

GENERAL CONDITIONS OF SALE

(Western Forest Products Inc., Western Lumber Sales Limited, Western Forest Products Japan Ltd. and Western Forest Products US LLC)

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 sales order (the “**Sales Order**” and, collectively with these terms and conditions, the “**Agreement**”) entered into between Western Forest Products Inc., Western Lumber Sales Limited, Western Forest Products Japan Ltd. or Western Forest Products US LLC (each such seller referred to in the Agreement as “**WFP**”) and the purchaser (the “**Purchaser**” and together with WFP the “**parties**”) of WFP’s products, as set out in the Sales Order (the “**Products**”). In the event of any conflict or inconsistency between the Sales Order and the terms and conditions herein, these terms and conditions will govern.

2. Delivery.

- (a) If the Sales Order provides for shipping terms as: (i) “**FOB**” a specified location (the “**Delivery Location**”), WFP will deliver the Products to the Purchaser 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 (A) if the Sales Order provides for “**Freight Prepaid**”, WFP will, at its cost, arrange the carrier to transport the Products from the Delivery Location to the “ship to” address provided in the Sales Order; or (B) in all other circumstances the Purchaser will, at its cost, arrange the carrier to transport the Products from the Delivery Location; or (ii) “**CIF**” or “**CFR**”, WFP will deliver the Products by loading them onto the vessel at the port of loading (the “**Delivery Location**”) for delivery to the destination port provided in the Sales Order (the “**Destination Port**”) and WFP will, at its cost, arrange the carrier to transport the Products from the Delivery Location to the Destination Port.
- (b) The Purchaser acknowledges and agrees that the date of shipment is an approximation only and is not guaranteed.
- (c) WFP has the right to ship all Products purchased under a Sales Order at one time or in any portion from time to time and, as applicable, on one or more vessels under one or more bills of lading.
- (d) Any (i) increase in shipping costs that become effective after the applicable Sales Order has been executed; (ii) extra costs incurred in using an alternate method of delivery then that stated under the Sales Order; or (iii) additional shipping costs that result from a request made by the Purchaser for any change to the Sales Order after the Sales Order is executed, shall be for the account of the Purchaser.

3. Price and Taxes. Unless otherwise specified in the Sales 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 Purchasers 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 the Purchaser, shall be paid by the Purchaser, unless the Purchaser provides to WFP’s satisfaction a valid reseller certificate or other exemption for such Taxes in the State or Province, as applicable, in which the Products are delivered to the Purchaser. WFP may pay any Taxes directly to the appropriate governmental authority, in which case the Purchaser will reimburse WFP for the amount of the Taxes paid by WFP.

4. Payment. The Purchaser agrees to pay WFP all invoice amounts when due, all legal fees and expenses incurred by WFP in collecting such amounts, and interest on all outstanding amounts from and after the payment due date at a rate of 1.75 % per month (21% per annum). All invoice amounts are payable in the currency set forth in the Sales Order. In addition to all other remedies available under the Agreement or at law, WFP is entitled to suspend delivery of any Products if the Purchaser fails to pay any amounts when due hereunder.

5. Credit Impairment. The Purchaser consents to WFP conducting such credit investigations of the Purchaser as WFP may require from time to time to ascertain the financial viability of the Purchaser. If at any time the Purchaser's credit worthiness becomes, in WFP's sole judgment, impaired, then WFP shall have the right to request proof of the Purchaser's credit worthiness. If the Purchaser is not able to provide satisfactory proof of credit worthiness, WFP may, in addition to any and all other remedies available to it under applicable law, decline to deliver the Products to the Purchaser until such time as the Purchaser's credit has been re-established, to WFP's satisfaction.

