

## GENERAL CONDITIONS OF PURCHASE

### (Western Forest Products Inc. and Western Lumber Sales Limited)

**1. Terms and Acknowledgment.** Unless otherwise agreed to in writing between the parties, these terms and conditions are incorporated into and form part of the purchase order (the "**Purchase Order**") and, collectively with these terms and conditions, the "**Agreement**") entered into between Western Forest Products Inc. or Western Lumber Sales Limited (each such buyer referred to in the Agreement as "**WFP**") and the seller (the "**Seller**" and together with WFP the "**parties**") of the products, as set out in the Purchase Order (the "**Products**"). In the event of any conflict or inconsistency between the Purchase Order and the terms and conditions herein, these terms and conditions will govern.

**2. Delivery.**

- (a) Seller will deliver the Products in the quantities and on the dates specified in the Purchase Order to the address specified in the Purchase Order (the "**Delivery Location**") during regular business hours. Timely delivery of the Products is of the essence.
- (b) Unless otherwise specified in the Purchase Order, Seller will deliver the Products to WFP by loading them onto the motor vehicle, railcar, vessel, barge or other mode of transportation of the carrier taking delivery of the Products at the Delivery Location and (i) if the Purchase Order provides for "Freight Prepaid", Seller will, at its cost, arrange the carrier to transport the Products from the Delivery Location to the "ship to" address provided in the Purchase Order; or (ii) in all other circumstances WFP will, at its cost, arrange the carrier to transport the Products from the Delivery Location.
- (c) Any (i) increase in shipping costs that becomes effective after the applicable Purchase Order has been executed; (ii) extra costs incurred in using an alternate method of delivery than that stated under the Purchase Order; or (iii) additional shipping costs that result from a request made by the Seller for any change to the Purchase Order after the Purchase Order is executed, shall be for the account of the Seller.

**3. Right to Inspection.** WFP has the right to inspect, and, as applicable, measure the Products. Products that do not meet the specifications of the Agreement may be deemed unsatisfactory at the sole discretion of WFP, acting reasonably. If WFP finds the Products to be unsatisfactory, WFP may reject the Products and may, in its sole discretion (a) require Seller to promptly provide replacement Products or (b) terminate the Agreement, in whole or part, in which case WFP will have no obligations to the Seller other than for the price of the Products that were accepted by WFP. Any inspection or other action by WFP under this section will not reduce or otherwise affect Seller's obligations under this Agreement.

**4. Price and Taxes.** The price of the Products is the price stated on the Purchase Order. Unless otherwise specified in the Purchase Order, the price does not include any applicable tax, assessment, duty, tariff or other charge, including any interest, penalties or other additions that may become payable in respect of such taxes, assessments, duties, tariffs or other charges, which may be levied by any governmental authority upon purchase, import, delivery, consumption or use of the Products ("**Taxes**"), except for sales of Products manufactured in Canada to WFP in the United States, in which case the price includes brokerage, freight, discounts and duties, including without limitation anti-dumping and countervailing duties. Any Taxes, whether imposed prior or subsequent to delivery to WFP, shall be paid by WFP, unless WFP provides a valid reseller certificate or other exemption for such Taxes in the State or Province, as applicable, in which the Products are delivered to WFP.

**5. Payment.** Seller shall issue WFP an invoice on or any time after the Products have been delivered to the Delivery Location. WFP agrees to pay all undisputed invoice amounts when due. All invoice amounts are payable in the currency set forth in the Purchase Order.

**6. Set Off Rights.** WFP may, without notice to the Seller, set-off and apply all payments due to the Seller against any amount owing by Seller to WFP or any obligations of the Seller that may affect WFP's right to, or interest in, the Products. Any such payments will be considered a discharge of WFP's obligation to pay that amount due to the Seller.

**7. Grading and Size.** Unless otherwise specified in the Purchase Order, the grading rules of the National Lumber Grades Authority ("**NLGA**") in effect on the date of the Purchase Order shall govern the grading of all Products.

**8. Seller's Representations and Warranties.** The Seller represents and warrants that:

- (a) it has title to all Products delivered under the Agreement, free and clear of all encumbrances, taxes, dues and other charges;
- (b) the Products will be merchantable and fit for their intended purpose;
- (c) the Products will be packed for shipment according to WFP's instructions or, if there are no instructions, in a manner sufficient for the Products to be delivered undamaged; and
- (d) the Products delivered under the Agreement will meet the specifications set out in the Purchase Order.

**9. Disputes and Claims.** In the case of a complaint concerning grade, tally or manufacture of the Products, WFP will provide the Seller with written notice of any such claim within 45 business days after delivery to WFP of the Products. In the event WFP makes a claim in accordance with this Section, WFP will make the shipment available for re-inspection by the Seller and the NLGA in accordance with the re-inspection rules of the NLGA. If any valid claims are found, Seller will, at WFP's sole discretion: (a) promptly and at its expense furnish replacement Products to WFP; or (b) adjust the purchase price of the Products accordingly. The Seller acknowledges and agrees that the remedies set forth in this Section are not exclusive and that WFP will be entitled to any other remedies it may have in law.

**10. Insurance.** The Seller will, at its costs, arrange for any insurance it may require for the Products prior to delivery of the Products at the Delivery Location.

**11. Title and Risk.** Notwithstanding any Incoterm specified or adopted in the Agreement and notwithstanding any other provision in the Agreement, title to and risk of loss or damage of the Products shall pass from the Seller to WFP when Products are delivered to WFP at the Delivery Location in accordance with this Agreement.

