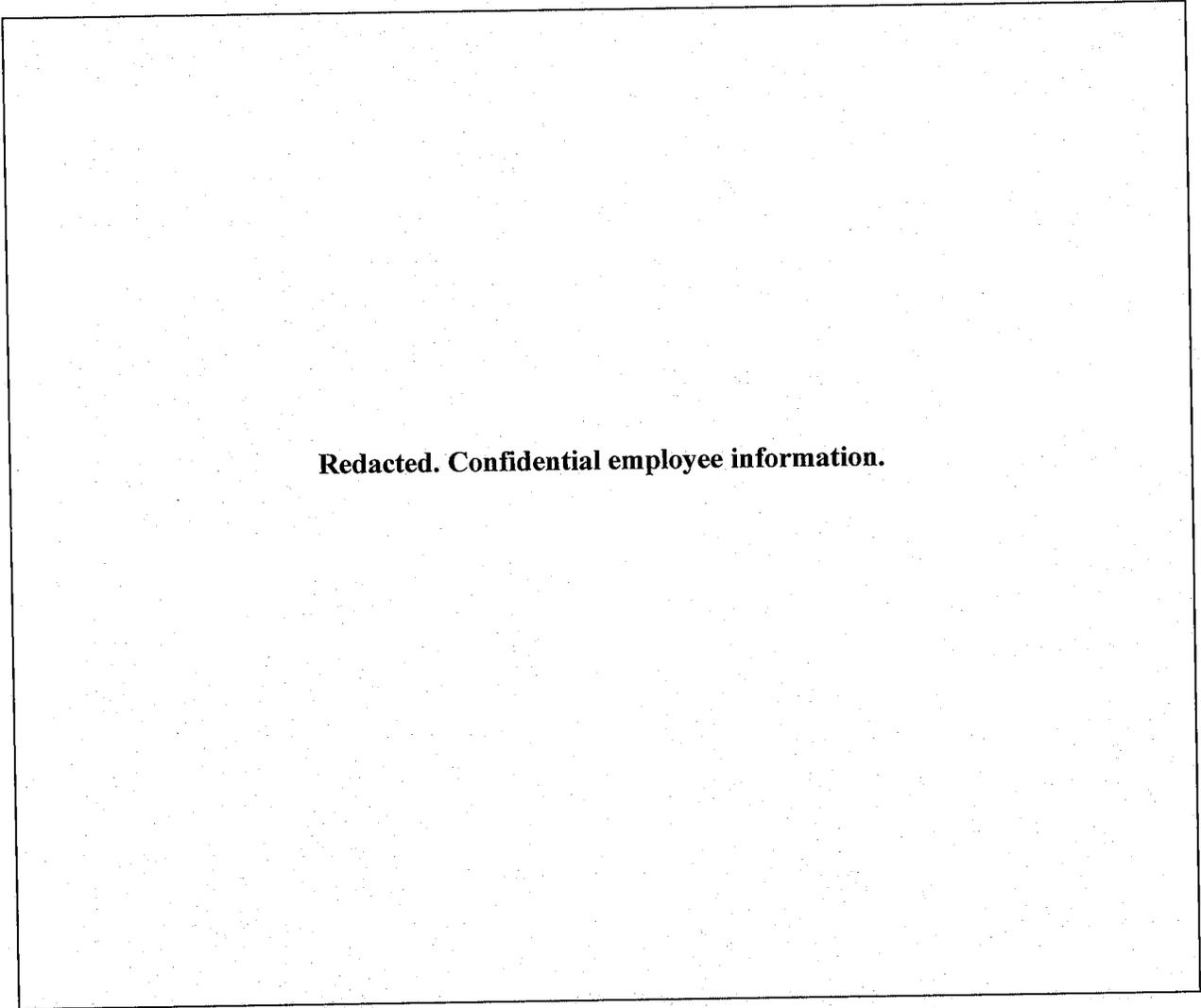
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**Schedule 5.1(27)
Labour Matters**

Active Grievances:



These 61 unionized Employees are owed retroactive bonuses as set out below.

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Redacted. Confidential employee information.

Redacted. Confidential employee information.

**Schedule 5.1(28)
Employees and Others**

None.

**Schedule 5.1(29)
Finder's Fees**

None.

**Schedule 5.2(5)
Buyer Consents and Approvals**

None.

Schedule 6.4(b)
Curtailment (Mothballing) Tasks

General/Office/Documents & Technology

- Locate all documents, drawings and manuals and place them in the front office
- Provide all documentation on oil-based transformers, capacitors, and switches, buried storage tanks, or any other environmentally sensitive issues
- Locate and provide labeled primary and spare keys to the facility, inclusive of Buildings, vehicles, fire systems, and any other locking security used on the site.
- Locate, assemble and identify all discs, licenses, Software keys and documents for all electronic equipment computers
- Provide documentation and equipment licenses (Scanners, PLCS, programming Software, etc.) and place them in the front office
- Terminate all agreements for services such as garbage, paper delivery, vending machine vender, bottled water etc. and remove their equipment from the site

Machinery & Equipment Maintenance/Storage

- Drain/dry the boiler system, provide desiccants to keep it dry
- Remove all water from condensate lines in the boiler and kilns
- Clean and remove all water from the compressed air lines and filters
- Purge all saw lubricant systems and other lubricant systems
- Locate and assemble all company owned maintenance equipment (welders, torches, radios, come-longs, etc.) to the maintenance shop for locked storage
- Locate and assemble all owned specialized/precision tools and equipment (alignment jigs, tools, etc.) to the maintenance shop for locked storage
- Remove and assemble all knives, saws, guides etc. and place them in the saw filing room
- Ensure water systems, natural gas systems, thermal oil systems, heating systems, compressed air systems are mothballed for curtailment to ensure they will not be damaged by winter conditions

Clean-up/Organize

- Remove all trash, Conifex paper wrap, dunnage, lath, strapping, bar coding and refuse from the site
- Remove all Conifex signage from the site
- Remove all chemicals (drums/cans/tanks/or other storage containers) from the site whether unused product or waste.
- Empty and clean all tanks containing liquid or sludge (including plumbing and other ancillary equipment connected to tanks).
- Remove all rental or non-Seller owned equipment from the site
- Blow down and collect all wood debris from all Buildings and equipment, and remove all wood debris from within Buildings (provide a clean mill)
- Empty all truck bins
- Cleanup any product, material and waste creating a fire risk/hazard

**Schedule 6.4(e)
Seller's Log Sales Commitments**

Redacted. Confidential business information.

Schedule 6.9
The Seller's Clean-up and Landfill Obligations

[SEE ATTACHED]

Redacted. Confidential business information.