6. Security Interest. The Purchaser grants WFP a security interest in and to all of the right, title and interest of Purchaser in and to the Products and all proceeds, as defined in the *Personal Property Security Act* (British Columbia), the *Uniform Commercial Code* or any equivalent legislation of the jurisdiction where the Purchaser is located (collectively, the "Collateral"), securing payment and performance of all present and future obligations of the Purchaser to WFP from time to time including without limitation, all present and future indebtedness and other obligations of the Purchaser to WFP under the Agreement, due or to become due, now existing or hereafter arising. Acceptance of the Products by Purchaser shall be deemed to be conclusive evidence of the Purchaser's acceptance of these terms of sale and granting of this security interest. To the extent the Product is sold on credit to the Purchaser, the Purchaser acknowledges and agrees that the security interest created hereunder constitutes and is intended to create a purchase money security interest in the Collateral.

7. Grading and Size.

- (a) Unless otherwise specified in the Sales Order, the grading rules of the National Lumber Grades Authority ("**NLGA**") in effect on the date of the Sales Order shall govern the grading of all Products.
- (b) The Purchaser acknowledges and agrees that the Products description in the Sales Order and any other documentation provided by WFP in connection with the sale of the Products may reflect the nominal size of the Products and that the nominal size may not reflect the dressed or actual size of the Products.

8. Disputes and Claims. In the case of a complaint concerning grade, tally or manufacture of the Products, the Purchaser will be deemed to have accepted the Products unless it provides WFP with written notice of any such claim within 5 business days after delivery to the Purchaser of the Products. In the event the Purchaser makes a claim in accordance with this Section, the Purchaser 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, WFP will, at WFP's sole discretion: (i) furnish replacement Products to the Purchaser; or (ii) adjust the purchase price of the Products accordingly. The Purchaser acknowledges and agrees that the remedies set forth in this Section are the Purchaser's exclusive remedies for a valid claim.

9. Insurance. If the Sales Order provides for shipping terms as (a) "FOB" or "CFR", the Purchaser will, at its cost, arrange for any insurance it requires over the Products after the Products are delivered to the Delivery Location; or (b) "CIF", WFP will, at its cost, arrange for insurance against the Purchaser's risk of loss or damage to the Products in accordance with the terms as set out in INCOTERMS® 2010 until the Products are delivered to the Destination Port. The Purchaser will be responsible for any insurance it requires over and above the minimum levels provided under INCOTERMS® 2010.

10. Quantity Tolerances. Unless otherwise specified in the Sales Order, the Purchaser acknowledges WFP's right to increase or decrease the quantity called for under the Sales Order by not more than 10%, if necessary to avoid waste, to avoid breaking customary shipping units, to meet minimum tariff requirements or size of equipment furnished, or to comply with governmental regulations.

11. Prior Sale. All Products are subject to prior sale.

12. 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 to Purchaser: (i) if the Sales Order provides for motor vehicle, rail or barge as the mode of transport, upon completion of delivery of the Products to the carrier at the Delivery Location; (ii) if the Sales Order provides for vessel as the mode of transport, upon the first package of the Products passing the vessel's rail at the Delivery Location; or (iii) if the Sales Order provides for "DAP" as the mode of transport, upon WFP issuing an invoice to the Purchaser for the Products.

13. Limited Warranty. WFP warrants to the Purchaser that on the date of shipment the Products materially conform to the specifications set out in the Sales Order. WFP DISCLAIMS ALL OTHER WARRANTIES AND CONDITIONS, EXPRESS OR IMPLIED, STATUTORY OR OTHERWISE, INCLUDING, BUT NOT LIMITED TO, THE IMPLIED WARRANTIES AND CONDITIONS OF MERCHANTABILITY, MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, DURABILITY, COURSE OF DEALING OR USAGE OF TRADE.

14. Limitation of Liability. WFP'S LIABILITY UNDER THE AGREEMENT SHALL, IN NO EVENT, EXCEED THE TOTAL PRICE OF THE PRODUCTS. IN NO EVENT SHALL WFP BE LIABLE FOR CONSEQUENTIAL, INDIRECT, INCIDENTAL, PUNITIVE OR SPECIAL DAMAGES, REGARDLESS OF WHETHER THE POSSIBILITY OF SUCH DAMAGES HAS BEEN DISCLOSED IN ADVANCE BY PURCHASER OR COULD HAVE BEEN REASONABLY FORESEEN BY PURCHASER.