**12. Delivery to WFP at Seller's Facility.** In the event that the Products are delivered to WFP at the Seller's facility, Seller will ensure that the Products are safely stored, protected and secured and separated, identified and otherwise isolated from other products (whether owned by the Seller or a third party) until they are removed from the facility. While Products are at Seller's facility Seller will maintain in full force, at its own expense, commercial general liability coverage insurance in amount no less than \$5,000,000 per occurrence, naming WFP as an additional insured (the "**Insurance**"). The Insurance must: (a) be issued by an insurance company reasonably acceptable to Buyer; (b) provide that such insurance carrier give Buyer at least 30 days' prior written notice of change, cancellation or non-renewal of policy coverage; (c) provide that such Insurance be primary insurance and any similar insurance in the name of and/or for the benefit of Buyer will be excess and non-contributory; (d) name Buyer, including all successors and permitted assigns, as additional insureds; and (e) waive any right of subrogation of the insurers against Buyer. Seller will not permit, directly or indirectly, any liens or other encumbrances to attach to the Products while they are at the Seller's facility and will promptly discharge any such liens or encumbrances. In the event that any of the Products are lost, damaged or destroyed while at the Seller's facility, the Seller will be responsible for all such loss, damage or destruction other than as arising from the gross negligence or wilful misconduct of WFP. Seller acknowledges that while the Products are at its facility it will not have any interest in the

Products and WFP may file any documents as may be necessary to give notice of its ownership of the Products or otherwise establish, preserve, protect and maintain WFP's rights, title and ownership of the Products. WFP will be entitled to enter the facility to retrieve and remove the Products at any time.

**13. Indemnity.** The Seller shall indemnify, defend and hold harmless, WFP, its affiliates and their respective directors, officers, employees, representatives and agents from and against any and all claims, losses, liabilities, costs and expenses (including legal fees) arising out of or resulting from (a) any breach or default by Seller of the Agreement; (b) the Products, or (c) the Seller's negligence or wilful misconduct. This Section shall survive the termination of the Agreement.

**14. Compliance with Law.**

- (a) The Seller shall comply with all applicable laws, regulations and ordinances.
- (b) The Seller shall maintain in effect all the licenses, permissions, authorizations, consents and permits that it needs to carry out its obligations under the Agreement.
- (c) The Seller shall comply with all export and import laws of all countries involved in the sale of Products under the Agreement.

**15. Cancellation.** WFP shall have the right to terminate the Agreement without any further liability (i) within 10 days, upon written notice; or (ii) immediately, if the Seller fails to comply with the terms of the Agreement or any previous Purchase Order or if the Seller becomes insolvent, commences bankruptcy or winding up proceedings, has a receiver or trustee appointed or makes an assignment for the benefit of its creditors.

**16. Confidentiality.** All non-public, confidential or proprietary information of WFP, whether disclosed orally or disclosed or accessed in written, electronic or other form or media, and whether or not marked, designated or otherwise identified as "confidential" in connection with the Agreement is confidential, solely for the use of performing the Agreement and may not be disclosed or copied unless authorized in advance by WFP in writing. Upon WFP's request, the Seller shall promptly return all documents and other materials received from WFP. WFP shall be entitled to injunctive relief for any violation of this Section. This Section does not apply to information that is: (a) in the public domain; (b) known to the Seller at the time of disclosure; or (c) obtained by the Seller on a non-confidential basis from a third party, provided that such third party, to the best of the Seller's knowledge after reasonable inquiry, was not and is not bound by an obligation of confidentiality to WFP.

**17. Entire Agreement.** The Agreement sets forth the entire agreement between the parties regarding the matters herein and supersedes all prior negotiations, understandings and agreements between the parties (whether written or oral) on such matters. THE SELLER EXPRESSLY ACKNOWLEDGES THAT THE TERMS AND CONDITIONS HEREIN GOVERN THE AGREEMENT BETWEEN THE PARTIES REGARDING THE MATTERS HEREIN AND THAT, UNLESS EXPLICITLY CONSENTED TO BY BOTH PARTIES IN WRITING, NO SUBSEQUENT TERMS OR CONDITIONS SHALL APPLY, AND WHERE ANY TERMS OR CONDITIONS ARE INCLUDED IN AN INVOICE OR OTHER DOCUMENT PROVIDED BY THE SELLER TO WFP, THE TERMS AND CONDITIONS OF THE AGREEMENT WILL APPLY AND THE TERMS AND CONDITIONS OF SUCH INVOICE OR DOCUMENT WILL BE VOID.

**18. No Assignment.** The Seller may not transfer or assign the Agreement.

**19. Amendments.** No provision of the Agreement may be amended, modified, waived or changed, unless made in writing and signed by WFP.

**20. Relationship.** Neither party is, by operation of the Agreement, the agent or partner of the other. The Agreement does not create a joint venture or partnership between the parties.

**21. No Waiver.** No failure or delay by either Party in exercising any right under the Agreement will operate as a waiver of that right, and the single or partial exercise of a right under the Agreement will not preclude any other or future exercise of that or any other right, power or privilege.

**22. Notices.** Notices. All notices, requests and other communications required hereunder (each a "**Notice**") must be in writing and are effective upon: (a) the day of delivery, when delivered by personal delivery; (b) confirmation of transmission, when sent by facsimile or e-mail; or (c) on the third business day after mailing, if mailed by certified or registered mail (with prepaid postage and a return receipt requested). Notice must be sent to the respective parties at the addresses specified in the Purchase Order.

**23. Governing Law.** The Agreement is exclusively governed by and construed in accordance with the laws of the Province of British Columbia. The United Nations Convention on Contracts for the International Sale of Goods does not apply to the Agreement.

**24. Attornment.** With respect to all disputes arising under the Agreement each of the parties consents to the exclusive jurisdiction of the courts of British Columbia. Each party irrevocably and unconditionally waives any right it may have to a trial by jury in respect of any legal action arising out of or relating to the Agreement.