15. Indemnity. The Purchaser 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 (i) any breach or default by the Purchaser under the Agreement; (ii) the use, handling, transport, storage, manufacture, processing, alteration, distribution, sale or marketing of the Products, or (iii) any other action or omission with respect to the Products, after delivery thereof to the Purchaser. This Section shall survive the termination of the Agreement.

16. Compliance with Law.

- (a) The Purchaser shall comply with all applicable laws, regulations and ordinances.
- (b) The Purchaser shall maintain in effect all the licenses, permissions, authorizations, consents and permits that it needs to carry out its obligations under the Agreement or any resale of the Products by the Purchaser.
- (c) The Purchaser shall comply with all export and import laws of all countries involved in the sale of Products under the Agreement. The Purchaser assumes all responsibility for shipments of Products requiring any governmental import clearance. WFP may terminate the Agreement if any governmental authority imposes or increases antidumping or countervailing duties, imposes quotas on the Products or otherwise imposes any other penalties on the Products.

17. California Proposition 65. If the Purchaser intends to sell the Products in California, the Purchaser will display the following warning in a manner in accordance with the requirements of California Proposition 65:

WARNING: Drilling, sawing, sanding or machining wood products can expose you to wood dust and other substances known to the State of California to cause cancer. Wood products emit chemicals including methanol known to the State of California to cause birth defects or other reproductive harm. Avoid inhaling wood dust or use a dust mask or other safeguards for personal protection. For more information go to www.P65Warnings.ca.gov/wood.

18. Force Majeure. WFP shall not be responsible for any delay or failure of performance under the Agreement resulting from any cause reasonably beyond WFP's control including, without limitation, an act of God, a strike, a lockout or labour disturbance, a riot or civil commotion, the outbreak of war, adverse weather conditions, storms, floods, fire, earthquake, damage or detention at sea or reduction, suspension or shutdown of WFP's operations for any reason whatsoever (each a "**Force Majeure Event**"). WFP may, at its option and without liability hereunder, cancel the volume of the Products that, as a consequence of the Force Majeure Event, could not be delivered by WFP. WFP shall provide the Purchaser with prompt notice of any Force Majeure Event. WFP shall not be liable for damages resulting from such failure to perform or otherwise resulting from a Force Majeure Event.

19. 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 Purchaser fails to comply with the terms of the Agreement or any previous Sales Order or if the Purchaser becomes insolvent, commences bankruptcy or winding up proceedings, has a receiver or trustee appointed or makes an assignment for the benefit of its creditors.

20. 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 Purchaser 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: (i) in the public domain; (ii) known to the Purchaser at the time of disclosure; or (iii) obtained by the Purchaser on a non-confidential basis from a third party, provided that such third party, to the best of the Purchaser's knowledge after reasonable inquiry, was not and is not bound by an obligation of confidentiality to WFP.

21. 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 PURCHASER 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 PURCHASER TO WFP, THE TERMS AND CONDITIONS OF THE AGREEMENT WILL APPLY AND THE TERMS AND CONDITIONS OF SUCH INVOICE OR DOCUMENT WILL BE VOID.

22. No Assignment. The Purchaser may not transfer or assign the Agreement.

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

24. Governing Law. The Agreement is exclusively governed by and construed in accordance with the laws of: (i) the Province of British Columbia if the seller is Western Forest Products Inc., Western Lumber Sales Limited or Western Forest Products Japan Ltd.; or (ii) the State of Washington if the seller is Western Forest Products US LLC, without giving effect to the applicable jurisdictions' choice or conflict of law provision or rule. The United Nations Convention on Contracts for the International Sale of Goods does not apply to the Agreement.

25. Attornment. With respect to all disputes arising under the Agreement each of the parties consents to the exclusive jurisdiction of: (i) the courts of British Columbia if the Agreement is governed by the laws of British Columbia; or (ii) a federal or state court located in King County, Washington if the Agreement is governed by the laws of the State of Washington. 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.